

In our global economy, markets intersect, overlap and interact, opening up new development opportunities. The **Turkish desk** which BNP Paribas has set up in its Algerian subsidiary, in partnership with TEB, is a case in point. With transactions totalling USD 2.25 billion in 2005, the Turkish desk – which is the first of its kind in Algeria and was a greenfield creation – has already demonstrated its usefulness. BNP Paribas is now able to speak to the many Turkish investors based in Algeria in their native language.

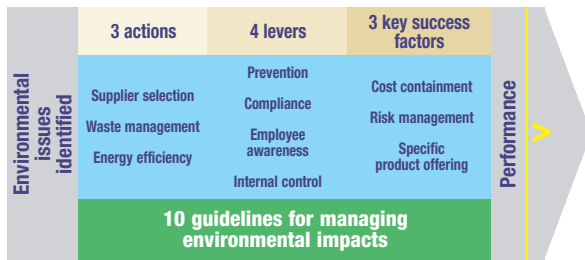


ALI ARAS – Account Manager for Turkish companies at BNP Paribas El Djazair, Algiers

“ Algerian laws are complex, therefore being able to explain them to Turkish investors in their own language gives us a considerable edge. In fact, if I'm not mistaken, I am currently the only Turkish banker in Algeria. Besides, working with us also saves our Turkish clients both time and money, because most Algerian banks do not accept guarantees from Turkish banks. They first go through a foreign bank, which drives up costs. Thanks to our Turkish desk, we can carry out the transactions directly with TEB and BNP Paribas El Djazair. Our growth potential is very large, especially with the support of the worldwide network of BNP Paribas Trade Centres. We have vast opportunities for cross-selling with that network of 80 centres in 49 countries. It is a huge asset for us. ”

# 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. The guidelines, which include ten action points, have been rolled out Group-wide since January 2004 and form part of the general business principles adopted by employees. To monitor the impact of its activities on the natural environment, the Group has implemented a tracking system enabling it to improve its eco-efficiency:



## BNP Paribas has a small ecological footprint

### The CO<sub>2</sub> survey

To help combat global warming, companies are expected to control their emissions of greenhouse gases. In 2004, with the help of expert consultants, BNP Paribas devised a method for estimating carbon dioxide emissions resulting from its operations. This involves a survey that expresses the Group's energy consumption as kilograms of CO<sub>2</sub> equivalent, which allows a clearer identification of key issues and better control over emissions.

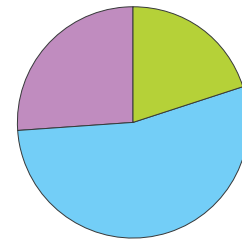
### A more reliable scope

This survey takes into account data on electricity consumption, business trips, commuting between the home and office and the distribution of internal mail. Because data is still being gathered at global level, the CO<sub>2</sub> survey is currently restricted to France.

The calculations cover the 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.

Estimated CO<sub>2</sub> emissions for 2005:  
2.15 tonnes of CO<sub>2</sub> equivalent per FTE

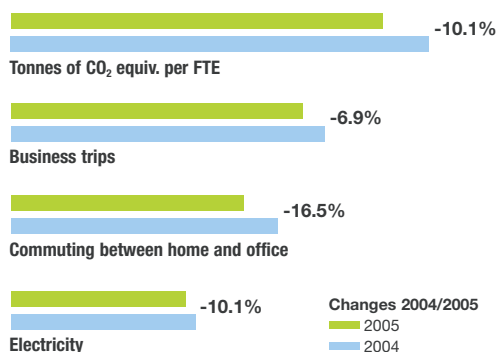
- Electricity 20%
- Business trips 56%
- Commuting between home and office 24%



Business trips appear to be the principal source of emissions. These trips, which are undertaken for the purposes of client contact, business negotiations and project studies, have for many years been the focus of a stringent cost-reduction policy. An inventory of tele- and video-conferencing facilities was carried out by Global Procurement Group (GPG) with a view to proposing an alternative to travel. Air travel is subject to approval procedures and the use of the train is encouraged, in particular the Eurostar and Thalys. The effectiveness of this system, and the expansion of the Group's activities, means there is little scope for achieving further substantial reductions of CO<sub>2</sub> emissions.



Commuting between the home and office has a substantial impact. In provincial towns the Bank 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. Despite the fact that more than 12,000 employees in France benefit from these measures, the number of car trips is unlikely to decrease significantly in the coming years. One reason for this is that due to the reorganisation of the back offices within the French Retail Banking business, employees accepted short-distance transfers that did not require moving to another home.



As part of the Group's commitment to cost control, the energy consumption of buildings is controlled. The main avenues for raising 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. The per-employee emission rate dropped overall in 2005 thanks to the use of more cost-effective forms of transport. Despite a significant increase, the data collected in countries other than France remains insufficient to enable an overall estimate, due to the broad scope of the Group's activities (see points 3, 7 and 9 of the Summary table relating to the environmental chapter of the NRE Act).

#### Data collected in countries other than France

<b>Electricity</b>	44.2%
<b>Car travel</b>	30.8%
<b>Air travel</b>	43.1%

These CO<sub>2</sub> emission calculations will be performed at global level following the rollout of environmental reporting software.

### Using all available levers for improvement

#### Mitigation of environmental impacts

Despite the higher cost of alternative solutions, such as the gradual replacement of open loop air conditioning systems by closed loop systems, the Group's real estate management departments take numerous measures to reduce energy consumption.

With the support of the Global Procurement Group (GPG) and Group Information Systems (GIS) functions, the French Retail Banking business implemented paper saving measures such as the electronic distribution of accounting statements and the elimination of print-outs. These measures should lead to a reduction of some 50 million pages, or 250 tonnes, per annum.



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 via e-procurement. Data provided by the printers enabled GPG to choose printing jobs that use more efficient paper cuts. Overall paper consumption in France, including volumes purchased from printers, envelopes and roll paper from printing centres, and paper reams, decreased from 10,549 tonnes in 2004 to 9,498 tonnes in 2005.

Environmental impacts can also be mitigated through agreements with other stakeholders. With this in mind, BNP Paribas entered into an agreement with CFC, the French organisation responsible for copyright on books and press articles, under which it is allowed to reproduce articles in the form of a press review that is distributed on the Group's intranet site. Employees can read these articles online and printed copies have become an exception, saving 800,000 sheets of paper per month (9.6 million per year).

Meunier is involved in an attempt to lessen the impact of its real estate activities through the implementation of the High Environmental Quality (HEQ) standard. Meunier's business real estate arm maintains close links with the HEQ association and the Scientific and Technical Advisory Centre for the French building industry (CSTB). In 2005, it was awarded HEQ certification for its project in the Paris Rive Gauche urban development zone, situated at 22/34 avenue Pierre-Mendès France, in the 13th district of Paris. This was one of only three office developments to receive the CSTB seal of approval in 2005.

Arval, a Group subsidiary in the long-term leasing and fleet management market, brought out a guide on environmentally responsible behaviour, which takes a humorous look at the day-to-day actions employees can take to save energy and manage waste, and encourages them to use public transport and adopt eco-friendly behaviour. The guide has been translated into five languages and distributed to 2,500 members of staff. Arval also organised the first Road Safety for Companies day to mark the second anniversary of the charter of the same name signed by Arval with the French directorate for road traffic and safety (DSCR) and CNAMTS, a national health insurance fund for employees

### Compliance

The Corporate Facilities Management Department is responsible for ensuring that buildings are managed in accordance with the technical regulations applicable in France. It issues guidelines in this respect for use by facilities managers.

Outside France, real estate guidelines are drafted by Global Procurement Group (GPG) 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, has developed 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.

In accordance with the European directive on Waste Electrical and Electronic Equipment (WEEE), the Group tested procedures for collecting and recycling electronic equipment in France through producers, distributors, brokers and recycling agencies. The Group examined the findings of these tests in December 2005 in order to decide the most appropriate way forward.

### **Energy efficiency**

Despite the significant growth in the number of acquisitions by the Group, energy and raw material consumption were limited in 2005. Electricity consumption in France decreased, amounting to 271.5 GWh as against 299 GWh in 2004, due mainly to the responsible conduct of employees and improved real estate management. The scope of data collected outside France is being expanded and made more reliable.

Arval only uses modern vehicles – those in its rental fleet are less than three years old – fitted with fuel-saving systems such as cruise control and catalytic converters, which results in a reduced rate of emissions. These vehicles are also serviced on a regular basis. Practical guides outlining simple gestures to protect the environment are available for drivers.

### **Supplier selection**

Supplier selection is a central feature of the Group's environmental policy. GPG systematically promotes clauses related to social and environmental responsibility in its contracts with suppliers. The approval of such clauses, which were examined by the General Inspection unit in 2005, is taken into account in negotiations with major suppliers. GPG examines the environmental rating awarded to suppliers by social and environmental rating agencies, and in 2005 set up a dedicated suppliers' portal on the Group's internet site.

GPG has concluded agreements with paper manufacturers that guarantee a responsible approach to forest management, with reforestation in line with paper cuts. The Group selects the paper used not only by its employees but by the companies that carry out printing on its behalf.

Under new electricity supply contracts that came into force in 2003, renewable energy serves as the source for 15% of the electricity supply used by the six sites with the highest energy consumption in France.

In 2005, market conditions did not allow any change in forms of energy delivery in France and it was therefore not possible to increase the proportion of renewable energy purchased. In Germany, 18% of the electricity used by BNP Paribas and Cortal Consors is renewable.

### **Waste management**

The collection of used toner cartridges has been implemented on a Group-wide basis. In France 48,421 used cartridges were collected in 2005, a more than fivefold increase on the previous year's figure of 8,813. In other countries, 12,323 cartridges were collected, with endeavours continuing apace in Germany, Spain, Hong Kong, Italy, Morocco, Luxembourg, the United Kingdom, Singapore and Turkey. Several countries achieved a 100% collection rate.

Paper collection for recycling also continued, with 5,380 tonnes collected in France compared with 2,178 tonnes in 2004. The practice became more widespread in other countries, with 884 tonnes collected in Germany, Spain, Hong Kong, Italy, Luxembourg, the United Kingdom, Singapore, Tunisia and Turkey.

Bank of the West is an investor in and founding member of the California Environmental Redevelopment Fund, LLC (CERF), a grouping of Californian institutions that finances the remediation of contaminated sites. CERF was the first organisation of its kind and has now become a nationwide model. By cleaning up damaged areas, it helps participant institutions fulfil their economic development, environmental protection or public health functions. CERF focuses on financially viable projects that create jobs for local residents and provide affordable housing for underprivileged communities.

## A consistent tracking system

### Risk management

Environmental risks are integrated into the analysis of credit and operational risks. In its credit risk management policy, the Group recognises 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.

When the financing of large-scale projects is considered, 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 viability of the project.

To meet the hedging requirements of clients exposed to environmental risks, the Group trades on energy and commodity markets and develops financial derivatives. Thanks to its active intermediary role in these markets, BNP Paribas is able to provide its clients with hedging instruments at competitive conditions.

### Cost containment

In a bid to offer the best possible services at the most competitive prices, cost containment is a key factor in the Group's strategy of profitable growth. Efforts to limit consumption are in line with management control objectives. Environmental indicators have rounded out the management criteria used by the 2,500 employees working for the GPG function. The measurement and analysis of CO<sub>2</sub> emissions helps identify the principal discrepancies among entities and enables consumption to be streamlined.

Energy and water consumption continued to be reduced at certain sites in 2005. Stringent procedures were put in place with regard to certain types of office supplies, such as toner for printers, and this has helped to reduce paper consumption. Five percent of office equipment purchased in France in 2005 was manufactured from recycled materials, while the rate was 20% in Switzerland and Luxembourg.

## Raising awareness of sustainable development

The Group used internal communication channels such as the intranet, the *Ambitions* in-house newsletter and conferences to raise employees' awareness of environmental issues.

Procurement managers in France hold an Annual Meeting on the theme of sustainable development. Their action plan covers initiatives to be taken within the context of the WEEE directive, the gathering of key indicator data and the environmental reporting system. Employees in other countries include sustainable development actions in their objectives.

## BNP PARIBAS AND THE GREENHOUSE GAS EMISSIONS MARKET

The Kyoto protocol and the European directive on changes in CO<sub>2</sub> emission quotas have led to a monetary value being placed on environmental externalities. An emissions' trading system was set up by European states in 2005, which should permit 12,000 industrial sites that emit CO<sub>2</sub> to meet the reduction targets set by the governments at minimum cost. 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. Although not directly affected by the directive, BNP Paribas has played an active role on this market since March 2005. Dedicated teams provide international clients and SMEs with assistance in negotiating quotas and complying with emission thresholds. The Group ensures improved liquidity and enhances the efficiency of this burgeoning market. The Carbon Finance Solutions activity was set up in 2005 with the aim of reducing greenhouse gas emissions across all business lines. The restrictions on CO<sub>2</sub> emissions resulting from international agreements will have a long-term influence on the structure of assets financed and need to be taken into account in financing decisions. In addition to the creation of new products, the financial element involved in systems to prevent greenhouse gas emissions are taken into account in the services proposed to Corporate Banking, Retail Banking and Asset Management clients.

The Corporate Facilities Management Department issued guidelines on energy and natural resource conservation measures in real estate management. Information sessions were also held on issues such as asbestos and disaster recovery plans.

By means of its "Observer" study on the corporate fleet market, Arval provides information on sustainable development topics and published a green guide to corporate fleet management that includes a list of the highest selling cars in France in accordance with their CO<sub>2</sub> emission rate.

