

## **USAID Workshop: Developing, Financing, and Investing in Solar PV Projects in Lower Mekong Countries**

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## **Panel Discussion 2: Funding and Financing Sources from the Private Sector**

# KASIKORNBANK At Glance



- Established on June 8, 1945 with registered capital of Bt5mn (USD 0.14mn)
- Listed on the Stock Exchange of Thailand (SET) since 1976

## Consolidated (as of March 2017)

Assets	Bt2,847bn (USD82.6bn)	Ranked #4 with 15.4% market share**
Loans*	Bt1,702bn (USD49.4bn)	Ranked #4 with 15.0% market share**
Deposits	Bt1,795bn (USD52.1bn)	Ranked #4 with 15.6% market share**
CAR	17.51% ***	
ROE	12.44%	
ROA	1.43%	
Number of Branches	1,081	
Number of ATMs	9,037	
Number of Employees	20,971	

## Share Information

SET Symbol	KBANK, KBANK-F	
Share Capital:		
Authorized	Bt30.5bn (USD0.9bn)	
Issued and Paid-up	Bt23.9bn (USD0.7bn)	
Number of Shares	2.4bn shares	
Market Capitalization	Bt452bn (USD13.1bn)	Ranked #2 in Thai banking sector
1Q17 Avg. Share Price:		
KBANK	Bt190.58 (USD5.53)	
KBANK-F	Bt194.84 (USD5.66)	
EPS	Bt4.25 (USD0.12)	
BVPS	Bt138.99 (USD4.03)	

### Notes:

\* Loans = Loans to customers less Deferred revenue

\*\* Assets, loans and deposits market share is based on C.B.1.1 (Monthly statement of assets and liabilities) of 14 Thai commercial banks as of March 2017

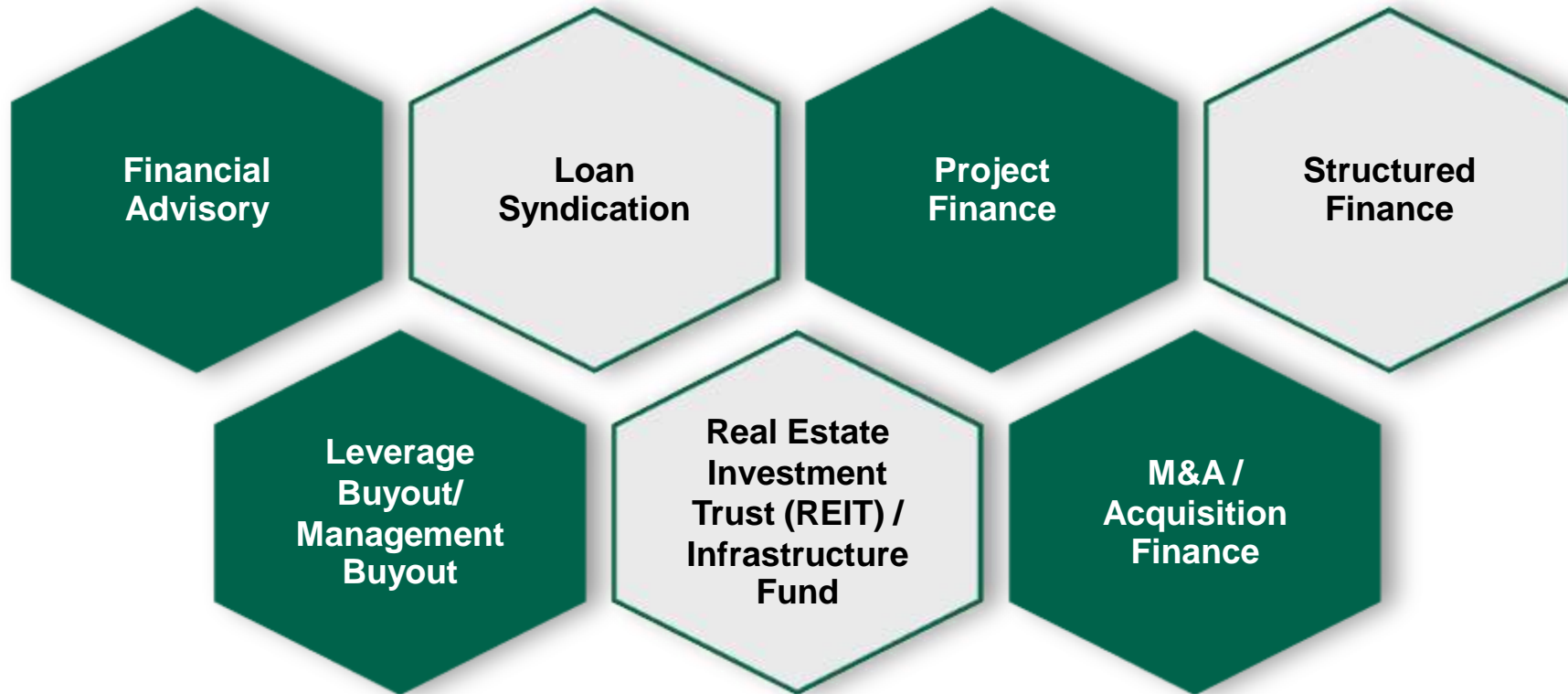
\*\*\* Capital Adequacy Ratio (CAR) has been reported in accordance with Basel III Capital Requirement from 1 January 2013 onwards. CAR is based on KASIKORNBANK FINANCIAL CONGLOMERATE. KASIKORNBANK FINANCIAL CONGLOMERATE means the company under the Notification of the Bank of Thailand re: Consolidated Supervision, consisted of KBank, K Companies and subsidiaries operating in supporting KBank, Phethai Asset Management Co., Ltd. and other subsidiaries within the permitted scope from the BOT's to be financial conglomerate

