



BNP PARIBAS

# BNP Paribas

Sustainable Growth and Value Creation

Baudouin Prot

*Chief Executive Officer*

*Cheuvreux Conference 27 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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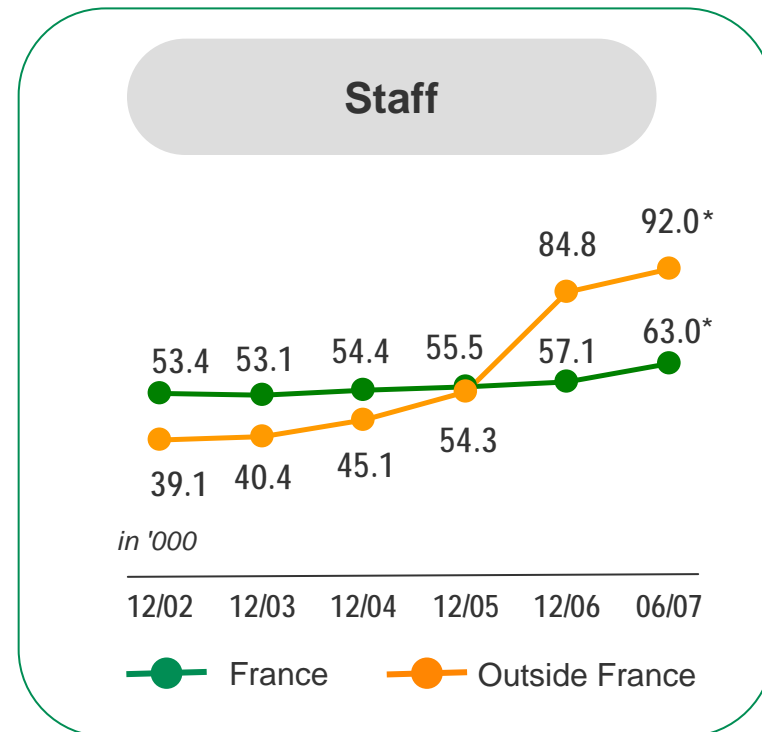
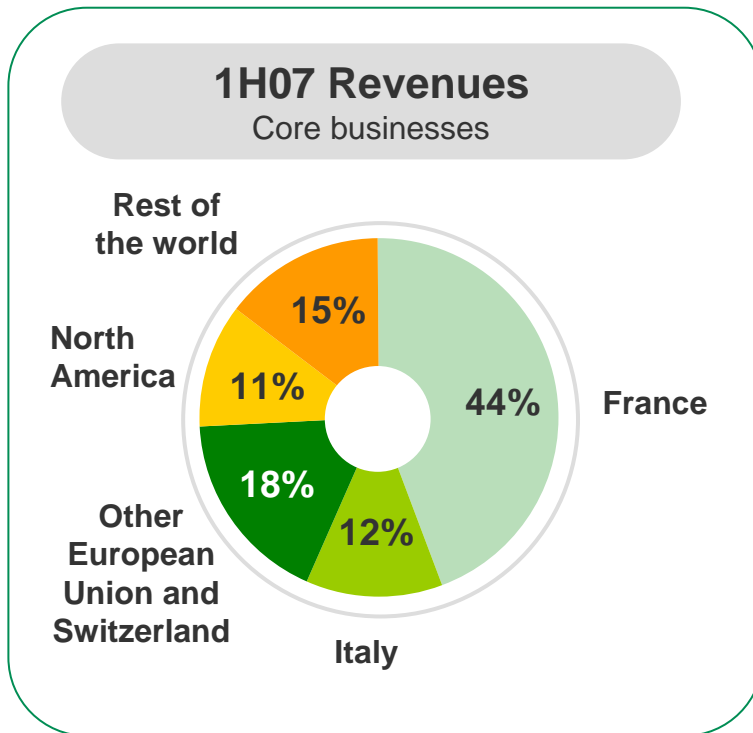
Key group Strengths

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- #1 Net Income in 1H07: €4,789mn
- #2 Market Capitalisation in the Eurozone, #11 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, up 17.9% 1H07/1H06

\* Source: Bloomberg, market capitalisation as at September 21, 2007

# BNP Paribas A Predominantly European Group



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

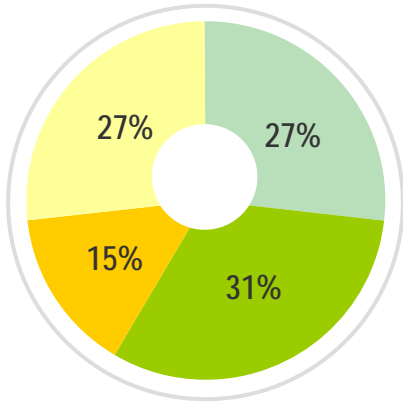
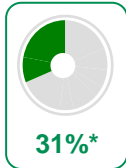
**74% of revenues in Europe**

# BNP Paribas

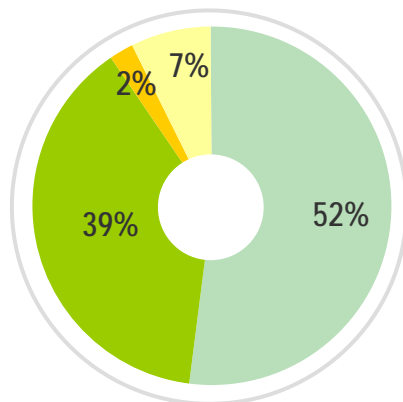
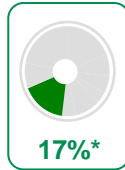
## A Pan-European Presence in All Businesses

