



IFC Treasury Client Solutions

EAST ASIA & PACIFIC

September 2021

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LOCAL CURRENCY LENDING

- IFC can offer fixed or variable rate loans in local currency. This can be structured where the repayments are in local currency or in USD linked to the prevailing exchange rate at the time of repayments (an IFC local currency linked loan).
- IFC's cost of local currency funding is typically determined at the time of disbursement.
- Depending on the currency, the cost of funding can be determined as early as commitment both on a variable or fixed rate basis. For example India, Indonesia, Philippines and China).
- Local currency typically raises through onshore or offshore sources through IFC issuing bonds and accessing the derivatives market.
- For currency in frontier countries, IFC can provide local currency funding at a subsidized level through IFC's Local Currency Facility (LCF).
- Please see list of all countries and our funding capabilities in the next slide.



Successful Transactions:

- Hatha Kaksekar Limited (KHR) – **with IDA LCF support**
- Asset World Corporation (THB)
- LBX Pharma (Floating Rate RMB using Loan Prime Rate benchmark)
- Guangxi Yangxiang (RMB Rate Reset)
- Cube Highway (INR Linked)
- Metro Myanmar (MMK)

- China
- Laos
- Mongolia
- Myanmar
- Timor-Leste
- Vanuatu
- Cambodia
- Fiji
- Indonesia
- Vietnam
- Thailand
- Papua New Guinea
- Philippines
- Marshall Islands
- Vanuatu
- Samoa
- Timor-Leste
- Tonga
- Solomon Islands
- Kiribati
- Micronesia



About the Client

- Asset World Corporation (AWC) is a recently listed real estate entity with a market capitalization of approximately US\$7 billion.
- The Group is the largest owner of hotels and office space in Thailand and is also well established in a broad cross section of industries including (i) food and beverage; (ii) industrial, healthcare and consumer supply chain and distribution; (iii) financial services and insurance; and (iv) agriculture sectors.

Transaction Description

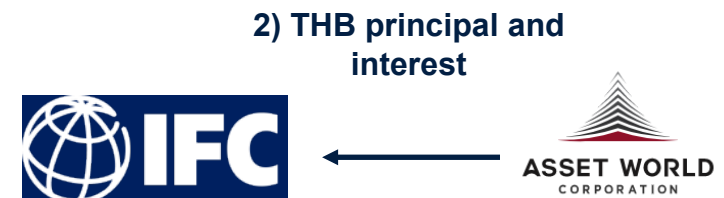
- IFC extended a local currency loan of THB 4.50 billion to be drawn down across 3 tenors; 3, 5 and 7 years maturity.
- This is the first green loan for IFC in a tourism and property company under the ICMA Green Bond Principles and also the start of the company's journey on climate finance.
- AWC will use the funds for green retrofitting and refurbishment of energy efficiency technologies in its several hotel properties throughout Thailand.
- Part of the loan will also be used to address the operational and financial impact following closures brought on by the COVID pandemic.

Transaction Structure

A) Cashflows at Disbursement



B) Cashflows over time & Maturity



About the Client

- Cube Highways and Infrastructure PTE Limited is an IFC client incorporated in Singapore and is one of the leading road operators in India. Cube was set up by I squared Capital in partnership with IFC in 2014 to acquire controlling stakes in operating road assets in India.

Transaction Description

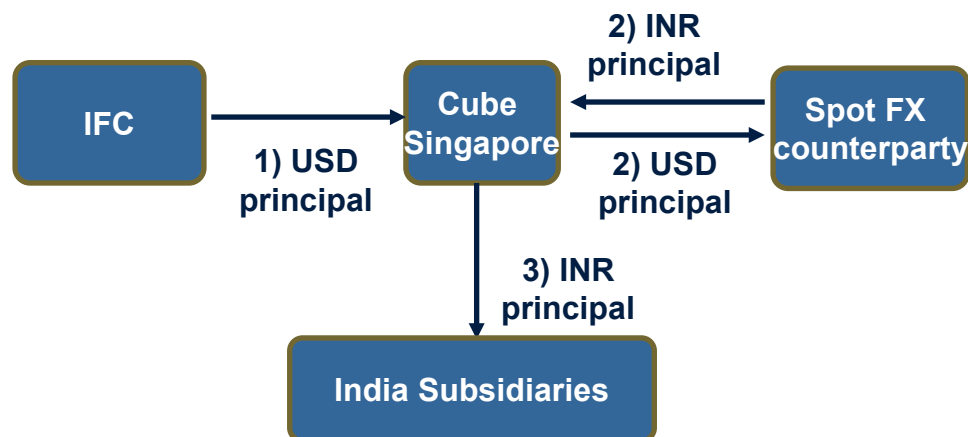
- In February 2021, IFC provided a medium term \$15mm equivalent Indian Rupee Linked Loan to Cube Highways and Infrastructure (the Singapore based holding company) to then on-lend to its operating subsidiaries in India to manage their immediate working capital requirements and cashflow mismatches impacted due to lockdowns related to COVID-19.
- The operating subsidiaries of Cube can use the funds to manage maintenance of five operating toll roads across India in its portfolio, which is critical for the safety of the commuters

Justification for the Local Currency Linked Loan Structure

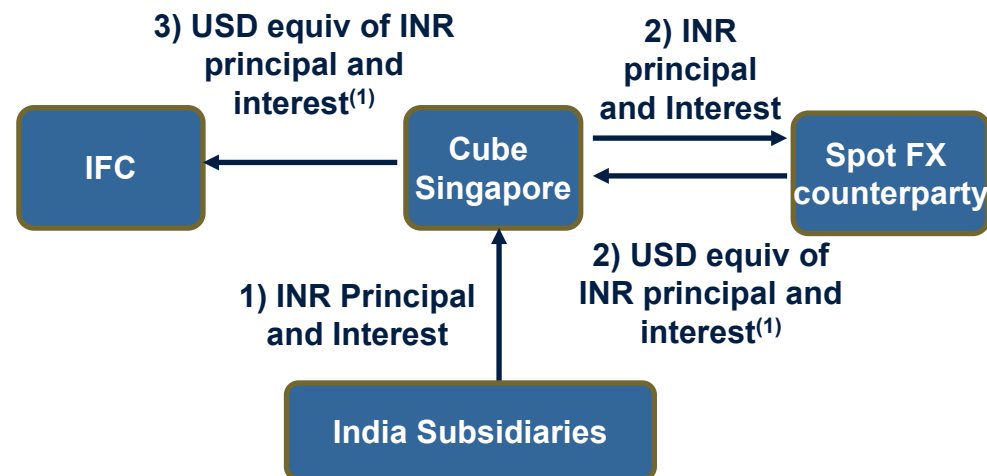
- For currencies that are tightly regulated, the IFC linked loan structure is a local currency product that can be offered to parent companies or holdcos (e.g. in Singapore) wishing to invest into their operations in other countries without taking foreign exchange risk
- In certain markets, this product can also be offered directly to entities in the country e.g. Mongolia, Sri Lanka

Transaction Structure

A) Cashflows at Disbursement



B) Cashflows over time



1) Using prevailing reference INR/USD FX (currently FBIL), at the time of payment

- IFC can provide local currency in frontier markets with the help of the IDA PSW Local Currency Facility (LCF)*.
- Whenever a project is eligible, LCF should be fully taken advantage of:
 - Allows IFC to provide local currency funding in IDA countries at competitive and commercially viable rates.
 - Allows IFC to provide long-term funding which may not be readily available in those markets.
- LCF can be used to address any gaps faced by the project to deliver the necessary amounts, desired tenor and target base rates such that the targeted all-in rate is achieved.
- List of IDA LCF Eligible Countries as follows:

• Cambodia	• Marshall Islands
• Laos	• Vanuatu
• Micronesia	• Samoa
• Papua New Guinea	• Timor-Leste
• Solomon Islands	• Tonga
• Kiribati	• Myanmar

About Hattha Kaksekar Limited (HKL)

- Third largest deposit taking microfinance institution in Cambodia with a focus on growth of MSE segment in rural areas
- HKL wanted to offer affordable local currency lending products to their rural borrowers

Background

- Cambodia's economy is predominantly dollarized (USD deposits to total deposits exceeds 90%)
- The rural population and MSMEs primarily earn their income in local currency ("Khmer Riel/KHR") however lack access to local currency financing they need
- Local financial institutions have limited sources of local currency financing due to the high degree of dollarization. In addition, this leads to high funding costs in Khmer Riel for rural borrowers.
- Largely undeveloped capital markets with no domestic bond market, although the SECC had a framework in place

