EUROPEAN CORPORATE & INVESTMENT BANKING

OUTLOOK 2022

NOVEMBER 2022

EURO GROUP CONSULTING

Leading positive transformation

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EURO GROUP CONSULTING

EXECUTIVE SUMMARY

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European Corporate and Investment banks enjoyed a good momentum in first half of 2022, outperforming their American counterparts, in particular a better evolution of their cost/ income ratios and their jaws effects. Can this trend, which contrasts with historical dynamics, continue? While a turnaround in the cycle is looming, it would be good for European CIBs to follow in the footsteps of other players who are already anticipating the next cycle.

02

The role of corporate and investment banks in financing transitions is crucial. Whilst there is a definite appetite for ESG funds and products, accusations of greenwashing are on the rise. A situation that can also be explained by internal barriers inherent in this industry: traceability from customer preferences to investment decisions remains very difficult to operationalize. What role for CIBs in the development of an ecosystem that reconciles financial and extra-financial performance?

03

The competition remains fierce in the war for talent, attraction and retention, that is being played out within this industry: how can corporate and investment banks stand out, especially in the era of our new ways of working? The study aims to present and decipher the methods of two actors with different models.

AFTER A RECORD PERIOD, WILL EUROPEAN CORPORATE AND INVESTMENT BANKS BE ABLE TO CONTINUE TO OUTPERFORM DESPITE RISING INFLATION AND AN UPCOMING RECESSION?

1 2020 AND THE START OF 2021 WAS A RECORD PERIOD FOR MOST OF THE CORPORATE AND INVESTMENT BANKS ON OUR PANEL.

2020 first quarter results of corporate and investment banks were rather out of the ordinary as sales and trading were thriving. The dynamic downturned sharply as the world was hit by the pandemic: infections, lockdowns and shock on economic fundamentals resulted in an economic crisis that turns out to be one of the most serious challenges to financial institutions.

The COVID pandemic first impacted equity market due to contraction in supply, leading to a contraction in demand (loop), leading to a large destruction of economic surplus, bringing out an outstanding stock market crash. However, governments and central banks intervened in economic life with mitigating measures of increasing force.

Volatility indexes generally spiked, hitting readings not seen since the financial crisis of 2008. **The end of 2020 and the start of 2021 was a record period for most of the bank's revenues.**

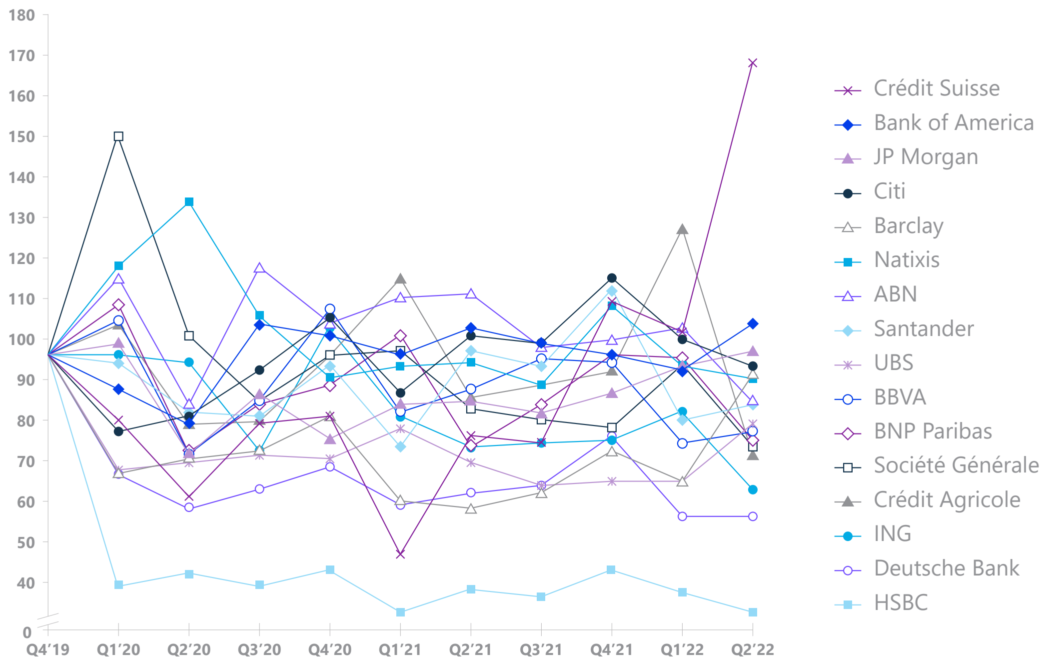
2 ALL EUROPEAN CORPORATE AND INVESTMENT BANKS ON OUR PANEL, EXCLUDING CRÉDIT SUISSE, HAVE STRENGTHENED THEIR COST-TO-INCOME RATIOS, TAKING FULL ADVANTAGE OF THE PERIOD.

Aggregate revenues grew by 4% for major corporate and investment banks in FY21 ahead of FY20 whilst costs grew by 5% during the same period, with European banks on our panel outperforming their US peers both in terms of revenues and costs.

As a result, our European aggregate cost-to-income ratio improved during the period whilst the American one declined. However, US banks still got a better handle of their cost-to-income ratios than their European peers in absolute terms, making the 2020's trend in rising revenues extended to 2021.

Considering FY19 as the last pre-covid financial year, most banks have been strengthening their cost-to-income ratios taking advantage of positive jaws.

Exhibit 1
CIB C/I Ratio
(analysis base 100) Q4'19 to Q2'22



3 THE FIRST HALF OF 2022 SHOWS AN UNEQUAL TREND WITH MORE CONSEQUENT GAPS BETWEEN Q1 AND Q2 THAN IN 2021.

As costs have been rather stable year-on-year since Q4'20 for most of the corporate and investments banks on our panel when compared to revenues, cost-to-income ratios have mainly been driven by revenues. From Q4'20 to date, revenues for major CIBs increased on average by 8% in a rather heterogeneous way throughout the quarters with a significant decreasing trend over Q2'21 for most of the players.

Over the period, US CIB revenues grew by 12% overall whilst European players aggregate revenues grew by 7%. Excluding Crédit Suisse, **European aggregate revenues grew by 13% over the same period, ahead of US CIB revenue growth.**

As an exception, Crédit Suisse's financial performance has been attributed to the execution of its restructuring plan as the C/I ratio of their CIB activities is partially the result of their strategic pivot to Wealth Management, their Swiss Bank and Asset Management, alongside other one-off events.

Excluding Barclays, Q2'22 shows a decreasing trend in revenues implying a much stronger amplitude year-on-year in 2022 compared to 2021 so far. Crédit Suisse is leading this trend with an outstanding 43% decrease quarter-on-quarter, followed by Deutsche Bank, UBS and BNP Paribas which recorded a decrease of more than 20%.

