GUTIC

BNP Paribas

Equity Research Report - 2025

Company Overview

BNP Paribas is a banking and financial services group, headquartered in Paris, with offices in 64 countries and nearly 178,000 employees globally (source: BNP Paribas 2025). The bank was formed in the year 2000 by the merger of BNP (France's leading deposit bank) and Paribas (a global investment bank) (source: BNP Paribas). The group's 200-year history at the heart of Europe's social and economic innovation remains a core feature of the firm today. BNP Paribas is currently the largest universal bank in Europe by revenue and a top European investment bank in EMEA, the Americas, and APAC.

Business Model

BNP Paribas' diversified operations, customer base, and geographical presence have created a resilient business model with a strong case for stable future growth.

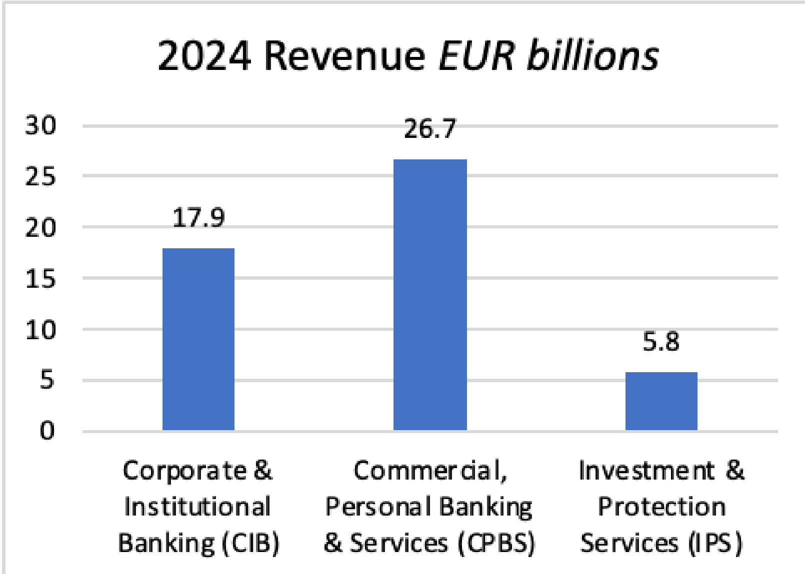
The firm has a diversified customer base that stretches between individuals, corporates, and institutions through its 3 operating divisions:

Corporate & Institutional Banking (CIB)
Global Banking
Global Markets
Securities Services

Commercial, Personal Banking & Services (CPBS)
BNL Banca Commerciale
Personal Finance (core)
Arval & Leasing Solutions
New Digital Businesses & Personal Investors

Investment & Protection Services (IPS)
Wealth management
Asset management
Insurance
Real estate
(source: BNP Paribas 2025)

BNP Paribas integrated business model enables cross-selling, since these divisions share clients, and the ability to distribute capital to where returns are the strongest. The CPBS division combines 4 BNP Paribas Eurozone retail banks (France, Italy, Belgium, Luxemburg) with retail operations outside Europe, in addition to specialised businesses – Personal Finance, and Arval (full-service vehicle leasing) (source: BNP Paribas).



BNP Paribas posted strong 3Q 2025 results

+5.3% Total Revenue chg. vs. 3Q 2024
EUR 12.57bn Total Net Income 3Q 2025

Revenue 3Q 2025

Division	Chg. Vs. 3Q 2024
Corporate & Institutional Banking	+ 4.5%
Commercial, Personal Banking & Services	+ 3.1%
Investment & Protection Services	+ 2.9%

(source: BNP Paribas 2025)

CPBS revenue growth in 3Q 2025 has been driven by favorable interest rate conditions in the Eurozone, contributing to 52% of the firm's total revenue (source: BNP Paribas 2025). Another key source was growth in global markets and securities trading within their investment banking division (source: Wall Street Journal 2025). The Bank's Common Equity Tier 1 ratio (a key metric of balance sheet strength) remained at 12.5% (source: Wall Street Journal 2025).

Recent Growth Catalysts

1: AXA IM acquisition (July 2025)

BNP Paribas closed a deal to acquire AXA Investment Managers (AXA IM) for EUR 5.1bn on July 1st 2025, significantly widening its footprint in the European and global asset management industry. AXA IM was a 30-year-old firm with EUR 880bn in AUM and 2,900 employees in 19 countries, with a notable insurance and pension assets fund (source: BNP Paribas 2025).

