Debt Investor Relations

Debt book related information and questions and answers

Topics

The majority of the information in this pack is from public sources and can be disclosed to debt investors.

Any non-public information, which cannot be disclosed to investors, is clearly shown by a red border.

Gearing and financial framework

1. When did BP's gearing target move to 10%/20% and how was this level of gearing determined?

BP reviewed its target gearing band following the financial shock the Group endured as a consequence of the Deepwater Horizon incident. BP chose to move from a 20% to 30% range down to 10% to 20%. A more prudent gearing range was selected in light of the increased financial risk from uncertain GoM costs.

2. Will BP revert back to its previous 20%/30% gearing range once the GoM liabilities are settled?

BP will continue to adopt a gearing range of 10% to 20% while uncertainties remain. The appropriate gearing band for any future state would need to be considered in light of the facts and circumstances at that time. What BP has said is that it is committed to a strong balance sheet.

3. How does BP's gearing range compare to other oil majors?

BP's peers do not articulate target gearing ranges in the same was BP does. BP typically has similar gearing to Total, both slightly above Shell and Statoil. Exxon and Chevron make limited use of debt financing, preferring to use equity.

See also the Section 12: Peer comparisons

4. Why not have a higher gearing range?

BP's current gearing range is set to support BP's capital investment plans and distribution policy while remaining at a suitably prudent level to provide flexibility to deal with future uncertainty

Moving to a higher gearing range would reduce BP's financial flexibility at a time of uncertainty, may trigger a decline in credit rating and could negatively differentiate BP to its peers.

5. What is BP's dividend policy? Does it have a set dividend payout ratio?

The level of the quarterly dividend is currently 9.75 cents per share. BP aims to maintain a progressive dividend policy and does not set a dividend payout ratio. The Board of BP p.l.c. reviews the dividend with the first and third quarter results each year.

6. Will BP continue to buy-back shares? Will you significantly increase gearing to fund such buy-backs?

The most recent share buyback programme, announced in March 2013, uses $8bn of the proceeds from the sale of our share of TNK-BP. In October 2013 BP announced a further $10bn divestment programme, the post-tax proceeds to be used for distributions, with a bias for buybacks.

Rating agencies

1. What are BP's credit ratings for outstanding bonds and which entity is rated?

BP is currently rated 'A2' with a stable outlook by Moody's and 'single A' with positive outlook by S&P.

The rated entity is BP p.l.c. and all outstanding bonds have equivalent ratings due to the unconditional and irrecoverable guarantee supplied by BP p.l.c.

2. Does BP target a particular rating? Is BP actively seeking to restore its AA rating?

BP, as an oil and gas major, recognises the importance of maintaining a strong rating to provide both financial flexibility and confidence to counterparties with whom we contract. However BP does not target a specific rating as such and focuses on a strong balance sheet and robust operating cash flows, an outcome of which is a strong credit rating.

BP's rating currently sits 2-3 notches below peers. Delivery of BP's strategic objectives for 2014 and then for 2015 and beyond, including operating cash flow and capital discipline, coupled with continued progress to resolve US litigation liabilities, should reflect in a strengthening of credit metric versus recent levels.

3. How often do you meet with the rating agencies and what was the outcome of your last meetings?

BP holds a formal review with each of S&P and Moody's annually, last held in June 2013. Besides this, BP maintains an active dialogue with each agency and often speaks after strategy updates, quarterly results or significant announcements. BP last met both agencies in April to provide an update on US litigation. There has been no change in rating or outlook since this meeting with either agency.

4. Why do you not solicit a rating from Fitch?

Having two ratings from the main agencies optimises interest cost. A third rating would add no perceivable value but bring additional cost. Institutional investors pay, by far, the highest attention to ratings from S&P, Moody's and Fitch, although. Fitch's perceived strengths lie more with rating financial institutions than corporates. BP therefore engages S&P and Moody's to rate the Group's public debt.

BP has an unsolicited, non-participatory rating from Fitch (which Fitch provides purely as a service to investors).

5. What are the key metrics the rating agencies consider when rating BP?

Both S&P and Moody's maintain their own proprietary techniques for credit analysis. For the oil and gas industry the most significant measure is the ratio of adjusted operating cash flow to expanded debt. Agencies will also examine the level of CAPEX and shareholder distributions relative to cash flow and debt as well as non-financial data such as production and reserves replacement.

6. Why do you focus on a gearing metric while the rating agencies look more at cashflows metrics such as FFO/Expanded debt?

Gearing is a useful measure to convey to investors the strength of BP's balance sheet in terms of the proportion of net debt and equity, hence gearing features in external communications. However internally, BP gives significant prominence to metrics such as FFO/expanded debt as this provides both a measure of sustainable cash flow available to service debt and debt-like commitments and insight into ratings assessment.

7. How is FFO/Expanded debt calculated?

Funds From Operations over Expanded Debt is an S&P credit metric. Moody's calculates Residual Cash Flow over Adjusted Debt. Each calculation is different and is proprietary to each agency. The principle is the same however – to determine an underlying operating cash flow by removing one-offs, working capital movements and capital-like cash flows and comparing this to debt and debt-like commitments, which ultimately need to be serviced by operating cash flow.

8. Why is your Expanded debt so large compared to net debt? What is included in Expanded debt? Is this the same for the other oil majors?

Our expanded debt includes adjustments for operating leases, unfunded employee pension and medical plans or deficits in funding, decommissioning obligations and our unspent US legal liability. This is similar to our peers (save for the US legal liability), with some variation depending on financing strategy and accounting treatment.

9. What are the rating agency guidelines for typical levels of gearing and FFO/Expanded debt for single A and AA rated corporates?

A credit rating is a function of several factors, not just financial risk. Assuming a Business Risk outcome of Excellent and no Modifiers (S&P methodology), Financial Risk as measured by FFO/Expanded debt would lead to ratings as follows:

Financial Risk	**FFO/debt**	**Rating**
Minimal	>60%	AA+ to AAA
Modest	45 – 60%	AA
Intermediate	30 – 45%	A to A+

Stand-by facilities

1. What size are BP's stand-by facilities and with which banks? How did you determine the size of your facilities? Are they adequate for your shot-term funding requirements?

BP has $7.4bn of committed standby facilities provided by 26 international banks, last renewed in 2013, $7bn of which was for a term of five years and $0.4bn for three years. The committed standby facilities form one part of BP's access to liquidity, along with, for example, $7.5bn committed and $2.5bn secured Letter of Credit facilities, very significant cash balances and the ongoing ability to generate cash. Such sources of liquidity are sized with reference to BP's possible draws of liquidity. We believe we have sufficient facilities to meet short-term funding requirements.

2. Are there are there any MAC clauses, covenants or triggers in the bank facilities which could impede access to your bank facilities?

The Group's bank standby facilities do not contain any conventional MAC wording that, for instance, would be included in a Loan Markets Association standard agreement. However, there is a requirement for BP p.l.c., as guarantor, to give a representation on drawing that it is not aware of any legal proceedings which, if adversely determined might reasonably be expected to have a material adverse effect on the relevant obligor's ability to repay the facilities.

3. Which BP entities are able to borrow via the stand-by facilities?

Both BP International Limited and BP Corporate North America Incorporated, BP's two main treasury companies with responsibility for funding the BP group, are named borrowers on the standby facilities.

BP p.l.c. or any wholly-owned subsidiary incorporated within an OECD country could be designated a borrower also, at BP's discretion (subject to no on-going event of default and bank compliance checks).

4. Has BP ever drawn on its standby facilities?

No. The standby facilities are for contingent liquidity purposes only and BP has never had cause to draw.

5. What commitment fee and margin does BP pay on its stand-by facilities?

We are not able to disclose the pricing on our stand-by facilities due to bank confidentiality. However, we can confirm that pricing is at levels typical of an investment grade corporate.

Stand-by pricing:	
Upfront fee:	30bp
Commitment fee:	14bp
Drawn margin:	40bp
Utilisation fee:	Up to 45bp depending on drawn amount

Short-term liquidity

1. How does BP manage its short-term liquidity needs? How dependent is BP on the commercial paper markets?

BP primarily manages its short-term liquidity needs by having a very significant cash balance ($27.4bn at end 1Q 2014) s and the ongoing ability to generate cash. Additionally BP has in place $7.4bn of committed standby facilities along with $7.5bn committed and $2.5bn secured Letter of Credit facilities.

2. Why is BP holding so much cash? How does BP invest this cash? How much cash will BP hold after Macondo is resolved?

BP has chosen to hold a significant cash balance in light of the financial uncertainties that remain from on-going US litigation. This is prudent treasury activity only and not a reflection of BP's assessment of trial outcome.

BP's centralised treasury team invests this cash, within tightly controlled credit and liquidity limits, in deposits and repos with highly rated international banks (and highly rated collateral for repos), money market funds and highly rated short-dated debt securities (typically sovereign or agency).

Plus have TWC that is not reported as cash. Cash invested as:

	$bn
Bank deposits	11.1
Repo	6.9
MMF	2.7
Securities	2.3
On exchange	0.6
Other	3.8 (non-Treasury, bal. Fig. – in-country accessible and trapped cash)
Reported	**27.4**

3. How much cash does BP need to sustain its on-going day to day businesses? How much cash for its trading businesses?

BP has modest amounts of cash held in certain countries where exchange controls prevent immediate pooling with the rest of BP cash. Some cash is also held on recognized exchanges in support of initial margin.

