G.E.B.

Groupement Européen de Banques

EU Position Paper

Revisions and Updates

15 June 2012

Revisions and Updates

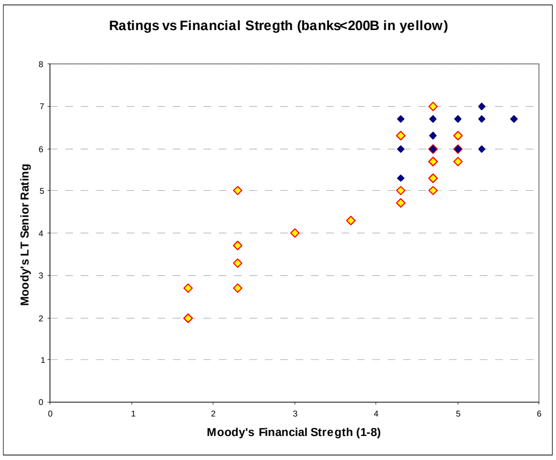
-Moody's "dimensional" downgrades

It must be assessed to what extent Moody's has progressed in the declared intent to downgrade smaller banks supposed to receive less support by their governments.

This could be investigated through a track record of rating actions (downgrades) by the agency on pools of European banks in dimensional clusters (by total assets); further evidence could be given by a map graph (scatterplot) visualizing the relation between long term ratings and financial streght (a looser relation would support the higher support hypothesys).

Starting by our sample of around 200 EU banks, we have selected the subsample of institutions (34 banks<200 € B in Total Assets; 27>200B) having both LT Senior Rating and Financial Strength by Moody's to assess the existence, in larger firms, of higher ratings in equal intrinsic safety conditions (same Financial Strength).

The scatterplot[1] shows that blue dots (larger banks) usually receive higher LT ratings for the same financial strength compared to smaller banks (yellow dots) which is consistent with the declared dimensional bias in ratings, mainly attributable to State support hypothesis.



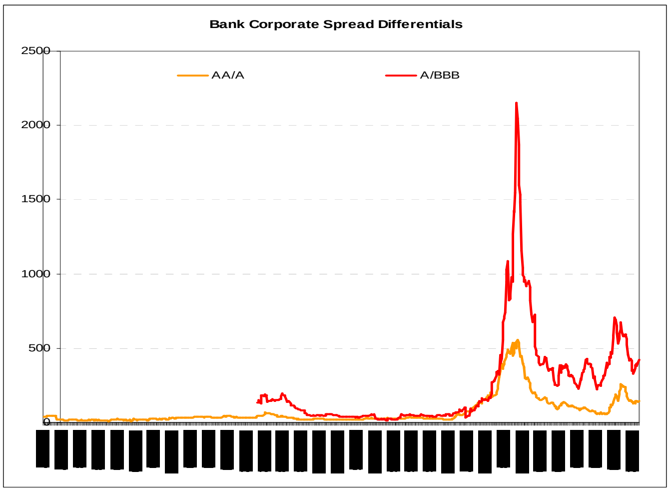
As shown below, the comparison of average ratings/fin strength differentials in the dimensional subpools shows a 1,47 premium level for large banks, which corresponds to a 3-4 notch premium in ratings compared to smaller institutions.

[1] Both Ratings have been converted in a numeric scale ranging 1-8 where 1 are lower ratings and 8 higher ones. Odd notches (for instance Ba1 and Ba3, corresponding to BB+ and BB- in the S&P scale) have been converted in +/-0,3 level numbers. In defining a correspondence between the 2 scales we have considered a central/investment grade level in the Baa2-C level.

	FIN.STRGT	LT RATING	DIFF
Average Banks w/TotAsst>200B	**3,44**	**5,94**	**2,50**
Average Banks w/TotAsst<200B	**1,55**	**2,57**	**1,03**

AVERAGE DIFFERENTIAL 1,47

The graph below shows the historical 3-notches spread premium in banking securities, for different rating levels. A rating premium of 3 notches leads to almost 500 bp of funding costs difference for banks in the A/BBB bucket, with exceptional spikes over 2000 bp.



-Deposit Guarantee Schemes

No progress has been made on DGS regulation at EU level. Neverthless, the main concern expressed in our position paper was about integrative regulation at national level: a general favour towards pure (non RWA based) risk indicators was hoped for in the paper, against the mainly RWA-based EU proposal; and definitions of liquidity and leverage factors (delegated ad national level).
A review of the evolution on the issue at national level is in **Appendix 1**.