- **AXA IM's underlying earnings** from 2023 - 2024 grew by **12%** to EUR 402mm
  - Driven by stronger positions in alternative credit and mid-market private debt
- **AXA IM's Revenue** increased by **5%** between 2023 - 2024 to EUR 1,592mm
  - Acquisition of **CAPZA** in Q4 2024(mid-market private debt and private equity firm operating in 5 big European markets) - full share ownership in 2026
  - Acquisition of W Capital Partners in Q2 2024 (US PE firm)

(Sources: AXA IM 2025, CAPZA 2024)

BNP Paribas' acquisition of AXA IM will greatly strengthen its position in the European asset management industry

EUR ~1600bn in AUM (#3 asset manager in Europe)
EUR ~850bn in long-term savings (#1 Europe)
EUR ~300bn in alternative assets (#1 in Europe)

(source: BNP Paribas 2025)

The acquisition will also generate EUR ~550mm in revenue and cost synergies by 2029

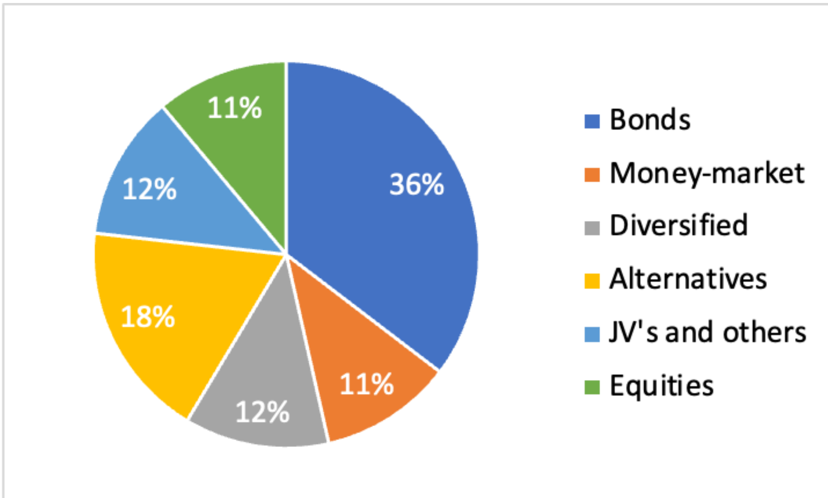
Operations & asset management expertise
Partnerships with AXA IM's insurance and pension funds
Accelerate cross-selling between BNP Paribas's 3 operating divisions
Deployment of alternative assets

Cost Synergies EUR ~400mm Pre-tax ~18% of all combined costs	**Revenue Synergies EUR ~150mm** Pre-tax Net of additional costs
Alignment of capabilities with a combined structure Real estate asset optimization and systems streamlining	Insourcing of asset management operations and capabilities

Streamlining external spending	Acceleration of business development

(source: BNP Paribas 2025)

BNP Paribas's and AXA IM's combined EUR 1.6bn asset portfolio is well-balanced and diversified



(source: BNP Paribas 2025)

BNP Paribas thus aims to be the leader in inflows of private assets and one of the main ETF providers in Europe (source: BNP Paribas 2025).

The acquisition's ROIC is expected to be more than 14% in year three (2028) and more than 20% in year four (2029) (source: BNP Paribas 2025).

Similarities with Amundi's acquisition of Pioneer Investments present significant upside potential for BNP Paribas

Pre-acquisition AUM (EUR)

Amundi 1,054bn	**BNP Paribas** 720bn
Pioneer Investments 222bn	**AXA IM** 880bn

(Sources: Amundi 2016 and BNP Paribas 2025)

Amundi's **share price rose** by **70.4%** over the course of **1 year** after their acquisition plans were announced on 16/12/2016. (Amundi 2016, 2017, TradingView)

Both acquisitions were by major players in the European asset management industry and show strategic similarities. Through their deals, both BNP Paribas and Amundi aimed to become leaders in European long-term savings management for pension and insurance funds, lock-in new client flow, and benefit from scale synergies.

We are only 5 months into BNP Paribas' acquisition of AXA IM and expect it to drive the firm's share price up significantly over the next 7 months as markets begin to price in BNP Paribas' new foothold in the European asset management industry, acquisition synergies, and strategic portfolio mix, as they did post Amundi's acquisition of Pioneer Investments.

2: CET1 ratio expected to land at 13% in 2027 (compared to 12.5% previously forecasted) + EUR 1.15mm share buyback approved by regulators

4.5% rise in share price (November 20th)

CETI ratio is a measure of a company's ability to absorb unexpected losses while continuing to operate. The new figure is more closely aligned with BNP Paribas' competing banks. (Wall Street Journal 2025)

Recent Risks

1: Human Rights Abuses in Sudan – 10% share price reduction on USD 20m charge (October 20th)

A Manhattan jury declared BNP Paribas liable for USD 20mm in damages to three Sudanese refugees after an investigation into the bank's role in the nation's ruling regime. BNP Paribas processed blacklisted funds in Sudan and supported the former dictator Omar al-Bashir's regime by giving it access to US financial markets, thus assisting it to buy weapons and commit genocide and other atrocities (source: Financial Times 2025).

BNP Paribas' share price fell 10% on October 20th in response to this news as analysts priced in the possibility of further fines, since thousands more Sudanese refugees joined a related class action lawsuit, and uncertainty about future financial impacts on the firm (source: Financial Times 2025).

2: Fraud Case – EUR 190m charge (October 28th)

A fraud case involving an unidentified client and its receivables financing led to a EUR 190mm charge on BNP Paribas. The bank's share price fell 3.5% after reporting a 6.1% rise in net income to EUR 3bn, just short of analysts' expectations of EUR 3.1bn primarily due to losses in loan provisions (source: Financial Times 2025).

