



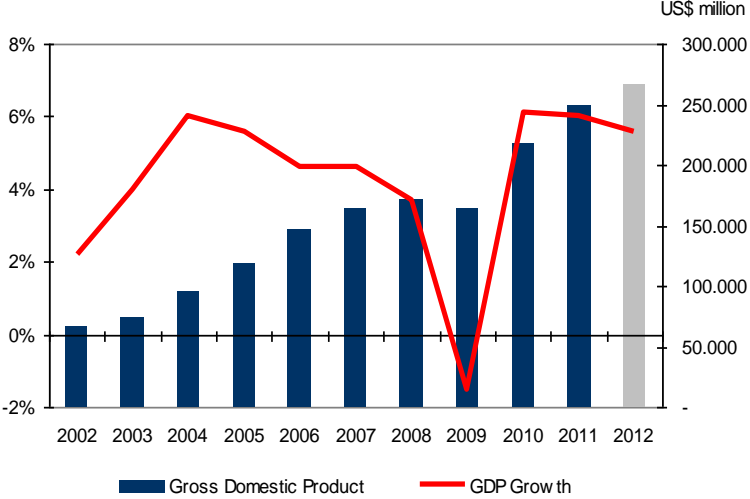
Global NAMA Financing Summit
The Role of Commercial Banks and Private Sector in
NAMA Design and Finance

 **BANCOBICE**

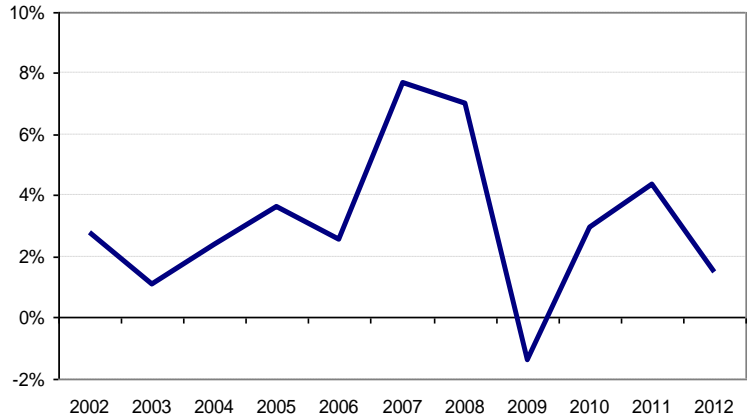
Rodrigo Violic G.
Chief Business Officer

Chilean Main Economic Figures

Gross Domestic Product



Inflation



Source: Banco BICE
(f) : Forecast

Chilean Main Economic Figures (cont'd)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Domestic Product	US\$m	67,265	73,990	95,653	118,250	146,773	164,315	170,851	163,670	217,042	248,602	264,501
GDP Growth	%	2.2	4.0	6.0	5.6	4.6	4.6	3.7	-1.5	6.1	6.0	5.6
Inflation	%	2.8	1.1	2.4	3.7	2.6	7.8	7.1	-1.4	3.0	4.4	1.5
Current Account Balance	% of GDP	-0.9	-1.1	2.1	1.2	4.9	4.6	-1.9	2.6	1.5	-1.3	-3.8
Copper Price (average)	US\$/pound	0.7	0.8	1.3	1.7	3.0	3.2	3.2	2.3	3.4	4.0	3.6
Total Exports	US\$m	18,180	21,651	33,025	41,974	59,380	68,561	64,510	55,463	70,897	81,411	78,813
Copper Exports	US\$m	6,323	7,816	14,723	18,965	32,710	37,778	31,755	29,695	41,170	44,438	42,723
Imports	US\$m	15,794	17,886	22,869	30,665	36,433	44,430	58,436	40,103	55,572	70,618	74,605
Trade Balance	US\$m	2,386	3,765	10,156	11,309	22,947	24,131	6,074	15,360	15,325	10,793	4,208
External Debt	US\$m	40,504	43,067	43,515	46,211	49,497	55,733	63,732	72,991	84,142	98,579	116,706
Reserves Central Bank	US\$m	15,351	15,851	16,016	16,963	19,429	16,910	23,162	25,373	27,864	41,979	41,640
Exchange Rate (year end)	Ch\$	712	599	560	514	534	496	629	506	468	521	479
International Ratings												
Standard & Poors		A-	A-	A	A	A	A+	A+	A+	A+	A+	A+
Moody's		Baa1	Baa1	Baa1	Baa1	A2	A2	A2	A1	Aa3	Aa3	Aa3

