

# »» Financing of Port Infrastructure with ECA Coverage

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

14 July 2016

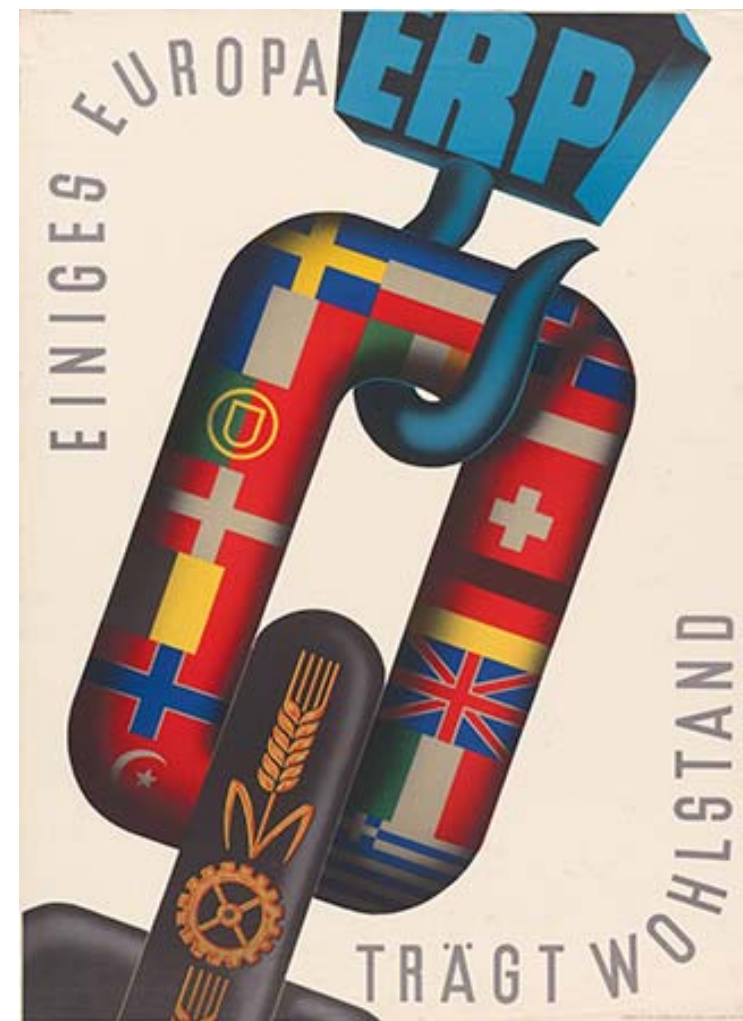


## »» Where we come from – KfW

Financing with a public mission for over 60 years

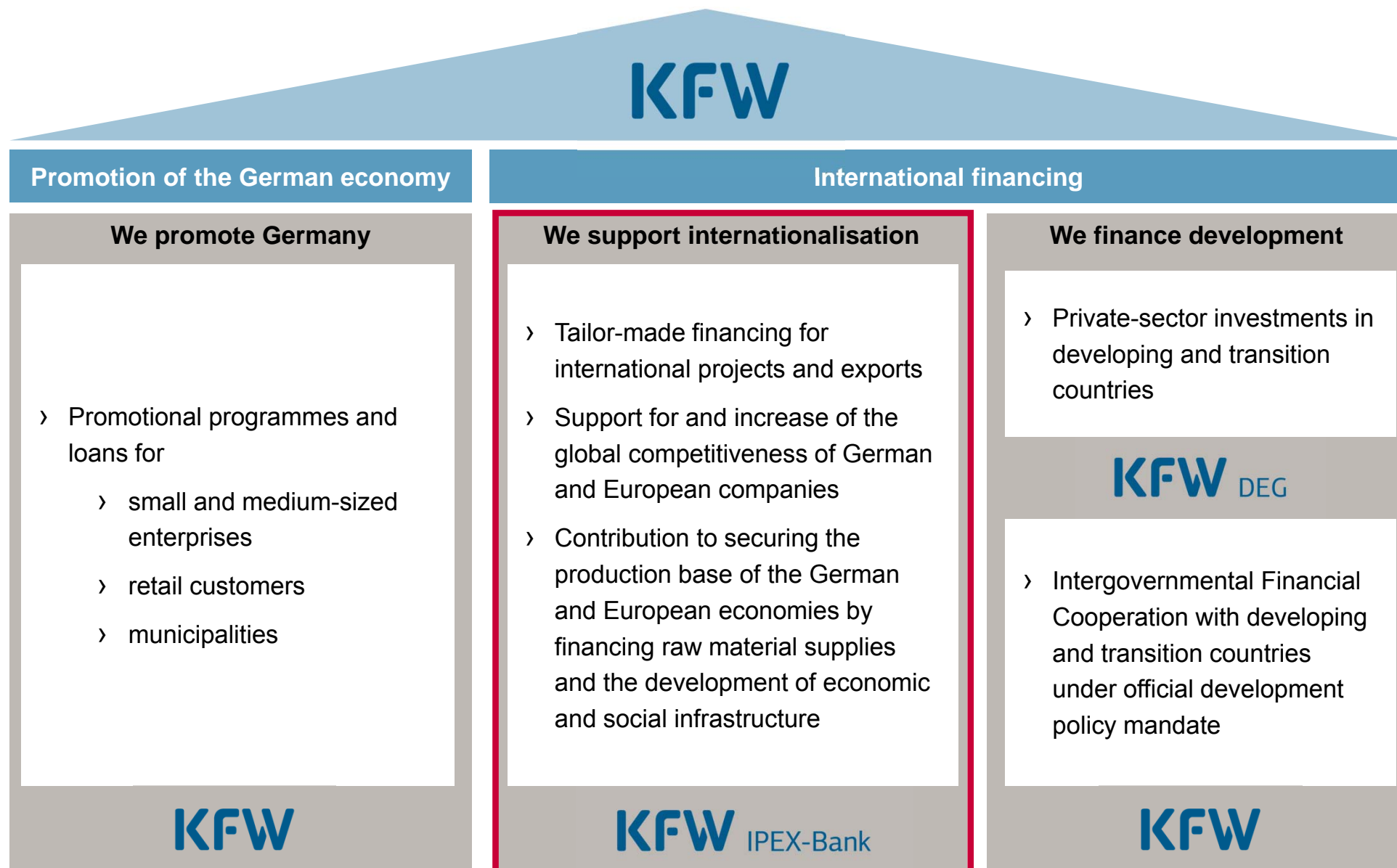
<b>Name</b>	KfW – Kreditanstalt für Wiederaufbau
<b>Mission</b>	Promotional bank of the Federal Republic of Germany
<b>Founded</b>	1948
<b>Shareholders</b>	80% Federal Republic, 20% federal states
<b>Locations</b>	Frankfurt am Main (head office) Berlin, Bonn, Cologne (branch offices)
<b>Best rating</b>	AAA (S&P) / Aaa (Moody's) / AAA (Fitch)
<b>Financing volume</b>	EUR 79.3 billion*
<b>Total assets</b>	EUR 503 billion*
<b>Employees</b>	5,807*

