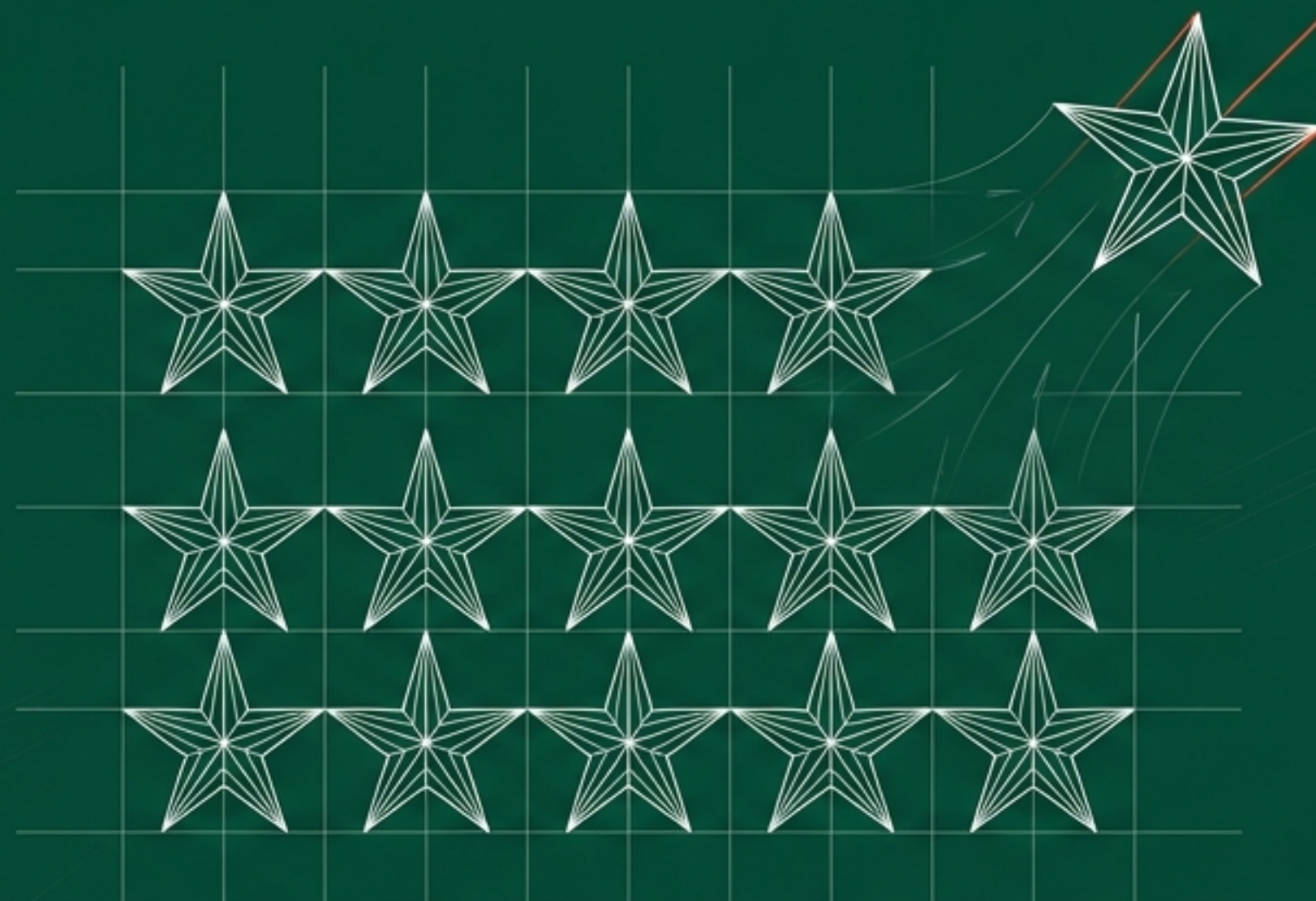




MISPRICED QUALITY

The BNP Paribas Dislocation

Structural Transformation in a Fragmented European Market

[Current Date]

Executive Summary



THE CHALLENGE

European banking is structurally flawed: overcapacity (4,834 institutions), regulatory fragmentation, and lack of a true banking union trap capital.

€225bn capital trapped sector-wide



THE TRANSFORMATION

BNP has decoupled from the sector malaise. Transformed from a utility to a compounder via the 'GTS 2025' plan.

