# BNP Paribas
# Swiftly adapting to the changing environment

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***Morgan Stanley Conference, London***

***28 March 2012***

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# Swift Adaptation to the New Environment

## Resilient Performance

## Sound Base to Move Forward

# Changing World

**Sovereign debt crisis**

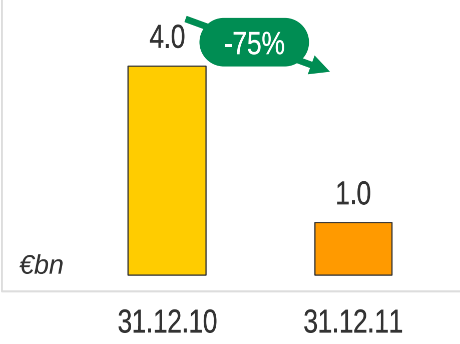
**Tension on liquidity and funding**

**Solvency requirements increased and brought forward**

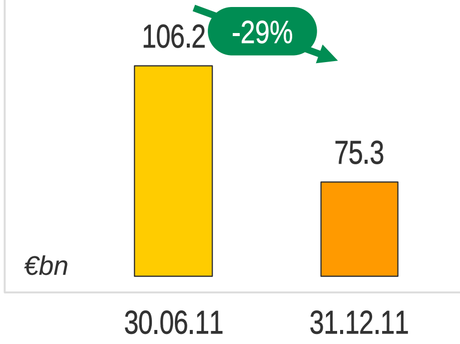
**Vigorous and swift actions taken to adapt to the changing environment**

# Adaptation Plan: Sovereign Debt

**Net Greek exposure** (banking book)




**Total Sovereign exposure**



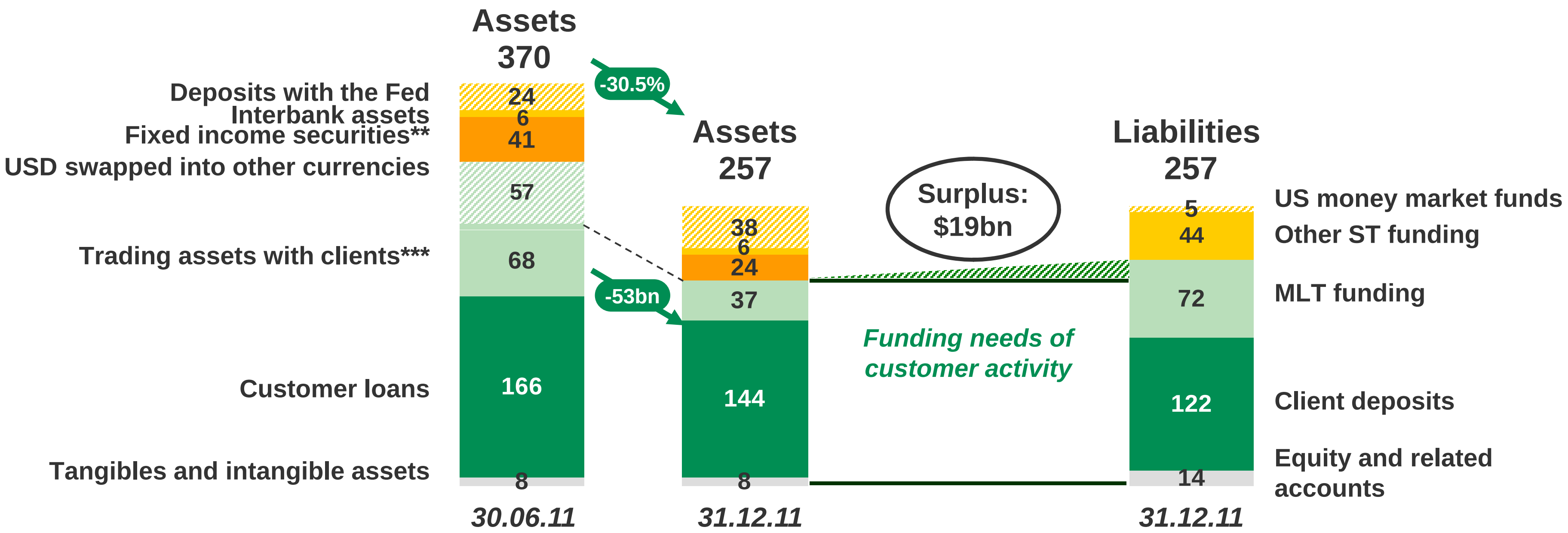

- Provisions on all Greek exposure (including Insurance) brought to 75%
- Reduction of Sovereign portfolio across the board
  - -23% to euro zone countries
  - Over 55% of the remaining exposure in the domestic markets

**Reduced portfolio in order to limit sensitivity of solvency ratios**

# Adaptation Plan: Liquidity and Funding (1/3)

- Sharp decline of the Group's USD funding needs
  - CIB: -$57bn in 6 months vs. -$60bn targeted by year-end 2012 (increased to -$65bn)

**USD Cash Balance Sheet***

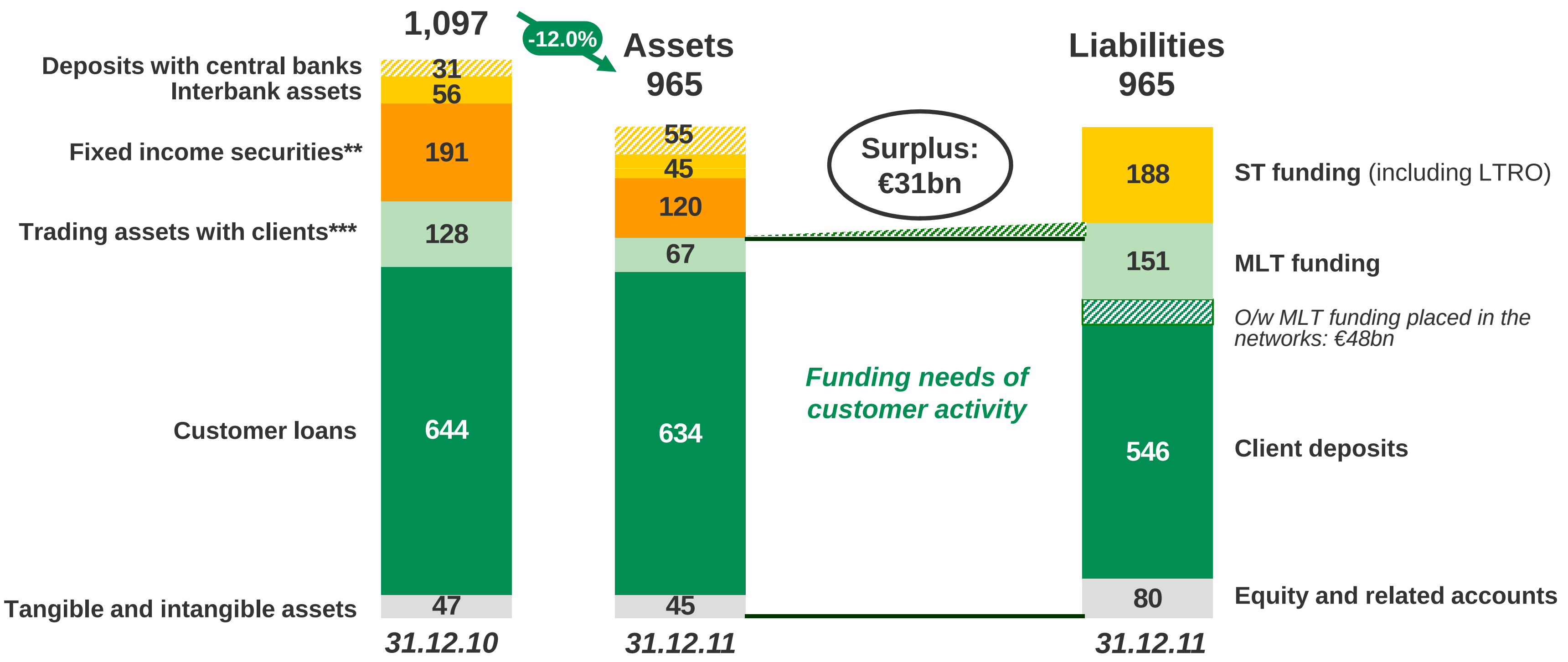



**USD funding reduction plan almost completed; $19bn surplus of stable funding**

** Balance sheet in $bn excluding Insurance and Klepierre with netted amounts for derivatives, repos, securities lending/borrowing and payables/receivables; ** Including HQLA; *** With netted amounts for derivatives, repos and payables/receivables.*

# Adaptation Plan: Liquidity and Funding (2/3)

## Global Cash Balance Sheet*

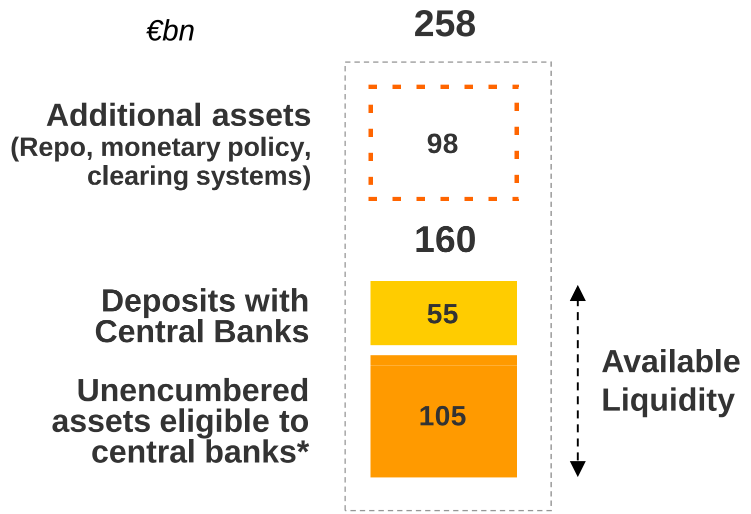



## Rapid deleveraging and stable funding

** Balance sheet in €bn excluding Insurance and Klepierre with netted amounts for derivatives, repos, securities lending/borrowing and payables/receivables; ** Including HQLA; *** With netted amounts for derivatives, repos and payables/receivables*

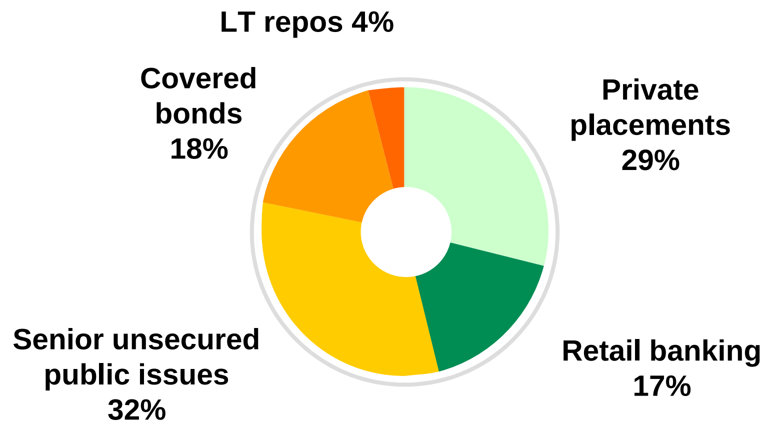
# Adaptation Plan: Liquidity and Funding (3/3)

## Liquidity buffer as at 31.12.11




- Liquid asset reserves immediately available: €160bn*
  - Accounting for ~85% of short-term wholesale funding

## 2011 funding MLT structure – €43bn – breakdown by source




- 2011 MLT programme: €35bn, completed in July 2011 (average maturity of 6 years)
- Raising an additional €8bn during the crisis
  - Average maturity of 5.3 years at mid-swap +89bp

**Maintaining very high liquid asset reserves and increasing funding programme**

** After haircuts*

# Adaptation Plan: Solvency (1/3)

| | Ratio (bp) | | Risk-weighted assets *(€bn equivalent)* | |
|---|---|---|---|---|
| | Plan | Realised at 31.12.2011 | Plan | Realised at 31.12.2011 |
| CIB | 57 | 28 | -45 | -22 |
| Retail | 7 | 1 | -6 | -1 |
| Other activities | 36 | 3 | -28 | -2 |
| Total | 100 | 32 | -79* | -25 |

