

Sustainable  
Development  
Report

20  
03



The bank for a changing world



**BNP PARIBAS**

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# Key Figures

## Number of Group Employees

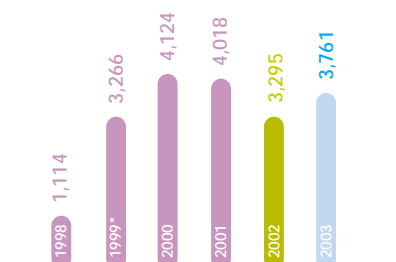
|        | 2003   | 2002   |
|--------|--------|--------|
| World  | 89,100 | 87,700 |
| Europe | 67,400 | 66,200 |

## Ratings (as of 16 December 2003)

|                   |     |                  |
|-------------------|-----|------------------|
| Moody's           | Aa2 | Stable outlook   |
| Standard & Poor's | AA- | Positive outlook |
| Fitch             | AA  | Stable outlook   |

## Net income

(in millions of euros)



\* Pro forma net income before restructuring provisions.

## Earnings per share <sup>(1)</sup>

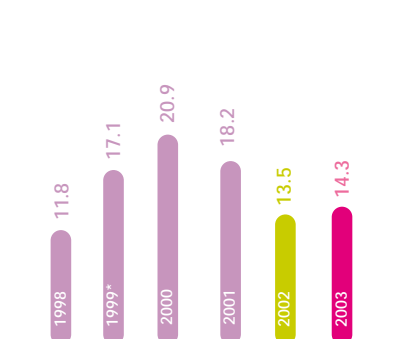
(in euros)



(1) Adjusted for the 20<sup>th</sup> February 2002 two-for-one share-split.

## Return on equity

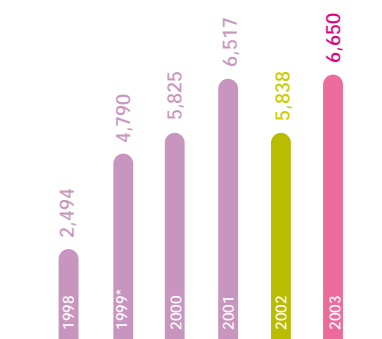
(in %)



\* Pro forma net income before restructuring provisions.

## Gross income

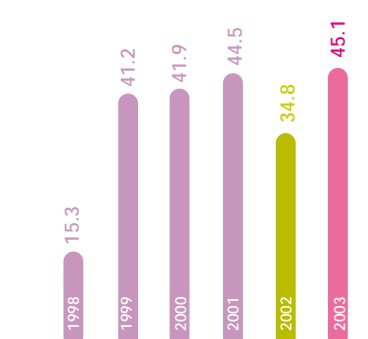
(in millions of euros)



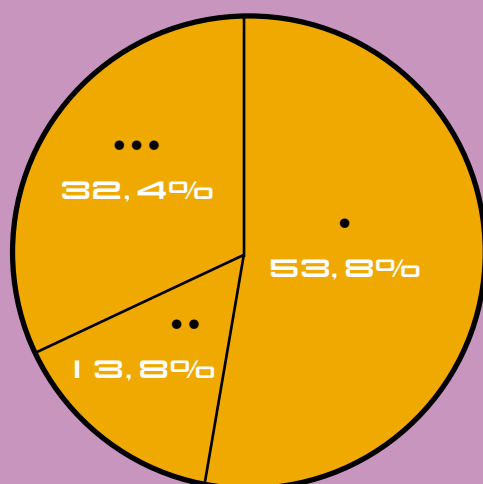
\* Pro forma gross income.

## Market capitalisation

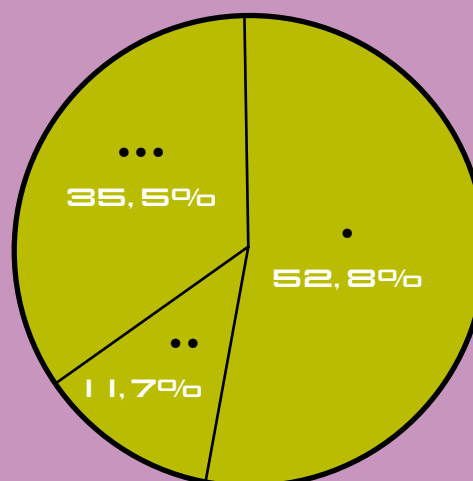
at 31/12 (in billions of euros)



Net banking income  
by core business  
(in %)



Gross operating income  
by core business  
(in %)



- Retail Banking
- Private Banking, Asset Management, Insurance and Securities Services
- Corporate and Investment Banking

## Business

(In millions of euros)

|                                         | 2003    | 2002    |
|-----------------------------------------|---------|---------|
| Total assets                            | 783,076 | 710,319 |
| Customer deposits                       | 282,568 | 267,190 |
| Customer loans<br>(gross)               | 231,479 | 235,688 |
| Shareholders'<br>equity <sup>(1)</sup>  | 28,321  | 26,445  |
| International<br>capital adequacy ratio | 12.9%   | 10.9%   |
| o/w Tier One                            | 9.4%    | 8.1%    |

(1) Before income appropriation.

## Results

(in millions of euros)

|                        | 2003   | 2002   | Change<br>2003 - 2002 |
|------------------------|--------|--------|-----------------------|
| Net banking income     | 17,935 | 16,793 | 6.8%                  |
| Gross operating income | 6,650  | 5,838  | 13.9%                 |
| Operating income       | 5,289  | 4,368  | 21.1%                 |
| Pre-tax income         | 5,586  | 4,813  | 16.1%                 |
| Net income             | 3,761  | 3,295  | 14.1%                 |







# Chairman's Statement

In a year challenged by a harsh operating environment, BNP Paribas achieved outstanding financial results and remained on a profitable growth track. In spite of the challenging economic backdrop and ensuing pressure on business performance, the Group endeavoured to fully meet its social and environmental responsibilities. During the year, BNP Paribas earned wide acclaim for its unwavering commitment. The Group's corporate social responsibility (CSR) rating was upgraded by the leading social rating agencies and its disclosure policy, corporate governance and contribution to sustainable development were officially recognised by the following awards:

- First Prize in the AGM Awards <sup>(1)</sup> ;
- Grand Prize winner – Annual Report of the Year <sup>(2)</sup> ;
- Best Disclosure Policy and Best Corporate Literature <sup>(3)</sup> ;
- Prize for Human Resources Director of the Year <sup>(4)</sup> ;
- Special Jury Prize for Corporate Patronage <sup>(5)</sup> ;
- Ranked No. 1 among French companies for social and environmental reporting, in compliance with the NRE Act <sup>(6)</sup>.

These awards, which recognised the all-round performance of BNP Paribas' employees during a period of uncertainty and worsening economic conditions, contribute to a high degree of staff pride in the organisation. They further validate the Group's efforts in adopting rigorous standards for corporate governance and its relations with stakeholders.

This acknowledgement of our contribution to sustainable development obliges us to remain pragmatic in our approach given the multiplicity of public expectations in this area. At the same time, however, it strengthens our resolve to further integrate CSR performance into all of the Group's businesses in accordance with the objectives of the Executive Committee's 2004 strategic plan.

As a natural extension to this approach, in 2003, BNP Paribas became a member of Global Compact, a worldwide programme set up by the Secretary General of the United Nations to encourage voluntary cooperation by multinational companies in promoting sustainable development.

(1) Prize awarded by *Le Revenu* magazine.

(2) Prize awarded by *Le Figaro Economie* and *La Vie française*

(3) Prize awarded by *Investor Relations Magazine* at the 5<sup>th</sup> Eurozone Conference.

(4) Prize awarded by the French consultancy firm Hudson and *Le Figaro*.

(5) Organised as part of the Admical Corporate Sponsorship Oscars award.

(6) Study performed by the French consultancy Utopies and published in *Le Figaro Entreprises*.

J. Pébereau

# Corporate & Investment Banking

To strengthen its European positions, expand origination capabilities and leverage its potential for growth in the corporate and investment banking market, BNP Paribas has set up a new integrated group, known as Coverage and Territories Europe (CTE). CTE is responsible for covering strategic client relationships and relationships with large corporates, as well as for leading operations in the European territories.

Outside Europe, the Coverage and Territories International (CTI) group covers strategic and large corporate relationships in the Americas, the Asia-Pacific region, Africa and the Middle East, as well as leading operations in the corresponding Corporate and Investment Banking territories. Lastly, the Financial Institutions Group (FIG) is the integrated group responsible for covering relationships with financial institutions (banks, insurers, supranational organisations, etc.) throughout the world.

These sales teams market all of the products offered by the Group and its subsidiaries. CTE and CTI client relationship managers have an excellent understanding of their clients' industrial strategies and day-to-day management concerns, making them the preferred partners of the Group's large corporate clients and enabling them to effectively coordinate the activities of product specialists.

With a client base comprising some 11,000 corporates and institutions, the new CTE and CTI groups will enhance integration of the specific features of these markets, and particularly their regional characteristics, with a focus on promoting revenue generation across product lines and developing cross-selling.

Based in 20 countries worldwide, the 65-strong FIG (Financial Institutions Group) team manages relationships with 450 institutional clients, including insurers, pension funds and asset managers, supranational organisations, banks and central banks. FIG's experts have built long-term client relationships, rooted in their excellent understanding of each client's business. Thanks to the quality of services provided, BNP Paribas is viewed as the benchmark bank by institutional clients, with a very strong reputation compared with its main competitors. FIG owes its success in no small measure to its close cooperation with the other business lines, mainly Fixed Income, Equities, Asset Management and BNP Paribas Securities Services.

## Advisory and Capital Markets

### Corporate Finance

Corporate Finance offers advisory services for mergers & acquisitions and primary equity market transactions.

The M&A teams advise both buyers and sellers and also offer advice on other strategic financial issues, such as privatisations. Primary market services include flotations, equity issues, secondary offerings, and convertible/exchangeable bond issues.

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

Corporate Finance employs approximately 330 professionals located throughout its worldwide network. Focused first and foremost on Europe, it is also present in North and South America and enjoys strong visibility in Asia via BNP Paribas Peregrine.

In 2003, BNP Paribas confirmed its position as one of the top 15 players in Merger & Acquisition transactions in Europe, being ranked No. 13 among European players by *Thomson Financial* in terms of transaction volumes and No. 11 as adviser to companies considering a merger or acquisition. It is also a leader in France and Europe as a whole for primary equity business, holding the 8<sup>th</sup> spot in Europe and the top slot in France in the Dealogic Bondware rankings.

### Equities

The Equities business encompasses research, trading and sales of European and Asian Equities, as well as Global Equity Derivatives. Equities teams have a worldwide presence, in secondary as well as primary markets, where they complement Corporate Finance's range of activities, taking over where Corporate Finance leaves off. The client portfolio includes financial institutions, companies and individuals.

Equities operates under a product-based organisation. Each of its departments offers a full range of services, covering equity brokerage, equity derivatives and Prime Brokerage (targeted at hedge funds).

In 2003, BNP Paribas was:

- No. 2 in Euronext equities (source: Euronext) and No. 3 in Germany for equity brokerage (source: Deutsche Börse);
- No. 1 in Futures and No. 2 in Options in the Moneyp futures market (source: Euronext) and No. 2 in France for traded warrant volumes (source: Euronext);
- No. 1 in the Futures and Options market on the Osaka Stock Exchange in Japan;
- BNP Paribas won the "2004 Equity Derivatives House of the Year" prize awarded by *Risk Magazine*.

## Fixed Income

Fixed Income's strong product expertise and distribution capabilities have positioned BNP Paribas in the top three Fixed Income players in Europe and have allowed it to build a strong client franchise in Asia, Japan and the USA.

The Group's comprehensive approach to developing solutions for its clients integrates global expertise in research, sales, trading, origination and distribution, comprising three product lines: Credit Products, Interest Rates Group and Foreign Exchange.

The Bank is recognised as a leader in the interest rate and credit derivatives markets, and is a leading player in the global FX market. BNP Paribas provides a complete range of Fixed Income products via a very strong Sales and Marketing platform. In addition, the Bank provides a full array of research products and services. These take the form of written reports offered to each client with a view to providing assistance and advice, and which can be sent to various media players.

The combination of these offerings enables the Bank's clients to benefit from a comprehensive range of personalised services on a worldwide scale, covering numerous markets and currencies. The Fixed Income division employs 1,400 people across the globe.

BNP Paribas is ranked 3<sup>rd</sup> bookrunner for all investment-grade bonds in euros, No. 2 in corporate bonds in euros, No. 5 for all bonds in euros and No. 8 for all Euromarket Issues (source: IFR).

## Financing Businesses

### Energy, Commodities, Export and Project Finance (Ecep)

By grouping together within one structure the financing of energy, commodities, export and project finance, BNP Paribas has created an innovative structure that meets client needs and fully leverages synergies between the various businesses.

The Energy, Commodities, Export and Project Finance business line (Ecep) conducts its business on a worldwide basis.

It is organised around the following lines:

- financing of commodities trading, in all forms, an activity in which BNP Paribas is a global leader;
- structured commodities financing in emerging markets, including reserves financing and structured inventory financing;
- corporate loans for energy, metals and mining activities in industrialised countries;
- commodities derivatives brokerage on organised exchanges and

- over-the-counter transactions in New York and London;
- export financing, with 15 export desks covering 28 public credit insurers, and some thirty correspondent banks in importer countries;
- project finance – especially in the energy and infrastructure sectors – with loans structured on the basis of cash flows.

During the year 2003, BNP Paribas was named "2003 Highly Commended Best Commodity Bank" (*Trade Finance Magazine*).

## Structured Finance and Lending

BNP Paribas' Structured Finance team designs and structures, on a worldwide basis, a broad range of complex and innovative financing arrangements, including syndicated loans, acquisition financing, LBO financing, Project Finance, optimisation and asset financing, media and telecommunications financing, marine financing and aircraft financing.

In 2003, BNP Paribas held 6<sup>th</sup> position as mandated lead arranger of syndicated loans worldwide and 4<sup>th</sup> position as mandated lead arranger of syndicated loans in the Europe – Middle East – Africa region (source: *International Financial Review of January 2004*). Also in 2003, BNP Paribas was ranked 4<sup>th</sup>

as mandated arranger of leveraged loans in Europe (source: *International Financial Review of January 2004*).

In addition, the Structured Finance division oversees the structuring and monitoring of standard commercial banking transactions.

## Listed Investment and Sovereign Loan Management

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

The Listed Investment Management team manages BNP Paribas' portfolio of minority stakes in large listed groups.

Sovereign Loan Management's mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, eurobonds and restructured credits.



# Retail Banking

## French Retail Banking

French Retail Banking offers its 6 million individual and small business clients, and 60,000 corporate and institutional clients, a comprehensive line-up of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

The network comprises 2,200 branches and 3,200 ATMs, located primarily in the regions with the greatest economic potential. The main region is the greater Paris area, where BNP Paribas has a 15% share of the retail banking market (source: BNP Paribas French Retail Banking market research, market share based on number of branches). French Retail Banking also has a strong presence in the most attractive segments of the personal banking market – 22% of households with net annual revenues in excess of EUR 82,000 have their main bank account with BNP Paribas (source: IPSOS) – and a leading position in the corporate market.

French Retail Banking includes the BNP Paribas domestic branch network, Banque de Bretagne, BNP Paribas Factor, a factoring company, and BNP Paribas Développement, a provider of growth capital. It employs 30,000 staff in the branches, serving individuals and small businesses, in the Private Banking centres, in business centres, in the Client Relationship Centre (CRC) and in back-offices dealing with after-sales operations.

Since 1997, BNP Paribas has been conducting a major overhaul of its retail banking network, playing a pioneering role in multi-channel banking in Europe. The reorganisation is designed to offer clients the highest standard of service and to enhance the role of client advisers in the branches. The Client Relationship Centre's two platforms in Paris and Orléans deal with calls to the branches and client e-mails. Client relationship management in the Multichannel Bank environment is based on a new work station representing the hub of the system. This work station is now being used by all client advisers in the branches, as well as by the telephone advisers at the Client Relationship Centre.

French Retail Banking is also stepping up its sales drive, geared to the clients of Private Banking in France, backed by 212 Private Banking centres located throughout the country.

In addition, 17 new business centres were set up towards the end of 2003, providing services to companies.

Finally, the division is re-engineering its back-offices into Production and Sales Support branches. Specialised by type of transaction, they span the whole of France and have fully integrated information systems.

## International Retail Banking and Financial Services

Since 11 June 2003, operations formerly making up Financial Services and International Retail Banking have been grouped in the International Retail Banking and Financial Services division. Following this regrouping, Cortal Consors is now attached to Private Banking and Asset Management.

sales, automobile financing and revolving credits.

Cetelem is the preferred partner of the retail industry and has a long tradition of helping large retailers such as Carrefour, Conforama, Ikea, Dixons and Dell achieve their development goals across the globe.

Cetelem is also partner of choice for banks and insurance companies such as Axa, Banques Populaires, Caisses d'Épargne, Dresdner and KBank which value its credit expertise, as well as for new providers of services to private individuals, such as EDF.

Cetelem currently operates in 20 countries, including 15 in Europe.

## Retail Financial Services

### Cetelem

Cetelem is the leading supplier of consumer credit in the Eurozone (source: annual reports of the participants concerned and European Credit Research Institute), with EUR 29.0 billion in outstanding loans as of 31 December 2003 and more than 10,000 staff throughout the world. For the past 50 years, Cetelem has contributed to making consumer credit a modern and pragmatic solution to help consumers manage their household budgets.

Cetelem is the benchmark in the industry. Its Aurore card, held by 15 million consumers worldwide, demonstrates Cetelem's ability to innovate. Its high-quality service offerings – backed by outstanding technical expertise and tight risk control – meet most household financing needs, including personal loans, instalment

### UCB

UCB specialises in financing residential real estate purchases by individuals, for both personal and investment purposes. UCB is active in France and, via its subsidiaries, in Spain, Italy, Portugal and the Netherlands.

At 31 December 2003, UCB's managed outstandings totalled EUR 16.3 billion.

UCB markets its products through a network of business referral partners in the real estate industry, such as estate agents and builders, or in some countries brokers, who refer buyers to UCB. Its strengths are specialisation, a commitment to innovation, effective risk management and a high market share among French civil service employees, all of which make UCB a recognised force in residential property financing. Synergies with BNP Paribas' retail

network lends additional power to UCB's existing resources.

Through its servicing business, UCB also makes its tools and expertise available to other industry partners. For instance, it provides Société Générale with IT management services.

At 31 December 2003, UCB's market share was 2.35% for France, 3.25% for Spain and about 1% for Italy and Portugal.

## BNP Paribas Lease Group (BPLG)

BPLG is specialised in providing investment financing for corporate clients and small businesses. With an operating presence in 10 European countries, BPLG offers a full array of equipment and property financing solutions, through operating or finance leases – either with or without related services.

A European leader, and No.1 in France with a market share of some 20% (source: Association Française des Sociétés Financières – ASF –, *Entreprises et Professionnels*), BPLG works in partnership with equipment manufacturers, importers and distributors, with a view to helping them optimise their sales performance by integrating financing into the sale contract. BPLG provides and manages equipment and property financing, marketed by the BNP Paribas banking network to its clients in France and the rest of Europe.

## Contract Hire and Fleet Management

The Contract Hire and Fleet Management unit consists of three groups of companies that offer customised solutions to corporate clients seeking to outsource both the management and financing of their vehicle fleets and other logistical equipment, as well as the technical and market risks related to the use of this equipment.

- Cars and light trucks: Arval PHH
- Heavy goods vehicles: Artegy
- IT related assets: Arius

The flexible products and services offered are designed to meet the clients' needs to remove certain assets from their balance sheets and, more importantly, optimise the management of their vehicle fleets and logistical equipment. They rely on superior purchasing power, strong technical expertise of specialist teams, and a set of interactive tools essential for effective dialogue with corporate clients.

Arval PHH is the core business's main company. It has direct operations in 16 countries and a leading European position in the long-term leasing and fleet management market, with 600,000 vehicles under its management at the end of 2003.

Arval PHH has a sales and technological agreement with PHH North America, a subsidiary of Avis Group specialised in fleet management which trades under the name of PHH Arval.

## International Retail Banking

### BancWest

In the United States, the International Retail Banking and Financial Services business is conducted through BancWest

Corporation, a holding company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank.

In December 2001, BNP Paribas acquired the 55% of BancWest shares it did not already own. This transaction was followed, in March 2002, by the acquisition of United California Bank (UCB) whose operations were merged with those of Bank of the West at the end of the third quarter of 2002.

Bank of the West offers retail banking services to individuals and companies in 6 Western states: California, Washington, Idaho, Nevada, New Mexico and Oregon. Following its merger with UCB, it is now California's 5<sup>th</sup> leading retail bank (source: FDIC 30 June 2003). It also has strong national positions in certain niche lending markets, such as Marine, Recreational Vehicles, Church Lending, and Small Business Administration.

With a 40% market share based on deposits (source: FDIC 30 June 2003), First Hawaiian Bank is now Hawaii's leading bank, offering a broad array of products to a local clientele of private individuals and companies.

In total, BancWest has 7,461 employees, 350 branches and some 2 million clients. At 31 December 2003, it had total assets of EUR 38.4 billion.

## Emerging and Overseas Markets

Emerging and Overseas Markets retail banking operations are organised around four geographical areas: Africa-Indian Ocean, French overseas departments and territories, North Africa-Mediterranean Basin, and the Middle East. BNP Paribas is leveraging the expertise acquired in running the branch network in mainland France to drive the development of its subsidiaries in these regions, which represent approximately 350 branches and 1.3 million clients.

BNP Paribas' operations in Africa are organised around the network of the Banque Internationale pour le Commerce et l'Industrie (BICI). With around one hundred branches located in 6 countries (Burkina Faso, Côte d'Ivoire, Gabon, Guinea Conakry, Mali and Senegal), BNP Paribas manages one of the largest banking networks in French-speaking Africa. In the Indian Ocean region, the Group has operations in Madagascar (BMOI) and the Comoro Islands (BIC).

In the North Africa-Mediterranean Basin region, the Group is represented in Morocco by Banque Marocaine pour le Commerce et l'Industrie (BMCI), in Tunisia by Union Bancaire pour le Commerce et l'Industrie (UBCI) and in Algeria by BNP Paribas El Djazair. The Group also has solid local positions in the French overseas departments and territories, where it operates through 49 branches.

In the Middle East, BNP Paribas has operations in Lebanon (BNPI Beirut), Egypt (BNP Paribas Cairo), Cyprus and Djibouti. The Gulf states are served by the regional headquarters in Bahrain, responsible for four territories (Bahrain, Abu Dhabi, Dubai and Qatar).

Lastly, importers and exporters who are clients of the Emerging Markets and Overseas retail banking business have access to the teams of international trade specialists working in the BNP Paribas' international network of Trade Centres.

# Private Banking, Asset Management, Securities Services and Insurance

This division comprises all of the Group's Investor Services businesses and leads the BNP Paribas asset gathering effort.

One of the foremost players in Europe, the division offers fund management and discretionary asset management services, backed by a range of high value-added investor services. It is organised around three business lines:

- Institutional and Private Asset Management, comprising private banking services (BNP Paribas Banque Privée), asset management services (BNP Paribas Asset Management) and Cortal Consors on-line brokerage services;
- Insurance (BNP Paribas Assurance) ;
- Global Securities Services for financial institutions (BNP Paribas Securities Services).

## Wealth and Asset Management

### Private Banking

Serving a demanding clientele of high net worth individuals, BNP Paribas Banque Privée offers personalised portfolio engineering and diversification advice, tailored to the specific needs of each client, backed by a range of carefully selected high-performance, innovative products.

With more than EUR 96 billion in client assets under management, BNP Paribas Banque Privée is the world's 10<sup>th</sup> largest private banking specialist (As of 30 June 2003, source: *Wealth Partnership Review – October 2003*). It is ranked No. 1 in the French private banking market, with EUR 42 billion worth of assets under management and a network of more than 120 outlets nationwide. Its presence is growing rapidly in European domestic markets and already has a strong foothold in the international private asset management capitals of Europe and Asia.

### Asset Management

BNP Paribas Asset Management offers third party asset management services in 24 countries. Its teams of fundamental and quantitative asset management specialists cover all the main asset classes, while the alternative and structured asset management organisation combines dedicated expertise with highly specialised partnerships.

Sales teams are organised by client category in all the countries where BNP Paribas Asset Management operates, to provide client-specific offers and a personalised local service.

BNP Asset Management is now building positions in emerging markets, such as Brazil, South Korea and China, where an asset banking licence was obtained at the end of 2003. These markets represent powerful future growth drivers, as well as investment opportunities for all of the business line's clients.

With a franchise of over 400 institutional clients, BNP Paribas Asset Management had EUR 168 billion worth of assets under management at 31 December 2003. It is a major player in the European investment fund market – as of 30 September 2003 it was Europe's 9<sup>th</sup> leading sponsor (source FERI).

In 2003, Fitch Ratings upgraded BNP Paribas Asset Management's asset manager rating to aa+.

### Cortal Consors

Europe's leading personal investment management company and online broker (source: *Reuters October 2003*), Cortal Consors offers clients its expertise, stock market trading technology and investor advisory experience, together with a broad range of products including short-term investment products, mutual funds and life insurance policies, backed by leading-edge online brokerage technologies.

### Insurance

BNP Paribas Assurance is a holding company that owns the entire capital of Natio Vie and Cardif SA. It also owns half of the capital of Natio Assurance – a non-life insurer – with the remaining half owned by the Axa Group. BNP Paribas Assurance has adopted a multi-brand, multi-partner and multi-country strategy.

Natio Vie and Natio Assurance distribute their products in France via the networks of Retail Banking and Private Banking. Policies cover the whole range of personal insurance, including life, health, death & disability and savings & retirement lines, as well as automobile risks, comprehensive home insurance and educational insurance.

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

The companies' non-brand-specific functions are performed by an inter-company partnership, providing economies of scale.



Cardif also operates in 27 countries outside France where it has co-operation agreements with banks and other credit institutions. In certain European countries, products are distributed through networks of independent financial advisers.

BNP Paribas Assurance ranks 4<sup>th</sup> in France among life insurers (FFSA data), with a 7.3% market share in terms of total inflows of new money.

## Securities Services

BNP Paribas Securities Services specialises in securities services for companies and financial institutions, including banks, brokerage houses, pension funds, asset managers and insurance companies. In addition to clearing and custody services, BNP Paribas Securities Services offers a wide range of related services, such as securities and cash position financing, collateral management, outsourcing of middle and

back-office functions, fund administration and accounting, performance measurement and attribution analysis, issuer services, retail account management, as well as transfer agent and corporate trust services. As of 31 December 2003, assets held in custody stood at EUR 2,090 billion and the estimated number of transactions handled over the year was 23.4 million.

BNP Paribas Securities Services is ranked number one among European custodians and 5<sup>th</sup> worldwide (source: Institutional Investor Magazine, ranking published in September 2003 based on assets in custody at end-March 2003).

Over half of BNP Paribas Securities Services' operations are outside France. In addition to its head office in Paris, it has branches, subsidiaries and offices in all of the main European financial centres – including Germany, Belgium, Spain, Greece, Ireland, Italy, Jersey, Luxembourg, the Netherlands, Portugal, the United Kingdom and Switzerland – as well as in Australia, New Zealand and the United States. The division also offers services in Turkey, where it operates through an agreement with Garanti Bank.

## Real Estate

BNP Paribas offers a comprehensive range of products and services through its array of property subsidiaries – Meunier, Comadim, Gérer, BNP Paribas Immobilier, Coextim, Antin Vendôme and Espaces Immobiliers. The focus is on adding value by proposing solutions that meet all the needs of a demanding clientele.

BNP Paribas' real estate arm, which also includes the listed property company Klépierre and its management subsidiaries centred around Ségécé, is present in all three segments of the property market: office, residential and commercial. The Bank's property subsidiaries are among the leading players in the market and offer specialised services in Asset Management, Coverage, Cash Flow Financing and Management, Advisory Services, Property Development, Property Appraisal, and Property Management.

In addition to operating in the greater Paris area, BNP Paribas' real estate services subsidiaries are expanding in the Rhône Alpes and Provence Alpes regions, as well as along the French Riviera. Meanwhile, Klépierre is strengthening its leading European position in the shopping centre management market.

## BNP Paribas Capital

BNP Paribas Capital encompasses all of the Group's Private Equity activities. The private equity business consists of investing in the capital of unlisted companies, with the objective of realising a capital gain in the medium-term.

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

- advise the BNP Paribas Group on its proprietary portfolio;
- manage or give advice on funds held partly by the Group and partly by outside investors.

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

Large LBOs in Europe are handled by PAI partners.

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

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



Online



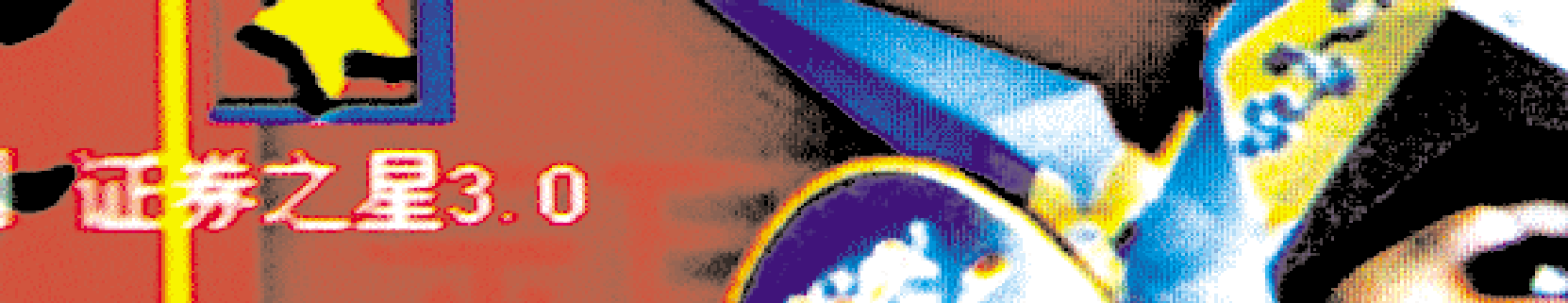
百战



疯狂坦克2



泡泡堂



证券之星3.0



Mary MA  
Senior Vice-President & CFO of Lenovo Group Limited  
Lenovo\* - Client of BNP Paribas - China



Remember the classic fable of the hare and the tortoise? China may have set off later than its competitors in the global race for economic development, but it is swiftly catching up on the rest of the world. The information systems industry offers a striking example of this trend. In 1994, Chinese users purchased just over one million PCs. By 2003, 13.3 million desktops and laptops were being sold in China. "The growing popularity of computers and the Internet has had a dramatic impact on Chinese culture and society." Lenovo, the country's leading PC vendor, is riding the wave of China's information age revolution. The Beijing-based company controls 27% of the Chinese computer market and has almost a 13% market share in the Asia-Pacific region, excluding Japan. The outlook is for this growth to continue, since PC ownership is forecast to rise by at least 16% each year between now and 2008. "Consumer demand is driven by both first-time buyers in regional cities and towns, and replacement buyers in the major metropolitan areas." Lenovo has succeeded in satisfying a large part of this demand by developing software to make computers easier to use and distributing machines that come pre-installed with Internet access services and are ready to connect. This can-do attitude is shared by the state authorities. "The Chinese government is encouraging primary and secondary schools to invest in computers so that pupils can access the Internet and enhance their information technology skills."

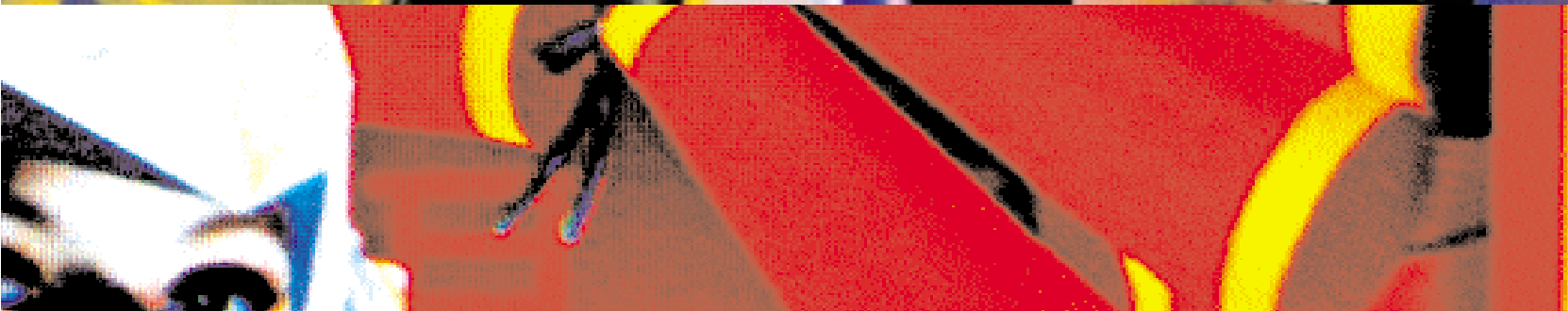
*\* Previously named as "Legend"*

## The Chinese PC boom

# LENOVO



13





# Sustainable dev

## General Business Principles

### An integrated approach

Imbued with the values of humanism and mutual responsibility, BNP Paribas' general business principles underpin its environmental and corporate social responsibility and provide a yardstick against which employee action is measured throughout the Group. The approach pursued is consistent with BNP Paribas' corporate identity and values. It is founded upon a realistic definition of the Group's corporate social responsibility (CSR) and on a clear commitment to sustainable development.

By applying an integrated approach to sustainability, BNP Paribas seeks to take into account the interests of all of its stakeholders. Its commitments are defined by a coordinating body for Group-wide sustainability issues and formalised in a programme of actions which is approved by the Executive Committee.

### Strengthened sustainability governance

In 2003, the Group took its business principles a step further by becoming a partner in the Global Compact programme launched by the General Secretary of the United Nations, and by subsequently implementing specific guidelines signed by the Chairman and Chief Executive Officer of BNP Paribas.

In addition, BNP Paribas adopted a ten-point framework formalising its commitment to the environment.



This framework was further bolstered in 2003 with the launch of an online Sustainability information centre which is incorporated into the Group's "business to employee" (BtoE) Intranet.

