

Security Bank's financing facility for Energy projects

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Security Bank will work with **Energy sector** clients who are committed to **sustainable development**, venturing into **low-carbon energy sources**, and implementing **new technologies** to help in the transition to a **lower-carbon economy**.

We aim to provide them with **support**, from both a **corporate lending** and **capital market** perspective.

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Financing structures for Energy projects



Project Finance
Standard financing
structure



Corporate Finance
Alternative
financing structure, subject
to certain limitations



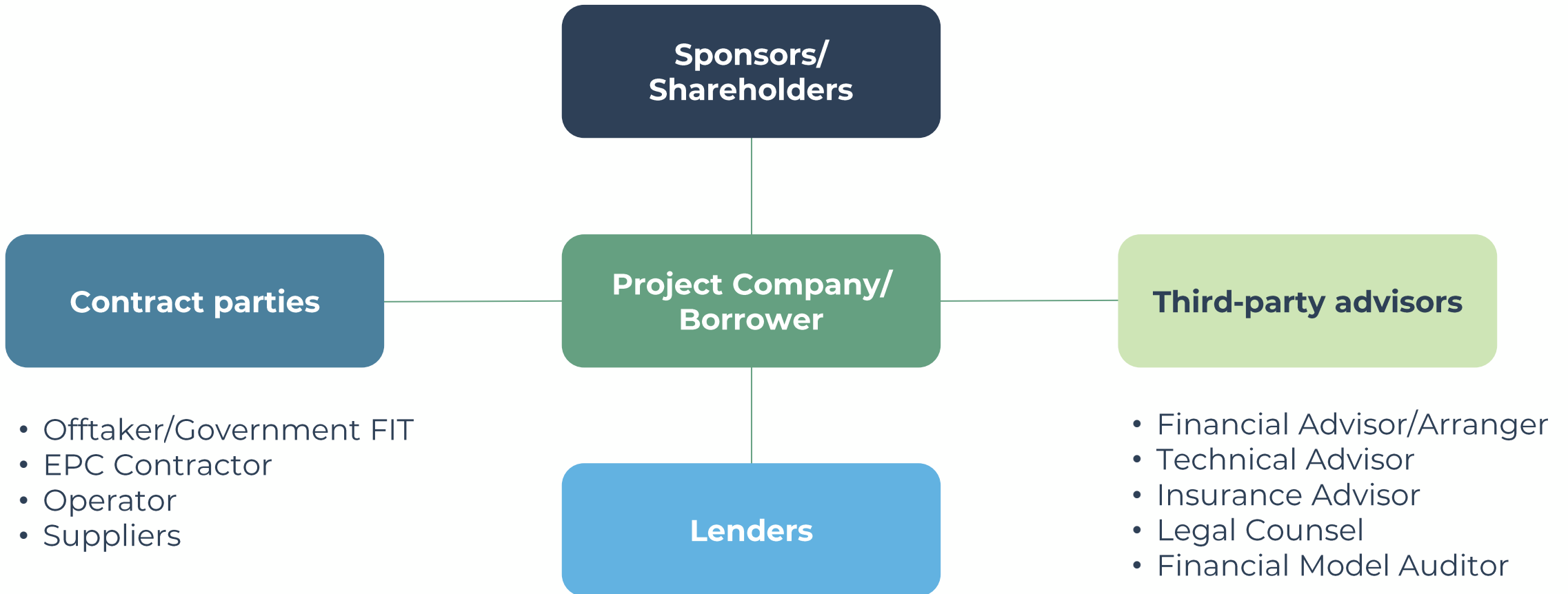
Project Bond
Alternative
financing structure but
primarily for refinancing of
original project debt



	Project Finance	Corporate Finance	Project Bond
Borrower	Project Company	Parent/Sponsor	Parent/Sponsor
Tenor	7 to 15 years	5 to 7 years	5 to 7 years
Use of proceeds	Capital expenditures and initial working capital	Refinancing, capital expenditures, and general corporate purposes	Refinancing of original project debt
Risk analysis	<ul style="list-style-type: none"> Looks into the technical and economic feasibility of the project, and future cash flows Analyzes contractual arrangements, including offtake/supply agreements 	<ul style="list-style-type: none"> Takes into account overall performance of the Borrower Looks at historical and future performance, company management, and track record 	<ul style="list-style-type: none"> Considers established track record of Project Company
Security	<ul style="list-style-type: none"> Pledge of shares; REM/PPSA Assignment of contracts Project waterfall accounts 	<ul style="list-style-type: none"> May be clean or secured 	<ul style="list-style-type: none"> Clean
Benefits	<ul style="list-style-type: none"> Allows Project Company to raise larger amounts with longer tenors No or limited-recourse financing to the sponsors Implements proper risk allocation 	<ul style="list-style-type: none"> Sponsor has full control of funds and deployment Less costly 	<ul style="list-style-type: none"> Wider investor base (not limited to banks)
Constraints	<ul style="list-style-type: none"> Complex structure Generally longer to complete Involves higher costs 	<ul style="list-style-type: none"> Does not benefit from non-recourse/ring-fenced structure 	<ul style="list-style-type: none"> Requires regulatory approval, which entails higher costs and longer timetable Refinancing risk Generally bullet repayment, which may result in cashflow timing mismatch



