

BNP PARIBAS ADVANCING TOWARDS 2020 AMBITION



Exane BNP Paribas Conference, Paris
12 June 2019



BNP PARIBAS

The bank for a changing world

Disclaimer

The figures included in this presentation are unaudited.

On 29 March 2019, BNP Paribas issued a restatement of its quarterly results for 2018 reflecting, in particular (i) the internal transfer in the 3rd quarter 2018 of Correspondent Banking activities within CIB from Corporate Banking business to Securities Services and (ii) the transfer, effective 1st October 2018, of First Hawaiian Bank (FHB) from the BancWest business to the Corporate Centre following the sale of 43.6% of FHB in 2018 (the remaining stake was sold on 25 January 2019). These changes do not affect Group results as a whole but only the analytical breakdown of IFS (BancWest), CIB (Corporate Banking, Securities Services), and Corporate Centre. The 2018 quarterly result series have been restated reflecting these effects as if they had occurred on 1st January 2018. This presentation is based on the restated 2018 quarterly series.

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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



Ambitious policy of engagement in society



Successful digital transformation and development of new customer experiences



Cost savings ramping up to deliver positive jaws in all operating divisions from 2019



Strong organic capital generation



Advancing towards 2020 ambition



An ambitious policy of engagement in our society with concrete impacts

Strong decisions for a low carbon economy & against tobacco

- **Stop financing** shale gas / oil, oil from tar sands and gas / oil in the Arctic
- **Stop financing the tobacco sector**

A leader in projects with a positive impact

- **World's Best Bank** for sustainable finance (Euromoney Awards for Excellence)
- **Ranked number 3 for all green bonds in 2018 and number 1 in 1Q19**



Support for social entrepreneurship

- **€1.6bn in financing** at the end of 2018
- **Act for Impact:** training relationship managers to cover social entrepreneurship in France



2020 AMBITION

Be a major contributor to the UN SDGs

- Contribution to the **17 Sustainable Development Goals (SDGs)** defined by the United Nations
- **€185bn** (vs €166bn in 2018) in financing for sectors contributing to SDGs

Have a major role in the transition toward a low carbon economy

- **Speed up the Energy Transition** program to help clients implement new energy models
- **Green company for employees** (promote green means of transportation...)

Develop a positive impact culture

- **Train senior bankers** on operations with a positive impact
- Develop tools to **measure the positive impact** of actions undertaken



Successful Digital Transformation New Customer Experiences

DM


- ▶ **Domestic Markets: >8m digital clients** (retail banking)
 - **Sharp rise** in the number of active mobile users: **+20% vs. 1Q18**
(19 monthly connections per user on average)

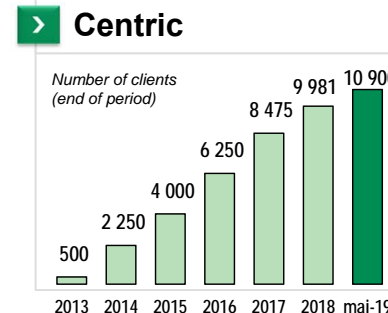
IFS

- ▶ Already **2.5m digital customers in the Europe-Mediterranean networks**
- ▶ Rapid digital development in Personal Finance 
 - **Fully digital** application process for consumer loans already rolled out in **7 countries**
 - **>50% of contracts signed electronically**, >27m monthly electronic account statements (>79% of statements)



CIB

- ▶ **Centric: a digital platform for corporates** deployed in 45 countries providing access to 33 applications 
- ▶ **10,900 clients** representing >100,000 users as at 31.05.19
 - More than 17,000 client connections per day



Successful Digital Transformation Innovative Technologies & Artificial Intelligence

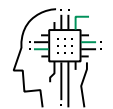
Innovative technologies

- ▶ **Swift development of robotics:** >500 robots already operational in the Group
 - DM: **280 robots** at 31 March 2019 (e.g. automated KYC* process handling 80% of the collection of the necessary documents and roll out of conversational chatbots)
 - IFS: **>210 robots** (controls, reporting, data processing)
 - CIB: good development with notably **70 robots** already operational in Securities Services



Artificial Intelligence

- ▶ **Robo-advisory:** roll out of new products leveraging the acquisition of **Gambit** in wealth management and in asset management
- ▶ **Natural language recognition:** *Innova* solution co-developed in partnership with Fortia by Securities Services to analyze funds documentation
- ▶ **Natural language generation:** 90 reports on funds generated every month in Asset Management thanks to artificial intelligence
- ▶ **Production of algorithms:** Cardif leveraging *Domino Data Lab* (open data science platform) to industrialise collaborative development



* Know Your Customer



Successful Digital Transformation

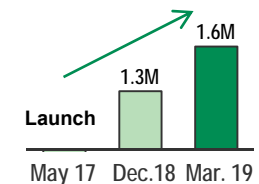
New Usage Trends & Launch Innovative Products

▶ **LyfPay: added-value mobile payment solution** combining payments, loyalty programmes & discount offers

- Launched in May 2017, >1.6m downloads of the App
- Developed with Crédit Mutuel* and with leading retail groups such as Carrefour & Auchan
- Launch in Belgium planned this year: 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 16,500 clients as at 31.03.19
- To be gradually extended to other countries

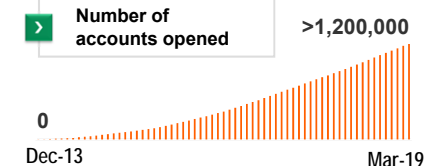


▶ **Rapid growth of Nickel**



- >1.2 million accounts opened (+360,000 vs. 31.03.18)
- Significant increase in new accounts opened in 1Q19: +18% vs. 1Q18
- Sharp rise in the number of points of sale (*Buralistes*): 4,800 (+59% vs. 31.03.18)

▶ Number of accounts opened



* CM11-CIC

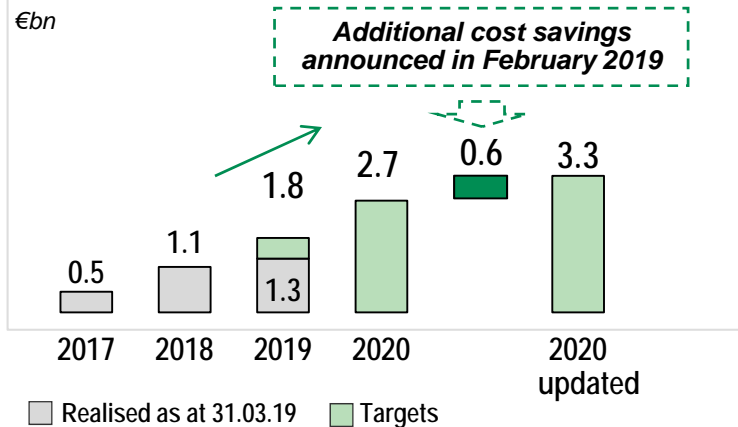


2020 Transformation Plan

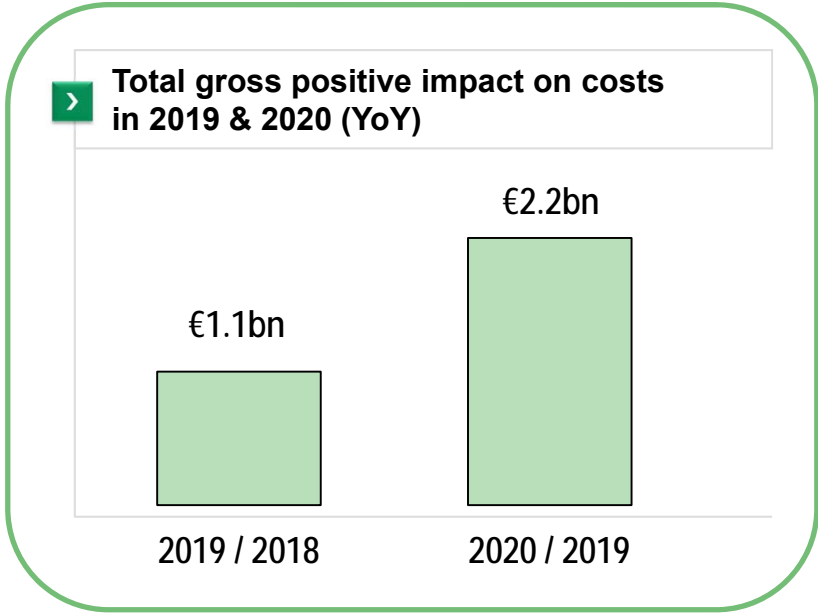
5 levers for a new customer experience & a more effective and digital bank