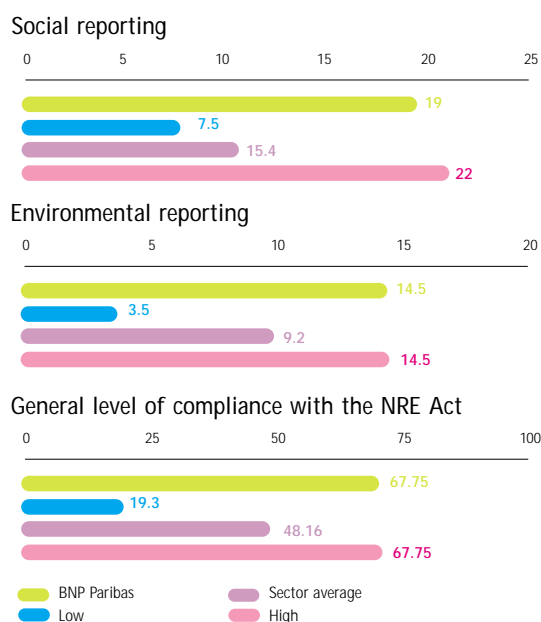
### A comprehensive reporting system

The section on sustainable development included in the Group's Review of Operations defines BNP Paribas' commitments to each stakeholder group, namely: shareholders, employees, clients, suppliers, the environment and civil society.

In accordance with the French Financial Security Law, corporate governance issues are discussed in the Chairman's report on corporate governance and internal control. Information on ethics-compliance procedures is provided in the "Internal Control" section of the Review of Operations.

In view of the favourable response to the summary of social and environmental reporting data presented in the appendices to last year's Review of Operations in application of Article 116 of the NRE Act, this section has been included again this year.

### General level of compliance with the NRE Act



In 2003, BNP Paribas was ranked first among financial services companies listed on the Premier Marché for the excellence of its social and environmental reporting:

- No. 1 for environmental reporting;
- No. 2 for social reporting;
- No. 1 for general level of compliance with the NRE Act.

*Survey performed by Adef (Association des Épargnants de France)*

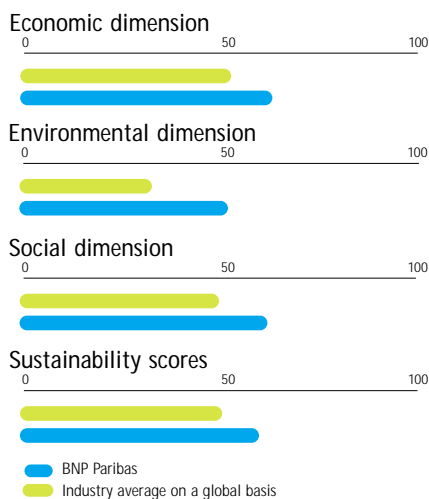
## Improved ratings performance

In 2003, BNP Paribas was once again included in the four benchmark indexes for socially responsible investment (SRI): Dow Jones SI World, Dow Jones SI Stoxx, FTSE 4 Good and Aspi Eurozone.

### • SAM

SAM Research Inc., a ratings agency that assesses whether companies should be included in the Dow Jones Sustainability Index, confirmed that BNP Paribas has a very good overall sustainability performance compared to the industry average.

### SAM scores

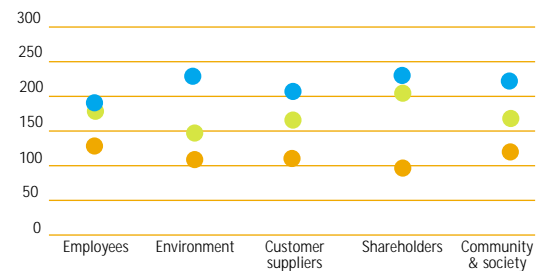


### • Vigeo

The 2003 rating published by this agency (possible range: --unconcerned to ++ pioneer) was as follows:

| Criteria                | 2002 | 2003 |
|-------------------------|------|------|
| Human Resources         | +    | +    |
| Environment             | -    | =    |
| Customers and Suppliers | =    | =    |
| Shareholders            | ++   | +    |
| Community and Society   | =    | =    |

### Benchmark company/industry sector

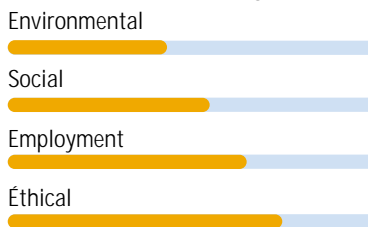


● Max. sector ● Min. sector ● BNP Paribas

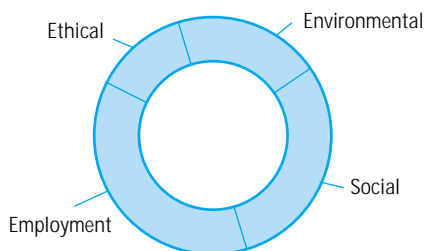
### • CoreRatings

For its inaugural rating on BNP Paribas, this new social ratings agency assigned the following sustainability performance score:

### Investment Risk Management



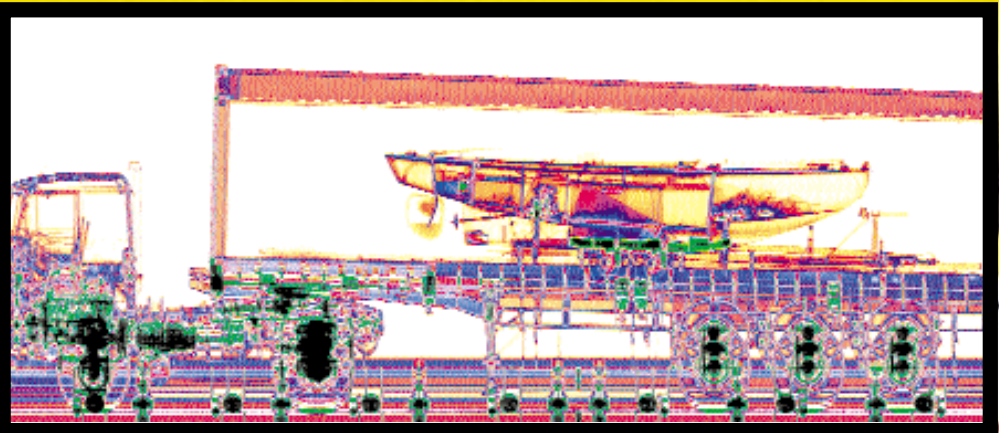
### Investment Risk Weighting



During the year, the Group also worked closely with other social ratings agencies and CSR analysts, notably Innovest, Ethibel, Banque Sarazin and CFIE, in connection with research updates for their lists of approved SRI stocks.

New safeguards  
against terrorism

# Smiths GROUP



## Alan THOMSON

Directeur financier

Smiths Group - Client de BNP Paribas - Londres

"Les gens sont plus mobiles que jamais. Changer de ville ou de continent en l'espace d'une journée n'a plus rien d'exceptionnel. C'est la liberté de notre temps. Mais la liberté n'est rien sans la sécurité." Notre siècle, né avec les attentats terroristes du 11 septembre 2001, a fait de la sécurité l'une de ses priorités. Sécurité des personnes, mais aussi des marchandises. "Aujourd'hui, 90 % des biens sont transportés par conteneurs. Mais seuls 1% des 200 millions de conteneurs qui transitent chaque année par les plus grands ports du monde sont contrôlés." Face à des besoins sans cesse renouvelés, le groupe britannique Smiths, leader mondial des outils de détection et des systèmes à rayons X, a mis au point un nouvel appareil, le HCV (Heimann Cargo Vision), aujourd'hui installé dans près de 170 sites à travers le monde. Ce dernier débusque les explosifs, les armes et les produits de contrebande (tabac, contrefaçons...). Des équipements complémentaires permettent d'identifier les stupéfiants ainsi que les produits chimiques ou biologiques suspects. Smiths équipe aussi bien les postes frontières et les ports maritimes que les gares, les aéroports ou les bâtiments publics. "La mondialisation de notre société dépend totalement de la sécurité des déplacements des personnes et de la libre circulation des biens, protégés des menaces terroristes ou criminelles." Déjà très sophistiqués, les appareils de contrôle et de détection sont l'objet d'incessants perfectionnements. "La prochaine génération d'appareils sera d'une extrême complexité, et incorporera des composants venus de tous les champs de la technologie."

Mot

Stop

Frein

Handb

Vitesse

Leave in



# Group Ethics and Compliance

The legal and regulatory environment was further tightened in 2003, throughout the world. France passed a financial security law on 1 August 2003. The European Union issued directives on "market abuse" in investment operations. In June 2003 the Financial Action Task Force on Money Laundering (FATF) published new recommendations on money-laundering and corruption. A Swiss Federal Order of January 2003 set out new rules on preventing money-laundering. More stringent US legislation on identifying and seeking out terrorism suspects came into force, and so on.

The Group's various core businesses and business lines continued to hone their procedures, methods and tools to bring them into compliance with these stricter requirements in the shortest possible timeframe.

French Retail Banking continued with the setting-up of its Ethics and Compliance organisation, beginning to draft a compendium of guidelines on ethics and preventing money-laundering, and launching a large-scale programme to make the relevant procedures and tools available online. More than 22,000 employees of this business received training in 2003 on how to combat money-laundering, corruption and terrorism financing.

In view of the specific conditions at play in emerging markets and French overseas territories, International Retail Banking and Financial Services is particularly watchful about implementing methodical processes for combating money-laundering, corruption and terrorism financing. It endeavours to share best practices and tools among all subsidiaries whenever possible.

For Asset Management and Services, the key priorities remain the "Know Your Customer" (KYC) programme and controlling capital flows. Stricter

procedures have been adopted for the management of client assets, such as a documented ethics and compliance review of products and a voting policy for asset managers.

Corporate and Investment Banking further strengthened its Ethics and Compliance teams, both quantitatively and qualitatively, at its sites in France and abroad. Tools for monitoring financial flows were rolled out to a greater number of sites and business lines, alongside enhanced risk-management procedures. Particular attention was devoted to thickening the "Chinese Walls" between Corporate Finance and equity analysts, and to further specifying the latter's work and publication rules. A new directive was issued, defining the overall responsibility of heads of geographical areas for ethics and compliance issues affecting all Group businesses and subsidiaries within their area.

In fighting money-laundering, corruption and terrorism financing, there has been better surveillance of commercial activities and capital flows thanks to continued training and awareness-raising initiatives, and to the additional resources given to the teams in charge of reporting suspected money-laundering to authorities. In-house rules and instructions have been updated and fleshed out. They now include the Group's own ranking of countries exposed to risks of corruption and terrorism.

Lastly, the unit supervising the personal transactions of Group employees who have access to information considered to be privileged, based on financial market regulations, has updated its information technology tools for monitoring and detection. It has also circulated a new discretionary asset management contract for those employees who are prohibited from managing their personal assets directly.

# Genent







Hope in the Fight  
against cancer

# Genentech Inc.



**Thomas THOMAS**  
Treasurer of Genentech  
Genentech - Client of BNP Paribas -  
North America, San Francisco

Cancer is one of the leading causes of death in the Western world and one of the most feared diseases, with patients often facing a long treatment that is hard to bear, such as chemotherapy. Consequently, it is a priority research area for the 21<sup>st</sup> century. For a number of years, the US-based biotechnology company Genentech has been at the forefront of cancer research. They are helping to change the way cancer is treated by developing "new targeted therapies that improve quality of life and life expectancy for cancer patients". Genentech currently markets three cancer therapies, and several more are in late-stage clinical trials. Avastin™ (bevacizumab), Genentech's colorectal cancer treatment that was approved in February 2004, works to interfere with the blood supply to a tumor, a process known as angiogenesis that is critical to a tumour's growth and metastasis. Avastin represents a new way to attack cancer, since up to now treatments have targeted cancer cells rather than seeking to stop the supply of blood to tumours. Angiogenesis appears to have the potential to treat other forms of cancer as well. The company is leading the charge to develop new therapies that will improve and extend the lives of cancer patients. With these new approaches to cancer treatment, it becomes more and more of a reality that someday cancer could be something patients manage like diabetes or high blood pressure.



# Shareholder Information

## Share capital

At 23 January 2003, BNP Paribas' share capital stood at EUR 1,791,759,648 divided into 895,879,824 shares (details of the historical share performances are provided in the "Changes in share capital" section of the review of operations).

Up until 31 December 2003, two series of transactions led to changes in the number of shares outstanding:

- a total of 618,431 new shares were issued upon exercise of stock options;
- 6,673,360 shares were subscribed through

the share issue reserved for employees.

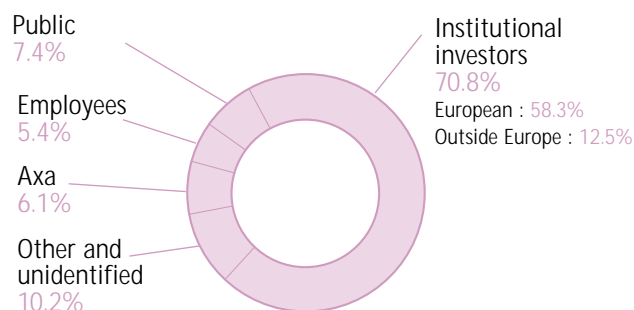
As of 31 December 2003, BNP Paribas' share capital stood at EUR 1,806,343,230 divided into 903,171,615 shares with a par value of EUR 2<sup>(1)</sup>.

The shares are all fully paid-up and are held in registered or bearer form at the choice of their holders, subject to compliance with the relevant legal provisions. None of the Bank's shares carry double voting rights.

Over the past three years, the Bank's ownership structure changed as follows:

| Shareholder                  | 31/12/2001                     |            |                 | 31/12/2002                     |            |                 | 31/12/2003                     |            |                 |
|------------------------------|--------------------------------|------------|-----------------|--------------------------------|------------|-----------------|--------------------------------|------------|-----------------|
|                              | number of shares (in millions) | % interest | % voting rights | number of shares (in millions) | % interest | % voting rights | number of shares (in millions) | % interest | % voting rights |
| Axa                          | 26.47                          | 6.0        | 6.1             | 52.45                          | 5.9        | 6.0             | 52.07                          | 5.8        | 6.1             |
| Employees                    | 20.29                          | 4.6        | 4.7             | 41.24                          | 4.6        | 4.8             | 46.36                          | 5.1        | 5.4             |
| - o/w corporate mutual funds | 14.36                          | 3.2        | 3.3             | 31.68                          | 3.5        | 3.7             | 34.58                          | 3.8        | 4.0             |
| - o/w directly owned         | 5.93                           | 1.3        | 1.4             | 9.57                           | 1.1        | 1.1             | 11.78                          | 1.3        | 1.4             |
| Corporate officers           | 0.15                           | NM         | NM              | 0.28                           | NM         | NM              | 0.27                           | NM         | NM              |
| Treasury shares              | 8.88                           | 2.0        |                 | 28.26                          | 3.2        |                 | 46.43                          | 5.1        |                 |
| Public                       | 36.77                          | 8.3        | 8.5             | 66.25                          | 7.4        | 7.6             | 63.70                          | 7.1        | 7.4             |
| Institutional inv.           | 287.94                         | 65.0       | 66.3            | 599.67                         | 67.0       | 69.2            | 606.57                         | 67.2       | 70.8            |
| - European                   | 225.92                         | 51         | 52              | 493.96                         | 55.2       | 57.0            | 499.87                         | 55.3       | 58.3            |
| - Outside Europe             | 62.02                          | 14.0       | 14.3            | 105.71                         | 11.8       | 12.2            | 106.70                         | 11.8       | 12.5            |
| Other and unidentified       | 62.48                          | 14.1       | 14.4            | 107.03                         | 12.0       | 12.3            | 87.77                          | 9.7        | 10.2            |
| TOTAL                        | 442.99                         | 100.0      | 100.0           | 895.17                         | 100.0      | 100.0           | 903.17                         | 100.0      | 100.0           |

BNP Paribas ownership structure as of 31 December 2003 (based on voting rights)



To the best of BNP Paribas' knowledge, no shareholder other than Axa owns more than 5% of BNP Paribas' capital or voting rights.

<sup>(1)</sup> Since the end of the financial year, 443,989 new shares have been issued upon exercise of stock options. As of 28 January 2004, BNP Paribas' share capital stood at EUR 1,807,231,208 divided into 903,615,604 shares with a par value of EUR 2.

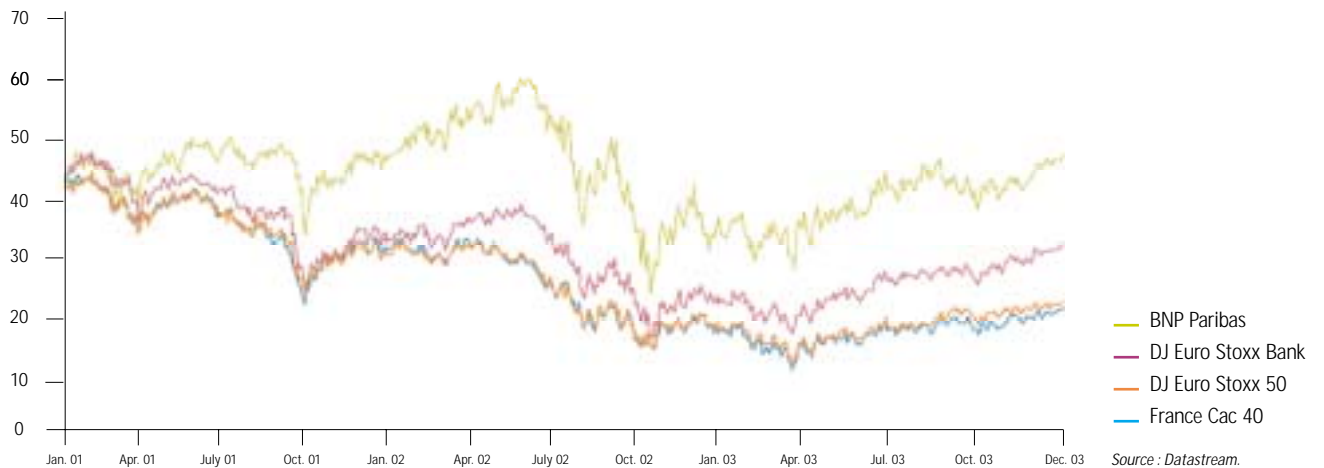
## Share performance

When the shareholders of BNP and Paribas approved the merger between the two banks at the Extraordinary General Meetings of 23 May 2000, BNP shares became BNP Paribas shares. The Euroclear-France code for BNP Paribas is the same as the previous BNP code (13110). Since 30 June 2003, BNP Paribas shares have been registered under ISIN code FR0000131104. BNP shares were first listed on the Cash Settlement Market of the Paris Stock Exchange on 18 October 1993, following privatisation, before being transferred to the Monthly Settlement Market on 25 October. When the monthly settlement system was eliminated on 25 September 2000, BNP Paribas shares became eligible for Euronext's Deferred Settlement Service (SRD). The shares are also traded on Seaq International in London and on the Frankfurt Stock Exchange, and have also been listed on the Tokyo Stock Exchange since

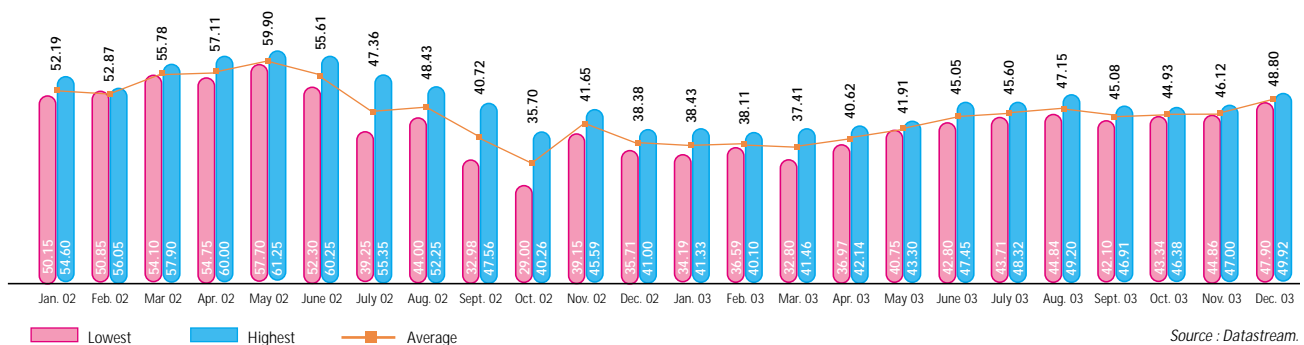
13 March 2000. Since privatisation, a Level 1 144A ADR programme has been active in the USA, where JP Morgan Chase is the depository bank (2 ADRs correspond to 1 BNP Paribas share). To help increase the number of shares held by individual investors, BNP Paribas carried out a two-for-one share-split on 20 February 2002, reducing the par value of the shares to EUR 2. BNP became a component of the Cac 40 index on 17 November 1993 and a component of the Euro Stoxx 50 index on 1 November 1999. Since 18 September 2000, BNP Paribas has been a component of the Dow Jones Stoxx 50. BNP Paribas shares are also included in the four main sustainable development indices: Aspi Eurozone, FTSE4Good, DJ SI World and DJ SI Stoxx. All of these listings have fostered liquidity and share price appreciation, as BNP Paribas shares feature in every portfolio and fund that tracks the performance of these indexes.

### Share performance since 2 January 2001 until 31 December 2003

Comparison with the DJ EURO STOXX 50, DJ EURO STOXX BANK and CAC 40 INDEXES (indexes rebased on share price)



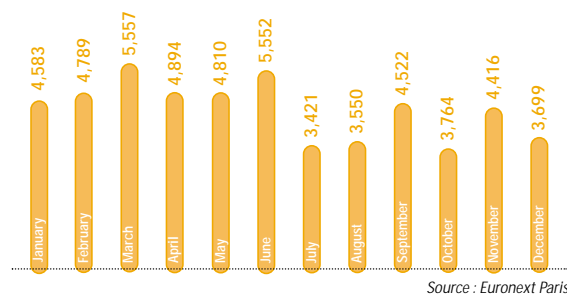
### Average monthly share prices and monthly highs and lows since January 2002



- As of 31 December 2003, the BNP Paribas share was listed at EUR 49.92, up 28.56% compared with 31 December 2002, when it was listed at EUR 38.83. By way of comparison, during 2003 the Cac 40 index increased by 16.12%, the Euro Stoxx 50 index by 15.68% and the DJ Euro Stoxx Bank index by 30.98%.
- Between 2 January 2001 and 31 December 2003, the BNP Paribas share price gained 7.12% on average, whereas the Cac 40, DJ Euro Stoxx 50 and DJ Euro Stoxx Bank indexes respectively lost 38.65%, 41.28% and 21% over the same period.
- BNP Paribas' market capitalisation totalled EUR 45.1 billion as of 31 December 2003, representing the 3<sup>rd</sup>-largest capitalisation in the Cac 40 index (2<sup>nd</sup>-largest in terms of free float), and the 9<sup>th</sup>-largest in the Euro Stoxx 50, as against 5<sup>th</sup> and 13<sup>th</sup>, respectively, a year earlier. As of 31 December 2003 and during almost all of the year, BNP Paribas was the leading Eurozone bank in terms of market capitalisation.
- Trading volume contracted slightly in 2003, primarily due to lower volatility, with an average of 4,447,548 shares changing hands each date, 14.9% less than the 2002 average of 5,224,362.

## 2003 trading volume

Daily average in thousands of shares



Daily average in millions of euros



## Yield and performance data

| In euros                                | 2003                 | 2002     | 2001     | 2000     | 1999                |
|-----------------------------------------|----------------------|----------|----------|----------|---------------------|
| Earnings per share <sup>(1)</sup>       | 4.31                 | 3.78     | 4.64     | 4.70     | 2.79                |
| Net assets per share <sup>(2)</sup>     | 31.5 <sup>(3)</sup>  | 29.3     | 27.1     | 24.0     | 21.5                |
| Total dividend per share <sup>(4)</sup> | 2.175 <sup>(3)</sup> | 1.80     | 1.80     | 1.69     | 1.32                |
| Payout rate (in %) <sup>(5)</sup>       | 34.8 <sup>(3)</sup>  | 32.6     | 26.5     | 24.5     | 30.1 <sup>(6)</sup> |
| Share price                             |                      |          |          |          |                     |
| High                                    | 49.92                | 61.25    | 52.55    | 54.75    | 46.73               |
| Low                                     | 32.65                | 29.00    | 37.95    | 37.78    | 33.13               |
| Year-end                                | 49.92                | 38.83    | 50.25    | 46.75    | 45.80               |
| Cac 40 index on 31 December             | 3,557.90             | 3,063.91 | 4,625.58 | 5,926.42 | 5,958.32            |

Data in the above table have been adjusted to take into account the two-for-one share-split carried out on 20 February 2002.

(1) Based on the average number of shares outstanding during the year.

(2) After dividends.

(3) Subject to approval at the Annual General Meeting of 28 May 2004.

(4) Including *avoir fiscal* tax credit at 50%.

(5) Recommended dividend expressed as a percentage of net income for the year.

(6) Based on pro forma net income after restructuring costs (EUR 2,615 million).



## Creating value for shareholders

BNP Paribas uses two methods to measure the value created for shareholders, based on a long/medium term investment period reflecting the length of time that the majority of individual investors hold their BNP Paribas shares.

### A - Total Shareholder Return -TSR:

Calculation parameters:

- the dividend includes the avoir fiscal tax credit at a rate of 50% and is assumed to have been reinvested in BNP shares then BNP Paribas shares;
- returns are gross returns, i.e. before any tax payments.

- Since privatisation in October 1993

Initial investment = 1 share at the IPO price (FRF 240 or EUR 36.59) on 18 October 1993.

#### Investment Growth

| Years | Gross dividend per share (in euros) | Gross dividend received by shareholder (in euros) | Price of shares acquired by reinvesting dividend <sup>(2)</sup> (in euros) | Fractional share acquired by reinvesting gross dividend | Total number of shares after gross dividend reinvestment |
|-------|-------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|
| 1994  | 0.69 <sup>(1)</sup>                 | 0.69                                              | 37.17                                                                      | 0.0186                                                  | 1.0186                                                   |
| 1995  | 0.73 <sup>(1)</sup>                 | 0.82 <sup>(3)</sup>                               | 34.30                                                                      | 0.0239                                                  | 1.1425 <sup>(3)</sup>                                    |
| 1996  | 0.82 <sup>(1)</sup>                 | 0.94                                              | 27.36                                                                      | 0.0344                                                  | 1.1769                                                   |
| 1997  | 1.23 <sup>(1)</sup>                 | 1.45                                              | 38.28                                                                      | 0.0379                                                  | 1.2148                                                   |
| 1998  | 1.60 <sup>(1)</sup>                 | 1.94                                              | 75.92                                                                      | 0.0256                                                  | 1.2404                                                   |
| 1999  | 2.25                                | 2.79                                              | 80.85                                                                      | 0.0345                                                  | 1.2749                                                   |
| 2000  | 2.625                               | 3.35                                              | 93.95                                                                      | 0.0357                                                  | 1.3106                                                   |
| 2001  | 3.375                               | 4.42                                              | 100.50                                                                     | 0.0440                                                  | 1.3546                                                   |
| 2002  | 1.80                                | 4.88                                              | 54.10                                                                      | 0.0902                                                  | 2.7994                                                   |
| 2003  | 1.80                                | 5.04                                              | 45.32                                                                      | 0.1112                                                  | 2.9106                                                   |

(1) To be consistent with subsequent years, it has been assumed that the dividend was paid in cash and not in shares, although the Board of Directors approved the payment of scrip dividends for the year in question.

(2) Based on the assumption that the dividend was reinvested in shares at the opening price on the first trading day after the ex-dividend date.

(3) Taking into account the March 1995 allocation of one share for every 10 shares acquired at the time of the IPO and held for 18 months.

(4) After the two-for-one share-split on 20 February 2002.

Closing price on 31 December 2003 = EUR 49.92, valuing the initial investment at  $49.92 \times 2.9106 =$  EUR 145.30. This represents an average annual increase (average annual TSR for the period) of 14.46% and an amount 3.97 times higher than the original investment made in 1993.

- over 5 years

Initial investment = 1 share at the opening price on 4 January 1999 = EUR 73.04.

#### Investment growth

| Years | Gross dividend per share (in euros) | Gross dividend received by shareholder (in euros) | Price of shares acquired by reinvesting dividend <sup>(1)</sup> (in euros) | Fractional share acquired by reinvesting gross dividend | Total number of shares after gross dividend reinvestment |
|-------|-------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|
| 1999  | 2.25                                | 2.25                                              | 80.85                                                                      | 0.0278                                                  | 1.0278                                                   |
| 2000  | 2.625                               | 2.70                                              | 93.95                                                                      | 0.0287                                                  | 1.0565                                                   |
| 2001  | 3.375                               | 3.57                                              | 100.50                                                                     | 0.0355                                                  | 1.092                                                    |
| 2002  | 1.80                                | 3.93                                              | 54.10                                                                      | 0.0726                                                  | 2.2566                                                   |
| 2003  | 1.80                                | 4.06                                              | 45.32                                                                      | 0.0896                                                  | 2.3462                                                   |

(1) Based on the assumption that the dividend was reinvested in shares at the opening price on the first trading day after the ex-dividend date.

(2) After the two-for-one share-split on 20 February 2002.

Closing price on 31 December 2003 = EUR 49.92, valuing the initial investment at  $49.92 \times 2.3462 =$  EUR 117.12. This represents an average annual increase (average annual TSR for the period) of 9.92% and more than a 60% increase over 5 years.

## Total shareholder return

- Since privatisation in October 1993
  - Initial investment = 1 share at the IPO price (FRF 240 or EUR 36.59) on 18 October 1993.
  - Reinvestment of dividends and the March 1995 allocation of one share for every 10 shares acquired at the time of the IPO and held for 18 months.

*Two-for-one share-split on 20 February 2002*

- Closing price on 31 December 2003, valuing the initial investment at  $2.9106 \times \text{EUR } 49.92 = \text{EUR } 145.30$  (FRF 953.11)

Initial capital multiplied by 3.97

Total shareholder return: 14.46% per year

- Over 5 years
  - Initial investment = 1 share at the opening price on 4 January 1999 = EUR 73.04 (FRF 479.11)
  - Reinvestment of dividends

*Two-for-one share-split on 20 February 2002*

- Closing price on 31 December 2003, valuing the initial investment at  $2.3462 \times \text{EUR } 49.92 = \text{EUR } 117.12$  (FRF 768.26)

An amount 60.4% higher than the original investment

Total shareholder return: 9.92% per year

## B - Five-year comparison of an investment in BNP Paribas shares with the "Livret A" passbook savings account and medium-term Treasury Notes

In this calculation, we compare the creation of shareholder value over the same period through investment in BNP, then BNP Paribas shares with two risk free investments, the "Livret A" passbook savings account offered by the French savings bank network and medium-term French government notes (OAT).

- Investment of EUR 73.04 on 1 January 1999 in a "Livret A" passbook account:

At the investment date, the official interest rate on Livret A accounts was 3%. The rate was reduced to 2.25% on 1 August 1999, then set again at 3% on 1 July 2000, and returned to 2.25% on 1 August 2003. As of 31 December 2003, the account balance is EUR 83.86.

The value created through an investment in BNP Paribas shares, reflecting the additional risk, amounts to  $117.12 - 83.86 = \text{EUR } 33.26$  per share over five years.

- Investment of EUR 73.04 on 1 January 1999 in five-year French government notes:

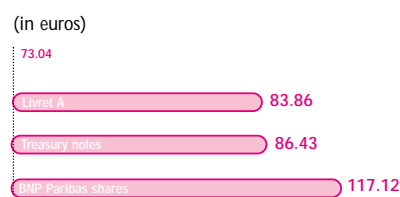
The five-year interest rate (BTAN) on that date was 3.3672%; at the end of each subsequent year, interest income is re-invested in a similar note on the following terms:

- 4.7161% (BTAN) in January 2000 for 4 years;
- 4.5421% (BTAN) in January 2001 for 3 years;
- 3.6622% (BTAN) in January 2002 for 2 years;
- 2.749% in January 2003 for 1 year (Euribor).

At the end of five years, the accrued value of the investment is EUR 86.43.

The additional value created by choosing BNP Paribas shares as the investment vehicle is therefore  $117.12 - 86.43 = \text{EUR } 30.69$  per share over five years.

Comparative total yields over 5 years for investment of EUR 73.0.



## Communication with shareholders

BNP Paribas endeavours to provide all shareholders with clear, consistent, high-quality information at regular intervals, in accordance with best market practice and the recommendations of the stock market authorities.

The Investor Relations Department informs institutional investors and financial analysts, in France and abroad, of the Group's strategy, major events concerning the Group's business and, of course, the Group's results which are published quarterly. In 2004, the financial timetable is as follows<sup>(1)</sup>:

- 5 February 2004: 2003 results announcement;
- 6 May 2004: first-quarter 2004 figures;
- 2 August 2004: first-half 2004 results announcement;
- 4 November 2004: third-quarter 2004 figures.

(1) Subject to alteration at a later date.

Informative briefings are organised several times a year, when the annual and half-year results are released, or on specific topics, providing senior management with an opportunity to present the BNP Paribas Group and its strategy. There is also a Relations Officer responsible for liaising with managers of ethical and socially responsible funds.