Exchange rate at the end of March 2017 (Mid Rate) was Bt34.45 per USD (Source: Bank of Thailand)

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# Complete Fund Raising Solutions

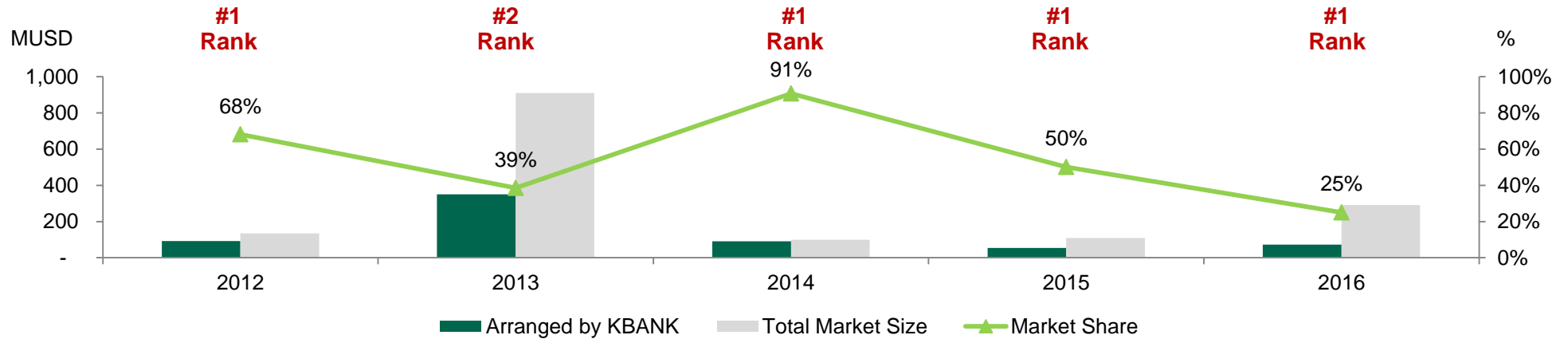
**KBANK Investment Banking Business has highly experiences professionals which could offer complete fund raising solutions for our client**





# Renewable Coverage

## Leading Mandated Lead Arranger for Renewable Project Financing in Thailand

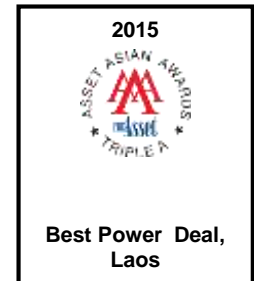
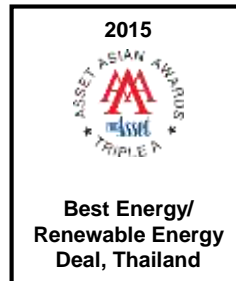
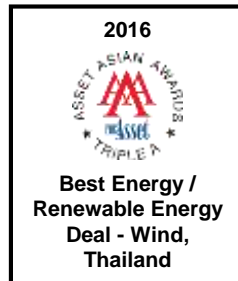


**“Wide range of renewable coverage”**

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# Awards and Recognitions – Project Finance

