



**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING



**BNP PARIBAS**  
**FORTIS**

# Funding Ports & Terminals

**TOC Europe**

**Antwerp**

**7 – 9 June 2011**

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**Executive Director Ports Practice BNP Paribas Fortis**



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  1. Project Finance
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# 1. About BNP Paribas

# Introduction - BNPP Overview

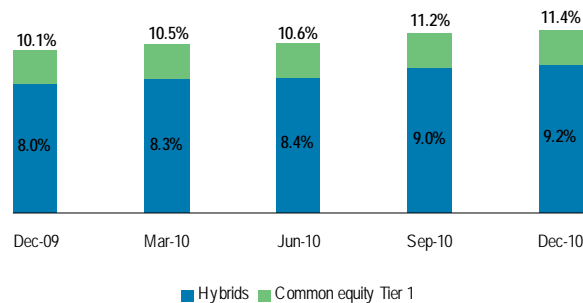
## BNP Paribas Group at a glance

- Offices in 84 countries and more than 200,000 employees
- Three Core Activities
  - Retail Banking
  - Corporate & Investment Banking
  - Investment Solutions
- BNPP is the largest European Bank by deposits
- BNPP has strong credit rating, rated AA from S&P (Sept 2010)
- BNPP ranks 11<sup>th</sup> World Leading companies, 1<sup>st</sup> in France, 7<sup>th</sup> in Global Banking, 2<sup>nd</sup> Bank in Eurozone (Global 2000, Forbes 2010)

## BNP Paribas 2010 Results

	2010	2010 vs. 2009
<b>Revenues</b>	<b>€43,880m</b>	<b>+9.2%</b>
Operating expenses	-€26,517m	+13.6%
<b>Gross operating income</b>	<b>€17,363m</b>	<b>+3.0%</b>
Cost of risk	-€4,802m	-42.6%
Pre-tax income	€13,020m	+44.7%
<b>Net income</b> attributable to equity holders	<b>€7,843m</b>	<b>+34.5%</b>

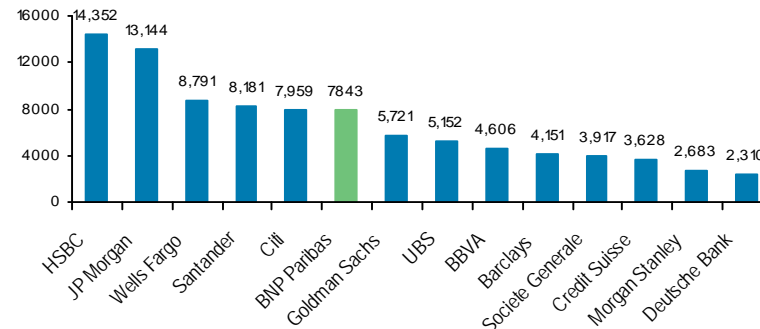
## BNP Paribas Liquidity: Tier 1 Ratio



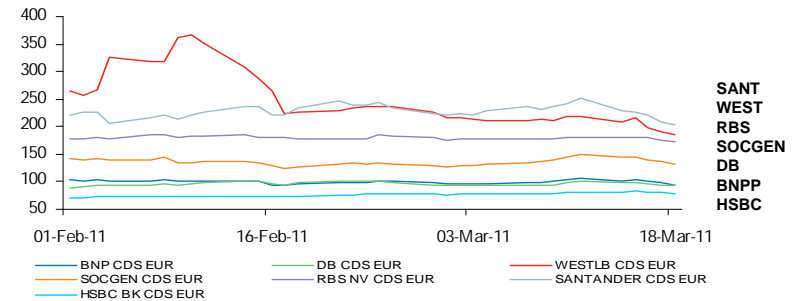
## BNP Paribas Global Remit



## BNP Paribas First Tier Bank By Net Income



## BNP Paribas Comparator CDS Spreads

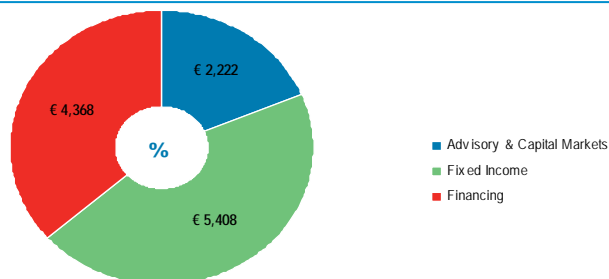


# Introduction - BNPP Corporate & Investment Banking Overview

## BNP Paribas CIB at a glance

- Offices in 54 countries and more than 19,800 employees
- Platforms in Paris, London, Brussels, Hong Kong, New York, Tokyo & Singapore
- Revenues of €12.0bn in 2010, Operating Income €5.6bn
- Key activities
  - Fixed Income
  - Advisory & Capital Markets
  - Corporate & Structured Financing
- 9,800 corporate clients & 4,200 financial institutional clients

## BNP Paribas CIB 2010 Results

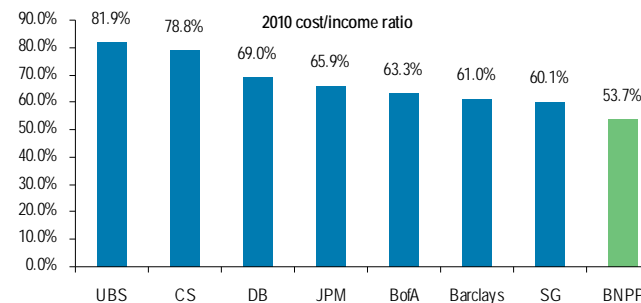


## CIB Advisory and Capital Markets:

Leadership in EMEA with Corporates & Financial Institutions and strong franchises across the globe :

