



# **BNP PARIBAS : A worldwide leader in Energy, Commodities, Export & Project Finance**

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**Dominique Remy  
Global Head of ECEP**

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# ECEP within BNP Paribas

1. ECEP within BNP Paribas

2. Historical background

3. ECEP today

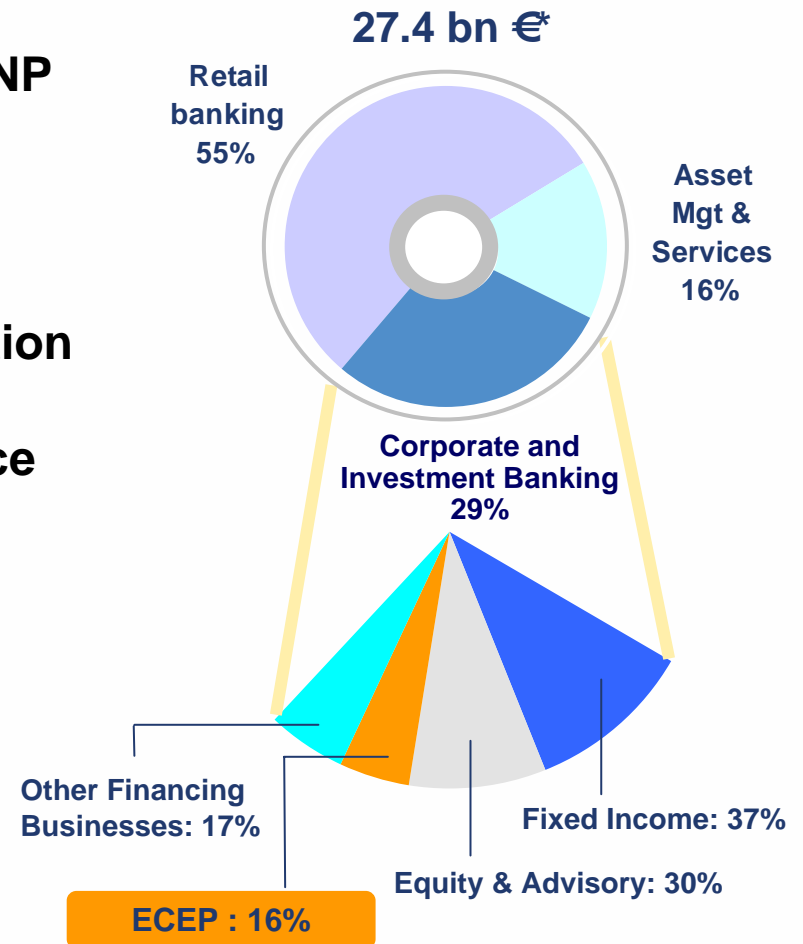
4. Our strengths

5. ECEP value creator

6. Looking forward

- **Energy, Commodities, Export, Project is one of the main business lines in BNP Paribas Corporate and Investment Banking unit**
- **Dedicated to the energy, commodities and transportation sectors as well as asset-based finance on a worldwide basis**
- **16% of CIB revenues**
- **20% of CIB pre-tax income**

## BNP Paribas Group 2006 Revenues



\* Excluding BNP Paribas Capital and other activities

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## A longstanding leadership in this business

### ■ The “Energy & Commodities” sector was already a strategic focus of each of BNP Paribas pre-merger components

- The strategies pursued by each Bank were highly complementary :
  - BNP: focus on corporate clients, soft commodities
  - UEB (\*): centralized organization, transactional financings, Oil & Gas
  - Paribas: decentralized approach, structured financings, Oil & Gas
- BNP Paribas “Energy & Commodities” merged business line was a leader from its inception, generating almost 400 M€ in revenues in 1999 and combining strengths on both sides
  - High level of expertise
  - Broad customer base

### ■ The missions initially given to the “Energy & Commodities” business line remain topical today

- Sectorial approach
  - Worldwide responsibility
  - Client knowledge
- Development of a leading brand and franchise

(\*) United European Bank, located in Switzerland, in which BNP increased its share from 50% to 100% in 1998.

