



Energy Financing

Energy Investment Forum 2015, Hotel Intercontinental

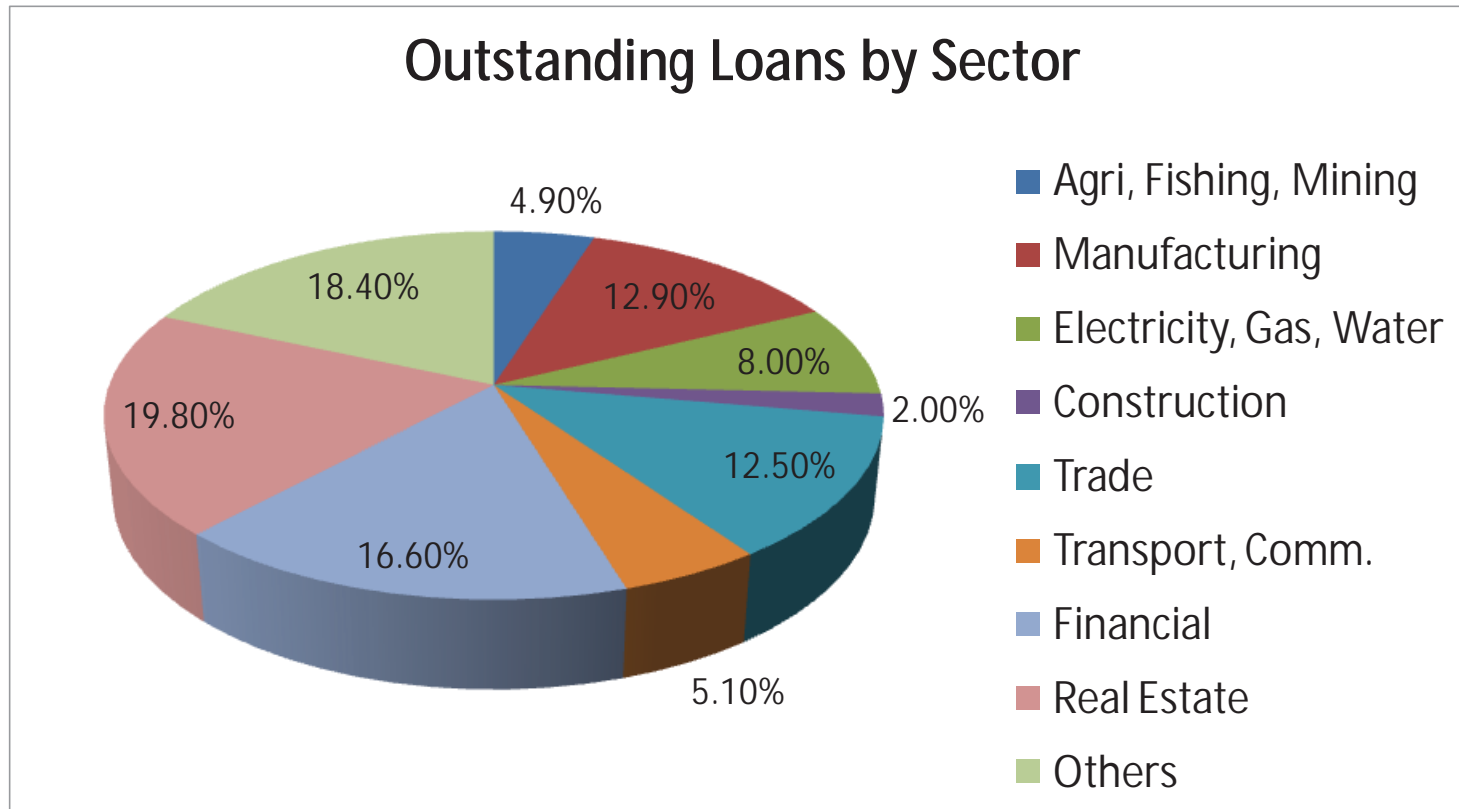
Eduardo V. Francisco | 04 December 2015

Outline

- Philippine banking exposure and capabilities
- BDO's Energy Financing
 - BDO/IFC Partnership
 - Range of Options
 - Projecting Financing
- Summary
- Contact Details