Exhibit 2

Evolution of aggregate revenues

(analysis base 100)

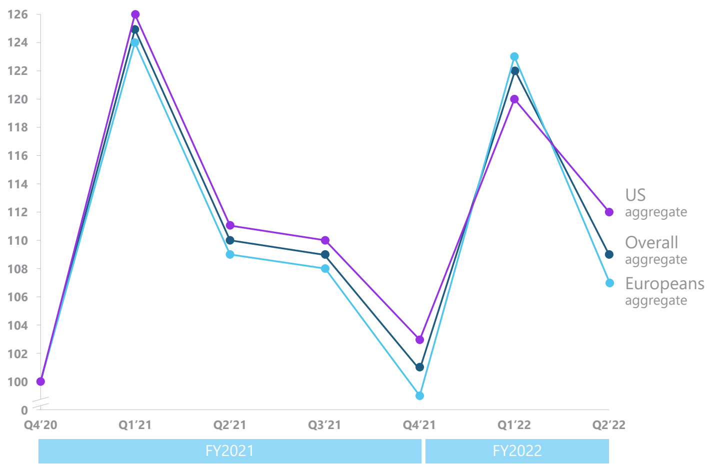


Exhibit 3

Evolution of aggregate expenses

(analysis base 100)

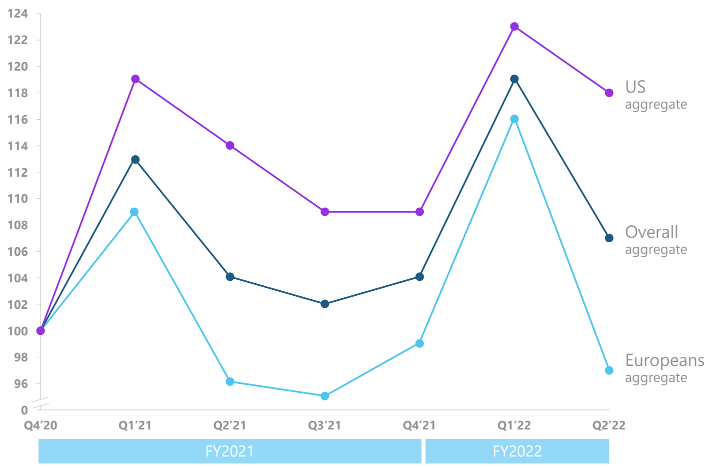
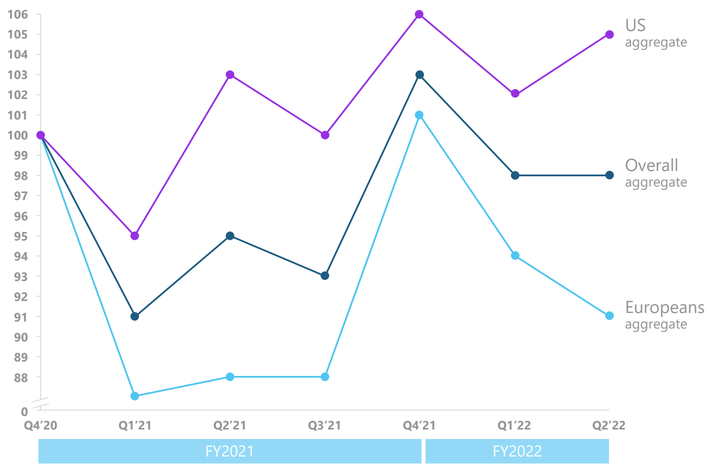


Exhibit 4

Evolution of aggregate cost-to-income Ratio base 100

(Q4'20 to Q2'22)

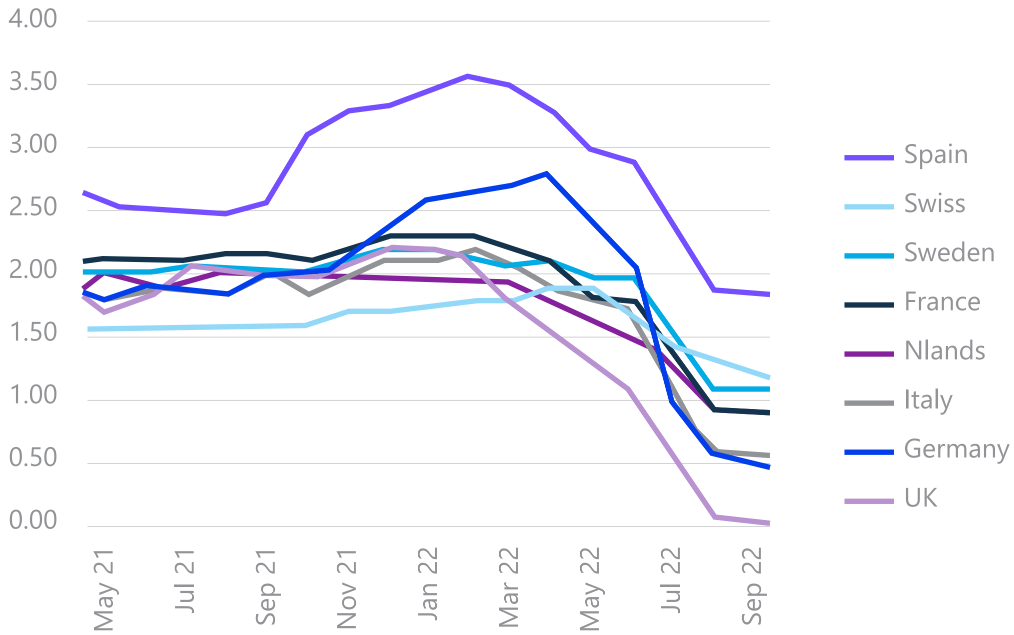


4 OVERALL, INVESTMENT BANKS GENERATED REVENUE OF $116BN IN H1'22, 6% BELOW H1'21

Taking a closer look at market segments, banks mainly experienced an extraordinary decline in Primary Market in H1'22 over H1'21, moving from the most attractive segment into the least attractive one: ECM is the most impacted business line with a 79% sharp decrease in revenues, followed by DCM with a 30% decrease. This may be an illustration of the current macro-economic outlook.

Exhibit 5

Real GDP 2023 consensus



In 2022, macro-economic conditions have deteriorated as Russia's war in Ukraine and rising inflation test the post-pandemic recovery. Indeed, ECB Financial Stability Review pointed out that the war increases financial stability risks while banks face weaker profitability after a strong recovery in 2021. Besides, the rising inflation exceeding 8% annually in US prompts the Federal Reserve to raise a concern about high wage getting embedded – partly due to the excess savings accrued during COVID, cushioning consumption – and thus to ratchet up the future hikes previously planned to regain control over inflation.

From a Euro perspective, on one hand there is clear inflation rising throughout the zone and on another hand, there are steady increases of hike expectations in funds rates from the Federal Reserve that are likely to imply an appreciation of the U.S. dollar and thus potentially a depreciation of the Euro currency.

Anyhow, the 75 basis points increase from the Federal Reserve in June – first move of that size in several decades – made ECB increase its marginal lending facility - to face inflation combined to Euro depreciation – and review their old GDP projections. **ECB hiked indeed by 75bp in September and noted that further outsized moves were possible: there is no sign of hitting the brakes for the remainder of 2022 and a recession can be expected later in Q4 or early 2023.**

Exhibit 6

Expected number of 25bp increments to funds rate

Markets have steadily ratcheted up hike expectations since the July meeting.