**2025 ROTE: 11.6% |
Net Income: €12.2bn**



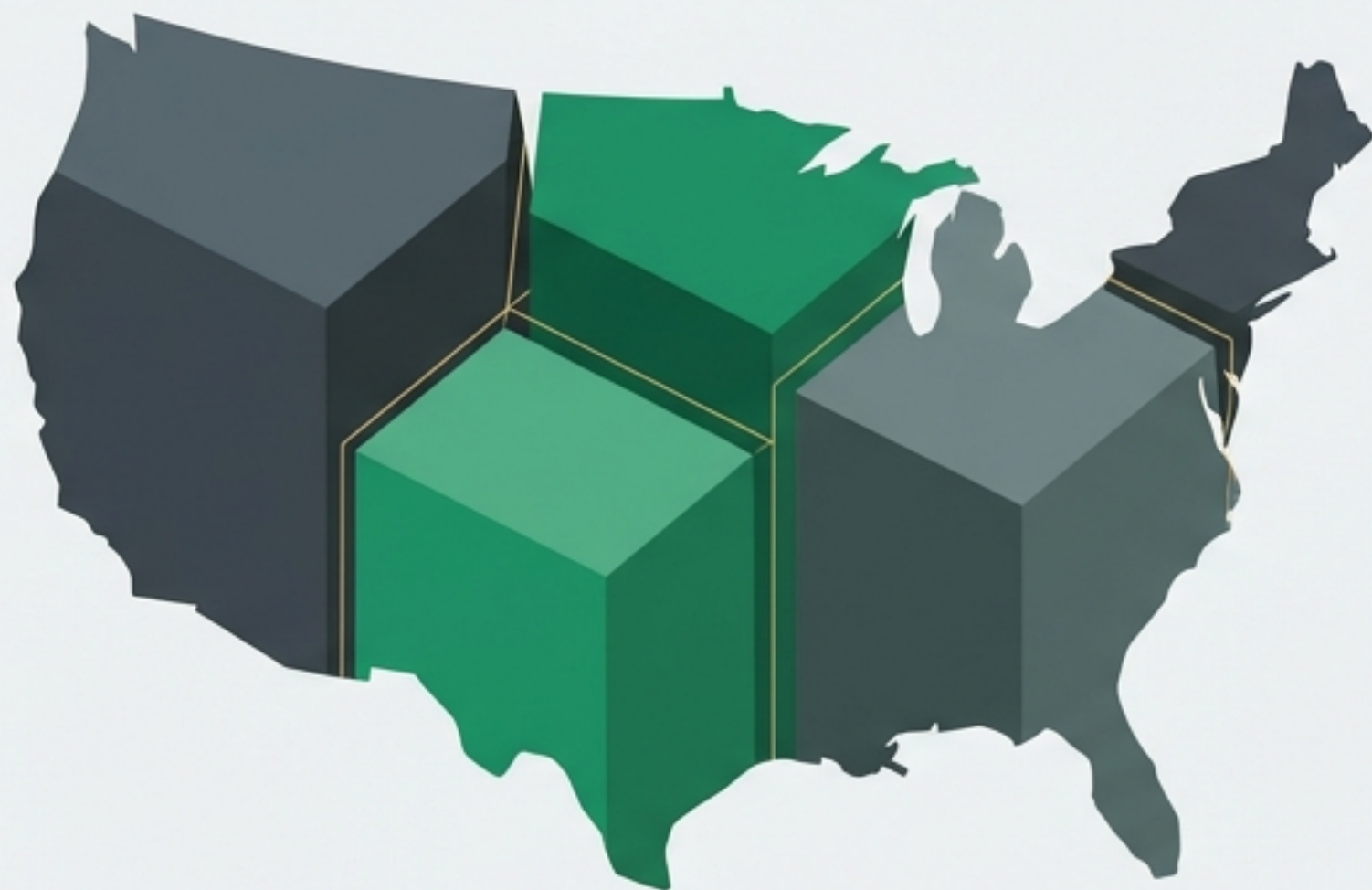
THE OPPORTUNITY

Despite pristine credit quality (1.6% NPL), the market prices BNP as a value trap, implying a catastrophic 16.7% Cost of Equity.

**Trading at ~0.6x
Tangible Book Value
| >8% Yield**

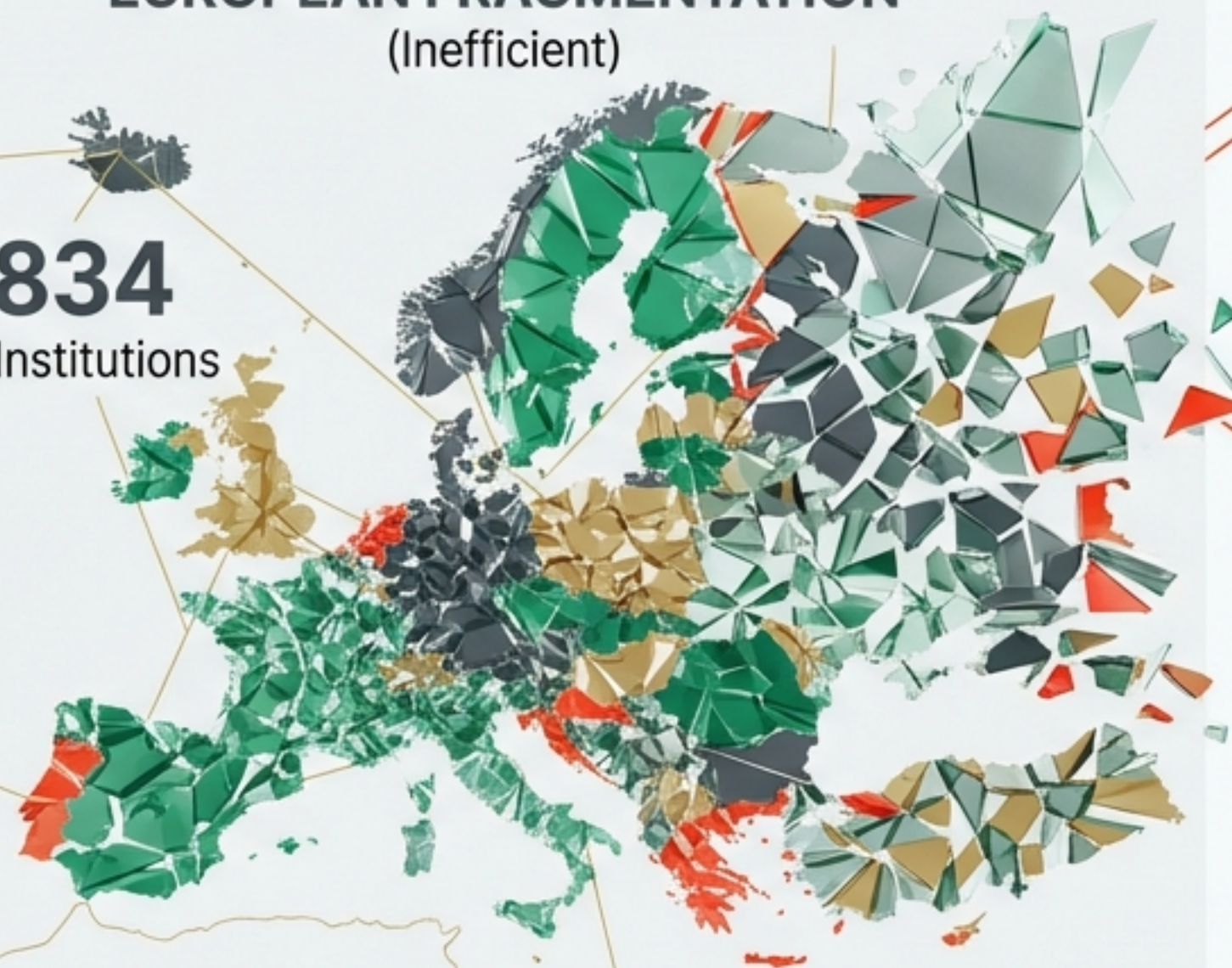
The European Ceiling: Structural Drag on Returns

