BNP Paribas
Deep Dive Call
Insurance

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List of MAIN speakers	Company	Job title
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Fabrice Bagne	BNP Paribas	Deputy CEO, BNP Paribas Cardif, France, Italy, Luxembourg
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DEEP DIVE INSURANCE

Bénédicte Thibord
Head of Investor Relations

Good afternoon. We are delighted to welcome you to our third deep dive call dedicated to the insurance business. The objective of this new initiative run by the BNP Paribas Investor Relations team, is mainly to help you understand the value of BNP Paribas' diversified and integrated model. I now pass on the mic to Lars.

OVERVIEW

Lars Machenil
Group Chief Financial Officer

Thank you, Bénédicte. Good afternoon, everyone, or good morning, depending on where you are. I am also very pleased to welcome you alongside, amongst others, Renaud Dumora, Deputy COO, Head of Investment and Protection Services, and this to our deep dive call on insurance. We are here today together with Pauline Leclerc-Glorieux, CEO of BNP Paribas Cardif, Fabrice Bagne, Deputy CEO of BNP Paribas Cardif, France, Italy, Luxembourg, Eric Marchandise, Deputy CEO of BNP Paribas Cardif Finance and Virginie Delaunay, Deputy CEO of BNP Paribas Wealth Management in charge of CPBS markets. You will see all aspects of why we are so proud and pleased with the IPS activities.

Welcome to our presentation. Today we will step back on BNP Paribas Cardif in its various dimensions.

- Its market, clearly a growth opportunity as we've been discussing in the past, and this in a context of rising needs in savings and protection.
- Its business profile, a well-balanced and diversified franchise, positioned for growth with strategic investments on top.
- And then its business model, a unique partnership approach, both internal and external, combining the power of BNP Paribas distribution networks and a very dynamic network of external distributors.

As you will see throughout this presentation, the insurance business is strategically important for BNP Paribas' future growth and long-term strategy, and this in the context of overall transformation of our IPS division. Just as a reminder, what we have been doing in the past with CIB, that is what is unfolding with IPS. We will also have some time at the end of the presentation for some questions. With this, I'll hand it over to Renaud.

INTRODUCTION – IPS is at the heart of the Group's integrated model, focused on capital light businesses, generating fees and cross-selling revenues

Renaud Dumora
Deputy COO, Head of Investment and Protection Services

Thank you, Lars. Good afternoon. As a starting point, let me present IPS: the division in which our insurance business is positioned. IPS is a unique continuum of solutions in the European financial landscape, in which we combine all our capabilities and savings, investment and protection services. Beyond insurance, the division gathers wealth management, asset management and real estate businesses to accompany and secure our clients on their key projects all along their lives. We have a strong focus on innovation, sustainability and digitalization, which enables us to offer personalized and efficient services.

IPS, Investment and Protection Services, is a key component of BNP Paribas Group. It generated in the first nine months of 2024, 12% of the Group's revenues, and 14% of the Group pre-tax net income. It is focused on fee businesses, consumes limited RWA, allowing it to be capital light and generate superior profitability: 21% for the full year 2023. The intense cooperation with the CPBS and CIB divisions, which has accelerated over the last two years, has been key to our continued development and will remain so over.

Over the first half of 2024, IPS was involved in 36% of the Group cross-selling revenues. A few figures to illustrate the contribution of IPS to the Group. IPS manages assets under management worth €1,344 billion as of the end of Q3 and generated revenues of €5.6 billion in 2023, with a solid CAGR of 5.3% between 2022 and 2024, as you can see in the graph. This strong performance on AUM and revenue was generated on the back of strong insurance, asset management and wealth management divisions.

INTRODUCTION – Strategic acceleration underway to step-up in key markets

As highlighted in our recent communications, the Group has strong ambitions for IPS. The goal is to consolidate and expand our positions in key growth markets, which requires us to move to the next levels in terms of reach and size. In the recent months, we have consequently completed and launched several strategic acquisitions and partnerships. These moves should allow us to change dimension and position us as a European champion on long-term savings. The planned acquisition of AXA IM by BNP Paribas Cardif is undoubtedly the most structural project. This would allow us to consolidate our expertise in managing long-term assets, leveraging the sophisticated approach of AXA IM on this segment and positioning us as a major player towards third-party insurers and pension funds. This operation will also scale up significantly our assets under management with total combined assets which will reach €1,500 billion.

Beyond the AXA IM project, we also plan to expand our client reach with strategic partnerships in insurance with BCC Iccrea in Italy and Neuflize OBC in France, which we will detail later on, or for wealth management via the acquisition of HSBC private banking activities in Germany.

Finally, the acquisition by BNP Paribas Cardif of a 10% minority investment in Ageas presents a significant opportunity to benefit from the growth of a diversified insurer with whom the Group has a close relationship in Belgium, with the existing 25% ownership by BNP Paribas Fortis of AGI and their strategic partnership.

These acquisitions will contribute to increase the Group's RONE, as our reinvestments target a ROIC, well above 16% in 2025, and for AXA IM above 18% from 2028.

Through these various moves, BNP Paribas will be very well positioned to make the most of structuring megatrends. First, the demographic evolutions, aging population and their impact on environment; changing regulatory landscape with a focus on increasing the value, the quality and the transparency of our products, but also to adapt to changing needs from our clients, looking for more self-care options, digital journeys and tailored products. We'll provide more details on the overall transformation of this division, IPS, after the closing of the AXA IM acquisition somewhere in mid-2025, and its integration in the division. I will now hand over to Pauline to present our insurance business contribution to the Group in more detail.

KEY FINANCIALS – BNP Paribas Cardif is a solid contributor to the Group's growth

Pauline Leclerc-Glorieux
Director and CEO of BNP Paribas Cardif

Thank you, Renaud. Good afternoon to all of you. Now let's move to slide five and review key financial figures. Let's look first at gross written premiums. Gross written premiums represent the activity side of our business and include all premiums collected from our clients, whether in savings or in protection. They increased solidly in the past three years, with a 6.3% CAGR between the first nine months of 2022 and 2024.