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

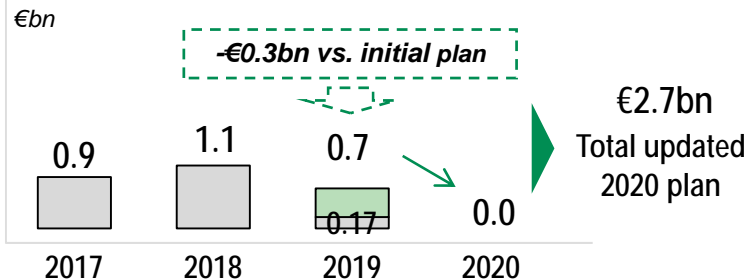
> Ramping up of cumulated recurring cost savings



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



> Reduction of one-off transformation costs



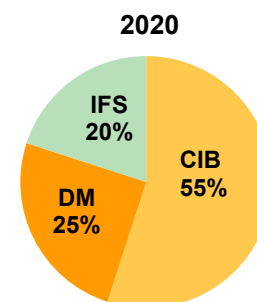
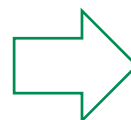
> Significant cost benefits to come in 2019 and 2020 to generate positive jaws effect in each division



€600M Additional Recurring Cost Savings by 2020

➤ **€600m additional cost savings vs. the initial plan announced in February 2019**

- €350m in CIB
- €150m in DM
- €120m in IFS



Human resources

- ▶ **Strict external hiring discipline - Foster internal mobility**
- ▶ **Significantly reduce external assistance / contractors**

IT

- ▶ **Further streamlining of the IT organisation**
- ▶ **Selective use of the public cloud** to reduce operating costs
 - Evolving progressively towards hybrid Cloud

Real estate

- ▶ **Optimisation of real estate footprint**
 - Stepping-up of flex offices
 - Near shoring initiatives
 - Proactively manage real estate portfolio (e.g. sell Paris centre buildings; relocate in the periphery)

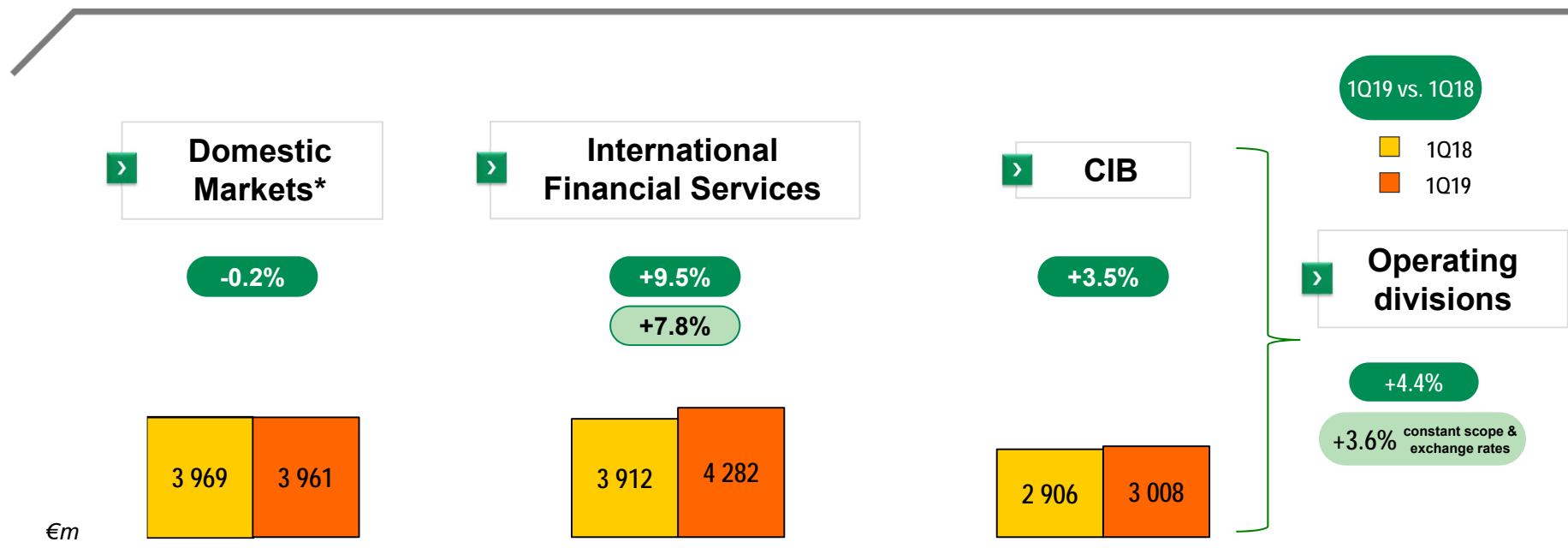
Control functions

- ▶ **Reinforcement of the industrialisation of the functions**
 - Increased use of artificial intelligence (compliance, risks...)
 - Streamlining of the set-up in connection with international mutualized competence centres



1Q19 Group Results

Revenues of the Operating Divisions



- Domestic Markets: decrease in revenues of the networks due to low interest rates but good growth of the specialised businesses
- IFS: very good growth
- CIB: increase in revenues due to the upturn in the client activity during the quarter

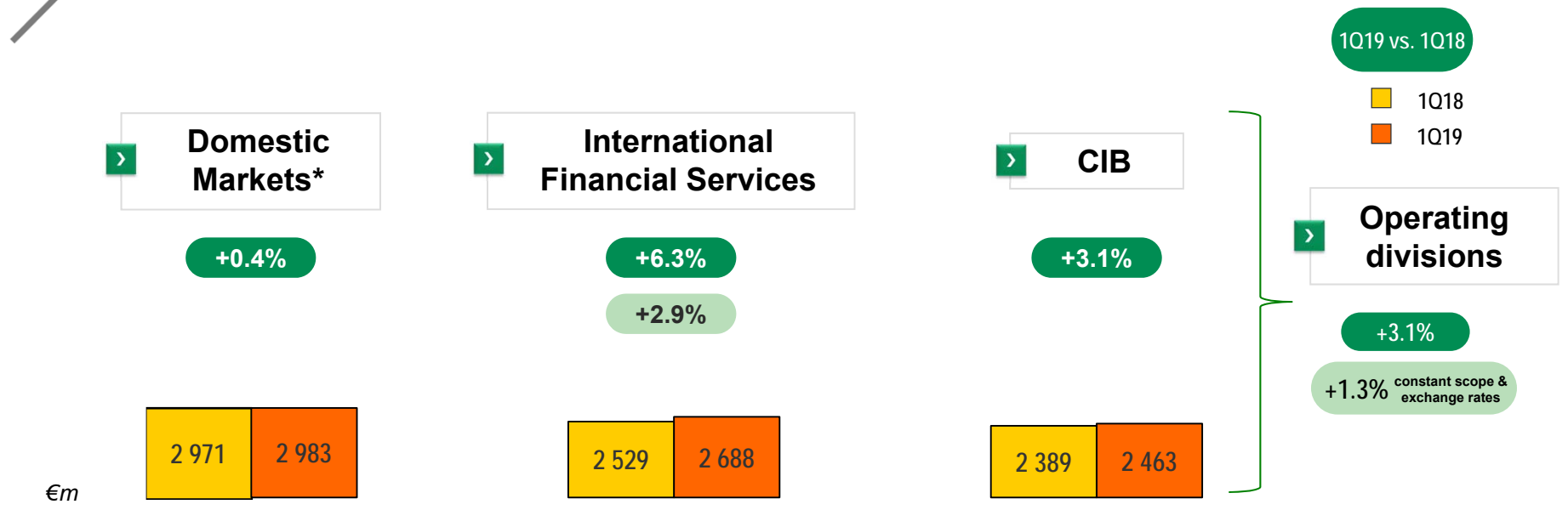
Good growth in the revenues of the operating divisions

