

GREEN DIESEL: A BANKER'S PERSPECTIVE

**PRESENTED TO
TOOLS AND INCENTIVES FOR GREEN
DIESEL TECHNOLOGY: LOWER EMISSIONS,
HIGHER PROFITS**

By Rob Hart
Senior Vice President
Surface Transportation
LaSalle Bank
September 6, 2006

LASALLE IS A BIG BANK AND A KEY PART OF A GLOBAL BANK – ABN AMRO NV

ABN AMRO: Well-Positioned Bank (1)

	Ranking
Total assets	
- Worldwide	16
- European	10
Tier One Capital	
- Worldwide	20
- European	11

Solid Credit Rating

	Long-term
Moody's	Aa3
Standard & Poor	A+
Fitch IBCA	AA-

Global Resources

Employees worldwide	98,835
Branches and offices	3,000+
Countries/territories	58

Strong Balance Sheet

	EUR (bn)
Total assets	880.8
Group capital	43.2
Risk weighted assets	257.9

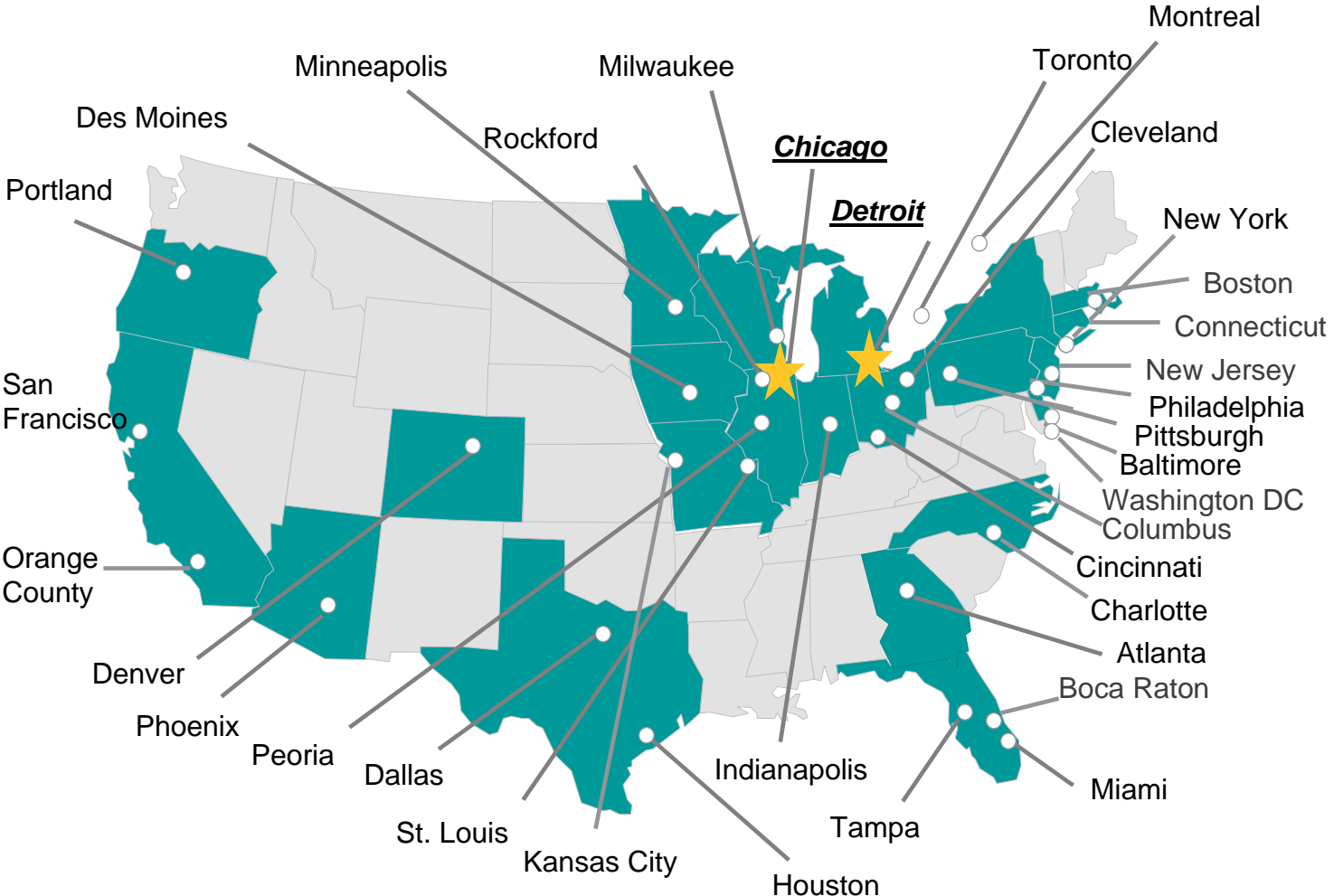
Overview of LaSalle Bank

- LaSalle Bank is the nation's 15th largest bank as of December 31, 2005
- LaSalle has approximately \$114 billion in assets and over 17,000 employees in the U.S.
- LaSalle conducts business under the names of LaSalle Bank and LaSalle Bank Midwest (Michigan)
- LaSalle has a 75+ year history of serving corporate clients
- LaSalle offers a full range of banking products and services including Domestic Treasury Management, International Cash Management, Foreign Exchange, Risk Management Products, and Corporate Trust Services

