

# **BNP PARIBAS**

## **PROMISING IMPLEMENTATION OF THE TRANSFORMATION PLAN**

Bank of America Merrill Lynch Conference  
London, 26 September 2018



**BNP PARIBAS**

The bank for a changing world

# Disclaimer

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*The figures included in this presentation are unaudited. For 2018 they are based on the new accounting standard IFRS 9 Financial Instruments whereas the Group has opted not to restate the previous years, as envisaged under the new standard.*

*This presentation includes forward-looking statements based on current beliefs and expectations about future events. Forward-looking statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future events, operations, products and services, and statements regarding future performance and synergies. Forward-looking statements are not guarantees of future performance and are subject to inherent risks, uncertainties and assumptions about BNP Paribas and its subsidiaries and investments, developments of BNP Paribas and its subsidiaries, banking industry trends, future capital expenditures and acquisitions, changes in economic conditions globally or in BNP Paribas' principal local markets, the competitive market and regulatory factors. Those events are uncertain; their outcome may differ from current expectations which may in turn significantly affect expected results. Actual results may differ materially from those projected or implied in these forward looking statements. Any forward-looking statement contained in this presentation speaks as of the date of this presentation. BNP Paribas undertakes no obligation to publicly revise or update any forward-looking statements in light of new information or future events. It should be recalled in this regard that the Supervisory Review and Evaluation Process is carried out each year by the European Central Bank, which can modify each year its capital adequacy ratio requirements for BNP Paribas.*

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*The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding.*



# Introduction

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**Strong and well diversified bank**



**Good macroeconomic context**



**Promising implementation of the transformation plan**

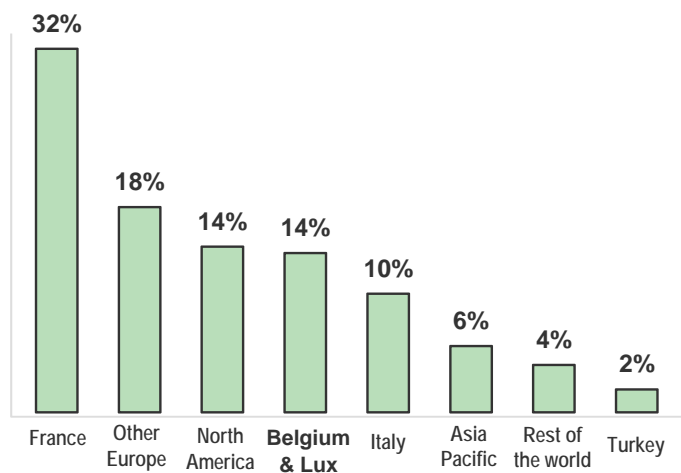


**Successful development of new customer experiences  
and digital transformation**

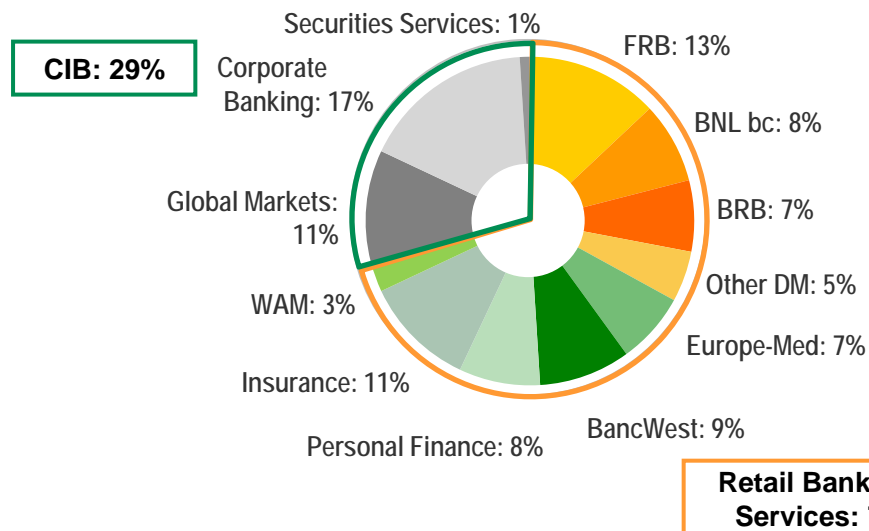


# A Business Model Well Diversified by Country and Business

> **2017 Gross Commitments<sup>(1)</sup> by region**  
**>90% in wealthy markets**



> **2017 Allocated equity by business**  
**No single business line > 17%**



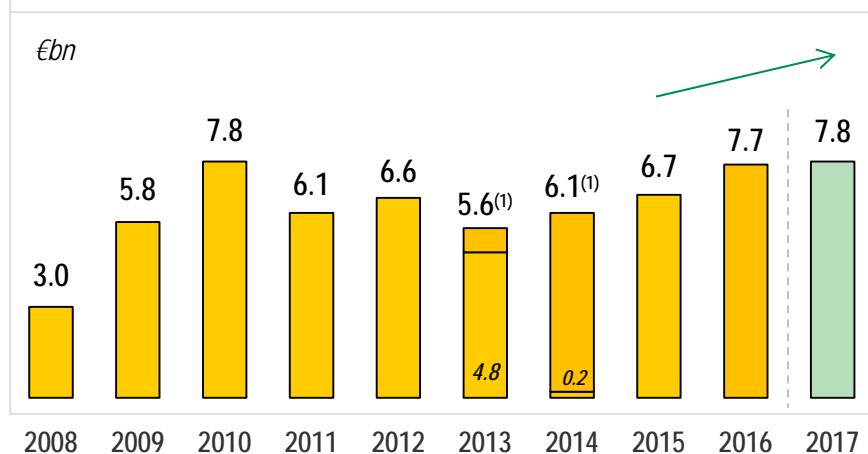
- A balanced business model: a clear competitive advantage in terms of revenues and risk diversification
- An integrated business model fuelled by cooperation between Group businesses
- Strong resilience in changing environments

> **No country, business or industry concentration**

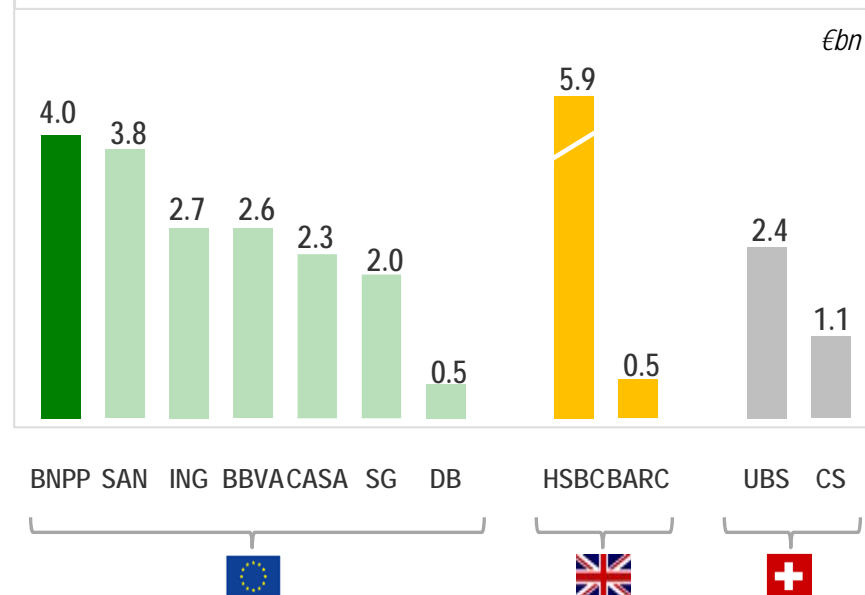
<sup>(1)</sup> Total gross commitments, on and off balance sheet, unweighted of €1,494bn as at 31.12.17

