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OBSERVATOIRE DE L'EPARGNE EUROPÉENNE

THE RETIREMENT SAVINGS GAP IN EUROPE

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THE RETIREMENT SAVINGS GAP IN EUROPE… EXECUTIVE SUMMARY

The "consumer wallet"

The "consumer wallet", defined as the *household financial assets* - varies by country:

- In the US and UK, Household Financial Assets (HHFA) reach around 273-274% % of GDP.
- In Continental Europe HHFA/GDP ratios vary in the 132-183% of GDP range.

The size of the "consumer wallet" depends primarily on the presence of funded retirement plans and long-term savings / investment vehicles which support the accumulation of financial wealth over time.

The "consumer wallet" generally *grows slowly in real terms*: around 3-4% per year. This is largely due to low actual returns on investment:

- We estimate 1-2% net per annum over long periods of time, in *net real terms, after inflation, taxes, management and distribution fees*. The rate of return is occasionally negative.
- Low returns are also due to conservative asset allocations (short-term investments, e.g. deposits) and investors' poor market timing.

The retirement crisis: single biggest challenge

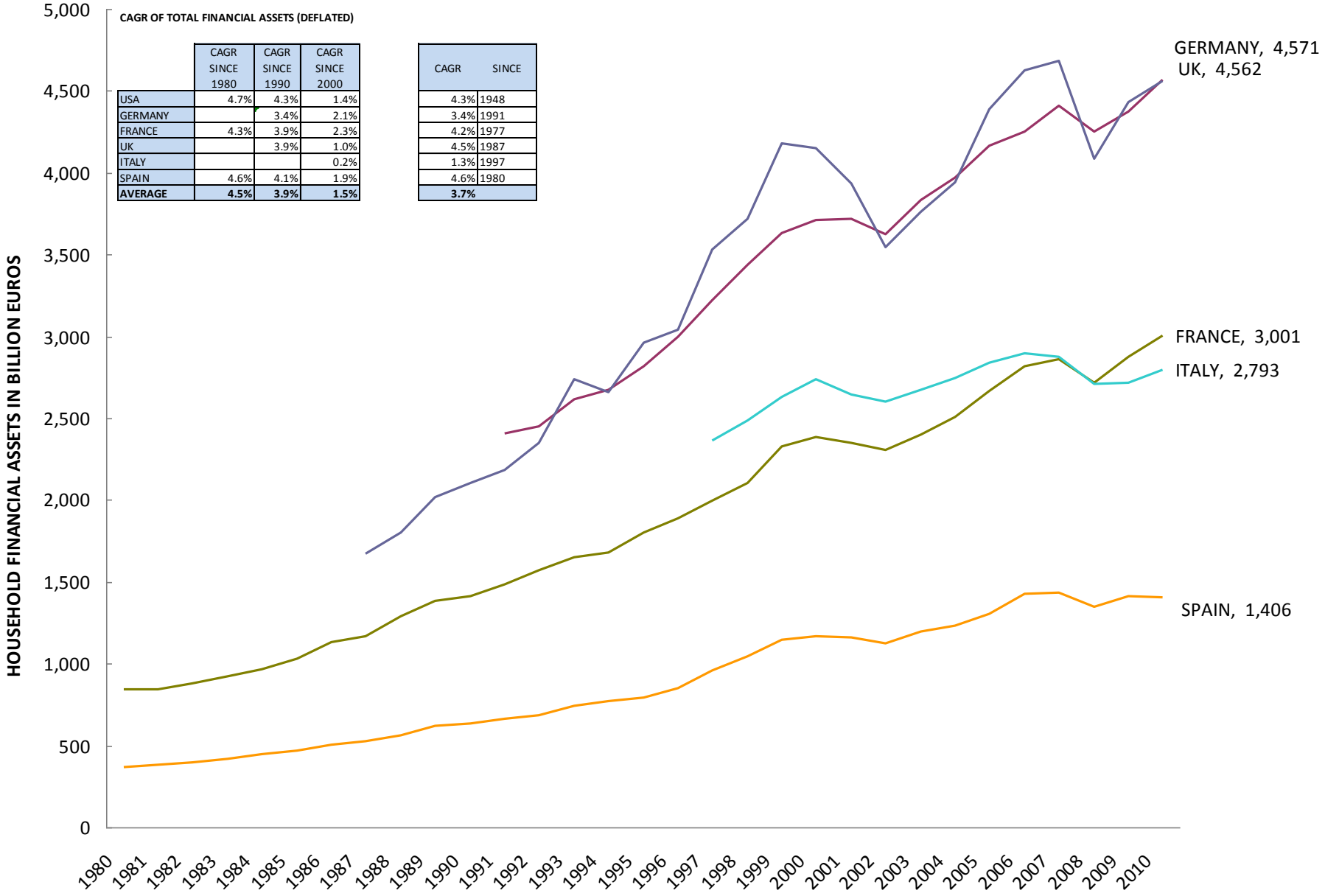
Due to the aging of populations, "pay-as-you-go" (pensions financed through contributions by current workers) retirement ("first-pillar" social security schemes or "second pillar" occupational schemes) is under pressure, especially in Europe.
Since governments protect the lower earning majority, "pay-as-you-go" will remain the basis for mass market retirement.
However, if these systems are to remain solvent, benefits will be have to be reduced and retirement ages increased over time.
Clearly long-term retirement-oriented savings / investment schemes are becoming more important.

The Retirement Savings Gap

We estimate that, assuming full funding, a country needs about 400-500% of GDP in "retirement savings".
Assuming that pay-as-you-go retirement can offer 33% of retirement needs in Anglo-Saxon countries (USA & UK) and 50% in continental Europe, the retirement savings gap in European countries is around 140% to 180% of GDP.
If this retirement challenge is to be met by 2020, annual growth rates of 10% to 20% in real terms for retirement savings are required, several times more than has been achieved historically.

HOUSEHOLD FINANCIAL ASSETS – MACRO VIEW

HOUSEHOLD FINANCIAL ASSETS IN BILLION EUROS (DEFLATED)

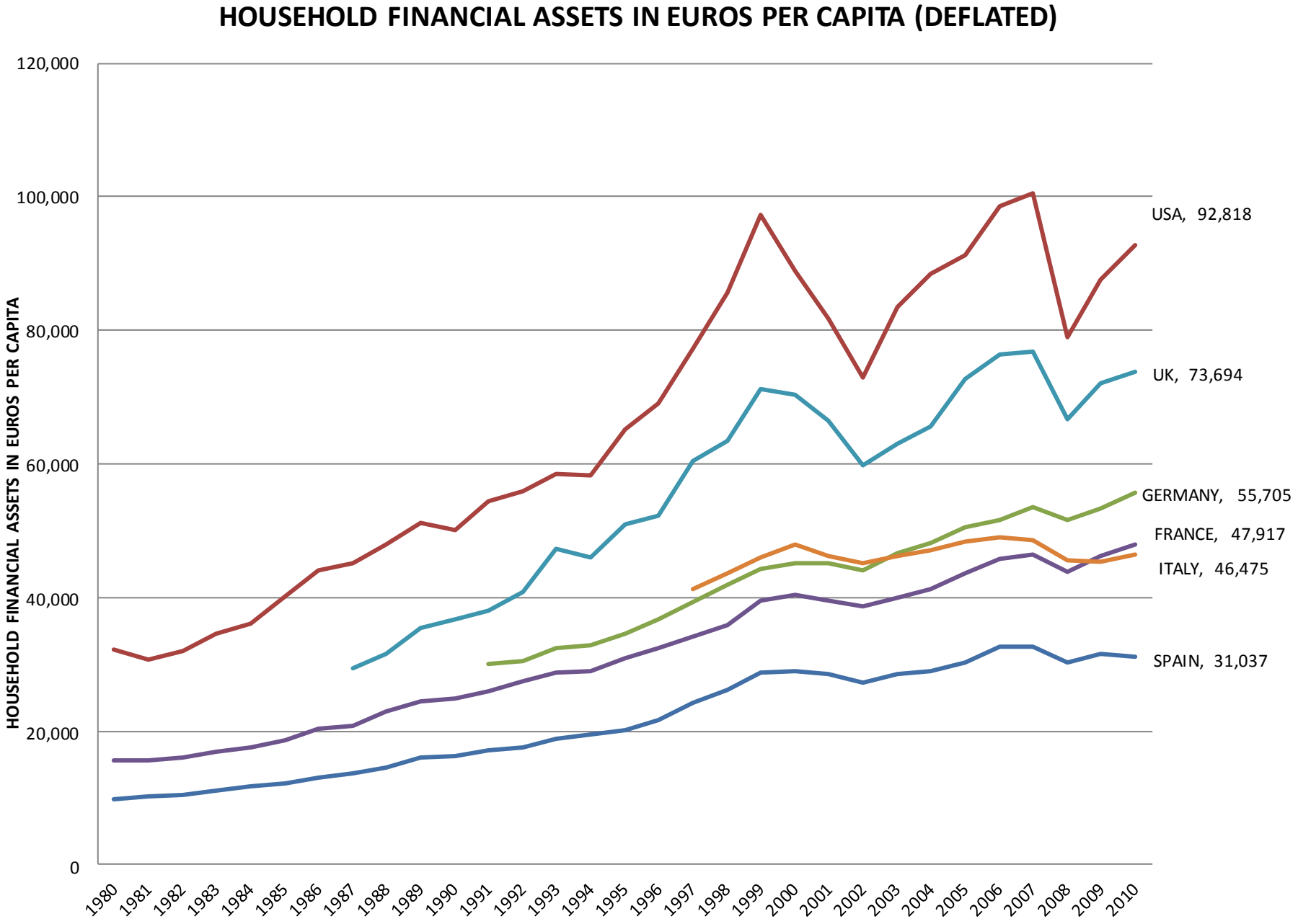


CAGR OF TOTAL FINANCIAL ASSETS (DEFLATED)

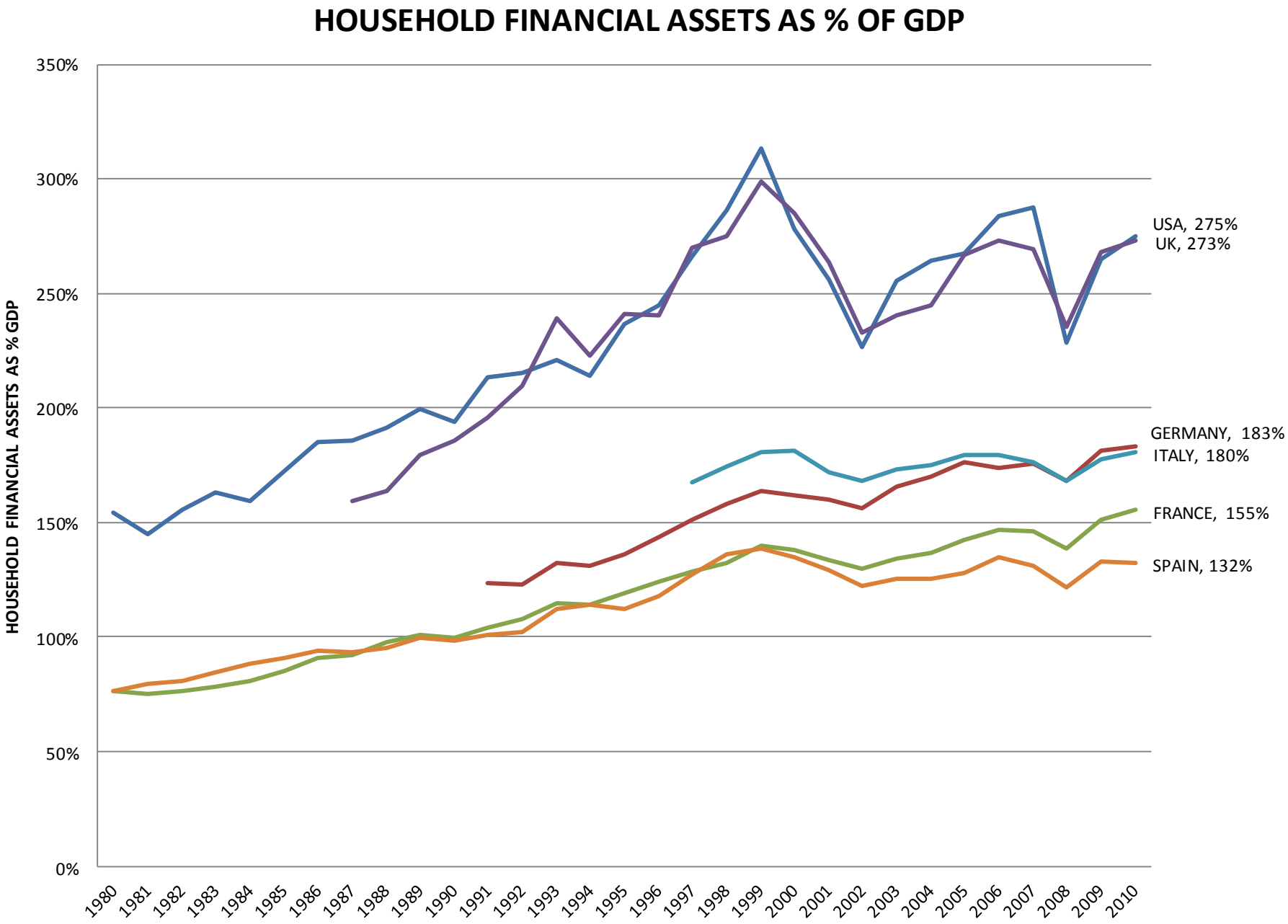
	CAGR SINCE 1980	CAGR SINCE 1990	CAGR SINCE 2000
USA	4.7%	4.3%	1.4%
GERMANY		3.4%	2.1%
FRANCE	4.3%	3.9%	2.3%
UK		3.9%	1.0%
ITALY			0.2%
SPAIN	4.6%	4.1%	1.9%
AVERAGE	**4.5%**	**3.9%**	**1.5%**

CAGR	SINCE
4.3%	1948
3.4%	1991
4.2%	1977
4.5%	1987
1.3%	1997
4.6%	1980
3.7%	

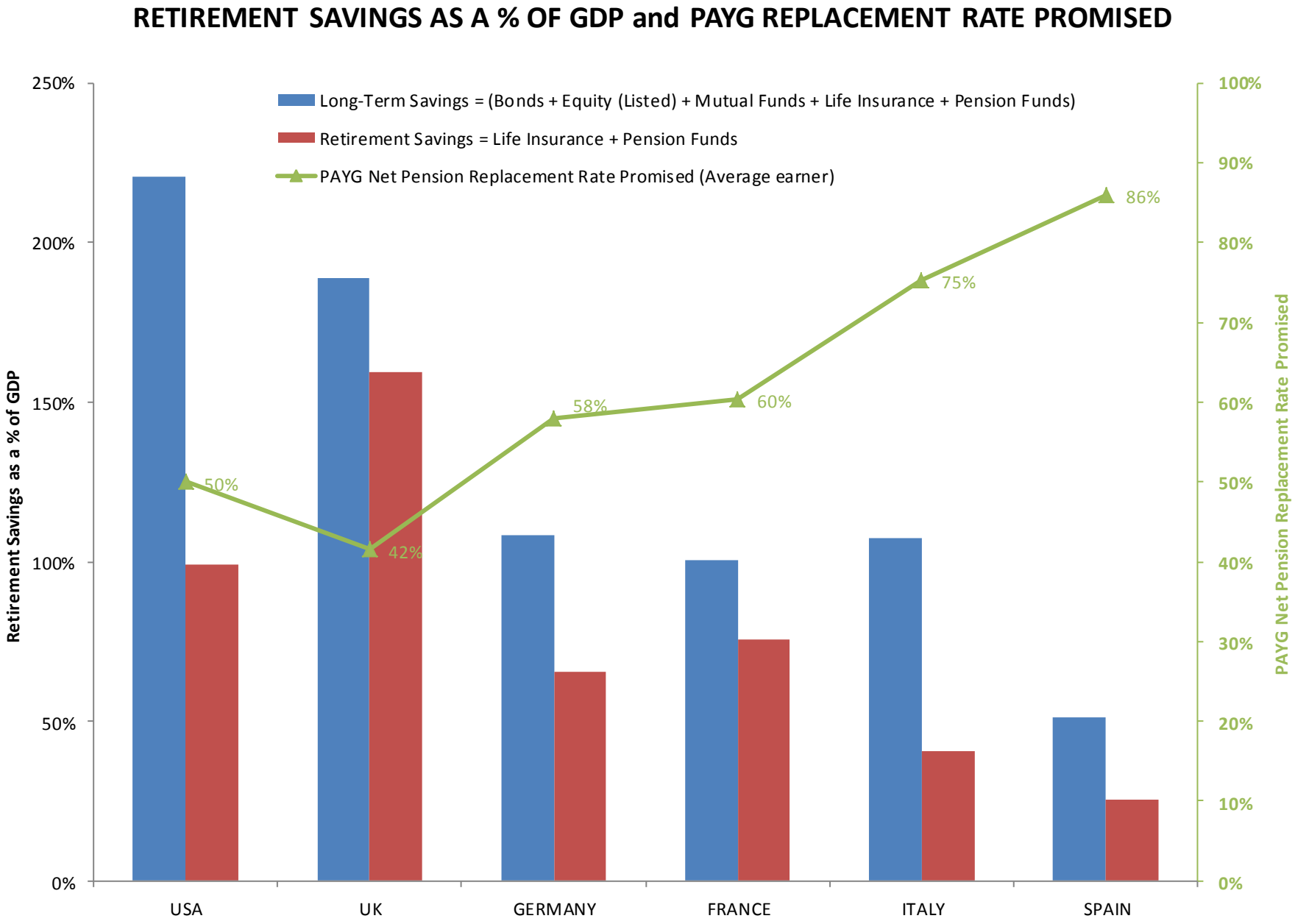
HOUSEHOLD FINANCIAL ASSETS… EUROS PER CAPITA