## CIB

RWA reduction

- More selective origination
- Sale of assets (Energy & Commodity, Asset Finance, Project & Leveraged Finance)
- Reduction of specific Capital Market activities

One-off impacts

- Adaptation costs: -€184m booked in 2011 (-€400m planned in total)
- Losses from loan sales: -€152m on €5.2bn in 2011 (3% average discount; -€800m planned in total)

## Retail Banking

Specific business adaptation

- Personal Finance: downsizing mortgage specialised business
- Equipment Solutions: exit from leasing non core perimeters and subscale countries

Adaptation costs

- -€55m booked in 2011 (-€100m planned in total), mostly Personal Finance

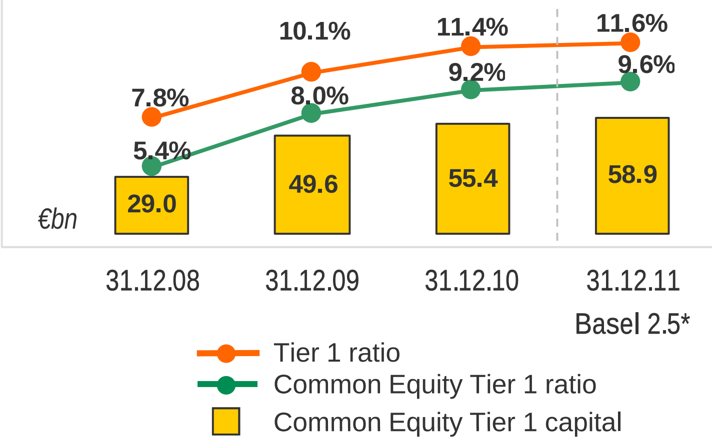
**Deleveraging actions on targeted businesses**

** According to CRD4 as anticipated by BNP Paribas as at 31.01.2012*

# Adaptation Plan: Solvency (2/3)

- Basel 2.5* CET1 ratio: 9.6% as at 31.12.2011
- Target set by the EBA (CET1 ratio at 9% as at 30.06.2012) already reached
- Shareholders' equity
  - Common equity Tier 1: doubled vs. 2008
- Basel 2.5* risk-weighted assets: €614bn
  - Impact of the switch to Basel 2.5*: +€32bn, essentially in Capital Markets (vs. +€40bn before adaptation)
  - Adaptation plan: -€25bn, including -€8bn from adapting to Basel 2.5*

**Solvency ratios**

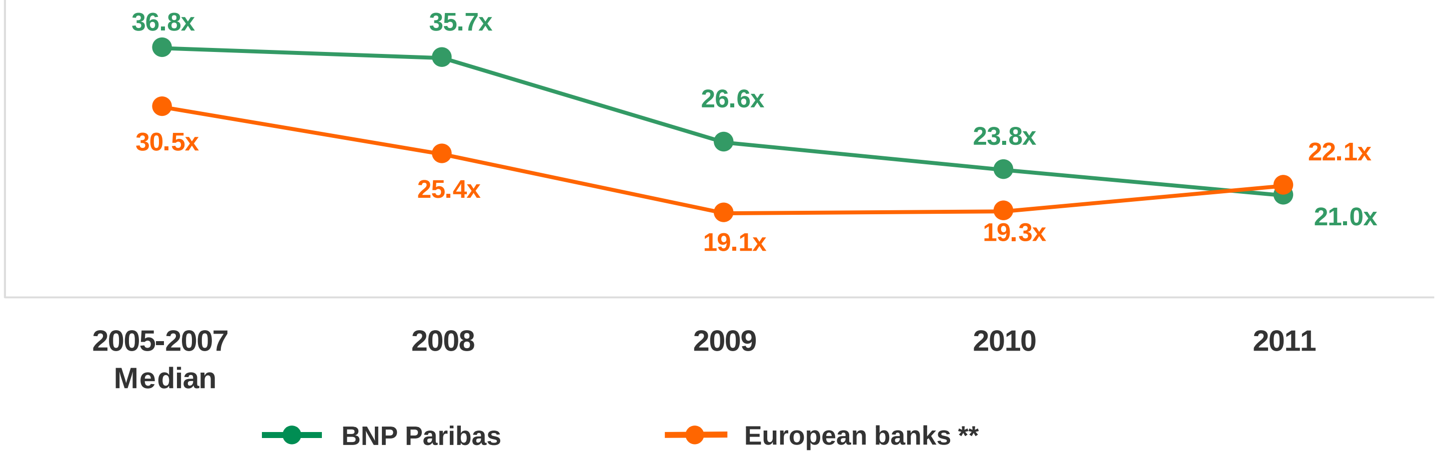



**EBA target exceeded 6 months in advance**

* CRD3

# Adaptation Plan: Solvency (3/3)

## 2005 – 2011 Leverage ratio *




## A continued deleveraging trend

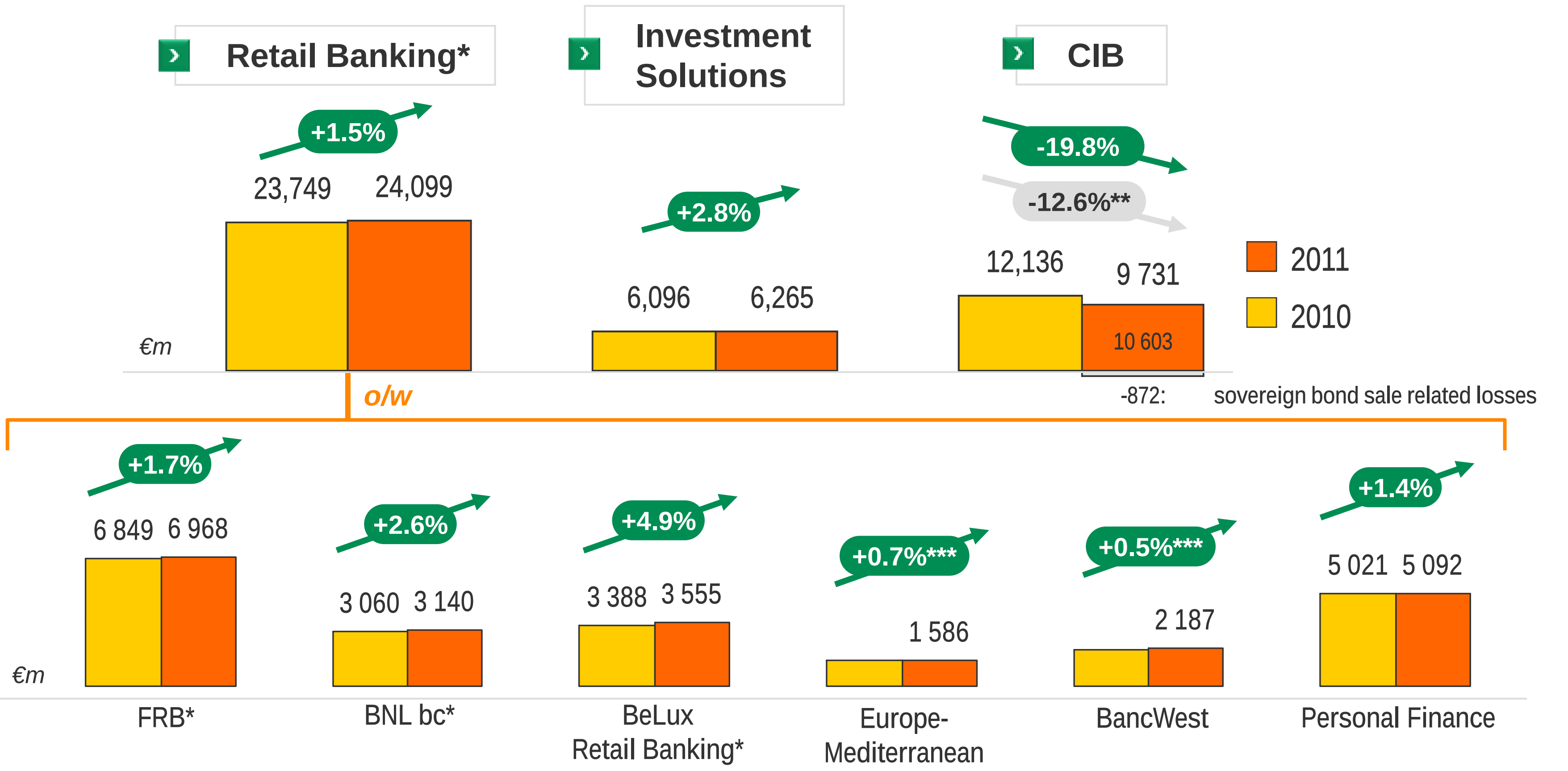
* Defined as tangible assets (total assets less goodwill and intangibles) excluding derivative assets divided by tier 1 capital, as published by banks;
** Median based on sample including Barclays, BBVA, Crédit Agricole SA, Credit Suisse, Deutsche Bank, HSBC, Royal Bank of Scotland, Santander, Société Générale, UBS, Intesa Sanpaolo and Unicredit (excluding Italian banks for 2011)

Swift Adaptation to the New Environment

# Resilient Performance

Sound Base to Move Forward

# 2011 Revenues of the Operating Divisions

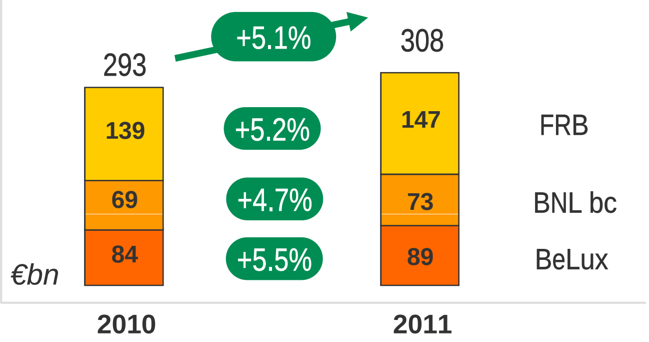



**Revenues up in all the businesses excluding CIB**

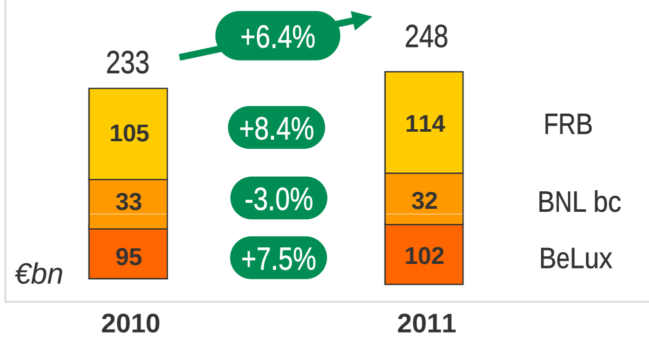
** Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy and Belgium;*
*** Excluding losses from sovereign bond sales; *** At constant scope and exchange rates*

# Retail Banking - Domestic Networks

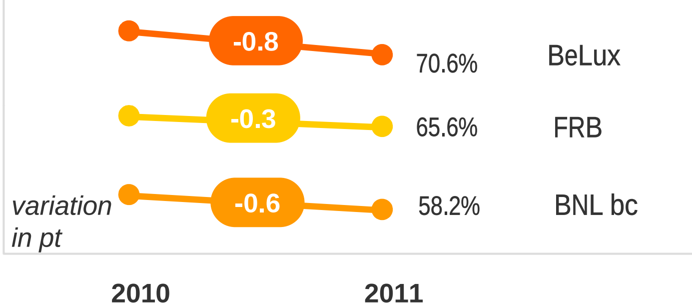
## Loan growth*




## Deposit growth*




## Cost/Income Ratio*




- Operating efficiency improvement
- Positive jaws effect in all domestic markets

