



**BNP PARIBAS**  
PUBLIC SECTOR SCF

# BNP Paribas Public Sector SCF

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Security ▪ Transparency ▪ Simplicity

*Investor Presentation*

March 2009

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## **Introduction**

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# Introduction

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- BNP Paribas Group
  - A leading European banking group
  - A solid and profitable financial structure with well-diversified business model
  - A conservative financial profile supported by strong senior unsecured debt ratings of AA (negative) / Aa1 (negative) / AA (negative) by S&P, Moody's and Fitch respectively
- BNP Paribas Public Sector SCF
  - Licensed as a société de crédit foncier (SCF) under French law to issue obligations foncières
  - Fully owned and supported by BNP Paribas
  - Bankruptcy remote from BNP Paribas
  - Several structural enhancements providing investors with added security
  - €15 bn programme of obligations foncières to be rated AAA / Aaa / AAA with hard bullet maturities in various currencies
- Public Sector Cover Pool
  - Pure public sector assets originated by BNP Paribas Group
  - All assets transferred using true sale mechanism
  - Minimum 5% overcollateralisation maintained at all times
  - All cover pool assets are 0% risk weighting





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# BNP Paribas Group 2008: Key Figures

	> 2008	> 2007	> 2008/2007
● Revenues	€27,376 mn	€31,037 mn	-11.8%
● Operating expenses	-€18,400 mn	-€18,764 mn	-1.9%
● Gross operating income	€8,976 mn	€12,273 mn	-26.9%
● Cost of risk	-€5,752 mn	-€1,725 mn	x3.3
● Pre-tax income	€3,924 mn	€11,058 mn	-64.5%
● <b>Net income group share</b>	<b>€3,021 mn</b>	<b>€7,822 mn</b>	<b>-61.4%</b>
● <b>ROE after tax</b>	<b>6.6%</b>	<b>19.6%</b>	
● <b>Dividend *</b>	<b>€1.00</b>	<b>€3.35</b>	
● <b>Strong credit ratings provide competitive advantage</b>			

Moody's	<b>Aa1</b>	Negative Outlook	<b>Updated on 16 January 2009</b>
S&P	<b>AA</b>	Negative Outlook	<b>Updated on 28 January 2009</b>
Fitch	<b>AA</b>	Negative Outlook	<b>Updated on 03 February 2009</b>

> **€3 bn in net income despite an unprecedented deepening of the financial crisis since September**



# BNP Paribas Group

## BNP Paribas in the New Environment

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- The Group's structural strength
  - Diversified business mix rooted in retail banking (60% of revenues)
  - Geographic mix centered on Western Europe (75% of revenues, of which 59% in France and Italy)
  - Greater appeal and better positioning
  - Good cost control and reactive cost management
  - Attention paid to the risk/return ratio across the cycle
- The adjustment to the new environment already under way
  - Reduce risk-weighted assets, in particular in CIB
  - Reinforce the capital base by generating earnings and with the French economic stimulus plan
  - Take into account a higher cost of liquidity
  - Adjust costs to more volatile revenues



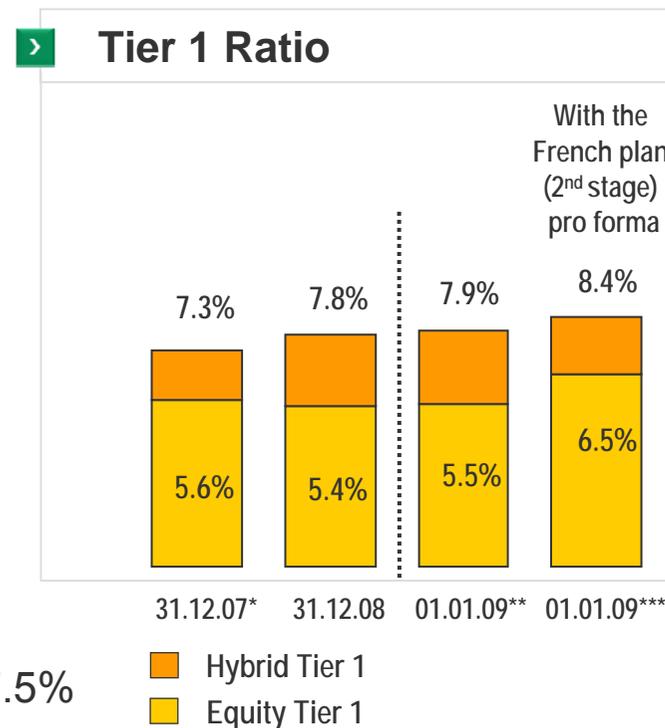
**BNP Paribas well positioned in the 2009 environment**



