



**BNP PARIBAS** | The bank for a changing world

# BNP Paribas Strong and Growing

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Fixed Income Presentation

*Paris 28 September 2010*

*London 7 October 2010*

# Disclaimer

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*Figures included in this presentation are unaudited. On 19 April 2010, BNP Paribas issued a restatement of its divisional results for 2009 reflecting the breakdown of BNP Paribas Fortis businesses across the Group's different business units and operating divisions, transfers of businesses between business units and an increase in the equity allocation from 6 to 7% of risk-weighted assets. Similarly, in this presentation, data pertaining to 2009 results and volumes has been represented as though the transactions had occurred as at 1st January 2009, BNP Paribas Fortis' contribution being effective only as from 12 May 2009, the date when it was first consolidated. To calculate the "at constant scope" variation rate between the 1st quarter 2009 and the 1st quarter 2010, BNP Paribas Fortis' pro forma data for the 1st quarter 2009 was added to this period's legacy data and the sum was compared to the 1st quarter 2010 data.*

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

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## **BNP Paribas Achievements in 1H10**

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BNP Paribas Well Positioned for an  
Ambitious and Differentiated Growth

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Liquidity and Funding Strategy

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Conclusion

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Appendices

# 1H10: Consolidated Group Results

	> 1H10	> 1H10/1H09	> 1H10/1H09 <i>At constant scope and exchange rates</i>
● Revenues	€22,704mn	+16.6%	+0.2%
● Operating expenses	-€13,010mn	+16.5%	-1.4%
● Gross operating income	€9,694mn	+16.7%	+2.3%
● Cost of risk	-€2,418mn	-42.0%	-53.2%
● Pre-tax income	€7,516mn	+68.5%	n.s.
● <b>Net income attributable to equity holders</b>	<b>€4,388mn</b>	<b>+38.8%</b>	<b>n.s.</b>

ROE 13.7%\* (vs 11.8%\* in 1H09)

EPS €3.58 (+24.7%/1H09)

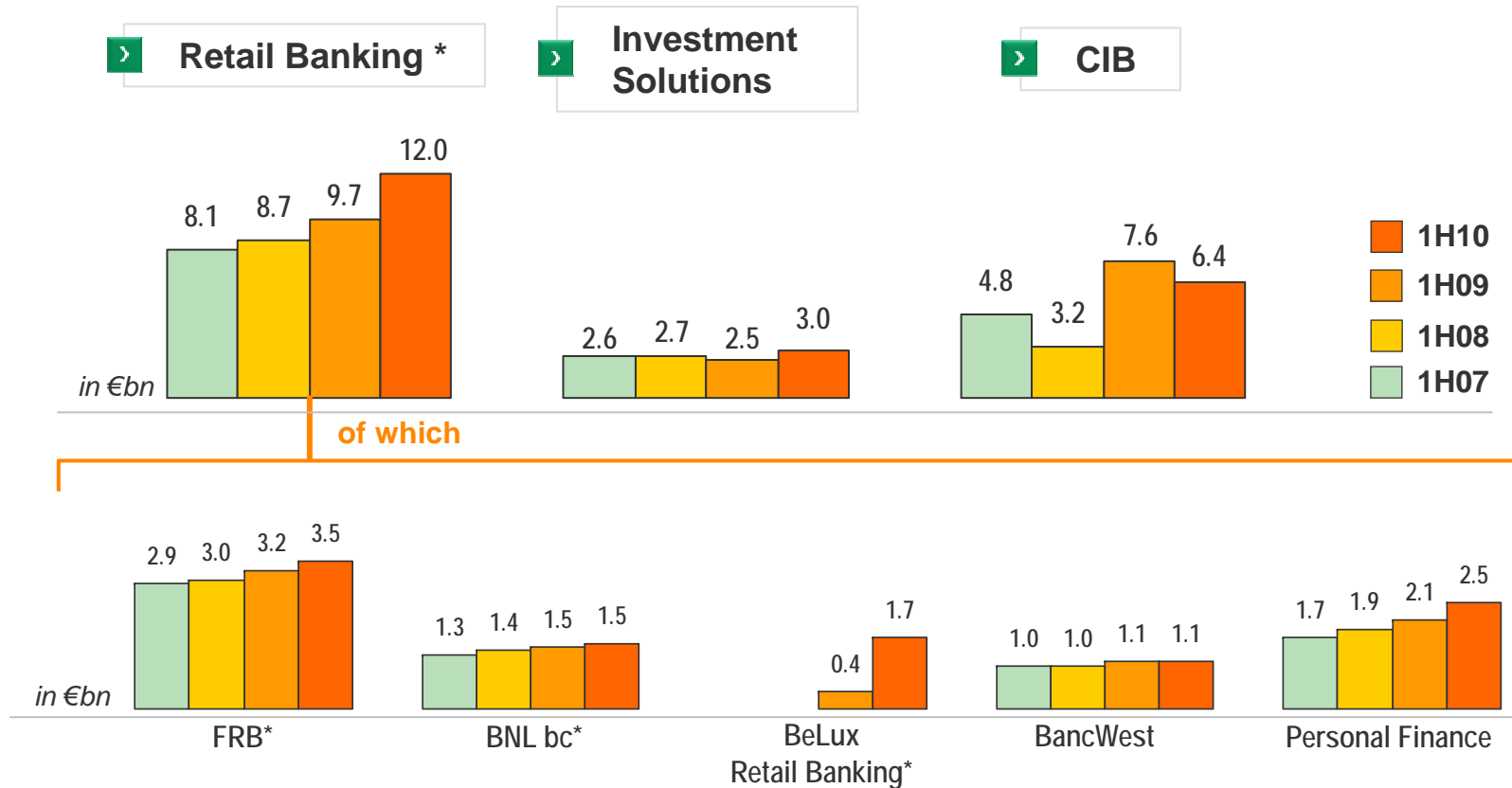
> **Strong cash flow generation capacity illustrating the strength of the Group**

\* After tax



# 1H10: Revenues of the Operating Divisions

- At current scope, including Fortis' contribution to the various business units



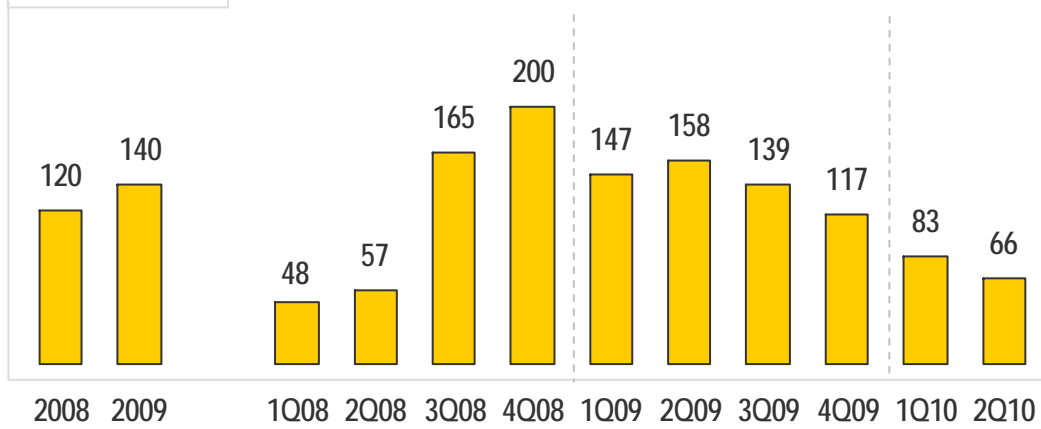
**> Robust organic and external growth throughout the crisis**



# Cost of Risk (1/3)

## > Group

Net provisions/Customer loans (in annualised bp)

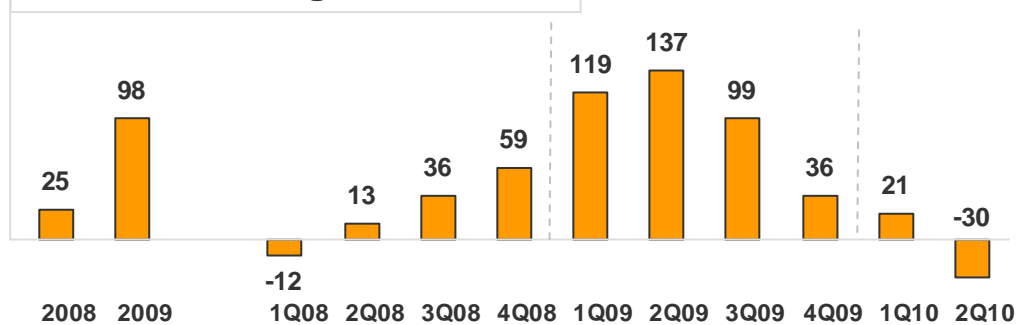


- 2Q10: drop of -€1,264mn/2Q09 (-53.9%)
- -€256mn/1Q10 (-19.1%)

## > Continued reduction in the cost of risk for the Group

by Business Unit

## > CIB-Financing Businesses



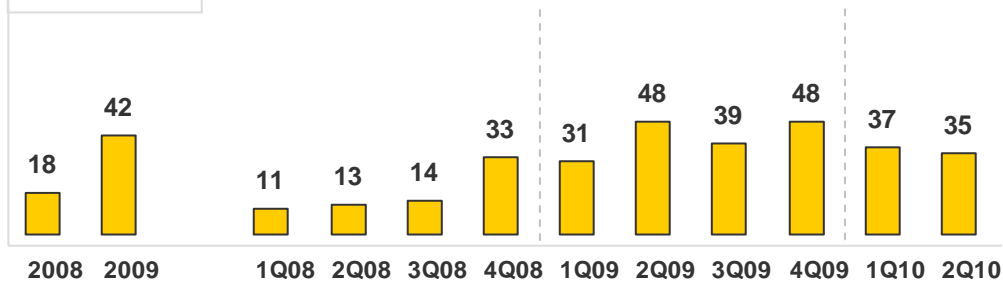
- Portfolio quality improved
  - No new significant doubtful loans
- 2Q10 cost of risk: -€118mn
  - Provision write-backs this quarter