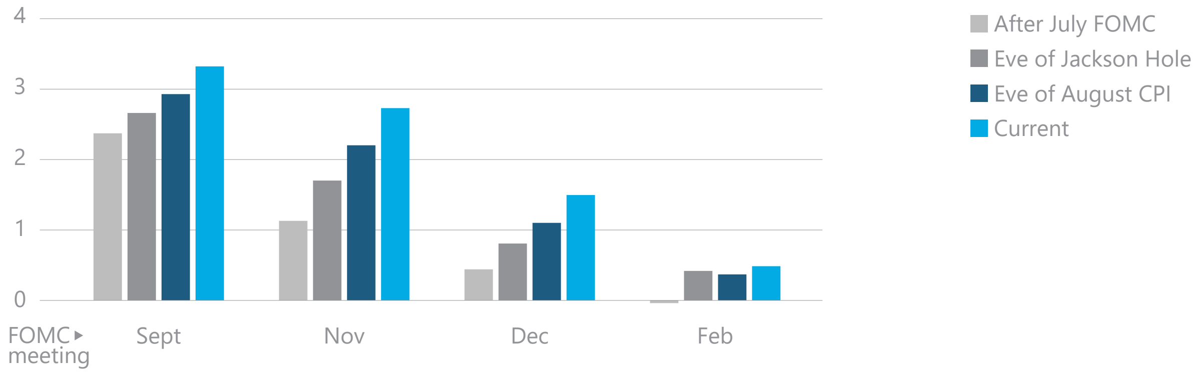


Exhibit 7

Change in base GDP assumption H1'22 vs FY21

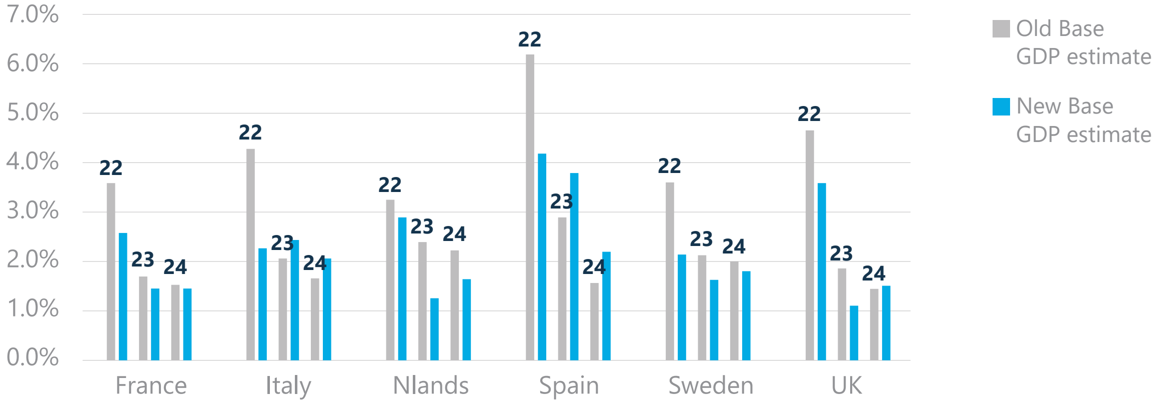
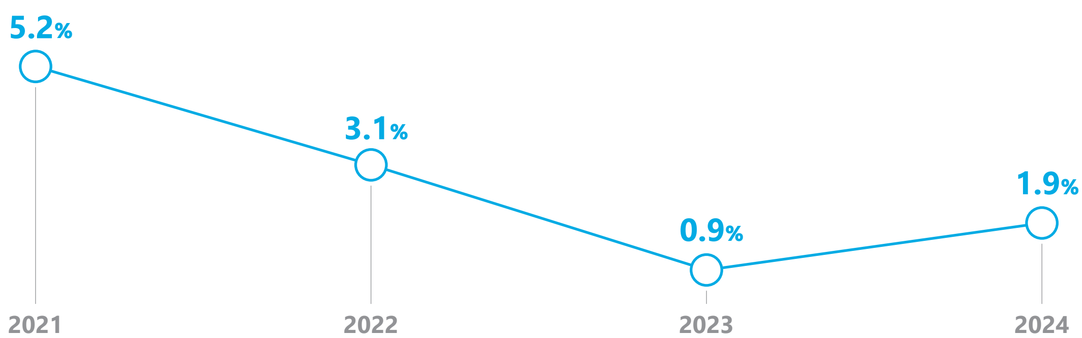


Exhibit 8

ECB extract – Euro area growth forecasting

We expect economic growth to slow down substantially before stabilising again.

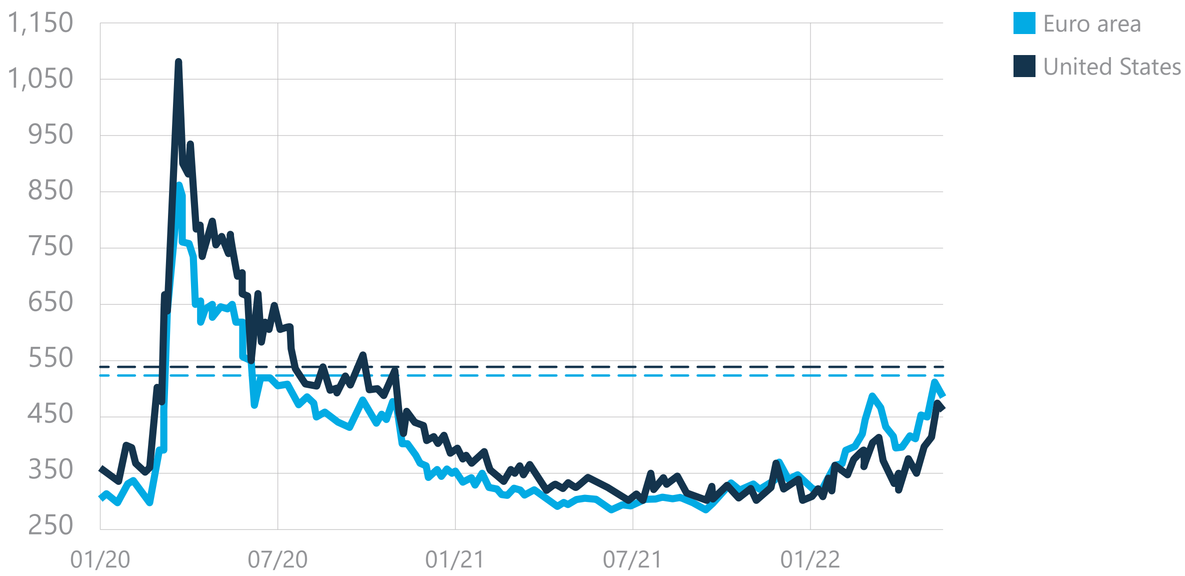
Euro area economic growth in 2021 and projections for this and the coming years (projections from September 2022)



European and US high yield credit are seeing their attractiveness deteriorating implying an outstanding slowdown, a decreasing liquidity and thus a steepened increase in bond bid-ask spreads. Most banks from our panel have recorded mark-to-market losses in leveraged finance. Although high grade and international bond issuance in 2022 have appeared quite well, our set of CIB's aggregate DCM revenues decreased by 30%. When it comes to ECM activities, H1'22 resulted in a significant 79% drop year-on-year after a 43% increase in 2021 ahead of 2020. Most of the banks were able to increase their margins in 2021, with fees growing significantly faster than volumes. The rising inflation downturned the trend in volumes after a record 200-250 $bn in 2021.

Exhibit 9

European vs US high-yield corporate bond spreads



5 WE CAN NOTICE VOLATILITY IN THE PERFORMANCE OF AMERICAN CORPORATE AND INVESTMENT BANKS, CONTRASTING WITH EUROPEAN CIBS STEADY TREND IN H1'22 VS H2'22

JPMorgan revenues increased by 4.6 $bn in H1'22 ahead of H1'21 whereas its costs increased by 2.2 $bn. Having its main EU hub in Frankfurt, the CIB doubled its market share with Germany's Mittel stand. Citi revenues decreased by 5.2 $bn in H1'22 ahead of H1'21 whereas its costs slightly decreased by 0.4 $bn. Rates will be one of the main drivers of future revenues according to its CEO Fraser, accounting for 20-25% of future growth. Bank of America revenues and costs remain very stable in H1'22 vs H1'21. According to its CFO, the bank is likely to make between 100-150 $m write-down on leveraged finance in H2'22. US CIBs performed a strong quarter in FICC trading in H1'22 and the trend should continue in H2'22 amid ongoing volatility. On average, **the American Corporate and Investment Banks in our panel increased their cost base from FY20 to FY21 by 9% while EU CIBs managed to limit it by 4% over the period.**

Exhibit 10.1

Revenues and expenses in H1´21 for major CIBs
(USD billions equivalent)

