
19 February 2019

BRIDGING THE GAP: FINANCING PROJECTS

*The Philippine Infrastructure: Large Business Potential
for German Companies*

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DISCUSSION POINTS

About Us



- Industry
- BDO

Financing Roadmap



- Products
- Process
- Requirement
- Key Questions
- Challenges

PHILIPPINE FINANCIAL RESOURCES

	PHP BNs	% of Banks
Uni/KBs	15,176.60	90.77%
Thrift	1,273.30	7.62%
Rural	269.20	1.61%
TOTAL	16,719.10	100.00%

Source: BSP as of November 2018

- Unibanks and KB account for 91% of banks.
- Top 5 banks account for 2/3rds and Top 3 for half of system.
- **We are still very bank-centric in the Philippines.**

SNAPSHOT OF THE PHILIPPINE BANKS

UNIVERSAL & COMMERCIAL BANKS as Q1 2019 (PHP BNs)

	CAPITAL	ASSETS	LOANS	DEPOSITS
TOTAL	1,857	15,421	8,869	11,596

Maximum SBL* (PHP MNs)

Top 5 Banks 270,311

Top 10 Banks 334,983

** 25% of Net worth*

2017 LDR Analysts Estimate

Thailand 98%

Singapore 87%

Malaysia 92%

Indonesia 104.6%

- The Country's current loan to deposit ratio is at 76%.
- Assuming no deposit growth, the banks need to lend out another USD 23 Billion to reach 87%.
- The top 5 banks can theoretically lend USD 5 Billion to a single project.

BANK CAPITALIZATION

TOP 10 PHILIPPINE BANKS

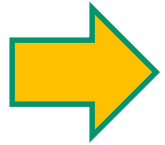


1	BDO	311,773
2	Metrobank	285,091
3	BPI	248,836
4	PNB	126,222
5	Security Bank	109,321
6	Union Bank	89,019
7	RCBC	83,631
8	Eastwest	41,615
9	PSBank	23,877
10	Phil Trust Co.	20,548

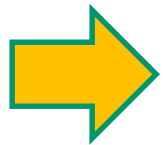


Source: PSE Edge as of September 2018

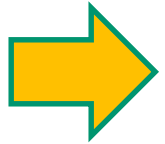
CURRENT STATE OF LOCAL BANKING



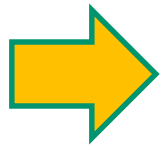
Notwithstanding global and regional concerns, loan growth has expanded in the past 10 years spurred by increased economic activity and ample liquidity.



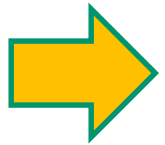
Local banks have grown more sophisticated over the years in response to changing corporate and consumer demands.



Most local banks are adequately-capitalized and have a higher capacity for lending.



More pronounced technical know-how, particularly in project finance/structured finance.



Active investment banking- advisory, syndications, underwriting, distribution.

ABOUT US



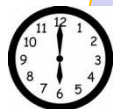
PHILIPPINES' LARGEST
(Assets: P 2.90Tn / US\$ 53.90 Bn)



PUBLICLY LISTED
(Market Cap P584Bn, Last Trade P134.10)



PART OF SM GROUP
(one of the largest conglomerates)



