BNP Paribas– Third Quarter 2024 Results

31 October 2024

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RESULTS THIRD QUARTER 2024

Jean-Laurent Bonnafé,
Group Chief Executive Officer

Thank you. Good afternoon, ladies and gentlemen. Welcome to the presentation of our third quarter 2024 results. As usual, at the end of the presentation, Lars and I will be pleased to take your questions.

3RD QUARTER 2024 | BNP Paribas achieves high Net Income of €2,868m (+5.9%)

Moving to the core of the presentation with slide three, our net income group share reached €2.9 billion in the third quarter of 2024. This was a very strong quarter for BNP Paribas, driven by good performance across our operational divisions. Our revenues are up 2.7% compared to the third quarter 2023 on a distributable basis. All in all, an outstanding quarter for CIB, which was up 9% year on year with global markets leading the way. Meanwhile, CPBS generated stable revenues excluding revenues from used cars disposals at Arval.

We see positive momentum in the Commercial and Personal Banking activities in the eurozone; France being a good illustration with a 1.6% increase in revenues in third quarter 2024 versus third quarter 2023. I will get back to this in the next slide.

IPS was a strong performer, up 4.9%, supported by insurance and asset management. This quarter, operating costs were up 1.7%. Cost growth was efficiently targeted at supporting our development and we were able to sustain positive jaws of one point for the quarter. We are on track to deliver promised operational efficiency measures. €655 million of savings have been achieved as of the end of September, with a further €345 million expected in the fourth quarter, adding up to €1 billion for the full year 2024.

Our gross operating income is up 4.2% year on year at €4.7 billion and operating income up 4.1% at almost €4 billion, as an illustration of the performance of the quarter.

Moving on to the cost of risk, it remains stable at 32 bps and demonstrates the strength of our credit portfolio through the cycle. As a result, in the third quarter, our net income reached a solid level of €2.9 billion, up 5.9% year on year, and our EPS was up 11.2%. Our financial structure is strong, with a core equity tier one at 12.7%, which includes a 30 bps impact due to the prudential consolidation of Arval on July the 1st, as previously announced. On the second half of 2024 planned securitisation programme will be positioned in fourth quarter 24. The main part of the capital redeployment of Bank of the West is now complete with the project of acquiring AXA Investment Management by Cardif, which would strategically reposition IPS within the group.

Overall, we have redeployed 150 bps, of which 60 bps were returned to shareholders in the form of share buybacks and 90 bps were reinvested in a disciplined manner within the group in activities with high potential for value creation. 40% of that 90 bps was devoted to IPS businesses, insurance, asset management and wealth management, out of which 25 bps is related to the Cardif AXA IM project with its major strategic initiative focussed on fee-driven, capital-light businesses. It will boost the IPS division, drive integration across its various businesses and significantly increase the potential for synergies between them. It will also strengthen synergies with CIB and CPBS, further enhancing our already impressive ability to cross-sell and enhance our share of client spend. We will hold a deep dive dedicated specifically to these major strategic initiatives after the closing.

2024 TRAJECTORY | On the strength of its 3Q24 results, BNP Paribas confirms its 2024 trajectory

Moving on to slide four, we confirm our 2024 trajectory from a revenue, jaws effect, cost of risk, and net income perspective. Let me share with you the analysis of our business drivers.

CIB: We continue to gain market share while retaining a balanced allocation of capital. The very good third quarter results illustrate this. Within CPBS, the outlook for commercial banks in the eurozone is improving thanks to a favourable shift in the interest rate environment related to the steepening of the yield curve, the stabilisation of loans and deposits, and the gradual reduction of the impact of headwinds on business growth. We are already seeing a slight positive trend in the third quarter, which should continue into fourth quarter, then in 2025 and 2026. In this sense, third quarter constitutes an inflection point. In 2025, the headwinds will no longer bite into business growth. And in 2026, all other things being equal, we should benefit from tailwinds.

Moving to Arval. It has experienced a major impact from the normalisation of used-car prices, which is greater this quarter and is likely to last until fourth quarter 2025. However, Arval is intrinsically doing well with a sustained growth in volumes supporting a significant increase in financial and service margins. Within IPS, third quarter results illustrate a strong momentum for asset management and insurance.

With that, I would like now to hand over to Lars, who will take you through the group and divisional results.

PROFIT & LOSS STATEMENT & EXCEPTIONAL ITEMS

Lars Machenil
Group Chief Financial Officer

Thank you, Jean-Laurent. Very fine afternoon, ladies and gentlemen. If I may, I suggest that you move to slide seven, which contains more details on the P&L and a clear demonstration of our solid operating performance this quarter.

As already mentioned by Jean-Laurent, our performance in terms of gross operating income is quite strong, up 4.2%, as well in terms of operating income at almost €4 billion. This can also be seen in the bottom line being up 5.9%, clocking in €2.9 billion, which marks a nice progression year on year. Actually, the level of net income in the third quarter is the highest that BNP Paribas has recorded in a third quarter. Now, before looking at the solid performance across divisions, a quick review of the exceptional items this quarter. Basically, there is no review. They are quite limited and similar to last quarter a year ago. And so, this is a further illustration of the strong intrinsic quality of our results.

REVENUES | 3Q24 was driven by solid performance in each operating division

If with this, I can ask you to move to slide eight and review the performance by our operating divisions, and you will see an overall performance that confirms our trajectory. So overall, group revenue is up 2.7% year on year. So if we walk through the divisions, first of all, strong revenue growth at CIB, up 9% year on year and driven by a very strong performance in each of the three business lines. And this, leveraging on deep client relationships and an increase in demand for financing. Global banking, a leader in EMEA, is up 5.9%, supported by capital markets activities which are at the heart of the group's originate and distribute strategy. And if you look at its capital markets, which is really close to what the corporations need, it is up 12.4% in EMEA.

We are already positioning ourselves in what we believe is a fast-growing market as corporate client financing needs, for example, for climate, technology, transition, bringing back technologies and the likes, and these financing needs are unprecedented.

We also believe the potential acceleration of the capital markets union, or elements thereof, in Europe, offers strong growth opportunities both for Europe and for ourselves to assist in it.