* Including 100% of Private Banking in France (excluding PEL/CEL effects), in Italy, Belgium and Luxembourg



1Q19 Group Results

Operating Expenses of the Operating Divisions



- Domestic Markets: increase in the specialised businesses as a result of the development of the activity (with a positive jaws effect) and operating expenses down in the networks (-0.4%**)
- IFS: support of the increase in business and development of new products (positive jaws effect)
- CIB: increase on the back of the development of the activity, active implementation of cost saving programmes (positive jaws effect)

Impact of the cost saving measures
Positive jaws effect

* Including 100% of Private Banking in France, Italy, Belgium and Luxembourg; ** FRB, BNL bc and BRB excluding the impact of IFRIC 21



Domestic Markets

Moving Towards 2020 Action Plan Objectives

Strengthen the sales & marketing drive and grow revenues

- ▶ Continue **digital transformation** to enhance customer experience, offer new services, acquire new customers
- ▶ Leverage on **leading positions** (private banking, corporates)
- ▶ Continue to **grow the specialised businesses** in growing markets (Arval, Leasing Solutions, Personal Investors & Nickel)

Improve operating efficiency

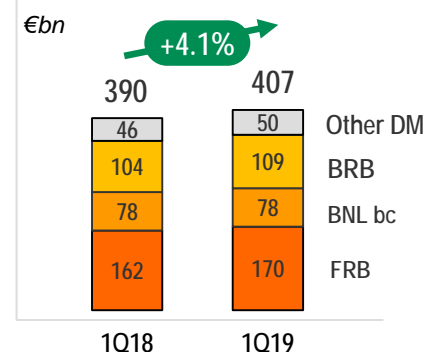
- ▶ Intensify **cost reduction measures** and generate a **positive jaws effect starting from 2019**
- ▶ Continue **adapting the branch network** and support the growth of the specialised businesses
- ▶ **Streamline the organisation of the businesses** (simplification, standardisation and adapt the information systems)

Continue the rigorous risk management policy

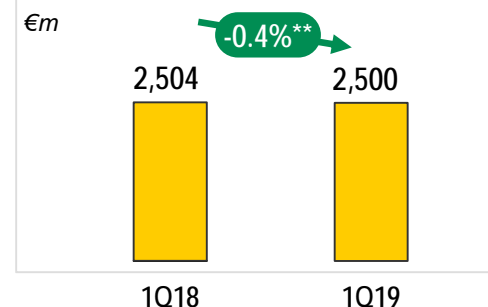
- ▶ Continue to improve the risk profile of **BNL bc**: target of a cost of risk at 50 bp in 2020 confirmed
- ▶ Low interest rate environment still favourable for cost of risk

1Q19

> Loans



> Retail networks' operating costs*



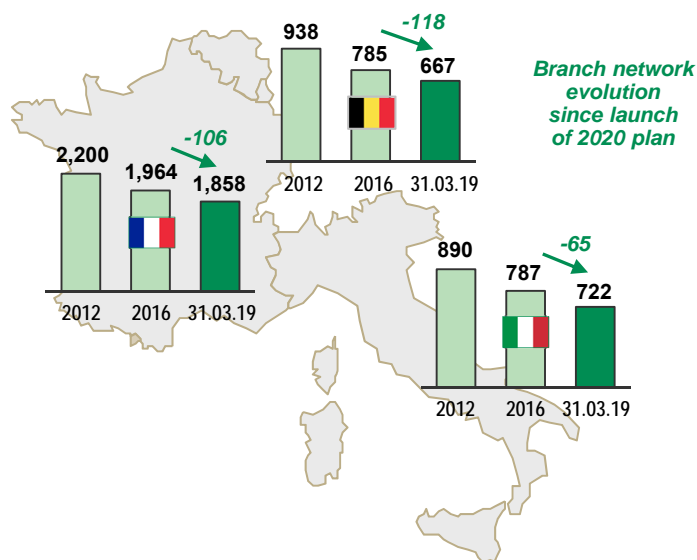
* FRB, BNL bc and BRB, including 100% of Private Banking; ** Excluding IFRIC 21 impact



Domestic Markets

Continuing Retail Networks Reduction

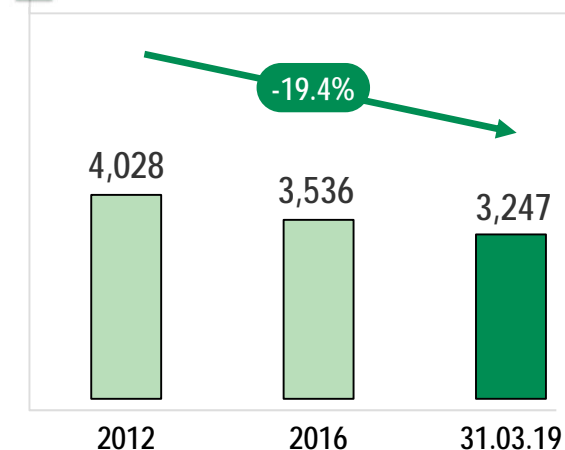
- ▶ Actively deploying digital transformation and new operational model
- ▶ Continuing branch network reduction



- ▶ Simplification & adaptation of the branch network management in the 3 networks

▶ -781 branches since 2012
o/w -289 branches since 2016

▶ # of branches in the 3 Retail networks



- ▶ Further reductions planned thanks to the implementation of the 2020 plan
 - E.g. BNP Paribas Fortis' announcement in 1Q19 of the closure of 267 branches by 2021

▶ Digital transformation & branch network optimisation

International Financial Services Moving Towards 2020 Action Plan Objectives (1/2)

Pursue the growth of the businesses

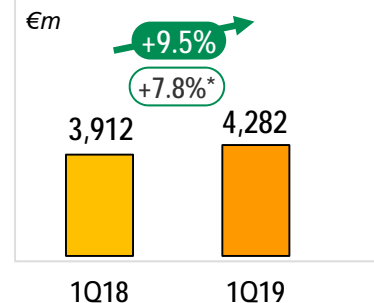
- ▶ **Consolidate leading positions in the business units** by leveraging best in class offers
- ▶ **Continue digital transformation:** new client experiences, end-to-end processes and optimisation of data to further improve the offering
- ▶ Continue the **selective development of retail banking** outside the Eurozone and **strengthen intra-Group cooperation**
- ▶ **Execute the integration of acquisitions made**

1Q19



Best European Private Banking for the 3rd year in a row

Revenues



Merger of Raiffeisen Bank Polska** with BGZ BNP Paribas



- Rebranded BNP Paribas Bank Polska
- Active implementation of cost synergies (-97 branches in 1Q19)

** Activities acquired: business of Raiffeisen Bank Polska excluding the foreign currency retail mortgage loan portfolio and excluding a limited amount of other assets, acquisition finalised on 31 October 2018
*At constant scope and exchange rates;