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# An impressive growth track record

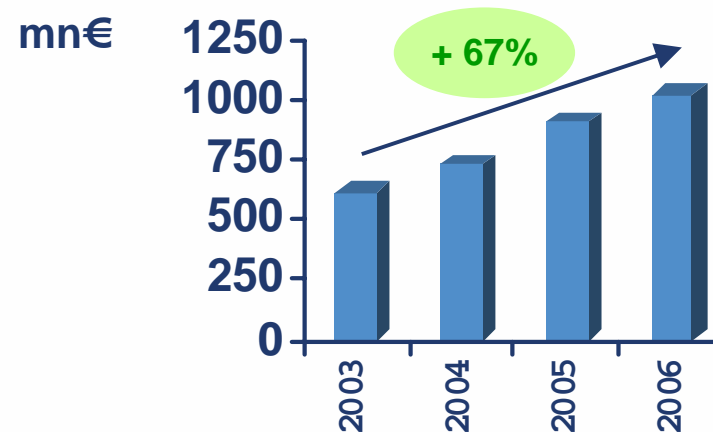
2002

**Integration of Export Finance and Project Finance, with three strategic angles:**

- Global competency on the E&C sector (sectorial coverage and management of sector-specific products)
- Emerging markets focus
- Extended wallet share from very short term to long term