The Individual Shareholder Relations department informs and listens to the Group's 660,000 or so individual shareholders (source: 30 December 2003 "TPI" survey). A half-yearly financial newsletter informs both members of the "Cercle BNP Paribas" and other shareholders of important events concerning the Group and a summary of the matters discussed during the Annual General Meeting is sent out in July. During the year, the Chairman or other members of senior management present the Group's policy to individual shareholders at meetings organised in the main French cities and towns (for example in 2003, meetings were held in Marseilles, on 18 March, in Lille, on 1 October, in Metz, on 16 October, and in Toulouse, on 29 October). Also, BNP Paribas representatives met and spoke with over 1,000 people at the "Actionaria" trade show held in Paris on 21 and 22 November 2003. In 1995, the "Cercle BNP Paribas" was set up for individual shareholders holding at least 200 shares. The Cercle currently counts 53,000 shareholder members. Three times a year, in alternation with the financial newsletter, they receive "La Vie du Cercle", a publication inviting them to take part in artistic and cultural events with which BNP Paribas is associated, as well as training sessions. These include Stockmarket seminars on warrants, financial research, etc., as well as "Managing your finances on the Internet" seminars, "Private asset management" courses and "Economic update" sessions organised by BNP Paribas teams specialised in the respective

fields. In addition, the Bank regularly organises scientific conferences and visits to industrial sites. The seminars are held in Paris and the provinces, on weekdays and the weekend, to enable as many people as possible to attend. In 2003, 200 events were organised for 15,765 participants. Shareholders can obtain information about these services by dialling a special toll-free number (in France): 0800 666 777. A telephone news service can also be accessed on the same number, offering a wide range of information to BNP Paribas shareholders, such as the share price and shareholders' events. The BNP Paribas website (<http://invest.bnpparibas.com>) provides information on the Group, including press releases, key figures and details of significant developments. Annual and interim reports can be viewed and downloaded, as can presentations to financial analysts and institutional investors. The latest share performance data and comparisons with major indexes are also obviously available on this website, as are webcasts of the Annual General Meeting. In addition, an "Individual Shareholder" section (in French and English) has been created to address the specific needs of individual investors in terms of information and proposed events.

Recent information about the BNP Paribas Group is also available on the French Minitel service 3614 BNPACTION, at a cost of EUR 0.057 per minute. Through this shareholders can also ask questions, leave messages or order documents.

In 2003, BNP Paribas won first prize in the French Financial Analysts Association (SFAF) awards for the BEST WEB SITE dedicated to professionals, based on the votes of 258 analysts who specifically browsed 290 sites. The prize, which is granted to listed companies in recognition of superior quality financial communications, was awarded to the Bank by Euronext.



## Liaison committee

From the outset, the new BNP Paribas Group decided to create a Shareholder Liaison Committee to help the Group communicate better with its individual shareholders.

At the 23 May 2000 Shareholders' Meeting which approved the BNP Paribas merger, Michel Pébereau, CEO of BNP Paribas, kicked off the nomination process, which culminated in the naming of the Committee members at the end of 2000.

Headed by Michel Pébereau, the Committee includes a member of the Board, 10 representative shareholders, both geographically and socio-economically, and 2 employees or former employees. Each member serves a 3-year term. When their terms expire, announcements will be published in the press and in the Group's various financial publications, inviting new candidates to come forward.

Any shareholder can become a candidate.

The members of the Liaison Committee are as follows:

- Michel Pébereau, Chairman;
- Michel François-Poncet, Board member;
- Marie-Nathalie Rodrigues, resident of the Allier département;
- Patrick Ballu, resident of Reims;
- Jacques Begon, resident of the Loire département;

- André Brouhard, resident of Nice;
- Jean-Pierre Edrei, resident of the Paris area;
- Joseph Fauconnier, resident of Amboise;
- Jean-Baptiste Fernandez, resident of the Paris area;
- Marcel Grégoire, resident of the Jura département;
- Rémy Lauprêtre, resident of Le Havre;
- Michel Rolland, resident of the Haute-Garonne département;
- Frédérique Barnier-Bouchet, BNP Paribas employee;
- Jean-Marie Gabas, former BNP employee now retired.

In accordance with the Committee's Charter – the internal rules that all members have signed up to – the Committee met twice in 2003, on 14 March and 12 September. Reports on these meetings were included in the shareholder newsletters. The main topics broached included:

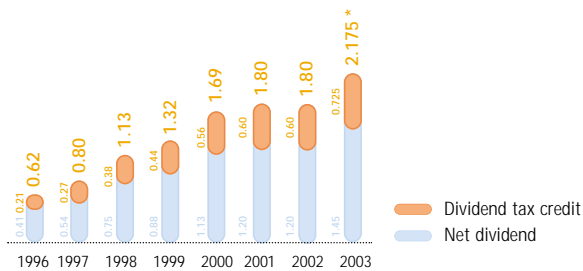
- BNP Paribas' participation in the "Actionaria" trade show. At this event, several Liaison Committee members explained the Committee's role to people who visited the Bank's stand;
- 2002 Annual Report and separate section dedicated to sustainable development;
- initiatives concerning preparations for the Annual General Meeting;
- changes to the BNP Paribas individual investors website.



## Dividend

At the 28 May 2004 Annual General Meeting, the Board of Directors will recommend a net dividend of EUR 1.45 per share, an increase of 21% compared with 2002. Including the dividend tax credit of 50% received by individual shareholders resident in France, the gross dividend will be EUR 2.175. The dividend will be payable as from 11 June 2004, if approved at the Annual General Meeting. The proposed distribution amounts to EUR 1,310.2 million, compared with EUR 1,075.1 million in 2003. The proposed payout rate is 34.8% <sup>(1)</sup>.

### Dividend growth (in euros per share)



The dividends for the years 1996 to 2000 have been adjusted for the two-for-one share-split carried out on 20 February 2002.  
\* Subject to approval at the 28 May 2004 Annual General Meeting.

**Timeframe for claiming dividends:** after five years, any unclaimed dividends will be forfeited and paid to the French Treasury, in accordance with applicable legislation.

## BNP Paribas registered shares

### Shares registered directly with BNP Paribas

The 21,385 shareholders whose shares were registered directly with BNP Paribas at 31 December 2003:

- automatically receive all documents regarding the company which are sent to shareholders;
- are automatically entitled to use a **toll free telephone number (0800 600 700)** to place buy and sell orders;
- benefit from special, discounted brokerage fees;

- have access to "GIS Nomi" (<http://gisnomi.bnpparibas.com>), a fully secure dedicated web server in order to view their registered share accounts as well as place and track their trading orders;
- and as always, pay no custodial fees and are systematically invited to the General Meetings.

### Registered shares held in an administered account

BNP Paribas is also extending its administered share account services to institutional shareholders. For institutional shareholders, this type of account combines the main benefits of holding shares in bearer form as well as those of holding registered shares:

- the shares can be sold at any time, through the shareholder's usual broker;
- the shareholder can have a single share account, backed by a cash account;
- the shareholder is systematically invited to attend and vote at General Meetings, without the invitation being sent through a third party;
- the block on the sale of the shares in the days leading up to the meeting does not apply and the shareholder can take part in the vote via the Internet.

## Annual General Meeting

The last Annual General Meeting was held on 14 May 2003 on second call. All resolutions were approved by a comfortable majority. The text of the resolutions and the video of the meeting can be viewed on the BNP Paribas website, where the original live webcast took place.

(1) Dividend recommended to the Annual General Meeting of 28 May 2004 expressed as a percentage of net income for the year.

## BNP Paribas wins first prize in the AGM Awards

BNP Paribas was singled out for having organised and led the best annual general meeting in 2003, based on the analysis of 22 comprehensive topics. The prize, granted jointly by the financial magazine "*Le Revenu*" and Publicis Consultants•Ecom, was awarded by Paris Europlace, an organisation dedicated to promoting Paris as a financial centre.

BNP Paribas received the same award in 2000, once again in recognition of its high quality financial communications.

The 2003 Annual General Meeting was an additional opportunity for BNP Paribas to reaffirm its commitment to sustainable development. Ever since BNP Paribas was founded, at the General Meeting of 23 May 2000, the Group has sought to create solid, recurring value, testifying to its respect not only for "traditional" partners comprising shareholders, clients and employees, but also for the community at large. It seemed appropriate that these principles be reflected in the Group's General Meetings. That is why it was decided, in conjunction with the Shareholder Liaison Committee, to donate EUR 10 to IVS (*Institut des Vaisseaux et du Sang*) for every attending investor. IVS is a state-approved organisation that helps combat vascular disease and cancer. A total of EUR 9,110<sup>(1)</sup> was collected. A report on how the funds were used will be given at the Annual General Meeting on 28 May 2004.

(1) Only 911 shareholders were able to attend the meeting of 14 May 2003, due to severe transport strikes on that date.

The procedures for BNP Paribas' General Meetings are defined in Article 18 of the Company's Articles of Association.

The Board of Directors calls an Ordinary General Meeting at least once a year to vote on the agenda set by the Board.

The Board may call Extraordinary General Meetings for the purpose of amending the articles of association, and especially to increase the Bank's share capital. Resolutions are adopted by a two-thirds majority of shareholders present or represented.

Ordinary and Extraordinary General Meetings may be called in a single notice of meeting and held on the same date. BNP Paribas will hold its Annual and Extraordinary General Meetings on 28 May 2004, on second call.

### Notice of Meetings

- Holders of registered shares are notified by post. The notice of meeting contains the agenda, the draft resolutions and a postal voting form.
- Holders of bearer shares are notified via announcements in the press. In addition to legal requirements, BNP Paribas sends:
  - notices of meetings and a postal voting form for shareholders who own over a certain number of shares (set at 400 shares in 2003);
  - information letters concerning attendance procedures. In 2003, these were sent to all holders of at least 200 bearer shares.



## Attendance at Meetings

Any holder of shares may gain admittance to Annual and Extraordinary General Meetings, provided that the shares have been recorded in their accounts for at least one day. Holders of bearer shares must in addition present an entry card or certificate indicating that ownership of their shares has been temporarily frozen.

## Voting

Shareholders who are unable to attend a General Meeting may complete and return to BNP Paribas the postal voting form/proxy enclosed with the notice of meeting. This document enables them to either:

- vote by mail;
- give proxy to their spouse or another shareholder;
- give proxy to the chairman of the meeting or indicate no proxy.

Shareholders or their proxies present at the meeting are given the necessary equipment to cast their votes. Since the General Meeting of 13 May 1998, BNP Paribas has used an electronic voting system.

## Disclosure thresholds

In addition to the legal thresholds, and in accordance with Article 5 of the Bank's Articles of Association, any shareholder, whether acting alone or in concert, who comes to hold directly or indirectly at least 0.5% of the capital or voting rights of BNP Paribas, or any multiple of that percentage up to 5%, is required to notify BNP Paribas by registered letter with return receipt.

Once the 5% threshold is reached, shareholders are required to disclose any increase in their interest representing a multiple of 1% of the capital or voting rights of BNP Paribas.

The disclosures provided for in the above two paragraphs are also required in cases where a shareholder's interest falls below any of the above thresholds.

In the case of failure to comply with these disclosure requirements, the undisclosed shares will be stripped of voting rights at the request of one or more shareholders who hold a combined interest of at least 2% of the capital or voting rights of BNP Paribas.







# Ciments

A model of commitment  
to equality



# du Maroc



**Mohamed CHAÏBI**  
Chairman and CEO  
Ciments du Maroc - Client of BMC1 - Casablanca

A nation is better off, humanly, socially and economically, if all its citizens can share in its development. But how can you feel fully integrated in a society if you can't read or write? In Morocco, 50% of men and 80% of women are illiterate. Ciments du Maroc decided to give special attention to these women, in the belief that "a literate woman means a literate family, and then a whole generation educated." Women, moreover, also bring qualities of reliability, intuition, care and thoroughness to their work. The Group, which is very well established in Morocco, has built a literacy centre for the workers at its Agadir cement plant, and installed several centres for women in rural areas such as Ighoud and Had Hrara, which combine instruction in reading and writing with training in skills. "We plan to extend these programmes to other localities in the regions where we operate". Ciments du Maroc is also financing four mixed schools around the country, and provides aid in cash and materials (school stationery, computers, etc.), to several associations. All these projects, which were started several years ago, coincide today with the kingdom's national policy, under which the family code has been completely revamped and modernised to ensure greater equality between men and women.



# Human Resource Development

## BNP Paribas' Head of Human Resources wins HR Director of the Year award

On 20 October, Bernard Lemée was named Human Resources Director of the Year by the French national newspaper, *Le Figaro*. The award recognises the quality of BNP Paribas' HR strategies and the smooth integration of the merger that led to the formation of the BNP Paribas Group.

### Framework

By effectively transposing the core values and management principles defined shortly after the formation of the BNP Paribas Group into performance assessment criteria, the Group has been able to provide a consistent basis for assessing employee performance and attitudes around the world.

The initiatives undertaken in the area of strategic human resource management are knit together by an integrated policy framework for human resources. This framework, which is available to employees in document and online form through the intranet, is based upon a code of responsibilities, a directives manual, a set of procedures, a best practices handbook and an audit methodology.

In 2003, these initiatives were rounded out by the Group joining the United Nations' Global Compact programme, following which it issued a specific guideline signed by the Chairman of BNP Paribas.

### Delegation of responsibility

At the time of BNP Paribas' formation, Management recognised the need to cater to the diverse business areas and corporate cultures existing within the Group. An integrated HR organisation was set up and given a twofold mission to lead the merger integration process, and deploy a consistent approach for career management and compensation.

To reinforce BNP Paribas' top-ranking strengths in terms of global HR management, Group Human Resources was reorganised in 2003 with the objectives of facilitating decision-making and delegating greater responsibility to operating units, subsidiaries and regional structures. As a result, entity-level HR directors now have general oversight for career management and succession planning for the top-2,000 senior executive positions within the Group. In addition, new procedures for delegation of authority, career mobility and the development of high-potential managers have been introduced as part of this reorganisation which was completed in the fourth quarter of 2003.

### Group employees

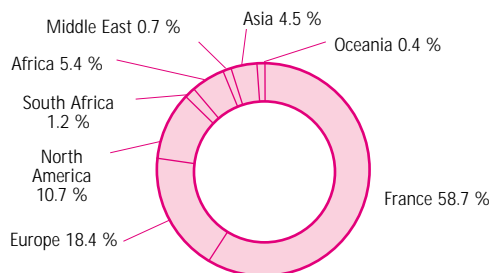
During the year, the number of BNP Paribas employees increased to 89,071 FTEs (full-time equivalent employees), representing an increase of 1,386 compared with 2002.

A significant portion of this increase is attributable to external growth operations, with the integration of all Cogent teams within the Asset Management and Services core business. Excluding changes in Group structure, staffing levels were either stable or slightly lower due to the difficult operating environment faced by certain business lines. Conversely, employee numbers continued to rise in the Cetelem consumer finance business, the Arval PHH fleet management and services business, and the real estate arm.

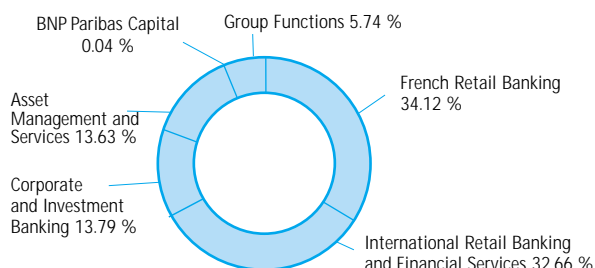
In geographical terms, the main changes were recorded in Germany, with a 672 increase in FTEs following the integration of Consors, and the United Kingdom, where the number of FTEs rose by 548 as a result of the Cogent acquisition. In other countries, average employee numbers were either flat or declined marginally. Overall, the proportion of Group employees outside France increased to 41.3% of the workforce at the year-end.

The Group's workforce breaks down as follows:

- analysis by geographical area:



- analysis by business:



## Career mobility

The Group adopts a proactive approach to career management, promoting career diversity and making every effort to assign employees affected by staffing changes to new positions within the organisation.

To rise to the challenges of a difficult economic environment and ensuing slower-paced growth in certain business lines, internal mobility-France and recruitment teams were combined into Group Human Resources in order to centralise within a single unit responsibility for job openings and internal or external hiring decisions.

Thanks to this policy, after eliminating the impact of job transfers related to changes in structure, 1,800 employees moved to a new job or a new location within BNP Paribas in 2003.

The internal job postings site, Opportunités Carrière, which is available to all employees via the intranet, was used to fill some 30% of job vacancies.

## Hiring

Reflecting the weak operating environment in France, the Corporate and Investment Banking, and Asset Management and Services businesses reduced hiring as from late 2002. The number of people hired by BNP Paribas in France fell to 2,500, down from 4,000 a year earlier, mainly due to the uncertain short-term prospects for a return to robust growth.

More than half of the new recruits joined the French Retail Banking network, with university graduates accounting for the bulk of those hired. A large number of these employees were hired in order to meet requirements for service representatives at the Client Relations Centres (CRC) in Paris-Tolbiac and Saran. In 2003, more than 300 new team members were taken on by these centres, thus allowing CRC projects to be ramped up during the year.

## Employee diversity

Since its creation, BNP Paribas has placed particular emphasis on respect for people and cultural sensitivity.

To bolster its worldwide development, the Group has made strides in developing an international management structure. At the end of 2003, almost 50% of the positions within the Group considered to be open to international candidates were filled by non-French nationals.

For historical reasons, the proportion of women in executive positions remains low. However, this is gradually evolving toward a better balance, notably due to the impact of the Group's demographic structure, an increasing number of female recruits, and a higher number of women managers being promoted within the organisation.

Every effort is made to ensure that strategic career management processes, which include annual appraisals, career planning reviews and succession planning, are non-discriminatory and are designed to support the objective assessment of the performance, skills, attitude and potential of each staff member.

## Ambitions for Corporate Excellence - ACE

The ACE programme was completed in June. Since its launch in September 2001, 27 seminars have been held for some 900 participants, comprising senior managers and Executive Committee members

Established one year after the Group's creation, this programme was designed to instil the Group's core values and management principles and to weld together specific corporate cultures and business operations.

The programme also enabled participants to acquire a better understanding of their management style, personal strengths and areas for improvement, along with the requirements of the latest version of the Group's performance appraisal system.

### Skills building

Training plans are drawn up and structured with a view to anticipating change and meeting foreseeable needs in each business line while giving staff opportunities to increase their current job skills and develop long-term capabilities.

The integration forum for newly hired senior executives, which was first held in Europe in 2002, was organised for an international group of 100 participants in 2003. During the forum, discussions were hosted by the Group's key executives as well as by teams responsible for ethics and compliance.

A range of initiatives has been developed to support employees taking up mobility assignments within the Group. Depending on individual needs, programmes are geared towards equipping staff with the generic skills required for mobility, to facilitate integration, or enable them to acquire technical skills related to a business line. Overall, approximately 80,000 hours of training were provided to staff as part of functional mobility programmes within BNP Paribas SA in 2003.

In 2003, risk management training was provided for account managers and risk managers working in BNP Paribas' French Retail Banking business as part of the Bank's "New Approach" programme for business clients. Training modules were developed jointly by the French Retail Banking division, Global Risk Management and the Louveciennes Training Centre. New training

programmes were also launched for Retail Banking sales teams working with private individuals and, finally, specific training actions were developed for wealth management staff.

The integrated training management system developed during the year provides training managers with a suite of resources for identifying needs and planning and monitoring the delivery of training. As from 2004, staff will be able to access an online training catalogue providing information and enrolment for all of the Group's training offerings.

### Workforce planning

For many years, the Group has implemented a workforce planning strategy aimed at evaluating demographic consequences and anticipating qualitative and quantitative changes in employment. As part of this strategy, a new Employment Adaptation Plan (EAP) was introduced at the end of 2003 for BNP Paribas SA in France.

This plan incorporates the findings of forward-looking studies based on proven methodologies to analyse future employment requirements in each of the various functional lines. Factors taken into account included the estimated impact of IT projects, reorganisations and business developments. The plan, which is designed to prevent overstaffing in certain administrative functions, gives the company the flexibility required to maintain its long-term recruiting momentum and allow succession management. In this regard, it builds on the results of the previous plan which was completed on 31 December 2003.

### Occupational health and safety

Promoting occupational health and work safety has always been a key policy concern for the Group. In France, legal responsibility for overseeing compliance with occupational health and safety regulations essentially lies with Health, Safety and Working Conditions Committees whose work is supplemented by a large number of corporate actions. In 2003,



initiatives taken by BNP Paribas included reinforcement of psychological counselling support for staff members who have been victims of attacks, support for business travellers following the outbreak of severe acute respiratory syndrome (SARS), and a variety of local responses taken to assist staff during the exceptional heatwave in August.

Occupation health risk assessments performed by the Group's medical officers have principally highlighted the potential for psychosocial risks. Measures taken to mitigate and prevent these factors have focused on improving work organisation. In 2003, a seminar on strategies for detecting, preventing and dealing with personal harassment in the workplace was organised for all of the Group's Human Resources professionals.

In its retail banking operations in sub-Saharan Africa, the BNP Paribas Group makes every effort to improve the social conditions for local employees and their families, notably by participating in prevention measures and co-ordinating emergency responses to fight endemic diseases in the region.

In the concerned countries, employees are provided with benefit schemes to cover medical, consultation and hospital expenses for themselves, their spouses and dependent children. Any additional expenses are paid by mutual health insurance schemes.

The Group's associated banks maintain internal medical services which provide annual medical check-ups and emergency treatment, and co-ordinate prevention campaigns aimed at employees.

Although very few of the associated banks operate in countries with high HIV prevalence rates, they work alongside local authorities to support national initiatives and WHO-funded programmes.

## Employee share ownership and employee savings

Proceeds from the June 2003 worldwide employee rights issue totalled EUR 206 million in spite of the fact that the issue was organised in a smaller number of countries than in 2002 and against the backdrop of a slump in global equity markets. Notwithstanding this unfavourable context, the take-up rate was high, with some 45,000 eligible employees and retirees subscribing to the issue.

### Employee rights issue:

|                                              | 2000   | 2001   | 2002   | 2003   |
|----------------------------------------------|--------|--------|--------|--------|
| Subscribers                                  | 56,794 | 52,428 | 60,914 | 44,749 |
| Amounts subscribed<br>(in millions of euros) | 314    | 266    | 322    | 206    |

Since 2000, employees have invested more than EUR 1 billion (excluding company matching contributions) in BNP Paribas shares, thereby showing their confidence in the Group's capacity to deliver sustained returns.

As of 31 December 2003, 4.57% of BNP Paribas' capital was held by employees either directly or through employee savings plans. On the same date, the Group's employee savings plans had total assets of EUR 2 billion and almost 70,000 beneficiaries.

The Group has continued its stock option policy in accordance with the strategic guidelines set by the Board of Directors. As in previous years, option grants were made selectively in 2003 and primarily concerned the Group's most senior executives and, to a lesser extent, high-potential executives. No discount to market value was applied in setting the exercise price for stock options. Allocation is conditional upon pre-determined thresholds for the relative performance of BNP Paribas shares versus the Dow Jones Euro Stoxx Bank index.

## BICI – Guinea

In tandem with social partners, BICIGUI has played a leading role in implementing health protection systems for banking employees in the West African Republic of Guinea.

In January 2003 in Conakry, a delegation led by the head of the Geneva-based International Labour Office's African regional programme on occupational safety and health commended the bank's efforts as "an exemplary initiative for the region".



*Michel Duchevet and his association offer young people from Livry-Gargan a chance to go on holiday*

## Helping staff involved in the community

This programme was launched by Fondation BNP Paribas in late 2002 with the objective of assisting BNP Paribas France employees involved in voluntary work and fundraising projects in the community.

In recognition of the high quality of the projects received and the enthusiasm shown by staff, the members of the

Corporate Sponsorship Committee made 35 grants, ranging from EUR 600 to EUR 2,000, for a total of 49 applications in 2003. Approximately half of the projects were aimed at helping children and youths concerned activities for the disabled, with humanitarian, social inclusion and community health projects accounting for the remainder.

### Employee-employer relations

BNP Paribas continued to develop its labour-management processes in 2003 in order to keep pace with the Group's growth and to promote on-going consultation and dialogue with employee representatives.

**Company agreements.** The Commission on Employment Law – BNP Paribas SA's labour information and negotiation body – met on forty occasions in 2003. Thanks to these regular meetings, a total of 13 company agreements, including agreements on compensation and profit-sharing, were signed.

**European works council and Group works council.** Building on the agreement which established the BNP Paribas' European works council in 1986, ahead of the transposition of the European directive into French law, Executive Management and social partners reached a consensus on the need to adapt this body, notably in light of European enlargement and the lessons learned from the council's functioning since its establishment. The signing of a new agreement illustrates the Group's determination to further develop employee consultation and incorporate the proposals made. In a similar vein, a company agreement was also approved which introduces modifications to the functioning of the Group works council and the number of employee representatives elected to this body in order to take into account changes in the Group's size and characteristics.

**Employee representative bodies: a decentralised system.** To address the implications of recent organisational changes within French Retail

Banking operations, a company agreement was signed on a new organisational scope for employee representative bodies. The new structure is designed to promote decentralisation and increase local representation.

### Internal communications

**Ambitions** is the quarterly in-house magazine distributed to everyone who works in the BNP Paribas Group. The magazine is published in print and electronic form and has a print run of 90,000 copies. One-third of the print run is distributed in English. While **Ambitions** has proven highly successful, intranet technology is rapidly emerging as the medium of choice for internal communication. In 2003, Human Resources intranet sites operated for BNP Paribas Group and BNP Paribas SA employees continued to receive a high number of visits while the EchoNet portal had an average of 22,000 visitors per day.

**B2E** ("Business to Employee"), the Group's employee intranet portal, was launched towards the end of 2003. The site, which offers a personalised working environment based on a single-entry point providing customised access to information, is organised around five themes: **The BNP Paribas Group** – understanding the Group's environment: organisation, strategy, business mission and operations of the Group and its entities.

**News** – bulletins and announcements from the Group and business lines: personalised or general news, press releases, appointments, publications.

**Employee Related** – an HR information centre: leave, performance appraisals, internal mobility, training, employee savings, employee rights issues, staff provident scheme.

**Facilities** – making daily life easier: ordering business cards, special staff offers, IT support, photocopying.

**My business** – day-to-day business functions: business announcements, reporting procedures, project spaces and peer support groups.

In time, the employee Intranet will operate as an information system offering access to Group news, as well as personalised information on business line, entity, activity and functional line activities; and updates on developments within local businesses and subsidiaries. These functions are currently being progressively rolled out. Once complete, the system will provide all of the Group's employees around the world with access to a customised and structured information environment.



# Institut Pasteur

Novel approach to combat  
nosocomial infections

37



## Christophe d'ENFERT

Director, Fungal Biology and Pathogenicity Unit  
Head of *Institut Pasteur* research team

*Institut Pasteur* - Client of BNP Paribas - Paris Montparnasse

Called *Candida albicans* in Latin, this microscopic fungus has been under close scrutiny by researchers at *Institut Pasteur* for the last three years.

Why the interest? Because this budding fungus, which the human body hosts naturally in the digestive and urinary systems, is one of the prime culprits in causing nosocomial infections – those diseases caught in hospitals and which can be fatal for the patient. Capable of forming into colonies

(called biofilms) on inert medical devices such as catheters or prostheses, it is highly resistant to anti-fungal treatment. In the hope of neutralising this fungus one day, *Institut Pasteur* has developed a research programme which is novel "both in terms of approach and thematic focus." Besides combining the complementary research work of three teams at *Institut Pasteur*, the programme uses genomics (the large-scale study of genes and their functions) and a new approach to the study of fungal pathogens. "Before, we used to study each bacterium or fungus independently in a culture medium. Today, at *Institut Pasteur* and other research centres around the world, we think it more appropriate to study the whole microbial colony, or biofilm." The *Candida albicans* programme also benefits from the cooperation of nine European research teams –

"important for learning new techniques and gaining faster access to information. "The ultimate aim is to find a cure. "Although studying biofilms is a delicate task, we believe we can look forward to some useful applications in the next few years. And that will be another battle won."



# Clients and Supplier Relations

## European consumers: "Seeking sustainable consumer choices"

For the 15<sup>th</sup> edition of its "Observer" survey, Cetelem measured and analysed consumer spending in eight major markets: Spain, France, Italy, Portugal, the United Kingdom, Russia, Germany and Belgium. In contrast to the results of its 1999 survey, Cetelem observed a shift in consumer confidence across Europe. The survey response from over 5,000 consumers shows that Europeans are concerned about the economy, but are optimistic about their own fortunes. Broadly speaking, consumers are in a buying mood but are more cautious than before about their spending. Overall, their decisions show the emergence of a more balanced, mature, and enlightened consumer culture.

## Listening to our clients

In keeping with its client-centric focus, BNP Paribas has developed a variety of quality monitoring and client feedback channels. These include client satisfaction surveys, "mystery visits" to branches, quality monitoring for staff performance, procedures and client service, and a complaint management process. The information obtained is used to develop new products and services in response to market needs, to optimise internal procedures, and to provide skills training for staff. The Quality and Client Relationship Department collaborates with marketing and sales managers in identifying areas for improvements to client service and formulating recommendations.

In 2003, the results of the client satisfaction survey conducted in French Retail Banking showed a substantial improvement in clients' perceptions of the quality of branch premises and the service provided by account managers. During the year, Arval PHH, the BNP Paribas vehicle leasing subsidiary, launched its own

"Observer" study, which reports on the main trends in the corporate fleet market in France and the rest of Europe. In France, Arval PHH staged an innovative road safety campaign aimed at clients and employees in association with the Road Safety and Traffic Department and CNAMTS, a national health insurance fund for employees.

## A new business model: multichannel banking

The new Multichannel Bank business model implemented by BNP Paribas is designed to provide:

- Easy access to banking services, either via branch account managers or through full-service banking machines.
- Remote banking channels, including telephone, Internet, Minitel and the postal system.

BNP Paribas offers clients the comfort of being able to do their banking when and where they wish. Whatever the channel used to access the Bank, clients can keep track of their account details and transaction history. This approach enables BNP Paribas to continue to improve the quality, efficiency and responsiveness of its services.

BNP Paribas Net, the Group's online banking service, is being rolled out to emerging and overseas markets. Since the end of 2003, the service has been made available to clients in Burkina, Guadeloupe, French Guyana, Martinique and Tunisia. Twelve other sites will soon add this product to their offering. BNP Paribas Net allows clients to access a range of products and services, contact account managers, and make online loan simulations as well as loan applications.

### Quality programme

Since 1994, 59 processes have been ISO-certified under BNP Paribas' ISO 9000 certification programme. Today, it has 41 active certificates, since 12 certificates awarded to the Group's insurance business have been combined into a single certificate. Quality efforts extend across all of the Group's operating units and corporate functions, both in France and abroad.

Thanks to the experience acquired by the ISO 9000 certification team, BNP Paribas reported a higher rate of ISO registrations than the world average in 2003 (*source: ISO Survey*). In 2003, the Group earned 13 new certificates (8 in France and 5 outside France) for client-facing activities serving individual clients, companies or local government authorities. These included insurance products, statement printing, logistics services, project management, documentary credit services, structuring and legal implementation for investment vehicles.

A dozen certification projects have been launched for 2004, several of which will be completed in the first quarter of the year.

### Relations with consumers

Relations with consumer rights groups make a vital contribution to BNP Paribas' efforts to meet client expectations. Regular focus group sessions and consultation meetings are held throughout the year to anticipate market opportunities and customer trends.

To meet the needs of young people seeking to rent accommodation, BNP Paribas has introduced an original offer in which the Bank serves as a guarantor for its clients' tenant lease obligations. BNP Paribas conducted two research projects to study the expectations of people concerned by new pension reforms introduced in France in 2003. In addition to offering advice and assistance to the public, BNP Paribas introduced a range of custom solutions, designed to help clients to achieve their goals according to their saving capacity while benefiting from tax benefits and exemptions from social deductions in light of existing and new provisions introduced under the Fillon Act.

### Cetelem's consumer relations department ranked No. 1

Cetelem's Consumer Relations Department, which was awarded ISO 9001 certification in 2003, was ranked 1<sup>st</sup> in a review of 204 firms for its handling of telephone, post and e-mail complaints. Cetelem obtained an overall score of 19.65 out of a possible 20. The review was performed by Challenge Qualité, an independent research agency, which has been performing comparative benchmarking studies for leading companies in France since 1990.

Finally, BNP Paribas improved its complaints management process by assigning some twenty technicians from the Quality and Client Relationship Department and around one hundred client relations managers from branch groups to help speed up complaints handling and respond more quickly to clients.

Complaints referred to the Mediator essentially concerned deposit accounts held by individual customers. Of the 5,300 complaints received, 2,685 were addressed to the Mediator and were essentially made by low-income clients or young people starting out in life, for the most part encountering financial difficulties. In total, 1,547 complaints, 58% of those received, were eligible for mediation. Of the 396 recommendations issued by the Mediator in 2003, 17.7% were granted in favour of clients. As a matter of policy, BNP Paribas systematically follows the Mediator's recommendations.

### **Promoting socially responsible investment (SRI)**

BNP Paribas Asset Management took decisive steps to promote socially responsible investment in 2003. These efforts, marked by the adoption of SRI criteria for investment screening and the award of the CIES quality label (*Comité intersyndical de l'Épargne Salariale – a trade union federation*), were very favourably received by the investment community.

### **Adoption of SRI criteria by BNP Paribas Asset Management**

Socially responsible investment section criteria are essential for the analysis of corporate opportunities and risks. To this end, BNP Paribas Asset Management has integrated SRI methods into its fundamental analysis processes.

## **Novethic upgrades its SRI rating for the BNP Éthéis equity fund**

BNP Éthéis received the highest possible SRI rating (aaa++) in the April 2003 Panorama review of socially responsible investment funds published by the research agencies, Novethic and Amadeis.

The review analyses the performance of 58 SRI funds which have been operating for over a year in the SRI market in France.

The rating upgrade acknowledges the quality of BNP Paribas Asset Management's SRI approach as well as its asset management. This recognition adds to the success of BNP Éthéis which has become the leading socially responsible equity fund available in the French market since its launch in 2002.

An analysis function has been created for socially responsible investment and uses a proprietary screening process. The members of the SRI analysis team work closely alongside financial analysts and portfolio managers.

In 2003, the SRI analysis team forged partnerships with the social investment consultancies Deminor and Innovest.

These agreements, which add to the existing agreement with Vigeo, enable BNP Paribas Asset Management to broaden its geographic scope and reinforce its research capabilities in the areas of social responsibility, corporate governance and environmental performance.



### CIES quality label

This label awarded by CIES certifies that fund investment products have been screened using socially responsible investment criteria and offer excellent price and quality characteristics. It also indicates that employee representatives hold the majority of seats on the supervisory boards. The employee investment savings product Phileis was also awarded a CIES label in 2003. This product combines BNP Paribas Épargne Entreprise's expertise in the design of packaged employee savings with the investment management skills of BNP Paribas Asset Management. It features six SRI funds, each covering different performance/risk profiles, and includes two micro-finance funds.