Source: Banco BICE

Reasons to Invest in Chile

- Dynamic economy: CAGR of **5.5%** from 1985-2010, the highest in Latin America
- Highly competitive: **30th** of 139 countries worldwide in the 2010-2011 Competiveness Ranking (1st in Latin America)
- Globally integrated: **21** trade agreements with 58 countries in the world
- Institutional and financial strength: economic stability, monetary discipline and strong political and fiscal environment
- Low country risk: **A+** (Standard & Poor's)
- Tax-friendly: one of the lowest corporate income tax rate in the world and bilateral agreements to avoid double taxation currently active with 22 countries
- High transparency: **21st** of 178 countries and 1st in Latin America, according to Perceived Corruption Index
- Great business environment and economic freedom: **10th** of 179 countries and 1st in Latin America, according to Economic Freedom Index
- Good quality of life, highly skilled work force and competitive human resources
- Good transport infrastructure and modern connectivity
- ...and excellent natural resources... **but**

Source: KPMG

Estado Global de las ERNC en Chile

Estado	Operación [MW]	Construcción [MW]	SEIA	
			RCA aprobada, sin construir [MW]	En calificación [MW]
Mini-Hidro	294	89	248	114
Eólica	205	248	3981	1350
Biomasa	394	58	86	0
Solar	3,6	3,3	3107	1061
Geotermia	0	0	50	70
Total	896	398	7473	2594

Tabla 1 - Estado de Proyectos ERNC en el país (MW)
Fuente: SEA, CDEC, CER, Feb 2013

- Between October 2010 and July 2012 **52** NCRE projects have been filed for environmental approval
 - As of February 2013:
 - 896 MW NCRE in operation
 - 398 MW NCRE under construction
 - 7,473 MW NCRE with environmental approval
 - 2.594 MW NCRE in process of obtaining environmental approval
 - i.e. **10,000 MW NCRE** which have not started construction
 - ...out of which **53%** wind and **42%** solar
- Hence the question: if Chile is a such a great place to invest and has excellent natural resources , **what is stopping green energy technologies from taking off?** Is financing a significant barrier? Are there any other relevant aspects explaining the current situation?

The Chilean Financial Sector: a Brief Overview

Sistema Bancario Chileno - Bancos Relevantes Project Finance
 Límites de Crédito para el período terminado el 31 de Diciembre de 2012
 (en millones de USD)

Institución	Patrimonio Efectivo	Límites de Crédito	
		10%	30%
1 Banco de Chile	5.722	572	1.716
2 Santander Chile	5.715	572	1.715
3 Banco de Crédito e Inversiones	4.196	420	1.259
4 Banco del Estado de Chile	3.567	357	1.070
5 Corpbanca	2.654	265	796
6 BBVA Chile	2.019	202	606
7 Scotiabank Chile	1.474	147	442
8 Banco Itaú Chile	1.200	120	360
9 Banco Security	866	87	260
10 Banco BICE	857	86	257
11 DnB Bank	281	28	84
Total Sector	22.830	2.283	6.849

- **23 private banks + 1 state-owned bank**
- **USD 327 billion in total assets**, i.e. as of December 31, 2012 the Chilean Banking System represented **1.25x the Chilean GDP** (USD 265 billion), compared to 7.0x in Cyprus and 2.0x in the US.
- However, out of the 24 banks only **7** have participated in project financing to the NCRE sector during the last 5 years.

- Chilean banks can legally lend up to **10%** of their respective capital and reserve base to any single borrower, on an unsecured basis, or up to **30%** of their respective capital and reserve base on a secured basis.
- Since 2007, Banco BICE has consolidated itself as market leader in project financing to the NCRE sector, with over **20 projects** for more than **200 MW** and **US\$ 400 million** in total loans committed.
- Although few local banks have been involved in NCRE project financing during the last 6 years, sufficient experience has piled up and there are no lending limit restrictions.



- IFC along with DnB Nor have financed one 20 MW small hydro project (2008) and one 46 MW wind farm (2009).



- Also, along with OPIC and DEG is in advanced negotiations to finance to solar PV projects in northern Chile.



- kfw and CORFO have also combined their forces to promote the NCRE sector through the provision of soft loans to the private banking sector for on-lending to NCRE developers.

Project Finance is a type of financing in which the different risks involved are identified and shared logically among Sponsors, Lenders and other Stakeholders, allowing for an adequate balance of risks and return between all parties involved.



...a closer look to this balance might give us a clue on what part of the equation is missing...

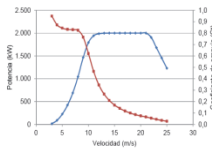
Risk Dimensions and the Role of NAMA as Mitigator

PSF



Sponsors

- Creditworthiness / Solvency
- Experience/ Knowledge/ Track Record
- Logical Capital-at-Risk
- Minimum IRR Criteria



Resource Assessment

- Methodology for Resource Assessment
- Length of Measurements / Data Quality
- Capacity Factor / Net Energy Produced @ P50 & P90



Engineering & Construction / O&M

- Bidding Process / Contractor Appointment
- Type of Contract
- Contractor's Credentials/ Track Record
- EPC & O&M Contractor's Guarantees



