



**BNP Paribas**  
**European Leader With Strong Capital  
Generation Capacity**

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*Goldman Sachs Conference, Rome  
17 June 2015*



# Disclaimer

*Figures included in this presentation are unaudited. On 24 March 2015, BNP Paribas issued a restatement of its quarterly results for 2014 reflecting, in particular, the new organization of the Bank's operating divisions as well as the adoption of the accounting standards IFRIC 21. This presentation is based on the published or the restated 2014 data as appropriate.*

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# Overview

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**Progressive recovery of the Eurozone economy**



**Good operating performance in 1Q15**



**Strong solvency and capital generation capacity**



# Progressive Recovery of the Eurozone Economy

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Strong Operating Performance

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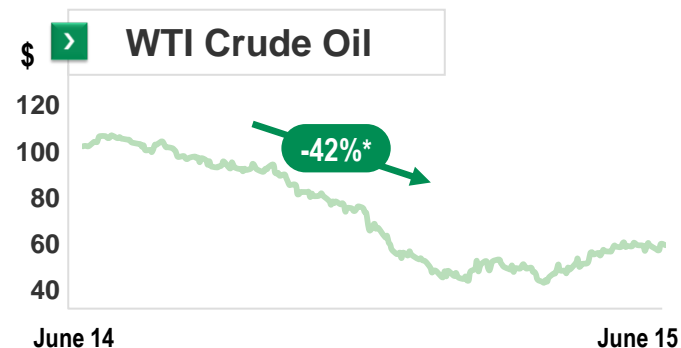
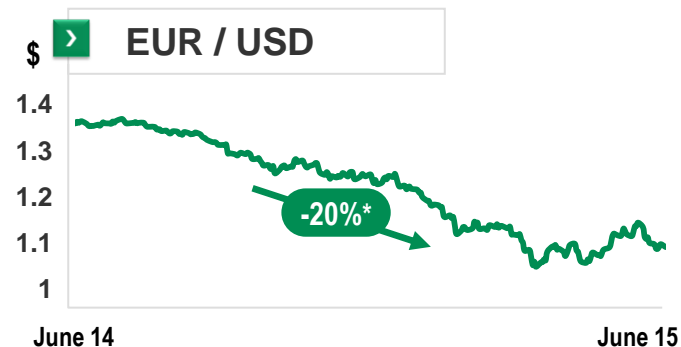
Strong Solvency and Capital Generation Capacity

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# Eurozone Economic Outlook

- Positive macro factors for the EU economy in 2015
  - Depreciation of the Euro vs. USD to benefit exporting European corporates
  - Drop in oil price should translate into higher disposable income for households and lower charges for corporates (IMF estimated benefit: ~+0.5% GDP)
- Non-conventional measures by the ECB to re-launch economic growth
  - TLTRO: massive additional liquidity favouring credit development in the Eurozone
  - Quantitative Easing started on 9 March 2015
  - Resulting in prolonged very low interest rates which will be favourable for investments
- The “Juncker Plan”: a €315bn investment plan
  - Allocated to long-term investments & SMEs/Mid-caps



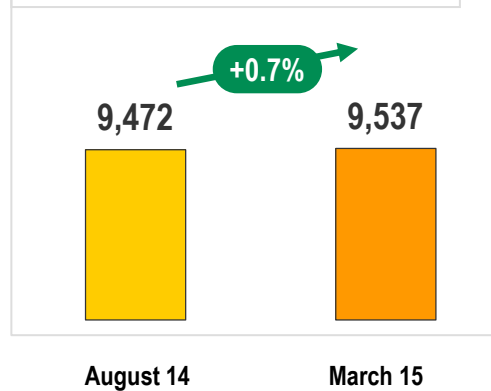
**A favourable combination of positive factors to support economic recovery in Europe**



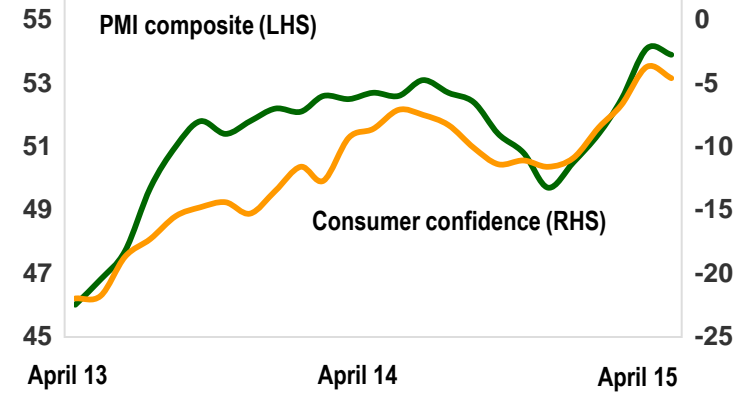
\* As at 1 June 2015

# Eurozone Macroeconomic Indicators

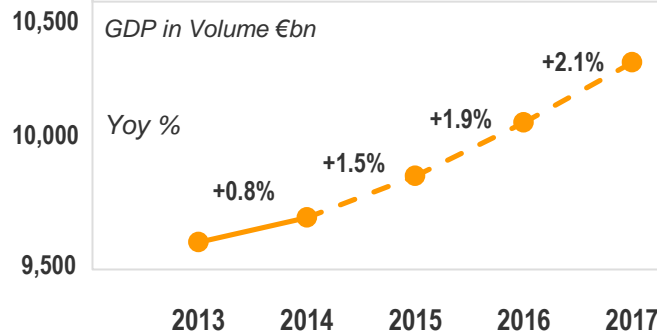
## > Eurozone lending\*



## Index > Confidence indicators\*\*



## > ECB growth forecast for Eurozone GDP



## > Confidence indicators pointing towards stronger EZ growth

\* Lending from banks to non-financial corporates and households, source: ECB; \*\* PMI composite new orders Eurozone (Markit), European Commission Consumer Confidence survey EZ



# Progressive Recovery of the Eurozone Economy

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## Strong Operating Performance

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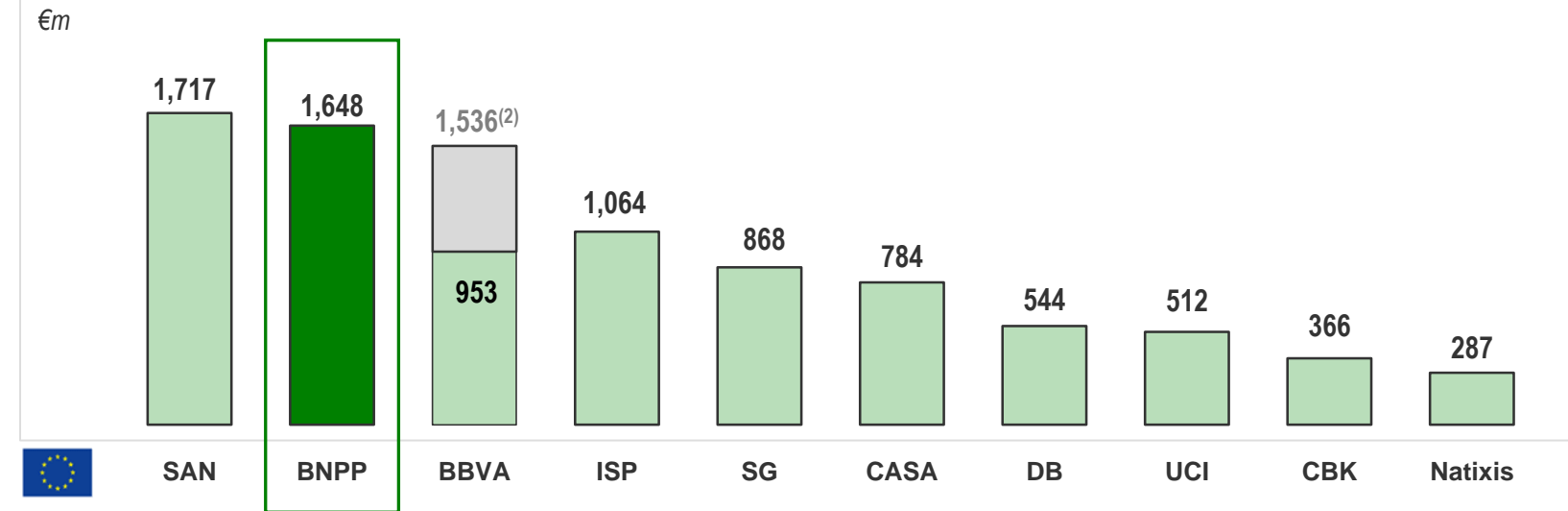
## Strong Solvency and Capital Generation Capacity

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# 1Q15 - Strong Underlying Profitability (1/2)

## > 1Q15 Net Income<sup>(1)</sup>



- Return on Equity excluding one-off items: 9.6%  
(but including the first contribution to the SRF)



