





# CONTENTS

<b>Statement from the Chairman and Chief Executive Officer</b>	<b>2</b>	<b>Compliance within BNP Paribas</b>	<b>81-86</b>
<b>Key figures</b>	<b>3-4</b>	Dedicated teams	82-84
<b>Group's activities in 2007</b>	<b>5-73</b>	• Up-to-date standards	83
<b>Corporate &amp; Investment Banking</b>	<b>6-21</b>	• Monitoring financial security mechanisms	83-84
Advisory and Capital Markets	11-16	Business continuity	85-86
• Equities and Derivatives	11-12	• Organisation of continuity efforts	85
• Fixed Income	13-14	• Operational management of business continuity plans	85-86
• Corporate Finance	15-16	<b>BNP Paribas and its stakeholders</b>	<b>87-158</b>
Financing businesses	17-21	Organised dialogue with stakeholders	88-89
• Specialised Finance	17-19	Shareholder information	90-99
• Structured Finance	20-21	Human Resources development	100-126
<b>French Retail Banking</b>	<b>22-33</b>	• Group values underpinning HR management	100
• Individual clients	25-27	• Human Resources policy framework	101-103
• Entrepreneurs and freelance professionals	28-29	• Key challenges of human resources management	104
• Corporate and institutional clients	30-32	• Clearly identified operational challenges	105-126
• After-sales organisation	33	Relations with clients and suppliers	127-137
<b>International Retail Services</b>	<b>34-47</b>	• A closely-attuned relationship	127-132
• Personal Finance	37-38	• Socially Responsible Investment	132-136
• Equipment Solutions	39-40	• Supplier relations	137
• BancWest	41-42	Impact on the natural environment	138-150
• Emerging Markets	43-47	• Areas	138-140
<b>BNL banca commerciale</b>	<b>48-55</b>	• Levers	141-144
<b>Asset Management &amp; Services</b>	<b>56-71</b>	• Means of action	145-150
• BNP Paribas Private Banking	59-60	A partner in society	151-158
• BNP Paribas Investment Partners	61-63	• A deep commitment to microfinance	151-153
• BNP Paribas Personal Investors	64-65	• Community initiatives promoting integration and solidarity	153-155
• BNP Paribas Real Estate	66-67	• BNP Paribas Foundation: imaginative and in touch with the world	156-158
• BNP Paribas Assurance	68-69	<b>Corporate governance</b>	<b>159-191</b>
• BNP Paribas Securities Services	70-71	The Board of Directors	160-162
<b>Klépierre</b>	<b>72-73</b>	Remuneration	163
<b>BNP Paribas Principal Investments</b>	<b>73</b>	Summary table of transactions on BNP Paribas stock reported by key individuals	164
<b>The Group's approach to sustainable development</b>	<b>74-80</b>	Report of the Chairman	165-190
Responsibility based on core values and guiding principles	75	• Corporate governance at BNP Paribas	165-181
A strong commitment to sustainable development	75-76	• Internal Control	181-186
• Global initiatives	75	• Limitation of the powers of the Chief Executive Officer	186
• Finance sector initiatives	76	• Internal control procedures relating to the preparation and processing of accounting and financial information	186-190
Combining SRI and economic performance	77-78	Statutory Auditors' report	191
• A duty of management	77	<b>NRE Appendices - Social Chapter</b>	<b>192-196</b>
• A group-wide assignment	78	<b>NRE Appendices - Environmental Chapter</b>	<b>197-200</b>
• The internal control mechanism	78	<b>Report by one of the Statutory Auditors</b>	<b>201-202</b>
Recognition from SRI rating agencies	79-80	<b>Reconciliation table</b>	<b>203</b>
• SAM	79	<b>Glossary</b>	<b>204-209</b>
• Vigeo	79		
• CFIE	80		
• CapitalBridge evaluation	80		



# Statement from the Chairman and Chief Executive Officer



Against the backdrop of the financial crisis, BNP Paribas has continued to report vigorous growth across all core businesses. The Group's performance in 2007 illustrates the robustness of our business model based on a careful balance between retail banking, which accounts for 50% of our earnings, and asset management and corporate and investment banking, which represent one-sixth and one-third respectively. The Group has been rated AA+ by Standard & Poor's, and this financial strength, coupled with our stringent risk policy, has gone a long way to helping us weather the storm.

BNP Paribas' overall performance is also enhanced by the high standards we have set ourselves in terms of corporate and social responsibility.

BNP Paribas Group was ranked no. 1 among Top Renewable Financial Advisers in 2007, maintaining its position as one of the world leaders in renewable energy financing. An agreement on microcredit with the French Development Agency has led to some 420,000 borrowers (78% women), or a total of two million people including family members, receiving microloans as a result of facilities that we have granted to micro-finance institutions. Growing recognition for our corporate and social responsibility policy means that the BNP Paribas share is now among the most popular in European SRI funds<sup>(1)</sup>. Our Group also received a corporate social and environmental responsibility award in the United States in recognition of our employees' commitment to reconstruction projects in New Orleans.

It is with great pleasure, therefore, that we present this Sustainable Development Report, which puts forward our corporate social responsibility policy and achievements for 2007.

<sup>(1)</sup> Vigeo - Avanzi SRI Research survey, October 2007 / Capital Bridge survey, June 2007.

*J. Pébereau*      *B. Prot*

# Key figures

## Results

(in millions of euros)

	31 December 2006	31 December 2007
<b>Total assets</b>	<b>1,440,343</b>	<b>1,694,454</b>
Customer deposits	393,133	445,103
Customer loans (gross)	298,652	346,704
Shareholder's equity <sup>(1)</sup>	49,512	53,799
International capital adequacy ratio	10.5%	10%
o/w Tier One	7.4%	7.3%

<sup>(1)</sup> Before income appropriation.

## Number of Group employees

(Full-time equivalents)

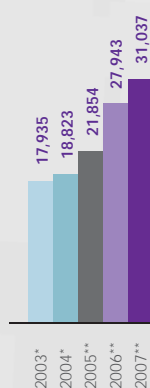
	2006	2007
World	141,911	<b>162,700</b>
Europe (including overseas department and territories)	110,584	<b>126,000</b>

## Long-term ratings

Standard & Poor's	AA+	Stable outlook	upgraded on 10 July 2007
Moody's	Aa1	Stable outlook	upgraded on 23 May 2007
Fitch	AA	Stable outlook	reaffirmed on 16 May 2007

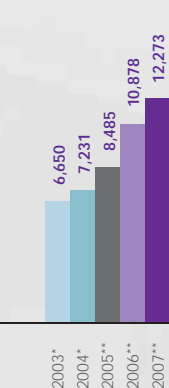
## Net banking income

(in millions of euros)



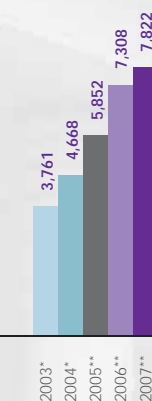
## Gross income

(in millions of euros)



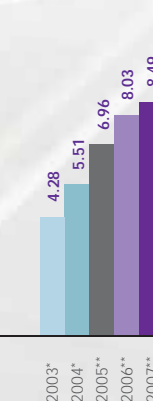
## Net attributable income

(in millions of euros)



## Earnings per share

(in euros) <sup>(\*\*\*)</sup>



# The BNP Paribas Group

BNP Paribas is a European leader in banking and financial services, with a significant and growing presence in the United States and leading positions in Asia. The Group has one of the largest international banking networks, a presence in over 85 countries, with almost 163,000 employees, including over 126,000 in Europe. BNP Paribas enjoys key positions in its three core businesses:

## Corporate & Investment Banking (CIB)

### Retail Banking, comprising three divisions:

- French Retail Banking (FRB)
- Italian Retail Banking: BNL banca commerciale (BNL bc)
- International Retail Services (IRS)

## Asset Management & Services (AMS)

### Return on equity

(in%) (\*\*\*\*)



### Market capitalisation

(in billions of euros)

Source: Bloomberg



\* Under French GAAP.

\*\* Under International Financial Reporting Standards (IFRS) as adopted by the European Union.

\*\*\* Adjusted for the impact of the 2006 rights issue on years 2003 to 2005.

\*\*\*\* Return on equity is calculated by dividing net attributable income (adjusted for interest on undated super subordinated notes deemed equivalent to preferred shares issued by BNP Paribas SA and treated as a dividend for accounting purposes) by average equity attributable to equity holders of the parent at 1 January and 31 December of the period concerned (after distribution and excluding undated super subordinated notes deemed equivalent to preferred shares issued by BNP Paribas SA).



# Activities

Group's  
in 2007



Corporate  
and Investment  
Banking



French Retail Banking



International  
Retail Services



BNL  
banca commerciale



Asset  
Management  
and Services



Klépierre  
BNP Paribas  
Principal Investments



and  
investment  
banking

Corporate



BNP Paribas, London, 10 Harewood Avenue



# BNP Paribas Corporate and Investment Banking: a robust and diversified business model

With almost 16,000 employees, operations in more than 50 countries, 28% of the Group's revenues and 35% of its pre-tax net income, BNP Paribas Corporate and Investment Banking (BNP Paribas CIB) operates in advisory and capital markets (Corporate Finance, Equities and Fixed Income) as well as in financing businesses (Specialised and Structured Finance).

BNP Paribas CIB excels in three particular sectors:

- derivatives – it is a leading global player in interest rates, credit, forex, commodity and equity derivatives;
- capital markets – it is among the Top 10 European houses for both Equity Capital Markets and Debt Capital Markets (bond issues, securitisation, syndicated loans, etc.);
- specialised finance – it is a world leader for acquisition, export, infrastructure project, energy and commodity finance.

Clients – corporates, financial institutions and investors – are at the heart of BNP Paribas CIB's organisation. Coverage executives are focused on delivering the best mix of services in support of their clients' strategies, calling on specialists in derivatives, capital markets and specialised finance around the globe to deliver world class bespoke and innovative solutions.

In 2007, BNP Paribas CIB delivered exceptional results and was successful in weathering the credit liquidity squeeze of the second half of the year through a diversified and client-centric business model which showed resilience and sustainability compared to most of its competitors. Through constant innovation and the drive, commitment and excellence of its teams, BNP Paribas CIB gained increasing industry recognition in 2007 with a flurry of awards for its capital markets and financing businesses, as well as for its Corporate Finance Division in France and in Asia. BNP Paribas CIB's focus on emerging markets and Asia paid off with the growth of its market share and significant deals across the business lines in these regions of the world. In 2008, BNP Paribas CIB will pursue this international growth strategy and continue to build on strong fundamentals: a robust business model with a good geographic, product and client mix, strong franchises in capital markets and specialised finance; cutting edge professionals focused on delivering performance and innovation.



BNP Paribas, London

# Servicing our clients

BNP Paribas CIB has made client relations the cornerstone of its strategy, with the primary aims of:

- developing long-term relationships with its clients;
- meeting all their needs by making available the Bank's entire product range and offering:
  - a single client interface,
  - coordinated access to the product specialists in all of the Group's business lines,
  - the ability to advise on and structure global, innovative solutions adapted to the client's specific requirements.

To achieve these aims some 1,000 staff – relationship managers and credit analysts – have been tasked with serving:

- 6,300 corporate clients:
  - major corporations,
  - medium-sized businesses with high development potential;
- 800 financial institutions:
  - general and specialised banks (public or private),
  - insurance companies, mutual health insurers, personal risk protection providers,
  - pension funds,
  - fund managers,
  - central banks and supranational entities;
- 65 investment funds focused primarily on the private equity sector,
- sovereign funds.

These resources are deployed in all of the regions of the world where BNP Paribas operates, particularly:

- France, Italy and western European countries, which today represent BNP Paribas' core domestic market;
- central and eastern Europe, identified by the Bank as a high potential development zone;
- the developed markets of North America, Japan and Australia;
- markets targeted for their high growth and business potential, particularly continental Asia, the Middle East – where the Bank has a deep footprint in most countries – and Latin America.

BNP Paribas CIB is also committed to reinforcing its resources in five high-growth countries/zones in order to better serve its clients: China, India, Russia, Latin America and the Middle East.





## 2007: expanding in Europe and in emerging markets

**In France**, BNP Paribas CIB once again confirmed its position as the leading partner of large corporates and financial institutions, thanks to the in-the-field effectiveness of its client coverage teams and their coordinated action with product teams. This successful strategy enabled it to win major advisory mandates and execute significant, high value-added transactions in capital markets, equity derivatives and structured financing.

**In Italy**, the bolstering of coverage resources and the working in tandem with BNL bc were rewarded by a substantial increase in financing and capital market transactions.

**In Europe**, BNP Paribas CIB overhauled its coverage of financial institutions, a key client segment slated for strong development.

Geographic coverage was enhanced in Scandinavia by opening a representation office in Stockholm, and in central and eastern Europe by reinforcing the expertise of corporate coverage teams.

**In Asia**, the Middle East and North America, BNP Paribas CIB extended its client coverage by building up local teams dedicated to financial institutions and to the energy and commodities sector.

**In the Middle East**, the Group's islamic bank also strongly expanded its activities in 2007.

The close collaboration and combined contribution of BNP Paribas' major businesses (Fixed Income, Equity Derivatives, Corporate Finance, Structured Financing and Asset Management and Services) and coverage teams resulted in innovative, high value-added transactions in each of these geographic areas.



# Advisory and Capital Markets

## Equities and Derivatives leadership and innovation

BNP Paribas CIB's Equities & Derivatives business line encompasses research, structuring, trading and sales of equities, equity derivatives, indices and funds. With some one thousand front office staff based across five core platforms, the business line is active on both the primary and secondary markets.

Equities & Derivatives solutions address the various needs of financial institutions, hedge funds as well as corporate and retail clients in over 60 countries worldwide. With a strong heritage in structured products, a product line which continues to grow, BNP Paribas, over the last few years, has also developed a comprehensive range of flow product solutions addressing financing, leveraging, hedging and market access needs.



BNP Paribas CIB has developed a global leadership in the equity derivatives industry by holding some of the largest trading positions and market shares worldwide as well as always differentiating itself through a capacity to innovate. Thanks to in-house quantitative skills for advanced product design and the significant resources dedicated to new product strategies, Equities & Derivatives (EQD) has developed a solid reputation for innovation, able to deliver the most appropriate tailor-made solutions to fit the specific needs of clients in all market climates.

## 2007: continued growth of the Equities & Derivatives business line

Equities & Derivatives experienced significant growth during 2007, once again confirming BNP Paribas CIB's global leadership in this industry.

The equity derivatives business received more industry awards than ever before:

- "Structured Products House of the Year" from *Risk* magazine;
- "Derivatives House of the Year, Asia-ex Japan" from *AsiaRisk* magazine;
- "Deal of the Year, Asia" from *AsiaRisk* magazine;
- "Structured Products House of the Year" from *Euromoney* magazine;
- "Equity Derivatives House of the Year" from *Structured Products* magazine;
- "Structurer of the Year, North America" from *Structured Products* magazine;
- "Equity Derivatives House of the Year" from *Futures and Options World* magazine;
- "Equity Derivatives House of the Year, Americas" from *Global Finance* magazine.



Equities & Derivatives continued to grow during 2007, particularly in the first half of the year. The market turbulence during the second half had a limited impact and EQD emerged from the crisis better than other counterparties, clearly outperforming most of its competitors. This was largely due to the diversity of EQD's business lines and regions of coverage.

## Key developments for Equities & Derivatives during 2007 include

- **Continued growth of the flow platform** across all continents, in particular among the hedge fund client base. Increased market share in options and delta-1 markets as well as in complex flows where EQD is able to recycle significant risks generated by large structured product positions.
- **Significant growth of the Private Banking client segment for structured products businesses** worldwide, particularly in Asia. Increasing awareness among Private Banking clients that the returns and pay-offs generated by structured products cannot be replicated by other financial instruments.
- **Boom in Asian business** highlighted by the successful development of a comprehensive suite of complex flow products for hedge funds in Asia. The Asian market in general experienced rapid growth during 2007; nonetheless, BNP Paribas CIB gained significant Asian market share in Equities & Derivatives, completing major structured products transactions and making strong headway in the warrants market. It thus positioned itself as a true leader in this region.
- **Increased activity for the Strategic Equity business** across all regions, with a continued push in mature markets and key deals and successes in emerging regions. This move reflects the entire business line's focus on and expansion into emerging markets.
- Significant resources dedicated to the **search for new underlyings**, which provide clients with engines for growth and return. For example, **Private Equity funds** have served as an underlying for a structured product used by Private Banking clients.
- Lastly, the year was marked by **solid growth in the number of clients**, registered across all EQD products and regions.



# Fixed Income amongst the global leaders

Fixed Income's product expertise and distribution capabilities have positioned BNP Paribas CIB among the Top 3 Fixed Income players in Europe and Asia-Pacific, with strong franchises in Japan, the Americas and a number of emerging markets.

Taking advantage of both the size of its balance sheet and its strength and quality, as witnessed by the AA+ long term credit rating given by S&P in July 2007, the Bank has built a comprehensive fixed income offering with a client-driven approach that is backed up by strong legal, IT and operations expertise.



Fixed Income's client-focused approach to research, sales, trading, origination and distribution allows it to develop sophisticated solutions for a global client franchise in the fields of interest rates, credit and foreign exchange.

BNP Paribas CIB is a recognised leader in the global interest rates and credit derivatives markets, and has a growing franchise in global forex, especially in options.

The Group's broad range of Fixed Income products is delivered through an accomplished sales and marketing platform. Fixed Income's broad range of research products and services underpins its client-focused approach, with research analysts available for one-on-one client support, and an extensive array of research notes and reports that are available through a variety of channels, including the Global Markets web portal. The Bank's research methods are underpinned by pioneering quantitative techniques delivered by a group of world-class experts.

## 2007: continued investments in derivatives

In line with BNP Paribas' group-wide strategy, Fixed Income has continued to invest in its credit, interest rates, foreign exchange and hybrid derivatives platforms, in key emerging markets such as Russia, central and eastern Europe and the Middle East, and in fast-growing client segments such as hedge funds and pension funds.

This global network allows Fixed Income to provide clients with a complete range of tailor-made services on a global scale across a broad range of markets and currencies. With headquarters in London, five other trading floors in Hong Kong, New York, Paris, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, Fixed Income employs more than 1,700 professionals globally.



## 2007: weathering the credit market crisis and gaining industry recognition

After a record year in 2006 and a strong start in 2007, Fixed Income emerged in relatively good shape from the liquidity crisis and credit crunch that hit global markets in the second half of 2007.

BNP Paribas CIB's Fixed Income Division has gained increasing industry recognition in 2007 for its excellence across asset classes. The division has not only consolidated and improved its rankings across the full range of activities and regions, but also broken new ground in several areas, as demonstrated by a number of prestigious prizes awarded by the leading industry publications.

Awards include:

- For the first time, BNP Paribas won *Risk* magazine's "Structured Products House of the Year" award for its excellence in structured rates, credit, inflation and equity.
- For the second consecutive year, BNP Paribas won *Euromoney* magazine's "Best Structured Products House" award in recognition of its excellence across all asset classes (2006 and 2007).
- Breaking all previous records, BNP Paribas won three awards from *Structured Products* magazine in Europe, including "Interest Rates House of the Year" (for the second consecutive year) and for the first time "Credit House of the Year" (2007).

- BNP Paribas broke new ground in Asia-Pacific in 2007, winning *AsiaRisk*'s "Derivatives House of the Year" award for the first time and the "Credit Derivatives House of the Year" award for the second time in three years.

## League table positions and industry rankings

The Group has the 14th-largest share of the total bond underwriting market, all currencies included. It is 3rd-ranked for all corporate issues in euros, 4th for all covered bonds in euros, 5th for all SAS (sovereign, agency and supranational) bonds and 5th for all bonds in euros. (source: Thomson IFR 2007).

In 2007, BNP Paribas CIB:

- ranked no. 2 for CMS spread options in euros, no. 3 for CMS spread options in US dollars and no. 3 for inflation caps/floors in US dollars in the exotic interest rate products category (source: *Risk institutional investor end-user rankings 2007*);
- was voted best overall provider of FX services by financial institutions in Asia Pacific for the second consecutive year (source: *Asiamoney FX Poll 2006 and 2007*);
- ranked no. 3 overall in Italy for derivatives dealers, no. 1 for structured products and no. 1 for risk management advisory services (source: *RiskItalia Derivatives Poll 2007*);
- was voted no. 2 by brokers and dealers for structured credit products overall for two consecutive years and no. 4 for exotic interest rates (source: *Risk's inter-dealer rankings 2007*).



### Key transactions in 2007

BNP Paribas arranged an innovative EUR 200 million (20-year non-put 5-year privately-placed bond) – the first callable/puttable bond with multiple resets – for Hera SpA. BNP Paribas priced and closed "ZOO HF 3 Plc", a EUR 150 million (USD 197 million) transaction, managed by P&G Alternative Investments, the first collateralised fund

obligation to be managed by an Italian financial institution and one of very few in Europe.

BNP Paribas' restructuring of AMP Capital Investors Future Directions Total Return Fund won *AsiaRisk*'s "Deal of the Year" award.

BNP Paribas arranged "Stellar", a 5/7/10-year synthetic collateralised debt obligation managed by UOB Asset Management. Stellar was the first

transaction with an Asian asset manager and, with more than USD 165 million in notes issued, it proved to be very successful. Notes were issued in US dollars, Singapore dollars and Japanese yens and distributed in Singapore, Japan, Indonesia and the Philippines.

# Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions and primary equity capital market transactions. The M&A teams advise both buyers and targets and also offer advice on other strategic financial issues, such as privatisations. Primary capital market services include flotations, equity issues, secondary issue placements, and convertible/exchangeable bond issues.

Corporate Finance has implemented 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 some 400 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 (with more than 100 professionals) and in emerging countries.

Ranked no. 1 in France (source: *Thomson Financia*), BNP Paribas is among the leading banks in Europe advising on mergers and acquisitions (ranked 10th in Europe according to *Thomson* based on transaction volumes announced in 2007). *The Dealogic Equityware/Thomson* ranking placed the Bank among the 12 leading institutions for primary equity business in Europe.

## Developing franchises in Europe and Asia

### 2007: a record year in Mergers & Acquisitions

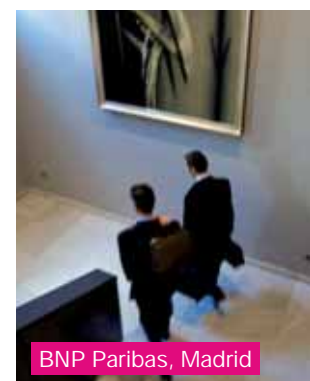
After the record results posted in 2006, the M&A market in Europe once again reported a sharp increase in volumes (up 43% in terms of announced transactions according to *Thomson Financia*).

In this fast-moving environment, BNP Paribas CIB reported robust activity for its Corporate Finance business, strengthening its undisputed leadership on the French market and stepping up its European expansion, particularly by assisting clients in cross-border transactions:

- in vibrant sectors such as:
  - energy: Endesa/Enel-Acciona,
  - consumer goods: Danone/Numico,
  - real estate: Foncière des Régions/Beni Stabili, Accor/Moor Park Real Estate Fund,
  - insurance: Allianz's acquisition of minority interests in AGF (the largest transaction in the European insurance sector), Scor/Converium.
- and through an array of other major deals: Air Liquide/Lurgi AG, Schneider/American Power Corporation, Geodis/TFM (TNT Freight Management), Tubos Reunidos/Condesa.

BNP Paribas CIB was also very active:

- with private equity funds in the first half of the year, notably on transactions between: PAI partners/Lafarge Roofing Division, PAI partners/Saur, TDF/Texas Pacific Group/Charterhouse, Apax Partners/Trader Media Group and Dubai International Capital/Mausser Group.
- on emerging markets, in particular:
  - in central and eastern Europe: the privatisation of the Serbian insurance company DDOR, HTCC's acquisition of Invitel in Hungary, and the reorganisation of the hydropower group RusHydro;
  - in Latin America: Colinversiones' acquisition of a power plant in Columbia and the Mexican government agency IPAB's sale of its AeroMexico holdings.



Lastly, BNP Paribas CIB participated in several major transactions announced in the second half of 2007:

- Lafarge's acquisition of Orascom Cement;
- BHP Billiton's planned acquisition of Rio Tinto.

The Corporate Finance team is also involved in the GDF/Suez transaction, which is set to be France's largest-ever merger.

In total, the Bank advised on nearly 150 transactions in 2007.

■ **European primary equity capital markets: a new mix of transactions**

IPO market volumes in Europe held firm in 2007 and were characterised by:

- a predominance of "accelerated" book buildings (about EUR 59 billion). BNP Paribas managed book buildings for EDF (EUR 3.7 billion) and Sanofi Aventis (EUR 1.5 billion);
- an upturn in long-term placements (about EUR 15 billion). BNP Paribas notably managed the EUR 1.4 billion sale of HeidelbergCement's stake in Vicat;
- growth in the volume of convertible bond issues (about EUR 25 billion). In particular, BNP Paribas managed convertible bond issues for Michelin (EUR 700 million) and Pargesa (CHF 920 million);
- a slight decline in initial public offerings (about EUR 51 billion). BNP Paribas managed the flotations of Bureau Veritas (EUR 1.2 billion), Rexel (EUR 1 billion) in France, and Il Sole 24 Ore (EUR 232 million) in Italy;

- stabilisation of share issues with preferential subscription rights (about EUR 43 billion). BNP Paribas managed capital increases for Schneider Electric (EUR 979 million) in France, Merck (EUR 2.1 billion) in Germany and GBL (EUR 1.2 billion) in Belgium.

■ **Continued expansion in Asia**

BNP Paribas CIB once again reported strong growth in Asia, doubling its revenues with:

- advisory mandates in Japan (Tepco), South Korea (S-Oil), China (Zijin Consortium), Singapore (Pan United) and Malaysia (RHB Capital);
- robust development on primary markets, spanning all types of products. BNP Paribas managed in particular:
  - the convertible bond issues of Man Industries in India, Red Dragon Group in Singapore, Neurotech Pharma in South Korea and Truba's exchangeable bond issue in Indonesia;
  - seven initial public offerings in Hong Kong, of which two for subsidiaries of the CITIC group (CITIC 1616 and Dah Chong Hong), as well as flotations in Vietnam (VMEP), Singapore (Lippo - Mapletree REIT), and China (Pacific Online);
  - share issues for Mediacorp in Singapore and Lutronic Corp in South Korea.

In 2007, BNP Paribas was named "Rising Star Equity House - Equity Capital Markets" by *The Assets* magazine.



BNP Paribas, New York

BNP Paribas, a prominent player on the energy market in 2007

Against the backdrop of the restructuring of the European energy market, BNP Paribas was very active in 2007, participating in several transactions, including:

- Acciona and Enel's acquisition of Endesa. BNP Paribas advised Endesa in connection with three successive purchase offers from Gas Natural, E.On and Acciona/ Enel. Acquired for EUR 42.5 billion (ranking the transaction within the Top 5 on the European market), Endesa boosted Enel's position in Spain and France and increased

- Acciona's portfolio of renewable energies;
- France's largest-ever merger: Gaz de France and Suez, with BNP Paribas acting as advisor to Suez;
- the largest acquisition in the wind power industry carried out in France: advised by BNP Paribas, Suez acquired a majority stake in Compagnie du Vent;
- the entry of a major energy supplier into the French market: BNP Paribas advised on ENI's acquisition of a controlling interest in Altergaz.



# Financing businesses

## Specialised Finance a global franchise in pole position

The Specialised Finance teams offer a comprehensive range of dedicated financing solutions for the energy and commodities sectors, as well as for transport, infrastructure and capital goods. The team's offerings are typically centred on made-to-measure solutions, covering short- to very long-term financing. These include:

- Dedicated energy and commodities financing, encompassing all of the requirements of customers in this segment, from exploration and production through to trading and refining. The Specialised Finance team provides cash flow financing as well as both structured and project-specific financing products.
- Asset financing, which comprises a wide variety of solutions such as import/export financing, infrastructure financing, aircraft and maritime financing, as well as tax efficient and structured leasing products.

With offices in more than 40 countries, the specialised finance teams have a strong presence in both emerging markets and the industrialised world.

## BNP Paribas CIB confirms its global leadership

In 2007, BNP Paribas CIB confirmed its leading global position both in energy and commodities financing, where it has historically been a key player, and in asset financing, where the Group is no. 1 worldwide in project and export financing.

### 2007 worldwide rankings & awards

- No. 1 "Global Mandated Lead Arranger for Export Credit Agency Backed Transactions" (*Dealogic*).
- No. 1 "Global Mandated Lead Arranger for Project Finance" (*Thomson*).
- "Aircraft Finance Innovator of the Year and Aircraft Leasing Innovator of the Year" (*Jane's Transport Finance*).
- "Best Structured Commodity Bank" (*Trade Finance Magazine*).
- "Best Trade Bank in Oil and Energy" and "Most Innovative Bank in Trade" (*Trade & Forfaiting Review*).
- "Best Trade Finance Bank worldwide" (*Global Finance*).

BNP Paribas CIB also won the "Best Innovative Deal in Shipping" award from *Lloyd's Shipping Economist* for the deal relating to Compania Sud Americana de Vapores (CSAV).



BNP Paribas, Mumbai



BNP Paribas, Madrid



BNP Paribas, Singapore

## Energy and Commodities

### New market players, additional needs

#### ■ More hybrid solutions

In the energy and commodities sector, the emergence of new market players and a wave of major business linkups have brought about a shift in client needs towards hybrid, structured loans. In both industrialised and emerging countries, BNP Paribas CIB actively partnered with its clients to move in this new direction.

#### ■ A new record year

Against a backdrop of intense competition and sharply contrasting commodity price movements – a fall in the first half of the year was followed by a surge to record levels – BNP Paribas was able to strengthen its leading global position in this sector. The financing of commodity flows was on par with the record levels of 2006, with a strong rise in inventory financing and an expanding client base.

#### ■ A broader, more sophisticated range of dedicated products

Structured financing of energy and commodities, which now encompasses all structured products in this sector (including project financing and pre-export financing), gained ground in the United States, Russia and far eastern Europe, thanks in particular to acquisition financing. Specific measures were undertaken in 2007 to offer all bank clients active in the commodities sector a broader, more sophisticated range of dedicated products covering derivatives, capital markets and M&A advisory services.

## Asset Finance

### Innovation and global expansion

#### ■ Sharp rise in aircraft and marine financing

2007 was a banner year for asset financing with a sharp rise in net income from aircraft and marine financing. The marine financing teams successfully launched operations in China and India and strengthened their position thanks to container ship financing transactions. Despite heightened competition, the aircraft financing teams substantially expanded their Latin American activities and boosted transaction volumes with operational lessors.

#### ■ Leader on the export market from Asia

From an already strong business base, the highly experienced export financing teams amply confirmed their global leadership. This front-ranking position is particularly evident on the Asian export market (China, Korea and Japan).

#### ■ Major advances in infrastructure project financing in Europe

The infrastructure teams turned in a sparkling performance, making major advances in Europe and taking advantage of the opportunities offered by acquisition transactions.

#### ■ Development in Italy

Global Trade Services' project financing and marine financing business expanded significantly in Italy on the back of the BNL acquisition.

### Financing sustainable development

Both in the energy and commodities sector and asset financing, BNP Paribas CIB continued to innovate, garnering widespread recognition from the specialised press in the process. Special efforts were made in 2007 to facilitate the financing of renewable energy and sustainable development. As a result, BNP Paribas CIB was appointed as advisor

for the financing of the United States' largest solar power plant, one of its teams' areas of expertise. In addition, the Group was the mandated arranger of financing for Namibia's Ministry of Health and Social Services. This transaction is the first Finnish Concessional Loan ever carried out in Namibia and the first in Africa in ten years.

## CASH MANAGEMENT

a leading commercial offering

Within BNP Paribas CIB, the Cash Management business provides international companies with an extensive array of global cash management and liquidity solutions. These services developed in close cooperation with the French Retail Banking's Cash Management department are based on state of the art technologies and on a wide geographical coverage encompassing Europe, Asia and the Americas.

In 2007, The Bank's offering continued to evolve to remain at the forefront of the latest market developments such as Payment Factory services and the launch in January 2008 of the Single Euro Payment Area (SEPA). The quality of this international offering is demonstrated by *Euromoney* magazine's rankings of October 2007:

- no. 3 for cross-border cash pooling;
- no. 3 for global liquidity capabilities;
- no. 5 in Europe for international cash management services;
- no. 8 at global level.

In 2007, supported by a dedicated sales force organised around a central team as well as experienced professionals in some 30 countries, the Cash Management business continued to develop its market penetration. BNP Paribas has been chosen by numerous clients from all geographic areas thus strengthening client relationships and generating multi-year recurring revenues.





# Structured Finance

## bridging the gap between lending and capital markets

At the crossroads of lending and capital markets, the Structured Finance Division of BNP Paribas CIB designs tailor-made financings for clients on a worldwide level.

Structured Finance (SF) professionals bring their expertise to corporates, financial institutions, private equity sponsors and local government authorities. Whether for an acquisition, a structured or a plain vanilla financing, Structured Finance provides custom-made solutions with the latest financial architecture and the best placement on the appropriate debt markets. Structured Finance manages the full spectrum from origination and structuring to underwriting and distribution on the loan syndication markets.

Structured Finance operates around the world through three main platforms – Paris/London, New York and Hong Kong, with teams present in 18 locations, bringing to the local level the talents and specific skills of our experts to develop long-term client and investor relationships.

### Awards & rankings:

- “Best Arranger of western European Loans”, *Euroweek Poll*, Jan. 2008
- No. 2 “EMEA Bookrunner (by volume) for 2007” *Thomson Financial & Dealogic*, Jan. 2008
- “Overall Asia Pacific Deal of the Year” for the Wesfarmers deal, *EuroWeek Asia*, Jan. 2008
- “European Telecom Loan Bank of the Year 2007”, *Telecom Finance*, Jan. 2008
- “European Leveraged Loan of the Year” for the TdF transaction (EUR 3.97 billion), *IFR Awards 2007*
- “Best Russian Loan” for the Norilsk Nickel loan (USD 6 billion), *Euroweek Poll*, Jan. 2008
- No. 2 “Bookrunner for 2007” for Singapore syndicated loans, *Thomson Financial & IFR*.

## 2007: strong corporate activity despite the impact of the summer financial crisis on leveraged finance

Structured Finance’s booming activity in the first half of the year was balanced out in the year’s second half, when leveraged finance was impacted by the summer’s market inflection. Corporate activity was strong throughout the year.

**In the Americas, Structured Finance managed to close landmark deals** such as Baldor for the acquisition of Reliance Electric Company, Geo’s for the acquisition of Centracore Property Trust, and Schering Plough’s for the acquisition of Organon BioSciences NV, a wholly owned subsidiary of Akzo Nobel. CIB reinforced its cooperation with Bank of the West which led to the structuring and distribution for Select Remedy, one of the ten largest temporary staffing companies in the United States.

On the syndication side, 82 transactions were completed in 2007, compared to 73 in 2006. Lastly, despite the severely adverse debt market environment prevailing from August onward, the Group was successful in proactively managing LBO underwriting commitments, repricing risks and eventually reducing exposure substantially.

**In Asia Pacific, BNP Paribas’ footprint continued to gain recognition** throughout the region, enabling the Group to be the **highest-ranked European bank in the syndicated loan bookrunner league table for the Asia Pacific region**. The Group’s activities spanned the entire region, from the more developed, mature economies to emerging growth markets:

- In Australia, the Bank coordinated the biggest ever syndicated loan of AUD 10 billion to back Wesfarmers’ acquisition of Coles, the largest take-over in Australian history.
- In Singapore, the Bank backed the privatisation of the largest rice cracker manufacturer in Asia, Want Want Holdings. On the emerging market front, the Bank consistently ranked among the five most active arrangers of loans in China, underscoring its strong involvement in the Asia Pacific region’s fastest growing economy. Its financing transactions concerned entities ranging from the state-owned bank China Exim to the private sector company Suning Appliance.
- In India, BNP Paribas supported the growth aspirations of its global client, Vodafone, in a JPY 59.7 billion sole-led transaction for Vodafone Essar as well as domestic corporations like Reliance Industries (to finance the capital expenditure requirements for Reliances’ oil and gas business) and financial institutions like ICICI Bank (USD 1.5 billion for general corporate purposes).



- In Vietnam, the Bank arranged financing for PetroVietnam to develop and construct the Nhon Trach 1 power plant, confirming its role as an active player in this fast growing market.

In Europe, the Bank's strength in arranging and book-running syndicated loans is highlighted by its **leading position in the EMEA region** in all bookrunner league tables. BNP Paribas' dominance in this sector reflects its multi-site origination and distribution platform and equivalent diversification in terms of transaction type – high grade, transactions related to such areas as energy, commodities, projects and exports, and structured transactions (including leveraged financing and the financing of the media/telecommunications sector).

- 2007 was a successful year for **corporate acquisition finance teams with a significant increase in the number of mandates**. The current crisis has not affected the level of activity and the deal flow remained high even after August, although the market environment impacted deal pricings and structures and tightened liquidity. Among the deals underscoring CIB's growing pan-European presence and capacity were the mandates obtained from: Danone for the acquisition of Numico (the Netherlands); Lafarge (France) for the acquisition of Orascom Cement (Egypt); Vodafone/Essar (UK/India) for the monetisation of a put option on Vodafone; Barilla (Italy) for restructuring Group indebtedness; Norilsk Nickel for the acquisition of Lion Ore and X5 (Russia) to finance future growth. The activity in eastern Europe picked up significantly. In line with the joint actions previously undertaken, Structured Finance worked with BNL's Corporate Group to develop a marketing approach targeting small/midcap clients. These joint actions have led to increased knowledge of Structured Finance products among BNL coverage teams and open the way for a promising pipeline of business opportunities.

- In a very active market, the **Leveraged Finance team closed a large number of LBO deals** in all European jurisdictions, the most significant being the EUR 2 billion financing of PAI partners' acquisition of a majority stake in Lafarge Roofing, the add-on facility for Dutch waste management company AVR to cover its acquisition of Van Gansewinkel and the financing of CDC Capital Investissement's LBO and taking-private of Quick.
- The year was very dynamic as regards European financing of **media and telecommunications operators**. BNP Paribas extended its geographic reach into the Middle East and eastern Europe and consolidated its **leading position**. In telecoms, it was awarded book-running mandates for financing TPG's LBO of TDF, refinancing Ypso Numericable, financing Swisscom's acquisition of Fastweb, and in Turkey for Otas' financing with proceeds applied toward the repayment of a seller's note issued in favour of the Turkish state. In the media sector, BNP Paribas CIB acted as bookrunner for the LBO of Trader Media Group by Apax and the Guardian Media Group, and the LBO of the Dutch publisher SDU by Allianz Capital and ABN PE. In emerging markets, the Bank also acted as bookrunner for the USD 2.5 billion financing of MTC for its acquisition of the third GSM licence in Saudi Arabia and the facility for the acquisition of Watanyia (Kuwait) by QTel (Qatar).
- 2007 was also a dynamic year for **real estate financing with a record level of investment in Europe**. BNP Paribas CIB maintained its strong position in France in real estate bank financing transactions and enjoyed significant growth in Italy.





# French retail booking





# French Retail Banking

French Retail Banking (FRB) has a client base made up of more than 6 million individual and private banking clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients (numbers based on the new commercial structure). The division offers 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 operated by the French Retail Banking Division has been reinforced with a view to enhancing local coverage and client service. As at 31 December 2007, it consisted of 2,200 branches, of which 900 had been updated with the new "Welcome & Services" concept, and close to 4,900 cash dispensers. As such, the network is more compatible with a multi-channel organisational structure. The division focuses on regions with high economic potential, and enjoys a 15% share of the greater Paris market (*source: BNP Paribas FRB market research, market share based on number of branches*). It 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.

The French Retail Banking Division employs close to 32,000 people working in the BNP Paribas domestic branch network, Banque de Bretagne, BNP Paribas Factor, BNP Paribas Développement, a provider of growth capital, and Protection 24, a telesurveillance firm.

In order to effectively respond to client expectations, French Retail Banking has reorganised its sales structure on the basis of network segmentation. The division is now made up of branches serving individuals and small businesses, Private Banking Centres, and Business Centres, all supported by a Client Relations Centre (CRC) and back offices in charge of after-sales operations.

In parallel, the division has continued to actively expand the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled out from 2002. The underlying aim of this system is to offer clients the highest standard of service and to step up the role of in-branch client advisers. The Client Relations Centre's three platforms in Paris, Orleans and Lille deal with calls made to the branches and process client e-mails. To extend this service, a dedicated line was set up in 2006 for Private Banking clients. A client relationship centre for entrepreneurs and small business clients was opened in the Paris region in 2006, before being set up nationwide.

The new workstations operated by the client advisers are geared to managing client relations within a multi-channel framework. As such, they represent the very hub of the system, whose effectiveness has been clearly proved after several years of use.

French Retail Banking also has the largest network of Private Banking Centres, with 222 centres across France that ensure extensive local coverage.

The new business approach adopted for corporate clients led to the emergence at the end of 2005 of a structure that is unique in the French banking landscape. This new organisation is based on 24 Business Centres located throughout the whole of France, as well as a professional assistance service – Service Assistance Entreprise (SAE) – and Cash Customer Services (CCS).

Finally, the division is reengineering its back offices into Production and Sales Support Branches (PSSBs). Specialised by type of transaction, they span the whole of France and have fully integrated information. At the end of 2007, there were 83 PSSBs, combined into 12 Production and Sales Support Groups.





# Individual clients

## A record year for new accounts

2007 goes down as a record year for client acquisitions, with **more than 530,000 individual demand accounts opened, an increase of some 26% on 2006**. This strong momentum is confirmed by the net growth in the number of individual accounts, which reported a significant increase for the third year running (230,000 versus 170,000 in 2006 and 155,000 in 2005).

This performance reflects the targeted client acquisition strategy implemented several years ago with the goal of renewing and developing the individual client business:

- **the network confirmed its focus on proximity** by opening 34 new branches, bringing the total to 140 new branches in four years in sectors that offer strong development potential. The 104 point-of-sale relocations carried out over the same period also attest to the mobility of this strategy.
- **the very active campaign targeting the younger population** – clients' children, students and young working people (see inset) – also paid off. A remarkable 328,000 client relationships were established with under-30s in 2007.
- **the national client sponsorship campaign led to 21,000 new account openings**, which reflect the satisfaction of our clients and their willingness to recommend us.

The network's client advisors also strongly promoted Private Banking's services. As a result, they guided 12,800 clients towards Wealth Management advisors. At the end of 2007, 110,000 households, representing more than EUR 60 billion in assets under management, were benefiting from Private Banking's services in France.

## A dynamic policy focusing on the young

### Innovative offerings adapted to every age group:

- 140,000 BNP Paribas Multiplacement Avenir life insurance contracts have been set up for clients' children since the product was launched at the end of 2006;
- successful assistance to students with their everyday challenges and in their relations with the Bank: Jeun'Appart housing deposits, bank balance consultation via SMS, free overdraft facilities;

- new global approach to young people starting work, together with BNP Paribas Santé, a complementary healthcare package adapted to their budget.

### Major partnership with student mutual insurance network:

- a common goal of providing students with access to banking services and healthcare coverage;
- more than 11,000 new clients in six months.

### A highly original marketing and communication campaign:

- shock comics Erik and Ramzy bring the Bank closer to the under-30s through a multimedia campaign delivered largely via mobile phone and internet;

- updating of the under-30s space on *bnpparibas.net* to give it a clearer identity and to showcase the offering;
- strengthened online appeal with a chat room, music and game downloads, etc.
- Sunday Start: through its strong association with the tennis world, BNP Paribas is inviting 10,000 young people to the Paris Masters at Bercy sports stadium in the French capital.





## Client satisfaction, key to loyalty

Thanks to the continued development of the multi-channel client contact system, Retail Banking improved the proactivity of its commercial organisation by being close to its clients at the right time and by being able to provide personalised offerings. **Over 25 million contact opportunities were generated in 2007, a 25% increase on the 2006 level. In parallel to the strong increase in visits to *bnpparibas.net* (1.4 million unique visitors per month, up 43% on the previous year), the number of client contacts made via the internet has risen by 31% (compared to 2006).**

**The enhancement of the bank relationship** led to a substantial rise in client contacts and boosted the number of in-branch interviews (11.5 million client contacts, of which 7.2 million inside the branch):

- programme to monitor new clients (see inset);
- programme to provide ongoing assistance to young clients – who are the most mobile and therefore the most vulnerable – up through their first years at work;
- a more pro-active approach to clients whose main bank is not BNP Paribas.

**The investment mix aligned with the multi-channel strategy** gave clients a free choice of how they keep in contact with the Bank:

- proximity: since mid-2004, BNP Paribas has updated 902 branches with the new “Reception & Service” concept (i.e. one branch per working day), created children’s

play areas and provided close to 5,000 automatic cash dispensers with increased account management capabilities; 83% of clients like the new branch organisation, and 87% appreciated having standard banking services accessible via cash dispensers;

- distance: an updated version of the *bnpparibas.net* site which is more modern, easier to use and better adapted to clients’ daily needs with new functionalities, such as the possibility of setting up permanent standing orders and improved access for the partially sighted.

Additionally, **high quality, personalised service** remained at the heart of the commercial strategy:

- numerous diagnostic reviews focusing on client projects and needs were made available throughout the network: savings, protection, under-30s;
- strong commitments were made to clients during the “Savings Coach” campaign (see inset);
- the Retail Banking business kept fully abreast of the application of the MIF directive to be able to give savers accurate information;
- the BNP Paribas Business School (see inset) was created with the goal of ensuring quality service by providing advisers with better training.

Each of these developments has contributed to the **continued improvement in the annual barometer of client satisfaction**, with particularly strong progress in indicators showing how clients rate their relationship with their adviser and whether they would recommend BNP Paribas.



## Steps taken to improve client satisfaction

To rapidly consolidate relationships with new clients, the welcome programme has been significantly bolstered so that at least four contacts are made in the first year with a view to:

- ensuring clients are satisfied with the quality of the services provided by the Bank;
- checking that clients are aware of the various methods available for contacting the Bank (through the branch, telephone, internet, etc.);

- marking the anniversary of the client’s first contact as a key stage in a long-term relationship.

The new “Savings Coach” concept was launched in early 2007 to help clients establish their savings targets. Branch network financial advisers undertake to:

- meet each client at least three times a year;
- create a savings plan that responds to their specific objectives;
- pass on knowledge in a clear and concise manner;

- prove themselves to be efficient over the long term.

**With the École du commerce (Business School), Retail Banking has substantially invested in the training of client advisers.** Programmes of 7 to 28 weeks, depending on the future role and experience of the employee, alternating between practical experience in the branch, and study. In 2007, the school provided training for 350 new employees.



## Commercial momentum boosted by the continued renewal of the offering

Retail Banking continued to enjoy strong momentum in payment methods:

- the continued success of the innovative Tercéo offering, which allows clients to pay for card purchases in three instalments or within three months. More than 500,000 clients have taken advantage of Tercéo in the 18 months since it was launched;
- with 660,000 Visa Premier and Infinite cards distributed among its Retail Banking clients, BNP Paribas has confirmed its leadership at the top end of the payment card market;
- the introduction of the Carte Cadeau payment card in November 2007 (see inset).

Following the decision by the government to transform Codevi savings schemes into Sustainable Development savings schemes, BNP Paribas became one of the first banks to offer reduced-rate loans, under the name of Energibio, which allow clients to finance energy-saving projects in their primary or secondary places of residence. Eight months after the launch, 2,000 applications have been processed, representing a total of more than EUR 20 million.

A new offering to finance the exercising of stock options was also introduced in the spring to provide for the development of this type of remuneration offered to employees of large companies.

In savings, against a volatile financial market backdrop, BNP Paribas stepped up its policy of regularly launching new guaranteed return funds: excluding Private Banking, more than EUR 2.2 billion were collected by the nine innovative funds offered to clients in 2007 with varying durations, underlying assets and strategies (see inset).

## Impressive commercial success

The Retail Banking business (Private Banking included) once again turned in very solid performances in investment savings despite a more demanding environment than in 2006, particularly in the second half of the year. In contrast to the situation seen by the majority of bancassurers, life insurance inflows continue to grow, and are approaching EUR 7.5 billion. The situation is also positive for mutual funds and unit-linked life insurance contracts, with inflows reaching close to EUR 10 billion. These performances reflect the strength of the offering, the continued development of planned savings with more than 430,000 new contracts, an increase of 13% compared to 2006, and regular, increasingly personalised contact with clients.

As regards loan business, Retail Banking continued to support its clients' projects:

- strong activity in consumer loans, resulting in an 9 basis point gain in market share in one year;
- a 25% rise in the number of student loans granted;
- a 9% increase in the mortgage portfolio with business remaining robust despite less favourable market conditions than in 2006.

## Commercial momentum boosted by innovation

The carte Cadeau prepaid and universal payment card has proven very popular with clients since its launch:

- 4 eye-catching designs with a mirror effect, and deluxe packaging as an option;
- more than 9,000 cards were offered as gifts in two months.

## Guaranteed return funds highlighted by the financial press and popular among clients:

- Conquistador, Conquistador 5 and Conquistador 8, which track equity market growth in the eurozone, have attracted inflows of more than EUR 475 million;
- Mambo, which targets a 12% return in two years or a strong share of the average growth registered by a basket of 20 stocks over five years, has generated inflows of EUR 590 million.



DU 16 AVRIL AU 2 JUIN 2007

**3,95%**  
TEG ANNUEL FIXE

**PRÊT ENERGIBIO**  
SPECIAL TRAVAIL ET ÉCONOMIE D'ÉNERGIE

UN LOGEMENT VERT,  
C'EST BON POUR  
VOTRE BUDGET !

Financé pour un prêt de 1 000 000 € sur 10 ans, avec paiement 48 mensualités de 210,24 €. Coût total du crédit : 279,32 €, soit un Taux Effectif Global annuel fixe de 3,95 % (sans assurance facultative). Frais de dossier offerts. Tous droits réservés à BNP Paribas.

BNP PARIBAS

# Entrepreneurs and freelance professionals

## BNP Paribas supports business creation in association with APCE and ADIE:

45,000 "Succeed in creating your own business" and "Succeed in acquiring your own business" guides were handed out in 2007 at trade fairs and in 2,200 BNP Paribas branches. Compiled in partnership with APCE (a government-sponsored business creation agency), these guides help to give those looking to set up or acquire a business a more professional approach by teaching them how to methodically prepare their project and implement it effectively.

Additionally, would-be entrepreneurs can now submit their projects to BNP Paribas online via [www.apce.com](http://www.apce.com). An appointment is then set up at a BNP Paribas branch of their choice within 48 hours.

Involved in the microfinance arena for many years alongside ADIE (Association for the Right to Economic Initiative), BNP Paribas helped finance more than 1,700 projects in 2007 (up 18% compared to 2006), for a total sum of close to EUR 5 million.



## The Bank continued to step up efforts to capture loan business in 2007.

The freelance professional activity recorded a net increase of nearly 12,500 current accounts in 2007 (up 3.6% over 12 months). The number of active entrepreneur accounts grew by the same proportion.

These performances reflect constant efforts to develop in this area, as well as regional and national partnerships established with key players in healthcare, franchises, craft industries and agriculture.

They also illustrate BNP Paribas' strong commitment to supporting business creation and acquisition and, more generally, providing the financing that helps to reinforce local economies:

- through the 2007 edition of the campaign to attract entrepreneurs and freelance professionals and close relations with ADIE and APCE (see inset), nearly 6,300 projects were examined in 2007 (up 45% versus 2006);
- total equipment loans awarded to entrepreneurs and freelance professionals in 2007 were up 4% by value on the 2006 level despite the uncertain environment in the second half of the year;
- Also on the rise, business creation and business acquisition financing accounted for 31% of the number of loans set up (up 1 point relative to 2006).

## Client relationships at the heart of commercial strategy

In 2007, substantial investment went into improving client relationship management and the pertinence of advice given to entrepreneurs and freelance professionals:

- The development of a business segment-orientated approach and various analytical tools helped business client advisers to get a better understanding of client needs;
- The introduction of an effective client contact strategy based on preference scores and personalised offerings also helped to boost the intensity, proactiveness and relevance of our commercial approach:
  - close to 1.3 million contact opportunities were generated in 2007, around key issues (financing, tax, retirement/estate planning, business and home protection, etc.) or important stages in the commercial relationship;
  - new clients now benefit from increased support for the first 12 months.





At the same time, the **ramp-up of remote banking channels** is reinforcing the number and quality of contacts established with clients and prospective clients:

- the roll-out of the CRPE support line, first opened in 2006, accelerated in 2007. By the end of the year it was available to more than 80% of BNP Paribas' 500,000 entrepreneurs and freelance professionals (see inset);
- [www.bnpparibas.net/entreprios](http://www.bnpparibas.net/entreprios), the website dedicated to BNP Paribas' entrepreneurs and freelance professionals reported close to 4.2 million visits in 2007 (up 34% versus 2006).
- more than 60% of our clients, versus 55% at the end of 2006, now have a personalised solution for remote management of their accounts.

These investments have helped improve the satisfaction of entrepreneurs and freelance professional clients and thereby strengthened the relationship they have with BNP Paribas:

- satisfaction surveys carried out in 2007 indicate an **improvement in our commercial approach, particularly in the management of private banking relationships;**
- **the portion of clients for whom BNP Paribas is their main bank increased in 2007**, by close to 1 point in the freelance professionals segment and more than 2 points in the entrepreneurs segment.

**In 2007 commercial momentum was directly driven by the competitiveness and innovation of BNP Paribas' offering.**

- The Esprit Libre Pro package of services and the BNP Protection Pro offering recorded growth of around 25% in 2007. 49% and 34% of professional clients have now signed up for these two services respectively.
- Launched at the end of September 2007, the new Solutions Pro Santé service designed for healthcare professionals has been a resounding success: more than 5,500 contracts were signed in three months (of which 2,500 included a merchant payment agreement).
- BNP Paribas' retirement savings solutions received wide acclaim in 2007: **for the fourth consecutive year, the Bank was awarded the Label of Excellence from the investment magazine *Dossiers de l'Épargne* for its PEE and PERCO savings plans** – subscriptions to these schemes rose by almost 25% compared to 2006.



With the CRPE support line for entrepreneurs and freelance professionals, BNP Paribas completes its multi-channel offering

The final link in the multi-channel offering designed for small businesses, the CRPE call centre is available without subscription. Call centre advisers provide personalised responses to calls and e-mails sent by clients and are able to see requests through to resolution via a middle- and back-office interface. The call centre platform provides key support to the Bank's commercial drive by transmitting information on identified opportunities to the branches and proposing appointments with account managers.

This new service aims to accelerate response rates, boost client satisfaction and quality of relations, and improve the availability of the network's sales force.



Solutions Pro Santé, a new standard of efficiency for healthcare professionals

The complete and innovative Solutions Pro Santé offering responds to changes in the healthcare sector and meets the changing needs of practitioners. This specially designed offering combines a range of services that enable healthcare practitioners to manage their business more easily and therefore devote more time to patients:

- management of professional and private accounts;
- payment of fees by bank card;
- financing solutions;
- exclusive assistance.



# Corporate and institutional clients

## 2007: continued success of Business Centres

Increasingly specialised client requirements have led BNP Paribas to differentiate its marketing approach according to the specific corporate client segment. The aim is to position BNP Paribas as the leading bank for companies, institutions and large associations by drawing on the wide array of services offered by the Group as a whole.

The strategy is built around the Group's 24 Business Centres located throughout France, which are exclusively devoted to corporate clients, institutions and large associations.

Major corporate accounts are overseen by key account managers based at the Bank's main regional offices. These high-level managers work closely with the Business Centres, the international network and the Group's other specialised businesses to create customised solutions for each client.

Additionally, two professional assistance services – Service Assistance Entreprise (SAE) and Cash Customer Services (CCS) – have been set up to deal with after-sales issues.

The continued increase in the Bank's share of the loan market (0.30-point gain in 2007 – *source: Banque de France*) and cash inflows (gains of 1.75 points for direct debits and 0.90 point for bank cards in 2007 – *source: GSIT*), as well as the growth in cross-selling (eight-fold increase in net banking income generated by CIB businesses between 2002 and 2007) and the improvement in client satisfaction, bear testimony to the success of this approach in meeting client needs.



BNP Paribas, Marseille

## Regional Trading Rooms

Against a backdrop of volatile financial markets, flattening yield curves and the euro's appreciation against the dollar, the seven Regional Trading Rooms reaffirmed their commitment to their clientele of large- and medium-sized companies, as well as large associations and institutions, closely assisting them with debt management and currency hedging.

The trading rooms offer the full range of investment services, from monetary funds to structured medium-term notes (index-linked to the equity markets, interest rates, exchange rates, etc.), thus enabling clients to optimise cash investments via products of all maturities and all classes of underlying.

Since June 2007 the Regional Trading Rooms have allowed their clients to hedge against fluctuations in the commodities markets, including metals and energy (oil, gas, CO<sub>2</sub>, etc.).

The Regional Trading Rooms work closely with the Business Centres and the Bank's CIB and AMS businesses. This efficient organisation allows us to offer our clients both financial market expertise and proximity.

## Products and services offered by the Group as a whole

French Retail Banking develops its commercial offerings to corporate clients, institutions and large associations by drawing on the specialised skills of each of the Group's businesses. 2007 marked further progress in cross-selling in such areas as currency derivatives, investment financing, specialised financing (factoring, equipment finance leases, leasing and management of company vehicles), mergers & acquisitions and private banking.

These success stories have been achieved through the effective coordination of the sales teams from the Business Centres and the Group's specialised businesses so as to provide clients with the best possible service.

## Delisting of Petit Forestier and entry of a financial investor into the company's share capital: an example of how BNP Paribas' businesses complement each other to serve its clients

Petit Forestier, Europe's leading refrigerated vehicle lease company, has based its success on an "all-inclusive" service offering. With a fleet of 30,000 vehicles the company generates annual revenues of nearly EUR 400 million and operates a network of 130 branches in France and eight other European countries. Keen to secure the future of the company created in 1907, Yves Forestier and his brother Jean-Claude had a think about how their company's share capital was organised. Thanks to a close and long-running relationship with the management of the eastern

Paris region Business Centre, BNP Paribas' corporate finance team was called on to advise Petit Forestier in this operation which brought a financial investor into the share capital and led to the company's delisting. The Structured Finance and Syndication teams arranged the loan and the underwriting, while the Key Accounts manager ensured smooth coordination between the various businesses. As a result, BNP Paribas demonstrated its capacity to assist and advise a family enterprise with the reorganisation of its share capital at a key point in its existence.



BNP Paribas, Paris



### Some of the year's cash management success stories

BNP Paribas has become a preferred banking partner of **EDF** in the cash management domain having been entrusted with 25% of direct debit volumes following an invitation for tenders launched in 2007.

**Alten**, the European market leader in high technology consulting and engineering, chose BNP Paribas as one of its preferred banking partners for the development of its business. This new partnership was founded on the BNP Paribas SwiftNet service bureau, which is fundamental to the processing of cash flows and the optimisation of cash management.

**J.-C. Decaux**, the world leader in street furniture and public bicycle hire programmes, put BNP Paribas in charge of the payment side of the Velib project in Paris, which allows Parisians and tourists alike to hire one of the 20,600 bicycles available for collection at 1,451 points around the capital using a Carte Bleue or Moneo payment card (10-15 million transactions per annum). Velib has so far handled 14 million rentals.

BNP Paribas has become the preferred bank of the French arm of **Diesel**, the world-renowned brand of jeans, and has been made responsible for managing all cash flows at the company's French stores.

BNP Paribas has been chosen by **UPS** to coordinate its payments across 7 countries, including Italy. The SwiftNet offering was a key part of the chosen solution.

## Cash Management

BNP Paribas has emerged as one of the uncontested leaders in cash management in Europe.

With operations in 19 countries across Europe, BNP Paribas and its partner banks offer clients a network of 24,000 branches in 33 European countries and 28,000 branches worldwide.

This strong positioning means that the Group is included in the vast majority of invitations to tender issued by European and International companies.

In 2007, the largest developments initiated by Cash Management were focused on the "Payment Factory" and Europe with the introduction of a SEPA (Single Euro Payments Area) offering. This offering enables companies to process payments in the new European context. Our strategic achievements include the creation of a multi-channel European platform and the introduction of the XML "new standards of the future" and SwiftNet concepts.

Cash Management has sales and support teams located around the world and totally dedicated to clients, enabling it to combine a global offering with specific local features.

This strategy has led to numerous successes in response to invitations to tender from such companies as EDF, Alten, JCDecaux, Diesel France and UPS as well as strong market recognition with *Euromoney* naming BNP Paribas as "best for robustness of electronic banking platforms – customer service categories" in 2007.

Corporate card activities continued to make strong progress – BNP Paribas remained the leader in this field with 60% of the Visa market in France.

Lastly, Cash Management made quite a splash in November 2007 by launching the first Cash Management University in Paris, an opportunity for our main partners (SAP, IBM, Swift and PricewaterhouseCoopers, etc.) and more than 150 European clients to get together to talk, exchange ideas, visualise and understand the major regulatory, technical and organisational issues in the corporate cash management business.

The Cash Management University was an immense success and is to be repeated in 2008, making it the unmissable cash management event of the year.



# After-sales organisation

2007 represented the beginning of a new phase for our production system, the goal being to continue consolidating our platforms, increasing their specialisation and updating their support systems.

At 31 December 2007, there were 83 Production and Sales Support Branches (PSSBs) in operation, working within 12 Production and Sales Support Groups, with a total of 4,800 employees.

Productivity gains resulting from the grouping of activities continued, and focused on:

- having back-office platforms take on new tasks;
- bolstering sales support units within the PSSBs to smooth communication between the front and back offices.

Alongside these changes, the Bank continued to review all procedures with a view to optimising and standardising them. 50 "ACE" projects (BNP Paribas' adaptation of the Lean Six Sigma method) contributed to these changes, while at the same time improving productivity and quality.

The ISO 9001 (version 2000) certifications for the three types of formatting platforms were renewed.



BNP Paribas, Lille



# International retail services

## **IRFS becomes BNP Paribas International Retail Services**

In April 2008, the Core Business has adopted a new name that expresses fresh strategic momentum and an integrated organisation designed to optimise its growth within the Group. **BNP Paribas** reflects the fact that this Core Business, with 71,000 people and nearly EUR 8 billion in net banking income, spearheads the BNP Paribas Group's strategy and development. **International** expresses the very essence of the Core Business, whose footprint currently spans more than 60 countries. **Retail Services** as its different activities are all about delivering retail services to customers, both individuals and businesses.





# BANK OF THE WEST

# International Retail Services

The International Retail Services (IRS) Division has some 71,000 employees<sup>(1)</sup> in over 60 countries. At the heart of BNP Paribas' growth strategy, it consists of three business lines, boasting well-known brands and in many cases market-leading positions.

In Retail Banking, IRS manages a network of banks which also serve as platforms for growth for the division's other businesses as well as for the Group's activities in their domestic markets. Retail Banking business is conducted in the United States via BancWest Corporation. This holding consists of Bank of the West (5th-largest bank in the US)<sup>(2)</sup>, present in 19 states) and First Hawaiian Bank (the leading bank in the state of Hawaii). The bank network in the emerging markets is growing strongly and is now made up of 1,993 branches in 34 countries. The business combines brisk organic growth and targeted acquisitions in a pragmatic way. In addition to strong positions across the entire Mediterranean basin and the Persian Gulf, a priority development zone, business is being developed in the far east of Europe. The division has also been present in Africa for many years, notably through BICI (Banque Internationale pour le Commerce et l'Industrie) which was one of the earliest banking networks in French-speaking Africa.

2007 was marked in household and consumer finance by the launch of BNP Paribas Personal Finance which combines all companies specialising in consumer finance (Cetelem) and mortgage financing (UCB and BNP Paribas Invest Immo), together with the new debt consolidation business (BNP Paribas MRC). BNP Paribas Personal Finance is the European leader in its market with 25,000 employees in 30 countries.

Finally, the corporate investment financing and business equipment management activities were grouped together within the Equipment Solutions business, which consists mainly of Arval, dedicated to the long-term management of cars and light trucks, and BNP Paribas Lease Group (BPLG), specialised in equipment leasing. Both these companies are no. 2 in Europe in their respective markets.

Thanks to this unique skill profile, the division serves 53 million clients around the world (including 28 million direct). Representing the main thrust of BNP Paribas' international development strategy in retail banking, all IRS businesses have a strong corporate culture and an ability to adapt to their changing environments.

<sup>(1)</sup> Number of employees at end-2007.  
<sup>(2)</sup> By deposits.



