



**BNP PARIBAS**

# BNP Paribas Home Loan SFH

Investor Presentation |

*February 2012*



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# Overview

## Executive Summary

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# Executive Summary

- BNP Paribas (the “Borrower”)
  - 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) / Aa3 (negative) / A+ (stable) by S&P, Moody’s and Fitch respectively
- BNP Paribas Home Loan SFH<sup>1</sup> (formerly BNP Paribas Home Loan Covered Bonds) (the “Issuer”)
  - BNP Paribas Home Loan SFH is a French credit institution licensed and regulated by the French banking regulator (*Autorité de Contrôle Prudentiel*)
  - The Issuer has full recourse to BNP Paribas
  - Covered Bond holders and swap counterparties benefit from a statutory privilege over all assets of the Issuer and rank super-senior to all other creditors of the Issuer (including the French tax authority)
  - A bankruptcy of BNP Paribas may not legally be extended to include BNP Paribas Home Loan SFH
  - AAA / Aaa / AAA rated with hard bullet maturities
  - LTV of loans capped at 80% by law and 92.5% maximum asset percentage in Asset Cover Test
- French Home Loan Cover Pool
  - Only French prime residential mortgages and guaranteed home loans (*prêts cautionnés*) which are of very low risk by international standards
  - Only loans originated by BNP Paribas and BNP Paribas Personal Finance, subject to eligibility criteria.
  - Current weighted average indexed LTV of 61.42%; weighted average seasoning of 49 months
  - High quality and low risk cover pool (no arrears)

<sup>1</sup> The Issuer has been granted a licence as a *Société de Financement de l’Habitat* under the updated French covered bond legislation by the French financial regulator (*Autorité de Contrôle Prudentiel*).

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# Legislative Framework

## *Société de Financement de l'Habitat*

- A unifying legislation to harmonise French covered bonds
- A new type of covered bond issuer: *Société de Financement de l'Habitat* (SFH)
  - A credit institution licensed and supervised by the French financial regulator (*Autorité de Contrôle Prudentiel*)
- A new category of French legislative covered bonds: *Obligations de Financement de l'Habitat* (OH)
  - Fully compliant with the UCITS-directive
  - Allows certain regulated investors to increase total amounts they can invest in each single SFH issuer from the current 5% limit to 25% (UCITS) or 40% (insurers)
- Investors in OH and swap counterparties will benefit from the statutory privilege (*privilège legal*) over all assets of the SFH and will rank senior to all other creditors of the SFH (including the French tax authority)
- Improvements of liquidity management:
  - Requirement to cover all liquidity needs for next 180-day period on an ongoing basis
  - Minimum 2% level of overcollateralisation
  - Possibility for issuers to use up to 10% of OH issued for ECB repo operations to manage liquidity proactively in the case of strain
- A bankruptcy of the parent bank may not legally be extended to include the SFH
- All existing covered bonds and equivalent instruments, such as *Namensschuldverschreibungen*, issued under BNP Paribas Home Loan Covered Bond prior to becoming SFH benefit automatically without any further formalities from all the provisions of the new legislation



# Legislative Framework

## Key points

- Covered bond investors in BNP Paribas Home Loan SFH will benefit from the regulatory features provided by the legislative framework in addition to all existing investor protections

### Regulatory features

### Additional protections in BNP Paribas Home Loan SFH

#### Asset Eligibility Criteria

- Residential home loans
- European Union / European Economic Area / other AAA rated country
- First lien mortgages or guaranteed home loans

- France only
- First lien mortgages or home loans guaranteed by Crédit Logement

#### Credit Enhancement

- Minimum legal overcollateralisation level is 2%

- Current overcollateralisation level required by the rating agencies is 30%
- Minimum 8,1% level of overcollateralisation

#### Liquidity

- 180-day liquidity coverage
- Access to ECB repo facility for up to 10% of covered bonds issued to generate liquidity for cash-flow management

- 12-month liquidity coverage

#### Controls & Reporting

- Specific Controller (FIDES Audit) will monitor on a monthly basis that all regulatory constraints are satisfied and will perform annual paper audits

- Asset Monitor (KPMG)
- Statutory Auditors (Pricewaterhouse Coopers, Mazars)
- Rating Agencies (S&P, Moody's, Fitch)