2003/2006

**At constant scope and exchange rate, ECEP revenues grew by a compounded average annual rate of 19%**



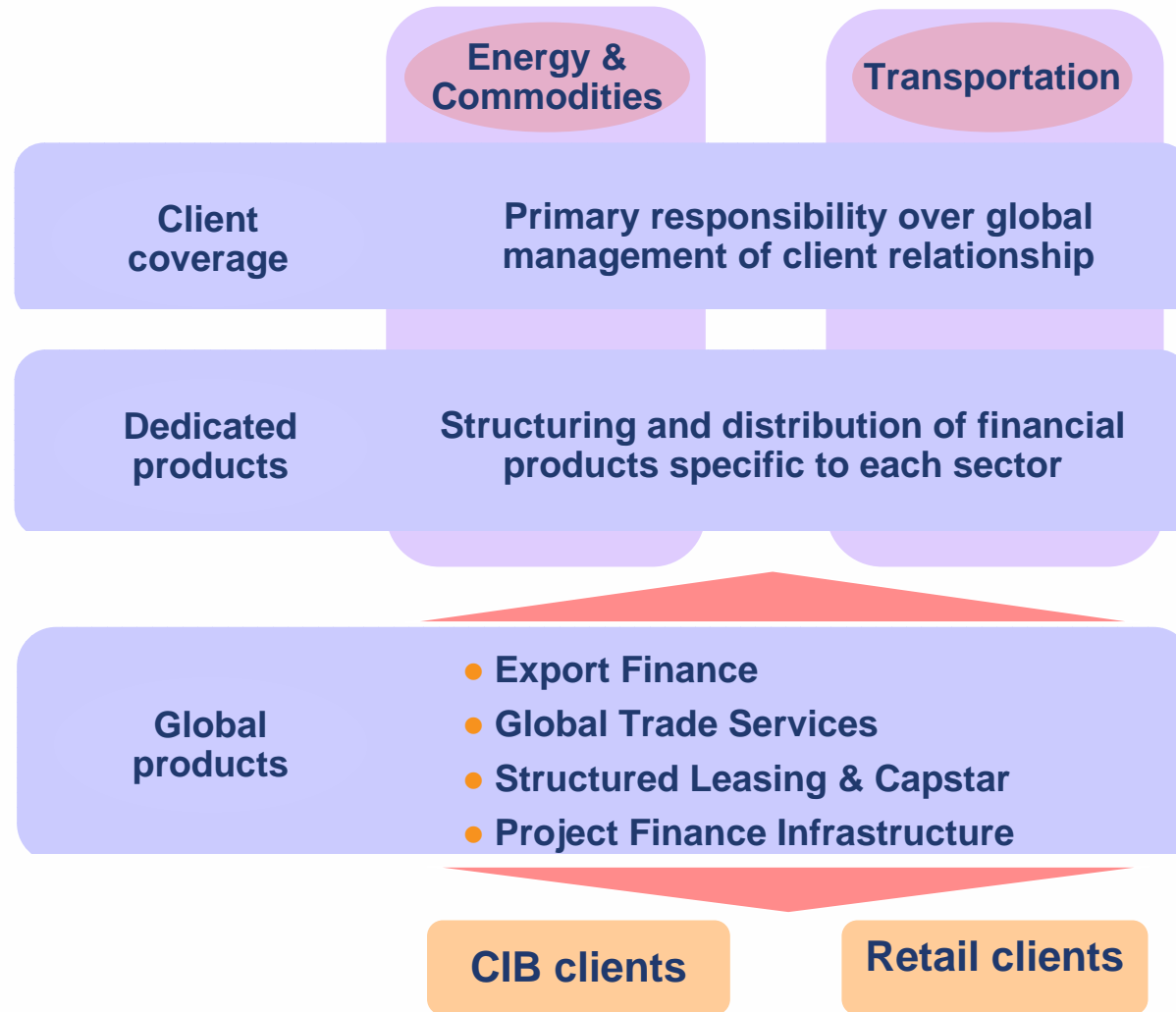
2006

**Another record year for ECEP with revenues exceeding 1.2 bn €**

- with the integration of Global Trade Services, Aviation Finance, Shipping Finance, Structured Leasing & Capstar

# ECEP business model

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➔ **ECEP is a sectorial coverage group with a global products responsibility**

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# E&C and Transportation clients

## Commodity Finance

- **Clients:** commodity trading and marketing companies

## E&C Structured Debt

- **Clients:** producers, exporters, transformers (refiners, smelters, mills, crushers...), transporters, service companies, utilities in the USA and Australia

- **Industries :** Oil, Gas, Petrochemicals, Non-ferrous metals, Steel, Soft commodities, Pulp & Paper

## Aviation Finance

- **Clients:** cargo and passenger airlines, operating lessors (aircraft/engines, new or used), business jets owners

## Shipping Finance

- **Clients:** cruise industry, tanker / container / dry bulk / LNG shipping companies, mega-yachts owners

# A full range of financing products for E&C clients

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## Commodity Finance

### ➤ Products

- Transactional products: back-to-back, inventory financing (unsold or sold), transit, processing, tolling, etc
- Corporate secured: borrowing base
- Corporate unsecured: short term unsecured trade lines
- Structured products: Structured Inventory Finance, small projects and pre-financing with recourse

## E&C Structured Debt

### ➤ Products

- Purchase receivable finance
- Corporate lending
- Oil & Gas, Mining and Power Project Finance
- Structuring advisory (for financing or capital market solutions)
- Pre-Export financing
- Reserve Based Lending

# Global products serving all BNP Paribas clients

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## Global Trade Services

Optimization, securing and financing of international trade transactions for large corporate and mid-size companies through documentary credits, guarantees, forfaiting, supply chain financing

## Structured Leasing & Capstar

Advising and arranging of fixed asset-based tax-driven financings, synthetic (off-balance sheet) and capital (on-balance sheet) leases



## Export Finance

Export Credit Agencies-backed loans to both sovereign and corporate borrowers located worldwide and acting in any industrial sector