Philippine Banking Energy Exposure and Capabilities

Philippine banks' exposure to the energy sector indicates much room for growth

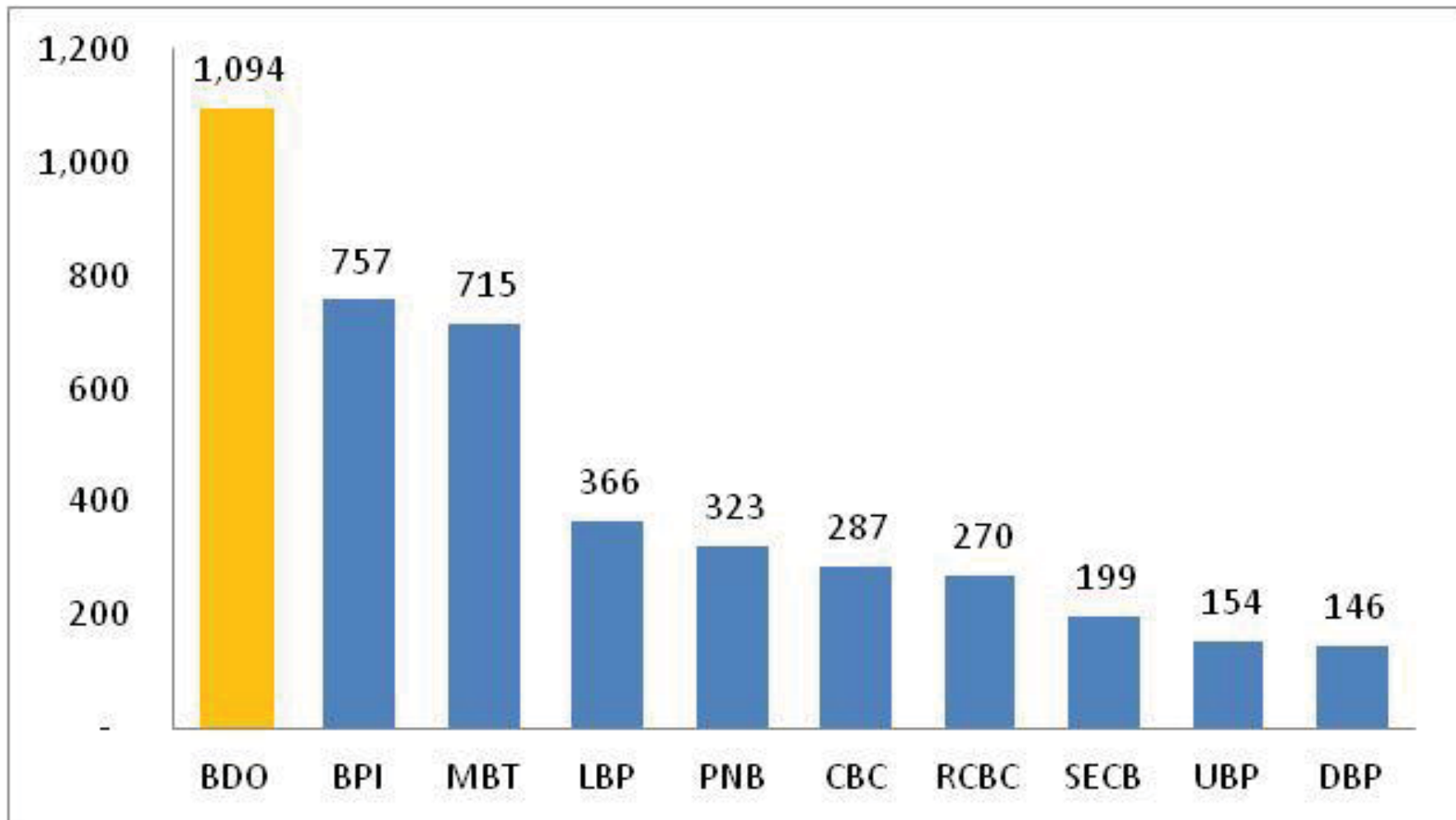


100%=Php 5.0 Trillion

Source: BSP (Data is for all Philippine banks); as of March 2014