UkrSibbank, Kiev

# Personal Finance

## Creation of the leading European specialist in personal finance

In May 2007 Cetelem, UCB and their subsidiaries announced to the press their plan to create BNP Paribas Personal Finance. Confirmed in early January 2008 subsequent to the approval of the works councils, the merger of these companies, with domestic and international positions in consumer finance (Cetelem), mortgage financing (UCB and BNP Paribas Invest Immo) and debt consolidation (BNP Paribas MRC), has created the European market leader in personal finance solutions, with more than 25,000 employees, operations spanning 30 countries and four continents, and a EUR 100 billion loan portfolio at the end of 2007.

## Cetelem and UCB team up to create BNP Paribas Personal Finance

### An ambitious industrial and strategic project giving rise to a global player and European market leader in personal finance

The European mortgage and consumer finance markets had a combined valued of more than EUR 6,000 billion at the end of 2006 in terms of total loan portfolio. These markets are currently registering double-digit growth and changing fast. BNP Paribas Personal Finance is looking to respond to all the financing needs of individual clients by offering all loan products through all channels (i.e. direct, online, brokers, agents, partners, distributors, etc.) and by exploiting the increasing similarities that exist between these two types of lending. The target is to become an international player with a EUR 160 billion loan portfolio by 2010 and to be the only non-British/American entity in the global Top 5.

### Brand architecture contributing to the commercial development of this new business

The aim is to capitalise on the strength of the BNP Paribas name for the identity of this new business and on the reputation and image of Cetelem for the commercial activity. The UCB brand will be used where necessary, notably for the BtoB activity.

The "Credito" character, a strong and well-recognised image that has already been deployed on a global level, is to become the brand and communication emblem of BNP Paribas Personal Finance, which places responsible lending at the heart of its development strategy.

### Business activity and external growth of Cetelem, UCB and their subsidiaries: powerful moments of 2007

- In China, the alliance between Cetelem and Bank of Nanjing, whose main shareholder is BNP Paribas, began business operations in March with the launch of its first point-of-sale loans.
- On 3 April, LaSer, a 50%-owned subsidiary of Cetelem (with the other 50% owned by the Galeries Lafayette Group), acquired 5one Marketing Ltd, one of the European leaders in client marketing services.
- After 20 years of European expansion, in May UCB crossed continental borders to break into the Indian mortgage financing market, through the creation of a joint venture between UCB (49.9%) and Sundaram Finance (50.1%).



Cetelem, Casablanca



- On 18 July, Cetelem announced the acquisition of a 100% interest in Banco BGN, a specialist in consigned credit in Brazil. Banco BGN has 107 branches, 840 employees and more than 600,000 active clients. Brazil already represents the 4th-largest revenue stream for Cetelem after France, Italy and Spain, and the acquisition should significantly strengthen Cetelem's presence in the country.
- On 30 July 2007, LaSer consolidated its capital position in the Netherlands by buying up the remaining 40% stake held by SNS Reaal Invest (SNS Reaal Groep) in LaSer Nederland, making it a wholly-owned subsidiary of LaSer-Cofinoga.
- In August, Cetelem Russia began operations with the signing of its first agreement in Nijni Novgorod. By the end of 2007, Cetelem Russia had reached its objective of extending sales coverage throughout the country with offices in ten major Russian cities and a portfolio of more than 3,000 clients.
- On 3 August 2007, Cetelem acquired a 100% interest in JetFinance International, a leader in specialised consumer credit in Bulgaria. JetFinance International operates in more than 150 Bulgarian cities, has 800 employees and offers its products in more than 3,600 points of sale and via its own branch network. The acquisition is in line with Cetelem's aims to develop its activities in emerging countries and strengthens its regional coverage and its position as continental Europe's leader in consumer credit.
- In September, Cetelem opened the first European-wide e-credit portal dedicated to commercial websites. The

multi-lingual portal is perfectly integrated into commercial sites, regardless of their geographic location, and enables these sites to finance their European clients through a single liaison point. Cetelem also announced the signing of an agreement with its partner Pixmania related to the implementation of this solution on six of its European sites.

- In November 2007, UCB set up operations in the German real estate market, one of the largest in Europe.

### Cetelem finalises the implementation of its new operational organisation in France

In September 2007, Cetelem finalised its ambitious project for growth and innovation "Defi 2008", through the opening of five new CRCs (Client Relations Centres), in addition to the twelve CRCs opened in September 2006. This reorganisation of Cetelem's French network, better adapted to its clients' evolving needs and its technological environment, strengthens the quality of its relationship with partners and clients and boosts overall competitiveness.

### Doppie Fedelta, a cross-selling offer from Banca UCB and BNL

As part of the strategy of creating and developing synergies within the Group, a first cross-selling agreement was entered into between UCB's Italian subsidiary, Banca UCB, and the BNL retail network. This synergy offers Banca UCB clients preferential interest rates in exchange for the opening of a BNL deposit account and domiciliation of their income.



### Eco-friendly loans

- On 26 June 2007, UCB launched "eco-friendly" loans: Bons Plans Écologie offers all prospective loan applicants who have a "green" project – i.e. a project to buy a new construction using energy-saving equipment or materials – the chance to add a 1% interest rate loan of up to EUR 6,000 to their UCB construction loan. With this complementary loan, UCB gives its clients

an opportunity to make their acquisition project friendly to both the environment and their budget.

- On 17 October, Cetelem launched its Oxygène programme, aimed at encouraging consumers to choose "green products" and at promoting environmental awareness among its employees.

# Equipment Solutions

These companies use a multi-channel approach (direct sales, sales via referrals or via partnerships) to offer their corporate and business clients a range of solutions specific to each asset market, from financing to fleet outsourcing.

Equipment Solutions offers its end users and business providers the opportunity to outsource the credit, market or technical risks associated with corporate assets.

Equipment Solutions consists of three International Business Lines (IBLs) which are organised according to the assets and leasing solutions offered, more specifically:

- the car and light vehicle IBL managed by Arval, dedicated to long-term lease management services;
- the IT, telecom and copying equipment IBL run jointly by BNP Paribas Lease Group, specialised in equipment financing, and Arius, specialising in the leasing and management of IT equipment;
- the construction, agricultural and transport equipment IBL, which is run by specialists at BNP Paribas Lease Group and Artegy, engaged in the long-term management of heavy industrial vehicles.

Commercial real estate and other assets are managed by the local entities of BNP Paribas Lease Group.



## Services offered by Arval

- Purchasing and financing of cars and light trucks under long-term leasing arrangements
- "Vehicle strategy" advisory services
- Strategic advice on fleet management through Arval Consulting
- Vehicle maintenance management, under either fixed-price or cost-plus invoicing models
- Roadside assistance and replacement vehicle management
- Insurance and claims management
- Fuel card management
- Fleet management reporting
- Fleet buyback

The development of Equipment Solutions gained momentum in Europe in 2007 with 74% of Arval's operations and 54.1% of BNP Paribas Lease Group's operations being conducted outside France.

At the end of 2007 Arval had a total fleet of 538,000 vehicles under lease, an increase of 8% from the previous year, and it ranked no. 1 in France and no. 2 in Europe (*source: SNLVLD*).

BNP Paribas Lease Group has set up over 266,418 finance contracts totalling EUR 20.3 billion, making it no. 1 in Europe in equipment leasing (*source: Leaseurope*).

In France, BNP Paribas Lease Group is no. 1 in the equipment leasing market, with an 18.6% market share (*source: ASF, 2007*).

In Italy, the link-up with Locafit, a subsidiary of BNL, has created a major player in the market: no. 2 in equipment leasing by value of outstandings (*source: Leaseurope*).

Furthermore, the division's short-term Wholesale Finance business fared particularly well in 2007, registering growth of 19.8% across all countries.

## Arval

2007 marked Arval's operational launch in Brazil, Russia and Romania.

The company also set up three new subsidiaries – in Turkey (in cooperation with TEB), India and Greece.

Moreover, a particular subsidiary – Greenval – was created to favour the development of insurance activity.

Arval Netherlands was chosen as "the country's best employer" (across all sectors) and "best leasing company".

Lastly, Arval actively supported sustainable development through such initiatives as:

- Arval France's launch of a "green vehicle" catalogue;
- publication of a "12 Commandments of Sustainable Development" charter.



## BNP Paribas Lease Group

2007 witnessed the signing of new partnerships in every country where BNP Paribas Lease Group operates and in all the sectors represented:

- opening of a Claas Financial Services (CFS) branch in Italy. The CFS/SAS joint venture is now operational in five countries: France, Germany, Spain, the United Kingdom and Italy;
- launching of Solutrailers, a full-service semi-trailers business activity in France;
- signing of a commercial partnership with Aloka, a Japanese manufacturer of ultrasound equipment;
- launching of a European-wide multi-brand assistance contract for industrial vehicles of over 3.5 tonnes in partnership with Truck Assistance International Transports Assistance (TAI TA);
- signing of a real estate lease with SCI Grand Cap to extend the "Grand Hôtel du Cap", a legendary luxury hotel located at Saint-Jean-Cap-Ferrat;
- real estate lease-financing of a clinic for the Orpea Group, a leading player in the long-term care sector in Europe.

BNP Paribas Lease Group is now active in 22 countries – through its own establishments, those of BNP Paribas, or through cooperation agreements with local financial institutions.

## BNP Paribas Lease Group's offerings

- Finance leases
- Operating leases and flexible leasing solutions
- Hire and fleet management
- Medium-term financing
- Property and personal insurance
- Financial management of distribution networks (Wholesale Finance)
- Management of brands and joint ventures
- Repurchase of leases and receivables
- Leasing of real estate assets



BNP Paribas, Madrid

## Services offered by Arius

- Leasing solutions:
  - hardware and software
  - France and abroad
- Dynamic desktop asset management:
  - taking into account administrative, financial, technical and physical aspects
  - online, real-time data management
- Equipment renewal:
  - recycling
  - compliance with waste processing standards relating to end-of-life equipment

## Services offered by Artegy

- Full service long-term leasing for commercial vehicles:
  - joint vehicle design, followed by manufacture and delivery
  - inspection follow-up
  - maintenance and tyre management
- Fleet management
- Fleet buyback
- Resale of used vehicles



# BancWest

In the United States, the Retail Banking business is conducted through BancWest Corporation, a company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank, wholly-owned by BNP Paribas since the end of 2001. BancWest has completed a number of acquisitions since that date, the latest being Commercial Federal Corporation in December 2005.

Bank of the West offers a very large range of retail banking products and services to individuals, small businesses and corporate clients in 19 states in western and mid-western America. It also has strong national positions in certain niche lending markets, such as marine, recreational vehicles, church lending, and small business administration.

With a market share of close to 40% based on deposits (*source : SNL Financial, 30 June 2007*) First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and companies.

In total, with close to 12,000 employees, 742 branches and total assets of USD 74 billion at 31 December 2007, BancWest currently serves some 4 million client accounts. It is now the 6th-largest bank in the western United States by deposits.



Bank of the West, Los Angeles

After nine months of sustained growth, the American economy slowed significantly in the final quarter, with GDP dipping to 0.6%. For the year as a whole the economy grew 2.2%, the lowest rate since 2002 and 1% below the average for the 2004-2006 period.

The major downturn in the real estate market first made itself felt in the sub-prime segment before touching off a financial crisis and finally spilling over into the real economy. At the end of 2007, all economic indicators pointed to a slowdown extending far beyond the real estate sector alone.

In spite of the inflationary tensions generated by the weak dollar and rising prices for oil and other commodities, in September 2007 the US Federal Reserve embarked on a fast-paced, far-reaching programme aimed at loosening monetary conditions through successive cuts in key rates – bringing them from 5.25% down to 4.25% – and massive injections of liquidity.

After several years of strong growth and high profitability, operating conditions for American banks took a turn for the worse while competition for both loans and deposits increased. This unfavourable situation for banks was exacerbated by the ongoing inversion of the yield curve (short-term rates higher than long-term rates) leading to a general erosion in intermediation margins. Lastly, credit risks, which had been at historically low levels, deteriorated significantly, particularly during the second half of the year.

Despite this difficult business environment, BancWest kept to the organic growth plan initiated the previous year. Bank of the West's new sales organisation was systematically rolled out and the product and service range was uniformly offered throughout the network, to corporate and individual clients alike. The infrastructure and systems needed to develop cross-selling were put into place. Major investments were made with a view to strengthening the Bank's presence on the corporate market and ten specialised branches were opened during the year. Private Banking services were extended to cover the entire network through the organisation of dedicated regional teams.





Bank of the West, Los Angeles

In those of its activities exercised throughout the United States, Bank of the West reported gains in market share, underscoring the quality of its specialised teams. The Bank is now the 3rd-ranking (source: *Ag Lender*) American bank in terms of agricultural financing and the national leader (source: *Statistical Savings Inc.*) in the financing of recreational vehicles.

The economic downturn and the pressure on intermediation margins were thus partially compensated by robust growth in loan volumes and in fees and commissions related to insurance products, capital markets, cash management, etc.

Although Bank of the West was only marginally exposed to subprimes, it had to deal with an increase in the cost of risk, mainly due to the sharp deterioration in the residential construction sector. Nonetheless, thanks to the prudent selection policy applied in previous years, the impact of the crisis was much more moderate than that observed for most market players.

In Hawaii, the economic environment remained much more favourable throughout the year, due to the specific characteristics of the local economy. First Hawaiian Bank strengthened its leading position, turning in excellent performances in terms of both sales and financial income.

At 31 December 2007, BancWest had total assets of USD 74 billion and 742 branches in 20 states.

# Emerging Markets

The Retail Banking in the Emerging Markets business is now present in 34 countries, covering the Mediterranean basin (with more than 670 branches), the Near and Middle East (55 branches), Africa (90 branches), the far east of Europe (1,000 branches), Asia (60 branches in China and 59 in Vietnam via 2 partnerships with local banks) and the French overseas departments and territories (55 branches). Across all these regions, the business operates a total network of 1,993 branches with more than 4 million individual, corporate and business clients and 23,700 employees.

The business has developed rapidly since 2004, and now consists of five times more branches and four times more clients. It has also set up operations in 10 new countries since the end of 2004, both through acquisitions (Turkey and China in 2005, Ukraine in 2006, Vietnam and Libya in 2007) and organic development (Saudi Arabia, Kuwait, Mauritania and Russia).

This change of dimension has been accompanied by restructuring measures, involving the creation of regional platforms and a new commercial strategy focusing on private individual clients and SMEs.

These networks with their fast-growing client bases constitute a unique distribution platform for all of the Group's businesses: partnerships with Personal Finance in Turkey, Ukraine, Algeria, Morocco and China; distribution of CIB's structured products across all networks and integration within CIB's network of Trade Centres; creation of a joint venture with the Private Banking business.

## Accelerated expansion

In 2007, the Retail Banking in the Emerging Markets business experienced significant growth in its networks, activities and profitability. Against a deteriorating economic backdrop, the business confirmed its role as the Group's growth driver. The Bank pursued a pragmatic but ambitious strategy in all of its 34 operating territories, focusing on:

- organic growth and the enhancing of product and service offerings in countries with existing operations;
- launching operations in new countries through the creation or acquisition of networks;
- developing partnerships with other Group businesses, bringing together the distribution strength of the Emerging Markets networks and the expertise of BNP Paribas' various businesses.

**Existing networks expanded significantly in 2007 with the creation of 187 branches**, 103 of which in Turkey, 50 in North Africa and 13 in the Near and Middle East. The business now has 1,993 branches (including in China and Vietnam through partnerships).

**The networks' product range was enhanced with new products, often breaking new ground on local markets:** Crédit Réserve in Côte d'Ivoire, Kimi Crédit (based on the tontine principle) in Gabon, the Visa Platinum card in Morocco, the first Visa ATMs in Algeria, payment by mobile phone in Turkey and mobile phone banking in Ukraine. Moreover, several subsidiaries in the Gulf region provided their first Islamic financing.

In parallel, recently launched operations – in Saudi Arabia, Kuwait and Mauritania – continue to expand successfully.





In 2007, operations were set up in three new countries:

In **Russia**, the Group began its development in retail banking. Thanks to major recruitment and training efforts, the Russian subsidiary had nearly 300 employees by the end of 2007. With its current focus on corporate finance, the Bank's loan volumes are exceeding initial forecasts. The scope of activity will be broadened in the first part of 2008 through the launch of operations targeting individuals, professional clients, SMEs and development outside Moscow.

In **Libya**, the Group acquired 19% of the capital and operational control of the Sahara Bank in September, with the option of increasing its stake to 51% in three to five years. BNP Paribas and Sahara Bank will be developing several joint programmes, enabling the Bank to take advantage of the rapid expansion of the Libyan economy and the opening of its market to international operators (see box).

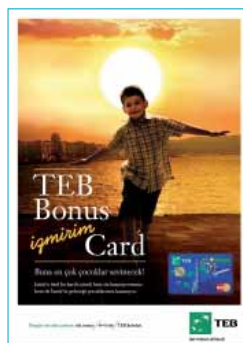
In **Vietnam**, BNP Paribas acquired 10% of the capital of Orient Commercial Bank (OCB) at the end of December and will be increasing its stake in this retail bank to 20%. The terms of the agreement provide for the creation of a strategic partnership to develop the Vietnamese bank's retail banking and consumer finance activities.

In all of these countries, the networks support the development of the Group's other businesses. The recent partnerships with TEB in Turkey and UkrSibbank in Ukraine have spearheaded this strategy. Most of the Group's businesses are already active in these two countries or are exploring opportunities to be so.

The Group is equally active in other geographic areas as witnessed by the operation launches by BNP Paribas Lease Group within BNP Paribas El Djazaïr in Algeria and the extension to Egypt of the partnership with International Private Banking. Collaboration with CIB's businesses is being developed in all operating territories with regard to export and commodity financing and distribution of market products through the networks (particularly in the Gulf countries). Cooperation with BNL was stepped up with the creation of Italian desks in Algeria, Tunisia and Turkey as well as Dubai for the Gulf region. Their services will enable the Bank to support the development of Italian companies in these countries.

The Group's first advances in Libya

Libya, one of the world's largest producers of oil and gas, is gradually opening up its markets and has undertaken far-reaching economic reforms (liberalisation of several business sectors, privatisation of the public sector and major investments, particularly in infrastructures). Growth prospects are therefore highly favourable. As part of the restructuring and privatisation of the banking sector, BNP Paribas was chosen by the local authorities as Sahara Bank's strategic partner. The Group has thus become the first foreign bank to operate as a full-service bank in this country. Tripoli-based Sahara Bank was founded in 1964 and has 1,500 employees. It is the 2nd-largest bank in the country in terms of assets and has a network of 48 branches in 26 cities. Its client base consists of major public companies, Libyan and foreign companies and more than 300,000 individual and small business clients. In terms of loans and deposits, its market shares are 17% and 22% respectively. This partnership reinforces the Group's presence in the Mediterranean basin, which is one of its priority development areas and a region where the Group can now boast an unrivalled platform. The partnership will provide opportunities for many synergies with the Group's various businesses and entities. BNP Paribas also opened a representation office in Libya in 2007.



## Enhanced presence in high-potential countries

The Emerging Markets business concentrated its development efforts on countries where banking markets are expanding rapidly.

### Mediterranean basin

In Turkey, Türk Ekonomi Bankası (TEB), whose holding company, TEB Mali, has been 50%-held by BNP Paribas since February 2005, is growing at an accelerated rate. Since December 2005, the network has grown threefold to more than 270 branches, enabling TEB to serve 1.3 million clients. This dynamism is bolstered by a strong capacity for product innovation. Through the creation of Turkish desks in Algeria, Egypt, Israel, Ukraine and Russia, and the opening of branches in neighbouring countries, TEB supports its clients' international development.

Now present throughout North Africa, the Group's over 400 branches represent a unified platform for this fast-growing market. Local subsidiaries hold leading positions in Morocco (no. 3) and Libya (no. 2) for the outstanding loans. Operations in Algeria are expanding rapidly. Launched in 2002, BNP Paribas El Djazair now has 36 branches. The subsidiary is mainly orientated towards corporate and trade finance and individual clients. In order to strengthen its position on the SME market and actively assist the development of Algerian companies, BNP Paribas El Djazair created the Académie des PME (the SME Academy) modelled after the TEB Kobi Akademi in Turkey. Similar programmes are planned in the business' other territories.



TEB, Istanbul



### Far east of Europe

In Ukraine, UkrSibbank (in which BNP Paribas acquired a 51% stake in April 2006) has enjoyed fast-paced development since its acquisition with the opening of 217 new branches and the implementation of major restructuring efforts – simplification of processes, stronger training and management efforts, improved internal control and risk management, etc. In parallel, local partnerships have been set up with Cetelem, BPLG and Cardif. UkrSibbank is also supporting the launch of other Group businesses (Arval, Atisreal and BNPP Asset Management). A partnership with AXA, strengthened by the joint acquisition of the 6th-largest local player, enabled AXA and UkrSibbank to achieve the 4th-ranking position on the property and casualty insurance market. UkrSibbank is now the country’s 3rd-largest bank in terms of assets and has been named “bank of the year in Ukraine” by *Euromoney* and *Global Finance*.

In Russia, the Group invested in the organic development of a local bank network.

### Near and Middle East

BNP Paribas is currently implementing a large-scale expansion plan in Egypt. The Gulf States are served by the regional headquarters in Bahrain, which is responsible for six territories: Bahrain, Abu Dhabi, Dubai, Qatar, Saudi Arabia and Kuwait. A new branch was opened in Jebel Ali in the United Arab Emirates. The Group also has operations in Cyprus and Lebanon. A partnership with the International Private Banking business line offers comprehensive wealth management solutions for the entire region.





## Asia

In China, the Group is developing a strategic partnership with Bank of Nanjing, in which it holds a 12.6% stake. The two banks have begun to cooperate closely in retail banking and consumer credit as well as processes, risk management and organisation. In 2007, Cetelem launched a consumer credit business in Nanjing. The listing of the Bank of Nanjing on the Shanghai Stock Exchange made it possible to raise the necessary funds to continue the geographic expansion begun in 2007.

In parallel, the Group signed a strategic partnership with the Vietnamese bank Orient Commercial Bank (OCB).

## Africa – French overseas departments and territories

BNP Paribas' operations in Africa are organised around the network of Banque Internationale pour le Commerce et l'Industrie (BICI). With 90 branches located in six countries (Burkina Faso, Côte d'Ivoire, Gabon, Guinea Conakry, Mali and Senegal), the Emerging Markets business manages one of the largest banking networks in French-speaking Africa. The business also has operations in Madagascar. In the French overseas departments and territories, it has 55 branches and enjoys prominent market positioning.



### [BNP Paribas and AFD, partners in microfinance and sustainable development](#)

In March, BNP Paribas signed a framework agreement with AFD (the French Development Agency) in the areas of microfinance and sustainable development. The agreement applies to countries where both organisations operate and strengthens institutional links as well as existing partnerships, particularly in North Africa, sub-Saharan Africa, Turkey and the French overseas departments and territories. Financing of microfinance institutions or SMEs, combined with the issuance of guarantees by AFD through its ARIZ fund or

its subsidiary PROPARCO, has already begun in Madagascar, Guinea, Senegal and, more recently, Mali. The Mali BICI has just granted a loan to the microfinance institute Miselini, which finances the small businesses and craft industries of about 14,000 women in the disadvantaged areas of Bamako. In several countries, the Group's subsidiaries also receive long-term refinancing from AFD for client projects related to sustainable development. Two agreements for EUR 40 million were signed in 2007: with TEB (Türk Ekonomi Bankası) in relation to social responsibility and with three Tunisian banks, including UBCI, for environmental projects.





# BNL commerciale

BANCA

BNL bc



BNL  
o BNP PARIBAS



BNL, Roma



# BNL banca commerciale

BNL banca commerciale (BNL bc) plays an important role in the Italian banking system in a context of rapid restructuring marked by an acceleration in the consolidation process between Italian banks, particularly the larger ones, and by the introduction of a regulatory framework which is much more geared towards competition and consumer protection. BNL banca commerciale has a large and diversified client base consisting of:

- around 2.5 million individuals and 13,000 Private Banking clients;
- more than 112,000 small businesses;
- more than 36,000 mid-corporates;
- 16,000 local authorities and non-profit organisations.

BNL bc has a comprehensive and segmented offering of banking, financial and insurance products and services, which range from the traditional to the most innovative, and are structured to respond to the needs of each client category.

In Retail and Private Banking, BNL bc has particularly strong positioning in the loan business (especially residential mortgages with market share of over 6% and is gaining ground in the deposits segments (market share of more than 3.5% <sup>(1)</sup>).

Relationships with companies and local authorities are also a strong point, with BNL bc holding market share of around 4.5% <sup>(1)</sup> and 6% <sup>(1)</sup> respectively in these segments, along with a well-established reputation in cross-border transactions, project financing and structured finance, as well as factoring, which is offered through a specialised subsidiary Ifitalia (rated no. 3 <sup>(2)</sup> in Italy by portfolio).

With a view to developing this client base as much as possible, BNL bc has reorganised its distribution model so as to increase direct contact with clients, reinforce the central role and flexibility of the sales network and improve communication of commercial policy regarding both innovative and standard products. Within a multi-channel framework the network has been divided into 5 regions ("direzioni territoriali") with the Retail Banking and Corporate Banking activities being run as separate structures:

- 125 Retail Banking groups with more than 700 branches;
- 23 Private Banking Centers;
- 21 Corporate Centers with 51 branches dealing with SMEs, large corporates, local authorities and public sector organisations.

In addition, five Trade Centers have now been opened. These units offer companies a range of products, services and solutions for cross-border activities and complete BNP Paribas' international network which consists of 85 centers spread over 55 countries. At the same time, BNL has strengthened the network that assists Italian companies abroad as well as multinational companies with direct investments in Italy, by opening 8 Italian desks in different countries.

The multi-channel offering is rounded out by around 1,300 ATMs and 20,000 POS, as well as telephone and online banking services for both private clients and businesses.

The reorganisation also involved the adoption of a new structure that brings the back office closer to the distribution network through the creation of specialised local units in five regions. The aim of the new model is essentially to increase satisfaction of both internal and external clients through higher quality and more effective service and better management of operating risk.

<sup>(1)</sup> Source: Bank of Italy statistics.

<sup>(2)</sup> Source: Assifact.



BNL, Roma

## Strategy highlights

During 2007 BNL banca commerciale (BNL bc) effectively followed the value creation path defined in the 2007-2009 BNP Paribas Group integration plan, by focusing on three fundamental goals:

- investing for organic growth, especially through a revitalisation of its strong national franchise and relations' framework;
- boosting BNP Paribas' existing activities by plugging a powerful distribution network to world-class product factories;
- maintaining a close control on the cost base by optimising the efficiency of both the functions and operations (back offices), while ensuring an adequate programme of training and renewal of its staff.

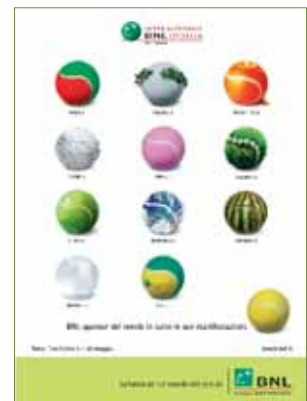
With regard to operating efficiency, 2007 initiatives have led to significant results, first of all, in terms of staff quality and cost optimisation: the early retirement plan has been substantially anticipated coupled with an innovative recruitment campaign designed to hire first-class young professionals almost entirely dedicated to commercial structures (around 770 people by year-end 2007); the training programme more than doubled in comparison to the previous year, covering the majority of the main commercial roles under the new organisational network; several activities have been dedicated to an effective change in management both at central and network level.

### Tennis sponsorship

Since the acquisition by BNP Paribas Group, BNL is strongly engaged in developing tennis at all levels in Italy, in the belief that it is a powerful instrument for social aggregation and valorisation, which can boost BNL's awareness and help support business. In 2007 BNL has become Title Sponsor of the "Internazionali BNL d'Italia" with an agreement that will last until 2011. This tournament is the most important tennis event in Italy, with an attendance of 144,000 people, total

satellite TV coverage and with semi-finals and finals broadcasted by one of the leading Italian TV's, a total audience of 144 million people and a TV coverage of 270 hours. BNL invited more than 4,000 guests from different markets and BNP Paribas poles, and enjoyed major visibility also thanks to a dedicated advertising campaign, and an important press coverage delivering almost 500 articles. During 2007 the partnership between BNL and tennis has further increased through the support of other

important tournaments such as the BNL Revolution Cup, Inter banks Italian and European tournaments as well as the organisation in Italy of the Davis Cup and the Fed Cup by BNP Paribas tournaments in Italy, including the World Juniores matches in Reggio Emilia. Furthermore BNL also supports handisport tennis (the "Wheelchair tennis Master of Rome" and the "3rd ITFR World Tennis Championship-Rotarians' Tennis Meeting").

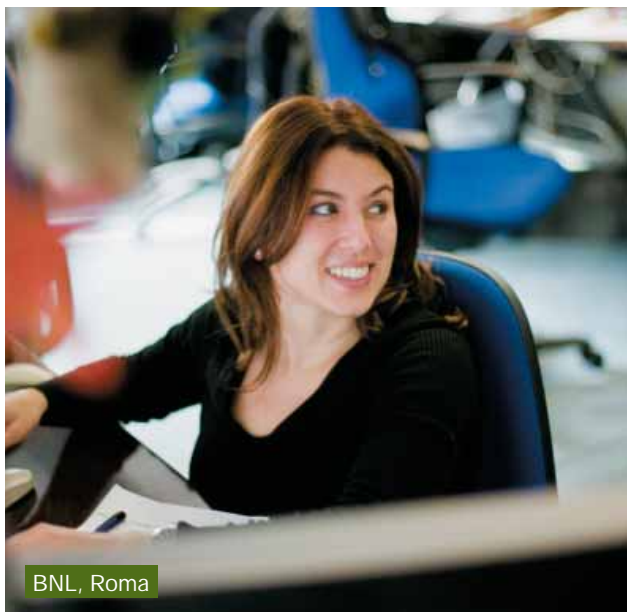


## Retail & Private business

### First tangible results from new policies

The positive performance of BNL bc Retail & Private business is the result of a considerable number of key initiatives launched in the course of 2007:

- to carry out a reorganisation of the client segmentation and the definition of a revised service model;
- to revitalise customer acquisition potential, through a far-reaching and innovative programme of specific campaigns and initiatives, supported by competitive advertising and the creation of the basis for the development of a truly multi-channel distribution network;
- to strengthen customer retention, with the introduction of new prediction models and the monitoring of clients at risk whilst enhancing a proactive approach also through anti-attrition offers;
- to re-define product offering with a dual approach of rationalising the product range on the basis of the new segmentation whilst increasing product innovation;
- to increase Private Banking Assets Under Management in order to improve profitability and customer satisfaction by integrating upper affluent clients from Retail;
- to provide a new focus on communication with 5 advertising campaigns on an innovative cinema format, allowing a revamping of brand awareness and image towards progress and innovation.



### A year of intense product innovation

BNL bc has committed to a complete overhaul of the product offer in the course of the year with the launch of new and innovative products exploiting BNP Paribas' know-how and world-class product factories.

#### ■ An innovative approach to segmentation

An innovative approach, based on customers' real potential and adapted from the Group's French experience, has been introduced in BNL bc:

- the Individuals market has been divided into 7 segments based on income, wealth, age, product portfolio and profession, designing a specific strategy for each segment;
- business customers have been divided into two segments: small businesses (up to EUR 750,000 of annual turnover, branch service model designed to also capture individual side potential) and SME (up to EUR 5 million of annual turnover, service model based on dedicated relationship managers). In each category the focus is given to high potential/high income/low risk clients.

#### ■ "Revolution" line of products

The "Revolution" line of products aims to introduce new attractive solutions on traditional products and to leverage on innovation to attract new clients. It covers a range of products like:

- "BNL Conto Revolution": flexible current account providing a unique pricing model payable only in the month the branch is used by the customer. This pricing model encourages the free usage of remote channels (ATM, phone, internet) transferring part of the cost benefits to the customer. The introduction of this product has resulted in an increase in account openings of nearly 40% compared to the previous year; coupled with decreasing closures. This has brought about a trend reversal in net current accounts which in 2007 returned to positive territory with 6,500 net new accounts after several years of significant net outflows;





- “BNL Mutuo Revolution”: residential mortgage offer with the unique combination of loan-to-value up to 100%, duration of up to 40 years and fixed interest rate and “BNL Prestito Personale Revolution”: personal loan with a duration of up to 120 months and for amounts up to EUR 100,000. With these two products BNL aims at increasing the accessibility of loans for young couples, one of the growing segments of the market, currently under represented in BNL’s customer portfolio. After the launch of these products, production of both residential mortgages and consumer credit have significantly accelerated;
- “BNL Libretti di risparmio Kids”: a successful co-marketing experience with major movies (*Arthur and the Minimei*, *Pirates of the Caribbean*, *The Winxs*) dedicated to young customers and generating 28,000 new savings accounts in 2007.

### ■ Asset Management products

As a consequence of the strong co-operation between BNL bc and BNP Paribas product factories, BNL bc’s Asset Management offer has been characterised by wide-ranging innovation, targeting two main areas:

- revising and rationalising the mutual fund offer:
  - “BNP Paribas Équipe”: structured around three different investment profiles to match clients’ risk appetite and with a flexible management style based on bonds and equity mix;
  - “BNP Paribas 100% e più”: coupling capital guarantee with the possibility of benefitting from equity market trends in three different geographical areas Europe-wide.

The two products have gathered EUR 1.7 billion in six months;

- in order to add value and attractiveness to the whole range of investment products, in the course of 2007 BNL has also started distributing certificates of BNP Paribas: Equity Protection, Twin Win, Jet and other products dedicated to Private Banking clients, gathering a total of almost EUR 200 million.

### ■ Insurance and Credit Protection products

Insurance and Credit Protection products – strengthened by the effective co-operation with BNP Paribas product factories – have represented a key profitability driver in the 2007 performance of Retail & Private, thanks to:

- the placement of significant amounts of both unit-linked and index-linked life insurance products, allowing BNL bc to rank amongst the top banking players in the industry in terms of gross premiums;
- the revitalisation of credit protection offering: “BNL Serenity”, dedicated to residential mortgages protection, “BNL Continuity”, dedicated to protect business continuity from life events. Since the launch of these products, the percentage of capital protection on new lending has almost tripled, increasing from less than 20% at the beginning of the year to 50% over the last months of 2007;
- in October BNL bc has started selling “Serenity” also to the existing stock of mortgages, assuring EUR 210 million in mortgages in 2007.



## Corporate business

### The basis for sustainable growth in profitability

2007 was a year of far-reaching renovation for the Corporate business of BNL bc centred around the following areas:

- re-design of the network aimed to improve client service level also through a new segmentation approach designed to enhance cross-selling with CIB and introducing 25 senior bankers dedicated to top Mid Cap clients;
- introduction of product specialists and risk structures throughout the entire commercial network;
- enhancement of product offer especially in cash management, trade finance and structured finance deals with SMEs;
- full integration into BNP Paribas' international reach, thus providing client access to 85 countries and strengthening the presence in the Mediterranean area;

This business has achieved significant results in the year, confirming BNL bc's historical role as a reference bank for both companies and local authorities and leveraging on the vast synergies potential offered by the international presence and first-class product factories of BNP Paribas Group, notwithstanding a challenging market environment where the introduction of new regulations, especially penalising on loans' pricing, coupled with higher interest rates, has adversely impacted the margins at industry level.



BNL, Roma

### Corporate Social Responsibility

In BNL, Corporate Social Responsibility aims to achieve choices of sustainable development. The concept of sustainable development is based on three closely interrelated principles:

- 1) social equality, in the sense of fairness and impartiality between generations;
- 2) environment preservation, meant as maintenance of the stock of natural resources and biological diversity;
- 3) economic competitiveness, meant as the ability of the economic systems to create wealth assuring social cohesiveness and respect for the environment.

In particular, BNL's commitment to social needs finds its best example in the partnership with Telethon, the most important fund raising initiative in Italy and in Europe. BNL has been supporting Telethon Fondazione Onlus for the past 16 years, raising over EUR 172 million (about half the total amount gathered) for scientific research on

genetic diseases. In this way BNL has supported more than 2,000 initiatives and over 460 discoveries of great scientific value. In 2007 BNL enhanced its support for Telethon by launching a prepaid card "MyCash BNL per Telethon" and a three-year bond "BNL Step", whose transaction fees are devolved by BNL to Telethon. Furthermore BNL is an active supporter of sports, art, culture, music, theatre and cinema; as part of this, BNL is the main partner of "Cinema Festa Internazionale di Roma" a major event for both professionals and cinema lovers.



- structured finance deals with SMEs more than doubled whilst the first joint deals with CIB grew especially in the second part of the year;
- opening 5 Trade Centers in Italy and 8 Italian Desks, in particular in countries of the Mediterranean area and Russia, has created the conditions for a rapid expansion of cross-border and other international-related products and services;
- on the basis of a new integrated platform with BNP Paribas, the cash management offer was re-designed in the last months of 2007, coupled with an innovative advertising campaign;
- local authorities relations have been consolidated and strengthened, resulting in an improvement in the market position and a considerable growth of the related profitability.

### A stronger control of risks

As part of the alignment to BNP Paribas' standards and of the strict attention placed by BNL bc on its risk profile, the credit approval process has been integrated with the "4 eyes" concept; as a result credit approval decisions are to be shared by commercial and risk management structures. The new concept introduces the following changes in the credit approval process:

- a binding credit opinion is to be provided by the risks structure which forms integral part of the credit approval;
- the commercial division is responsible for the credit approval;
- a team of specialised credit analysts has been set up to provide credit opinions;
- should the commercial and risk opinion diverge, the approval process escalates to a higher approval level.



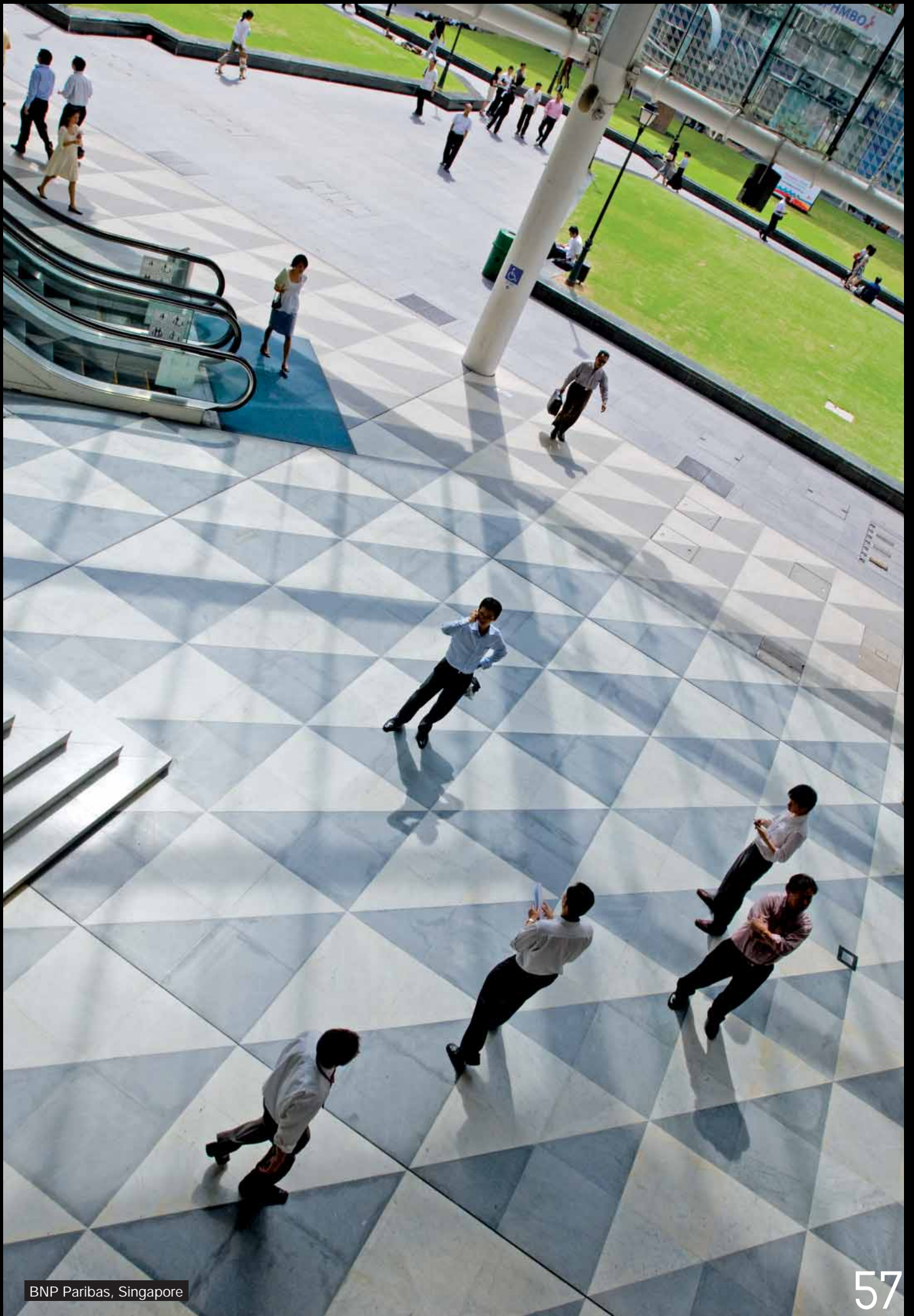




# Asset

management <sup>and</sup> services

management





# Asset Management & Services

The Asset Management and Services core business comprises all of the Group's investor services businesses and leads the BNP Paribas asset gathering effort. One of the foremost players in Europe, AMS offers fund management and discretionary asset management services, backed by a range of high value-added investor services.

AMS leverages expertise in three main areas:

- Wealth and Asset Management, comprising Asset Management (BNP Paribas Investment Partners), online brokerage and personal investment services (BNP Paribas Personal Investors), Private Banking (BNP Paribas Banque Privée) and Real Estate Services (BNP Paribas Immobilier);
- Insurance (BNP Paribas Assurance);
- Securities Services for corporate clients, fund managers and financial institutions across the globe (BNP Paribas Securities Services).

Through these six businesses, which employ a total staff of 23,500 in some 60 countries, AMS offers a comprehensive range of products and services to a broad investor clientele, including institutional clients, corporations and private individuals.

In 2007 each AMS business was a leader in its market both in France and at a European level.



BNP Paribas, Madrid



# BNP Paribas Private Banking

Private Banking offers high value-added products and services designed to respond to the expectations of a sophisticated, wealthy clientele.

The Private Banking offering includes:

- wealth management services: estate planning and advisory on holding structures;
- financial services: advisory on asset allocation, investment products, securities, discretionary portfolio management;
- expert advisory in specific fields: art, real estate and rural property in particular.

The Private Banking model is based on the notion of global advisory and servicing along the whole wealth cycle. To provide its clients with products and services that best fit their individual needs, BNP Paribas Private Banking has adopted an open architecture approach in terms of offering. It hence creates wealth solutions sourced from the Group's other businesses (Asset Management, Securities Services, Insurance, Corporate Finance, Fixed Income, Equity Derivatives, etc.), as well as external providers.

BNP Paribas Banque Privée employs over 4,300 dedicated professionals and is present in over 30 countries, primarily in the major private wealth management centres in Europe and Asia.

BNP Paribas Banque Privée is no. 1 in France with EUR 63 billion in client assets and a reinforced network of 222 Private Banking Centres nationwide, plus a Wealth Management department specialising in clients with more than EUR 5 million in assets. It ranks no. 5 in western Europe, where it is rapidly developing its presence in domestic markets (*source: 2008 Euromoney rankings*), and is one of the Top 3 private banks in Asia (*source: Asiamoney 2007 rankings*).

At end-2007, BNP Paribas Banque Privée overall held over EUR 157 billion of client assets on behalf of its clients.

## Fast-paced expansion and a clear improvement in profitability

In a mixed context for the financial industry, BNP Paribas Banque Privée achieved a marked improvement in its results in 2007 and continued to develop its commercial operations at a brisk pace.

### Product development

- Strong growth in transaction activity, driven by equities and increasingly sophisticated structured products.
- Significant enhancement of the alternative investment offering with the promotion of numerous private equity products (including PAI Europe V), continued development in hedge funds and the expansion of real estate and ethical funds (campaigns targeting sophisticated investors).
- Continued development of discretionary management following the expansion of the offering and innovative mandates carried out in 2007.
- Overhaul of broker monitoring and validation procedures and development of a product scoring system to comply with the European Markets in Financial Instruments Directive (MiFID).



Responsible investment, sustainable development and philanthropy are essential components of the advisory and investment services offered by BNP Paribas Banque Privée.

A specialised team assists clients with services such as a foundation specifically dedicated to helping private clients with their philanthropic ventures and a range of innovative investment funds focusing on microcredit, renewable energies and waste or water treatment.

For its larger clients, mindful of the heritage to be passed on to future generations, the Private Banking activity organises a major conference on philanthropy and sustainable development each year. In 2007, the event was presided over by Amartya Kumar Sen (Nobel Prize for Economics) and drew speakers as diverse as Franck Riboud, the Chairman of Danone, Yann Arthus-Bertrand, Alice Dautry for the Institut Pasteur, Pamela Hartigan of the Schwab Foundation and Ronald Arculli of the Hong Kong Stock Exchange. This conference, which has become renowned in the world of philanthropy, brings together private clients of around 30 different nationalities.



P. Amartya Sen

## Customer development

- Improving commercial organisation with a view to optimising the efficiency of the sales force. Enhancing the management tools used by front-line commercial staff and adapting the offering to client needs through client segmentation.
- Setting up special Family Offices and Independent Asset Manager structures in Europe.
- Strengthening the Corporate Advisory approach, particularly in Italy and France.
- Consolidating the organisation specialising in ultra high net work individuals and expanding the product offering.
- Developing the sales force, particularly in Asia.

## Continued efforts to improve operating efficiency

- Adapting the Private Banking organisation to European MiFID rules and providing clients with specialised assistance in this domain.
- Launching a re-engineering programme aimed at improving the efficiency of processes in Private Banking as part of a quality drive.
- Overhaul of operating and technology systems at the branch office in Greece.
- Continued development of asset management tools and improvement of client reporting systems.
- Continued strengthening of the risk monitoring system.

## Sustained profitable growth momentum

In 2007, BNP Paribas Banque Privée continued to implement its strategy focused on organic growth and targeted acquisitions.

The Private Banking activity significantly broadened its international reach again in 2007 in the world's new wealth regions, notably Asia, thanks to the intense recruitment of commercial teams.

Meanwhile, it continued to strengthen its positioning in southern Europe and Benelux. In Italy, the internal joint venture model with the BNL bc network was set up and should be running at full strength in 2008. In the Netherlands, the acquisition of the private banking arm of KAS Bank by Nachenius Tjeenk, the Dutch Private Banking subsidiary, underscoring BNP Paribas' leading status in this attractive market.

In France, BNP Paribas Banque Privée successfully acquired Dexia Banque Privée France which was merged with BNP Paribas SA on 1 January 2008 and renamed Banque Privée Anjou. As a result of this major operation, the Private Banking business confirmed its leadership in the French domestic market, a position which was further highlighted when it was awarded the title of "Best Private Bank" by *Euromoney* magazine in January 2008.



# BNP Paribas Investment Partners

BNP Paribas Investment Partners combines all the Asset Management businesses of BNP Paribas. A single platform providing simplified and immediate access to a vast range of specialised partners, BNP Paribas Investment Partners is one of the biggest names in Asset Management in Europe. At 31 December 2007, total assets under management stood at EUR 344 billion <sup>(1)</sup> of which almost half were held on behalf of institutional clients. With 2,000 professionals serving clients in more than 70 countries, BNP Paribas Investment Partners draws on more than half a century of experience in Asset Management and has enjoyed strong growth over the last decade, punctuated by targeted acquisitions and the creation of joint ventures.

This solid development reflects a clear multi-specialisation strategy and a partnership approach which has enabled BNP Paribas Investment Partners to consistently enrich its product and service offering with the support of companies who are experts in their particular field.

BNP Paribas Investment Partners is present in the major financial centres, including Paris, London, New York, Tokyo and Hong Kong. It also has first-rate knowledge of new markets thanks to its teams in Brazil, South Korea, China, India, Morocco and Turkey. With 250 client relationship managers in 30 countries, BNP Paribas Investment Partners has a local presence that brings it closer to its clients.

<sup>(1)</sup> Including assets under advisory



## Record growth for EasyETF

In just over two years, EasyETF tracker assets under management have grown more than tenfold to exceed EUR 4.6 billion at the end of 2007 with a high degree of popularity in Asia. EasyETF trackers have more than lived up to their reputation as "off the beaten track" trackers by enhancing their offering with numerous innovative products including the first Islamic ETF on a global equity index.



2007 was marked by the launch in May of BNP Paribas Investment Partners, a brand which encompasses all the expertise of BNP Paribas' asset management businesses.

This brand shows how, building on the existing know-how of BNP Paribas Asset Management in fundamental asset management, the business has progressively developed new areas of expertise through a multi-specialisation strategy based on setting up innovative partnerships with leading specialists in each new domain.

BNP Paribas Investment Partners therefore combines the best of both worlds: the financial security and highly efficient control systems of a large organisation and the proximity of a large distribution network, combined with the responsiveness, specialisation and entrepreneurial spirit of smaller asset management companies.

In 2007, this unique model once again enabled BNP Paribas Investment Partners to achieve strong growth, despite a sharp deterioration in market conditions in the third quarter. Strong international development in recent years has provided BNP Paribas Investment Partners with a solid source of growth:

- In Italy, where synergies between local teams and BNP Paribas Asset Management teams in Paris resulted in the successful launch and placement through the BNL network of numerous structured products. At the

same time, the range of products distributed by BNL was entirely reworked in 2007 to respond to the needs of differing client categories;

- The portfolio of managed assets in the Middle East grew by more than 60% in 2007 thanks in particular to numerous mandates from large institutions;
- The "new markets", particularly South Korea and Turkey, enjoyed solid momentum which led to a greater than 50% increase in their managed assets. In addition to local demand which remained very buoyant, foreign investors showed a keen interest in these countries as they sought to improve their geographical diversification.

[Impax, BNP Paribas Investment Partners' specialist in environmental funds](#)

BNP Paribas Investment Partners has enriched its range of products and services by acquiring 29.4% of Impax, an asset management company specialised in environmental markets and listed on the London Stock Exchange. The partnership between the two companies began eighteen months ago with the launch of the Parworld Environmental Opportunities fund and will be strengthened to cover the management and distribution of funds in certain parts of Europe, Asia-Pacific and the Middle East.

change and supporting extra-financial research. Thus in 2007 BNPP AM became a partner to the Carbon Disclosure Project after signing the United Nations Principles for Responsible Investment at the end of 2006. Furthermore, BNPP AM holds the vice-presidency of the Institutional Investors Group on Climate Change (IGCC) and is a founder member of the Enhanced Analytics Initiative (EAI).

[BNP Paribas Investment Partners: unique knowledge of new markets](#)

The asset portfolios managed by partners of BNP Paribas Investment Partners in new markets (Brazil, Argentina, India, China, South Korea, Turkey and Morocco) grew by more than 50% in 2007, reflecting growing investor interest in these regions. South Korea stands at the top of the list among these countries, having reported record net inflows over the year. At the end of December 2007, BNP Paribas Investment Partners was one of the largest global players in these new markets with EUR 33 billion in managed assets.

[BNP Paribas Asset Management confirms progress in the field of sustainable and responsible investment](#)

With more than EUR 8 billion in assets under management and advisory at the end of December 2007, BNP Paribas Asset Management is a major player in sustainable and responsible investment. This commitment is illustrated by the driving role played by BNP Paribas Asset Management in numerous global initiatives focusing on key issues such as climate



BNP Paribas, Mumbai



BNP Paribas, Madrid

BNP Paribas Investment Partners also continued to broaden its expertise by setting up a new partnership with Impax, a company specialised in environmental funds. Enriched by this recent addition, BNP Paribas Investment Partners' product and service offering has three main focuses:

- Clearly defined expertise:
  - fundamental asset management (BNP Paribas Asset Management);
  - management of international rates, credit and structured credit instruments (FFTW);
  - management of environmental funds (Impax);
  - alternative investment strategies (CooperNeff Alternative Managers, Fauchier Partners);
  - currency management (Overlay Asset Management);
  - private equity (BNP Paribas Private Equity);
  - multi-management (FundQuest).
- Specialised teams devoted to specific investor categories:
  - wealth management (Cardif Asset Management, BNP Paribas-Discretionary Portfolio Management);
  - company long-term savings and pension schemes (BNP Paribas Épargne & Retraite Entreprises).
- Pioneering entities in new fast-growing markets such as:
  - Latin America (BNP Paribas Asset Management Brazil and BNP Paribas Asset Management Argentina);
  - China (SYWG BNP Paribas Asset Management);
  - India (Sundaram BNP Paribas Asset Management);
  - South Korea (Shinhan BNP Paribas ITMC);
  - Turkey (TEB Asset Management);
  - Morocco (BMCI Gestion).

BNP Paribas Investment Partners has also formed strategic alliances with a view to offering:

- a complete range of trackers under the EasyETF banner;
- multi-currency AAA-rated money market funds under the Cash Funds International banner.

### BNP Paribas Asset Management rethinks the organisation of its management teams

To optimise complementarities among its various business lines, BNP Paribas has chosen a new organisational structure built around three units:

- Alpha management, encompassing money-markets, European fixed income, European equities, US equities, Japanese equities, and global and emerging market equities.
- SIGMA portfolio management, which includes structured and capital-guaranteed investment management, index-linked portfolio management and ETFs, balanced fund management and asset allocation.
- IBS (Investment & Business Solutions), proposing expertise and solutions to assist all investment management teams in their bid to offer new sources of added value such as sustainable and responsible investment.

### Increasing innovation at BNP Paribas Épargne & Retraite Entreprises

The first French company to adopt a global approach to employee savings and retirement schemes back in 2003, BNP Paribas Épargne & Retraite Entreprises strengthened its position as the market benchmark in retirement savings by once again turning in an excellent performance with more than EUR 2.5 billion in total inflows. 2007 was a year of major innovation with the extension of the Vision Globale e-service to stock options and company shares and the creation of websites to handle transactions relating to company retirement savings schemes and defined contribution pension plans.



# BNP Paribas Personal Investors

BNP Paribas Personal Investors offers independent financial advice and a wide range of investment services across multiple distribution channels to high net worth individuals. This business line brings together three major players in the private investment field:

- Cortal Consors is the leading personal investment and online brokerage firm in Europe, providing personalised investment advice and online trading services in five European countries – Germany, France, Spain, Belgium and Luxembourg. Cortal Consors offers clients its investment advisory experience through several channels – online, telephone or face to face. It offers a broad range of independent products and services including short-term investment solutions, mutual funds and life insurance products, backed by leading-edge online brokerage technologies;
- B\*capital, a brokerage firm, specialises in personalised advice on securities and derivatives as well as discretionary management for high net worth clients. It offers its clients direct access to all markets, financial analysis, personalised portfolio advisory and portfolio management services;
- Geojit is one of the leading retail brokers in India. It offers brokerage services for equities, derivatives and commodities as well as financial savings products, mainly to private individuals. Geojit also operates in the United Arab Emirates where it targets a non-resident Indian clientele. BNP Paribas is its main shareholder.



At 31 December 2007, BNP Paribas Personal Investors had 1.56 million clients and EUR 32.2 billion worth of managed assets, with 37% in equities, 43% in savings products or mutual funds and 20% in cash. BNP Paribas Personal Investors employs 4,147 people.

The goal of BNP Paribas Personal Investors is to be a leading broker in personal investment and online trading services in Europe and in international markets that offer strong savings potential, such as emerging markets.

## Strategic development

BNP Paribas took a 27.18% stake in Geojit Financial Services Ltd and became its main shareholder.

BNP Paribas Personal Investors, the new business line within AMS, was created and includes Cortal Consors, B\*capital and Geojit.

Cortal Consors Germany bought the Financescout24 advisory network and doubled the number of mobile advisers from 80 to 160. This acquisition strengthens the multi-channel strategy of Cortal Consors in Germany and meets clients' need for independent investment advice.

Cortal Consors Germany opened 15 new locations for its advisory unit Cortal Consors Select, which now has 21 offices throughout Germany.

The Singapore Expatriates Desk offers investment services to European expatriates in Asia with the support of Cortal Consors Luxembourg.

Geojit and BNP Paribas Securities Asia signed a joint venture to serve institutional clients.

Geojit obtained a licence to operate in Saudi Arabia through a joint venture Aloula Geojit Brokerage.

Geojit and Bank of Bahrain signed a partnership agreement to provide Indian brokerage services and mutual funds to Indian nationals residing in Bahrain.





## Awards

Cortal Consors was ranked no. 8 (no. 3 at the retail level) in *Institutional Investor* magazine's "Online Finance" listing of the top international (non-US) financial technology innovators.

Cortal Consors Germany was elected "Online Broker of the Year 2007" by more than 50,000 traders voting via *brokerwahl.de*.

The German Institut für Vermögensaufbau (Institute for Personal Asset Creation) has certified the quality of management of Cortal Consors Germany's fund portfolios. The institute gave the portfolios a five star rating and noted "the portfolios are excellently suited for asset creation".

In France, Contrat Majeur + received two awards in *Le Revenu's* evaluation of life insurance contracts: the "Gold Trophy" in the multi-products category and the "Interactivity Award" for the flexibility of its Smart Account.

Dun&Bradstreet ranked Geojit 5th among India's equity brokerage houses. Geojit is the leading broker in South India.

## Innovation in products and services

B\*capital provides equity advisory services to Cortal Consors clients in 4 European countries: Service Conseil Expert B\*capital for Cortal Consors France, Trading Beratung in Germany, Stock Advice in Luxembourg and Cuenta Asesorada in Spain. These services give access to B\*capital expertise on local and European equities and combine three approaches: fundamental, technical and quantitative.

Cortal Consors and B\*capital were the first in France to allow trading on 150 SRD-eligible French securities from 8 am to 10 pm through Tradegate, an alternative trading platform. The "best location order" is a free service which allows clients to optimise their transactions. The intelligent routing system automatically sends the client's order to the Stock Exchange offering the best price.

Cortal Consors France launched "Scenario Orders" to programme order strategies: orders are only sent to the market if and when the expected scenario(s) occur(s). Among the Scenario Orders, the "Conditional Order" is especially innovative as it allows clients to position themselves on a stock based on the trend of another stock or index.

Cortal Consors promoted a successful asset gathering "Goldrush" campaign, both in Germany and in France: clients received gold biscuits after transferring assets from other banks to Cortal Consors.

Cortal Consors France offered "Garantie 12", a new time deposit account for investors looking for a safe, easy-to-use product with an interest rate which is guaranteed for twelve months. The rate is updated each week on the website.

Geojit launched a mutual funds online platform.

Cortal Consors Spain launched Cuenta Multiplica to increase traders' purchasing capacity via a credit line. This product is focused on the most active investors and/or those needing medium term leverage lending. In the saving area, Cuenta Activa is a highly competitive, high interest-bearing account offering liquidity and monthly payment of interest.

Cortal Consors Belgium launched a structured product, "Ultim8", developed in cooperation with BNP Paribas in Belgium.

Cortal Consors Luxembourg developed a highly secure new website. From anywhere in the world, private investors can check their accounts, perform transactions and get access to information and help in decision-making in three languages: English, French and German.



In light of the success of the first two "Investir utile" initiatives in 2006, Cortal Consors France launched two new operations in 2007. Clients were given the opportunity to invest in a selection of environmental and sustainable funds with reduced entry fees. 2% of the amount collected was used to fund a sustainable development project in the

Hassan district of South India. The main aim of this project is to recycle waste while producing energy in the form of biogas and compost for agriculture.

Cortal Consors Germany was one of the three founders of the Börsianer Handeln initiative; the first project is the construction of a school in Ushpa-Ushpa,

a small city in Bolivia. The opening of the school is planned for spring 2008 and will have up to 1,600 pupils.

Geojit received recognition from the Governor of Kerala for its Corporate Social Responsibility efforts: working through the NGO CASP, for the last two years Geojit has been supporting the education and

personality development of 350 children from 3 villages in Kerala.

Geojit is the main sponsor for "Nanma", an initiative providing educational support to 1,000 underprivileged students in Kochi (Kerala).

# BNP Paribas Real Estate

With 3,500 employees, BNP Paribas Immobilier is continental Europe's leading provider of real estate services to companies and one of France's major players in residential property.

It offers a range of services that is unrivalled in Europe, both in terms of its geographical reach and the diversity of its business offerings.



© Photo Library BNP Paribas Real Estate: D. Boy de la Tour



## European network

In commercial property, BNP Paribas Immobilier is active in 8 European countries: France, the United Kingdom, Germany, Spain, Belgium, Luxembourg, Italy and Ireland, and also has 2 offices in New York and Kiev.

In residential real estate, BNP Paribas Immobilier's main activity is in France.

## Four complementary real estate businesses

### Transactions, Advisory Services, Valuations

In commercial property, Atisreal markets office space and industrial or business premises and provides advisory services (space use, technical engineering, market and location research, feasibility studies), and valuations:

- no. 1 in France and Germany<sup>(1)</sup>,
- among the Top 10 in the United Kingdom<sup>(1)</sup>.

In residential property, the Espaces Immobiliers BNP Paribas network is one of the major selling groups for new and previously-occupied residential units.

### Property Management

BNP Paribas Real Estate Property Management manages 21.5 million sq.m. of commercial property in Europe, including more than 10.5 million sq.m. in France where it is the market leader<sup>(1)</sup>.

In residential properties, it manages more than 33,000 housing units, including more than 5,500 units in serviced residences.

### Property Development

Meunier is France's 3rd-largest real estate developer<sup>(2)</sup>:

- no. 1 in commercial properties with Meunier Immobilier d'Entreprise;
- among the Top 10 in residential properties with Meunier Habitat.

### Real Estate Investment Management

BNP Paribas Real Estate Investment Management and BNL Fondi Immobiliari manage EUR 7,4 billion of assets in France, where the Group is one of the leading SCPI property fund managers, and in Italy.

## Sustained sales and marketing momentum and steady geographic expansion

2007 was another exceptional year for BNP Paribas Immobilier.

## Organic growth in each of the four real estate businesses

### ■ Transactions, Advisory Services, Valuations

During this record year for commercial property, Atisreal found occupants for more than 7 million sq.m. in Europe, completed 380 investment transactions totalling EUR 11 billion and carried out more than 86,000 valuations. Growth was reported in all regions, but the French and German businesses performed

<sup>(1)</sup> Data published by competitors.

<sup>(2)</sup> "Classement des promoteurs" published by Innovapresse in June 2007.

particularly well, reinforcing both market share and leadership positioning. In the residential segment, Espace Immobiliers sold close to 3,400 new and existing properties.

### ■ Property Management

2007 saw the adoption of the BNP Paribas Real Estate Property Management brand in all countries covered by the business. The commercial property portfolio under management expanded by 5.3 million sq.m. to reach a total of more than 21.5 million sq.m.

### ■ Property Development

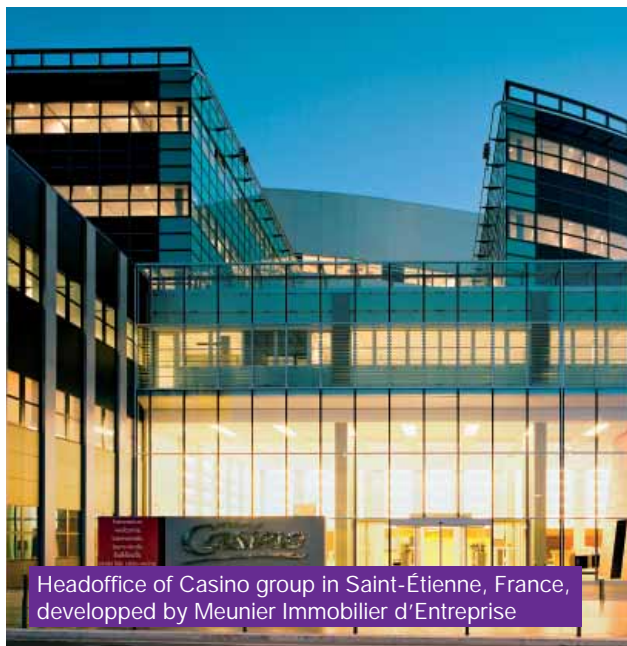
2007 was a year of very strong activity:

- Meunier Immobilier d'Entreprise turned in an outstanding performance, pre-selling or pre-leasing more than 460,000 sq.m. of office and warehouse space (270,000 sq.m. of office premises and 190,000 sq.m. of warehouse space).
- Meunier Habitat started construction of 2,500 housing units and was awarded projects covering a total of 4,000 units to be built in the coming years.