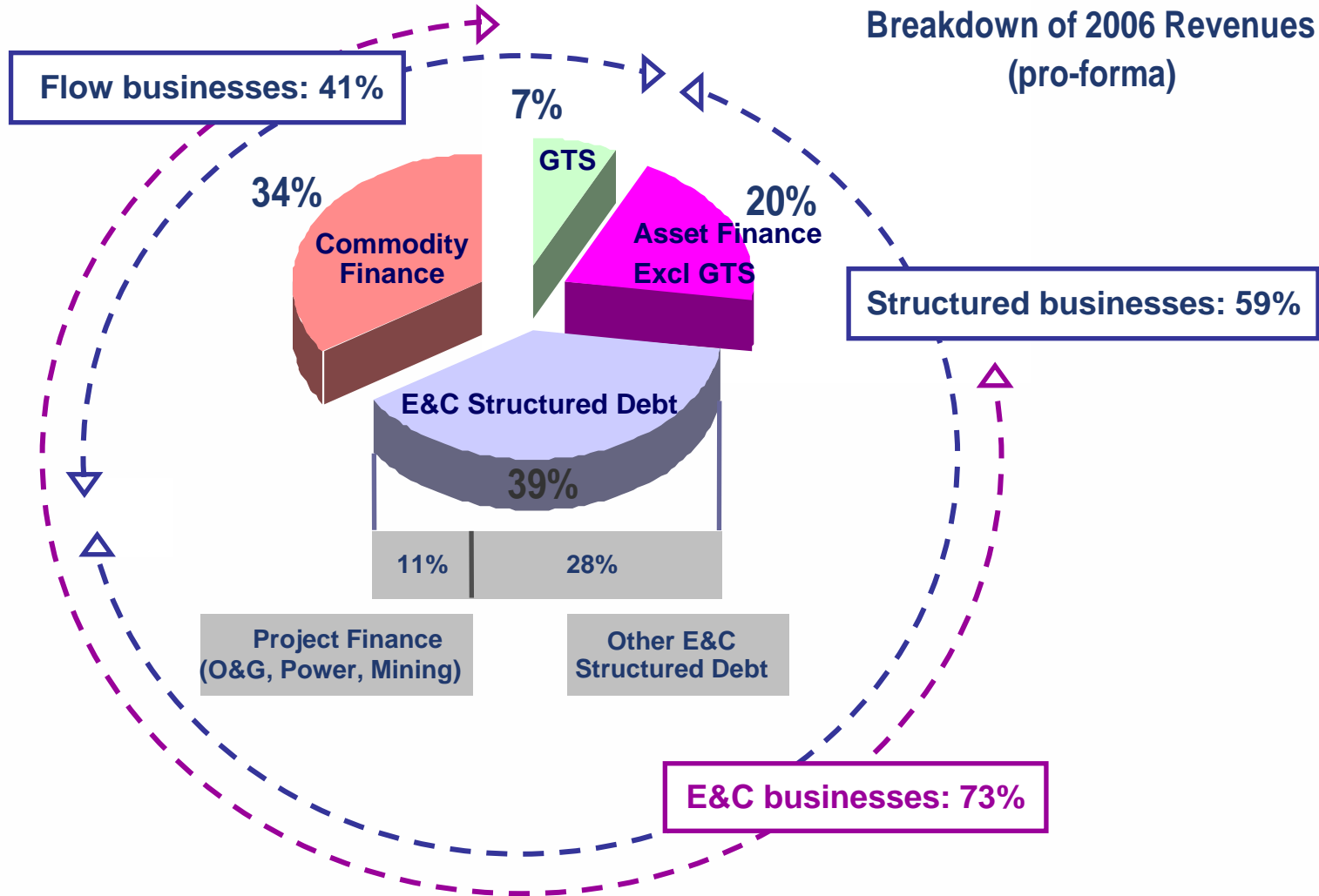
## Project Finance Infrastructure

Advising, structuring and underwriting of non-recourse cash flow-based financings of greenfield projects or single assets (roads, airports, water supply infrastructures...)