Sector and Industry Research

BNP Paribas stands as a leading player in the financial services sector and banking industry, with robust growth projections, strategic investments, and diversification positioning it for future success within these fields. The broader financial services sector and the banking industry face continued transformation influenced by technology, regulatory changes, sustainability, and competition, and BNP Paribas is leveraging these trends to maintain and strengthen its position.

Sector Future: Financial Services

The financial services sector is evolving rapidly due to technological innovation, regulatory developments, and heightened competition.

Key trends in the financial services sector:

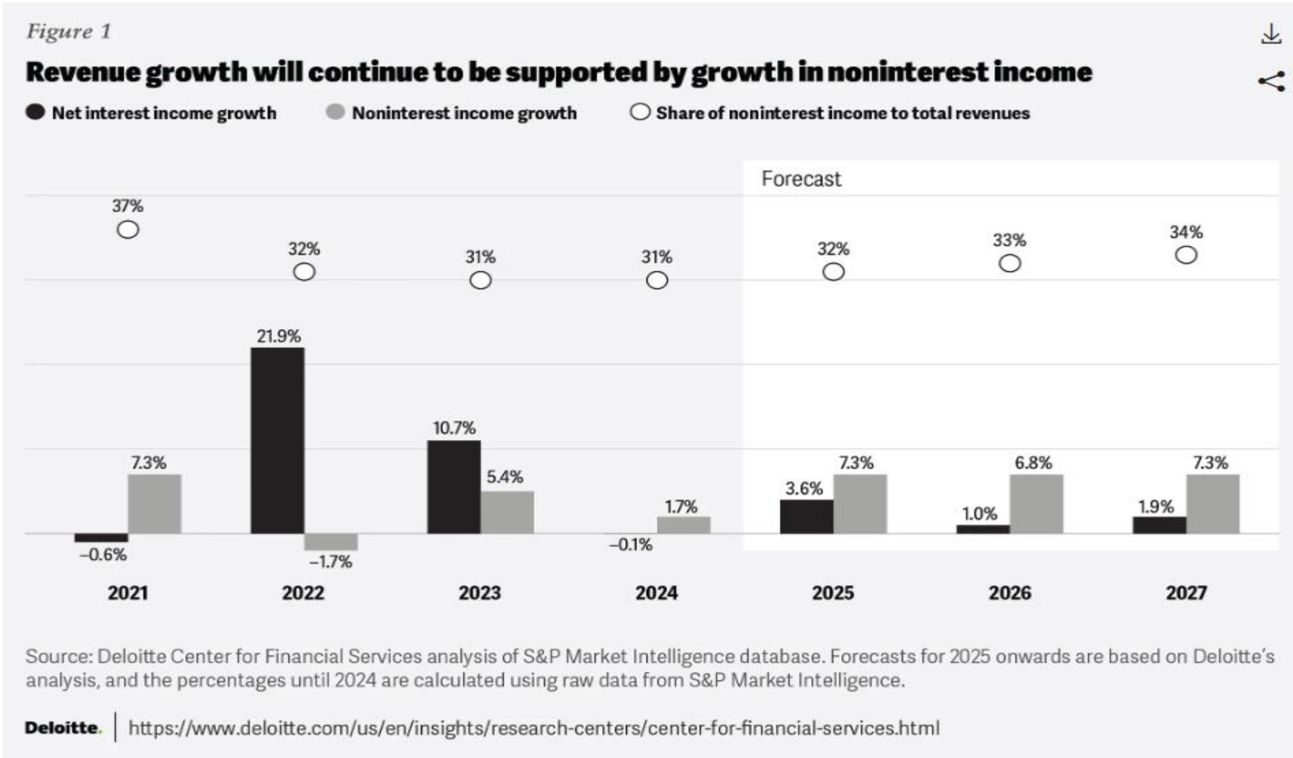
- Growing adoption of digital platforms and fintech solutions, which challenge established players to enhance customer experience and streamline operations.
- Increasing sustainability focus, with financial institutions expected to lead in green finance and ESG initiatives.
- Regulatory requirements pushing transparency, risk management, and capital adequacy improvements.

Traditional banks face pressure from new entrants but maintain significant advantages through scale, reputation, and diversified service offerings. Reputation, capital strength, and operational efficiency are critical for maintaining competitive advantages in this sector.

Industry Future: Banking

Key trends in the banking industry:

- Accelerated digital transformation and automation of services to address evolving client needs.
- Expansion of integrated models, combining commercial banking, wealth management, asset management, and insurance offerings.
- Competitive environment intensified by consolidation, new entrants, and increasing regulations. Banks with strong diversification and resilient business models are expected to outperform peers.
- Emergence of sustainability finance and ESG-linked products as core growth areas for banks, with structured products tied to reduced carbon footprints gaining traction.



BNP Paribas' Position

BNP Paribas is recognized as a leader in European banking and financial services, operating in 64 countries and maintaining key positions in commercial, personal, and corporate banking, as well as asset management and insurance.

