



BNP PARIBAS

# BNP Paribas

Sustainable Growth and Value Creation

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*Chief Executive Officer*

*12 September 2007*

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*Please note that 2003 and 2004 figures are based on French accounting standards, while 2005, 2006 and 2007 figures are based on IFRS accounting standards.*



**BNP PARIBAS**

# Presentation overview

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## **BNP Paribas at a Glance**

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An integrated business model

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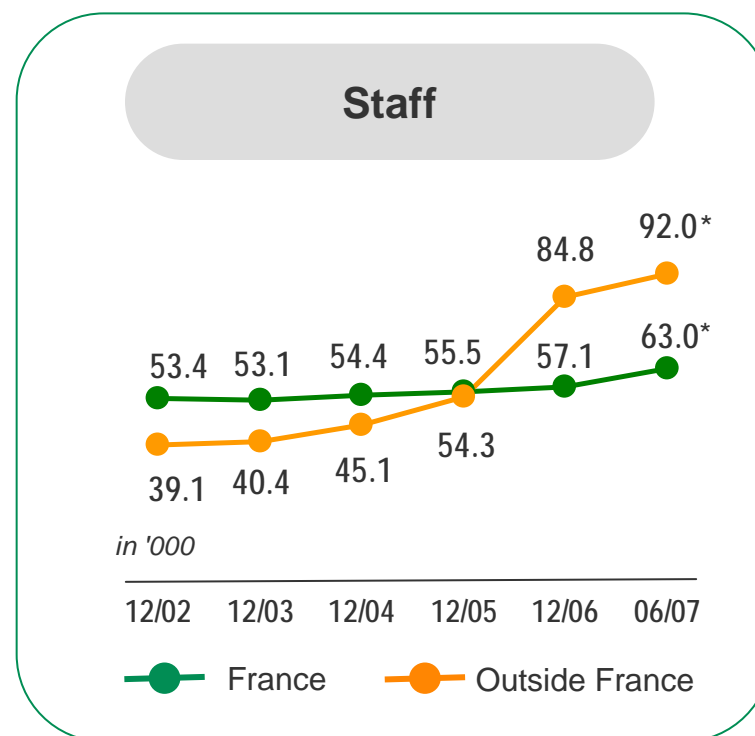
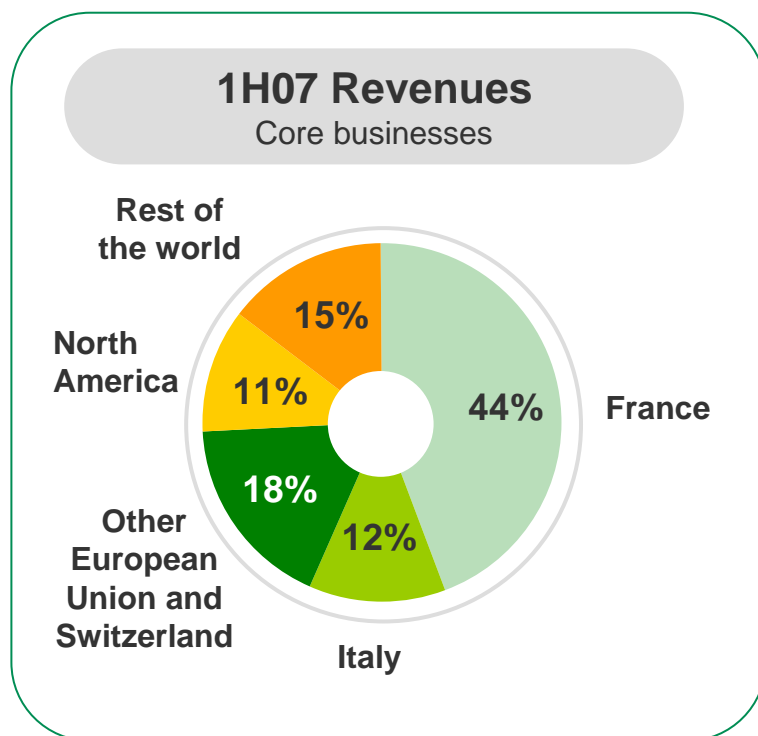
Value Proposition for Shareholders

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- #1 Net Income in 1H07, #2 Market Capitalisation in the Eurozone, #13 Market Capitalisation worldwide\*
- Fast-paced growth, mainly organic
  - Revenues + 16.8% 1H07/1H06
- A predominantly European group, with a leadership in most businesses
- A diversified business model with a strong focus on cross-selling
- A track record of growth and value creation
  - EPS up 23.3% per annum since 2003
  - EPS up 17.9% 1H07/1H06

\* Source: Bloomberg, market capitalisation as at September 5, 2007

# BNP Paribas A Predominantly European Group



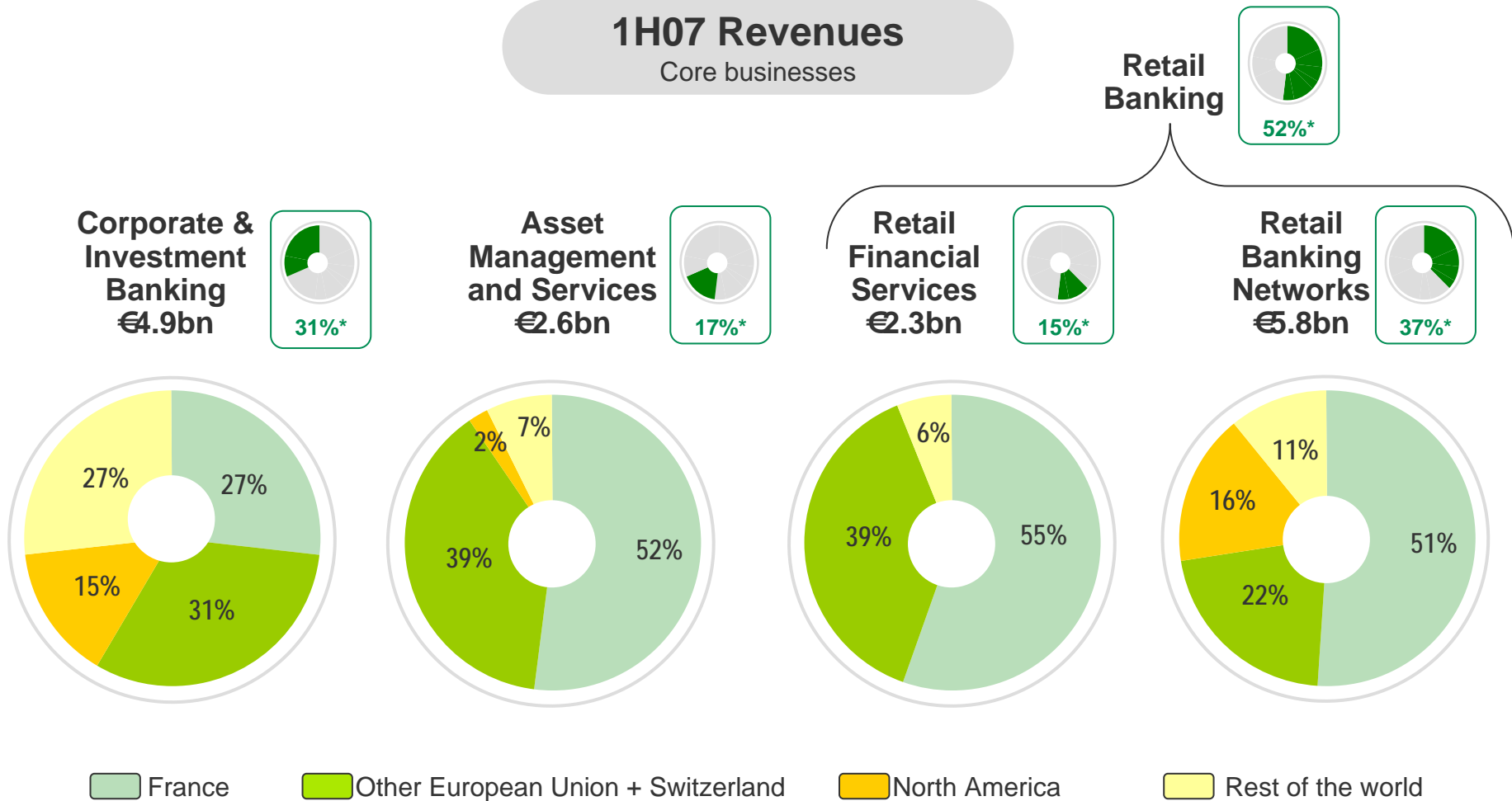
\*incl. Laser Cofinoga (France 5,500, outside France 1,900)

