



# BNP Paribas Sustainable growth throughout the cycle

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*30 March 2011*



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

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## Main Achievements in 2010

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Strong Performances by Business

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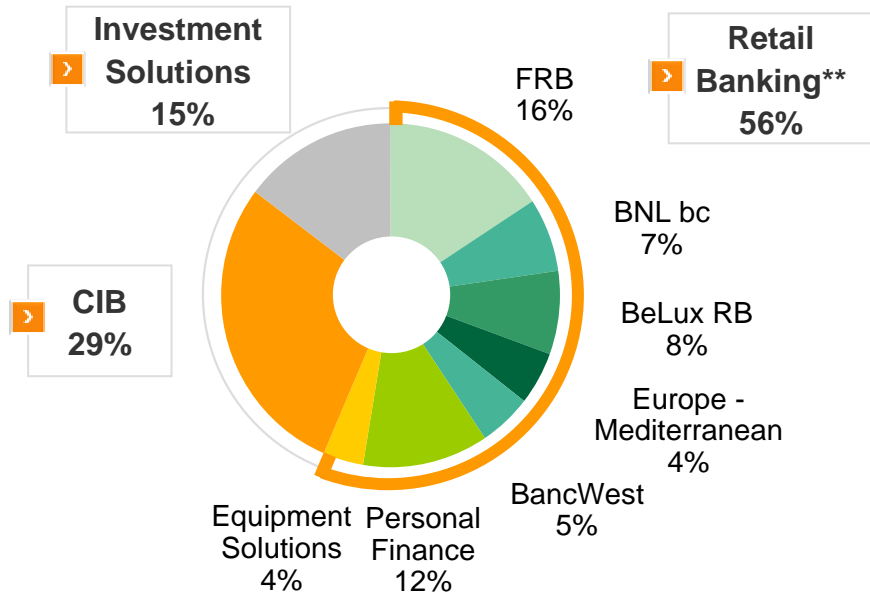
Growth Strategy

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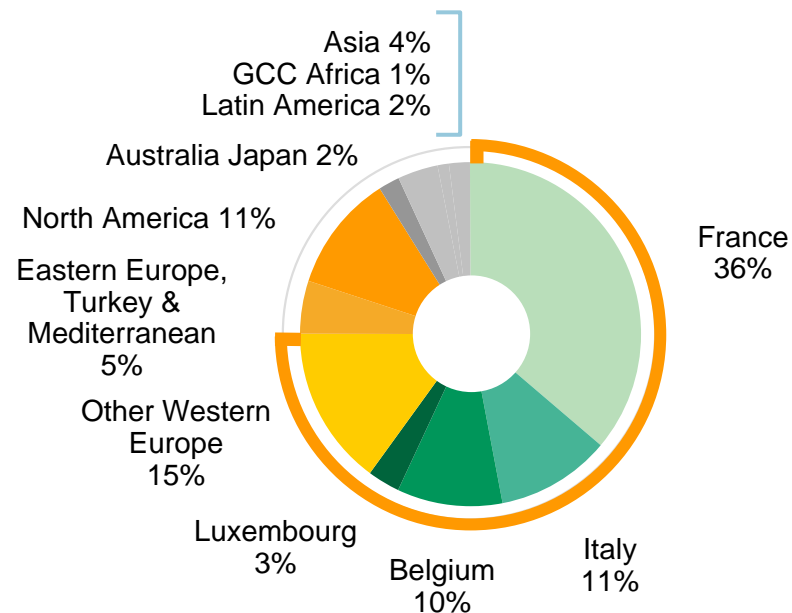
# Group Overview

## Business mix 2010\* Revenues



➤ 1/2 Retail, 1/3 CIB, 1/6 IS

## Geographic mix 2010\* Revenues



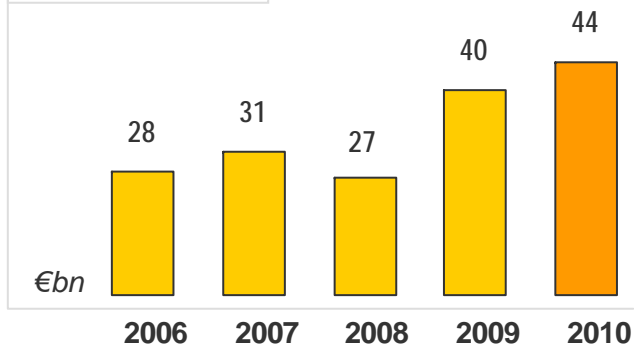
➤ 75% Western Europe, 60% domestic markets

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

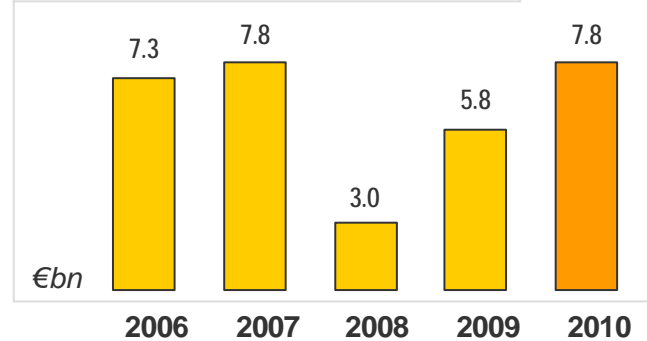


# Consolidated Group Results 2010

## > Revenues



## > Net income group share



- ROE
- ROTE

## > 2010

12.3%

15.8%

## > 2006

21.2%

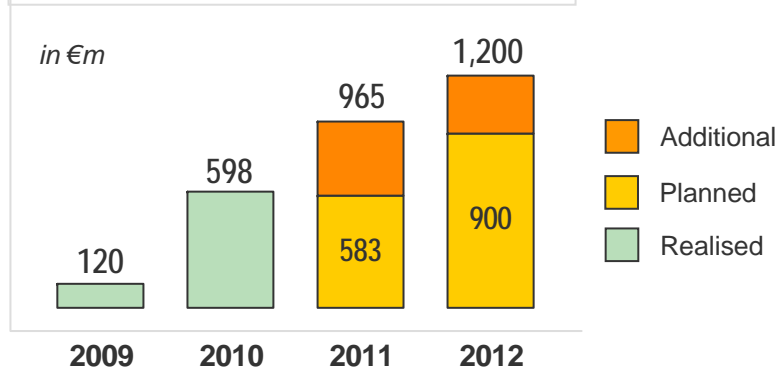
30.7%

> **Recurrent and strong cash flow generation capacity**

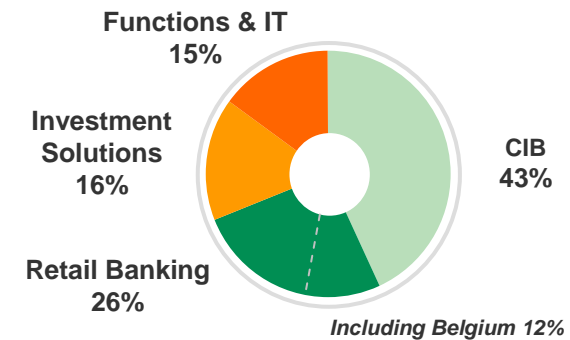


# BNP Paribas Fortis Synergies

## Net cumulative synergies



## Breakdown of synergies by business unit



- Cumulative synergies as at the end of 2010: €598m vs €229m announced
- Total expected annual synergies increased from €900m to €1.2bn in 2012
  - Retail Banking and functions: plan now includes Turkey
  - Investment Solutions: higher cost synergies in various business units
  - CIB: more cross-selling and higher cost synergies
- Restructuring costs\* increased from €1.3bn to €1.65bn
  - Including €0.6bn in 2011



**Synergies revised upward by 33%**

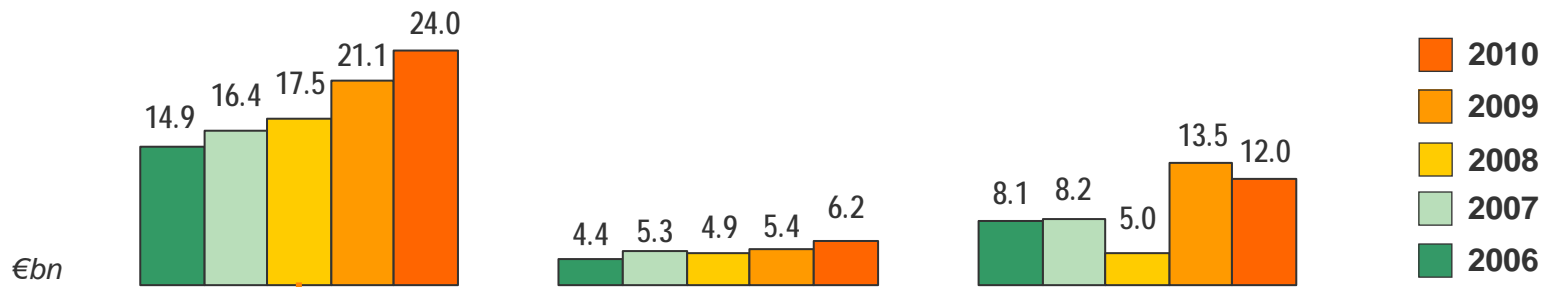


# Revenues of the Operating Divisions

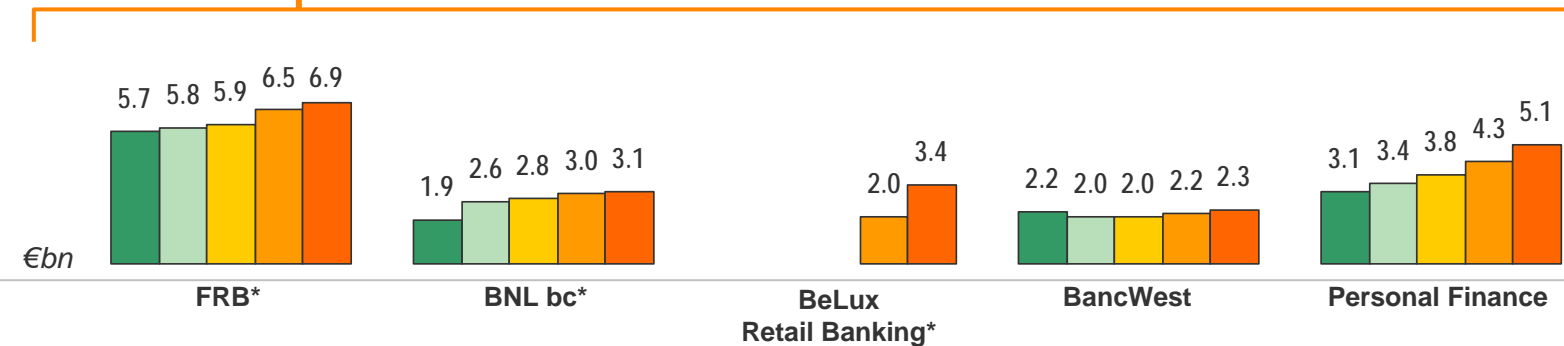
## > Retail Banking \*

## > Investment Solutions

## > CIB



of which



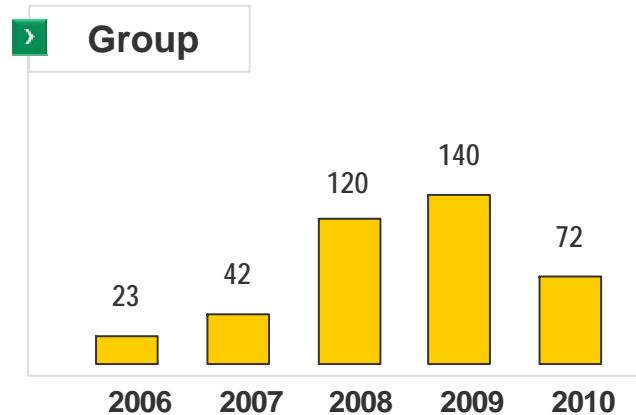
> **Strong organic and external growth throughout the cycle**