# Cost of Risk (2/3)

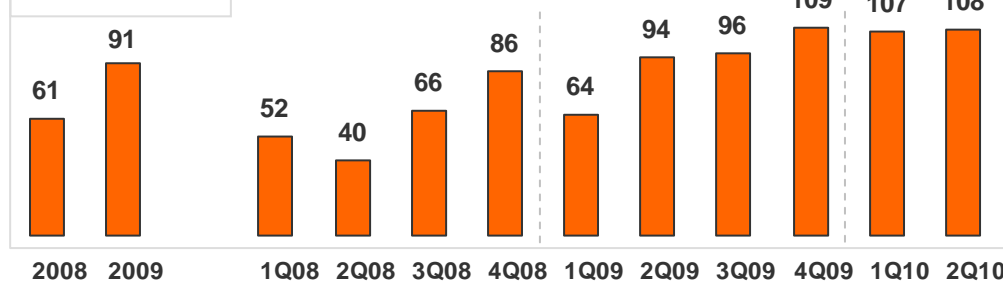
## FRB

Net provisions/Customer loans (in annualised bp)



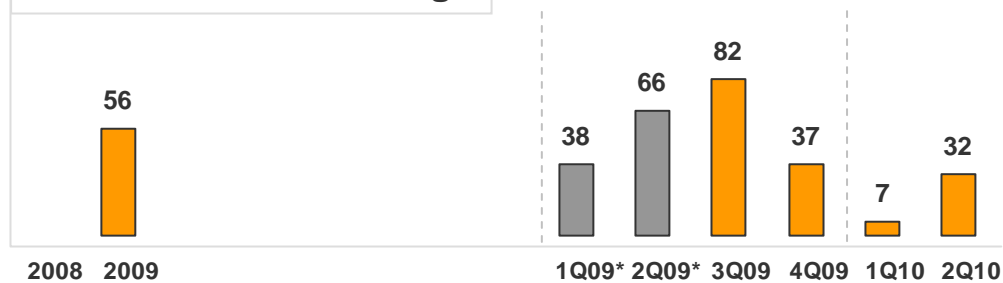
- 2Q10 cost of risk: €116mn
  - -€26mn/2Q09
  - -€6mn/1Q10
- Stabilised/1Q10

## BNL bc



- 2Q10 cost of risk: €205mn
  - +€40mn/2Q09
  - +€5mn/1Q10
- Increase/2Q09 due to SMEs

## BeLux Retail Banking



- 2Q10 cost of risk: €66mn
  - -€66mn/2Q09 pro forma
  - +€51mn/exceptionally low 1Q10
- Quality of the loan book unchanged

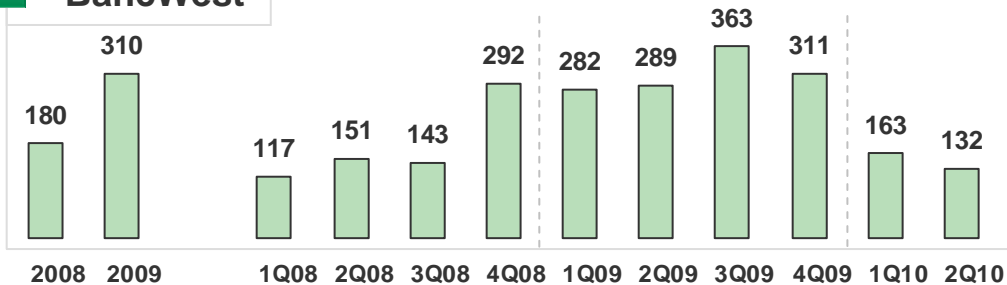
\* Pro forma



# Cost of Risk (3/3)

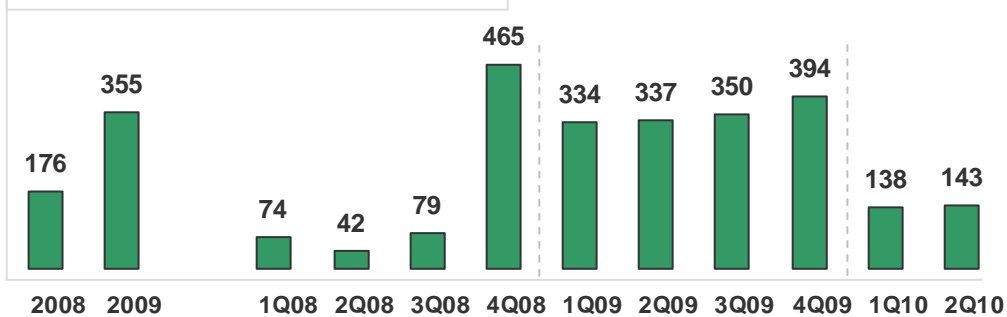
## > BancWest

Net provisions/Customer loans (in annualised bp)



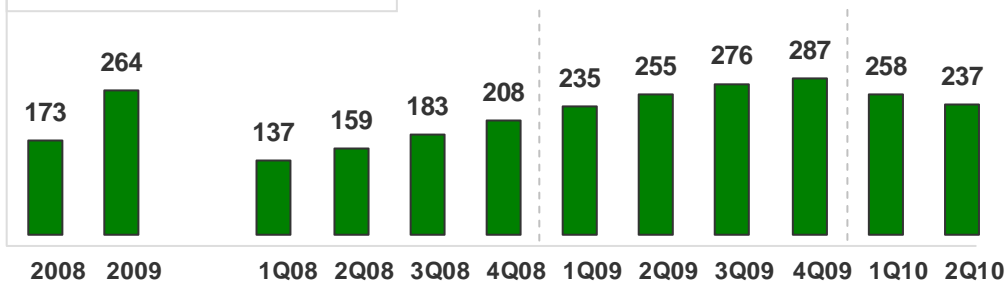
- 2Q10 cost of risk: €127mn
  - -€172mn/2Q09
  - -€23mn/1Q10
- Quality of the loan book started to improve

## > Europe-Mediterranean



- 2Q10 cost of risk: €92mn
  - -€126mn/2Q09
  - Stable/1Q10
- Of which Ukraine: €45mn
  - Improvement confirmed
- No significant changes in the other countries

## > Personal Finance



- 2Q10 cost of risk: €488mn
  - +€26mn/2Q09 of which a +€55mn scope effect from Fortis and Findomestic
  - A €36mn fall compared to 1Q10
- Cost of risk started to abate





# 1H10: Pre-Tax Income of the Operating Divisions



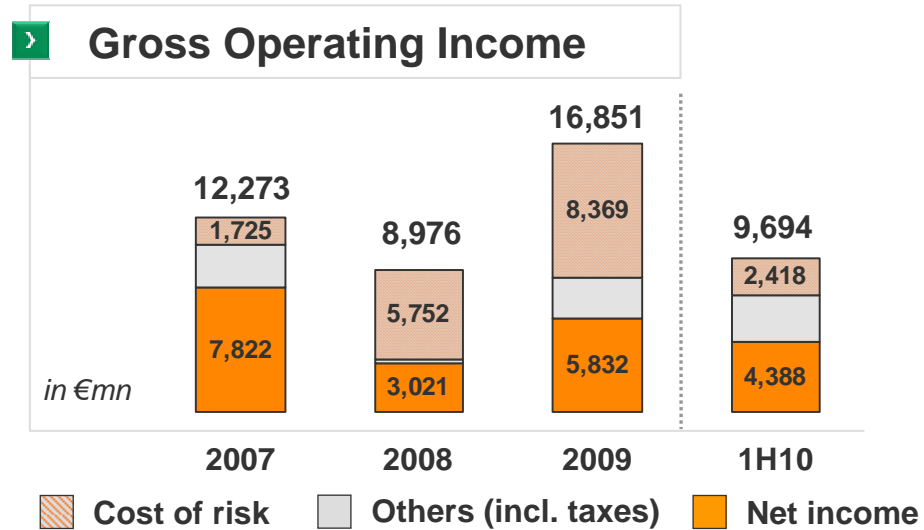
- 1H10/1H09 at constant scope and exchange rates
  - Retail Banking\*: +75.2%/1H09, sharp growth for FRB, BeLux RB, Personal Finance and Equipment Solutions; BancWest returns to profit; Europe-Mediterranean returns to break-even
  - Investment Solutions: +28.6%/1H09, due primarily to Insurance business
  - CIB: +3.6%/1H09, revenues held up well and cost of risk declined sharply

**Good operating performances  
combined with a stringent risk policy**

*\*Including 2/3 of Private Banking in France (excluding PEL/CEL effects), Italy and Belgium*



# A Robust Model Throughout the Crisis



- Strong profit generation capacity each year
  - Significant GOI...
  - ...consistently highly exceeding the cost of risk

