



BNP PARIBAS

# BNP Paribas in Greater China

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Mignonne Cheng

Head of North Asia

Press Conference celebrating 50 years in Hong Kong

*8 April 2008*





# A Longstanding Presence

- **Hong Kong**

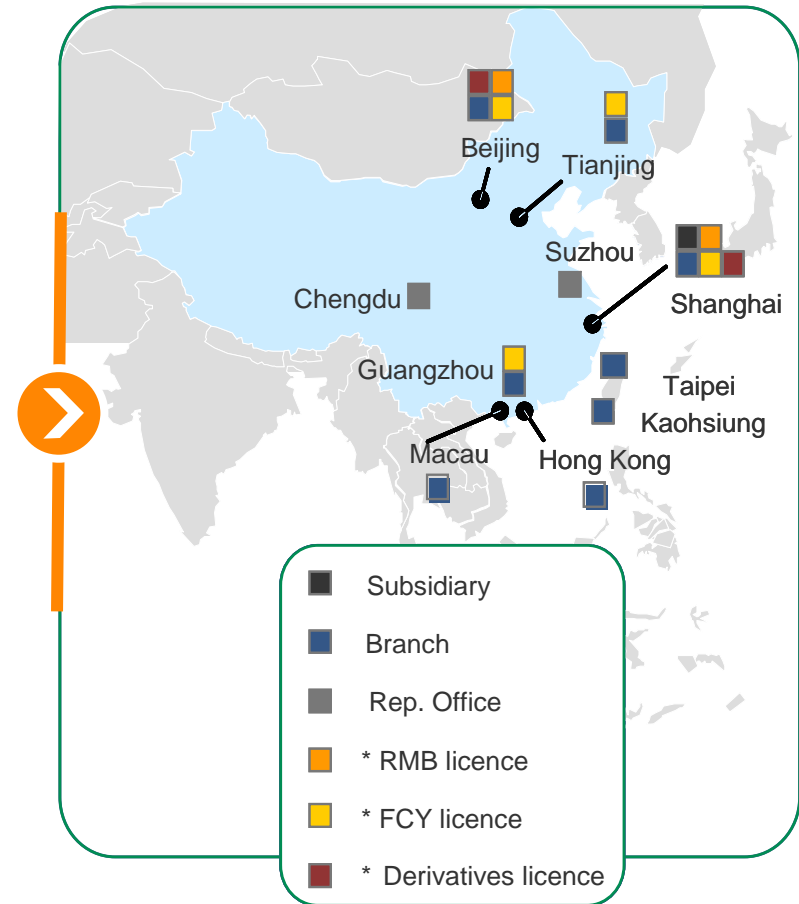
- 58': Hong Kong branch
- ➔ **A Half Century Presence**

- **China**

- 80': Beijing representative office
- 93': Tianjin branch
- 95': Guangzhou branch
- 97': Beijing & Shanghai branches
- 03': BNPP (China) Limited

- **Taiwan**

- 81': Taipei representative office
- 84': Taipei branch
- 91': Kaohsiung branch



**In Greater China, BNP Paribas is organized around the dynamic regional hub of Hong Kong**



# An Aggressive Development Over Decades

## Corporate & Investment Banking

- Well-established and fully operating platforms in Hong Kong, China and Taiwan, with significant workforce
- Leading expertise and wide range of product offering in capital markets, advisory and financing businesses
- Extensive client franchise with more than 1,100 corporate and financial institution relationships across Greater China

## Asset Management & Services

- Strong presence in Greater China with BNPP Private Banking, BNPP Investment Partners and Cardif
- BNPP Private Banking won top Asia rankings in 2007 and is beefing up its business in Shanghai launched in 2006
- BNPP Investment Partners is present in HK and Taiwan, as well as in China through its asset management JV

## International Retail & Financial Services

- BNP Paribas is a strategic investor in Bank of Nanjing (acquired a 19.6% stake in 2005, representing 12.6% after IPO dilution in 2007)
- Cetelem created a processing service company in Shanghai (2005) and is focusing on the partnership with Bank of Nanjing
- Bank of the West recently opened a representative office in Taipei (2007)

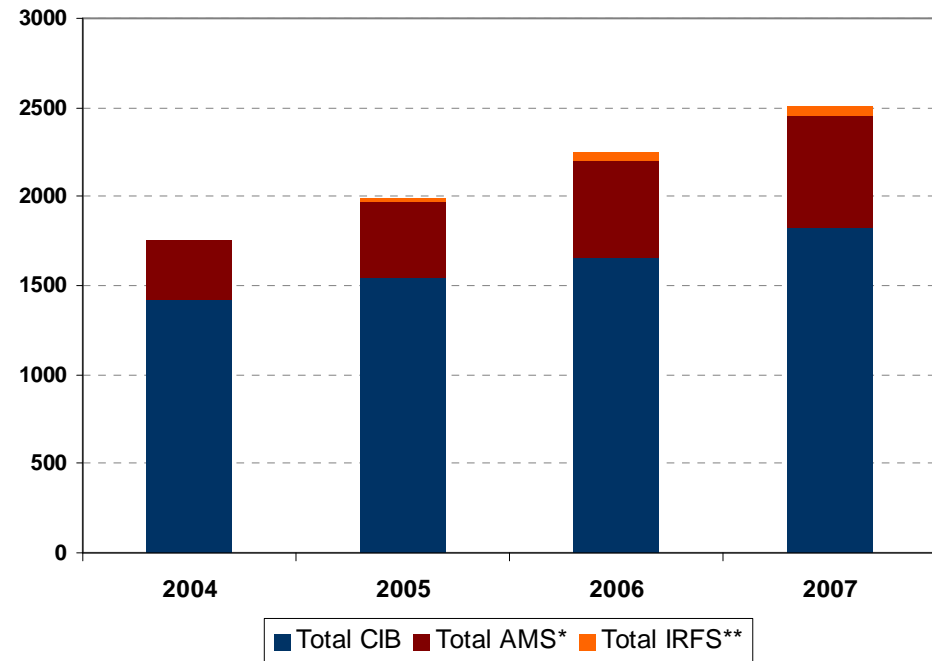
**Aggressive development over the last decades, building at the same time our 3 core businesses: CIB, AMS and IRFS**



# A Significant Workforce

- Our Hong Kong presence now represents one of the most important platforms of the Group outside Europe
- Our China teams are quickly beefing up with an increasing shift from offshore to onshore based headcounts
- Onshore China headcount is expected to more than double in 3 years time

## Headcounts in Greater China (CIB, AMS & IRFS)



\* Excluding BNP Paribas Asset Management JV staff and Cardiff telemarketing resources

\*\* Excluding Cetelem's alliance staff with Bank of Nanjing

**With more than 2500 staff at the end of 2007,  
BNP Paribas is beefing up its teams in Greater China**



**BNP PARIBAS**

# An Extensive Client Franchise & Strong Coverage

- **Corporates**

- Hong Kong: top-ranking positions with all blue-chip names and mid-caps
- Taiwan: top tier firms
- China: from SOEs (State Owned Enterprises) to POEs (Privately Owned Enterprises); upper mid-caps
- Multinational corporates: BNP Paribas regional and global client base