- Best Investment Bank in France (Global Finance 2010)
- No.1 Equity Derivatives in Asia (Asia Risk 2010)
- No.1 All Bonds in Euros (IFR - Thomson Reuters 2010)
- No.1 All Covered Bonds in EUR (IFR - Thomson Reuters 2010)
- No. 2 Equity Linked Issues in EMEA (Dealogic 2010)
- EMEA Structured Equity House of the Year (IFR 2010)
- MENA Adviser of the Year (Acquisitions Monthly 2010)

## BNP Paribas CIB Cost Income Ratio



## CIB Fixed Income

Global franchise in risk management solutions, derivatives, research & strategy. Leadership in Euro :

- No.1 Equity Derivatives in Asia (Asia Risk 2010)
- Top 3 for FX Swaps & Options (Risk Poll 2010)
- Top 3 for Interest Rate Swaps & Options (Risk Poll - 2010)
- Most innovative Bank in FX (The Banker 2010)
- Foreign Exchange House of the Year (Structured Products 2010)
- Structured Products House of the Year (Risk 2011)

## CIB Financing businesses:

Global Franchises in Corporate Lending, Structured Asset, Leveraged, and Project Finance and leadership in Europe

- No.1 Syndicated Loan Bookrunner in EMEA (Thomson Reuters 2010)
- No.1 Export Finance MLA in all ECA backed loans (Dealogic 2010)
- No.1 Media Telecom Finance MLA in EMEA (Dealogic 2010)
- No.1 Corporate Acquisition Finance MLA in EMEA (Dealogic 2010)
- No.1 Leveraged Finance MLA in the EMEA (Dealogic 2010)
- Best Commodity Finance Bank (GTR 2010)
- Best Global Infrastructure & Project Finance House (Euromoney 2010&2009)
- No 2. Global MLA for PPP Loans (Dealogic 2010)

# 1. Enhanced Focus on Ports Sector through Merger with BNPP Fortis

- Following the integration with BNPP Fortis, the BNP Paribas group has become one of the leading financiers in the ports sector in the EMEA region.
- In order to capitalise on the expertise of both banks in ports and associated activities, BNP Paribas has decided to create a “Ports Practice“, which will enhance the coordination of the different teams with respect to the ports sector.
- The scope of the Ports Practice includes port authorities, private operators, equipment suppliers and dredging companies

<p>December 2010 Australia</p>  <p><b>PORT of BRISBANE</b> Here for the future</p> <p>PORT OF BRISBANE PRIVATISATION</p> <p>A\$ 1.18 billion Syndicated Loan</p> <p>MLA</p>	<p>2011 Brazil</p>   <p>Terminal Investment Limited</p> <p>Brasil Terminal Portuarios USD 870 M Container Terminal</p> <p>Mandated Lead Arranger</p>	<p>July 2010 Belgium</p>  <p>The World's Port of Call</p> <p>Zeebrugge International Port</p> <p>€ 50 mio Term Loan</p> <p>Sole Lender</p>	<p>2010 Spain</p>  <p><b>ALGECIRAS</b></p> <p>Concession life: 30 yrs EUR 134M Terminal Financing</p> <p>MLA, Structuring Bank, ECA Bank &amp; Hedging Coordinator</p>	<p>2009/2007 Uruguay</p>  <p><b>NELSURY</b></p> <p>USD 18.7m Buyer Credit EUR 41m EIB facility</p> <p>Sole Arranger</p>
<p>2008 Turkey</p>    <p><b>PORT OF IZMIR</b></p> <p>USD 1.3Bn Acquisition Financing</p> <p>Potential Mandated Lead Arranger</p>	<p>2008 Spain</p>   <p>Atm <b>DRAGADOS SPL</b> Servicios Portuarios y Logísticos</p> <p><b>ABRA TERMINALES MARITIMAS SA BILBAO</b></p> <p>EUR 80m Term Loan</p> <p>Mandated Lead Arranger</p>	<p>2007 Spain</p>  <p><b>SEAPORT MANAGEMENT</b></p> <p>Concession Life: 21 yrs EUR 202M Barcelona Port Terminal Financing</p> <p>MLA</p>	<p>2007 USA</p>   <p>USD 995M Acquisition Financing</p> <p>MLA</p>	<p>2007 USA/Canada</p>  <p><b>ORIENT OVERSEAS</b></p> <p>USD 1.88Bn Acquisition Financing</p> <p>Underwriter</p>



# 1. Enhanced Focus on Ports Sector through Merger with BNPP Fortis

<p>2007 Turkey</p>  <p><b>MERSIN INTERNATIONAL PORT MANAGEMENT</b></p> <p>USD 600m Term Loan</p> <p>Lead Arranger</p>	<p>2007 France</p>  <p><b>SOCIETE D'EQUIPEMENT DU TERMINAL OCEANE</b></p> <p>EUR 67m Term Loan/RCF</p> <p>Senior Lead Arranger</p>	<p>2006 UK</p>  <p>Concession Life: 75 yrs GBP 2.37Bn Acquisition Financing</p> <p>Underwriter</p>	<p>March 2007 Panama</p>  <p><b>PANAMA PORTS COMPANY</b></p> <p>USD 170 MIO Capex Facility</p> <p>Senior Lead Arranger</p>	<p>Sept. 2007 UK</p>  <p><b>RO-RO TERMINAL KILLINGHOLME HULL</b></p> <p>GBP 45 MIO Term Loan</p> <p>MLA</p>
<p>Jan 2008 Spain</p>  <p><b>PORTS AUTHORITIES OF ALGERIRAS</b></p> <p>€ 35 MIO Overdraft Facility</p> <p>MLA</p>	<p>May 2008 China</p>  <p><b>SHANGHAI ZHENHUA PORT MACHINERY CO LTD</b></p> <p>USD 100 MIO Term Loan</p> <p>MLA</p>	<p>June 2008 Singapore</p>  <p><b>PSA INTERNATIONAL PTE</b></p> <p>USD 500 MIO Term Loan</p> <p>MLA</p>	<p>Aug 2008 Belgium</p>  <p><b>DP WORLD BREAKBULK</b></p> <p>€ 13,2 MIO Term Loan</p> <p>MLA</p>	<p>Jan 2009 Spain</p>  <p><b>MSC VALENCIA</b></p> <p>€ 30 MIO Term Loan</p> <p>Extension Loan Lender</p>
<p>2009 Brazil</p>  <p><b>BRASIL TERMINAL PORTUARIO</b></p> <p>€ 76,5 MIO Export Finance</p> <p>Arranger</p>	<p>March 2009 France</p>  <p><b>GENERALE DE MANUTENTION PORTUAIRE</b></p> <p>USD 42 MIO LC</p> <p>Sole Lender</p>	<p>2006 Belgium</p>  <p><b>PSA HNN ANTWERP</b></p> <p>€ 150 MIO Deurganckdock Term Loan</p> <p>MLA</p>	<p>2011 Belgium</p>  <p><b>ST 510</b></p> <p>EUR 165 M Liquid Bulk Tank Terminal</p> <p>MLA, Documentation Bank, Account Bank and Agent</p>	