\*Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy and Belgium



# Cost of Risk

Net provisions/Customer loans (in annualised bp)



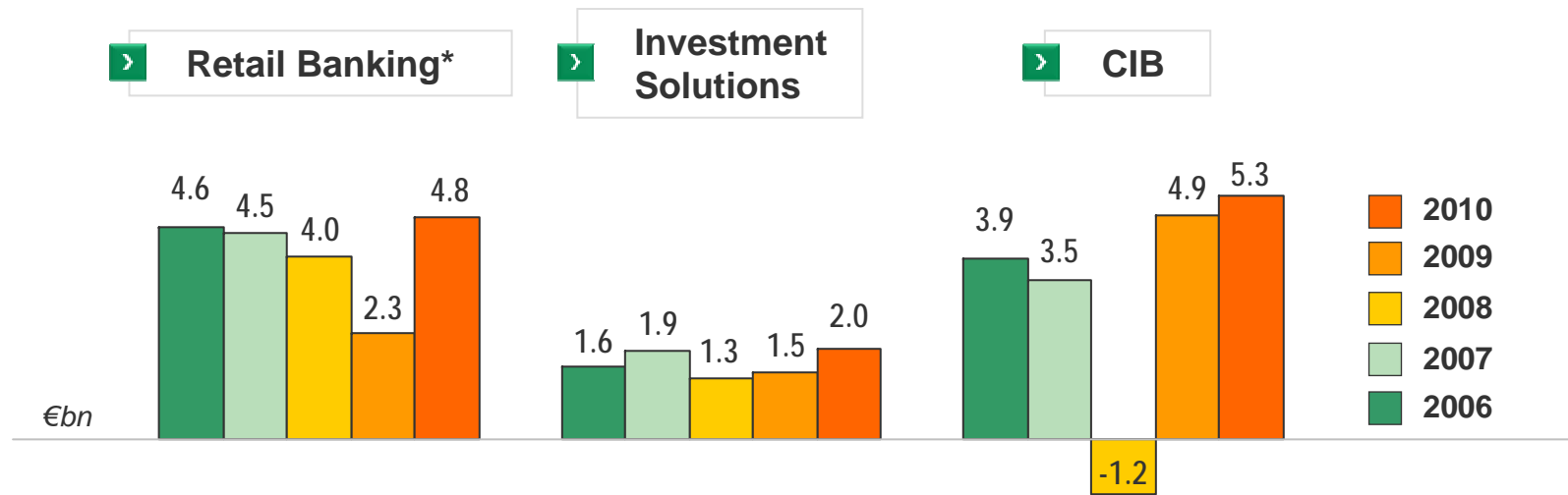
- Domestic Markets
  - France and Belgium: moderate level confirmed
  - Italy: stabilisation at a high level, mainly due to the mid-corporate segment
- Other Retail Banking
  - Europe-Mediterranean: trend down but uncertain consequences of political turmoil in certain countries
  - BancWest: strong reduction in the investment portfolio, improved quality of the loan book
  - Personal Finance: down in most countries
- CIB - Financing businesses: 0 bp in 2010, limited new provisions offset by write-backs



**Strong decline in the cost of risk  
in an improved economic environment**



# Pre-Tax Income of the Operating Divisions



● Pre-tax ROE

19%

31%

38%

32% *pro forma* Basel 2.5

~30% (est.) *pro forma* full Basel 3



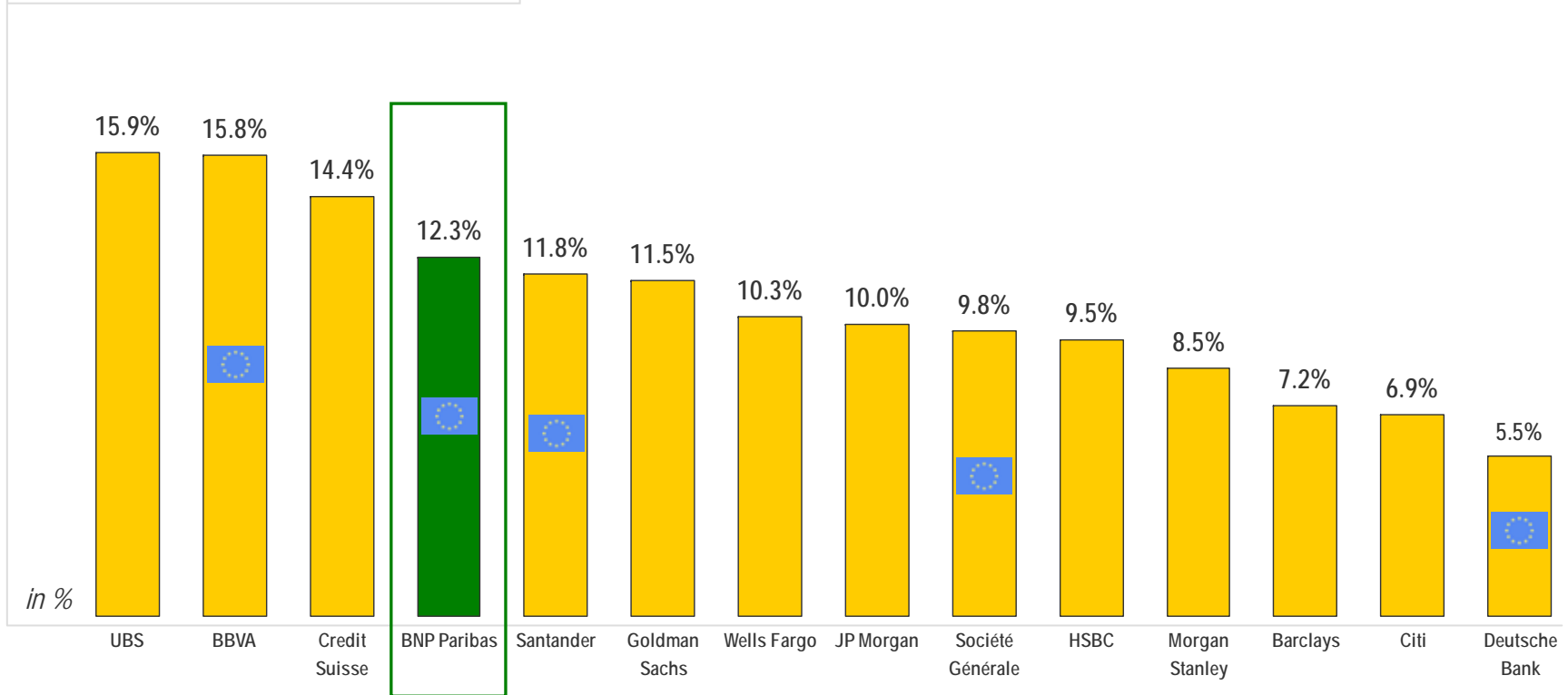
**Rebalancing of the divisions' contributions due to a rebound in Retail Banking income**

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



# ROE Benchmark

## > 2010 Return on equity



**Solid profitability**

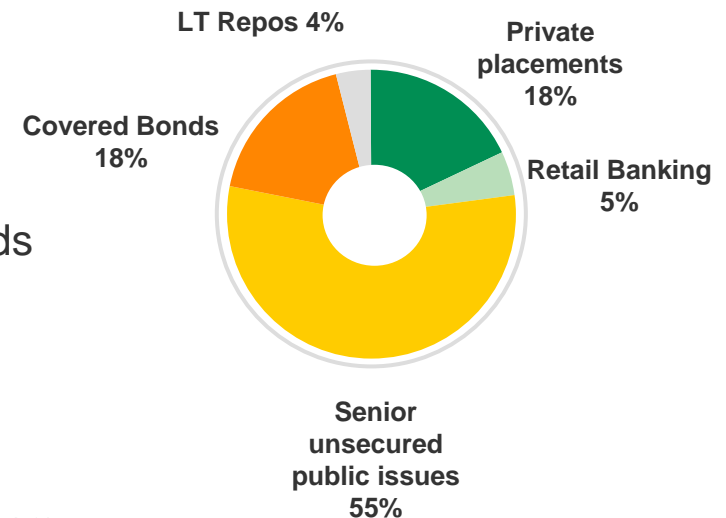
Source: banks



# Liquidity

- Large deposit base: €553bn (+2% vs. 31.12.2009)
  - With a beginning of re-intermediation in France from money market mutual funds
- Central bank eligible collateral available: €160bn
- High quality collateral for Covered Bond issues
  - Very good quality mortgages in euros
  - Assets guaranteed by AAA rated Export Credit Agencies
- Ability to diversify MLT issues with attractive spreads
  - In all the leading currencies (EUR, USD, AUD, JPY)
  - For various maturities & types of issuance
- 2011 MLT issue programme: €35bn
  - €14bn already raised with an average maturity of 7 years

2011 MLT funding structure\*



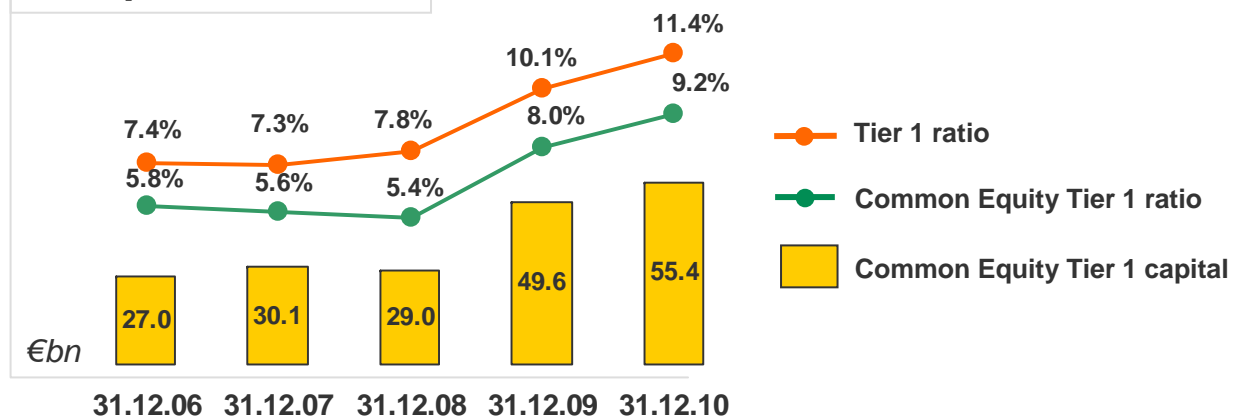
**A competitive edge in the access to a wide variety of liquidity sources**

\* As of 16 March 2011



# Solvency

## Capital ratios



- Common Equity Tier 1: +€28.4bn since 31.12.2006 (x2 in 4 years)

- O/w organic equity generation: +€15.2bn
- O/w switch to Basel 2 (insurance,...): -€2.7bn
- O/w effect of the Fortis deal: +€10.8bn
- O/w rights issue: only €4.2bn in 2009
- O/w scrip dividends paid in 2009 and 2010: €1.2bn