- **Financial Institutions**

- Top-tier regional banks and insurance companies
- Wealth management firms, private banks
- Asset managers, pension funds

- **Wealthy individuals & entrepreneurs:** Private Banking

- **Hong Kong tycoons & family groups:** Premium Group

**Strong coverage teams who handle multiple relationships with Corporates, Financial Institutions and wealthy individuals**



# A Wide Product Offering & Leading Expertise

## ● Capital Markets – Fixed Income and Equities & Derivatives

- Best Overall Provider of FX services (as voted by Financial Institutions) – Asiamoney 2007 & 2006
- Best Investment Grade Bond of the year – Asiamoney 2007
- Derivatives House of the Year, Asia ex-Japan – AsiaRisk 2007
- Credit Derivatives House of the Year Asia – AsiaRisk 2007
- Deal of the Year – AsiaRisk 2007
- #1 Derivatives Dealer in Asia, Interdealer Poll Survey (as voted by Financial Institutions) – AsiaRisk 2007
- #1 Interest Rate Derivatives (Asia ex-Japan), Interdealer Poll Survey (as voted by Financial Institutions) – AsiaRisk 2007
- #1 Currency Derivatives (Asia ex-Japan), Interdealer Poll Survey (as voted by Financial Institutions) – AsiaRisk 2007
- #1 Credit Derivatives (Asia ex-Japan), Interdealer Poll Survey (as voted by Financial Institutions) – AsiaRisk 2007
- #1 Best Asian Sovereign or Quasi-Sovereign Bond – EuroweekAsia Awards 2007
- #1 Best Asian Financial Institution Bond – EuroweekAsia Awards 2007
- #3 Best Asian Bond as voted by leading investors in Asian international bonds – EuroweekAsia Awards 2007
- Most Impressive Asian Borrower – EuroweekAsia Awards 2007
- Best Credit Derivatives Provider in Asia in 2007 – Global Finance 2007 & 2006
- Best FX and Commodities Structured Product (Dragon Swap) – FinanceAsia 2007

**Our ability to offer a full range of products enables us to provide total solutions to our clients and enhance cross-selling**



# A Wide Product Offering & Leading Expertise

## ● Corporate Finance

- Rising Star Equity House in Capital Markets Equity – Asset Asian Awards 2007
- Best Mid-Cap IPO, Asia, Nine Dragons Paper – Asset Asian Awards 2006
- Best Mid-Cap Equity House for 4 consecutive years since 2003 to 2006 – Asset Asian Awards
- Best Mid-Cap deals in 5 consecutive years since 2002 – Asset Asian Awards
- Best Mid-Cap Equity House for 3 years between 2003 to 2005 – FinanceAsia Awards

## ● Financing businesses

- # 1 Top Bookrunner in Asia Shipping financing – Dealogic 2007
- # 1 Top Mandated Lead Arranger in Asia for ECA-Backed Financing – Dealogic 2007
- #1 Deal of the Year – Westfarmers – EuroweekAsia Awards 2007
- #3 Most Popular Bank to Work With – EuroweekAsia Awards 2007
- #3 Best Arranger of Loans for Vietnamese Borrowers – EuroweekAsia Awards 2007
- #3 Asia-Pacific & Japan, M&A Top Bookrunner – International Financing Review 2007

## ● Private Banking

- # 1 Best Global Private Bank in Asia (for clients with USD 1-5mio AUM) – Asiamoney 2007
- # 2 Best Global Private Bank in Asia (for clients with USD 5-25mio AUM) – Asiamoney 2007
- # 3 Best Global Private Bank in Asia (for clients with USD 25mio+ AUM) – Asiamoney 2007
- Outstanding Private Bank for Innovation of Products/Services – Private Banker International 2007

**Our ability to offer a full range of products enables us to provide total solutions to our clients and enhance cross-selling**



