

Philippine Project Financing



FIRST METRO
INVESTMENT CORPORATION

Metrobank Group

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LOCAL PROJECT FINANCING

LOCAL PROJECT FINANCING

Peso funded Facilities

COAL

Borrower/ Project Company	Capacity (gross)	Loan Amount (in PHP Bn)	Year Closed
150 MW coal-fired plant in the Visayas	150 MW	11.0	On-going
300 MW coal-fired plant in the Visayas	330 MW	31.0	On-going
Pagbilao Energy Corporation	420 MW	33.30	2014
Therma South, Inc.	300 MW	24.0	2013
Toledo Power Company	82 MW	7.0	2013
South Luzon Thermal Energy Corporation	135 MW	7.0	2013
Southwest Luzon Power Generation Corp.	150 MW	11.5	2012
South Luzon Thermal Energy Corporation	135 MW	9.0	2011
Cebu Energy Development Corporation	246 MW	16.0	2010
Panay Energy Development Corp.	164 MW	14.0	2010
Hedcor Sibulan, Inc.	42 MW	3.57	2008
Maibarara Geothermal Inc.	20 MW	2.4	2012
Trans-Asia Renewable Energy Corp.	54 MW	4.3	2013
Alternergy Wind One Corp.	67.5 MW	5.5	2013

HYDRO

GEOHERMAL

WIND

LOCAL PROJECT FINANCING

Case Study: Pagbilao Energy Corporation



PHP 33,309,000,000

15-year Project Finance Loan Facility for
the Pagbilao Expansion Project

Mandated Lead Arrangers

BDO Capital & Investment Corporation
BPI Capital Corporation
First Metro Investment Corporation

May 2014

Key Terms

Tenor	15 years; in various tranches, wherein: Tranche A: 7-years + 8-years Tranche B: 15-years straight
Borrower	Pagbilao Energy Corporation
Grace Period	Up to 4.5 years
Sponsors	Therma Power, Inc. TeaM (Philippines) Energy Corporation
Lenders	Bank of the Philippine Islands BDO Unibank, Inc. China Banking Corporation Metropolitan Bank & Trust Company Philippine National Bank Philippine Savings Bank Security Bank Corporation
Facility Agent and Collateral Trustee	BDO Unibank, Inc. – Trust and Investments Group

LOCAL PROJECT FINANCING

Case Study: Hedcor Sibulan, Inc.



PHP 3,570,000,000

12-year Project Finance Loan Facility for
Hedcor Sibulan, Inc.

Joint Lead Arranger

First Metro Investment Corporation

PNB Capital and Investment Corporation

RCBC Capital Corporation

May 2008

Key Terms

Tenor	12 years
Borrower	Hedcor Sibulan, Inc.
Grace Period	Up to 3 years
Lenders	Metropolitan Bank & Trust Company Philippine National Bank Rizal Commercial Banking Corporation
Facility Agent	Rizal Commercial Banking Corporation – Trust and Investments Group
Trustee	Philippine National Bank – Trust Banking Group

LOCAL PROJECT FINANCING

Indicative Terms and Conditions

- Project finance loan syndication takes about 6-8 months.

Terms and Conditions	
Borrower	Special Purpose Vehicle
Mandated Lead Arranger	First Metro Investment Corporation
Loan Amount (in PHP)	Up to 65% - 70% of the Project Cost
Tenor	Up to 15 years
Grace Period	During construction, but not to exceed 5 years
Interest Rate Structure	For a 15 year loan, typically 7 + 8 with repricing on the end of 7 th year <i>*Repricing is based on the applicable benchmark rate plus the Spread.</i>

LOCAL PROJECT FINANCING

Indicative Terms and Conditions – Con't.