On Feb 2012 FSB has published a worldwide peer review report on Deposit Insurance Systems[2] whose main descriptive tables are in **Appendix 2**.

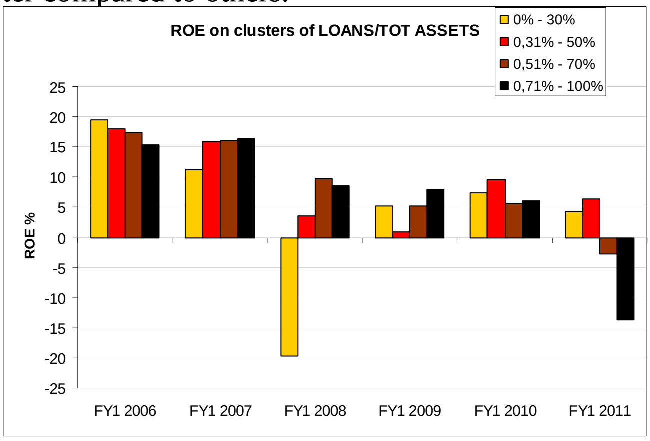
[2] http://www.financialstabilityboard.org/publications/r_120208.pdf

-Profitability of traditional banks

An update should be given on the evidence of the combined effect of the new regulation and the crisis on traditional (lending oriented and prudential) banks.

In our position paper we expressed concerns about how traditional banks (tipically small and medium banks), despite a more prudential business mix leading to better results in the 2008 crisis, are paradoxically going to be penalized by a regulation aimed to reduce systemic risks.

This can be investigated by updating the graph reporting the ROE by loan/asset clusters of EU bank pool. We expect the situation to have worsened further for higher loan/asset cluster compared to others.

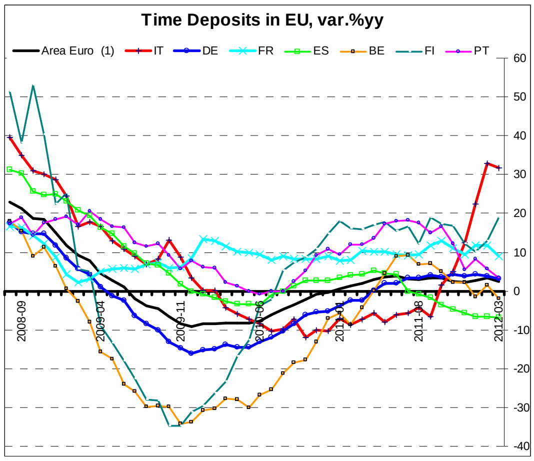


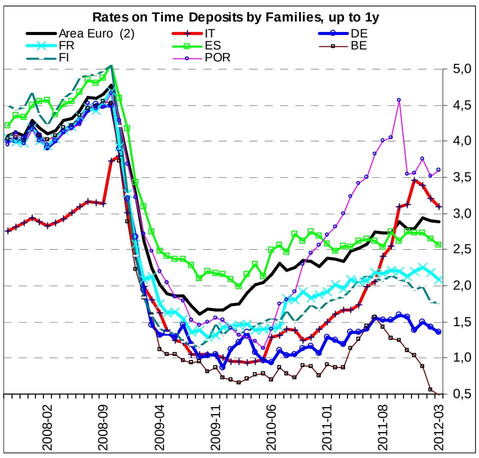
Source: Bloomberg, GBS Analisi Finanziaria, 47 bnks (Sample: Stoxx 600 Banks Index + others listed Italian Banks)

-Funding Costs

In our paper, we reported evidence of increased funding costs for banks, especially on more stable and valuable segments, such as deposits. We reported theorethical arguments and evidences of aggressive market practices by larger/more risky/State (effectively or supposed) supported banks.

