



**BNP PARIBAS**  
**PUBLIC SECTOR SCF**

# BNP Paribas Public Sector SCF

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Security ▪ Transparency ▪ Simplicity

*Investor Presentation*

March 2011

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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) / Aa2 (stable) / AA- (stable) 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 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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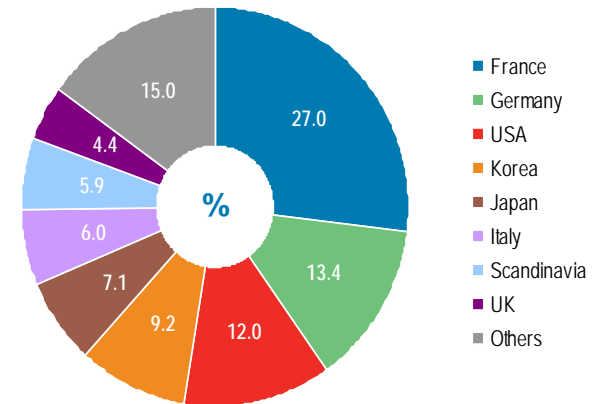
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# BNP Paribas Public Sector Business

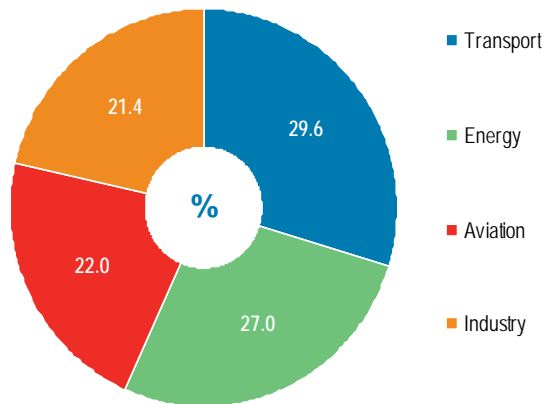
## A strong and diversified public sector portfolio

- BNP Paribas is positioned as one of the world's leading public sector financing banks
  - A geographically diversified portfolio with more than 350 clients worldwide and 1,050 loans originated
  - Sovereign guarantees provided by a diverse group of guarantors
  - Total current public sector eligible loan portfolio of almost €28 bn

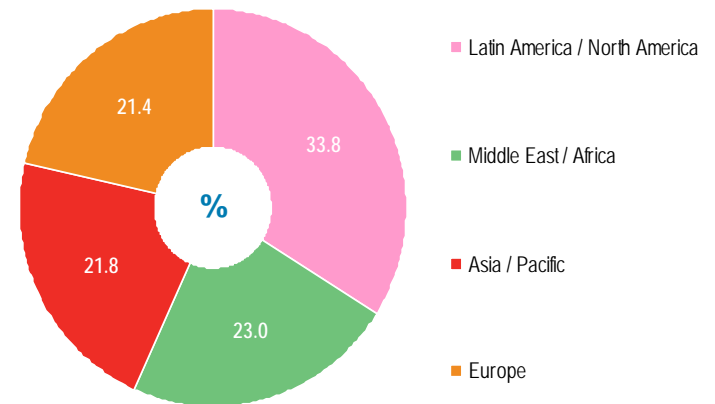
> Diversity of guarantors



> 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

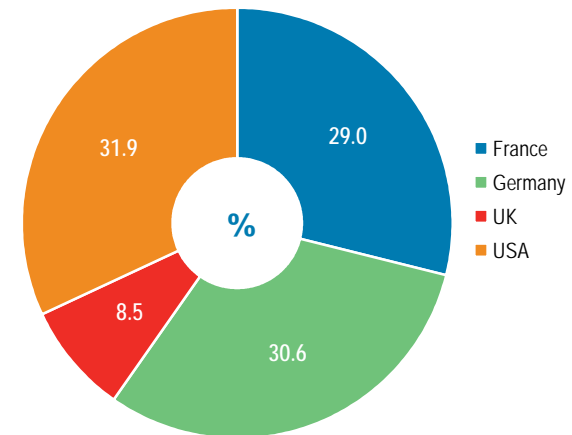


# BNP Paribas Public Sector SCF Programme

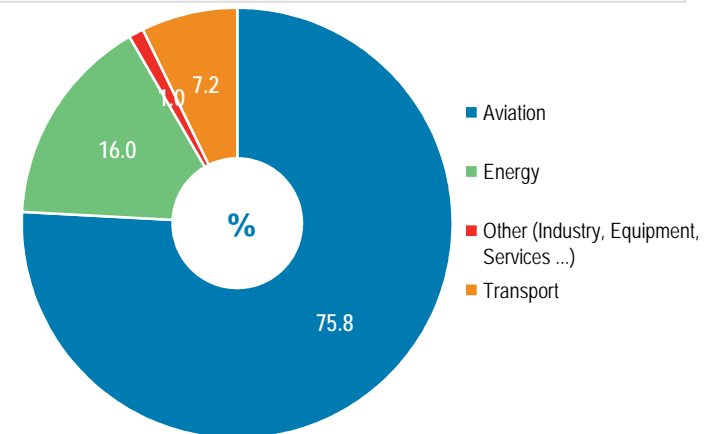
## Characteristics of current collateral portfolio (as of end of June 2010)

- Pure public sector assets
  - Public sector collateral portfolio of around €3.2 bn (296 loans) with no delinquencies (as per December 2010)
  - 100% sovereign-backed by France, Germany, UK and US
  - 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
- 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 twelve 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





# BNP Paribas Public Sector SCF

## Inaugural transaction – €1 bn 3.625% due 16/06/2014

<b>Issuer</b>	BNP Paribas Public Sector SCF
<b>Issue Rating</b>	AAA / Aaa / AAA (S&P/Moody's/Fitch)
<b>Issue Size</b>	€1 bn
<b>Maturity</b>	16 June 2014
<b>Re-offer Price</b>	99.924%
<b>Spread</b>	Mid-swap + 77 bp
<b>Coupon</b>	3.625%
<b>Denomination</b>	€1,000 / €1,000
<b>Listing</b>	Luxembourg Stock Exchange



# BNP Paribas Public Sector SCF

## Second transaction – €1 bn 3.750% due 26/02/2020

<b>Issuer</b>	BNP Paribas Public Sector SCF
<b>Issue Rating</b>	AAA / Aaa / AAA (S&P/Moody's/Fitch)
<b>Issue Size</b>	€1 bn
<b>Maturity</b>	26 February 2020
<b>Re-offer Price</b>	99.207%
<b>Spread</b>	Mid-swap + 45 bp
<b>Coupon</b>	3.750%
<b>Denomination</b>	€1,000 / €1,000
<b>Listing</b>	Luxembourg Stock Exchange



# BNP Paribas Public Sector SCF

## Third transaction – €1 bn 2.250% due 22/10/2015

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<b>Issuer</b>	BNP Paribas Public Sector SCF
<b>Issue Rating</b>	AAA / Aaa / AAA (S&P/Moody's/Fitch)
<b>Issue Size</b>	€1 bn
<b>Maturity</b>	22 October 2015
<b>Re-offer Price</b>	99.827%
<b>Spread</b>	Mid-swap + 37 bp
<b>Coupon</b>	2.250%
<b>Denomination</b>	€1,000 / €1,000
<b>Listing</b>	Euronext Paris





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# Conclusion

## 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) / Aa2 (stable) / AA- (stable) by S&P, Moody's and Fitch respectively  
Liquidity and solvability support committed by BNP Paribas Group





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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-

