



2002  
2001



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1998

**1997**

**ANNUAL  
REPORT**



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## DOMESTIC BANKING IN FRANCE AND WHOLESALE BANKING WORLDWIDE

### A BENCHMARK BANK IN FRANCE

- *A network of over 2,000 branches nationwide*
- *A leader in the areas of innovation, technology, and preparations for the euro*
- *Bank-related subsidiaries serving the network*

#1 bank to French corporations  
Banker to 42% of SMCs that export

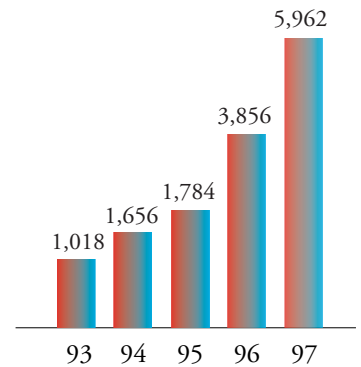


### A MAJOR INTERNATIONAL BANK

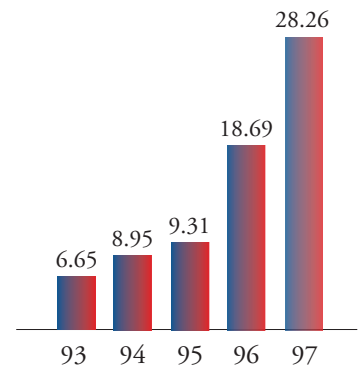
- *Present in 79 countries*
- *More than 700 offices on all five continents*
- *Organization according to worldwide lines of business*

Largest network of all the euro zone banks

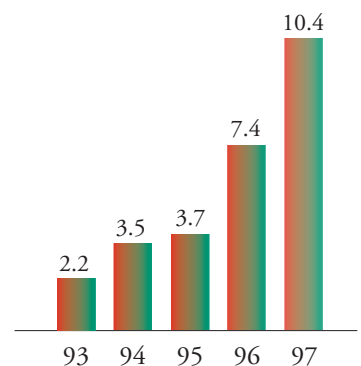
Banking relationships with:  
France's 100 largest corporations  
183 of the 200 largest corporations worldwide  
220 institutional investors



Net income attributable to the Group has increased sixfold since privatization in 1993 (millions of French francs).



Earnings per share have quadrupled since privatization (French francs).



Return on equity (%).

# KEY FIGURES

| BNP GROUP (CONSOLIDATED FIGURES)             | 1997         | 1996      | 1995      | 1994      | 1993      |
|--|--------------|-----------|-----------|-----------|-----------|
| <b>BUSINESS</b> (millions of French francs)  |              |           |           |           |           |
| Total assets                                 | 2,034,871    | 1,861,053 | 1,593,723 | 1,452,162 | 1,476,484 |
| Customer deposits                            | 717,741      | 638,049   | 578,062   | 523,238   | 510,612   |
| Customer loans (gross)                       | 929,522      | 834,067   | 786,215   | 771,106   | 799,926   |
| <b>STOCKHOLDERS' EQUITY, GROUP'S SHARE</b>   |              |           |           |           |           |
|  | 59,040       | 55,552    | 48,642    | 48,160    | 46,833    |
| <b>COMBINED TIER 1 AND 2 CAPITAL RATIO</b>   |              |           |           |           |           |
|  | 9.9%         | 9.1%      | 9.1%      | 9.8%      | 9.5%      |
| Tier 1 capital ratio                         | 5.9%         | 5.4%      | 5.5%      | 5.7%      | 5.6%      |
| <b>EARNINGS</b> (millions of French francs)  |              |           |           |           |           |
| Banking income                               | 44,066       | 39,502    | 37,708    | 39,311    | 41,675    |
| Gross operating income                       | 13,435       | 10,844    | 9,500     | 10,391    | 12,457    |
| <b>Consolidated net income</b>               | <b>6,219</b> | 4,129     | 1,925     | 1,761     | 972       |
| <b>Net income attributable to Group</b>      | <b>5,962</b> | 3,856     | 1,784     | 1,656     | 1,018     |
| <b>Return on equity</b>                      | <b>10.4%</b> | 7.4%      | 3.7%      | 3.5%      | 2.2%      |
| <b>EMPLOYMENT</b>                            |              |           |           |           |           |
|  | 52,420       | 52,762    | 53,600    | 54,469    | 56,141    |
| <b>NUMBER OF OFFICES</b>                     |              |           |           |           |           |
|  | 2,645        | 2,585     | 2,575     | 2,511     | 2,575     |
| <b>STOCK MARKET INFORMATION</b>              |              |           |           |           |           |
| Earnings per share (in French francs)        | 28.26        | 18.69     | 9.31      | 8.95      | 6.65      |
| Net asset value per share (in French francs) | 277          | 268       | 253       | 253       | 254       |

THREE  
3

## BNP'S LONG-TERM DEBT RATINGS:

Moody's . . . . . Aa3  
Standard and Poor's . . . . . A+  
IBCA . . . . . AA-

## with Michel Pébereau



FOUR

**Q** *What is your analysis of BNP's earnings in 1997? Do you think its underlying profitability is sustainable over the long term?*

**A** Nineteen ninety-seven was a very good year for our company, stockholders, staff, and customers.

Net income attributable to the BNP Group was close to FRF 6 billion, 55% higher than in 1996. This is tangible proof of the profound improvement in the company's performance.

At the next Stockholders' Meeting, we will recommend that our stockholders approve a net dividend of FRF 7.00 per share, or a gross dividend of FRF 10.50 per share

including the dividend tax credit, representing a total dividend payout of nearly FRF 1.5 billion. Our staff members will receive FRF 577 million in incentives and profit sharing.

These results may be ascribed to the powerful commercial and technological resources set in motion, as well as the host of innovations and service improvements we have made for our customers.

BNP's results benefited from a combination of positive factors: rising stock prices, a strengthening dollar, restructured Peruvian and Russian debt, and the start of economic recovery in France. In the second half, earnings were affected by the Asian crisis, and the figures are particularly noteworthy because they reflect a very substantial provision charge of more than FRF 3 billion to cover risks that could conceivably materialize. In absolute value, and in comparison with the underlying commitments, this is one of the most conservative

measures taken by a major world bank, and it shows up fully in our income statement.

We have further improved the quality of our assets. BNP wrote down the value of its operating real estate by FRF 3.4 billion, charging the adjustment essentially against stockholders' equity. Our risks are covered. The protection afforded by the reserve for general banking risks and the allowance for unforeseeable sectoral risks remains intact. The Group's capital adequacy ratios have improved.

We reached our target of 10% return on equity ahead of schedule. The actual figure for 1997 was 10.4%. Since 1993, the year of privatization, net income has increased sixfold and earnings per share have quadrupled.

What is important, to my mind, is that these results truly reflect the impressive, in-depth improvements our company has made. By pursuing our strategy, we have grown in new lines of business and in new parts of

the world. We have revitalized our marketing drive, innovated, and upgraded our services. We have brought our costs and risks well under control and tightened the management of our operating and administrative departments. Our staff has shown great devotion and worked hard to achieve these results.

Year after year, our core businesses have been improving their performance. This is the case for the retail banking business in France, which has now returned to profitability, making a significant contribution to net income. The same holds true for the international wholesale and retail banking businesses, which have steadily been increasing their earnings while achieving controlled growth.

*The Asian crisis was one of the major events of 1997. What impact do you expect it to have on BNP's business?*

The Asian crisis has been a source of concern, since the summer of 1997 and early

into 1998, for heads of government, international organizations, and companies, particularly banks. It has affected BNP in three ways.

To begin with, we have set up generous allowances for risk. The crisis that erupted in mid-1997 focused on five countries—South Korea, Indonesia, Thailand, the Philippines, and Malaysia—which were affected to varying degrees. BNP assessed all of its commitments to those five countries and valued them at FRF 28.4 billion (USD 4.7 billion) at the end of January 1998. In precise terms, BNP's assessed commitments to these five countries comprise balance sheet and off-balance sheet commitments, credits of all maturities, including short-term and trade finance, securities investments and trading accounts, and loans in local and foreign currencies. They include all operations in favor of governments, banks, and corporates, excluding subsidiaries of multinationals headquartered outside the group of sensitive countries.

They exclude the portion of risks guaranteed outside the group of sensitive countries by French and international institutions (such as Coface) or by formally pledged cash collateral.

The Bank made provisions, item by item, for all borrowers in the five countries concerned, totaling FRF 592 million. For reasons of conservatism, BNP made an additional FRF 2,428 million provision based on a multifactor analysis of the heightened consequences that a possible worsening of these countries' economic and financial condition would have on the Bank's risks. Altogether, BNP made FRF 3,020 million (USD 500 million) of provisions to cover risks in these five countries. Other provisions for specific risks amounted to FRF 3,765 million, which is very similar to the amount for 1996.

Second, it is important to bear in mind that BNP has long had a presence in Asia—over 100 years in India and Australia, 40 years in Hong Kong and almost as long

in Singapore—which is one of the strong points of its international network.

This experience has given our staff in-depth knowledge of banking practices in cultures that are in some cases far removed from our own. Over the years we built strong relationships with major domestic and international corporations. These ties enabled BNP to avoid trading losses in the region, as well as to widen its lending margins substantially and thus augment total revenues.

Nonetheless, we have continued to trim our loan portfolios wherever necessary. Reacting quickly to circumstances such as these is one of the salient features of the new BNP.

Third, the upheaval in Asia allowed us to make acquisitions corresponding to our growth strategy, such as Peregrine's "Greater China" unit. We thus

followed up the late-1996 purchase of a 70% stake in Prime East Asia by extending our geographic coverage in corporate finance and advisory, capital market business, and securities brokerage.

We recognize that this region holds enormous promise for the twenty-first century. Today's crisis, which is economically



complex and unprecedented, is forcing the Asian countries to undertake far-reaching reforms that will take time to produce results. This will temporarily slow growth in the region and throughout the world, heightening the risks to which banks are exposed. Importantly, however, the very qualities that originally contributed to the region's vitality and growth have survived.

And in the wake of these events, BNP was one of the rare French banks whose ratings were not put under review for a possible downgrade.

*Is BNP sufficiently prepared for the advent of the single European currency?*

The transition to the euro raises a challenge of unparalleled magnitude for the European business community. By creating the conditions for a unified banking market, the euro will affect all areas of the financial industry. Our bank is present in eleven of the fifteen EU countries, and we were one of the first to prepare for the new currency, by seeking to determine our customers' future needs.

Starting in the transitional period, BNP will offer euro-denominated products and services. Our customers will be able to open euro accounts as well, and make French franc or euro-denominated transactions from either account. Thanks to our "FEI" (Franc, Euro, Index) system,

they will be able to switch freely back and forth between the two currencies, and their bank statements and computer screens will display all transactions in both francs and euros.

BNP aims to play an active role in the transition. For this reason, we have trained 10,000 staff members to keep individual and business customers abreast of developments, and we were the first European bank to install “euro kiosk” information stands in every branch.

Along with Dresdner Bank and nine other major European banks, we have set up Trans European banking Services (TES) for low-cost cross-border payments and funds transfers in the countries concerned. This system also enables BNP customers to open accounts at branches of participating banks, quickly and easily from their home branch, and gives them access to 14,000 branches across Europe.

At BNP, we view the advent of the single European

currency as an opportunity to become a benchmark bank for the euro in all our lines of business.

*Do you see any new strategic avenues of growth?*

The two strategic priorities we defined at the time of privatization are retail banking in France and wholesale banking on a global scale. We will pursue our internal growth in those two areas while seizing opportunities to make acquisitions that promise to accelerate our growth and improve our profitability.