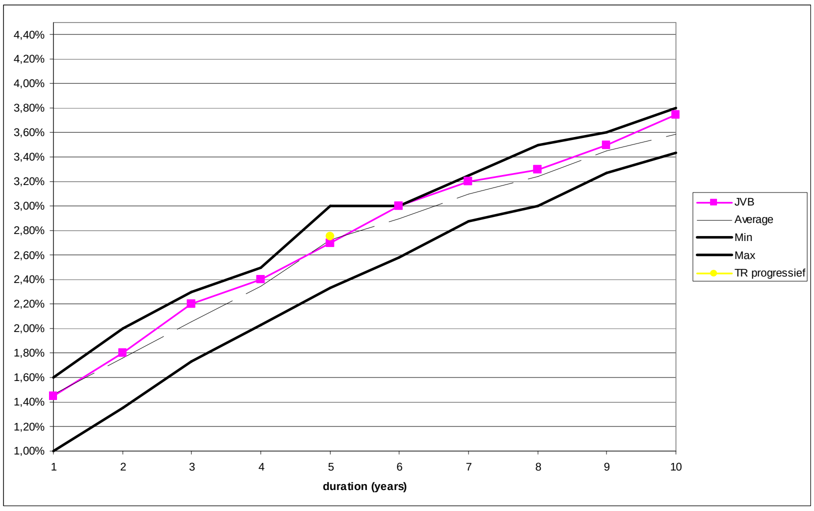
As can be seen in the graphs below, growth rate of time deposits has been strong in some countries, notably in Italy and France. Offered rates have increased in 2011, reaching on average a level close to 3% at EU level for deposit up to 1 year. Huge differences emerged according to this measure among member States during 2011.





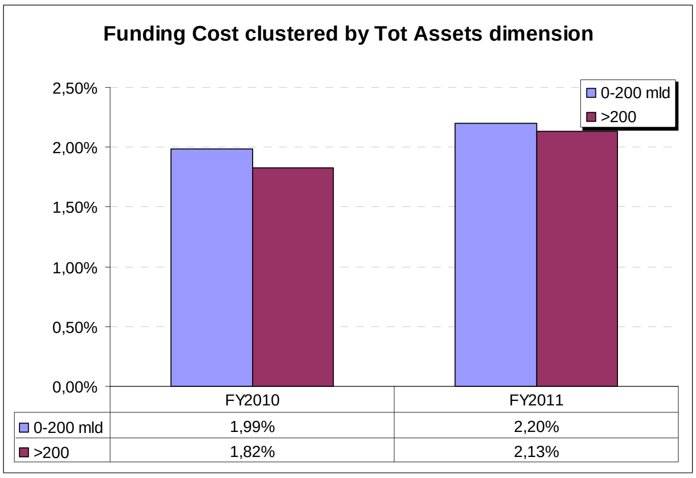
Source: ECB, GBS Analisi Finanziaria

An **update of our internal (GEB members) survey** on maximum offered rates on respective markets can be found in **Appendix 3**.
Our GEB survey confirmed a EU wide tendency to lure depositors with higher rates, usually offered on time deposits.



Source: J.Van Breda

The issue has been further investigated through an EU level analysis of funding costs by bank dimension: using data from a pool of 130 EU listed companies, we've found that funding costs have increased for both larger and smaller banks (graph below) during 2011; in 2010 larger companies had a cost advantage on total funding despite the smaller deposit base; the larger increase in funding costs by larger banks is consistent with aggressive market practices on deposit side but could be also effect of higher costs on other, more market sensitive, funding sources.



Cluster	D/Asst	D/Asst
TA	FY2010	FY2011
0-200 mld	53,59%	54,45%
>200	35,81%	35,19%

Source: Bloomberg, GBS Analisi Finanziaria

-SIFIs additional capital requirements

At the Cannes Summit in November 2011, the G20 Leaders endorsed the Financial Stability Board (FSB)'s policy framework on systemically important financial institutions (G-SIFIs), comprising a new international standard for resolution regimes, more intensive and effective supervision, and requirements for cross-border cooperation and recovery and resolution planning as well as, from 2016, additional loss absorbency for those banks determined as global systemically important financial institutions (G-SIFIs).
Requirements for banks determined to be globally systemically important to have additional loss absorption capacity tailored to the impact of their default, rising from 1% to 2.5% of risk-weighted assets (with an empty bucket of 3.5% to discourage further systemicness), to be met with common equity.
At the Cannes meeting, the FSB was asked to deliver, in consultation with the BCBS, a progress report by the G20 April Finance meeting on the definition of the modalities to extend expeditiously the G-SIFI framework to domestically important banks (D-SIFI).
The BCBS and the FSB will conduct further work on the set of principles as a minimum framework for D-SIBs. The proposals will be finalised by the BCBS for endorsement by the FSB in the autumn.
The outcome of the work will be submitted to the G20 Ministers and Governors Meeting in November.