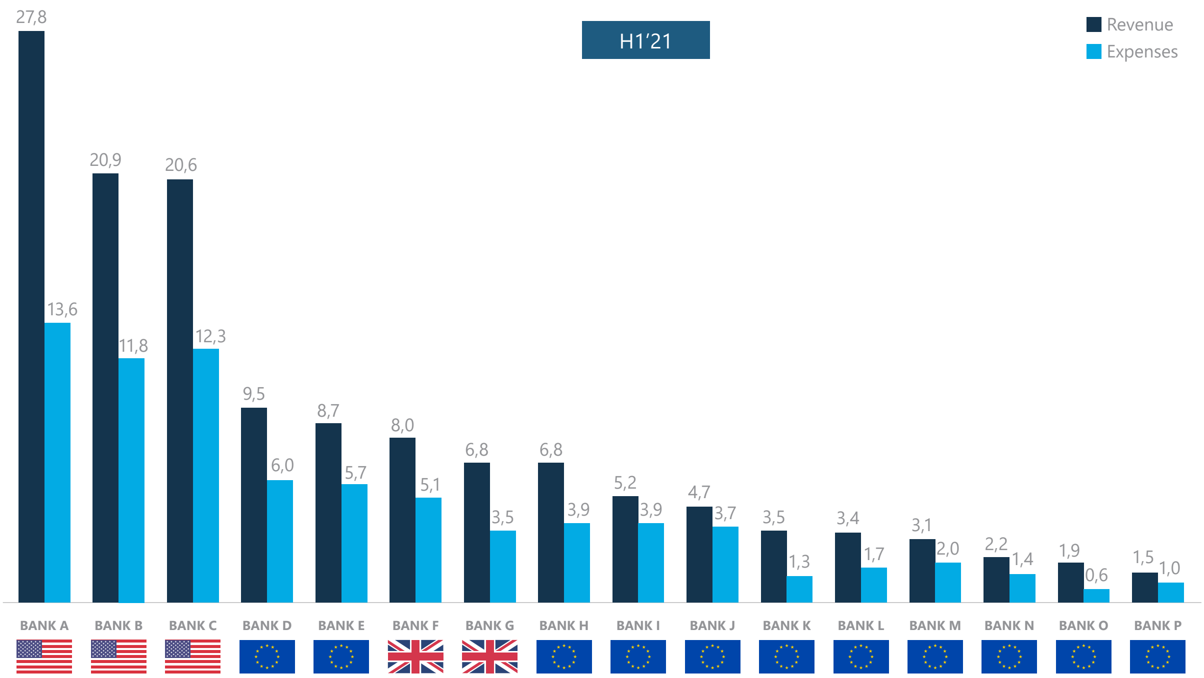
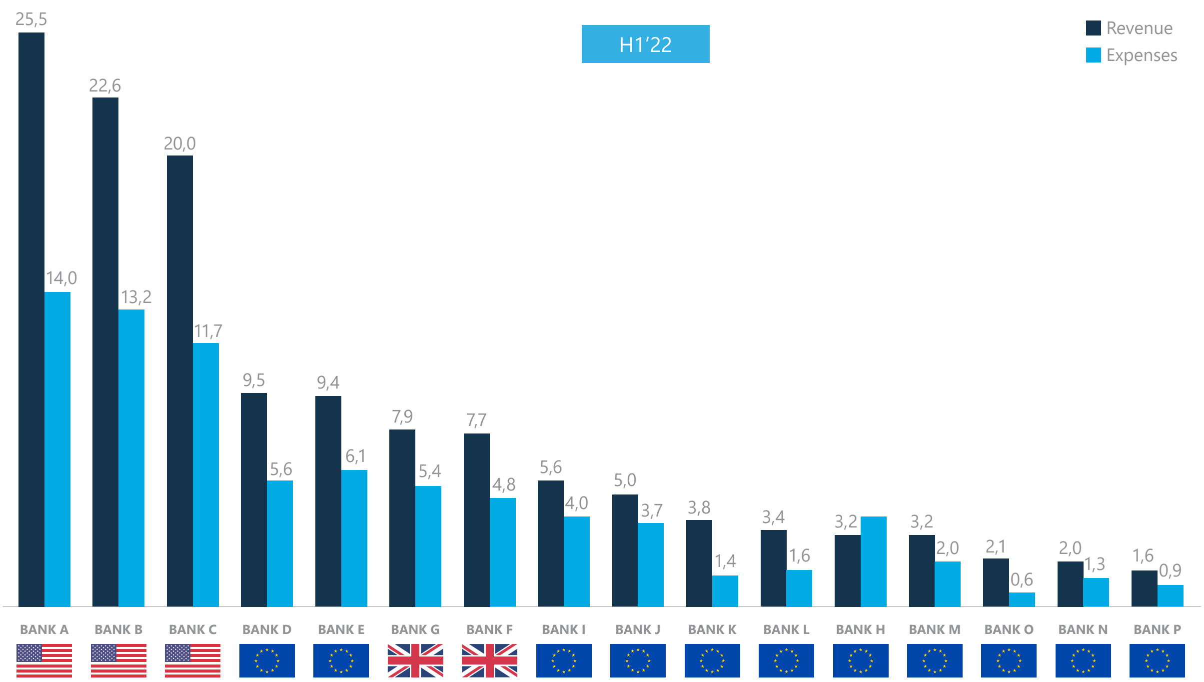


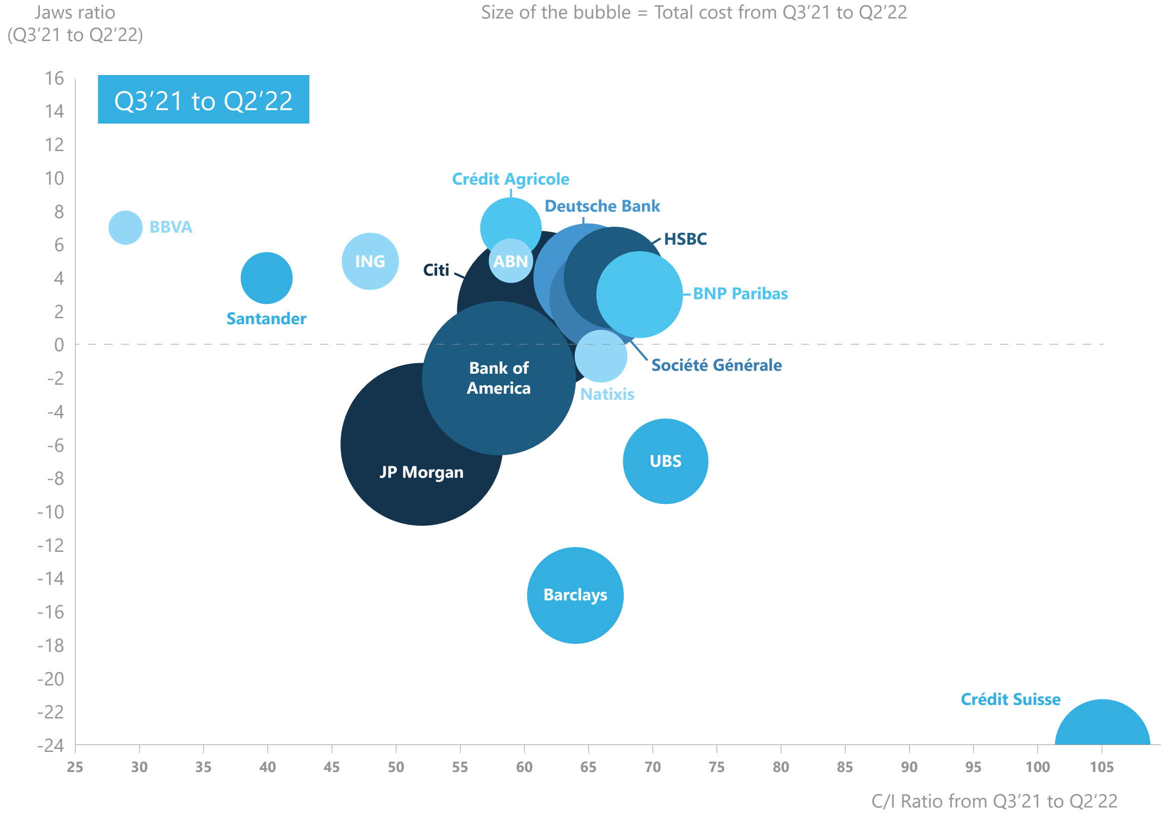
Exhibit 10.2

Revenues and expenses in H1´22 for major CIBs
(USD billions equivalent)



Most of European CIBs on our panel sharply got above the breakeven Jaws threshold, suggesting better Cost-to-income ratio performance to be expected. The trend is heterogeneous across US CIBs, with negative Jaws ratios across last 4Q for JP Morgan and Bank of America and a positive Jaws ratio when it comes to Citi.