Loans and Receivables

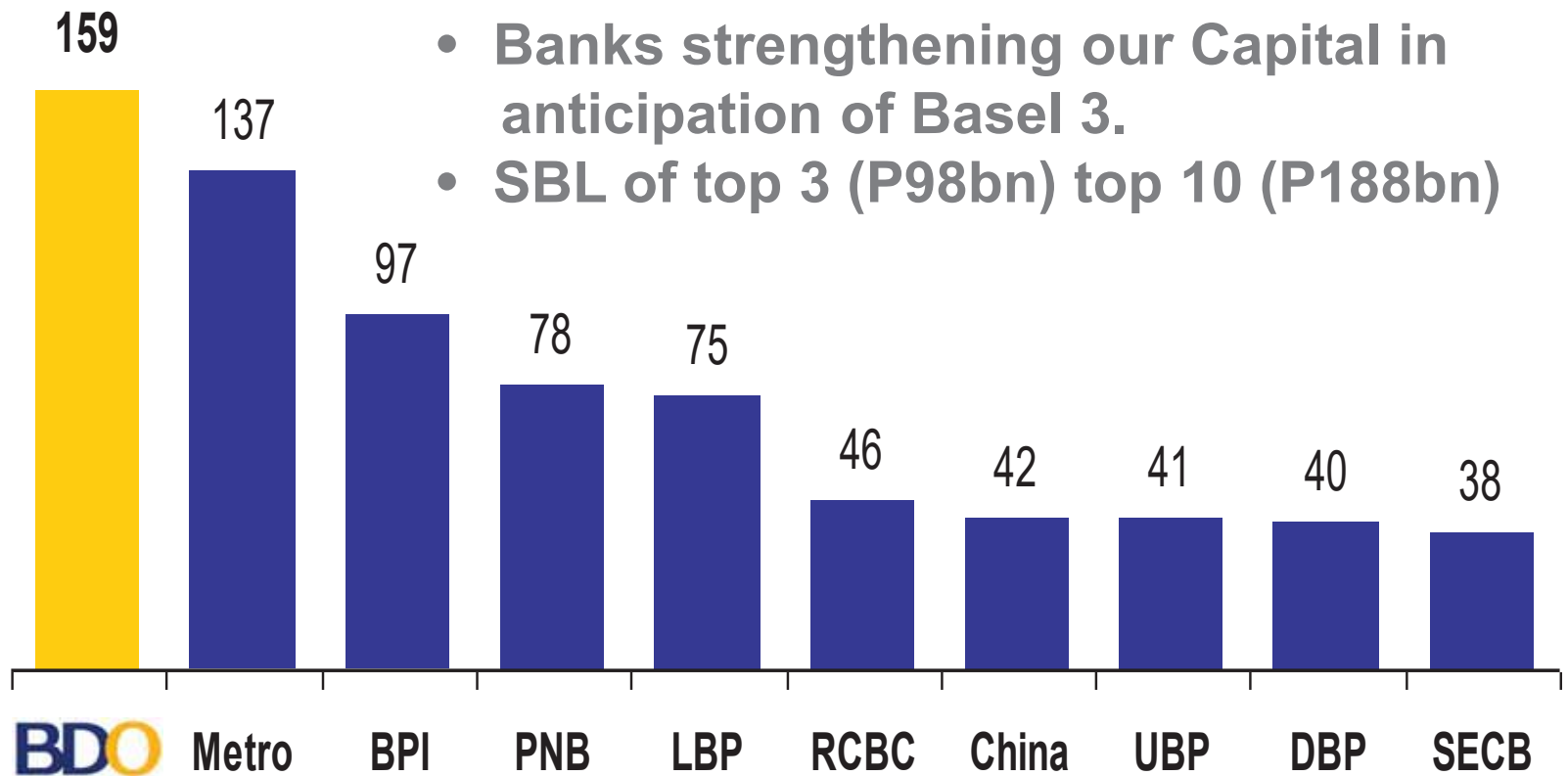
- Consolidated; in Php billions -



- Consists of Loans to BSP, Interbank Loans Receivable, Loans and Receivables-Others, and Loans and Receivables arising from RA/CA/PR/SLB