## 2. The industry in 2009 and 2010

## 2. The industry in 2009 and 2010



## 2. World ranking of Sea Ports 2008 - 2010

Rank	Port	Country	2008 TEU m	2009 TEU m	2010 TEU m		Change 2009- 2008	Change 2010- 2009
1	Shanghai	China	27.98	25.00	29.07		-10.6%	16.3%
2	Singapore	Singapore	29.97	25.87	28.43		-13.7%	9.9%
3	Hong Kong	China	24.25	20.98	23.53		-13.5%	12.1%
4	Shenzhen	China	21.40	18.25	22.51		-14.7%	23.3%
5	Pusan	South Korea	13.45	11.98	14.21		-10.9%	18.6%
6	Ningbo	China	10.80	10.50	13.14		-2.8%	25.1%
7	Guangzhou	China	11.00	11.19	12.55		1.7%	12.2%
8	Qingdao	China	10.32	10.26	12.01		-0.6%	17.1%
9	Dubai	UAE	11.80	11.12	11.60		-5.7%	4.3%
10	Rotterdam	Netherlands	10.78	9.74	11.14		-9.6%	14.3%
11	Tianjin	China	8.50	8.70	10.08		2.4%	15.9%
12	Kaohsiung	Taiwan	9.68	8.58	9.18		-11.4%	7.0%
13	Port Klang	Malaysia	7.80	7.30	8.87		-6.4%	21.5%
14	Antwerp	Belgium	8.66	7.31	8.48		-15.6%	16.0%
15	Hamburg	Germany	9.70	7.06	7.94		-27.2%	12.4%
16	Los Angeles	US	7.85	6.75	7.80		-14.0%	15.6%
17	Tanjung Pelepas	Malaysia	5.60	6.02	6.53		7.5%	8.5%
18	Long Beach	US	6.49	5.07	6.26		-21.9%	23.5%
19	Xiamen	China	5.04	4.68	5.82		-7.1%	24.4%
20	Dalian	China	4.50	4.55	5.24		1.1%	15.2%
21	Laem Chabang	Thailand	5.24	4.62	5.19		-11.8%	12.3%
22	Bremerhaven	Germany	5.50	4.55	4.90		-17.2%	7.6%
			256.31	230.09	264.48		-10.2%	14.9%
28	Valencia	Spain	3.60	3.65	4.20		1.3%	15.1%
33	Felixstowe	UK	3.13	3.02	3.40		-3.5%	12.6%
45	Zeebrugge	Belgium	2.21	2.33	2.50		5.4%	7.3%
49	Le Havre	France	2.49	2.23	2.40		-10.4%	7.6%



## 2. World ranking of sea ports / Trend into 2011

Rank	Port	Country	2008 TEU m	2009 TEU m	2010 TEU m		Change 2009-2008	Change 2010-2009	Change yoy 2011- 2010
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2	Singapore	Singapore	29.97	25.87	28.43		-13.7%	9.9%	3.6%
3	Hong Kong	China	24.25	20.98	23.53		-13.5%	12.1%	3.0%
4	Shenzhen	China	21.40	18.25	22.51		-14.7%	23.3%	2.6%
5	Pusan	South Korea	13.45	11.98	14.21		-10.9%	18.6%	
6	Ningbo	China	10.80	10.50	13.14		-2.8%	25.1%	21.1%
7	Guangzhou	China	11.00	11.19	12.55		1.7%	12.2%	2.1%
8	Qingdao	China	10.32	10.26	12.01		-0.6%	17.1%	17.6%
9	Dubai	UAE	11.80	11.12	11.60		-5.7%	4.3%	
10	Rotterdam	Netherlands	10.78	9.74	11.14		-9.6%	14.3%	11.9%
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15	Hamburg	Germany	9.70	7.06	7.94		-27.2%	12.4%	18.0%
16	Los Angeles	US	7.85	6.75	7.80		-14.0%	15.6%	10.2%
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33	Felixstowe	UK	3.13	3.02	3.40		-3.5%	12.6%	
45	Zeebrugge	Belgium	2.21	2.33	2.50		5.4%	7.3%	-2.9%
49	Le Havre	France	2.49	2.23	2.40		-10.4%	7.6%	-14.5%