Technology

- Proven Technology
- Capex & Opex / Benchmarks
- Manufacturer / Vendor

PSF



Market

- Merchant or PPA (*offtaker's creditworthiness, tenor*)
- *Offtaker* of Last Resort
- Price Stabilisation Mechanism or "Virtual PPA"



Legal

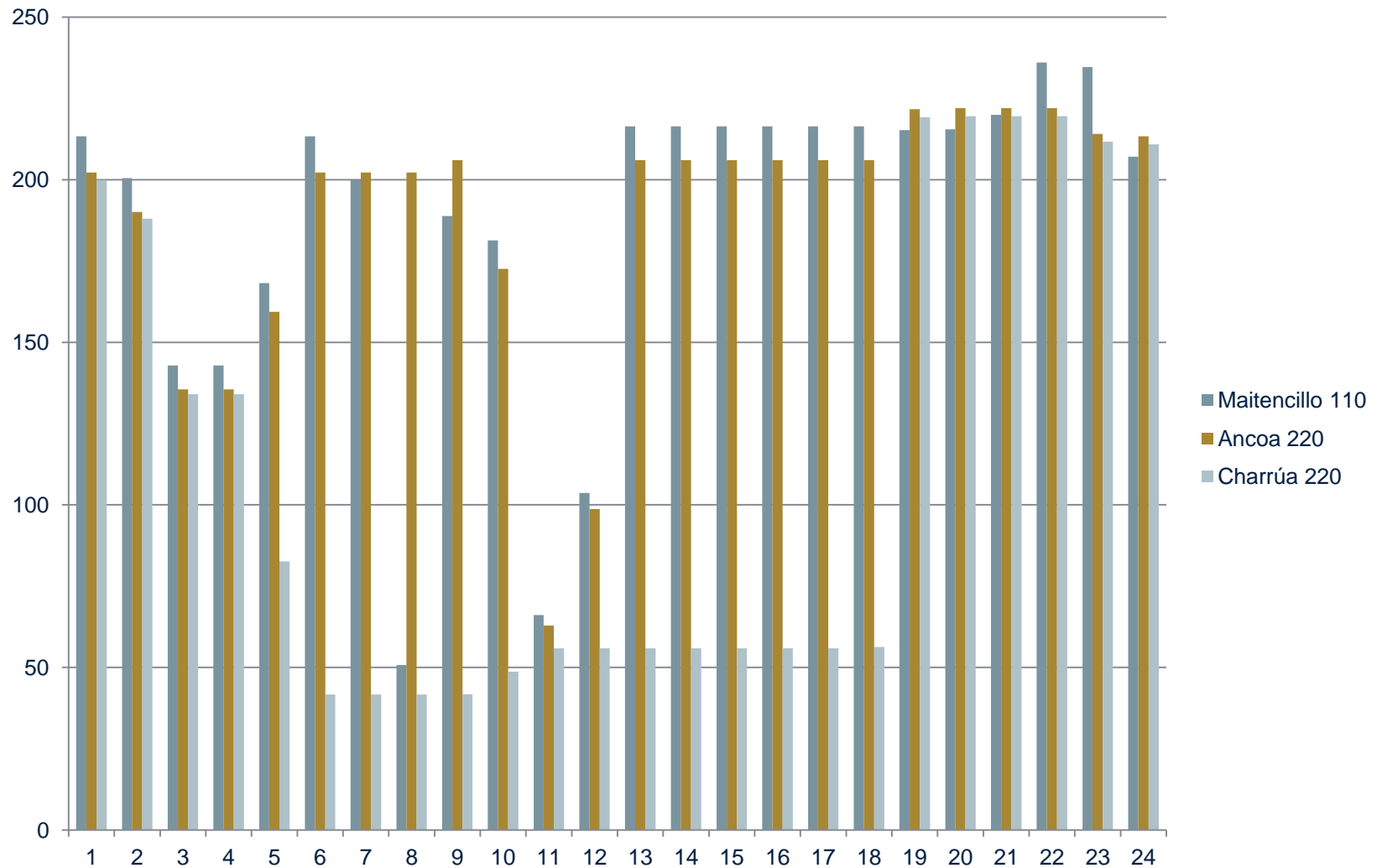
- Title over Project Assets
- Overlapping with Mining Rights
- Concessions/ Rights of Way

Risk Dimensions and the Role of NAMAs as Mitigator (cont'd)



Why can PSF NAMA make a difference....

Intraday Energy Spot Prices as of May 12, 2013



PSF NAMA: what do Private Banks need to make it work?

Counterparty Risk

- Ideally Rated
- Size of fund should guarantee performance in time
- Clear Governance & Management
- Clear and simple rules of operation

Energy Price

- Fixed at a level that secures at least 1.25x DSCR for P90 scenario
- Mitigate decoupling risk (i.e. different node prices for injection and withdrawal of energy to and from the trunk system)

Tenor

- Ideally it should provide start-up date flexibility
- Similar to Loan
- Continuity in time

Strong Contractual Arrangements in Place

 Thank you