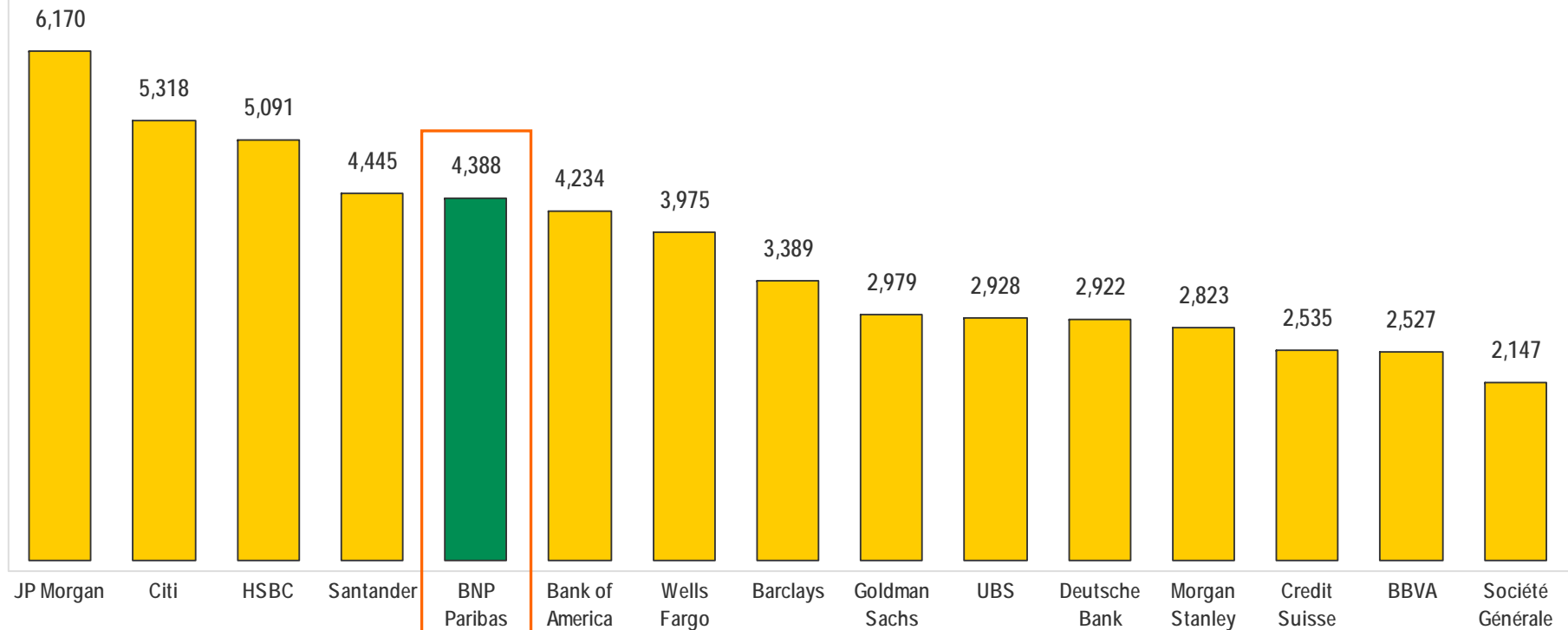
**> Strength demonstrated during the crisis**



# 1H10: Net Income Benchmark

## Net income

in €mn\* (1H10)



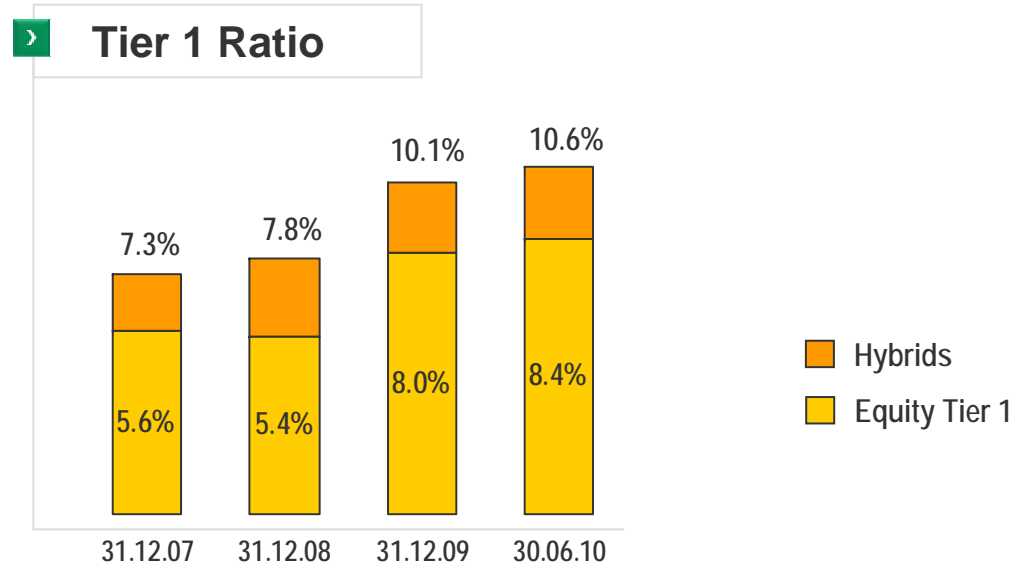
**A leading global position achieved**



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*\*Average exchange rates in 1H10, Source: banks*

# Solvency



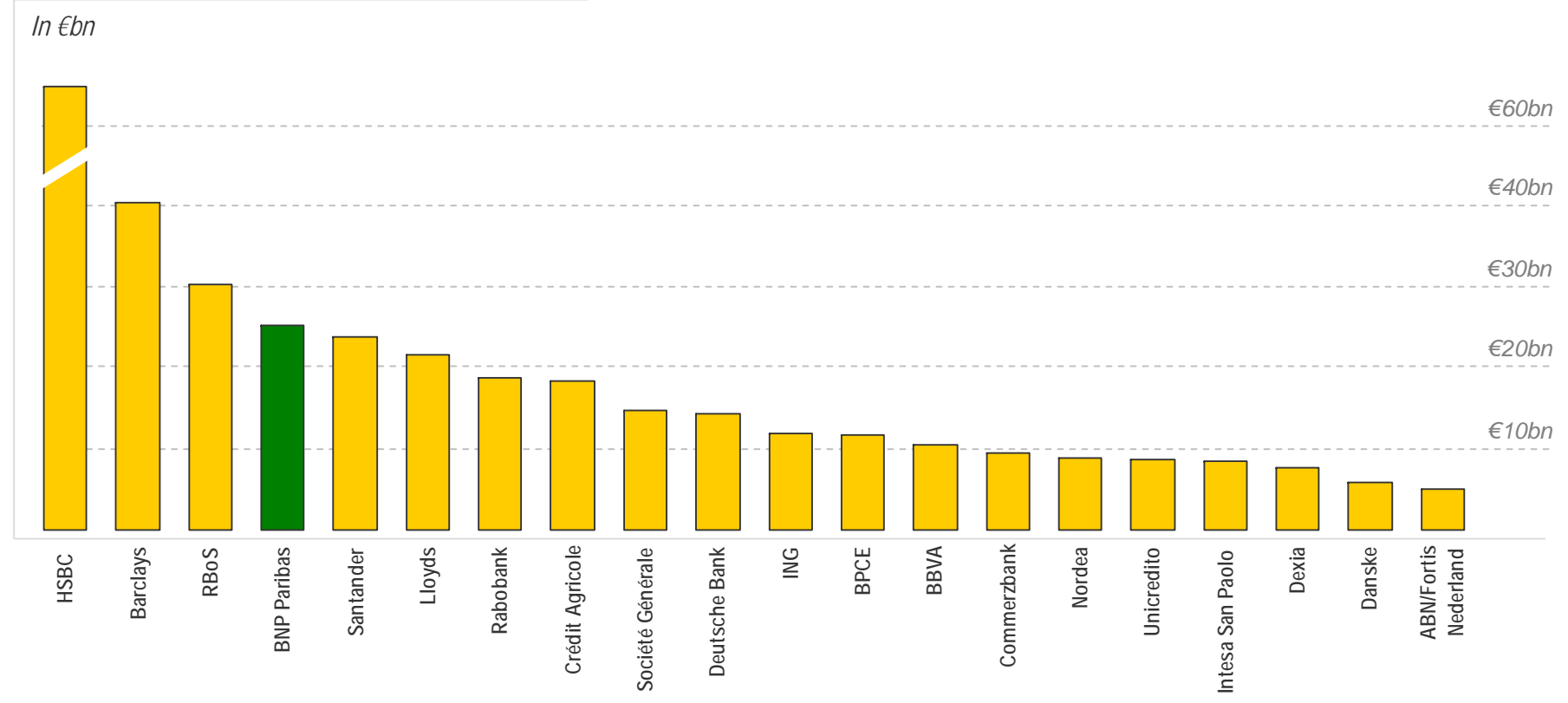
- No yearly losses thanks to BNP Paribas' risk profile
- Strong organic generation of equity
- Fortis acquisition neutral on solvency
- Only limited dilution throughout the crisis (rights issue only €4.2bn, 1 for 10)

**Solvency strengthened throughout the crisis mostly through retained earnings**



# Stress Tests

## > CEBS stress tests Capital buffer after the test



> A buffer of over €20bn in the most adverse scenario





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## BNP Paribas Achievements in 1H10

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## **BNP Paribas Well Positioned for an Ambitious and Differentiated Growth**

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Liquidity and Funding Strategy

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Conclusion

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Appendices

# BNP Paribas Fortis Acquisition

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High quality  
domestic retail  
franchises

- 2 additional domestic markets: 20% to 30% market share\*
- Established positions in Turkey and Poland

Quantum leap  
in Asset  
Gathering

- Becoming #4\*\* in European Asset Management ...
- And a leader in Private Banking in the Eurozone

CIB

- Established franchises in selected areas
- Network of business centres in Europe