- The group projects net income above €12.2 billion in 2025 and targets a return on tangible equity (ROTE) of 13% by 2028, supported by strategic investments, external growth (including AXA IM acquisition), and digital integration.
- BNP Paribas holds four domestic markets in Europe and is expanding through integrated commercial and personal banking models into Mediterranean countries, Türkiye, and Eastern Europe.
- It is strengthening offering and market share in investment services through organic growth and acquisitions, aiming to become the European leader in long-term savings management.
- The institution continues to invest in digitalization and sustainability finance, evidenced in its equity offerings, innovative derivatives, and ESG-focused products.
- Its resilient and diversified model enables capital generation and supports additional growth, with ongoing operational efficiency initiatives across all business areas.

BNP Paribas is optimally positioned to benefit from future trends in financial services and banking, maintaining market leadership and driving innovation through both operational excellence and strategic expansion.

Competition

BNP Paribas competes with some of the largest European banks, including Banco Santander, UniCredit, Intesa Sanpaolo, BBVA, CaixaBank, ING, Deutsche Bank, and Crédit Agricole. In 2025, these competitors all vie for leadership in market capitalization, innovation, and service offerings across Europe's rapidly evolving banking sector.

How BNP Paribas Outperforms

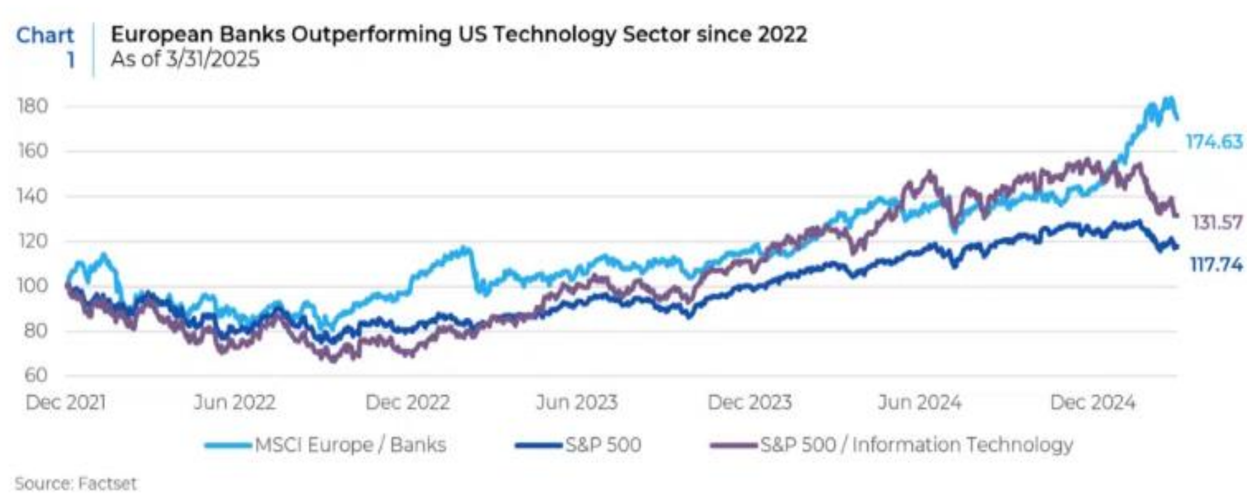
BNP Paribas consistently ranks as a top share leader for corporate banking and cash management, with the highest market penetration rates among European corporates—even ahead of some global peers. In critical markets like France and Belgium/Luxembourg, it commands premium positions for client relationships and service breadth.

With the integration of AXA Investment Managers, BNP Paribas has become the third-largest asset manager in Europe and the outright leader in European long-term savings, controlling €850 billion in AUM. This acquisition strengthens diversification, operational synergies, and long-term growth.

The bank's investments in digitalization and sector-leading ETF and alternative asset platforms provide both cost savings and growth, with its ETF segment emerging as the fastest growing in Europe in 2025.

European Banks

European banks have been in the spotlight lately, becoming the best-performing industry within the EAFE universe since 2022, even outpacing US Technology stocks (see **Chart 1**).



Coalition Greenwich Share Leaders and Best Banks — 2025

Share Leader – Corporate Banking Market Penetration in Europe

Bank	Market Penetration	Statistical Rank
BNP Paribas	69%	1
HSBC	48%	2
Citi	42%	3T
Deutsche Bank	41%	3T
ING Bank	38%	5T
UniCredit	38%	5T

Best Bank – Corporate Banking in Europe

Bank
BNP Paribas
J.P. Morgan

Share Leader – Corporate Cash Management Market Penetration in Europe

Bank	Market Penetration	Statistical Rank
BNP Paribas	52%	1
HSBC	33%	2T
Citi	32%	2T
Deutsche Bank	26%	4T
UniCredit	25%	4T
ING Bank	24%	4T