# BNP Paribas Group

## Strong capital position adapted to BNP Paribas risk profile

- Tier 1 Ratio at 7.8% as at 31 December 08
  - Adapted to BNP Paribas' risk profile
  - After a proposed dividend of €1
- Effect of the lowering of the floor: +10bp as at 01 January 2009
- Impact of the contribution to the second stage of the French economic stimulus plan: +50bp
  - Tier 1 Ratio at 8.4% pro forma
- 2009 targets
  - Increase equity by generating earnings
  - Reduce risk-weighted assets (+30bp)
- In the medium term, maintain a Tier 1 ratio above 7.5%



### Capital management adapted to the environment

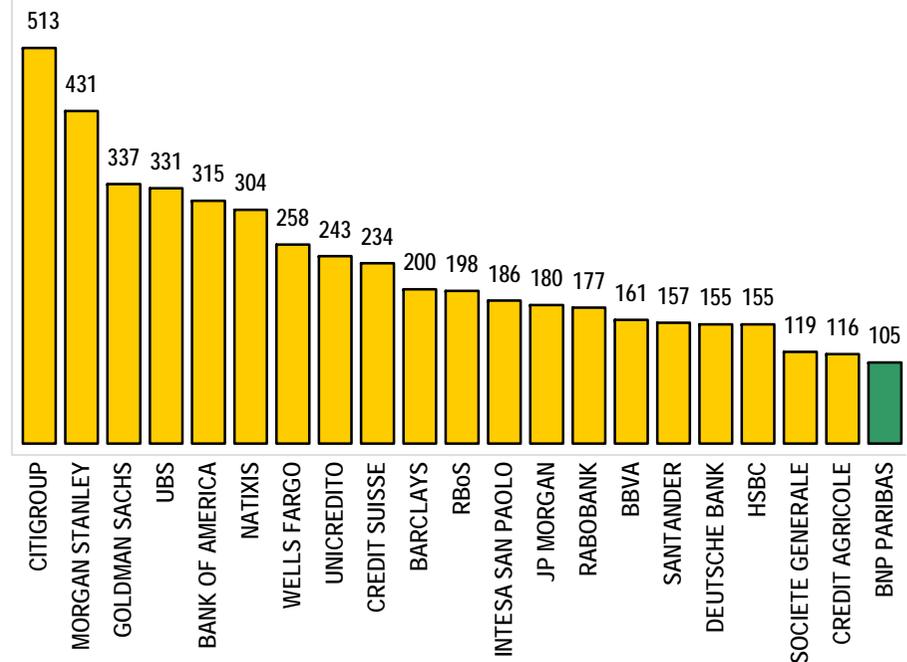
# BNP Paribas Group

## Access to liquidity is a competitive advantage

- The lowest CDS spread of the peer group
  - One of the 6 best rated banks by S&P
- Benchmark debt issues post Lehman
  - First senior debt issue: €1.5 bn with a 5-year maturity in December 2008
  - First covered bond issue: €1.5 bn with a 5-year maturity in January 2009
- 2009 medium and long term issue programme: €30 bn
  - €8.9 bn already completed or under way
- Increased cost of liquidity on the markets
  - Adapting the terms and the product offering

### > 5-year senior CDS spreads

*in bp as at 5 March 2009*



Source: **Bloomberg**



**A very proactive approach  
drawing on a major competitive advantage**





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# BNP Paribas Funding Strategy