International Financial Services Moving Towards 2020 Action Plan Objectives (2/2)

Improve operating efficiency

- ▶ **Industrialise & pool the processes in all the businesses**
 - Speed up the deployment of robots in all the businesses and set up of competence centres in robotics
- ▶ **Streamline the product offering (Asset Management, Insurance)**
 - Simplification of the organisation in Asset Management with in particular the reduction in the number of legal entities and the ongoing roll-out of the Aladdin IT outsourcing solution
- ▶ **Implement digital initiatives specific to each of the businesses** (distribution and client acquisition, management of product life cycles, new full digital products, etc.)
- ▶ **Intensify cost reduction measures**

1Q19

Recurring cost savings:

€50m generated in 1Q19
(€338m since launch of transformation plan)



Personal Finance: 32 million self-care transactions done by clients or **77% of total**



Cost reduction measures:
transfer of support functions to less costly area (Arizona)



Largely positive jaws effect: +3.2 pts



Corporate and Institutional Banking Moving Towards 2020 Action Plan Objectives (1/2)

Focus on profitable growth

▶ Continue strengthening leading positions in Europe and selective development in the US and Asia

- # 1 in corporate banking and in cash management in Europe*
- # 2 for syndicated loans in the EMEA** region,
- *Best Global Bank* for trade finance***



▶ Deepen the integrated model

- Good start of *Capital Markets*, new joint platform between Corporate Banking and Global Markets in Europe

▶ Develop innovative offers

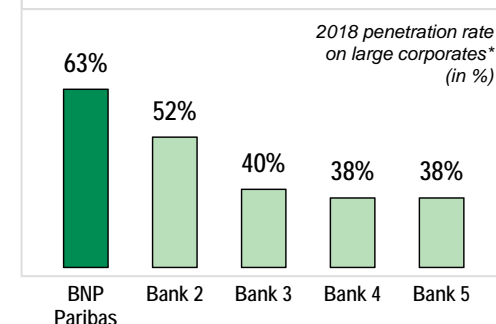
- Multi-dealer platforms: # 1 in volume for rate swaps in euros, # 3 on government bonds in euros and # 5 on forex

▶ Continue the development of sustainable finance

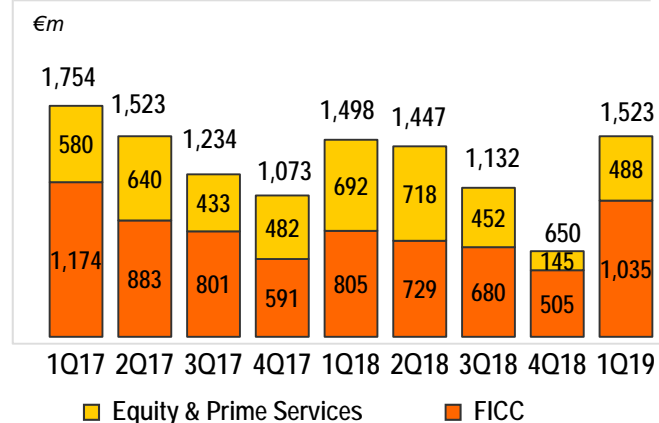
- #1 all green bonds in 1Q19

➔ **1Q19 CIB revenues: +3.5% vs. 1Q18**

▶ Corporate banking in Europe



▶ Global Markets Revenues



* Source: Greenwich Share Leaders – 2019 European Large Corporate Banking & European Large Corporate Cash Management ;
** Source: Dealogic March 2019, bookrunner in volume ; *** Source: Global Finance Best Trade Finance Provider 2019



Corporate and Institutional Banking Moving Towards 2020 Action Plan Objectives (2/2)

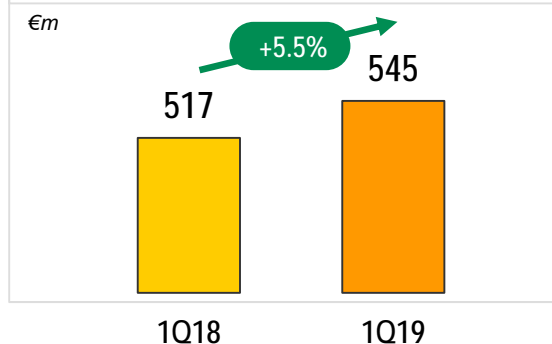
Intensify transformation efforts

- ▶ **Continue the industrialization to reduce costs**
 - €65m of additional recurring cost savings in 1Q19: reinforcement of the front-to-back approach, development of shared platforms (near-shoring), digital transformation...
 - €850m in recurring savings by 2020 (of which €350m in additional savings vs. the initial plan)
- ▶ **Positive impact of the repositioning of FICC**
 - Electronic platforms, realignment of local markets and forex, stopped Opera Trading's proprietary business and commodity derivatives in the US
- ▶ **Focus on improving profitability**
 - Increase in the gross operating income
 - Stability of RWA in 2020 compared to 2016

1Q19

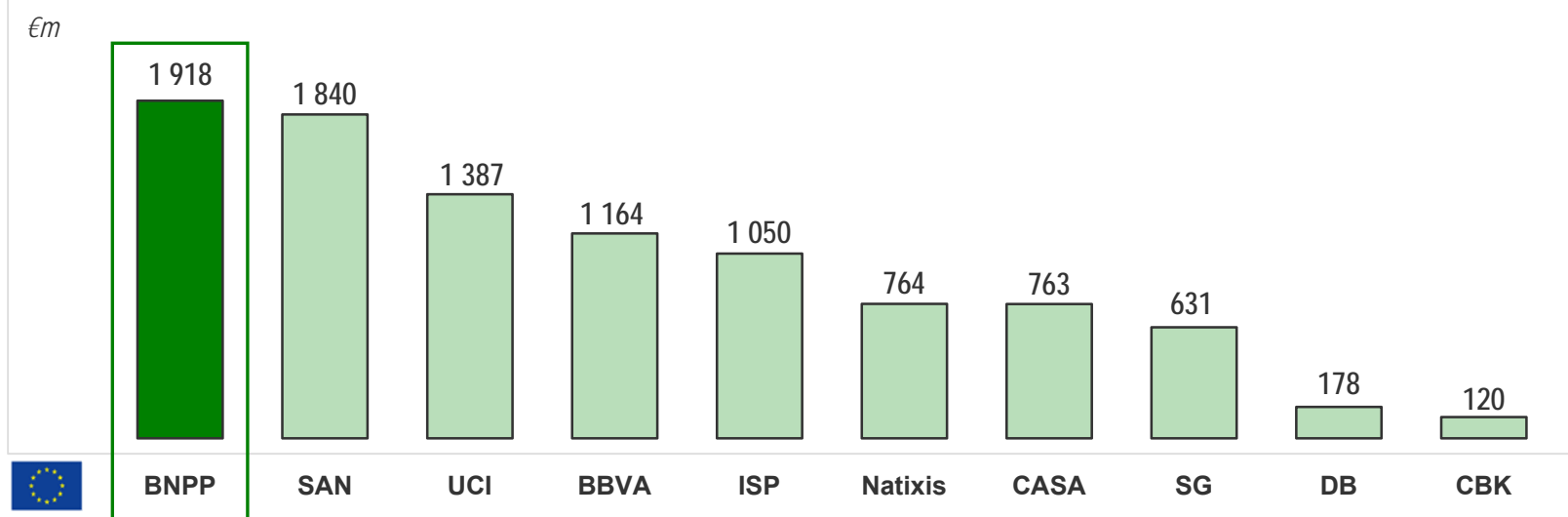
Positive jaws in 1Q19: +0.4 pt

▶ Gross operating income



Strong Group Profit Generation Capacity

> 1Q19 Net Income attributable to equity holders



- 1Q19 profitability
 - Return on equity: 9.7%*
 - Return on tangible equity: 11.2%*
- **Earnings per share (EPS) growth target: > +25% (2020 vs. 2018)**
 - Full benefits of the plan to come in 2020