### **3. Financial performance of the global operators**

### 3. Global operators' throughput league table, 2009

Ranking	Operator		Million TEU	% Share	Global Carriers	Global Stevedores	Global Hybrids
1	HPH	Hong Kong	64.2	13.6%		x	
2	APMT	Denmark	56.9	12.0%			x
3	PSA	Singapore	55.3	11.7%		x	
4	DPW	Dubai	45.2	9.5%		x	
5	Cosco	China	32.5	6.9%			x
6	MSC	Switzerland	16.4	3.5%	x		
7	Eurogate	Germany	11.7	2.5%		x	
8	Evergreen	Taiwan	8.6	1.8%	x		
9	SSA Marine	USA	7.7	1.6%		x	
10	CMA-CGM	France	7	1.5%			x
11	Hanjin	South Korea	6	1.3%	x		
12	NYK Line	Japan	5.2	1.1%			x
13	HHLA	Germany	5	1.1%		x	
14	Dragados	Spain	4.9	1.0%		x	
15	APL	Singapore	4.6	1.0%			x
16	K Line	Japan	4.3	0.9%	x		
17	OOCL	Hong Kong	4.2	0.9%	x		
18	Yang Ming	Taiwan	4.1	0.9%	x		
19	ICTSI	Philippines	3.6	0.8%		x	
20	MOL	Japan	2.7	0.6%	x		
21	Grup TCB	Spain	2.6	0.5%		x	
22	Hyundai	South Korea	1.4	0.3%	x		
<b>Global operators total</b>			<b>354.0</b>	<b>74.80%</b>			

Source Drewry Global Container Terminal Operators – 2010



### 3. Financial performance of the global operators

Hutchison Port Holdings							
(mIn USD)	2007	2008	2009	2009 vs 2008 %	2010	2010 vs 2009 %	%
Volumes (mIn TEU)	66.3	67.6	65.3	-3.4%	75	14.9%	
Revenues	4,855	5,106	4,313	-15.5%	4,854	13.8%	
EBITDA	2,152	2,218	1,807	-18.5%	2,003	26.7%	

APM Terminals							
(mIn USD)	2007	2008	2009	2009 vs 2008 %	2010	2010 vs 2009 %	%
Volumes (mIn TEU)	60.3	64.4	56.9	-11.6%	58.0	1.9%	
Revenues	2,519	3,119	3,021	-3.1%	4,251	40.7%	
EBITDA	415	573	738	28.8%	869	17.8%	
Profit for the year	106	161	-		-		
Segment Result	-	302	442	46.4%	492	11.3%	

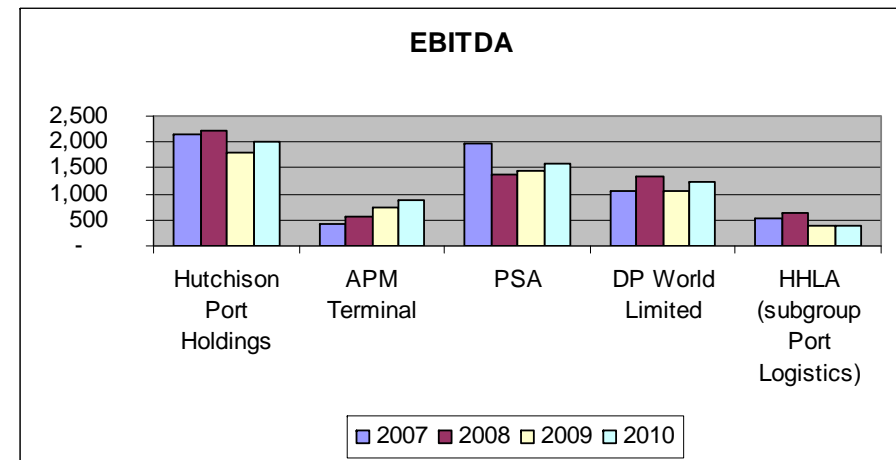
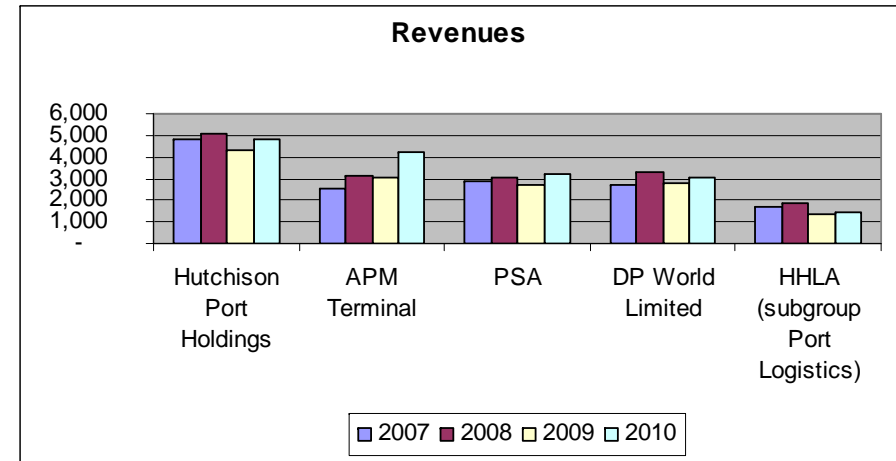
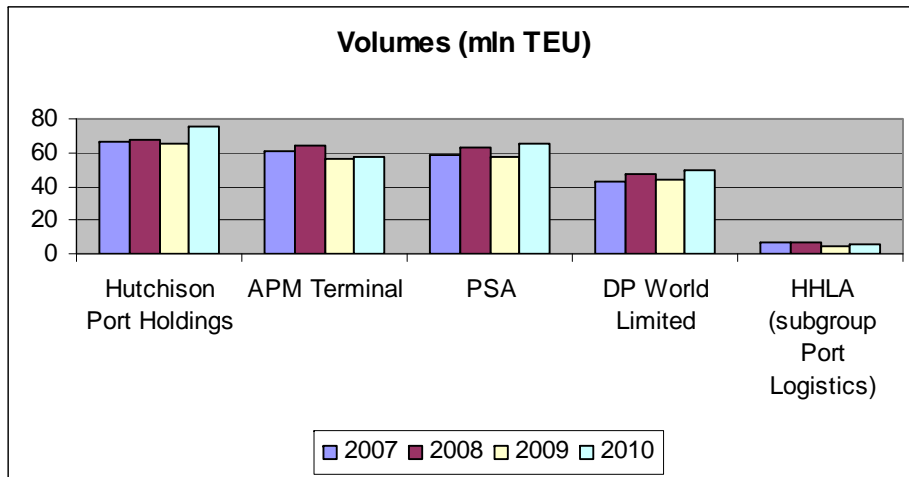
PSA							
(mIn USD)	2007	2008	2009	2009 vs 2008	2010	2010 vs 2009 %	%
Volumes (mIn TEU)	58.9	63.2	56.93	-9.9%	65.1	14.4%	
Revenues	2,872	3,046	2,730	-10.4%	3,176	16.3%	
EBITDA	1,981	1,356	1,453	7.1%	1,591	9.5%	
Profit for the year	1,342	724	686	-5.2%	934	36.1%	