Limited dilution

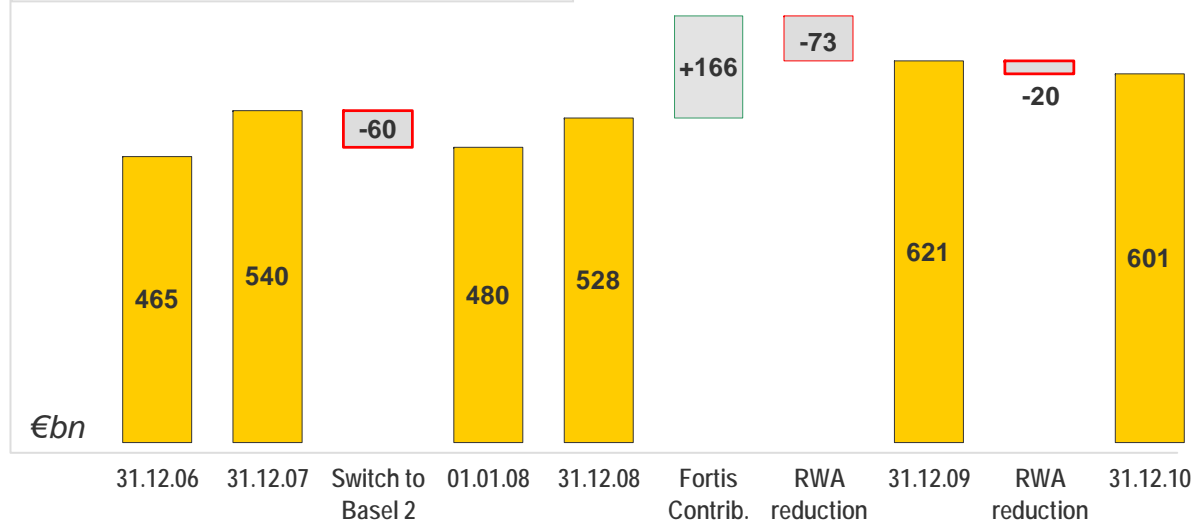


**Powerful capacity to generate equity organically**



# RWA

## > Risk-Weighted Assets



- Risk-Weighted Assets: +€136bn since 31.12.2006 (+29.5% within 4 years)
  - O/w effect of the switch to Basel 2 as at 01.01.08: -€60bn (mainly in credit risk on businesses eligible to advanced approach)
  - O/w effect of the Fortis deal: +€166bn
  - O/w steered reduction since end 2008: -€93bn, mainly in CIB

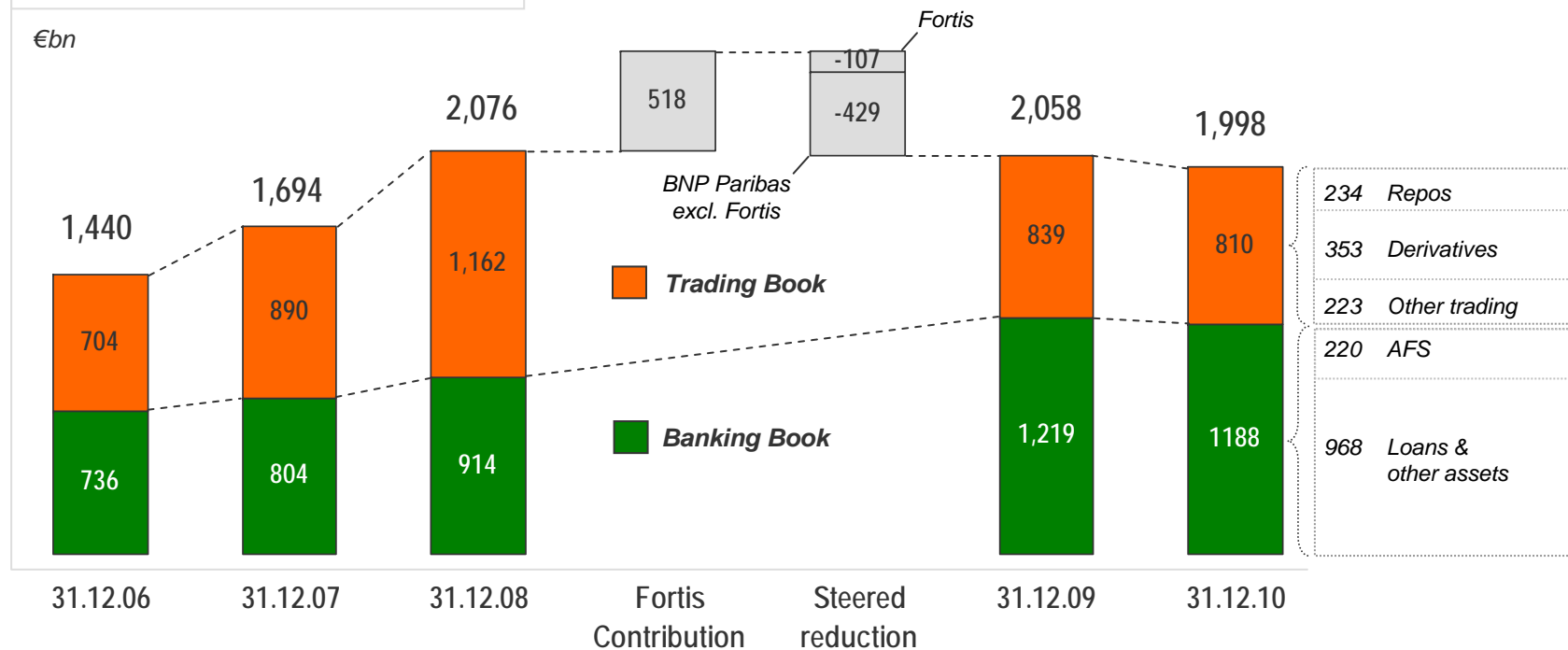


## Constant optimal management of RWA



# Balance Sheet

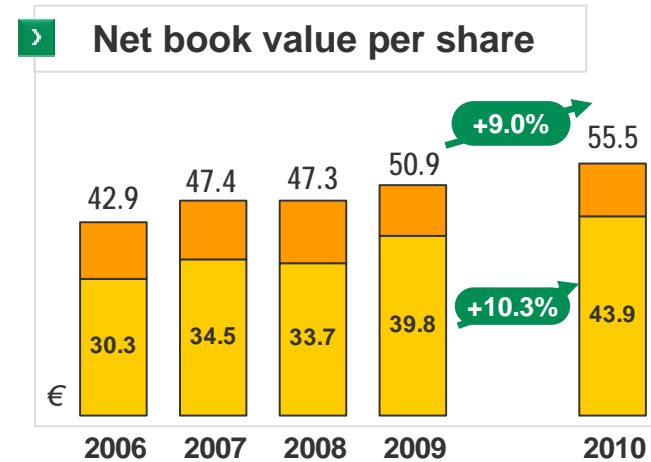
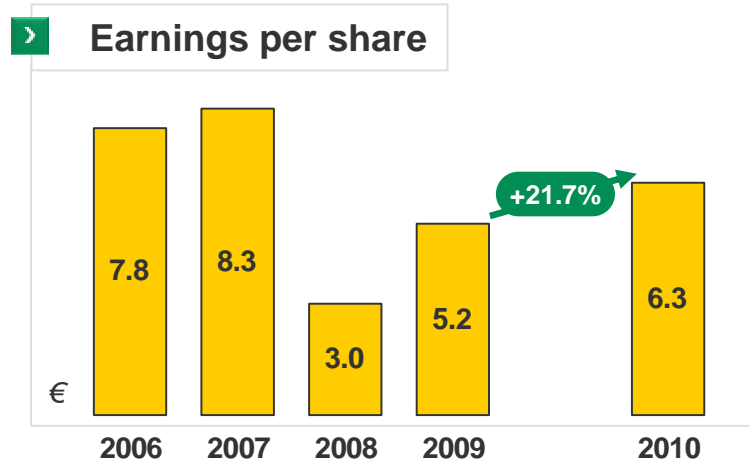
## Balance sheet: assets



Active balance sheet management since Fortis acquisition



# Earnings per Share, Book Value per Share



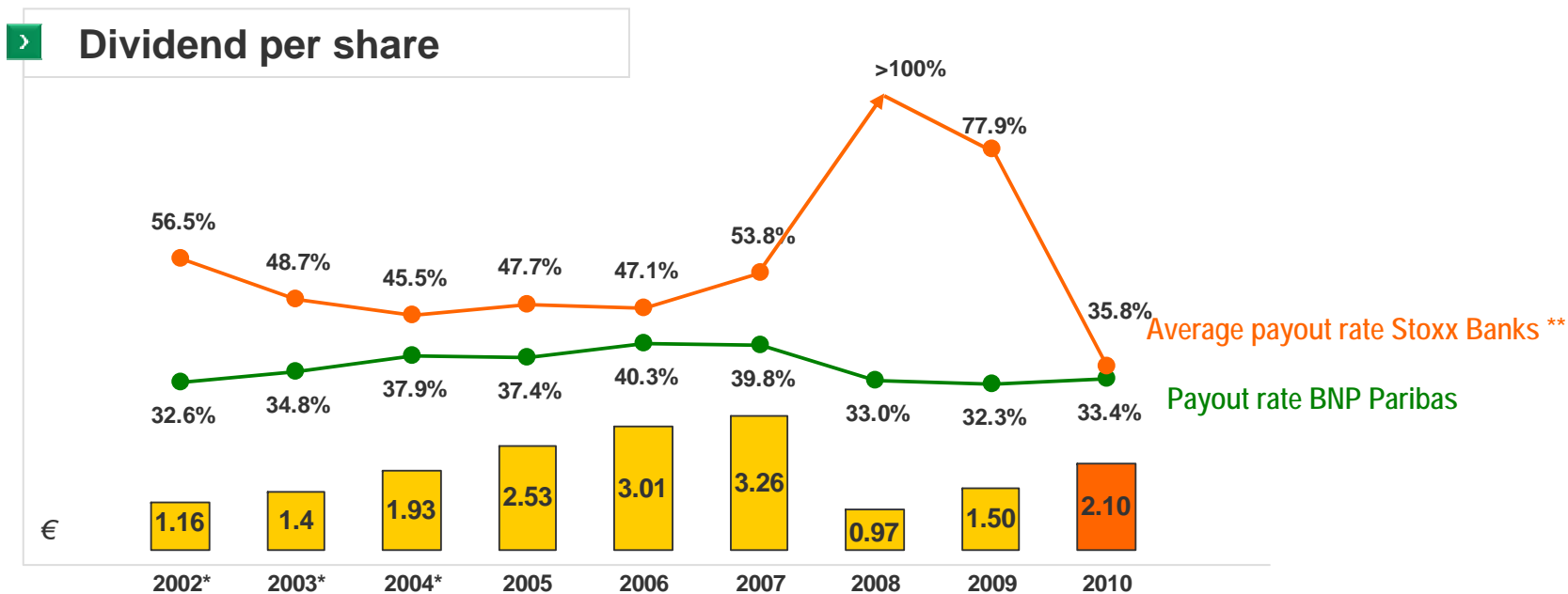
Net tangible book value per share

➤ A model generating robust growth in the value of assets throughout the cycle



# Dividend

- 2010 dividend proposed at the Shareholders' General Meeting: €2.10 payable in cash



*The dividend for financial years 2002 to 2008 were adjusted to take into account capital increases, with the preferential subscription rights maintained, carried out in 2006 and 2009*

**A responsible distribution policy: 1/3 of net income distributed to shareholders, paid in cash**



Main Achievements in 2010

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**Strong Performances by Business**