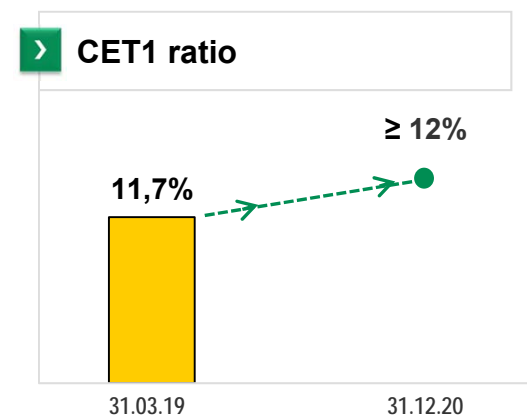
* Excluding positive exceptional items of +€330m after tax



Strong Organic Capital Generation

Active Management of the Balance Sheet

- Active management of the balance sheet
 - Solid track record: \$3.8bn total cash proceeds generated from the sale of **First Hawaiian Bank**
 - Sale of 14.3% of **SBI Life** shares* in 1Q19: >€0.8bn capital gain
→ >+10 bps of CET1 ratio in 1Q19
 - **Securitisations** to come (e.g. consumer loans)
→ ~+10 bps of CET1 ratio by year-end 2019
 - Ongoing development of **Originate & Distribute** leveraging new **Capital Markets** platform in CIB
- No new acquisitions envisaged (2019-2020)
- Organic capital generation of at least 30 bps per year (after dividend distribution)

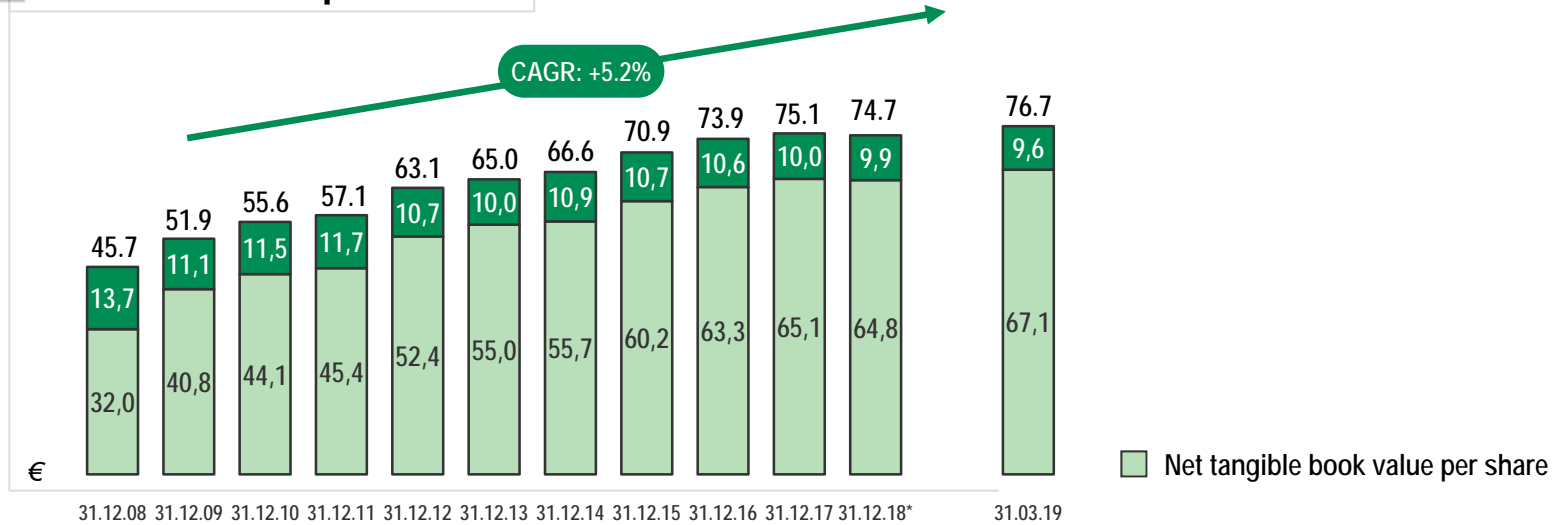


* Sales of 9.23% of SBI Life on 1 March 2019 and of 5.07% on 29 March 2019

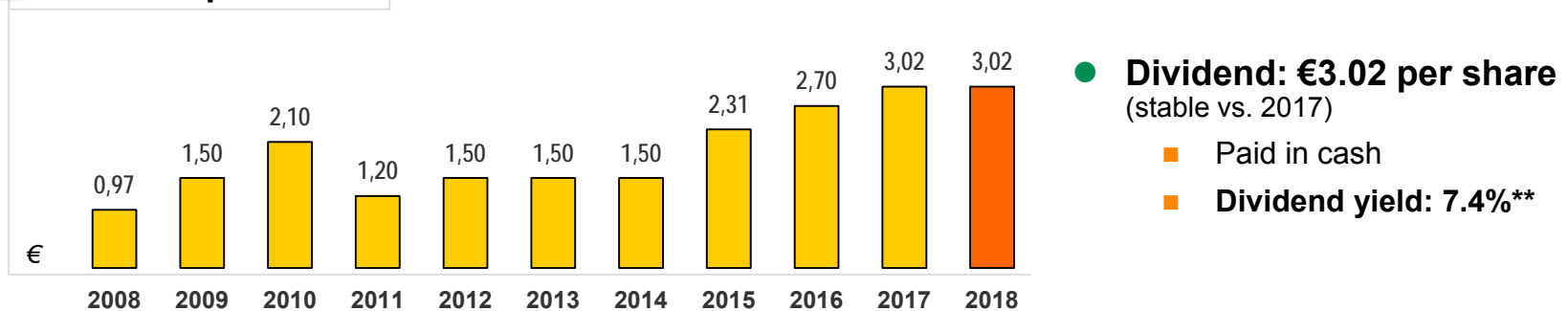


Recurrent Value Creation for Shareholders

> Net book value per share



> Dividend per share



* Reminder: equity impact of the first time application of IFRS 9 as at 01.01.18: -€2.5bn or -€2 per share ; ** Based on the closing price on 31 May 2019 (€40.88)



Conclusion



Business growth in 1Q19



Cost savings ramping up to deliver positive jaws in all operating divisions from 2019



Successful digital transformation



Strong organic capital generation



Advancing towards 2020 ambition

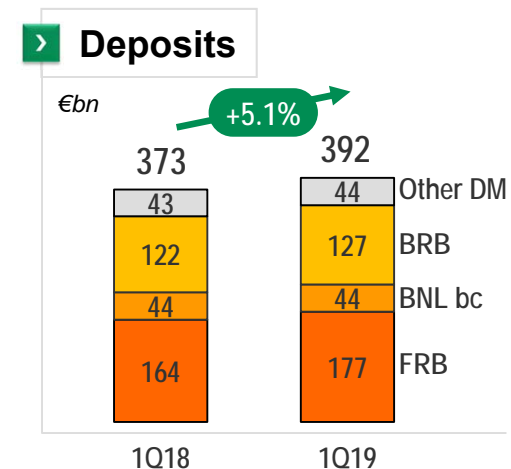
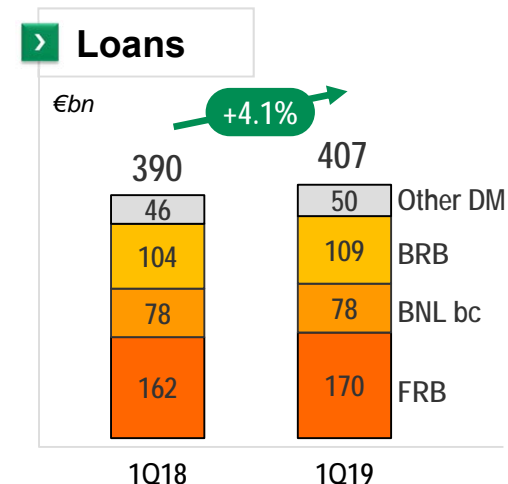