\* As of: 31 December 2015



# »» 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 – International project and export finance

KfW's specialist financier with tailored products

**A bank with  
... a top rating**

KfW IPEX-Bank GmbH  
Head office: Frankfurt am Main  
Rating: AA+ (S&P) / A2 (Moody's)

**... a strong  
shareholder**

100% subsidiary of the state-owned  
promotional bank KfW  
Rating: AAA (S&P) / Aaa (Moody's) / AAA (Fitch)

**... committed staff  
and a stable  
business volume**

652 employees\* process approx. EUR 69 billion\*  
in business

**... years of  
experience and a  
clear mission**

- › In the market for **over 60 years**
- › Supporting the **internationalisation** and **competitiveness** of German / European **exporters**
- › Focused on **export industry, infrastructure, environmental / climate protection** and **securing the supply of raw materials**



Quelle: KfW Photo Archive (photographer: Rüdiger Nehmzow)

\* As of: 31 December 2015

# »» Our worldwide presence helps you stay competitive

80 offices and locations with many years of regional expertise

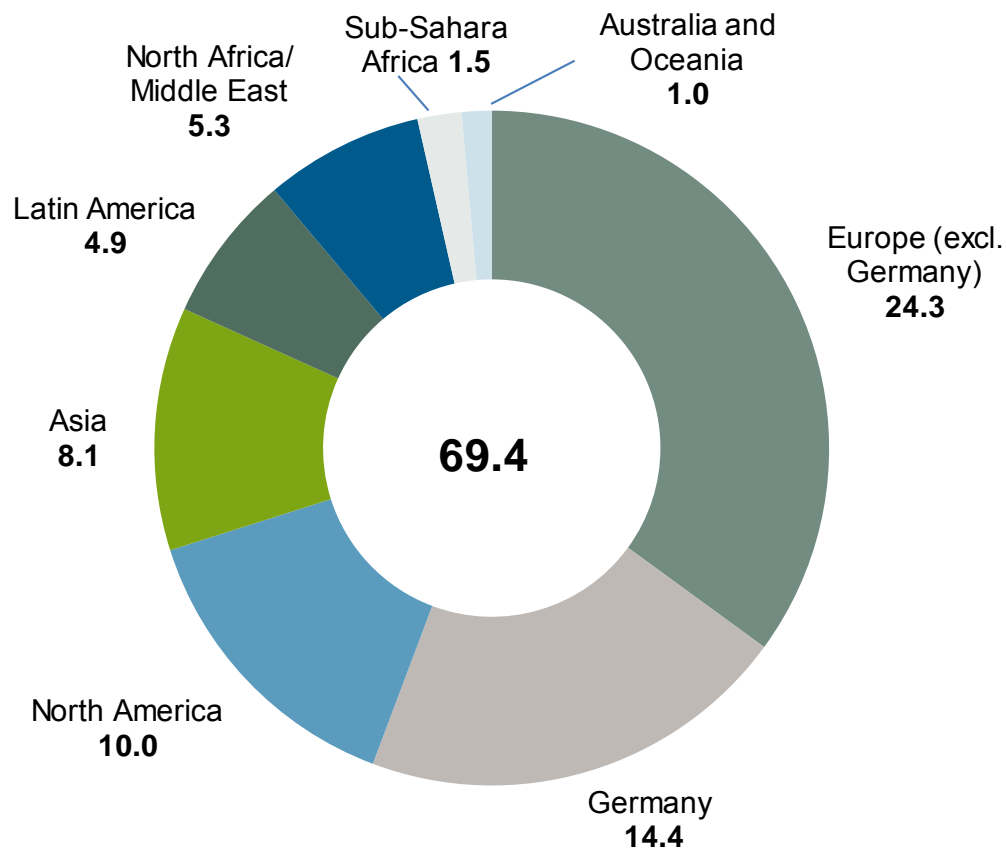
- › We are present in the **key regions and markets** for German and European exporters.
- › We understand a relationship bank as one that works closely with and close to its customers to provide **optimal advice and support**.
- › Within the KfW Group we use our worldwide network and share **knowledge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