BNP Paribas Immobilier published a guide on ethical business relations, which included a section on the environment and sustainable development.

In addition to its role in launching the Enhanced Analytics Initiative, BNP Paribas Asset Management takes part in the work of the Institutional Investor Group on Climate Change (IIGCC) on the building materials industry. This work aims to identify those industry players that have made the greatest strides in terms of energy efficiency and will therefore be in a better position to weather the introduction of CO<sub>2</sub> quotas. In France, BNP Paribas is a member of EpE (companies for the environment).

### Efficiency of Internal Control

Since 2004, the General Inspection unit has had access to a social and environmental methodology, drawn up in conjunction with the Group Sustainable Development function, which 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 enjoys complete independence in the way it applies 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.

## A forward-looking and responsible approach to financing

### A responsible financing policy

In accordance with its lending policy, BNP Paribas has developed sustainable lending criteria and environmental risk management approaches for worldwide project finance lending. The Project Finance business line calls on independent experts to carry out an environmental assessment of each new loan application submitted to the Credit Committee. The analysts must be satisfied with the results of these assessments, particularly as regards local and World Bank standards.

### The financing of wind power projects

BNP Paribas provides funding for wind turbine projects on all continents as well as for infrastructure for the use of geothermal energy. This involves reviewing documents on the projects, carrying out technical studies, setting up the financial structure and allocating loan tranches. The Group believes 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.

Contracts signed in 2005 for the funding of wind turbine farms represented a total of 1,550 megawatts and EUR 931 million. The Group provided funding for 11 such projects and is a leader in this field. These projects concern Australia, South Korea, Spain, the United States, Ireland, Italy, France and the United Kingdom.

Pos.	Mandated Arranger	Amount (\$M)	No.	% share
1	BNP Paribas SA	931.332	11	13.38
2	Banco Bilbao Vizcaya Argentaria SA - BBVA	556.277	8	7.99
3	HSH Nordbank AG	520.503	16	7.48
4	Royal Bank of Scotland Group plc	484.611	7	6.96

Source: League Table 2005 – Mandated Arranger, Global Wind Farm Sector, Dealogic – Project Ware Extract, January 2005.



Act locally but think globally. Consider that a good idea that emerged in Tokyo could also be applied in Buenos Aires. That is **Cardif's** philosophy. And there is no better way of putting it into practice than to organise meetings among colleagues from the four corners of the world. This is how the "Sharing Days" came into being. They bring together around a specific theme about a dozen employees from different countries, some with extensive experience, some not; they can range from beginner to expert on the subject being discussed. In 2005, five sessions were organised, dealing with extension of guarantees, reinsurance, distribution networks, the sale of insurance products in the BNP Paribas Retail Banking network and telemarketing.



ELSA LEE – Manager of Cardif, Taiwan

« The Sharing Days in which I took part last November in Chile taught me a lot about the South American market in terms of pricing, partnerships and market regulation. We also shared new product ideas, learned the key drivers to make the sales successful. Thanks to the sharing of experience, these days allowed us to refresh our ways of thinking and gave new angles to see our business potentials. This brainstorming session enlightened opportunities that we might not have thought of by ourselves. »





**BNP PARIBAS – A FIRM  
COMMITMENT TO MICROCREDIT  
DEVELOPMENT**

2005 was designated International Year of Microcredit by the United Nations and BNP Paribas allied itself with this initiative by stepping up its promotion of microcredit as a means of combating poverty: it deepened its commitment to providing micro loans to the unemployed setting up their own business, including those on long-term unemployment benefit, and at the end of 2004 strengthened its partnership with ADIE, a non-profit association specialised in this area.

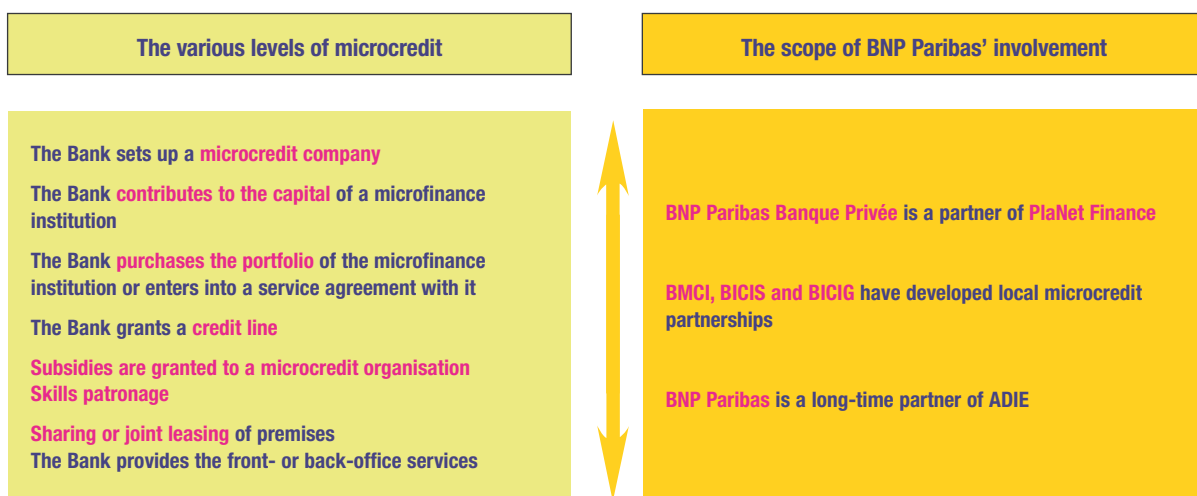
BNP Paribas' support for ADIE covers the following four aspects:

- granting ADIE a credit line of at least EUR 2 million, which will allow the financing of at least 1,000 projects;
- undertaking to cover 30% of the association's credit risks;
- helping finance the cost of assistance to the newly created companies, up to a total amount equal to 10% of the funds made available to the association;

- opening bank accounts for any entrepreneurs who do not yet have one, as soon as their application has been accepted by ADIE, and enabling them to benefit from the associated banking services. Each of the 100 local ADIE offices has a designated correspondent BNP Paribas branch responsible for helping it implement the system.

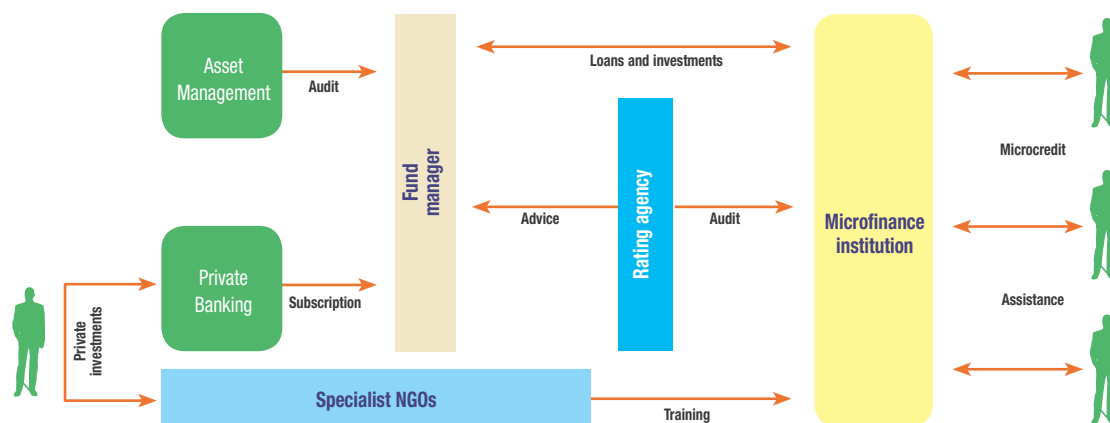
In addition, the Group subsidiary Cetelem created its own partnership with ADIE in 1993, the aim of which is to transfer experience and know-how and to develop a decision-making tool.

Group entities have also entered into partnerships with microcredit institutions outside France, particularly in West Africa, where the associated banks took up shares in BRS, the regional solidarity bank created under the auspices of the Central Bank of West African States, to provide a framework for micro loans in the region.



**A way of providing support to vulnerable communities and fostering a sense of responsibility among beneficiaries**

## Private Banking and microcredit



With the help of the French Development Agency (FDA), BICI in Guinea has recently been playing a key role in this field through its partnership with *Crédit Rural*, a local player in the field of micro loans. As part of this partnership, the BNP Paribas subsidiary offers a refinancing credit line and provides access to direct financing for former microcredit borrowers once they qualify for standard credit. Financial assistance is also provided to help train *Crédit Rural* employees.

In Morocco, micro loans are developing rapidly, spurred by government support. BMCI provides medium- and long-term credit lines to Al-Amana, one of the two largest local microcredit institutions.

Within the scope of the UN's International Year of Microcredit, PlaNet Finance and BNP Paribas Banque Privée have joined forces in response to a growing demand from Private Banking clients wishing to invest in microfinance funds. This partnership will provide financing to the founders of thousands of micro businesses in developing countries where micro loans are usually for amounts in the region of EUR 100. BNP Paribas Banque Privée has made a direct contribution of EUR 3 million to this fund, which will go towards financing more than 30,000 small businesses.

## Projet Banlieues

The French Retail Banking network has a strong presence in the outskirts of major cities around France. It has 56 branches in the north Paris suburb of Seine-Saint-Denis, where its IT Division is one of the area's largest employers. BNP Paribas launched *Projet Banlieues* at the end of 2005 with a view to enhancing its efforts to promote job creation and social cohesion in underprivileged areas. With a budget of EUR 3 million to invest over three years, the project, which is being coordinated by a dedicated team within the BNP Paribas Foundation, hopes to create jobs, assist young people from troubled backgrounds with their studies and support initiatives that foster social cohesion. This project has three main focuses:

### ■ Economic development and business creation.

This is an extension of the partnership with ADIE, providing microfinance to the unemployed and people on income support to set up their own business. The financial assistance provided by the Foundation will allow six microcredit outlets to be opened in underprivileged areas chosen in conjunction with local authorities and the branch network. 700 businesses are expected to see the light as a result of this project;

■ **Tutoring and mentoring.** For approximately ten years, the BNP Paribas Foundation has been providing support to AFEV, a voluntary student organisation through which almost 5,000 students provide additional tutoring and mentoring for 10,000 young people from troubled backgrounds. The extra financing should help these services be extended to a further 1,000 students;

■ **Local initiatives.** Finally, *Projet Banlieues* will enable local associations to develop economic activity, aid youth insertion and promote social cohesion. The *Projet Banlieues* team will be tasked with identifying worthy local projects with the assistance of BNP Paribas employees and the public authorities.

## Sports outreach programmes

A majority of the Group's initiatives are geared towards young people, their education and their integration into society. Sponsoring sports is one of the ways in which BNP Paribas seeks to promote such integration.

It has been supporting the development of tennis for the past 33 years – the longest relationship in the history of sports sponsorship. In 2005, the Group continued its endeavours to broaden the reach of its sports initiatives.

In 2000, BNP Paribas began sponsoring the *Fête le mur* association created and led by former tennis star Yannick Noah, which aims to promote social cohesion in underprivileged areas through tennis. In 2005, it renewed this relationship for a further four years. As well as contributing financially towards sites in 20 French towns, the Group allows voluntary workers from the association to attend its internal IT training sessions. In 2004, BNP Paribas created a sports scholarship and in 2005 provided *Fête le mur* with the resources to draw up a plan for the creation of a training and education centre. This centre would be the first of its kind in France, providing young people with a venue to develop their sporting talents while at the same time continuing their schooling. It would be backed by the *Fondation du Sport*.

2005 also saw the success of the third consecutive tennis telethon, which received the backing of 250 clubs and the French Tennis Federation. A drawing competition for under-16s was held in conjunction with the telethon and attracted more than 6,100 entries. The Group contributed one euro for every drawing received, or EUR 6,100, to the French Muscular Dystrophy Association, bringing the total amount collected to EUR 200,000.

BNP Paribas helps 500 French tennis clubs to boost their membership by sponsoring tournaments on a year-round basis.



## BNP Paribas Foundation – Imaginative and in touch with the world

Operating under the aegis of the Fondation de France, the BNP Paribas Foundation is dedicated to fostering dialogue between the banking community and its social and cultural environment. As a crossroads of exchanges and discoveries, it expresses in another field the values and know-how that BNP Paribas stands for, giving new expression to the Group's core values of commitment, ambition, 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 in the same way as it does for its clients, 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 and monuments, the BNP Paribas Foundation provides funding for the publication of art books that familiarise the public with museum collections and heritage sites and awards grants for the restoration of masterpieces. Its initiatives have benefited a wide variety of institutions, helping to publish some 50 art books on museums in France and abroad and enabling around 100 works of art to be restored and placed on display to the public.



NOSTRE-DAME DE GRASSE, AT THE AUGUSTINS MUSEUM IN TOULOUSE



Following on from the restoration of *La Dépouille du Minotaure en costume d'Arlequin*, a stage curtain painted by Picasso and housed in the Abattoirs museum in Toulouse, the *BNP Paribas Foundation* has once again joined forces with the city of Toulouse to finance the restoration of *Nostre-Dame de Grasse*. This beautiful and finely executed mid-15<sup>th</sup> century sculpture has been restored to its original state and is now one of the undisputed masterpieces of the city's Augustins museum.

The sponsorship was provided under the auspices of the *BNP Paribas pour l'Art* programme, which also provided funding for an exhibition of satirical busts – the *Célébrités du juste milieu* by 19th century artist Honoré Daumier – at Paris' musée d'Orsay. New restoration agreements have been signed with the *château de Chantilly*, the *château de Compiègne*, the fine arts museums of Rennes and Pau and the Popes' Palace in Avignon.