Exhibit 11
CIB Jaw analysis
(Q3'21 to Q2'22)



Source: Quarterly Series / Eurogroup Consulting analysis
Jaws ratio calculated using local currency
Costs converted to USD, using FX as of quarter end

6 AMONG MOST BANKS ON OUR PANEL, COSTS HAVE INCREASED OVER THE LAST 2 YEARS, WITH A BETTER THAN US PEERS COST MANAGEMENT BY EUROPEAN CIBS OVER 2021

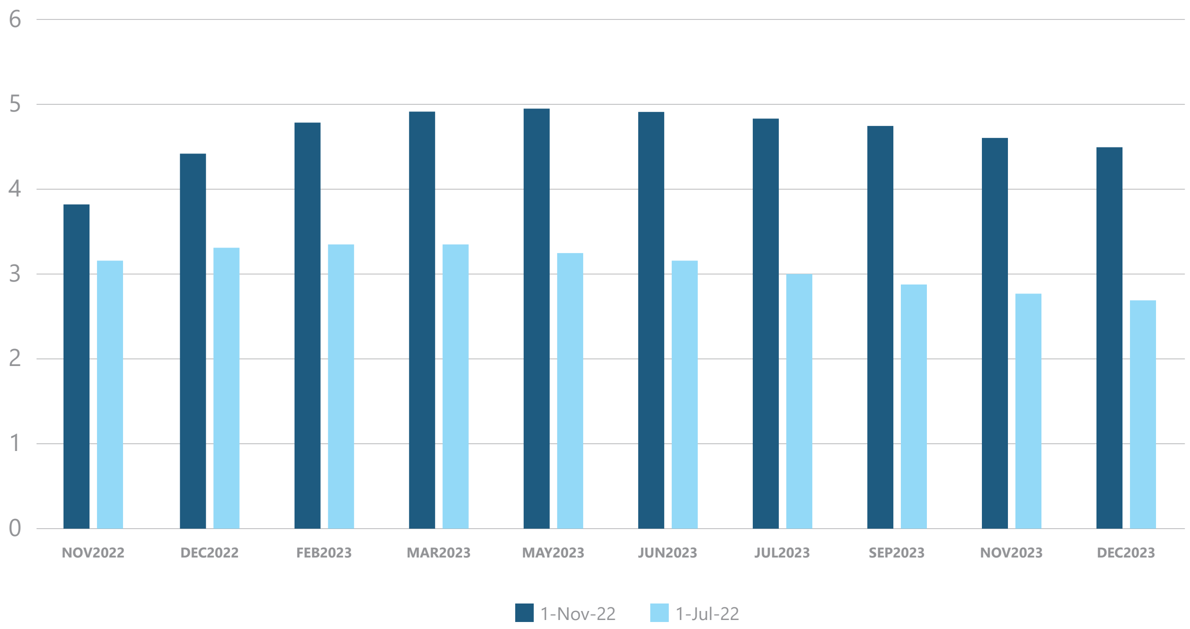
Overall, our set of CIBs experienced an increase of their cost base for the last two years (5.5%) as market environment and volumes through the covid period resulted in volatility for most players. ABN and Barclays experienced highest peaks, respectively +89% in Q3'20 and +65% in Q2'22. On average US CIBs increased their costs from FY20 to FY21 by 9% while EU CIBs managed to limit it by 4% over the period. Only 3 banks decreased their costs FY21 v. FY20: CS, ING and ABN by an average of 6%.

However, Q2'22 restores the 2021 levels for most of CIBs with outstanding decreasing costs since Q1'22, reversing the positive trend.

7 WHAT WILL 2023 BRING?

In such un-stable geopolitical and macro-economic environments, one of the major questions is the likely timing of a recession hitting Europe and the US (and how deep it will be, how long it will last). **Corporate and Investment Banks should prepare for the next economic downturn** including a potential demand shock, by challenging their strategies and introducing elasticity in their operating models.

Exhibit 12
US, Market Implied Rate expectations
(source: Bloomberg)



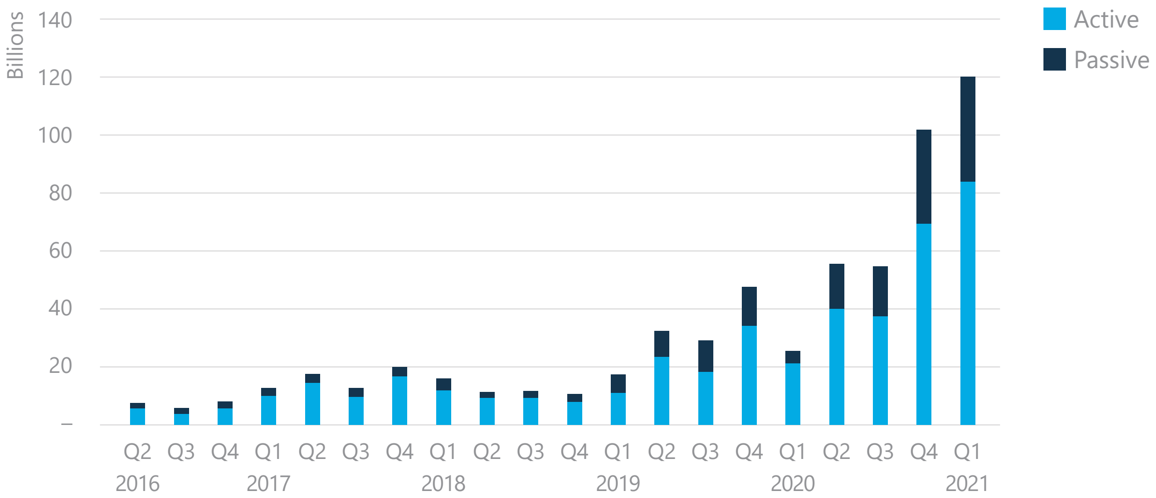
In addition, two further questions will have to be addressed and are explored in this publication: ESG criteria and talent retention and acquisition. In the following chapters, we detail how CIBs can pivot their ESG strategy to capture new opportunities and how they can adopt new ways of working to attract and retain key talents.

WHAT ROLE COULD CORPORATE AND INVESTMENT BANKS PLAY IN THIS SHIFT TOWARDS A MORE SUSTAINABLE ECONOMY AND HOW CAN THEY OVERCOME INTERNAL HURDLES?

1 TIME TO ACT FOR CORPORATE AND INVESTMENT BANKS?

Incorporating ESG values into investments portfolios has grown very popular these last years. The proliferation of new ESG funds products with various styles and approaches along with the rising debate around their performance is the proof that a shift is taking place.

Exhibit 13
SRI Funds net inflow in Europe
(EUR Bn) – Source Morningstar



The fact is that today investors and Corporate and Investment Banks have the possibility to act regardless of the short-term financial performance of ESG investments by taking a higher and longer-term perspective and realizing the externalities of corporate strategies on climate change that literally threatens the future of earth and our communities.

