



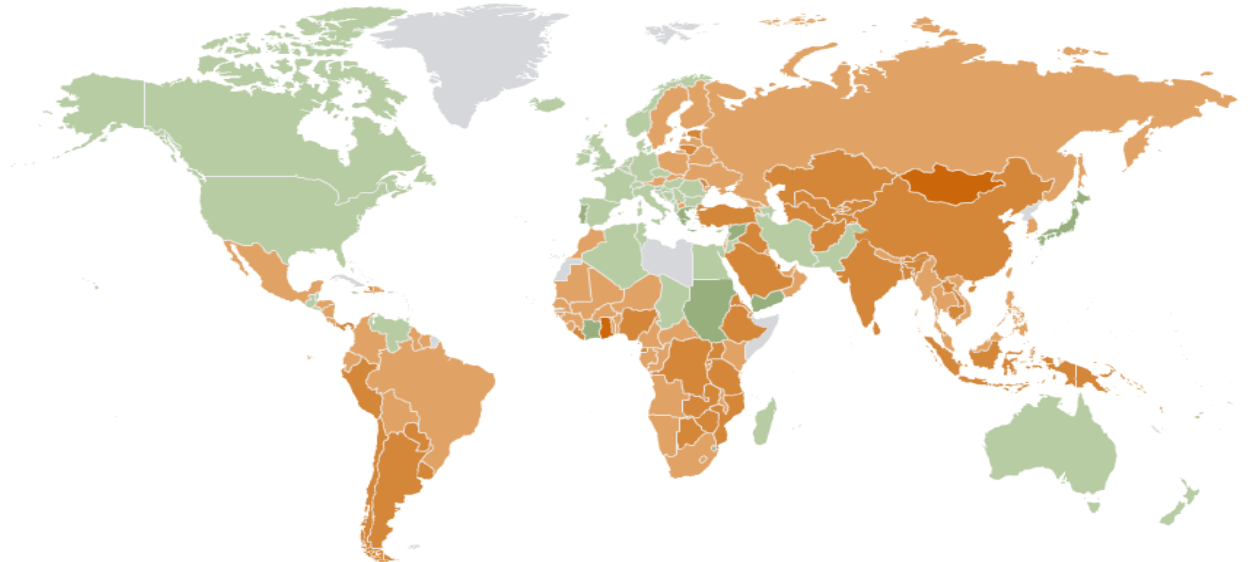
Europe's Moment of Truth

World real GDP growth in 2011

Annual percent change



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- | | |
|--|---|
| ■ 10% or more | ■ 0-3% |
| ■ 6-10% | ■ Less than 0% |
| ■ 3-6% | ■ No data |

Source: International Monetary Fund, September 2011.

