

RPIC 2015

Anatomy of a P3 (Risk)

November 2015

NBFG and NBF Overview



National Bank Financial Group (“NBFG”)

- Asset base of \$215.6 billion
- Tier 1 Capital Ratio of 9.5% (Basel III)
- Market capitalization of \$14.8 billion
- ~20,100 employees
- Schedule I bank
- 150 years of operations in Canada



National Bank Financial (“NBF”)

- 100% owned subsidiary of National Bank of Canada
- Offices in Toronto, Montréal, Calgary, Vancouver, New York, Hong Kong, and London
- Leading retail distribution network with \$96 billion of assets under management
- Over 2,500 employees

Investment Banking

- One of Canada’s largest and fastest growing integrated investment banks
- Full-service national firm with operations in Toronto, Montréal, Calgary and Vancouver

Equity Capital Markets

- Market share has doubled since 2001 with over 345 Lead managed underwritings since 2001
- Approximately \$22 billion in capital raised since 2001 as Lead and Co-Lead

Debt Capital Markets

- #1 ranked corporate trading team for Overall Quality of Trader Service (Brendan Wood International)
- Top-ranked trader of government bonds (IDA statistics)

Credit Capital Markets

- Lending relationship with 400+ corporate clients
- Infrastructure, acquisition, and traditional operating credit and term financing
- Billion+ bank debt underwriting capacity

Derivatives & Capital Markets

- Equity, Interest Rate, Commodity and Foreign Exchange groups
- Risk management, structured products and structured funding transactions
- Over \$4.9 billion in structured products issued
- Winner of 2012 Structured Products House of the Year for Canada by Structured Products magazine
- Client base includes institutional, corporate, retail and High Net Worth individuals

NBF is an Integrated National Firm

NBF Infrastructure and Power Project Finance

Background

Infrastructure Finance at NBF

- NBF leads with a team that has a proven, market leading track record of success and breadth of experience
- Since 2004, NBF professionals have closed 49 infrastructure transactions in North America with a transaction value of ~\$31.7 billion

Value Proposition

- Full service - success based
 - Advisory-led with ability to offer bank/bond financings and other products (hedging/swaps, structured notes, etc.) to transactions
 - Client-first advice and objectivity
- NBF relationships
 - NBF provides ready access to key infrastructure market stakeholders, including all relevant sources of funding
- Reliability
 - NBF presence significantly improves execution certainty
- NBF has positioned itself as a leader in the underwriting of project finance rated bonds, unrated private placement issues and bank construction financing
 - Sole, rated bond underwriting for up to \$1.25 billion
 - Sole, unrated private placement bond underwriting for up to \$200 million (up to \$300 million with a partner)
 - Bank lead underwriting for up to \$500 million; club participations for up to \$200 million

Infrastructure Products and Services


















- Advise on commercial and financial transaction structures
 - Analyze tender and project documents for risk allocation and mitigation
 - Prepare, run and maintain project transaction models and related sensitivities
 - Design, execute and evaluate funding competitions on behalf of sponsors/investors
 - Manage due diligence process including interface with project technical advisors
 - Insurance, technical, lifecycle, tax, etc.
- Debt underwriting commitments (rated/unrated project bonds, bank construction and mini-perm financing)
- Related products including swaps, structured notes, etc.

NBF Funding / Arranging Activity

- In the last 36 months, NBF has arranged:
 - Institutional private placement commitments totalling \$2.5 billion
 - Bank debt financing totalling \$4.1 billion
 - Bond underwriting commitments in excess of \$6.6 billion