WHAT ROLE COULD CIBS PLAY IN THIS SHIFT TOWARDS A MORE SUSTAINABLE ECONOMY?

In their recent sustainable financing and investing survey, HSBC noted that:

- 51% of issuers and investors say they care about environmental and social issues because paying attention to these issues can improve returns or lower risks – up from 39% last year and a three-year high. This is particularly the case for issuers (54% say this - up from 33% in 2020) compared to investors (48% - flat to last year).

- A genuine shift is underway in how capital markets participants view their responsibilities – 61% of issuers and investors say their view of their responsibility to society has changed, where they are now more conscious and engaged than ever on making a positive impact.

- An astonishing 94% of companies expect to move away from environmentally – and socially – challenged business models in the next five years. Companies are transforming their business models and capital allocation in response to climate change and this will accelerate: 70% of issuers are considering ramping up business activities that might benefit from climate change or starting new ones.

We believe that Corporate and Investment Banks can reposition themselves at the centre of ESG transitions as key actors that enable investors and corporates to reconcile financial and extra financial performances and leverage their sectorial expertise to bring valuable insights to companies' executives and removing hurdles from the path of transition strategies.

In 2021, we have focused on the evolving regulatory framework, the diversity of metrics used and the lack of standards for now, generating operational headaches for most financial institutions.

2 WHAT ARE THE INTERNAL HURDLES BANKS MUST ADDRESS?

This year, our focus is on internal hurdles banks are facing when deploying their ESG strategy, especially since the pressure and incentives to deliver are coming from all stakeholders: clients, regulators, and investors. Failure to deliver against expectations is not an option, especially since it is highly scrutinized in quarterly and yearly reports. Moreover, social, and traditional medias have become powerful amplifiers around these issues, for better or worse.

Exhibit 14
Stakeholder map
Source: Eurogroup Consulting

When deploying their ESG ecosystem, financial institutions are faced with 3 main difficulties internally:

1. **Complex and diverse systems and tools**
2. **Missing, incomplete, unreliable, disconnected data**
3. **Siloed organisations**

By essence, ESG has to be holistic, encompassing all activities, sectors, business lines, functions of an institution. It clashes with years, decades of IT strategy driven towards efficiency, often translating in organisations built in highly specialized product silos (foreign exchange, fixed income, equity and equity derivatives for instance when thinking about capital markets). The capacity to process high volumes with limited residual operational risks was the main objective then. It created fragmented processes, teams, and data pools.

Exhibit 15
Illustrative roles of banks towards sustainable finance
Source: Eurogroup Consulting

BANKS AS FACILITATORS

By embedding ESG into their business decisions, banks can facilitate the flow of capital towards ESG investments.

Green financing

- Increasing financial flows towards green investments
- Introducing green financing instruments and products

Social

- Increasing financial flows towards social impact products

Governance

- Involvement of external stakeholders in the decision process

BANKS AS ORGANISATIONS

As organisations, banks must adapt their organisational structure to better capture ESG risks and comply to regulations.

Greening finance

- Understanding and complying to new procedures and regulations
- Introducing climate and environmental considerations in financial risks and investment decision-making

Social

- Integration of social criteria and indicators within the EU legislative framework
- Employer must demonstrate their social commitment to retain and attract prospective employees

Governance

- Involvement of internal stakeholders in the decision process

External pressure to transform: regulators, client expectations, demands of stakeholders, competition

Internal pressure to transform: talent retention, recruitment and profitability and competitive edge

Let's start with ESG within the advisory process, i.e. the carefully curated selection of financial instruments banks, especially private banks and wealth managers, are offering to their clients. This process used to revolve around a fairly simple combination of risk appetite (expressed by the client) and financial performance (delivered by the product). **With ESG, the preferences expressed by the clients are much more complex,** covering topics such as corporate governance, geography of activity, share of revenues derived from controversial activities,...

The list is endless. It can be based on the 17 Sustainable Development Goals defined (SDG) by the United Nations, or for a much more granular approach, the European Union Taxonomy. For the lack of detailed guidelines, except the fairly basic MiFID II ESG suitability requirements, each bank has to come up with its own approach to capturing clients' preferences and expectations with regards to sustainable investments. The complexity of this process is compounded by the proximity the bank has with its clients: wealth advisors can engage in detailed explanations about the various dimensions of ESG when discussing portfolio allocations with their clients, whereas retail clients will have to understand them and express their preferences mostly on their own, through an automated process, and the assistance of a robot advisor at best.

Final layer of complexity, the capture of these preferences can be done at various levels, during the onboarding process (KYC), through regulatory driven questionnaires (MiFID II for instance), during the advisory process, or even by inferring preferences based on behaviour (e.g. using credit card purchases to measure the sensibility of clients to environmental issues). In some cases, the financial institutions are not engaging with the end clients directly, and rely on distributors (other banks, IFAs,...) to gather these preferences, adding an extra layer of complexity and interpretation. Collecting these disparate preferences and using them to create a unique and holistic view of their clients is the first challenge financial institutions are facing.

Once preferences are collected, the next step is to operationalize them, i.e. utilize them in the operational business processes, such as financial product advisory, portfolio construction, financial products design, or just feeding clients' dashboard. What could be conceived as a simple series of filtering criteria (e.g. include green electricity providers, exclude fossil energies providers) turns out to be more complex. The first reason being the nature of these criteria, which are rarely binary: how do you assess a utility company which is producing electricity with a mix of sustainable energy and fossil fuels? What percentage of its activity should be sustainable to fall into the preferences expressed by your client? Moreover, the preferences can be correlated to one another, and can't be looked at in isolation. For instance, expressing preferences about the geographical location of a company's activity, and the nature of its activities, can overlay. Hierarchy and priority order will have to be defined and documented. Last point, preferences are not set in stone, and will evolve, either because clients themselves will change their mind, or because new criteria will have to be considered. The data model used to describe preferences need to be able to cater for these changes over time, without generating a significant marginal adaptation cost every time one dimension changes.

The next difficulty financial institutions are facing in their journey towards utilizing preferences is already on everyone's agenda: data. Where to find them? How reliable are they? What do we do when some are missing? Here again, the key will be to have a nimble architecture, able to adjust and adapt to changing requirements in a heartbeat. Clients might express strong views on where the data used to compute the carbon intensity of their portfolio should come from. It could be a differentiating factor for financial institutions to be able to let clients not only understand the methodology used to compute the main metrics of their portfolios, they might want to let them pick the data sources used to do so. Transparency is the foundation of trust and should be the guiding principle when building a customer journey. There is no silver bullet when it comes to ESG data, at least not for now. Each institution's choice with regards to where it gets its data from is as good as the next firm. The only requirement: being able to explain why this choice has been made. And being able to change when needed.

The final, and probably most important, requirement when it comes to building a functioning ESG ecosystem is the traceability of any decision, of any input and output. This is the only way to prevent any suspicion of green washing. Not only will it be on top of all regulators' agenda, but it is also already a growing concern of clients and investors alike. What it means is simple: when suggesting a portfolio allocation to its client, a wealth manager should be able to trace it back to the preferences expressed by the client and explain why the products proposed fit with them. It sounds simple. It is anything but simple. It requires to identify all the features and characteristics of a financial product and its underlying assets (e.g. for an ETF, being able to drill down to the elementary component of the holdings will be key) that are relevant to the preferences expressed, and being able to trace back a decision process, outlining any assumptions made along the way. It's like climbing back a decision tree, starting from numerous branches. This can only be achieved if the preferences model is expressed as a mathematical model, an equation, which can then be solved using various inputs. Obviously, this needs to be done in real time, as a client engaging with either a human or a robot advisor might want to see how their portfolio allocation will change when they tweak some of the preferences expressed.