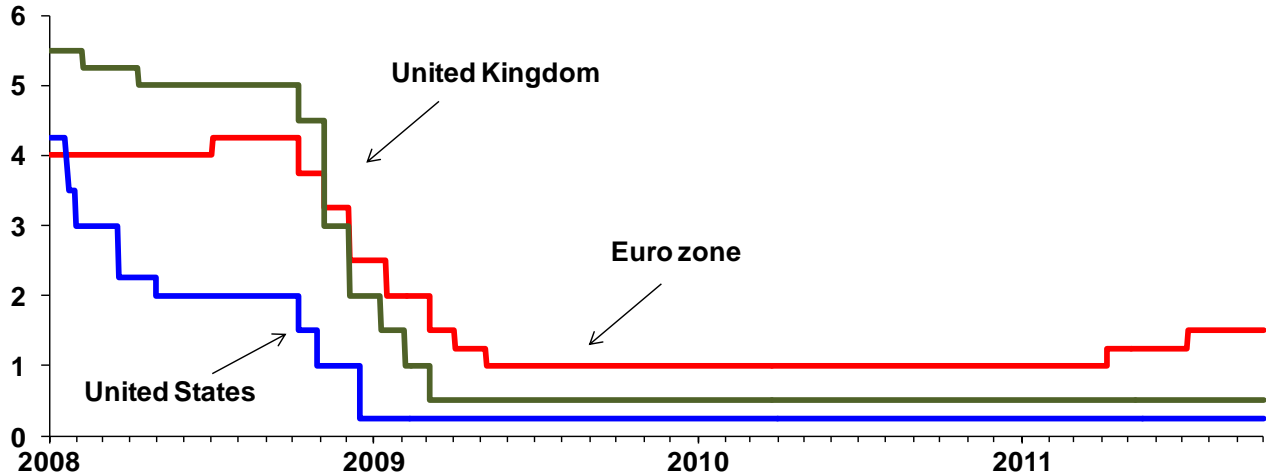
Interest rates for advanced economies

Target interest rates of central banks



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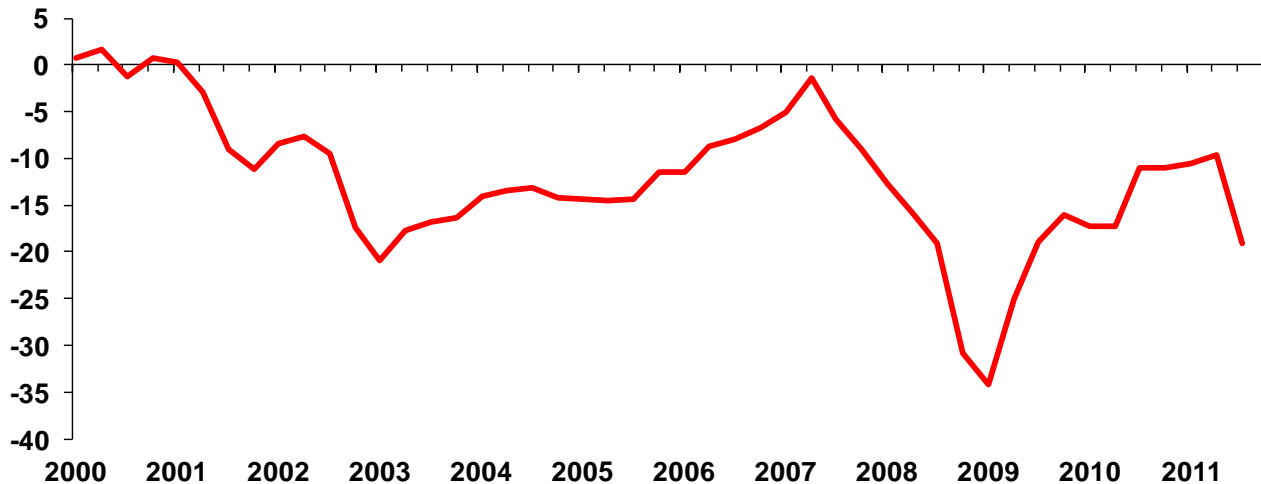
Policy interest rates, percent



Source: Bloomberg.

Consumer confidence index: Euro zone

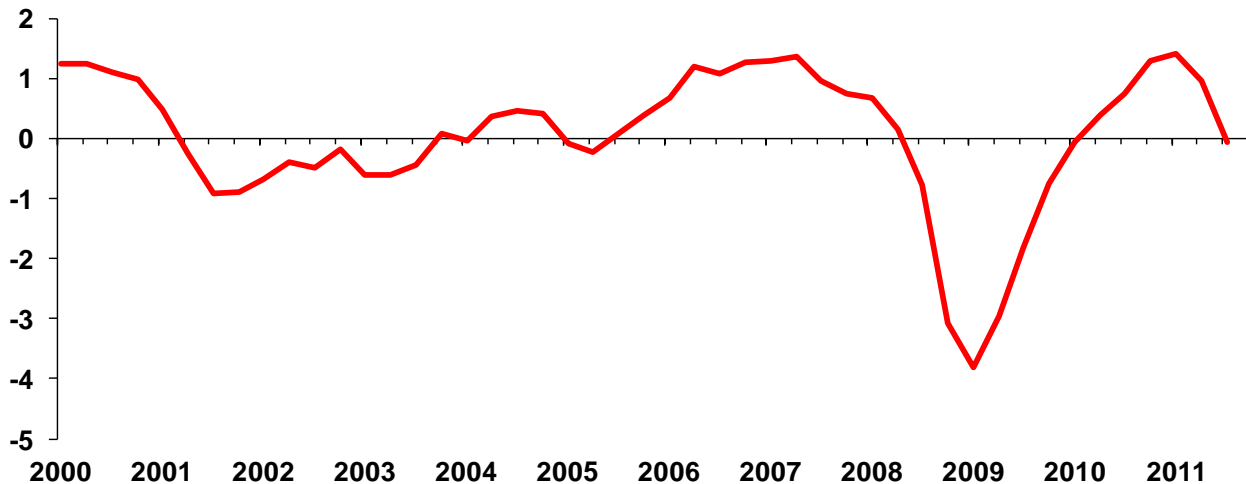
Consumer confidence index



Sources: Eurostat, Bloomberg.