**Good profit-generation capacity**

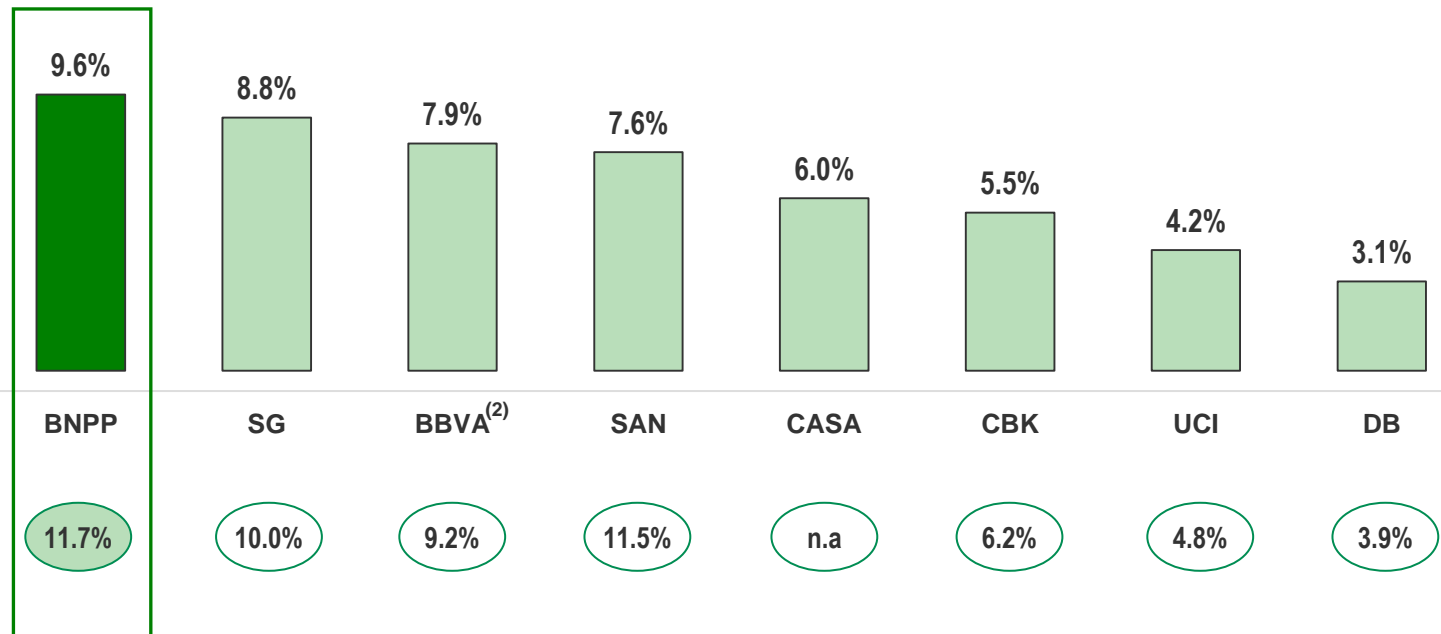
<sup>(1)</sup> Attributable to equity holders, as disclosed by banks; <sup>(2)</sup> Including €583m of capital gain on CNBC's stake disposal





# 1Q15 - Strong Underlying Profitability (2/2)

## > 1Q15 Annualised Return on Equity<sup>(1)</sup>

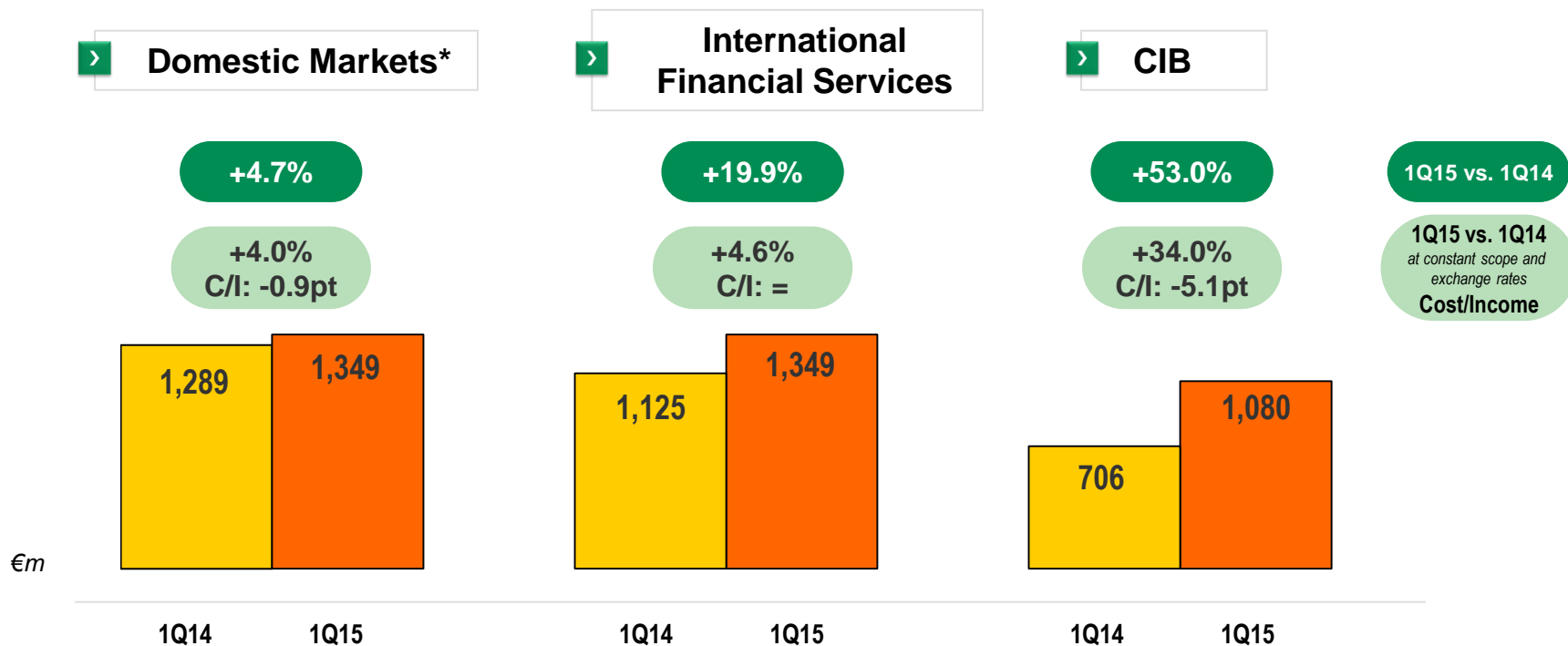


> **Best in class returns**



<sup>(1)</sup> As disclosed by banks; Bloomberg estimates when not available; <sup>(2)</sup> Excl. €583m of capital gain on CNBC's stake disposal