Appendix



Domestic Markets - 1Q19

- Growth in business activity
 - Loans: +4.1% vs. 1Q18, good loan growth in retail networks and in the specialised businesses (Arval, Leasing Solutions)
 - Deposits: +5.1% vs. 1Q18, growth in all countries
- Good digital development
 - Sharp rise in the number of active mobile users in networks (+20% vs. 1Q18); 19 connections on average per user and per month
- Revenues*: €3,961m; -0.2% vs. 1Q18 (+0.6% at constant scope & exchange rates)
 - Impact of low interest rates partly offset by increased activity
 - Impact at the beginning of the quarter on financial fees of the unfavourable market environment
 - Continued growth of the specialised businesses
- Operating expenses*: €2,983m; +0.4% vs. 1Q18 (+0.4% at constant scope & exchange rates)
 - Rise in the specialised businesses on the back of the activity growth
 - Decrease in the networks (-0.4%** vs. 1Q18)
 - Positive jaws effect at constant scope and exchange rates
- Pre-tax income***: €608m (-7.6% vs. 1Q18)



Good business drive
Impact at the beginning of the quarter of the fall in markets in 4Q18

* Including 100% of Private Banking, excluding PEL/CEL; ** FRB, BNL bc and BRB, excluding the impact of IFRIC 21; *** Including 2/3 of Private Banking, excluding PEL/CEL

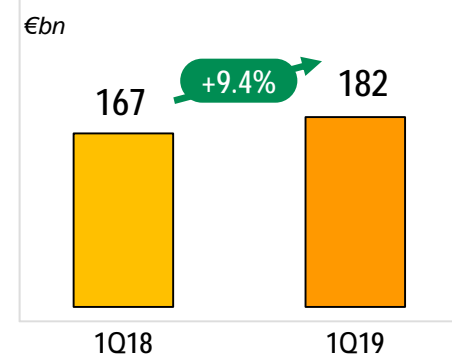


International Financial Services - 1Q19

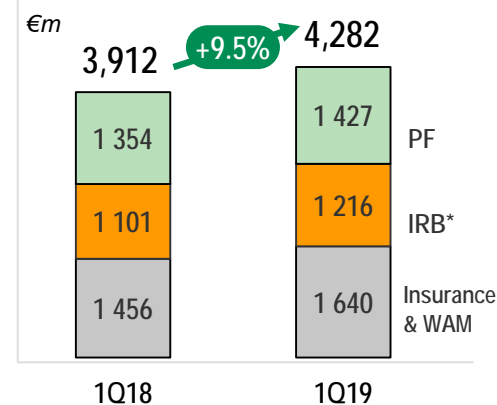
- Sustained business activity
 - Outstanding loans: +9.4% vs. 1Q18 (+6.4% at constant scope and exchange rates)
 - Net asset inflows: +€3.0bn; assets under management: +2.3% vs. 31.03.18
 - Digital: already 2.5 millions digital clients in the Europe-Mediterranean networks and > 50% of contracts signed electronically at Personal Finance

- Revenues: €4,282m; +9.5% vs. 1Q18
 - +7.8% at constant scope and exchange rates
- Operating expenses: €2,688m; +6.3% vs. 1Q18
 - +2.9% at constant scope and exchange rates as a result of business development
 - Largely positive jaws effect
- Operating income: €1,165m; +13.6% vs. 1Q18
 - +16.6% at constant scope and exchange rates
- Pre-tax income: €1,279m (+4.7% vs. 1Q18)
 - +13.0% at constant scope and exchange rates

> Outstanding loans



> Revenues



> **Good business growth**
Positive jaws effect

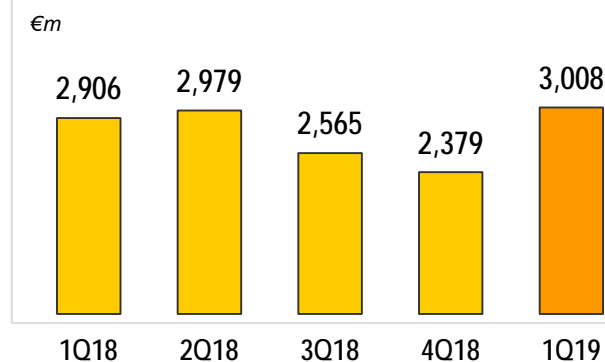
* Including 2/3 of Private Banking in Turkey and in the United States



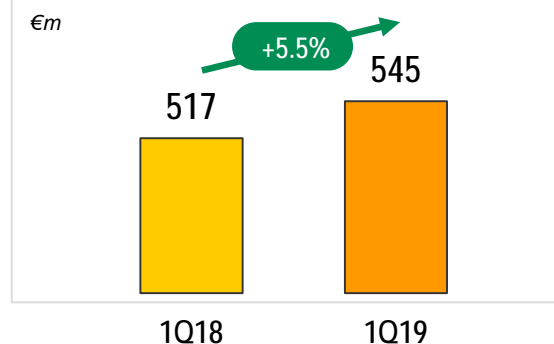
Corporate and Institutional Banking - 1Q19

- Acceleration of the transformation
 - Discontinued Opera Trading's proprietary business and commodity derivatives in the United States
 - Creation of Capital Markets, a joint platform of Corporate Banking and Global Markets for corporate financing
 - Implementation of the additional cost saving plan
- Revenues: €3,008m (+3.5% vs. 1Q18)
 - Global Markets (+3.8%*): upturn in the client activity; context still lacklustre at the beginning of the quarter
 - Corporate Banking (+5.2%*): good growth in the business
 - Securities Services (-0.1%): less favourable context this quarter
- Operating expenses: €2,463m (+3.1% vs. 1Q18)
 - Increased business as well as scope effects (Securities Services)
 - Effect of cost saving measures (€65m) and implementation of digital transformation (automation, end-to-end processes)
 - Positive jaws effect (+0.4pt)
- Gross operating income: €545m (+5.5% vs. 1Q18)
- Pre-tax income: €514m (-7.9% vs. 1Q18)
 - 1Q18 reminder: provisions offset by write-backs

> Revenues



> Gross operating income**



> Business growth and positive jaws effect

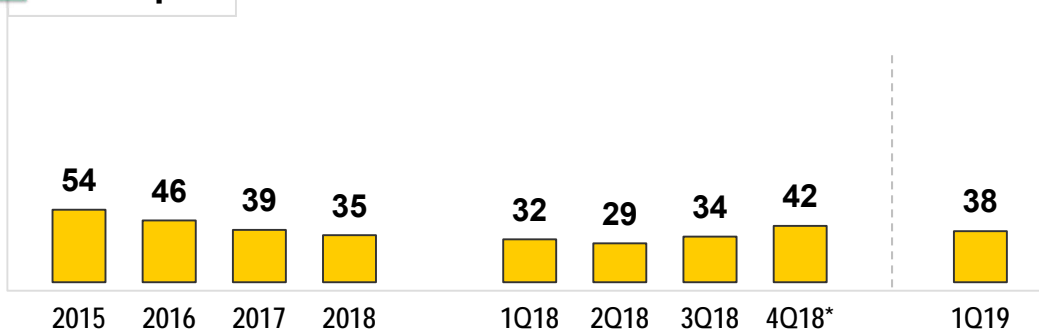
* Excluding the effect of the creation of Capital Markets (transfer of €31m in revenues from Global Markets FICC to Corporate Banking in 1Q19); ** Amount of taxes & contributions subject to IFRIC 21: €467m in 1Q19 and €482m in 1Q18