Business climate indicator: Euro zone

Business climate indicator

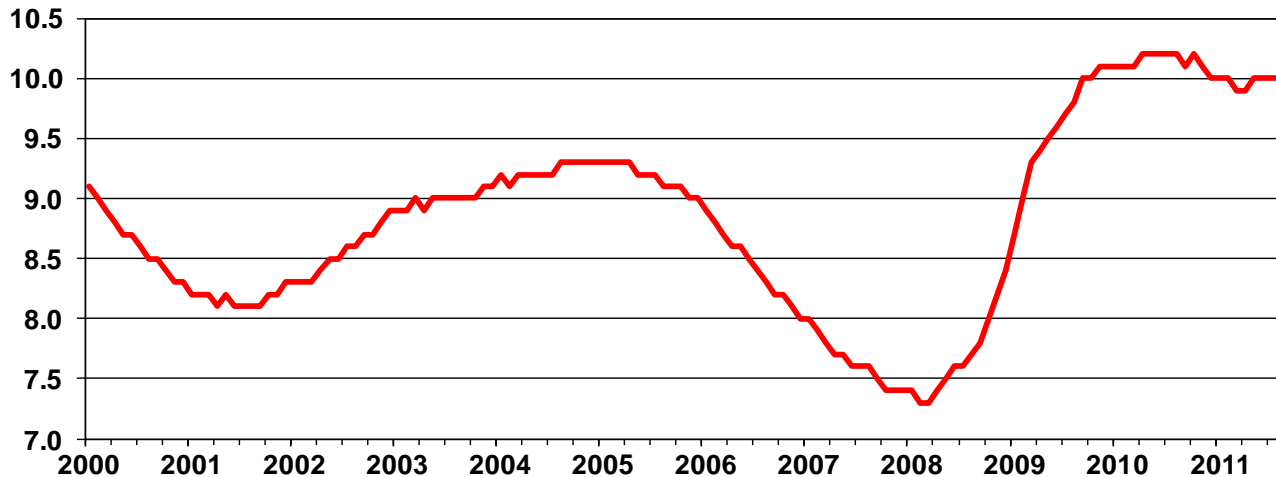


Sources: Eurostat, Bloomberg.



Unemployment in the euro zone remains high

Unemployment rate, percent (seasonally adjusted)



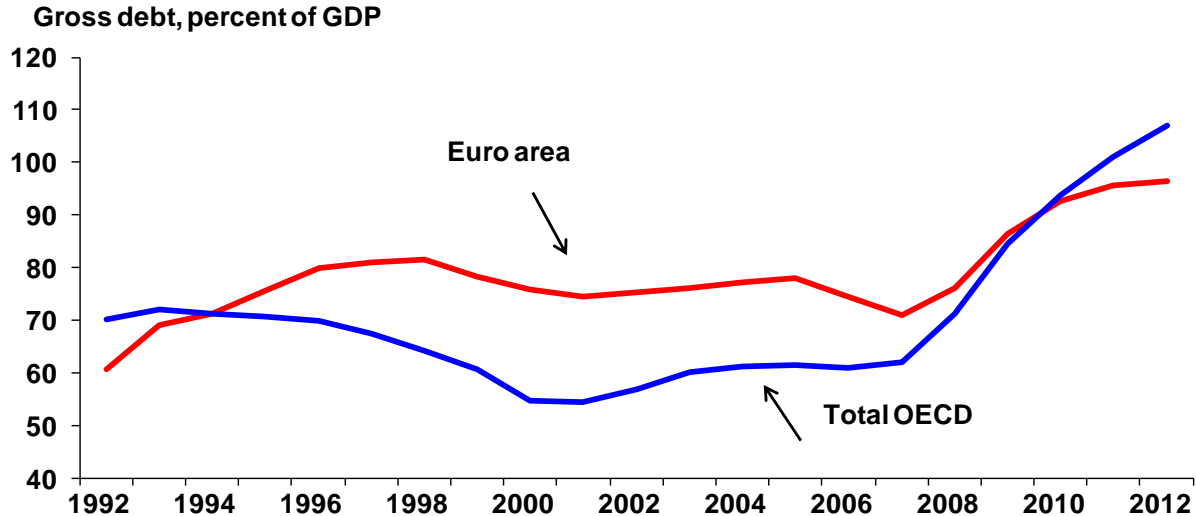
Sources: Eurostat, Bloomberg.

Government debt-to-GDP ratio high and rising

1992 to 2012 (Projections after 2010)



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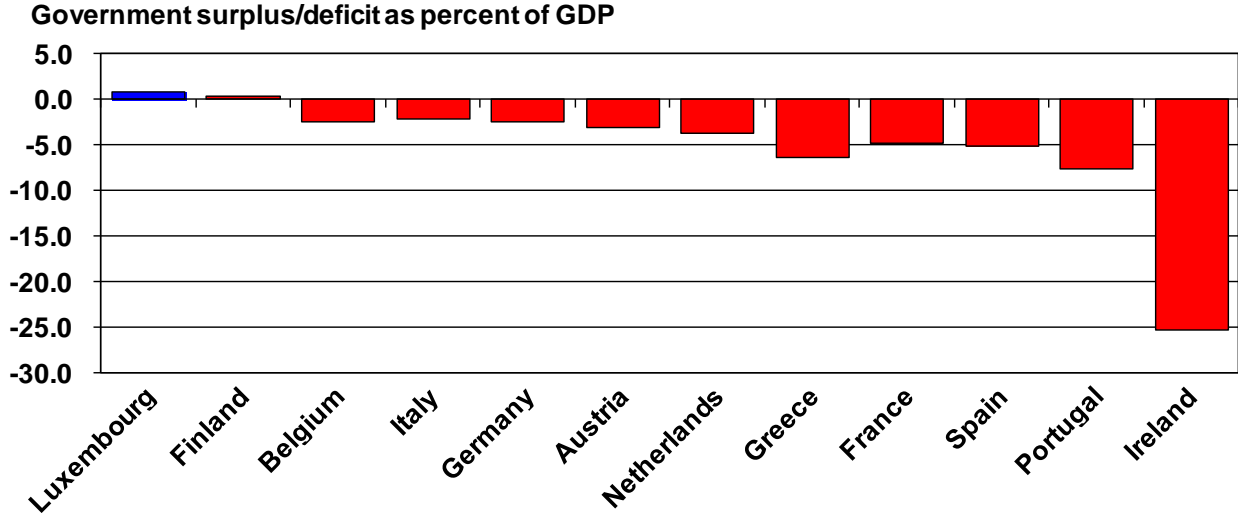
Source: OECD.