For historical reasons, BNP and its subsidiary BNPI have a strong retail banking presence in Africa, the Middle East, and the Indian Ocean basin. Another subsidiary, Bank of the West, has grown internally, and through acquisitions in the San Francisco area and central California, to become a very profitable network with over 100 branches. We have proven our ability to manage retail banking operations

outside France, and we will continue to apply that expertise to growth opportunities that satisfy our criteria for earnings potential, human resources, and synergies—in short, opportunities that promise to create value.

BNP has consistently improved its potential for profitable growth, as seen in the impressive strides it has made since privatization in 1993. Our performance, measured in terms of return on equity, is now one of the highest of all French banks. Our entire staff is duly proud of this achievement, which is the foundation for tomorrow’s prosperity. I commend them all for the work they have done to build up their company, and I would like to thank our stockholders, who have honored us with their trust. ■



# OF DIRECTORS

8  
EIGHT

**MICHEL PÉBEREAU**

*Chairman and Chief Executive Officer, BNP*

**PATRICK AUGUSTE**

*Executive, BNP*

**JEAN-LOUIS BEFFA**

*Chairman and CEO, Saint-Gobain*

**JACQUES FRIEDMANN**

*Chairman of the Supervisory Board, Axa-UAP*

**JEAN GANDOIS**

*Chairman of the Board, Cockerill-Sambre (Belgium)*

**JEAN-MARIE GIANNO**

*Employee, BNP*

**PHILIPPE JAFFRÉ**

*Chairman and CEO, Elf Aquitaine*

**ALAIN JOLY**

*Chairman and CEO, L'Air Liquide*

**PHILIPPE MUSSOT**

*Employee, BNP*

**LINDSAY OWEN-JONES**

*Chairman and CEO, L'Oréal*

**JÜRGEN SARRASIN**

*Former Chairman of the Board, Dresdner Bank*

**LOUIS SCHWEITZER**

*Chairman and CEO, Renault*

**RENÉ THOMAS**

*Honorary Chairman*

**JACQUES-HENRI WAHL**

*Adviser to the Chairman*

## STATUTORY AUDITORS

**BARBIER FRINAULT & ASSOCIÉS**

**ARTHUR ANDERSEN**

*represented by*

**CHRISTIAN CHIARASINI AND  
RADWAN HOTEIT**

**BEFEC - PRICE WATERHOUSE**

*represented by*

**ETIENNE BORIS**

**SALUSTRO REYDEL**

*represented by*

**EDOUARD SALUSTRO AND  
MICHEL SAVIOZ**

## HONORARY CHAIRMEN

**PIERRE LEDOUX  
JACQUES CALVET  
RENÉ THOMAS**

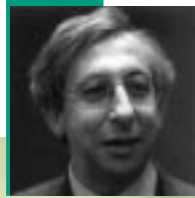
# COMMITTEE



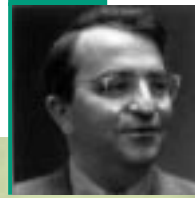
**MICHEL PÉBEREAU**  
Chairman of the Board  
and CEO



**BAUDOIN PROT**  
President and Chief  
Operating Officer



**GEORGES CHODRON DE COURCEL**  
Group Executive  
Vice President



**VIVIEN LEVY-GARBOUA**  
Group Executive  
Vice President



**CHRISTIAN AUBIN**  
Adviser to the Chairman



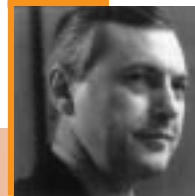
**JEAN-FRANÇOIS LEPETIT**  
Adviser to the Chairman,  
Executive Vice President,  
Asset/Liability Management



**JACQUES-HENRI WAHL**  
Adviser to the Chairman



**BERNARD LEMÉE**  
Senior Executive Vice  
President, Human Resources



**ALAIN MOYNOT**  
Senior Executive Vice  
President, Domestic Network

NINE



**PHILIPPE BORDENAVE**  
Chief Financial Officer



**JACQUES DESPONTS**  
Executive Vice President,  
International Trade Finance



**HERVÉ GOUZEL**  
Executive Vice President,  
Organization and  
Information Systems



**MICHEL KONCZATY**  
Executive Vice President,  
Structured Finance



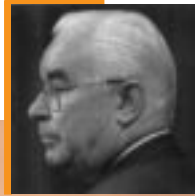
**MARC LAVERGNE**  
Executive Vice President,  
Management Audit  
and Inspection



**YVES MARTRENCHAR**  
Executive Vice President,  
Products and Markets



**MICHEL PASSANT**  
Executive Vice President,  
Operational and Technical  
Support



**CLAUDE PORCHEROT**  
Executive Vice President,  
Subsidiaries and Real Estate



**ERVIN ROSENBERG**  
Executive Vice President,  
Large Corporations  
and Institutions



**EDOUARD SAUTTER**  
Executive Vice President,  
Risk Policy and Industry  
Research



**JEAN THOMAZEAU**  
Executive Vice President,  
Banks and Risks



**LAURENT TRECA**  
Executive Vice President,  
Business Development

Committee Secretary: **ANTOINE SIRE**, Head of Corporate Communications

At 15 April 1998.

# WORLDWIDE NETWORK

1997

1995



1997

In 1997 BNP opened branches in New Zealand, Brazil, and Croatia. It now has offices in 79 countries and the most extensive global network of all euro zone banks.

2007

2022

Growth  
Vitality  
Strength  
Competitiveness

A W O R L D W I D E

# a global network



## NORTH AMERICA

### 119 OFFICES:

- 6 MAIN BRANCHES
- 6 SUBSIDIARIES
- 105 BRANCHES
- 2 REPRESENTATIVE OFFICES

United States, Canada



## MIDDLE EAST

### 15 OFFICES:

- 1 MAIN BRANCH
- 2 SUBSIDIARIES
- 7 BRANCHES
- 5 REPRESENTATIVE OFFICES

Bahrain, Egypt, Iran, Israel, Lebanon, United Arab Emirates



## FRENCH OVERSEAS AREAS

### 50 OFFICES:

- 6 SUBSIDIARIES
- 44 BRANCHES

French Guiana, Guadeloupe, Martinique, New Caledonia, Reunion, Wallis & Futuna



## PACIFIC

### 8 OFFICES:

- 2 MAIN BRANCHES
- 3 SUBSIDIARIES
- 3 BRANCHES

Australia, New Zealand



## EUROPE

### 161 OFFICES:

- 14 MAIN BRANCHES
- 44 SUBSIDIARIES
- 95 BRANCHES
- 8 REPRESENTATIVE OFFICES

Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Germany, Greece, Hungary, Ireland, Italy, Jersey, Luxembourg, Norway, Netherlands, Poland, Portugal, Romania, Russia, Spain, Switzerland, Turkey, Ukraine, United Kingdom



## AFRICA

### 284 OFFICES:

- 9 ASSOCIATED BANKS
- 43 MAIN BRANCHES
- 20 SUBSIDIARIES
- 212 BRANCHES

Algeria, Burkina Faso, Burundi, Comoros, Congo, Côte d'Ivoire, Djibouti, Gabon, Madagascar, Mauritius, Morocco, Namibia, Nigeria, Rwanda, Senegal, South Africa, Togo, Tunisia, Zimbabwe



## LATIN AMERICA AND THE CARIBBEAN

### 24 OFFICES:

- 3 MAIN BRANCHES
- 9 SUBSIDIARIES
- 6 BRANCHES
- 6 REPRESENTATIVE OFFICES

Argentina, Bahamas, Brazil, Cayman Islands, Chile, Colombia, Costa Rica, Mexico, Panama, Peru, Venezuela

ELEVEN



## ASIA

### 54 OFFICES:

- 15 MAIN BRANCHES
- 12 SUBSIDIARIES
- 19 BRANCHES
- 8 REPRESENTATIVE OFFICES

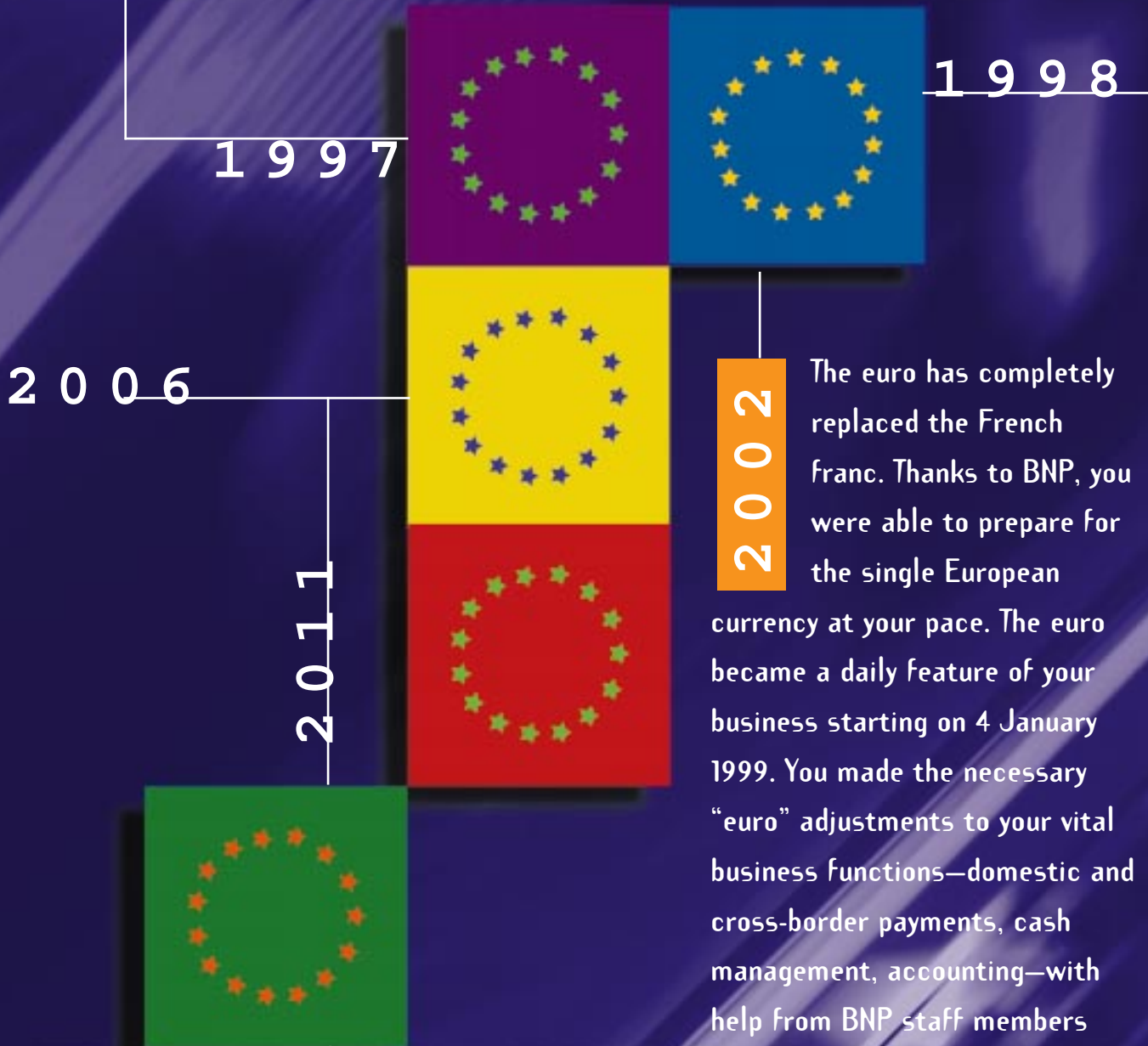
China, Hong Kong, India, Indonesia, Japan, Macao, Malaysia, Myanmar, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

INTERNATIONAL PRESENCE

N E T W O R K

# A EUROPEAN IDENTITY

## a European identity



2017

Planning  
Innovation  
Assistance  
Networking

# growing of EUROPE at the heart

## A LEADERSHIP STRATEGY FOR THE EURO

BNP, the number-one bank to French SMCs and a leading financial institution serving individuals and self-employed professionals, is determined to be a benchmark bank for the euro. It has made the transition to the single currency a major priority, with 500 computer specialists working full-time on the project starting in 1997. The first "euro" products BNP launched, especially its "euro" mutual funds, have already met with success among customers.