DP World Limited							
(mIn USD)	2007	2008	2009	2009 vs 2008	2010	2010 vs 2009 %	%
Volumes (mIn TEU)	43.3	46.8	43.4	-7.3%	50	15.2%	
Revenues	2,731	3,283	2,821	-14.1%	3,078	9.1%	
EBITDA	1,063	1,340	1,072	-20.0%	1,240	15.7%	
Profit for the year	485	621	333	-46.4%	450	35.1%	

HHLA (Subgroup Port Logistics)							
(mIn USD)	2007	2008	2009	2009 vs 2008 %	2010	2010 vs 2009 %	%
Volumes (mIn TEU)	7.2	7.3	4.9	-32.9%	5.8	19.3%	
Revenues	1,696	1,831	1,380	-24.6%	1,395	1.1%	
EBITDA	537	619	374	-39.6%	388	3.6%	
Profit for the year	224	307	119	-61.3%	144	21.2%	



### 3. Financial performance of the Global Operators



### 3. Financial performance of the global operators in 2009

- In 2009, in the worst crisis ever in seaborne transport, the terminal operators have been far more resilient than the shipping companies.
- Both have suffered from the same drop in volumes, but the terminal operators have resisted much better to the pressure on rates than the shipping companies.
- Ebitda margin under pressure but resistant.
- Each of the global operators closed the year with positive net result

#### Comments in the annual reports

- Cost cutting program
- Critical review of all expansion plans
- Focus on cash management and working capital needs



### 3. Financial performance of the global operators in 2009

- Why has the ports industry been far less volatile and hence more resilient to the crisis than the liner industry ?
  - « Port development crippled by growing public hostility »  
Michael Grey in Lloyd's List



### 3. Financial performance of the global operators in 2009

- Why has the ports industry been far less volatile and hence more resilient to the crisis than the liner industry ?
  - « Port development crippled by growing public hostility »  
Michael Grey in Lloyd's List
  - There is massive capacity for shipbuilding in the world but the available geographical space to build ports is very limited, in Europe as well as in the US
  - The reasons for the very long delays in the planning and building of container terminals are primarily of ecological nature. The planning process easily takes 10 years.
  - Moreover at the eve of the crisis, in 2008 the industry knew overall a very high utilization rate, and congestion in many places.



### 3. Performance of the global operators in 2011

- In 2011 the Q1 reportings of the global operators indicate that growth continues at the same pace in the current year :
  - DP World : gross volumes up 12%
  - Hutchison : throughput rises 15%
  - APMT : throughput increase by 8%
- Improvements of the operational efficiencies and cost reductions of the years 2009 2010 will be beneficial to the bottom line result.
- Investment plans, which had been frozen, are brought to life again
- Optimism starts to reign



## 4. Estimate of Capex of the Industry

## 4. Estimate of amount of capex of the container terminal industry

Estimation of the amount of capex per annum

- Capital intensive industry : in a « landlord » operation model, the cost of the superstructure can be estimated between \$ 150 mio and 200 mio / million TEU handling capacity.
- Capex of the 'big four' in the years 2007 - 2010 (USD mln) :

	CAPEX (US Million)			
	2007	2008	2009	2010
HPH	1,205	1,225	641	641
PSA	751	910	702	382
DPW	742	1,265	828	902
APM Terminals	853	686	612	301
<b>Total</b>	<b>3,551</b>	<b>4,087</b>	<b>2,784</b>	<b>2,226</b>

- Sharp fall of Capex volume in 2009, which continued in 2010.
- On the basis of the market share of the big four in total throughput of about 45%, total amount of capex in superstructure can be estimated at USD 9 billion in 2008, falling to USD 5 billion in 2010.



## 5. Sources of funding for terminal projects

## 5. Overview of potential sources of funding for terminal projects

### Debt

Capital markets  
Debt DCM

Corporate  
Bonds  
Full recourse

Project Bonds

### Bank Debt

Corporate Lending

Project Finance Debt

- Commercial Debt
- Export Finance ECA covered

Multilateral Institutions EIB, EBRD, IFC, ...