# Diversification Leading to Recurrent Income Generation

➤ Net Income Group Share (2008-2017)



➤ 1H18 Net income Group Share (€mln)

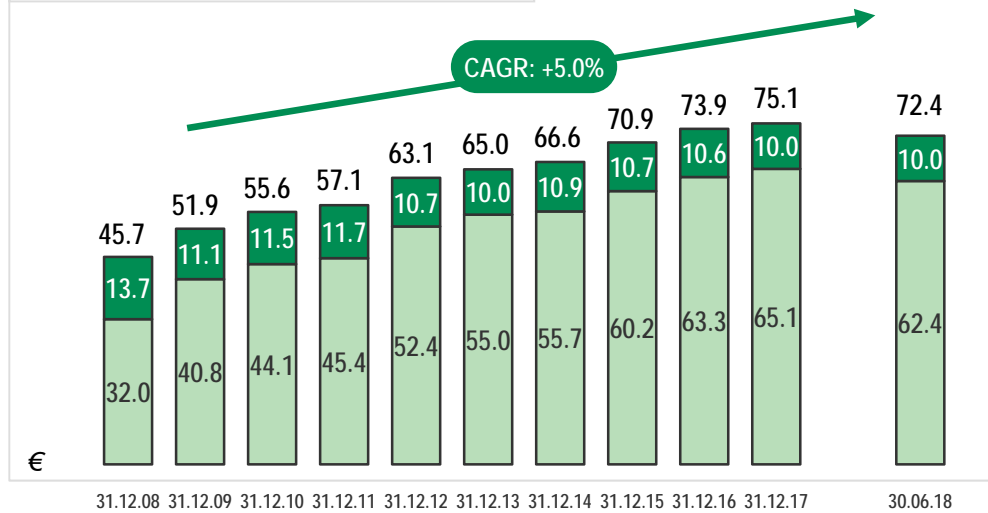


- Recurrent earnings generation through the cycle
  - Strong proven capacity to withstand local crisis and external shocks
  - Leading Eurozone bank in terms of profit generation

<sup>(1)</sup> Adjusted for costs and provisions related to the comprehensive settlement with US authorities

# Recurrent Value Creation for Shareholders

## > Net book value per share

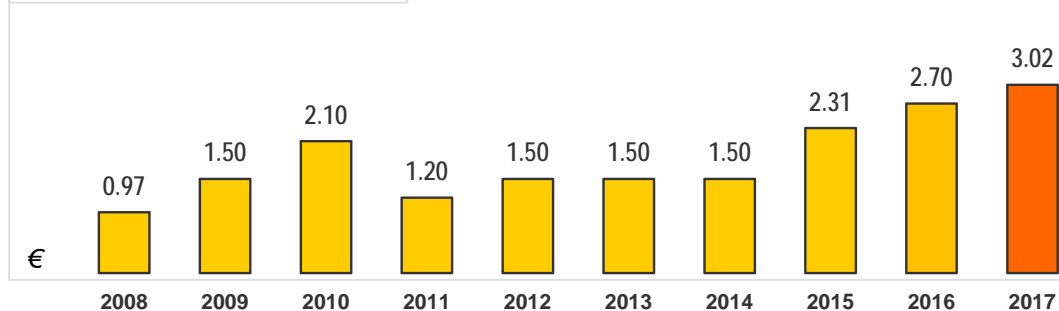


### Reminders:

- Equity impact of the first time application of IFRS 9 as at 01.01.18: -€2.5bn or €2 per share
- Payment of the €3.02 dividend on 1st June 2018

■ Net tangible book value per share

## > Dividend per share



- **Dividend: €3.02 per share** (+11.9% vs. 2016)
  - **Dividend yield: 5.6%<sup>(1)</sup>**
  - Paid in cash
- **Pay-out ratio of 50%**
  - As per the 2020 plan

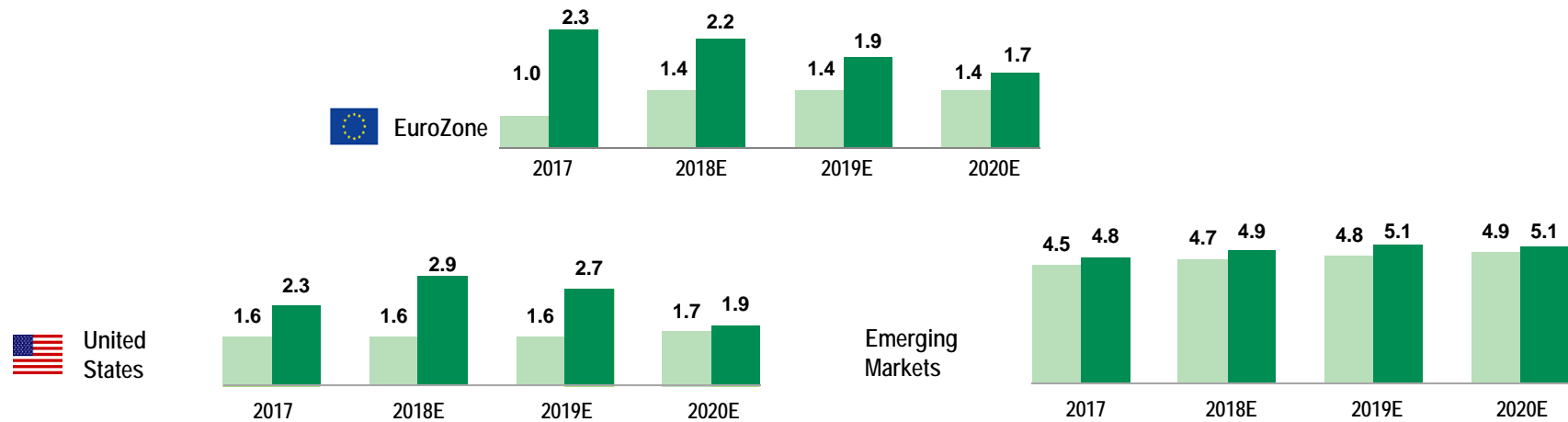
<sup>(1)</sup> Based on the closing price on 20 September 2018 (€54.31)



# Supportive GDP Growth Outlook

- Conservative assumptions used for the plan

■ Assumptions used for the plan  
■ IMF forecasts (July 2018)