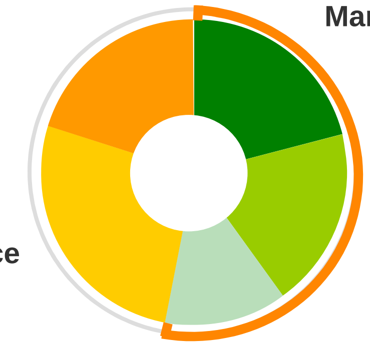
**A resilient commercial performance while continuing to improve operating efficiency**

** At constant scope, including 100% of Private Banking in France (excluding PEL/CEL effects), Italy and Belgium*

# Investment Solutions

- Resilient business model
  - Integrated model with excellent complementary fit between businesses
  - Low capital consumption businesses
- Asset Management: strategic reorientation
  - Sharp decline in assets under management weighs on revenues
  - Implementation of the adaptation plan
  - Focus on institutional clients and emerging regions
- Net asset inflows in all other business units: Wealth Management, Personal Investors, Insurance, Securities Services
- Cost optimisation programmes under way in all business units

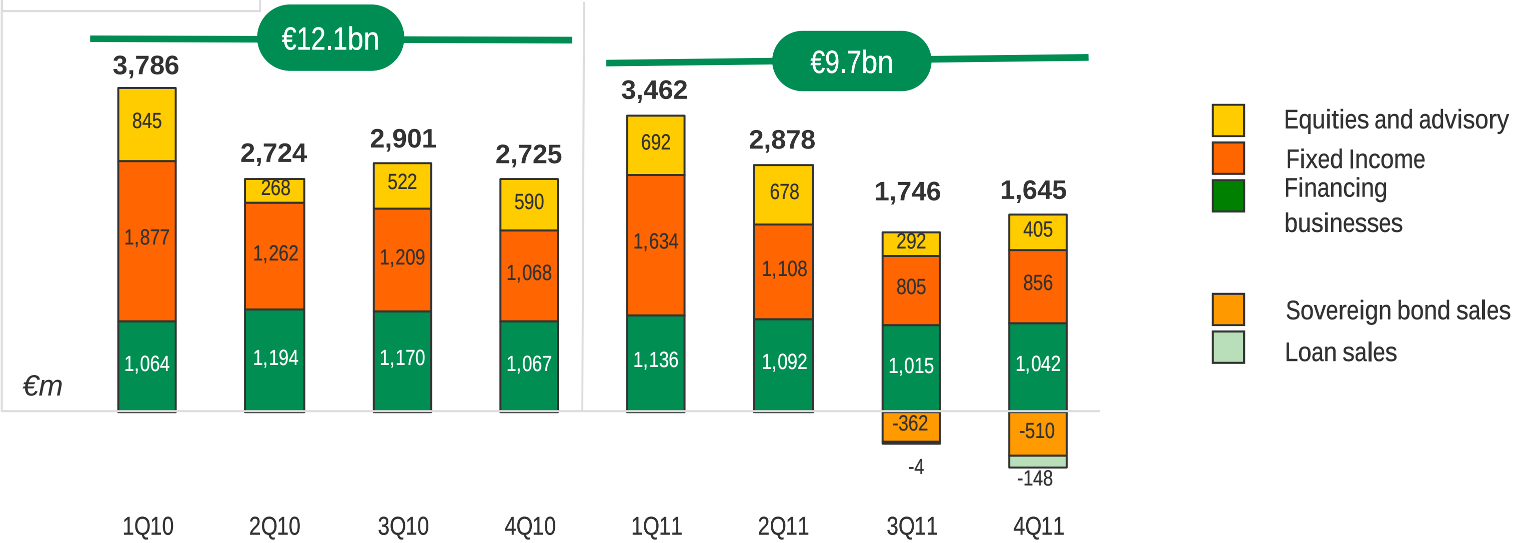
**Business Mix**
*2011 Revenues*




**Resilience of the business in a challenging environment**

# Corporate and Investment Banking - Revenues

## Revenues




- Second half 2011 revenues impacted by the unprecedented eurozone crisis
- Losses from sovereign bond sales: €872m
- Impact of the adaptation plan: €152m in losses from loan sales in the financing businesses

**Impact of the crisis and of the adaptation plan**

# Corporate and Investment Banking - Financing Businesses

- Leveraging on a powerful origination platform and on a broad and diversified international client base

- Adapting the business to the new market environment
  - Financing: reducing origination of long-term loans in dollars, developing advisory and structuring
  - Growth in Cash Management: expanding client resources, especially in Europe and Asia

- Proven leadership in all the business units
  - No.1 Mandated Lead Arranger for Global Trade Finance loans (excl. sole bank loans) - 2011 – *Dealogic*
  - No.1 Bookrunner and Mandated Lead Arranger in EMEA for Syndicated loans by number and volume of deals - 2011 – *Dealogic*
  - No.5 globally in Cash Management Bank - October 2011 - *Euromoney* Cash Management Survey
  - Emerging EMEA Loan House (*IFR*)

**Strong client base and powerful origination platform**

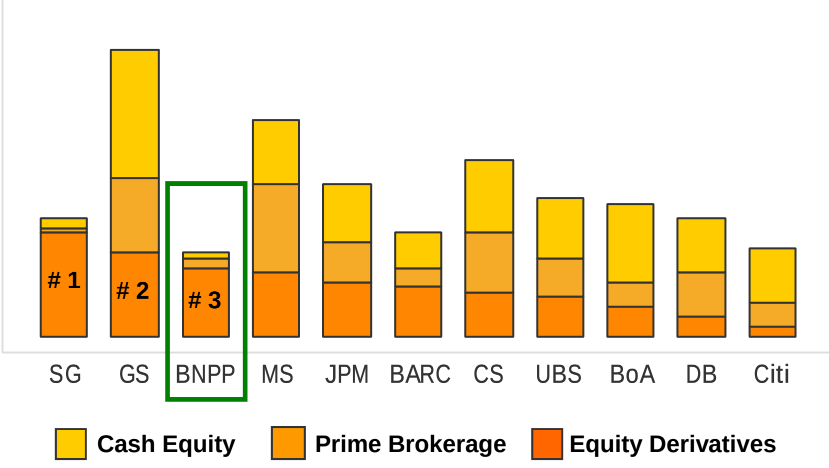
** Source: bank disclosure & BNP P estimates; ** Source: Thomson Reuters*

# Corporate and Investment Banking - Capital Markets

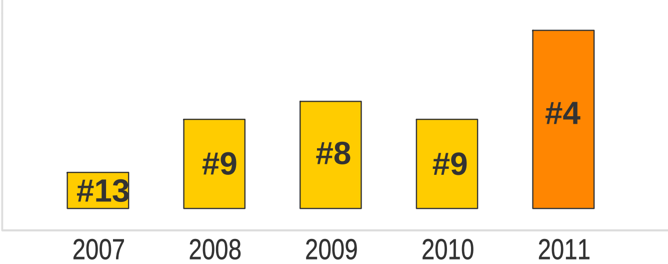
- Equity & Advisory: ~ 1/3 of revenues
  - Top 3 worldwide equity derivatives franchise with very limited cash equities, complemented by a profitable prime brokerage activity
  - Combination of listed derivatives & fully collateralised OTC business
  - Solid European franchise in equity-linked (# 2***)

- Fixed Income
  - Virtually no legacy assets
  - Leading interest rate derivative franchise
  - Leading position in euro capital markets #1 "All bonds in euros"
  - Strong distribution platform in Europe and in the US

**Benchmark 2011 Global Equities revenues***




***All International Bonds* ranking****



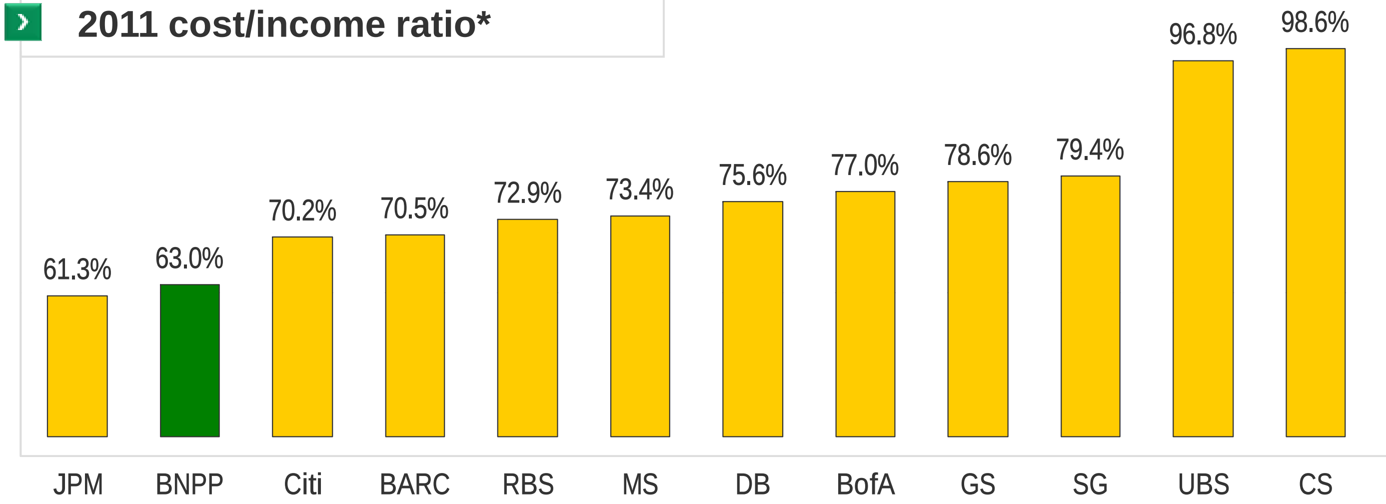

**A strong franchise driven by client activity**

** Source: bank disclosure & BNP Paribas estimates; ** Source: Thomson Reuters; *** Source: Dealogic*

# Corporate and Investment Banking - Efficiency

- 2011 cost/income ratio: still the best in the industry
  - Revenues impacted by €872m losses from sovereign bond sales in 2H11
  - Workforce adaptation plan (40% already ongoing at a cost of €184m in 4Q11)
- All variable compensation components booked in the year of attribution
  - Including the deferred and conditional part (payable in the following years)