## A NETWORK AND A PARTNERSHIP POLICY SERVING CUSTOMERS THROUGHOUT EUROPE

In addition to its network of 161 offices in 23 European countries, BNP has made its TES network available to customers. This network, created with Dresdner Bank and nine other European banks, covers 14,000 branches in 15 countries. BNP and Dresdner Bank have also built a joint network in Eastern Europe.

## A DECISIVE TRAINING AND INFORMATION PROGRAM

By the end of 1997, BNP had already trained 10,000 employees to answer the widest range of customer questions concerning the euro. With the "euro kiosk", launched in November 1997, BNP became the first European bank to create an information stand devoted to the single currency, with regularly updated documentation. BNP published a number of pedagogical manuals and became the first French bank to broadcast a "euro" awareness program over the radio: "Café de l'Europe" on Europe 1.



THIRTEEN

## BNP IN EUROPE

- 14 branches
- 44 subsidiaries
- 95 branches
- 8 representative offices



### NOVEMBER 1997—THE "EURO KIOSK"

On 25 November 1997, the day the French government began its euro communication campaign, BNP pitched in by inaugurating its "euro kiosk" information stands.

Their aim is to demonstrate BNP's drive to be the benchmark bank for the euro, in terms of its efforts to advise and instruct customers, as well as in terms of technical achievements.

Euro kiosks, located in all BNP branches, are stocked with practical information leaflets that are regularly updated. A similar service is also provided on BNP's website (<http://www.bnp.fr>).

a major French

MAJOR FRENCH BANK

1997



2002



2013

If you're an entrepreneur, it's because you had a calling for it. Maybe it's also

because you won the "BNP entrepreneurship trophy" in 1998. Fifteen years later, BNP continues to stand by your company, and your family too. After all, BNP helped you finance your daughter's first personal computer.

2020



Proximity  
Services  
Technology  
Expertise

A M A J O R

# a powerful network serving our customers

BNP has more than 2,000 branches across France serving individuals, self-employed professionals, and companies. The domestic network is organized into eight regional divisions, which are managed on a decentralized basis.

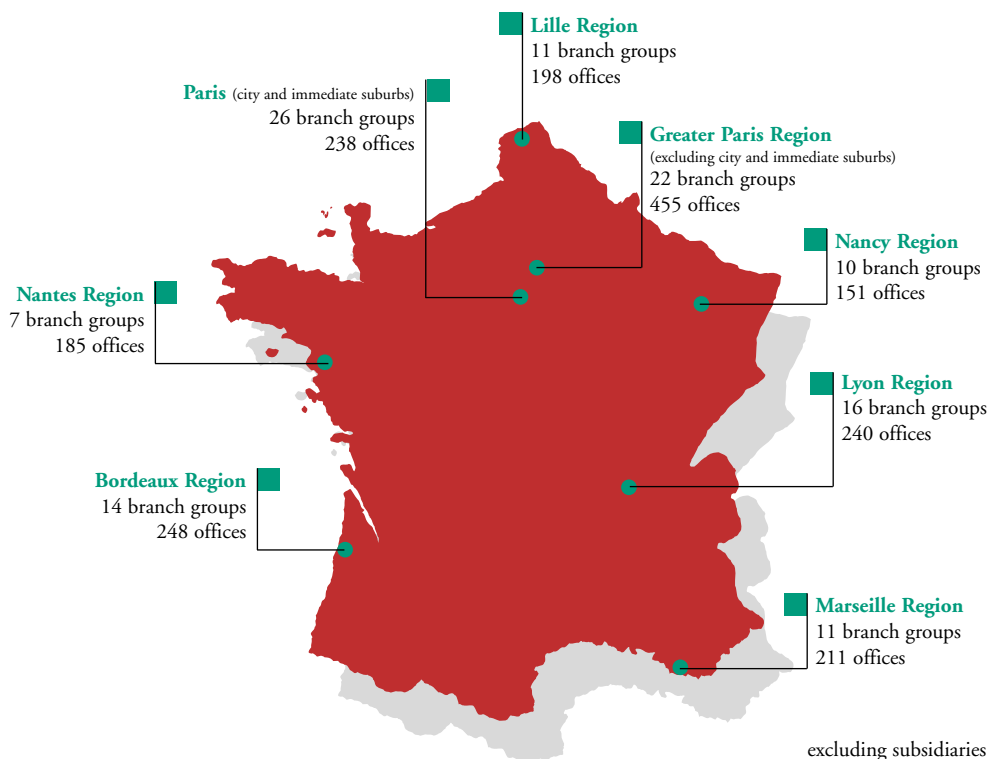
BNP is continually adapting its organization to improve its geographic coverage and enhance the quality of service it provides its customers.

As a retail bank, BNP also stands out by its high degree of financial and technological innovation thanks to one of the European banking industry's strongest research and development efforts. BNP was the first nationwide network to offer all of its banking services to individual customers over the Internet, and it is also the leader in electronic banking for corporations: 70% of its clients are connected, compared with a national average of 43%.

As the bank that is accessible to all of its customers, BNP holds leadership positions in a number of sectors, such as SMCs: 32% of all French SMCs and 42% of SMCs that export are BNP customers.

BNP is particularly well established among wealthy individuals thanks to its innovations and the quality of its services. BNP is currently seeking to develop its customer base by attracting new individual, self-employed, and corporate clients.

## DOMESTIC PRESENCE





# DOMESTIC Banking

*“helping you*



2021

In 1998 you made your first investment based on BNP's advice. Twenty-three years later, BNP is still the bank you trust.

Creating  
Anticipating  
Developing

D O M E S T I C

# for the future” prepare

## scoring gains and preparing for the EURO

In 1997, certain aspects of the banking business in France took a more satisfying turn. Economic growth gathered pace, driven by consumer spending that was made possible by households' increased purchasing power. The Balladur bond matured, releasing a large amount of free cash ready to be reinvested. With interest rates continuing to decline, demand for credit began to revive, first from consumers then from the corporate sector. Vast amounts of assets were shifted among savings and investment products, and the stock market broke record after record on high trading volume.

Though these trends did not offset the continued adverse impact of distorted competition and excessive regulation on the French banking industry, BNP and its banking and bank-related subsidiaries took full advantage of them to increase their revenues and the earnings of the Domestic Banking division.

Banque Nationale de Paris is gearing up for the euro, with more large-scale training, staff allocation, and technology investments planned for 1998, as it aims to be a benchmark bank for the euro, stressing customer service now and in the new era that will unfold in 1999.



SEVENTEEN  
17

2007

“Even back then they were continually innovating: *Stratégis, Panorama, Provisio, Amplio*. Today they are still offering me products that don't exist anywhere else.”

## achieving profitable growth

Through its domestic network of more than 2,000 branches, 2,000 ATMs, and specialized subsidiaries, BNP offers customers a complete range of modern retail banking services that are regularly updated by expert teams using the technology of the future. In 1997 the Bank scored commercial gains that helped boost profitability.

Deposits and assets under management in France, including life / endowment products, grew by 10.2%, to

FRF 637 billion, for a market share of 5.9%. BNP's loan portfolio expanded by 1.4% to FRF 396 billion, representing a 10.9% market share, at the same time as it improved its management of counterparty risks and capital adequacy ratios.

The earnings of the Domestic Banking division were sharply higher despite continued strong downward pressure on lending margins and a substantial number of early repayments made by borrowers in the wake of falling interest rates using the advantages offered by law. These negative factors were more than offset by growth in commissions, cost control, and tight risk management.

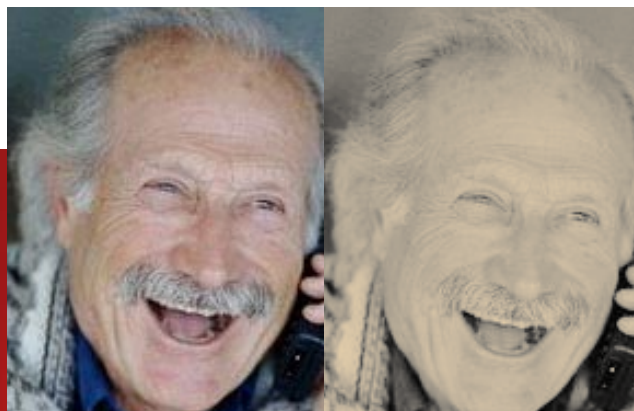
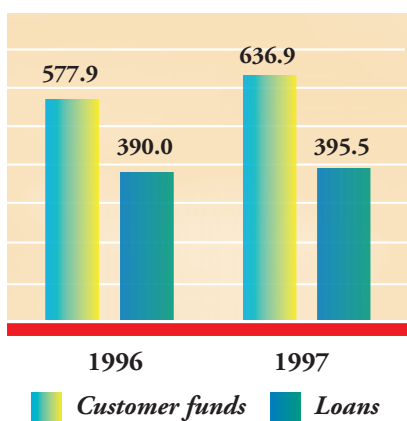
These successes—buoyed by innovative products and services and a wide choice of delivery



systems, including electronic banking to an increasing extent—offer proof of BNP's policy of augmenting its market share in all retail customer segments: individuals, companies, and self-employed professionals.

18  
EIGHTEEN

### *Customer funds and loans* (billions of French francs)



## individual customers

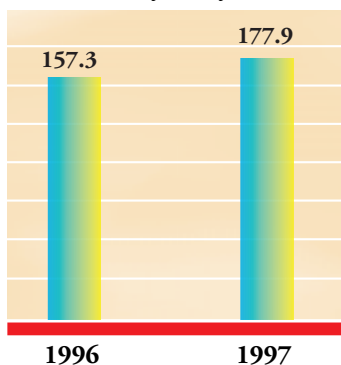
### CHECKING AND SAVINGS ACCOUNTS

The number of individual checking and savings accounts increased by more than 210,000 in 1997. BNP put special emphasis on attracting young customers—a key segment that now accounts for nearly one-half of all checking account openings.

Taking advantage of yields that were higher than those of the money market for most of the year, savers once again turned their attention to passbook savings accounts and home savings accounts and plans. The branch network heightened its efforts to attract such deposits, and as a result, average monthly balances rose 13.1% in 1997, to FRF 177.9 billion.

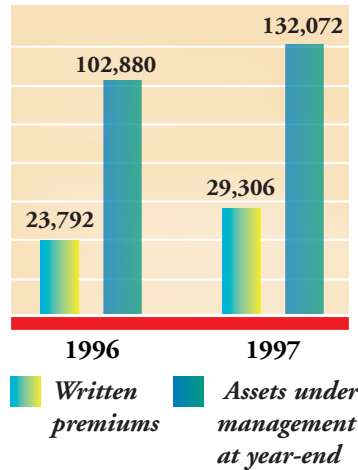
### Regulated Savings Deposits

(billions of French francs)



### Natio-Vie

(millions of French francs)



In October 1997 BNP launched a trio of new products—*Archipel Liberté*, *Archipel Placement*, and *Archipel Réussite*—combining the advantages of home savings plans, the flexibility of cash advances, and the possibilities offered by insurance products and specific loans for young people. Their success was immediate: 27,000 contracts were signed in the opening weeks.

### LIFE/ENDOWMENT PRODUCTS

Natio-Vie, a wholly-owned subsidiary, had an excellent year. It further increased its market share, consolidating its position as France's fifth-largest life insurance company, with written premiums of nearly FRF 30 billion and assets under management of FRF 132 billion.