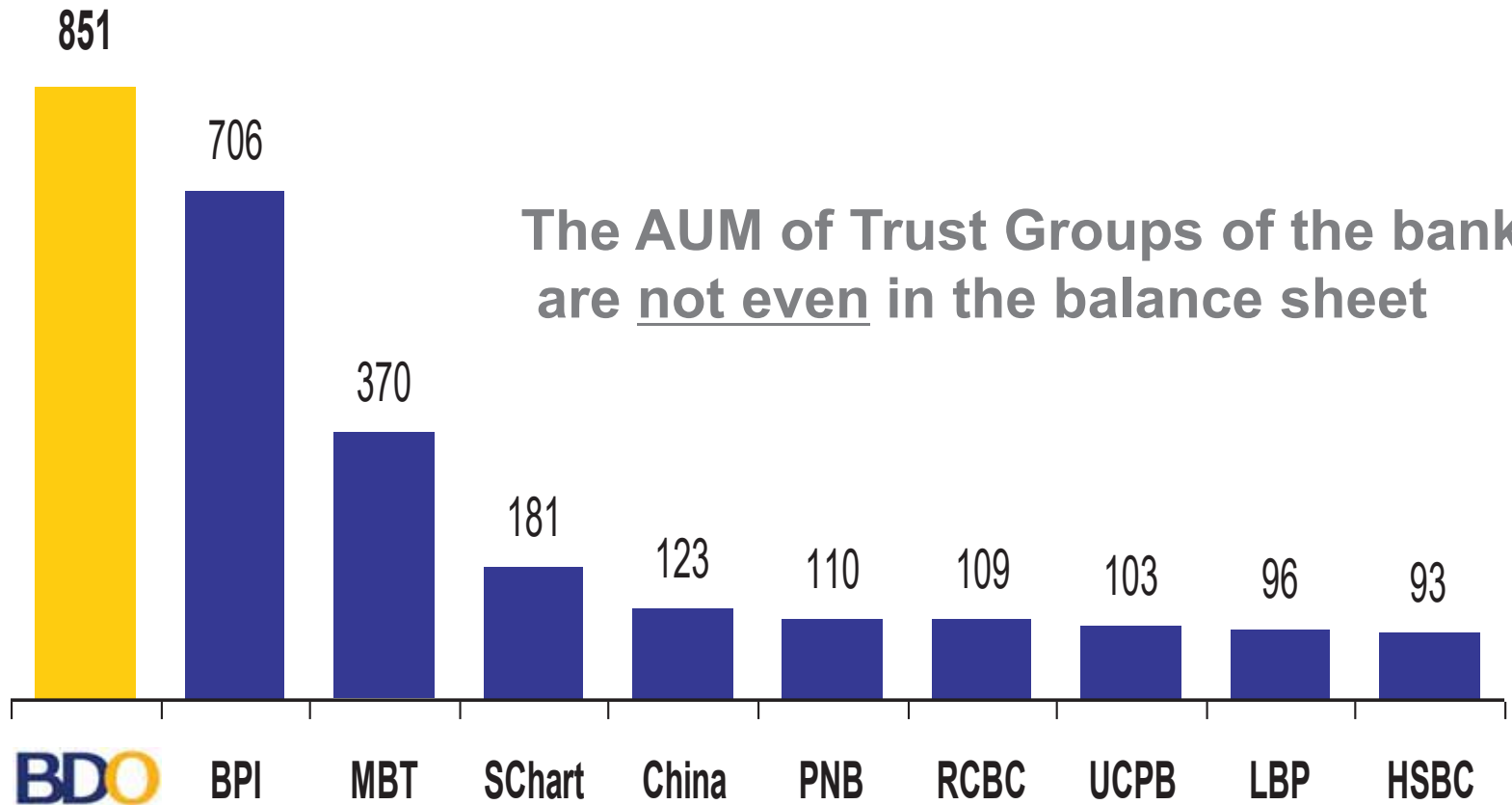
Total Capital Accounts

- Consolidated; in Php billions -



Assets Under Management

- Consolidated; in Php billions -



BDO's Energy Exposure, Capabilities and Appetite

BDO is at the forefront of a fast-growing banking industry

