

# »» Financing of Port Infrastructure with ECA Coverage

13<sup>th</sup> ASEAN Port and Shipping 2015

24 June 2015



**KFW** IPEX-Bank

## »» Where we come from – KfW

Financing with a public mission for more than 60 years

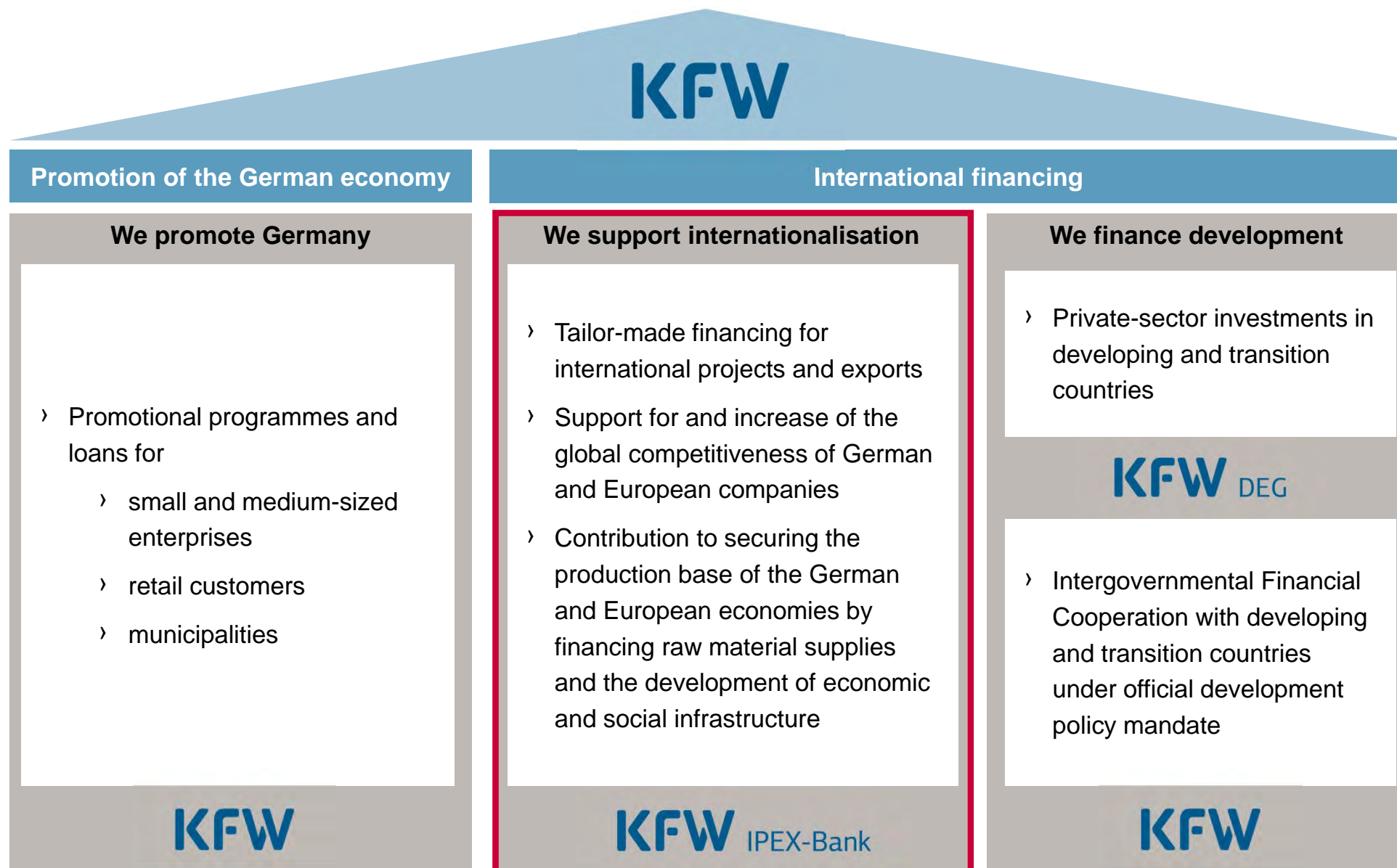
<b>Name</b>	KfW – Kreditanstalt für Wiederaufbau
<b>Mission</b>	Promotional bank of the Federal Republic of Germany
<b>Founded</b>	1948
<b>Shareholders</b>	80% Federal Republic, 20% federal states
<b>Locations</b>	Frankfurt am Main (head office) Berlin, Bonn, Cologne (branch offices)
<b>Best rating</b>	AAA (S&P) / Aaa (Moody's) / AAA (Fitch)
<b>Financing volume</b>	EUR 74.1 billion
<b>Total assets</b>	EUR 489.1 billion
<b>Employees</b>	5,518

\* As of: 31 December 2014



# »» We are part of a group with a wide range of functions

Supporting the export industry is a cornerstone of KfW's work



# »» KfW IPEX-Bank - Our name speaks for itself

International Export and Project Finance from KfW

<b>Name</b>	KfW IPEX-Bank GmbH
<b>Head office</b>	Frankfurt am Main
<b>Shareholders</b>	KfW Group (100% subsidiary)
<b>Rating</b>	AA (S&P) / Aa3 (Moody's)
<b>Business volume</b>	approx. EUR 64 billion*
<b>Employees</b>	642*
<b>Focus</b>	Financing of exports, infrastructure projects and environmental and climate protection projects as well as securing the supply of raw materials
<b>Mission</b>	For more than 60 years: supporting the internationalisation and boosting the competitiveness of German and European export companies

