Session:

Project and financial structuring
What are the new options?

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2015 World Hydropower Congress:

Project and Financial Structuring

China Eximbank
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Section 1: About China Eximbank
China Eximbank-History

- Established in 1994
- Government policy oriented bank with national sovereign ratings
- Mission:
  Promoting International Economic Cooperation
  Supporting China’s Economic Development
China Eximbank-Governmental Background

- Solely owned by Chinese government
- Under the direct leadership of the State Council
- Highest rating among Chinese banks
- The Export Credit Agency in China
Branches & Representative Offices (R.O.)
Domestic: 20+ Branches.
Overseas: 1 Branch in Paris, 3 Representative Offices in South Africa, Russia and Morocco (in building), and 7 working teams all around the world.
## China Eximbank-Financial Performance

### Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>in thousands of RMB</th>
<th>in thousands of USD</th>
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<tbody>
<tr>
<td><strong>For the Year</strong></td>
<td></td>
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<tr>
<td>Total Income</td>
<td>19,546,098.92</td>
<td>3,127,375.83</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>14,826,152.46</td>
<td>2,372,184.39</td>
</tr>
<tr>
<td><strong>At Year-end</strong></td>
<td></td>
<td></td>
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<tr>
<td>Total Assets</td>
<td>1,884,867,171.16</td>
<td>301,578,747.39</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1,861,031,318.48</td>
<td>297,765,010.96</td>
</tr>
<tr>
<td>Total Loans</td>
<td>1,450,942,543.29</td>
<td>232,150,806.93</td>
</tr>
<tr>
<td>Net Profit</td>
<td>4,262,935.46</td>
<td>682,069.67</td>
</tr>
</tbody>
</table>
Since its foundation, CEXIM has been active in global financing market.

In the year of 2013,

About RMB 1000 billion– Total amount of loans signed
Over RMB 800 billion– Disbursement
Over USD 250 billion– Amount of the export contract promoted by our credits
Over USD 100 billion– Amount of the import contract supported by our credits

--From the Annual Report 2013.
Section 2: Key Products We Provide
We can provide various products (customized financing strategies), such as:

- Export credit and import credit;
- Loans to overseas construction contracts and Loans to overseas investment projects;
- Chinese Government Concessional Loan;
- International guarantee;
- Onlending loans from foreign governments and international financial institutions;
- International and domestic settlement and corporate deposits under the loan facilities provided by the Bank;
- Raising funds in domestic and international capital markets and money markets;
- International inter-bank loans, organizing or participating in international and domestic syndication loans;
- Renminbi inter-bank borrowing/lending and bond repurchases;
- Foreign exchange transaction and approved risk-protection foreign exchange (FX) business for client;
Section 3: Buyer’s Credit
**Definition**: the medium and long-term credit offered by the Bank to creditworthy foreign borrowers to support the export of Chinese capital goods, services and overseas construction projects.
Buyer’s Credit-Terms and Conditions

- **Contractor**: qualified Chinese contractor with track record
- **Contract**: Contract volume more than 2 Million USD
don’t-payment up to 15%
Chinese content

- **Borrower**: Ministry of Finance of or other authorized government institutions of the importing country
  The importer's bank
  The importer (If being a company, Sovereign guarantee is mostly needed)

- **Currency**: USD or other currencies acceptable to China Exim
- **Interest Rate**: Libor+Margin
- **Tenor**: Maximum 15yrs
- **Loan Amount**: not exceed 85% of the total contract price
- **Security**: guarantee, pledges, Insurance
- **Fees & Charge**: Management fee\Commitment fee\Legal fees
Buyer’s Credit-Application

Loan Application Documents

1. Loan application letter;
2. Draft commercial contract, letter of intent, tendering and bidding documents;
3. Feasibility study report of the project;
4. Relevant approval documents from Chinese government authorities and the host country of the project;
5. Documents that demonstrate the credit standing and financial statements of the borrower, the guarantor, and the exporter;
6. Other documents acquired by CEXIM.
Buyer’s Credit-Case in Power Sector

