



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

# BNP Paribas Strong and Growing

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Baudouin Prot

Chief Executive Officer

*Bank of America / Merrill Lynch Conference, London*

*29 September 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.*

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

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

# 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)

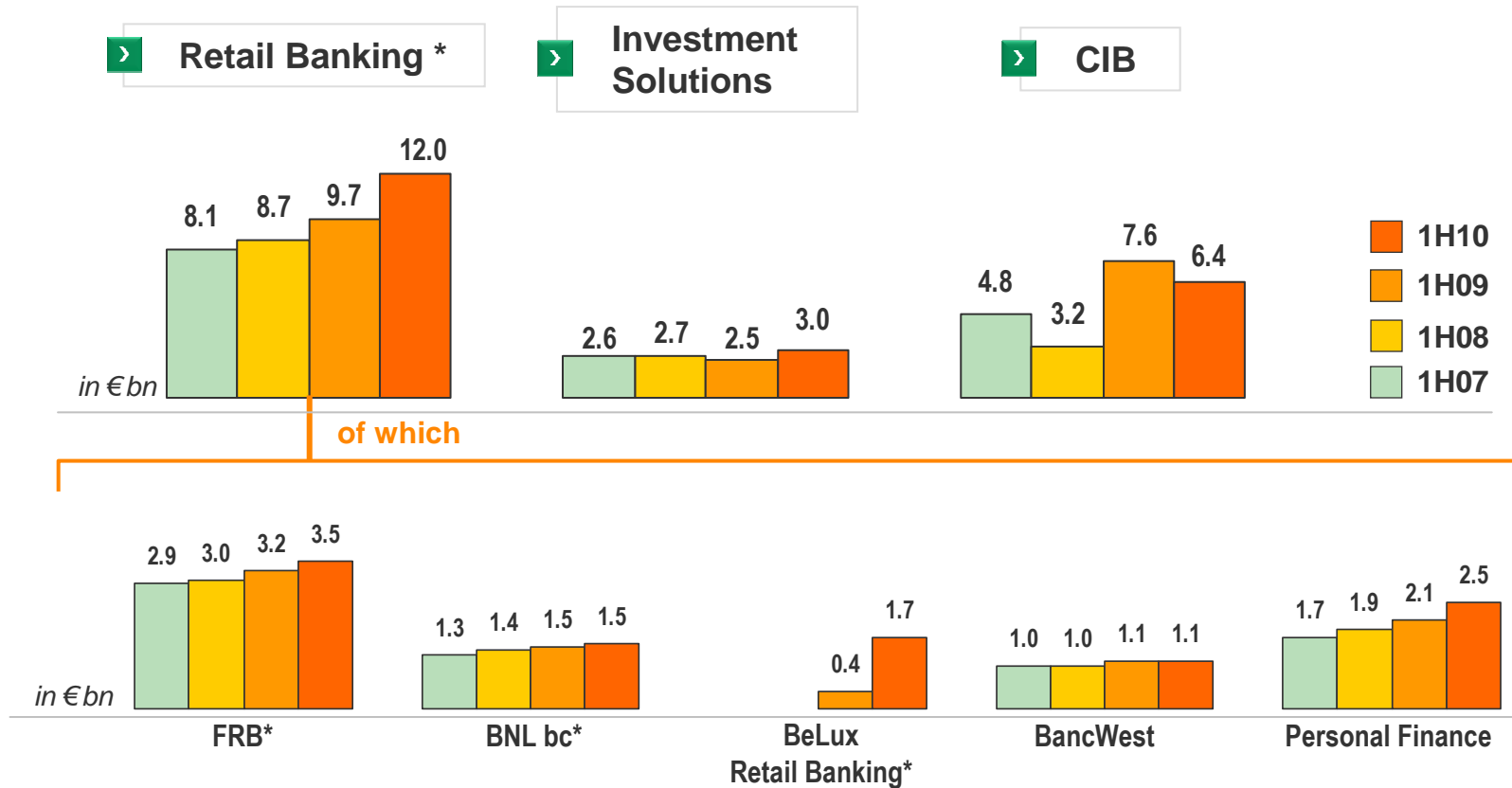
> **Strong cash flow generation capacity illustrating the strength of the Group**

\* After tax



# 1H10: Revenues of the Operating Divisions

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



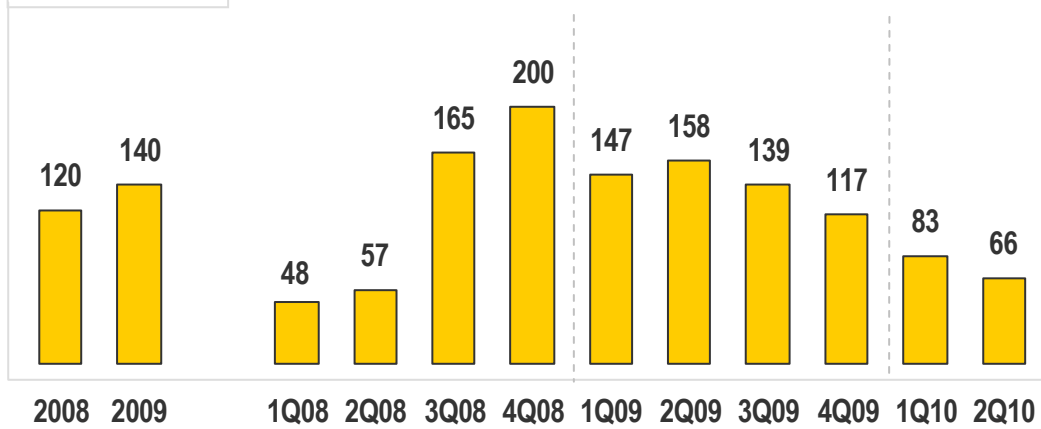
**> Robust organic and external growth throughout the crisis**



# Cost of Risk (1/3)

## > Group

Net provisions/Customer loans (in annualised bp)

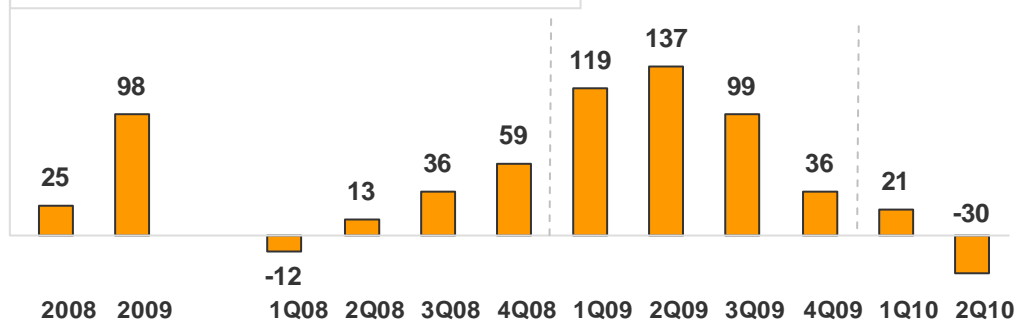


- 2Q10: drop of -€1,264mn/2Q09 (-53.9%)
- -€256mn/1Q10 (-19.1%)

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

by Business Unit

## > CIB-Financing Businesses



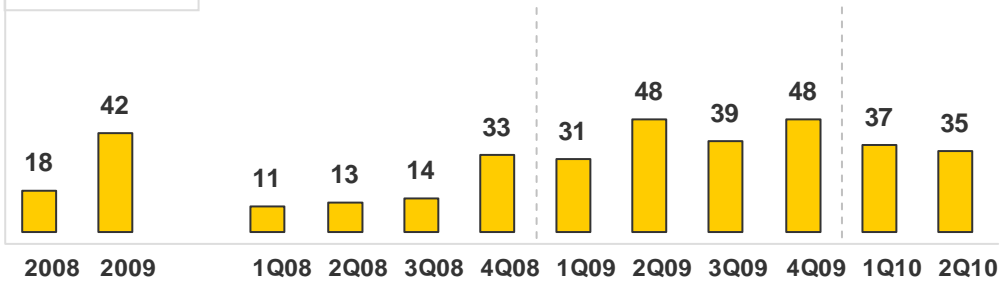
- Portfolio quality improved
  - No new significant doubtful loans
- 2Q10 cost of risk: -€118mn
  - Provision write-backs this quarter



# Cost of Risk (2/3)

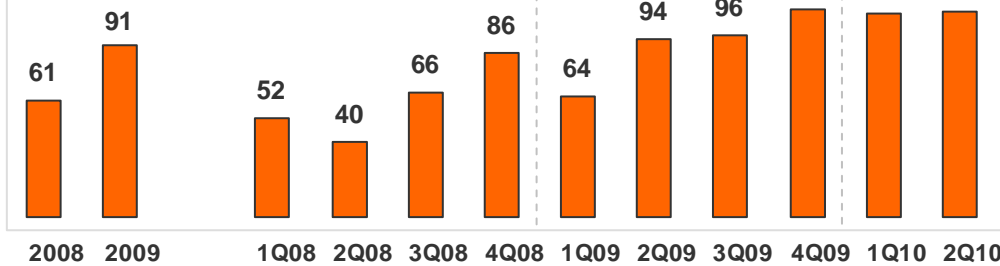
## FRB

Net provisions/Customer loans (in annualised bp)