US OLIGOPOLY
(Concentrated)



EUROPEAN FRAGMENTATION
(Inefficient)

4,834
Credit Institutions



Fragmentation:
Lack of consolidation
prevents pricing power.

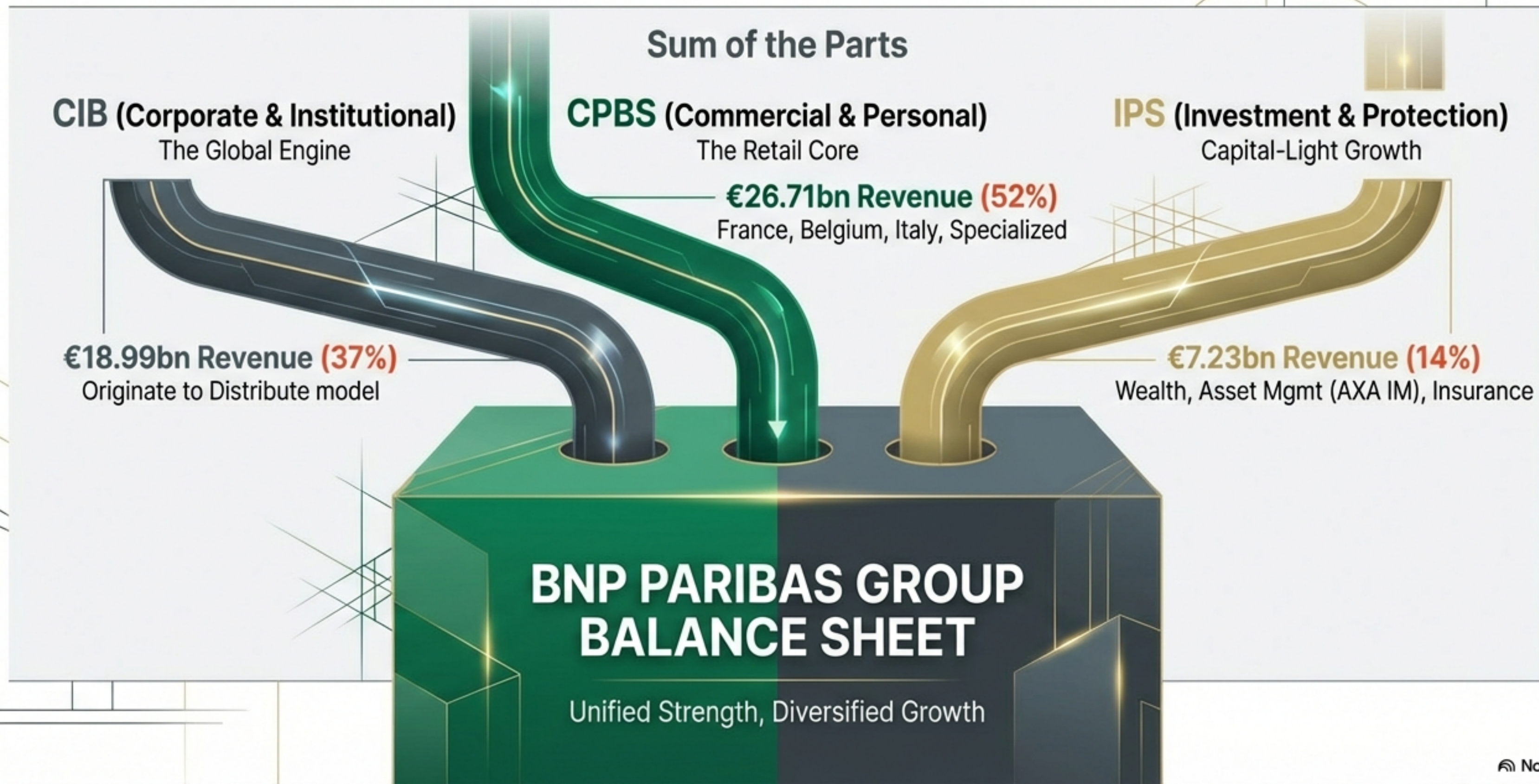


Regulatory Friction:
Basel IV 'Output Floor' limits
internal models to 72.5%.



Capital Traps:
National ring-fencing prevents
pan-European scale.