### ■ Real Estate Investment Management

2007 was marked by:

- the development of the partnership between BNP Paribas REIM in France and BNL Fondi Immobiliari in Italy;
- the launch of the first "SCPI Borloo" (property investment trusts) in France;
- the signing of a brokerage agreement with PMA, a BNP Paribas Assurance subsidiary, to develop distribution channels for property products.



Headoffice of Casino group in Saint-Étienne, France, developed by Meunier Immobilier d'Entreprise

### European development

A number of significant acquisitions had taken place in 2006, mainly in the United Kingdom and Spain.

In addition to the excellent commercial results, 2007 was a year of consolidation and continued European expansion for BNP Paribas Immobilier, with the development of:

- two pan-European teams to assist large clients in relation to their international strategies:
  - a team dedicated to international investment;
  - a team devoted to international corporate clients (ICS);
- a team specialising in acquisitions and development to facilitate the geographical expansion of the network;
- cross-sector European working groups to develop cross-selling and to pool commercial resources. The IT Revolution project was also launched. The project aims to provide BNP Paribas Real Estate in the immediate term with up-to-the-minute IT systems so as to enable it to optimise its resources;
- international mobility to enhance employee career opportunities.

### BNP Paribas Immobilier promotes sustainable development

As a civic-minded company committed to environmental protection, BNP Paribas Immobilier actively supports sustainable development in all of its businesses. Here are just a few of its initiatives:

- in Property Development, by earning environmental labels for a large number of its commercial and residential real estate operations ("High Environmental Quality", "Very High Environmental Quality", "BREEAM" and "Habitat and Environment" certification, etc.);
- in Property Management, by ensuring that

its suppliers and partners sign its "Eco Property Management" quality charter;

- in Transactions, Advisory Services, Valuations, through the efforts of the working group "Next Office by Atisreal" to conceptualise the office of the future and through the "See and Think" initiative in the United Kingdom. BNP Paribas Immobilier's environmental initiatives are at the heart of its strategy, and involve all of its businesses and subsidiaries, as testified by its architectural sponsorship and the recent publication of a glossary of sustainable development terms in French and English.





# BNP Paribas Assurance

BNP Paribas Assurance designs and markets its products and services under two brands: BNP Paribas for products distributed by the BNP Paribas network in France and Cardif for the other networks and distribution partners in France and international markets.

It operates in 42 countries including 25 in Europe, 7 in Asia, 6 in Latin America, 2 in North America and 2 in Africa.

- The savings business includes the sale of life insurance policies to individuals in 11 countries. In France, it offers companies Group pension products, end-of-career bonuses and early retirement benefits.
- In the protection business, it offers a broad range of products in 33 countries, including creditor insurance, bill protection, credit card protection, extended warranty, gap insurance and individual protection. In France, BNP Paribas Assurance markets both standard and personalised Group policies to large companies and SMEs.
- The property and casualty insurance business in France is provided through Natio Assurance, a company that is owned equally with AXA. The products offered cover a wide range of risks and include comprehensive home insurance, automobile insurance, educational insurance, travel insurance, and legal protection coverage.

BNP Paribas Assurance's partners comprise 35 of the world's 100 leading banks and a large number of financial institutions, including consumer credit companies, credit subsidiaries of car makers and major retail groups. BNP Paribas Assurance is the 4th-largest life insurer in France (*source: FFSA*) and a world leader in creditor insurance <sup>(1)</sup>.

## International market boots growth <sup>(2)</sup>

In 2007, BNP Paribas Assurance reported total revenues of EUR 18 billion, an increase of 5% in relation to 2006.

**In France**, 2007 net inflows came in close to the 2006 level despite 2006 having been an exceptional year thanks to momentum generated by the Fourgous amendment and the change in tax regulations on PEL home savings plans. Revenues reached EUR 11 billion, of which EUR 10.1 billion was generated by the savings business and EUR 0.9 billion by the protection business (welfare and non-life).

As a result, BNP Paribas Assurance outperformed the French insurance market (down 3% in 2007, *source: FFSA*) and the French bancassurance market (down 7%, *source: Groupement Français des Bancassureurs*) in terms of growth in net inflows relative to 2006. This indicates that BNP Paribas Assurance has won market share from other bancassurers.

This performance mainly reflects very strong commercial momentum in BNP Paribas branches and an increase in payments made by Private Banking customers in France.

BNP Paribas Assurance also remained the leader in the independent financial advisors market in 2007 thanks notably to the quality of its service.

In a less healthy financial market environment, BNP Paribas Assurance maintained its no.1 position in total unit-linked inflows (*source: FFSA*).

Meanwhile the protection business turned in a very robust performance (up 8%), thanks mainly to personal protection products.



### SRI

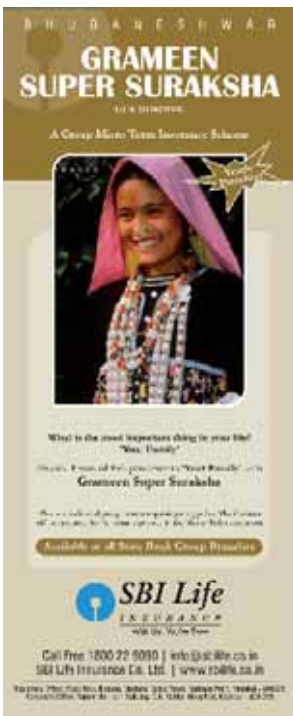
BNP Paribas Assurance is committed to working towards the application of socially responsible investment (SRI) criteria to its investment decisions. BNP Paribas Assurance is the first private investor in France to have its euro fund reviewed by Vigeo, the European leader in extra-financial analysis.

The analysis covered the six SRI domains: human resources, business behaviour, human rights, environment, corporate governance and community involvement.

The company directly manages EUR 45 billion in assets, giving it significant leverage to exercise its social responsibility and offer the benefits of its SRI policy to nearly 1.3 million clients via the euro fund components underlying their life insurance contracts.

<sup>(1)</sup> In-house study based on information published by competitors.

<sup>(2)</sup> Information relating to BNP Paribas Assurance is provided on a pro forma basis and includes the 2006 and 2007 life insurance revenues generated by BNL Vita, a joint venture between Unipol (51%) and BNL (49%). At end-2007, the portion of revenues contributed by BNL Vita to BNP Paribas Assurance stood at EUR 1.3 billion



At the international level, BNP Paribas is now present in 41 countries under the Cardif banner which reported total revenues of EUR 6.9 billion in 2007, an increase of 14% on the previous year.

In 2007 BNP Paribas Assurance reinforced its already strong positioning in regions that offer extensive opportunities for development in bancassurance: Croatia, Colombia, Scandinavia and Turkey.

The international savings activity registered revenues of EUR 4.6 billion, up 20% on the previous year.

Europe, which now accounts for 75% of savings deposits outside France, posted substantial revenue growth in 2007 thanks in particular to products sold in the United Kingdom.

Elsewhere the savings business continued to thrive both in developed countries like South Korea and Taiwan and fast-growing countries like India.

Thanks to a comprehensive and innovative offering and a benign macroeconomic and sociological environment, the protection business generated total revenues of EUR 2.3 billion outside France.

2007 was marked by very prosperous conditions in countries such as Spain (up 48% versus 2006), Italy (up 26% versus 2006), Argentina (up 63% versus 2006) and Brazil (up 87% versus 2006).

### Car-pooling

The employees of BNP Paribas Assurance expressed their interest in environmental issues during a consultation session which generated 150 proposals, including car-pooling. In a bid to encourage this environmentally-friendly practice, the company has set up a car-pooling website for its employees. Additionally, BNP Paribas Assurance supports its employees' efforts by financing the planting of five trees through the *Cœur de Forêt* association for every employee that registers with the scheme via the website.

### Providing sick people with greater access to insurance

BNP Paribas Assurance, the world leader in creditor insurance, has taken steps to provide sick people with greater access to insurance in line with the AERAS agreement (*S'Assurer et Emprunter avec un Risque*

*Aggravé de Santé* – borrow and obtain insurance with an elevated health risk). As a result, the company launched an offering dedicated to asthmatics in November 2007. The offering simplifies the application process and has a special price scheme that takes into account the health of the policyholders based on regular medical checks, self-monitoring, etc.

### Micro-insurance in India

SBI Life, a joint venture between BNP Paribas Assurance and the State Bank of India, has launched "Grameen Shakti" and "Grameen Super Suraksha", two micro-insurance life products designed for self help groups (groups of people belonging to the poorest populations in India, 90% created by women). These products are distributed through the SBI branch network as well as through NGOs and microfinance establishments.

They enable vulnerable populations to obtain life cover at very advantageous prices (from less than EUR 1 per annum).

### BNP Paribas Assurance takes part in the fifth Sustainable Development Week

From 2 to 6 April 2007 the Sustainable Development Week provided BNP Paribas Assurance with an opportunity to invite its 2,500 head office employees to take part in a series of conferences and events dedicated to this theme. Underscoring global warming and the threats to biodiversity, the week included a viewing of the documentary *An Inconvenient Truth* and a presentation given by astrophysicist Hubert Reeves. Also under discussion were sustainable development as a business model and the environmental programmes of the main French presidential candidates.

Employees particularly appreciated this "corporate citizenship" initiative and welcomed the awareness-raising campaign.



# BNP Paribas Securities Services

BNP Paribas Securities Services <sup>(1)</sup> is the leading European provider of securities services to companies, asset managers and financial institutions worldwide. BNP Paribas Securities Services provides innovative solutions to satisfy the specific needs of its clients at every stage of the investment cycle:

- Financial intermediaries (banks, broker-dealers) are offered customised services for settlement/delivery and global custody for all asset classes as well as outsourcing solutions for middle and back office activities;
- Institutional investors (fund managers, hedge funds, insurance companies, pension funds, sovereign funds and alternative funds) have access to an array of custodial and fund administration services, including fund distribution support, transfer agency services, depobank and trustee service, fund accounting, middle-office outsourcing and risk and performance measurement;
- Issuers are provided with a wide range of services, including administrative services, securitisation and stock-option and employee-shareholder plan management.



## ClearSuite

BNP Paribas Securities Services' latest solution to its clients' ever-increasing challenges is a fully integrated broker-dealer service solution, ClearSuite. ClearSuite offers financial intermediaries worldwide, world-class clearing and custody services with a full range of outsourcing capabilities from execution to post-trade administration.

## AREVA

BNP Paribas Securities Services was appointed by AREVA to provide custody and valuation services and to measure the performance of the asset portfolio dedicated to funding the dismantling of nuclear power stations. This new mandate further strengthens BNP Paribas Securities Services' relationship with AREVA, to which it already provides depository services.

As at 31 December 2007, assets under custody totalled EUR 3,801 billion and assets under administration EUR 834 billion. The number of transactions settled in 2007 reached 45 million.

BNP Paribas Securities Services is ranked no. 1 among European custodians, among the top five worldwide, and no. 1 in terms of the percentage of cross-border assets (*source: globalcustody.net*).

Close to two-thirds of BNP Paribas Securities Services' revenues are generated outside France. The business is present in all the main European financial centres – including Belgium, Greece, Guernsey, Ireland, the Isle of Man, Italy, Jersey, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom, as well as in Australia, New Zealand, Turkey (via TEB), Japan, the Cayman Islands, the United States and Singapore.

Accelerated growth driven by organic development, targeted acquisitions, extended geographical footprint and innovative products

BNP Paribas Securities Services is always seeking opportunities to strengthen its leading positions in existing markets and to move into new markets. 2007 was a resounding success in terms of expansion, with three key acquisitions and operation launches in four new countries. As a result, BNP Paribas can now boast on-the-ground service delivery capability in all major global time zones and regions.

## Targeted Acquisitions

In June, BNP Paribas Securities Services bolstered its presence in the Spanish market with the acquisition of Exelbank, a dedicated provider of middle and back office service solutions for a broad base of both Spanish and international clients. The acquisition of Exelbank further strengthens an already solid position in one of Europe's major investment markets.

<sup>(1)</sup> BNP Paribas Securities Services includes all securities operations developed by BNP Paribas Securities Services, BNP Paribas SA and their subsidiaries.



June's acquisition of RBS International Securities Services completes BNP Paribas Securities Services' coverage of UK offshore markets and reinforces its broad-based offshore market expertise. RBS International Securities Services is a market leader in securities-related services and its addition consolidates BNP Paribas Securities Services' position in both traditional and alternative asset servicing.

In October, BNP Paribas Securities Services acquired RasBank's third party depository bank business, making BNP Paribas Securities Services a market leader in services for Italian funds of hedge funds. This acquisition brings its presence in Milan to more than 350 employees and assets under custody to over EUR 300 billion, underscoring BPSS' commitment to providing best-of-class services to Italian institutional investors and to asset managers and pension funds in particular.

### Geographical expansion

BNP Paribas Securities Services' investment in four new markets is in line with its aim of operating on-the-ground in order to be closer to the markets and its clients, thereby offering a unique multi-local model.

The opening of a Singapore office fully establishes BNP Paribas Securities Services in Asia. BNP Paribas Securities Services' global clients can now benefit from its local expertise and knowledge in this strategic region.

BNP Paribas Securities Services launched operations in Poland and Hungary, providing local clearing and settlement solutions in these markets.

BNP Paribas Securities Services bolstered local custody and clearing services in Turkey with the launch of a dedicated securities services business line, offered through BNP Paribas' partner TEB (Türk Ekonomi Bankasi). With their combined resources, BNP Paribas Securities Services and TEB boast a custody and clearing offering that benefits from over ten years of experience in the Turkish market.

### Product Leadership and Innovation

The implementation of the November MiFID directive within the European Economic Area saw the introduction of new multilateral trading facilities (MTFs). BNP Paribas Securities Services reacted to the important market changes by providing MTF trading members with an innovative bespoke operating model, as an extension to the comprehensive services provided to the financial intermediaries segment.

As the first general clearing member and the leading clearer of trades for Europe's first MTF to go live, Chi-X, Paribas Securities Services strengthens its relationship with leading banks and brokers for third party services.

These services were added to the existing global clearing and settlement offering launched as ClearSuite in 2007.

BNP Paribas Securities Services' alternative fund servicing business has grown steadily across both onshore and offshore markets by servicing all asset classes and being able to offer the regulatory environment best suited to clients' needs.

BNP Paribas Securities Services' customers have a full-service partner recognised for its quality and ability to deliver complex solutions to accompany them in their growth. Our on-the-ground presence in all major European centres allows BNP Paribas Securities Services to serve fund distributors' and promoters' pan-European distribution needs.

BNP Paribas Securities Services offers unique tailor-made reporting solutions in line with institutional investors' needs and fully adapted to an increasingly complex regulatory environment. BNP Paribas Securities Services' cutting edge reporting capabilities optimise performance measurement and risk management by giving access to the most advanced, comprehensive, yet user-friendly, analysis.

All clients have access to teams specialised in customised financing, securities lending and foreign exchange.

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#### [BNP Paribas Securities Services – NYFIX's partner of choice for Euro Millennium](#)

BNP Paribas Securities Services was selected to provide pan-European integrated post-trade services for NYFIX's Euro Millennium. Euro Millennium is at the forefront of liquidity solutions, providing rapid, anonymous

matching for equity trading in European markets. This cornerstone deal with a leading provider of technology and services reinforces BNP Paribas Securities Services' position in the emerging and increasingly important Multilateral Trading Facility segment.



# Klépierre

A real estate investment company listed on Euronext Paris™, Klépierre develops, owns and manages shopping centres in 10 European countries, mainly France, Spain and Italy. Klépierre is continental Europe's 2nd-largest listed property group specialised in shopping centres, with a market capitalisation of EUR 4.8 billion. Its property assets totalled EUR 11.3 billion at year-end, of which 86% consisted of shopping centres, 4% business premises – through its 84.1% holding in Klémurs – and 10% office space in the Paris region. More than 43% of Klépierre's business is conducted outside France.

Klépierre's strong momentum in the shopping centre activity is supported by the centralised management and development capabilities of its subsidiary Ségécé, which is continental Europe's no. 1 manager of shopping centres. Ségécé manages 342 centres – 240 of which belong to Klépierre – through a network of 8 subsidiaries. Through Klémurs, listed on the Stock Exchange since December 2006, Klépierre is playing an active role in the sale and leaseback of property portfolios by major retailers.

Klépierre also owns and manages upmarket office premises located in Paris and its inner suburbs. This is a secondary activity for Klépierre, the result of opportunities arising in the course of market cycles.

The Klépierre Group has more than 1,100 employees.



Champ de Mars in Angoulême (France)

Klépierre strives to design energy-efficient buildings by incorporating a bioclimatic approach and benefiting from its teams' experience in managing real estate assets. It also systematically investigates the potential offered by renewable energies, based on each site's characteristics. In line with this strategy, Klépierre has decided to install 900 sq.m. of photovoltaic solar cells in the planned extension of the Nîmes-Étoile shopping centre, which will open in 2008, representing an investment for Klépierre of EUR 320,000.

Klépierre continued to expand at a vibrant pace in 2007, investing a record sum of EUR 1,078 million:

An amount of EUR 949 million was invested in shopping centres, primarily in France (EUR 534 million), Hungary, Poland and Portugal. Nearly 40% of the investments concerned projects underway for new centres and extensions, in line with Klépierre's strategy of increasing proprietary development capacities in France and abroad.

Investments made by Klépierre's subsidiary Klémurs amounted to almost EUR 65 million. While pursuing the partnership agreement signed with Buffalo Grill in August 2006, Klémurs also diversified its portfolio by initiating other sale and leaseback transactions.

Klépierre invested EUR 15 million in the office property market, pressing ahead with the construction of the Sereinis building, which is located just outside Paris in Issy-les-Moulineaux and was acquired at the project stage in 2006. Pursuing the selective portfolio management policy launched in 1999, Klépierre sold four buildings for EUR 75 million.

Lastly, Klépierre bought up the minority stakes in Ségécé held by BNP Paribas and AXA Reim of 15% and 10% respectively.

In 2007 Klépierre's strategy of increasing proprietary development capacities both in France and abroad led to the setting up of international development teams modelled on the expert teams already in place in France. With a view to enhancing domestic growth opportunities, Klépierre relocated its French development teams to the regions so as to maximise their presence in the field.

Alongside its external expansion, Klépierre reported vigorous organic growth in lease income. Against a backdrop of brisk consumer spending, revenues from the Group's shopping centres continued to rise with rental reversions amplifying the major impact of index-linked rent adjustments. In the office premises segment, lease renegotiations carried out under favourable conditions also contributed to strong underlying revenue growth.



2007 was characterised by the following major developments:

- the acquisition of three shopping centres in Poland (Rybnik and Sosnowiec in May and Lublin in July);
- in July, the acquisition of the extension projects and the two Leclerc hypermarkets bordering the existing shopping centres of Blagnac and Saint-Orens (Toulouse), owned by Klépierre since 2004;
- the three-for-one split on 3 September;
- in September, the signing of an agreement to acquire the Corvin shopping centre construction project in the heart of Budapest (Hungary) and the opening of a shopping centre developed by Ségécé and located in the centre of Angoulême (France);
- the strengthening of Klépierre's capacity to finance its investments via a seven-year syndicated loan for an amount of EUR 1 billion.

After three years of sustained gains, Klépierre's share price, like that of all listed companies in the real estate sector, suffered from a sharp correction in 2007 amidst the less favourable economic and financial conditions that have prevailed since the summer financial crisis.

# BNP Paribas Principal Investments

BNP Paribas Principal Investments includes BNP Paribas Capital and Listed Investment and Sovereign Loan Management.

## **BNP Paribas Capital**

BNP Paribas Capital manages the Group's proprietary portfolio of unlisted investments outside of the banking sector.

This portfolio had an estimated value of EUR 3.9 billion at 31 December 2007 and is split into four segments:

- directly held strategic investments;
- directly held minority stakes;
- investments in funds;
- joint investments made simultaneously with funds or institutional investors.

In 2007, the main disposals concerned the interests in Bouygues Telecom, Vivarte and Elis. The Group forged ahead with its investments in private equity funds and its joint investments alongside these funds.

## **Listed Investment and Sovereign Loan Management**

The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to derive the greatest possible value from its assets over the medium term. This perspective clearly differentiates the business from a trading activity.

The Listed Investment Management team is in charge of BNP Paribas' portfolio of minority stakes in listed companies.

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 loans.







# The Group's approach to sustainable development

# The Group's approach to sustainable development

## Responsibility based on core values and guiding principles

BNP Paribas' does not take its approach to sustainable development lightly. The Group's economic, corporate and environmental responsibilities are an integral part of its business ethic and are rooted in its founding values of responsiveness, creativity, commitment and ambition, which combine individual actions in a cohe-sive group-wide approach.



## A strong commitment to sustainable development

BNP Paribas bases its sustainable development efforts on targeted, coherent public commitments. In 2007, it actively pursued its participation in numerous initiatives, some of which are specific to the banking sector and others which are more wide-ranging. This allowed the Group to promote sustainable development in a range of areas and at different levels.

### Global initiatives

BNP Paribas has been a member of the United Nations' Global Compact since 2003. The Compact's ten principles have been embedded within the Group's policies and inform all operating principles. As in previous years, the Group published its Communication on Progress (COP).

BNP Paribas contributes to the work of the *Observatoire de la Responsabilité Sociétale des Entreprises* (ORSE), the French study centre for corporate responsibility, and *Entreprises pour l'Environnement* (EpE), a coalition of forty French companies united by a commitment to the environment and sustainable development. BNP Paribas has also undertaken to run the meetings of the sustainable development club within ANVIE, the French association for the promotion of interdisciplinary research in humanities and social sciences in the business world.

The world's leading companies are paying increasing attention to their approach to human rights. Against such a backdrop, BNP Paribas has joined eight leading French and francophone groups to share best practices with a view to better incorporating respect for human rights into their business policies and promoting human rights issues. *Entreprises pour les Droits de l'Homme* (EDH – Companies for human rights) draws its inspiration from the Business Leaders Initiative on Human Rights programme, which was set up in 2003 to help lead and develop the corporate response to human rights. EDH was created to enhance contributions from the French-speaking world.



### Finance sector initiatives

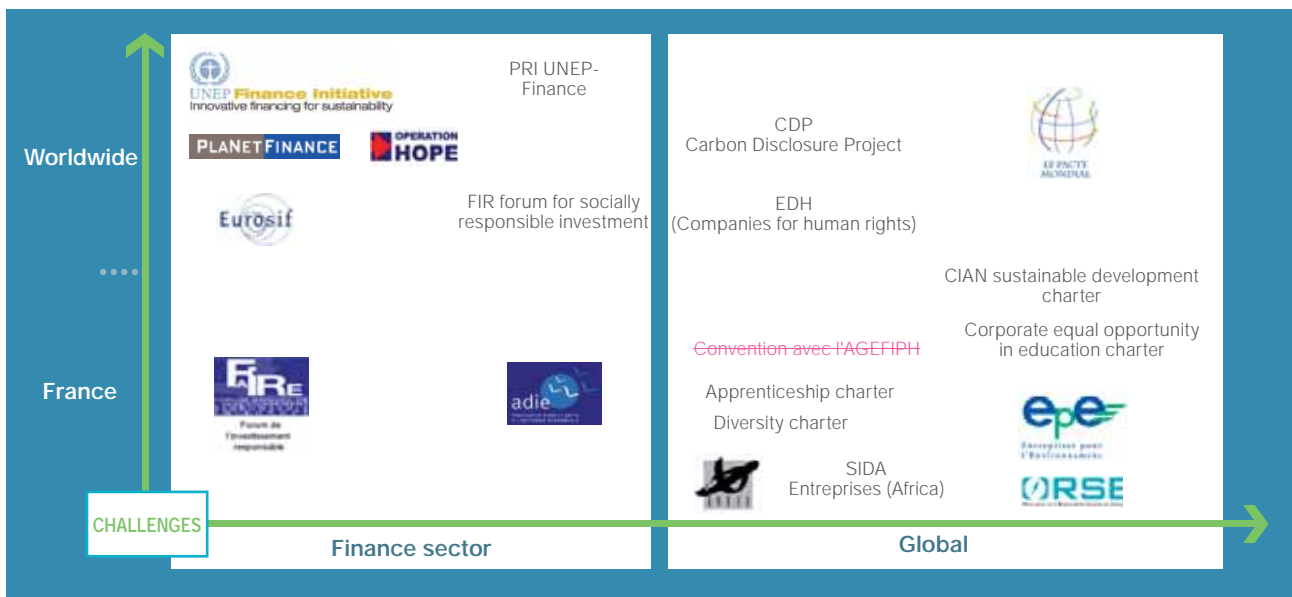
Alongside the Institutional Investors Group on Climate Change (IIGCC) and the Carbon Disclosure Project, BNP Paribas Asset Management (BNP PAM) strives to encourage companies to factor climate change issues into their investment decisions. BNP PAM is also one of the founding members of the Enhanced Analytics Initiative (EAI) through which it took the step of allocating 5% of its commission budgets to developing socially responsible investment (SRI) analysis. BNP Paribas is involved in the British-based Business in the Community (BITC) organisation, which brings together more than 700 companies that promote responsible behaviour by companies within the community.

The Group is also a member of the French forum for socially responsible investment (FIR), which in 2007 awarded a prize for finance and sustainable development research in Europe for the third year running. By building bridges between universities, stakeholders and the financial world, this prize seeks to broaden the scope of social investment research, enabling players to be more innovative in their responsible management practices. It helps to enhance the value of French and European university research and legitimise socially responsible investment.

The Group's commitment can be witnessed in its involvement in initiatives that expand the reach of its main activities. At international level, BNP Paribas Investment Partners signed the Principles for Responsible Investment (PRI), launched under the auspices of UNEP Finance. These help companies to better embed environmental, social and corporate governance concerns into mainstream investment decision-making practices.

### The public commitments of BNP Paribas

Extension of geographic scope



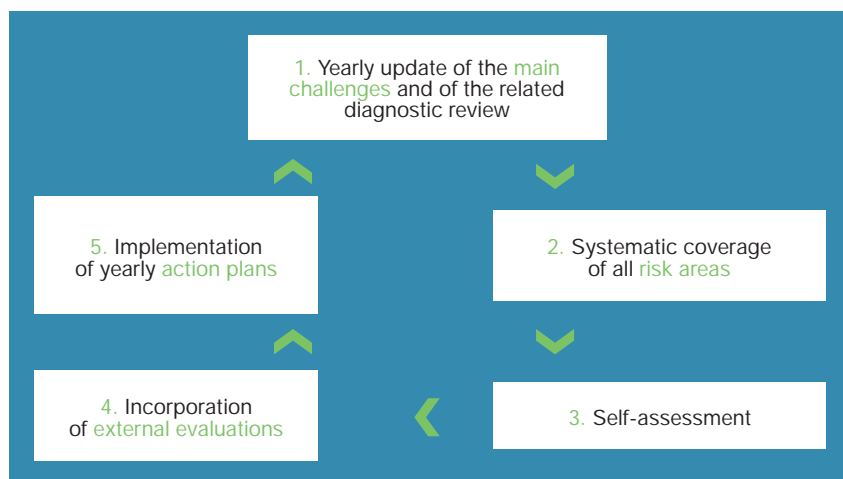


# Combining SRI and economic performance

## A duty of management

BNP Paribas does not consider corporate social responsibility (CSR) as a simple act of altruism, but rather as a duty of management that helps ensure that the economic, social and environmental aspects of a company, its employees and its corporate philosophy are working in harmony. The Group is particularly focused on CSR, with each business assuming responsibility for any effects its activities may have on its business partners and the environment.

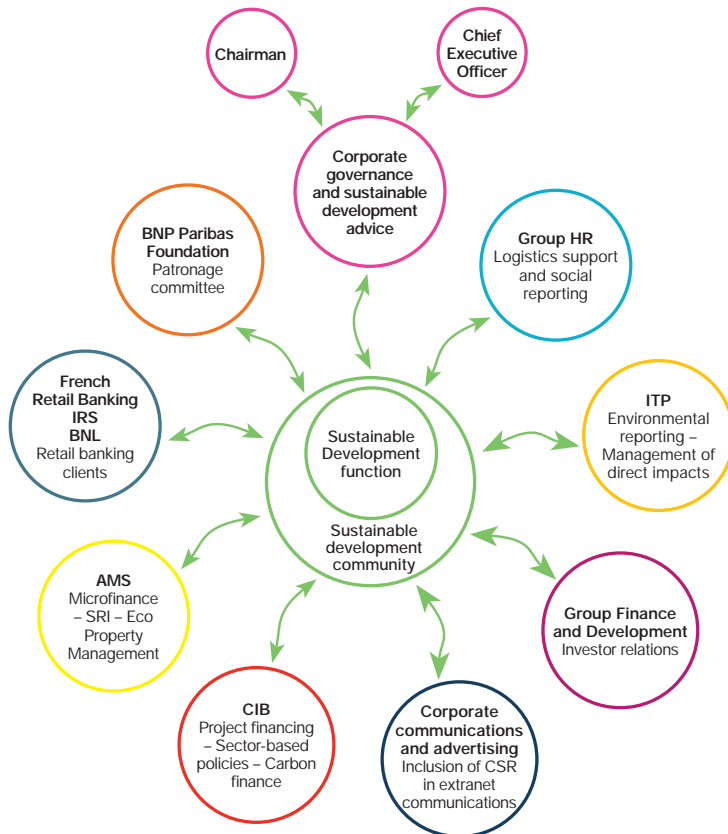
The steps that need to be taken to counter the social and environmental impact of these activities on stakeholders is systematically charted and a diagnostic review is carried out incorporating the results of a self-assessment by the entity concerned with the findings of analyses performed by the principal SRI rating agencies and the Group's other stakeholders. The Group's approach becomes operational with the implementation of action plans at core business, business line, territory and function level. Any new direction is validated by the Executive Committee.



### A group-wide assignment

The Group has over 40 business lines in 80 countries around the world, all of which have a role to play in the Group's sustainable development policy. The cross-disciplinary Group Sustainable Development (GSD) function coordinates and runs the overall policy. As well as maintaining a direct link with all line managers, the GSD function coordinates a network of over 150 experts from all divisions, business lines, territories and functions.

### Group Sustainable Development: interactions within the Group

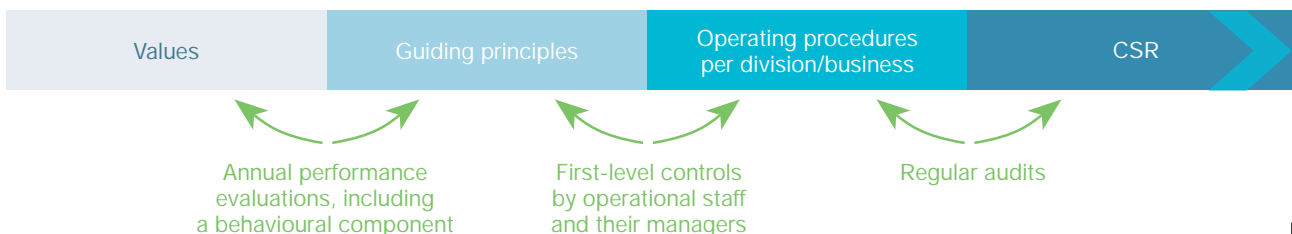


### The internal control mechanism

The Group has a particularly elaborate internal control system, the various components of which contribute to the application of the CSR policy. These components include first-level controls by operational staff and their managers, as well as regular audits.

The General Inspection unit and the Sustainable Development function designed an audit methodology, operational since 2004, aimed at ensuring that directives have been properly applied within the various entities in accordance with the internal control system. Several controls are in place to ensure that the various components of the Group's social and environmental policy are included in the overall mechanism.

### The internal control mechanism



## Recognition from SRI rating agencies

**BNP Paribas is present on all the major benchmark indices for socially responsible investment: DJSI World, DJSI Stoxx, ASPI Eurozone, FTSE4Good Global and FTSE4Good 50. Worldwide, BNP Paribas is one of only a handful of banks featured on all indices.**

### SAM

2007 was the sixth consecutive year in which BNP Paribas was included as a component in both Dow Jones indexes for socially responsible investment: DJSI World and DJSI Stoxx.

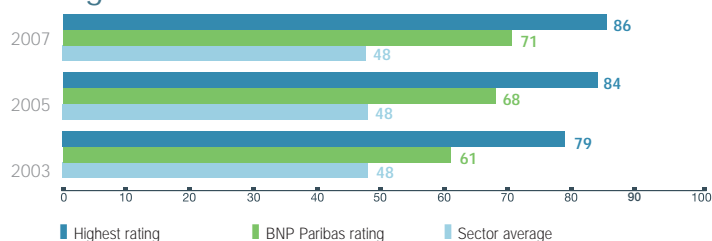
Each year, the companies listed on the SRI indices are selected by means of a questionnaire. In 2007, the banking sector's questionnaire comprised 93 questions on topics of economic, environmental and social concern. Sustainable Asset Management Inc. (SAM) identifies the top companies in each sector. Out of 2,500 companies rated, only 250 actually make it onto the DJSI World index, and only 24 from the banking sector.

This year the Group came in significantly higher than the sector average in almost all sections of the study, with an overall rating of 71/100, compared with an industry average of 48/100. This grade has been improving constantly since 2002, in particular with respect to economic and environmental concerns.

BNP Paribas' inclusion on SRI benchmarks is recognition of the initiatives it has taken to perform its social and environmental responsibilities.



### Changes in overall score



### Vigeo

Each year BNP Paribas publishes details of the score awarded to it by Vigeo, Europe's leading corporate social responsibility rating agency. This rating, which now also includes the company's emission rights, is available upon request from BNP Paribas.

At the end of 2006, Vigeo acquired the Italian agency Avanzi SRI Research, and became Vigeo – Avanzi SRI Research. In 2007, this new agency prepared a report for investors and asset managers on the European investment funds that exist for individual clients. This report confirms the continued growth in the number of European SRI funds (up 13% in one year). In the classification of company shares that were the most heavily represented in SRI funds, BNP Paribas moved from 8th to 5th position over the 2006/2007 period.



## CFIE

Each year CFIE, an organisation providing information on the social and environmental performance of companies, reviews how thoroughly the NRE Act has been taken into account in the annual reports of French listed companies. BNP Paribas' annual report is ranked in the Top 10 for the fourth time, and the Group is the only bank to appear in the ranking.

CFIE rated BNP Paribas' 2006 Sustainable Development Report very highly, citing it as being "*particularly well put together*". This assessment was mainly due to improvements to three sections of the report, and helps the Group to confirm its place as leading banking sector player in the extra financial reporting domain. The section on human resources now contains more specific information and includes more countries. Significant improvements have been made to data on the use of renewable energy in the environmental section, and, according to CFIE, "*waste collection monitoring is particularly well explained*". The social section is still "*very well dealt with*". CFIE points out, however, that efforts are still required to produce an even more detailed and precise report.

## CapitalBridge evaluation

According to a recent study by CapitalBridge, a UK financial communications agency, BNP Paribas is the most attractive French company among SRI fund managers. CapitalBridge ranks BNP Paribas 1st among French companies and 3rd in continental Europe for the share of its capital held by SRI investors.

Among companies in continental Europe, BNP Paribas' share was the most purchased by SRI fund managers in 2007. CapitalBridge sees this renewed interest as a result of recent European trade fairs for SRI investors, at which BNP Paribas presented its sustainable development policy.





BNP PARIBAS

Compliance within  
BNP Paribas

# Compliance within BNP Paribas

BNP Paribas' Compliance function is one of the key elements of its internal control mechanism. This function falls within the scope of its regulatory requirements in respect of French Banking and Financial Regulations Committee (CRBF) Regulation no. 97-02 on internal control in credit institutions and the AMF General Regulation, as amended following the transposition of the Markets in Financial Instruments Directive (MiFID).

The management of all types of risk is key to BNP Paribas' organisation, management and strategy, with the management of risks that could endanger the Bank's compliance being of particular significance. The Group defines compliance as *"adhering to laws and regulations, professional and ethical standards and practices, the guidelines of the Board of Directors and the instructions of Group Executive Management"*. It encompasses protection of the Group's reputation and the implementation of its rules of conduct and, in particular, respect for the integrity of the markets and the primacy of clients' interests, professional ethics, and the fight against money laundering, terrorism and corruption.

It meets criteria of exhaustiveness and universality and the same high standards are applied regardless of the entity or business, in France or abroad, by applying the "best interests" principle, which stipulates that the most stringent of the regulations laid down by the laws of the various countries in which the Group has operations and the Group's own directives and procedures will be applied.

## Dedicated teams

The compliance control mechanism, which is an integral part of internal control, comes under the responsibility of a dedicated Group Compliance function. Under the direct control of the Chief Executive Officer, this function is managed by a member of the Executive Committee, who is also responsible for ensuring that on-going internal control is in compliance with French law as well as coordinating the workings of the control mechanism.

The Compliance function, whose responsibilities are laid down by the Group's internal control and compliance charters, comprises both a central team and local teams. The central team oversees the running of the function and sets the standards and procedures applicable in the Group. The local teams in the core businesses, business lines, functions, subsidiaries and branches, who are in direct contact with transactions, represented 702 people as at 31 December 2007, i.e., over 95% of the function's staff. These teams hold the highest level of responsibility among the entities, under the joint authority of the Compliance function and the entities' operational managers, in accordance with the idea that operational staff are at the front-line of risk management.





### Up-to-date standards

In 2007, the Compliance function, which is responsible for ensuring general compliance procedures and assisting Group entities with problems of all kinds that they may encounter in this area, continued its work to equip the Group with a corpus of high-level, up-to-date standards:

- An employee code of conduct has been drawn up, as well as a fraud prevention, detection and management policy and a "correct selling" policy, essential for the protection of clients' interests;
- The Group's policies governing gifts and employee financial instrument transactions have been published;
- Policies on the application of Group directives on conflict of interest management, and authorisation procedures for non-standard transactions, new products and business validation – central to the Group's internal control mechanism – were distributed.

On the operational front, the Compliance function steered all work concerning the introduction, on 1 November 2007, of the AMF General Regulation transposing MiFID. This directive has a major impact on client relations and significantly improves the protection of clients' interests. This holds particularly true for conflicts of interest, matching banking products to client needs, best execution practices, transparency and research guidelines.

The tools for detecting and managing non-compliance risk situations are playing an increasingly central role. In 2007, the ethics alert mechanism was rolled out to most of the Group in France and abroad. This mechanism, aimed at detecting any compliance problems, is in accordance with the requirements of banking and finance regulations and data protection laws and ensures transaction confidentiality. It only deals with compliance-related issues, i.e., anything that may harm the Group's reputation, either in terms of its reputation or its compliance with laws and procedures, market integrity, and respect for the primacy of clients' interests. In another area, the tools for detecting market abuse (insider trading and stock market manipulation) are gradually being put in place.

### Monitoring financial security mechanisms

Within the Compliance function, the financial security teams coordinate the prevention of money laundering, the fight against corruption and terrorism financing, and the application of financial embargoes, a major source of obligations for financial intermediaries. They deal with suspicious transaction reporting for France and set standards in specialist domains such as "Know Your Customer" (KYC), with regard to the prevention of money laundering, the acceptance of intermediaries (non-Group asset managers, referral agents, etc.) and relations with politically exposed persons. The duty of care principle is a legal obligation for financial institutions, which extends to all their core businesses.



The financial security teams also coordinate the application of financial embargoes. The international situation has led the authorities to put in place sanctions in respect of certain countries or goods, by imposing such embargoes. Instructions relating to the application of these embargoes lay down imperative guidelines for detecting and dealing with transactions by clients targeted by these measures, in accordance with the legislation in force. In light of the particularly sensitive political and regulatory climate in 2007, the mechanism for ensuring compliance with financial embargoes has been strengthened.

The BNP Paribas Group has set itself the goal of limiting and strictly coordinating its presence in tax havens, in order to improve its control of unforeseeable administrative complications and any risk to its reputation that could occur as a result. Procedures and rules of conduct define the countries involved, the control regulations for companies operating in these countries and the compliance and financial security mechanisms. In accordance with the "best interests" principle, Group regulations on combating money laundering, corruption and the financing of terrorism, as well as on compliance with embargoes, apply to entities domiciled in tax havens, even if local regulations are more lenient.

Developing and installing tools for monitoring transactions, detecting discrepancies and helping to manage obligations remains a priority. New IT control tools in the financial security domain continued to be developed in 2007. These tools, which represent a major investment for the Group, include: the database of politically exposed persons (LYNX); a system that automatically checks client lists against lists of sanctions and politically exposed persons (SUN); a reference system for sanction lists (REGLISS); an anti-terrorism filter and embargo application system (SHINE); a tool for analysing the functioning of accounts to detect money laundering operations (IRIS); and a new tool for managing suspicious transaction reporting (SYSFACT). The mechanism for detecting market abuse is now largely operational and has highlighted a considerable number of warnings and enabled the Group to make the necessary declarations to the relevant authorities. The rollout of the ACTIMIZE risk management solution continues apace. This tool, which should be operational in all entities by 2008, will further enhance the procedure's reliability.

Compliance training, whether with regard to protecting clients' interests, market integrity or the fight against money laundering, is one of the function's main responsibilities. In 2007, this training was provided to almost 82,000 employees, a 30% increase on 2006, at constant scope. At central Group level, new modules for informing employees about compliance were created for the detection of market abuse (insider trading and stock manipulation) and the implementation of MiFID containing important compliance-related provisions which should improve the execution of transactions, the matching of products to clients' needs, client reporting, and conflict of interest management. Two more modules, entirely dedicated to conflict of interest management and compliance with financial embargoes, are currently being developed.



# Business continuity

Business continuity is an area of constant concern for the Group. In the 1980s, both BNP and Paribas implemented information system security procedures. To address outside events, changes in regulations and increased pressure from clients, these procedures are continually upgraded in all of the Bank's businesses and territories. In 2006, Group-wide coordination became part of a global business continuity approach and helped to provide a clearer cross-functional perspective across the fast-growing Group. Numerous local initiatives were also implemented, including the creation of a dedicated site in New York, and improved coordination of business continuity and disaster recovery plans in London.

## Organisation of continuity efforts

The three mainstays of business continuity are:

- The Group Compliance function, which defines the standard business continuity guidelines applicable across the Group;
- The ITP – Technologies and Processes function, which develops strategy, methodology and rules and regulations based on defined guidelines, acts in accordance with the principles of consistency and oversees the strategy's implementation;
- The entities, which draw up, implement and test their own continuity plans.

A dedicated Group Security team has also been set up to coordinate the implementation of a proactive and effective crisis management policy throughout the Group.

## Operational management of business continuity plans

All BNP Paribas entities are directly responsible for identifying their continuity imperatives and drawing up an appropriate action plan (business continuity plan), testing the effectiveness of the plan on a regular basis, and defining and implementing specific crisis management procedures. These responsibilities are part of a standard Group methodology designed to ensure that the continuity plan is effective, which consists of four phases:

**Phase 1** – Preliminary steps: these include identifying continuity solutions, in particular disaster recovery plans and user business continuity plans in relation to risks such as power cuts, fire, floods, earthquakes, landslides, terrorist attacks or strikes that would lead to employees being unable to access the Group's premises or process transactions; designating key players; assessing regulatory requirements, including those applicable to outsourced activities; and identifying critical business components: key employees, systems, applications, data, and logistics (availability, access, security, and supplies).



**Phase 2** – Analysing and reporting continuity imperatives: Each entity defines the critical components necessary to continue working in an emergency: strategic activities and any corresponding financial, commercial, regulatory or reputational impacts are listed, prioritised and validated. The maximum periods of permitted interruption are assessed, validated and reviewed on a regular basis. Strategic databases and tools are listed, prioritised and validated, in particular minimum system usage modes and data access, together with the maximum allowable data losses. Logistics and communication tools are identified, and conditions ensuring employee and data security (authorisation management, back-ups and data warehousing) are defined.

**Phase 3** – Launch and implementation of business continuity strategies: Procedures are in place for triggering continuity solutions in each crisis situation. Organisational, functional and technical procedures are documented and updated at least once a year.

**Phase 4** – Continuous review: The business continuity plans are regularly tested and the corresponding documentation is updated in line with changes in the technical or regulatory environment.

Over the past few years, BNP Paribas has significantly increased its resilience, although it remains impossible to protect the Group against every eventuality. Business continuity is not only a requirement imposed by banking regulations, it is also a major strategic challenge for the Group, in view of offering its clients, shareholders and employees a commitment of the Bank's strength and resistance in an increasingly complex and volatile environment where tensions may be experienced more frequently. This imperative is reflected in the business continuity plans in place, which help improve the performance of operational risk control and management.





# BNP Paribas

and its stakeholders



# Organised dialogue with stakeholders

Stakeholders	Communication initiatives
<b>Shareholders</b>	Shareholder Liaison Committee opinion on the Sustainable Development Report
	Dialogue with managers and analysts: Investor Relations – SRI Roadshow
	Development of specific documentation for SRI investors on a regular basis
	Half-yearly financial newsletter
	Minutes of the AGM
	Meetings between shareholders and Executive Management in various French towns and cities
	Salon Actionaria – Paris, 16 and 17 November 2007
	Publication of <i>La Vie du Cercle</i> newsletter three times a year for members of the Cercle BNP Paribas
	Science and art seminars and visits to industrial sites: 389 events organised in 2007
	Toll-free number (in France) – 0800 666 777 and a telephone news service
	BNP Paribas website: <a href="http://invest.bnpparibas.com/en">http://invest.bnpparibas.com/en</a>
	Minitel service: 3614 BNPPACTION
Link-up with the French Federation of Investment Clubs	
Press announcements of results presentations	
<b>Employees</b>	More than 12,000 employees surveyed in our in-house questionnaire on the working environment
	European Works Council
	Group Works Council in France
	Active social dialogue – more than 100 local committees for BNP Paribas SA in France
	Mix City: a group of female senior executives
<b>Clients Suppliers</b>	Client satisfaction surveys
	Cetelem responsible lending passbook account
	Disabled access guide to branches and ATMs
	Relations with consumer associations
	Well-defined procedure for handling client complaints in branches – ombudsman
	Dedicated relationship in place for the French Retail Banking network and Cetelem



Stakeholders	Communication initiatives
<b>Community</b>	Public authorities – <i>Forum des entreprises</i>
	More than 1,000 partnerships set up by the Group's Retail Banking network in France, in particular with educational establishments
	83 local partnerships set up through the <i>Projet Banlieues</i> social outreach initiative
	Coordination of the Sustainable Development club run by ANVIE
	Participation in working groups run by ORSE and EpE, French associations active in environmental and corporate responsibility issues
<b>Natural environment</b>	<b>Raising awareness among employees</b>
	Promotion of the Bank's intranet site, in-house newsletter ( <i>Ambition</i> ), and internal agreements
	Distribution to BNP Paribas employees of 100,000 copies of <i>P'tit Mémo buru</i> , a leaflet outlining how to be environmentally conscious at work
	Arval: numerous articles on the environment and on new automotive trends posted on the company's website ( <a href="http://www.arval.co.uk/eng">http://www.arval.co.uk/eng</a> ) and on the Corporate Vehicle Observatory website ( <a href="http://www.corporate-vehicle-observatory.com/eng">http://www.corporate-vehicle-observatory.com/eng</a> )
	Arval's <i>Offre Verte Constructeurs</i> catalogue, presenting the clean vehicles offered by auto-makers
	Participation in setting up the Sustained Development passbook account (formerly CODEVI)



# Shareholder information

## Share capital

As at 31 December 2006, BNP Paribas' share capital stood at EUR 1,860,934,954 divided into 930,467,477 shares. Details of the historical share performance are provided in the "Changes in share capital" section (p. 228).

In 2007, three series of transactions led to changes in the number of shares outstanding:

- 6,464,608 shares were issued upon exercise of stock options;
- 439,358 shares were issued in relation to the merger with BNL;

- 32,111,135 shares repurchased by the Bank were subsequently cancelled.

As at 31 December 2007, BNP Paribas' share capital stood at EUR 1,810,520,616 divided into 905,260,308 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 entitle their holders to an increased dividend or double voting rights or limit the exercise of voting rights.**

## Changes in shareholder structure

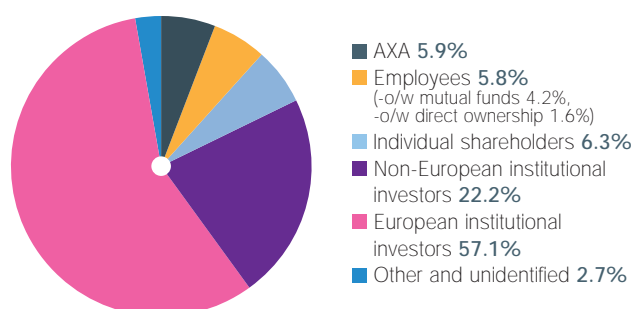
Changes in the Bank's ownership structure over the last three years are as follows:

Shareholders	31 December 2005		31 December 2006		31 December 2007	
	Number of shares (in millions)	% interest and voting rights <sup>(1)</sup>	Number of shares (in millions)	% interest and voting rights <sup>(1)</sup>	Number of shares (in millions)	% interest and voting rights <sup>(1)</sup>
<b>AXA</b>	<b>47.64</b>	<b>5.7%</b>	<b>52.65</b>	<b>5.7%</b>	<b>53.56</b>	<b>5.9%</b>
<b>Employees</b>	<b>47.09</b>	<b>5.6%</b>	<b>49.36</b>	<b>5.3%</b>	<b>52.64</b>	<b>5.8%</b>
- o/w corporate mutual funds	34.46	4.1%	35.86	3.9%	38.53	4.2%
- o/w direct ownership	12.63	1.5%	13.50	1.4%	14.11	1.6%
<b>Corporate officers</b>	<b>0.22</b>	<b>nm</b>	<b>0.26</b>	<b>nm</b>	<b>0.36</b>	<b>nm</b>
<b>Treasury shares<sup>(*)</sup></b>	<b>9.06</b>	<b>1.1%</b>	<b>19.25</b>	<b>2.1%</b>	<b>9.14</b>	<b>1.0%</b>
<b>Public</b>	<b>57.00</b>	<b>6.8%</b>	<b>59.55</b>	<b>6.4%</b>	<b>57.00</b>	<b>6.3%</b>
<b>Institutional investors</b>	<b>621.11</b>	<b>74.1%</b>	<b>693.47</b>	<b>74.5%</b>	<b>717.40</b>	<b>79.3%</b>
(o/w "Socially Responsible Investors")	(6.53)	(0.8%)	(7.50)	(0.8%)	(9.52)	(1.1%)
- Europe	509.64	60.8%	480.61	51.6%	516.54	57.1%
- Outside Europe	111.47	13.3%	212.86	22.9%	200.86	22.2%
<b>Other and unidentified</b>	<b>56.13</b>	<b>6.7%</b>	<b>55.93</b>	<b>6.0%</b>	<b>15.16</b>	<b>2.7%</b>
<b>TOTAL</b>	<b>838.25</b>	<b>100.0%</b>	<b>930.47</b>	<b>100.0%</b>	<b>905.26</b>	<b>100.0%</b>

<sup>(\*)</sup> Excluding trading desks' working positions.

<sup>(1)</sup> Pursuant to Article 223-11 of the AMF General Regulation, voting rights must be calculated based on the total number of equities that have voting rights attached, including those whose voting rights have been suspended, e.g. treasury shares. As BNP Paribas rigorously applies a "one share, one vote" principle, percentage interest and percentage voting rights can be considered identical.

## BNP Paribas ownership structure as at 31 December 2007



To the best of BNP Paribas' knowledge, no shareholder other than AXA owns more than 5% of BNP Paribas' capital or voting rights, nor does any agreement exist whose implementation could at a later date result in a change in BNP Paribas' form of control.

<sup>(1)</sup> Since the close of the financial year, a total of 435,137 shares have been issued upon exercise of stock options. As at 28 January 2008, BNP Paribas' share capital stood at EUR 1,811,390,890, divided into 905,695,445 shares with a par value of EUR 2.



# Share performance

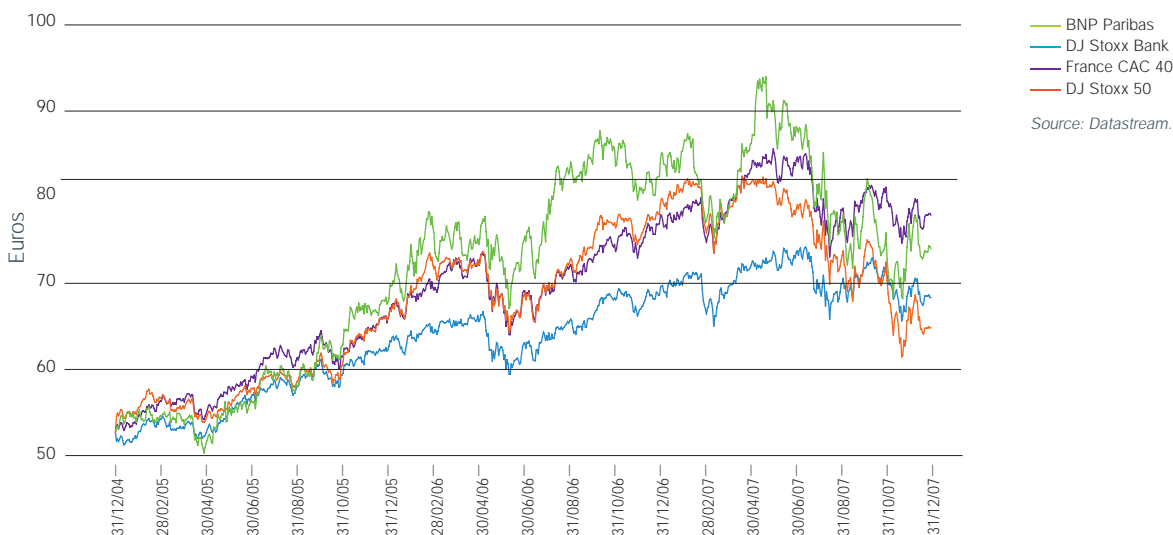
When the shareholders of BNP and Paribas approved the merger between the two banks at the Extraordinary General Meeting of 23 May 2000, BNP shares became BNP Paribas shares. The Euroclear-France code for BNP Paribas is the same as the previous BNP code (13110). Since 30 June 2003, BNP Paribas shares 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 of that year. 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. Since 24 July 2006 they have been traded on the MTA International in Milan and have been listed on the Tokyo Stock Exchange since 13 March 2000 (and the First Section since 7 February 2005). 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).

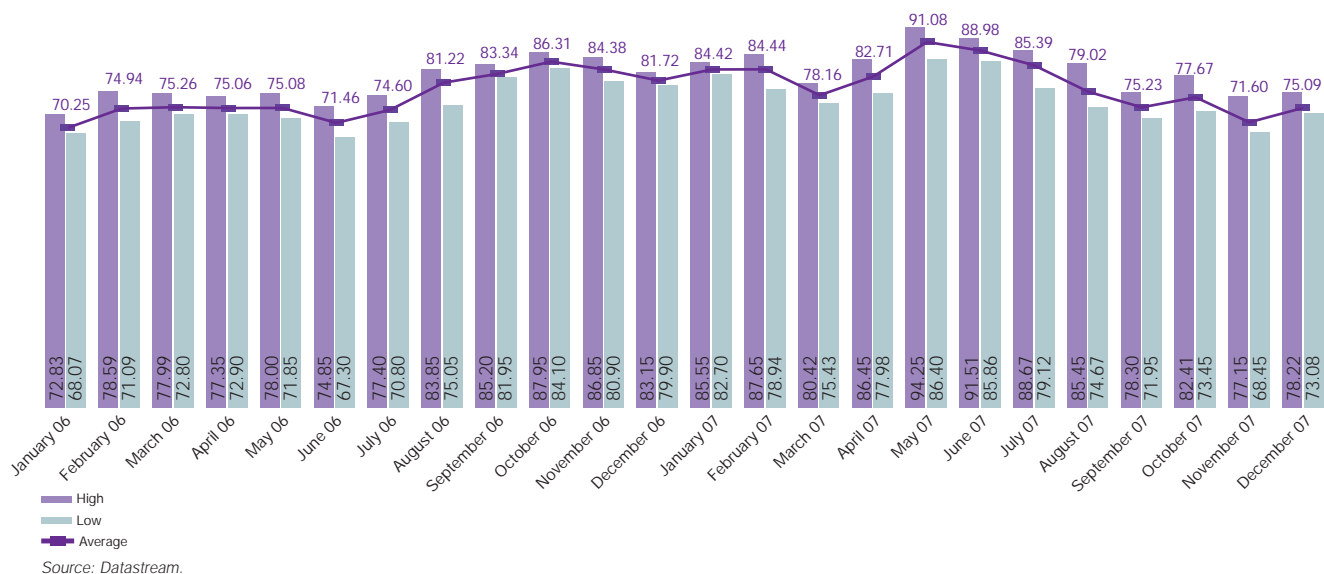
To help increase the number of shares held by individual investors, BNP Paribas carried out a two-for-one share split on 20 February 2002, reducing the par value of the shares to EUR 2.

BNP became a component of the CAC 40 index on 17 November 1993 and of the Euro Stoxx 50 index on 1 November 1999. Since 18 September 2000, it has been one of the companies making up the Dow Jones Stoxx 50 index. In 2007, BNP Paribas joined the Global Titans 50, an index comprising the 50 largest corporations worldwide. BNP Paribas shares are also included in the main benchmark indexes for sustainable development: ASPI Eurozone, FTSE4Good (Global and Europe 50), DJ SI World and the DJ SI Stoxx indexes. All of these listings have fostered liquidity and share price appreciation, as BNP Paribas shares necessarily feature in every portfolio and fund that tracks the performance of these indexes.

**Share performance**  
between 31 December 2004 and 31 December 2007  
Comparison with the DJ Stoxx 50, DJ Stoxx Bank and CAC 40  
(indexes rebased on share price)



## Average monthly share prices and monthly highs and lows since January 2006

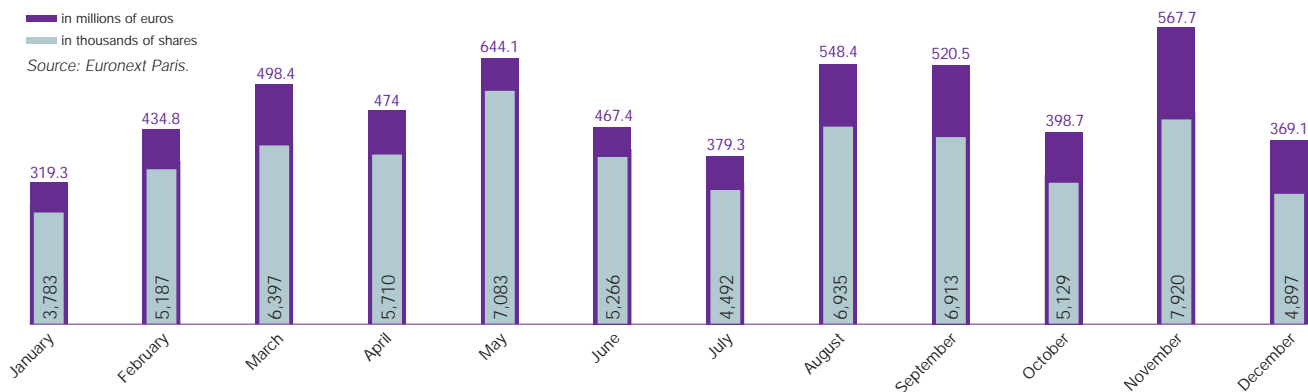


As at 31 December 2007, the BNP Paribas share was listed at EUR 74.22, down 10.20% compared with 29 December 2006, when it was listed at EUR 82.65. By way of comparison, during 2007 the CAC 40 increased by 1.31%, the DJ Stoxx 50 dropped down by 0.36% and the DJ Stoxx Bank index fell by 16.87%. After marking an all-time high at EUR 94.25 in May, the BNP Paribas share was dragged down by the widespread loss of confidence affecting banks, triggered by the subprime mortgage crisis in the US. However, as BNP Paribas has lower exposure to the crisis compared with many competitors, the share performance over the full year outdistanced banking-sector indexes.

- From 3 January 2005 to 31 December 2007, the BNP Paribas share gained 40.33%, compared with rises of 46.92%, 32.76% and 19.58% by the CAC 40, DJ Stoxx 50 and DJ Stoxx Bank indexes respectively.

- BNP Paribas' market capitalisation totalled EUR 67.2 billion as at 31 December 2007, representing the 5th-largest capitalisation in the CAC 40 index after the Group dropped from fourth place due to the Arcelor/Mittal merger. In terms of free float, BNP Paribas is still the 3rd-largest in the Paris index. At the end of the period, BNP Paribas ranked 11th in the DJ Euro Stoxx 50 on the basis of free float.
- Daily transaction volume over the year averaged 5,821,304 shares, up 33.5% on the 4,358,733 shares traded on average per session in 2006. This is a clear indication of the stock's increasing liquidity.

## 2007 Trading volume on Euronext Paris (daily average)



## Yield and performance data

In euros	French GAAP		IFRS		
	2003	2004	2005	2006	2007
Earnings per share <sup>(1) (*)</sup>	4.30	5.50	7.00	8.00	8.50
Net assets per share <sup>(2) (*)</sup>	32.70	35.90	45.80	49.80	52.40
Net dividend per share	1.45	2.00	2.60	3.10	3.35 <sup>(3)</sup>
Payout rate (in %) <sup>(4)</sup>	34.80	37.90	37.40	40.30	39.80 <sup>(3)</sup>
<b>Share price</b>					
High <sup>(5) (*)</sup>	49.53	54.57	68.71	88.50	95.07
Low <sup>(5) (*)</sup>	32.40	45.71	50.31	66.65	67.54
Year-end <sup>(*)</sup>	49.53	52.89	67.82	82.65	74.22
CAC 40 index on 31 December	3,557.90	3,821.16	4,715.23	5,541.76	5,614.08

(\*) Data in the above table have been adjusted to reflect the share issue with preferential subscription rights in March 2006 (adjustment ratio = 0.992235740050131).

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

(2) Before dividends. Net book value based on the number of shares outstanding at year-end.

(3) Subject to approval at the Annual General Meeting of 21 May 2008.

(4) Dividend recommended at the Annual General Meeting expressed as a percentage of earnings per share.

(5) Registered during trading.

## Creating value for shareholders

### Total shareholder return (TSR)

#### Calculation parameters:

- The dividend is assumed to have been reinvested in BNP shares then BNP Paribas shares and includes the *avoir fiscal* tax credit at a rate of 50% (until it was abolished at the beginning of 2005);
- Returns are gross returns, i.e. before any tax payments or brokerage fees.

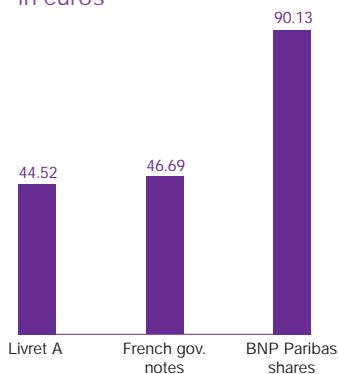
#### Calculation results:

The following table indicates, for the various durations given and up to 31 December 2007, the total return on a BNP share, then a BNP Paribas share, as well as the effective annual rate of return.

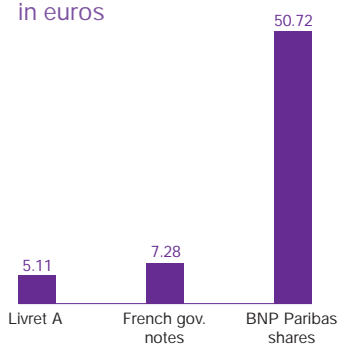
Holding period	Investment date (opening price)	Initial investment multiplied by	Effective annual rate of return
Since privatisation	18/10/1993	x 6.89	+14.55%
14 years	03/01/1994	x 5.30	+12.65%
13 years	03/01/1995	x 6.06	+14.87%
12 years	02/01/1996	x 6.58	+16.99%
11 years	02/01/1997	x 7.05	+19.43%
10 years	02/01/1998	x 4.25	+15.57%
9 years	04/01/1999	x 2.78	+12.06%
Since inception of BNP Paribas	01/09/1999	x 2.72	+12.76%
8 years	03/01/2000	x 2.15	+10.05%
7 years	02/01/2001	x 2.04	+10.70%
6 years	02/01/2002	x 1.85	+10.85%
5 years	02/01/2003	x 2.29	+18.00%
4 years	02/01/2004	x 1.74	+14.93%
3 years	03/01/2005	x 1.56	+15.93%
2 years	02/01/2006	x 1.17	+8.24%
1 year	02/01/2007	x 0.92	-8.07%



Comparison of growth in investment of EUR 39.41 over 5 years in euros



Comparative total yields over 5 years for an investment of EUR 39.41 in euros



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

Five-year comparison of an investment in BNP Paribas shares with the "Livret A" passbook savings account and medium-term government 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 (OATs).

