



Overview & Investment Thesis:

- In Europe, BNP has four domestic markets: Belgium, France, Italy and Luxembourg with 20% to 30% market shares, depending on products and segment.
- BNP Paribas Personal Finance is a European leader in consumer lending.
- BNP is rolling out its integrated model across Europe and already has a large network in the western part of the US (BancWest).
- In its Corporate and Investment Banking and Investment Solutions activities, BNP enjoys top positions in Europe, a strong presence in the Americas and solid and fast growing businesses in Asia.
- Throughout the financial crisis, BNP did not sustain a yearly loss due to its diversified risk profile.
- #1 bank in the Eurozone by deposits.
- Integration of Fortis is ahead of original schedule and is generating cost synergies across BNP which are now expected to be €0.7 billion in 2011, rising to €1.2 billion in 2012 with one off restructuring costs of €1.65 billion.

Retail Banking

- BNP generated 36% of its 2010 revenues from retail banking, with a strong international presence in the sector. In all, BNP's retail banking activities employs more than 146,500 people in a total of 52 countries. These activities include branch networks (particularly across its four domestic markets) and a range of other specialized financial services. # of branches: France 2,255; Italy 860; Belgium/Luxembourg 1,014.
- The banking networks serve more than 16 million clients in almost 6,000 branches throughout the world. These branches offer a wide range of financial products and services to individuals and companies alike.
- BancWest has 769 branches, serves some 5 million client accounts and ranks as the 7th largest commercial bank in the western US by deposits. Returned to profit in 2010 and is now consolidating a sustainable improving profit trajectory.
- Poland (240 branches) and Turkey (640 branches) offer demographically attractive markets with encouraging GDP growth outlook.

Corporate & Investment Banking

- Corporate & Investment Banking (CIB) provides financing, advisory and capital markets services. It is a globally recognized leader in two areas of expertise: derivatives on all asset classes and structured financing.
- CIB has 20,400 employees, present in 53 countries and 13,000 corporate clients.

Investment Solutions (Wealth Management)

- Investment Solutions provides the complete portfolio of integrated investment solutions available from the BNP Paribas Group for both private and institutional investors. It comprises businesses active in gathering, managing, growing, protecting and administering savings and assets.
- Investment Solutions comprised 6 complementary businesses (Private banking, Asset management, Online savings & trading, Securities services, Real estate services and Insurance). These businesses are an integral part of the solutions available to BNP Paribas group clients.
- Through organic growth and targeted acquisitions these businesses are rapidly strengthening their coverage of Europe as well as promising emerging markets, across India, Asia and the Middle East.
- Due to a broad range of high value-added products and services, Investment Solutions covers all the needs of its investor clients - private clients, high net worth individuals, businesses and institutionals, as well as distribution partners.
- Investment Solutions is a top-tier international player. Its footprint covers 61 countries with 29,900 people and derives more than 50% of its revenues from business outside France.
- Total assets under management of € 820 billion.
- Top 5 global provider of custody/security services: assets under custody of € 4.6 trillion.
- Insurance business continues to experience good asset inflows both in and outside France.

Business Description:

BNP Paribas SA ("BNP") is a European leader in global banking and financial services and one of the strongest banks in the world. Present across Europe through all its business lines, BNP has four domestic retail banking markets in France, Italy, Belgium and Luxembourg. It has one of the largest international networks with operations in more than 80 countries and 204,600 employees, including over 162,000 in Europe, 15,000 in North America, 12,000 in Asia, 4,000 in South America and 9,000 in Africa. BNP has key positions in its three core businesses: **Retail Banking, Corporate & Investment Banking and Investment Solutions**. In 2006, BNP acquired BNL, Italy's then 6th largest bank and in 2009 took control of Fortis Bank and BGL (Banque Generale du Luxembourg) thereby creating a European leader in retail banking.