**74% of revenues in Europe**

# BNP Paribas

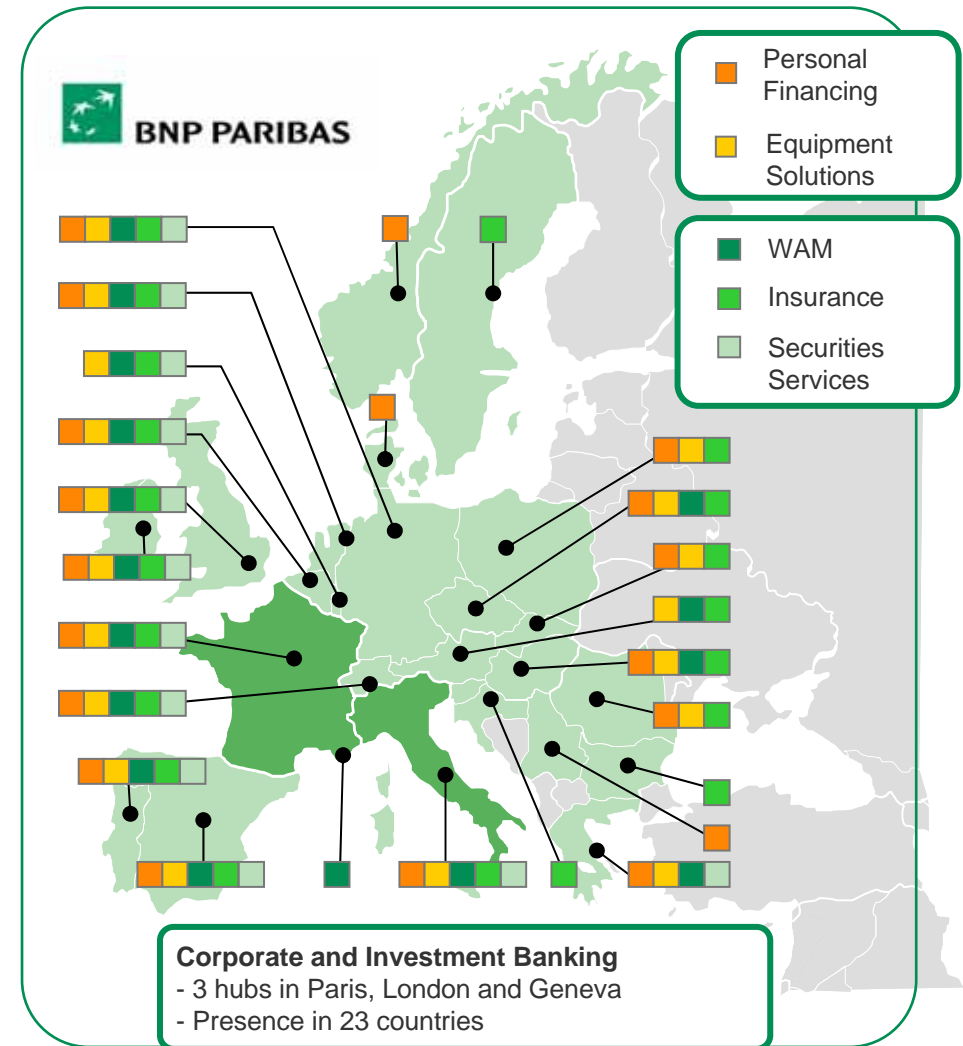
## A Pan-European Presence in All Businesses