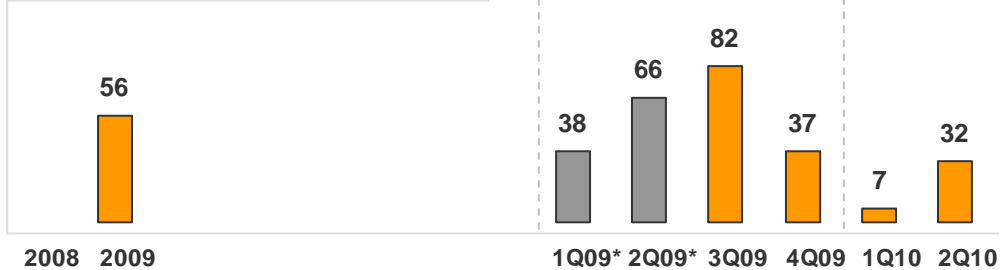
- 2Q10 cost of risk: €116mn
  - -€26mn/2Q09
  - -€6mn/1Q10
- Stabilised/1Q10

## BNL bc



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

## BeLux Retail Banking

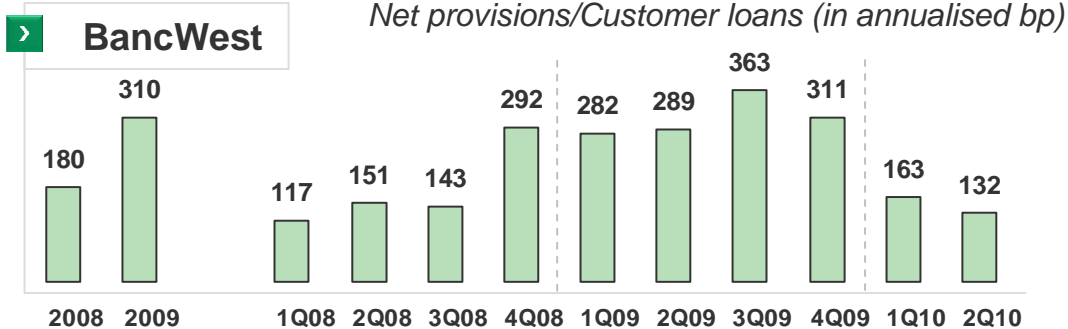


- 2Q10 cost of risk: €66mn
  - -€66mn/2Q09 pro forma
  - +€51mn/exceptionally low 1Q10
- Quality of the loan book unchanged

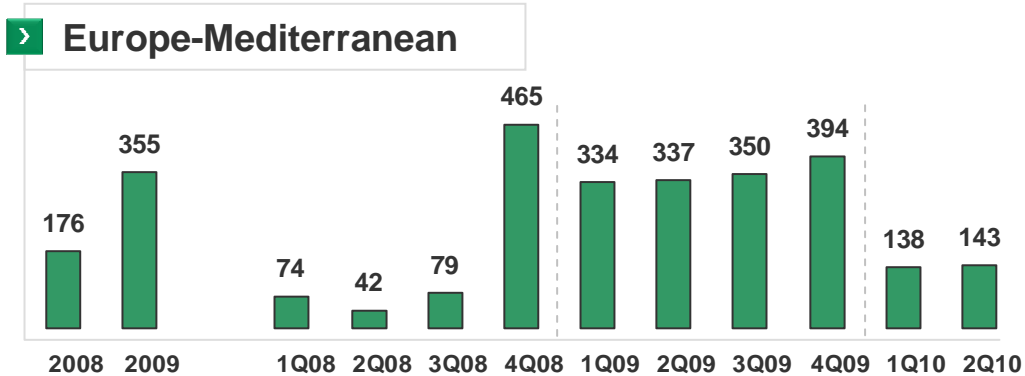
\* Pro forma



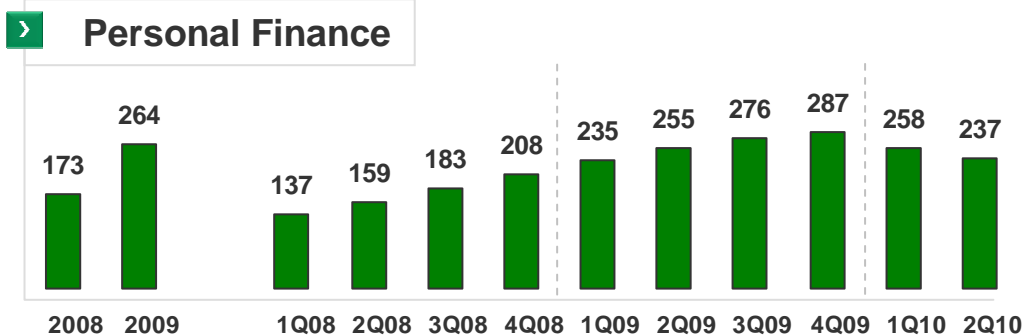
# Cost of Risk (3/3)



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



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



- 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



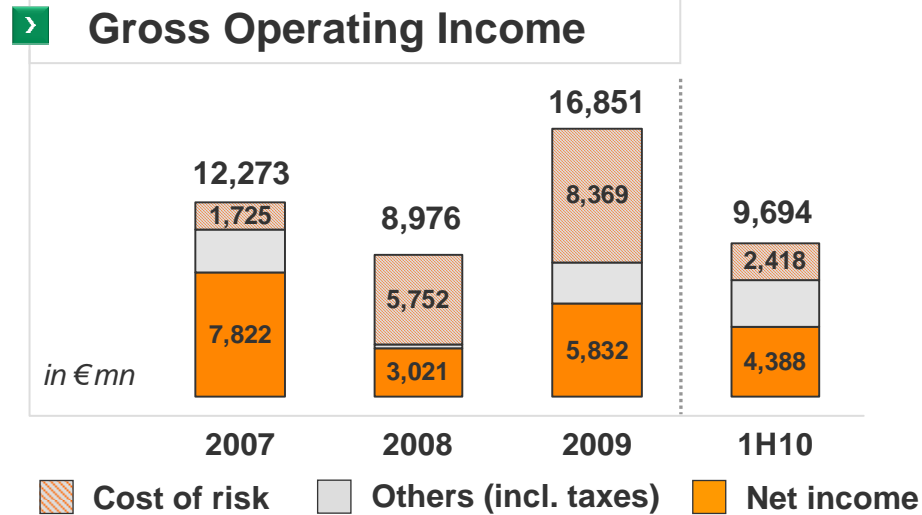
- 1H10/1H09 at constant scope and exchange rates
  - Retail Banking\*: +75.2%/1H09, sharp growth for FRB, BeLux RB, Personal Finance and Equipment Solutions; BancWest returns to profit; Europe-Mediterranean returns to break-even
  - Investment Solutions: +28.6%/1H09, due primarily to Insurance business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

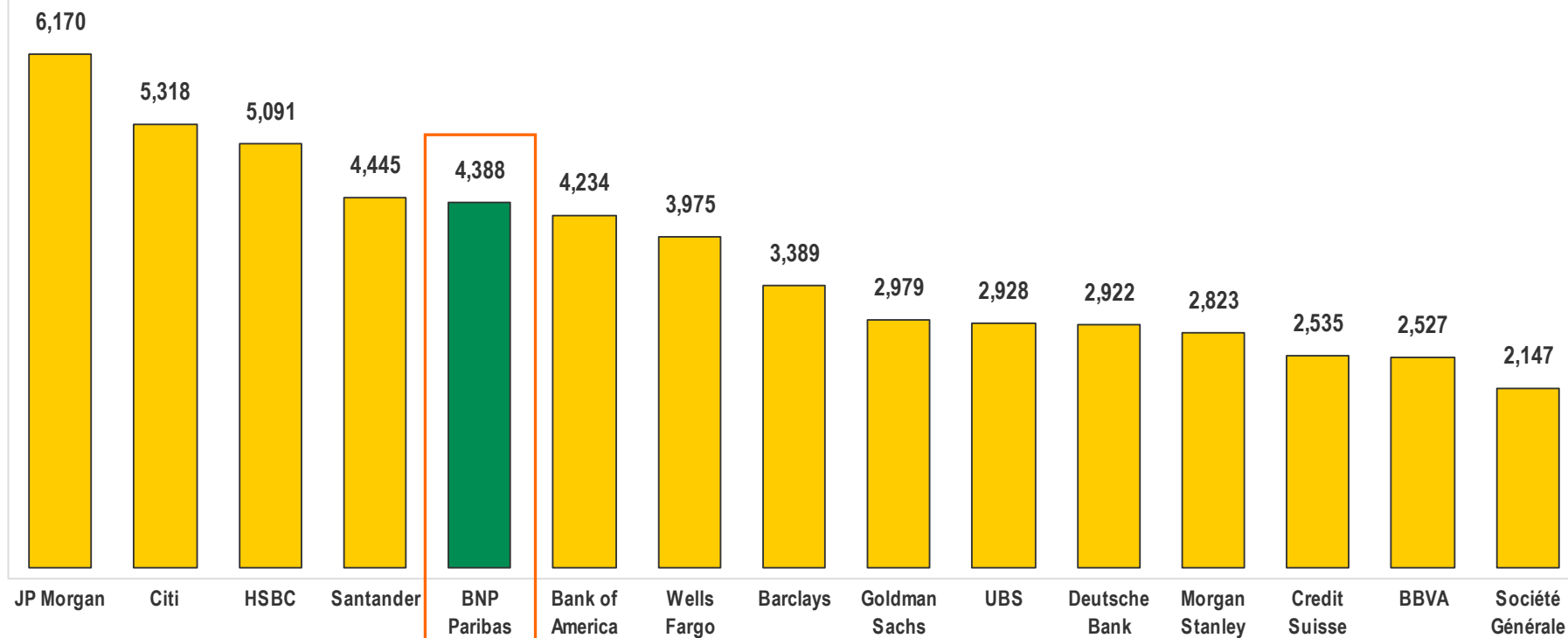
> **Strength demonstrated during the crisis**