Total return on an investment in BNP Paribas shares:

Initial investment = 1 share at the opening price on 2 January 2003 = EUR 39.41.

Dividends reinvested.

Exercise of pre-emptive rights to subscribe for shares at the time of the March 2006 share issue.

Value at 31 December 2007:

1.2143 shares at EUR 74.22 = EUR 90.13.

Investment of EUR 39.41 on 1 January 2003 in a "Livret A" passbook account.

At the investment date, the official interest rate on Livret A accounts was 3%. The rate was decreased to 2.25% on 1 August 2003 and then to 2% on 1 August 2005. It was revised twice in 2006, on 1 February to 2.25% and 1 August to 2.75%, and once in 2007, to 3% on 1 August. As at 31 December 2007, the account balance was EUR 44.52, representing growth of EUR 5.11, barely more than 10% of the increase achieved by the BNP Paribas share – which gained EUR 50.72 over the same period.

The value created through an investment in BNP Paribas shares, reflecting the additional risk involved, amounts to  $90.13 - 44.52 = \text{EUR } 45.61$  per share over five years.

Investment of EUR 39.41 on 1 January 2003 in French government notes.

The five-year interest rate (BTAN) on that date was 3.4719%; at the end of each subsequent year, interest income is reinvested in a similar note under the following terms:

- 3.3467% (BTAN) in January 2004 for 4 years;
- 2.7154% (BTAN) in January 2005 for 3 years;
- 2.87199% (BTAN) in January 2006 for 2 years;
- 4.028% in January 2007 for 1 year (Euribor).

At the end of five years, the accrued value of the investment is EUR 46.69, representing growth of EUR 7.28, less than 15% of the increase achieved by the BNP Paribas share.

The additional value created by choosing BNP Paribas shares as the investment vehicle is therefore  $90.13 - 46.69 = \text{EUR } 43.44$  per share over five years.





## 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 stock market authorities.

The **Investor Relations** team informs institutional investors and financial analysts, in France and abroad, of the Group's strategies, major events concerning the Group's business and, of course, the Group's results which are published quarterly. In 2008, for example, the following dates have been set<sup>(1)</sup>:

- 20 February 2008: publication of the 2007 annual results;
- 14 May 2008: results for the first quarter of 2008;
- 6 August 2008: publication of the 2008 half-year results;
- 5 November 2008: results for the third quarter of 2008.

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 attends to queries of the Group's 601,000 or so individual shareholders (*source: 31 December 2007 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, senior management presents the Group's policy to individual shareholders at meetings organised in various French cities and towns (for example, in 2007, meetings were held in Grenoble on 15 March, in Nantes on 25 September and in Toulouse on 2 October). Also, BNP Paribas representatives met and spoke with over 1,000 people at the "Actionaria" shareholder fair held in Paris on 16 and 17 November 2007.

In 1995, the "Cercle BNP Paribas" was set up for individual shareholders holding at least 200 shares. The Cercle currently counts 47,500 shareholder members. Three times a year, in alternation with financial newsletters, 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 seminars on trading in equities (including technical analysis and financial research), on private asset management and warrants, as well as economic-update sessions and seminars about how to manage one's finances on the internet, organised by BNP Paribas teams specialising in these 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. Illustrating the growing variety of the offering, in 2007, 389 events, a 9% increase on 2006, were organised for 16,351 participants. One-third of the events were held in the provinces and two-thirds in Paris and the Paris region. Shareholders can obtain information about these services by dialling a **special freephone number (in France): 0 800 666 777**. A telephone news service can also be accessed through the same number, offering a wide range of information to BNP Paribas shareholders, such as the share price, shareholders' events, news and interviews.

The **BNP Paribas website** (<http://invest.bnpparibas.com>) can be consulted in both French and English. Recently large portions of the website have also been viewable in Italian. It provides information on the Group, including press releases, key figures and details of significant developments and presentations. All financial documents such as Annual Reports and Reference Documents can also be viewed and downloaded. Publications compiled by the Bank's Economic Research unit can be viewed on the website as well. The latest share performance data and comparisons with major indexes are also obviously available on this website. Since 2007, it has been possible to calculate the return on an investment in BNP Paribas shares – one of the many tools that visitors to our website have at their disposal.

The Investors/Shareholders corner now includes all reports and presentations concerning the Bank's business and strategy, irrespective of the original target audience (individual shareholders, institutional investors, asset managers or financial analysts). The website also has a section entitled "To be a shareholder", which was specifically designed with individual shareholders in mind, offering information tailored to their needs and details of proposed events. In addition, there is a specific section dedicated to the Annual General Meeting of Shareholders, which includes information regarding the conditions for attending the meeting, ways of voting, practical questions, as well as a presentation of the resolutions and the complete text of all speeches made by corporate officers. Webcasts of the sessions can be viewed by visiting the section entitled "General shareholders meeting" then by clicking on Records in the submenu.

### [BNP Paribas Shareholders' Guide](#)

The BNP Paribas Shareholders' Guide was designed to provide individual shareholders with full details on the share's performance and the Bank's achievements. Its main

purpose is to give these investors a better idea and a deeper understanding of the economic environment and the markets in which BNP Paribas operates. The Guide can be obtained on request from the Individual Shareholder Relations Department.

<sup>(1)</sup> Subject to alteration at a later date.



[BNP Paribas ranked among the winners of the BoursoScan 2007 website survey](#)

Boursorama and business partner OpinionWay, which has expertise in the analysis of individual shareholders, have for the past seven years conducted an annual survey in France, BoursoScan, with a view to finding the best websites of companies listed on the Paris Stock Exchange. As part of the 2007 edition, more than 6,340 internet users gave their opinion on websites they had visited. In total, 250 sites were ranked in terms of features that participants deemed to be important: topicality of the information shown, the transparency of financial news and ease of browsing.

The BNP Paribas website devoted to shareholders and investors, <http://invest.bnpparibas.com>, received the "Prix Coup de Cœur" (the eye-pleaser award), indicating that the website was the favourite among first-time visitors. This serves as an acknowledgment of the accessibility and instructiveness of the information supplied by BNP Paribas to individual investors.

[The French Minitel service](#)

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

### Shareholder Liaison Committee

After its formation in 2000, the new BNP Paribas Group decided to create a Shareholder Liaison Committee to help the Group communicate better with its individual shareholders. At the Shareholders' Meeting that approved the BNP Paribas merger, the Chairman 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 ten shareholders who are both geographically and socioeconomically representative of the individual shareholder population, and two employees or former employees. Each member serves a three-year term. When their terms expire, announcements are published in the press and in the Group's various financial publications, inviting new candidates to come forward. Any shareholder can become a candidate.

At 1 January 2008, the members of the Liaison Committee were as follows:

- Michel Pébereau, Chairman;
- Franck Deleau, resident of the Lot *département*;
- Nicolas Derely, resident of the Paris area;
- Jean-Louis Dervin, residing in Caen;
- Jacques de Juvigny, resident of the Alsace region;
- André Laplanche, residing in Cavaillon;
- Jean-Marie Laurent, resident of the Oise *département*;
- Dyna Peter-Ott, residing in Strasbourg;
- Jean-Luc Robaux, residing in Nancy;
- Marie-Nathalie Rodrigues, resident of the Allier *département*;
- Thierry de Vignet, resident of the Dordogne *département*;
- Roseline Labat, BNP Paribas employee;
- Bernard Coupez, President of ASRAS BNP Paribas (the Association of Employee, Retiree and Former Employee Shareholders of the BNP Paribas Group).



Shareholder Liaison Committee

In accordance with the Committee's Charter – the internal rules that all members have subscribed to – the Committee met twice in 2007, on 23 March and 14 September, in addition to taking part in the Annual General Meeting and attending the "Actionaria" shareholder fair. The main topics broached included:

- the periodical publications which provide information on the Group's achievements and strategy;
- the 2006 Annual Report;
- improvements required for the website devoted to relations with financial market participants;
- initiatives concerning preparations for the Annual General Meeting;
- BNP Paribas' participation in the "Actionaria" shareholder fair. At this event, several Liaison Committee members explained the role played by the Committee to people who visited the Bank's stand.

## Dividend

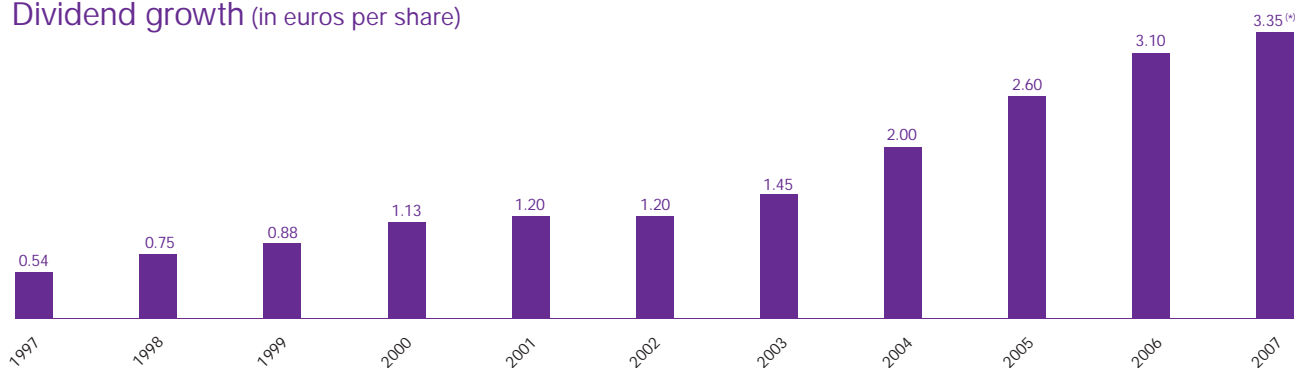
At the 21 May 2008 Annual General Meeting, the Board of Directors will recommend a dividend of EUR 3.35 per share, an increase of 8.1% compared with the 2007 dividend. The dividend will be payable as from 29 May 2008, subject to approval at the Annual General Meeting.

The total amount of the payout is EUR 3,034.1 million, an increase of 4.9% compared with EUR 2,891.9 million in 2007. The proposed payout rate is 39.8% <sup>(1)</sup>.

**The Group's objective** is to increase the dividend to reflect growth in income and the optimised management of available capital.

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

## Dividend growth (in euros per share)



<sup>(1)</sup> Subject to approval at the Annual General Meeting of 21 May 2008.  
The dividends for the years 1997-2000 have been adjusted to reflect the two-for-one share split carried out on 20 February 2002.

## BNP Paribas registered shares

As at 31 December 2007, 26,140 shareholders had shares registered with BNP Paribas.

### ■ Shares registered directly with BNP Paribas

Shareholders whose shares are registered directly with BNP Paribas:

- automatically receive all documents regarding the Bank which are sent to shareholders;
- are automatically entitled to call a **French freephone number (0 800 600 700)** 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 registered share accounts and account movements as well as place and track trading orders;

- and, naturally, pay no custodial fees, and are systematically invited to 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 with those of holding registered shares:

- 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 shareholder can take part in voting via the internet.

<sup>(1)</sup> Dividend recommended at the Annual General Meeting expressed as a percentage of earning per share.

## Annual General Meeting

The last Annual General Meeting was held on 15 May 2007 on first call. The text of the resolutions and the video of the meeting can be viewed on the BNP Paribas website, which is where the original live webcast took place. The composition of the quorum and the results of the votes cast

were posted online the day after the meeting. In addition, the meeting was written about in the specialist press and a specific letter was sent to shareholders summarising the meeting.

The quorum breaks down as follows:

### Breakdown of quorum

	Number of shareholders	(%)	Number of shares	(%)
Present	1,784	15.55%	96,725,671	23.45%
Proxy given to spouse or another shareholder	56	0.49%	46,699	0.01%
Proxy given to Chairman	6,560	57.19%	29,784,996	7.22%
Postal votes	3,070	26.77%	285,889,393	69.32%
<b>TOTAL</b>	<b>11,470</b>	<b>100%</b>	<b>412,446,759</b>	<b>100%</b>
<b>Total no. of shares issued excluding treasury stock</b>			903,146,769	<b>Quorum</b> 45.67%

All resolutions proposed to the shareholders were approved.

	Results	Rate of approval (%)
<b>ORDINARY MEETING</b>		
Resolution 1:	Approval of the consolidated balance sheet as at 31 December 2006 and the consolidated profit and loss account for the year then ended	98.59%
Resolution 2:	Approval of the balance sheet of the Bank as at 31 December 2006 and the profit and loss account for the year then ended	98.59%
Resolution 3:	Appropriation of net income and dividend distribution	99.83%
Resolution 4:	Agreements and commitments governed by Article L. 225-38 of the French Commercial Code	94.84%
Resolution 5:	Share buybacks	99.14%
Resolution 6:	Ratification of the appointment of Suzanne Berger Keniston as a director	94.66%
Resolution 7:	Renewal of the term of office of Louis Schweitzer as a director	86.95%
Resolution 8:	Powers to carry out formalities relating to the Ordinary Meeting	99.58%
<b>EXTRAORDINARY MEETING</b>		
Resolution 9:	Amendment of the fifteenth resolution of the Annual General Meeting of 18 May 2005 to promote employee profit-sharing and share ownership, in accordance with the French Act of 30 December 2006	97.23%
Resolution 10:	Amendment of the twenty-second resolution of the Annual General Meeting of 23 May 2006 to promote employee profit-sharing and share ownership, in accordance with the French Act of 30 December 2006	97.70%
Resolution 11:	Reduction in the Bank's capital by cancelling shares	99.51%
Resolution 12:	Approval of the merger of BNL into BNP Paribas	99.51%
Resolution 13:	Approval of the merger of Compagnie Immobilière de France into BNP Paribas	99.50%
Resolution 14:	Approval of the merger of Société Immobilière du 36, avenue de l'Opéra into BNP Paribas	99.51%
Resolution 15:	Approval of the merger of CAPEFI into BNP Paribas	99.80%
Resolution 16:	Amendment of the Bank's Articles of Association relating to attendance at General Meetings	99.81%
Resolution 17:	Powers to carry out formalities relating to the Extraordinary Meeting	99.82%

The 2007 Annual General Meeting was an additional opportunity for BNP Paribas to demonstrate its commitment to sustainable development. BNP Paribas seeks to create solid, recurring value, acting as a mark of quality and 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 for every attending investor to the "*Coups de pouce aux projets du personnel*" programme (A helping hand for

employee projects). The programme was specifically developed by the BNP Paribas Foundation to encourage public interest initiatives for which Bank staff personally volunteer their time and efforts; the sums collected (EUR 17,840 in 2007) are donated in addition to the funds that the Bank already grants to this programme via the BNP Paribas Foundation, which operates under the aegis of the Fondation de France. The total amount of these contributions was distributed among 44 projects, all of them initiated by Bank employees, in amounts ranging from EUR 500 to EUR 3,800. The sums to be allocated were determined on the basis of project size, the quality of





the application and, naturally, the degree of commitment of the staff involved in the project. As in previous years, a great deal of financial support was channelled into humanitarian initiatives. This was followed by projects working with various types of handicaps, community integration through sport and other activities, healthcare promotion and socioeconomic integration projects. Most of these projects were centred on initiatives in France. Of the other projects, two of them concerned another European country, one was conducted in South America, seven in Africa and five in Asia.

The allocation of funds is systematically detailed in the notice of invitation for the next General Meeting.

The procedures for BNP Paribas' General Meetings are defined in Article 18 of the Bank'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.

The Ordinary and Extraordinary General Meeting may be called in a single notice of Meetings and held on the same date. BNP Paribas will hold its next Ordinary and Extraordinary General Meeting on 21 May 2008.

#### ■ 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, particularly investor and financial journals. In addition to legal requirements, BNP Paribas sends the following documents aimed at boosting attendance:
  - notices of meetings and a postal voting form for shareholders who own over a certain number of shares (set at 250 shares in 2007); these same documents may be accessed freely on the website;
  - information letters concerning the Annual General Meeting and the attendance procedures. In 2007, these were sent to all holders of at least 150 bearer shares.

In total, nearly 71,000 of the Bank's shareholders personally received the information needed to participate.

In addition, staff at all sales facilities of the BNP Paribas network are specifically trained to provide the necessary assistance and carry out the required formalities.

#### ■ Attendance at meetings

Any holder of shares may gain admittance to Annual and Extraordinary General Meeting, provided that the shares have been recorded in their accounts for at least three days. Holders of bearer shares must in addition present an entry card or certificate stating the ownership of the shares.

#### ■ 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 post;
- give proxy to their spouse or another shareholder (individual or legal entity);
- give the 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.

Since the General Meeting of 28 May 2004, shareholders can use a dedicated, secure internet server to send all the requisite attendance documents prior to Annual General Meeting (<http://gisproxy.bnpparibas.com>).

#### 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 down 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 described in the previous two paragraphs shall also apply when the shareholding falls below the above-mentioned 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.



# Human Resources development

## Group values underpinning HR management

For BNP Paribas, the goal of being “the bank for a changing world” stems from the values chosen by the new Group’s leaders at the time of the merger between BNP and Paribas in 2000. These values are illustrative of the Group’s commitment to:

- bringing together a global, multicultural Group;
- forging a strong, unique identity; and
- enlisting employee support for the corporate mission, by giving the mission lasting sense.

### A unifying approach

BNP Paribas is a global Group on the move and, as such, takes great care to respect the cultural backgrounds of all its employees in the ways it conducts its business and manages its teams. The Group’s values act as the glue that binds the diverse group of men and women that make up the BNP community, giving them a strong sense of shared identity.

### A distinctive corporate identity

BNP Paribas expresses its distinctive identity in all its businesses and territories, throughout the world. It has chosen to focus on original values, at both an individual and collective level: only three other global groups have included Commitment and Ambition among their core values, and BNP Paribas is unique in choosing Creativity and Responsiveness.

### Action-centred values

To have a truly rallying effect, corporate values must be shared by everyone and lived on a daily basis. Accordingly, the Group’s senior managers have spelt out the meaning and direction of the individual and collective behaviour that these values call for:

By choosing these values in 2000 and updating them in 2006, the Group

**Responsiveness** means rapidly appraising situations, identifying opportunities and risks, making decisions and taking effective action.

**Creativity** means promoting new initiatives and ideas and rewarding their originators.

**Commitment** involves devoting best efforts to client service and team success, while meeting the highest standards of behaviour.

**Ambition** reflects an appetite for challenge and leadership, with the goal of winning, as a team, a series of contests in which the client is judge.

made clear its ambitious goal of being the “bank for a changing world”, in which employee support is mobilised around a corporate mission based on respect for the individual.

In *Ambition*, the in-house newsletter, the Chairman described how the Group’s values reflect its goals.

The same spirit presided over the work of defining the management principles and attitudes that are expected to govern the behaviour of all team leaders.

These principles have been translated into the new format for annual performance evaluations, revamped in 2007. A single form is now used throughout the Group, across all business lines, territories and levels of responsibility.



Michel Pébereau, Chairman

### “A true corporate project rests on values”

Values are often considered, in major groups, as a communications tool, a public relations display that bears little relation to how work is carried out on the ground. That is not how we see things. We believe that our Group values should be shared by everyone and lived on a daily basis. They should help to rally our teams and ensure the Group’s overall cohesiveness. BNP Paribas is no ordinary company. Its uniqueness is very dear to our hearts.



# Human Resources policy framework

## HR responsibilities charter

The HR responsibilities charter was updated in 2007, as part of the overall review of the work and organisation of the Group's various functions.

Whilst maintaining the HR function's main tasks, the new charter extends the authority granted to the core businesses as regards the key posts within their particular activity, and allows greater room for manoeuvre with respect to individual career management.

The list of HR activities was also overhauled in 2007, and is now divided into ten areas, six involving HR management and four covering support roles. This list provides a framework for the main pillars of HR's ongoing control mechanism: risk mapping, procedures, key controls and reporting.

The list of procedures was also updated and extended to include the new organisations and delegations and the changes in processing procedures.

HR managers can now access these lists on the Group's intranet.

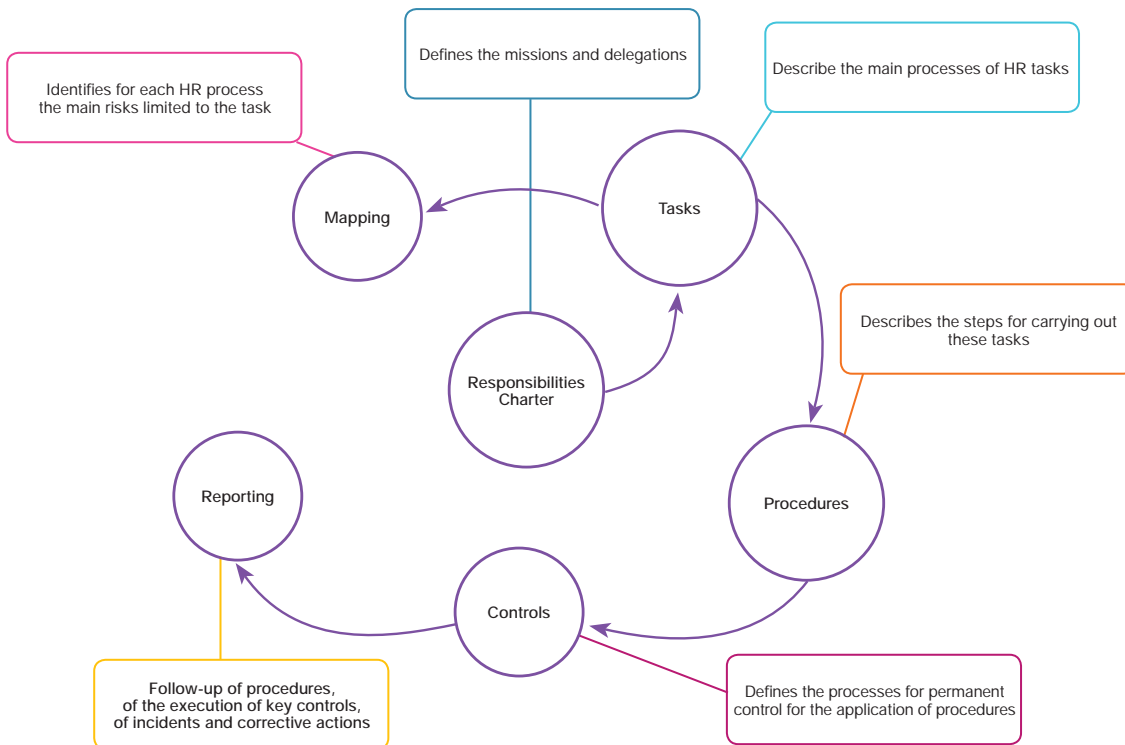
## Extended powers of authority

Given the diversity of businesses and corporate cultures at play when BNP Paribas was created, a key factor in the success of the merger was the establishment of an integrated Human Resources function, which was able to harmonise career management and compensation policies throughout the Group.

Subsequently, the Group Human Resources function simplified decision-making processes and empowered local management by broadening the responsibilities of the various core businesses, subsidiaries and countries, as well as expanding the role and scope of Group-level operational leadership in the management of their teams.

Senior managers, certain key managers, line managers and their successors, as well as high-potential young managers, continue to be managed directly by Group Human Resources.

## Basis for HR management rules



## Compliance with Global Compact principles

With a presence in 85 countries, BNP Paribas operates in a variety of political and regulatory environments. This means that the Group must take particular care to ensure compliance with the principles of the United Nations Global Compact, to which it is a signatory.

In 2007, the number of at-risk countries, as listed by the relevant authorities, increased considerably, from 25 to 43, mainly due to a worsening of their political situation. BNP Paribas is present in thirteen of these countries, with staff there representing 5.4% of its total global headcount. In the most risk-exposed countries, where regulations are often very lax, local human resources departments apply Group rules to all employee management procedures.

BNP Paribas and eight other major French groups at the forefront of CSR, helped to found *Entreprises pour les Droits de l'Homme* (EDH – Companies for human rights). Set up to identify effective ways of implementing the principles of respect for basic human rights in the corporate world, it draws its inspiration from the Business Leaders Initiative on Human Rights (BLIHR) and works alongside human rights organisations such as Amnesty International. EDH is aiming to promote its policies throughout the French business community, and will have an ideal occasion to do so at celebrations to mark the 60th anniversary of the Universal Declaration of Human Rights, to be held in Paris in December 2008, as part of France's presidency of the European Union.

## Workforce expansion<sup>(2)</sup>

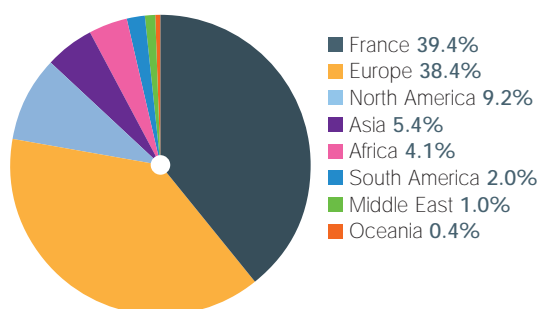
Group staff expanded to 162,687 full-time equivalent employees (FTEs) at 31 December 2007, up 20,776 on 2006.

The increase was a reflection of development across all businesses, but was primarily due to external growth at specialised financing solutions. The consolidation of LaSer-Cofinoga and the acquisition of the Indian brokerage firm Geojit accounted for 7,496 and 2,464 additional new hires respectively. At constant scope, organic growth gave rise to 8,174 additional FTEs (1,291 in France and 6,883 in other countries), primarily in International Retail Services (IRS), Asset Management and Services (AMS) and Corporate and Investment Banking (CIB).

Outside France, the majority of territories created net new jobs in 2007. Northern Europe was particularly buoyant, especially Ukraine, Poland, the UK and Russia. Net increases also occurred in the Mediterranean zone, in Spain, Portugal, Turkey, Egypt, Algeria and Morocco.

## The Group's workforce breaks down as follows:

### By geographic area



	2005	2006	2007
France	55,499	57,123	64,080
Europe (excl. France)	25,205	53,461	62,473 <sup>(1)</sup>
North America	14,979	14,810	15,046
Asia	4,785	5,571	8,833
Africa	5,661	6,201	6,692
South America	2,363	2,924	3,287
Middle East	868	1,308	1,700
Oceania	420	513	576
<b>Total</b>	<b>109,780</b>	<b>141,911</b>	<b>162,687</b>

<sup>(1)</sup> Of which Italy accounts for 19,901.

<sup>(1)</sup> For human resources growth data, this analysis takes into account all FTE staff managed by BNP Paribas as opposed to the consolidated workforce, which is limited to staff working for fully or proportionally consolidated entities calculated pro rata to the percentage consolidation of the subsidiaries concerned:

Full-time equivalents (FTEs)	2002	2003	2004	2005	2006	2007
Consolidated workforce	87,685	89,071	94,892	101,917	132,507	145,477
Total workforce	92,488	93,508	99,433	109,780	141,911	162,687

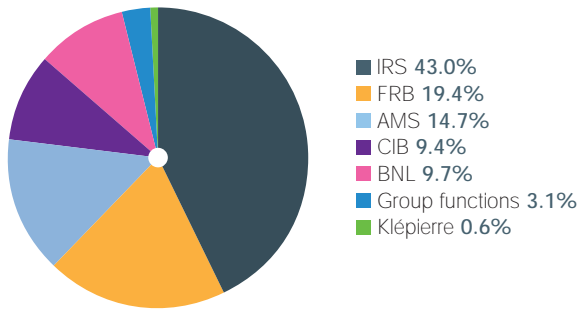


### Workforce in france and outside france

The percentage of employees outside France continued to grow. Less than 40% of the Group's total headcount at 31 December 2007 was located in France.

### By business

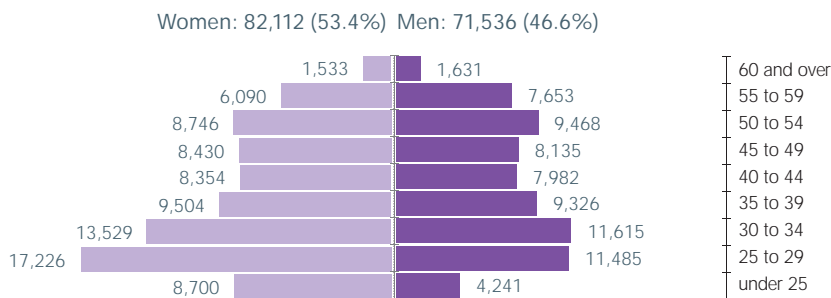
Compared with 2006, the portion of employees in IRS and AMS increased, while it decreased in French Retail Banking and BNL.



### Age pyramid

The Group's age pyramid <sup>(1)</sup> remains balanced overall. Lower age groups predominate in the IRS, AMS and CIB Divisions, while the opposite is true of French Retail Banking and BNL, which remain closer to standard employment demographics in continental Europe.

### Physical headcount (December 2007)



<sup>(1)</sup> This pyramid has been based on total headcount without weighting for part-time work using individual company data available, representing 94% of the Group's headcount.



# Key challenges of human resources management

As a result of its rapid development within a changing environment, the Group is facing three major challenges: growth, diversity and change in its human resources management.

## The growth challenge

Total headcount leapt up 64% in the space of three years, increasing from 99,433 in 2004 to 162,687 in 2007. Staff numbers outside France surged 119% over the same period, reaching 98,607 from 45,070.

The Group's swift international development has thrown up two major issues for human resources management:

- Anticipating employment trends through forecast measurements of the effects of organic growth and productivity gains, combined with those of the Group's age pyramid, which will see an average of 1,000 retirements per year by 2020 solely at BNP Paribas SA in France.
- Developing the managerial resources needed to take the helm as key positions become available through natural wastage, and to drive the Group's development and external growth plans.

## The diversity challenge

Before the merger, the Group was predominantly characterised by one business, in one country: Retail Banking in France. The past two years have seen sharply accelerated diversification across business lines and territories, producing a much more balanced Group structure. Managing this diversity, which has become one of the Group's defining features, involves a twin challenge:

- Combining local diversity and overall consistency, while promoting mobility and a sense of Group identity. The aim is to guarantee an unhindered flow of information and a sufficient mixing of people, to avoid any silo effects in the Group's organisation and promote cross-functional processes.

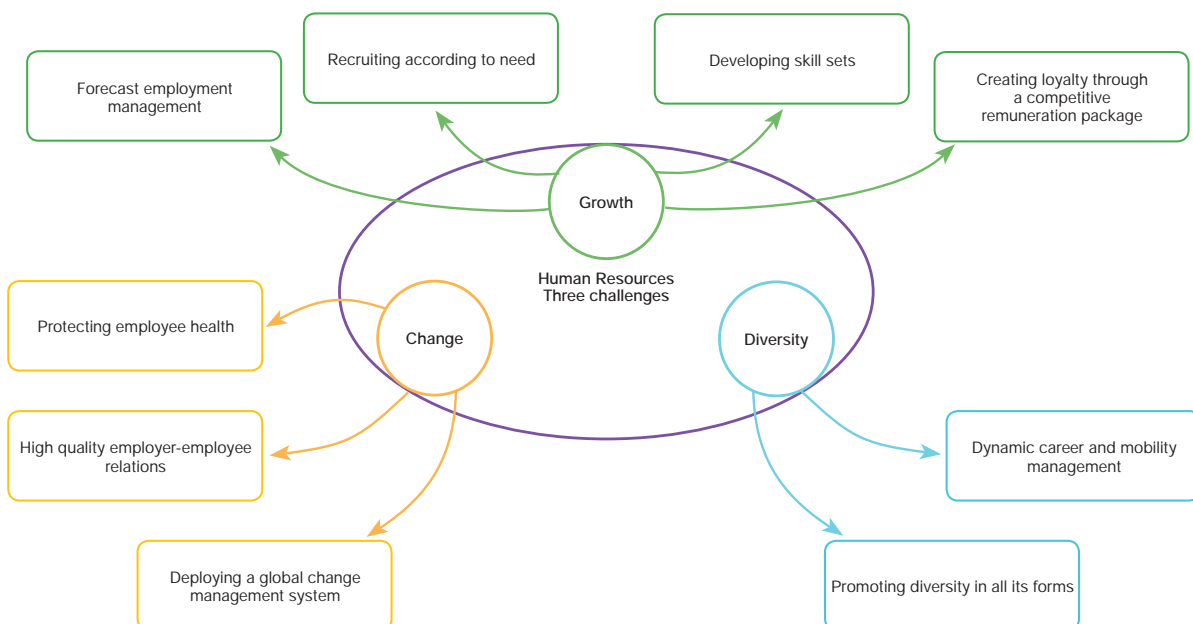
- Ensuring that this diversity is increasingly reflected in the Group's key leadership roles and in succession planning.

## The change challenge

In any financial services business, human capital is a core asset and managing change a key challenge, because all facets of the operating environment – markets, professions, growth and globalisation – are changing faster than employees' corporate culture and behaviour.

To respond to these accelerating trends and to employees' varied expectations, managers need to be good listeners, good explainers and good example-setters. The corporate training programmes now offer managers the skills they need to meet these leadership challenges, to avoid employees feeling disconnected, accumulating stress or becoming discouraged because of unmet expectations.

It is by presenting clearly identified operational challenges that these issues can be addressed.



# Clearly identified operational challenges

## Quantitative and qualitative workforce adaptation

In an overall environment of expansion as seen with the high level of recruitment, BNP Paribas has maintained a proactive policy for managing jobs threatened by organisational changes and the impact of IT developments.

In France, BNP Paribas SA adopted an employment adaptation plan for implementation between 2006 and 2008. Under this voluntary redundancy plan, 240 employees left the company in 2007, within the context of a career programme enabling them to create their own businesses.

Cetelem continued to pursue its wide-scale development programme, "2008 Challenge", which has led to major changes in the entity's processes, tools and organisation. Nearly 600 Cetelem employees have been affected by internal, functional or geographic mobility.

Over 150 employees found a job and career prospects in another one of the Group's entities in France, primarily in the Retail Banking network, thus demonstrating the effectiveness of the mobility and redeployment policy implemented throughout the Group. Some 150 employees left the company, principally within the scope of career development programmes.

Within BNL in Italy, the plan that was the subject of agreements signed in November 2006 with trade unions on retirement, recruitment, mobility and professional development has been instigated as anticipated. The results of the plan were as follows:

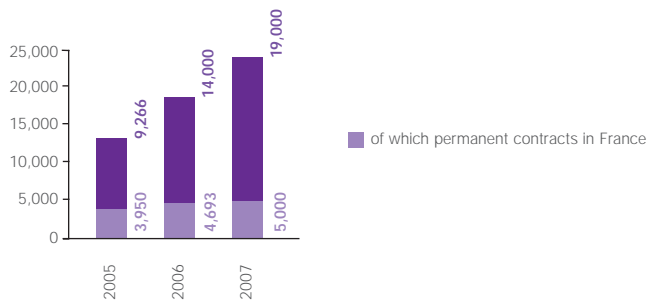
- 800 employees left the company,
- 700 employees were hired,
- 1,000 employees took advantage of mobility opportunities,
- More than 97,000 days of training (i.e., almost 730,000 hours) were provided.

## Recruitment processes that meet the specific needs of each business

### ■ Intensive and varied recruitment processes

The Group's recruitment activity in France and abroad has remained consistently high, in line with the expansion of its business lines. The number of new employees increased considerably compared with 2006, to 24,000 new hires worldwide, as a result of very strong expansion in all Group businesses.

## Recruitment of permanent employees



## ■ Recruitment in France

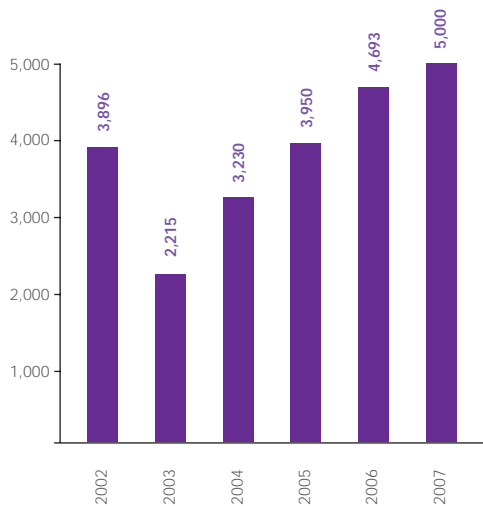
### A wide range of profiles

In 2007, new hires were once again split evenly between young university graduates (20% with an associate's or bachelor's degree and 30% with a master's degree) and employees with some previous experience.

Work/study contracts were offered to 757 young people in 2007 (460 on vocational training programmes and 297 on apprenticeships). This represented a decrease of 12% on 2006, as all the positions available for master's programmes were not filled due to insufficient numbers of applicants.

BNP Paribas took on roughly the same number of trainees as part of a VIE (*Volontariat International en Entreprise*) programme, with nearly 235 new trainees in 2007 compared with 240 in 2006. BNP Paribas maintained its position as leading VIE recruiter in France. The number of work placements for master's students also increased, to over 1,500.

## Recruitment of permanent employees in France



### Close links with schools and universities

Faced with ever-increasing competition for candidates, BNP Paribas once again focused on implementing a lively and innovative communication and sourcing policy in 2007. More than 100 events were held during the year at schools and universities.

These innovative recruiting events enabled the Group to stand out in the employment market: BNP Paribas organised two in-branch recruitment campaigns in April and September 2007, leading to 240 new hires; the Second Life recruitment campaign in June 2007, which targeted IT specialists, generated significant media exposure and enhanced the Group's image; and the WAP recruitment site launched in November 2007 got off to a promising start, with approximately 400 users every day.

All these initiatives have enabled the Group to remain very attractive to certain key target groups.





### **BNP Paribas – an attractive Group**

A 2007 TNS Sofres survey showed that final-year students in leading French business schools continued to rate BNP Paribas as the most attractive employer in France, based on their prior knowledge. The Group also moved up to 2nd position among engineering school students, making it the leading bank and the no. 1 service-sector company among this Group.

As a result of these communication endeavours, the number of applications received in 2007 remained high. Despite increased competition for applicants, BNP Paribas received a total of 200,000 *curricula vitae*, including 65,000 for trainee positions (work placement, VIE and work/study programmes) compared with 45,000 in 2006.

#### Combating discrimination

In 2007, the Group continued to broaden the initiatives taken to combat discrimination in recruitment and promote diversity. Interviewees are now asked to fill in a personality questionnaire, with the aim of making the selection process as objective as possible. The Human Resources function has received a special training course in this regard, and an action plan was created that incorporates the key areas for preventing discrimination during recruitment (see the later section on Promoting diversity in all of its forms). Finally, a special recruitment initiative for disabled applicants was organised in November 2007, in collaboration with the Disability unit.

#### **Developing the skills of employees and teams**

##### ■ Innovative training programmes to build team loyalty

Training programmes offer BNP Paribas a means of attracting new talent and building loyalty among its teams. The training policy and offering seek to bring benefits at both collective and individual levels, by building the skill-sets the Group needs to face new challenges, providing managers with tools and behavioural know-how tailored to their specific environment, and enabling employees to develop their competencies throughout their professional lives. All staff members are encouraged to pursue training that is relevant both to their current position and their future development.

The process kicks off with the integration seminars for new employees. Business-specific training is then offered for skills development. Cross-functional training, aimed at a wider audience, has the goal of fostering team spirit and a sense of identity. It mainly takes the form of induction sessions and managerial skills.

Vocational training has been an integral part of the Group's training policy since 2007. Vocational training programmes are offered to young people beginning work/study programmes, and vocational training sessions are offered to employees on permanent contracts.



## ■ Introduction to the Group and integration

Integration sessions give new employees the opportunity to find out about BNP Paribas and see their role within the context of the Group's many businesses, as well as to start making contacts within the company. They help create a sense of group identity, offering shared terms of reference as regards values, business principles and working methods. This training occurs in tandem with other introductory procedures such as the employee's first contact with his or her manager and team and familiarisation with the workstation and working environment.

In 2007, 184 young university graduates recruited in France attended Group seminar sessions. The Corporate and Investment Banking and French Retail Banking Divisions held integration sessions for several hundred new recruits.

A large number of integration sessions for experienced executives were offered in 2007 to cater to the needs of managers taken on as a result of the Group's external and organic growth. In 2007, employees from over 35 territories attended these sessions, with a significant number coming from TEB in Turkey and UkrSibbank in Ukraine, and an increased number from BNP Paribas Vostok in Russia.

The WIN integration, training and career development programme is designed for young university graduates seeking international career opportunities in the various countries in which the Group operates.

The goal is to create loyalty and retain high-performing young executives with good career development prospects, in all territories. Participants are graduates of the best schools, with an international background, up to two years' work experience prior to joining the Group, and an interest in European culture and geographic mobility. They are selected on the basis of their distinguished performance in their current position.

The WIN seminar takes place over two weeks at the Group training centre in Louveciennes. Participants in the 2007 WIN seminar included 133 international executives, most of whom were in their first job. Over 20 nationalities were represented at each session. Over 600 employees from different business lines and territories have taken part in the programme since its creation in 2001.

As part of the Talent Development Program, which is to be launched during the first half of 2008, a seminar is being developed on the Group's new challenges and should be ready for roll out in the autumn.

## The Louveciennes Training Centre

The Group training centre, in the magnificent setting of Louveciennes near Paris, is a veritable company university. Its mission is not only to build competencies, but to provide a forum for sharing ideas and building company spirit. Employees from all businesses, countries and cultures come here to participate in training sessions. In 2007, nearly 20,000 employees attended integration seminars, business-specific courses, crossfunctional training programmes and major Group events.

In March 2007, a US-European symposium organised jointly by Harvard Law School and the Centre for European Policy Studies (CEPS) was held in Louveciennes. The venue for this annual symposium alternates between the US and Europe, and this was the first year that BNP Paribas hosted the European session. Around 100 participants, representing US and European authorities and financial institutions, came together to debate current regulatory issues. BNP Paribas was represented by the Group's Chairman and several members of the Executive Committee.



### ■ Cross-functional training

While the various businesses define their own specific training needs, cross-functional training on project ownership and management, personal effectiveness and operations management are provided by the Group training centre in Louveciennes, where 2,370 executives received training in 2007. A growing number of these cross-functional sessions are also organised by the businesses.

The training sessions with the largest increases in attendance were:

- E-learning: an experiment started in 2006 within a group of French Retail Banking agencies and BNP Paribas Securities Services is coming to an end. The results will be analysed shortly with a view to expanding the use of e-learning.
- Training on performance evaluation interviews, provided through a combination of classroom sessions and e-learning. This mix of learning formats helps keep learners motivated by giving them greater latitude to organise their schedules.
- Step-Up: this new tool for learning English was implemented in 2007. At 31 December 2007, 2,840 learners had signed up for the programme.

### ■ Training for senior executives

The Leadership for Development programme was set up in 2005 in conjunction with France's prestigious École polytechnique and has become very well-known. In 2007, 131 participants took part in the programme (over two sessions, six months apart), which is aimed at helping senior executives to enhance their personal abilities and develop their careers through the optimisation of leadership skills.

Another two programmes for senior executives, PRISM and NEXTEP (see insert), were also continued in 2007. The objectives of these programmes are closely linked to the Group's career management policy, i.e., creating and nurturing a community of senior executives in key positions (PRISM) and helping ensure the success of high-stakes career moves (NEXTEP). The aim is to guarantee that training and career management policies are complementary and that the proper conditions are in place to provide senior executives with the skills they need to drive the Group's development. In 2007, 117 people took part in the four PRISM sessions, with the target being key "managers of managers" posts. A total of 16 senior executives took part in the NEXTEP seminar, over two sessions.

An ambitious project, the Talent Development Program, was launched to better identify and monitor the careers of high-potential employees. This is a collaborative project, created with the help of HR and other managers from the various core businesses and with the assistance of external experts. The goal is to ensure effective succession management and accompany the Group's growth. Prior to the worldwide launch of the programme in 2008, a pilot phase was set up in seven areas (Australia, Hong Kong, Singapore, New York, Spain, Turkey and the eastern regional department of French Retail Banking) with the involvement of the key players (managers, local HR, core businesses and business lines).

### PRISM

PRISM gives managers the opportunity to reflect on changes in their environment and how these changes affect their day-to-day management practices: what changes have occurred? How are they reflected in the Bank's various environments? How can these changes be dealt with? This seminar focuses on the topics of management, cross-functional perspectives and diversity.

### NEXTEP

NEXTEP offers managers assistance when they are moved to high-stakes positions. It helps them find their place and manage the tensions inherent in taking on greater responsibility by identifying the risks and opportunities involved. The aim is to make this transition a key period of rapid and effective growth.



## Creating loyalty through a competitive remuneration package

### ■ A broad and competitive remuneration package

#### Remuneration

Skills and levels of responsibility are remunerated through fixed salaries commensurate with each employee's experience and the market norm for each business. Individual performance is rewarded by variable remuneration based on the achievement of set objectives. Variable remuneration takes different forms from one business to another: the financing businesses use bonuses, while sales businesses pay commissions.

The Group strives to apply a fair, competitive and selective remuneration policy.

- Annual performance reviews are driven by a search for fairness in accordance with a global procedure monitored by the Group Human Resources function.
- The Compensation and Benefits Division of the Group Human Resources function updates annual benchmarks by business, type of post and country. This process is illustrative of the importance given to competitive fixed and variable remuneration.
- Remuneration is revised in accordance with selective criteria that are closely linked to the development of employees' skills, responsibilities and performances as reflected in the annual performance evaluations.

#### Profit-sharing and value creation

The Group seeks to optimise its profit-sharing mechanisms in accordance with local legal, tax and labour regulations. It offers different types of incentive bonuses and profit-sharing plans in various territories.

## Incentive and profit-sharing plans – BNP Paribas SA

Year in EUR	2003	2004	2005	2006	2007
Gross amount	116,769,620	148,701,874	186,076,788	227,719,000	232,530,560
Minimum amount per employee	2,328	2,945	3,772	4,696	4,728
Maximum amount per employee	7,831	10,020	10,689	12,732	12,800





### [Employee share ownership](#)

The Group encourages employee share ownership through an annual share issue reserved for employees. Since the creation of the BNP Paribas Group in 2000, the worldwide employee share ownership plan has been offering employees the opportunity to become shareholders within their own company for a minimum period of five years. They are entitled to a discount on the shares they purchase and to top-up payments from the company. Seven share issues have been offered in this context. An amount of approximately EUR 300 million is subscribed to each year.

## Employee rights issues

2007	France	International	Total	Average over 3 years
Number of eligible employees	71,816	59,998	131,814	113,064
Number of employees subscribing	49,201	19,705	68,906	59,503
Subscription rate	69%	33%	52%	53%
Amount (EUR millions)	300.2	113	413.2	302

The subscription rate remained stable at 52% with almost six million shares subscribed in 2007, underscoring the confidence that BNP Paribas' employees have in the Group's development strategy.

### ■ An extensive range of benefits

The benefit plans developed by the Group involve setting up long-term savings accounts for employees and helping them deal with unforeseen accidents and other vagaries through access to personal risk plans.

### [Employee savings plans](#)

These plans enable employees to build up their savings, in particular with respect to their retirement, by optimising local tax and labour schemes. Outside France, supplementary pension schemes are the preferred means, whereas in France employee savings plans allow staff to set up savings accounts with preferential tax and benefits treatment in return for a medium-term holding period. These plans can be topped up by payments from incentive and profit-sharing plans, by voluntary payments by the employees themselves, or by possible top-up payments from the company. PERCO (the Group retirement savings plan) was launched in 2005 and has been subscribed to by several thousand employees. The savings become available on retirement, in the form of either an annuity or a one-off payment. The amount of PERCO top-up payments totalled EUR 3.4 million in 2007.

### [Employee welfare](#)

The Group has a longstanding benefits policy providing a high level of protection to its employees. In 2007, BNP Paribas worked on harmonising its overall employee benefits procedures, particularly outside France, with the aim of ensuring greater consistency between sometimes very disparate local systems. Outside France, the Group seeks to provide benefits to its local employees and their families that allow cover for medical consultations and hospital stays.



### A tailor-made, flexible personal risk plan in France

BNP Paribas' personal risk plan was set up under a company-wide agreement and has few equivalents in French companies. The flexible plan offers staff a high level of cover for stoppages due to illness, disability or death. Each employee has a basic plan, which can be customised in accordance with his or her personal or family situation. This is done by choosing the level of additional cover, for example a one-off payment in the event of accidental death or the death of a spouse, an education annuity, or a spouse's annuity. Employees can modify their choices at regular intervals. By 31 December 2007, 56,000 employees in French entities were covered by such a personal risk plan.

### **Dynamic career and mobility management**

Several projects focusing on mobility have been implemented, including an external audit of the Group's mobility policy and processes in France and other countries. Following BNP Paribas SA, the mobility management tool is now up and running in other entities and has been rolled out internationally, allowing for more mobility through expatriation.

In 2007, career management processes were improved through initiatives such as expanding the scope for identifying high-potential executives, incorporating management performance reviews into the identification process, and ensuring effective succession management.

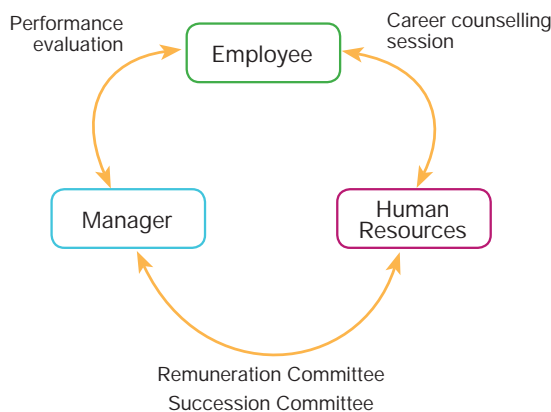
Another important initiative in 2007 focused on providing assistance to BNL's HR teams.

#### ■ Career management that supports employees' progression

BNP Paribas' career management policy is designed to allow each employee to progress continuously within a well-constructed and coherent framework. The Group invests in various ongoing training programmes adapted to individual profiles and aspirations.

Career management within the Group is based first and foremost on the relationship between the employee and his or her manager. HR managers are tasked with monitoring this relationship and following up on each individual's progression.

### **Career management**



### ■ A well-thought-out succession management plan

One of the Group's most important career management projects is preparing for the future by ensuring the long-term succession of its executive management. Committees made up of managers from the various divisions and functions, as well as HR managers, meet once a year to identify high-potential executives that could in future take over key posts within the company. The Leadership for Development programme was set up in 2005 to help these executives draw up individual career development plans in conjunction with their managers. Approximately 1,500 employees are involved in this programme worldwide.

A specially tailored career-tracking mechanism has been put in place for junior executives, which includes frequent career counselling sessions, customised seminars and meetings with Group leaders. Several procedures have been implemented to coach these employees in the early stages of their career:

- High-performing young executives whose development potential is spotted by HR managers at the time of their first promotion take part in specially-adapted group events.
- A special six-year career-monitoring process is in place for young graduates hired in France who have a master's degree and less than two years' professional experience. These graduates are coached through various stages of their professional life (change of function, remuneration, promotion), which involves integration seminars, on-the-job training or training leading to a professional qualification that benefits their career development. This process is specific to France due to the considerable number of new hires there.

Specific career assistance is also available within the various core businesses, business lines, functions or territories for junior or experienced employees joining the Group.

### ■ A dynamic mobility policy

Career mobility is not only an attractiveness driver, but also a preferred means for the Group to adapt its human resources to the development of its business operations. It also allows employees to enhance their professional experience and move ahead in their careers. Different forms of career mobility can help promote employees' potential in a new area and enable them to acquire new skills:

- Functional mobility: can mean a change of position, but also professional development or the enhancement of the employee's skills, abilities and knowledge.
- Geographic mobility: the employee moves to another town or, in the case of international mobility, another country.
- Inter-company mobility: the employee changes from one Group entity to another.

Although the diversity of the Group's businesses allows huge scope for career mobility, choices must take account of individual aspirations while at the same time ensuring that optimum use is made of the skills already gained by the employee. For this reason the Group's performance evaluation system encourages discussion between employees and managers as the basis for career management.

To make mobility within the Group more dynamic and create a veritable in-house job market the Group has made a variety of tools available to employees through the intranet, including *Opportunités Carrières* in France and e-Recruit in London. In France, BNP Paribas has a mobility brochure offering a range of additional tools: *Opportunités Carrières*, mobility information sheets on the intranet, specific training initiatives, a guide to mobility within the Group in France and, where appropriate, individual assistance provided by a special team.

2007 was a busy year for the Mobility team, which worked with nearly 900 employees, including almost 100 staff from Banque Privée Anjou for whom new positions were found within the Group. A total of 234 individual transfers were organised and sixteen seminars were held for employees in the process of implementing their mobility plan, with the aim of actively preparing them for the change that their mobility will bring.

Improvements have been made regarding the provision of information to employees on available positions. Managers can now use the *Opportunités Carrières* intranet site to post job offerings in France and other territories. This has been tested in the Ukraine in particular. In total, almost 1,400 offers were posted in France, including more than 30 for positions in other countries. Spain was selected as a pilot site for the international roll out of this tool, which will continue in 2008.

In terms of international mobility, since the end of 2007, BNP Paribas SA's core businesses and functions have taken over calculating expatriation packages and issuing secondment letters. This system is gradually being put in place for expatriate staff from the subsidiaries. Specialised external partners will soon be used to provide expatriate staff with additional assistance, particularly in the form of intercultural training.



## Promoting diversity in all its forms

The Group's diversity policy focuses on guaranteeing equal opportunity and the principle of non-discrimination, in particular as regards the recruitment of visible minorities. Other key priorities include stepping up recruitment of disabled people and improving the actions already in place to help them remain employed, increasing the number of female senior executives, and fostering diversity in terms of age. The principle of non-discrimination has been clearly outlined in BNP Paribas SA's internal rules since 2003.

As a concrete manifestation of the importance it gives to diversity, BNP Paribas has formalised its policy by signing core charters that exist in this domain. The Group has also set up a dedicated management structure, takes part in regular discussions on diversity, and makes active commitments through specific business partnerships. As such, BNP Paribas offers significant tools and initiatives to deal with major diversity challenges, in particular the fight against discrimination, the promotion of gender equality and the integration of disabled people.

### ■ A Group-wide diversity policy

BNP Paribas is one of 40 French companies to have signed France's Diversity Charter. In a January 2006 review by HALDE (*Haute Autorité de lutte contre les discriminations et pour l'égalité*), the French high authority fighting against discrimination and for equality, BNP Paribas was not found to discriminate in recruitment.

On 13 December 2006, the Group also signed the Charter proposed by the French Education Minister, by which French companies commit to promoting equal opportunity in education. The purpose of this charter is to strengthen links and develop initiatives between businesses and schools. It is the most recent in a long line of initiatives taken by BNP Paribas in this regard and boosts its already strong commitment to the world of education.

The Group has also shown its commitment to diversity by signing the Apprenticeship Charter in France in 2005 and, in 2007, an agreement with AGEFIPH, the French association promoting the integration of disabled people within the workforce. This agreement focuses on four main areas: (i) establishing the "Projet Handicap" team, through local contacts and a recruitment and assistance programme; (ii) raising awareness and offering training to the main players in the recruitment process and facilitating integration with the help of in-ternal communications; (iii) recruiting disabled workers for fixed-term or permanent contracts, work placements, temporary work or work/study programmes; and (iv) stepping up the current efforts made to keep disabled workers in the workforce.

BNP Paribas has also signed agreements to promote gender equality in the workplace and carries out frequent initiatives to offer women and men the same career opportunities and get rid of the glass ceiling. At subsidiary level, Cetelem was once again awarded certification for workplace equality in 2007, and GIE BNP Paribas Assurance signed an agreement on workplace gender equality in December 2007.

## BNP Paribas and its commitment to diversity



Baudouin Prot  
Chief Executive  
Officer of BNP Paribas

### Promoting diversity<sup>(1)</sup>

Diversity is one of our key strengths. We need to develop it further, to be even better at being the "bank for a changing world" – a bank that partners its clients and employees through the changes and challenges of the 21st century. Our Group welcomes all talented individuals, regardless of origin. The only way their capabilities should be assessed is by appraising contributions made and competencies demonstrated at every stage in their career development. In addition to being illegal, any discriminatory practices would run counter to the basic respect each person is entitled to and could seriously damage our reputation. Under no circumstances can they be allowed.

BNP Paribas is a very important employer and bank in some strongly multicultural areas, notably in France. In our banking and financial services, bringing together people from different backgrounds is a source of creativity, innovation and efficiency. We will also be closer to our clients if the composition of our staff mirrors the mix in society around us. Promoting diversity is therefore, for BNP Paribas, a matter of both performance and social responsibility. Each of us is invited to contribute, on a day-to-day basis, to advancing this goal.

<sup>(1)</sup> Excerpt from a letter from the Chief Executive Officer to all employees.





## ■ A dedicated management structure

### A head of diversity at Group level

In 2005, a Head of Diversity was appointed within BNP Paribas' Group Human Resources function, responsible for defining overall policy and coordinating anti-discrimination action plans, promoting equal opportunity and increasing the number of women and foreign nationals among senior executives. The Head of Diversity's duties also include overseeing the Group's policy in favour of disabled employees and disseminating the Group's policies in this regard. A Diversity Committee, established in September 2007, coordinates the initiatives of the core businesses and shares best practices.

### An anti-discriminatory promotion process

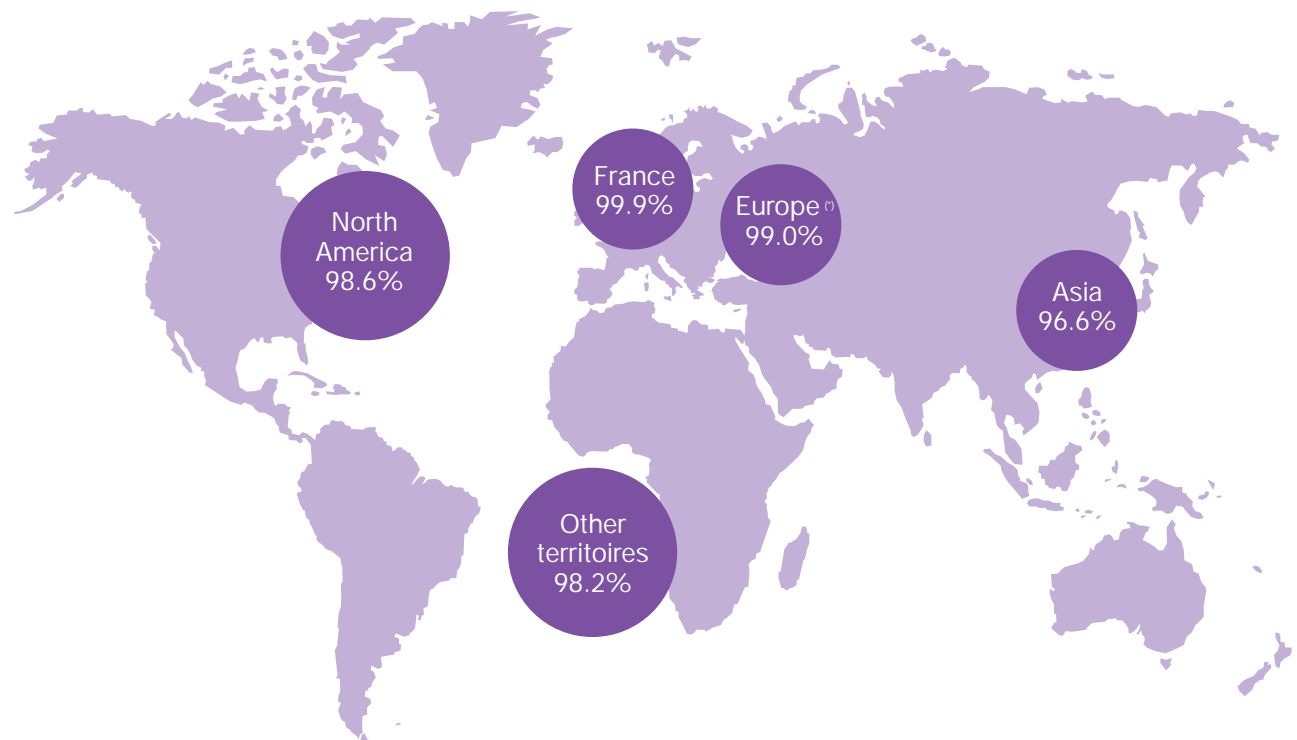
Since 2005, the Group has requested that the Human Resources function pay particular attention to anti-discrimination practices with regard to promotions. A manager must be able to guarantee that there has been no discrimination of any kind (ageism, racism, sexism) at any stage of the process.

The proportion of female employees receiving promotion is one of the indicators that is regularly monitored (See NRE Appendices – Social Chapter, indicator 19).

### International teams

By employing local people, BNP Paribas directly contributes to the development of the countries in which it operates and therefore is naturally integrated into the different cultures and communities concerned. Local employees can thus gain access to senior positions within subsidiaries and branches, and can pursue careers within the Group.

## Percentage of local staff employed by geographic area



<sup>(1)</sup> Europe (excl. France).

### Raising awareness through internal communication

The company takes a proactive approach to awareness-raising and has made ambitious commitments that are monitored on a quarterly basis using a set of indicators. Company-wide agreements signed in 2006 and 2007 are also monitored at regular intervals to ensure that they have been applied correctly.

An internal diversity review was carried out in 2006, involving interviews with more than 30 HR managers in France and abroad. This review aimed to (i) discover how the different BNP Paribas territories and entities view diversity; (ii) gain an insight into the various challenges and priorities of each of these territories and entities; (iii) assess the current state of affairs; and (iv) identify best practices that can be shared across the Group. In recent years, English-speaking countries, for example, have been developing a range of endeavours in favour of diversity with particular attention to raising awareness through internal communication and training.

Diversity is frequently discussed in internal paper, electronic and audio communications, which are widely disseminated throughout the Group and easily accessible. The visuals used for external recruitment and communication campaigns feature diversity so that visible minorities do not feel that they cannot step forward.

At Group level, information on diversity has been published on the intranet and in the weekly newsletter accessible to all employees. Topics have included the launch of the documentary *Plafond de verre* (the glass ceiling) sponsored by IMS, an association of French companies – of which BNP Paribas is a member – that promotes corporate social responsibility; the results of the test performed on BNP Paribas recruitment processes by HALDE; and regular updates on *Projet Banlieues*, which addresses issues of employment and social inclusion in France's underprivileged suburbs. Several sites outside France, in particular in London and Canada, as well as Bank of the West, have implemented internal communication strategies underscoring their commitment to diversity.

Since October 2007, the recruitment page of BNP Paribas' French website offers applicants a more comprehensive presentation of the Group's approach to diversity:

<http://recrutement.bnpparibas.com/fr/qui-sommes-nous/diversite.asp>

### Special training

Diversity and anti-discrimination are frequently examined at conventions for senior executives, seminars and HR committee meetings.

The diversity training module for the Human Resources function was established on the basis of a diagnostic review by IMS on recruitment methods. This review was completed in 2007 and included individual and group interviews with more than 70 people within the Group including recruitment managers, individual managers and line managers.

In France, training provided to almost 300 career and recruitment managers focused on the analysis of stereotypes, the presentation of BNP Paribas' diversity policy, and legal issues to facilitate the day-to-day management of non-discrimination. This training was designed in conjunction with IMS and presented by internal specialists: employment law experts, career management and diversity managers, and an external consultant.

As early as 2006, the Group held an international career management seminar under the theme of "Managing Difference". 180 HR managers attended presentations on the Group's diversity policy, and HR managers from countries with a long history of diversity and non-discrimination initiatives, notably the UK, the US, Hong Kong and Singapore, spoke about their experiences.