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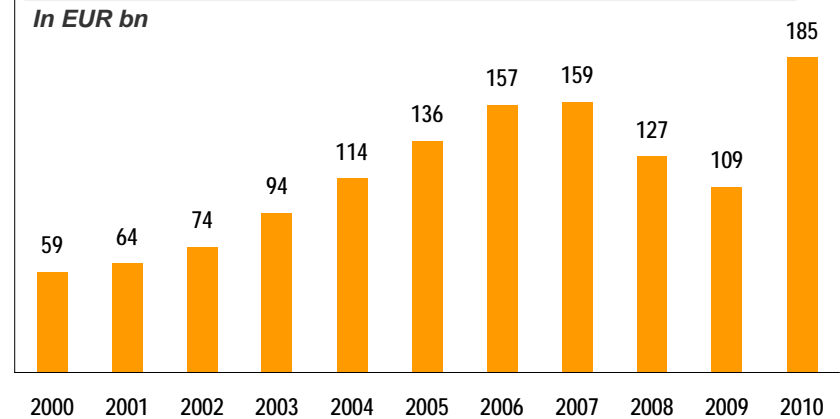


# French Home Loan Business

## Overview of the French home loan market

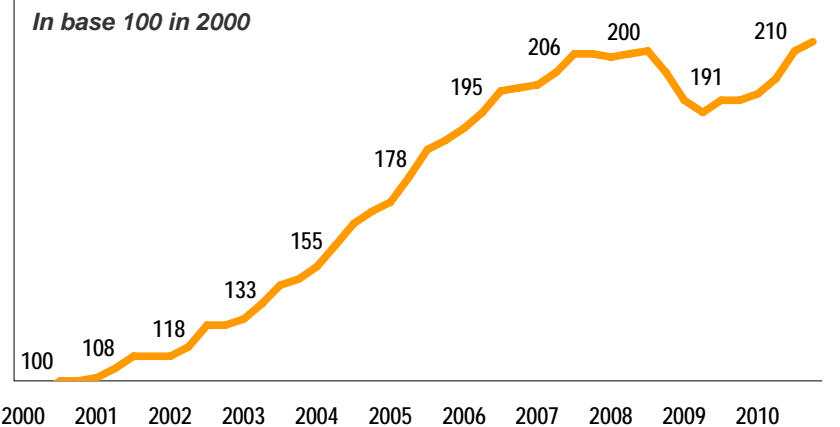
- The production of French home loans picked up in 2010 due to the combination of low interest rates and a stabilisation in financial conditions for home buyers
  - The French housing market is characterized by inadequate growth in supply relative to growth in the number of households
  - France is one of the countries with the lowest home ownership in the European Union with only 57% of households owning their primary residence, allowing for sustainable growth in the home loan market
  - In addition, new tax advantages and government initiatives (zero-rate loans for buyers) of the Sarkozy administration are promoting further home purchases in France
- Housing demand and prices are back on the rise in France after the record low in Q2 2009. In 2010 the French house price index went up by 10% (+13.9% in Paris) and most of the 2007-2009 price decrease has been reversed

### Production of French home loans



Source: Banque de France

### French house price index



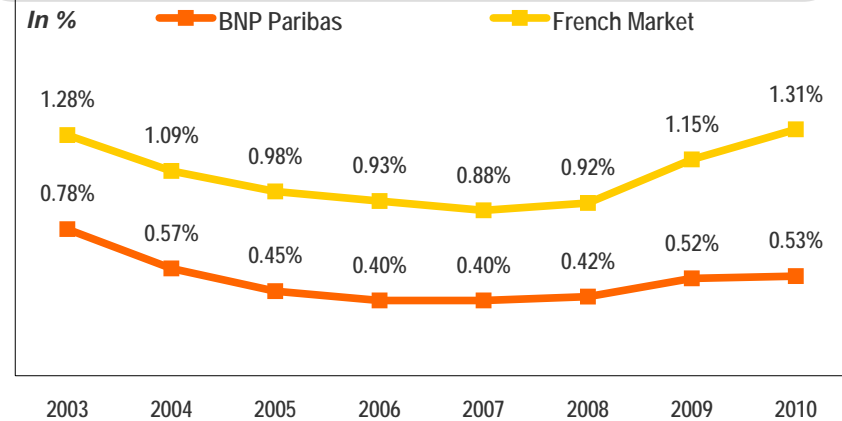
Source: INSEE



# French Home Loan Business Performance

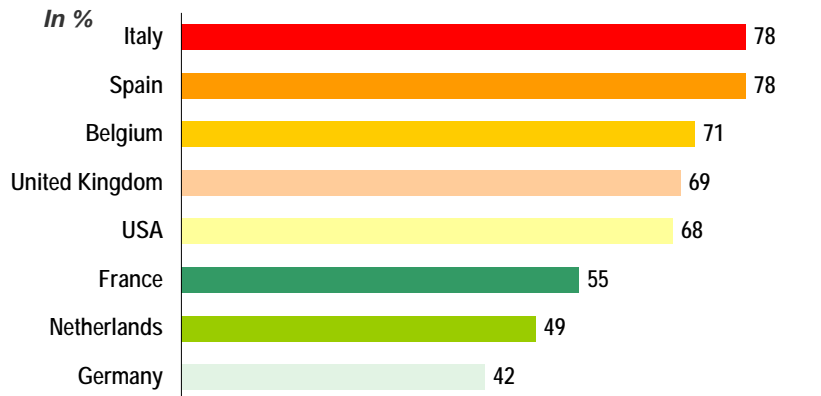
- The French home loan market is a prime loan market
- The French average for non-performing loans (NPL) is amongst the lowest in Europe
- French per capita mortgage indebtedness is very low by European standards
- BNP Paribas consistently outperforms the French market in terms of doubtful loans