Variation in the Cost of Risk by Business Unit (1/3)

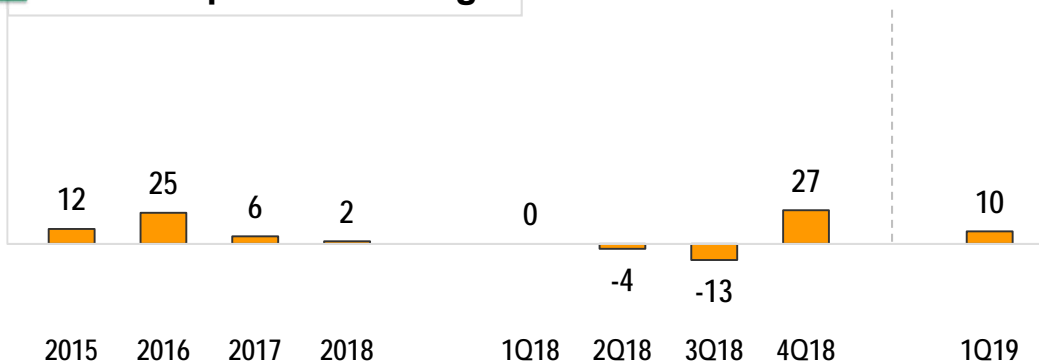
Cost of risk/Customer loans at the beginning of the period (in annualised bp)

> Group



- Cost of risk: €769m
 - -€127m vs. 4Q18
 - +€154m vs. 1Q18
- Low cost of risk
- Rise non meaningful vs. 1Q18
 - Reminder: particularly low level in 1Q18 due to provision write-backs at CIB and Personal Finance

> CIB - Corporate Banking



- Cost of risk: €35m
 - -€57m vs. 4Q18
 - +€36m vs. 1Q18
- Low cost of risk
- Reminder: provisions offset by write-backs in 1Q18

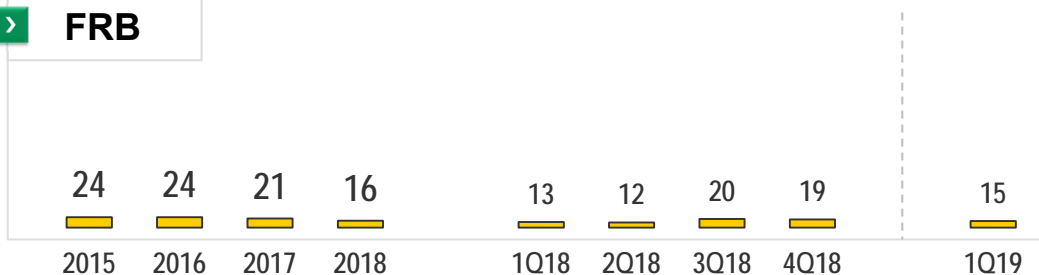
* Excluding booking of the stage 1 provisions on the portfolio of non-doubtful loans of Raiffeisen Bank Polska



Variation in the Cost of Risk by Business Unit (2/3)

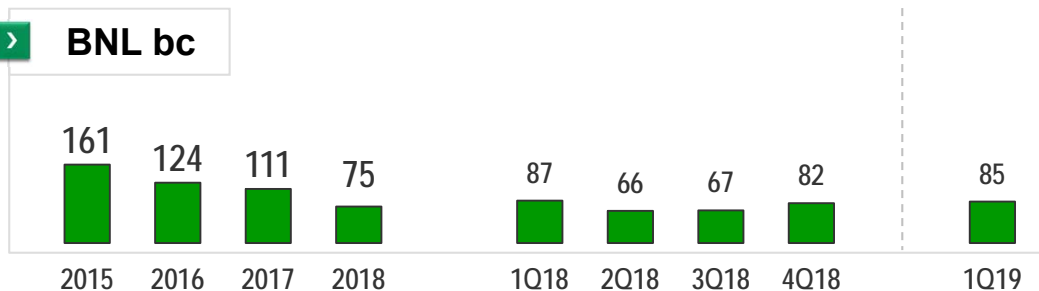
Cost of risk/Customer loans at the beginning of the period (in annualised bp)

FRB



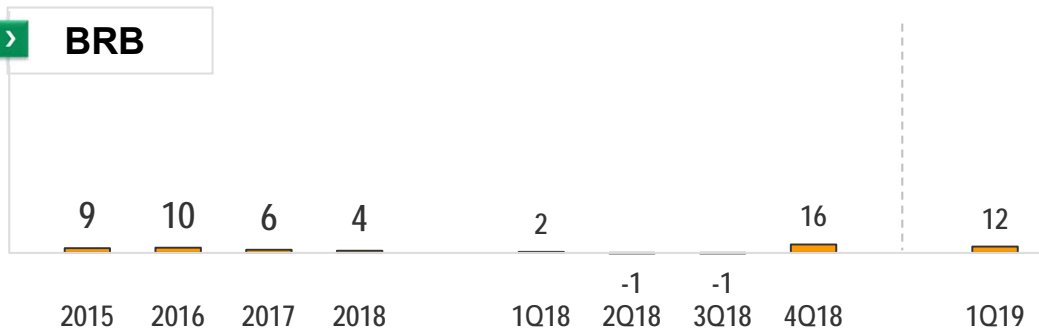
- Cost of risk: €72m
 - -€13m vs. 4Q18
 - +€13m vs. 1Q18
- Low cost of risk

BNL bc



- Cost of risk: €165m
 - +€1m vs. 4Q18
 - -€4m vs. 1Q18
- Confirmation of the decrease in the cost of risk
- Impact of the deterioration of a specific file this quarter

BRB



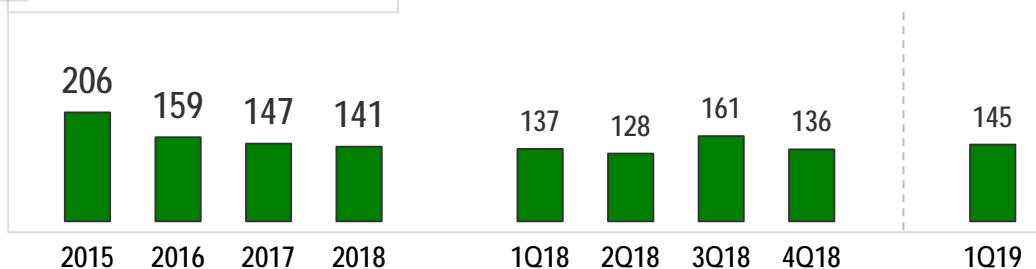
- Cost of risk: €34m
 - -€9m vs. 4Q18
 - +€28m vs. 1Q18
- Very low cost of risk



Variation in the Cost of Risk by Business Unit (3/3)

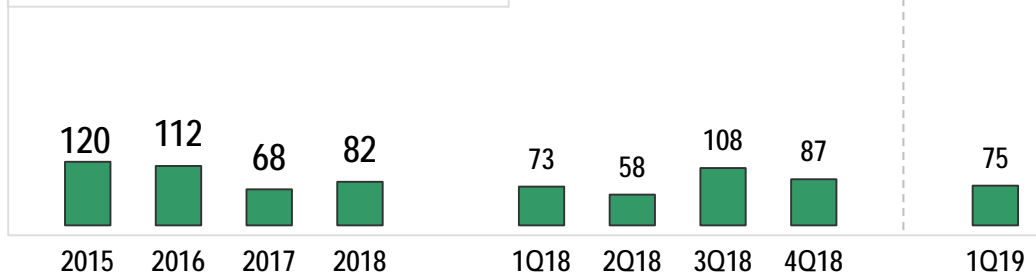
Cost of risk/Customer loans at the beginning of the period (in annualised bp)