First Bond Issuance in Cambodia

- This was the first bond issuance in the Cambodian debt markets, creating a benchmark for pricing, structure and disclosure for future issuances
- The bond issuance enabled HKL to source medium tenor local currency funds to on-lend to their rural customer base (estimated by IFC to result in 14,000 loans)

Issuance Summary

Issuer	Hattha Kaksekar Limited (HKL)
Issuance Status	Senior, unsecured Khmer Riel (KHR) Denominated Bond (onshore)
Issue Date	November 14, 2018
Issuance Size	KHR 120Bn (\$30mm equiv)
Coupon	8.5%
IFC Investment	KHR 80Bn (\$20mm equiv)
Maturity	November 14, 2021
Tenor	3 Years Bullet Repayment
Investors	5 investors including (IFC, Local Banks and local insurance company)
Listing	Cambodian Securities Exchange (CSX)

IFC Role

- IFC subscribed to KHR 80Bn (\$20mm equiv) of the full KHR 120Bn Bond Issuance.
- IFC worked with HKL, the arrangers and local regulators in ensuring the transaction was successful, finally mobilizing further \$10mm in local currency from four local institutional investors (Banks and an insurance company).

CURRENCY & INTEREST RATE HEDGING INSTRUMENTS

- IFC provides hedging instruments (currency, interest rate, commodities or otherwise) directly to clients who do not have full access to the hedging products markets; as long as IFC can hedge its' position in the market.
- The client would need to enter into a Master ISDA swap agreement with IFC.
- For example: Interest rate swaps where clients will hedge their floating rate risk into fixed rate.
- For example: Cross currency swaps where clients will hedge their foreign exchange risk into local currency.

Countries where IFC can provide *cross currency hedge***:

- China*
- Indonesia
- Mongolia
- Philippines
- Vietnam^
- Thailand
- And most other frontier markets subject to market availability

Successful Transactions:

- Lionbridge (RMB CCS)
- PT SSIA (IDR CCS)
- Jiangsu Financial Leasing (RMB CCS)
- Xacbank Mongolia (USD IRS)
- Acleda Cambodia (USD IRS)

[^]Available only for Financial Institutions (G7 currencies only)

** IFC can provide hedging for its' A loan, Syndicated loan and other third-party lending

** IFC can provide hedging for its' A loan and its' Syndicated loan

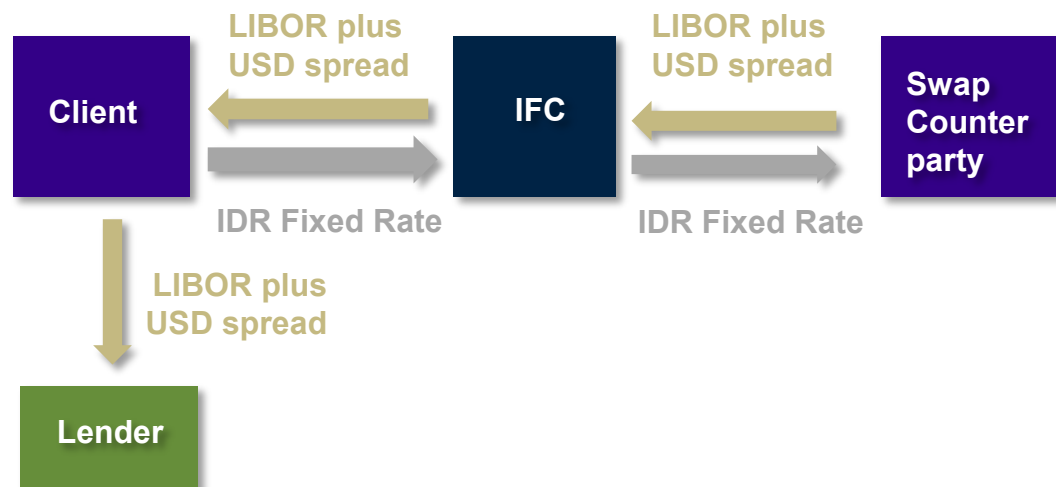
About the Client

- SSIA is an integrated real estate, construction and hospitality developer, and is embarking on the development of a new 2,000 ha industrial estate in Subang, West Java. In May 2018, IFC committed a US\$100 million financing package consisting of an A Loan of US\$57.15 million and an MCPPI Loan of US\$42.85 million (together, the IFC Loan) to support the Project.

Transaction Description

- IFC provided a hedging instrument (USDIDR cross-currency swaps) to fully hedge (i) the foreign exchange risk from the USD-denominated IFC Loan, and (ii) the interest rate risk resulting from the floating rate based on 6-month USD LIBOR.
- The combination of the loan repayments and the net cashflows from the swap resulted in SSIA effectively paying debt service in IDR amounts and with an IDR interest rate. SSIA is thus hedged against FX currency movements (IDR depreciation) and USD interest rate volatility over the life of the loan. The notional amount and the amortization schedule of the swaps match each underlying disbursement of the IFC Loan.

USDIDR Cross Currency Swap: Cashflows Overtime

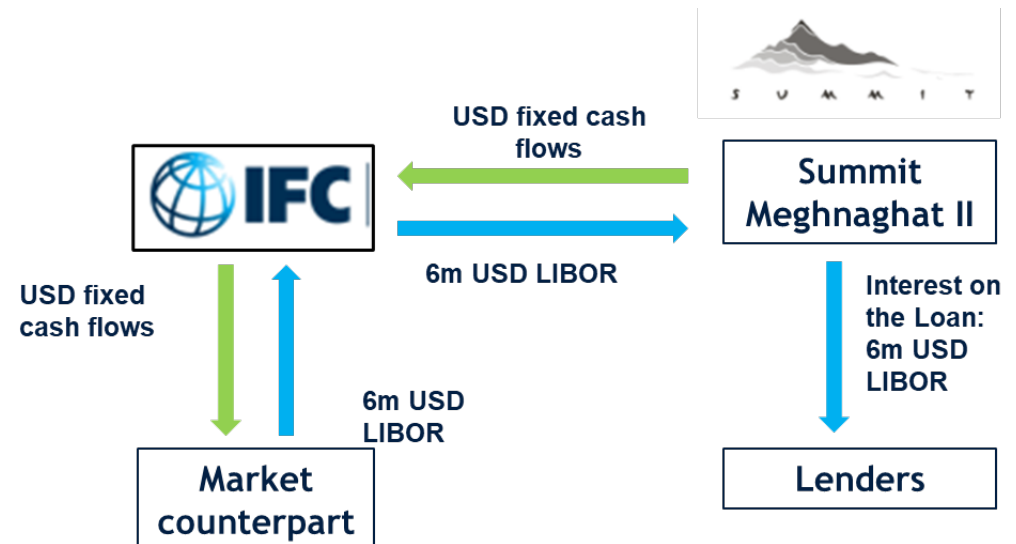


About the Client and Transaction

- Summit Meghnaghat II Power Company Limited is developing a 590 MW gas/ 541 MW high speed diesel (HSD) combined cycle power plant located in Meghnaghat, Bangladesh.
- As the Lead Arranger, IFC provided a senior loan of US\$64.68 million, with a total tenor of 17 years, with 3 years grace period during construction and mobilized ECA Financing from Standard Chartered Bank (SCB) for an amount of US\$285 million backed by a 95% guarantee against political, commercial and transfer risk by Swiss Export Credit Agency (SERV).
- The project will have a 22-year PPA with the Bangladesh Power Development Board (BPDB), with an expected commercial operations date in 2022.
- The main project-level effect is the addition of 590 MW of power generation in an energy deficit country to improve electricity access and reliability.
- To enable Summit Meghnaghat II to mitigate its vulnerability to interest rate risk in the environment of rising Libor rate, IFC also provided a Client Risk Management swap. The swap offers a long-term hedging solution which is not easily available to a client in Bangladesh. In addition, the transaction improves the Company's risk profile by reducing exposure to LIBOR movements.