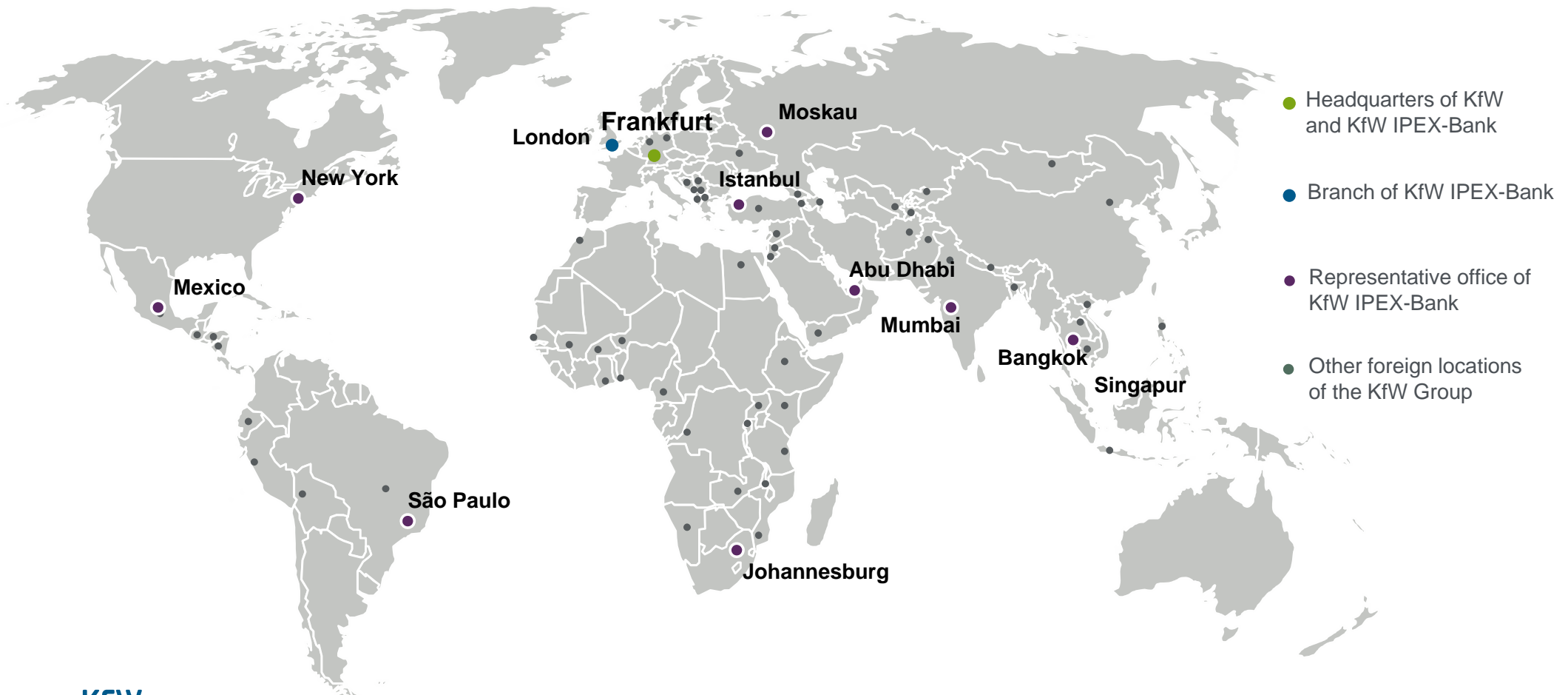


\* As of: 31 December 2014

# »» Our worldwide presence helps you stay competitive

80 offices and locations with many years of regional expertise

- › We are present in the **key regions and markets** for German and European exporters.
- › We understand a relationship bank as one that works closely with and close to its customers to provide **optimal advice and support**.
- › Within the KfW Group we use our worldwide network and share **knowledge and experience** across national borders – for your benefit.