**1H07 Revenues**  
Core businesses

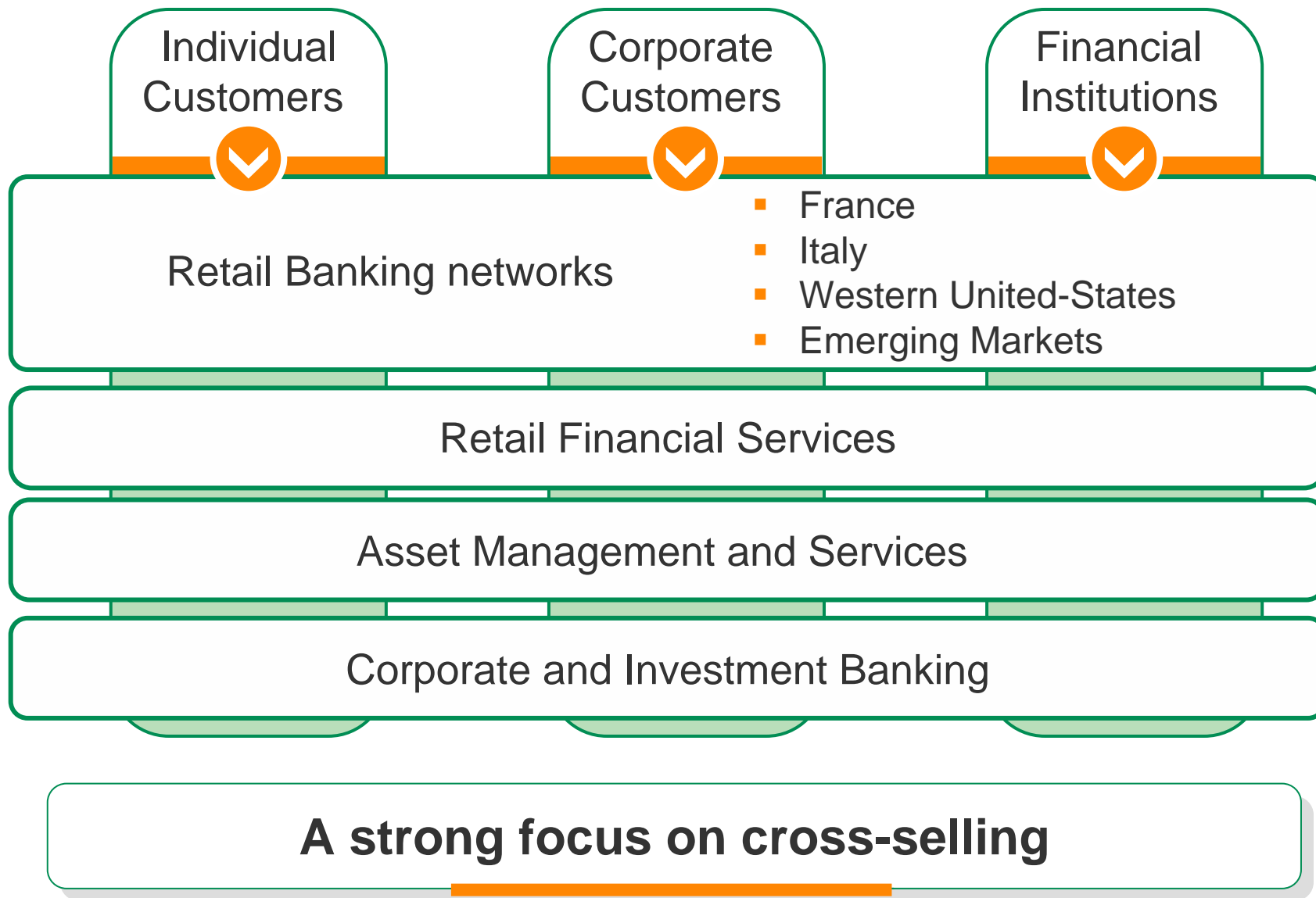


\*% of 1H07 core businesses results

- Two domestic markets in Europe
- Corporate and Investment Banking
  - A leading European powerhouse with global reach in Derivatives and Specialised Finance
  - # 2 Worldwide in Equity Derivatives
  - Among the Global leaders in Energy & Commodities Finance
- Asset Management and Services
  - Leader for On-line Brokerage and Savings
  - # 1 Securities Services
  - # 1 Corporate Real Estate Services\*
- Retail Financial Services
  - # 1 Consumer Lending\*
  - # 2 Equipment Leasing
  - # 2 Long-term Car Rental



Sources: Lease Europe, EuroProperty and BNP Paribas Research \*Continental Europe





**BNP PARIBAS**

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BNP Paribas at a Glance

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**An integrated business model**

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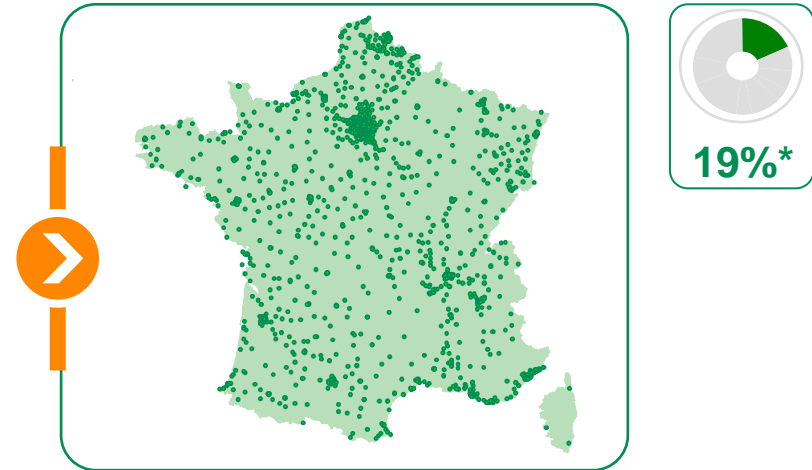
Value Proposition for Shareholders

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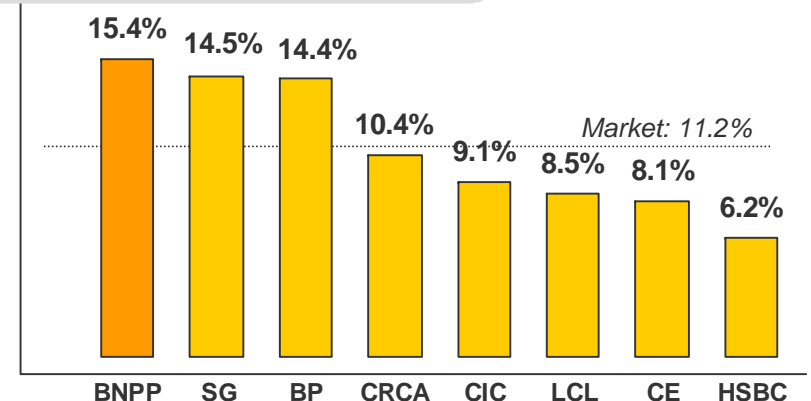
# French Retail Banking

## Outperforming in a Highly Competitive Market

- A growing customer base focused on wealthier urban areas
  - 6mn customers
  - +170,000 in 2006
- Product innovation and advanced techniques in distribution and CRM
  - Fee income 46% of total revenue in 1H07
- A low margin/low risk model
  - Prudent mortgage practices
  - Assets held on balance sheet
- #1 in Private Banking
  - 212 private banking centres serving 107,000 upper affluent customers
  - Efficient cross-referral framework with retail and corporate
- A proven model for corporate clients
  - 24 business centres, serving 22,000 corporate and institutional clients



Revenue Growth 2006/2003\*\*

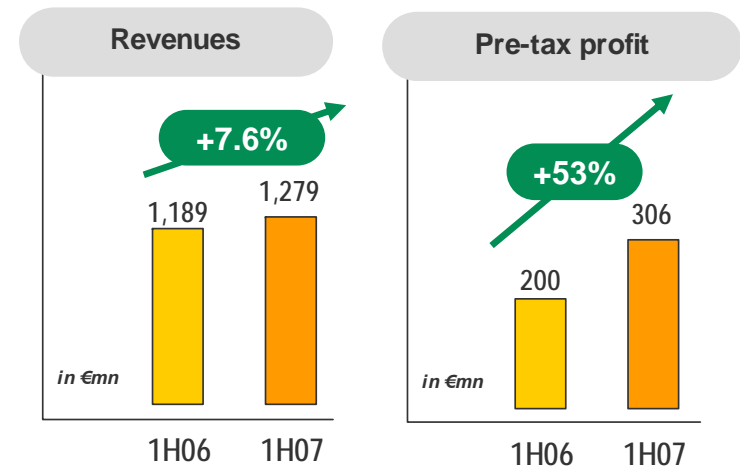


\*% of 1H07 core businesses results

\*\*Source : company data at constant scope and perimeter excluding PEL / CEL effects for 2006; CRCA excluding CASA dividend, HSBC France including both Individual and SME customers divisions

# A Second Domestic Market with Higher Potential

- Italy: an attractive banking market
  - Higher margins/ higher risk
  - Sound mortgage practices, similar to France
  - Under-penetrated markets (mortgages, consumer credit, life insurance and pension funds)
  
- BNL: an opportunity with significant upside potential
  - Bought at 1.9 x book value in 2006
  - Nationwide network of 895 branches and centres
  - 2.7mn customers
  
- BNP Paribas: adding substantial value
  - Leverage market knowledge from pre-existing presence in Italy in specialised businesses
  - Bring full product set to the network
  - Revitalize franchise through use of best practices from throughout BNP Paribas
  