HOUSEHOLD FINANCIAL ASSETS… AS % OF GDP



HOUSEHOLD FINANCIAL ASSETS… AS % OF GDP



Source: Central Banks flow of funds analysis, OECD Pension Research

HOUSEHOLD FINANCIAL ASSETS…

TO SUM UP…

- In developed economies, HHFA currently range from about 130% to about 275% of GDP
- Long-term, retirement-oriented savings (pension funds and life insurance) account for the differences between the high vs. low HHFA/GDP countries
- Inflation-adjusted (real terms) HHFA's grow slowly, at CAGR's of around 3-4%, barely faster than GDP

HOUSEHOLD REAL GROWTH RATE OF ASSETS BEFORE INFLOWS

HOUSEHOLD FINANCIAL ASSETS… REAL GROWTH RATES OF ASSETS BEFORE INFLOWS

Estimating Net Real Returns on Investment of Household Financial Assets: a "top-down" analysis:

Traditional stated rates of return — the 8 to 10 % per annum that are used as inputs in actuarial models measure return on investment on a gross basis, which creates unrealistic investor expectations. Such gross returns fail to take into account inflation, taxes, fees and the impact of poor market timing (since investors buy in bull markets and sell in bear markets). These factors significantly erode the ultimate returns to the investor. In fact, we estimate that long-term real (adjusted for inflation), actual (after taxes, fees and market timing) returns for the average investor, are at best around 2%. Much of the time returns have been smaller and even negative.

To estimate real growth rates of assets before inflows we start from the "Flow of Funds" published by Central Banks. The flow-of-funds analysis breaks down the economy into several broad sectors: households, business enterprises, government, financial institutions and "rest-of-the world." For each of these sectors, the analysis provides a balance sheet and the net annual financial flows.

In this top-down analysis, we make a deliberately simple analogy between the overall household financial assets (HHFA) and a giant savings account. All amounts are adjusted for inflation, using the GDP price deflator, the commonly accepted inflation metric, and expressed in constant Euros.

HOUSEHOLD FINANCIAL ASSETS… REAL GROWTH RATES OF ASSETS BEFORE INFLOWS

The table below illustrates our methodology with UK data. At year-end 2009, U.K. households held 4,865 billion Euro in financial assets . During 2010, U.K. households made net acquisitions of financial assets of 54 billion. At year-end 2010, household financial assets were 4,994 billion Euro. During 2010, household financial assets increased by 4994 – 4865 = 129. If we deduct from 129 the net inflow of 54 we obtain a residual growth, excluding inflows, of 75.

We make the assumption that this residual of 75 represents a net compounding rate of the households' overall portfolio, which roughly approximates a real growth rate of assets before inflows.

Of course, reality is more complex: The financial assets in the households' portfolios generate interest and dividends, which were commingled with household disposable income and some were then simply spent on consumption, some were reinvested, etc.

However, if we accept the analogy of a giant savings account, we can estimate or impute an "real growth rate of assets before inflows" on the portfolio by subtracting net new acquisitions of financial assets from the overall change in household financial assets.

This estimated rate is 75 / ((4,865+4,994)/2) (the average assets during 2010) i.e. 1.5% during 2010.

UK (Numbers in Billion Euros, Inflation Adjusted)

YEAR:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
Total Househol Asset Start of Year	4,706	4,645	4,331	3,850	4,084	4,262	4,742	4,987	5,040	4,421	4,865		
	+	+	+	+	+	+	+	+	+	+	+		
Net New Savings	95	110	165	157	144	112	175	91	12	39	54		
	+	+	+	+	+	+	+	+	+	+	+		
Implied Increment due to Compounding	(157)	(423)	(647)	77	34	368	70	(38)	(631)	405	75		
	=	=	=	=	=	=	=	=	=	=	=		
Total Household Asset End of Year	4,645	4,331	3,850	4,084	4,262	4,742	4,987	5,040	4,421	4,865	4,994	**CAGR:**	**0.7%**
Imputed Return	**-3.4%**	**-9.4%**	**-15.8%**	**1.9%**	**0.8%**	**8.2%**	**1.4%**	**-0.7%**	**-13.3%**	**8.7%**	**1.5%**	**AVERAGE:**	**-1.8%**
Wallet Growth (Observed)	-1.3%	-6.7%	-11.1%	6.1%	4.4%	11.3%	5.2%	1.1%	-12.3%	10.0%	2.7%	AVERAGE:	0.8%
Net New Savings / Stock at Start of Year	2.0%	2.4%	3.8%	4.1%	3.5%	2.6%	3.7%	1.8%	0.2%	0.9%	1.1%	AVERAGE:	2.4%

HOUSEHOLD FINANCIAL ASSETS… REAL GROWTH RATES OF ASSETS BEFORE INFLOWS

Based on this methodology we calculated the real growth rates of assets before inflows on the household portfolios of the US, Germany, France, UK, Italy and Spain over various periods of time:

IMPLICIT NET REAL RATES OF RETURN ON HOUSEHOLD FINANCIAL ASSETS

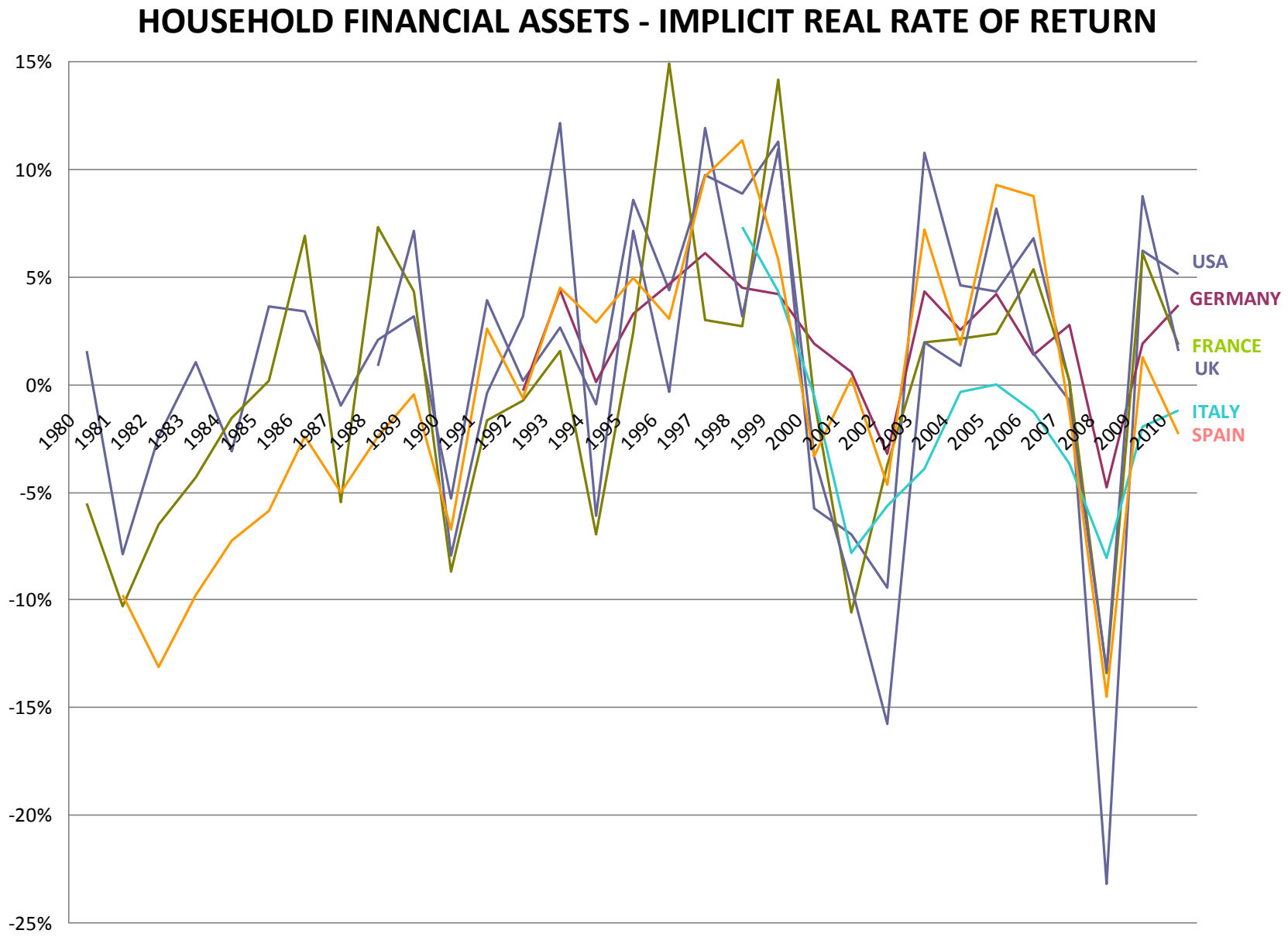
	Arithmetic Averages				
	60 years: 1950-2010	30 years: 1980-2010	20 years: 1990-2010	15 years: 1995-2010	10 years: 2000-2010
USA	0.65%	1.15%	1.68%	2.19%	-0.70%
GERMANY	N/A	N/A	2.20%	2.35%	1.37%
FRANCE	N/A	-0.11%	0.56%	1.77%	-0.80%
UK	N/A	N/A	0.64%	0.79%	-1.83%
ITALY	N/A	N/A	N/A	N/A	-3.14%
SPAIN	N/A	-0.57%	1.88%	2.31%	0.20%
AVERAGE (5 EUROPEAN COUNTRIES)		**-0.34%**	**1.32%**	**1.81%**	**-0.84%**

Conclusion:

Implicit net real returns on household's financial assets are very low, sometimes negative.

These are estimated returns net of inflation, net of taxes and net of financial institution fees (asset management and distribution)

HOUSEHOLD FINANCIAL ASSETS… REAL GROWTH RATE OF ASSETS BEFORE INFLOWS



THE RETIREMENT CHALLENGE

THE RETIREMENT CHALLENGE…

The Economics of Retirement – a "Back-of-the-Envelope" Model

How does a country pay for retirement?

Retirement is financed via 3 pillars, either on a "pay-as-you-go" ("retraite par repartition") or "funded" (i.e. retirement savings are accumulated and invested) basis

	Pay-as-you-go PAYG ("retraite par repartition")	**"Funded"** (i.e. retirement savings)
MECHANISM	Active worker participants contribute, retirees receive benefits	Active workers and/or employers contribute to retirement savings funds, which are invested; retirees withdraw benefits (lump sum or annuity); Some tax incentives are usually offered (e.g. contributions are tax deductible, investment compounds tax-free)
Pillar 1: Government	e.g. Social Security	
Pillar 2: Occupational Retirement Schemes	e.g. French occupational pensions	e.g. pension funds in the UK, PERCO and "article 83" schemes in France
Pillar 3: Individual Retirement Schemes		e.g. PERP in France e.g. 401K, IRA in the US Some products are 100% individual some have employer "matching" mechanisms ("individual")

To remain solvent, PAYG retirement schemes need a low dependency ratio (ration of retirees to active contributors).
With aging populations, the solvency of PAYG retirement is questionable.
Thus, most countries have encouraged the emergence of funded retirement schemes.

THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

Estimating the funds required for retirement ("pension reserves") is a challenging actuarial task, which typically requires complex models that they can only be understood by expert actuaries.

Our objective here is to develop a deliberately simple, but accurate, model of the "economics of retirement" at the national level. It requires no more than basic high school math.

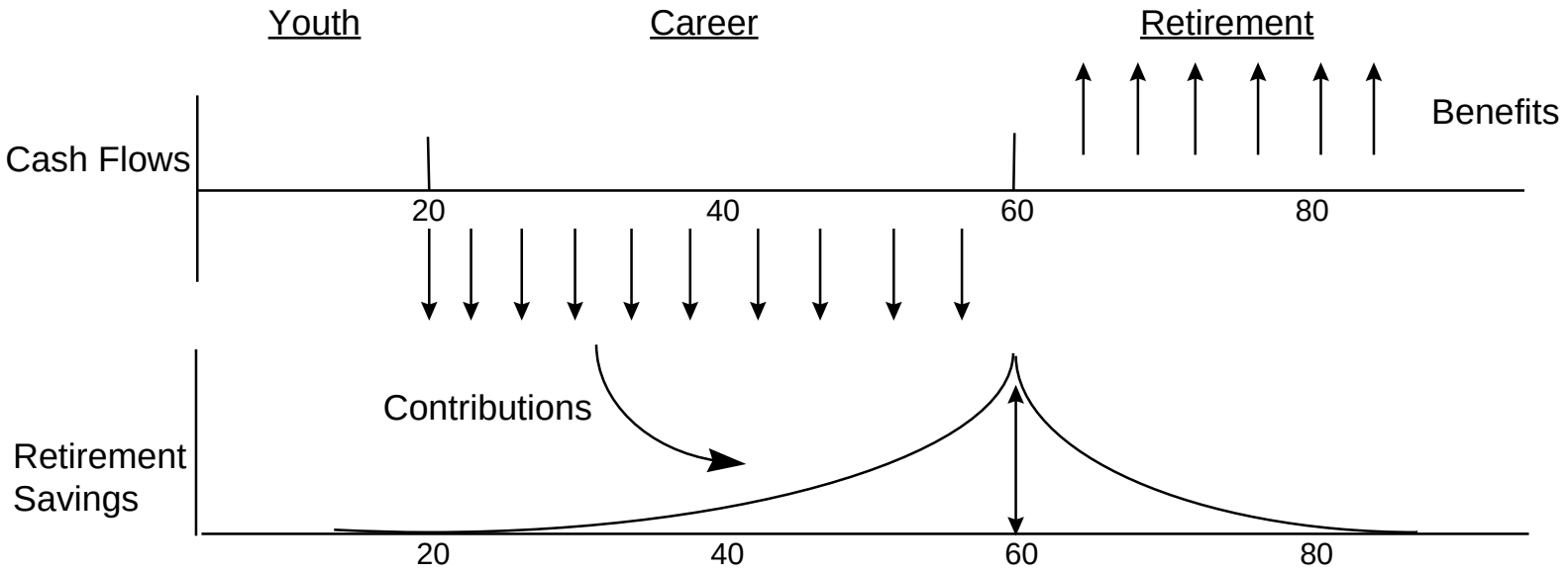
- Initially we will develop the model assuming the requirements for fully-funded retirement
- We will start with the retirement calculation for an individual worker, and then extrapolate to the level of a country
- We will then deduct the contribution of pay-as-you-go social security schemes to obtain a more realistic target for retirement savings

THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

We make several simplifying assumptions to build the model (All calculations are in constant currency terms)

- Assume workers begin their career at age 20, work until age 60, then have 20 years of retirement and die at age 80
- Assume earnings remain constant over the worker's career (acceptable assumption, since we are estimating required savings at the *national* level)
- Assume that during the active career (20-40 years old) the worker makes regular annual contributions (negative cash flow arrows) to an individual retirement savings fund
- This fund grows and peaks at retirement time (age 60)
- The fund is completely used to pay retirement benefits (positive cash flow arrows) and is fully depleted by age 80



THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

We estimate the retirement savings needs for an individual in terms of multiples of the annual earnings (assumed constant).
We ignore the effect of taxes (in most funded retirement schemes taxes are deferred) and assuming constant earnings over the worker's career.