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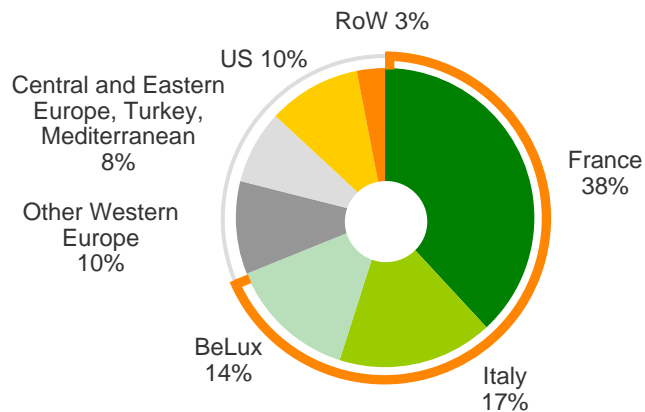
Growth Strategy

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# 2010 Retail Banking - Overview

## Retail Banking Geographic Mix Revenues 2010 \*



69% domestic markets

## 2010/2009 (at constant scope and exchange rates)

● Revenues*	+4.0%
● Cost/Income* (60.8pt):	-1.0pt
● Cost of risk*	-28.8%
● Pre-Tax Income**	x2.0
● Pre-tax ROE	19.0%

69% of retail revenues generated in domestic countries

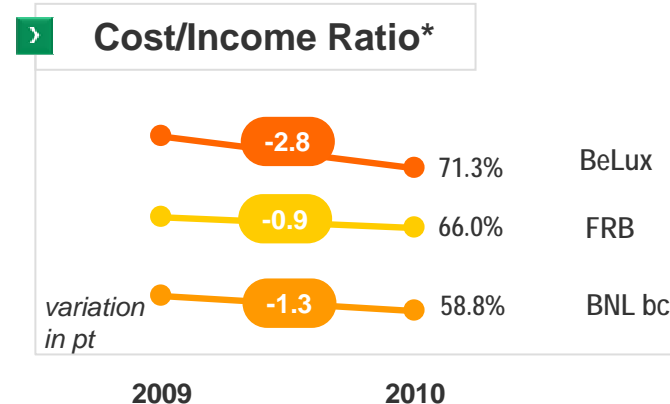
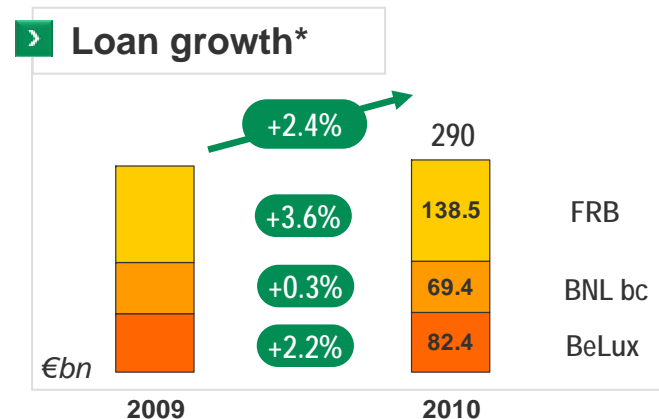
\* Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy and Belgium;

\*\* Including of 2/3 of Private Banking in France (PBF), Italy and Belgium



# 2010 Retail Banking - Domestic Networks

- Strong volumes
  - Deposits: strong inflows in current accounts (+7.5%\* vs. 2009)
  - Loans: +2.4%\* vs. 2009, o/w +6.5% in mortgages (71% of total Group mortgage outstandings)
- Cost control discipline maintained in the 4 networks
- Cost of risk
  - France & Belgium: moderate level confirmed
  - Italy: stabilisation at a high level
- Pre-tax ROE: 21%
  - BNL bc still in Basel 2 standardised approach



> **Strong cash flow generation capacity in sound markets**

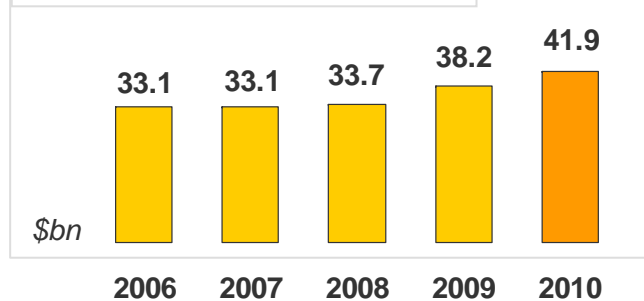
\*At constant scope, including 100% of Private Banking in France (excluding PEL/CEL effects), Italy and Belgium



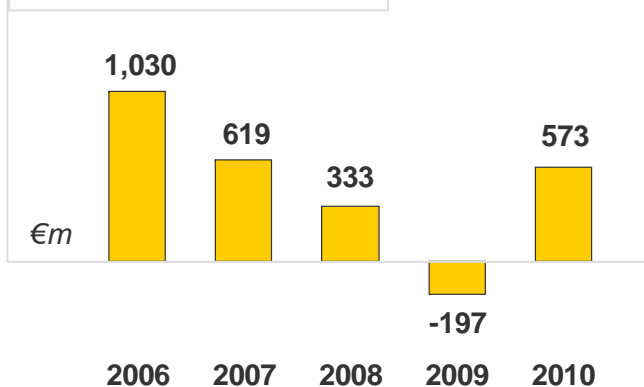
# 2010 Retail Banking - BancWest

- Resurgence in business development in an improving economy
  - High net interest margin and increasing deposit base
  - Still weak loan demand but a recent pickup in corporate and consumer loan production
  
- Cost income ratio: 54.7%, still at a low level
  - Step up commercial effectiveness of the network to boost customer acquisition, increase cross selling
  - Upgrade the branch network
  
- Strong decline in the cost of risk
  - 119 bp (vs. 310 bp in 2009)
  
- Pre-tax income: €573m
  
- Pre-Tax ROE: 18%

## Core Deposits\*



## Pre-tax income



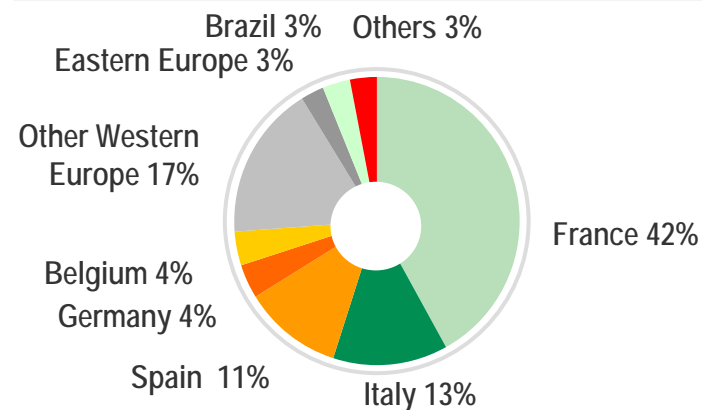
➤ **Significant recovery underway**



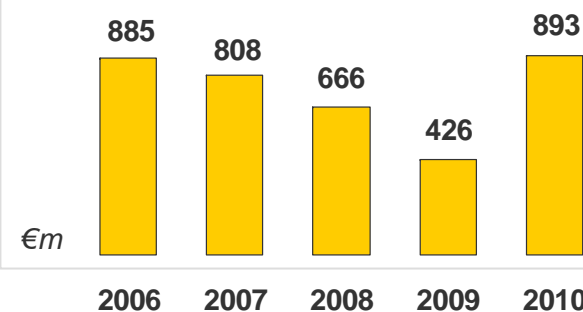
# 2010 Retail Banking - Personal Finance

- Pursuing growth and industrialisation strategy
  - France: industrial alliance with BPCE
  - Italy: Findomestic integration plan
  - Germany: partnership with Commerzbank (1,200 branches, 11m customers)
  - Turkey: takeover of TEB Cetelem in 4Q10
- Strong loan growth with a low risk profile and good profitability
  - Consolidated outstanding: +4.0%\* vs. 2009
- Cost/income: 46.0% (-9.4pt in 2 years)
- Cost of risk: decline in most countries
- Pre-tax income: x2 vs. 2009
- Pre-tax ROE: 23%

## 4Q10 consolidated outstandings: (€88.4bn)



## Pre-tax income



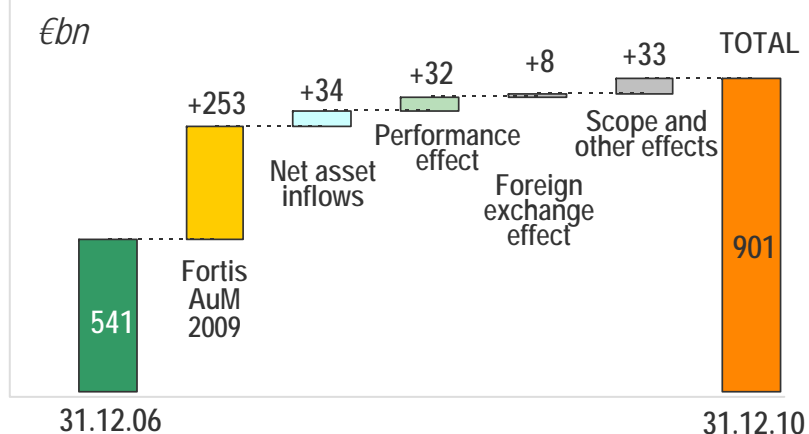
**Excellent operating performance**

\* At constant scope and exchange rates

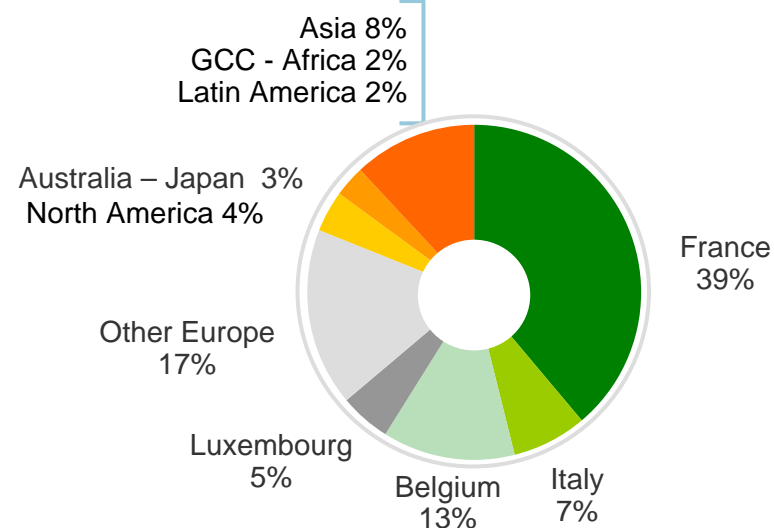


# 2010 Investment Solutions (1/2)

## Assets under management\* change since 31.12.06



## AUM\* by geography



- Assets under management: €901bn as at 31.12.10 (+67.0% vs. 31.12.06)
  - Effect of the Fortis integration: +€253bn
  - Strong inflows throughout the crisis, incl. new cash in money market funds partly gone since then
  - Diversified geographic asset base: 12% from emerging countries

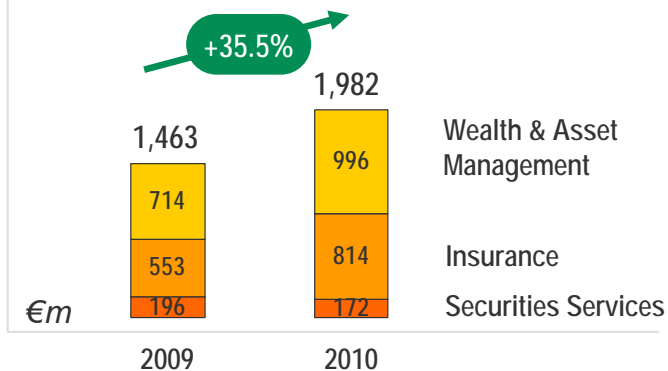
## Assets under management increased to €901bn