### Partnering artists

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

Thanks to the *Maison de la Danse* in Lyons, of which it is a loyal partner, the *BNP Paribas Foundation* discovered the work of Mourad Merzouki, choreographer and artistic director of the **Käfig company**. This dance company uses a fusion of styles, inspired by the language of hip hop and combining a sense of humour with gravity whilst remaining open to other choreographic and artistic languages. In 2005, the *BNP Paribas Foundation* provided backing for Käfig's next creation, *Terrain vague*, a show for eight dancers and acrobats that is destined to be a huge hit with audiences.

Like the baroque composers who influence his work, **Hervé Niquet** is a multi-talented musician. As well as playing the harpsichord and organ, he has a keen interest in opera and composition and has long been involved in orchestral and choir conducting. The *BNP Paribas Foundation* discovered his talent in 2002 and helped him create *La Nouvelle Sinfonie*, a Montreal-based orchestra of 40 musicians whose goal is to introduce French baroque music to audiences in North America. In 2005, the Foundation extended its support by helping Hervé Niquet to continue his outstanding work of reviving the major baroque composers in France through the *Concert Spirituel*, an ensemble that has been breathing new life into 18th-century music since 1987.





### Medical research

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.

Founded 20 years ago by doctors at the Raymond Poincaré hospital, the *Institut Garches* aims to help handicapped persons become autonomous and assist them with reinsertion. With the unflagging support of its partners, of which the BNP Paribas was one of the first, the institute has developed a range of research, assistance, information and training programmes aimed directly at handicapped persons and their carers. In response to the French Minister for Research's commitment to developing state-approved scientific foundations, the Institut Garches has agreed to pilot the creation of the Garches Foundation, set up on 10 May 2005.

The BNP Paribas Fondation has thus joined a group of Garches Foundation donors in a long-term commitment to improving the living conditions of handicapped persons.

### Volunteer activity

The Foundation also supports communities through its involvement in pilot projects promoting economic self-sufficiency for disadvantaged individuals. Since 2002, the BNP Paribas Foundation has developed a volunteer grants programme which provides funding for non-profit community organisations in which employees are involved on a personal basis.

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

This influence is mainly international. Group branches have been involved for many years in forms of patronage in their local communities.

In California, New York, London, Hong Kong and Tokyo, numerous actions are carried out each year to gather funds for humanitarian organisations, schools and outreach programmes.

### aiding the victims of hurricane Katrina

Hurricane Katrina destroyed 22 of New Orleans' 33 fire stations, leaving 500 firefighters without a base. BNP Paribas New York responded by sending 50 of its employees, on a voluntary basis, to work side-by-side with the firefighters in rebuilding four of these stations. It also provided funding for clothes and for IT and other education equipment for primary schools.

du cinéma

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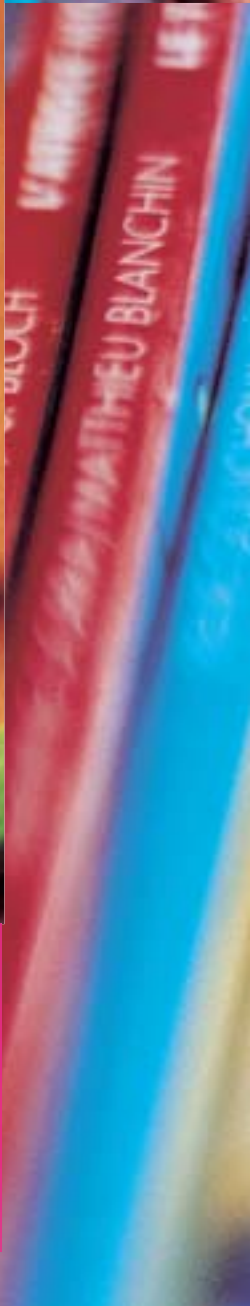


LÉA BERTHE – Student, Paris

« I wanted to teach but, being only 22, did not yet have the required degree. I felt that joining AFEV would help me combine my love of passing on knowledge with my interest in taking up voluntary and charitable work. That's how I began tutoring Nawalle last November. What I'm doing with her goes well beyond helping with homework. It also involves restoring



For those who want to help others in need, there is no shortage of avenues in which to do so – from contributing one's knowledge to providing moral or financial support, to coaching someone in their search for a job. The students of **AFEV** (*Association de la Fondation étudiante pour la ville*), a charitable association supported by BNP Paribas, offer their time and knowledge. Through AFEV, 5,000 students provide tutoring and mentoring help to some 10,000 teenagers from troubled backgrounds. BNP Paribas' annual support to AFEV, totalling EUR 150,000, is part of *Projet Banlieues*, an initiative launched at the end of 2005 to address issues of employment and social inclusion in France's underprivileged suburbs. With a three-year budget of EUR 3 million provided by the BNP Paribas Foundation, *Projet Banlieues* is dedicated to supporting the work of many associations in the field.



her confidence in her abilities and being someone close but neutral that she can talk to. She's free to call me whenever she likes and we see each other very often. It's a very rich experience. It has also allowed me to try out new approaches to teaching, because currently the national school system is very poorly equipped to respond to the needs of children with difficulties. »



# MEMBERSHIP OF THE BOARD OF DIRECTORS

At 31 December 2005.

*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.*



## Michel Pébereau

**Principal function:** Chairman of the BNP Paribas Board of Directors

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

### Director of:

- Lafarge
- Saint-Gobain
- Total
- *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:

- *Haut Conseil de l'Éducation*
- *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 Monetary Conference*
- *International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*



## Patrick Auguste

Director elected by BNP Paribas employees

**Principal function:** Real estate project manager

- Born on 18 June 1951
- Elected for six years on 6 March 2000
- First elected to the Board on 14 December 1993
- Number of BNP Paribas shares held: 30



## Claude Bébéar

**Principal function:** Chairman of the Supervisory Board of AXA

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

Chairman and Chief Executive Officer of FINAXA (FINAXA merged into AXA on 16 December 2005)

### Director of:

- *AXA Assurances Iard Mutuelle*
- *AXA Assurances Vie Mutuelle*
- *AXA Courtage Assurance Mutuelle*
- *AXA Financial Inc., USA*

### Member of the Supervisory Board of:

- Vivendi Universal

### Non-voting director of:

- *Schneider Electric*

### Chairman of:

- *Institut du Mécénat de Solidarité*
- *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*



## Jean-Louis Beffa

**Principal function:** Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

- Born on 11 August 1941
- Elected on 14 May 2003. Term expires at the 2006 AGM
- First elected to the Board on 22 October 1986
- Number of BNP Paribas shares held: 3,904

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, United States*

Permanent representative of Saint-Gobain on the Board of:

- Saint-Gobain PAM

### Chairman of the Supervisory Board of:

- *All (Agence de l'Innovation Industrielle)*

### Member of the Supervisory Board of:

- Le Monde SA
- *Le Monde Partenaire AS (SAS)*
- *Société Éditrice du Monde (SAS)*



## Gerhard Cromme

**Principal function:** Chairman of the Supervisory Board of ThyssenKrupp AG

- Born on 25 February 1943
- Elected on 18 May 2005. Term expires at the 2008 AGM
- First elected to the Board on 21 March 2003
- Number of BNP Paribas shares held: 400

### Member of the Supervisory Board of:

- *Allianz AG, Germany*
- *Axel Springer AG, Germany*
- *Deutsche Lufthansa AG, Germany*
- *E.ON AG, Germany*
- *Hochtief AG, Germany*
- *Siemens AG, Germany*
- *Volkswagen AG, Germany*

### Director of:

- Compagnie de Saint-Gobain
- Suez

### Chairman of:

- *German Governmental Commission on Corporate Governance*

### Member of:

- *European Round Table of Industrialists (ERT)*



## Jean-Marie Gianni

Director elected by BNP Paribas employees

**Principal function:** Sales associate

- Born on 7 September 1952
- Elected for three years on 5 February 2004
- 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: 10

### Member of:

- *Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI)*
- *"Confrontation" (a European think tank)*



#### François Grappotte

**Principal function:** Chairman of the Board of Directors of Legrand

- Born on 21 April 1936
- Elected on 18 May 2005. Term expires at the 2008 AGM
- First elected to the Board on 4 May 1999
- Number of BNP Paribas shares held: 2,300

**Member of the Supervisory Board of:**

- Michelin

**Chairman of:**

- Legrand SAS
- Lumina Management

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

**Director of:**

- Valeo
- B. Ticino, Italy
- Bufer Elektrik, Turkey
- Eltas Elektrik, Turkey
- Legrand Española, Spain
- Lumina Parent, Luxembourg
- Pass & Seymour, United States
- The Wiremold Company, United States

**Member of:**

- Advisory Committee of Banque de France
- Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens)
- Bureau de la FIEEC (Fédération des Industries Électriques, Électroniques et de Communication)
- Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)



#### Alain Joly

**Principal function:** Chairman of the Supervisory Board of Air Liquide

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

**Director of:**

- Lafarge
- Société d'Oxygène et d'Acétylène d'Extrême-Orient



#### Denis Kessler

**Principal function:** Chairman and Chief Executive Officer of Scor

- Born on 25 March 1952
- Elected on 14 May 2003. Term expires at the 2006 AGM
- First elected to the Board on 23 May 2000
- Number of BNP Paribas shares held: 812

**Chairman of:**

- Scor Vie
- Scor Italia Riassicurazioni Spa, Italy
- Scor Life US Re Insurance, United States
- Scor Reinsurance Company, United States
- Scor US Corporation, United States

**Director of:**

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

**Member of the Supervisory Board of:**

- Scor Deutschland, Germany

**Permanent representative of:**

- Fergascor in SA Communication & Participation

**Non-voting director of:**

- 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



#### Jean-François Lepetit

• Born on 21 June 1942

• Elected on 18 May 2005. Term expires at the 2008 AGM

• First elected to the Board on 5 May 2004

• Number of BNP Paribas shares held: 750

**Director of:**

- Smart Trade Technologies SA

**Other responsibilities:** Associate Professor at EDHEC business school



#### Lindsay Owen-Jones <sup>(1)</sup>

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

- Born on 17 March 1946
- Elected on 28 May 2004. Term expires at the 2007 AGM
- First elected to the Board on 13 June 1989
- Number of BNP Paribas shares held: 20,088

**Chairman of:**

- L'Oréal USA, Inc., United States
- L'Oréal UK Ltd, United Kingdom

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

- Air Liquide

**Director of:**

- Sanofi-Aventis
- Ferrari Spa
- Galderma Pharma SA, Switzerland



#### Loyola de Palacio del Valle-Lersundi

**Principal function:** Lawyer

- Born on 16 September 1950
- Elected on 18 May 2005. Term expires at the 2008 AGM
- First elected to the Board on 18 May 2005
- Number of BNP Paribas shares held: 263

**Director of:**

- Zeltia SA, Spain

**Chairman of the European Commission High Level Group on Pan-Euromediterranean Transport Networks**

**Advisor of Englefiel Renewable Energy Fund**

**Coordinator of the Lyons-Turin-Budapest Trans-European Rail Link Project**

**Visiting Professor at the European University Institute in Florence, Italy**



#### Hélène Ploix

**Principal function:** Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS

- Born on 25 September 1944
- Elected on 18 May 2005. Term expires at the 2008 AGM
- First elected to the Board on 21 March 2003
- Number of BNP Paribas shares held: 700

(1) Mr. Owen-Jones resigned on 14 December 2005.

**Director of:**

- Lafarge
- Boots Group Plc, United Kingdom
- Ferring SA, Switzerland

**Member of the Supervisory Board of:**

- Publicis

**Representative of Pechel Industries for:**

- Aquarelle.com Group
- CAE International
- CVBG-Dourthe Kressman
- Pechel Service SAS
- Quinette Gallay
- Xiring

**Representative of Pechel Industries Partenaires SAS**  
(management company for the Pechel Industries II fund)  
on the Board of Directors of SVP Management et Participations

**Legal Manager of:**

- Hélène Ploix SARL
- Hélène Marie Joseph SARL
- Sorepe, Société civile

**Member of the Investment Committee of the United Nations  
Personnel Pension Fund**



**Jean-François Truffelli**

Director elected by BNP Paribas employees  
**Principal function:** Statistical Studies Technician

- Born on 4 May 1952
- Elected for three years on 5 February 2004
- First elected to the Board on 15 March 2004
- Number of BNP Paribas shares held: 11

**OTHER CORPORATE OFFICERS**

**Georges Chodron de Courcel**

**Principal function:** Chief Operating Officer of BNP Paribas

- Born on 20 May 1950
- Number of BNP Paribas shares held: 15,000

**Chairman of:**

- BNP Paribas Emergis SAS
- Compagnie d'Investissement de Paris SAS
- Financière BNP Paribas SAS
- BNP Paribas (Suisse) SA, Switzerland
- BNP Paribas UK Holdings Limited, United Kingdom

**Director of:**

- Alstom
- Bouygues
- Société Foncière, Financière et de Participations SA
- Nexans
- Erbé SA, Belgium
- Verner Investissements SAS

**Member of the Supervisory Board of:**

- Lagardère SCA

**Director of:**

- Exane
- Safran
- Scor SA
- Scor Vie

**Jean Clamon**

**Principal function:** Chief Operating Officer of BNP Paribas

- Born on 10 September 1952
- Number of BNP Paribas shares held: 16,000

**Director of:**

- Arval Service Lease
- BPLG
- Cassa di Risparmio di Firenze, Italy
- Cetelem
- Compagnie Nationale à Portefeuille, Belgium
- Erbé SA, Belgium

**Member of the Supervisory Board of:**

- Galeries Lafayette
- Euro Securities Partners SAS

**Representative of BNP Paribas on the Board of:**

- UCB



**Baudouin Prot**

**Principal function:** Chief Executive Officer of BNP Paribas

- Born on 24 May 1951
- Elected on 18 May 2005. Term expires at the 2008 AGM
- First elected to the Board on 7 March 2000
- Number of BNP Paribas shares held: 38,382

**Director of:**

- Pinault-Printemps-Redoute
- Veolia Environnement
- Erbé SA, Belgium
- Pargesa Holding SA, Switzerland

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

- Accor

**Chairman of:**

- Fédération Bancaire Française



**Louis Schweitzer**

**Principal function:** Chairman of the Board of Directors  
of Renault

- Born on 8 July 1942
- Elected on 28 May 2004. Term expires at the 2007 AGM
- First elected to the Board on 14 December 1993
- Number of BNP Paribas shares held: 5,830

**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

To the best of the Bank's knowledge, there are no conflicts of interest between directors' obligations to BNP Paribas and their personal interests or their other obligations. Chapter V of the Board's internal rules of procedure specifically addresses the issue of conflicts of interest, as follows: "directors shall inform the Board of any situation involving even a potential conflict of interest and shall abstain from taking part in the vote on the matter concerned".