3 HOW CAN CORPORATE AND INVESTMENT BANKS PIVOT THEIR ESG OPERATIONAL STRATEGY?

Building such nimble and efficient ecosystem will force financial institutions to either question their siloed approach to date, and most of them have started to do so, or to **build bridging overlay to enable a transversal communication across all activities of the bank,** without compromising the capacity to evolve with time, integrate new requirements and data sources.

All of these obviously must be delivered through the capacity to attract and retain relevant talents underpinning the bank's strategy. Where there are problems, they may well be attributable to the rapid growth of ESG investing. According to HSBC, some 37% of investors cite a shortage of expertise or qualified staff as the principal obstacle – up from 30% last year and a three-year high. The ESG journey has just started!

Exhibit 16

Focus on nyāya, an early-stage software product firm based in London and New York

nyāya focuses on providing structure and infrastructure to sustainability programs.

nyāya builds systems that help financial institutions and their clients to design and to create portfolios, to choose products that satisfy their ESG & Sustainability preferences and that meet their ESG and Sustainability goals.

o Our platform, **CREDO**, provides front-to-back functionalities for:
- ESG & Sustainable portfolio construction
- scoring and reporting
- building dynamic preferences questionnaires
- recording and operationalizing preferences
- audit and performance analytics.

o Provenance through Precision - CREDO provides **detailed audit facilities and powerful anti-green-washing features** that are central to any committed and thorough ESG implementation.

o CREDO provides **vendor agnostic data onboarding and analytics capabilities** that eliminates ETL burdens and provides flexible and robust ESG & Sustainability metrics and analytics in a future-proof manner independent of specific ESG data sets or data vendors.

o CREDO is built on **powerful semantic technologies and mathematics** that provide uniquely nimble analytic capabilities.

HOW CAN CORPORATE AND INVESTMENT BANKS LEVERAGE NEW WAYS OF WORKING TO CAPTURE AND RETAIN FUTURE TALENTS?

FULL REMOTE: NEW PLACE NOT TO BE?

The Covid 19 crisis has accelerated a process already underway in many organisations to change the way they work. The banking sector, and in particular the CIB sector, is of course affected by this transformation. In a period of strong tension on the labour market, the evolution of working methods constitutes one of the key levers for attracting new talent and also for retaining those already employed.

Eurogroup Consulting has been assisting large companies for over 10 years in the implementation of programmes to transform their working methods, historically from the perspective of remote working and Flex Office, and more recently to support a new wave of evolution of hybrid working methods. Our firm has conducted more than 40 projects in a wide variety of sectors including industry, services, public administration, transport, energy and financial services.

In order to strive for greater efficiency, promote employee experience and thus strengthen their attractiveness and retention, organisations must address the issue of new ways of working in a holistic manner through the questions highlighted in exhibit 17.

Exhibit 17

Key questions for organisations in relation to new ways of working

Remote working / face-to-face and remote hybrid model

- Which remote working scheme should be set up to preserve social links and operational efficiency?

Working environment

- What real estate strategy?
- What adaptations to the working environment (occupancy and uses)?
- How to organise/promote the returning to the site?
- What impact on the real estate master plan?

Tools

- What tools should be put in place to facilitate discussions and team animation?
- What changes should be made to existing tools and business processes (dematerialisation)?
- What tools should be used to make the employee experience and attendance management more fluid?
- What methods of appropriation?

Team, management and steering

- How should the team's operating methods be adapted?
- How should management methods be changed?
- How should governance and associated steering methods be adapted?
- How should processes be changed?

Customer/user orientation and new offers

- How should the customer journey be adapted?
- What new offers should be made available to customers/users?

Employee experience

- What changes should be made to the key stages of the employee's journey (recruitment, induction, integration, training, assessment, etc.)?
- How should the current HR policies be adapted (e.g. working hours, place of work, etc.)?

These are the issues that we have sought to explore by studying two distinct but very typical cases in the investment banking world.

This is not an exercise of comparison - the entities have distinct businesses, business models and sizes - but an exercise in **deciphering their operating methods in order to meet their respective challenges.** Through these two case studies, we aim to understand how new ways of working are being addressed in organisations in the CIB sector, understand their common challenges and identify key trends.

BNP PARIBAS CIB

A consistent hybrid framework for the whole group

BNP Paribas CIB's approach is in line with the BNP Paribas Group's ambition to continue and develop its working methods, combining new desk-sharing-type workspaces, innovative digital solutions and tools, as well as "people care", a commitment to supporting managers and teams.

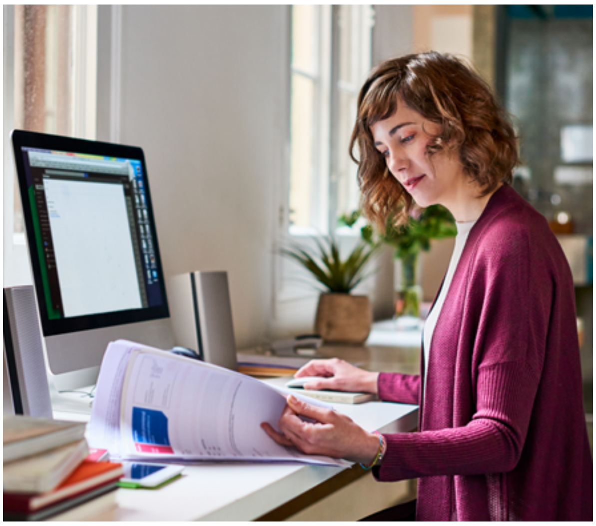
The project, initially entitled "working differently, working distinctly", was launched in January 2014 at group level (SA) and has gradually evolved to take into account the experiments carried out (particularly within the CIB ITO teams) and the needs and practices of employees, particularly during the health crisis. These days, the "Smart Working" project now defines a common framework for all functions, business lines and subsidiaries (French and international) of the BNP Paribas Group.

A European charter on remote working sets out the framework for implementing this form of work organisation for all Group employees. It has been supplemented by an agreement applicable in the BNP Paribas Group in France based on strong principles such as double voluntary work and reversibility. In addition, this agreement offers different remote working formulas (fixed days, flexible days, or a combination of both options) with the aim of allowing a balance between on-site and remote work (up to 50% of weekly remote working). Within the BNP Paribas CIB teams, the vast majority of activities are eligible for remote working. For example, the trading activity is not eligible, however, these employees have the possibility to carry out one day of occasional remote working per month concentrated on administrative activities.

As part of the "Smart Working" project, the working environment of CIB's teams in France and abroad is organised as a Desk Sharing system for a large majority of employees. Each employee has a choice between shared work positions and a wide variety of collaborative workspaces in open-plan premises that encourage cross-functionality. Within BNP Paribas CIB, only the market activities do not offer Desk Sharing.

The project also includes a participatory approach to supporting teams in collecting information on the practices of the various professions concerned and adapting their working methods and space to their specific needs. In addition to communication and awareness-raising activities, the Group is deploying a process called the "team operating methods review". Within this framework, each team develops its own project to specify how it will operate in a hybrid environment integrating on-site work and remote work.

Finally, the Group has equipped its employees and workspaces with standard equipment to encourage mobile working and collaboration, through the solutions offered by the Microsoft 365 suite.



WHAT WE NOTE FROM THIS USE-CASE:

→ **A Group project that mobilised several departments** (Human Resources, Real Estate, IT, etc.) **to change the working methods of BNP Paribas teams.** The project resulted in the signing of a European remote working charter and an agreement on remote work in France, applicable to all group employees subject to eligibility and voluntary action.