Fiscal deficit for selected euro zone countries

2010



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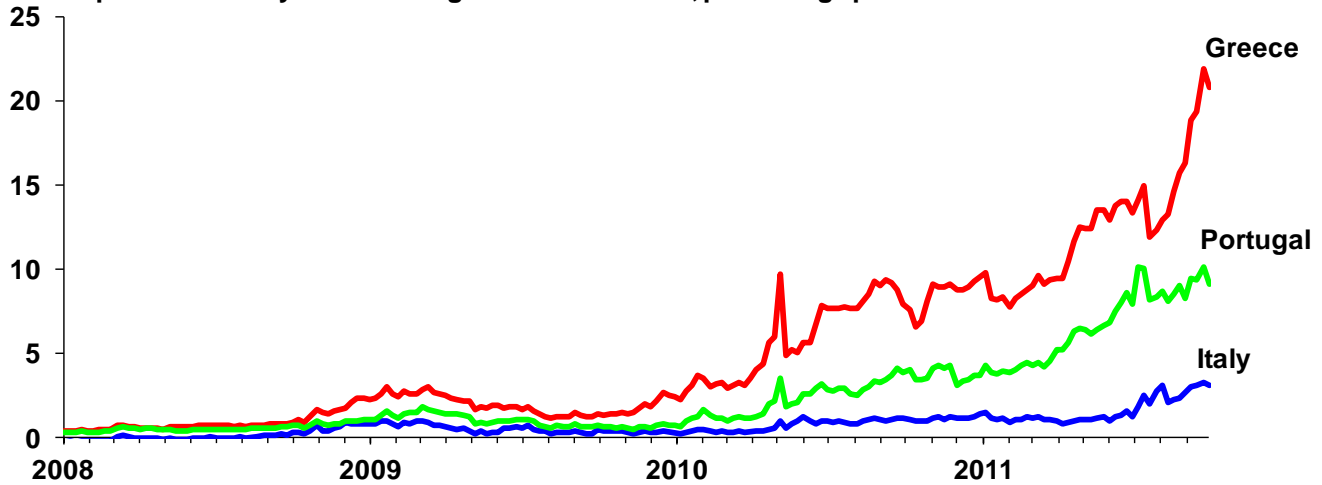


Source: OECD.



Greek and Portuguese yield spreads trend up

Yield spread over 10-year German government bonds, percentage points



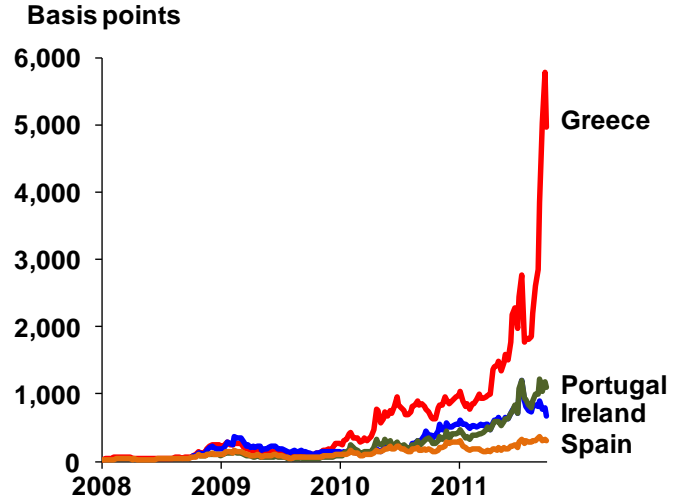
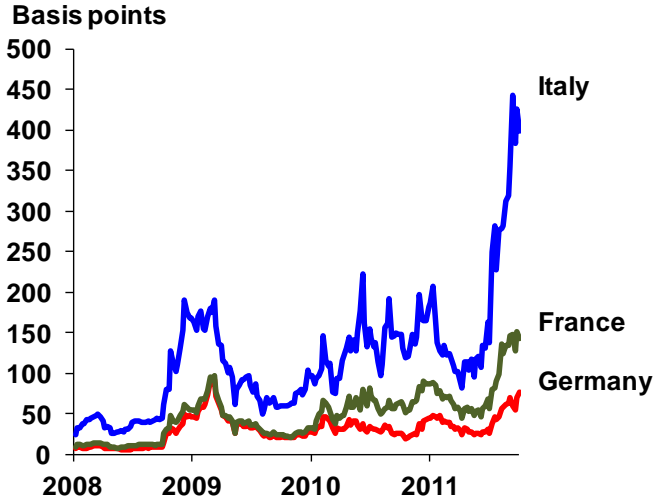
Sources: Bloomberg, Milken Institute.