The retirement savings required are the value of a retirement annuity purchased at the time of retirement. This value is a function of:

- the "replacement rate" (pension as a % of the wage earned while active)
- the real rate of return on investment and
- the number of years of benefits (length of retirement)

As shown in the tables below, for a typical 70% replacement rate, a 2% annual return on investment, and 20 years benefits, the individual needs, at the time of retirement, a retirement savings fund equivalent to 11.7 X annual earnings.
In order to accumulate this level of savings, an individual working and saving during 40 years , needs to save every year 18.9% of annual earnings:

MULTIPLE OF AVERAGE ANNUAL WAGE NEEDED TO RETIRE
(AUMs at Retirement = Multiple (M) x Average Annual Wage)
Replacement Rate (% of salary): 70%

	Real Rate of Return on Assets						
Length of Retirement (# of Years)	**0%**	**1%**	**2%**	**3%**	**4%**	**5%**	**6%**
20	14.0	12.8	11.7	10.7	9.9	9.2	8.5
22	15.4	13.9	12.6	11.5	10.5	9.7	8.9
24	16.8	15.0	13.5	12.2	11.1	10.1	9.3
26	18.2	16.1	14.4	12.9	11.6	10.6	9.6
28	19.6	17.2	15.2	13.5	12.1	11.0	9.9
30	21.0	18.2	16.0	14.1	12.6	11.3	10.2

ANNUAL CONTRIBUTIONS NECESSARY TO ACCUMULATE THE REQUIRED RETIREMENT CAPITAL
(IN % OF AVERAGE ANNUAL WAGE)
Contribution Period: 40 Years

	Real Rate of Return on Assets						
Length of Retirement (# of Years)	**0%**	**1%**	**2%**	**3%**	**4%**	**5%**	**6%**
20	35.0%	25.8%	18.9%	13.8%	10.0%	7.2%	5.2%
22	38.5%	28.2%	20.5%	14.8%	10.6%	7.6%	5.4%
24	42.0%	30.4%	21.9%	15.7%	11.2%	8.0%	5.7%
26	45.5%	32.6%	23.3%	16.6%	11.8%	8.3%	5.9%
28	49.0%	34.8%	24.7%	17.4%	12.3%	8.6%	6.1%
30	52.5%	37.0%	26.0%	18.2%	12.7%	8.9%	6.2%

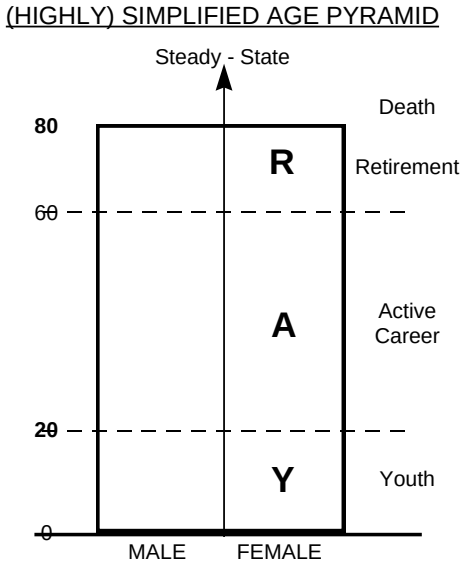
THE RETIREMENT CHALLENGE…

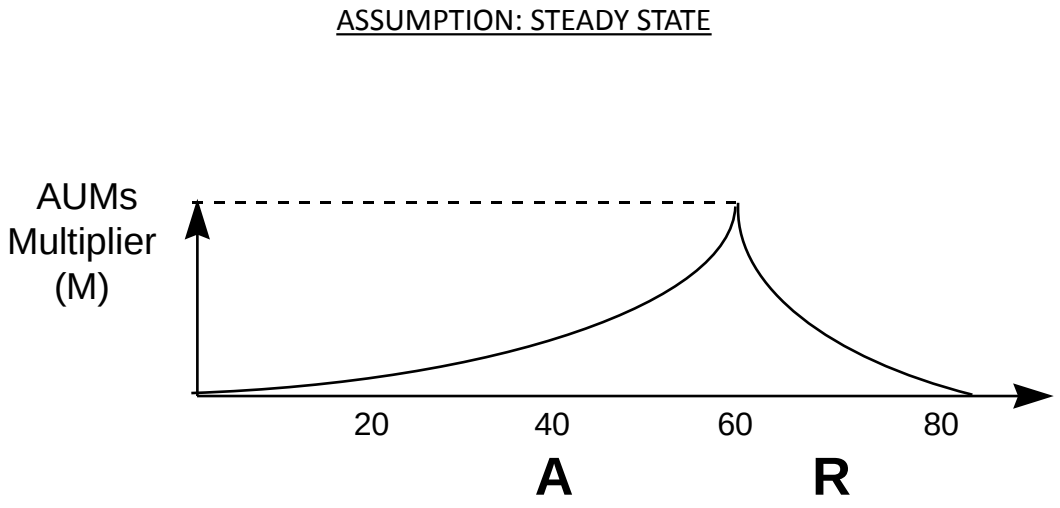
How does a country pay for retirement?

We extrapolate the estimate for the individual required savings fund (Assets under Management of around 11.7 X the standard annual earnings) to the level of a whole country.
At the country level, a portion of the population is active and supports the young and the retirees.

We make several simplifying assumptions:

- We assume everybody lives for 80 years during which spends 20 years as a young dependent, 40 years active, working and saving for retirement and the last 20 years in retirement, spending the savings accumulated while working
- This implies a highly simplified, rectangular, age pyramid as shown below on the left
- In steady state, the retirement savings of this population as a function of age will look like the triangle on the right





THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

The required Assets-under-Management for adequate retirement funding can be calculated approximately as the area under the triangle ½ X BASE X HEIGHT. The base of the triangle is proportional to the country's population with savings i.e. actives and retirees.

Country AUMs	≈	½	•	(A + R) (total number of people)	•	Average Wage	•	M (required AUMs at retirement time)
Country AUMs	≈	½	•	(A + R)	•	$\frac{\text{Total Wages}}{\text{A}}$	•	M
Country AUMs	≈	½	•	$\text{A}\left(1 + \frac{\text{R}}{\text{A}}\right)$	•	$\frac{\text{Total Wages}}{\text{A}}$	•	M
$\frac{\text{Country AUMs}}{\text{GDP}}$	≈	½	•	(1 + Dependency Ratio)	•	$\frac{\text{Total Wages}}{\text{GDP}}$	•	M
4.7	=	½	•	(1 + 0.35)	•	0.6	•	11.7

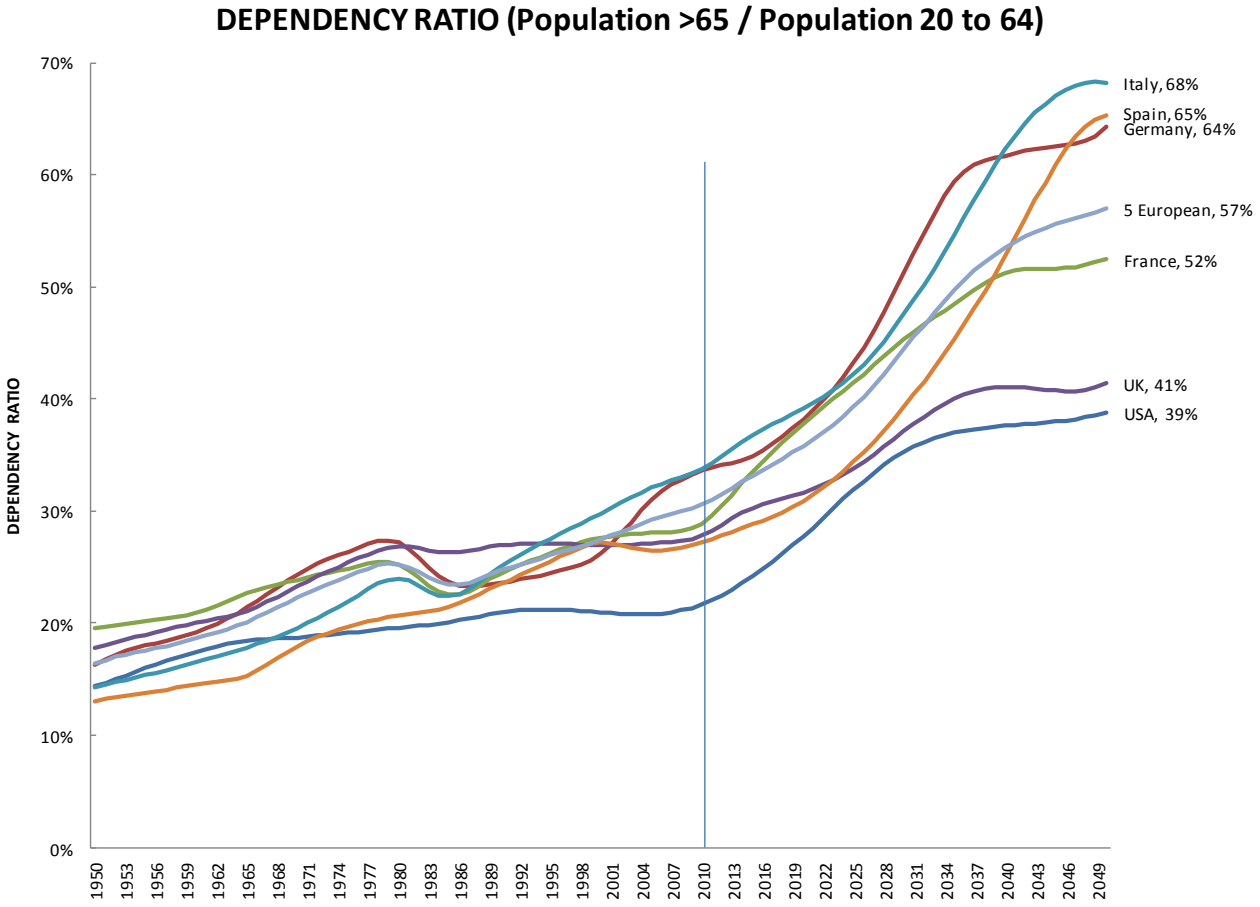
AUMs OF **4.7 TIMES GDP** ARE REQUIRED TO PROVIDE FOR 20 YEARS RETIREMENT ON A FULLY-FUNDED BASIS IN STEADY-STATE, ASSUMING 35% DEPENDENCY RATIO AND 2% REAL RETURNS

THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

Projections of Dependency Ratio…

In Europe, old-age dependency ratios are now increasing rapidly and significantly



	2008				2050			
	Population 65+	Population 20-64	Support Ratio	**Dependency Ratio**	Population 65+	Population 20-64	Support Ratio	**Dependency Ratio**
OECD	173,854,385	735,765,077	4.2	**24%**	350,503,961	730,615,499	2.1	**48%**
United States	39,372,823	186,312,481	4.7	**21%**	87,127,451	224,443,566	2.6	**39%**
Germany	16,424,305	50,060,733	3.0	**33%**	22,902,155	35,652,993	1.6	**64%**
France	10,306,298	36,527,038	3.5	**28%**	18,211,274	34,697,289	1.9	**52%**
United Kingdom	9,981,810	36,502,852	3.7	**27%**	16,552,804	39,932,316	2.4	**41%**
Italy	11,974,979	36,283,380	3.0	**33%**	18,977,126	27,826,710	1.5	**68%**
Spain	7,535,732	28,161,456	3.7	**27%**	16,297,707	24,981,933	1.5	**65%**
5 European Countries	56,223,124	187,535,459	3.3	**30%**	92,941,066	163,091,241	1.8	**57%**

Source: OECD (2011), Pensions at a Glance, OECD, Paris (www.oecd.org/els/social/pensions/PAG), United Nations, World Population Prospects - 2008

THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

Projections of Dependency Ratios and resulting required retirement savings as a % of GDP on a fully funded basis:

	PROJECTED DATE WHEN DEPENDENCY RATIO IS REACHED FOR:							
DEPENDENCY RATIO (Population >65 / Population 20-64)	**United States**	**Germany**	**France**	**United Kingdom**	**Italy**	**Spain**	**AVERAGE FOR 5 EUROPEAN COUNTRIES**	**FULLY FUNDED RETIREMENT SAVINGS REQUIRED IN MULTIPLES OF GDP (1)**
30%	2023	2004	2011	2014	2000	2017	2008	456%
35%	2030	2014	2017	2027	2012	2026	2018	474%
40%	After 2050	2022	2023	2034	2021	2031	2026	491%
45%		2026	2029		2028	2035	2030	509%
50%		2029	2037		2032	2038	2035	527%
55%		2032			2035	2042	2043	544%
60%		2036			2039	2045		562%
65%		2050			2042	2050		579%

(1) Assuming 70% replacement rate, Real annual returns on investment of 2%

THE RETIREMENT CHALLENGE…

How does a country pay for retirement?

Adjusting for the value of PAYG retirement schemes…

In most European countries, there are PAYG retirement schemes that promise to cover a significant portion of retirement needs…

Net pension replacement rates by earnings

	Individual earnings, multiple of mean for men (women where different)			
	Median earner	0.5	1	1.5
United States	53.4	63.8	50.0	46.6
Germany	58.4	55.6	57.9	57.2
France	60.8	69.4	60.4	53.1
United Kingdom	48.0	67.5	41.5	30.5
Italy	76.2 (63.0)	78.2 (63.4)	75.3 (62.1)	76.7 (62.1)
Spain	84.5	82.3	84.9	85.4
OECD34	***71.9***	***82.8***	***68.8***	***63.4***

Source: OECD pension models.