# 1H10: Net Income Benchmark

## > Net income

in €mn\* (1H10)



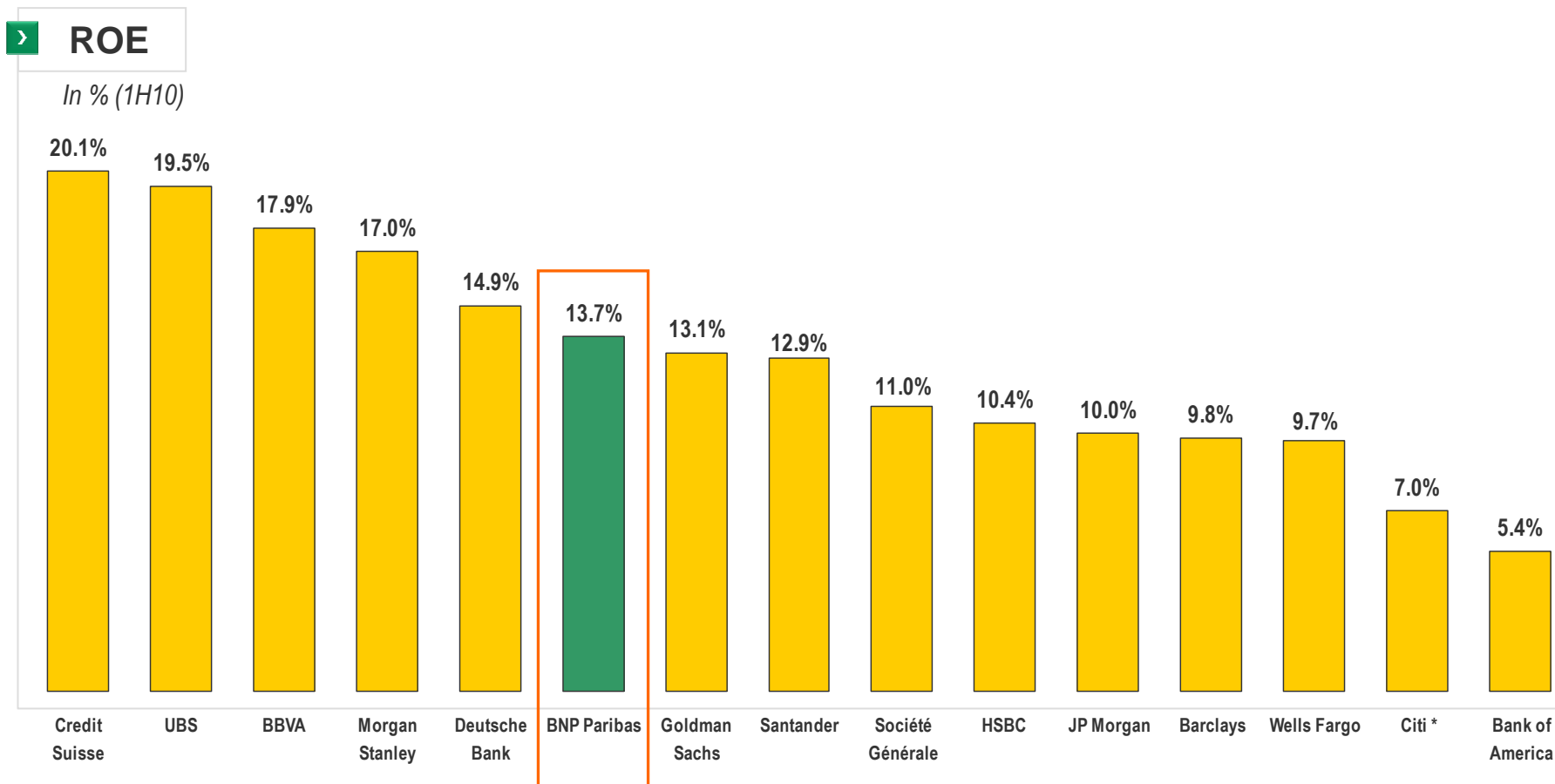
**A leading global position achieved**



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

# 1H10: ROE Benchmark



> Among the most profitable banking groups in the world



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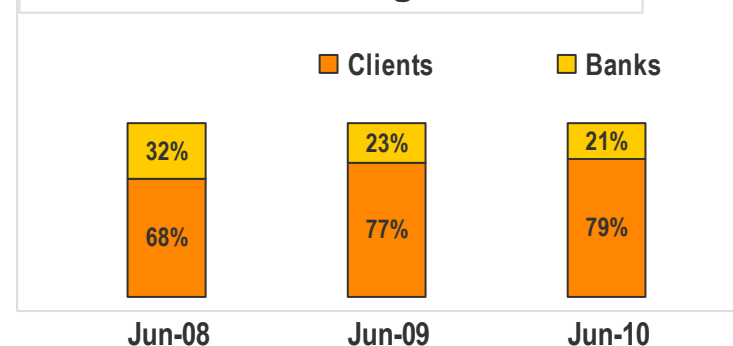
Source: banks \* 2Q10 figure

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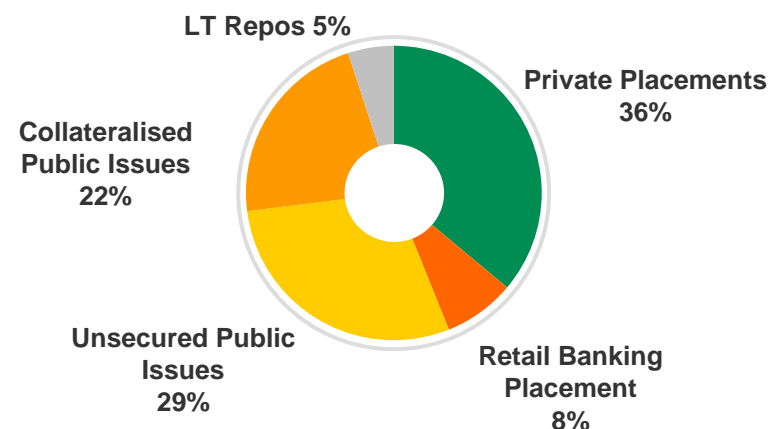
# Liquidity

- 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
  - 10 Sep: €1bn 3 year FRN (Euribor 3m +42bp), €500mn 6 year (mid-swap+65bp) ¥59.3bn 5 year (mid-swap Eur+75bp equiv.)
  - 4 August: AUD1bn in senior debt with a 3-year maturity (mid-swap Eur+32bp equiv.)
  - 6 July: €1bn in senior debt with a 5-year maturity (mid-swap +87bp); 4 August: tap €500mn (mid-swap +55bp)
  - 2 June: €1.5bn in Covered Bond with a 5-year maturity (mid-swap +42bp)
  - Diversification of resources by type of products, distribution channels and type of investors