Natio-Vie won bids for two contracts to manage a total of FRF 1.5 billion of retirement bonuses

*Optimixt*, a new product combining the security of a fixed-income life policy with the growth potential of BNP's equity mutual funds, was a resounding success. Though the French government suspended the introduction of pension funds similar to those that exist in the English-speaking countries, Natio-Vie launched a "group pension fund" line of business using products authorized under existing legislation and won bids for two contracts from large French companies to manage a total of FRF 1.5 billion of retirement bonuses.

Natio-Vie will be ready for the introduction of the euro, in line with the BNP Group's overall commitment, and it has granted BNP Gestion a contract to manage its assets in order to maximize their yield.

BNP's domestic network increased its marketing of property and casualty insurance products in 1997. The policies, engineered and managed together with Axa-UAP, are sold in many cases in conjunction with financing for purchases such as homes and cars. Over 70,000 policies of this type were written in 1997.

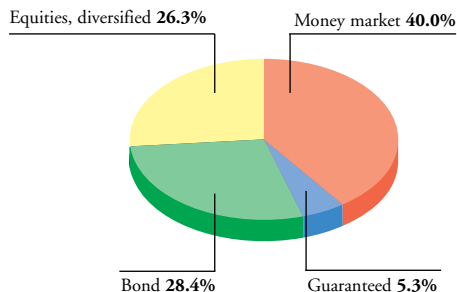
**BNP's network placed the largest number of shares in France Télécom's privatization**

France Télécom's partial privatization gave the BNP network an excellent opportunity to demonstrate its dynamic distribution capability. BNP placed 16% of the offering, more than any other bank and double its usual market share. One out of six initial subscribers to the France Télécom offering is a BNP customer.

#### ASSET MANAGEMENT

BNP created a specialized subsidiary, BNP Gestions, enhancing the independence of the Group's asset management services, in accordance with its long-standing policy of adhering strictly to ethical business practices. The Group won recognition, once again, for the quality of its mutual fund management. It was awarded the *Corbeille d'or* for its management over one year, and

### Mutual Funds



the *Corbeille long terme* for the five-year performance of its entire range, excluding money market funds.

Gearing up to be a euro benchmark bank, BNP launched three specialized mutual funds in June 1997—*Natio Euro Valeurs*, *Natio Euro Opportunités* and *Natio Euro Obligations*—which received a total of nearly FRF 1 billion of subscriptions during the year. It designed new products to attract savers seeking to reinvest the proceeds of Balladur bond redemptions. Two *Stratégis* equity funds eligible for inclusion within PEA equity savings plans and two guaranteed funds, including one linked to a European index, received over FRF 5 billion of subscriptions.

Assets under management worldwide now amount to FRF 450 billion, and BNP's mutual funds open to the public and sold in France have total assets of FRF 177 billion. The sharp drop in money market fund assets was offset by increasing subscriptions to long-

term funds such as the *Stratégis* family and the euro funds.

Assets managed for institutional investors rose 13% and those managed for private banking clients increased by 23%.

#### CONSUMER LOANS

In light of today's strong growth and the considerable potential for consumer lending in the years ahead, BNP built up its product offering in this area in 1997:

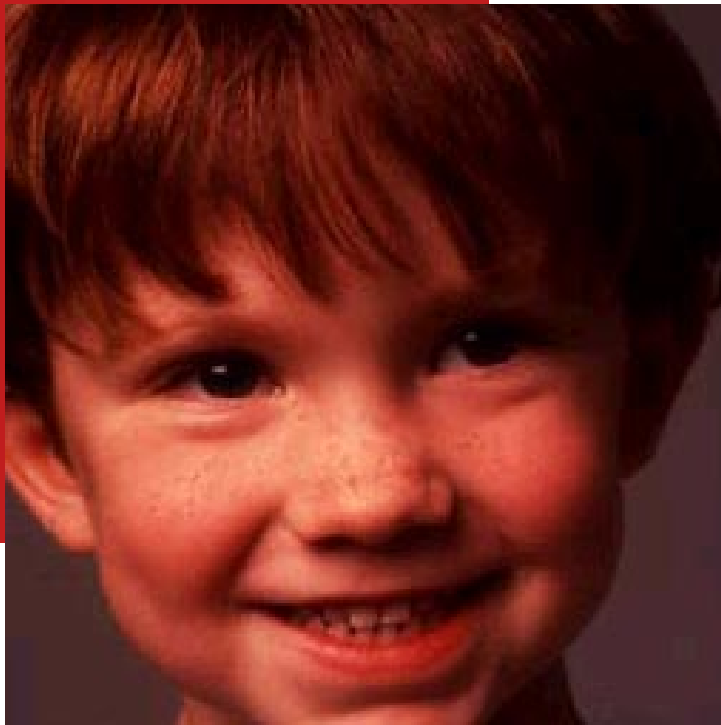
**Provisio**  
FRF 5.6 billion of  
outstandings,  
92% customer  
satisfaction  
rate

- By year-end, 350,000 BNP customers had already subscribed to

*Provisio*, the revolving credit facility launched in April 1996. Over two-thirds of them opted for *Réflexe Provisio*, which automatically adds funds to their checking accounts as needed, and 30% chose the *Provisio* credit card, which is honored by all Visa-affiliated merchants. The corresponding outstandings at year-end 1997 amounted to FRF 5.6 billion. Fully 92% of subscribing customers expressed their satisfaction with *Provisio*.

TWENTY

**BNP was awarded the "Corbeille d'or" and "Corbeille long terme" for its mutual fund management over one and five years, respectively**



**Real estate loans:**  
FRF 116 billion of outstandings.  
*Crédits Compatibles* are the new addition to the product range

## REAL ESTATE LOANS

Anticipating that the decline in interest rates was liable to slow, BNP repositioned itself in the market in 1997 with a resolutely modernized product range.

Its latest family of mortgage loans, launched in March 1997 and marketed under the name *Crédits Compatibles*, gives borrowers the choice between a conventional fixed-rate loan with flexible repayment conditions and a variable-rate loan with a predetermined rate cap. These new products accounted for FRF 27 billion of originations during the year and helped bring total mortgage outstandings to FRF 116 billion at 31 December 1997.

- In December 1997 BNP entered into a unique partnership arrangement with Cofinoga, a 51%-owned subsidiary of Galeries Lafayette and France's leading provider of consumer credit. Cofinoga manages over four million customer accounts representing more than FRF 21 billion of outstandings. BNP acquired 5% of Cofinoga's capital stock, with an option of raising its interest to 10% within the next few years. The Bank will benefit from Cofinoga's expertise in the areas of promo-

**Alliance with COFINOGA**

tion and loyalty building in exchange for privileged access to BNP's clientele and international network covering 79 countries. The two

companies also organized a joint subsidiary, 51%-owned by BNP and 49% by Cofinoga, to develop a range of credit cards backed by a revolving credit facility and related customer loyalty programs for the French market.

**Amplio: 65,000 cards**

- The *Amplio* card, launched in September 1997, was an instant success: by the end of the year, BNP had already issued 65,000 cards. *Amplio* comes in immediate and deferred debit versions, along with a host of flexible features, including access to a phone center for advice on planned purchases.

21  
T W E N T Y -  
O N E

# corporate banking

**BNP Euro  
Expert  
Advisory  
services for  
SMCs**

## **FRANCE'S #1 CORPORATE BANK**

In France, nearly one out of every three SMCs is a BNP customer, and the Bank's penetration rate among exporters is 42%. This is telling proof of the professional expertise the Group has consistently applied to its corporate relationships. Moreover, by always keeping a watchful eye on the security of its commitments, BNP continues to hold its proportion of financially distressed customers, in all business segments, below the nationwide industry average.

BNP welcomed 5,000 new corporate clients in 1997, in many cases using direct marketing techniques. In addition to expanding its client base, BNP secured a higher degree of loyalty from existing clients by making new services, such as factoring, available to them. BNP Factor signed up 650 new SMCs and increased its accounts receivable purchases by a sizable 28% in 1997, thanks in large measure to *Partena*, which analyzes accounts receivable.

Along the same lines, BNP introduced *Credaccès*, a simple, low-cost documentary credit processing system for SMCs that is invoiced on a flat fee basis. The Bank stands behind the quality of its service: it will refund part of the commission charge if it fails to meet contractual deadlines.

BNP is very attentive to the needs of start-ups and provides Sofaris with a large amount of investment risk insurance business.

The Bank overhauled its investment offering to enable SMCs with occasional large cash surpluses to take advantage of the same creative cash management techniques it has already made available to larger corporations.

Among the commercial efforts it made in 1997, BNP added *BNP Euro Expert* to its list of advisory services. SMCs with a project can consult *BNP Euro Expert* to receive all the appropriate information on financial assistance that is available in France and Europe. In addition, it recently launched *En Tête* magazine, aimed at managers of SMCs, to reinforce the close working relationship they enjoy with their bank.

BNP has prepared and distributed a considerable amount of information on the upcoming introduction of the euro. Every SMC will be able to operate in euros at any time starting 1 January 1999.

**BNP serves  
one out of  
three SMCs in  
France**

**BNP Factor:  
Factoring  
business up  
28% in 1997**



BNP serves its corporate clients through more than 400 dedicated branches staffed by specialized teams with expertise in the various lines of business that interest corporations. Seven hundred fifty relationship officers with decision-making authority provide the right solutions to help their clients grow. They are backed by an extensive array of products created for this purpose.

For clients with specific financing needs, BNP calls in its highly qualified experts and specialized subsidiaries, such as BNP Bail, to handle even the most complex arrangements, from cross-border lending to capital market operations and corporate finance. BNP's corporate transaction processing specialists put their payment systems and videotex expertise to work for SMCs, finding the best solutions for managing their funds flows.

T W E N T Y -  
T W O

# the bank for self-employed professionals

As part of its continuing efforts to improve its services, BNP has developed a range of products to allow companies to outsource a greater portion of their operations. This is the case for factoring, a service already used by some large corporations, as well as for auto leasing by Europcar Lease, which has been awarded the contract to manage the 20,000-vehicle fleet of Vivendi.

**“Carte  
Affaires”  
partnership  
with Carlson  
Wagon-Lits  
Travels**

The 1996 launch of a business version of the Visa card, *Carte Affaires*, to facilitate accounting procedures involving business expenses incurred by staff members, particularly when they are on the road, has been followed up by a partnership agreement with Carlson Wagon-Lits Travels (CWT), which will recommend the card to its corporate clients. BNP has expanded upon the services attached to the card, such as centralized invoicing, which enables the company to make remote payment for purchases of goods and services covered by insurance and travel assistance services. CWT customers can request invoicing grouped together by billing center, and even consolidated invoicing pertaining to CWT cards issued in other countries.

BNP's market share for distribution of *Carte Affaires* business cards in France is nearly 60% of the Visa network.



23  
TWENTY-  
THREE

Efficient marketing efforts aimed at self-employed customers—farmers, merchants, tradespeople, and members of the professions—contributed to a significant new increase in financing for capital investments.

During the year, the Bank successfully launched a number of specially adapted lease finance products: *BNP Bail Professionnel Auto*, for commercial vehicles, *Simplissimurs*, for real estate for

professional use, and *BNP Bail Location*, a simplified equipment finance lease. It also introduced a lease with rate cap to complement its range of variable-rate loans.

In 1997 BNP designed *Informatisation* to help health care professionals make the necessary computer investments to comply with France's mandatory public health cost cutting program.





# great strides in electronic banking

## INNOVATION SERVING CUSTOMERS

BNP, a leader in electronic banking, continues to expand its use of this technology and to increase the security and reliability of the electronic banking services it provides customers under its *Objectif 2000* program. Forty percent of BNP's transactional CPU capacity is utilized directly by customers, who can now make common transactions faster and with more flexibility, thus enabling the Bank to score significant productivity gains.

The Bank increased its ATM fleet by 5% to 2,098 units, for which it received ISO 9002 certification, and achieved a remarkable ATM service availability score of 96%.