So also, if we stay within the department, there is a solid 5.7% increase from transaction banking in the Americas, driven by trade, finance and a good performance by cash management in Asia.

If we then go to the second division within CIB – global markets. Activities were up 12.4%, driven by a strong performance, on the one hand, in equity and prime services, up 13.2%, and in particular it was strong in prime and stable in overall equity derivatives. So that's EPS.

Then secondly, the performance in FICC was also robust, up 11.8% thanks to strong activities in basically all letters of FICC maybe bar commodities. So, strong in credit, rates and forex.

Then the third one is security services – up 6.6%. And this driven by a sustained growth in net interest margin as well as higher client cash balances. So good business acquisitions in security services was demonstrated by new mandates, higher rate standing and our ability to assist clients through market volatility.

So that's the first division. If you now look at the second one, CPBS. It had a stable quarter, excluding the negative impact of the used-car prices with Arval. So if we start within CPBS. So you have two main divisions, and if we start with the Commercial and Personal Banking businesses in the eurozone. The third quarter showed an improvement, as mentioned by Jean-Laurent. We are currently at a tipping point as, on the one hand, side deposits stop moving and loans to individuals show positive trends; that's one thing.

And second thing, the headwinds are becoming less punitive for business growth, as you can see. I mean, I'm not going to comment it, but if you browse to slide 21, you can clearly see that it's tapering off from a 150 million impact, negative the first quarter, and it's coming down to 63 in the third quarter. And so, if I look at it, I take the first nine months for our commercial banks in the eurozone, they are basically up 2.1%. If I look through these headwinds, and these headwinds, as I said, they will basically be gone and out of the base going forward. And the 2.1%, if I look specifically at the third quarter, it is up 0.8%. And we saw some improvements in the net interest revenues in fees in France as illustration of the quality of our franchise, and we also saw it in Italy and Luxembourg.

So overall, the pre-tax income of our eurozone banks increased by 10.8%, with a positive jaws effect and a low level of cost of risk at 19 basis points. So all this, what you see in the commercial and personal banking in the eurozone, is biting very well to crystallise the pivot and deliver growth going forward.

There is one point of attention that is Belgium, where we have been adapting to, I would call, a significant market disruption that could continue for a few quarters and this in particular witnessed through intense competition on loans and deposits that is weighing on margins. From our stance, our commercial strategy created in response to the market reaction to state bonds, which have matured in September, is to provide customers with medium-term certainty rather than matching the short-term, high-rate products in the market. And this, on one hand, preserves margins for the bank and retains and protects clients, especially in an environment of declining base rate environment. So this strategy contributed to a 4.4% growth in customer deposits and off-balance-sheet assets at the end of the third quarter compared to a year ago. So that basically synthesises the commercial banks.

And if we now go to the second part in it, which is the specialised businesses. They are moving downwards 5.7% year on year. If we look at it in detail, if we start with Arval. We are adapting to the continued normalisation of used-car prices. These are basically down 35%, used-car prices, year on year. However, the organic business growth is doing well and is basically up 15% with financial and service margins continue to grow at a healthy pace. The expansion of the finance fleet will keep on supporting organic growth, with further gains in individual customer fleet added by the development of partnerships with automakers, as you're well aware.

If you now move to personal finance, we see positive trends in revenues in the core parameter. So the core parameter is up 1.5% year on year as an illustration of the successful implementation of the strategic plan. The business could continue to benefit from the favourable shift in the interest rate environment, with the resulting decrease in refinancing costs and a positive effect on volumes.

Last, a stable performance this quarter from new digital businesses and personal investments. So that's two out of three.

Let's look at IPS. As you have seen, the division performed very well this quarter with revenues up 4.9%, driven in particular by asset management and insurance. If we look at asset management, up 7.9%, driven by a strong growth in assets with a supportive market environment and strong inflow driving fees up.

Then there is insurance, up 6.4%, driven by good performance in France and a more favourable rate environment. The business momentum was good with a strong increase in savings, gross asset inflows, which were up 13% year on year, as well as a strong growth in protection driven by our ability to offer a full range of products.

And then the third part is wealth management. Revenues were stable compared, on one hand, to a high base a year ago, and the impact of the interest rate environment compensated for by good momentum in fees.

So that's basically what I wanted to say about the dimensions and the divisions.

REVENUES | 3Q24 illustrates the strength of the diversified and integrated model, which allows BNP Paribas to grow through economic cycles

So if I can take you to slide nine. And here we wanted to show our diversified, well-integrated and rather unique model as a growth engine through economic cycles. On one hand, we have platforms at scale that are the key foundations of our business model. These platforms allow us to grow at marginal cost thanks to efficient production facilities. They also feed our client franchise with a very broad range of products, as illustrated by our significant cross-selling activities. Indeed, cross-selling is core of what we do, and it's a key component of our group revenues. So it generates one third, 32%, of the total, representing roughly €7 billion in the first half, up 5%, which is 2.7 times more than the group revenues, which increased by 1.7%.

So this is really a core element unique to BNP Paribas. It is strong in all our client segments with a fair representation in corporate and private banking, as well as with retail clients. In particular, IPS products represent 36% of the group cross-selling revenues in the first half, with an increase of 3%.

These two figures, so 36% of cross-sell and 3% of growth, are encouraging in the context of the ongoing IPS transformation, because in particular, you see the numbers: it's 36% of the cross-sell and IPS represents today “only 12% of the group revenues”. So you see the tremendous lever for these products. So thanks to our diversified and integrated model, our revenues have continuously grown at an average rate of 3% per year. So 2.7 in this quarter. So that's basically what we do with the top line.

Let's now look at the evolution of the costs.

OPERATIONAL EFFICIENCY | 3Q24 jaws effect is positive at Group level…

So overall, we said positive jaws – so costs up 1.7%. And our cost income stands at 60%. So if we look again at the divisions. CIB first. The increase in costs is supporting growth. Jaws were overall positive, 0.4 points this quarter, and costs are also well contained for security services in the context of high-volume growth; there also very positive jaws.