**1H07 Revenues**  
Core businesses

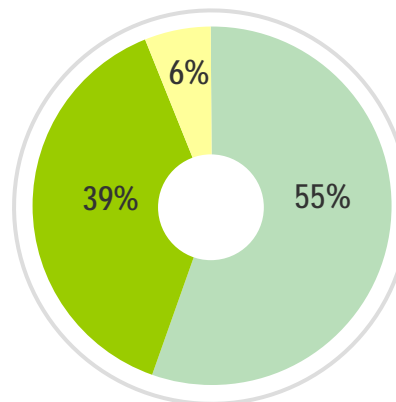
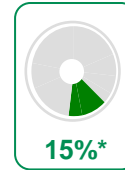
**Corporate & Investment Banking**  
€4.9bn



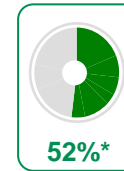
**Asset Management and Services**  
€2.6bn



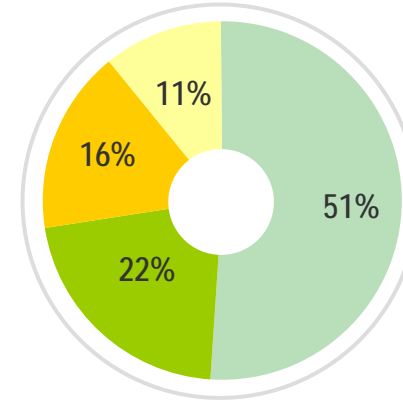
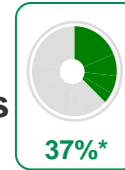
**Retail Financial Services**  
€2.3bn