Source of funds	US\$ mn	%
Equity	147.32	30%
Senior Debt		
IFC	64.68	13%
SCB	285.00	57%
Total funds	497.00	100%

USD Interest Rate Swap: Cashflows Overtime



- When hedging swaps can't be provided, HALP can be an alternative way to convert the syndicated financing into local currency for the borrower. HALP participants need to be eligible B Loan lenders.
- The borrower will simply receive a local currency loan agreement which covers the commitments from the syndicate of lenders. HALP can also greatly simplify documentation in a syndicated facility with no need for separate swap agreements.
- IFC is able to provide long term local currency pricing which may be difficult for other foreign banks to match.



- The HALP structure requires IFC to take subordinated risk and this risk is modeled and priced into a risk premium, which is then added into the funding cost for HALP portion of the loan.
- Pricing is more efficient for transactions where syndicated amounts are comparable to (or bigger than) IFC's own portion.

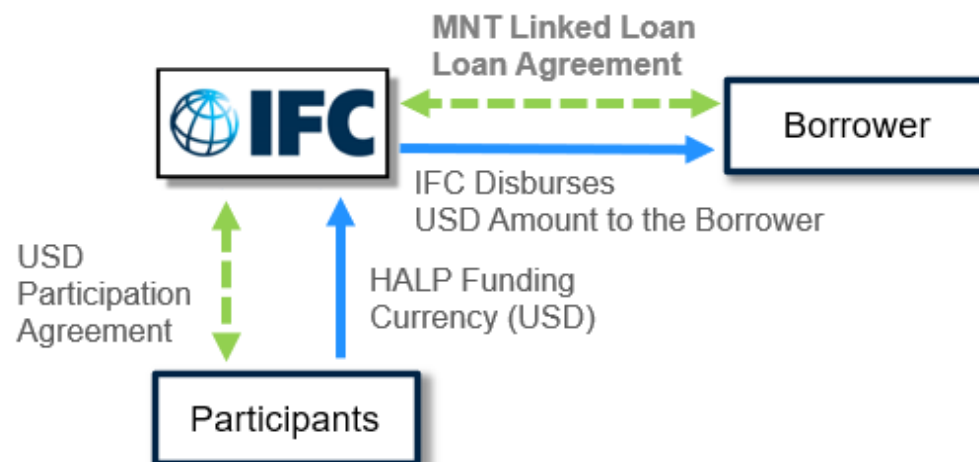
About the Client

- Largest NBFI in the country accounting for approximately 7 percent of the total assets of the sector.
- The Project provides an opportunity for IFC to mobilize other international lenders who may hesitate to enter the NBFI sector in a post COVID-19 environment and also signals IFC's support to a strong NBFI to continue on-lending to MSMEs in an IDA-blend country.

Transaction Description

- The proposed local currency syndicated senior loan facility will allow Transcapital to continue serving its microfinance clients, especially those that may have come under stress due to the impact of the COVID-19.
- Through this Project, IFC expects to help the Company achieve its goals to expand its on-lending to MSMEs by an estimated US\$ 30 million equivalent to approximately 15,000 additional loans to micro enterprises/borrowers over the life of the project.
- IFC implemented an innovative HALP structure to enable: (i) Transcapital to receive a large local currency financing package and (ii) syndicated lenders to **gain an investment exposure to the NBFI sector in Mongolia without taking foreign exchange risk. The HALP structure allows syndicated lenders to receive a USD LIBOR based return on a USD investment.**

IFC's FIRST LOCAL CURRENCY TRANSACTION IN MONGOLIA



Resource Mobilization

- This first-of-its-kind structure allows IFC to mobilize an additional US\$3 from international investors for every US\$1 of IFC's own account investment, up to a total mobilization of US\$9 million to support a leading microfinance institution in Mongolia.
- By arranging the proposed syndicated debt facility in local currency, IFC and the other international investors that IFC will potentially mobilize will not only help in providing the Company with the funding it needs to further its financial inclusion agenda but will also help to diversify its funding sources.

CAPITAL MARKET INSTRUMENTS

- IFC can help first-time issuers access local currency debt capital market or international debt capital market.
- IFC can play the role of an **anchor investor**.
 - IFC can provide its support to a bond issuance by committing to purchase a portion of the notes issued
 - After its due diligence and credit approval, IFC can sign a commitment agreement, and IFC's anchor investment can then be announced to the market during the roadshow
 - Depending on the pre-agreed structure and auction format, IFC can offer to reduce its allocation depending on subscription levels

Benefits to Investors

- IFC's public support of the issuance reduces pricing uncertainty
- Investors derive comfort from IFC due diligence and "stamp of approval"

Benefits to Issuers

- Like a partial underwriting, an IFC anchor investment ensures a successful issuance
- IFC's public endorsement will help to boost subscription levels and reduce the clearing yield
- IFC can support the structuring and marketing process as needed



This is especially useful for **Green, Social and Sustainability Bonds** where most clients are first-time issuers.

Successful Transactions:

Public Issuance

- Continuum Levanter (USD)
- AC Energy Green Bond (USD)

Private Placements

- OCBC NISP Green Bond (IDR)
- Jiangsu Leasing Financial Co. (RMB)
- Bank of Philippines Island Social Bond (USD)

About the Issuer

- Continuum Green Energy is one of the largest providers of renewable power to corporates in the commercial and industrial segment in India. It is currently supplying renewable power to more than 100 industrial customers from diverse industries.
- Continuum Green Energy is majority-owned by North Haven Continuum used a special purpose vehicle for its issuance, similar to other Indian renewable transactions. The issuer is a wholly owned SPV of holding company Continuum Green Energy Singapore.
- The proceeds of the green bonds to be used to purchase secured Indian-rupee denominated non-convertible debentures of a pool of assets in the restricted group and mainly used for refinancing purposes.
- The issuer, Bothe Windfarm development, DJ Energy Private, Uttar Urja Projects, Watsun Infrabuild, Trinethra Wind and Hydro Power and Renewables Trinethra make up the restricted group.

Achievements

- Setting the market standard for project bonds in the Indian Renewables sector by issuing under the ICMA Green Bond Principle with an external second opinion provider.

Issuance summary

Issuer	Continuum Energy Levanter
Issuance Status	Project Bond, Senior, Green
Issue Date	Jan 2019
Size	US\$ 561 million
Maturity	Feb 2027 (Amortizing)
Tenor	6 years
Coupon	4.50% Fixed
Listing	Singapore Exchange
Arranger	Deutsche Bank, Emirates NBD, HSBC, JP Morgan, Standard Chartered Bank
Second Opinion	Cicero

IFC as an investor

- Anchored a US\$ 56.20 million inaugural Green bond listed on Singapore Exchange.
- Books were over 7 times oversubscribed leading to significant price tightening.**
- Books were well diversified across Asian, US & Europe and Middle East and Africa investors. Institutional fund managers took 86% of the books.

Basics

- IFC irrevocably guarantees due payment to bondholders, up to Guarantee Amount
- IFC PCG reduces loss given default
- Objective is to offer minimum guarantee amount necessary to facilitate successful transaction



Benefits to Issuers

- Access to wider investor base
- Paves the way for future issuances without enhancement
- Extend maturity
- Rating increase

Benefits to Investors

- Reduced loss given default
- IFC due diligence and supervision
- “Stamp of Approval”



This is best used for first time issuers in local currency debt capital market and international debt capital market where:

- (i) Investors are not familiar with the client's credit or**
- (ii) Increase the standalone rating of the Issuer in order to meet the eligibility criteria of certain sets of investors (e.g. Pension funds, Insurers)**

Overview

- IDR 500bn total of 3Y (IDR 200bn), 5Y (IDR 220bn) and 7Y (IDR 80bn) bond issuance by Ciputra, a leading Indonesian property company focused on residential property development.

IFC's Credit Enhancement

- 20% guarantee of the total principal amount outstanding under the bonds, with a maximum guarantee amount of IDR 100 billion (USD 8.7 million equivalent).