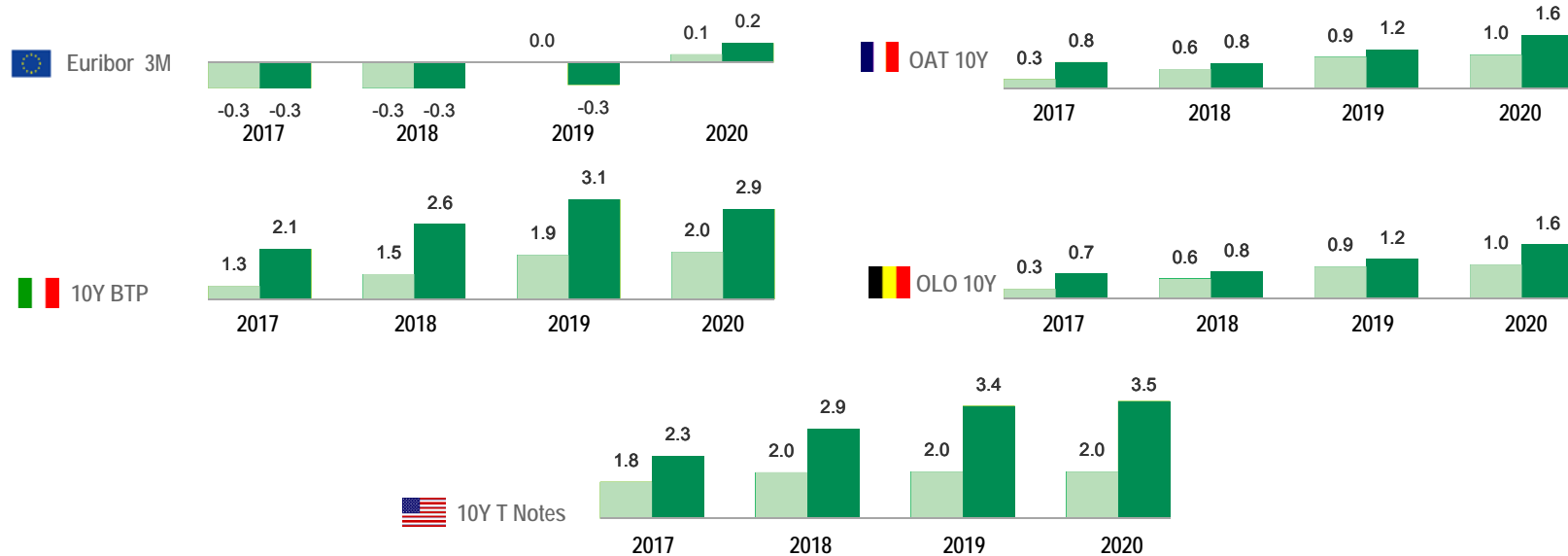
▶
**Better economic growth forecasts vs. plan's conservative assumptions**



# A Gradually Improving Interest Rate Scenario

- Conservative assumptions used for the 2020 plan

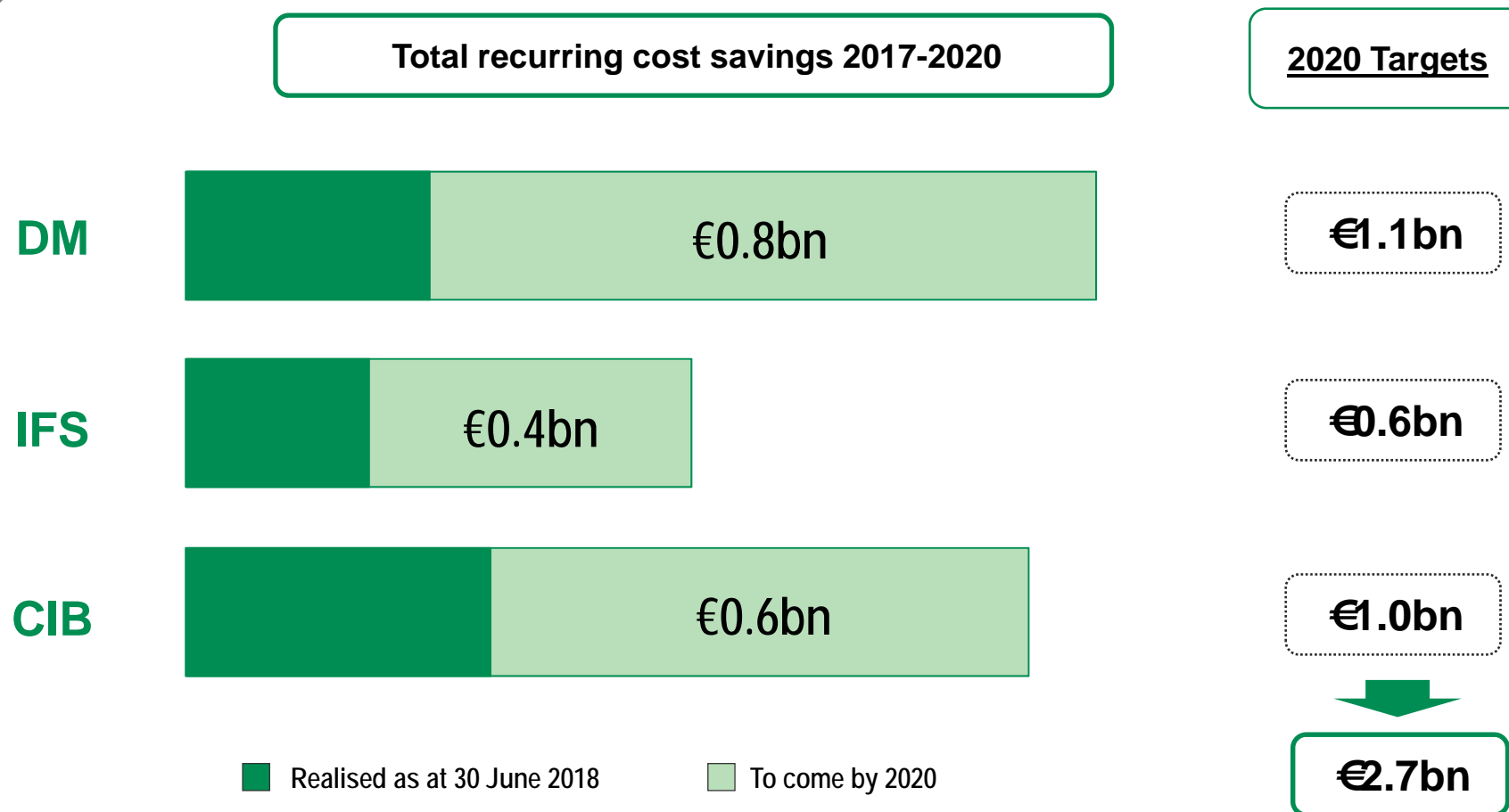
■ Assumptions used for the plan  
■ Market implied rates (as at 3 September 2018)



>
**Current market interest rate scenario globally in line with the assumptions used for the plan**



# 2020 Transformation Plan in line with the Objectives



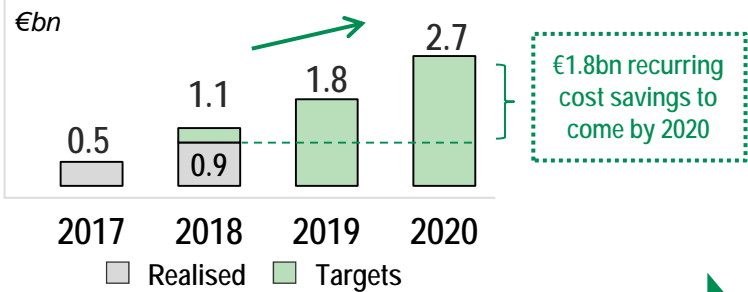
**> €1.8bn recurring cost savings still to come**

# 2020 Transformation Plan In Line with the Objectives

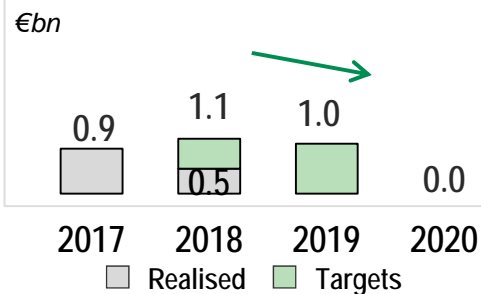
5 levers for a new customer experience & a more effective and digital bank