### Promoting socially responsible investment

As part of its involvement in 2003 Sustainability Week organised throughout France from 2 to 13 June, BNP Paribas Asset Management produced a daily radio programme on Radio Classique which outlined the human and financial value of SRI funds to investors. This client education programme was also endorsed by the French Secretary of State for Sustainable Development.

## BNP Paribas Asset Management becomes market leader

"BNP Paribas unveiled its 'Retirement Projects' strategy, a global range of retirement savings products and services last December. The options available to clients include the BNP Paribas Retraite mutual fund, one of whose many qualities is that it is managed according to SRI criteria. This represents a significant development for the French SRI market, putting the latter's total assets at over EUR 3.5 billion, and positions BNP Paribas Asset Management as the SRI market leader in France with EUR 900 million in assets under management.

*La Lettre de l'économie responsable – Issue 18, January 2004*



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### Leverage the Group's purchasing clout: Global Procurement Group (GPG)

The Global Procurement Group (GPG) is dedicated not only to controlling and containing procurement costs, but also helps to spearhead BNP Paribas' direct relations with its major suppliers.

When renegotiating expired contracts or issuing new tender offers, GPG systematically integrates social and environmental clauses. This extends beyond the traditional business approach to client-supplier relations. It provides an opportunity to broaden and clarify the requirements of the Group's CSR policy as defined by its general business principles and its commitment to sustainable development.

In this way, BNP Paribas continues to take a leading role by developing a contractual framework to manage its sustainability commitments while extending and enriching its contribution to society.



To support the increased role of the Procurement function and enable it to monitor supplier compliance efforts around the world, the Group has developed a global Procurement organisation with dedicated staff in Paris, London, New York and Singapore.

This organisation has access to worldwide databases providing:

- An extensive inventory of the Group's worldwide relations, covering more than 90% of external suppliers;
- Standard supplier contracts, which have been developed for 700 of the Group's largest suppliers, accounting for half of the worldwide supplier base.

Rules of conduct relating to employee relations with clients and suppliers are defined in the Group's guideline framework.

The audit conducted by General Inspection in 2003 found the Procurement teams were familiar with the provisions of the rules of conduct.

In addition to implementing the contractual agreements for the Group's CSR commitments, a systematic process which began in 2002, the Procurement function has also introduced a number of measures for sustainability performance:

- Systematic monitoring of environmental and social performance of the Group's largest suppliers and their competitors, using models developed by BNP Paribas Asset Management's SRI analysts, with the aim of including sustainable criteria in contract awards;
- Wide-ranging consultation with suppliers, which includes a feedback survey in which suppliers can discuss their perception of BNP Paribas as a client. An action plan will be developed in 2004 to respond to the principal requests of suppliers;
- Development of green purchasing contracts which are awarded according to environmental criteria rather than the lowest price option, particularly in areas such as renewable energy;
- Encouraging recycling programmes developed by groups of general services managers from different sites.



The DNA computer For tomorrow's world

# Olympus

**Nobuhiko MORIMOTO, Ph. D.**  
Senior Researcher  
Biomedical Business Incubation Division  
Olympus - Client of BNP Paribas - Tokyo

The properties of DNA are staggering. Many go beyond anything imagined by the general public. Everyone knows that DNA is a genetic code; the sequence of instructions that enable cells to build proteins. But very few people realise that "by harnessing the physical and chemical properties of DNA molecules, we could develop virtually unlimited computing power for genetic analysis."

Though better known as a camera maker, the Japanese firm is the world's leading manufacturer of endoscopes and is applying the new technology to the field of genetic research. Using a DNA computer to analyse genes may seem ironic but it holds immense promise. "This technology could form the basis for the next generation of diagnostic systems, capable of performing extremely precise analyses many times faster and using much less energy than today."

This potential is now within our grasp. With most of the human genome now deciphered, we can turn our attention to applied research and to developing new therapies. A research team is already in the final stages of developing a prototype DNA computer for use in genetic analysis. This means that, for example, in just a few decades it could be common for patients to have custom-made medicines.



# Environment

## BNP Paribas' commitment to the environment

BNP Paribas has adopted a set of ten operating guidelines which are inspired by the Environmental principles of the United Nations Global Compact programme:

### 1. Mitigation of environmental impacts

The BNP Paribas Group has always placed particular emphasis on preventing any adverse impact on the environment in which it operates. The Group embraces solutions designed to limit the impact of its activities and, in particular, to reduce emissions of greenhouse gases. Insofar as the majority of its operations are sited in urban areas, the Group is keen to ensure that its sites are harmoniously integrated into the urban landscape of the cities in which they are located.

### 2. Compliance

The Group seeks to comply with all of the legal and regulatory environmental requirements applicable to its operations in the countries where it conducts business.

### 3. Energy efficiency

The Group complies with the provisions of energy policies as required by public authorities in the countries where it operates. In this regard, it actively promotes technical and organisational solutions enabling it to reduce energy consumption on a constant Group structure basis.

### 4. Supplier selection

The Group seeks to develop commercial relations with suppliers and subcontractors who share its commitment to environmental performance. Compliance is enforced through appropriate clauses in tender and contract documents.

### 5. Waste management

The Group strives to adopt best waste management practices for the reduction, sorting and recycling of waste volumes.

### 6. Risk management

In its credit risk management process, the Group recognises that it must identify and assess environmental risks, and strives to implement effective measures for this purpose. The Group lending policy has been translated into specific policies for some business lines. Similarly, the Group rating policy for corporate financing provides a framework for factoring environmental risk data into rating models.

### 7. Cost containment

To satisfy client demands for optimal service quality and cost, the Group has identified cost containment as one of the main priorities for the success of its profitable growth strategy. To this end, it implements strategies to reduce resource consumption (paper, water, materials, etc.).

### 8. Developing specific products

The Group favours the marketing of financial instruments which respond to environmental challenges and opportunities in a cost-efficient way.

It seeks to develop these products and services according to the degree that they meet the requirements of the Group's risk management and capital adequacy rules.

At the same time, it is determined to make use of tax and government incentives to develop environmentally sound lending policies.

### 9. Employee awareness

Guidelines governing Group entities are circulated to employees throughout the world. These guidelines have been translated into specific methods and procedures for business processes and functional areas. Sustainable development modules have been incorporated into the Group's induction and management training seminars.

### 10. Efficiency of internal control

Accountability for applying environmental guidelines is integrated into the day-to-day responsibilities of operating units and corporate functions. The various levels of control defined in the Group's internal control system verify effective implementation of the Group's environmental guidelines and include "controls on controls" which are performed by the Group's Inspection unit.

### Impact of new technology on the Group's business

BNP Paribas has taken advantage of two major developments in the financial services industry to support its efforts in preventing and mitigating direct environmental impacts:

- The virtualisation of back-office and client-facing business processes;
- Cost containment and the downward trend in the cost/income ratio.

Current technology developments are fuelling an unprecedented reduction in processing time as well as explosive growth in data volumes. These trends have widespread implications for the re-engineering of business processes, organisations and distribution channels. BNP Paribas is seizing opportunities and allocating investment to ensure its leadership in these areas. It has also found that these recent developments have tended to improve eco-efficiency while fostering client relationship interaction and reducing energy and raw material consumption thanks to factors such as:

- Digitisation of documents (smartcards, electronic document management);
- Widespread automation of transaction systems (self-service banking);
- Multichannel banking (telephone, Minitel and Internet-banking platforms supporting the retail banking network);
- Client relationship management (CRM) techniques;
- Implementation of electronic transaction processing.

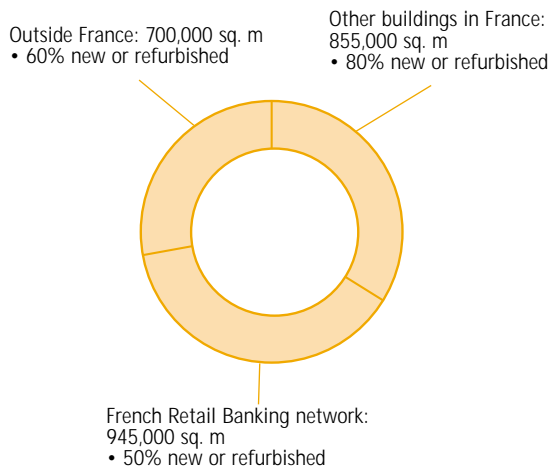
### A small "ecological footprint"

As a provider of financial services, personal relations are of vital importance in BNP Paribas' industry. Since many of its processes are automated and accessible through virtual channels, BNP Paribas' resource consumption is limited. As a result, the Bank's building infrastructure is the biggest contributor to material intensity. Some 63% of the Group's total building area of 2.5 million sq.m is made up of new and recently refurbished floor space.

## Each year, 90 million pages saved by French Retail Banking

Digitisation of accounting statements used by French retail banking support centres has enabled a 90% reduction in paper consumption by these units, representing an average annual saving of 90 million pages per year since 1998.

### Building infrastructure: 2.5 million sq. m



In urban areas, particular attention is paid to ensure that Group sites integrate harmoniously with local city landscapes and that they provide attractive, welcoming and efficient facilities.

The Group's building infrastructure consumes fluids including water, electricity, gas and diesel fuel for heating, lighting and air conditioning. Three-quarters of the Group's worldwide electricity consumption is directly proportional to the number of employees (60% in France). In view of these estimates and of its analysis

## A building by Meunier Group voted 2003 Office Building of the Year

Issy Bords de Seine 2, a Paris-based building developed by Meunier Group was elected winner of the Building of the Year by a jury of ten corporate real estate executives.

The BNP Paribas subsidiary, Meunier, supervised the technical specifications and project development for this office building as it does for the 150,000 sq.m of new and refurbished office and warehouse space developed by the Meunier Group each year.

of paper consumption and transport needs for employees, the Group has launched a study at several sites which have been chosen as representative. The aims for this study are to precisely evaluate consumption levels, to prioritise needs and to identify solutions for reducing consumption measured on a constant Group structure. Despite this, it would appear that the Group's long-standing energy-saving programmes have already realised many of the efficiency gains possible and that the expenditure related to this consumption is marginal in relation to the Group's external spending.

## A forward looking and responsible approach to financing

In France, the Group is a leading player in the fields of renewable energy and environmental protection, through its two specialised companies for the financing of energy-saving investment, Natio Énergie and Parifergie.

BNP Paribas has developed sustainable lending criteria and environmental risk management approaches for worldwide project finance lending. In accordance with the Group credit policy for project finance, environmental assessments are systematically performed for each loan application examined by the Credit Committee.

The nominations and rankings published by International Project Finance in 2003 testify to BNP Paribas' leadership position in project finance markets. BNP Paribas acted as lead manager in six of the top ten project financing deals completed in 2003 in Europe and the Middle East.

BNP Paribas lead managed an 18-year, GBP 300 million facility for Beaufort Wind, which was named "Deal of the Year" for the energy sector in the Europe/Middle East/Africa region. This was the first deal to benefit from the Renewable Obligations Certificate (ROC) mechanism and the first project financing for an offshore wind farm.





# BEAUFORT WIND Ltd

Offshore wind power  
For a cleaner future

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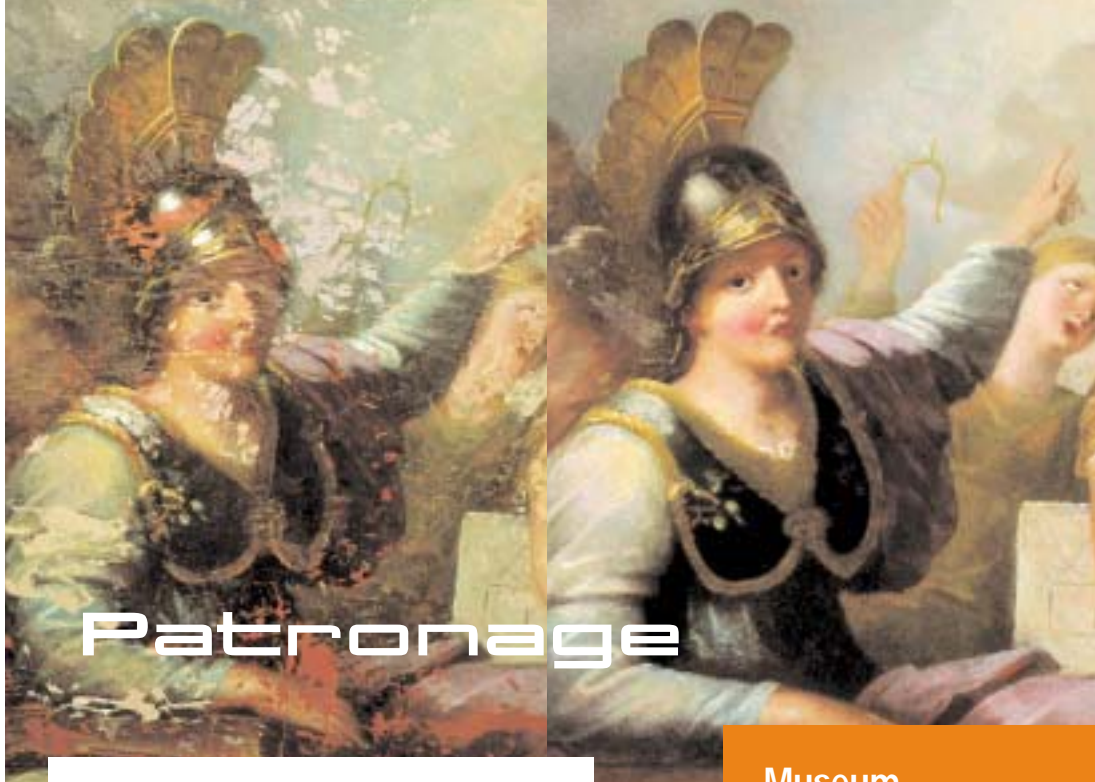
## Alan MARSHALL

Structured Finance Manager at RWE Innogy  
Beaufort Wind Ltd\* - Client of BNP Paribas - France

Located 4-5 miles off the windswept North Wales coast, Britain's first major offshore wind farm, North Hoyle, began generating electricity in November 2003. This thirty-turbine wind farm provides clear proof that it is possible to produce economically competitive, renewable energy for domestic consumers. Once fully operational, it will generate enough energy to meet the annual demand of up to 50,000 homes. The electricity generated by the wind farm is being marketed under the brand name "npower Juice": npower Juice is the result of a unique partnership between RWE Innogy, a leading integrated UK energy company which owns the farm, and the environmental campaigning organisation, Greenpeace. Greenpeace helped to develop the product and is working with npower to promote Juice and support the development of cleaner energy in the UK. Customers switching to Juice can be assured that they are purchasing "clean, green electricity" that costs no more than normal electricity. North Hoyle is now the sole source of electricity for Juice. A pioneering development in the UK's long-deregulated electricity market, "North Hoyle is part of the government's drive to tackle climate change and encourage a more sustainable approach to energy generation and use."

*\*(Beaufort Wind Ltd is a client of BNP Paribas and will be buying North Hoyle from RWE Innogy in 2006.)*





# Patronage

## A partner in society

As a facilitator of economic exchange, BNP Paribas makes an essential contribution to society and the community, locally and globally, whether through the trade flows it handles or through its relationships with clients, employees and suppliers. By providing services and financing to help clients achieve their goals it makes a direct contribution to local development in the territories in which it operates.

Over many years, BNP Paribas has built up a structured and varied programme of corporate patronage activities in addition to its corporate social responsibility (CSR) policies.

## Fondation BNP Paribas

Operating under the aegis of the Fondation de France, Fondation BNP Paribas is dedicated to fostering dialogue between the banking community and society. As a forum for the exchange of ideas and discoveries, the Foundation adds a new dimension to the Group's core values of ambition, commitment, creativity and responsiveness. Through the programmes it supports, Fondation BNP Paribas strives to preserve and promote cultural heritage and to support artistic expression. It also provides funding for state-of-the-art medical research as well as for innovative projects in the areas of education, social insertion and disability.

In addition to grants, the Foundation provides support for its partners and seeks to cater to

## Museum

Following a renovation project which mobilised eleven art restorers over one year, the "Mercury" ceiling in the palace of Versailles was restored to its original splendour at the end of 2003 thanks to a grant by Fondation BNP Paribas.

One of the masterpieces of the Royal apartments, the ceiling decorates the official reception room of the queen. It was painted by Michel Corneille the Younger from 1672 onwards and comprises a central medallion, four arch panels and four corner panels.

This grant, which was sponsored under the BNP Paribas pour l'Art programme, is another milestone in the partnership between Fondation BNP Paribas and the palace of Versailles.

It comes after the restoration of the painting by Veronese, *The Feast in the House of Simon*, and of the ceiling painted by François Lemoyne, *The Apotheosis of Hercules*.

their individual objectives in the same way as it does for its clients, namely by developing programmes as well as providing advice and on-the-spot assistance, together with access to the BNP Paribas worldwide network of contacts. Fondation BNP Paribas is a member of Admical, a French non-profit organisation for the promotion of corporate patronage, and of the *Centre Français des Fondations*.



## Circus

Plan B, the show created by the Cie 111 company, combines boundless creativity with breathtaking precision. Performers overturn conventional spatial limitations and defy gravity in this retelling of the legend of Icarus. As original as it is entertaining, the show blends elements from the circus, theatre and video genres. Fondation BNP Paribas – one of only a handful of corporate sponsors supporting modern circus artists – decided in 2003 to sponsor Cie 111, which was founded in 1999 by Aurélien Bory.

## Heritage and arts

As a recognised benefactor to museums, Fondation BNP Paribas provides funding for the publication of art books that familiarise the public with museum collections and awards grants for the restoration of masterpieces. Its initiatives have benefited a wide variety of institutions. Thus, the Fondation has helped to publish some fifty art books on museums in France and abroad and enabled around sixty works of art to be restored and placed on display to the public.

Fondation BNP also supports the performing arts by establishing close partnerships with modern dance companies, circus troupes, jazz musicians and other performers working in disciplines that are often overlooked by other sponsors. At the same time, it helps to make rare or unperformed works more widely known and to provide a boost to young performers' careers. The Fondation also makes use of its extensive links with festivals and production companies to bring new talents to a wider audience.

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## Medical research and community outreach

As part of its support for health care and research, Fondation BNP Paribas assists researchers and physicians working in both medical research and applied clinical research. In this area, the Fondation works with pre-eminent scientific institutions to select beneficiaries. Funding generally takes the form of multi-year grants which are awarded to new research projects.

The Fondation also supports communities through its involvement in pilot projects promoting economic self-sufficiency for disadvantaged individuals. In addition to its longstanding association with Adie\*, since 2002, Fondation BNP Paribas has developed a volunteer grants programme which provides funding for non-profit community organisations in which employees are involved on a personal basis.

*\* A non-profit organisation set up by Maria Nowak in 1989 to promote micro-lending for business projects in France.*





*The "Mercury" ceiling,  
Palace of Versailles*

In 2003, BNP Paribas celebrated its 30<sup>th</sup> year of service to tennis. To mark this milestone, the Group, which is a partner to the French Tennis Federation and the French Muscular Dystrophy Association, helped 170 local tennis clubs to organise a weekend-long tennis tournament in support of France's annual charity telethon. Proceeds from the tournament fees, representing over EUR 100,000 in funds, were donated to medical research projects into genetic diseases.



*Tennis clubs commit to Téléthon*

During the year, the Group also stepped up its assistance to the French University Sports Federation and sponsored the creation of the first BNP Paribas European Universities Cup. The extension of the agreement with Handisport, the French Disabled Sports Federation, also enabled the Group to continue its sponsorship of wheelchair tennis and its partnership in the BNP Paribas Open de France Tournament which is held each year near Paris.

For the past three years, BNP Paribas has been an active partner to "Fête le Mur", an association founded by Yannick Noah which brings tennis to young people living in disadvantaged areas in some 20 French towns and cities, and is involved in a project to create a sports coaching centre for the most promising players. Similar initiatives are also organised by the Group in Switzerland, Argentina and Morocco.





Laurence Devilliers from the P'tits Loups Association with her daughter Ascelyme

## Volunteer activity

The objective of Fondation BNP Paribas' volunteer grants programme is to support employees of BNP Paribas in France who are involved in

community projects for young people. Through this programme, the Foundation seeks to encourage employees who offer their time and expertise to organisations working with children and teenagers. In recognition of the quality of the funding proposals received and the commitment shown by staff, the Foundation awarded grants for 35 of the 49 proposals examined in 2003. These concerned projects in the areas of disability, social inclusion, and health care.

## Solidly rooted in France and spreading overseas

Through its support for cultural cooperation and exchanges organised between France and other countries, assistance for concert tours, the development of international sponsorship programmes and the coordination of programmes implemented outside France by the various territories, Fondation BNP Paribas reflects the Group's identity as a structure that is both solidly rooted in France and present throughout the world.

In addition, the Foundation organises regular encounters between its sponsorship beneficiaries and the Group's staff, clients and shareholders. These exchanges enhance the Foundation's role as an instrument for mutual enrichment and human progress.

## Fondation BNP Paribas receives a special jury award in 2003 Admical Oscar Awards for Corporate Sponsorship

Fondation BNP Paribas won a special jury award in the 2003 Admical Corporate Sponsorship Oscars. In its citation for the award, the jury, which included representatives from companies, cultural institutions and associations, and was chaired by the French journalist Anne Sinclair, honoured Fondation BNP Paribas for the scope and continuity of its corporate sponsorship activities over the last two decades.

## Local initiatives

Around the world, BNP Paribas employees volunteer their personal time to a wide variety of programmes in the fields of the arts, health care and community service. Two programmes, which have been underway for a number of years, deserve special mention:

### BNP Paribas New York

BNP Paribas New York was one of the Group's first territories to support employees and their spouses who donate part of their time off work to good causes. Its volunteer grants programme still stands apart for its originality.

This programme, launched in 1997, provides funding to non-profit organisations in which employees or their families are involved as volunteers. Causes supported include centres for victims of domestic violence, after-school programmes for children living in underprivileged areas, support for Broadway dancers suffering from HIV/AIDS, or counselling for former prison inmates.

### BNP Paribas London

As part of BNP Paribas London's community service programme, staff provide after-school coaching in reading and maths to children from Marylebone.

Under this programme, which was launched in the autumn of 2001, staff volunteers offer a half-hour of their time each week to the pupils of the Christ Church Bentinck and St Mary's Bryanston Square primary schools. Employees taking part receive training and undertake to devote a little time each week to the schools to which they are assigned. Although volunteers initially commit themselves as tutors for at least a single school term, many choose to give their time over much longer periods.

# Corporate Governance

## At 31 December 2003 \*



### Michel Pébereau

**Principal function:** Chairman of the Board of Directors of BNP Paribas  
*Born on 23 January 1942*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 14 December 1993*  
*Number of BNP Paribas shares held: 110,006*

**Director of:**  
Lafarge  
Saint-Gobain  
Total  
*BNP Paribas UK Holdings Ltd, United Kingdom*

**Member of the Supervisory Board of:**  
Axa

**Non-voting director of:**  
*Société Anonyme des Galeries Lafayette*

**Chairman of:**  
*Association Française des Banques*  
*Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française*  
*Conseil de Direction de l'Institut d'Études Politiques de Paris*

**Member of:**  
*International Advisory Panel of the Monetary Authority of Singapore*  
*International Capital Markets Advisory Committee of the Federal Reserve Bank of New York*  
*International Monetary Conference*



### Patrick Auguste

Director elected by BNP Paribas employees  
**Principal function:** Head of real estate projects  
*Born on 18 June 1951*  
*Elected for 6 years on 6 March 2000*  
*First elected to the Board on 14 December 1993*  
*Number of BNP Paribas shares held: 130*



### Claude Bébéar

**Principal function:** Chairman of the Supervisory Board of Axa  
*Born on 29 July 1935*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 23 May 2000*  
*Number of BNP Paribas shares held: 3,074*

Chairman and Chief Executive Officer of Finaxa

**Director of:**  
Schneider Electric  
Vivendi Universal  
*Axa Assurances Iard Mutuelle*  
*Axa Assurances Vie Mutuelle*  
*Axa Courtage Assurance Mutuelle*  
*Axa Financial Inc., États-Unis*  
*Lor Patrimoine*

**Chairman of:**  
*Institut du Mécénat de Solidarité*  
*Institut Montaigne*

\* The directorships shown in italics are not governed by the French Commercial Code (Code de Commerce) concerning multiple directorships.



### Jean-Louis Beffa

**Principal function:** Chairman and Chief Executive Officer of Compagnie de Saint-Gobain  
*Born on 11 August 1941*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 22 October 1986*  
*Number of BNP Paribas shares held: 18,786*

Vice-Chairman of the Board of Directors of BNP Paribas  
Chairman of Claude Bernard Participations

**Director of:**  
*Groupe Bruxelles Lambert, Belgium*  
*Saint-Gobain Cristaleria SA, Spain*  
*Saint-Gobain Corporation, United States*

**Permanent representative of Saint-Gobain on the Board of:**  
*Saint-Gobain PAM*

**Member of the Supervisory Board of:**  
Le Monde SA  
*Le Monde Partenaire AS (SAS)*  
*Société Editrice du Monde (SAS)*



### Gerhard Cromme

**Principal function:** Chairman of the Supervisory Board of ThyssenKrup AG  
*Born on 25 February 1943*  
*Elected on 14 May 2003. Term expires at the 2005 AGM*  
*First elected to the Board on 21 March 2003*  
*Number of BNP Paribas shares held: 400 (in February 2004)*

**Member of the Supervisory Board of:**

*Allianz AG, Allemagne*  
*Axel Springer Verlag AG, Germany*  
*Deutsche Luftansa AG, Germany*  
*E. ON AG, Germany*  
*Ruhrgas AG, Germany*  
*Siemens AG, Germany*  
Suez  
*Volkswagen AG, Allemagne*  
*Chairman of the German Governmental Commission on Corporate Governance*  
*Chairman of the European Round Table of Industrialists*



### Jack Delage

Director elected by BNP Paribas employees  
**Principal function:** Client Account Manager  
*Born on 26 January 1946*  
*Elected for 3 years on 31 January 2001*  
*First elected to the Board on 28 February 2000*  
*Number of BNP Paribas shares held: 100*



### Michel François-Poncet

**Principal function:** Vice-Chairman of the Board of Directors of BNP Paribas  
*Born on 1 January 1935*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 23 May 2000*  
*Number of BNP Paribas shares held: 22,300*

Chairman of *BNP Paribas Suisse SA, Switzerland*  
Vice-Chairman of *Pargesa Holding SA, Switzerland*

**Director of:**  
Finaxa  
LVMH  
Schneider Electric  
*BNP Paribas UK Holdings Limited, United Kingdom*  
*Compagnie Monégasque de Banque*  
*Erbé, Belgium*  
*Power Corporation, Canada*  
*Vittoria Assicurazioni, Italy*





#### Jacques Friedmann

**Principal function:** Company Director  
*Born on 15 October 1932*  
*Elected on 4 May 1999. Term expires at the 2005 AGM*  
*First elected to the Board on 14 December 1993*  
*Number of BNP Paribas shares held: 4,942*

**Director of:**  
 LVMH  
 Total  
*Chairman of the Conseil d'Orientation of the Musée du Quai Branly*



#### François Grappotte

**Principal function:** Chairman of Legrand  
*Born on 21 April 1936*  
*Elected on 4 May 1999. Term expires at the 2005 AGM*  
*First elected to the Board on 4 May 1999*  
*Number of BNP Paribas shares held: 2,300*

**Director of:**  
 Valeo  
*Bufer Elektrik, Turkey*  
*Eltas Elektrik, Turkey*  
*Legrand Española, Spain*  
*Lumina Parent, Luxembourg*  
*Pass & Seymour, United States*  
*The Wiremold Company, United States*

**Director and Chief Executive Officer of** *Legrand Holding SA*

**Chairman of:**

*B. Ticino, Italie*  
*Legrand SAS*  
*Lumina Management*

**Member of the Supervisory Board of** *Michelin*

**Member of:**

*Conseil Consultatif de la Banque de France*  
*Bureau de la FIEEC (Fédération des Industries Électriques, Électroniques et de Communication)*



#### Alain Joly

**Principal function:** Chairman of the Supervisory Board of Air Liquide  
*Born on 18 April 1938*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 28 June 1995*  
*Number of BNP Paribas shares held: 4,152*

**Director of:**  
 Lafarge  
*Société d'Oxygène et d'Acétylène d'Extrême-Orient*  
*Air Liquide International Corporation, United States*  
*American Air Liquide, United States*



#### Denis Kessler

**Principal function:** Chairman and Chief Executive Officer of Scor  
*Born on 25 March 1952*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 23 May 2000*  
*Number of BNP Paribas shares held: 812*

**Chairman of:**

*Commercial Risk Re-Insurance Company, United States*  
*Commercial Risk Reinsurance Company Ltd, Bermuda*  
*Commercial Risk Partners Ltd, Bermuda*  
*General Security Indemnity Company, United States*  
*General Security National Insurance Company, United States*  
*General Security Indemnity of Arizona, United States*  
*Investors Insurance Corporation, United States*  
*Investor Marketing Group Inc., United States*  
*Scor Italia Riassicurazioni SPA, Italy*  
*Scor Life Insurance Company, United States*  
*Scor Life US Reinsurance, United States*  
*Scor Reinsurance Company, United States*  
*Scor US Corporation, United States*

**Director of:**

*Bolloré Investissement SA*  
*Dassault Aviation*  
*Amvescap Plc, United Kingdom*  
*Cogedim*  
*Dexia, Belgium*  
*Scor Canada Reinsurance Company, Canada*

**Member of the Supervisory Board of:**  
*Scor Deutschland, Germany*

**Non-voting director of:**

*FDC SA*  
*Gimar Finance SCA*

**Member of:**

*Commission Économique de la Nation*  
*Conseil Économique et Social*  
*Conseil d'administration du Siècle*



#### Jean-Marie Messier

**Principal function:** *Chairman of Messier Partners LLC and Ahead LLC, United States*  
*Born on 13 December 1956*  
*Elected on 4 May 1999. Term due to expire at the 2005 AGM. – Mr. Messier presented his resignation in writing on 29 December 2003 and the Board took note of this in its meeting of 4 February 2004.*  
*First elected to the Board on 4 May 1999*  
*Number of BNP Paribas shares held: 400*



#### Jean Morio

**Director elected by** *BNP Paribas employees*  
**Principal function:** *Statistician (Economic research)*  
*Born on 2 April 1948*  
*Elected for 3 years on 31 January 2001*  
*Number of BNP Paribas shares held: 10*



#### Lindsay Owen-Jones

**Fonction principale :** *Chairman and Chief Executive Officer of L'Oréal*  
*Born on 17 March 1946*  
*Elected on 13 May 1998. Term expires at the 2004 AGM*  
*First elected to the Board on 13 June 1989*  
*Number of BNP Paribas shares held: 2,088*

**Chairman of:**

*L'Oréal USA Inc., United States*  
*L'Oréal UK Ltd, United Kingdom*  
*Galderma Pharma SA, Switzerland*

**Vice-Chairman and Member of the Supervisory Board of:**  
*Air Liquide*

**Director of:**

*Gesparal*  
*Sanofi-Synthélabo*



#### David Peake

**Principal function:** Chairman of BNP Paribas UK Holdings Ltd, United Kingdom  
 Born on 27 September 1934  
 Elected on 13 May 1998. Term expires at the 2004 AGM  
 First elected to the Board on 13 May 1998  
 Number of BNP Paribas shares held: 750

**Chairman of:**  
 BNP Paribas Finance Plc, United Kingdom  
 Chipping Norton Theatre Ltd, United Kingdom  
 Chipping Norton Theatre Trust Ltd, United Kingdom  
 21<sup>st</sup> Century Learning Initiative (UK) Ltd, United Kingdom  
 The Goldsmiths' Company, United Kingdom

**Director of:**  
 Life Education Mobiles Ltd, United Kingdom  
 Life Education Centres (UK) Ltd, United Kingdom  
 Sezincote Trustees Ltd, United Kingdom



#### Hélène Ploix

**Principal function:** Chairman of Pechel Industries SAS  
 Born on 25 September 1944  
 Elected on 14 May 2003. Term expires at the 2005 AGM.  
 First elected to the Board on 21 March 2003  
 Number of BNP Paribas shares held: 700

**Director of:**  
 Lafarge  
 Boots Group Plc, United States  
 Ferring SA, Switzerland

**Member of the Supervisory Board of:**  
 Publicis

**Representative of Pechel Industries for:**  
 Quinette Gallay  
 Aquarelle.com Group  
 Xiring  
 CVBG-Dourthe Kressman  
 IDM  
 Panoronet  
 Homerider Systems  
 Holding Nelson/Creations Nelson  
 Pechel Service SAS

**Legal Manager of Hélène Ploix SARL**  
 had oc member of the Investment Committee for  
 the United Nations Personnel Pension Fund



#### Baudouin Prot

**Principal function:** Chief Executive Officer of BNP Paribas  
 Born on 24 May 1951  
 Elected on 7 March 2000. Term expires at the 2005 AGM  
 First elected to the Board on 7 March 2000  
 Number of BNP Paribas shares held: 29,670

**Chairman of the Board of Directors of:**  
 BNP Paribas E<sup>3</sup>

**Director of:**  
 Péchiney  
 Veolia Environnement

**Member of the Supervisory Board of:**  
 Pinault-Printemps-Redoute  
 Cetelem

**Permanent representative of BNP Paribas on  
 the Supervisory Board of:**  
 Accor



#### Louis Schweitzer

**Principal function:** Chairman and Chief Executive Officer of Renault  
 Born on 8 July 1942  
 Elected on 13 May 1998. Term expires at the 2004 AGM  
 First elected to the Board on 14 December 1993  
 Number of BNP Paribas shares held: 4,830

**President of the Management Board of:**  
 Renault-Nissan BV, Netherlands

**Director of:**  
 AB Volvo, Sweden  
 Électricité de France  
 Renault Crédit International  
 Veolia Environnement

**Member of the Supervisory Board of:**  
 Philips, Netherlands

**Member of the Board of:**  
 Fondation Nationale des Sciences Politiques  
 Institut Français des Relations Internationales  
 Musée du Louvre

**Member of the Consultative Committee of:**  
 Banque de France  
 Allianz, Germany

#### Other corporate officers

Since 11 June 2003

#### Georges Chodron de Courcel

**Principal function:** Chief Operating Officer of BNP Paribas  
 Born on 20 May 1950  
 Number of BNP Paribas shares held: 15,000

**Director of:**  
 Alstom  
 BNP Paribas Canada, Canada  
 BNP Paribas UK Holdings Ltd, United Kingdom  
 Bouygues  
 Nexans

**Member of the Supervisory Board of:**  
 Lagardère SCA

**Non-voting director of:**  
 Scor SA

#### Jean Clamon

**Principal function:** Chief Operating Officer of BNP Paribas  
 Born on 10 September 1952  
 Number of BNP Paribas shares held: 51,122

**Director of:**  
 Arval Service Lease  
 BPLG  
 Cetelem  
 Euro Securities Partners  
 Cassa di Risparmio di Firenze, Italy  
 Compagnie Nationale à Portefeuille, Belgium  
 Erbé, Belgium

**Representative of BNP Paribas for:**  
 UCB

Until 11 June 2003

#### Dominique Hoenn

**Principal function:** Senior Adviser of BNP Paribas  
 Born on 12 April 1940  
 Number of BNP Paribas shares held: 68,528

**Chairman of the Board of Directors of Paribas International**  
**Chairman of the Supervisory Board of:**  
 BNP Private Equity

**Director of:**  
 BNP Paribas Securities Services  
 BNP Paribas Luxembourg, Luxembourg  
 BNP Paribas Suisse, Switzerland  
 Clearstream International, Luxembourg  
 Cobepa, Belgium  
 Euronext NV, Netherlands

## Extracts From the board of directors' internal rules

### Section 5 : Conduct of voting and non-voting directors

Directors shall interact effectively with others in the workplace and respect their opinions, and shall express themselves freely on subjects debated in Board meetings, even in the face of opposition. They shall have a strong sense of responsibility towards shareholders and other stakeholders, show a high level of personal integrity during the term of their office, and respect the basic rules related to their responsibilities.