## A conservative and diversified funding strategy

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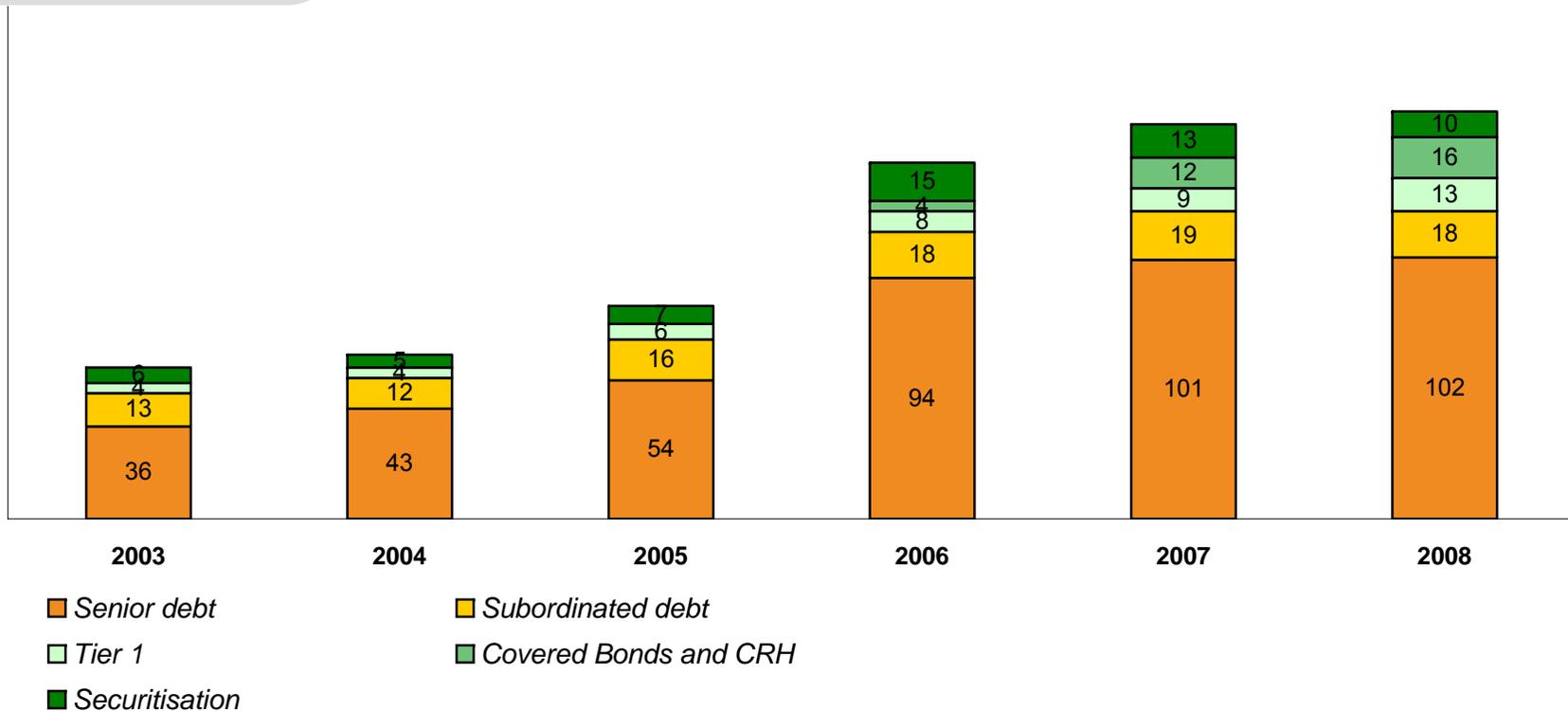
- BNP Paribas' funding strategy over the years has been driven by a variety of objectives
  - Diversifying funding sources
  - Expanding investor base
  - Developing new products to suit investor demand
  - Moving to new currency markets when available
- The Group has successfully diversified its funding profile, ensuring access to liquidity at an optimal cost of funding
- BNP Paribas has access to a variety of medium and long term funding sources
  - Diversified senior unsecured vanilla or structured debt products through private placements
  - Senior unsecured “benchmark” public placements (distributed to institutional clients and through retail networks)
  - Senior secured debt (covered bonds and cash securitisation) through “benchmark” public placements or vanilla private placements
  - Access to a variety of currency markets (including AUD, BRL, CAD, CHF, EUR, GBP, HKD, JPY, MXN, SGD, USD and other local currencies)
  - SFEF, a dedicated refinancing entity launched jointly by the French State and the French banking system to issue debt with the guarantee of the French Republic
  - Caisse de Refinancement de l'Habitat, a dedicated refinancing entity launched by the French banking system to provide refinancing of French home loans
  - EIB financing for targeted public/private sector lending



# BNP Paribas Funding Strategy

## Funding programme has evolved with the bank's growth

### Outstanding debt



Source: BNP Paribas ALM (31 December 2008); excluding debt with maturity less than one year



# BNP Paribas Funding Strategy

## BNP Paribas Public Sector SCF objectives

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Add additional flexibility to funding management

