

BNP Paribas (BNP FP)

FUNDAMENTAL VIEW ¹

As of 09 Dec 2024

- BNP's financial strength is based on its strong franchises across retail, commercial and investment banking, and its wide business and geographic diversification. Profitability is sound and fairly resilient, while asset quality has held up well.
- Uncertainty around the financial health of the French sovereign and its ratings have the capacity to weigh on BNP's stock price and its credit spreads.
- Capital ratios are run tightly considering BNP's balance sheet size, although this is in the context of its liquid and well-managed risk profile.

RISKS & CATALYSTS

As of 10 Dec 2024

- Pressure on margins is high in Personal Finance, and despite the change in product mix - reducing the concentration in Personal loans and credit cards and moving to Auto loans, it was still a difficult FY23.
- BNP Paribas remains the subject of various claims concerning the Madoff matter; amongst other claims. Litigation provisions on the balance sheet stood at €841 mn at 30 June 2024. BNP says the latest claims against it stand at \$1.1 bn as of June 2024.
- If there was a negative rating action on the sovereign via an outlook change or notch downgrade, it is possible that BNP's ratings will be impacted but it is difficult to say with any uncertainty. France represents around 30% of revenues and gross commitments on balance sheet and sovereign bond holdings are moderate; we discuss more below.
- BNP is increasingly using significant risk transfers, mainly synthetic securitisations of loan portfolios, to gain regulatory capital relief and manage credit risk.

CREDIT QUALITY SCORE (CQS)²

As of 19 Dec 2024

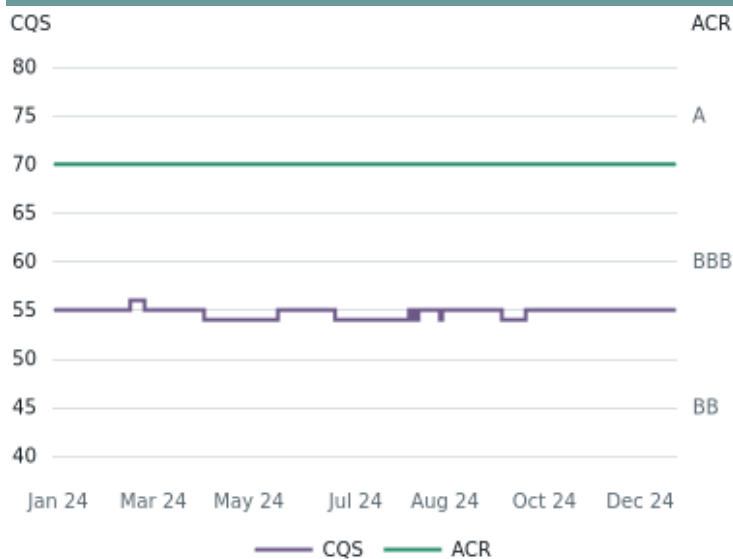
CURRENT CQS

55

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 09 Dec 2024

| MN | 3Q24 | Y23 | Y22 | Y21 | Y20 |
|------------------------------------|--------|--------|--------|--------|--------|
| Return On Equity | 9.3% | 9.0% | 8.2% | 8.2% | 6.4% |
| Total Revenues Margin | 1.8% | 1.7% | 1.7% | 1.8% | 1.9% |
| Cost/Income | 60.4% | 62.6% | 60.7% | 67.3% | 68.2% |
| CET1 Ratio (Transitional) | 12.7% | 13.2% | 12.3% | 12.9% | 12.8% |
| CET1 Ratio (Fully-Loaded) | 12.7% | 13.2% | 12.3% | 12.9% | 12.8% |
| Leverage Ratio (Fully-Loaded) | 4.4% | 4.6% | 4.4% | 4.1% | 4.9% |
| Liquidity Coverage Ratio | 124.0% | 148.0% | 129.0% | 143.0% | 154.0% |
| Impaired Loans (Gross)/Total Loans | n/a | 2.9% | 2.9% | 3.3% | 3.6% |

BUSINESS DESCRIPTION

As of 09 Dec 2024

- BNP is one of the most diversified banking groups in Europe, having been created from a merger of the retail/commercial bank BNP and the corporate/investment bank Paribas in 2000.
- Domestic Markets (DM) comprises the Group's four retail banking networks in the eurozone and its three specialised business lines (including leasing and digital banking). The retail banks are French Retail Banking (FRB), BNL in Italy, BNP Paribas Fortis in Belgium and BGL BNP Paribas in Luxembourg.
- International Financial Services (IFS) includes consumer finance, asset management and private banking, and subsidiaries in non-eurozone countries, including TEB in Turkey and BNP Paribas Bank Polska.
- Corporate & Institutional Banking (CIB) is a global provider of financial solutions to corporate and institutional clients and includes BNP's extensive trading and investment banking businesses.

GLOSSARY

- ¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
 - ² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
 - ³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
 - ⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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