-Additional Taxes on financial sector

On 28 September 2011 the Commission has presented a proposal for a financial transaction tax in the 27 Member States of the European Union. The tax would be levied on all transactions on financial instruments between financial institutions when at least one party to the transaction is located in the EU. The exchange of shares and bonds would be taxed at a rate of 0.1% and derivative contracts, at a rate of 0.01%. This could approximately raise €57 billion every year. The Commission has proposed that the tax should come into effect from 1st January 2014. European Commission services on 4 May 2012 published seven explanatory notes that provide the results of further analysis and clarifications on how the FTT would work in practice[3].

-EBA work on proportionality

In our paper we expressed concern about disproportionally higher compliance costs on SMBs. We thus invited EBA to a benchmarking work on proportionality to allow a better fitting of compliance duties to smaller structures.
It is now necessary to assess all the progresses made on this issue at national level.

-More relevance to dimensional monitoring

We had evocated higher consideration to dimensional factors in surveys on banking sector, especially the Bank Lending Survey by ECB. A biannual issue of the survey actually reports a dimensional discriminant among banks, spotting a new light on their specific lending conditions. This can be considered a first significant step in the advocated direction.

[3] http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm

APPENDIX 1

DGS Deposit Guarantee Schemes

Bank J.Van Breda & C
Two levies which apply from 1 January 2012, in order to replace the DGS of 0,15% in 2011:

> **Financial Stability Contribution:** All banks are subject to financial stability contribution of 0.035%, which is levied on the total amount of liabilities less equity and deposits subject to the guarantee scheme of the Belgian National Bank.
>
> **Deposit Protection Fund Contribution:** In 2012, a deposit protection contribution of approximately 0.28% will be levied on the amount of deposits subject to the guarantee scheme of the Belgian National Bank. For 2013, the duty will be reduced to approximately 0.15%. From 2014 on the duty will be reduced to 0,10%.

For each bank, the exact contribution will be based on a weighted ratio which corresponds with the risk profile of the bank concerned. The capital adequacy, the quality of its assets and the liquidity will be taken into account. The risk model is quite problematic for banks that have opted for the Basel standardized approach, especially when active in SME-credits.
As a consequense of this, Bank Van Breda will pay almost 0,35% in 2012, whereas most banks remain below 0,28%.
Capital Adequacy:

-Entirely based on Tier 1 / risk-weighted assets.

Amendment to provide a mix of Tier 1/ Risk Weigthed Assets & Tier 1/ Assets were rejected by the Belgian Parliament. Example: Belfius Bank (former Dexia Bank Belgium) has solvency (Tier 1/Assets) of 2,8% , whereas Bank J.Van Breda has almost the threefold 7,4%. However Belfius will benefit from a better risk profile.

Asset Quality: based on 4 components:

-Risk weigthed assets / total assets
-Risk Costs (impairments) / interest revenue 2011
-Risk Costs (impairments) / interest revenue 2010
-Risk Costs (impairements) / interest revenue 2009

A number of systemic banks booked large impairments in 2008 that resulted in recuperations in 2009-2010. So they have good scores for the years 2009-2011.
Bank J.Van Breda, active in SME credits has > 65% risk weigthed assets on total assets and will have a higher risk score than Belfius. However over the period 2007-2011 risk cost at Belfius amounted to 23% of interest revenue & 5,3% of equity. At Bank Van Breda risk costs 2007-2011 are limited to only 5,6% of interest revenue / 1,4% of equity.

C. Hoare & Co
The UK's Deposit Guarantee Scheme is part of the broader Financial Services Compensation Scheme (FSCS), run on behalf of the FSA. The FSCS covers many different industry sectors, including advisory businesses. The costs of compensation are generally shared out within the same industry group as that in which the problem occured. This is true for deposit guarantees. In the UK retail deposits are insured through the scheme for up to £85,000 per individual, per bank. Compensation costs are shared across all registered deposit takers, in proportion to their share of the total of all insured deposits across the industry. These figures are taken from regulatory filings made by the deposit takers to the [FSA/BoE] for each calendar year-end. There is a significant lag in the calculation - for example the 2011/12 levy, which is payable in September 2012, is calculated based on the insured deposits at 31 December 2010.
At present the FSCS Levy is funding the operating expenses of the FSCS plus interest accruing on loans made by the UK Treasury to the FSCS; these loans were used by the FSCS to recompense the customers of various failed banks - the largest of which was Bradford and Bingley with a loan of £15bn. The total loans are over £20bn. Annual interest is around £0.5bn across all loans. The various failed banks are in the process of being wound up and the FSCS expects to recover most of the principal value of the loans through realising the value of assets remaining in the failed banks. At present, the FSCS expects to write off about £800mn of the loans and to recover this amount through the Levy over three years from September 2013.
The FSCS has been criticised for, in effect, penalising the survivors of the crisis. Although most of this criticism has been related to compensation in respect of advisory businesses rather than deposit takers. In 2011 the bank benefited from a significant change in the method of sharing the deposit related costs; prior to the change the apportionment was based on total deposits, rather than insured deposits after the change. Since most of the deposit balances at the bank are over £85k, this significantly reduced the bank's share of the Levy.