# 1Q15 - Gross Operating Income

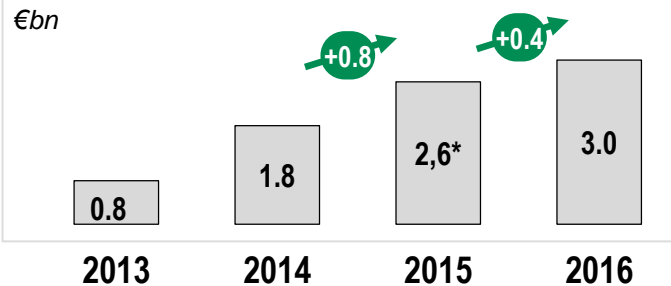


> **GOI growth and positive jaws effect in all the operating divisions**

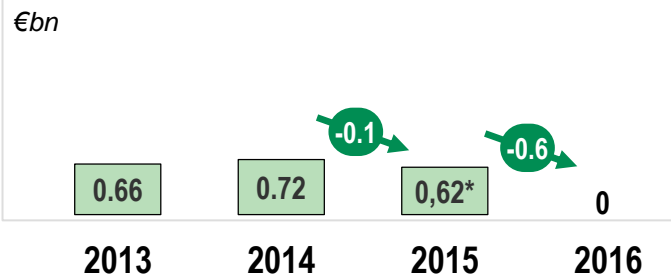


# Simple & Efficient

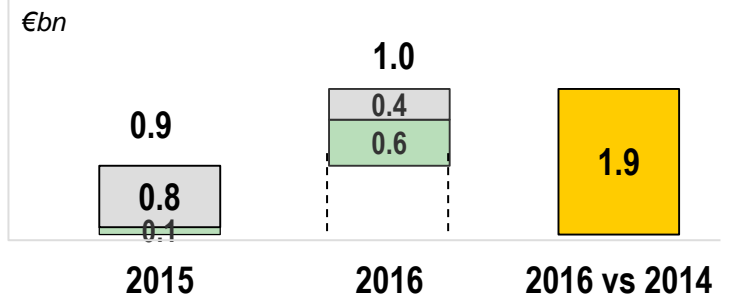
## Cumulative recurring cost savings



## One-off transformation costs



## Reduction of operating expenses deriving from Simple & Efficient by 2016



- Additional recurring cost savings
- Decrease in transformation costs

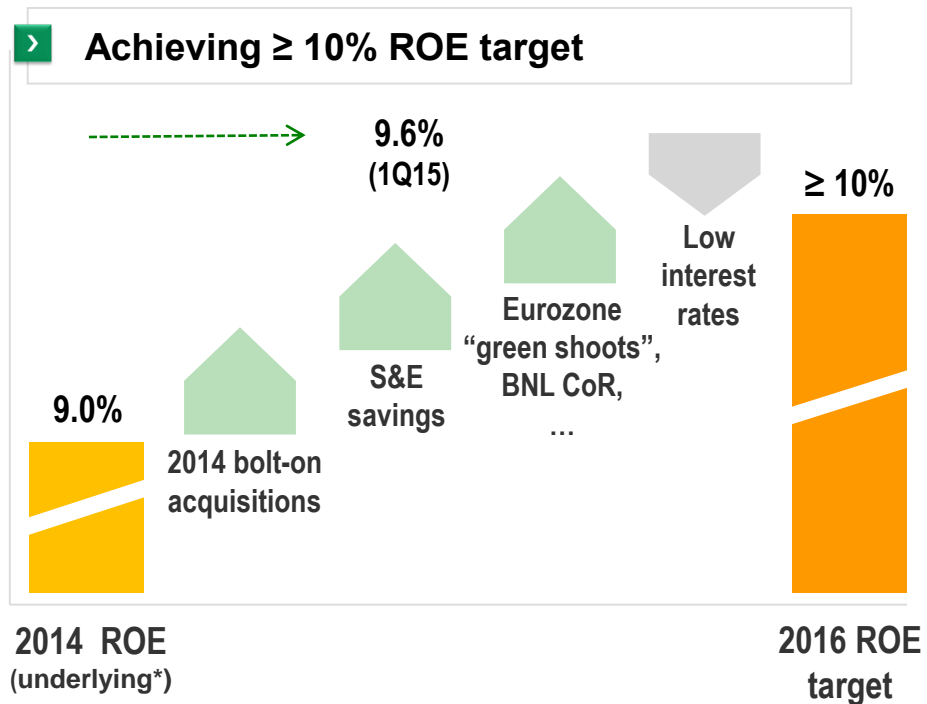
**S&E: positive impact of 1.9bn€ on operating expenses in 2016**  
**In line with the Plan**

\* Recurring cost savings: €2bn at the end of 1Q15; Transformation costs: €110m booked in 1Q15



# 2016 ROE Target

- Positive: several levers contributing to ROE improvement
  - Bolt-on acquisitions closed in 2014
  - Simple & Efficient
  - Progressive growth of loan volumes in the context of a European economic upturn
  - BNL balance sheet de-risking
- Negative:
  - Low interest rates environment
  - New taxes and regulations



**>  $\geq 10\%$  ROE target in 2016 confirmed  
Equivalent to a ROTE of  $\geq 12\%$**



# Progressive Recovery of the Eurozone Economy

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Strong Operating Performance

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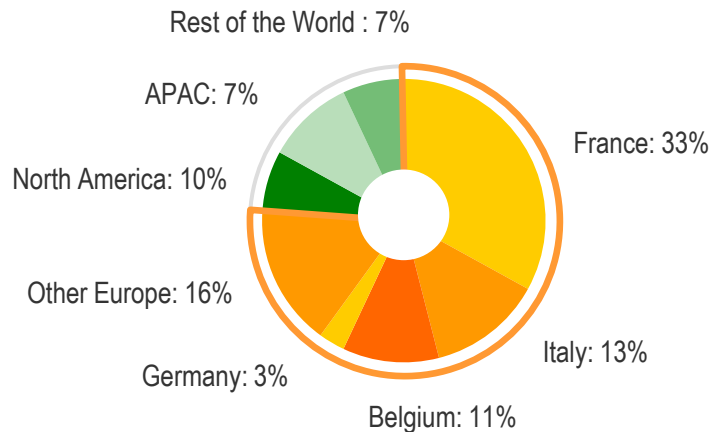
**Strong Solvency and Capital Generation Capacity**

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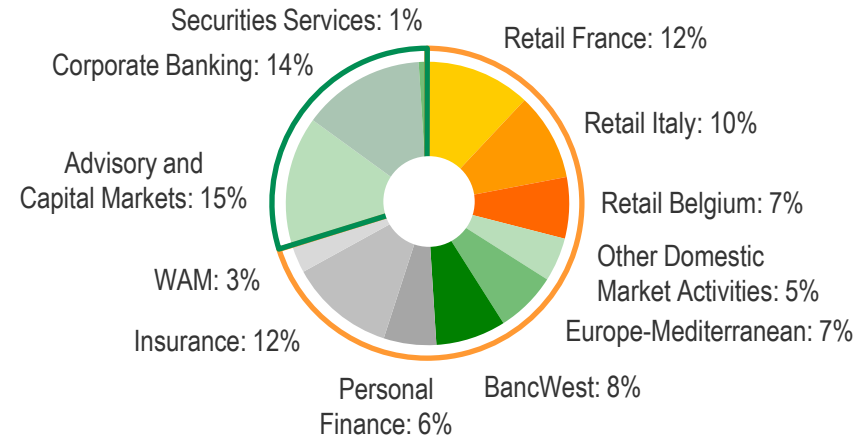


# An Integrated Business Model Resulting in Strong Diversification

## > 2014 Revenues by geography



## > 2014 Allocated equity\* by business



- A balanced business model: a clear competitive advantage in terms of revenues and risk diversification
  - Mostly in wealthy markets (>85%)
  - Revenues well spread among countries and businesses with different cycles
  - No single business line weighing more than 15% of allocated equity

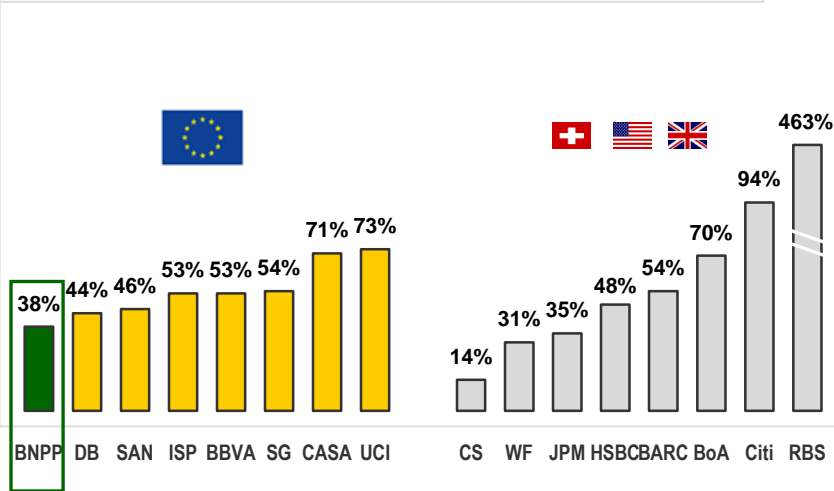


## A well balanced business model



# Leading to Recurrent Profitability Through the Cycle

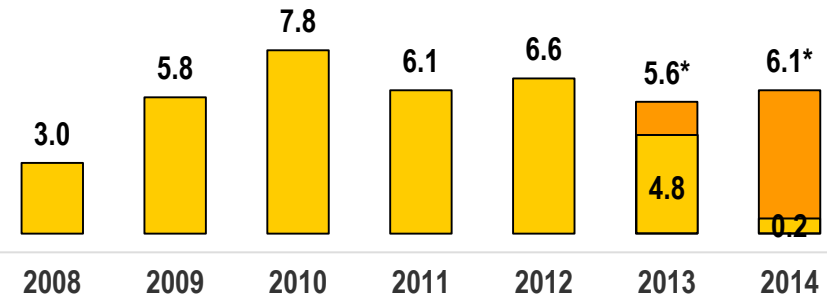
## Cost of Risk/Gross Operating Income 2008-2014



- Low risk appetite and strong diversification lead to low cost of risk
- One of the lowest CoR/GOI through the cycle

## Net Income Group Share 2008-2014

In €bn



- Recurrent earnings generation through the cycle
  - Thanks to diversification
  - Strong proven capacity to withstand local crisis and external shocks

➤ **Low risk and limited volatility of earnings**  
**Diversification => lower risk profile**

\* Adjusted for costs and provisions relating to the comprehensive settlement with U.S. authorities



# Banking Union Strengthens the Eurozone Banking Sector

## Banking Union 3 Pillars

### Single Supervisory Mechanism (SSM)

- ECB in charge of the supervision of 130 Eurozone banks since Nov 2014
- Comprehensive Assessment successfully completed

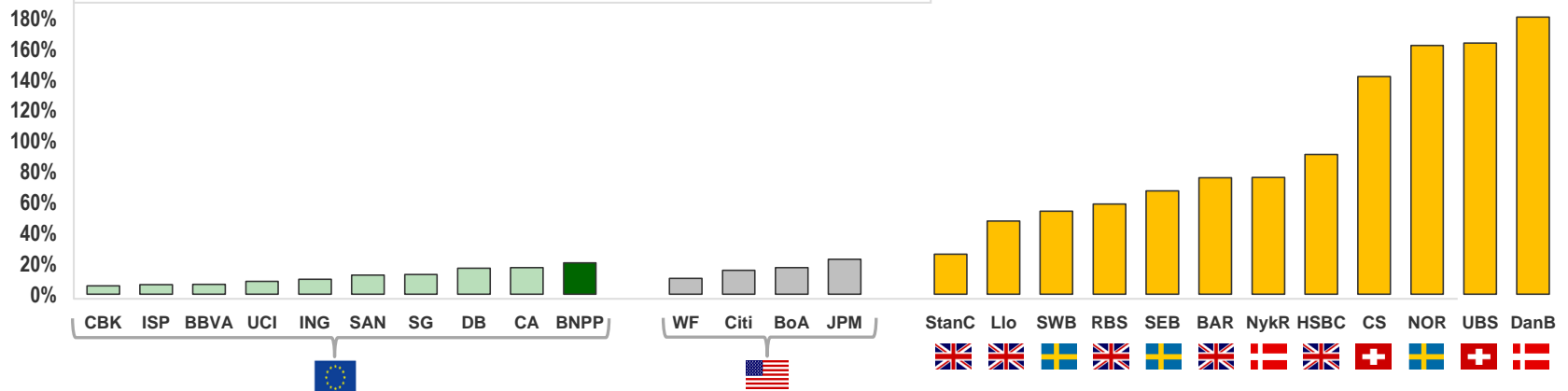
### Single Resolution Mechanism (SRM)