## Doubtful home loans



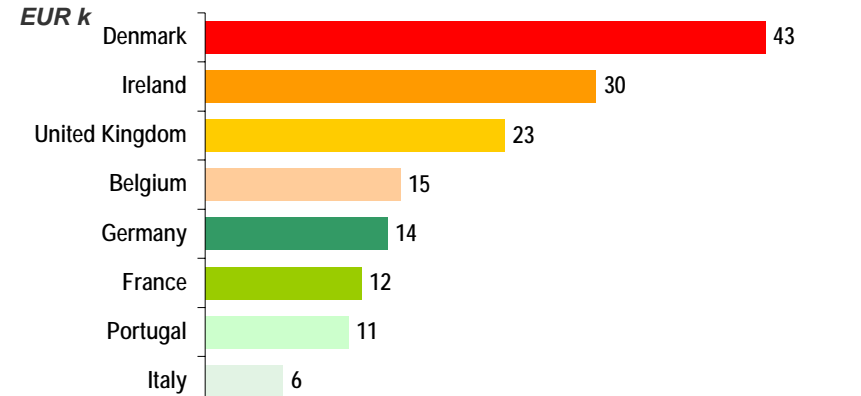
Source: BNP Paribas, Banque de France (6 months in arrears)

## Percentage home ownership



Source: European Mortgage Federation, UK Office for National Statistics, November 2010

## Per capita mortgage debt



Source: European Mortgage Federation, March 2010

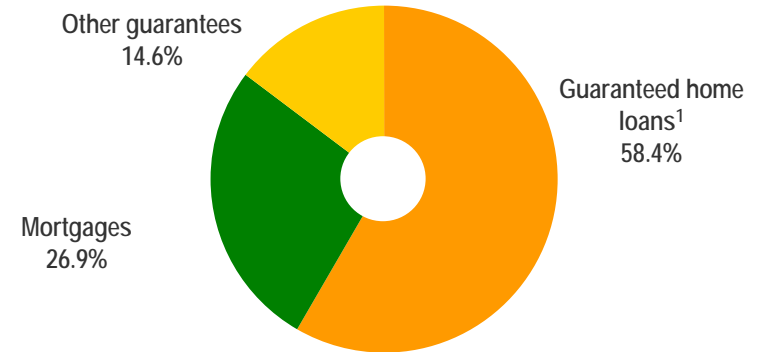


# French Home Loan Business

## Home loan guarantees

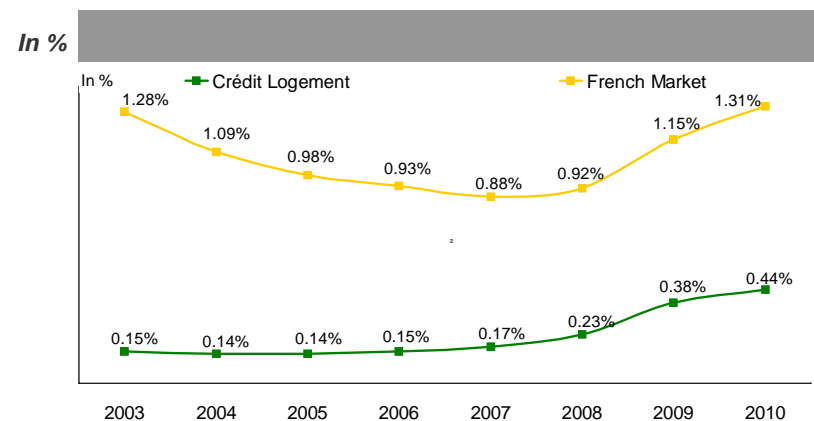
- The French home loan market consists primarily of guaranteed home loans and traditional mortgages
- Home loans guaranteed by credit guarantee agencies have become an important part of the French financial system
- Credit guarantee agencies are licensed and regulated by the French banking regulator
- Guarantors provide a full recovery service to lenders
  - Indemnification within one month after three consecutive non payments on a guaranteed loan
  - Recovery process fully managed by the guarantor
  - Lending banks recover 100% of the home loan plus all costs and expenses
- Over 58% of BNP Paribas's total home loan portfolio consists of home loans guaranteed by Crédit Logement
- Crédit Logement is the market leader for residential home loan guarantees
  - Owned by all the major French banks
  - Strong credit ratings (Aa2 by Moody's and AA- by S&P)
  - Ultimate support by the French banking system