Bankhaus Lampe KG
I) Legal DGS
Since December 2010 100% of the deposits up to a maximum of 100,000 € per person are guaranteed, additionally 90% of the liabilities from securities transactions up to 20.000 €.
II) Voluntary guarantee systems of the different banking associations (private banks, savings banks and cooperative banks) in addition to the legal DGS (the voluntary DGS accounts for the basis amount of the legal DGS):
Each member bank has to pay an annual contribution which depends on business volume and credit-worthiness
a) Deposit guarantee funds of the Bundesverband deutscher Banken“ (private banks):
Until 31. December 2014 deposits up to 30% of the liable equity of the bank per person are guaranteed by the funds. The limit of protection will be reduced gradually:

from 1. January 2015 until 31. December 2019 20%,
from 1. January 2012 until 31. December 2024 15%, and
from 1. January 2025 8.75% of the liable equity.

b) Guarantee Scheme of savings banks and cooperative banks

In contrast to the private banks, savings and cooperative banks enjoy institutional guarantee within their guarantee scheme. Therefore, not only deposits but also all other assets of each customer are fully guaranteed.

Banque Martin Maurel
It is highly probable that any national regulation will interfere with the EU regulation. Nevertheless we think that it is still too early to anticipate as all issues of EU regulation have not yet been clarified.
About future liquidity ratios, small and medium sized banks could be penalised if big banks can use complex models to classify their liabilities as very stable and solid which smaller banks can not do.
Another preoccupation is for instance the fact that regulation consider significant deposits as unstable :

-our customers hold in average more assets or deposits than in retail banks,
-our customers are more loyal to our banks but it is difficult to prove

APPENDIX 2

FSB Peer Review Report - Thematic Review on Deposit Insurance Systems -

Table 7: Funding Structure (year-end 2010) 1/

Jurisdiction	Type of Financing	Size of Fund		Target Size 2/
		In US$ million	% of Covered Deposits	
Argentina	Ex-ante	950	4.4	US$0.5 billion or 5% of total deposits (whichever is higher)
Australia	Ex-post			
Brazil	Ex-ante	12,675	6.2	2% of insured deposits
Canada	Ex-ante	2,100	0.32	40-50 basis points of insured deposits
France	Ex-ante	2,519	0.21	None
Germany	Ex-ante	Confidential	0.15 3/	None
Hong Kong	Ex-ante	167	0.1	0.25% of insured deposits
India	Ex-ante	5,490	1.4	None
Indonesia	Ex-ante	6,700	1.2	2.5% of total deposits
Italy	Ex-post			
Japan	Ex-ante	1,600	0.04	None
Korea 4/	Ex-ante	4,141	1.61	0.825 - 1.1% of insured deposits
Mexico	Ex-ante	551	0.5	None
Netherlands	Ex-post 5/			
Russia	Ex-ante	4,000	1.8 6/	None
Singapore	Ex-ante	61	0.13	0.3% of insured deposits
Spain	Ex-ante	4,010	0.37 7/	None
Switzerland	Ex-post			
Turkey	Ex-ante	5,300	5.41	None
United Kingdom	Ex-post			
United States	Ex-ante	–$7,350 8/	-0.12	1.35% of insured deposits

Source: FSB

1/ In jurisdictions with multiple DISs, the figures only include the fund of the main statutory DIS unless otherwise noted.

2/ Target size of ex-ante fund.

3/ This figure includes both statutory DGS and Institutional Protection Schemes.

4/ The figures concern the bank account of the Deposit Insurance Fund only. In total, the Fund has assets of US$5.9 billion with a coverage ratio of 1.04%. The target size differs from account to account within the limit of 0.660% to 1.925% of insured deposits.

5/ The Netherlands will introduce ex-ante financing as of July 2012.