Parties involved in Project Finance



Project Finance considerations

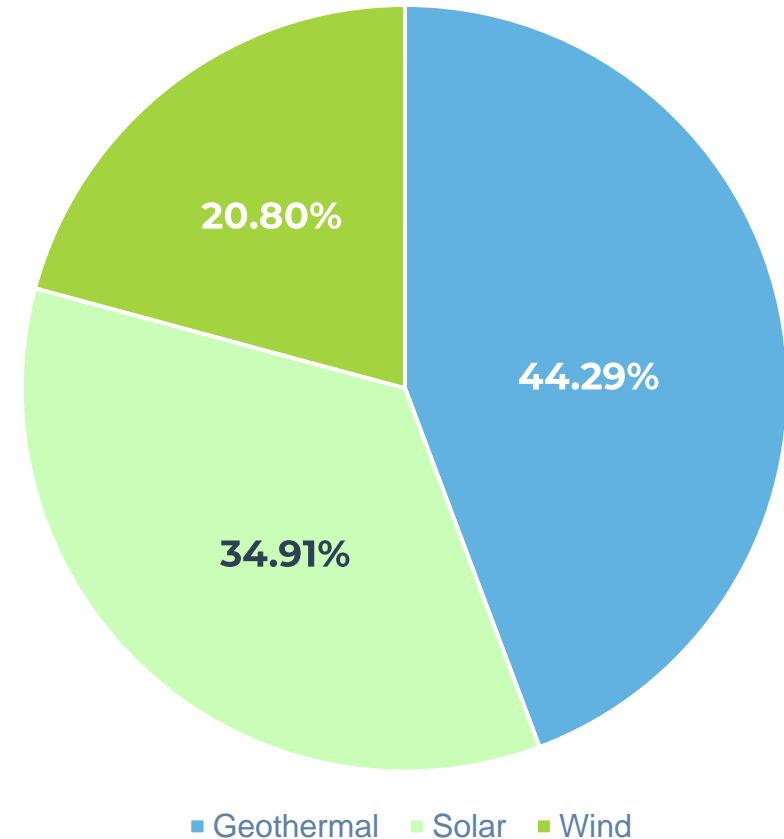
- **Loanable amount:** General debt to equity ratio of 70% : 30% funding mix, subject to the Bank's SBL
- **Sponsor support:** Ability of sponsors to provide support for cost overruns and completion overruns (in some cases)
- **Offtake:** Long-term offtake contract vis-a-vis merchant risk/WESM; or a combination
- **Insurance:** Procurement of necessary insurance policies during construction and operational periods
- **Permits:** Receipt of regulatory and government permits for construction and operational periods
- **Technical performance:** Equipment performance guarantees, warranties, periodic reviews
- **Financials:** Strong cashflows, financial covenants, restricted payments



26% of our total Power portfolio is Renewable energy

Breakdown of Power portfolio mix	2022A
Coal	63.35%
Coal, Natural gas	1.97%
Diesel	4.70%
Diesel, Hydro	1.25%
Natural gas	0.59%
Renewable	26.07%
Others	2.07%
TOTAL	100.00%

Breakdown of Renewable energy portfolio



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As of late 2021, Security Bank will **no longer finance** the construction of **new coal-fueled power plants.**

Our goal is to completely **exit coal financing by 2033.**

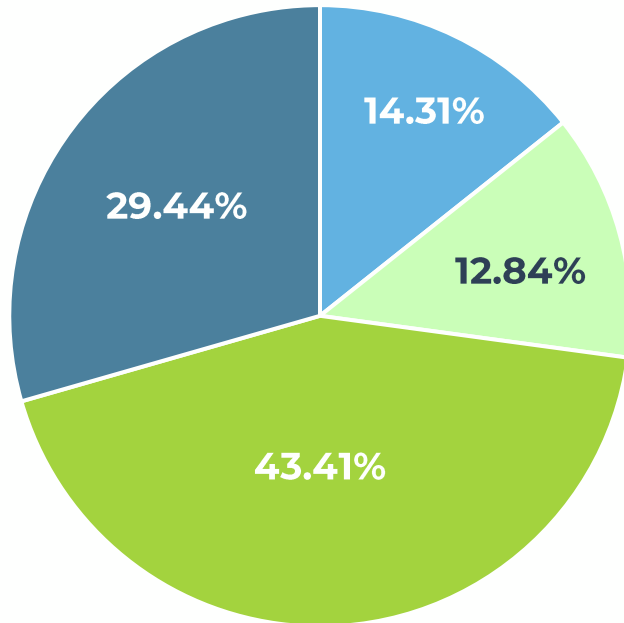
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Department of Energy's installed capacity portfolio mix