## Short-term funding structure



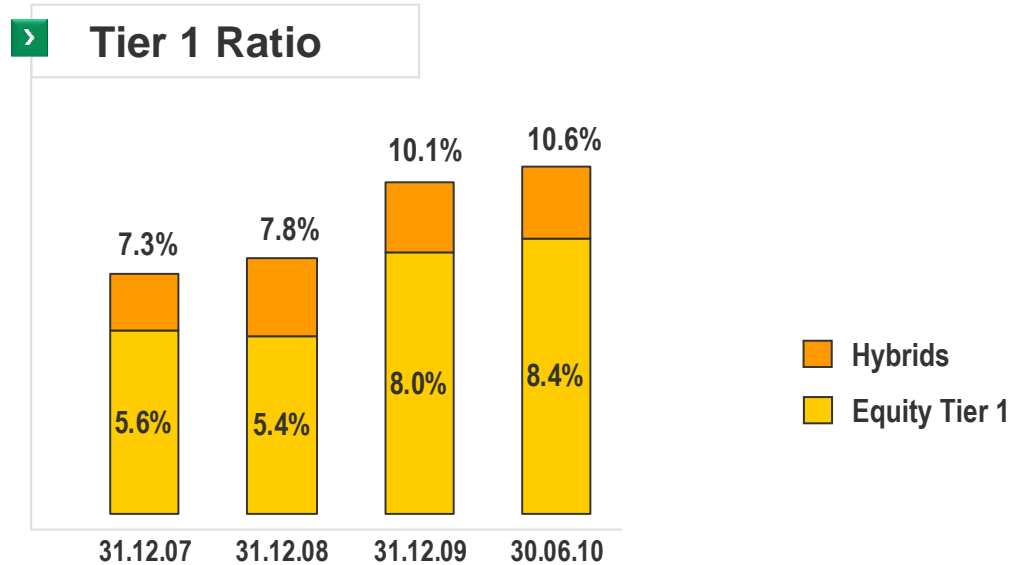
## 2010 MLT funding structure



**> A competitive edge confirmed in tough markets**



# Solvency



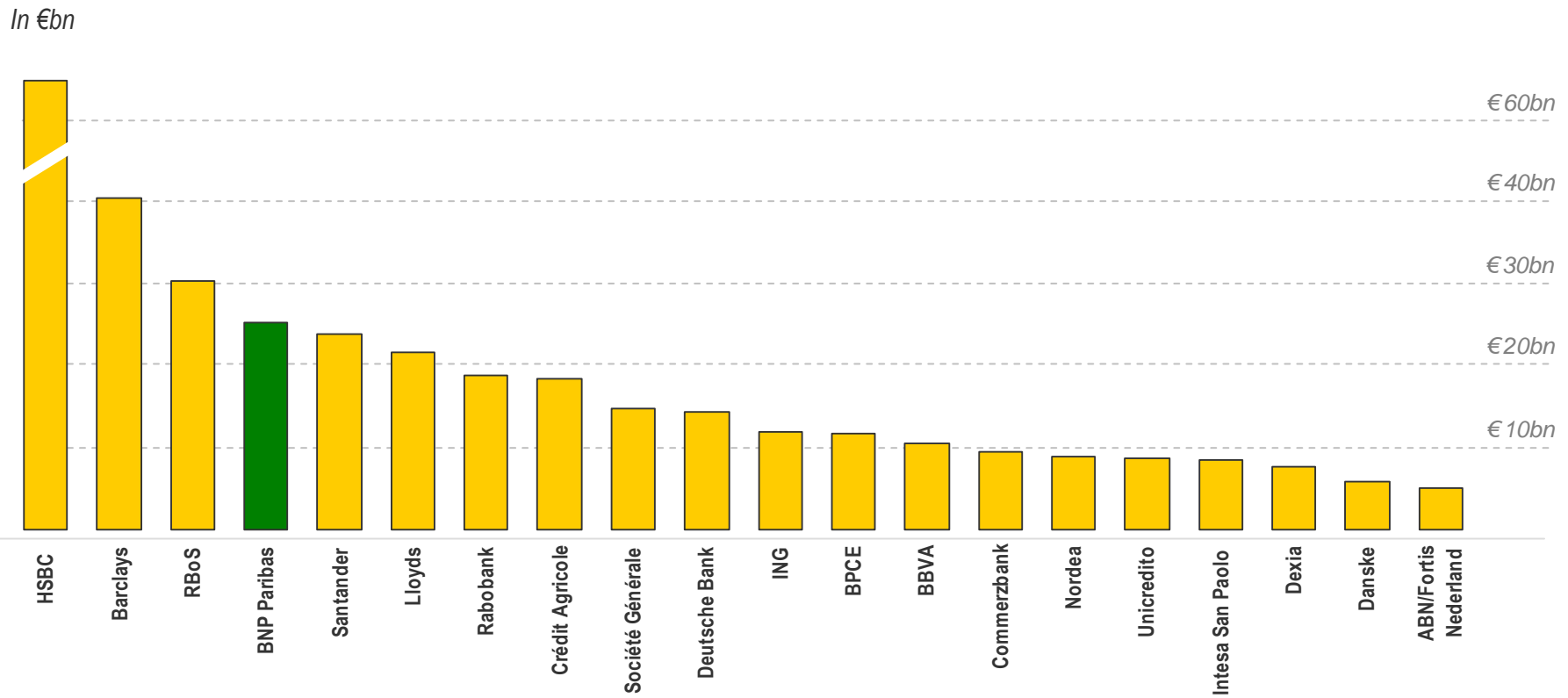
- No yearly losses thanks to BNP Paribas' risk profile
- Strong organic generation of equity
- Fortis acquisition neutral on solvency
- Only limited dilution throughout the crisis (rights issue only €4.2bn, 1 for 10)

> **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**



# 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**

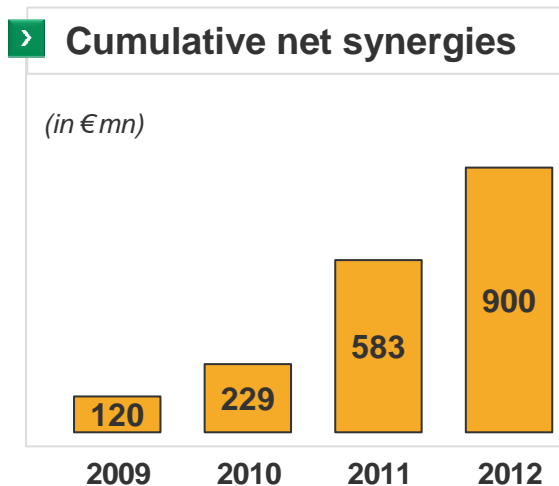


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*\*Depending on product and segment; \*\* Source IPE Top 400 June 2010*

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# BNP Paribas Fortis Synergies (1/3)

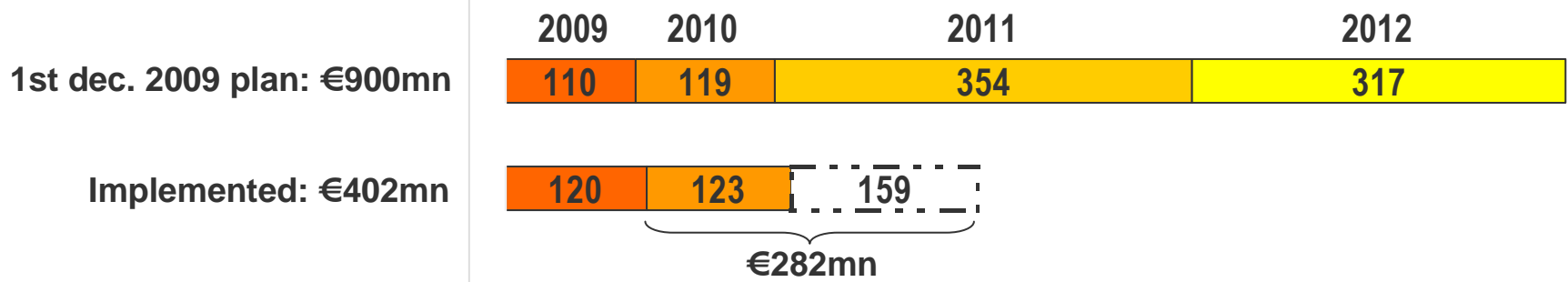


> €900mn in total synergies expected by 2012



# BNP Paribas Fortis Synergies (2/3)

## > Progress of synergies



- 2009 financial statements
- 2010 financial statements
- 2011 financial statements
- 2012 financial statements
- ▭ Full year effect of the implemented synergies

## > Synergies ahead of the announced schedule



# BNP Paribas Fortis Integration Synergies (3/3)

## ● CIB

- Belgium: target organisation put in place, including European businesses (Fixed Income, Structured Financing, Corporate & Transaction Banking Europe)
- U.S. and Asia: acquisitions by BNP Paribas completed, except in China and for Energy Trading

## ● Investment Solutions

- Asset Management: legal mergers completed in most countries; product and service offerings streamlined in Belgium
- Wealth Management: merger completed in Switzerland

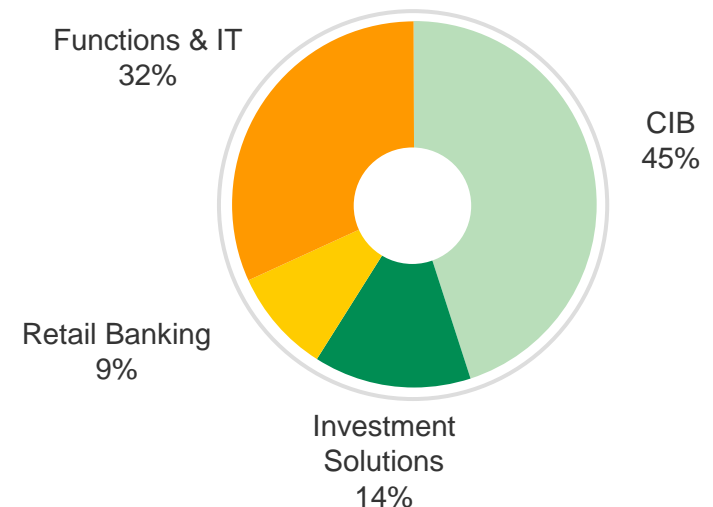
## ● Retail Banking

- France: buyout and absorption of Fortis completed
- Belgium and Luxembourg: continued investments (especially in the multi-channel organisation and CRM); new customer segmentation being implemented