\*Including assets managed on behalf of external clients; as at 31.12.10

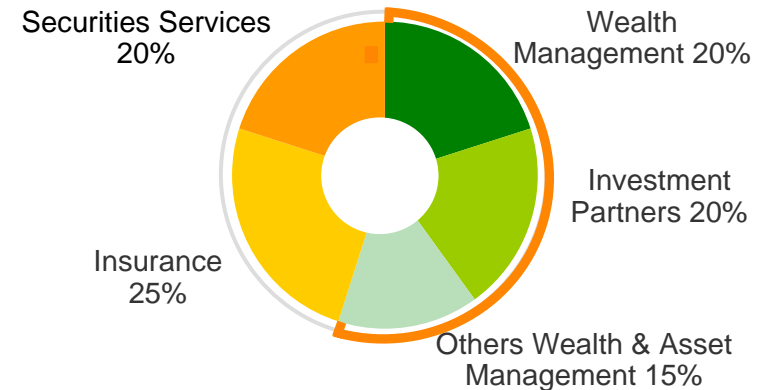


# 2010 Investment Solutions (2/2)

## Pre-tax income per business unit



## Business Mix 2010 Revenues



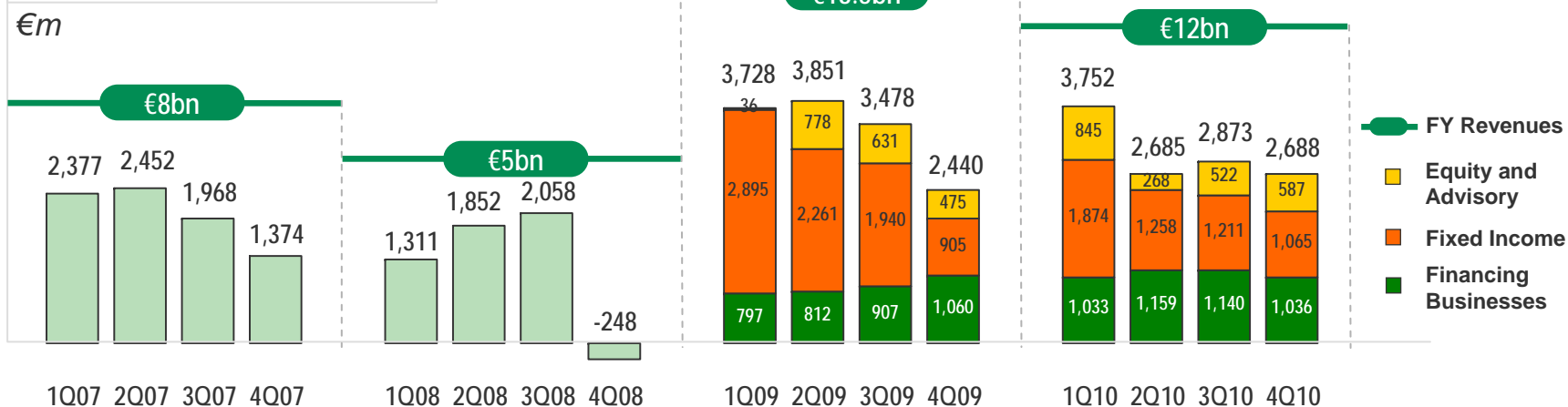
- Resilient business model
  - Integrated model with excellent complementary fit between businesses
  - All businesses are core
- Improved operating efficiency: cost/income at 70.8% (-2.1 pts\* vs. 2009)
- Pre-tax ROE: 31%
  - Low capital consumption businesses

Integrated model generating strong profitability



# 2010 Corporate and Investment Banking (1/2)

## Revenues 2007-2010



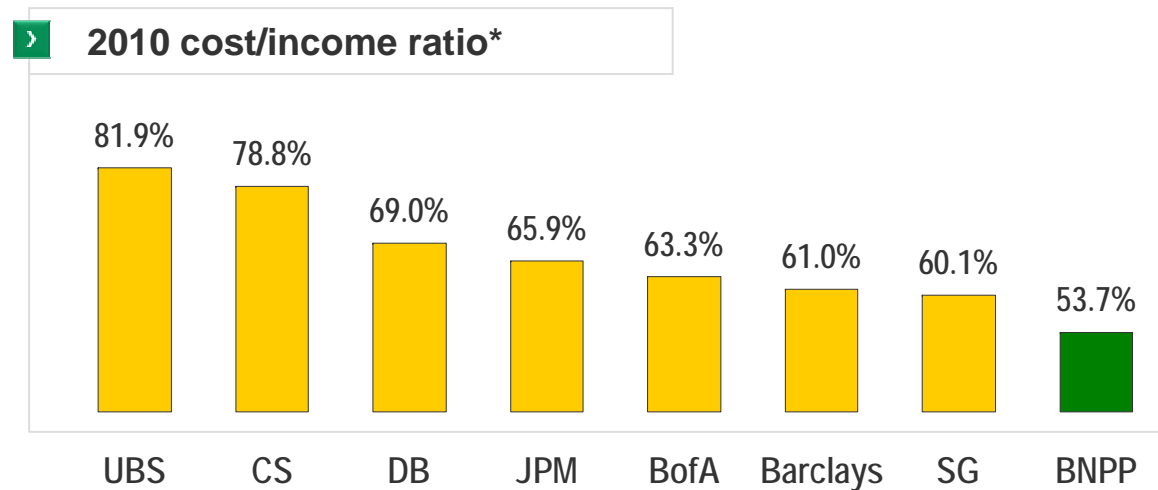
- Financing businesses: leadership in Europe and recognised global franchises
  - Strong and recurrent revenue base
- Capital markets: strong franchises beyond intrinsic volatility
  - Global leading provider of derivatives
  - Ranked number 1 for “All Corporate bonds in euros” (*Thomson Reuters*)

➤ **European leader, client centric, with diversified business mix**



# 2010 Corporate and Investment Banking (2/2)

- All 2010 variable compensation components booked in 2010
  - Including the deferred and conditional part (payable in 2011, 2012 and 2013)
- 2010 cost/income ratio: still the best in the industry
  - After bolstering the franchise in Asia and in the U.S.



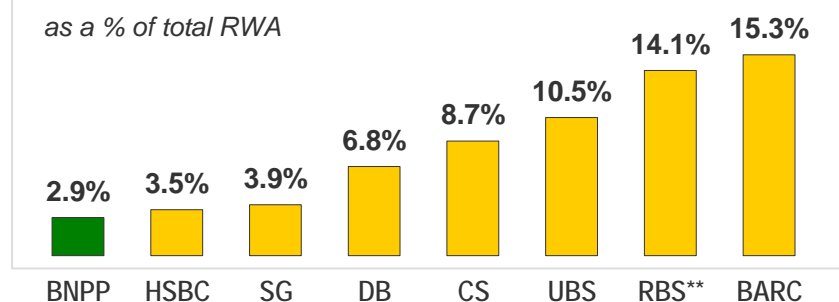
> **The best operating efficiency in the industry**



# CIB - Capital Markets: Basel 2.5 & Basel 3

- RWA: €71bn as at 31.12.2010
  - Only 12% of Group's total RWA
  - O/w €10bn for market risks RWA  
€19bn for counterparty risks RWA
  - End user oriented

## ➤ Benchmarking Market risks RWA



Source: banks, as of 31.12.10

- Limited impact of Basel 2.5/3 vs. peers: ~+€60bn additional RWA...
  - Low VaR: €43m as at 31.12.10
  - Reclassified assets: only €6bn as at 31.12.10; flat shadow P&L\*
  - Securitisation: already included in RWA (no deduction from capital 50/50)
  - Counterparty risk already calculated with a stressed scenario
- ....even without taking into account any mitigation action
  - Beyond day-to-day optimisation



## Basel 2.5 & 3 RWA: limited impact as compared with CIB competitors

\* If no reclassification had been implemented, the aggregate pre-tax income since the first reclassification, would have been quite similar

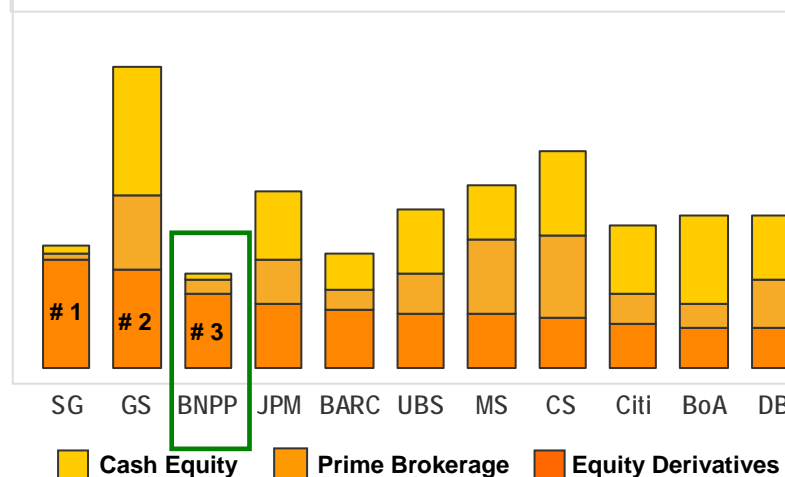
\*\* Total RWA before "Asset Protection Scheme Relief"



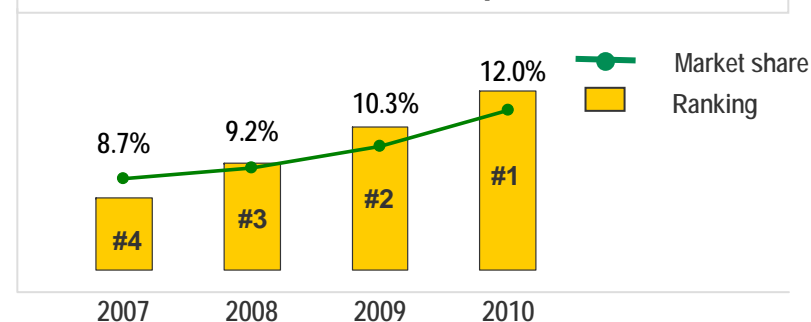
# CIB - Capital Markets

- Equity Derivatives
  - Top 3 worldwide equity derivatives franchise with very limited cash equities, complemented by a profitable prime brokerage activity
  - Significant reduction of risks since 4Q08
  - Combination of listed derivatives & fully collateralised OTC business
  
- Fixed Income
  - Virtually no legacy assets
  - Leading interest rate derivative franchise
  - Leading position in euro capital markets
  
- Solid profitability: 2010 pre-tax ROE of 44%
  - ~27% pro forma full Basel 3

## > Benchmark 2010 Global Equities revenues\*



## > Benchmark 2010 "All Corporate bonds in €"



**> A competitive edge to remain highly profitable in the new regulatory environment**

\* Source: bank disclosure & BNP P estimates



Main Achievements in 2010

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Strong Performances by Business

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**Growth Strategy**

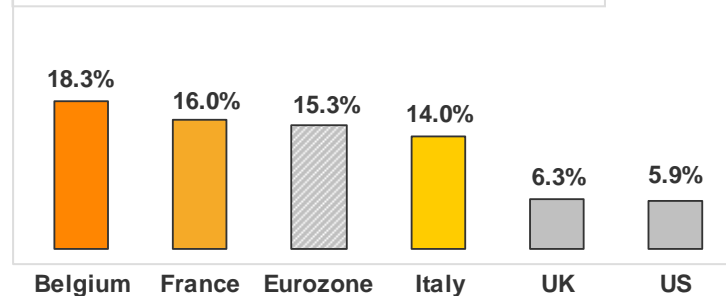
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# Growth Strategy in Domestic Markets

