



# **BNP Paribas**

# **Second Quarter 2024**

# **Results**

**24 July 2024**

**Jean-Laurent Bonnafé (Group CEO)**

**Lars Machenil (Group CFO)**

**Jean-Laurent Bonnafé**  
*Group CEO*

Good afternoon, Ladies and Gentlemen. Welcome to the presentation of our second quarter 2024 results. As usual at the end of the presentation, Lars and I will be pleased to take your questions.

So, in the second quarter 24, the group delivered very solid results as a further illustration of the strength of its diversified and integrated model. BNP Paribas continues to demonstrate its ability to generate value and confirms its 2024 trajectory, with an expected revenue growth exceeding 2% compared to 2023 and a net income higher than the distributable income for 2023 of €11.2 billion.

**2<sup>ND</sup> QUARTER 2024 | BNP PARIBAS ACHIEVES VERY HIGH NET INCOME OF €3.4BN**

So, moving on to the core of the presentation with slide 3. Our net income group share clocked in at €3.4 billion in the second quarter of 2024. A very strong quarter for BNP Paribas driven by good performance across our operational divisions, which Lars will discuss with more detail later. Our revenues are up 3.9% compared to the second quarter 2023 on a distributable basis. All in all, a very strong quarter for CIB which was up 12.1% year-on-year with global markets leading the way and posting a 17.6% increase. Meanwhile, CPBS generated stable revenues with good positive momentum in the Commercial and Personal Banking activities, which we expect to continue as the current headwinds taper-off during the second half. Finally, IPS was strong with insurance up for 5.2% and asset management up 9.8%.

On costs, we remain disciplined. This quarter, our operating costs were up 3.5% when excluding the phasing effect of the DGS contribution in Italy to the tune of €51 million. Cost growth was efficiently targeted at supporting our growth and we were able to sustain positive jaws of plus 0.4 points in the second quarter. If you look at the semester, jaws are positive by 0.5 point. Our objective for the year is to further step up the jaws. In addition, the second half of 2024 should see the continued implementation of the previously announced additional operational efficiency measures of €400 million. We expect to achieve efficiency savings of €650 million, adding up to the €1 billion over the full year.

Our gross operating income is up 3.4% year-on-year at €5 billion. And now moving on to the cost of risk. It remains under control at 33 bps, well within our guideline, a good performance considering we had to contend with the negative impact of a specific credit situation in France during the quarter. Once again, we were able to show the strength of our credit portfolio through the cycle. As a result, our net income reached a solid level of €3.4 billion, up 1.6% year-on-year on the distributable basis.

We are also pleased to report a solid increase of our earnings per share compared to last year. On a distributable basis, EPS was up 8.1 percent.

Our financial structure is solid with the CET1 at 13%, reflecting a 10 bps impact due to model updates foreseen 2025 which we brought forward this quarter. Finally, we confirmed this quarter our ability to continue the redeployment of capital from Bank of the West in line with the objectives we announced. As a reminder, at the end of June, 55 bps have been redeployed with unexpected return on equity greater than 16%.

## **2024 TRAJECTORY | ON THE BASIS OF ITS 1H24 RESULTS BNP PARIBAS CONFIRMS ITS 2024 TRAJECTORY**

Moving on to slide 4, With the very solid results in the second quarter, we are able to confirm our 2024 trajectory, assisted by an overall environment that we expect to become more favourable in the second half, in particular for BNP Paribas. First and foremost, our trajectory in 2024 will be supported by the growth in our revenues which we anticipate being above 2% versus last year.

During the first half, revenues are up 1.7% at €24.8 billion, with the second quarter representing a tipping point.

We shall also maintain our discipline on costs with positive jaws. Over the first half, we have delivered jaws at 0.5 point. Our risk management culture remains strong, delivering a cost of risk below our 40-bps guidance and, as a reference over the semester, our cost of risk stands at 31 bps, well within the guidance.

Hence, as previously announced, our net income for 2024 will exceed the €11.2 billion we reported in 2023. Our net income for the first semester of €6.5 billion bodes well for that.

With that in mind, our main priorities for the second half of 2024 are centred around our commitment to serving our clients, to deploying our platforms, particularly in asset management, wealth management and insurance, and to continue gaining market share at CIB while retaining a balanced allocation of capital. In the second half of 2024, we will also continue the implementation of operating efficiency measures as well our disciplined management of cost of risk. The intent is to continue leveraging on the key strengths of the group, which are particularly relevant in the current environment. Our diversified and integrated model means on the one hand that we are not overly exposed to one single business or geography, on the other hand, we have the capacity to grow over the cycle at a faster pace than the economy, while sticking to high standards in terms of client relationships and risk management. Finally, our business model is well adapted to the expected gradual decrease in interest rates, and we do confirm our strong ability to step up fee business.

## **LONG-TERM TRAJECTORY | GROWTH AND DISTRIBUTION ACROSS THE CYCLES**

Moving on to slide 5 and our commitment to creating shareholder value over the long term and through the various economic cycles. This is illustrated in several ways.

First, BNP Paribas's revenue growth over the 10 years from 2013 to 2023 has been clearly above the underlying average growth for the euro zone economies with a CAGR of plus 3%. This can be compared to our growth in revenues of 3.9% this quarter. As a result, the growth in our net earnings per share has been solid over 10 years up by an average compounded growth rate of plus 5.2%. Again, we can compare that with our second quarter EPS growth by 8.1%, representing quite a solid performance. Regarding our dividend per share, we have the same continued growth with a CAGR of more than 10% over the period 2012-2023, reaching 4.6 euro per share in 2023. Over 2024-2026 we will return to our shareholders an estimated amount of €20 billion.

Last, on the top right-hand side, a chart you are very familiar with representing the continued growth of our tangible book value at €88.5 as of June 30th, 24. Again a strong CAGR of plus 4.8% over the period 2012-2023, showing that despite the significant distribution, we continued to grow the bank. With that, I would like now to hand over to Lars, which will take you through the group and divisional results.

**Lars Machenil**  
*Group CFO*

Thank you, Jean-Laurent. Good afternoon, fine ladies and gentlemen, I suggest moving to slide 7 with more details on the P&L and a clear demonstration of a solid operating performance this quarter.

**P&L STATEMENT | VERY SOLID OPERATING PERFORMANCES IN 2Q24**

As already mentioned by Jean-Laurent, our performance in terms of gross operating income is quite strong, up 3.4%. This can also be seen in the bottom line being up 1.6%, clocking in at a record for the second quarter of €3.4 billion. So, this reflects the bank's intrinsic performance over the second quarter, a pivotal point for BNP Paribas. Before looking at the solid performance by the divisions, I want to quickly comment on some lines below the gross operating income. First, I want to highlight a set of negative ad hoc events, which on one hand you have 91 million of other net losses for risk on financial instruments, which covers amongst others the credit holidays in Poland. On the other hand, there is also a drop by 100 million in non-operating items and that is mainly related to a base effect on Personal Finance and Europe Mediterranean.

Then if you take a look, at the same time, there is a positive effect from an updated tax rate in the US impacting 2023, so last year, but leading to reversal of tax reserves and this for around €200 million in the bottom line or around five points of tax in the second quarter. So those two effects basically offset each other, and this leads me to two key takeaways. The first one is those ad hoc events compensate, so the 3.4 billion bottom line is the intrinsic run rate. The other thing is that the tax reserve right back leads to a lower tax rate in the second quarter, but it will also lead to a lower tax rate for the year. I remind you that we have guided over a full year tax rate between 27% and 28%. With this event in the second quarter, not only will we be towards the lower end, but we will also be below that lower end over the full year. So, with this, if I can ask you to peruse slide 8, where we give you a global view of the exceptional items.