## ● Functions & IT

- Quick-wins: creation of a central procurement function; optimisation of IT sourcing
- Payments: BNP Paribas Fortis' system selected (SEPA system) for the entire Group

### Breakdown by booked cost synergy contributors

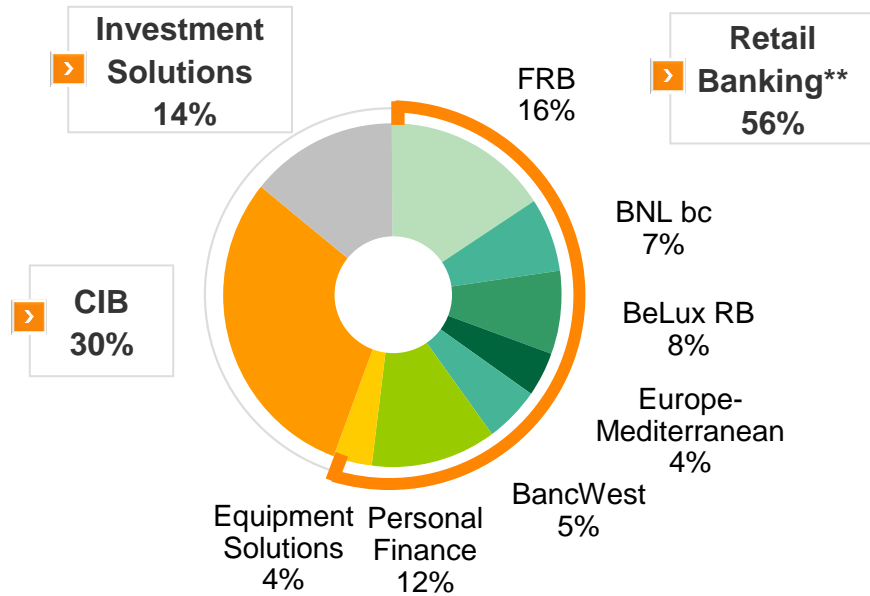


**A wide-ranging industrial plan  
swiftly implemented**



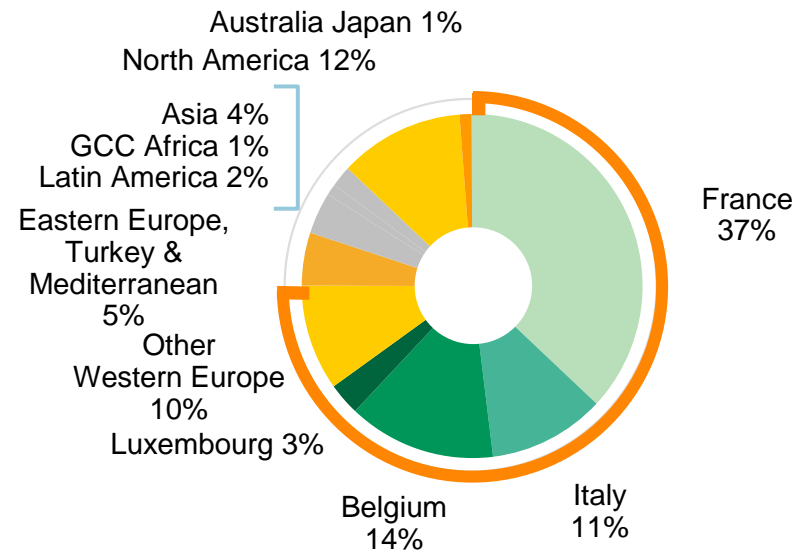
# Overview of the new Group

## Business mix Revenues 1H10\*



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

## Geographic mix Revenues 1H10\*



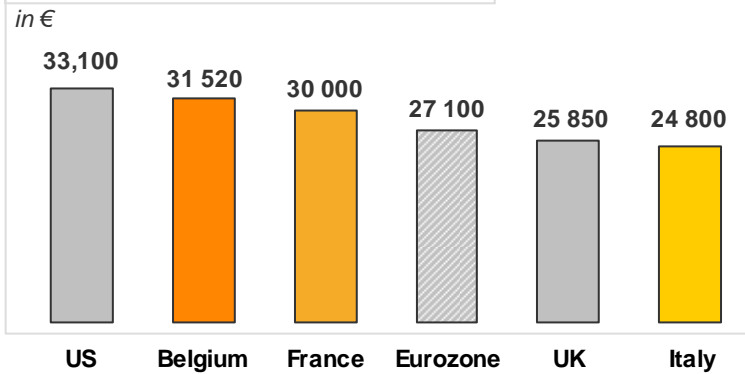
75% Western Europe, 65% domestic markets