# A diversified revenue base

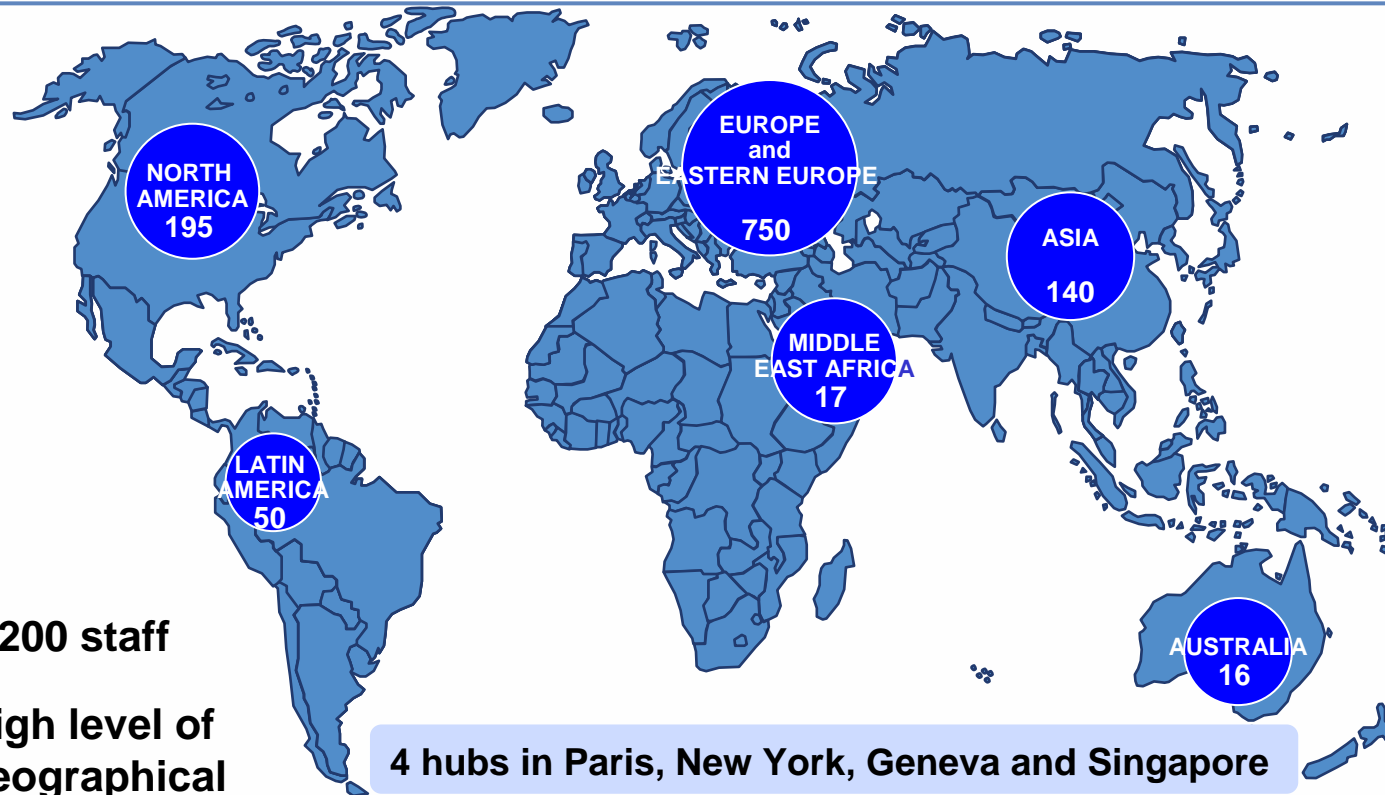
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**Ensuring recurrence of revenues**