**EXCEPTIONAL ITEMS | LIMITED IMPACTS IN 2Q24**

As you can see these are quite limited. There is what we typically have, the IT reinforcement costs and the adaptation costs. So, with this if you can turn to slide 9 to review in synthesis the performance by operating divisions which illustrates the strength of our diversified model.

**REVENUES | 2Q24 DRIVEN BY A SOLID PERFORMANCE WITHIN EACH DIVISION**

So overall group revenues were up just shy of 4% in the second quarter compared to a year ago. If you look, you see strong revenue growth at CIB, up 12.1% driven by good performance in all three business lines. If we take Global Markets, they were up 17.6% with a really strong performance in equities, which was up 57.5% and FICC displayed good resilience from a high base last year. I will come back to the strong performance of Equity and Prime Services.

If you then turn to the second activity within CIB, Global Banking up 5.4%, leveraging on Capital Markets activities, which were solid and which were up 12.5%, as well as Transaction Banking with an increase of 7.6%. And then the third one, Security Services, was up 10.5% thanks to the sustained growth in fee volumes and improved net interest margin. So that's the first division.

If we take the second one, CPBS has a stable quarter holding revenues, thanks to the good performance of the Commercial and Personal Banking, up 1.7%. This performance was driven by the growth in fees, up 7.4%, as well as an increase in net interest revenues, which were up 3.8% year-on-year, if we set aside the negative impact from headwinds of €140 million this quarter. So, this is in line with the guidance we gave earlier, which was that that impact would be around 150 million euros. As Jean-Laurent said, we expect most of these headwinds to taper off during the second half of 2024.

Then the second activity within CPBS is Specialised Businesses. They were down by 3.6% year-on-year. Personal Finance, despite higher volumes, was slightly down year-on-year by 0.9% on a like for like basis. But here we have to isolate the rundown of non-core activities, I'll come back to that later. So, then there is Arval and Leasing Solutions which were reducing by 5.5%, still impacted by the normalisation of used-car prices. And last, in that section, a very good performance by the new digital businesses and personal investors which posted a 9% increase.

So, with this, we turn to the third division: IPS. A strong performance up 6.5% year-on-year when we exclude Real Estate and Principal Investments, which in the turmoil of the current activity, have an impact compared to a year ago. So, Wealth Management and Insurance, if we look into that, delivered strong revenue and growth, respectively up 6.1% and 5.2% year-on-year. And then there was a very solid performance of Asset Management up 9.8%.

#### **REVENUES | 2Q24 ILLUSTRATES THE STRENGTH OF THE DIVERSIFIED AND INTEGRATED MODEL**

Moving on to slide 10. We wanted to show our diversified and well-integrated model at work because when we talk about diversified, people think that that is something that helps when you are in dire economic situations with different engines drumming to different economic beats. But it is much more than that.

Cross-selling is a key component of our revenues and therefore of our growth. So, if you look at it, 32% representing roughly 15 billion euros in 2023 and which were up 4% year-on-year. So, it is strong in all our client segments with a fair representation in corporate and financial institutions. Also, all our products are well presented with a fair share of CPBS and IPS products. As a result of our cross-selling activities, a well-balanced contribution from each division to the group revenues with CPBS at 52% being well complemented with CIB 36% and IPS at 12%. So, with this, after the revenues, let's look at the costs in the operating divisions on slide eleven.

#### **OPERATING EFFICIENCY | OPERATING EXPENSES KEPT UNDER CONTROL, WHILE SUPPORTING GROWTH IN 2Q24**

Overall, they were up 4.2% year-on-year. If we exclude the impact of DGS in Italy - I remind you it is accounted for €51 million in the second quarter when last year it was booked in the second half of the year they were up 3.5%. And so, if you exclude the DGS, the jaws are positive this quarter at 0.4 points.

Our cost income stands at 58.5% and this is thanks to a strong discipline on costs. Those operating expenses were contained and are basically supporting growth. At CIB, the increase in cost is related to the growth in revenues with a low base effect. Jaws are overall positive at 2.7 points with very strong positive jaws for global markets at 6.3 points. Costs are also well contained for Securities Services in a context of high-volume growth and there the jaws are at 4.8 points. If you now look at CPBS, the main source of growth in operating costs come from Europe-Mediterranean and the DGS in Italy. Commercial and Personal Banking in the euro zone delivered a contained growth in operating expenses of 1.1% excluding the impact of the DGS in Italy. Jaws are positive 1.5% if we exclude headwinds.

Within the Specialised Businesses, costs are down 1% with positive jaws at Personal Finance, Leasing Solutions, and the New Digital Businesses.

If we turn to IPS, we see overall positive jaws effect, 2.9 points, with all businesses delivering positive jaws above 2 points except for Real Estate.

#### **OPERATING EFFICIENCY | 2Q24 CHANGE IN THE COST BASE IS IN LINE WITH THE 2024 TRAJECTORY**

So, if we stay a moment on costs and we turn to slide 12. As a reminder, in our initial plan 2025, we committed to positive jaws effect each year and of at least two points on average between 22 and 25. Half of this was on the back of the single resolution fund falling off which it has. We also announced cumulative recurring cost savings of 2.3 billion over the period of the GTS 25 plan.

Earlier this year we have stepped up our operational efficiency programme with further cost savings of €400 million, resulting in total savings of approximately 1 billion for the year and 2.7 billion on a cumulative basis by the end of 2025. So, these additional savings will be split 56% CPBS, 33% CIB and 11% at IPS.

To date, out of the 1 billion planned for this year, we have achieved €350 million net cost savings and we will pursue during the second-half another €650 million. Those additional savings will be achieved through our industrial priorities. These include things like nearshoring, offshoring, combined with a global sourcing plan and optimization of real estate assets. And then automation, robotization, digitalization are another source of additional efficiency within our retail activities, enabling us to continue adjusting our model to better serve our clients while maintaining the right level of costs. So, for example, it means increased digital services and self-care options.

Finally, as mentioned before, we would like to emphasise the jaws effect of the Commercial and Personal Banking entities in the Eurozone. It is intrinsically positive when excluding the impact of the headwinds and DGS and they basically clock in intrinsically at 1.5 points. And this 1.5 points will be further improved going forward by additional savings measures, the pickup in growth and the evolution in rates.

#### **COST OF RISK | COST OF RISK UNDER CONTROL, THANKS TO THE QUALITY AND DIVERSIFICATION OF THE PORTFOLIO**

So having said this, if we now move to slide 13, where we have a few illustrations of our strong risk management culture. As mentioned before, we have a limited exposure to currently sensitive industries and less than 4% of our gross exposure comes from commercial real estate, just 2% from construction, and leverage exposure represents just 0.7%. In addition to those low numbers, a very significant portion of our exposure to CRE and construction is in Europe, where we have a local presence and therefore superior relationship, expertise, and intelligence.

Moreover, our prudent risk management is also illustrated by our main ratios including our provisioning rate and the rate of non-performing loans. Focusing on the performance in the second quarter our cost of risk is roughly in line with the first quarter if we exclude the impact of a specific situation in France. Overall, our stock of stage 1 and 2 provisions is still comfortably above our cost of risk stage 3.