Looking now at our drivers of P&L. With IFRS 17, the evolution of the contractual service margin has become an important driver. In 2023, the CSM amortization, including internal margins, amounted to €1.8 billion, approximately 10.5% of our initial stock. On the other hand, the CSM increased by, first of all, the contribution from new contracts for €1.1 billion and secondly, the unwinding capitalization effect for €1.3 billion. Therefore, the CSM stock grew by more than 3% in the full year of 2023 at unchanged assumptions. Additional movements related to changes in modelling and economic assumptions also impacted the CSM.

Moving to our pre-tax income, you can see that it progressed, with a 10% CAGR between the first nine months of 2022 and 2024. There is some seasonality in the results, with the last quarter being somewhat lower than previous quarters.

Let's look now at the contribution of insurance activity to the Group. It is evident, accounting for 9% of the Group's pre-tax income over the first nine months of 2024, and generating 24% of the Group's cross-selling at mid-2024. With only 8% of the Group's equity allocated to our operations, insurance achieves a return on net equity (RONE) of 20% pre-tax in 2023.

MARKET OUTLOOK – A business positioned on high growth markets driven by rising needs in Savings and Protection

Let's move now to the next slide. Now this slide looks at the insurance market and at its growth dynamics. We're talking about a sizable and growing market. In 2023, insurers worldwide collected 7.2 trillion USD in premiums across all segments of the insurance business. Growth in 2024 is expected to stand at 3.2%. Focusing on life insurance, the market alone accounts for $2.9 trillion in GWP, with a growth forecasted at 2.9% in 2024. The Creditor Protection Insurance, a market on which BNP Paribas Cardif is the world leader, has also strong depth, with a GWP of €58 billion in Europe, APAC and Latin America.

Looking ahead, a number of factors are expected to drive growth. First of all, as you can see on the top-right diagram, insurance penetration, which is the ratio of insurance premiums over GDP, is still way below average in emerging markets. Secondly, the insurance gap, which is the difference between the need for insurance and the actual level of insurance, is high and growing. If we focus on the protection gap, it was estimated at $1.8 trillion dollars in 2023, up 20% compared to 2018. Demographic shifts and increasing life expectancy are expected to drive insurance needs up.

So, all in all, the global insurance market, excluding the health segment, is expected to grow by an annual rate of 5% over the next decade. Life Insurance is expected to grow at 5%, too, keeping in mind that the normalization of interest rates at a higher level, 2–3%, and with a back to normal upward-sloping curve, will be beneficial to life insurance savings.

Mature markets such as Europe and APAC advanced countries, on which we have a larger presence, are projected to grow at 3.5% approximately, whereas Latam will grow at a fast pace of 8%. China will also remain a strong driver of growth. Finally, bancassurance, a model that we are well positioned on, is expected to reach 7% growth from 2022 to 2031.

PROFILE – A well-balanced insurance franchise, with solid foundations

Moving on to slide seven, let me now introduce our insurance model. This model is characterized by a balanced franchise across products, geographies, and distribution channels. It is designed to provide protection to individuals and their assets at every stage of their life. This means we provide both savings and protection insurance offers. It leads to balanced revenues, with a 55% split in savings and 45% in protection.

If we look at our geographic footprint, it is also balanced. We operate in more than 30 countries with a GWP evenly split between France, our core historic country, and our international presence. This enables us to leverage our strong footprint in core countries, as well as to capture growth in Asia and Latin America markets. It also diversifies our exposure to economic cycles.

Finally, I wish to highlight the efficiency of our specific model, supported by two synergetic distribution channels. We generate 51% of our GWP with BNP Paribas Group's networks, our natural partners, and 49% with external partners whether banking or non-banking. This makes us a worldwide expert in partnership insurance, distributing insurance to individuals through banks in a bancassurance model, but also through other external partners from various other industries. We will present this model in more detail later on, but this is key to our growth, giving us a greater reach via our partners.

PRODUCT AND GEOGRAPHIES – A global presence in Individual Savings & Protection

Let's now take a look at our geographic and product foothold on the next slide. As shown on this slide, we have established strong positions globally as a major player in bancassurance and the number one in Creditor Protection Insurance globally. This is thanks to more than 500 distribution partners, enabling us to reach more than 80 million clients. In Europe, we have a solid core market in France and a strong presence in countries like Italy and Luxembourg. In these countries, we offer a diversified range of savings and protection insurance products. We are also present in the rest of Europe, where we focus on protection products. In Latin America, we've reached a GWP of €1.7 billion in protection. In Asia, we leverage our expertise in savings and in CPI in markets such as Japan and Taiwan, and we also operate through a life insurance JV in China.

Looking at our products: Savings insurance products represent 76% of our 2023 GWP. They have a significant growth potential to address the retirement savings gap, as already mentioned. Protection products representing 24% of the GWP include both Creditor Protection Insurance, CPI, and Individual Protection Insurance offers.

CPI steps in when an individual has taken up a loan, but is not able to repay part or all of its instalments because of an unexpected event such as an illness, an accident, unemployment, or in the worst of cases, death. The insurance will then either pay for some of the instalments or reimburse the loan in full, typically in case of death. It therefore avoids adding financial hardship to an already challenging personal situation. Other protection products are typically related to property and casualty. Overall, this balanced and global positioning supports a sustainable growth and ensures granular risk diversification.

MODEL – BNP Paribas Cardif has developed a unique partnership model creating value for clients, partners and insurer

Moving on to the next slide. Let's now look at a distinctive feature of our model. At BNP Paribas Cardif, we distribute insurance products mainly with partners which are not insurance specialists, but which have clients who need insurance. This is a very distinctive feature of our business model, since insurance is usually distributed through channels which exclusively distribute insurance products. Now, this model benefits all three parties. Clients have access to products which answer a coverage need, yet which they would not necessarily have actively purchased through a broker or agent. By embedding insurance into their value proposition, partners' distributors widen their value proposition to their own clients, thus driving customer loyalty and high NPS, Net Promoter Score, while generating additional fee revenues. We, as an insurer, are able to access a large client base with good quality pools of risks at a variable distribution cost.

Now, making this business case a reality relies on our ability, built over the last 50 years, to blend multiple expertise into a unique partnership business model. We build easy-to-understand, easy-to-subscribe, easy-to-use products which can be seamlessly integrated into the existing sales processes of our partners. To that end, we combine actuarial expertise with strong risk management, delivery capabilities through IT platforms, and distribution expertise. This enables us to co-design with our partners' insurance products which meet their client needs and boost their own value proposition.