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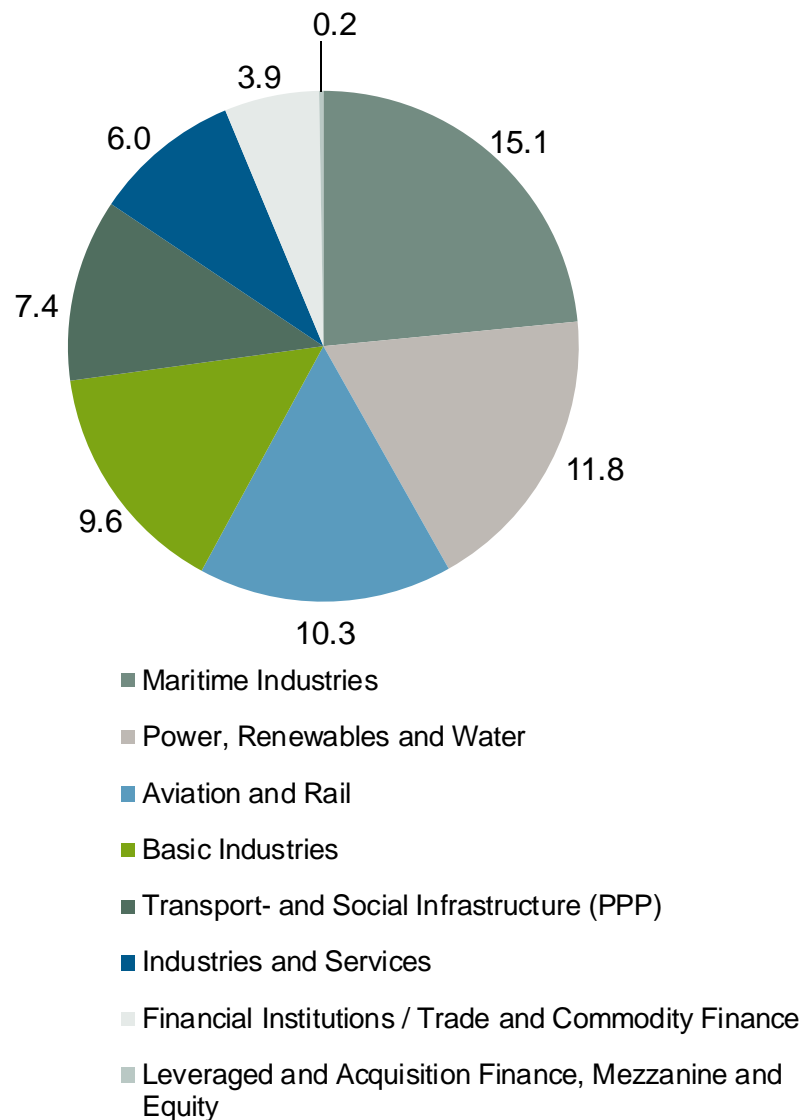


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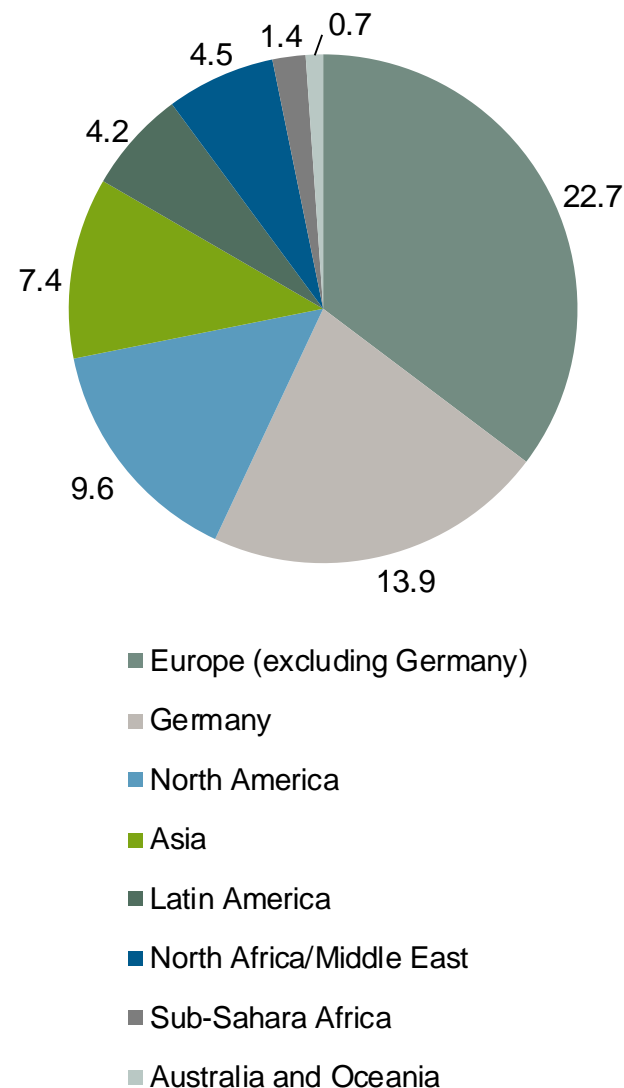
# »» Our loan portfolio of EUR 64 billion

Broad sector and regional diversification

Distribution by sector department (in EUR billion):



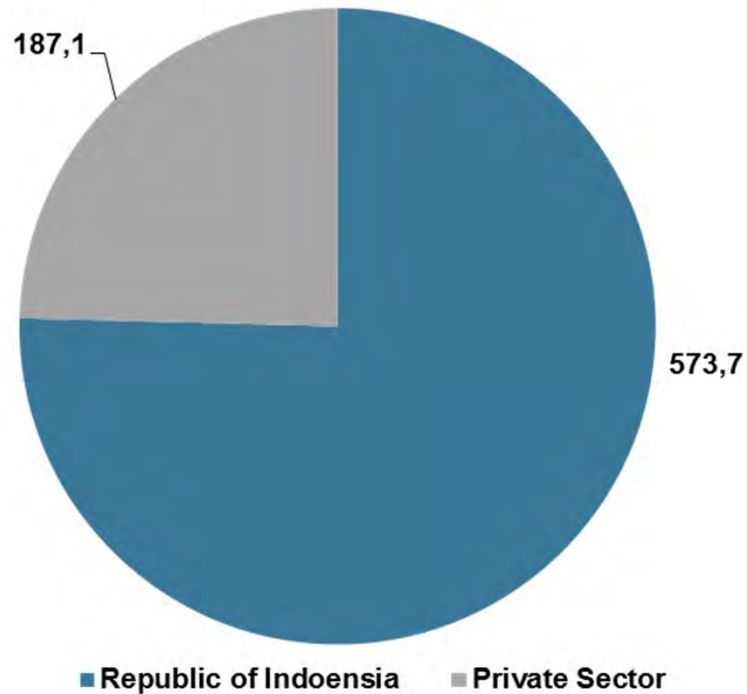
Distribution by region (in EUR billion):



