FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms BNP Paribas' Long-Term IDR at 'A+'; Stable Outlook

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Fitch Ratings - Paris - 04 Jun 2025: Fitch Ratings has affirmed BNP Paribas SA's (BNPP) Long-Term Issuer Default Rating (IDR) at 'A+' and Viability Rating (VR) at 'a+'. Fitch has also affirmed BNP Paribas Fortis SA/NV's (BNPP Fortis) Long-Term IDR at 'A+' and VR at 'a+', and BGL BNP Paribas S.A. (BGL BNPP)'s Long-Term IDR at 'A+'. The Outlooks on the Long-Term IDRs are Stable. A full list of rating actions is below.

KEY RATING DRIVERS

Stable, Diversified Business Model: BNPP's ratings are underpinned by its stable and diversified business profile. The latter translates into moderate but resilient profitability, which mitigates the bank's somewhat weaker capitalisation and asset quality than similarly rated global trading and universal banks (GTUBs) and large French peers. No individual business line has contributed more than 20% of pre-tax profit on average over the past few years.

Capital market activities contribute 15%-20% to group revenue, which is more than most large French banks', but less than most GTUBs'. Earnings volatility from these activities is manageable in light of BNPP's revenue diversification. The VR is one notch above the implied VR of 'a' as the strong diversification of the business profile supports the resilience of financial metrics.

Leading European Franchise: BNPP has a leading European presence in commercial and retail banking. It has large consumer-finance, wealth-management and insurance operations. The bank has gradually diversified its leading European investment banking franchise and its wealth- and asset-management businesses through organic growth and acquisitions. This increases its diversification toward non-interest and non-domestic revenue. Less than 13% of the bank's revenue came from French commercial and retail banking in 2024 and 1Q25.

Robust Risk Profile: BNPP's business diversification and robust centralised risk controls underpin its moderate risk profile. The bank's tightened underwriting standards in more vulnerable asset classes and geographies and focus on lower-risk jurisdictions have improved asset quality. Its sizeable corporate and institutional banking activities are exposed to market risk, but we believe this is well controlled.

Resilient Asset Quality: Fitch expects BNPP's asset quality to be resilient to the challenging environment in France and globally, due to its conservative underwriting standards and diversified exposure. France-based counterparties account for about a quarter of the bank's total credit exposures, which is moderate compared with other large French banks. We expect its impaired loans ratio to remain close to 3%, which is higher than those of most GTUBs and large French peers, but reasonable in light of BNPP's improved profitability.

Large, Expanding Revenue Base: BNPP's revenue base is more diverse than most European banks' and has been resilient to economic shocks. Pressure on net interest margins, notably in French retail banking, weighs on earnings, leading to lower profitability metrics than at most large European banks. However, the group's operating profit/risk-weighted assets (RWAs) ratio rebounded to 2.1% in 2024 and 2.2% in 1Q25 (2023: 1.7%), supported by continued strong performance in corporate and institutional banking amid very supportive markets.

We expect the ratio to remain close to 2.2%, as BNPP should benefit from a steeper interest rate curve. The bank continues to diversify its revenue towards more capital-light businesses, especially wealth and asset management and insurance, through organic growth and acquisitions, thus reducing its sensitivity to interest rates.

Adequate Capitalisation: After a gradual rise until 2021, and a boost in 2023 driven by the sale of Bank of the West, its US subsidiary, BNPP's common equity Tier 1 (CET1) ratio has declined since 2024 as excess capital from the sale was used for acquisitions and organic growth. The CET1 ratio is lower than most GTUBs' and large French peers', but buffers over regulatory requirements are satisfactory, given BNPP's above-average business diversification, improved earnings, solid capital management capabilities and high financial flexibility. We expect the ratio to remain moderately above the bank's 12.3% guidance, excluding the fundamental review of the trading book.

Diversified Funding, Sound Liquidity: BNPP's European retail and commercial deposit franchise benefits its diversified funding profile. Its sound loans/deposits ratio of less than 90% is at the higher end of the GTUBs peer group's but materially lower than large French peers'. Wholesale funding is diversified by product, currency and maturity, with access to a large investor base. Liquidity reserves more than cover short-term financing needs, including net interbank and repo borrowings and medium- to long-term debt due within the next 12 months.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of France's sovereign rating to 'A+', from 'AA-'/Negative, would not necessarily trigger a downgrade of BNPP's ratings. However, the bank's ratings would come under pressure in case of a downgrade of the sovereign rating associated with a deterioration of the country's macroeconomic fundamentals that could affect the bank's future performance and credit quality. Moreover, a downgrade of the Operating Environment (OE) score for French banks to 'a+', from 'aa-', would leave limited headroom at the bank's VR level.

