



# THE HISTORY OF BNP PARIBAS IN THE UNITED STATES 1858-2018

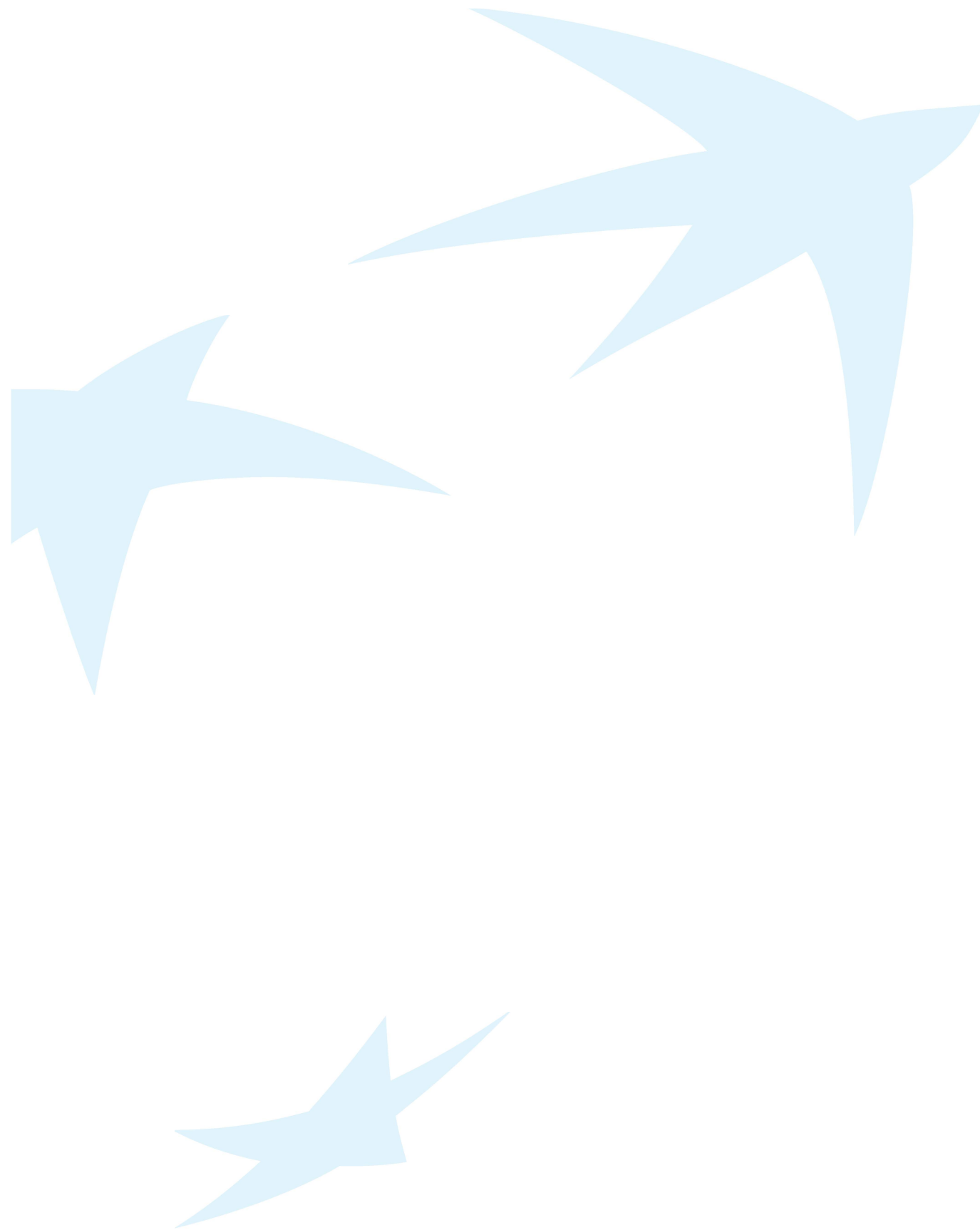


## »» THE HISTORY OF BNP PARIBAS IN THE UNITED STATES 1858-2018



»» The United States and France have a long history of friendship and cooperation, as highlighted by the Statue of Liberty. France gave the statue to the US in 1886 to celebrate American independence. Three years later, the American community in Paris gave France a quarter-scale replica to commemorate the centennial of the French Revolution. The replica stands on the Ile aux Cygnes (Isle of the Swans) in the Seine River, near the Eiffel Tower.

Top: @rmcguirk, Getty Images  
Bottom: @GCShutter, Getty Images



**THE HISTORY OF BNP PARIBAS  
IN THE UNITED STATES  
1858-2018**

**THE STORY OF A UNIVERSAL BANK**

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# AMERICA AND FRANCE:



## BONDS OF FRIENDSHIP

by Jean Lemierre

As an acknowledgment of the historical ties between BNP Paribas and the United States, I would like to draw a parallel with the bonds of friendship that have united France with America since the inception of the US. This book illustrates that BNP Paribas and its forerunners have often played key roles in world events, sometimes tragic ones such as the world wars, in which France and the United States shared a common destiny.

Created in France in 1848, the BNP Paribas Group has a profoundly European heritage. Some of its founding bankers came from diverse origins, such as those that formed Paribas in 1872, as well as the large banks that were subsequently incorporated into the Group that are deeply rooted in the economic history of their territories – i.e. BNP Paribas Fortis, a successor of the Société Générale de Belgique, founded in 1822, or BNL, which was set up in Rome in 1913.

BNP Paribas is also a bank that had an international presence early on: it was the pioneering institution that, from 1860, opened agencies in major international trading centers under its own name (then the Comptoir National d'Escompte de Paris/

CNEP). The San Francisco branch, which opened in 1877, was one of these centers. BNP Paribas' predecessors sold on the European markets, and especially in Paris, American railroad bonds and municipal and government bonds as early as 1872.

In finance, as in the military realm, international conflicts have only strengthened our bonds:

- Paribas, through its subsidiary in Amsterdam, and CNEP guaranteed the American banks for the loans they granted to the French Government to finance its efforts in WWI;
- Société Générale de Belgique, headquartered in Brussels, hosted the Commission for Relief in Belgium, chaired by Herbert Hoover, who went on to become president of the United States. Created in October 1914, this impartial body was intended to transport provisions to the Belgian populations and to the northern part of occupied France, provisions the American Government had paid for in part. And the bank's executives played a critical role in this humanitarian effort;
- Shortly after the war ended, the CNEP set up the first French banking subsidiary in the United States – the French American Banking Corporation (FABC, 1919) and the Société Générale de Belgique established the Belgian American Banking Corporation the following year.

At the end of WWII, the Group's banks, and notably the BNL in Italy, were particularly active in distributing US aid under the Marshall Plan.

The post-war United States also provided inspiration for the introduction of new banking techniques or products such as consumer credit introduced in France in 1953 by one of BNP Paribas' predecessors, or leasing and factoring in the 1960s.

Our business flows have intensified and BNP Paribas has expanded its presence in the US: Paribas opened Paribas Corporation in 1960, BNP joined the Bank of America in the first European banking consortium, the European Financial Corporation, in 1967.

"Go West", the slogan of Bank of the West, our American subsidiary, had already inspired BNP when it created the French Bank of California in 1972 and once again when it acquired Bank of the West in 1979. We are particularly proud of the long history of this bank established in 1874 in San Jose, California, under the name of Farmers National Gold Bank.

Thanks to this history and experience, which I invite you to discover, we are able to fully conduct our banking business in the United States, both in retail and corporate banking, with Bank of the West, and in investment banking with our specialized entities from BNP Paribas CIB in New York.

This book is dedicated to our clients and to all our employees who built BNP Paribas in the United States; it also marks our commitment to serving all our customers and economic relations between Europe and America.

Jean Lemierre  
Chairman of BNP Paribas



# THE MISSION OF BNP PARIBAS IN THE UNITED STATES

by JEAN-YVES FILLION



BNP Paribas, its predecessor banks and subsidiaries have been active in the United States for more than a century and a half. Our mission is to serve the needs of our US and global clients and, in doing so, contribute to responsible and sustainable economic growth. We hold key positions with corporate, institutional and retail clients and aspire to be their preferred long-term partner. Moreover, we aim to have positive impact on all our stakeholders and society.

Our success begins with our 16,000 US employees, an extraordinary group with diverse backgrounds and insights. Our US employees represent more than 100 nationalities and speak nearly 50 languages. Their knowledge and skills, their range of ideas and viewpoints, their commitment to excellence and their esprit de corps are fundamental to our ability to provide the best solutions and transactional execution to each of our clients.

Why BNP Paribas? What does a major European bank bring to the highly competitive US banking market? Of course, we offer a deep commitment to excellence in all our products and services. But what truly distinguishes us is our broad international expertise and integrated global business model. We excel in connecting the US, Europe and Asia to serve our clients worldwide.

Our clients in the US include many of America's largest corporations and financial institutions. Through our global model, we serve them not only with products and services in the United States but also with a highly developed platform of European products and services. We can just as easily raise money for a US client through a eurobond offering or provide trade financing in Asia as we can help manage risk in the United States through our leading global derivatives franchise – all coordinated by a BNP Paribas senior banker in our US offices.

BNP Paribas' strong US presence is equally vital to the bank's European and Asian clients. We help many non-US clients raise capital or invest in the United States while bringing US knowledge and perspective to their needs.

In the retail sector, our Bank of the West subsidiary is one of the nation's largest regional banks, providing a full complement of banking services to over two million customers across the Western United States. It is deeply embedded in the cities and towns it serves and finances many areas that are critical to the US economy, including agriculture, technology, housing, manufacturing and municipal services.

BNP Paribas has enjoyed a long and fantastic journey in the United States. Step by step we have built a major US business – serving Main Street, Wall Street and corporate America. Indeed, the United States represents the largest commitment of the BNP Paribas Group outside France and is central to the Group's

global strategies. This journey recently resulted in the creation of a unified corporate entity, BNP Paribas USA, Inc., housing both our wholesale and retail businesses in the US under a single roof and governance structure - an event which not only inspired the writing of this book but will inspire the next volume of BNP Paribas' history in the USA.

In a constantly evolving business and financial environment, BNP Paribas is "The bank for a changing world." This is true in the United States, as it is in Europe, Asia and elsewhere. I am confident that our future is bright as we continue to partner with our clients in the growth of their enterprises, provide a great place for our employees to work, and continue to be a responsible corporate citizen and an advocate for diversity and sustainability in the US and throughout the world.

I invite you to read this book and learn more about our bank's history, activities and objectives in the United States and our support for the communities in which we do business.

Jean-Yves Fillion  
CEO, BNP Paribas USA and Head of  
CIB Americas

# FAMILY TREE OF A LEADING EUROZONE BANK

BNP Paribas is a leading banking group in the euro zone. It is a young group, founded in 2000 through the merger of Banque Nationale de Paris (BNP) and Paribas. But its roots extend deep into European history. The first French predecessor of BNP Paribas was born in 1848, and its Belgian subsidiary was established even earlier, in 1822.



The bank's family tree reveals the stories of the many diverse and successful businesses that came together over the years to form today's BNP Paribas Group, each bringing its own unique characteristics but with a single point of departure – serving the economy.

## FRANCE

In 1848, France was in the throes of an economic crisis and a political revolution that overturned the government. Addressing this problem, the new government created discount houses in France's major cities to extend credit and revive the economy. Thus, BNP's two ancestors, Comptoir National d'Escompte de Paris (CNEP) and Comptoir National d'Escompte de Mulhouse, were established with the support of Parisian publishers for the former and Alsatian entrepreneurs for the latter. In 1860, when a free trade agreement between France and the United Kingdom was signed, CNEP began to specialize in financing international trade. It established branches in international trading centers such as Shanghai, Calcutta, Bombay, Yokohama, Melbourne and Sydney, among others, even before developing a domestic branch network. Against this backdrop, it opened a San Francisco agency in 1877. Affected by a major crisis in 1889, the Comptoir was forced to reorganize and thereafter concentrated its efforts on three main activities: developing a French agency network, engaging in corporate banking and financing international trade. In 1919, CNEP created the French American Banking Corporation in New York, the first-ever banking subsidiary of a French bank in the US.

BNP's other predecessor, Comptoir National d'Escompte de Mulhouse (located in the German territory after the Franco-German war in 1870), established a subsidiary, la Banque Nationale de Crédit (BNC), in 1913 to conduct business throughout the French territory. The BNC absorbed many smaller banks and helped finance the burgeoning industries of the day, including electricity, automobiles, aeronautics and film. However, it became overextended and did not survive the financial crisis of 1930, which brought down many of its clients. It reemerged in 1932 with a new name – Banque Nationale pour le Commerce et l'Industrie (BNCI) – and became the most dynamic and innovative French bank of its time, in particular through the early organization of its back offices and through bold commercial moves and advertising. During World War II, it laid the groundwork for a strong international network based in Africa.

CNEP and BNCI were nationalized in 1945. The French government merged them in 1966 to form the Banque Nationale de Paris (BNP), which became the largest bank in the nation and established a significant international network in Asia and



BNP ADVERTISEMENT AT THE ROLAND-GARROS OPEN, LEVERAGING ITS INTERNATIONAL ROOTS AND CAPABILITIES, 1991



Africa. In 1973, BNP launched a bold advertising campaign to make its brand name known. That same year, it became the main sponsor of the French Open at Roland-Garros stadium in Paris. To this day, BNP Paribas still sponsors the French Open, the only clay-court event in the Grand Slam, as well as other major tennis tournaments including the BNP Paribas Open at Indian Wells, California, the largest ATP (Association of Tennis Professionals) and WTA (Women's Tennis Association) professional tennis tournament in the world. In addition to its very international character, BNP distinguished itself by its large corporate clients and its ability to leverage technological advances for the benefit of its customers. In 1993, BNP was privatized and its new president, Michel Pébereau, transformed it into a leading European player and a powerful global competitor. In 1999, BNP launched a double public exchange offer on Paribas and Société Générale, which led to the takeover of Paribas.

Paribas derived its name from the telegraphic abbreviation of Banque de Paris et des Pays-Bas (i.e. the Netherlands in French). Founded in 1872 by French and German bankers in the tradition of European "haute banque" (private bankers), this institution quickly became the template for the French investment bank. Whether in government borrowing or investment in the most cutting-edge industrial sectors, it developed a business model that favored European networks of international alliances rather than direct local agencies. It financed, for instance, Chinese and Argentinean railways before World War I and Central European oil refineries in the 1920s.

Paribas emerged from World War II severely hobbled, but came back to life in the 1950s, notably by financing

BNCI, FORUNNER OF BNP, 16, BOULEVARD DES ITALIENS IN PARIS, IN 1932; IT IS TODAY THE HEADQUARTERS OF THE RETAIL BANKING BUSINESS OF BNP PARIBAS IN FRANCE

large export contracts. It pioneered new concepts in export financing, as in 1978 when it arranged a French franc-US dollar currency swap for a French consortium seeking to build the Caracas metro. The swap, believed to be the first of its type by any bank, reduced the overall cost of the financing package by 15 percent and helped the consortium win the contract. Paribas' clients included some of the world's leading institutions, as in 1980 when it managed the first loan from the World Bank on the European market.

In 1998, Paribas merged with the Compagnie Bancaire, a financial services company with origins dating back to 1946. The two firms had worked closely together since 1966. Compagnie Bancaire was extremely innovative in offering new services in France and abroad, such as consumer credit with its subsidiary Cetelem (1953). It also created a number of companies that became brands unto themselves, such as Cardif in insurance (1973), Cortal, a broker in personal investing (1984), and Arval (1989) in leasing automobile fleets. In 1978, it founded L'Atelier, which later became L'Atelier BNP Paribas. Today, L'Atelier – located in Paris, San Francisco and Shanghai – detects disruptive innovations and assists companies in transitioning through these changes.

BNP Paribas Group, created in 2000 through the merger of BNP and Paribas, became a European leader in banking, as it still is today. It considerably expanded its European retail market, successively integrating the Italian bank BNL in 2006, the Belgian banks Fortis and Luxembourg BGL in 2009 and the Polish bank BGŻ in





2014-2015. In addition, it created a joint-venture with the Turkish bank TEB in 2005. On more distant shores, BNP Paribas acquired 100 percent of the capital of BancWest in the United States in 2001 and acquired a stake in the Bank of Nanjing in China in 2005.

## ITALY

BNL (Banca Nazionale del Lavoro) joined the BNP Paribas Group in 2006. It was founded in Rome in 1913 under the name of the Istituto Nazionale di Credito per la Cooperazione for the purpose of developing credit to modernize agriculture through cooperatives. In the 1920s it became a public bank and an instrument of state policy, and took the name Banca Nazionale del Lavoro in 1927. It had the distinction of housing several autonomous agencies, among them the film credit section created in 1935, which went on to finance more than 5,000 films including all the great masterpieces of Italian cinema. After World War II, BNL played a key role in redistributing Marshall Plan funds in Italy and assisted in developing some of Italy's largest firms such as Fiat, Pirelli and Agip. By the late 1960s, BNL was one of the world's largest banks. It was privatized in 1998. In 2006, following a lightning operation which lasted just one week, BNP Paribas took control of BNL, making Italy BNP Paribas' second "domestic" market.

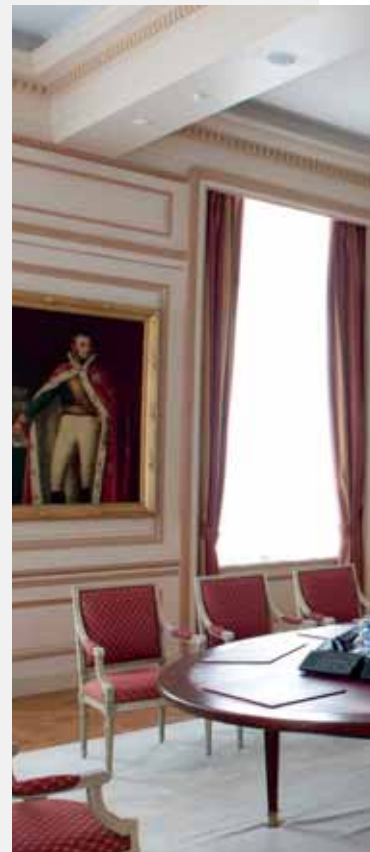


■ BNL INSTITUTIONAL POSTER, 1929

## BELGIUM AND LUXEMBOURG

The Belgian bank Fortis joined the BNP Paribas Group in 2009. Founded in 1822 in Brussels by King Wilhelm I of the Netherlands and now called BNP Paribas Fortis, it is the oldest company in the Group. Formally a Dutch bank, it went by the name of "Société Générale pour favoriser le Développement de l'Industrie Nationale" and was later known as Société Générale de Belgique. It was created to develop assets in Belgium's current territory, then controlled by the Dutch, and is the only national Belgian bank that was created before Belgium became a nation in 1830. The bank developed rapidly by forming partnerships with companies it started in the 1830s and by creating the model of "mixed bank" (deposit bank and investment bank), which would be imitated later in Europe, notably by the Pereire brothers' Crédit Mobilier. From the 1870s onwards, it also sponsored banks that would develop the Belgian economy locally. It also operated internationally, particularly in the financing of infrastructure in China, South America and the Belgian colonies in Africa. During the First World War, it played a key role in supplying the Belgian populations and those of the occupied North of France with provisions, hosting in its premises the Commission for Relief in Belgium directed by Herbert Hoover. The crisis of the 1930s imposed the separation of banking and holding activities and put an end to the mixed bank. From 1934, the bank changed names several times to become Générale de Banque. In 1988, the French group Suez took it over before selling it in 1998 to the Fortis financial group. It is against this backdrop that it merged with the CGER (Caisse Générale d'Épargne et de Retraite), a former public savings institution and pension fund created in 1865, which evolved into a universal bank. CGER is one of the European precursors of bank insurance model in the early 20th century. Fortis fell victim to the 2007-2008 financial crisis. The Belgian State stepped in and bailed it out, and sold it to BNP Paribas in 2009.

In 2009, with Fortis, BNP Paribas also acquired BGL (Banque Générale du Luxembourg). This bank was founded in 1919 by the Société Générale de Belgique and Belgian and Luxembourg partners. It first developed in the Grand Duchy of Luxembourg, Belgium and France before refocusing on its local market in 1935 and acquired an important position there. It opened a trading room in 1969, after which it played an ever-larger role in the Eurobond market.



## POLAND

In 2015, the last major European bank to join the BNP Paribas Group was BGŻ in Poland. BGŻ was founded in 1919 as Polski Państwowy Bank Rolny. At the time, it was a public bank that granted loans to small farmers for the purchase of land and farming equipment. After World War II, the communist regime reorganized the Polish banking system, liquidating Polski Państwowy Bank Rolny in 1949. It re-emerged in 1950 under the name Bank Rolny (Agricultural Bank) and continued its mission as a specialized bank.



■ BOARDROOM OF BNP PARIBAS FORTIS, RUE ROYALE IN BRUSSELS

It was reorganized again in 1975 under the name Bank Gospodarki Żywnościowej or BGŻ (bank for the food-producing economy). After the fall of the Berlin Wall in 1989, Poland transitioned to capitalism and the bank was listed in 1994 on the Warsaw Stock Exchange. In 2002, BGŻ adopted a strategy based on the universal banking model. The Dutch group Rabobank, which entered its capital in 2004, took control of the bank in 2011 and sold it to BNP Paribas in 2014. BGŻ BNP Paribas retains its status as a leading bank in the Polish agricultural sector and has gradually incorporated the former entities of BNP Paribas in Poland.

The BNP Paribas Group, with a strong capital base and global operations, came through the 2007-2010 financial crisis and has remained consistently profitable ever since. Under the leadership of Director and Chief Executive Officer Jean-Laurent Bonnafé, it is moving ahead rapidly in its digital transformation and in 2013 launched Hello Bank!, a 100 percent digital bank, which was rolled out simultaneously in France, Germany and Belgium.



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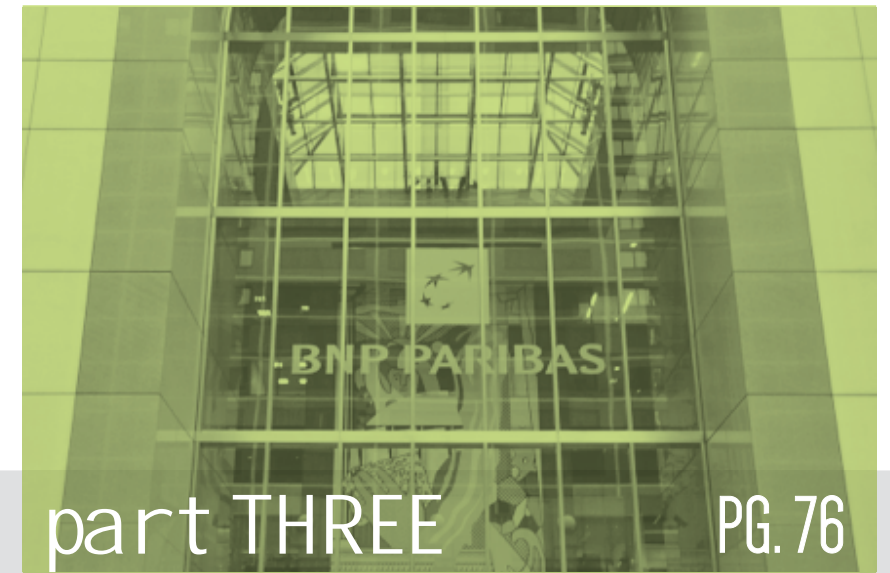
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# OUR WESTERN



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# THE STORIED EARLY HISTORY OF BANK OF THE WEST 1874-1979



FEDERAL CHARTER OF THE FARMERS NATIONAL GOLD BANK OF SAN JOSE, 1874

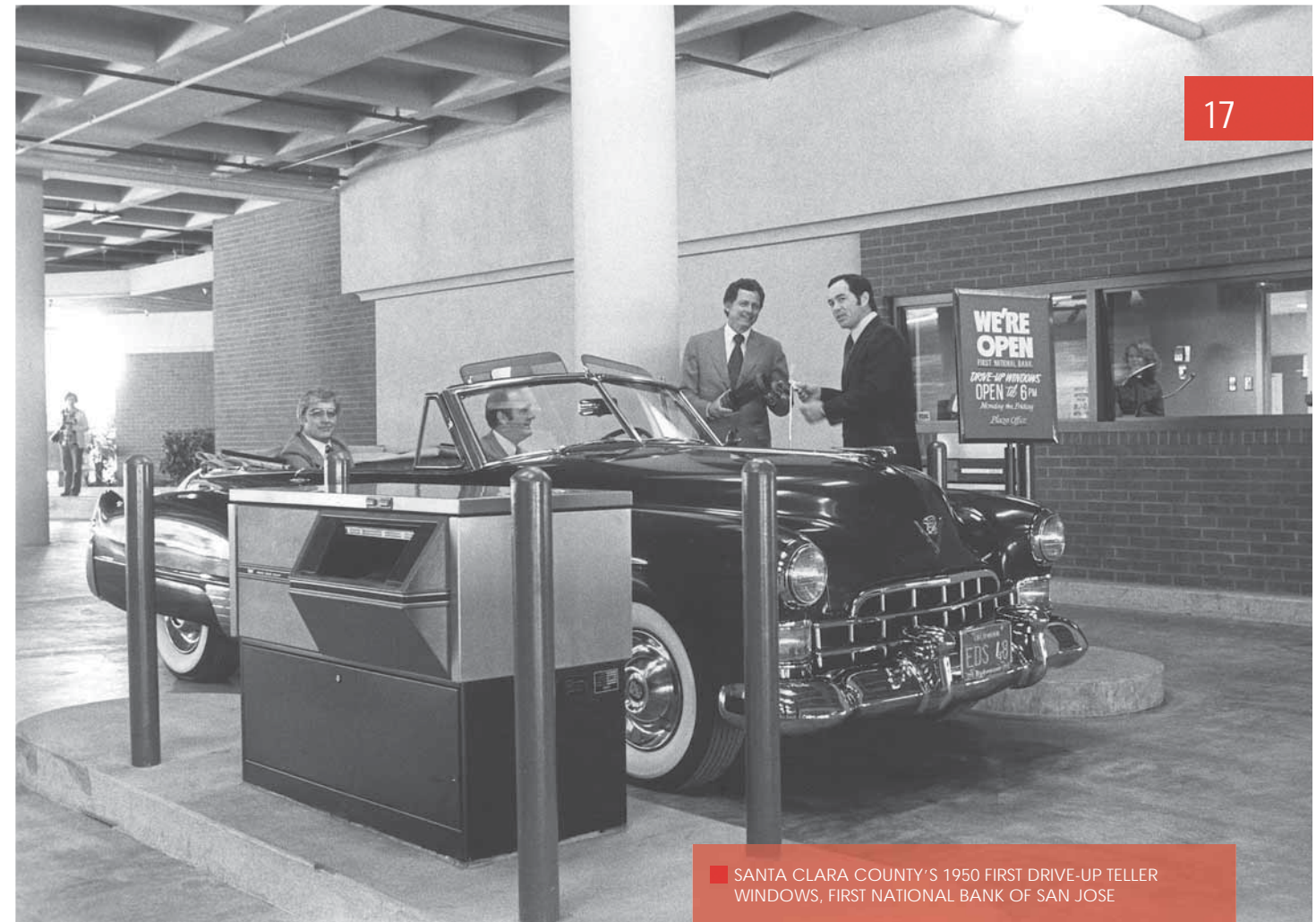
In 1874, San Jose, California – today a global center of technology – was a prosperous little city surrounded by prune orchards. It had three commercial banks, but the population was growing and there was room for one more. So a group of local citizens joined together and organized Farmers National Gold Bank. The metal in the bank's name defined the gold-backed paper currency it issued. The farmers in its name defined the customers it served.

From those modest beginnings, Farmers National evolved into today's Bank of the West, a major national institution with branches in 19 states and a key US subsidiary of BNP Paribas.

The founding directors of Farmers National were drawn from the region's agricultural and ranching communities. They included three farmers, one cattleman, one merchant, one miller and one miner, as well as two professional bankers. One of the directors, E. L. Bradley, was the largest prune farmer in the county. *The San Jose Mercury* said the founders were "synonymous with honor, business capacity and financial worth."

The president was John W. Hinds, who was astute and friendly. Born in Tennessee, he left for California at age 19 in search of opportunity and adventure. He enjoyed an incredibly varied career. He started as a gold miner and became a school teacher before co-founding Farmers National at age 35. He went on to organize three more banks and ended his career as a Methodist preacher.

The new bank was located at the southwest corner of First and Santa Clara streets, known as "bank corner" to locals after other banks opened offices on the intersection's southeast, northeast and northwest corners. Like a homeowner comfortable with the neighborhood and not inclined to move, the new bank continued to be housed in a series of buildings at the same site for more than a century until it relocated its headquarters to San Francisco in 1980.



SANTA CLARA COUNTY'S 1950 FIRST DRIVE-UP TELLER WINDOWS, FIRST NATIONAL BANK OF SAN JOSE

## NEW NAME, SAME CUSTOMER FOCUS

Farmers National was successful from the start, paying a 12 percent cash dividend to shareholders in its first year. It served the financial needs of local businesses such as Campbell Fruit Union, a growers' cooperative; San Jose Pottery and Terra Cotta Works; and Golden Gate Packing Company, which canned fruits and vegetables from the surrounding Santa Clara Valley and employed 400 people at the height of the canning season.

In 1880, Farmers National changed its name to First National Bank of San Jose – and kept growing. By 1888, it employed six clerks and had doubled its paid-in capital to \$500,000. Several publications praised the bank for its customer focus. *Bankers Magazine* said First National was one of the few banks in the nation to display brass name plates by the windows and desks of tellers and officers. It said the plates "obviate the embarrassment often experienced by customers" when they forgot an employee's name.