1. Implement new customer journeys
2. Upgrade the operational model
3. Adapt information systems
4. Make better use of data to serve clients
5. Work differently

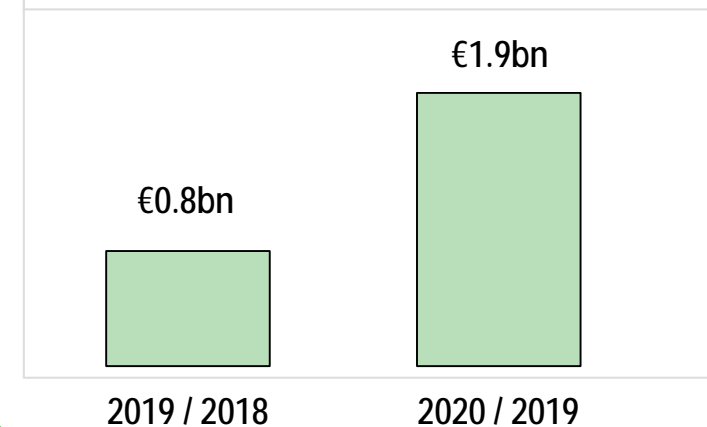
## Cumulated recurring cost savings



## One-off transformation costs



## Total positive impact on costs in 2019 & 2020 (YoY)



**Significant net cost benefits to come in 2019 and 2020**

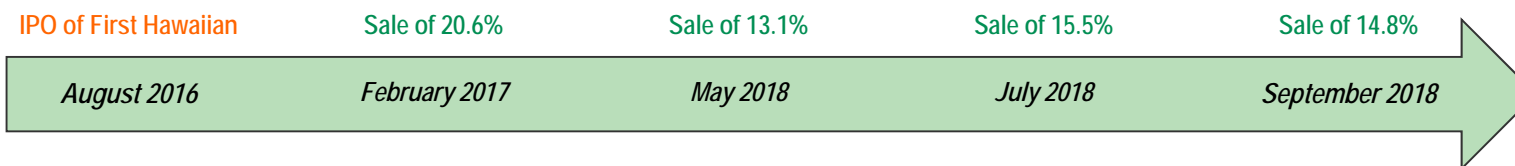


# Sale of First Hawaiian (FHB)



First Hawaiian Bank.

## Successful offerings of First Hawaiian's shares since its IPO in August 2016



- ~3 bn euros of total cash proceeds from the five transactions on FHB
- Since 30.06.18, successfully sold 30.3% of First Hawaiian
  - Capital gain after tax: ~€300m booked in Q3
  - Positive impact on Group CET1: > +15 bps as at 30.09.18
- Remaining stake in First Hawaiian: 18.4%
  - Consolidation of FHB in BNP Paribas' financial statements under the equity method as of third quarter 2018

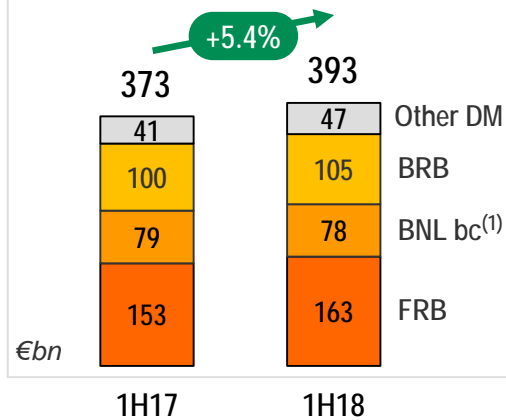


**€300m of capital gain after tax in 3Q18**  
**> +15bps on Group CET1 as at 30.09.18**



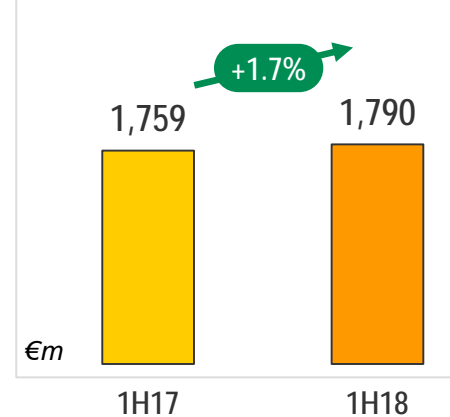
# Domestic Markets Good Business Drive

## > Loans



- Good loan growth in retail banking and in the specialised businesses (Arval, Leasing Solutions)

## > Pre-tax income<sup>(2)</sup>



- Stable revenues (rise in business activity but still impact of the low interest rates)
- Costs up due to development of specialised businesses but reduction in the networks
- Lower cost of risk, in particular in BNL bc



**Income growth  
despite the impact of the low rate environment**

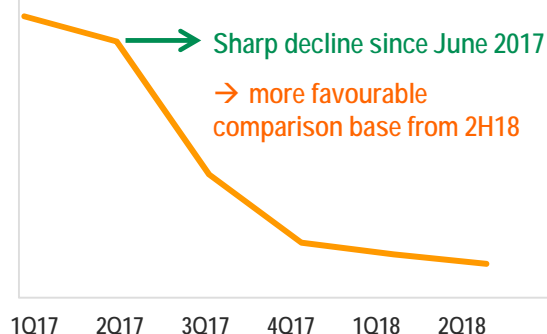
<sup>(1)</sup> BNL bc: sale of a portfolio of NPLs for a total of €0.8bn in 1Q18; <sup>(2)</sup> Including 2/3 of Private Banking, excluding PEL/CEL



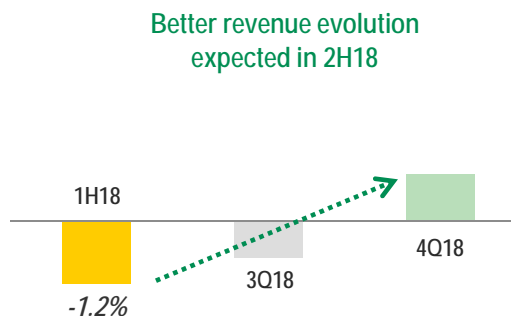
# Domestic Markets - Focus on French Retail Banking

## Good Business Drive in France

### FRB: mortgage renegotiations & early repayments trend



### FRB: 2018 revenue trends by semester (y/y)



### France: good macroeconomic indicators supporting growth

July 2018

Business climate <sup>(1)</sup>	106.1
Manufacturing PMI <sup>(2)</sup>	53.3
Corporate investment loans (y/y)	+6.4%

- Sharp decline of renegotiations & early repayments since June 2017 confirmed
  - Gradual revenue improvement expected as of 4Q18
- Strong loan growth confirmed in July 2018 on the back of solid economic growth in France
  - Across all client segments

## Better revenue evolution for French Retail Banking in 2H18

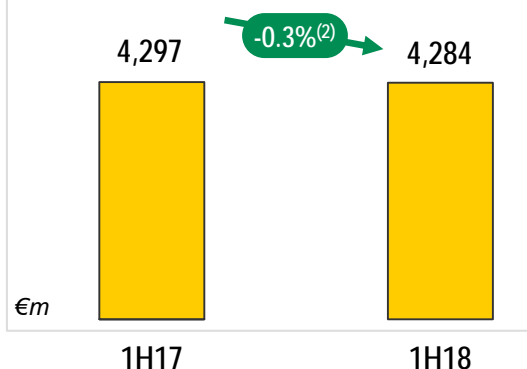
<sup>(1)</sup> > 100 signals an expansion - Source Insee; <sup>(2)</sup> > 50 represents an expansion - Source Markit