## HOME BANKING FOR INDIVIDUAL CUSTOMERS

BNP pioneered banking by phone with the *Allosolde* service it launched in conjunction with the *Présence* linked relationship product. In 1997, its 350,000 subscribers made a total of 15 million calls to the service.

*BNP en Ligne*, a telephone-based banking platform with extended hours, is proving increasingly successful, having received a total of 265,000 calls in 1997. It provides customers with information on all of BNP's savings and loan products, and in most cases, it encourages them to complete transactions in the same call. A telephone marketing platform set up in the first half of 1997 offers products and services that correspond to individual customers' needs.

A new service, *Allo BNP*, which offers basic options and requires no subscription, was introduced in April 1997 and marketed to customers who are not *Allosolde* subscribers. It has already attracted 300,000 calls per month.

BNP's Internet-based home banking service, *BNP Net*, uses data encryption for maximum security. Subscribers can consult their account balances and transactions, securities portfolios, and bank card transactions, as well as transfer funds between BNP accounts.

The website will be expanded in 1998 to provide subscribers with the full range of home banking services. *BNP Net* will ultimately replace earlier-generation PC- and videotex-based home banking services.

**40% of BNP's  
transactional  
CPU  
capacity is  
utilized  
directly by  
customers**

TWENTY-  
FOUR

2000

"'You were the only one left', my relationship manager said when I subscribed to *Allosolde*. But I subscribed to the Internet banking services four years ago."



BNP has been working with Visa International, Gemplus, France Télécom, and other French banks to set up the "e-Comm" pilot project for secure electronic payment transactions over the Internet. The first phase will be completed in 1998, for electronic purchases of over FRF 50, and more than 1,000 participants will be able to make and confirm purchases with some 25 large companies.

Similarly, BNP recently formed an alliance with France Télécom to facilitate on-line shopping using *Télécommerce*. This service will provide retailers with everything they need to sell their products over the Web, including a virtual shopping basket, an order management system, a payment system, and a statistical analysis capability. Secure payments will be possible using bank cards.

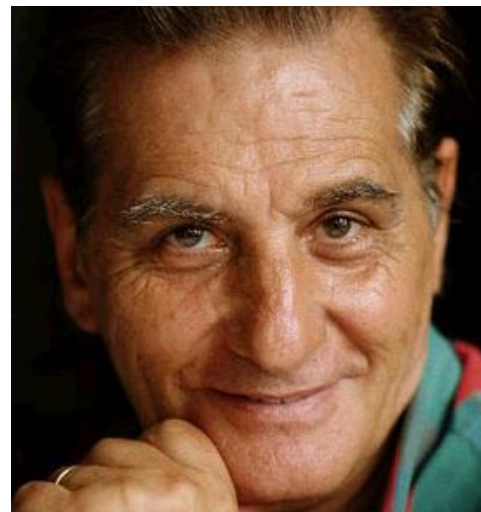
BNP is working closely with Société Française du Porte-Monnaie Electronique Inter-bancaire on the development of a funds flow transaction system that will guarantee the value of electronic transfers and monitor small transaction processing. A number of projects are now being studied.

## **ELECTRONIC BANKING SERVICES FOR CORPORATES**

BNP has developed a dedicated software package, *Poste Banque*, specifically for corporates. It is marketed as a basic program, through which clients can transmit orders, and optional plug-ins for management, budgeting, account reconciliation, and cross-border funds transfers. The leading banker to French companies also ranks first for remote transmissions by SMCs. *Poste Euro Banque* is expected to be released toward the end of 1998 as part of a blanket euro offering aimed at companies that will opt for euro-denominated operations starting on 1 January 1999.

The Bank's global on-line offering, *Geolink*, now focuses on three services:

- *BNP Téléreporting*: for consulting cross-border, multi-currency, and multi-bank accounts



- *BNP Télétransfert*: for transmitting payment orders
- *BNP Télétrade*: for opening documentary credit facilities and monitoring them in real time.

This flexible, comprehensive product, which runs on networks, fits in perfectly with corporate organizations and gives BNP a competitive international cash management offering.

25  
TWENTY-FIVE

**POSTE BANQUE**  
Number one in its  
market

# a modern approach to Human Resources to prepare for the future

In 1997 BNP made decisive strides in human resources management, individualized career orientation, and employment.

## **CLEARLY DEFINED AND IMPLEMENTED STAFF MANAGEMENT POLICIES**

BNP operates according to a set of values that include recognizing exemplary performance, encouraging and rewarding individual initiative and responsibility.

The Bank's improved commercial performance and accelerating pace of change are tangible proof of the warm acceptance executives have shown for these values and the abundant feedback BNP receives from its employees on ways to improve company performance and customer service.

## **A MODERNIZED PROFESSIONAL EVALUATION SYSTEM FOR CAREER AND SALARY MANAGEMENT**

A newly developed career orientation program, which all of the BNP Group human resources departments have implemented, offers staff members richer, more diversified career possibilities. Now that the Group has clarified the levels of responsibility in its various lines of business, in-house career review boards can offer employees greater professional mobility or specialization.

Changes in the management of senior executives under the new internal control rules have been extended to all subsidiaries and the international network. In this way, turnover of specifically identified key executives is

prepared well in advance and handled smoothly.

In 1997 BNP introduced new developments in variable remunerations as part of long-standing efforts to improve its remuneration policy and place more emphasis on rewarding skills and performance.

Profit-sharing, governed by a 1995 agreement that links incentives and profit sharing to increases in the company's earnings, rose sharply for 1997. They amounted to 8.5% of fixed payroll costs and were paid to all BNP employees in line with profitability gains.

Staff members gave a warm response to another private placement of shares reserved for them, demonstrating their interest in owning shares of their company.



## **EMPLOYMENT AND TRAINING POLICIES TO INCREASE PRODUCTIVITY WHILE LOWERING THE AVERAGE AGE OF BNP'S STAFF**

For the third consecutive year, the Employment Adaptation Program, which gives priority to in-house transfers of employees whose jobs are eliminated through computerization and organizational improvements, produced results in line with the Bank's expectations. BNP reduced its payroll by over 1,000 full-time equivalent employees, on a comparable structure basis, similarly to the same pace of previous years.

This staff reduction, achieved without resorting to forced layoffs, illustrates the efficiency of BNP's techniques for planning its qualitative and quantitative human resources needs. Moreover, it demonstrates both the degree to which the Bank's executives have involved themselves in the program, and the Bank's expertise in professional retraining.

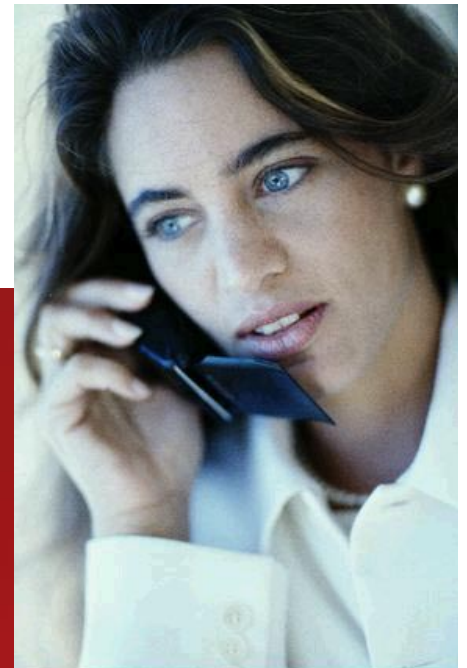
BNP pursued its intense continuing education efforts in order to develop its employees' professional skills and prepare actively for the introduction of the single European currency. In 1997 more than 20,000 persons attended programs at the Louveciennes training center, and 10,000 employees received euro awareness training. In all, spending on continuing education amounted to 6% of the Bank's total payroll charge.

Recruitment is an essential part of employment management, and BNP considerably stepped up its efforts in this area. In 1997 the Bank welcomed more than 700 young staff members in continuation of measures undertaken in 1995 and 1996.

BNP has launched a new Employment Adaptation Program, backed by a company-wide agreement, to pursue this employment policy in 1998 and 1999.

This consensus exemplifies BNP's good labor relations throughout 1997, which led to a variety of new measures, such as the creation of a funded pension plan, increased part-time employment, and flexible schedules designed to make branch opening hours more convenient for customers.

27  
TWENTY-  
SEVEN



# INTERNATIONAL Banking and FINANCE

“helping clients  
worldwide,



2005

My company now has offices in 100 countries. BNP is there to assist me throughout the world, adding new countries to its global presence. It listens to my needs on five continents.

Helping  
Evolving  
Mastering  
Investing

I N T E R N A T I O N A L

# and tomorrow''

# today

| (millions of French francs)        | 1997   | % Change | % Change at constant exchange rates |
|------------------------------------|--------|----------|-------------------------------------|
| Net banking income                 | 18,071 | 29.5     | 23.0                                |
| Operating expense and depreciation | 11,434 | 21.6     | 15.8                                |
| Gross operating income             | 6,637  | 46.0     | 37.8                                |
| Provisions                         | 3,648  | N/M      | N/M                                 |

#### IBF—STEADILY INCREASING RESULTS

| (millions of French francs)                     | Net banking income |            | Operation expense and depreciation |            | Gross operating income |            |
|---|--------------------|------------|------------------------------------|------------|------------------------|------------|
|   | 1997               | (% Change) | 1997                               | (% Change) | 1997                   | (% Change) |
| Wholesale banking                               | 5,496              | 19.4       | (3,233)                            | 13.1       | 2,263                  | 29.8       |
| International retail banking                    | 3,794              | 13.4       | (2,374)                            | 5.8        | 1,430                  | 28.5       |
| Financial activities excluding asset management | 6,207              | 63.4       | (4,373)                            | 37.5       | 1,834                  | x3         |
| Asset management                                | 1,002              | 25.9       | (502)                              | 17.3       | 500                    | 35.8       |
| Specialized finance                             | 1,572              | 11.7       | (962)                              | 36.6       | 610                    | (13.2)     |

The division benefited in 1997 from the effects of its new organization, which is now totally operational. The reason for updating the organization was to enhance synergies between BNP's specialized lines of business and its international network, which is the largest of all the euro zone banks.

During the year, BNP progressed in its strategy of achieving profitable growth. It stepped up its efforts to increase the share of financial activities excluding asset management. The various lines of business continued to invest and make acquisitions, and the operating units prepared actively for the

advent of the euro. At the same time, the increase in weighted average assets was carefully controlled, and risk monitoring was reinforced, particularly in Asia.

The International Banking and Finance division is now organized into five principal lines of business: wholesale banking, international retail banking, financial activities excluding asset management, asset management, and specialized finance.

29  
TWENTY-NINE



2004

For my asset management, I chose a French bank. BNP, you know? Their expertise has been making my assets grow for the past five years.

# wholesale banking

*The wholesale banking unit operates in all areas of commercial banking except retail banking. In 1997, its gross operating income rose 30% to FRF 2.3 billion, accounting for 34.1% of the gross operating income of the entire International Banking and Finance division, to which it is consistently the largest contributor. It serves three customer categories, and the international network continues to grow.*

## LARGE CORPORATIONS AND INSTITUTIONS

The large corporations and institutions unit was rearranged in 1997 to prepare for EMU and to offer a growing number of major foreign clients a quality of service commensurate with their size and needs.

BNP has remained the leading French bank to corporations, as attested by its deals in 1997. Philips chose BNP to design and run payment systems for all its subsidiaries. Unilever commissioned BNP to set up an international cash pooling system. BNP financed Bouygues Télécom's mobile telephone network, coordinated France Télécom's partial privatization, and arranged a syndicated loan to finance Lafarge's purchase of Redland.

## BANKS

The run-up to the euro is heightening competition to develop new product lines in a short amount of time. Moreover, the large volume of business from correspondent banks raises the need for BNP to ensure an absolutely seamless transition to the year 2000.

For these reasons, the Bank has made sizable investments to improve existing services and broaden its product range. It has automated cross-border payments to a high degree, cutting processing time and scoring substantial productivity gains in the process. It has introduced new services to optimize intra-day processing of customer accounts.

