



BNP PARIBAS

# BNP Paribas

Well Positioned to Weather the Crisis

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Baudouin Prot

Chief Executive Officer

Morgan Stanley Conference, London

*1 April 2008*

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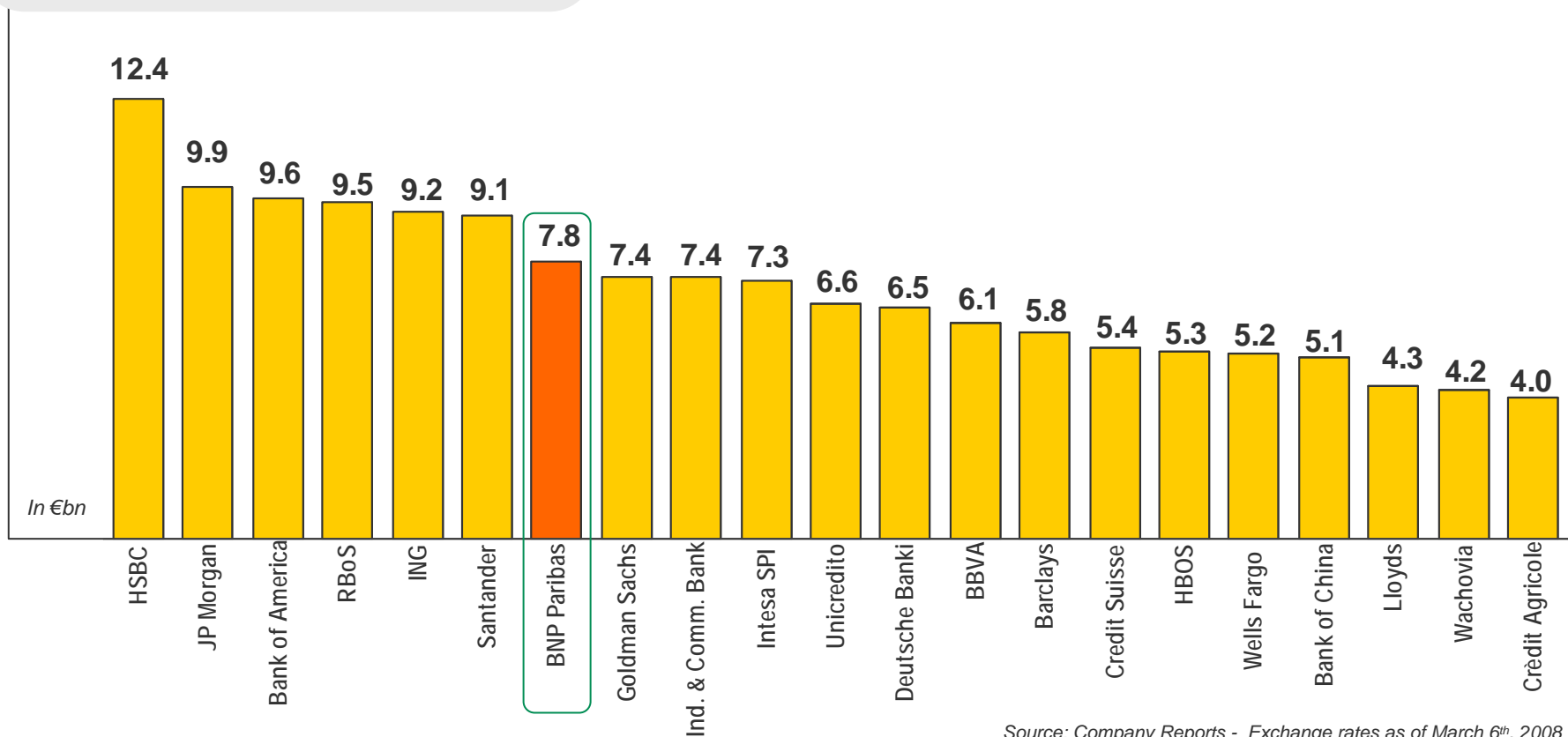
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Share of the businesses as a % of 2007 total core businesses revenues