Sovereign risks heightened in 2011

Credit default swap spreads, five-year government bonds



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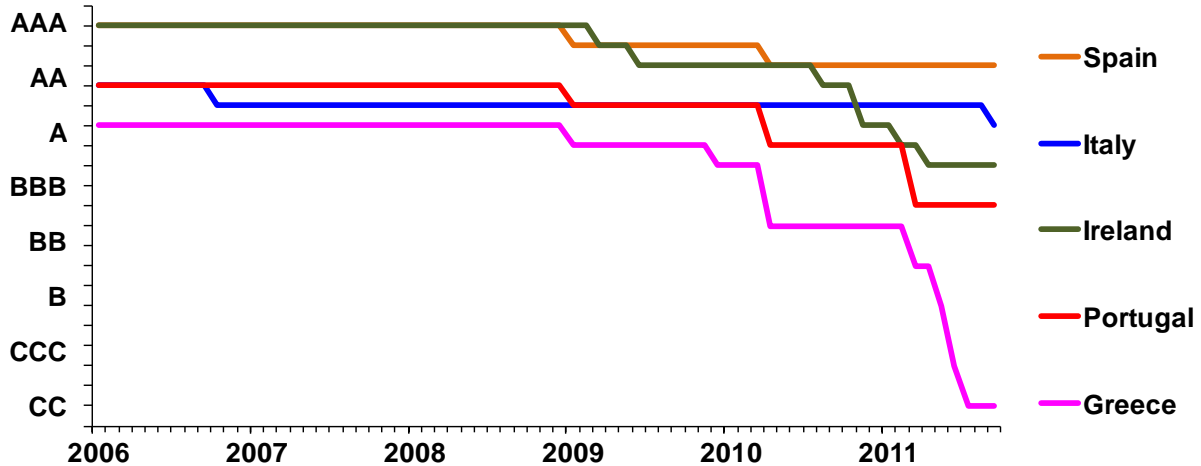
Sources: Thomas Reuters, DataStream.

Recent rating changes for selected European countries



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S&P's foreign currency long-term debt ratings



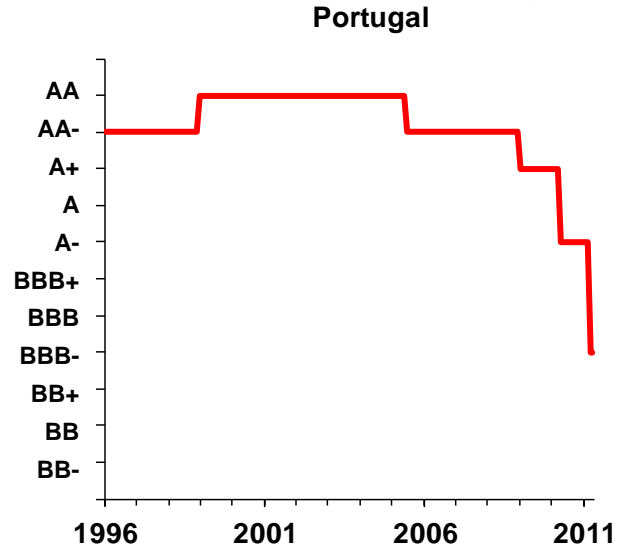
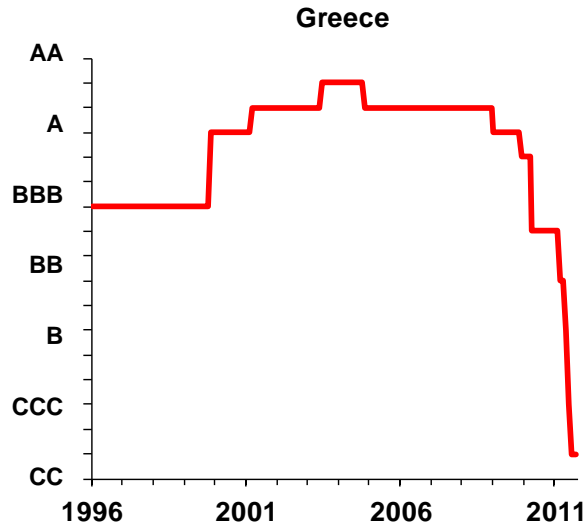
Sources: Bloomberg, Milken Institute.

Sovereign ratings for Greece and Portugal

S&P's foreign currency long-term debt ratings



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Sources: Bloomberg, Milken Institute.