**A transforming transaction**

*\*Depending on product and segment; \*\* Source IPE Top 400 June 2010*

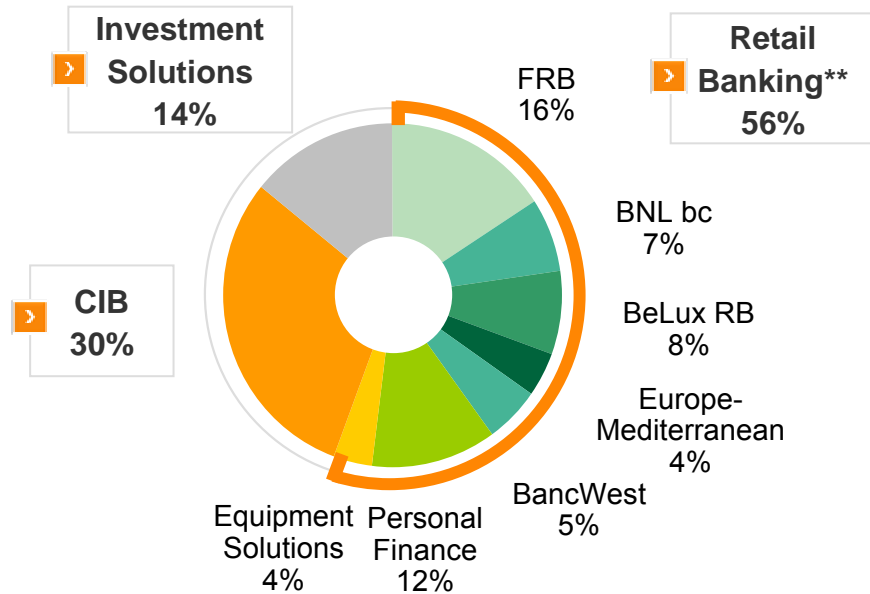


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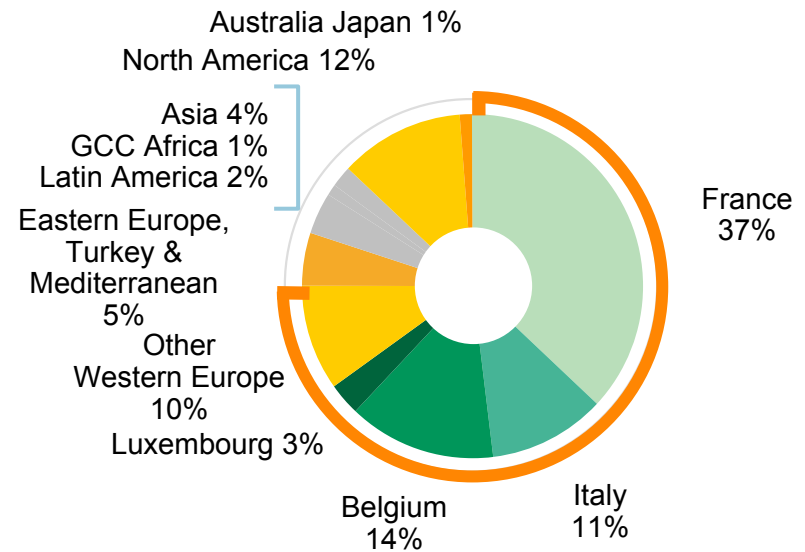
# Overview of the new Group

## Business mix Revenues 1H10\*



**1/2 Retail, 1/3 CIB, 1/6 IS**

## Geographic mix Revenues 1H10\*



**75% Western Europe, 65% domestic markets**

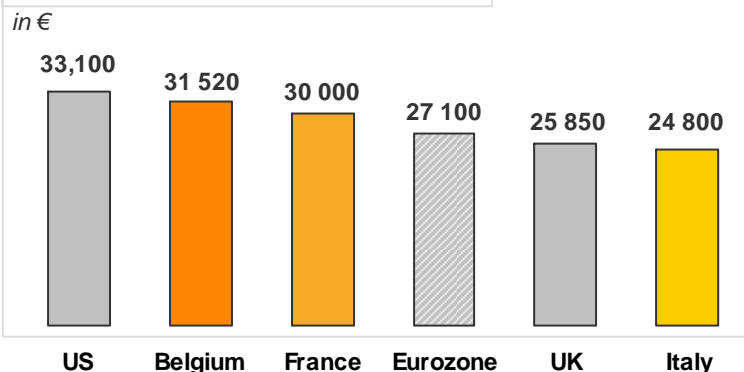
\* Operating divisions; \*\* Including 2/3 of Private Banking for FRB (including PEL/CEL effects), BNL bc and BeLux RB



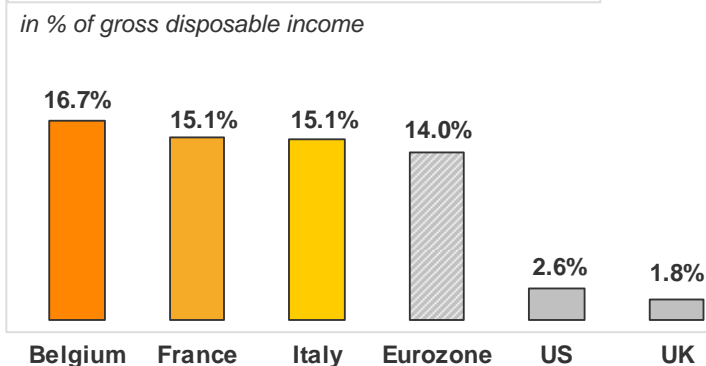


# Domestic Retail Markets

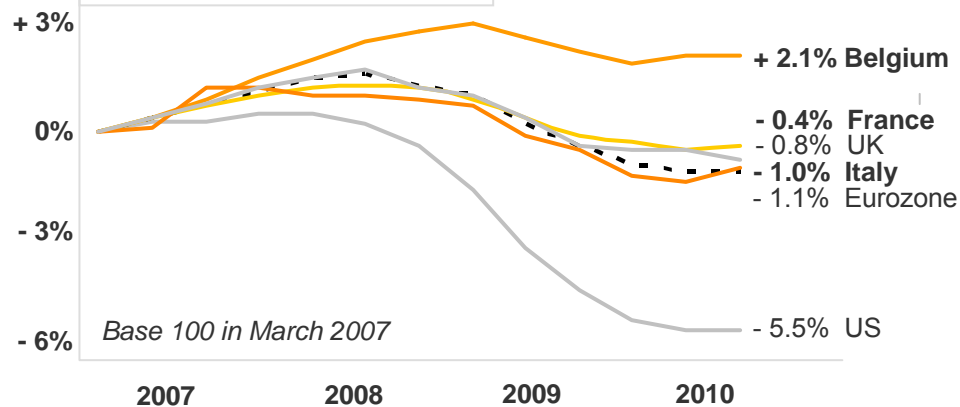
## 2009 GDP per capita



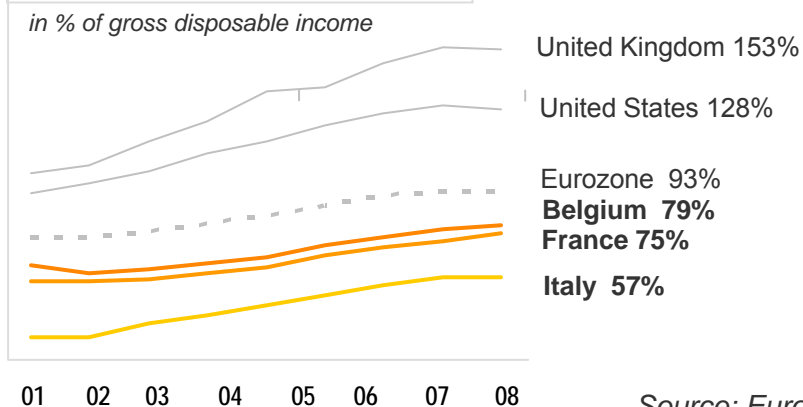
## Gross savings rate in 2008



## Job base change



## Household debt



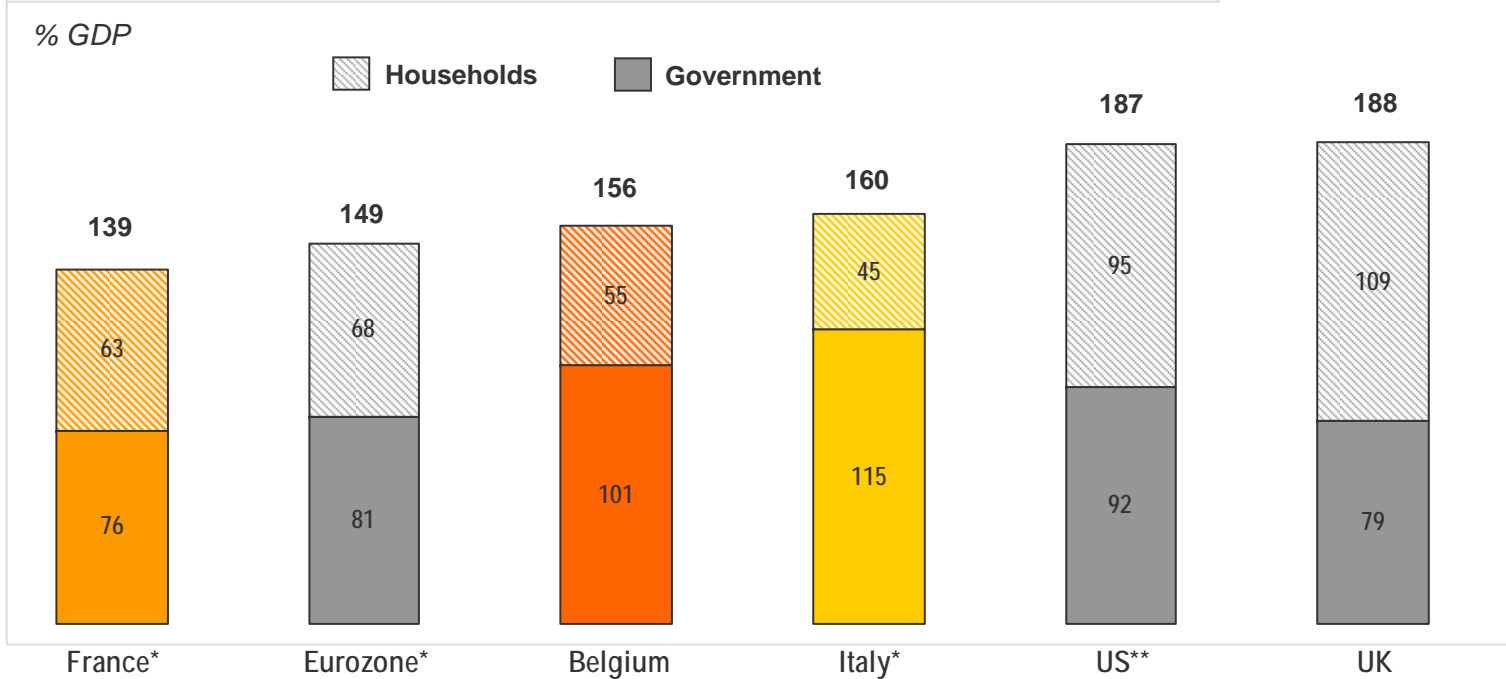
Source: Eurostat

## Wealthy domestic markets



# Domestic Retail Markets

> **Government and Households consolidated debt by country**  
(2009 if not specified)