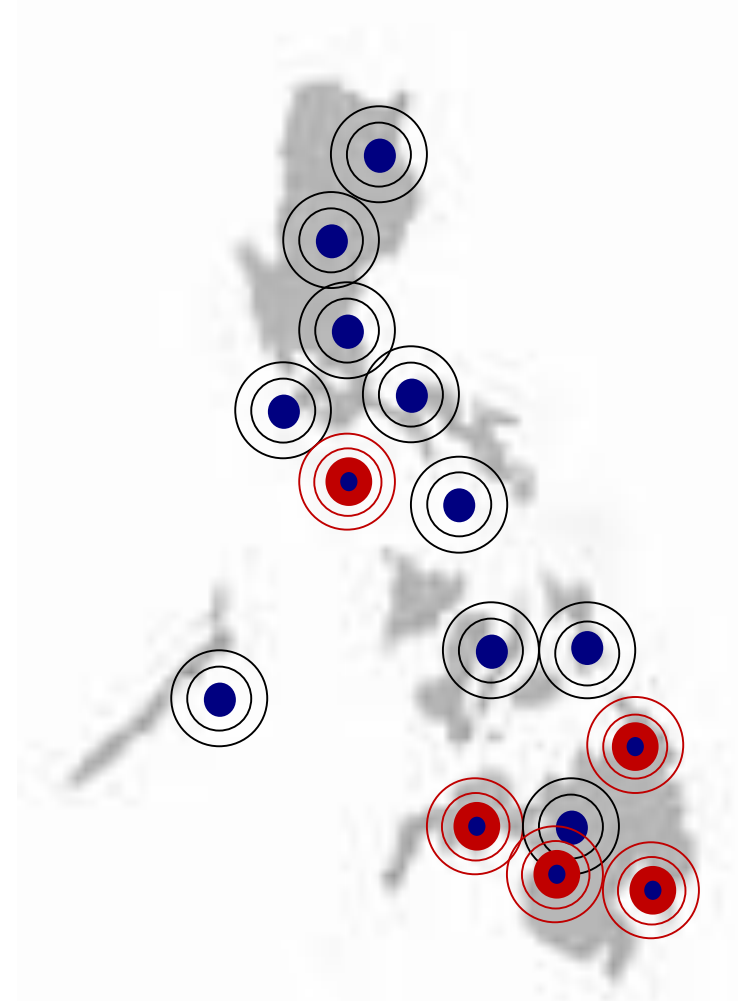
LONGER BANKING HOURS
(pioneer)



STRONG LOCAL NETWORK
(1,262 branches , 4,000 ATMs)



INTERNATIONAL ACCESS
(10 EU, 11 Asia, 3 N.Am , 1 ME)



BDO



One Network Bank

Market Reach

- Wide and extensive coverage in key areas



As of 28 December 2018

Business Franchise

- Market-leading positions in almost all business lines

**#1
Customer
Loans**

**#1
Deposits**

**#1
Assets Under
Management**

**#1
Remittances**

**#1
Credit
Cards¹**

**Leading Trade
Services Provider²**



**Major Player in
Cash Management³**

**#1
Investment
Banking⁴**

**#1
Private
Banking**

**#1
Rural
Banking**

**#2
Leasing &
Finance**

**#1 Insurance
Brokerage⁵**

Notes:

1 In terms of cardholder base, merchant acquiring gross billings, and credit card receivables

2 According to *Asian Banking and Finance, Global Finance*

3 According to *The Asset, The Asian Banker, Alpha South East Asia*

4 In terms of corporate issuances

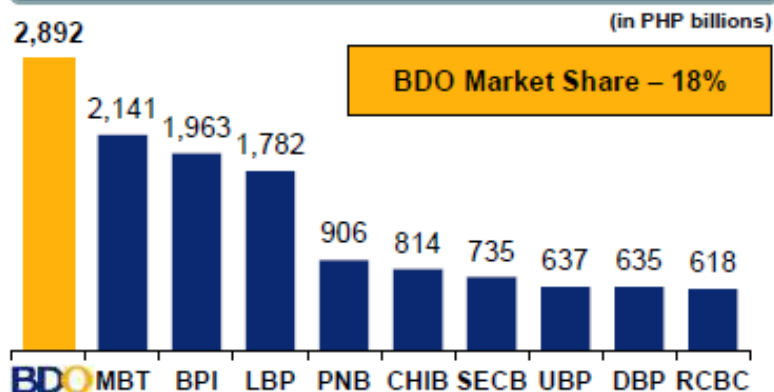
5 Among insurance brokers in terms of premiums produced and commissions earned