We also focus on creating a high-quality customer experience to build durable relationships with our partners. In 2023, we renewed more than 100 partnerships, which is proof of the sustainability of our model. And finally, we are committed to embedding environmental, social and governance, ESG principles into our offer. We make insurance more accessible, typically leveraging on medical advances to lighten our medical underwriting rules. We only recently announced major changes in France for HIV-positive individuals following similar changes last year for individuals with Irritable Bowel Syndrome. We believe this contributes to building trust, sustainable growth and to enhancing our value proposition. As a result, our partnership model has expanded to over 500 partnerships globally. BNP Paribas' networks represent a strong contribution, with 58% of our savings GWP and 31% in protection. External banking partners account for 22% of savings GWP and 35% of protection GWP. The remaining share of premiums is generated by non-banking partners across diverse sectors.

MODEL – Insurance factory in a full value chain to serve the Group's end-clients

Moving on to the next slide. Now, as you can see on the top graph, BNP Paribas Cardif is fully integrated in the Group. We source assets from IPS and CIB, private assets, real estate investment funds structured products. This enables us to create insurance solutions adapted to the investment horizon, risk profile and preferences of our clients. We reach the full range of clients of the Group, retail, mass affluent and private banking clients. We also cross-sell with CIB for collective retirement solutions and corporate savings schemes. Beyond its distribution networks, BNP Paribas Cardif benefits from the Group's brand and franchise. This builds legitimacy and trust with potential partners, but also with retail clients in countries where we have a banking network and where the BNP Paribas brand and products are well known.

For the Group, our insurance value proposition is a factor of innovation as we use the best practices developed with external partners to enrich the solutions provided to the internal networks. We contribute to the Group's sustainability objectives by providing inclusive offers through partnerships such as with Nickel and Neon, giving access to approximately 30 million clients. Finally, our global footprint with a strong presence in Latin America and key local partnerships, or our partnerships with a large number of banks in Japan, provides a global reach to the Group thanks to a model which is truly multi-local.

Now over to Fabrice to focus on our bancassurance model and our core market.

INTERNAL PARTNERS – BNP Paribas Cardif fuels the Group network with a strategic insurance value proposition

Fabrice Bagne

Deputy CEO, BNP Paribas Cardif, France, Italy, Luxembourg

Thank you, Pauline. Let's move to the next slide and focus on how our bank insurance model fuels the division Commercial Personal Banking and Services, CPBS, with a strategic insurance value proposition. Within CPBS, our main distribution partners are BCEF, Commercial and Personal Banking in France, BNL in Italy, and Personal Finance. So how does that model work? It relies on a simple yet powerful idea. When a life event occurs, it often triggers a banking event, but also an insurance need. Our model is simple. We leverage on this banking trigger to identify and fulfil the insurance need. For example, if you secure a mortgage, you need credit protection and home insurance. If you take up a loan to buy a car, you also need CPI on car insurance. If you have savings to invest, you want some form of protection for your family. Thanks to BNP Paribas Cardif, the banking advisors can leverage on their knowledge of the client to propose the right insurance product at the right time. As a result, we are able to reach a significant penetration rate in the BNP Paribas network.

If you look at savings in France, one retail client out of four owns a BNP Paribas Cardif life insurance product. This increases to one out of two for mass affluent clients and two out of three for private banking clients. The same logic applies to protection products, but to be honest, our penetration rate is lower. We believe there is still significant upside potential on this area, notably on home insurance and car insurance and personal protection. We have a strong development plan to achieve higher penetration of the Group clients on this matter.

INTERNAL PARTNERS – Focus on France: a leading player in a key market in Europe

Let's move to the next slide and focus on France to show how BNP Paribas Cardif has used the relationship with the Group to become a leading player in France. Indeed, we have a very strong position in this fifth largest insurance market worldwide. As I said, we work in France with the Group retail and private banking networks mainly, but also with other external partners like third-party private banks and IFAs, brokers and so on. This enables us to reach a broad customer base with around 10 million clients across 100 different distribution partners, making us the third bank insurer in France.

In terms of products, we provide a comprehensive range of products, individual and collective savings, retirement, creditor protection insurance, personal protection, motor and home insurance, and affinity products. We are the third largest player in life insurance, in collective retirement and in corporate savings, that allows us to support IPS’s strategic ambition in long-term savings. And finally, we hold the fifth position in individual creditor protection insurance in France.

As I said, we have a strong development plan to increase penetration on protection products. We have completely revamped our individual protection insurance for the bank BCEF, redesigning both the product and the client journey. In property and casualty, we have achieved double-digit growth. All in all, our savings premiums have grown solidly, increasing our estimated market share in life insurance from 9.1% in 2021 to 10.1% over the first nine months of 2024. Protection premiums have grown by 5.2% annually from September 2022 to September 2024.

So let me now introduce Virginie, deputy CEO of Wealth Management in charge of CPBS markets, with whom we work closely to develop our activity for our private banking clients.

INTERNAL PARTNERS – Focus on Private Banking: tailored Insurance solutions and commercial set-up

Virginie Delaunay
Deputy CEO, BNP Paribas Wealth Management in charge of CPBS Markets

Thank you, very much, Fabrice, and good afternoon, to all. Thank you for this opportunity to share with you insights on the very successful partnership between our insurance business and our wealth management business. I really believe this partnership is a very good illustration of how BNP Paribas integrated model works for the benefit of our clients and for all business lines of the bank.

First of all, the partnership is about combining both insurance and wealth management expertise to offer our clients very customized products to address their liquidity, transactional and succession needs through a broad range of products in life insurance, capitalization plans and pension plans.

Wealth management and insurance have a very good track record for co-constructing, Fabrice, with your team, those products. Let me also stress that the partnership actually goes beyond insurance and wealth management because, for instance, we also leverage the product expertise of Global Markets within our CIB department and the product expertise of BNP Paribas Asset Management. And tomorrow, AXA IM. How is that? As an example, I can tell you about how we have been able to offer our wealth management clients exposure to asset classes like structured products. Leveraging global market expertise and also private equity exposure, leveraging BNP Paribas Asset Management expertise through dedicated unit- linked products that are embedded in life insurance contracts. So we are basically combining the best of BNP Paribas expertise. And this is how Wealth Management has been successful in contributing to very dynamic inflows in life insurance in France with, as you see on the slide, assets invested in life insurance reaching €58 billion as of the end of September 2024.