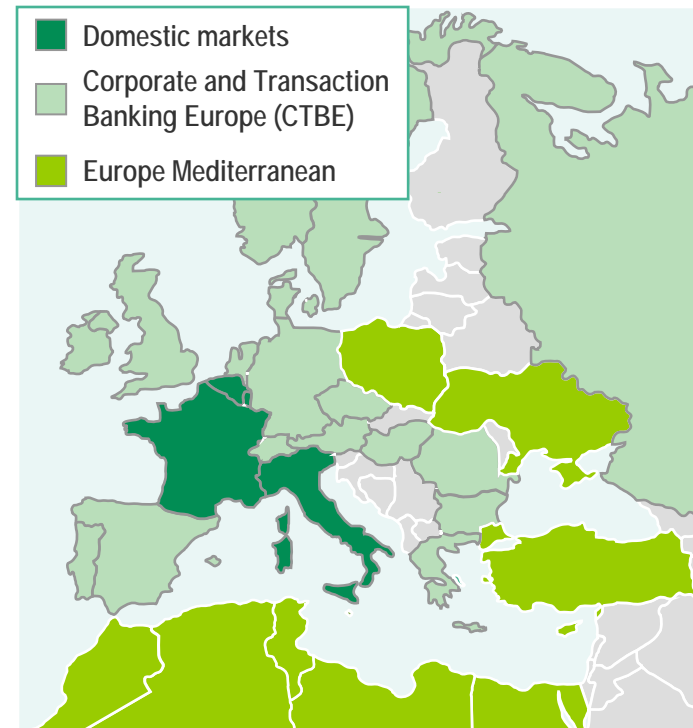
> **Sound domestic markets**

Source: Eurostat and Federal Reserve, \*2008 are the last available data, \*\*Incl. Local Governments + GSEs



# Growth Strategy (1/2)

- Domestic markets: goal to outperform in wealthy and sound markets
  - Continue to improve the already significant level of cross-selling through the integrated model and shared platforms
  - Pursue growth in robust markets: household savings rates above 15%\*; sound real estate markets; growing loan demand
- Europe and the Mediterranean: market share gains drawing on leading positions and world-class industrial platforms
  - Deploy the integrated banking model and develop synergies throughout the Group's business units
  - Capitalise on Europe's densest and most comprehensive corporate banking set-up



**An ambitious and differentiated growth strategy**



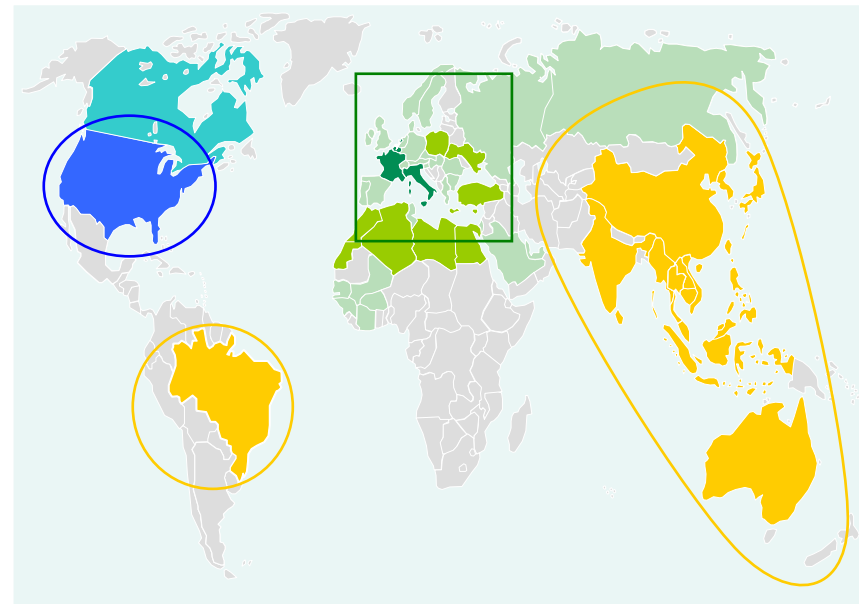
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*\* as a % of gross disposable income in 2008*

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# Growth Strategy (2/2)

- United States: drive growth and step up synergies
  - CIB: take advantage of the Group's new size with large clients; selective growth in business units where BNP Paribas has a competitive advantage
  - BancWest: capitalise on the new drive and the return to profits
- Asia and Latin America: take advantage of the fast-pace growth
  - Bolster established and solid positions in CIB and Investment Solutions (Asset Management and Private Banking)
  - Continue to pursue organic growth investments



**An ambitious and differentiated growth strategy**





BNP Paribas Achievements in 1H10

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**Liquidity and Funding Strategy**

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Conclusion

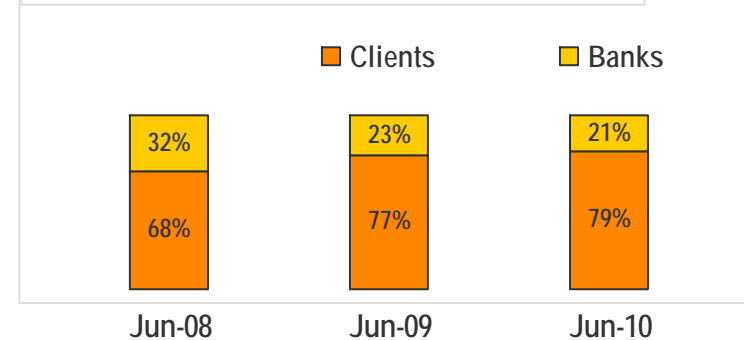
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Appendices

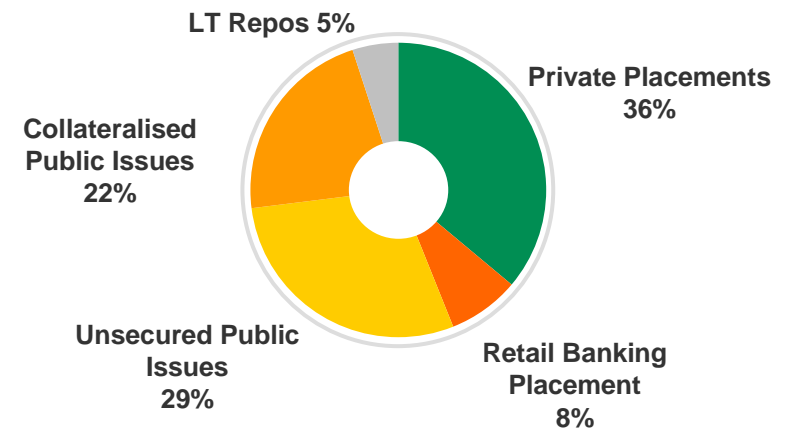
# Liquidity

- Abundant short-term liquidity for the Group
- Limited reliance on the interbank market
  - Loan/Deposit ratio: 115%
  - BNP Paribas: No.1 bank in the eurozone by deposits
  - Highly diversified resources in USD
- 2010 MLT issuance programme: €30bn
  - 90% already completed
  - Diversification of resources by type of products, distribution channels and type of investors

## Short-term funding structure



## 2010 MLT funding structure



**A competitive edge confirmed in tough markets**



# Funding (1/2)

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- Diversified senior unsecured vanilla or structured debt products through private placements
- Senior unsecured “benchmark” public placements
  - Distributed to institutional clients or through retail networks
  - Latest USD 5-year unsecured senior debt issued on 21 April 2010: \$1.15bn
  - Latest EUR 5 year unsecured senior debt on 6 July 2010 : €1bn; on 4 August: tap €500mn
  - Latest EUR 3 year FRN unsecured senior debt issued on 10 September 2010: €1bn
  - Latest AUD 5 year unsecured senior debt issued on 10 March 2010: AU\$750mn
  - Latest AUD 3 year unsecured senior debt issued on 4 August: AU\$1bn
  - Latest ¥ 5 year unsecured senior debt issued on 10 September: ¥59.3bn
  - Senior secured debt (Covered Bonds and cash securitisation) through “benchmark” public placements or vanilla private placements
  - Latest EUR 7-year Home Loan Covered Bond issued on 05 January 2010: €1.5bn
  - Latest EUR 10-year Public Sector SCF issued on 18 February 2010: €1bn
  - Latest EUR 10-year Home Loan Covered Bond issued on 12 April 2010: €1bn
  - Latest EUR 5 -year Home Loan Covered Bond issued on 2 June 2010: €1.5bn
- Access to a number of currency markets
- Caisse de Refinancement de l’Habitat (CRH)
  - Refinancing entity launched by the French Banks to provide refinancing of French home loans
- EIB financing for targeted public/private sector lending