# BNP Paribas A European Leader With a Global Reach

2007 Net Income  
Top banking groups world-wide

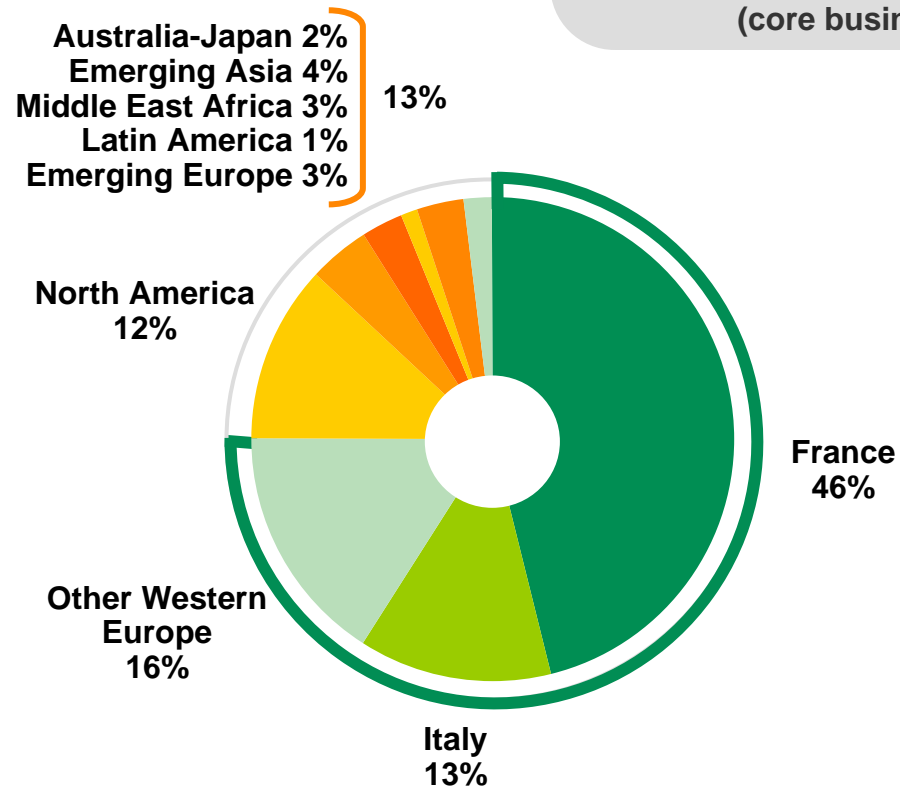


**# 7 net income worldwide in 2007 : €7.8 bn (+7.0%/2006)**

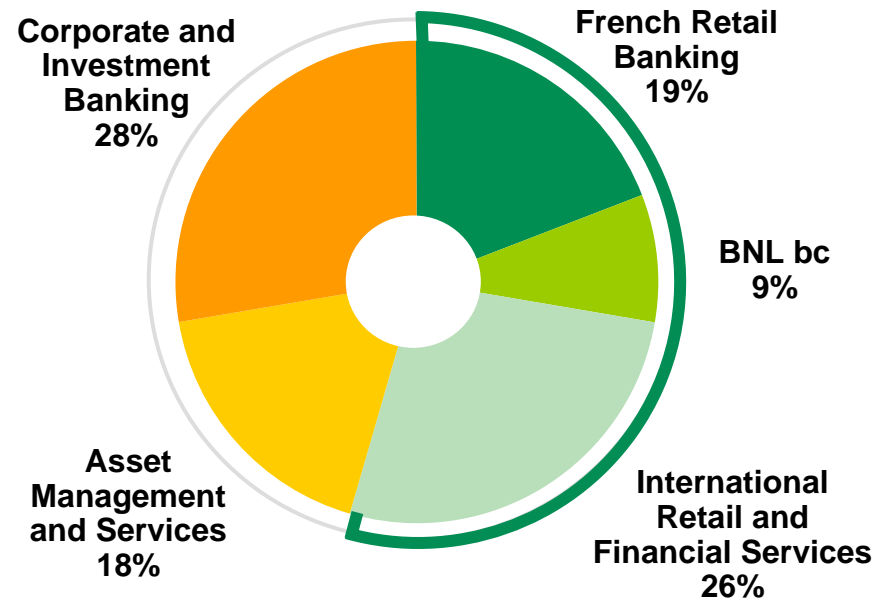
# BNP Paribas A European Leader With a Global Reach

## 2007 Revenues

(core businesses)



**Western Europe 75%**



**Retail 54%**



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## **A Track Record of Growth and Value Creation**

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A Robust Model in the Face of the Crisis

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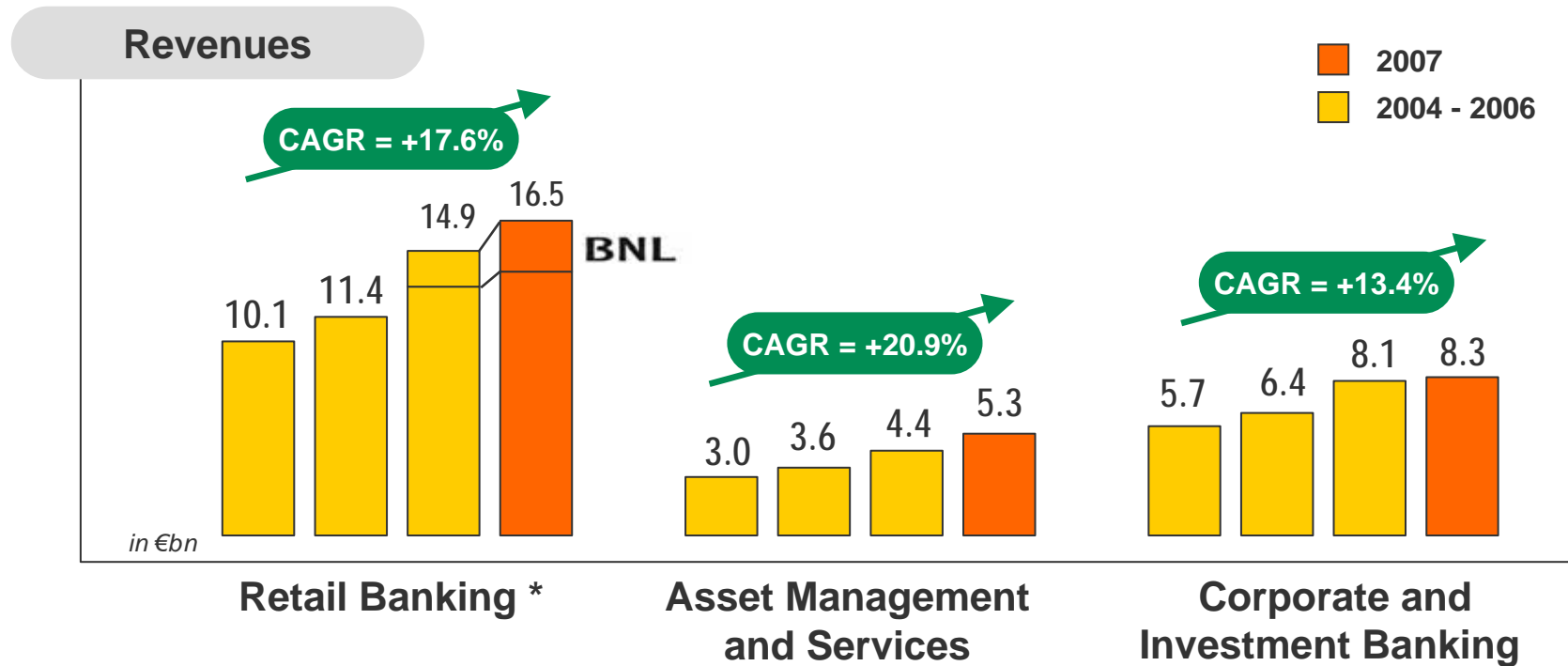
A Powerful Business Development Drive

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An Ambitious Growth Strategy

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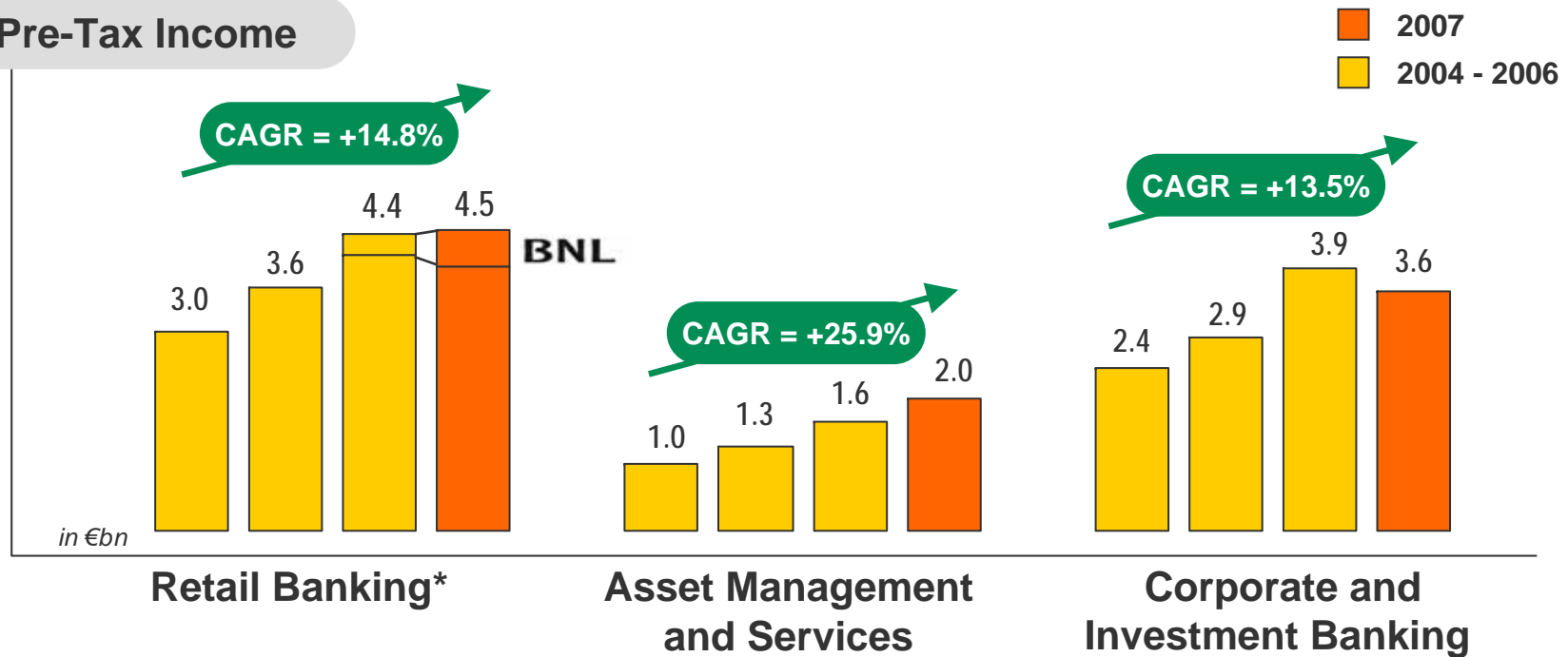
# Strong Revenue Growth Across All Businesses