Industry Growth Drivers/Trends:

- Four-pronged domestic and US retail reach offers attractive growth dimensions to improve mix, margin and share of wallet. The domestic markets of France, Italy, Belgium and Luxembourg are robust with low private sector debt and high savings rates which provide opportunities to grow and reap economies of scale.
- Ongoing consolidation in financial services sector aligned with capital generation exceeding organic deployment has engendered acquisitive acumen with excellent integration skills.
- Opportunistic acquisitions of BNL (Italy) and Fortis (Belgium) capitalize on caliber of management to integrate, technologically upgrade and efficiently drive up profitable market shares in mature markets. Synergies from Fortis integration constitute another growth driver.
- Demographic and secular trends will increase demand for wealth and asset management services. Trends include growth in the size of financial markets, aging populations, the privatization of welfare provision and intergenerational wealth transfer, outsourcing of pension assets and increased cross-border investing.
- Growing financial markets and cross-border investing increase wholesale (payments, cash management and custody) services.
- The investment banking market has been purged of weaker participants with regulators favouring integrated, diversified business models. Although such concentration is akin to an oligopoly (with structural benefits to the largest), it is likely to yield partially to boutique 'pure play' investment banks which will not be required to be so strongly capitalized.
- Disintermediation and securitization have been substantially replaced by the need to deleverage balance sheets. Going forward, and in our view, growth drivers will more likely be the effects of globalization as firms expand international operations around the globe to tap into new markets and; privatization which increases the supply of equity and causes demand for capital to grow.

Competitive Advantages:

- Four leading domestic market shares and brand recognition; fully integrated network enables significant cross selling opportunities.
- Leading eurozone deposit gatherer.
- Attractive global portfolio of businesses and risk profile.
- Patient, long term focus upholds value of opportunistic/distressed asset purchasing prowess.
- Strong franchises result from focus on distribution (large branch networks) and vertical strategy of establishing competitive businesses with critical mass.

Competitors:

- Pan European: Credit Agricole, Societe Generale, Banco Santander, BBVA, Intesa San Paolo, Unicredit, RBS.
- Global Investment Banks: JPMorgan, Morgan Stanley, Deutsche Bank, Bank of America, Merrill, Barclays.
- Global Wealth Managers/Custody Banks: UBS, Credit Suisse, Northern Trust, State Street, Bank of New York Mellon.

Barriers to Entry:

- Governance and regulatory compliance costs include Basel III, I.T. and European competition law.
- Extensive European and US branch network and global investment banking capability - prohibitively expensive to replicate.

Customers:

- Global customers and business base.
- No single customer contributes significant amount to total revenue.



Officers and Directors:

On December 1, 2011, after 8 1/2 years as CEO and 28 years with BNP, Baudouin Prot assumes the position of Chairman. Jean-Laurent Bonnafé will take over as CEO having served as COO since 2002 and joined the group in 1993. No significant change in strategy is expected with a continuing emphasis on retail over wholesale banking. Georges Chondron de Courcel is COO; Philippe Bordenave, CFO; Francois Villerooy de Galhau, head of French Retail Banking; Alain Papiasse, head of Corporate and Investment Banking; and Jacques D'Estais, head of Investment Solutions.

Board of Directors:

- **18 member board** – of which 11 are non-executive and independent and 2 are elected by BNP employees.
- Directors are from a diverse range of backgrounds including: engineering, academia, retail, financial and legal services, information technology, construction and automotives.
- Members of the Board's Governance and Compensation committees are independent, chaired by Claude Bebear (Chairman of Axa) and Denis Kessler (CEO of Scor) respectively.

Ownership:

SFPI (acts on behalf of Belgium gov't) 10.7%; Axa 5.1%, Fidelity 1.5%, Grand Duchy of Luxembourg 1.1%; Capital Research 0.9%; Vanguard 0.8% and employees 5.8%.