This is how also we've been very successful at maintaining unit-linked share above 30%, and we expect to go beyond €2 billion of structured products embedded in life insurance by year end. And as Fabrice said, we have a very high equipment of clients in life insurance: more than 70%.

By the way, I focused here on France, but we are also very strong in life insurance in Luxembourg. And with the acquisition of HSBC private banking activities in Germany, we will be able to extend this successful partnership to address transaction needs, especially of our entrepreneurs and family clients in Germany. Let me finish by saying how strong we are by teaming up our coverage forces. I believe that we have the best commercial setup because we leverage the intimacy our RMs have with our clients on the Wealth Management side and provide high-quality advice with dedicated coverage for insurance teams. And as Fabrice said, also BNP Paribas Cardif can leverage on all these best practices from this internal partnership for the benefit of external partnerships with third-party banks.

I now hand over back to Pauline.

EXTERNAL PARTNERS – Strong value created from long-standing external strategic partnerships

Pauline Leclerc-Glorieux
Director and CEO of BNP Paribas Cardif

Thank you, Virginie. Let's now move to slide 14 and look at how we grew our business with external partners. As already mentioned, we constantly go back and forth between internal and external networks to the benefit of all partners. Thanks to our expertise and recognized status as a leading B2B2C insurer, we've been able to sign key partnership deals with leading actors in various sectors, for example, with Orange. We've had a partnership with market leader Orange since 2018, reaching its millions of mobile network clients, providing mobile phone theft and damage insurance in France. These partnerships provide a resilient and foreseeable source of income, with partnership durations which can reach ten or even 15 years, and a large part of which are regularly renewed thanks to the high value we bring to our partners.

For example, Magalu, Magazine Luiza, in Brazil. This partnership has been regularly renewed and expanded since 2002, enabling us to support Magalu’s transformation with an integration in the digital sales process of our partner. Finally, these partnerships provide us with an access to a very large client base at a variable cost. So thanks to our multi-channel partnerships, we can access a large client base, establishing strong positions across multiple geographies.

In our core markets, Fabrice has already mentioned our top rankings in France. You can see on the map below some of our key positions globally. We are number two in Luxembourg in life insurance, with a successful platform serving a wide range of private banks catering to clients across Europe. In Asia, we have a strong presence on CPI in Japan. In Latam, we have a 16% market share in CPI.

Beyond those core positions, we are also in the process of building pan-European platforms in growth areas. Pet insurance in a joint venture with JAB, Pinnacle Pet Group, with already 2.2 million contracts signed, mobility solutions by our subsidiary Icare, focusing on extended warranty, maintenance and other mobility-related solutions, affinity covering theft and damage, and extended warranty of goods. Let me now give the floor back to Fabrice.

EXTERNAL PARTNERS – Examples of recent bolt-ons to further step-up the model

Fabrice Bagne
Deputy CEO, BNP Paribas Cardif, France, Italy, Luxembourg

Thank you, Pauline. Moving to the next slide. We wanted to drive you through our ambitions for our most recent strategic partnerships, first with Gruppo BCC Iccrea, on the left, in Italy, and Neuflize OBC, on the right, for France. We recently closed a 15-year partnership with Iccrea, the largest cooperative banking group in Italy. This represents a strong investment in a country where BNP Paribas has a significant presence, and will allow us to gain significant scale. This partnership includes two things. First, the acquisition of 51% of BCC Vita, the life insurance company of the group BCC Iccrea. Secondly, an exclusive distribution agreement on life insurance products; and in the past, BCC had only one third of the activity, so we expect to boost penetration with Iccrea’s clients and generate a significant step-up in assets under management from the current €4.4 billion.

Our teams on the ground have been working hard on this project since we closed the deal in May, and the operational takeover has been successful. We are now focused on the commercial relaunch.

Same story more or less in France. We signed a ten-year partnership with Neuflize OBC, the French private bank, and acquired Neuflize Vie, its life insurance company. This company currently manages already approximately 11 billion in assets, of which 60% are unit linked. This acquisition allows us to distribute savings products within the fleet's private bank, complementing our third-party private bank's platform we spoke about just before. This strategic fit reinforces our position in the French wealth savings market; and with the recent closing of the acquisition, we are now focused on a seamless transition for Neuflize clients. So a lot of ambitions and potential from these two projects.

I will now hand over to Eric, our CFO, to present our approach of risk management. Eric.

FOUNDATIONS – Strong risk management to resist to changing environments

Eric Marchandise
Deputy CEO, BNP Paribas Cardif, Finance

Thank you, Fabrice. Risk management is, of course, a key element for any insurer. Let's start with our Solvency II ratio which has remained robust over the years. It stood at 183% at year-end 2023. And please keep in mind that this level is calibrated taking into account the strong support of the Group.

Looking now at the breakdown of our solvency capital requirement into different risk categories. It is broadly in line with our industry and reflects the risk profile of our activities with almost 80% of the SCR concentrated on market and underwriting life risks.

As we have mentioned, we have further potential to grow in non-life products and this would generate a low marginal capital requirement because of the diversification effect that is embedded in the SCR calculation, thus offering attractive ROI on incremental activities.

When looking at our assets under management specifically, 37% are invested in unit-linked products whose, as you know, financial risk is borne by policyholders, and 56% in general funds. The general funds represent approximately 140 billion at market value, mainly in France, or approximately 85% of the total. The remainder being in Italy and Luxembourg. Our general funds are usually segregated, and the changes in market values on the asset side are absorbed on the liability side under IFRS 17, with limited direct impact in the P&L.

As shown below, we maintain a balanced portfolio in terms of investments and on well-rated counterparts. In France, the wealth of the general funds ranks amongst the best ones, with a level of profit-sharing reserves of 4.6 billion at year end 2023 – so approximately 5.4% of the French general funds – allowing to continue to grant an attractive yield in case of increasing interest rates.