The Universal Model: Three Engines, One Balance Sheet



Scale as a Defense: The Technology Moat

\$34bn
2024 Tech Spend



Global Leaders
(Top 12 Banks including BNP)

The Scale Advantage

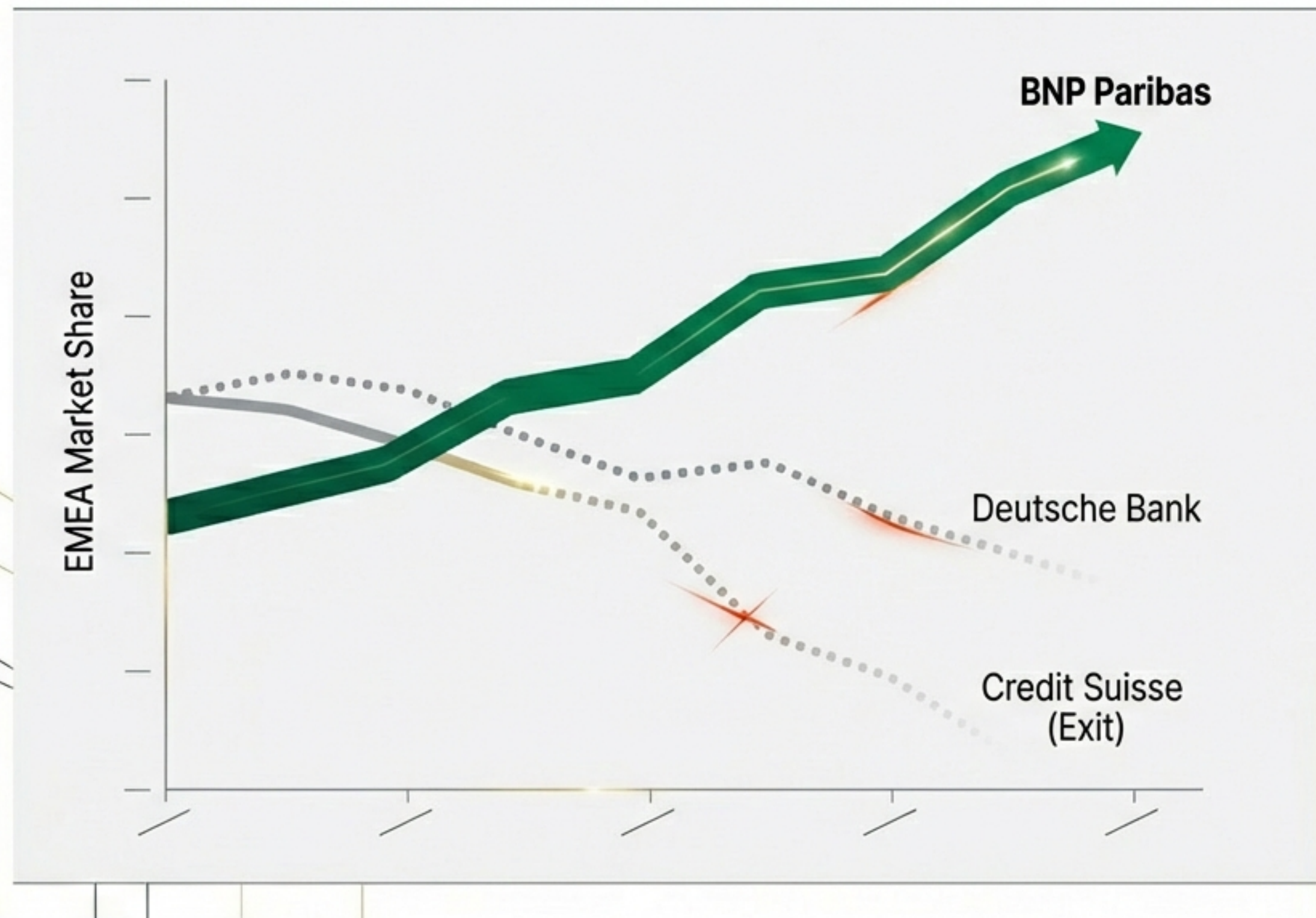
- 800 AI use cases in production (2024)
- Targeting €750m in value creation by 2026
- **Network Effects:** Presence in 60+ countries creates high switching costs for treasurers.

