

October 2024

## BNP Float 08/23/34 [AU3FN0090353] - /100.3 (+208; 5.93%)

The desk sees value in the BNP T2s which were issued mid-August 2024. Currently, there is around 50bp pickup (or 0.5%) versus the Major T2 FRN Curve.

BNP is one of the most diversified banks in Europe and should be a core holding in client's portfolios. Akin to CBA/WBC/NAB/ANZ, it has a large footprint in Europe which has helped it maintain good profitability and asset quality. Liquidity and funding metrics are sound, as is asset quality, as evidenced in the metrics below.

The ratings on the BNP T2s are akin to the major bank T2s - Baa2/BBB+/A- (Mdy/S&P/Fch) vs A3/A-/A- (Mdy/S&P/Fch).

Note, there has been regulatory amortisation in the last 5 years for UK, France, and Spain, which creates very low call risk for European T2 structures e.g. BNP 29/34.

BNP's financial strength is based on its strong franchises across retail, commercial and investment banking, particularly in Europe, and its wide business and geographic diversification. Profitability is sound and resilient, while asset quality has held up well despite the effects of COVID-19 and the war in Ukraine. However, its operations in Italy (less than 10% of credit exposure) and consumer finance (12% of lending) are potentially riskier. Capital ratios look sound, especially in the context of its liquid and relatively low-risk balance sheet. They have improved considerably thanks to the exit from the USA.

## Structural Differences

	Australia	UK	France	Spain
<b>Method of loss absorption</b>	Conversion to equity; write off permitted if conversion to equity hits a technical snag	Write-down or conversion in resolution or at PONV, as per BRRD	Write-down or conversion in resolution or at PONV, as per BRRD	Write-down or conversion in resolution or at PONV, as per BRRD
<b>Coupon deferral</b>	No	No	No	No
<b>Call risk</b>	No - the ability to refinance in the domestic market at low cost ensures low call risk in the \$ market	Very low non-call risk given regulatory amortisation in last 5 years	Very low non-call risk given regulatory amortisation in last 5 years	Very low non-call risk given regulatory amortisation in last 5 years
<b>Loss absorption framework</b>	Contractual	Statutory	Statutory	Statutory

## BNP Paribas (BNP FP)

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.

\*Source: CreditSights

Buy	
<b>Issuer:</b>	BNP PARIBAS
<b>ISIN:</b>	AU3FN0090353
<b>Security Name:</b>	BNP Float 08/23/34
<b>Payment Rank:</b>	Subordinated
<b>Rating (S&amp;P, FITCH, MOODY):</b>	BBB+,A-,Baa2
<b>Sector:</b>	Financial
<b>Coupon Type:</b>	FLOATING
<b>Coupon:</b>	BBSW3M+2.150%
<b>Current Coupon:</b>	6.503%
<b>Next Coupon Date:</b>	25-Nov-24
<b>Next Call Date:</b>	23-Aug-29
<b>Maturity Date:</b>	23-Aug-34
<b>Currency</b>	AUD
<b>Duration:</b>	0.1121
<b>Margin:</b>	197.1
<b>Yield:</b>	5.8416%
<b>Running Yield:</b>	6.4349%
<b>Face Value:</b>	50,000
<b>Settlement Date:</b>	15-Oct-24
<b>Capital Price:</b>	101.050
<b>Consideration:</b>	50,525.00
<b>Accrued Interest:</b>	472.00
<b>Total Consideration:</b>	50,997.00

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