Regarding the level of guaranteed rates, it is extremely low, for example, less than 0.1% in France on average. As a result, the unit-linked and general funds represent a robust and resilient source of earnings for our insurance activity. Along with the unit linked and general funds, we manage a non-participative portfolio that consolidates the non-life reserves, the own funds and other financings. This portfolio is managed with a long-term horizon on a diversified basis to maximize the value creation. The sensitivity to financial market volatility is displayed on this slide. And please note that since the transition to IFRS 17 and IFRS 9, the volatility stemming from the fair market value through P&L is reported in the corporate centre segment in the Group reporting.

Finally, our protection risk exposure benefits from our diversified product and geographic mix. We are not exposed to large risks, to industrial risk, agricultural or transportation risks. We have a very limited and very retail exposure to natural catastrophes. We have also a limited recourse to reinsurance due to our globally low-risk profile and high dispersion. It ensures a good resilience of our technical results over time.

FOUNDATIONS – Leveraging platforms to boost efficiency and support a profitable growth

Let's move to slide 17. Let me walk you through what we do to contain costs and ensure profitable growth. We have contained cost increases to +3.7% between the first nine months of 2022 and the first nine months of 2024; and this despite inflationary pressure, while supporting growth and targeted investments. Our cost income ratio improved from 39% in the first nine months of 2022 to 36% in 2024, so a reduction by three points. And we delivered positive growth with an increase of more than three points from the first nine months of 2023.

To achieve this, similarly to the Group's other divisions, we are constantly simplifying our processes and streamlining our organisation from head office to regions to countries. We optimise our processes via digitalisation and automatization. We have also located some of our teams in Portugal. You can see that we have circa 500 FTE in Portugal, building a local centre of expertise and operations there.

And in terms of IT infrastructure, we reduced the number of data centres by 60% since 2020. Looking ahead, we are committed to continuing our efforts to build platforms, scale our businesses, enhance efficiency and support growth.

I'm now giving the floor back to Pauline to discuss innovation.

FOUNDATIONS – Constant innovation to address partner and client needs and increase efficiency

Pauline Leclerc-Glorieux
Director and CEO of BNP Paribas Cardif

Thank you, Eric. Let's now move to slide 18. As you can imagine, innovation is an integral part of our trajectory. It ensures our value proposition remains relevant for our partners and their clients. Our innovation strategy has generated tangible results through innovative products and revamped processes. We've been investing in artificial intelligence, AI, for ten years and have developed a strong insurance-related expertise in that field, with more than 80 use cases in production.

Beyond efficiency gains, we believe AI has the potential to be a game changer for insurance. By upgrading and personalizing client experience, it will improve the overall experience of buying and using insurance, driving revenues up, thanks to improved customer satisfaction, higher penetration rates, and longer policy durations. We already see improvements of sales conversion rates of up to 50% and of policy durations of up to 20% in some AI-powered processes we are running. If we look at claims processes, which are often a pain point for clients, we process 150,000 claims automatically per year, leveraging on our ability to automatically read 90% of documents submitted by clients. I mentioned the partnership we have with Orange, where thanks to AI, we are already processing 50% of claims automatically.

With regards to products, we've partnered with Blackstone to offer access to private debt unit-linked products. We've built a dedicated, fully digital offer covering home insurance for renters and homeowners for the Group's Nickel clients, together with digital insurance startup, Lemonade.

Regarding ESG, we've continuously extended insurance covers to include rare disease and offer a possibility for the most vulnerable clients in France to benefit from specific financial assistance. We keep working on our partners and clients' journeys with plug-and-play solutions, with an API store enabling smooth, digitalized journeys for our clients and partners.

Looking ahead, we remain committed to leveraging innovation to drive growth and efficiency to improve customer journeys and partner experiences, ultimately delivering operational efficiencies and value to our clients and partners.

Handing over the mic to Lars.

OUTLOOK – Leveraging our unique positioning to capture growth in fast-growing markets

Lars Machenil
Group Chief Financial Officer

Thank you, Pauline. As we look towards the future, as we always do, BNP Paribas Cardif is uniquely positioned to capture growth in fast-growing markets, as you have seen, and driven by favourable demographic and economic trends. Our strategic investments and repositioning within the Group underscore our commitment to leveraging these opportunities. As you know, insurance is a business built on a long-term horizon. The solid foundations we are building are key to the future development.

We announced earlier this year a target CAGR of 5% between 2023 and 2025 for our insurance activities revenues, and we are on track to achieve this. With the development projects we highlighted, the growth levers are in place for the next period to come. Indeed, 2025 will be a pivotal year for insurance business line and IPS as a whole. With the closing of the AXA IM deal, our long-term savings platform will achieve a totally new scale. We know you are keen to have more details on the outlook and the profitability of this capital redeployment. The acquisition process, as you know, is ongoing so we cannot provide much more detail, but we will hold another deep dive after the closing to provide more elements on the outlook and the model, the way we implement it to increase scale, our reach, our efficiency and our return on capital.

So combined with the bolt-on acquisitions in Cardif and WM, we will transform IPS to become a stronger, even stronger, contributor to the Group. Similarly, to the transformation undergone by our CIB platforms in the past years, and targeting to increase our revenues closer to a third of the Group revenue, you know the three divisions, as you know my story. The effects of this transformation will be progressive, and we will provide more details at our annual results on February 4th, 2025. Looking forward to seeing you then. The full effect of this transformation will be central to our next plan, with the benefits of the new scale of our platforms driving IPS at the centre of the Group's further development.

CONCLUSION – Positioning Insurance at the core of our investment case and strategy

If finally, I can ask you to take a look at the final slide. Intrinsically, the overall slide you are now very familiar with, highlighting our equity story and the five building blocks to go in there. And you see that insurance ticks all of those boxes. Let's take them one by one. The first one: powerful partnerships, as you have seen, enabling to expand our client base and this at marginal cost. If you look at the second, it's a broad savings and protection offer; it ticks the box. Number three, a solid foundation and risk management, a key asset for an insurer. Fourth, a strong focus on making insurance more accessible and building savings products supporting the energy transition. And five, strong investments in technology as you have seen, as well as talent, and this to simplify and digitalize our customer journey.