Finally, the cost of risk over gross operating income - a metric that is very important to us - remains low at 14.8% this quarter. Regarding the evolution of cost of risk by individual businesses, you can see that overall, it remains a variant on the theme of low level to only one exception that you could hint

that is Personal Finance, which as you might expect it experiences more deterioration this quarter despite structural improvement in the portfolio.

### **FINANCIAL STRUCTURE | CONFIRMATION OF THE CAPITAL TRAJECTORY OUT TO 2025 AND ANTICIPATION IN 2Q24 OF MODEL UPDATES INITIALLY PLANNED IN 2025**

So, with this, I propose we go directly to slide 15 on the financial structure. So, what do we see? As of the end of June, our Common Equity Tier 1 ratio clocked in at 13%, a solid level well above our 12% objective, and also well above the regulatory requirement.

If we compare it to the end of March 2024, the ratio shows a negative prudential impact of 10 basis points representing model updates that were initially planned in 2025 and which have been brought forward.

So, on a forward-looking basis, we confirm our Common Equity Tier 1 target ratio of 12% by the end of 25. And so, this takes into consideration the impact of re consolidating our Arval activities on July 1st, as well as the remaining elements of the finalisation of Basel 4 on January 1st, 2025, of course, excluding the application of the FRTB which is postponed in Europe to align on what is happening in the USA. So, our trajectory including continued capital deployment from the sale of Bank of the West will be supported by organic capital generation and further balance sheet securitization.

Regarding the other ratios like the leverage ratio, it clocked in at 4.4%, well above the requirement and the same is true for the liquidity position, which is strong with an LCR ratio of 132%.

So that's the fundamentally strong position of our balance sheet. Then we will touch on two more things, one of them is the continued technology and deployment of artificial intelligence.

### **TECHNOLOGICAL INNOVATION | CONTINUED DEPLOYMENT OF AI**

So, if you can cast your eyes on slide 16. Beyond the financial performance, the second quarter marked the continuation of our ambitious, but disciplined, development within AI. So, I remind you that when we launched the GTS plan, we included technology at the heart of our ambition. Yes, technology is the "T" of GTS. On one hand we included automation, robotization, digitalization and also on the other hand an acceleration of the rollout of the cloud platforms, remember, we had an objective of 60% by 25, and AI use cases.

Since then, AI has been at the vanguard of our transformation journey. More precisely with the plan, the number of AI use cases in production was boosted from 427 back in 21 to 780 today. And we have a pipeline of around 300 more being actively investigated, bridging the gap to the 1,000 use cases that we have foreseen for 2025. Indeed, what you see in the last 12 months is that we have been able to significantly accelerate. And in addition to machine learning, we're also gearing up on generative AI and are experimenting with around 150 cases. And this will give us the ability to better assess the potential of this technology and feed our next strategy with tested initiatives when it comes to this generative AI. So, these AI cases are not only a source of efficiency - so it's not only delivering process automation, virtual assistance and so on - but it's also additional revenues from pricing optimization, sales automation, and a crucial improvement of our risk management, for example in fraud detection and payment systems.

So that's one additional point I wanted to stress. Another one is of course ESG, with all our aspects when it comes to this.

## **ESG | 2Q24 BNP PARIBAS CONFIRMED ITS LEADERSHIP IN SUSTAINABILITY**

And so, let's spend a few moments on the commitments that we are deploying. So, if you look at the second quarter, it confirmed BNP Paribas's leadership in sustainability as demonstrated by recent rankings and several innovative solutions that we deployed to address the needs of our clients and some of which are set out on this slide. Among these, we have the world's first gender bond, a financial agreement in Spain with Solarpack to build Peru's largest photovoltaic solar power area, Cardif, committing to take part in launching the "Fonds Objectif Biodiversité" and a loan granted to Umicore in Belgium, a global specialist in recycling and clean mobility materials that will support the growing production of electric vehicles. Moreover, we added ten quantified CSR objectives to the remuneration calculations of around 8,000 key staff members. Last, BNP Paribas just received the Euromoney award for World's best Bank for financial inclusion.

So that's basically the synthesis of the group. With that, let me touch on several divisional results and let's do so by starting with CIB on slide 19.

## **CIB | VERY GOOD PERFORMANCES IN ALL BUSINESS LINES, VERY STEEP INCREASE IN GLOBAL MARKETS REVENUES**

What you have seen this quarter is a CIB model once again at work, delivering a strong performance based on the full alignment of the three business lines, leveraging the BNP Paribas Group.

With strong primary markets, Global banking posted a strong quarter at €1.5 billion, up 5.4%. Activity was up in EMEA and the Americas. Then there was a strong 12.5% increase in the Capital Markets platform, particularly EMEA combined with good growth in every region for Transaction Banking, so another part of what global banking consists of. And Transaction Banking was up 7.6%. Activity was very strong in EMEA and Americas on the bond market with volumes up 13% compared to a year ago. Loans at €183 billion were up by almost 2%. Deposits €213 billion continued to grow. So that's the first part; Global Banking within CIB.

If we now move to Global Markets, the successful development of the Prime Brokerage business and the integration of Exane drove a very strong performance in what is the combined Equity and Prime Services. And this was up 57.5% year-on-year, representing 51% of Global Market revenues in the quarter. Sure, growth is somewhat flattered by the low base in 2023, but in 2024 we benefited from a market that was supported in areas where BNP Paribas has clearly leading positions. I'm referring here or thinking of structured products, corporate derivatives, and equity financings. There we are likely to have crystallised market share gains. Hence, in Prime Services, revenues are substantially up year-on-year as Global Market has been able to monetize client flows in the context of very supportive equity financing markets. Moreover, prime brokerage revenues were supported by client balances reaching all-time highs. We also saw strong growth in equity derivatives with good client demand driven by recovery in structured derivatives in APAC and the Americas and strong corporate equity activity. Finally, cash equities benefited from sustained growth in client activity and a supportive market environment. So that's EPS and if we look at FICC, an increase in credit markets, but with a higher base last year and particularly on commodities.

With this, we move to the third part within CIB: Securities Services. Here also a second quarter performance that confirmed the relevance of the business model with new mandates and increased transaction volumes. With outstanding up 8% - also thanks to the positive market environment - revenues went up 10.5% year-on-year. I would consider that a solid performance.



And overall, thanks to a low cost of risk and operating jaws that I mentioned that are well under control, CIB pre-tax income reach a significant level of €2 billion, up 16%.

### **CIB | EQUITY & PRIME SERVICES: A SCALED-UP AND FAST-EXPANDING PLATFORM AT THE SERVICE OF THE GROUP'S STRATEGY**

So, with this, I can ask you to move to slide 20, where we focus on the Equity and Prime Services and basically also allow me to confirm the deep dive that we will be doing on September 17. Looking forward to seeing you there.

The second quarter has been a particularly strong quarter for EPS. It has shown that we have a strong underlying business growth, and we remain confident on the medium-term outlook of the business as it is built on several strong growth engines. Indeed, overall, our franchise includes 3 strong businesses covering the full range of the equity services. We have also solidified our operating model and integrated leading technology platforms to ensure our infrastructure is scalable and can handle future growth.

More globally, our integrated business model across BNP Paribas Group further benefits our equity franchise, offering distribution opportunities and enabling us to offer the full equity value chain to our clients, so the full value chain, with one banker reaching out to several of the adjacent services. With this, we conclude the view on CIB, and we go into CPBS on slide 21.