# A Great Ambition for the Region

**Greater China is a key area of growth with unrivalled opportunities**

**We are totally committed to the region and well positioned to successfully capture these opportunities**

**Focus on organic growth, foster human resources, boost client franchise and enhance product offering**

**Target: Double Greater China revenues in 3 years' time, while tripling China revenues in the same period**





BNP PARIBAS

# BNP Paribas

## Well Positioned to Weather the Crisis

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**Baudouin Prot**

Chief Executive Officer

Press Conference celebrating 50 years in Hong Kong

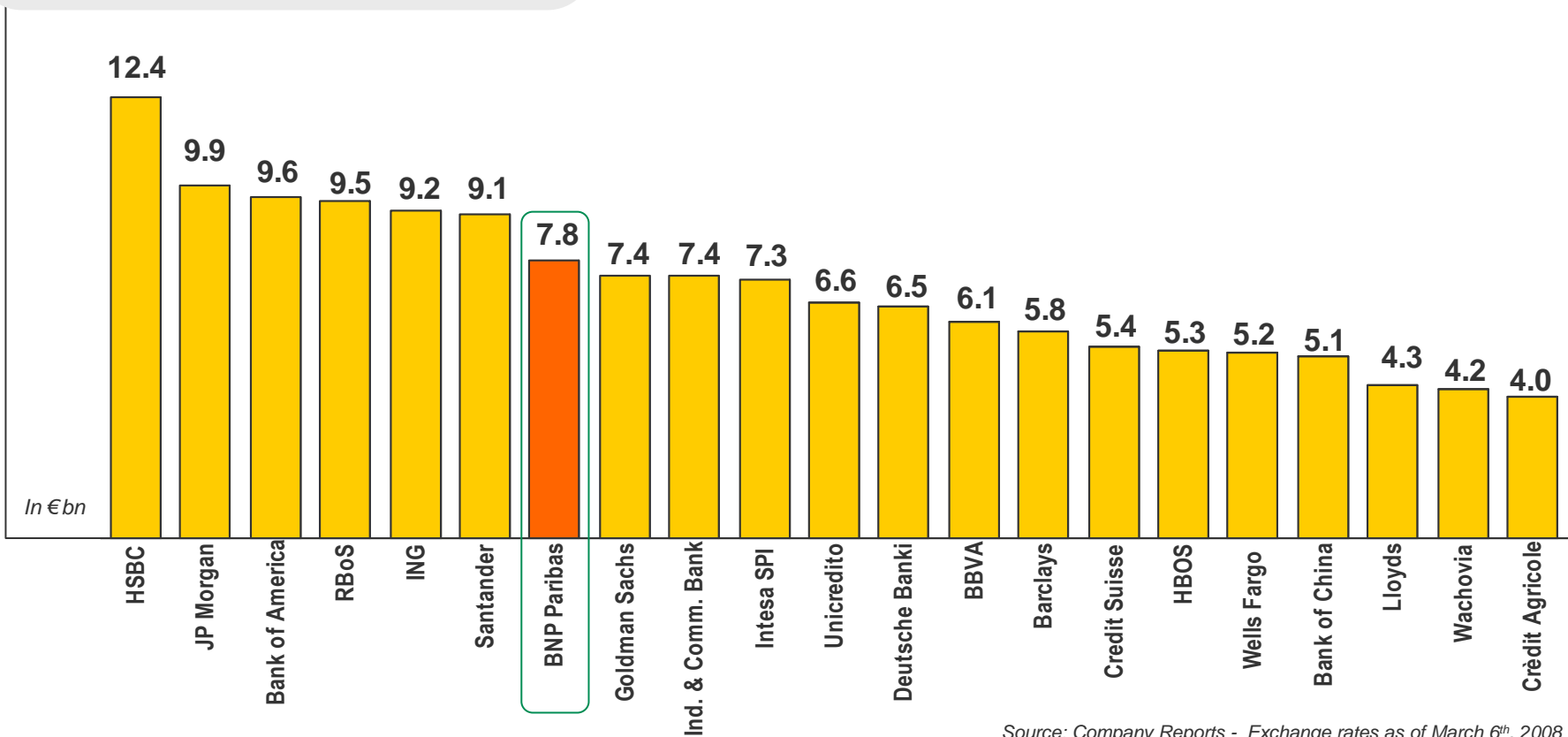
*8 April 2008*





# BNP Paribas A European Leader With a Global Reach

2007 Net Income  
Top banking groups worldwide

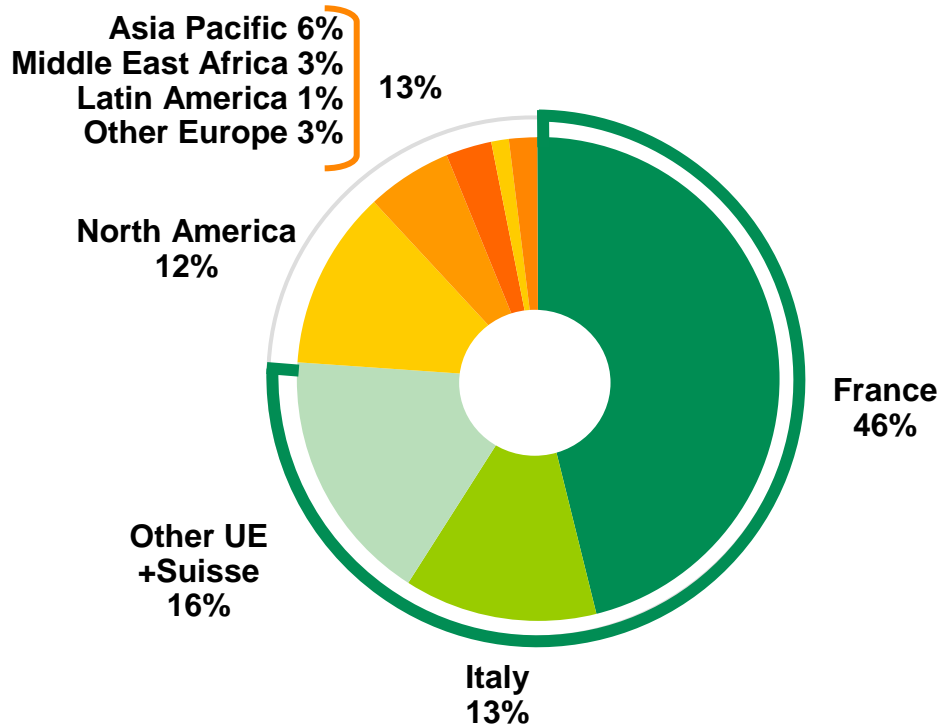


Source: Company Reports - Exchange rates as of March 6<sup>th</sup>, 2008

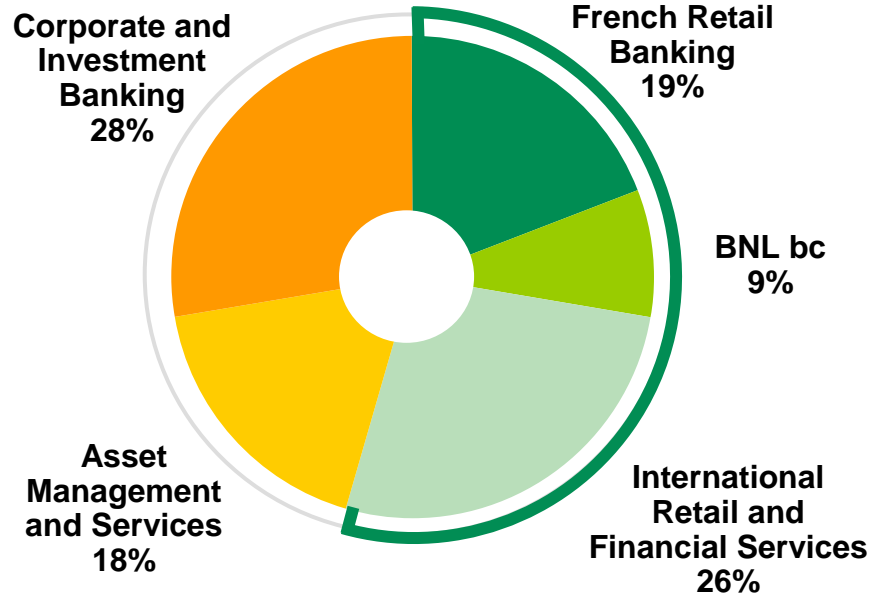
**# 7 net income worldwide in 2007 : € 7.8 bn (+7.0%/2006)**