NBF Infrastructure and Power Project Finance

Select Closed Infrastructure Transactions




<p>October 2015</p>  <p>\$186,660,328</p> <p>Co-Lead Underwriter and Financial Advisor for the North Commuter Parkway Project</p>	<p>October 2015</p>  <p>\$227,800,000</p> <p>Bond Placement Agent for the South Fraser Perimeter Road Refinancing</p>	<p>October 2015</p>  <p>\$311,700,000</p> <p>Co-Underwriter and Sole Bookrunner for the MU Wind Farm Project</p>	<p>September 2015</p>  <p>\$181,087,000</p> <p>Co-Underwriter and Financial Advisor for the Saskatchewan Hospital North Battleford</p>	<p>August 2015</p>  <p>\$1,167,031,000</p> <p>Co-Lead Underwriter and Financial Advisor for the Regina Bypass Project</p>
<p>July 2015</p>  <p>\$1,274,869,000</p> <p>Co-Lead Underwriter and Co-FA for the Eglinton Crosstown LRT Project</p>	<p>June 2015</p>  <p>\$195,341,000</p> <p>Co-Lead Underwriter and Financial Advisor for the AMT Maintenance Facility Project</p>	<p>June 2015</p>  <p>\$1,832,101,000</p> <p>Co-Lead Underwriter and Co-Financial Advisor for the New Bridge for the St. Lawrence Corridor Project</p>	<p>March 2015</p>  <p>\$325,600,000</p> <p>Sole Underwriter and Sole Bookrunner for the Grand Bend Wind Project</p>	<p>September 2014</p>  <p>\$92,916,000</p> <p>Co-Underwriter, and Sole Bookrunner for the Tretheway Creek Hydro Power Project</p>
<p>June 2014</p>    <p>\$231,523,000</p> <p>Financial Advisor and Co-Lead Underwriter for the North Island Hospitals Project</p>	<p>February 2014</p>  <p>\$299,183,000</p> <p>Co-Lead Underwriter for the John Hart Generating Station Replacement Project</p>	<p>November 2013</p>  <p>\$324,512,000</p> <p>Lead Underwriter for the Providence Care Hospital Project</p>	<p>September 2013</p>  <p>\$390,000,000</p> <p>Co-Underwriter for ten Solar Farms</p>	<p>July 2013</p>  <p>\$265,700,000</p> <p>Financial Advisor and Underwriter for Sorel-Tracy Detention Centre Project</p>

NBF is a Leading Advisor, Underwriter and Arranger for Infrastructure Projects in Canada

NBF Infrastructure and Power Project Finance Project Awards

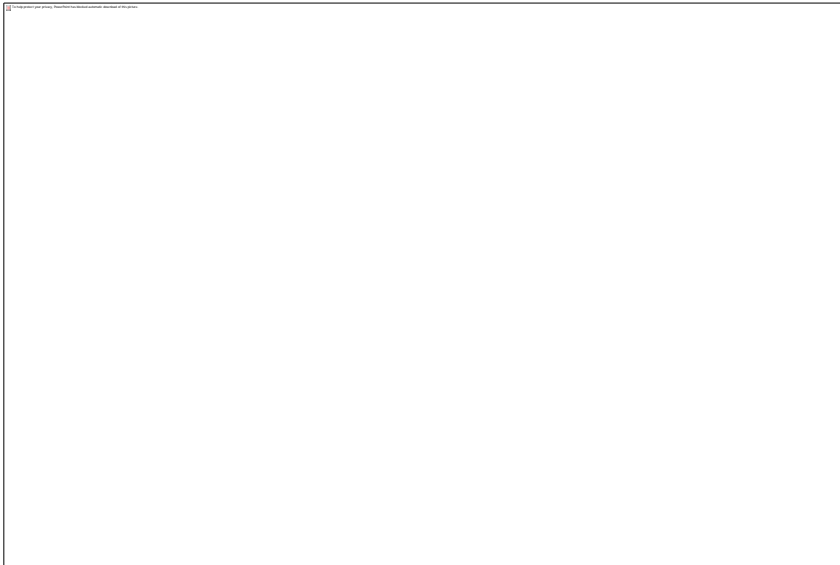
National Bank Financial Markets,
the leading financial partner
to infrastructure / project finance
corporations

Selected 2015 Landmark Infrastructure Transactions













<p>August 2015</p> <p>\$1,167,031,000</p>  <p>Regina Bypass</p> <p>Co-Lead Underwriter and Financial Advisor</p>	<p>July 2015</p> <p>\$1,274,869,000</p>  <p>Eglinton Crosstown LRT</p> <p>Co-Lead Underwriter and Financial Advisor</p>	<p>June 2015</p> <p>\$1,835,101,000</p>  <p>New Bridge for the St. Lawrence</p> <p>Co-Lead Underwriter and Financial Advisor</p>
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Top 10 Financial Advisors - Q3 2015 ⁽¹⁾

"Q3 was another stellar quarter for National Bank of Canada, which again took the number one spot in the global financial adviser rankings" - Inspiratia (October 2015)