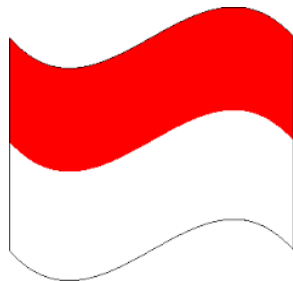
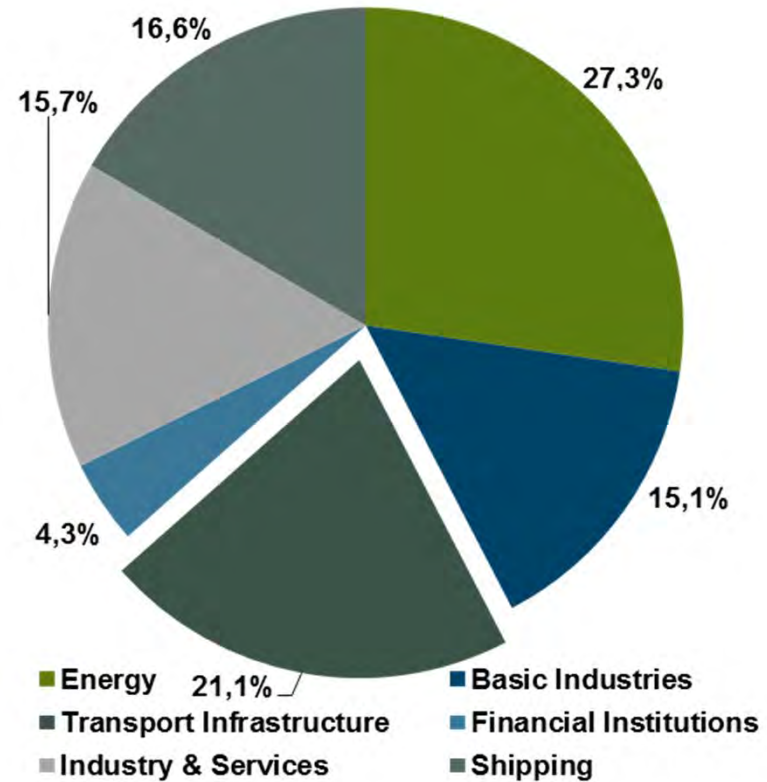
# »» IPEX' activities in Indonesia with a portfolio of EUR 761mn

Long-lasting experience

Distribution by public and private lenders



Distribution by business sector



KFW IPEX-Bank





# »» Our financings support major contemporary themes

Export industry - Infrastructure - Environmental protection - Raw material supplies

## Export industry

Expansion of petrochemical production in India



- › ECA-covered loan of USD 2 billion
- › One of the biggest Hermes-covered corporate finance transactions in history
- › Partly financed through the ERP Export Programme, fixed interest on CIRR basis
- › Supports more than 40 medium-sized German exporters

## Environmental and climate protection

Construction of offshore wind farm in the German part of the North Sea



- › 288 MW capacity
- › Total investment cost approx. EUR 1.4 billion
- › Financing of German, Dutch and Belgian supplies
- › Commissioning planned for 2015

## Infrastructure

New road network for the Isle of Wight in the United Kingdom



- › Renovation and maintenance of 800 km of roads, 756 km of footways, 29 km of cycleways, 239 bridges and buildings
- › Equipment of 12,000 street lights with low-energy bulbs
- › Total investment cost approx. GBP 141 million
- › Important investment in the infrastructure of the Isle of Wight

## Securing raw material supplies

Expanding iron ore extraction capacity in Mauritania



- › Total financing of over USD 700 million
- › Complex structured financing
- › Secures long-term iron ore supplies and supports German exporters

# »» We have the right financing solution for you

From ECA-covered loans to tailored structured financing

## You want ...

- › ... to tap into foreign markets and sell your local customers your goods and services
- › ... to expand and enlarge your production capacities or research facilities
- › ... to implement large, demanding investment projects and finance them on a cash-flow basis
- › ... to seek additional security instruments for your international transactions
- › ... to hedge your financings against interest and currency risks

## We offer ...

### **Supplier and buyer loans**

(also with ECA coverage)

### **Corporate financing**

(also in connection with suitable KfW promotional funds)

### **Project financing**

### **Financial guarantees**

### **Optimal and secure structures**

(derivatives, local currency financing, ...)