BNP has increased its commercial efforts in preparation for *BNP Euro-Clearer*, a new service now being designed to help ease the transition to the euro. Throughout 1998, development will continue on this product, which will highlight BNP's active role in helping client banks integrate the single European currency.

## INTERNATIONAL PRIVATE BANKING

Thanks to its large private banking network and continuing innovation by its specialized teams, BNP was able to take full advantage of buoyant world markets.

Improvements to the organization included the purchase of an offshore bank in the Bahamas and the concentration of business in the important Asian market within a single entity.

In 1998, BNP will expand its private banking business on all continents with larger teams in Latin America, the acquisition of local brokers and management companies in several European countries, continued growth in Asia, and redeployment in the Middle East.

### PRIVATE BANKING:

- Customer funds: FRF 194 billion
- Private banking network
- Creation of a regional private banking organization for Asia

THIRTY

### DEVELOPMENTS IN THE COMMERCIAL AND RETAIL BANKING NETWORKS

BNP gained a foothold in new markets in 1997 by opening branches in Auckland (New Zealand), Brno (Czech Republic), and Szczecin (Poland). During the year, it also opened a joint subsidiary with Dresdner Bank in Croatia, acquired a majority stake in Banque du Caire et de Paris, and sold its network in Gambia.

**In Europe**, there was appreciable growth in the commercial banking business. This was true even in Central and Eastern Europe, despite the difficult economic conditions that BNP-Dresdner Bank joint subsidiaries encountered in Russia, the Czech Republic, and Bulgaria. International commodity financing was one of the main engines behind this growth: during a period of scarce capital and narrowing margins, this is an interesting area of growth, with good margins and low capital requirements. Moreover, BNP has recognized expertise in the field. The strong positions held by the two Swiss subsidiaries and, to a lesser degree, the London, Rotterdam, and Hamburg offices, led to further growth. At the same time, the stronger

dollar contributed to higher revenues in this line of business.

The network made active preparations for the introduction of the euro and the opportunities it will create. It centralized money market and foreign exchange business and added staff members to local sales teams. The purpose of the reorganization was to make operations more efficient and optimize resources. In close cooperation with the domestic banking network, the European offices are contributing to the creation of a pan-European product range designed to make BNP one of the benchmark banks for the euro.

**In the Asia-Pacific region**, 1997 was a year of crisis, as a number of currencies plunged inexorably starting in July. Against this backdrop, the Bank pursued its policy of controlled growth by setting up new full-service banking subsidiaries in Thailand and New Zealand. Revenues



increased as lending margins widened in the wake of the crisis, while at the same time, the major growth effort pushed costs higher and the crisis raised the need for provisions.

In the buoyant economy of **North America**, BNP made significant progress in commercial banking, combining the operations, risk management and earnings of its East and West Coast offices. The Canadian operation has continued its recovery while increasing its provisioning level.

**In Latin America**, BNP opened a new subsidiary in Brazil aimed at enhancing the Group's presence in the region.



# international retail banking

*The international retail banking business accounted for 10.6% of BNP's consolidated gross operating income in 1997, up 28.5%. For many years, the Bank has been transferring to its foreign units the solid expertise it has built up in France. This business corresponds essentially to three networks: Bank of the West (California), BNPI (North Africa, Middle East, Indian Ocean), and banking subsidiaries and affiliates in Africa.*

In 1997 Bank of the West continued its growth in three lines of business: community banking, corporate banking in Northern California, and vendor-based consumer lending. Gross operating income rose 56% to FRF 766 million in 1997—a year of consolidation for the network, which now includes 106 branches. New bank cards and recently introduced telephone banking bill paying services contributed to that performance. Deposits and loans increased by 7% and 11%, respectively, and consumer credit originations were up 30%. The purchase of Essex Credit Corporation late in 1997 will enhance Bank of the West's direct marketing efforts.

BNPI had a good year thanks to its updated and diversified product and service offering, and despite stiffer competition. Net income rose 6% over 1996 to FRF 408.3 million. (Group's share amounted to FRF 312.7 million, compared with FRF 261.2 million in 1996.)

BNP's subsidiaries in the French overseas areas, which are managed by BNPI, reported contrasting results. Earnings rose appreciably at the Guadeloupe and Martinique subsidiaries, whereas BNP Guyane continued to suffer from a depressed local economy. The subsidiary in New Caledonia had yet another good year.

**PROFITABLE  
LINES  
OF BUSINESS**

**International  
retail banking**

- **Recurring profitability:**
  - **Gross operating income: FRF 1,430 million, up 28.5%**
- **Three avenues of growth:**
  - **Bank of the West**
  - **BNPI**
  - **Africa**

Over the past three years, all of BNP's African units have benefited from a noticeable upturn in their economies. GDP has been rising by 4% to 7% a year in the French franc zone, and BNP affiliates have profited from this growth, contributing FRF 89.7 million to consolidated net income in 1997, compared with FRF 65.3 million in 1996.

In order to bolster its long-term earnings growth, BNP is sharing its leasing and factoring expertise with its affiliates and plans steadily to extend the network to other countries.



# financial activities (excluding asset management)

*The BNP Group's financial activities, excluding asset management, turned in an exceptional performance in 1997. Net banking income rose 63.4% to FRF 6.2 billion, and gross operating income rose threefold, to FRF 1.8 billion.*

## CAPITAL MARKET BUSINESS

Throughout the world, long-term interest rates declined and yield curves flattened in 1997, particularly in the United States. This trend, coupled with the Asian crisis, caused investors to shift their assets to the bond markets of Europe's core countries and the United States. Europe's financial markets were heavily influenced by the convergence of short-term rates, stability of the D-mark/French franc currency pair, and sterling's steady firming. Even after the shake-up in the fall, the equity markets of the industrialized economies (excluding Japan) ended the year higher on the whole.

Money market and foreign exchange business was excellent in 1997. There was a surge in trading in the major currencies (dollar/yen), where BNP is a market maker. The Bank strengthened its trading capabilities in the main emerging-market currencies, particularly those of Asia.

In keeping with its aim of becoming a benchmark bank for

the euro, the Group refocused its trading activities in Paris and London, and BNP's bond salespeople broadened their product range to cover all maturities on the yield curve.

BNP is one of the world's leading traders in currency options, with a 6% market share. Trading and sales have grown steadily, especially in exotic options, which corporations frequently use to hedge their foreign exchange exposure. The Bank was top ranked for Dollar/French franc options. During the year, BNP tightened the security of its internal controls and strengthened its legal and bookkeeping safeguards.

BNP has traditionally been the first choice of underwriter for French franc-denominated corporate bond issues. It led the market in 1995 and 1996, and it underwrote 30 issues totaling FRF 30 billion in 1997, for a market share of 10.7%. In 1997 BNP also distinguished itself among German issuers by managing 12% of their French franc-denominated issues. It managed the first French franc



“tributary” issue on behalf of the European Investment Bank, and its active involvement in preparations for the euro earned it a major role as underwriter of euro-fungible issues in 1997, a market on which it ranked seventh, with 10 issues in a variety of currencies. In *Euroweek's* year-end 1997 poll, BNP was named second for French franc issues. A combination of narrowing margins, heightened competition, and deteriorating operating conditions prompted BNP to overhaul its bond business in 1997.

THIRTY-THREE

## PROFITABLE LINES OF BUSINESS

### Money Market and Foreign Exchange Business

- Money Market and Foreign Exchange Business: a remarkable year
- Interest-rate products:
  - Investments in the euro zone: among Europe's leaders / selective investments in the emerging markets
  - Bonds: a year of profound restructuring
  - Derivatives: one of the leading banks for interest-rate swaps

On the secondary market, BNP continued to develop its bond trading and investment capacity throughout continental Europe, in preparation for the euro, and it began trading in Gilts. The creation of the euro-denominated debt market—soon to be the world's second-largest—is expected to stimulate corporate issues, which generate underwriting spreads, and the Bank has made substantial investments in this area. BNP has expanded its high-yield securities business by opening a "Section 20" investment bank in New York, and it has started trading in structured products in Europe.

BNP is a key innovator in Europe's interest-rate derivatives market. It holds first place for French franc-denominated swaps, thanks to its sales-oriented approach, and it is a leader in options indexed to constant maturity ("TEC") French Treasury bonds.

The equity markets were very active in 1997, characterized by high trading volume and volatility. These factors had a positive impact on the results of

BNP Equities. Rising stock prices in the first half-year encouraged initial public offerings and new share issues. Business continued to be satisfactory in the second half, despite the ups and downs that caused some issuers to postpone their operations.

BNP was adviser and coordinator of France Télécom's partial privatization, and it lead managed the sale of a large block of Carbone Lorraine shares. It participated in 36 privatizations, new issues, and sales of blocks of securities totaling FRF 79 billion. BNP ranked first in France for number of public tender offers and second in terms of total value. It was co-presenter of two of the year's most important bids, Rallye/Casino and Someal/Worms, and it took part in 15 international issues as well.

The market for equity derivatives was exceptional for reasons of its high volatility. BNP Arbitrage took advantage of this climate by broadening its structured product offering and bringing specialized arrangement teams in to work at its equity derivative sales unit. It also became France's first investment company to make use of the new provisions contained in the EU investment services directive.

During the year, BNP Arbitrage maintained its presence on regulated stock exchanges and derivatives markets, while continuing to expand its over-the-counter offering. BNP was once again a top-tier player in the equity markets of France, the United States, Italy, and Spain. The Bank steadily expanded its business in options traded over-the-counter to include European stocks and convertible bonds. The indexed equity funds it opened to receive the proceeds of "Balladur" bond redemptions attracted a sizable amount of subscriptions. BNP consolidated its leadership position and increased its market share as market maker in exchange-traded options.

BNP has become an acknowledged player in the French and Italian securities loans markets, and it is expanding its operations in this area with the aim of covering all of Europe.

#### PROFITABLE LINES OF BUSINESS BNP Equities

- Exceptional year for all equities and equity derivatives
- Origination: Adviser to France Télécom
- Intermediation: Development of capacity in Europe (BNP Equities / Du Bouzet: among France's top three stock brokerages) and in Asia
- Equity derivatives: one of the world's leading banks



## MERCHANT BANKING

The French M&A market had an exceptional year, with one and a half times the transaction volume of 1996. The wave of restructurings accelerated, generating more operations whose higher degree of complexity increased value added.

Amid stiff competition from UK merchant banks and US investment

banks, Banexi remained number-one in France for number of transactions (62) and it ranked sixth in terms of aggregate transaction value.

In addition to advising France Télécom on its partial privatization, Banexi advised on IPOs by venture capital investees in France, Canada, and the United Kingdom, and it successfully defended target companies, such as Casino, against hostile takeovers.

## MANAGEMENT OF EQUITY INVESTMENTS AND SOVEREIGN DEBT

In 1997 the Bank pursued its policy of actively managing its investment portfolios.

Rising share prices enabled BNP and specialized subsidiaries (mainly Financière BNP, CIP, and SAPEG) to make a large amount of disposals (FRF 7.8 billion), generating substantial capital gains.

Banexi made FRF 713 million of private equity investments and FRF 1.2 billion of disposals, on which it realized sizable capital gains.

BNP sold a large portion of its Brady bonds in the first part of the year, taking advantage of high prices in the secondary market for sovereign debt.