Best Bank – Corporate Cash Management in Europe

Bank
J.P. Morgan

Note: Based on companies with revenue and/or market capital in excess of €2.0 billion. Market Penetration is the proportion of companies interviewed that consider each bank an important provider. Based on 358 respondents for corporate banking and 389 for corporate cash management.
Share Leaders are based on Top 5 leading banks, including ties. Best Banks are cited in alphabetical order, including ties.
Source: Coalition Greenwich Voice of Client – 2024 European Corporate Banking and 2024 European Corporate Cash Management Studies

by S&P Global

Coalition Greenwich Share Leaders — 2025
Corporate Banking by European Markets

Share Leader – Corporate Banking Market Penetration in Europe	Market Penetration	Statistical Rank
Austria		
*		
Belgium/Luxembourg		
BNP Paribas Fortis	98%	1
ING Bank	75%	2T
KBC Bank	72%	2T
Denmark		
Nordea	84%	1T
Danske Bank	80%	1T
SEB	56%	3
Finland		
Nordea	100%	1
OP Bank	97%	2
Danske Bank	86%	3
France		
BNP Paribas	98%	1
Société Générale	94%	2
Crédit Agricole (CACIB)	79%	3
Germany		
Commerzbank	83%	1
UniCredit	74%	2
Deutsche Bank	68%	3
Ireland		
Barclays	76%	1T
HSBC	72%	1T
AIB	64%	3T
BNP Paribas	64%	3T
J.P. Morgan	64%	3T
Italy		
Intesa Sanpaolo	94%	1
UniCredit	89%	2
BNP Paribas	84%	3
The Netherlands		
ING Bank	78%	1
Rabobank	70%	2
ABN AMRO	62%	3T
BNP Paribas	57%	3T
Norway		
DNB	89%	1
Nordea	74%	2
Danske Bank	67%	3T
SEB	65%	3T
Spain		
Caixa Bank	96%	1T
BBVA	94%	1T
Santander	94%	1T
Sweden		
SEB	81%	1
Nordea	76%	2
Danske Bank	66%	3
Switzerland		
UBS	77%	1
Deutsche Bank	47%	2
BNP Paribas	43%	3T
Zurcher Kantonalbank	40%	3T
United Kingdom		
HSBC	75%	1
Barclays	70%	2
NatWest Group	61%	3

Note: Based on 110 interviews in Belgium/Luxembourg, 25 in Denmark, 36 in Finland, 52 in France, 77 in Germany, 25 in Ireland, 141 in Italy, 91 in the Netherlands, 46 in Norway, 47 in Spain, 79 in Sweden, 30 in Switzerland, and 128 in the United Kingdom. Market Penetration is the proportion of companies interviewed that consider each bank an important provider of corporate banking services. Country leaders are based on top 3 leading banks, including ties.
Source: Coalition Greenwich Voice of Client – 2024 European Corporate Banking Study

Near-term macro trends shaping European banking profitability

Near-term macro trends shaping European banking profitability include fluctuations in interest rates, digital transformation, cost-cutting initiatives, trade uncertainties, inflation, loan quality, and regulatory impacts.

Interest Rate Dynamics

European banks have seen improvements in profitability thanks to higher interest rates, which allowed for wider spreads on deposits and increased net interest income through 2024 and early 2025. However, recent market expectations of falling euro interest rates due to changing trade policies and inflation risks are likely to pressure margins and dampen profitability going forward.

Digital Transformation and Operational Efficiency

Banks are investing heavily in digital platforms and automation to reduce operational costs and boost earnings resilience. These structural efforts help offset margin pressure from interest rate changes, and banks expanding fee-based income streams (e.g., wealth management, transaction services) achieve greater stability in profitability.

Regulatory Impacts and Capital Management

Capital requirements have increased in recent years, providing stronger shock-absorption capacity but also raising the cost of equity, which banks must cover through sufficient profitability. Stricter regulation incentivizes risk management and operational discipline, which supports long-term resilience.

Financial Analysis

BNP Paribas Historical Price and Expected Fair Value Range

Key Catalysts

- High dividend yield and share-buyback potential: High dividends signify the stable cash flows, which will attract investors. Share-buyback potential by companies will boost earnings per share and drive up the share prices, also indicating that management believes the current market valuation of the stock is undervalued.
- Strong capital base and diversified business mix: The current target CET1 ratio stands at 12.3%, and will increase to 13% after 2027, indicating the company will maintain sufficient capital to absorb risks. The diversified business encompassing retail banking, corporate and investment banking, insurance, and mergers and acquisitions will also mitigate exposure to risks within any single business segment.
- Improvement in profitability via margin recovery, cost efficiency: The improvement profits and cost efficiency will generate higher ROE and residual income in the future, thereby enhancing future share value.

Primary Risks

- Margin compression if interest rates fall: It could lead to a fall in ROE, the residual values may tend towards negative and the company's overall valuation diminishing.
- Regulatory or litigation risk (recent legal case)
- Macro slowdown in Europe / increased credit losses: If Europe faces a deteriorating economic climate, it would simultaneously increase corporate borrowing costs and regulatory capital requirements while reducing future growth rates, leading to a decline in overall valuations.

Business segments

- Retail Banking & Services (~50% of revenue)
- Corporate & Institutional Banking (~35%)
- Investment & Protection Services (~15%)

Geographic exposure: ~70% Europe, ~20% Americas, ~10% Asia/Others.