Then came the great San Francisco earthquake of 1906. The quake struck towns and cities all across the region, including San Jose, where 16 people died and property damage exceeded \$3 million. The bank's offices survived largely intact. Nonetheless, directors decided the time had come to build a larger, earthquake-proof structure on the site. The result was a nine-story neoclassical edifice, the tallest building in San Jose. The new building helped solidify First National's reputation as one of the leading financial institutions in the city and county.

## THREE GENERATIONS OF CLAYTONS

Even as it grew, First National remained closely allied with the prune industry. (Prunes are dried plums. Farmers in the region grow a special variety of plums that are processed into prunes.) *Coast Banker* magazine wrote in 1916, "How much the grower needs the banker and how willing the modern banker is to aid the grower were shown this month in San Jose." Prune prices at that time were unusually weak, forcing growers to decide whether to sell or hold out for higher >>



prices. In response to this dilemma, Willis S. Clayton – who had assumed the presidency of the bank nine years earlier – issued a statement saying First National “is pleased to loan money to responsible growers at this season which will permit the grower to refuse to sell under pressure.” *Coast Banker* said the statement “has been more extensively read and caused more comment in the dried fruit circles of both the East and the West than any publication for years.”

The Clayton family was deeply involved with the bank for decades. Willis Clayton’s father, James, a British immigrant, had been a founder and early president. Willis’s son, Bradley, served as president in the late 1940s. Willis himself was the longest-tenured president in the bank’s history – for 33 years from 1907 to 1940, when he retired at age 76. There was a Clayton on the bank’s board of directors nearly every year from 1874 to 1958.

Willis was an enthusiastic booster of San Jose and an active voice in the community. In 1921, when water levels in the Santa Clara Valley aquifer began to drop, he lobbied for the creation of a water conservation commission to build reservoirs and replenish the aquifer through artificial recharge. Through the efforts of Willis Clayton and others, the Santa Clara Valley Water District was formed in 1929 and continues today.

Willis prided himself on his conservative management style and his commitment to the needs of customers. In 1920, First National became one of the first banks in California to lend to farmers for the purchase of engine-powered tractors. *Pacific Rural Press* quoted a First National official as seeing “no reason to discriminate against tractor loans if the machines are to be used for farm production.”

The bank grew steadily during the 1920s and proclaimed its size in 1927 by issuing a picture postcard with the caption “Assets Over Nine Million Dollars.” As it grew, it expanded its facilities again in 1928 with the construction of a nine-story annex adjacent to its headquarters. The grand opening of the annex attracted 10,000 spectators, one quarter of San Jose’s population.

## SURVIVING THE DEPRESSION AND REIGNITING GROWTH

Just two years later, the nation found itself in the depths of the Great Depression. By 1933, 11,000 of the nation’s 25,000 banks had disappeared. First National of San Jose, with a strong balance sheet and conservative management, was better positioned for hard times than many others. It survived the Depression and resumed its

growth in the late 1930s. By 1943, assets reached a new high of \$43 million.

However, it was falling behind in one crucial area: branch banking. The opening of branch offices was a way of life for California banks. In 1909, Bank of Italy (a predecessor of Bank of America) became the first bank to establish a branch in San Jose – on “bank corner,” right across the street from First National. By 1931, California banks operated 805 branches across the state. Not one of them belonged to First National Bank of San Jose, which remained steadfast in its belief that it could serve customers perfectly well from a single office in its home city.



FIRST NATIONAL BANK OF SAN JOSE POSTCARD, 1927

The bank’s aversion to branches finally changed after World War II. Customers were moving to the suburbs, and banks had to follow to survive. First National opened its first branch in 1948 and proceeded at a steady pace, opening one or two branches a year. By 1978, it had 37 branches in three counties. In the process, it became an innovator in consumer banking, including the first drive-up teller windows for motorists in Santa Clara County in 1950 and the first credit card in the state in 1953.

Paul Rudolph was an architect of many of these changes. He was a lifelong employee of the bank who succeeded Bradley Clayton as president in 1949 and led the bank for 19 years. *Investor’s Reader* magazine



FARMERS NATIONAL GOLD BANK \$10 NOTE

described him as a “frank, shrewd, yet genial banker.” He and others helped bring First National into the modern age of commercial and retail banking.

## FIRST NATIONAL BECOMES BANK OF THE WEST

Change remained high on the agenda after Rudolph retired. The bank continued to lend to agriculture, which is still one of its major customer sectors today, and extended into new sectors such as tech companies. In addition, it made its first acquisitions: Commercial National Bank of San Leandro in 1972 and Hayward National Bank in 1974.

At the same time, it sought new sources of capital to accelerate its growth. However, the search for capital led to one of the more controversial episodes in the bank’s history. In 1974, the bank agreed to sell 650,000 new shares, representing one-third ownership of the bank, to Adnan Khashoggi, a wealthy Saudi businessman. The bank said it would use the \$14 million proceeds for “general banking purposes,” including expansion. But the bank’s directors were deeply divided over the plan: five directors launched a proxy fight to try to block the transaction. Khashoggi then sued the five directors in an attempt to bar them from soliciting proxies. The dispute played out publicly in the national media for two months and was finally resolved when the bank and Khashoggi canceled the sale. Its disruptive nature aside, the episode made clear that First National Bank of San Jose was intent on growing and was seeking capital to support its plans.

By 1978, San Jose was a major city located in the heart what was increasingly being referred to as Silicon Valley. Banking was changing as well, with new opportunities. First National was the 14th largest bank >>

“ IN JANUARY 1979, THEY CHANGED THE BANK’S NAME TO **BANK OF THE WEST**, REFLECTING A DESIRE TO EXPAND INTO ADDITIONAL CALIFORNIA MARKETS AND EVEN INTO NEIGHBORING STATES AS BARRIERS TO INTERSTATE BANKING ERODED. ”



in California, with assets of more than \$525 million. But the directors and senior management aspired for First National to be more than a regional bank in Northern California. In January 1979, they changed the bank's name to Bank of the West, reflecting a desire to expand into additional California markets and even into neighboring states as barriers to interstate banking eroded.

The newly renamed bank was an important regional institution with major aspirations and a need for capital to fulfill those aspirations. Then along came Banque Nationale de Paris (BNP), looking for an expansion partner in the United States.



## DEEP ROOTS in middle america

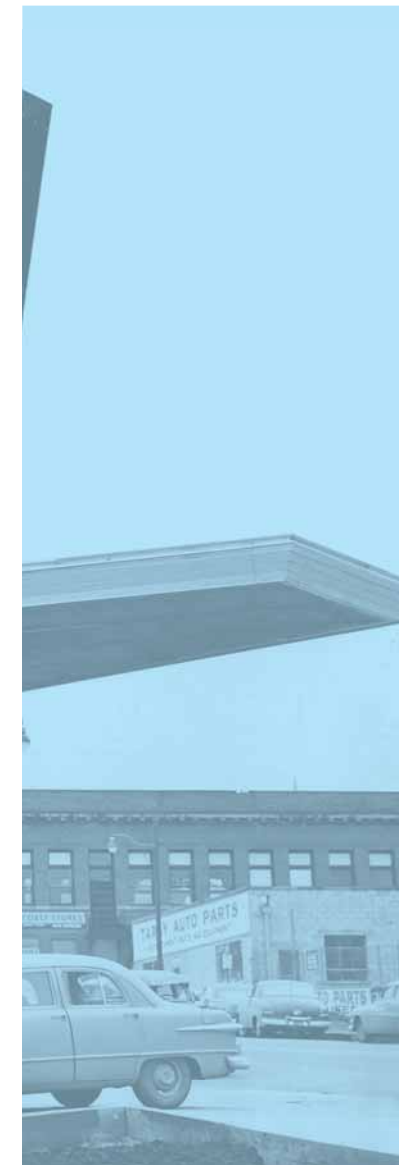
**HUNDREDS OF BANKS SPRANG UP IN THE US MIDWEST AND SOUTHWEST IN THE DECADES AFTER THE CIVIL WAR AS RAILROADS CRISSCROSSED THE NATION AND THE REGIONS' POPULATIONS SOARED.**

Many of these banks were heritage institutions of Bank of the West. Fargo National Bank in North Dakota was the brainchild of a Norwegian immigrant named Martin Hector. In 1871, at age 18, he traveled from Chicago to Fargo in what was then the Dakota Territory – much of the way on foot, because he was too poor to buy a horse – in search of opportunity. He started a grocery store and other businesses in Fargo and became one of the

city's most prominent residents. In 1897, the Citizens National Bank of Fargo collapsed. Recognizing the need for a well-capitalized bank, Hector and two associates organized Fargo National. He served as its president for the next 41 years. In 1992, Fargo National became a unit of Community First Bankshares, which was acquired by Bank of the West in 2004.



T.J. O'NEIL AND JAMES J. FITZGERALD AT THE EARLY SOUTH OMAHA LOAN AND BUILDING



NEBRASKA'S FIRST DRIVE-N-BANK, OPENED IN MAY 1953

South Omaha, Nebraska, was a village of 1,500 in 1886. It had a stockyard, post office and gambling house, three general stores, five hotels, two bordellos and eight saloons – but no bank. To rectify this situation, civic leaders banded together in 1887 to form the South Omaha Loan and Building Association. In 1893, they hired James J. Fitzgerald, a 24-year-old Irish immigrant, as its first full-time employee. He became president and led the bank for 62 years. The bank, renamed Commercial Federal, was acquired by Bank of the West in 2005.

As the twentieth century began, there was not a single bank within 35 miles of Hatch, a prosperous agricultural community in southern New Mexico. Civic leaders rose to the challenge and formed the Bank of Hatch in 1914. They recruited Patrick Campbell, a young banker from Las Cruces, to be its president. In 1921, nearly every building in Hatch, including the bank, was destroyed



FARGO NATIONAL BANK, NORTH DAKOTA

by a flash flood. The 500 residents escaped to the hills, most in their night clothes. Campbell's home was destroyed. Nonetheless, he focused on the community and reopened the bank the next day in temporary offices. He became known as "the hero of the flood" for keeping the bank in operation at a time of great local need. The bank eventually moved its headquarters to Las Cruces and changed its name to Western Bank. It was acquired in 1998 by Community First Bankshares, which was in turn acquired by Bank of the West six years later.

These and other heritage institutions reflect Bank of the West's deep roots in many Midwestern and Southwestern communities.





FIRST NATIONAL BANK OF SAN JOSE PROMOTIONAL CALENDAR FEATURING CARDOPLATE, 1955

## » CREDIT CARD PIONEER

**THE FIRST GENERAL-PURPOSE CREDIT IN THE UNITED STATES IS BELIEVED TO HAVE BEEN INTRODUCED IN 1950.**

First National Bank of San Jose, a heritage bank of BNP Paribas, helped lead the pack, introducing the first credit card in California in 1953. It called its product Cardoplate. An early advertisement proclaimed, "Ladies, Shop Without Money!" It said Cardoplate was available without fee and allowed holders to "make only a SINGLE payment once a month for all your monthly purchases." Cardoplate was successful for nearly two decades; there were 135,000 holders by 1968. However, the rise of today's large national credit cards was a death blow, and Cardoplate was eventually phased out. Today, when people's wallets are filled with credit cards, it's hard to imagine what a revolutionary idea Cardoplate was in its time.



ADVERTISING PROOF FOR NEWSPAPER CARDOPLATE CAMPAIGN, 1953

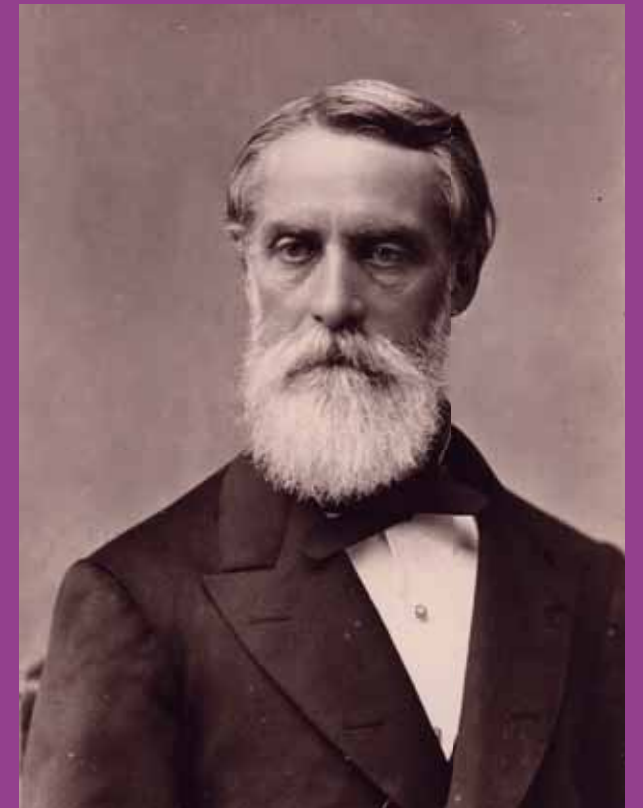
# THE ORIGINS OF FIRST HAWAIIAN BANK 1858-1998

Hawaii was an island kingdom ruled by Kamehameha III when First Hawaiian Bank was established in 1858. The creation of the bank, the first in the history of the islands, was greeted with unbridled enthusiasm in the media. "Savings Bank, Hurrah!" a headline in the *Polynesian* proclaimed. Another local newspaper, the *Friend*, wrote, "Other civilized countries have established such institutions. Why may we not have one in Honolulu?"

First Hawaiian was acquired by BNP Paribas in 2001 and remained wholly owned until 2016, when BNP Paribas began reducing its position. It is the largest bank in Hawaii and the oldest subsidiary of BNP Paribas in the United States.

Prior to the formation of a bank, business was conducted in Hawaii mainly through barter and personal notes. However, this approach became impractical as the kingdom's economy grew. In 1853, a group of merchants called for the creation of a bank to lend money and provide other financial services. Kamehameha III warmed to the idea as well, urging in 1854 that a bank be established "for the encouragement of industry, frugality and accumulation among my subjects." Starting a bank was not easy. Others understood the need for one; Charles Bishop made it happen.

Bishop had arrived in Hawaii from Upstate New York in 1846 at age 24 and had quickly made his mark in the kingdom's business and social communities. He became a Hawaiian citizen, invested in a sugarcane plantation, served as collector of customs and fell in love with Bernice Pauahi Paki, great-granddaughter



CHARLES REED BISHOP

of Kamehameha I. Bernice and Charles – princess and commoner – married in 1850 and were devoted to each other.

Bishop was a go-getter and skilled capitalist. In 1853, he expanded his business interests by opening a general store with William Aldrich, a Honolulu merchant. Then came the idea, endorsed by the king himself, that Hawaii needed a bank. Bishop jumped at the opportunity. In

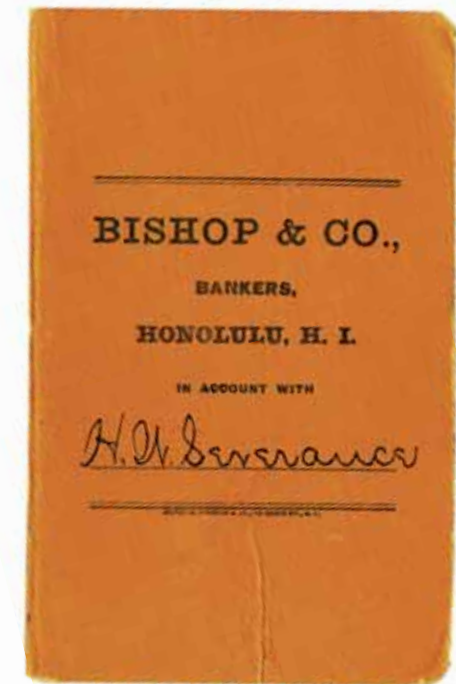
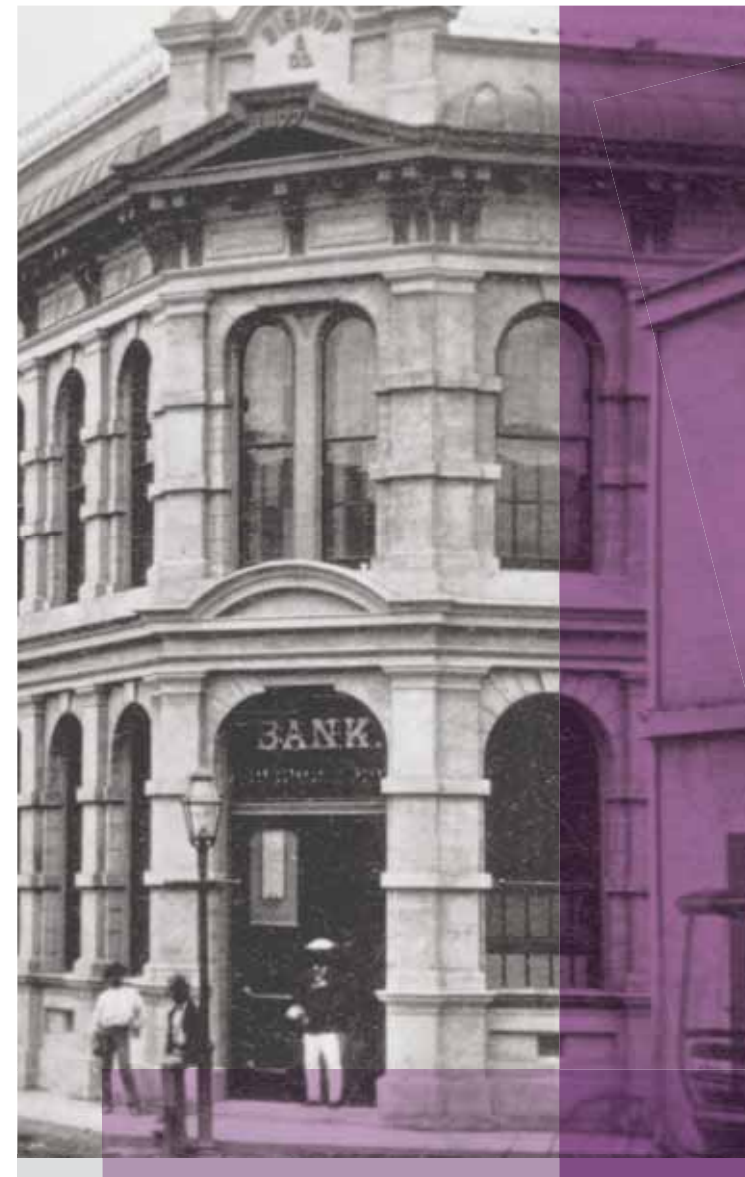


1858, he sold his interest in the store and established Bishop & Co., the first bank in the history of the islands. Bishop & Co. evolved into today's First Hawaiian.

Bishop & Co. opened its doors on August 17, 1858, in a tiny basement room in Honolulu. It had a simple slogan: "Save!" A lumber dealer named Christopher Lewers was the first customer, depositing \$1,300, equivalent to about \$35,000 today after adjusting for inflation. His deposit was an act of confidence: deposit insurance did not exist back then, and he was expressing his belief that Bishop was a man of integrity who would safeguard the money and pay interest as promised. All told, Bishop & Co. took in \$4,784.25 on its first day. Two weeks later, it made its first loan, in an amount of \$4,000, to Robert Janion, owner of an importing and wholesaling firm.

*The Pacific Commercial Advertiser* published a lengthy article about Bishop & Co. several weeks after its founding. It said the new bank was "doing well" and had already won "the confidence and business of many of our leading firms." Bishop & Co. continued without competition as the only bank in Hawaii for 26 years and became a vital, trusted part of the community.

**BISHOP & CO. CONTINUED  
WITHOUT COMPETITION AS  
THE ONLY BANK IN HAWAII  
FOR 26 YEARS AND BECAME A  
VITAL, TRUSTED PART OF THE  
COMMUNITY.**



■ BISHOP & CO. CLIENT PASSBOOK, 1868

by her death and gradually lost interest in the bank, turning his attention to philanthropy. He not only gave away his own money; he also oversaw the charitable activities of his wife's estate. She had owned nearly one-tenth of the land in Hawaii and had bequeathed it to create a private school system called the Kamehameha Schools, which still exists today with an enrollment of more than 5,000 students.

In 1893, at age 71, Bishop suffered a second blow when the monarchy, to which he was close, was overthrown. Hawaii was annexed by the US five years later. Bishop left Hawaii for San Francisco in 1894 and never returned, managing his charitable interests on the islands from afar.

In 1895, Bishop sold the bank to Samuel Damon, son of a missionary, who like Bishop was smart and well connected. Damon had been the kingdom's finance minister in 1889-1890 and sat on the boards of many of Hawaii's largest companies. He led the bank for 19 years and continued to expand its customer base – helping finance the startup of James Dole's Hawaiian Pineapple Company in 1904, for instance. This startup added a second major crop to the islands' economy.

Damon also grew the bank's retail business by opening its first branch offices, in Hilo in 1910 and on the island of Kauai in 1911. Subsequently, the firm published a series of clever advertisements urging the residents of Hilo and Kauai to save – and to do so at Bishop & Co. One ad began with the headline "Shun Extravagance" and said there would be "less grief" in the world if more people had money in the bank. It ended with the line, "Start saving today at this bank."

The bank's assets were \$5 million in 1910. As assets >>

## SAVING THE SUGARCANE INDUSTRY FROM RUIN

In 1878, Bishop & Co. moved from its basement office to a new two-story headquarters. By then, sugarcane production was flourishing on the islands, driving Hawaii's economy. Bishop & Co. became known as a bank the sugarcane growers could count on.

This point was driven home in 1884 when sugar prices plummeted and many growers faced financial ruin. Bishop & Co. rallied to their cause by borrowing \$500,000 in San Francisco and lending the money to growers to help them ride out the storm. "Bishop & Co. proved the strong right arm which carried the industry through," the *Honolulu Star-Bulletin* reported.

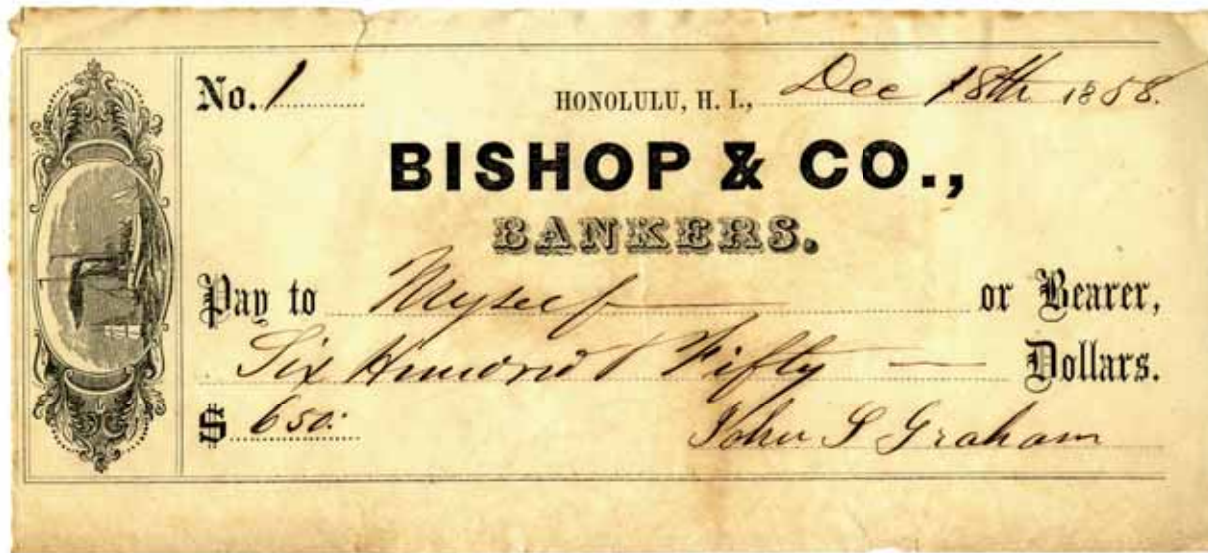
Bishop's life changed dramatically that same year, 1884, when his wife, Bernice, died. He was devastated

“ THE BANK'S ASSETS WERE \$5 MILLION IN 1910. AS ASSETS CLIMBED TO \$11 MILLION IN 1919, THE BANK CHANGED FROM A PARTNERSHIP TO A CORPORATION AND TOOK A NEW NAME, THE BANK OF BISHOP & CO., LTD. ”



■ FIRST HAWAIIAN BANK INSTALLS ITS FIRST COMPUTER, AN IBM, IN 1963





climbed to \$11 million in 1919, the bank changed from a partnership to a corporation and took a new name, The Bank of Bishop & Co., Ltd. The 1920s saw further growth, topped off by two major actions in 1929 to become much bigger. In January 1929, the bank increased its capitalization from \$1 million to \$2 million through the sale of additional shares of stock. Some of the new shares were sold to the bank's existing owners, some to the public, the latter resulting in the first public market for the bank's stock.

It then orchestrated a merger with three other Hawaiian banks to create Bishop First National Bank of Honolulu, with assets exceeding \$40 million.

The bank's large size and strong balance sheet paid off months later when the world was hit by the Great Depression of the 1930s. Bishop First National withstood the Depression and remained profitable even though its deposits and assets declined in the early 1930s. Many companies scaled back their advertising programs during the Depression to save money, but Bishop First National did the opposite. It launched an advertising campaign in 1933 at the very depths of the Depression to attract new depositors. One ad stated, "I Want These! Buy This! Get That! I Need Those! HUNGRY HANDS: Filled and Satisfied by A Savings Account."

That same year, the bank shortened its name to Bishop National Bank of Hawaii at Honolulu and extended its operations to Maui by acquiring Baldwin Bank.

## WORLD WAR II AND THE POSTWAR YEARS

Hawaii's economy boomed after the US entered World War II in December 1941. Bishop National Bank pitched

in and helped the war effort by selling defense bonds and adding new branch offices at military facilities. In addition, it experienced a sharp increase in deposits – from \$84 million at the end of 1941 to \$276 at the end of 1945.

It emerged from the war as a full-service bank offering an array of products and services for businesses and individuals. A 1948 advertisement listed more than a dozen basic services and said, "Now on the threshold of our 90th year, the Bishop National Bank of Honolulu solicits your banking business, secure in the knowledge we can serve you well, no matter what your needs may be."

Mortgage lending was especially strong after the war. The bank also developed new corporate relationships, as in 1959 when it served as lead bank in providing a \$3.25 million credit line to Hawaiian Airlines to finance new aircraft.

Along the way, the bank changed its name twice in four years. In 1956, it became Bishop National Bank of Hawaii, dropping "Honolulu" in favor of "Hawaii." In 1960 – the year after Hawaii achieved statehood – it became First National Bank of Hawaii, dropping "Bishop." *The Wall Street Journal* quoted Carl Hanson, the bank's president, as saying that removing "Bishop," despite its historic significance, "will eliminate confusion caused by the fact that a number of companies in Hawaii carry the name Bishop in their titles."

In 1962, the bank built Hawaii's first skyscraper, 18 stories tall. In 1963, it installed its first computers. In 1966, it acquired Cooke Trust Co. following a state law change allowing banks to engage in trust activities.

The bank changed its name again in 1969, this time to First Hawaiian Bank, as it remains today. One year later, it adopted a new advertising slogan, "The Bank That

Says Yes." The word "Yes" exemplifies a commitment to serving customers and finding solutions for their needs. "Yes" is still used in the bank's advertising today, nearly half a century after it was introduced.

## EARNINGS GROW 28 YEARS IN A ROW

In 1965, the bank began a remarkable string of 28 consecutive years of earnings growth. These consistently strong results enabled a series of acquisitions: Hawaii Thrift & Loan in 1975, First Interstate Bank of Hawaii in 1991, Pioneer Federal Savings Bank in 1997 and the purchase of 31 branches

in Oregon, Washington and Idaho from US Bancorp in 1996.

In 1996, the bank expanded its facilities again by completing the 30-story First Hawaiian Center in downtown Honolulu.

Then in 1998 it took its biggest step of all when its parent holding company, First Hawaiian, Inc., merged with BancWest Corporation, parent of Bank of the West. "The acquisition will create a regional bank with assets of about \$14 billion and operations in California, Hawaii, Washington, Idaho, Guam and Saipan," the *Honolulu Star-Bulletin* wrote.

First Hawaiian had come a long way from that tiny basement room in Honolulu.

## FINDING PENNIES



Years ago, Hawaiians shunned pennies. The copper coins were "despised" on the islands, the *Honolulu Star-Bulletin* wrote in 1917. Then Congress passed the War Tax Act of October 1917, which imposed a one-cent tax on numerous everyday items. Suddenly, merchants and consumers had to scramble to find pennies for transactions in nickel cigars, ten-cent movie tickets and other items that now cost one cent more.

**YEARS AGO, HAWAIIANS SHUNNED PENNIES. THE COPPER COINS WERE "DESPISED" ON THE ISLANDS, THE HONOLULU STAR-BULLETIN WROTE IN 1917.**

Bishop & Co., a forerunner of First Hawaiian Bank, got caught in the middle of this scramble. In November 1917, a rumor circulated that Bishop & Co. had just received a fresh shipment of pennies from the mainland. A large crowd gathered outside the bank seeking to buy them. "Somebody must have got Bishop & Co. mixed up with some other bank, and it's keeping our paying tellers busy this morning explaining that it was all a mistake," a bank official said.

Days later, the bank received a shipment of 1,000 pennies, but that was tiny compared to the demand. The penny crisis eventually eased as more coins arrived from the mainland, prompting the *Hawaiian Gazette* to report wryly in 1918 that "the penny has invaded Hawaii." It advised Hawaiians to get used to the coins because the islands were now flooded with them.