## PROFITABLE LINES OF BUSINESS

Management of equity interests and sovereign debt

- Applying a financial investment-type strategy:
  - Seizing market opportunities
  - Portfolio undergoing diversification
- Sizable capital gains in 1997
- A significant contribution to BNP's results over the years

## PROFITABLE LINES OF BUSINESS

Merchant Banking—Banexi

- Advisory
  - France Télécom
  - Rallye and Casino
  - Worms
- Parconexi: Joint ventures with ING for LBO financings
- Banexi Ventures II: Venture capital fund investing in high-tech firms

# asset management



36  
THIRTY-  
SIX

## BNP GESTIONS

|  | 1997       |
|--|------------|
| • Assets entrusted                           | + 9.8%     |
| Mutual fund management                       | 177        |
| Asset management for institutional investors | 189        |
| Private asset management                     | 84         |
| <b>Total</b>                                 | <b>450</b> |
| <i>(FRF billion)</i>                         |            |
| • New entities:                              |            |
| - BNP Asset Management Asia (Hong Kong)      |            |
| - BNP Asset Management Argentina             |            |

*The asset management business underwent major changes in 1997, dictated by BNP's aim of strengthening its international position and encouraging its customers to adopt the euro, while enhancing its image in the financial markets.*

2005

2005  
"I bought my first BNP SICAV when I read that BNP had been awarded the *Corbeille d'or*. I think it was in 1997..."



BNP transformed its asset management business into a subsidiary, in keeping with international practice, and it created two units abroad: BNP Asset Management Asia in Hong Kong and BNP Asset Management Argentina in Buenos Aires.

The product range was updated, focusing on the upcoming introduction of the euro, with the creation of three specialized open-ended mutual funds in June: *Natio Euro Valeurs*, *Natio Euro Opportunités*, and *Natio Euro Obligations*.

These were followed by *Natio Euro Perspectives*, an equity fund investing predominantly in French issues but offering a degree of diversification throughout the euro zone, and *NF Euro Convergence* for institutional investors.

BNP reoriented two purely French funds, investing in small caps and convertible bonds, and one compartment of a Luxembourg umbrella fund, to cover the euro zone. At the same time, it opened a Swiss compartment for non-euro zone investments.

# specialized finance

## INTERNATIONAL TRADE FINANCE

BNP also worked on enhancing its image in 1997. Efforts during the year included publicizing its asset management products and services in the trade press, advertising its *Stratégis* plan, updating the names of its products, and reorienting its product ranges to increase their specialization.

Assets under management by the BNP Group rose 10% in 1997, and operating income from the asset management business amounted to FRF 500 million, up 36%.

BNP reinforced its position as the number-one bank serving French companies abroad. Its dynamic, highly specialized teams produced exceptional results in 1997: Short- and medium-term export finance originations rose 28% to record-breaking highs.

These fine results could be ascribed to business in the aeronautics and shipping sectors, growth in multi-source financing, and a satisfactory level of Coface-guaranteed export loans in a shrinking market. In 1997 BNP also put special emphasis on ensuring the security of its financial credits.



In international commodity financing, BNP aims to strengthen its position as reference bank to an international clientele, while keeping its risks well under control. During the year, it appointed three regional coordinators in New York, Buenos Aires, and Johannesburg, and recruited a specialized commodity finance team in Singapore.

The United Nations chose BNP to maintain records of the financial flows resulting from application of Resolution 986 "Oil for Food", and the New York branch took an active part in this operation.

The Bank achieved significant new gains in trade services in 1997 by introducing an updated videotex service and an innovative range of products and services for domestic and international markets.

BNP thus strengthened its position as one of the world's leading providers of short-term trade financing and related services.

## INTERNATIONAL TRADE

- **Export finance:**
  - **Outstandings:**  
FRF 35 billion (originations up 28%)
  - **Market share in France:**  
18.3% (#1 in this line of business)
- **UN Resolution 986 operation ("Oil for Food")**

THIRTY-  
SEVEN  
37



THIRTY-  
EIGHT

#### PROJECT FINANCE AND STRUCTURED FINANCE ARRANGEMENTS

BNP is one of the world's leaders in structured and project finance. In 1997 it ranked eighth in the world league tables for syndicated eurocredits (number one during the fourth quarter), eleventh for project finance, and tenth for syndicated loans in Asia (its eleventh consecutive year in the Asian league tables). It was awarded 75 contracts as lead arranger or adviser on structured loans and project finance deals on the strength of its specialized teams' high quality

service, corresponding to gains across the board.

**Finance for major projects: BNP was designated lead manager representing the interests of France, the UK, Brazil, and China in financing the construction of the Three Gorges Dam in China**

BNP owes its position in syndicated credits to its commercial drive among French and European clients and its aim of building up its Asian business, particularly in Hong Kong. Arrangements for corporations and institutions, such as the CADES (FRF 50 billion) and Lafarge (FRF 14 billion) financings, which *Euroweek* ranked as fourth- and ninth-largest syndicated credit "Deals of the Year", offer tangible proof of BNP's dynamic efforts to expand its business in this area. The CADES operation earned BNP sixth place as arranger of sovereign and public sector borrowings.

In 1997 BNP took part in the wave of buy-outs and expanded its leveraged buy-out business. The US team was awarded 17 LBO contracts worth a total of USD 2 billion, confirming the Bank's standing in this market. Thanks to commercial efforts in Continental Europe, BNP won an arrangement contract in Germany and built up its presence in the other European markets.

In project finance, BNP arranged 16 deals and advised on another 11 covering a wide range of sectors: Bouygues Telecom and Mobistar (Belgium) in telecommunications, Brisbane Airport and Aguas Argentinas in infrastructure, and Jorf Lasfar (Morocco) and Loy Yang A (Australia) in energy.

#### STRUCTURED FINANCE

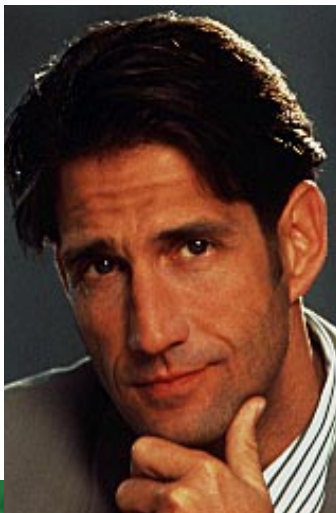
- 75 arranger/advisor contracts
- One of the world's top players
  - 8th ranked for arrangements of syndicated operations (Europe, Africa, Middle East)
  - 11th ranked for project finance arrangements

On the strength of its **complex finance** expertise, BNP won a number of structured finance contracts in a variety of sectors, covering both cross-border and domestic financings. Product and service diversification is a prerequisite for growth in this market.

Altogether, 1997 was an active year for BNP's specialized finance business, which reported an 11.7% increase in net banking income in a highly competitive environment. A combination of major investments and unpaid interest by Eurotunnel, both nonrecurring factors, were responsible for the 13.2% decrease in the business's gross operating income.

# management of international risks

*The Banks and Risks department analyzes and monitors all loan applications from the international network and the head office operational divisions. Moreover, it gives an internal rating to all risks, allowing BNP to monitor the quality of its business from the standpoint of risk incurred.*



This department had a particularly heavy workload in 1997. As soon as the Asian crisis erupted during the summer, it sent staff members to the region to assess the exposure of businesses that had been considered very healthy until then. Special attention was paid to the foreign exchange exposure of customers that earn their revenues in local currency but had borrowed in US dollars at a time when their economy was growing steadily and the dollar exchange rate was stable.

Despite these developments, the ratio of doubtful loans to total customer loans continues to be reasonable. BNPI's collection efforts, and the vitality of the US and European economies, offset the impact (in the form of specific risk allowances) of the crisis in Asia—a region that had been relatively spared from such upheavals until now.

THIRTY-  
NINE  
39





# CORPORATE Governance

BNP is one of France's precursors in the field of corporate governance, having made the necessary changes to its organization even before the CNPF/AFEP recommendations were made public in July 1995. Since that time, the Bank has unceasingly endeavored to adapt and improve its organization in order to keep up to date with worldwide standards.



At 31 December 1997, the Board of Directors was made up of 14 members appointed for six-year terms. The Board met five times in 1997. Membership reflects a wide range of complementary expertise in banking and business, in France and abroad:

- two directors, Michel Pébereau and Jacques-Henri Wahl, who are members of BNP's General Management Committee
- nine outside directors (Jean-Louis Beffa, Jacques Friedmann, Jean Gandois, Philippe Jaffré, Alain Joly, Lindsay Owen-Jones, Jürgen Sarrazin, Louis Schweitzer, and René Thomas), three of whom are directors of companies with no shareholding ties to BNP (Jean Gandois, Chairman of the Board of Cockerill-Sambre; Alain Joly, Chairman and CEO of L'Air Liquide; and Lindsay Owen-Jones, Chairman and CEO of L'Oréal), and one of whom, René Thomas, Honorary Chairman, is specifically in charge of representing the interests of small shareholders
- three directors representing BNP employees: Patrick Auguste, Jean-Marie Gianno, and Philippe Mussot.



41  
FORTY-  
ONE





In 1997 the Board adopted a set of by-laws stipulating the directors' rights, responsibilities, and obligations, the system used to apportion directors' fees, and the number of BNP shares each director should hold.

In 1994 BNP created three special Board committees chaired by outside directors. As of 1997, senior managers are no longer members of these committees, but they and their colleagues are allowed to attend meetings whenever necessary. This arrangement goes beyond the recommendations of CRB Regulation 97-02 on Internal Controls.

The **financial statements committee** is chaired by Philippe Jaffré and its members are Patrick Auguste, Jean Gandois, Lindsay Owen-Jones and René Thomas. It meets at least twice a year, with the

Statutory Auditors present at the two meetings devoted to the annual and interim financial statements. Its purview extends to accounting methods and procedures, the financial statements, and the Group's accounting and financial information.

In 1997 this committee examined sales of long-term investments, allowances set up for long-term investments, the quality of the equity securities and sovereign debt portfolios, the impact of changes in tax law, and the treatment and adequacy of allowances set up to cover risks related to the Asian crisis.

The **internal audit and risk management committee** is chaired by Jacques Friedmann and its members are Jean-Marie Gianno, Philippe Mussot, Jürgen Sarrazin, Louis Schweitzer, and René Thomas. It meets at least twice a year. In 1997 this committee analyzed the annual report on internal controls, which BNP prepared in accordance with regulations; improvements to monitoring procedures; and lending policy, particularly to business sectors and regions under observation, such as Asia. The committee's purview extends to all BNP-specific and regulatory internal control procedures, as well as the main orientations of the Group's

lending policy based on risk and profitability measurements it receives.

The **remunerations committee** is chaired by Alain Joly and its members are Jean-Louis Beffa and Philippe Jaffré. It met twice in 1997.

This committee communicates with the Board on matters concerning the personal status of BNP's authorized representatives, such as remuneration and stock options. It examines the conditions for replacing authorized representatives, and it prepares proposals for appointing new directors.

In addition to these three Board committees, an **international advisory committee** meets once a year, depending on its members' availability. It is made up of representatives of differing nationalities, who are CEOs or directors of institutions that are stable shareholders of BNP: BAT Industries plc, Vivendi, Dresdner Bank, Financière et Immobilière Marcel Dassault, General Electric Company, Kuwait Investment Authority, Grande Armée Participations (PSA group), Public Institution for Social Security of Kuwait, and Roche Finance SA (Hoffmann-La Roche group).

BNP is managed by a number of committees:

- **The General Management Committee**, with seventeen members as of 4 January 1998, meets once a week and periodically holds seminars to prepare strategic decisions and decide on the main management orientations. Its work is prepared in a special committee.
- **The Credit Committee** is headed by Baudouin Prot and the main divisions are represented, including the Risk Management division, which has veto power. This committee makes decisions concerning proposed commitments exceeding thresholds determined according to category of credit.
- Other committees meet monthly to prepare recommendations for the General Management Committee, each in its area of expertise. They include the Market Risk Committee, the Asset/Liability Management Committee, and the Organization and Information Systems Committee.

### Management Charter

A new version of the document setting out BNP's management

principles was distributed in 1997. It reiterates BNP's strategic aim of achieving profitable growth. It serves as a guideline to encourage executives to add personal value and exercise their collective responsibility in such a manner as to make an effective contribution to the Bank's performance.