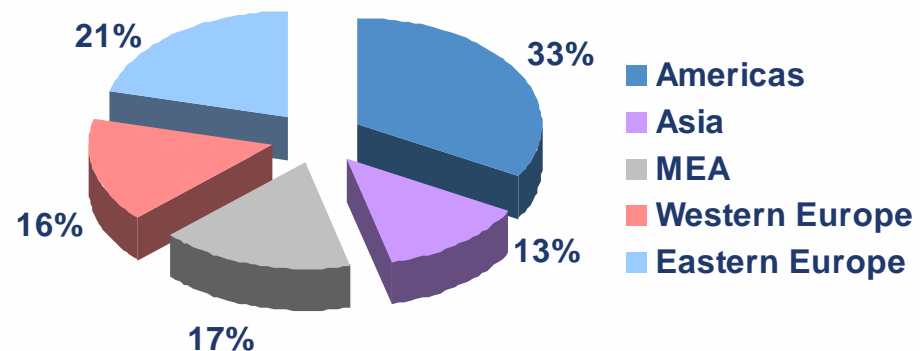
# A presence in over 40 countries

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- 1,200 staff
- High level of geographical diversification
- C. 50% of revenues generated from emerging markets (incl. new industrialized countries, i.e. rated BBB+ and below)

4 hubs in Paris, New York, Geneva and Singapore



2006 Revenues by destination zone

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## A unique blend of expertise...

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- **A global network resulting in an in-depth knowledge of our sectors and of emerging markets, away from any “stop-and-go” attitude**
  
- **A powerful combination of client coverage, structured financing, as well as risk management, advisory and underwriting capabilities**
  
- **A high capacity to engineer creative structured solutions boosting revenues of business lines acting on more mature markets**
  - **Global Trade Services, Export Finance, Shipping Finance, Aviation Finance, Structured Leasing & Capstar**

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## ... enabling us to deliver tailor-made multi-product solutions

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- **Cross execution between ECEP and Fixed Income as sole Lead Arranger of a Project Finance bond issue to refinance a cogeneration power plant**
- **Joint structuring between ECEP and Commodity Derivatives of a Credit Facility incorporating exclusive WTI crude oil swaps as well as purchase / transportation / delivery of crude oil by BNP Paribas**
- **Joint effort between ECEP, Commodity Derivatives, Public Finance and Fixed Income in a municipal natural gas pre-purchase transaction**
- **First unrated wind energy Project Finance deal executed in the US Private Placement market**



**Strong product innovation capacity**

**Entrepreneurial spirit**

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# Worldwide leadership in our key businesses

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- **Best Commodity Bank**
  - Leadership in oil exports financing with circa. 6 to 8 millions bbl per day financed through documentary operations
- **Best global Trade Finance provider**
- **Best Project Finance House**
  - Among the Top 3 Global Project Finance Mandated Lead Arrangers with 3.8% market share
- **Aircraft Finance innovator of the year**
  - N°1 worldwide arranger of ECA-backed aircraft financing solutions
- **A leading Export Finance Bank**
  - 12.3% market share as Mandated Lead Arranger in ECA-backed loans
- **One of the Top 3 Shipping Finance institutions**
  - 6.1% market share in Syndicated Shipping Loans
  - Most innovative Shipping Finance Deal 2006

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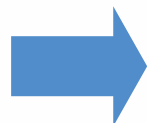
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# Unparalleled know-how to manage distinctive risks

- **Focus on strategic commodities in emerging markets**
  - ECEP did not record any loss during South-East Asia and Russia crises
- **Highly collateralized Commodity Finance transactions**
  - Collateral Management segregated from front-office and controlled by an independent Collateral Control Team
- **Attention given to the control of Operational Risk**
  - Documentation monitoring
- **Importance granted to procedural and regulatory compliance**
  - “Know Your Customer” rules strictly applied
  - Regular staff training
- **Credit Management function independent from front-office**
- **Hands-on management of sensitive assets**
  - This has led to the almost complete recovery of Project Finance US doubtful portfolio (Merchant Power sector)