If we go to CPBS, costs are well contained, down 1% in the commercial and personal banking in the eurozone. And that thanks to the continuous improvements in terms of operational efficiencies. So costs are down 1.9%, driving jaws to almost one point.

Within specialised businesses, costs are down 1.3% with positive jaws, personal finance given in the core perimeter. And thanks again to the adaptation plan that is underway and the implementation of new operational efficiency measures.

Positive jaws for Leasing Solutions, 2.4 points. The third division, IPS, we see contained costs in every business, either to support growth or because of faster implementation of operational efficiency measures. Hence, operating expenses are down 0.4% with an overall strong positive jaws of five points. And so, jaws are positive in every business bar real estate.

OPERATIONAL EFFICIENCY | … driven by the impact of operational efficiency measures

If you stick with me for a couple of more slides, and we look at slide 11. And what you see here is that since March 2024, we have stepped up our operational efficiency programme. We had further cost savings of €400 million, resulting in a total savings over the year of €1 billion and 2.7 billion in a cumulative basis by the end of 2025. These additional savings are roughly split around the businesses, as you can see. As of today, out of the 1 billion planned for the year, we have achieved €655 million of savings and this to absorb, on one hand, inflation, but also allow for new projects and investments that are needed to serve our customers. And so, what are these kind of efficiency measures? They include, as you know, the nearshoring and offshoring and combined with a global sourcing and optimised real estate assets on top of several additional efficiencies, in particular in our retail sector.

COST OF RISK | Cost of risk under control, thanks to the quality and diversification of the portfolio

If we now move on to our strong risk management culture, as mentioned also by Jean-Laurent. Our prudent risk management, what else can I say, is illustrated by main ratios, including our provisioning rate and the rate of non-performing loans. Focusing on the third quarter, our cost of risk is stable at 32 basis points. Stable – it was also 32 basis points a quarter ago.

Overall, it's a bit technical, but our stage one and two provisions are still comfortably above our cost of risk on stage two. The cost of risk over gross operating income remains low at 15% this quarter, and we have a limited exposure to the currently sensitive industries. So regarding the evolution of cost of risk by individual businesses, you can see that overall it also remains at a low level.

FINANCIAL STRUCTURE | Prudential consolidation of Arval and confirmation of the CET1 trajectory to 2025

If with this, I can ask you to turn to slide 15, on the financial structure. As of September 30th, our common equity tier one clocked in at 12.7%. It's a solid level, well above our 12% objective on the regulatory requirement. So where does that 12.7 come from? It basically stems from, at the end of the second quarter we were at 13%. What happened? First of all, there is a 30 basis points impact, which we announced well up front from the prudentially consolidating. So prudentially consolidating Arval and in anticipation of the finalisation of Basel. So that we anticipated; it is what it is.

The second one, there are 20 basis points that return to the investor. So basically, the dividend that we return to shareholders as we usually do. And then there is this 20 basis points of dividend is compensated by 20 basis points of capital generation. Normally this 20 basis points in an average quarter is basically 30 basis points. So there should be a generation of ten. But what you have this quarter is that the efforts of what we call Originate to Distribute is split over two quarters.

So what I mean by that, the origination that has been going on for clients, in particular, given the solid demand at the end of September, has driven up the fact that we put into our balance sheet this originated landing and we are in the process of distributing it. And so, what we have foreseen, and putting in motion in the fourth quarter, is an equivalent of ten basis points in distribution. So we basically adjust the OTD which is split over two quarters, so we stick to what we said: the 12.8% is our run rate. As a result, we are fully on track and confirm our CET target of 12% by the end of 2025. And this takes into consideration the remaining elements of the finalisation of Basel starting, which is of course excluding the FRTB, but we'll be ready for that at the end of 2025.

And last, our trajectory will be supported by organic capital generation and further balance sheet securitisation as we have done.

I know there are other metrics like the leverage ratio that clocked in at 4.4%, so that's fine, well above where we have to be. And the same is true for the liquidity position. The 100%. We are at 124% LCR ratio. So that's basically how you see that we are well on track with the profit and with the prudential metrics. And so, with this, I hand it back to Jean-Laurent to conclude the presentation.

CONCLUSION

Jean-Laurent Bonnafé,
Group Chief Executive Officer

Thank you, Lars. To conclude with, BNP Paribas delivered a strong third quarter thanks to the solid performance across the operating divisions. Beyond the short term 2024 trajectory, the strength of BNP Paribas model lies in its ability to adapt to economic cycles as illustrated by the continuous growth of our EPS, dividend, and tangible book value. This is particularly due to our ability to optimise portfolios on an ongoing basis, to maintain a balance in our capital allocation, and divest from noncore businesses. This is what we did by selling Bank of the West, reallocating one third of the deployed capital to CIB to finance its organic growth and boost its market share gains.

Now we are repositioning IPS within the group with the Cardif AXA Investment Manager projects and our approach of creating industrial platforms and product factories, which is core to our model. We will develop income, capital light businesses to feed our growth story. We're on track with our GTS plan and will provide you with an update of our 2026 outlook, taking into account the deployment of capital on the publication of the 2024 annual results. So thank you for your attention and we are now ready to take your questions.

QUESTIONS AND ANSWERS

Ladies and gentlemen, if you would like to ask a question, please press *1 on your telephone keypad. Please lift your handset, ensure that the mute function on your telephone is switched off and that you are in a quiet area to maximise audio quality. We will take a question as many as time permits. Again, please press *1 to ask a question. The first question is from Tarik El Mejjad with Bank of America. Please go ahead.

Tarik El Mejjad (Bank of America): Hi. Good afternoon. A couple of questions from my side, please. First, on the Equities and Prime Services division, I think the market was a bit disappointed by the performance there, especially after a strong Q2, punchy message during the quarter in different occasions. I know you're still up 27% in nine months and 13% year on year for the quarter, but I mean, would you suggest there are some higher seasonality than you anticipated in Q3 or what should we have in mind when looking at the 820 million in EPS in the quarter? Should we look at actually EPS on a yearly basis? And if you can maybe give us a bit more indication on how we look at that post the Q2 kind of finalisation of the restructuring of the division.