### Breakdown of french home loan market in 2010



<sup>1</sup> Home loans guaranteed by credit guarantee agencies

### Doubtful home loans



Source : Crédit Logement and Banque de France

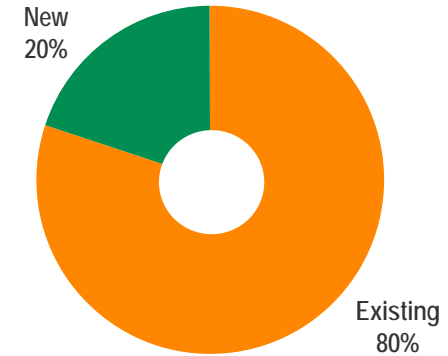
Source: Crédit Logement and Banque de France



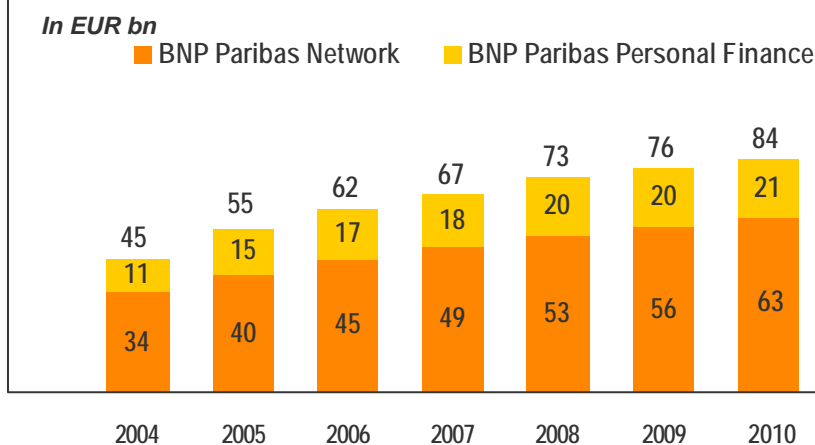
# French Home Loan Business BNP Paribas Strategy and results

- Focus on organic growth
  - Create long-term relationship with customers
  - Ability to leverage the large base of existing customers for cross-selling
  - Build on relationships to improve profitability
- Strong control of the origination process
  - All home loans are subject to approval after a physical meeting with a BNP Paribas agent
  - Aggregate debt service commitments as a portion of net income should not exceed 33%
  - Dedicated credit committee to test and revise scoring process quarterly

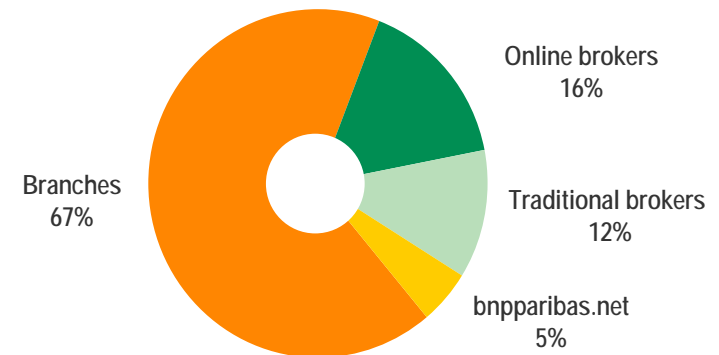
## Customer relationship background



## BNP Paribas French home loan growth



## Home loan distribution channels





# French Home Loan Business BNP Paribas' underwriting approach

## Credit Scoring

- **90% of applications are eligible for automatic scoring:**
  - Application score: from immediate approval by the branch agent to deferred approval by head of branch or by regional head
  - Rate score: provides a recommended rate to the agent
- **10% of applications cannot receive automatic scoring and require a specific manual analysis by a dedicated risk committee (amount above EUR 400,000, loans with deferred repayment of principal, automatic scoring was not sufficient for immediate approval...)**
- **Dedicated credit committee to test and revise scoring grid quarterly**

## Income Verification and Lending Limits

- **Applications (intermediary or branch originated loans) processed by an accredited BNP Paribas agent at a local branch by a physical contact with the customer:**
  - Justification of net income, personal net worth and indebtedness level
  - Proof authenticity check
- **Aggregate commitment as a portion of income should not exceed 33%**

## Valuations

- **Market price agreed between the buyer and the seller**
- **Check by an accredited BNP Paribas agent of the price indicated in the official selling agreement signed before a notary or a real estate agent**