- €480mn synergies target for 2009
  - Ahead of implementation schedule

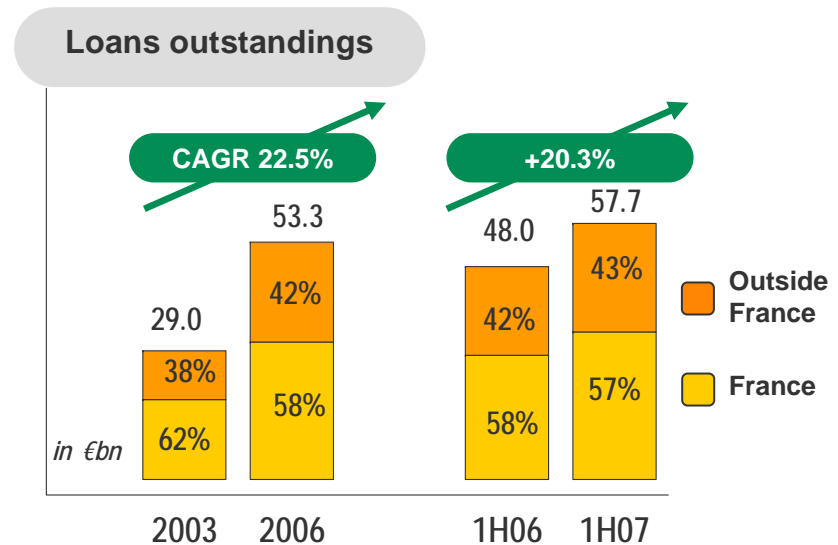
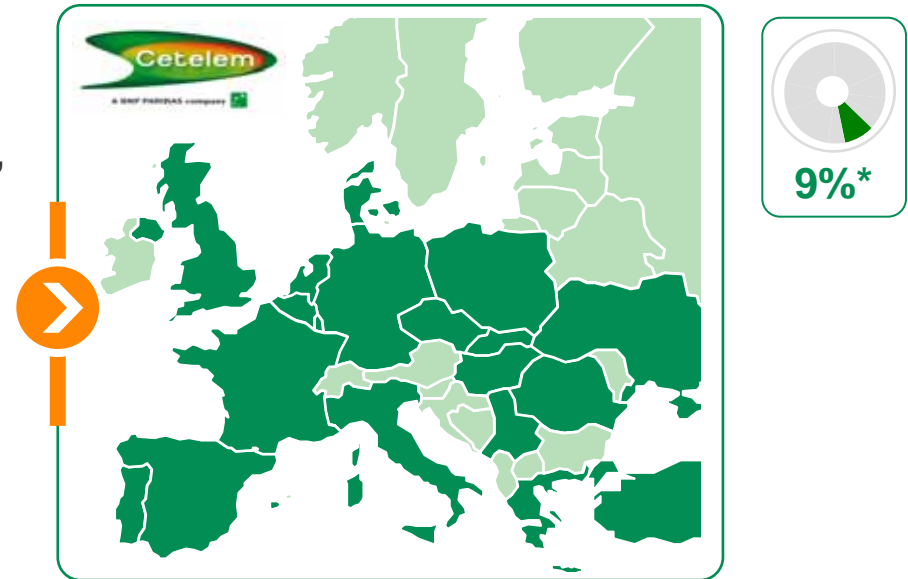


\*BNL Banca Commerciale: % of 1H07 core businesses results

# Consumer Credit

## Cetelem: A Leader in Consumer Finance

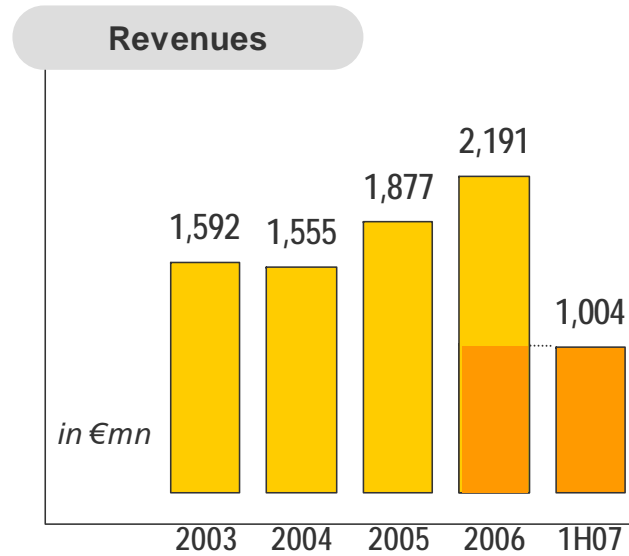
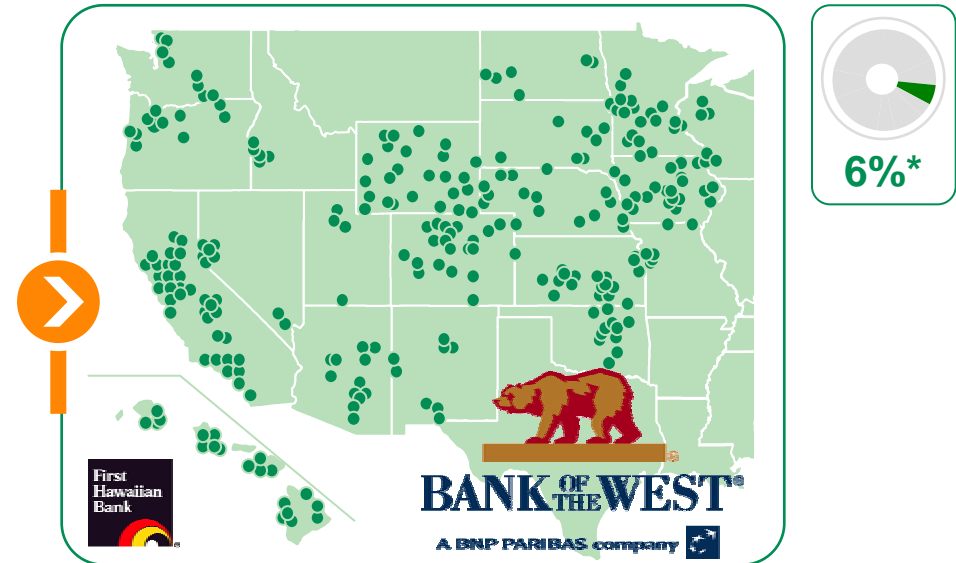
- Leading market positions in Europe
  - Western Europe: #1 in France, #1 in Italy, #3 in Spain
  - Central Europe: #1 in Hungary, #2 in Romania, #3 in the Czech Rep. and Slovakia
- #1 In Europe for on-line distribution
- Continued strong growth, especially outside France
  - Half of new loan production outside France: Italy, Spain, Brazil, Central Europe
- Low cost of risk
  - Sophisticated scoring tools
  - No material presence in the subprime segment
  - Growing weight of emerging countries



\*% of 1H07 core businesses results

# United States BancWest: A Solid Retail Franchise

- The western United States: a large and growing market
  - Population 2006: 98mn\*\* (7% projected growth 2006-2011\*\*)
- A focus on community banking
- A track record of value creating acquisitions
  - 1980-2003: 14 acquisitions
  - 2004: Community First and Union Safe Deposit
  - 2005: Commercial Federal
- A low-risk business model