# »» Have a look at some of our references

## Ports

 <p><b>Longbeach Container Terminal</b>  <b>Structured Finance</b>  <b>USA</b></p> <p><b>USD 81,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>MLA</small>    <small>2014</small></p>	 <p><b>DP WORLD</b>  <b>Callao</b></p> <p><b>DP World Callao S.R.L.</b>  <b>Structured Finance</b>  <b>Peru</b></p> <p><b>USD 350,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>MLA</small>    <small>2013</small></p>	 <p><b>DP WORLD</b>  <b>Nhava Sheva</b></p> <p><b>DP World Nhava Sheva</b>  <b>Structured Finance</b>  <b>India</b></p> <p><b>USD 160,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>MLA</small>    <small>2013</small></p>	 <p><b>Hamburg Port Authority</b>  <b>Infrastructure Finance</b>  <b>Germany</b></p> <p><b>EUR 20,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>BL</small>    <small>2013</small></p>
 <p><b>APM Terminals Callao S.A.</b>  <b>Multi - Purpose Terminal</b>  <b>Brownfield Project Finance</b>  <b>Peru</b></p> <p><b>USD 217,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>IFC BLP</small>    <small>2013</small></p>	 <p><b>Europe Container Terminals</b>  <b>Structured Finance</b>  <b>The Netherlands</b></p> <p><b>EUR 240,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>L</small>    <small>2012</small></p>	 <p><b>Rotterdam World Gateway</b>  <b>Project Finance</b>  <b>The Netherlands</b></p> <p><b>EUR 360,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>MLA</small>    <small>2012</small></p>	 <p><b>Wiggins Island Coal Terminal</b>  <b>Greenfield Project Finance</b>  <b>Australia</b></p> <p><b>USD 2,850,000,000</b></p> <p><small>KFW IPEX-Bank</small>    <small>SF</small>    <small>2011</small></p>

MLA: Mandated Lead Arranger    BL: Bilateral Lender    LA: Lead Arranger    L: Lender    SF: Senior Financier    A: Arranger    P: Participant    IFC BLP: IFC B-Loan Participant    MB: Modelling Bank



»» ECA covered financing with KfW IPEX-Bank - rationale

# »» We have the right financing solution for your imports

ECA-covered loans based on OECD consensus

## You want ...

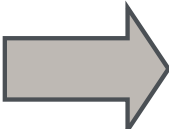
- › ... to finance your imports of capital goods and/or related services with extended tenors
- › ... to minimize your financing costs
- › ... to seek additional security instruments for your international transactions

## We offer ECA financing with...

Maximum tenors according to the risk categorization of the borrower's country (up to 10-12 years)

Minimum Pricing Benchmarks / no negative carry

ECA insurance for both political and commercial risks



ECA financing volumes in the range of c. EUR 4 billion p.a. throughout a time period of many years demonstrates KfW IPEX-Bank's substantial experience in ECA financing.

# »» CIRR (Commercial Interest Reference Rate)

the German Example

- a **fixed interest rate** over the **entire lifetime of the loan (subsidized by the German government)**. In Germany, KfW is one of the provider of the German CIRR.
- In Combination with an cover of Euler-Hermes only (other ECAs might differ; CIRR rates are not offered by all countries).
- Country of the borrower has to be listed in the ODA list.
- CIRR is the minimum interest rate; depending on the project and risk surcharge could apply.
- OECD publishes the different CIRR rates (depending on repayment period and currency).

<i>Currency of country</i>	Repayment Terms	15-05-2015	15-04-2015
		14-06-2015	14-05-2015
US Dollar	≤ 5 years	1.87	2.02
	> 5 to 8.5 years	2.36	2.52
	> 8.5 years	2.69	2.84
Euro*	≤ 5 years	0.79	0.81
	> 5 to 8.5 years	0.91	0.93
	> 8.5 years	1.05	1.09

## »» Overview about the Export Credit Agency Market

ECAs – who are they and what do they do?

- › ECAs are Government departments of exporting countries
- › ECAs are tasked with promoting of equipment / services from home countries.
- › ECAs simplify access of credit for foreign buyers when they need to pay for imports from ECA countries.
- › ECAs work with commercial banks in their home countries and encourage them to lend by providing them with guarantees covering the borrower's repayment obligations.
- › Banks usually act as lenders under the ECA loans (although some ECAs can do so themselves).
- › Banks record the exposure under the loan as the sovereign risk of the ECA rather than a risk on the underlying borrower.