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# BNP Paribas Home Loan SFH

## Key terms

### Programme Terms

#### Issuer

BNP Paribas Home Loan SFH

#### Programme Size

EUR 35 bn

#### Ratings

AAA (S&P) / Aaa (Moody's) / AAA (Fitch)

#### Maturity Type

Hard bullet

#### Currency

Any

#### Listing

Euronext Paris

(Neither 3(a) (2) Covered Bonds nor the German law Covered Bonds will be listed on any Stock Exchange)

#### Governing Law

English law (for USD); German law (Namensschuldverschreibung); French law (for all others)

#### Clearing

For English law Covered Bonds: DTC for 144A Covered Bonds and 3(a) (2) Covered Bonds; Euroclear Bank, Clearstream

For French law transactions: Euroclear France (Central Depository), Euroclear Bank and Clearstream



# BNP Paribas Home Loan SFH Cover pool<sup>1</sup>

## Pool Notional

EUR 35.9 bn

## Loan Type

28% prime French residential mortgages and 72% guaranteed home loans

## Number of Loans

360,289

## WA Current LTV

67.12%

## WA Indexed LTV

61.42%

## Seasoning

49 months

## Rate Type

79% fixed, 21% capped variable

## Max Loan Amount

EUR 600,000

## Geographic Distribution

Île-de-France 36%, Provence Alpes Côte d'Azur 11%, Rhône-Alpes 8%, Aquitaine 5%, Nord-Pas-de-Calais 5%, Languedoc Roussillon 4%, Midi-Pyrénées 5%, Pays de la Loire 4%, Bretagne 3%, Picardie 3%, Poitou-Charentes 2% Lorraine 2%, Centre 2%, Haute-Normandie 2%, Alsace 2%, Other 6%