Rating agencies adjust BP's reported net debt for what they view as inaccessible cash, typically $1.5bn. This is not an unreasonable estimate.

4. How would BP fund an unexpectedly large cash call arising from the GoM legal situation? Would you look to issue Letters of Credit as XOM had to over Valdez?

We believe we have sufficient cash reserves to fund any unexpected payment and so have no plans to issue L/Cs.

Debt book composition

Debt Book Composition		1Q 2014		
$ bln	**1Q 2014**	**Long Term Bonds**		
Long Term Bonds	49.029	USD	30.908	63.0%
Other Long Term Debt	1.750	GBP	2.080	4.2%
Tax Exempt Bonds - Short Dated	0.000	EUR	11.895	24.3%
Tax Exempt Bonds - Term	1.207	CHF	0.705	1.4%
Gas Pre-paids	0.000	AUD	1.224	2.5%
Term Commercial Paper	1.002	CAD	0.996	2.0%
Overnight Commercial Paper	0.000	JPY	0.000	0.0%
Other Short Term Debt	0.261	HKD	0.096	0.2%
Gross Debt	53.249	CNY	0.467	1.0%
Accessible Cash	-23.792	Hedge Acctg: IR	0.685	1.4%
Inaccessible Cash	-3.566	Other Acctg Items	-0.026	-0.1%
Total Cash	-27.358		**49.029**	
Accounting Net Debt	25.891			
Debt Related Hedges	0.633	**Other Long Term Debt**		
Net Debt	25.258	Leases	0.528	
		Tangghu	0.538	
Debt maturing within one year	7.400	T&T	0.564	
Tax Exempt Bonds - Short Dated	0.000	BTC	0.037	
Gas Pre-paids	0.000	Other	0.083	
Term Commercial Paper	1.002		**1.750**	
Overnight Commercial Paper	0.000			
Other Short Term Debt	0.261	**Other Short Term Debt**		
SEA: Debt due within one year	8.663	M&A Deposits	0.000	
		Other STD	0.261	
SEA: Debt due after one year	44.586		**0.261**	
Net Debt Gearing		**Derivs Adjustment**		
		Hedge Acctg: IR	0.685	
Net Debt	25.258	FX Translation	-0.052	
Equity	130.200		**0.633**	
Gearing	16.2%			
ND / (ND + Equity)				

1. What is contained in your short term debt?

The majority of BP's disclosed short-term debt is outstanding bonds due to mature within one year and outstanding commercial paper. At end 1Q 2014 BP debt due within one year of $8.7bn of which $7.4bn was bonds maturing within one year and $1.0bn was outstanding commercial paper.

2. What are industrial revenue / tax exempt bonds? Why do you issue them? Why has the outstanding amount tax exempts fallen significantly post-GoM and why are you now issuing fixed rate rather than in daily put format?

BP issues industrial revenue (or tax exempt) bonds to finance CAPEX for its US operations which is eligible under IRS rules to a tax exemption on interest paid. For BP this is typically expenditure at our US refineries and covers costs for such items as waste disposal or other environmentally friendly projects. Interest BP pays on these bonds is exempt from US Federal tax and so we can offer investors a lower pre-tax yield thereby reducing our cost of funds.

Pre-GoM we issued these bonds in daily put format and so they are repayable daily but at the lowest yield. We subsequently decided that the re-financing risk on these bonds was too high and so only now issue with a fixed term.

3. Do you continue to have good access to the commercial paper markets?

Yes our access to the US and Euro commercial paper markets remains strong though our outstandings are currently low (at ca. $1bn) as we have high cash levels.

4. What is contained in your long term debt? What non-bond debt do you have?

The majority of our long term debt comprises of outstanding bonds and as at the end of 1Q 2014 approximately 94% of our outstanding finance debt was bonds. The small non-bond element consists of leases and bank loans that are not separately disclosed to the market.

At 1Q 2014 non-bond long term debt totalled $1.75bn:

Various leases; $0.53bn
Tangghu bank loans: BP's share of $0.54bn
Trinidad and Tobago: Intra Group funding to BPTT from minority partner Repsol treated as BP debt on consolidation of BPTT: $0.56bn
BTC pipeline: $0.04bn
Other: $0.08bn

5. Does BP p.l.c. guarantee all outstanding BP group debt?

95% of BP's outstanding finance debt has a BP p.l.c. guarantee (this is disclosed in the Capitalization Table included in each Quarterly Results 6-K)

6. Does BP have any off balance sheet debt?

See p57 2013 ARA for details of OBS arrangements. As at end 2013, BP's share of third party finance debt of equity accounted entities was $17bn (this is largely our equity share of Rosneft debt, for which there is no recourse to BP.) There amounts are not reflected on BP's balance sheet nor in expanded debt. BP had issued guarantees over obligations of JVs and associates of $199m and third parties of $648m.

7. How large are your pension liabilities?

As at year-end 2013 our funded plans were in surplus by $960 million. On our unfunded plans, we had a $9.4 billion pre-tax liability. As is disclosed on page 14 of the first quarter results, as at 31 March 2014, BP has a non-current pre-tax liability of $9.98 billion in respect of defined benefit and other post-retirement benefit plans.

8. Does BP have any secured debt?

BP currently has no need for secured debt as its access to unsecured markets is strong. As at 31 December 2013, $141million of finance debt was secured by the pledging of assets.
[ARA 2013: Note 27, page 176]

9. Are the oil receivable loans still outstanding? Would you consider such financing in the future?

The oil-receivable loans have been fully repaid. We would consider such financings in comparison to our other sources of funding but at this time believe that unsecured bond funding is the most efficient for BP.

Debt book programmes and T&Cs

1. What debt programmes has BP in place?

Debt Programme	Euro Commercial Paper	US Commercial Paper	Eurobond Debt Issuance	US SEC Registered Bond Shelf
Size (US$ bn)	6 bn equiv.	10 bn	30 bn equiv.	30 bn
Guarantor	BP p.l.c.	BP p.l.c.	BP p.l.c.	BP p.l.c.
Issuers:				
UK	BP Capital Markets p.l.c.	BP Capital Markets p.l.c	BP Capital Markets p.l.c	BP Capital Markets p.l.c
US	BP Corporation North America Inc.	BP Corporation North America Inc.		
Bank stand-by facility	US$ 7 bn	Bi-lateral agreements with 23 international banks allowing BP to request funds for same day settlement		

Additionally BP has access to the following alternative markets:
Kangaroo: BP has an A$3bn Kangaroo programme to issue into the domestic Australian market.
Maple: BP can issued Maple bonds into the domestic Canadian market by using its Eurobond Debt Issuance programme documentation and a Canadian "wrapper" specifying that the bond is a private placement in Canada and can only be sold to qualified buyers.
Offshore renminbi: BP has issued three CNH bonds off of its Eurobond Debt Issuance programme to finance local capital requirements in China.

2. What covenants does BP have in its bond documents? Are they the same across all bond markets?

BP p.l.c. has no cross default, no negative pledge or any financial covenants in any of its outstanding bonds.

3. Was BP forced to amend its covenant package due to GoM incident?

No, the US and € bonds issued in October 2010, the first bonds issued after the GoM incident, had identical terms to all bonds issued pre-GoM.

4. Why are all BP Capital markets p.l.c. bonds listed on the London Stock Exchange (or SIX for CHF bonds)?

To ensure that any interest payments are free of UK with-holding tax BP Capital Markets p.l.c. uses what is called the "Eurobond exemption" of HMRC rules. This requires that a bond is listed on a recognised exchange to be exempt from with-holding tax.

Funding policies

1. How does BP fund itself in the bond markets?

BP funds primarily though the international capital markets. We issue into multiple markets to diversify our investor base, minimize new issue premia we pay and to maximize available liquidity to the Group.

The Group's economic currency is the US$ and so the majority of our debt is issued in or swapped back to US$. As at end 1Q 2014 93% of our debt book was, after swaps, in US$.

2. What volume of bonds has BP issued recently?

See Chart 2 for a chart new issue volumes. Volumes have been:

Bond Issue	Amount	FINAL Spread	Average Life
1998	$1,234m	SL-14.2bp	3.1
1999	$2,012m	SL-12.3bp	5.7
2000	$375m	SL-10.5bp	3.0
2001	$339m	SL-8.2bp	3.7
2002	$3,289m	SL-7.0bp	3.2
2003	$4,127m	SL-8.5bp	3.2
2004	$2,109m	SL-8.9bp	3.3
2005	$2,390m	SL-8.5bp	3.6
2006	$3,145m	SL-7.6bp	2.3
2007	$7,420m	SL+7.8bp	3.9
2008	$7,539m	SL+107.5bp	3.9
2009	$11,127m	SL+102.2bp	5.1
2010	$6,547m	SL+187.5bp	6.4
2011	$10,757m	SL+94.8bp	6.2
2012	$10,961m	SL+96.0bp	6.2
2013	$8,603m	SL+74.2bp	6.2
2014	$6,525m	SL+86.9bp	8.3
Total	$88,499m	SL+71.9bp	5.2

To date in 2014 we have issued $6.5bn of new bonds consisting of:

US global: $2.5bn 5 and 10yr
CHF 500mn, 7 and 10yr
€2bn 7 and 12yr
CNH 1bn, 5yr
Euro$: $550mn, Long 5 yr

3. Does BP swap its non-$ bonds back to USD?

Yes we swap the majority of our non-$ bonds back to US$. We do occasional keep a bond in local currency and hold the currency as cash thereby eliminating FX risk. At end 4Q 2013 we had €1bn held as cash to offset a bond swapped back to floating €.