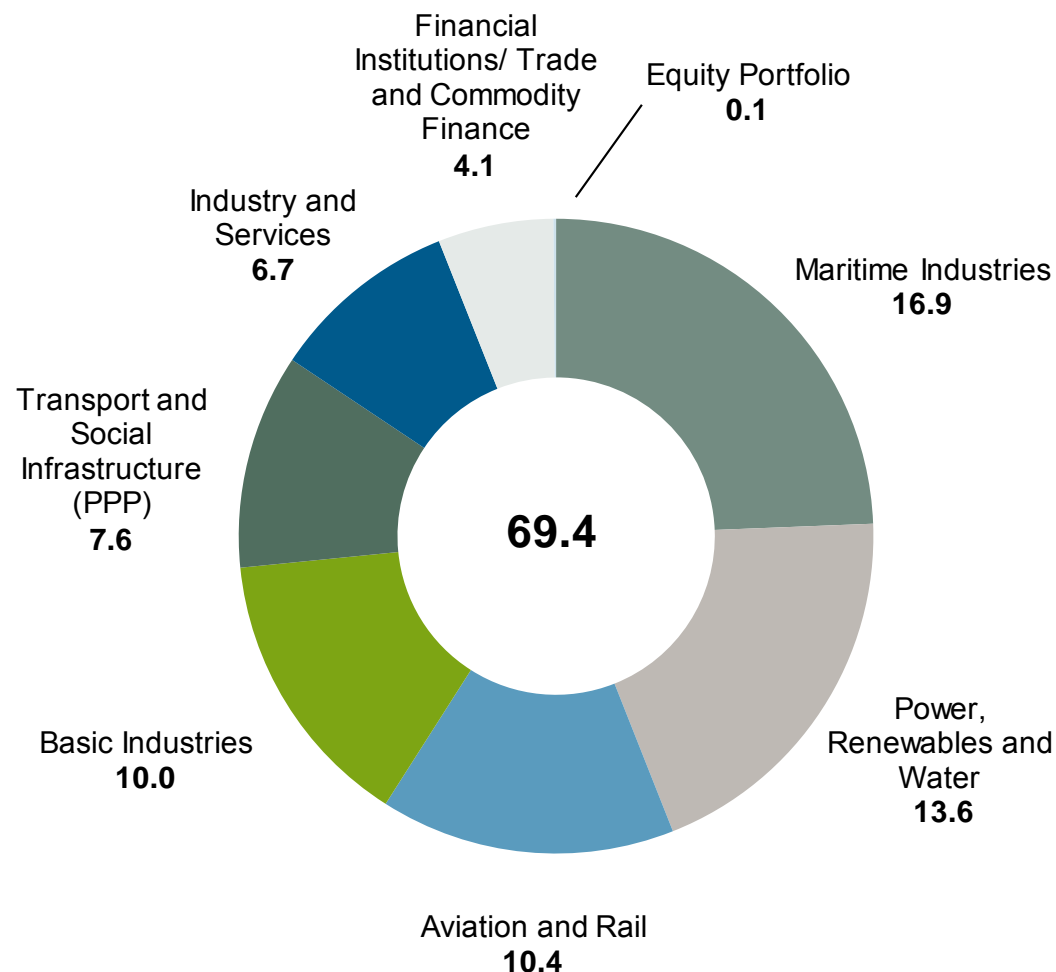
# »» Our loan portfolio of EUR 69 billion

Broad sector and regional diversification

Distribution by region (in EUR billion):



Distribution by sector department (in EUR billion):





# »» 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>Netherlands</p>  <p><b>IJmond Sea Lock Project Finance</b></p> <p>Overall financing volume EUR 500,000,000</p> <p>Mandated</p> <p><b>KFW</b> IPEX-Bank Lead Arranger 2015</p>	<p>Netherlands</p>  <p><b>Maasflakte II Terminal Corporate Finance</b></p> <p>Overall financing volume USD 100,000,000</p> <p><b>KFW</b> IPEX-Bank Bilateral Lender 2015</p>	<p>Mexico</p>  <p><b>Container Port Manzanillo Project Finance</b></p> <p>Overall financing volume USD 260,000,000</p> <p><b>KFW</b> IPEX-Bank IFC B-Loan Participant 2015</p>	<p>Belgium</p>  <p><b>Antwerp Gateway NV Brownfield Project Finance</b></p> <p>Overall financing volume EUR 125,000,000</p> <p>Mandated</p> <p><b>KFW</b> IPEX-Bank Lead Arranger 2015</p>
<p>USA</p>  <p><b>Longbeach Container Terminal Structured Finance</b></p> <p>Overall financing volume USD 81,000,000</p> <p>Mandated</p> <p><b>KFW</b> IPEX-Bank Lead Arranger 2014</p>	<p>Peru</p>  <p><b>APM Terminals Callao S.A. Multi – Purpose Terminal Brownfield Project Finance</b></p> <p>Overall financing volume USD 217,000,000</p> <p><b>KFW</b> IPEX-Bank IFC B-Loan Participant 2013</p>	<p>Peru</p>  <p><b>DP World Callao S.R.L. Structured Finance</b></p> <p>Overall financing volume USD 350,000,000</p> <p>Mandated</p> <p><b>KFW</b> IPEX-Bank Lead Arranger 2013</p>	<p>India</p>  <p><b>DP World Nhava Sheva Structured Finance</b></p> <p>Overall financing volume USD 160,000,000</p> <p>Mandated</p> <p><b>KFW</b> IPEX-Bank Lead Arranger 2013</p>