### **CPBS | SOLID MOMENTUM IN ACTIVITY, DRIVEN BY THE QUALITY OF FRANCHISES AND PARTNERSHIPS**

We saw a good business momentum at CPBS driven by the quality of the client franchises and the Specialised Businesses leveraging successful partnerships. The performance of the division is still impacted this quarter by the headwinds we have discussed, which had a combined negative effect of €140 million in the second quarter. Overall, these headwinds such as inflation hedges are expected to start fading away during the second half of 2024 or even disappear entirely in the third quarter. Other headwinds include the gradual normalisation of used car prices for Arval as well as the hyperinflation situation in Turkey, both of which also weighed on the second quarter performance but again, as I mentioned, offset by the situation in the tax line.

Beneath these headwinds, however, we are seeing CPBS businesses that improved remarkably. So, if we look at the positive momentum within Commercial and personal banking – the first part within CPBS -, it led to growth in net interest revenues up 3.8% year-on-year when we put aside those headwinds. In addition, our capacity to generate value with fees was confirmed once again with fees up 7.4% this quarter, supported by a good performance France, Italy, Euro-Med.

The second part within CPBS is the Specialised Businesses. Let me point out a few drivers. We have on one hand Arval and Leading Solutions combined net banking income adding to around 1 billion, fell by 5.5%, and overall, the normalisation of used car prices was partly offset by the higher financial margin and margin on services at Arval. As I told you about the different dynamic between the normalisation of used cars kicking in immediately and the financial aspect tapering up over time. On a business perspective, Arval's financed fleet rose sharply, up 6%, as did its outstanding, up 22.8%. The offering for individuals (+16%) is being developed through partnerships with automakers. Internationally, momentum is also good with large international clients. Leasing Solutions revenues are increasing from the volume impact and improvement in margins.

Then if we take another part within the Specialised Services: Personal Finance, which is evolving according to plan. And what you see there in terms of revenues is a combination of a growth in the

core countries – so the core countries are up 1.7% - and a decrease in the non-core geographies by 34%. So, this shouldn't surprise you, right? Remember the non-core are the countries that we have put in run off mode and therefore that is weighing on the top line. However, if you look at the core activities where we can cross-sell out like there is no tomorrow, the revenues are up. And so, volumes at Personal Finance are holding well thanks to the partnerships, in particular in mobility. Another piece of good news is the implementation of the partnership with Orange in Spain and France. The last part is the new digital businesses that confirm that they maintain a strong positive trajectory.

So, overall CPBS revenues clocked in at €6.8 billion in the quarter, stable year-on-year and driven by good performance of Commercial and Personal Banking up 1.7% and the resilience of the Specialised Businesses that I mentioned in the face of considerable market and economic challenges.

Deposits were stable year-on-year despite the impact of the competition stemming from the Belgian government bonds. They increased versus the first quarter in 2024 with an increase in France, Belgium, and Luxembourg.

Now I would like to go into a bit more details about the drivers of Commercial and Personal Banking, in particular in the Eurozone. So, if we touch upon France, the quality of the client franchises was proven again enabling us to report stable revenues excluding headwinds. Our exposure to regulated savings remained low compared to the market. The structure of our deposits has stabilised. Regarding loan production, June saw a pickup in new mortgage loans, which is continuing in July, and we have not seen any deceleration in the production on investment loans for corporates.

Our capacity to generate fees you've seen is also confirmed. There are basically up 6% driven by, I would say, our buoyant cash management and payment activities, as well as a strong private banking business.

In terms of net new cash, June has been globally positive for our client private banking clients. On that front, we have seen a shift from deposits to life insurance and mutual fund products.

Our net interest revenues in France should benefit in the coming months from the headwinds going away after the summer. In terms of interest rate evolution, the short-term rate declining combined with the normalisation of the inverted yield curve should be positive for deposits pricing and margins on new loans. Regarding the current political situation in France, we see no change in the behaviour either from our individual or corporate clients. On the retail side, we saw no significant moves on deposits with stable outstanding between June and July. There was no major change in the structure of corporate deposits either.

And lastly, regarding the evolution of cost of risk in France, there is no increase excluding the specific credit situation we faced this quarter.

If we look at Italy, the positive impact of interest rates on the deposit margin continues for BNL due to growing volume on corporate deposits. Net interest revenues grew up 3.7% year-on-year and a substantial growth in fees at BNL was reported by cash management and life insurance.

If you now turn North, we go to Belgium. Performance is still impacted by the Belgian state bond, but we expect that to taper off in the fourth quarter, with the bond finding its way back into the market after the summer. Still, we saw a positive momentum on credits with an increase in the production of mortgages. On deposits, they were semi stable when excluding the state bonds, with a good performance on corporate deposits. So, all in all, excluding headwinds, net interest income was up 5.2%, a resilient performance considering the very competitive environment on loan margins. Fees were down 1.8%, mainly due to an intense activity last year on saving products for retail, creating a

high base effect in 2023. This nevertheless, was partially offset by a good performance on financial fees in private banking. Going forward, we expect future growth in lending and cash management fees for corporates. When it comes to retail, growth is expected in recurring fees on our balance sheet assets, payments, and lending. Last, we are implementing a dedicated campaign aimed at our mass affluent and private banking clients that is designed to help us recover lost deposits from state bonds that I mentioned before, that will be maturing after the summer. The campaign includes new product offerings such as saving bonds, plain vanilla bonds, and structured notes.

With this, we end the network with Europe-Mediterranean. We see good business momentum in Poland supporting the grow in net revenues and increased fees in Turkey. With this, can I ask you to move to slide 22?

### **CPBS | COMMERCIAL & PERSONAL BANKING IN EUROZONE – SOLID POSITIONS AND POSITIVE TRENDS**

And it is all about our key positioning in the Eurozone in our Commercial and Personal Banking businesses. These are core to our integrated model contributing to significant cross-sell with CIB and IPS, as I mentioned at the start. There are also value creating engines as illustrated by the healthy growth in fees year-on-year. All this is supported by our leadership in Europe, first in Private Banking and second in the corporate segment. We saw again this quarter a strong increase in the net new cash from our eurozone domestic networks. Our strong business with European corporates is also confirmed. As a reminder, more than 60% of the gross operating income in the eurozone from Commercial and Personal Banking activities is done with corporate clients, which is as you know our key base.

With this, we go to the third division: IPS. And let's do this on slide 23.

### **IPS | GOOD INCREASE IN AUM AND REVENUES AT IPS**

During the second quarter, IPS revenues grew by 3% or, if I exclude Real Estate and Principal Investments, 6.5% and this on the back of a very positive business momentum in Insurance, Asset Management and Wealth Management.

As of June 30<sup>th</sup>, our total asset management reached 1.312 billion, or 1.3 trillion. And so, this is driven by a strong year-to-date organic asset growth of 6.8% and a positive market effect.

Starting with insurance, revenues were up 5.2% year-on-year and growth written premiums were up 10.8%. In savings, activity was sustained thanks to a sharp increase of 11.6% year-on-year in gross asset inflows and a good business momentum in France. We also saw good performance in protection - so the other part of the activities - thanks to the continued development of the offering and the contribution from new and existing partnerships. BNP Paribas Cardif has been very active in expanding these partnerships and I will comment on it on the next slide. It has also enriched its product range with offers in individual protection or affinity, for example, in partnership with Orange.