**2011 cost/income ratio***

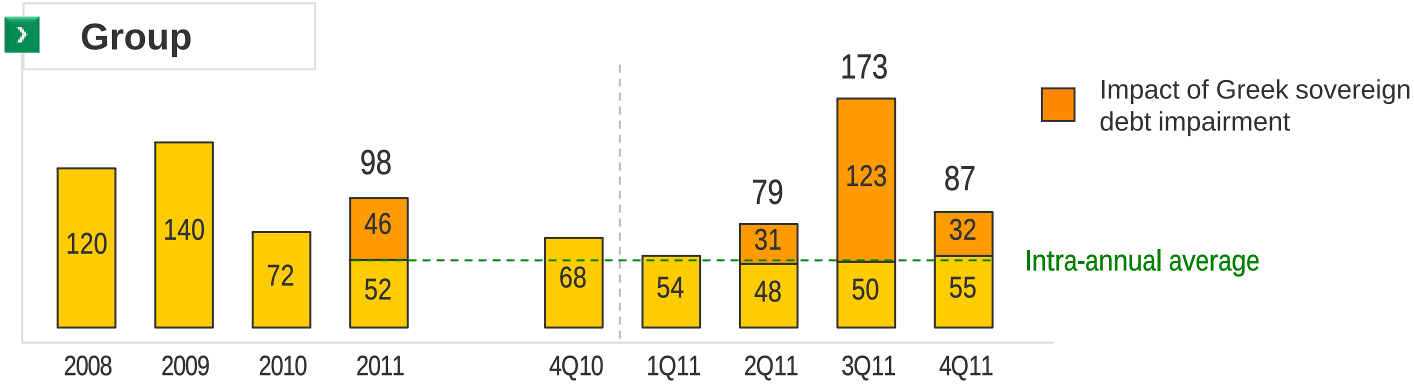



**Operating efficiency maintained at the best level**

** Source: banks*

# Strong Risk Management Culture (1/3)

*Net provisions/Customer loans (in annualised bp)*

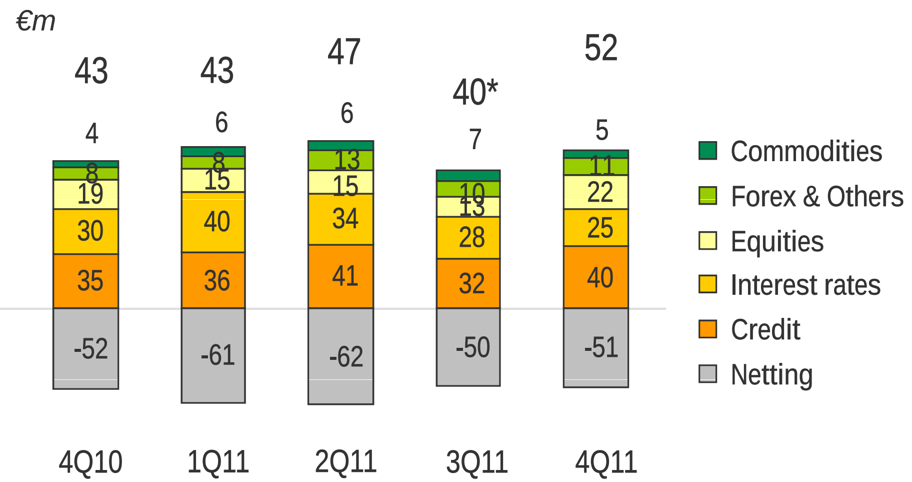


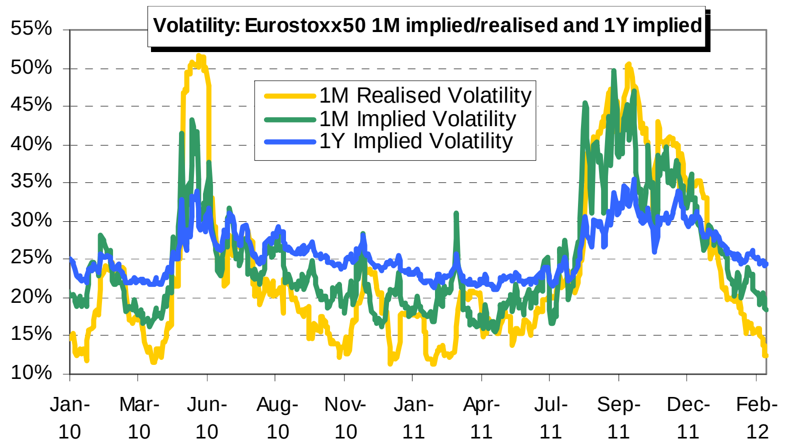

- Domestic Markets
  - Low level confirmed in France and Belgium; stabilisation in Italy
- Other Retail Banking
  - Europe-Mediterranean: reduction confirmed despite Ukraine
  - BancWest: continued improvement of the economic environment
- CIB Financing businesses: almost nil, slight increase in specific provisions in 4Q11
- Strong diversification across industries and countries

**Cost of risk at a level close to the cycle average, excluding Greece**

# Strong Risk Management Culture (2/3)

## Average 99% 1-day interval VaR



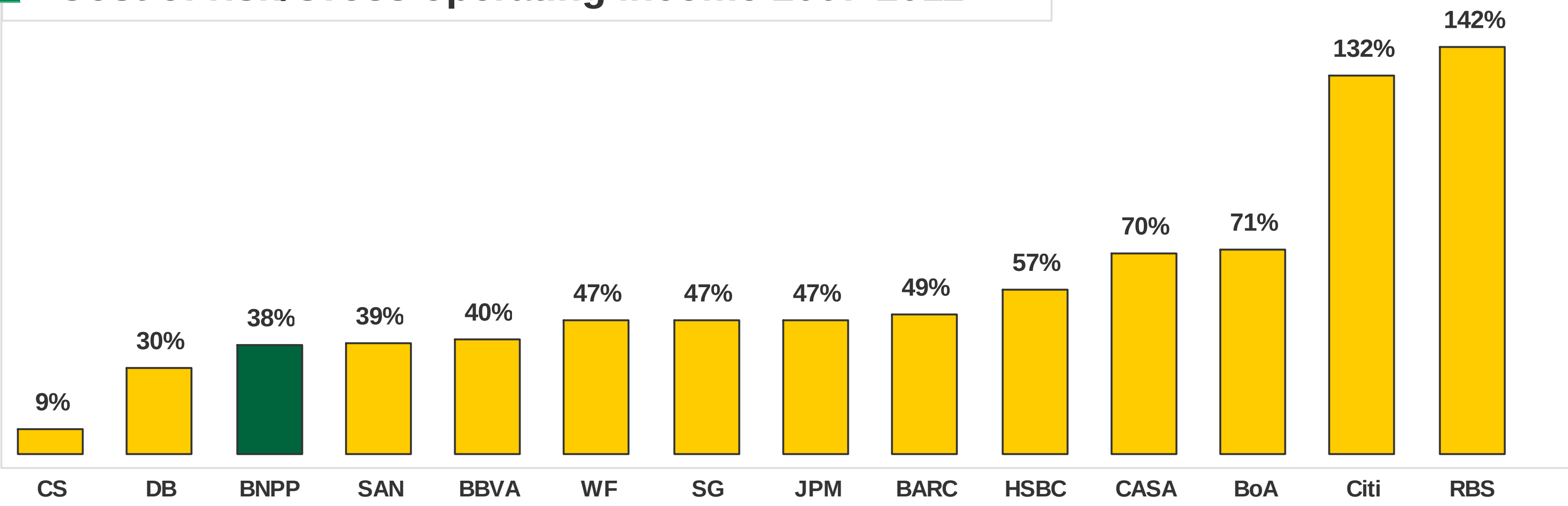

- Market risk diversified across various asset classes
- Low Value at Risk
  - Average VaR (1 Day - 99%): ~€50m in 2010-2011
  - No day of losses > VaR in 2011 despite extremely high levels of volatility
  - Only 10 days of losses > VaR over the 2007-2011 period, validating the theoretical approach

**Cautious and successful management of market risks**

** Including BNP Paribas Fortis integrated as of 01.07.2011 (BNP Paribas Fortis: average VaR €3.7m in 4Q11)*

# Risk Management Culture (3/3)

## Cost of risk/Gross operating income 2007-2011*



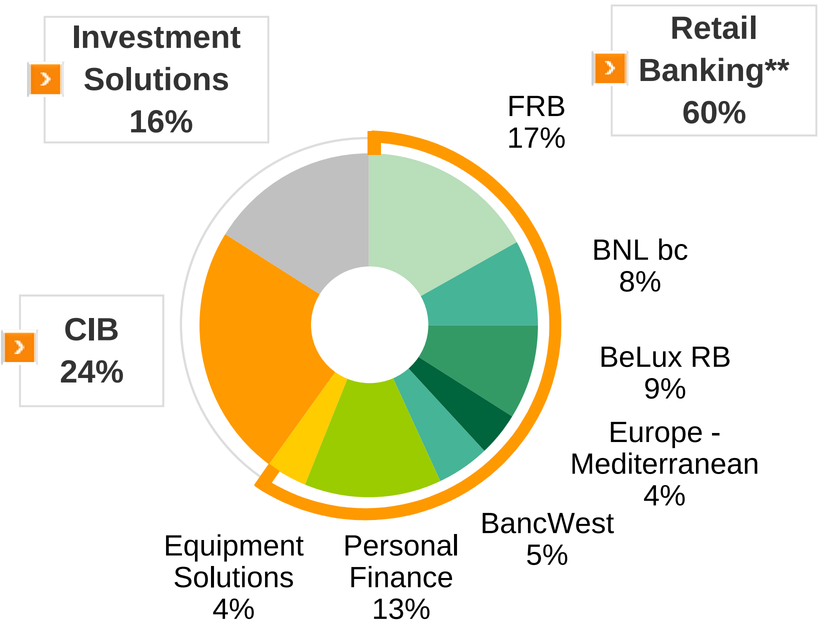

**Stringent risk policy with proven effectiveness**

** Source: banks; ** UBS not included due to negative cumulated GOI over the period*

# Group Overview

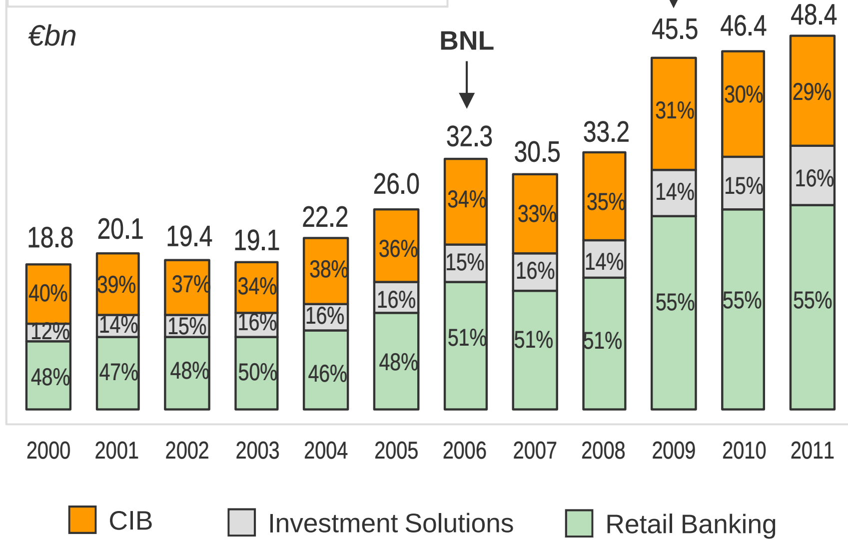
## Business mix

*2011* Revenues*




## Allocated equity**

***(Basel 2.5 as at 31.12.2011)***




- An increased share of Retail Banking activities resulting from the integration of BNL and Fortis
- 1/2 Retail, 1/3 CIB, 1/6 Investment Solutions

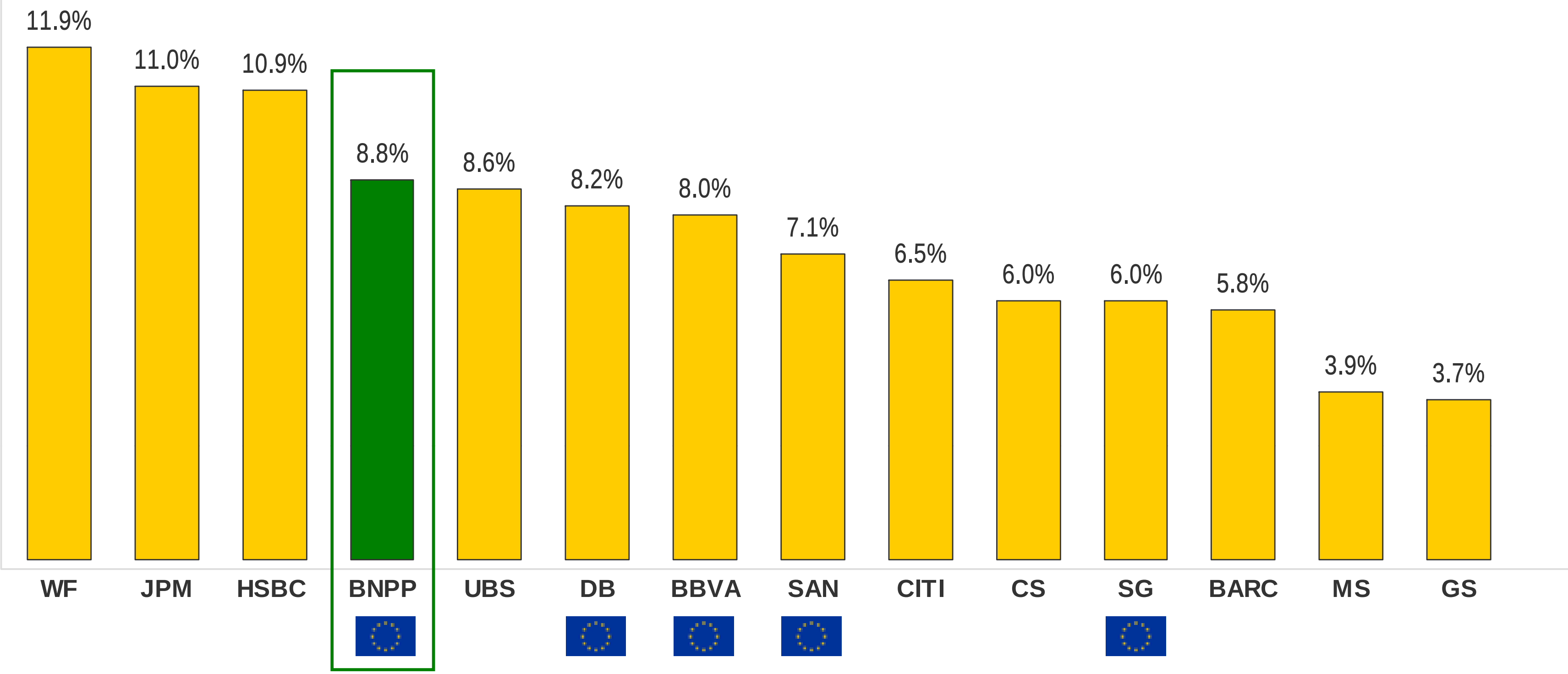
## Balanced and diversified portfolio of activities