Other than the agreements governed by section L. 225-38 of the French Commercial Code listed in the Statutory Auditors' special report, there are no arrangements or agreements with key shareholders, clients, suppliers or any other parties which involve a member of the Board of Directors.

Corporate officers belonging to the Bank's senior leadership are prohibited from selling their shares in the three-month period following the end of their term of office.

There are currently no service contracts granting benefits between a member of the Board of Directors and BNP Paribas SA or any of its subsidiaries.

## Directors' terms of office and functions

(the companies listed are the parent companies of the groups in which the functions are carried out)

Name of Director Principal function	First elected to the Board on	Term expires	2005	2004	2003	2002	2001	
<b>Michel Pébereau</b> Chairman of the BNP Paribas Board of Directors	14 May 1993	2006 AGM	<p>Chairman of the BNP Paribas Board of Directors</p> <p>Director of Lafarge, Saint-Gobain, Total, Pargesa Holding SA (Switzerland)</p> <p>Member of the Supervisory Board of AXA</p> <p>Non-voting director of Société Anonyme des Galeries Lafayette</p> <p>Chairman of European Banking Federation, Commission Banque et de Marchés de la Fédération Bancaire Française, Conseil d'Etudes Politiques de Paris, Conseil d'Orientation de l'Institut Aspen France</p> <p>Member of Haut Conseil de l'Éducation, 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 Monetary Reserve Bank of New York, International Monetary Conference, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)</p>	<p>Chairman of the BNP Paribas Board of Directors</p> <p>Director of Lafarge, Saint-Gobain, Total</p> <p>Member of the Supervisory Board of AXA</p> <p>Non-voting director of Société Anonyme des Galeries Lafayette</p> <p>Chairman of Association Française des Banques, Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française, Conseil de Direction de l'Institut d'Études Politiques de Paris, Conseil d'Orientation de l'Institut Aspen France</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Monetary Conference, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)</p>	<p>Chairman of the BNP Paribas Board of Directors</p> <p>Director of Lafarge, Saint-Gobain, Total Fina EF</p> <p>Member of the Supervisory Board of AXA, Galeries Lafayette, Dresdner Bank AG (Germany)</p> <p>Permanent representative of BNP Paribas on the board of Renault</p>	<p>Chairman and Chief Executive Officer of BNP Paribas</p> <p>Director of Lafarge, Saint-Gobain, Total Fina EF</p> <p>Member of the Supervisory Board of AXA, Galeries Lafayette, Dresdner Bank AG (Germany)</p> <p>Permanent representative of BNP Paribas on the board of Renault</p>	<p>Chairman and Chief Executive Officer of AXA</p> <p>Chairman of the Board of Directors of FINAXA</p> <p>Director of Schneider Electric, Vivendi Universal, Lor Patrimoine</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p> <p>Member of the Board of Directors of l'Association de Genève</p>	<p>Chairman of the Supervisory Board of AXA</p> <p>Chairman and Chief Executive Officer of FINAXA</p> <p>Director of Schneider Electric, Vivendi Universal, Lor Patrimoine</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p> <p>Member of the Board of Directors of l'Association de Genève</p>
<b>Patrick Auguste</b> Director elected by BNP Paribas employees	14 December 1993	2006						
<b>Claude Béhéar</b> Chairman of the Supervisory Board of AXA	23 May 2000	2006 AGM	<p>Chairman of the Supervisory Board of AXA</p> <p>Chairman and Chief Executive Officer of FINAXA (FINAXA merged into AXA on 16/12/2005)</p> <p>Member of the Supervisory Board of Vivendi Universal</p> <p>Non-voting director of Schneider Electric</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p>	<p>Chairman of the Supervisory Board of AXA</p> <p>Chairman and Chief Executive Officer of FINAXA</p> <p>Director of Vivendi Universal</p> <p>Non-voting director of Schneider Electric</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p>	<p>Chairman of the Supervisory Board of AXA</p> <p>Chairman and Chief Executive Officer of FINAXA</p> <p>Director of Schneider Electric, Vivendi Universal, Lor Patrimoine</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p> <p>Member of the Board of Directors of l'Association de Genève</p>	<p>Chairman of the Supervisory Board of AXA</p> <p>Chairman and Chief Executive Officer of FINAXA</p> <p>Director of Schneider Electric, Vivendi Universal, Lor Patrimoine</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p> <p>Member of the Board of Directors of l'Association de Genève</p>	<p>Chairman of the Supervisory Board of AXA</p> <p>Chairman and Chief Executive Officer of FINAXA</p> <p>Director of Schneider Electric, Vivendi Universal, Lor Patrimoine</p> <p>Chairman of Institut du Mécénat de Solidarité, Institut Montaigne</p> <p>Member of International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of the Tsinghua School of Economics and Management (Beijing)</p> <p>Member of the Board of Directors of l'Association de Genève</p>	
<b>Jean-Louis Bèffa</b> Vice-Chairman of the BNP Paribas Board of Directors Chairman and Chief Executive Officer of Compagnie de Saint-Gobain	22 October 1986	2006 AGM	<p>Vice-Chairman of the BNP Paribas Board of Directors</p> <p>Chairman and Chief Executive Officer of Compagnie de Saint-Gobain</p> <p>Chairman of Claude Bernard Participations</p> <p>Director of Gaz de France, Groupe Bruxelles Lambert (Belgium)</p> <p>Chairman of the Supervisory Board of All (Agence de l'Innovation Industrielle)</p> <p>Member of the Supervisory Board of Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)</p>	<p>Vice-Chairman of the BNP Paribas Board of Directors</p> <p>Chairman and Chief Executive Officer of Compagnie de Saint-Gobain</p> <p>Chairman of Claude Bernard Participations</p> <p>Director of Gaz de France, Groupe Bruxelles Lambert (Belgium)</p> <p>Member of the Supervisory Board of Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)</p>	<p>Vice-Chairman of the BNP Paribas Board of Directors</p> <p>Chairman and Chief Executive Officer of Compagnie de Saint-Gobain</p> <p>Chairman of Claude Bernard Participations</p> <p>Director of Groupe Bruxelles Lambert (Belgium)</p> <p>Member of the Supervisory Board of Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)</p>	<p>Vice-Chairman of the BNP Paribas Board of Directors</p> <p>Chairman and Chief Executive Officer of Compagnie de Saint-Gobain</p> <p>Chairman of Claude Bernard Participations</p> <p>Director of Groupe Bruxelles Lambert (Belgium)</p> <p>Member of the Supervisory Board of Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)</p>	<p>Vice-Chairman of the BNP Paribas Board of Directors</p> <p>Chairman and Chief Executive Officer of Compagnie de Saint-Gobain</p> <p>Chairman of Claude Bernard Participations</p> <p>Director of Vivendi Universal, Groupe Bruxelles-Lambert (Belgium)</p> <p>Director of Le Monde Entreprises (SOREFO)</p>	
<b>Gerhard Cromme</b> Chairman of the Supervisory Board of ThyssenKrupp AG	21 March 2003	2008 AGM	<p>Chairman of the Supervisory Board of ThyssenKrupp AG</p> <p>Director of Compagnie de Saint-Gobain, Suez</p> <p>Member of the Supervisory Board of Allianz AG (Germany), Axel Springer AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Ruhrgas AG (Germany), Hochtief AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany)</p> <p>Chairman of German Governmental Commission on Corporate Governance, Member of European Round Table of Industrialists (ERT)</p>	<p>Chairman of the Supervisory Board of ThyssenKrupp AG</p> <p>Director of Suez</p> <p>Member of the Supervisory Board of Allianz AG (Germany), Axel Springer AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Ruhrgas AG (Germany), Hochtief AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany)</p> <p>Chairman of German Governmental Commission on Corporate Governance, European Round Table of Industrialists (ERT)</p>	<p>Chairman of the Supervisory Board of ThyssenKrupp AG</p> <p>Director of Suez</p> <p>Member of the Supervisory Board of Allianz AG (Germany), Axel Springer Verlag AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Ruhrgas AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany)</p> <p>Chairman of German Governmental Commission on Corporate Governance, European Round Table of Industrialists (ERT)</p>	<p>Chairman of the Supervisory Board of ThyssenKrupp AG</p> <p>Director of Suez</p> <p>Member of the Supervisory Board of Allianz AG (Germany), Axel Springer Verlag AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Ruhrgas AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany)</p> <p>Chairman of German Governmental Commission on Corporate Governance, European Round Table of Industrialists (ERT)</p>	<p>Chairman of the Supervisory Board of ThyssenKrupp AG</p> <p>Director of Suez</p> <p>Member of the Supervisory Board of Allianz AG (Germany), Axel Springer Verlag AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Ruhrgas AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany)</p> <p>Chairman of German Governmental Commission on Corporate Governance, European Round Table of Industrialists (ERT)</p>	

**Directors' terms of office and functions**  
(the companies listed are the parent companies of the groups in which the functions are carried out)

Name of Director Principal function	First elected to the Board on	Term expires	2005	2004	2003	2002	2001
<b>Jean-Marie Gianno</b> Director elected by BNP Paribas employees	5 February 2004	2006	Member of Comité des Etablissements de Crédit et des Entreprises d'Investissement (CECEI), Conforation (a European think tank)				
<b>François Grapporte</b> Chairman of the Board of Directors of Legrand	4 May 1999	2008 AGM	Chairman of the Board of Directors of Legrand Member of the Supervisory Board of Michelin Director of Valeo Member of Conseil Consultatif de la Banque de France, Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens), Bureau de la FIEEC (Fédération des Industries Electriques, Electroniques et de Communication), Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)	Chairman of the Board of Directors of Legrand Member of the Supervisory Board of Galeries Lafayette, Michelin Director of Valeo Member of Conseil Consultatif de la Banque de France, Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens), Bureau de la FIEEC (Fédération des Industries Electriques, Electroniques et de Communication), Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)	Chairman and Chief Executive Officer of Legrand Director of Valeo Member of the Supervisory Board of Michelin Member of Conseil Consultatif de la Banque de France, Bureau de la FIEEC (Fédération des Industries Electriques, Electroniques et de Communication)	Chairman and Chief Executive Officer of Société Legrand Director of Finpep Member of the Supervisory Board of Michelin Member of Conseil Consultatif de la Banque de France, Bureau de la FIEEC (Fédération des Industries Electriques, Electroniques et de Communication)	Chairman and Chief Executive Officer of Société Legrand Director of France Telecom Member of the Supervisory Board of Michelin
<b>Alain Joly</b> Chairman of the Supervisory Board of Air Liquide	28 June 1995	2006 AGM	Chairman of the Supervisory Board of Air Liquide Director of Lafarge	Chairman of the Supervisory Board of Air Liquide Director of Lafarge	Chairman of the Supervisory Board of Air Liquide Director of Lafarge	Chairman of the Supervisory Board of Air Liquide Director of Lafarge	Chairman and Chief Executive Officer of Air Liquide up to November 2001 then Chairman of the Supervisory Board Director of Lafarge
<b>Denis Kessler</b> Chairman and Chief Executive Officer of SCOR	23 May 2000	2006 AGM	Chairman and Chief Executive Officer of SCOR Chairman of SCOR Vie Director of Bolloré Investissement SA, Dassault Aviation, Amvescap Pte (United Kingdom), Cogedim SAS, Dexia SA (Belgium) Permanent representative of Fergassor on board of SA Communication & Participation Non-voting director of FDC SA, Gimar Finance & Cie Member of Commission Economique de la Nation, Conseil Economique et Social, Conseil d'administration du Sictel, Association de Genève, Comité des Entreprises d'Assurance	Chairman and Chief Executive Officer of SCOR Chairman of SCOR Vie Director of Bolloré Investissement SA, Dassault Aviation, Amvescap Pte (United Kingdom), Cogedim SAS, Dexia SA (Belgium) Permanent representative of Fergassor on board of SA Communication & Participation Non-voting director of FDC SA, Gimar Finance & Cie Member of Commission Economique de la Nation, Conseil Economique et Social, Conseil d'administration du Sictel, Association de Genève	Chairman and Chief Executive Officer of SCOR Chairman of SCOR Vie Director of Bolloré Investissement SA, Dassault Aviation, Amvescap Pte (United Kingdom), Cogedim SAS, Dexia SA (Belgium) Non-voting director of FDC SA, Gimar Finance & Cie Member of Commission Economique de la Nation, Conseil Economique et Social, Conseil d'administration du Sictel, Association de Genève	Chairman and Chief Executive Officer of SCOR Chairman of SCOR Vie Director of Bolloré Investissement SA, Dexia (Belgium), Cogedim SAS, Amvescap Pte (United Kingdom) Member of the Supervisory Board of Cetelem Non-voting director of FDC SA, Gimar Finance & Cie Chairman of the Scientific Council of Association de Genève Vice-Chairman of la Société d'Economie Politique	Chairman of Fédération Française des Sociétés d'Assurances - FFA Vice-Chairman of Mouvement des Entreprises de France - MEDEF Chairman of Sica Horizon 2 and Orsay 1 <sup>st</sup> Director of Associés en Finance SA, Bolloré Investissement, Dexia SA (Belgium) Member of the Supervisory Board of ABF Capital Management SA, Vendôme-Rome Management SA, Cetelem, Cogedim SAS Non-voting director of FDC SA, Gimar Finance & Cie Member of Commission Economique de la Nation, Conseil d'administration du Sictel, Association de Genève
<b>Jean-François Lepetit</b> Associate Professor at EDHEC	5 May 2004	2008 AGM	Director of de Smart Trade Technologies SA	None			
<b>Lindsay Owen-Jones</b> Chairman and Chief Executive Officer of L'Oréal	13 June 1989	2007 AGM	Chairman and Chief Executive Officer of L'Oréal Vice-Chairman and Member of the Supervisory Board of Air Liquide Director of Sanofi-Aventis, Ferrari Spa (Italy), Galderma Pharma SA (Switzerland)	Chairman and Chief Executive Officer of L'Oréal Vice-Chairman and Member of the Supervisory Board of Air Liquide Director of Sanofi-Aventis, Ferrari Spa (Italy), Galderma Pharma SA (Switzerland)	Chairman and Chief Executive Officer of L'Oréal Chairman of Galderma Pharma SA (Switzerland) Vice-Chairman and Member of the Supervisory Board of Air Liquide Director of Sanofi-Synthelabo	Chairman and Chief Executive Officer of L'Oréal Chairman of Galderma Pharma SA (Switzerland) Director of Sanofi-Synthelabo Member of the Supervisory Board of Air Liquide	Chairman and Chief Executive Officer of L'Oréal Director of Air Liquide, Sanofi-Synthelabo, Galderma Pharma SA (Switzerland)
<b>Loyola de Palacio del Vallé-Letsunoff</b> Attorney	18 May 2005	2008 AGM	Director of Zelixa SA (Spain)				
			Chairman of the European Commission High Level Group on Pan-EuroMediterranean Transport Networks Advisor to Engie/ef Renewable Energy Fund Coordinator of the Lyons-Torino-Budapest Trans-European Rail Link Project Visiting Professor at the European University Institute in Florence, Italy				