Entity Territory or Subsidiary	Examples of non-discrimination training and awareness-raising sessions
BNP Paribas Australia	For the past three years, annual training on non-discrimination and preventing harassment. Includes an information and awareness-raising session for all employees and a more in-depth version for managers with advice on handling complaints and problems.
BNP Paribas Canada	Since 2004, introductory course on managing diversity provided to managers. 2006 project on the issue of disability: information and training sessions addressing feelings of unease with difference, with respect to interviews, client service and the workplace.
BNP Paribas Hong Kong	Sessions on non-discrimination and equal opportunity legislation: annual training for the HR team organised by the Equal Opportunity Bureau, a government body, upon request from the company.
BNP Paribas New York	2005: mandatory Inclusiveness in the Workplace training, to raise awareness of difference and learn to respect it.
BNP Paribas UK	Diversity training for managers: more than 200 trained. New Workplace Behaviour training: two-hour role-play sessions run by actors, given to managers divided into groups of 20. This training is due to be expanded to accommodate 200 people.
Bank of the West	Diversity Awareness Program: valuing diversity, understanding the difference between diversity and non-discrimination, and being aware of stereotypes and cultural differences. Training only for managers but due to be extended to all employees.
Cetelem	<p>The 2005 recruitment campaign centred on diversity, its slogan being "Diversity is a matter of personality". The HR newsletter <i>Info RH</i> provides regular updates on the issue. The Diversity Charter, signed by Cetelem's Chairman, is posted on the intranet. An annual brochure published by the Human Resources function, <i>Regards sur le monde Cetelem</i> (a look at Cetelem's world), includes several pages on diversity.</p> <p>Cetelem's project Group <i>Agir pour la diversité</i> (acting for diversity) presents the legal framework, relevant concepts, and sensitive situations. Awareness is raised through games and quizzes, and with the presence of an illustrator. During the sessions, the managers draft Cetelem's Diversity action plans.</p>
BPLG	Signature of an agreement on gender equality with employee representatives. This agreement was circulated to all employees, accompanied by a letter from the Chief Executive Officer.



### Participating in forums and committing to partnerships

BNP Paribas takes part in various forums and working groups on recruitment and diversity. These include IMS, Africagora, AFIJ, the *Zéro Discrimination* initiative in Lyon, and the *Nos quartiers ont du talent* project with the French employers' organisation MEDEF. The Group frequently attends recruitment fairs in underprivileged areas.

Partnerships have been set up, particularly in poor suburbs, to help young people enter the corporate world. They are described in the section entitled *A partner in society*.

### ■ Tools and tangible results for diversity

#### Combating discrimination

##### Tools

- An appeals commission

Any employees who feel they have experienced discrimination in the form of a lack of annual promotion or pay rise can bring a complaint before the appeals commission, which was set up following an agreement with the five trade unions and is comprised of representatives from these unions and from the Group Human Resources function.

- An ethics alert mechanism

An ethics alert mechanism also enables employees to report any non-compliance risks they may come up against and, in particular, any practices they may find discriminatory.

- Anti-discriminatory recruitment tools

Recruitment procedures have been put in place to prevent discrimination and boost equal opportunity.

A statistical assessment of discrimination in recruitment and career development was carried out by the research group *Observatoire des discriminations*.

A central team processes more than 90% of the applications received in France, helping to ensure an objective recruitment process. The publication of information on vacancies and work placement opportunities on the Group's website helps to ensure transparency.

Based on a comprehensive review of recruitment methods, systems for assessing personality and behaviour at work were established to make interviews with recruitment managers more objective. A tool is used to sort *curricula vitae* based on the requirements of five standard positions that account for a large proportion of branch recruitment. This automatic sorting helps recruitment managers by pre-selecting the most suitable candidates for each post. Candidates' nationalities no longer appear on application forms filled out on the Group's website. Cetelem now asks applicants not to put a photo on their curriculum vitae, with the objective of assessing candidates based on their skills and level of interest alone.

A new diagnostic tool was rolled out in 2007 to assess the workplace behaviour of applicants.



Collection Grand Palais / Jérôme Prince

#### "6 billion Others"

In 2006, BNP Paribas decided to sponsor a project by renowned photographer Yann Arthus-Bertrand, which involved conducting thousands of interviews with people throughout the world, to try to discover "otherness" and produce a portrait of humanity at the beginning of the 21st century, a portrait that highlights the individuality and universality of each person. This project has already been exhibited at BNP Paribas offices in London and in Montreuil. In 2009, "6 billion Others" will be presented at a major exhibition in France, at which the interviews will be screened, and then will be presented around the world. At the request of BNP Paribas, Yann Arthus-Bertrand and his team are working to centre this project on the issue of underprivileged suburbs in France. BNP Paribas' support for this project was born of a conviction that the diversity of the human race is a source of richness.





## Results

- Implementing an action plan to combat the risk of discrimination

Discrimination, either at the recruitment stage or at any other time in an employee's career, has been identified as one of thirty major operational risks faced by the Group worldwide. In 2005 and 2006, a risk analysis was carried out to assess the potential causes of discrimination, define prevention controls, weigh up possible consequences (financial, legal or in terms of reputation) and prepare an action plan.

The Group's model for assessing operational risk, which includes the risk of discrimination, was validated by regulatory authorities in 2007.

- Results in terms of equality in promotions

Special consideration is given to ensuring a balance in the proportion of male and female candidates going forward for promotion. 40.3% of BNP Paribas executives are female, meaning that the Group has already set the target laid down by the French Banking Association for 2010. At 1 January 2007, women accounted for 28.5% of employees promoted to senior management level.

## Gender equality

### Tools

- Implementing a women's working group

At the end of 2004, the Group Human Resources function brought together about ten female senior executives from across the spectrum of the Group's businesses within the "Mix City" initiative (a pun on the French *mixité*, meaning gender balance). The group is active in five main areas: services to facilitate day-to-day life, management of maternity leave, working hours, mentoring and coaching, and creating a women's network. This group presented a series of suggestions to the Human Resources function on how best to facilitate the inclusion of women in senior management positions.

- Evaluation surveys

Surveys were used to assess ways to improve gender equality. In 2006, BNP Paribas took part in the latest survey by the French Banking Association: a comparative gender analysis of careers in the banking sector, analysing the discrepancies found in the careers of men and women over a 15-year period.



## Results

- Corporate concierge services (see opposite)
- Measures taken for maternity leave

After an initial agreement signed in 2004, BNP Paribas SA and the trade unions signed a subsequent agreement on gender equality in the workplace in July 2007. This agreement is based on, reinforces and supplements the provisions of the first agreement. In particular, it ensures equal treatment of men and women in terms of recruitment, salary and promotion, and includes measures for maternity leave. Employees going on maternity leave have an interview with their direct manager prior to their departure and again at least two months before their return to define the conditions under which they will resume their post. The age limit that had been set for detecting high-potential executives was replaced by a criterion of work experience to avoid penalising women who have gaps in their career due to maternity leave.

Group subsidiaries BPLG, Cetelem, BNP PAM and BNP Paribas Assurance have signed similar agreements. In 2006, another agreement was entered into with four BNP Paribas SA trade unions regarding the implementation of the French law of 23 March 2006 on equal pay during maternity, adoption and post-maternity leave. This agreement lays down the rules for determining minimum fixed and variable salary increases. Since the agreement was signed, it has enabled 743 women returning from maternity leave to have their situation reassessed.

## Integrating disabled persons

### Tools

- A review of the situation

The working conditions of BNP Paribas SA's handicapped employees were audited by TH Conseil, a human resources consultancy specialised in the recruitment of disabled persons. Following the audit, Project Handicap was put in place with a view to moving beyond an approach based on solidarity to reach for a true commitment in terms of the Group's corporate social responsibility. Group subsidiaries Arval, Cortal Consors, Klépierre, BNP Paribas Securities Services and Cetelem also established a Handicap diagnostic review in 2006 and 2007. A special project was launched in 2007 to improve the actions already in place to help disabled persons remain employed.

### Results

- Project Handicap

In order to improve the coordination of actions in place and facilitate the inclusion of handicapped persons, BNP Paribas created a dedicated team, Project Handicap, which is gradually establishing local contacts and a recruitment and assistance programme. These initiatives are promoted through internal communications aimed at the recruitment teams within the main businesses, functions and regional departments of the banking network. An action plan, which is set out in the one-year agreement signed in May 2007 with AGEFIPH, focuses on four main areas:

- raising awareness and offering training to the main players in the recruitment process;
- hiring a significant number of disabled workers on fixed-term contracts, permanent contracts and work placements, with emphasis on skills rather than degrees;
- formalising and intensifying actions by social services and occupational health services to help employees dealing with disability (their own or a family member's) to remain in the workforce;

## Corporate concierge services

Acting on the recommendation of one of the Mix City working groups, BNP Paribas Assurance started offering corporate concierge services at its Rueil-Malmaison site in spring 2007. A number of services are available to employees, such as dry cleaning, alterations, shoe repair, car detailing and access to a vending machine that sells public transport passes, stamps and parking vouchers. The concierge on duty ensures that the work is completed satisfactorily and is on call to answer any questions about where to go for other services – how to find an optician offering same day lens repair, a restaurant that costs less than EUR 20 for a quick lunch, or the nearest flower shop open on Mondays. As the goal is to help to improve the work/life balance of employees, the services offered will be expanded over time based on employee needs.



- stepping up the actions already in place to keep disabled workers in the workforce. BNP Paribas SA has approximately 1,000 disabled workers in mainland France.

Some 160 people – recruitment managers, Project Handicap contacts and managers from the network's regional departments, as well as employee representatives – have taken part in special training sessions that focus on disability.

In November 2007, during the French Handicap Week, BNP Paribas hosted an open day in its Paris offices for disabled persons. The goals were to promote awareness of jobs available in the banking sector, to allow applicants to apply for jobs, and to meet candidates.

BNP Paribas is developing the outsourcing of certain work to sheltered workshops. Since 1981, it has been working with the *Institut des Cent Arpents*, which was set up by Mutuelle BNP Paribas in the suburbs of Orléans. The facility, which is home to the Jean Pinault centre for assistance through work, has recently increased its capacity and now provides work to 107 disabled workers, compared with 80 previously. Eleven people with serious handicaps also live in its special accommodation centre.

BNP Paribas is seeking to significantly increase the number of handicapped employees by broadening the pool of candidates. It also wishes to improve support for employees confronted with a handicap either directly or in their family. Whenever necessary, the Bank adapts workstations and the working environment, and liaises with social services, the occupational health department and the Group's health insurance plan to improve personal living conditions and help disabled employees with the purchase of expensive equipment. A special project group was set up in 2007 to establish concrete initiatives and step up the efforts to keep disabled workers in the workforce.

BNP Paribas SA continued its *Accueil et Service* (reception and service) initiative aimed at improving access to its offices for clients and staff. A full audit is currently being carried out on the compliance of the Group's head office buildings in the Paris area. This initiative has been presented to BNP Paribas SA's employee representatives and will first be rolled out to all French subsidiaries, then extended to a certain number of other territories.

BNP Paribas has also improved access to its website for sight-impaired people and expanded the range of software available to employees to include voice synthesis software. In-depth studies are being carried out on ways to make it easier to communicate with hearing-impaired clients and employees. Work is continuing to bring head office buildings into compliance with the access plan, with particular attention being paid to the difficulties encountered by disabled employees.

In 2007, BNP Paribas, along with French training centre for the banking profession (CFPB) and seven other banks, founded the association HandiFormaBanques, which is currently chaired by BNP Paribas. This association works to train and recruit people with disabilities for certain strategic posts: banking call centre agents, receptionists and customer service representatives. The association is setting up a structure and implemented resources dedicated to integrating people, to make it easier to find applicants and communicate with them. It also establishes ties with other associations that focus on employment for disabled persons.



## Protecting employee health

The Group's occupational health policy goes beyond simply complying with changes in legislation. The major components of the policy involve risk prevention and support for vulnerable employees or those who have become unfit to work.

### ■ Prevention of occupational risk

Identifying occupational risk is the first step in preventing it. The various risks identified include attacks in branches, musculoskeletal problems, and problems with air-conditioning and heating systems. A cross-disciplinary team set up in 2006 pools the skills and knowledge of its members to prevent these risks and deal with illnesses and their various causes. This approach to working conditions offers greater opportunity for prevention and fosters joint action. In 2007, projects primarily focused on problems relating to the work environment and HVAC systems.

Medical assistance for employees that have been victims of attacks, in particular in the Paris region, is provided in conjunction with the Paris medical emergency services. This initiative has been progressively improved over recent years, and its effects can be seen with the decrease in both the number and length of post-attack stoppages, and the reduction in requests for transfer to another position subsequent to an attack. In 2007, 119 employees received medical assistance after an attack. Four of them were referred to mental health specialists for further help.

Special measures have been put in place for the prevention of other workplace risks. These include information campaigns, training, the use of ergonomic design and remedial ergonomics, and early-warning procedures. The high degree of vigilance exercised by the Occupational Health department, team managers, facilities management departments, the ergonomics function and works committees has contributed to the very low rate of musculoskeletal problems reported in BNP Paribas SA.

In 2007, several new risk prevention initiatives were implemented, such as health monitoring focusing on risks relating to asbestos and legionnaires' disease (with the monitoring of cooling tower installations), and prevention of post-traumatic stress disorder and musculoskeletal problems. Over 2,700 flu shots were administered and public health information and prevention campaigns were organised on healthy eating, organ donation and addiction prevention.

### ■ Public-health issues

BNP Paribas SA's Occupational Health department has been working for many years to promote employee health. During annual visits, occupational physicians provide personalised care in all areas of public health. Awareness campaigns, brochures and specific programmes are designed to address major risks, including cardiovascular problems, cancer, obesity and smoking.





### Public health initiatives in 2007

Many important initiatives were launched in 2007:

- A conference on health, sport and weight with Dr. Jacques Fricker, a well-known French nutritionist and author, was held in June at the Valmy site.
- A DVD on healthy eating was distributed to all the Group's multimedia libraries in France.
- A conference/debate was held on addiction prevention.
- Information on organ donation was provided in collaboration with the works councils of the Paris head offices.
- Health training on major public health issues such as AIDS, stress and cardiovascular diseases, and musculoskeletal problems.
- Medical check-ups for employees going on assignment to areas that pose health risks (fit-for-work evaluations, pre-departure advice, immunisation record verification and malaria prevention). First-aid kits are provided to such employees to help them avoid infections, and medical kits are given to assignment managers, with single-use materials to be used in the event of

- an accident in these countries. - Increased medical monitoring for 140 expatriate staff members with the implementation of new check-ups based on age and the level of risk in the countries concerned.
- Continued efforts in cardiovascular prevention with screening for cardiovascular risk factors (cholesterol, blood pressure, smoking and stress) and out-patient evaluations (at the Broussais Hospital in Paris) for employees concerned, as well as screening for cardiovascular impairment in order to plan early treatment (289 blood tests and 16 patients were hospitalised).
- Tonometers in place in all occupational health departments to screen for glaucoma.
- 535 people took part in the programme to help employees and their family members give up smoking through the ALLEN CARR method. Among those who answered the satisfaction survey, 47% had stopped smoking at 31 December 2007.
- 840 people contributed to the blood donation drive.

The Occupational Health department also monitors emerging health risks in order to inform staff and recommend solutions. In 2007, the Group used the intranet to provide tips to its staff on how to handle a potential heat wave in July.

A working group comprising HR managers from all the businesses and functions is preparing the Group to deal with health and organisational issues in the event of a pandemic. Topics include the purchase of masks, hygiene product listings, information on hygiene measures such as hand washing, and, finally, placing posters in washrooms.

#### Emergency response and CPR training for all medical staff

As part of the five-year emergency medicine training plan, a yearly refresher course on the use of semi-automatic defibrillators has been organised, and ongoing training is provided to medical staff involving the revision of key protocols and role-play.

#### ■ Supporting employees through difficult times

As with prevention, the redeployment of employees after several months of absence due to illness is the subject of concerted efforts between the occupational health department, the HR managers and functional management. Given the rapid pace of change within the Group, the re-integration process must factor in an adjustment to the new circumstances, so as to dispel employees' worries and allow them the time to find their feet again.

In certain cases, employees can meet with the occupational physician before resuming work, either because they request it or because their GP or the reviewing physician from the national health insurance system deems it necessary. In such instances the company doctor prepares the employee for his or her return, taking into consideration any after-effects or residual handicap he or she may be suffering.

Outside France, entities are endeavouring to optimise occupational risk prevention and access to care for employees in conjunction with local health authorities. The employees of UkrSibbank that were exposed to radiation following the Chernobyl disaster qualify for indemnities and additional leave, and their health is closely monitored as part of an initiative run by the Ukrainian authorities.

BNP Paribas is an active member of *Sida Entreprises*, a business-funded association focused on AIDS. The aim of this association is for French investors in Africa to help resolve ongoing issues of prevention and lack of access to treatments, problems that remain prevalent despite the financial aid that has been injected into affected countries. BNP Paribas helps to set up inter-company platforms in most of the countries in West Africa where it is present, through its network of associated banks (BICI).

In 2007, BICI Burkina Faso took part in an annual seminar organised by *Sida Entreprises* in Ouagadougou, which brings together groups involved in workplace initiatives to fight HIV/AIDS.



## High quality employer-employee relations

In 2007, the Commission on Employment Law – BNP Paribas SA's labour information and negotiation body – met on 21 occasions and negotiated the signature of nine company-level agreements. Some of these agreements led to the improvement or continuation of employee benefit plans, while others gave rise to an increase in the number of employee representatives in various bodies.

As regards employee profit-sharing, five of the agreements led to the payment of a one-off top-up payment for 2007 and an additional performance-related bonus for all employees. A wage agreement for 2008 established a general measure for pay rises, the payment of a one-off bonus, and the implementation of specific measures including taking into account wage discrepancies between employees in different age brackets and reducing wage discrepancies between men and women.

In-depth discussions were also held with trade unions on the integration of disabled workers within the Group. Many working meetings were organised with a view to preparing a draft agreement on this topic, due to be signed in 2008.

Discussions also got under way with employee representatives on the issue of stress in the workplace. A special working group was set up with the participation of the Occupational Health department. The purpose of this group, which has already met on several occasions, is to establish a diagnostic review system and determine measures that should be implemented in the company.



Another long-term agreement on gender equality in the workplace was signed on 30 July 2007. It supplements the agreement signed on 28 July 2006 on the implementation of the French law of 23 March 2006 on equal pay during maternity, adoption and post-maternity leave. The agreement sets out three areas of action:

- The pivotal stages of employees' professional life within the company. The Group will strive to narrow the gap between the number of women and men promoted at the three stages when a change in level is considered key to career development.
- A target of at least 44% women among overall executive staff by 31 December 2010. The Group has undertaken to maintain the lead it has in this area within the banking sector: at 31 December 2007, BNP Paribas SA had already exceeded the goal of 40% established by the sector for 2010, with a percentage of 41.4%.
- Specific measures to reduce the wage gap within the scope of the French law of 23 March 2006 will be implemented progressively over 2008, 2009 and 2010. Methods have been designed to assist individual managers in identifying the files of female employees most likely to show an unjustified wage difference, which must be given priority for assessment. Starting in 2008, a specific national budget dedicated to reducing pay discrepancies will be discussed each year during the mandatory annual salary negotiations.

This agreement establishes measures to further equal treatment for women and men by giving women access to managerial training and training leading to professional banking qualifications, which are used as a basis for performance evaluations. The agreement makes it easier to take into account challenges faced by women or related to family life, such as organisation of training sessions and meetings, cover and benefits during pregnancy, maternity and adoption leave, special leave for employees whose spouse (regardless of whether he or she is a BNP employee) has to relocate for his or her job.

Finally, there was substantial dialogue within the European Works Council and Group Works Council in 2007. Besides the annual meeting of the European Works Council, an additional meeting was held to present the impact of BNL's consolidation within the Group. A meeting was also organised by the Group Works Council on the topic of working for the Group in France.



## Deploying a global change management system

### ■ Management monitoring

The system of employee surveys used in France since 1993 was extended to other countries in 2005. There are two surveys, carried out in alternate years. The first is a satisfaction survey monitoring changes in the working environment in accordance with three themes: the company's image, management practices and attitudes, and workplace experience. The second survey measures staff commitment through a set of indicators.

The results of the 2006 survey were discussed in last year's Annual Report. In 2007, a survey was conducted in four languages to gauge employee's commitment in the Group's main operating territories. 7,000 employees responded to the survey, which showed a significant overall upsurge in commitment, especially in Germany, New York, the UK, and France.

Clarity of strategic direction was once again rated highly, with an increase on 2005, especially outside France.

Equal opportunity proved to be a particularly sensitive area, with over 90% of employees expressing their wish that this remain a priority area for the Group. However, this respect for equal opportunity within the company is perceived differently depending on the country: more than 80% of employees in Germany, the UK and New York feel positive about this issue, whereas in France, Spain and Morocco the equality culture is seen as being present but less pronounced (between 60% and 70%).

Combined with Group management tools, this global barometer produces better focused analyses for the relevant managers to assist with leading operating entities.

### ■ Internal communications: 2007 – an innovative year

*Ambition*, the Group's in-house magazine, changed its look in 2007. It now boasts a new, more visually attractive layout and new features, and is available in Russian. This new format, the result of surveys carried out in various countries in 2006 and 2007, has been designed to respond better to employees' needs by helping them keep up-to-date with all the latest happenings and gain a better understanding of Group strategy. Internal communications were also enhanced in other ways. In April 2007, the six-minute video *Starlight*, which explores innovations at BNP Paribas, was broadcast on the Group's intranet for the first time. It met with huge success, and more than 50,000 employees now tune in each month for the latest episode, in French, English and Italian. Subjects have included a report on the London hedge funds team, the BNL network's new organisational model, the Migrant Banking offerings for migrant populations in the US and in France, and BNP Paribas' expansion in Russia.

More than 6,000 employees are now signed up for *Flash Groupe*, the Group's weekly e-bulletin that comes in three languages and covers the highlights of the last seven days. Its electronic format is extremely popular, and various countries (Portugal, Switzerland, Luxembourg, Tunisia, the Netherlands, Spain, etc.) have been inspired to create their own versions.

A 2006 survey on the audience and effectiveness of the various internal communication tools (see the 2006 Report) confirmed that the Group intranet site *Echo'Net* helps to build cohesiveness and that there is further scope to develop *Ambition*, which is nonetheless already available in several languages and to all employees, helping in the global exchange ideas.

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#### Measuring the social climate at BNP Paribas Assurance

In 2007, BNP Paribas Assurance carried out its third employee survey. All employees in France were asked for their opinion on corporate policy, career development, sense of belonging, fringe benefits, management, working conditions, working hours, and motivation. They were also asked for their thoughts

on topics identified by management as being of particular concern. This survey measures the social climate, reflecting employees' aspirations and helping the Group to ensure satisfactory working conditions. Measures were also carried out in international subsidiaries Cardiff Argentina, Cardiff Brazil, Cardiff Chile, Cardiff Spain, Cardiff Pinnacle (UK) and Cardiff Italy.



## ■ The spirit of innovation

### A core issue

The growing impact of information technology, which accounts for 15% to 20% of banking groups' operating expenses, the high level of expertise concentrated in financial services, and the importance that clients place on new developments, means that banking is one of the most innovative sectors of the economy.

Intense competition, in a sector where no patent protection is available, produces a constant trend towards the standardisation of services. As a result, permanent innovation is required to create value-added products (product innovation) and to ensure the cost-effective manufacture of products that have become standard (process innovation).

Financial innovation is therefore encouraged and its benefits are passed on to clients, whether in the areas of hedging, investment yields, simpler access to transactions or lower unit costs.

### The Innovation Awards

The Innovation Awards, launched at the BNP Paribas Management Meeting in 2006, recognise two types of contribution: business- and internal efficiency-related innovations resulting from initiatives taken by employees or teams for whom innovation is considered to be part of their daily work (*Innovation d'Entreprise* award) and innovations put forward by all employees, irrespective of their job function (*Innov@ction* award). The prizes were awarded for the first time during the 2007 BNP Paribas Management Meeting, in particular to two initiatives by AMS and one by the Retail Banking network in France. The second set of prizes will be awarded in June 2008, during the Innovation and Technology Days event. Nine categories have been created for this new edition, including Sustainable Development. Two prizes – *Innovation d'Entreprise* and *Innov@ction* – will be presented in each category.

The *Innov@ction* award was honoured at the *Carrefour de l'innovation participative* event, at which various French companies display examples of best practice. Well known French businessman Louis Schweitzer presented the Group with their award for "best practice in participative innovation".

### Communication methods and tools for HR managers

In 2007, the online forum for HR managers, with 360 members to date, hosted around 15 online newsflashes each month. There is considerable interest in this new method of communication, and specific forums – Cogito BNL and Cogito BDDF – have been set up for the Italian and French Retail Banking networks.





# Relations with clients and suppliers

## A closely-attuned relationship

### Listening to our clients and meeting their needs

#### ■ Anticipating client expectations

The BNP Paribas consumer surveys unit brings together a network of Group entities specialised in market surveys, some of which are authoritative reference points. These include the Cetelem Observer for consumer spending and the corporate fleet market observer set up by Arval Service Lease for the car industry. These structures offer synergies leading to a better understanding of the different consumer profiles and retail channels, and to more accurate measurement of levels of satisfaction. They also make it possible to design advanced indicators on changes in consumer behaviour and purchasing cycles, boosting the Group's ability to update its product and service offerings and distribution methods with targeted innovations.

Demographic and sociological change, the use of new information technology and an increasingly nomadic lifestyle have given rise to ever more diverse requests from the various categories of clients. The Bank is also expected to provide greater convenience and availability, and to personalise its product offerings based on an understanding of each client's situation.

#### ■ Tailor-made services

The multi-channel bank meets these requirements through a real-time integration of the various channels of the distribution network: appointments in branches, telephone contacts through the Client Relations Centre and electronic correspondence via *bnpparibas.net*. Thanks to a single database that centralises and updates all the information from the various sources, this system has transformed and optimised the marketing approach. More than 25 million contact opportunities were generated in 2007, resulting in 12 million client interviews, a rise of 20% year-on-year. The internet channel made great advances, with the number of clients using *bnpparibas.net* services each month surging past the 1.5 million mark for the first time in 2007. This progress in personalised contacts led to a significant improvement in the annual barometer of client satisfaction.

#### ■ Measuring client satisfaction

Several systems have been implemented since 2002 to better assess the satisfaction of the retail network's six million clients in France. Barometers have been developed to measure satisfaction in each client category – individuals, entrepreneurs and small business clients, corporations, associations and Private Banking clients – and to assess client user perceptions of the quality of service received from the Client Relations Centre. The results show that the overall level of satisfaction of BNP Paribas Private Banking clients improves each year.

For its individual and small business clients, French Retail Banking implemented a system that measures client satisfaction on a yearly basis. This barometer of service quality is applied by each operating entity and thus serves as a tool for local-level improvement. Local managers can adjust how they coach their sales teams and develop local action plans based on the new



indicators. In 2007, 65,000 people were interviewed. Questions were asked concerning product offerings, online banking, bank charges and intentions to carry out transactions with Private Banking or to recommend it to another person. Over two-thirds of clients have recommended BNP Paribas Private Banking to their friends or relatives.

A Mystery Visit barometer measures the quality of service provided in branches. Over 5,700 mystery visits were carried out in branches, with each branch receiving two to six visits over the year.

## Tools used by BNP Paribas in 2007

2007 tools	Comments
Barometer of satisfaction for the Client Relations Centre	<b>150</b> interviews were carried out every month on a representative sample of call centre users. Reports are issued each month, and a summary is issued each quarter.
Barometer of satisfaction for entrepreneurs and small business clients	<b>2,400</b> interviews were carried out on a representative sample of entrepreneurs and small business clients. After increasing in 2006, satisfaction among this client sector was stable in 2007.
Barometer of satisfaction for corporations and associations	<b>2,550</b> interviews were carried out on a representative sample of corporate and association clients. The level of companies' satisfaction has improved significantly since 2006, while that of associations is stable, after improving considerably in 2006.
Barometer of satisfaction for BNP Paribas Private Banking clients	<b>2,200</b> interviews were carried out on a representative sample of Private Banking clients. Satisfaction ratings have improved over the last five years, illustrating the efficiency of the sales structure.
Barometer of satisfaction for BNP Paribas employees who are clients	<b>1,500</b> interviews were carried out on a representative sample of employees who are clients. The results have improved over the last three years.
Barometer of satisfaction for clients who have made complaints	<b>120</b> interviews were carried out every month on a representative sample of clients whose complaint files were closed the month before. Reports are issued monthly at national level and quarterly at regional level.
Barometer for relationships that have been terminated	To understand why and how clients terminate their banking relationship and to assess the satisfaction of clients who leave BNP Paribas, interviews are carried out each month with <b>150</b> clients who terminated their banking relationship the previous month.
Barometer for mortgage borrowers	Financing a home is a turning point in a client's life and a major starting point for relationships with BNP Paribas. A comprehensive survey of the lending process was carried out to assess borrower satisfaction and how this event affects a client's relationship with BNP Paribas. <b>180</b> clients who have just taken out a mortgage are interviewed every quarter, and reports are drawn up for the teams in charge of handling these client files.

Other systems are in place to monitor, through regular surveys, the satisfaction of clients in the professional, corporate, association, and private banking categories. A satisfaction index for corporate clients, measured in each Business Centre, takes into account the characteristics of local markets.



■ **Corporate and Investment Banking's monitoring of international corporate clients**

BNP Paribas puts client relations at the heart of its strategy, striving to develop long-term relationships, provide customers with ongoing assistance, and meet their many needs. To achieve this, BNP Paribas offers a single interface for its entire product range and provides coordinated access to product specialists in all of the Group's business lines. It is also able to advise on and structure global, innovative solutions adapted to the client's specific requirements.

Some 1,000 relationship managers and credit analysts serve: 6,300 corporate clients, including large companies and medium-sized companies with strong potential; 800 financial institutions, including general and specialised banks (public or private), insurance companies, mutual health insurers, personal risk protection providers,

fund managers and supranational organisations; and 65 investment funds focused primarily on the private equity sector, and sovereign funds. BNP Paris has reinforced its resources in five high-growth countries/zones: China, India, Russia, Latin America and the Middle East.

The teams in charge of monitoring clients are now equipped with shared tools, particularly for Client Relationship Management. These tools give them a comprehensive, real-time overview of the commercial relationship between BNP Paribas and a client group (parent company and subsidiaries). The new platform for contacts, visits and transactions in progress with clients makes it easier for relationship managers to share information in order to anticipate and meet client needs.

■ **Dialoguing with consumers**

The system for responding to customer complaints is broken down into four stages:



When the Mediation system was set up in 2002, BNP Paribas limited the Mediator's involvement to areas provided by law. The Mediator could be called on in the event of disputes between the bank and individual clients with non-business-related complaints regarding the deposit account agreement, free offers and incentives, and bundled sales. BNP Paribas gradually extended the mediator's scope of activity to include loan implementation terms and conditions, loan-related insurance policies and the execution of stock market and mutual fund orders.



## Quality assurance

### ■ A loyalty-building lever

Studies show that there is a strong correlation between clients' perception of service quality and their loyalty, which is a major component of profitability in Retail Banking. Enhancing the quality of relations with clients therefore fits into the Group's strategy and provides a framework for its sales initiatives.

### ■ Integration with management

Since 2004, employees' annual appraisals have included two new criteria measuring each person's contribution to this satisfaction-raising process: individual client satisfaction, measured at local level, and client loyalty. Quality assurance is an integral part of managing sales performance. The indicators show that these clients are particularly satisfied with their client advisers and the service they receive.

In order to improve quality, some processes have been streamlined with a view to improving reliability and processing time. This overhaul uses workflow software, which coordinates the work of multiple players and involves centralising capabilities into centres of expertise that can handle client requests.

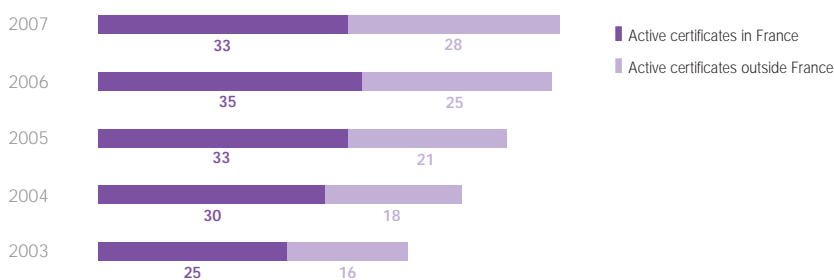
The Group's policy in terms of quality focuses on three key areas: continually improving client satisfaction, using quality as a lever to develop business and increasing staff involvement to reach these goals. The **Objective Quality** web page ([www.qualite.bnpparibas.com/en/pid364/home.html](http://www.qualite.bnpparibas.com/en/pid364/home.html)) highlights the initiatives taken by BNP Paribas to satisfy its clients and meet their ever-changing needs in terms of quality.

### ■ An extensive search for certification

This constantly renewed search for client satisfaction has led to upgrades in sales and process management and has enabled the bank to obtain most of the relevant external certification. With 61 active certificates at the end of 2007, BNP Paribas remains one of the banks that have taken the ISO 9001 process the furthest.

ISO 9001 is a quality management system focusing on client satisfaction. It is a set of international standards devised by an independent organisation, which assesses the management processes that should be implemented within companies to improve client satisfaction, meet clients' needs and ensure compliance with regulatory requirements for improving performance. Compliance with international standards is a mark of a product's or service's quality, safety and reliability.

## Number of active ISO 9001 certificates





In 2007, BNP Paribas renewed 18 certifications and obtained 6 new certifications. New business lines that obtained ISO 9001 certification in France were the Cetelem Cofiparc department, the Cetelem Insurance Centre and the Consumer Relations Experts department of the French Retail network. Outside France, certification was obtained by the Professional Training department of BNL Training in Italy, the IT Processing department in Switzerland and BMCI Bourse's Intermediation department in Morocco.

BNP Paribas received 45 Labels of Excellence from the investment magazine *Dossiers de l'Épargne*, under-scoring the Group's service quality and highlighting activities that have been ISO 9001 (version 2000) certified for several years.



### Protecting more vulnerable clients

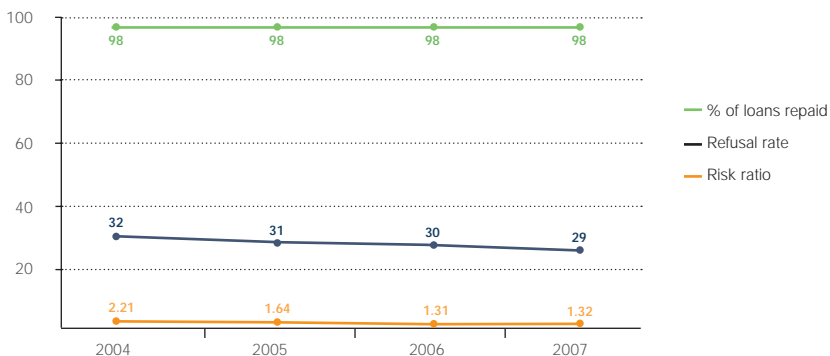
■ Cetelem says "Yes to developing healthy loans, no to over-indebtedness"

Using advanced client rating techniques, Cetelem has continued to advertise its growth objectives and its ability to say "no". By rejecting 30% of the applications it receives, Cetelem protects those who would clearly not be able to pay back their loan. This selectiveness maintains the quality of the company's risks, reflected in the fact that 98% of its loans are repaid in full. In 2005, Cetelem set up a special centre to help indebted individuals in precarious situations.

Cetelem published a booklet explaining its actions to promote responsible lending, defined as "lending that meets four fundamental commitments at each stage of the client relationship, from the loan request, its implementation and reimbursement to its final settlement". The aim is to fight over-indebtedness, promote access to loans for the greatest possible number of people, provide every client with flexible support, and find amicable solutions in the event of difficulties.

In order to concretely report on the results of these commitments, Cetelem defined three activity indicators which are now included in its annual report: the loan refusal rate, the percentage of payment defaults, and the risk ratio, which is calculated by dividing provisions recorded for bad debts by total outstanding loans. This level has significantly declined over the last few years and now represents less than 2% of the overall amount, a low level compared to that of the United States and the United Kingdom.

### The three Cetelem indicators



### ■ Making sales facilities and services accessible to all

Going beyond applicable regulatory requirements, BNP Paribas takes measures to facilitate access to its branches and ATMs by disabled persons. In France, 95% of its ATMs are accessible to disabled persons compared to an 80% average for the industry. A methodological guide was produced with the help of a specialised consulting firm and distributed to all persons involved in the interior design of sales facilities and the installation of ATMs.

80% of the 900 branches that had been renovated by the end of 2007 are accessible to disabled persons. The exceptions are due to physical, technical or security constraints validated by the relevant authorities. An improvement programme was launched in summer 2007 to make branch offices more accessible to physically disabled employees. The multi-channel bank also offers all clients the possibility to access information and banking services. At least one remote channel – phone or internet – is always available for day-to-day transactions.

#### Voice-guided ATMs for the visually impaired

Through its partnership with Diebold, a global leader in the ATM industry, BNP Paribas is the first bank in France to provide visually impaired clients with the possibility to withdraw money independently. These new machines offer audio assistance that is activated by inserting headphones into a standard headphone jack. To facilitate withdrawal, the ATMs are equipped with embossed features on the headphone jacks, keyboards and function keys, as well as multicoloured light signals to identify each stage of the transaction. Since 1 December 2005, BNP Paribas has rolled out more than 500 cash distributors of this type in France.

## Socially Responsible Investment

### Increasingly aware investors

Investors are more and more concerned about the social and environmental responsibility of companies and want to be able to assess the potential impact of such issues on the performance of their investments. Because BNP Paribas Asset Management seeks to promote the long-term value of its investments, it has developed recognised expertise in this area and offers a complete range of products that systematically take into account sustainable development and corporate governance considerations.

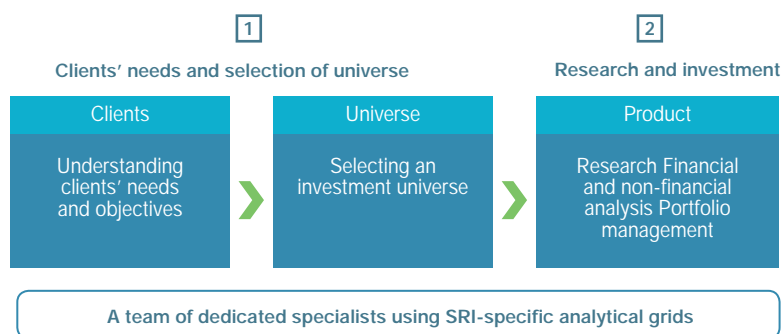


## The Socially Responsible Investment process

The process for socially responsible investment is the same as for normal investment, with two stages:

### ■ Identifying clients' needs and selecting universe

To meet clients' specific needs as regards socially responsible investment, a risk profile and strategy are defined based on the sector and the expected return. Ethical criteria and the company's level of social commitment are taken into account in the choice of securities. The investment universe is chosen on the basis of clients' needs and the possibilities offered by the market, such as the regions and securities available.



### ■ The characteristics of SRI research and investment: analysis based on non-financial criteria

Portfolio management is based on comprehensive financial and non-financial analysis, from a quantitative and qualitative perspective. For socially responsible investments, BNP Paribas Asset Management carries out in-depth research to identify potential sources of value creation or destruction by encompassing issues of corporate governance and corporate social and environmental responsibility.

This non-financial analysis rounds out standard financial analysis by highlighting how companies handle sustainable development issues, in terms of the commitments they make, the resources they deploy in the field and the results they obtain. Like financial analysis, research on non-financial aspects is conducted by a team of specialists. This research is designed with a view to value creation and relies on the use by analysts of appropriate analytical grids, which include assessment criteria based on the specific challenges of different industries.

As an example, compliance with fundamental labour rights by the company and its suppliers is a major issue in the textile and electronics sectors, while emissions of greenhouse gases and risks related to climate change receive priority treatment in assessing the energy, electricity production, transport, insurance and building materials industries. The portfolio is assembled using risk modelling and rankings by sector.

These analyses are regularly reviewed and systematically integrated into management processes. Such non-financial analysis, supported by direct contact with companies, is rounded out by the work of ratings agencies and by brokers' reports. In addition to this system, a monitoring process seeks to detect the possible emergence of critical situations that could lead to valuations being revised.



### Exercising voting rights

For BNP Paribas Asset Management, the exercise of voting rights is an integral part of the management process, and a component of the ongoing dialogue with companies in which investments are made on behalf of clients. The company's voting policy reflects the governance principles set out in the key international codes and standards. All mutual funds in France and elsewhere exercise their voting rights at AGMs. This includes a scope of approximately 300 companies owned by 200 mutual funds. The voting process is based on an analysis of draft resolutions and decisions are applied through electronic voting platforms that allow secure processing. The documents concerning the exercise of voting rights at Shareholders' Meetings are available at BNP Paribas Asset Management's website [www.am.bnpparibas.com](http://www.am.bnpparibas.com).

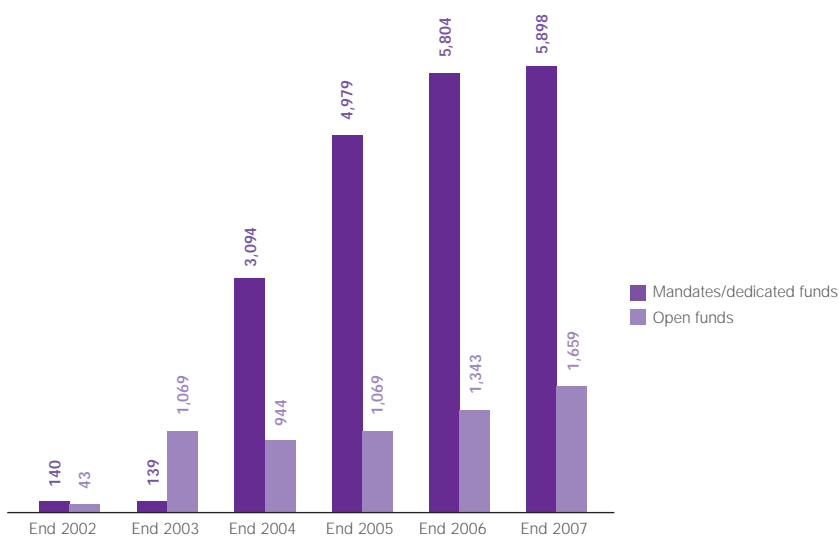
### Research and management teams

BNP Paribas Asset Management employs a team of six non-financial analysts who work closely with financial analysts, regularly exchanging points of view on the companies and industries they study. The results of financial and non-financial analyses are systematically taken into account by the asset managers in building portfolios focusing on sustainable development and corporate social responsibility.

### A leading position on the French market

In recent years BNP Paribas Asset Management has been developing its expertise in non-financial analysis via a range of SRI products. The latest Novethic and Amadeis studies place BNP Paribas Asset Management among the main players in the sector in France in terms of assets under management, and among the market leaders with regard to quality. Total mutual funds and SRI mandates under management at 31 December 2007 amounted to EUR 7.6 billion. These funds are geared towards institutional investors and individual clients.

### SRI asset inflows (in millions of euros)





## Continued commitment to SRI

A variety of initiatives confirm BNP Paribas Asset Management's leading position in Socially Responsible Investment. For example, since 2006, it has followed the Principles of Responsible Investment (PRI). These principles were produced by a group of international experts and chief financial officers working under the aegis of the United Nations Environment Programme Finance Initiative (UNEP FI) and the Global Compact. The PRI provides a framework that goes beyond Socially Responsible Investment. It concerns all financial assets and recognises the importance of Environmental, Social and Governance (ESG) issues in this sector in relation to responsibility and to return on portfolios. The PRI encompasses six principles and some thirty possible actions:

- Incorporating ESG issues into investment analysis and decision-making processes;
- Incorporating ESG issues into ownership policies and practices;
- Seeking appropriate disclosures on ESG issues by entities in which investments are made;
- Promoting acceptance and implementation of these principles within the investment industry;
- Working together to enhance effectiveness in implementing the principles;
- Reporting on activities and progress towards implementing the principles.

Playing a driving role in initiatives taken by the financial community, BNP Paribas Asset Management is a participating member and vice-president of the Institutional Investor Group on Climate Change (IIGCC). The IIGCC includes 44 European investors representing over EUR 4 trillion. In 2007, the group's work focused on establishing a summary reporting framework that encourages greater transparency on the part of electric utilities regarding their initiatives and the results achieved in terms of reducing greenhouse gas emissions. The Global Climate Disclosure Framework for Electric Utilities, which was drawn up with two other associations of leading international investors, was submitted to the Carbon Disclosure Project to be used as a benchmark survey for the industry.

In 2007, BNP Paribas Investment Partners acquired a 29% stake and became the largest shareholder in Impax Asset Management, an asset management company specialised in the environmental sector. Soon after the deal was signed a partnership agreement was put in place. BNP Paribas entrusted Impax AM with the management of its Parworld Environmental Opportunities fund in 2006 and then benefited from Impax AM's expertise to create two new funds in Korea and Malaysia.

### Parworld Environmental Opportunities

The Parworld Environmental Opportunities fund, created in 2006, has enabled BNP Paribas Private Banking to launch a successful range of SRI funds, which has since been expanded. Compared with the main indices, this fund performed very well in 2007, raising over EUR 200 million by the end of the year. Parworld Environmental Opportunities has become a sought-after product among external distribution clients and was selected by several major private banks in 2007.



BNP Paribas Asset Management is one of the founding members of the Enhanced Analytics Initiative (EAI), a form of international cooperation between asset owners and asset managers aimed at encouraging research on an investment's non-financial issues. Its members commit to allocating 5% of their annual broker commissions to developing non-financial analysis, particularly with regard to questions of governance, climate change and human resource management.

**BNP Paribas Assurance: an overall policy for Socially Responsible Investment.** Focusing on its strategy for Socially Responsible Investment (SRI), BNP Paribas Assurance is the largest investor to adopt an overall policy for SRI that includes EUR 45 billion of its euro fund assets and uses SRI criteria in its investment decisions. Nearly 1.3 million clients are able to take advantage of this policy through the euro fund component of their BNP Paribas Assurance life insurance contracts.

BNP Paribas Assurance is the first private investor to have its euro fund reviewed by Vigeo, the European leader in non-financial analysis.

### Recognised commitments

#### ■ Oddo Securities includes BNP Paribas in its 2007 SRI Choices

Each year, Oddo Securities offers investors its "SRI choices", providing estimated long-term stock market performance based on financial and non-financial recommendations. Securities are selected based on Environmental, Social and Governance (ESG) standards covering 330 European stocks, and using a best-in-class approach to pick the best companies in the sector. Absolute performance is also analysed. Oddo Securities added BNP Paribas to its 2007 SRI Choices based on BNP Paribas' long-term corporate culture, management quality, corporate governance, HR management, organic growth, successful integration during mergers and acquisitions, and employee share ownership.

#### ■ BNP Paribas selected by Novethic for SRI

In response to the growing number of SRI funds, Novethic issued a report calling for vigilance in relation to funds that claim to be oriented towards sustainable development. This study seeks to determine the boundaries of the new "SRI theme-based funds" category. These funds demonstrate that they address ESG issues, for example, by incorporating SRI expertise in analysis and stock-picking, screening based on ESG criteria and having an SRI team that manages the product. Based on this study, Novethic selected seven SRI themebased funds in France. The first fund selected by Novethic – Parworld Environmental Opportunities – is managed by BNP Paribas Asset Management.



# Supplier relations

## Maintaining core competencies

While the Group relies on outside vendors for products and services that are not central to its businesses, it has chosen to retain control over its core competencies. Production processes remain highly integrated, thus limiting the use of outsourcing.

In the IT field, where outsourcing is common among financial institutions, BNP Paribas has adopted an original position. The Group has created a joint-venture with IBM France to meet the Group's IT processing requirements. This strategic alliance meets the need to retain control over technology while reducing IT costs and preserving a leading-edge centre of excellence.

## Limited, controlled use of offshoring

The Group has optimised its system for specific IT development and programming by pooling a portion of its IT resources in Asia within BNP Paribas India Solutions in Mumbai.

Another centre for IT development, MEDIHA Informatique – BNP Paribas MED IT, has been created in Morocco. This offers the social and economic advantages of geographic proximity, the absence of time differences and a shared language. The Group chose to keep these activities within its subsidiaries rather than to outsource them. The two entities are expected to employ several hundred employees out of a group-wide total of some 10,000 IT specialists. This plan was implemented while still maintaining a net creation of IT jobs in France.

## Worldwide oversight of the purchasing function

The Group places considerable importance on its suppliers' approach to corporate social and environmental responsibility. This is a factor in the choices made by the procurement function, which relies on BNP Paribas Asset Management's expertise to assess leading suppliers.

Since 2002, contracts systematically include social and environmental clauses. These clauses provide for compliance with International Labour Organisation (ILO) standards or with local employment law principles in the event that these are stricter than ILO standards. All Group entities were reminded of their duty to only use companies that guarantee compliance with these principles in order to standardise relations with suppliers with which they do business.

External growth means that new entities are constantly entering the scope of consolidation. Nonetheless, the high rate of input into the global database has been maintained. The overall percentage of purchases from approved suppliers, which has been increasing steadily for several years as contracts are renewed, does not adequately reflect the major progress made in this area in absolute terms, given the considerable increase in the consolidation scope.

## Arval establishes a Sustainable Development commitment charter for its suppliers.

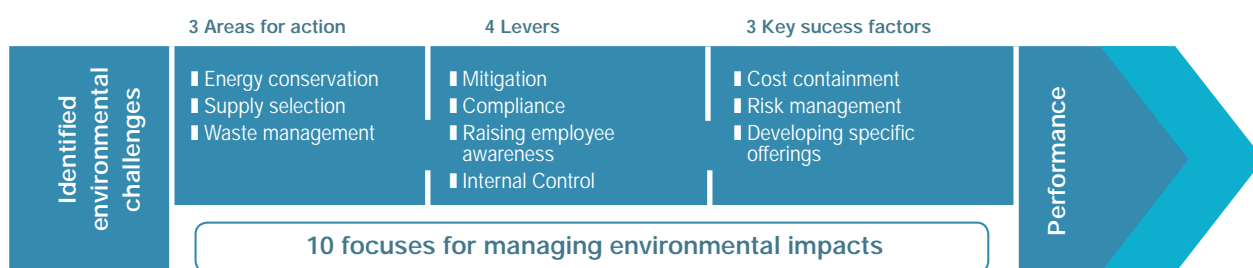
Arval's suppliers are stakeholders in its sustainable development strategy. In 2007, suppliers were reviewed and received ratings based on environmental and social criteria. A Sustainable Development commitment charter was integrated into all supplier contacts as a result of these reviews. This charter requires suppliers to implement sustainable development initiatives, demonstrate transparency as regards its environmental and social policy and adhere to the ten principles of the Global Compact, which Arval joined in 2004.



# Impact on the natural environment

In accordance with the principles of the United Nations Global Compact, the Group has put in place a set of guidelines on environmental responsibility, which include ten action points. These have been rolled out group-wide since January 2004 and form part of the general business principles adopted by employees.

Beginning in 2006, an Environmental Responsibility Committee in charge of overseeing BNP Paribas environmental initiatives has been coordinating the work of the entities and centres of expertise involved.



## Areas

Since 2006, a dedicated software package has been used to upgrade Group environmental reporting processes and enhance their accuracy. More reliable measurements have given a boost to efforts aimed at conserving energy and raw materials, instituting more selective procurement, and optimising waste management.

### Conserving energy and monitoring greenhouse gas emissions

#### ■ Electricity consumption

The Group's electricity consumption in France in 2007, based on actual total consumption, stood at 370 GWh, representing average consumption of 216 KWh per sq.m. Outside France, electricity consumption was 327 KWh per sq.m., taking into account 52% of employees. The ITP function undertook a programme aimed at reducing average consumption.

#### ■ The CO<sub>2</sub> survey

Companies are helping to combat global warming by controlling their greenhouse gas emissions. In 2004, with the help of expert consultants, BNP Paribas devised a method for estimating carbon dioxide emissions caused by its operations.

The calculations cover emissions generated by the production, transportation and consumption of energy sources. For liquid fossil fuels, the methodology calculates emissions related not only to combustion but also to the extraction, shipping and refinement of the fuels from conventional crude oil. For electricity, the primary energy used by the producer is taken into account. Further information on measurement methods and the related margins of error is provided under point 7 of the summary table relating to the environmental chapter of the NRE Act.





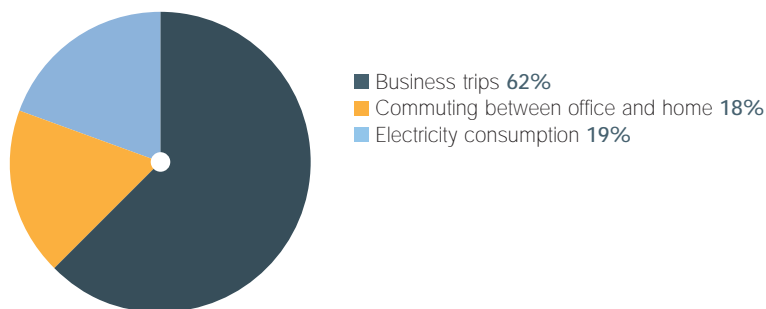
The scope of the study was expanded in 2007 to include new countries. Gradually expanding the scope of the data collection has shown that emissions vary significantly depending on the country concerned. Analysis of the data shows that these differences are mainly due to structural factors:

- The presence of management from an international business line accounts for regular air travel by managers (for example the Fixed Income business line in London).
- The presence of a data processing unit that consolidates data processing for entities within one territory or for neighbouring countries.
- The conversion ratio for KWh consumed depends on the combination of energy sources used within a given country. For example, the conversion ratio used for the emissions rate in France is favourable because a significant amount of the energy used comes from nuclear sources.

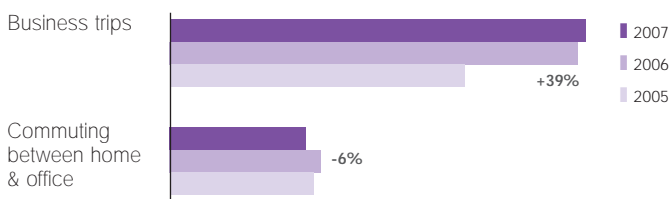
Local energy infrastructure has a preponderant impact on these measurements: the weighting used to calculate CO<sub>2</sub> emissions related to electricity consumption is about six times higher for Italy and for the US than for France. Since the nature of the businesses also varies widely by country, it seems more relevant to monitor emissions on a country-by-country basis than to consolidate very disparate situations.

In France, CO<sub>2</sub> emissions in 2007 amounted to 2.69 tonnes of CO<sub>2</sub> equivalent per FTE.

### Breakdown of CO<sub>2</sub> emission sources in France in 2007



### Breakdown of CO<sub>2</sub> emissions from business trips and commuting between home and office



As a new basis has been used to measure electricity consumption (actual consumption over twelve months), this year's figures cannot be compared with those from previous years.

In terms of **business travel**, emissions from commuting between the home and office decreased slightly. Air travel increased significantly, however, with fewer long-haul flights yet a sharp rise in short-haul flights within Europe. This increase is primarily the result of the Group's strong growth in Europe and Mediterranean countries. Air travel for France as a result of this growth is the main factor influencing the overall indicator for CO<sub>2</sub> emissions per employee.



Business trips are the main source of emissions. They are undertaken for the purposes of client contact, business negotiations and project studies, and have been the focus of a stringent cost control policy. Maximum use was made of tele- and video-conferencing facilities in 2007 to offer an alternative to travel. Air travel is subject to approval procedures and the use of the train is encouraged, in particular on the Eurostar and Thalys high-speed lines.

For long-term car rentals, Arval only uses vehicles that are less than three years old. These cars are equipped with electronic cruise control, catalytic converters and other systems that help lower emissions. They are very carefully maintained, and drivers are given practical guidelines outlining simple changes in driving habits that can make a big difference to the environment.

In France, commuting between the home and office accounts for 18% of emissions. In provincial towns, BNP Paribas covers a part of the costs incurred by employees using public transport to get to work, going beyond its legal obligations in this respect. The contribution is higher for those living in towns with more than 100,000 inhabitants. More than 12,000 employees in France benefit from these measures.

The **energy consumption** of buildings is controlled, and the main avenues for improving the Group's environmental efficiency involve installing better-performing new technology at the time of building renovations or construction, and when equipment is up for replacement.

BNP Paribas' emission levels in France compare favourably with the results published by other banks pursuing similar goals.

### Supplier selection

Supplier selection is a central feature of the Group's environmental policy. All supplier contracts include clauses on social and environmental responsibility, which key vendors have accepted following in-depth dialogue with the Group on the issues involved.

A methodology was developed for selecting the Group's paper suppliers and printers based on sustainable development criteria. As a result, the Group has signed agreements with paper manufacturers that guarantee a responsible approach to forest management, with full replanting after harvesting. The Group selects the paper used not only by its employees but also by the companies that carry out printing on its behalf.

BNP Paribas Assurance, for example, grants preferred status to printing companies that practice environmentally-sound printing and have received the Imprim'Vert (green printing) label. All white paper approved by the BNP Paribas procurement function in France is certified as Elementary Chlorine Free (ECF). The Group's printers and its entities outside France are gradually shifting to ECF paper as well. Since 2007, all of Cetelem's internal and external corporate communications are printed on recycled paper.

In France, environment-friendly products account for 20% of the total cost of the Group's office supplies.

### Waste management

The Group is continuing to roll out, both in France and worldwide, a waste treatment policy centred on collection of paper and board as well as toner cartridges, for which recycling rates are rising fast. Detailed information on the Group's waste management practices is provided under point 9 of the summary table relating to the environmental chapter of the NRE Act.

### [BNP Paribas selected by the Carbon Disclosure Project France](#)

BNP Paribas is one of four banking groups included in the 24 French companies selected by the Climate Disclosure Leadership Index of the Carbon Disclosure Project (CDP) France. Since 2003, CDP, a British non-governmental organisation created in 2000, has been sending annual surveys to the world's 500 largest companies, requesting information on how they monitor their greenhouse gas emissions. BNP Paribas has been part of this initiative since the word goes. CDP ranks companies on the basis of their responses, and the top third are included in CDP France's Climate Disclosure Leadership Index.

### [BNP Paribas – among the first shareholders of EcoFolio](#)

EcoFolio, an environmental body established in 2006, applies the principle of extended producer responsibility in the area of informational and advertising brochures and leaflets. Using financial contributions from producers of these media, EcoFolio provides funding to local government authorities to promote selective collection and recycling, in addition to informing the public and raising awareness. Owing to the nature of its business, BNP Paribas produces only modest quantities of promotional paper media compared with the press and retail industries. Yet BNP Paribas is one of the first founding shareholders of EcoFolio, and its representative, the head of sustainable development for the Group, was appointed as one of its directors.



# Levers

## Mitigation

### ■ Mitigating the impact of real estate operations

To avoid environmental impacts from its operations, Meunier's business real estate arm developed the High Environmental Quality (HEQ) standard, in close cooperation with the Scientific and Technical Advisory Centre for the French building industry (CSTB). This partnership agreement, which also includes CERTIVEA, a certification body for the building industry, was signed in 2007. Throughout the year, Meunier Immobilier d'Entreprise increased its efforts to integrate sustainable development into new project developments by strengthening its relations with organisations and associations.

Most developments under construction now apply the HEQ standard. For example, Le Carat 2 in Châtillon, just south of Paris, Le Sextant in Marseille and Le Trianium in Rueil-Malmaison (west of Paris), received HEQ certification for their development and design phases. The large-scale Grands Moulins de Pantin renovation project, north-east of Paris, received certification for the pre-development phase and is one of the very first renovation projects to obtain HEQ certification. The 30,000 sq.m. Haussmann style building on rue Bergère in Paris also received certification for its development and design phases. This building and the Grands Moulins de Pantin complex are to be used by BNP Paribas.

### Real Estate: ecological innovation with Eco Property Management®

BNP Paribas Real Estate Property Management, a subsidiary of France's leading corporate property management player, BNP Paribas Immobilier, has created Eco Property Management®, an international sustainable property management charter. The objective of this charter is to help combat global warming through the reduction of CO<sub>2</sub> emissions. Eco Property Management® creates innovative solutions for operating buildings focusing on four key areas: optimising water, energy and waste flows; monitoring products and materials that improve the well-being of occupants; putting best practices to use and implementing new expertise in building management; and increasing the value of property and providing innovation. In addition, five services are offered to building owners and tenants: optimising consumption flows, using eco-certified materials, improving selective sorting and recycling, raising awareness among occupants, and sharing expertise among owners and service providers.



### [Grands Moulins de Pantin complex](#)

As of September 2009, this complex will house its new tenant – BNP Paribas Securities Services. The site's original architectural features have been preserved, while still ensuring the amenities necessary for office activities. The entire complex will include nearly 50,000 sq.m. of office space spread over five HEQ-certified buildings. This is the first time that HEQ principles have been used for such a large-scale restoration project.

### [Meunier Habitat to develop a 3.4 hectare eco-neighbourhood in Paris](#)

Meunier Habitat, the first developer to obtain environmental certification in the greater Paris region, was awarded a contract to develop 34,000 sq.m. of residential and commercial property in accordance with sustainable development objectives in Paris' 19th arrondissement. The goal of the project is to reduce energy consumption by 50% compared with current regulations and to use 30% renewable energy in the new buildings. The area, located in an urban development zone, is expected to incorporate 150 public housing units, 120 private residential units and a dependent care facility for the elderly. The area will also have the advantage of additional transport options, with the extension of the T3 tramway by 2012 and the future Éole Évangile station within the next seven years. The project will be completed in 2010.



## ■ Cleaner cars

Arval closely monitors technological developments that will help reduce cars' environmental footprint. The company regularly trains its sales force to be able to inform and advise clients on how to optimise the environmental management of their fleets.

### Informing and advising clients on how to optimise the environmental management of their fleets

In 2007, Arval set up a framework to advise its clients on how to optimise the environmental management of their fleets through a series of dedicated tools:

- A *diagnostic review (éco diagnostic)* that enables clients to measure the economic and environmental impact of their fleet. This tool compares different types of vehicles so that clients can improve their fleet's efficiency in terms of cost and polluting emissions, particularly CO<sub>2</sub>.
- *Assistance in choosing cleaner cars*, with a catalogue highlighting car manufacturers' *green* offerings and sample fleets that are more eco-friendly. Arval's sales force is expanding its knowledge of environmental issues related to vehicle fleets.
- *Sustainable mobility* newsletters that feature cleaner vehicles sent to Arval's current and prospective clients.
- A *large-scale awareness campaign for clients on environmental issues*, particularly eco-driving. Arval has been a pioneer in this area, providing environment-friendly driving guidelines, notably through its guide to eco-responsible driving, which is provided with each vehicle delivered.
- Numerous articles on environmental impact and automotive innovation on the company's website: <http://www.arval.co.uk/eng>, and on the website of the CVO (Corporate Vehicle Observatory) (<http://www.observatoire-vehicule-entreprise.com/fre/developpement>). The CVO now also covers Germany, Italy, Switzerland, Portugal, Poland, Belgium, the Czech Republic and Morocco, and will soon include Spain and India.

For many years, Arval has monitored issues addressing the link between car usage and the environment. Arval deals with the current and future environmental concerns through a variety of media, such as publications, its website and the CVO. The CVO's many sustainable development publications in 2007 included themes such as *eco-driving*, *clean cars* and *how technology serves sustainable development*.

### Greener driving for employees

During the fifth annual European Mobility Week from 16 - 22 September 2007, Arval launched a *Yes to greener driving!* awareness campaign for employees, featuring a daily intranet news flash on topics such as eco-driving, choice of vehicle and fuel, driving guidelines, and auto parts and equipment.

After participating in a consultation session on environmental issues, employees at BNP Paribas Assurance came up with over 150 proposals, including carpooling. A carpooling website was launched during European Mobility Week. Three months later, over 350 employees were registered, i.e. 15% of employees at the head office in Rueil-Malmaison, representing potential annual savings of EUR 1,000 per person and a reduction in CO<sub>2</sub> emissions of nearly one tonne per person. BNP Paribas Assurance also pays for five trees to be planted by the association *Cœur de Forêt* each time one of its employees signs up for this initiative.

### The fifth CVO/TNS Sofres study: the environment and company cars in 2007

The CVO/TNS Sofres study was established for the CVO, a subsidiary of Arval, and sheds light on the environmental trends of the European corporate fleet market and the outlook for the future. The 2007 study shows that decision-makers in French companies are conscious of the environmental issues of their business. They are concerned about the polluting emissions of their vehicles and the decrease in oil reserves. In Europe, in companies with more than 100 employees, Czech decision-makers were the most concerned about polluting vehicle emissions. The Italians and the Polish were the least concerned, although the use of LPG is more widespread for fleets in Italy and Poland.





## ■ Saving paper

BNP Paribas also strives to improve its environmental impact by reducing paper consumption. Overall paper consumption in France amounted to 9,587 tonnes in 2007. Each entity implements initiatives based on its business activity. In French Retail Banking and in the IT function, paper-saving measures such as the electronic distribution of accounting statements and the elimination of printouts have been implemented. In French Retail Banking, sending double-sided bank statements for all individual accounts and all personal accounts of individual entrepreneurs allowed an additional 250 tonnes of paper to be saved over a full year. A system was implemented in groups of branches to monitor the consumption of paper purchased from printers and reams of paper for local print jobs. Data provided by the printers makes it possible to choose printing jobs that use more efficient paper cuts.