**Retail Banking**



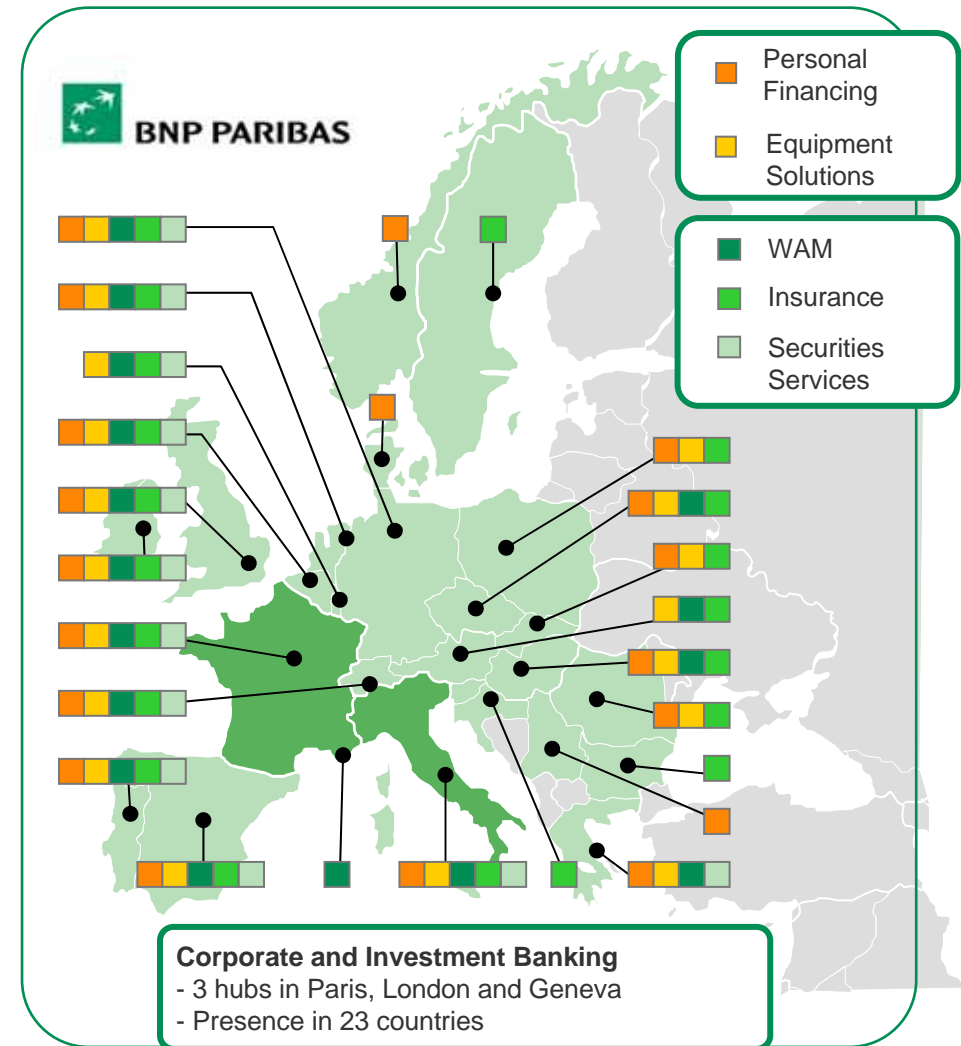
**Retail Banking Networks**  
€5.8bn



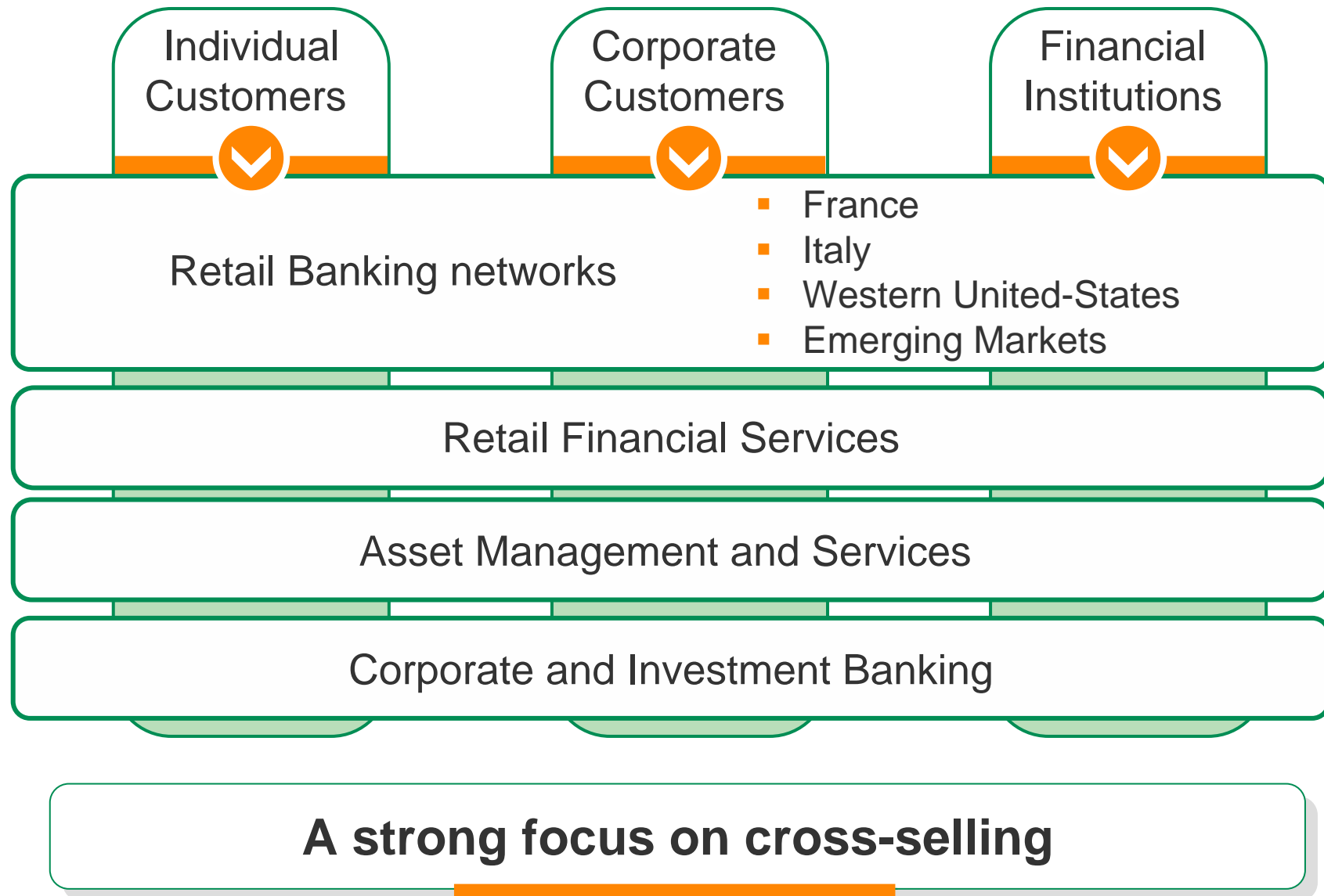
France
  Other European Union + Switzerland
  North America
  Rest of the world

\*% 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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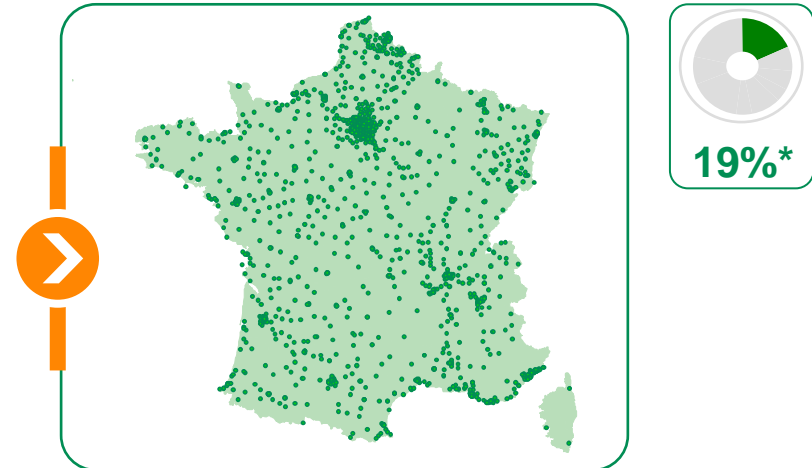
Key Group Strengths

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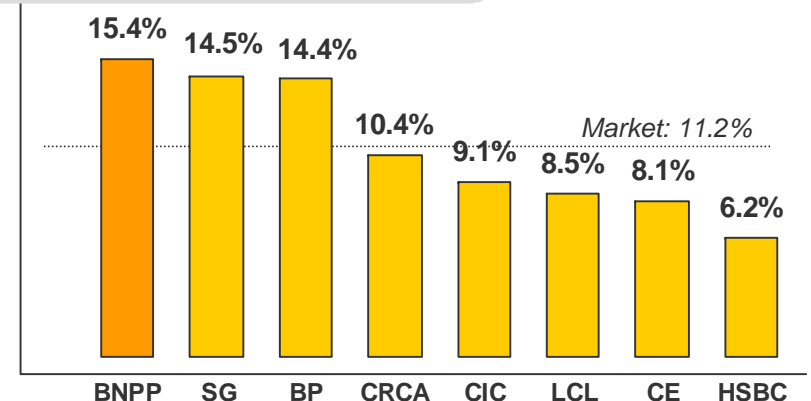
# French Retail Banking