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

# »» Export Credit Agencies (ECAs)

## Arguments Pro and Con ECA Financing

### Cons

- Another layer of bureaucracy
  - Cost of the ECA premium
- Time needed for ECA decision-making process

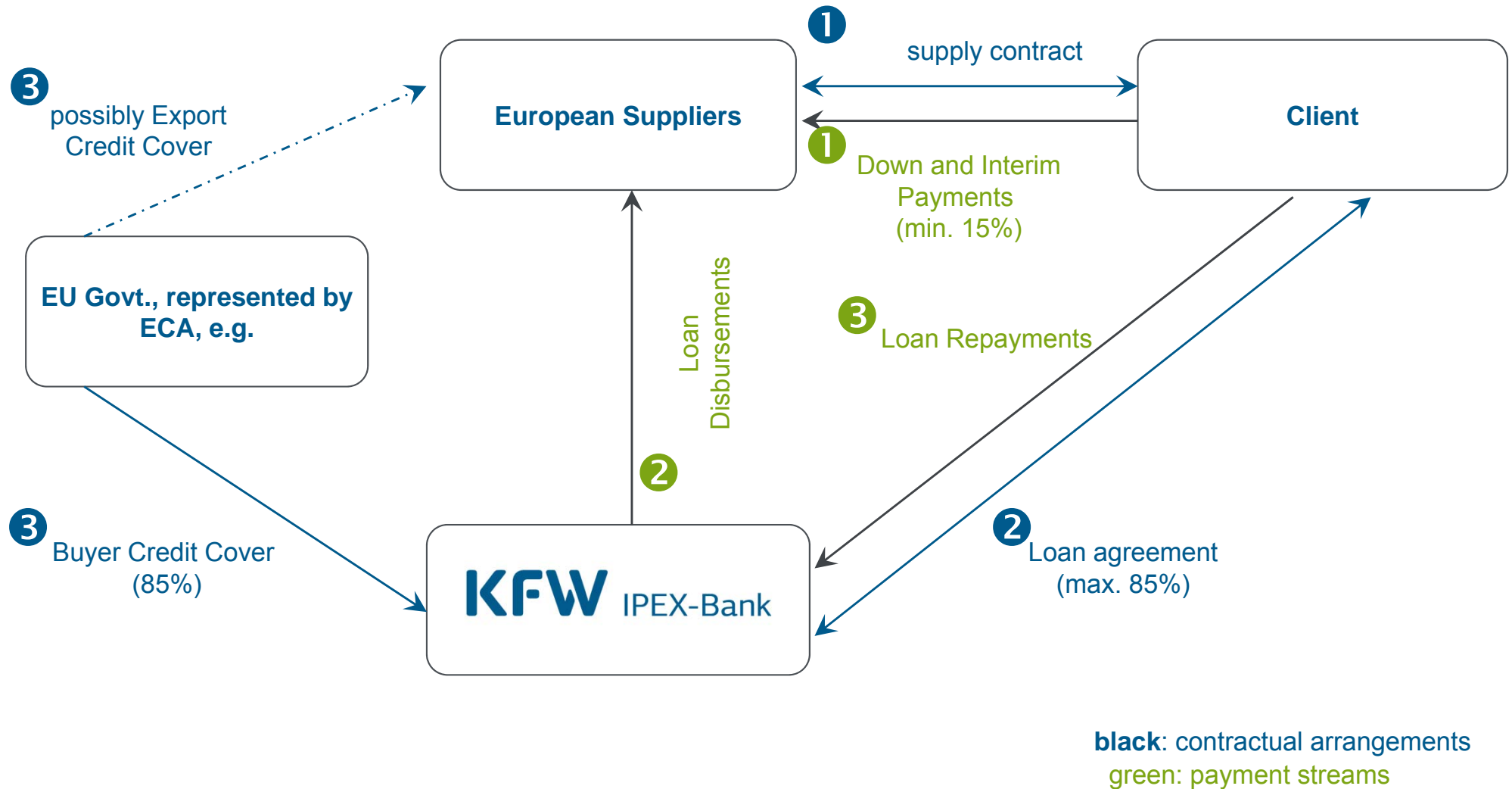
### Pros

- **Long tenors:** drawdown plus up to 10 years (for corporate deals) , plus up to 14 years (for project finance)
- **Competitive Pricing:** Floating and fixed interest rates (CIRR) with very low spreads relative to market
  - **Cash Flow Matching:** Drawings only when funds are required to the supplier, thus reducing the negative carry
- **Multi Currency:** Facilities are available in most freely convertible currencies
  - Diversified funding source for borrowers
    - Exporters like it:
      - solves conflict of interest in introducing cash-on-delivery-like payment terms
      - high security of payment for exporters
- Works well with other internationally recognized means of payment, e.g. L/Cs