The second question is more general. I know you will give guidance for the full-year results for 2026 and maybe an update on 2025 as well. But can you run us through the main growth levers? Obviously not the whole thing; you've done it in the presentation, but just the two or three areas that you think really will be a swing factor for you from next year, given the rates, I noticed in your presentation that I have these red and green arrows and apart from Arval and Belgium, everything looks green and the right direction. But what can you tell us at this stage what you have in mind set for 2025, 2026, and what's the market missing, do you think? Thank you.

Lars Machenil: So, Tarik, thank you for your question. First on EPS. Yes, if we look at it— Let's go back. So in the second quarter all stars were basically aligned. There was demand in all of the domains at the same time. And so again, if you look even at the year to date, it's very strong. Now when I hear your remark on the third quarter, it depends what it stems from. So I suppose that you basically compare with what you see with other banks that are basically operating on the other side of the Atlantic. And so let's not forget, our activity, is mainly for a big part, we are European based. And so what you see is the dynamic, particularly in the last couple of weeks of September were different. And so on your question of how to see what is a bit the base: for me, it's typically, if you take a look at the volumes in the zone. So for us, Europe, so you look at coalition, you look at the volume that we have. And then you basically see that we take market share in that domain. So that's basically what it is. There is nothing else to read in it. We have all the services, we are there to serve, and we basically are doing so, and stepping up market share in particularly in Europe. So Tarik, that would be the answer to your first question. Jean-Laurent, on the second?

Jean-Laurent Bonnafé: Yes, maybe on the second point, I mean, clearly there must be some focus on the French bank, the Belgian bank and probably personal finance. If you look closely this quarter, after two quarters in negative territory, the French bank is in positive evolution. Next year we should get something north of 3%. The internal target for next year is clearly above 3% for the French domestic bank. If you look at Belgium, unfortunately, we knew from the very beginning of this year that 2024 was to be a difficult year, but it went a bit further. You can look at the evolution of the top line in the third quarter. It will stabilise in the fourth quarter next year. If you look at Belgium again, will be clearly north of 3%. Our target is clearly above 3%.

And looking at personal finance, that is still in negative territory, globally, even if you look at the core perimeter, it's up 1.5%, if I remember well. Next year, the whole personal finance be up. And if you concentrate on the core perimeter, probably north of 5%. So I would say CIB is a growth story. IPS is every quarter more kind of growth story, especially considering the fact that we are going to consolidate progressively AXA Investment Managers and the wealth management coming from HSBC in Germany and other, I would say, bolt-ons, and CPBS looking at three major areas that today, this year are under pressure. Well, next year, clearly, we are going to be back in positive territory. So maybe this is the bulk of your question.

Tarik El Mejjad (Bank of America): Thank you. If I can just follow up on the CIB part and EPS. I mean, I wasn't commenting, Lars, on the market effect. It was more on your market share gain, strong market share gain, expecting post all the actions you've done for the division. Do we think like Q3, which is normally seasonally lower, is equal to Q1, which actually normally is a good quarter. Is that kind of a run rate? Again, I really will come back on should we look at your full year, look at what you've done in nine months and have an idea on how to annualise that and see what will be the new level for EPS. Sorry to insist because this is a key part.

Lars Machenil: No worries, Tarik. But it remains. When I basically said when we take market share, you really have to look at it. So that market share is expressed in a part of revenues, and it's part of the revenues at basically the European activities. So you cannot bulk the US activities in it. So it's really looking at, and that's what I said, you look at what coalition is giving for Europe and that's where you can see. And then again, the demand can be different. So yes, you typically have a strong start of the year and even a second quarter. And then the third quarter can be different. It depends on how the summer goes. It also depends a bit what the central banks are doing. And so that's basically what you can see. So I cannot tell you that it is a fixed number of run rates you should go for. What I'm saying is I'm stepping up the market share of the demand that is happening within that quarter. So it's not a number. I give you a relative positioning.

Tarik El Mejjad (Bank of America): Okay. Thank you very much.

Operator: The next question is from Azzurra Guelfi with Citi. Please go ahead.

Azzurra Guelfi (Citi): Hi. Good morning. Two questions from me. One is on the French retail. Can you elaborate a little bit on the dynamics there? Because of the hedging I haven't seen any improvement of the margin, so I don't know if you can elaborate a little bit on the rate sensitivity, what to expect when the rate will move down and on the volume side?

And the second one is on the deal with AXA. It's clearly a big step into the IPS division and a big transformation going on there. Can you elaborate a bit on the benefit and potential synergies, as well as synergies between the different divisions for the group between, I don't know, the CIB and CPBS with the savings as well? Thank you.

Jean-Laurent Bonnafé So we do not have typically a French retail. We changed the brand name a couple of years ago. So it's more commercial, private banking type of business, affluent. If you look at the NII, it doesn't move like a regular retail banking activity because of a number of factors, especially the fact that you have flows from the balance sheet, out of the balance sheet and vice versa. It doesn't move exactly the same way. So what happened this year is that, unfortunately, short-term rates remain quite high for a very long period of time again. So this is a price signal that creates a kind of regular move from side deposits towards costly term deposits. And this has created a negative effect. So not only this year we are not benefiting from anything based on the rate scenario, but on top of that we suffered some pressure on the size of the volumes of the sight deposits. So if you look at the French bank, probably this is in the range of 200. So we have a hind of 200 million negative headwinds coming from this pressure on the deposit side.

And if you look globally at the eurozone banks, probably this is north of 300. So next year we're not going to get something typically from the rate curve. It's just the fact that this phenomenon is going to come to an end. So you will have 200 that are going to vanish in the air, down to zero for France, and more than 300 going to zero for the eurozone banks. So this is the situation. It's not typically a rate effect. It's a signal given to the market and especially in a commercial bank, private upper affluent type of customers. The signal is strong. People are moving. It's not a regular mass market operation. And this is valid also for Belgium. So next year we suffered quite negative headwinds coming on top of what we disclosed that was the end of the remuneration of the deposit at the Central Bank, the Belgian bond and so on and so on. So, we got that negative headwind in France, Belgium and globally in the eurozone linked to the quality of the franchise. So, this element is going to come to down to zero next year.