## 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\*\*

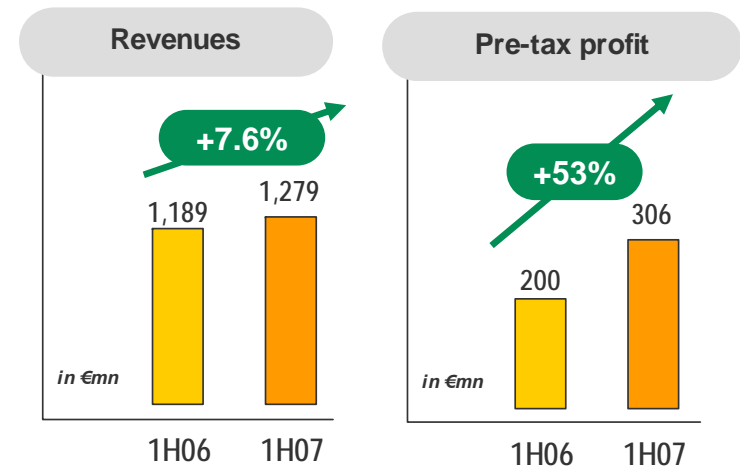


\*% of 1H07 core businesses results

\*\*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

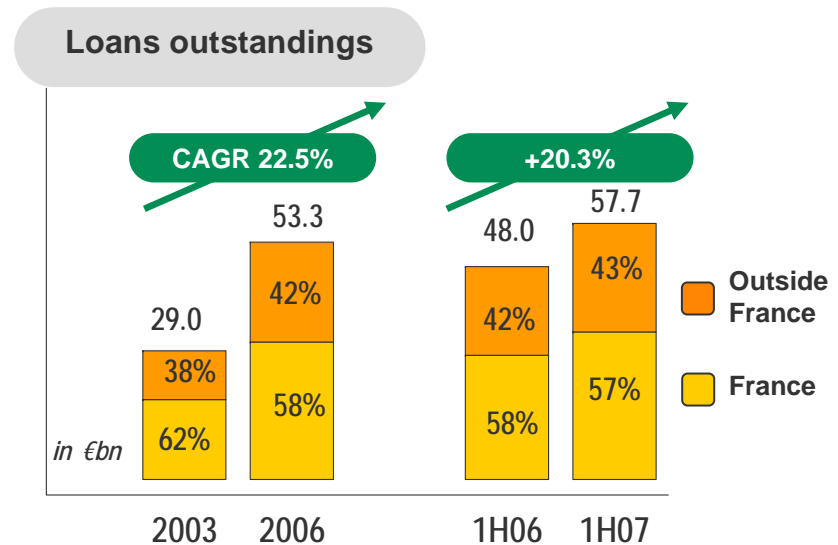
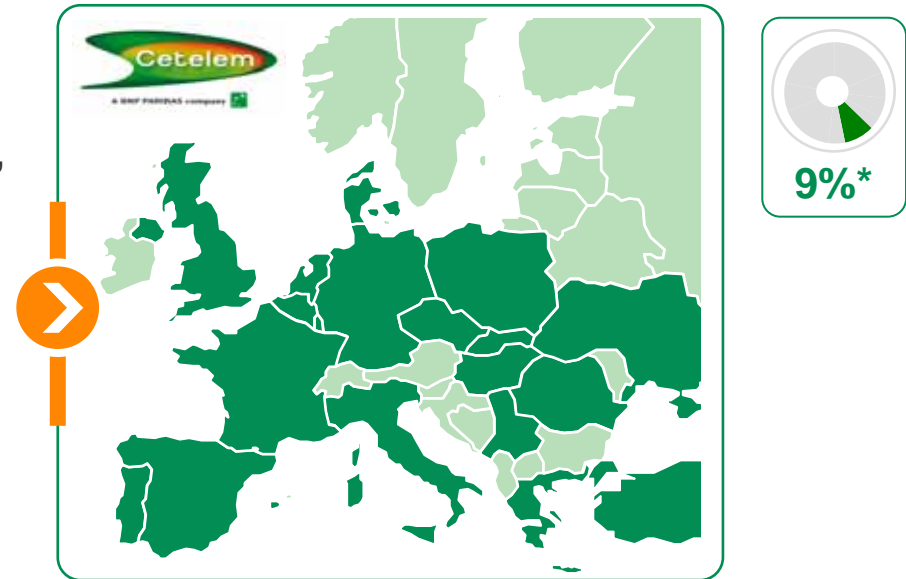


\*BNL Banca Commerciale: % of 1H07 core businesses results

# Consumer Credit

## Cetelem: A Leader in Consumer Finance

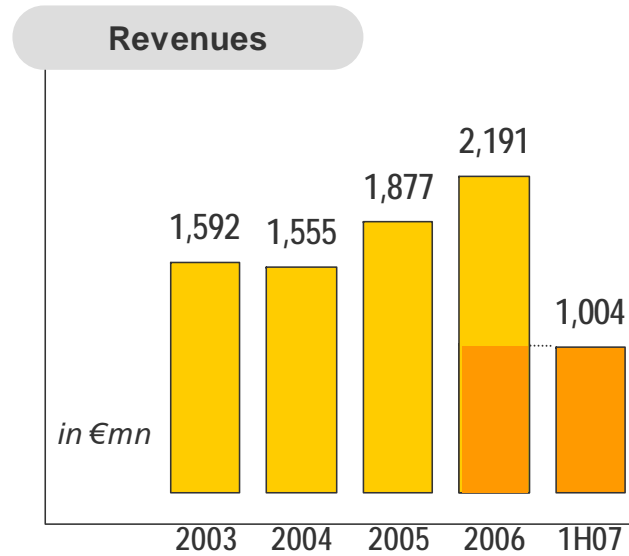
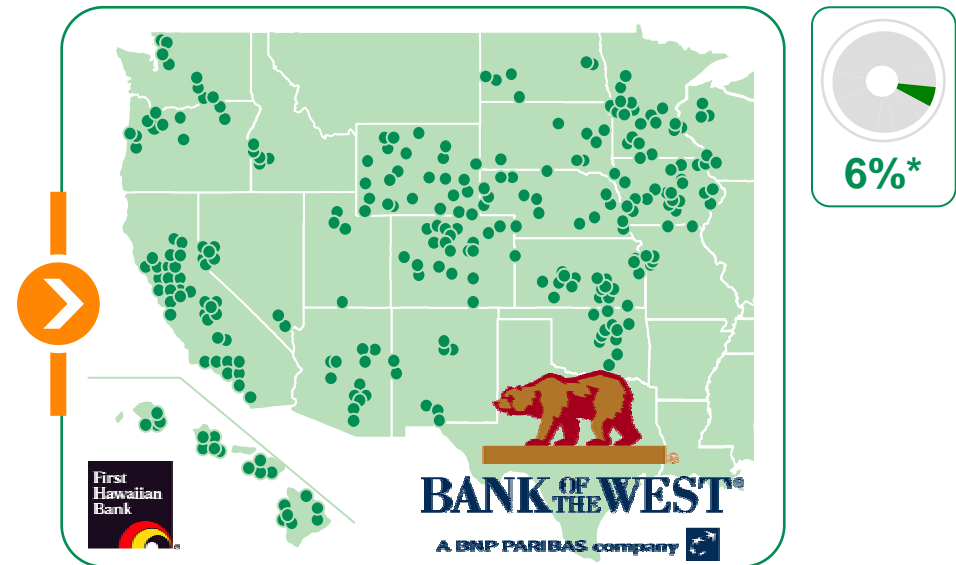
- Leading market positions in Europe
  - Western Europe: #1 in France, #1 in Italy, #3 in Spain
  - Central Europe: #1 in Hungary, #2 in Romania, #3 in the Czech Rep. and Slovakia
- #1 In Europe for on-line distribution
- Continued strong growth, especially outside France
  - Half of new loan production 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