### Complying with laws and regulations

All directors are required to comply with legal obligations and the stock market recommendations and regulations related to information that concerns directors personally.

### Ethics and Compliance

The legislation banning insider trading applies to directors both in a personal capacity and in their capacity as members of the Board of BNP Paribas, a listed company.

Directors are also advised to refrain from purchasing or selling BNP Paribas shares at any time outside the six-week period following the publication of the quarterly and annual accounts, or of any press release concerning business performance.

Directors must not disclose any information that is not publicly available to any third party including the manager of BNP Paribas shares. If a director has any questions related to ethics and compliance, he or she can consult the head of Ethics and Compliance of the BNP Paribas Group.

### Conflict of interest

Directors should inform the Board of any conflict of interest – even of this be merely potential – and should refrain from participating in the corresponding deliberating vote.

Directors who deem that they are no longer able to effectively carry out their responsibilities on the Board or Committees of which they are a member, should step down.

### Confidentiality

Any director or any other person who is called upon to attend meetings of the Board and the Committees of the Board is required to treat all matters discussed during the meeting as strictly confidential.

In particular, such directors or other persons shall treat as strictly confidential all insider information as well as information that may interest competitors or external parties in connection with "economic intelligence" and confidential information described as such by the Chairman. In case of failure to comply with this obligation, the director or other person may be exposed to a claim for damages."

In application of *Commission des Opérations de Bourse* regulation 2002-01, corporate officers are required to have their BNP Paribas shares registered in their name and to report their transactions in these shares at half-yearly intervals.





**André-Jacques AUBERTON-HERVÉ**  
Chairman and CEO

**Jean-Michel LAMURE**  
Chief Operating Officer  
**Soitec - Client of BNP Paribas - Grenoble**

Take a good look at your newest laptop computer. It is even smaller than the one before, has longer battery life, and is faster still. You owe this high-tech prowess partly to Soitec, a French company in Grenoble, with operations in the United States, Japan, Taiwan, China and Korea. Its founders, formerly with the French Atomic Energy Commission, invented and patented "Smart Cut", a revolutionary technique for making Silicon-On-Insulator (SOI) semiconductors. This involves inserting an insulator layer in the silicon wafers used for electronic components to make them less power-hungry and faster, and thus smaller. The first to benefit are wireless systems and devices such as laptops, mobile phones and Wi-Fi network equipment. "SOI technology makes them last longer without re-charging." It speeds up game consoles and other fixed devices, and is even used in airbags and braking systems for new-generation cars. SOI is also used in the human body, in miniature pacemakers. Still more medical and biotechnology applications are in the offing. "There is even talk of wearing microchips that will regulate our body temperature."

# Soitec

Revolutionary  
microchips

# Combined Annual and Extraordinary General Meeting of 28 May 2004

Curriculum vitae of directors whose terms of office are up for renewal by the shareholders

## Louis Schweitzer

Principal function: Chairman and Chief Executive Officer of Renault

Born on 8 July 1942

### • Education

Degree in law

Institut d'Études Politiques de Paris

École Nationale d'Administration (1967-1970)

### • Professional experience

Since 1970 Inspecteur des Finances

1970 - 1971 Policy Officer, General Directorate of the Assistance Publique

1971 - 1974 Policy Officer, General Directorate of the Ministry of Finance

1974 - 1979 Policy Officer, Budget Department (Ministry of Finance)

1979-1981 Assistant Director of Budget Department

1981-1986 Director of the office of Laurent Fabius (successively Minister Delegate with responsibility for the Budget, then Minister of Industry and Research, then Prime Minister)

1986-1989 Joined Renault as Vice-President, then Vice-President, Strategic Planning and Management Control, then Chief Financial Officer and Head of Strategic Planning

1989-1990 Executive Vice-President, Chief Financial Officer and Head of Strategic Planning

Dec. 1990-

May 1992 President and Chief Operating Officer

Since May

1992 Chairman and Chief Executive Officer

Since March

2002 Chairman of the Management Board of Renault-Nissan BV

## Lindsay Owen-Jones

Principal function: Chairman and Chief Executive Officer of L'Oréal

Born on 17 March 1946 in the United Kingdom

### • Education

Bachelor of Arts of Oxford University

Graduate of INSEAD (European Institute of Business Administration)

### • Professional experience

1969 - 1974 Product Manager for L'Oréal in Belgium and then in France

1976 - 1978 Marketing Director for the Public Products Division

1978 - 1981 Chief Executive of L'Oréal Italy

1981 - 1984 President and Chief Executive Officer of Cosmair Inc., exclusive agent of L'Oréal in the United States

1984 - 1988 Executive Vice-President, Deputy Chairman of the Management Committee and Board Member of L'Oréal

1988 Chairman and Chief Executive Officer of L'Oréal

# Report of the Chairman

## of the board of directors on the conditions for the preparation and organisation of the work of the board and on internal control procedures applied by the bank

### I - Corporate governance

The shareholders attending the Annual General Meeting on 14 May 2003 were the first to learn of the separation of the functions of Chairman and Chief Executive Officer, which had just been approved in principle by the BNP Paribas Board of Directors on the recommendation of the Chairman and Chief Executive Officer.

This decision brought the Group into line with corporate governance best practice, while at the same time ensuring a smooth and transparent handover of the Chief Executive role. The implications of this decision for the Group's management structure and internal control environment will be discussed later in this report.

#### **Conditions for the preparation and organisation of the work of the Board**

The conditions for the preparation and organisation of the work of the Board and the Committees of the Board are established by custom and by the internal rules of the Board of Directors of BNP Paribas SA. On the recommendation of the Compensation and Nominations Committee, the current version of these rules was adopted by the Board at its meeting of 4 February 2004.

Three Committees of the Board – the Financial Statements Committee, the Internal Control and Risk Management Committee, and the Compensation and Nominations Committee – assist the Board in its work on the financial statements, relations with the auditors, internal control and risk, the organisation of executive management, compensation and nominations.

#### **Separation of the functions of Chairman and Chief Executive Officer**

Under the internal rules, the Chairman organises and directs the work of the Board, and ensures that the corporate decision-making bodies of BNP Paribas operate effectively. Working closely with executive management, he is competent to represent the Group in high-level dealings with, for example, major clients and the authorities both nationally and internationally. He has no executive responsibilities. The Chief Executive Officer has the broadest powers to act in the Bank's name under all circumstances (see section III below). He has authority over the entire Group, including heads of core businesses, business lines, territories and Group functions. He is also responsible for internal control systems and procedures, and for all the statutory information in the report on internal control.

#### **Roles and responsibilities of the Board of Directors**

The main roles and responsibilities of the Board, in accordance with the internal rules, are to appoint corporate officers, draw up the BNP Paribas business strategy and monitor its implementation, examine any and all issues related to the efficient running of the business, and make any and all business decisions, perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the accuracy of its accounts, approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of a high quality.



### **Assessment of the performance of the BNP Paribas Board of Directors**

The triennial assessment of the performance of the Board of Directors, recommended as best practice by French corporate governance guidelines, took place in late 2002 and early 2003. An account of the methods and findings was included in the 2002 Annual Report. Although not formally required, an update of this assessment was conducted in late 2003 and early 2004. A questionnaire was completed by 14 directors, excluding corporate officers. Broadly similar to the previous year's, it covered key aspects of the Board's activities, including the definition of the Board's terms of reference in the internal rules, the composition of the Board, the remit of the Board, the conduct of Board meetings and the activities of the three Committees of the Board. The findings of this assessment were presented by the Compensation and Nominations Committee at the Board meeting of 4 February 2004. They showed that the BNP Paribas Board of Directors operates satisfactorily, and that major issues are properly prepared and debated. The suggestions arising from the previous assessment have been implemented, and have led to improvements, especially in the assessment of the work of the three Committees of the Board.

### **Independence of directors**

An assessment of the independence of directors, recommended as best practice by French corporate governance guidelines, was conducted in November 2002 and February 2003. An account of the findings was included in the 2002 Annual Report.

Following the Annual General Meeting of 14 May 2003, the Board of Directors has fifteen members elected by the shareholders and three members elected by BNP Paribas employees.

The following directors do not qualify as independent under the guidelines: Claude Bébéar, Jean-Louis Beffa, Michel François-Poncet, David Peake, Michel Pébureau and Baudouin Prot.

The three employee representatives on the Board (Patrick Auguste, Jack Delage and Jean Morio) do not qualify as independent under the guidelines, despite their method of election and their status, which safeguards their independence from executive management.

The following qualify as independent: Gerhard Cromme, Jacques Friedmann, François Grappotte, Alain Joly, Denis Kessler, Jean-Marie Messier, Lindsay Owen-Jones, Hélène Ploix and Louis Schweitzer.

This means that at least half of the Board members are independent, consistent with the Board's aim of complying with French guidelines for "companies with widely spread share ownership and no controlling shareholder".

### **Assessment of the performance of the Chairman and the Chief Executive Officer**

The Board meeting of 14 May 2003, as part of its discussion of the proposed separation of the functions of Chairman and Chief Executive Officer, unanimously approved the recommendations put forward by Michel Pébereau regarding the selection criteria for Chief Executive Officer of BNP Paribas and proposing Baudouin Prot as the future Chief Executive Officer. Michel Pébereau then presented the same proposals to the Annual General Meeting held on the same day.

On 11 June 2003, the Compensation and Nominations Committee, as part of its review of the proposed reorganisation of corporate decision-making powers carried out in association with the separation of the functions of Chairman and Chief Executive Officer, submitted a report to the Board on the performance of Michel Pébereau during his ten years as Chairman and Chief Executive Officer.

The Board is of the opinion that the preparation and implementation of these decisions during the year ended 31 December 2003 complied with French guidelines on the assessment of corporate officers.

### **Activities of the Board in 2003**

The Board of Directors held eight meetings in 2003, including one unscheduled meeting. It also held a special session devoted to Group strategy. The attendance rate was 82%. As well as discussions and decisions required for compliance with French laws and regulations, the Board addressed the following issues:

- the draft Directors' Report to shareholders and Report on Internal Control and Risk Management, the proposed resolutions to be put to the shareholders at the Annual General Meeting, and draft replies to written questions submitted by shareholders in advance of the Annual General Meeting;
- proposed amendments to the Board's internal rules, the composition of Committees of the Board, the wording of the questionnaire assessing the Board's performance and the conclusions arising from the completed questionnaires, and the proposed allocation of directors' fees for 2003;
- the reorganisation of powers resulting from the separation of the functions of Chairman and Chief Executive Officer, the selection of the Chairman and of the Chief Executive Officer, the composition of the Executive Committee, the structure of core businesses and business lines, the determination of compensation for corporate officers and Executive Committee members;
- the Group's development policy and strategy, investment and acquisition projects requiring prior approval, reports on significant completed or ongoing transactions, and developments regarding the Group's equity interest in Crédit Lyonnais;
- financial statements and budgets: the Board reviewed and approved the financial statements and results of the Group and of BNP Paribas SA for 2002, and the quarterly and half-yearly consolidated results of the Group and its core businesses for 2003. The Board also heard the reports of the Financial Statements Committee and the auditors. It reviewed and adopted the 2004 budget;

- proposals related to the issuance of preference shares, share issues restricted to employees who are members of an employee share ownership scheme, and the BNP Paribas stock option plan;
- ethical issues related to engagements conducted by the auditors, authorisation procedures for such engagements, the amount of auditors' fees for the years 2003 to 2005, and the master agreement between BNP Paribas and the joint auditors in respect of statutory audit work;
- the activities of the three Committees of the Board, as described below, including a discussion of the reports presented to the Board by the respective Committee chairmen.

#### Financial Statements Committee

**Members:** Following the Annual General Meeting of 14 May 2003, the Committee comprises Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler, Jean-Marie Messier, David Peake and Hélène Ploix. Four of the six members (including the Chairman) qualify as independent directors under French corporate governance guidelines. No executive management members have sat on the Committee since 1997.

**Terms of reference:** The Committee's terms of reference are set out in the internal rules of the Board of Directors, and involve assisting the Board in various areas, including: analysing, in the presence of the auditors, the quarterly, half-yearly and annual financial statements published by the Bank and obtaining further explanations of certain items prior to presentation of the financial statements to the Board of Directors; reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data,

accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues; managing relations with the auditors. At least once a year and more often if it sees fit, the Committee devotes part of a meeting to discussions with the auditors without any member of BNP Paribas executive management being present.

The Committee may also discuss matters falling within its terms of reference with Group finance and accounting managers and the head of asset-liability management, without any other members of executive management being present.

Where questions of interpretation of accounting standards arise in connection with the presentation of the quarterly, half-yearly and annual results, involving choices with a material impact, the auditors and the head of the Group Finance-Development Department submit to the Committee a quarterly memorandum analysing the nature and importance of the issue, setting out the pros and cons of various possible solutions, and explaining the reasons for recommending the option chosen. The Committee Chairman may make enquires of any manager within the Group concerning matters falling within the Committee's terms of reference as defined in the internal rules of the Board of Directors, and may also seek advice from outside experts.

#### Activities of the Committee in 2003

The Committee met five times. The attendance rate, taking into account the impact of the decision of one director not to attend meetings, was 80%; without taking account of this decision, the attendance rate was 65%.



As part of its routine work, the Committee analysed, in advance of its presentation to the Board of Directors, the results of the Group and of BNP Paribas SA for 2002 and the first half of 2003, quarterly and half-yearly consolidated results, and the annual and half-yearly financial statements of the Group and of BNP Paribas SA, comprising the profit and loss account, balance sheet, statement of off balance sheet items and notes. In carrying out these periodic reviews, the Committee assessed the impact on results of changes in Group structure and reviewed results by core business and business line. It also reviewed draft results announcements before they were presented to the Board. Specific issues dealt with by the Committee included significant questions of accounting methodology, such as accounting for pension obligations, structured derivatives, and the amortisation and impairment of goodwill. It assessed progress on the statutory audit of BNP Paribas Métropole, and on accounting internal control.

Concerning relations with auditors, the Committee dealt with the scope of audit engagements, approval procedures for non-audit engagements, disclosure of fees, the setting of the fee budget for the years 2003 to 2005, and the declaration of auditor independence. The Committee held discussions with Group heads of Asset-Liability Management/Treasury, Finance-Development and Accounts, without any member of executive management being present. Discussions were also held with the auditors during the review of the 2003 financial statements, without any member of executive management being present.

### **Internal Control and Risk Management Committee**

**Members:** Following the Annual General Meeting of 14 May 2003, the Committee comprises Jacques Friedmann (Chairman), Jack Delage and François Grappotte. Two of the three members (including the chairman) qualify as independent directors under French corporate governance guidelines. No executive management members have sat on the Committee since 1997.

**Terms of reference:** The Committee's terms of reference are set out in the internal rules of the Board of Directors, and involve assisting the Board in various areas, including: reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection unit and their main findings, and correspondence with the French banking regulator (the Commission Bancaire); reviewing the Group's overall risk policy, based on risk and profitability indicators made available to the Committee in accordance with the applicable regulations, as well as any specific related issues; holding discussions, if it sees fit without other members of executive management being present, with the heads of the General Inspection and Internal Audit functions, Ethics and Compliance, and Group Risk Management; presenting to the Board of Directors the Committee's assessment of the Group methods and procedures.

### **Activities of the Committee in 2003**

The Committee met three times, with an attendance rate of 81%. Issues dealt with by the Committee included the draft annual report on internal control submitted to the banking regulator (Commission Bancaire) in compliance with French banking regulations, and the Internal Audit report.

The Committee reviewed structures and procedures put in place to comply with international regulatory requirements in the field of operational risks and economic capital (Basel II), and the implications of the European directive

on financial conglomerates. Based on a report from the Group Risk Management function, the Committee reviewed the conclusions of the Risk Policy Committees and the Group Credit Committees, changes in the Group's loan book and provisions, and the proposed restructuring of the specialist risk committees. It decided to increase the frequency of its meetings to four per year. The Committee reviewed correspondence with the Commission Bancaire, and held discussions with the heads of the General Inspection unit, Group Ethics and Compliance, and Group Risk Management.

#### **Compensation and Nominations Committee**

**Members:** Following the Annual General Meeting of 14 May 2003, the Committee comprises Alain Joly (Chairman), Claude Bébéar, Jean-Louis Beffa and Jacques Friedmann. Half of the members (including the Chairman) qualify as independent directors under French corporate governance guidelines. No executive management members have sat on the Committee since 1997.

**Terms of reference:** In accordance with the internal rules of the Board of Directors, the Committee puts forward recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee puts forward recommendations for the post of Chief Executive Officer for consideration by the Board, and acting on the recommendation of the Chief Executive Officer, it puts forward candidates for Chief Operating Officer posts. It assists the Board of Directors in assessing the performance of the Board and of its Chairman (with the Chairman not present); acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present.

The Committee is also charged with addressing all issues related to the personal status of corporate officers, including remuneration, pension benefits, and stock options; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also competent to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. It is also responsible, on the same basis, for developing plans for the succession of corporate officers. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairmen when their terms of office are due for renewal.

#### **Activities of the Committee in 2003:**

The Committee met three times in 2003, with an average attendance rate of 83%. Issues dealt with included the appointment of directors and a non-voting director; the separation of the functions of Chairman and Chief Executive Officer, and the structure of the corporate decision-making bodies; selection of the Chairman of the Board, the Chief Executive Officer and the Chief Operating Officers; the composition of the Committees of the Board; remuneration of corporate officers and Executive Committee members; the 2003 stock option plan; the amount and allocation of directors' fees and the non-voting director's fee for 2003; and the assessment of the performance of the Board of Directors.

## II - Internal control

### Internal control environment

Controls within the French banking sector are governed by a wide range of laws and regulations, which have created a long-established internal control culture within the Bank's core businesses. The current internal control environment is largely based on the Banking Activities and Control Act of 24 January 1984 and the Financial Activities Modernisation Act of 2 July 1996. France's banking regulator, the Commission Bancaire, is responsible for oversight of the rules applicable to internal control in banks and investment firms. Under its charter, the Commission Bancaire has the power to inspect and evaluate the internal control procedures used by banks. This highly-developed environment reflects the importance of banking activities to the economy and finance, and the potential for banking activities to affect the stability of the world financial system. National banking rules are framed at an international level within the context of the recommendations of the Basel Committee, an international regulatory body without parallel in any other business sector.

The conditions for the implementation and monitoring of internal control within banks and investment firms are set out in Regulation 97-02 issued by the French Banking and Financial Regulation Committee (Comité de réglementation bancaire et financier) on 21 February 1997, as amended by Regulation 2001-01. These rules lay down principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems. Under article 42 of this Regulation, banks are required to prepare an annual report on internal

control, which is submitted first to the Board of Directors (along with the report of the Internal Control and Risk Management Committee), and is then sent to the Commission Bancaire and the auditors.

The BNP Paribas Group operates an internal control system covering all its businesses and sites. This internal control system is defined in the Group's Internal Audit Charter, which is widely distributed within the Group. The Charter lays down rules relating to the organisation, lines of responsibility and scope of internal audit, and establishes the principle of the independence of the Internal Audit function. It also stipulates rules of ethical and professional conduct for internal auditors. The Charter enables the Group to comply with the professional standards set internationally by the Institute of Internal Auditors and in France by the Institut Français de l'Audit et du Contrôle Interne.

The Chief Executive Officer is responsible for internal control organisation and procedures, and for all the statutory information included in the report on internal control.

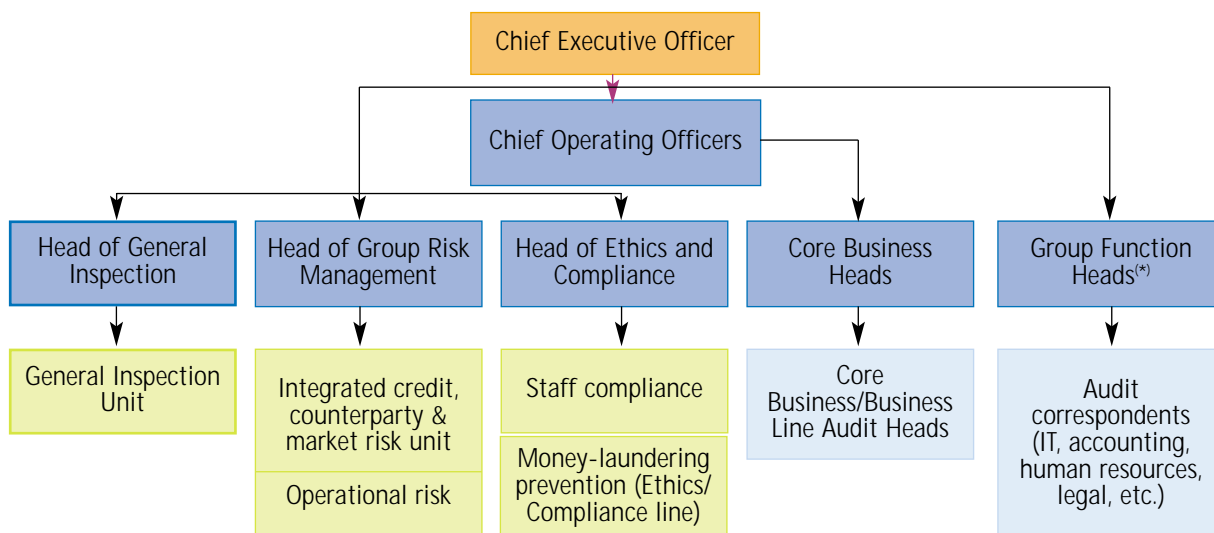


The Group internal rules, last amended on 10 August 2001, set out general ethical and compliance rules to be applied by staff, especially those with access to sensitive information about BNP Paribas activities and results. The internal control system also draws on Group-wide procedures issued by executive management, core businesses or Group functions. These procedures, which are regularly updated, are combined in the "Group Guidelines" database and can be accessed by all staff. All internal control and risk issues are covered by periodic presentations to the Internal Control and Risk Management Committee, and via this Committee to the BNP Paribas Board of Directors (see the "Corporate Governance" section of this report).

### Organisation of internal control

Further to the announcement made to shareholders at the Annual General Meeting of 14 May 2003, the BNP Paribas Board of Directors finalised arrangements for separating the functions of Chairman and Chief Executive Officer. The Chairman has no executive responsibilities. The Chief Executive Officer, assisted by two Chief Operating Officers, has responsibility for the entire operational management of the Group, comprising 5 core businesses (including BNP Paribas Capital) and 13 Group functions. The Head of General Inspection now reports to the Group Chief Executive Officer.

The chart below shows the organisational structure of internal control within BNP Paribas at end 2003:



\* except for the Global Procurement Group and Facilities Management functions, which report to one of the Chief Operating Officers.

### **Internal control principles**

The directive defines the three key internal control principles in the following terms:

- Responsibility for internal control is an integral part of management responsibility. Internal controls are embedded in each activity as a means of controlling that activity. Heads of core businesses, and heads of Group functions with responsibility for a “family” of risks, each define their own internal control system and ensure it operates effectively. Every manager, at whatever level, has a duty to exercise effective control over the activities for which he or she is responsible.
- Delegation of responsibilities ensures that Group policies are implemented consistently at all levels.
- Segregation of duties, mainly focused on separation between teams who originate transactions and teams who execute those transactions. The structure of the Group should at all times ensure clear separation between execution and control, and between proprietary and third-party management.

### **Internal control procedures**

The written guidelines are distributed throughout the Group, and describe the organisational structures, procedures and controls to be applied; they provide the basic framework of internal control.

A four-level system of controls is used. First-level controls are performed by individual employees on the transactions they process, based on Group procedures. Second-level controls are performed by their managers. Third-level controls are performed by internal auditors working within Group entities. Fourth-level controls are performed by the General Inspection unit.

The first three levels of control are exercised within the core businesses and Group functions, which

have primary responsibility for their own internal control systems. Fourth-level controls, exercised by the General Inspection unit, are designed to ensure that the internal control system is operating properly within all Group entities, both in the parent company and its subsidiaries.

### **Risk families**

The BNP Paribas Group has classified risks into eight different “families”:

- Credit and counterparty risk, representing the risk of total or partial default of a counterparty with whom the Bank has contracted balance sheet or off balance sheet commitments.
- Market risk, associated with movements in the market price of all types of instruments (such as equity, interest rate and liquidity risk).
- Accounting risk, arising from all factors liable to prevent fulfilment of the objective that accounting information should present a true and fair view.
- Administrative risk, arising from all factors liable to impair the efficiency of the Group's operations in terms of transaction processing.
- Information systems risk, arising from all factors liable to impair the security of information systems and the performance of the IT function.
- Business and reputational risk, relating to the risk of business underperformance and damage to the brand image.
- Legal and tax risk, arising from all factors liable to impair the Group's objectives in terms of legal and tax compliance.
- Human resources risk, arising from all factors liable to cause individual or collective dissatisfaction among staff, or to result in quantitative or qualitative shortcomings in human resources.

All these risks, with the exception of credit/counterparty and market risk, fall within the overall concept of operational risks: direct or indirect financial risk resulting from any kind of internal or external failings (such as the failings of individuals, procedures or systems).

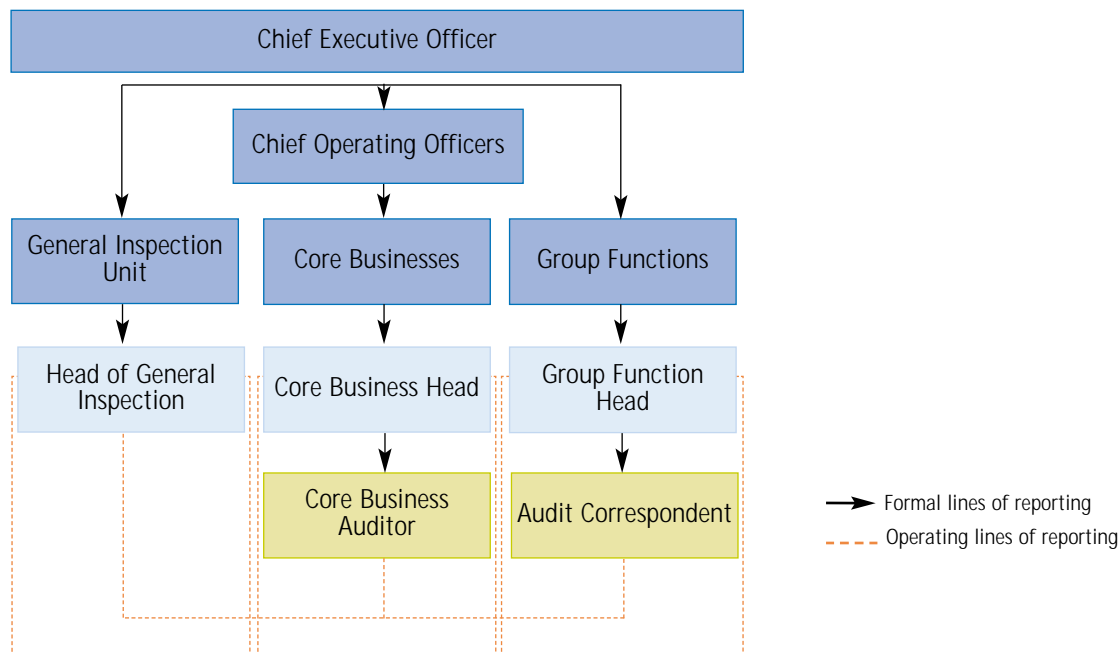
**The Internal Audit Charter**

The BNP Paribas Group has set out its internal audit principles in an “Internal Audit Charter”, which was amended in 2003 to reflect the separation of the functions of Chairman and Chief Executive Officer, under which the Chief Executive Officer assumed full responsibility for audit and internal control.

issued by the French Banking and Financial Regulation Committee (Comité de réglementation bancaire et financier), as amended by Regulation 2001-01, the Head of General Inspection is responsible for ensuring the consistency and effectiveness of internal control in the BNP Paribas Group. This role includes responsibility for all Group entities, supervising Internal Audit units within core businesses and Group functions via operational lines of reporting.

In accordance with article 8 of Regulation 97-02

The chart below shows the operational authority exercised by the Head of General Inspection over the Internal Audit units within BNP Paribas:





Each core business auditor and Group function auditor works in close collaboration with the General Inspection unit to develop the audit structure that best addresses the specific issues facing the core business or function, within the overall framework of Group organisational rules. In accordance with the principles laid down in the Internal Audit Charter, core business auditors record and monitor recommendations made as a result of their work. They also monitor implementation of recommendations issued by the General Inspection unit.

#### **Human resources**

As of 31 December 2003, the BNP Paribas Group had a total of 846 full time equivalent employees in the Internal Audit and General Inspection functions, 296 in the Ethics and Compliance function, and 773 in the Group Risk Management function as a whole, including 57 in the Operational Risk function.

### **III - Limitation on the powers of the executive officer**

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of BNP Paribas and to represent the Bank in its dealings with third parties. He exercises these powers within the limits of the corporate purpose, and subject to those powers expressly reserved by law for shareholder meetings and for the Board of Directors.

Within the Group, the internal rules of the Board of Directors require the Chief Executive Officer to submit to the Board for prior approval any investment decision of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million.

### **IV - Accounting and financial information**

#### **Internal control procedures relating to the preparation and processing of accounting and financial information**

The preparation and processing of accounting and financial information are the responsibility of the Group Finance-Development function, whose roles include:

- production and quality control of financial statements;
- production and quality control of management reports, and provision of forecast figures for strategic management purposes;
- control over the Group's financial information systems.

These roles are performed at a number of levels: at Group level by the Group Finance-Development function, at core business level by the core business Finance function, and within each entity. The heads of finance of the core businesses and of the main entities have operational lines of reporting to the Group Head of Finance.

The accounting policies and rules applied by Group entities in preparing accounting information are drafted and updated by the central Group General Accounting Department. The central Management Control Department draws up management control rules that apply to all the Group's business lines. These rules can be accessed in real time via the Group Intranet.

The information used to prepare the BNP Paribas Group consolidated financial statements is derived from the Bank's transaction processing systems and two separate reporting channels, one dedicated to accounting data and the other to management data. The reporting process is as follows:

- Accounting data: Accounting information is reported directly from each entity to the accounting department within the Group Finance-Development function. This department prepares the accounts of the BNP Paribas Métropole SA entity itself, and produces consolidated financial statements based on these accounts and on information reported to it by the other entities.
- Management data: Management information is reported by each entity and business line to the Finance function of the relevant core business, which then reports consolidated data for the core business to the Management Control unit within the Group Finance-Development function.

For each business line and core business, a reconciliation between accounting data and management data is performed for the main income statement lines. This is supplemented by an overall reconciliation performed by the Group Finance-Development function to ensure consistency between consolidated accounting profits and management reporting profits. These two reconciliations form part of the internal controls over both accounting and management information.

The Group has introduced a process of internal certification of data produced by subsidiaries and branches falling within the scope of consolidation. A project initiated in 2003 will enable the BNP Paribas Métropole SA entity to be subject to this procedure by end 2004. The head of finance of the entities concerned certifies each quarter:

- that the accounting data reported to the Group Finance-Development function are reliable and comply with Group accounting policies;
- that the accounting internal control system designed to ensure the quality of accounting data is operating effectively.

Accounting risks identified by accounting internal controls during the internal certification process are adequately provided for, and specifically monitored.





**Zsolt HERNÁDI**  
Chairman and CEO of MOL  
MOL - Client of BNP Paribas - Hungary

Following the creation and entry into circulation of the euro, the European Union will cross another milestone on 1 May this year when it welcomes ten new members into its fold — Cyprus, Malta, Estonia, Hungary, Latvia, Lithuania, Poland, the Czech Republic, Slovakia and Slovenia. During the last fifteen years, the ten accession nations have had to complete a radical overhaul of their economies. The Hungarian oil and gas giant MOL is no stranger to the process. Formed from the merger of eleven state-owned companies, MOL has grown to become Hungary's largest corporation. Today, it is almost fully privatised, with the state retaining a 12% interest, and the company has been listed at the Frankfurt, London and Luxembourg Stock Exchange as well. "This has been a tremendous challenge to survive the transition from the planned economy to the free market in Central Europe." However, oil and gas companies in the region are leading the way. Many, like MOL with its over 40% share of the Hungarian market, control large market shares and are readying themselves for fully liberalised markets. Thus, MOL has expanded its activities across the borders acquiring the majority of the stakes of the Slovak oil company, Slovnaft, and a strategic stake in INA, the Croatian giant. The purpose is to "unite federate companies facing common challenges and a similar business environment" and "become a dominant player in one of Europe's fastest-growing regions". Yet MOL is also aware of its duties as a corporate citizen. Its development plans have been approved by employees as well as by the country's labour union movement, and the firm is committed to fulfilling its environmental responsibilities. "We have to accept the fact that public opinion has changed: oil companies now face much more scrutiny and zero tolerance for environmental pollution."