- Voted in April 2014
- Single Resolution Board operational
- Single Resolution Fund (banks' contributions starting in 2015)

### Deposit Guarantee Scheme (DGS)

- Voted in April 2014
- To be transposed by July 2015
- Harmonisation of rules governing national DGS

## Banks' Balance Sheet as a % of relevant GDP\*



**Banking Union: relative size of BNPP to relevant GDP smaller than non-Eurozone peers**

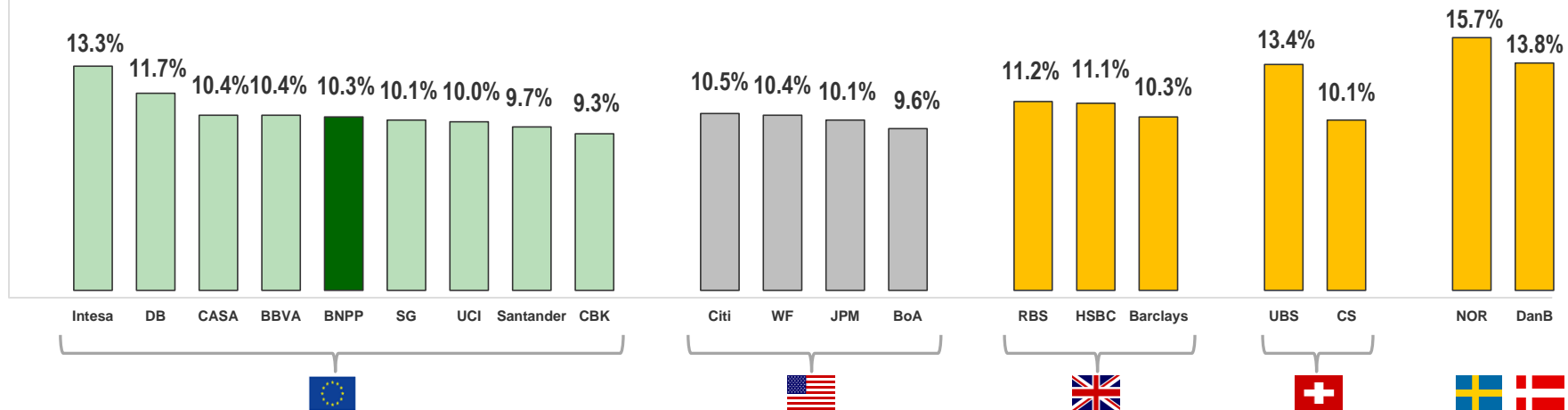
\* As at 31.12.14, IFRS estimates for US banks; based on the economic area under the jurisdiction of the Banking Regulator, i.e. Eurozone GDP for banks supervised by the SSM





# Strong Solvency Management

## > CET1 ratio under Basel 3\* fully loaded (as at 31.12.14)



- CET1 ratio at 10.3% after expensing

- U.S. Settlement (~-100bp)
- Dividend payment (~-30bp)
- Acquisitions (~-30bp)
- AQR (~-15bp) and Prudent Valuation Adjustments\*\*

} ~-175bp

- Dividend maintained at previous year's level: 1.50€ per share (€1.9bn) despite €157m net income in 2014
- Strong capital generation capacity: organic generation only, no dilution for shareholders

## > CET1 at 10.3% despite 175bp capital consumption in 2014

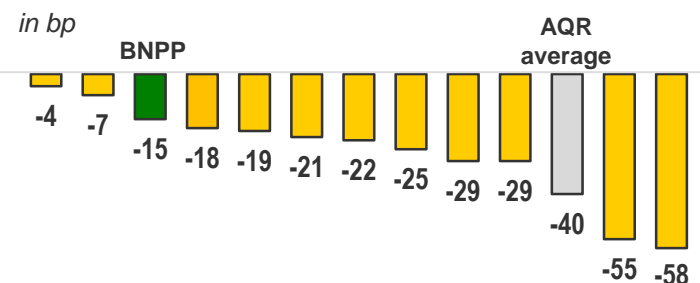
\* According to CRD4 or Fed FR; \*\* 0bp due to the reversal of RWA reserves for regulatory uncertainties



# Capital Adequacy

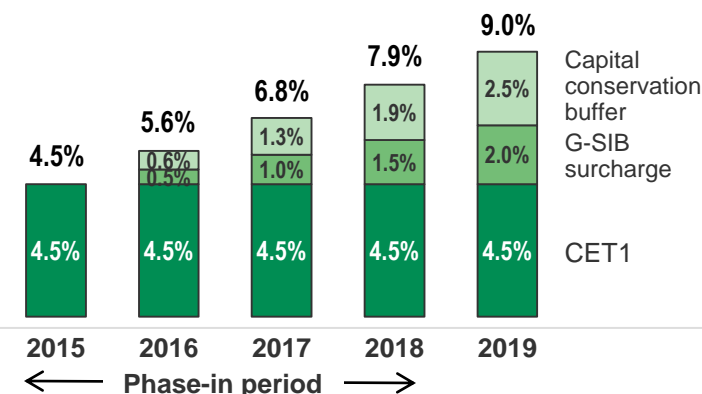
- A risk-based approach by ECB as witnessed by its public statements and Comprehensive Assessment
- Group CET1 largely above regulatory requirements and consistent with Group risk profile
- High Quality CET1
  - Proven global asset quality confirmed by AQR results
  - PVA & full deduction of goodwill taken into account
  - Sovereigns already weighted & sovereign AFS filtered
  - DTA: very limited
  - Danish compromise: treatment well adapted to banks with insurance activities
- Tier 1 and Tier 2 instruments
  - Tier 1: resume issuance (€1bn to €2bn each year until 01.01.2019\*)
  - Tier 2: €2bn to € 3bn each year until 01.01.2019\*

## > AQR impact on CET1 ratio



## > BNPP's CET 1 requirements

BNP Paribas YE 2014 fully loaded ratio: 10.3%



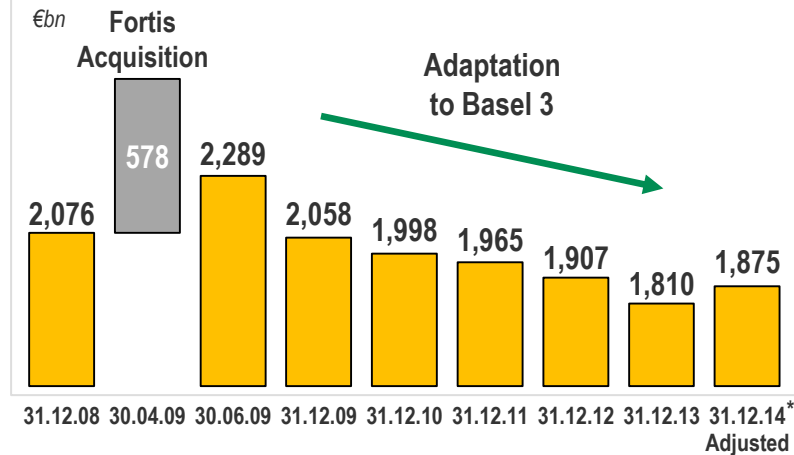
## CET1 well above applicable requirements



# Solid Track Record in Adjusting the Group

- Proactive capital management policy and disciplined balance sheet management
  - Rapid adaptation of the Group to the post crisis environment
  - Deleveraging accelerated in 2011/2012 to swiftly adapt to Basel 3 fully loaded
  
- Proven capacity to adapt activities and assets
  - Run-down of several activities as of 2011 (-€50bn of assets in CIB, €8.5bn in non core leasing...)
  - Disposal of several subsidiaries or business units (~€3.5bn since 2011\*\*)
  - Sales of equity stakes (>€4bn since 2011)
  
- Disposal of 7% of Klépierre-Corio in May 2015
  - Net positive impact of 5bp on CET1 ratio in 2Q15
  - Retaining a 6.5% stake

## > Total Assets IFRS



## > Main disposals 2011-YtD 2015

		Proceeds
Subsidiary or business unit	Klepierre (partial), BNPP Egypt, Fauchier Partners, Fortis Reinsurance, Reserve-Based Lending, Arval Fuel Cards, Vostok Bank,...	~€3.5bn
Equity stake	Royal Park Investment, Erbe, Axa, Ageas, Shinhan, ...	>€4bn



## Proven capacity to adapt the balance sheet

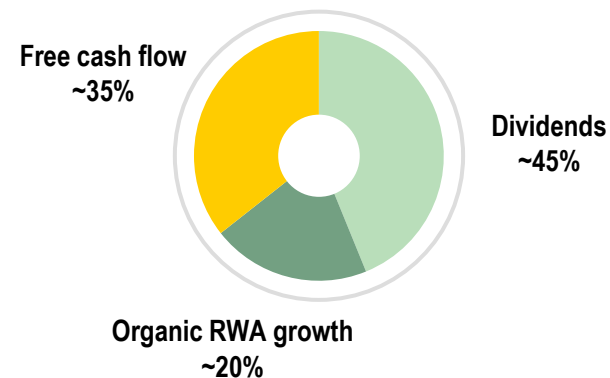
\* Adjusted for FX and impact of rates on derivatives, AFS and TLTRO; \*\*Including disposal of 7% of Klépierre-Corio in May 2015