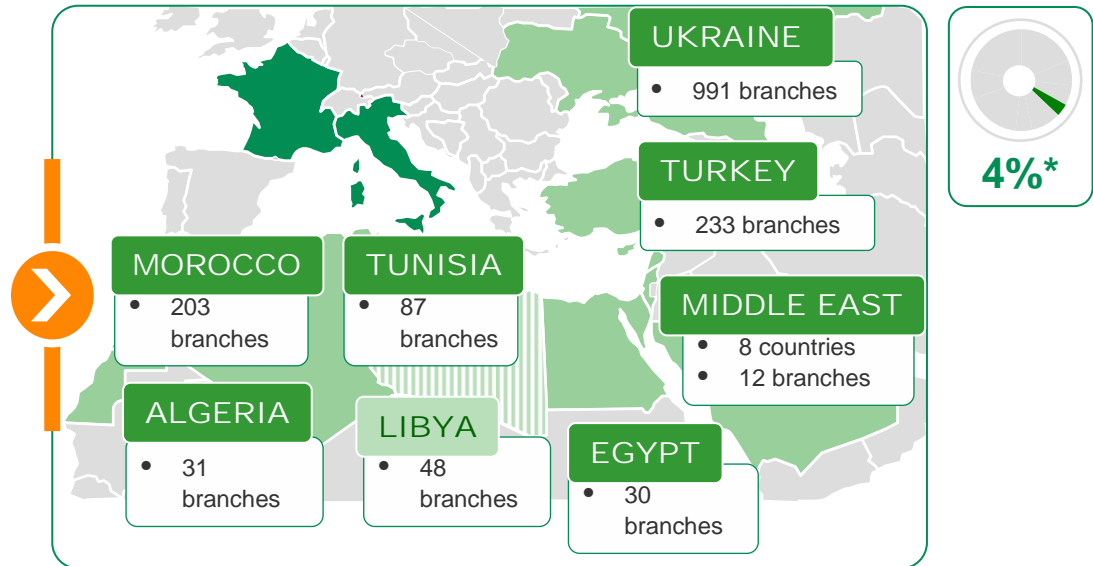


\* % of 1H7 core businesses results

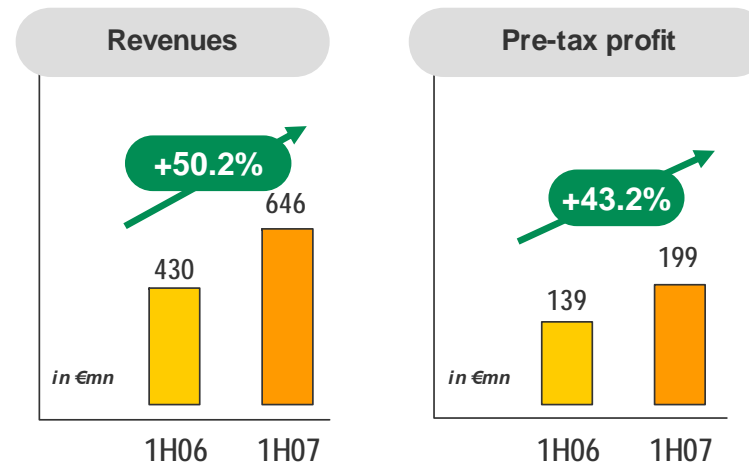
\*\*Source: SNL

# Emerging Retail Banking Growing Around the Mediterranean Area

- Expand the retail banking networks either organically or through disciplined acquisition
  - Acquisitions of TEB in Turkey, UkrSibbank in Ukraine
  - Acquisition in progress of Sahara Bank in Libya
  - Tripled the number of branches from 574 to 1737 in the last 18 months



- Progressively roll out the integrated business model
  - Best-in class CRM and distribution know-how
  - Leveraging growing base of affluent customers to develop asset management and private banking services
  - Leveraging the economic growth and trade flows to cross sell CIB products

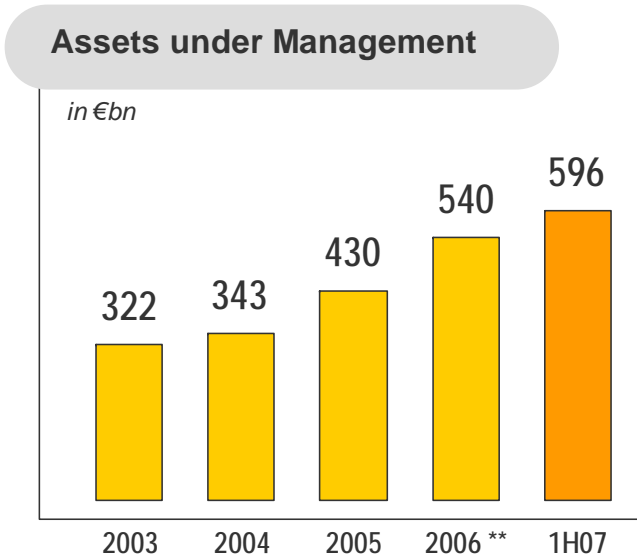
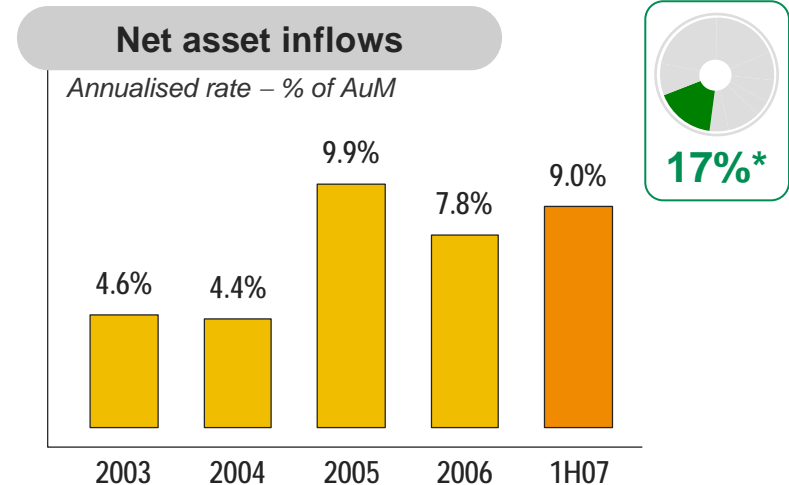


\*% of 1H07 core businesses results

# Asset Management and Services

## A Powerful Growth and Value-Creation Engine

- Favourable underlying economic trends
  - Developed economies: ageing population, deficits in public pension and health schemes
  - Emerging countries: expanding middle class, more high net-worth individuals
- Recognised expertise in most business areas
  - #1 for Private Banking in France
  - Leader for On-line Brokerage and Savings in Europe
  - Leader for Creditor Insurance Worldwide
  - #1 for Securities Services in Europe
  - #1 for Corporate Real Estate Services in Continental Europe
- Focus on retail distribution
  - Individuals represent 61% of asset source
- High growth in revenues and profitability
  - Revenues: +21.9% / 1H06
  - Pre-tax profit: +25.4% / 1H06