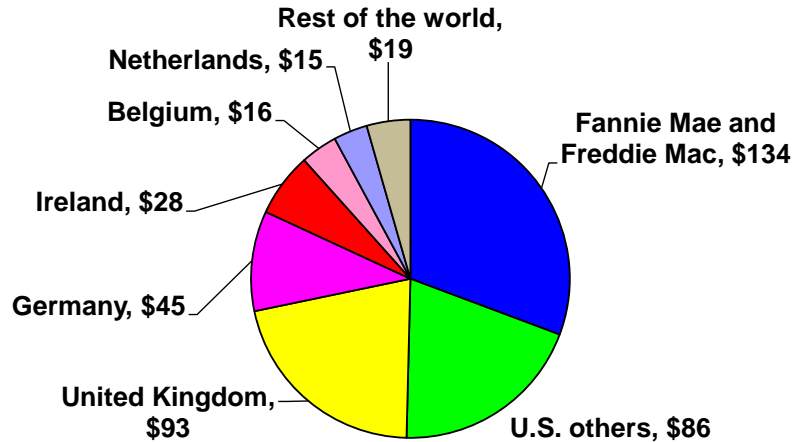
Government capital investments in financial firms

Most recently available data, as of October 6, 2011 (US\$ billions)



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Total outstanding = \$457 billion



Source: Bloomberg.

Are the biggest banks in the world too big to fail?

Trillion-dollar banks, ranked by assets, 2010

Bank	Country	Total assets (US\$ trillions)	Market cap (US\$ billions)
1 BNP Paribas	France	2.8	52
2 HSBC	U.K.	2.7	142
3 Deutsche Bank	Germany	2.7	34
4 Mitsubishi UFJ	Japan	2.5	60
5 Barclays	U.K.	2.4	31
6 Royal Bank of Scotland	U.K.	2.3	41
7 Credit Agricole	France	2.3	18
8 ICBC	China	2.3	208
9 Bank of America	U.S.	2.3	61
10 JPMorgan Chase	U.S.	2.2	123
11 Citigroup	U.S.	2.0	74
12 Mizuho Financial	Japan	1.9	34

Bank	Country	Total assets (US\$ trillions)	Market cap (US\$ billions)
13 China Construction Bank	China	1.8	156
14 Banco Santander	Spain	1.8	72
15 Bank of China	China	1.8	114
16 Agricultural Bank of China	China	1.8	124
17 Societe Generale	France	1.7	22
18 Sumitomo Mitsui	Japan	1.6	38
19 Lloyds Banking	U.K.	1.6	37
20 UBS	Switzerland	1.5	45
21 UniCredit	Italy	1.3	22
22 Wells Fargo	U.K.	1.3	132
23 Credit Suisse	Switzerland	1.2	31

Sources: Bloomberg, Milken Institute.

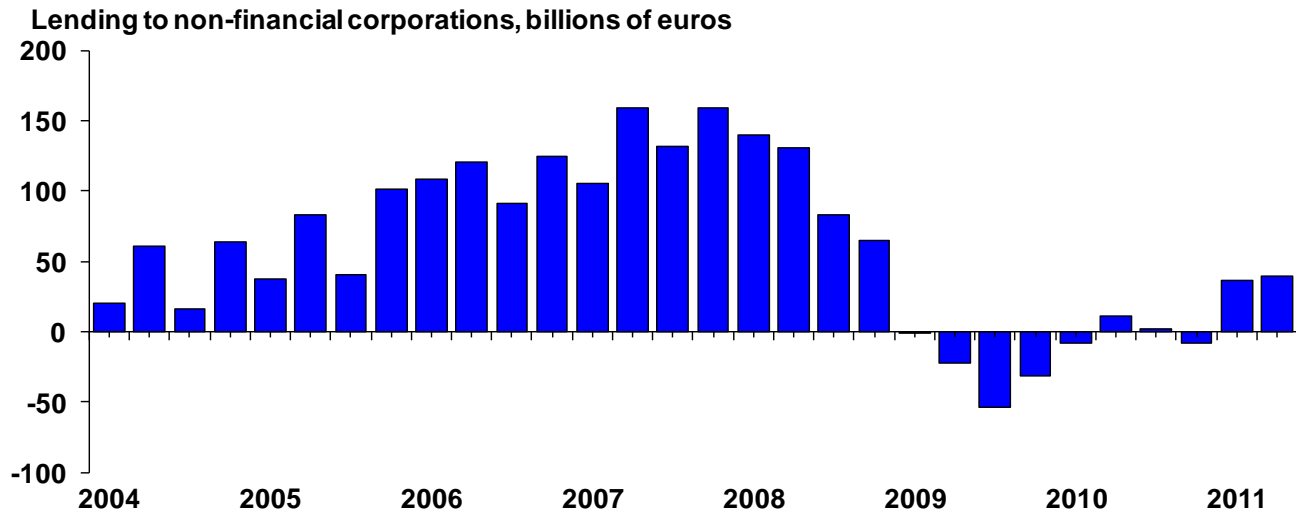
Note: Market capitalization is from October 7, 2011.