# Proactive and Flexible Capital Management

- Strong capital generation capacity in 2015-2016
  - ~100bp per annum (before dividend distribution)\*
- Pay-out ratio of 45%
  - Implied dividend yield based on current share price\*\*: 4.3% in 2015 and 4.9% in 2016
- Available free cash flow: ~35bp per annum
  - After devoting 20bp to organic growth
  - Provides capital flexibility (bolt-ons, buy backs,...)
- Dynamic management of the balance sheet
  - Strong track-record in swiftly executing disposals and adapting balance sheet if/when necessary

## Capital management as % of 2015-2016 cumulative net earnings

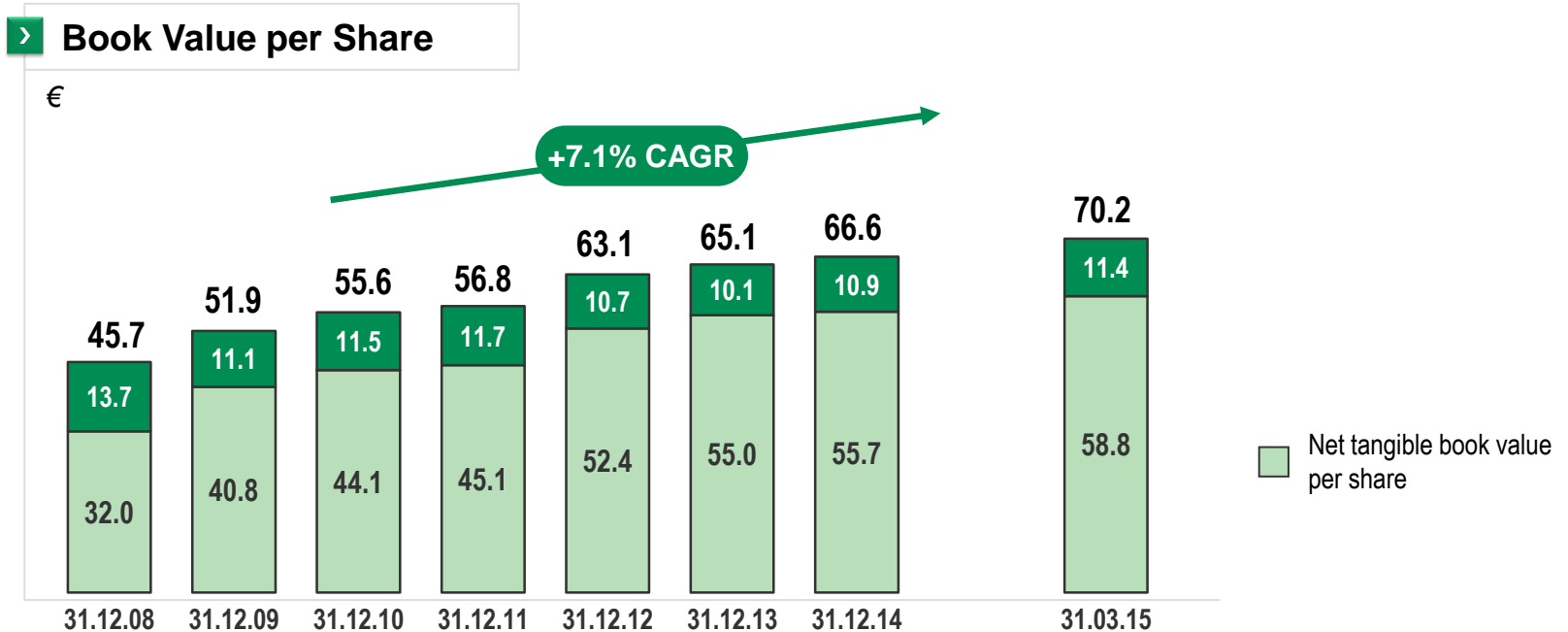


Capital management: considerable room to manoeuvre  
Focus on delivering 45% dividend pay-out

*\*Based on current analysts' consensus; \*\*Based on current analysts' consensus and €54.6 share price as at 8 June 2015*



# Continued LT Growth of Book Value per Share



> **Recurrent value creation through the cycle**



# Conclusion

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**A European leader well positioned  
to benefit from EU economic recovery**



**Strong operating performance in 1Q15  
Confirming ROE target  $\geq 10\%$  in 2016 (equivalent ROTE  $\geq 12\%$ )**



**Proven organic capital generation capacity**



Progressive Recovery of the Eurozone Economy

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Strong Operating Performance

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Strong Solvency and Capital Generation Capacity

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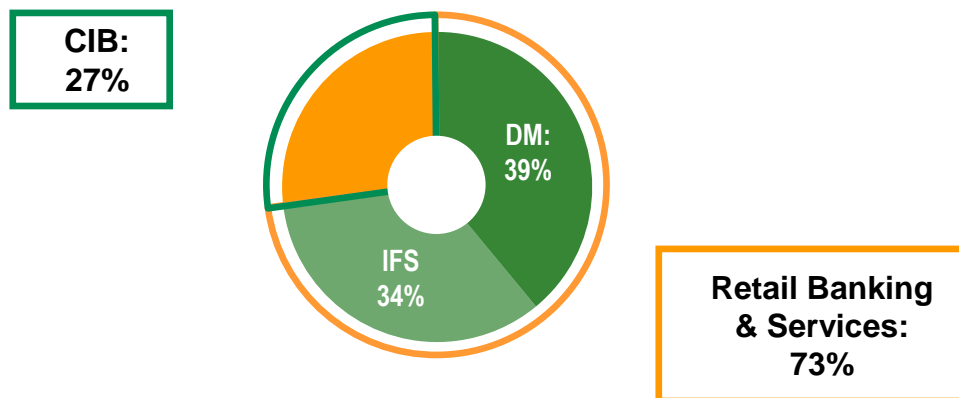
**Appendix**

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# New Organisation of the Operating Divisions

## > 2014 Revenues of the Operating divisions



- Following the tie-up of Securities Services and CIB, the organisation of the Group's operating divisions now centres on:
  - Retail Banking & Services, covering Domestic Markets (DM, unchanged) and a new entity, International Financial Services (IFS)
  - CIB, now Corporate & Institutional Banking including Securities Services



**Straightforward business structure  
with ~3/4 Retail activities**





# An Integrated Business Model based on Strong Client Franchises, Cross-selling and Risk Diversification



**Leveraging top ranking businesses on strong and diversified client franchises**



# Significant Cross-selling at the Core of the Model

	Main cross-selling revenues (2014)*	Contribution to revenues
<b>DM clients</b>	<ul style="list-style-type: none"> <li>✓ Insurance: ~€1.3bn</li> <li>✓ Wealth Management: ~€1.5bn**</li> <li>✓ Asset Management: ~€0.7bn</li> <li>✓ CIB &amp; Specialised businesses: ~€0.8bn</li> </ul>	<b>~€4.3bn</b>
<b>IFS clients</b>	<ul style="list-style-type: none"> <li>✓ Insurance: ~€0.7bn</li> <li>✓ CIB &amp; other businesses: ~€0.4bn</li> </ul>	<b>~€1.1bn</b>
<b>CIB clients</b>	<ul style="list-style-type: none"> <li>✓ Retail: ~€1.1bn</li> <li>✓ Securities Services &amp; Asset management: ~€1.1bn</li> </ul>	<b>~€2.2bn</b>