6/ The figure is 4.7% if one excludes deposits in Sberbank.

7/ The figure for Spain is an average of the previously separate DISs for banks, savings banks and credit cooperative banks, and it includes both covered deposits and securities in the denominator (the DIS is also an investor compensation scheme for investors whose securities are held by credit institutions).

8/ After reserving for probable losses for anticipated bank failures, as of 31 December 2010, the FDIC held working capital (cash and cash equivalents) of US$27.1 billion and another US$12.4 billion in Treasury securities available to handle bank failures.

In the final section, FSB declares some principles to which every DGS should be inspired:
Principle 2 – Mitigating moral hazard: Moral hazard should be mitigated by ensuring that the deposit insurance system contains appropriate design features and through other elements of the financial system safety net.
Principle 11 – Funding: A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors' claims including a means of obtaining supplementary back-up funding for liquidity purposes when required. Primary responsibility for paying the cost of deposit insurance should be borne by banks since they and their clients directly benefit from having an effective deposit insurance system.

For deposit insurance systems (whether ex-ante, ex-post or hybrid) utilising risk-adjusted differential premium systems, the criteria used in the risk-adjusted differential premium system should be transparent to all participants. As well, all necessary resources should be in place to administer the risk-adjusted differential premium system appropriately.

Table 8: Funding Sources

Jurisdiction	Premiums		Assessment Basis	Back-Up Funding
	Risk-based	Rate		
Argentina	Yes	0.015-0.3% 1/	Eligible deposits	Borrow in market and require advanced premium payments
Australia	N/A	N/A	N/A	FCS is a post-funded scheme with no ex-ante fee. Standing appropriation from Parliament for up to A$20.1 billion per failure (A$20 billion to meet payout costs and A$100 million for administrative fees), supported by a power to borrow funds.
Brazil	No	0.0125% of average monthly balances	Covered deposits	Special premiums, advances, loans from private sectors
Canada	Yes	2.8 , 5.6, 11.1, and 22.2 basis points	Covered deposits	It can borrow CAD 17 billion from the Government or markets (the limit increases annually in proportion to the growth in insured deposits). Additional borrowing requires a special Act.
France	Yes		Eligible deposits	Borrowing in market and additional premiums
Germany	Yes	0.016%	Liabilities of protected depositors	Extraordinary contributions from institutions; borrowing in market
Hong Kong	Yes	0.0175-0.049%	Covered deposits	Stand-by credit facility of HK120 billion (US$15.4 billion) from the Exchange Fund
India	No	0.1%	Eligible deposits	RBI supplementary financing INR 50 m
Indonesia	No	0.2%	Average monthly deposits	Government lending facility and recapitalization facility
Italy	N/A 2/	N/A	N/A	
Japan	No		Eligible deposits	Borrowing from central bank, in market or issuing bonds
Korea	No		Eligible deposits	Borrowing from the market, or issuing bonds, borrowings from the government or the central bank
Mexico	No	0.4%	A proxy of total bank liabilities	Ability to impose extraordinary premiums up to 0.3% of total bank liabilities; the sum of ordinary and extraordinary premiums must not exceed 0.8 % of total bank liabilities. Borrowing up to 6 %, every three years, of total bank's liabilities.
Netherlands	N/A	N/A	N/A	The central bank apportions costs ex-post over the banks.
Russia	No	0.1% of average quarterly balances (~0.4% annually)	Eligible deposits	Bond issuance, authority to temporary increase premiums by 0.3% (per quarter); unlimited federal budget support
Singapore	Yes	0.02-0.07%	Covered deposits	Private sources or central bank
Spain	Yes	0.002 basis points	Eligible deposits	Central bank can provide funding but requires passage of a law
Switzerland	No			Banking sector sources; all banks are members. They are required to hold 50% of their contingent liability in liquid assets. The DIA can borrow from the market.
Turkey	Yes	11, 13, 15, or 19 basis points; 1-2 additional basis points may be imposed based on a firm's size	Insured deposits	Advance payments from banks can be sought; may borrow from the Treasury, central bank may give advances
United Kingdom	N/A	N/A	N/A	The initial primary source of funding for the FSCS is levies on other deposit takers. The FSCS can also borrow from the market, and has the ability to apply to the National Loans Fund for support.
United States	Yes	2.5 - 45 basis points	Average consolidated total assets minus average tangible equity	$100 billion line of credit from Treasury. Authority to borrow from Federal Financing Bank, Federal Home Loan Banks and insured depository institutions

N/A = Not Applicable.