Terms and Conditions	
Amortization/Interest Payment	Semi-annual
Collateral	The security documents will be standard for transactions of this nature, including: a) Security over Project accounts; b) Mortgages over all plant and equipment; and c) Assignment of contracts.
Independent consultants	Legal, Technical, Insurance, Financial Model

THE DEVELOPMENT OF DOMESTIC PROJECT FINANCE

THE DEVELOPMENT OF DOMESTIC PROJECT FINANCE

Brief History

1990's and early 2000's

Philippine Banking Industry

- Reasons why Project Sponsors (both local and foreign) sourced funding overseas from global banks and multilateral financial institutions:
 - Inability of domestic banks to provide competitive terms
- Asian Financial Crisis of 1997-1998 were painful for Philippine domestic lenders –
 - Surge in non-performing loans (NPLs)
 - High interest rates
 - Tight liquidity
- US sub-prime crisis and European financial crises pulled back global banks in their lending activities – stricter regulations and greater capital requirements and liquidity. This in turn started the rise of the local banks.

2005 onwards

Infrastructure investments and financing

- Financing of privatization efforts gave local banks a supporting role.
 - Longer appetite for tenor – 10 year fixed rate
 - Growth in domestic tranche size

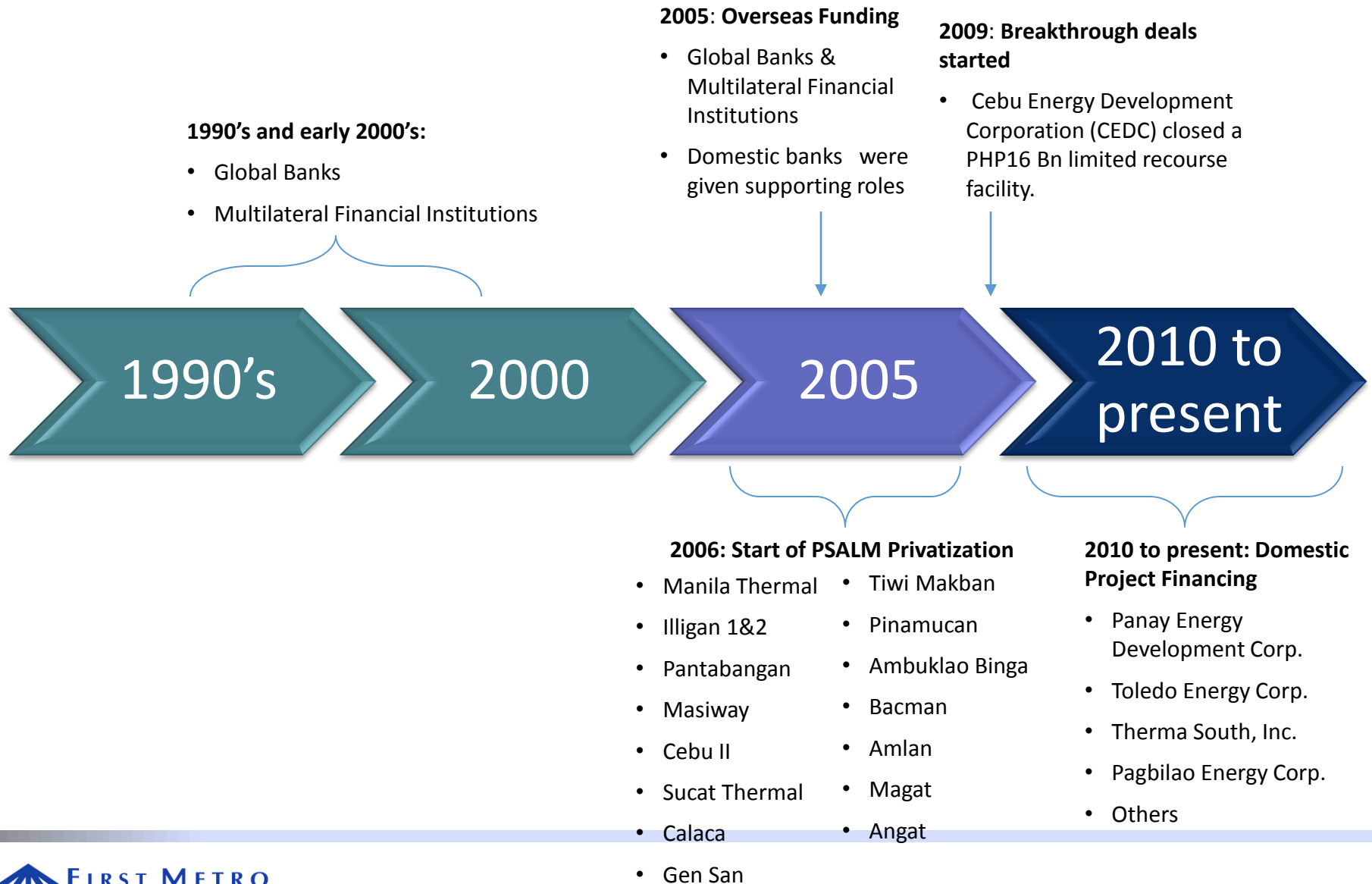
Past 5 Years

- Local banks have taken over leadership roles in arranging and financing big ticket infrastructure projects.
- Size/ amount of the facilities have been increasing.
- Tenors have become longer (i.e. 15 years)



THE DEVELOPMENT OF DOMESTIC PROJECT FINANCE

Brief History



THE DEVELOPMENT OF DOMESTIC PROJECT FINANCE

Cebu Energy Development Corp.



PHP 16,000,000,000

12-year Project Finance Loan Facility

Lead Arranger

First Metro Investment Corporation

June 2009

Key Terms	
Tenor	12 years
Borrower	Cebu Energy Development Corporation
Grace Period	Up to 3 years
Lenders	Allied Banking Corporation Bank of the Philippine Islands China Banking Corporation Land Bank of the Philippines Metropolitan Bank & Trust Company Philippine National Bank Rizal Commercial Banking Corporation Robinsons Savings Bank Corporation Security Bank Corporation The Insular Life Assurance Company, Ltd. The Philippine American Life and General Insurance Company, Inc.
Facility Agent	Philippine National Bank – Trust Banking Group
Trustee	Metropolitan Bank & Trust Company – Trust Banking Group

Philippine economy is in a so-called sweet spot.

- **GDP** is projected at 6.6%-7.5% driven by domestic consumption fueled by strong remittances and continued expansion of manufacturing.
- **Inflation** expected to further accelerate to 4%-4.3% fueled by climbing food and other consumer commodity prices that remain high
- **OFW remittances** to remain resilient at 5.5%-6.5%. This is to remain robust as demand for skilled Filipino workers remain strong.
- **Exports** to continue to improve at 6%-10% and **imports** likely to grow at 8%-12%.
- **Interest rate** movements is marginal. Policy rates, liquidity, inflation and foreign exchange continue to affect short-end yield of the curve.