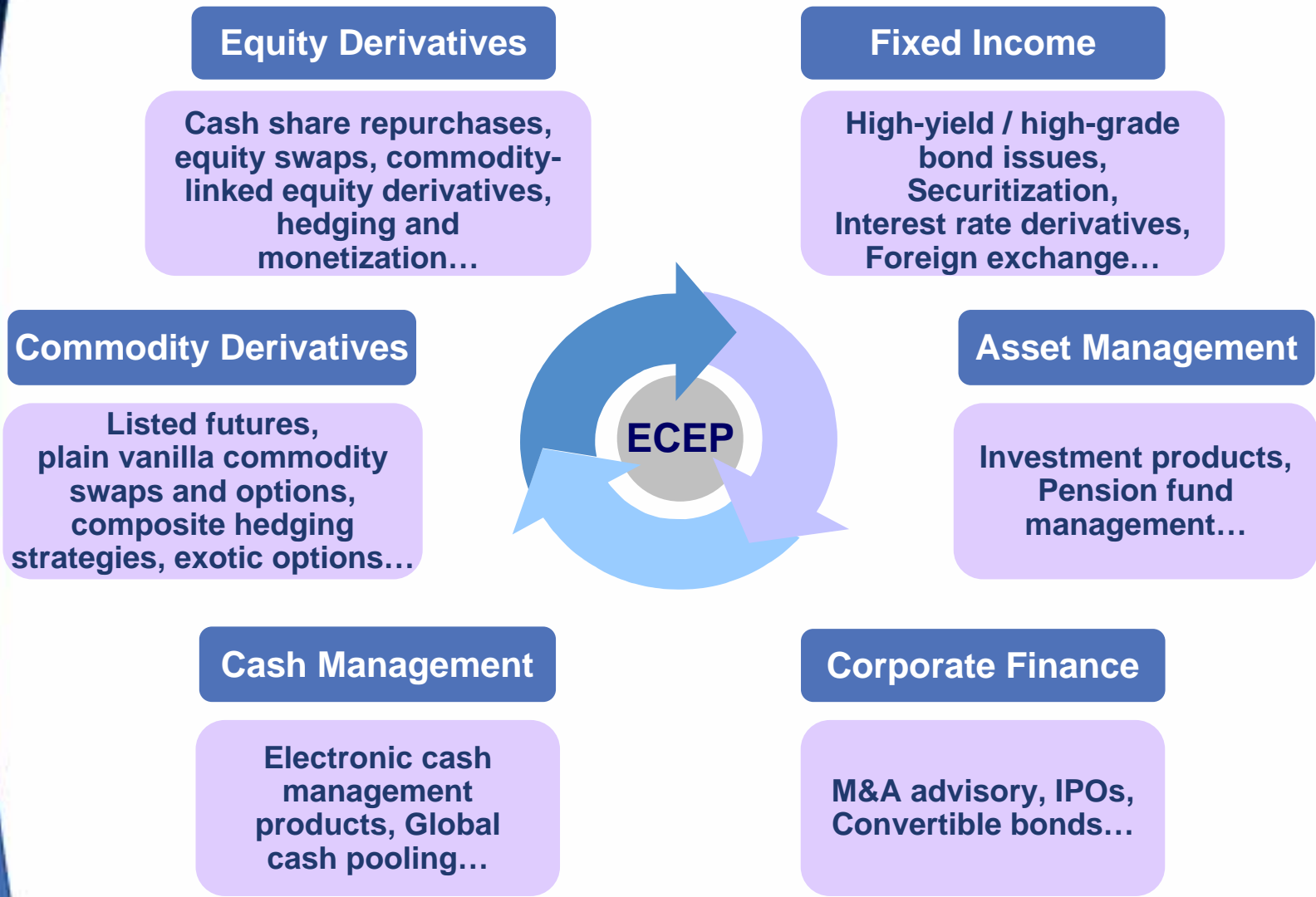


**Proven track record**

**Competitive advantage**

# Creating value for CIB and BNP Paribas overall

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# Focus on Commodity Derivatives

- **Commodity Derivatives includes two complementary risk management activities...**
  - **Futures brokerage (platforms in London and New York)**
  - **Commodity-Indexed Trading: OTC derivatives trading**
- **... providing commodity price risk management solutions**
  - **The brokerage team executes & clears futures (ICE, LME, NYMEX, NYBOT...)**
  - **The OTC group acts as principal, transacts swaps and options with clients under bilateral ISDA agreements; client-driven market-making activity**
  - **Strict segregation of duties in place between the two activities**
- **A Leading Position in the Derivatives Marketplace**
  - **Experienced 130+ sales & trading staff in London, New York and Singapore**
  - **A focus on all commodities**
    - **Energy products: Crude Oil, Oil products, Natural gas, European Power**
    - **Base Metals: non-ferrous metals, precious metals**
    - **Soft commodities**
  - **A wide range of instruments and structured hedgings offer**
  - **An expansion of the business model from corporate customers to a new class of investors (hedge funds, institutions...) leveraging off our Equity Derivatives platform**



