TNP
HARNESS THE UNPREDICTABLE

CORPORATE & INVESTMENT BANKING

MAJOR TRENDS

Q3 | 2024

Every quarter, CIB experts from TNP, a leading consulting firm, analyze key trends and financial results of corporate and investment banking across Europe and globally. With the release of Q4 2024 results approaching in February, let's take a closer look at the key performances recorded in Q3.

KEY TAKEAWAYS THIS QUARTER

- Resilience amid macroeconomic challenges
- Revenue growth driven by innovation and operational efficiency
- Strategic adaptation to new paradigms: cost management, technology, and regulations
- 2025 Outlook: Diversification and ESG integration

RESILIENCE AMID MACROECONOMIC CHALLENGES

Despite ongoing economic uncertainty, several major banks have demonstrated agility and the ability to seize emerging opportunities.

GLOBAL MARKETS

Q3 2024 highlighted the resilience of major banks in navigating economic turbulence:

- UBS recorded a remarkable 44% surge in derivative revenues, capitalizing on market volatility.
- Bank of America posted an 18% increase in equities trading, reaffirming its pivotal role in global markets.
- Deutsche Bank saw a 29% decline in corporate banking profits, impacted by higher credit loss provisions.
- Société Générale recorded a 10% growth in capital markets, fueled by a rebound in mergers and acquisitions (M&A) activity.

Fixed-income businesses remain under pressure due to tight monetary policies and persistently high interest rates. Geopolitical uncertainties, particularly in Eastern Europe and Asia, add further complexity, reinforcing the critical need for banking resilience.