Infrastructure and Project Finance Awards

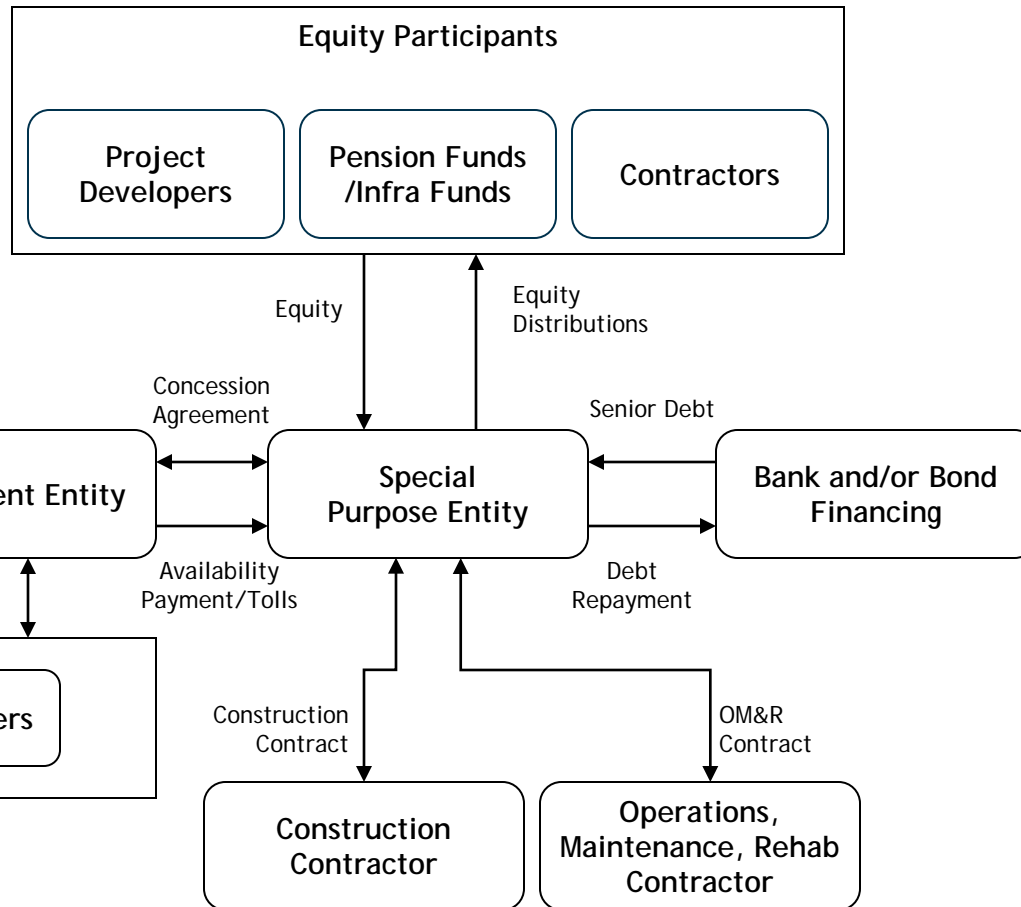
<p>October 2015</p>  <p>Gold Award Winner - Effective Procurement</p> <p>New Bridge for the St. Lawrence Project</p>	<p>October 2015</p>  <p>Gold Award Winner - Innovation and Excellence</p> <p>Eglinton Crosstown Light Rail Transit Project</p>	<p>October 2015</p>  <p>Gold Award for Best Social Infrastructure Project</p> <p>Sorel-Tracy Detention Centre Project</p>	<p>October 2015</p>  <p>Silver Award for Best Social Infrastructure Project</p> <p>North Island Hospitals Project</p>
<p>March 2015</p>  <p>North American Social Infrastructure</p> <p>North Island Hospitals Project</p>	<p>October 2014</p>  <p>Gold Award Winners - Project Financing</p> <p>John Hart Station Replacement Project</p>	<p>October 2014</p>  <p>Silver Award Winner - Infrastructure Sustainability</p> <p>North Island Hospitals Project</p>	<p>October 2014</p>  <p>Silver Award for Best Rail / Transit Project</p> <p>The Confederation Line Project</p>
<p>October 2014</p>  <p>Gold Award Winners - Infrastructure</p> <p>St. Thomas Consolidated Courthouse Project</p>	<p>March 2014</p>  <p>Deal of the Year 2013 - Light Rail Deal</p> <p>The Confederation Line Project</p>	<p>October 2013</p>  <p>Gold Award Winners - Transportation Innovation</p> <p>The Confederation Line Project</p>	<p>October 2013</p>  <p>Silver Award Winners - Project Financing</p> <p>Northeast Anthony Henday Drive Project</p>

(1) Source : Inspiratia.

