

ARETE CAPITAL VIEW

- High quality and systemically important French Banking giant. BNP's superior fundamentals and management has allowed it to handle Eurozone turmoil better than other European competitors.
- While shares have increased in the past 12 months, they are still trading at levels pre and post the Financial Crisis, despite a much more stabilized outlook for Europe and renewed hope for France (Macron).

OPPORTUNITIES

- BNP establish an initial position in the highest quality French bank
 - Well positioned to benefit from gradual recovery in the French Economy
 - Beneficiary of rezoning banking operations in Eurozone
 - French large cap equities have been stubbornly slow to rise despite Macron victory in Assembly
 - Don't lose patience, France is a recovery play on the Eurozone economy
- Net interest margin business (loans vs. deposits) should benefit from eventual reduction of stimulus and return of yield curve steepness in Europe
- 4% level gross dividend yield, though 30% withholding
- Continue to build position in this key European banking franchise

RISKS

- Overall Eurozone reflation takes longer to materialize
- Locally in France, current optimism and reform potential loses momentum or gets sidelined with labor/other disputes
- Return on invested capital needs to improve, to exceed weighted average cost of capital
- Future changes in monetary policy may not be as favorable to BNPs bread and butter businesses

BUSINESS SUMMARY

BNP Paribas is a France-based company engaged in the financial industry. The Company provides banking and financial services. The Company operates in two divisions: Retail Banking and Services, and Corporate and Institutional Banking (CIB). The Retail Banking and Services division includes retail banking networks and specialized financial services in France and abroad. It is divided into Domestic Markets and International Financial Services. Domestic Markets include French, Italian, Belgian, Luxembourg Retail Banking and BNL banca commercial. Its International Financial Services include Europe-Mediterranean, BancWest, Personal Finance, Insurance. CIB includes Corporate Banking, Global Markets and Securities Service.

FINANCIAL SUMMARY

For the six months ended 30 June 2017, BNP Paribas interest income increased 2% to EUR20.63B. Net interest income after loan loss provision decreased 3% to EUR9.44B. Net income applicable to common stockholders decreased 4% to EUR4.11B. Net interest income after loan loss provision reflects Cash Flow Hedge Instruments decrease of 38% to EUR1.12B. Interest Rate Portfolio Hedge decrease of 14% to EUR1.59B.

5 YEAR CHART



RATIOS

Dividend Yield	4.31
P/E (Trailing)	11x
P/E Forward Est.	10x
Annual free cash flow	24.2 billion EUR

INCOME STATEMENT

Billion (USD)

	2012	2013	2014	2015	2016
Net Income Before Taxes	10,379,000,000	8,101,000,000	3,149,000,000	10,379,000,000	11,210,000,000
Net Income After Taxes	7,318,000,000	5,421,000,000	507,000,000	7,044,000,000	8,115,000,000
Net Income Before Extra. Items	6,564,000,000	4,818,000,000	157,000,000	6,694,000,000	7,702,000,000

PROFITABILITY ANALYSIS

	2012	2013	2014	2015	2016	Latest
ROE Tot Equity, %	--	--	--	--	--	--
ROA Tot Assets, %	0.38	0.29	0.03	0.35	0.40	0.37 *
Income Aft Tax Margin, %	9.31	7.43	0.67	8.42	9.98	8.90 *
Revenue/Tot Assets	--	--	--	--	--	--
Long Term Debt/Equity, %	67.12	68.51	81.73	68.36	64.68	79.05 **
Total Debt/Equity, %	106.97	96.50	104.34	91.83	83.27	92.01 **