And this is also why next year we are quite confident with the French bank, Belgium and the eurozone bank globally. While for personal finance, the fact that short-term rates are going down, helps us rebuild margins at the level of the platform. So this is the situation.

For AXA, it's a bit complex to comment because we signed the MOU end of July, 1st of August; by year end, beginning of December, probably, we will have the full signing and the closing will be probably end of June, beginning of July next year, so very difficult to compute the level of cost synergies. And you have the cost base, you can go up to 18, 20%. So you can compute with that. It's not very difficult, but we cannot really comment that far because it's not closed and it's a bit tricky to give additional numbers.

Operator: The next question is from Giulia Aurora Miotto with Morgan Stanley. Please go ahead.

Giulia Aurora Miotto (Morgan Stanley): Hi. Good morning. Thank you for taking my question. I have a question on personal finance and/or Arval. And I know you are more skewed to corporate within your leasing book, but the recent developments in the motor finance consumer lending in the UK, do they impact BNP at all? I know that you have some presence in the UK on consumer finance and leasing. So if you can just give us some sense there, that would be great. And then my second question more strategically. Can you tell us about the benefits you are getting from the partnership with Apollo and more in general, how you are thinking about private credit as an opportunity, as a threat? I would welcome your comments there. Thank you.

Lars Machenil: On Motor, there are two things. On the personal finance, basically we have no exposure and when it comes to leasing, we have some activities but what I can tell you is compared to the other players, it is marginal. So that's on Personal Finance.

Giulia Aurora Miotto (Morgan Stanley): And sorry, Lars, marginal means like less than 100 million sort of potential impact or—?

Lars Machenil: Yes. I think there was still a question on Apollo and on— Giulia, did we answer your question or do you want us to come back to your question on Apollo, on the private credit?

Giulia Aurora Miotto (Morgan Stanley): No. So the UK car motor finance question is answered. Thank you for that. But yes, on private credit, if you can comment.

Lars Machenil: On private credit, if you look at Apollo, what you basically see there has been moments in time. If you go back 20 years, all financing was basically public financing. Don't buy banks that went into the market. Then when Covid hit and whatever basically the private credit stepped up. And that's what you saw like several players are coming in. But what we're seeing is that it's not going to be black or white. There is now going to be a spectrum of financing that basically goes from public to private.

And so we are a player in basically all of those aspects and that is why we sometimes team up with other players in that domain. It's a continuum. We consider that private and public will be a continuum and we play in all aspects. Giulia, that would be your answers.

Giulia Aurora Miotto (Morgan Stanley): Thank you.

Operator: The next question is from Delphine Lee with JP Morgan. Please go ahead.

Delphine Lee (JP Morgan): Yes. Good afternoon. Thank you for taking my questions. I just have two quick ones. Just on the cost from slide 11. So there is still another 200 million from your 400 million of additional cost savings to come in Q4. So just wondering in terms of how we should think about the seasonality of Q4, because generally you have a bit more cost in Q4. Should we expect it to be less pronounced than usual? If you don't mind giving us a bit of colour on this.

And secondly, just wanted to ask, you commented that you will provide an update of your 2026 outlook taking into account the redeployment of capital with the Q4 results. Just trying to understand a little bit, are you going to give us more new targets in 2026, which we don't have, or would that take into account AXA? I mean, just trying to get a better feel of what you mean by that. Thank you.

Lars Machenil: I'll take your cost question, Delphine. So indeed, as a quick reminder, for the cost savings we initially had during the plan, we had like 600 million savings this year. And then with inflation stepping up or staying high at the beginning of the year, we basically said we're going to do 400 million more. And so that basically said we put that in motion in the second quarter. We started to see the first effects. And so it's basically ramping up. So the decisions were taken. But then before they hit, before they're instrumentalized, so that is why it is ramping up. And we see that we are well on track. And so with all the elements that we put in motion, we are confident that we will have the remaining part of the 1 billion savings over the year. On the strategy, Jean-Laurent?

Jean-Laurent Bonnafé: Well, usually beginning of the year we are giving an update of the term plan. So this is typically what we are going to deliver next year. We have a term plan, the return on tangible equity, 12% was postponed the beginning of that year in 2026, 12%. So we are going to give the, I would say, the colour around this term plan, taking into account part of the redeployment of Bank of the West proceeds. Not everything will be available around the transaction with AXA IM for a simple reason. It's not yet closed. So we have to be cautious with that but it's a typical update on the term plan at the beginning of the year to give the relevant colour on the different divisions based on the redeployment and including the deployment of the proceeds of Bank of the West. But yet, beginning of next year, we won't be able to give all the details around the AXA Investment Manager.

Delphine Lee (JP Morgan): And just as a follow-up, would you say that the numbers we can see so far for the first nine months already largely include the proceeds of Bank of the West or it hasn’t fully captured yet all the earnings accretion?

Lars Machenil: Delphine, there are still elements to come in. As you know, there have been things that have been really closing or are in the process of closing. You look at what we've done in Italy with Iccrea or what we're doing now with HSBC in Germany. So those elements are still coming into play. So there are still elements of the redeployment that will be adding to the results.

Delphine Lee (JP Morgan): Great. Thank you very much.

Operator: The next question is from Flora Bocahut with Barclays. Please go ahead.

Flora Bocahut (Barclays): Yes. Thank you. Two questions. One is going back to the CET1 ratio, please. Obviously, it was flat this quarter if we put aside the Arval consolidation impact. So that means that the growth you had this quarter was essentially too capital intensive. It didn't allow for organic capital generation. I hear the comments you made, Lars, around OTD having been delayed a bit by a quarter and securitisation coming in Q4. But isn't there anything more to add to that? I mean, I was looking at the RWA move Q on Q, credit risk as well as operational risk RWA, I think, went up. So any comment you can do on that, and the lack of organic capital generation this quarter beyond the OTD delay would be useful.