Diversify BNP Paribas Group investor base

Provide investors with transparency and security of public sector collateral

Create a benchmark curve to optimise liquidity for investors





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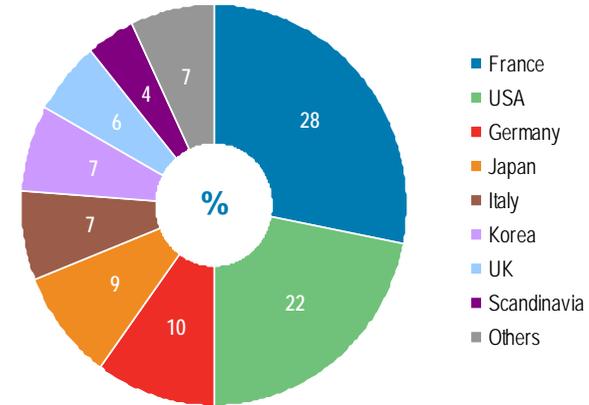
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# BNP Paribas Public Sector Business

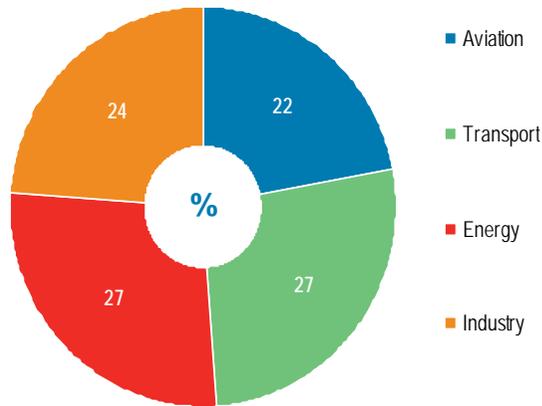
## A strong and diversified public sector portfolio

- BNP Paribas is positioned as one of the world's leading public sector financing banks
  - A geographically diversified portfolio with more than 330 clients worldwide and 904 loans originated
  - Sovereign guarantees provided by a diverse group of guarantors
  - Total current public sector eligible loan portfolio of almost €16.8 bn

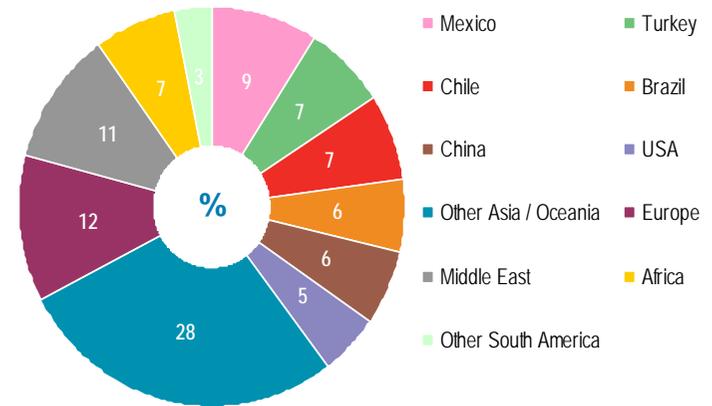
> Diversity of guarantors



> Diversity of borrowers by sector



> Diversity of borrowers by region



# BNP Paribas Public Sector Business

## Strict and coordinated underwriting process and servicing

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- Four regional teams (Europe, Middle-East/Africa, Americas, Asia) with professionals on the ground in the key borrowing countries
  - Close relationships with borrowers
  - Local sector expertise and structuring capabilities
  - Each client has a dedicated senior banker
- One global transaction team
  - Centralised technical and operational knowledge
  - Coordinated and standardised structuring of all loans
- One origination desk in charge of managing and negotiating sovereign guarantees
- Back office teams are responsible for servicing and collection of loans
  - Three booking offices (New York, London, Paris)
  - Responsible for implementation, drawings and monitoring of risk
  - All files are reviewed annually
- Multi approval credit process involving both local and centralised credit committees and senior management oversight



# BNP Paribas Public Sector Business

## A conservative sovereign-backed collateral portfolio

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- Loans in the collateral portfolio have been originated solely by BNP Paribas
  - Financing of capital goods, equipment and services - i.e. Export and Aviation Finance
  - Initial maturity of loans range from 5 to 15 years
  - Both fixed and floating interest rates, only in Euros and US dollars
- The collateral portfolio is exclusively made of loans, there are no ABS or bonds
- All loans in the collateral portfolio are backed by OECD sovereigns with strong credit ratings
- Governmental entities (or private entities acting on behalf of the government) cover political and commercial risks via guarantees and insurance policies of loans in the collateral portfolio