# BNP Paribas A European Leader With a Global Reach

**2007 Revenues**  
(core businesses)

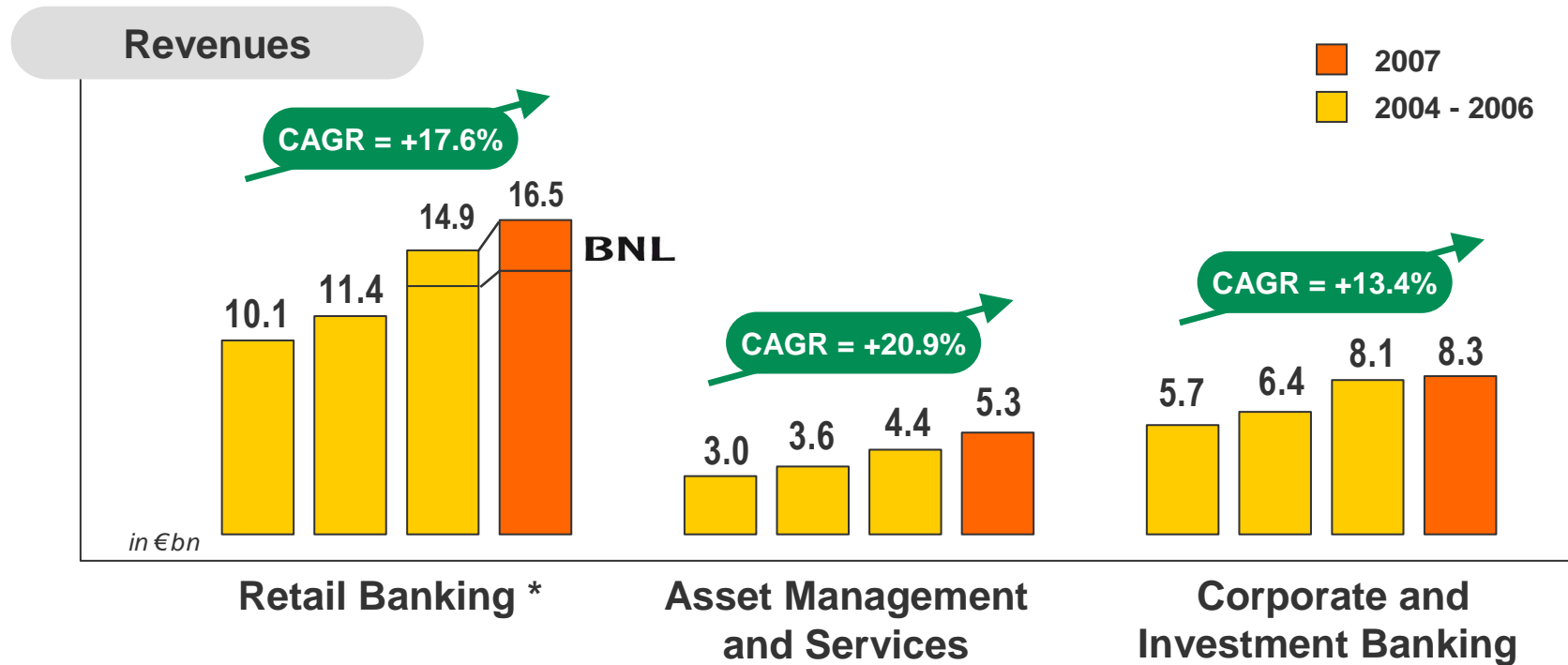


**Europe 75%**



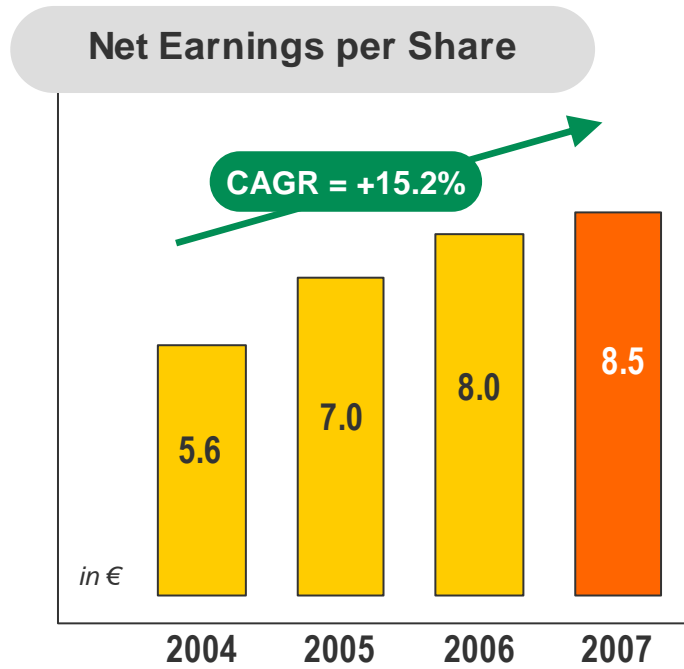
**Retail 54%**

# Strong Revenue Growth Across All Businesses

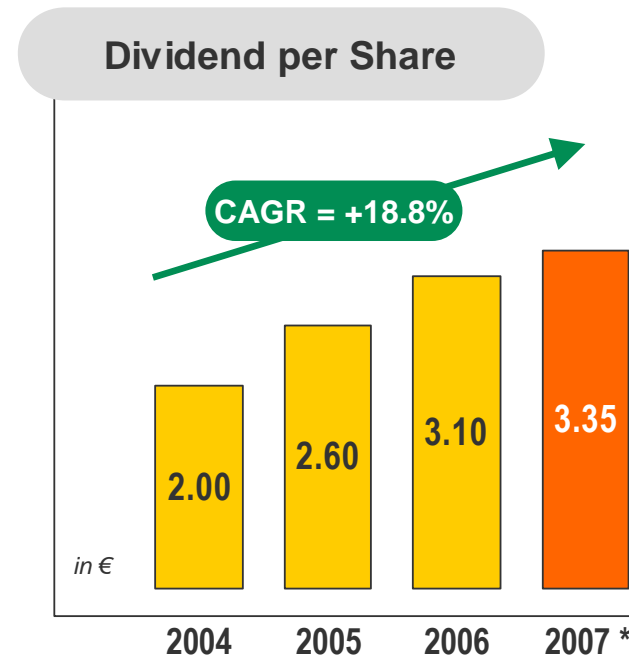


**1/2 Retail, 1/3 CIB and 1/6 AMS**

\* FRB including 100% of French Private Banking and excluding PEL/CEL effects; BNL bc including 100% of Italian Private Banking



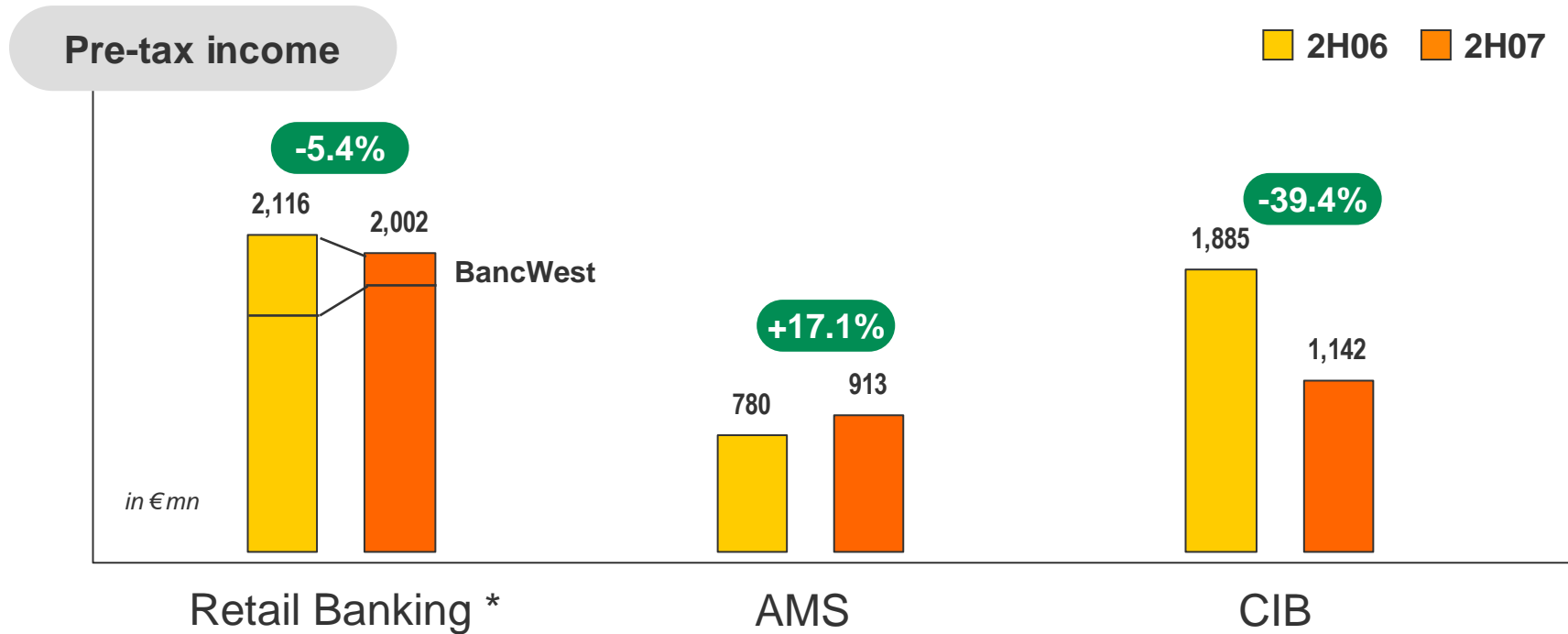
*Undiluted net EPS calculated based on the average number of shares outstanding*