# MOL

From the planned economy  
to the Free market





# Remunerations

## Remuneration of corporate officers

### Remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, and the Chief Operating Officers

The remuneration paid in 2003 to corporate officers was determined by the method recommended by the Compensation and Nominations Committee and approved by the Board of Directors.

The remuneration of corporate officers comprises both a fixed and a variable component, the base levels of which were determined following a benchmarking exercise conducted by specialised consultants. The fixed portion is calculated based on market rates of pay for positions carrying equivalent responsibilities. The variable portion, which is capped, is based in part on financial performance criteria and achieving Group budget objectives (net profit and gross operating income), and in part on each individual's personal contribution to preparing the Group's future. A portion of the variable amount is paid in the form of BNP Paribas shares vesting at the rate of one-third per year over three years.

- The fixed salary paid to Michel Pébereau, Chairman of the Board of Directors, amounted to EUR 727,838 in 2003. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to reduce Michel Pébereau's fixed annual salary to EUR 700,000 from EUR 762,245 as from 13 June 2003. The variable remuneration payable to Michel Pébereau in 2004 in respect of 2003 will amount to EUR 839,119. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 199,565. The Chairman of the Board of Directors is not paid a salary by any other Group companies and does not receive any directors' fees from Group companies, other than as a director of BNP Paribas SA.

- The fixed salary paid to Baudouin Prot, Chief Executive Officer, amounted to EUR 642,153 in 2003. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to raise Baudouin Prot's fixed annual salary to EUR 730,000 from EUR 533,572 as from 13 June 2003. The variable remuneration payable to Baudouin Prot in 2004 in respect of 2003 will amount to EUR 835,986 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 198,042. The Chief Executive Officer is not paid a salary by any other Group companies and does not receive any directors' fees from Group companies, other than as a director of BNP Paribas SA and as Vice-Chairman of the Supervisory Board of Cetelem. Director's fees received from Cetelem in 2003 will be deducted from the variable remuneration paid to Baudouin Prot in 2004.

- The fixed salary paid from January to June 2003 to Dominique Hoenn, Chief Operating Officer, amounted to EUR 266,786. The variable remuneration payable to Dominique Hoenn in 2004 in respect of 2003 will amount to EUR 527,372 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 105,876.
- The fixed salary paid from July to December 2003 to Georges Chodron de Courcel, Chief Operating Officer, amounted to EUR 226,219. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to raise Georges Chodron de Courcel's fixed annual salary to EUR 450,000 from EUR 426,847 as from 13 June 2003.

The variable remuneration payable to Georges Chodron de Courcel in 2004 in respect of 2003 will amount to EUR 811,010 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one-third per year in 2005, 2006 and 2007 will amount to EUR 190,425.

- The fixed salary paid from July to December 2003 to Jean Clamon, Chief Operating Officer, amounted to EUR 216,775. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to raise Jean Clamon's fixed annual salary to EUR 430,000 from EUR 396,367 as from 13 June 2003.

The variable remuneration payable to Jean Clamon in 2004 in respect of 2003 will amount to EUR 401,195 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 67,791.

The Chairman, the Chief Executive Officer and the Chief Operating Officers have company cars and a mobile telephone.

## Pension Benefits

The defined benefit plans which were previously accorded to executive managers of the Group formed by BNP, Paribas and Compagnie Bancaire, have all been changed to top-up type schemes. The amounts allocated to the beneficiaries, subject to their being in the Group at the time they retire, were fixed when the previous schemes were closed to new entrants. This procedure has been applied to corporate officers, with the defined amounts calculated on the basis of fixed and variable remuneration received in 1999 and 2000, without the possibility of subsequently acquiring supplementary pension rights.

## Remuneration and benefits paid to corporate officers in 2003 and 2002 (Total amount received during the term of office)

| Corporate officer<br>in euros                                        | 2003 remunerations<br>(2002 remuneration in italics) <sup>(0)</sup> |                               |                             | Directors'<br>Fees <sup>(0)(4)</sup> | Benefits<br>in kind <sup>(0)(5)</sup> | Total<br>remunerations          |
|----------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------|-----------------------------|--------------------------------------|---------------------------------------|---------------------------------|
|                                                                      | Fixed <sup>(1)</sup>                                                | Variable <sup>(2)</sup>       | Deffered <sup>(3)</sup>     |                                      |                                       |                                 |
| Michel Pébereau <sup>(6)</sup><br>Chairman of the Board of Directors | 727,838<br><i>(762,245)</i>                                         | 811,938<br><i>(1,070,479)</i> | 154,160<br><i>(120,336)</i> | 22,868<br><i>(22,867)</i>            | 4,659<br><i>(3,979)</i>               | 1 721 463<br><i>(1 979 906)</i> |
| Baudouin Prot <sup>(7)</sup><br>Chief Executive Officer              | 642,153<br><i>(533,572)</i>                                         | 534,380<br><i>(721,737)</i>   | 94,752<br><i>(73,968)</i>   | 34,034<br><i>(40,117)</i>            | 4,895<br><i>(4,354)</i>               | 1 310 414<br><i>(1 373 748)</i> |
| Georges Chodron de Courcel <sup>(8)</sup><br>Chief Operating Officer | 226,219                                                             | - <sup>(9)</sup>              | - <sup>(9)</sup>            | 0                                    | 2,332                                 | 228 551                         |
| Jean Clamon <sup>(9)</sup><br>Chief Operating Officer                | 216,775                                                             | - <sup>(9)</sup>              | - <sup>(9)</sup>            | 55,285                               | 2,723                                 | 274 783                         |
| Dominique Hoenn <sup>(10)</sup><br>Chief Operating Officer           | 266,786<br><i>(266,790)</i>                                         | 415,144<br><i>(539,939)</i>   | 225,506<br><i>(73,968)</i>  | 87,152<br><i>(68,243)</i>            | 1,989<br><i>(1,989)</i>               | 996 577<br><i>(950 929)</i>     |

(0) The 2003 remunerations of Michel Pébereau and Baudouin Prot concern the full year. The remuneration of Dominique Hoenn concerns the period from January to June 2003. The remunerations of Georges Chodron de Courcel and Jean Clamon concern the period from July to December 2003.

(1) Salary paid in 2003.

(2) Corresponding to the amounts paid in 2003. In accordance with the terms of the BNP Paribas deferred bonus plan, a portion of each corporate officer's variable remuneration consisted of stock awards vesting at the rate of one third per year in 2004, 2005 and 2006. Michel Pébereau's deferred remuneration amounted to EUR 217,062 and that of Baudouin Prot and Dominique Hoenn came to EUR 128,370.

(3) Corresponding to the transfer of two thirds of the deferred bonus awarded in 2000 in the form of BNP Paribas shares, and to one third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares. For Dominique Hoenn, the amounts also include the deferred bonus awarded in 1999 in the form of BNP Paribas shares.

(4) The Chairman of the Board of Directors does not receive any directors' fees from any Group companies other than BNP Paribas SA. In addition to directors' fees from BNP Paribas SA, Baudouin Prot receives fees in his capacity as Vice-Chairman of the Supervisory Board of Cetelem.

(5) The Chairman, the Chief Executive Officer and the Chief Operating Officers have company cars and a mobile telephone. <sup>(6)</sup> Le salaire fixe annuel de Michel Pébereau a été ramené de 762 245 euros à 700 000 euros à compter du 12 juin 2003.

(6) Michel Pébereau's fixed annual salary was reduced to EUR 700,000 from EUR 762,245 as from 13 June 2003.

(7) Baudouin Prot's fixed annual salary was raised to EUR 730,000 from EUR 533,572 as from 13 June 2003. His variable remuneration was reduced by EUR 17,250, corresponding to fees received by Baudouin Prot in 2002 in his capacity as director of certain Group companies.

(8) Georges Chodron de Courcel's fixed annual salary was raised to EUR 450,000 from EUR 426,847 as from 13 June 2003.

(9) Jean Clamon's fixed annual salary was raised to EUR 430,000 from EUR 396,367 as from 13 June 2003. The directors' fees received by Jean Clamon in his capacity as director of certain Group companies relate to the full year of 2003.

(10) Dominique Hoenn's variable remuneration was reduced by EUR 136,791, corresponding to directors' fees received by Dominique Hoenn in 2002 in his capacity as director of certain Group and non-Group companies (EUR 135,267 and EUR 1,524 respectively). The directors' fees received by Dominique Hoenn in his capacity as director of certain Group companies concern the full year of 2003.

## Remuneration of other Corporate Officers

In addition to the directors' fees received as Vice-Chairman of the Board of Directors of BNP Paribas SA, in 2003 Michel François-Poncet received fees in his capacity as Chairman of BNP Paribas Suisse SA and directors' fees in his capacity as Director of BNP Paribas UK Holdings Ltd, representing a total of EUR 163,548. He also has a company car.

In addition to the directors' fees received from BNP Paribas SA, in 2003 David Peake received directors' fees of EUR 108,680 in his capacity as Chairman of BNP Paribas Finance Plc and BNP Paribas UK Holdings Ltd. He also has a company car, provided by BNP Paribas Finance Plc.

In addition to the directors' fees received from BNP Paribas SA, before his death in 2003 René Thomas received directors' fees of EUR 72,703 in his capacity as Honorary Chairman and Director of Banque Nationale de Paris Intercontinentale, Director of Banque Marocaine pour le Commerce et l'Industrie and Director of Union Bancaire pour le Commerce et l'Industrie.

### Remuneration paid to other corporate officers (directors' fees <sup>(1)</sup>, other fees, benefits in kind) in 2003 (in euros <sup>(2)</sup>)

|                                                                      |         |
|----------------------------------------------------------------------|---------|
| Michel François-Poncet<br>Vice-Chairman of<br>the Board of Directors | 163,548 |
| David Peake<br>Director                                              | 108,680 |
| René Thomas<br>Director                                              | 72,703  |

(1) Including directors' fees from BNP Paribas SA

(2) Amounts in foreign currencies have been converted at the following exchange rates: EUR 1 = GBP 0.693561562 and EUR 1 = CHF 1.523206112

## Remuneration of directors representing employees

The total remuneration paid in 2003 to the three directors elected by employees came to EUR 122,921, not including directors' fees. The directors' fees for Patrick Auguste and Jack Delage are paid directly to their trade union bodies.

### Directors' fees

The total fees paid to the directors are determined by the General Meeting of Shareholders. The fees awarded to each director for 2003 were unchanged compared with the previous year at EUR 22,868. In addition, the chairmen of the Committees of the Board each receive EUR 7,622 and the other members of these Committees each receive EUR 4,574. One half of the fee paid to each director is based on the director's attendance rate at Board meetings and meetings of any Committees of which he or she is a member. Total directors' fees paid in 2003 amounted to EUR 476,662.

| BNP Paribas            | 2003    |
|------------------------|---------|
| Michel Pébereau        | 22,868  |
| Patrick Auguste        | 27,442  |
| Claude Bébéar          | 23,822  |
| Jean-Louis Beffa       | 20,963  |
| Gehard Cromme          | 11,434  |
| Jack Delage            | 26,680  |
| Bernd Fahrholz         | 2,859   |
| Michel François-Poncet | 22,868  |
| Jacques Friedmann      | 29,697  |
| François Grappotte     | 25,251  |
| Paul Louis Halley      | 15,912  |
| Philippe Jaffré        | 19,215  |
| Alain Joly             | 29,220  |
| Denis Kessler          | 23,822  |
| Jean-Marie Messier     | 20,868  |
| Jean Morio             | 22,868  |
| Lindsay Owen-Jones     | 15,722  |
| David Peake            | 24,203  |
| Hélène Ploix           | 14,388  |
| Baudouin Prot          | 22,868  |
| Louis Schweitzer       | 26,711  |
| René Thomas            | 26,981  |
| Total                  | 476,662 |



## **General principles governing the determination of fixed and variable components of employee remuneration**

Pay reviews are conducted by all Group companies throughout the world according to a standard timetable, based on a Groupwide performance assessment system. Performance assessments are based on individual objectives and the skills required by the position concerned.

Fixed salaries are set on a country-by-country basis, taking into account the responsibilities involved and market rates. In the corporate and investment banking and private banking businesses, bonuses are determined based on individual performance and the business's profitability. The objective is to set bonuses at a competitive level, to ensure that the Group retains the best talent, while at the same time maintaining an appropriate ratio between payroll expenses and profits. In the other business lines and Group functions, management bonuses are determined annually based on profits and each individual's personal performance.

The variable bonuses of Retail Banking sales staff in France are determined according to criteria that are adjusted each year based on national and local development plans.

## **Stock Option Plans**

BNP Paribas generally launches a new shareholder-approved stock option plan each year. No options are granted at a discount to the BNP Paribas share price on the date of grant. Options are not granted to the same categories of personnel each year. They are granted on a rotating basis to corporate officers, executive managers and key employees, and to high potential staff whom the Group wishes to retain.

Options plans may include certain performance-related vesting conditions applicable to all or some of the options granted to each individual. Details of the vesting conditions are provided in note 36 to the consolidated financial statements.

On 21 March 2003, the Board of Directors approved a stock option plan mainly concerning the members of the Executive Committee and managers holding a key position within the Group. This plan counted 1,300 beneficiaries who were granted 6,693,000 options. The option exercise price is EUR 37.10, corresponding to the average of the opening prices quoted for BNP Paribas shares over the 20 trading days preceding 21 March 2003.

Specific conditions apply to a portion of the options granted to certain individuals, whereby the right to exercise the options and the exercise price depend on the relative performance of BNP Paribas shares compared with a benchmark index during a specified period.

## Informations on stock options

| Options granted to and exercised by corporate officers | Number of options granted/exercise | Exercise price (in euros) | Date grant | Plan expiry date |
|--------------------------------------------------------|------------------------------------|---------------------------|------------|------------------|
| <b>Options granted in 2003</b>                         |                                    |                           |            |                  |
| Michel Pébereau                                        | 225,000                            | 37.10                     | 21/03/03   | 20/03/13         |
| Baudouin Prot                                          | 195,000                            | 37.10                     | 21/03/03   | 20/03/13         |
| Dominique Hoenn                                        | 60,000                             | 37.10                     | 21/03/03   | 20/03/13         |
| <b>Options exercised in 2003</b>                       |                                    |                           |            |                  |
| Michel Pébereau                                        | 125,000                            | 14.87                     | 21/05/96   | 21/05/03         |

|                                          | Number of options granted/exercise | Weighted average exercise price (in euros) | Date of grant | Date of grant | Date of grant |
|------------------------------------------|------------------------------------|--------------------------------------------|---------------|---------------|---------------|
| Options granted in 2003 (19 employees)   | 880,000                            | 37.10                                      | 21/03/03      |               |               |
| Options exercised in 2003 (10 employees) | 481,962                            | 16.27                                      | 30/10/95      | 16/11/95      | 16/11/95      |
|                                          |                                    |                                            | 48,786        | 65,970        | 43,190        |
|                                          |                                    |                                            | 28/12/95      | 05/11/96      | 20/01/97      |
|                                          |                                    |                                            | 129,570       | 14,250        | 33,616        |
|                                          |                                    |                                            | 26/12/97      |               |               |
|                                          |                                    |                                            | 146,580       |               |               |

75

## Fees paid to the auditors

| In thousands of euros          | Ernst & Young |            |               |            | PricewaterhouseCoopers Audit |            |               |            | Mazars & Guérard |            |              |            | Total         |            |               |            |
|--------------------------------|---------------|------------|---------------|------------|------------------------------|------------|---------------|------------|------------------|------------|--------------|------------|---------------|------------|---------------|------------|
|                                | 2003          | %          | 2002          | %          | 2003                         | %          | 2002          | %          | 2003             | %          | 2002         | %          | 2003          | %          | 2002          | %          |
| <b>Audit</b>                   |               |            |               |            |                              |            |               |            |                  |            |              |            |               |            |               |            |
| Basic audit work               | 5,565         | 56%        | 4,851         | 36%        | 6,429                        | 39%        | 5,574         | 26%        | 3,414            | 42%        | 3,062        | 48%        | 15,408        | 45%        | 13,487        | 32%        |
| Additional work                | 1,620         | 16%        | 3,321         | 24%        | 5,101                        | 30%        | 9,276         | 42%        | 1,586            | 20%        | 1,104        | 17%        | 8,307         | 24%        | 13,701        | 33%        |
| Special engagements            | 154           | 2%         | 834           | 6%         | 117                          | 1%         | 355           | 2%         | 135              | 2%         | 482          | 8%         | 406           | 1%         | 1,671         | 4%         |
| <b>Sub-total</b>               | <b>7,339</b>  | <b>74%</b> | <b>9,006</b>  | <b>66%</b> | <b>11,647</b>                | <b>70%</b> | <b>15,205</b> | <b>70%</b> | <b>5,135</b>     | <b>64%</b> | <b>4,648</b> | <b>73%</b> | <b>24,121</b> | <b>70%</b> | <b>28,859</b> | <b>69%</b> |
| Legal and tax advice           | 1,410         | 14%        | 2,781         | 20%        | 3,917                        | 24%        | 4,334         | 20%        | 2,847            | 35%        | 1,682        | 26%        | 8,174         | 23%        | 8,797         | 21%        |
| IT consulting services         | 0             | 0%         | 665           | 5%         | 0                            | 0%         | -             | 0%         | 0                | 0%         | -            | 0%         | 0             | 0%         | 665           | 1%         |
| Management consulting services | 883           | 9%         | 874           | 6%         | 352                          | 2%         | 2,009         | 9%         | 13               | 0%         | -            | 0%         | 1,248         | 4%         | 2,883         | 7%         |
| Other                          | 291           | 3%         | 368           | 3%         | 687                          | 4%         | 230           | 1%         | 97               | 1%         | 84           | 1%         | 1,075         | 3%         | 682           | 2%         |
| <b>Sub-total</b>               | <b>2,584</b>  | <b>26%</b> | <b>4,688</b>  | <b>34%</b> | <b>4,956</b>                 | <b>30%</b> | <b>6,573</b>  | <b>30%</b> | <b>2,957</b>     | <b>36%</b> | <b>1,766</b> | <b>27%</b> | <b>10,497</b> | <b>30%</b> | <b>13,027</b> | <b>31%</b> |
| <b>Total</b>                   | <b>9,923</b>  |            | <b>13,694</b> |            | <b>16,603</b>                |            | <b>21,778</b> |            | <b>8,092</b>     |            | <b>6,414</b> |            | <b>34,618</b> |            | <b>41,886</b> |            |



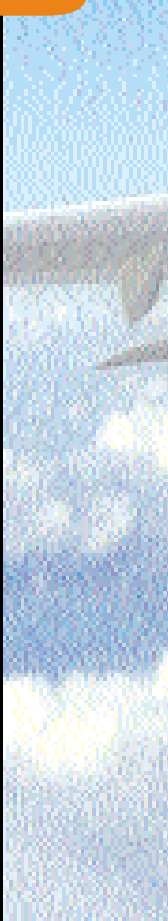
# Airbus



**Philippe DELMAS**  
Executive Vice-President  
Airbus - Client of BNP Paribas - Toulouse

It is well known that air traffic will almost triple in the next 20 years: enough to stir the imagination of the aircraft manufacturers and airlines who will decide the shape of tomorrow's skies. Airbus is in the vanguard of air travel innovation. Just three years ago, this European consortium embarked on the 21<sup>st</sup> century's most ambitious aeronautics venture, to build the biggest-ever airliner, the A380. Able to carry 555 passengers a distance of 14,800 kilometres non-stop, the new aircraft will come into service in 2006. The A380 mirrors the challenges of our time and the structure of the world aeronautics market today. The new plane will be more efficient, more comfortable – with 20% extra passenger space – and more environment-friendly. "For example, take-off noise will be halved from what it is today, and it will burn 13% less fuel than comparable existing planes".

Like the other Airbus models, the A380 will be made in sections at factories and workshops in four European countries – France, Germany, Spain and Great Britain, giving business to a network of 1,500 suppliers or sub-contractors in 30 countries. A truly European enterprise to rival America's Boeing, Airbus plans to make the A380 the leading superjumbo for the next two decades – before moving on to explore still newer ideas. "One day, we must push back the limits of today's classic aircraft concept, so as not to stand in the way of progress" ...and dream of sailing, flying-wing or triplane craft.







Something new in the heavens



# Internal control system

## ETHICAL AND COMPLIANCE RISKS

The key concerns of regulators now include protecting investors and guaranteeing the completeness and accuracy of corporate information. These issues are also high on the agenda at BNP Paribas, along with the imperative of ensuring that members of staff act in an ethical manner in all circumstances. The Bank also recognises the compelling need to prevent the banking system from being used for money laundering, corrupt practices and the financing of terrorism.

These issues are the responsibility of **Group Ethics and Compliance** which is completely independent from operating units. The unit has far-reaching global powers in the area of ethics and compliance and can take up matters directly with the Executive Committee and the Board of Directors' Internal Control and Risks Committee.

The internal control system established by Group Ethics and Compliance to manage these risks is based on:

- **An internal procedure manual**, which is regularly updated to take into account new regulatory requirements. All of the procedures are designed to ensure that the interests of clients are put before those of the Bank and that the integrity of the financial markets is maintained. Detailed procedures have been drawn up covering:
  - The establishment of Chinese walls to prevent unauthorised or inadvertent disclosure of sensitive information.
  - The avoidance of conflicts of interest.
  - The principles underpinning research produced by the financial analysts and the specific code of ethics applicable to research teams.
  - Controls over transactions carried out by employees for their own account.
- Coordination of action taken by the various Group entities, to guarantee the effectiveness and efficiency of monitoring systems and tools.

The international context and the introduction of stricter regulations in many countries have prompted the Group to **focus closely on preventing money laundering**. **Know Your Customer (KYC) procedures** are regularly updated, in the businesses most exposed to money-laundering risks and also in the other businesses. Action is currently underway to **review information about existing clients** based on KYC

rules. **Specific committees** have been set up, such as the Customer Acceptance Committees (CAC) and Intermediary Selection Committees. The CAC are responsible for deciding whether to accept new customers and for ensuring that Group internal procedures and the procedures required under the applicable regulations have been duly carried out. Their meetings are generally attended by a compliance officer. The role of the Intermediary Selection Committees is to approve referral agents, brokers and non-Group asset managers.

**Computerised monitoring systems** have been developed to help prevent the banking system from being used for money laundering, corrupt practices and the financing of terrorism, and to verify compliance with financial embargos. These systems include:

- The Vigilance database containing the names of more than 1,800 individuals suspected of being members of terrorist organisations or subject to financial embargos.
- Filtering systems for international fund transfers.
- Money-laundering detection applications for suspicious transactions or abnormal account activity.

Increased resources have been assigned to the **function responsible for reporting suspected money-laundering transactions to financial intelligence units** such as France's Tracfin.

Lastly, **training and awareness-raising initiatives** have been launched. Anti-money laundering training modules developed under the aegis of the French Banking Federation (FBF) with the participation of Tracfin and a select group of leading banks are gradually being rolled out, in the form of teaching kits and e-learning software for self-training purposes.

## GROUP RISK MANAGEMENT (GRM)

In many respects, banking is the business of **managing risks**. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively managing these risks. The entire process is supervised by the **Group Risk Management Department**, which is responsible for measuring, approving and controlling risks at the Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures.

While front-line responsibility for managing risks lies within the core businesses and business lines which propose the underlying transactions, GRM is responsible for **providing assurance that the risks taken by the Bank are compatible with its risk policies and its profitability and credit rating objectives**. GRM performs **continuous and ex ante controls**, fundamentally different from the periodic, ex-post examinations of the internal auditors. The department regularly reports to the Internal Control and Risk Management Committee of the Board on its main findings concerning risks, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM is an independent department that reports directly to Executive Management and is outside any business line or territory authority. The practical aim of this positioning is to ensure that controls are performed objectively, without taking into account any commercial considerations.

GRM has a broad scope of competence and is responsible for all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the consequences in terms of risks associated with proposed new businesses or products have been properly evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, ethics and compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

GRM is a global function. To define appropriate methods, policies, procedures and decision-making processes and deploy effective monitoring and control systems, it needs to have an acute understanding of the banking business, market imperatives and complex transactions, and to act very quickly in certain circumstances. In order to achieve the required level of responsiveness, GRM teams are based

in the various territories, wherever possible on the same sites as the operating units. Independence is maintained by placing these teams under the direct authority of GRM and by establishing strong central guidance. Where a direct reporting relationship is inefficient but acceptable in terms of risk, as is the case for example in the retail banking business, the operating units can establish their own risk management teams, with a clearly-defined functional reporting relationship with GRM. The GRM function is organised around four departments: Credit and Counterparty Risks, comprising three units (France, International, Banks and Financial Institutions), Market and Liquidity Risks, Operational Risks and Consolidated Risks.

## Credit Risk

### *General Credit Policy*

The Bank's lending operations are subject to the General Lending Policy approved by the Risk Policy Committee, headed by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The principles include compliance with the Group's ethical standards, a clear definition of responsibilities, as well as the existence and strict application of risk analysis procedures.

### *Procedures*

#### **Decision-making Procedures**

A system of discretionary lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management function. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. The system of discretionary lending limits ensures that risk management principles are applied consistently and that loan applications representing large amounts or which are unusually complex or sensitive are submitted for approval at the appropriate level. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, the loan application may have to be backed up by the recommendation of an industry expert or of designated specialists and some credit restrictions may



apply. Loan applications must comply with the Bank's General Credit Policy and with any specific policies applicable to the business line or the type of facility requested. Any exception must be signed off by the next level of lending authority. The same applies to loan applications that are not unanimously approved. To be considered, all loan applications must comply with the applicable laws and regulations. The Group Credit Committee, chaired by the Chief Executive Officer, the competent relevant Adviser, one of the Chief Operating Officers or the Risk Director, has ultimate decision-making authority for all credit and counterparty risks.

#### **Monitoring Procedures**

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various projection and forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of the system of discretionary lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee, which in turn reports to the Chief Executive Officer. The Group Debtor Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to provisions for these problem loans, based on the recommendations of the business line and GRM.

#### **Provisioning Procedures**

GRM reviews all customer loans in default at monthly intervals, to determine the amount of any impairment loss to be recognised, either by reducing the carrying value or by recording a loan loss provision, depending on the applicable accounting standards. The amount of the impairment loss takes into account potential recoveries, including the value of any collateral or other guarantees. According to the applicable regulations, interest accruals on loans in default are either suspended or continued; in the latter case, a provision is generally recorded immediately to offset the accrual. Where possible or desirable, due to the specific nature of the lending activities concerned – for example, consumer finance – case-by-case provisions are

replaced by statistical provisions. In addition to these specific or statistical provisions, the Bank may also set aside general provisions to cover a probable increase in risks, for example on a specific industry or country.

#### *Internal Rating System*

The Bank has a comprehensive rating system which already complies with the future requirements of the regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are 12 counterparty ratings. Eight cover excellent, good and average clients, 2 are related to clients in an uncertain situation which are on the GRM credit watch list, and 2 concern clients in default. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers are rated based on statistical analyses of groups of risks with the same characteristics. These risk measurement parameters serve as the basis for setting discretionary lending limits, primarily for corporate loans, and they are also used to calculate risk-weighted assets and the corresponding risk-adjusted margins.

#### *Portfolio Policy*

In addition to carefully selecting individual risks and accurately measuring the related exposure, the Group follows a portfolio-based policy, with the aim of achieving a diversification of risks among borrowers and industries, backed by a cautious approach to country risks. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune the policy as required, based on GRM's analyses and guidelines. The business lines actively manage the policy. For example, they can intervene in the initial taking of risks, and they can decide on ways to cover or reduce risks, based on a strict, regulated framework, using dedicated instruments such as securitisation and credit derivatives.

**Diversification of Counterparty Risks.** A core feature of the Group's lending policy is the diversification of counterparty risk. The breadth and depth of the Group's businesses and the rigidly structured system of lending limits contributes to this diversification. Any concentrations of counterparty risks are reviewed at regular intervals and corrective action is taken where necessary.

**Diversification of Industry Risks.** The Group also pays close attention to diversifying industry risks and performs projections to actively manage the Bank's exposures. Diversification of industry risks is based on the opinions of independent industry experts working within GRM about probable developments in the industries they track, backed by precise studies of underlying trends and factors that explain the vulnerability of the main industry players. The depth of industry research varies according to the weighting of the industry concerned in the Group's total portfolio, the technical expertise necessary to assess industry risks, the cyclical nature of the industry and its level of globalisation, and the possible existence of specific risk issues. Where appropriate and for substantial loans, the opinion of an industry expert may be mandatory in order to fully and independently assess the quality of the customer's strategy and competitive positioning.

**The Geographic Dimension.** Country risk corresponds to the Bank's aggregate exposure to debtors operating in the country concerned. Country risk is different to sovereign risk, which concerns exposure to national governments and agencies. It reflects the Bank's exposure to an economic and political environment which needs to be factored into the assessment of the counterparty risk. The Group has operations in the majority of economically active regions. As a global player, it follows a policy of avoiding excessive concentrations of risks on countries with weak political and economic infrastructures. Country risk exposure limits are set by the Group Credit Committee. Lending commitments by the business lines and customer-centric units within these overall limits are monitored by GRM. Lending decisions are backed by rigorous risk monitoring systems and research reports produced by the Economic Research unit.

The structure of country risks are reviewed annually by the Risk Policy Committee which also examines the overall consistency of the Group's country risk policy.

**Market and Liquidity Risks.** BNP Paribas has set up a sophisticated system to measure market and liquidity risks, backed by rigorous controls and watertight procedures. Overall responsibility for managing market and liquidity risks lies with the Market Risk Committee headed by one of the Chief Operating Officers or competent relevant Adviser and backed by GRM. The Committee meets once a month to approve risk management methods and procedures, define exposure limits and check compliance with these limits.

#### *Measuring Risk*

**Market Risk.** The key to effective control over market risks lies in reliably estimating potential losses. BNP Paribas has developed an internal Value at Risk model which calculates the amount of Gross Earnings at Risk (GEaR). The model, which has been approved by the French banking authorities, analyses variables such as interest rates (market rates and signature spreads), exchange rates, securities prices, commodity prices, volatilities and correlations as well as the resulting effects of diversification. Data are taken directly from the Bank's trading systems and are used to perform numerous simulations, based on a variety of scenarios ranging from the simplest to the most complex. The internal model complies with Basel Committee recommendations, by measuring the potential change in the value of the trading portfolio over a one-day holding period, using historical data covering 260 trading days and a 99% confidence level. Stress tests are performed at daily or monthly intervals, as appropriate. These tests simulate GEaR under extreme market conditions, based on worst-case scenarios. The variables used to perform these simulations are adjusted regularly to take account of changes in economic conditions. Stress test results are used to assess position limits and the overall results are analysed and discussed at the monthly Market Risk Committee meetings.

**Liquidity Risk.** In response to the Bank's growing relative weight in the financial markets, a liquidity policy has been defined, drawing on the lessons learnt from the technical liquidity crisis arising from the events of 11 September 2001. Approved by Group Executive Management, the policy consists of a set of management principles – covering both normal and crisis situations – backed by internal standards and warning indicators for the day-to-day monitoring of the liquidity position. The Bank's refinancing capacity is measured primarily by reference to the amount of liquid assets (with the degree of liquidity assessed differently

according to the country). The overall aim is to have adequate cash reserves to cope with an exceptional increase in liquidity needs in a period of restricted availability of interbank refinancing. GRM is responsible for the entire system, from the development of liquidity risk measurement methodologies to liquidity risk reporting.

#### *Procedures*

GRM manages a four-dimensional control structure governing position-taking processes, which pertain to market risks:

- 1 - General Exposure Limits.** These consist of GEaR or “nominal” limits and cover trading positions by country and by issuer as well as sensitivities.
- 2 - Rolled Down Exposure Limits.** The Chief Executive Officer has overall responsibility for setting market risk exposure limits, in the same way as for credit limits. The Market Risk Committee is responsible for rolling down these limits to the various levels in the organisation. For secondary market trading, these are expressed in terms of GeaR or OYE (One Year Equivalent); for underwriting activities, limits are set based on signature quality.
- 3 - Decision-making Rules.** Risk-acceptance decisions are based on a two-dimensional process. The first dimension corresponds to the approval of new businesses or risks. The second concerns the approval of transactions proposed in the normal course of business. Transactions involving large amounts or which are unusually complex must be approved by the Group Credit Committee for credit risk aspects or by the Executive Position Committee (EPC) – an offshoot of the Market Risk Committee – for market risk aspects.
- 4 - Risk monitoring System.** This system is based on:
  - The monitoring of accidental or authorised temporary trading limit overruns, which are logged in a central database and analysed by cause.
  - Daily monitoring of Group positions.
  - Weekly reporting of the aggregate amount of material positions, by business.
  - The Market Risk Committee, which meets at monthly intervals to approve the main market risks incurred by the Group.

## **Operational Risk**

The BNP Paribas operational risk management system is based on a quantitative and qualitative assessment of risk that complies with the requirements of the Basel II Capital Accord and also contributes to reducing annual losses from operational risks. The project to define and measure operational risk, conducted jointly by the divisions, the business lines, the territories, the Information Systems, Human Resources and Legal and Tax Affairs Functions, as well as the Bank's internal control teams, is well on the way to being completed.

Group Executive Management recently approved a general policy setting out the basic principles governing the organisation, management and measurement of operational risks. The policy provides for the creation of Operational Risk Committees to make decisions concerning the management of these risks across the entire organisation.

Operational risk measurement will be based on:

- Historical loss data derived from the Group-wide incident reporting system.
- External data supplied by the ORX consortium of which BNP Paribas is a founder member.
- Environmental and internal control factors.
- Analyses of simulations produced according to a range of scenarios.

Implementation of this system, backed by numerous analysis and management tools, should enable the Group to apply the most advanced calculation methods recommended in Basel II.

## **LEGAL RISK AND SPECIAL REGULATIONS**

BNP Paribas is bound by regulations applicable to financial institutions in all countries where it does business, including banking, insurance and financial services regulations. The Bank is required to respect the integrity of the markets and safeguard clients' interests.