Are those promises sustainable in the context of rising dependency ratios? Assuming pension contributions as a % of wages cannot go beyond 20%, the replacement rate will have to decrease as the dependency ratios increase

PAYG PENSION CONTRIBUTION / WAGES	=	**RETIREES / ACTIVES**	x	**PENSION / WAGES**
ASSUMES LOCKED AT 20% OF WAGES		**DEPENDENCY RATIO**		**REPLACEMENT RATE**
20%		30%		**67%**
20%		35%		**57%**
20%		40%		**50%**
20%		45%		**44%**
20%		50%		**40%**
20%		55%		**36%**
20%		60%		**33%**
20%		65%		**31%**

THE RETIREMENT CHALLENGE…

FUNDING GAP:

Making reasonable assumptions for PAYG coverage by 2020, we estimate the retirement savings gap as a % of GDP by country and we derive required growth in retirement assets to achieve the targeted savings

			OVERALL RETIREMENT ASSETS NEEDED AS A % OF GDP (ASSUMING FULLY FUNDED)	FUNDING NEEDED AS A % OF GDP (BASED ON PAYG COVERAGE ASSUMPTIONS: **33%** or **50%** OF RETIREMENT NEEDS)			
	Expected Dependency Ratio in 2020	ASSUMPTION OF PAYG COVERAGE OF RETIREMENT NEEDS	Based on 2020 Expected Dependency Ratio		CURRENT RETIREMENT SAVINGS AS A% OF GDP (Life Insurance + Pension Funds)	GAP IN % OF GDP	CAGR NEEDED TO COVER GAP BY 2020
United States	28%	33%	421%	281%	99%	182%	11.0%
United Kingdom	32%	33%	451%	301%	159%	141%	6.6%
Germany	38%	50%	413%	206%	65%	141%	12.2%
France	38%	50%	411%	205%	76%	130%	10.5%
Italy	39%	50%	417%	209%	41%	168%	17.7%
Spain	31%	50%	369%	185%	25%	159%	22.0%

APPENDIX

RETIREMENT LENGTH…

Pensions at a Glance 2011: Retirement-income Systems in OECD and G20 Countries - © OECD 2011

Part I Table 3. Life expectancy after pensionable age in the OECD, 1958-2050, men

Version 1 - Last updated: 28-Jan-2011

Table 3. Life expectancy after pensionable age in the OECD, 1958-2050, men

	1958	*1971*	*1983*	*1989*	*1993*	*1999*	*2002*	*2010*	*2020*	*2030*	*2040*	*2050*	
France	12.5	13.0	14.2	18.8	19.4	20.2	20.5	21.7	22.4	23.3	24.0	24.8	France
Germany	14.2	14.1	15.2	16.0	16.5	17.6	17.2	17.0	17.9	18.7	19.5	20.3	Allemagne
Italy		16.7	17.1	23.6	24.2	25.4	23.8	22.8	21.7	19.4	20.1	20.9	Italie
Spain	13.1	13.7	14.9	15.6	15.9	16.2	16.6	17.9	19.0	19.9	20.6	21.4	Espagne
United Kingdom	11.9	12.3	13.2	13.8	14.2	15.4	16.0	16.9	17.7	17.5	17.2	16.9	Royaume-Uni
United States	12.8	13.2	14.4	15.0	15.3	16.1	16.7	16.8	17.3	16.8	17.2	17.7	Etats-Unis
OECD	***13.4***	***13.4***	***14.7***	***16.0***	***16.5***	***17.3***	***17.6***	***18.5***	***18.9***	***19.2***	***19.6***	***20.3***	***OCDE***

Pensions at a Glance 2011: Retirement-income Systems in OECD and G20 Countries - © OECD 2011

Part I Table 4. Life expectancy after pensionable age in the OECD, 1958-2050, women

Version 1 - Last updated: 28-Jan-2011

Table 4. Life expectancy after pensionable age in the OECD, 1958-2050, women

	1958	*1971*	*1983*	*1989*	*1993*	*1999*	*2002*	*2010*	*2020*	*2030*	*2040*	*2050*	
France	15.6	16.8	18.4	24.0	24.6	25.3	25.4	26.5	26.9	27.8	28.7	29.5	France
Germany	18.1	19.0	20.8	21.8	22.5	23.7	23.3	20.7	21.7	22.6	23.5	24.4	Allemagne
Italy		25.2	26.5	28.1	28.8	29.9	28.1	27.4	26.3	23.7	24.6	25.5	Italie
Spain	15.3	16.3	18.2	19.2	19.8	20.3	20.6	21.8	22.8	23.6	24.4	25.1	Espagne
United Kingdom	18.9	19.8	21.0	21.5	21.9	22.7	23.3	24.5	21.2	21.1	22.0	21.9	Royaume-Uni
United States	15.8	17.1	18.6	18.8	18.9	19.1	19.1	19.3	20.2	20.1	21.0	21.9	Etats-Unis
OECD	***16.8***	***18.1***	***19.9***	***21.2***	***21.6***	***22.1***	***22.3***	***23.2***	***23.2***	***23.4***	***23.9***	***24.6***	***OCDE***

HOUSEHOLD FINANCIAL ASSETS: EVOLUTION BY COUNTRY

HOUSEHOLD FINANCIAL ASSETS… NOTES ON STATISTICS

HOUSEHOLD FINANCIAL ASSETS IN BILLION EUROS
AS OF 12/31/2010

	USA	GERMANY	FRANCE	UK	ITALY	SPAIN
Cash, DDAs	242	922	303	-	683	400
Savings Accounts, Time Deposits, Money Market	5,595	950	759	1,405	452	460
Bonds	3,266	251	55	31	703	55
Equity (Listed)	6,293	234	191	303	81	105
Mutual Funds	3,480	587	231	157	243	118
Life Insurance	943	1,348	1,462	2,665	406	154
Pension Funds	9,664	280	-	-	225	114
TOTAL	**29,483**	**4,571**	**3,001**	**4,562**	**2,793**	**1,406**
EXCLUDED FROM TOTAL	5,998	214	809	432	858	371
Equity (Not Listed)	4,873	175	535	261	706	299
Other	1,124	39	274	171	152	72
GRAND TOTAL	35,480	4,785	4,620	4,994	3,651	1,777
GDP	**10,714**	**2,494**	**1,931**	**1,672**	**1,548**	**1,063**
TOTAL AS % OF GDP	**275%**	**183%**	**155%**	**273%**	**180%**	**132%**
GRAND TOTAL AS % OF GDP	331%	192%	239%	299%	236%	167%

HOUSEHOLD FINANCIAL ASSETS PER CAPITA IN EUROS
AS OF 12/31/2010

	USA	GERMANY	FRANCE	UK	ITALY	SPAIN
Cash, DDAs	761	11,231	4,840	-	11,360	8,836
Savings Accounts, Time Deposits, Money Market	17,615	11,581	12,121	22,700	7,517	10,148
Bonds	10,281	3,053	883	504	11,704	1,217
Equity (Listed)	19,813	2,846	3,051	4,902	1,353	2,317
Mutual Funds	10,955	7,158	3,688	2,536	4,036	2,593
Life Insurance	2,968	16,424	23,334	43,052	6,758	3,409
Pension Funds	30,424	3,412	-	-	3,747	2,517
TOTAL	**92,818**	**55,705**	**47,917**	**73,694**	**46,475**	**31,037**
EXCLUDED FROM TOTAL	18,882	2,606	12,921	6,985	14,283	8,184
Equity (Not Listed)	15,343	2,134	8,541	4,216	11,753	6,604
Other	3,539	472	4,380	2,769	2,530	1,580
GRAND TOTAL	111,700	58,311	73,759	80,679	60,758	39,220

HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX
AS OF 12/31/2010

	USA	GERMANY	FRANCE	UK	ITALY	SPAIN
Cash, DDAs	1%	20%	10%	0%	24%	28%
Savings Accounts, Time Deposits, Money Market	19%	21%	25%	31%	16%	33%
Bonds	11%	5%	2%	1%	25%	4%
Equity (Listed)	21%	5%	6%	7%	3%	7%
Mutual Funds	12%	13%	8%	3%	9%	8%
Life Insurance	3%	29%	49%	58%	15%	11%
Pension Funds	33%	6%	0%	0%	8%	8%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHORT TERM	20%	41%	35%	31%	41%	61%
LONG TERM	80%	59%	65%	69%	59%	39%

HOUSEHOLD FINANCIAL ASSETS AS % OF GDP
AS OF 12/31/2010

	USA	GERMANY	FRANCE (1)	UK (1)	ITALY	SPAIN
Cash, DDAs	2%	37%	16%	0%	44%	38%
Savings Accounts, Time Deposits, Money Market	52%	38%	39%	84%	29%	43%
Bonds	30%	10%	3%	2%	45%	5%
Equity (Listed)	59%	9%	10%	18%	5%	10%
Mutual Funds	32%	24%	12%	9%	16%	11%
Life Insurance	9%	54%	76%	159%	26%	15%
Pension Funds	90%	11%	0%	0%	15%	11%
TOTAL	275%	183%	155%	273%	180%	132%

	USA	UK	GERMANY	FRANCE	ITALY	SPAIN
Short-Term (Cash, DDAs + Savings Accts, Time Deposits, Money Market)	54%	84%	75%	55%	73%	81%
Long-Term Savings = (Bonds + Equity (Listed) + Mutual Funds + Life Insurance + Pension Funds)	221%	189%	108%	100%	107%	51%
Retirement Savings = Life Insurance + Pension Funds	99%	159%	65%	76%	41%	25%

NOTES:

USA:

- *Equity (Listed): not defined as such in the flow of fund, this category includes all corporate equity (both listed and non-listed)*

GERMANY:

- *Equity (Listed): not defined as such in the flow of fund, this category includes both listed and non-listed*

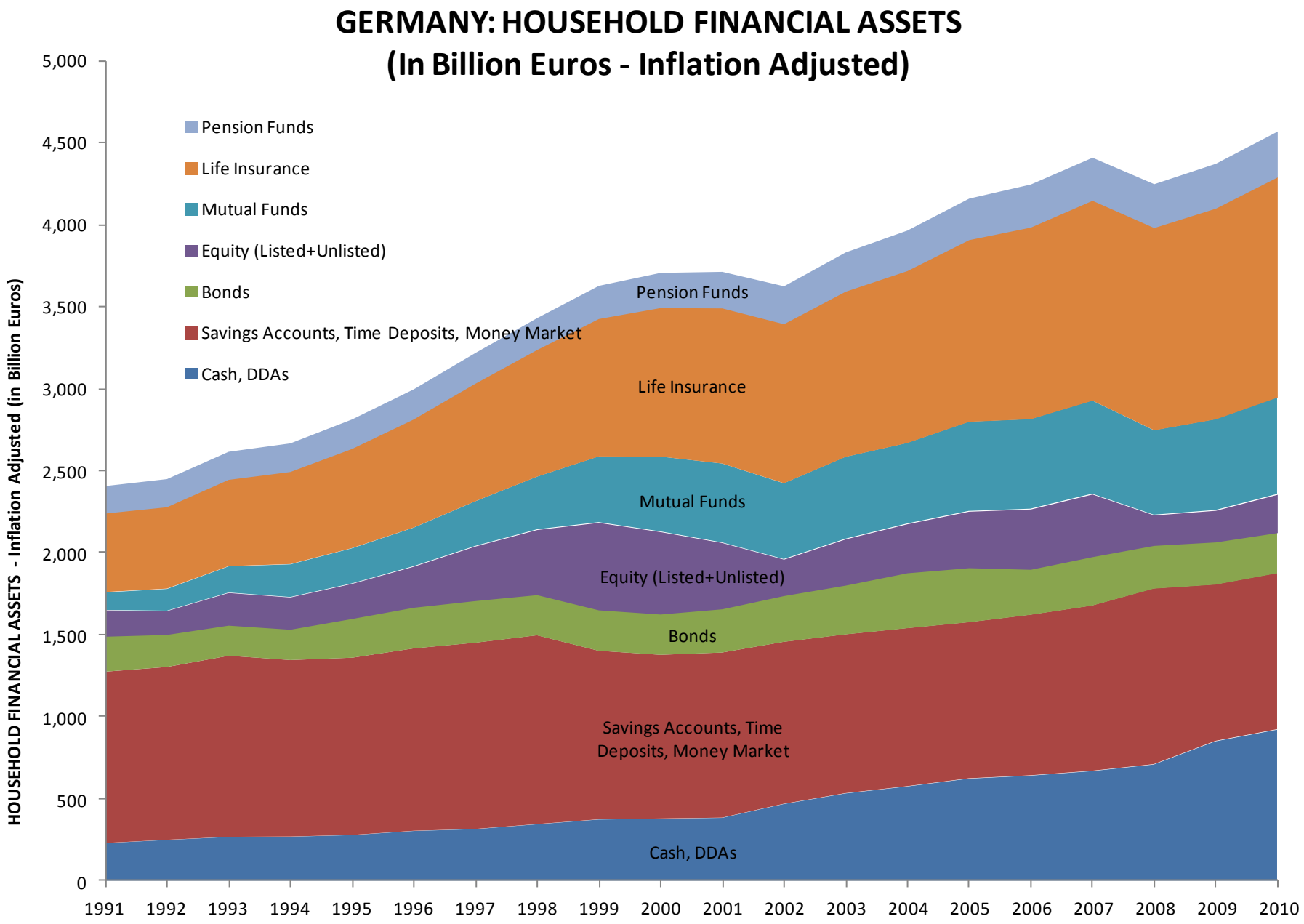
FRANCE:

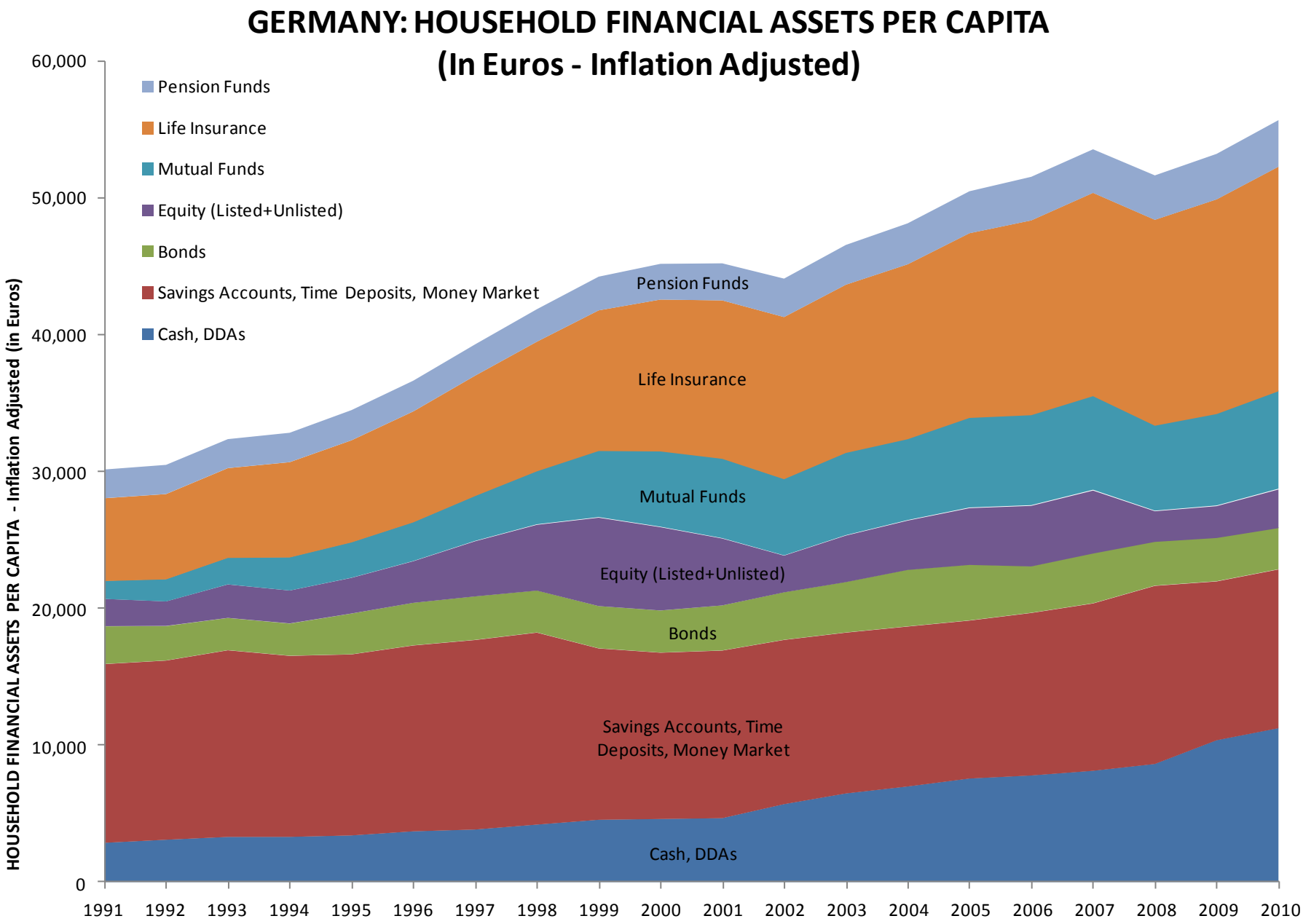
- *Both Life Insurance and Pension Funds assets are accounted under a single category: "Life Insurance"*

UK:

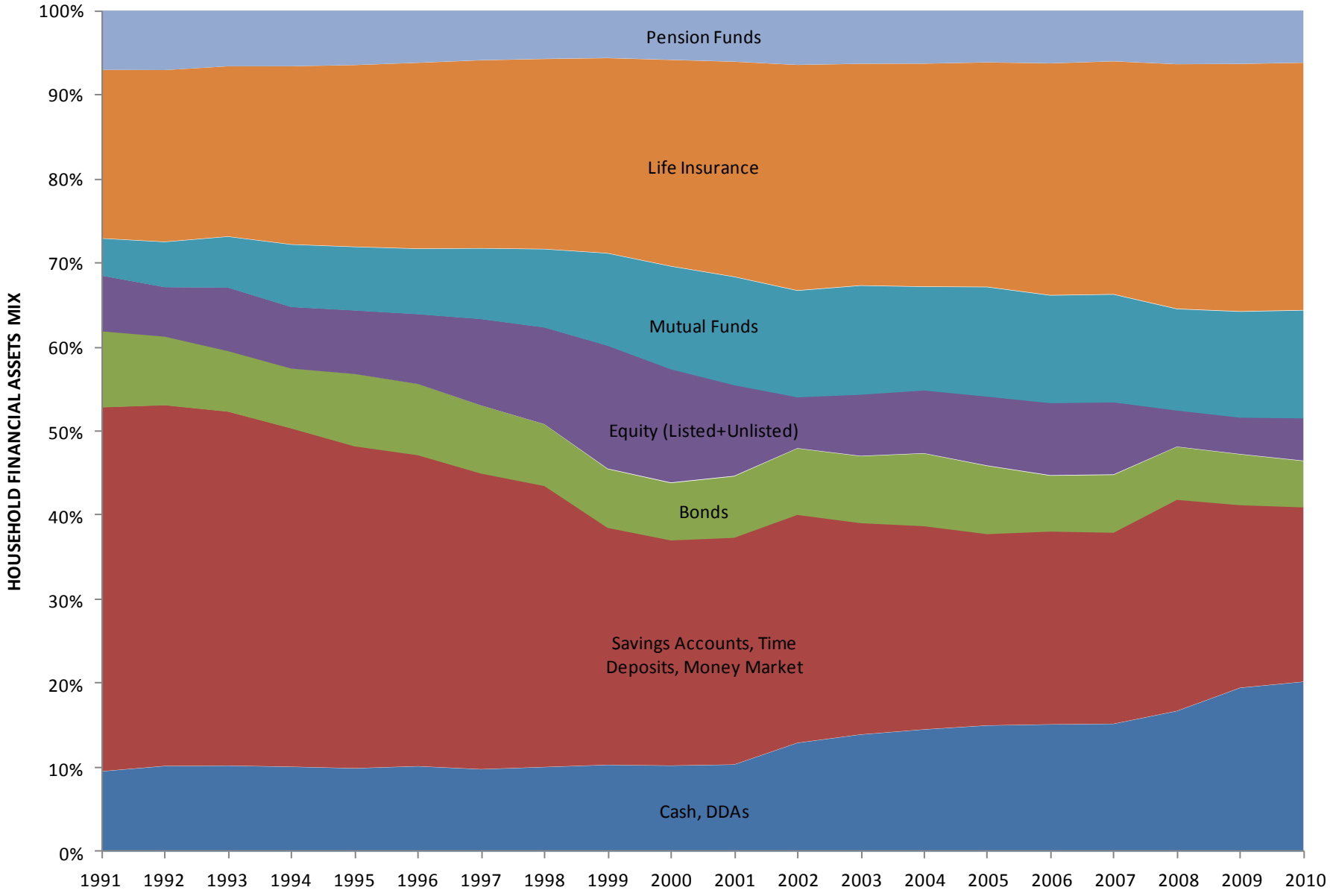
- *The 2 categories "Cash, DDAs" and "Savings Accounts, Time Deposits, Money Market" are bundled in a single category*
- *Both Life Insurance and Pension Funds assets are accounted under a single category: "Life Insurance"*

GERMANY

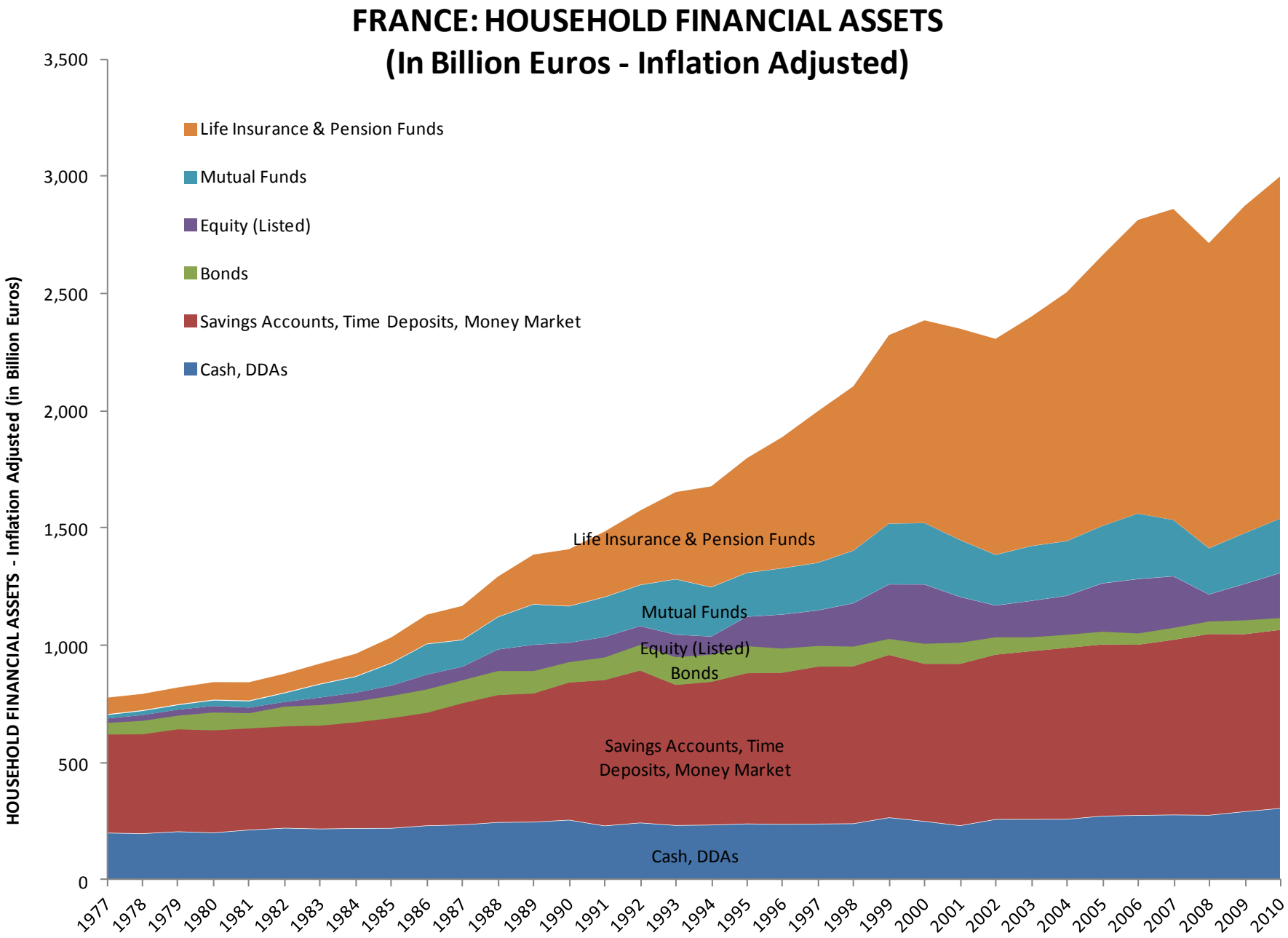

GERMANY: HOUSEHOLD FINANCIAL ASSETS
(In Billion Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS - Inflation Adjusted (in Billion Euros)
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Pension Funds
Life Insurance
Mutual Funds
Equity (Listed+Unlisted)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
Pension Funds
Life Insurance
Mutual Funds
Equity (Listed+Unlisted)
Bonds
Savings Accounts, Time
Deposits, Money Market
Cash, DDAs


GERMANY: HOUSEHOLD FINANCIAL ASSETS PER CAPITA
(In Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS PER CAPITA - Inflation Adjusted (in Euros)
60,000
50,000
40,000
30,000
20,000
10,000
0
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Pension Funds
Life Insurance
Mutual Funds
Equity (Listed+Unlisted)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs

GERMANY: HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX



FRANCE


FRANCE: HOUSEHOLD FINANCIAL ASSETS
(In Billion Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS - Inflation Adjusted (in Billion Euros)
Life Insurance & Pension Funds
Mutual Funds
Equity (Listed)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
3,500
3,000
2,500
2,000
1,500
1,000
500
0
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
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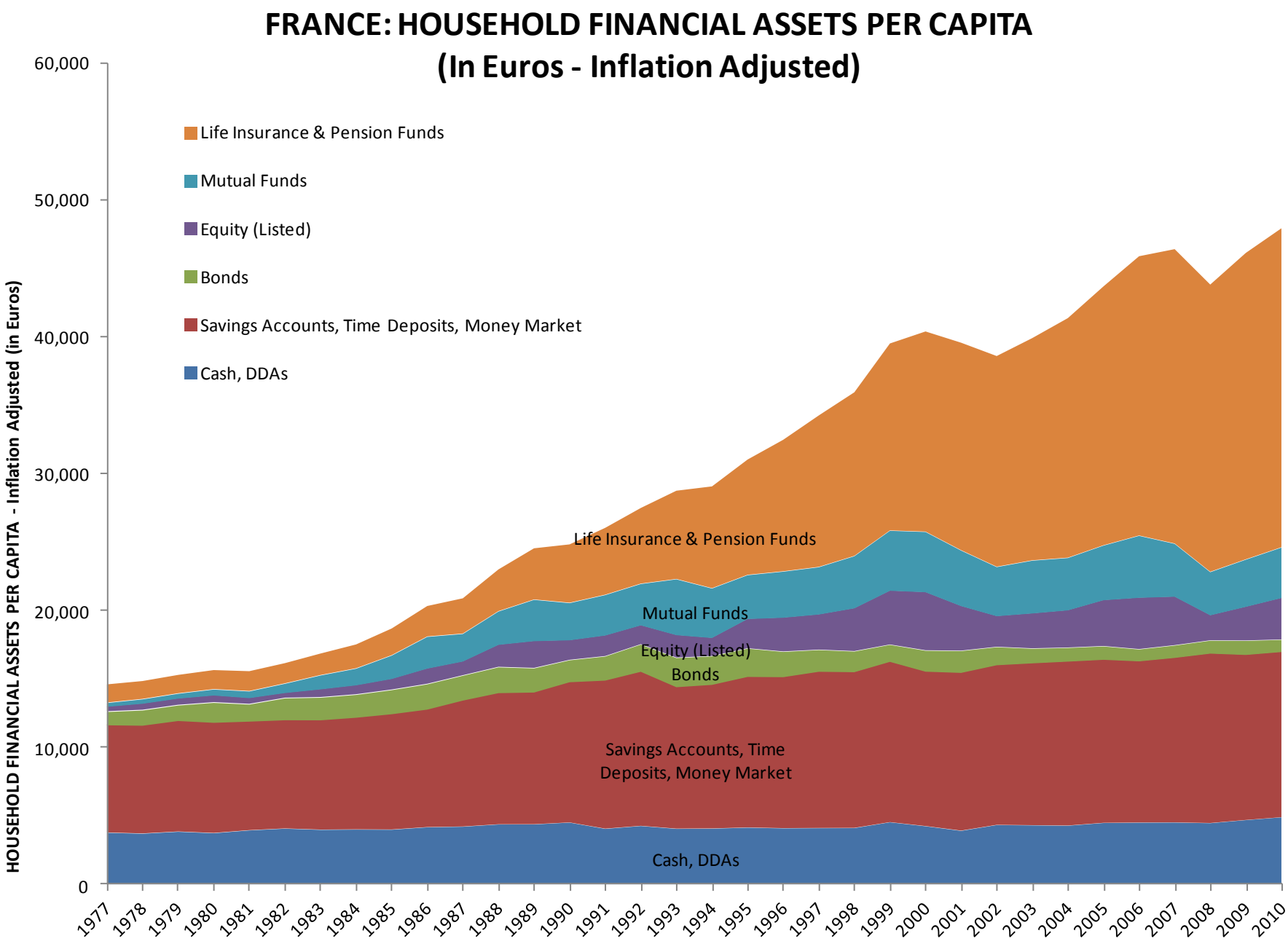
2007
2008
2009
2010


FRANCE: HOUSEHOLD FINANCIAL ASSETS PER CAPITA
(In Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS PER CAPITA - Inflation Adjusted (in Euros)
60,000
50,000
40,000
30,000
20,000
10,000
0
Life Insurance & Pension Funds
Mutual Funds
Equity (Listed)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
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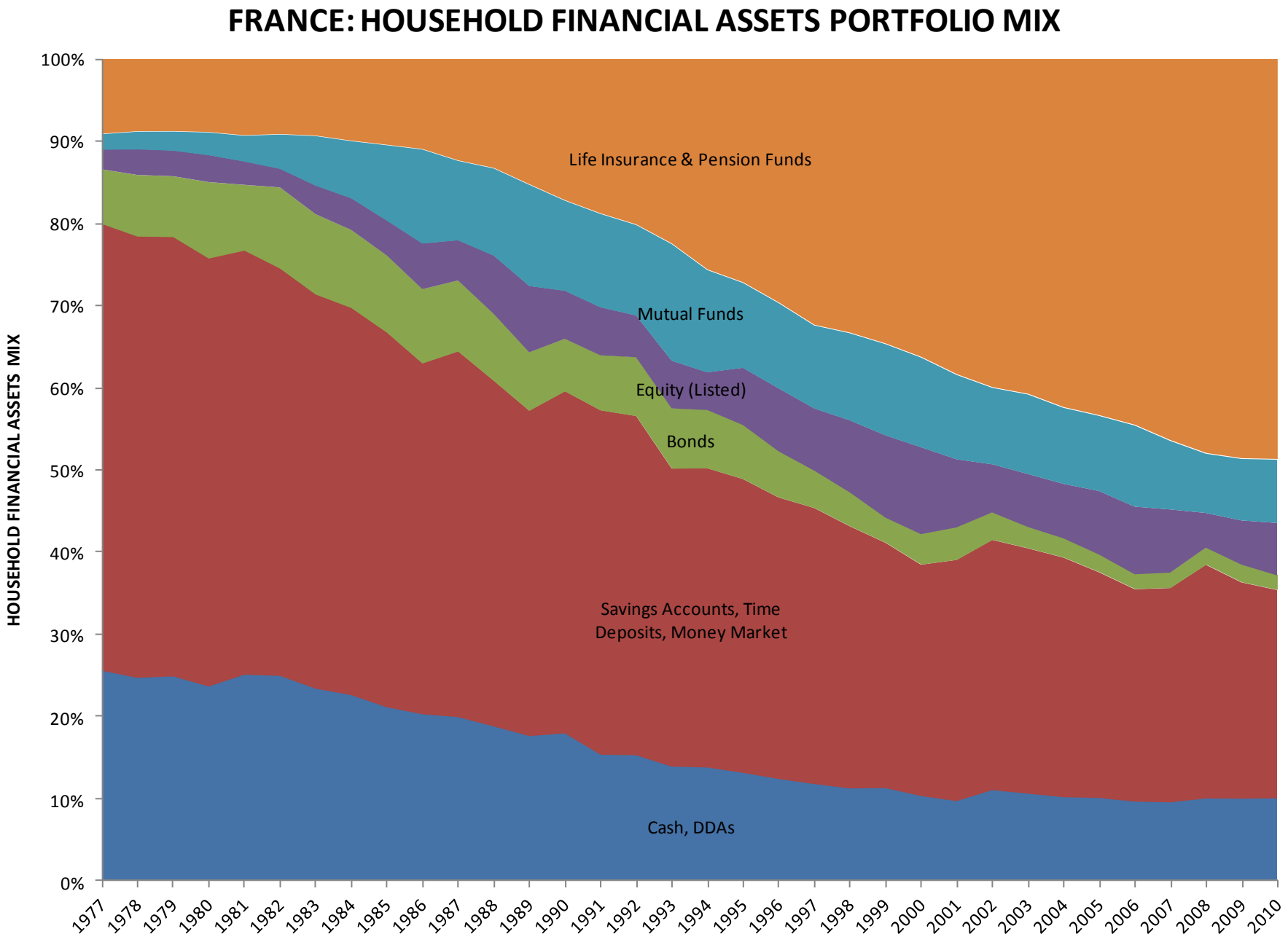
2006
2007
2008
2009
2010