- Pursue growth in robust markets
  - Household savings rates above 14%\*
  - Sound real estate markets
  - Sustained loan demand due to low debt per capita

> Gross savings rate in 2009\*



- Extend cross-selling
  - Inside Retail Banking: integrated model and shared platforms; speed up distribution of Personal Finance products
  - Retail Banking - IS: continue rolling out the Private Banking model; develop the distribution of insurance products
  - Retail Banking - CIB: continue developing cash management services, trade finance, interest rates and forex products
  - IS - CIB: expand the product offering of BPSS; alternative management solutions with Equity Derivatives

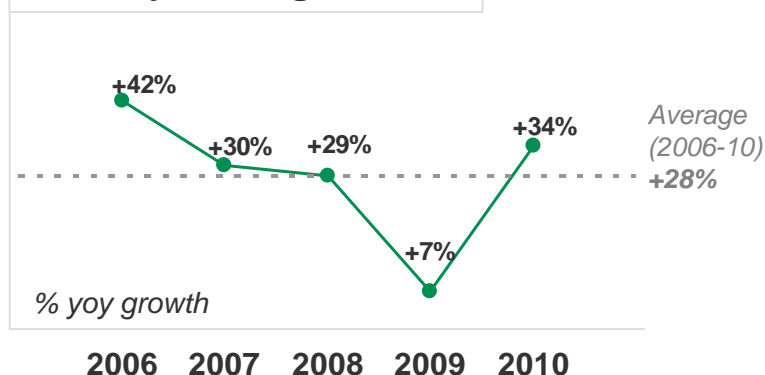


**Integrated business model enabling continued outperformance in wealthy and sound markets**

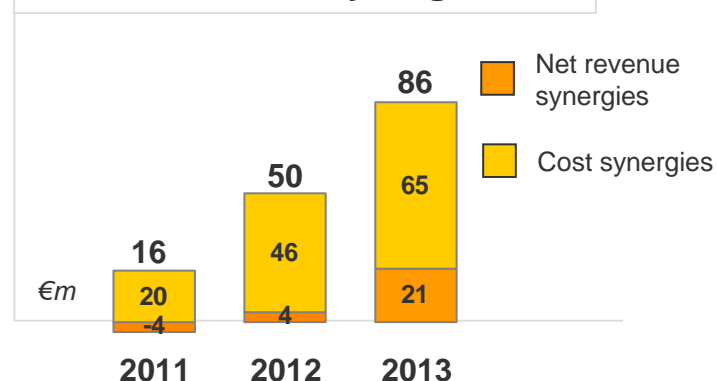


# Growth Strategy in Other Retail Markets: Focus on Turkey

## > Turkey - loan growth\*



## > Net cumulative synergies\*\*\*



- A robust, dynamic and promising market
  - Sizeable market (76m inhabitants) with significant GDP growth potential
  - Strong lending growth (+28% over the last 5 years) and resilient profitability throughout the crisis
  - Low banking penetration rate (loans/GDP\*\* at 39% vs 148% in EU-15)
- Merger of TEB & Fortis Bank Turkey completed
  - Leading to a #9 ranking in Turkey
  - Roll-out of the integrated model: €86m of net synergies expected by 2013
  - €123m of restructuring costs over 3 years

> **Roll out the integrated model in an attractive market to extract further value from the “New TEB”**

\* Source: BRSA ; \*\* Source: Central Banks (2009), EU-15 : European Union 15; \*\*\* 67% consolidated

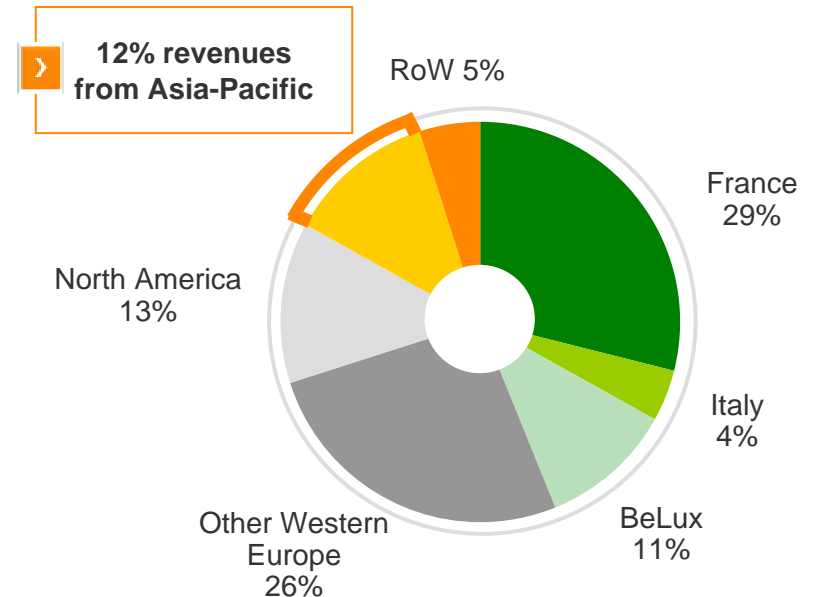


# Growth Strategy in Asia- Pacific

- CIB: strengthen strong established positions
  - Transaction Banking: invest to industrialize and upgrade cash management and trade services platform
  - Financing: consolidate the strong franchises especially in Energy and Commodities
  - Capital Markets: develop local Fixed Income product offering, broaden client base for equity products
- Investment Solutions: become a major player
  - Asset Management: capitalise on the existing organisation to boost growth
  - Wealth Management: confirm the Top 5 position from Hong-Kong and Singapore
  - Insurance: maintain growth momentum in India, Japan, Korea and Taiwan
  - Securities Services: building a significant provider covering all major markets

## CIB - IS Geographic Mix

Revenues 2010



**Build on already strong set-up  
in a fast-pace growth region**



# Conclusion

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**Strong cash flow generation capacity throughout the cycle**



**Enabling significant internal and external growth with a continuous strengthening of solvency**



**Providing leeway to keep on creating value organically in the new regulatory environment**



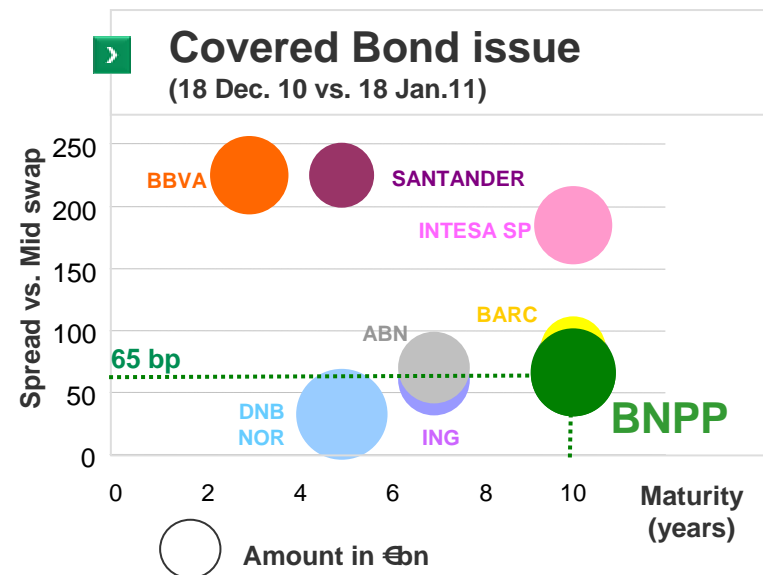
# Appendices

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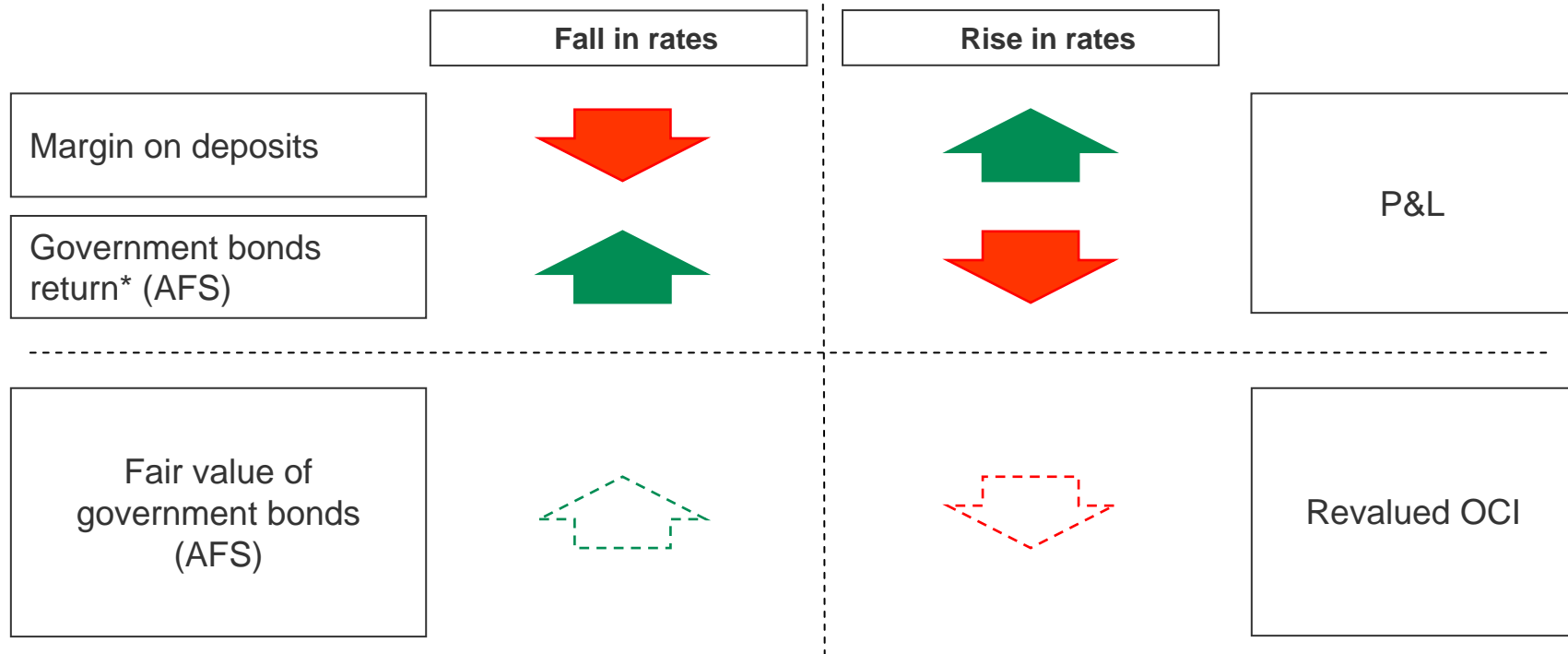
# Liquidity - 2011 New Benchmark Issues

- Favourable issue terms in various segments
  - Jan 2011: 10-year Home Loan Covered Bond €1.75bn (swap +65 bp)
  - Jan 2011: 3-year Floating Rate Note Senior unsecured US\$ 1bn (3-month \$ Libor +90bp)
  - Jan 2011: 10-year Senior unsecured US\$ 2bn (Treasuries +175 bp)
  - Jan 2011: 3-year Senior unsecured AU\$ 850m (equiv. US\$ Libor + 91 bp)
  - Feb 2011: 5-year Senior unsecured US\$ 2bn (Treasuries +135 bp)
  - Feb 2011: 5-year Senior unsecured €1.5bn (swap +73 bp)
  - March 2011: 5-year dual tranche Senior unsecured ¥ 62bn (equiv. swap +30 bp for fixed rate tranche)