At end 1Q 2014 we had €2bn left in € cash

4. Why does BP issue so many US bonds? Is it over dependent on this one market?

BP typically issues 60-70% of its new bonds in US$. This is both as our economic currency is the US$ and as we regularly receive best pricing from the US market where the understanding of oil and gas corporates is strongest. To avoid over dependency we actively diversify into other international markets and have issued into €, GBP, CAD, AUD, CHF and CNH recently.

FOR INFORMATION: BP is the second largest Yankee borrower in terms of US bonds outstanding:

	Issuer	US Bonds Outstandings ($ bn)	Average Life $ Debt (Years)
1	AB Inbev	36.3	8.7
2	BP	28.2	4.6
3	RDS	22.8	9.8
4	Total	21.4	5.4
5	Rio Tinto	20.6	8.6
6	Glencore	20.4	6.0
7	Statoil	18.6	9.9
8	Daimler	18.1	3.9
9	Telefonica	16.1	7.4
10	Vodafone	14.6	10.3

Despite the high outstandings, we have seen limited adverse impact on our ability to access US liquidity (and have confirmed this with several banks) and also on our US bond pricing.

However, we would expect price breaks for larger sized bond issues to be more prevalent (unless issue volumes fall or markets are incredibly strong) and so we should continue to follow our strategy of diversifying into other bond markets.

5. BP has issued so many US bonds over the last few years: has it noticed any signs of investor fatigue?

No signs of fatigue as we continue to diversify into other markets.

6. Why does BP only issue 5 to 10 year bonds? Would it consider a 30 year bond?

BP, as a highly rated corporate with strong operating cashflow, sees no reason to issue longer dated bonds (e.g., 30 year) as it would receive little improvement in its re-financing risk compared to the extra yield payment.

We aim to keep single year bond maturities to ca. $6bn and, given our current maturity profile has such volumes out to 4 years, we only look to issue at 5 years or longer tenor.

See Chart 3 for BP's maturity profile

7. Is BP likely to issue a hybrid bond?

Not at this time – BP is a highly rated corporate with strong operating cashflow that consequently has strong debt capacity and access to the bond markets.

We believe that hybrids are better suited to corporates with stretched/distressed balance sheets or those seeking to maintain a specific rating given M&A or other activity.

8. Is BP likely to issue a Green bond?

No - Green Bond pricing is not compelling as the bonds price broadly equal to or slightly wider of our normal bonds but only for limited sizes. The extra processes involved in ensuring compliance with the Green Bond Principles require input from a wide range of BP teams and, given the potential issue volumes, we do not believe it worthwhile creating this extra workload.

9. Does BP look at project bonds?

We consider all types of financings compared to our normal route of unsecured bonds and intra-Group lending.

We are aware of the opportunities available in the project bond area but normally see that funding is only available after construction whilst the greatest risk for a project is during construction.

Fixed floating

1. How does BP manage its exposure to interest rates?

BP uses interest rate swaps to swap its mainly fixed rate bonds into floating rate liabilities when appropriate.

BP maintains a bias to floating rate debt as we are able to tolerate any interest rate increases and we believe that floating rates are, on a long term basis, cheaper than fixed rates.

2. What proportion of your debt book is currently at fixed rates?

At year end 2013 BP's gross debt was 35% fixed and 65% floating rate.

At end 1Q 2014 BP's gross debt was 32% fixed and 68% floating
Assuming all new debt is issued or swapped to floating rate then at year end 2014 BP debt will be 30% fixed and 70% floating.

3. Given BP has a high proportion of floating rate debt, can you tolerate any sharp increases in LIBOR?

Due to its low gearing level and high cashflow generation, BP is able to tolerate a sharp increase in LIBOR.

4. How does your fixed floating policy compare to your peers?

Our European oil peers (RDS, Total and Statoil) have a similar bias to floating rates and, like us, swap most of the bonds they issue back to floating rates.

Our US peers, however, tend to have higher levels of fixed debt in line with most US corporates who prefer the certainty of fixed rates and are uncomfortable trading swaps.

Derivatives: hedging and regulations

1. What volume of swaps does BP trade to hedge its bonds?

BP trades swaps on the issue of most of its new bonds either using an interest rate swap to convert from fixed $ to floating $ or a cross-currency swap to move into $.

2. Are the swaps traded on a collateralised basis? Do you centrally clear any derivatives?

All swaps traded to hedge bonds are traded unsecured and we have no CSAs with our bank counterparties.

However, our commodity swaps, as is customary for the market, are either cleared centrally or are traded collateralised with CSAs.

3. What impact has/will EMIR have on your activities? Are you an NFC+ entity?

BP is designated as an NFC+ entity for the purposes of EMIR and so we expect to be subject to a mandatory clearing obligation later this year or during 2015 as the regulations come into force.

4. Will BP have to clear any swaps it trades in the future? If yes, will this impact BP's funding policies especially with regard to issuing in non-$ markets?

Yes we expect that we will need to initially clear any interest rate swaps we trade from the date the clearing obligation begins under EMIR.

We do not expect that having to clear swaps will impact our ability to access non-$ markets as short-term liquidity management processes will be able to offset the added cashflow volatility.

5. What impact has/will Dodd-Frank have on your activities?

Dodd-Frank has had a limited impact on our debt hedges as we are designated an "end-user" for bond hedging swaps and additionally tend only to trade swaps with European banks.

BP Group issuers

1. Which BP Group entities have outstanding debt? Where do they sit in the BP organisational diagram?

Below is a list of BP Group entities that have outstanding bonds and an organisational diagram of these issuers.

UK Group Issuers
BP Capital Markets p.l.c. (England and Wales registered company)
This is the Group's main legal entity for issuing bonds with approximately $47 billion of bonds outstanding. It is also used as the issuer of BP's commercial paper ("CP"). All of its issued bonds carry a BP p.l.c. guarantee.

US Group Issuers
BP Company North America Inc. (incorporated in the State of Delaware, USA)
This issuer assumed all the obligations of the Atlantic Richfield Company in 2002 and has ca. $250mn of outstanding bonds. All bonds carry a BP p.l.c. guarantee.

BP Capital Markets America Inc. (incorporated in the State of Delaware, USA)
Only has one bond for $175mln due 2018. This bond is guaranteed by BP p.l.c.

BP AMI Leasing, Inc. (incorporated in the State of Delaware, USA)
Only has one bond for $930mln due 2019. This bond is guaranteed by BP p.l.c. This bond was issued as a 144a (private placement type bond).

The Standard Oil Company (incorporated in the State of Ohio, USA)
SOHIO has one bond for CHF 200mln due 2019. This bond is NOT guaranteed by BP p.l.c.

Atlantic Richfield Company
This entity has no outstanding bonds – please refer to BP Company North America Inc. above.