# Domestic Markets

## Cost Reduction in the Retail Networks

### Retail networks' operating costs<sup>(1)</sup>

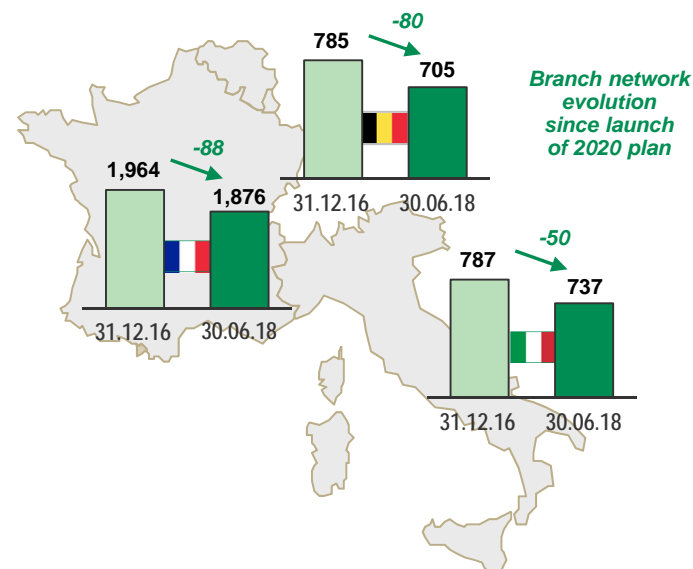


#### Actively deploying digital transformation and new operational model

- Further cost reduction expected in the networks thanks to the ongoing implementation of the 2020 plan

#### Continuing branch network optimisation

- 218 branches closed since 31.12.2016



#### Streamlining regional organisation of networks

- Done at BNL & BRB
- Ongoing at FRB (completed by year-end)



### Ongoing cost reduction in the branch networks

### Digital transformation & network optimisation

<sup>(1)</sup> FRB, BNL bc, BRB and LRB, including 100% of Private Banking; <sup>(2)</sup> Excluding the impact of IFRIC 21



# International Financial Services A Growth Engine for the Group

- **Good revenue growth: +7.5% vs. 1H17<sup>(1)</sup>**

- Up across all the businesses<sup>(1)</sup>
- Average outstanding loans<sup>(2)</sup>: +7.1% vs. 1H17<sup>(1)</sup>
- +2.7% increase in assets under management<sup>(3)</sup> vs. 30.06.17: €1,060 bn as at 30.06.18

- **New partnerships in Personal Finance and Insurance**

- **Personal Finance:**



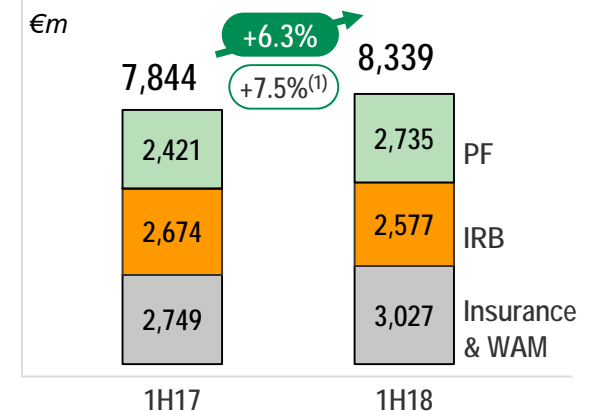
- Auto loans (Kia Motors, Hyundai Motor in France & Spain, Toyota in Portugal)
- New sectors (tourism: TUI in France, telecoms: Masmovil in Spain)
- New countries (Austria: XXXLutz in home furnishings)

- **Insurance:**

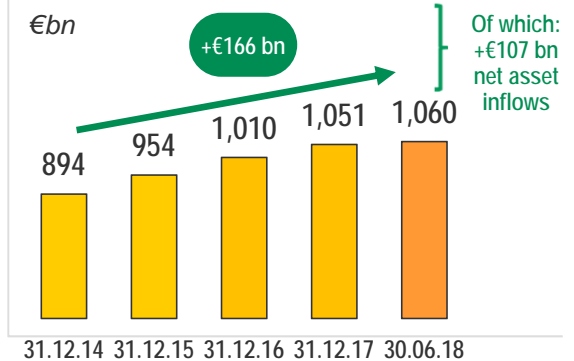
- Successful launch in May of the property & casualty insurance offering in the FRB network via a JV<sup>(4)</sup> between Cardif & Matmut
- 2020 target: multiply by 3 sales of contracts and grow customer penetration rate from 8% to 12%
- Already 60,000 contracts at the end of August



## > Revenues



## > Assets under Management<sup>(3)</sup> evolution



<sup>(1)</sup> At constant scope & exchange rates; <sup>(2)</sup> International Retail Banking & Personal Finance; <sup>(3)</sup> Including distributed assets; <sup>(4)</sup> Cardif IARD

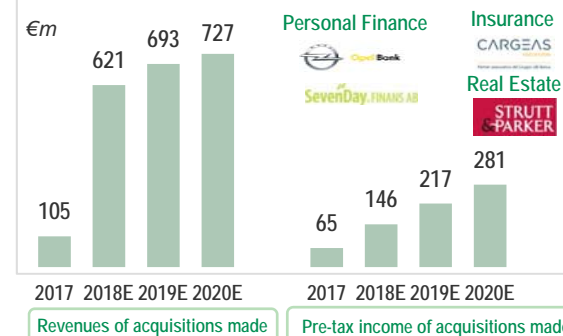


# International Financial Services Growth Enhancing Bolt-on Acquisitions

2017

- ▶ **Personal Finance:** acquisition in partnership with PSA Group of **50% of General Motors Europe's financing activities**
- ▶ **Personal Finance:** acquisition of **SevenDay Finans AB**, a consumer credit specialist in Sweden (70,000 clients)
- ▶ **BNP Paribas Cardif:** buyout of the remaining 50% stake in **Cargeas Italy** (property and casualty insurance)
- ▶ **Real Estate Services:** acquisition of **Strutt & Parker**, leading player in the UK property market

## Contribution of acquisitions made in 2017

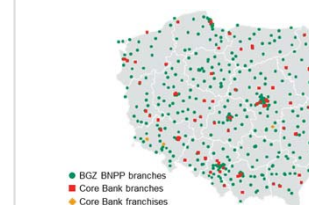


~+1 point of 2016-2020 revenues CAGR

2018

- ▶ **Europe-Med:** announcement of the acquisition of the core banking operations of **Raiffeisen Bank Polska**<sup>(1)</sup>
  - Strengthening of BGZ BNP Paribas as the 6<sup>th</sup> largest bank in Poland with > 6% combined market share<sup>(2)</sup>
  - Acquisition price corresponding to 87% of the book value
  - Positive 1% impact on the Group's net EPS in 2020

## Good complementarity with BGZ BNP Paribas



2019-2020

- ▶ No appetite for further acquisitions
  - Focus on integrating the acquisitions and implementing the 2020 plan

<sup>(1)</sup> Closing of the transaction expected in 4Q18, subject to the execution of the final documentation and regulatory approvals; activities acquired: business of Raiffeisen Bank Polska excluding the foreign currency retail mortgage loan portfolio and excluding a limited amount of other assets; <sup>(2)</sup> Loans and deposits at YE 2017





# Corporate & Institutional Banking

## ▶ Resilient revenues in 1H18 vs. high base in 1H17

- -4.4% exc. unfavourable FX effect & capital gains in 1H17
- Lacklustre market context for FICC in Europe vs. strong 1H17