### Equity

Capital markets  
Equity ECM

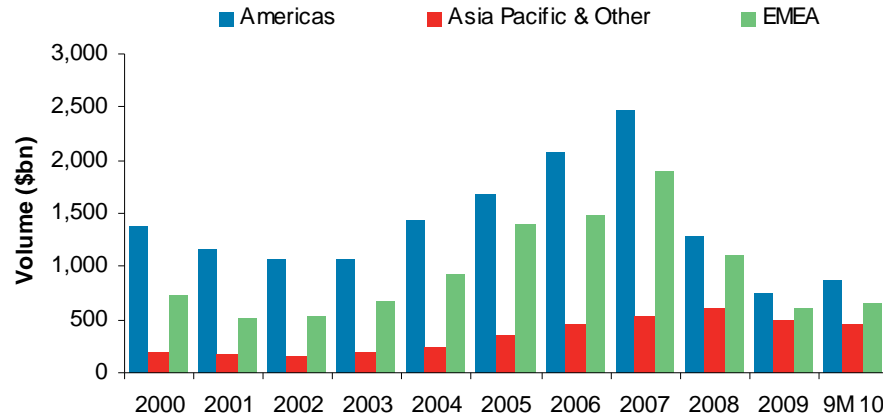
Public: IPO's

Private Equity : Infrastructure Funds



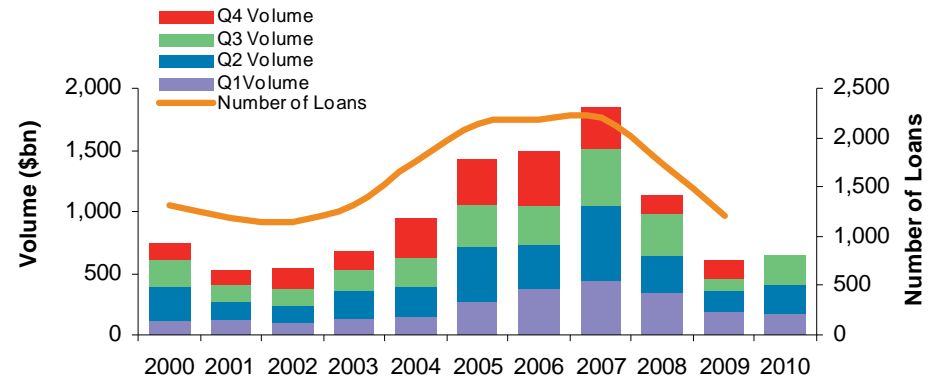
## 6. Trends in bank debt / corporate lending

Global Volumes by Region



Source: Dealogic Loan Analytics, 2010

EMEA Volumes and Deal Count



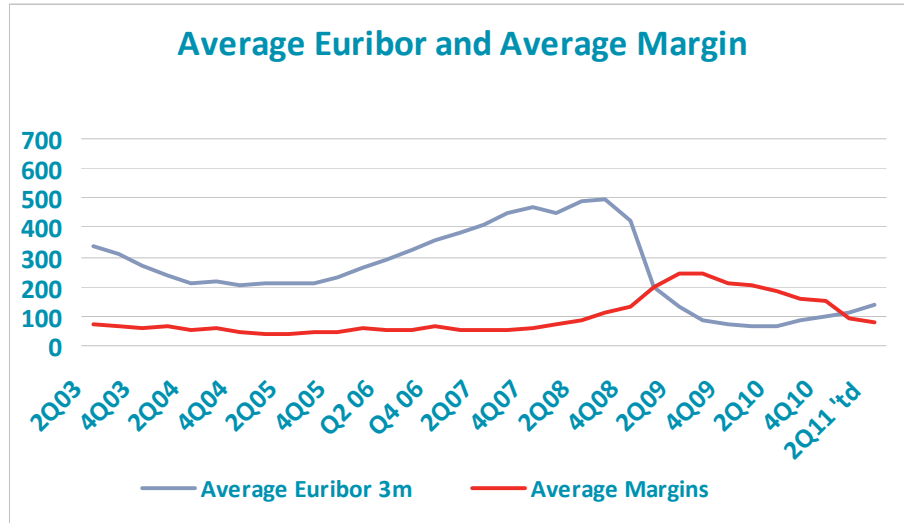
Source: Dealogic Loan Analytics, 2010

Comments

- The graphs give a perfect illustration of the financial and economical crisis. The collapse of the loan volumes in 2008 / 2009 was primarily due to the financial crisis, whereas the further decline in 2009 is primarily due to the economic crisis.
- During 2010, the global syndicated loan market was again growing : a volume of USD 2.950 bn (an increase of 46% on 2009 ) was generated
- In above chart the EMEA volumes comprised 91% Europe 6% Middle East and 3% Africa

## 6.1 Corporate Lending

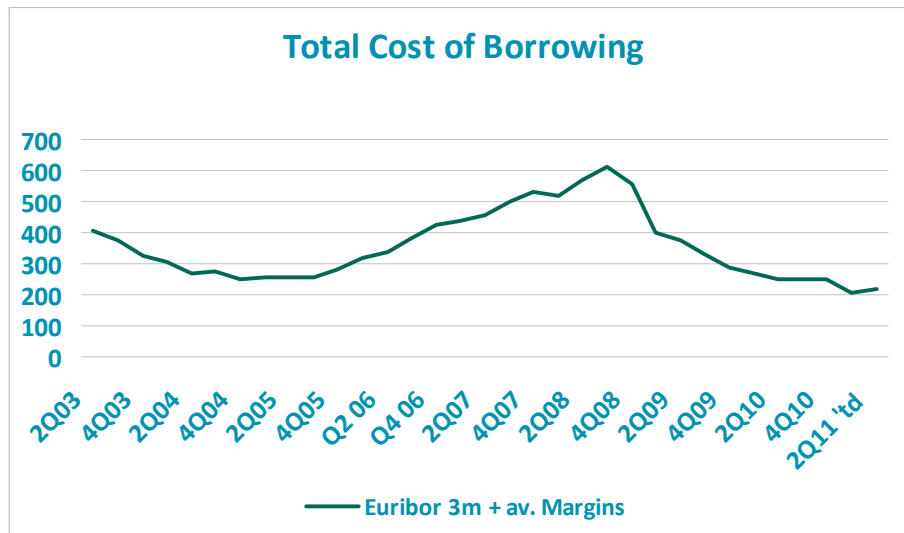
## Cost of borrowing



- Euribor reached max of 5% in Q3 2008, then minimum of 0,66% in Q1 2010, and is since then slowly rising to current level of 1,44%

- Average margin for IG borrower had always been below 1%, jumped to 2,45% in Q3 2009 as a result of the financial crisis, and is since then continuously falling to current level of 0,85%.