*\* Subject to AGM approval*

**A track record of value creation**

# A Robust Model in the Face of the Crisis



- Retail Banking Pre-tax income excluding BancWest : +11.5% 2H07/2H06

**Positive contribution from all core businesses in 2H07**

- Direct impact of the Crisis on the cost of risk

- Net increase in the loan loss reserve on a portfolio basis (IFRS) related to individual customer loans and Home Builders
- Impairment charges on the investment portfolio (mainly on subprime mortgage securities)

2H07

-€87mn

-€131mn

€218mn  
total impact on  
cost of risk

- Net exposure to US Subprime

- 1% of the individual customer loan portfolio
- 1% of the investment portfolio
- No subprime asset wrapped by monoline insurers

<i>in €bn as at 31/12/07</i>		Net exposure
<i>First Mortgages and Home Equity Loans</i>		0.1
<i>Consumer Loans</i>		0.1
<i>Investment portfolio <sup>(1)</sup></i>		0.1
<b>Total BancWest</b>		<b>0.3</b>

**A prudent lending policy**

<sup>(1)</sup> Exposure net of impairment charges

### Revenues

- Fair value adjustments to assets
  - LBO underwriting commitments:
  - Securitisation:
- Rise in credit adjustments related to the counterparty risk on the derivatives portfolio
  - Monoline insurers:
  - Excluding monoline insurers:

2H07

▶ -€238mn

▶ -€88mn

▶ -€468mn

▶ -€57mn

€851mn  
total impact on  
revenues

### Cost of risk

- Increase in loan loss reserve related to the US real estate sector
- Write-off of the residual exposure on the monoline insurer ACA

▶ -€162mn

▶ -€44mn

€206mn  
total impact  
on cost of  
risk

**A positive €1,142mn CIB pre-tax income in 2H07  
despite the crisis**





# BNP Paribas A Stringent Risk Management Culture

- A long-term approach of customer relations and risk management
  - Business focus on long term customer relationships
  - A banking risk approach focusing on economic fundamentals
  - A formal operational risk management policy since 2003
- A committed management
  - A committee within the Board of Directors dedicated to internal control and risks set up from 1994
  - Committees chaired by General Management to set risk policies and limits
  - Front-line management's involvement at all levels in risk management
- Powerful and independent oversight functions
  - Group Risk Management, Compliance and Internal audit: 2,480 staff at the end of 2007, +21%/2005
  - Best-in-class technical expertise combined with highly experienced management

**Close attention paid to the risk/reward balance  
through the cycle**



# A Favourable Liquidity Situation

## Evolving Needs

- No reliance on securitisation
  - €13.3bn in cash securitisation as at 31/12/07
- Limited exposure to conduits
- No sponsored SIV
- Sustainable loan/deposit ratio
  - 128% at the end of 2007 vs. 132% at the end of 2006
  - With 13% loans growth in 2007



## Evolving Resources

- Strong capacity to source resources
  - Very large customer base, diversified by currency and geographic region
  - Allowing limited recourse to the interbank market
- Access facilitated by a AA+ rating



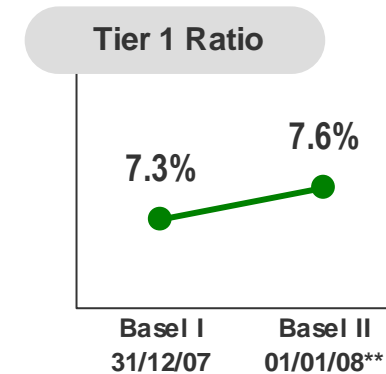
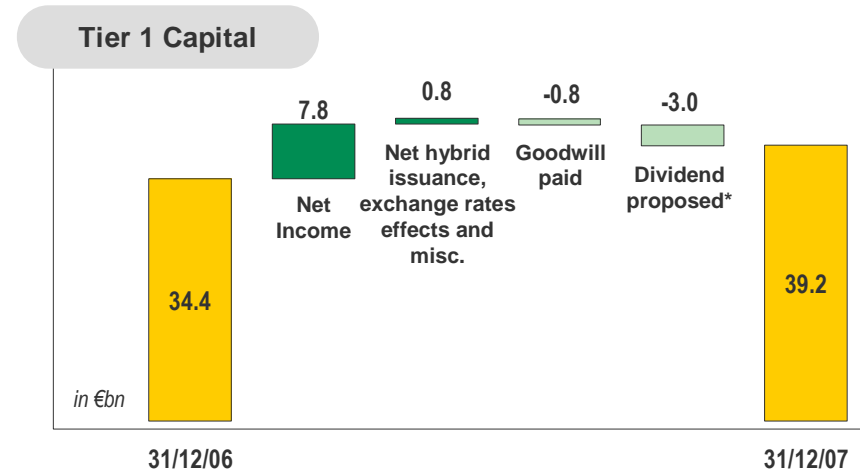
## Very limited impact on the refinancing cost in 2007

- Funds raised generally below the market price
- Centralised treasury management framework to optimise volumes and conditions
- Proactive crisis management helping to further improve the position

**A major competitive advantage**



- Increasing capital base thanks to strong earnings flows
  - Priority on growing the dividend
- Around 10% RWA growth planned in 2008 (vs. +16% in 2007)
  - Strong customer demand in Europe and Emerging markets
  - Competitive position further enhanced
- Maintain stringent external growth discipline
  - Maintain stringent valuation criteria
  - Geographic and business priorities unchanged
- Capital strength reinforced under Basle II
  - 2008: a year to observe the new ratio's dynamics