## ▶ Revenues up 5.5% at constant FX rate vs. 1H16

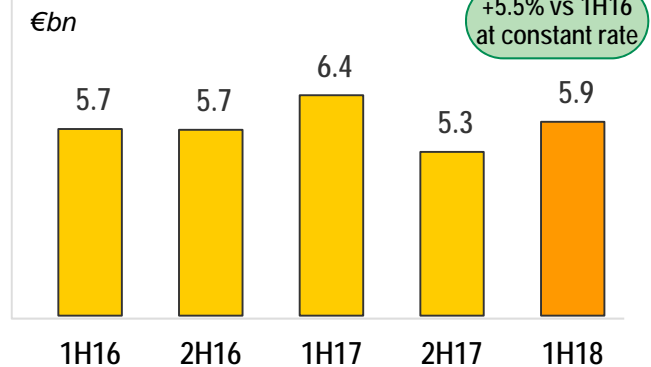
## ▶ Market share gains since 2015 confirmed

- EMEA<sup>(1)</sup> market share close to 4%<sup>(2)</sup>, stable vs. 2017
- Slight increase in the US and Asia Pacific vs. 2017

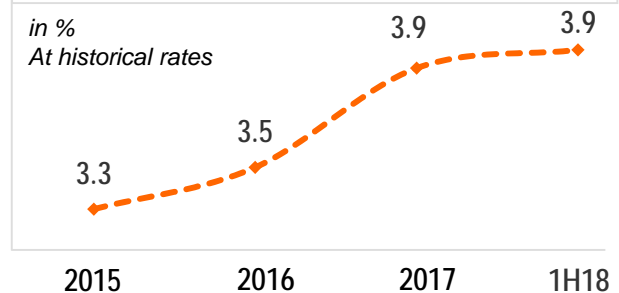
## ▶ Successful strengthening of the Group franchises

- Over 190 new client groups on-boarded since 1<sup>st</sup> January 2017 in EMEA
- Landmark mandates in Securities Services: DWS (€240bn), Carmignac (€44bn), Janus-Henderson (USD 128bn)

## > Revenues



## > Overall EMEA market share

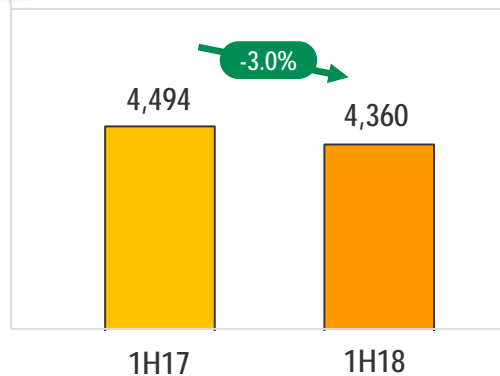


<sup>(1)</sup> Europe, Middle East & Africa ; <sup>(2)</sup> Source: BNP Paribas CIB revenues in EMEA / Coalition's EMEA Industry CIB Revenue Pool Analysis based on historical FX rates



# Corporate & Institutional Banking Implementing the 2020 Plan

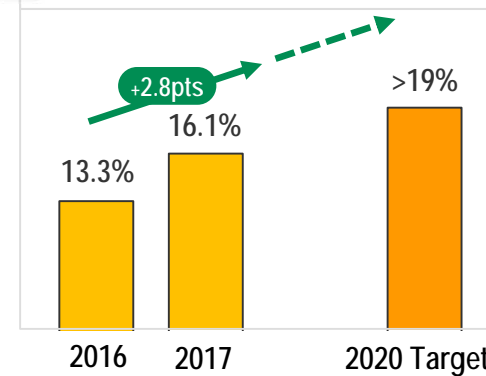
## > CIB costs



### ▶ Operating expenses 1H18: -3.0% vs 1H17

- -4.1% excluding IFRIC21<sup>(1)</sup>
- Development of mutualised platforms
- Digital transformation and automatization of processes

## > Pre-tax RONE<sup>(2)</sup>



### ▶ Allocated equity: €20.3bn in 1H18

- -7.2% vs. 1H17
- €1.9bn reduction vs. 2016

### ▶ Already significant increase in profitability

- 16.1% pre-tax RONE<sup>(2)</sup> in 2017
- 17.7% in 1H18 (annualised)



**Improving operating efficiency**  
**Increasing Return on Equity**

<sup>(1)</sup> Excluding IFRIC 21 «Taxes», €483m in taxes and contributions booked in 1Q18 (€451m in 1Q17); <sup>(2)</sup> Return on Notional Equity



# Successful Digital Transformation New Customer Experiences

DM

- ▶ 8 million digital<sup>(1)</sup> customers
- ▶ Sharp rise in the number of active mobile users: 2.9 million customers (+18% vs. 2Q17), 17 average monthly connections (+6% vs. 2Q17)
- ▶ The leading bank in France in terms of mobile functionalities (D-rating ranking)



IFS

## Personal Finance:

- ▶ 72% of contracts signed electronically in France, Italy & Spain
- ▶ > 22 million monthly digital statements (>70% of total statements)

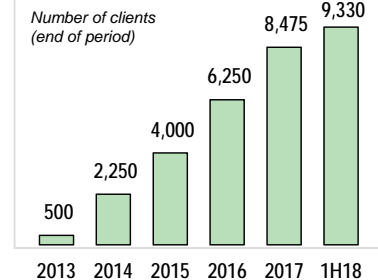


CIB

- ▶ A digital platform for corporates deployed in 45 countries providing access to 31 applications
- ▶ > 9,300 clients (> 90,000 users) as at 30.06.18
- ▶ 850 new clients on-boarded onto Centric since end 2017



## Centric



<sup>(1)</sup> Customers of the digital banks or customers who use digital banking services at least once a month



# Successful Digital Transformation Innovative Technologies & Artificial Intelligence

DM

- ▶ **150 robots** already operational (120 additional robots by year-end 2018)
- ▶ Example: automated *Know Your Customer* process handling 80% of the collection of the necessary documents (representing 20% of the total processing time)

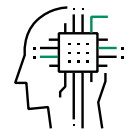
IFS

## Asset Management:

- ▶ **Robo-advisory:** leveraging the acquisition of **Gambit**
  - Roll-out of **Birdee**, a digital investment advisory & management solution for individuals
  - New robo-advisory solutions to support retail & wealth management networks' advisors
- ▶ **Natural Language Generation:** 90 reports on funds generated every month thanks to artificial intelligence

## Personal Finance:

- ▶ **> 75 robots** already deployed (controls, reporting, chatbots,...)