# Asset and Liability Interest Rate Risk Management

## Impact of changes in interest rate

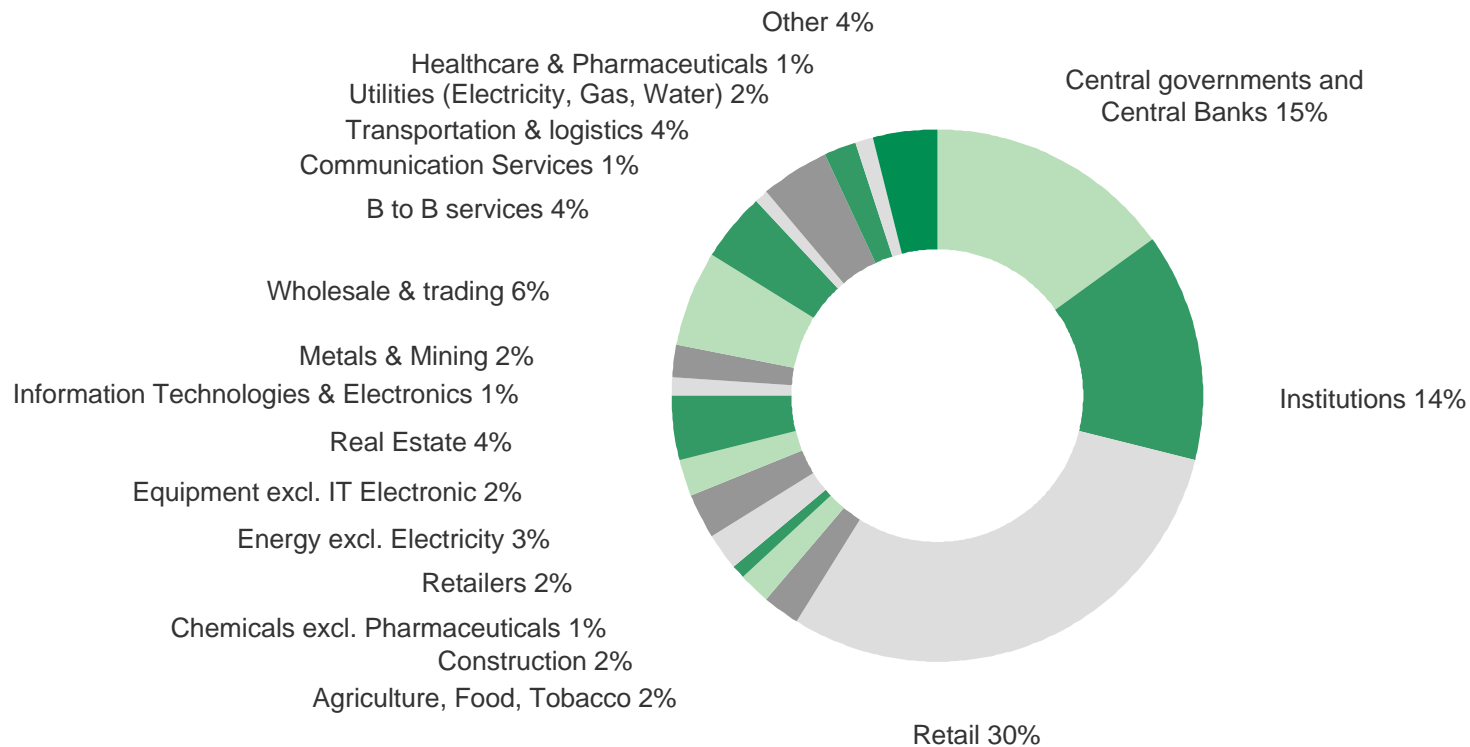


- Government bonds hedge retail banking activities against a drop in interest rates (but also limit the favourable effects of rising interest rates)
- Worst case scenario: interest rates remain low on a long-term basis and flat yield curve
- Best case scenario: steep yield curve

\*Coupon minus carrying costs



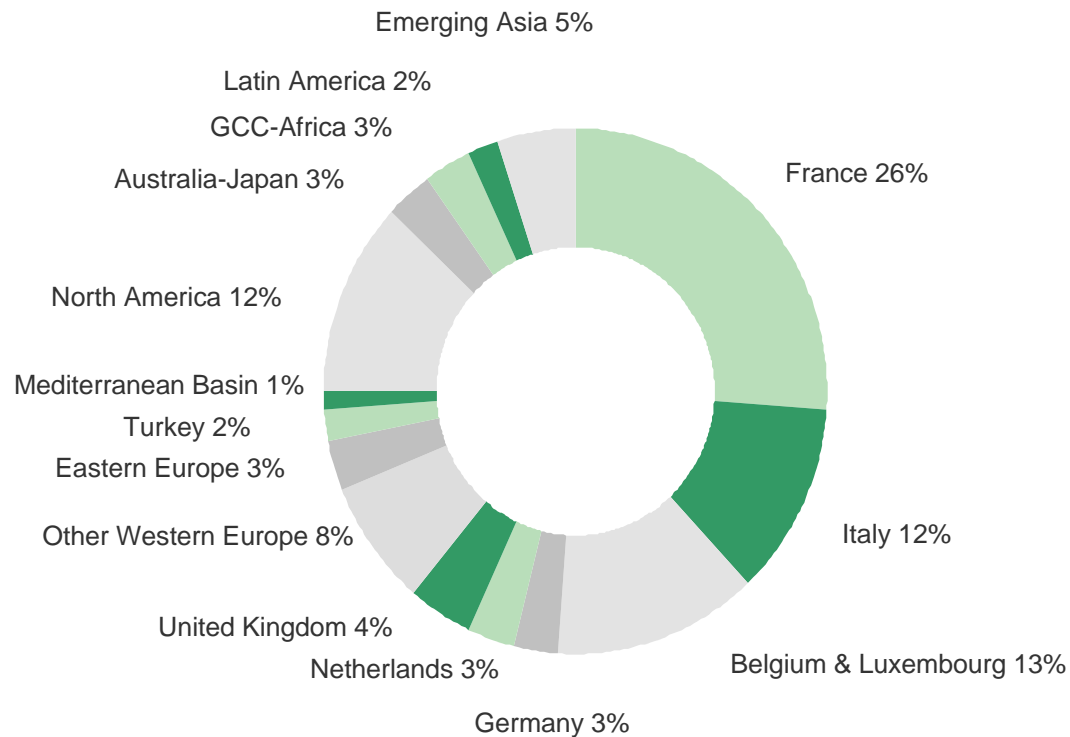
# Breakdown of Commitments by Industry



**Total gross commitments on & off-balance sheet, unweighted = €1,296bn as at 31.12.10**



# Breakdown of Commitments by Region



**Total gross commitments on & off-balance sheet, unweighted = €1,296bn as at 31.12.10**



# Update of Sovereign Exposures

## Exposures as at 31 December 2010\*

<i>In €m</i>	Gross exposure	O/w banking book	O/w trading book	Net exposure (1)
Austria	1,190	1,190	0	1,145
Belgium	22,046	22,046	0	22,225
Bulgaria	6	6	0	14
Cyprus	91	75	16	80
Czech Republic	165	165	1	156
Denmark	0	0	0	0
Estonia	0	0	0	8
Finland	800	523	277	446
France	16,287	16,287	0	16,294
Germany	9,642	5,993	3,649	9,633
Greece	5,018	4,539	479	5,046
Hungary	963	796	167	1,030
Iceland	0	0	0	60
Ireland	433	433	0	351
Italy	22,079	21,835	243	21,910
Latvia	0	0	0	21
Liechtenstein	0	0	0	0
Lithuania	36	35	0	48
Luxembourg	463	463	0	463
Malta	0	0	0	0
Netherlands	9,386	9,386	0	9,229
Norway	116	101	15	129
Poland	2,962	2,879	83	2,997
Portugal	1,733	1,733	0	1,875
Romania	109	76	33	120
Slovakia	34	32	2	33
Slovenia	342	61	280	311
Spain	2,903	2,903	0	3,708
Sweden	40	0	40	0
United Kingdom	1,821	1,424	396	1,719