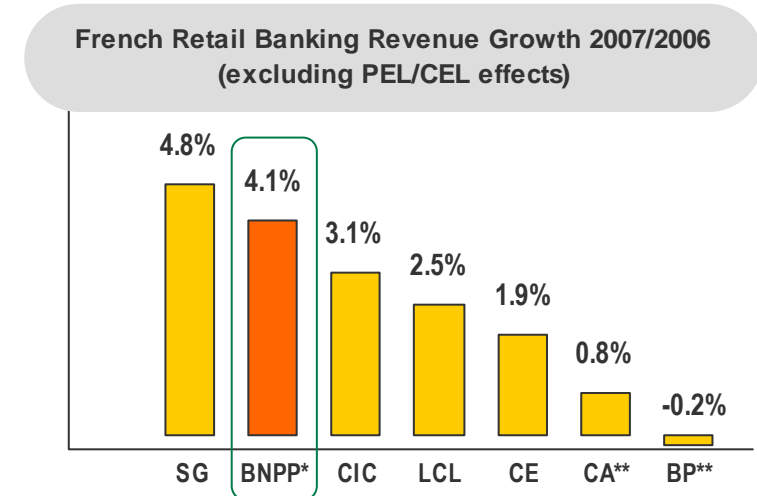
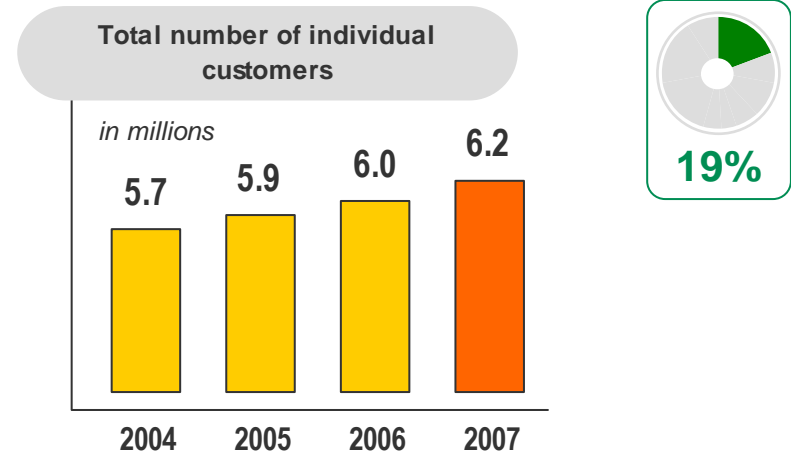


**Well positioned to combine growth and shareholder's capital preservation in the face of the crisis**



# French Retail Banking Outperforming in a Highly Competitive Market

- A growing market share focused on the more profitable urban areas
  - Record customer acquisition : +230,000 in 2007
  - A leader in product innovation and multichannel distribution : >10% of sales via Internet by 2010
  - N°1 in Private Banking : grow assets under management by more than 10% per year
  - Corporate customers: leverage a unique business model in France to foster cross selling
- A favourable age pyramid to optimise costs
- A low risk business model
  - Prudent mortgage practices: essentially fixed-rate, guaranteed either by Crédit Logement, a specialised mortgage agency, or by a mortgage on the property
  - Effective corporate risk management thanks to the business centre organisation



**Revenue growth target: +4%\*/year on average over the next 3 years**  
**Operating leverage target: 1 pt per year positive jaws effect**

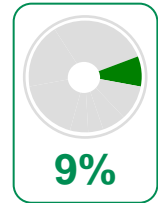
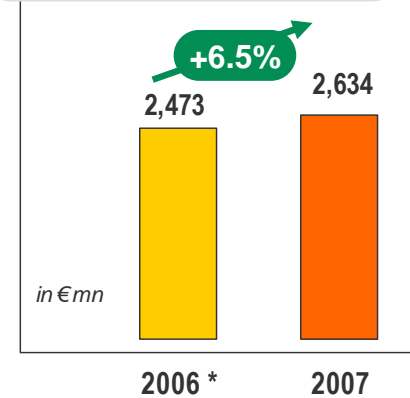
\*Excluding PEL/CEL effects, with 100% of French Private Bank; \*\* Restated excluding dividends



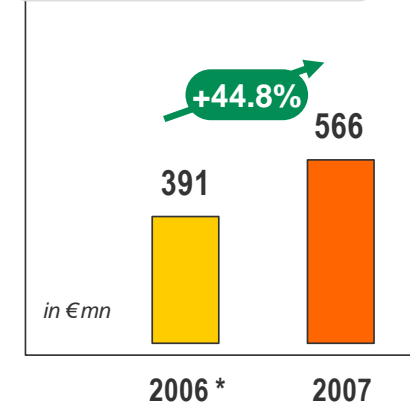
# BNL banca commerciale A Major Contributor to Group's Earnings Growth

- Italy: an attractive banking market
  - Low growing economy, but still under-penetrated market
  - Higher margins/ higher risk
  - Sound mortgage practices, similar to France
- BNL: an attractive franchise
  - Nationwide presence with strong footprint with corporates
  - Integration ahead of schedule : 70% of 2009 synergies achieved
- Leverage the Group's expertise and economies of scale
  - Individual customers: roll out a multi-channel offering unparalleled in Italy
  - Corporate customers: become the benchmark bank in Italy thanks to a best-in-class CIB platform and a leading position in the Mediterranean area

BNL bc Revenues



BNL bc Pre-tax



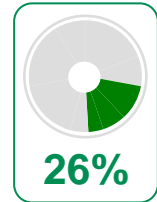
**Revenue growth target: +6% per year on average over the next 3 years**  
**Operating leverage target: 5 pts per year positive jaws effect**



# International Retail Banking & Financial Services Strong Drive for New Customers

- Grow the Customer Base through branch banking and specialized finance

- Won 1.5 million new customers in 2007 in the retail banking networks
- Acquired in 2007 Sahara Bank in Libya and consumer lending companies in Brazil and Bulgaria
- Open 600 branches by 2010 to bring the total branch network to 2,600
- Win over 20 million new customers, including close to 6 million in branch banking by 2010

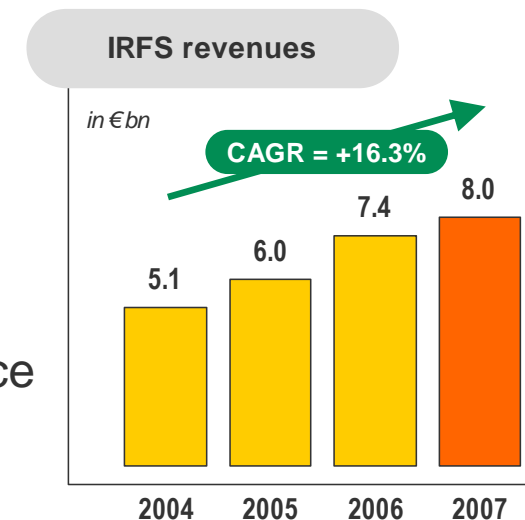


- Improve the operating efficiency

- Share platforms and reduce their number
- Make the tools used by the specialised companies available to the networks (France, Italy, emerging markets)

- Cost of Risk on the rise at BancWest and Personal Finance

- €218mn direct impact of the crisis for BancWest in 2H07
- Impact of consumer credit volume growth in emerging markets and increasing risk in Spain



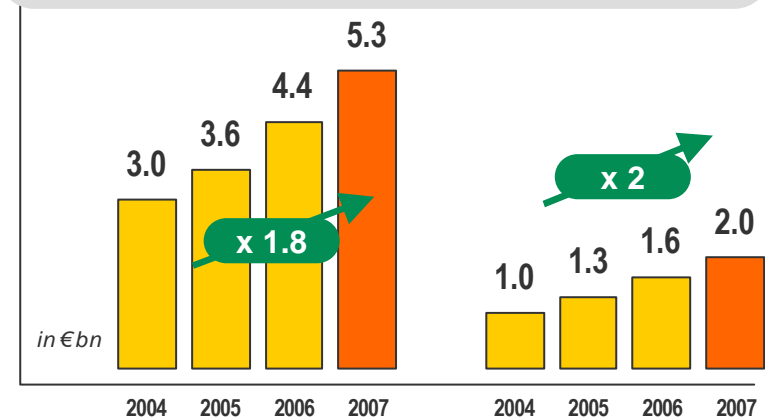
**Revenue growth target: +10%/year on average over the next 3 years**  
**1/3 of revenues in emerging markets by 2010**  
**Operating leverage target: 1 pt per year positive jaws effect on average**