PHILIPPINE MACROECONOMIC OUTLOOK

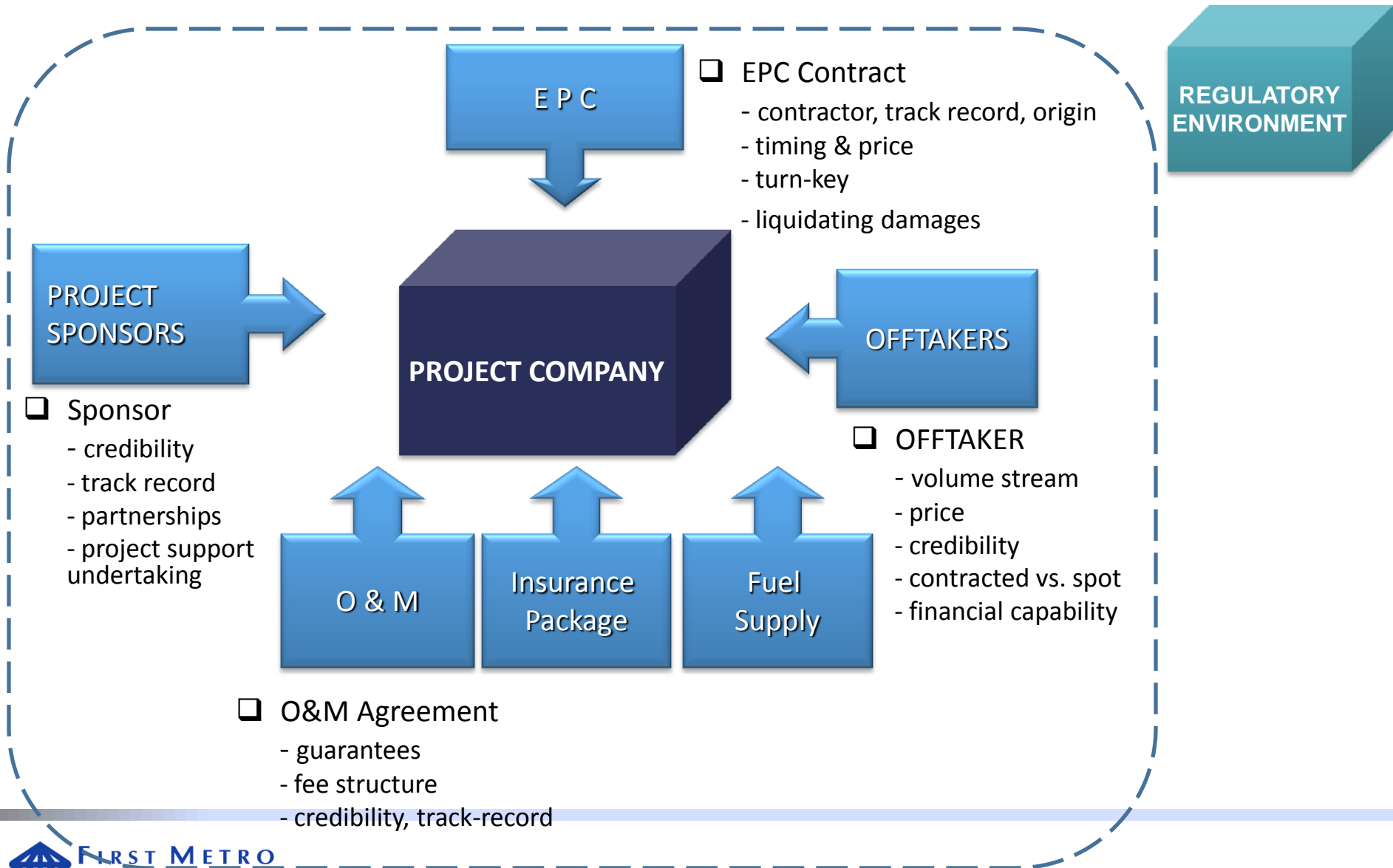
Key Points

- Local liquidity is available and is waiting to be deployed.
- Economic forecasts are positive.
- Urgent need for power and other infrastructure projects.
- Ingredients are in place for long term financing.

CRITERIA FOR SUCCESSFUL PROJECT FINANCING

CRITERIA FOR SUCCESSFUL PROJECT FINANCING

Factors to Consider in Evaluating



CRITERIA FOR SUCCESSFUL PROJECT FINANCING

Risk Spreading

Stage/ Risk	Risk Spreading
Development Stage	<ul style="list-style-type: none">• Risk borne primarily by sponsor, contractors & equipment vendors• Multi/bilateral institutions may offer grants to fund studies on high priority projects
Construction Stage	<ul style="list-style-type: none">• <i>Cost overruns</i> - shift risk from sponsor to contractor with the use of fixed price contracts.• <i>Delays in completion</i> - controlled thru incentives for early completion, penalties for delay and performance bonds• <i>Non-completion</i> - turnkey arrangements shift risk to contractor
Operational Stage	<ul style="list-style-type: none">• <i>Weak demand for project's output</i> - shift risk to buyers via long-term purchase contracts with fixed minimum prices, take-or-pay agreements, deficiency agreements• <i>Operating cost overruns</i> - shift risk to customers via price escalation clauses OR shift risk to suppliers via long-term supply contracts or supply-or-pay agreements
Political Risk	<ul style="list-style-type: none">• may be covered by political risk insurance
Financial Risk	<ul style="list-style-type: none">• <i>Credit Risk</i> - credit worthiness may be enhanced by guarantees issued by sponsor, gov't, an ECA, or KB• <i>Interest rate & currency risks</i> - may be mitigated with the use of natural hedges, swaps, options, forwards & futures