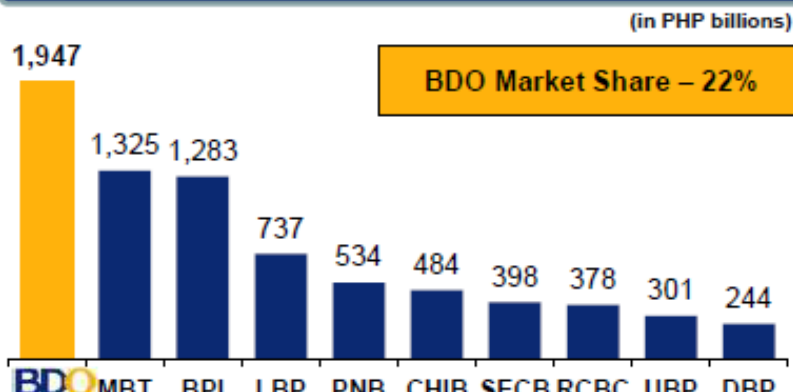
Industry Ranking

- Top 10 Philippine banks

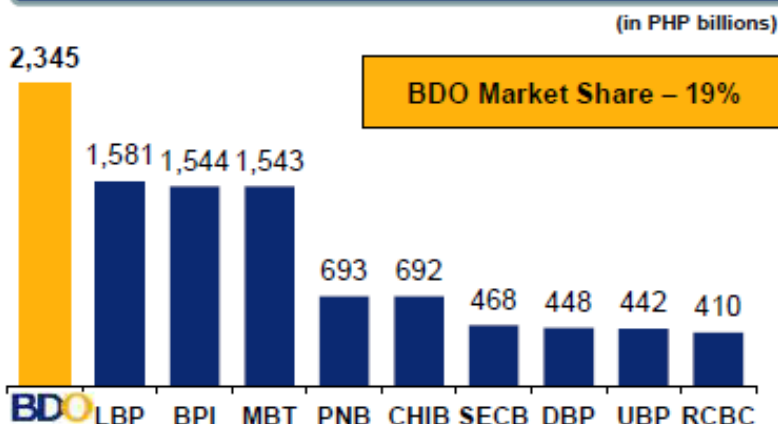
Total Assets



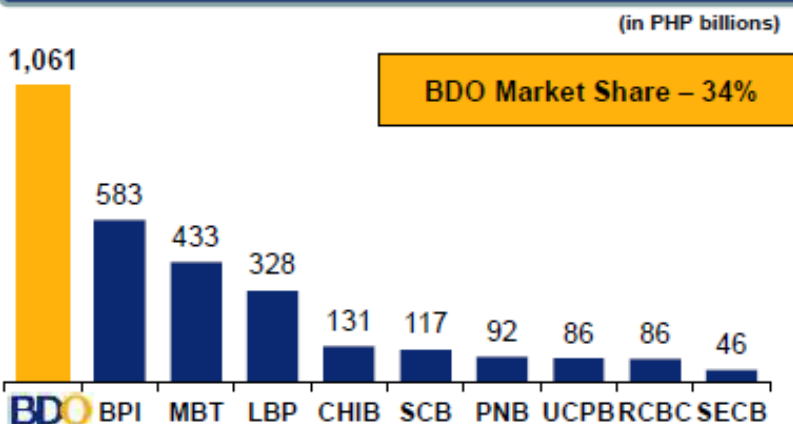
Gross Customer Loans



Customer Deposits



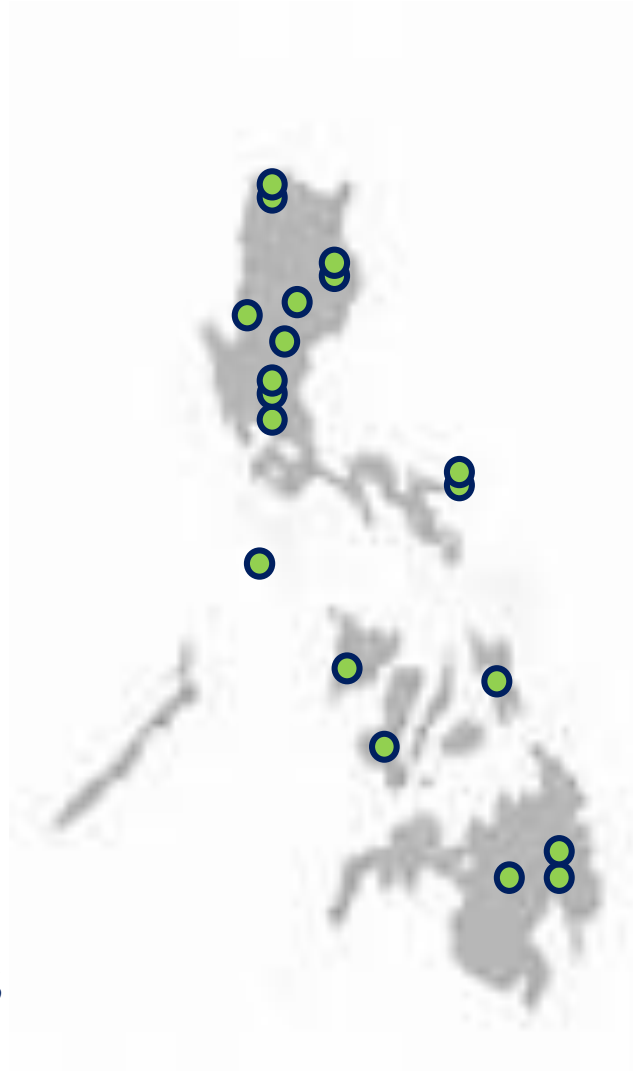
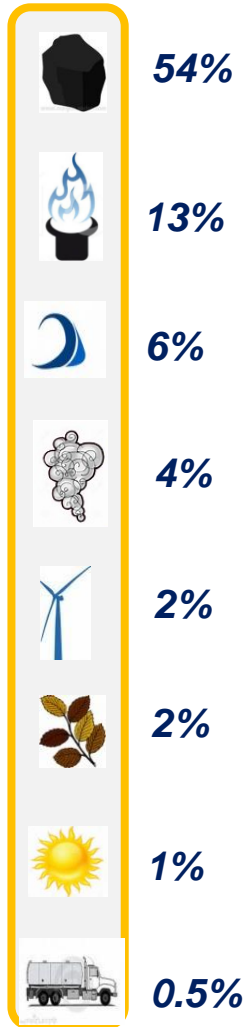
Assets Under Management



Source: Company data, consolidated statements of condition (SOC). Ranking as at 30 September 2018

Note: Financials prepared by banks under BSP's SOC requirements differ slightly from reported financials under SEC guidelines due to certain differences in accounting rules requested by the two authorities





over P 200 Billion
in Energy Portfolio

over P 30 Billion
in Renewables

FINANCING ROADMAP



BDO can provide **short, medium, and long-term** financing to creditworthy sponsors of viable infrastructure and energy projects.



BDO has **institutional banking teams** that focus on traditional and alternative energy projects.



BDO can work with the project sponsors to tailor an **optimal financing package**.



BDO has **dedicated International Desks and Wholesale Banking/Sustainable teams** that can access ECA programs for local projects that need to purchase goods and services from the U.S.A, Europe, China, Japan, or Korea.



BDO has a **dynamic credit approval process** that ensures fast-turn around.