Group Legal Affairs has established and regularly updated an internal control system designed to anticipate, detect, measure and manage legal risks. The system is organised around:

- **Specific committees:**
  - The Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs function.
  - The Legal Coordination Committee, whose remit is to roll down the Group's legal strategy to the various



entities.

- The Global Legal Committee, which defines human resources and budget management methods for the legal affairs functions throughout the world.
- A network of local legal correspondents spanning most Group entities.
- Internal procedures and databases, providing a framework for the activities of the Group's legal staff. The procedures and databases include:
  - Descriptions of the prerogatives and responsibilities of local legal affairs managers.
  - Details of current signature authorisations within the Group, which are managed by the Group General Counsel.
  - Ilegal reference data (company law, securities law, etc.).
  - Descriptions of the various types of banking transactions.
  - Guidelines on specific topics such as combating money laundering and the financing of terrorism..

**Preventing the banking system from being used for money laundering is a key concern** of Group Legal Affairs. In 2002, an international survey was conducted to identify the various types of trust account in use, in order to pinpoint more easily the types of potential money-laundering structure referred to in French law. This information was then used to send a warning memo to all Group entities.

In 2003, a major exercise was undertaken jointly with Group Ethics and Compliance to update information about the ways in which financial institutions can contribute to the drive to combat money laundering, corrupt practices, the financing of terrorism and breaches of financial embargos.

- **Legal audits** carried out in certain Group entities to check that procedures are properly applied and the various tools are correctly used.

Group Legal Affairs also contributes to managing operational risks. An instruction manual has been drawn up, covering the management of incidents giving rise to a legal risk and, in 2003, the incident analysis phase began. To support the process, in November 2003 Group Legal Affairs set up an Operational Risks Committee.

## TAX RISK

In the various countries where it does business, BNP Paribas is subject to local tax laws and regulations applicable to banking, insurance and financial services companies.

Group Tax Affairs is a global function, responsible for overseeing the consistency of the Group's tax solutions. It also works with Group Finance and Development to monitor the global tax risk. In addition, it performs back-up checks to ensure that tax risks remain at a manageable level and are consistent with the Group's reputation and profitability objectives.

Group Tax Affairs resources include:

- A network of tax correspondents, covering all of the countries where the Group does business.
- A qualitative data reporting system, which contributes to managing tax risks and monitoring compliance with local tax laws.
- A tax coordination committee, whose members include representatives of both Group Tax Affairs and Group Finance and Development, responsible for analysing key tax issues and making appropriate decisions.
- A reporting system to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

A clear framework has been defined for the assignment of responsibility for managing tax risks associated with customer transactions. This includes a tax risk charter used to draw up job descriptions for local tax managers and to specify the responsibilities of Divisional heads with regard to entities that do not have their own tax manager. Group tax rules and standards have also been drawn up and distributed throughout the organisation. Lastly, Group Tax Affairs is responsible for approving all new products with significant tax implications, "specific" transactions put together in France and abroad, the use of outside tax advisors, framework agreements and standard banking industry agreements, and all internal circulars or documents giving rise to material tax issues.

## HUMAN RESOURCES RISK

Group Human Resources has established several complementary systems to measure and manage human resources risk:

- **Internal control procedures** covering human resources risk, set out in the following documents:
    - Human Resources Charter;
    - Human resources directives manual, issued to all employees worldwide;
    - Human resources practice guide, issued to all human resources professionals;
    - Procedure manual for internal audits of the human resources function, used by the divisional and Group internal audit teams.
  - **Risk indicators** used to anticipate the main events that may generate risks and operating losses. The introduction of a system to track these indicators was one of the key projects carried out by Group Human Resources in 2003.
  - **Management applications** which also contribute to containing human resources risk:
    - **GRH Monde**, a global human resources management application designed to provide information for Group Executive Management to track jobs, employee numbers and payroll budgets.
    - **HR Banque**, an administrative and payroll management system covering all employees of BNP Paribas SA.
    - **RéFOG**, (Référentiels Organisationnels Groupe), a global database containing information about organisation structures, employee numbers and jobs.
    - **B2E**, the Group's new intranet portal which was put in place at the end of 2003.
- Lastly, Group Human Resources is participating in the operational risks project led by GRM.

## INFORMATION SYSTEMS SECURITY

The internal control system set up by Group Information Systems is organised around:

- A collection of **procedures** distributed throughout the Group, reflecting the Group's overall information systems security policy. This policy describes **IT-related assets** (information, software, physical and service assets) and the **criteria applied to define security requirements** related to these assets (availability, integrity, confidentiality and auditability).
- A **network of security coordinators** based in the various Divisions and Group Functions, backed by security correspondents responsible for operational aspects.
- Committees with extended powers, such as the **Group**

**Information Systems Architecture Committee**, which is responsible for ensuring that IT projects comply with Group standards on systems architecture, security, risks and operations.

- **A project management approach which factors in systems security issues** from the outset. This approach is an integral part of Group quality assurance standards.
- **Periodic monitoring** of systems security and systematic monitoring of mission critical systems.
- **Technical intelligence gathering** to take into account inherent systems weaknesses as and when they come to light.

Avoiding any interruption of operations is a key concern of management, at Group level and also at the level of the various business lines. Contingency and disaster recovery plans, covering resources, organisation and standby facilities, are regularly updated and strengthened.

## SIGNIFICANT EVENTS OF THE YEAR IN THE AREA OF INTERNAL CONTROL

Continuously strengthening the internal control system is a key concern for BNP Paribas.

In 2003, a number of major initiatives were launched to further enhance the effectiveness of Group Internal Audit:

**Internal Audit guidelines.** 2003 saw the implementation of the Internal Audit Charter signed by the Chairman and Chief Executive Officer in October 2002 and approved by the Internal Control and Risk Committee.

The charter has been supplemented by Internal Audit guidelines setting out the main principles governing internal audit activities within the Group. The guidelines issued in 2003 concern:

- Internal audit programmes;
- Implementation of internal audit recommendations;
- Implementation of the recommendations of the external auditors and regulatory authorities.
- The conduct and documentation of internal audits.
- The content of internal audit reports and the list of recipients.

**Internal Audit methods.** During 2003, Group Internal Audit continued to roll out standard internal audit methodologies defining the principles underlying the basic controls to be performed by all internal auditors. The focus during the year was on auditing ethics and compliance issues, accounting risks, commercial risks, as well as on auditing the work of the internal auditors.

**Internal Auditor training.** Specific training modules have been developed as part of the constant drive to enhance the skills and technical expertise of the internal auditors. In addition, internal auditors were encouraged to obtain professional qualifications such as the CIA (Certified Internal Auditor) diploma.

**Internal Audit oversight and communication.** The Internal Audit Line database set up in 2002 has been rolled out to substantially all internal audit teams. This database is an essential means of circulating information and methodologies for use by the Group's internal auditors in connection with their audits.

**Internal Audit tools.** 2003 was devoted to improving the functional and technical performance of internal audit tools, particularly the applications used to monitor implementation of the internal auditors' recommendations.

## RISKS

### GRM - EXPOSURES

In 2003, there were many reasons to fear an escalation of risks. The European economy was extremely dismal, certain large clients ran into difficulties, the US economic recovery did not begin until the end of the year and the financial markets remained unstable. Given the circumstances, the Group's risk performance was largely satisfactory. While this was partly due to responsible behaviour by the various players and sound economic policies, it also reflected the quality of the Group's risk selection and management capabilities.

#### • Credit risks

At EUR 384 billion <sup>(1)</sup>, total outstanding commercial loans remained on a par with the figure at 31 December 2002, while net additions to provisions for credit risks and country risks declined overall, as shown in the following table:

| In millions of euros                                                | FRB | IRFS | AMS | CIB | Group total |
|---------------------------------------------------------------------|-----|------|-----|-----|-------------|
| Net additions to provisions for credit risks and country risks 2002 | 198 | 522  | 8   | 715 | 1,470       |
| Net additions to provisions for credit risks and country risks 2003 | 225 | 529  | 12  | 633 | 1,361       |

(1) Unweighted on and off balance sheet commercial commitments. Data extracted from the risk management systems.

The diversification of risks across a wide variety of economic sectors and geographical regions played a key role in attenuating the impact of the lacklustre economic conditions. Reversing the trend of prior years, net additions to provisions for credit risks and country risks declined 7% compared with 2002. The pace of improvement picked up towards the end of the year, especially in North America where the economic recovery was accompanied by a fall in the dollar.

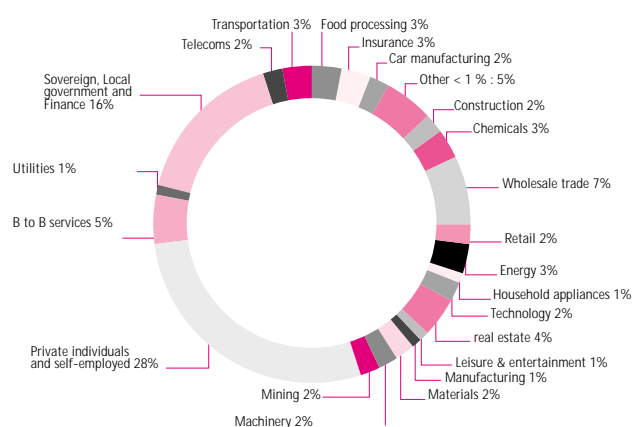
#### • Diversification by counterparty

The top 10 client groups represented less than 4% of total commitments at 31 December 2003.

#### • Industry diversification

Thanks to its disciplined approach to industry risks, the Group is not exposed to any material concentration of credit risks in any specific sector. No client sector accounts for more than 5% of total commitments, with the exception of the "sovereign, local government and finance" sector and the "wholesale trade" sector, which corresponds largely to commodity traders

Breakdown of commercial loans and commitments by industry <sup>(2)</sup>:



There were no adverse changes in conditions in the various industries during 2003, except in the energy sector. The energy crisis, confined essentially to North America and the United Kingdom, primarily affected certain types of

(2) Unweighted on and off balance sheet commercial commitments. Data extracted from the risk management systems.



project finance deals, due to the fact that markets were not guaranteed by long-term contracts. The Bank's commitments in the energy sector are limited and provision expense was not materially affected by this situation. Moreover, debt restructurings negotiated by energy companies in the United States have helped to bolster the industry's liquidity position over the next two to three years. Telecoms industry fundamentals are improving. The significant progress made by the leading operators in paying down debt has gone hand-in-hand with a steep reduction in the Bank's telecoms exposure over the last two years (by more than 25% from the peak registered in December 2001). Lastly, aircraft financing risks remained under control despite the SARS outbreak in the first half of the year and the lingering fallout from the 11 September 2001 terrorist attacks. Thanks to the quality and characteristics of the financed aircraft, new buyers were found for most of the planes originally acquired by the small number of airlines that filed for bankruptcy.

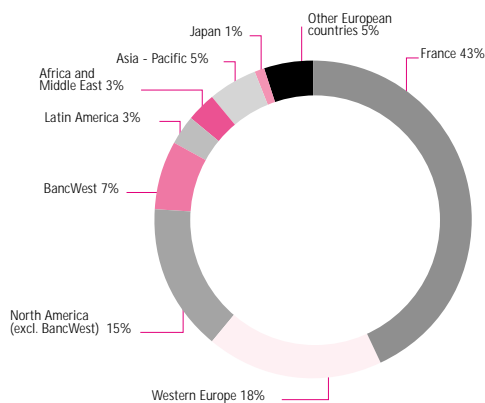
• **Geographic diversification**

The Bank's exposure is heavily weighted towards Western Europe and North America.

1. In Europe, 61% of commitments concern borrowers in Western Europe, with France accounting for 43% of the total.
2. North American commitments declined in relative terms in 2003, due to the fall in the dollar.
3. Japan represents only 1% of commitments, and the credit quality of the portfolio is excellent..

The Bank's exposure in other geographic areas is based on a stringent policy, with preference given to either local currency loans to selected borrowers or to commitments related to international trade transactions, guaranteed by export credit insurance in developed countries or by commodities exports.

Geographic breakdown of commercial loans and commitments <sup>(3)</sup> :



(3) Unweighted on and off balance sheet commercial commitments. Data extracted from the risk management systems.

• **Portfolio Quality**

Thanks to the internal rating system which has now been rolled out across all Corporate and Investment Banking and French Retail Banking businesses, these Divisions' "Corporates" portfolios (corporates, government agencies, banks and other institutions) – representing three-quarters of commitments – are of a high quality. The majority of commitments are towards top-drawer borrowers, reflecting the Bank's strong presence among large multinationals and financial institutions.

A significant proportion of commitments towards borrowers with lower credit ratings are secured by high quality guarantees. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing. Breakdown of sound commitments of the Investment & Corporate Banking and French Retail Banking Divisions (excl. private individuals) by internal credit rating\* :



\* Corporate and Investment Banking at 31 December 2003 and French Retail Banking at 30 September 2003, excluding doubtful commitments (rated 11 and 12) and securities portfolios.

- **Doubtful commitments**

BNP Paribas non-performing loans and other doubtful commitments presented below include on and off-balance sheet commitments towards all categories of counterparties (customer transactions, interbank transactions, securities portfolio and long-term investments). Provisions used to calculate the coverage rate correspond to specific provisions. They do not include provisions for country risks or the reserve for general banking risks, amounting to EUR 1.8 billion and EUR 0.8 billion respectively at 31 December 2003.

| In billions of euros | 31/12/2003 | 31/12/2002 |
|----------------------|------------|------------|
| Doubtful commitments | 14.05      | 15.25      |
| Specific provisions  | 9.40       | 10.05      |
| Provision rate       | 67%        | 66%        |

#### Breakdown by geographic area and industry

Doubtful loans, excluding securities and long-term investments, amounted to EUR 13.3 billion at 31 December 2003. Provisions deducted from the carrying value of these assets at 31 December 2003 amounted to EUR 8.5 billion.

The 10 largest doubtful loans represent 0.4% of the portfolio and the 100 largest doubtful loans represent 1.5%.

- **Breakdown by geographic area**

|                                  | Breakdown of doubtful loans | Breakdown of provisions |
|----------------------------------|-----------------------------|-------------------------|
| North America                    | 10.2%                       | 11.6%                   |
| Other European countries         | 6.3%                        | 7.0%                    |
| European Economic Area           | 9.2%                        | 9.3%                    |
| France                           | 57.3%                       | 57.6%                   |
| Japan                            | 0.4%                        | 0.0%                    |
| Africa et Middle East            | 6.9%                        | 7.7%                    |
| Latin America                    | 4.7%                        | 3.2%                    |
| Asia (excluding Japan) - Pacific | 4.9%                        | 3.4%                    |
| Non analysed                     | 0.1%                        | 0.2%                    |
| <b>Total</b>                     | <b>100.0%</b>               | <b>100.0%</b>           |

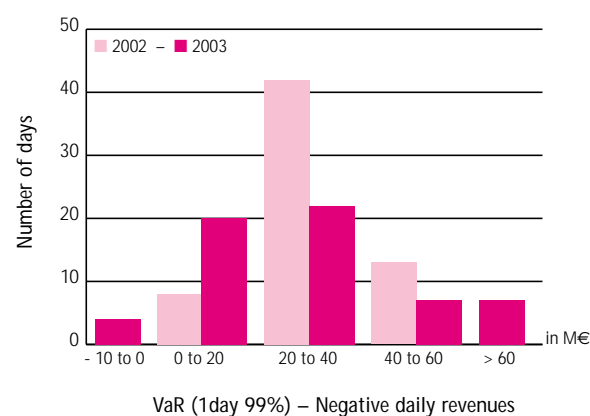
- **Industry breakdown**

|                                       | Breakdown of doubtful loans | Breakdown of provisions |
|---------------------------------------|-----------------------------|-------------------------|
| Food                                  | 4.1%                        | 3.5%                    |
| Insurance                             | 1.5%                        | 1.2%                    |
| Automotive                            | 1.8%                        | 2.2%                    |
| Other                                 | 9.3%                        | 9.9%                    |
| Construction                          | 2.0%                        | 2.3%                    |
| Chemicals                             | 0.7%                        | 0.5%                    |
| Wholesalers                           | 8.5%                        | 8.7%                    |
| Retailers                             | 2.1%                        | 2.2%                    |
| Energy                                | 4.4%                        | 3.0%                    |
| Household appliances                  | 1.0%                        | 1.1%                    |
| Sovereign, Local govt. and Finance    | 4.4%                        | 2.8%                    |
| Real estate                           | 5.3%                        | 4.8%                    |
| Manufacturing                         | 1.9%                        | 1.9%                    |
| Leisure                               | 1.2%                        | 0.7%                    |
| Materials                             | 2.6%                        | 2.5%                    |
| Capital goods                         | 1.3%                        | 1.2%                    |
| Mining                                | 0.7%                        | 0.8%                    |
| Private individuals and self-employed | 28.0%                       | 27.0%                   |
| B2B                                   | 2.9%                        | 2.5%                    |
| Utilities                             | 0.5%                        | 0.4%                    |
| Technology                            | 1.5%                        | 1.1%                    |
| Telecoms                              | 4.2%                        | 3.6%                    |
| Transportation                        | 6.2%                        | 3.3%                    |
| Not analysed                          | 3.9%                        | 12.8%                   |
| <b>Total</b>                          | <b>100.0%</b>               | <b>100.0%</b>           |

- **Market risks**

The comparison between the losses incurred by the capital markets business on selected days and the Value at Risk (VaR, 1 day) testifies to the quality of the valuation model and the discipline exercised by the trading teams.

Variance between VaR (1day 99%) and negative daily revenues



In 2003, losses were incurred on 57 days compared with 63 in 2002.

In most cases, the daily loss was well below VaR. On no day did losses exceed VaR in 2002 and VaR was exceeded in 2003 only four times (in each case by less than EUR 10 million). These performances are consistent with the 99% confidence interval used for VaR calculations.

The regular simulations performed by GRM based on crisis scenarios confirm the Bank's strong resistance to market risks. None of the extreme risks simulated by GRM would have a serious adverse impact. The scenarios used are as follows:

- Emerging Markets Crisis triggering a flight to quality.
- Stock Market Crash following a sharp rise in long-term interest rates.
- Short-term Interest Rate Hike leading to a flattening of the yield curve and a modest fall in equity prices.
- US Debacle, corresponding to a loss of confidence in the dollar and the US economy in general, leading to a sharp fall in the dollar, a steep rise in long-term interest rates and a general widening of signature spreads.
- Melt-up, corresponding to the impact of a stock market rebound combined with a fall in long-term interest rates.
- 11 September, corresponding to the impact of an abrupt market reversal similar to the one that followed the terrorist attack on the World Trade Center.

- **Use of credit derivatives**

### **Banking book transactions**

BNP Paribas uses credit derivatives in connection with the management of the Corporate and Investment Banking banking book, to hedge individual risks, reduce the overall concentration of risks or cap potential losses under securitisation transactions. The Bank also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

These transactions are managed centrally by the Corporate and Investment Banking Portfolio Management Department, which follows specific risk management procedures for credit risks generated by derivative instruments.

### **Trading book transactions**

Credit derivatives may be used, for hedging purposes only, by the trading desks that are exposed to credit risk. In addition, BNP Paribas trades actively in credit derivatives on behalf of clients. The transactions include both trades in

ordinary instruments such as credit-default swaps and structured transactions with tailor-made complex risk profiles. They are carried out by a specific research, structuring and trading platform that forms part of the Fixed Income unit. In the same way as for other trading activities, the platform buys and sells protection. Strict limits apply

to net positions arising from these transactions. The platform is backed by a solid support infrastructure, comprising middle and back office teams and an IT development team.

Within GRM, market risks generated by these products are tracked by the Market Risk Department, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

- **Asset/Liability Management**

The Asset/Liability Management and Treasury Department (ALM Treasury) reports to two committees, each headed by a Chief Operating Officer:

- The ALM Treasury/Commercial Banking Committee, responsible for decisions concerning mismatch and match-funding principles applicable to the balance sheet of the commercial banking business and for managing the related interest rate risks.
- The ALM Treasury/Investment Banking Committee, responsible for monitoring market risks related to Treasury transactions, defining funding and liquidity management policies, managing Group equity and structural currency risks.

- **Liquidity Management**

The Group's cash needs are managed centrally by the ALM Treasury Department. The Treasury unit is responsible for interbank refinancing and short-term debt issues (certificates of deposit, commercial paper, etc.). The Asset/Liability Management unit is in charge of senior and subordinated funding programmes (MTN, Bonds, medium-and long-term deposits, etc.), asset-backed securities issued on behalf of the specialised subsidiaries of the Retail Banking Division and preferred stock issues.

The policy of diversification of financing sources and instruments was stepped up in 2003.



Senior debt issues carried out in 2003 totalled EUR 14.7 billion, an increase of 56% over 2002. Excluding issues redeemable in advance by the issuer, long-term senior debt issues came to EUR 6.5 billion, an increase of 19% over the previous year.

Subordinated debt issues amounted to EUR 0.9 billion. The total included a USD 750 million MTN issue in the United States, placed through a public offering, and EUR 160 million placed through the Retail Banking network in France.

The Group also carried out a EUR 700 million preferred stock issue, placed with institutional investors. At 31 December 2003, total preferred stock issues amounted to EUR 3.5 billion versus EUR 3.1 billion at end-2002.

Lastly, EUR 950 million (BNP Paribas share) were raised through three securitisation operations, including EUR 625 million for UCI (the Spanish subsidiary of UCB), EUR 175 million for Findomestic and EUR 150 million for Centroleasing. As of 31 December 2003, loans totalling EUR 6.5 billion (BNP Paribas share) had been refinanced through securitisations compared with EUR 6.7 billion at end-2002.

The Group's short- and medium-term liquidity position is regularly measured on a consolidated basis, by business line and by currency.

BNP Paribas complies with the overnight limits set for capital markets transactions (fixed income, equities and currency transactions) and the mismatch limits set for banking transactions with maturities of more than one year.

The consolidated liquidity mismatch for positions beyond one year is measured based on contractual maturities (for loans and deposits, including undrawn confirmed customer lines of credit weighted at 30%), and internal maturity assumptions (for demand loans and deposits, passbook savings accounts, etc.) The mismatch for liability positions beyond one year amounted to 16.5 % at 31 December 2003, compared with 16.4% one year earlier.

- **Management of interest rate risk on the banking book**

Interest rate risk on the commercial transactions of the French and International Retail Banking business and the specialised financing subsidiaries is managed on a centralised basis by the ALM Treasury Department. Positions are transferred by means of internal lending/borrowing transactions and swaps.

**Banking book interest rate gaps** are measured each month, with embedded behavioural options translated into delta equivalents.

Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For retail banking products, behavioural models are based on historical data and econometric studies. The models deal with early repayments, regulated savings accounts and current accounts in credit and debit. Maturities of equity capital are determined according to internal assumptions.

Internal assumptions and models, which are regularly updated and back-tested, are presented to the ALM/Commercial Banking Committee for approval.

**BNP Paribas' structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items.** Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

**A specific option risk indicator is used** to fine-tune hedging strategies.

These three indicators are reviewed during monthly meetings of the ALM/Commercial Banking Committee, and serve as the basis for hedging decisions taking into account the nature of the risks involved.

**Management of the interest rate risk on the banking book is based on two limits.** Compliance with these limits is checked at monthly intervals and the limits are adjusted each year by the ALM/Commercial Banking Committee.

The main limit concerns the sensitivity of French commercial banking revenues – including hedging transactions carried out by the Asset/Liability Management unit – to an immediate and parallel change in the yield curve of  $\pm 100$  b.p. The limit is based on annual net banking income, in order to set limits on future fluctuations in net banking income caused by changes in interest rates. Throughout 2003, the sensitivity of revenues to interest rate changes was significantly below the limit set by the ALM Committee.

The second limit concerns the banking book interest rate gap and is expressed as a percentage of customer deposits. The percentage is a declining function of the management period. This limit is used to manage medium- and long-term interest rate risk.

The two types of limit are also applied to the retail banking subsidiaries' exposure to interest rate risk.

During the year, the Market Risks unit has continued to control risks arising from the use of behavioural and other models for Asset-Liability Management purposes. Conclusions on these controls are presented on a quarterly basis in an ad-hoc committee.

- **Management of structural currency risk**

The ALM unit is responsible for covering foreign currency gains and losses on transactions booked in Paris and the earnings of foreign subsidiaries and branches. Currency risks related to gains and losses on foreign currency transactions carried out by foreign subsidiaries and branches are managed by the local treasury managers.

Positions related to country risk provisions, specific provisions and positions arising from foreign currency investments by the Group are managed on a centralised basis by the ALM unit. The bulk of the Group's structural currency risk results mainly from capital allocations and equity interests denominated in foreign currencies that are financed by purchasing the currencies concerned. Group policy generally consists of borrowing the investment currency in order to avoid any currency risk. However, for most soft currencies, the investment is financed by purchasing the currency.

## ASSET MANAGEMENT RISK

In their country of origin, asset management companies are bound by specific legislation on third party portfolio management. Such companies are placed under the jurisdiction of a regulator for this purpose. The key activity represented by the creation and management of mutual funds is closely regulated. In most countries, funds have to be approved by the regulatory authorities before they are launched and their activities are subject to controls by a statutory auditor and, in some cases, a custodian.

Fund managers are required to respect the integrity of the markets and safeguard customers' interests.

## INSURANCE

BNP Paribas risks are covered by major insurers, with the twin aims of effectively protecting the Bank's balance sheet and profit and loss account. The Group's insurance programme involves taking out policies that enable significant risks to be covered, such as fraud, claims for damages, and liability.

In order to optimise costs and ensure a satisfactory risk level, certain risks, the frequency and financial impact of which can be adequately estimated, are self insured. As a complement to this, risks insured on the market include:

- Property and contents damage (fire, explosion etc.), taking into account replacement cost (approved by the Group's insurers following risk assessment visits to key sites). Related premiums for France total some EUR 1,300,000 for a global coverage of EUR 190 million.
- Fraud and misappropriation of assets.
- Corporate liability (for example personal injury, property damage or consequential loss caused to a third party, etc.).
- Business interruption (loss of revenues or earnings, additional costs, etc.).
- Theft of valuables on the company premises and from safes.
- Liability of corporate officers in the event of errors or omissions, for example.
- Business liability (for example, personal injury, property damage or consequential loss caused to a third party).

All these policies have been taken out on the basis of the Bank's known claims experience, market claims experience and global insurance market capacity.

Some business units can also take out excess insurance locally for specific coverage concerning certain operations, or if they cannot find adequate coverage on the French market.

The difficult insurance market conditions of 2002 continued in 2003 both in terms of reductions in – and in some cases a total lack of – capacity in a number of markets, as well as an increase in exclusion clauses and higher deductibles. While this combination of factors did not have a significant impact on the quality of policies entered into, they did lead to a limited amount of additional insurance expenditure.

### PLEGDED ASSETS

Assets given as pledges do not represent material amounts at Group level, and mainly comprise assets from Klépierre, the Group's listed subsidiary. For more details, please refer to the financial data published by Klépierre.

### CLAIMS AND LITIGATION

Claims and litigations ongoing at 31 December 2003 are covered by adequate provisions. The outcome of these claims and litigations is not likely to significantly impact the group's financial position.

### PATENTS, LICENSES, CONTRACTS

BNP Paribas is not dependent upon any patents or licenses or any industrial, commercial or financial services contracts for the conduct of its business.

### EXCEPTIONAL EVENTS

At 31 December 2003, no exceptional events had occurred and no claims or litigation were pending or in progress that would be likely to have a material impact on the assets and liabilities, financial condition or results of the BNP Paribas Group.





## An economic model beginning to bear fruit



### **Annie BURLURAUX**

Vice-President of a Fair Trade Association in Northern France  
M<sup>me</sup> Burluraux - Client of BNP Paribas - Hirson

A delicious cup of coffee might be far less tasty if one learned that its Colombian or Kenyan producer is living well below the poverty line, and has had to put his children to work in order to survive. Fair trade associations have been campaigning for some 30 years to redress the imbalance in dealings between consumers and Third World farmers. Annie Burluraux's voluntary association, which has no political links, endeavours to make school and university students more aware of the living conditions of small producers in the countries of the South. The efforts of associations like this are now beginning to bear fruit. "Sales of products bearing a Fair Trade badge such as Max Havelaar or Oxfam grew 73% between 2001 and 2002. Last year, some 3,500 stores in Europe stocked Fair Trade coffee, up from 450 just four years earlier." The system aims "to make farmers in the Southern hemisphere less reliant on over-powerful intermediaries" who buy their produce at very low prices. Fair Trade aims to benefit all those involved. Producers, organised into cooperatives, are paid 50% to 100% more than they would get through the usual economic channels, with half of this paid in advance, and the balance on delivery. This avoids the need for bridging loans. In exchange, they agree to use production methods that respect the environment, not to use child labour, to improve employment conditions and to allow inspection by independent bodies. Today, Western shoppers are more aware of the existence of Fair Trade. That is a first victory. The ultimate success will be when demand grows so much that "mainstream retailers will carry Fair Trade products on their shelves."



# Promoting Fair Trade

N'DEM





## NRE APPENDICES

### Summary table relating to the Social Chapter of the New Economic Regulations (NRE) Act

| NRE indicator                                                                                                                                                              | 2003 Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Remuneration and benefits paid to each corporate officer during the financial year                                                                                      | <i>See Annual Report – Remunerations.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 2. Remuneration and benefits paid during the financial year to each corporate officer by controlled companies as defined in article L 233-13 of the French Commercial Code | <i>See Annual Report – Remunerations.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 3. List of all directorships and positions held during the financial year in any company by each of the corporate officers                                                 | <i>See Annual Report – Corporate Governance</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 4. Total number of employees including fixed-term contract employees                                                                                                       | <p><i>See Annual Report – Human Resources Development – Group Employees.</i></p> <p>At 31 December 2003, the Group employed a total of 89,071 full time equivalent employees (FTE), representing an increase of 1,386 compared with 2002. Of the 52,260 FTEs employed by the Group in France 38,190.3 FTEs (including 461 on fixed-term contracts) work for BNP Paribas SA and 14,069.7 FTEs for subsidiaries. The proportion of executive to non-executive staff employed by BNP Paribas SA in France has increased steadily over the last three years: 32.7% in 2001; 35.7% in 2002; 37.7% in 2003</p> |
| 5. Number of new permanent and fixed-term contract employees                                                                                                               | <p>In 2003, 5,240 new employees were recruited by the Group worldwide. During the year, BNP Paribas SA added a total of 2,841.8 new FTEs in France: 1,840.8 women and 1,001 men. Of this total, 1,712.9 were employed on permanent contracts, 911.9 on fixed-term contracts and there were 217 conversions from fixed-term to permanent contracts.</p> <p><i>For further information, see Annual Report – Human Resources Development – Hiring.</i></p>                                                                                                                                                  |
| 6. 6. Recruitment difficulties                                                                                                                                             | In 2003, despite a large number of job openings, the retention rate for graduate recruits declined relative to the number of interviews held.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 7. Number of and reasons for dismissals                                                                                                                                    | <p>In 2003, the number of employees dismissed by BNP Paribas SA amounted to 165.2 FTEs.</p> <p>The principal reasons for dismissals were dismissal during the trial period and for professional shortcomings.</p>                                                                                                                                                                                                                                                                                                                                                                                        |
| 8. Overtime hours                                                                                                                                                          | In 2003, BNP Paribas SA paid 61,893 hours of overtime in France. The number of overtime hours paid in 2002 was significantly higher due to the additional workload associated with the euro changeover in the banking network.                                                                                                                                                                                                                                                                                                                                                                           |



## NRE indicator

## 2003 Comments

|                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. Temporary staff                                                                                                   | <p>Much fewer temporary workers were needed in 2003 due to the completion of large-scale projects such as the introduction of euro-denominated notes and coins in 2002. As a result, the average monthly number of temporary workers fell from 391 in 2002 to 160 in 2003 and the average length of temporary work contracts declined from 43 days to 30.</p> <p>Payments made by BNP Paribas SA to temporary staff agencies in France amounted to EUR 5.32 million in 2003, compared with EUR 10.99 million in 2002.</p>                                                                                                                                                                                                                                                                                          |
| 10. Where relevant, information relating to headcount adjustments, redeployment and advice for finding new positions | <p>The voluntary separation programme completed at the end of 2003 has enabled the Group to steadily reduce the number of duplicate positions resulting from the merger of BNP and Paribas.</p> <p>Under this programme, opportunities and training for redeployment were offered to employees whose positions were eliminated.</p> <p>The programme was essential in providing the flexibility required to maintain high recruiting momentum and allow succession management.</p> <p>Of the 587 employees who accepted a voluntary separation package in 2003, 64 employees left to start up a business. Since its launch, the programme has helped to create an average of 2.7 jobs (including the founder) per project.</p> <p><i>See Annual Report – Human Resources Development – Recruitment Policy.</i></p> |
| 11. Working hours                                                                                                    | <p>The working week is 35 hours. Employees can choose to work 90, 80, 60 or 50% of the legal working week.</p> <p>BNP Paribas SA signed a master agreement in 2000 pertaining to the introduction of the 35-hour working week in France in order to allow operating units to negotiate conditions for application on a case-by-case basis according to their business and market strategy.</p> <p>The company agreement on night work signed in 2002 partially limited the scope of the master agreement. This agreement primarily concerned specific employees working at two client relations centres and at two printing sites in France.</p>                                                                                                                                                                   |
| 12. Working week for full time employees                                                                             | <p>In France, the working week for a full time employee is generally considered to be 35 hours.</p> <p>By comparison the working week is 35 hours for Group business units in the United Kingdom, 35 or 40 hours, according to operations, in the United States and 40 hours in Switzerland.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 13. Working week for part time employees                                                                             | <p>Within BNP Paribas SA in France in 2003, 12.6% of employees worked part time, with the majority of them working 80% of the legal working week. A smaller proportion work 50-60% of the working week and a marginal number are employed under other part time options. The average working week for part time employees is 72.4%.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 14. Absenteeism and reasons for absenteeism                                                                          | <p>In 2003, the absentee rate for BNP Paribas SA in France was 4.5%. Maternity leave accounted for 1% of the total.</p> <p>After maternity leave, non-work related illnesses were the most common reason for long-term absences.</p> <p>158 employees took parental leave of more than 6 months; 286 employees took time off in lieu of overtime pay; and 11 took a sabbatical leave of more than 6 months.</p>                                                                                                                                                                                                                                                                                                                                                                                                    |





## NRE indicator

## 2003 Comments

|                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. Remuneration                                                                                         | <p>The average monthly remuneration of BNP Paribas SA employees was EUR 2,758 in 2003.</p> <ul style="list-style-type: none"><li>• 88.5% of employees received a variable remuneration bonus</li><li>• 30.4% were awarded an increase in fixed remuneration</li><li>• 11.4% were promoted</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                     |
| 16. Change in remuneration                                                                               | <p>The outcome of annual negotiations on salaries resulted in the signing of an agreement on 25 January 2003 which covered:</p> <ul style="list-style-type: none"><li>• payment of an annual bonus equivalent to 17% of basic monthly salary, with a maximum limit of EUR 500;</li><li>• possibility offered to employees to contribute EUR 80 to the BNP Paribas employee share savings plan with a 250% matching contribution (EUR 200).</li></ul>                                                                                                                                                                                                                                                    |
| 17. Payroll expenses                                                                                     | <p>Payroll expenses (social security and unemployment employer contributions): EUR 611.9 million. Pensions (employer contributions): EUR 201.8 million. Representing a total of EUR 813.7 million.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 18. Application of the laws of Titre IV Livre IV of the Labour Code (Incentive plans and profit sharing) | <p><i>See Annual Report – Human Resources Development - Employee Share Ownership and Employee Savings.</i></p> <p>At 31 December 2003, BNP Paribas' employee savings plans had total assets of EUR 2 billion and around 70,000 beneficiaries.</p> <p>Employees held 4.57% of the share capital either directly or through employee savings plans.</p>                                                                                                                                                                                                                                                                                                                                                   |
| 19. Gender equality                                                                                      | <p><i>See Annual Report – Human Resources Development – Employee Diversity.</i></p> <p>The proportion of male to female FTE employees in the Group is 49.3% men to 50.7% women.</p> <p>The proportion for BNP Paribas SA in France is 17,994 men to 20,196 women.</p> <p>The proportion of males to females among recruits in 2003 was 1,001 men to 1,840.8 women.</p> <p>Proportion of female executives:</p> <ul style="list-style-type: none"><li>• 34% in 2001</li><li>• 35.7% in 2002</li><li>• 36.9% in 2003</li></ul> <p>Proportion of female employees receiving promotion:</p> <ul style="list-style-type: none"><li>• 51.6% in 2001</li><li>• 54.7% in 2002</li><li>• 55.6% in 2003</li></ul> |
| 20. Employee relations and collective bargaining                                                         | <p><i>See Annual Report – Human Resources Development - Employee-employer Relations.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |





## NRE indicator

## 2003 Comments

### 21. Health and safety

A total of 18,000 people were examined by an occupational physician and received advice on maintaining a healthy lifestyle: nutritional advice, exercise, prevention of cancer, and personal assistance in stress management.