Strategic Context & Macro Environment

BNP's "Growth, Technology & Sustainability 2025" plan emphasises digital transformation, cost ratio improvement, and setting an ROE target in the mid-teens.

On macro/regulatory side:

- The euro zone remains at moderate GDP growth (~1.5%) and inflation (~2.3%) implying interest rates may begin to normalise or even ease which could pressure margins. The combination of these two indicators may lower expectations for medium-term ROE.
- Basel IV and other regulations continue to shape bank return profiles: The Basel IV restrictions will increase the risk weightings on corporate capital, and accelerate the growth rate of RWA, thereby suppressing ROE and making long-term ROE lower than the cost of equity.
- Recent litigation risk: A U.S. jury verdict found BNP liable in a case relating to Sudan sanctions, which triggered c. 10% share price drop. (Reuters)

Financial & Operational Analysis

Profitability

- ROE: ~9.28% (2024) as per latest figures.
- Book Value per Share: €102.5 (2024) (BNP Paribas Investisseurs)
- The bank has demonstrated better cost/income ratio vs. many peers — helped by digitalisation and efficiency initiatives.

Balance Sheet & Asset Quality

- Assets: over €2.8 trillion according to recent figure.
- NPL ratio: ~1.7% (versus EU-average > 3%) — indicates relatively good asset quality.
- Coverage ratio: ~68% — conservative provisioning base.
- Loans/Deposits ratio ~90% — indicates stable funding base.

Valuation Multiples & Peer Comparison

BNP currently trades at a relatively low valuation: e.g., P/B ~0.65× (price ~€76.78 vs BVPS €102.5) and P/E in the 6-8× range, suggesting the market is discounting growth or risk.

Valuation Analysis

Residual Income Model (Bank-specific)

We applied the residual income model:

$$P_0 = BV_0 + \sum_{t=1}^{5} \frac{(ROE_t - r) \times BV_{t-1}}{(1+r)^t} + \frac{(ROE_\infty - r) \times BV_5}{(r - g_\infty)(1+r)^5}$$

Assumptions (Base Case)

Year	Forecast Book Value / Share (€)	Return on Equity (ROE)	Residual Income (€)	Present Value of Residual Income (€)
2026 (Y2)	**111.0**	**13.2 %**	(13.2 % – 9.0 %) × 106.6 = **4.6**	**3.9**
2027 (Y3)	**115.4**	**13.4 %**	(13.4 % – 9.0 %) × 111.0 = **5.0**	**4.0**
2028 (Y4)	**120.0**	**13.6 %**	(13.6 % – 9.0 %) × 115.4 = **5.3**	**4.1**
2029 (Y5)	**124.8**	**14.0 %**	(14.0 % – 9.0 %) × 120.0 = **5.6**	**4.2**

Discounted back ≈ €57.9.

Intrinsic Value Estimate

$$TV = \frac{(ROE_\infty - r) \times BV_5}{r - g_\infty} = \frac{(0.14 - 0.09) \times 124.8}{0.09 - 0.02} \approx €89.1,$$

Given the current price ~€76.78, this suggests substantial upside under these assumptions.
If we apply more conservative assumptions (r = 10%, g_1-5 = 2-3%, ROE =12%), the fair value comes down to ~€110-120, which still represents ~45-60% upside from current.

Sensitivity Table (Approximate €/share)

Cost of Equity ↓ / Growth →	2%	3%	4%
8%	~135	~150	~170
9%	~105	~120	~140
10%	~85	~95	~110

	Phase 1	1	2	3	4	5	Phase 2
	Base year: 2024	2025	2026	2027	2028	2029	2030
Retention ratio	44.4302%	55%	55%	50%	45%	40%	40%
ROE	9.2806%	9.48%	9.78%	10.3%	10.98%	11.88%	8.50%
Book Value	128137	134818.52	142070.9	149373.8	156754.8	164204.18	
Residual Income		142.42	554.30	1294.47	2406.63	3936.34	-1427.76
Discount factor		0.91	0.84	0.76	0.70	0.64	
Value of RIM in phase 2 at end of year 5						-17693.23	
Present Value of RIM in Pase 1		130.21912	463.3977	989.4747	1681.994	2515.4272	
Present Value of RIM in Pase 2						-11306.44	
Equity Value	122611.0695						
Number of shares	1,130,810,671			**Price per share**	108.4276		

Management anticipates a 35% loss of CET1 capital in the Q3 of 2025 (AXA IM, 2025), implying a potential decrease in payouts to maintain CET1 ratio at the regulatory level, which means retention rate will experience an increase. Although they anticipate that ROIC will be more than 14% by 2028 and more than 20% by 2029, the growth of ROIC only relates to the £5.4 billion of investment for the acquisition (AXA IM, 2025), and the impact on the Group's shareholders' equity is less than 1%. Also, based on this forecast it can be assumed that synergies from this acquisition are expected to be gradual, which means the growth in the group's ROE may be relatively slow in the early stages of the acquisition and reaching its peak around 2029 rather than 2026.