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## A pioneering role in emerging markets on behalf of CIB

- Most underground reserves of commodities are located in emerging countries while consumption is in industrialized countries
- Commodity producers in emerging countries need tailor-made financing solutions as they have a limited access to international capital markets
- ECEP has built extensive relationships with large strategic commodity producers located in emerging countries
- Our know-how enables us to move forward through the range of financing products...

Commodity Trade Finance



Commodity Structured Finance



Commodity Corporate Finance

- ... eventually opening the door to other CIB products, as the country and the clients become more sophisticated

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# An evolving business environment

## ■ Current high-cycle environment

- Commodity prices trends highly dependent on global economic growth
- Short-term evolution contrasted and sometimes erratic

- ✓ Proven resilience to such factors
- ✓ Reduced importance of short-term commodity trade finance

## ■ New competitors, generally unfamiliar with our sectors

- Cash-rich industries and abundant liquidities are driving pricing down
- Limited know-how of new entrants, accepting lower standards

- ✓ However, clients are returning to industry leaders in awarding business (quality of service, product and value delivered)

## ■ Increasingly blurry boundaries

- Industrialized vs emerging countries, at least in BRIC+
- E&C structured financing products (pre-export financing, reserve-based lending, project finance...)

- ✓ Leveraging off our longstanding relationships with emerging countries clients by offering added-value products to accompany them in their development

## ■ Societal requirements

- Climate change
- Sustainable development
- Clean energy

- ✓ We are a leader in the financing of renewable energy projects

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# Strategic overview

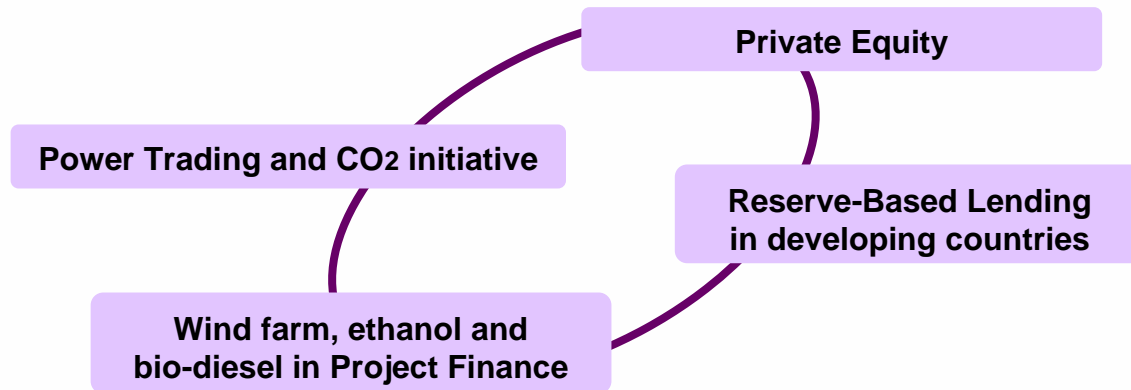
## Pursue our geographical development in selected areas

- Asia: a region in expansion where significant investments have been carried out (Commodity Finance China, India...)
- Middle East / Africa: an area where margins are still attractive
- Russia and ex-CIS: still a strong potential on the E&C side

## Position ourselves along new export flows

- Expand our relationships with Export Credit Agencies located in new industrialized countries

## Further grow our Energy & Commodities franchise



## Continue to favor the development of structured products

## Accelerate our transition towards being a global solution provider

- Remain close to our clients as their needs are diversifying



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