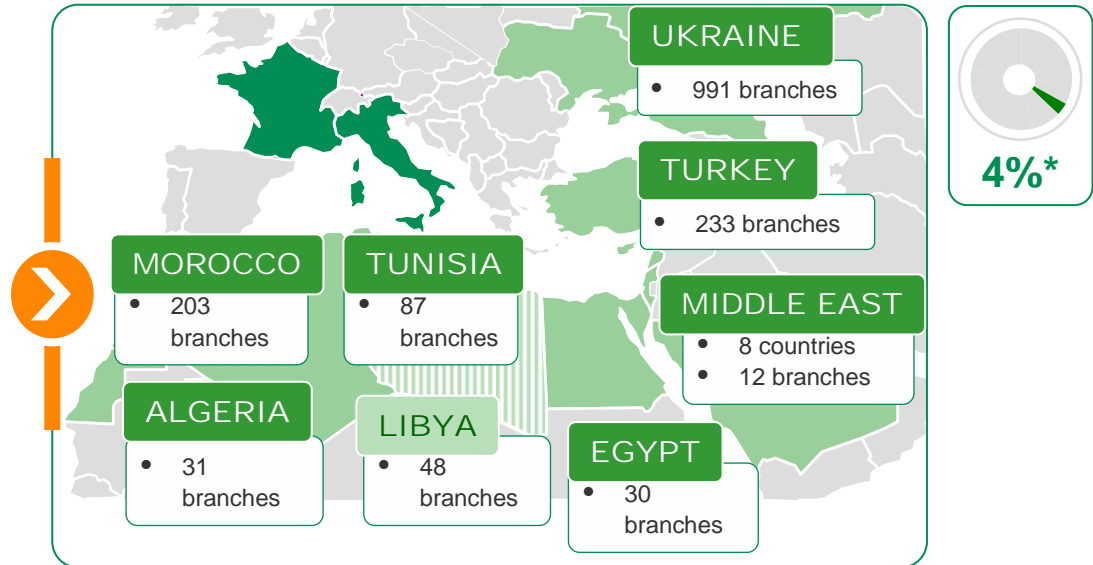


\* % of 1H7 core businesses results

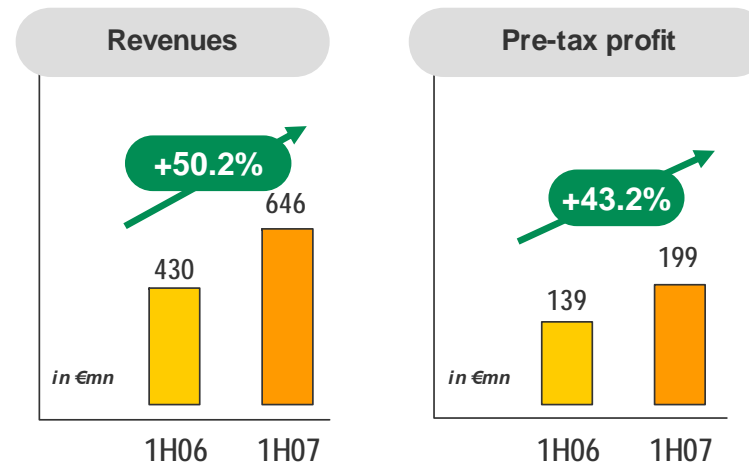
\*\*Source: SNL

# 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

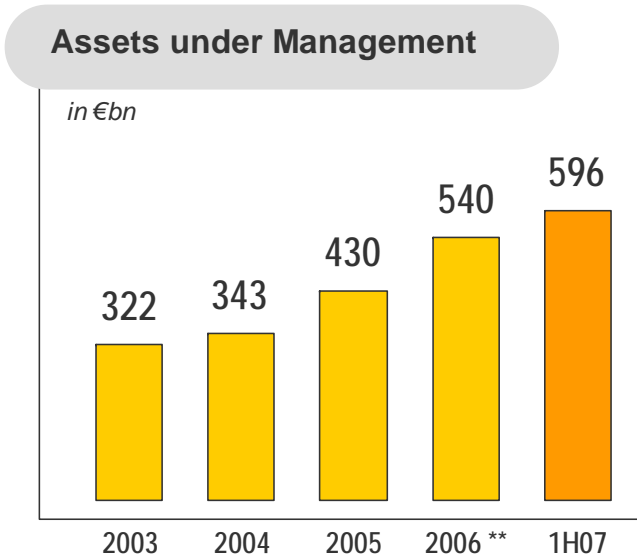
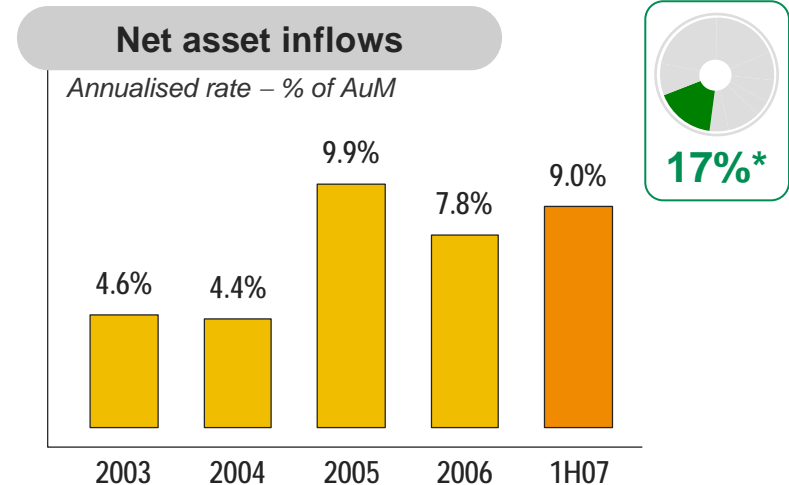