THANK YOU

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FIRST METRO
INVESTMENT CORPORATION

Metrobank Group

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ANNEX A

FIRST METRO INVESTMENT CORPORATION

FIRST METRO INVESTMENT CORPORATION

At A Glance

Company Name	First Metro Investment Corporation (“First Metro”)
Headquarters	Makati City, Philippines
Year Founded	1972
Total Assets	PHP 82.7 billion
Stockholders’ Equity	PHP 18.9 billion
Capital Adequacy Ratio	50.29%
Return on Equity (Consolidated)	68.34%
	<i>*(As of December 2013)</i>
Chairman	Francisco C. Sebastian
President	Roberto Juanchito T. Dispo
Number of Employees	174
Website	www.firstmetro.com.ph



Products and Services

Investment Banking

- Debt and Equity Underwriting
- Loan Syndication
- Project Finance
- Financial Advisory

Treasury

- Government and Corporate Debt Securities Trading
- Fixed Income Distribution
- Fund Raising and Liquidity Management

Investment Advisory & Trust

- Equities Investment Advisory
- Equities Research

Key Subsidiaries

- First Metro Securities Brokerage Corporation**
- First Metro Asset Management, Inc.**

- Investment banking arm of the Metrobank Group, one of the nation’s largest financial conglomerates.
- Largest Philippine investment bank by assets
- A prime mover in the Philippine capital markets, it successfully participated in 60% of all capital market transactions in 2013. It dominated the domestic bond market, engaging in 94% of bond issuances for both the private and public sector.

FIRST METRO INVESTMENT CORPORATION

Strategic Business Units

The Company's operating businesses are organized and managed separately according to the nature of services and products provided, and different markets served, with each segment representing a strategic business unit.

Investment Banking

Debt and Equity Underwriting

Loan Syndication

Project Finance

Private Equity

Financial Advisory

Strategic & Finance

Direct Lending for Pre-defined Purposes/Markets

- Term Loans and/or Project Finance Participation
- Securitization
- Mezzanine Financing
- Asset or Company Acquisition Financing
- Vendor Financing/Trade Acceptance
- Credit Lines and/or Short-term Loans

Domestic Standby Letters of Credit

Treasury

Fund Raising and Liquidity Management

Government Securities and Corporate Debt Trading

Fixed Income Distribution

Financial Products Structuring

Investment Advisory

Equities Investment Advisory

Portfolio Management Advisory

Equities Research

ABOUT METROBANK

At A Glance

Company Name	Metropolitan Bank & Trust Company (“Metrobank”)	
Headquarters	Makati City, Philippines	
Date Established	September 5, 1962	
Total Assets	PHP 1.4 trillion	
Total Loans	PHP 611 billion	
Total Deposits	PHP 1.0 trillion	
Capital Adequacy Ratio	16.65%	<i>*(As of December 2013)</i>
Group Chairman	Dr. George S.K. Ty	
Chairman	Arthur V. Ty	
President	Fabian S. Dee	
Website	www.metrobank.com.ph	



Group Domestic Subsidiaries		
Investment Banking	First Metro Investment Corporation	
Consumer Banking	Philippine Savings Bank	
Credit Cards	Metrobank Card Corporation	
Insurance	Philippine AXA Life Insurance Corporation	
Leasing	Orix Metro Leasing and Finance Corporation	