FRANCE: HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX
HOUSEHOLD FINANCIAL ASSETS MIX
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Life Insurance & Pension Funds
Mutual Funds
Equity (Listed)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
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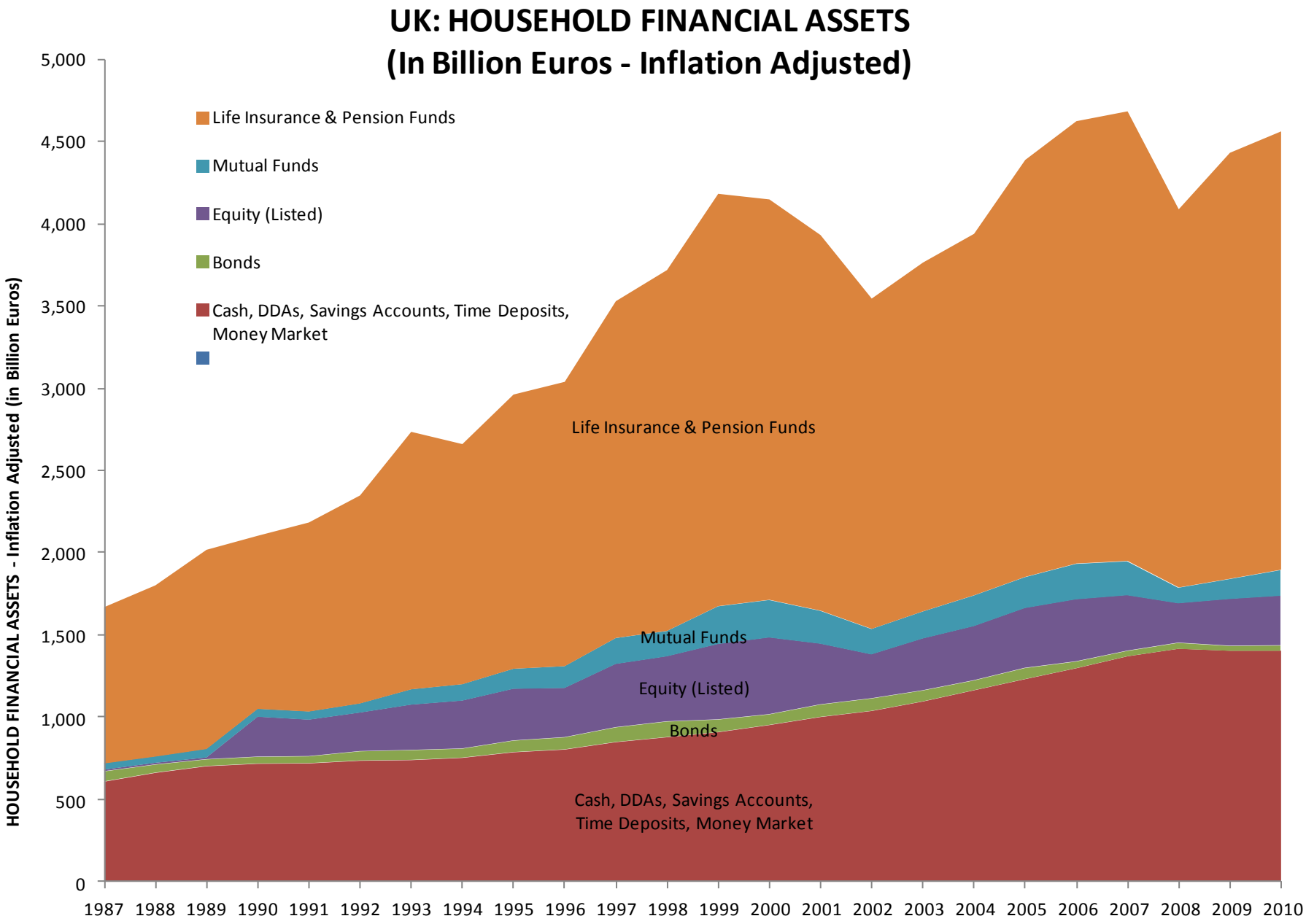
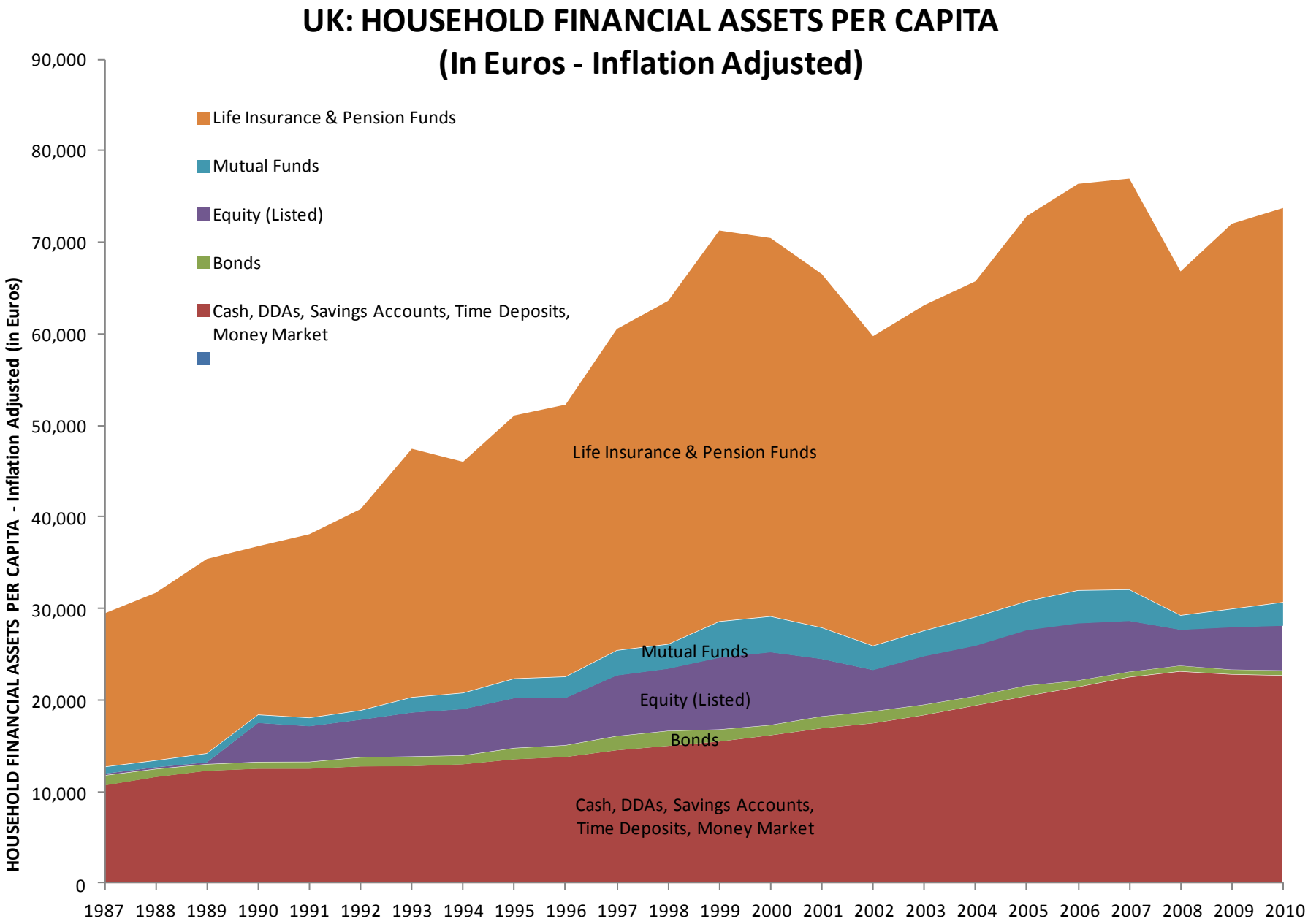
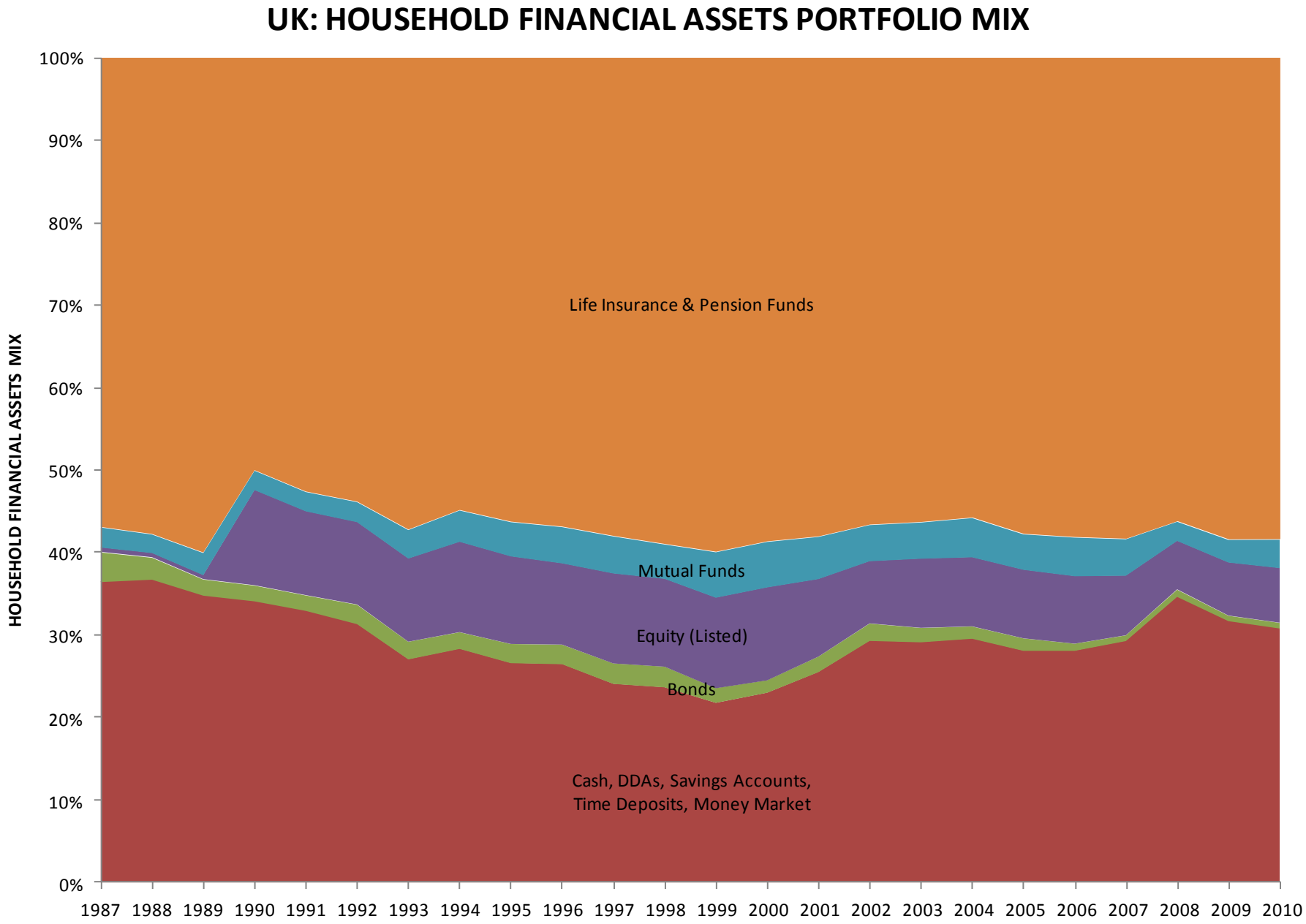
2004
2005
2006
2007
2008
2009
2010

UK

UK… HOUSEHOLD FINANCIAL ASSETS

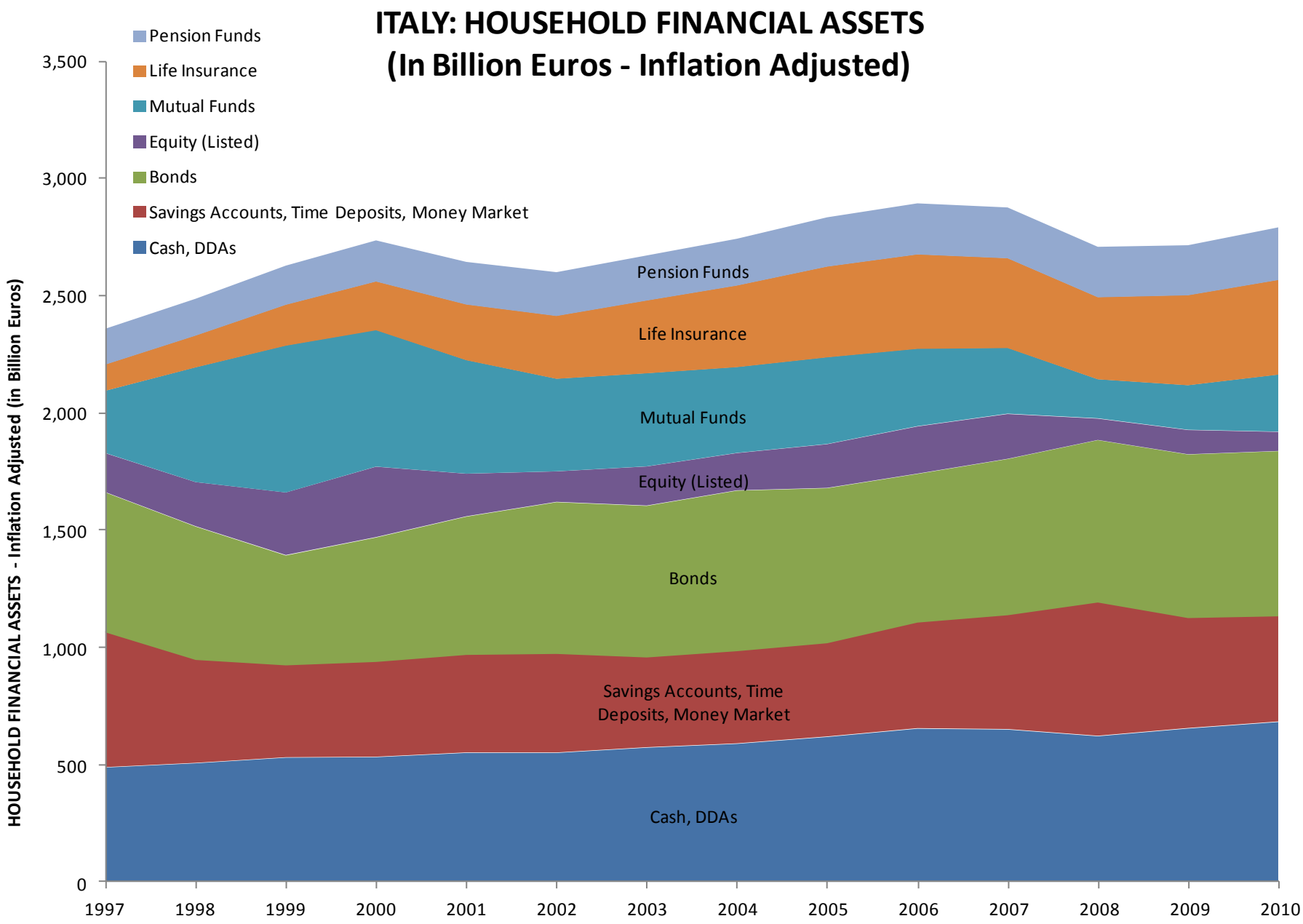



UK: HOUSEHOLD FINANCIAL ASSETS PER CAPITA
(In Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS PER CAPITA - Inflation Adjusted (in Euros)
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Life Insurance & Pension Funds
Mutual Funds
Equity (Listed)
Bonds
Cash, DDAs, Savings Accounts, Time Deposits, Money Market
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