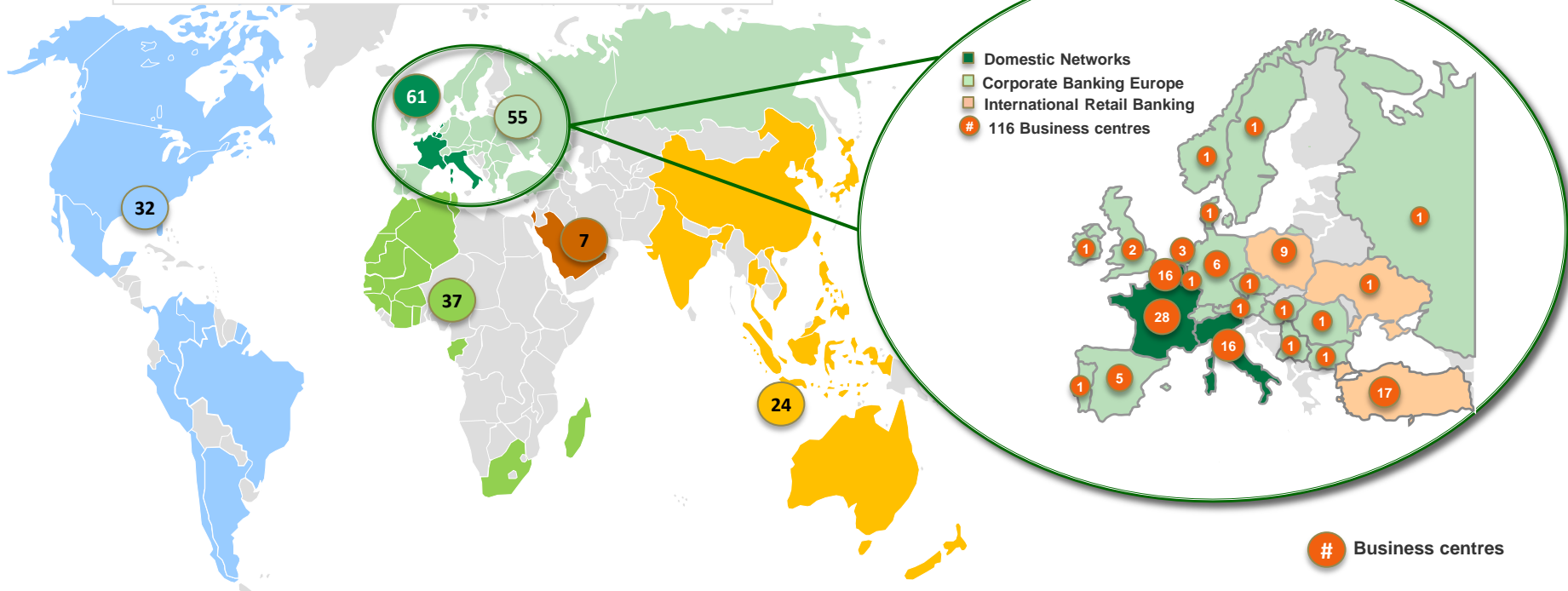


**>€7.5bn of cross-selling revenues generated at Group level**



# One Bank for Corporates

## > A unique network for corporate clients



- One Bank for Corporates: a network of 216 business centres, o/w 116 in Europe
- A presence in 75 countries
- Cash management: #1<sup>(1)</sup> position strengthened in Europe

## > A leading position with corporates in Europe

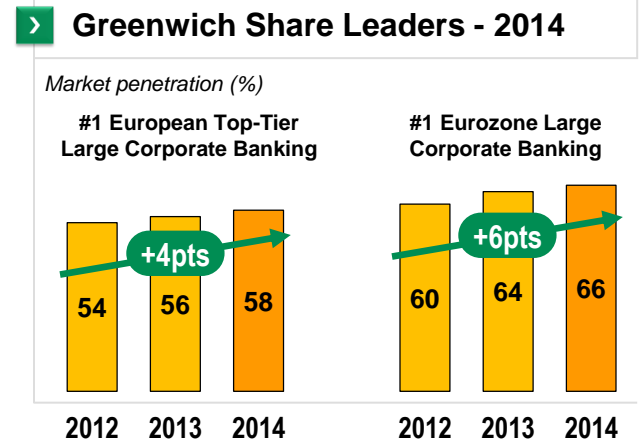
<sup>(1)</sup> Source: Greenwich



# Broad Product Offering Allowing Market Share Gains

- Cross-selling leading to improved market positions
  - Strong development following BNL's acquisition in 2006 and Fortis' in 2009
- Roll out of the model in International Retail Banking
  - BancWest's Wealth Management AuM: +68%\*\* vs. 2012
  - TEB's Wealth Management AuM: +72%\*\* vs. 2012
- One Bank for Corporates: success confirmed with improved market penetration in 2014
  - #1 European Corporate Banking and #1 Eurozone Corporate Banking\*\*\*
  - #1 European Cash Management and #1 European Trade Finance\*\*\*
  - Improvements also as a leader in several quality ratings

Italy		
Wealth Management (market share)	3% in 2008	x2 → 6% in 2014
Cash Management (ranking)	>#10 in 2006	→ #1 in 2014*
Belgium		
Wealth Management (market share)	#7 in 2009	→ #1 in 2014
Consumer Finance (outstandings)	FY2009	+84% → FY2014
Corporate Finance (ranking)	#10 in 2007	→ #1 in 2014



➤ **Successful cross-selling leading to stronger market positions**



# Economies of Scale at the Core of the Model

## Significant Contribution to the Simple & Efficient Plan

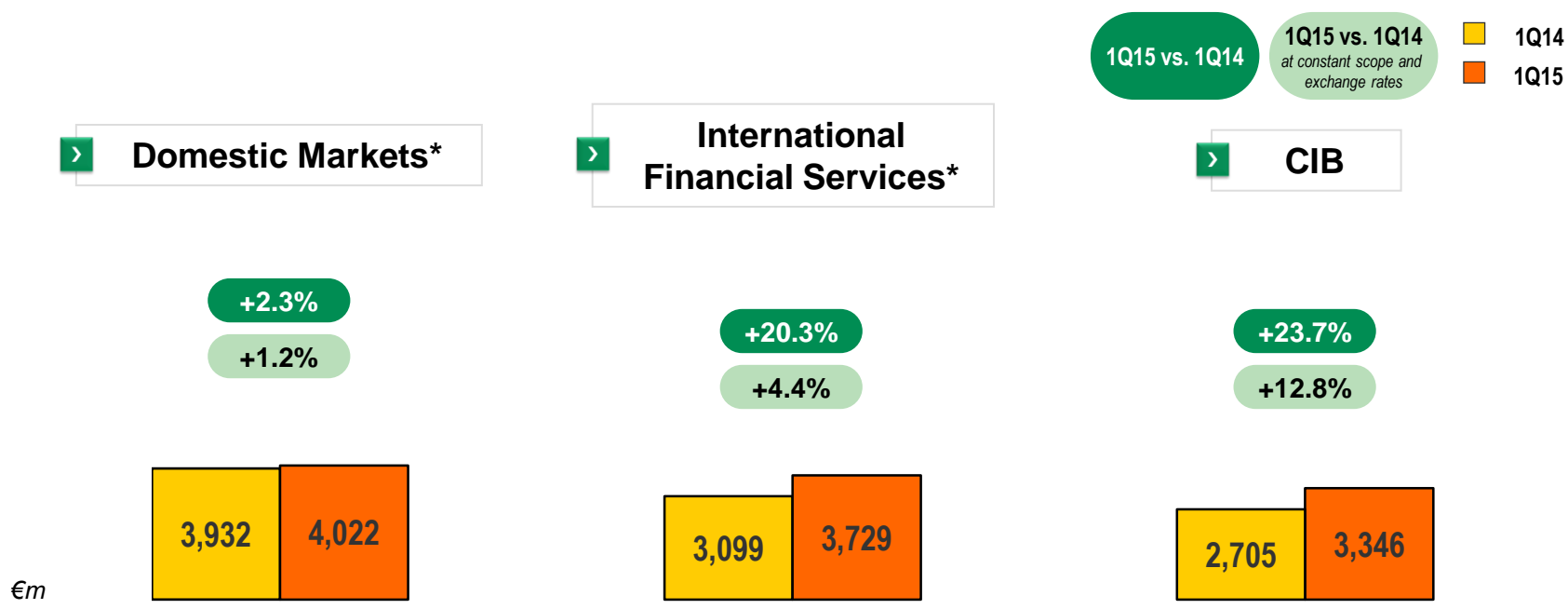
- Sharing of IT, operations, functions and procurement generating €0.7bn recurrent savings out of the targeted €3bn Simple & Efficient plan

	Representative examples	Contribution to 2016 S&E Savings
IT	<ul style="list-style-type: none"> <li>▪ Sourcing</li> <li>▪ Data Centre / IT productions Systems consolidation</li> <li>▪ Software optimisation ...</li> </ul>	~€320m
Operations/ Functions	<ul style="list-style-type: none"> <li>▪ Shared platforms and applications</li> <li>▪ Cross business premises policy</li> <li>▪ Regrouping of Functions for all businesses per country ...</li> </ul>	~€210m
Procurement	<ul style="list-style-type: none"> <li>▪ Massification, Group norms and standards</li> <li>▪ Bargaining power...</li> </ul>	~€170m
	<ul style="list-style-type: none"> <li>● Also leads to increased security for clients through IT high standards (private cloud, data secrecy, closed IT architecture)</li> </ul>	~€700m