 Strongest Bank Philippines 2013, 2011 	 Best Bank Philippines 2012, 2011, 2010 	 Best Securities House Bank Category 2013
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- Established by Dr. George S.K. Ty in 1962 primarily to provide financial services to the Filipino-Chinese community
- Has become a premier universal bank
- Offers a full range of banking and other financial products and services such as corporate, commercial and consumer banking, as well as credit card, remittances, leasing, investment banking and trust banking
- Investment Grade Rating

ABOUT METROBANK

Extensive Domestic and Overseas Coverage

As of December 2013



North America
1 branch
8 subsidiaries

Europe
1 subsidiary

Middle East
59 remittance
correspondents

Asia-Pacific
5 branches
14 subsidiaries
2 rep offices

Philippines

International presence

- **6 branches, 24 subsidiaries and 2 representative offices** in over 30 countries and territories worldwide
- 111 remittance tie-ups and 161 remittance agents present in the United States, Europe, the Middle East, Asia and the Asia-Pacific

Credit ratings



Baa3
Investment Grade
Status
October 2013



Long-Term Issuer Rating
BB+ (Positive)
September 2013



BB / POSITIVE / B
September 2012

Domestic presence

- Widest network of **856 domestic branches**
- Supported by a total of 1,822 ATMs

632	Metrobank
224	PSBank*
856	Local branches

**PSBank is the thrift bank arm of Metrobank and the country's second-largest thrift bank. It was the first publicly-listed savings bank in the country.*