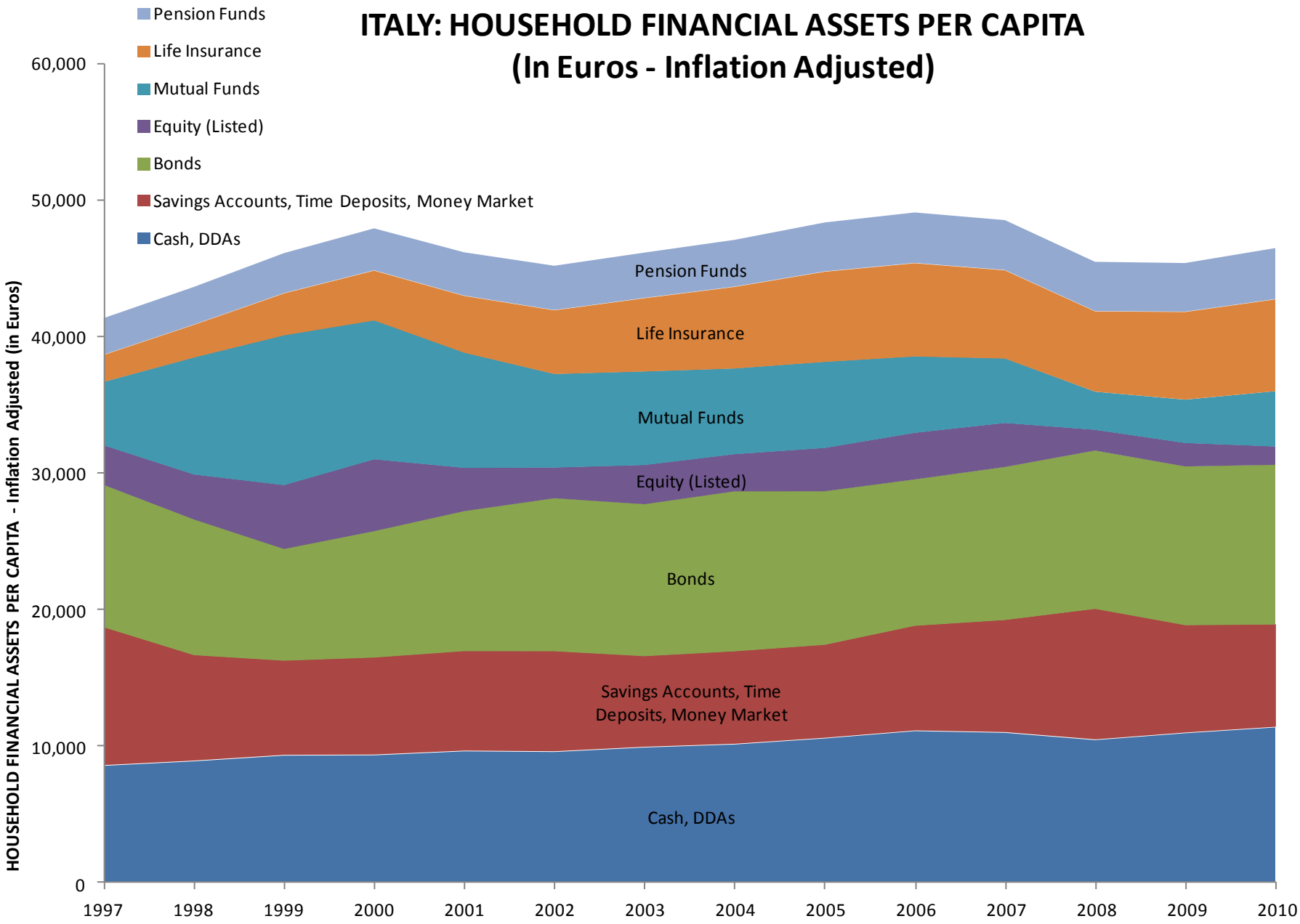

UK: HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX
HOUSEHOLD FINANCIAL ASSETS MIX
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
Life Insurance & Pension Funds
Mutual Funds
Equity (Listed)
Bonds
Cash, DDAs, Savings Accounts,
Time Deposits, Money Market

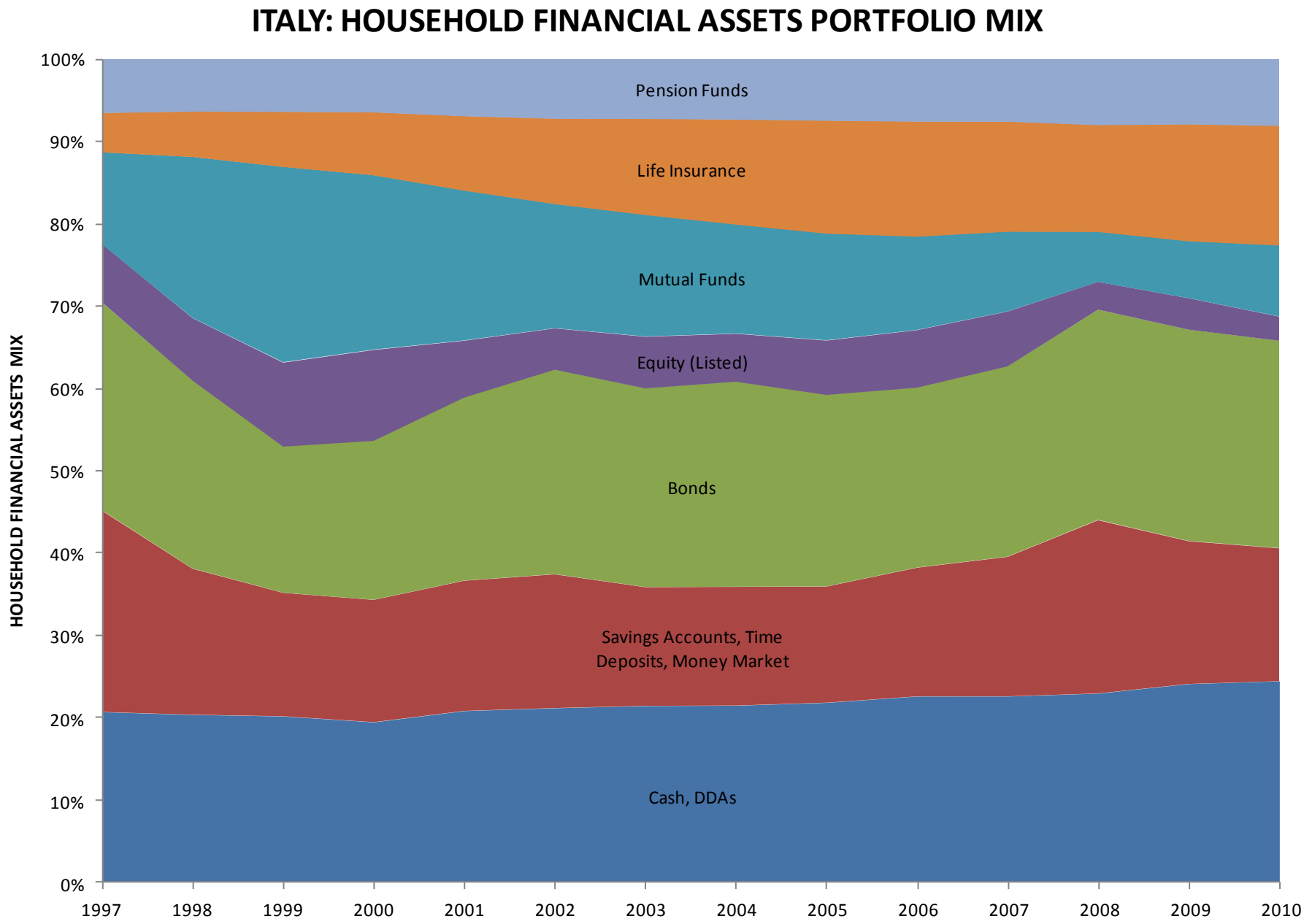
ITALY

ITALY… HOUSEHOLD FINANCIAL ASSETS



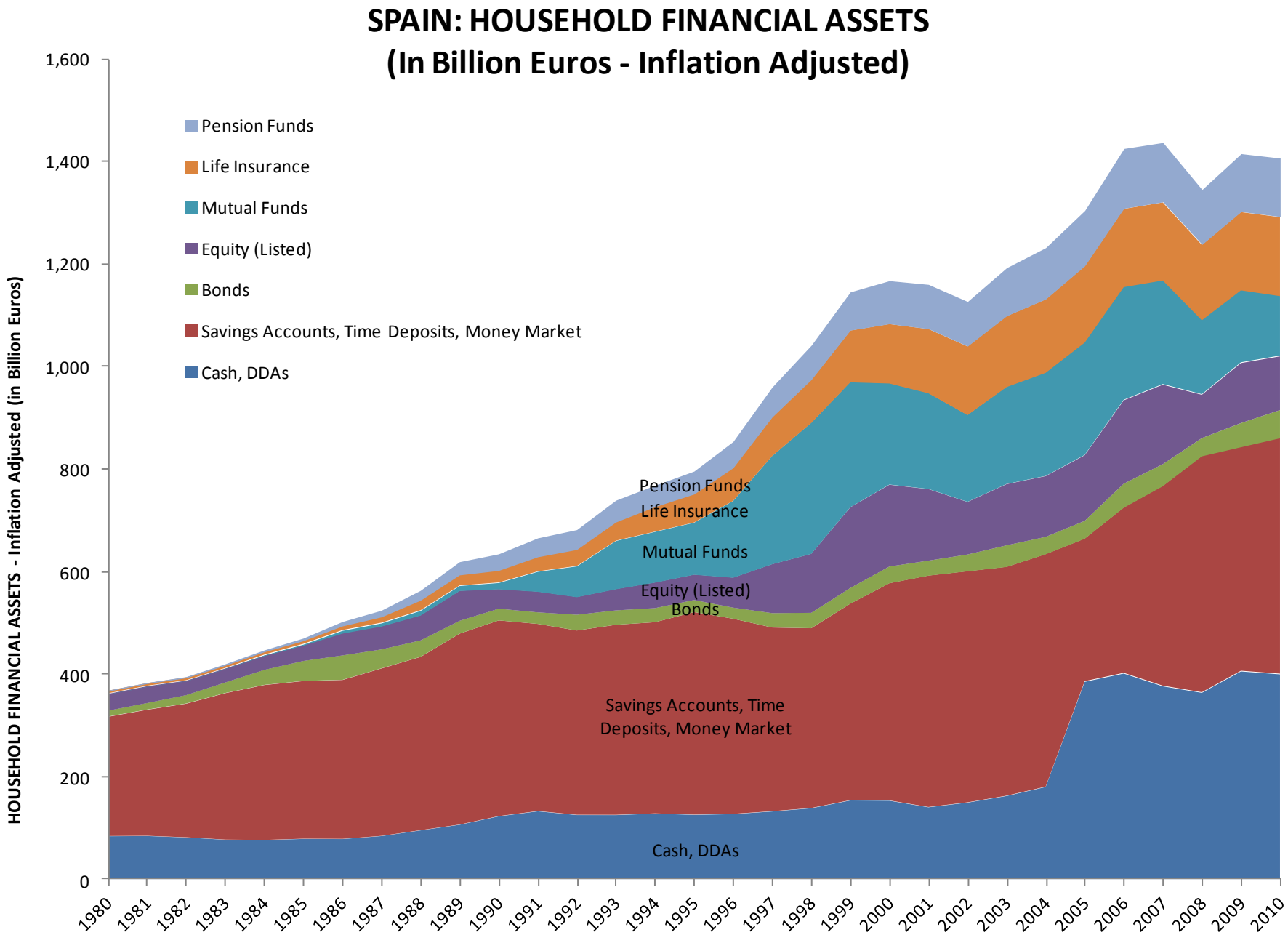
ITALY… HOUSEHOLD FINANCIAL ASSETS



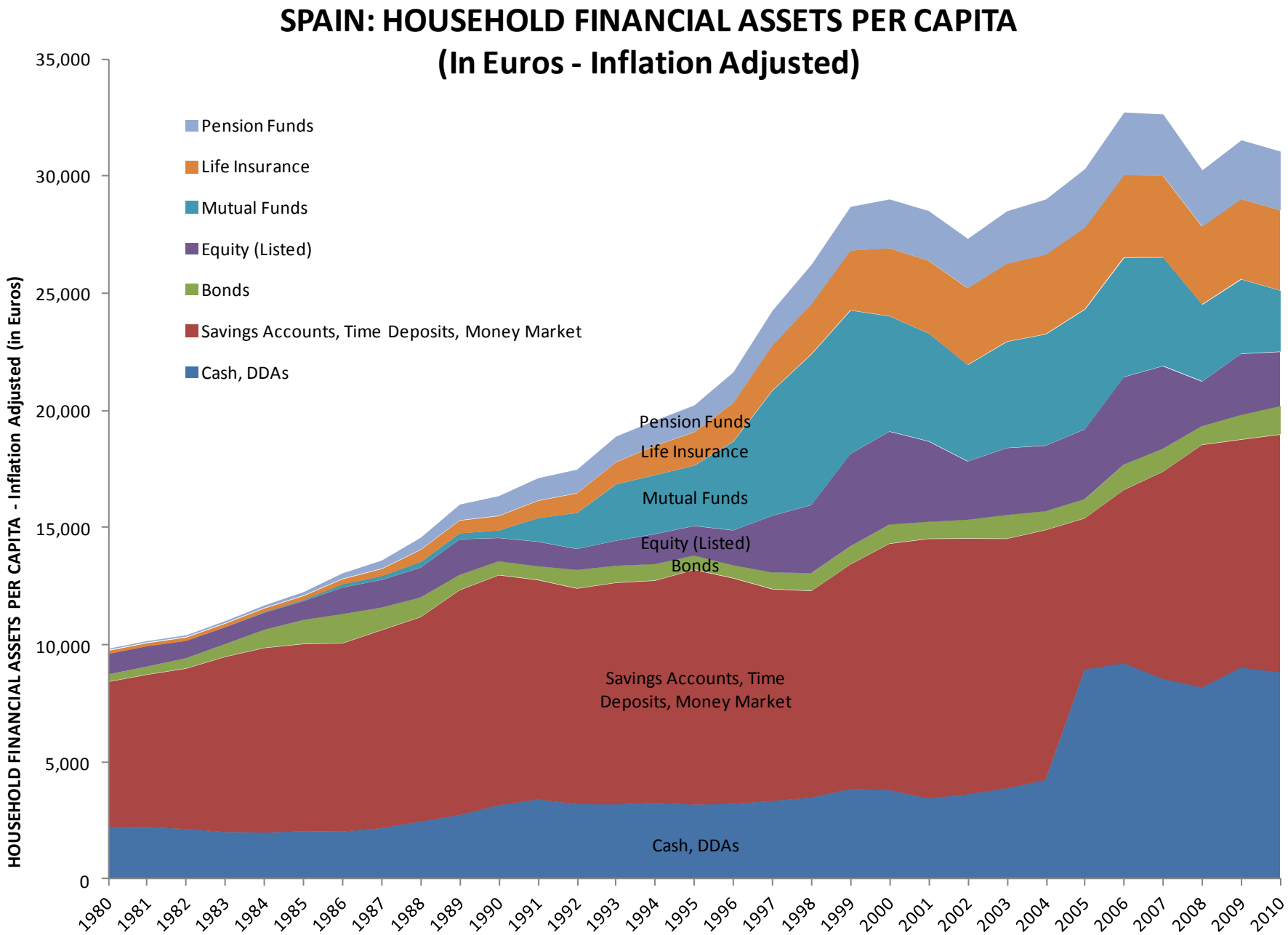

ITALY: HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX
HOUSEHOLD FINANCIAL ASSETS MIX
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Pension Funds
Life Insurance
Mutual Funds
Equity (Listed)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs