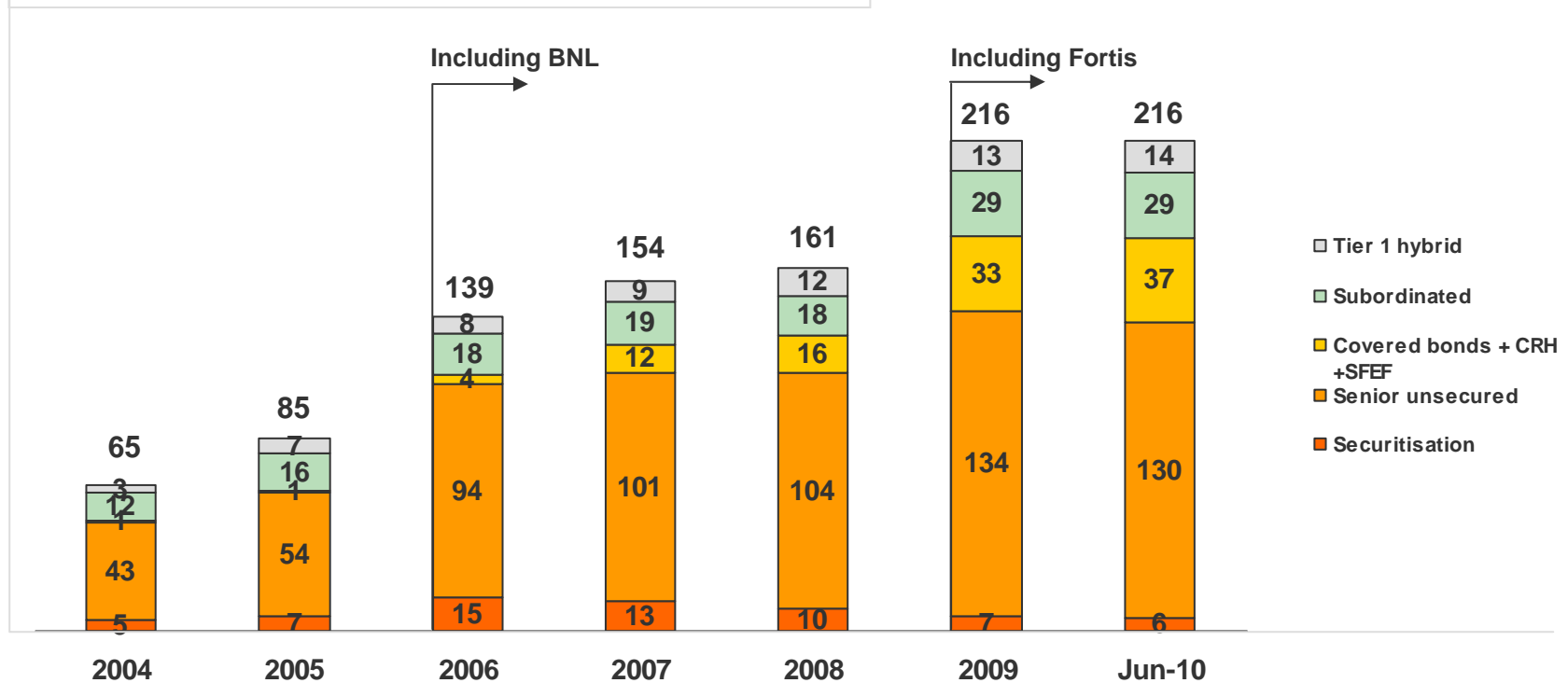


**Access to multiple sources of medium and long term funding**



# Funding (2/2)

## Medium and Long Term outstanding debt



Source: BNP Paribas ALM (30 June 2010) excluding debt with maturity less than one year

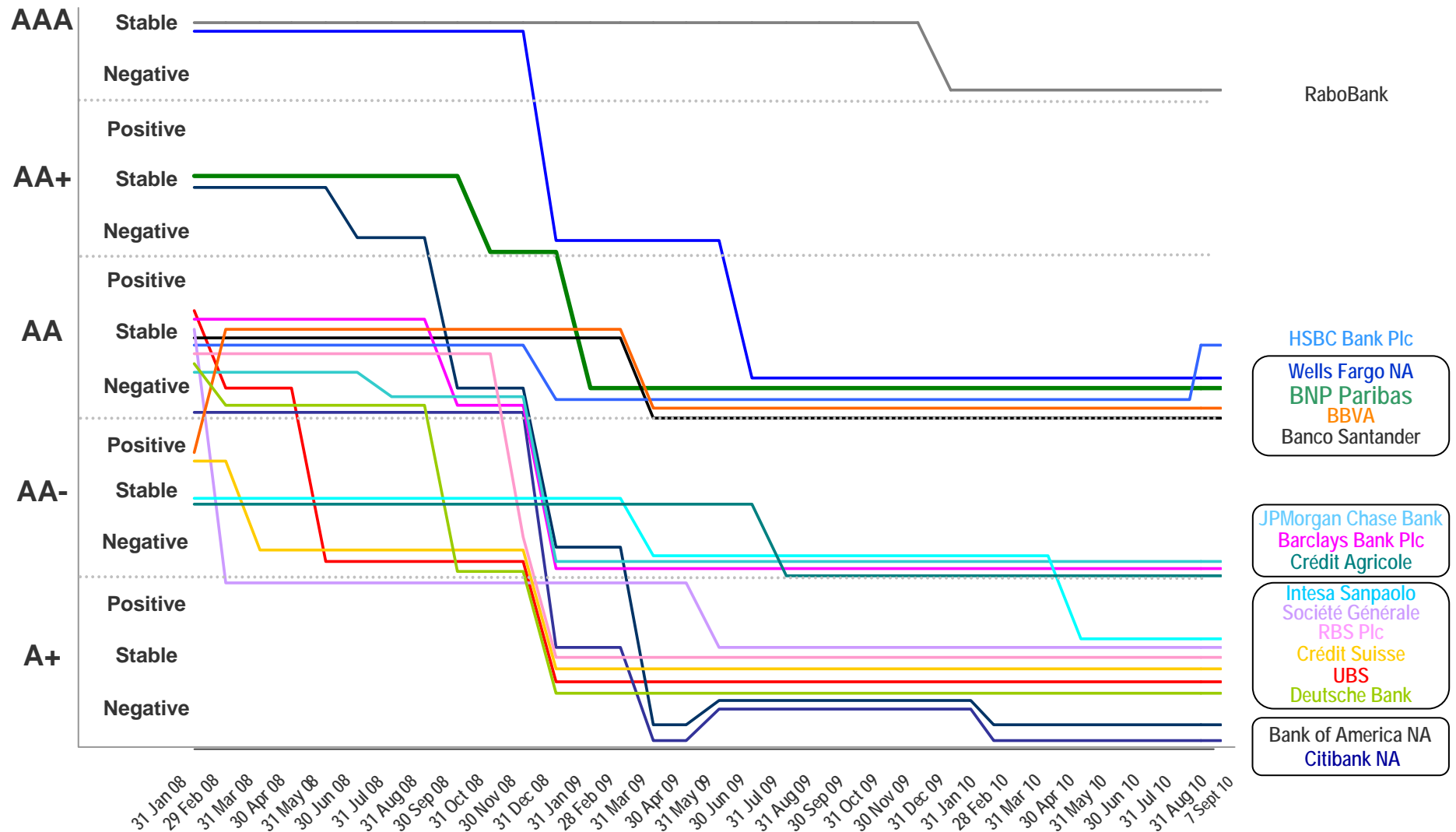


Funding programme has evolved with the Bank's growth





# Evolution of S&P Ratings Since January 2008





BNP Paribas Achievements in 1H10

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BNP Paribas Well Positioned for an  
Ambitious and Differentiated Growth

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Liquidity and Funding Strategy

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**Conclusion**

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Appendices

# Conclusion

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**Business model enabling  
strong and recurrent profit generation capacity**



**Fortis' integration successful;  
synergies ahead of the announced schedule**



**Well positioned for growth and value creation  
in the current environment**





BNP Paribas Achievements in 1H10

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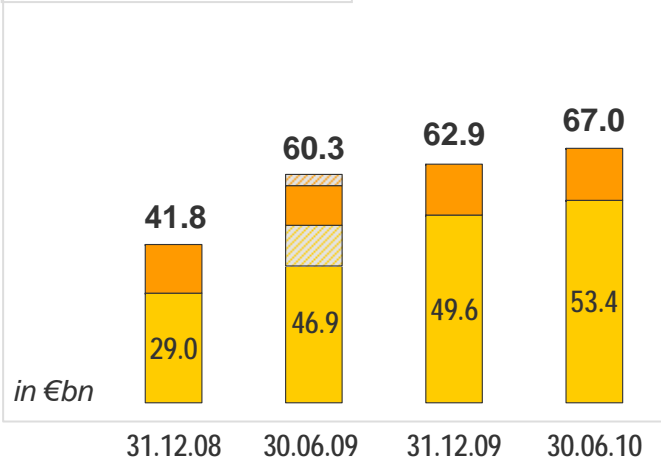
Conclusion