**> ~25% of the total S&E plan linked to sharing**



# Revenues of the Operating Divisions - 1Q15

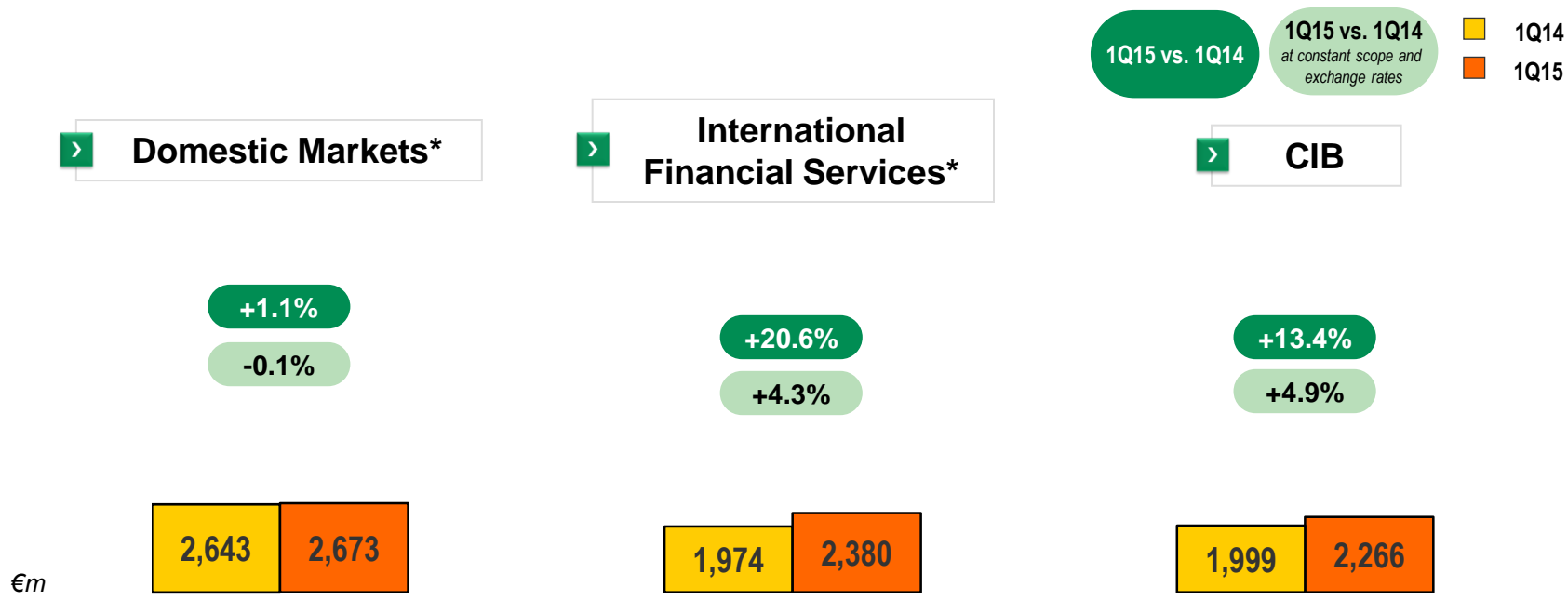


- Impact of acquisitions made in 2014 and significant foreign exchange effect

**Good growth in the revenues of the operating divisions**  
**Very good performance of Corporate and Institutional Banking**



# Operating Expenses of the Operating Divisions - 1Q15



- Impact of acquisitions made in 2014 and significant foreign exchange effect
- Positive jaws effect in all the operating divisions\*\*

## Effects of Simple & Efficient Rise in regulatory costs and continued business development plans

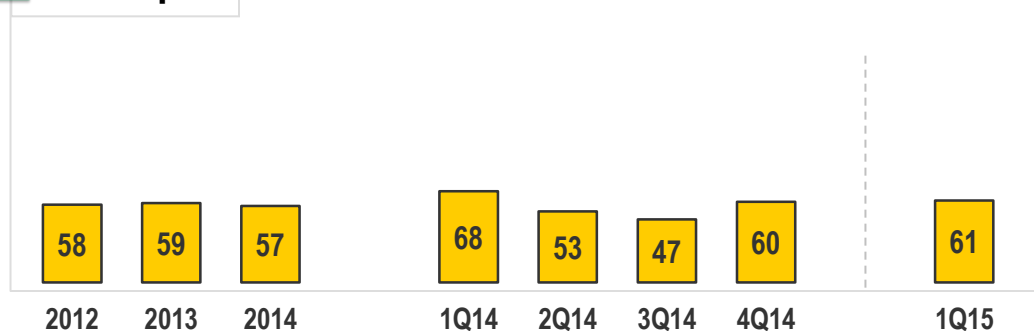
\* Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy, Belgium, Luxembourg, at BancWest and TEB; \*\* At constant scope and exchange rates



# Cost of Risk by Business Unit - 1Q15 (1/3)

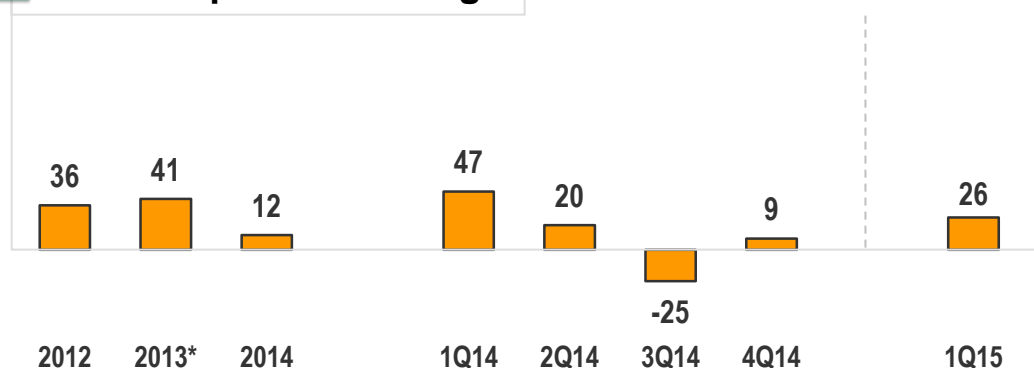
Net provisions/Customer loans (in annualised bp)

## > Group



- Cost of risk: €1,044m
- +€32m vs. 4Q14
- -€40m vs. 1Q14
- Cost of risk stable overall

## > CIB - Corporate Banking



- Cost of risk: €74m
- +€48m vs. 4Q14
- -€48m vs. 1Q14
- Low cost of risk

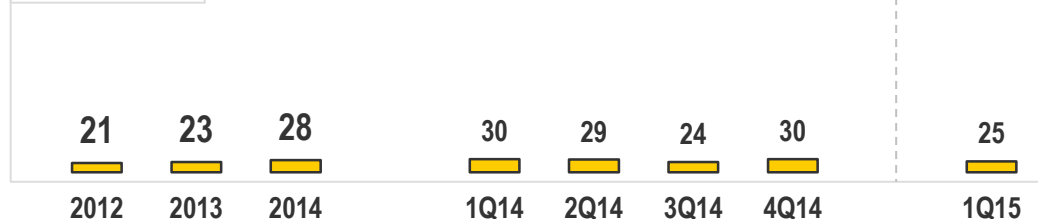




# Cost of Risk by Business Unit - 1Q15 (2/3)

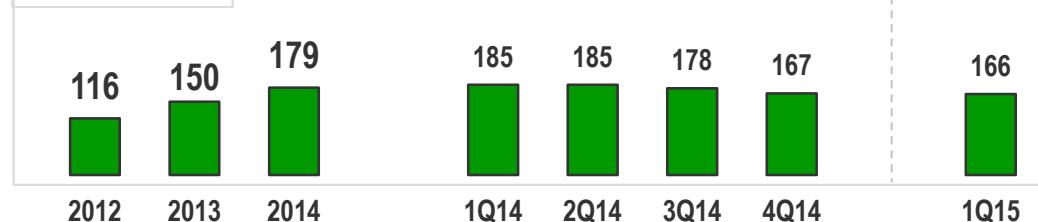
Net provisions/Customer loans (in annualised bp)

## > FRB



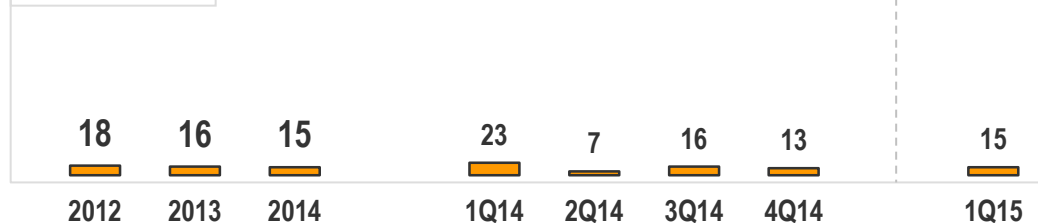
- Cost of risk: €89m
  - -€17m vs. 4Q14
  - -€19m vs. 1Q14
- Cost of risk still low

## > BNL bc



- Cost of risk: €321m
  - -€1m vs. 4Q14
  - -€43m vs. 1Q14
- Moderate decrease in the cost of risk this quarter

## > BRB



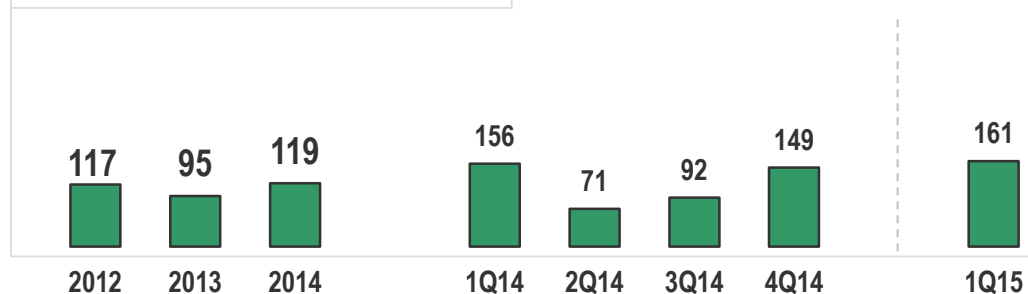
- Cost of risk: €33m
  - +€5m vs. 4Q14
  - -€19m vs. 1Q14
- Cost of risk still low