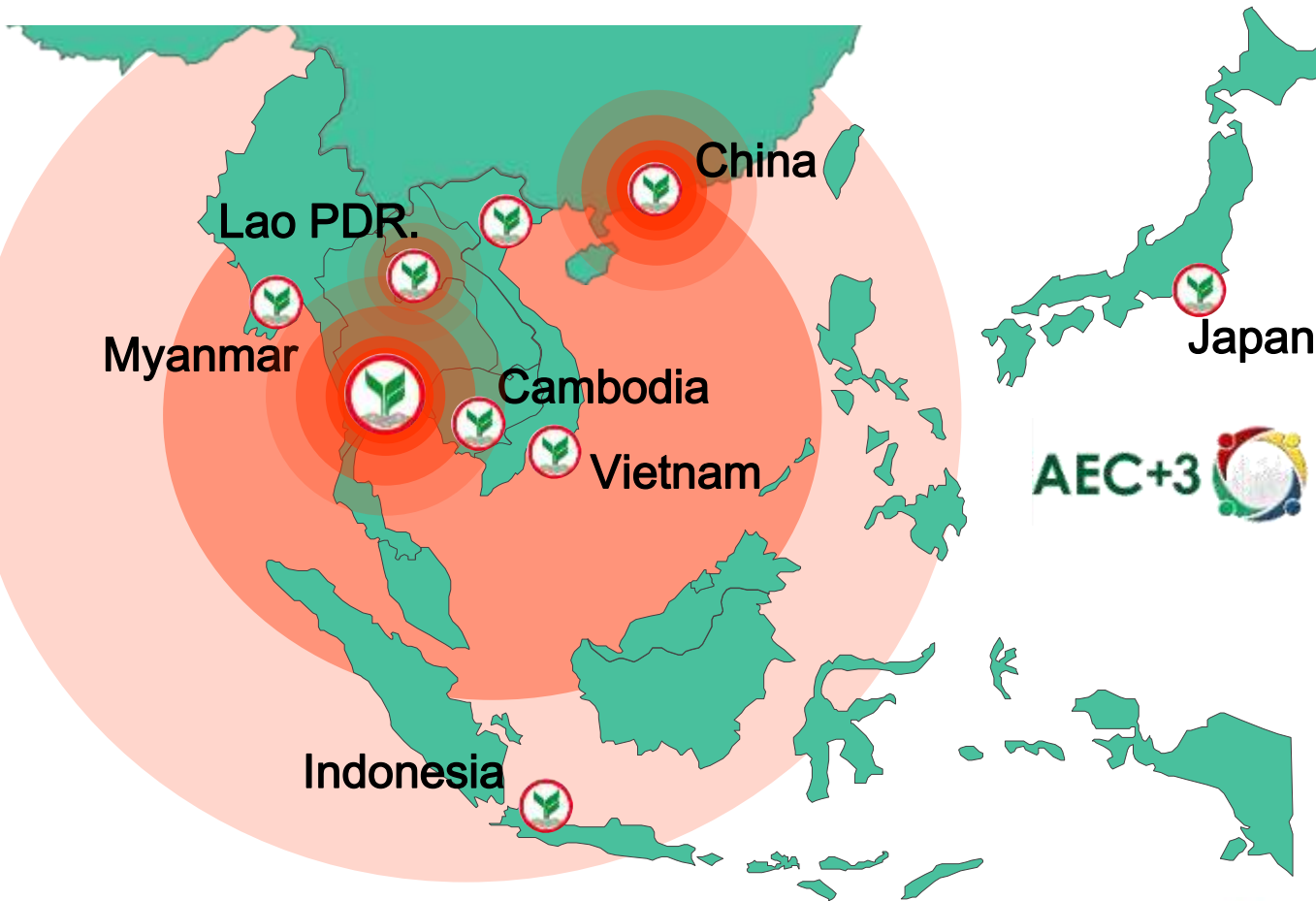
KBANK has been honored from the Asset Magazine as Thailand Project Finance House of the year for three consecutive years together with awards from acting as a financial advisor and arranger in several projects





# AEC + 3 Footprint

Strategically focusing on AEC+3 markets, KBANK pursues an integrated regional operating model: physical footprint, digital platform, and regional partnerships



## Physical Footprint

AEC	+3
<p>Lao PDR. Cambodia Myanmar Vietnam Indonesia</p>	<p>Japan Korea China</p>

## Digital Platform

- X-border Multi-Currency Settlement
- X-border THB Direct settlement
- X-border Retail Payment