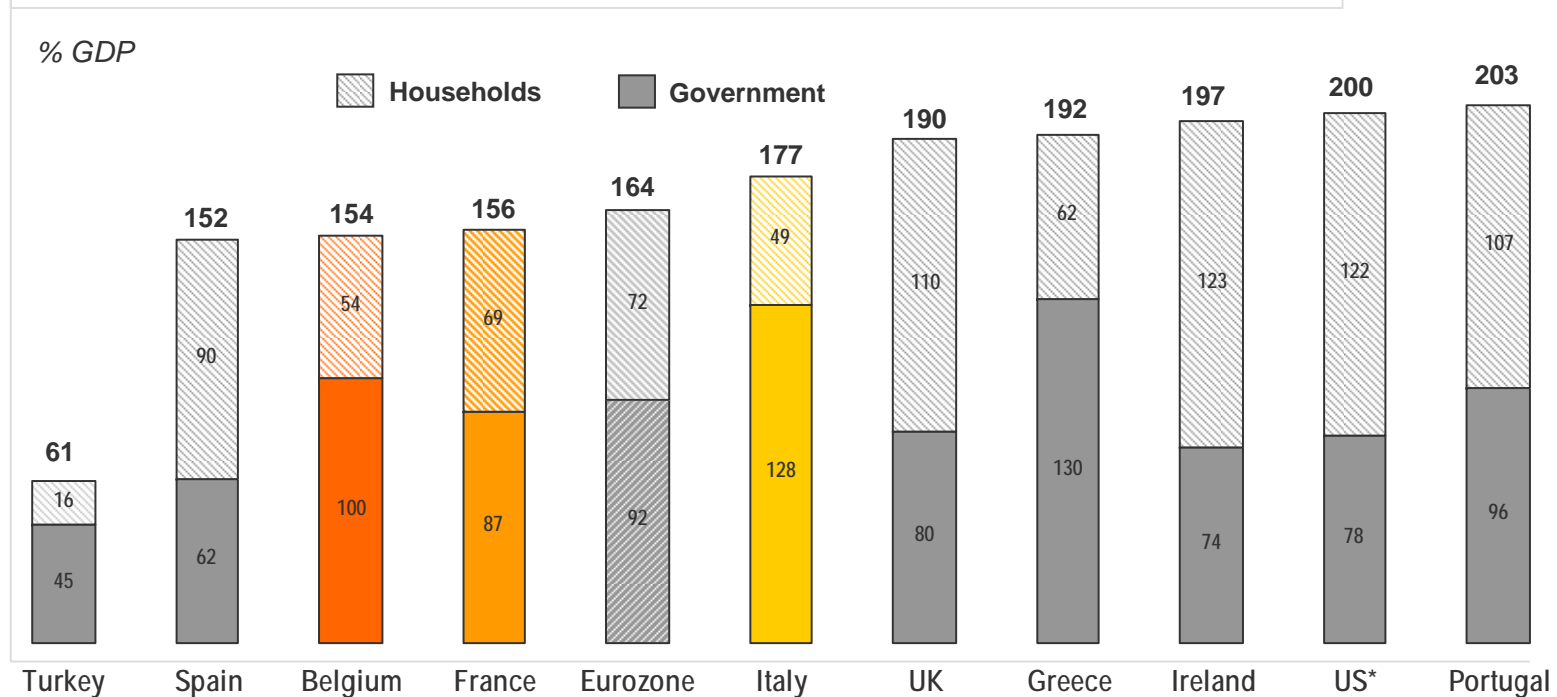
(1) Including credit derivatives

\* Excluding insurance



# Domestic Retail Markets

## > Government and Households consolidated debt by country (2009)



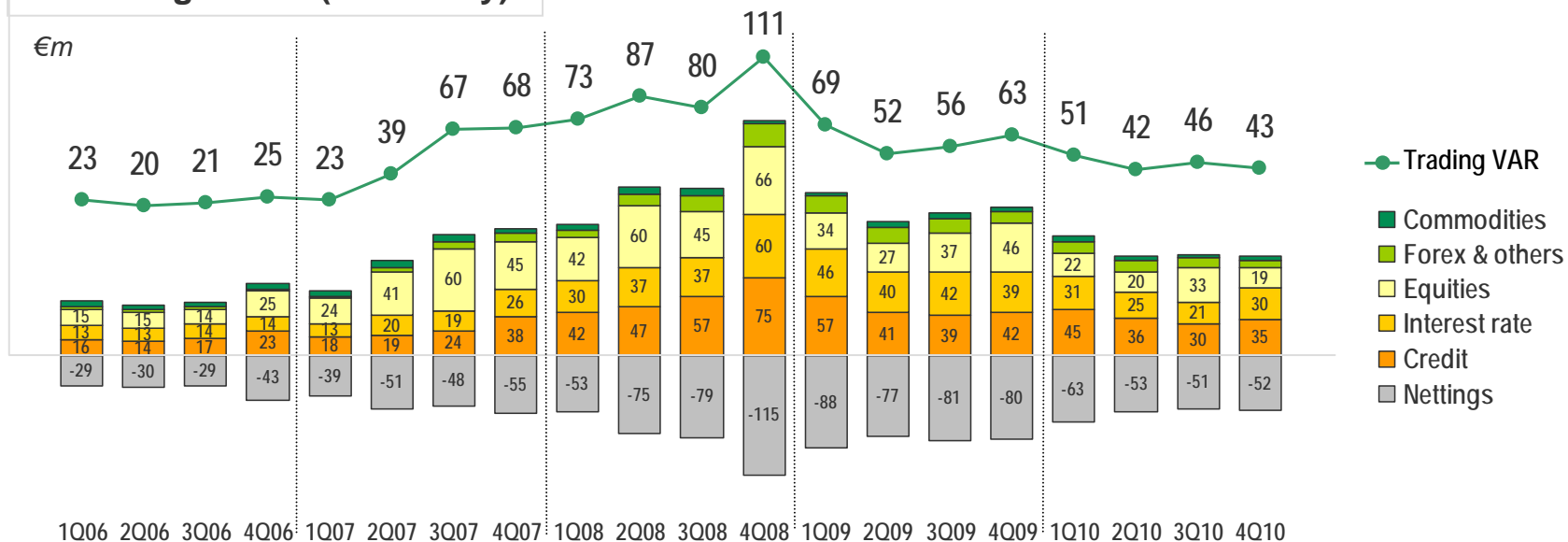
## > Sound domestic markets

Source: Eurostat, Federal Reserve and CbT, \* Households incl Farm business; Government incl Federal and local



# CIB - Market Risks

## Average VAR\* (99% 1 day)



- Low VaR in 4Q10
  - Due to significant reduction in market risks since 4Q08
  - Despite more risky environment reflected in market parameters, compared to 2006
- VaR model proven to be robust during the crisis
  - Only 10 days of losses above the VaR over the last 5 years, consistent with the 99% statistic

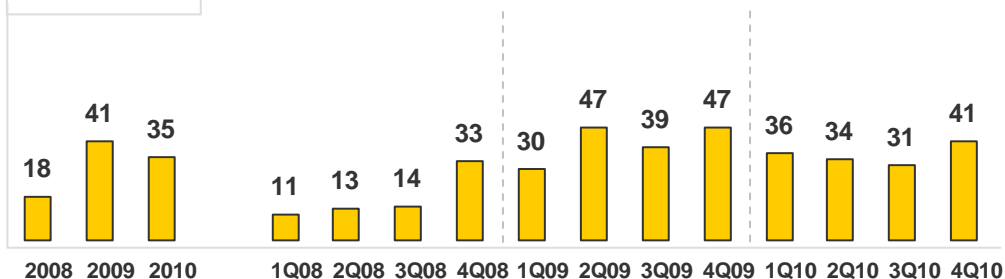
\* Excluding BNP Paribas Fortis (BNP Paribas Fortis: average VaR €10m in 4Q10)



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

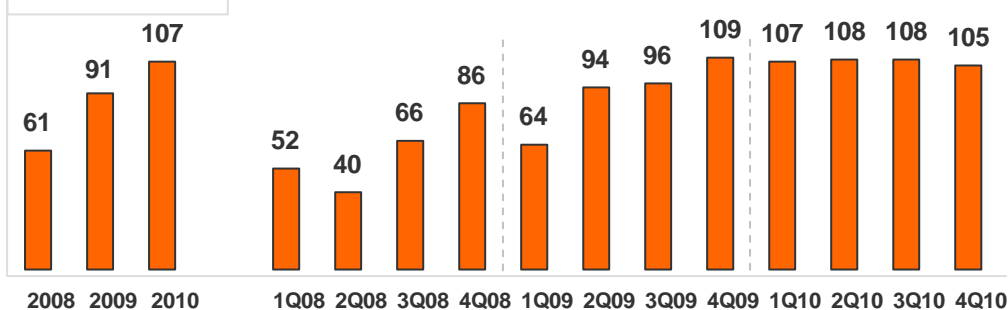
Net provisions/Customer loans (in annualised bp)

## FRB



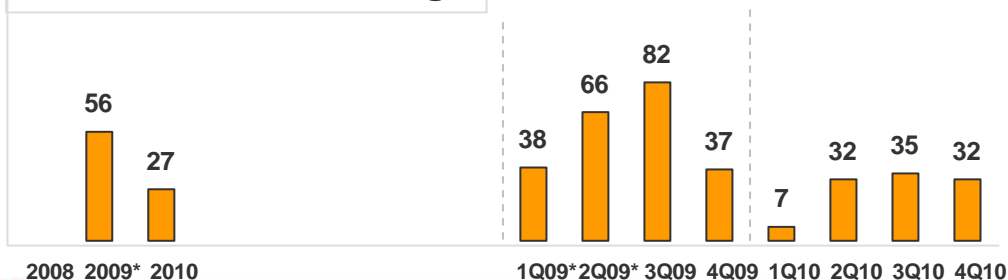
- Cost of risk: €139m
  - -€16m vs. 4Q09
  - +€32m vs. 3Q10
- Seasonal impact of 4Q

## BNL bc



- Cost of risk: €203m
  - -€3m vs. 4Q09
  - -€6m vs. 3Q10
- Stabilisation confirmed

## BeLux Retail Banking



- Cost of risk: €67m
  - -€7m vs. 4Q09
  - -€4m vs. 3Q10
- Moderate level confirmed

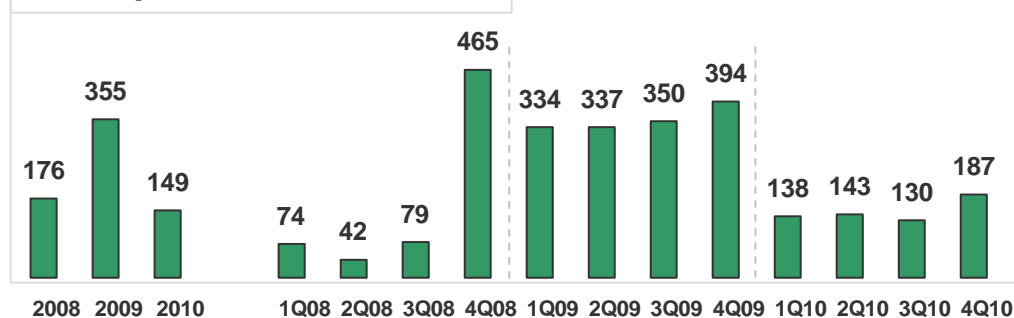
\* Pro-forma



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

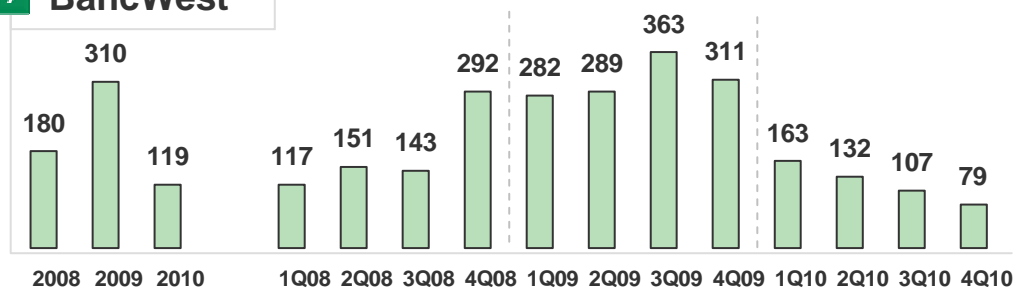
Net provisions/Customer loans (in annualised bp)

## > Europe-Mediterranean



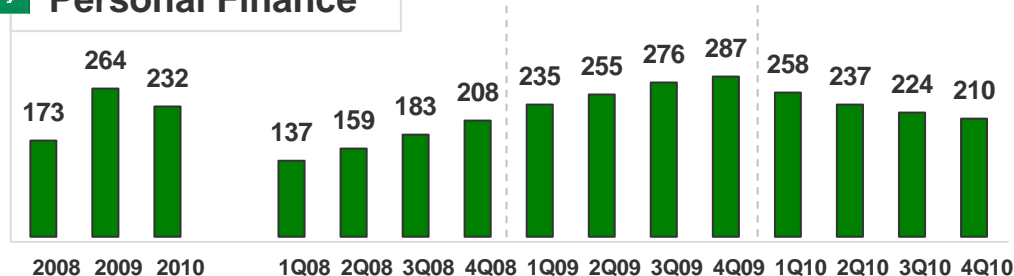
- Cost of risk: €122m
  - -€133m vs. 4Q09
  - +€33m vs. 3Q10
- €25m portfolio provision on a portfolio basis for Tunisia and Ivory Coast
- Stabilisation in Ukraine

## > BancWest



- Cost of risk: €75m
  - -€200m vs. 4Q09
  - -€38m vs. 3Q10
- Improvement in the quality of the portfolio in a more favourable economic environment

## > Personal Finance



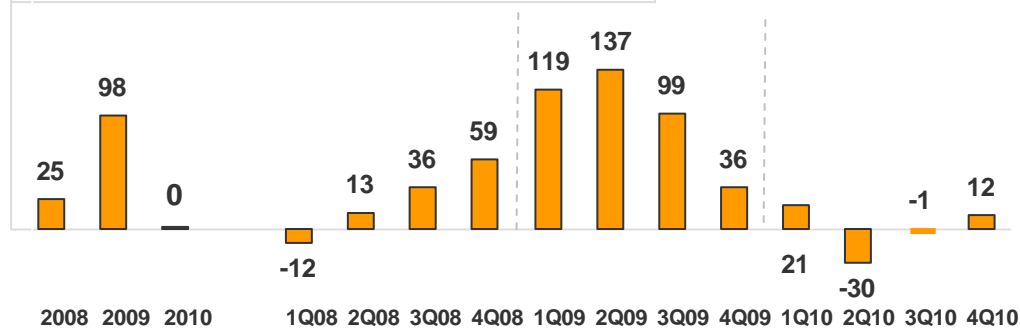
- Cost of risk: €440m
  - -€108m vs. 4Q09
  - -€29m vs. 3Q10
- Decline in the cost of risk



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

Net provisions/Customer loans (in annualised bp)

## CIB Financing businesses



- Cost of risk: €48m
- -€100m vs. 4Q09
- Compared to a write-back in 3Q10
- Limited provisions offset by write-backs