With this, I think we've concluded to give you a view of the elements. You've got a lot of details; I would hand it over to you if you would have any clarifying questions or others.

QUESTIONS AND ANSWERS

Pierre Chedeville (CM-CIC): Yes. Good afternoon and thank you very much for this presentation. I have three questions. My first question would be a financial one. It is about the impact of a lower rate environment on your activity, but also on your profitability, both in savings – where I think the impact is the most significant – but also in P&C and Protection. And notably, what could be the impact on the undiscounted or discounted combined ratio?

Second question, which is about the combined ratio. Could you give us the combined ratio on your P&C and Protection activities? I think it's something which is quite important to compare with other peers.

And the last one is more about business. You mentioned that you were still weak in P&C, Property and Casualty in the networks, and notably in France, where you had a partnership with AXA and now with Matmut, if I'm right. And you mentioned a plan to develop. Could you elaborate a little bit more on this plan? And also, in Health; you did not mention Health. It is something that you are not interested in? I'm talking about Health for individuals, but also for employee benefits. Thank you very much.

Pauline Leclerc-Glorieux: Thank you for your questions. This is Pauline speaking. I'll take the first question, then hand over to Eric for the second one and Fabrice for the third one. Regarding the impact of lower rates on our activity and profitability, as a rule, if we have lower rates, it means that we tend to have an increasing upward slope on the interest rate curve. And this means that life insurance savings become more attractive because there is no more competition from short-term banking products. So this environment is globally favourable to the strengths of BNP Paribas Cardif savings activity, since we have this long-term approach on wealth management, and we are also able to provide a more interesting mix of products between general fund and unit linked. Ultimately, this is also beneficial to profitability.

If we look at protection activity, what we can say is that one of the positive elements of having lower rates is that it means it decreases the cost of credit, and therefore it leaves more room for the client to pay for creditor protection insurance, which is also good for penetration. Eric, the floor is yours for combined ratio.

Eric Marchandise: Yes, the combined ratio on the protection activities which are reported under the premium allocation approach is in the region of 94% and quite stable in 2023 and 2024.

Pierre Chedeville (CIC): Excuse me, is it an undiscounted combined ratio or a discontinued combined ratio?

Eric Marchandise: Discounted.

Pierre Chedeville (CIC): Okay. Thank you.

Fabrice Bagne: Fabrice speaking. I will take the third question regarding P&C activity. You are right, having entered the P&C activity quite recently with regards to other market players, we still have room to grow. We have done better than the market the last two years, so we want to continue to grow like that and beat the market every year. Regarding Health it is, as you know, a quite mature market with less potential. So, for the moment, we have no specific plan to develop this activity at this stage, but it's still open.

Pierre Chedeville (CIC): Okay. Thank you.

Operator: The next question is from Benoît Valleaux, Oddo. Please go ahead.

Benoît Valleaux (Oddo): Thank you. Good afternoon. Thank you for taking my question. And thank you for the presentation. A few questions on my side. Maybe the first one is regarding CSM. I don't know if you can share with us some figures around CSM evolution and CSM and maybe more importantly, what is the normalized rate increase in the CSM of your life insurance business, which of course benefit from your new business contribution?

The second question is – okay, we are only mid-December, so I don't know if there is any specific comment or colour you would like to share with us regarding Q4 earnings outlook. And do you confirm the target given in your 2025 strategic plan, i.e., a CAGR revenue growth of around 5% from 2023 to 2025? And maybe a few questions, if I may, regarding solvency margin. Thank you for the 183% figure in 2023, but can you please give us what is your operating Solvency II capital generation? And what could be the potential benefit from the Solvency II review? And on top of this, what is the amount of dividend paid to the Group? Just to better understand, I would say, the dynamic of your Solvency II margin.

And also, what will be the impact of AXA IM acquisition on your solvency margin? And third, regarding AXA IM, if I may. I understand what you said regarding the fact that you will come back to us with more details later, but I mean, do you have already at this stage some colour to share with us regarding potential synergies from this acquisition? Thank you.

Eric Marchandise: On the first question regarding the CSM, you have some information in the annual report of BNP Paribas. I'll give you the main blocks of the analysis of movements that we can do on the CSM. If we take 2022 from 2023, we have an addition of €1.1 billion approximately, including internal margins that is coming from the new business. We have €1.3 billion that is coming from the expected return on the CSM, so mainly the unwinding, and we have an amortization of CSM of €1.8 billion. So, all in all in 2023, we had a normalized increase in CSM of 3%. In the first half of 2024, new business was up quite significantly, so +€0.8 billion; expected return is of the same magnitude as last year, so +€0.6 million, and amortization -€1 billion. The growth rate of the CSM normalized. Excluding the variance of economic and non-economic parameters, the growth rate in the first half was +6%.

Operator: The next question is from Jacques-Henri Gaulard, Kepler Cheuvreux. Please go ahead.

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes. Good afternoon. I had two. The first one is on page three. When you're talking about the percentage of Bank of the West redeployed capital at 40%, I was wondering what the denominator was, because if you're using either the 11.6 billion of excess CET1 you had, when you got Bank of the West, of the 7.6 which were remaining, just with AXA IM you're already way above that number. I just wanted to know that.

And the second question: Lars, I appreciate the fact that you can't say anything about AXA IM, but we had the press release in August. We really thought the deep dive would be an opportunity to get a little bit more colour. It's a bit like you give us a Christmas present and we can't take the gift wrapping off. So, let's rephrase the question a bit. It is probably your biggest transforming acquisition since Fortis. You have probably in there about 1 billion of pre-tax profits that could basically increase your profitability. Is that the right way to look at it? Thank you.

Lars Machenil: I'll take the first question on capital. The way to look at it, when you look at acquisitions that we do, we basically look at the capital consumed. And so, what we look at is that we had the capital stemming from the sale of Bank of the West. That was 170 basis points. Of that, we did a share buy-back, which was the equivalent of 60bp. Overall, there has been basically 90 basis points that have been redeployed. So, 60 basis points on all the investments completed and 30 basis points on the ones to come, out of which 25, which is the equivalent capital consumption of the structure with

AXA IM. We basically see it in capital consumption, which is the indicator for our capital redeployment. On AXA IM, you will have to come back once it's closed.