**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

## Pre-Tax Income

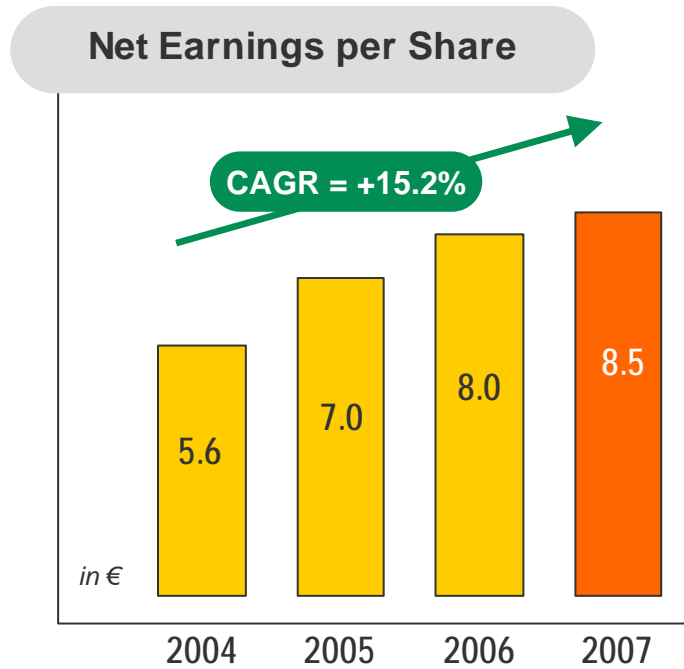


- On-going focus on operational efficiency
  - Group Cost / Income ratio improved by 2.3 pts over 4 years \*\*
- Strong risk management through the cycle
  - Limited direct impact of the crisis in 2H07 (€1.3 bn)

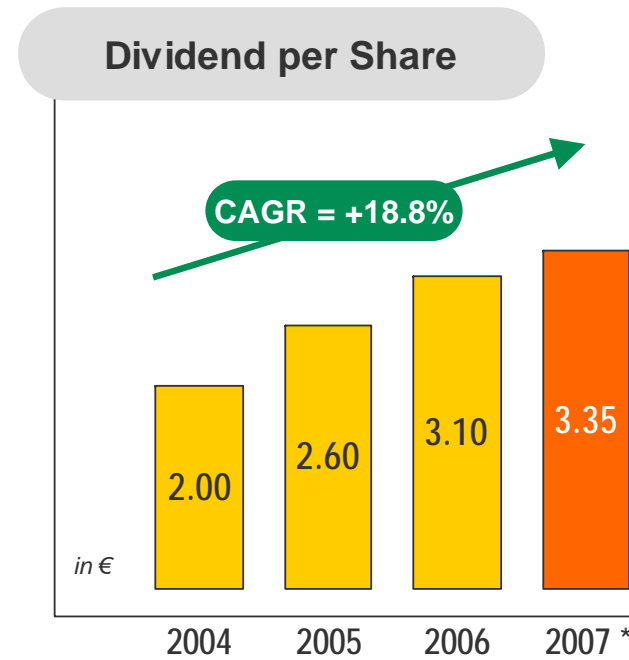
**A strong and diversified earnings generation capacity**

\* FRB excluding PEL/CEL effects

\*\* 2004 in IFRS-EU



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



*\* Subject to AGM approval*

**A track record of value creation**





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A Track Record of Growth and Value Creation

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**A Robust Model in the Face of the  
Crisis**

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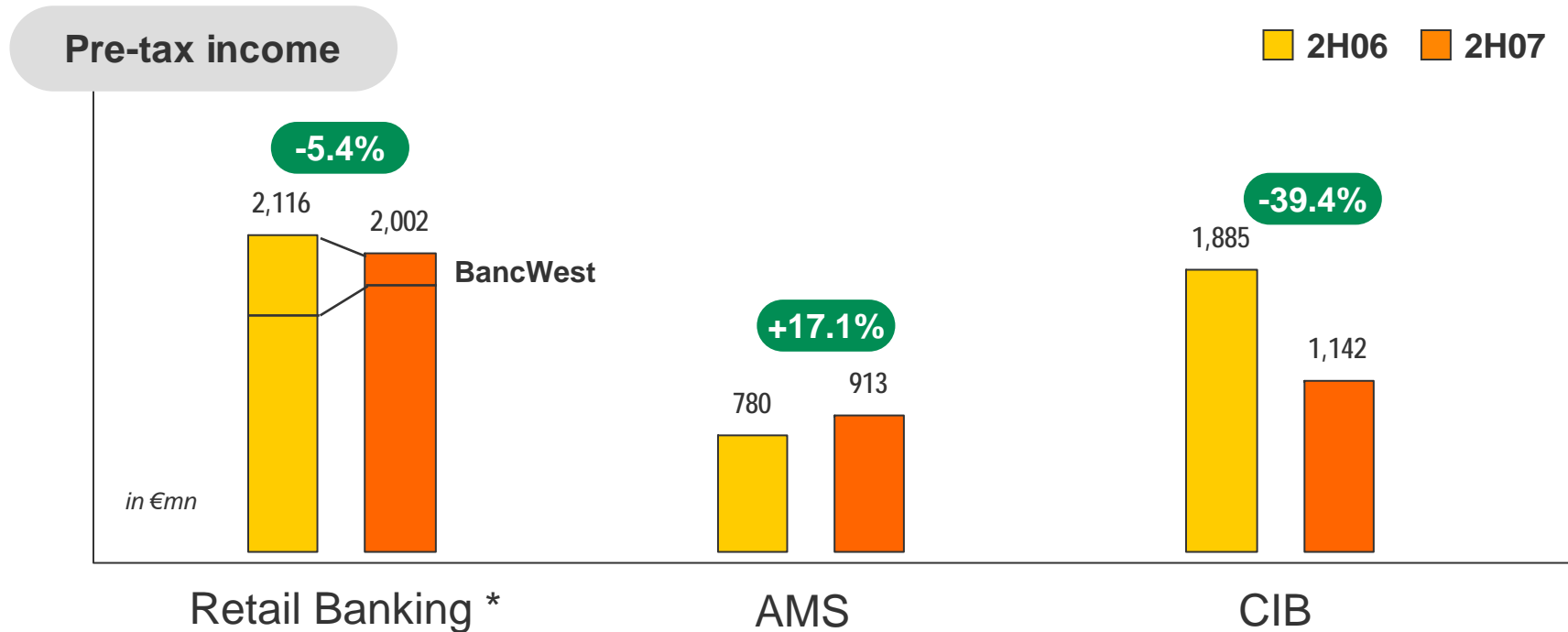
A Powerful Business Development Drive