** Operating divisions;*

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

# ROE Benchmark

## 2011 Return on equity

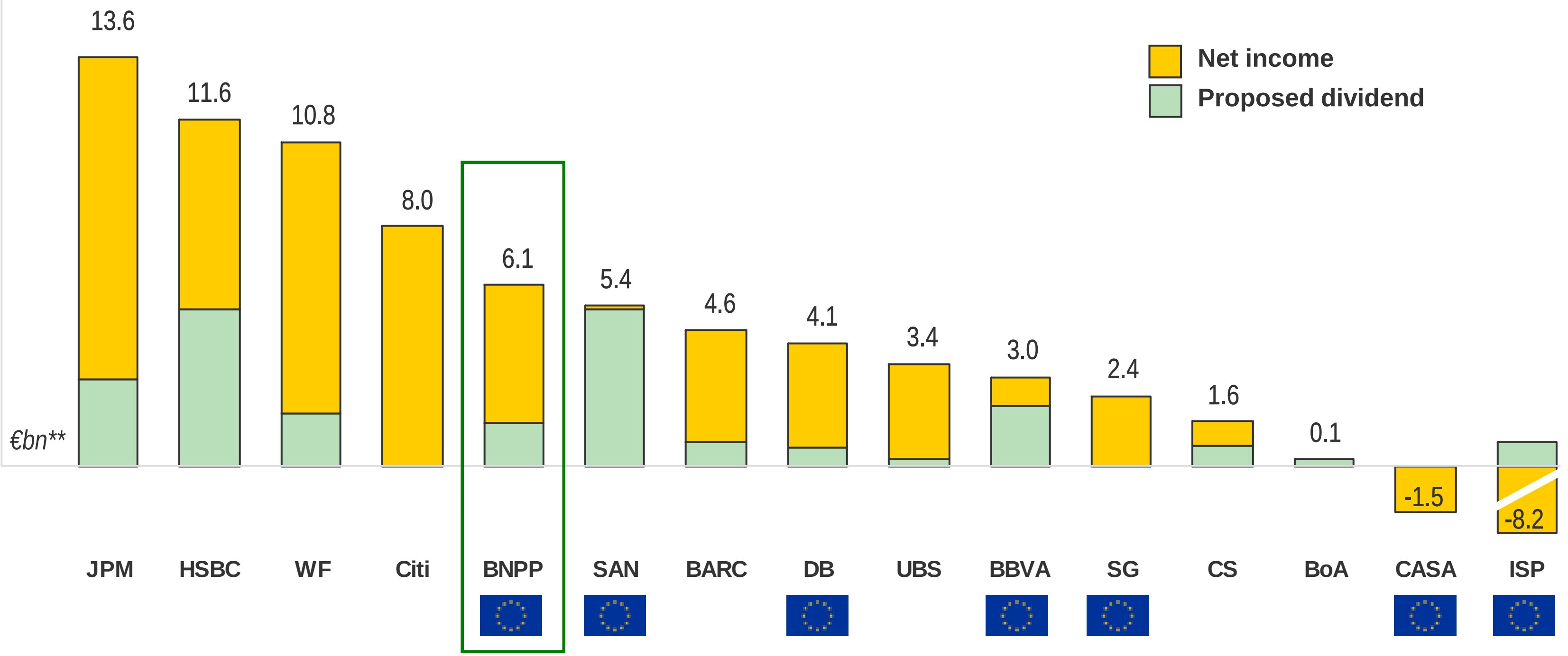



**Top tier profitability in a challenging context**

*Source: banks*

# Net Income & Dividend Payment Benchmark

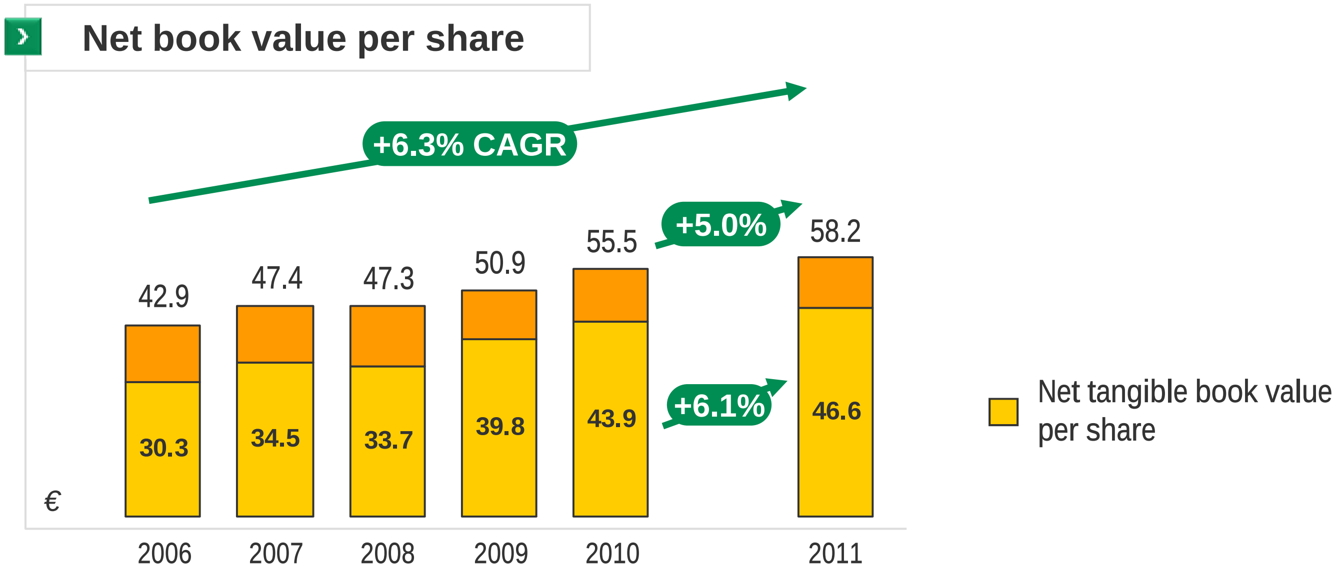
## 2011 Net income* and proposed dividend




**Strong earnings generation capacity;**
**25% pay-out despite an extremely challenging year**

** Source: banks; ** Average 2011 exchange rates*

# Net Book Value per Share




**A model generating robust growth of the net book value throughout the cycle**

Swift Adaptation to the New Environment

Resilient Performance

# Sound Base to Move Forward

# 2012 Action Plan

| | | |
|---|---|---|
| **Financial strength** | **Operating efficiency** | **Business development** |

**A year fully dedicated to laying the foundations to be well positioned for 2013**

# Financial Strength: Deleveraging Plan

| | Ratio (bp) | | |
|---|---|---|---|
| | Plan | Realised at 31.12.2011 | Including Klépierre and RBL impact |
| CIB | 57 | 28 | 33 |
| Retail | 7 | 1 | 1 |
| Other activities | 36 | 3 | 35 |
| **Total** | **100** | **32** | **69** |

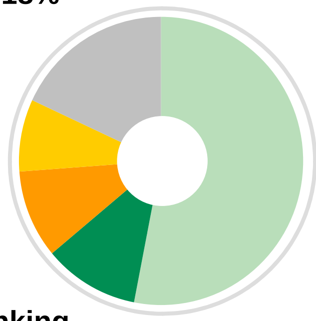
- February 2012: sale of reserve-based lending business to Wells Fargo
  - Sale at a premium generating 5 bps benefit in terms of target ratio
  - Without affecting the North American platform and global Energy and Commodities business
- March 2012: sale of 28.7% of Klépierre to Simon Property
  - €1.5bn capital gain leading to a 32 bps benefit in terms of target ratio
- CIB well on track to achieve its RWA reduction target

**Nearly 70% of the Plan already achieved**

# Financial Strength: 2012 Medium/Long-Term Funding

- 2012 MLT Programme: €20bn
  - Requirements reduced due to the adaptation plan
- €12bn completed* as of 22 March
  - Average maturity of ~6 years
  - At mid-swap +112 bp
  - Mostly through private placements, distribution in the networks and the CRH**
  - Including public issues for €1.25bn of senior unsecured and €1bn of covered bonds

**2012 MLT Structure – €12bn – Breakdown by source**




**60% of 2012 funding programme already achieved**

** Including issues at the end of 2011 on top of the €43bn completed under the 2011 programme;*
*** Caisse de Refinancement de l'Habitat: France's home loan refinancing entity*

# Operating Efficiency

- CIB
  - Workforce adaptation plan (-1,400 FTE, >60% already achieved by March 2012)
  - Ongoing cost savings projects, covering all regions
- Investment Solutions
  - Implementation of the Asset Management adaptation plan
  - Cost optimisation programmes launched in all business units
- Retail Banking
  - Plans for cost-cutting to 2014 launched in Italy, Belgium and Luxembourg
  - BNP Paribas Fortis: additional synergies of €300m from 2012
  - TEB integration plan implementation ahead of schedule

**Ongoing implementation of adaptation plans benefiting efficiency**

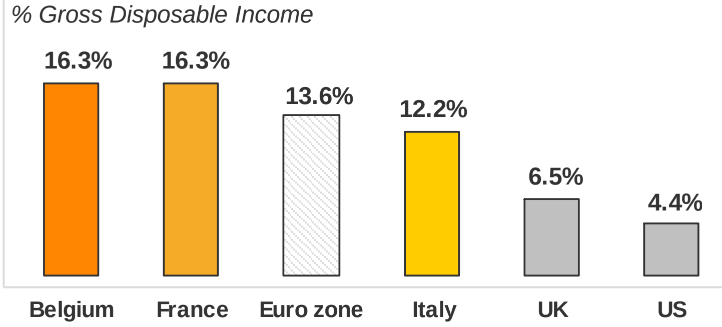
# Business Development: Retail Banking - Domestic Markets

- Support the economy in all domestic markets, whilst concurrently fostering deposit gathering

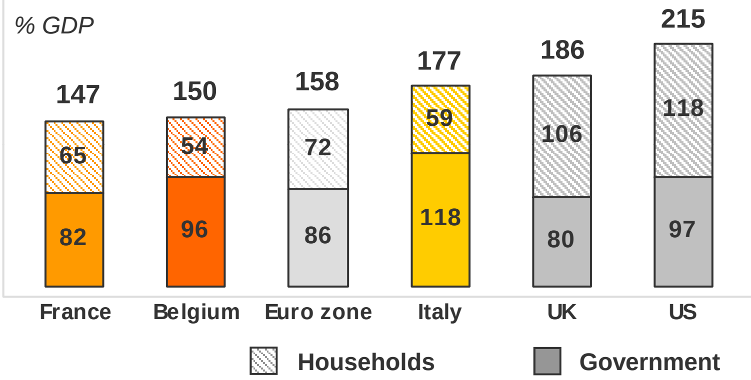
- Individuals
  - Adapt the savings product offering to customers' new requirements and to changes in regulations
  - Speed up the release of technological innovations (mobile and online banking, contactless payment systems), liaising with Personal Investors