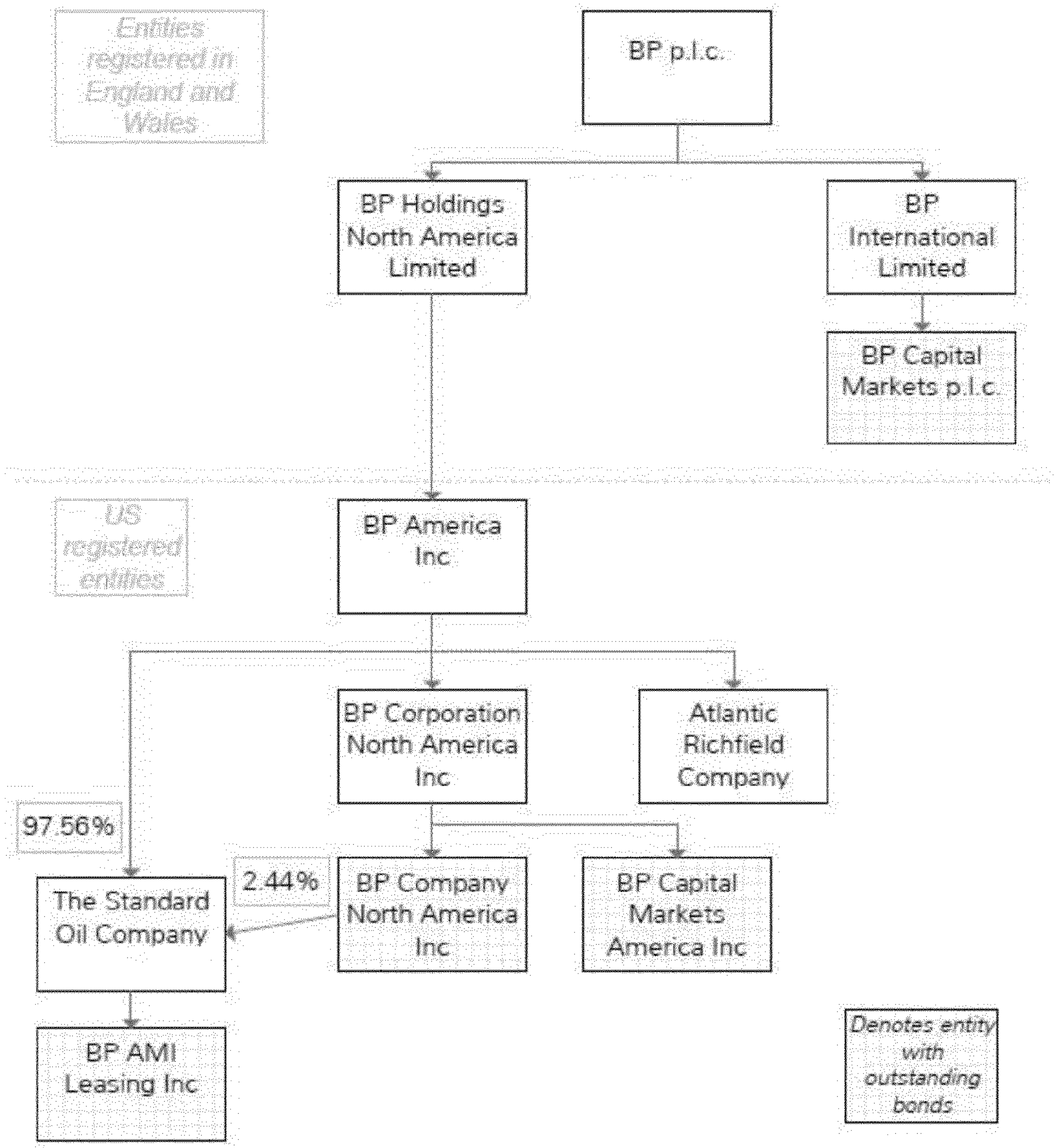
BP Canada and **BP Australia** have been on previous BP Group debt programmes but currently have no outstanding bonds or are involved in any debt issuance activity.

2. How are bond proceeds utilised within the BP Group?

Bond proceeds from a BP Capital Markets p.l.c. bond are on-lent to BP International Limited which acts like an in-house bank.

The funds are then either on-lent or used for equity injections into BP subsidiaries.

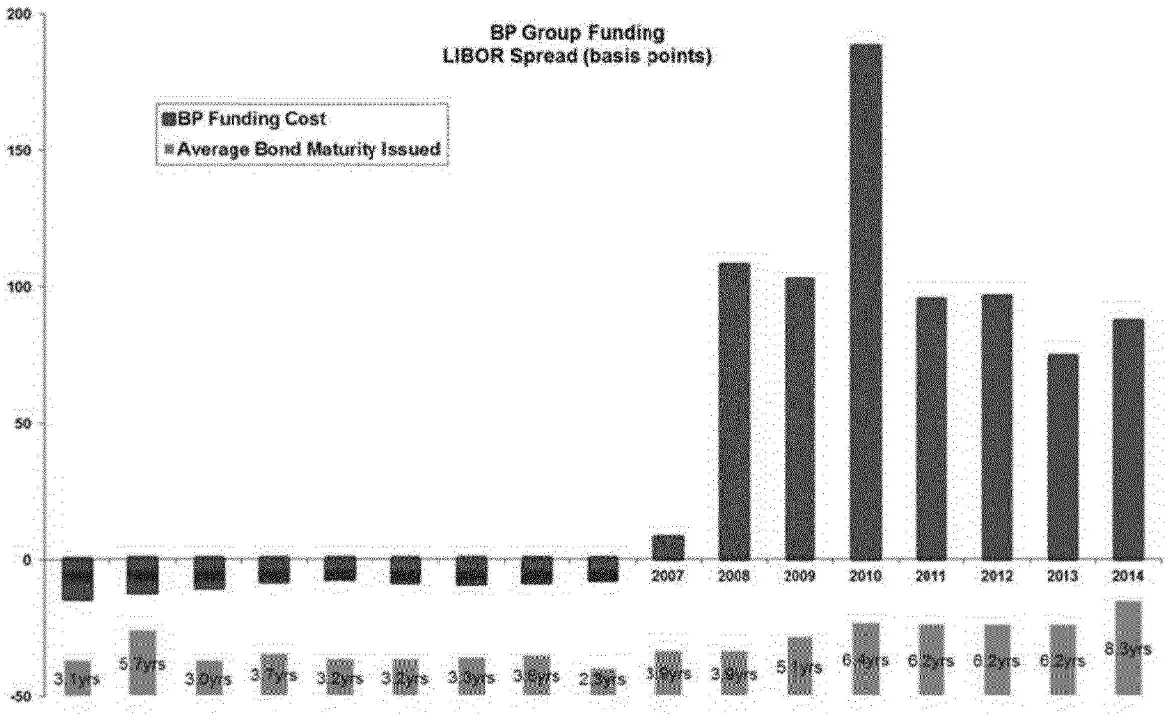
Organisational chart of BP Group entities with outstanding bonds (excludes tax exempt bonds)



BP new issue and trading levels

1. How has BP's funding levels changed since the GoM incident?

BP's new issue spreads first moved markedly higher after the financial crisis of 2009. Then in 2010 our levels rose once again following the GoM incident. Since then as both the financial crisis and the uncertainties over the GoM legal liabilities have started to be resolved our credit spreads have fallen significantly.



2. How do you monitor your funding levels on a global basis?

Appendix 5 shows BP's secondary trading levels in local CCY LIBOR terms
Appendix 6 shows the same spreads all converted a US$LIBOR equivalent

As our debt book is primarily $ then we monitor all bond markets against a US$ LIBOR benchmark and use market swap rates to convert all new issue indication to a US$LIBOR+ spread.

This allows us to simply monitor relative value across multiple international markets and so choose the best markets to access.

We additionally continually monitor our secondary bond trading levels and similarly convert all these spreads to a US$ LIBOR spread.

3. Do you consider your CDS levels when accessing the best times to issue?

We do monitor our CDS levels but due to the very low liquidity in these markets tend to place more emphasis on our bond trading levels and bank indications we receive.

4. Have liquid are your secondary bonds? Which bonds do you believe are the best indicator of your creditworthiness?

Our most liquid bonds are our most recently issued US bonds and these bonds tend to be the most reliable in monitor our market creditworthiness.

5. Which of your US bonds provided the best secondary levels?

Of our US bonds we find that the most recently issued bonds provide the best market information as they are the most liquid and also tend to be close to a par price.

Our older bonds tend to be less liquid both as they are no longer part of the primary process (and the majority of our holders are "buy-and-hols") plus thet also may trade at a price significantly above or below par which future reduces liquidity and distorts pricing.

Key US benchmarks currently are:

Bond	Amount	Coupon	Maturity Date	Years Left	Yield Bid		BMK	Mid Yield	Asset Swap ($LIB Spread)		G Spread		
					Bid	Ask			Bid	Ask	Interp T	Bid	Ask
BP May 2017	1,250	1.846%	05-May-17	2.97	1.16	1.05	T 0 7/8 05/15/17	0.83	24	13	0.82	34	23
BP May 2019	1,000	2.237%	10-May-19	4.99	2.12	2.04	T 1 5/8 04/30/19	1.57	46	38	1.57	54	47
BP Feb 2024	1,250	3.814%	10-Feb-24	9.75	3.41	3.34	T 2 1/2 05/15/24	2.52	83	77	2.48	92	86

6. At what levels has BP issued its most recent bonds?

Latest 2014 bonds were issued at:

BP	A2/A					Re-offer Pricing		
Date	Currency	Currency Amount (mln)	Leads	US$ Equiv. (mln)	Maturity (Years)	Benchmark	Benchmark Spread (bp)	3mth $LIBOR Spread (bp)
1Q 2014								
10-Feb-14	USD	250	Barc, BNP, BoTM, CS, MS, RBS	$250	5	FRN	54	54
	USD	1,000		$1,000	5	5yrT	75	54
	USD	1,250		$1,250	10	10yrT	115	99
23-Feb-14	CNY	1,000	ANZ, BNP, MIZ, SC	$161	5	Fixed	3.65%	82
24-Feb-14	CHF	300	BNP, CS	$338	6.5	MS	18	66
	CHF	200		$226	10	MS	38	90
25-Feb-14	EUR	1,000	CrAg, GS, HSBC, LLO, MIZ and SAN	$1,375	7.6	MS	65	87
	EUR	1,000		$1,375	12	MS	85	100
13-May-14	USD	550	CS, UBS	$550	5.7	MS	60	59
				$6,525	8.3			82

Peer comparisons

1. Do your peers issue bonds in the same way as BP?

In general all the oil majors have similar issue patterns but with some differences due to location and issue volumes. Since 2009 the European oil majors have issued far more debt than their US counterparts.