ANNEX B

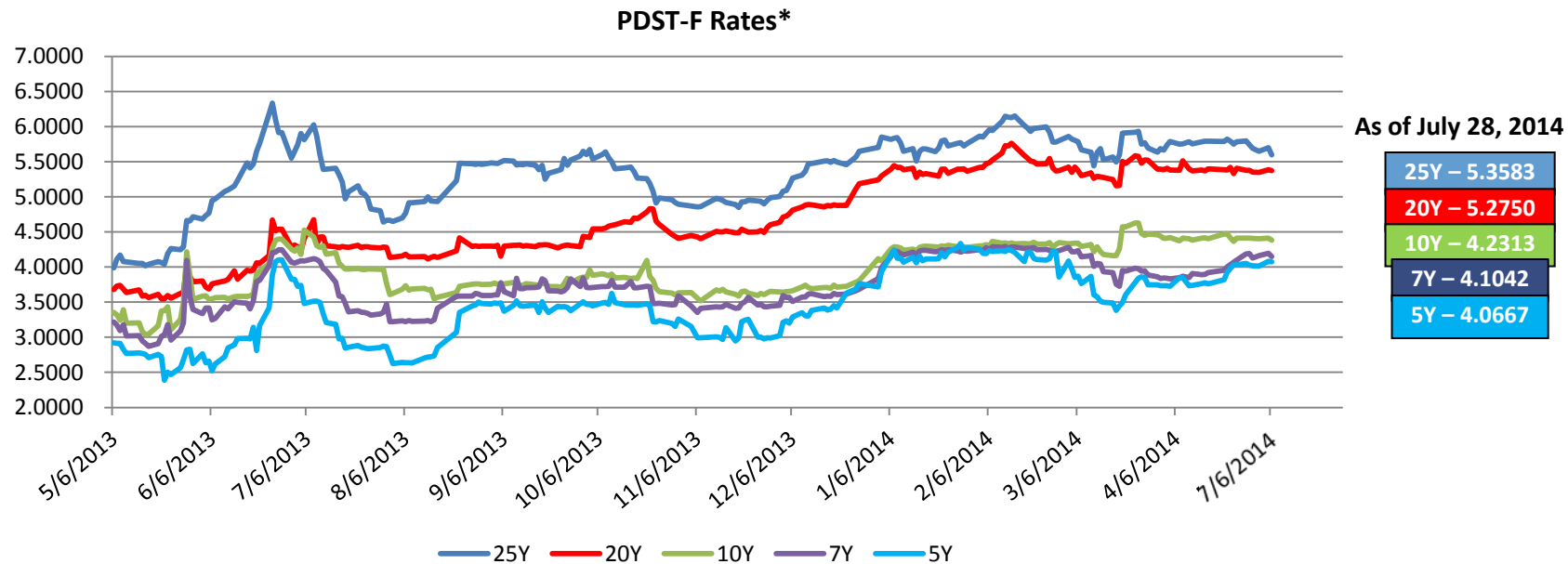
PHILIPPINE MACROECONOMIC ENVIRONMENT

PHILIPPINE MACROECONOMIC ENVIRONMENT

Interest Rate Environment

Interest Rates

- Despite strong economic fundamentals, Philippine yields will be subject to external yield movements, mainly in the U.S.
- Supply and demand dynamics will be dictated by foreign flows rather than local liquidity
- Potential negative impact can come from:
 - ✓ Chinese Economic Decline
 - ✓ Philippine Inflation



*Benchmark rates are soon to change from PDST-F to PDST-R2. R2 rate is 20-25 bps lower than the F rate.

PHILIPPINE MACROECONOMIC ENVIRONMENT

Liquidity in the Market

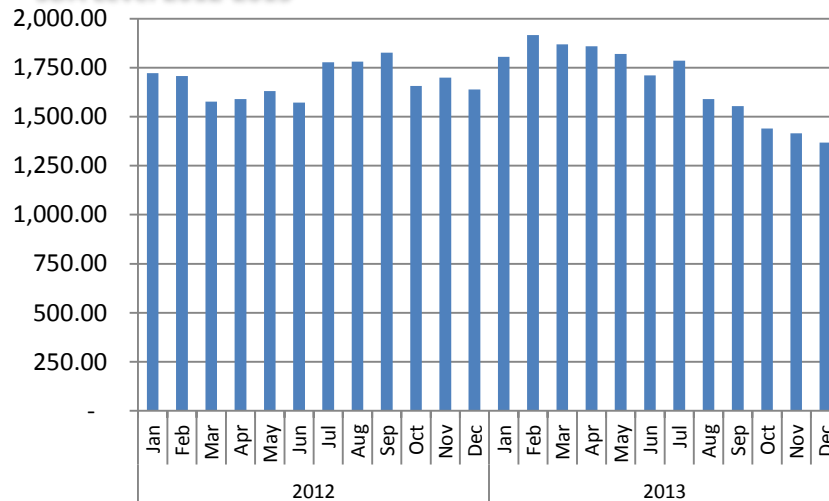
Special Depository Account (“SDA”)

- Interest rate on SDA was raised by 25 bps from 2.0% to 2.25% across all tenors