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**Appendices**

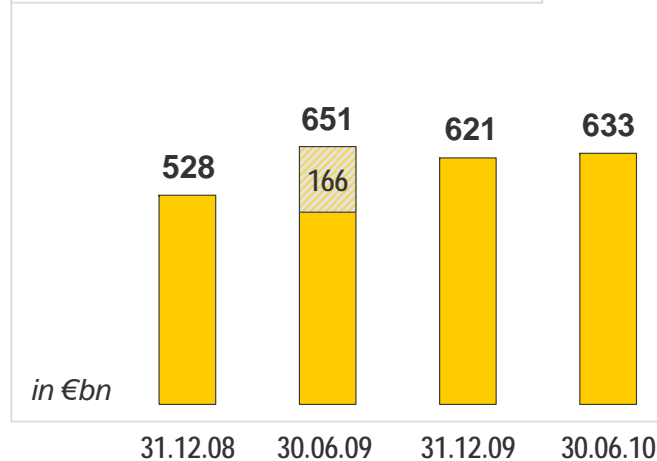
# Capital and RWAs

## Tier 1 capital



-  Fortis contribution
-  Hybrids
-  Equity Tier 1

## Risk-weighted assets



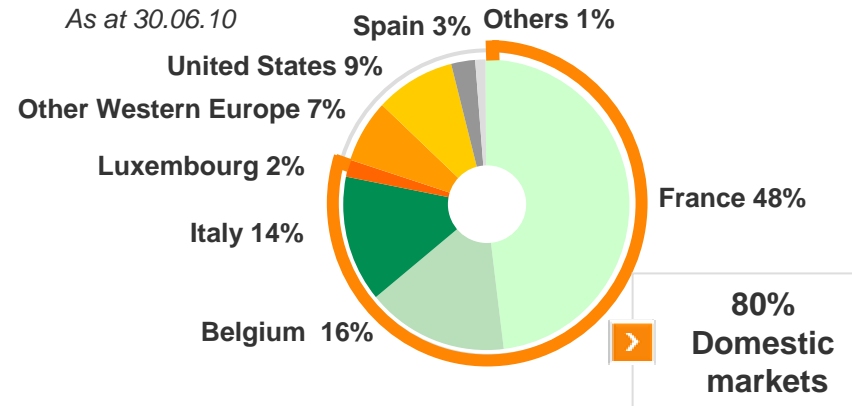
-  Fortis contribution



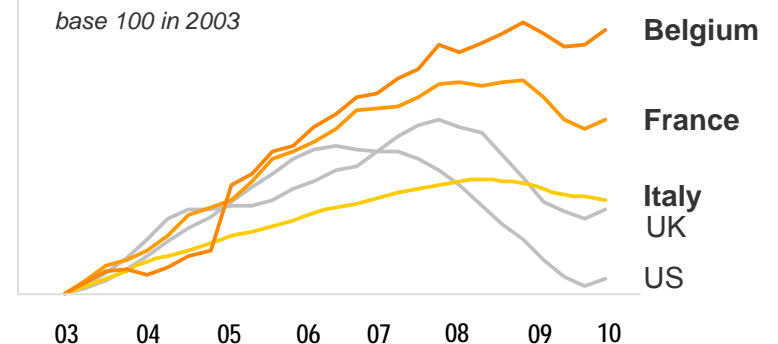
# Domestic Retail Networks

- Mortgage loans to individuals: 80% in the 4 domestic markets
  - No real estate crisis in these markets
  - Mostly fixed-rate mortgages
  - Granted based on customers' affordability rate and with appropriate collateral
  - Fast-paced growth (+5.5%\*/1H09)
  
- Deposits
  - Good inflows of sight deposit and savings accounts to the detriment of time deposits in Belgium and France
  
- Off balance sheet savings
  - Good inflows in Life insurance in Italy and Belgium

## Mortgages by geography (€163bn)



## Housing prices (rebased in 2003)\*\*

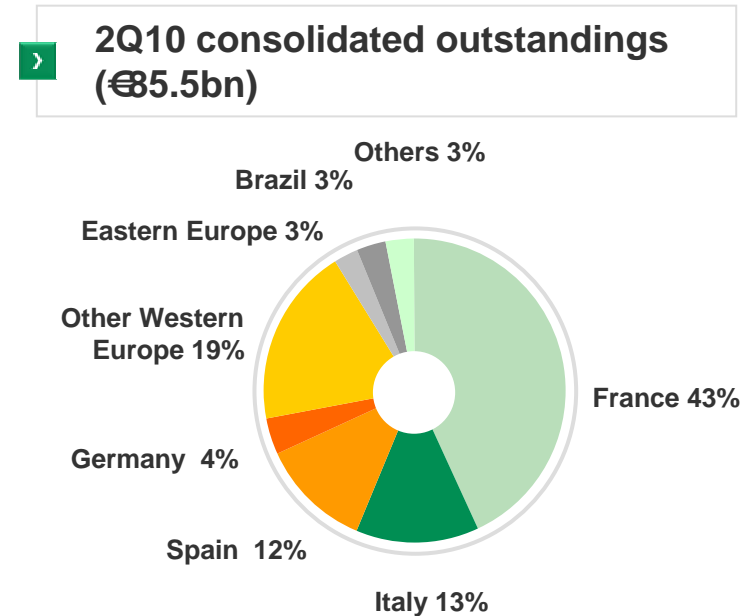


➤ **Good sales and marketing drive**



# Personal Finance

- Pursuing growth and industrialisation strategy
  - Italy: implementation of Findomestic integration plan
  - Germany: creation of Commerz Finanz (50.1% BNP Paribas), consumer lending business with Commerzbank (1,200 branches, 11 million customers)
  - France: business alliance with BPCE, creation of a common IT platform to manage consumer loans
- Rebound in marketing expenses from the low level in 2009
- Strong new loan growth
  - Mortgages (France and the Netherlands)
  - Consumer Loans (Latin America)

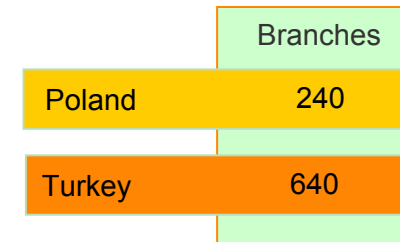


> Sustained development

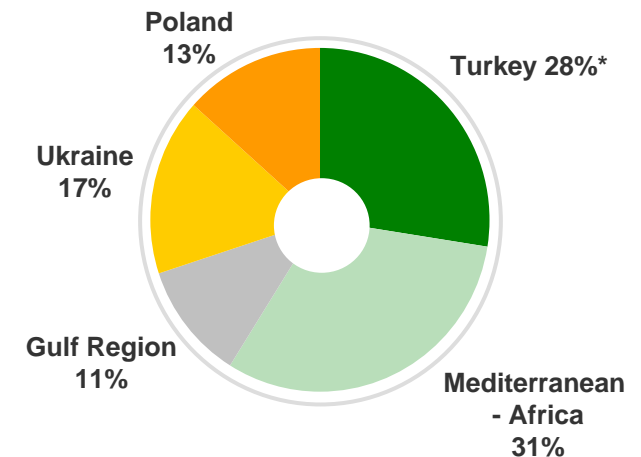


# Europe-Mediterranean

- Poland and Turkey: demographically attractive markets and good GDP growth outlook
- Turkey: TEB and Fortis Bank Turkey signed a merger agreement
  - Business plan being formulated
  - Broad customer base, cross-selling opportunities with CIB and Investment Solutions
- Return to break even
  - Pre-tax income: €64mn vs €-2mn in 1H09



➤ Outstanding loans 2Q10 (€24.9bn)



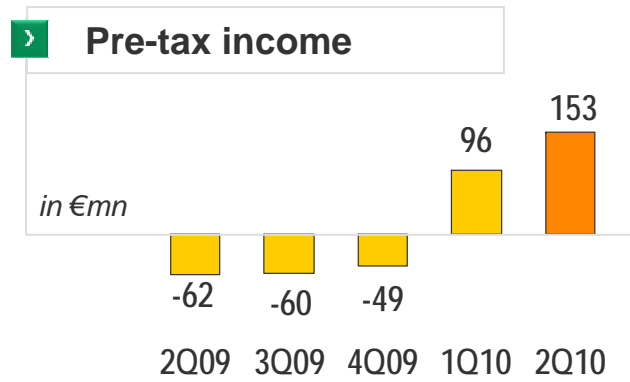
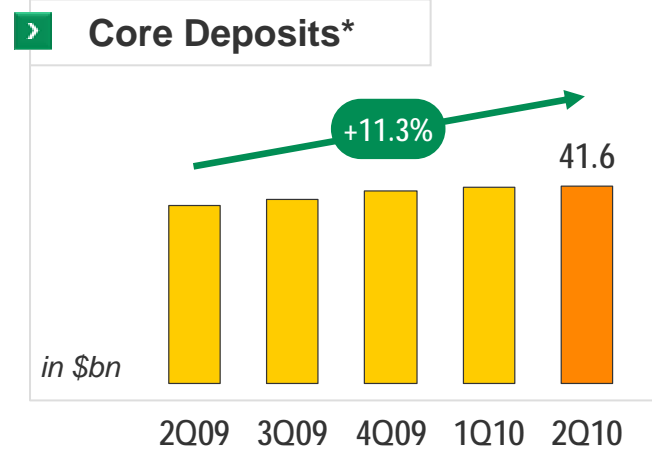
➤ Significant reinforcement in two fast growing countries





# BancWest

- Significant and increasing deposit base in USD
- Step up commercial effectiveness of the network
  - Boost customer acquisition: net gain in individual customers
  - Increase cross selling: mortgage and cash management
  - Upgrade the branch network: multi-channel and on-line banking
- Continued cost-cutting efforts
  - Full effect of the cost-cutting programme (\$130mn on a full year basis)
- Cost of Risk: start of an improvement in the loan book
  - Delinquency rate fell for individual customers, across all segments
- Pre-tax income: €249mn vs €-88mn in 1H09