- Corporates and Small Businesses
  - Complete the roll out of Small Business Centres in France and Italy
  - Develop leasing solutions (Leasing, Arval) and factoring particularly to support SMEs

**Gross households savings rate** (30.09.2011)*




**Government and Households debt** (2010)**




**Expand cross-selling and innovation in sound and wealthy markets**

* Source: Eurostat and BEA for US; ** Source: Eurostat and FED for US

# Business Development: Personal Finance and Investment Solutions

- Personal Finance : adapt the models to the new environment
  - Sell savings and protection insurance products in France and Italy
  - Develop sources of growth : Belgium (new partnership alliance with the Banque de la Poste), Germany (JV with Commerzbank), Russia (JV with Sberbank)
- Investment Solutions : continue adaptation and development
  - Insurance : continue expansion in emerging countries and strengthen Bancassurance position in the Domestic Markets
  - Securities Services : expand internationalisation in Asia and efficiency initiatives
  - Wealth Management : continue to deploy our successful Domestic Markets model

**Continue to adapt the models to the new environment**

# Business Development: CIB - Structural Adaptation Plan

## Fixed Income

- Growing role of markets in financing the economy
- Reducing capital and liquidity consumption
- Gradual exit of small players

- Strengthen distribution capacity and services to investors
- Tailoring products to new constraints
- Adapting the platform selectively to capture market share and remain a leader

**Develop synergies**

## Financing Businesses

- Financing needs of the global economy
- Reducing capital and liquidity consumption
- Demand for global cash management services

- Originate disintermediated financing solutions and distribute more to investors
- Leverage our global network to develop banking and cash management services

## Equities and Advisory

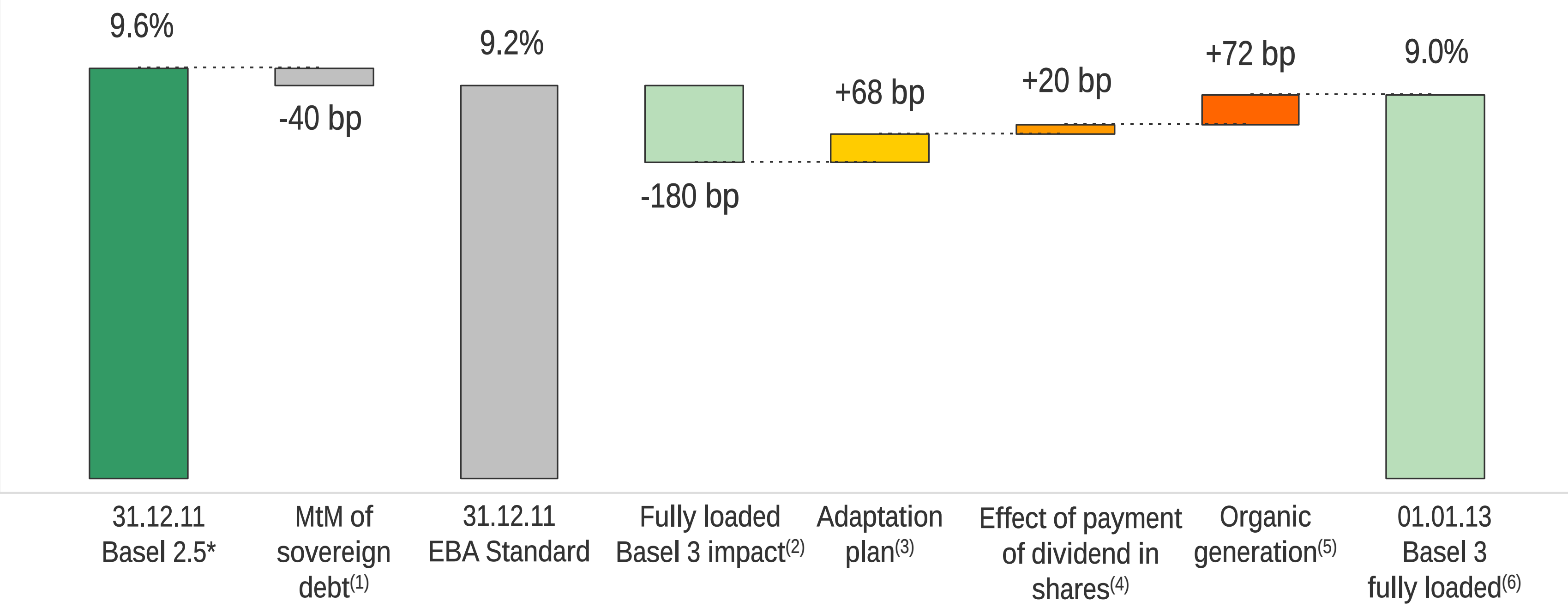
- Market consolidation
- Demand for less complex and more liquid products
- Increasing relevance of emerging equity markets

- Strengthen the franchise by closely coordinating derivatives, primary equity and distribution
- Speedier roll out of standardised or listed product distribution platforms
- Continue to invest in emerging markets

**A more disintermediated but still balanced model for better efficiency in the new environment**

# Solvency: 9% Basel 3 Target (Fully Loaded)

## Common equity Tier 1 ratio



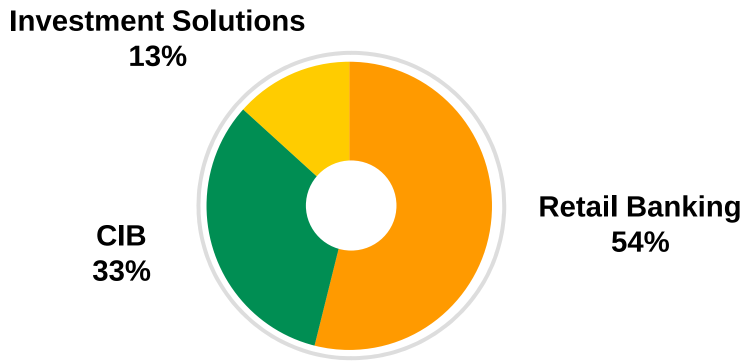

**An ambitious target positioning**
**BNP Paribas amongst the best capitalised banks**

*(*) CRD3; 1) Retained at -40bp under the convention (as an extension of the EBA rule for June 30); 2) According to CRD4 as anticipated by BNP Paribas as at 31.01.2012, excluding mark-to-market of sovereign debt; 3) 100bp (total plan ) - 32pb (completed in 2011); 4) Assumption that on average 50% of the dividend is paid in shares for both 2011 and 2012; 5) Based on 2012 net income published by the Bloomberg consensus on 10.02.12, after a 25% dividend distribution assumption;*

# Moving Towards Basel 3*

- Transition to Basel 3* not expected to change significantly the balance of activities
  - Allocated equity: 1/2 Retail, 1/3 CIB, 1/6 Investment Solutions

**Allocated equity**** (estimate)
***(Basel 3* as at 1.01.2013)***




**Business model confirmed under fully loaded Basel 3 after deleveraging plan**

** According to CRD4 as anticipated by BNP Paribas as at 31.01.2012; ** Operating divisions*

# Conclusion

**Sound performance in 2011 despite changing environment and Euro crisis**

**Swift adaptation to the new regulatory environment confirmed in 2012**

**Ambitious target of being one of the very few banks with a fully-loaded Basel 3* Common Equity Tier 1 ratio of 9% by 1$^{st}$ January 2013**

** CRD4*

# Appendix

# 2011 Key Figures

| Good results despite exceptional items | 2011 | vs. 2010 |
| --- | --- | --- |
| Revenues | €42,384m | -3.4% |
| Net income attributable to equity holders | €6,050m | -22.9% |
| Return on equity | 8.8% | -3.5 pts |
| Return on tangible equity* | 11.1% | -4.7pts |

| Performance per share | 2011 | vs. 2010 |
| --- | --- | --- |
| Net book value per share | €58.2 | +5.0% |
| Dividend per share | €1.20 | vs. €2.10 |
| Pay-out ratio | 25.1% | vs. 33.3% |

| Solvency further reinforced | 31.12.11 | vs. 31.12.10 |
| --- | --- | --- |
| Common equity Tier 1 (Basel 2.5**) | 9.6% | |
| Common equity Tier 1 (pro forma Basel 2) | 10.1% | vs. 9.2% (+90bp) |

| Reduced balance sheet | 31.12.11 | vs. 31.12.10 |
| --- | --- | --- |
| Global cash balance sheet *** | €965bn | -12.0% |

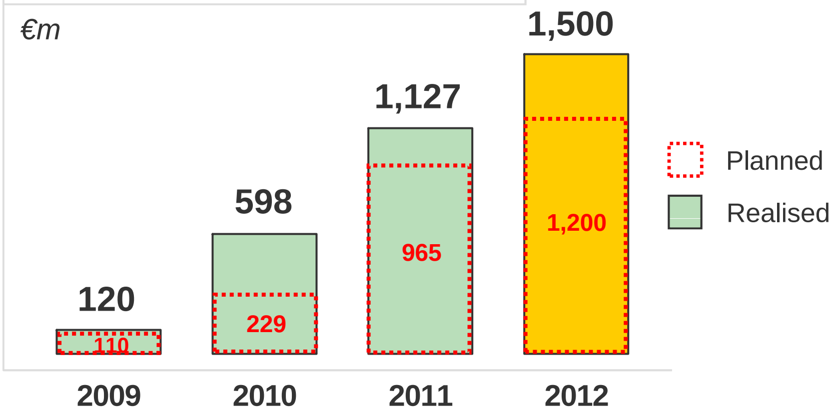
** Excluding goodwill and intangible assets; ** CRD3;*
**** Balance sheet with netted amounts for derivatives, repos, securities lending/borrowing and payables/receivables*

# Exceptional Items in 2011

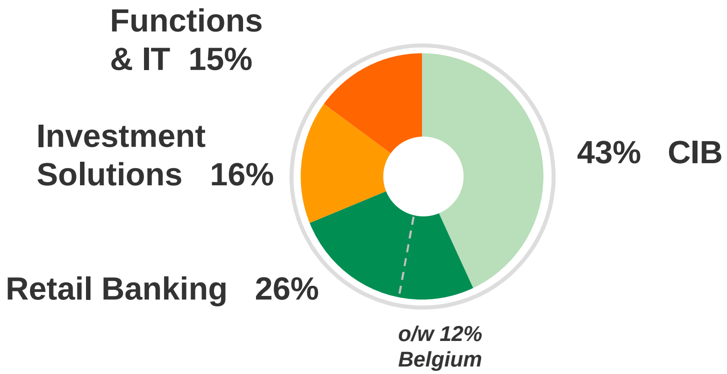
| | 4Q11 | 2011 |
|---|---|---|
| **Revenues** | | |
| **Losses from the sale of sovereign bonds** *(CIB – Capital markets)* | **-€510m** | **-€872m** |
| **Losses from the sale of loans** *(CIB – Financing businesses)* | **-€148m** | **-€152m** |
| **Additional impairment on the equity investment in AXA** *(« Corporate Centre»)* | | **-€299m** |
| **Own debt revaluation** *(« Corporate Centre »)* | **+€390m** | **+ €1,190m** |
| **One-off amortisation of Fortis PPA** *(« Corporate Centre »)* | **+€148m** | **+€168m** |
| ***Total one-off revenue items*** | ***-€120m*** | ***+€35m*** |
| **Operating expenses** | | |
| **Adaptation costs** *(CIB, Personal Finance, Leasing Solutions)* | **-€225m** | **-€239m** |
| **Contingent liability provision reversal** *(« Corporate Centre »)* | **+€253m** | **+€253m** |
| ***Total one-off operating expense items*** | ***+€28m*** | ***+€14m*** |
| **Greece: cost of risk** | | |
| **Sovereign debt impairment** *(including Insurance)* | **-€567m** | **-€3,241m** |
| **Greece: associated companies** | | |
| **Sovereign debt impairment** *(partnerships in Insurance)* | **-€72m** | **-€213m** |