Capital Allocation Uses:

Growth has been both acquisitive and organic - with an above average execution track record and well respected management team. During the financial crisis, management displayed opportunism in acquiring Fortis and are now to form a joint venture in Russia with Sberbank to sell consumer finance via Russia's largest retail network, competing directly with Societe Generale. BNP also has business development plans for both Poland and Turkey and in the US intends to leverage BNP's scale to maximize synergies. BNP remains focused on risk adjusted returns rather than growth. At March 31, 2011 its return on equity had improved to 15.1% and its Core Tier I capital increased to 9.5% (albeit estimated at 8.8% under latest Basel III requirement to be implemented in 2012) and its book value and net tangible book value had increased to €57.7 and €46.4 respectively - testimony to its organic generation of capital to support its growing business. After cutting the dividend in 2008 a progressive dividend policy has now been reinstated.

Key Products:

- Best Global Commodity Finance Bank (Global Trade Review).
- Structured Products House of the Year (Structured Products magazine).
- Most Innovative Bank in Foreign Exchange (The Banker).
- Equity Derivatives House of the Year (Euromoney).
- #1 private bank in Europe & Luxembourg and #6 worldwide (Euromoney).
- #1 online broker.
- European leader in securities services (assets under custody).
- World leader in creditor insurance.
- #5 European Asset Manager in Europe (assets under management).

Business Mix:

Net Income	2008	2009	2010
French Retail	42%	16%	13%
Italian Retail	16%	6%	3%
Belgium & Luxembourg Retail	-	1%	5%
Personal Finance & Other	44%	2%	15%
Wealth (Investment Solutions)	33%	16%	15%
Corporate & Investment Banking	(67%)	47%	20%
Financing (wholesale)	37%	7%	21%
Proprietary Asset Management	(5%)	4%	7%

Geographic Mix	2008	2009	2010
France	89%	34%	35%
Other Europe	6%	42%	44%
Americas	3%	14%	13%
Asia	1%	5%	5%
Rest of World	1%	4%	4%

Credit Exposure	2008	2009	2010
Retail	29%	28%	30%
Financial Institutions	19%	16%	14%
Gov't & Central Banks	11%	17%	15%
Utilities & Energy	6%	6%	5%
Transport & Logistics	3%	3%	4%
Communication & B2B	6%	6%	5%
Wholesale & Trading	4%	5%	6%
Metals & Mining	3%	2%	2%
I.T., Electronics & Equipment	3%	3%	3%
Real Estate	3%	3%	4%
Other	13%	11%	12%

Interest Earning Assets	2008	2009	2010
Treasury	9%	9%	8%
Loans to banks, deposits	3%	4%	3%
Gross Loans to customers	24%	34%	35%
Trading Assets	58%	47%	48%
Debt Securities	5%	6%	5%
Customer Loans/Deposits	119%	112%	118%

Financial Statement Summary: (\$MM, years ended December 31)

Income Statement	2008	2009	2010
Net Interest Income	13,498	21,021	24,060
Other Income	13,878	19,170	19,820
Provisions for Credit Losses	(5,752)	(8,369)	(4,802)
Non-Interest Expenses	(18,400)	(23,340)	(26,517)
Taxes	(472)	(2,526)	(3,856)
Net Income	3,021	5,832	7,843
EPS	2.99	5.20	6.33
Diluted EPS	2.97	5.20	6.32
Dividend per Share	0.97	1.50	2.10

Balance Sheet	2008	2009	2010
Common Equity	53,228	69,501	74,632
Book Value per Share	45.68	51.93	55.62
Tangible Book Value per Share	34.85	42.59	46.12

Key Profitability Ratios and Figures:

Y/E December 31	2008	2009	2010
Tier 1 Core Common Equity Ratio	5.4%	8.0%	9.2%
Tier 1 Capital Ratio	7.8%	10.1%	11.4%
Total Capital Ratio	11.1%	14.2%	14.5%
Efficiency Ratio (Costs / Income)	67.2%	58.1%	60.4%
Provision for Credit Losses % of Average Loans	1.2%	1.2%	0.7%
Loan Loss Reserve as % of gross Loans	3.5%	4.2%	4.4%
Loan Loss Reserve as % of Impaired Assets	186%	133%	127%
Return on Average Equity	6.6%	10.8%	12.3%
S&P Senior Rating of Debt	AA+	AA	AA

Sourced from 2010 Annual Report.

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