Typical Project Risk Structure

Typical Infrastructure Project Finance Transaction Structure

Design, Build, Finance, and Maintain Project Structure



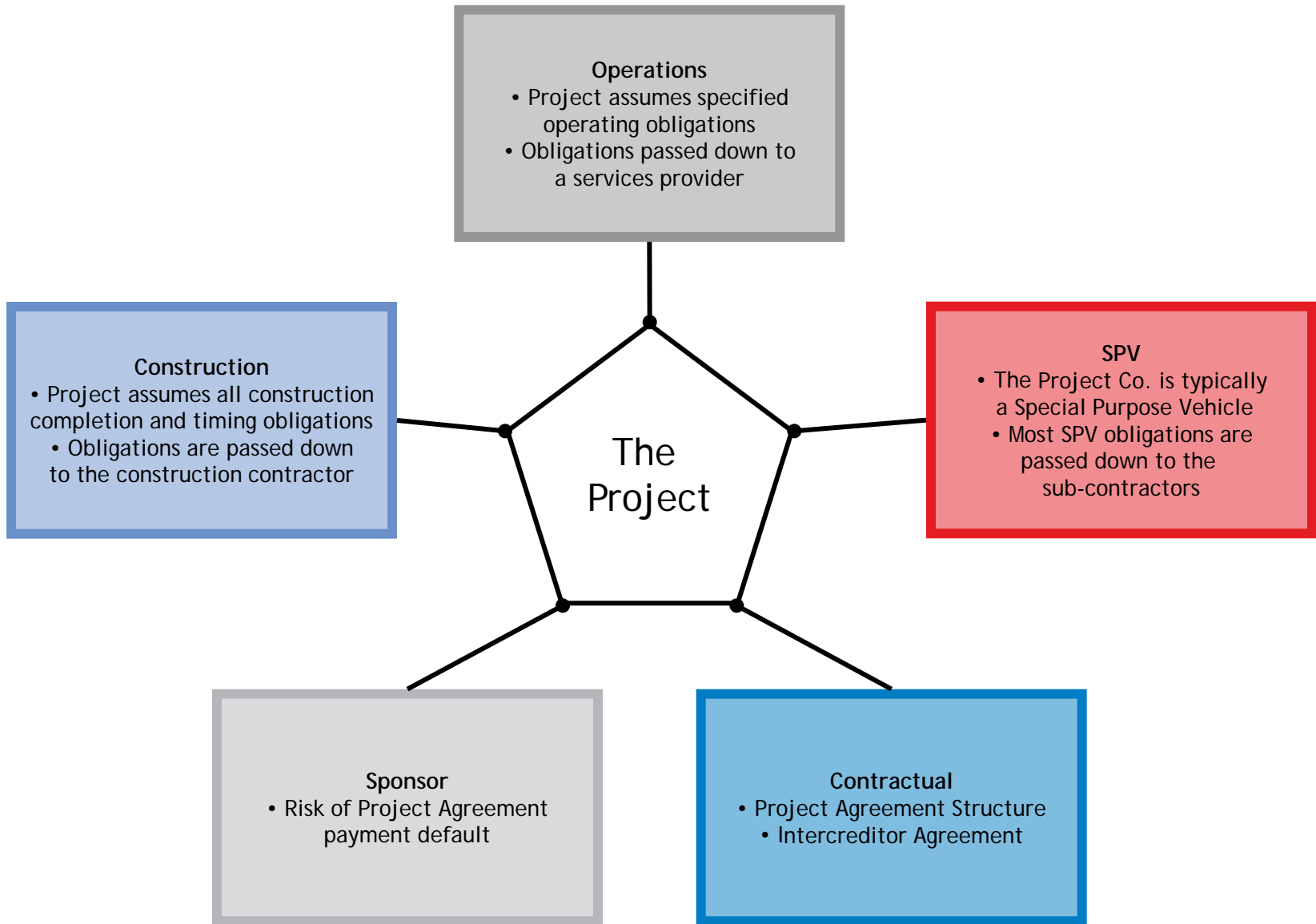
Benefits of Financing Model

- **Maximum leverage to produce lower project WACC**
 - Opportunity to leverage equity investment
 - [Off-balance sheet treatment of debt financing]
 - Avoids negative impact of the project sponsor's credit
 - Circumvent any covenants on the sponsor's obligations
 - Credit risk of project may be more highly rated than that of sponsors
 - Potentially better tax treatment for the project, the sponsors, or both
 - Permits lenders to evaluate project on stand-alone basis
- **Essential Infrastructure**
 - Hospitals
 - Roads/Bridges
 - Prisons
 - Schools
 - Rapid Transit
 - Courthouses

Infrastructure Project Finance - Key Agreements and Payment Regime

Project Agreement	<ul style="list-style-type: none">■ The Project Agreement is the principal agreement that is entered into between Project Co and the Government Sponsor and governs the design, construction, financing, operation and maintenance of the Project■ Specifies all major aspects of the project, including risk allocation (i.e. construction & operation requirements, payment mechanism, events of default, compensation on termination, etc.)
Direct Agreement	<ul style="list-style-type: none">■ Entered into between the Government Sponsor and Lenders■ Gives the Lenders the right to step in and operate the project if Project Co fails to perform
Loan Agreement	<ul style="list-style-type: none">■ Entered into between the Lenders and Project Co■ Stipulates the terms and conditions of the loan (i.e. amount, drawdown conditions, pricing, repayment schedule, maturity)
Equity Contribution Agreement	<ul style="list-style-type: none">■ Entered into between the Equity Provider and the Project Co■ Stipulates the terms and conditions, as well as timing of the equity injection
Construction Contract	<ul style="list-style-type: none">■ Entered into between the Construction Company and Project Co■ Construction Co undertakes the design (if applicable), construction, and commissioning of the Project■ Turnkey, fixed-price, date-certain design-build (design if applicable) agreement
Services Contract	<ul style="list-style-type: none">■ Entered into between the Service Provider and Project Co■ Service Co undertakes the operation and maintenance of the project and all of the associated risks