If we now turn to another part of IPS - Wealth Management and Asset Management- we saw a real dynamism in both businesses with revenues up 6.1% and 9.8% respectively. Supported by the relationship with high -net-worth clients, be they international or from our Commercial and Personal Banking networks, Wealth Management saw strong net asset inflows of nearly €13 billion. This combined with a solid market performance pushed overall assets under management up 7.6% in the first half of the year. Client transactions rebounded in all geographies, driving fees upward, and interest revenues are holding up well. We were recognised as Western Europe's best bank for wealth management by Euromoney, a testimony on our strong position in the eurozone.

Also, a very strong quarter for asset management, where it's worth noting that the sustained net inflows of €10.9 billion were driven by money market funds.

On the downside, real estate is still contending with a very lacklustre market environment.

Overall, the growth in revenues was achieved with very good control of operating expenses as you know, with efficiency measures and savings offsetting targeted investments resulting in a 2.9 jaws effect at the division level.

### **IPS | INSURANCE – PACE OF GROWTH DRIVEN BY THE STRENGTH OF THE PARTNERSHIP MODEL**

If I zoom in on slide 24, on the deep dive that we will do on Insurance - As I mentioned there is a deep dive in September on Equity and Prime Services and there is also one on Insurance that is scheduled for the end of the year.

Let me remind you that we have a unique distribution model in insurance, well balanced between, on one hand, our internal distribution channels, namely our networks and businesses, and the external distribution networks via a broad group of partners. Insurance is also benefiting from the group's integrated business model thanks to transversal initiatives like the one on savings supporting the development of cross-sell opportunities with other divisions.

In 2024, Insurance has provided us with a series of attractive opportunities in terms of development and a solid backbone to our capital redeployment strategy. This has been a strategic avenue for development with several acquisitions, partnerships such as stakes in Ageas, partnership with BCC Banca Iccrea and the acquisition of BCC Vita. Moreover, partnerships with Neuflyze OBC and the acquisition of Neuflyze Vie. These deals are very complementary with our existing presence and expertise in Insurance. Not only that, but also as you know, they are capital light and enable the bank to leverage on our great expertise in Insurance, Bank Insurance, and our strong capacity to develop partnerships. So that is what we do, what we will continue to do. Hence, the result of all this is a well-positioned Insurance model supported by two strong pillars, protection on one hand and savings on the other hand.

This basically sums up the divisions and I now hand it back to Jean-Laurent for the conclusion.

**Jean-Laurent Bonnafé**  
*Group CEO*

Thank you, Lars.

### **CONCLUSION**

To conclude, BNP Paribas performed very well in the second quarter with solid results from across the operating divisions. We confirm our trajectory for 2024 as well as the strength and agility of our diversified and integrated business model, as a leading bank, fully dedicated to serving our clients who are well positioned for the new phase of the economic cycle.

Thank you for your attention and we're now ready to take your questions.

## QUESTIONS AND ANSWERS

The first question is from Stefan Stalmann, Autonomous Research. Please go ahead.

### **Stefan Stalmann (Autonomous Research)**

Yes, good afternoon. Thank you very much for the call, for taking my questions.

As you can imagine, my first question will be on equities trading. This is a phenomenal performance that you delivered also in comparison to your US peers.

I wanted to ask first on slide 20, you show prime brokerage balances. What do these balances actually show? Are those the assets under management of your prime brokerage clients? Are these deposits or are these loans? And also, why has there been this sudden take-off of these balances sometime last year? And maybe more broadly, I imagine you could say that the very strong performance comes from the fact that you have managed to integrate the parts of the equities franchise in the last couple of years. Why do you think that has suddenly happened in the second quarter? Why has it not been a more gradual process of progress?

And the second question I wanted to ask is about a media story the other day about a potential project of cooperation between BNPP Asset Management and AXA Investment Management. Now, I guess there's only so much you can say, but I'm curious whether you think this is something that is plausible in principle, or would you just categorically rule something like this out?

And if you were to look at something like this in asset management, would you insist that you own a majority in such a joint-venture or would you also, theoretically at least, be willing to go below 50%? Thank you very much.

### **Lars Machenil (BNP Paribas, Chief Financial Officer)**

Stefan, thank you for your questions. Listen, on your second question, as you know there is no comment. You know that we have a process of bolting on activities. So, we typically have no comment on these kinds of rumours that are going around.

On the second question, on EPS, so there's two things. I remind you that indeed we have been able to complete our setup with EPS. We've been able to have in one entity both the cash equities, and derivatives we already had and where we were able to bolt on the prime brokerage services.

So, all of a sudden, it basically means we have that overall setup. It's in one entity. You've seen we have the capital; we have the liquidity because indeed the main consumption in these kinds of activities, is not the capital (because all these activities are completely hedged) but it is the leverage that you consume. So, you basically consume the balance sheet which corresponds to these activities. But again, we have the balance sheet, we have the leverage to do so.

And so why the pickup? Well, the thing is if you go back a year ago, the demand for these kinds of activities was relatively subdued. And so, it is what we have seen in the second quarter of this year. We saw the pickup and as there was this pickup, as we are basically one of the few Eurozone banks that has the complete offering, that is why you saw that strong pickup in the second quarter. So, Stefan, that will be our answers to your two questions.

### **Stefan Stalmann (Autonomous Research)**

OK, great. Thank you very much. Thanks a lot.

**Operator:**

The next question is from Chris Hallam, Goldman Sachs. Please go ahead.

**Chris Hallam (Goldman Sachs)**

Yes. Thanks everybody. So, one quick one and then a bit of a longer follow up.

So just following on Stefan's question on prime, is that step up in the quarter sustainable for Q2? You know, the above a €1 billion quarterly run rate for revenues. Is there anything more one-off in nature that you want to call out there or is that sort of a run rate we can build the business off through the back half of the year and heading into to next year?

And then secondly, again a little bit about scale ambitions in asset management, specifically around private credit. When you think about the loan origination relationships you have, the risk management capabilities you have inside and outside the CIB, the distribution network that you have and obviously the asset management expertise, do you see the growth of private credit more as an opportunity or as a threat for that business?

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

So, again on EPS, there are no one-off within that quarter. It's a quarter in which I would say the strength, the skills diversification of that specific business was very much aligned with the underlying economy and market evolution. It's a global markets business, so you cannot guarantee anything. It can go up and down within one year and from one year to another.

But the strength of the platform, yes, I would tend to say you can see it all in the second quarter. The platform is being completed. It took some time to have the right market penetration and, even with certain market penetration, get the right amount of counterparty type of business from certain counterparts. So now we are at the right level.

Global Markets, these are volatile businesses, but there is nothing that can be considered to be one off in that quarter. This is the result of the strategy. This is the result of the execution of that strategy. This is the result of the quality of the platform and that is quite unique to some extent. There are not that many banks that present this comprehensive approach in that equity dimension. So, this is a huge number, but basically this is the power of the platform we can show in the second quarter, that for a number of reasons, was the right one to express this strength.

Looking at asset management, it's not particularly straight. We are partnering with a number of counterparts in those domains and clearly asset management also grows in that domain. So, you cannot do everything; you cannot do anything. It's a complex situation private credit but, yes, we will grow some in house with our asset management platform and we are partnering with third parties to do a better job with the balance sheet of the bank. It's also a way to optimise the balance sheet of banks. So, I would rather say that is an opportunity rather than a threat.

**Chris Hallam (Goldman Sachs)**

Thank you.

**Operator**

The next question is from Flora Bocahut, Barclays. Please go ahead.