■ CHARLES BISHOP, RIGHT, AND WILLIAM LEE

“IF BISHOP HAD REACHED OREGON AS PLANNED, THERE WOULD BE NO FIRST HAWAIIAN BANK.”

## » CHARLES BISHOP

### Founder of First Hawaiian

Charles Bishop, founder of First Hawaiian Bank, arrived in Hawaii through an unusual set of circumstances. He was born in Upstate New York in 1822 and worked as a bookkeeper and merchant – until a lawyer friend, William Lee, suggested in 1846 that they go to the Oregon Territory, where the US government was selling land at bargain prices.

The young allies set forth from Newburyport, Massachusetts, aboard the *Henry*, a two-masted sailing ship carrying 16 passengers. The voyage proved far more difficult than anyone had imagined. The ship was damaged rounding Cape Horn and was forced to make an unscheduled stop at Honolulu, then a busy whaling port, for repairs after 231 days at sea.

Sick of traveling, Bishop remained in Hawaii – an island kingdom ruled by Kamehameha III – and assimilated quickly, marrying into the royal family, serving briefly as the kingdom’s minister of foreign affairs and starting what eventually became First Hawaiian Bank. If Bishop had reached Oregon as planned, there would be no First Hawaiian Bank today.



# THE BUILDING OF TODAY'S BANK OF THE WEST 1979-2000



■ DON MCGRATH, BANK OF THE WEST, AND WALTER DODS, FIRST HAWAIIAN BANK AT THE CREATION OF BANCWEST, 1998

In March 1979, Bank of the West announced that it had been approached by a large bank with a friendly offer to be acquired at a price of \$40 a share. It didn't name the bank, but said its directors had turned down the offer because the price was too low. Banque Nationale de Paris (BNP) – the unnamed suitor – was persistent. It made a second offer in April and a third in May before finally reaching a deal.

The details were announced in June: BNP was acquiring Bank of the West for \$62 million, or \$48 a share. BNP completed the acquisition in March 1980 and merged Bank of the West with French Bank of California. The combined bank, wholly owned by BNP, continued under the Bank of the West name with 42 offices in Northern and Southern California.

Both sides were pleased. Bank of the West had wanted to expand to Southern California "for a long time," the *Los Angeles Times* noted, and the merger brought it five offices in the

**THE ACQUISITION PROVED TO BE A RARE SUCCESS IN A DRAMATIC TREND TAKING PLACE AT THE TIME: THE PURCHASE OF US BANKS BY OVERSEAS FIRMS.**

Los Angeles area. BNP, in turn, fulfilled its ambition to be a larger player in US commercial and retail banking.

The acquisition proved to be a rare success in a dramatic trend taking place at the time: the purchase of US banks by overseas firms. By 1980, more than 100 American banks were controlled by non-US companies, a six-fold increase from 1970. Many of these buyers later sold their US operations for various reasons, including an inability to earn satisfactory profits. BNP was an exception. It stayed and systematically built its position. As a result, BNP Paribas is today one of the few European or Asian banks with a major, vibrant presence in US commercial and retail banking. The purchase of Bank of the West in 1980 helped make that happen.

## ON THE ACQUISITION TRAIL

Bank of the West, with its new European parent, initially faced some stiff headwinds. Earnings of the US banking industry turned sharply lower in the 1980s due to high inflation, volatile interest rates and other factors. More than 1,200 US banks failed during the decade, the most since the Great Depression. The FDIC, a federal regulator, called the 1980s "a decade of banking crises" with "an extraordinary upsurge" in failures.

Bank of the West weathered this storm and grew slowly at first, opening a few new offices. By 1984, it had 46 branches, up from 42 at the time of the acquisition. But slow growth was not its objective. As banking-industry conditions improved, it launched an aggressive acquisition





program – with the support of its European parent – to expand as quickly as possible. Through this program, it would eventually extend its branch network to hundreds of cities and towns across the Western United States.

It began on a modest scale in 1987 by purchasing \$11.3 million of deposits from the failed Bank of Los Gatos, just south of San Jose. The FDIC had taken over the bank and was seeking a buyer to assume responsibility for servicing the accounts. Bank of the West offered a \$275,000 purchase premium and, in the words of the *San Francisco Chronicle*, “outbid all rivals” to pull off the deal.

Next came the acquisition of Central Bank of Walnut Creek, California, in 1990. Central National was known for its excellent retail franchise, with 46 branches in fast-growing suburbs east of San Francisco. However, it was struggling financially due to bad loans. “Despite Central Bank’s recent operating losses, we believe the acquisition of Central Bank’s branch system is a logical addition for us,” a Bank of the West executive said. The acquisition doubled the size of Bank of the West’s branch network.

One year later, Bank of the West expanded into markets north of San Francisco by acquiring 30 branches of failed Imperial Savings & Loan. Other acquisitions followed in rapid order: 11 branches of financially troubled Atlantic Financial Federal Savings Bank in 1992; 15 Citibank branches in 1994; NorthBay Savings Bank of Petaluma, California, in 1995; and several branches of Bank of America and Coast Federal Bank in 1995.

In the wake of this buying spree in California, Bank of the West had more than 100 branch offices across the state. “We expect to continue our growth through acquisition and provide an even more convenient branch network for our customer base,” a spokesperson said in 1994.

## SHIFTS IN OWNERSHIP

Meanwhile, in a surprising twist, BNP became a minority shareholder of Bank of the West for three years.

In 1998, BNP sold Bank of the West to First Hawaiian Bank for \$1.1 billion. First Hawaiian formed BancWest Corporation, a holding company listed on the New York Stock Exchange, to own both banks – First Hawaiian and Bank of the West, each of which continued to operate as a separate institution under its own name. BNP owned 45 percent of the holding company’s stock, and thus 45 percent of Bank

“**BNP PARIBAS IS TODAY ONE OF THE FEW EUROPEAN OR ASIAN BANKS WITH A MAJOR, VIBRANT PRESENCE IN US COMMERCIAL AND RETAIL BANKING.**”

of the West and 45 percent of First Hawaiian. As part of the transaction, First Hawaiian combined its mainland subsidiary, Pacific One Bank, with Bank of the West. The subsidiary had branch offices in Idaho, Washington and Oregon, giving Bank of the West its first offices outside California.

In explaining the reasons for the sale, Bank of the West CEO Don J. McGrath said it “enables BNP to leverage its ownership of Bank of the West into a significant equity position in a much larger, more diversified, publicly-traded US company with excellent prospects for continued earnings growth.”

BNP Paribas would subsequently resume full ownership of BancWest and become sole owner of not only Bank of the West but also First Hawaiian, the largest bank in that state. This would occur after the 2000 BNP and Paribas merger.

Throughout this period of change, Bank of the West continued to grow not only its retail business (home mortgages, personal checking, savings products, wealth management etc.), but also its commercial business (including business loans, cash management, checking, letters of credit and foreign exchange). In 1987, *American Banker* described Bank of the West as one of the nation’s two leading lenders to Silicon Valley tech firms. The bank served clients in many other sectors as well, including agriculture, manufacturing and small business. It also held important positions in niche markets – such as lending to churches and other religious institutions, a field in which, a Bank of the West spokesperson said in 2001, “we’ve had no losses in 17 years.”

## FAR-REACHING IMPACT OF TECHNOLOGY

In 1980, when BNP acquired Bank of the West, technology was already bringing dramatic change to the banking industry. ATMs made their US debut in

the 1970s. Computer-based home banking followed not long after. Bank of the West was a pioneer in several tech areas. As an example, in 1984 it formed a five-state ATM network with nine other banks. The network allowed – for the first time – a Bank of the West customer who was visiting Arizona, for instance, to conduct banking transactions from an ATM there.

But technology brought about a glaring inconsistency: banks were using technology to serve customers across state borders, yet they were still restricted by state and federal regulations from opening brick-and-mortar offices outside their home states. A growing chorus of economists and regulators found this arrangement to be outdated and called for the elimination of all interstate banking barriers. In 1993, the US Comptroller of the Currency said, “Our banking system would function more efficiently without them and would be better positioned to meet the convenience and needs of the banking public.” Restrictions on interstate banking were already eroding when the comptroller spoke. The last barriers were finally removed in 1997.

Bank of the West responded by going on a buying spree both inside and outside California, beginning in 1999 with the purchase of Sierra West Bancorp of Truckee, California. Sierra West’s 20 branches included two in Nevada.

But just as this spree was beginning, there was a change in Paris: the merger that created BNP Paribas, which now owned BNP’s 45 percent stake in BancWest. BNP had actively supported BancWest’s expansion program. BNP Paribas pledged to do the same. It described BancWest as “one of the largest regional banks in the West of the United States,” with 290 branches and 800,000 clients through its two subsidiaries – Bank of the West and First Hawaiian Bank. Looking to the future, it said BancWest was intent on “maintaining its momentum through additional acquisitions.”



PART TWO:

# OUR EUROPE



# AN ROOTS

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# THE FIRST AMERICAN BRANCHES OF THE COMPTOIR NATIONAL D'ESCOMPTE DE PARIS 1877-1905

Comptoir National d'Escompte de Paris, a predecessor of BNP Paribas, had an active presence in the United States for many years. It began in 1877 by establishing a representative office on Montgomery Street in the heart of San Francisco's financial district.

The bank was attracted to the United States, and to San Francisco in particular, for several reasons. The American economy was growing rapidly and was on the verge of becoming the largest in the world. San Francisco was experiencing a large influx of people and capital spurred by the California gold rush and the booming mining industry. Moreover, the city was recognized as the US financial capital west of the Rocky Mountains and provided a gateway to expand contact with the Far East, where the French bank had maintained branches in China, Japan and India since the 1860s. Hence the shrewd Parisian bankers strategically saw this foothold as a means to "internalize" the profitable supply of the Far-Eastern agencies with gold (India) and silver (China) bullion according to their monetary standard, as competition with the numerous local banks was fierce.

Comptoir and America were not unknown to each other. Comptoir had transformed itself in its first 30 years from a discount bank into a global deposit and investment bank whose directors networked in international banking circles. With the boost of the opening of a branch in London in 1867, the heart of worldwide commercial and banking systems at the time, the Parisian bankers steered toward American railway investments and benefited from a constant stream of news about business in the US and elsewhere. Comptoir was written about in the US media. The *San Francisco Call* described the new US office as "the San Francisco branch of the great French financial house," while the *San Francisco Times* said, "This bank makes a specialty of bullion and exchange, and is credited with being one of the strongest institutions of Paris." Others praised Comptoir's "system of letter of credit" and wrote about Comptoir as "a bank familiar to the traveling world" and "a leading house in foreign transactions." Even the innovative prism glass flooring illuminating the vaults at the new headquarters Rue Bergère in Paris hit the headlines when inaugurated in the early 1880s.

“THE SAN FRANCISCO TIMES SAID, “THIS BANK MAKES A SPECIALTY OF BULLION AND EXCHANGE, AND IS CREDITED WITH BEING ONE OF THE STRONGEST INSTITUTIONS OF PARIS.” ”

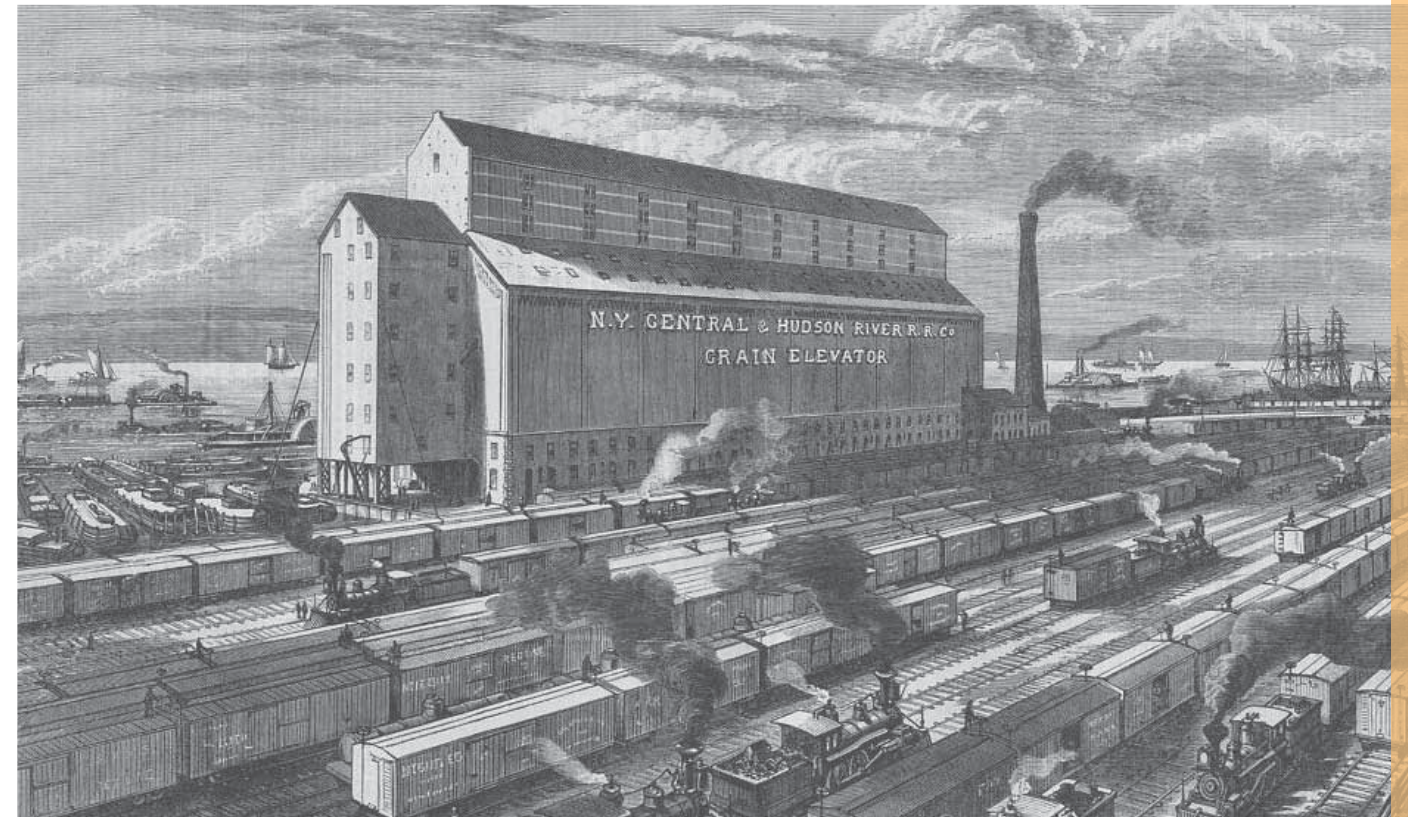
The San Francisco office was profitable from the start despite Comptoir's careful in-house risk policy, which required approval from both the London office managing the foreign branches and the Paris head office on all large transactions. Over time, it provided many French companies with financial support and played a central role in US wheat exports. It even tried to venture further into the domestic Western markets by operating a seasonal office in Portland, Oregon, or acting as a retail bank in spite of the California tax on retail banking.

By 1895, at a time when nearly 20 banks had offices in San Francisco, the *San Francisco Call* was able to report, "The large volume of foreign business transacted by the San Francisco agency of the famous Comptoir National d'Escompte de Paris is not exceeded by that of any other moneyed concern in this City."

In 1893, Comptoir opened a second US office, this one in Chicago, at the request of clients exhibiting at the city's Columbian World's Fair. The office was so successful that the advertising material it used for the fair was shipped back to Paris for reuse at the World's Fair held in Lyon, France, the following year.

The bank widened its field of operation as the American economy continued to grow. The Chicago office, which was originally intended to be temporary, became a "permanent" facility in fall 1893. The following year, the bank opened an agency office in New Orleans, a center of the global cotton trade and the leading US port for the importation of Brazilian coffee. And to stay in the game with its French bank competitors, a representative was sent to New York, the local law forbidding branches of foreign banks in the fast growing city.

By the end of the 1890s Comptoir was an active business player in the US. Apart from its traditional railroad activities and the services rendered to trade, it enlarged its portfolio in the industrial sector. Along







THE ELECTRIC CAR OF THE WEST END STREET RAILWAY IN BOSTON, 1892

with Kidder Peabody & Co., a well-known Boston securities firm, it helped finance the West End Street Railway in Boston, the largest single streetcar system in the world and the first unified public transit system in a major American city. It even made a foray into real estate by joining the syndicate that financed the Ellicott Square Building in Buffalo, the largest office building in the world when it was completed in 1896. Whenever possible, Comptoir sought a balanced relationship with its counterparties, as in the credit and coverage facilities it granted to the Schlesinger & Mayer department store in Chicago for its imports from Japan, China and France. Meanwhile, the Paris head office became the correspondent bank for a number of American firms, including the Wall Street investment banks Heidelbach, Ickelheimer & Co and Hallgarten & Co.

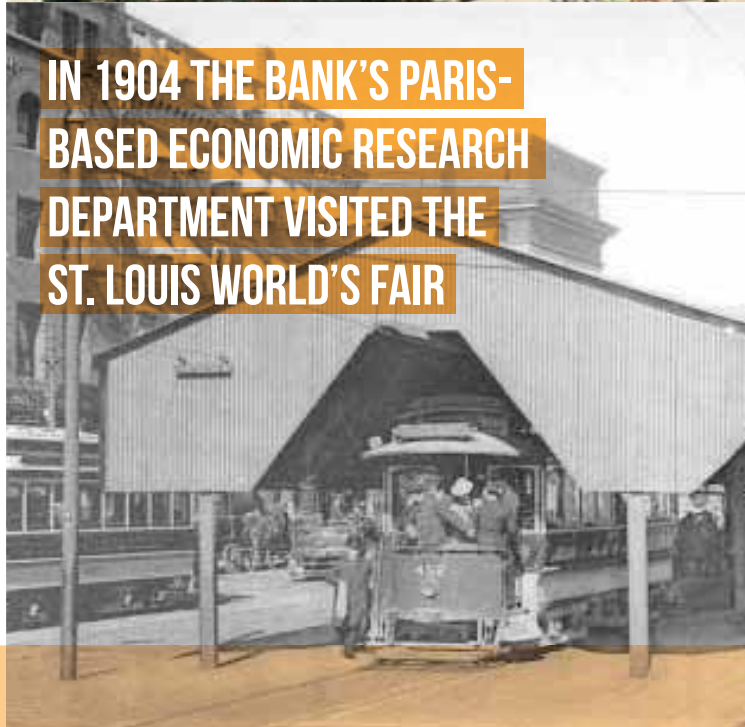
But Comptoir's prosperity in the US was occasionally plagued by on-and-off legal restrictions, the growing amount of mobilized capital and the ever increasing level of dependence on money markets. Moreover, in 1895 the US Treasury took steps to curb the outflow of American gold.

After the Chicago branch closed in 1899, the Paris head office inaugurated a severe risk policy with a strict splitting up of loans per beneficiary. In 1903, the bank closed the San Francisco branch. A week later, Eppinger & Co., a prominent San Francisco-based wheat trader, went bankrupt in a spectacular failure. The losses suffered by many banks in that event confirmed Comptoir in its decision to close all its agencies on American soil, including the New Orleans office in 1904 after the State of Louisiana imposed higher taxes.

However, Comptoir did not leave America. It was eager to retain both its web of American interrelationships and its business share in the thriving American economy. The manager of the now-closed San Francisco agency, Maurice Silvester, was relocated to the New York representative office housed in the Wall Street financial district. In addition, a new role was assigned to the bank's Paris-based Economic Research Department: the compiling of documents and information related to



"Ellicott Square", Buffalo, N.Y.



**IN 1904 THE BANK'S PARIS-BASED ECONOMIC RESEARCH DEPARTMENT VISITED THE ST. LOUIS WORLD'S FAIR**

TEMPORARY SHELTER ON CANAL AND CAUSEWAY ST. TO BE USED BY PASSENGERS OF THE WEST END STREET RAILWAY IN BOSTON, 1899



THE WABASH RAIL ROAD, ADVERTISEMENT, 1904

major American corporations, enhanced by fact-finding trips to the US. In 1904, for instance, representatives from the department visited the St. Louis World's Fair as part of a journey across the US and Canada.

In the near term, the Brussels branch took over the bank's American investments in railways like the Minneapolis St. Paul & Sault Ste. Marie Railway, the Central & Hudson River, the Erie Railroad, the Wabash Railroad and the Western

Pacific Railroad.

The persistent French bank stuck to America despite its short-lived agency ventures. The physical presence of the New York representative proved to be very successful, and Comptoir's American dream came true in 1919 when it chartered French American Banking Corporation (FABC) in New York in partnership with First National Bank of Boston and National Bank of Commerce.







THE ATRIUM IN 1882



THE FLOOR OF THE ATRIUM WAS  
ORIGINALLY MADE PARTLY OF GLASS, A  
FIRST IN ITS TIME, TO ILLUMINATE THE  
VAULTS IN AN ERA WHEN ELECTRICITY  
WAS STILL SCARCE AND EXPENSIVE.

THE ATRIUM IN 2016

## ▶▶ A PARIS LANDMARK

In 1882, when it was expanding around the globe, including in the United States, BNP Paribas predecessor Comptoir National d'Escompte de Paris completed a new headquarters building at 14 rue Bergère in the heart of the city.

THE BUILDING STOOD THEN, AND NOW, AS ONE OF THE MOST MAGNIFICENT TEMPLES OF BANKING IN THE WORLD.

In an era when banks used grand architecture to denote strength, the new building testified to Comptoir's prosperity and reinforced its credentials as a major global institution.

The building made headlines not only in Europe but also in the United States. It was designed by French-born architect Edouard Corroyer and was described by *American Architect and Building News* as "perhaps his most important work."

Visitors approaching the building today will discover an astonishing façade topped by a belfry and statues symbolizing finance, prudence and trade. Medallions



representing the five continents – Africa, America, Asia, Europe and Oceania - signified Comptoir's international scope. On entering, visitors walk through a neo-Byzantine lobby of columns and mosaics to reach the atrium, a huge banking hall with an ornate glass ceiling. The floor of the atrium was originally made partly of glass, a first in its time, to illuminate the vaults in an era when electricity was still scarce and expensive.

Technology was very much in evidence when the building opened. *Scientific American* praised the structure for its use of "the most recent advances in science and industry," including electric lighting, a pneumatic tube system for distributing internal mail and an early, rudimentary system of air conditioning. Although most customers entering the building were French, visitors from America were not overlooked. *The Paris Herald* (the European edition of *The New York Herald*) and *The New York Times*, among other newspapers, were available for reading at large wooden tables. In addition, a longcase clock provided the current time for many of the world's cities, including New York.

14 RUE BERGÈRE

THE BUILDING STILL EXISTS TODAY AND, FOLLOWING A MAJOR RENOVATION IN 2007-2009, HOUSES BNP PARIBAS' ASSET MANAGEMENT ACTIVITY. IT IS ONE OF THE HISTORIC MONUMENTS OF PARIS.

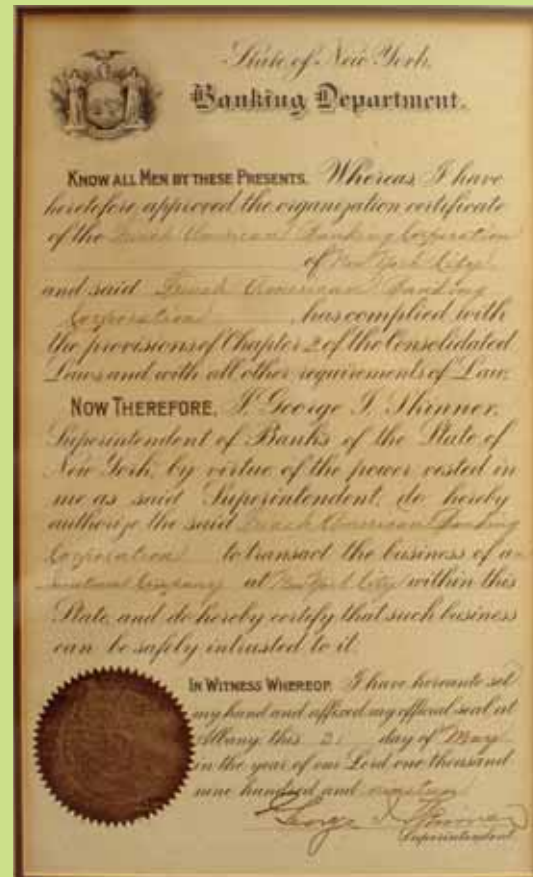


# THE BIRTH OF FRENCH AMERICAN BANKING CORPORATION 1919-1986

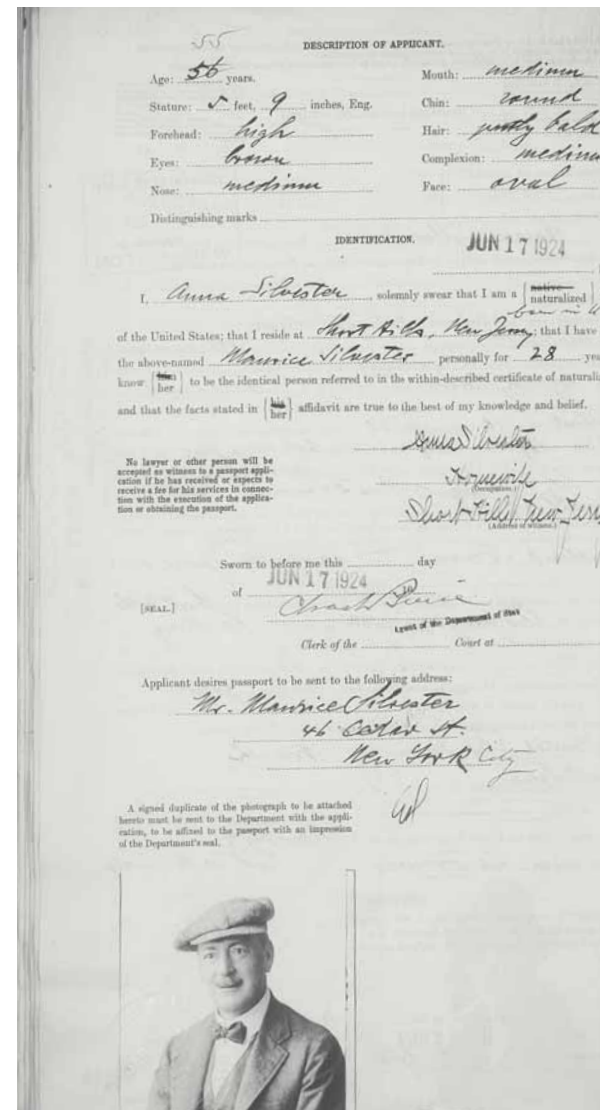
Comptoir National d'Escompte de Paris kept its representative in New York after closing its branches in Chicago (1899), San Francisco (1903) and New Orleans (1904). Doing so allowed it to continue to pass along financial and trade information to Paris and the bank's international network and to provide a contact between companies.

In 1912, Comptoir sent one of its managers, Maurice Lewandowski, to the United States on a fact-finding mission with a view toward establishing a larger and more permanent US presence. Reporting on his visit, the *New York Times* said, "The Comptoir d'Escompte has always been most prominent among French institutions in maintaining active relations with American banking and commerce, and M. Lewandowski has come here because its managers believe that this activity is to be largely increased." On returning to Paris, Lewandowski recommended that Comptoir establish a US banking subsidiary. However, the creation of the subsidiary was delayed by the outbreak of World War I two years later.

After the war, Comptoir wasted no time in launching the planned business: the new subsidiary, called French American Banking Corporation (FABC), was up and running in July 1919, eight months after the war ended. Comptoir became the first major French bank to have a permanent presence in the US.



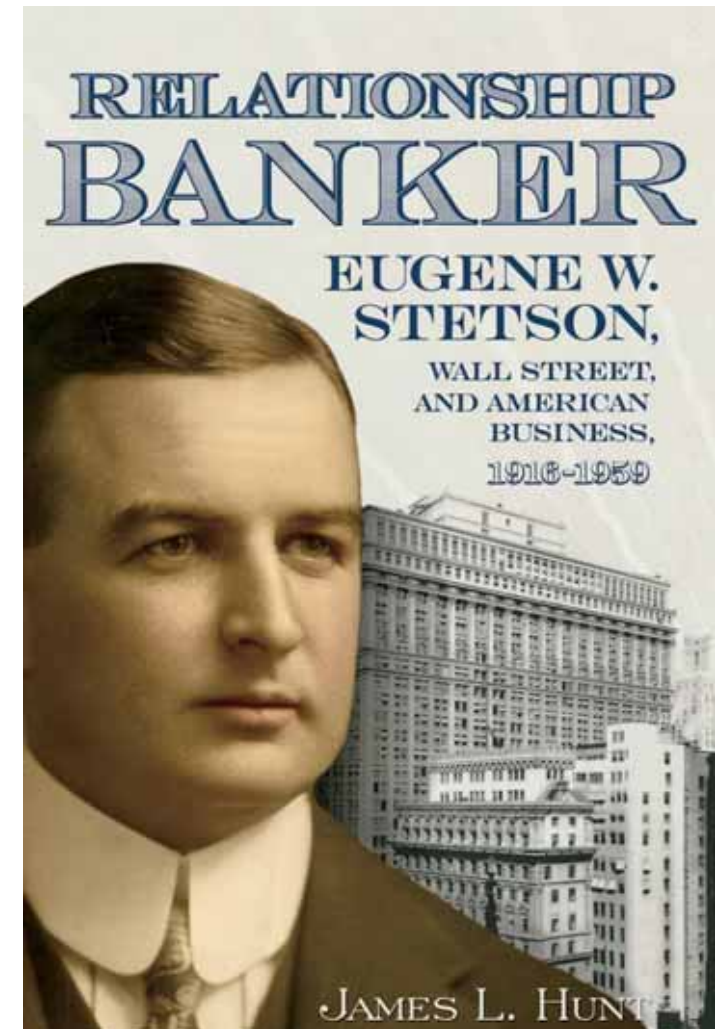
OPERATING LICENSE OF FRENCH AMERICAN BANKING CORPORATION, 1919



MAURICE SILVESTER'S PASSPORT APPLICATION, 1924

Comptoir had two powerful American partners in the venture: First National Bank of Boston and National Bank of Commerce, the latter based in New York. Comptoir held half the shares and the American banks held one-quarter each. FABC's capital was \$2 million. The presidency was reserved for Comptoir, which appointed Maurice Silvester, its US representative and former director of the San Francisco branch, to the position.