BNP Paribas Assurance launched an internal audit in 2007, to identify ways of reducing paper consumption. Immediate steps such as streamlining electronic reporting, moving to printing on both sides of paper, and raising employee awareness, made it possible to reduce consumption at head office in 2007 by 10% (20 tonnes of paper) compared with 2006, even with business growth. BNP Paribas Assurance is gradually replacing 20,000 to 25,000 paper greeting cards with electronic cards. A special reporting process makes it possible to monitor paper consumption and measure the progress made.

## Raising awareness among employees

The Group uses internal communication channels such as the intranet, the *Ambition* in-house newsletter and conferences to raise employees' awareness of environmental issues.

Nearly 100,000 copies of a booklet outlining everyday gestures that employees can perform to be more environmentally friendly in the workplace were distributed to BNP Paribas employees. The booklet was printed on recycled paper (in French, English and very soon Italian), at a sheltered workshop for disabled persons.

The news section of the Sustainable Development intranet site is frequently updated and the monthly Sustainable Development newsletter is published online.

Each subsidiary provides its employees with information on topics relevant to its business:

**Arval** promotes awareness about key sustainable development issues. A screening of Al Gore's documentary on climate change, *An Inconvenient Truth*, was organised for employees, and the DVD was made available to them for viewing.

**Cetelem** launched the *Oxygène* programme in 2007 to get its employees involved in protecting the environment. Cetelem will measure the CO<sub>2</sub> emissions of Cetelem and UCB sites through a CO<sub>2</sub> survey that applies the method used by France's environmental protection and energy conservation agency, ADEME. Priority will then be given to reducing paper and electricity consumption, managing transport and optimising and recycling waste.

During the fifth annual Sustainable Development Week in 2007, BNP Paribas Assurance invited its 2,500 head office employees to attend a series of conferences, including one on climate change by astrophysicist Hubert Reeves that garnered a lot of attention. Employees had an opportunity to calculate their ecological footprint and discover ways to help prevent climate change on a daily basis. A wide-scale employee awareness campaign was launched in offices worldwide. Stickers were placed in public spaces and on printers, a booklet on *Being Ecological at work* was distributed, and a special section was created on the Group's intranet to promote awareness of gestures that employees can make to protect the environment.





### Compliance

In the environmental field as in other areas, the Group requires compliance with the most demanding standards, be they legal, regulatory or internal to the Group.

Guidelines on the technical regulations applicable to managing buildings in France are issued to facilities managers. Outside France, these guidelines are drafted based on the most stringent regulations, in all countries where BNP Paribas operates. Construction and renovation projects are validated based on these guidelines and the buildings of newly acquired companies are audited.

**Arius**, the BNP Paribas subsidiary specialised in IT equipment leasing solutions, anticipated the change in regulations by developing – before the European directive on Waste Electrical and Electronic Equipment (WEEE) took effect – a strict policy for managing the end of its products' life cycles. When equipment recovered at the end of a contract is examined, there are three possibilities. If it is in workable condition it is resold. Otherwise it is either disposed of by an approved vendor or taken apart to be used by maintenance companies.

Currently, in accordance with the directive, all Group entities in France are beginning to collect and recycle electronic equipment through producers, distributors, brokers and recycling agencies. The process is being put into place using a system that measures information flows.

### Effective Internal Control

The General Inspection unit's social and environmental methodology allows it to assess the extent to which audited entities apply Group environmental standards and procedures. Reporting directly to the Chief Executive Officer, the General Inspection unit is completely independent to apply this audit methodology across the entire Group without limitation. These audits round out the controls already carried out by the managers of the various entities.



# Means of action

## Cost containment

Efforts to limit consumption are crucial to successful sustainable development implementation. Cost containment also makes it possible to offer clients the best services at the best price.

Environmental indicators and the monitoring of flows of materials have rounded out the management criteria used by the Group's procurement function. The measurement and analysis of energy consumption helps identify the principal discrepancies among entities and enables consumption to be streamlined.

## Environmental risk management

Environmental risks are included in the analysis of credit and operational risks. The Group's credit risk management policy specifies that it must identify environmental risks and defines specific adaptations for certain business lines. The rating policy for Corporate Financing provides a framework for factoring environmental risk data into rating models.

Diversification of commitments by industry remained at a healthy level, with no further concentrations of risk arising in 2007 (see Registration Document). Operations in the Energy & Commodities sector mainly finance commodity trading, which is usually highly structured and secured by collateral. Commodity financing commitments (production and international trade) are also reviewed on a regular basis. The Utilities portfolio, which mainly includes companies producing and distributing electricity, is reviewed every six months.

The Internal Control, Risk Management and Compliance Committee of the Board of Directors met six times in 2007 to review the Bank's loan book and its breakdown by industry and region. It was informed of the opinions issued at the Risk Policy Committee meetings, which are held by Executive Management on a regular basis to review risks on specific issues, particularly commitments in emerging markets and commodity financing.

## A responsible approach to financing and services

### ■ An environmentally-responsible product range

In 2007, BNP Paribas launched a new low-interest personal loan product, Energibio, geared towards helping its clients finance home improvement costs that focus on energy savings and sustainable development. Group entities have also developed products that promote environmentally-responsible behaviour, thus taking into account new expectations formulated by stakeholders.

UCB, the Group's subsidiary specialised in real estate solutions, has teamed up with Gaz de France to offer the Dolce Vita sustainable construction loan. This product allows individuals who have taken out a mortgage loan for a new private house to enjoy very beneficial conditions for financing their natural gas heating and hot water system. Choosing an efficient gas-fired boiler can bring down consumption by 20% compared to a standard fuel oil boiler. In 2007, UCB also launched a new green loan – *Bons Plans Écologie* (Great Eco Ideas) – which offers prospective borrowers an additional special low-interest loan of up to EUR 6,000 when they plan to purchase a new home that includes energy-saving installations or materials.



Since 2007, **Cetelem** has offered *Les projets verts Cetelem* (Cetelem's green projects) on its website. Each client who has purchased a "green-classified" product can ask Cetelem to donate EUR 25 to an eco-friendly coal production project in Senegal as part of the Carbon Action (*Action Carbone*) programme launched by GoodPlanet, a non-governmental organisation chaired by photographer Yann Arthus-Bertrand.

**Cortal Consors** offers to donate part of the loads paid by its clients on a selection of funds to the Carbon Action programme launched by GoodPlanet in partnership with ADEME. This programme finances environmental projects worldwide, such as installing solar panels or replanting forests. Cortal Consors was the first company in its field to take part in this voluntary offsetting programme.

**Arval** has also joined GoodPlanet's Carbon Action programme. In February 2007, Arval offset its CO<sub>2</sub> emissions for its own car fleet in 2006 by donating EUR 12,320 to this programme.

### ■ Project finance

When considering financing for large-scale environmentally-sensitive projects, the due diligence stage includes an audit of the social and environmental consequences of the project by a recognised expert in the field. This audit assesses the environmental impacts and how they may affect the project's viability.

This evaluation is performed by independent outside consultants prior to setting up financing, so that the Bank can, if needed, reject a project that does not offer satisfactory performance with regard to local standards and international guidelines such as those issued by the OECD. If financing is granted, the consultant's recommendations are included in the financial documents requiring that the developer implement and maintain an environmental management plan that guarantees the project's compliance with applicable laws and guidelines.

Within Corporate and Investment Banking, special consideration is given to ensuring that corporate clients follow environmental regulations when operating in non-EU countries within Europe.

### ■ BNP Paribas and the Equator Principles

BNP Paribas is one of a number of leading international financial institutions not to adopt the Equator Principles. This decision stemmed from the realisation that adopting these Principles would add nothing more to the commitments already undertaken by BNP Paribas in this field, since the Group's project finance operations comply with the same social and environmental standards applicable to projects financed by institutions that have adopted these Principles in their current form.

Based on the Group's analysis, the Principles have a certain number of flaws, notably the risk that there may be, among some stakeholders, a confusion between actual project finance operations, in which the bank is able to negotiate many terms and conditions for the use of the funds, and other forms of financing where the bank does not have that option. That confusion may be used by some organisations to blame the adopting institutions for not applying the Principles to these other types of financing, even though the banks concerned cannot oblige borrowers to comply with environmental and social standards in line with the Principles, or to monitor their performance in that respect.

### UBCI – helping clients make environmental improvements

Union Bancaire pour le Commerce et l'Industrie (UBCI) is working alongside Tunisian companies, helping them invest in industrial remediation and energy conservation. UBCI's commitment results from an agreement signed in 2007 by the French Development Agency (AFD), UBCI and two other Tunisian banks to help finance environmental improvements for Tunisian companies. Financing can be used for two types of projects: (i) projects focusing on the use of alternative energies (solar water heaters and wind energy generation) or energy efficiency projects (cogeneration, energy-saving installations); and (ii) industrial remediation projects for water and air treatment installations, as well as pollution control and waste recycling projects.



<sup>(1)</sup> Cars emitting less than 120g CO<sub>2</sub>/km, home appliances with low energy consumption (type A) or residential installations using renewable energy sources..



The revised version of the Equator Principles issued in July 2006 helped clarify the definition of project finance, but since then experience has shown that this does not prevent the confusion described above from occurring. In order to analyse the impact of the new version of the Principles more closely, the Group has set up a working group with the IFC.

■ The financing of renewable energy projects



BNP Paribas policy is driven by the belief that the use of renewable energy will become far more widespread on the back of the Kyoto protocol and the likelihood of oil prices remaining high. The Group's activity and commitments in this sector continued in 2007.

BNP Paribas finances wind farm projects not only Europe, but also in the Americas and Asia. The Group was also active in the hydropower and solar sectors, including one of the world's largest solar energy projects, in Spain.

A team of 120 professionals throughout the main territories is qualified to make investments in the renewable energy sector. The Group was recognised and awarded for its commitment to renewable energy several times over the year. It was voted "best project finance arranger" by *Thomson Financial* and "best financial adviser for renewable energy financing transactions" by *Infrastructure Journal*.

**Capstar Partners**, which is 60%-owned by BNP Paribas, took part in the implementation of three major transactions in the renewable energy sector in the United States: Florida Power and Light, PPM Energy and Enel North America. Capstar Partners signed deals in 2007 for a total of USD 3 billion in a market that is estimated to be worth USD 5 billion. Capstar Partners' success is built on its experience and expertise in structured financing and asset management linked to tax monetisation activities. Corporate and Investment Banking's teams in Spain, Italy and New York provided assistance for these transactions and contributed to this success.



## Top Renewable Financial Adviser 2007

Rank	Bank	Value in USD millions	Number of projects	Market share %
1	BNP Paribas	807	4	11.34
2	Espirito Santo Investment	712	5	10.02
3	BBVA	695	3	9.77
4	Mediocredito Centrale	606	3	8.51
5	Société Générale	474	1	6.66
6	La Caixa	402	1	5.67
7	FS Consulting	346	1	4.86
8	Mesirov Financial	316	1	4.44
9	Deutsche Bank	292	1	4.11
10	Operis	292	1	4.11

Source: *Infrastructure Journal*, January 2008

*New Energy Finance's* ranking of international banks that invested the most in the renewable energy sector in 2007 put BNP Paribas in 1st place among French banks and 7th place worldwide. BNP Paribas accounted for a total of USD 1,235 million over 2007. BNP Paribas also received 4th place worldwide as a "Wind Mandated Lead Arranger" in the *Infrastructure Journal* ranking with 6% of the market share for 2007.

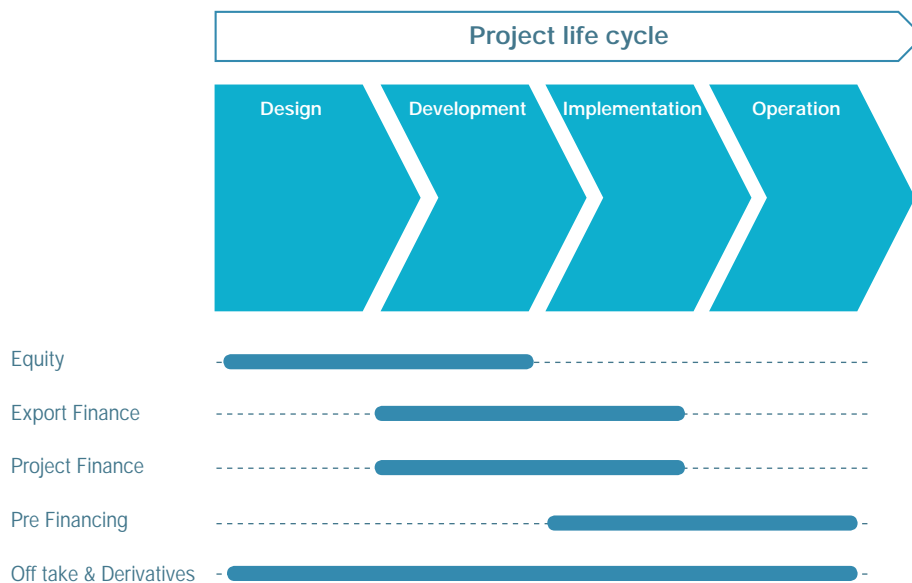
### ■ BNP Paribas and the greenhouse gas emission market

The Kyoto protocol and the European directive on greenhouse gas emission quotas trading have, for the first time, made it possible to place a monetary value on environmental externalities, namely CO<sub>2</sub> emissions. An emissions trading system set up by European states in 2005 – the European Union Emissions Trading Scheme (EU-ETS) – should allow 12,000 industrial sites that emit CO<sub>2</sub> to meet these targets at a lower cost by trading quotas on a market.

Within this context, the goal of the BNP Paribas' Carbon Team is to include considerations related to green-house gas emissions while operating all business lines. The restrictions on CO<sub>2</sub> emissions resulting from international agreements will certainly have a long-term influence on the structure of financed assets and need to be taken into account in financing decisions. The focus is not so much on creating new products, but on taking into account, in the services offered to clients, the financial component of schemes to reduce greenhouse gas emissions. BNP Paribas brings its asset financing and management experience into play to help the companies involved meet their reduction targets as cost-effectively as possible.



## A full range of CO<sub>2</sub> risk management solutions at every project stage



- **EUA:** European Union Emission Allowance. Granted to entities participating in the European system for trading emissions rights.
- **CER:** Certified Emission Reduction. A credit equivalent to one tonne of CO<sub>2</sub> reduction achieved through the clean development mechanism.
- **ERU:** Emission Reduction Unit. A credit equivalent to one tonne of CO<sub>2</sub> reduction achieved through the joint implementation mechanism.

BNP Paribas is actively involved in the EU-ETS, with proprietary and client trading, and is a major player in CO<sub>2</sub> markets. BNP Paribas Commodity Futures is one of the most significant institutions making up the membership of the London Clearinghouse, by amounts cleared and in terms of EUA futures executed: Commodity Futures accounts for approximately 20% of the orders on the European Climate Exchange (ECX), which is the largest platform for carbon emissions trading in Europe. Commodity Derivatives is one of the main participants in the EU-ETS, with a volume of approximately 600,000 tonnes of CO<sub>2</sub> traded per day, representing 7% of the market.

Leveraging its presence in emissions rights trading markets and its substantial portfolio of carbon credits generated by projects with high environmental value as part of the clean development mechanism, the Group is able to offer intermediation services to clients faced with regulatory constraints on their CO<sub>2</sub> emissions. These services include placing buy and sell orders for emission rights, developing derivatives-based hedging solutions, and guaranteed delivery of carbon credits.



In 2007, BNP Paribas put in a strong performance as finance arranger for projects that enabled significant reductions in CO<sub>2</sub> emissions. The wind farm construction project in South Korea made it possible to avoid 420,000 tonnes of CO<sub>2</sub> emissions. Another project saved 4 million tonnes of CO<sub>2</sub> emissions from an oil field in Azerbaijan, as the CERs were purchased by BNP Paribas. Again in Azerbaijan, the Group worked on a joint project with the Carbon Team to finance a 500-megawatt gas plant. The Group also took part in a methane capture project in a coal mine in China, which generated 17,800,000 CERs.

BNP Paribas entered into an agreement with VEB, the Russian bank for development and foreign economic affairs, to finance the joint development of carbon projects. BNP Paribas will bring its expertise in carbon markets and project finance arrangements to this project, while VEB will provide an industrial client base and its ability to assess financial risk in Russia and the Commonwealth of Independent States.

### **BNP Paribas among the FTSE4Good's 40 European environmental leaders**

In 2007, BNP Paribas joined the new FTSE4Good Environmental Leaders Europe 40 Index. This stock market index ranks European leaders in environmental management on the basis of their environmental commitments. BNP Paribas was ranked no. 1 among French companies included in the index. It is also the only French bank in the index, with seven other European banking groups. The European Investment Bank (EIB) and the international banking community have adopted this index, which provides investors with information on the environmental responsibility of the main European issuers.

### Certificate trading

The Group entered into two new agreements in 2007 to purchase Certified Emission Reductions (CERs) in Mexico and India, thereby expanding its platform of international markets in the environmental domain. These new investments fall within the scope of the clean development mechanism, one of the three flexible mechanisms of the Kyoto protocol designed to help industrialised countries reach their greenhouse gas emission targets. These new investments are in addition to BNP Paribas' current CER portfolio.





# A partner in society

## A deep commitment to microfinance

BNP Paribas has been promoting microfinance since 1993. Recognised as an effective weapon in the fight against poverty, microcredit is offered to people looking to set up their own business but who are unable to access traditional forms of financing. Microcredit is only one aspect of microfinance, which also includes, for example, microinsurance, microsavings and migrant workers' transfers.

### Microcredit: a commitment in favour of social integration

Since 1993, both BNP and Paribas, and now BNP Paribas, have been tireless in their support of ADIE (*Association pour le Droit à l'Initiative Économique*), France's leading non-profit association for microfinance. Under the terms of the partnership, BNP Paribas grants ADIE a credit line of EUR 5 million, undertakes to cover part of the risk of non-collection, and helps to finance ADIE's operating expenses (for around EUR 350,000). BNP Paribas also offers entrepreneurs who are members of ADIE the *Esprit Libre* Pro package at no cost for six months. In 2007, 1,731 entrepreneurs, i.e. 18% more than in 2006, received support from BNP Paribas through ADIE. The average loan amount was EUR 2,800, granted over a period of nearly two years.

Through *Projet Banlieues*, launched in 2006, the BNP Paribas Foundation has consolidated the initiatives it has been financing through ADIE for the last 15 years or so. The additional funding, as described above, will enable ADIE to open seven new centres in disadvantaged neighbourhoods by the end of 2008. A centre was opened in Marseille in 2006, followed by two others in 2007, in Toulouse and Lyon. Overall, the project should help to create and support approximately 800 additional small-scale businesses. In two years, nearly 400 companies and some 480 jobs have been created with the help of this project.

Within the context of its collaboration with ADIE and the agreement signed with Caisse des dépôts and the association CRESUS (which helps over-indebted individuals), the Cetelem Foundation grants microloans to members of society who do not normally have access to banking services. The programme draws on the assistance of CRESUS volunteers and is guaranteed in part by the *Fonds de cohésion sociale*, a scheme set up in France to develop community microcredit. Cetelem has added a solidarity option to its Happycard customer loyalty scheme, allowing customers to make donations to ADIE. After only one year, a total of EUR 20,000 has been donated in this way. Cetelem tops up the total amount donated by individuals by 50%.



### BNP Paribas in support of Microcredit Week

For three years, BNP Paribas has sponsored Microcredit Week, which is organised by ADIE. The aim of this initiative is to introduce the concept of microcredit to job seekers and those on long-term unemployment benefit who are looking to set up their own business but are unable to access traditional forms of financing, and to enable potential entrepreneurs to gain information and discuss their project with people who have already set up their own business and with ADIE's organisers. In 2007, 90 forums were held in public places throughout France, as well as in local business creation networks and in associations that provide social support and help fight social exclusion.



## Expanding microfinance activities outside France

Building on its experience of microfinance in France and in a number of African countries since 1993, BNP Paribas set up a Group-wide Microfinance business in 2006. The medium-term aim of this initiative is to position the Group as one of the world's leading banks engaged in microfinance, by supporting its development strategy in emerging countries, particularly around the Mediterranean basin.

The international microfinance project is ahead of schedule with its initial operating plan. A special team within Asset Management and Services works closely with some 100 employees throughout the Group from the Corporate Investment Banking (CIB) and International Retail Services (IRS) international networks.

The project focuses mainly on refinancing, in local currency, the microfinance institutions in the areas where the Bank operates. Within one year, BNP Paribas has partnered 22 microfinance institutions in 11 countries, representing EUR 76 million in total credit granted. The project has been able to help more than 420,000 borrowers (78% of whom are women), impacting the lives of two million people when taking into account family members.

The countries involved in the project are Argentina, Brazil, Egypt, Guinea Conakry, India, Madagascar, Mali, Mexico, Morocco, Senegal and the Philippines. The agreement signed in March 2007 with the French Development Agency (AFD) to jointly support the microfinance sector was a major step forward for the project.

This partnership focuses primarily on refinancing Microfinance Institutions (MFIs) and financing small- and medium-sized enterprises based on guarantees issued by AFD through its ARIZ guarantee fund or its subsidiary PROPARCO. This type of scheme is already in place in countries such as Senegal, Guinea, Mali and Madagascar.

BNP Paribas and AFD have also developed partnerships with respect to other corporate social responsibility and environmental projects. In several countries, AFD or PROPARCO make medium- and long-term financial resources available to the Group's local entities, which are then used by the entities to refinance clients' sustainable development projects. In 2007, agreements of this type were signed with TEB in Turkey and with UBCI in Tunisia. The Bank also offers subsidised investment loans (PAI), which are refinanced by AFD, to small- and medium-sized enterprises in the French overseas departments and territories.

A link-up with specialised rating agency Planet Rating, a spin-off from the international NGO PlaNet Finance, has fostered a better understanding of the business model specific to microfinance. Through this link-up a realistic risk policy has been established, which takes account of a project's social impact, as well as of traditional financial criteria.

Other areas of microfinance are gaining ground, notably micro-insurance. In December 2007, SBI Life, a joint venture between BNP Paribas Assurance and State Bank of India launched "Grameen Shakti" and "Grameen Super Suraksha", two micro-insurance life products designed for self help groups (groups of people belonging to the poorest populations in India, 90% created by women). These products, which are distributed by the SBI branch network and by NGOs and microfinance institutions, enable vulnerable populations to obtain life cover at very advantageous prices (from less than EUR 1 per annum).



### [An original plan in Gabon](#)

Banque Internationale pour le Commerce et l'Industrie du Gabon (BICIG) launched an innovative product called *KIMI Crédit* (kimi meaning solidarity), designed in accordance with the tontine system, for low-income households and small businesses in the informal sector. A tontine is a group savings and mutual financial assistance programme for a small group of borrowers

who are jointly liable. Each member pays into the tontine on a regular basis and can, in turn, take out a loan for up to three times the amount saved.

### [BNP Paribas champions microfinance in Mali](#)

Banque Internationale pour le Commerce et l'Industrie du Mali (BICIM), a BNP Paribas subsidiary, signed a EUR 230,000 loan agreement in July 2007 with

the microfinance institution *Miselini*. *Miselini*, which means "little needle" in Bambara, was set up in 1999 and has since expanded throughout underprivileged neighbourhoods in Bamako and the surrounding areas. *Miselini* has over 16,000 active borrowers and primarily targets women's groups, helping to support their business and/or craft activities.



### Skills-based volunteer work

In addition to the microfinance programme, two skills-based volunteer initiatives were launched in 2007 in collaboration with BNP Paribas' Association of Retirees, which has over 21,000 members. These initiatives are based on the idea that microfinance needs skills as well as funding, and that a major banking group is well placed to provide these skills on a volunteer basis either through employees or retirees. The first initiative involves the nationwide development of the Jacadie project, launched in 2005 to help ADIE members plan their business ventures. The second initiative, "Microfinance Without Borders", offers microfinance institutions in emerging countries banking skills in the areas of risk management, management control and IT.

## Community initiatives promoting integration and solidarity

BNP Paribas helps to further economic and social development in the regions in which it does business, by recruiting locally (see the section entitled "Human Resources development"), partnering local initiatives and forging alliances with key players from civil society.

### Partnerships that nurture culture and education

#### ■ Operation Hope in the United States

In 2000, the Group's Californian subsidiary became a partner of the US organisation Operation Hope Inc. (OHI). Operation Hope connects minority inner-city communities with mainstream financial services, and promotes financial literacy among populations living in under-served urban areas. Between 2000 and 2007, Bank of the West invested over USD 1 million in Operation Hope and around USD 1.2 million in contributions in kind and additional commitments not yet disbursed. Some 100 Bank of the West employees have already been taken part in Operation Hope ventures, providing 485 hours of tutoring to approximately 4,000 pupils.



Don McGrath (right), BancWest

A number of financial education initiatives are sponsored by Bank of the West, including "Banking On Our Future" (BOOF), aimed at school goers between 9 and 18 years of age in Oakland, Portland and Denver, and Hope Centers – dedicated shelters offering adult educational support and financial assistance, particularly with regard to business ventures or home buying. The Hope initiative also includes a "National Disaster Response" programme, whose beneficiaries have included victims of hurricane Katrina.

#### ■ TEB finances schooling for children in Turkey

TEB Sigorta, the insurance subsidiary of Türk Ekonomi Bankasi (TEB), recently contributed to the "Baba Beni Okula Gönder" (Dad, send me to school) campaign, which finances the schooling of 145 pupils for three years. TEB got involved with this campaign in 2006, when an insurance product was launched to guarantee the payment of children's school tuition in the event of the death or disability of their parents. The bank undertook to donate a portion of revenues from the sale of this product to the initiative. As a result, tuition for 145 young girls from some of the rural areas most affected by illiteracy has already been covered for three years and TEB is planning to further increase its contributions.



■ In France

BNP Paribas allocated EUR 958,000 to institutions in underprivileged inner-city areas as part of the apprenticeship tax it pays. This amount is used to purchase, hire and ensure the upkeep of teaching and professional equipment and facilities and has helped some 100 institutions in priority areas. This funding enhances the initiatives led by BNP Paribas through its commitment to initiatives focusing on tutoring, scholarships, mentoring, coaching and discovery for pupils in underprivileged areas.

**Coaching and mentoring in collaboration with AFEV.**

The BNP Paribas Foundation has been providing support to AFEV for approximately ten years. This voluntary organisation enlists students to coach children from disadvantaged neighbourhoods. With an additional EUR 150,000 in funding each year thanks to *Projet Banlieues*, AFEV has been able to open three more centres in Evry, just south of Paris, as well as in Rouen and Nice, and to improve the structures already in place in Lyon, Toulouse and Saint-Denis (one of Paris' northern suburbs). These initiatives all generated positive results within a very short time. With the new centres and the improvements made to existing centres, AFEV is now able to coach some 900 pupils in disadvantaged areas, with the help of 450 additional student volunteers. Today, the BNP Paribas Foundation is AFEV's largest private sponsor in France, irrespective of sector, and the second largest sponsor overall after the French Ministry of Education.

**Solidarity and outreach programmes**

BNP Paribas' commitment continued in 2007 through a number of outreach and solidarity initiatives. Some of the most important were:

**Support for community projects by local associations.**

In two years, the BNP Paribas Foundation, through *Projet Banlieues*, has contributed almost EUR 350,000 to 83 associations that work to provide "integration through knowledge" for children and teens in disadvantaged neighbourhoods. The initiatives mainly focus on education, professional integration, integration through sport and culture, and lifelong learning initiatives. The main regions to receive funding are Alpes-Maritimes, Eure, Haute-Garonne, Rhône, Seine-Maritime, Seine-Saint-Denis and Essonne.

**Cannes et Banlieues festival by Luc Besson.**

French film director Luc Besson created the *Cannes et Banlieues* (Cannes and the suburbs) festival in conjunction with the 60th anniversary of the renowned Cannes Film Festival. This initiative, sponsored by BNP Paribas, gave residents from ten Paris suburbs the opportunity to watch the films being shown in Cannes, on a giant outdoor screen set up in their neighbourhood. Retail Banking in France helped to advertise the free event with a poster campaign in the branches in the areas concerned.

**Fête le mur.**

Since 2000, BNP Paribas has sponsored the *Fête le mur* tennis outreach association created and led by Yannick Noah. As part of its involvement, the Group invited 30 children from *Fête le mur* in the south-east of France to attend the Monte Carlo Masters Series.



© "Pingouin"



[Philanthropy and Sustainable Development Conference by BNP Paribas Banque Privée](#)

For the first time in 2007, BNP Paribas Banque Privée invited 100 of its biggest clients from around the world to a conference in Paris on Philanthropy and Sustainable Development. This event featured top-notch speakers, each with a unique perspective on the issue: Professor Amartya Sen, Nobel Laureate in economics, Yann Arthus-Bertrand of GoodPlanet, Alice Dautry of the Pasteur Institute, and Franck Riboud, Chairman and CEO of Danone. The BNP Paribas Philanthropy Award was created during this conference and will be given annually to an individual or family-owned group that has demonstrated an outstanding commitment to philanthropy.

**Excellence and success with the French Chess Federation.** Since 2006, BNP Paribas has been the official sponsor of the French Chess Federation, assisting in the promotion of chess among licensed players, the general public and school goers. In 2007, *Projet Banlieues* launched an introduction to chess initiative in Clichy-sous-Bois, enabling residents to take a basic course in the discipline during the school holidays.

**A BNP Paribas London team renovates a Bulgarian orphanage.** In 2007, 66 employees from BNP Paribas London's Loan Syndications and Trading team spent a day renovating a Bulgarian orphanage for physically and mentally handicapped children in the town of Mezdra. They painted walls, laid paving stones, set up a playground, and improved access to the orphanage. The team provided the orphanage with medicine, toys and building materials. This initiative came in addition to the corporate social responsibility projects carried out by the Sofia office.

**Renewed commitment in New Orleans.** After Hurricane Katrina hit Louisiana in 2005, BNP Paribas' employees showed that they wanted to be personally involved in the reconstruction effort by setting up the BNP Paribas New Orleans Aid Brigade. BNP Paribas Structured Finance and Corporate Coverage in the United States recently organised an in-house event in support of the initiatives of this brigade. In April 2007, 85 employees from the United States and France helped to rebuild a number of playgrounds that had been destroyed. In March 2007, BNP Paribas also funded the New Orleans Business Continuity Program which backs a number of projects to rebuild the city. The Group received a corporate social and environmental responsibility award in the United States in recognition of employees' commitment to reconstruction projects in New Orleans.

**The Telethon in France and Italy.** BNP Paribas has been the official bank for the French Telethon since its creation, handling cheques sent by donors and delivering the tax receipts for donations made. A large number of employees participate in the Telethon – devising and organising sports, musical and gastronomic events, and community initiatives. In 2007, over 500 initiatives were organised in France and French overseas departments and territories by 2,000 employees, in addition to 300 tennis tournaments for the Tennis Telethon. In Italy, BNL also offers considerable support to this fundraising campaign, bringing in almost half the amount raised. During the Telethon, hidden cameras are set up in BNL branches to take candid footage of Italian actors, who play the role of BNL advisors collecting donations. Many Italian employees take part in this fundraiser.



# BNP Paribas Foundation: imaginative and in touch with the world

Operating under the auspices of the Fondation de France, the BNP Paribas Foundation has been promoting dialogue between the banking community and its social and cultural environment for over twenty years. As a meeting point for exchange and discovery, it gives new expression to the Group's core values of ambition, commitment, creativity and responsiveness.

Through its programmes, the BNP Paribas Foundation strives to preserve and promote cultural heritage and 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 their individual objectives, namely by developing programmes and providing advice and on-the-spot assistance, together with access to the BNP Paribas worldwide network of contacts.

The BNP Paribas Foundation is a member of Admical, the first business sponsorship association in France, and of the centre for charitable foundations in France.

## Cultural patronage

As a recognised benefactor of museums, the BNP Paribas Foundation 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 French and international institutions, helping to publish some 50 books on museums and enabling around 150 works of art to be restored and placed on display to the public.

### Corporate and Investment Banking works alongside the Foundation to aid research

At the end of 2007, Corporate and Investment Banking made several donations to charitable organisations. In France, it continued to back the partnership already in place between the BNP Paribas Foundation and the French Foundation for Medical Research (FRM)

by providing funding to the Biomedical Excellence programme. Through this cross-disciplinary initiative, Corporate and Investment Banking will enable young post-doctoral researchers from all different areas to complete their training in major international laboratories, thus allowing them to exchange their knowledge, discuss their techniques and create invaluable contacts for future projects.

The BNP Paribas Foundation also supports the performing arts by establishing close partnerships with modern dance companies, circus troupes, writers, 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 contributes to cultural cooperation programmes. It also makes use of its extensive links with festivals and production companies to bring new talents to a wider audience.

### ■ A partner in France and abroad

The Foundation supports international initiatives launched in partnership with cultural institutions in France, provides financial backing for concerts, organises programmes showcasing the international arts scene, and promotes and coordinates patronage within foreign branches. Like the BNP Paribas Group, the Foundation has its roots in France but its eyes are resolutely turned towards the international arena. It 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.





Virgin Triptych by Macrino d'Alba. Detail: Joachim and Anne Meeting at the Golden Gate in Jerusalem.

© Städel Museum, Frankfurt am Main/Artothek

■ Städel Museum, restoration of the *Virgin Triptych* by Macrino d'Alba

In 2007, the BNP Paribas Foundation made it possible to restore a piece from the Quattrocento, the *Virgin Triptych*, kept at the Städel Museum in Frankfurt. This altar piece was painted in 1495 by Macrino d'Alba (1470–1528), from Alba in Piedmont, and is made up of three painted wooden panels representing *Madonna with Child*, *St Joachim and the Angel*, and *Joachim and Anne Meeting at the Golden Gate in Jerusalem*. The triptych, which is displayed in a beautifully decorated and restored frame, is now once again a centrepiece of the Italian collection at the Städel Museum, one of the most important fine arts museums in Germany. This restoration was conducted as part of the BNP Paribas for the Arts programme, which has made it possible to restore more than two hundred works in various museums. The project demonstrates the Foundation's commitment to expanding its initiatives in many of the countries in which the Bank is present. Restoration projects are currently underway or scheduled in Australia, Egypt, the Netherlands, Greece and Singapore.



## ■ *Les Colporteurs*

The history of the modern circus troupe *Les Colporteurs* is linked to the history of its creator, Antoine Rigot. Ever since he first stepped onto a steel cable with his wife Agathe Olivier, this tightrope walker has never looked back. This demanding, lyrical activity has become his lifeblood, source of strength, and way of life, and his work has had a significant impact on the history of contemporary circus. In 2007, the BNP Paribas Foundation sponsored the troupe's new performance, *Fil sous la neige*, featuring three musicians and seven tightrope walkers. The show was once again an enormous success, performances were scheduled at more venues and, thanks to the Foundation, new artistic creations took shape. In addition to touring and producing, *Les Colporteurs* are also working on setting up a centre that will offer opportunities for training, research, production, as well as performances. This centre is scheduled to open in 2008.

## Medical research and volunteer activity

As part of its support for healthcare and research, the BNP Paribas Foundation assists researchers and physicians working in both medical research and applied clinical research. In this area, the Foundation 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.

As part of its volunteer efforts, the BNP Paribas Foundation has been involved in a number of pilot projects aimed at promoting social cohesion and combating all forms of exclusion. These include *Projet Banlieues*, launched at the end of 2005, and the *Coup de pouce aux projets du personnel* programme, which in four years has helped fund associations in which employees are involved on a personal basis.

## Two successful years for *Projet Banlieues*

At the beginning of 2006, with the support of its Foundation and the collaboration of its retail banking network in France, BNP Paribas launched the ambitious *Projet Banlieues* project. With a budget of EUR 3 million over three years, this project is dedicated to creating jobs and cultivating social cohesion in disadvantaged neighbourhoods, as well as to tutoring students in difficulty.

*Projet Banlieues* focuses on three main areas: supporting economic development and business creation through microcredit with ADIE (see above "Microcredit: a commitment in favour of social integration"); tutoring in disadvantaged areas in partnership with AFEV (see above "Partnerships that nurture culture and education"); and supporting community projects by local associations (see above "Solidarity and outreach programmes").

[BNP Paribas Foundation: Grand Mécène prize from the French Ministry of Culture and Communication](#)

In 2007, the BNP Paribas Foundation was awarded the *Grand Mécène* (literally: "major sponsor") prize by the French Ministry of Culture and Communication for its longstanding commitment to corporate sponsorship. The award was presented to Baudouin Prot, and the BNP Paribas Foundation was praised for the impact of its far-ranging patronage policy, which has been in place since the early 1980s.

[BNP Paribas Real Estate: a patron of architecture](#)

As the benchmark player in corporate and residential real estate services in Europe, BNP Paribas Real Estate has launched a patronage programme to support architecture. To get the programme underway, the entity sponsored the first major exhibition organised by the Cité de l'architecture et du patrimoine at the Palais de Chaillot in Paris, called *Avant après ou l'architecture au fil du temps* (Before and After: Architecture Through Time).





# Corporate governance



# The Board of Directors



Michel  
PÉBEREAU

**Principal function <sup>(1)</sup>:**

- Chairman of the BNP Paribas Board of Directors
- Born on 23 January 1942
  - Elected on: 23 May 2006 – Term expires at the 2009 AGM
  - First elected to the Board on: 14 May 1993
  - Number of BNP Paribas shares held <sup>(2)</sup>: 123,120
  - Office address: 3, rue d'Antin – 75002 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

Lafarge, Compagnie de Saint-Gobain, Total, Eads NV (Netherlands), Pargesa Holding SA (Switzerland)

**Member of the Supervisory Board of:**

AXA, Banque Marocaine pour le Commerce et l'Industrie (Morocco)

**Non-voting director of:**

Société Anonyme des Galeries Lafayette

**Chairman of:**

European Banking Federation, Investment Banking and Financial Markets Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris, Supervisory Board of Institut Aspen France, Institut de l'Entreprise

**Member of:**

Académie des sciences morales et politiques, the Executive Committee of Mouvement des Entreprises de France, Haut Conseil de l'Éducation, European Financial Round Table, Institut International d'Études Bancaires, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)



Patrick  
AUGUSTE

**Principal function <sup>(1)</sup>:**

- Real estate project manager
- Born on 18 June 1951
  - Elected on: Director elected to a three-year term by BNP Paribas executive employees on 7 March 2006
  - First elected to the Board on: 14 December 1993
  - Number of BNP Paribas shares held <sup>(2)</sup>: 33
  - Office address: 20, avenue Georges-Pompidou 92300 Levallois-Perret, France

Functions at 31 December 2007 <sup>(1)</sup>  
None



Claude  
BÉBÉAR

**Principal function <sup>(1)</sup>:**

- Chairman of the Supervisory Board of AXA
- Born on 29 July 1935
  - Elected on: 23 May 2006 – AG 2009
  - First elected to the Board on: 23 May 2000
  - Number of BNP Paribas shares held <sup>(2)</sup>: 3,074
  - Office address: 25, avenue Matignon, 75008 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle

**Member of the Supervisory Board of:**

Vivendi

**Non-voting director of:**

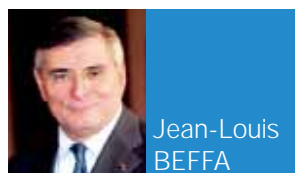
Schneider Electric

**Chairman of:**

IMS-Entreprendre pour la Cité, Institut Montaigne

**Member of:**

International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of Tsinghua's School of Economics and Management, Beijing (China)



Jean-Louis  
BEFFA

**Principal function <sup>(1)</sup>:**

- Chairman of the Board of Directors of Compagnie de Saint-Gobain
- Born on 11 August 1941
  - Elected on: 23 May 2006 – AG 2009
  - First elected to the Board on: 22 October 1986
  - Number of BNP Paribas shares held <sup>(2)</sup>: 13,986
  - Office address: "Les Miroirs" 18, avenue d'Alsace 92096 La Défense Cedex, France

Functions at 31 December 2007 <sup>(1)</sup>

**Vice-Chairman of:**

The Board of Directors of BNP Paribas

**Chairman of:**

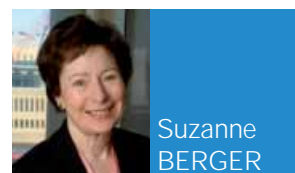
Claude Bernard Participations

**Director of:**

Gaz de France, Groupe Bruxelles Lambert (Belgium), Saint-Gobain Cristaleria SA (Spain), Saint-Gobain Corporation (USA)

**Member of the Supervisory Board of:**

Le Monde SA, Le Monde & Partenaire Associés (SAS), Société Editrice du Monde



Suzanne  
BERGER

**Principal function <sup>(1)</sup>:**

- Professor of Political Science at the Massachusetts Institute of Technology, Cambridge, Massachusetts (USA) – Director of the MIT International Science and Technology Initiative (MISTI)
- Born on 11 March 1939
  - Elected on: 8 March 2007 – Term expires at the 2008 AGM
  - First elected to the Board on: 8 March 2007
  - Number of BNP Paribas shares held <sup>(2)</sup>: 250
  - Office address: 30, Wadsworth Street, E53-451 Cambridge MA 02139-4307 USA

Functions at 31 December 2007 <sup>(1)</sup>

**Member of:**

American Academy of Arts and Sciences

**Research associate and member of Executive Committee of:**

Center for European Studies at Harvard University



Gerhard  
CROMME

**Principal function <sup>(1)</sup>:**

- Chairman of the Supervisory Board of ThyssenKrupp AG
- Born on 25 February 1943
  - Elected on: 18 May 2005 – 30 June 2007
  - First elected to the Board on: 21 March 2003
  - Number of BNP Paribas shares held <sup>(2)</sup>: 400
  - Office address: August-Thyssen-Strasse 1 Postfach 10 10 10 40001 Düsseldorf Germany

Functions at 31 December 2007 <sup>(1)</sup>

**Chairman of the Supervisory Board of:**

Siemens AG (Germany)



**Member of the Supervisory Board of:**

*Allianz SE (Germany),  
Axel Springer AG (Germany)*

**Director of:**

Compagnie de Saint-Gobain

**Chairman of:**

*German Governmental  
Commission on Corporate  
Governance*

**Member of:**

*European Round Table  
of Industrialists (ERT)*

Gerhard Cromme  
resigned from his office, effective  
1 July 2007



Jean-Marie  
GIANNO

**Principal function <sup>(1)</sup>:**

- Sales associate
- Born on 7 September 1952
  - Elected on: Director to a three-year term by BNP Paribas employees on 7 March 2006
  - First elected to the Board on: 15 March 2004 (Jean-Marie Gianni was an employee representative on the Board of Banque Nationale de Paris from 1993 to 1999)
  - Number of BNP Paribas shares held <sup>(2)</sup>: 10
  - Office address: 21, avenue Jean-Médecin 06000 Nice France

Functions at 31 December 2007 <sup>(1)</sup>

**Member of:**

*Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI), "Confrontation" (a European think tank)*



François  
GRAPPOTTE

**Principal function <sup>(1)</sup>:**

- Honorary Chairman of Legrand, Director of companies
- Born on 21 April 1936
  - Elected on: 18 May 2005 – AG 2008
  - First elected to the Board on: 4 May 1999
  - Number of BNP Paribas shares held <sup>(2)</sup>: 2,537
  - Office address: 128, avenue de-Lattre-de-Tassigny 87045 Limoges France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

Legrand, Legrand France

**Member of the Supervisory Board of:**

Michelin

**Member of:**

*Advisory Committee of Banque de France*



Alain  
JOLY

**Principal function <sup>(1)</sup>:**

- Director of Air Liquide
- Born on 18 April 1938
  - Elected on: 23 May 2006 – AG 2009
  - First elected to the Board on: 28 June 1995
  - Number of BNP Paribas shares held <sup>(2)</sup>: 5,227
  - Office address: 75, quai d'Orsay 75007 Paris France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

Lafarge



Denis  
KESSLER

**Principal function <sup>(1)</sup>:**

- Chairman and Chief Executive Officer of Scor SE
- Born on 25 March 1952
  - Elected on: 23 May 2006 – AG 2009
  - First elected to the Board on: 23 May 2000
  - Number of BNP Paribas shares held <sup>(2)</sup>: 2,000
  - Office address: 1, avenue du Général-de-Gaulle 92074 Paris-La Défense Cedex France

Functions at 31 December 2007 <sup>(1)</sup>

**Chairman of:**

*Scor Global Life SE, Scor Global P & C SE, Scor Global Life US Re Insurance Company (USA), Scor Holding (Switzerland) AG (Switzerland), Scor Reinsurance Company (USA), Scor US Corporation (USA)*

**Director of:**

*Bolloré, Cogedim SAS, Dassault Aviation, Dexia SA (Belgium), Invesco Plc (United Kingdom), Scor Canada Reinsurance Company (Canada)*

**Member of the Supervisory Board of:**

Fondation du Risque

**Permanent representative of:**

*Fegascor in SA Communication & Participation*

**Non-voting director of:**

*Financière Acofi (formerly FDC SA), Gimar Finance & Cie SCA*

**Member of:**

*Commission Économique de la Nation, Conseil Économique et Social, Conseil d'administration du Siècle, Association de Genève, Comité des Entreprises d'Assurance, Board of the French Foundation for Medical Research Global Counsellor of the Conference Board*



Jean-François  
LEPETIT

**Principal function <sup>(1)</sup>:**

- Chairman of Conseil national de la comptabilité
- Born on 21 June 1942
  - Elected on: 18 May 2005 – AG 2008
  - First elected to the Board on: 5 May 2004
  - Number of BNP Paribas shares held <sup>(2)</sup>: 825
  - Office address: 30, boulevard Diderot 75572 Paris Cedex 12, France

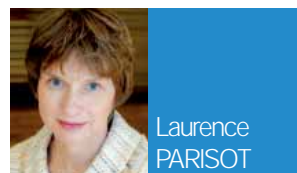
Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

*Smart Trade Technologies SA, Shan SA*

**Member of:**

*Board of the QFCRA – Qatar Financial Center Regulatory Authority – (Doha), Collège de l'Autorité des Marchés Financiers*



Laurence  
PARISOT

**Principal function <sup>(1)</sup>:**

- Chairman of the Board of Directors of IFOP SA
- Born on 31 August 1959
  - Elected on: 23 May 2006 – AG 2009
  - First elected to the Board on: 23 May 2006
  - Number of BNP Paribas shares held <sup>(2)</sup>: 360
  - Office address: 6-8, rue Eugène-Oudiné 75013 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Chairman of:**

*Mouvement des Entreprises de France (Medef)*

**Director of:**

Coface SA

**Member of the Supervisory Board of:**

Michelin

<sup>(1)</sup> Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.

<sup>(2)</sup> At 31 December 2007.



Hélène  
PLOIX

**Principal function <sup>(1)</sup>:** Chairman of Pechel Industries SAS, Pechel Industries Partenaires SAS and Pechel Services SAS

- Born on 25 September 1944
- Elected on: 18 May 2005 – AG 2008
- First elected to the Board on: 21 March 2003
- Number of BNP Paribas shares held <sup>(2)</sup>: 1,371
- Office address: 162, rue du Faubourg Saint-Honoré 75008 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

*Lafarge, Ferring SA (Switzerland), Completel NV (Netherlands)*

**Member of the Supervisory Board of:**

Publicis

**Legal manager of:**

*Hélène Ploix SARL, Hélène Marie Joseph SARL, Sorepe Société Civile*

**Member of:**

*Investment Committee of the United Nations Staff Pension Fund*



Baudouin  
PROT

**Principal function <sup>(1)</sup>:** Director and Chief Executive Officer of BNP Paribas

- Born on 24 May 1951
- Elected on: 18 May 2005 – AG 2008
- First elected to the Board on: 7 March 2000
- Number of BNP Paribas shares held <sup>(2)</sup>: 87,685
- Office address: 3, rue d'Antin 75002 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

*Accor, Pinault-Printemps-Redoute, Veolia Environnement, Banca Nazionale del Lavoro (Italy), Erbé SA (Belgium), Pargesa Holding SA (Switzerland)*

**Member of:**

*Executive Board of Fédération Bancaire Française*



Louis  
SCHWEITZER

**Principal function <sup>(1)</sup>:**

Chairman of the Board of Directors of Renault

- Born on 8 July 1942
- Elected on: 15 May 2007 – AG 2010
- First elected to the Board on: 14 December 1993
- Number of BNP Paribas shares held <sup>(2)</sup>: 6,255
- Office address: 860, quai de Stalingrad 92109 Boulogne-Billancourt Cedex, France

Functions at 31 December 2007 <sup>(1)</sup>

**Chairman of the Board of Directors of:**

*AstraZeneca Plc (United Kingdom)*

**Vice-Chairman of the Supervisory Board of:**

*Philips (Netherlands)*

**Director of:**

*Électricité de France, L'Oréal, Veolia Environnement, AB Volvo (Sweden)*

**Chairman of:**

*Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)*

**Member of the Advisory Committee of:**

*Banque de France, Allianz (Germany)*

**Member of the Board of:**

*Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre, Musée du Quai Branly*

## Other corporate officers

Georges  
CHODRON DE COURCEL

**Principal function <sup>(1)</sup>:**

Chief Operating Officer of BNP Paribas

- Born on 20 May 1950
- Number of BNP Paribas shares held <sup>(2)</sup>: 66,050
- Office address: 3, rue d'Antin 75002 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Chairman of:**

*Compagnie d'Investissement de Paris SAS, Financière BNP Paribas SAS, BNP Paribas (Suisse) SA (Switzerland)*

**Director of:**

*Alstom, Bouygues, Société Foncière, Financière et de Participations SA, Nexans, Banca Nazionale del Lavoro (Italy), BNP Paribas ZAO (Russia), Erbé SA (Belgium), Scor Holding (Switzerland) AG (Switzerland), Verner Investissements SAS*

**Member of the Supervisory Board of:**

*Lagardère SCA*

**Non-voting director of:**

*Exane, Safran, Scor SA*

Jean CLAMON

**Principal function <sup>(1)</sup>:**

Chief Operating Officer of BNP Paribas

- Born on 10 September 1952
- Number of BNP Paribas shares held <sup>(2)</sup>: 51,729
- Office address: 3, rue d'Antin 75002 Paris, France

Functions at 31 December 2007 <sup>(1)</sup>

**Director of:**

*Arval Service Lease, BNP Paribas Lease Group, Banca Nazionale del Lavoro (Italy), Cassa di Risparmio di Firenze (Italy), Cetelem, Compagnie Nationale à Portefeuille (Belgium), Erbé SA (Belgium), Partecis*

**Member of the Supervisory Board of:**

*Galleries Lafayette, Euro Securities Partners SAS*

**Representative of BNP Paribas:** UCB

<sup>(1)</sup> Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.

<sup>(2)</sup> At 31 December 2007.



# Remuneration

## Remuneration payable to the Group's corporate officers for 2007

Remuneration payable for 2007	Remuneration		Directors' fees <sup>(3)</sup>	Benefits in kind <sup>(4)</sup>	TOTAL remuneration
In euros	Fixed <sup>(1)</sup>	Variable <sup>(2)</sup>			
<b>Michel Pébereau</b> Chairman of the Board of Directors					
2007	700,000	875,000	29,728	2,490	1,607,218
(2006)	(700,000)	(1,051,070)	(29,728)	(4,609)	(1,785,407)
<b>Baudouin Prot</b> Chief Executive Officer					
2007	900,000	2,272,608	142,278	5,362	3,320,248
(2006)	(883,333)	(2,324,348)	(129,551)	(5,227)	(3,342,459)
<b>Georges Chodron de Courcel</b> Chief Operating Officer					
2007	545,833	1,772,120	147,977	4,271	2,470,201
(2006)	(500,000)	(1,631,593)	(125,189)	(4,274)	(2,261,056)
<b>Jean Clamon</b> Chief Operating Officer					
2007	460,000	702,255	139,690	4,703	1,306,648
(2006)	(460,000)	(796,130)	(130,637)	(4,703)	(1,391,470)
<b>Total remuneration payable to the Group's corporate officers for 2007</b>					<b>8,704,315</b>
(for 2006)					<b>(8,780,392)</b>

(1) Remuneration actually paid in 2007.

(2) Variable remuneration payable for 2006 and 2007, paid the following year. The amount due to Michel Pébereau in respect of 2007 has been capped in accordance with the provisions on restrictions placed on the variable remuneration payable to corporate officers.

(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than from BNP Paribas SA, and from Erbé and BNL in the case of the Chief Executive Officer. Directors' fees received in 2007 by the Chief Executive Officer from Erbé and BNL will be deducted from the variable remuneration paid to him in 2008.

Georges Chodron de Courcel receives fees in his capacity as a director of BNP Paribas Suisse, BNL and Erbé. Jean Clamon receives fees in his capacity as a director of Cetelem, BNP Paribas Lease Group, Paribas International, Erbé, CNP and BNL. The fees received by Georges Chodron de Courcel and Jean Clamon in their capacity as directors of these companies will be deducted from the variable remuneration paid to them in 2008.

(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

## Directors' fees

### Directors' fees paid in 2007

In euros	Board			Committees		Total 2007	2006
	Fixed	Variable	Total	Total			
M. Pébereau	14,864	14,864	29,728		29,728	29,728	
P. Auguste	14,864	13,213	28,077	5,352	33,429	33,445	
C. Bébéar	14,864	11,561	26,425	4,163	30,588	28,985	
J.-L. Beffa	14,864	13,213	28,077	4,163	32,240	30,471	
S. Berger	12,386	4,955	17,342		17,342		
G. Cromme	14,864	6,606	21,470	5,649	27,119	38,646	
J.-M. Gianni	14,864	14,864	29,728	5,946	35,674	35,674	
F. Grappotte	14,864	14,864	29,728	21,195	50,923	49,683	
A. Joly	14,864	11,561	26,425	11,956	38,381	42,720	
D. Kessler	14,864	11,561	26,425	5,352	31,777	31,215	
J.-F. Lepetit	14,864	14,864	29,728	5,946	35,674	35,674	
L. Parisot	14,864	8,258	23,122	991	24,113	11,892	
H. Ploix	14,864	13,213	28,077	5,352	33,429	35,674	
B. Prot	14,864	14,864	29,728		29,728	29,728	
L. Schweitzer	14,864	13,213	28,077	19,956	48,033	46,710	
Others <sup>(1)</sup>						49,794	
<b>Total</b>	<b>220,483</b>	<b>181,674</b>	<b>402,157</b>	<b>96,021</b>	<b>498,178</b>	<b>530,038</b>	

<sup>(1)</sup> L. Owen-Jones, L. de Palacio et J.-F. Truffelli, who were in office in 2005-2006 and were therefore listed in the table of beneficiaries of director's fees in the 2006 Annual Report.

## Information on stock option plans

Employees other than corporate officers receiving/exercising the highest number of options:

	Number of options granted/ exercised	Weighted average exercise price (in euros)	Date of grant	
<b>Options granted in 2007 (10 largest grants)</b>	436,400	82.48	08/03/2007 04/06/2007	
<b>Options exercised 2007 (10 employees)</b>	425,900	39.68	05/13/1998	14,126
			05/03/1999	20,178
			12/22/1999	33,958
			05/15/2001	72,980
			03/21/2003	284,658

## Summary table of transactions on BNP Paribas stock reported by key individuals

Transactions on BNP Paribas stock carried out in 2007 by the corporate officers and other individuals listed in article L. 621-8-2 of the Monetary and Financial Code, that must be reported pursuant to articles 223-22 to 223-26 of the General Regulation of AMF:

Name Function	Transshares carried out	Type of fi nancial instrument	Nature of the transaction	Number of transactions	Amount of the transactions (in euros)
<b>BEFFA Jean-Louis</b> Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 10,030 shares	2	800,968.48
<b>PÉBEREAU Michel (*)</b> Chairman of the Board of Directors of BNP Paribas	Personally	BNP Paribas shares	Purchase of 2,114 shares	1	179,690.00
	By a related party	BNP Paribas shares	Sale of 30,000 shares	4	2,310,300.00
<b>PROT Baudouin (*)</b> Director and Chief Executive Officer of BNP Paribas	Personally	BNP Paribas shares	Purchase of 2,098 shares	1	178,330.00
	By a related party	BNP Paribas shares	Sale of 17,199 shares	4	1,390,347.00
<b>CHODRON DE COURCEL Georges (*)</b> Chief Operating Officer of BNP Paribas	Personally	BNP Paribas shares	Sale of 26,656 shares	7	2,425,489.02
<b>CLAMON Jean (*)</b> Chief Operating Officer of BNP Paribas	Personally	BNP Paribas shares	Sale of 15,718 shares	2	1,418,578.22
	By a related party	BNP Paribas shares	Sale of 810 shares	4	74,358.00
<b>KESSLER Denis</b> Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 806 shares	1	76,013.86
<b>BERGER Suzanne</b> Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 250 shares	1	17,195.00
<b>PLOIX Hélène</b> Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 600 shares	2	50,085.28

(\*) Excluding the exercise of stock options, details of which are listed in note 8.d to the fi nancial statements.

Specific information on these transactions is available on the AMF website.

# 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 implemented by BNP Paribas

## Corporate governance at BNP Paribas

The following information has been prepared in accordance with article L. 225-37, paragraph 6 of the French Commercial Code and with article L. 621-18-3 of the French Monetary and Financial Code.

It makes reference to the General Regulation of the AMF, the French Financial Markets Authority, (hereafter "AMF GR"), notably article 222-9-II, and, if appropriate, to Appendix 1 of European Commission Regulation no. 809/2004 of 29 April 2004 (hereafter "EC 809/2004") as well as to the "Guide to Preparing Registration Documents" published on 27 January 2006 by the AMF.

The corporate governance system to which this document refers has been described in "The Corporate Governance of Listed Corporations", published in October 2003 by the French employers' organisations AFEP (Association française des entreprises privées) and MEDEF (Mouvement des entreprises de France) and hereafter called "AFEP-MEDEF 2003".

This report also refers, where appropriate and for information purposes, to the document entitled "Enhancing Corporate Governance for Banking Organisations" published in February 2006 by the Basel Committee on Banking Supervision (hereafter "Basel Committee").

### 1. Conditions for the preparation and organisation of the work of the Board

#### ■ The Board of Directors' Internal Rules

- The Internal Rules define and determine conditions for the preparation and organisation of the work of the Board<sup>(1)</sup>. These rules were adopted in 1997 by the Board of the former BNP and are regularly updated to comply with legal requirements, regulations and French corporate governance guidelines and to keep pace with corporate governance best practices recognised as being in the best interests of both shareholders and the Bank.
- The Internal Rules<sup>(2)</sup> set out the terms of reference of the Board of Directors; they describe the manner in which meetings are organised and the procedures for informing directors and for carrying out the periodic assessment of the Board's performance. They describe the terms of reference of the various Committees of the Board, their composition, the manner in which they function and the conditions relating to the payment of directors' fees. They provide guidelines concerning the conduct expected of a director of BNP Paribas. The

main provisions of the Internal Rules are provided for information purposes in the report in the various sections to which they relate.

- According to the Internal Rules, the Board of Directors is a collegial body<sup>(3)</sup> that collectively represents all shareholders and acts at all times in the corporate interests of the Bank. It is tasked with monitoring its own composition and effectiveness in advancing the Bank's interests and carrying out its duties.
- Based on proposals submitted by the Chief Executive Officer, the Board formulates BNP Paribas' business strategy and oversees its implementation. It examines any and all issues related to the efficient running of the business, and makes any and all business decisions.
- It may decide to either combine or separate the functions of Chairman and Chief Executive Officer<sup>(4)</sup>. It appoints corporate officers. It proposes the appointment of directors for three-year terms. It may decide to limit the powers of the Chief Executive Officer. It approves the draft of the Chairman's report.
- The Board or one or more of its directors or Committees, or a specific Committee authorised by the Board, may perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the fairness of its accounts, review and approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of high quality<sup>(5)</sup>.

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

- At the Annual General Meeting held on 14 May 2003, the Chairman announced the Board's intention to separate the functions of Chairman and Chief Executive Officer within BNP Paribas<sup>(6)</sup>. 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 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 government authorities both domestically and internationally. He has no executive responsibilities.
- The Chief Executive Officer has the broadest powers to act in the Bank's name in all circumstances (see Limitation of the powers of the Chief Executive Officer on p. 186).

<sup>(1)</sup> In accordance with EC 809/2004 and the AMF "Guide to Preparing Registration Documents" of 27 January 2006.

<sup>(2)</sup> Key extracts of which are provided in boxed text (as recommended by the AMF report of 24 January 2008).

<sup>(3)</sup> AFEP-MEDEF 2003 (1 and 6).

<sup>(4)</sup> AFEP-MEDEF 2003 (1 and 3).

<sup>(5)</sup> AFEP-MEDEF 2003 (2).

<sup>(6)</sup> AFEP-MEDEF 2003 (3).

- 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.

#### ■ The Board of Directors and Annual General Meetings

- The organisation and conduct of Annual General Meetings are described in the "Shareholder information" section of the Registration Document <sup>(1)</sup>.
- Based on proposals submitted by the Board of Directors, the Annual General Meeting of 15 May 2007 re-elected Louis Schweitzer as a director and approved the appointment of Suzanne Berger Keniston to the Board. Twelve directors attended this meeting which also featured a video message from Suzanne Berger Keniston.

#### ■ Membership of the BNP Paribas Board of Directors

- Following the Annual General Meeting of 15 May 2007, the Board of Directors had fifteen members, of which thirteen were elected by shareholders and two by employees. Membership of the Board was reduced to fourteen members following the resignation of Gerhard Cromme with effect from 1 July 2007.
- Following the review of directors' personal circumstances carried out by the Corporate Governance and Nominations Committee, the Board considers that the following seven directors qualify as independent under French corporate governance guidelines: Suzanne Berger Keniston, François Grappotte, Alain Joly, Denis Kessler, Jean-François Lepetit, Laurence Parisot and Hélène Ploix. Based on its own assessment, the Board of Directors did not consider the clause concerning the loss of independence of a director who has served for

more than twelve years to be relevant to the person of Louis Schweitzer.

- Four of the directors elected by the shareholders – Michel Pébereau, non-executive Chairman of the Board, Baudouin Prot, Chief Executive Officer, Claude Bébéar and Jean-Louis Beffa – do not qualify as independent under the guidelines.
- The two employee representatives on the Board, Patrick Auguste and Jean-Marie Gianno, do not qualify as independent under the guidelines, despite their status and the method by which they were elected, which safeguards their independence.

#### ■ Independence of directors

- The independence of directors is measured against the definition given by the AFEP-MEDEF report of October 2003: "A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgment."
- Except for some of the directors who are BNP Paribas employees, the members of the Board have declared – as part of the implementation of IAS 24 – that they have no financial relationship with BNP Paribas SA or any Group company.
- The Board of Directors' Internal Rules set out a certain number of rules of conduct applicable to directors, listed below under section 5 "Corporate governance". They are intended to promote directors' independence and responsibility in discharging their duties.

<sup>(1)</sup> AFEP-MEDEF 2003 (5).

The following table presents the situation of each director with regard to the independence criteria recommended in the AFEP-MEDEF report:

	1st criterion	2nd criterion	3rd criterion	4th criterion	5th criterion	6th criterion	7th criterion
M. Pébereau	x	o	o	o	o	x	o
P. Auguste	x	o	o	o	o	x	o
C. Bébéar	o	x	o	o	o	o	o
J-L. Beffa	o	x	o	o	o	x	o
S. Berger	o	o	o	o	o	o	o
J-M. Gianno	x	o	o	o	o	o	o
F. Grappotte	o	o	o	o	o	o	o
A. Joly	o	o	o	o	o	o (*)	o
D. Kessler	o	o	o	o	o	o	o
J-F. Lepetit	o	o	o	o	o	o	o
L. Parisot	o	o	o	o	o	o	o
H. Ploix	o	o	o	o	o	o	o
B. Prot	x	o	o	o	o	o	o
L. Schweitzer	o	o	o	o	o	x (**)	o

\*o\*: compliance with the independence criterion defined by AFEP-MEDEF.

\*x\*: non-compliance with the independence criterion defined by AFEP-MEDEF.

1st criterion: Not an employee or corporate officer of the corporation within the previous five years

2nd criterion: No issue of cross- shareholdings with another corporation.

3rd criterion: No material business relationships.

4th criterion: No family ties to a corporate officer.

5th criterion: Not an auditor of the corporation within the previous five years.

6th criterion: Not a director of the corporation for more than twelve years.

7th criterion: No issue related to control by a major shareholder.