**Flora Bocahut (Barclays)**

Yes, thank you and good afternoon. There are two questions on my side, please.

The first is regarding your global banking business where there was this quarter, suddenly, a strong increase in client loan balances. So, I was wondering what drove, you know, this strong improvement which we hadn't seen in quite a few quarters now. And it seems to me like it has accelerated at the end of the quarter and, therefore, does that bode well for revenues in global banking into Q3 and Q4?

The other question I wanted to ask you is regarding the RWA optimization plans from securitization, which you talked about in the previous quarter, where you were highlighting that this is something you intend to use to partially offset the reconsolidation of Arval and the model update impact on your CET1. So, is this something you've already started to do? Would that be done as a synthetic risk transfer? What you spend on this?

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Thank you, Flora. Thank you for your questions.

If I start with Global Banking, you've seen the strong results. And so, we have in there, Capital Markets and Transaction Banking. And what we do see is that there was indeed a strong demand in Europe. But let's not forget on top of that, we not only provide this kind of intrinsic stronger European activity, but we also provide the corridors into the US and Asia. And so that is what you have seen and so that also leads to a step up of the balance sheet that goes with it.

And then that links into your second question when it comes to the securitization in general that we do or related to the RWA. So indeed, part of what we are doing is optimising the RWA. But don't get me wrong, you're talking to a frugal CFO. So, we look at the right prices. And so, we're not in a rush. We're looking at the prices and, with what we saw in the first half of the year, we think the opportunities to do it at the appropriate price are better in the second half. So, we will do what we have intended to do. But yes, it will be shifted a bit towards the end of the year for these reasons.

**Flora Bocahut (Barclays)**

OK. Thank you.

**Operator**

The next question is from Tarik El Mejjad, Bank of America. Please go ahead.

**Tarik El Mejjad (Bank of America)**

Hi, hello everyone.

Two questions please. First of all, at the beginning of the year, I mean it was clear that 2024 would be a two-speed year, slow in the first half and a better second-half for all the reasons we know, and you discussed today, both on top down but also specifics like hedging, Belgium etcetera. And I'm factoring here the seasonality effects as well.

So, Lars, you suggested that all the numbers in Q2 and Q1 sounded sustainable, and no one doubts there. So, first half came much stronger, not only on track to reach your target, but also exceeded the margin, I guess. So why not update the targets for the full year in this quarter or are we missing a big negative moving part? So maybe you can take us through what can be repeated or not?

And second question on capital, I just want to clarify the 12% target in 25. This is Basel 4 without the FRTB impact, but assuming that you redeploy the whole excess capital left. So, the question is, I mean, do you confirm that? But secondly, have you budgeted any on-site inspection effect there? And for the FRTB, do you assume this is delayed or what's the chances that should be cancelled altogether? Because you didn't mention FRTB in 26. You just basically excluded it from your Basel 4 impacts. Thank you.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

I'll start with your 12% capital in 2025. So indeed, your understanding is correct. Now let's be fair. I mean, you know us. On one hand, we optimise capital. I don't want to be sitting over the longer term on capital that is not used. And when it comes to things like OSIs and whatever that you have - so basically reviews by the supervisor or updates on the regulation-, we basically handle those. I typically ask where have you been the last couple of 10 years? But I think I know where you've been, and you've seen that we've basically been always able to optimize and to be at the right level of capital. So that is basically what we will do on the capital.

And then when it comes to the FRTB. Listen, you know the European text, when they translated Basel into legal text, they said that when it comes to the FRTB, they have to align with the US. I don't know if you have been listening to what the US have been saying, but some parties within the Fed are basically saying that it is that they will have an evolution of regulation, but that it should not lead to any capital increase related to that. And so that is what Europe has said. If you look at the text, Europe has basically delayed the FRTB, not just delaying for delaying, but delaying to see what the US is doing and aligning it on that. And so intrinsically that's the best thing: is that we have a level playing field and so maybe we'll see what form it takes.

And then, on the result, we've basically guided that 2024 would have a bottom line superior than the one of last year. When we spoke a couple of months ago, not all of you were entirely convinced of that. And maybe the second quarter results indicate the pivotal point of that. I think those would be my answers.

**Tarik El Mejjad (Bank of America)**

Well, I was hoping for a bit more on your second answer, to be fair. If we go into the dynamics of the divisions, all the hedges will be going away, the Belgium drags. When we met with Yann a few months ago, he was suggesting the second half would be the second half for CIB. We had already an extraordinary Q2, the volumes are picking up. Personal Finance is doing better. I mean, you know it all. So, I mean, consensus already moved to €11.2M. So, you already convinced actually most of the



markets that you can do €11.2M. My question is more, how much margin we can hope for? I mean I'm surprised because that could be a big margin to what you think you've communicated to the market.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

I think there are several things. I'll put it this way: there are several things that you see that we are finding well. I mentioned that the tax, the income tax base will be lower. You can basically see that the results are very solid. Moreover, remember when we basically said we confirmed that the targets rolling into 25 and we also said that it would not be a hockey stick evolution. So, I think that you see the evolution.

You know, we are not a bank that gives a forward guidance every quarter, but you see the trajectory for this year. The second quarter is clearly in line with improving the results and which is in line with the trajectory we put it out for 25.

**Tarik El Mejjad (Bank of America)**

OK. Thank you very much, Lars.

**Operator**

The next question is from Anke Reingen, RBC. Please go ahead.

**Anke Reingen (RBC)**

Yes, thank you very much for taking my questions.

The first one is actually a follow up to Tarik's question about the 12.0% at year-end 25. Just to confirm: it's not 12% -I mean, everything else being equal, you could call it now 12.3%, but I guess that's just rounding and then we shouldn't interpret it as a negative now running against the 30 basis points of benefit from the FRTB delay?

And then, secondly, I'm not sure if you want to say anything, but about the Bloomberg report about the ECB potentially asking the banks to book additional provisions on their leverage finance exposures. And I just wondered if you have any concerns on that aspect. And can you just confirm: do you still have a capital add-on related to your leverage finance exposures? Thank you very much.

**Lars Machenil (BNP Paribas, Chief Financial Officer):**

So, first of all, let me come back to the 12%. You know, we are frugal. So, we basically said our objective is 12% and that's where we fly. So, if we are above and we have opportunities to redeploy it, we will do so. So, from that point of view, we reconfirm that, in any case, we will be respecting that 12% and whatever capital we have, we will redeploy as fast as we can.

When it comes to the ECB, you know, the ECB is doing all kinds of reviews. They're doing onsite inspections. They're doing a kind of review of stress tests and the likes. And when it comes to leverage finance, they are having a reflection on what things could be in a stressed kind of environment. That reflection is ongoing. There is not much more I can say about that.

**Anke Reingen (RBC)**

And you also can comment if you have a capital add-on for leverage finance.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Listen, the SREP is due at the end of the year, so we'll give you an update at that time.

**Anker Rangan (RBC)**

OK. Thank you.

**Operator**

The next question is from Giulia Aurora Miotto, Morgan Stanley. Please go ahead.

**Giulia Aurora Miotto (Morgan Stanley)**

Yes, good afternoon. And two questions for me as well. The first one, to change topic, is on asset quality. Cost of risk was quite high in France. I understand this was related to one specific file, but if I look at industry data across France, Belgium as well, bankruptcies are ticking higher. So, I'm wondering if there is anything you see that points to deterioration in asset quality and perhaps if you can remind us of how much overlays you still have. So that will be my first question.