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An Ambitious Growth Strategy

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# A Robust Model in the Face of the Crisis



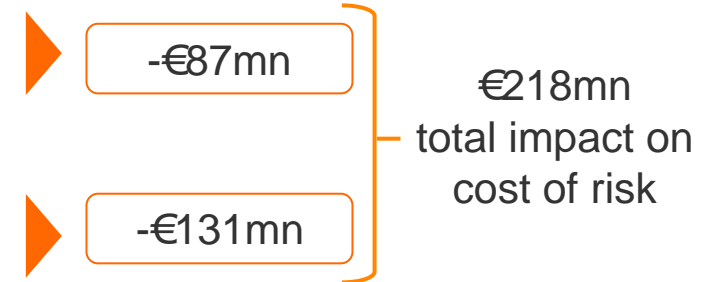
- Retail Banking Pre-tax income excluding BancWest : +11.5% 2H07/2H06

**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



- 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 |
|---------------------------------------|--|--------------|
| First Mortgages and Home Equity Loans |  | 0.1          |
| Consumer Loans                        |  | 0.1          |
| Investment portfolio <sup>(1)</sup>   |  | 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

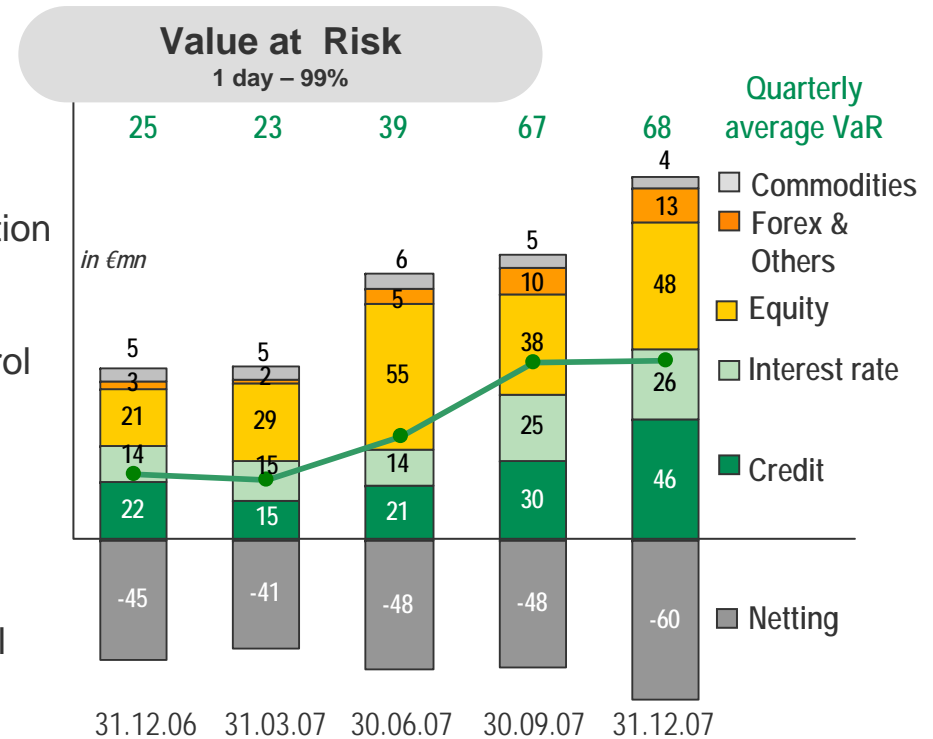
€206mn  
total impact  
on cost of  
risk

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

- 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**

- Market risk exposure arising mainly from client related trading activities
  - Limited proprietary position taking
  - Dynamic hedging to maintain market neutral position
- Robust valuation processes
  - Fair value checked by independent Product Control and Risk Management teams
  - Business model focussed on building complex products combining liquid underlyings
- Robust VaR despite erratic markets
  - Increased level in 2H07, as a result of exceptional volatility
  - 2 days of losses beyond the 99% VaR in 2007
- Example of US Subprime
  - Not involved in US securitisation market
  - Some exposure in trading books
  - Negligible net exposure



| in €bn<br>au 31.12.2007    | Net<br>(a=b+c+d) | Notional Equivalent |   |                                |
|----------------------------|------------------|---------------------|---|--------------------------------|
|                            |                  | Long<br>(b)         | Short with other<br>counterparties<br>(c) | Short with<br>monolines<br>(d) |
| RMBS                       | 0.1              | 0.1                 | -   | -                              |
| CDO's (cash and synthetic) | -0.1             | 3.1                 | -0.2                                      | -3.0                           |
| <b>Total</b>               | <b>0.0</b>       | <b>3.2</b>          | <b>-0.2</b>                               | <b>-3.0</b>                    |

**Sophisticated market risk management**

# Corporate and Investment Banking

## Longstanding Counterparty Risk Management

- Counterparty risk exposure is measured at inception of each deal and throughout the lifetime of each deal
  - Defined as the positive PV of the transaction, i.e. the amount the counterparty owes us, or the replacement cost of the hedge
  - Monitored by Risk Department with limits granted for each counterparty through full fledged credit application process
  - Collateral and haircuts required on riskier counterparties, and margin calls handled with diligence by specialised teams
  
- Credit adjustments are deducted from client margin at inception, and adjusted thereafter
  - Represent the expected credit loss, i.e. the potential positive present value of the trade x default probability of the counterpart as implied by the CDS spread
  - Incentivise marketers to target good counterparty risks
  - Can be hedged to minimize P&L volatility