Sub-scale
Spend



Regional European Players

Winning the War of Attrition in CIB



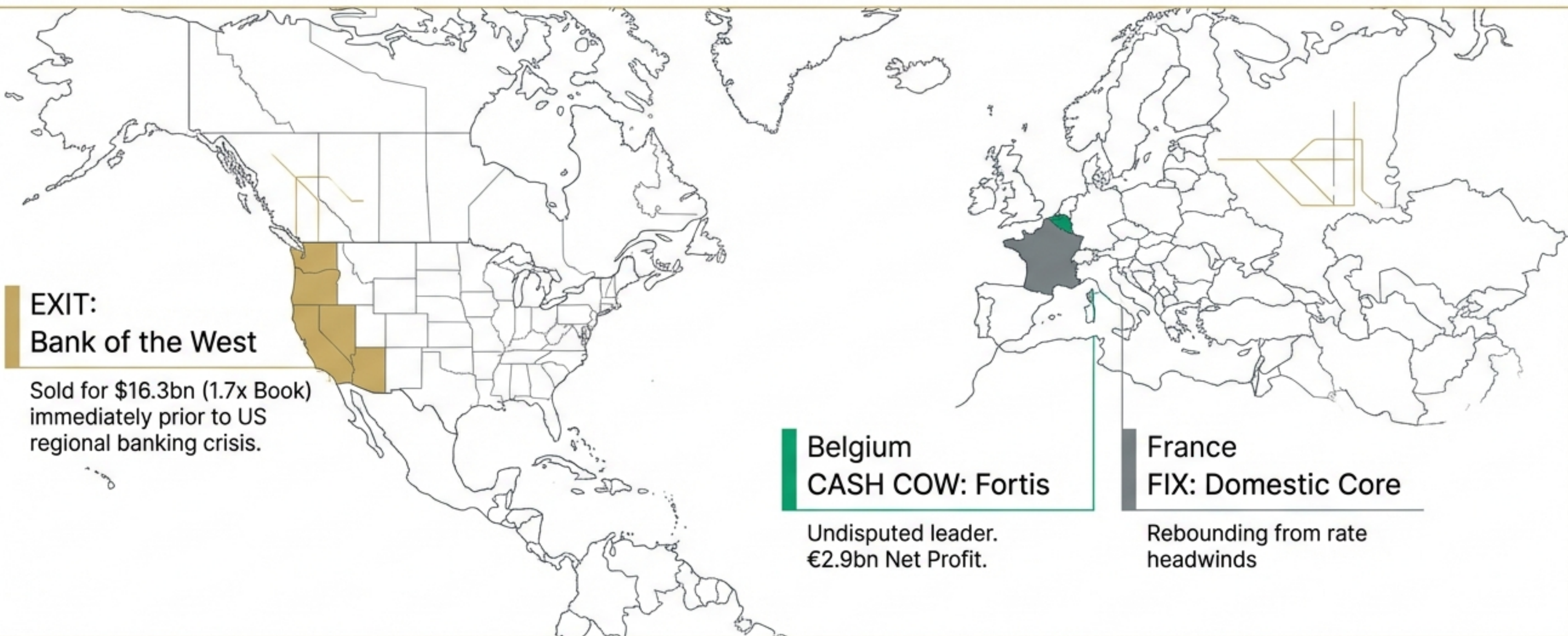
The “Last Man Standing” Strategy:
While peers retreated, BNP **doubled** down to become the **primary alternative** to US banks in Europe.

#1 Global Banking Platform in EMEA

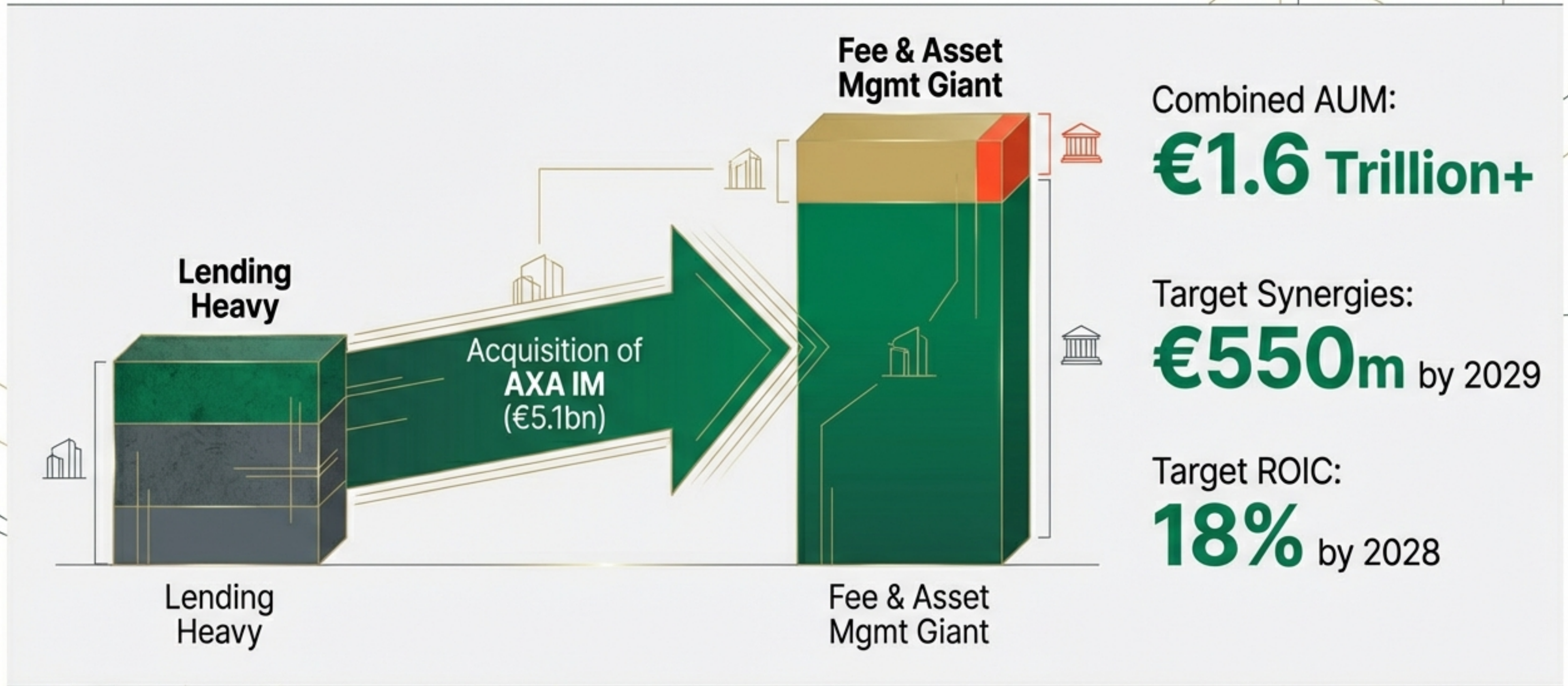
#1 EMEA Syndicated Loans

“ The friction involved for a corporate treasurer to untangle global cash pooling creates massive switching costs.