Achievements

- Bond rating enhanced to A (idn) from the corporate ratings of A- (idn) by Fitch on the Indonesian national rating scale.
- First domestic bond issuance with a partial credit guarantee to be issued in Indonesia and helped Ciputra establish a strong profile in the capital markets.
- Issuance was more than 2x oversubscribed and was sold to a variety of investors including pension funds, banks, asset managers, insurers and foundations.**
- Proceeds used to support the construction of low-rise houses and relevant ancillary facilities in developments across Indonesia.
- Leveraged on the IFC Green Building Standards in developing some of its buildings, a first in Indonesia.**



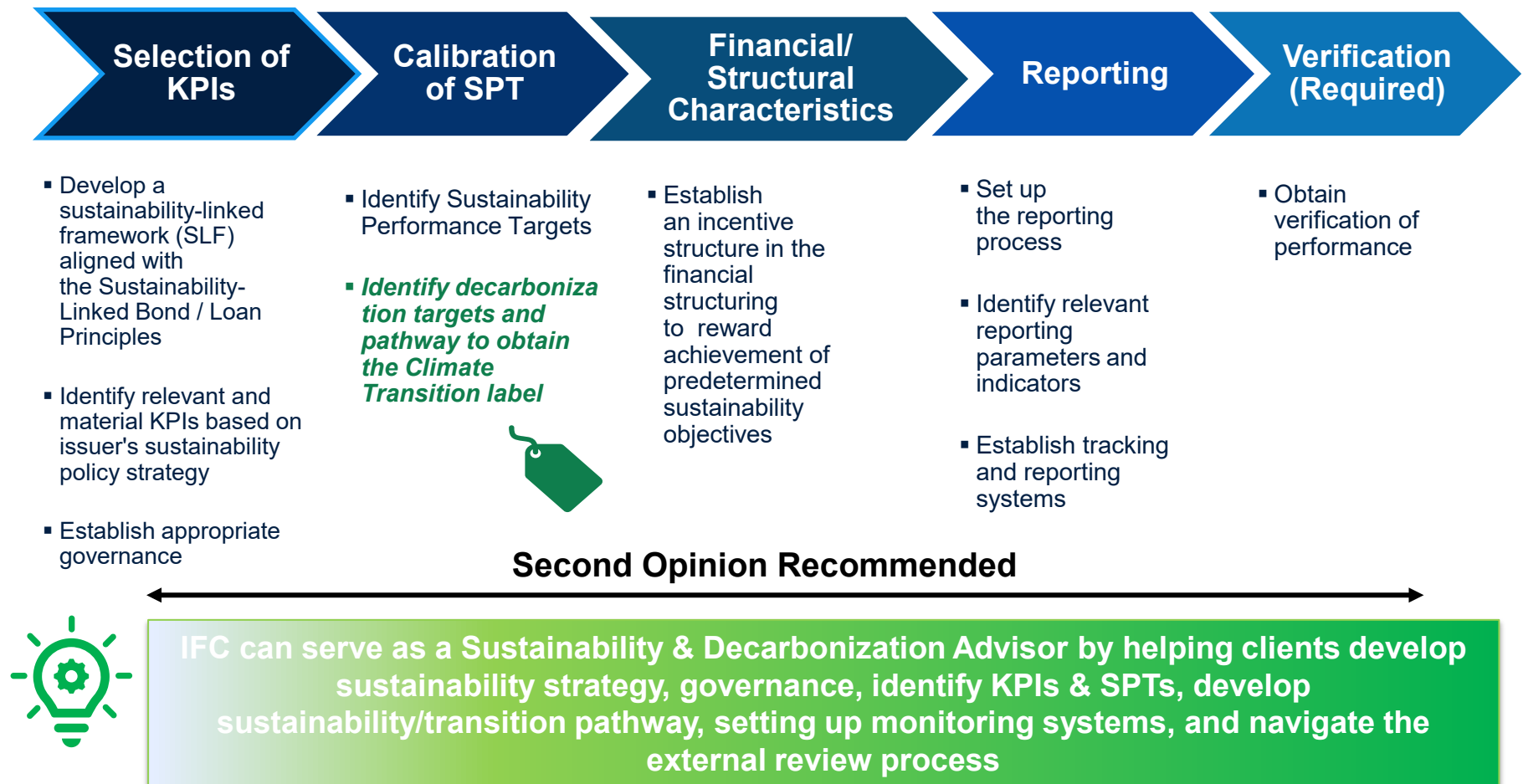


THEMATIC INSTRUMENTS

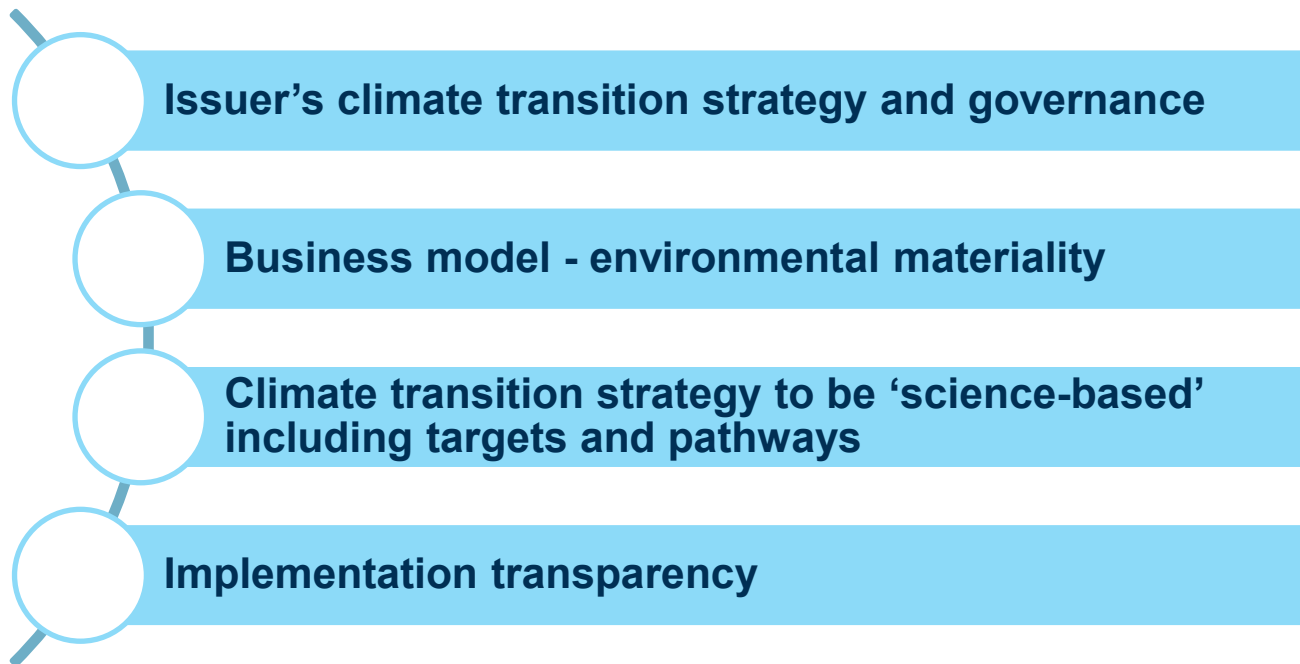
	Green Bonds [^]	Sustainability-Linked Bonds
Description	<ul style="list-style-type: none"> Standard bonds with dedicated use of proceeds: <ul style="list-style-type: none"> Climate adaptation Climate mitigation 	<ul style="list-style-type: none"> Corporate bonds which incentivize achievement of beyond-compliance sustainability KPIs – SGD, ESG or third-party sustainability ratings 
Pricing	<ul style="list-style-type: none"> Typically attract stronger investor interest, which could potentially translate to better pricing 	<ul style="list-style-type: none"> Pricings indexed to performance on KPIs; could potentially step-up or step-down depending on performance
External Review	<ul style="list-style-type: none"> Second Party Opinions are widely used in the bond market Depending on the issuer profile, self-certifications may be allowed in limited circumstances 	<ul style="list-style-type: none"> Pre-issuance Second Party opinion is recommended, but external verification of performance against KPIs is required
Standards	<ul style="list-style-type: none"> Aligned with the Green Bond Principles 	<ul style="list-style-type: none"> Aligned with the Sustainability-Linked Bond Principles 

[^]Blue Bonds are a subset of Green Bonds and shall align with the Green Bond Principles