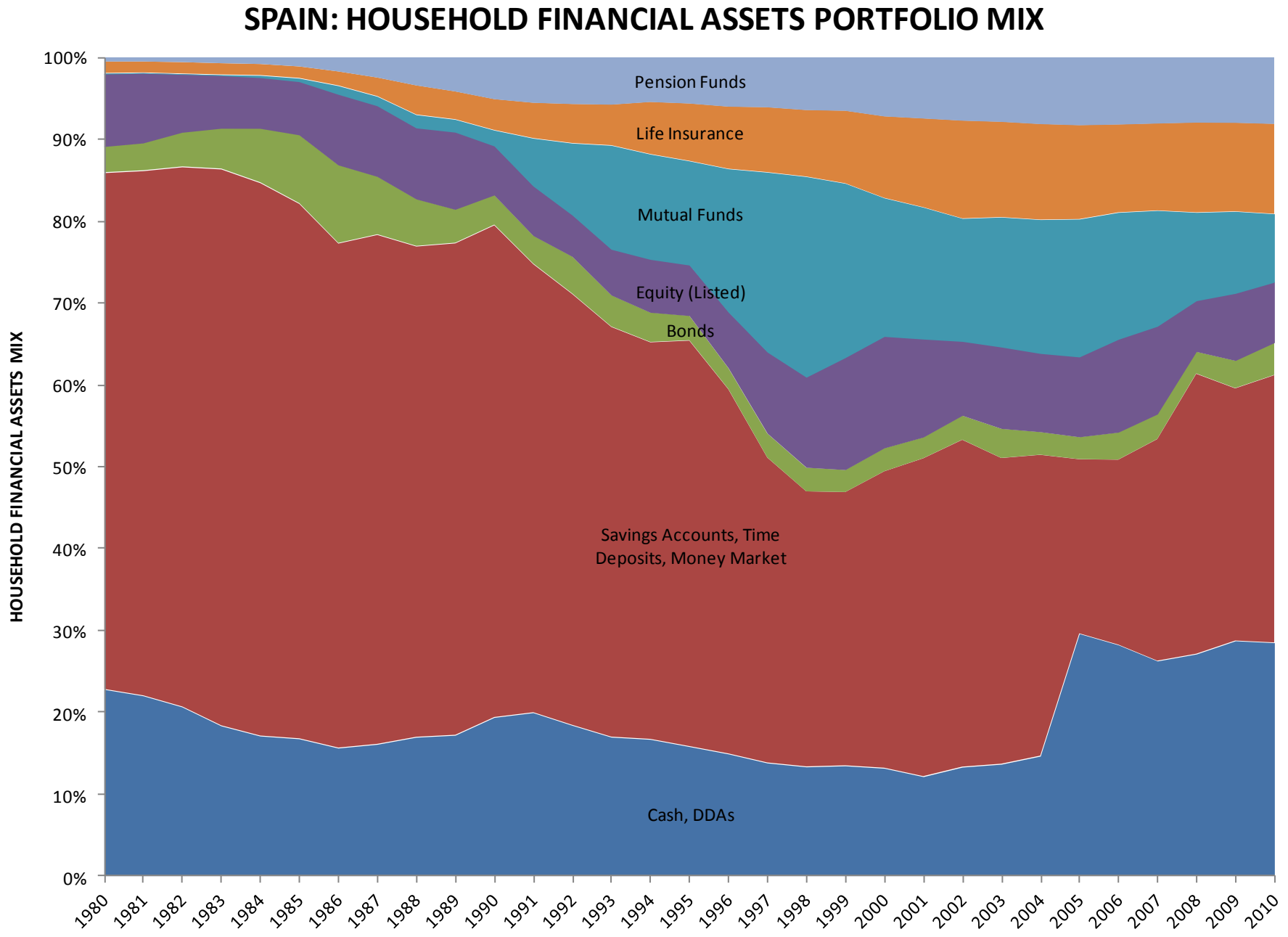
SPAIN

SPAIN… HOUSEHOLD FINANCIAL ASSETS



SPAIN… HOUSEHOLD FINANCIAL ASSETS




SPAIN: HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX
HOUSEHOLD FINANCIAL ASSETS MIX
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Pension Funds
Life Insurance
Mutual Funds
Equity (Listed)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
1980
1981
1982
1983
1984
1985
1986
1987
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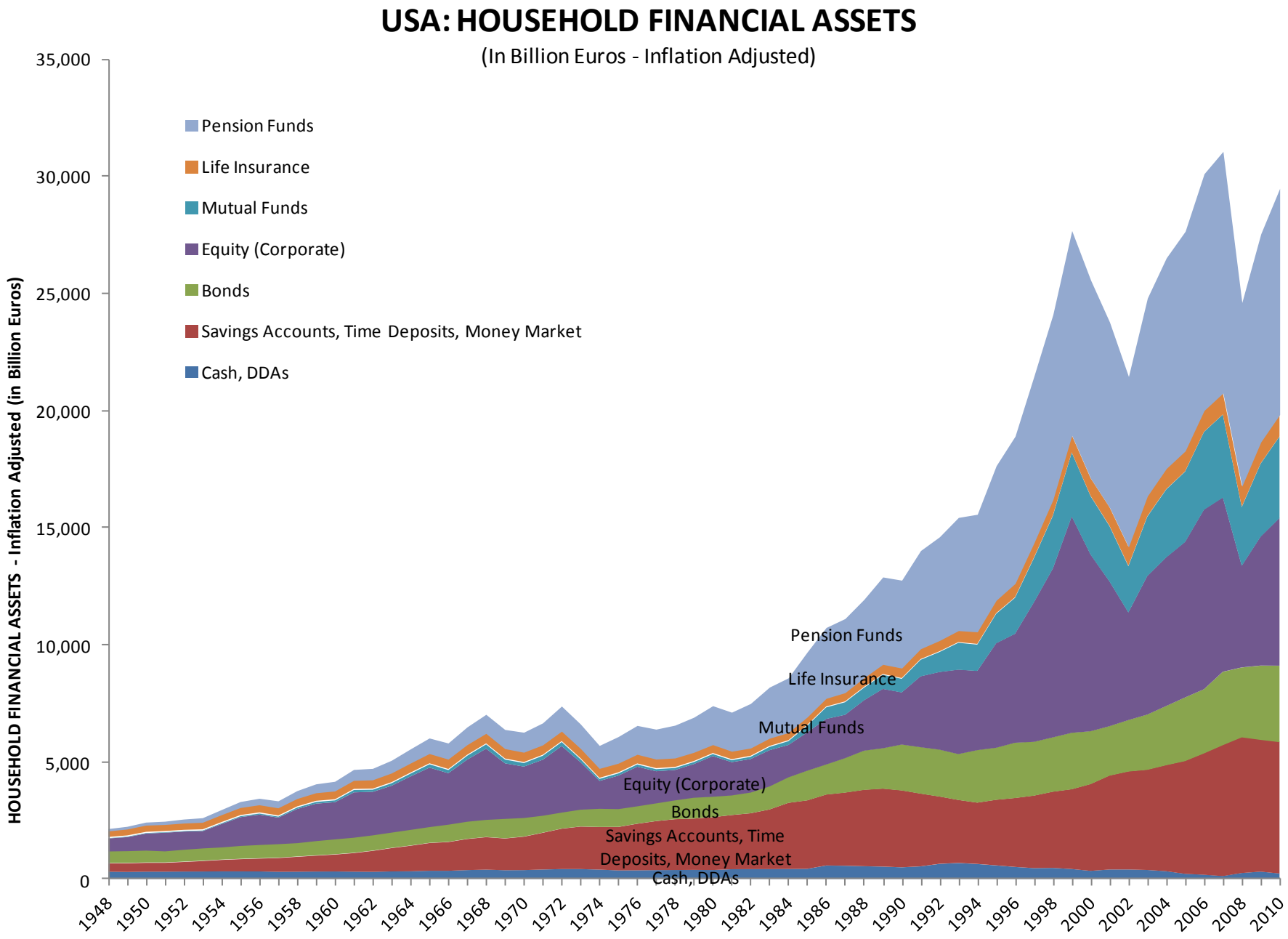
USA


USA: HOUSEHOLD FINANCIAL ASSETS
(In Billion Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS - Inflation Adjusted (in Billion Euros)
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
Pension Funds
Life Insurance
Mutual Funds
Equity (Corporate)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
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1988
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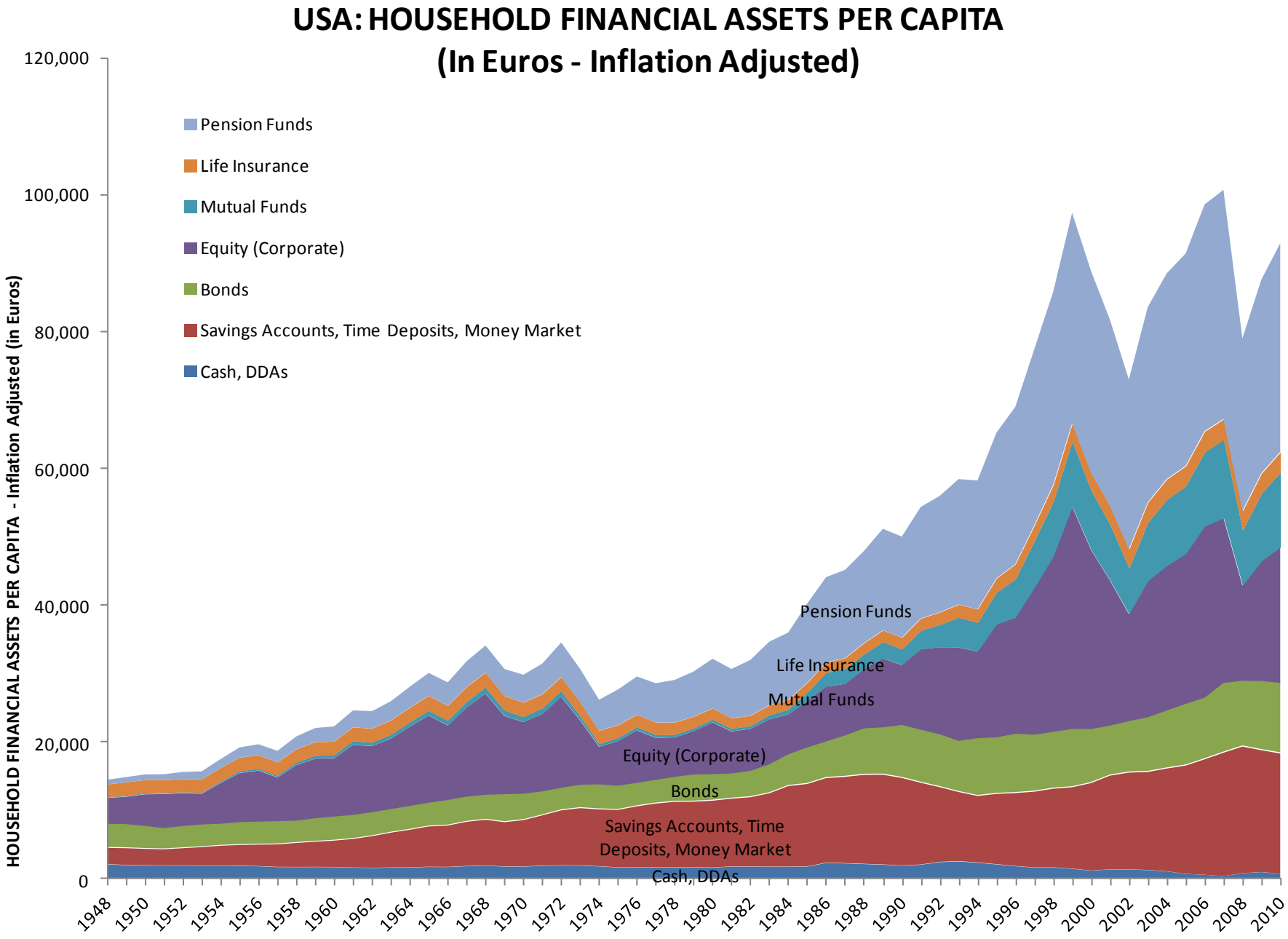
2010


USA: HOUSEHOLD FINANCIAL ASSETS PER CAPITA
(In Euros - Inflation Adjusted)
HOUSEHOLD FINANCIAL ASSETS PER CAPITA - Inflation Adjusted (in Euros)
120,000
100,000
80,000
60,000
40,000
20,000
0
Pension Funds
Life Insurance
Mutual Funds
Equity (Corporate)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1968
1970
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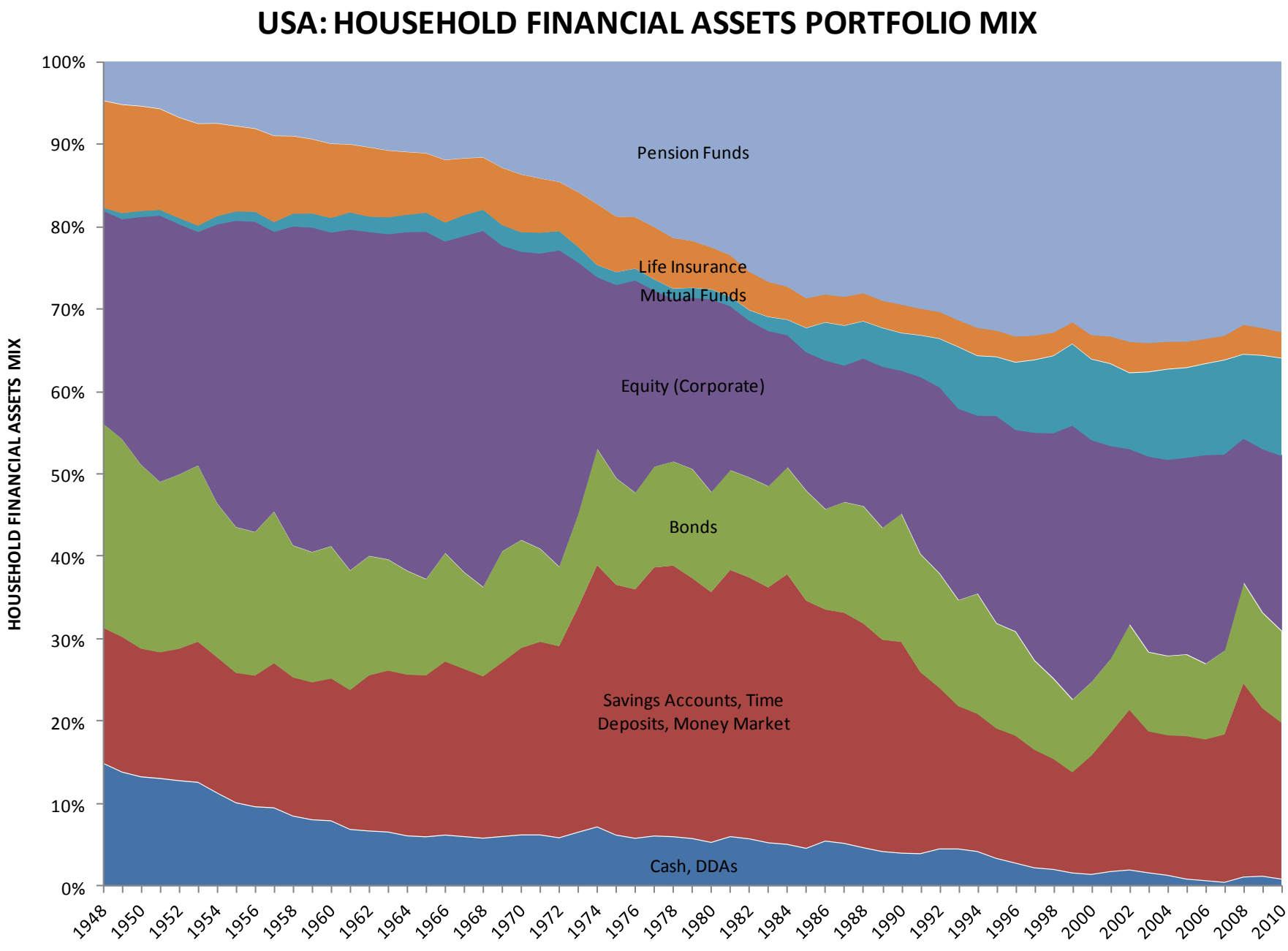
2010


USA: HOUSEHOLD FINANCIAL ASSETS PORTFOLIO MIX
HOUSEHOLD FINANCIAL ASSETS MIX
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Pension Funds
Life Insurance
Mutual Funds
Equity (Corporate)
Bonds
Savings Accounts, Time Deposits, Money Market
Cash, DDAs
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010