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

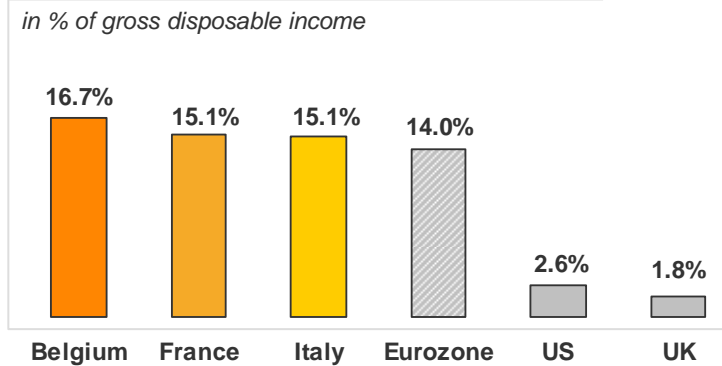


# Domestic Retail Markets

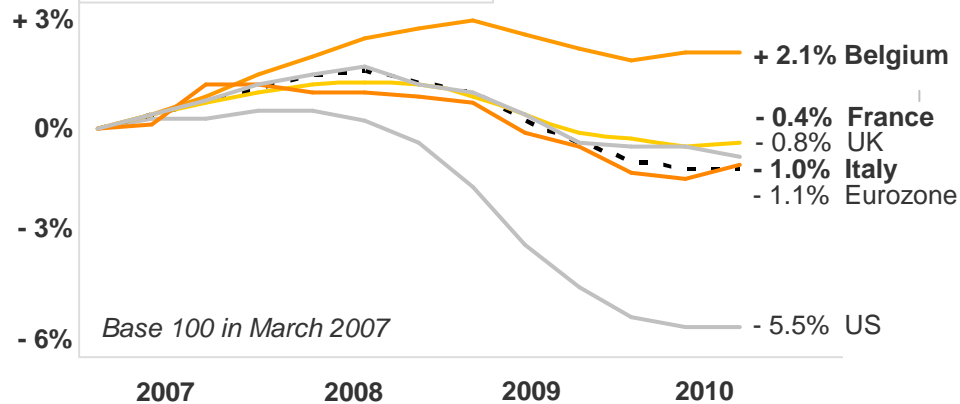
## > 2009 GDP per capita



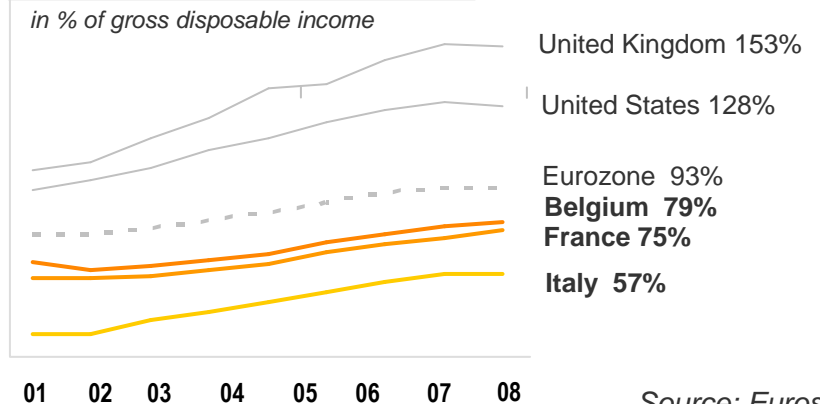
## > Gross savings rate in 2008



## > Job base change



## > Household debt



Source: Eurostat

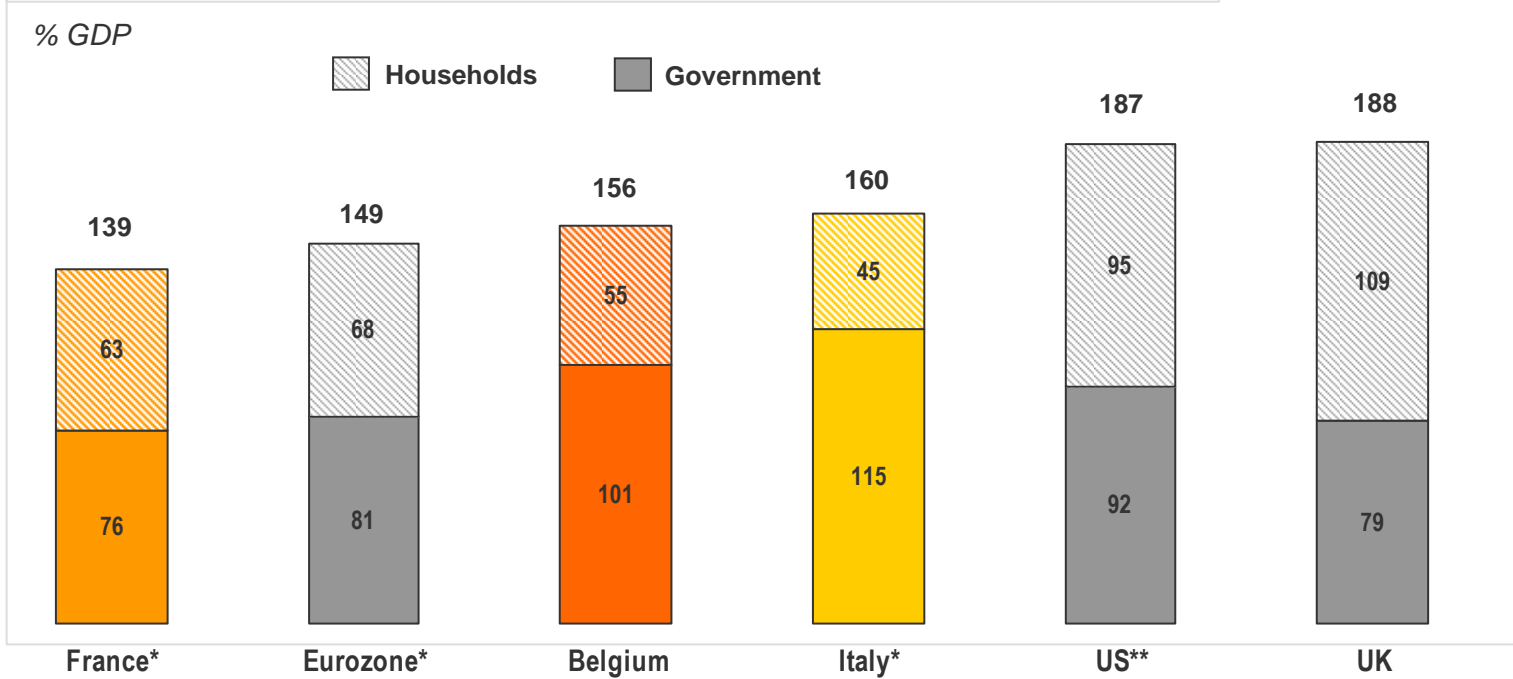
## > Wealthy domestic markets



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# Domestic Retail Markets

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



> **Sound domestic markets**

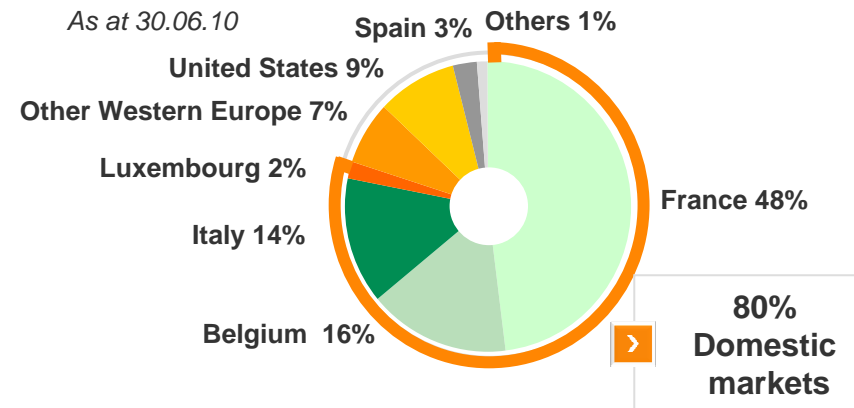
Source: Eurostat and Federal Reserve, \*2008 are the last available data, \*\*Incl. Local Governments + GSEs



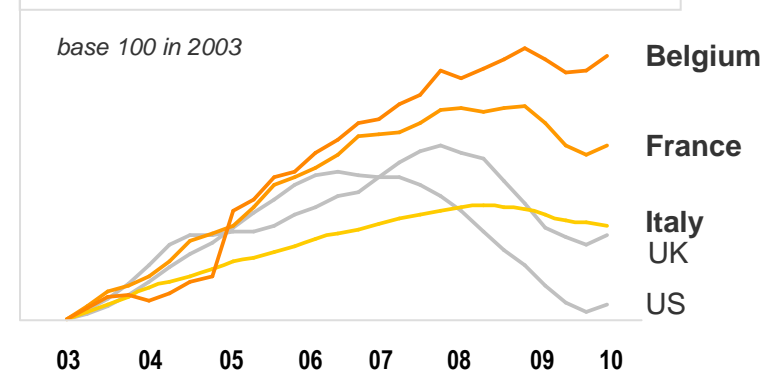
# Domestic Retail Networks

- 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)\*\*



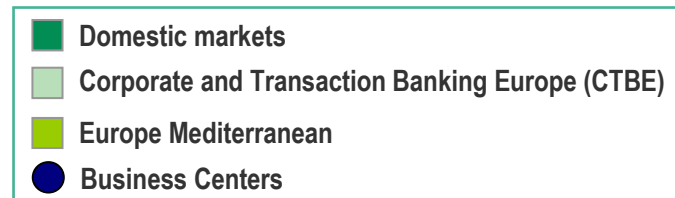
> **Good sales and marketing drive**





# Serving Corporates in Europe (1/2)

- An unrivalled entry point for corporates in Europe
  - 24 countries
  - 150 Business Centers
  - 1,700 Relationship Managers
- A fully integrated network
  - Each country is a full service entry point for clients
  - Harmonised product offering and quality of service
  - High level of coordination when serving a client and its subsidiaries
- Significant cross selling opportunities

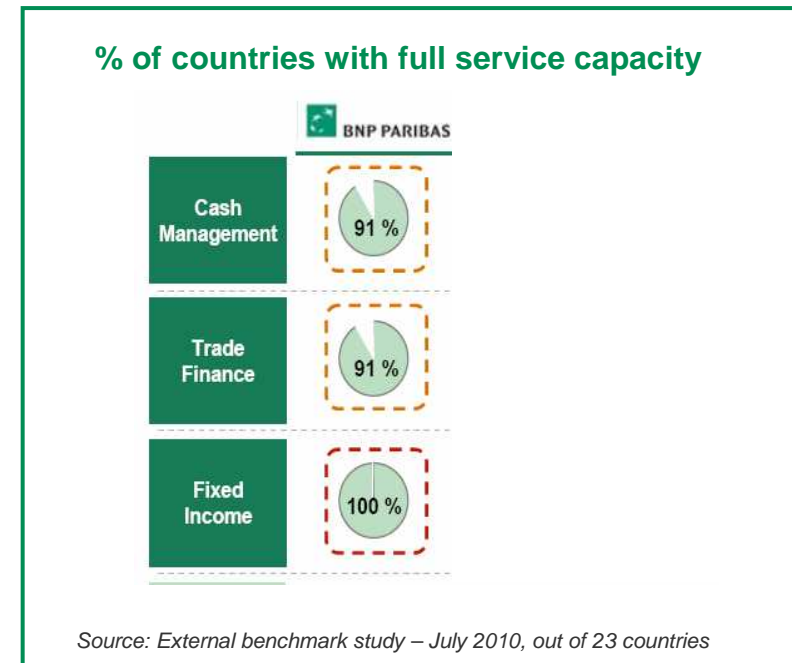


**An unparalleled network in Europe**



# Serving Corporates in Europe (2/2)

- Full corporate banking offer ranging from flow products to investment banking services
  - Secure long standing relationships with clients thanks to flow banking products
  - Leverage European investment banking platform
- A new European leader in flow banking
  - Significant fee based business
  - Low capital requirements
  - Resilient revenue base
- Leveraging on a strong client franchise