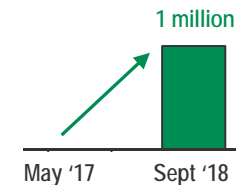
# Successful Digital Transformation New Usage Trends & Launch Innovative Products

## ▶ LyfPay: added-value mobile payment solution to serve client relationship

- Launched in May 2017, already 1 M downloads of the App
- Developed with Crédit Mutuel<sup>(1)</sup> and with leading retail groups such as Carrefour & Auchan
- Roll-out extended to > 500 Casino retail outlets in France (1H18) and gradually to Marionnaud shops by YE 2018
- Aiming to become the European reference for added-value mobile payment solutions



### ▶ App downloads



## ▶ Arval for me

- First online platform for individuals allowing them to service their cars through the auto repair garages under contract with Arval
- Operational in Italy and Spain: already 7,000 clients
- To be gradually extended to other countries



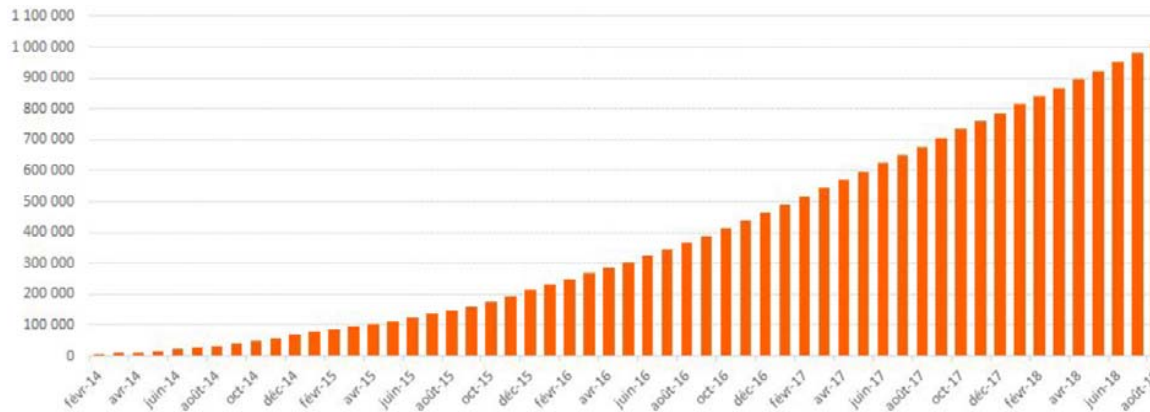
<sup>(1)</sup> CM11-CIC



# Successful Digital Transformation New Account & Payment Services - Focus on Nickel

► **Nickel: strong pace of development**

- > 1 million accounts opened in less than 5 years



- Very successful development in its segment in France
- Offer tailored for clients requiring basic account & payment services
- Targeting 2 million accounts opened in 2020
- Towards 10,000 points of sale (“Buralistes”) by 2020 (vs. current 3,700)



► **Nickel Chrome : a successful start of the new premium card**

- Already 40,000 cards sold in 4 months (May - August 2018)
- Very competitively priced (€30 / year)

- ✓ Insurances & assistance comparable to a Gold card
- ✓ No additional costs abroad
- ✓ Personalised (wide range of colours,...)



# The Commitment of BNP Paribas: Sustainable Finance at the Heart of the Model

<p><b>Recognised contribution to new sustainable finance models</b></p>	<ul style="list-style-type: none"> <li>▪ <b>World's Best Bank</b> for sustainable finance (<b>Euromoney Awards for Excellence 2018</b>)</li> <li>▪ <b>Global Performance Trophy</b> : best Shareholder Meeting in terms of the quality of information</li> </ul> 
<p><b>A transformation lever for BNPP</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Employees ever more positive about the CSR and the commitments of the Group: 75% of employees with a positive opinion (+5 pts vs. 2016)</b></li> </ul>
<p><b>Sense of responsibility rooted in our activities</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Stop the financings to tobacco companies</b></li> <li>▪ <b>Green / sustainable bonds: #2 worldwide in 1H18</b></li> </ul>
<p><b>A major role in the transition toward a low carbon economy</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Stop funding companies whose principal business activity is gas / oil from shale (or oil from tar sands) &amp; gas / oil projects in the Artic region</b></li> <li>▪ <b>Carbon neutrality</b> of BNP Paribas' own operations achieved at the end of 2017</li> </ul> 

# Conclusion

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**Strong and well diversified bank**



**Good macroeconomic context**



**Promising implementation of the transformation plan**



**Successful development of new customer experiences  
and digital transformation**



**Recurring value creation for shareholders**





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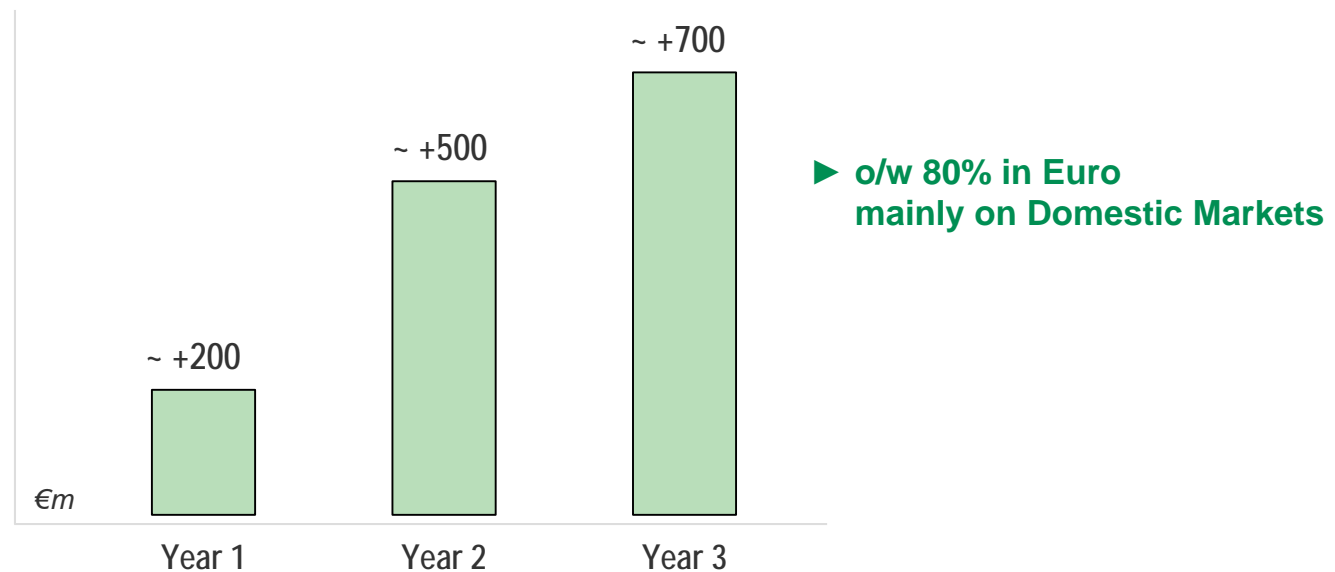
# Appendix

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# Interest Rate Sensitivity Impact on Group Revenues

## Sensitivity of Group revenues to a parallel shift in interest rates

+50 basis points in market rates across all currencies



Additional revenue growth<sup>(1)</sup>

+0.4%

+1.2%

+1.6%

**Significant positive sensitivity of the Group  
to higher interest rates**

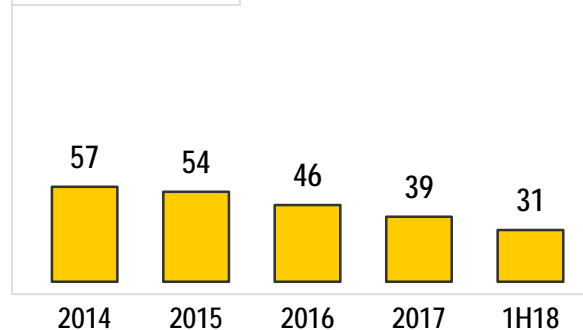
<sup>(1)</sup> Based on 2017 Group revenues



# Cost of Risk - 1H18 (1/2)

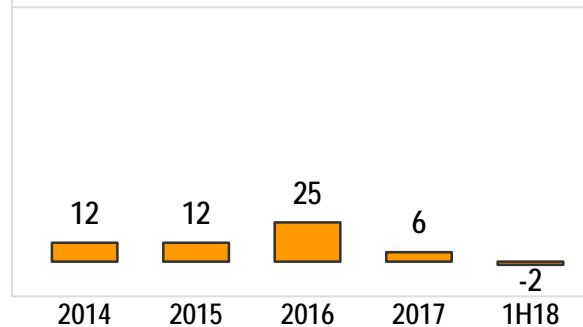
Cost of risk/Customer loans at the beginning of the period (in bp)