### Exposure on monoline insurers

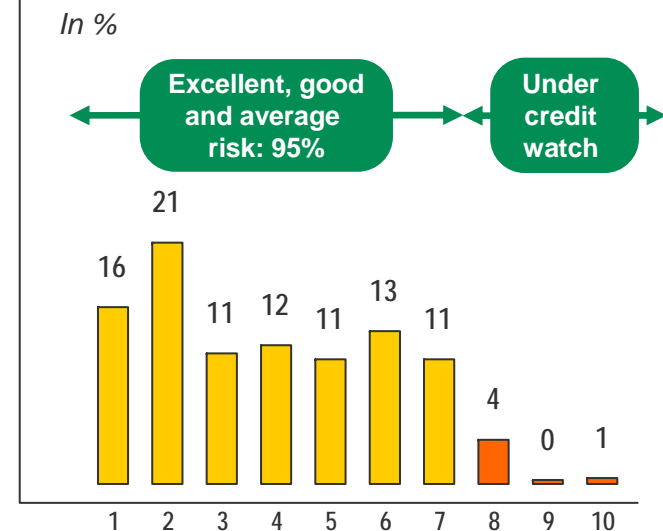
| <i>in €bn as at 31/12/2007</i>   | <b>Exposure</b> |
|--|-----------------|
| Subprime-related monolines counterparty exposure (1)                       | 1.3             |
| Non subprime-related monolines counterparty exposure                       | 0.6             |
| <b>Total monolines counterparty exposure (2)</b>                           | <b>1.9</b>      |
| Credit Derivatives bought from banks or other collateralized third parties | -0.8            |
| <b>Unhedged monoline counterparty exposure</b>                             | <b>1.1</b>      |
| Credit adjustments (3)   | -0.4            |
| <b>Net monolines counterparty exposure</b>                                 | <b>0.7</b>      |

**Well equipped to dynamically manage rising counterparty risks**

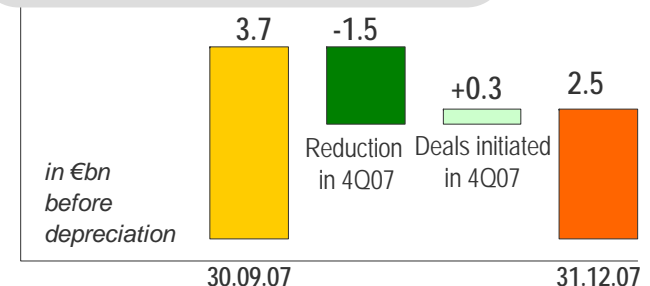
(1) Replacement cost based on market indices; (2) Essentially (~80%) concentrated on Ambac, CIFG, MBIA; no residual exposure to ACA; (3) Credit adjustments consistent with the maximum spreads widening observed in January 2008 on the monolines

- Portfolio quality confirmed by Basel II
  - **Mortgages:** average risk-weight less than 10%, reflecting the very limited real estate risk in France
  - **Consumer lending:** average risk-weight of around 20% thanks to the robustness of the scores and the absence of subprime loans in developed markets
  - **Lending to corporate customers, financial institutions and sovereigns:** average risk-weight less than 40%. Over 70% of the portfolio rated Investment Grade equivalent and loans rated Non Investment Grade equivalent well collateralised (Energy & Commodities, Export, etc...)
- Focus on LBOs
  - €6bn final take portfolio, almost exclusively senior debt
  - €2.5bn underwriting portfolio split over 21 transactions, mainly European
  - €238mn fair value adjustments already posted in 2H07

Portfolio\* breakdown by internal credit rating



LBO underwriting portfolio



**A prudent credit risk policy across the Group**



# 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

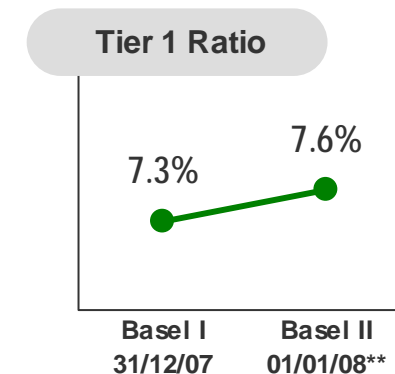
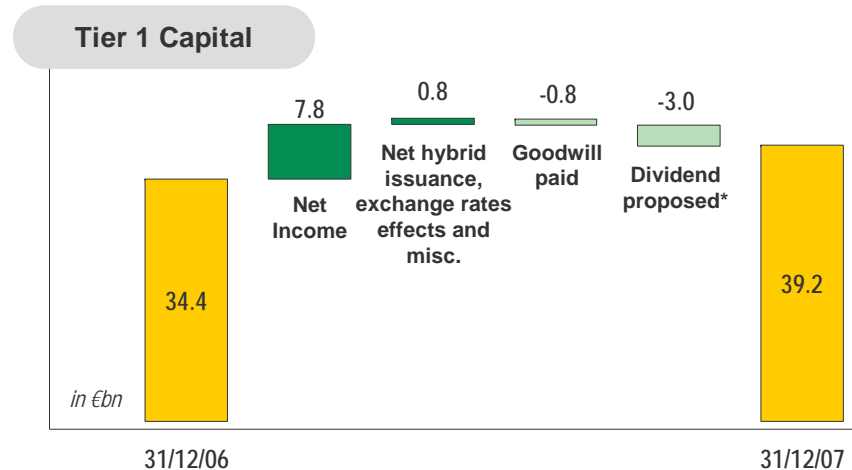


## Very limited impact on the refinancing cost in 2007

- 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**



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A Track Record of Growth and Value Creation

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A Robust Model in the Face of the Crisis

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**A Powerful Business Development Drive**

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An Ambitious Growth Strategy

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# French Retail Banking Outperforming in a Highly Competitive Market

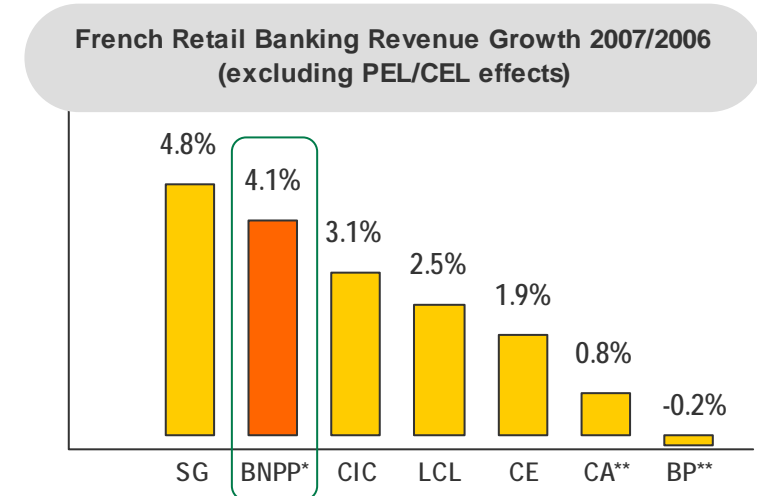
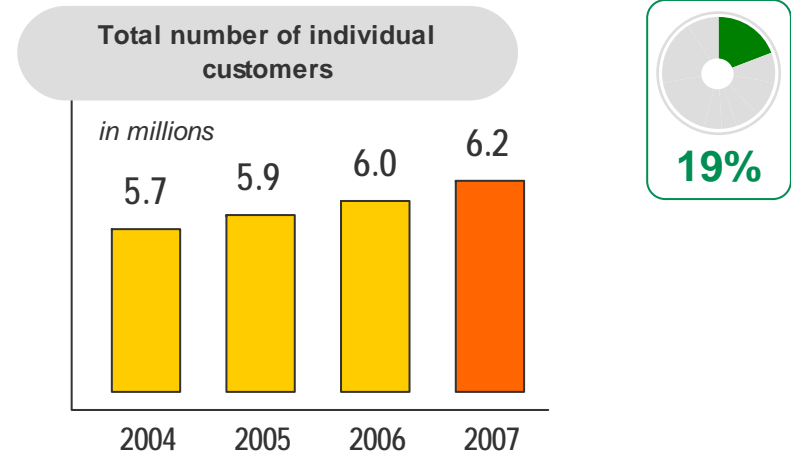
- A growing market share focused on the more profitable urban areas