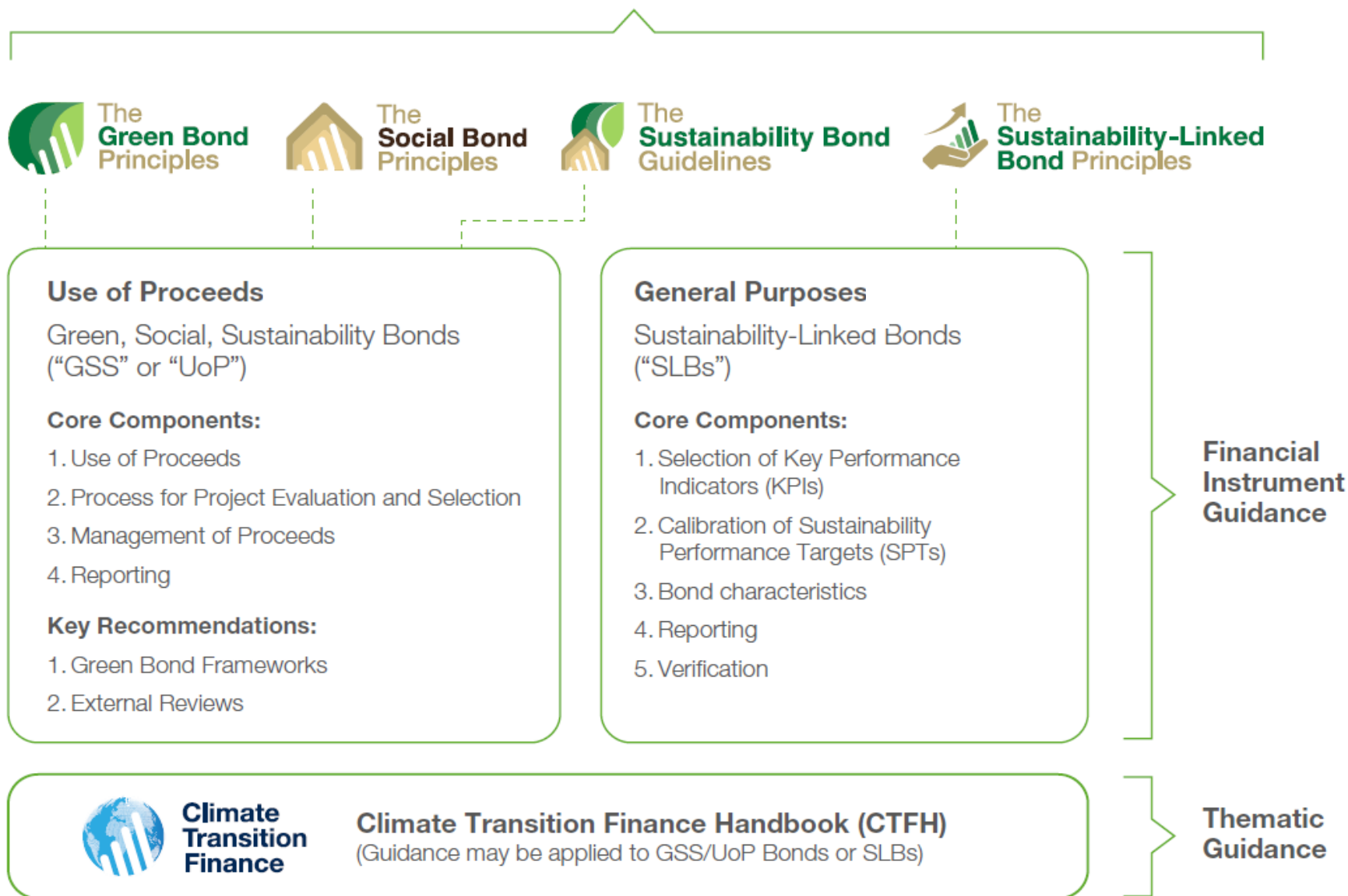
- A **forward-looking performance-based instrument** where the issuer explicitly **commits to future improvements** in sustainability performance within a **predefined time**
- Instrument should be consistent with the **Sustainability-linked Bond/Loan Principles**
- **Sustainability-Linked Bonds & Loans** require a deeper understanding of sustainability challenges at company, market and industry level



- The concept of climate transition focuses on the credibility of an issuer's climate change-related commitments and practices
- Decarbonization strategy and targets consistent with a net zero pathway by 2050
- **Instrument should be consistent with the Climate Transition Finance Handbook**



The Principles



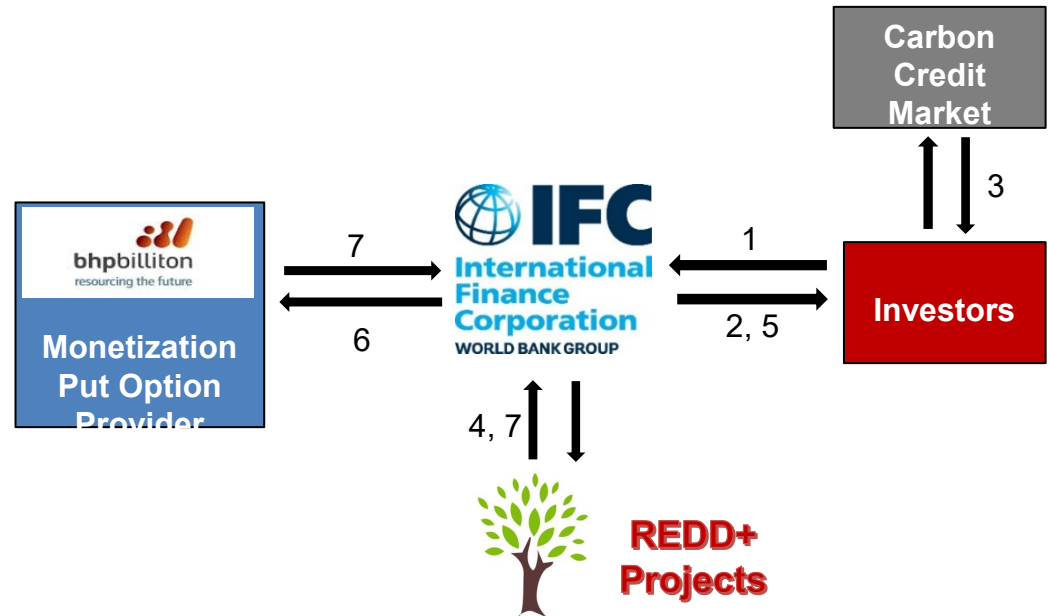
About the Transaction

- First-of-its-kind issued under IFC's AAA-rated program that pays a coupon in the form of carbon credits (voluntary carbon units 'VCU') to investors.
- Coupon aims to protect forests in Kenya which are expected to deliver REDD+ credits to bondholders.
- **Reduce deforestation, protect endangered plant and animal species and develop sustainable economic opportunities for communities in developing countries.**

Value to Investors

- Offset corporate carbon emissions through direct investment in forest protection
- No additional costs for due diligence on projects supported by the bond
- Anticipated measurable environmental and social returns from yearly evaluation and due diligence on the supported projects

Structure: Coupon Fully Deliverable in VCUs with Monetization Put Option Feature **(5 Year up to \$150M Notes)**



Notes:

1. On the Issue Date, investors will pay up to US\$150 mil to IFC.
2. On an annual basis, investors will receive a fixed number of VCUs per Note or, at the option of the investors, cash at a pre-agreed price per VCU.
3. An investor may also wish to sell them to the VCU market
4. IFC will buy the VCUs generated by the Projects on an annual basis
5. On each payment date, IFC will use the VCUs purchased from the Projects (per note 4) to repay coupon in VCUs, and it will put VCUs to BHPB under a put option for cash for those who have elected to receive cash.
6. BHPB will provide full price support under the put option. The total price support will be escrowed on or prior to issuance date - investors are not exposed to any credit or performance risk of BHPB.
7. If any portion or all of the annual price support made available by BHPB under the Put Option is not used to monetize VCUs, then BHPB, by agreement with and via IFC, will apply the remainder to purchase VCUs from the Projects for BHPB's own account



IFC is establishing more ways to hedge different carbon credits & certificates produced by projects which will pave the way for more innovative product offerings.

STRUCTURED FINANCE INSTRUMENTS

Basics

- A Guarantee is a “Promise” of the Guarantor to make a payment to the Beneficiary, contingent on a defined credit event
- Objective is to offer minimum guarantee amount necessary to facilitate successful transaction
- Target Market: IFC clients that can’t access the bank for the desired tenor or amount



This is best used for clients who

- (i) may not have access to long tenor local currency solutions or
- (ii) have reached the exposure limit with their lending banks.