Bond Issue Summaries ($bn)

All Bonds	BP	RDS	TOT	STLN	CVX	COP	XOM	Total
2009	\$11.1	\$18.0	\$7.9	\$7.2	\$5.0	\$9.0	\$0.0	\$58.3
2010	*\$6.5*	\$7.0	\$5.0	\$2.0	\$0.0	\$0.0	\$0.0	\$20.6
2011	\$10.8	\$0.0	\$4.2	\$2.1	\$0.0	\$0.0	\$0.0	\$17.0
2012	\$11.0	\$4.3	\$6.4	\$1.7	\$4.0	\$2.0	\$0.0	\$29.3
2013	\$8.6	\$7.8	\$10.5	\$10.3	\$6.0	\$0.0	\$0.0	\$43.2
2014	\$6.5	\$2.8	\$4.2	\$0.0	\$0.0	\$0.0	\$5.5	\$19.0
Totals	**\$54.5**	**\$39.8**	**\$38.3**	**\$23.3**	**\$15.0**	**\$11.0**	**\$5.5**	**\$187.3**

Consequently the European majors have sought a greater degree of diversification of markets and this has also been helped by the support they receive from local markets. Total, for example, can achieve very good demand from local French investors and so naturally issued a higher percentage of € bonds. In contrast due to their lower volumes, the US oil majors have been to fully fund themselves in the US market only.

	BP	RDS	TOT	STLN	CVX	COP	XOM
%age US bonds	62%	67%	56%	67%	100%	100%	100%

2. Has BP issued more or less debt than its peers?

Yes, it has issued more debt and also has higher outstanding debt:

Issuer	Bonds Outstanding (\$ bn equiv.)							Average Life (Years)
	\$	€	£	CHF	A\$/C\$	Other	Total	
BP	28.2	11.7	2.1	0.7	2.1	0.7	**45.5**	**4.5**
RDS	22.8	9.9					**32.7**	**8.3**
TOT	21.4	10.5	1.3	2.9	1.6	1.1	**38.8**	**5.5**
STL	18.6	5.7	2.3			0.5	**27.1**	**9.9**
COP	18.9						**18.9**	**12.5**
CVX	16.5						**16.5**	**8.5**
XOM	8.2						**8.2**	**9.0**

The higher debt volume has been in response to the GoM incident both to establish a cash buffer whilst uncertainties remain and to term out short-term debt which was typically ca. $5-8bn pre-GoM (being $5bn tax exempts and gas pre-paids plus CP balance) to only moderate levels on CP.

3. Has does BP credit spreads compare to your peers?

See Charts 7 to 9 for CDS and bond spreads comparisons

BP's credit spreads widened significantly just after the GoM incident compared to our peers but have since then narrowed back to close to pre-GoM levels.

BP now trades with a 15-20bp spread above the other European oil majors while the US majors, due to their lower levels of debt and gearing, are a further 20-40bp lower.

4. Would you expect your levels to converge to the other oil majors once GoM is resolved?

Our spread differential is consistent with BP's rating currently siting 2-3 notches below peers. Delivery of BP's strategic objectives for 2014 and then for 2015 and beyond, including operating cash flow and capital discipline, coupled with continued progress to resolve US litigation liabilities, should reflect in a strengthening of credit metric and thus should translate in lower relative spreads.

5. Have you peers similar levels of gearing?

At end 1Q 2014 gearing levels (defined as net debt over net debt plus equity) were:

Major	Gearing
BP	16.2%
RDS	15.6%
TOT	19.9%
STL	11.6%
COP	20.3%
CVX	4.7%
XOM	7.9%

Source: Bloomberg

Generally the European oil majors have higher levels of gearing than the US majors and so historically BP's gearing has been at similar levels to RDS and Total.

Market topics / questions to investors

1. Secondary market liquidity

Banks are pulling out of secondary market making leaving bond liquidity at all times low. Investors are concerned that if "the exit door is thin" then any credit sell-off will be amplified leading to sharp losses in value.

There is, however, no obvious replacement for the lost bank liquidity but some key investors, notably Blackrock, are suggesting that issuers need to issue larger sized bonds and to a set calendar and are looking to promote electronic platforms.

2. New issue processes and allocations

Always to key topics with investors and amplified in the current strong market as bond pricing often falls dramatically from launch (and release of initial price thoughts (IPTs)) to final pricing.

Additionally with massively oversubscribed order books allocations are low.

3. Investor relations

In the past we have concluded that "we do not believe that additional investor marketing is currently required but we may wish to engage US investors during the year if new issue volumes increase significantly or if the US market weakens appreciably"

We may now be in that place and so are actively seeking investor opinions on whether they would require more debt investor relations work and if it would ultimately benefit BP.

4. Questions

- What roles do BP's bonds play in your portfolio?
- What would be your appetite for further BP debt issuance should be seek to access the bond markets in the future?

- Is the falling level of secondary liquidity impacting your investment decisions?
- Do you believe that issuers can help improve liquidity? What actions should they take to do so?

- Do you believe the primary markets are operating efficiently? Could issuers engage with the market differently to improve the new issue process?

- What role do formal credit ratings play in your investment process?
- What is your assessment of the quality of the rating agencies' analysis of BP?

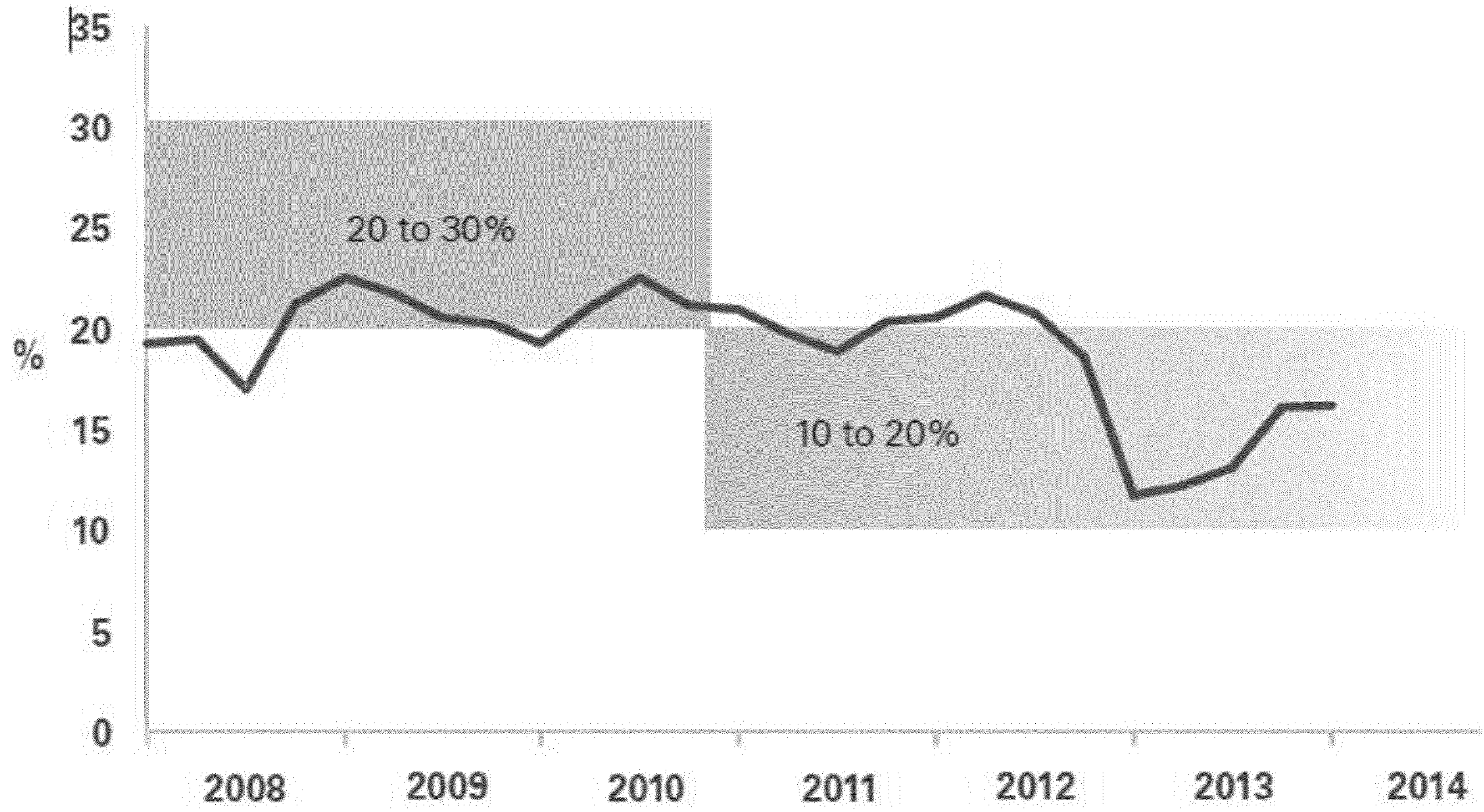
- How would you rate BP as a communicator to the debt markets?
- What more could BP be doing to help you?