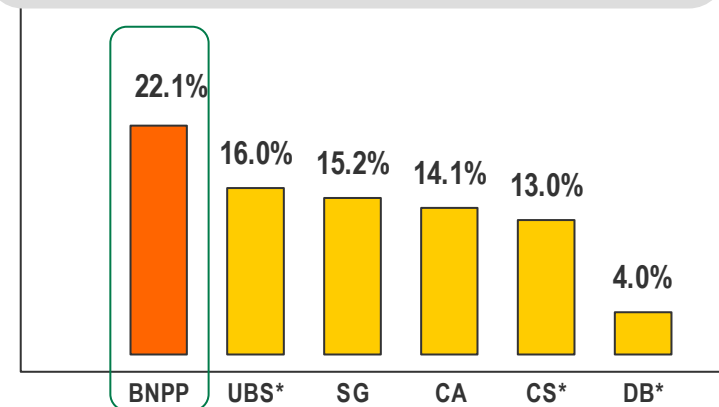
# Asset Management & Services Strong Revenue and Profitability Drive

- Assets under management: €584bn as at 31.12.2007, +€44bn, or +8%/31.12.06
  - Individuals represent 62% of assets under management
- Recognised expertise in all business areas
  - #1 for Private Banking in France
  - #1 for Securities Services in Europe
  - #1 for Corporate Real Estate Services in Continental Europe
- Continue to outperform
  - Multiple distribution channels
  - Comprehensive, open and modular product offering
- Accelerate international expansion
  - Europe: continue to grow market shares (on-shore and off-shore)
  - Double the share of revenues in emerging markets from 5% in 2007 to 10% in 2010

Annual revenues and pre-tax income



AMS GOI growth 2007/2006

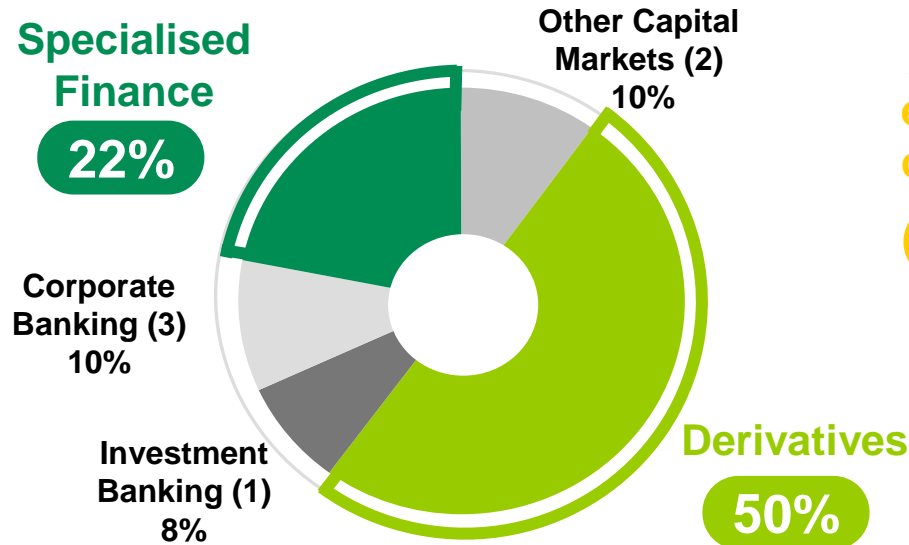


**Assets under management: +10%/year on average over the next 3 years**  
**Gross operating income growth target: +10%/year for the next 3 years**

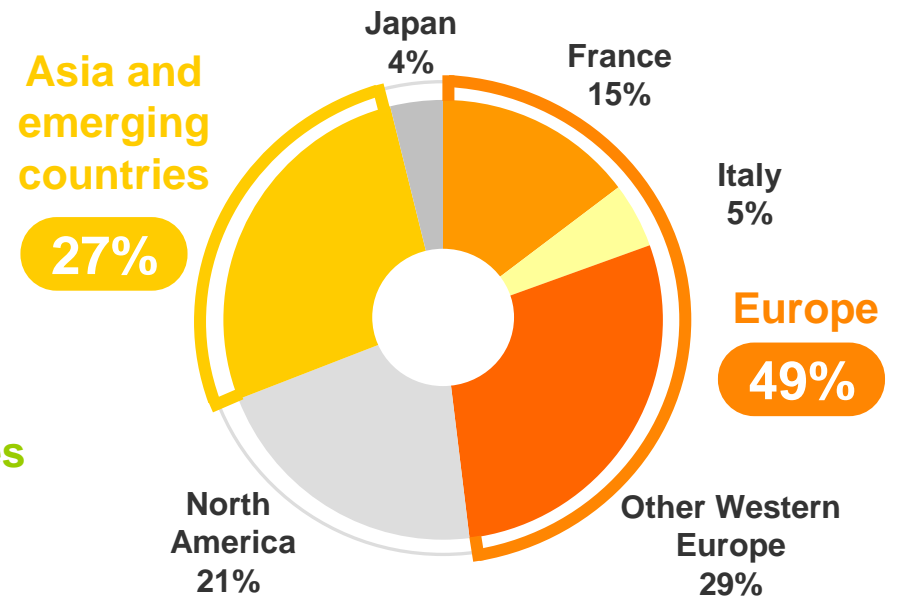


# Corporate and Investment Banking Favourable Business and Geographic Mix

2007 Revenues



2007 Client revenues



- Strong derivatives franchise
- High added-value financing businesses
- Less than 10% of revenues in businesses most hit by the crisis (Structured credit derivatives, Securitisation, LBO Origination)

- Bolstered leadership in Europe
- Growing contribution from client revenues in Asia and in emerging markets
- Targeted development in the U.S. based on areas of expertise : Equity and int. rate derivatives, E&C financing

**Focus on competitive advantages in key areas of expertise**

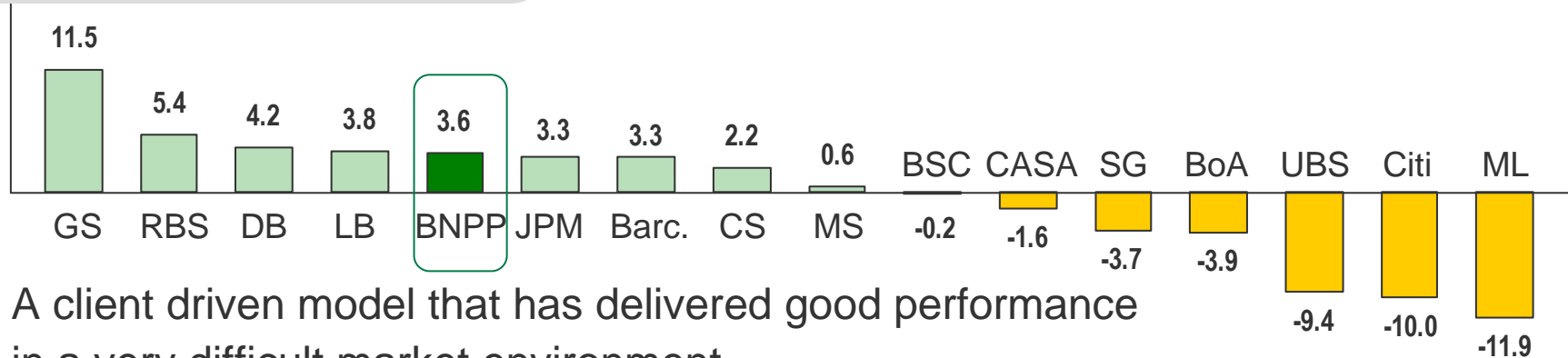
(1) Investment Banking: ECM, DCM, M&A, Securitisation; (2) Other Capital Markets: spot and forward FX, cash rates & credit, Asia cash equities, Treasury ; (3) Corporate Banking: vanilla lending, cash management, and Global Trade services 24