Even in the absence of additional pressure on the sovereign rating and BNPP's OE score, we could downgrade the bank's ratings if we expect its operating profit to fall durably below 2% of RWAs, especially if this signals higher earnings volatility; its impaired loan ratio to rise materially and sustainably above 3%; or if we believe the bank's flexibility to maintain a CET1 ratio durably in line with its 12.3% guidance is diminished.

A downgrade of France's Long-Term IDR by more than one notch would result in a downgrade of BNPP's ratings, because the group's ratings would then be capped at the level of the sovereign, all else equal.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is unlikely given the negative outlook on the OE score and France's Long-Term IDR. Over the medium term, if the OE outlook is revised to stable at the current level, BNPP's ratings could be upgraded if its CET1 ratio durably rises above its target and, at the same time, if its impaired loans ratio declines to below 2% and its operating profit/RWAs ratio improves toward 3%. BNPP's ratings are also constrained by the risks inherent in running a complex banking group with material trading activities and potential exposure to litigation risks.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

BNPP's 'F1' Short-Term IDR is the lower option that maps to an 'A+' Long-Term IDR, reflecting our 'a+' assessment for funding and liquidity.

BNPP's Derivative Counterparty Rating (DCR) and long-term senior preferred (SP) debt and deposit ratings are one notch above the Long-Term IDR, to reflect the protection accruing from BNPP's large buffers of senior non-preferred (SNP) and subordinated debt of 14.5% of RWAs at end-1Q25 and expects to sustainably exceed 10%. For the same reason, BNPP's long-term SNP debt rating is aligned with its Long-Term IDR. We expect that BNPP will continue to issue large amounts of SNP and subordinated debt to cover its minimum requirements for total loss-absorbing capacity (TLAC) and for own funds and eligible liabilities (MREL).

Its short-term deposit and SP debt ratings of 'F1+' are the only option corresponding to the respective 'AA-' long term ratings. BNPP's subordinated Tier 2 debt is rated two notches below the VR to reflect higher loss severity, as we expect poor recoveries for this type of debt in a default scenario.

The Basel III-compliant additional Tier 1 (AT1) notes are rated four notches below the group's VR: two notches for loss severity, to reflect their deeply subordinated status and the fact that they can be written down well ahead of resolution; and two notches for non-performance risk, due to their fully discretionary coupon omission. The four notches also reflect our expectation that BNPP will continue operating with capital buffers comfortably above coupon-omission points. The distance to maximum distributable amount restrictions is comfortable, with a capital buffer of EUR14 billion over its minimum leverage ratio requirement, which is the most constraining, at end-1Q25.

BNPP's and BNPP Fortis' 'no support' Government Support Ratings (GSRs) reflect our view that senior creditors cannot expect to receive full extraordinary support from governments in the event that the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

A downgrade of our funding and liquidity assessment for BNPP to 'a-' or lower could result in the Short-Term IDR being downgraded to 'F2'.

BNPP's DCR, senior debt and deposit ratings are primarily sensitive to changes in BNPP's IDRs. In addition, we would downgrade the DCR, long-term senior debt and deposit ratings by a notch if the combined buffer of subordinated and SNP debt sustainably falls below 10% of RWAs, signalling material use of SP debt to comply with MREL.

If France was downgraded to 'A+', BNPP's SP debt and deposit ratings would be unaffected and be rated one notch above the sovereign. The large SNP and junior debt buffers provide sufficient protection to preferred creditors in case of severe stress on the sovereign rating or a resolution scenario, thus limiting the risk of default on these obligations.

The ratings of the Tier 2 and AT1 notes are primarily sensitive to a change in BNPP's VR. The ratings of the AT1 notes could also be downgraded if non-performance risk rises relative to the risk captured in the VR, for example, if capital buffers above mandatory coupon-omission triggers are eroded.

An upgrade of the GSR would require higher propensity by the French sovereign to support the bank, which is highly unlikely, in Fitch's view.

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

BNPP Fortis

Fitch assigns a group VR to BNPP and BNPP Fortis. This reflects our view that BNPP Fortis' credit profile cannot be disentangled from that of the group and that its failure risk is the same as the parent's. This is underpinned by BNPP Fortis' core role to the group's retail and commercial banking franchise and very high integration with BNPP's operations, management, risk controls, regulatory oversight and balance-sheet fungibility. Consequently, the IDRs of BNPP Fortis are equalised with those of BNPP.

BNPP Fortis' DCR, long-term SP debt and deposit ratings are one notch above the bank's Long-Term IDR. This reflects the protection that accrues from BNPP's SNP and junior debt buffers, which are in part downstreamed to BNPP Fortis.

BNP Paribas Fortis Funding's debt issued under the euro medium-term note programme it shares with its parent BNPP Fortis is unconditionally and irrevocably guaranteed by BNPP Fortis. Its senior debt ratings are, therefore, aligned with those of BNPP Fortis.