Milestone Payments	<ul style="list-style-type: none">■ Payments by the Government Sponsor during construction phase of the project
Completion Payment	<ul style="list-style-type: none">■ Payment by the Government Sponsor at completion of construction■ Interim payment may be paid upon completion of a specified phase of construction work
Annual Availability Payment	<ul style="list-style-type: none">■ Payment by the Government Sponsor on an annual basis to recover project costs<ul style="list-style-type: none">➢ Including: capex, construction, lifecycle, operating, and financing costs■ Provides return on economic capital (equity investor)

P3 Project Risk Analysis - 5 Key Risks



Risks, Mitigants and Due Diligence

The majority of P3 and infrastructure projects contain some or most of the following risks:

Construction Period

- Planning, permits, licenses and approvals
- Design risk
- Construction schedule
- Construction price
- Geotechnical and environmental review

Operating Period

- Input cost risk
- Facilities management
- Lifecycle cost
- Payment mechanism (deductions for poor performance)

- Risks are mitigated by transaction structural features, selection of strong and capable contractors, and adequate security packages for both the construction and operating periods

The following factors should be considered as part of a due diligence review of P3 and infrastructure projects:

Sponsor Due Diligence

- How long has the Sponsor been in existence
- Details of their existing portfolio
- Have they worked with other members of the Consortium on similar transactions
- Financial strength and credit profile
- Are they a financial player or a “take and hold” type investor

Construction Contractor Due Diligence

- Breadth and depth of their overall and P3 experience
- Are they also an investor in this project
- What is their current backlog
- Have they worked with other member of the Consortium on similar transactions
- Financial strength and credit profile
- Bonding capabilities
- Geographic relevance

Service Provider Due Diligence

- Breadth and depth of their overall and P3 experience
- Previous work with other members of the Consortium
- Financial strength and credit profile
- Geographic relevance

- NBF Infrastructure Team assists lenders with their due diligence and does most of the “heavy-lifting”

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