sensitivity		cost of equity						
analysis	108.4276	8.68%	8.95%	9.18%	9.37%	9.56%	9.80%	10.09%
terminal	6.54%	94.07526	99.41485	101.8932	101.8932	99.46327	94.2375	86.20575
ROE	7.43%	83.71848	88.28607	90.40478	90.40478	88.32747	83.85732	76.97875
	8.08%	80.30116	84.61175	86.61078	86.61078	84.65081	80.43221	73.93773
	8.50%	80.60966	84.93957	86.94768	86.94768	84.97881	80.74129	74.21828
	8.93%	84.51421	89.1299	91.27122	91.27122	89.17173	84.6545	77.70513
	9.64%	95.01335	100.4031	102.9052	102.9052	100.452	95.1771	87.07234
	10.80%	118.7637	125.9083	129.2282	129.2282	125.9731	118.9806	108.2563

Cash Flow to Equity Model

Profit and Loss Account(€m)	2024	2023	2022	2021	2020		***CAPM***	
Net income attributable to equity holders	11688	10975	9848	9488	7067		Rf,France	3.47%
							βlevered	1.15
Balance Sheet (€m)							Risk premium	5.13%
Shareholders' equity	128137	123742	121237	117886	112799		**Re**	**9.37%**
Average shareholders' equity	125939.5	122489.5	119561.5	115342.5				
Notes(€m)								
Dividend distribution	5411	5198	4744	4527	3323			
Buyback	1084	1055	962	900	0			
Dividend payout	6495	6253	5706	5427	3323			
Universal registration document(€m)								
Risk-weighted assets	762247	703694	744851	713671	695523			
ΔRWA	58553	-41157	31180	18148				
ΔRWA growth rate	7.6816%	-5.8487%	4.1861%	2.5429%				
Target common equity tire 1 ratio	12.30%	12%	12%	12%				
Retention ratio	44.4302%	43.0251%	42.0593%	42.8014%	52.9786%			
ROE	9.2806%	8.9600%	8.2368%	8.2259%				
Growth rate	4.1234%	3.8550%	3.4643%	3.5208%				
Growth rate3	1.30%					**average growth rate2**		3.7409%

All data used in this analysis model are sourced from BNP Paribas's Annual Financial Reports (BNP Paribas, 2021a, 2022a, 2023a, 2024a) and Universal Registration Documents (BNP Paribas, 2021b, 2022b, 2023b, 2024b). The yield on the French 10-year government bond is used as a proxy for the risk-free rate (Bloomberg, 2025), while the levered beta and equity risk premium are taken from Damodaran (2025a, 2025b). The long-term GDP growth rate of the European Union is used as the basis for the perpetual growth rate, and the model's third-stage growth rate is set as this value minus 0.2% (Statista, 2025).

Since the European Central Bank required all banks to suspend dividend distributions and share buybacks during 2020, financial data from 2020 and earlier years were excluded from the analysis (BNP Paribas, 2024b).

Given that BNP Paribas's acquisition of AXA IM in 2025 is expected to generate synergies and temporarily boost growth, the valuation model adopts a three-stage growth structure covering years 0–5, 5–10, and beyond 10 years. Additionally, because the acquisition will influence the growth of risk-weighted assets, a two-stage growth assumption is applied to ΔRWA since after the acquisition effects dissipate, ΔRWA gradually returns to a moderate and stable 2% growth rate (Massari et al., 2014). Finally, the model incorporates a two-stage adjustment to the target CET1 ratio accordingly considering the ECB's requirement for the target CET1 ratio to increase to 13% by 2027 (Romano and Rowe, 2025).

		Phase 1					Phase 2					Phase 3
		4.20%					3.7409%					1.30%
	Base year: 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
		1	2	3	4	5	6	7	8	9	10	Terminal value
Net Income	11688	12178.896	12690.41	13223.41	13778.79	14357.499	14894.59796	15451.79	16029.82	16629.48	17251.57	
ΔRWA	58553	61012.226	63574.74	66244.88	69027.16	71926.304	73364.8304	74832.13	76328.77	77855.34	79412.45	
Target common equity tire 1 ratio	12.30%	12.30%	12.30%	13%	13%	13%	13%	13%	13%	13%	13%	
FCFE	4485.981	4674.3922	4870.717	4611.573	4805.259	5007.0795	5357.17001	5723.613	6107.084	6508.288	6927.956	7018.019056
Discount factor		0.91	0.84	0.76	0.70	0.64	0.58	0.53	0.49	0.45	0.41	
Value of FCFE in phase 3 at end of year 10											86969.69	
Present value of FCFE in phase 1 and 2		4273.9449	4071.931	3525.01	3358.396	3199.6565	3130.098965	3057.712	2983.074	2906.703	2829.064	
Present value of FCFE in phase 3											35514.5	
V(Equity)	68850.0877											

sensitivity		cost of equity						
analysis	60.8856	8.60%	8.90%	9.18%	9.37%	9.50%	9.80%	10.00%
terminal	1.00%	66.25259	63.53031	61.17362	61.17362	58.67476	56.50112	55.13458
growth	1.10%	66.76412	63.99189	61.59412	61.59412	59.05389	56.84609	55.45895
rate	1.25%	67.55752	64.70688	62.24475	62.24475	59.63982	57.37869	55.95942
	1.30%	67.82923	64.95148	62.46713	62.46713	59.83989	57.5604	56.13008
	1.35%	68.10469	65.19932	62.69235	62.69235	60.04242	57.74426	56.30271
	1.50%	68.95434	65.96294	63.38561	63.38561	60.6652	58.30914	56.83278
	1.70%	70.14468	67.03059	64.35321	64.35321	61.53283	59.09484	57.56935