Ruthless Rationalization: The 'Keep vs. Cut' Strategy

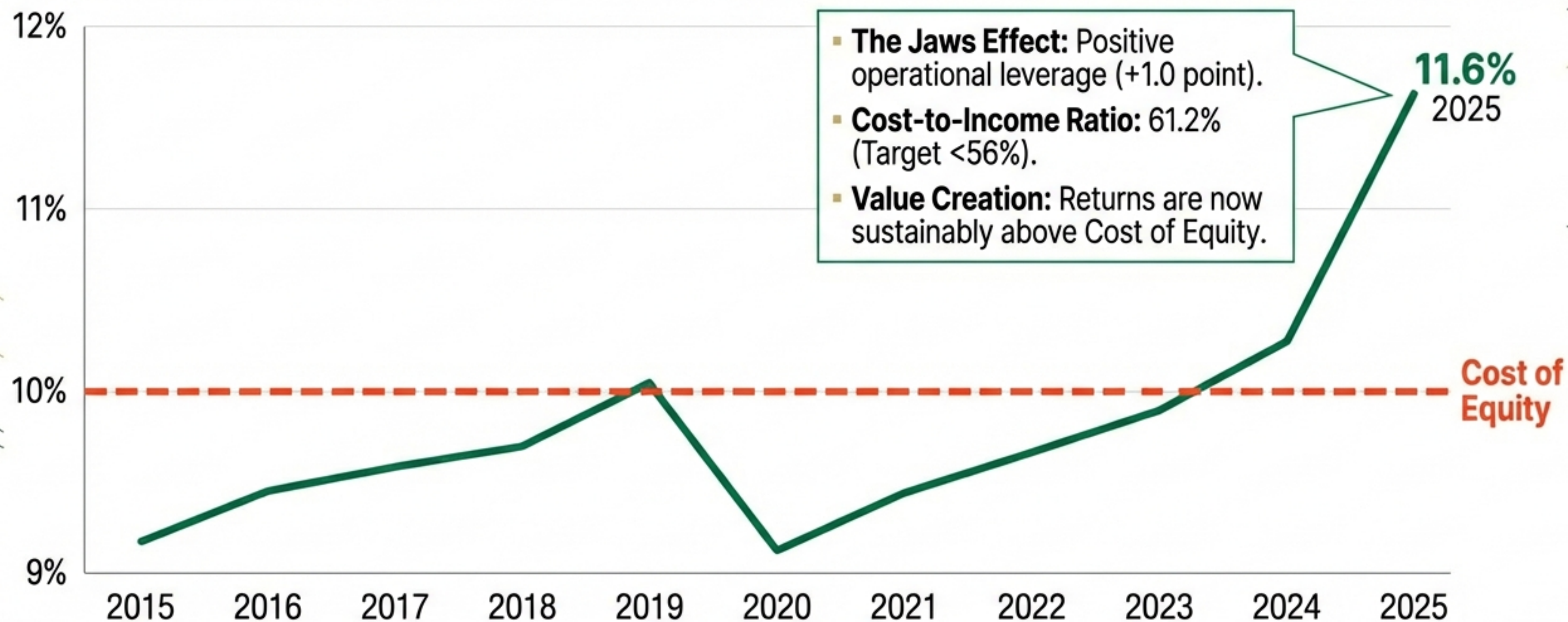


Escaping the Capital Trap: The Fee Pivot



Strategic Shift: Moving revenue mix toward durable, recurring fees that do not attract Basel IV capital penalties.

Financial Trajectory: Breaking the 10% Barrier

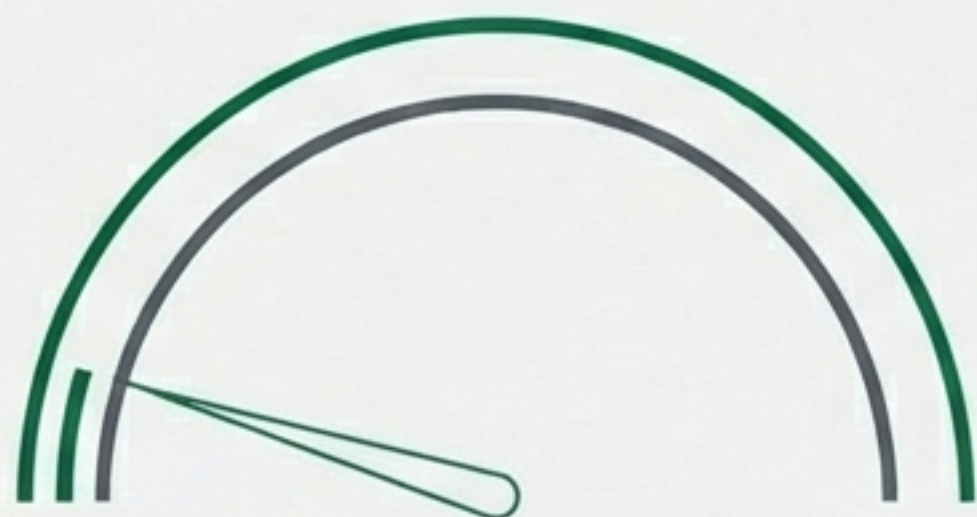


Fortress Balance Sheet: Conservative by Design



Cost of Risk
34 bps (Stable)

Well below 40bps
through-the-cycle cap.



Asset Quality (NPL)
1.6% NPL Ratio

Pristine credit quality.