## Directors' terms of office and functions

(the companies listed are the parent companies of the groups in which the functions are carried out)

Name of Director Principal function	First elected to the Board on	Term expires	2005	2004	2003	2002	2001
<b>Hélène Ploix</b> Chairman of Pechel Industries SAS	21 March 2003	2008 AGM	<p>Chairman of Pechel Industries SAS and of Pechel Industries Partenaires SAS (United Kingdom), Ferring SA, (Switzerland)</p> <p><b>Member of the Supervisory Board of Publicis</b></p> <p><b>Representative of Pechel Industries</b> on the boards of several companies</p> <p><b>Legal Manager of Hélène Ploix SARL</b>, Hélène Marie Joseph SARL, Sorepe Société Civile</p> <p><b>Member of the Investment Committee of the United Nations Personnel Pension Fund</b></p>	<p>Chairman of Pechel Industries SAS and of Pechel Industries Partenaires SAS (United Kingdom), Ferring SA, (Switzerland)</p> <p><b>Member of the Supervisory Board of Publicis</b></p> <p><b>Representative of Pechel Industries</b> on the boards of several companies</p> <p><b>Legal Manager of Hélène Ploix SARL</b></p> <p><b>Member of the Investment Committee of the United Nations Personnel Pension Fund</b></p>	<p>Chairman of Pechel Industries SAS (United Kingdom), Ferring SA, (Switzerland)</p> <p><b>Member of the Supervisory Board of Publicis</b></p> <p><b>Representative of Pechel Industries</b> on the boards of several companies</p> <p><b>Legal Manager of Hélène Ploix SARL</b></p> <p><b>Ad hoc member of the Investment Committee of the United Nations Personnel Pension Fund</b></p>		
<b>Baudouin Prot</b> Chief Executive Officer of BNP Paribas	7 March 2000	2008 AGM	<p><b>Chief Executive Officer of BNP Paribas</b></p> <p><b>Director of Pinault-Printemps-Redoute, Veolia Environnement, Eréb SA (Belgium), Pargesa Holding SA (Switzerland)</b></p> <p><b>Permanent representative of BNP Paribas on the Supervisory Board of ACCOR</b></p> <p><b>Chairman of Fédération Bancaire Française</b></p>	<p><b>Chief Executive Officer of BNP Paribas</b></p> <p><b>Director of Veolia Environnement, Eréb (Belgium), Pargesa (Belgium)</b></p> <p><b>Member of the Supervisory Board of Pinault-Printemps-Redoute</b></p> <p><b>Permanent representative of BNP Paribas on the Supervisory Board of ACCOR</b></p>	<p><b>Chief Executive Officer of BNP Paribas</b></p> <p><b>Director of Pechiney, Veolia Environnement</b></p> <p><b>Member of the Supervisory Board of Pinault-Printemps-Redoute, Fonds de Garantie des Dépôts</b></p> <p><b>Permanent representative of BNP Paribas on the Supervisory Board of ACCOR</b></p>	<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Pechiney, Euro Securities Partners</b></p> <p><b>Member of the Supervisory Board of Pinault-Printemps-Redoute, Fonds de Garantie des Dépôts</b></p> <p><b>Permanent representative of BNP Paribas on the Board of Directors of ACCOR, Answork, Petrofigaz</b></p>	
<b>Louis Schweitzer</b> Chairman of the Board of Directors of Renault	14 Decembre 1993	2007 AGM	<p><b>Chairman of the Board of Directors of Renault</b></p> <p><b>Chairman of the Board of Directors of AstraZeneca Plc (United Kingdom)</b></p> <p><b>Vice-Chairman of the Supervisory Board of Philips (Netherlands)</b></p> <p><b>Director of Electricité de France, L'Oréal, Veolia Environnement, AB Volvo (Sweden)</b></p> <p><b>Chairman of Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)</b></p> <p><b>Member of the Advisory Board of Banque de France, Allianz (Germany)</b></p> <p><b>Member of the Board of Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre, Musée du Quai Branly</b></p>	<p><b>Chairman and Chief Executive Officer of Renault</b></p> <p><b>Chairman of the Management Board of Renault-Nissan BV (Netherlands)</b></p> <p><b>Director of Electricité de France, Veolia Environnement, AB Volvo (Sweden), AstraZeneca (Great Britain)</b></p> <p><b>Member of the Supervisory Board of Philips (Netherlands)</b></p> <p><b>Member of the Advisory Board of Banque de France, Allianz (Germany)</b></p> <p><b>Member of the Board of Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre, Musée du Quai Branly</b></p>	<p><b>Chairman and Chief Executive Officer of Renault</b></p> <p><b>Chairman of the Management Board of Renault-Nissan BV (Netherlands)</b></p> <p><b>Director of AB Volvo (Sweden), Electricité de France, Veolia Environnement</b></p> <p><b>Member of the Supervisory Board of Philips (Netherlands)</b></p> <p><b>Member of the Advisory Board of Banque de France, Allianz (Germany)</b></p> <p><b>Member of the Board of Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre</b></p>	<p><b>Chairman and Chief Executive Officer of Renault</b></p> <p><b>Director of Electricité de France, AB Volvo (Sweden)</b></p> <p><b>Member of the Supervisory Board of Philips (Netherlands)</b></p> <p><b>Member of the Board of Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre</b></p>	
<b>Jean-François Truffelli</b> Director elected by BNP Paribas employees	5 February 2004	2006					
<b>OTHER CORPORATE OFFICERS</b>							
<b>Georges Chodron de Courcel</b> Chief Operating Officer of BNP Paribas	11 June 2003		<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Alstom, Bouygues, Société Foncière, Financière et de Participations SA, Nexans, Eréb SA (Belgium)</b></p> <p><b>Member of the Supervisory Board of Lagardère SCA</b></p> <p><b>Non-voting director of Safran, SCOR SA, SCOR Vie</b></p>	<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Alstom, Bouygues, Nexans, Eréb SA (Belgium)</b></p> <p><b>Member of the Supervisory Board of Lagardère SCA, Sagem SA</b></p> <p><b>Non-voting director of SCOR SA, SCOR Vie</b></p>	<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Alstom, Bouygues, Nexans</b></p> <p><b>Member of the Supervisory Board of Lagardère SCA</b></p> <p><b>Non-voting director of SCOR SA</b></p>		
<b>Jean Clamon</b> Chief Operating Officer of BNP Paribas	11 June 2003		<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Cassa di Risparmio di Firenze (Italy), Compagnie Nationale à Portefeuille (Belgium), Eréb SA (Belgium)</b></p> <p><b>Member of the Supervisory Board of Galeries Lafayette, Euro Securities Partners SAS</b></p>	<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Euro Securities Partners, Cassa di Risparmio di Firenze (Italy), Compagnie Nationale à Portefeuille (Belgium), Eréb (Belgium)</b></p> <p><b>Member of the Supervisory Board of Fonds de Garantie des Dépôts</b></p>	<p><b>Chief Operating Officer of BNP Paribas</b></p> <p><b>Director of Euro Securities Partners, Cassa di Risparmio di Firenze (Italy), Compagnie Nationale à Portefeuille (Belgium), Eréb (Belgium)</b></p>		

# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

PREPARED IN ACCORDANCE WITH ARTICLE L. 225-37,  
PARAGRAPH 6 OF THE FRENCH COMMERCIAL CODE

## I – Corporate governance

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

The conditions for the preparation and organisation of the work of the Board are set out in the internal rules of the Board of Directors of BNP Paribas SA. 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 set out the terms of reference of the Board of Directors and its Chairman; 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.

The internal rules were last updated by the Board on 14 February 2006. This followed the Board's decision to split the Compensation and Nominations Committee into two new Committees: the Corporate Governance and Nominations Committee and the Compensation Committee. Two-thirds of the members of these new Committees are independent directors, in accordance with French corporate governance guidelines<sup>(1)</sup>.

According to the internal rules, 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. As such, 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 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 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 a high quality.

### 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. 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.

Under the internal rules, the Chairman organises and directs the work of the Board, and ensures that the corporate decision-making bodies of BNP Paribas operate effectively.

<sup>(1)</sup> "French corporate governance guidelines" refer to those contained in the consolidated joint reports prepared by the French employers' organisations, the MEDEF and AFEP, in 1995, 1999 and 2002, published in October 2003; and the "Guide to preparing documents de référence" published on 27 January 2006 by the French Financial Markets Authority (AMF).

Working closely with Executive Management, he is competent to represent the Group in high-level dealings with, for example, major clients and the authorities both nationally and internationally. He has no executive responsibilities. The Chief Executive Officer has the broadest powers to act in the Bank's name under all circumstances (see Limitation of the powers of the Chief Executive Officer, p.139). 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.

### **Composition of the BNP Paribas Board of Directors and independence of Board members**

At the end of 2005, following the resignation of Lindsay Owen-Jones, the Board of Directors had twelve members elected by the shareholders and three members elected by BNP Paribas employees. There were no non-voting directors.

Based on proposals submitted by the Corporate Governance and Nominations Committee, the Board considers that the following directors qualify as independent under French corporate governance guidelines<sup>(1)</sup>: Gerhard Cromme, François Grappotte, Alain Joly, Denis Kessler, Jean-François Lepetit, Hélène Ploix, Loyola de Palacio and 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 three employee representatives on the Board, Patrick Auguste, Jean-Marie Gianno and Jean-François Truffelli, do not qualify as independent under the guidelines, despite their status and the method by which they were elected, which safeguards their independence.

In total, at the end of January 2006, the Board of Directors of BNP Paribas is made up of a majority of eight directors who qualify as independent

and seven who do not, and thus meets the required quota (i.e., the majority) set out<sup>(1)</sup> in French corporate governance guidelines for "companies with a dispersed shareholder base and no controlling shareholders".

Pursuant to the resolution approved by the shareholders at the Annual General Meeting held on 18 May 2005, two directors will be elected by BNP Paribas employees at the elections scheduled for February/March 2006. Consequently, six directors will then no longer qualify as independent under the guidelines<sup>(1)</sup>.

No director is related to any other director.

### **The Boards' activity in 2005**


In 2005, the Board held seven meetings in line with its regular schedule (attendance rate of 90.2%) and three specially-convened meetings, which brought the attendance rate down to 86% for the ten Board meetings on account of the short notice periods given for the specially-convened meetings. The annual special session devoted to Group strategy was attended by the Group's key executive managers.