# BNP Paribas Fortis Integration Plan

## Net cumulative synergies




## Breakdown of synergies by business unit in 2012



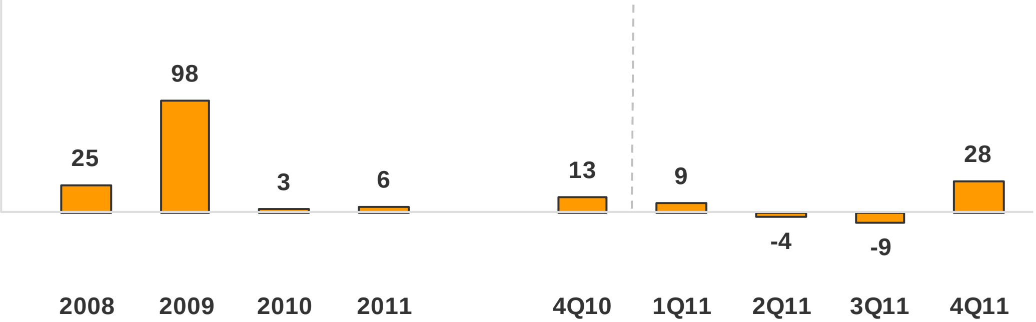

- Cumulative synergies as at 31.12.11: €1,127m, very close to the 2012 target
  - Of which €115m booked in 4Q11 (€529m in 2011)
  - Of which €62m in Turkey
- Additional Part
  - Synergies target increased by €300m p/a starting in 2012, both in terms of revenues (Cash management, Multichannel, Insurance) and costs (factoring, IT, functions)
  - Related restructuring costs : €300m in 2012

**Successful integration, exceeded synergy targets**

# Variation in the Cost of Risk by Business Unit (1/3)

*Net provisions/Customer loans (in annualised bp)*

## CIB Financing businesses

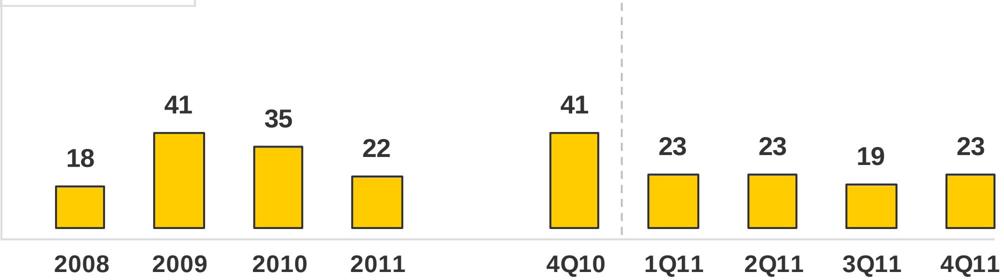



- Cost of risk: €105m
- Slight increase in specific provisions at the end of the year

# Variation in the Cost of Risk by Business Unit (2/3)

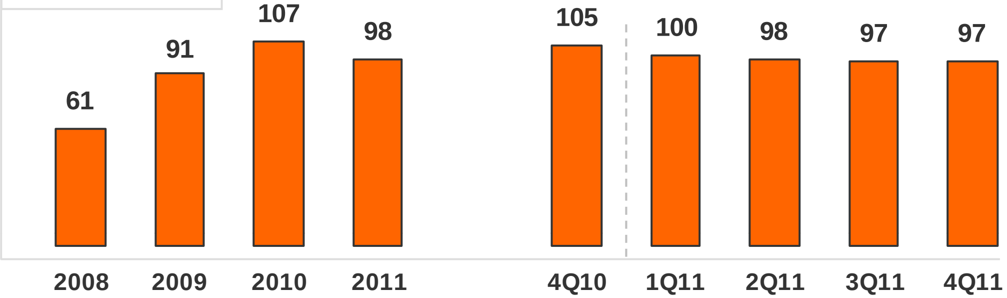
*Net provisions/Customer loans (in annualised bp)*

## FRB



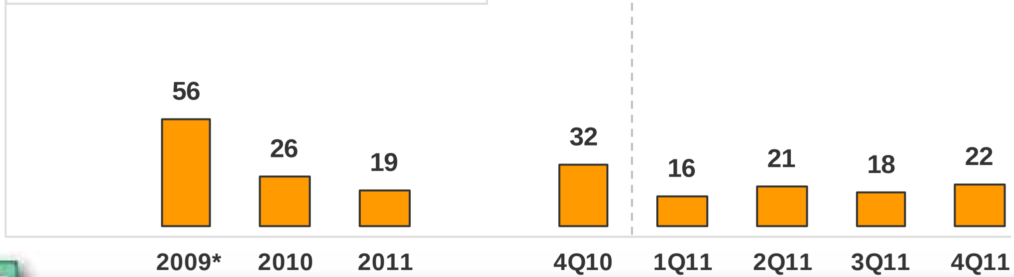

- Cost of risk: €85m
  - -€57m vs. 4Q10
  - +€16m vs. 3Q11
- Cost of risk still at a particularly low level

## BNL bc




- Cost of risk: €203m
  - Stability vs. 4Q10
  - +€5m vs. 3Q11
- Stability maintained this quarter

## BeLux Retail Banking



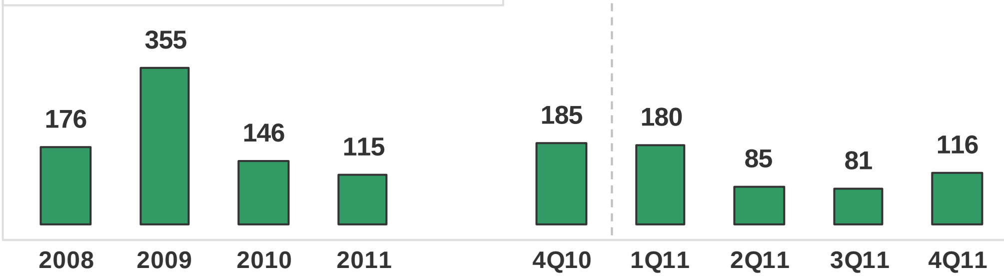

- Cost of risk: €49m
  - -€18m vs. 4Q10
  - +€9m vs. 3Q11
- Cost of risk still at a particularly low level

** Pro forma*

# Variation in the Cost of Risk by Business Unit (3/3)

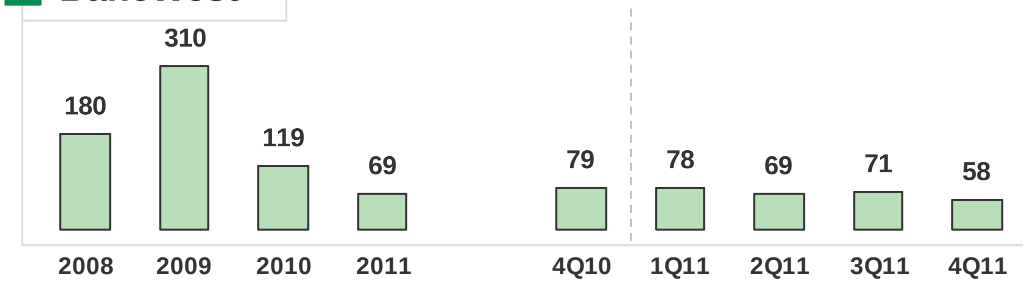
*Net provisions/Customer loans (in annualised bp)*

## Europe-Mediterranean



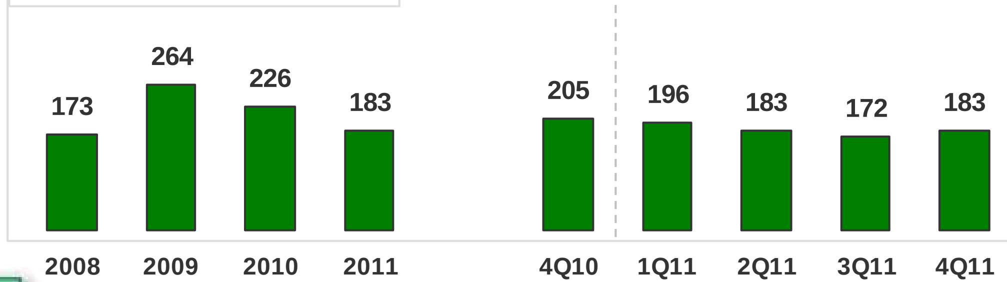

- Cost of risk: €70m, additional provision and sale of doubtful loans in Ukraine
  - -€39m vs. 4Q10
  - +€22m vs. 3Q11

## BancWest




- Cost of risk: €56m
  - -€19m vs. 4Q10
  - -€7m vs. 3Q11
- Continued improvement of the economic environment

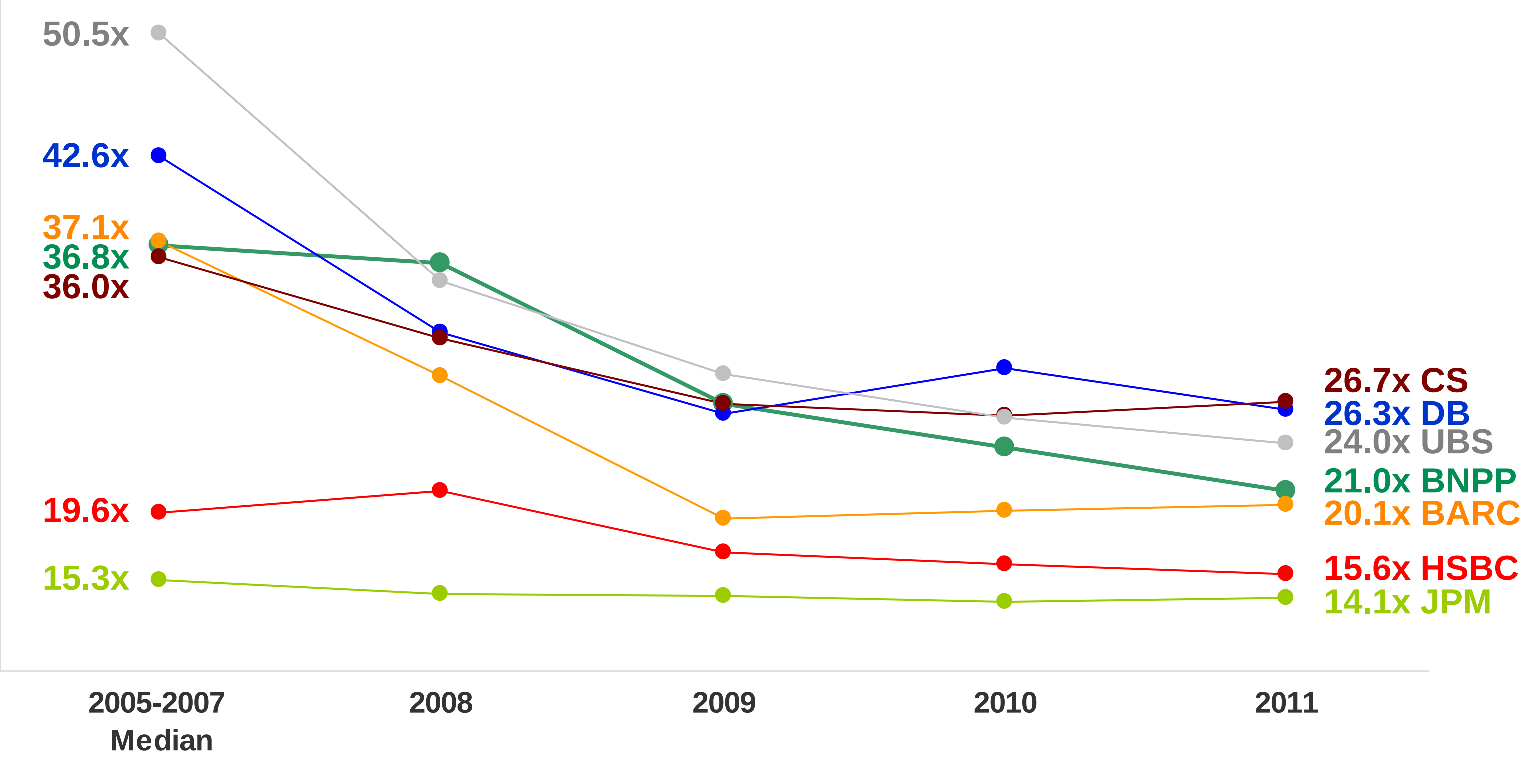
## Personal Finance




- Cost of risk: €412m
  - -€26m vs. 4Q10
  - +€22m vs. 3Q11 (of which +€75m Laser Cofinoga)
- Continued improvement for virtually all countries, excluding Laser Cofinoga