End of creditless recovery in Europe?

Lending to non-financial corporations



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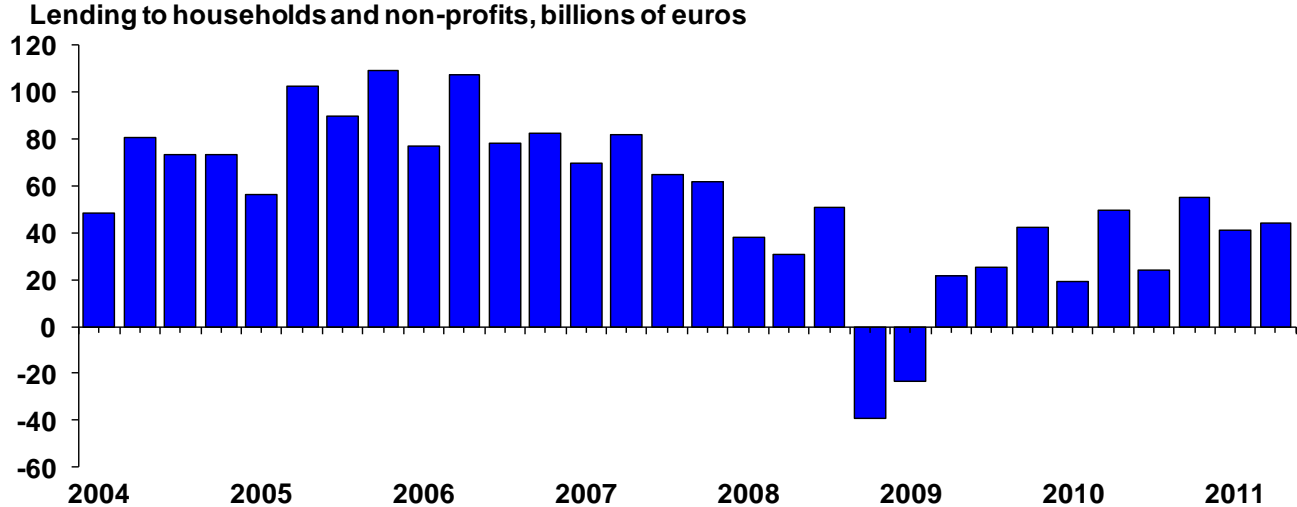
Source: European Central Bank

End of creditless recovery in Europe?



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Lending to households and non-profits



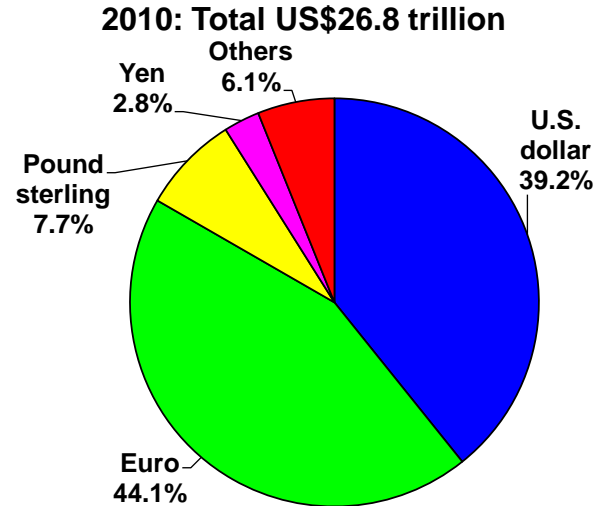
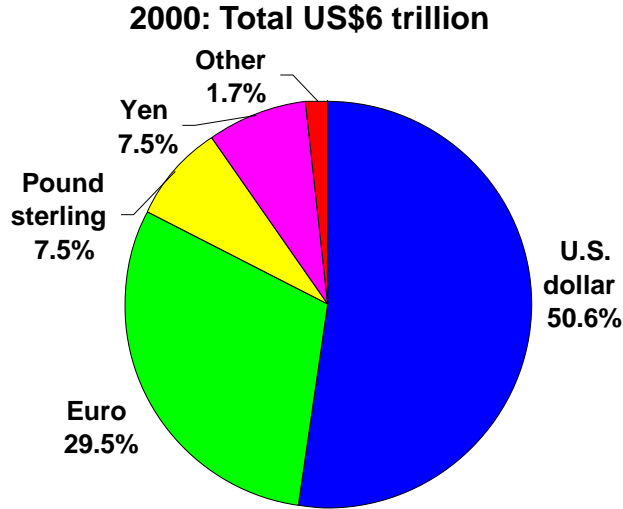
Source: European Central Bank