# Cost of Risk by Business Unit - 1Q15 (3/3)

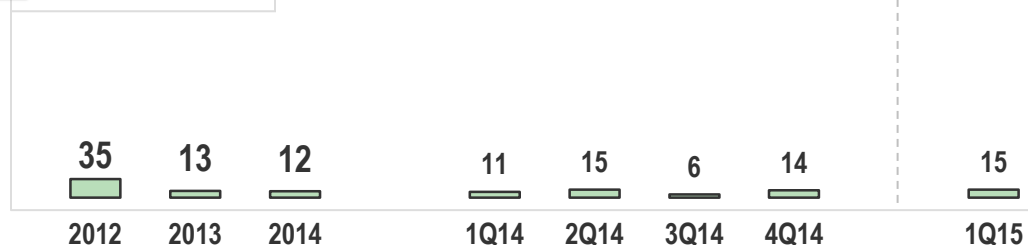
Net provisions/Customer loans (in annualised bp)

## > Europe-Mediterranean



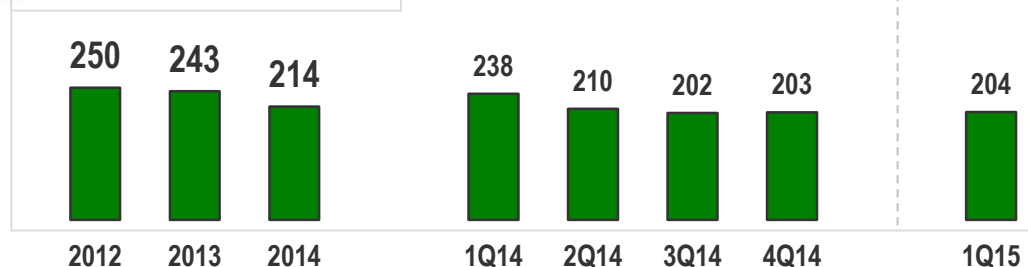
- Cost of risk: €151m
  - +€15m vs. 4Q14
  - +€45m vs. 1Q14
- Rise in the cost of risk this quarter

## > BancWest



- Cost of risk: €19m
  - +€2m vs. 4Q14
  - +€8m vs. 1Q14
- Cost of risk still very low

## > Personal Finance



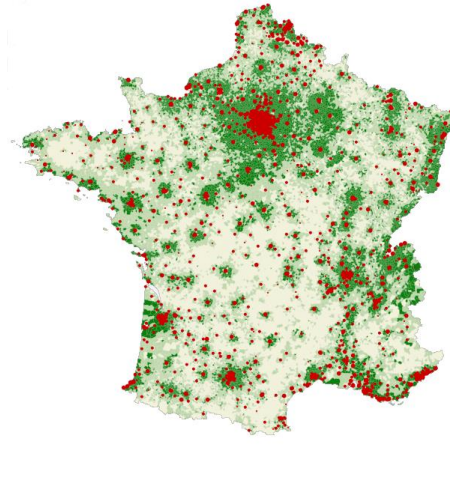
- Cost of risk: €291m
  - -€1m vs. 4Q14
  - +€13m vs. 1Q14
- Scope effect linked to the acquisition of LaSer (+€50m vs. 1Q14)
- Decrease in the cost of risk vs. 1Q14 excluding this effect



# Focus on Domestic Markets

## Branch Networks Distribution

### > French RB

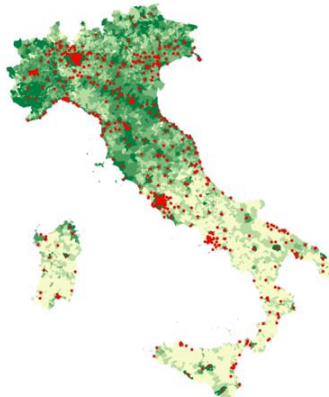


● Branches

Average household income

- < 25 000 €
- 25 000 € - 32 000 €
- > 32 000 €

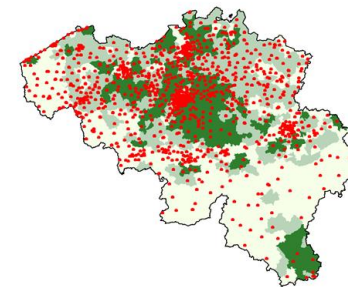
### > BNL bc



Average household income

- < 12 000 €
- 12 000 € - 15 000 €
- 15 000 € - 17 000 €
- 17 000 € - 20 000 €
- > 20 000 €

### > Belgian RB



Average household income

- < 27 000 €
- 27 000 € - 30 000 €
- > 30 000 €



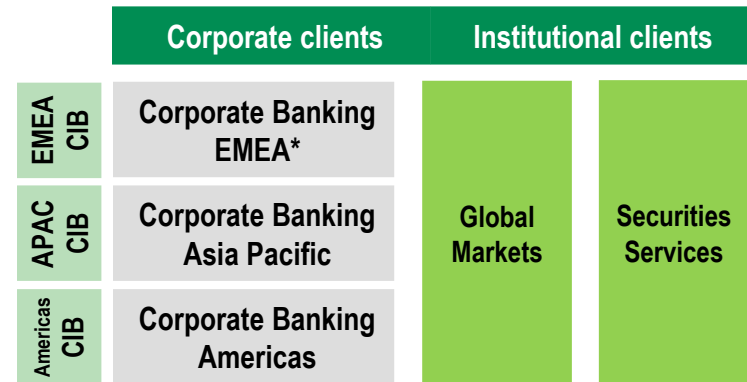
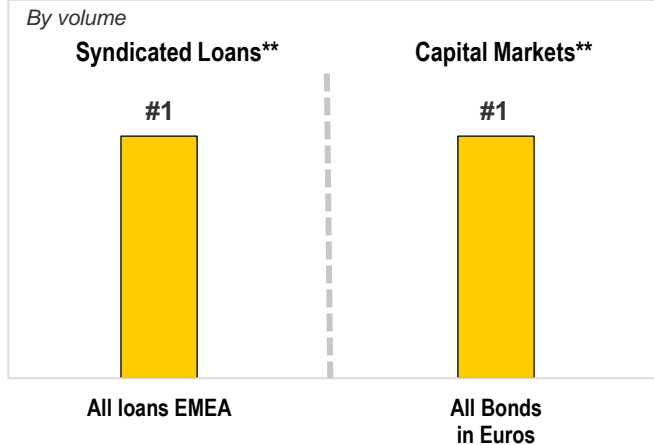
**Mostly positioned in wealthier areas**



# Corporate & Institutional Banking

- A European leader preparing for industry evolution
  - Very strong client and business franchises
  - Pre-tax income of €2.8bn (Return on Notional Equity\*: 17.7%)
- Implementation of a new organisation
  - Creation of Global Markets, grouping all market activities
  - Securities Services part of the new CIB
  - Simplified regional approach with 3 major regions (EMEA\*\*\*, Asia Pacific, the Americas)
- Better meet clients' expectations
  - Institutionals: reinforcing the Group's coverage and its global service offering
  - Corporates: strengthening the debt platforms and simplifying the commercial setup
- A commitment to improve operating efficiency and return
  - Structural reduction of costs
  - Industrialisation and sharing of platforms
  - Optimizing use of balance sheet resources

## > 2014 European rankings



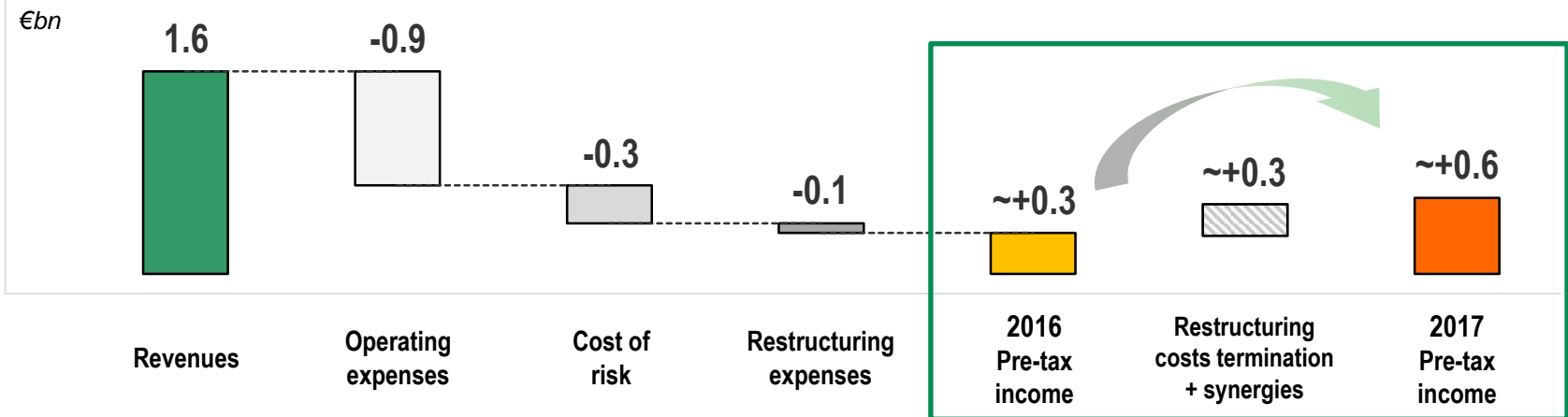
> **Speed up the evolution of the business model**



# ROE Accretive Bolt-on Acquisitions in 2014



> **Contribution of acquisitions to pre-tax income in 2016-2017 (vs. €0.1bn contribution in 2014\*)**



> **Levers for additional profit generation going forward**

\* Closing dates: Bank BGZ (17 Sept. 2014); 50% of LaSer (25 July 2014); DAB Bank (17 Dec. 2014)