Benefits to Borrower

- Access to a wider lender base
- Extend maturity
- Secured desired amount from the market

Benefits to Lender

- Reduced loss given default
- IFC’s AAA rating ⇒ Help manage exposure and capital limits
- IFC due diligence and supervision - “Stamp of Approval”

Successful Transaction:

Full Credit Guarantee – ACLEDA Laos

About the Transaction

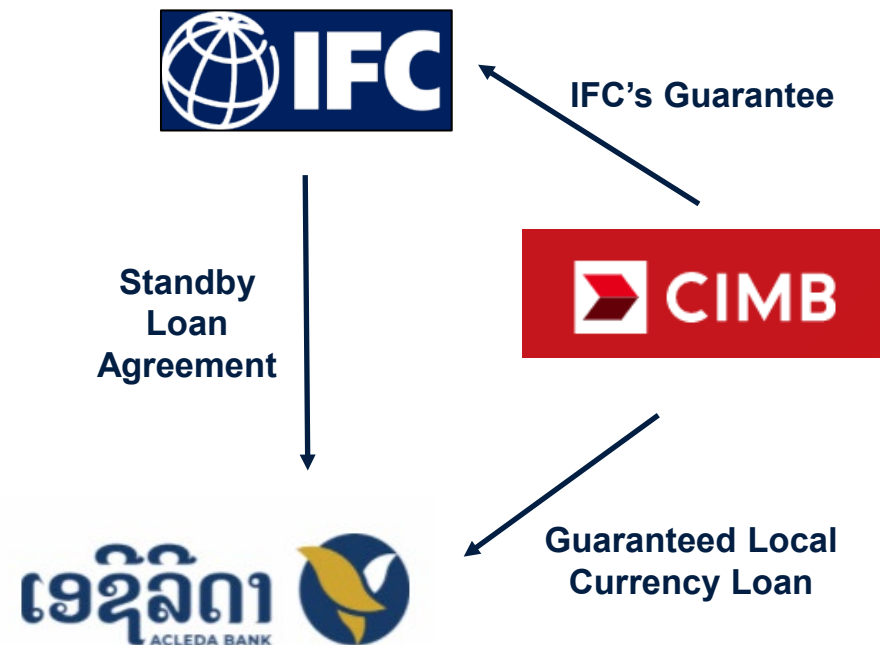
- IFC provided a Full Credit Guarantee to enable a local bank in Laos, CIMB, to lend to the ACLEDA in local currency.
- ACLEDA was able to receive a Lao kip loan because IFC could take its credit risk while CIMB could pass on its local currency funding raised through a significant deposit base locally.
- This was IFC's first commitment in Laos Kip.

Loan From CIMB

- CIMB has a relatively short history of lending in Laos and was keen to partner with IFC to manage its credit risk whilst expanding its relationship with strong clients such as ACLEDA Laos.
- Loan Notional: LAK 65.6 billion (approx. US\$8 mil).
- Tenor: 3 years.

IFC's Credit Guarantee

- 100% unconditional and irrevocable guarantee for principal and interest up to LAC 73 billion (approx. USD 9 million).
- IFC's credit risk is the same as if IFC had funded the transaction through a local currency loan directly to the client.
- IFC is paid a credit spread by the client that compensates IFC for the credit risk.



Basics

- IFC takes indirect exposure to a portfolio of underlying assets in a particular sector originated by Financial Institutions (FI);
- Assets remain on the FI's books and are serviced and monitored by the FI in accordance with its procedures and subject to the pre-agreed edibility criteria;
- Instead of conducting due diligence on each individual asset (as done by IFC for direct lending or PCGs), IFC relies on the originator to make investment decisions, monitor and service the assets, and collect on non-performing assets.

Successful Transactions:

- CHUEE Program (China)
- SLGP Program (IDA-PSW countries)
- PPCB RSF (Cambodia)
- Yoma Bank RSF (Myanmar)

IFC's FI clients generally find risk-sharing facilities attractive when they have adequate funding, but wish to:

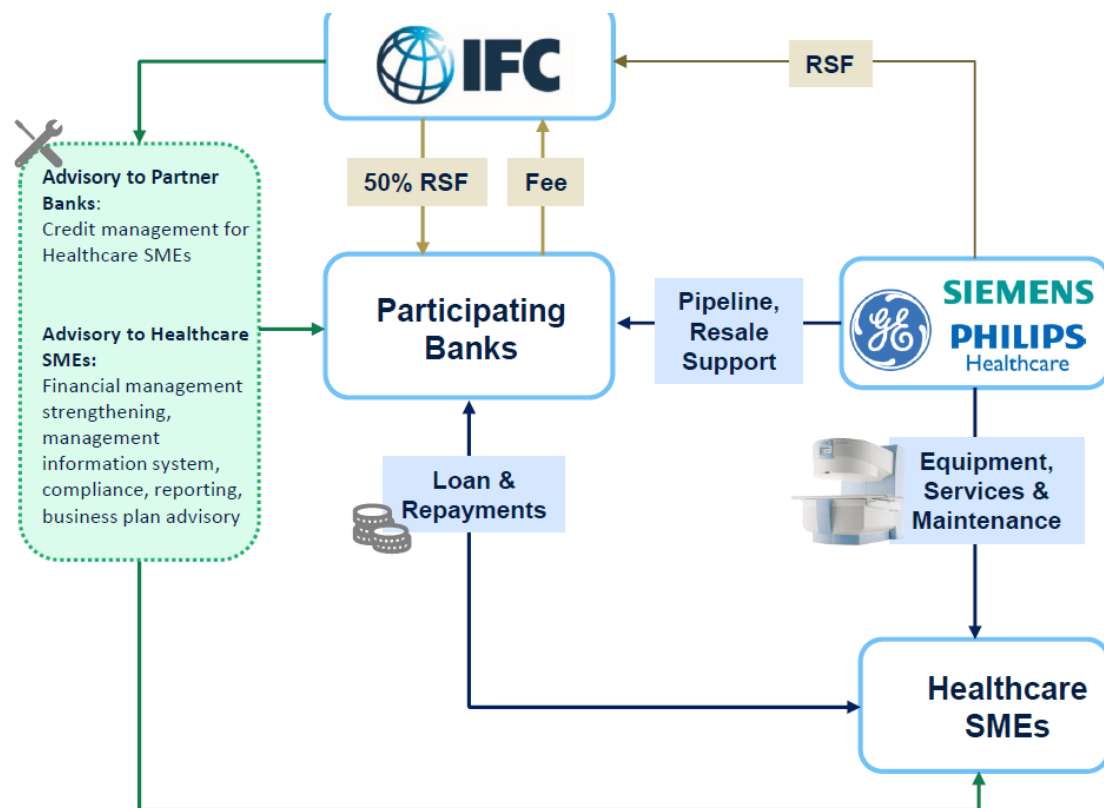
- Address economic or regulatory capital constraints
- Improve the overall risk-adjusted return on their portfolio
- Expand their lending to new or existing economic sectors in which they face exposure constraints
- Reduce risks involved in developing new business lines and relationships by leveraging the advisory services that can be added to the offering



For clients who wish to increase access in other priority sectors while facing a balance sheet constraint.

About the Transaction

- A JV between MAS and FIG.
- US\$150 million multi-country RSF Program with a pooled first loss from IDA PSW Blended Finance Facility and the Global Financing Facility (GFF).
- The Original Equipment Manufacturers are participating in the RSF alongside IFC and the banks via exposure to a vertical tranche in the structure, without the benefit of the donor first loss guarantee.
- The first facility that IFC has structured in partnership with Financial Institutions (FIs) and Original Equipment Manufacturers (OEMs) to provide up to \$300 million of loans and leases to HSMEs to finance (with tenors up to 7 years) the acquisition of much needed medical equipment from partner OEMs, including COVID-19-related equipment



Transaction highlights

Approval	FY21
Size and Tenor	RSF comprises US\$ 150 m local currency equivalent for up to US\$ 300 m equivalent portfolio. Tenor of underlying assets would be [5-7] years
Target geography	West Africa: Côte d'Ivoire, Cameroon and Senegal; East Africa: Kenya, Tanzania, Uganda and Rwanda
OEM partners	GE, Philips and potentially Siemens
Beneficiaries	Private hospitals, clinics, pharmacies, diagnostic centers, laboratories.

SLGP is a new programmatic approach to risk sharing with FIs that is more efficient, price competitive and scalable than a standalone RSF.