Diversification & Capital

- **No single sector** >4% of total exposure.
- Limited US Commercial Real Estate exposure.
- **CET1 Ratio:** 12.6% (vs 10.42% Requirement).

The Shareholder Return Engine

2025 Capital Distribution

€12.2bn Net Earnings



50% Cash Dividend (€5.16/share)



10% Share Buybacks (€1.15bn)

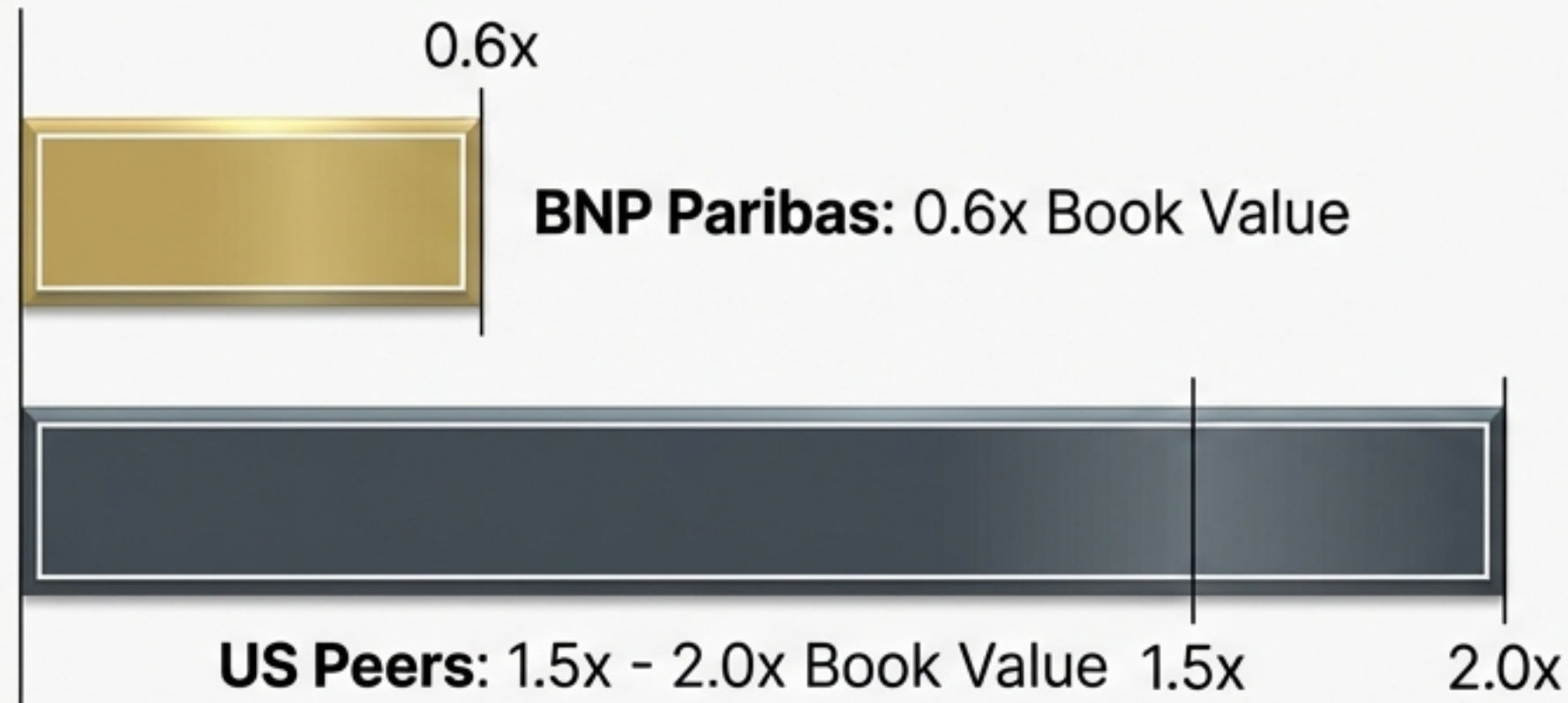


Retained for Growth

■ **Policy Shift:** Post-2027, **ALL** excess capital above 13% CET1 is automatically redistributed to shareholders.

■ **Result:** >8% Dividend Yield pays investors to wait.