And then the second question is going back to eurozone retail banking revenues. Obviously, it's important because I think CIB is doing okay. We agree on that. IPS is also doing okay. It will do better with lower rates. There is external growth coming in, the market concerns remain very much on the lack of revenue momentum in eurozone retail. I think, essentially, the question I have for you, because the messaging you have is clear on why you think it rebounds in 2025, 2026. The question is really about the timing of the bottom. Because if I look at Q1, Q2, Q3, eurozone retail banking revenues have been kind of flattish in 3.4/3.5 billion. Do you think it's a question of one quarter, or do we have to wait another two to three quarters before we start to see the decent pickup? So really about the timing here of the pickup in the momentum. Thank you.

Lars Machenil: Flora, I'll start with the common equity tier one. When you look at the evolution of common equity tier one there's always many moving parts. And so, the main moving part is the OTD. So there is an origination. There has been a lot of activity in the end given that uncertainty in September. So we put that in the balance sheet and we didn't have the time to get it out. So next to that there are other moving parts. So there are the typical moving parts. You can have OCI moving a bit. You can have your model reviews that are happening, but that is run of the mill. You have the typical kind of things with some overs and unders that basically iron out. The main thing, which is the phasing, is that one.

And on your question on the revenues. Listen, with what we've guided you can clearly see— We said there is this pivot coming. Of the elements of the pivot period, there is several of them that are basically crystallising as we speak. On slide 21, you can see the headwinds. So the headwinds are really tapering off. And so they will basically be gone, almost gone, in the fourth quarter. So that's the pivot. So you will clearly see in Q4 the pivot and then picking up in the quarters thereafter.

Flora Bocahut (Barclays): Thank you.

Operator: The next question is from Stefan Stalmann, Autonomous Research. Please go ahead.

Stefan Stalmann (Autonomous Research): Good afternoon. Thank you very much for taking my questions. I would like to start and try my luck again with the AXA deal. I appreciate there's still lots of moving parts and it's early to be very committal, but can you give us a sense of, when this deal closes in the middle of next year, whether in the second half of 2025, you expect a positive net profit contribution from this deal or not.

And the second question expands on Delphine's question earlier. Looking at the fourth quarter last year, you surprised the market with a fairly poor set of results, and that was coming both from unusually weak revenue and also quite a spike of the cost base, which almost looked like a kitchen sink. Is there any reason, from what you can see today, to believe, that we're going to see something similar again in the fourth quarter of this year? Thank you very much.

Lars Machenil: With respect to AXA. So the thing is, once it gets closed, of course we will have the earnings that generate from it. So that is on the bottom line, a positive thing. But then it's not impossible that we will basically come up with a plan that will need some whatever restructuring costs that are going on. So intrinsically there is the contribution of the deal, but there will be initially some costs related and some depreciation costs related. So that's basically on the AXA bottom line.

Stefan Stalmann (Autonomous Research): Lars, does that mean that there could be, you mentioned depreciation, could there be meaningful depreciation and amortisation charges of acquired intangibles?

Lars Machenil: If there would be intangibles, they will have to be depreciated. So for those around the call there is goodwill and intangibles. So goodwill under IFRS is basically, what it is, it is not depreciated; it is tested. Intangibles are basically depreciated over time. Again, this is a thing which doesn't impact the capital and whatever. But that's a form that could be part of those restructuring costs, indeed.

Stefan Stalmann (Autonomous Research): Great. Okay. Thank you.

Lars Machenil: Operator, I think I didn't answer Stefan's question on Q4. Listen, on the costs, what we have is the cost that we basically control, we have settled sales; that's what we said earlier. We have the remainder of the billion to come. And so that's basically that. And on the revenues, Stefan, I typically say, I don't know where you were a year ago, but I have this funny feeling that I know where you were. You saw that there was, given the uncertainty and with respect to the central banks which were coming, there was basically a gridlock when it came to market activities, and that was a lower kind of review. So I don't have a crystal ball. I cannot say anything. But given what you see with whatever is around, there's probably going to be some volatility in the market. So on the horizon, you don't anticipate a repeat on the markets' activities of last year. But again, Stefan, this is just what I see at this moment.

Stefan Stalmann (Autonomous Research): Very clear. Thanks a lot.

Operator: The next question is from Joseph Dickerson with Jefferies. Please go ahead.

Joseph Dickerson (Jefferies): Hi. Thank you for taking my question. Just two areas. First, on the Italian business in retail and commercial. It looks like the margin is trailing off now for about the third quarter. It looks like we're back to the Q4 levels. Can you just discuss the rate sensitivity and the structure of that business anymore? I would have thought we would have seen a little better performance but maybe I missed something on rates.

And then I think I heard, can you clarify what you said earlier. You were asked about, I think, the UK motor finance market and I heard 100 million. Can you just clarify what that was in relation to? I mean, I can go back and look at the transcript, but if you could just clarify that here, that would be great. Thank you.

Lars Machenil: Sure. I clarify the UK. And you should rephrase, if you may, your Italian question, because I don't know if you talked about the cost of risk or about the other one, but I'll answer the UK. So the UK, we are basically, when it comes to the leasing, we are a small player and so the colour I gave is that for us, compared to the other players that are active, our impact should be rather limited. But again, there is not much more that I can say. I don't know how this will evolve and what it is, but I should just say that we are not a major player in that activity. That's the UK. And so can you rephrase your question on Italy?

Joseph Dickerson (Jefferies): Yes, sorry. It was just, if I look at your net interest income to average loans, it's been kind of tapering off over the past couple of quarters. It reached on our numbers about 2.5% in the first quarter, and it's kind of coming back to Q4 levels. So I was just wondering what's the dynamic around that business in terms of rate sensitivity or loan and deposit mix, just for going forward. Thank you.

Lars Machenil: Listen, as a quick reminder, in particularly in Italy with BNL, what we aim to do is we aim to position on customers and needs where we can make a difference in serving them because they need international exposure, they need trade, they need whatever. So those things, that is where we can make a difference. So there are other kind of local kind of products that we don't compete in and that we step out. And that is why you see basically the loans going down. And therefore, you also see the net income margin being impacted by it. But that is basically more than compensated by the effect that our cost of risk is tapering down. So that is the dynamic that we pursue at BNL in Italy.