# Deleveraging Track-Record

## 2005 – 2011 Leverage ratio *

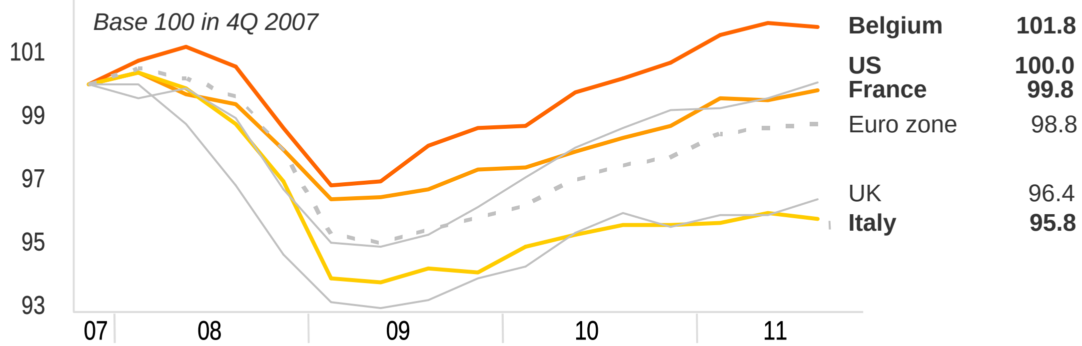



**Strong deleveraging track-record**

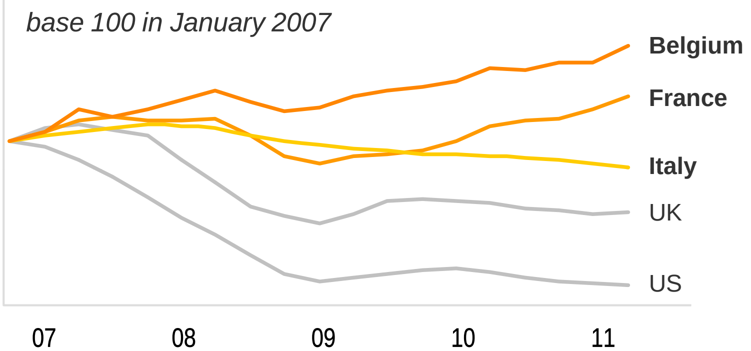
** Defined as tangible assets (total assets less goodwill and intangibles) excluding derivative assets divided by tier 1 capital, as published by banks.*

# Domestic Retail Markets (1/2)

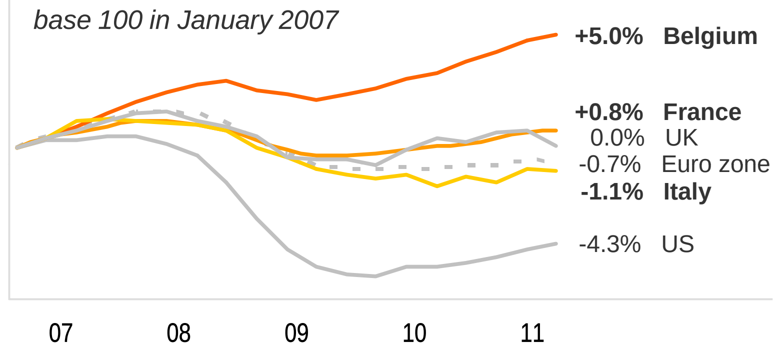
## Evolution of real GDP *




## Housing prices **




## Job base change***



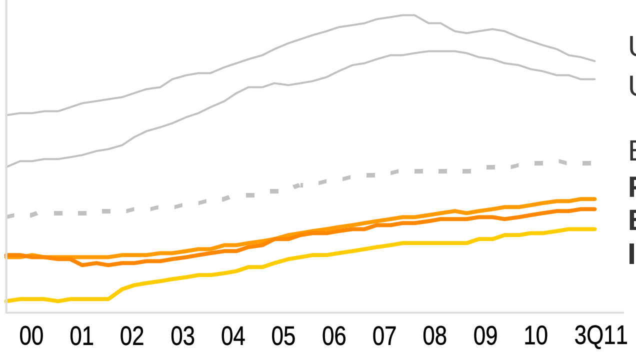

**Moderate impact of the crisis in our domestic markets despite fiscal discipline, recovery under way**

** Source: States and Eurostat; ** States; *** Source: Eurostat, BLS, ONS*

# Domestic Retail Markets (2/2)

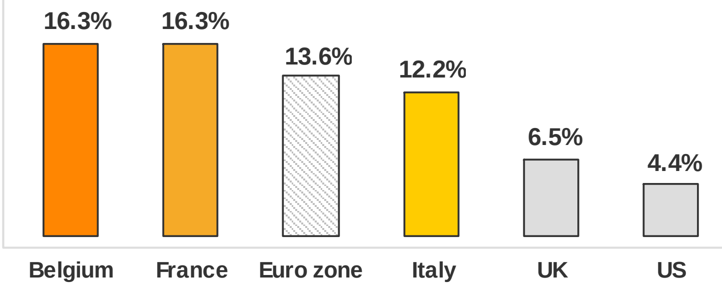
## Household debt*

*in % of gross disposable income*




## Gross households savings rate (30.09.2011)*

*% Gross Disposable Income*



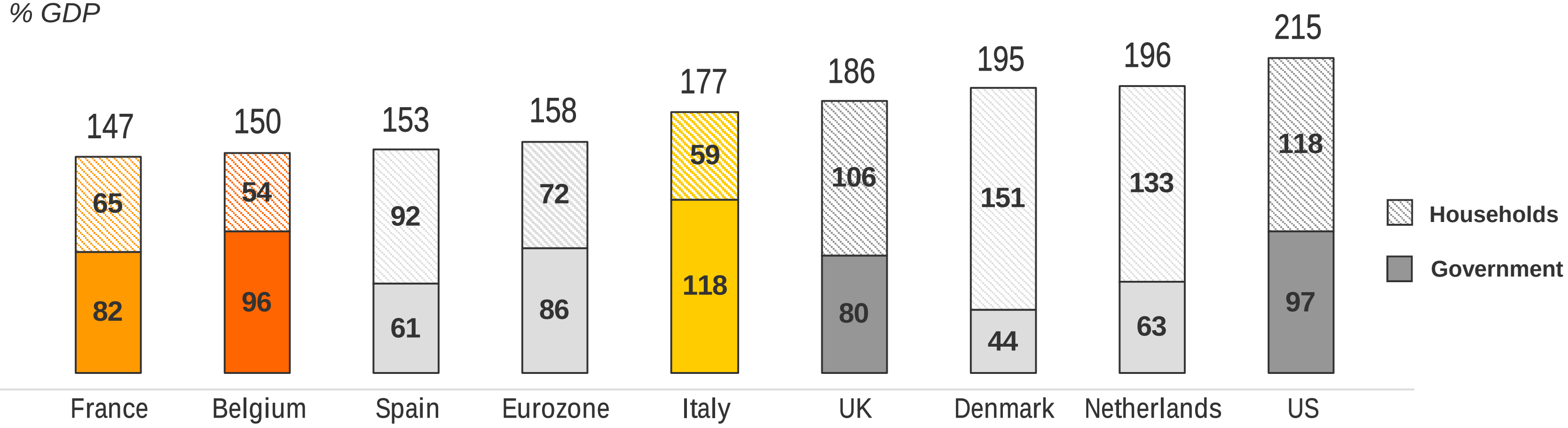

- Low level of household debt
  - Potential room for further lending
- High savings rate
  - Potential room for further selling savings products, including deposits

**Wealthy and sound domestic markets**

** Source: Banque de France, Belgostat for Belgium; ** Source: Eurostat and BEA for US*

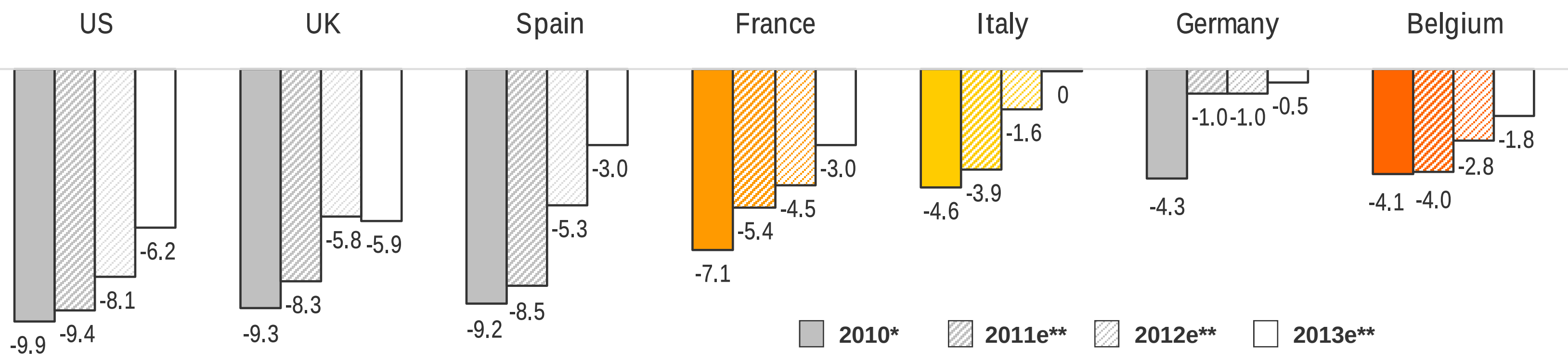
# Consolidated Debt & Fiscal Balance by Country

## Government and Households debt (2010)*




## Fiscal balance by country *(including local governments)*

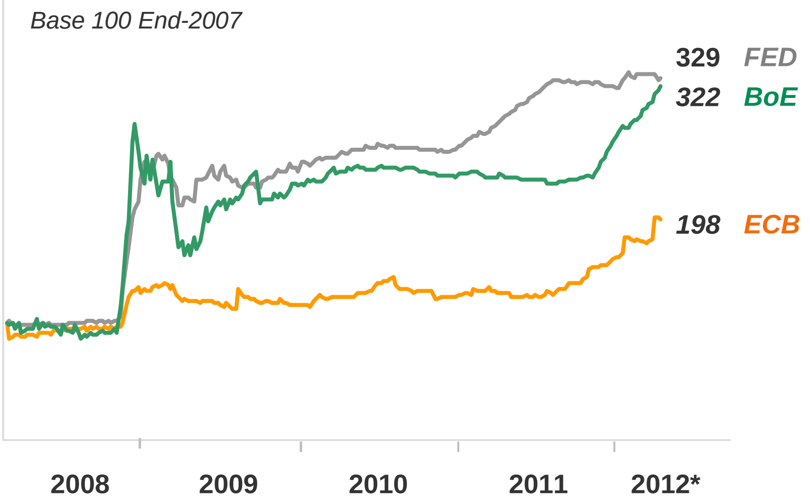
*in % of GDP*




* Source: Eurostat and FED for US; ** Source: States targets, estimates for US as there is no official plan encompassing total public deficit

# Non Conventional Monetary Policies

## Central banks assets




**Even after LTROs, ECB assets have increased much less than BOE and FED**

** Until 14th of March*