The Great Dislocation: Valuation vs. Reality



$$P/TBV = \frac{ROTE - g}{CoE - g}$$

Input: 11.6% ROTE

Growth (g): 2%

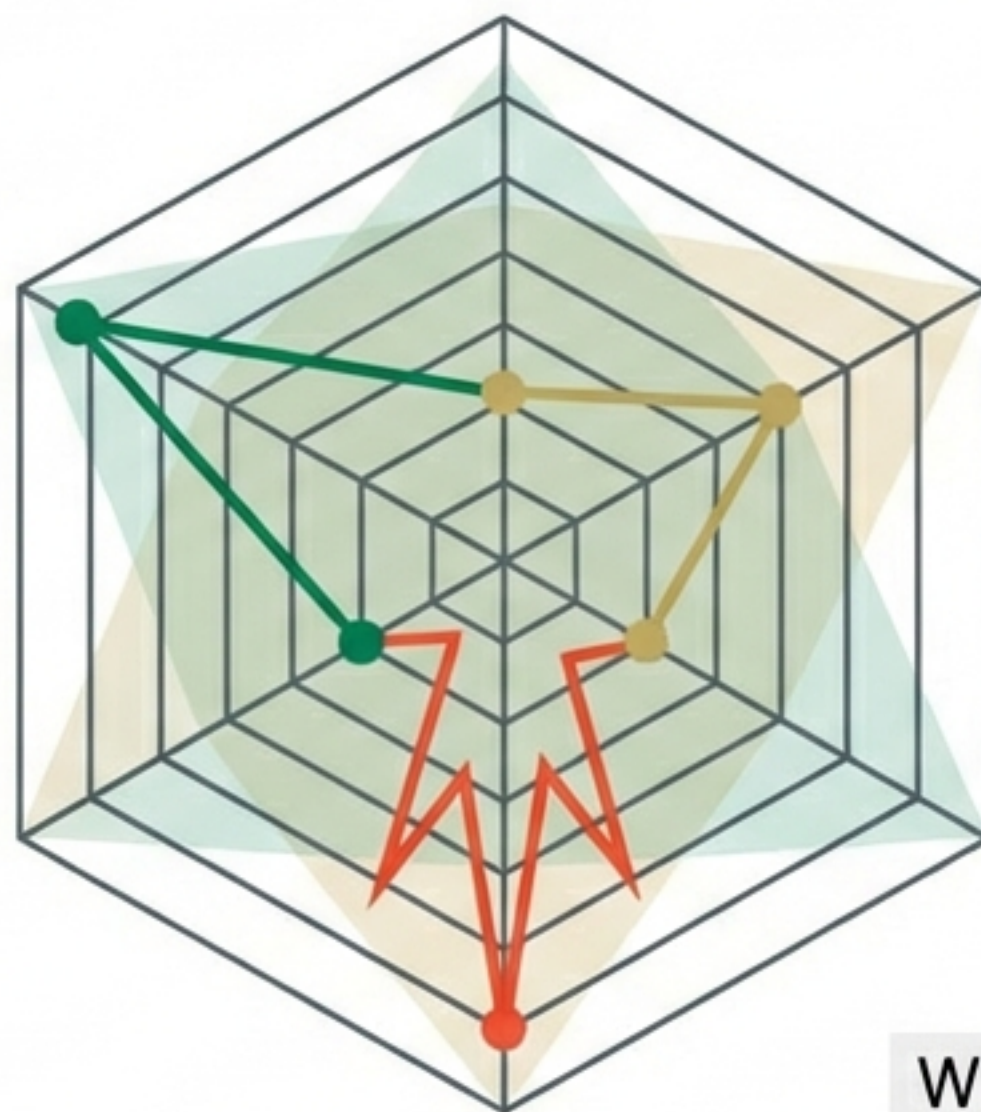
Result: Implied Cost of Equity = 16.7%

The market predicts a violent collapse. At 0.6x TBV, the price implies a catastrophic 16.7% Cost of Equity, ignoring the structural ROTE improvement.

The Bear Case: What Could Go Wrong?

Regulatory Inflation (Basel IV)

RWA Inflation
through 2032.



Macro Stagnation

NIM compression
from rate cuts.

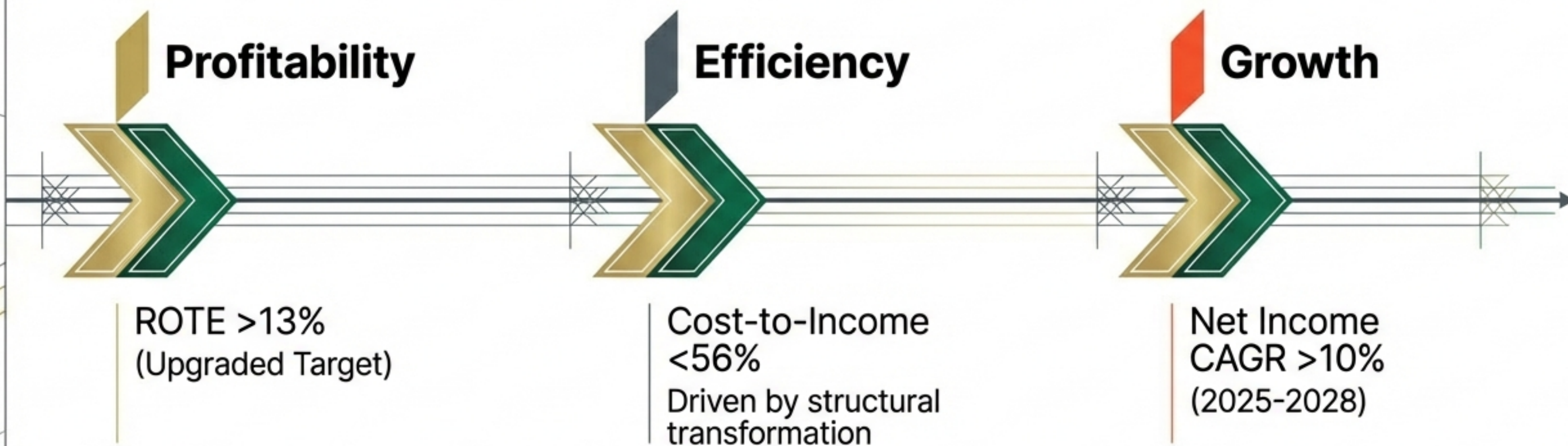
Political Volatility

Windfall taxes &
lack of Banking
Union.

Mitigation: Organic capital generation of 30bps/quarter and IPS fee growth offset these headwinds.

The Path Forward: 2028 Ambition

From Value Trap to Growth Story



Final Verdict: The Best House in a Bad Neighborhood



GOOD BUSINESS
(11.6% ROTE)

+



BAD SECTOR
(Structural Issues)

+



GREAT PRICE
(0.6x Book)

=

BUY

You don't need the neighborhood to be fixed. You just need the house to keep standing.
At this price, mediocrity is priced in, but excellence is being delivered.