

BNP to start paying back state funds early

Print

By Patrick Jenkins and Scheherazade Daneshkhu in Paris

Published: September 22 2009 22:43 | Last updated: September 22 2009 22:43



BNP Paribas, France's biggest bank, is set to launch an early repayment of government bail-out money within months.

Baudouin Prot, chief executive, told the Financial Times that he was keen to begin paying off €5.1bn (\$7.6bn) of hybrid capital placed with the government over the past 12 months before its terms become more punitive next summer.

"The French [government] capital is not cheap. There is no real incentive to repay before June 2010," Mr Prot said. "But after that window it becomes more expensive. We certainly want to start repaying earlier than [that]."

BNP – which alongside **Société Générale** accepted two tranches of government capital, while France's third big bank, **Crédit Agricole**, took only one – would join a select band of banks worldwide to repay government money received at the height of the crisis.

Last month **the Swiss government sold its 9 per cent equity stake in UBS** at a profit.

In June, US banks including **Goldman Sachs**, **JPMorgan** and **Morgan Stanley**, paid off a combined \$68bn of funds taken from the government's troubled asset relief programme.

The French government capital is repayable at 100 per cent of its face value until June next year, but then the principal jumps to 103 per cent, 105 per cent and 110 per cent over the following months, providing an incentive not to hold the capital for the full five-year term.

But Paris has expressed an aversion to accepting early payback.

It did not comment on Tuesday. However, when asked last month whether the banks should repay the money borrowed from the government before dishing out bonuses, Christine Lagarde, finance minister, said: "Certainly not."

She went on to say: "The fact that we have reinforced the banks' capital allows us to ask them to intensify their efforts at financing the French economy ... We must keep this lever."

In a separate interview, Michel Pébereau, BNP's chairman, said he was confident that the French initiative to restrict investment banker bonuses would be adopted by this week's **G20 meeting in Pittsburgh**.

"We can't do anything other than accept what G20 decides."

Copyright The Financial Times Limited 2009. Print a single copy of this article for personal use. [Contact us](#) if you wish to print more to distribute to others.