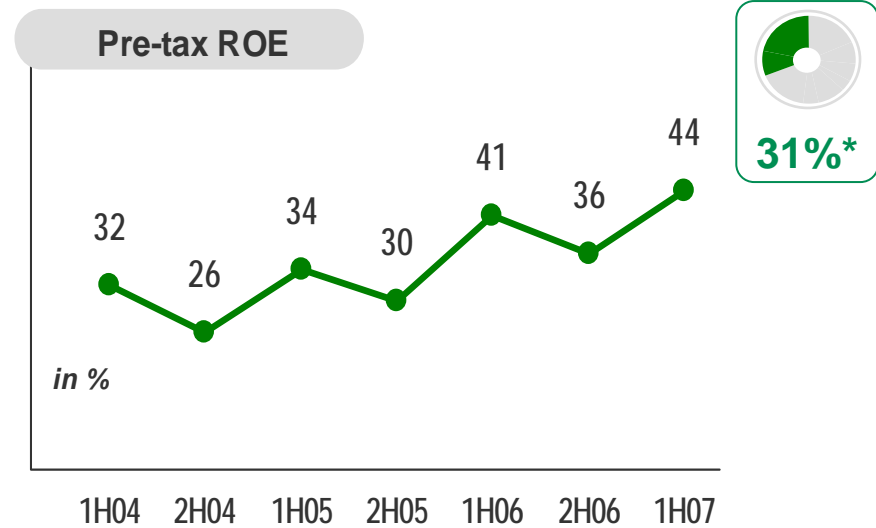
\*% of 1H07 core businesses results

\*\*Pro forma

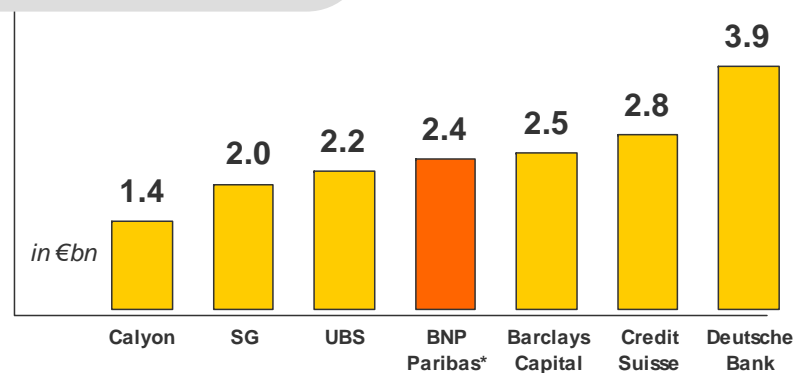
- Out of €596bn of assets under management, only €700mn were invested in US subprime securities within BNP Paribas AM's mutual funds:
  - 3 funds, with assets totalling €2bn as at 27<sup>th</sup> July, clearly labelled as ABS, with a recommended investment horizon of 12 months
  - of which 35% invested in US subprime tranches (1/3 AAA, 2/3 AA)
- Temporarily suspended following the sudden and complete evaporation of liquidity on August 6<sup>th</sup> in the US ABS market
  - Impossibility to establish fair value of underlying assets
  - Protected investors interests, given the high quality of assets
  - Acted with full transparency and in compliance with regulators
  - Maintained clear distinction between funds and the bank
  - Did not increase bank's negligible exposure to US subprime
- Promptly re-opened on Aug 28<sup>th</sup> and 30<sup>th</sup>
  - NAV down by 1 to 2% since Aug 7<sup>th</sup>

# Corporate and Investment Banking A European Leader with Global Franchises

- 14,900 staff in 52 countries
- Strong areas of excellence in businesses with high barriers to entry
  - Derivatives (Equity, Interest rates, Credit, FX, Commodities), where new asset classes, new products and new investors types are fuelling demand and liquidity
  - Specialized lending (Energy & Commodities, Acquisition Finance), supported by globalisation and demand for energy
- A business model anchored on clients
  - Central role of Coverage teams to foster cross-selling
  - Limited proprietary trading business
- Growth achieved purely organically since merger of BNP and Paribas in 1999
- Strong skills in efficiency and risk management



**European CIBs 1H07  
Pre-Tax Income**



• BNP Paribas CIB figures do not include private equity nor cash equity (Exane)

• CS figures do not include credits from insurance settlements for litigation and related costs

\*% of 1H07 core businesses results



BNP PARIBAS

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BNP Paribas at a Glance

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An integrated business model

**Value Proposition for Shareholders**

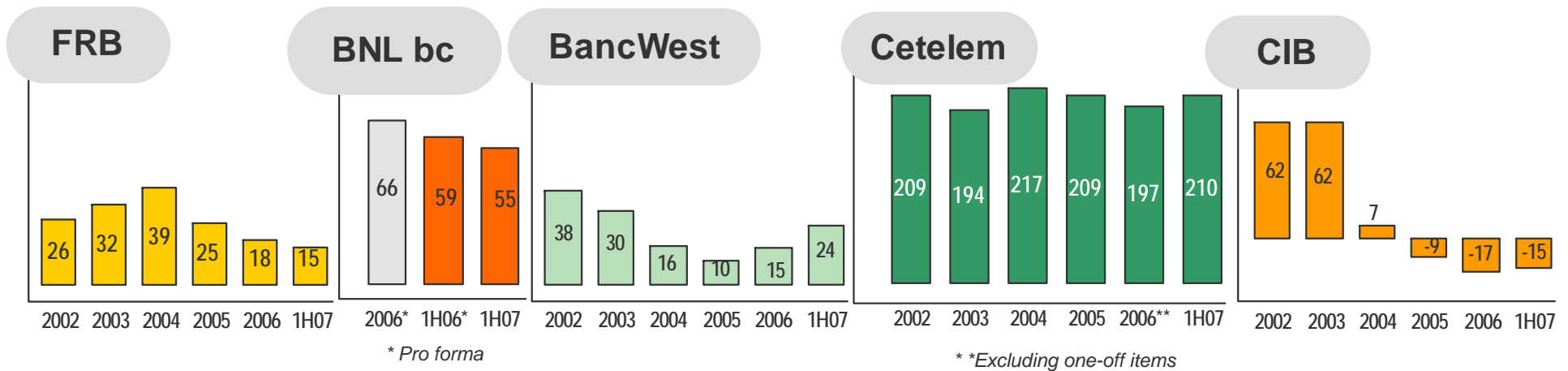
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- Prudent risk policy
- Well positioned to deliver growth in a difficult environment
- Strong financial position to fuel business growth
- Shareholder friendly capital allocation
- Track record of growth and value creation

- Limited real estate risks in Europe and in the US, whether in Retail or in CIB
- Low and highly stable risk profile in consumer credit
- Active syndication of Corporate loans, in particular LBOs
- Moderate exposure to market risks, and counterparty risks largely collateralised
- BNL incorporated in the Group's risk management procedures

## Cost of Risk

Net provisions / Average risk weighted assets (in bp)

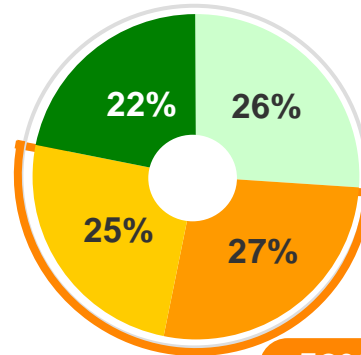


**A prudent risk policy**

- Exposure to the real estate market limited to 52% of the loan portfolio compared to 62% for the competition

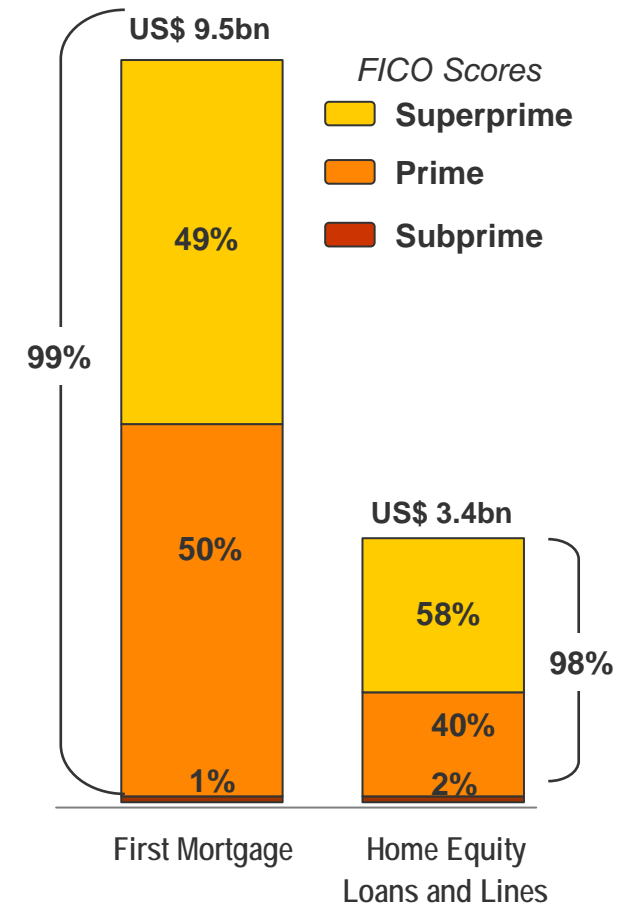
Loan portfolio as at 30/06/07  
US\$ 46.8bn