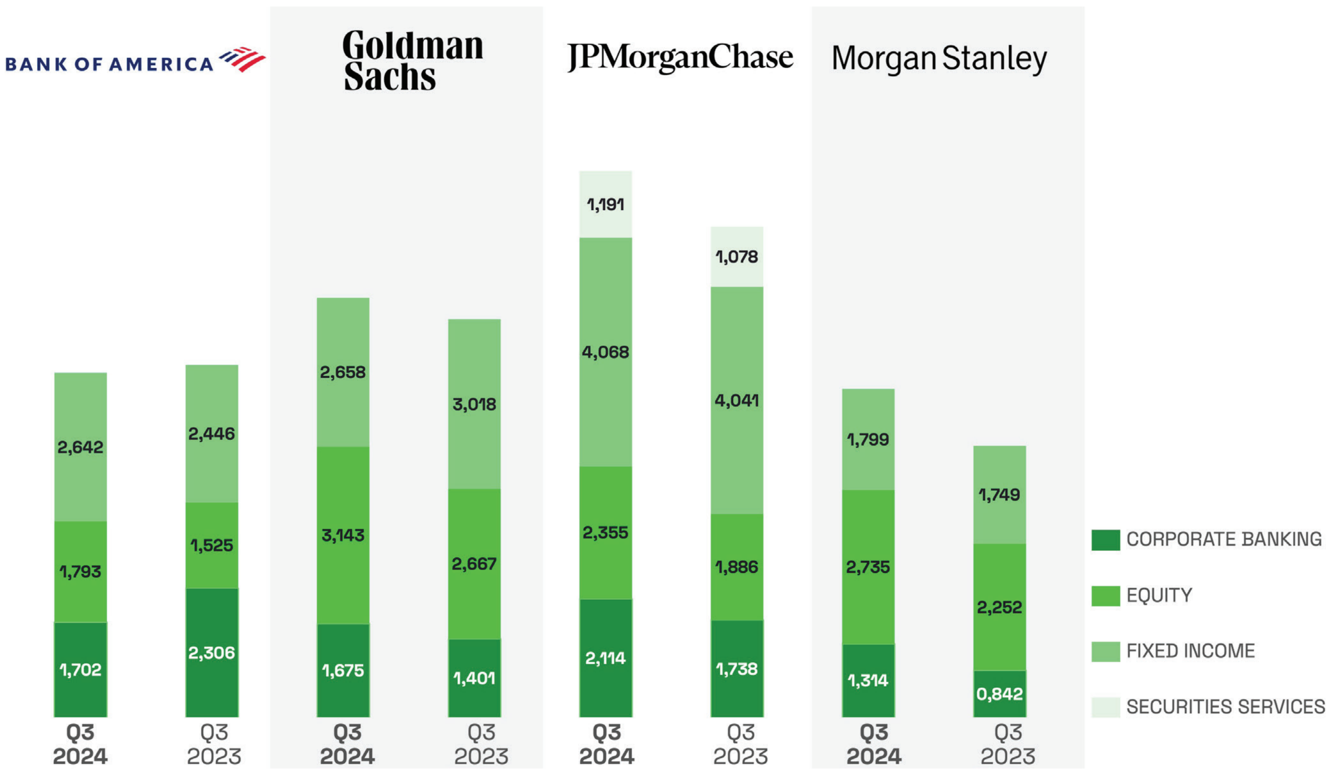
CORPORATE FINANCE

Banks are embracing proactive risk management and strategic diversification to navigate market challenges:

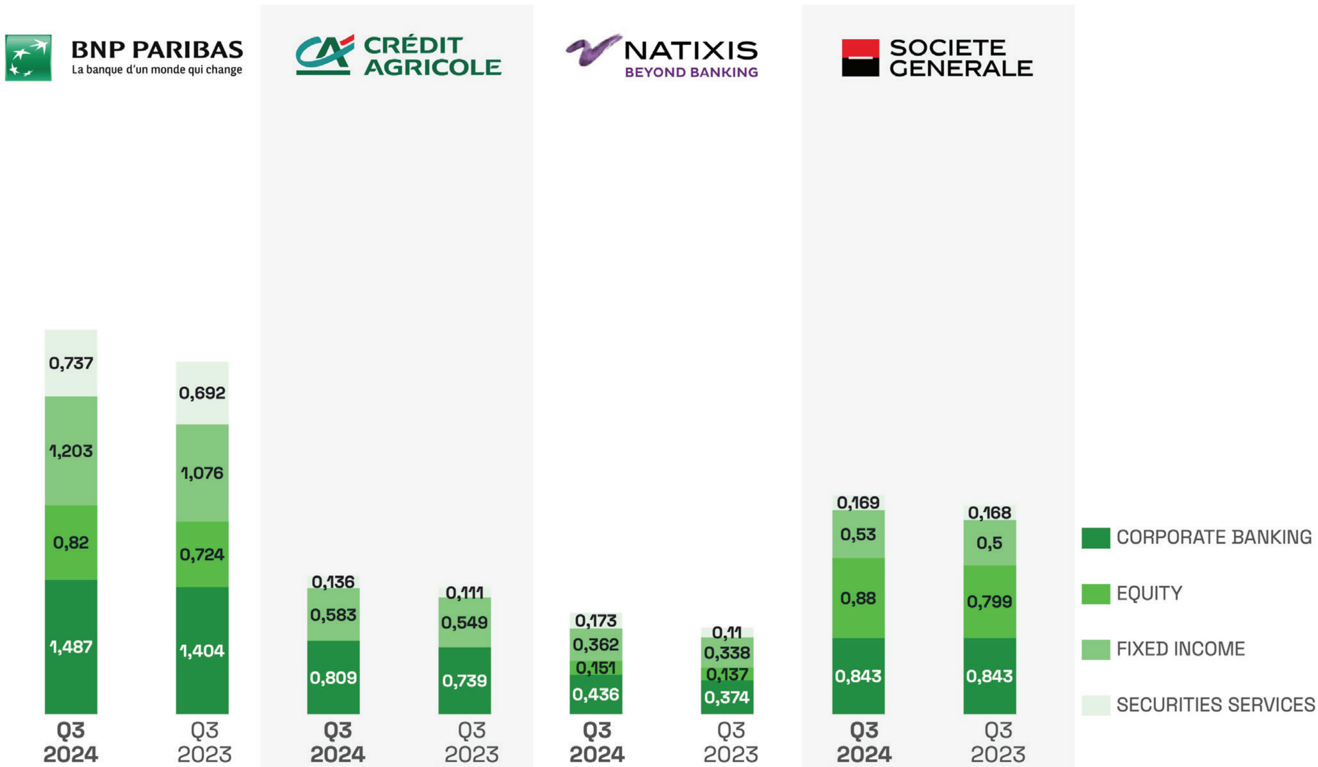
- Goldman Sachs reported a 20% increase in Investment Banking revenues, driven by strong performance in Debt and Equity Underwriting.
- Deutsche Bank mitigated a 3% decline in corporate banking with a substantial 21% surge in Investment Banking.
- BNP Paribas, despite a slight downturn in Corporate Finance, recorded a 15% growth in market activities.