Declining role of the U.S. dollar

International debt outstanding by currency



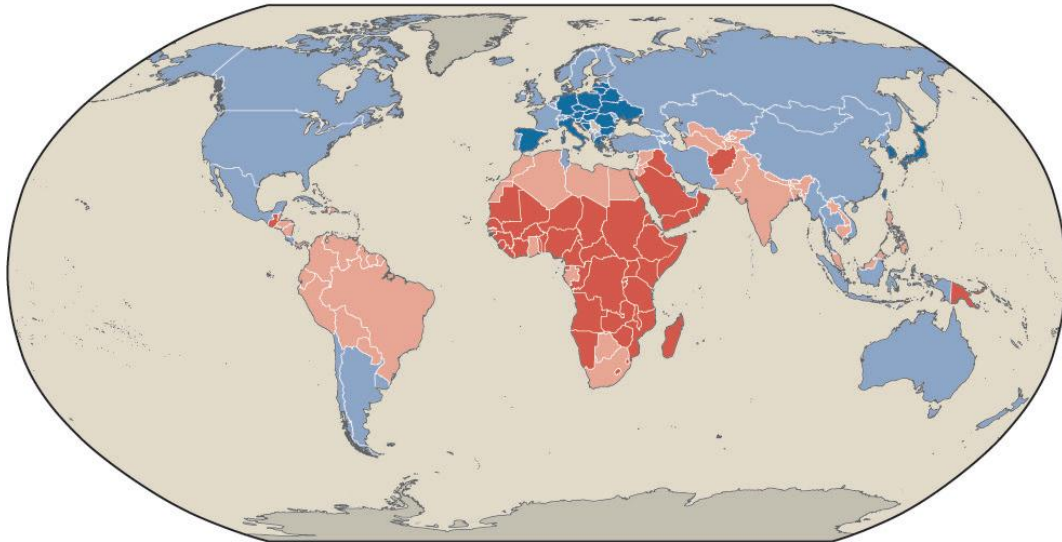
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Source: Bank of International Settlements.



World age structure, projected 2025



Percentage of population younger than 30 years old

- 60 or more
- 45 to 59
- 30 to 44
- Less than 30
- No data

Source: National Intelligence Council.

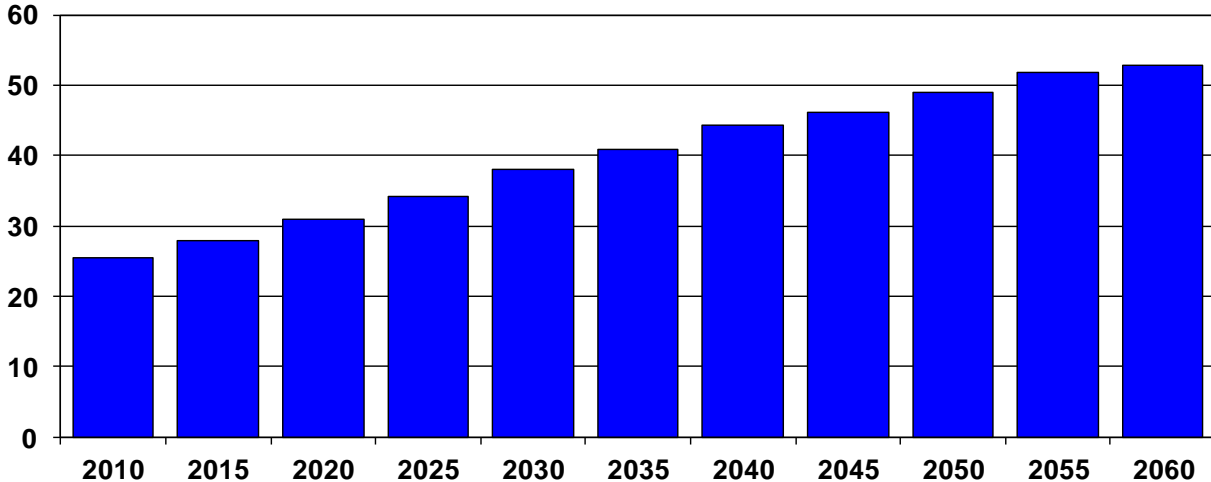
Rising old-age dependency ratio: EU27

Projection, 2010 to 2060



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Percent



Sources: Eurostat, Milken Institute.

Note: Old-age dependency ratio is calculated as the number of people 65 and older divided by the number of persons aged 15 to 64.

Europe 2020: EU headline targets

- The Commission adopted the following 5 EU headline targets:
 1. **75% of the population aged 20-64 should be employed**
 2. **3% of the EU's GDP should be invested in R&D**
 3. **The "20/20/20" climate/energy targets should be met**
(Greenhouse gas emissions must be reduced by at least 20% compared to 1990 levels or by 30% if the conditions are right; the share of final energy consumption coming from renewable energy sources must increase to 20%; energy efficiency should rise by 20%)
 4. **The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree**
 5. **20 million fewer people should be at risk of poverty (25% reduction)**



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