BP debt book: information charts

1. BP net debt gearing chart
2. BP new issue volumes and markets
3. BP maturity profile
4. BP new issue spreads and average life
5. BP latest trading levels – in local CCY LIBOR spreads
6. BP latest trading levels – swapped back to US$
7. Oil majors 5 year CDS – since 2010
8. Oil majors 5 year CDS – since July 2013
9. Oil majors 10 year bond spreads

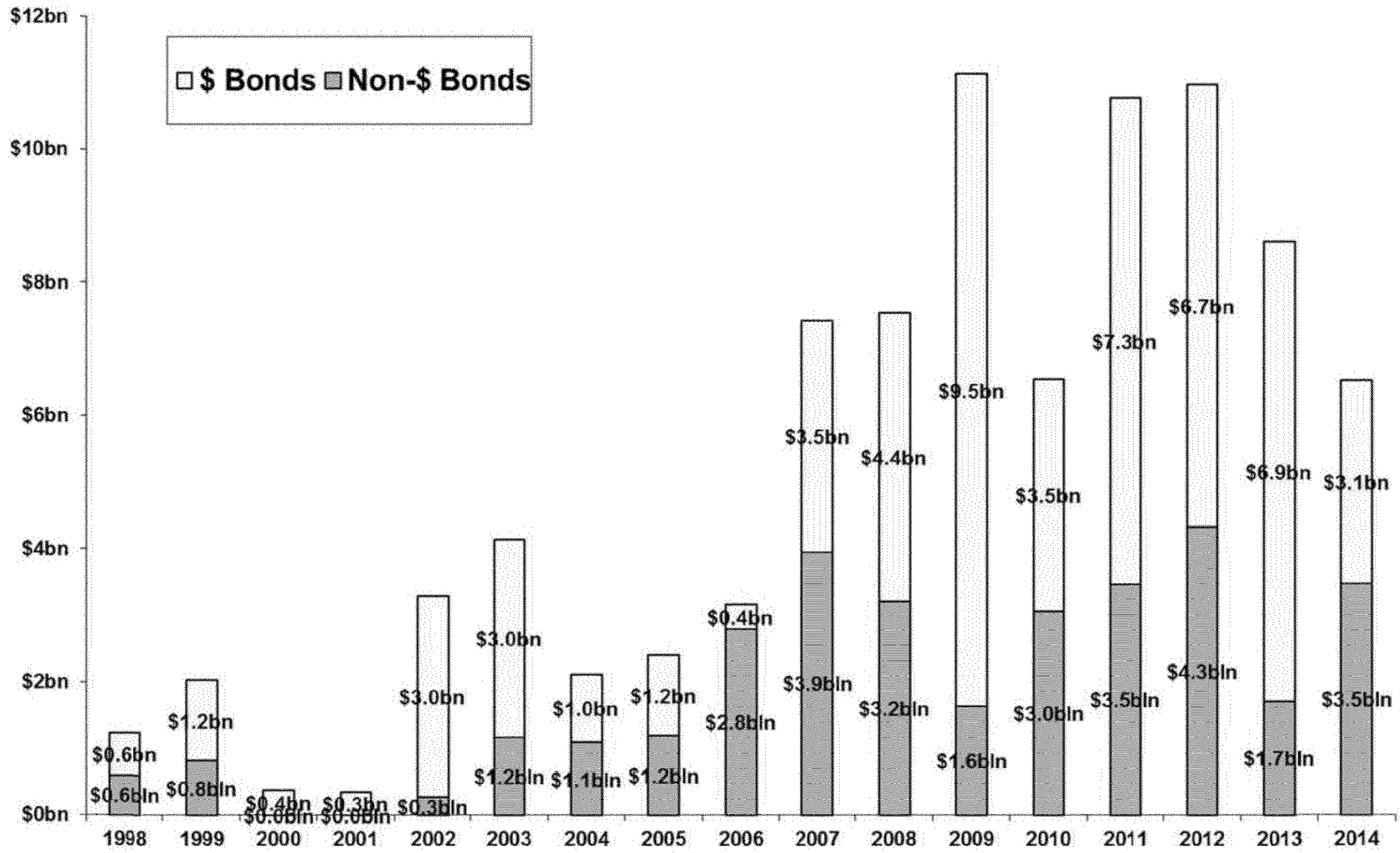
All the charts enclosed can be derived from public data (including Bloomberg for charts 5 to 9) and so can be shown to investors.

1. BP net debt gearing

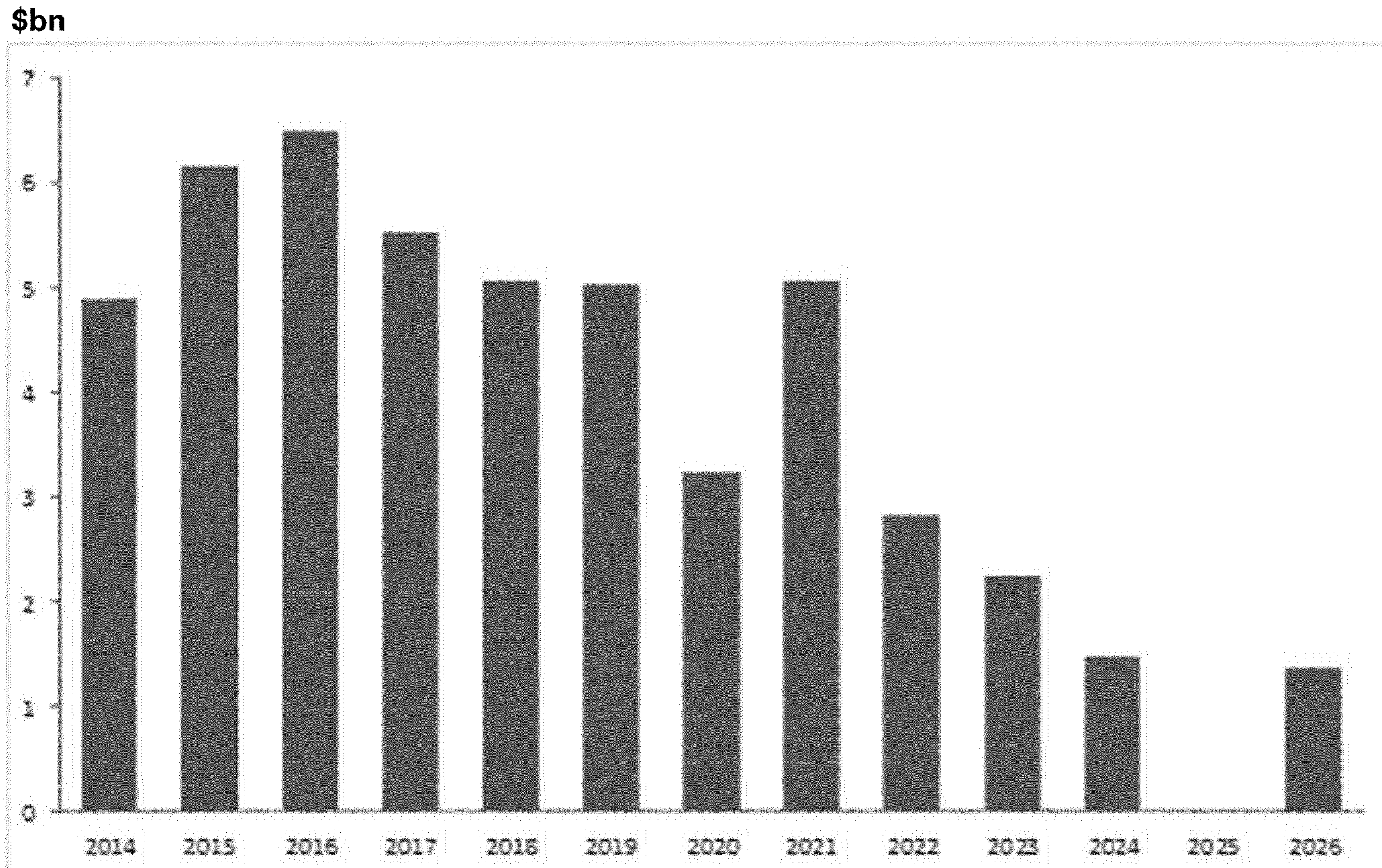


Net debt ratio = net debt / (net debt + equity)
Net debt includes the fair value of associated derivative financial instruments used to hedge finance debt