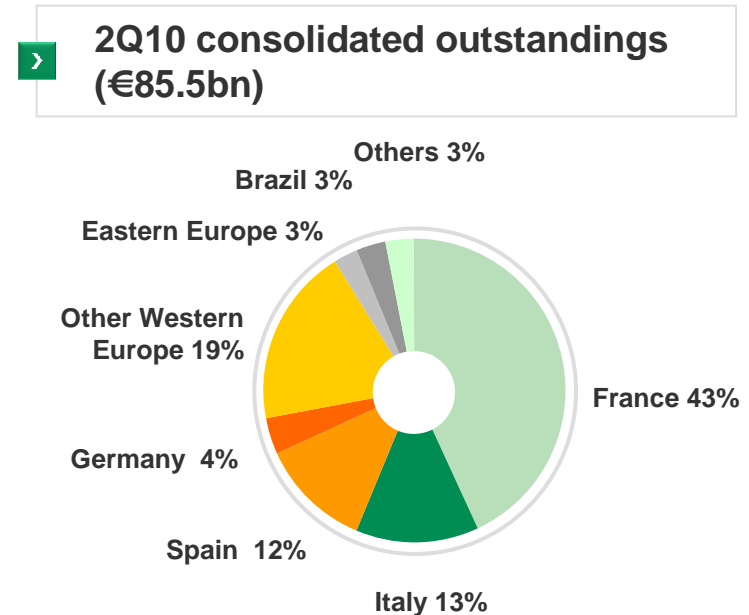


**> The leading player in flow banking business in Europe**



# 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

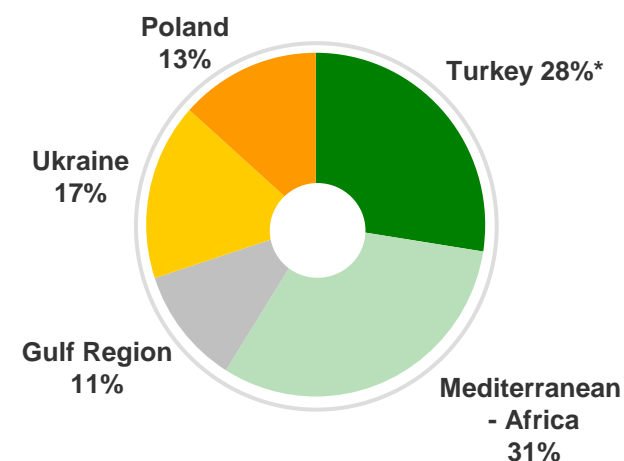


# Europe-Mediterranean

- 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

	Branches
Poland	240
Turkey	640

> Outstanding loans 2Q10 (€24.9bn)



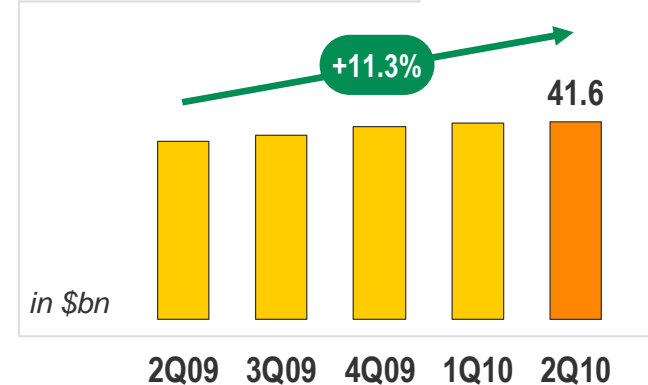
> Significant reinforcement in two fast growing countries



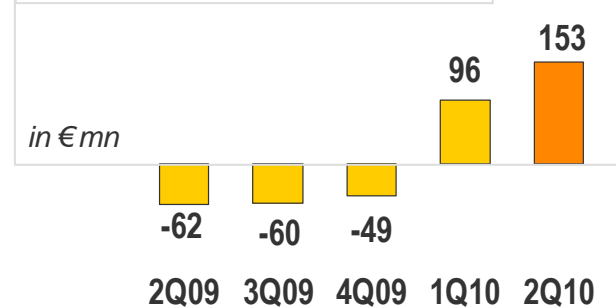
# BancWest

- 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

> Core Deposits\*



> Pre-tax income



> **Return to profit**

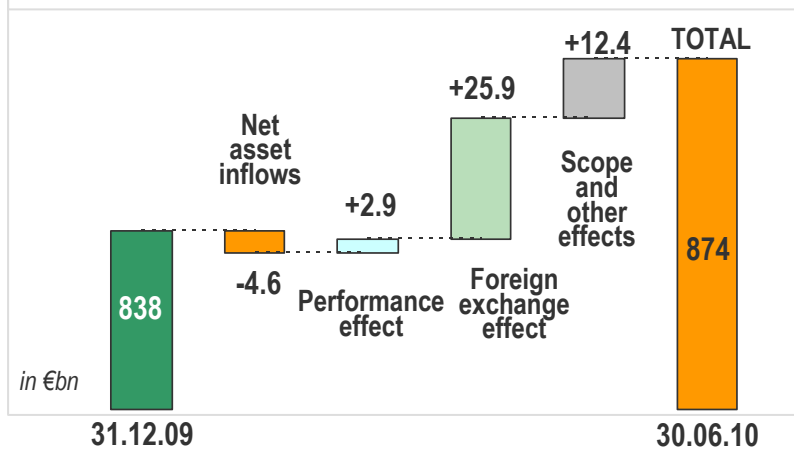


\* Deposits excluding Jumbo CDs

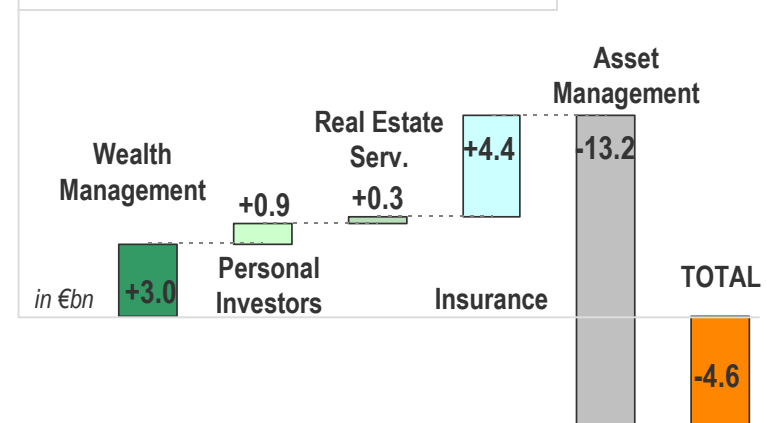
# Investment Solutions

## Asset Inflows and Assets under Management

### > Assets under management as at 30.06.10



### > Net asset inflows in 1H10



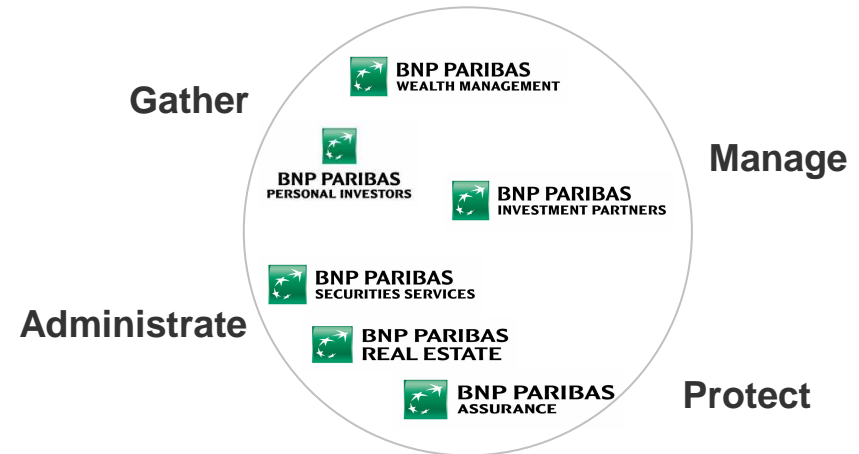
- Assets under management: €874bn as at 30.06.10, +4.4% /31.12.09
- Net asset inflows
  - Private Banking: good asset inflows in domestic markets
  - Insurance: good asset inflows in France, Belgium, Luxembourg and Taiwan
  - Asset Management: asset outflows (notably in money market and equity funds)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