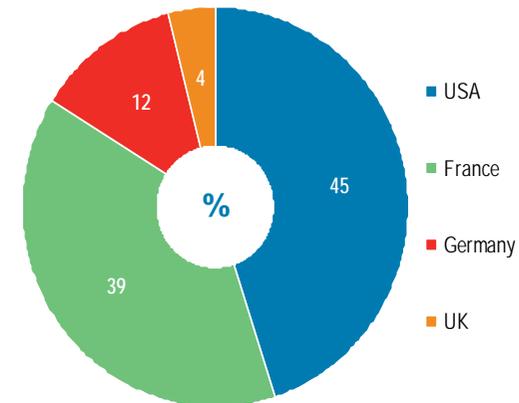


# BNP Paribas Public Sector SCF Programme

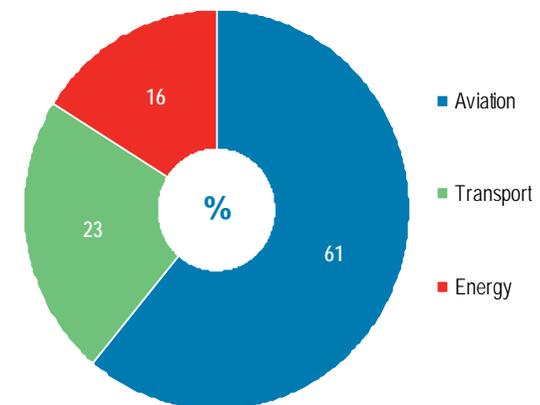
## Characteristics of initial collateral portfolio

- Pure public sector assets
  - Initial public sector collateral portfolio of around €1.5 bn
  - 100% sovereign-backed by France, Germany, UK and US (all AAA rated)
  - All collateral transferred to BNP Paribas Public Sector SCF has a 0% risk weighting
  - Restricted to refinancing of public sector exposure originated by BNP Paribas Group
- Diversification of guarantors should increase in future
  - High quality of assets will be maintained
  - Loans to sovereign, central banks, governments and public institutions can be included
- Quarterly investor reports will be available at <http://invest.bnpparibas.com/>

### > Diversity of guarantors



### > Diversity of borrowers by sector





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# BNP Paribas Public Sector SCF Programme

## Key characteristics

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- Fully owned and supported by BNP Paribas
- Licensed as a société de crédit foncier (SCF) under French law to issue obligations foncières (French legislative covered bonds)
- Bankruptcy remote from BNP Paribas
- Rated AAA by all three agencies
- Pure public sector assets cover pool originated by BNP Paribas Group and transferred using a true sale mechanism
- Minimum 5% overcollateralisation
- Several structural enhancements providing investors with added security
- Will issue hard-bullet public and private placement obligations foncières in various currencies and maturities



# BNP Paribas Public Sector SCF Programme

## A licensed SCF issuing obligations foncières

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- BNP Paribas Public Sector SCF is licensed and regulated by the French Banking authorities (CECEI and Banque de France) with strict conditions
  - Supervised by the French banking regulator (Commission Bancaire)
  - Restricted to acquire and to manage public sector assets of BNP Paribas Group only
  - Authorised to issue obligations foncières (legislative covered bonds) under French law
  - Owned by BNP Paribas who has committed to fully support BNP Paribas Public Sector SCF in terms of liquidity and solvability
- Strong protection in case of liquidation or bankruptcy of BNP Paribas
  - Bankruptcy remoteness from parent ensured by French law
  - Investors in obligations foncières benefit from legal privilege
    - Absolute seniority of payments over all creditors including the super privileged ones such as the French Internal Revenue Service
    - No early redemption or acceleration
    - Equal ranking to servicing fees and swap counterparties hedging interest-rate and currency risks
- BNP Paribas Public Sector SCF is closely monitored and supervised
  - French banking authorities (CECEI and Banque de France)
  - Specific controller (Fides Audit) and alternate specific controller who report to French banking regulator (Commission Bancaire)
  - Ongoing rating agency monitoring and stress testing (minimum quarterly)
  - Quarterly review by independent auditors (PriceWaterhouseCoopers, Mazars)