In 1920, the bank decided to maintain a dual structure in the United States: operating partly with FABC, and partly via its representative in New York. FABC's goal was to promote trade between France and the United States by lending to French merchants in the US and to American businesses selling on credit to French companies. Among other examples, it financed cotton trading companies selling goods in the American market both via its correspondent banks in the United States and directly.



COVER OF EUGENE W. STETSON BIOGRAPHY, 2009

**FABC'S DEPOSITS GREW RAPIDLY, FROM \$2.3 MILLION IN 1920 TO \$75 MILLION IN 1930. THAT SAME YEAR, 1930, EUGENE W. STETSON, A WELL-KNOWN AMERICAN BANKER AND BUSINESSMAN, WAS APPOINTED CHAIRMAN OF THE EXECUTIVE COMMITTEE, FURTHER CEMENTING FABC'S PRESTIGE IN THE BANKING WORLD. HE CONTINUED IN THAT POSITION UNTIL HIS DEATH IN 1959.** >>



# ADAPTING TO A CHANGING MARKET

In the 1930s, the FABC was forced to redefine its business; the American economy crashed in late 1929 and the bank had to ensure its own survival. Loans to French companies became a priority. The subsidiary was in high demand to finance French purchases of raw materials. As a result, it returned to its original vocation of serving French clients.

FABC became a wholly owned subsidiary in 1971 when Banque Nationale de Paris (BNP), which had been formed five years earlier through the merger of Comptoir and Banque Nationale pour le Commerce et l'Industrie (BNCI), bought out FABC's minority shareholders. Given its special status, FABC could no longer easily provide loans to American companies or accept deposits from residents, so BNP opened a full branch in New York in 1976 to meet those needs. In 1986, the FABC team and business were absorbed by BNP.



MARKET ST. IN SAN FRANCISCO, 1900

**FRENCH AMERICAN BANKING CORPORATION**

**DIRECTORS:**

JAMES S. ALEXANDER, *President*  
National Bank of Commerce in New York

PAUL DEBRIAN, *President*  
Comptoir National d'Escompte de Paris

DANIEL A. DE MENEVAL, *Vice-President*  
The First National Bank of Boston

CHARLES G. DU BOIS, *President*  
Western Electric Company

EDLE DEBRIAN, *President*  
French American Banking Corporation

MAURICE LEWANDORFF, *Director*  
Comptoir National d'Escompte de Paris

EDGAR LLEWELLYN, *Manager*  
Comptoir National d'Escompte de Paris

JOHN E. SUWENSKY, *Vice-President*  
National Bank of Commerce in New York

MAURICE SILVESTER, *41 Cedar Street, New York*

STANISLAS SHON, *Vice-President*  
Banque de l'Inde Chinoise Paris

GERARD STRUPE, *President*  
International General Electric Co.

DANIEL G. WING, *President*  
The First National Bank of Boston

**OFFICERS:**

JAMES S. ALEXANDER, *Chairman of the Board*

PAUL DEBRIAN, *President*

JOHN E. SUWENSKY, *Vice-President*

DANIEL A. DE MENEVAL, *Vice-President*

ROGER P. KAVANAGH, *Vice-President*

THOMAS E. GREEN, *Secretary*

ARTHUR TERRY, *Treasurer*

ERNEST C. WIGNATTE, *Asst. Secretary*

Foreign Trade Department

ROBERT FALLON, *Manager*

Cedar Street

William Street

**FRENCH AMERICAN BANKING CORPORATION**

**NEW YORK**

**FRENCH AMERICAN BANKING CORPORATION**

**STATEMENT OF CONDITION**

November 31, 1921

**RESOURCES**

Cash on hand and in banks	\$ 40,493.31
Due from Foreign Banks	3,361,217.12
Current Accounts	70,610.46
Bonds	14,909.71
Invested Loans	38,000.00
Time Loans	754,700.00
Bankers' Acceptances	3,960,316.27
Bills Purchased	157,131.94
Provision and Reserve	7,210.00
Accrued Interest, Commissions and other Items Receivable	30,809.41
Customers' Liability under Acceptances and Letters of Credit	1,211,073.52
Provisionary Liability under Foreign Exchange Contracts	20,043,958.14
<b>Total</b>	<b>\$32,966,926.63</b>

**LIABILITIES**

Capital	\$ 2,000,000.00
Reserve	400,000.00
Undivided Profits	243,798.15
Deposited Checks	17,200.00
Current Accounts	4,895,418.34
Customers' Loans	280,000.00
Acceptances	2,562,862.87
Letters of Credit and Foreign Acceptances	678,815.00
Liability under Foreign Exchange Contracts	17,324,403.98
Special Guarantees American Dollar Exchange	750,000.00
Balance Foreign Exchange with, at various times reported for Taxes, etc.	1,000,499.21
Unsettled Dividends, Commissions, etc.	44,864.79
Other Liabilities	14,627.91
<b>Total</b>	<b>\$32,966,926.63</b>

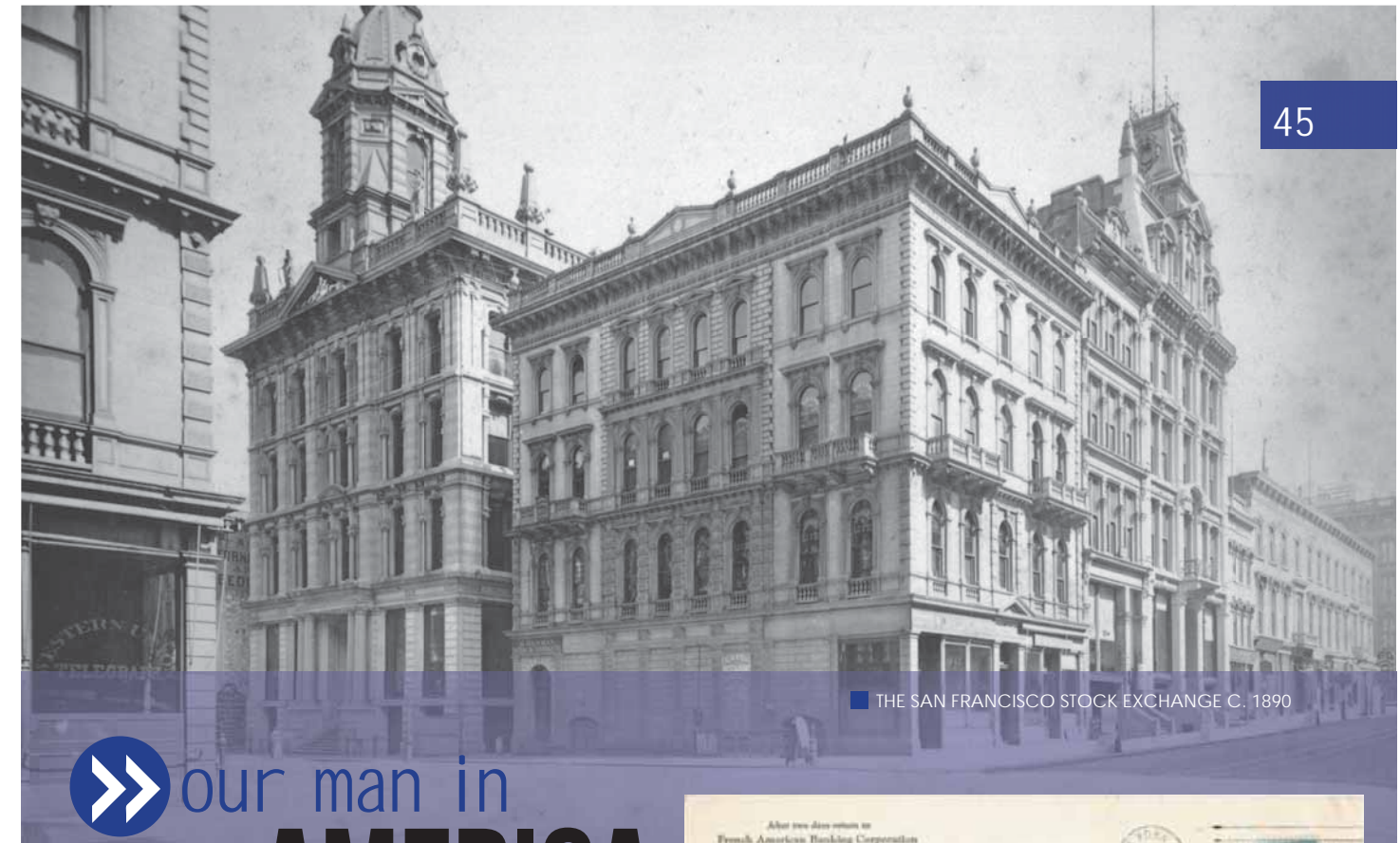
THE French American Banking Corporation is organized under the Banking Laws of the State of New York and under the provisions of the Federal Reserve Act.

Its entire capital stock is owned by the following banks: **COMPTOIR NATIONAL D'ESCOMPTE DE PARIS**, **NATIONAL BANK OF COMMERCE IN NEW YORK**, **THE FIRST NATIONAL BANK OF BOSTON** whose numerous branches and correspondents all over the world furnish a thorough equipment for foreign trade purposes.

A Grand foreign and international banking business in all its ramifications transacted, with special facilities in connection with France and the French Colonies and Dependencies.

A Foreign Trade Department organized on the lines of practical merchant banking is maintained at the service of manufacturers, importers and exporters.

FABC STATEMENT OF CONDITION 12/13/1921, SHOWING A BALANCED BUDGET BETWEEN "RESOURCES" AND "LIABILITIES" OF \$32,966,926.63



THE SAN FRANCISCO STOCK EXCHANGE C. 1890

# our man in AMERICA

**MAURICE SILVESTER WAS ONE OF THE EARLIEST AND MOST INFLUENTIAL FRENCH BANKERS IN THE UNITED STATES.**

He was born in Vienna in 1868 and joined Comptoir National d'Escompte de Paris, a forerunner of BNP Paribas, in the mid-1880s. He began in an entry-level position in Paris and transferred in 1888 to the bank's San Francisco representative office, first as assistant manager and then manager, beginning a 45-year career in the US. In 1903, he relocated to New York to become the bank's representative for the United States and Canada. He was president of the French American Banking Corporation at its founding in 1919 and played a major role in its early development. Simultaneously, he continued as Comptoir National's US and Canadian representative until 1933, when he retired.

Under his steady hand, Comptoir National navigated its way in the US through World War I, the Roaring Twenties and the early years of the Great Depression. He was known as a bankers' banker who was close to his clients and thoroughly understood their needs. *Bankers Magazine* said of his lengthy career, "Going through all departments, he rose to be cashier, branch manager and finally became the Paris bank's general representative in the United States and Canada."



EARLY AUTOTYPE OF THE PARIS STOCK EXCHANGE, 1880



## ▶▶ LAMENT FOR APRIL 15

AVERY CLAFLIN, PRESIDENT OF THE FRENCH AMERICAN BANKING CORPORATION FROM 1946 TO 1954, HAD AN UNUSUAL DUAL CAREER NOT ONLY AS A BANKER BUT ALSO AS A COMPOSER OF SERIOUS MUSIC.

Clafin was born in New Hampshire in 1898. He enrolled in Harvard before interrupting his studies to volunteer as an ambulance driver in France during World War I. He was awarded the Croix de Guerre for service at Verdun.

Upon graduating from Harvard after the war, he returned to France to study musical composition with Erik Satie. In 1926, Aaron Copland listed him as one of the 17 most promising young composers in America. Despite this acclaim, Clafin believed he could not make a living in music so he joined the French American Banking Corporation in New York in the 1920s, starting as a messenger and working his way up to the presidency. Even then, he kept composing, writing three operas, a piano concerto and many other works which were performed in venues across the US. His most famous work was a madrigal, "Lament for April 15," with the lyrics taken word-for-word from the instructions for the US federal income tax return. Reviewing a performance at Tanglewood in 1955, *The Music Quarterly* wrote, "Avery Clafin has a remarkable sense of ecstatic fun, and his choice of texts is unique." It said the work "convulsed his listeners and became a great press sensation."

Handwritten musical score for "Lament for April 15" by Avery Clafin. The score is written on six staves with lyrics: "gross in-come in nine-teen fif-ty-four". The tempo markings are "poco f" and "more". The time signature is 5/4.



## PRESENCE OF BANQUE NATIONALE DE PARIS IN THE US 1966-2000



CHICAGO BRANCH OFFICIAL OPENING WITH KENNETH SAIN, PIERRE LEDOUX AND PAUL HENDERSON, 1974

Already present on the east coast through French American Banking Corporation, Banque Nationale de Paris (BNP) – newly formed in 1966 through the merger of Comptoir National d'Escompte de Paris (CNEP) and Banque Nationale pour le Commerce et l'Industrie (BNCI) – decided to explore other opportunities on American soil.

California was the US region with the most dynamic growth in the 1960s, so it turned its attention there, with San Francisco as an anchor point. The city had a large French community and offered opportunities for the bank to expand throughout the state, and throughout the country. In addition, California offered a bridgehead to the Group's Asian activities.





## TWO BNP ESTABLISHMENTS IN SAN FRANCISCO

In January 1969, BNP opened an agency office in San Francisco, the front runner of BNP in California, with limited powers under state law: it could not receive deposits or open checking accounts. The office engaged in wholesale banking, mainly by providing loans to large American companies and subsidiaries of French companies. It employed about 60 people in its early days.

Three years later, in 1972, BNP opened a full-fledged banking subsidiary, called French Bank of California (FBC), in San Francisco, joined in 1973 by an FBC branch in Los Angeles. The new bank provided a full range of retail and commercial banking services and, in its advertisements, promised “a very personal approach” in which it would “fit our services to the individual needs of our customers.” By 1978, FBC had five branches in Northern and Southern California.

**MEANWHILE, BNP EXPANDED ITS US PRESENCE OUTSIDE CALIFORNIA BY OPENING OFFICES IN CHICAGO (1974), NEW YORK (1976), DALLAS (1982) AND MIAMI (1984).**

French American Banking Corporation (FABC) in New York fit perfectly into this network and worked closely with French Bank of America, focusing on the banking needs of large American multinationals. FABC operated under Californian laws and could offer its customers the full range of banking services that were customary in the state, which did not allow foreign banks to establish branches directly on its territory.

■ BANK OF THE WEST SAN FRANCISCO, ENTRANCE HALL, 1979

## ACQUISITION OF BANK OF THE WEST, A WINNING GROWTH STRATEGY

BNP accelerated its US expansion in 1980 by acquiring the 11th largest bank in California, Bank of the West, which had been founded more than a century earlier as Farmers National Gold Bank. The initial idea behind that acquisition was to help finance the investment banking business of BNP’s New York branch through Bank of the West deposits. But for regulatory reasons, BNP redirected its strategy toward developing the “classic” retail banking business of Bank of the West.



■ BILLBOARD ANNOUNCING THE CREATION OF BNP, 1966

In 1998, BNP broadened its base as a local bank in the United States by signing a merger agreement between Bank of the West and First Hawaiian, the parent company of First Hawaiian Bank (Hawaii) and Pacific One Bank (Oregon), which absorbed the latter. Grouped

together under a holding company, BancWest Corporation, the two banks became fully-owned subsidiaries of BancWest while BNP became the reference shareholder of the new entity, becoming the sole shareholder in November 2001 and making it a fully owned subsidiary of BNP Paribas Group.

This strategy paid off big: by 2005, through a series of mergers and acquisitions, as well as through organic growth, Bank of the West served corporate, institutional and retail clients through a network of more than 600 offices in 23 states, primarily in the Western US.

Along the way, BNP restructured its activities in New York in 1986 so that French American Banking Corporation (FABC) and the BNP New York branch were managed by the same team. The latter’s business was diversified to include currency transactions, the American monetary market and cross-currency swaps, as well as services for companies in Latin America. In addition, new business lines were added such as property in Florida, project funding (particularly in the field of co-generation waste-to-energy factories) and leveraged buyout transactions.

In nearly 140 years, the Group had conducted an American conquest and written a true American success story!

## SMART CARDS A FRENCH INVENTION THAT REVOLUTIONIZED PAYMENTS

EMV (“Europay, Mastercard and Visa”) has become a global standard for credit cards embedded with computer chips to authenticate transactions and stymie fraud. The cards have been widely used in the United States since 2015, but are actually a French invention dating back years earlier.

In the 1950s, when credit cards made their debut, several inventors explored ways to attach an electronic object that could be used for transactions. This led in 1971 to the introduction of the Carte Bleue with a magnetic strip by the large French banks, including Banque Nationale de Paris (BNP). Magnetic strips on credit cards became a global standard in 1979. The system reduced fraud, but was costly and slow due to France’s telecommunications infrastructure.

It was left to Roland Moreno, a French engineer, to develop a ring embedded with a microchip in 1974. His idea drew the attention of the largest French banks,



■ BNP BRANCH SIGN IN SAN FRANCISCO, 1979



again including BNP. A trial phase of nearly 10 years followed, which resulted in the adoption in France of the smart card with a computer chip in 1988. Chips not only afford greater security than magnetic strips but also offer the potential for new services. By 1993, all bank cards issued in France came with a chip, and by 2006 chips were embedded on cards across most of Europe. It took longer for the idea to catch on in the United States, where credit card fraud is less common. After many starts and stops, banks and merchants in the US began issuing cards with chips on a large scale in 2015. Since October 2015, American merchants that do not accept cards with chips are held financially responsible when a credit card is used fraudulently.







SAN FRANCISCO'S FRENCH BANK OF CALIFORNIA LOBBY, MONTGOMERY ST., 1972

## ▶ FRENCH BANK of california



Banque Nationale de Paris (BNP) entered the retail banking market in the United States in 1972 by establishing the French Bank of California in San Francisco. The new bank was one of about a dozen foreign-owned banks operating in California at that time. *The Chicago Tribune* said the rapid growth of foreign-owned banks in the US reflected "the prosperous development of world commerce and the greater interdependence of financial markets all over the world." California was an especially appealing market because of its size. If California were a nation, its economy would have been the seventh largest in the world, the Associated Press noted.

French Bank of California distinguished itself with its customer service and *savoir faire*. One ad featured a Matisse portrait with the headline, "There's nothing common about a Matisse." Like the uniqueness of a Matisse painting, the ad said, "We fit our services to the individual needs of our customers. It's a very personal approach."

French Bank of California proved to be a key link in the development of BNP Paribas' now-robust US retail presence. In 1980, Banque Nationale de Paris purchased Bank of the West and merged it

with French Bank of California to create today's 19-state Bank of the West. Many non-US banks entered the American retail banking market in the 1970s. BNP Paribas, through its Bank of the West subsidiary, is one of the few that showed staying power and grew.

## ▶ AMERICAN INFLUENCE

WHILE THE ANCESTORS OF THE BNP PARIBAS GROUP SET OFF AS PIONEERS IN THE CONQUEST OF AMERICA, THEY WERE ALSO PIONEERS IN INTRODUCING AND ADAPTING AMERICAN BANKING PRODUCTS IN FRANCE.

In 1953, with the reconstruction of France in full swing after the war, Jacques de Fouchier came up with the idea of mass-marketing consumer products in France by creating a consumer credit organization called Cetelem. The United States was already practicing this type of credit on a large scale.

Consumer financing existed in France, particularly in the automotive and furniture sectors, although the desire to reproduce the "American way of life" in the 1950s coincided with the burgeoning of a mass-consumer society. De Fouchier launched Cetelem to provide consumer loans for the purchase of domestic appliances, which were in great demand. French retailers were not authorized to extend credit to their customers, so de Fouchier developed a new business model – in-store credit – based on a three-way relationship between the customer, the retailer and Cetelem. He grew Cetelem's business with the help of posters, flyers and leaflets to persuade shopkeepers to sign on with the company and customers to buy on credit. Cetelem soon earned an enduring place in the daily lives of French citizens.

De Fouchier continued with other initiatives, including long-term mortgages, consumer credit and leasing. UCB and SINVIM were set up to finance house purchases and other real estate transactions, Locabail for leasing and SEGECE for the retail sector. In 1959, all these firms came together under the umbrella of the Compagnie Bancaire, with Paribas as its main shareholder. De Fouchier became vice chairman of Paribas in 1966 and chairman in 1969.

Corporate cash management was another American innovation that was brought to France, in this case by Banque Nationale de Paris (BNP). In the



Good cash management is vital to your company's health.

With the European **Cash Customer Service** from BNP Paribas, an analyst will monitor all your cash management operations and can provide a single point of entry for the follow-up of your daily requests. Your cash customer analyst is just one of over 500 specialists around the world who will create solutions adapted to your cash management needs and who are always ready to provide you quality assistance and unbeatable after-sales service. Because good cash management is vital to your company's health, we will provide you with the best cash management services.

[www.bnpparibas.com](http://www.bnpparibas.com)

The bank for a changing world



1980s, many large American corporations were buying French companies and sought the active management of their cash in France, similar to the service already available in the US. BNP initially offered the new service to large corporations and gradually extended it to the needs of smaller firms.

Perhaps the most noteworthy innovation in banking was the discovery of the practical applications of information technology. This kicked off unprecedented change, with the introduction of computers in the daily activities of banks in France, leading to a rationalization of work and management methods. BNCI commissioned its first computer in 1960 to centralize and manage the trade portfolio of all its Paris branches. CNEP, following the example of BNCI, purchased its first Bull the same year. Fortis for its part modernized its accounting in 1961 by means of an IBM. BNL would do the same in 1963.



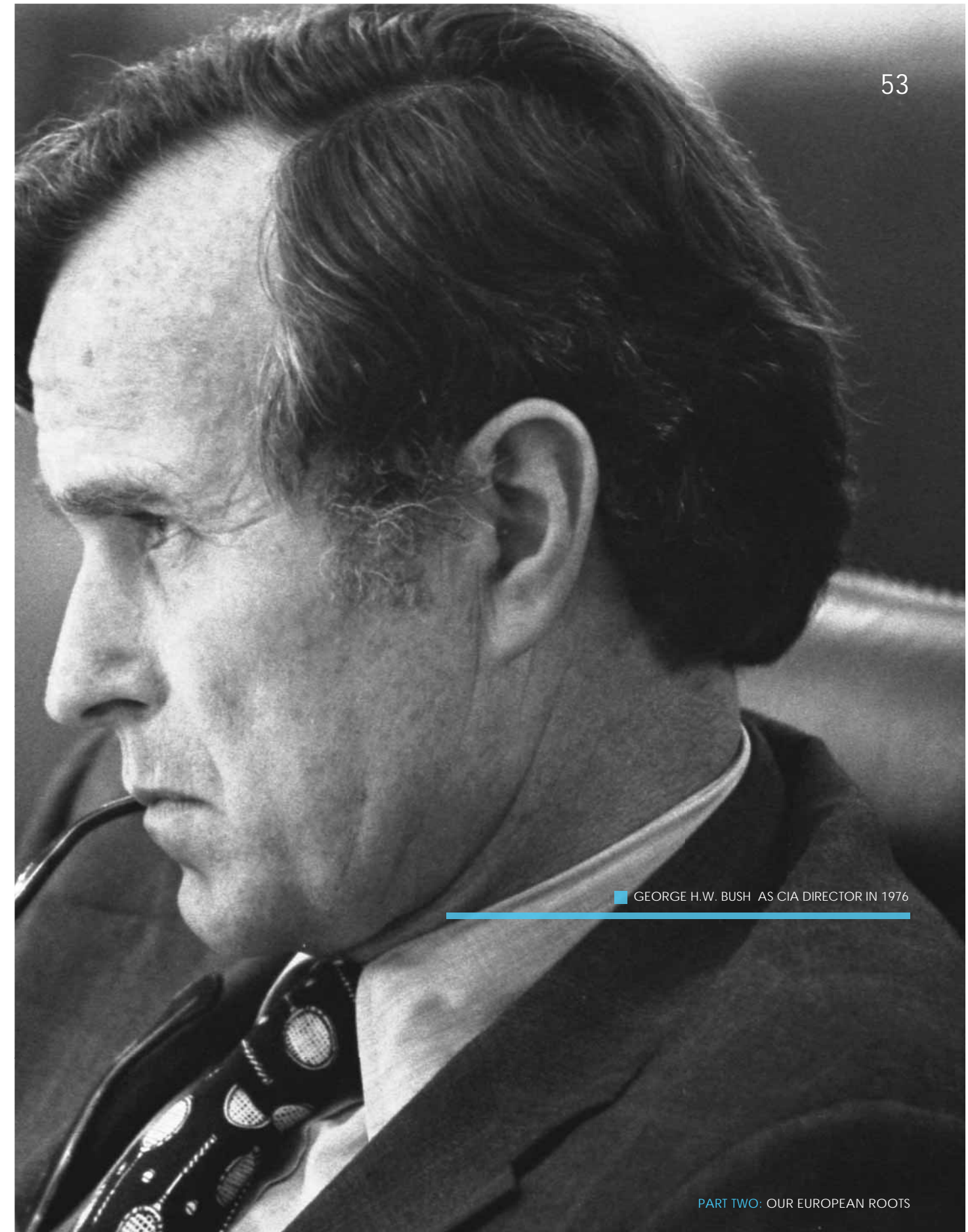
## » BRIEF ENCOUNTER

*In 1978, Pierre Ledoux, the CEO of BNP, visited to the United States. In his memoirs, he recounts an exceptional meeting with George H. W. Bush, future US president. At that time, Bush was Chairman of the Executive Committee of the First International Bank in Houston after having served previously as US envoy to China and director of the US Central Intelligence Agency. He became US president in 1989.*



"When I arrived in 1978, a time when we didn't know many people... I was told by our manager that a certain Mr. Bush wanted to speak to me. I had no idea who he was, but thought that he was probably a banker.... I therefore went to the meeting and encountered a man who immediately told me he knew nothing of banking, but that he wanted to see me to find out about a certain number of things, since he was standing for President of the United States. I first thought that I was in the presence of a slightly deranged character, but quickly changed my opinion once he had told me his background. He used to be head of the CIA.... He'd had recent dealings with China, was aware that I knew this country well, and wanted to talk to me about it. He also wanted to find out more about the situation in France. During a very pleasant conversation, which lasted for more than an hour and a half, I got to know the man better. Having exchanged views that demonstrated his value and distinction, I retained an exceptional impression of him. When he was elected as Vice President [in 1980], I sent a telegram to congratulate him, to which he immediately replied. He combined simplicity with intelligence and knowledge of the world, leaving one with the impression that he would certainly make a very good president. It was an encounter that I will not easily forget."

Pierre Ledoux, *Journal imprévu d'un banquier*



■ GEORGE H.W. BUSH AS CIA DIRECTOR IN 1976



# EARLY ALLIANCES IN INVESTMENT BANKING: PARIBAS 1870-1960



JACOB SCHIFF



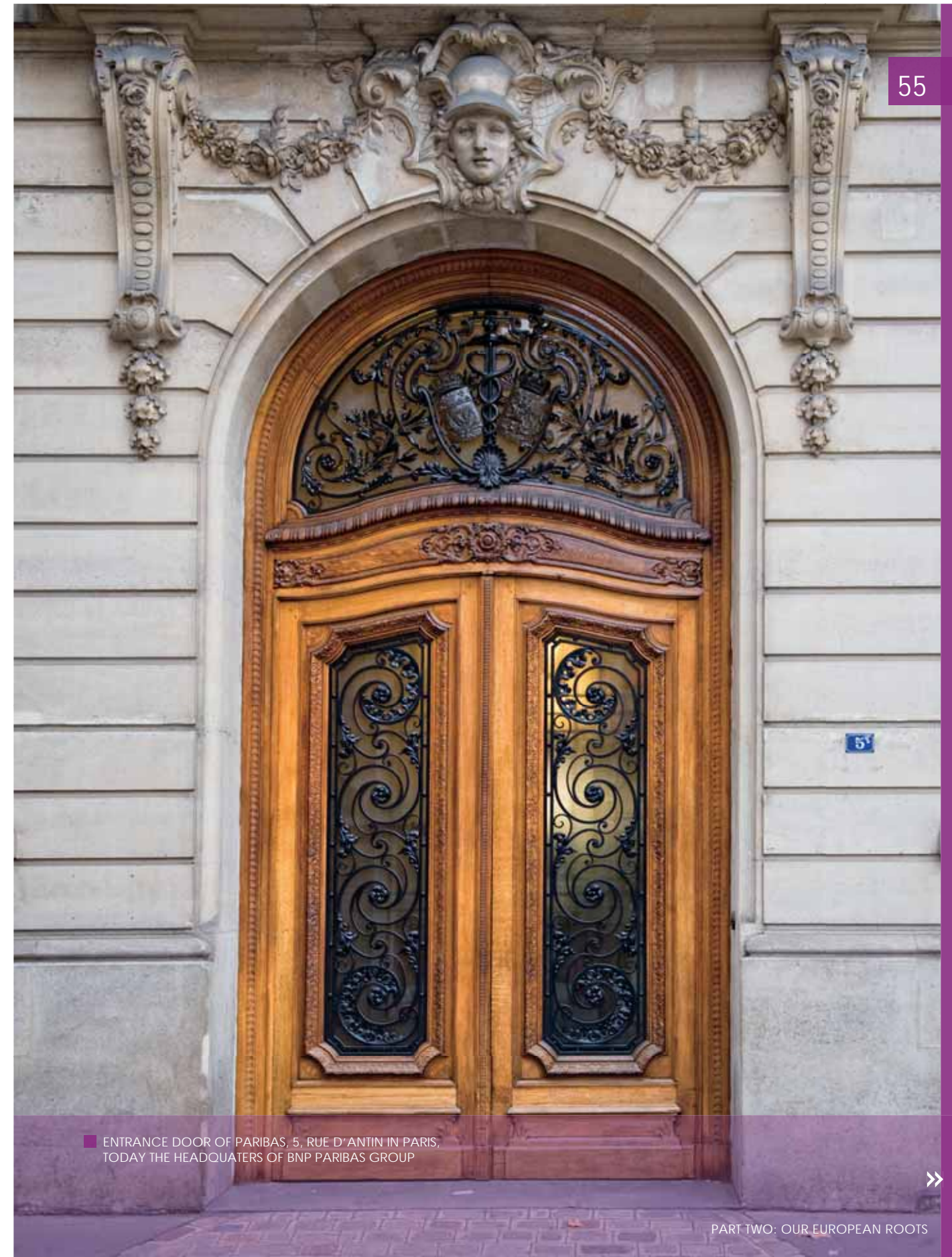
HORACE FINALY

Paribas (Banque de Paris et des Pays-Bas) was already an important player in the American market in the 1870s, conducting an investment banking business by issuing securities in France for American railway companies in particular. In 1872, Paribas's Amsterdam subsidiary underwrote securities of the Lake Erie and Louisville Railway in association with an American banking firm.