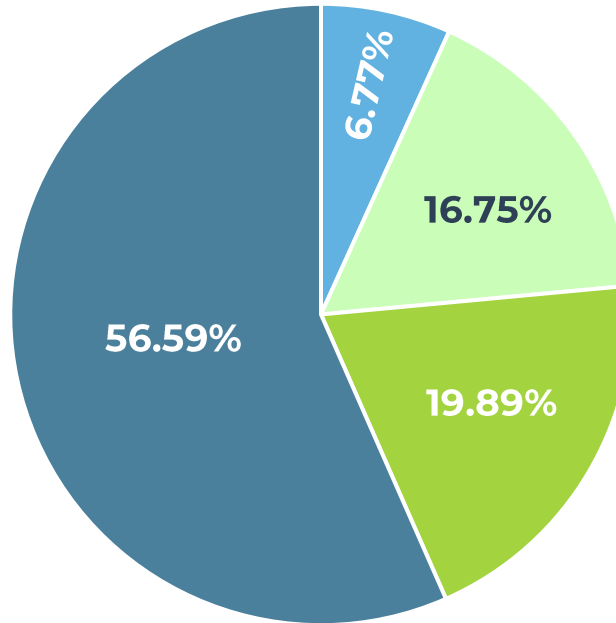
2021A

■ Oil-based ■ Natural gas ■ Coal ■ Renewable energy



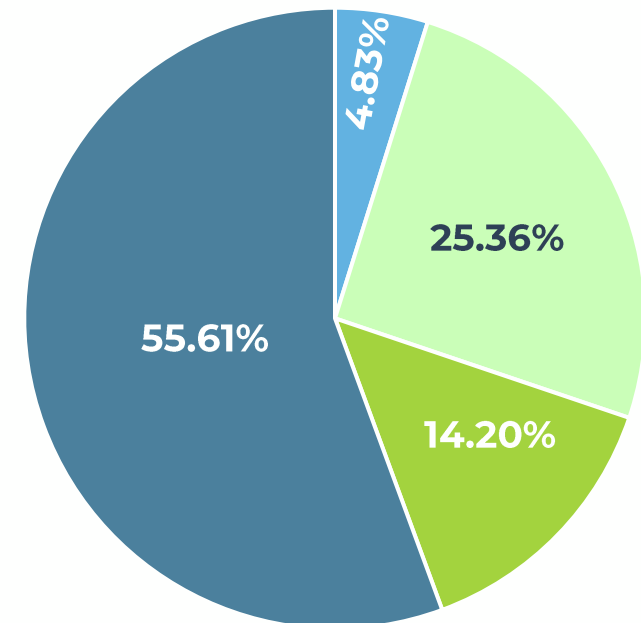
2033F

■ Oil-based ■ Natural gas ■ Coal ■ Renewable energy



2040F

■ Oil-based ■ Natural gas ■ Coal ■ Renewable energy



Sources: https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2021_power_statistics_01_summary.pdf / https://www.doe.gov.ph/sites/default/files/pdf/pep/PEP%202022-2040%20Final%20eCopy_20220819.pdf



Security Bank x Vena Energy

#BetterBankingIsSustainable via:

First Solar Energy Corporation (FSEC)

Located in Ormoc City, Leyte
("Leyte Solar Power Project")

30.4MW solar farm operating since 2015

20-year Feed-in Tariff (FIT) (ending in 2035)

'Must and priority dispatch' as FIT-eligible genco

Mirae Asia Energy Corporation (MAEC)

Located in Currimao, Ilocos Norte

20.1MW solar photovoltaic farm operating since 2016

20-year Feed-in Tariff (FIT)

'Must and priority dispatch' as FIT-eligible genco

Nuevo Solar Energy Corporation (NSEC)

Located in Currimao, Ilocos Norte

83.3MW solar project that extend solar generating power to 103MW

50-50 joint venture with MGen Renewable Energy, Inc. (MGreen)

100% PSA offtake from Meralco Retail Electric Seller (RES)

Dispatched January 2023, and inaugurated March 30, 2023



End of Presentation