# Corporate and Investment Banking Robust Model in the Face of the Crisis

2007 CIB Pre-tax Income (in €bn)

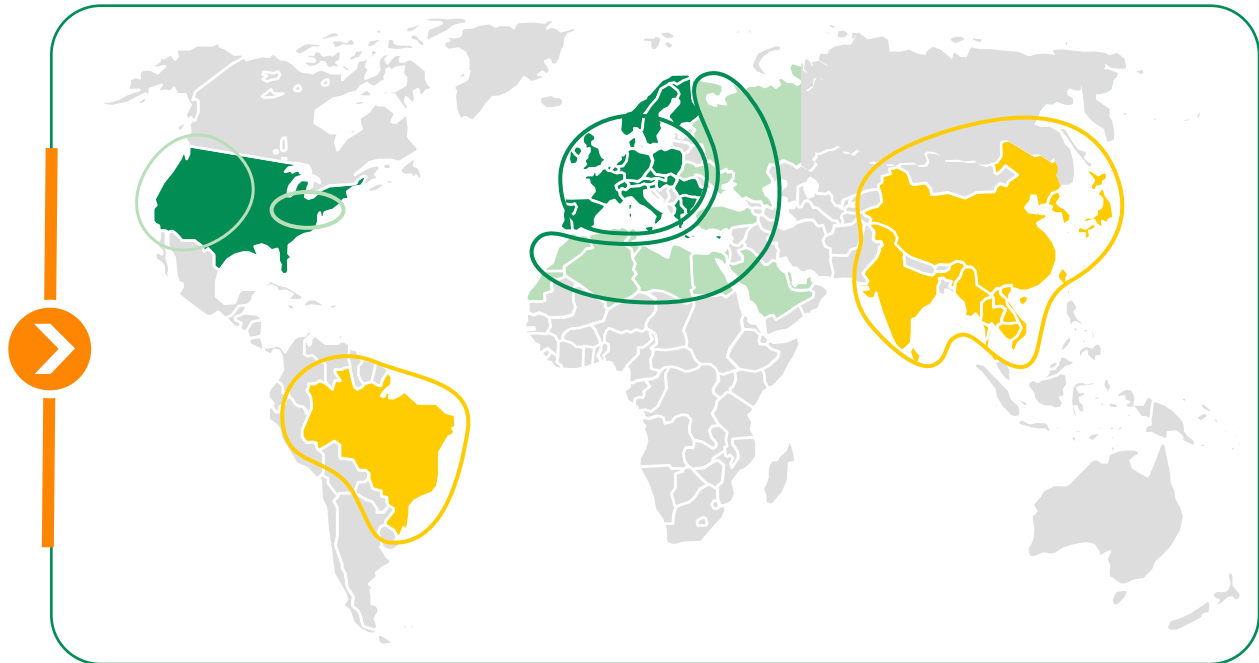


- A client driven model that has delivered good performance in a very difficult market environment
- Pursue the powerful client business drive and expand the client base
  - Europe: step up penetration in domestic markets and in particular in Italy
  - Asia and emerging markets: capitalise on already strong positions in these fast-growing regions
  - Financial Institutions: reinforce coverage of financial and institutional clients
- Leverage and improve competitive position
  - Capacity to lend, but at better margins
- Maintain the risk control policy

**2008 challenging target: match 2007's record revenues**  
**Sustain a yearly cost/income ratio <60%**

# An Ambitious Growth Strategy

- Pursue the deployment of the integrated banking model in Europe
- Speed up the pace of development in the Mediterranean and Far Eastern Europe
- Capitalise on already strong positions in Greater China, India and Brazil
- Return to revenue growth in the Western US retail network
- Reinforce the global leadership in derivatives and energy and commodities finance



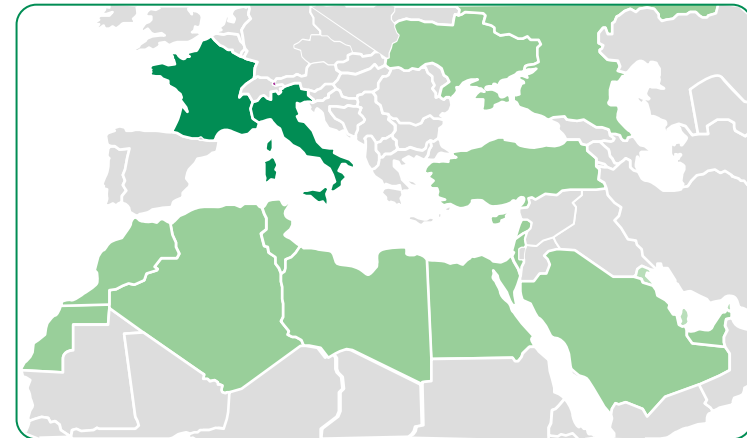
**Expertise deployed in high potential markets**



# An Ambitious Growth Strategy Emerging Markets

## Mediterranean and Far Eastern Europe

- Expand retail banking by drawing on geographic and cultural proximity with Europe
- Deploy with Group's integrated model
- Capitalise on CIB's presence (in particular energy and commodities finance)



## Brazil – India – Greater China

- Focus on AMS' and CIB's businesses as well as consumer lending (Brazil)
- A member of the Executive Committee, strategic sponsor of business development in each country



**In 3 years, double the revenues in emerging markets  
to reach 15% of the Group's revenues**



**A growth strategy  
that proved its resilience in 2007**

**Powerful franchises combined with a solid financial structure**

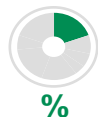
**Well positioned to weather the crisis**



*This presentation includes forward-looking statements based on current beliefs and expectations about future events. Forward-looking statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future events, operations, products and services, and statements regarding future performance and synergies. Forward-looking statements are not guarantees of future performance and are subject to inherent risks, uncertainties and assumptions about BNP Paribas and its subsidiaries and investments, developments of BNP Paribas and its subsidiaries, banking industry trends, future capital expenditures and acquisitions, changes in economic conditions globally or in BNP Paribas' principal local markets, the competitive market and regulatory factors. Those events are uncertain; their outcome may differ from current expectations which may in turn significantly affect expected results. Actual results may differ materially from those projected or implied in these forward-looking statements. Any forward-looking statement contained in this presentation speaks as of the date of this presentation: BNP Paribas undertakes no obligation to publicly revise or update any forward-looking statements in light of new information or future events.*

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Share of the businesses as a % of 2007 total core businesses revenues