



BPI

Make the best happen.

Bank of the Philippine Islands

Financing Energy Projects

November 2015

Agenda

- I. BPI as a Key Player in Power Sector Financing
- II. Why BPI ?
- III. Moving Forward

BPI is a key lender in the power sector





- Since 2007, BPI's energy portfolio has grown by leaps & bounds. Power sector lending is attractive
 - Predictable cash flow
 - Favorable regulatory environment
 - Supportive policy environment (privatization)
- By 2020, the infra & power portfolio will likely match the exposure to property
- Local banks have replaced foreign currency denominated loans (with the attendant FX risk) of foreign banks and multilateral institutions

Recent Project Finance Transactions

Public-Private Partnerships

 <p>School Infrastructure Project Phase 1</p> <p><i>Receivables Financing</i></p> <p>Arranger 2015</p>	 <p>BPI Cards Finance Corporation (a member of the AFCS Consortium)</p> <p><i>Winning bidder for the Automatic Fare Collection System Public-Private Partnership Project</i></p> <p>Bidding and Financial Advisor 2014</p>	 <p>Mactan-Cebu International Airport</p> <p><i>Project Loan Facility</i></p> <p>Arranger 2013</p>
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Award-Winning Deals


 <p>Alpha Southeast Asia Best Project Finance Deal of the Year 2014</p>  <p>Pagbilao Energy Corporation</p> <p><i>PHP 33.3 Billion Lending Facility</i></p> <p>Joint Lead Arranger and Bookrunner 2014</p>	 <p>Alpha Southeast Asia Best Vanilla/Structured Loan Deal of the Year 2011</p>  <p>Quezon Power Phil. Ltd. Co.</p> <p><i>USD 425.0 Million Loan Facility</i></p> <p>Joint Lead Arranger 2011</p>
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Recent Project Finance Transactions


Project Yellowstone
PHP 12.5 Billion
Pioneer ADB Guaranteed Project Notes
 Sole Mandated Lead Arranger
 Ongoing

Project Moon River
PHP 10.0 Billion
Pioneer Run of River Facility with FIT
 Sole Mandated Lead Arranger
 Ongoing


Project Nexus
PHP 32.0 Billion
Sub-Critical Coal Power Project
 Joint Lead Arranger
 Ongoing




San Carlos Solar Energy, Inc.
Bridge Financing Loan and Project Debt Facility
 Sole Arranger
 2014




Therma South, Inc.
PHP 24.0 Billion Project Debt Facility
 Joint Lead Arranger
 2013



Toledo Power Co.
PHP 7.0 Billion Project Debt Facility
 Co-Arranger
 2013




AES Masinloc Power Partners Co. Ltd.
USD 500.0 Million Corporate Notes
 Issue Manager
 2013




Southwest Luzon Power Gen. Corp
PHP 7.0 Billion Term Loan
 Arranger
 2012




SN Aboitiz Power-Magat, Inc.
PHP 5.0 Billion Fixed Rate Notes
 Joint Lead Arranger
 2012



Maibara Geothermal Inc.
PHP 2.4 Billion Project Loan Facility
 Lead Arranger
 2011



Panay Energy Development Corp.
PHP 14.0 Billion Project Loan Facility
 Co-Arranger
 2010



SEM-Calaca Power Corp.
PHP 9.6 Billion Project Debt Facility
 Arranger
 2010

Why BPI?

- We understand the risks and opportunities in power sector lending
- We can structure the financing to suit the project's unique characteristics
- We can execute transaction efficiently

BPI's Financing Facilities

- Long tenor local currency at fixed rates (10-15 years)
- Up to 75% of total project costs
- Spreads commensurate to residual market risk & completion risk
- Balloon payment of 20-30%
- FX Hedge of USD EPC cost

Challenges ahead

- Near term – softening of WESM prices
- Sustainability of demand growth
- Change in the regulatory regime

Major Project Risks & Mitigation Measures

	Risk Detail	Mitigation
1. Sponsor Risk	- Ability to support the project throughout the project period	Financial strength, track record in supporting similar projects
2 .Offtaker Risk	Capacity to honor terms of the PSA; risk of contract cancellation	- Credit analysis of the offtaker/s - Review terms of the PSA
3. Market Risk	Change in supply & demand, unit price	- Additional financing from sponsors - Track record of the sponsor to market power
4. Completion Risk	- Cost overruns - Ability to complete construction	- Review EPC Contractor - LTA to review work period and construction cost - Track record of the sponsors
5. Environmental Risk		Environmental examination by a reliable Consultant

Outlook for Power Sector Financing

- Future projects may be less bankable than in the past:
 - (a) the looming shortage of available PSAs approved by the ERC,
 - (b) higher merchant risk,
 - and (c) a temporary decline in spot prices following the expected surge in supply in 2016-2019, and
 - (d) a more competitive environment where generation companies will be chasing after contestable customers (those consuming at least 500MWh) presumably offering highly attractive tariff.

Project Bankability

- Bankability favors highly contracted projects (70-80%) with predictable cash flows,
- reasonably high DSCR buffer,
- robust financial covenants (e.g maximum DER), and
- highly experienced sponsors with prudent leverage levels. For renewables, CBD prefers FIT eligibility and committed investors

Outlook for Power Sector Financing

- The long-term outlook for the power sector remains positive. Strong demand growth +5% is likely to absorb new builds (in excess of margin reserve) and should support higher spot prices starting in 2019.
- Despite the WESM price caps, the regulatory environment is benign; it allows for attractive returns on invested capital
- BPI remains highly committed to financing the country's power infrastructure.

End of Presentation