- Consumer
- Mortgage Lending
- Corporate Real Estate
- Commercial & Industrial



- Commercial real estate: 25% of the portfolio
  - Half comes from loans made to owner-occupiers
  - Less than 2% are rated substandard by the bank
  - Negligible contribution to BancWest's cost of risk
- Mortgage lending to individual: 27% of the portfolio
  - Portfolio diversified over 20 States including California 39% and Hawaii 15%
  - Marginal share of loans made to subprime customers (\$155mn out of a total portfolio of mortgages granted to individuals amounting to \$12.9bn as at 30.06.07)
  - No prime portfolio deterioration reported
- Investment portfolio: comprising only 2% of subprime mortgages (US \$ 290 mn)

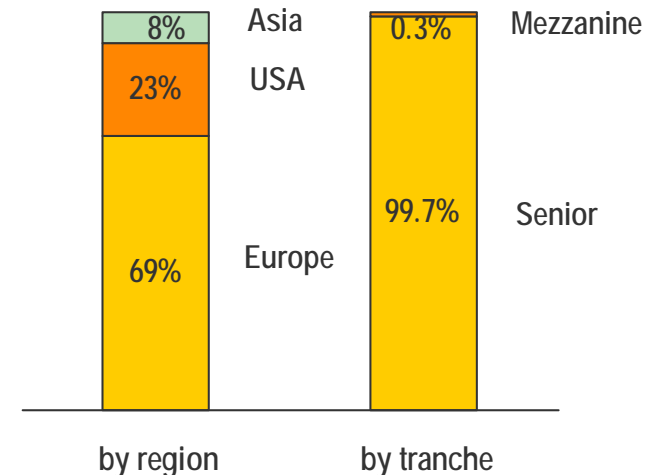
### Segmentation of mortgages granted to individuals



# Corporate and Investment Banking Limited and Well-Managed Risk

- US Subprime: negligible exposure
- Hedge funds: limited risk
  - Negligible direct investments
  - Counterparty risk: collateralised exposure
  - Fund of funds business : diversified and limited risk (hedge fund shares held to hedge trading books)
- LBO: close monitoring of risk
  - No portfolio quality deterioration as yet reported
  - Limited underwriting risk
  - Negligible exposure to “Bridge to High Yield” and no “Bridge to Equity”
- Conduits and SIV
  - No SIV sponsored
  - 6 conduits mainly used for clients assets
  - €9,365mn program size as of March 31<sup>st</sup>, 2007 \*

LBO portfolio (final take)



*“BNP Paribas’ exposures to current areas of concern are either limited (US subprime) or well managed (leveraged finance)”*

*S&P, 10 July 2007*

\* Source: Moody’s Program Index

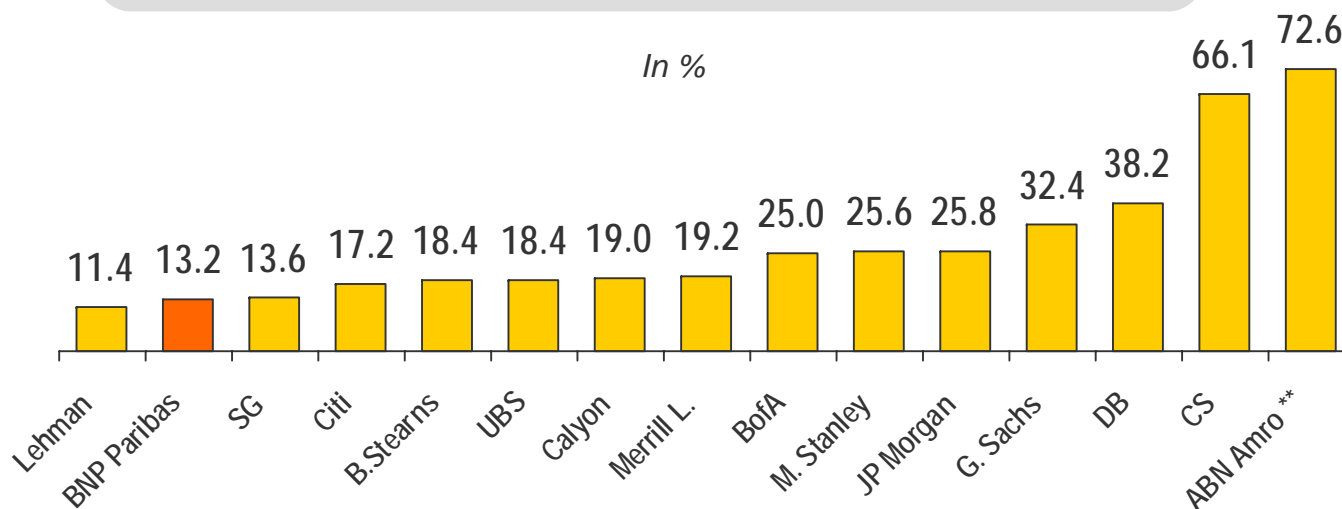
- A strong retail base
  - Volume dynamics in France
  - Restructuring story in Italy
  - Strong growth in Emerging Markets, in retail networks and consumer finance
  
- A fast-growing AMS business
  - Retail focus
  - Internationalisation drive
  
- A robust CIB model
  - Less than 10% of revenues at stake in businesses likely to slow down (securitisations, CDO's, LBO origination)
  - Buoyant Energy and Commodities Financing
  - Likely trend toward re-intermediation and wider margins
  - Strong position in Asia
  - Among the lowest C/I ratio in the industry

# Corporate and Investment Banking A Robust Model

« The group's corporate and investment banking (CIB) business line is well diversified and its efficiency ranks among the best in the industry. The bank's capacity to generate profits from CIB is strong. The volatility of its quarterly operating income over the past few years compares favourably with peers'....On-going product innovation increases the complexity of managing trading books, but we believe that the group is well-equipped to deal with these potential risks»

**S&P, 10 July 2007**

## Quarterly CIB Operating Income Volatility 2003-2007\*



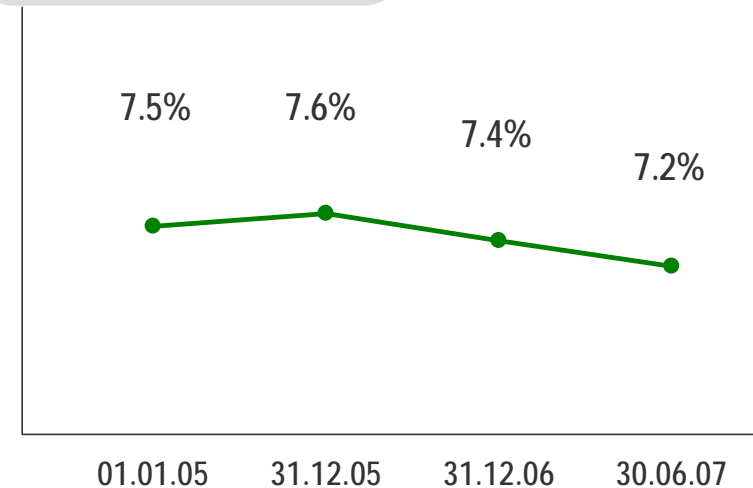
**“(BNP PARIBAS) profitability is robust and sustainable. It would afford a substantial cushion to withstand any cyclical downturn”. S&P, 10 July 2007**