- 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

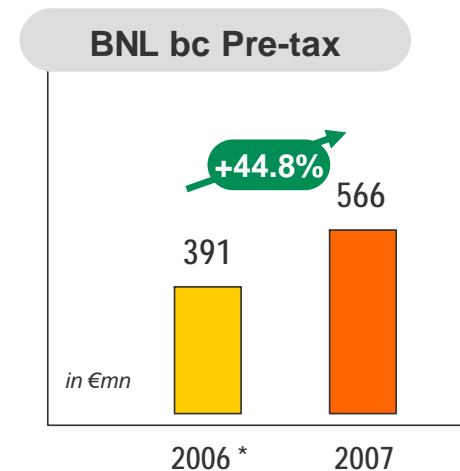
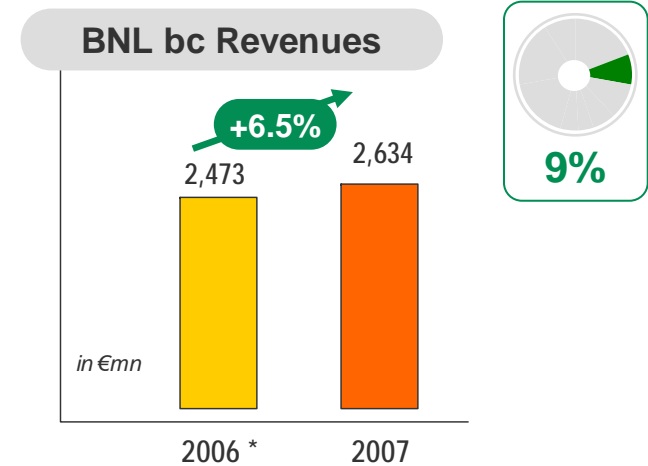


**Revenue growth target: +4%\*/year on average over the next 3 years**  
**Operating leverage target: 1 pt per year positive jaws effect**

# 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



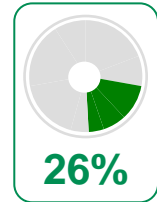
**Revenue growth target: +6% per year on average over the next 3 years**  
**Operating leverage target: 5 pts per year positive jaws effect**

# 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

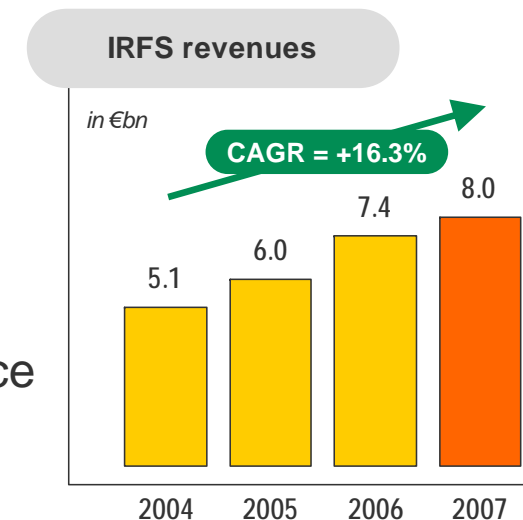


- Improve the operating efficiency

- 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

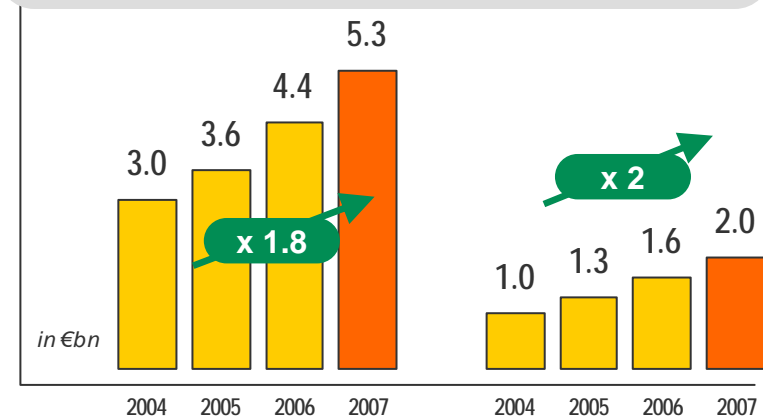


**Revenue growth target: +10%/year on average over the next 3 years**  
**1/3 of revenues in emerging markets by 2010**  
**Operating leverage target: 1 pt per year positive jaws effect on average**

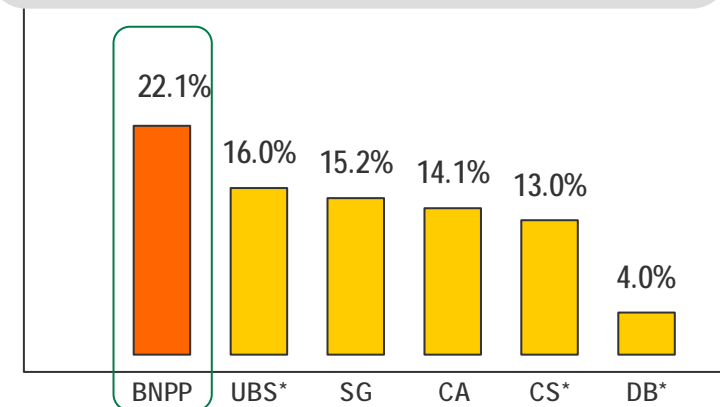
# Asset Management & Services Strong Revenue and Profitability Drive