PROGRAM OBJECTIVES	Under SLGP, IFC and Partner financial institutions (FIs) aim to achieve the following: (1) increase access to finance for SMEs; (2) demonstrate the commercial viability of SMEs as credible financing segment; (3) understand SME risks in challenging markets; and (4) test new products, services and risk criteria to serve new SME market segments
INSTRUMENT	Unfunded Risk-sharing Facilities (RSFs)
NOVEL FEATURES	<ol style="list-style-type: none"> 1. Competitive pricing for Partner FIs based on portfolio approach <u>(standard guarantee fee of 2-2.5%p.a.)</u> 2. Simplified terms (eligibility criteria), structure and streamlined investment processing 3. Advisory and operational support for Partner FIs
INVESTMENT PARAMETERS	<ul style="list-style-type: none"> • Target Clients: Banks and non-bank financial institutions • Target Countries: <u>Cambodia, Myanmar, Bangladesh, Nepal, Pacific Island (except Fiji)</u> • Target Beneficiaries: <ul style="list-style-type: none"> • <u>Very small, small and medium enterprises as per IFC's definition with a loan size between US\$5,000 and US\$1,000,000</u> • <u>Emphasis will be to expand reach to underserved SME segments such as women, climate, and smaller SMEs</u> • RSF Amount: The size and structure of each RSF will depend on the lending capacity of the Partner FI, the availability of local currency within the banking sector and the absorption capacity of the economy • RSF Tenor: The underlying RSFs have an up to 3-year ramp up period and maximum tenor of 5-8 years
ADVISORY SERVICES	<p>Each RSF project under the Program will incorporate operational and technical support to help the Partner FI scale origination in the targeted SME segment.</p> <p>The Program will provide (i) reporting training to equip the FI to meet the quarterly and annual reporting requirements, (ii) operational implementation support to assist the Partner FI to integrate the risk mitigation product into its systems and procedures for immediate execution, (iii) pipeline development support to ensure full utilization and that the prospective pipeline integrates seamlessly with the eligibility criteria, and (iv) capacity building advisory to ensure that the Partner FI's SME Business model, product capabilities and lending growth strategy and aligns with the local credit market demand.</p>

About the Client and Transaction

- Yoma Bank is a commercial bank focusing on lending to Small to Medium Enterprises (SME) and Very Small Enterprises (VSE) in Myanmar. It is the 5th largest private sector bank in Myanmar, with total assets over MMK2.8 trillion (approximately US\$1.84 billion).
- The facility will help to expand the bank's lending to SMEs and VSEs with a focus on supporting women owned enterprises. IFC committed the first tranche of a total \$60 million facility which will consist of Myanmar Kyatt (MMK) loans with IFC providing a 50% exposure
- The facility jointly addressed the strategic requirements of IFC and Yoma Bank by
 - Encouraging the bank to take additional risk and to expand its product expansion and reach with SMEs and VSEs
 - Helping the Bank achieve capital relief for the Portfolio guaranteed by IFC, allowing it to serve more SMEs/VSEs.
 - Advancing financial inclusion in Myanmar and improving access to finance for key economy contributors and job creators in the country

IFC's LARGEST SLGP COMMITMENT TO DATE

Transaction highlights	
Commitment date	May 2020
Facility size	Total facility \$60 million equivalent (first tranche of \$30 million committed)
IFC guaranteed portion	50%
Tenor	6 years with a 2-year portfolio ramp up period
Portfolio type	SME and VSE Senior ranking term loans of a profile fitting IFC's requirements for size, origination quality, E&S standards and usage requirements

Basics

- A form of off-balance sheet financing which involves pooling of financial assets and issuance of securities that are repaid from the cashflows generated by these assets

IFC can act as:

- A. Anchor investor for senior tranche
- B. Partial Credit Guarantee on senior tranche
- C. Mezzanine Tranche Investor(*)

As a Structuring Investor, IFC can support the process with arrangers, regulators and credit rating agencies and provide best practice from other markets.

Benefits to Issuers

- Access to wider investor base
- Alternative form of longer term funding matching assets and liabilities and potentially lower cost than unsecured borrowing
- Can improve balance sheet management and potentially provide capital relief

Benefits to Investors

- Allows highly rated securities to be created from less lower rated assets
- Access to new assets class
- IFC due diligence and supervision

Successful Transactions:

Shriram Transport Finance Company (INR)
ANT Financial ABS (RMB)



This is best used especially for first-time securitized notes issuers with assets generating regular cash flows BUT requires the proper legal framework to be in place

About the Issuer

- Largest commercial vehicle financier in India serving more than 2 million customers from 1,348 branches in 885 rural centers and partnerships, and around 500 private financiers country-wide.
- Core business focuses on financing pre-owned commercial vehicles to small road transport operators.

IFC's FIRST SECURITIZATION INVESTMENT IN SOUTH ASIA

- IFC's investment of US\$102 million in Shriram is its first in a Pass Through Certificate (PTC) in South Asia.
- **The Certificate allows investments that fully hedge against local currency exposure, thereby answering liquidity needs and enabling on-lending to MSMEs in India's low-income states.**
- Securitization is an attractive investment tool for institutional investors in India. It will strengthen the debt capital market by encouraging product diversification and sophistication through demonstration and replication.

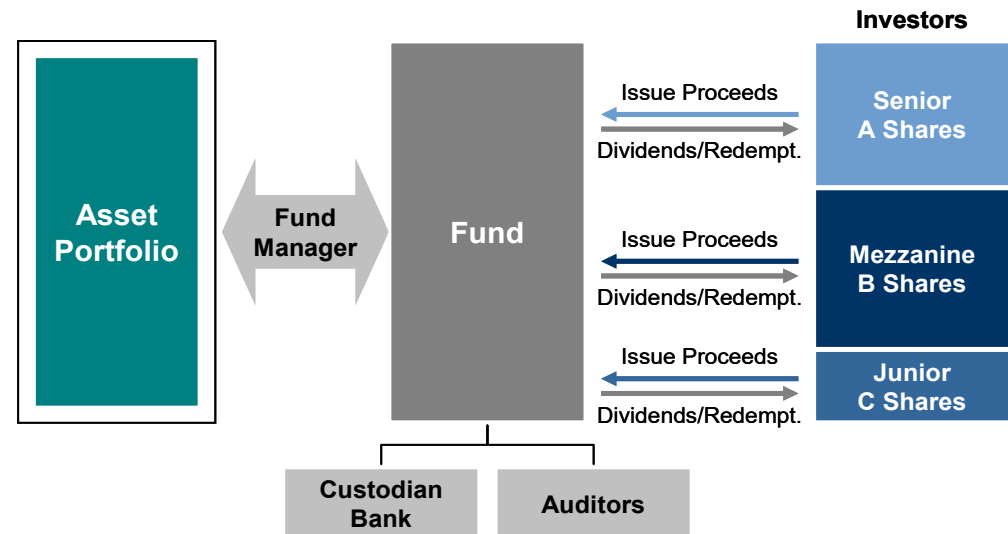
The investment team aimed to encourage non-priority sector loan securitizations, and consequently re-balance Shriram's portfolio towards lending to more low-income states. This was done by securitizing the non low-income states pool, which would then enable increased business focus on low-income states.

Originator	Shriram Transport Finance Company Limited	
Issuer	Sansar Trust May 2019	Sansar Trust July 2019
Issue Date	25-Jul-19	29-Aug-19
Size	INR 5.8 bn	INR 8.3 bn
Coupon	9.26% p.a.	9.26% p.a.
Tenor	5 years; amortizing monthly	
Tranches	Series A1 PTCs: 50% of total issuance; prepayment absorbing tranche sold to investment banks; AAA by ICRA	
	Series A2 PTCs: 50% of total issuance; 100% purchased by IFC; AAA by ICRA	
Credit Enhancement	Credit Enhancement of 12.25%	

1. First-of-its-kind investment in India with a dual tranche approach where one tranche absorbs all prepayments and eliminates cash flow volatility for the other tranche.
2. Designed to tap into investors who do not extensively participate in the non-bank financial institution segment, like foreign institutional investors and domestic insurance/pension funds.
3. The prepayment absorbing tranche will be sold to investors where this tranche fits well with their money market book investment guidelines.