Subsidiary of ABN AMRO Group

- ABN AMRO was founded in 1824
- ABN AMRO maintains North American headquarters in Chicago
- ABN AMRO has assets in excess of €880 billion (\$1.07 trillion) as of December 31, 2005
- ABN AMRO is ranked by total assets as the 16th largest bank in the world
- ABN AMRO maintains a solid credit rating with long-term ratings of Aa3/A+
- ABN AMRO operates in over 3,000 locations, in over 58 countries and territories, and has continued to build a major U.S. presence over the past 50 years
- As a member of the ABN AMRO Bank, LaSalle provides access to a wealth of resources across the globe

LASALLE BANK



SURFACE TRANSPORTATION

TARGET: FOR PROFIT FREIGHT TRANSPORTATION CARRIERS AND RELATED COMPANIES

- **Trucking**
- **Railroad, Rail Supply, Rail Equipment Lessors**
- **Container Lessors**
- **Marine**
- **Logistics**

TARGET MARKET: US/CANADA

BEGUN IN 1993 WITH ABN AMRO, THEN LASALLE IN 2000

- **Committed to industry regardless of cyclicalities**
- **Senior bankers: collectively 180 years of banking and transportation experience**

COMMITMENTS: \$1.1 BILLION

RAILROAD AND RAIL SUPPLY

Significant public company relationships include:

- CSX (CSX)
- Florida East Coast Industries (FLA)
- FreightCar America (RAIL)
- Genesee & Wyoming (GWR)
- Kansas City Southern (KSU)
- LB Foster Company (FSTR)
- Union Pacific Corporation (UNP)
- WABTEC (WAB)



TRUCKING

Significant public relationships include:

- YRC Worldwide (YRCW)
- CNF Inc. (CNF)
- Swift (SWFT)
- J.B. Hunt (JBHT)
- Covenant Transport (CVTI)
- Smithway Motor Express (SMXC)



Covenant Transport



WHAT DOES GREEN DIESEL MEAN TO ME?

Diesel engine technologies that:

- Reduce exhaust emissions that hurt air quality
- Improve fuel efficiency
- Both of the above

These can be:

- **DRAMATIC:** Hybrid locomotives
- **INCREMENTAL:** Regulatory compliance products (Tier 0, Tier 1, Tier 2, etc.)

GREEN DIESEL AND CREDIT ANALYSIS

Two scenarios:

- **Lending to companies that design and manufacture green diesel applications**

EXAMPLE: Hybrid locomotive manufacturer

- **Lending to companies that use green diesel applications**

EXAMPLE: Trucking company buying the 2007 engine

.....How does an OCC regulated commercial lender like Rob think about lending money in each scenario?

A BRIEF PRIMER ABOUT CREDIT ANALYSIS: To Lend or Not to Lend, that is the Question!

Risk v. Reward

What are the risks that the Borrower won't repay the Bank?

- **Business Risk**
- **Financial Risk**

Primary Source of Repayment? Free Cash Flow

Secondary Source of Repayment? Collateral

The lending decision:

- **Given the risks, why make the loan (“the rationale”)?**
- **Risks can be mitigated by:**
 - **Facts**
 - **Structure**
 - **Both**

CREDIT AND GREEN DIESEL MANUFACTURERS

Is product proven?

- Does it work?
- What drives demand? Short term and long term?
- Is it price and performance competitive?
- Can it be produced profitably?

Is management competent and/or experienced?

Are financial controls and reporting in place?

Does the company have access to other forms of capital?

Is company dependent on one customer or supplier?

Is the company dependent on just the green diesel product?

Does it have a defensible niche?

CREDIT AND GREEN DIESEL USERS

Compliance with regulations is mandatory

Companies perceive that mandates:

- **Increase capital cost of equipment**
- **Increase operating expense**

Aggregate effect of mandates can reduce free cash flow

....Does it matter to the banker?

Yes, especially if:

- **Company's profit margins are thin**
- **Company's financial condition is weak**
- **Company's access to capital is limited**

....But, is it a deal breaker?