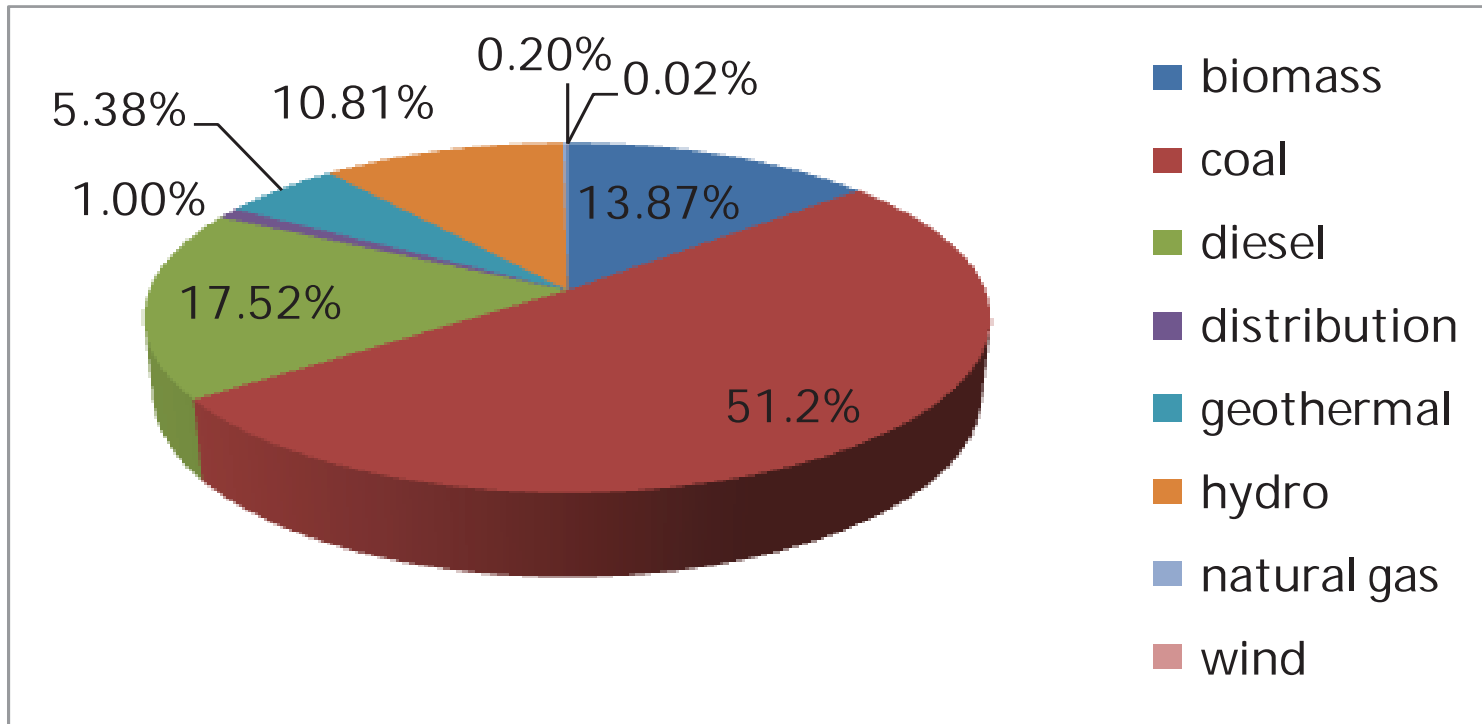
The Philippines' largest bank in terms of assets, loans, deposits and capital

A full-service universal bank with the widest network

One of the country's strongest Board of Directors
in terms of - Banking experience
- Corporate governance