The bank was looking for new ways to increase its presence in the United States. As the century began, cooperation between Edouard Noetzelin, the future CEO of Paribas, and Jacob Schiff, the legendary senior partner of US investment bank Kuhn, Loeb & Co.,

became the pillar of Paribas's American policy. Plans to join the two establishments, by setting up a property asset trust that would enable American companies to obtain funds through bond issues on the French market, were seriously discussed in 1902. However, the project never got off the ground. Three years later, in 1905, Paribas took a different tack: it considered setting up a "French bank of North America," but had to abandon the plan when a worldwide financial crisis broke out in 1907. Conditions for foreign banks to operate on American soil remained largely unfavorable for the next five decades; the opportunity for Paribas to open a branch on the other side of the Atlantic did not appear again until 1960.

In the interim, Paribas confirmed its status as an investment bank that promoted relations between the two countries. During the First World War, the bank took part in loan negotiations with the United States and underwrote loans contracted by the French government at American banks. Horace Finaly, who headed the bank in the period between the two world wars, contributed greatly to the firm's American strategy.



ENTRANCE DOOR OF PARIBAS, 5, RUE D'ANTIN IN PARIS,  
TODAY THE HEADQUARTERS OF BNP PARIBAS GROUP

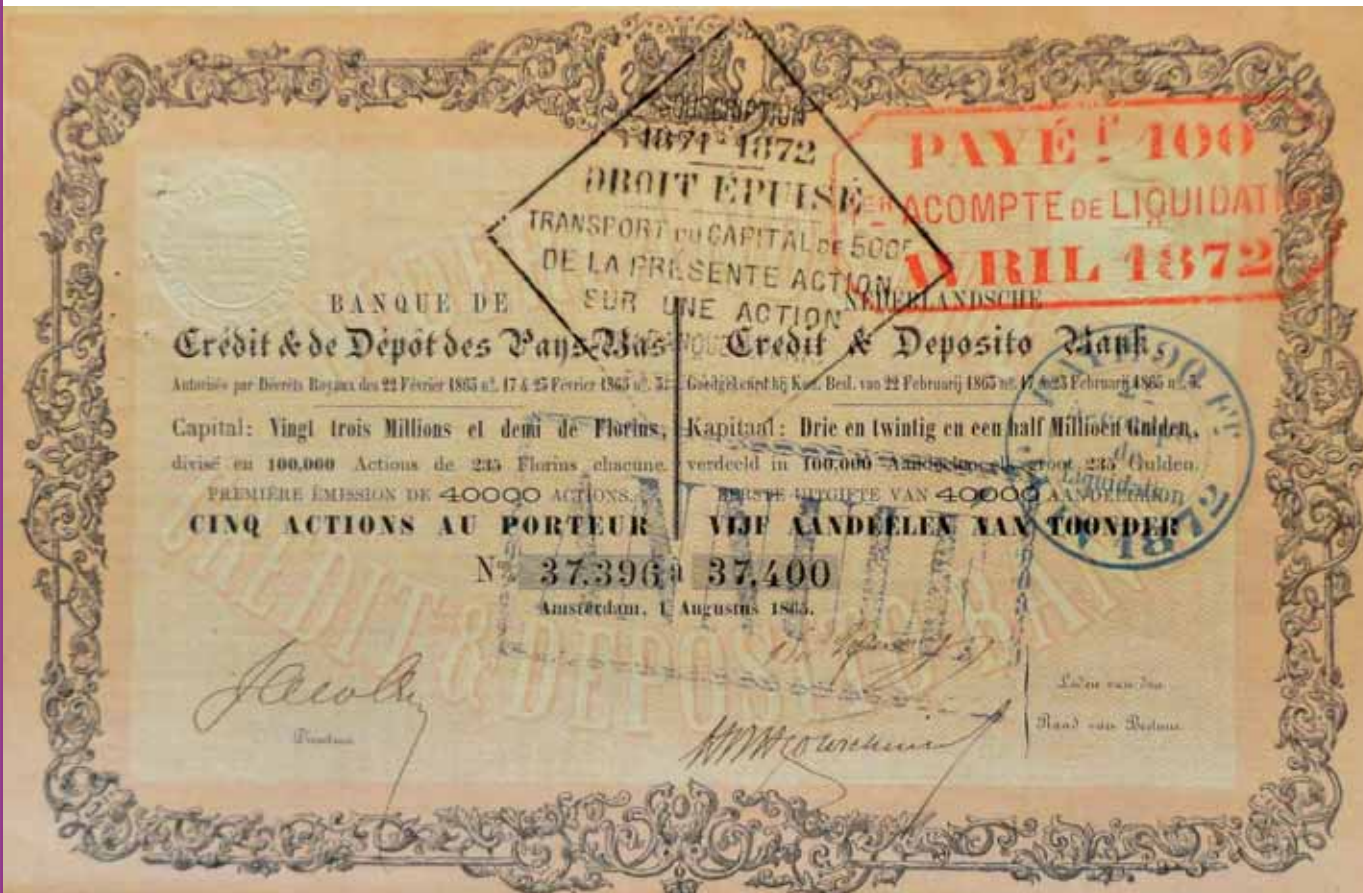


Finally had many friends and business relationships in the oil industry. He had visited the United States in 1907 and returned in 1922 at the invitation of Standard Oil Company of New Jersey. On that second trip, he met with many members of the financial and political elite. The war had demonstrated the strategic importance of oil. His 1922 visit resulted in a series of opportunities for Paribas to work with Standard Oil of New Jersey, the largest petroleum company in the world.

In the early 1920s, Standard Oil and Paribas formed French-American Cie Standard, which they owned jointly. Finally became director of its French subsidiary. Standard managed the business while Paribas provided financial assistance and offered political support to obtain concessions.

Paribas based its future oil investments on a similar model. In Poland, it liquidated its former shareholdings and supported the subsidiaries of Standard Oil by granting loans for drilling. The bank also looked for opportunities with Standard in Romania. In the Near East, it facilitated American investments in Turkish Petroleum Company.

Paribas retained its many important US connections ever after the Second World War engulfed France. Maurice Boyer, a representative of Paribas, remained in New York throughout the war.



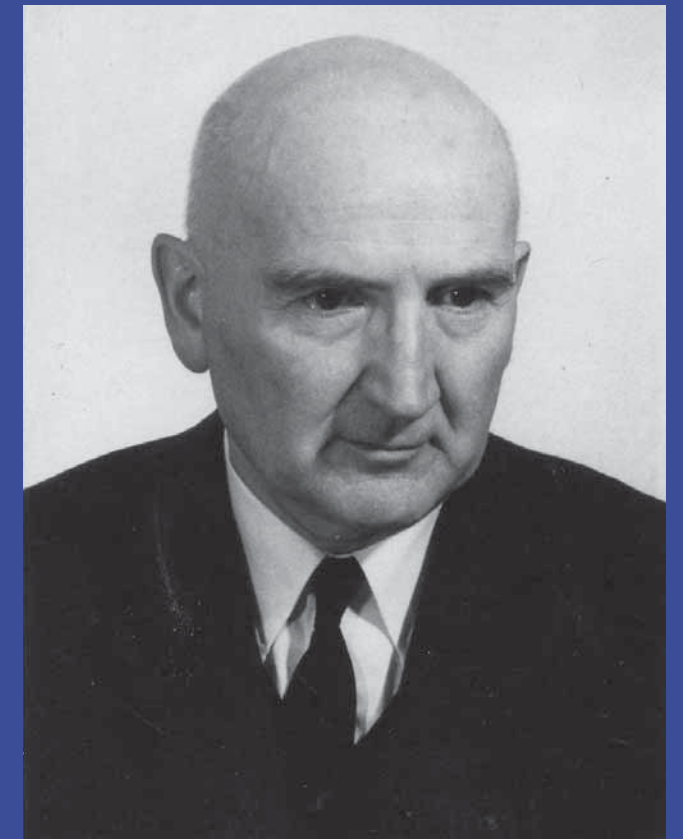
■ SHARE OF THE DUTCH CREDIT AND DEPOSIT BANK, 1872

# PARIBAS OPERATIONS IN NEW YORK 1960-2000

By the end of the 1950s, massive international flows of capital and the emergence of global markets were being boosted by the creation of a European Common Market, the signing of the European Monetary Agreement in 1955 (paving the way to a multilateral payment system) and the freeing of international trade. This new state of affairs forced Paribas to revise its international organization, which until then had been based on a system of strategic alliances that was no longer in line with market practices. Paribas now needed a global network of subsidiaries and branches.

In 1960, at the initiative of Jean Reyre, the bank's CEO, Paribas established its first on-the-ground presence in New York by opening an investment bank called Paribas Corporation. *The Wall Street Journal* quoted Reyre as saying Paribas Corporation was formed "to contribute to the increasingly close financial and business relationships existing between European countries and the United States," while the *New York Times* said the move was "the first in years by a European concern to enter the US market."

The creation of Paribas Corporation hailed an important new phase for Paribas – its first subsidiary or branch outside Europe. Paribas Corporation was a medium-sized investment bank with a capitalization of \$12 million. The new unit initially allied itself with Lehman Brothers, a top US investment banking firm: Paribas and Lehman signed an agreement to pursue international business together. Paribas Corporation was quite successful from the start, gaining positions in underwriting syndicates for many US securities offerings, especially those managed by Lehman – beginning with its participation in a 137,000-share offering of Revlon, Inc., common stock in December 1960.



■ JEAN REYRE LED PARIBAS IN ITS INTERNATIONAL EXPANSION AFTER WORLD WAR II, OPENING OFFICES IN NEW YORK (1960), LONDON (1964) AND LUXEMBOURG.



But then the situation changed. In 1973, Paribas in Paris joined with S.G. Warburg & Co., a leading merchant bank in London, in forming a holding company to jointly manage their European businesses. As part of the transaction, the two firms pooled their investment banking activities in the US to create Warburg-Paribas, Inc. The following year Warburg-Paribas merged with A.G. Becker, an American investment bank which specialized in commercial paper financing, to create Warburg Paribas Becker Inc. As a result, Paribas no longer had a direct presence in investment banking in the United States but instead owned a minority interest in Warburg Paribas Becker.

### UNDETERRED IN ITS US AMBITIONS, PARIBAS NOW SOUGHT A NEW AVENUE OF GROWTH BY ENTERING THE COMMERCIAL BANKING MARKET IN THE US UNDER THE NAME BANQUE PARIBAS.

Banque Paribas opened its first US office in early 1978 in anticipation of a change in US banking regulations. The new regulations allowed foreign banks with US investment banking activities (such as Paribas, with its participation in Warburg Paribas Becker) to offer commercial services if their US commercial banking operations were established prior to July 1978. Paribas foresaw and beat the deadline. As a result,

“THE CREATION OF PARIBAS CORPORATION HAILED AN IMPORTANT NEW PHASE FOR PARIBAS – ITS FIRST SUBSIDIARY OR BRANCH OUTSIDE EUROPE.”

it was “grandfathered” in its ability to offer not only investment banking but also commercial banking, brokerage and securities services in the US. It was one of the few banks with this array of capabilities at a time when Glass-Steagall barred most commercial banks from investment banking, and vice-versa.

Paribas’ commercial activities were given a further boost by the International Banking Act, passed by Congress in September 1978, which allowed

subsidiaries of foreign banks to operate in the United States within the same regulatory framework as their American counterparts. Previously, foreign commercial banks operating in the US were subject to varying state laws with no uniformity. Banque Paribas began with an office in New York and capitalized on the new law by eventually opening 11 branches, agencies and representative offices across the United States.

Banque Paribas and Warburg Paribas Becker had very different results. As Banque Paribas prospered, Warburg Paribas Becker faltered due to a lack of joint vision among the three partners. In 1984, Warburg Paribas Becker was sold to Merrill Lynch. Paribas then revived the Paribas Corporation name and re-entered the investment banking market in the United States. In an early example, Paribas Corporation participated in the underwriting syndicate for a public offering of \$250 million of GTE Corporation debentures in 1986.

By then, Banque Paribas was known for its agility and innovation in commercial banking. It was a US leader in financing cogeneration and alternative energy projects, a market that boomed in the 1980s after the federal government began encouraging their construction as a way to reduce the nation’s dependence on foreign oil. The bank financed dozens of these projects, such as its lead position in 1984 in raising \$246,250,000 for a Reading Company cogeneration plant in Pennsylvania. The new plant generated 50 megawatts of power, sold by Reading Company to Pennsylvania Power & Light Co., and produced steam for a local commercial greenhouse. >>



■ OIL REFINERY

**OIL AND GAS COMPANIES REPRESENTED NEARLY HALF OF THE US CORPORATE BUSINESS OF BANQUE PARIBAS IN THE EARLY YEARS.**



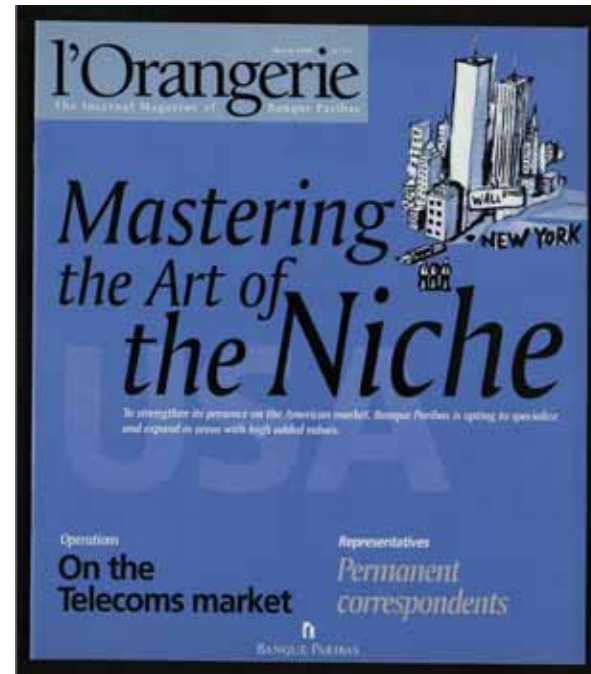
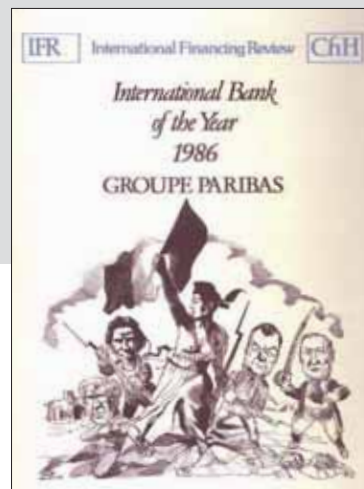


It also gained an early lead in trading natural gas derivatives, and using the derivatives to help clients meet their business needs, after natural gas prices were deregulated in 1989. These transactions were highly complex; a quoted market price for natural gas did not yet exist, requiring Paribas to undertake extensive due diligence to determine the true market value of the commodity. In 1990, energy firm Enron Corporation agreed to sell natural gas to a utility at a fixed price even though Enron would be purchasing the gas at market prices. Banque Paribas supported the transaction by arranging an innovative five-year hedge that locked in a fixed price for Enron in its purchases.

Banque Paribas also had some disappointments. In one case, it attempted to arrange a price hedge for a client involving \$1 billion of northern bleached hardwood kraft pulp, a staple of the paper industry. But the deal never happened, and Paribas dropped the idea of developing a business in this area.

One of Banque Paribas' more controversial activities was lending money for hostile takeovers. "Its role in financing hostile takeovers has not made Banque Paribas the most popular financing institution in the world," one newspaper wrote. But the move fit with Paribas' iconoclastic nature and its willingness to try new approaches that other banks might avoid. In a noteworthy example, the bank helped finance AT&T's hostile bid for National Cash Register (NCR) in 1991, marking the beginning of a long relationship between AT&T and Paribas.

## IN THE MID-1990S, PARIBAS CREATED A SINGLE US PLATFORM BY COMBINING THE MANAGEMENT TEAMS AND ACTIVITIES OF BANQUE PARIBAS AND PARIBAS CORPORATION.

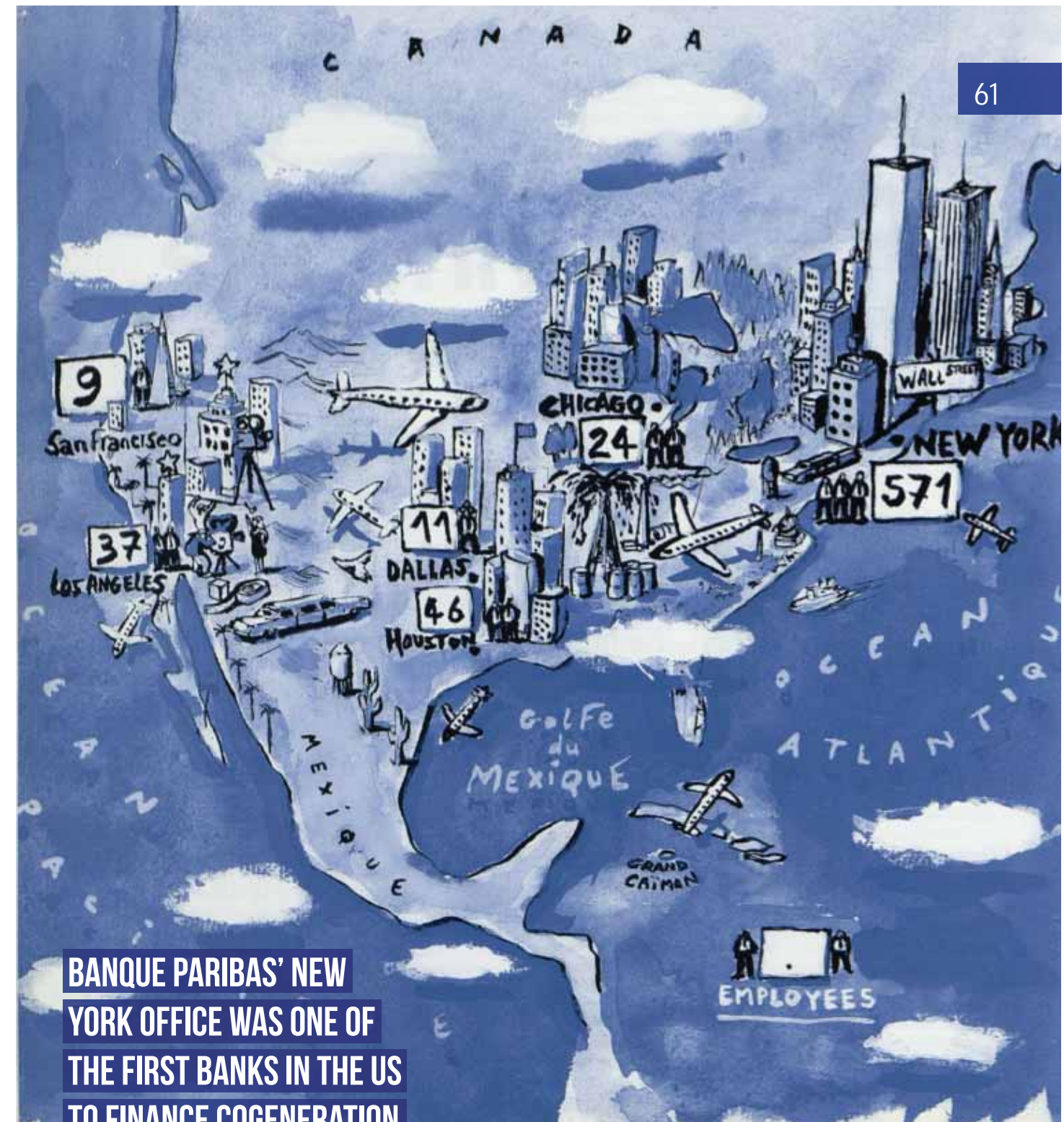


This change did not affect Paribas' niche strategy, which remained intact. The combined businesses continued to emphasize segments in which they could compete effectively and add value for clients. These segments included: distribution of European and emerging-market securities to US investors; foreign exchange trading; debt financing for medium-size, non-investment-grade companies; project finance; and commodities finance. Oil and gas companies represented nearly half the US corporate business of Paribas in the early years. The bank also had significant client positions in public utilities, real estate and other sectors.

In addition, it had a strong presence in health care financing. In 1994, it arranged \$50 million of financing for a retirement community being built on the site of a palatial mansion in Rye, New York. The mansion, bequeathed by Miriam Osborne, a New York socialite, was remodelled into 80 apartments, with 26 smaller homes and a skilled nursing facility built on the surrounding 56-acre estate. This was one of nearly 20 health care transactions arranged by the bank in the late 1980s and early 1990s.

Paribas also developed a sizable investment management business in the US. By 1994, it had some \$850 million of assets under management for clients such as Calpers, the pension fund for California governmental employees.

Paribas succeeded and grew in the US by focusing on specific markets with a very targeted client base, sophisticated products and highly specialized staff. In 2000, when BNP and Paribas merged, BNP had lending relationships with many large US corporations, while Paribas was best known for its many niche capabilities. Paribas and BNP combined their respective capabilities to create the US corporate and institutional banking (CIB) group of BNP Paribas.





## PARIBAS' UNIQUE CULTURE

### PARIBAS IN THE UNITED STATES HAD AN UNUSUAL STRUCTURE AND CULTURE.

By the 1980s, Paribas operated two US businesses, each independent from the other: Banque Paribas in corporate banking - mainly structured finance - and Paribas Corporation in investment banking. Banque Paribas had six offices (New York, Chicago, Dallas, Houston, San Francisco and Los Angeles), each of which reported directly to Paris. The offices rarely coordinated their activities and sometimes competed with each other for business.

This arrangement, despite its inefficiencies, reflected the entrepreneurial spirit of Paribas in the US and its emphasis on hiring talented people and turning them loose to identify and exploit new business opportunities. The firm had a flat management structure and was extremely agile; senior managers in the US could sometimes pick up the phone and call Paris to get quick approval for major business decisions. The *New York Times* wrote in 1990, "There's more of a cachet to Paribas than to other foreign investment banks. Paribas is viewed as something special, something particularly French."

Banque Paribas and Paribas Corporation focused on niche markets, such as movie financing in Los Angeles and oil and gas lending in Houston, rather than competing head-on with the largest US banks. Banque Paribas' New York office was one of the first banks in the US to finance cogeneration power plants following the passage of the federal Public Utility Regulatory Policy Act (PURPA) in 1978. It was also one of the first to trade natural gas futures following the deregulation of natural gas prices in 1989. Paribas developed a merchant banking capability in the US, nurturing many smaller companies. In addition, it created a robust syndication department out of necessity: because it had much less capital than many of its US competitors, it needed to syndicate its underwritings to maximize the use of that capital.

As Paribas grew in the US, it restructured in the mid-1990s to bring all its activities together in a single platform. All the firm's North American offices now reported to New York, which in turn reported to Paris. Despite its adoption of this more traditional chain of command, the firm

retained an entrepreneurial spirit and continued to thrive in its chosen markets. Many employees spent their careers with the firm, attracted by its dynamic workplace, and many continue at BNP Paribas today.



“BANQUE PARIBAS WAS ONE OF THE FIRST BANKS TO TRADE NATURAL GAS FUTURES FOLLOWING THE DEREGULATION OF GAS PRICES IN 1989.”

## LIGHTS, CAMERA, ACTION!



### BNP PARIBAS IS ONE OF EUROPE'S LEADING BANKS FOR FILM FINANCING. LESS WELL KNOWN IS THE ROLE PLAYED BY PARIBAS IN FINANCING AMERICAN FILMS IN THE 1990S.

*Air Force One*, *True Romance* and *Reservoir Dogs* were among the nearly 100 movies financed by the Paribas media and entertainment group in Los Angeles.

The group specialized in lending against domestic and foreign distribution rights for low-budget independent films, a less risky strategy than financing production costs. It focused, in particular, on international deals where Paribas could add value through its extensive European contacts in film distribution.

Artistically, the bank's biggest success was *The Madness of King George*, starring Nigel Hawthorne and Helen Mirren. In 1995, the movie received four Oscar nominations and won the Oscar for art direction. In addition, Mirren won the Cannes Film Festival Award for best actress. *Rolling Stone* gave the movie its highest rating, four stars, and praised it for "setting off royal fireworks on a mere \$8 million budget."

The bank scaled back its film financing in the US following the merger of BNP and Paribas in 2000. Nonetheless, the episode demonstrates the bank's openness to new ideas and its role in supporting many sectors of the US economy, including the film industry.





# » TRADING: A CORE PARIBAS SERVICE

**PARIBAS WAS KNOWN FOR ITS STRENGTH IN TRADING DERIVATIVES, FIXED INCOME SECURITIES AND OTHER FINANCIAL INSTRUMENTS.**

It began developing its trading capabilities in the US in the 1980s and grew them rapidly in the 1990s, eventually building a trading group of nearly 300 people by 2000.

It started trading exchange-listed futures in 1985 and began trading futures over-the-counter four years later. In 1997, it achieved the distinction of becoming a "primary dealer" in government securities, as designated by the Federal Reserve. *The Wall Street Journal* has described this market as "brutally competitive," attracting only the top banks and securities firms. Primary dealers are trading counterparties of the Federal Reserve Bank of New York in its implementation of monetary policy and are expected to make continuous markets in US government obligations. BNP Paribas continues today as one of only 23 primary dealers in the US.

Meanwhile, BNP was developing its own trading capabilities. In a notable example, in 1994 it acquired CooperNeff, a highly regarded derivatives firm based in Pennsylvania. A senior BNP official noted at the time that CooperNeff "has the same philosophy, the same conservative approach to risk as we have." Building on the acquisition, the bank developed a premier position across a range of derivatives, including those based on equities, interest rates, commodities and currencies.

BNP and Paribas combined their trading resources in 2000 to create a formidable US and global presence in derivatives, fixed income securities, foreign exchange and other chosen areas. Today, trading is a vital service of BNP Paribas, providing market liquidity and creating structures that help clients hedge risks, obtain guaranteed rates of return, manage assets and liabilities, and achieve other financial objectives.

Natural resource companies often employ commodity derivatives to lock in future prices for their products. Equity derivatives are used in a wide variety of ways, from hedging risk to obtaining exposure to a basket of stocks. It is often easier, faster and less expensive for



a financial institution to buy a derivative that mirrors the performance of, say, the S&P 500 Index than to buy each of the 500 stocks.

Derivatives can also be used to structure notes with equity-like returns. As an example, Bank of the West issues market-linked certificates of deposit that offer customers a minimum annual interest rate together with the opportunity to participate in the price appreciation of a group of stocks. BNP Paribas helps structure the certificates, using derivatives to provide the equity component of the return.

Apart from derivatives, BNP Paribas is very active in trading government and corporate bonds and other fixed income securities. Unlike equities, which have liquid markets on securities exchanges, bonds are primarily traded over the counter. The bank serves institutional clients by trading securities they want to buy or sell, with a main focus on investment grade issues. Trading is also important to the interests of the bank's corporate clients. The bank typically provides liquidity for the debt issues it underwrites by making markets in them for a limited or extended period of time. Liquid markets for a company's existing debt securities make it easier to sell new securities in the future.

Trading has changed dramatically in recent years to become very technology based. The bank is a technology leader. Its Smart Derivatives platform, used for creating and trading a wide range of tailored structured products, has won the bank the "technology provider of the year" award from *Risk* magazine three years in a row beginning in 2015. Cortex FX is the bank's cutting-edge algorithm execution service for foreign exchange trading. It allows clients to capture price improvement, minimize market impact and achieve optimal execution while reducing overall transaction costs.

THE BANK'S **SMART DERIVATIVES PLATFORM**, USED FOR CREATING AND TRADING A WIDE RANGE OF TAILORED STRUCTURED PRODUCTS, HAS WON THE BANK THE **"TECHNOLOGY PROVIDER OF THE YEAR" AWARD FROM RISK MAGAZINE THREE YEARS IN A ROW** BEGINNING IN 2015.



THE FEDERAL RESERVE BANK OF NEW YORK BUILDING AT 33 LIBERTY ST.