FACILITIES


PROJECT



**BIDDING / PRE-
CONSTRUCTION**

**Bank
Guarantee**

Bid Security

**Advance
Payment
Security**

**Performance
Security**

CONSTRUCTION

**Project
Finance**

Term Loan

**POST-CONSTRUCTION /
OPERATIONS**

Refinancing

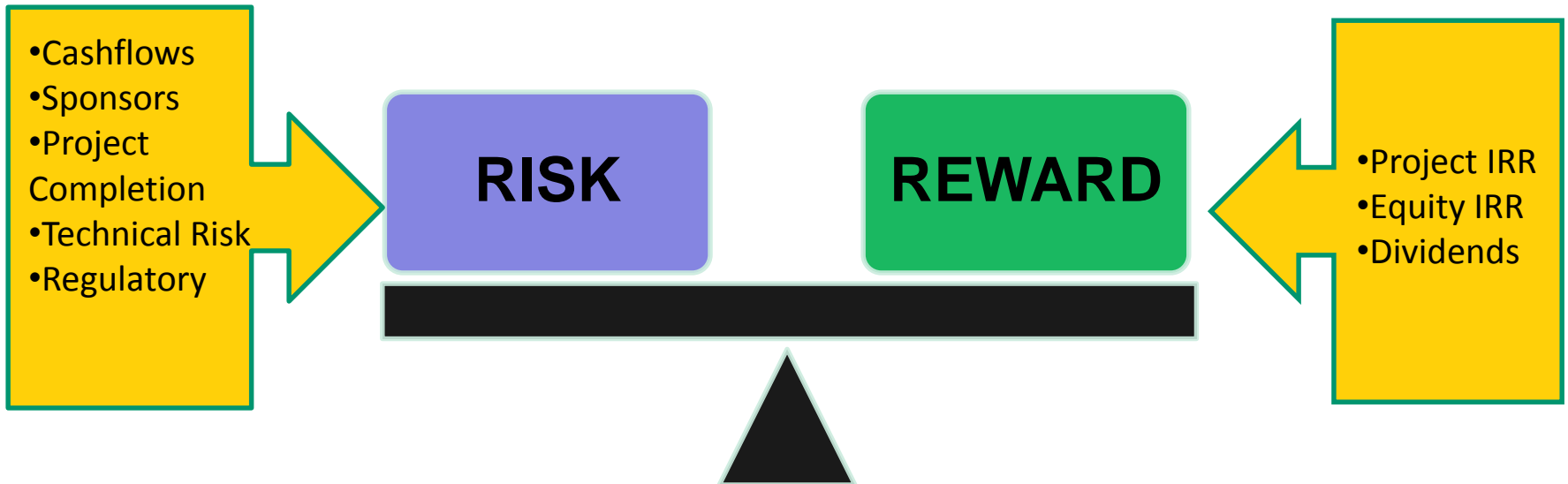
**Working
Capital**

Leasing

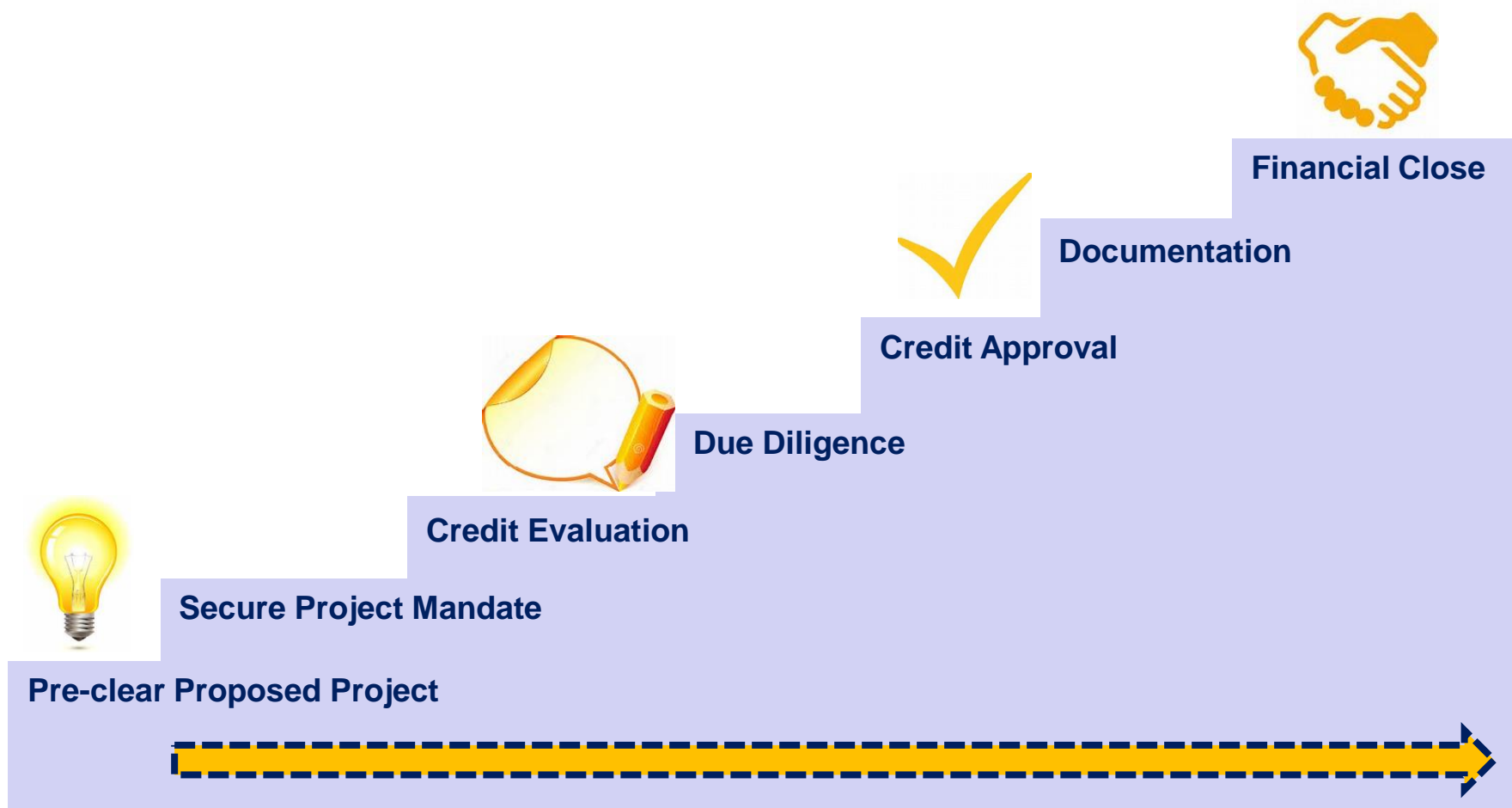
**Treasury / FX /
Placements /
Cash
Management**

CRITERIA FOR LENDING

Optimal project design should properly balance the risks and rewards among all stakeholders