- MOU be signed to determine main financial structure, including the borrower, guarantor, risk control methods, etc.
Under the MOU, the Borrower puts forward project list, CEXIM negotiates with the Borrower for specific project. The terms and conditions may vary for different projects.
Buyer’s Credit-Case in Power Sector

MOU on Financial Cooperation

- Negotiation
- Negotiation
- Negotiation
- ... Project 1
- Project 2
- Project N

Each project needs due diligence, evaluation, approval and signature of LA individually.
The financing of the first project closed this March. Security method includes MOF guarantee, pledge of account, etc.
The Arrangement of Pledge

CEXIM sets pledge on the Revenue Account of the Project itself and other existing projects owned by the borrower which has already generated cashflow;

The Plegor must ensure that the funds that are standing to the credit of the Revenue Account at any time after that the Project has generated cash flow shall not be lower than the Required Revenue Account Balance.

The Required Revenue Account Balance means an certain amount reflecting the maximum aggregate amount of principal repayment, accrued interest and fees falling due on each Interest Payment Date during the tenor of the Loan Agreement.
Section 4: Project Finance
**Definition:**

Project financing is a loan structure that relies primarily on the project's cash flow for repayment, with the project's assets, rights, and interests held as secondary security or collateral. Project finance is especially attractive to the private sector because they can fund major projects off balance sheet.
Project Finance - Definition

**Sponsor**
- Guarantee (e.g. Completion Guarantee)
- Equity

**Project Company (Borrower)**
- Disbursement
- Loan Agreement
- Repayment
- Revenue
- Building & Operation
- Asset of the Project/Revenue Account/PPA, etc.

**Chinese Company (Contractor)**
- Payment
- EPC Contract
- Equipment & Service

**CEXIM (Lender)**
- Mortgage, pledge...
Section 5: A/R Purchase
A/R Purchase - Definition

Definition:

Account Receivable Purchase (A/R Purchase) means a sale of the account receivable, in which the factor assumes ownership of the account receivable and all of the risks associated with it, and the seller relinquishes any title to the account receivables sold.
A/R Purchase - Definition

1. EPC Contract
2. Progress drawdown and invoices
3. Interest bearing notes
4. Security Agreements (shares/land lease Assignment/mortgage/etc)
5. Conditional Bank Guarantee
6. Transferable Bank Guarantee
7. A/R Purchase Agreement
8. Assignment of security documents
9. A/R purchase

Local Bank → EPC Contractor → CEXIM

Project Owner → CEXIM

Cash Flow Account
A/R Purchase - Technical Process

Technical Process

1. The EPC Contractor and the Owner sign the EPC general contract, use the deferred payment method, each payment will be subject to the interest-bearing note signed by the Owner. The due date for the notes will be the final repayment date.

2. Local Bank will issue transferable payment guarantee. In case of the Owner could not fulfill the repayment and the EPC Contractor has meet the precedent conditions, the local bank will pay the outstanding amount. (must be included in the EPC contract)

3. Every month or each time the EPC Contractor reach a milestone, or a payment point, the Owner signs the interest bearing note.

4. CEXIM will discount the note for the EPC Contractor. Meanwhile, the payment guarantee from the local bank will transferred to CEXIM. Due to the same interest rate of the loan, the EPC Contractor could get the full amount of money from the note. The interest will be borne by the Owner.

5. In every discount process, the EPC Contractor must inform the Owner the fact of transfer and request the Owner to confirm about the new liability relationship.

6. Owner’s presales account will be pledged through the local agent bank. The sales income will be used to repay the notes CEXIM bought.
Case in Hopsca Sector (A/R Purchase)

Commercial and financing arrangement

6 Agreements

- Investment Agreement between the investors
- EPC Contract between the Contractor and the Owner
- A/R Purchase Agreement between CEXIM and the Contractor
- Bank Guarantee issued by the local bank to the Contractor and to be transfer to CEXIM
- Framework Agreement signed among multiparty
- Financing Arrangement Agreement between the owner and the issuing bank
Thank you!
Thank you!
Thank you!
Thank you!
Thank you!