As well as discussions and decisions required regarding issues of compliance with French laws and regulations, the Board and its Committees also deliberated on the following matters in accordance with its internal rules:

- the budget for 2005 and the quarterly, half-yearly and annual financial results;
- preliminary approval for investment projects totalling more than EUR 250 million;
- evaluation of the Board, its composition and Committees;
- remuneration of corporate officers and stock option plans;
- the drafts of the Chairman's report and the management report;
- the 2004 dividend;
- the convening notice for the May 2005 Annual General Meeting and the draft resolutions to be presented to shareholders;
- plans to buy back shares, allocate shares bought back and cancel shares;
- share issues to employees and share-based incentive plans;

(1) "French corporate governance guidelines" refer to those contained in the consolidated joint reports prepared by the French employers' organisations, the MEDEF and AFEP, in 1995, 1999 and 2002, published in October 2003; and the "Guide to preparing documents de référence" published on 27 January 2006 by the French Financial Markets Authority (AMF).



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- issues of debt securities;
  - developments in the "Oil for Food" case, on which briefings were periodically drawn up by directors.

Following on from the work carried out in 2004, during the year the Board continued to examine International Financial Reporting Standards adopted for use by the European Union. It analysed the impact of the standards as a whole, as well as the standards with the greatest impact on the BNP Paribas Group. It examined simulations of the impact of the standards on the draft 2006 budget for the Group (submitted to it for approval) and each of its core businesses. It considered the information to be provided to the markets upon publication of the financial statements under IFRS in light of the complexity of the new standards. This work was prepared by the Financial Statements Committee and closely involved the Statutory Auditors, who were required to give their opinion concerning the choices made by the Group and the interpretation of the options available under the standards.

In 2005, the Board of BNP Paribas began the process of renewing the terms of office of the Statutory Auditors, which were due to expire at the end of 2005. In order to provide shareholders at the Annual General Meeting in May 2006 with a choice regarding the Statutory Auditors to be appointed for the five-year term from 2006 to 2011, the Board, acting under the authority of the Financial Statements Committee, put out a call for tenders based largely, but not exclusively, on the work of the *"Ethics and Independence Committee of the Statutory Auditors of Public Companies"*<sup>(1)</sup>.

The Board deliberated on the work of the Internal Control and Risk Management Committee (as described hereafter) and particularly on the work of the Compliance function, the implementation of Periodic and Permanent Controls, the Group's commitments, credit risk and market risk policies, and preparatory work

carried out in connection with operational risk and the application of Basel II. It deliberated on the work carried out by the Compensation and Nominations Committee concerning the assessment of the Board's performance and its composition, the remuneration of corporate officers and members of the Executive Committee, the allocation of bonus shares, stock awards and the stock option plan for 2005, directors' fees and the global share-based incentive plan.

### **The Committees of the Board**

Under the Board's internal rules, Committees may be set up to assist the directors of BNP Paribas in carrying out their functions. The terms of reference of the Committees neither reduce nor impinge on those of the Board. The Chairman of the Board of Directors must ensure that the number, terms of reference, composition, and functioning of the Committees are adapted to the Board's needs and in phase with corporate governance best practices. These Committees meet as and when required, with or without the participation of BNP Paribas management. They may use the services of external experts wherever necessary. The Chairman of the Committee may make enquires of any manager within the Group concerning matters falling within the Committee's terms of reference. The Committees submit recommendations to the Board of Directors and the Committee Chairman presents a summary of these recommendations at the next Board meeting. Minutes must be kept of all Committee meetings. At the end of 2005, the Board's Committees were: the Financial Statements Committee, the Internal Control and Risk Management Committee and the Compensation and Nominations Committee, which has since been split into two separate Committees, as indicated previously.

### **Financial Statements Committee**

The Financial Statements Committee was set up in 1994 by the Board of Directors of the former BNP. In 2005, the Committee's members were Louis

*(1) A blueprint provided to listed companies concerning the ethical aspects of the statutory audit tendering procedure, published in December 2002.*

Schweitzer (Chairman), Denis Kessler and Hélène Ploix, all of whom qualify as independent directors under French corporate governance guidelines<sup>(1)</sup>. The fourth member, Patrick Auguste, does not qualify as independent as he was elected by BNP Paribas employees. The composition of the Committee complies with French corporate governance guidelines<sup>(1)</sup> which recommend that at least two-thirds of the directors should be independent. No members of the Bank's Executive Management have sat on the Committee since 1997. In 2005, the Committee met five times and the rate of attendance was 100%. In 2005, in accordance with the internal rules, the Committee analysed the quarterly, half-yearly and annual financial statements issued by the Bank and obtained further explanations of certain items prior to presentation of the financial statements to the Board of Directors. It examined 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. When reviewing the financial results for each quarter, the Committee listened to the comments and conclusions of the Statutory Auditors without any member of Executive Management being present. Where questions of interpretation of accounting standards arise in connection with the presentation of the quarterly, half-yearly and annual results, involving choices with a material impact, the Statutory Auditors and Group Management submit a quarterly memorandum to the Committee analysing the nature and significance of the choices made.

As mentioned previously, in accordance with the internal rules, the Committee monitored the procedure for appointing new Statutory Auditors. It reported to the Board on a regular basis concerning the application of IFRS as adopted for use by the European Union; it reviewed the Statutory Auditors' annual audit assignment, together with the auditors' recommendations and the implementation of these recommendations.

It also received notification 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; it ensured that the portion of the audit firms' revenues which BNP Paribas represents was not likely to compromise the Statutory Auditors' independence. The Committee granted preliminary approval for audit assignments for total fees of over EUR 1 million excluding taxes, and validated the approval and control procedure for all "non-audit" assignments for fees in excess of EUR 50,000. It read the Group's report on all "non-audit" assignments carried out by the Statutory Auditor networks, as well as the report drawn up by each Statutory Auditor firm, describing the internal control mechanism for guaranteeing its independence, as well as a written attestation of the Statutory Auditor's independence during the audit of the Group. 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. It reviewed draft memoranda concerning the Group's results prior to their presentation to the Board.

At the end of each of its meetings, the Financial Statements Committee reported its findings to the Board of Directors.

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

The Internal Control and Risk Management Committee was set up in 1994 by the Board of Directors of the former BNP. At the end of 2005, its members were François Grappotte (Chairman), Jean-François Lepetit, and Loyola de Palacio, all of whom qualify as independent directors under French corporate governance guidelines<sup>(1)</sup>. The fourth member, Jean-Marie Gianno, does not qualify as independent as he was elected by BNP Paribas employees. No members of Executive Management have sat on the Committee since 1997. In 2005, the Committee met four times and the rate of attendance was 100%.

*(1) "French corporate governance guidelines" refer to those contained in the consolidated joint reports prepared by the French employers' organisations, the MEDEF and AFEP, in 1995, 1999 and 2002, published in October 2003; and the "Guide to preparing documents de référence" published on 27 January 2006 by the French Financial Markets Authority (AMF).*

In accordance with the internal rules, the Committee examined the new approach adopted by the regulatory authorities concerning compliance, permanent and periodic controls and the consequences for the Group of the amendment to regulation 97-02, particularly regarding internal control. It approved the Group's general policy with regard to permanent controls and the establishment of a Compliance function, compliance charter and the related organisation. It also reviewed the new structure of the periodic control system that places internal audit under the authority of the Head of the Bank's General Inspection unit, and the conditions governing its autonomy in relation to the Group's operating entities. The Committee reviewed the report and action plan of the Head of the Group's Ethics Department, and analysed the internal control report for 2004 to be filed with the regulatory authorities.

In the area of risk management, the Committee analysed the new requirements of the regulatory authorities concerning operational risks, and the Group-wide implementation of programmes to bring the Bank into line with the latest recommendations of Basel II. It reviewed the conclusions of the Risk Policy Committees and carried out periodic analyses of the Group's global market, portfolio-based and credit risks by geographic area and by business line, as well as their compliance with regulatory ratios related to the spreading of risk. It reviewed exchanges of correspondence with the French banking regulator (*Commission Bancaire*). It was notified of internal reports on incidents and fraud in accordance with the measures implemented on a voluntary basis by the Group, which seek to comply with certain provisions of the Sarbanes-Oxley Act even though this legislation is not legally binding on BNP Paribas. The Committee held discussions with the Heads of the General Inspection unit and Periodic Controls without any members of Executive Management being present.

At the end of each of its meetings, the Internal Control and Risk Management Committee reported its findings to the Board of Directors.

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

In 2005, issues dealt with by the Committee included the succession of Board members and renewal of terms of office, the composition of the Board's Committees and new organisation of the Compensation and Nominations Committee, remuneration of corporate officers and members of the Executive Committee, the allocation of bonus shares, stock awards and the stock option plan for 2005, directors' fees and the global share-based incentive plan, as well as the assessment of the performance of the BNP Paribas Board of Directors.

The Compensation and Nominations Committee was set up in 1993 by the Board of Directors of the former BNP. At the end of 2005, its members were Alain Joly (Chairman) and Gerhard Cromme, who qualify as independent directors under French corporate governance guidelines<sup>(1)</sup>, and Claude Bébéar and Jean-Louis Beffa who do not qualify as independent. The composition of the Committee complies with French corporate governance guidelines which recommend that at least half of the directors should be independent. No members of Executive Management have sat on the Committee since 1997. The Committee met three times over the year and the attendance rate was 92%. At the beginning of 2006, the Committee was split into two new Committees as follows:

*- The Compensation Committee, comprising Alain Joly and Gerhard Cromme, who qualify as independent directors<sup>(1)</sup> and Jean-Louis Beffa, who does not qualify as an independent director<sup>(1)</sup>. The 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 resignation or departure of members of the Bank's corporate decision-making or representative bodies. It reviews the terms, amounts and 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*

<sup>(1)</sup> "French corporate governance guidelines" refer to those contained in the consolidated joint reports prepared by the French employers' organisations, the MEDEF and AFEP, in 1995, 1999 and 2002, published in October 2003; and the "Guide to preparing documents de référence" published on 27 January 2006 by the French Financial Markets Authority (AMF).

related to executive management compensation referred by him to the Committee.

- *The Corporate Governance and Nominations Committee, comprising Alain Joly and Gerhard Cromme, who qualify as independent directors<sup>(1)</sup>, and Claude Bébéar, who does not qualify as an independent director<sup>(1)</sup>. It is tasked with monitoring corporate governance issues. Its role is to help the Board of Directors to adapt corporate governance within BNP Paribas and to assess the performance of Board members. It selects the measures best adapted 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 the applicable law and regulations. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors. The Committee puts forward recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee puts forward recommendations for the post of Chief Executive Officer for consideration by the Board, and acting on the recommendation of the Chief Executive Officer, it puts forward candidates for Chief Operating Officer. It assesses the performance of the Chairman, as well as the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present. 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 when their terms of office are due for renewal. It is also tasked with assessing the independence of the directors and reporting its findings to the Board of Directors.*

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

The Board carried out an assessment of its own performance in 2005 based on the work of the Compensation and Nominations Committee. The same methods were used as in previous years. The assessment was based on (i) the relevance and clarity of the Board's internal rules and terms of reference; (ii) its composition and independence; (iii) the scope of its activities, especially strategy, markets and competition, the functioning of the Bank's businesses, its accounts and financial results, audit and internal control, risks and the performance of corporate officers; (iv) information provided to Board members; (v) the frequency, duration and running of Board meetings, the presence and competence of the directors, freedom of expression and the quality of reporting. The performance of the Board's Committees was also assessed in view of their terms of reference, the suitability of Committee members and the number of meetings held, as well as the quality of the reports submitted. The findings of this assessment were submitted to the Board.

### **Conduct of directors**

The procedure for recruiting directors is based on information and assessments provided by the members of the Board's various Committees and the Chairman of the Board. This ensures that the successful candidates have the personal and professional qualities required to carry out the function of director in a Group such as BNP Paribas. These qualities are summarised in the internal rules.

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, 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*

(1) "French corporate governance guidelines" refer to those contained in the consolidated joint reports prepared by the French employers' organisations, the MEDEF and AFEP, in 1995, 1999 and 2002, published in October 2003; and the "Guide to preparing documents de référence" published on 27 January 2006 by the French Financial Markets Authority (AMF).

*in their functions or positions held, directors agree to allow the Board to decide on whether or not it is appropriate for them to continue 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 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 manager 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 should inform the Board of any conflict of interest – even if this be merely potential – and should refrain from participating in the corresponding deliberating vote. Directors who deem that they are no longer able to effectively carry out their responsibilities on the Board or Committees of which they are a member, should step down. Any director or any other person who is called upon to attend meetings of the Board and the Committees of the Board is required to treat all matters discussed during the meeting as strictly confidential. In particular, such directors or other persons shall treat as strictly confidential all insider information as well as information that may interest competitors or external parties in connection with “economic intelligence” and confidential information described as such by the Chairman. In case of failure to comply with this obligation, the director or other person may be exposed to a claim for damages. 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.*

*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 director's fees (the number of shares held appears in the personal file of each director).*

#### **Informing and initiating new directors**

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 that the Board has the power to provide them.

When directors take up their appointment, they are provided with a written summary document describing the Group, its profile, organisation, recent financial statements and various information available on the Group's websites. The Group also organises a series 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. Other directors may also participate in these meetings.

#### **BNP PARIBAS, RANKED No.1 IN THE EUROZONE FOR CORPORATE GOVERNANCE**

The first international FTSE/International Shareholder Services classification was published in April 2005. It analysed the quality of corporate governance of 2,000 companies quoted in 24 countries. BNP Paribas came in first in the Eurozone countries – all economic sectors considered – and 10th worldwide.

## II – 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 of the statutory information in the report on Internal Control.