> Personal Finance



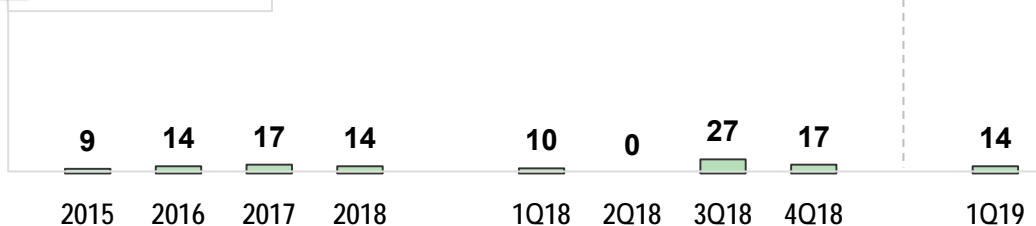
- Cost of risk: €329m
 - +€30m vs. 4Q18
 - +€54m vs. 1Q18
- Low cost of risk
- Reminder: cost of risk particularly low in 1Q18 due to provision write-backs

> Europe-Mediterranean



- Cost of risk: €77m
 - -€1m vs. 4Q18
 - +€7m vs. 1Q18
- Cost of risk stable at a moderate level

> BancWest

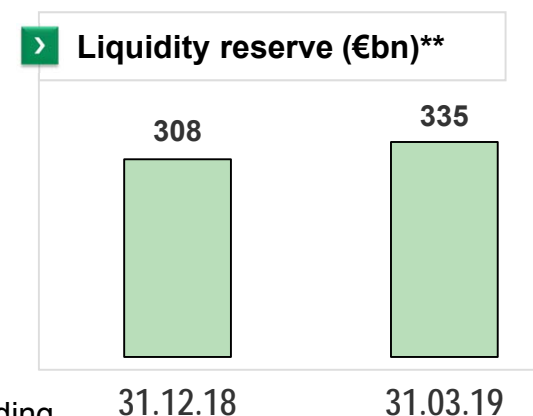
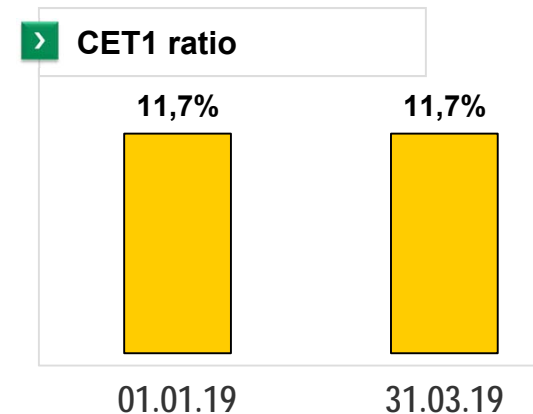


- Cost of risk: €18m
 - -€4m vs. 4Q18
 - +€6m vs. 1Q18
- Low cost of risk



Financial Structure

- **Reminder CET1 as at 31.12.18: 11.8%**
 - Impact as at 01.01.19 of the first time application of the new accounting standard IFRS 16 (« Leasing »): -10 bp
 - ⇒ Pro forma CET1 ratio as at 01.01.19: 11.7%
- **CET1 ratio: 11.7% as at 31.03.19 (stable vs. 01.01.19)**
 - 1Q19 results excluding IFRIC 21 and exceptional non operating items, after taking into account a 50% dividend pay-out ratio (+20 bp)
 - Net impact of the capital gain from the sale of 14.3% of SBI Life and of goodwill impairments (+10 bp)
 - Impact of taxes and contributions subject to IFRIC 21 after taking into account a 50% pay-out ratio (-10 bp)
 - Increase in risk-weighted assets excluding foreign exchange effect (-20 bp), securitisations scheduled for this quarter having been deferred to the coming quarters
 - Overall limited impact of other effects on the ratio
- **Leverage ratio*: 4.2% as at 31.03.19**
- **Immediately available liquidity reserve: €335bn****
(€308bn as at 31.12.18): room to manoeuvre > 1 year in terms of wholesale funding

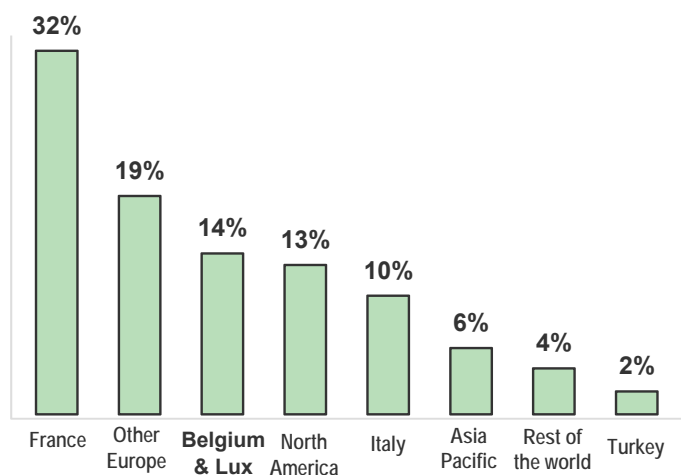


> **Very solid financial structure**

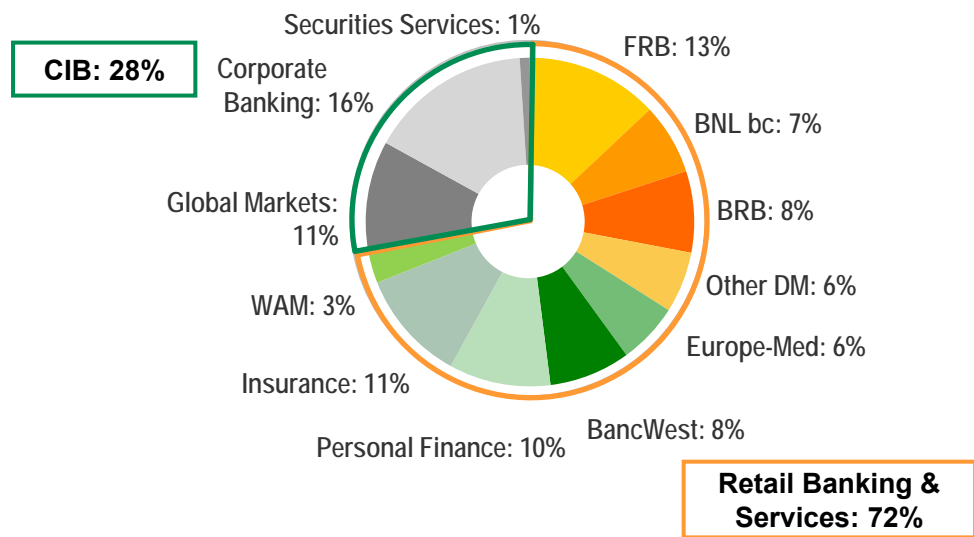
* Calculated according to the delegated act of the EC dated 10.10.2014 on total Tier 1 Capital;
 ** Liquid market assets or eligible to central banks (counterbalancing capacity) taking into account prudential standards, notably US standards, minus intra-day payment system needs

A Business Model Well Diversified by Country and Business

> **2018 Gross Commitments* by region**
>90% in wealthy markets



> **2018 Allocated equity by business**
No single business line > 16%



- 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**

* Total gross commitments, on and off balance sheet, unweighted of €1,530 bn as at 31.12.18