# BNP Paribas Public Sector SCF Programme

## A strong operating structure

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- Minimum 5% overcollateralisation will be maintained at all times
  - Initial overcollateralisation ratio will be higher
  - Ratio can be adjusted over time if required to maintain AAA ratings
- All interest-rate and currency risks are fully covered by swaps in place from closing
  - All swaps comply with most recent standard swap criteria of all three rating agencies for covered bonds (including one-way collateral posting and downgrade triggers)
- Several enhancements are included in the structure to further improve security for investors in addition to requirements under French law
  - Pre-maturity test covering nine months of liquidity with a floor of €500 mn if BNP Paribas as Sponsor Bank is downgraded below A-1/F1+/P-1
  - Servicer advance mechanism: BNP Paribas (as Servicer) undertakes to advance collections in an amount equal to the sums to be paid BNP Paribas Public Sector SCF under the obligations foncières, which cannot be funded from the funds due under the cover pool assets on each maturity date or instalment date (the Collection Advance)
  - Commingling and set-off reserves upon loss of A-1/F1/P-1 by BNP Paribas as Account Bank and Sponsor Bank



# BNP Paribas Public Sector SCF Programme

## A highly-rated and secure financing structure

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- AAA/Aaa/AAA ratings confirmed by S&P/Moody's/Fitch on all obligations foncières issued by BNP Paribas Public Sector SCF
- Fitch
  - Rating delinkage: AAA rating of obligations foncières issued can be maintained as long as BNP Paribas is rated at least BBB
  - Very low Discontinuity factor (D-fact) of 10.3%: reflects segregation of collateral pool, liquidity coverage, feasibility of transfer of servicing and supervision by French banking authorities
  - AA rating of BNP Paribas Public Sector SCF equals rating of BNP Paribas
- Moody's
  - Timely Payment Indicator (TPI) of probable-high:
    - Reflects high likelihood of timely payment following the sponsor bank default
    - AAA rating of obligations foncières can be maintained as long as BNP Paribas is rated A3 or higher
- S&P
  - French legislation creates a sound basis to assign AAA rating predominantly based on the strength of the cover pool and with limited recourse to BNP Paribas if it defaults
  - Floor in pre-maturity test of €500 mn which can be adjusted upwards





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## Highly-rated, sovereign-backed instruments

Rated AAA / Aaa / AAA by S&P, Moody's and Fitch respectively  
Exposure limited to high quality public sector assets

## Strictly regulated and closely supervised

Licensed and regulated by the CECEI and Banque de France  
Supervised by the French banking regulator (Commission Bancaire)  
Ongoing rating agencies monitoring and periodic review by independent auditors

## Legislative and structural measure protect investors

Bankruptcy remoteness ensured by French Law  
Minimum overcollateralisation, strict hedging requirements and numerous enhancements add to strength of the structure

## Strong support of BNP Paribas Group

Rated AA (negative) / Aa1 (negative) / AA (negative) by S&P, Moody's and Fitch respectively  
Liquidity and solvability support committed by BNP Paribas Group





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# Contacts

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- **BNP Paribas Medium and Long Term Funding**