# »» Overview about the Export Credit Agency Market

## Country ECAs and Ratings



Austria (AA+)  
➤ **OeKB**



Belgium (AA)  
➤ **OND**



Czech Rep. (AA-)  
➤ **EGAP**



Denmark (AA+)  
➤ **EKF**



Finland (AA+)  
➤ **Finnvera**



France (AA)  
➤ **COFACE**



Germany (AAA)  
➤ **HERMES**



Italy (BBB-)  
➤ **SACE**

### S&P Rating Levels

AAA

AA+

AA

AA-

A+

A

A-

BBB+

BBB

BBB-

BB+

BB

BB-

B+

Netherlands (AA+)  
➤ **Atradius**



Poland (A-)  
➤ **KUKE**



Portugal (BB)  
➤ **COSEC**



Slovak Rep. (A)  
➤ **EXIMBANKA**



Spain (BBB)  
➤ **CESCE**



Sweden (AAA)  
➤ **EKN**



South Africa (BBB-)  
➤ **ECIC**



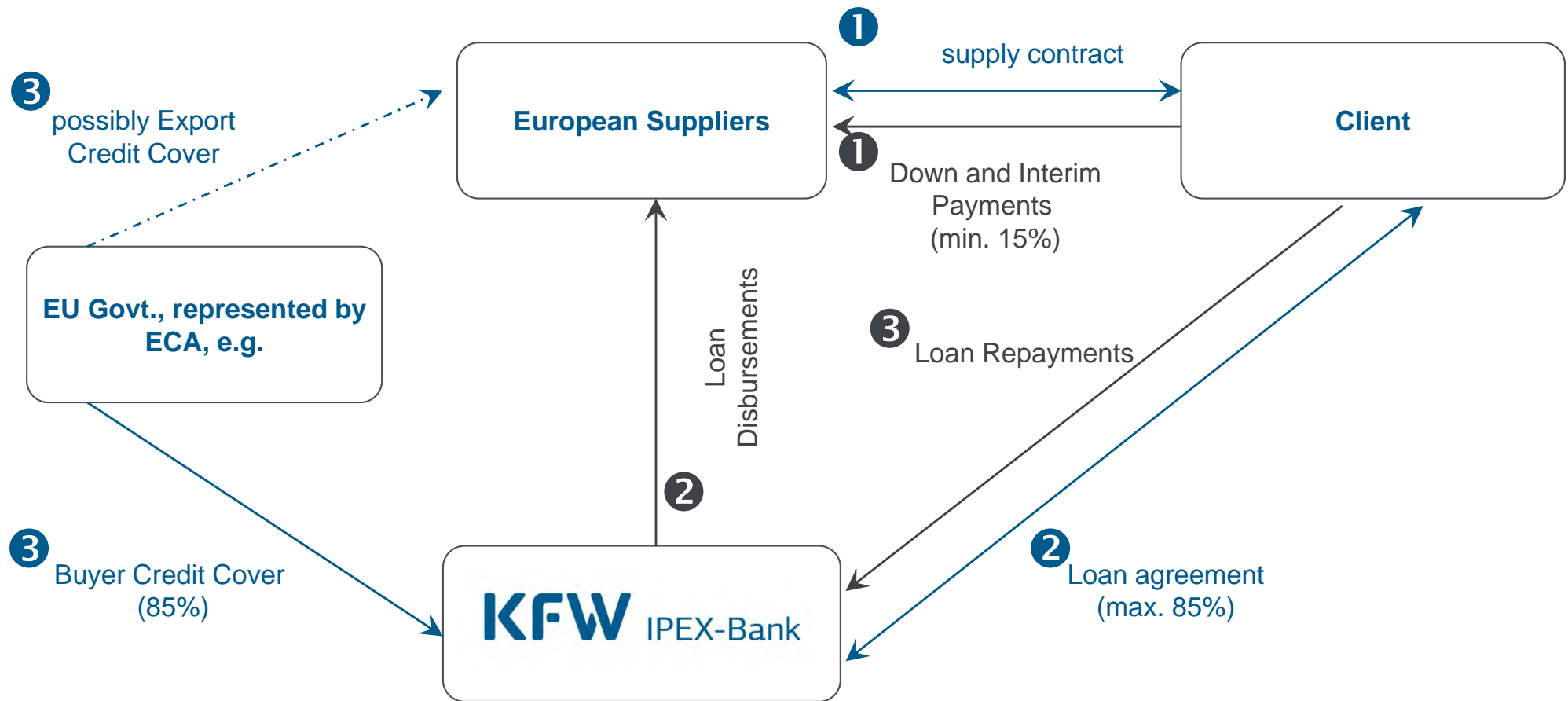
Switzerland (AAA)  
➤ **SERV**





# »» ECA Financing Overview

## Generic Structure

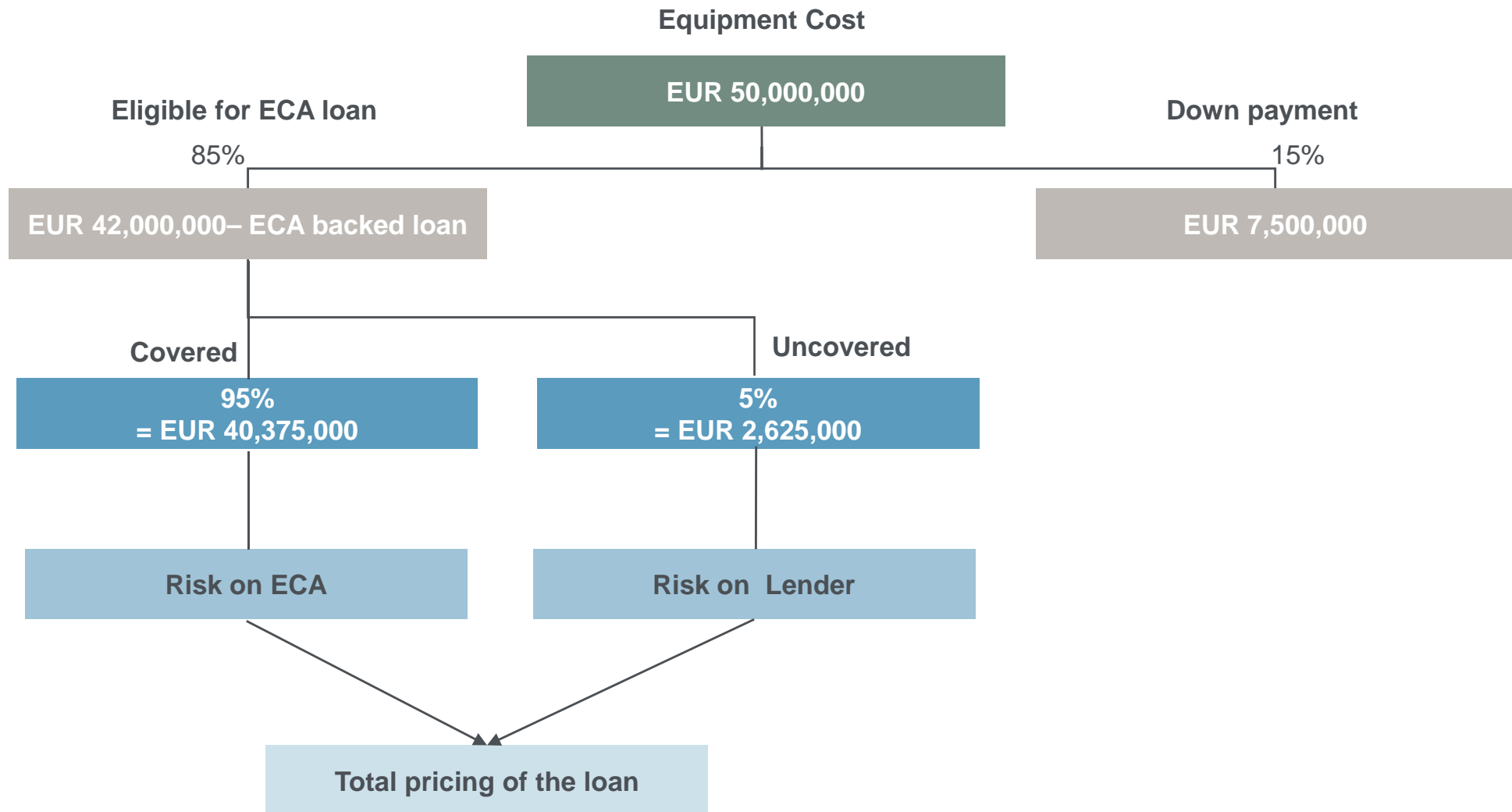


ECA cover (up to 85 % of equipment value) could include

- local costs
- and/or third country supplies,
- the ECA Premium as well as
- Interest during Construction under cover

# »» ECA Financing Overview

## Generic Structure



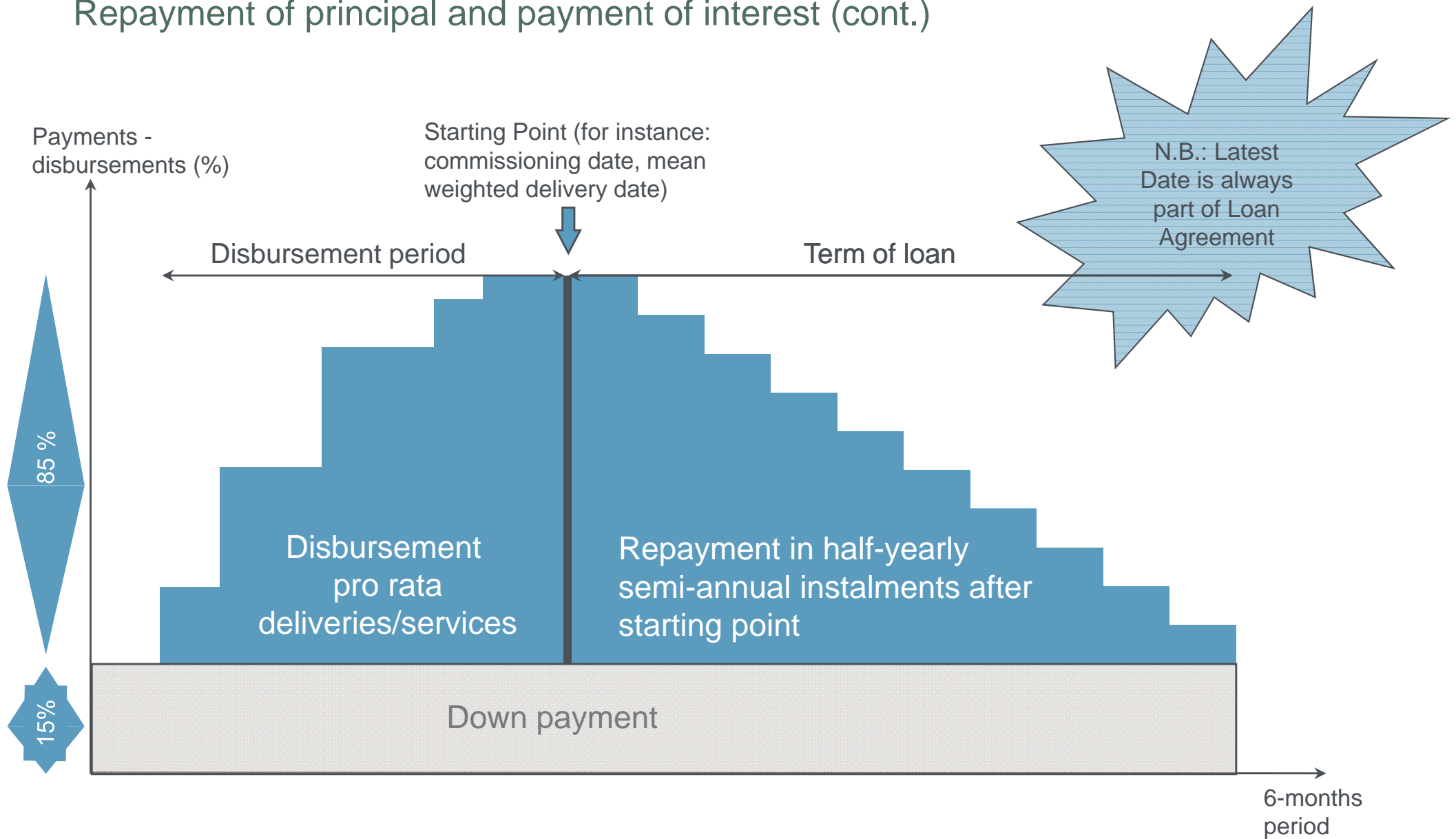
# »» International Rules

## ECA-Corporate Financing



# »» OECD and other requirements

Repayment of principal and payment of interest (cont.)