(\*) This criterion will apply only upon expiry of the term of office during which the 12-year limit will be reached – AFEP-MEDEF 2003 (8.4).

(\*\*) Refer to previous comment in section 1 – Membership of the BNP Paribas Board of Directors.



## ■ Work of the Board and its Committees in 2007

- In 2007, the Board held nine meetings, including two specially convened meetings to discuss (i) the application of new legislation concerning employee incentive schemes, and (ii) a planned investment. The average attendance rate at Board meetings was 87%.
- The Financial Statements Committee held four meetings with all members attending.
- The Internal Control, Risk Management and Compliance Committee held five meetings with an attendance rate of 93%.
- The Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee held a joint meeting at which all the respective committee members were present.
- The Corporate Governance and Nominations Committee held three meetings with an attendance rate of 77%.
- The Compensation Committee held two meetings with all members attending.

## > Attendance at meetings of the Board and its Committees in 2007

	Board meetings		Committee meetings		All meetings		
	1	2	1	2	1	2	3
Director	1	2	1	2	1	2	3
M. Pébereau	9	9			9	9	100%
P. Auguste	8	9	4	4	12	13	92%
C. Bébéar	7	9	3	3	10	12	83%
J-L. Beffa	8	9	2	2	10	11	91%
S. Berger (*)	4	6			4	6	66%
J-M. Gianno	9	9	6	6	15	15	100%
F. Grappotte	9	9	6	6	15	15	100%
A. Joly	7	9	5	5	12	14	86%
D. Kessler	7	9	4	4	11	13	85%
J-F. Lepetit	9	9	5	6	14	15	93%
L. Parisot	6	9	0	1	6	10	60%
H. Ploix	8	9	4	4	12	13	92%
B. Prot	9	9			9	9	100%
L. Schweitzer	8	9	4	4	12	13	92%
<b>Average</b>		<b>88%</b>		<b>95%</b>			
G. Cromme (**)	3	5	2	3	5	8	62%

The first column shows the number of meetings attended.

The second column shows the total number of meetings held during the year.

The third column shows the individual attendance rates.

(\*) Suzanne Berger was co-opted by the Board on 8 March 2007 and her appointment was approved by the Annual General Meeting held on 15 May 2007.

(\*\*) Gerhard Cromme resigned from the Board with effect from 1 July 2007.

As well as discussions and decisions required on issues of compliance with applicable laws and regulations, the Board and its Committees also deliberated on the following matters:

### Extracts from the Board of Directors' Internal Rules: terms of reference of the Board of Directors

"The Board of Directors is a collegial body that collectively represents all shareholders and acts at all times in the corporate interests of the Bank.

It is tasked with monitoring its own composition and effectiveness in advancing the Bank's interests and carrying out its duties.

Toward these ends:

Based on proposals submitted by the Chief Executive Officer, it draws up the BNP Paribas' business strategy and monitors its implementation.

It examines any and all issues related to the efficient running of the business, and makes any and all business decisions.

It may decide to either combine or separate the functions of Chairman and Chief Executive Officer.

It appoints corporate officers for three-year terms.

It may decide to limit the powers of the Chief Executive Officer.

It approves the draft of the Chairman's report presented along with the management report.

The Board or one or more of its directors or Committees, or a specific Committee authorised by the Board, may perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the fairness of its accounts, review and approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of high quality.

The Chairman – or the Chief Executive Officer if the functions have been separated – submits for review by the Board, at least once a year, drafts of the budget, of the management report and of the various reports required under applicable laws and regulations.

The Chief Executive Officer is required to submit to the Board for prior approval any investment or disinvestment decision (excluding portfolio transactions) of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million. The Chief Executive Officer also regularly informs the Board of material transactions which fall below the EUR 250 million threshold.

Any material strategic operation which lies outside the approved business strategy must be submitted to the Board for prior approval.

When the Board of Directors grants the Chairman – or the Chief Executive Officer if the functions have been separated – the authority to issue debt securities as well as share and share equivalents, the holder of this authority is required to report to the Board, at least once a year, on the issuance of these securities."

## Extracts from the Board of Directors' Internal Rules: the Chairman of the Board

"Barring exceptional circumstances, only the Chairman may speak and act in the Board's name in conducting relations with other BNP Paribas management bodies and with outside parties, other than in cases where a specific assignment or function has been entrusted to another director.

Working closely with Executive Management, he is competent to represent the Group in high-level dealings with, for example, major clients and government authorities both domestically and internationally.

He monitors relations with shareholders, in close cooperation with the work of Executive Management in this area, to guarantee that these relations remain of a high quality.

He ensures that principles of corporate governance are defined and implemented at the highest levels.

He oversees the smooth running of BNP Paribas' management bodies.

With the help of the corporate governance and nominations Committee, and subject to approval by the Board and by the Annual General Meeting, he endeavours to build an effective and balanced Board, and to manage replacement and succession processes that concern the Board and the nominations within its remit.

He organises the work of the Board of Directors. He sets the timetable and agenda of Board meetings and calls them.

He ensures that the work of the Board is well organised, in a manner conducive to constructive discussion and decision-making. He facilitates the work of the Board and coordinates its activities with those of the specialised Committees.

He sees to it that the Board devotes an appropriate amount of time to issues relating to the future of the Bank, particularly its strategy.

He ensures that directors from outside the Bank get to know the Management team thoroughly.

He ensures that he maintains a close relationship based on trust with the Chief Executive Officer, to whom he provides help and advice while respecting his executive responsibilities.

The Chairman directs the work of the Board, to give it the means of exercising all the responsibilities which fall within its remit.

He ensures that the Board is provided in a timely fashion with the information it needs to carry out its duties and that this information is clearly and appropriately presented.

The Chairman is regularly informed by the Chief Executive Officer and other members of the Executive Management team of significant events and situations in the life of the Group, particularly those relating to strategy, organisation, investment or disinvestment projects, financial transactions, risks or the financial statements.

The Chief Executive Officer provides the Chairman with all information required under French law regarding the Internal Control report.

The Chairman may ask the Chief Executive Officer for any information that may help the Board and its Committees fulfil their duties.

He may interview the Statutory Auditors in order to prepare the work of the Board and the Financial Statements Committee.

He ensures that the directors are in a position to fulfil their duties, and in particular that they have the information they need to take part in the work of the Board, and that they can count on appropriate cooperation from the Bank's management in conducting the activities of the specialised Committees.

He also ensures that directors participate effectively in the work of the Board, with satisfactory attendance, competence and loyalty.

He reports, in a document submitted alongside the management report, on the preparation and organisation of the work of the Board, as well as on the Bank's Internal Control procedures and any limits the Board may have decided to place on the Chief Executive Officer's authority."

## 2. Strategy

Based on proposals submitted by Executive Management, the key elements of which are presented following a documented in-house process, the Board of Directors formulates BNP Paribas' strategy and overall business objectives <sup>(1)</sup>. It is also kept informed of the Group's cash position and ongoing commitments <sup>(2)</sup>. The Board oversees the implementation of the objectives it has approved, particularly in the course of discussions on the financial statements and budgets.

In 2007, as in previous years, strategic issues accounted for a significant part of the Board's work.

- The full Board meets in a strategy seminar once a year, with the Group's key operational leaders in attendance. In 2007, this session focused on the challenges facing BNP Paribas in coming years as well as its action plans for confronting these challenges. The Board discussed Group business indicators and outlook from an economic and financial perspective and approved the strategic focuses put forward for each of its core businesses.
- A number of strategic investment projects were examined during Board meetings <sup>(3)</sup> and one special session was given over entirely to analysing one such project. The Board was not called upon to deliberate on any strategic operation that was not in line with approved strategic objectives and would as such have required its prior approval in accordance with the Internal Rules <sup>(4)</sup>.
- The Board regularly reviewed the negotiations and implementation of investment projects that it had previously discussed or validated. In particular, it was kept informed of progress concerning the merger of BNL and the related projected synergies.
- The BNP Paribas Group's financial communications frequently include information on its strategic focuses. 2007 was the last year covered by the Group's "2007 Vision" plan which was first launched at the Annual General Meeting of 18 May 2005. This plan followed on from the BNP Paribas "Project for 2005" first presented at the Annual General Meeting of 31 May 2002. These medium-term plans had also been disclosed to financial markets at the same time.

## 3. Internal control and risk management

As early as 1994, the Board of Directors recognised the key importance of risk management and internal control <sup>(5)</sup> in the banking and financial sector when it set up an Internal Control and Risk Management Committee, thus splitting the work normally carried out by an Audit Committee between this newly-formed Committee and the Financial Statements Committee.

In 2007, the Board made two amendments to its Internal Rules: (i) a joint meeting of the Internal Control and Risk Management Committee and the Financial Statements Committee shall take place at least once a year in order to discuss matters affecting both risk management policy and the provisions to be set aside in the books of BNP Paribas; and (ii) the remit of the Internal Control and Risk Management Committee has been extended to include all matters relating to compliance policy that may impact on reputation risk and professional ethics. The membership of the Committee and the work that it will carry out are designed to meet the stringent regulatory requirements in the banking and prudential fields. These include both the measures imposed by external regulators and BNP Paribas' own requirements regarding the quality of its internal control processes and risk management policy, seen as key underpinnings of its development. The Committee will now be called the Internal Control, Risk Management and Compliance Committee.

In 2007, the Board reviewed the report of the Chairman of the Internal Control, Risk Management and Compliance Committee, drafted based on information provided by Executive Management, and examined the following issues:

- the Board was briefed on the activities and deliverables of the Internal Control function and the resources placed at its disposal. It was provided with draft reports for the year ended 31 December 2006 on measuring and monitoring of risks <sup>(6)</sup>, compliance, permanent controls and periodic controls. It approved the draft report of the Chairman on internal control;
- the Board was informed of the Group's overall policy in the area of credit risk, market risk and counterparty risk; it discussed the problems related to the increase in financial market transactions and kept abreast of the results of risk measurement and stress testing, especially in relation to liquidity;
- it was regularly updated on developments concerning the financial crisis that began in the summer of 2007. The Internal Control, Risk Management and Compliance Committee held a special meeting to discuss this matter and reported back to the Board;
- the Board was informed of the breakdown of the Bank's commitments by industry and by geographic area, as well as of the concentration of individual major risks with respect to applicable capital-adequacy requirements. It was regularly briefed on the Bank's exposure in the sectors most affected by the financial crisis;
- it heard the joint briefing presented by the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee concerning the setting aside of provisions for credit risks in the books of BNP Paribas;

<sup>(1)</sup> The strategic vocation of the Board of Directors is the very first principle of sound corporate governance identified by the Basel Committee (February 2006): the Board should "approve the overall business strategy of the bank..." It is also emphasised in the recommendations on "The Corporate Governance of Listed Corporations" of AFEP-MEDEF 2003 (1).

<sup>(2)</sup> AFEP-MEDEF 2003 (4).

<sup>(3)</sup> The Internal Rules of the Board of Directors specify that the Board's prior approval is required for any investment or disinvestment project of more than EUR 250 million.

<sup>(4)</sup> AFEP-MEDEF 2003 (4).

<sup>(5)</sup> The Board of directors should "approve [...] the overall risk policy and risk management procedures...", "meet regularly with senior management and internal audit to review policies..." ("Enhancing Corporate Governance" – 1st Principle – Basel Committee – February 2006).

<sup>(6)</sup> CRBF 97.02 – AFEP-MEDEF 2003 (2.3).



- the Board was kept informed of the manner in which the activities of ALM-Treasury (Asset/Liability Management-Treasury) are organised and its relations with Group Risk Management, which is responsible for Group-wide risk management policy;
- it was briefed on changes to the process of granting delegations of power in relation to credit risk and the overhaul of the process for calculating country risk-exposure limits;
- the Board was notified of the structural reforms designed to ensure the independence of the Bank's General Inspection unit and its integration within the Group. It approved the new procedures for carrying out periodic controls on Group subsidiaries in accordance with CRBF Regulation n° 97-02 and the Internal Audit Charter. It heard a briefing from the Chairman of the Internal Control, Risk Management and Compliance Committee on the findings of periodic controls reported by the General Inspection unit and on the follow-up to recommendations previously issued;
- the Board heard the briefing presented by the Chairman of the Internal Control, Risk Management and Compliance Committee on the interviews – conducted in the absence of Executive Management – of the Head of the General Inspection unit, in charge of periodic controls, the Head of Permanent Control and Compliance, and the Head of Group Risk Management;
- the Board received regular briefings from the Chairman of the Committee, based on information provided by Executive Management, on the Group's relations and exchanges of correspondence with regulatory bodies in France and abroad.

#### 4. Budget, financial statements and results, financial management and communications

- **Budget:** As is customary, at its last meeting of the year, the Board reviewed and approved the draft budget for 2008 presented by Executive Management for the Group as a whole as well as its core businesses and major business lines. At this meeting, the Board was also informed of the estimated impacts on its weighted assets and regulatory ratios of the application of advanced methods for calculating new minimum capital adequacy requirements with effect from 1 January 2008.
- **Financial statements and results:** The results and financial statements of the Group and of BNP Paribas SA for fourth quarter and full year 2006, for the first three quarters of 2007, as well as for the first half and first nine months of 2007, presented by Executive Management, were reviewed and approved as required by the Board. Its work covered the entire consolidated Group as well as each of its core businesses and major business lines.
- The Board was informed of the findings of the Financial Statements Committee and the Group's three Statutory Auditors<sup>(1)</sup> – who are entitled to attend Board meetings held to review the results and financial statements – concerning the results for the period. Based on the report submitted jointly by the Statutory Auditors and Executive Management, it reviewed and approved the key choices made concerning the application of accounting standards.
- The Board was briefed by the Financial Statements Committee – which examined the information presented to it by Executive Management – on the key internal control audit points raised as part of the financial statements certification process for the different entities included in the Group's scope of consolidation.
- The Board heard the briefing presented by the Chairman of the Financial Statements Committee on the interviews – conducted in the absence of Executive Management – of the Head of Group Finance-Development and the Statutory Auditors.
- **Financial management:** The Board discussed capital management optimisation policy in accordance with capital adequacy requirements laid down by the regulatory authorities. It approved profit distribution policy and the draft resolution concerning the dividend for the year ended 31 December 2006. The Board also kept abreast of the implementation of share buyback plans which it had previously approved and issues of debt instruments within the scope of authorisations previously granted to it.
- The Board reviewed and approved plans to create subsidiaries or to merge existing subsidiaries for regulatory purposes or to streamline existing operations. In accordance with French regulatory requirements, the Board was kept informed of profitability trends in new lending.
- **Financial communications**<sup>(2)</sup> : The Board ensured that the timetable for publication of the financial statements was in line with French corporate governance guidelines. It approved the draft 2006 annual report, which took account of French corporate governance guidelines on off-balance sheet commitments and the Bank's risks<sup>(3)</sup>, and the Report of the Chairman on internal control procedures covering the preparation and processing of accounting and financial information. At the end of each of its meetings devoted to results, the Board also approved draft press releases. This is "the normal method" for informing the market.

<sup>(1)</sup> The firms of Deloitte & Associés, Mazars & Guérard, and PricewaterhouseCoopers Audit were appointed by the Annual General Meeting for the period 2006-2011, based on a proposal by the Board of Directors – AFEP – MEDEF 2003 (14.2.2).

<sup>(2)</sup> AFEP-MEDEF 2003 (2.3) – The Bank's ratings from financial rating agencies are provided at the beginning of this Registration Document.

<sup>(3)</sup> AFEP-MEDEF 2003 (9).

## 5. Corporate governance

### ■ Assessment of the performance of the Board of Directors in 2007

- For the sixth consecutive year an assessment of the performance of the BNP Paribas Board of Directors and of its specialised Committees was carried out <sup>(1)</sup>.
- As in previous years, the methodology employed was self-evaluation based on an anonymous survey dealing with overall processes and the various aspects of the Board's work – strategy, internal control and risk management, financial management, compensation – and with the operation of its Committees (Financial Statements; Internal Control; Risk Management and Compliance; Corporate Governance and Nominations; Compensation).
- The directors expressed satisfaction with the organisation of the Board's work, the relevance of the topics discussed, the quality of information received by Board members and the freedom with which issues could be debated. They also stressed the clarity of the reports submitted to the Board by the specialised Committees. The few suggestions for improvement mainly concerned providing a broader range of comparative data for use in the strategic thought process and deepening the analyses already carried out by the Board in the area of risk management.

### ■ Follow-up on the 2006 assessment of the performance of the Board of Directors

- Prior-year suggestions for more indepth strategic analysis of the Group's major business lines in order to round out the core business data provided were taken up and implemented. This concern, which was borne out in the presentation of a study of the 2006 results of a cross-section of European banks, was addressed at the Board's 2007 strategy seminar.

### ■ Updating the Board of Directors' Internal Rules

- In 2007, the Board updated its Internal Rules as follows:
- by enshrining the existing practice whereby the Financial Statements Committee interviews the team of Statutory Auditors, without any member of Executive Management being present;
- by transforming the Internal Control and Risk Management Committee into the Internal Control, Risk Management and Compliance Committee;
- by providing for joint meetings of the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee;
- by clarifying regulatory guidelines for the American director as regards her nationality.

### ■ Evaluation of directors' performance – Changes in membership of the Board

- The Board deliberated on the qualifications of independent directors. Based on the report submitted by the Corporate Governance and Nominations Committee, it examined the re-election of Louis Schweitzer whose

term of office was due to expire at the Annual General Meeting of 15 May 2007. The Board stressed the total independence displayed by Schweitzer in the performance of his duties and did not consider the clause concerning the loss of independence of a director who has served for more than twelve years, as set out in the AFEP-MEDEF corporate governance guidelines, to be relevant to him. Consequently, the Board recommended that a resolution be adopted to re-elect. Schweitzer for a three-year period <sup>(2)</sup>. The Board also recommended that a resolution be adopted to ratify the appointment as director of Suzanne Berger Keniston, co-opted by the Board on 8 May 2007, to replace Loyola de Palacio.

- The Board was briefed on the evaluation carried out by the Corporate Governance and Nominations Committee of the performance of directors whose terms of office were due to expire. It set the criteria to be used to select a new director to replace Gerhard Cromme, and appointed Laurence Parisot and François Grapotte to replace Gerhard Cromme on the Corporate Governance and Nominations Committee and the Compensation Committee respectively.

### ■ Procedure for selecting directors <sup>(3)</sup>

- The procedure for recruiting directors is based on information and assessments provided by the members of the Corporate Governance and Nominations Committee and the Chairman of the Board. This ensures that successful candidates have the personal and professional qualities required to carry out the function of director in a Group such as BNP Paribas.

### ■ Evaluation of the Chairman's performance – Evaluation of the performance of the Chief Executive Officer and of the Chief Operating Officers <sup>(4)</sup>

- The Corporate Governance and Nominations Committee conducted an evaluation of the performances of Michel Pébereau, Baudouin Prot, Georges Chodron de Courcel and Jean Clamon in their absence. It also reported back to the Board on the criteria to be applied when evaluating the operational management performance of the Chief Executive Officer and the Chief Operating Officers and determining the variable portion of their remuneration not based on quantified criteria. The Board approved these proposals and decided to set aside part of a Board meeting in 2008 to evaluate the Chairman's performance, in his absence, and that of the Chief Executive Officer, in relation to the Bank's management.

### ■ Compliance with European Commission Regulation EC 809/2004

- To the best of the Board's knowledge, no directors are faced with conflicts of interest; in any event, the Board of Directors' Internal Rules require that they "inform the Board of any situation involving even a potential conflict of interest" and "abstain from taking part in the vote on the matter concerned".

<sup>(1)</sup> AFEP-MEDEF 2003 (9).

<sup>(2)</sup> AFEP-MEDEF 2003 (12).

<sup>(3)</sup> AFEP-MEDEF 2003 (16.1).

<sup>(4)</sup> AFEP-MEDEF 2003 (9.3).

- To the best of the Board's knowledge, there are no family ties between Board members.
  - To the best of the Board's knowledge, none of its members has been convicted of fraudulent offences "for at least the previous five years", nor was involved in any bankruptcies, receiverships or liquidations while acting as a member of administrative, management or supervisory bodies, or as Chief Executive Officer, "for at least the previous five years".
  - To the best of the Board's knowledge, there have been no "official public incrimination and/or sanctions" of members of the Board of Directors or of the Chief Executive Officer, none of whom have been disqualified by a court from acting in their current capacity, "for at least the previous five years".
  - Apart from regulated agreements, there are no arrangements or agreements with key shareholders, clients, suppliers or any other parties which involve the appointment of a member of the Board of Directors.
- **Directors' access to information and initial training** <sup>(1)</sup>
- When directors take up their appointment, they are provided with a summary document describing the Group, its profile and organisation, its most recent financial statements and a series of pointers on the information available from the Group's websites.
  - The Board's support staff provides the new director with a copy of the Internal Rules and organises a number of working meetings between the new directors and managers of Group functional and operating units that are of interest to the new directors in light of their functions and personal priorities.
  - Committee meetings also provide opportunities to update the information available to directors on specific issues related to the items on the agenda. The Board is also kept informed of developments in regulatory guidelines on banking industry corporate governance. At the last Board meeting in 2007, directors were briefed on the periods in 2008 during which they are authorised to trade in BNP Paribas shares, barring exceptional circumstances.
  - In accordance with the Board's Internal Rules, directors may request that the Chairman of the Board or the Chief Executive Officer provide them with all documents and information required to enable them to carry out their functions, participate effectively in Board meetings and make informed decisions, provided that such documents are useful for decision-making purposes and related to the Board's authority.
- **Code of ethics applicable to directors** <sup>(2)</sup>
- According to the Internal Rules, "... 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."
  - "They shall show a high level of personal integrity during the term of their office, and respect the rules related to their responsibilities."
  - "In the event of a significant change in the functions or positions held, directors agree to allow the Board to decide whether or not it is appropriate for them to continue to serve as directors of BNP Paribas."
  - "All directors are required to comply with legal obligations and the stock market recommendations and regulations related to information that concerns directors personally."
  - "The director of American nationality must choose not to participate in certain Board discussions in view of the regulatory obligations pertaining to her nationality."
  - "The legislation banning insider trading applies to directors both in a personal capacity and when exercising responsibilities within companies that hold shares in BNP Paribas. Directors are also advised to purchase or sell BNP Paribas shares only within the six-week period following the publication of the quarterly and annual accounts, or of any press release concerning business performance. However, if they have access to privileged information that would make them insiders under stock exchange rules, no BNP Paribas shares may be purchased or sold during this six-week period."
  - "Directors must not disclose any information that is not publicly available to any third party, including the managers of BNP Paribas shares."
  - "If a director has any questions related to ethics and compliance, he or she can consult the Head of the Group Compliance and Permanent Control function."
  - "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."
  - "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, 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."
  - "Directors shall endeavour to participate regularly and actively in the meetings of the Board and the Committees of the Board and to be present at the Annual General Meeting of shareholders." (see section 1 above, "The Board of Directors and Annual General Meetings").
  - "In addition to the number of shares that directors are required to hold under the Articles of Association, directors elected at the Annual General Meeting should personally hold BNP Paribas shares equivalent to at least one year of directors' fees" (the number of shares held appears in the personal profile of each director).

<sup>(1)</sup> AFEP-MEDEF 2003 (11).

<sup>(2)</sup> AFEP-MEDEF 2003 (17).

## ■ Remuneration of directors <sup>(1)</sup>

- Directors who are not Group employees receive no form of remuneration other than directors' fees <sup>(2)</sup>.
- The amount of fees payable to each director individually has remained unchanged since 2005, at EUR 29,728, including EUR 14,864 – 50% of the total – as the fixed portion and EUR 1,651.55 per meeting. To take into account the additional constraints they face, directors who live outside France are paid 1.5 times the fixed portion of directors' fees. The Chairman of the Board of Directors does not, however, receive any additional fees under this rule.
- The amount of fees payable to the members of the Board's Committees has also remained unchanged since 2005, at EUR 5,946, including EUR 2,973 as the fixed portion and EUR 594.60 per meeting. The Chairmen of the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee are paid a fixed portion of EUR 15,000 and a variable portion of EUR 1,239 per meeting.
- Based on a recommendation submitted by Alain Joly, the directors' fees attributable to him as Chairman of the Compensation Committee have been reduced from EUR 6,000 to EUR 1,000. Joly also received EUR 6,000 for the fixed portion payable to him as Chairman of the Corporate Governance and Nominations Committee.
- Based on the foregoing, the Board decided to grant directors a total appropriation of EUR 498,178, down from EUR 530,038 in 2006. The overall amount of directors' fees was set at EUR 780,000 by the Annual General Meeting of 18 May 2005.

## Directors' fees paid in 2007

In euros	Board			Committees		2007 Total	2006
	Fixed	Variable	Total	Total			
M. Pébereau	14,864	14,864	29,728			29,728	29,728
P. Auguste	14,864	13,213	28,077	5,352		33,429	33,445
C. Bébéar	14,864	11,561	26,425	4,163		30,588	28,985
J.-L. Beffa	14,864	13,213	28,077	4,163		32,240	30,471
S. Berger	12,386	4,955	17,342			17,342	
G. Cromme	14,864	6,606	21,470	5,649		27,119	38,646
J.-M. Gianni	14,864	14,864	29,728	5,946		35,674	35,674
F. Grappotte	14,864	14,864	29,728	21,195		50,923	49,683
A. Joly	14,864	11,561	26,425	11,956		38,381	42,720
D. Kessler	14,864	11,561	26,425	5,352		31,777	31,215
J.-F. Lepetit	14,864	14,864	29,728	5,946		35,674	35,674
L. Parisot	14,864	8,258	23,122	991		24,113	11,892
H. Ploix	14,864	13,213	28,077	5,352		33,429	35,674
B. Prot	14,864	14,864	29,728			29,728	29,728
L. Schweitzer	14,864	13,213	28,077	19,956		48,033	46,710
Others <sup>(3)</sup>							49,794
<b>Total</b>	<b>220,483</b>	<b>181,674</b>	<b>402,157</b>	<b>96,021</b>		<b>498,178</b>	<b>530,038</b>

<sup>(1)</sup> L. Owen-Jones, L. de Palacio and J.F. Truffelli were directors in 2005-2006 and were therefore listed in the table of beneficiaries of directors' fees in the 2006 Annual Report.

<sup>(2)</sup> AFEP-MEDEF 2003 (18).

<sup>(3)</sup> Group employees on the Board: Patrick Auguste, Jean-Marie Gianni, Michel Pébereau and Baudouin Prot.



## 6. Remuneration

- Acting on a report from the Compensation Committee, the Board examined the remuneration of Michel Pébereau, Baudouin Prot, Georges Chodron de Courcel and Jean Clamon, corporate officers <sup>(1)</sup>. It decided upon the variable portions of their remuneration for 2006 and ensured that these variable portions were in line with trends in Group results. At the same time, the Board was briefed on the evaluation of corporate officers' performance conducted by the Corporate Governance and Nominations Committee.
- The Board set the fixed portions of directors' remuneration for 2007 as well as the bases for determining the variable portion in the light of the results of a survey of executive remuneration in a number of comparable European banks.
- Neither the Chairman nor the Chief Executive Officer was involved in the preparation of decisions concerning their remuneration, nor did they take part in the Board's vote on decisions setting their remuneration.
- In accordance with Group policy, the detailed individual amounts of remuneration paid to the four corporate officers were presented at the Annual General Meeting of 15 May 2007.
- Based on a report from the Compensation Committee, the Board noted the fixed portion of the remuneration for members of the Executive Committee other than corporate officers and the variable portion determined for 2006.

### ■ Global share-based incentive plan

- Acting on a recommendation from the Compensation Committee, the Board discussed and adopted the Group's global share-based incentive plan for 2007. This plan involves 4,035,845 stock options (representing 0.46% of the share capital) and 910,308 bonus shares (representing 0.10% of the share capital). It concerns 3,788 employees whose level of responsibility, contribution to results or professional potential make them key players in the implementation of Group strategy as well as in the Group's development and profitability. The Board approved the payment and the terms and conditions of the two corresponding plans.
- The Board noted, based on the report submitted by the Compensation Committee, that the practices applied by BNP Paribas complied with both legal obligations and French corporate governance guidelines concerning the granting of stock options or bonus shares <sup>(2)</sup>. It set the number of stock options to be granted to corporate officers, who do not receive bonus shares and are barred from participating in any hedged financial transactions. With effect from 1 January 2007, the Board has introduced a requirement that corporate officers must hold BNP Paribas shares and it has also fixed the holding period for shares allocated following the exercise of stock options granted to corporate officers after 1 January 2007.

Detailed and individual information on the remuneration policy for corporate officers is provided in section 2.1 of the Registration Document which also refers to the AFEP-MEDEF recommendations of January 2007 on the remuneration of corporate officers of listed companies.

### ■ Share issue reserved for employees: new legislation concerning employee incentive schemes

- The Board of Directors approved the terms and conditions of a new share issue reserved for employees and authorised an exceptional payment of additional collective profit-related bonuses for 2006 in accordance with Act no. 2006.1770 of 30 December 2006.

## 7. Financial Statements Committee

- The Financial Statements Committee was set up in 1994 and most of its members have extensive experience and expertise in the areas of corporate financial management, accounting and financial information. In 2007, its membership was unchanged from the previous year and included Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and Hélène Ploix.
- The composition of the Committee <sup>(3)</sup> complies with French corporate governance guidelines which recommend that at least two-thirds of the directors must be independent. No members of the Bank's Executive Management sit on the Committee. Its duties and modus operandi are set out in the Board's Internal Rules, which are periodically updated to reflect changes in legislation, regulations and best practices <sup>(4)</sup>.
- To ensure that the Committees' knowledge remains fully up to date, its meetings include briefings on key issues, which are then examined and discussed in the presence of the Statutory Auditors. The information presented can be rounded out by meetings with managers of Group functional and operating units, organised by the Board's support staff for any Committee members who express a need for further clarification.
- The Committee met four times in 2007 and the rate of attendance was 100%. Documentation on agenda items – presented in standardised form – was distributed on average three to four days prior to each meeting, in line with French corporate governance guidelines.

<sup>(1)</sup> AFEP-MEDEF 2003 (15-3.1).

<sup>(2)</sup> AFEP-MEDEF 2003 (15-3.2).

<sup>(3)</sup> AFEP-MEDEF 2003 (14.1).

<sup>(4)</sup> AFEP-MEDEF 2003 (14.2).

#### ■ Review of the financial statements and financial information

- In accordance with the Board's Internal Rules, in 2007 the Committee reviewed the financial statements based on the documents and information provided by Executive Management and the verification procedures carried out by the Statutory Auditors. In doing so, it verified the relevance and consistency of accounting methods used in drawing up the Bank's consolidated and corporate accounts. The Committee reviewed management accounting data by core business and reviewed the impact of changes in the scope of consolidation. It was briefed by the Head of Group Finance-Development on changes in balance sheet and off balance sheet items between 31 December 2005 and 31 December 2006.
- It reviewed draft press releases concerning the Group's results prior to their presentation to the Board.
- It prepared the work and deliberations of the Board by scrutinising issues requiring particular attention, inter alia the Group's provisioning policy and the procedures used to determine the results of capital markets transactions which were discussed in the presence of the Statutory Auditors.
- The joint meeting of the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee mainly discussed developments in the financial crisis that began in the summer of 2007 and the Group's policy for setting aside provisions for credit risk. The meeting examined a joint memorandum submitted by the Heads of Group Finance-Development and Group Risk Management.
- The Committee listened to a presentation from Group Finance-Development and the Statutory Auditors concerning key elections for the application of accounting standards and was briefed on the nature and impact of each of these elections on the Group's results.
- When reviewing the financial results for each quarter or in the course of its discussions of specific issues, the Committee interviewed the Head of Group Finance-Development and the Head of Group Accounting. During its review of the 2006 financial statements and of the results for the first nine months of 2007, it interviewed the Head of Group Finance-Development, without any member of Executive Management being present.
- When reviewing the financial results for each quarter, the Committee listened to the comments and findings of the Statutory Auditors, without any member of Executive Management being present.
- The Committee was briefed – in the presence of the Statutory Auditors – on the accounting internal control points identified as part of the process of certifying the quarterly consolidation reporting package.
- The Committee reviewed the draft report of the Chairman of the Board on internal control procedures relating to the preparation and processing of accounting and financial information, and recommended it for adoption by the Board.
- At the end of each meeting, the Financial Statements Committee reported its findings to the Board of Directors, so as to provide the latter with full information and facilitate its deliberations and decision-making.

#### ■ Relations with the Group's Statutory Auditors <sup>(1)</sup>

- The Committee received from each of the Statutory Auditors a written statement of its independence vis-à-vis the conduct of the engagement.
- In the absence of the Statutory Auditors, it received notification of the amount, calculated by Executive Management, of fees paid by the BNP Paribas Group to the Statutory Auditors in 2007. Based on the information collected by Executive Management, it ensured that the amount or portion represented by BNP Paribas in the overall revenues of the audit firms and the networks to which they belong was not likely to compromise the Statutory Auditors' independence.
- The Committee reviewed and approved engagements not directly related to auditing on an as-needed basis.

<sup>(1)</sup> AFEP-MEDEF 2003 (14.2.2).

### **Extracts from the Board of Directors' Internal Rules: the Financial Statements Committee**

"The Committee shall hold at least four meetings per year.

#### Composition

At least two-thirds of the members of the Financial Statements Committee shall qualify as independent directors based on the definition used by the Board in accordance with French corporate governance guidelines.

No members of the Bank's Executive Management shall sit on the Committee.

#### Terms of reference

The Committee is tasked with analysing the quarterly, half-yearly and annual financial statements issued by the Bank and obtaining further explanations of certain items prior to presentation of the financial statements to the Board of Directors.

The Committee shall examine all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues or give rise to potential risks.

#### Relations with the Group's Statutory Auditors

The Committee shall steer the procedure for selection of the Statutory Auditors, express an opinion on the amount of fees charged for conducting the statutory auditing engagements and report to the Board on the outcome of this selection process.

It shall review the Statutory Auditors' audit plan, together with the Auditors' recommendations and the implementation of these recommendations.

It shall be notified on a yearly basis of the amount and breakdown of the fees paid by the BNP Paribas Group to the Statutory Auditors and the networks to which they belong, calculated using a model approved by the Committee. It shall ensure that the portion of the audit firms' revenues that BNP Paribas represents is not likely to compromise the Statutory Auditors' independence.

Its prior approval shall be required for any engagement entailing total fees of over EUR 1 million (before tax). The Committee shall approve on an ex post basis all other engagements, based on submissions from the Group Finance-Development Department. The Committee shall validate the Group Finance-Development Department's fast-track approval and control procedure for all "non-audit" assignments entailing fees of over EUR 50,000. The Committee shall receive on a yearly basis from the Group Finance-Development Department a report on all "non-audit" engagements carried out by the networks to which the Group's Statutory Auditors belong.

Each Statutory Auditor shall report on a yearly basis to the Committee on its internal control mechanism for guaranteeing its independence, and shall provide a written statement of its independence in auditing the Group.

At least twice a year, the Committee shall devote part of a meeting to a discussion with the team of Statutory Auditors, without any member of Executive Management being present.

The Statutory Auditors shall attend the Committee meetings devoted to the review of quarterly, half-yearly and annual financial statements.

However, the Statutory Auditors shall not attend all or part of Committee meetings dealing with their fees or their re-appointment.

The Statutory Auditors shall not attend all or part of Committee meetings dealing with specific issues that concern a member of their staff.

Barring exceptional circumstances, the files containing the quarterly, half-yearly and annual results and financial statements shall be sent to Committee members at the latest on the Friday or Saturday morning preceding Committee meetings scheduled for the following Monday or Tuesday.

Where questions of interpretation of accounting principles arise in connection with the publication of quarterly, half-yearly and annual results, and involve choices with a material impact, the Statutory Auditors and the Group Finance-Development Department shall submit, on a quarterly basis, a memorandum to the Committee analysing the nature and significance of the issues at play, presenting the pros and cons of the various possible solutions and explaining the rationale for the choices ultimately made.

#### Report of the Chairman

The Committee shall review the draft report of the Chairman of the Board on internal control procedures relating to the preparation and processing of accounting and financial information.

#### Interviews

With regard to all issues within its purview, the Committee may, as it sees fit, and without any other member of Executive Management being present if it deems this appropriate, interview the Heads of Group Finance and Accounting, as well as the Head of Asset/Liability Management.

The Committee may request an interview with the Head of Group Finance-Development with regard to any issue within its purview for which it may be liable, or the Bank's management may be liable, or that could compromise the quality of financial and accounting information disclosed by the Bank.

#### Common provisions

The Internal Control, Risk Management and Compliance Committee and the Financial Statements Committee shall hold a joint meeting at least once a year in order to discuss matters affecting both risk management policy and the provisions to be set aside in the books of BNP Paribas. This meeting shall be chaired by the Chairman of the Financial Statements Committee."

## 8. The Internal Control, Risk Management and Compliance Committee

- The terms of reference of the Internal Control and Risk Management Committee, which was set up in 1994 to cater to the specific needs of banking operations, have been extended to include compliance-related issues, particularly in areas such as reputation risk and professional ethics. In 2007, its members were François Grappotte (Chairman), Jean-Marie Gianno and Jean-François Lepetit, i.e., two-thirds of its members were independent directors under AFEP-MEDEF guidelines. No members of the Bank's Executive Management sit on the Committee.
- In 2007, the Committee met five times and the rate of attendance was 93% (one member having missed one meeting).
- Documentation on agenda items was distributed to Committee members on average three to four days prior to meetings.

### ■ Internal control, compliance and relations with regulatory authorities

- The Committee was provided with the draft annual reports on compliance, permanent control and periodic control for the year ended 31 December 2006.
- It received a half-year summary report on permanent control and periodic control comprising quantified data relating to procedures, control scope and implementation, risk indicators, and to the follow-up of recommendations made by the Bank's General Inspection unit. The Committee was briefed on the periodic control procedures set up to keep Executive Management informed.
- The Committee listened to a presentation from the Head of Group Compliance providing an overview of permanent control.
- It reviewed the delegation of periodic control procedures within the Group and submitted draft proposals to the Board for setting up periodic control procedures in the Group's subsidiaries.
- It reviewed the Group's exchanges of correspondence with the French banking regulator (*Commission bancaire*) and the financial markets regulator (*AMF*) and kept abreast of issues involving US banking regulations.
- The Committee also reviewed the Group's policies for combating fraud.

### ■ Credit risks and market risks

- The Committee discussed the key issues highlighted in the Group Risk Management report for 2006 and the first half of 2007 and analysed the breakdown by industry and geographical area.

- The Committee devoted a specific session to analysing the situation in the financial markets in relation to the crisis that emerged during the summer of 2007, and more specifically to liquidity and third party fund management risks. It was briefed on an ongoing basis by Executive Management with regard to the businesses affected by the crisis and the main types of exposure. In particular, the Committee reviewed the BancWest portfolio and the Bank's exposure to financial institutions, hedge funds, monoline insurers and property market risks.
- It regularly reviewed key exposures in respect of market activities highlighted in the Group Risk Management report and noted the steps taken by the Group to control the types of market risks to which it is exposed and to maintain its capital adequacy requirements. It was briefed on the impact of market trends on "Value-at-Risk" (VaR).
- The Committee was notified of the findings of the Risk Policy Committees convened regularly by Executive Management to review specific issues: procedures for setting and managing country risk exposure limits, real estate financing, leveraged buyouts or securitisation.
- The Committee interviewed the Head of ALM (Asset Liability Management) Treasury in relation to liquidity risk management and listened to his comments concerning the organisation and control of activities within his brief and the existing decision-making and delegation procedures.
- The Committee was kept abreast of organisational changes to Group Risk Management designed to bolster the overall coherence of the risk management process and was notified of progress in integrating BNL into the Group. It was also informed of the measures taken to ensure cooperation between Group Risk Management and Group Finance-Development in preparing the groundwork for implementation of Basel II and in ensuring that capital adequacy requirements are integrated into the Group's management tools. It listened to the comments of Executive Management concerning the method of calculating the Group's capital and analysing long-term forecast data on operational risk.

### ■ Interviews

- Without any member of Executive Management being present, the Committee interviewed the head of Group Risk Management, the head of Permanent Control and Compliance, and the head of the General Inspection unit, who is in charge of periodic controls.

### ■ Report of the Chairman

- The Committee reviewed the report of the Chairman on Internal Control and recommended its approval by the Board of Directors.



## Extracts from the Board of Directors' Internal Rules: Internal Control, Risk Management and Compliance Committee

"The Committee shall hold at least four meetings per year.

### Composition

A majority of the members of the Internal Control, Risk Management and Compliance Committee shall qualify as independent directors based on the definition used by the Board in accordance with French corporate governance guidelines.

No members of the Bank's Executive Management shall sit on the Committee.

### Terms of reference

The Committee is tasked with analysing reports on internal control and on measuring and monitoring risks, as well as the General Inspection unit's reports on its operations and key findings, and with reviewing the Bank's exchanges of correspondence with the General Secretariat of the French banking regulator (*Commission bancaire*).

It examines the key focuses of the Group's risk management policy, based on measurements of risks and profitability provided to it in accordance with applicable regulations, as well as on its analyses of specific issues related to these matters and methodologies.

The Committee also tackles all compliance-related issues, particularly those in the areas of reputation risk or professional ethics.

### Interviews

It may interview, without any other member of Executive Management being present if it deems this appropriate, the head of the General Inspection unit, who is in charge of Periodic Controls, the head of the Group Compliance and Permanent Control function and the head of Group Risk Management.

It presents the Board of Directors with its assessment concerning the methodologies and procedures employed.

It expresses its opinion concerning the way these functions are organised within the Group and is kept informed of their programmes of work.

It receives a half-yearly summary on the operations and reports of the Internal Audit function.

### Common provisions

The Internal Control, Risk Management and Compliance Committee and the Financial Statements Committee shall hold a joint meeting at least once a year in order to discuss matters affecting both risk management policy and the provisions to be set aside in the books of BNP Paribas. This meeting shall be chaired by the Chairman of the Financial Statements Committee."

## 9. Corporate Governance and Nominations Committee

- In 2007, the members of the Corporate Governance and Nominations Committee were Alain Joly (Chairman), Claude Bébéar and Gerhard Cromme who was replaced by Laurence Parisot with effect from 1 July 2007. Two-thirds of the members qualify as independent directors in accordance with French corporate governance guidelines.
  - Each member is well versed in corporate governance issues and has a proven track record in the management of major international corporations.
  - No members of the Bank's Executive Management sit on the Committee. It includes the Chairman of the Board of Directors in its work on seeking out and selecting directors <sup>(1)</sup>.
  - The Board of Directors' Internal Rules define the Committee's terms of reference as follows:
    - the Committee is tasked with monitoring corporate governance issues. Its role is to help the Board of Directors to adapt corporate governance practices within BNP Paribas and to assess the performance of Board members,
    - it tracks developments in corporate governance at both global and domestic levels. It selects the measures best suited to the Group with the aim of bringing its procedures, organisation and conduct into line with best practices,
    - it regularly assesses the performance of the Board using either its own resources or any other internal or external procedure that it deems appropriate,
  - it examines the draft report of the Chairman of the Board on corporate governance and all other documents required by applicable laws and regulations,
  - 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 the post of Chief Operating Officer,
  - the Committee assesses the performance of the Chairman, in his absence. It also assesses the performances of the Chief Executive Officer and Chief Operating Officers, in the absence of the parties in question,
  - it is also responsible for developing plans for the succession of corporate officers,
  - it makes recommendations to the Board of Directors on the appointment of Committee Chairmen and Committee members,
  - it is also tasked with assessing the independence of the directors and reporting its findings to the Board of Directors. The Committee shall examine, if need be, situations arising should a director be repeatedly absent from meetings;
- In 2007, the Corporate Governance and Nominations Committee met three times with an attendance rate of 77%.

<sup>(1)</sup> AFEP-MEDEF 2003 (16.1).

## ■ Succession planning <sup>(1)</sup>

- With the Chairman of the Board of Directors, the Committee examined the situation of key members of the Group's Executive Management team in the light of future requirements and possible succession issues.

## ■ Performance of the Board – Assessing the performance of the directors

- In 2007, the Corporate Governance and Nominations Committee oversaw the assessment of the performance of the Board of Directors and of its specialised Committees. The findings are presented in section 5 – “Corporate governance”.
- The Committee noted that the improvements recommended by the directors in the assessment for 2006 were duly implemented.
- The Committee reviewed and submitted proposals to the Board in respect of a number of amendments to its Internal Rules (see section 5 – “Corporate governance”).
- The Committee assessed the individual contribution of each director to the Board of Directors and to the Committees.
- It examined the candidacy of Suzanne Berger Keniston and recommended that the Board coopt her as a director to replace Loyola de Palacio.
- The Committee examined the conditions under which Louis Schweitzer carried out his duties and functions as Chairman of the Financial Statements Committee, particularly with regard to the requirement of independence, and recommended that the Board re-elect him as a director.
- It set the criteria to be used to find and select a director to replace Gerhard Cromme.
- The Committee did not find any instance of non-compliance with EC Regulation no. 809/2004 in the personal circumstances of directors, nor did it receive any statement from a director indicating that there was such an instance.
- It did not note any breaches of ethical rules by any BNP Paribas director.

## ■ Evaluation of corporate officers

- The Committee conducted an evaluation of the Chairman, Michel Pébereau, in his absence.
- It also assessed the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present.
- It specified the criteria to be used when evaluating individual managerial performances and made recommendations to the Board in this respect. These criteria include the ability to harness individual anticipation, decision-making and coaching skills in pursuit of BNP Paribas' strategy and to prepare the Group to meet future challenges. They have been explicitly defined and may be used to determine the variable portion of remuneration not based on quantified, Group performance related criteria.

## ■ Report of the Chairman

- The Committee reviewed the report of the Chairman on corporate governance and recommended its approval by the Board of Directors.

## 10. Compensation Committee

- In 2007 the members of the Compensation Committee were Alain Joly (Chairman), Jean-Louis Beffa and Gerhard Cromme, who was replaced by François Grappotte with effect from 1 July 2007. Two-thirds of its members qualify as independent directors under French corporate governance guidelines.
- Its members have proven experience in dealing with remuneration systems, share-based incentive plans and pension issues in major international corporations.
- No members of the Bank's Executive Management sit on the Committee. The Chairman of the Board of Directors is not a member of the Committee, but is invited to take part in its deliberations, except those which concern him personally. The Committee interviews the head of Group Human Resources and, like all other Board Committees, it may use the services of external consultants wherever necessary.
- According to the Board of Directors' Internal Rules, the Compensation Committee is tasked with addressing all issues related to the personal status of corporate officers, including remuneration, pension benefits, stock options and provisions governing the departure of members of the Bank's corporate decision-making or representative bodies.
- It reviews the terms, amounts and basis of allocation of stock option plans. It also reviews the conditions for allocating bonus shares.
- Moreover, the Committee, in conjunction with the Chairman of the Board, is competent to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. Within the overall limits set by shareholders, the Committee proposes the basis of calculation and the individual amounts of annual directors' fees. In 2007, the Committee met twice, with all members attending.
- It examined the remunerations of the corporate officers: Michel Pébereau, Baudouin Prot, Georges Chodron de Courcel and Jean Clamon. It set the amount of variable compensation payable in respect of 2006 and submitted proposals to the Board in this respect. Having been briefed on the findings of a survey of executive compensation in a number of European banks, the Committee determined the fixed remuneration for 2006 and the basis for determining variable remuneration for 2007 and submitted its recommendations to the Board of Directors.

<sup>(1)</sup> AFEP-MEDEF 2003 (16.2.2).

- It was informed of the remunerations of the members of the Executive Committee.
- The Committee approved the terms and conditions of a new global share-based incentive plan that includes both stock options and bonus shares, as well as the list of beneficiaries. It determined the number of stock options to be attributed to the corporate officers and the basis for calculating the exercise price and submitted its proposals to the Board of Directors.
- It fixed the terms and conditions applicable to corporate officers for holding shares allocated following the exercise of stock options granted after 1 January 2007 and submitted its proposals to the Board of Directors.

#### ■ Remuneration of directors

- The individual amount of directors' fees has remained unchanged since 2005. At his own request, the directors' fees attributable to Alain Joly as Chairman of the Compensation Committee were reduced from EUR 6,000 to EUR 1,000.
- The Committee examined the proposed allocation of directors' fees for 2007 and presented its proposals to the Board.

## Internal Control

The information below concerning the Group's Internal Control system has been provided by Executive Management. The Chief Executive Officer is responsible for Internal Control systems and procedures, and for all the statutory information in the report on Internal Control. This document was prepared using information provided by the following Group functions: Compliance, Risk Management, Finance-Development, Legal Affairs and the General Inspection unit. It was validated by the decision-making body.

### Internal Control Environment

Controls within the French banking sector are governed by a wide range of laws and regulations, which have firmly established an internal control culture within the Bank's business lines.

The conditions for implementing and monitoring control systems in banks and investment firms are set out in CCLRF Regulation no. 97-02, as amended <sup>(1)</sup>. These rules lay down the 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 statutory report on internal control for the attention of the Board of Directors.

As required by Regulation no. 97-02, BNP Paribas has set up an Internal Control system (referred to herein as Internal Control) in which distinct organisations and managers are in charge of permanent controls and periodic controls. The Internal Control system must also take into account, as appropriate, the General Regulations of AMF (French Financial Markets Authority), regulations applicable to branches and subsidiaries outside France and to specialised operations such as portfolio management and insurance, the most widely accepted industry practices in this area and the recommendations of the Basel Committee.

### Definition and objectives of Internal Control

The Executive Management of the BNP Paribas Group has set up an Internal Control system whose main aim is to ensure overall control of risks and provide reasonable assurance that the Bank's goals in this area are being met. This system is defined in the Group's Internal Control Charter, which is widely distributed within the Group and freely available to all Group employees. It defines Internal Control as a mechanism for ensuring:

- the effectiveness and quality of the Group's internal operations;
- the reliability of internal and external information (particularly accounting and financial information);
- transaction security and effectiveness;
- the security of assets;
- compliance with applicable laws, regulations and internal policies;
- and efficient use of resources.

The Charter lays down rules relating to the organisation, lines of responsibility and remit of the various players involved in Internal Control, and establishes the principle of the independence of the different control functions (Compliance, General Inspection unit and Risk Management).

### Scope of Internal Control

One of the fundamental principles of Internal Control is that it must be exhaustive in scope: it applies in the same degree to all types of risk and to all entities in the BNP Paribas Group (entities include core businesses, business lines, functions, territories and consolidated subsidiaries) without exception. It also extends to any core activities that have been outsourced.

Implementing this principle requires a precise overview of the allocations of responsibilities and must factor in the ongoing growth in the Group's businesses.

<sup>(1)</sup> Amended by Regulations 2001-01, 2004-02 and the Decrees of 31 March 2005, 17 June 2005, 20 February 2007 and 2 July 2007.

## Organisation and Fundamental Principles of Internal Control

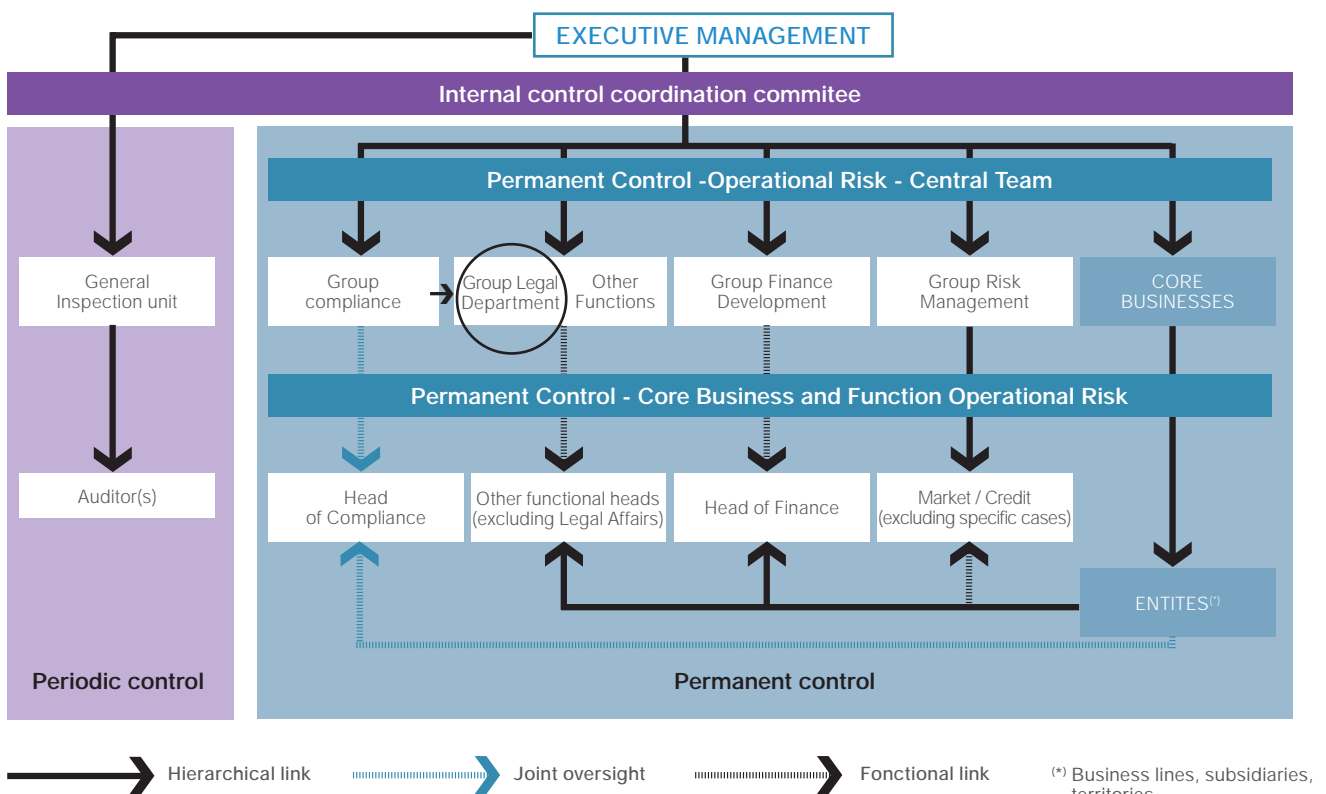
Internal Control in BNP Paribas is based on four key principles:

- Permanent Controls and Periodic Controls:
  - Permanent Controls consist of ongoing risk identification and assessment, procedures, controls, and a dedicated reporting and monitoring system all within a process that dovetails with operational risk monitoring. Permanent Controls are carried out both by operational staff and their line managers, and by specialised control functions either within or independent of the entities,
  - Periodic Controls are based on "ex post" reviews carried out by employees who are not involved in Permanent Controls. They are performed by the General Inspection unit;

- separation of tasks: this applies to the various phases of a transaction, from initiation and execution, to recording, settlement and control. The separation of tasks also exists between independent functions and between the players involved in Permanent Controls and Periodic Controls;
- responsibility of operational staff: a large part of the Permanent Control mechanism is incorporated within the operational organisation under the direct responsibility of the entities (core businesses and functions) which should make sure that they have the resources required for effective control. Managers at all levels must ensure effective control over the risks related to the activities for which they are responsible;
- exhaustiveness of Internal Control: see above, under "Scope of Internal Control".

Teams from the General Inspection unit verify that these four principles are complied with by carrying out regular inspections.

## Internal Control, Risk Management and Compliance Committee





## Players involved in Permanent Controls

- The players involved in Permanent Controls are:
- the operational staff working in commercial, administrative or support functions. They directly control the operations for which they are responsible, based on Group procedures. These controls are known as first-level permanent controls;
- managers, who perform controls as part of operational or autonomous control procedures. These controls are known as second-level permanent controls;
- specialised control functions that also carry out second-level permanent controls mainly the Compliance and Risk Management functions.

The Compliance function ensures that the Group "conforms to legal and regulatory provisions, professional and ethical standards, as well as the overall strategy of the Board of Directors and Executive Management guidelines". It has considerable independence which it exercises with the heads of operating units over the managers of teams in charge of compliance in the core businesses and support functions via a joint oversight arrangement. The head of Compliance reports to the Chief Executive Officer and represents the Bank before the *Commission bancaire* with regard to all matters concerning Permanent Controls.

The Risk Management function is in charge of measuring and monitoring all types of risks (credit risks, market risks, etc.). It comprises an integrated Group Risk Management unit (GRM), independent of the core businesses and business lines, and Risk Management teams with direct reporting lines to the core businesses and business lines. In accordance with the aforementioned Regulation no. 97-02, it prepares an annual statutory report on risk measurement and oversight for the attention of the Board of Directors. The head of Risk Management reports directly to the Chief Executive Officer.

The heads of the Compliance and Risk Management functions are interviewed regularly by the Internal Control, Risk Management and Compliance Committee set up by the Board of Directors of BNP Paribas.

## Players involved in Periodic Controls

Periodic Controls (known as third-level controls) are carried out on an independent basis by the General Inspection unit, which includes:

- inspectors based at headquarters, who are authorised to carry out controls throughout the Group;
- auditors within the various entities of the Group, who report to the General Inspection unit.
- Periodic Controls are the responsibility of the head of the General Inspection unit who reports operationally to the Chief Executive Officer. He also reports to the Board, either directly or via the Internal Control, Risk Management and Compliance Committee.

## Coordination of Internal Control

The Internal Control Coordination Committee (ICCC), which meets on a monthly basis, includes the following participants:

- the key players involved in Permanent Controls:
  - the heads of Compliance, Finance-Development and Risk Management or their representatives,
  - the heads of Tax Affairs, Legal Affairs and Technologies and Processes or their representatives,
  - the heads of the five core businesses or their representatives;
- the head of Periodic Controls.

Members of the Bank's Executive Management may attend ICCC meetings. The heads of other functions may also be invited to participate in such meetings.

At Group level, coordinating Internal Control is the responsibility of the head of Compliance, who sits on the Executive Committee and chairs the Internal Control Coordination Committee. The ICCC:

- is not intended to replace the different Group Risk Management Committees but to enhance their effectiveness within the overall system;
- guarantees the consistency of the Internal Control system and its compliance with regulations;
- seeks to promote the use of shared internal control tools;
- enhances the overall consistency of the annual reports on internal control and control of investor services prepared by the Permanent Control and Periodic Control functions as required under their "Charter of responsibilities", and of the report of the Chairman of the Board of Directors on Internal Control procedures prepared in accordance with Article L. 225-37 of the French Commercial Code.

The Chairman of the ICCC reports to the Chief Executive Officer and, if the CEO or the Board of Directors deems it necessary, to the Board of Directors or the relevant Committee of the Board (usually the Internal Control, Risk Management and Compliance Committee).

In 2007, the ICCC's work covered the following main topics:

- the Internal Control report for 2006 and the results reported by the Permanent Controls function;
- the Group's key charters or new policies in the area of controls;
- relations with regulatory authorities, particularly outside France;
- the organisation of internal control processes within the core businesses and ways of harmonising the tools used, risk assessment methodologies and the overall quality assurance programme of the Periodic Controls function;
- major operational issues such as implementation of the European Markets in Financial Instruments Directive and fraud prevention.

## Procedures

Written guidelines are distributed throughout the Group and provide the basic framework for the Group's internal control, setting out the organisational structures, procedures and controls to be applied. A team working within the Compliance function along with the Permanent Control-Operational Risk team, which report to both the Compliance and Risk Management functions, check that procedural guidelines are regularly monitored for completeness via a network of Procedure and Permanent Control correspondents.

Following the completion in 2004 of the Group's cross-functional guidelines (levels 1 and 2), their content is now updated as part of an ongoing process in which all the core businesses and functions actively participate. The guidelines are currently in the process of being updated. As regards the organisation of controls, the twice-yearly surveys on the effectiveness of processes have been integrated into the twice-yearly reporting of the Permanent Controls function – in recognition of the fact that checking procedures is one of the key tasks of Permanent Controls, alongside identifying and assessing risks, running controls, verifying reporting processes and overseeing the monitoring system.

Among the Group's cross-functional procedures, the roll-out of the procedure dealing with the validation of exceptional transactions, new products and new activities deserves a special mention. This procedure, which was updated in 2006 to reflect changes in regulations and the Group's new Internal Control organisation, is applicable to all Group entities and represents one of the pillars of the system for controlling all forms of risk to which the Group is exposed.

Efforts are ongoing to streamline the set of procedures and the applicable standards, improve their distribution and planning, make them more accessible and design better tools for storing them.

## Internal Control standards

In 2007, the key players involved in Internal Control continued to work on standardising the main components of the system.

## Highlights of 2007

The actions carried out during the year mainly focused on rolling out new organisation standards and consolidating Group Internal Control standards.

### ■ Group Compliance function

In 2007, the Compliance function kept pace with both the Group's continued expansion and new regulatory requirements. As regards the Group's expansion, the addition of UkrSibbank and the ongoing process of merging Banca Nazionale del Lavoro into the Group are worthy of note. The Compliance function was closely involved in bringing organisation and control standards in these entities

into line with those of BNP Paribas. As regards regulatory developments, the major event in 2007 was the entry into force of the Markets in Financial Instruments Directive (MiFID).

All of the core businesses, support functions and subsidiaries located within the European Union brought their organisations into line with the requirements of the Directive in spite of regulatory difficulties, particularly in cases where delays had occurred in transposing the Directive into local legislation. The Compliance function was involved in over 180 projects to introduce the best practices and organisational procedures required under the MiFID Directive and the resulting overhaul in the financial markets.

Regarding financial security, the Group introduced more stringent guidelines concerning embargoes. These reflected international developments but they were bound up with more than just strict legal obligations – the Group is also aware of the constant need to protect its reputation. Reputation risk is now controlled via a framework of appropriate guidelines and organisation procedures.

The procedure for preventing and detecting market abuse is now up and running in line with regulatory requirements.

The Compliance function and the General Inspection unit also carried out a review of fraud prevention, detection and oversight procedures in liaison with the core businesses and support functions to boost effectiveness in this area still further.

Lastly, know-your-customer procedures remained a key issue for all Compliance function teams.

Compliance teams continued to develop important software tools to assess and manage compliance risks. These tools are expected to play an increasingly significant part in the organisation and oversight of Compliance work, as well as in Permanent Control processes.

### ■ Permanent Controls

In May 2007 in order to bolster synergies, the teams dedicated to permanent controls, operational risk monitoring and business continuity planning were merged into the Permanent Control-Operational Risk (PC-OR) entity. This merged structure has been enshrined in a Charter which sets out its roles and responsibilities and provides for a unified structure at all operating levels of BNP Paribas. PC-OR is therefore represented at Group, core business, function, business line, subsidiary and territory level. At Group level, it has dual operational lines of reporting to the head of Compliance, responsible for coordinating Internal Control, and the head of Risk Management.

PC-OR strives to involve the heads of the operating units in the permanent control process by presenting topics relating to permanent controls, operational risk and business continuity planning to the Executive Committee of BNP Paribas three times a year and on a periodic basis to the monthly meetings of the ICCC. Entities are encouraged to devise their own permanent control structures.

PC-OR engagements have a dual measurement/management objective: defining, coordinating and monitoring permanent control procedures and operational risk management throughout the Group; and measuring risk and producing the related management information. This process allows PC-OR to keep abreast of changes in the internal control environment and to tailor internal control processes in the Group's businesses. To ensure that it operates effectively, Group PC-OR has structured its activities around five key tasks: defining its processes, developing appropriate methodologies, designing and maintaining support tools, measuring risk and producing the related management information, and monitoring the processes.

In 2006, BNP Paribas set up a dedicated Permanent Control reporting process in the form of a set of indicators. For each entity, these indicators summarise the following information: the operational risk incidents that have arisen within their scope of control; identification and evaluation of the existing body of procedures and controls based on the risk to which the entity is exposed; an overview of the effective implementation of the controls as well as control follow-up procedures; and, a summary of the recommendations of the General Inspection unit that still have not been implemented after the recommended timeframe. It is accompanied by a summary for each entity listing an overview of the improvements made to the Internal Control system in 2007 as well as the priorities that will underpin the action to be taken in 2008. The summary is prepared using a "bottom-up" approach by PC-OR operational staff through-out all Group entities: the information collected is consolidated at the next reporting level, and so on up to Group level. At each stage of the reporting consolidation process, management receives feedback which it validates, particularly at PC-OR Committee meetings.

The information is gathered in the reporting process based on a methodological framework defined at Group level that sets out reporting guidelines and the format for deliverables.

The heads of PC-OR at core business/function and Group level exchange information as part of the reporting consolidation process. Once this iterative process has been completed, the summaries for each core business/function are validated by the heads of the corresponding entities and consolidated in a document presented to the Internal Control Coordination Committee, Executive Management and the Executive Committee. The final part of the process consists of a submission by the Internal Control, Risk Management and Compliance Committee to the Board of Directors of BNP Paribas.