Mounting challenges related to inflation and cybersecurity are prompting banks to reinforce risk management frameworks and adapt strategic approaches to maintain a competitive edge.

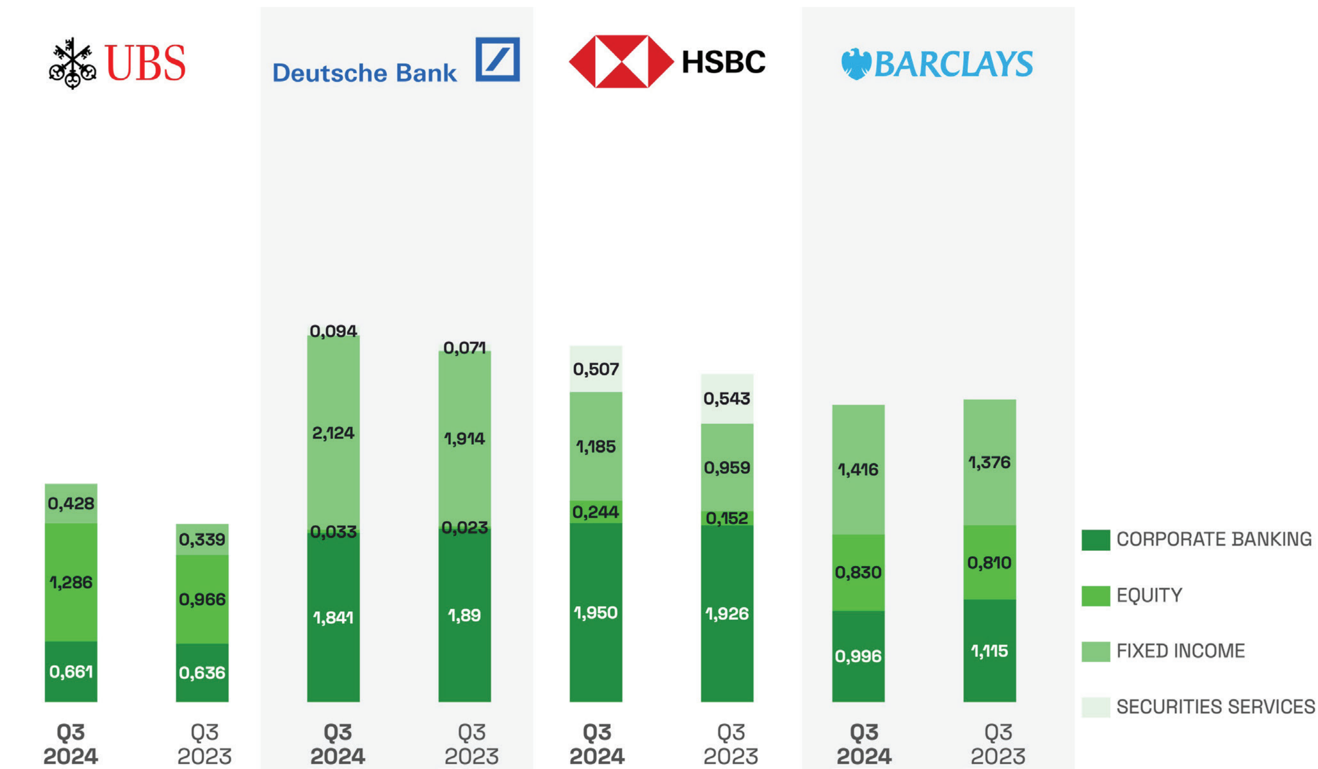
Q3 CIB REVENUE EVOLUTION, UNITED STATES
IN BILLIONS OF DOLLARS



Q3 CIB REVENUE EVOLUTION, FRANCE
IN BILLIONS OF EUROS



Q3 CIB REVENUE EVOLUTION, EUROPE
IN BILLIONS OF EUROS



REVENUE GROWTH: INNOVATION AND OPERATIONAL EFFICIENCY

In an increasingly competitive landscape, banks are leveraging innovation to drive revenue growth and streamline their operations.

STREAMLINING OPERATIONS: AUTOMATION TO MAXIMIZE EFFICIENCY

To stay ahead, banks are making significant investments in process automation, a strategy commonly referred to as "STPization" (Straight-Through Processing).

- In 2024, Deutsche Bank reduced costs by 15% through the automation of cross-border payments.
- Goldman Sachs reinforced its market leadership by launching GS DAP, a blockchain-based platform designed to optimize institutional trading.