<sup>1</sup> Investor report December 2011

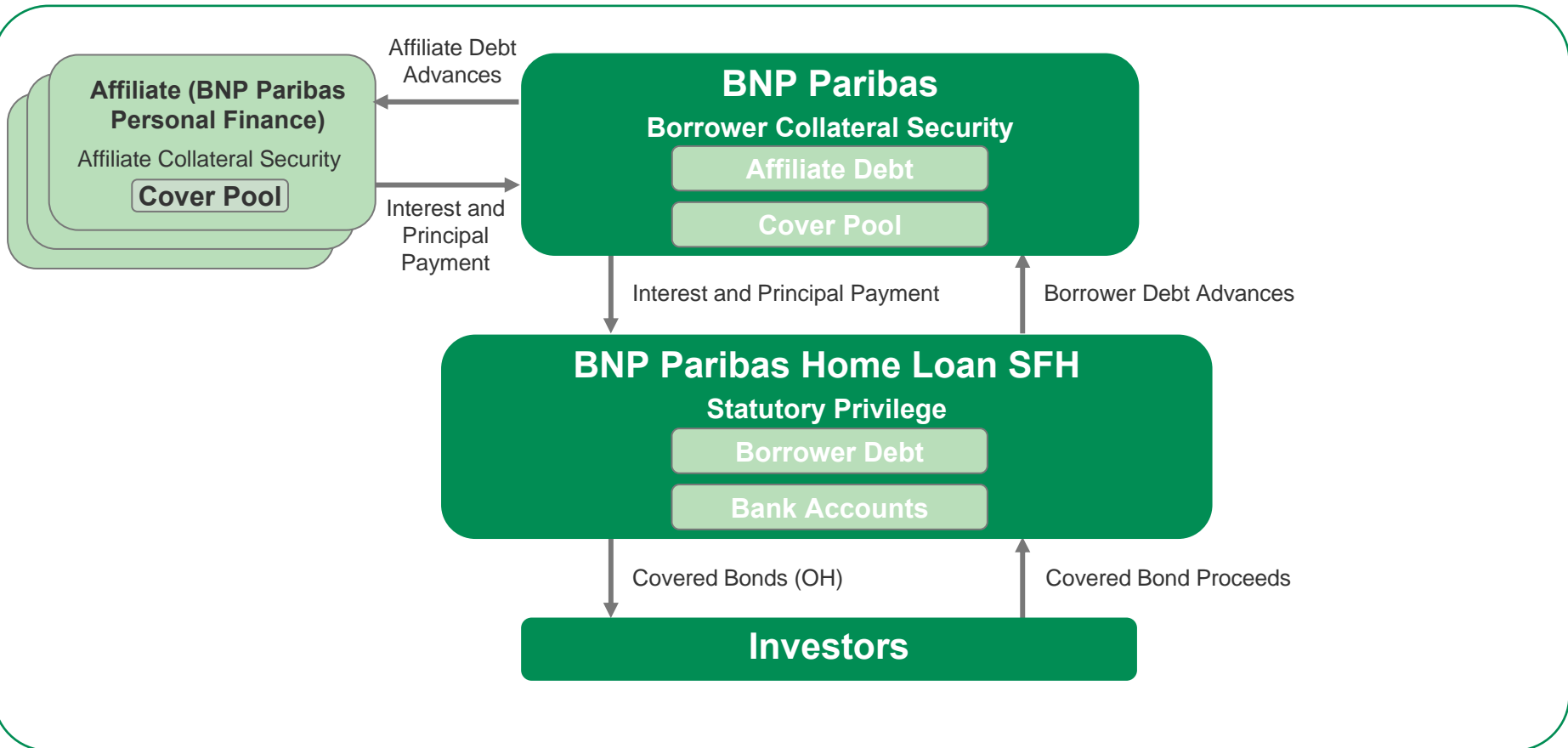




# BNP Paribas Home Loan SFH Structure overview

## Standard Features

- BNP Paribas Home Loan SFH has full recourse to BNP Paribas
- Covered Bond holders benefit from a statutory privilege over all assets of the Issuer
- Covered Bonds backed by direct security over the Cover Pool
- Asset monitoring including Asset Coverage Test and Amortisation Test



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## **Highly-rated, secured instrument**

Rated AAA / Aaa / AAA by S&P, Moody's and Fitch respectively  
Collateralised by French home loans

## **Full recourse of the Issuer against BNP Paribas**

Rated AA- (negative) / Aa3 (negative) / A+ (stable) by S&P, Moody's and Fitch respectively  
A solid financial structure with a well-diversified business mix

## **Statutory privilege over a stable and high quality cover pool**

Strict customer scoring and monitoring systems  
Superior performance of a French home loan portfolio

## **Structural enhancements of the covered bonds programme**

Asset Cover Test ensures sufficient overcollateralisation level and mitigates negative carry risk  
Hedging strategy and liquidity enhancements mitigate market and liquidity risks

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# BNP Paribas Home Loan SFH Investor reports and documents

- Detailed investor reporting on BNP Paribas covered bond programmes is available on a monthly basis on our investor relations website
- Web address: <http://invest.bnpparibas.com> under “BNP Paribas Debt” section




# BNP Paribas: a leader in global finance

- Strong recognition from the financial community for BNP Paribas as an issuer, lead manager, structurer and leading provider of liquidity across investment banking products worldwide




### EMEA Structured Equity House

"EMEA Structured Equity House: rewarding for the second consecutive year our expertise and track record in convertible bond issues. Unlike its competitors, BNP Paribas was the only bank to come to market with a steady flow of deals and was credited with keeping the market alive"



### Emerging EMEA Loan House

"BNP Paribas was recognised for its flexible strategy, bringing new borrowers to the loan market and successful execution"




### Covered Bond House

"Covered Bond House: for the second consecutive year. BNP Paribas' unparalleled access to European investors in some of the most difficult markets and guidance to burgeoning jurisdictions gave it an edge over others"





Overall corporates  
All EUR issuance  
FIG private placement  
Corporate private placement  
FIG liability management  
EUR FIG DCM  
[Euroweek & The Cover Awards 2011](#)



Best Corporate Bond House  
Best Bank Corporate Team in EUR  
Best Bank for Corporate Liability Management  
Best Bank for Supporting Corporate Deals in the Secondary Market  
Best Syndicate/DCM Team for FIG Subordinated Debt  
Best Syndicate/DCM Team for FIG Senior Unsecured Debt  
Best Structuring Bank  
Best FIG Liability Management House (joint)  
Best Team for EUR FIG  
Best Dealer for Corporate MTNs  
Best Dealer for FIG MTNs  
[EuroWeek Bond Awards 2011](#)



Best Bank in Western Europe  
Best Bank France  
Best Bank in Belgium  
Best M&A House in Colombia  
Best Equity House in France  
Equity Derivatives House of the Year  
Best Global Infrastructure & Project Finance House  
[Euromoney Awards for Excellence 2010](#)



No.2 All Euro-denominated Bonds  
No.1 All Financial Institutions in Euro  
No.1 All Covered Bonds All Currencies  
No.3 All Swiss Franc Bonds  
No.2 All Euromarket Issues  
No.5 All International Bonds, All Currencies  
[IFR Rankings \(December 2011\)](#)



# BNP Paribas – Recognised by professionals as best covered bond issuer in 2011



**BNP PARIBAS**  
HOME LOAN SFH

**EUROWEEK**  
THE NEWSPAPER OF THE GLOBAL CAPITAL MARKETS

**The Cover**

- At Euroweek / The Cover's Covered Bond Awards 2011 (15 September 2011), **BNP Paribas** was awarded the top issuer accolades: **“Best Issuer”** (twice in three years) and **“Best Covered Bond Deal”** for its €2bn 3.875% due 12 July 2021 new issue