## »» Costs of an ECA-covered buyer credit

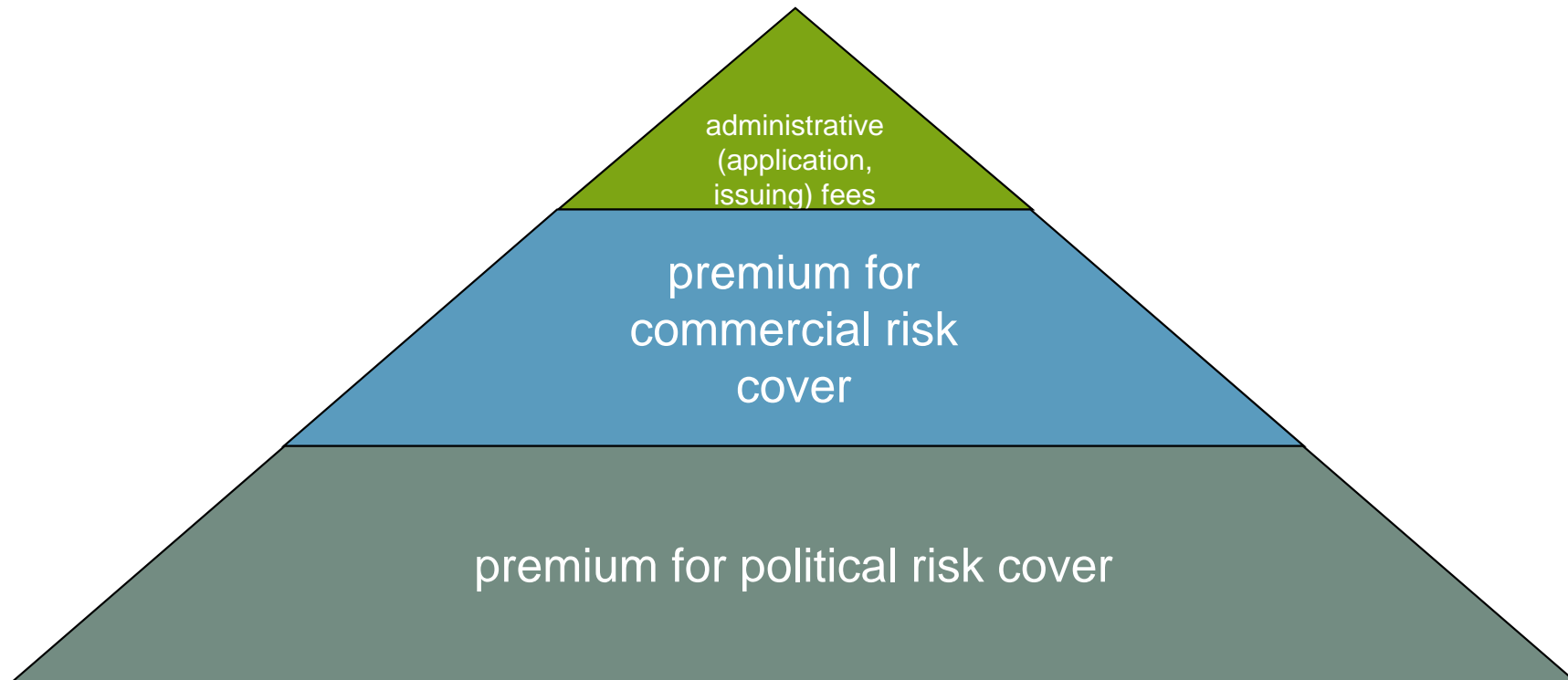
Calculation of the total costs – Summary:



## »» Costs of an ECA-covered buyer credit

### ECA premium

Premium charged by Export Credit Agencies (“ECAs”) for granting Export Credit Guarantees comprises:



# »» Costs of an ECA-covered buyer credit

## ECA premium of Case Study

### Assumptions

Loan Amount:	USD 42.5mn
Borrower:	Local Buyer
Bank classification:	CC1
Country classification:	3 (Indonesia), 4, 5, 6
Starting Point of the credit:	12 months after first disbursement
Repayment:	20 semi annual instalments
Percentage of ECA-cover:	95%

ECA Hermes CC	Approx. Premium % <u>flat</u> *)	Premium % <u>p.a.</u> **)
3	6,3	1,1
4	8,4	1,5
5	10,0	1,9
6	13,1	2,3

\*) A detailed evaluation of a specific transaction may lead to premiums that slightly differ

\*\*) based on first rough estimate – to be recalculated factoring in NPV factors

## »» Questions?

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»» We will be happy to assist you

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**KFW** IPEX-Bank

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