- 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



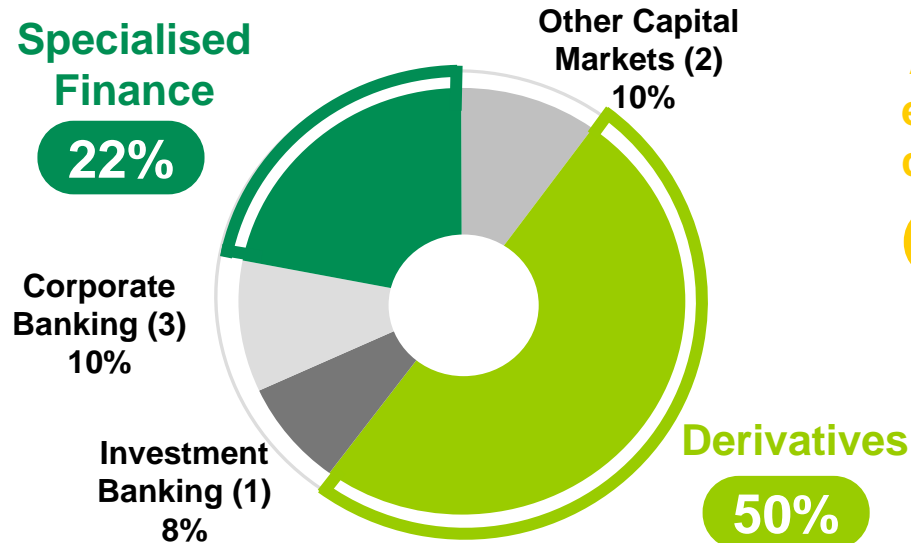
AMS GOI growth 2007/2006



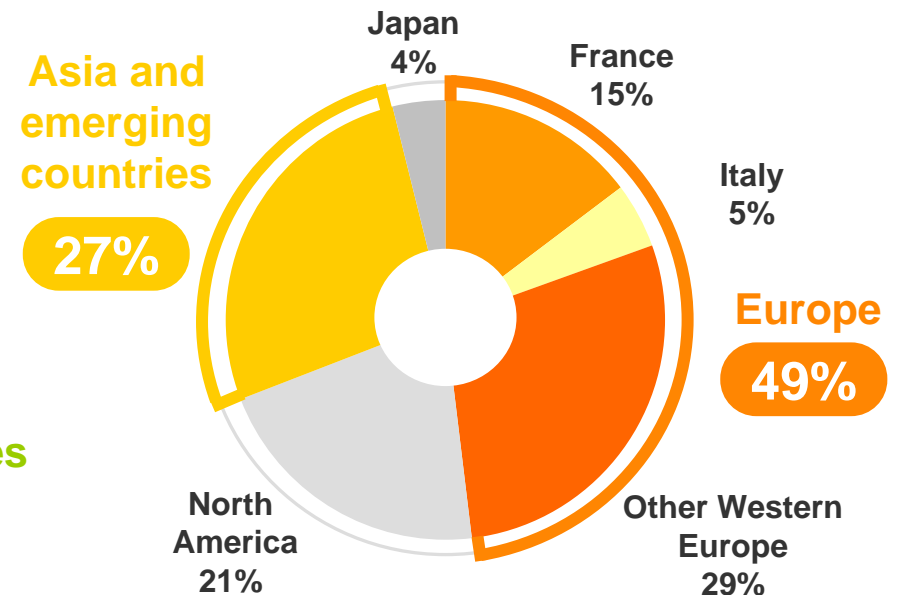
**Assets under management: +10%/year on average over the next 3 years**  
**Gross operating income growth target: +10%/year for the next 3 years**

# 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%**



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A Track Record of Growth and Value Creation

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A Robust Model in the Face of the Crisis

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A Powerful Business Development Drive

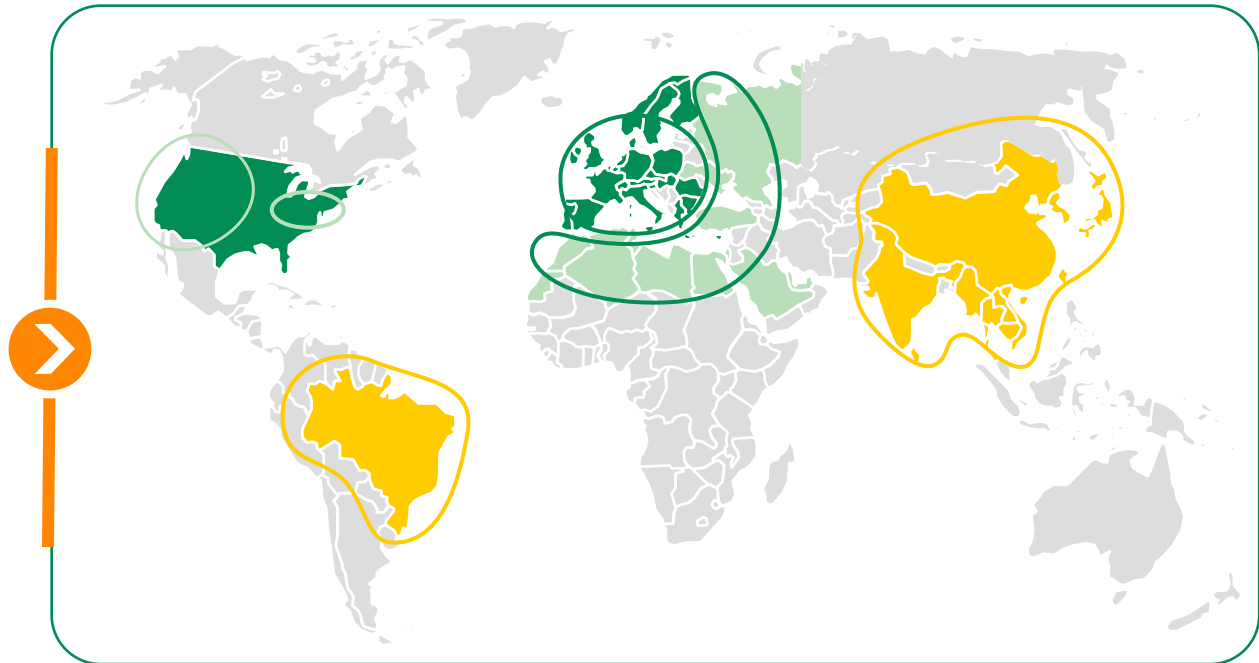
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**An Ambitious Growth Strategy**

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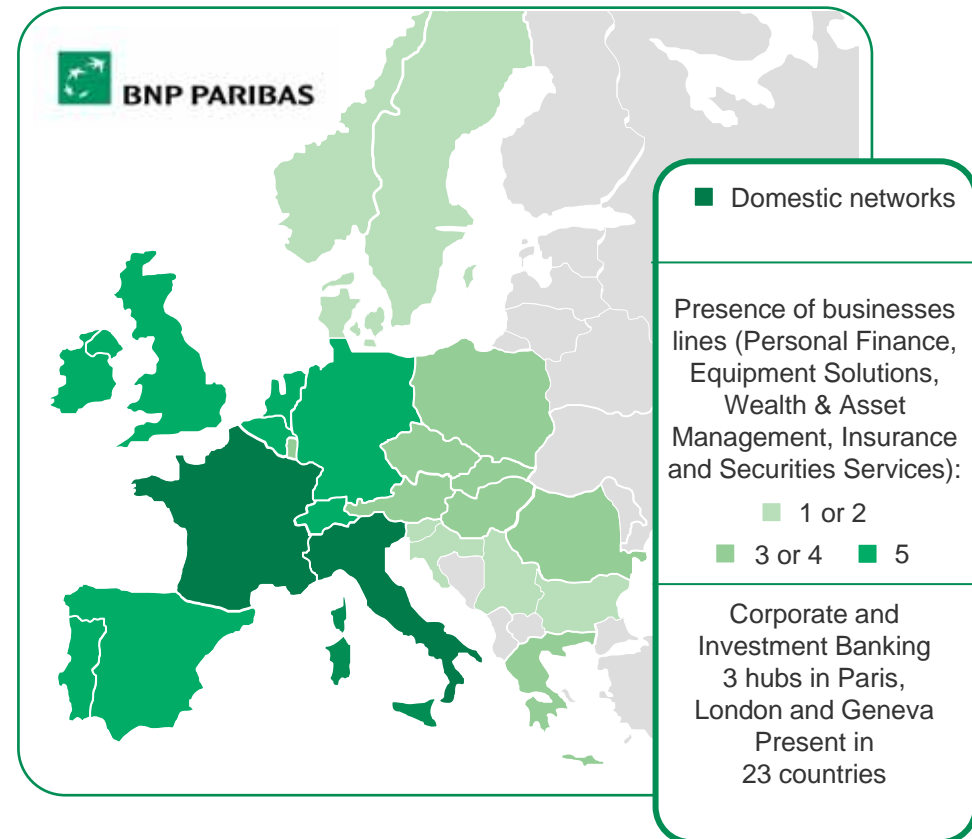
# An Ambitious Growth Strategy