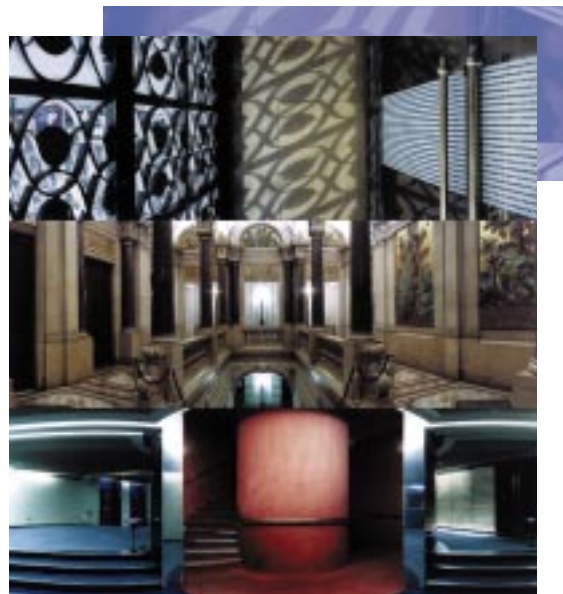
### Ethics

BNP has reinforced its ethical organization to keep up with new developments in this area. Its goal is to be exemplary in France and in those countries where it operates, respecting the integrity of the markets

and the precedence of its customers' interests. Jacques-Henri Wahl, member of the Board of Directors and adviser to the Chairman and Chief Executive Officer, is responsible for the BNP Group's ethics.

### Regulatory Compliance

The growing number of markets, international exposure, and the introduction of EU directives have made it necessary for BNP to monitor its in-house procedures for compliance at all times. The International Banking and Finance division has appointed a Compliance Officer for this purpose.

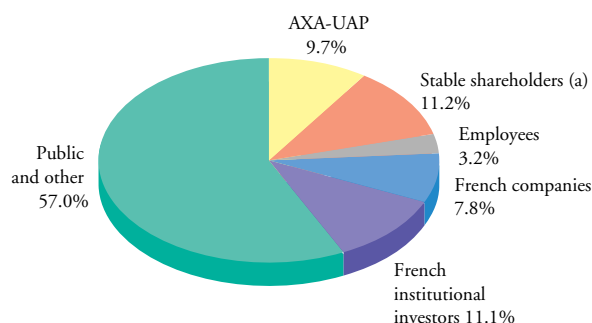


BBNP

# STOCKHOLDER INFORMATION



## STOCKHOLDERS AT 31 DECEMBER 1997



(a) Elf Aquitaine (including its subsidiary Sogelfa), Compagnie de Saint-Gobain, Financière & Immobilière Marcel Dassault, Grande Armée Participation (PSA group), Renault, Dresdner Bank, Kuwait Investment Authority, The Public Institution for Social Security of Kuwait, Pechiney, Roche Finance SA (Hoffmann-La Roche group), General Electric, Vivendi, and BAT Industries.

## SHARE PRICE

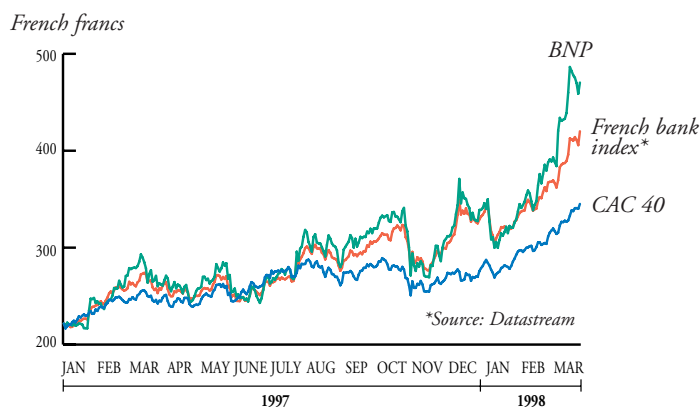
BNP shares were listed on the monthly settlement market of the Paris Stock Exchange on 18 October 1993. The shares are also traded on SEAQ International in London and on the Frankfurt Stock Exchange.

They have been a component of the CAC 40 index since 17 November 1993.

At the end of March 1998, BNP shares were trading at FRF 481.50, representing a 139.79% increase since the beginning of

1997. Over the same period, the CAC 40 index rose by 67.37% and the French bank index rose by 107.32%.

At 31 March 1998 BNP had a stock market capitalization of FRF 102 billion.



45  
FORTY-FIVE

## EARNINGS AND DIVIDENDS PER SHARE

| French francs, except as indicated                  | 1997          | 1996          | 1995          | 1994          | 1993          |
|---|---------------|---------------|---------------|---------------|---------------|
| Capital stock                                       | 5,331,104,700 | 5,185,874,825 | 4,804,598,450 | 4,751,153,975 | 4,600,213,900 |
| Number of shares outstanding at 31 December (a)     | 213,244,188   | 207,434,993   | 192,183,938   | 190,046,159   | 184,008,556   |
| Net income attributable to BNP Group, per share (b) | 28.26         | 18.69         | 9.31          | 8.95          | 6.65          |
| Net asset value per share                           | 277           | 268           | 253           | 253           | 254           |
| Gross dividend per share (c)                        | 10.50 (d,e)   | 8.10 (d)      | 5.40 (f)      | 4.80          | 4.50          |
| Payout ratio (%)                                    | 25.00 (d)     | 29.00 (d)     | 38.90         | 36.70         | 54.20         |

(a) Including nonvoting shares in 1993.

(b) Based on the average number of shares over the year.

(c) Including the dividend tax credit.

(d) Subject to ratification by the Stockholders' Meeting of 13 May 1998.

(e) On the basis of 213,245,588 shares, taking into account the 1,400 new shares created on 29 January 1998 with rights from 1 January 1997, subscribed under the stock option plan.

(f) On the basis of 192,904,218 shares, taking into account the 720,280 new shares created on 27 February 1996 with rights from 1 January 1995, pursuant to the stock-for-stock public tender offer for the Spanish subsidiary BNP España.

## COMMUNICATING WITH STOCKHOLDERS

BNP endeavors to provide its stockholders with clear, regular information.

- The **Investor Relations** department informs BNP's stable shareholders, investors, and French and foreign financial analysts of major events concerning the Bank's business and results.

Informative briefings have been organized in Paris, London, Edinburgh, Geneva, Zurich, Frankfurt, New York, and Boston to present the BNP Group's annual results, and in Paris, London, Edinburgh, and Tokyo for its half-year results. In 1997, BNP organized "investors' breakfasts" for representatives of France's main fund managers in the week following the publication of the annual and half-year results, at which Michel Pébereau gives a presentation of the results. In addition, members of the Bank's senior management regularly speak at conferences in France and abroad, where they present the BNP Group and discuss its strategy.

- The **BNP Shareholder Relations** department informs and listens to individual stockholders.

Meetings are organized during the course of the year with members of the "Cercle BNP", at which members of the

General Management Committee present the Bank's policy. Five meetings were held in 1997: in Cannes, Nantes, Paris, and the greater Paris area.

A number of specific publications regularly inform stockholders of the Group's results and strategy:

- the complete BNP Annual Report, which is published in French and English (10,000 copies of each), as well as a summarized version, which is also published in French (20,000 copies) and English (15,000 copies)
- the Interim Report on the first-half results, which is published in French (4,000 copies) and English (1,000 copies)
- newsletters, mailed to members of the "Cercle BNP" (17,000 copies) and to stockholder/customers (600,000 copies) twice yearly, informing them of important events concerning the Group
- "BNP in Brief", providing a synopsis of the Group's business and results for the year, which is published in French (300,000 copies) and English (20,000 copies).
- the stockholder's guide, of which 150,000 copies were published in 1997
- press releases, published in the French and international press and carried by the news services AFP and Reuters
- financial announcements published in the major French dailies as well as the economic and financial press.

Up-to-the minute information on BNP and its share price is also available via Minitel (**3614 BNPACTION**). Stockholders may use this service to obtain information, leave messages, and order any of the various documents available for distribution.

BNP website (<http://www.bnp.fr>) provides information on the Group, including press releases, key figures, new product descriptions, and information on new offices worldwide. The home site is being enriched to give investors pertinent financial information, including the annual and interim reports, to allow them to stay abreast of BNP's business and results.

## DIVIDENDS

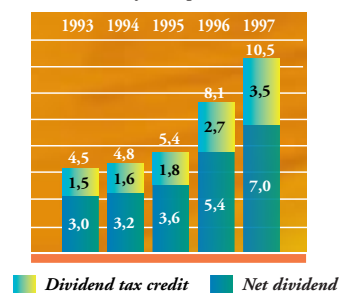
The Board of Directors will recommend that the Stockholders' Meeting on 13 May 1998 declare a net dividend of FRF 7.00 per share (gross dividend of FRF 10.50 per share, including the dividend tax credit). The dividend will be declared on 26 May 1998.

The proposed distribution amounts to FRF 1,493 million, up 33% from FRF 1,120 million for 1997. Stockholders will be able to exercise their option for payment of the dividend in shares between 26 May and 15 June 1998. After that date, dividends will be payable in cash only. The dividend will be paid as of 30 June 1998. Shares thus issued will have rights to income earned from 1 January 1998.

The new shares will carry the same rights and conditions as existing shares.

## Dividend

(French francs per share)



## ANNUAL MEETING OF STOCKHOLDERS

The Board of Directors convenes an Annual Meeting of Stockholders at least once a year to vote on the agenda it sets. Annual Meetings may be attended only by stockholders owning ten or more shares.

The Board convenes Special Meetings of Stockholders for the purposes of amending the Articles of Incorporation or increasing the capital stock. Resolutions are adopted by a two-thirds majority of stockholders present or represented. All stockholders may attend Special Meetings.

Annual and Special Stockholders' Meetings may be convened in a single notice of meeting and held on the same date. BNP will hold its Annual and Special Stockholders' Meetings on 13 May 1998, corresponding to the second notice of meeting.

## Notice of Meetings

- Holders of registered shares for at least one month prior to the meeting date are ordinarily notified by letter. The notice of meeting contains the agenda, the draft resolutions, and a ballot for voting by mail.

- Holders of bearer shares are notified in the press; notices of meetings and information are given in the financial press.

## Attendance at Meetings

Holders of 10 or more bearer shares at least five days before the date of an Annual Stockholders' Meeting, or one share in the case of a Special Stockholders' Meeting or combined Annual and Special Stockholders' Meeting, may gain admittance to the meeting by presenting an entry card or certificate indicating that ownership of their shares has been temporarily frozen.

## Voting

Stockholders who do not attend a stockholders' meeting may complete and return to BNP the ballot/proxy enclosed with the notice of meeting. This document enables them to do one of the following:

- vote by mail
- empower their spouse or another stockholder to represent them
- give proxy to the chairman of the meeting or indicate no representative.

Stockholders who attend a stockholders' meeting will receive a ballot at the meeting.

## STATUTORY DECLARATION OF CHANGE IN OWNERSHIP INTEREST

In addition to the legal thresholds, any stockholder, whether acting alone or in concert, who comes to hold directly or indirectly at least 0.5% of the capital stock or voting rights of the Company, or any multiple of that percentage up to 5%, is required to notify the Company by certified letter with return receipt.

Beyond a 5% ownership interest, as indicated in the preceding paragraph, the stockholder must notify the Company of any change in his ownership interest in multiples of 1% of the capital stock or voting rights of the Company.

The declarations mentioned in the preceding two paragraphs are also required in cases where ownership interests are lowered below the thresholds mentioned above.

Failure to comply with the requirement to declare such changes in ownership interest above or below legal or statutory thresholds causes the stockholder to lose his voting rights at the request of one or more stockholders who hold a combined interest of at least 5% of the capital stock or voting rights of the Company.