PROCESS



10-12 Weeks

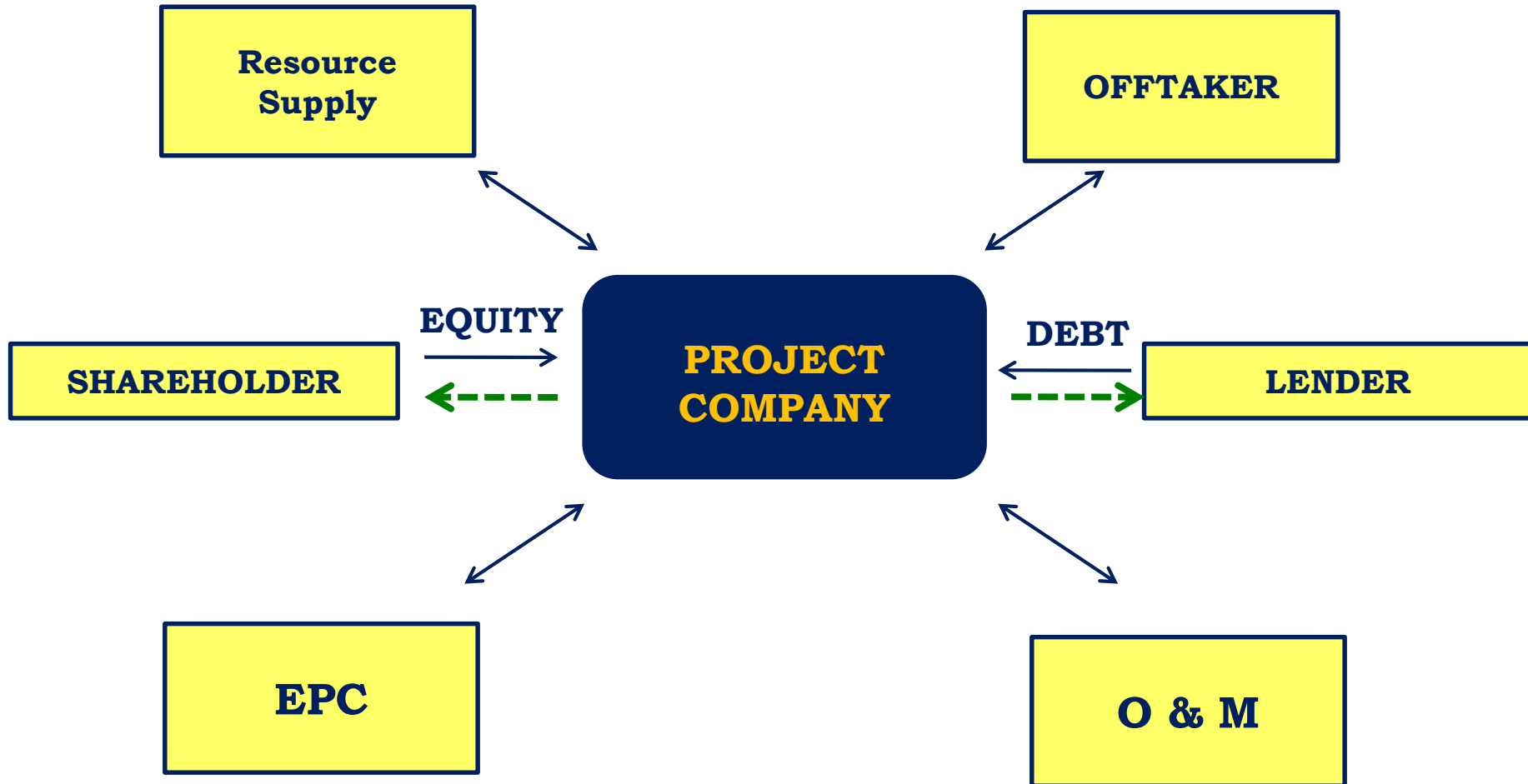


(assumes complete information & no significant issues with the project)