These initiatives integrate cutting-edge technologies with specialized training programs, enhancing operational efficiency while boosting workforce productivity.

PLATFORM COMMERCIALIZATION: DIVERSIFICATION AND COMPETITIVENESS

As part of revenue diversification and cost optimization strategies, technology platforms are emerging as key competitive levers:

- In 2024, BNP Paribas expanded its efforts in financial asset tokenization through its AssetFoundry platform, focusing on corporate debt. This initiative enhances liquidity and improves financing transparency.
- Société Générale strengthened its Trade Finance position by partnering with Komgo, a blockchain platform dedicated to streamlining transactions and commodity financing.

These developments also align with evolving regulatory frameworks. The European Banking Authority (EBA) is enforcing greater transparency and enhanced operational risk management, further driving innovation in banking operations.

TECHNOLOGY AND COMPLIANCE: ANTICIPATING NEW STANDARDS

The adoption of blockchain and tokenization extends beyond process modernization. These technologies enable enhanced traceability, optimized data management, and a significant reduction in compliance costs.

By aligning with evolving regulatory requirements, these innovations provide banks with a strategic advantage, allowing them to maintain competitiveness in a highly demanding global market.

By integrating these cutting-edge solutions, banks effectively combine modernization, compliance, and performance, ensuring long-term resilience and relevance in the face of future challenges.

STRATEGIC ADAPTATION TO NEW PARADIGMS: COST, TECHNOLOGY, AND REGULATIONS

In a landscape shaped by economic and technological pressures, banks are redefining their strategic priorities to sustain competitiveness and reinforce resilience.

OPTIMIZING OPERATIONAL COSTS

To maintain competitiveness, banks are streamlining internal processes and adjusting their geographical footprint:

- UBS aims to save $13 billion by 2026 through post-integration simplification of Credit Suisse.
- JPMorgan reduced operational costs by 20% by offshoring select activities to low-cost centers, while maintaining high service capacity.
- Deutsche Bank automated financial operations, reducing processing times and costs by 30%, while

exiting less profitable markets.
- Société Générale made a strategic decision to withdraw from certain African markets-including Congo, Tunisia, and Morocco-to reallocate resources to high-growth regions.

These initiatives underscore resource reallocation and cost optimization as key pillars of resilience in an uncertain environment.

INVESTMENTS IN ARTIFICIAL INTELLIGENCE

AI technologies are transforming banking services by enhancing efficiency and accuracy:

- JPMorgan Chase leverages LOXM, an AI-driven system that optimizes stock transactions, reduces costs, and improves financial forecasting.
- Goldman Sachs is expanding the use of GS Quant, automating investment decisions to accelerate processing and maximize efficiency.
- Natixis collaborates with nCino to integrate AI into corporate financing, enhancing service quality and transaction speed.

However, AI adoption comes with regulatory challenges. The European Banking Authority mandates greater transparency and accountability in automated processes, compelling banks to strengthen governance frameworks to mitigate AI-related risks.

GROWING REGULATIONS: BASEL IV AND ESG

Banks must adapt to new regulatory constraints coming into effect in 2025:

- Basel IV enforces stricter capital and liquidity requirements, pushing banks to adjust capitalization models and credit policies for compliance.
- The European Green Bond Standard (EUGBS) encourages banks to align their offerings with ESG criteria, prompting portfolio adjustments and the adoption of analytical tools to ensure sustainable investments.

These regulatory shifts enable banks to meet compliance obligations while capitalizing on responsible investment opportunities.

CYBERSECURITY: DIGITAL RESILIENCE

Avec l'entrée en vigueur du Digital Operational Resilience Act (DORA) en 2025, les banques renforcentWith the Digital Operational Resilience Act (DORA) coming into effect in 2025, banks are reinforcing their cybersecurity frameworks:

- BNP Paribas has integrated Darktrace, an AI system that detects cyber threats in real-time, reducing incidents by 30%.
- HSBC launched an advanced fraud detection platform, enhancing investment banking security.
- Deutsche Bank utilizes AML360, an AI-powered tool that monitors high-risk transactions, improving KYC and AML compliance.

These initiatives highlight the banking sector's commitment to anticipating digital threats and safeguarding critical infrastructure, enhancing detection and response capabilities in an evolving risk environment.