\*% of 1H07 core businesses results

# Asset Management and Services

## A Powerful Growth and Value-Creation Engine

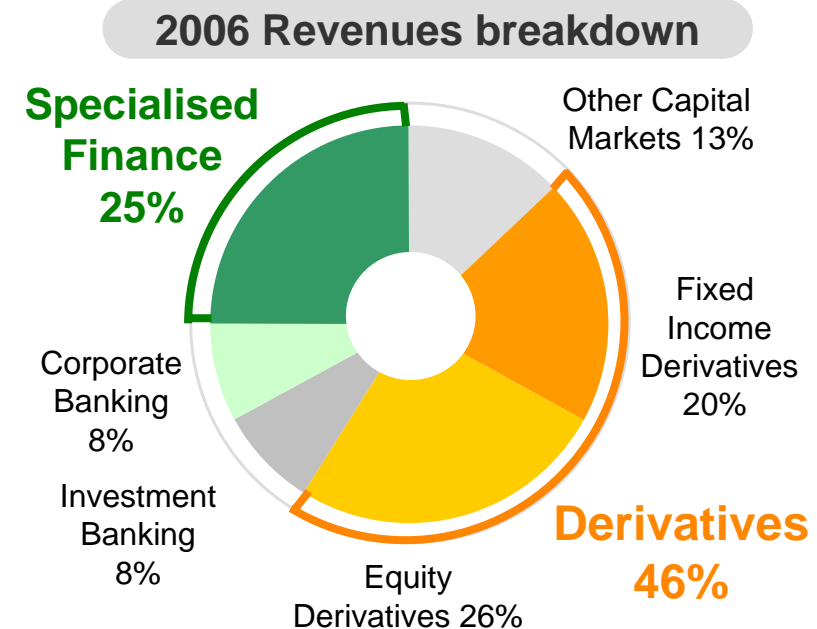
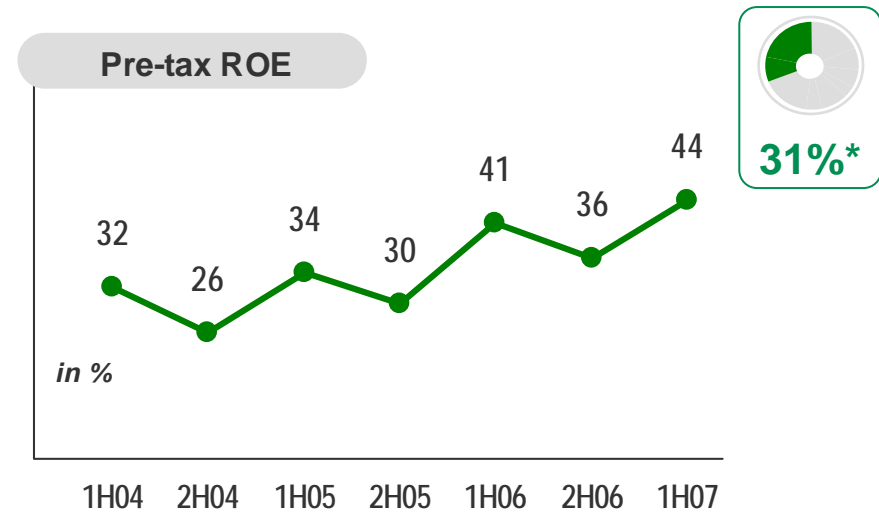
- Favourable underlying economic trends
  - Developed economies: ageing population, deficits in public pension and health schemes
  - Emerging countries: expanding middle class, more high net-worth individuals
- Recognised expertise in most business areas
  - #1 for Private Banking in France
  - Leader 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

# 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



\*% of 1H07 core businesses results



**BNP PARIBAS**

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BNP Paribas at a Glance

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An integrated business model

**Key Group Strengths**

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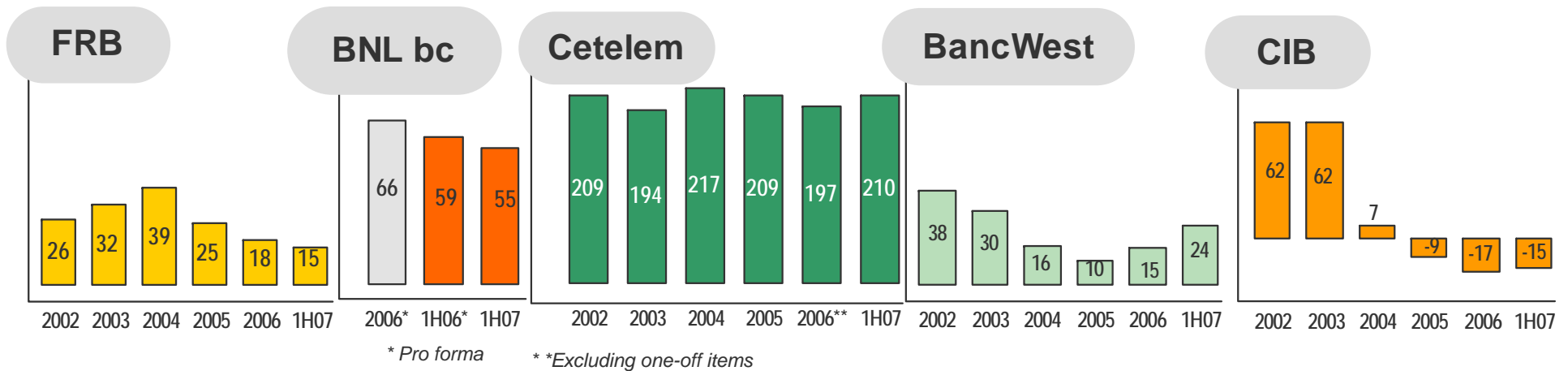
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- Prudent risk policy
- Well positioned to deliver growth in a difficult environment
- Strong financial position to maintain business growth
- Shareholder friendly capital allocation