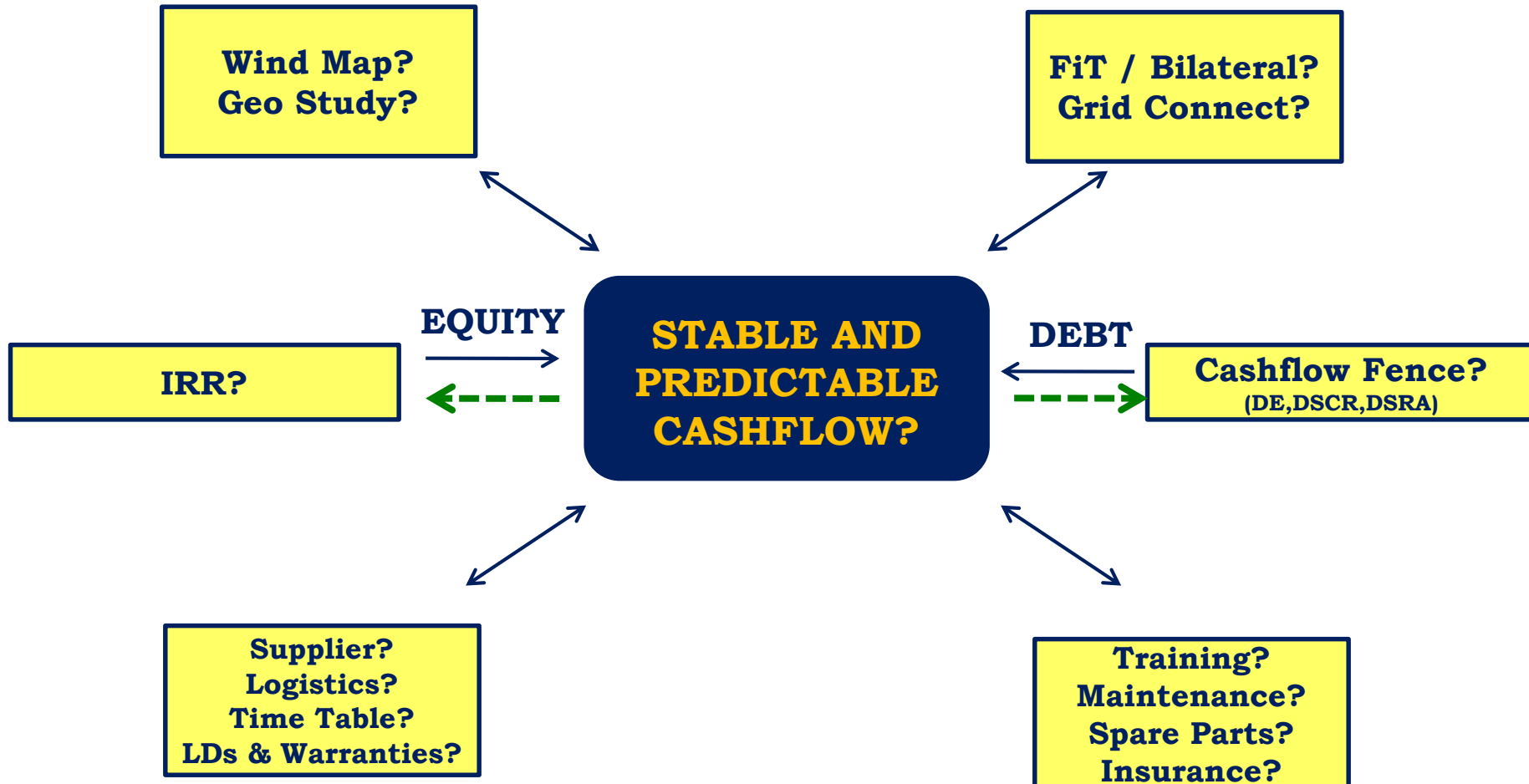
TYPICAL PROJECT FINANCE

Loan Facility	Bilateral or Syndicated Term Loan
Tenor	up to 15 Years
Grace Period	3 Years or shorter depending on construction period
Payment	Quarterly/Semi Annual
Currency	PHP or USD
Interest	Fixed or Floater
Security	<ul style="list-style-type: none">a. First ranking lien on project assetsb. Pledge of sponsors' sharesc. Assignment of cash waterfall accounts and Debt Service Reserve Account (DSRA)d. Assignment of all key project contracts and insurances
Covenants	<ul style="list-style-type: none">DSCR minimum of 1.3xDebt to EquityDividend StoppersOther covenants customary to financing of similar projects

TYPICAL STRUCTURE



KEY QUESTIONS



MODEL CHECKLIST

Sufficient equity

Good track record of project sponsors

Robust project cashflow

Strong contract structure

Complete permits & regulatory approvals

Comprehensive technical study

Reputable project contractor

Adequate insurance cover

CHALLENGES



Limited equity



Track record of project sponsors



Credible local partners



Incomplete legal and regulatory approvals



New technology



Rising interest rate environment



Thank you

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