→ **BNP Paribas CIB's Human Resources teams contribute to the Group's thinking** on how to anticipate and support changes in working methods by analysing how teams are evolving in the "Smart Working" environment and by monitoring the competition on this subject.

→ The Group agreement is now very well received by the various entities, in particular BNP Paribas CIB, as:

- It sets **a common and homogeneous framework for all its employees while allowing sufficient flexibility** in the rhythms and formulas to be adapted to all professions and their specificities.
- It allows **a balance between remote and on-site work,** which favours both the collective bond and the efficiency of teams.

→ The "team operating methods review" allows **each collective to organise itself according to its own needs.** It is an effective method of articulating collective organisation with individual organisations.

→ Finally, **remote working is at the heart of current HR issues** (performance, attractiveness, mobility, etc.).

A EUROPEAN CIB

A group model promoting internal and external proximity

This bank encompasses 2,600 employees, mainly in France, Germany and Switzerland, covering four business lines: private banking, asset management and corporate and investment banking.

Although it has been a subject of reflection for years, the implementation of a system to frame new ways of doing work has been accelerated by the pandemic. For example, remote working was not developed within the teams in France before the first lock-down. Following the Covid 19 crisis, the Group conducted a reflection with its 120 managers to determine the right mix between on-site and remote working, to identify the type of activities that are eligible for remote working and those that are not, and to determine a certain number of key principles concerning the use of workspace and operation in hybrid mode. This was a project called “Future of Work” within the group, taking into account its DNA, its convictions, the specificities of its businesses and the countries in which it operates. This project is positioned as a test, which continues to be refined, and marked by the desire to maintain a strong link between the various teams and a real proximity to the bank’s customers.

The group benefits from collective agreements regarding hybrid working. It should be noted that certain activities cannot be carried out by remote working. Thus, teams working in the trading floor are not concerned by the scheme. The commercial professions, on the other hand, are in “mobile working” mode, allowing them to work from wherever they need to, while following the group’s ambition to be as close as possible to its customers.

The Flex Office is deployed within the Bank’s premises. It is organised in a way that balances individual workspaces and alternative collaborative workspaces. A logic of team “territories” has been put in place to provide a reference point for employees and managers. These areas are relatively standardised for the Group’s functions and can be adapted to take account of the specific characteristics of each business line.

Managers are regularly made aware of the importance of maintaining team connection and spirit as much as possible through face-to-face interactions, in order to maintain strong links and to pay particular attention to the integration of newer employees in this hybrid context. The return of face-to-face training is also reflected in the proposed curriculum: since the COVID period, these have been digitally delivered, and the training courses are gradually beginning to be delivered in face-to-face format.

WHAT WE NOTE FROM THIS USE-CASE:

- → **A group reflection that pushes to maintain collective links as much as possible,** to establish team dynamics and continue to have regular face-to-face interactions and to benefit from collective intelligence on return to site. The group's DNA: relationships, both internal and external.

- → A model that is being developed with the involvement of all the group's managers and a desire to **equip managers and teams to find the best formulas for their hybrid operating methods.**

- → A DNA based on team dynamics and proximity to clients, enabled by the reconfiguration of working sites.

- → **The onboarding of the youngest employees is the focus of attention** in this hybrid working context.

Key success factors for new ways of working as levers of performance.

Group-level programmes setting out a framework for remote working and Flex Office, in particular, make it possible to harmonise working practices between the Bank's various business lines in the interests of a common culture and a dynamic of internal mobility. These programmes must, however, make it possible to retain some room for manoeuvre in order to adapt to the specificities of the business lines, such as those in CIBs.

New ways of working, when well structured, can be used as real levers of performance, attractiveness and retention for companies. For this to happen, a profound questioning is necessary on the meaning associated with the implementation of these approaches. It should not be just a buzz but a strategic reflection mobilising the organisation's top management to respond to business and customer relationship challenges and to serve the company's culture.

The support of managers and teams is essential in order to achieve the full potential of these projects. These support methods must embody the values and objectives of the transformation. Approaches that enable local managers and their teams to take charge of and adapt hybrid working methods to their specific operational needs are a key factor for success.

In a context of increased hybridity, special attention is required to promote the integration of newcomers, maintain the collective link and more generally the sense of belonging.

Key trends observed in the organisations we work with.

The organisations we work with focus primarily on workspaces and their suitability for the new hybrid uses and occupancy rates observed.

In many organisations, occupancy rates vary between 0.3 and 0.6, which may call into question the traditional rates observed: sharing rates that sometimes go as low as 0.5, i.e. 50 positions per 100 people, to allow expansion of small partitioned collaborative spaces (e.g. telephone booths). Still with the idea of adapting to new hybrid uses, we have identified a shared desire to make the premises more attractive in order to boost on-site presence: more collaborative spaces, more on-site services, redesigned decoration, etc. The aim is to encourage employees to come back to the work premises rather than staying in full remote.

In addition to work premises, experiments on "quality of working conditions" are regularly launched to further strengthen flexibility with regards to the workplace, working hours and the possibility of contributing to projects within other entities in a cross-functional approach.

To that extend, two examples of initiatives are to be highlighted here:

- Regarding working hours, **a 4-day week is a topic that is currently being explored by many.** Its formula - condensing the 5-day working week into 4 days to make room for other personal or professional projects - is attracting more and more employees.
- On workplace flexibility, many companies are now investing to equip employees at their personal place of work (e.g., desk, chair, computer screen, etc.)

Support for managers and teams is evolving and moving away from traditional formats such as training, awareness-raising and working groups. The "team operating methods review" logic, equipped with tools and making available good practices associated with hybrid working methods, is becoming more effective than traditional training systems because it allows managers and their teams to work together to adapt the model to the specific characteristics of their teams.

Reflections on new ways of working can also include CSR and mobility initiatives: companies are paying close attention to actions aimed at limiting their environmental impact, which is now systematically included in their flex-office approaches and associated real estate plans.

Our methodology at Eurogroup to support these reflections.

At Eurogroup Consulting, we approach the subject of new ways of working in a holistic way, linking it to the issues of talent attractiveness and retention. In order to deal with the subject in its entirety, we propose **a methodology in several stages:**

1. **map the organisation's sociological components** and define personae;
2. **identify expectations of each of personae** in terms of changing working patterns and methods;
3. **ensure that the proposed offer promotes the notion of employee experience** for as many as possible;
4. **define a roadmap** for continuous improvement.
5. **contribute and feedback to employer branding work** and thus promote attractiveness.

In this ever-tightening labour market and increased competition, power has shifted between employers and employees. From the so-called great resignation to quiet quitting, employees have made it clear that they're in the driver's seat now. Beyond higher compensation and more comprehensive benefits, banks must challenge their employee value proposition to attract and keep talent engaged. Leveraging the opportunities offered by the new ways of working can be a way to be attractive again.

CONTRIBUTORS

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About Eurogroup Consulting

Established in 1982, Eurogroup Consulting is a leading global strategy and management consulting group, with a strong presence across Europe. Its headquarters are located in Paris.

With 3000 consultants worldwide (30 countries), thanks to our NextContinent international consulting network, we provide high quality consulting services across most sectors, both public and private, with a particular focus on the financial services industry.

Specialised in corporate and investment banking, we work alongside the largest banks and financial institutions, to help them face the challenges posed by the fast-evolving market.

NOTES AND SOURCES

Exhibit 1	Quarterly reports, Eurogroup Consulting analysis
Exhibit 2	Quarterly reports, Eurogroup Consulting analysis
Exhibit 3	Quarterly reports, Eurogroup Consulting analysis
Exhibit 4	Quarterly reports, Eurogroup Consulting analysis
Exhibit 5	Bloomberg, Credit Suisse research
Exhibit 6	Bloomberg, Barclays research
Exhibit 7	Bloomberg, Company data, Credit Suisse research
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