## > Group



- Cost of risk: €1,182m (-€72m vs. 1H17)
- Decrease in the cost of risk

## > CIB - Corporate Banking



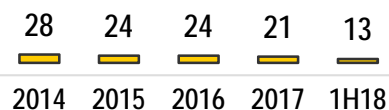
- €14m (+€121m vs. 1H17)
- Provisions offset by write-backs
- Reminder: positive effect of provisions write-backs in 2017



# Cost of Risk - 1H18 (2/2)

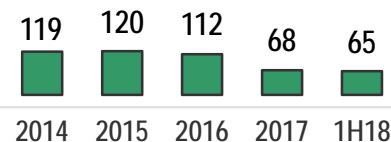
Cost of risk/Customer loans at the beginning of the period (in bp)

## > FRB



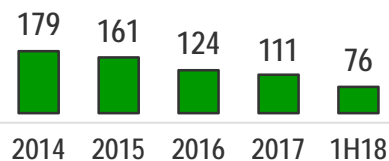
- €113m (-€45m vs. 1H17)
- Very low cost of risk

## > Europe-Mediterranean



- €125m (-€12m vs. 1H17)
- Cost of risk stable at a moderate level

## > BNL bc



- €297m (-€153m vs. 1H17)
- Continued decrease in the cost of risk

## > BancWest



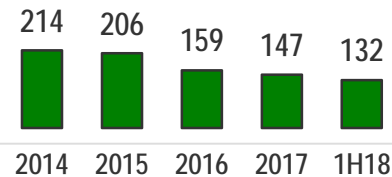
- €25m (-€35m vs. 1H17)
- Low cost of risk

## > BRB



- €4m (-€23m vs. 1H17)
- Provisions offset by write-backs

## > Personal Finance



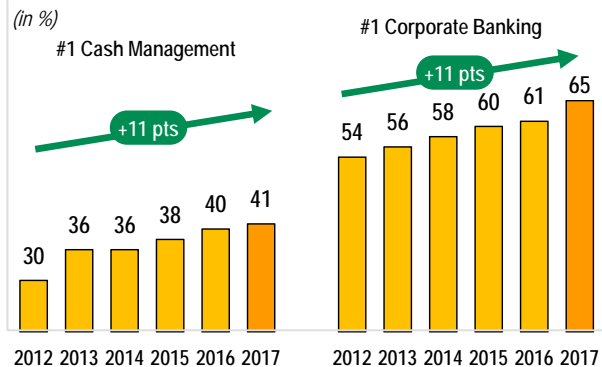
- €541m (+€76m vs. 1H17)
- Effect of the rise in loan outstandings
- Cost of risk at a low level



# Corporate & Institutional Banking

## Growing Customer Franchises

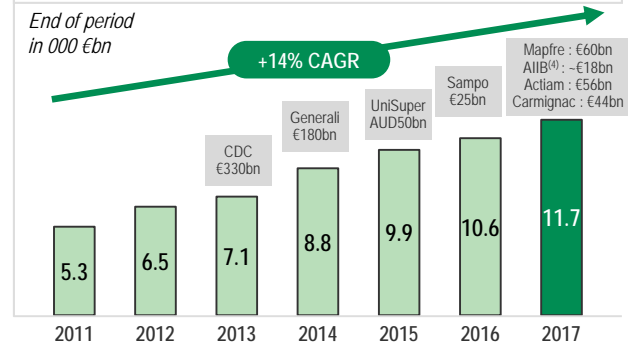
### European market penetration on corporates<sup>(1)</sup>



#### Corporates: strengthening the footprint in targeted countries in Europe

- Notably Germany, Netherlands, UK & Scandinavia
- Over 190 new client groups gained since 1<sup>st</sup> January 2017 in EMEA<sup>(2)</sup>
- Increased penetration in European Corporate Banking & Cash Management

### Strong growth in assets under custody and under administration



#### Institutionals: bolster our presence

- Continuing to gain new mandates in Securities Services & to develop its multi-local model
- Strengthening the coordinated offering of the businesses (*One Bank Approach*)

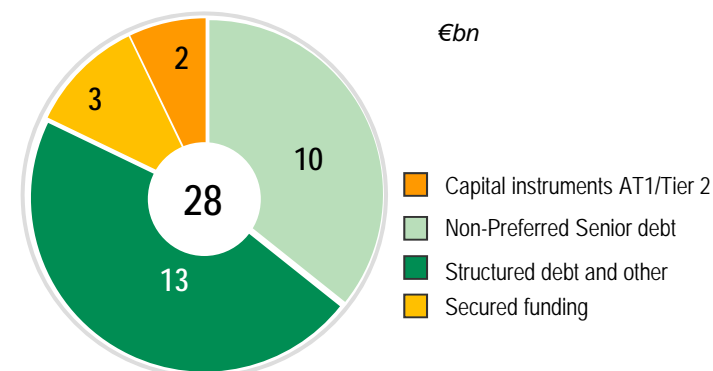
<sup>(1)</sup> Source: Greenwich Share Leader Survey (European Top-Tier Large Corporate Cash Management, European Top-Tier Large Corporate Banking); <sup>(2)</sup> Europe, Middle East & Africa



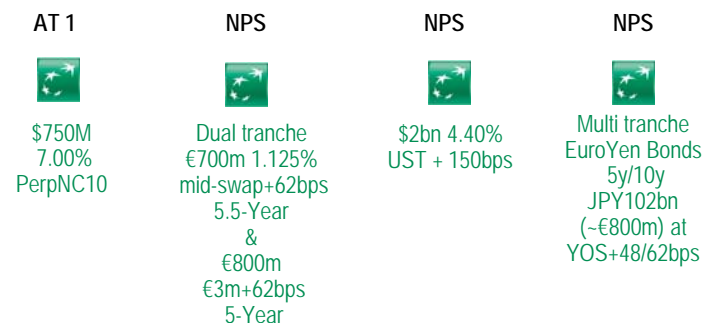
# Wholesale Medium/Long Term Funding 2018 Programme

- Indicative breakdown of 2018 MLT funding plan (€28bn)<sup>(1)</sup>
  - €2bn of AT1 and Tier 2 issuances (target of 3% of RWA by 2020 on capital instruments)
  - €10bn of Non-Preferred Senior, in line with 2017
  - €13bn of structured notes and other
  - €3bn of secured funding allocated equally between Covered Bonds and Securitisation
  
- 2018 total issuances<sup>(2)</sup>: €28bn
  - AT1: USD 750M PerpNC10
  - Tier 2: USD1.4bn
  - Preferred and Non Preferred Senior Debt issued in 2018: €26.2bn
  
- 2018 senior debt issuances<sup>(2)</sup>: €26.2bn, 4.9-year average maturity, mid-swap +49bps
  - Of which NPS issuances: €11.6bn (7.1-year average maturity, mid-swap +70bps)
  - Of which preferred senior issuances: €13.4bn (2.7-year average maturity, mid-swap +14bps)
  - Of which secured funding: €1.1bn (7.5 years, mid-swap -3bps)

## 2018 programme breakdown



## Main issuances of the year



<sup>(1)</sup> Subject to market conditions; <sup>(2)</sup> As at 13 September 2018