**“Best Issuer”**  
Winner: **BNP Paribas**



**“Best Covered Bond Deal”**  
Winner: **BNP Paribas**  
**BNPP SFH €2bn 3.875% due July 2021**

- Peer recognition: these prizes were awarded based on responses from covered bond professionals around the world and are testimony to:
  - BNP Paribas as a leading global banking group
  - BNP Paribas as a high profile issuer respected for its knowledge, creativity and commitment towards the covered bond market
  - The soundness of the underlying cover pool made up of French prime residential home loans
  - Expertise, innovation and education – the cornerstones of the BNP Paribas' covered bond platform
- BNP Paribas has been at the forefront of the covered bond market this year with the following benchmarks issued:
  - **BNP Paribas Home Loan SFH €2bn 3.875% due 12 July 2021** (ISIN FR0011075167)
  - **BNP Paribas Home Loan SFH €1.75bn 3.750% due 11 January 2021** (ISIN FR0010988873)
  - **BNP Paribas Public Sector SCF €1bn 3.125% due 09 June 2016** (ISIN FR0011059930)

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## **BNP Paribas Home Loan SFH Structure Details**





# BNP Paribas Home Loan SFH Structure Details

## Asset cover test

- The Asset Cover Test (ACT) is designed to ensure that the collateral constituted by home loans, cash and other collateral is able to meet the future cash flows (interest and principal) on the covered bonds (tested monthly by the calculation agent)

Asset Cover Ratio

=

Adjusted Aggregate Asset Amount  
 \_\_\_\_\_  
 Aggregate Covered Bond Outstanding Principal Amount

≥

1

- Whereby

Adjusted  
Aggregate Asset  
Amount

=

Lower of:

Adjusted Home Loan Outstanding Principal Amount

or

Unadjusted Home Loan Outstanding Principal Amount X Asset Percentage

Plus

Cash

+

Aggregate Substitution Assets Amount

+

Aggregate Value of Permitted Investments

Less

Applicable Deemed Reductions

Less

Potential financing costs of the swap liquidity



# BNP Paribas Home Loan SFH Structure Details

## Amortisation test

- Amortisation Test is designed to ensure that the Issuer has the capacity to meet its obligation following the enforcement of a Borrower Event of Default: compliance with the Amortisation Test requires compliance with the amortisation ratio (RA)

Amortisation Ratio

=

$$\frac{\text{Transferred Aggregate Asset Amount}}{\text{Aggregate Covered Bond Outstanding Principal Amount}}$$

≥

1

- Whereby

Transferred  
Aggregate Asset  
Amount

=

Home Loan<sup>1</sup> Outstanding Principal Amount  
X  
(M=1 if loan less than 3 months in arrears ;  
M=0.7 if loan 3 months or more in arrears)

Plus

Cash  
+  
Aggregate Substitution  
Asset Amount  
+  
Aggregate Value of  
Permitted Investments

<sup>1</sup>All Home Loans title to which has been transferred to the Issuer upon enforcement of the Borrower Collateral Security and the Affiliate Collateral Security following the enforcement of a Borrower Event of Default



# BNP Paribas Home Loan SFH Structure Details

## Additional structural features

- The Pre-Maturity Test is designed to ensure that the Borrower can provide sufficient liquidity in case of a downgrade
  - If the Borrower short-term ratings are downgraded below A1+ by S&P, P-1 by Moody's or F1+ by Fitch, the Borrower must fund a cash collateral account to insure the redemption of the Covered Bonds
    - Maximum of (A) all covered bonds due in next 12 months and (B) 15% of outstanding covered bonds
  - A non-compliance with the Pre-Maturity Test will prevent the Issuer from issuing any further series of Covered Bonds as long as it remains unremedied
- Liquidity Support
  - Monthly payment under the Covered Bond Swap
  - Funds held by the highly rated Covered Bond Swap provider until the annual payment of interest
- Account Agreement
  - BNP Paribas SA provides bank accounts to the Issuer
- Asset Servicing
  - BNP Paribas SA will perform the Asset Servicing and will provide BNP Paribas Home Loan SFH with Asset Reporting
  - BNP Paribas Home Loan SFH may enter into a master servicing agreement with an Eligible Servicer if BNP Paribas is downgraded below BBB by S&P, Baa2 by Moody's or BBB- by Fitch