And then secondly, in terms of margin, in particular lending margins, how are you seeing those in your different markets, France, Belgium, Italy and on the corporate side on a pan European level? Thank you.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Giulia, thank you for your questions. Well, if you look at the asset quality, as a quick reminder, the core of the businesses that we do are rather on the corporates, the large mid-sized companies and so forth. And when you talk to them and you see what they're doing, they're cautiously optimistic.

And so indeed that's what you see in our cost of risk. If you look at our cost of risk, if you exclude that one file, you are basically at 29 basis points over outstanding, which is coherent with the last quarter. And so, you can always have an idiosyncratic file. That doesn't mean that there is an overall trend that you see again on the corporate.

If there is one point of attention that we follow, it's rather on the individual side. If you look at our Personal Finance, which is where the core of our individual clients is. As you know, we have been shifting out of the non-collateralized activities into the car financing, which are therefore collateralized by the car. You would have expected that the cost of risk would be gliding towards that of the car financings. What you see is our cost of risk and basis points is basically stable even up a couple of basis points. So, if there is one point of attention, it's that on the consumer side, one has to keep an eye on the asset quality. But again, for us that is not the main set of our clients.

On the lending margin, when it comes to the core of what we do on the corporate, we are in the appropriate margin. So, I remind you with corporate, when corporates deposit money or take loans, the margins that we do is basically via ESTR. You look at what the ESTR is, and you do a markup in both cases. So, you don't price assets towards liabilities and the margins are basically fine.

When you look into the other activities, let's take mortgages, and particularly in the countries where we are, the mortgages are fixed rates. So, everything is to do with what the new loans are doing. And what you see in the countries where we are, like in France and Belgium, we are facing a banking environment where the competition is stiff on mortgages and so there the margins are.

So, the corporate ones again, they are ESTR based and with a margin which holds and, on the mortgages, that's basically the competitive pressure that we see.

**Giulia Aurora Miotto (Morgan Stanley)**

Thanks.

**Operator**

The next question is from Delphine Lee, JP Morgan. Please go ahead.

**Delphine Lee (JP Morgan)**

Yes, good afternoon. Thanks for taking my questions.

So, my first question is French retail. It seems like it's the only business where NII is still down. Just wondering where we would see a little bit of an inflexion point. If you could give us a bit of more colour on the trends and what you're currently seeing maybe and why we could see that improvement.

And on Personal Finance, my second question, the margins are still under quite a bit of pressure, but now that the ECB starts cutting rates, should we get a bit more relief in the second half? If you could also provide a bit of colour on the trends there. Thank you very much.

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

So, on the French retail, the NII is quite complex too, because of a number of factors: ALM headwinds and even that quarter a specific impact in the range of a 30 million negative impact.

So, the best way to look at the French retail, again we are not a French retail bank, it's very much mid-caps, SMEs, private banking, upper affluent. This is quite different as compared to a saving and loans type of banking operation.

So, if you look at the top line, roughly, taking out the headwinds, this quarter is up by 0.7% and, in reality, if you neutralise this negative impact, that we are not mentioning in the financial communication, it's above 2% clearly.

If you look at the top line for this year 24, including headwinds because headwinds unfortunately exist, we're going to be above 1%.

And if you neutralise headwinds looking at the year, we're going to be above 3%. So, the intrinsic evolution of that domestic bank is in the range of 3% plus this year. Unfortunately, because of headwinds, it is somewhere above 1%.

And if you look at next year, growth will be in the range of 4% even 5%.

So, this is the best way to look at the domestic French bank and it cannot be just looked at on one side fee business and the NII. There's a number of ways connecting those two dimensions.

So again, for that year, 1% minimum top line, neutralising the headwinds above 3% and next year we're going to be in the range of 4 to 5%. So, this is for France.

**Delphine Lee (JP Morgan)**

And that 30 million is in a one-off in net interest income?

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Yes, it's in net interesting income.

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

Yes, it's basically a value reduction in a participation, Delphine. That's what it is.

**Delphine Lee (JP Morgan)**

Thanks a lot.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

And Delphine, on PF, indeed, I mean, if rates would come down that would basically lead or trigger to a more optimised pricing. So that would be a positive effect for Personal Finance.

**Delphine Lee (JP Morgan)**

Great. Thank you so much for the colour. Thank you.

**Operator**

The next question is from Sharath Kumar, Deutsche Bank. Please go ahead.

**Sharath Kumar (Deutsche Bank)**

Good afternoon. Thank you for taking my questions. Two, please, both on your Specialised Businesses. Firstly, on Arval and Leasing Solutions. I thought the results were more resilient than what the headline numbers indicate, particularly around volume growth and leasing and service margins. Obviously, I think the comps get a little bit better in the second half, but can you decompose the results into these various components be it leasing services, margins, and used-car results? And what do you see in terms of outlook there? That's the first one.

The second one is on Personal Finance. I agree there are a lot of ongoing perimeter changes. By when can we expect all of these runoff activities to be completed? Still there are few countries like Romania, Brazil, Nordic countries. I know previously you had indicated a broadly break-even P&L level for these disposals, but can you indicate the share of loans or RWA from these? Thank you.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Thank you for your questions. On Arval and Leasing, given all the divisions that we have, we don't carve out all the segments that we have. So, Arval and Leasing is one. Arval and Leasing, if you look at the volume growth, the financing growth, the services that we provide, all these are growing but indeed the one thing which is weighing on it, is the resale value of the car. So, you know the dynamic, the resale value of the car is in marked-to-market, so it hits the top line immediately. Whereas the growth in the financing of the new cars is accruing over time. And so that means if you take an average of a car lease (4 years) and if you take half of this- that's two years -, we are basically 2 to 4 quarters into that process.

So that effect is weighing on the top line and will continue for the next couple of quarters. So that's on Arval and Leasing.

And then indeed the compensation will come from the turnaround that we're having at Personal Finance. So as a reminder, what we keep on doing in Personal Finance is the eurozone and the UK activities, where we have the opportunities to cross-sell massively towards our clients. And so, the activities where we were more mono product, like in Eastern Europe and in Brazil, we are getting out.

And getting out, means we can be ramping it down, we can be selling it, we can be selling parts of it. But all that takes time because you need authorities' approval, or you need the time to ramp down...

And so, in the bottom line it's break-even because there are still revenues and there are still costs and they are both tapering off. So that's the dynamic.

**Sharath Kumar (Deutsche Bank)**

Thank you.

**Operator**

The next question is from Pierre Chédeville, CIC. Please go ahead.

**Pierre Chédeville (CIC)**

Yes, good afternoon. I have one question regarding the integrated model and the cooperation between Cardif and BNP AM. I was wondering if you could increase the assets from Cardif being managed by BNP AM, because as far as I understand, it's not the case or partially not the case and maybe, as you mentioned the fact that you want the partnership to develop with BNP AM platforms, it would be an idea. And I was wondering what your point of view on this point was.

And my second question is regarding the profitability, which is not present in the main presentation. Generally, you mention your profitability, which is relatively good, and I was wondering why this time you do not present it, because I don't think that you are ashamed of it. So, could you explain us why it's not presented?

And last question is regarding CPBS. I'm not sure it's a good level to see it, but when I look at the loan to deposit ratio, it is at 88%. And I was wondering if it meets internal criteria for this ratio for you. Is it above, is it below? And what is your policy regarding your loan to deposit ratio? Thank you very much.