## ▶▶ GROUNDBREAKING MEXICAN FINANCING

FINDING THE BEST FINANCING TERMS FOR CLIENTS SOMETIMES REQUIRES CONSIDERABLE INGENUITY, AS ILLUSTRATED BY A \$210 MILLION PRE-EXPORT FINANCING ARRANGED BY THE NEW YORK BRANCH OF PARIBAS IN 1989. THE CLIENT WAS MEXICANA DE COBRE, S.A. DE C.V., A LEADING MEXICAN COPPER PRODUCER.

Lenders had a variety of concerns, including the possibility that copper prices might fall, interest rates might rise or Mexicana de Cobre might not have access to foreign exchange, any one of which could have jeopardized the company's ability to service and repay the debt. To allay these concerns, Paribas arranged a fixed-interest-rate loan from 11 international banks, supported by a copper price swap, a fixed-price export sales contract with a European buyer and an offshore escrow account. "The only contingency left open," *Euromoney* said, "was performance risk – that Mexcobre would actually produce and export the required amount of copper – and the lenders were willing to assume this risk."

Especially innovative was the use of a copper price swap. One month earlier, the US Commodity Futures Trading Commission had voted not to regulate commodity swaps. In the wake of this decision, Paribas was one of the first banks, if not the first, to use a swap to help a client raise money on favorable terms. The resulting transaction provided Mexicana de Cobre "with access to capital at competitive rates that would otherwise not have been available," *Institutional Investor* magazine wrote.



## BELGIAN-AMERICAN BANKING RELATIONS: FORTIS

BNP Paribas Fortis is the largest bank in Belgium. Fortis was acquired by BNP Paribas in 2009 and has its own extensive history of participation in the US economy.

This participation began more than 180 years ago. In 1836, the Société Générale pour Favoriser l'Industrie Nationale (forerunner of BNP Paribas Fortis) created a subsidiary, Société de Commerce. One of its main objectives was to import American cotton for Belgian mills. Société de Commerce opened an agency in New York to encourage American exporters to send their goods to Antwerp rather than to French ports.

In 1874, the Société Française et Belge de Banque et d'Escompte (a French subsidiary of the Société Générale) participated in a public loan launched by the United States on the Paris market.



■ FORTIS USA, NEW YORK CITY, 2005





## THE FIRST WORLD WAR

Belgium was invaded by the German army in August 1914. By November, German soldiers occupied almost the entire country. From the autumn of 1914, the population was threatened with starvation and, in the absence of the Belgian government, which had taken refuge in France, a group of Brussels businessmen took it upon themselves to tackle the problem of feeding the country. To do so, they created the CNSA (Comité National de Secours et d'Alimentation – “national committee for assistance and nutrition”). Émile Francqui, director of the Société Générale de Belgique (new name of the Société Générale pour Favoriser l'Industrie Nationale) and president of the CNSA executive committee, went to London to negotiate with the British government for authorization to import food supplies into occupied Belgium. While in London, he met the engineer and geologist Herbert Hoover, whom he knew from an earlier meeting in China. Hoover set up another organization, separate from the CNSA, the Commission for Relief in Belgium (CRB). Its purpose was to raise funds, buy food supplies, have them transported to Rotterdam and Antwerp, and ensure that they were not requisitioned by the German army. For Hoover, managing the CRB marked the start of his public career, which would lead him to the US presidency in 1929.

The Banque Belge pour l'Étranger (BBE), established in 1902 as a wholly owned subsidiary of the Société Générale de Belgique, had developed financial operations in China, Egypt and London before the war. When Belgium was invaded in August 1914, the London offices of the BBE became the emergency location of the entire Société Générale group outside occupied Belgium. The role of manager was entrusted to Edmond Carton de Wiart. In late 1915, he was sent to the United States to examine the possibility of opening a BBE branch and to seek to raise American awareness of the suffering in Belgium. He published numerous articles and was involved in an active exchange with many prominent Americans, including former US President Theodore Roosevelt.

## BBE PRESENCE IN THE UNITED STATES

Two years later, in August 1917, BBE management in London followed through on de Wiart's fact-finding trip by creating a representative office in New York. The aim was to develop Belgian-American commercial relations and to improve BBE's position in currency exchange transactions and precious metals, which accounted for a significant part of its operations. The office became a full-fledged agency in 1920.



■ HERBERT HOOVER

■ FLOUR BAGS SENT TO BELGIUM BY THE CRB, ANTWERP, C. 1916



“**HOOVER SET UP ANOTHER ORGANIZATION, SEPARATE FROM THE CNSA, THE COMMISSION FOR RELIEF IN BELGIUM (CRB). ITS PURPOSE WAS TO RAISE FUNDS, BUY FOOD SUPPLIES, HAVE THEM TRANSPORTED TO ROTTERDAM AND ANTWERP, AND ENSURE THAT THEY WERE NOT REQUISITIONED BY THE GERMAN ARMY.**”

Fortis predecessors continued their US involvement when the Mutuelle Solvay (subsequently the Société Belge de Banque, which would give rise to the Société Générale de Banque in 1965) participated in the Compagnie Financière Américano-Belge investment trust in 1928. Three-quarters of the trust's capital was invested in Europe, including the funding of several Belgian industrial companies. The following year, the Société Générale de Belgique took part in a US issue of Société Nationale des Chemins de Fer Belges (national Belgian railway company) securities.

In 1934-1935, in the context of new legislation inspired by the 1933 Glass-Steagall Act in the United States, Belgian banks were legally bound to dispose of their portfolios of industrial securities. The Société Générale de Belgique was split into two entities: a holding company, Société Générale de Belgique, and a custodian bank, Banque de la Société Générale de Belgique (which later became the Société Générale de Banque, then the Générale de Banque). BBE was restructured at the same time. It kept the management of its Chinese agencies. A British-registered company, the Banque Belge pour l'Étranger (Overseas) Ltd., was formed to take over the London headquarters. The New York branch of the BBE was transferred to BBE (Overseas) in June 1935.

When Great Britain entered the Second World War in 1939, BBE (Overseas) transferred the acceptance >>>



■ CHECK FROM THE NEW YORK AGENCY OF BANQUE BELGE POUR L'ÉTRANGER, 1929





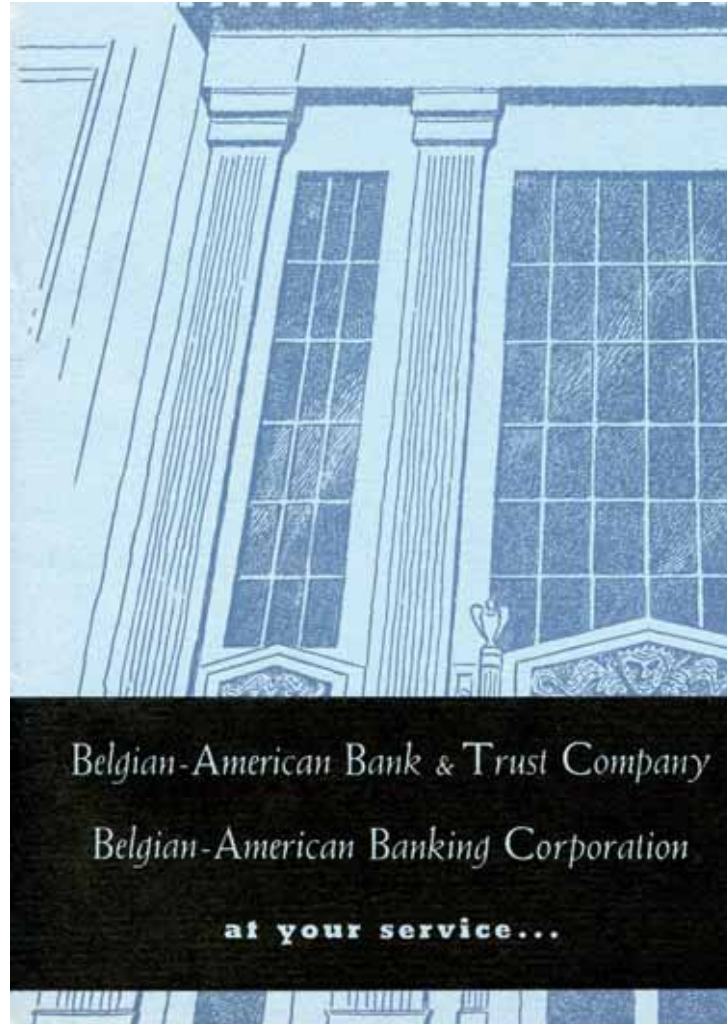
ENTRANCE HALL OF THE BELGIAN AMERICAN BANKING CORP., 52 WALL ST. IN NEW YORK CITY, 1951

facilities normally held in London to New York. From this period onward, the New York branch took over responsibility for funding the purchase of American goods and equipment, in addition to funding the transportation of goods from the Belgian Congo.

Belgium was invaded again during the Second World War, this time in May 1940. The BBE (Overseas) New York branch suddenly became more active than ever due to the expansion of commerce between the Belgian Congo and the US: during the war, the Union Minière du Haut-Katanga, one of the main colonial companies within the Société Générale de Belgique group, provided the US with thousands of tons of tin, cobalt and manganese, in addition to the radium and uranium used in the Hiroshima and Nagasaki bombs. Other colonial companies provided rubber, palm oil, diamonds, copal and other materials.

## FROM BBE TO BELGIAN AMERICAN BANKING CORP.

The end of the war in 1945 did not ease all international tensions. A decision was made to consolidate the Société Générale de Belgique banking presence in the United States in order to prevent the American government from impounding any company administered by Belgian citizens in the event of Belgian territory being occupied by Soviet forces. An organization incorporated under American law would protect Belgian capital and interests in the United States. Implementing this project involved difficult negotiations that lasted three years: in June 1950, the Belgian American Banking Corp. (BABC) was created, with a corporate banking orientation. In



1952, a subsidiary of the BABC was formed, the Belgian American Bank & Trust Company (BABTC), a commercial bank authorized to collect deposits within the United States. It started operations in January 1953. The two banks created their first joint investment funds consisting of American securities: North American Fund in 1956 and Amerifund in 1959.

“THE BEGINNINGS OF EUROPEAN CONSTRUCTION SAW THE CREATION OF BANKING CONSORTIA THAT SHARED THE COSTS AND MINIMIZED THE RISKS.”

TAKEN TOGETHER, THE EURAMBANKS IN 1976 WERE THE MOST SIGNIFICANT FOREIGN CREDIT COMPANY IN THE UNITED STATES AND WERE RANKED AS THE 10TH LARGEST BANKING ORGANIZATION IN NEW YORK AND THE 25TH LARGEST IN THE US.

the European-American Bank & Trust Co. (EABTC). In 1974, the EABTC took over the Franklin National Bank, an American retail bank with a network of 90 offices in New York and Long Island. The EABC opened head offices or subsidiaries in San Francisco, Los Angeles and Chicago. Taken together, the Eurambanks in 1976 were the most significant foreign credit company in the United States and were ranked as the 10th largest banking organization in New York and the 25th largest in the US. »

## PART SYNDICATED SYSTEM, PART STAND-ALONE

The beginnings of European construction saw the creation of banking consortia that shared the costs incurred and minimized the “country risk.” The Générale de Banque was a part of one of the main banking consortia of the time: in 1963, it joined forces with Amro Bank, Deutsche Bank and Midland Bank to form a consultative committee, the EAC (European Advisory Committee), for the purpose of working together to strengthen their presence abroad and withstand the competitiveness of the American banking giants. In 1968, Amro, Deutsche Bank and Midland Bank acquired a stake in the BABC and the BABTC, which became the European-American Banking Corporation (EABC) and



In 1979, the Société Générale de Banque opened an office in New York to increase its visibility to American companies, help Belgian exports to the United States and ensure interest among American companies in the Belgian market. Belgian American Securities Inc., at the same location, was a financial intermediary for Belgian companies with investment projects in the United States. In 1984, the Société Générale office was made into a branch. Its principal activity, in addition to currency exchange transactions, was to develop relations with American companies, mainly those already established in Belgium. In the same year, the EABC and the EABTC merged to become the European-American Bank.

## UNDER THE FORTIS BANNER

During the 1990s, the Générale Bank-New York was active in US financial markets and provided support for Belgian companies operating in the United States. In 1999, it came under the control of the Fortis group, and merged with the CGER (Caisse Générale d'Épargne et de Retraite), which had recently been privatized, to become Fortis Bank.



■ AN AGENCY OF FRANKLIN NATIONAL BANK IN LONG ISLAND, NY, NETWORK TAKEN OVER BY THE EURAMBANKS IN 1974

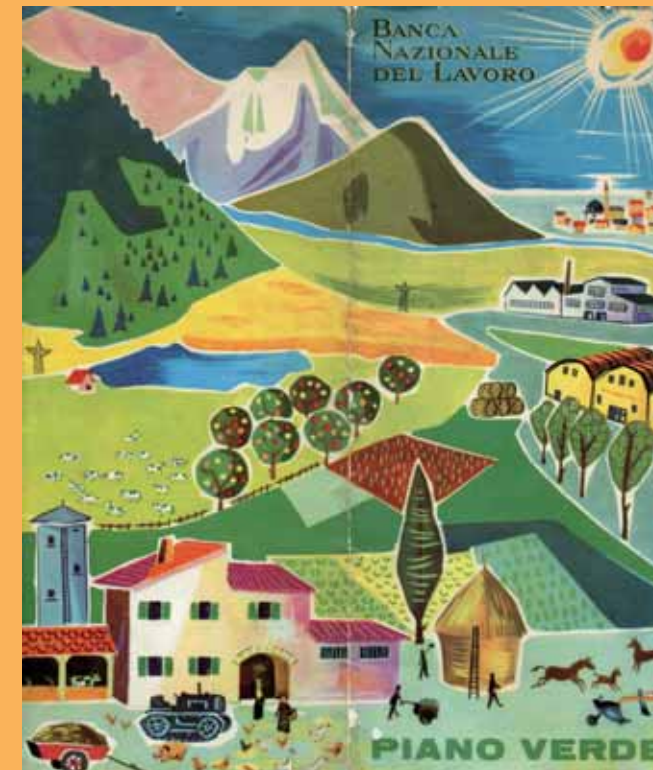
During the first decade of the 21st century, Fortis Bank had a significant presence in the US in international investment banking and in financial services linked to numerous sectors, including raw materials, transportation, energy, asset management, energy trading, brokerage, clearing and the custody of securities. In addition, it had a trading floor in New York for currencies and fixed-rate securities, working closely with its trading floors in Hong Kong and the Benelux countries.

Fortis Bank was acquired by BNP Paribas in 2009 after running into financial trouble in the 2008 global subprime crisis and is now known as "BNP Paribas Fortis".



FORTIS BANK WAS ACQUIRED BY BNP PARIBAS IN 2009 AFTER RUNNING INTO FINANCIAL TROUBLE IN THE 2008 GLOBAL SUBPRIME CRISIS AND IS NOW KNOWN AS "BNP PARIBAS FORTIS".

# ITALIAN-AMERICAN BANKING RELATIONS: BANCA NAZIONALE DEL LAVORO (BNL)



The BNL (Banca Nazionale del Lavoro – "National Bank of Labor"), one of Italy's major banks, entered the BNP Paribas Group in 2006. Established in 1913 under the name of Istituto Nazionale di Credito per la Cooperazione, its initial objective was to support the development of rural Italy by financing infrastructures and cooperatives. In 1927, in accordance with the wishes of the government, it became a public entity. It then adopted its present name, Banca Nazionale del Lavoro, and played a significant role in the modernization of the Italian economy. It also established a special department for film financing. Between 1935 and 2015, it helped finance nearly 5,000 movies, including such masterpieces as Roberto Rossellini's *Rome, Open City* in 1945, Federico Fellini's *La Dolce Vita* in 1960 and Giuseppe Tornatore's *Cinema Paradiso* in 1988.

BNL opened a representative office in New York in March 1940, but this first attempt was short-lived: the office was closed after Italy entered the Second World War two months later.

After the war, the US exerted a major influence on BNL's growth. The bank managed the financial flows of ARA, which was dedicated to the liquidation of American material left in Italy after 1945. It also became an intermediary for the management of the funds of UNRAA (United Nations Relief and Rehabilitation







ORIZZONTE EUROPA, THE NEW BNL BNP PARIBAS GROUP HEADQUARTERS IN ROME OBTAINED THE ICONIC AWARDS 2017 AS "BEST OF THE BEST/ARCHITECTURE"

BNL HEAD OFFICE, VIA VENETO 119, ROME, AN OUTSTANDING EXAMPLE OF 1930'S ARCHITECTURE



Administration), created in 1943 and integrated into the United Nations in 1945. Italy received \$418 million through UNRAA. Befittingly, BNL distributed the UNRAA grants targeted to rebuilding the Italian cinema.

Starting in 1948, and thanks to its centralized organization, BNL helped manage the American assistance for Italy provided under the US Marshall Plan. In this context, BNL began publishing an international economic review, the "BNL Quarterly Review," following the example of some foreign high-street banks, including American banks, in order to better make known the Italian economy.

## AS ITALY RECOVERED FROM THE WAR, THE BANK SET ITS SIGHTS ON HAVING AN ON-SITE PRESENCE IN THE UNITED STATES, THE WORLD'S LARGEST ECONOMY. IT ACCOMPLISHED THIS OBJECTIVE IN TWO STEPS:



BNL BUILDING IN NEW YORK CITY, 1963

In 1950, it returned to New York by opening a representative office on Wall Street. The office was directed by Ettore Lolli, an expert on the United States, where he had taken refuge in 1938. In 1951, it established a US subsidiary, The Italian Economic Corporation of New York (TIEC), to help Italian businesses in the US. TIEC also represented several large Italian companies, such as ENI, the Italian national oil company. TIEC opened offices in London, Montreal, Caracas, Zurich and Rio de Janeiro and raised capital on a regular basis.

In June 1963, the bank's New York representative office



was transformed into a branch. BNL was by then a major international financial institution. Reporting on the new branch, the Associated Press wrote, "Lavoro, ranked among the top 10 banks of the world, has played an important role in the postwar development of Italy's economy and has branches throughout the world."

## BNL CONTINUED TO EXPAND IN THE US IN THE 1970S AND 1980S, OPENING BRANCHES IN LOS ANGELES, CHICAGO, MIAMI AND ATLANTA AND A REPRESENTATIVE OFFICE IN HOUSTON.

Further solidifying the bank's US presence, in 1985 the New York branch was authorized to raise short and medium-term funds by issuing commercial paper.

At a 1986 financial conference in Bologna, one speaker called BNL "a bank on the move" and said it had one of the highest credit rankings among the major banks of the world. Then came a scandal. In 1989, the bank's Atlanta branch made an unauthorized loan to Iraq in violation of US law. Two employees of the branch pled guilty. The incident tarnished BNL's reputation in the US, but the bank recovered and continued its active US presence.

In 2006, BNL was acquired by BNP Paribas. "BNP Paribas has been looking to buy an Italian retail bank for two years," the *Financial Times* of London wrote. It said the merger would allow BNP Paribas to increase its market position in Italy and, in doing so, would provide it with a new source of growth. Following the acquisition, BNL's activities in the US were integrated into BNP Paribas.



PART THREE:

# GROWING US IN THE 21ST

BNP PARIBAS

# PRESENCE CENTURY

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# 2000: THE MERGER THAT CREATED BNP PARIBAS

In 1999, France witnessed "seismic changes" in its banking industry, in the words of *Global Finance* magazine. Two of the nation's leading banks, Société Générale and Paribas, agreed to merge. Then another leading bank, Banque Nationale de Paris (BNP), stepped in and made an unsolicited bid to acquire them both in a three-way merger. When the dust finally settled, BNP acquired Paribas in a deal that closed in May 2000. The merger created today's BNP Paribas.

Many banks around the world were merging to achieve the economies of scale and depth of services needed to compete in an increasingly competitive global banking market. BNP Paribas was one of the most successful in this regard. It began life as a top European and international bank with operations in 83 countries and banking relationships with 80 of the 100 largest companies in the world. "In line with our slogan, 'The bank for a changing world,' we are keeping pace with global developments and acting as a forerunner in many areas," its chairman and CEO, Michel Pébereau, said.

*The Wall Street Journal* called the merger "a watershed for French capitalism" and said it demonstrated "the need for critical mass in this age of globalization and megamergers."

BNP Paribas inherited a sizable US presence from its predecessor institutions. From day one of the merger, it sought to build on this presence and become much bigger in the US – not only to serve the US and international banking needs of US-based clients, but also to serve the US banking needs of multinational headquarters in Europe and elsewhere, and to do so with a coordinated international approach that

**IN FRANCE, THE  
BEST THINGS  
COME IN THREES.**



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BNP



■ "L'ORANGERIE", LOBBY OF BNP PARIBAS HEADQUARTERS 3 RUE D'ANTIN PARIS. THE TRADING ROOM IS LOCATED ABOVE THE GLASS CEILING



■ POST-MERGER ADVERTISING CAMPAIGN, FAIRFIELD, CT TRAIN STATION, 2009

meshed with each client's individual requirements. In other words, growth in the US was an important part of the bigger picture of providing a full array of banking services to clients wherever they did business.

## A SNAPSHOT PROFILE OF BNP PARIBAS IN THE US AT THE TIME OF THE MERGER SHOWS:

--BNP was known mainly for its commercial and retail banking activities, while Paribas was known mainly for its investment banking and trading activities, providing a good strategic fit between the two.

--BNP Paribas began with about \$900 million in annual corporate and investment banking revenue in the US – about one-third from BNP and two-thirds from Paribas.

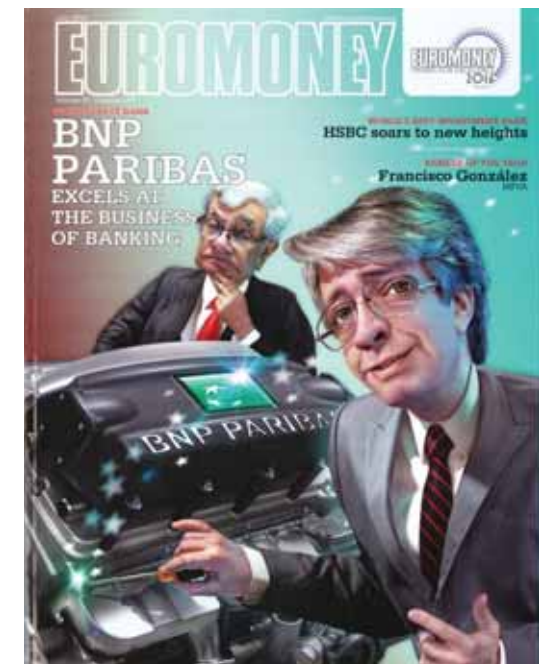
--Although its overall US revenue was relatively small compared with that of the US-based commercial and investment banking giants, it ranked among the top firms in the US in several areas, including oil and gas finance, media and telecommunications finance, structured finance, interest rate and equity derivatives, and export finance. These strong niche positions provided something to build on going forward.

--The newly merged bank opened for business with an excellent roster of US clients. Prior to the merger, BNP and Paribas had many US clients in common, including AT&T Corporation, Citigroup, General Electric Company, Time Warner Group and the United Nations. In addition, BNP and Paribas each had US clients the other didn't have, such as Delphi Automotive Systems Corporation (BNP) and Orion Power (Paribas). All told,

BNP Paribas had more than 2,500 corporate, financial and institutional clients in the US at its founding.

--The bank operated during its first year from offices in New York, Chicago, San Francisco, Los Angeles, Houston and Dallas.

--In retail banking, BNP Paribas inherited BNP's 45 percent ownership of BancWest Corporation, one of the largest commercial and retail banks in the Western US, with revenues of nearly \$1 billion in 2000. >>





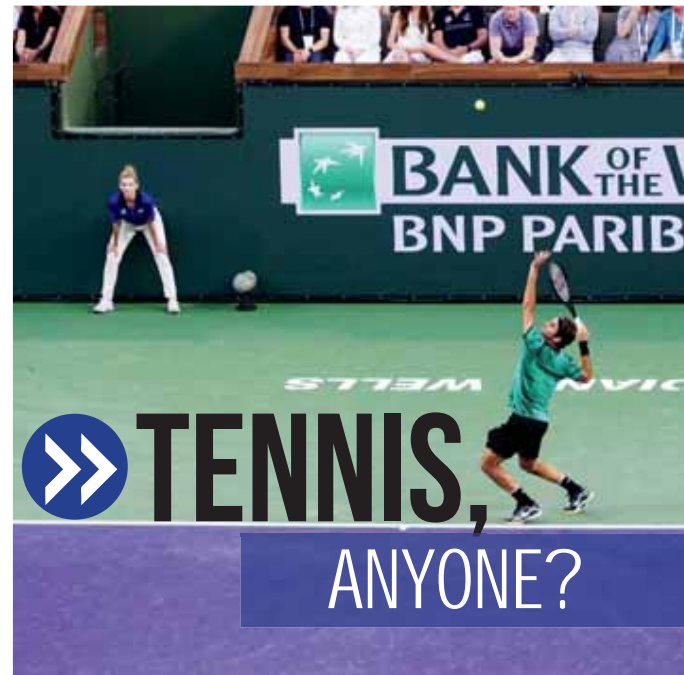
**"THE GROWTH OF BNP PARIBAS IN THE UNITED STATES SINCE 2000 IS A SUCCESS STORY FOR THE BANK AND ITS CLIENTS."**

From this base, BNP Paribas set about the task of increasing its US presence in corporate and institutional banking (CIB) and retail banking. Everett Schenk, who had led Paribas' North American business, became CEO of the combined banks' North American CIB activities, leading BNP Paribas in the United States from 2000 until 2012. In 2001, he wrote, "Our goal over the medium term is to become one of the top three European corporate and investment banks operating in North America, as measured by our position with clients and our aggregate profitability." To achieve that goal, he said, "We will target those North American corporations and institutions that offer the best opportunities for multi-product, tailored offerings."

Today, nearly two decades later, those efforts have paid off with a strong, balanced position across nearly all segments of the US banking market. BNP Paribas is among "just a small handful of foreign banks with the scale, resources and ambition to be significant competitors in the US," *Euromoney* wrote in 2016. The growth of BNP Paribas in the United States since 2000 is a success story for the bank and its clients.



■ EVERETT SCHENK, CEO BNP PARIBAS US FROM 2000 TO 2012



**EACH MARCH, NEARLY HALF A MILLION SPECTATORS FLOCK TO THE INDIAN WELLS TENNIS GARDEN IN CALIFORNIA TO WATCH THE GREATEST TENNIS PLAYERS IN THE WORLD COMPETE IN THE BNP PARIBAS OPEN.**

"The atmosphere is amazing," in the words of one tennis magazine. Millions more watch on TV.

BNP Paribas has a long, close and successful association with tennis. It sponsors more high-visibility tournaments around the world than any other bank. Foremost is its sponsorship of the French Open, one of the sport's four "grand slams." The BNP Paribas Open at Indian Wells is the bank's flagship event in the United States and is sometimes referred to as the "fifth grand slam."

The bank focuses on tennis for several reasons. Not only does tennis rank among the world's most popular sports; equally important, its excellence and international reach align with BNP Paribas' corporate values. The bank's involvement helps build brand identity, provides a venue to entertain clients and offers a springboard for charitable activities including free tennis clinics for children, such as CityParks Tennis presented by BNP Paribas, which offers twice weekly free summer tennis lessons in 38 New York City parks to more than 6,300 youth.



■ IMAGES FROM THE BNP PARIBAS OPEN IN INDIAN WELLS, CA: ROGER FEDERER (LEFT); SERENA WILLIAMS (RIGHT)

The Bank of the West Classic, held each year in Northern California, is another of the bank's important tournaments. The Classic is the longest-running women-only professional tennis tournament in the world and in 2016 celebrated the 25th anniversary of Bank of the West sponsorship. The bank sponsored the BNP Paribas Showdown at Madison Square Garden in New York for 10 years from 2008-2017. Moreover, it is title sponsor of the Davis Cup, the largest annual international competition in the sport, involving approximately 130 nations, and the Fed Cup, the largest annual team competition in women's sports.

In 2011, the bank broadened its participation by launching wearetennis.com, a website for tennis enthusiasts. The site allows fans to follow their favorite players and monitor scores and is believed to be the most active tennis website in the world.

BNP Paribas and tennis go hand in hand. The bank's longstanding commitment to the sport is a win for tennis and its fans – and for the bank.



■ CITYPARKS FOUNDATION SUMMER TENNIS, NEW YORK, 2017





## » BNP PARIBAS AND THE EURO ADVENTURE

### THE INTRODUCTION OF THE EURO WAS A MAJOR EVENT IN THE HISTORY OF EUROPE AND BNP PARIBAS.

On January 4, 1999, 11 countries introduced the euro as a financial unit in corporate and investment banks. Three years later, on January 1, 2002, euro cash went into circulation, replacing the national currencies of 12 countries – the original 11 plus Greece. Overnight, some 320 million people began carrying the same money in their wallets. These events marked the realization of a lengthy and unique project in monetary history and a major step forward in European integration.

### A LONG GESTATION

The lead-up to these events began in 1971, when the US abandoned the gold standard. Delinked from gold, the US dollar began to fluctuate in value, as did many European currencies. During this period, the idea of creating a stable European monetary zone to avoid excessive dependence on the dollar was first aired. This led in March 1979 to the establishment of the EMS (European Monetary System), which limited fluctuations in exchange rates between European currencies and maintained these rates within a narrow band. The ECU (European Currency Unit) became the common reference unit, based on a basket of currencies of the European Community (EU) member states, but remained an accounting currency with no coins or

notes issued. In 1992, the member countries of the EU went one step further when they signed the Maastricht Treaty, calling for the creation of an actual single European currency, the euro. Six years later, in 1998, today's Central European Bank was established, based in Frankfurt, Germany, with responsibility for directing monetary policy.