Fitch rates BNPP Fortis' CASHES notes under its Insurance Rating Criteria. This is because the notes' cash coupon is linked to the declaration of a dividend by ageas SA/NV (Long-Term

IDR A+/Stable) and, in case a dividend is not declared, the coupons will be settled with non-cash, through the issuance of new ageas shares using the alternative coupon satisfaction method (ACSM). BNPP Fortis and ageas are the contractual co-obligors for the CASHES notes.

However, BNPP Fortis' ratings do not affect the rating of the notes. The notes are rated four notches below ageas's Long-Term IDR to reflect poor recovery prospects due to their deeply subordinated nature (two notches) and moderate non-performance risk (two notches). The rating of the notes is the same as that of hybrid instruments issued by Ageasfinlux S.A. (XS0147484074 and XS0147484314), with similar terms and an ACSM feature, and whose co-obligor is also ageas.

BGL BNP Paribas

The IDRs of BGL BNPP are also equalised with those of BNPP, its ultimate parent. The Shareholder Support Rating (SSR) of 'a+' reflects an extremely high probability of extraordinary support from BNPP, if needed. We believe a default of BGL BNPP, one of the leading commercial banks in Luxembourg, would severely damage BNPP's reputation. BGL BNPP operates in the eurozone and is a material and highly integrated foreign subsidiary for BNPP. As a result, we do not expect regulatory restrictions on flows from the parent to support its subsidiary. BNPP has sufficient resources to ensure BGL BNPP's viability by recapitalising it to a level acceptable to regulators on a timely basis, given the latter's relatively small size.

BGL BNPP's DCR and its long-term SP debt and deposit ratings are one notch above its Long-Term IDR. This reflects Fitch's opinion that resolution debt buffers raised by BNPP provide BGL BNPP's preferred creditors with additional protection in the event of a resolution.

BNP Paribas Issuance B.V.

BNP Paribas Issuance B.V.'s SP notes guaranteed by BNPP are rated in line with BNPP's SP debt. This reflects the unconditional, irrevocable and timely nature of BNPP's guarantee, and Fitch's view that the notes are additionally protected by BNPP's SNP and junior debt buffers.

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

BNPP Fortis' ratings would move in tandem with those of BNPP, unless Fitch ceases to view the former as a core bank within the group.

BNPP Fortis Funding's senior unsecured debt ratings are sensitive to changes in BNPP Fortis's senior unsecured debt ratings.

The rating of BNPP Fortis' CASHES notes is primarily sensitive to changes in ageas's Long-Term IDR. It is also sensitive to Fitch's positive reassessment of the notes' non-performance risk relative to the risk captured by ageas's Long-Term IDR.

BGL BNPP's ratings could be downgraded if Fitch perceives a decrease in the subsidiary's strategic importance for BNPP, or if BNPP's Long-Term IDR is downgraded. An upgrade of BGL BNPP's ratings would require an upgrade of BNPP's ratings.

The DCRs, deposit ratings and senior unsecured debt ratings of BNPP Fortis and BGL BNPP could be downgraded if f Fitch believes that these subsidiaries' external senior creditors would no longer benefit from the protection of the resolution debt buffers in the event of a group failure. This could result from adverse changes in resolution legislation or the resolution strategy of the group, neither of which we expect.

BNP Paribas Issuance B.V.'s guaranteed SP notes are subject to the same rating sensitivities as BNPP's own SP debt.

VR ADJUSTMENTS

BNPP's VR is one notch above its implied VR as its highly diversified business profile supports the resilience of its financial metrics.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more

information on Fitch's ESG Relevance Scores, visit
https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
BNP Paribas Fortis SA/NV	LT IDR	A+	Affirmed	A+
	ST IDR	F1	Affirmed	F1
	Viability	a+	Affirmed	a+
	DCR	AA-(dcr)	Affirmed	AA-(dcr)
	Government Support	ns	Affirmed	ns
subordinated	LT	BBB	Affirmed	BBB
long-term deposits	LT	AA-	Affirmed	AA-
Senior preferred	LT	AA-	Affirmed	AA-
short-term deposits	ST	F1+	Affirmed	F1+
Senior preferred	ST	F1+	Affirmed	F1+

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

Insurance Rating Criteria (pub. 04 Mar 2024) (including rating assumption sensitivity)

Bank Rating Criteria (pub. 21 Mar 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

BGL BNP Paribas S.A.	EU Issued, UK Endorsed
BNP Paribas Fortis Funding	EU Issued, UK Endorsed
BNP Paribas Fortis SA/NV	EU Issued, UK Endorsed
BNP Paribas Issuance B.V.	EU Issued, UK Endorsed

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