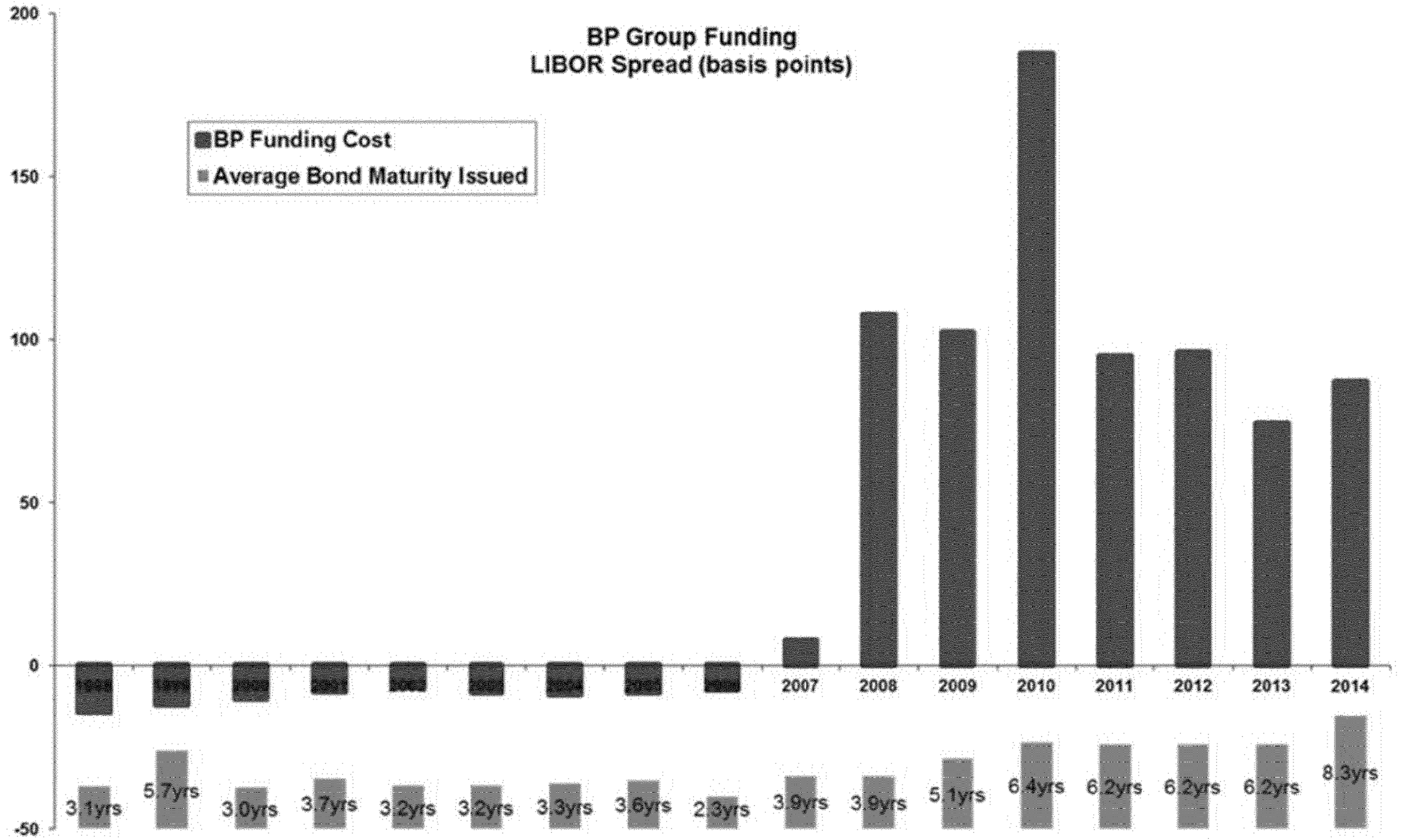
2. BP new issue volumes and markets



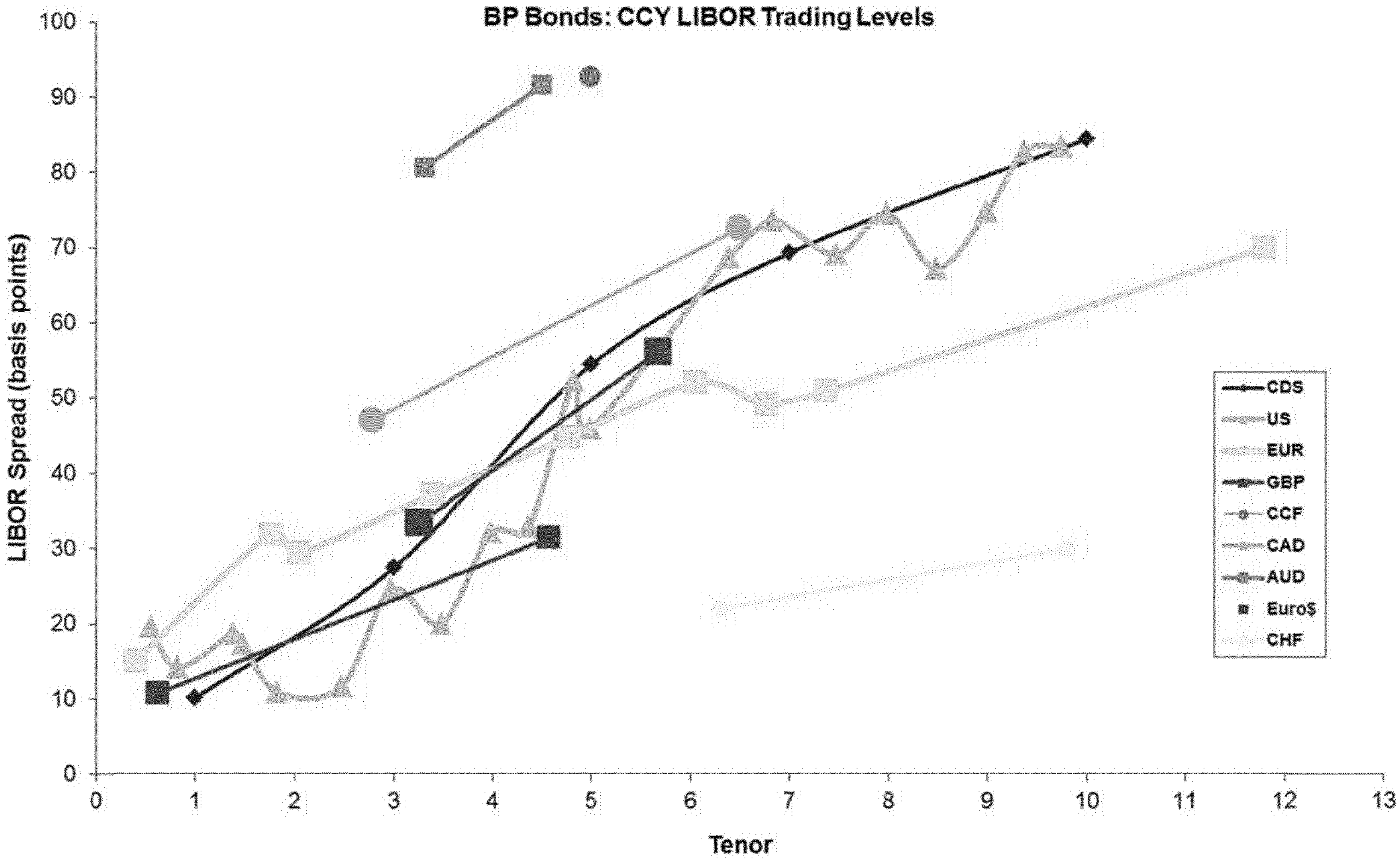
3. BP maturity profile – 1Q 2014



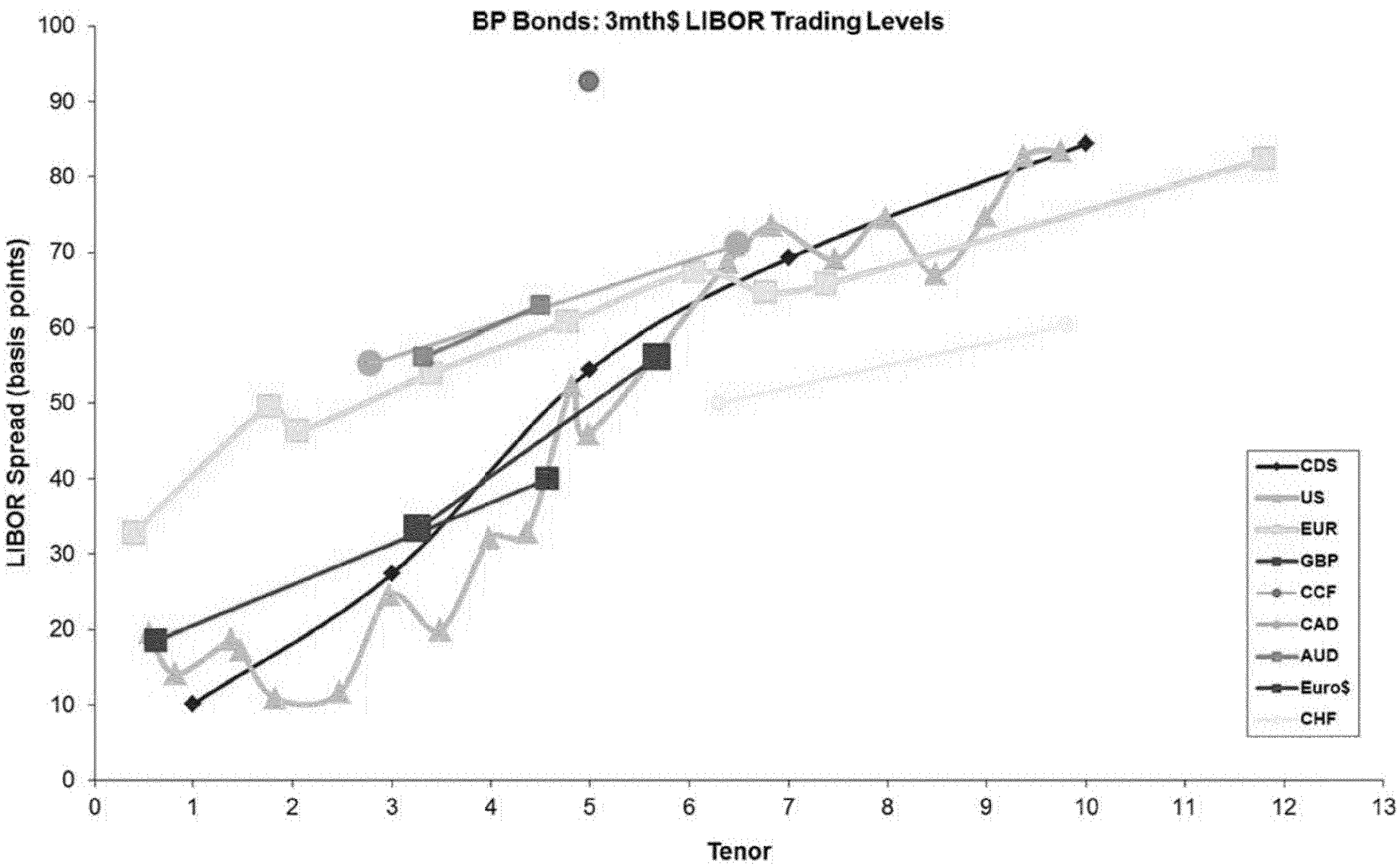
4. BP funding spreads and average bond maturity issued