Monetary integration was, however, a complex process that required budgetary and fiscal adjustments to harmonize economies: banks were the main links in the success of this operation. As a result, BNP and Paribas deployed significant resources over a number of years to prepare for the economic, information technology and business development consequences of monetary integration and the advent of the euro.

### BNP: PREPARING PEOPLE AND SYSTEMS

BNP began to mobilize in 1996, when it allocated 1.7 billion francs (US\$2.3 billion) for the steps it would need to take to implement the change. By the end of 1997, 900 bank employees were devoted to this



task. Executives, programmers, marketing and human resources managers were all involved in the project. The challenge, however, was above all in the area of information technology: 60,000 computer programs had to be revised to enable accounts to be converted into euro.

Banks throughout Europe were in the same boat. In 1997, BNP and 10 other European banks created Trans-European Banking Services to facilitate cross-border transactions. *The Wall Street Journal* said new group "enables the banks' customers to open new accounts, access account information and make payments through any of the branches of the member banks." It said the arrangement offered a glimpse of the future of borderless banking in Europe.

BNP also launched a public awareness campaign highlighting its "operation euro." From 1997 to 2002, it established a euro awareness-raising campaign – Eurokiosque – for customers in its 2,000 branches. In 2001, just before the introduction of the euro, the bank called on students, known as "Euro angels," to help its branch customers understand the euro and how the switchover would affect their everyday lives.

### PARIBAS: "LEADING BANK IN THE EURO"

For its part, Paribas allocated 225 million francs (US\$300 million) for the changeover. Two hundred Paribas employees were involved under the banner "Paribas, leading bank in the euro." All the bank's

■ TWO-DAY EVENT FOR THE EURO CURRENCY INTRODUCTION IN THE MARCHE ST HONORE BUILDING IN PARIS, TODAY A BNP PARIBAS CIB LOCATION

employees received training. In addition, Paribas distributed the EMU Countdown review to raise awareness among its customers of the euro deadline and the implications of the transition to the single currency.

Paribas also became a reliable source of information for the media and others. In January 1999, it invited more than 200 journalists from all over the world to join economists, company directors and politicians in experiencing the creation of the single currency as a live event. The bank tackled all the themes of the "euro" question: the consequences for the European economy, the implications for consumer behavior and the impact of the single currency on the US. It also published an advertisement in the *Financial Times*, *The Economist*, *Forbes* and *The Wall Street Journal* titled "Get the Euro working for you with Paribas."

Thus, BNP and Paribas, which had then not yet merged into a single group, backed by mobilized and well-prepared teams, made every effort to ensure "zero failure" in the chain of thousands of tasks required by the introduction of the euro.



■ ADVERTISING CAMPAIGN FOR THE INTRODUCTION OF EURO NOTES AND COINS ON NEW YEAR'S EVE 2001



# RETAIL BANKING

Retail banking in the United States was a good strategic fit for newly merged BNP Paribas, which had one of the largest retail banking networks in Europe and sought to expand its presence outside Europe. The risk-reward potential of retail banking in the United States was among the best in the world at that time.

The bank moved quickly to grow its US business. BNP had owned Bank of the West outright from 1980 to 1998 before selling it to First Hawaiian Bank in return for a 45 percent interest in BancWest Corporation, a holding company that owned both Bank of the West and First Hawaiian.

BNP Paribas now expanded its US footprint by acquiring the 55 percent of BancWest it didn't own. In this way, BNP Paribas became the sole owner of both Bank of the West and First Hawaiian. Following the 2001 acquisition, Bank of the West and First Hawaiian each retained its name, individual identity and local management. *The Financial Times* quoted a financial analyst as saying, "The reason BNP looks as though it will be successful in building a US presence is that it has understood the importance of a strong local management team."



■ BANK OF THE WEST, WALNUT CREEK, CA BRANCH

## BANK OF THE WEST ACQUISITION PROGRAM

Bank of the West had been acquiring smaller banks since 1987. It continued its acquisition program after 2000 – this time on a larger scale, with the financial support of BNP Paribas.

In 2000, Bank of the West had 150 branches in two states: California and Nevada. The following year, it acquired 30 branches in New Mexico and Nevada from First Security Bank. It continued in 2002 by acquiring United California Bank, which had 117 branches, mainly in Southern California. The United California acquisition strengthened Bank of the West's presence in the Los Angeles area, complementing its already strong position in Northern California.

In 2004, the bank purchased Union Safe Deposit Bank, with 19 offices in Northern California. Then came the two biggest acquisitions of all: Community First Bankshares, Fargo, North Dakota, with 156 offices in 12 Midwestern and Southwestern states, in 2004, and Commercial Federal Corporation, Omaha, Nebraska, with 198 branches in seven Midwestern and Southwestern states, in 2005.

The acquisition program transformed Bank of the West into a major US regional bank with nearly 700 offices in 19 states as of 2005. Assets advanced from \$11 billion in 2000 to \$55 billion in 2005 while net income rose from \$110 million to \$525 million in the same period. Bank of the West became one of the nation's largest banks west of the Mississippi," in the words of the *Los Angeles Times*.

## FIRST HAWAIIAN: FOCUS ON ORGANIC GROWTH

First Hawaiian, which was more constrained in its geographic expansion possibilities due to Hawaii's distance from the US mainland, took a different approach. "Unlike Bank of the West, which has been growing partially through acquisitions, First Hawaiian is setting its sights on internal growth," the *Honolulu Star-Bulletin* reported in 2005. First Hawaiian succeeded in this approach, embarking on a lengthy period of consistently strong earnings and year-to-year revenue increases.

First Hawaiian made a few relatively small acquisitions, such as Standard Financial Corp., a Hawaiian thrift, in 2000 and the Guam and Saipan offices of Union



■ FIRST HAWAIIAN CENTER TOWER IN HONOLULU, THE TALLEST BUILDING IN HAWAII SINCE 1996

“THE ACQUISITION PROGRAM TRANSFORMED BANK OF THE WEST INTO A MAJOR US COMPETITOR.”





Bank of California in 2001. However, it grew mainly by introducing new services and broadening its relationships with its existing customers. "First Hawaiian's goal is to become each customer's primary bank, using core products such as checking accounts as entry points to generate cross-sales and develop a multi-product relationship with individual and business customers," it said in 2002.

By 2005, First Hawaiian was able to boast that it was the number one bank in Hawaii in assets, deposits, consumer loans, small business loans, commercial and industrial loans, automobile financing, efficiency ratio (overhead in relation to revenue), credit ratings from Standard & Poor's, Moody's and Fitch, and the issuance of Visa and Mastercard credit cards, with seven straight years of record profits. A 2005 survey also ranked it as the number one company on the islands in charitable giving, continuing the bank's longstanding tradition of giving back to the community.

## FIRST HAWAIIAN BANK TODAY

Thus, as of 2005, BNP Paribas owned two highly competitive, growing US retail banks: Bank of the West, based in San Francisco, and First Hawaiian, headquartered in Honolulu. Since then, it has continued to develop and refine its US retail banking presence. The transition to digital banking has been a major theme for both US banks.

First Hawaiian has launched an array of digital products, such as in 2010 when it introduced Popmoney, becoming one of the first banks in the United States to allow customers to send money electronically via email or mobile phone. Today, it offers a full suite of digital banking services for consumers and businesses.

It has distinguished itself, as well, by consistently meeting the borrowing needs of its customers, even during the 2008 global financial crisis. In fact, it increased its loans outstanding by 21 percent in 2008 and provided more lending that year than all the other Hawaiian banks combined. It was able to do this because of its conservative balance sheet, which provided the liquidity to make loans despite the money squeeze that affected numerous other banks worldwide.

First Hawaiian became bigger and more profitable under BNP Paribas' ownership, setting the stage for its return to public ownership as an independent institution. In 2016, BNP Paribas began reducing its ownership through an initial public offering of First Hawaiian common stock. The offering raised capital to help BNP Paribas meet new regulatory standards requiring banks to have higher capital-to-asset ratios.

As it became a publicly traded company for the first

time in 15 years, First Hawaiian expressed confidence in its future and the future of Hawaii. "Our primary market remains Hawaii, where we have the No. 1 market share in assets, loans, deposits and net income," the bank said. "Given Hawaii's economic strength – steady population growth, low unemployment, a major military presence and strong tourism, real estate and construction sectors – it's a very good market to be in."

## BANK OF THE WEST TODAY

After completing its acquisition program in 2005, Bank of the West focused on integrating the banks it had acquired and achieving organic growth. Its challenge,

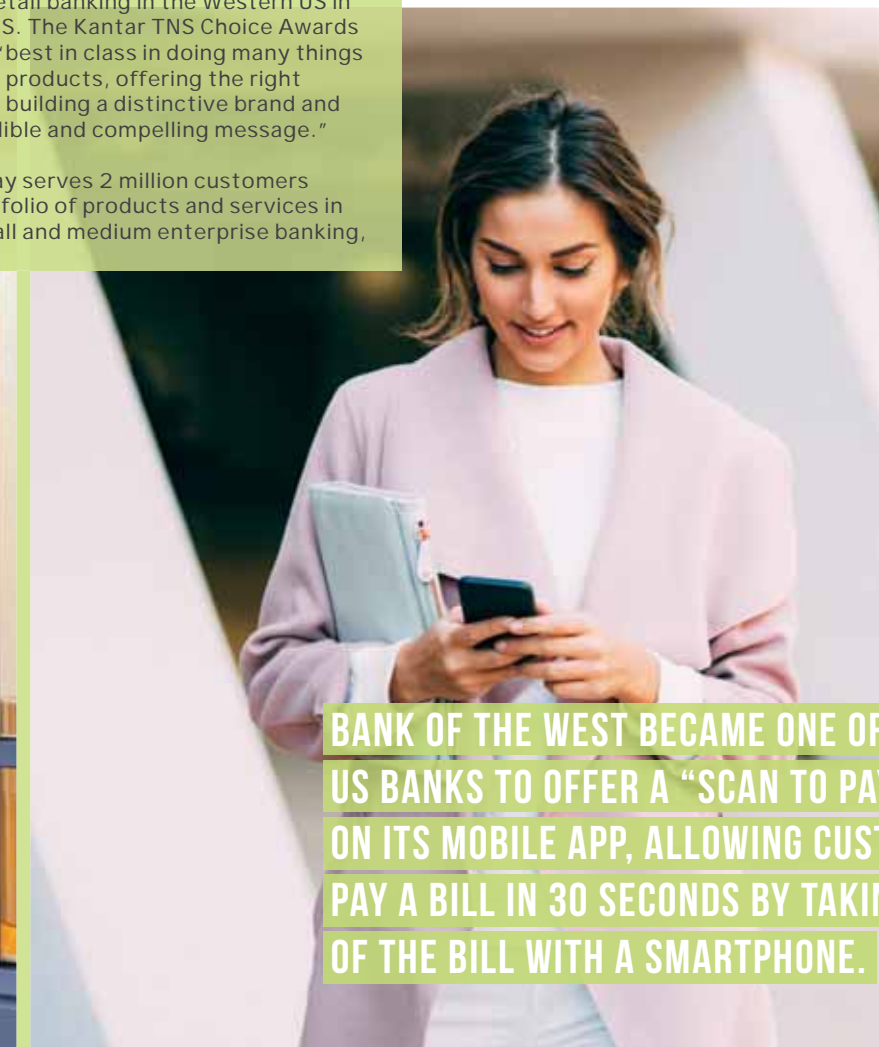


it said, was to "leverage the value of a much larger franchise and more comprehensive product line, while ensuring that size and scope don't disrupt our personalized style of customer service." It has met that challenge while evolving into one of America's premier regional banks.

## DEPOSITS, ASSETS AND LOANS HAVE ALL RISEN SHARPLY IN RECENT YEARS. IN ADDITION, THE BANK HAS MAINTAINED THE HIGH CAPITAL LEVELS AND STRONG LIQUIDITY THAT ALLOW IT TO BE A RELIABLE LENDER AND SERVICES PROVIDER THROUGH THE UPS AND DOWNS OF ECONOMIC CYCLES.

The bank's excellence is widely recognized. In 2016, it was judged to be one of the four best retail banks in the United States by J.D. Power. In 2017, it won the gold award for consumer retail banking in the Western US in a survey by Kantar TNS. The Kantar TNS Choice Awards honor banks that are "best in class in doing many things well – having the right products, offering the right customer experience, building a distinctive brand and communicating a credible and compelling message."

Bank of the West today serves 2 million customers with a diversified portfolio of products and services in personal banking, small and medium enterprise banking,



**BANK OF THE WEST BECAME ONE OF THE FIRST US BANKS TO OFFER A "SCAN TO PAY" FEATURE ON ITS MOBILE APP, ALLOWING CUSTOMERS TO PAY A BILL IN 30 SECONDS BY TAKING A PHOTO OF THE BILL WITH A SMARTPHONE.**

commercial banking, national finance and wealth management. In commercial banking, it is especially strong in target markets such as agriculture, real estate, technology, manufacturing, health care and financial services. In addition to its network of offices in the Western US, it serves clients nationally from offices in New York, Atlanta, Chicago, Cleveland and Dallas.

Bank of the West combines the personal service and community involvement of a local bank with the financial resources, product sophistication and global presence of its parent, BNP Paribas. Going forward, it is leveraging its relationship with its parent to benefit its customers and accelerate its growth. In a simple example, Bank of the West customers who visit Europe can now use their debit cards at a BNP Paribas ATM without paying a fee.

The bank's relationship with its parent is especially valuable for larger commercial clients seeking the





investment banking and global services that only a major international bank like BNP Paribas can provide. This includes access to capital markets, merger and acquisition advice, and services such as trade finance and cash management in Europe, Asia and other parts of the world. In one of many examples, a software-company client of Bank of the West raised \$63 million of additional funding in 2017 from BNP Paribas and existing investors.

Synergies between Bank of the West and BNP Paribas go both ways. Bank of the West and its parent are embracing the best solutions wherever they exist, such as Bank of the West's excellent cash management platform, which is being used by BNP Paribas throughout the United States.

Digital innovation is another core element of Bank of the West's strategies – not only to meet changing customer

preferences but also to achieve ongoing operating efficiencies. In 2013, for instance, Bank of the West became one of the first US banks to offer a "scan to pay" feature on its mobile app, allowing customers to pay a bill in 30 seconds by taking a photo of the bill with a smartphone. The bank has a potential competitive edge in technology because of its geographic closeness to Silicon Valley, with access to many of the best new tech ideas. It seeks to capitalize on this advantage and become a banking industry leader in technology innovation.

Bank of the West has a long history of success and growth and is an important part of BNP Paribas' global strategy in retail banking. It is committed to meeting the needs and expectations of its customers in the dynamic financial services marketplace.

## ➤ JOB CREATION IN HAWAII

**FIRST HAWAIIAN BANK IS THE NUMBER ONE COMMERCIAL AND INDUSTRIAL LENDER IN ITS STATE, SUPPORTING ECONOMIC GROWTH AND HELPING TO CREATE JOBS. IT HAS CONSISTENTLY SERVED THE FINANCIAL NEEDS OF A WIDE RANGE OF HAWAIIAN BUSINESSES – FROM SMALL FIRMS TO LARGE PUBLICLY OWNED CORPORATIONS.**

Mama's Fish House, a beachfront restaurant on Maui, is a case in point. Open Table describes Mama's Fish House as the second most popular restaurant in the entire United States, based on diner reviews. The restaurant started small, serving 20 to 30 dinners a day at its founding by Floyd and Doris Christenson in 1973. Although there were no resorts on Maui at the time, the Christensons envisioned a great restaurant that would attract locals and tourists alike. They succeeded with the financial support of First Hawaiian. Floyd Christenson says, "I learned early that it's important to have a trusting relationship with your bank." Today, Mama's Fish House has 340 employees and serves more than 1,000 lunches and dinners a day at the height of the tourist season.

Matson Inc., a leading Pacific Ocean cargo line, is one of the bank's large corporate clients. It was founded in 1882 and has been a First Hawaiian client for decades. In 1973, for instance, when Matson was owned by Alexander & Baldwin, Inc., the bank helped finance the building of two new ships for its fleet. Matson was spun off as a public company in 2012. In connection with the spinoff, First Hawaiian served as a joint lead arranger

“OPEN TABLE DESCRIBES MAMA'S FISH HOUSE AS THE SECOND MOST POPULAR RESTAURANT IN THE ENTIRE UNITED STATES, BASED ON DINER REVIEWS.”



for a \$375 million unsecured revolving credit facility to give it the financial flexibility it needed as a standalone corporation. The credit facility was increased to \$650 million in 2017 to support Matson's ongoing growth, including the construction of new "green" ships with fuel efficient hull design, environmentally safe double hull fuel tanks, fresh water ballast systems and dual-fuel (conventional fuel oils or liquid natural gas) engines. Matson has been extremely successful since the spinoff and continues as one of Hawaii's largest corporations, with 2,000 employees and revenues of approximately \$2 billion a year. In 2016, it was named the number one ocean carrier in the world by *Logistics Magazine* for the third year in a row. First Hawaiian serves the company in a number of ways, including credit card processing, cash and banking services in Hawaii and Guam, pension plan trustee and co-agent for the company's revolving credit lines. "First Hawaiian has a long-standing and unwavering commitment to our success as a company," Matthew J. Cox, Matson's president and CEO, says.

FLOYD AND DORIS CHRISTENSON, OWNERS OF MAMA'S FISH HOUSE, EMPLOYING 340 STAFF IN 2017



## » THE JOY OF WINE

**WINE IS A GROWTH BUSINESS IN THE UNITED STATES. IN 2013, AMERICA SURPASSED FRANCE AS THE WORLD'S LARGEST WINE MARKET IN TERMS OF TOTAL CONSUMPTION, ALTHOUGH FRANCE IS STILL WELL AHEAD OF THE US ON A PER-CAPITA BASIS.**

Bank of the West has been a major lender to the US wine industry for years and supports its continued growth with credit lines, equipment leasing and other services.

Its clients include many of the top wineries in the nation, such as Kosta Browne Winery in Sonoma County, California. Kosta Browne was founded in 1997 and is known for its highly esteemed Pinot Noir. In 2015, the bank mobilized its premium wine group, private equity group, syndications and asset-based lending teams to coordinate and execute one of the most complex transactions in wine industry history: the financing of private equity sponsor J.W. Childs Associates' buyout of an existing Kosta Browne investor. The transaction marked the first transaction in wine industry history to involve private equity firms on both sides of the deal. Adam Suttin, a J.W. Childs partner, said, "Bank of the West seamlessly brought together the unique and complex disciplines of wine and private equity to successfully structure and underwrite our acquisition of this iconic winery."

■ VINEYARDS, SONOMA COUNTY, CALIFORNIA

In another example, in 2016 the bank led the syndication for the financing of the acquisition of Duckhorn Wine Company by equity investor TSG Consumer Partners LLC. The transaction encompassed all six Duckhorn wineries and their corresponding properties, along with estate vineyard holdings spanning more than 600 acres in Northern California and Washington. Duckhorn had grown rapidly since its founding in 1976 to become one of the most successful wineries in the nation. The purchase – and Bank of the West's role in the financing – gave the company a new owner with the resources and expertise to further its growth. "By combining their consumer expertise and global reach with our luxury wine market proficiency and relentless focus on quality, we can ensure that our next 40 years will be as exceptional as our first four decades," Duckhorn President and CEO Alex Ryan said.

As in many industry sectors, Bank of the West has deep knowledge of wine companies and their particular needs. In 2016, the bank broadened its wine group to include beer and spirits. The newly renamed Wine & Beverage Group "is building on our strengths by supporting beer and spirits companies that are looking to grow," a bank official stated.

## » NATIONAL LEADER IN SMALL BUSINESS LENDING

### SMALL BUSINESS LENDING IS A MAJOR SUCCESS STORY FOR BANK OF THE WEST.

Small and mid-size businesses are important drivers of US economic growth. The bank intensified its focus on this segment in 2008 by creating the Small and Medium Enterprise (SME) Division and building a team of experts dedicated to this critical area of the economy. The effort has paid off: From 2012 to 2017, Bank of the West has been the fastest growing small business bank in the US and the top lender under the federal Small Business Administration's SBA 7(a) and 504 programs.

"When I was hired to run the SME group, I knew that it was critical to create a team with local market knowledge and specialized expertise to help business owners manage opportunities in an often challenging business environment," says Michelle di Gangi, Head of Small and Medium Enterprise Banking. "In 2010, we had a total of eight business bankers. We now have a sales and relationship management force of more than 400 who manage nearly \$30 billion in loans and deposits annually."

SME focuses on prospects and clients with annual revenues of \$1 million to \$25 million, and up to \$50 million in select rural markets, and serves their unique and often complex needs, including managing cash flow, planning for growth and preparing for retirement. In addition to the natural synergies that exist within the SME group, the team has strong working relationships with the Retail Branch Network, Wealth Management and other groups across the bank. SME also offers international banking and trade finance solutions through parent company BNP Paribas' global network.

In 2013, SME began opening business-focused branches outside its geographic footprint to meet growing customer demand and provide better service to local businesses in the Seattle/Tacoma, Phoenix, La Jolla, Minneapolis and Chicago/Milwaukee markets. Many of these branches are home to a diverse group of SME, Retail and Wealth Management team members and were designed to facilitate a collaborative approach to helping SME customers with their business, personal and wealth management needs. "By bringing together an integrated team at a business-focused branch, we are able to help customers address their business and personal finances in a way that makes sense for them," di Gangi says.



SME HELPS ALL TYPES OF BUSINESS OWNERS WITH THEIR UNIQUE FINANCIAL NEEDS RANGING FROM PLANNING FOR GROWTH TO PREPARING FOR RETIREMENT.





# CORPORATE AND INSTITUTIONAL BANKING (CIB)



agreement, was lead bank underwriter in Oracle's inaugural eurobond offering, has been a joint book runner on several other bond issues, is one of Oracle's main European cash management banks, provides global letters of credit and leases vehicles to Oracle in Europe.

The bank's relationship with Oracle highlights some of the ways in which the world of corporate banking has evolved. Few if any major corporations today have a single bank. Most work with many banks around the globe. Moreover, client-bank relationships typically involve multiple products and services. Rarely does a bank lend money to a large corporation and not provide other services.

BNP Paribas' "sweet spot," which helps differentiate it from many competitors, is its ability to serve the needs of US clients not only in the United States but also in Europe and worldwide. In 2016, *Euromoney* named BNP Paribas "the world's best bank" and said it "boasts a number of powerful global franchises, including a strong corporate and

BNP Paribas has enjoyed a remarkable rise in corporate and institutional banking in the United States since the 2000 merger that created the bank. Both BNP and Paribas had a banking presence in the US prior to the merger, but on a much smaller scale than BNP Paribas has today. The bank has developed both major components of its CIB business – corporate and institutional – by strengthening and expanding its products and services and developing relationships with many premier global clients based in the United States.

On the corporate banking side, software giant Oracle Corporation is an example. Oracle became a client in 2006 when the bank took a small participation in a revolving credit agreement between Oracle and a group of banks. Since then, BNP Paribas and Oracle have expanded their relationship to encompass a variety of products. The bank was a joint lead arranger in a revolving credit

BNP PARIBAS' "SWEET SPOT," WHICH HELPS DIFFERENTIATE IT FROM MANY COMPETITORS, IS ITS ABILITY TO SERVE THE NEEDS OF US CLIENTS NOT ONLY IN THE UNITED STATES BUT ALSO IN EUROPE AND WORLDWIDE.

institutional banking business." The bank has leveraged its global capabilities to systematically build its US presence.

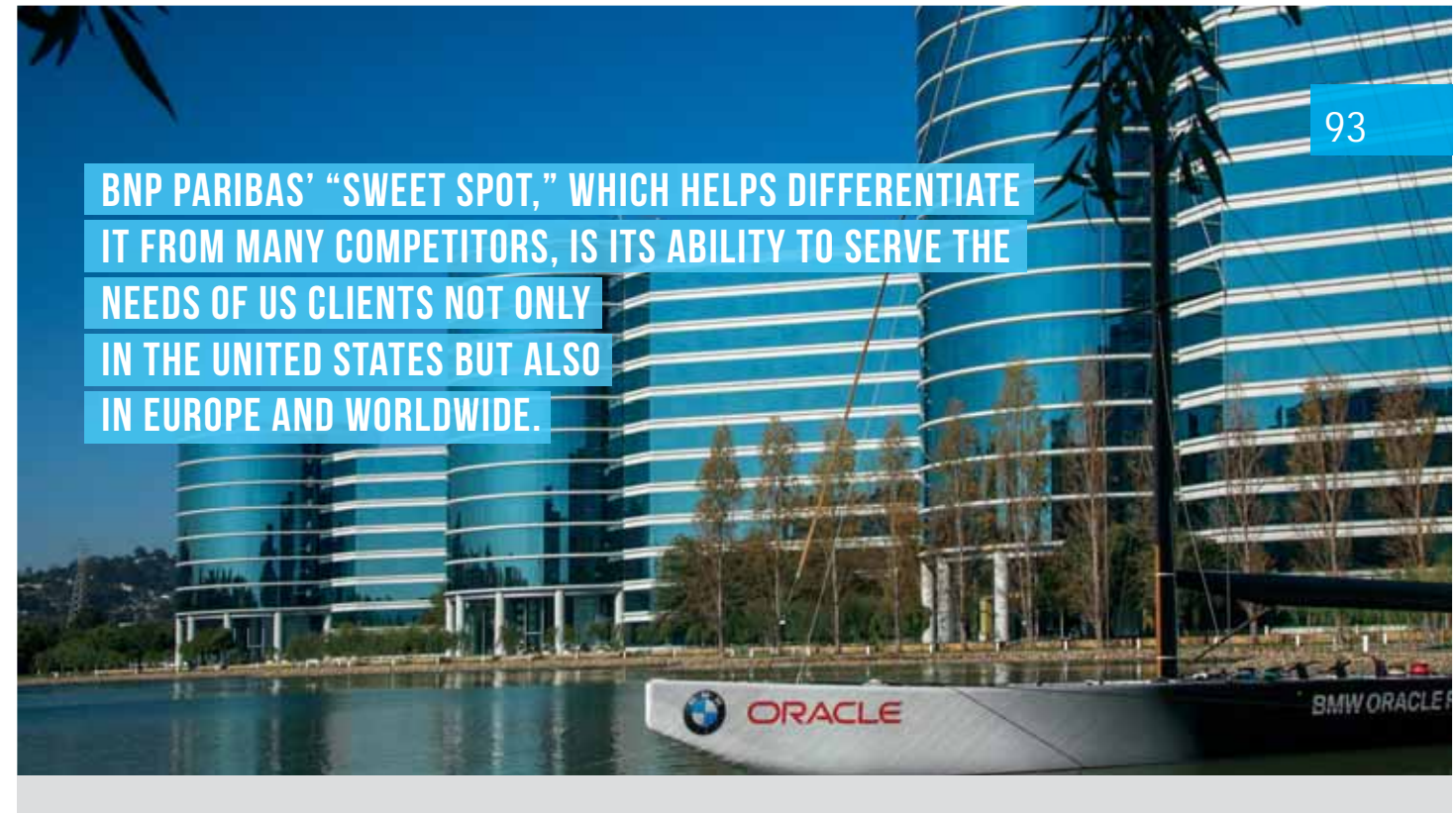
BNP Paribas' corporate banking operations in the US target large, US-based multinational companies with international banking needs. Clients include such well-known names as AT&T Inc., Coca-Cola Company, Ford Motor Company, General Electric Company, MGM Resorts International and The Walt Disney Company.

For institutional clients, the bank already had strong positions in disciplines such as equity derivatives and fixed income trading at the time of the 2000 merger. Since then, it has strengthened its existing services and added new ones such as prime brokerage (trade settlement, financing and other services for hedge funds and other asset managers) and fixed-income asset management.

Both sides of the CIB business – corporate and institutional – are essential to the bank's success. By having robust positions in both areas, BNP Paribas and other major banks serve as a bridge between financial institutions that have capital and corporations that need it. Moreover, some of the bank's services are applicable across all clients – such as interest rate derivatives, which can be used by corporations and institutions alike to control risks and manage interest costs.

## CIB IN 2000

Following the 2000 merger, BNP Paribas set out to increase its CIB presence in markets around the world.



*Global Finance* magazine wrote, "On the corporate and investment banking side, the French bank plans to consolidate its strong presence in Asia, expand its very solid base in several European countries, and strengthen its expertise in the North American market."

The bank grew organically as well as through acquisition, such as the 2001 purchase of Capstar Partners, a global leader in arranging asset financing. In 2003, the bank bought Zurich Capital Markets, which brought with it a multi-billion-dollar derivatives book.

By 2005, *Investment Dealers' Digest* was able to report, "French bank BNP Paribas has been aggressively restructuring and expanding its business in the US in an effort to serve its North American clients better." It quoted a senior bank official as saying, "We've made some substantial hires in a lot of our businesses – on the execution side, the products side and the investment banking origination side.... We're a leader in the European markets, and the growth opportunity for us in the US is tremendous."

However, one hoped-for acquisition did not take place for tragic reasons. In 2001, the bank was negotiating to acquire Keefe, Bruyette & Woods, Inc. (KBW), a leading investment banking and brokerage firm specializing in the financial services sector. KBW's offices were located in the World Trade Center in Lower Manhattan. On September 11, when the Trade Center was destroyed by terrorists, 67 of KBW's 172 employees were killed. As survivors mourned the loss of their colleagues, BNP Paribas rallied to help KBW stay in business. The bank provided trading facilities to KBW at no cost for six months and helped in many other ways. BNP Paribas' assistance "was nothing less than extraordinary," John Duffy, KBW's chairman and CEO, wrote in 2002. The



hoped-for merger never took place, but KBW recovered from these terrible events with the help of BNP Paribas and others.