2025 OUTLOOK: DIVERSIFICATION AND ESG ALIGNMENT

As 2025 approaches, banks are intensifying diversification efforts while aligning activities with ESG standards, responding to rising investor and regulatory expectations.

ESG FOCUS: INNOVATING FOR SUSTAINABILITY

In 2024, several major ESG-driven initiatives shaped the banking sector:

- Barclays introduced Barclays ESG Impact Analytics, a tool that maps client portfolio emissions, identifying opportunities to reduce carbon footprints by 15%.
- Deutsche Bank issued ‚Ç¨2.5 billion in green bonds, aligned with EUGBS standards, to finance large-scale solar and wind projects.
- Credit Agricole Corporate and Investment Bank (CACIB) strengthened its role in the carbon trading market, supporting reforestation projects in South America, while leveraging ESG Insights for trend analysis.

These initiatives underscore banks' commitment to embedding sustainability into their operations while complying with new financial market standards.

A CHANGING REGULATORY LANDSCAPE

A widening gap is emerging between regulatory approaches:

- Europe: Stringent regulations, such as SFDR and CSRD, impose strict transparency requirements to ensure the integrity of ESG products.
- United States: A more flexible, voluntary disclosure approach grants companies greater autonomy in ESG reporting.

This regulatory divergence between Europe and the U.S. is likely to reshape global ESG investment flows, compelling banks to adjust strategies to capture opportunities across both markets.

COMPARATIVE OVERVIEW OF REGULATORY INITIATIVES FOR INVESTMENT BANKS

REGULATION	MAIN OBJECTIVE	LATEST UPDATES	EUROPEAN UNION	UNITED STATES
Sustainable Finance Disclosure Regulation (SFDR)	Transparency on sustainable financial products	Categorization (Articles 8/9), ESG impact reporting	Banks must justify their ESG offerings according to strict standards	No equivalent framework; SEC is developing more flexible ESG guidelines
Corporate Sustainability Reporting Directive (CSRD)	ESG reporting for financial institutions	Inclusion of value chains and more detailed criteria	Mandatory disclosure of comprehensive ESG data on portfolios and investment activities	Limited ESG recommendations; no reporting obligation for
EU Taxonomy Regulation	Classification of sustainable financial activities	Revised criteria to include financial services	Banks must align their products with the sustainable taxonomy	No official equivalent; voluntary adoption of private standards (CDP, SASB)
Markets in Financial Instruments Directive II (MiFID II)	Integration of ESG criteria in investment services	Obligation to integrate clients' ESG preferences	Banks must include ESG criteria in advisory and asset management	No equivalent framework; ESG integration remains flexible
US Securities and Exchange (SEC) Commission ESG Disclosure Rules	Disclosure of climate and ESG risks	New standards for risk disclosure	No direct equivalent; banks primarily comply with SFDR and MiFID II	Limited disclosure requirements for climate and ESG risks, less stringent than in Europe

STRATEGIC ALLIANCES: INNOVATING TO ADAPT TO MARKET SHIFTS

In 2024, banks intensified strategic partnerships to accelerate transformation and respond to evolving market dynamics:

- BNP Paribas partnered with Plug and Play, a leading startup incubator, to modernize trade finance. By integrating disruptive solutions, this collaboration optimizes value chains and enhances agility in a highly competitive landscape.
- Natixis strengthened its international payments footprint through a partnership with Generali in asset management. This strategic alliance expands its service offering to better address evolving market demands.
- Société Générale deepened its collaboration with Komgo, a blockchain-based infrastructure, to digitalize and secure commodity financing. This initiative enhances transparency and transaction efficiency, meeting the sector's growing expectations.

These initiatives highlight how banks are leveraging external expertise to enhance operational performance, anticipate market needs, and tackle long-term challenges in a rapidly evolving environment.

TECHNOLOGICAL INNOVATION AND SUSTAINABILITY: KEY DRIVERS OF BANKING RESILIENCE

In an uncertain economic landscape, banks are reinventing themselves to maintain competitiveness by placing technological innovation and revenue diversification at the core of their strategies. To enhance operational efficiency, they are optimizing costs, adopting artificial intelligence, and implementing agile solutions. At the same time, sustainability and digital security are becoming critical pillars, driving increased investments in regulatory compliance and cybersecurity.

As 2025 approaches, banks will need to accelerate their adaptation efforts, refine their processes, and fully capitalize on ESG opportunities to strengthen their resilience and navigate future challenges.

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