- Limited real estate risks in Europe and in the US, whether in Retail or in CIB
- BNL incorporated in the Group's risk management procedures
- 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

## Cost of Risk

Net provisions / Average risk weighted assets (in bp)

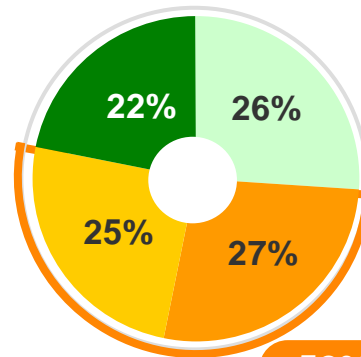


**A prudent risk policy**

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

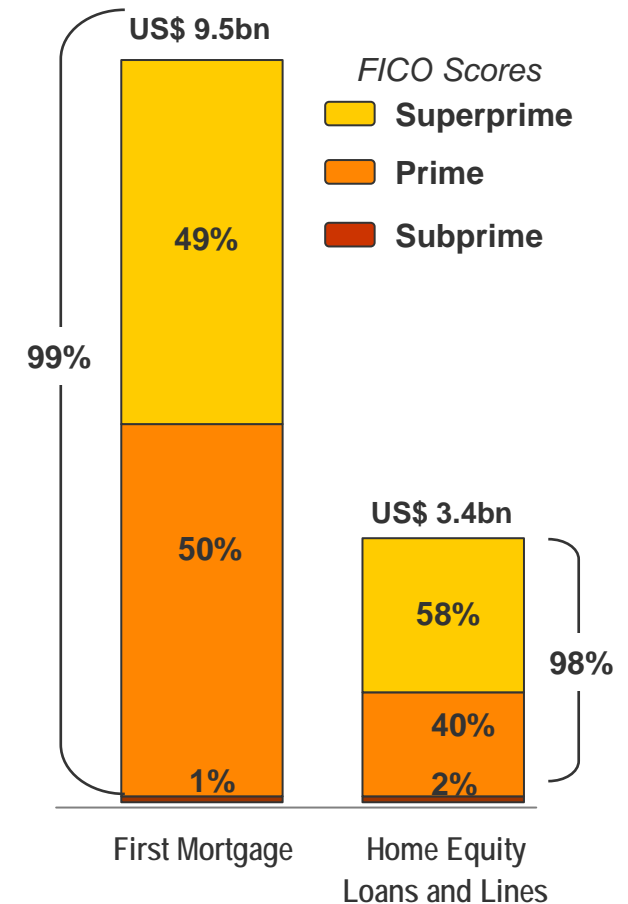
Loan portfolio as at 30/06/07  
US\$ 46.8bn

- 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)

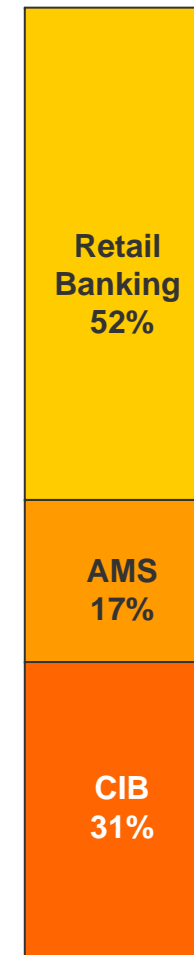
### Segmentation of mortgages granted to individuals



- US Subprime: negligible exposure
  - Risk exposure < €100mn including warehousing, CDOs, structured repos, conduits, ...
- 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
  - Limited underwriting risk: €3.7bn as of Sept. 07
  - Negligible exposure to “Bridge to High Yield”
  - No “Bridge to Equity”
- Conduits and SIVs
  - No SIV sponsored
  - 6 multiseller sponsored conduits totalling €9bn as of June 30<sup>th</sup>, 2007 \*
  - High quality assets, predominantly European trade receivables, auto loans and consumer loans