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

Giulia Aurora Miotto (Morgan Stanley): Yes. Hi. Thank you very much for taking my questions and for doing this presentation because I find it very useful. My first question is on slide seven. So, you give the split of the gross written premium there between France and the international. I would be interested to understand the split of profits and how the return on capital differs between these two regions. My suspicion is that France would be more profitable because you have got more legs, you have got the bancassurance, etc., but I would be curious to hear from you if this suspicion is correct.

And then my second question is on a different topic, which is AXA IM again – sorry, Lars. Do you see any regulatory risk around the closing of that deal? And what I mean is the Danish Compromise is taken to quite a limit in the sense that you're booking essentially an asset manager under the insurance which makes it even capital lighter than it usually is. And so, from a competitive perspective, that leaves, I guess, a non-level playing field with other players that book asset management not under the insurance. So, I'm not sure how the Regulator will look at that or if there is any risk that other banks may lobby against this. So, any comment on that. Thank you.

Eric Marchandise: On the breakdown of profits by business and region. We are sorry, but we cannot communicate on more detailed figures. What we can say is that the net banking income by product is well balanced between savings and protection, as you saw in the slide. And globally, all regions are contributing positively to the net result that is generated by the activity. But we cannot comment further.

Giulia Aurora Miotto (Morgan Stanley): Understood. And perhaps if I can follow up on this point. Do you think there is value in this big geographical network? Like do you have synergies all the way from Japan and Taiwan to Latin America, or the businesses are quite separate?

Pauline Leclerc-Glorieux: I'll take that one. This is Pauline speaking. So basically, if we look at synergies, because the value proposition relies on the same principles all over the world. We have two types of synergies. The first one is that we try to converge— We have a trajectory to converge on platforms. So typically, in Latin America where the business is very similar from one country to the other, this is a trend we have. And then the second thing is that, as you saw, a lot of our value proposition is in a way in soft skills, soft expertise. And so, this is something on which we leverage a lot between countries. There are a lot of exchanges between countries. And we really try whenever, we spot an innovation in one country, we roll it out as quickly as we can thanks to our platforms, to other partners and other countries.

Giulia Aurora Miotto (Morgan Stanley): Thanks.

Lars Machenil: On your last question: If you look at this transaction it has been confirmed as an insurance-to-insurance transaction, which basically implies that the existing regulation applies.

Giulia Aurora Miotto (Morgan Stanley): Okay. 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 the presentation. Very useful. I have two questions, please. The first is on, I guess, slide 11. You do not mention Arval as one of your distribution partners. Is Arval actually making use of Cardif as a primary insurer? And if not, why not? And is there an opportunity?

And the second question relates to, I guess, a question from a bank analyst perspective. If I look at your divisional reporting in the insurance business, you show about 16 billion risk weighted assets at the end of last year. And so, under the Danish Compromise, it would imply about 4.3 billion of capital at 370%. At the same time, you also show average allocated capital of about 7 billion. So, a higher number than what's implied by the Danish Compromise. And I can't find any of these numbers in the BNP Cardif accounts. Can you help me reconcile these numbers that you use for your capital allocation and the capital metrics from a banking perspective, please? Thank you.

Renaud Dumora: Thank you for your question about the cooperation between Cardif and the different part of the Group. Of course, as explained, we have a strong partnership with personal finance but Arval has its own insurance company in its group so there is no specific partnership between Cardif and Arval.

Lars Machenil: Indeed, if you look at the RWAs that correspond to the activities, you basically take the equity value and you multiply them by 370%. So that's basically your RWAs. So, the question you're asking is where can you find the equity value. If you look at the key elements into Cardif, you go to our annual financial report in Section 5 table 47 and there you will find the volumes. Or if you then go to the participations like for example AGI, you can find this in the same annual report in Section 4.5. I take your point that it is a bit scattered. I'll take away that we can do better into bringing it together. But this is where you can find it and that's how you can relink it.

Stefan Stalmann (Autonomous Research): Okay. I'll have a look. Thank you very much.

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

Flora Bocahut: Yes. Thank you. Good afternoon. Two questions from me, please. The first is a question actually on your emerging markets activities. Because if I think of a business, for example, personal finance, I understand you're doing there a strategic refocusing where you want to refocus on just the UK and the eurozone and exit those emerging countries. And here today, on this insurance deep dive, it looks like you want to keep growing in those countries. So, can you maybe give us some more information on the profitability of those businesses? I mean, I think you suggested in a previous question that those units are also profitable and maybe why you're retrenching from those regions in another division, but you think it is worth for you to keep growing in essentially Asia and Latam in insurance.

Second question is regarding revenues. I think it's clear the revenue growth opportunities that you've presented in the slide pack. If I look at your reported revenues in the P&L, there is it seems also an effect of the mark to market – or at least there was one last year in Q4. I think you suggested in the presentation that this is now booked in the corporate centre. I just wanted to understand there if beyond the organic and inorganic move in revenues, we need to also incorporate some kind of mark-to-market effect. And if this is something that happens only in Q4; so, once a year. Thank you.

Pauline Leclerc-Glorieux: I will take the first question. This is Pauline speaking. I will refocus on insurance because it's a different business model. As we stressed, the key driver of our business is the fact that in emerging markets, insurance penetration is still very low. This means there is a very significant potential to address people who are not buying insurance right now and who need it. And this very simply means that our business outside France is profitable. So, we of course, regularly review our portfolio of activities. We'll review products, partners, geographies. Last year we exited from Argentina, for instance. But as a rule, our strategy is to grow on our international activity because it is a profitable activity. And I'll hand the floor to Eric on your second question.

Eric Marchandise: Yes, on the volatility and the fair market value adjustment. I'm not quite sure I understand what you are referring to in terms of impact of last year's volatility in the insurance segment, in the reporting of the insurance segment. What I can tell you is that the volatility pertaining to insurance that was reported in Group corporate centre was 40 million last year, negative. But please explain if you have a specific—

Flora Bocahut: Yes. I meant when I look at insurance alone in the P&L, so not the corporate centre here. Insurance Q4 last year, you had a sudden drop in revenues, and I understood at the time it was due to the annual mark-to-market effect. So, it looked like when I look at the revenues in insurance, there is still an effect of mark to market somehow.