1/ The standard contribution, which applies to all banks, can range between 0.015% (which is the current level) and 0.06%. In addition, there is a risk-based add-on for some banks, as a result of which the total premium can be twice as large as the standard contribution.

2/ Italian banks have to set aside capital against the commitments towards the DGS and to this end they apply a risk-based methodology.

Source: FSB

APPENDIX 3

FUNDING COSTS

C. Hoare & Co

We have seen banks actively seeking retail deposits from customers to boost their balance sheet and possibly the duration, perhaps in response to the FSA discussions as to how they will treat bank deposits.

For example our main competitor, Coutts and Co, owned by the RBS has an instant reserve account for amounts over £1 paying 0.3% on the first tier, rising to 0.55% on amounts over £3m (with bank of England Base rate at 0.5%). Their 90 day notice account (min £1), which has remained unchanged for a long time, pays interest at 2.05% per annum gross.

Other high street banks often use the hook of offering higher rates for a short period, but unless the customer moves the money to a new account with them or another institution can soon find the rate reduced dramatically (all detailed in the small print of the terms and conditions). Internet accounts and bonds are also popular for offering higher rates with lock ins of money typically from 1-5 years.

Here are some current rates offered to private savers, and used by some of our customers for interest:

· Scottish Widows, min £1 instant access: 2.6% pa gross
· Scottish Widows £1-£10m 5 year fixed term: 4.40% (down from 4.65% last month)
· HSBC monthly savings account £25-£250pm (certain customers only): 8%
· HSBC 5 year bond, £2k min 2.67%; £150k+ 3.25%
· Santander instant access esaver £1-£2m: 3.00%
· Santander 1 year bond: £500-£4,999 2.5%, rising to 3.2% for amounts over £25k
· Lloyds tracker bond: 18 months 3.25%

In terms of the rates of interest that we offer our customers, they are generally, for shorter periods, lower than those of our competitors. Our offering is simple – we offer credit interest over a defined interest free threshold (£25k for private clients) at a tiered rate of interest ranging from 0.05% up to £50k, to 0.2% for amounts over £125k (including the interest free threshold). For amounts over £50k we offer fixed deposit accounts, effectively time deposits for a defined maturity date, with interest paid at the end of the term. These rates are reviewed daily although they do not tend to change in the absence of major market movements. The best rates are offered for longer term deposits and larger amounts. For example to earn a rate over 0.5% £1m would have to be placed on FTD for three months, £50k for 12 months. The highest rate we offer is for 24 months, minimum £1m 1.9%. A conscious decision was made to offer the best rates for longer term deposits.

Despite our rates being lower, customers do keep reasonable balances with us (with average balances higher than the £85k compensation limit), which tend to increase in times of uncertainty (e.g. the banking crisis, where many rate conscious customers returned their cash to us, despite lower interest rates). The relationship managers are open with customers as to what we do with customers' money. Wealth preservation is important and customers value the comfort of mind. They also appreciate an easy life, where we are proactive in liaising with them re their deposits particularly at certain times of year, eg when tax needs to be paid. At the end of the day, the amount of interest received in £ on a gross rate of 3% (external) or 1% (internal), after 50% tax, is not life changing for them.

Bankhaus Lampe KG

High(est) deposit rates offered in the market - Examples

Bank / Product	Rate	Limit in Euro	DGS per customer	State aid
Cortal Consors (BNP Paribas) / dtd money	2.60%	no limit	45 mio. Euro	no
Bank of Scotland / dtd money	2.40%	500,000.00	85 kGBP/250 kEuro	no
Volkswagen Bank / dtd money	2.30%	no limit	1.4 bn Euro	no
ING Diba / Extra Konto	2.25%	no limit	1.35 bn Euro	not in Germany
Barclays	2.00%	500,000.00	280 mio. Euro	no
IKB direkt / dtd money	1.50%	no limit	728.23 mio. Euro	yes

Interbank rates		our rates	
Period	**rate p.a.**	**Period**	**rate p.a.**
dtd	0.18 - 0.33	dtd	
1m	0.30 - 0.45	1m	0.25 - 0.35
2m	0.35 - 0.50	2m	0.35 - 0.40
3m	0.55 - 0.70	3m	0.45 - 0.55
6m	0.80 - 0.95	6m	0.70 - 0.80
9m		9m	
12m	1.10 - 1.25	12m	1.00 - 1.10