Part of the SM Group with associated synergies and benefits

BDO Exposure – Power Generation



Types of Available Financing to Energy Sector

- ✓ **Short-Term Facilities**
 - Working Capital Lines
 - Bridge-financing
 - Standby Letter of Credit
 - Import Letter of Credit
- ✓ **Project Financing (limited recourse)**
- ✓ **Term Loans (with recourse)**
- ✓ **Structured Trade Finance/ECA**
- ✓ **Leasing**
- ✓ **Bonds and Preferred Shares**
- ✓ **Equity (private, IPO, follow on)**

BDO-IFC Partnership

Started Sustainable Energy Finance Program to Promote Clean Energy Financing (since 2010)

- ✓ IFC is the investment arm of the World Bank Group and the global leader in private sector development finance
- ✓ IFC provides technical/financial advisory services to BDO and its clients investing in renewable energy projects
- ✓ BDO provides financing

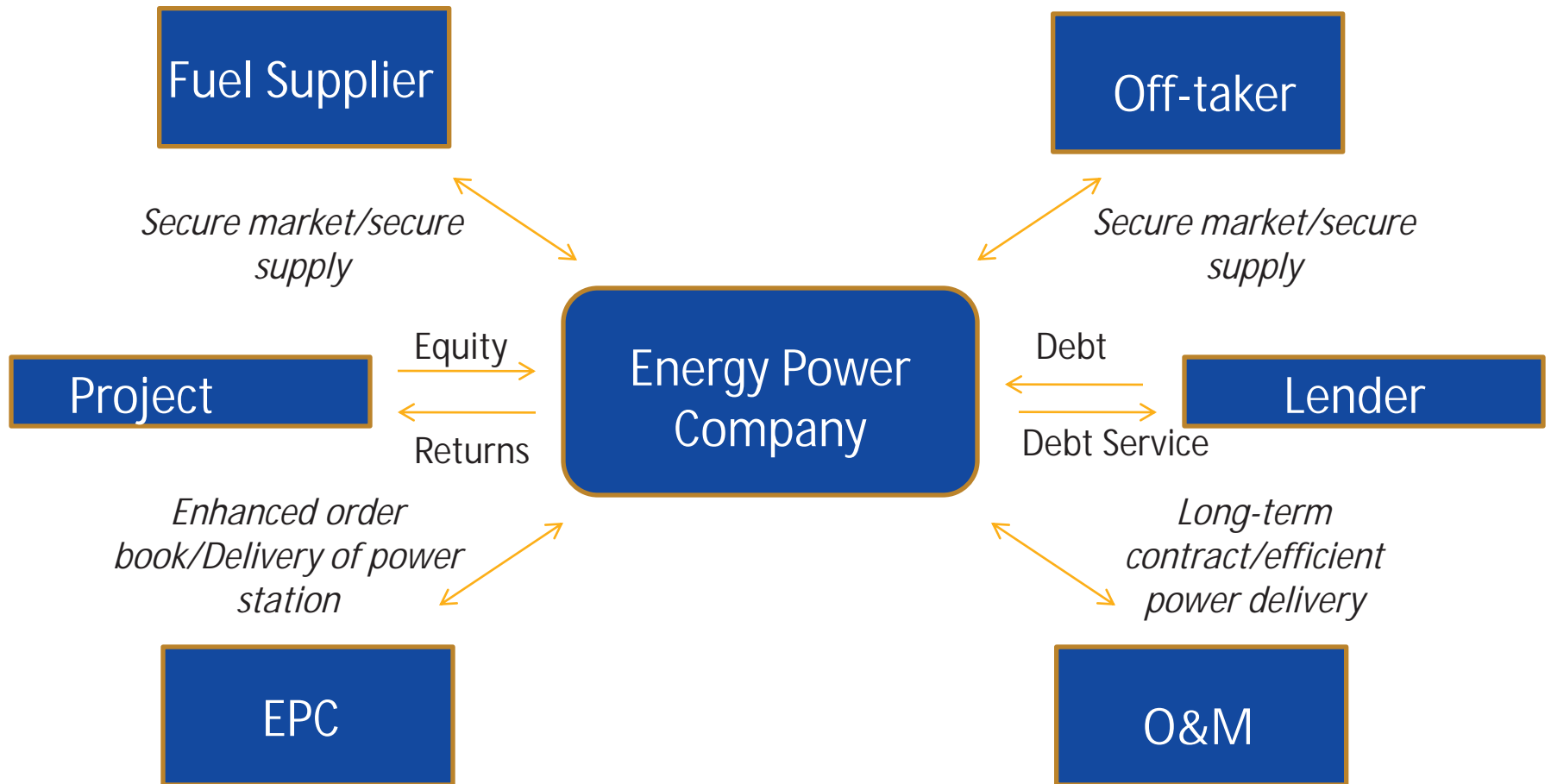
IFC Advisory Services

- Support in market identification
- Embedded technical consultants (EE/RE) to assist in technical and financial assessments
- Capacity building for bank staff
- Provision for current market studies, industry linkages, marketing and awareness support

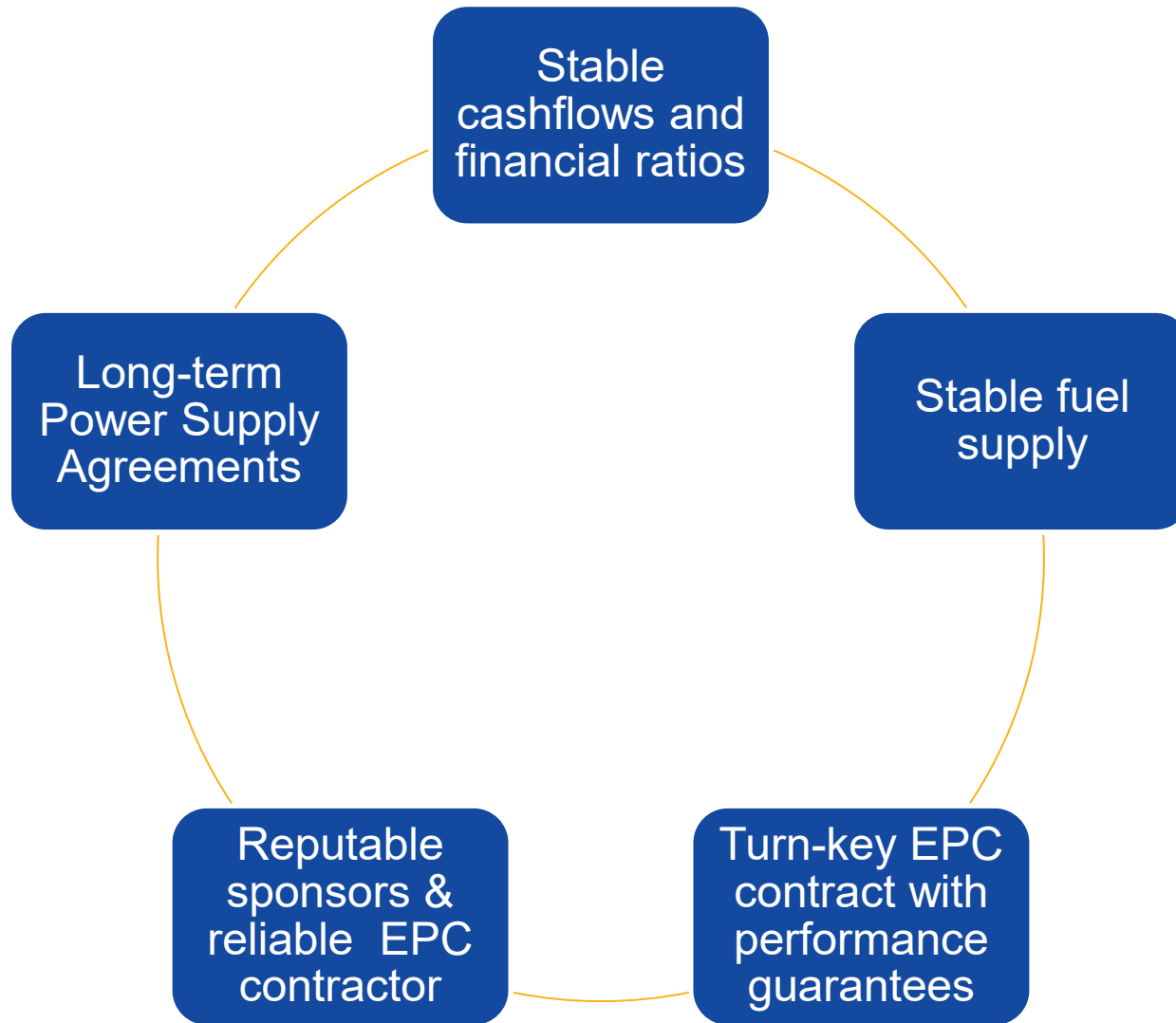
Financing terms may be customized according to the Project's requirements