# BNP Paribas Home Loan SFH Structure Details

## Hedging strategy

- Before a default event, the Issuer is not exposed to any risk of an interest or currency rate mismatch arising between the payments received on the Borrower Advances and the payments to be made under the Covered Bonds
- All swap agreements are concluded by the Issuer with BNP Paribas SA (Issuer Hedging Agreements) to hedge any currency and interest rate mismatch between the Covered Bonds and the Cover Pool
  - All swap agreements are compliant with the most recent counterparty criteria from the rating agencies
  - The Issuer Hedging Agreements benefit from the legal privilege
  - The Borrower Hedging Agreements do not benefit from the legal privilege and the Borrower Hedging Agreements will be terminated upon default by BNP Paribas without termination payments
- Upon the occurrence of a Borrower Event of Default, and the subsequent transfer in favour of the Issuer of title to the Home Loans, the Issuer will
  - Maintain its rights and obligations under the existing Issuer Hedging Agreements
  - Terminate immediately the Borrower Hedging Agreements



# BNP Paribas Home Loan SFH Structure Details

## Cash flow priorities

### Pre-Enforcement Priority Payment Order

- Issuer hedging costs
- Interest on the Covered Bonds
- Principal on the Covered Bonds
- Issuer Hedging termination costs
- Senior administrative and tax costs and Borrower hedging/termination costs
- Dividend to the Issuer's shareholders and any payments under subordinated obligations



# BNP Paribas Home Loan SFH Structure Details

## Key events

### Borrower Event of Default

- The occurrence of any of the following events will constitute a Borrower Event of Default
  - Default in the payment of principal or interest on any Borrower Facility not remedied within 3 business days after the due date
  - Breach of Pre-Maturity Test
  - Breach of Asset Cover Test
  - Breach of Amortisation Test
  - Failure to comply with any of the Borrower's material obligations
  - Occurrence of an Insolvency Event
  - Failure to enter into any Hedging Agreement within 30 days following a Hedging Rating Trigger Event
- A Borrower Event of Default will result in a Borrower Enforcement Notice
  - Borrower advances due and payable
  - Enforcement of the Borrower Facility with a transfer of the assets to the Issuer

### Controlled Post-Enforcement Priority Payment Order

(following the Borrower Event of Default)

- Issuer hedging costs
- Interest on the Covered Bonds
- Principal on the Covered Bonds
- Issuer Hedging termination costs
- Senior administrative and tax costs and Borrower hedging/termination costs
- Distribution of remaining enforcement proceeds to the Borrower



# BNP Paribas Home Loan SFH Structure Details

## Key events

### Affiliate Event of Default

- The occurrence of any of the following events will constitute an Affiliate Event of Default
  - Default in the payment of principal or interest on any Affiliate Facility not remedied within 3 business days after the due date
  - Failure to comply with any of the Affiliate's material obligations
  - Occurrence of an Insolvency Event
- An Affiliate Event of Default will result in an Affiliate Enforcement Notice
  - Affiliate advances due and payable
  - Enforcement of the Affiliate Facility with a transfer of the Affiliate assets to the Borrower (optional)

### Accelerated Post- Enforcement Priority Payment Order

(following the breach of  
amortisation test)

- Issuer hedging costs
- Interest on the Covered Bonds
- Principal on the Covered Bonds
- Issuer Hedging termination costs
- Senior administrative and tax costs and Borrower hedging/termination costs
- Distribution of remaining enforcement proceeds to the Borrower



# BNP Paribas Home Loan SFH Structure Details

## Key events

### Issuer Event of Default

- The occurrence of any of the following events will constitute an Issuer Event of Default
  - Default in the payment of principal or interest on any Covered Bond not remedied within 3 business days after the due date
  - Order made for the liquidation or winding up of the Issuer
  - The Issuer ceases to carry on all or a material part of its business
  - Breach of Amortisation Test
  - Failure to enter into any Hedging Agreement within 30 days following a Hedging Rating Trigger Event
  - Default in the performance of any of its other material obligations within 30 days after the written notice of such default
  - Any other indebtedness of the Issuer becomes accelerated
- An Issuer Event of Default will result in an Issuer Enforcement Notice and an Accelerated Post-Enforcement Priority Payment Order

### No Further Issuance

- The Issuer undertakes not to issue further Covered Bonds under the Programme
  - As from the date a Borrower Enforcement Notice has been served
  - As from the date an Issuer Enforcement Notice has been served
  - For so long as Non Compliance with Asset Cover Test has occurred and is not remedied
  - For so long as Non Compliance with Amortisation Test has occurred and is not remedied
  - For so long as, regarding the Pre-Maturity Test and the Legal Liquidity Test, a Non Compliance Notice has been delivered
- For cash-flow management purposes, BNP Paribas Home Loan SFH may issue and subscribe to further Covered Bonds to be used as collateral for ECB repo operations (10% retained by SFH only in case of problems).





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- Detailed investor reporting on BNP Paribas covered bond programmes is available on a monthly basis on our investor relations website
- Web address: <http://invest.bnpparibas.com> under “BNP Paribas Debt” section