Joseph Dickerson: Great. Thank you.

Operator: The next question is from Kiri Vijayarajah with HSBC. Please go ahead.

Kiri Vijayarajah (HSBC): Yes. Good afternoon. Thanks for taking my questions. First one, with the prudential consolidation of Arval, is there anything likely to change in how you actually steer the Arval business? Is Arval now under a bit more pressure to be efficient with the capital consumption, or the required level of profitability, the hurdle rate internally that you set is now higher for the Arval business with the prudential consolidation?

And then my second question, with AXA and other deals, does that mean you as a management team are now tied up with integration projects? I know the full run rate of synergies for AXA, I think, isn't until 2028. So if other assets potentially come up for sale – there were rumours of stuff, I think, coming available in Germany potentially. So would you as a management team be kind of too busy to really participate if further kind of sensible or attractive deals were to come up on the market on the next say 12, 18, 24 months? Thank you.

Lars Machenil: Kiri, first of all, on Arval. On one hand, as you mentioned, what it basically means by consolidating it prudentially, that also basically means that the whole setup, as it is now more integrated within BNP Paribas becomes more efficient. So there are elements of that that will basically come into play and therefore ensure that we have the right level of profitability for that activity. So that's basically this.

And then with respect to the acquisitions, I'll give a quick first stab on it. In a typical base, we are somewhat getting to the end of the redeployment of Bank of the West. But we typically have, if you look at our earnings and what we have done in the past, there is something like an orientation of 20 basis points that we redeploy on an ongoing basis. And so that is something that we will continue to do. And yes, you are right, the AXA IM will be an activity that we integrate and that will take time. But for having been there, when we integrated another bank in Belgium that was on a level of complexity, which was still something else, and so we kind of have a procedure and approach that allows us to do these things. So we will keep on keeping our eyes open on 20 basis points kind of things.

Kiri Vijayarajah (HSBC): Great. Thank you.

Lars Machenil: Would you have something in mind, Kiri? Otherwise, I'll pick up my phone. I'm just joking.

Operator: The next question is from Chris Hallam with Goldman Sachs. Please go ahead.

Chris Hallam (Goldman Sachs): Yeah. Good afternoon, everybody. I want to come back on equities and that sequential performance maybe by business line. So I get the performance was very positive on a year-over-year basis but it was quite weak versus Q2 even when we look at your sales versus

European peers. And at the same time, you said in Q2 that that didn't include any one-offs, but perhaps all the stars were aligned in Q2. So I just wanted to dig into what parts of the business weakened Q-on-Q for BNP in Q3. Maybe if you could give some colour in terms of that sequential performance in derivatives versus prime versus cash. I know prime was up a lot year over year, but it looks like that business must have probably reduced quite a bit in Q3 versus Q2. But the balance sheet only was down about 3%. So I'm just a bit confused there.

And then the second question – I think I know the answer to this – but is there any chance you could give us a group NII sensitivity to a 100 basis point move in rates, just given the volatility we've seen in the rates world in the last few weeks, and the relative rates in sensitivity of your P&L, it would be helpful to get that number, because obviously there's the shortcomings with the number we can get from the IRRBB disclosure. Thank you.

Lars Machenil: Listen, Chris, I'm wondering if you would be working for another bank active in prime brokerage? So, no, the thing is, as a quick reminder, in the second quarter, indeed, all stars were aligned. And that's why basically all of the services, be it cash, be it derivatives, be it prime, the demand was very strong. And basically, there was even a pivotal point with the election. So there was actually kind of a double demand. So that's what we saw. If you now look in equity – and listen, we don't give the breakdown in each of those activities – but in the order of things you can assume, and particularly if you look in the third quarter, that in the order of things, if you look in the market again, the demand for prime was higher than what you saw for cash and derivatives. So that is a bit the thing that you see.

And when you look at the overall, when you take a look in the balance sheet – listen, this is again what I mentioned earlier – we are having these activities that are going on. And the picture is for example, in the originate to distribute, you keep it into the balance sheet before it's going out. So that is basically the link on what I said with respect to the impact also that you saw on the common equity tier one, on equity.

And then you had a question on what?

Chris Hallam (Goldman Sachs): So the second question was just if you wanted to give us an NII sensitivity for the group for 100 basis points move in euro rates?

Lars Machenil: The thing is, listen, if you look at what we have, what we typically publish in our annual results, is that at the mechanical kind of impact is an impact which is like for 100 basis points. I don't have the number in mind for 100 basis points, because that is basically not the one that we do. But if you look at the typical stress test that we have, you are rather in an impact of a couple of hundred million. But that is rather on a 50 basis points. So I will have to look; I will come back to you on the 100 basis points question.

Chris Hallam (Goldman Sachs): Okay. Thanks, Lars.

Operator: The next question is from Anke Reingen with RBC. Please go ahead.

Anke Reingen (RBC): Hi. Thank you for taking my question. The first is on capital. I just wonder, I guess you have 12.7 and we already know 50 basis points and 25 basis points, which takes you relatively close to the 12%. And I just wonder, should we expect, which doesn't seem to give you much flexibility with respect to any potential headwinds or the 20 basis points of deals that would come your way, should we be prepared that your ratio could fall below the 12%? Or would you consider more accelerated optimisation measures to give the capital ratio a boost to have more flexibility?

And then the second one is on the 2026 update with Q4 results. I just wanted to confirm: the current base case is a 12% our 2025 targets. I mean, it's not specifically reiterated in the slides, but I just wanted to make sure I have the right base case. And the fact that we're looking at 2026, does that mean we're moving away from this typical three-year planning process? Thank you very much.

Lars Machenil: Anke, I'll start with your last question. Listen, what we have said, remember, is that given all the headwinds that we had in front of us, we said that the 12% would be basically pushed into 2026. So that's basically what we said. And that is why, as that is in 2026, that we will give an update on that trajectory up to then. So there is basically no change on that front.