- As a result the total cost of borrowing today is still at an all times low.



### Floating rate

Euribor 3 month	1.44
Average margin	<u>0.85</u>
total	2.29

### Fixed rate

swap rate 5 years	2.80
Average margin	<u>0.85</u>
	3.65



## 6.2 Corporate lending – market outlook

### Commentary 2011

- Following on from 2010 the Investment Grade loan market was stable and accessible through Q1 2011
  - Significant improvement in lenders' own cost of funds and liquidity
  - Relatively high volumes of DCM & ECM issuance in 2009 / 2010 have helped to reduce banks' RWA and eased capital constraints
- Consequently, general sentiment to lending improved in 2010 and continued in 2011
- Relationship considerations still dominate
- Relatively modest pipeline resulted in pressure on pricing / maturities

### Commentary – Outlook

- In the short term, volatility in the financial markets resulting from the Southern European financial and economic debt crisis and the general European economic outlook are likely to affect the loan market
- In the medium term, increasing attention on the operating regime for lenders i.e. new regulations for the US banking industry, and the implementation of Basel III and the higher capital adequacy ratios are likely to have significant impacts on the loan market

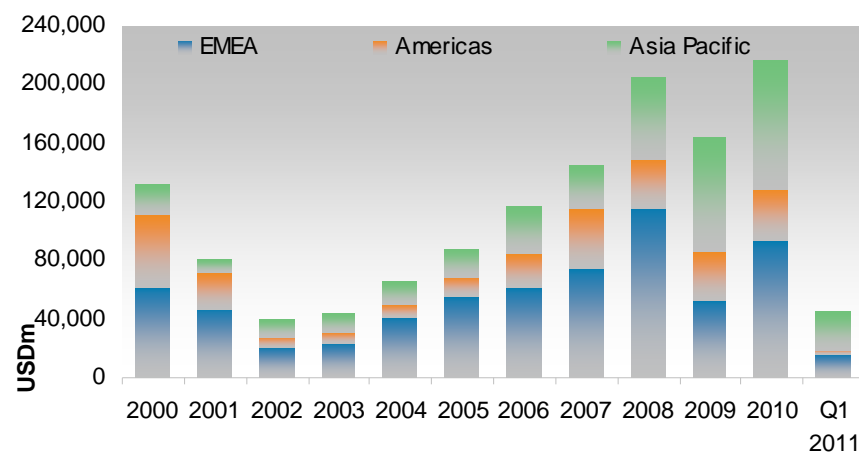


# 7. Trends in Project Finance

The background of the slide is a solid teal color. It features several large, overlapping, semi-transparent shapes in various shades of teal and light blue. These shapes are curved and layered, creating a sense of depth and movement. The overall aesthetic is modern and professional.

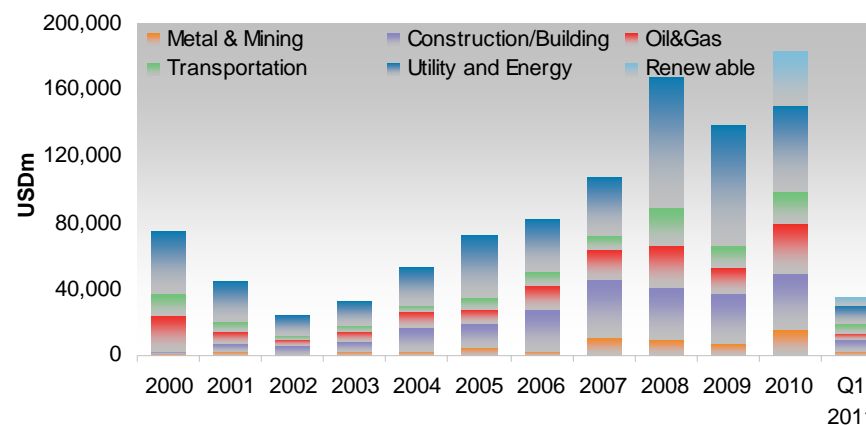
## 7.1 Global Project Finance Market Overview – Recap 2000 – 2010

### Evolution Project Finance by region



Source : Dealogic Loan Analytics April 2011

### Evolution Project Finance by Sector



Source : Dealogic Loan Analytics April 2011

### Commentary

- From 2002 to mid-2008, the Project Finance loan market showed constant growth with record volumes resulting from increasing demand in Power, Infrastructure and Oil & Gas
- Market conditions since Summer 2008 have resulted in a decrease of transactions however the decrease was much less steep than in global Corporate Lending
- In 2010 Global Project Finance loans reached a record of \$217bn, up 32% on 2009 and exceeding 2008

## 7. Focus on Project Finance loan volumes in Ports

Estimation of PF loan volume in ports (mio USD)	2008	2009	2010	2011 (3m)
Total transportation infra (in mio \$)	23,473	12,710	61,357	14,723
of which Ports (in mio \$)	4,488	1,212	6,242	2,149
Number transactions	15	6	28	5

Source : Projectware

- PF loans to the ports sector multiplied by a factor 5 in 2010. Year 2011 continues at same pace.
- Numbers above include
  - all subsegments : container terminals, dry bulk (coal terminals), wet bulk (tank storage) etc
  - and purposes : capex, acquisitions, bridge loans, etc
- The two largest facilities in 2010 both came from Australia : Newcastle Port Coal Terminal Expansion (\$2.1bn) and Port of Brisbane Privatisation (\$1.1bn)