- The SDA hit its lowest point at PHP1.37 Trillion in December 2013 following BSP Memorandum No. M-2013-021 which limited access of Trust Departments/Entities to the SDA.
- Some of the funds eased out of the SDA may have been absorbed by the banking system under money market instruments.
- SDA level as of 16 April 2014 is at PHP1.25 Trillion
- Key policy rates at 3.5% for RRP and 5.5% for RP facility.

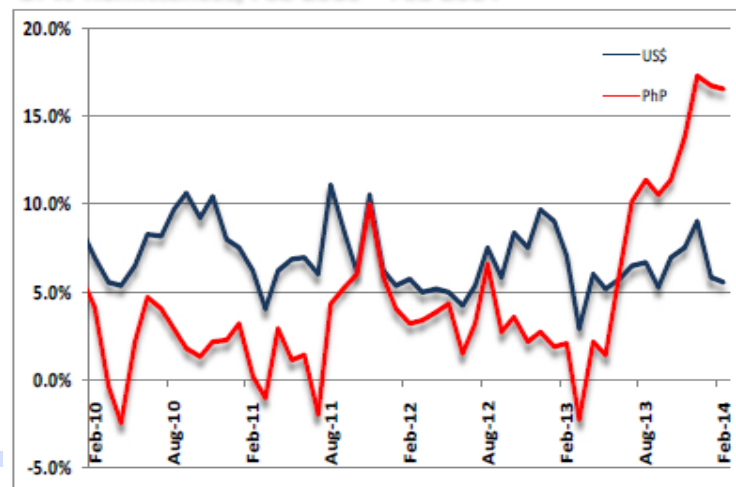
OFW Remittances

- OFW cash remittances posted a 5.5% y-o-y growth (%1.9Bn) in March 2014, higher than February figure by 0.9 points. Steady deployment of skilled Filipino manpower, particularly among the transfer of land-based workers with long term contracts, continued to boost OFW remittances' strength.
- Q1 cash remittance registered a 6.0% y-o-y growth (\$5.5 B).