- Size of financing not an issue
- Multi-currency facilities
- Combination of fixed rate or floater
- Can break up fixed-rate into various tranches
- Local bank-financing combined with ECA and Supplier-Financing
- No off-take agreement with Philippine Government

Typical Project Structure



Criteria for Lending



Criteria for Lending (Renewables)



Peak-months should be sufficient to cover revenues during lean months



Permits and licenses should be in place (i.e. ECC, NCIP, NIA, etc.)



Hydrology, wind mapping, and irradiation studies to be provided by reliable technical advisors



If vying for FIT allocation, project should be viable under a non-FIT scenario (i.e. WESM)

Sample Project Financing Terms

TENOR	Up to 10-12 years
STRUCTURE	Bilateral or Syndicated
INTEREST RATES	Fixed or Floating
Fixed:	5 + 5 + remaining balance 7 + 5 + remaining balance 10 years + remaining balance
Floater:	PDST-F + margin subject to a floor rate
CURRENCY	US\$ or PHP
REPAYMENT	Sculpted or Equal Amortization
GRACE PERIOD	Up to Commissioning Date (maximum of 3.5 years)
SECURITY	a) 1 ST -ranking Lien on project assets b) Pledge of sponsors' shares c) Assignment of cash waterfall accounts and DSRA d) Assignment of all contracts & insurances
COVENANTS	DSCR; D/E; Dividend stoppers, etc.

Challenges

- Lack of equity
- Track Record of Project Sponsors
- Credible local partners
- Strategy of foreign partners
- Incomplete legal and regulatory approvals
- Offtake agreements and FIT approval
- Sustainability of fuel supply
- New technology

Key Takeaways

- Local banks are more sophisticated and can address complex project-financing requirements.
- Banks are more aware about the climate change/clean energy discussion.
- There is strong appetite for lending particularly to the power sector due to foreseen supply shortage across the 3 grids.
- We can lend long term in PHP to reduce your FX risk.
- We rely on cashflows for project-financing on a limited recourse basis.

Conclusion

- BDO can provide short, medium and long-term financing to creditworthy sponsors of viable energy projects
- BDO has a dedicated Investment and Corporate Banking expertise for traditional and alternative energy projects. Our Single Borrowers Limit is \$1Bn and we can also syndicate the deal.
- BDO has a dynamic credit approval process that ensures fast-turn around.

Eduardo V. Francisco

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FinanceAsia

**Best Investment Bank
in the Philippines:
2006-2014**

**Best Equity House in
the Philippines:
2006, 2007, 2009,
2010, 2013**

**Best Bond House in
the Philippines:
2007, 2008, 2010,
2012, 2015**



**Top Corporate Issue
Manager/Arranger :
2011, 2012, 2013, 2014**

ASIAMONEY

**Best Debt House in
the Philippines:
2006-2010, 2015**

**Best Equity House in
the Philippines:
2006, 2007, 2008, 2010**



**Best Investment Bank in the
Philippines : 2013, 2014**



**Best Domestic
Investment Bank in
the Philippines:
2006-2014**

**Best Equity House in
the Philippines:
2008, 2010**



**Syndicated Loan House in the
Philippines : 2013, 2014**



**Best Investment Bank
in the Philippines:
2007-2015**

**Best Bond House in
the Philippines:
2007-2010, 2012, 2013**

**Best Equity House in
the Philippines: 2008
& 2013**



**Outstanding Local
Underwriter : 2006**