**Valérie Brunerie**

Tel: +33 1 40 14 70 55  
valerie.brunerie@bnpparibas.com

**Véronique Floxoli**

Tel: +33 1 42 98 72 24  
veronique.floxoli@bnpparibas.com

**Alain Deforge**

Tel: +33 1 40 14 85 75  
alain.deforge@bnpparibas.com

**Clément Reberieux**

Tel: +33 1 40 14 73 86  
clement.reberieux@bnpparibas.com

- **Covered Bond Structuring**

**Arjan Verbeek**

Tel: +44 207 595 6385  
arjan.verbeek@bnpparibas.com

**Boudewijn Dierick**

Tel: +44 207 595 4833  
boudewijn.dierick@bnpparibas.com

- **Debt Capital Markets - Origination**

**Christopher Drennen**

Tel: +44 207 595 5559  
christopher.drennen@bnpparibas.com

- **Debt Capital Markets - Syndicate**

**Derry Hubbard**

Tel: +44 207 595 8222  
derry.hubbard@bnpparibas.com





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# Legal references

## Eligible assets under French legislative framework

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- Articles L.515-14 to L.515-17 of the French Monetary and Financial Code set out the list of eligible assets to be held by SCFs, which include exposures to public sector entities which comprise exposure over or guaranteed by:
  - Central administrative bodies, central banks, public corporations, territorial authorities or groups thereof in EU, EEA, the USA, Switzerland, Japan, Canada, Australia and New Zealand
  - Central administrative bodies or central banks of other countries as well as the European communities, the IMF, the BIS and other international organisations or multilateral development banks benefiting from the best credit level rating assigned by an independent credit rating agency
  - These exposures include, but are not limited to:
    - Debt instruments issued, payments held over, receivables deriving from leasing contracts with, or fully guaranteed by such public sector entities
    - Senior units or notes issued by French securitisation vehicles (*organismes de titrisation*) or similar securitisation vehicles governed by the laws of EU, EEA, the USA, Switzerland, Japan, Canada, Australia and New Zealand
  - At least 90% of the assets of such vehicles shall comprise exposures to public entities eligible to an SCF; or receivables benefiting from an equivalent security or guarantee. Maximum 10% can consist of promissory notes



# Technical aspects

## Hedging strategy

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- BNP Paribas Public Sector SCF will not be exposed to risk of an interest-rate or currency mismatch arising between the payments received on the collateral pool and the payments to be made under the obligations foncières as hedging agreements will be put in place at closing of each transaction in order to hedge these risks
- BNP Paribas Public Sector SCF will enter into the following hedging agreements with eligible hedging providers
  - Cover Pool Hedging Agreement: to swap the interest on the collateral pool into Euribor and the currency into Euro
  - Covered Bonds Hedging Agreement: one per obligation foncière serie to swap the interest rate into Euribor and the currency into Euro of the respective obligation foncière serie
  - Pre-Maturity Rating Event: upon the occurrence of an hedging counterparty rating trigger event, one of the following remedies will need to be put in place, at the cost of the swap counterparty:
    - Replacement of the swap counterparty
    - Guarantor of the swap counterparty
  - The hedging counterparty will need to post collateral throughout the period starting from the occurrence of a Pre-Maturity Rating Event and ending on the date on which the Pre-Maturity Rating Event ceases to be continuing
- All swaps comply with the latest standard criteria for hedging agreements as published by the rating agencies and updated over time



# Technical aspects

## Structural highlights: liquidity supports

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- The pre-maturity test ensures liquidity in case of a downgrade of BNP Paribas
  - If the short term rating of BNP Paribas (as cash collateral provider) falls or is below A-1 (S&P), P-1 (Moody's) or F1+ (Fitch), BNP Paribas must fund a cash collateral account for an amount equalling all the amounts due under any series of obligations foncières in the next 180 business days as well as the servicing fees
    - This amount is subject to a floor of €500 mn which will apply if less than €500 mn is due in the next 180 business days
- Servicer advance provides liquidity
  - BNP Paribas (as Servicer) undertakes to advance collections in an amount equal to the sums to be paid by BNP Paribas Public Sector SCF under the obligations foncières which cannot be funded from the funds due under the cover pool assets on each maturity date or instalment date (the Collection Advance)
- Liquidity support under hedging agreements
  - Monthly payment under the hedging agreements
  - Funds held by the highly rated hedging counterparties until the (annual) payment of interest
- All rating triggers comply with the rating agencies' public methodologies and criteria and can be adjusted in order to maintain the ratings of the obligations foncières



# Technical aspects

## Structural highlights: commingling, set-off & servicing

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- Commingling risk reserve

- If BNP Paribas' short-term rating falls or is below A-1 (S&P), P-1 (Moody's) or F1 (Fitch), BNP Paribas will undertake to create a commingling reserve fund equal to the amount of interest due under all series of obligations foncières in the next 30-day period plus a quarter of the annual amount of fees

- Set-off risk reserve

- If BNP Paribas' short-term rating falls or is below A-1 (S&P), P-1 (Moody's) or F1 (Fitch), BNP Paribas will undertake to create an additional overcollateralisation reserve fund equal to the excess (if any) of:
  - The principal amounts due by borrowers entitled to discharge by way of set-off with sums deposited with BNP Paribas, over
  - The amount of collateral available in excess of the required overcollateralisation

- Asset servicing and servicing replacement trigger

- BNP Paribas will perform the asset servicing in the best interest of BNP Paribas Public Sector SCF and provide asset reporting
- BNP Paribas Public Sector SCF may enter into a master servicing agreement with an eligible replacement servicer if BNP Paribas is downgraded below BBB-/Baa3/BBB-