Basics

- Allow IFC to make credit available to borrowers/issuers who would otherwise not have sufficient access to it from banks and/or markets.
- Generally borrowers are entities that IFC would not be able to access on its own or through conventional bank mobilization.
- Structured Funds combine the flexibility of funds with a tranching capital structure (similar approach to Securitization) to attract investors with different levels of risk appetite.



IFC can act as

- Anchor investor in senior tranches
- Provide credit enhancement by investing in the mezzanine tranches (if applicable)

Successful Transaction:
Dragon Capital Group Ltd (Vietnam)



This requires a solid fund manager with strong experience in the underlying asset class to be managed in target countries

About the Issuer

- Leading foreign asset management company in Vietnam, the only foreign fund manager with significant fixed-income operations, having an estimated market share of 13% as of September 2020 with strong track records.
- IFC's investment of US\$40 million in Vietnam Debt Fund Portfolio C (VDF-C) a US\$147 million structured debt fund investing in local currency corporate bonds in Vietnam.
- Resource mobilization from international investors who would have otherwise been reluctant to invest in local currency corporate bonds in Vietnam, providing stamp of approval and contributing to a more diversified investor base.
- IFC's investment to be recycled 2.5-3.0 times, supporting US\$250-300 million new corporate bond issuance in local currency, and to target a weighted average portfolio tenor of 2.5-3.0 years in a market where only larger corporates and state-owned enterprises have access to long term finance.

Through the J-CAP diagnostic and recommendations, the team designed the investment addressing key issues including the need to broaden the issuers and investor base, crowding in international investors, increasing liquidity in the corporate bond market, and improving disclosure standard.

IFC's FIRST STRUCTURED DEBT FUND IN VIETNAM

- ❑ *First Vietnam corporate bond fund invested by offshore institutional investors*
- ❑ *Mobilizing institutional investors to invest alongside IFC, increasing participation, contribution towards market creation via increasing the size of the local currency corporate bond market*
- ❑ *Best use of local market knowledge to identify DCG as a strong partner to further IFC's upstream initiatives in the capital markets and, in order to better address key market gaps*

Manager	Dragon Capital Group (DCG)
Fund	Vietnam Debt Fund C (VDF-C)
Issue Date	December 2020
Fund Size	US\$ 147m
IFC Investment	A straight senior loan to the Fund
IFC Loan Size	US\$ 40m
IFC Mobilization	US\$ 70m (4 investors)
Tenor	5 years, with grace of 4 years
Credit Enhancements	First-Loss (or Equity) tranche covering 25% of the final fund size (US\$ 36.7m); defined investment & diversification limits; and repayment waterfall restricting dividend payments for the first loss until liquidation of the fund

Basics

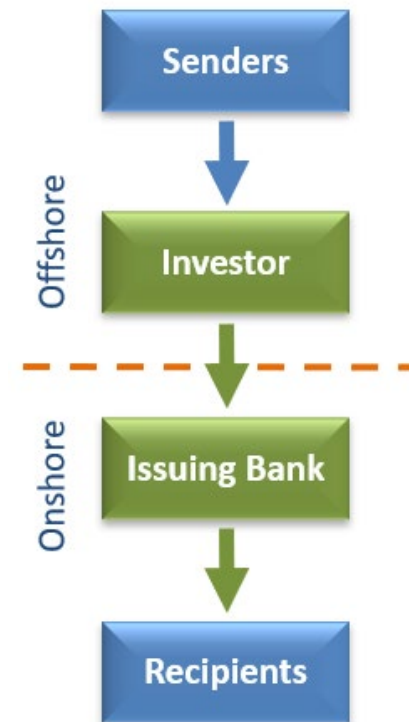
- DPRs transactions are cross-border bonds issued by a domestic bank, which are secured by cross-border payment flows
- Set-up cost – typically objective to issue repeatedly in a program approach.

Benefits to Issuers

- Can provide attractive funding on the international capital market

Benefits to Investors

- Best of both worlds: Investor benefits from protection of a securitization and mitigation of political risk but retains recourse to the originator.



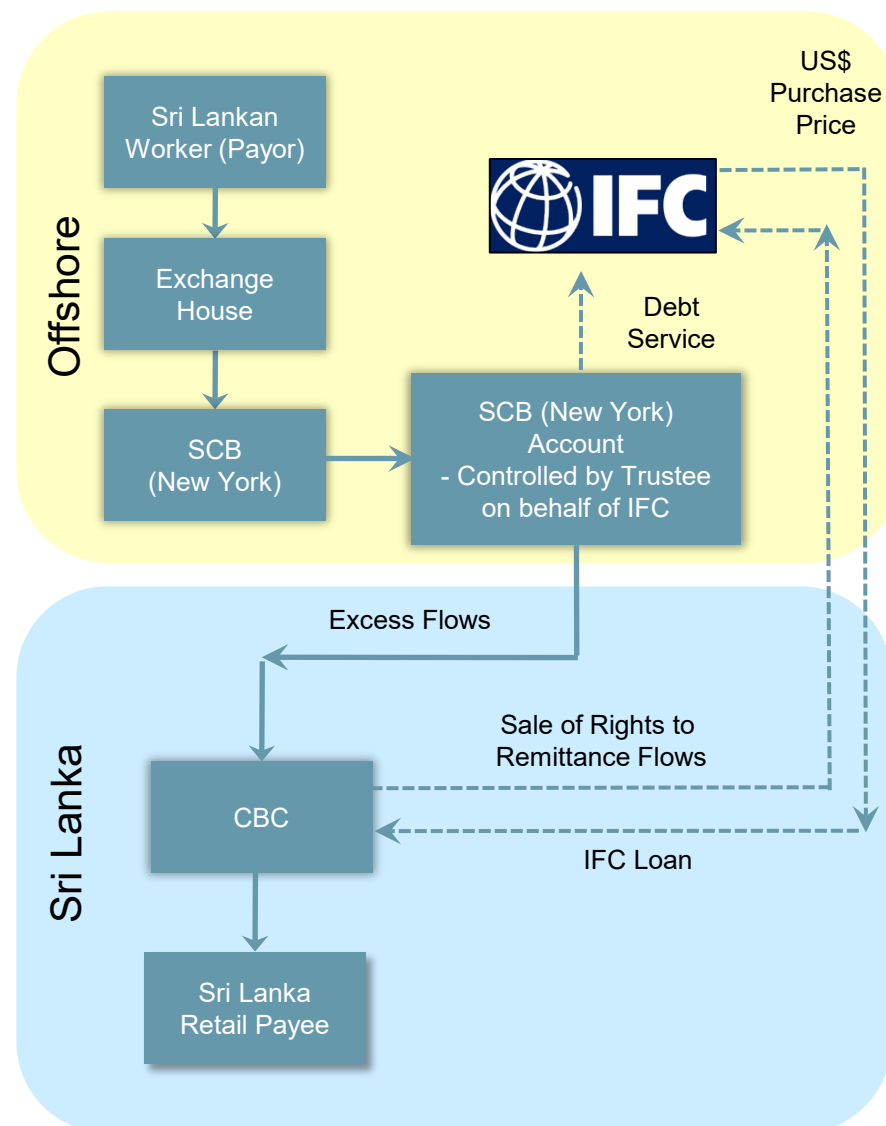
For clients who wish to obtain lower USD cost of funding which may potentially pierce through the Sovereign rating ceiling.

Description & Highlights

- CBC is an existing IFC client and the largest private bank in Sri Lanka.
- The Project comprises a 7-year future flow secured funding of US\$65 MM signed in 2012. A further tranche of \$ 100m was signed in 2017 with the same tenor with the proceeds being used for green projects.
- The transaction was structured as a sale of future flow DPRs, with rights to the DPRs sold directly to IFC (instead of an SPV as would be done in the capital markets). This Structure is a unique structure tailored to CBC's requirements.
- Largest investment by IFC in the financial sector in Sri Lanka at the time and is also the first Future Flow Secured Financing completed in South Asia.

Terms

- Closing Date: Nov 2011 / Sep 2017
- Total Size: \$65mm / \$100mm
- Final Maturity Date: Dec 2019 / Jun 2024
- Interest Payment: Floating rate based on 3-month Libor + 2.5% / 3mL + 2.4% , payable quarterly
- Principal Payment: Interest-only period for first 2 years, then amortizing quarterly
- Subordination: None; One class of notes only.
- Additional Credit Enhancement: Debt service reserve account equal to the highest quarterly payment due over the life of the transaction. Early Amortization and Repurchase Events.



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