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

# »» ECA financing overview

## Generic structure



# »» Overview about the Export Credit Agency Market

## Country ECAs and Ratings



Österreich (AA+)  
➤ **OeKB**



Belgien (AA)  
➤ **OND**



Tschechische Rep. (AA-)  
➤ **EGAP**



Dänemark (AAA)  
➤ **EKF**



Finnland (AA+)  
➤ **Finnvera**



Frankreich (AA)  
➤ **COFACE**



Deutschland (AAA)  
➤ **HERMES**



Italien (BBB-)  
➤ **SACE**

### S&P Rating Levels

AAA

AA+

AA

AA-

A+

A

A-

BBB+

BBB

BBB-

BB+

BB

BB-

B+

Niederlande (AAA)  
➤ **Atradius**



Polen (BBB+)  
➤ **KUKE**



Portugal (BB+)  
➤ **COSEC**



Slovakei. (A+)  
➤ **EXIMBANKA**



Spanien (BBB+)  
➤ **CESCE**



Schweden (AAA)  
➤ **EKN**



Südafrika (BBB-)  
➤ **ECIC**



Schweiz (AAA)  
➤ **SERV**





## »» 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 take political and economic risks of non-fulfillment of loan agreements
- › ECAs provide cover for up to 85% of the order value with the possibility to include
  - › local costs
  - › and/or third country supplies,
  - › the ECA Premium as well as
  - › Interest during Construction.