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



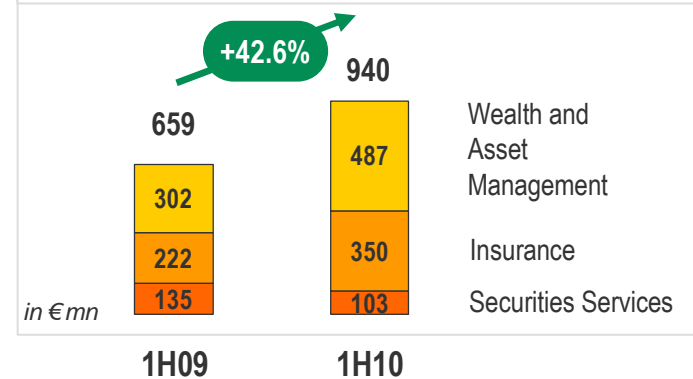
# Investment Solutions

- 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

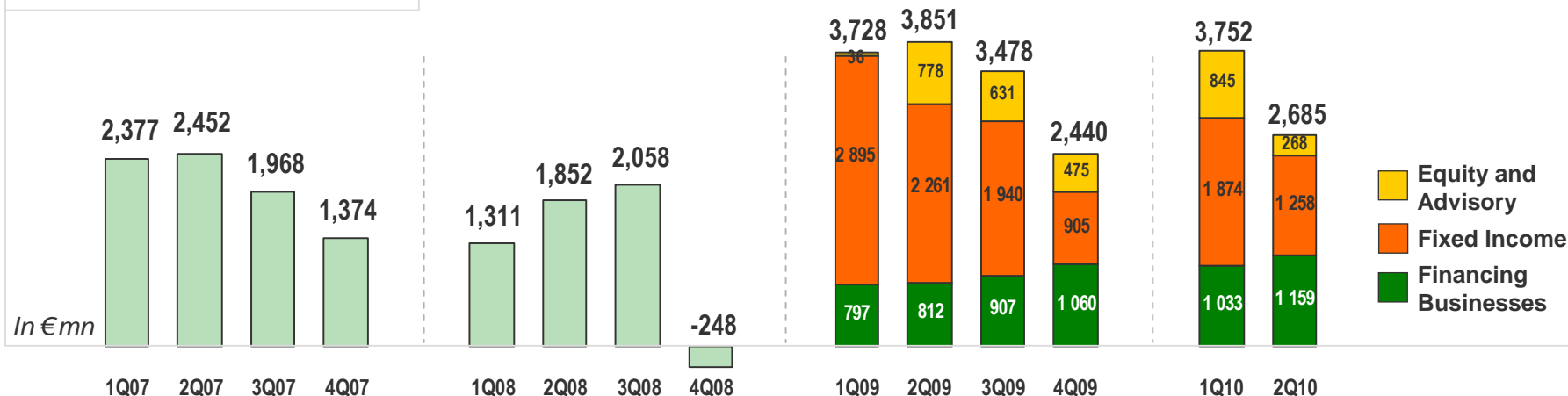


## > Resilient business mix in a challenging environment



# 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**

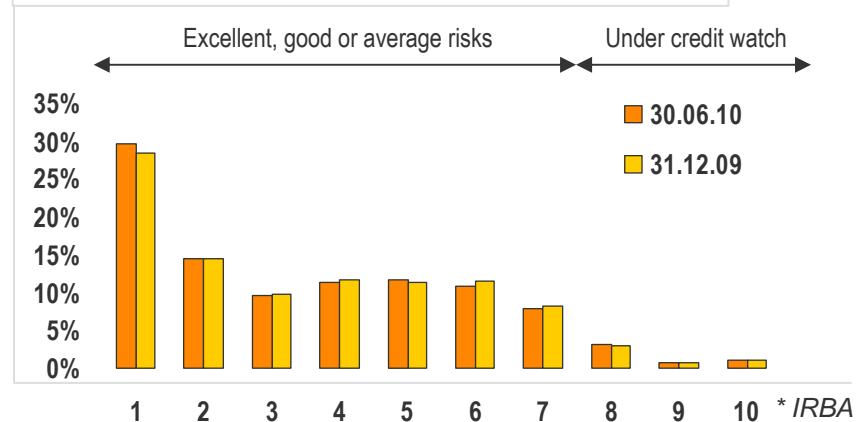




# Corporate and Investment Banking (2/2)

- 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

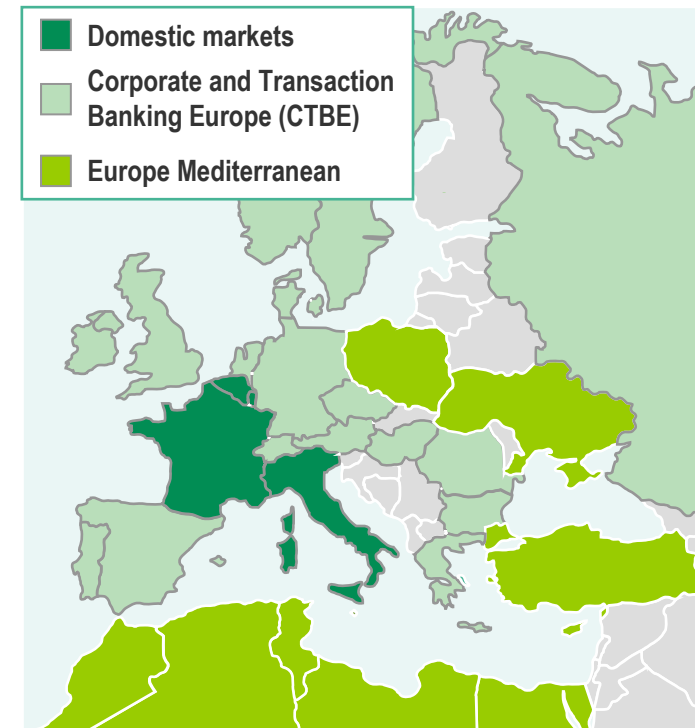


**No overhang on future earnings**



# 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**

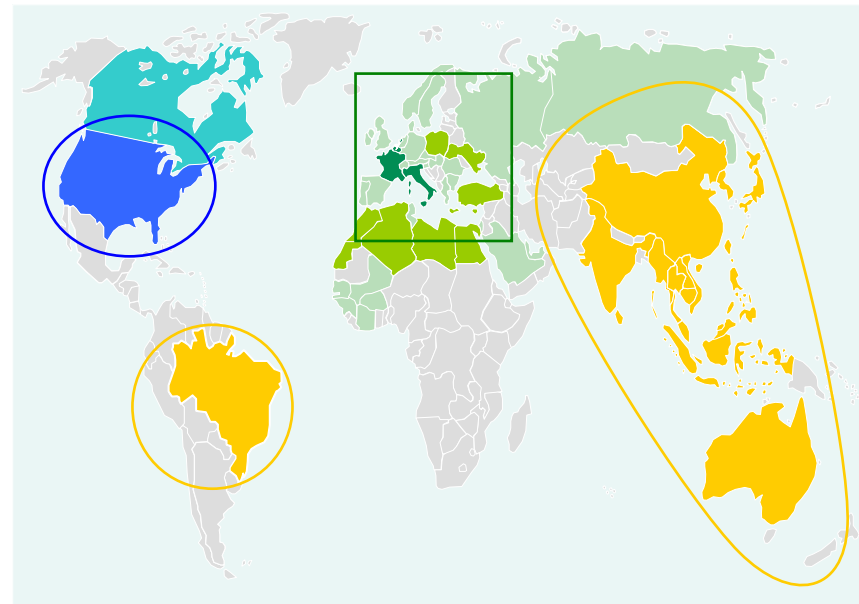
*\* as a % of gross disposable income in 2008*



**BNP PARIBAS**

# 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**



# 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** | The bank for a changing world

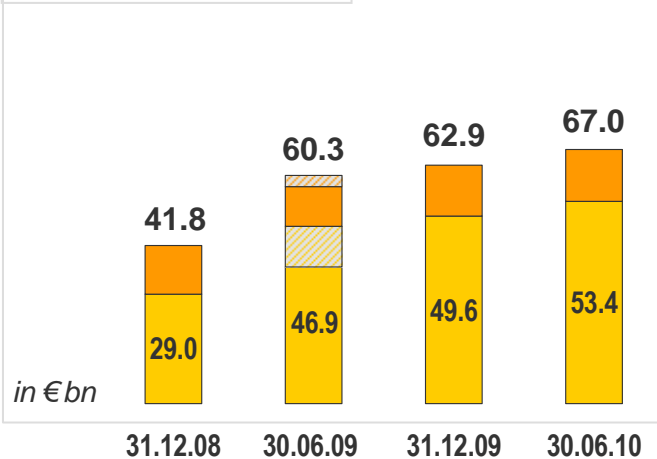
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# Appendix

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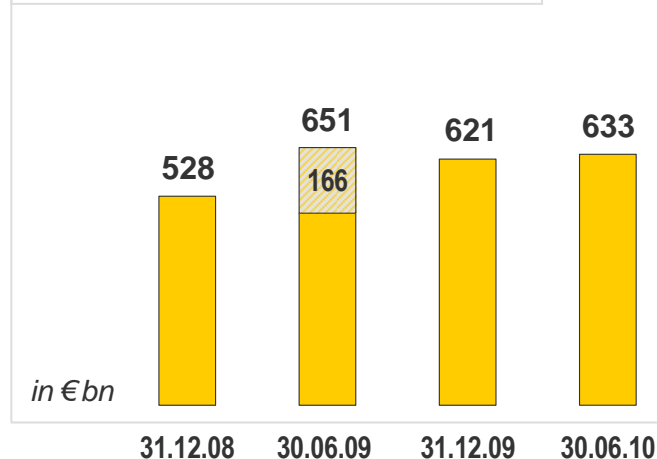
# Capital and RWAs

## Tier 1 capital



-  Fortis contribution
-  Hybrids
-  Equity Tier 1

## Risk-weighted assets



-  Fortis contribution