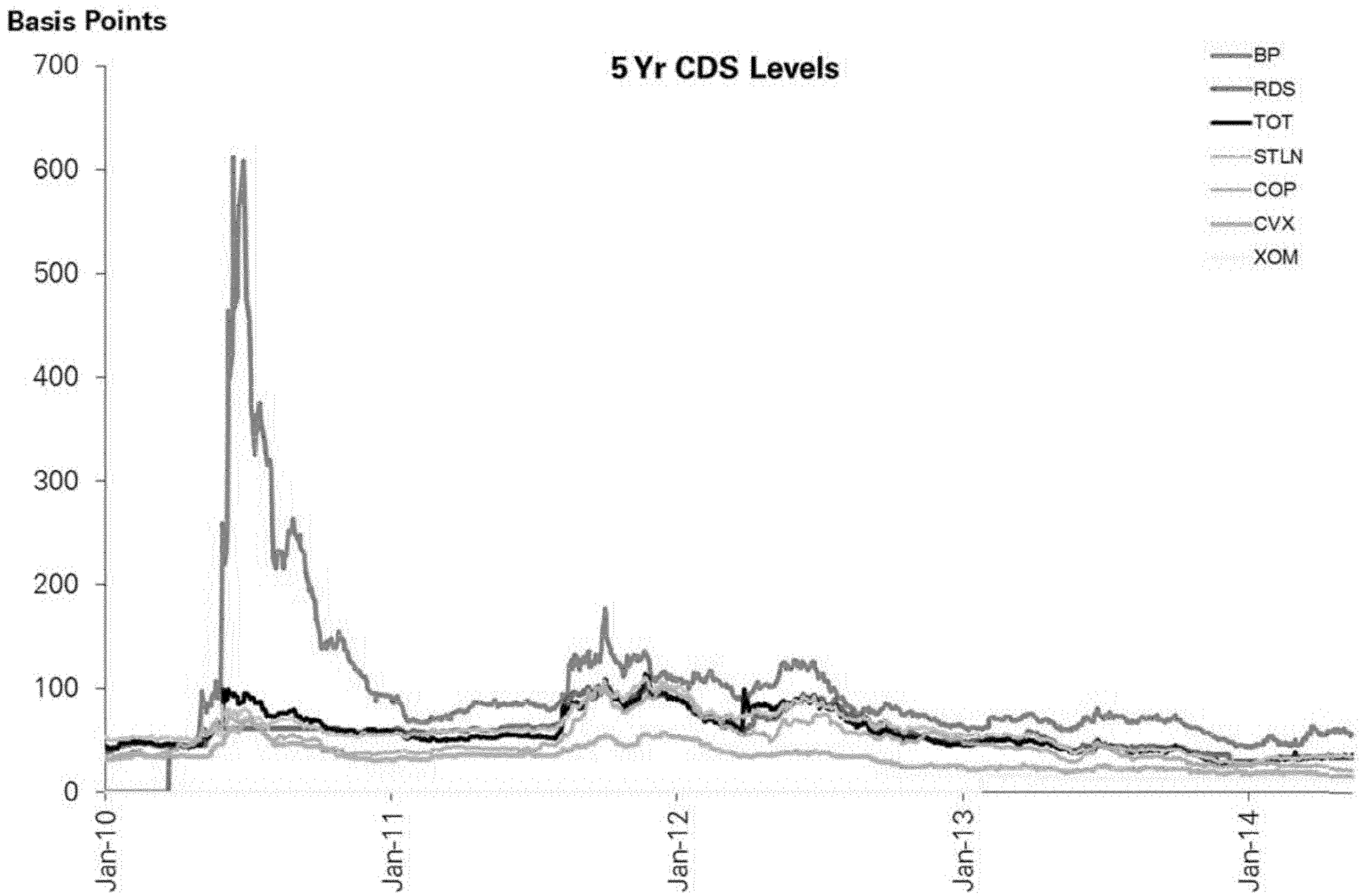
5. BP trading levels in local LIBOR terms



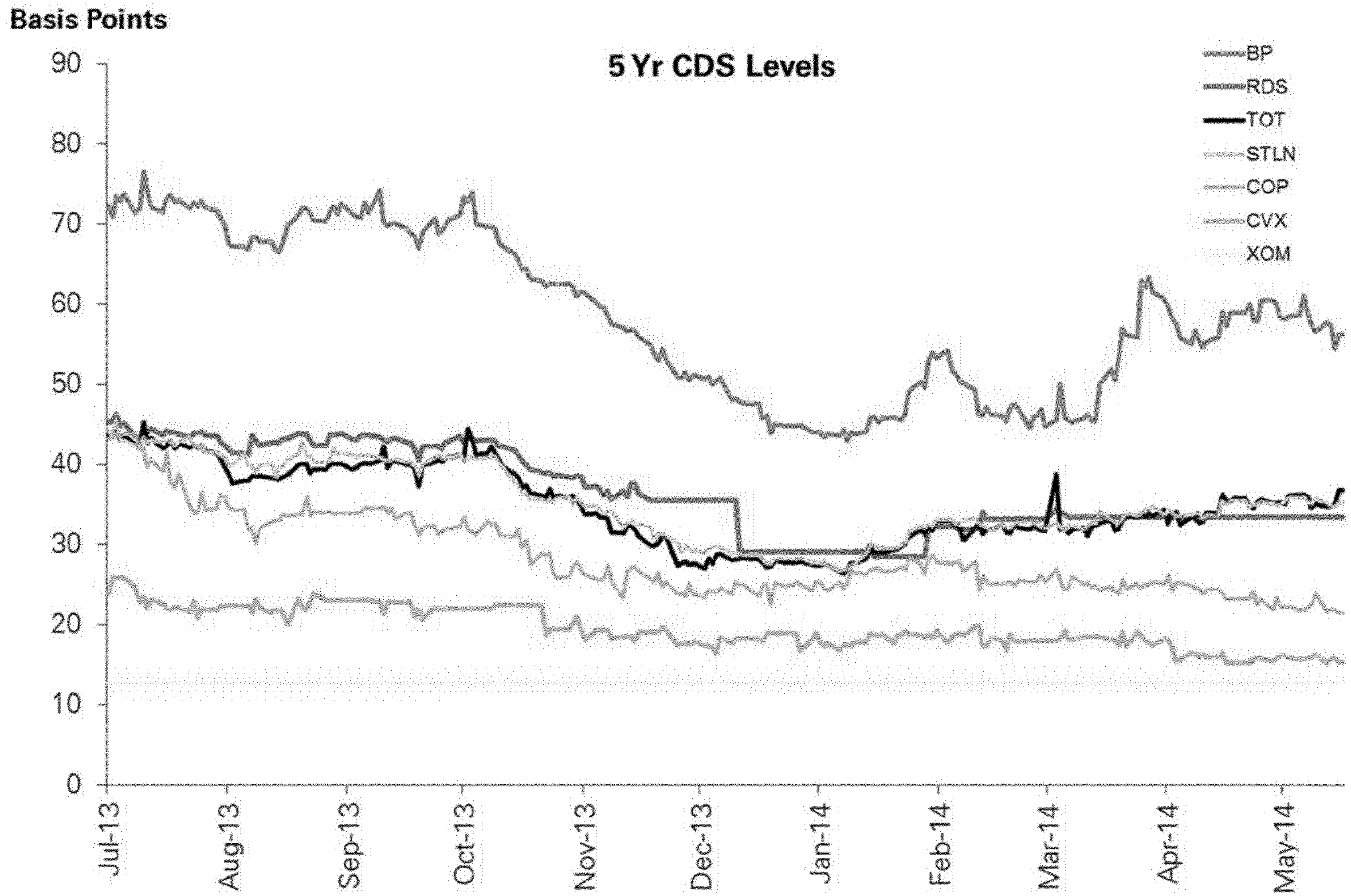
6. BP trading levels in US$ LIBOR terms



7. Oil majors 5 year CDS – since 2010



8. Oil majors 5 year CDS – since July 2013



9. Oil majors 10 year bond spreads