- 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**

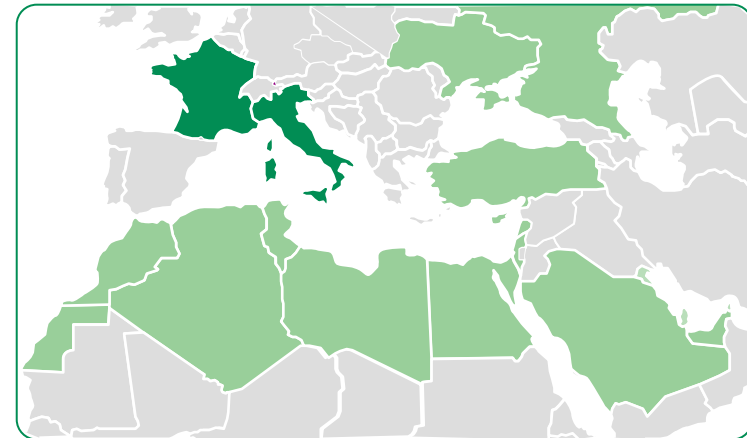
- Fully leverage on domestic networks: FRB and BNL bc
  - Cross-selling with all the Group's business lines
  - Sharing resources and expertise
- Extend and reinforce the business lines' pan-European leadership
  - Asset Management & Services
  - Corporate and Investment Banking
  - Personal Finance and Equipment Solutions
- Get retail banking platforms to converge
  - Joint processing between the networks and the specialised businesses



**Continue rolling out an increasingly integrated model**

## 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

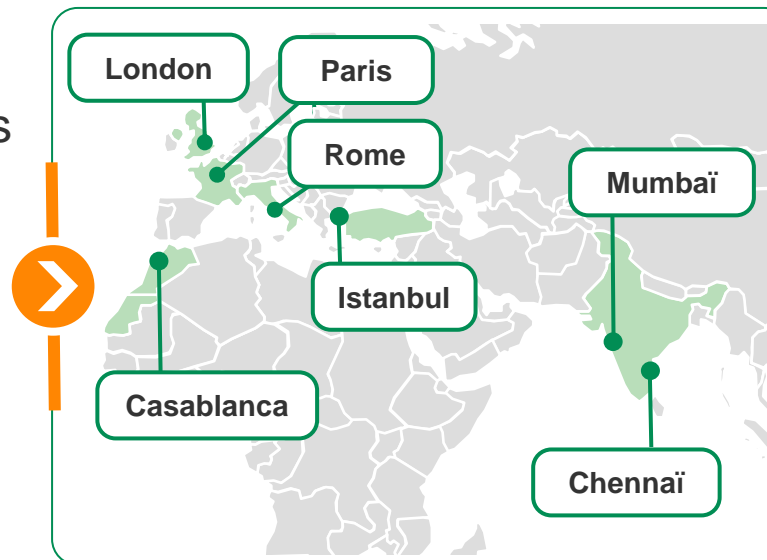


**In 3 years, double the revenues in emerging markets  
to reach 15% of the Group's revenues**

# Close Attention Paid to Operating Efficiency

## An ongoing industrial approach

- Cost/Income improved by 2.3 pts over 3 years
- Internationalise IT development
  - 3 major centres in Western Europe
  - 4 global development centres in emerging markets
- Optimise the Group's procurement function
- Roll out the Lean Six Sigma programme



## A proactive management of the crisis

- AMS
  - Strict control on hirings and expenses in businesses affected by the financial crisis, except for strategic projects
- CIB
  - Hiring currently limited to young graduates and selected profiles related to priority development initiatives
  - Rightsizing initiatives in areas durably affected by the slowdown

**An on-going focus on efficient cost management**

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

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

**Well positioned to weather the crisis**



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# Appendices

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# Number of Shares, Net Earnings and Assets per Share

## Number of Shares

| <i>In millions</i>   | 31-Dec-07 | 31-Dec-06 |
|--|-----------|-----------|
| Number of Shares (end of period)                               | 905.3     | 930.5     |
| Number of Shares excluding Treasury Shares (end of period)     | 896.1     | 905.3     |
| Average number of Shares outstanding excluding Treasury Shares | 898.4     | 893.8     |

## Net Earnings Per Share

| <i>In euros</i>          | 2007 | 2006 |
|--------------------------|------|------|
| Earnings Per Share (EPS) | 8.49 | 8.03 |

## Net Assets Per Share

| <i>In euros</i>                                       | 31-Dec-07 | 31-Dec-06 |
|---|-----------|-----------|
| Book value per share                                  | 52.4      | 49.7      |
| <i>of which shareholders' equity not re-evaluated</i> | 48.8      | 44.2      |

## Equity

| <i>In billions of euros</i>                            | 31-Dec-07    | 31-Dec-06    |
|--|--------------|--------------|
| Shareholders' equity Group share, not re-evaluated (a) | 40.7         | 37.2         |
| Valuation Reserve                                      | 3.3          | 5.0          |
| <i>incl. BNP Paribas Capital</i>                       | 1.7          | 2.2          |
| <b>Total Capital ratio</b>                             | <b>10.0%</b> | <b>10.5%</b> |
| <b>Tier One Ratio (b)</b>                              | <b>7.3%</b>  | <b>7.4%</b>  |

(a) Excluding undated participating subordinated notes and after estimated distribution.

(b) On estimated risk weighted assets respectively of €540.4bn as at 31.12.07 and €465.2bn as at 31.12.06.

## Coverage ratio

| <i>In billions of euros</i>        | 31-Dec-07  | 31-Dec-06  |
|------------------------------------|------------|------------|
| Doubtful loans and commitments (1) | 14.2       | 15.7       |
| Provisions                         | 12.8       | 13.9       |
| <b>Coverage ratio</b>              | <b>91%</b> | <b>89%</b> |

(1) Gross doubtful loans, balance sheet and off-balance sheet

## Ratings

|                |            |                       |                                 |
|----------------|------------|-----------------------|---------------------------------|
| <b>S&amp;P</b> | <b>AA+</b> | <b>Stable Outlook</b> | <b>Upgraded on 10 July 2007</b> |
| Moody's        | <b>Aa1</b> | Stable Outlook        | Upgraded on 23 May 2007         |
| Fitch          | <b>AA</b>  | Stable Outlook        | Reaffirmed on 16 May 2007       |