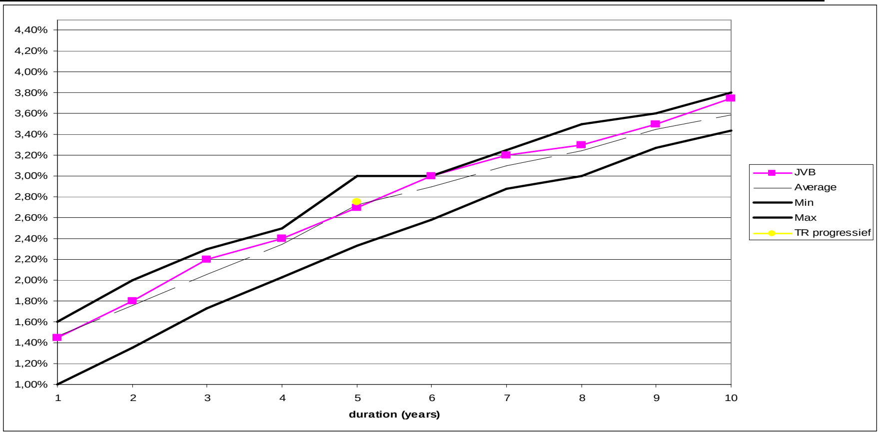
Bank J.Van Breda & C°

Belgium

On the tax-free "deposit-account", for deposits that are not withdrawn within 12 months are remunerated between 1,25% & 2,60%

07/05/2012

Term deposit		JVB	BNP	KBC	DEXIA	ARGENTA	AXA	ING	Delta Lloyd	RABO.BE	average %	min	max
Compte à terme	euribor/swap		Paribas Fortis										
1 year/an	1,28%	**1,45%**	1,50%	1,60%	1,50%	1,50%	1,50%	1,50%	1,60%	1,00%	1,46%	1,00%	1,60%
2 year/ans	0,87%	**1,80%**	1,70%	1,75%	1,80%	1,80%	2,00%	1,70%	2,00%	1,35%	1,76%	1,35%	2,00%
3 year/ans	0,98%	**2,20%**	2,00%	2,00%	2,10%	2,20%	2,25%	1,85%	2,30%	1,73%	2,05%	1,73%	2,30%
4 year/ans	1,13%	**2,40%**	2,30%	2,35%	2,40%	2,40%	2,50%	2,30%	2,50%	2,03%	2,35%	2,03%	2,50%
5 year/ans	1,33%	**2,70%**	2,60%	2,75%	2,80%	2,85%	2,75%	2,75%	3,00%	2,33%	2,73%	2,33%	3,00%
6 year/ans	1,52%	**3,00%**	2,90%		3,00%		3,00%	3,00%		2,58%	2,90%	2,58%	3,00%
7 year/ans	1,69%	**3,20%**	3,10%		3,20%	3,00%	3,25%	3,15%		2,88%	3,10%	2,88%	3,25%
8 year/ans	1,84%	**3,30%**	3,30%		3,30%	3,00%	3,50%	3,30%		3,08%	3,25%	3,00%	3,50%
9 year/ans	1,94%	**3,50%**	3,50%		3,50%		3,60%	3,40%		3,27%	3,45%	3,27%	3,60%
10 year/ans	2,06%	**3,75%**	3,60%		3,60%		3,80%	3,50%		3,44%	3,59%	3,44%	3,80%



Banque Martin Maurel

The competition on deposits is still harsh in France.

Big banks are able to offer crazy rates if that allows them to get their hands on our clients (and especially the best of them).

So we have to bear all kinds of proposals :

- very high rates : 2% ; 3%...
- progressive rates : 2% the first year ; 3% the second year ; 5% the fifth...
- savings accounts giving high rates and immediate liquidity...

Gruppo Banca Sella

The unsecured interbanking channel had dried up in recent months and no fixing prices are really available while the secured one is working solely at very short term (overnight or 1 week). To match the funding needs, banks are offering high rates on corporate and retail depositors.

Based on market observations, we have found the following best rates on deposit market. Longer maturity bucket have less observations while the 12m is the most common one. Some rates are reserved for new customers, others are limited to certain amounts.

		3m	6m	12m	18m	24m	3y	4y	5y
Average among highest rates		4,23	4,24	3,86	4,25	4,14	4,00	5,00	7,00