Comparable Valuation (Peer Benchmark)

BNP trades at ~0.65× P/B, while its ROE (~13%) suggests it should trade closer to ~0.90-1.00× P/B if the market rationally values its profitability. Multiplying BVPS €102.5 by 0.9 yields ≈€92, by 1.0 yields ≈€102.5. Thus comparison reinforces upside potential.

Dividend & Capital Return

- Dividend per share (2024): €4.79. (BNP Paribas Investisseurs)
- Payout ratio: ~6
- 0% (consistent policy) (BNP Paribas Investisseurs)
- Dividend yield at current price €76.78: ~6.2% (≈4.79/76.78)
- Share buybacks ongoing – strengthens shareholder return potential.

Risk Analysis

- **Interest-rate/margin risk**: A cut in rates could reduce net interest income and compress ROE.
- **Credit risk**: Economic slowdown or regional exposures may increase loan losses — though NPLs currently low.
- **Regulatory/capital risk**: Changes in regulation (Basel IV etc) may increase RWAs and reduce returns.
- **Litigation/reputational risk**: The recent U.S. Sudan jury verdict is a reminder that legal outcomes may be material. (Reuters)
- **Macro/Geopolitical risk**: Europe growth remains weak, banking sector under pressure; markets may discount overly optimistic assumptions.

Investment Thesis

BNP Paribas stands out as an attractive European bank given its strong capital base, diversified business mix, and relatively low current valuation. The mismatch between its profitability (13% ROE, good cost efficiency) and its low valuation (0.65× BV) suggests the market is overly cautious. If execution on growth (especially in fees and cost discipline) holds and regulatory/capital headwinds remain manageable, the shares could rerate substantially. Even under conservative assumptions, upside remains material.

Final Evaluation

BNP Paribas stands out as one of the most fundamentally solid yet undervalued financial institutions in Europe. The results of our comprehensive valuation analysis—using both the **Residual Income Model** and **comparative multiples**—indicate a significant disconnect between the bank's intrinsic worth and its market price.

As of **November 2025**, BNP Paribas trades at **€73.65 per share**, which equates to roughly **0.65× book value** and a **P/E ratio around 7×**. These metrics suggest that the market continues to price in a high degree of macro-economic caution and litigation risk, while largely overlooking the group's earnings resilience, capital adequacy, and sustainable dividend profile.

Our **base-case valuation** produces a fair value range between **€90 and €100 per share**, implying an **upside potential of approximately 20 to 35 %**. Even under more conservative assumptions—higher cost of equity (10 %) and lower long-term growth (2 %)—BNP still appears undervalued by about 25–30 %. The residual income approach confirms that BNP Paribas consistently generates returns well above its cost of equity (ROE ≈ 13 % vs. COE ≈ 9 %), thereby creating tangible value for shareholders each year.

From a **strategic standpoint**, BNP Paribas benefits from:

- A **diversified business model** combining retail, corporate & institutional banking, and asset management, which cushions volatility.
- A **robust capital structure**, with a CET1 ratio of 13.9 %, comfortably exceeding regulatory requirements.
- **Operational efficiency**, reflected in a cost-to-income ratio near 61 %, one of the best among European peers.
- **High shareholder returns**, with a sustainable dividend yield of roughly 6 % and ongoing share-buyback programs.

Risks remain, notably the potential **compression of net-interest margins** if the ECB eases policy faster than expected, **regulatory tightening** under Basel IV, and **litigation exposure** (e.g., the ongoing Sudan-related case). However, BNP's strong provisioning, diversified earnings base, and capital buffers mitigate these concerns in our view.

From an **equity-market perspective**, we believe sentiment toward European banks remains overly conservative compared to fundamentals. A re-rating of BNP Paribas toward **0.9–1.0× book value** would align its valuation with peers such as Santander or UBS and translate into a share price in the **€95–105** range even without growth acceleration. Incorporating moderate growth and ROE improvement, our target band of **€90-100** is well-justified.

In summary, BNP Paribas offers a compelling **value-plus-income** proposition: strong profitability, disciplined risk management, and generous capital returns at a deep valuation discount. For long-term investors and institutional portfolios, the current market mispricing provides an attractive entry point.

Final Recommendation: BUY

Target Price (12–18 months): €90 – €100
Upside Potential: +30 % (approx.)
Risk Level: Moderate (macro and litigation-dependent)
Investment Horizon: 12–24 months

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