- *Cardiovascular risk screening*: 203 check-ups were performed by the occupational medicine department and necessitated 7 examinations in a hospital cardiology department.
- *Monitoring and scheduling of vaccinations*: 800 vaccinations and 2,500 flu vaccinations performed.
- *Tobacco withdrawal*: 10 people.
- Referrals: 3,500 employees were referred to a medical specialist following an occupational health check-up.
- *Healthcare programme for expatriate staff*: implementation of check-ups catering for employees in each age bracket and for specific health risks in concerned countries. 103 check-ups performed.
- *First aid training*:
  - Basic first aid training: 94
  - Recycling in 2003: 256
  - Emergency medicine training for medical staff: 13
- *Prevention of post-traumatic stress for staff having witnessed attacks* in tandem with the Paris emergency health services: psychological counselling was provided for 375 staff members at the place of work and 658 received occupational health examinations. Hospital care was provided for 35 employees suffering from post-traumatic disorder. Results from the prevention programme are encouraging, with a significant reduction in the number of definitive job transfers, a sharp drop in the number of lost work days due to post-traumatic stress and a reduction in the average length of sick leave. Eight nursing staff have been trained to deal with post-traumatic stress.

Action aimed at improving health and safety in the workplace has focused on the ergonomics of staff work stations, office lighting, thermal comfort, ventilation and hygiene in the workplace.

### 22. Training

*See Annual Report – Human Resources Development – Skills Building.*

In France, 1,282 million hours training were provided by BNP Paribas SA, with 90% of the workforce receiving an average of 36 hours of training.

The numbers of employees at Group units in France enrolled in training for a professional qualification were as follows:

- 996 for the Brevet Professionnel banking diploma
- 669 for the BTS banking qualification
- 229 for the Institut Technique de Banque



## NRE indicator

## 2003 Comments

### 23. Employment and integration of disabled employees

A study was conducted by the Handicoach association in July-August 2003 to assess the degree of integration of disabled employees in the company. This study confirmed the adequacy of the policies developed by BNP Paribas for recruiting and integrating disabled employees and included a variety of recommendations. The number of disabled employees, as measured in disability units, is not expected to change significantly in relation to the 2002 level of 1,025 units. A definitive figure will be provided in the 2003 Social Report.

### 24. Company benefit schemes

National-level social and cultural activities are administered by the Central Works Council. Other staff benefit schemes are coordinated by local works councils. Benefits offered to employees include children's summer camps and organised holidays for staff, contributions to meal expenses, family welfare, lending libraries for books, records, videos and other media, and concessions for theatres and cinemas. A sports and cultural society allows staff to take part in and attend a variety of team sports and cultural events. A breakdown of BNP Paribas' company welfare budget is provided in the 2003 Social Report.

### 25. Relations with the community, including associations to combat social exclusion, educational institutions, amenity and consumer associations, and local residents.

French retail banking entities have forged more than 800 formal and informal partnerships with local educational institutions. Partnerships with educational institutions primarily cover work experience schemes and apprenticeships. The Bank works in partnership with Greta adult education centres and with the *Centre de Formation de la Profession Bancaire*, a French training centre for banking skills. Within French Retail Banking, relations with consumer rights associations are coordinated by the Quality & Consumer Relations Department. The Fondation BNP Paribas develops partnerships in the fields of culture, medicine and humanitarian assistance. It has also forged close ties with Adie, a non-profit association providing micro loans for business projects, and with Afev, a voluntary student organisation which provides tutoring for children living in disadvantaged urban areas. *Institut des Cent Arpents*, a sheltered workshop established by BNP in 1981 and managed by Mutuelle BNP Paribas, employs 95 disabled people. Group entities outside France, such as in the United States, the United Kingdom and Switzerland, have also set up partnerships with voluntary groups working in a variety of areas.

### 26. Contribution to regional development and employment

In contrast to industrial companies which are often the largest employers in the communities where they are located, retail banking services are provided by a network of local branches. BNP Paribas' branch network is constantly being adapted in response to population and demographic trends in regions and urban areas, and enables the Bank to contribute to economic development by providing financing for clients.



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## NRE indicator

## 2003 Comments

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27. Outsourcing and the Bank's policy with subcontractors: steps to ensure that subcontractors comply with International Labour Organisation (ILO) standards.

The Global Procurement Group (GPG) manages all procurement contracts in excess of EUR 1 million. GPG does business only with suppliers who commit to complying with the standards set by the International Labour Organisation, notably regarding child labour, trade union rights, collective bargaining, forced labour, equal opportunities, working hours, and the minimum wage.

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28. Steps taken by the Bank to ensure that subsidiaries comply with ILO standards. Steps taken by foreign subsidiaries to address the impact of their business on regional development and the local community.

The Group's policy for human resources management is laid out in a series of reference documents: a code of guidelines for the HR function, a directives manual, a best practices guide and an audit methodology for HR administration. Group directives explicitly require compliance with ILO standards. Directives apply to all Group entities regardless of their business line or country of origin, and are available for consultation by employees on the Group's Intranet. In addition to management controls required by the Group's internal control system, internal audit and inspection teams are also responsible for ensuring compliance with HR directives.

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## Summary table relating to the Environment Chapter of the New Economic Regulations (NRE) Act

| NRE indicator                                  | 2003 Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Water consumption                           | <p>Total drinking water consumption for office locations in Paris and the inner suburbs (representing 600,000 sq.m of the 1.95 million sq.m of office space occupied by BNP Paribas SA in France) is estimated at 320,000 cubic metres.</p> <p>Estimated consumption of cooled water was 15.4 GWh in 2003; the increase in consumption caused by the summer heatwave was offset by upgrades made to air conditioning systems during the year.</p>                                                                                                     |
| 2. Raw material consumption                    | <p>E-procurement systems deployed in 2003 will allow data on worldwide consumption of raw materials to be compiled for comparison purposes.</p> <p>In 2003, estimated paper consumption by Group entities in France was on a par with 2002 at 800,000 reams of paper. In addition, 3,390 tonnes of roll paper and pre-printed paper were ordered in 2003 by BNP Paribas SA's information systems and printing centres in France.</p>                                                                                                                  |
| 3. Energy consumption                          | <p>Group entities in France consumed 275 GWh of electricity in 2003. Procedures for the compilation of data on worldwide electricity consumption are being introduced in 2004.</p>                                                                                                                                                                                                                                                                                                                                                                    |
| 4. Measures taken to improve energy efficiency | <p>Since the decommissioning of electricity generators located in the Parisian inner suburbs, centralised technical management systems have been installed to enhance energy efficiency in France. Energy savings are also being achieved by making widespread use of long-life electric tubing systems.</p>                                                                                                                                                                                                                                          |
| 5. Use of renewable energy sources             | <p>Under new electricity supply contracts which came into force in 2003, renewable energy serves as the source for 15% of the electricity supply used by six sites with the highest energy consumption in France, thus meeting national objectives for utilisation of renewable energy.</p>                                                                                                                                                                                                                                                           |
| 6. Land use                                    | <p>A building constructed by the Meunier Group was awarded The Building of the Year prize by a jury of judges at the second edition of the SIMI trade show.</p>                                                                                                                                                                                                                                                                                                                                                                                       |
| 7. Emissions to air, water and soil            | <p>Procedures for calculating CO2 emissions being deployed at a number of pilot sites are used to estimate emissions discharges at Group level, define priorities, and identify areas in which there are significant opportunities for improvement.</p>                                                                                                                                                                                                                                                                                               |
| 8. Noise and odour pollution                   | <p>As part of refurbishment work for the BNP Paribas office building located on rue Sainte-Cécile in Paris, the contractor Meunier Promotion made a number of accommodations to satisfy local residents' demands:</p> <ul style="list-style-type: none"><li>• Initial plans for the construction of cooling towers were discarded in favour of a more expensive alternative, the Cimespace cooling water network;</li><li>• Heavy construction equipment was only used during certain times of the day in order to limit noise disturbance.</li></ul> |





## NRE indicator

## 2003 Comments

|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. Waste processing                                                  | <p>Paper recycling rates were increased during the year, resulting in the recovery of 4,569 tonnes of paper. The Saran Centre collected 1,706 tonnes of this total. During the year, three pilot recovery schemes were organised for toner cartridges. The practice is to be extended throughout France in 2004 and will be subsequently replicated at major locations throughout the world.</p> <p>Supplier selection is based in part on compliance with environmental standards for end-of-life recovery and reprocessing of materials (toner cartridges, computer equipment, ATMs, printing materials, electric and optical fibre cables, batteries, fluorescent tubes and the use of environmentally friendly office supplies).</p> |
| 10. Measures taken to avoid upsetting the biological balance         | <p>BNP Paribas is taking steps for the progressive use of water for air conditioning in place of refrigerants.</p> <p>Evaporative room air conditioners have been prohibited by the Group and the final remaining systems are being swiftly decommissioned.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 11. Measures taken to ensure compliance with legal requirements      | <p>The Corporate Facilities Management Department is responsible for establishing guidelines to ensure that energy management systems comply with regulations applicable in France.</p> <p>The Global Procurement Group (GPG) establishes property management guidelines based on the most stringent requirements in the countries where the Group operates. As part of its efforts to ensure that these guidelines are enforced by all international sites, GPG reviews all major construction projects within the Group and performs property audits for central office buildings in connection with acquisitions.</p>                                                                                                                 |
| 12. Steps taken towards environmental evaluations and certifications | <p>BNP Paribas is included as a component in all four of the benchmark indices for socially responsible investment: Dow Jones SI World, Dow Jones SI Stoxx, FTSE4Good and Aspi Eurozone.</p> <p>The environmental performance rating assigned to the Group was upgraded by the advisory firm, Innovest, in 2003.</p>                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 13. Company expenditures for prevention of environmental impacts.    | <p>As illustrated by the ten principles set out in the Group's Environmental Responsibility Charter, a systematic preventive approach is being taken across the Group. As such, it is not possible to provide individual accounting breakdowns.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 14. Internal department for environmental management                 | <p>Responsibility for mitigating direct impact to the environment lies with the corporate facilities management and global procurement functions. There are no plans to create a special-purpose corporate structure.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 15. Environmental training and information programmes for employees  | <p>The 10 principles contained in the Group's Environmental Responsibility Charter apply to all employees and are published on the BNP Paribas Intranet.</p> <p>BNP Paribas' sustainable development policy, reference guidelines, news and environmental ratings can be accessed by staff via the Group's Intranet.</p> <p>Corporate facilities management guidelines are also available through the same channel. Cross-company seminars on environmental policy are organised by GPG for procurement managers.</p>                                                                                                                                                                                                                    |



## NRE indicator

## 2003 Comments

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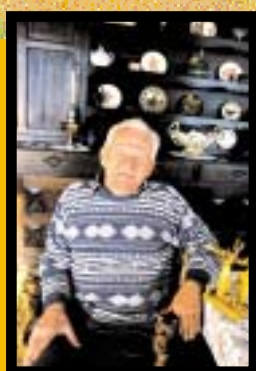
|                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16. Efforts devoted to the reduction of environmental risks                                | <p>The Group Risk Management Department (GRM) is responsible for controlling and managing risk exposure within the Group. Credit risk and rating policies have been updated to provide a specific methodology for measuring environmental risks in lending. Corporate policies are translated into guidelines for operating units which address their individual risk exposure and outline procedures to be applied by employees who are directly concerned.</p> <p>The Group's global procurement and corporate facilities management departments also play a key role in controlling direct environmental risks</p>                                                                                                                                                                                                           |
| 17. Structures to deal with pollution caused by the company to the surrounding environment | <p>Crisis situations are managed by <i>ad hoc</i> committees constituted at senior executive level.</p> <p>As in previous years, the network of local banks in France came to the aid of victims of natural disasters in 2003. To assist victims of flooding in southern France, EUR 10 million was earmarked to provide cash advances on insurance coverage in the form of zero-rate revolving loans with no processing charges along with seven-year low-interest loans for household goods with zero processing charges. On this occasion, Cetelem reinstated its disaster response programme which had already been applied to assist storm victims in the winter of 1999, as well as for the victims of flooding in the Aude and Somme <i>départements</i> and the explosion at the AZF chemical facility in Toulouse.</p> |
| 18. Amount of provisions and guarantees covering environmental risks                       | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 19. Amount of compensation paid following legal decisions relating to the environment      | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 20. Environmental objectives set for foreign subsidiaries (points 1 to 16)                 | <p>BNP Paribas' guiding principles, namely the Global Pact and the 10 principles contained in the Environmental Responsibility Charter, apply to all employees regardless of the business entity or country in which they are employed.</p> <p>Operating units are responsible for implementing the Group's guiding principles throughout their reporting organisations, including subsidiaries, in all territories.</p>                                                                                                                                                                                                                                                                                                                                                                                                        |

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# From Eastern France to Madagascar

A Fine example of community work



## Marcel GRÉGOIRE

Retired farmer  
Rotary Club member in Eastern France  
Client of BNP Paribas - Lons-le-Saunier

"When I reached retirement, I thought, I'm 60, and the children are grown up now. If I could give ten years of my life in the service of others, I'd be happy". Marcel Grégoire is a man of his word. That decision, at the close of a farming career in Eastern France's Jura country, was to take shape far away from home, in Burkina Faso, Benin and, most of all, in Madagascar. It was there, in Antsirabé, a town 170 km south of the capital, Antananarive, that this active Rotary member, as an unpaid volunteer, would pass on his skill. Or, *his* many skills, as it turned out, because Marcel, paying little heed to difficult conditions "tough assignments, where you often had to do without water and electricity", turned his hand to everything. He built a stable and house for a cowherd, set up a market-garden project, planted an orchard...and, most importantly, trained up-and-coming livestock breeders and farm workers to make sure that his valuable advice did not just evaporate into the air above Madagascar's Hautes Terres plateau. All this, for the benefit of a centre for the protection of disadvantaged children, sponsored by the French association, Amadea. With five trips to Madagascar clocked up already, Marcel Grégoire still has no plans to put down his tools. And, for a very good reason: "When I came back, six months after the house had been built, I was very proud! It was so well fitted out! Now, my wife, despite her fear of flying, is coming with me next time to see it."





## Glossary

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Accretion</b>                         | Reverse of dilution. Accretion is where a corporate action (share buyback or issue of shares in a smaller proportion than the increase in income following a merger or public tender offer, for example) leads to an increase in earnings per share.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>ADR : American Depositary Receipt</b> | Negotiable certificates representing one or several shares. Their face value is stated in dollars and interest is also payable in dollars. ADRs allow American investors to buy shares in foreign-based companies that are not quoted on an American Stock Exchange.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>AMS</b>                               | Asset Management and Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Arbitrage</b>                         | Activity that consists of attempting to profit by price differences on the same or similar financial assets. For example, in the case of a takeover bid, where the predator offers a price that exceeds the price at which the target's shares are trading.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Attribution right</b>                 | Right to receive bonus shares issued in connection with a capital increase paid up by capitalising retained earnings. Attribution rights are quoted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Avoir fiscal</b>                      | Dividend tax credit available to individual shareholders resident in France on the dividends distributed by French companies. The purpose of the tax credit is to avoid double taxation of distributed earnings, in the hands of the company and the shareholder. The avoir fiscal granted to individual shareholders resident in France is equal to one half of the net dividend. It is deductible from personal income tax. If the avoir fiscal cannot be set off against taxable income it is refunded by the French Treasury.                                                                                                                                                                                                |
| <b>B2B or BtoB</b>                       | Business to Business : sales of products or services by one company to another.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>B2C or BtoC</b>                       | Business to Consumer: sales of products or services by a company to a consumer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>B2E portal</b>                        | Intranet site for Group employees. The home page includes a browser, links to services and a wealth of information concerning the various functions within the Group, practical information for employees and career information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Back office</b>                       | Department responsible for all administrative processing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Bond/debenture</b>                    | Debt security whereby the issuer undertakes to pay the lender a fixed capital sum at a specific future date, plus twice-yearly or annual interest payments. Interest payments - generally at fixed rates - may vary over the life of the bond. Debentures are unsecured bonds.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Capital</b>                           | Amount of cash or assets contributed by shareholders, plus any profits, retained earnings or premiums transferred to the capital account. The capital may be increased or reduced during the life of the company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Capital increase</b>                  | A method of increasing a company's shareholders' equity. The capital may be increased by issuing new shares for cash or in exchange for assets, such as shares in another company. Alternatively, it may be increased by capitalising additional paid-in capital, retained earnings or profits and either raising the par value of existing shares or issuing new shares without consideration. Existing shareholders may have a pre-emptive right to subscribe for the new shares or this right may be cancelled. A capital increase may be carried out to give new investors an opportunity to become shareholders. All capital increases must be authorised in advance by the shareholders, in Extraordinary General Meeting. |





|                                                  |                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Cash flow</b>                                 | Cash generated by operations that can be used to finance investment without raising equity or debt capital.                                                                                                                                                                                                                     |
| <b>CECEI</b>                                     | Comité des Établissements de Crédit et des Entreprises d'Investissement: committee headed by the Governor of the Banque de France responsible for monitoring the proper operation of the French financial and banking system.                                                                                                   |
| <b>CIB</b>                                       | Corporate and Investment Banking, one of the BNP Paribas Group's core businesses.                                                                                                                                                                                                                                               |
| <b>Comité Consultatif des Actionnaires</b>       | Shareholder Consultation Committee. A group of individual shareholders selected to advise the company on its communications targeted at individual shareholders. The BNP Paribas Comité Consultatif des Actionnaires was set up in the first half of 2000, at the time of the merger.                                           |
| <b>Consolidated net income</b>                   | Net income of the Group after deducting the portion of the profits of subsidiaries attributable to minority shareholders.                                                                                                                                                                                                       |
| <b>Convertible bond</b>                          | Bond convertible into the issuer's shares on terms set at the time of issue.                                                                                                                                                                                                                                                    |
| <b>Corporate governance</b>                      | Series of principles and recommendations to be followed by the management of listed companies.                                                                                                                                                                                                                                  |
| <b>Coupon</b>                                    | The coupon represents the right of the holder of a security to collect an amount corresponding to the revenue distributed on the security for a given year.                                                                                                                                                                     |
| <b>Custody fee</b>                               | Fee received by a bank or broker to hold and service securities recorded in a securities account. Custody fees are payable annually in advance. They are not refunded if the securities are sold during the year, but no fees are payable on securities deposited during the year until the beginning of the next year.         |
| <b>CVR (Contingent Value Rights Certificate)</b> | Financial instrument generally issued in connection with the acquisition of a listed company, guaranteeing the value of the underlying security at a pre-determined date. The CVR entitles the shareholder of the target to receive an amount equal to the positive difference between the offer price and a "reference" price. |
| <b>Derivatives</b>                               | Contract whose value is based on the performance of an underlying financial asset, index or other investment, used to hedge or profit from future changes in the value of the underlying.                                                                                                                                       |
| <b>Dilution</b>                                  | Impact on the rights attached to a share of the issue of securities (in connection with a capital increase, a merger, a stock-for-stock tender offer or the exercise of rights), assuming that there is no change in the total income of the issuer.                                                                            |
| <b>Dividend</b>                                  | Portion of net profit that the Annual General Meeting decides to distribute to shareholders. The amount of the dividend is recommended by the Board of Directors. It represents the revenue on the share and the amount can vary from one year to the next depending on the company's results and policy.                       |
| <b>EONIA</b>                                     | Euro OverNight Index Average.                                                                                                                                                                                                                                                                                                   |
| <b>EUREX</b>                                     | Frankfurt-based derivatives market.                                                                                                                                                                                                                                                                                             |



|                                                  |                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EURIBOR (EUropean InterBank Offered Rate)</b> | The most commonly used money market rate in the euro zone.                                                                                                                                                                                                                                                          |
| <b>Euroclear</b>                                 | Formerly Sicovam. Clearing house for securities transactions.                                                                                                                                                                                                                                                       |
| <b>Euronext SA</b>                               | Company that operates the Paris, Brussels and Amsterdam stock exchanges. Euronext SA establishes market rules, decides to accept or reject listing applications and manages all trading technologies.                                                                                                               |
| <b>FCP (Fonds Commun de Placement)</b>           | Fund invested in stocks, bonds and/or money market securities. An FCP is similar to a SICAV, but is not a separate legal entity. FCPs are generally smaller than SICAVs and are easier to manage. They are subject to less restrictive regulations and can be more specialised.                                     |
| <b>Free Cash Flow</b>                            | Cash available after financing operations and investments, available to pay down debt.                                                                                                                                                                                                                              |
| <b>Gain/loss on securities</b>                   | Positive/negative difference between the sale price of a security and the purchase price.                                                                                                                                                                                                                           |
| <b>Goodwill</b>                                  | Difference between the cost of shares and the Group's equity in the fair value of the underlying net assets.                                                                                                                                                                                                        |
| <b>Hedge funds</b>                               | Funds that take both long and short positions, use leverage and derivatives and invest in many markets.                                                                                                                                                                                                             |
| <b>IFU (Imprimé Fiscal Unique)</b>               | French tax return issued by a bank or broker, listing all the securities transactions carried out on behalf of the taxpayer and all the coupon payments made to the tax payer.                                                                                                                                      |
| <b>Institutional investor</b>                    | Financial institution which, by definition or by virtue of its articles of association, is required to hold a certain proportion of its assets in stocks and shares. Examples include insurance companies and pension funds.                                                                                        |
| <b>IRB</b>                                       | International Retail Banking, one of the BNP Paribas Group's core businesses.                                                                                                                                                                                                                                       |
| <b>IRFS</b>                                      | International Retail Banking and Financial Services.                                                                                                                                                                                                                                                                |
| <b>LBO</b>                                       | Leveraged Buy Out. Company acquisition financed primarily by debt. In practice, a holding company is set up to take on the debt used to finance the acquisition of the target. The interest payments due by the holding company are covered by ordinary or exceptional dividends received from the acquired target. |
| <b>LIFFE</b>                                     | London International Financial Futures and Options Exchange.                                                                                                                                                                                                                                                        |
| <b>Liquidity</b>                                 | Ratio between the volume of shares traded and the total number of shares in issue.                                                                                                                                                                                                                                  |
| <b>LME</b>                                       | London Metal Exchange.                                                                                                                                                                                                                                                                                              |
| <b>M &amp; A</b>                                 | Mergers & Acquisitions                                                                                                                                                                                                                                                                                              |
| <b>Market capitalisation</b>                     | Value attributed to a company by the stock market. Market capitalisation corresponds to the share price multiplied by the number of shares outstanding.                                                                                                                                                             |



|                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Market-maker/Market-Making Contract</b>                                 | Market-makers commit to maintaining firm bid and offer prices in a given security by standing ready to buy round lots at publicly-quoted prices. Market-making contracts generally concern mid-cap stocks and are intended to enhance the stocks' liquidity. In France, market-making contracts ("contrats d'animation") are entered into between Euronext, the issuer and a securities dealer.                                                                 |
| <b>MONEP (Marché d'Options Négociables de Paris)</b>                       | Paris traded options market, including Cac 40 index options and equity options.                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>OAT (Obligation Assimilable du Trésor)</b>                              | French government bonds.                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>OCEANE (Obligation Convertible En Actions Nouvelles ou Existantes )</b> | Bond convertible for new shares or exchangeable for existing shares of the issuer.                                                                                                                                                                                                                                                                                                                                                                              |
| <b>OPA (Offre Publique d'Achat)</b>                                        | French acronym for a public tender offer for cash.                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>OPE (Offre Publique d'Échange)</b>                                      | French acronym for a public stock-for-stock tender offer.                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>OPF (Offre à Prix Fixe)</b>                                             | French acronym for a public offering of securities at a set price.                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>OPR (Offre Publique de Retrait)</b>                                     | French acronym for a compulsory buyout offer (final stage in a squeeze-out).                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>OPRA (Offre Publique de Rachat d'Actions)</b>                           | French acronym for an offer to buy out the minority shareholders of a company that is already largely controlled (first stage in a squeeze-out).                                                                                                                                                                                                                                                                                                                |
| <b>Option</b>                                                              | Contract giving the buyer the right (but not the obligation), to purchase or sell a security at a future date, at a price fixed when the option is written (exercise price), in exchange for a premium paid when the option is purchased. Options to purchase a security are known as calls and options to sell a security are known as puts.                                                                                                                   |
| <b>OPV (Offre Publique de Vente)</b>                                       | French acronym for a public offering of securities at a set price.                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>ORA (Obligation Remboursable en Actions)</b>                            | French acronym for equity notes, representing bonds redeemable for shares.                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>P/E</b>                                                                 | Price/Earnings ratio. Ratio between the share price and earnings per share. The P/E serves to determine the multiple of earnings per share represented by the share price.                                                                                                                                                                                                                                                                                      |
| <b>Par value</b>                                                           | The par value of a share is the portion of capital represented by the share.                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>PEA (Plan d'Épargne en Actions)</b>                                     | French name for personal equity plans. Savings products designed to promote private share ownership, invested in shares of companies that have their headquarters in a European Union country or in units in qualifying unit trusts, revenues and capital gains are exempt from personal income tax and capital gains tax provided that the savings are left in the plan for at least five years. Investments in PEAs are capped at EUR 120,000 per individual. |
| <b>PEE (Plan d'Épargne Entreprise)</b>                                     | French name for employee share ownership plans. Payments into the plan and reinvested interest are exempt from personal income tax provided that they are left in the plan for at least five years (with early withdrawal allowed in certain specific cases). Surrender gains are also exempt from personal income tax.                                                                                                                                         |



#### Pre-emptive subscription rights

When a company issues shares for cash, each shareholder has a pre-emptive right to subscribe for a number of new shares pro rata to the number of shares already held. The right can be traded on the stock market. Companies can ask the General Meeting to cancel shareholders' pre-emptive subscription rights to facilitate certain operations or allow the company to open up its capital to new investors. .

#### Preference shares

Preference shares are shares that pay dividends at a specified rate and have a preference over ordinary shares in the payment of dividends and the liquidation of assets. They do not carry voting rights.

#### Price guarantee

When a company acquires control of a listed target, it is required to offer the target's minority shareholders the opportunity to sell their shares at the same price as that received by the sellers of the controlling interest. The offer must remain open for at least fifteen trading days.

#### Primary market

Market where newly-issued securities are bought and sold

#### Prime brokerage

Activity consisting of providing a wide range of services to hedge funds, including financing, securities settlement/delivery, custody, securities lending/borrowing, etc.

#### Public tender offer

Offer to buy shares of a company, usually at a premium above the shares' market price, for cash or securities or a combination of both. Where only a small proportion of the company's shares are traded on the market and the offer is followed by a compulsory buyout, the process is known as a "squeeze-out".

#### Quorum

General Meetings can take place only if there is a quorum. For Ordinary General Meetings, on first call there is a quorum if the shareholders present and represented hold at least 1/4 of the voting rights. There is no quorum requirement on second call. For Extraordinary General Meetings, the quorum corresponds to 1/3 of the voting rights on first call and 1/4 on second call. For combined meetings, the quorum requirements depend on whether the resolutions are "ordinary" or "extraordinary".

#### Quotation

The quotation determines the price of a security on the market at a given point in time. Prices are generally quoted on a continuous basis throughout the day (from 9:00 a.m. to 5:30 p.m.), providing a real-time indication of the prices at which the security concerned is changing hands. Continuous quotation allows market players to closely track market trends. Quotations for securities with a low trading volume are made once a day.

#### Rating/rating agencies

A rating represents an assessment of the default risk on debt securities. The rating awarded to an issuer has a direct impact on the issuer's borrowing costs. Changes in ratings also have a significant impact on the issuer's share price. The main rating agencies are Standard & Poor's, Moody's and Fitch.

#### RBF

Retail Banking in France.

#### RELIT

Euronext Paris settlement-delivery system.

#### Report

On the Euronext Paris market, transaction allowing an investor to carry forward a buy or sell position from one deferred settlement date to the next.

#### ROE

Return on Equity. Ratio between consolidated net income and consolidated shareholders' equity.





|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Secondary market</b>                                             | Market where securities are bought and sold subsequent to their issue.                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Share</b>                                                        | A share is a transferable security representing a portion of the capital of a limited company or a partnership limited by shares. Ownership of shares is evidenced by an entry in the issuer's share register (registered shares) or in a securities account kept in the holder's name by a bank, stock-broker or other accredited intermediary (bearer shares). Shares quoted on the stock exchange are also referred to as "equities". |
| <b>SICAV (Société d'Investissement à Capital Variable)</b>          | Variable capital investment company that manages a portfolio of securities on behalf of its share holders. Shares may be purchased or redeemed at any time. The shares are not listed but their value (corresponding to the company's net asset value per share) varies each day based on changes in the value of the securities held in the portfolio.                                                                                  |
| <b>SICOVAM</b>                                                      | Société Interprofessionnelle pour la Compensation des Valeurs Mobilières, now renamed Euroclear France. Organisation responsible for clearing securities trades, centralising all stock market transactions and facilitating the transfer of securities between member institutions.                                                                                                                                                     |
| <b>SPVT (Spécialiste en Pension des Valeurs du Trésor)</b>          | Primary dealer in French government bond repos.                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>SRD (Service de Règlement Différé)</b>                           | French market where the main French and foreign equities are traded. Equities or bonds purchased with deferred settlement are purchased on credit. The buyer is required to settle the purchase price and the seller is required to deliver the securities on the next settlement date, unless one or other of the parties asks for the transaction to be carried over the to next settlement date ("report").                           |
| <b>Subscription right</b>                                           | Right to participate in a share issue for cash.                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>TBB (Taux de Base Bancaire)</b>                                  | Interest Base rate.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>TMO (Taux Mensuel de rendement des emprunts Obligataires)TPI</b> | Interest rate corresponding to the monthly bond yield.<br>Titre au Porteur Identifiable. Procedure allowing issuers to obtain information about the identity of holders of bearer shares from Euroclear.                                                                                                                                                                                                                                 |
| <b>Trade Centre</b>                                                 | Specialised sales force set up by BNP Paribas to partner its corporate customers' international development. The Trade Centers offer importers and exporters a wide range of customised services based on the "one-stop-shopping" principle.                                                                                                                                                                                             |
| <b>Treasury shares</b>                                              | Shares held by the issuer. Treasury shares are stripped of voting and dividend rights and are not taken into account in the calculation of earnings per share.                                                                                                                                                                                                                                                                           |
| <b>TSDI (Titre Subordonné à Durée Indéterminée)</b>                 | French acronym for perpetual subordinated notes.                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>TSR</b>                                                          | Total Shareholder Return: corresponding to return on the capital invested by shareholders, including dividends and unrealised gains on the shares.                                                                                                                                                                                                                                                                                       |
| <b>UCITS</b>                                                        | Undertaking for Collective Investment in Transferable Securities. Term covering unit trusts and variable capital investment companies.                                                                                                                                                                                                                                                                                                   |
| <b>Voting right</b>                                                 | Right of a shareholder to vote in person or by proxy at General Meetings.                                                                                                                                                                                                                                                                                                                                                                |



### Warrant

Certificate issued on a stand-alone basis or strippable from another security (share, bond) giving the holder the right to acquire securities (share, bond). Warrants issued by financial institutions acting as market-maker give the holder the right to purchase (call warrant) or sell (put warrant) various underlyings (interest rate, index, currency, equities) at a fixed exercise price during a fixed exercise period. Although these warrants constitute options, they cannot be sold short.

### Work Flow

Process automation technology allowing the sequential transmission of digital documents and files to the various people responsible for processing the data.

### Yield

Indicator of the return on an investment, expressed in percent. For shares, the yield corresponds to the ratio between the last dividend paid and the last share price.