## 7.1 General Trends in Project Finance

General trend on Project Finance : the market is recovering

- Market liquidity for Project Finance transactions has returned in the bank market with significant improvements over the last twelve months
- The 2009 2010 margins have remained above 250-300bp but downward pricing pressure has crept up in recent months
- Reliance on domestic banks in domestic currency remains
- Asset / liability mismatch of banks to remain under scrutiny in view of the implementation of the new Basel III banking regulation re liquidity risk
  - Appropriate structuring including some element of refinancing risk may be necessary to meet the debt requirements of large infrastructure projects
  - Cost of long term funding and liquidity has durably increased (USD particularly)



## 7.1 Trends in Project Finance : impact on terms for port financing

General observations for transactions in ports:

- Sponsorship will remain a key driver of commercial banks' appetite for a given transaction
- More conservative capital structures (debt / equity ratio down to between 60/40 and 70/30 depending on the project's nature and level of exposure to traffic risk)
- Constraints on tenor, particularly for USD transactions, with (soft or hard) mini perm structures to be considered
- Robust business plans with conservative breakeven scenarios
- Some form of recourse to the sponsor(s) to be considered in order to mitigate traffic risk during early years of operations
- Pricing to reflect general market conditions in the PF infrastructure market,
- Club deal structures
- In the case of greenfield projects, potential role for Multilateral institutions ( such as EIB, EBRD or IFC) and Export Credit Agencies



## 7.2 Trends in Project Finance / Export Finance

- 2H 2008 saw a sudden revival of structures based on insurance from Export Credit Agencies. Total amount of ECA backed loans surged to \$ 43 billion in 2009, an increase of 25% versus 2008.
- What are Export Credit Agencies ?
  - ECA's have been created at the initiative of the governments of the industrialized countries to facilitate global trade and provide insurance for trade receivables. They also provide insurance for long term loans to foreign buyers of capital goods manufactured by the exporting country.
  - Funding covered by ECA's is governed by rules : the OECD rules. They imply amongst others a repayment tenor of max 14 years and finance of no more than 80%.
  - Some relevant ECA's are :
    - In Europe : Euler-Hermes in Germany, Coface in France, Sace in Italy, Cesce in Spain, ONDD in Belgium, Atradius in The Netherlands, Finnvera in Finland
    - In Asia : KEIC / KEXIM in Korea, Sinosure in China, JBIC/NEXI in Japan
  - Principle is : ECA provides cover for commercial and political risk, usually 95%
  - The cost for the borrower is the sum of the up front insurance premium payable to the ECA and the bank margin.  
The insurance premium is linked to the tenor and the creditworthiness of the borrower and can range from 5% to 15%.



## 7.2 Trends in Project Finance / Export Finance

What are the advantages of ECA covered financing ?

- A bank's exposure on an ECA is considered as a sovereign risk exposure. As such the economic capital consumption for the bank under the Basel II rules is very much limited. This explains why ECA backed loans have been extensively used since the financial collapse in 2H 2008.
- So ECA's provide an important pool of liquidity for large projects

How could an ECA backed structured finance look like for a container terminal ?

- A terminal project usually consists of dredging, land reclamation, building of a quay wall, container cranes, straddle carriers etc. Structuring means putting together several tranches for each of the components : e.g a tranche for dredging works, a tranche for the gantry cranes, a tranche for the straddle carriers etc.



## 7.2 Trends in Project Finance / Export Finance

- Two ways of ECA financing
  - Tied ECA financing (traditional way)
    - **Depends on the nationality of the EPC contractor and the country of origin of equipment of the goods (OECD eligibility constraints)**
    - **Provides for direct payments to Contractor according to the terms of the EPC contract (OECD rules)**
  - Untied ECA finance
    - No constraints on procurement of goods and services from the country of the ECA
    - Eligible if strategic interest for borrower of nationality of ECA
      - Major equity participation
      - Production output / off take directed to the country of ECA
      - Appropriate level of national interest
    - Flexible terms and conditions ; high amounts and longer tenors can be accommodated (not OECD bound)
    - Example. In January 2010, KEIC has extended an untied cover for the financing of the TTI Algeciras project sponsored by the Korean shipping company Hanjin.



## 7.3 Trends in Project Finance : lessons from the crisis

Considerations on risk assessment

- General Performance
- Traffic risk
- “Contamination” from shipping
- Geography / risk of overcapacity in the relevant range
- Transshipment versus gateway terminals
- Dedicated versus multi-user terminals



# Conclusion

The background of the slide is a solid teal color. It features several large, overlapping, semi-transparent shapes in various shades of teal and light blue. These shapes are curved and layered, creating a sense of depth and movement. The shapes are positioned primarily in the lower and middle sections of the slide, leaving the top section clear for the text.

## 8. Conclusions

### About the industry

- Global players have financially performed remarkably well in 2009, in big contrast with the shipping lines
- In 2010 throughput rebounded to 2008 levels which enabled global players to further restore profitability. The trend continues into 2011.
- Fundamentals remain : (1) delocalisation of manufacturing is a fact of life leading to growing need for seaborne transport (2) in seaborne transport the bottle neck of the system will always be the interface between sea and land.
- Industry is characterised by high entrance barriers and long time lag to increase capacity. But future capacity increases may lead to temporary imbalances between supply and demand.
- Concentration will continue. The capex required to build new capacity are so huge that small players cannot afford to do it on their own.
- Ports have again caught the attention of infrastructure funds as a generator of stable income



## 8. Conclusions

### About the availability of bank debt

- Lending capacity in the banking world has improved, but the risk aversity is still present especially re traffic risk
- Cost of borrowing is still at historic low level
- Loan Market should be able to absorb amounts required
- The risk, especially traffic risk, from a lender's perspective, can be mitigated by one or more of the following :
  - Strong sponsorship
  - Involvement of shipping lines in terminals
  - High equity inlay
  - Sourcing equipment from suppliers which can combine their offer with a support from an ECA
  - Robust business plan with realistic growth rates



Thank you for your attention