Eric Marchandise: Okay. I see what you mean. We have, as any insurer, an impact in the financial results. So financial results don't mean that this is necessarily the mark-to-market impact. We have from one quarter to another capital gains which we can make. We have some provisions which can be posted on a number of assets. But I would say this is the normal life of the insurance business and the generation of financial revenues.

Flora Bocahut: Okay. Thank you.

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

Delphine Lee (JP Morgan): Good afternoon. Thank you for the presentation and for taking the time. I just have two questions. First of all, I just wanted to ask about Italy. So, you've got this new partnership with Iccrea, but I was just wondering because you haven't really commented much about what you do with BNL. I was just wondering what are the main initiatives and if we should expect anything on that side?

Secondly, more generally on M&A in insurance, given the opportunity that is provided by the Danish Compromise, I was just wondering, would you consider— You've got the stake in Ageas in particular, which, you know, has slightly increased as well. It doesn't cost much to go beyond that, to be honest. What is your appetite in insurance in terms of M&A? Could you do much more using the Danish Compromise? If you could you comment on that that would be great.

Pauline Leclerc-Glorieux: This is Pauline speaking. I will take the first question on what we do with BNL. And then I will hand over to Lars for the second question. So, with BNL, we have a very similar approach to what we do in France with BCEF as was described by Fabrice. We really aim to provide them with a comprehensive offer of products, both in terms of savings and protection. And so that would just be the key message. We work with them in an integrated approach like we do with BCEF. Lars, over to you.

Lars Machenil: Yes, Delphine, what we aim to do is to bolt on activities. So, as we know now, going forward, there will be the equivalent of some 20 basis points of common equity tier one that we can redeploy. So, if we find something where the price is right and where we can integrate, then these are the things we will look at. There is nothing specific that we would aim for. It's just bolting on is what we would look at. And 20 basis points is what we would go for. So nothing more to say about it.

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

Operator: The next question is from Matthew Clark, Mediobanca. Please go ahead.

Matthew Clark (Mediobanca): Good afternoon. Two questions. Firstly, on AXA. Will that be reported in the insurance division or will that be reported in the Asset Management, Real Estate, Principal Investments division?

And then second question is just on how the insurance team look at their profitability. I mean, from a banking analyst perspective, we're always looking at IFRS profits and trying to reconcile to that. But that's probably not the way that you assess your economic profitability. So what metric do you look at to determine whether you've had a good year or not? That’s my second question. Thank you.

Lars Machenil: I'll take the first question, Matthew. As I mentioned, this is an insurance-to-insurance deal. So it will be reported in insurance.

Matthew Clark (Mediobanca): Thank you.

Pauline Leclerc-Glorieux: Now regarding profitability, we do look at our IFRS 17 accounts, which provide us with a comprehensive look at what our profitability is and what the outlook is. Of course, this comes on top of very strong risk management, where on a contract-by-contract basis, we will be looking at loss ratios and combined ratios and similar ratios. But IFRS 17 provides us with, I would say, a very good approach of where we stand in terms of profitability.

Matthew Clark (Mediobanca): Okay. Thank you.

Operator: Next question is from Benoît Valleaux. Please go ahead.

Benoît Valleaux (Oddo): Hi. Thank you for taking my question. I just try to come back to my previous question, regarding Solvency II. Capital generation, amount of dividend paid to the Group, and what could be the impact of AXA IM acquisition on your Solvency II margin?

And maybe a second question, if I may. What is the amount of commission paid by the insurance to your distribution network, i.e. CPB? For example, last year. Thank you.

Eric Marchandise: On Solvency II and capital generation, the way the Group is looking at the insurance business is on an economic basis. You have to take the net earnings of the insurance business and take the capital allocation that the Group is placing on insurance. So you have all this in the report.

Before dividend, before financial markets variation, what is the increase of your Solvency II margin, just to understand your ability to pay dividends and to upstream capital to the Group?

Eric Marchandise: We do not look at things in this way, it's not the way we look at it.

Benoît Valleaux (Oddo): Okay. And regarding commission paid to the distribution networks?

Lars Machenil: We'll have to come back to you on this one.

Benoît Valleaux (Oddo): Okay. Thank you.

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

Stefan Stalmann (Autonomous Research): Hi. Me again. I have one follow-up, please. Totally different area of the world: China. You disclose on slide eight, 3.5 billion of premium income in Asia. Can you give us a rough sense of how much of that relates or is distributed through Bank of Nanjing? And the insurance joint venture that you have in China. You mentioned that. Is that actually majority owned and therefore consolidated, or is it a minority stake? Thank you.

Pauline Leclerc-Glorieux: This is Pauline speaking. The JV is accounted for in equity methods. It's a JV with Bank of Beijing. However, it works with other banks. And typically, we have very strong and growing business with Bank of Nanjing. The majority of the premiums come from Bank of Beijing. But Bank of Nanjing is a significant contributor. This is what I can share with you on China.

Stefan Stalmann (Autonomous Research): Great. Thank you very much.

Operator: For any additional questions, please press *1. Next question is a follow-up from Pierre Chedeville, CIC. Please go ahead.

Pierre Chedeville (CIC): Hi. As an integrated model, I would like to know if you have any development regarding commercial lines, as you are very strong with corporates, and I wanted to know if you have something in mind regarding insurance and corporates or SMEs, things like that.

Pauline Leclerc-Glorieux: Pauline speaking, I will take that one. When we look at insurance beyond individuals and what they own, what we look at is our ability to provide insurance on risks where there is some strong diversification and granularity. So this means that we will not be looking at commercial lines which have high individual risks which require strong risk assessments beyond, I would say, a traditional probability-based risk assessment. We do work on insurance products, which are an extension of what we do for individuals. Typically, if you look at SME products like key man insurance, which are very close to creditor protection insurance, and where you do have this probability approach, similar as our products, we do so. Basically, any line where our value proposition makes sense, we will explore it, but we will not go for lines where there is a high concentration on individual risks.

Pierre Chedeville (CIC): Okay. Thank you.

Lars Machenil: Let me thank you all for your interest. Let me also thank the teams here for all the preparation because this is the third deep dive in a year. There will be more next year and particularly AXA IM. I thank everybody and I wish you a very happy year end. Thank you so much.