**Return to profit**

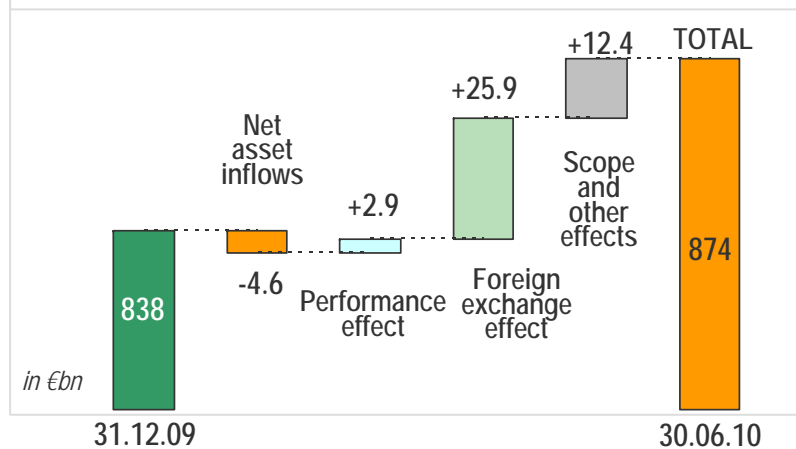


\* Deposits excluding Jumbo CDs

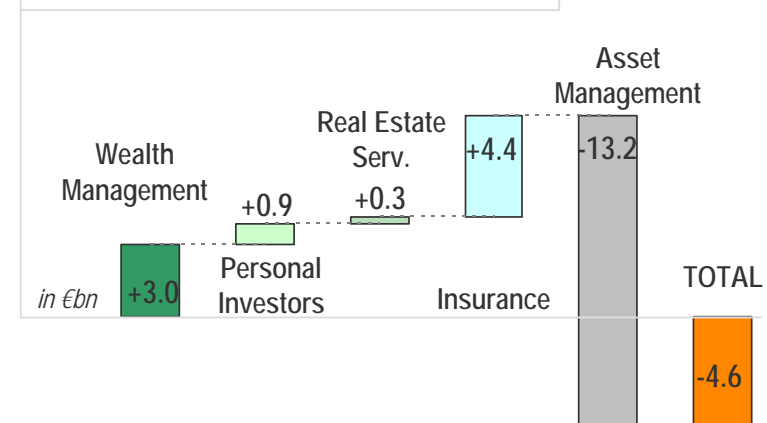
# Investment Solutions

## Asset Inflows and Assets under Management

### > Assets under management as at 30.06.10



### > Net asset inflows in 1H10



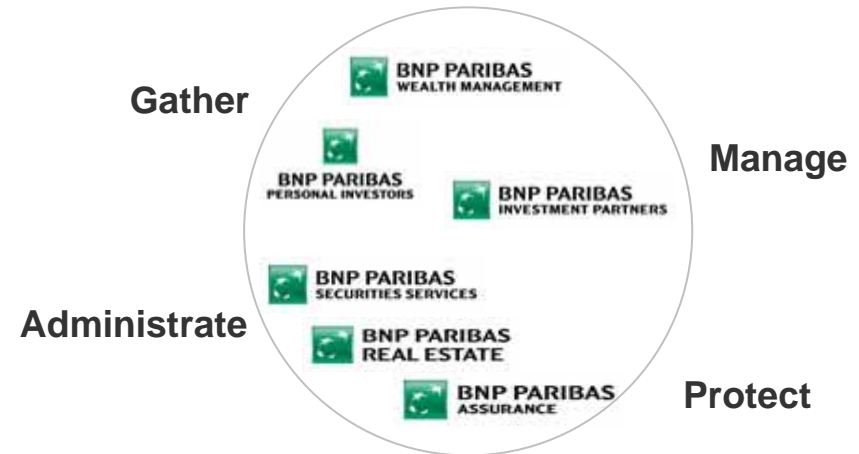
- Assets under management: €874bn as at 30.06.10, +4.4% /31.12.09
- Net asset inflows
  - Private Banking: good asset inflows in domestic markets
  - Insurance: good asset inflows in France, Belgium, Luxembourg and Taiwan
  - Asset Management: asset outflows (notably in money market and equity funds) accentuated by a client decision to end the outsourcing of its management (-€5.2bn) in 2Q10

> **Assets under management rose to €874bn**



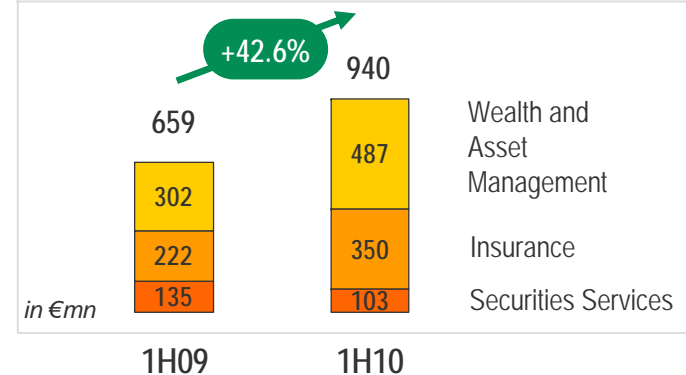
# Investment Solutions

- An effective business model
  - Covering the entire range of investment services
  - Comprising integrated and complementary businesses
  - Low cost/income ratio: 70.8% (-0.3pts/1H09)



- All businesses are core

## Pre-tax income per business unit

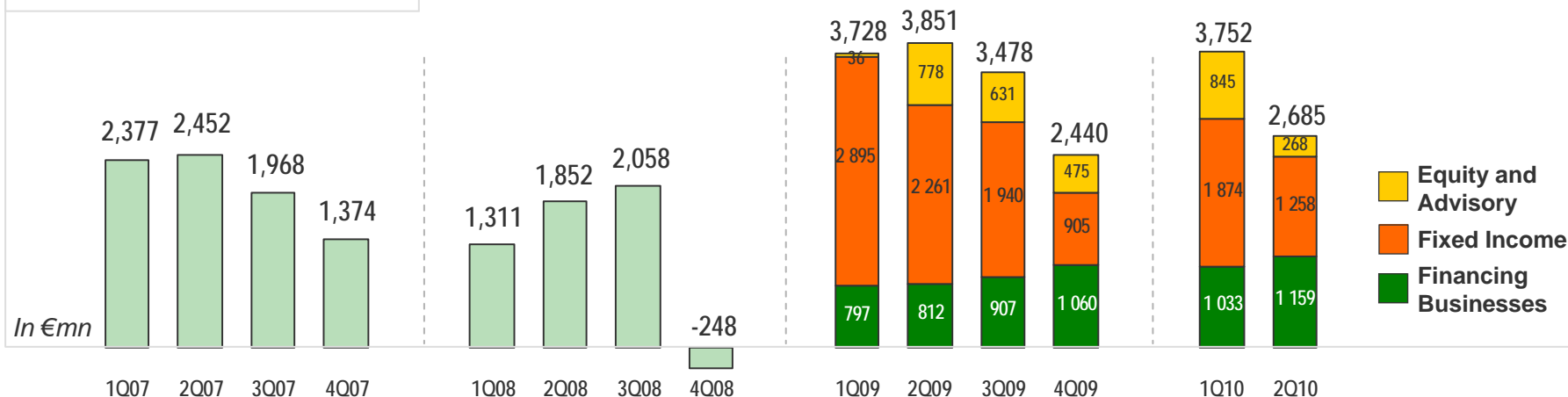


**Resilient business mix in a challenging environment**



# Corporate and Investment Banking (1/2)

## Revenues 2007-1H10



- Financing businesses
  - Strong, recurrent and growing revenue base
  - Leadership in Europe and recognised global franchises
- Capital markets
  - Strong franchises beyond intrinsic volatility: global leading provider of derivatives; #1 All bonds in euros (*Thomson Reuters 1H 2010*)
  - VaR low (€42mn in 2Q10) and reliable (only 10 days of losses above the VaR since 2007)
- C/I ratio: 52.0% (+6.9pts/1H09)

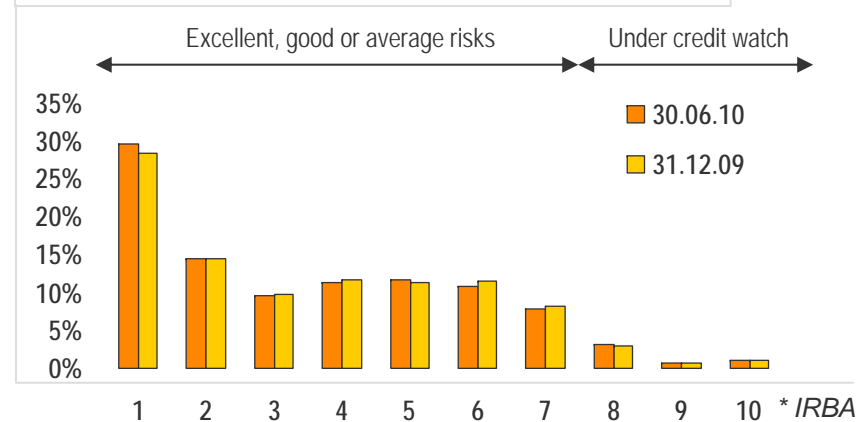
Well diversified and client centric business mix



# Corporate and Investment Banking (2/2)

- Good quality loan book
  - Over 95% of outstandings rated  $\leq 7$

## Corporate clients'\* internal ratings



- All 2009 variable compensation components already booked in 2009
  - Including the deferred and conditional part (payable in 2011, 2012 and 2013)
- Limited reclassified assets (from the trading book to the banking book)
  - €6.7bn as at 30.06.09
  - Flat shadow P&L: if no reclassification had been implemented, the aggregate pre-tax income since the first reclassification would have been virtually the same



**No overhang on future earnings**