SDA Level 2012-2013



OFW Remittances, Feb 2010 – Feb 2014



PHILIPPINE MACROECONOMIC ENVIRONMENT

Inflation and Forex

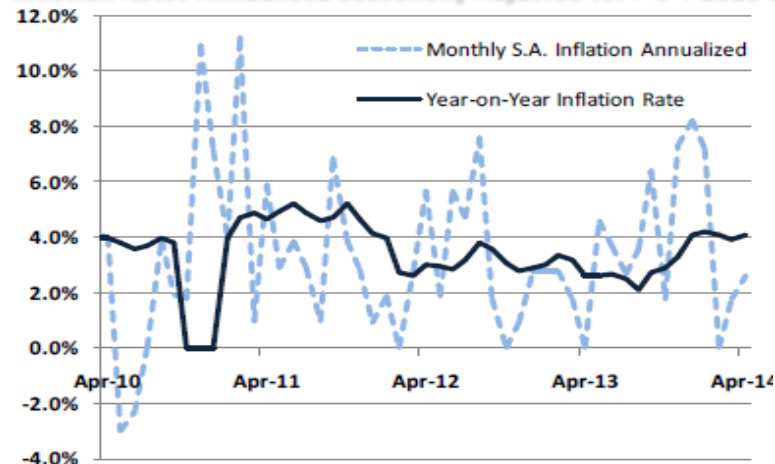
Inflation

- Inflation in April 2014 accelerated to 4.1% (y-o-y), from 3.9% in March, due to higher prices of food and utilities. Without food or oil prices, core inflation accelerated to 2.9 percent in April from 2.8 percent in March.
- First Metro forecast for 2014 is within the range of 4.0%-4.3%

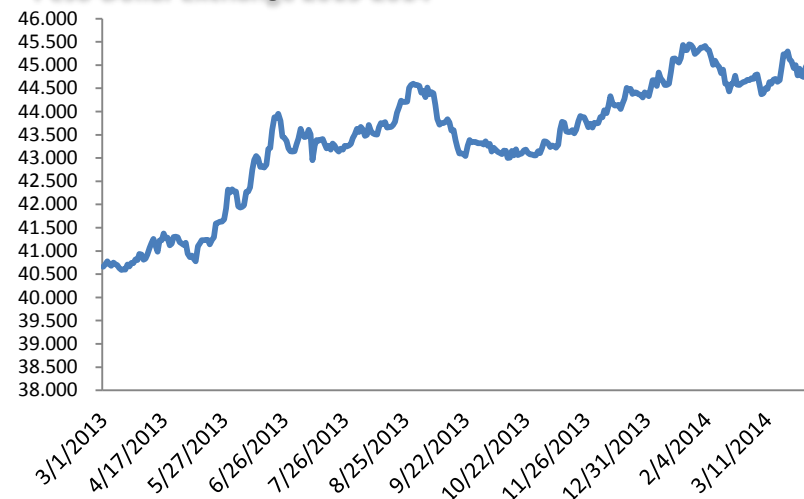
Foreign Exchange

- The Philippine Peso closed at PHP43.33 on 28 July 2014 vs PHP43.19 on 28 July 2013.
- More positive news coming out of the U.S. has been favoring the U.S. Dollar, leading to the decline in the Peso
- First Metro's forecast for end-2014 is between PHP44-46 to the dollar

Inflation Rates Annualized Seasonally Adjusted vs. Y-o-Y 2010-2014



Peso-Dollar Exchange 2013-2014



Source: National Statistics Office
Bloomberg