### Internal Control environment

Controls within the French banking sector are governed by a wide range of laws and regulations, which have created a long-established internal control culture within the Bank's core businesses. The current internal control environment is largely based on the Banking Activities and Control Act of 24 January 1984 and the Financial Activities Modernisation Act of 2 July 1996. France's banking regulator, the *Commission Bancaire*, is responsible for oversight of the rules applicable to internal control in banks and investment firms. Under its charter, the *Commission Bancaire*, has the power to inspect and evaluate the internal control procedures used by banks. This highly-developed environment reflects the importance of banking activities to the economy and finance, and the potential for banking activities to affect the stability of the world financial system. National banking rules are framed at an international level within the context of the recommendations of the Basel Committee on banking supervision.

The conditions for the implementation and monitoring of internal control within banks and investment firms are set out in CRBF Regulation 97-02 of 21 February 1997, as amended by Regulations 2001-01 and 2004-02 and the Decree of 31 March 2005. These rules lay down principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems. Under Articles 42 and 43 of this Regulation, banks are required to prepare two annual statutory reports. The first relates to internal control and the second to measuring and monitoring risks. These reports are submitted to

the Board of Directors by the Internal Control and Risk Management Committee and are then sent on to the *Commission Bancaire*, and the Statutory Auditors.

All internal control and risk issues are covered by periodic presentations to the Internal Control and Risk Management Committee, and via this Committee, to the BNP Paribas Board of Directors (see the "Corporate Governance" section of this report).

The BNP Paribas Group operates an internal control system covering all its businesses and sites. This internal control system is defined in the Group's Internal Control Charter which is widely distributed within the Group and freely available to all of the Group's 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;
- the security of transactions;
- compliance with applicable laws, regulations and internal policies.

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 Internal Control function (General Inspection unit).

Furthermore, the internal rules of BNP Paribas SA set out general ethical and compliance rules to be applied by staff, especially those with access to sensitive information about BNP Paribas activities and results.

The Internal Control system also draws on Group-wide procedures issued by Executive Management, core businesses or Group functions applicable to several entities within the Group. These procedures, which are regularly updated, are combined in the "Group Guidelines" database and can be accessed by all staff.

### Organisation of Internal Control

The gradual implementation of the Compliance function, a process which began at the end of 2004, has led to a complete makeover of the Group's Internal Control principles. The Group Compliance function has implemented action points to incorporate changes in French banking regulations into a global process based on three priority tasks:

- reinforcing independent controls, i.e., permanent and periodic controls;
- harmonising the professional skills of the various teams in line with the highest possible standards;
- separation of the Permanent Control and Periodic Control structures.

2005 therefore represents a major transition year for Internal Control within the BNP Paribas Group towards a more consistent, effective process modelled on the highest international standards.

The following action points were implemented during the year:

- a new **Periodic Controls** function was set up: this is now independent of the operating units and it combines the General Inspection and Internal Audit units (which were previously part of core businesses and support functions, respectively). This new structure reports directly to the Chief Executive Officer. The Head of the General Inspection unit represents the Bank at the *Commission Bancaire* with regard to all matters concerning periodic controls;
- the **Permanent Controls** function was mapped and restructured at Group level. A Permanent Controls Coordination Unit was set up to prepare a permanent control methodology and to oversee Group-wide management and reporting requirements in this area. Permanent Control is defined as a system based on the ongoing implementation of **five Internal Control elements** – risk identification and assessment, procedures, controls, reporting and steering, using appropriate resources.

Permanent Controls are exhaustive and are not limited to one area or type of risk.

- An Internal Control Coordination Committee brings together the principal players involved in internal control.
- A newly-created **Compliance** function has taken over the functions of the former Ethics Department:
  - the Compliance function has a broad remit and is tasked with:
    - enhancing compliance, which is defined as "conforming to legal and regulatory provisions, professional and ethical standards, as well as the overall strategy of the Board of Directors and Executive Management guidelines";
    - focusing on a number of different areas including financial security, professional ethics, the Board of Directors and compliance monitoring;
    - liaising with the regulatory authorities, together with the Finance function;
  - the Compliance function has significantly enhanced its independence by establishing supervised knowledge-sharing arrangements with the heads of operating units for the teams in charge of compliance in the core businesses and support functions. These arrangements are far more extensive than previously existing ones.

The Head of Compliance reports to the Chief Executive Officer and represents the Bank at the *Commission Bancaire* with regard to all matters concerning Permanent Controls.

In 2006, the Compliance function is set to grow in strength, boosted by newly developed control tools.

### The fundamental principles of Internal Control

Internal Control, as defined in the Internal Control Charter of BNP Paribas, is based on four pillars:

#### A. Permanent and Periodic Controls:

- Permanent Controls consist of ongoing risk identification and assessment, procedures, controls, a dedicated reporting and monitoring system. Permanent Controls are carried out both by operational staff and by specialised functions either within or outside 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.

**B. 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 those involved in Permanent Controls and Periodic Controls.

**C. Responsibility of operational staff:** a large part of the Permanent Control mechanism is incorporated within the operational organisation under the direct responsibility of the 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 activities for which they are responsible.

**D. Exhaustiveness of internal control:** this applies to all types of risk and in the same degree to all entities in the BNP Paribas Group without exception. It also extends any core activities that are outsourced.

Teams from the General Inspection unit verify that these four pillars are complied with by carrying out regular inspections.

### The 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 within the scope of operational or autonomous control procedures: these controls are known as **second-level permanent controls**;
- **specialised functions autonomously integrated within operational units or independent of these units**, which perform controls that are independent of operations: these controls are also known as second-level permanent controls.

### The 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 now report to the General Inspection unit.

Periodic Controls fall under the responsibility of the Head of the Bank's General Inspection unit, who reports to the Chief Executive Officer and, if the CEO considers it necessary, to the Board of Directors or the relevant Committees of the Board.



### Coordination of Internal Control

The internal control system is based on permanent control and periodic control mechanisms. There should be concerted exchanges between Permanent Control and Periodic Control within the overall Internal Control system in order to optimise the flow of information and to coordinate action points.

**At Group level**, this coordination is provided by a member of the Executive Committee (reporting directly to the Chief Executive Officer), who chairs the Internal Control Coordination Committee (ICCC). This Committee:

- 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 internal control tools as widely as possible within the Group;
- enhances the consistency of annual reports on internal control and control of investor services prepared by the Permanent Control and Periodic Control functions within the scope of 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, paragraph 6 of the French Commercial Code.

The Internal Control Coordination Committee meets on a monthly basis. It is made up of the Heads of General Inspection, Periodic Controls, Group Compliance, Group Finance-Development and Group Risk Management, as well as the heads of the four core businesses. The Committee also includes the Heads of Group Tax Affairs and Group Legal Affairs. Members of the Executive Committee may participate in all ICCC meetings. The heads of other Group functions may be invited to participate in the Committee's meetings.

The Chairman of the ICCC reports to the Chief Executive Officer or, if the CEO deems it necessary, to the Board of Directors or the relevant Committee of the Board.

### Internal Control 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. An ongoing procedural review ensures that the procedural guidelines are regularly monitored based on a network of procedural officers.

2004 saw completion of the Group's cross-functional guidelines (levels 1 and 2). These guidelines are now regularly updated – a process in which all the core businesses and functions actively participate. This has led in some cases to an in-depth review of existing procedures.

The number of visits to the "Group Guidelines" database has increased significantly.

In 2006, the priority action points will consist of:

- continuing to increase the number of visits to the "Group Guidelines" database;
- standardising local databases, in terms of the availability and archiving of procedures: mapping of existing databases, definition of minimum standards for system architecture and managing database intersections;
- enhancing permanent control of Group procedures.



### Internal Control standards

In 2005, the main players involved in internal control launched a project to standardise procedures focusing on risk segmentation, the scope of the internal control system, rules for measuring risks and presenting recommendations, action points and other suggestions.

In terms of "risk families", 2005 was a transition year. The General Inspection unit and GRM worked together to recast the old terminology in use within the Group (eight main risk families). This ongoing process should eventually bring Group practices more into line with Basel II (effective risk management systems proposed by the Basel Committee on Banking Supervision), under which risks are classified mainly into credit risks, market risks and operational risks.

### Human resources

At the end of 2005, the number of full-time equivalent employees (FTEs) within the different Internal Control functions was as follows:

- Second-level Permanent Controls (main specialised control functions):
  - Coordination of Permanent Controls: 50 FTEs involved in coordinating Permanent Control throughout the different entities of the Group;
  - Compliance: 465 FTEs (against 403 in 2004);
  - Group Risk Management: 834 FTEs (793 in 2004).
- Periodic Controls:
  - General Inspection unit and Internal Audit: 723 FTEs.

## III – 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 exercises these powers within the limits of the corporate purpose, and subject to those powers expressly reserved by law for Shareholder Meetings and for the Board of Directors.


Within the Group, the internal rules of the Board of Directors require the Chief Executive Officer to submit to the Board for prior approval any investment 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 must seek preliminary approval from the Financial Statements Committee of the Board for audit assignments for total fees of over EUR 1 million (excluding taxes).

## IV – 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

The preparation and processing of accounting and financial information are the responsibility of the Group Finance-Development function, whose roles include the production and quality control of the financial statements and management accounts and control over the Group's financial information systems.

These roles are performed at Group level by the Group Finance-Development function, at core business level by the core business Finance function, and within each entity. The allocation of these roles is described in the Charter drawn up by the Group Finance-Development function.



The heads of Finance of the core businesses and of the main entities have operational lines of reporting to the Group Head of Finance.

### **Preparation of financial information**

#### **Procedures 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 and two separate reporting channels, one dedicated to accounting data and the other to management data. The reporting process is as follows:

- **Accounting data:** the procedures for preparing the Group's financial statements are set out in the guidelines distributed to all entities consolidated for accounting purposes. This facilitates the standardisation of accounting and financial data and compliance with Group accounting standards. Each Group entity closes off 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 are correctly applied;
  - inter-company transactions are correctly adjusted and eliminated for consolidation purposes;
  - pre-consolidation entries are correctly recorded.

- **Management data:** management information is reported by each entity and business line to the Finance function of the relevant core business, which then reports consolidated data for the core business to the Management Control unit within the Group Finance-Development function.

For each entity and core business, a reconciliation is performed between the main income and expense items based on management data and the interim accounting profit balances before being submitted 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.

### **Roles of the different players at each stage of the processing of accounting and financial information**

The different players in the Finance-Development function are present at three levels (entity, core business/business line, Group):

- financial management within the accounting entity is in charge of second-level controls on accounting and financial information as well as certifying that such information is correct before it is reported to the core business and to the Group;
- the core businesses/business lines reconcile accounting and management data generated at their level, thus enhancing the quality of the financial statements prepared by the accounting entities;
- the Group Finance-Development function gathers all of 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 this data for use by Executive Management or for external reporting to third parties.

### **Accounting policies and rules**

The conditions for the implementation and monitoring of internal control within banks and investment firms are set out in CRBF Regulation 97-02 as amended by the Decree of 31 March 2005. The BNP Paribas Group uses this framework to define Internal Control and to organise its Internal Control environment and general underlying principles.

The local financial statements for each entity are prepared under local GAAP. Since 1 January 2005 (date of first-time adoption), 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 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. In 2005, it drafted an IFRS manual which is gradually being made available to the core businesses/business lines and the accounting entities.

The central Management Control Department draws up management control rules that apply to all the Group's business lines. The Group's accounting policies and management control rules can be accessed in real time via the Group intranet.

#### **Description of consolidation software/information system**

Accounting and management data is recorded via an integrated consolidation software package known as MATISSE ("Management & Accounting Information System"). This integrated consolidation package is operated and updated by a dedicated team within the Group Finance function. At local level, it is fed by the Finance teams who record validated financial and accounting data.

Since 1 January 2005, all Group consolidated accounting entities have prepared their financial statements under IFRS. However, French companies continue to prepare their statutory financial statements under French GAAP while their branches also continue to use French GAAP to prepare their consolidation reporting packages. MATISSE can handle the transmission of accounting and financial data prepared under local GAAP or IFRS.

#### **Description of the Permanent Control system Accounting Internal Control within the Group Finance-Development function**

The role of the Accounting Internal Control Department within the Group Finance-Development function is as follows:

- monitoring the creation of an Accounting Internal Control Department and defining Group policy in this area, as well as ensuring the correct functioning of an accounting internal control environment within the Group;
- monitoring implementation by the entities of the Statutory Auditors' recommendations in conjunction with the core businesses/business lines;
- reporting back to Group Management and the Financial Statements Committee on the quality of the financial statements being produced within the Group.


#### **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 over which the Group has sole or joint control as well as of the controls performed within the core businesses/business lines and by the Consolidation Department.

The heads of Finance of the entities concerned certify 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 sent to the Financial Statements Committee at the close of the Group's quarterly consolidated accounts.

**At entity level**

This procedure requires a suitably adapted accounting internal control system for each accounting entity. In order to achieve this, the Group function recommends setting up an "elementary certification process for accounting and financial data" for each entity. This procedure may be defined as a process whereby the providers of accounting controls (e.g., Front-Office, Back-Office, Human Resources, Risk Management, Tax Affairs, Management Control/Planning, Accounts Payable, Treasury Management, IT Department, etc.) formally certify that the information provided is accurate and that the basic controls required to ensure the reliability of the 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.