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

Beyond the first point, clearly, I would say the situation is not to stay for a too long period of time and we will have to some extent to integrate the two approaches. So far Cardif remained in a kind of standalone basis. And probably looking ahead, funds are going to be managed by the Asset Management from BNP Paribas. So, it's a natural evolution. So, it's something that is taken care of, and we will change the way we operate within the one year to come.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Yes, the second point is... I'm sorry that the profitability ratio has been moving a bit deeper in the slide pack. Listen, we have been adapting our presentation, we have been adapting our press release. So, I take it, overall, I hear positive comments that it is better to read. If your comment is that we should bring the ROTE back forward, I'll take note of it. We'll do so.

And when it comes to your loans to deposit, intrinsically loan to deposit is not a metric as a group that means something. It depends on how an economy finances itself and how the economy works when it comes to loan to deposit. We have some extremes, like the Belgians are sitting on deposits, whereas in France the financing is done another way with Assurance-Vie and others. So, at a group level, having a specific loan to deposit is not something that is an intrinsic metric for us. We want to make sure that the overall financing, the reserves that we have available are fine and that is the key metric, not a loan to deposit. So, Pierre, that would be the answers to your questions.

**Pierre Chédeville (CIC)**

Thank you very much.

**Operator:**

The next question is from Kiri Vijayarajah, HSBC. Please go ahead.

**Kiri Vijayarajah (HSBC)**

Yes, good afternoon, everyone. A couple of questions from my side.

So firstly, one of your competitors that reported today, flagged a deterioration in US commercial real estate in their outlook for the second half. And I know your exposure to the US CRE is fairly small, but is that something that's concerning you from your side? Actually, also could we just have some just broader colour on how that de-risking in real estate finance unit has been going as well?

And then secondly, to come back to the FRTB, how should we think about that 30 bps of FRTB related capital? So hypothetically what I mean is, if the FRTB never gets implemented, is that extra capital that you'll hand over to global markets for them to reinvest in the trading business or is there a possibility for you to maybe reinvest that and at some point, return it to shareholders once we get clarity? I know there's lots of moving parts in 2026 onwards, but really one of the scenarios that are on the table on what happens to that 30 bps of capital if the FRTB never happens. Thank you.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Kiri, thank you for your questions.

So, on US commercial real estate, we had a 7 billion exposure, but we basically sold it. So, my view on the US commercial real estate, honestly, we are not the bellwether for that.

So, if you look at it in Europe, those kinds of activities, we have a small portfolio. We do it in the areas that we know. And so, that's basically fine. It's a point of attention, but it is not something else.

On the FRTB, so the 30 basis points... Imagine that in the end the US would not implement it and that Europe would follow and those 30 basis points would be there. As you know, the sequence I follow when it comes to capital, for me, the most efficient way to redeploy capital is organic. I know where it goes, I can do it at marginal cost, I can do it at scale. So that's ideal. If that would not be possible, then the next thing is if I can find a frugal bolt-on acquisition, then that is what I would look for. If none of those things would be on the horizon and I would pick up my phone to see how to return it. Kiri, that will be my answers.

**Kiri Vijayarajah (HSBC)**

Great. Thanks, Lars.

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

But again, looking at the quality of the platform globally, it's much better to invest.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

Organically. Or inorganically. So, Kiri, listen, you understand our point of view. I mean, we have seen in the past that it is much more efficient. So, you'll get like 16% and more yield on what we do in the activities that we have or that we can redo. And so, we haven't so far been running out of these options.

**Kiri Vijayarajah (HSBC)**

Right. Got it. Thank you.

**Operator**

The next question is from Azzurra Guelfi, Citi. Please go ahead.

**Azzurra Guelfi (Citi)**

Hi, good afternoon. Two questions for me. When I look at loan growth. So, I see trends that are quite different between Italy, particularly in the corporate space, and in Belgium, where instead you have started to see some lending growth. And I just wanted to know if there were any particular trends that we should be aware of in terms of strategy in the area.

And the second question is a little bit more generic. I know France is not so big for the group, but there has been quite a lot of volatility in the political environment in France and do you expect, if there is continuous uncertainty, that this could impact the activities in France in terms of volume recovery or savings? Thank you.

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

About France, you know that globally the bank is first of all a European platform. France, and let's say domestic France, is relatively small looking at the net result. Looking at the so-called domestic French bank, the total contribution is well below 10% and most of that is not typically related to domestic economy. I mean, there are many counterparts that belong to the private bank, wealth management, international SMEs, mid-caps, large cap. So, I'm not saying we are immune, but well, the impact overall... If there were an impact at the end of the day, it would be quite marginal.

Obviously, if you look at France globally, I would say instability and the political dimension is not great for any country. So, certainly after the Olympic Games, this will come to an end, there will be a new government, a kind of a coalition, a new programme and probably, looking at the distribution of the Parliament, it is going to be very much balanced, because it has to be that way. There is no other option. So, it's difficult to understand who is going to be the Prime Minister, who is going to be the Minister for Finance and so on and so on.

But it's not that very difficult to understand that, at the end of the day, this country needs additional discipline in terms of public spending. The country will have to comply with a number of norms and that's it.

And as for BNP Paribas, so far, we do not see anything really material for the growth of the platform or for the risk profile of the platform because of the business model of BNP Paribas in that country.

**Lars Machenil (BNP Paribas, Chief Financial Officer)**

And in particular, let's be fair, I mean, BNP Paribas, we have 80% of the balance sheet in Europe. And if I can use a bit of the scientific language, the signal in Europe is that growth is picking up. And so that is what we are ready to accompany and ready to capture as well. And then indeed, you see in some

countries there is some political uncertainty and that leads to some noise around that signal. But the one thing that is important is the underlying signal which is positive and which we at BNP Paribas have time to profit from.

And then on your question on loan growth as well. You know, there is a couple of things. When you look at our figures, you basically see them with what we are doing. And so, you do see in Belgium that there is a pickup, and we are accompanying that pickup. And you might remember that in Italy, we have decided to remain focused on the international kind of oriented companies that we do continue to do business with. But we are reducing a bit the kind of heritage loan portfolio that we have. And so that is why you see this different trend between Belgium and Italy. So, Azzurra, that would be our answers to your questions.

**Operator**

There are no more questions registered at this time. I turn the conference back to you for any closing remark.

**Jean-Laurent Bonnafé (BNP Paribas, Chief Executive Officer)**

So, thank you very much for your questions.

We already said it: we're going to post this year net results that are going to be above last year. We are not revisiting the guidance because there is no need to revise the guidance every quarter of the semester. But clearly the trend is quite positive and there is no doubt, I hope, in your minds that we are going to beat last year results. And now we are very much focused on how far we can go and how strong the beat can be. So, this is the situation we are in, and this is positive and quite pleasant comparing to six months ago.

The model is moving. We're having good successes in a number of demands. There are some domestic, especially France, that is under pressure because of a number of headwinds, like Belgium. This is going to go away and next year is going to be another year. But meanwhile for 24, we will deliver what we promised and probably in a more aggressive way than we anticipated.

So, this is it. Thank you very much again. And well, let's see what will happen for the second half of that year. Have a nice summer!

**Phone Operator:** Ladies and gentlemen, this concludes the call of BNP Paribas second quarter 2024 results. A replay of the webcast is available at [invest.bnpparibas.com](https://invest.bnpparibas.com). Thank you for participating. You may now disconnect.



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*The figures included in this document are unaudited.*

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