## Core Business Revenues

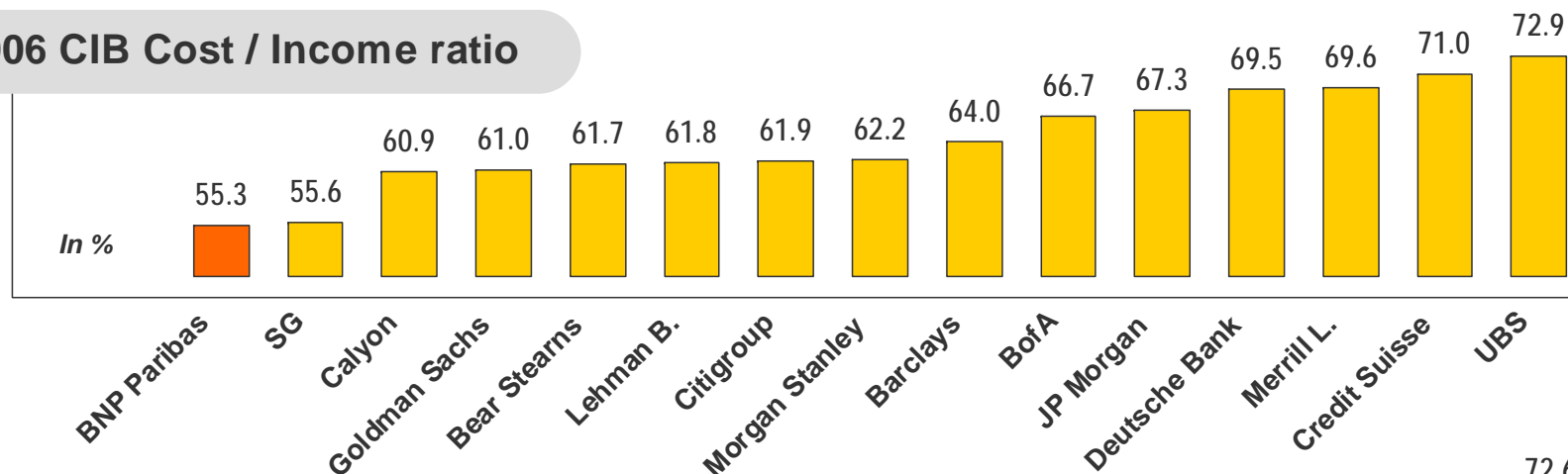
- A strong retail base
  - Volume dynamics in France
  - Restructuring story in Italy
  - Strong growth in Emerging Markets, in retail networks and consumer finance
- A fast-growing AMS business
  - Retail focus
  - Internationalisation drive
- A robust CIB model
  - Less than 10% of revenues at stake 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



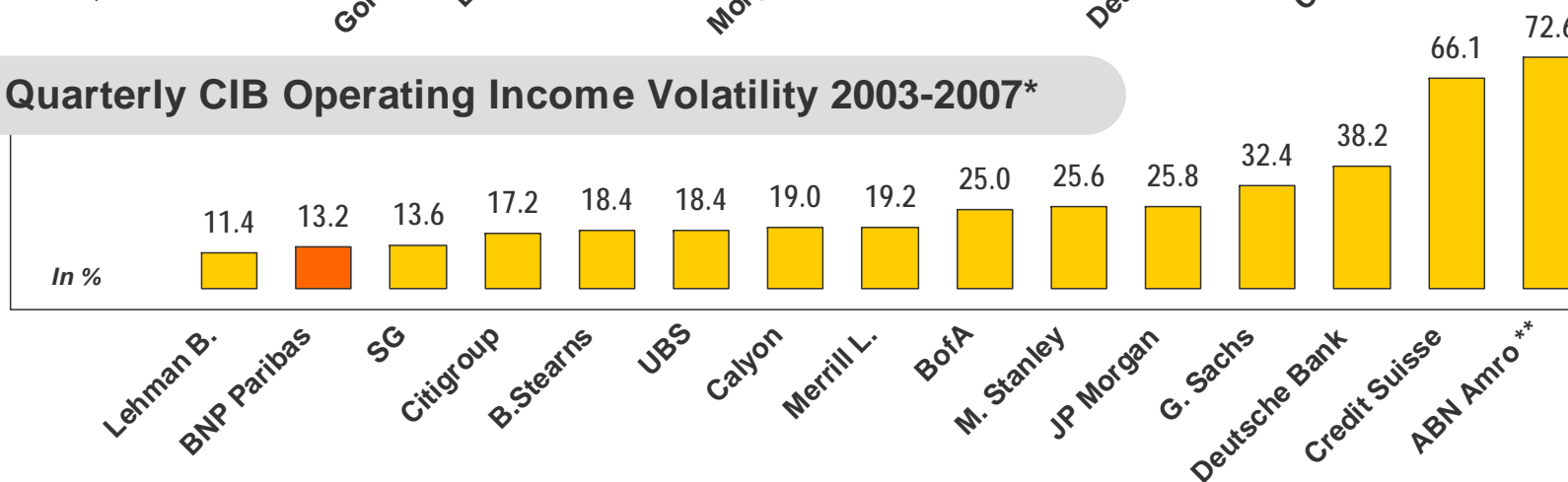
1H07 Revenues

# Corporate and Investment Banking A Robust Model

2006 CIB Cost / Income ratio



Quarterly CIB Operating Income Volatility 2003-2007\*



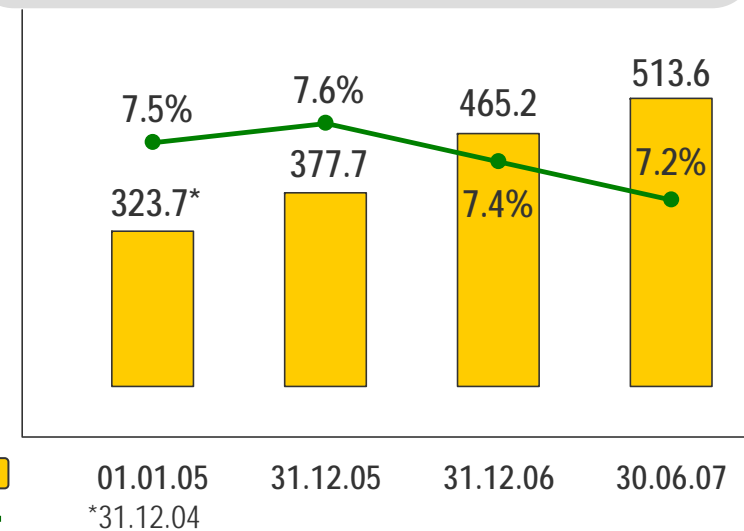
***“(BNP PARIBAS) profitability is robust and sustainable. It would afford a substantial cushion to withstand any cyclical downturn”. S&P, 10 July 2007***

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




# Solid Financial Position to Maintain 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 and Risk Weighted Assets**



## 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**

**+13.5%**  
Organic revenue growth in 2006

**A track record of selective acquisitions and successful integrations, predominantly in retail (86%\*)**

**€10.0bn**  
Goodwill as at 31.12.06

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

**7%**  
Tier 1 Ratio Target



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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