## Partnership

AEC	+3
<p>C B BANK VietinBank AVA Bank BCA Maybank</p>	<p>Hana Bank 八十二銀行 静网銀行 中国民生银行 CHUGOKU BANK 愛知銀行 百十四銀行</p>

...and others

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## Sample Terms of Project Financing

<b>Facility Types</b>	Tranche A: Long Term Facility Tranche B: Working Capital and/or Trade Finance Facility Tranche C: Hedging Facility
<b>Purpose</b>	To support development and construction of a solar farm project
<b>Fees</b>	Arrangement, Front-End, Commitment, Prepayment, Cancellation, Agency
<b>Interest Rate</b>	[LIBOR] payable [monthly, quarterly]
<b>Tenor</b>	Depends on cashflow from the revenue generation and government subsidy Average 10 – 15 years seen for solar projects
<b>Condition Precedence For utilization</b>	<ul style="list-style-type: none"> <li>- Satisfactory due diligence with satisfactory expert opinions</li> <li>- All documents are executed</li> <li>- Complete of license, permits, and all regulatory requirements</li> <li>- Equity portion has been fulfilled (paid and/or secured)</li> <li>- All security are perfected</li> <li>- All insurance are effective</li> </ul>
<b>Key Security</b>	See Security Section
<b>Key Covenants</b>	See Covenants Section

# Typical Financial Covenants

## Information Covenants

- Submission of financial statements
- Submission of litigation notice
- Notification on any dispute/ default

## Affirmative Covenants

- Government authorization
- Compliance with laws
- Maintenance of Security Interests

## Negative Covenants

- No merger and acquisition
- No change in business
- No financial indebtedness

## Financial Covenants

- DSCR
- D/E ratio
- Debt Service Reserve
- Maintenance Reserve

## Other Requirements

- Representation and Warranties
- Undertaking
- Event of Default
- Sponsor Support
- Distribution Tests on Dividend
- Hedging requirements



# Typical Financing Security

## Typical Security Required by Lenders

- Mortgage of land owned by the project
- Mortgage of buildings constructed on the project site
- Machinery mortgage of the machinery used in the project
- Assignment of the Project Documents and acknowledgements and consents from counter parties of each Project Document
- Assignment of all bonds and letter of guarantee
- Pledge of shares in the borrower
- Assignment of project accounts
- Pledge and assignment of rights over permitted investments
- Assignment of all insurances and reinsurances together with endorsements of insurance policies
- Sponsor Support and Guarantees



# Key Development Challenges

## Physical Challenges

- Limited land availability or cost of land become too expensive
  - Limit size of project or compact design
    - potential shading loss
    - limited service access
  - Rent vs purchase decision
    - better security for financing for the purchased land
    - rental subject to revocation risks
  - Alternative site in remote/rural area
    - grid connection costs
    - transmission loss
    - site access, communication and security
    - light load incident
    - brownout incident
- Bottleneck of experts and skilled human resources
  - queuing to obtain right experts and EPCs

## Physical Challenges

- Distributed generation being too distributed
  - Too small to invest
    - similar effort for large and small projects
    - diseconomy of scale, bargaining power
  - Costly to monitor and manage
    - mass monitoring system
    - additional human resources for both security, monitoring, and maintenance
- Difficult to develop in high demand area
  - Less efficient systems
    - potential shading loss from grown trees, new buildings, and future development
    - angular loss (rooftops)
  - potentially lower irradiance (pollution)
    - smog and dust from factory



# Key Financing Challenges

## Economic and Financing Challenges

- Reduced tariff, smaller returns
  - Highest quality vs highest return
    - sub quality equipment
    - reliability issue of warranty provider
  - Bank loan rather salvation than enhancement
    - expansion is limited to bank's appetite
    - highest gearing, longest tenor, cheapest loans
    - not feasible without loan enhancement
  - Imbalance risk and return
    - longer payback compare risk undertake
    - small room for risk allowance, incl delays, cost overrun

## Economic and Financing Challenges

- Development time constraint
  - Insufficient equipment delivery time
  - Bank to finance upon completion
    - limited sponsors' equity to advance
- Project finance, not an asset finance. Terms still varies by project and sponsors
  - Undeveloped resale market
  - Limited secondary use of equipment
  - Lengthy and dynamic bank process
- Financing environment not optimized
  - Terms beyond bank's appetite
  - Bank's opportunity cost to lend other type of projects
  - Underdeveloped alternative financing e.g. solar debenture, infrastructure fund



**KASIKORNTHAI**

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