In 2007, after a year in which the scope of the Permanent Control reporting process was greatly extended, the quality of the deliverables was a testament to its successful Group-wide roll out. The Group was authorised to use the advanced operational risk measurement approach within the scope of the new Basel II capital adequacy regulations.

In 2008, the Group will focus on building on the progress already made in the area of Internal Control to take the process to the next level. The aim will be to enhance the operational risk management and internal control processes amid increasingly standardised methods and closer coordination between PC-OR teams.

#### ■ Periodic Controls

The new organisational structure of the General Inspection unit became fully operational in 2007: it now includes internal audit staff and all geographical and business line platforms. This global, streamlined structure enables the unit to provide more effective Group-wide coverage, promotes the pooling of best practices and knowledge sharing and facilitates more effective risk management control at Group level.

It implemented a single, standard risk-assessment application for the entire Group, which allows it to plan audit engagements by taking into account the risk weightings applicable to the various entities concerned.

It reviewed its "Recommendations" process which will be enhanced via a workflow tool shared with auditees.

The Periodic Control function also continued to invest in auditor skills development by providing additional training and strengthening specialised teams (IT, accounting and financial markets/models).

Finally, it implemented production, productivity and quality indicators that give it greater visibility over its activities. The quality programme – launched in 2006 and pursued in 2007 – aims to ensure that Internal Auditing measures up to the requirements of the regulatory authorities, complies with professional standards and provides Bank management with genuine added value.

## Human Resources

At the end of 2007, the number of full-time equivalent employees (FTEs) within the different Internal Control functions was as follows:

	2005	2006	2007	% change 2006/2007
Compliance	465	614	745	+21%
Group Risk Management	834	869	881	+1%
Coordination of Permanent Controls	50	70	149	+113%
Periodic Controls	746	902	854	-5%

### ■ Second-level Permanent Controls

- The number of FTEs working in the Compliance function jumped 21% to stand at 745 at end-December 2007. The rapid increase over the past two years has been driven by two developments:

- continued strong like-for-like and acquisition-led growth throughout the Group,
- major changes in regulations including a number of new requirements with structural implications for BNP Paribas (MiFID, Market Abuse Directive, the Third Directive, measures concerning embargoes, transparency requirements, etc.).

This attests to the eagerness of BNP Paribas to provide adequate non-compliance risk management oversight procedures to keep pace with the sustained growth in the Group's businesses.

- Group Risk Management comprised 881 FTEs at 31 December 2007 (of which 26.6 worked in the central PC-OR team), a year-on-year increase of 12. This was mainly driven by the development of Basel II-compliant processes.
- The new Permanent Control-Operational Risk (PC-OR) entity comprises 149 FTEs involved in coordinating Permanent Control processes throughout the various Group entities. This figure includes the head teams in the core businesses and functions but excludes the resources dedicated to accounting Internal Control and the numerous teams of specialised controllers throughout the Group.

### ■ Periodic Controls

Average headcount in the Bank's General Inspection unit fell slightly from 902 at 31 October 2006 to 854 at 31 October 2007 (-5.3%). This reflects the ongoing restructuring of BNL, the divestment of Klépierre and UCI and the redeployment of teams to regional hubs currently in progress (particularly in the CIB business). The ratio of auditors to auditees stood at 0.6% at the end of 2007.

## Limitation of the powers of the Chief 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 shall exercise these powers within the limits of the corporate purpose and subject to those powers expressly granted by French law to Shareholders' Meetings and 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 or divestment decision (excluding portfolio transactions) of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million. The Chief Executive Officer must seek preliminary approval from the Financial Statements Committee of the Board for audit engagements entailing total fees of over EUR 1 million (before tax).

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

### Roles and responsibilities regarding the preparation and processing of accounting and financial information

Acting under the authority of the Chief Executive Officer, the Group Finance-Development function is responsible for the preparation and processing of accounting and financial information. Its duties and responsibilities, as described in its Charter, include:

- producing and distributing high quality financial statements;
- producing quality management accounts, and providing all forecast quantitative data needed for steering Group policy;
- overseeing project management for the Group's financial information systems;
- optimising the Group's financial position;



- ensuring that the Group's financial position is well presented to the financial markets;
- coordinating the Group's development strategy and managing external growth;
- providing Executive Management with early warnings.

The responsibilities of the Finance function are carried out by the local Finance departments within each entity, by core business Finance teams and by the Group Finance-Development function.

The production of accounting and financial data, and controls designed to ensure their reliability, are first handled by the Finance Department of the accounting entity <sup>(1)</sup> which reports this information to the core business, then on to the Group, and attests that it is reliable, based on the internal certification procedure described below.

The core businesses/business lines then perform further controls at their level on the financial statements prepared by the accounting entities. They enhance the quality of the reporting by carrying out appropriate reconciliations of accounting and management data.

The Group Finance-Development function gathers all the accounting and management information produced by the accounting entities in line with formalised reporting procedures validated by the core businesses/business lines. It then consolidates these data for use by Executive Management or for external reporting to third parties.

## Preparation of financial information and Permanent Control system

### ■ Accounting policies and rules

The local financial statements for each entity are prepared under local GAAP. Since 1 January 2005, the Group consolidated financial statements have been prepared under IFRS (International Financial Reporting Standards) as adopted for use by the European Union and French GAAP is no longer used.

The Accounting Policies department of the central Group General Accounting department defines, based on IFRS, the accounting policies to be applied on a Group-wide basis, monitors regulatory changes and prepares new internal accounting policies and interpretations in accordance with such changes. An IFRS accounting manual has been produced and distributed to accounting teams within core businesses, business lines and entities.

The central Budget and Strategic Management Control department draws up management control rules that apply to all the Group's business lines. The Group's accounting and management control policies can be accessed by the accounting and management control teams in real time via the Group intranet.

As regards the definition of Internal Control, the organisation of the Internal Control environment and its general underlying principles, the BNP Paribas Group refers to the framework set out in CRBF Regulation 97-02 <sup>(2)</sup> on internal control within banks and investment firms.

### ■ Procedures and systems for preparing consolidated financial data

The information used to prepare the BNP Paribas Group consolidated financial statements is derived from the Bank's transaction processing systems through two separate reporting channels, one dedicated to accounting data and the other to management data. Both data collection channels use an integrated consolidation software package known as MATISSE ("Management & Accounting Information System"). This integrated consolidation package is operated and maintained by a dedicated team within the Group Finance-Development function. At local level, the Finance teams enter validated financial and accounting data into the system.

This reporting process applies to the channels dedicated to both financial and management accounting data:

**Accounting data:** the procedures for preparing the Group's financial statements are set out in the guidelines distributed to all consolidated entities. This facilitates the standardisation of accounting and financial data and compliance with Group accounting standards. Each Group entity closes its accounts on a monthly or quarterly basis and prepares a consolidation reporting package and management accounts in accordance with Group reporting deadlines. The validation procedures which accompany each phase in the reporting process seek to verify that:

- Group accounting standards have been correctly applied;
- intercompany transactions have been correctly adjusted and eliminated for consolidation purposes;
- pre-consolidation entries have been correctly recorded.

**Management data:** management information is reported on a monthly basis 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 Budget and Strategic Management Control unit within the Group Finance-Development function.

<sup>(1)</sup> Accounting entity\* refers to the parent company, BNP Paribas, as well as each of the consolidated subsidiaries and branches.

<sup>(2)</sup> Amended by Regulations 2001-01, 2004-02 and the Decrees of 31 March 2005, 17 June 2005, 20 February 2007 and 2 July 2007.

For each entity and core business, a reconciliation is performed between the main income and expense items based on management data and the profit and loss account intermediate balances, prior to submitting the package to the Group reporting system. 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 procedure for ensuring reliable accounting and management data.

#### ■ Accounting Internal Control within the Group Finance-Development function

As part of its role in controlling accounting risks centrally, the Group Finance-Development function has combined the teams from "Group Accounting Internal Control" and "BNP Paribas SA (France) Permanent Accounting Internal Control" into a single unit known as "Permanent Accounting Internal Control".

The "Group Accounting Internal Control" team has the following key responsibilities:

- overseeing the creation of an Accounting Internal Control system and defining Group policy in this area, as well as ensuring the correct functioning of an accounting internal control environment within the Group, in particular through the internal certification procedure described below;
- monitoring implementation by the entities of the Statutory Auditors' recommendations in conjunction with the core businesses/business lines;
- reporting back to Executive Management and the Financial Statements Committee of the Board of Directors on the quality of the financial statements being produced within the Group.

The "BNP Paribas SA (France) Permanent Accounting Internal Control" team is in charge of providing quality control on accounting information provided by the French Retail Banking network and by Corporate and Investment Banking businesses that report to BNP Paribas SA (France). The team has the following key responsibilities:

- monitoring the control of accounting processes, systems and procedures by back offices;
- liaising between the main back offices and the Group Accounting department;
- coordinating accounts closing processes and training back-office teams in accounting controls;
- validating on a quarterly basis the "elementary certification process" (described below) for the accounting quality of back offices;
- setting up ongoing cross-functional controls that validate first-level controls carried out by the back offices.

#### ■ Internal certification process

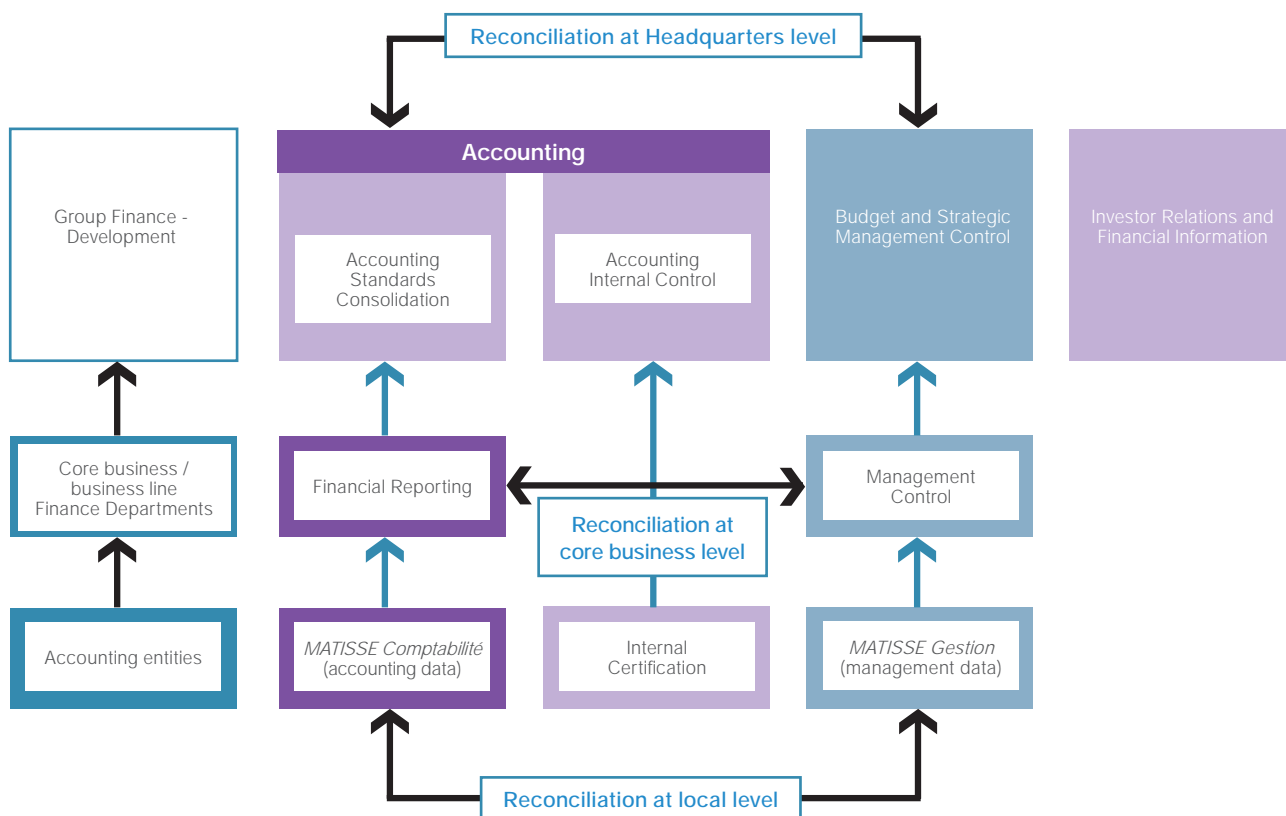
##### At Group level

The Group Finance-Development function has introduced a process of internal certification of quarterly data produced by the different accounting entities, as well as of the controls performed within Finance departments of the core businesses/business lines and by the Consolidation department within the Group Finance-Development function. The process uses the FACT (Finance Accounting Control Tool) internet/intranet-based application.

The heads of Finance of the entities concerned certify to Group Finance-Development that:

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

This internal certification process forms part of the overall Group Accounting Internal Control monitoring system and enables the Group Finance-Development function, which has overall responsibility for the preparation and quality of the Group's consolidated financial statements, to detect any problems in the financial statements and to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to set aside appropriate provisions. A report on this procedure is presented to the Financial Statements Committee of the Board of Directors at the close of the Group's quarterly consolidated accounts.



#### At entity level

The certification procedure vis-à-vis the Group requires a suitably adapted Accounting Internal Control system for each accounting entity that gives the local Finance function an over-view of the entire accounting process. Towards this end, Group Accounting Internal Control recommends implementing an “elementary certification” or “sub-certification” process for accounting data whenever the processing of transactions and the preparation of accounting and financial data are organised in such a way that such process is necessary.

This process requires that those involved in preparing accounting data and in performing accounting controls (e.g., Middle Office, Back Office, Human Resources, Risk Management, Tax Department, Management Control/ Planning, Accounts Payable, Treasury, IT Department, etc.) formally certify that the information provided is accurate and that the basic controls designed to ensure the reliability of the accounting and financial data for which they are responsible are working effectively. The elementary certificates are sent to the local Finance department, which analyses them, prepares a summary report and liaises with the other players in order to monitor the effectiveness of the system.

The FACT application also makes it possible to automate the elementary certification process by providing entities with a dedicated environment in which they can directly manage the processes set up at their level.

#### ■ Oversight arrangements for measuring financial instruments and determining the results of market transactions

The Group Finance-Development function, which is responsible for the production and quality of the Group's financial statements and management accounting data, delegates the production and control of market values or models of financial instruments to the different players involved in measuring financial instruments within the overall process of monitoring market risk and management data.

Controlling these operations, which concerns all players, is the responsibility of the Finance function.

The purpose of these control procedures is as follows:

- to ensure that transactions involving financial instruments are properly recorded in the Group's books in accordance with Group policies for producing financial and management data;
- to guarantee the quality of financial instrument measurement and reporting used both in preparing the financial and management accounts and in managing and monitoring market and liquidity risk;
- to ensure that the results of market transactions are determined, understood and analysed correctly;
- to control the related operational risks.

This permanent control process uses first- and second-level controls in accordance with Group Internal Control Charter guidelines and exists at each level in the organisation, i.e., Group, Corporate and Investment Banking and in the main territories that record market transactions in their accounts.

Finance departments perform second-level controls and have visibility over the entire process via dedicated Financial Control teams. They decide on the information that must be reported by the various players: this comprises both quantitative and qualitative data indicating trends in different businesses as well as the results and quality of upstream controls carried out.

Committees that meet on a monthly basis are gradually being set up to bring all of the players together to discuss the entire range of issues concerning the measurement and recognition of market transactions. As part of the quarterly accounts closing process, the Corporate and Investment Banking Finance department reports back to a committee chaired by the Group Chief Financial Officer on the actions of the Financial Control teams and their work to enhance control effectiveness and the reliability of the measurement and recognition of the results of market transactions. This Committee meets every quarter and brings together the main players from Group Finance-Development-Accounting, Corporate Investment Banking and Group Risk Management.

### Periodic Control – Central Accounting Inspection team

The General Inspection unit includes a team of inspectors (the Central Accounting Inspection team) specialised in financial audits. This reflects the strategy of strengthening the Group's internal audit capability both in terms of technical scope and the areas of accounting risk tackled in the audit engagements undertaken.

Its action plan is based on the remote accounting internal control tools available to the Group-Finance Development function and the risk evaluation chart set up by the General Inspection unit.

The core aims of the team are as follows:

- to constitute a hub of accounting and financial expertise in order to reinforce the capability of the General Inspection unit when carrying out inspections in such areas;
- to disseminate internal audit best practices and standardise the quality of audit work throughout the BNP Paribas Group;
- to identify and inspect areas of accounting risk at Group level.

### Development of the Accounting Internal Control system

The Accounting Internal Control system is constantly being adapted to the Group's requirements. The aforementioned procedures form part of an evolving system that aims to guarantee an adequate level of control throughout the Group.

### Relations with the Group's Statutory Auditors

Each year, the Statutory Auditors issue a report in which they give their opinion concerning the fairness of the consolidated financial statements of the BNP Paribas Group as well as the annual financial statements of the Group's subsidiaries.

The Statutory Auditors also carry out limited reviews on the quarterly accounts close. As part of their statutory audit assignment:

- they examine any significant changes in accounting standards and present their recommendations concerning choices with a material impact to the Financial Statements Committee;
- they present the entity/business line/core business Finance functions with their findings, observations and recommendations for the purpose of improving certain aspects of the Internal Control system for the preparation of accounting and financial information, reviewed in the course of their audit.

The Financial Statements Committee of the Board of Directors briefed concerning accounting choices that have material impact, as discussed in the paragraph "Corporate Governance" section above.

Following up and implementing the recommendations of the Statutory Auditors in respect of the Internal Control system is the responsibility of the BNP Paribas Group Finance-Development function. The heads of Finance department use the dedicated FACT application, which facilitates the implementation of the Statutory Auditors' recommendations.

### Corporate Communications – Press releases, special presentations, etc.

Financial reports are prepared for external publication by the Investor Relations and Financial Communications team, within the Group Finance-Development function, for the purpose of presenting the Group's different activities, explaining its financial results and providing details of its development strategy to shareholders, institutional investors, analysts and rating agencies. The team, which reports to Executive Management and the Chief Financial Officer, devises the format in which financial information is published by the BNP Paribas Group. The team liaises with the core businesses and functions when designing the presentation of the Group's results, strategic projects and special presentations for external publication.

Due to the growing demands of investors and the Group's determination to be at the leading edge of European corporate communications, BNP Paribas has adopted a detailed communications format designed to present its results to the financial markets on a quarterly basis.



# Statutory Auditors' report

Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of BNP Paribas, on internal control procedures relating to the preparation and processing of financial and accounting information.

Year ended 31 December 2007

**Deloitte & Associés**

185, avenue Charles-de-Gaulle  
92524 Neuilly-sur-Seine Cedex

**PricewaterhouseCoopers Audit**

63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**Mazars & Guérard**

61, rue Henri-Regnault  
92400 Courbevoie

BNP Paribas  
16, boulevard des Italiens  
75009 Paris

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of BNP Paribas, and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code for the year ended 31 December 2007.

It is the Chairman's responsibility to describe in his report the preparation and organisation of the Board's work and the internal control procedures implemented by the company.

It is our responsibility to report to you on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with French professional standards. These standards require that we perform procedures to assess the fairness of the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in internal control relating to the preparation and processing of financial and accounting information that we may have identified the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 13 March 2008

The Statutory Auditors

**Deloitte & Associés**

Pascal Colin

**PricewaterhouseCoopers Audit**

Étienne Boris

**Mazars & Guérard**

Hervé Hélias

# NRE Appendices – Social Chapter

NRE social indicators	Year ended 31 December 2007	Scope for 2007
1. Remuneration and benefits paid to each corporate officer during the financial year	See the section of the Report under Corporate governance – Remuneration.	Group
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	See the section of the Report under Corporate governance – Remuneration.	Group
3. List of all directorships and positions held during the financial year in any company by each of the corporate officers	See the section of the Report under Corporate officers, module 1.	Group
4. Total number of employees including fixed-term contract employees	<p>See section 7.1 of the Report under Human Resource development – Workforce development in line with the Group's expansion.</p> <p>The number of employees managed by the Group at 31 December 2007 was 162,687 full-time equivalent employees (FTEs), up 20,777 FTEs compared with 2006. In France, the number of employees managed by the Group rose to 64,080 FTEs, including 39,651 for BNP Paribas SA, of which 180 were on fixed-term contracts.</p> <p>The concept of cadre, loosely translated as “executive”, is specific to the French workplace and cannot be meaningfully transposed at a global level. For information purposes only, therefore, the proportion of cadre to <i>non-cadre</i> (executive to non-executive) staff employed by BNP Paribas SA has continued to increase steadily:</p> <p>35.7% in 2002 37.7% in 2003 39.7% in 2004 42.4% in 2005 44.6% in 2006 48.3% in 2007</p>	<p>Group</p> <p>France</p>
5. Number of new permanent and fixed-term contract employees	<p>In 2007, approximately 24,000 new employees were recruited worldwide on permanent contracts.</p> <p>The Group hired approximately 5,000 new employees on permanent contracts in France in 2007, up 6.5% on 2006.</p> <p>BNP Paribas SA added 3,574 new FTEs in mainland France: 1,574 men (44%) and 2,000 women (56%). Of the total, 450 were on fixed-term contracts (125 men and 325 women) and 150 were hired on permanent contracts following a fixed-term contract (34 men and 116 women).</p> <p>See section 7.2 of the Report under Recruitment processes for more extensive and detailed information on this topic.</p>	<p>Group</p> <p>Group France</p> <p>SA mainland</p>
6. Recruitment difficulties	<p>Despite a more competitive market context, the BNP Paribas Group remains a very attractive employer among job seekers, with over 200,000 unsolicited job applications received in 2007.</p> <p>In 2007, new hires were split evenly between young university graduates (20% with an associate's or bachelor's degree and 30% with a master's degree) and employees with some previous experience.</p> <p>Section 7.2 of the Report under Recruitment processes provides more extensive and detailed information on this topic.</p>	Group France
7. Number of and reasons for dismissals	In 2007, the number of employees dismissed by BNP Paribas SA in mainland France amounted to 232 FTEs. The main reasons for dismissals remain professional incompetence.	SA mainland
8. Overtime hours	In 2007, BNP Paribas SA paid 53,501 hours of overtime in mainland France, i.e. less than 0.1% of regular hours.	SA mainland
9. Temporary staff	<p>Temporary workers: the average monthly number of temporary workers remained limited, at 195 FTEs. The average length of contracts was 25 days. BNP Paribas SA's expenditure on temporary staff in France amounted to EUR 9.1 million for the year.</p> <p>Agreements binding BNP Paribas and temporary work agencies and service providers include very strict clauses on compliance with employment legislation and the prevention of loss-making sales, which are prohibited under French law.</p>	<p>SA mainland</p> <p>Europe</p>
10. Where relevant, information relating to headcount adjustments, redeployment and career support advice	See section 7.2 of the Report under Quantitative and qualitative workforce adaptation, where this topic is examined in depth.	SA mainland

NRE social indicators	Year ended 31 December 2007	Scope for 2007
11. Working hours	<p>Extensive possibilities for requesting part-time work arrangements are available to employees. A total of 10.2% of employees in France have opted for a part-time work arrangement, the proportion being 10.9% at BNP Paribas SA mainland France and 8.2% in the subsidiaries.</p> <p>Employees with over one year's seniority qualify for a time savings account (<i>Compte Épargne Temps</i>), in which they can save holiday time for later use – e.g., taking personal days, partly financing a continuing education project or switching to part-time work without loss of revenue. At 31 December 2007, 12,411 employees were using a time savings account.</p> <p>Subject to their supervisor's agreement, employees can also take 5 to 20 days of unpaid leave.</p>	SA mainland
12. Working hours and days for full-time employees	In France, the working week for a full-time employee is generally considered to be 35 hours. For BNP Paribas SA, the theoretical number of days worked per employee per year (on a fixed working hours basis) was 205 in 2007.	SA mainland Switzerland, United States and United Kingdom
13. Working week for part-time employees	10.9% of employees have chosen one of the part-time work arrangements made available, and women account for 93.9% of all part-time employees. The main options are 50%, 60% or 80% of a full-time equivalent. The 80% option has been selected by almost 71% of part-time employees.	SA mainland
14. Absenteeism and reasons for absenteeism	In 2007, the absentee rate for BNP Paribas SA in mainland France was 4.6%. Maternity leave accounted for 1.5% of the total. The rate of 3.1% for non-maternity-related absentee-ism is one of the lowest in BNP Paribas SA's history. After maternity leave, non-work-related illnesses were the most common reason for long-term absences.	SA mainland
	See the 2007 Social Report.	
15. Remuneration	<p>The average monthly remuneration of BNP Paribas SA employees in mainland France was EUR 3,032 in 2007.</p> <ul style="list-style-type: none"> <li>- 95% of employees received a variable remuneration bonus (95% of women and 95.1% of men).</li> <li>- 44.5% were awarded an increase in fixed remuneration.</li> <li>- 13.6% were promoted.</li> </ul> <p>See Creating loyalty through a competitive remuneration package under section 7.2 of the Report.</p>	SA mainland
16. Changes in remuneration	A wage agreement signed at the end of 2007 for 2008 established a general measure for pay rises, the payment of a one-off bonus, and the implementation of specific measures which include taking into account wage discrepancies between employees in different age brackets and gradually reducing wage discrepancies between men and women.	SA mainland
17. Payroll expenses	The Group's payroll taxes for 2007 amounted to EUR 2,368 million.	Group
18. Application of the laws of Titre IV Livre IV of the French Employment Code (Incentive plans and profit sharing)	<p>See Creating loyalty through a competitive remuneration package under section 7.2 of the Report.</p> <p>At 31 December 2007, the Group's savings plans for current and former employees held assets of EUR 3.9 billion, including EUR 3.5 billion in BNP Paribas shares.</p> <p>The geographic breakdown of staff outside France that took up the 2007 employee share issue is as follows: Europe (66%), Asia (18%), North America (6%), South America (4%), Africa (4%), Middle East (2%).</p>	Group

NRE social indicators	Year ended 31 December 2007	Scope for 2007
19. Gender equality in the workplace	<p>See Promoting diversity under section 7.2 of the Report.</p> <p>53.4% of BNP Paribas employees worldwide are women (based on physical headcount).</p> <p>BNP Paribas SA's FTE staff in mainland France is composed of 18,089 men and 21,561 women.</p> <p>Following the agreement of 9 April 2004 on gender equality, a new agreement was entered into on 28 July 2006 defining the rules for changes in individual remuneration of employees following maternity or adoption leave.</p> <p>The proportion of female executives continued to rise:</p> <ul style="list-style-type: none"> <li>• 34.2% in 2001</li> <li>• 35.7% in 2002</li> <li>• 36.9% in 2003</li> <li>• 37.7% in 2004</li> <li>• 38.8% in 2005</li> <li>• 40.3% in 2006</li> <li>• 41.4% in 2007</li> </ul> <p>Proportion of female employees receiving promotion:</p> <ul style="list-style-type: none"> <li>• 54.7% in 2002</li> <li>• 55.6% in 2003</li> <li>• 55.8% in 2004</li> <li>• 57.1% in 2005</li> <li>• 58.1% in 2006</li> <li>• 58% in 2007</li> </ul>	<p>Group</p> <p>SA mainland</p>
20. Employee relations and collective bargaining	<p>See High quality employer-employee relations under section 7.2 of the Report.</p> <p>As in previous years, there was constructive dialogue with employee representatives within BNP Paribas in 2007. The Commission on Employment Law – BNP Paribas SA's labour negotiation body – met on 21 occasions in 2007 and 9 new agreements were signed with trade unions.</p>	SA mainland
21. Health and safety	<p>See Protecting employee health under section 7.2 of this Report which explores the initiatives taken in 2007. Over and above the initiatives discussed in the Report, other more specific actions were taken in 2007:</p> <ul style="list-style-type: none"> <li>• Medical assistance to employees that have been victims of attacks</li> <li>• In 2007, 119 employees received medical assistance after an attack. Four of them were referred to mental health specialists for further help.</li> <li>• Training for medical staff and refresher courses for first-aid workers</li> <li>• Increased focus on refresher courses for first-aid workers with two physicians dedicated to helping first-aid workers to maintain their skills. 118 initial training courses and 347 refresher courses.</li> <li>• Vaccinations: <ul style="list-style-type: none"> <li>- Continued, large-scale vaccination campaign with 2,700 flu shots</li> <li>- Updated vaccination calendar</li> </ul> </li> </ul> <p>Continued efforts in cardiovascular prevention in occupational medicine with screening for cardiovascular risk factors (cholesterol, blood pressure, smoking and stress) and out-patient evaluations (at the Broussais hospital in Paris) for employees concerned, and screening for cardiovascular impairment in order to plan early treatment (289 blood tests), 16 employees hospitalised.</p> <p>840 people contributed to the blood donation drive.</p> <ul style="list-style-type: none"> <li>• Programme offered to help employees and their family members give up smoking (ALLEN CARR method) – 535 people registered in Paris, and seminars planned for Bordeaux, Arras and Dijon.</li> <li>• Assistance with giving up smoking in Lyon, in conjunction with a regional health centre there (14 people).</li> </ul>	SA mainland
22. Training	<p>See Developing the skills of employees and teams under section 7.2 of the Report.</p> <p>The breakdown of BNP Paribas SA mainland France employees enrolled in training for a professional qualification was as follows: 291 for the Brevet Professionnel banking diploma, 506 for the BTS banking qualification and 242 for the Institut Technique de Banque.</p> <p>In 2007, 15,984 applications for the Right to Individual Training (DIF) were accepted by BNP Paribas SA for 255,500 hours of training, making the Bank one of the very first companies to use this programme.</p>	SA mainland
23. Employment and integration of disabled employees	<p>See Promoting diversity under section 7.2 of the Report.</p> <p>BNP Paribas strives to develop its outsourcing of certain work to sheltered workshops. Since 1981, it has been working with the Institut des Cent Arpents, which is part of the Jean Pinault centre for assistance through work in the suburbs of Orléans, in central France. The centre now facilitates 107 disabled workers alongside 11 people with serious handicaps in its sheltered accommodation.</p> <p>BNP Paribas has also significantly improved access to its website for sight-impaired people, expanded the range of software available to employees to include voice synthesis software, and is actively exploring ways to make it easier to communicate with its hearing-impaired clients and employees.</p>	SA mainland (or France)



NRE social indicators	Year ended 31 December 2007	Scope for 2007
24. Company benefit schemes	<p>National-level social and cultural activities are administered by the Central Works Council and 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 discounts 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.</p> <p>A breakdown of BNP Paribas SA's contributions to company benefit schemes is provided in the Social Report.</p> <p>The budget allocated to company benefit schemes in 2007 amounted to EUR 90.67 million.</p>	SA mainland
25. Relations with the community, including associations to combat social exclusion, educational institutions, environmental and consumer associations, and local residents	<p>This point is developed under the section entitled A partner in society.</p> <p>Over the years, BNP Paribas SA's local banking network in France has been involved in hundreds of formal or informal voluntary partnerships with various organisations. These relationships often take the form of internships, work experience schemes or apprenticeships. Many of these partnerships also serve to promote the sports, cultural and artistic initiatives of young people, as well as local projects to help integrate them into the labour force, fight social exclusion and protect the environment.</p> <p><i>Projet Banlieues:</i> with <i>Projet Banlieues</i>, launched in December 2005, the BNP Paribas Foundation offers its support to ADIE (a non-profit association providing microloans to the unemployed) to foster business development in disadvantaged neighbourhoods. The project has helped finance six new ADIE offices throughout France, including one in Toulouse in September 2007 and another in the La Duchère area of Lyon in October 2007.</p> <p>Consumer organisations: the Quality &amp; Consumer Relations department within French Retail Banking has set up partnerships with around ten consumer rights groups.</p> <p>Within the scope of partnership agreements as well as through specific projects, the groups of branches within the BNP Paribas network maintain very close relationships with the organisations and schools in their areas. These partnerships are often much more than purely commercial relationships, offering financial, technical or even organisational support for the projects undertaken by the partnerships.</p> <p>Links with schools BNP Paribas has continued to have a very active campus management policy – with more than 100 school events organised in 2007 – giving rise to a significant increase in the number of applications from trainees (work placements, VIE [Volontariat International en Entreprise] and work/study programmes).</p> <p>- BNP Paribas allocated EUR 958,000 to institutions in underprivileged inner-city areas as part of the apprenticeship tax it pays. This amount was used to purchase, hire and maintain teaching and professional equipment and facilities.</p> <p>- BNP Paribas sponsors the <i>Fête le mur</i> association which enables young people in underprivileged areas to play tennis. As part of its involvement, BNP Paribas invited 30 children from <i>Fête le mur</i> in the south-east of France to attend the Monte Carlo Masters Series in April 2007. BNP Paribas also invited dozens of children from the Lyon's area to attend the best matches of the Grand Prix de Tennis de Lyon tournament, of which it is the main sponsor.</p>	SA mainland
26. Contribution to regional development and employment	<p>The Group seeks to promote economic development in the territories where it is based by providing its clients with the financing to fuel their development. BNP Paribas plays a major role in financing entrepreneurs and new small businesses, which are the mainstay of the French economy. The latest barometer of corporate client satisfaction measures the progress perceived in the quality of monitoring and assistance provided by the business centres. Regional access to centres of expertise (Trade Centres and Trading Rooms) is also very favourably viewed. BNP Paribas' local banking network outside of France also contributes to financing and developing the local economy. The Group takes steps to ensure that local employees are promoted to senior positions. The number of expatriate posts is intentionally restricted.</p>	SA mainland

NRE social indicators	Year ended 31 December 2007	Scope for 2007
27. Outsourcing and the Bank's policy with subcontractors: steps to ensure that subcontractors comply with International Labour Organization (ILO) standards	<p>The new IT Production, Information Technology &amp; Processes department (ITP) function manages all procurement contracts in excess of EUR 1 million. Since 2002, all contracts negotiated and signed by the Purchasing function integrated into ITP include clauses providing for compliance with International Labour Organization (ILO) standards or setting out local employment law principles in the event that such principles are stricter than ILO standards.</p> <p>To promote transparency, the Purchasing function set up a dedicated suppliers' portal on the Group's website, which makes specific reference to sustainable development and compliance with ILO standards. For more information, visit <a href="http://fournisseur.bnpparibas.com/deven.htm">http://fournisseur.bnpparibas.com/deven.htm</a>.</p> <p>Going against the grain of the widespread trend toward outsourcing of information technology functions, BNP Paribas opted for a novel solution by creating a joint venture with IBM France to meet the Group's IT processing needs. This strategic alliance answers the call for controlling and decreasing IT costs, while preserving a centre of excellence in France with leading-edge technology. Thanks to this original partnership, BNP Paribas is able to stay in command of its IT capabilities, while ensuring a painless transition for its employees, since all those concerned were able to keep the individual and collective benefits associated with their previous status. IT development activities in Morocco and India remain limited and are handled by Group subsidiaries. They have not led to any redundancies in France.</p>	Group
28. Steps taken by the Bank to ensure that subsidiaries comply with ILO standards	<p>CSR clauses were included in the standard supplier contracts for all purchasing categories concerned. The Purchasing function performs, gathers and audits all the major outsourcing agreements entered into locally by Group entities worldwide. Based on the 2006-07 audit, recommendations were made to the entities on necessary updates. Where clauses relating to corporate responsibility were missing or inaccurate, the entity could be requested to renegotiate the contract.</p> <p>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. An ethics alert mechanism enables all employees to report any non-compliance risks they may come up against.</p>	Group
29. Steps taken by foreign subsidiaries to address the impact of their business on regional development and the local community	<p>All Group subsidiaries belong to a business line and are required to contribute to fulfilling its strategy, implementing its policies and exercising its social responsibility.</p> <p>The levels of remuneration which BNP Paribas provides to its employees, particularly in emerging countries, and benefits such as health and death/disability coverage, help raise the standard of living in the employees' families and communities.</p> <p>The Group makes only limited use of expatriate staff, giving local staff the opportunity to take up managerial functions and other positions of responsibility.</p>	Group

# NRE Appendices – Environmental Chapter

Reporting within the BNP Paribas Group involves four scopes:

1. **BNP Paribas SA:** Together defined legally as a French Public Limited Company (*société anonyme*).
2. **Group France:** BNP Paribas SA and its subsidiaries in France.
3. **International:** BNP Paribas SA and its international subsidiaries outside France.
4. **Group:** BNP Paribas SA and its subsidiaries worldwide.

NRE environmental indicators	Contribution for the Year ended 31 December 2007	Scope for 2007
1. Water consumption	The collection of data on water consumption in 2007 represented 34% of staff concerned in mainland France. On this basis, water consumption amounts to 22.4 m <sup>3</sup> per FTE. In other countries, water consumption statistics were compiled for less than 50% of the Group out-side France. Data show water consumption of 19.4 m <sup>3</sup> per FTE in the United Kingdom, 17.5 m <sup>3</sup> per FTE in Tunisia and 37.9 m <sup>3</sup> per FTE in the United States.	France (Paris head office buildings, sub-sidiaries and Production & Sales Support Groups) International (data from 11 countries)
2. Raw material consumption	For a financial services provision group like BNP Paribas, paper is the number one raw material consumed. Overall paper consumption in France, including roll paper from printing centres, paper reams and paper purchased from printers on behalf of BNP Paribas stood at 9,587 tonnes. On this basis, paper consumption per FTE decreased 7% in 2007, to 160 kg per FTE. In other countries, the waste paper collection process is being expanded and has become more reliable. Some 145 kg per FTE are collected in Morocco, 146 kg per FTE in the United Kingdom and 288 kg per FTE in Germany. BNP Paribas Assurance carried out an internal audit on its paper consumption to reduce consumption. Steps taken immediately, such as streamlining electronic reporting, printing on both sides of paper, and increasing employee awareness, made it possible to reduce consumption at head office in 2007 by 12.5% (25 tonnes) compared with 2006, even with the growth enjoyed over the year. These results will continue to improve with long-term projects such as electronic reporting. Finally, a new reporting process makes it possible to monitor paper consumption and measure the progress made. BNP Paribas Assurance is gradually replacing 20,000 to 25,000 paper greeting cards with electronic cards. In France, 20% of the Group's office supplies are environment-friendly products.	Paper  France ITP scope + printing centres (French Retail Banking)  International Germany, Morocco and United Kingdom
3. Energy consumption	The Group's electricity consumption in France, based on actual total consumption as opposed to prorated calculation, stood at 370 GWh, representing average consumption of 216 KWh per sq. m.  In other counties, the collection of data on energy consumption represented 52% of the Group's staff. Based on these figures, consumption was 327 KWh per sq. m.	France Global France  International Germany, Canada, Spain, Hong Kong, Italy, Japan, Switzerland, Turkey, United States and United Kingdom
4. Measures taken to improve energy efficiency	With the ITP function, which brings together the management of facilities, purchasing and information systems, the Group defines and implements a general environmental management policy. The building at 14, rue Bergère in Paris was restored and obtained High Environmental Quality (HEQ) certification in connection with the French standard on service-sector buildings, issued by the CSTB, the scientific and technical advisory centre for the French building industry. Energy management systems got under way in 2007, as a result of the call for tenders from enterprises proposing solutions for managing energy requirements. Two systems were selected and have undergone testing: the first in Levallois with Wirecom in the Paul Vaillant-Couturier building, where a building energy management system was installed using powerline communication technology, and the second with Ergelis at the Montigny site, using a remote management system. The systems will be evaluated in 2008 to assess their effectiveness. The headquarters of BNP Paribas Lease Group in Rennes is currently being used as a pilot branch for an energy assessment. The results will make it possible to adjust energy consumption, renegotiate energy charges and identify problems of excessive consumption that may be caused by defective equipment. The T8 fluorescent tubes used to light the branches' signs were replaced by T5 fluorescent tubes that give out the same amount of light but consume 30% less electricity. Long-life LED bulbs, which also consume less electricity, are used in Bank's ATM machines.	France  Paris head office buildings  Global France

NRE environmental indicators	Contribution for the Year ended 31 December 2007	Scope for 2007
5. Use of renewable energy sources	Part of the Group's electricity in France is supplied by an operator who is contractually obliged to provide 15% renewable energy. In Canada, 100% of the electricity used by the Group is renewable, as is 18% of the energy used by BNP Paribas Frankfurt and Cortal Consors in Germany, and 88% of the energy used by Arval in the United Kingdom.	France Global France  International Canada, Germany and United Kingdom
6. Land use	For each project, Meunier Habitat appoints a specialised consulting firm to carry out a diagnostic review of the extent of the soil contamination. The consultants define the specifications for a soil identification programme, contamination studies are performed using tests and analyses, and a soil report is drawn up. Meunier Habitat uses this report to carry out any remediation work required to ensure that the soil meets all applicable regulatory standards. In addition to these initiatives, the Group applies "environmental housing" certification provisions to certain Meunier Habitat programmes. These mainly concern the management of pollution-related problems with a view to meeting the objectives required in terms of health, ecological balance and comfort of use. Klépierre systematically assesses its environmental impact when building new shopping centres. This subsidiary has installed tools, such as multiple distributed water meters, in its shopping centres in order to improve the management of water, energy and fluid consumption.	France  Meunier Habitat   Klépierre
7. Emissions to air, water and soil	Emissions to water and soil are not taken into account as they are not material. Ongoing indicators have been put in place, which enable the Group to calculate its CO <sub>2</sub> emissions for 2007. The available data do not enable this survey to be performed on the full scope of consolidation, but it has been extended to several sizeable territories outside France. The data collected take into account information on electricity consumption, work-related travel by car, train and air, and, in France, commuting between the home and office. This enabled an initial estimate of CO <sub>2</sub> per FTE: - France: 2.69 tonnes - Switzerland: 3.40 tonnes - Italy: 4.16 tonnes - United States: 5.06 tonnes - United Kingdom: 6.17 tonnes The calculation methods aim to include the emissions generated by the production, transportation and consumption of energy sources. For electricity, the type of primary energy used by the producer was taken into account. For air travel, the factors considered were kerosene consumption, average load factors, the distinction between short-, medium- and long-haul flights, and the class the passenger travelled in. For car journeys, the methodology assesses emissions based on mileage as well as on the vehicle's taxable horsepower rating and fuel type. In France, estimates for commuting were made by dividing employees into three categories, based on which of three concentric circles their home residence belonged in, i.e., (i) city or town centre; (ii) close suburbs or outskirts of town; or (iii) distant suburbs or rural setting. Emissions produced by these trips were then estimated based on the type of transportation used. Independently of errors relating to the reliability of data or to the incomplete scope of the survey, the methodology used is subject to the following error margins: electricity: 10%; trip mileage per car: 10%; commuting: 20%; air travel: 20%.	France          International Switzerland, United States, Italy and United Kingdom
8. Noise and odour pollution	No complaints relating to noise or odour issues were addressed to the Group in 2007. Meunier always studies the environmental impact of its projects from the specific standpoint of noise and odours. When technical equipment can be a source of noise disturbance, the company selects models offering the best available acoustic performance. Specific testing is carried out following construction and, if required, additional measures are taken to comply with applicable noise regulations. The location of air intake and discharge vents is designed to minimise effects on neighbouring buildings, based on dominant wind patterns. The construction processes and tooling used, as well as the management of construction waste, are designed to minimise the impact of construction work on the immediate environment.	Group
9. Waste processing	In France, the system for collecting used toner cartridges in association with Conibi, the industry grouping of toner cartridge producers, is still in place. The number of cartridges was stable compared with 2006, with 89,925 cartridges collected in 2007. The scope of data collected in other countries increased and became more reliable, but still remains below 50%. Canada, Germany, Japan, Switzerland and Morocco collected and recycled 100% of their cartridges. The collection of paper and cardboard for recycling is also on the increase. Corbeille Bleue, a specialised company, collects and sorts the litter bins in the Group's Paris offices. The paper recycled is used for district heating, packaging production and papermaking pulp. Office bins continued to be replaced by bins enabling employees to separate recyclable from non-recyclable waste (paper and all other non-hazardous waste). Most of the Group's Paris head office buildings are now equipped with these new bins and a clause regarding "double collection" has been included in cleaning company contracts. In other countries, the scope used to measure paper collection is not material. The aluminium sockets and the glass from fluorescent light bulbs used in most offices are recycled and the gas is reprocessed. In France, the upward flow of information regarding the collection of Waste Electrical and Electronic Equipment (WEEE) is underway.	Group          International Canada, Germany, Japan, Switzerland, Morocco   France





NRE environmental indicators	Contribution for the Year ended 31 December 2007	Scope for 2007
15. Environmental training and information programmes for employees	<p>All the Group's internal communications channels – including its website, <i>Ambition</i> in-house newsletter, monthly <i>Sustainable Development</i> newsletter, as well as conventions and other company events – are used to promote its corporate and environmental responsibility.</p> <p>In 2007, internal communication initiatives reached new heights. BNP Paribas Assurance launched an information and awareness campaign for its employees on respecting the environment and preventing climate change. In April 2007, as part of Sustainable Development Week in France, the subsidiary invited 2,500 employees from the head office to seminars on a variety of topics. The documentary <i>An Inconvenient Truth</i> was shown and a presentation given by astrophysicist Hubert Reeves to underscore global warming and the threats to biodiversity. Also under discussion was sustainable development as a business model and the platforms of the main French presidential candidates. Employees were able to calculate their ecological footprint and discover ways to help prevent climate change. Stickers were placed in meeting rooms, washrooms and on printers, a booklet on <i>Being Ecological at work</i> was distributed to operations worldwide and a special section was created on the Group's intranet to promote awareness of gestures that employees can make to protect the environment.</p> <p>BNP Paribas Assurance's employees have shown an interest in carpooling. In encouragement of this the company has set up a special website, which was launched during the European Mobility Week in September 2007. Three months after the site was created, more than 350 employees, i.e. 15% of head office staff, had signed up on the site. To show its support, BNP Paribas Assurance pays for five trees to be planted by the association Cœur de Forêt each time one of its employees signs up on the website.</p> <p>Cetelem launched the <i>Oxygène</i> programme to promote awareness among its employees on protecting the environment. Working with its employees will enable Cetelem to gather innovative ideas. This programme is now operating in France and will be expanded to other countries later. A procurement section on the Group's BtoE portal is available for use by all employees making ex-ternal purchases, covering almost all the Group's sites.</p>	Group
16. Efforts devoted to the reduction of environmental risks	<p>BNP Paribas has a "Carbon team" dedicated to researching and promoting market solutions for corporate clients wishing to fulfil their obligations to reduce greenhouse gas emissions in line with the Kyoto protocol and European Directives on CO<sub>2</sub> emission quotas. As a financial institution BNP Paribas plays a full role in facilitating the operation of these markets and contributing to their development.</p> <p>BNP Paribas is a member of the French association <i>Entreprises pour l'Environnement</i> (companies for the environment).</p> <p>The Group entered into two new agreements to purchase Certified Emission Reductions (CERs), expanding its platform of international markets in the environmental domain. The Group funds two projects, in Mexico and India, within the scope of the Clean Development Mechanism (CDM). These investments are in addition to the CER portfolio already in place.</p> <p>BNP Paribas' Innovation and Technology Centre (CIT) within ITP has launched a Greening IT programme to limit the CO<sub>2</sub> emissions of its IT equipment. CIT carries out an assessment and designs projects that take into account technological advances such as the use of renewable energy sources.</p>	Group
17. Structure to deal with pollution incidents extending beyond the company	<p>Any crisis situation is managed by an ad hoc committee composed of the Group's top executives. This committee takes the measures it deems most appropriate and informs the operating entities concerned. If the scale of the crisis warrants it, information may be passed on to the entire Group and there may be a call for international solidarity. As part of the process of validating the operating risk model in 2007, in-depth work was carried out to define and strengthen the Business Continuity Plan, in particular in the event of pollution or accidents.</p>	Group
18. Amount of provisions and guarantees covering environmental risks	<p>The Group's USD 4.3 million provision is earmarked for possible private disputes and is not intended to cover any fines for regulatory non-compliance.</p>	Group
19. Amount of compensation paid following legal decisions relating to the environment	<p>The Group has not had any court rulings against it on environmental matters.</p>	Group
20. Environmental objectives set for foreign subsidiaries	<p>BNP Paribas' guiding principles, namely the Global Compact and the ten principles contained in the Environmental Responsibility Charter, apply to all employees regardless of the business entity or country in which they are employed. The core businesses are responsible for implementing the Group's guiding principles throughout their reporting organisations, including subsidiaries, in all territories.</p> <p>The General Inspection unit and the Sustainable Development function designed an audit methodology for corporate social and environmental responsibility to measure the Group's practical compliance with Group environmental guidelines. The auditors implementing this methodology are fully independent and can perform all types of audits in any of the consolidated subsidiaries. Audit findings and the results of inspection assignments are presented in an annual report sent to the <i>Commission Bancaire</i> in accordance with Regulation 97-02.</p>	Group

# Report

by one of the Statutory Auditors  
on the process used by BNP Paribas Group  
to compile social and environmental information  
and on selected sustainable development data and issues

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Further to your request and in our capacity as Statutory Auditor of BNP Paribas, we have performed a review enabling us to express moderate assurance on the process used to compile the social and environmental information and on selected sustainable development data and issues relating to 2007 which are presented in the Group's Sustainable Development Report.

The procedures used to compile social and environmental information, as well as the related information appearing in the Sustainable Development Report, were drawn up under the responsibility of BNP Paribas' Sustainable Development function. Our responsibility is to form a conclusion on the process used for compiling such information and on the selected sustainable development data and issues, based on our work.

## Nature and scope of our work

We performed the procedures described below, which enabled us to obtain moderate assurance that no material anomalies exist with respect to the compilation of social and environmental information and the selected sustainable development data and issues. A higher level of assurance would have required us to carry out more extensive work.

- As regards the procedures used to compile the social and environmental information, we reviewed the relevant organisational system, the appropriateness, reliability, objectivity and comprehensibility of the procedures in place, and the dedicated reporting tools. This work was performed on the basis of interviews and consistency tests:
  - At head office with:
    - various representatives of the Group Human Resources (HR) function in charge of social reporting;
    - representatives of the IT Production, Information Technology & Processes (ITP) function in charge of environmental reporting;
    - members of the Group's Sustainable Development function,
  - At Group entities with the correspondents in charge of environmental reporting at:
    - BNP Paribas Frankfurt;
    - BNP Paribas London;
    - BNL Roma;
    - BMCI Casablanca.

- As regards the selected data and issues, we reviewed the consistency and substance of the issues described in the Sustainable Development Report and the organisational system in place, existing procedures, available documents and dedicated reporting tools.

This work was performed on the basis of interviews and consistency tests:

- For information on "Tools and tangible results for diversity" (pages 118 to 121 of the Report on Environmental and Social Responsibility), with:
  - the head of Diversity within the Group HR function – Career development.
- For information on "A deep commitment to microfinance" (pages 151 and 152 of the Report on Environmental and Social Responsibility), with:
  - the head of Group Microfinance and his deputy.
- For information on "The financing of renewable energy projects" (pages 147 and 148 of the Report on Environmental and Social Responsibility), with:
  - the Business Manager of Energy & Commodities Structured Debt, Europe, Middle East & Africa.
- For information on "Mitigating the impact of real estate operations" (page 141 of the Report on Environmental and Social Responsibility), with:
  - the Chief Operating Officer of Meunier Immobilier d'Entreprise.
- For data on business travel used for the "The CO<sub>2</sub> survey" (pages 138 to 140 of the Report on Environmental and Social Responsibility), with:
  - the "Group Operational Efficiency" correspondent within the ITP function.
- For the data on "Workforce expansion" and the "Age pyramid for the Group" (pages 102 and 103 of the Report on Environmental and Social Responsibility), with:
  - the head of Social Reporting within the Group HR function.
- For the data on "Electricity consumption" (page 138 of the Report on Environmental and Social Responsibility), with:
  - the "Corporate Facilities Management" correspondent within the ITP function.

In performing our work we were assisted by members of our teams specialised in sustainable development issues.

## Conclusion

We identified anomalies in the environmental reporting process, which was considerably affected by the creation of the Group's new ITP function in 2007. This led to significant inconsistencies in the calculation of data on business travel and electricity consumption.

Based on our review, and subject to the above-mentioned matter, we did not identify any material anomalies indicating that the procedures used to compile the social information and the related reporting procedures, or the consistency of the selected social and environmental data and issues, do not comply with the Group's reporting instructions for 2007.

Neuilly-sur-Seine, 7 May 2008

One of the Statutory Auditors  
PricewaterhouseCoopers Audit  
Étienne Boris

Partner of the Sustainable Development  
Division, PwC  
Sylvain Lambert



# Reconciliation table

Report on the environmental and social responsibility	Pages	Article 116 of the French NRE*	Principles of the Global Compact	Global Reporting Initiative**	UNEP***
CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT	p. 2			1.1, 1.2, 4.8	
THE GROUP'S APPROACH TO SUSTAINABLE DEVELOPMENT	p. 74-80				
Responsibility based on core values and guiding principles	p. 75			1.2, 4.11	2.3
A strong commitment to sustainable development	p. 75-76			4.11-4.13	3.3
Combining SRI and economic performance	p. 77-78			1.2, 4.11-4.13	2.3
Recognition from SRI rating agencies	p. 79-80	Art. 2 - 4°	N° 8	1.2	2.3 & 2.6, 2.2
COMPLIANCE WITHIN BNP PARIBAS	p. 81-86		N° 6 - N° 10	1.2 ; MA : SO/ SO4	2.3
SHAREHOLDER INFORMATION	p. 90-99				
HUMAN RESOURCES DEVELOPMENT	p. 100-126				
Group values underpinning hr management	p. 100	Art. 1 - 1°-a / 7°	N° 4, N° 5	4.8 ; MA : LA ; MA : HR	
Human Resources policy framework	p. 101-103	Art. 1 - 1°-a / 7°		2.5, 4.8, 2.8 ; MA : LA ; MA : HR/ HR 5 ; MA : LA/ LA1	
Key challenges of human resources management	p. 104				
Clearly identified operational challenges	p. 105	Art. 1 - 1°-a / 7°, Art. 1 - 1°b		MA : LA/ LA1/ LA2	
Recruitment processes that meet the specific needs of each business	p. 105-107			MA : LA/ LA1/ LA2	
Developing the skills of employees and teams	p. 107-109	Art. 1 - 1°-a / 7°, Art. 1 - 6°		MA : LA/ LA10-12	
Creating loyalty through a competitive remuneration package	p. 110-112		N° 1	MA : EC	
Dynamic career and mobility management	p. 112-113			MA : LA/ LA 2	
Promoting diversity in all its forms	p. 114-121	Art. 1 - 1°-a / 7°, Art. 1 - 3°	N° 1, N° 6	MA : LA/ LA 13-14 ; MA : HR/ HR 3-4 ; MA : EC/ EC 7	
Protecting employee health	p. 122-123	Art. 1 - 5°	N° 1	MA : LA/ LA 7-9	
High quality employer-employee relations	p. 124	Art. 1 - 4°	N° 1/N° 3	MA : LA/ LA 4 ; MA HR/ HR 5	
Deploying a global change management system	p. 125-126			4.14-4.17	
RELATIONS WITH CLIENTS AND SUPPLIERS	p. 127-137				
A closely-attuned relationship	p. 127-132	Art. 2 - 3°	N° 9	MA : EC/ EC1/ EC2 ; MA EN/ EN6 ; MA : SO/ SO1, MA : PR/ PR1/ PR3/ PR5	3.2, 2.3 & 2.6, 2.7
Socially Responsible Investment	p. 132-136	N° 9, N° 1/N° 2		MA : EC/ EC1/ EC2 ; MA : EN/ EN26 ; MA : HR	3.2, 2.7
Supplier relations	p. 137	Art. 1 - 9° & Al. 4	N° 1, N° 2, N° 9	MA : EC/ EC6 ; MA : EN ; MA : HR/ HR1 ; MA : PR/ PR1	3.2, 2.4, 2.7
IMPACT ON THE NATURAL ENVIRONMENT	p. 138-150				
Areas	p. 138-140	Art. 2 - 6° & 9°, Art. 2 - 1°	N° 7, N° 8	4.8 ; MA : EN/ EN 1/ EN 2/ EN 3/ EN 4/ EN 6/ EN 7/ EN 16/ EN 17/ EN 18/ EN 22	2.1, 2.4
Lever	p. 141-144	Art. 2 - 6° & 9°, Art. 2 - 1°	N° 7, N° 8	4.8 ; MA : EN/ EN 1/ EN 2/ EN 6/ EN 14 / EN 26	2.1, 2.4
Means of action	p. 145-150	Art. 2 - 6° & 9°	N° 1/N° 2, N° 8, N° 9	4.8 ; MA : EN/ EN 6/ EN 26 ; MA EC/ EC 2	2.1, 2.4, 2.2, 2.7
A PARTNER IN SOCIETY	p. 151-158				
A deep commitment to microfinance	p. 151-153	Art. 1 - 8°, Art. 1 - Al. 2, 3 & 5	N° 1, N° 6	4.8, 4.12-4.17 ; MA EC/ EC 8 / EC 9	
Community initiatives promoting integration and solidarity	p. 153-155	Art. 1 - 8°, Art. 1 - Al. 2, 3 & 5	N° 1, N° 6	4.8, 4.13-4.17	
BNP Paribas Foundation: imaginative and in touch with the world	p. 156-158	Art. 1 - 8°, Art. 1 - Al. 2, 3 & 5	N° 1, N° 6	4.8, 4.12, 4.14, 4.17 ; MA : EC/ EC 6	
THE BOARD OF DIRECTORS	p. 160-162				
REPORT OF THE CHAIRMAN	p. 165-190				
Corporate governance at BNP Paribas	p. 165-181		N° 6, N° 10	1.2, 3.1-3.7, 3.10-3.11, 4.1-4.7	2.3
Internal Control	p. 181-186		N° 6, N° 10	3.1-3.7 / 3.10-3.11, 4.6, 4.9-4.10	2.3
Limitation of the powers of the Chief Executive Officer	p. 186		N° 6	3.1-3.7	2.3
Internal control procedures relating to the preparation and processing of accounting and financial information	p. 186-190		N° 6	3.1-3.7, 3.13	2.3
STATUTORY AUDITORS' REPORT	p. 191			3.12-3.13	

\* The NRE appendices, pages 192 to 200, mention elements of the reporting.

\*\* MA : management approach defined in the guiding lines GRI G3 ; EC : Economy ; EN : Environment ;

IP : Responsibility regarding products ; LA : Employment, social relations and work ; HR : Human Rights ; SO : Company.

\*\*\* Statement of financial institutions on environment and sustainable development.

# 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><i>Avoir fiscal</i></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 <i>avoir fiscal</i> 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 <i>avoir fiscal</i> 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>BNL bc</b>	BNL banca commerciale (formerly Banca Nazionale del Lavoro).
<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>	<i>Comité des Établissements de Crédit et des Entreprises d'Investissement</i> : 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><i>Comité Consultatif des Actionnaires</i></b>	Shareholder Consultation Committee. A group of individual shareholders selected to advise the company on its communications targeted at individual shareholders. The BNP Paribas <i>Comité Consultatif des Actionnaires</i> 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 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>	Contracts 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>	A derivatives market.
<b>EURIBOR (European InterBank Offered Rate)</b>	The most commonly used money-market rate in the eurozone.
<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 (<i>Fonds Commun de Placement</i>)</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>FRB</b>	French Retail Banking.
<b>Free cash flow</b>	Cash available after financing operations and investments, available to pay down debt.

<b>Free float</b>	The amount of capital which is not under the control of stable shareholders. In other words, capital that can be freely bought and sold and is therefore available to investors, excluding for example shares held by the State, or shares that are subject to shareholders' pacts and so on. On 1 December 2003, the stocks that make up the CAC 40 index became weighted according to their free floats, as opposed to their market capitalisations. This change was born out of a desire to be consistent with the major world market indexes which already function in this manner, and to ensure greater comparability between industries and shares. BNP Paribas has a free float of 95% – one of the highest on the Paris stock market.
<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>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards.
<b>IFU (<i>Imprimé Fiscal Unique</i>)</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>Investment club</b>	A variable- or split-capital company, which enables its members to jointly manage a portfolio of marketable securities formed from an initial investment and/or regular capital contributions. Clubs benefit from a favourable regime in respect of capital gains tax. The FNACI (National Federation of Investment Clubs), which is located at 39, rue Cambon, 75001 Paris, provides on request all the information required for the launching and smooth running of these clubs.
<b>IRFS</b>	International Retail Banking and Financial Services. Abbreviation replaced by IRS in 2008.
<b>IRS</b>	International Retail Services. Abbreviation that replaces IRFS.
<b>ISIN code</b>	The new identification number for securities listed on the stock market. The ISIN code replaces the well-known Sicovam code which had since become the Euroclear code. On 30 June 2004, Euronext Paris put an end to its existing system for identifying securities and replaced it with a system that uses ISIN codes. Having already been adopted by a number of European stock markets including Amsterdam, Brussels, Lisbon and Frankfurt, the new system gives a unique identity to each share and therefore facilitates cross-border transactions between investors, primarily by improving harmonisation within Euronext. The ISIN code comprises 12 characters: 2 letters to indicate the issuing country (e.g., FR for France and US for the United States) and 10 figures. BNP Paribas's ISIN code is FR0000131104.
<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 contracts</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 (<i>Marché d'Options Négociables de Paris</i>)</b>	Paris traded options market, including CAC 40 index options and equity options.
<b>OAT (<i>Obligation Assimilable du Trésor</i>)</b>	French government bonds.
<b>OCEANE (<i>Obligation Convertible en Actions Nouvelles ou Existantes</i>)</b>	Bond convertible for new shares or exchangeable for existing shares of the issuer.
<b>OPA (<i>Offre Publique d'Achat</i>)</b>	French acronym for a public tender offer for cash.
<b>OPE (<i>Offre Publique d'Échange</i>)</b>	French acronym for a public stock-for-stock tender offer.
<b>OPF (<i>Offre à Prix Fixe</i>)</b>	French acronym for a public offering of securities at a set price.
<b>OPR (<i>Offre Publique de Retrait</i>)</b>	French acronym for a compulsory buyout offer (final stage in a squeeze-out).
<b>OPRA (<i>Offre Publique de Rachat d'Actions</i>)</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 (<i>Offre Publique de Vente</i>)</b>	French acronym for a public offering of securities at a set price.
<b>ORA (<i>Obligation Remboursable en Actions</i>)</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 (<i>Plan d'Épargne en Actions</i>)</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 (<i>Plan d'Épargne Entreprise</i>)</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.

<b>Pre-emptive subscription rights</b>	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.
<b>Preference shares</b>	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.
<b>Price guarantee</b>	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.
<b>Primary market</b>	Market where newly-issued securities are bought and sold.
<b>Prime brokerage</b>	Activity consisting of providing a wide range of services to hedge funds, including financing, securities settlement/delivery, custody, securities lending/borrowing, etc.
<b>Public tender offer</b>	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».
<b>Quorum</b>	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".
<b>Quotation</b>	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.
<b>Rating/rating agencies</b>	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.
<b>Report</b>	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.
<b>ROE</b>	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>Settlement</b>	Monthly date when transactions with deferred settlement (Service de Règlement Différé) are unwound (or extended). This date corresponds to the fifth trading day before the last trading day in the month.
<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, stockbroker or other accredited intermediary (bearer shares). Shares quoted on the stock exchange are also referred to as "equities".
<b>SICAV (<i>Société d'Investissement à Capital Variable</i>)</b>	Variable capital investment company that manages a portfolio of securities on behalf of its shareholders. 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> ( <i>Société Interprofessionnelle pour la Compensation des Valeurs Mobilières</i> )	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</b> ( <i>Spécialiste en Pension des Valeurs du Trésor</i> )	Primary dealer in French government bond repos.
<b>SRD</b> ( <i>Service de Règlement Différé</i> )	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 to the next settlement date (report).
<b>Subscription right</b>	Right to participate in a share issue for cash.
<b>TBB</b> ( <i>Taux de Base Bancaire</i> )	Interest base rate.
<b>TMO</b> ( <i>Taux Mensuel de Rendement des Emprunts Obligataires</i> )	Interest rate corresponding to the monthly bond yield.
<b>TPI</b> ( <i>Titre au Porteur Identifiable</i> )	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 Centres 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</b> ( <i>Titre Subordonné à Durée Indéterminée</i> )	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.
<b>Warrant</b>	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.
<b>Work flow</b>	Process automation technology allowing the sequential transmission of digital documents and files to the various people responsible for processing the data.
<b>Yield</b>	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.



Ref.: DD 08.02

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