And then when it comes to capital. Anke, you know it in the meantime. I mean, we are managing capital close. We don't want to sit on an excess of capital; we want to redeploy it. So we want to fly at 12%. And again, I typically would say, I don't know where you've been the last couple of years, but I know where you've been the last couple of years and you've seen that we have been spot-on managing that. And so that's basically what we do. And so we accelerate sometimes the securitisation or whatever we have to remain in line with that limit where we want to fly. And that is what we will continue to do.

Anke Reingen (RBC): Okay. Thank you.

Operator: The next question is from Pierre Chedeville with CIC. Please go ahead.

Pierre Chedeville (CIC): Yes. Good afternoon. Could you give us the revenue growth in asset management, ex principal investment and real estate? It would be interesting to compare with other players. And also, could you give us a little bit of colour regarding net inflows in this division? They were quite good. From what type of customers and what type of products? Short-term products or long-term products?

And regarding the cross revenues, cross-selling revenues at 32%. I'm not sure, but did you give any guidance or target in terms of these types of revenues? And if not, do you have any even if you don't communicate it?

And lastly, regarding insurance. Could you give us the combined ratio of the PNC activities you have, which are more linked to credit insurer? Thank you.

Lars Machenil: Thank you. Listen, Pierre, in the divisions that we have, we bundle them and that is basically what we publish. So within what we have bundled on asset management, the other activities that you talk about are in there. And so that's the global direction of what we are having. The colour I can give, and that is probably what you hint at or explored, is if you look at the real estate, we anticipated that there would be a pickup in 2025. If we look at the overall environment, that pickup will be rather in 2026. So that's the kind of colour

When it comes to the cross-sell, the 32% target. No, we have not given an explicit target on that. But you can clearly see that we step it up year after year. And with the advent of AXA IM, as I said, the cross-sell of those kinds of activities will further step it up. So that's basically this.

And on the combined ratio. The combined ratio is basically the ratio that you see with the claims that you include. And so we are well below 100% on that. We are in an environment that is basically coherent on that.

Pierre Chedeville (CIC): And regarding net inflows in asset management?

Lars Machenil: Yes. So what's the question? Do you want the amount?

Pierre Chedeville (CIC): No, the amount, you gave it. But I would like to know what types of products and customers. Is it third-party customers? Is it insurance? Is it monetary products? Is it long-term products? Could you give us a little bit of colour on the composition of these net inflows?

Lars Machenil: So if you look, for a long part, for a major part, it has been medium to long term that basically customers are picking up. So, Pierre, that would be our answers.

Pierre Chedeville (CIC): Thank you.

Operator: The next question is from Sharath Kumar with Deutsche Bank. Please go ahead.

Sharath Kumar (Deutsche Bank): Hi. Thank you for taking my questions, still have a couple. Firstly, on Europe-Med, the revenues have been very volatile. I appreciate there are a lot of moving parts, with Ukraine being reconsolidated, FX depreciation of the Turkish lira, but is there anything you can guide in terms of how to look at this sustainable revenue run rate for this on a constant currency basis? I think this is a business division that most analysts kind of struggle to model so that would be my first question.

Second would be on Arval. The contribution from leasing and service margins not being enough to compensate the normalisation of used-car sales services. If you can comment on the sustainability levels of the 15% growth in leasing service margins with no rates getting further lower. Would they be able to sustain at this level?

And also, if I am allowed a clarification on wealth management, can you provide us the rough split of revenues between NII and fees just to help us model for revenues going forward? Thank you.

Lars Machenil: Thank you for your questions. When it comes to EM, if you look at the intrinsic business, the intrinsic business is basically Ukraine, Poland and Turkey. Intrinsically, they are fine. Now, there is one thing you have to be aware of: that division is impacted by an accounting law that is dating pre-IFRS. It's called IAS 29, on hyperinflation. And so this is what we see in Turkey. And that hyperinflation has an impact which, bizarrely enough, if you look at the P&L, has been positive basically in the previous year. And that effect is tapering off this year. So that is the delta that you see. But intrinsic, the businesses are doing well.

When it comes to Arval. So there are basically three levers into the top line of Arval. So there is the financing of the new car, the whole services that go around it, and then the resale of the second-hand car. And so what you see is that second-hand car is going to continue. So it's basically high dating from the Covid period. So the whole supply chain was blocked so the new cars were limited, so the used cars went up. And so that's basically normalising. And so on your question, what you basically see in the third quarter is something that you could see if you take kind of a worst-case scenario that could continue still a couple of quarters.

And again, sorry on your question on WM, we stay onto the bulk. We don't give the breakdown of the elements of WM in that. So that would be the answers.

Sharath Kumar (Deutsche Bank): Thank you, Lars.

Operator: Gentlemen, there are no more questions registered at this time.

Jean-Laurent Bonnafé: So once again, thank you for your time and your attention. So you have seen a CIB is a strong performer this year. It should stay that way for the years to come. Looking at the business model, the comprehensiveness of the platform and the fact that that business is gaining market share throughout EMEA quite regularly. IPS is doing well. We're investing a lot. External growth is there. There are a couple of major moves, so we should see much more of IPS in the years to come. And CPBS, that is under heavy pressure this year, probably more than anticipated, even if we mentioned that at the very beginning of the year. We will benefit from a kind of pivotal moment beginning of next year. And we gave a number of guidance regarding France, Belgium, personal finance, so this clearly will help next year and in 2026.

Thank you so much for your time, and see you soon for the annual results in February next year. Thank you so much.

Operator: Ladies and gentleman, this concludes the call of BNP Paribas' Third Quarter 2024 Results. Thank you for participating and you may now disconnect.

Disclaimer

The figures included in this document are unaudited.

As a reminder, on 29 February 2024 BNP Paribas reported restated quarterly series for 2023 to reflect, in particular, the end of the build - up of the Single Resolution Fund (SRF), effective 1 January 2024, and the assumption of a similar contribution to local bank taxes at a level estimated at about 200 million euros annually beginning in 2024, as well as an accounting heading separated from cost of risk and entitled "Other net losses for risks on financial instruments", beginning in the fourth quarter 2023. This document reflects this restatement.

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