## CORPORATE BANKING: A KEY 2005 DECISION

At its formation in 2000, BNP Paribas had US offices in Atlanta, Chicago, Houston, Los Angeles, New York and San Francisco. In most instances, its corporate bankers covered companies on a regional basis: bankers in the Chicago office, for instance, worked with all the bank's corporate clients in the Midwest regardless of industry. One exception was San Francisco, where BNP had formed two industry-specific teams in 1998. These teams covered technology companies and construction and engineering companies in 11 Western states.

In 2005, BNP Paribas followed up on the success of these teams by reorganizing its corporate banking activities nationwide into industry-sector coverage. IBM, headquartered in Armonk, New York, had been covered by the New York office. It was now covered by the bank's national technology group in San Francisco. The changeover to a sector basis – and the hiring of more bankers with tech-industry knowledge, together with the continued development of the bank's capabilities in fixed income underwriting, foreign exchange trading, syndication, structured finance and other product areas that support client's needs – set the stage for dramatic growth. By 2017, the bank had more than 50 tech clients in the US, including Applied Materials Inc., Dell, Google (now known as Alphabet Inc.), IBM, Oracle and Qualcomm Inc. Other sectors also experienced gains.

All told, the bank ended up forming 16 sector practices. In media and communications, it developed a diverse practice, based in New York, serving 40 content, distribution, communications and digital media companies including AT&T Inc., Liberty Media Corporation, Verizon Communications Inc. and The Walt Disney Company. In the case of Disney, BNP Paribas has served as a lead bank in many areas including syndicated bank financings and bond offerings as well as export financings for Disney's cruise ships. The bank has also worked closely with Disney as it has recapitalized Euro Disney over the past several years. Most recently, the bank was engaged in the successful tender offer and mandatory buyout of Euro Disney. As with all US clients managed by a coverage team, a senior BNP Paribas banker in the US is a focal point for the relationship, coordinating all the services provided globally by the bank.

In engineering and construction, the bank's national practice serves large, investment-grade, US-based contractors with an international presence such as Fluor



Corporation. Letters of credit are a core service; clients often need these letters to bid on projects. BNP Paribas letters of credit have supported the winning bids for numerous facilities built in recent years along the US Gulf Coast, including LNG export terminals, as well as transportation projects such as the 23-mile Denver electric commuter rail line, completed in 2016. The bank works with US-based clients not only in the United States but also on projects in Europe, the Middle East and other parts of the world.

## INDUSTRIAL CLIENTS AND OTHER SECTORS

General Electric was, and is, one of the bank's clients in the industrial sector. BNP Paribas has been a book runner for nearly every one of GE's eurobond offerings in recent years. In addition, the bank provides a variety of services, such as export financing, that help GE sell products.

Aerospace and defense is another of the sectors created in 2005. The aircraft and airline industries are capital intensive and look to major international banks such as BNP Paribas for financing. The bank serves dozens of clients from offices in New York, Paris and Singapore. US clients include all the major airlines US as well as the leading aircraft leasing companies. BNP Paribas has been involved in many financings for Southwest Airlines, including participation in a \$1 billion revolving credit facility and serving as one of two lead

“ IN THE CASE OF DISNEY, BNP PARIBAS HAS SERVED AS A LEAD BANK IN MANY AREAS INCLUDING SYNDICATED BANK FINANCINGS AND BOND OFFERINGS AS WELL AS EXPORT FINANCINGS FOR DISNEY'S CRUISE SHIPS. ”



banks for \$300 million of senior unsecured 10-year notes issued by Southwest in 2016.

BNP Paribas was known historically as an “energy bank,” providing financing to numerous oil and gas companies in the United States. Its predecessor institutions, including BNP, Paribas and Fortis, all were active in this sector. In the 2009 third quarter league tables, BNP Paribas was ranked number one among US financial institutions in energy lending. Today, the bank continues to hold a major position in the energy sector, following some important transitions. In 2012, the bank scaled back by selling its reserve-based lending business in the US and Canada, partly in response to the risks posed by increased oil and gas price volatility. The sale formed part of the bank's global plan to deleverage its balance sheet and reduce its US dollar funding requirements. In 2017, the bank announced that it would no longer do business with companies focused on shale oil and gas or oil from tar sands and, in addition, would not finance oil or gas exploration projects in the





Arctic region. This decision reaffirms a core BNP Paribas principle to support the world's energy transition and sustainable economic development, and to help build a more sustainable planet for future generations.

### AT THE SAME TIME, THE BANK IS INCREASING ITS ROLE IN SUSTAINABLE FINANCE, INCLUDING GREEN FINANCING SOLUTIONS, PROJECT FINANCE AND INVESTING IN STARTUPS.

BNP Paribas retains a large energy and natural resources practice in the US, focused on the needs of major integrated oil companies, power utility companies, such as Dominion Energy and NextEra Energy and production companies such as Chevron, ConocoPhillips, Exxon Mobil and Phillips 66.

Other BNP Paribas corporate banking sectors formed in 2005 include consumer products and retail, paper and packaging, pharma and healthcare, and transportation.

Specific services, such as the bank's top-ranked European cash management services, are drawing cards for US clients regardless of business sector. Cash management involves the collecting, disbursing and investing of money. Greenwich Associates, a market intelligence and advisory firm, noted in 2017, "The most immediate and pressing question facing corporate treasury departments is where to park cash in an era of negative interest rates.... In this challenging environment, BNP Paribas has established a clear lead in large corporate cash management, with a market penetration of 40 percent across Europe."



"IN 2017, THE BANK ANNOUNCED THAT IT WOULD NO LONGER DO BUSINESS WITH COMPANIES FOCUSED ON SHALE OIL AND GAS OR OIL FROM TAR SANDS AND, IN ADDITION, WOULD NOT FINANCE OIL OR GAS EXPLORATION PROJECTS IN THE ARTIC REGION."

## BARE ESSENTUALS

"THE BANK BECAME INVOLVED IN 2004, PROVIDING SEVERAL ROUNDS OF FINANCING. BY 2009, BARE ESSENTUALS' SALES EXCEEDED \$550 MILLION, AND IT HAD 2,500 EMPLOYEES."



Apart from its relationships with large international companies, BNP Paribas acts in some cases as a merchant bank helping smaller and mid-sized US companies grow. Dexter Axle, based in Indiana, which makes axles for the industrial, trailer and RV markets, is a case in point. BNP Paribas provided a series of financings to the company leading up to its acquisition by Sterling Group Partners III in 2012. Bare Escentuals, an innovator in mineral-based cosmetics, is another example. The company grew dramatically, doubling its sales every three to four years, after a new management took over in 1995. The bank became involved in 2004, providing several rounds of financing. By 2009, Bare Escentuals' sales exceeded \$550 million, and it had 2,500 employees. The company went public in 2006 and was acquired by Shiseido Co. in 2010.

## INSTITUTIONAL BANKING

Beginning with the 2000 merger, the bank also went about the process of expanding its services for financial institutions in the United States. These services encompass three major areas:

*Global markets*, including investment, hedging, financing, research and market intelligence across asset classes;

*Securities services*, including clearing, custody, asset, fund, corporate trust, market and financing services; and

*Advisory services*, including corporate trade and treasury solutions, debt financing, specialized financing, and strategic advisory services such as mergers and acquisitions.

Financial institutions have become a huge market as retirement plans, insurance companies, mutual funds and other institutions have grown exponentially, driven by the accumulation of retirement assets by baby boomers, asset appreciation and other factors.

Total assets of private and public pension plans in the US reached \$19.3 trillion in 2017, triple the figure 20 years earlier. At the same time, investment markets have become increasingly global and investment management has become more sophisticated and complex, fueling demand for institutional services of the type provided by the bank. Technology is another dynamic factor, allowing providers to deliver services better, faster and more efficiently. BNP Paribas has invested heavily in technology to meet the needs of its institutional clients.

As it had done earlier in corporate banking, in 2009 BNP Paribas restructured its US institutional banking activities by reorganizing into market segments focused on the needs of clients in each sector. Today the bank serves six main institutional sectors: banks, insurance companies, traditional asset managers such as pension funds and mutual funds, alternative asset managers such as hedge funds, official institutions such as central banks and supranationals, and financial sponsors including private equity firms. Each US client is served by a senior BNP Paribas banker whose job is to maintain a thorough knowledge of the sector, understand the needs of the individual client and deliver the full global capabilities of the bank to meet those needs.

In addition, the bank has expanded its presence in the institutional market by adding new services. In 2008, in the heart of the global financial crisis, it acquired the prime brokerage business of Bank of America. At a time when many other companies were stepping away from acquisitions, BNP Paribas saw an opportunity to add a new capability. Prime brokers offer institutions the convenience and efficiency of a bundled package of services, including financing, securities lending, transaction settlement and reporting. Technology, and the ability to satisfy each client's customized reporting needs, are difference makers. In 2011, *Securities Lending Times* quoted a BNP Paribas official as saying, "By building our systems from scratch, we are able to offer a sophisticated platform which employs the latest technology and is distinctively different from what is presently offered in the market." Since entering the business in 2008, the bank has built its prime brokerage operations into a major activity serving clients such as Allianz and Manulife/John Hancock.





BNP Paribas is also prominent in securities services, which includes all post-trade operations as well as custodianship of securities. As a top five global custodian, and the number one custodian in Europe, the bank's mission is to protect and secure assets for all market participants: buyers, sellers and issuers. Having previously had a modest presence in this business in the United States, the bank embarked in 2012 on a 10-year strategic program to build out its US operations. Since then, it has won many client mandates and in 2016 joined the Association of Global Custodians, a 12-member consortium of custody banks offering safekeeping and asset-servicing on behalf of institutional investors around the globe. In 2017, it acquired the mutual fund administration and fund accounting operations of Janus Henderson Investors in the US, including the provision of custody services for Janus Henderson's US mutual funds. Janus Henderson is one of the largest fund managers in the nation. By adding these operations, the bank now offers asset managers across the globe a complete, cross-asset-class, middle-to-back office solution. Securities services is an attractive business because of its revenue stability through the ups and downs of the economy and its contribution to the bank's liquidity.

In asset management, BNP Paribas holds a major position globally in equities, fixed income, alternative investments, sustainable investments and specialized investments. The bank began expanding its asset management capabilities in the United States in 1999, when BNP purchased a 60 percent economic interest in Fischer Francis Trees & Watts (FFTW), a New York-based firm which managed fixed income portfolios for international clients including central banks and official institutions. FFTW was founded in 1972 in an era when it was unusual for central banks to outsource reserve management. It became closely allied with its clients and was sometimes called on, in periods when a central bank was facing severe staffing issues, to manage a majority of the client bank's portfolio while the client bank hired and trained new staff. BNP Paribas acquired full ownership of FFTW in 2006 and subsequently renamed it BNP Paribas Asset Management USA. Today this unit serves the asset management needs of more

than 50 official institutions, including more than 20 central banks, as well as the needs of pension plans and other institutional investors. Moreover, from its origins in managing dedicated US treasury bill portfolios, it now manages a range of global securities, including traditional short duration fixed income, dedicated inflation-linked strategies, US agency mortgage-backed securities and multi-sector fixed income, and often uses hedging techniques to control a portfolio's currency risk. The firm's expertise in currency management gave rise to a new business: managing unintended currency risk for US pension plans that invest in non-US markets. BNP Paribas Asset Management USA has won many mandates in this area.

## “GREAT TIME FOR EUROPEAN BANKS”

The 2008 global financial crisis brought havoc to markets around the world. Many banks were affected, BNP Paribas less so than most. “Conservatively managed, the bank generally avoided subprime mortgage bonds and other toxic assets, so it remained enthusiastically open for business during the financial crisis,” *Institutional Investor* wrote in 2010.

Because of its solid balance sheet and willingness to lend, the bank gained market share in the United States during and after the crisis. In league tables for investment-grade debt, BNP Paribas ranked 11th in the US in 2009, according to *Institutional Investor*, up from 15th in 2008. In syndicated loans, it moved up to sixth from eighth. “And in overall debt issuance, it ranked a respectable 16th last year,” the magazine said. It cited the bank's participation in an \$8.7 billion bridge loan for Kraft Foods in November 2009, followed by an even bigger \$9.5 billion bond issue in February 2010, both related to the US food maker's acquisition of UK confectioner Cadbury.

The magazine quoted a senior BNP official as saying, “There are fewer competitors in the US today. It is a great time for European banks like us to grow market share.” Today, BNP Paribas has one of the largest and most active banking positions in the US among non-US banks. It continues to invest in its CIB platform and applies its US and international skills to best serve its clients' needs.



HEADQUARTES OF CASTLETON COMMODITIES INTERNATIONAL, STAMFORD, CT



INNOVATIVE

# M&A FINANCING

**IN 2015, MORGAN STANLEY DECIDED TO SELL ITS GLOBAL OIL MERCHANTING BUSINESS. THE BUSINESS WAS A NATURAL FIT FOR CASTLETON COMMODITIES INTERNATIONAL LLC, A HIGHLY RESPECTED GLOBAL COMMODITIES MERCHANT BASED IN STAMFORD, CONNECTICUT, AND A BNP PARIBAS CLIENT.**

The bank worked very closely with Castleton in structuring its financing to ensure a successful bid for the acquisition. The Morgan Stanley business consisted of a diversified international network of oil terminal storage agreements; inventory; physical oil purchase, sale and supply agreements; and freight shipping contracts. Castleton preferred to deal with one bank because of the complexity of the purchase and its many moving parts, including the need to close the transaction in various locations around the world where the Morgan Stanley unit was present.

Castleton had an existing \$1.6 billion secured credit line with a group of banks, including BNP Paribas. A banking team from BNP Paribas consulted early-on to recommend an appropriate mix of equity and debt. The company financed the transaction by raising additional equity from its shareholders and through an expansion of its credit facility to \$3.5 billion. BNP Paribas was sole underwriter of the additional \$1.9 billion credit line. The credit line was the largest commitment any bank had ever made to a single commodity transaction in the US. The BNP Paribas team worked extremely hard over a short period of time to put the additional credit line in place and make sure it could be syndicated to other banks. The syndication was highly successful and was 43 percent oversubscribed. The company also sold \$250 million of unsecured debt, for which BNP Paribas was sole arranger. Proceeds from the various financings were used not only for the purchase but also to provide additional working capital for the company going forward.

The transaction was transformational for Castleton and brought substantial scale to its existing physical business. William C. Reed II, Castleton's president and CEO, said the purchase “aligns well with our goal of becoming a top-tier, global multi-commodity merchant.” The end result for BNP Paribas was the ability to help a longtime client achieve its business objectives.



# BNP PARIBAS USA



■ ENTRANCE OF BNP PARIBAS, 787 7TH AVE IN NEW YORK CITY

In 2016, BNP Paribas placed its US subsidiaries, including its corporate and institutional banking (CIB), BancWest and asset management subsidiaries, in an intermediate holding company, BNP Paribas USA, Inc. The change satisfied new US regulatory requirements and signaled the bank's ongoing commitment to the US, its largest balance sheet allocation outside France. In addition, it more closely aligned the bank's US activities with the integrated business model of BNP Paribas in Europe.

Formation of the holding company creates many opportunities for CIB and Bank of the West to work together. CIB now has teams in California to support Bank of the West and its clients in areas such as structured finance, trade finance, and mergers and acquisitions. Companies with revenues between \$500 million a year (approximately the top end of Bank of the West's current client base) and \$5 billion a year (typically the minimum for CIB clients) are a major untapped market for BNP Paribas in the US. Many companies in that middle range need the types of international banking services CIB can provide. Bank of the West is expanding into this sector with assistance, where appropriate, from CIB. Bank of the West itself has leadership positions in cash management, corporate credit cards, wealth management and leasing that offer their own opportunities for collaboration.

In an important trend for both CIB and Bank of the West, corporate, institutional and individual banking clients are increasingly using online and mobile technologies to access and manage their accounts. The BNP Paribas Group is keeping pace by investing three billion euros in new technology over three years. CIB and Bank of the West are both part of this major initiative as they transform themselves



■ CLIENT CENTER, NEW YORK CITY

digitally to fulfill their clients' requirements and preferences.

BNP Paribas is one of just a handful of non-US banks with the scale, resources and ambition to be a major competitor in the United States. Formation of the holding company – and the resulting closer working relationship between CIB and Bank of the West – is a powerful tool to help BNP Paribas fulfill its US ambitions.

The bank and its predecessor banks have a deep history in the United States dating back to the mid-nineteenth century, aiding untold numbers of businesses, institutions and individuals by consistently providing capital and financial services. The formation of BNP Paribas USA represents a new chapter in this history. Going forward, the United States, the world's largest economy, remains indispensable to BNP Paribas' vision of growing globally by serving its corporate, institutional and retail clients and by prevailing as "The bank for a changing world."



**IN AN IMPORTANT TREND FOR BOTH CIB AND BANK OF THE WEST, CORPORATE, INSTITUTIONAL AND INDIVIDUAL BANKING CLIENTS ARE INCREASINGLY USING ONLINE AND MOBILE TECHNOLOGIES TO ACCESS AND MANAGE THEIR ACCOUNTS.**



POSTAL CARD PRESENTING THE INTERNATIONAL EXPERTISE, RESEARCH AND NETWORK OF L'ATELIER



## » L'ATELIER BNP PARIBAS: INNOVATION CATALYST

L'ATELIER BNP PARIBAS, WITH OFFICES IN PARIS, SAN FRANCISCO AND SHANGHAI, IS THE EYES AND EARS OF THE BANK IN THE TECHNOLOGY WORLD.

The bank seeks to be smart and proactive in its use of technology, staying on the leading edge of banking and evolving with the needs and expectations of clients. L'Atelier is a highly specialized technology subsidiary. With its prospective vision and extensive experience in understanding the digital economy, it is strategically placed to help the BNP Paribas Group and its clients in their digital transformations.

L'Atelier BNP Paribas was formed in Paris in 1978 and was quick to identify the competitive advantages of telematics (the long-distance transmission of computerized data) in the finance sector. This allowed the bank to gain a competitive advantage in the use of this then-emerging technology.

In 2005, L'Atelier BNP Paribas expanded to the US when it opened a facility in San Francisco. L'Atelier BNP Paribas North America detects, analyzes and develops innovations in Silicon Valley and across the United States, identifying those of greatest potential to the bank – in artificial intelligence, big data, blockchain and other tech areas. It not only tracks innovation but also accelerates its use. For instance, San Francisco is one of 10 BNP Paribas locations worldwide that take part in the BNP Paribas International Hackathon, an annual

competition that challenges the brightest minds to solve key issues in banking, finance, investments and personal insurance. In addition, the bank is a partner of Plug and Play, a leading investor and accelerator in Silicon Valley startups.

L'Atelier BNP Paribas in San Francisco serves international corporate clients as well as BNP Paribas Group itself. In one recent example, L'Atelier BNP Paribas helped a transportation company understand the technology future of its industry and the new opportunities it could leverage to be a global leader. In 2015, L'Atelier BNP Paribas partnered with Bank of the West to create FinLab, which helps Bank of the West and its clients identify and implement the best new developments in cash management, payment and fraud, credit approval and other areas.

In 2017, BNP Paribas announced plans to double its technology investments worldwide over three years with a goal of adapting to new consumer expectations and behaviors, cutting costs and supporting a continued shift away from traditional banking. The mission of L'Atelier BNP Paribas is to help the bank and its clients succeed in their digital transformations and accelerate their innovation.



## » Financing SOCIAL NEEDS

### FAMILY BASED RECOVERY PROGRAM

THANKS TO THIS PAY-FOR-SUCCESS TRANSACTION, OVER FIVE HUNDRED FAMILIES WITH SUBSTANCE ABUSE PROBLEMS WILL BE ABLE TO RECEIVE IN-HOME TREATMENT THROUGH THE PROGRAM OVER A PERIOD OF 4½ YEARS.



Banking continues to evolve in new ways, with products and concepts unheard of just a few years ago. Social impact bonds are a fledgling example. They allow private sector institutions to invest in projects that address social needs. Their originality stems from the fact that investment returns are solely based on the measured social performance of the underlying project being financed.

In a highly innovative example, BNP Paribas was the lead bank in 2016 in structuring and providing \$11.2 million of private capital for the State of Connecticut's Family Based Recovery program. Thanks to this Pay-for-Success transaction, over five hundred families with substance abuse problems will be able to receive in-home treatment through the program over a period of 4½ years. A primary goal of this program is to keep parents and their children together in a stable family environment. Investors will be repaid with a modest return based on the success of the program in meeting specified outcomes.

While social impact financing is only a small part of the bank's activity, it shows there are always new ideas in banking – and it demonstrates the bank's willingness to explore innovative concepts to help communities meet their needs.

■ YALE SCHOOL OF MEDICINE, NEW HAVEN, CT



# WOMEN CAN DO IT ALL

## < NANDITA BAKHSHI

Started in banking as a part-time teller in Albany, New York, and advanced through a series of positions at different banks. In 2016, she was named President and CEO of Bank of the West, BNP Paribas' regional banking subsidiary. She believes anyone, female or male, with career aspirations should embrace change and take risks. ***"I say you take a job when you know one-third of it comfortably, one-third is stress and one-third is white-knuckle stress. That allows you to grow."***



## RAVINA ADVANI >

Managing Director in the Power, Infrastructure & Project Finance Group, came to the bank in 2001 after graduating from the College of William and Mary. She earned an MBA from Columbia University in 2009.

She leads a team that originates, structures and executes financings for power and oil and gas companies in North America. ***"The generation that came before me gets a lot of credit for paving the way. There are some incredibly talented women in the bank who serve as role models."***



## SUE BACON >

Managing Director CIB Transversal Operational Controls, has enjoyed a varied career since joining Paribas as a trader in 1988. After spending several years as one of the first women in trading, she became Head of Premises and Logistics and then moved on to run Third Party Risk Management all while raising three children. Her extensive knowledge of the firm allows her to lend a hand in many projects. ***"If you have been at BNP Paribas a long time, you can continue to grow and add value by changing positions. It is always rewarding to be curious and take on new challenges."***



## < ANNABELLA RUTIGLIANO

Vice President and Head of Global Markets Americas, Transformation and Platform Services, joined the bank in 2009 after earning a law degree from Boston University. She and her group explore future opportunities for the bank in products, technology and administrative services. ***"I've never looked at my career through the lens of my gender. It's not women on one side and men on the other. We all work against the same metrics."***



## < DOMINIQUE BOURNOT

Experienced firsthand the changing opportunities for women in the workplace. When she graduated from St. John's University in 1985, she was asked in job interviews whether she could type. She began as a secretary at a banking organization and joined Paribas in 1986. In 2000, she earned an MBA with financial reimbursement from the bank. Today she manages teams on both coasts that market asset and liability products to institutional investors. ***"There has been a lot of opportunity in the bank."***



## < CLAUDINE GALLAGHER

Managing Director and Head of Securities Services Americas, began her career with the bank in Paris and Brussels before moving to a competitor. She returned to the bank in 2012 to build out its securities services business in the US. She recently launched a women's leadership collective of women in the bank who meet quarterly to discuss business and personal issues. ***"Work and home life won't always be in balance. It's important that we create internal venues to share our experiences and learn from each other."***

## < NANCY ARMSTRONG

Vice President and Chef de Cuisine in the bank's New York executive dining rooms. She is one of the relatively few female corporate executive chefs in a profession that is largely male dominated. She uses fresh ingredients to prepare meals that are appetizing and nutritious but not overly fancy. ***"It's important for the client to have a memorable meal but not be so distracted that it's difficult to talk business."***



## < FLORENCE POURCHET

Managing Director, joined the Group in 1990 in France. After three years, she transferred to Germany and later served on various credit teams in Paris. She was appointed Deputy Head of Energy, Commodities, Export & Project Finance in Paris in 2001 and delegation holder in 2003. She transferred to New York in 2005 and holds several responsibilities in the CIB Americas platform, including Corporate Credit, Portfolio and Business Management, as well as Corporate Social Responsibility. ***"Including sustainability in our business model is challenging, but I am convinced it will be a game changer for us."***



## KRISTIN NELSON >

Senior Vice President of Bank of the West, was recruited by the bank in 2014 to expand its wealth management services. As head of wealth management strategy, she helps tailor the bank's services – covering everything from banking and insurance services to investment management, succession planning and retirement plans – to the needs of business clients. ***"I love to be able to think through what is going to impact clients in a positive way and how we can help our clients manage their wealth most effectively."***





## ➤ SUPPORTING OUR COMMUNITIES

THE SUCCESS OF BNP PARIBAS IS CENTERED AROUND A STRATEGIC VISION OF SUPPORTING ECONOMIC GROWTH AND JOB CREATION IN THE US BY SERVING ITS CLIENTS AND CONTRIBUTING TO THE BROADER NEEDS OF THE COMMUNITY. THIS COMMITMENT TO SOCIETY'S BROADER NEEDS TAKES MANY FORMS, INCLUDING:

**Volunteerism** – Americans have a long tradition of stepping forward and helping others, and the employees of BNP Paribas are no exception. More than half the bank's US employees take part in bank-supported volunteer programs ranging from maintaining public parks to solidarity programs where children are a main focus to pro bono work on behalf of the elderly by attorneys in the bank's legal department. In addition, many employees are active on their own as volunteers in the communities in which they live and work. Employees at Bank of the West, BNP Paribas' regional banking subsidiary, spend well over 30,000 hours a year as financial education teachers, small business mentors, job-skills coaches, nonprofit board members and more. The volunteer activities of employees demonstrate their awareness, curiosity and concern for others.

**Philanthropy** – BNP Paribas makes charitable gifts to many worthy causes, as in 2005 when it donated \$500,000 to help the victims of Hurricane Katrina and matched employee donations for Katrina victims dollar-for-dollar. The bank contributed over \$1.1 million to assist with rebuilding after Hurricane Sandy and is committed to supporting relief and recovery efforts after the many 2017 natural disasters. Bank of the West donates to more than 600 nonprofit organizations each year within the regions where it does business and awards two annual Philanthropy grants of \$100,000 each to organizations that serve to enhance the quality of life for individuals and families. Philanthropy Award winners are chosen by a jury of employees together with nonprofit and public leaders. Winners have included global nonprofit Ashoka for its pioneering network of social entrepreneurs in the fields of poverty alleviation, education, environmental stewardship, economic development and other areas of human need; and the Colorado-based Community Resources and Housing Development Corporation for its work in creating affordable housing for migrant farmworkers and others with low to moderate incomes.

**Celebrating difference** – BNP Paribas values and supports the many ideas, perspectives, cultures and talents of its diverse workforce. Business networking groups are an important tool for promoting diversity, inclusion and employee engagement. These groups consist of employees who have come together voluntarily to exchange ideas, suggest ways for their members to be more productive and successful, and help the bank achieve its business objectives. There are approximately 10 groups at the bank, each created around some aspect of common social identity like gender, race, sexual orientation or ethnicity. Nearly two-thirds of the bank's employees participate in business networking group events each year. The bank is active in other diversity initiatives and is a signatory to the United Nations Development Fund for Women's CEO Statement of Support for the Women's Empowerment Principles, which includes a commitment to treat all women and men fairly at work and to respect human rights and nondiscrimination.

**Sustainability** – Responsible and sustainable global development is a core value of BNP Paribas. Sustainability is gaining ground in the business world as more and more corporations emphasize water conservation, emission reductions, clean fuels and other principles of sustainable growth. The bank plays a role through the products and services it offers and the ways in which it finances its clients. For instance, the bank seeks to facilitate the transition to a low-carbon economy by increasing its financing of the renewable energy sector. The bank has raised nearly \$1 billion for the World Bank to address sustainable development issues including climate change. These are just two examples of the ways in which BNP Paribas is supporting sustainable development.



RECONSTRUCTION OPERATION BY BNP PARIBAS STAFF AFTER HURRICANE SANDY, 2012

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ADVERTISING CAMPAIGN FOCUSING ON DIVERSITY, 2016



## » "GREEN" BONDS

"Green" bonds – which finance environmentally friendly projects such as wind farms and solar power facilities – are an emerging trend. They are increasingly popular in Europe and are making inroads in the United States. BNP Paribas holds a leading position in this growing market.

Companies issue green bonds for a variety of reasons, including the potential for somewhat lower interest rates and the public message these bonds deliver that the company cares about sustainability and the environment. BNP Paribas is active in both the underwriting and private placement of green bonds. In 2016, for instance, it was the sole agent in placing \$150 million of senior secured notes for SolGen, LLC, a unit of Exelon, a Fortune 100 company. Proceeds were used to build 192 solar generation sites in Arizona, California, Georgia and Oregon.

In the case of Southern Power, a subsidiary of Atlanta-based Southern Company, BNP Paribas was one of four underwriters of a \$1.2 billion green bond issue sold to investors in Europe in 2016 to finance wind and solar plants in the US.

In a reverse example of a non-US company selling green bonds in the United States, the bank co-managed a \$160 million private placement for an Australian wind farm in 2015. The issue was heavily oversubscribed, suggesting the appetite of institutional investors for green securities.

The world is becoming more "green" as companies focus increasingly on sustainability. BNP Paribas is using its skills to support this trend.

**THE WORLD IS BECOMING MORE  
"GREEN" AS COMPANIES FOCUS  
INCREASINGLY ON SUSTAINABILITY.  
BNP PARIBAS IS USING ITS SKILLS TO  
SUPPORT THIS TREND.**



## » HOSPITALITY: A FRENCH TRADITION CARRIED OUT IN THE US



EXECUTIVE DINING ROOMS, ONCE A FIXTURE AT LARGE AMERICAN CORPORATIONS, "HAVE GONE THE WAY OF THE DODO BIRD AND THE CARRIER PIGEON," HARVARD BUSINESS REVIEW WROTE IN 2012. **BUT NOT AT BNP PARIBAS.**



The bank's executive dining rooms in New York are a point of distinction. They offer a relaxed and congenial setting in which to meet with clients over lunch or breakfast, and help define the meaning of French hospitality.



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