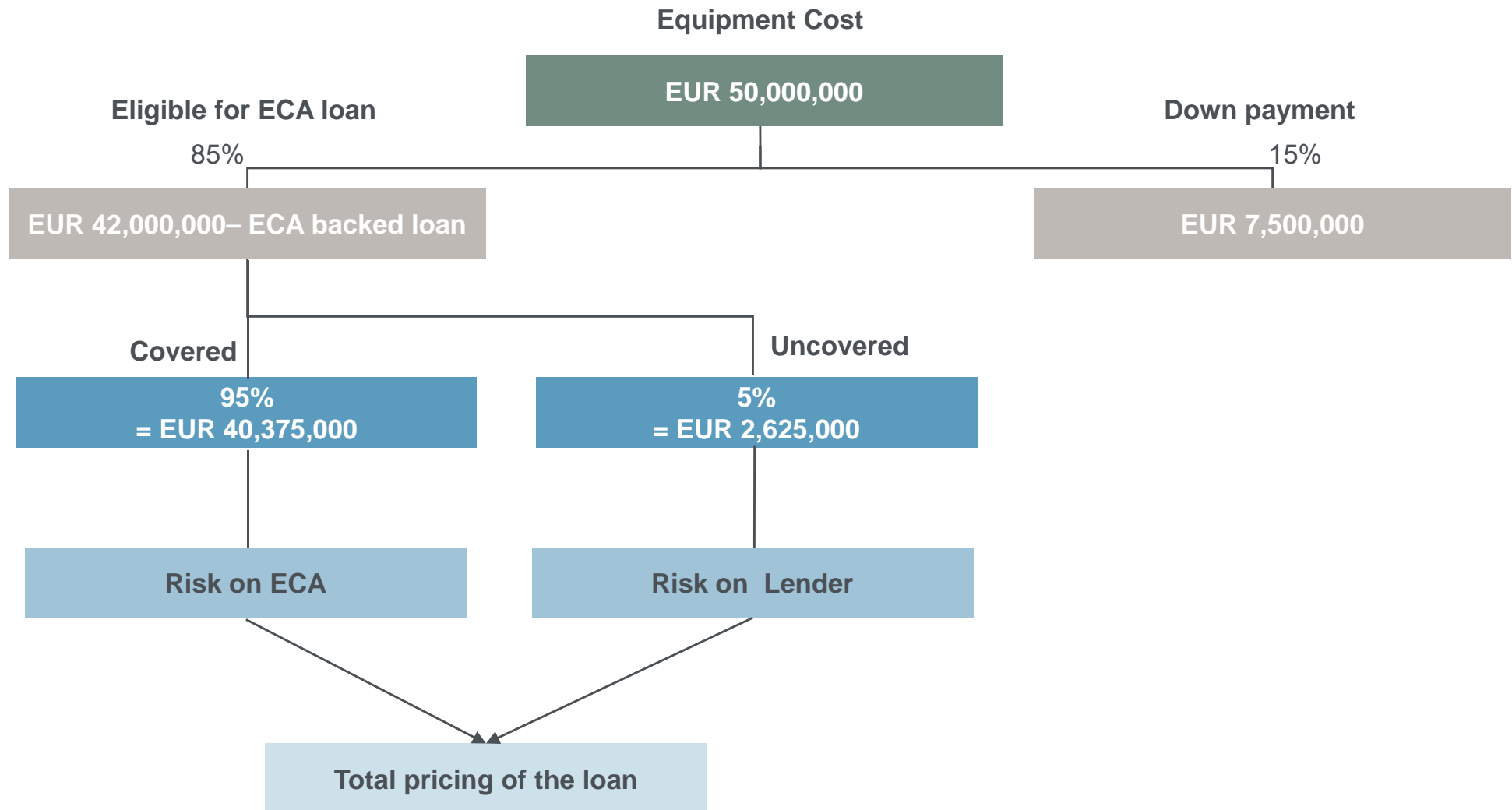
# »» International Rules

## ECA-Corporate Financing



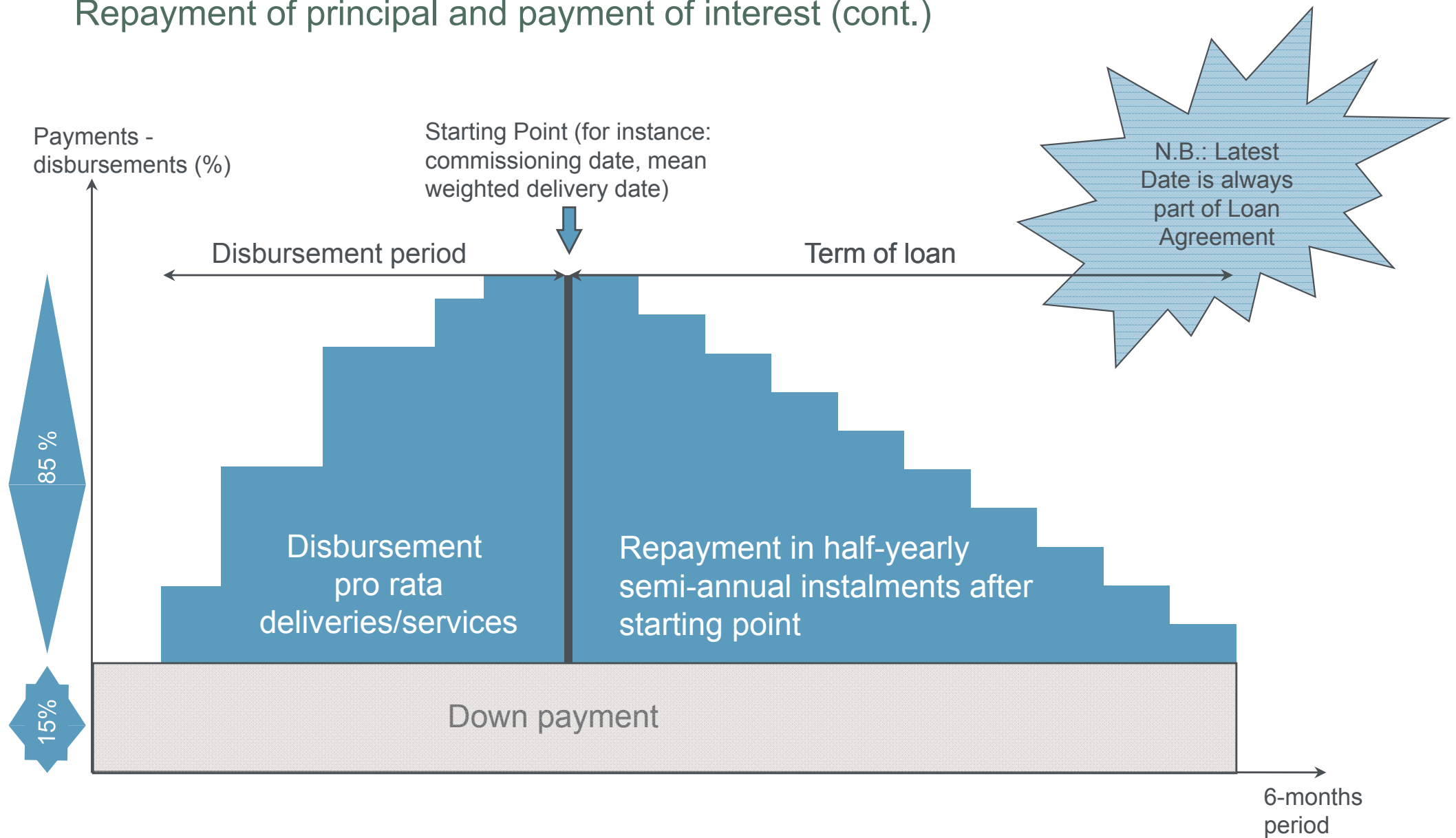
# »» ECA Financing Overview

## Generic Structure



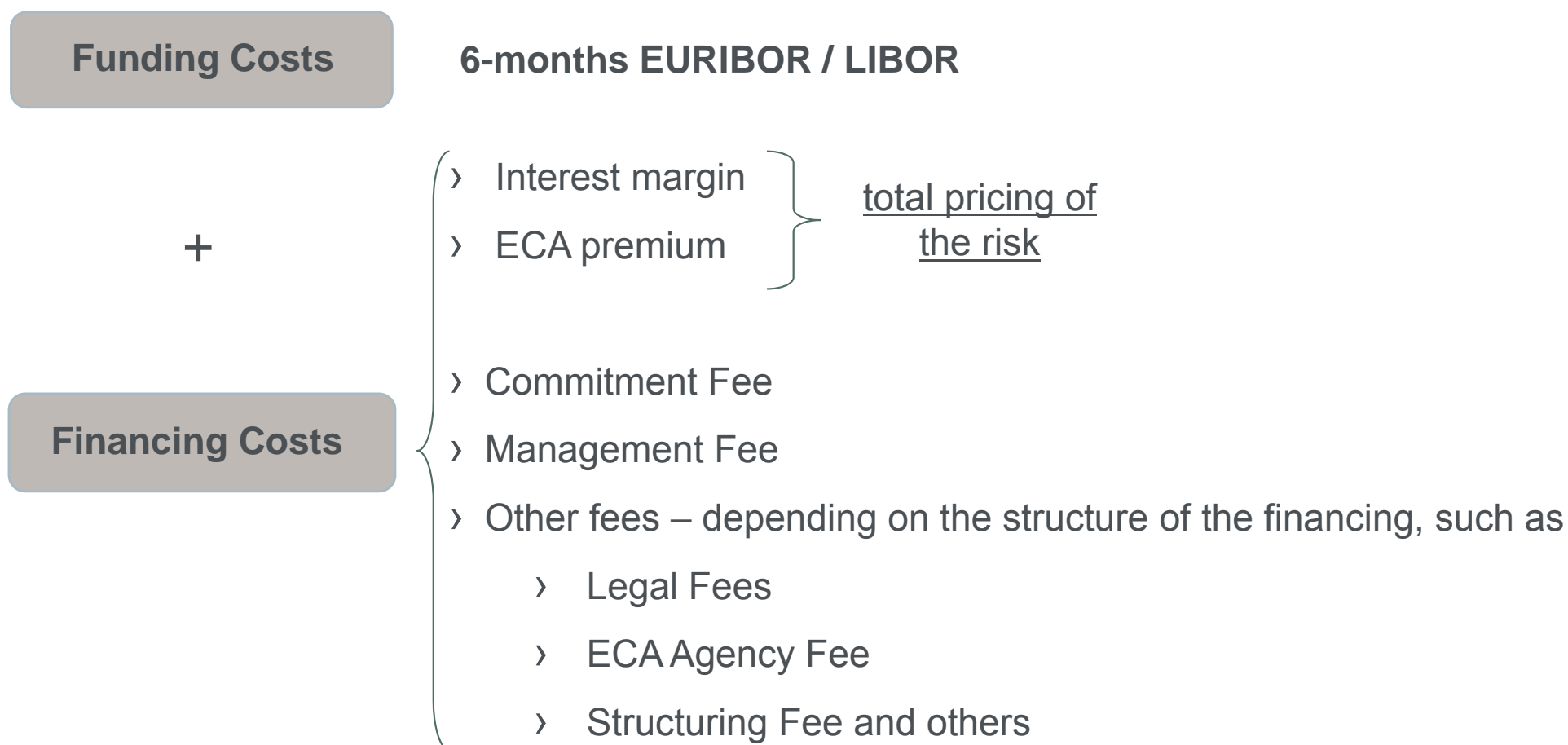
# »» OECD and other requirements

## Repayment of principal and payment of interest (cont.)



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

Calculation of the total costs – Summary:

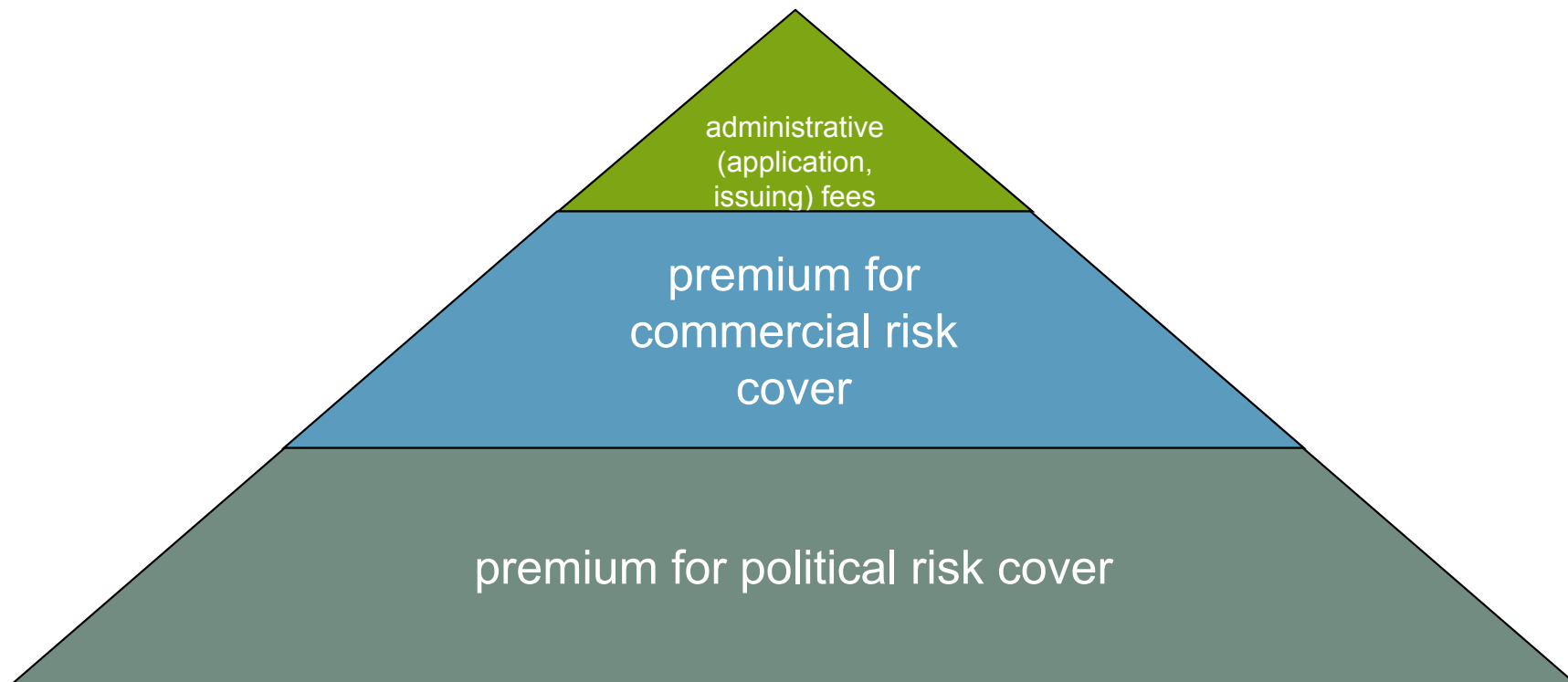




## »» Costs of an ECA-covered buyer credit

### ECA premium

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



# »» Costs of an ECA-covered buyer credit

## ECA premium example

### Assumptions

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

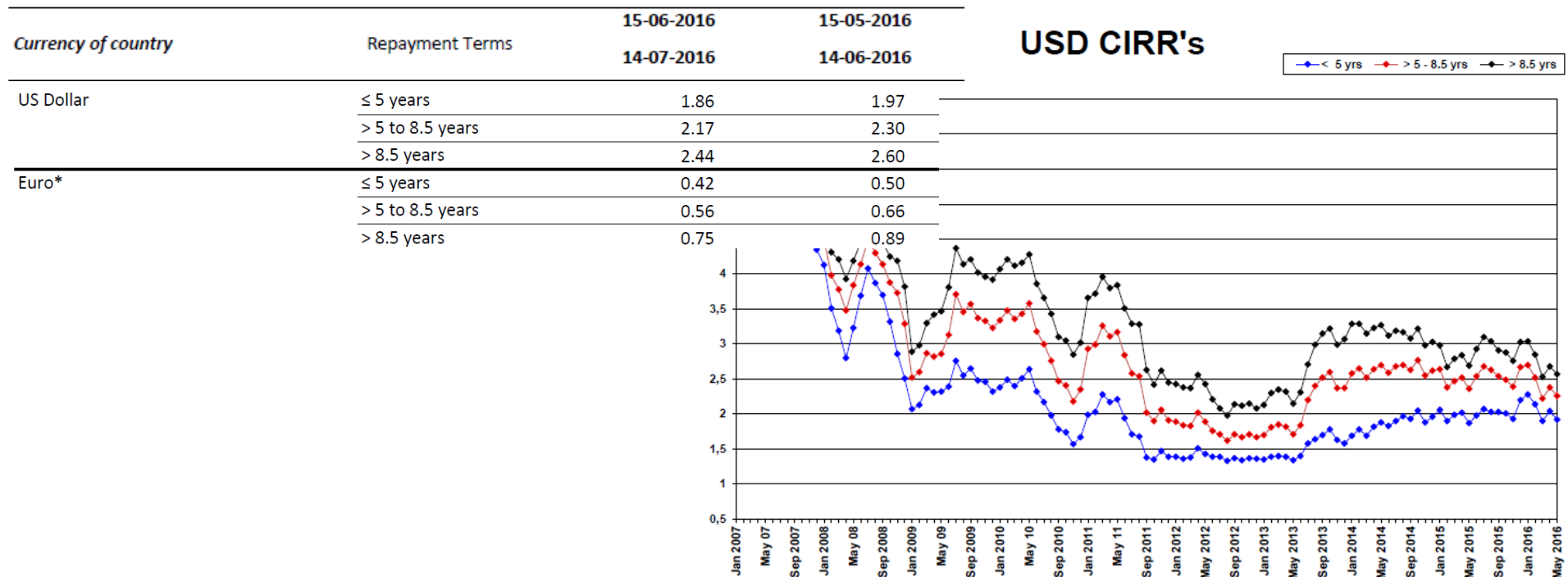
ECA Hermes CC	Approx. Premium % <u>flat *)</u>	Premium % <u>p.a. **)</u>
3	6,3	1.1
4	8,4	1,5
5	10,0	1,9
6	13,1	2,3

\*) 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

# »» CIRR (OECD Commercial Interest Reference Rate)

- a **fixed interest rate** over the **entire lifetime** of the loan (subsidized by the German government). In Germany, KfW is one of the providers of the German CIRR.
- CIRR is the minimum interest rate according to OECD consensus ; depending on project and risk a surcharge could apply. **Not all countries** offers a **CIRR rate**.
- OECD publishes the different CIRR rates (depending on repayment period and currency).



## »» Questions?

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»» We will be happy to assist you

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