\* Residual standard deviation/average (1Q03 - 2Q07) \*\* 2003-2005 only




# Solid Financial Position to Fuel Business Growth

- Favourable rating to access liquidity at competitive price
- No dependence on securitization or off-balance sheet tools to finance business growth

**Tier 1 Ratio**



**Ratings**

	<b>AA+</b> <b>Stable outlook</b>	Upgraded on July 10, 2007
	<b>AA</b> <b>Stable outlook</b>	Reaffirmed on May 16, 2007
	<b>Aa1</b> <b>Stable outlook</b>	Upgraded on May 23, 2007

# Shareholder-Friendly Capital Allocation

**Internally generated capital provides growth and value for shareholders**

**€4.5bn**  
2006 Free Cash Flow

**Sharp dividend increases, +29% 2003-06 CAGR**

**40.3%**  
2006 Payout ratio

**Priority given to organic growth projects due to high rates of return on equity**

**21.2%**  
2006 After Tax ROE

**A history of share buybacks to optimise capital management**

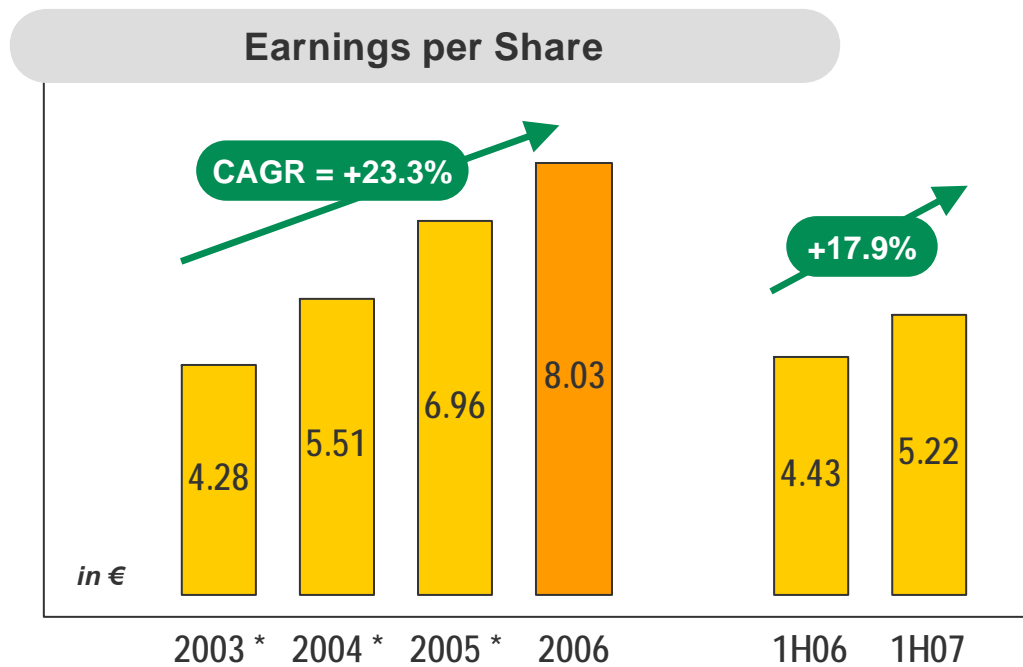
**7%**  
Tier 1 Ratio Target

# A Track Record of Profitable Growth

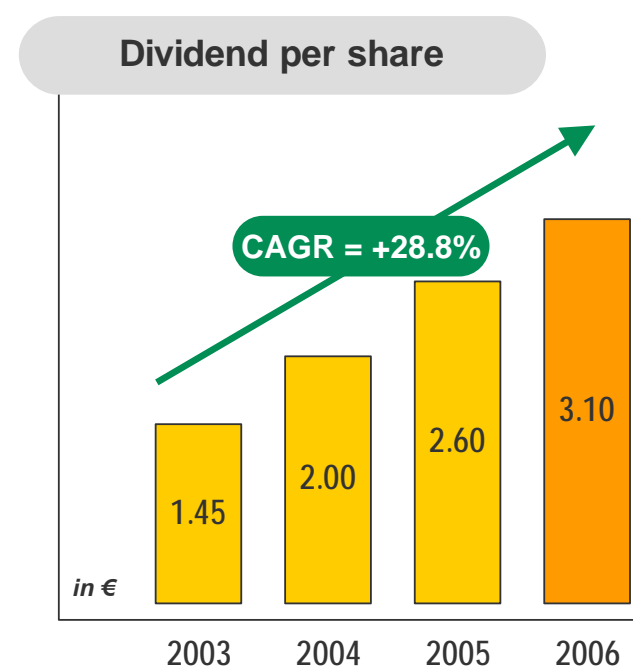
	2003	2004	2005	2006	1H07*
Revenue growth	+6.8% ↑	+5.0% ↑	+12.8% ↑	+27.9% ↑	+16.8% ↑
Revenue growth (organic)	+9.7% ↑	+4.8% ↑	+10.0% ↑	+13.5% ↑	+11.8% ↑
Efficiency ratio evolution	-2.3pt ↑	-1.3pt ↑	-0.4pt ↑	-0.1pt ↑	-0.6pt ↑
Cost of risk evolution	-1pt ↑	-26pt ↑	-12pt ↑	+1pt ↓	+10pt ↓
Return on equity	14.3% ↑	16.8% ↑	20.2% ↑	21.2% ↑	23.6% ↑
Book value per share	+7.9% ↑	+9.8% ↑	+27.6% ↑	+8.7% ↑	+11.0% ↑
Net Income per share	+13.2% ↑	+27.9% ↑	+27.3% ↑	+14.3% ↑	+17.9% ↑
Dividends per share	+20.8% ↑	+37.9% ↑	+30.0% ↑	+19.2% ↑	N.A

\* Change vs 1H06

# A Track Record of Value Creation



*(Undiluted EPS calculated on the average number of shares outstandings)*



\* Restated from the impact of the rights issue in March 2006



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# BNP Paribas

## Sustainable Growth and Value Creation

**Thank you**



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# Appendices

# Number of Shares, Earnings and Book Value per Share

## Number of shares

<i>in millions</i>	<b>30/06/2007</b>	<b>31/12/2006</b>
Number of Shares (end of period)	932.9	930.5
Number of Shares excluding Treasury Shares (end of period)	892.0	905.3
Average Number of Shares Outstanding excluding Treasury Shares	901.3	893.8

## Earnings Per Share

<i>In euros</i>	<b>1H07</b>	<b>1H06</b>
Earnings Per Share (EPS)	5.22	4.43

## Book Value Per Share

<i>In euros</i>	<b>30/06/2007</b>	<b>31/12/2006</b>
<b>Book Value Per Share</b>	<b>50.9</b>	<b>49.8</b>
<i>of which shareholders' equity not re-evaluated</i>	45.9	44.2