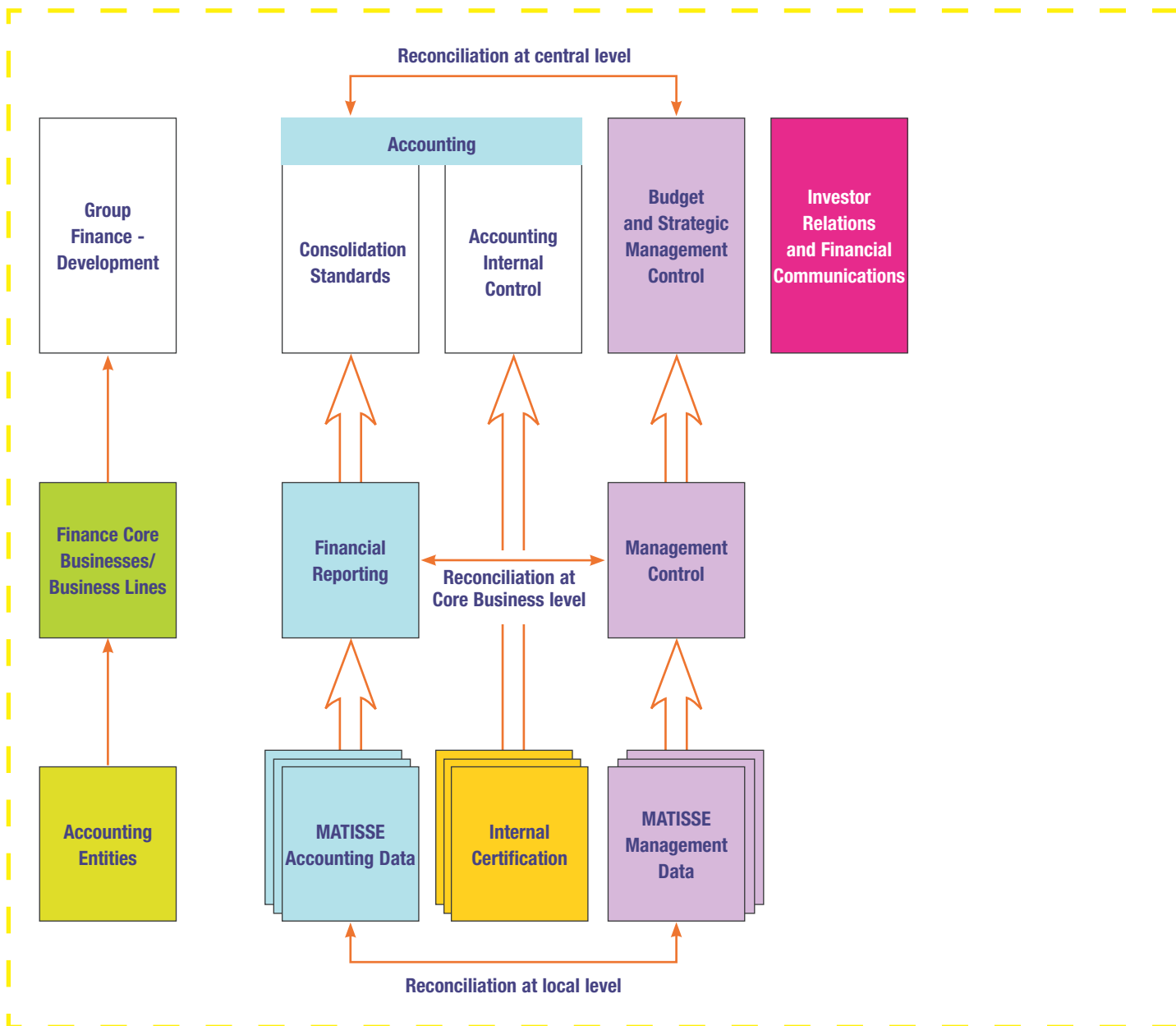
**Corporate communications  
(press releases, special presentations, etc.)**

Financial reports for external publication are prepared 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. The Statutory Auditors are involved in validating and reviewing the press releases containing the quarterly, half-yearly and annual financial results.

The following diagram summarises the main reporting channels for accounting and

management data within the BNP Paribas Group as described previously:





### **Periodic Controls – joint accounting inspection team**

Controls are performed by the General Inspection unit as well as by the Internal Audit Department of each core business, entity and function. With a view to further strengthening these control procedures, an accounting inspection team was set up in 2004 tasked with performing specific audits on accounting procedures and cross-functional accounting issues within the Group. This team reports to the General Inspection unit and receives support in accounting-related matters from Group Finance-Development.

Its action points, which have been developed by the General Inspection unit in conjunction with the Group Finance-Development function, are based on the remote accounting internal control tools available to the Group Finance-Development function (internal certification processes) as well as the Risk Monitoring Committee set up by the General Inspection unit.

The core aims of the team are as follows:

- to provide accounting and financial expertise in order to reinforce the capability of the General Inspection unit when carrying out its functions;
- to disseminate internal audit best practices and standardise the quality of audit work throughout the BNP Paribas Group;
- to identify and inspect the areas of accounting risk at Group level.

### **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/core business/business line 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.

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 function. The heads of Finance may use dedicated tools which facilitate the implementation of the Statutory Auditors' recommendations.

### **Human resources**

The number of people dedicated to accounting internal control is constantly being adapted to the Group's requirements. The aforementioned procedures form part of an evolving system that aims to reinforce the Group's control and guarantee an adequate level of control throughout the Group.



## Remuneration and benefits paid to corporate officers in 2005

(See Note 9 to the financial statements, pages 290–295)

In euros <i>(2004 figures in italics)</i>	Remuneration			Directors' fees paid by Group companies <sup>(4)</sup>	Benefits in kind <sup>(6)</sup>	Total remunerations <sup>(8)</sup>
	Fixed <sup>(1)</sup>	Variable <sup>(2)</sup>	Deferred <sup>(3)</sup>			
<b>Corporate officers</b>						
Michel Pébereau Chairman	700,000 <i>(700,000)</i>	831,553 <i>(839,119)</i>	342,062 <i>(358,312)</i>	29,728 <i>(22,868)</i>	4,816 <i>(4,781)</i>	1,908,159 <i>(1,925,080)</i>
Baudouin Prot Chief Executive Officer	788,333 <i>(730,000)</i>	1,171,274 <i>(801,952)</i>	234,982 <i>(218,103)</i>	91,034 <i>(22,868)</i>	4,930 <i>(4,895)</i>	2,290,543 <i>(1,777,818)</i>
Georges Chodron de Courcel Chief Operating Officer	491,667 <i>(450,000)</i>	943,518 <sup>(6)</sup> <i>(707,810)</i>	258,985 <i>(252,613)</i>	89,230 <i>(6,468)</i>	4,303 <i>(4,271)</i>	1,787,703 <i>(1,421,162)</i>
Jean Clamon Chief Operating Officer	455,000 <i>(430,000)</i>	406,970 <sup>(7)</sup> <i>(286,169)</i>	102,640 <i>(100,572)</i>	92,297 <i>(47,013)</i>	4,703 <i>(4,845)</i>	1,061,610 <i>(868,599)</i>

(1) Salary paid in 2005.

(2) Corresponding to the non-deferred portion of variable remuneration paid in 2005 in respect of 2004.

(3) Corresponding to the transfer of the final third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares, to the second third of the 2002 deferred bonus in shares and to the first third of the 2003 deferred bonus in shares.

(4) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than BNP Paribas SA. Georges Chodron de Courcel receives fees in his capacity as director of BNP Paribas Switzerland, BNP Paribas UK Holdings Ltd and Erbé. Jean Clamon receives fees in his capacity as director of Cetelem, BNP Paribas Lease Group, Cortal Consors, Paribas International and Erbé.

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

(6) Georges Chodron de Courcel's variable remuneration paid in 2005 in respect of 2004 was reduced by EUR 6,468 corresponding to directors' fees received in 2004.

(7) Jean Clamon's variable remuneration paid in 2005 in respect of 2004 was reduced by EUR 47,013 corresponding to directors' fees received in 2004.

(8) The average payroll tax rate on these remunerations was 35.8% in 2005 (versus 30% in 2004).



### Directors' fees

The overall amount of directors' fees available for distribution to BNP Paribas SA directors for 2005 is EUR 780,000, in accordance with the provisions of the 12th resolution adopted at the Shareholders' Meeting of 18 May 2005. The previous overall appropriation had been set at EUR 600,000 by the Shareholders' Meeting of 23 May 2000.

Acting on a recommendation from the Compensation and Nominations Committee, the Board altered several aspects of its practice regarding distribution of fees to individual directors. The governing principle remains that the amount of fees paid to each director takes into account the individual's attendance at meetings of the Board and of the Board's Committees, for half of the amount available for distribution.

The amount of fees available for distribution to each director individually for 2005 has been set at EUR 29,728 (up from EUR 22,868 since 2000, increasing in the same proportion as the overall appropriation).

The fixed portion of fees attributable to the Chairmen of the Financial Statements Committee and of the Internal Control and Risk Management Committee has been raised to EUR 15,000 to reflect the particular constraints and workload which these functions entail. The fixed portion of fees attributable to the Chairman of the Compensation and Nominations Committee has been set at EUR 9,909 for 2005. The fixed portion of fees attributable to the members of the Board's committees is EUR 5,946. Directors who live outside France are paid 1.5 times the fixed portion of directors' fees.

### Directors' fees paid in 2005 and 2004

In euros	2005	2004
Michel Pébereau	29,728	22,868
Patrick Auguste	35,674	27,442
Claude Bébéar	29,233	23,669
Jean-Louis Beffa	31,215	23,669
Gerhard Cromme	40,134	20,010
Jack Delage		3,430
Michel François-Poncet (†)	2,973	21,439
Jacques Friedmann	31,564	33,845
Jean-Marie Gianni	33,444	17,152
François Grappotte	38,020	25,556
Marie-Christine Hamonic		2,858
Alain Joly	32,700	29,728
Denis Kessler	33,940	25,841
Jean-François Lepetit	30,471	10,005
Jean-Marie Messier		1,886
Jean Morio		5,718
Lindsay Owen-Jones	22,296	15,722
David Peake		15,608
Loyola de Palacio	19,496	
Hélène Ploix	33,693	27,442
Baudouin Prot	29,728	22,868
Louis Schweitzer	46,710	30,530
Jean-François Truffelli	28,242	17,152
<b>Total</b>	<b>549,260</b>	<b>424,438</b>

## 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	
Options granted in 2005 (10 employees)	485,000	55.10	25/03/2005	
Options exercised in 2005 (10 employees)	830,623	26.48	26/12/1997 481,260	17/11/1998 177,388
			22/12/1999 84,000	03/05/1999 20,000
			13/05/1999 67,975	

## Fees paid to the auditors

In thousands of euros	Ernst & Young				PricewaterhouseCoopers				Mazars & Guérard				Total			
	2005	%	2004	%	2005	%	2004	%	2005	%	2004	%	2005	%	2004	%
<b>Audit</b>																
Statutory audits and contractual audits, including:																
Basic audit work	7,795	78%	6,572	71%	8,031	65%	8,176	50%	4,951	92%	4,345	72%	20,777	75%	19,093	61%
Additional work	881	9%	1,090	12%	3,391	28%	4,720	29%	238	4%	907	15%	4,510	16%	6,717	21%
Special engagements	852	8%	320	4%	128	1%	19	-	158	3%	110	2%	1,138	4%	449	2%
<b>Sub-total</b>	<b>9,528</b>	<b>95%</b>	<b>7,982</b>	<b>87%</b>	<b>11,550</b>	<b>94%</b>	<b>12,915</b>	<b>79%</b>	<b>5,347</b>	<b>99%</b>	<b>5,362</b>	<b>89%</b>	<b>26,425</b>	<b>95%</b>	<b>26,259</b>	<b>84%</b>
<b>Other services</b>																
Legal and tax advice	448	5%	876	10%	446	4%	2,931	18%	47	-	598	10%	941	3%	4,405	14%
IT consulting services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management consulting services	34	-	188	2%	118	1%	164	1%	-	-	32	-	152	1%	384	1%
Other	26	-	100	1%	142	1%	192	2%	18	-	75	1%	186	1%	367	1%
<b>Sub-total</b>	<b>508</b>	<b>5%</b>	<b>1,164</b>	<b>13%</b>	<b>706</b>	<b>6%</b>	<b>3,287</b>	<b>21%</b>	<b>65</b>	<b>1%</b>	<b>705</b>	<b>1%</b>	<b>1,279</b>	<b>5%</b>	<b>5,156</b>	<b>16%</b>
<b>TOTAL</b>	<b>10,036</b>		<b>9,146</b>		<b>12,256</b>		<b>16,202</b>		<b>5,412</b>		<b>6,067</b>		<b>27,704</b>		<b>31,415</b>	

Economics and finance are sometimes coloured by strong cultural elements, to which banks have to adapt. One example is Islamic financing, nowadays offered by all of the world's major banks. Islamic financing allows the Bank to lend money in countries where the principles of Muslim law (Sharia) prohibit the payment of interest. The gigantic Dolphin Energy project that **ECEP** recently **completed** in fact represents the largest Islamic financing deal ever in the energy sector, and was awarded the top prize in the "Best Islamic EMEA project financing of the year" category by *Project Finance Magazine*.



CHRISTOPHE MARIOT – Regional Head ECEP, Gulf, Teheran

« The whole of the Dolphin project – the result of cooperation between the United Arab Emirates, Qatar and, soon, Oman – will cost approximately USD 4.56 billion, of which one billion will come from Islamic financing. The Dolphin project concerns extraction, production and shipping of Qatari natural gas. It will involve the construction of offshore



platforms, refineries and pipelines. BNP Paribas provided its expertise on two levels: structuring an extremely complex financing operation through seamless cooperation between its teams in Bahrain and Paris, and then fitting this financing into an Islamic context. All that in less than four months – which was a record for a transaction of that size. »