SMBC’s Experience in Vietnam

Rohit Dhir
Deputy General Manager
Investment Banking Asia
Disclaimer

This presentation has been prepared by Sumitomo Mitsui Banking Corporation ("SMBC") for GIF’s Advisory Council meeting in Singapore in October 2018.

Information in this presentation should not be construed as legal, regulatory, financial investment, tax, or accounting advice. Recipients should make their own independent appraisal and/or risk assessment of the information and consult their professional advisors before embarking on any course of action.

Although the information is obtained from sources considered as reliable by SMBC, SMBC makes no representation as to, and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this proposal or for any loss or damage arising from the use of this presentation. SMBC has no responsibility to update any information contained in this presentation. The contents contained in this presentation may change without prior notice.

Nothing contained in this proposal is intended to be, nor should be construed as, a solicitation or an offer of any financial products, investments, financing or other banking facilities.

The contents of this presentation shall not be disclosed to any other party without SMBC’s prior written consent.

Equator Principles

Sumitomo Mitsui Banking Corporation is a signatory to the Equator Principles ("EP") and as such we are required to ensure that all projects that SMBC is involved in are EP compliant.

Sumitomo Mitsui Banking Corporation Singapore Branch, (incorporated in Japan with limited liability) Reg. No. (UEN) T03FC6366F

Note: Certain images (if any) may be subject to copyright. Maps (if any) are for illustrative purposes only.
SMBC’s experience in infrastructure financing in Vietnam

- SMBC is one of the most active international banks in infrastructure finance and advisory in Vietnam, consistently ranking in the top-tier over the past 5 years
- Within infrastructure, power sector has traditionally been the most active sector in Vietnam, other sectors include toll roads and upstream (offshore platforms) and downstream sector (refining, petrochemicals)
- In the past 3 years, SMBC has arranged and/or advised on many large-scale power projects in Vietnam with over 4 GW of capacity (including ongoing projects under negotiation) as well as renewables sector
- Power projects in Vietnam have been based on a mix of IPP model and EPC procurement and financing by SOEs (PVN and EVN)
- Involvement of Export Credit Agencies has been a key facilitator and an important source of financing and support to the power sector
- Key drivers for the success of power projects have traditionally been:

<table>
<thead>
<tr>
<th></th>
<th>Procurement Process</th>
<th>Well-established and transparent procurement process, land acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Robust Project Structure</td>
<td>Standardized and bankable set of project agreements with well defined risk allocation</td>
</tr>
<tr>
<td>3</td>
<td>Host Government Support</td>
<td>Comprehensive government support for offtaker performance, currency, change in law, etc.</td>
</tr>
</tbody>
</table>
Key Challenges in Vietnam

- Government’s role in terms of regulatory and policy certainty as well as providing comprehensive support package has been key to underpin the bankability of infrastructure projects in Vietnam
- However, constraints around increasing government debt (direct and contingent) would limit/ cap the quantum and nature of government support going forward
- In addition, government’s desire to "de-dollarize" the economy means limiting the level of FX support (availability, guaranteed exchange rate)

What are some of the solutions?

- Clear policy and regulatory framework backed by clear risk allocation and standardized project contracts as well as a pipeline of investable projects
- Enhance capacity, track record and creditability of SOEs e.g. recently EVN has obtained an international credit rating same as sovereign rating of Vietnam (with funding support from GIF)
- Move to a more market based exchange rate regime (as SBV has done in recent years)
- Consider establishing a specialized institution(s) to (i) support the obligations of the state-owned enterprises and (ii) enhance availability long-term local currency financing - such institutions have been tried in other emerging countries (e.g. Indonesia established Indonesia Insurance and Guarantee Fund while Columbia established FDN, both with WBG/IFC support)
- Development of local currency loan and capital markets
Key Infrastructure opportunities in Vietnam

- Power sector will continue to be the key driver for infrastructure financing in Vietnam.
- In particular, renewable energy (solar, wind) is expected to be a key growth area with Vietnam’s ambitious national renewable energy objectives and revised power development plan with targeted new capacity of 6 GW by 2025 supported by higher feed-in tariffs.
- In addition to the power sector, we believe other sectors like transportation (toll-roads, inland waterways), waste-to-energy and waste and water management have significant potential in the future.
- Another sector that we believe could be a potentially important sector could be the “gas pipeline” sector – this can stimulate the development of both the upstream sector as well as the downstream sector (like power, chemicals, etc.).
- These investments will require the establishment of a clear policy and regulatory framework facilitating private sector (domestic and foreign) alongside the public sector (e.g. an independent sector regulator).

Source: Vietnam RPDP7
Key Conclusions

- Infrastructure development lies at the core of sustainable and inclusive economic development of a country and society at large.
- A well planned infrastructure can raise growth, help reduce carbon footprint of progress and improve the competitiveness and quality of life of its peoples.
- Transparent and clear procurement processes, standardization of project agreements and host government support will continue to be some of the key drivers of infrastructure finance and development.
- Development of specialized financial institutions in Vietnam (with support from MDBs) could also help facilitate development of infrastructure finance by providing credit enhancement as well as long-term local currency financing.
- Multilateral collaboration platforms like GIF will continue to play an important role in these objectives and to help mobilize private capital in infrastructure.
Strong Credentials in Vietnam

SMBC considers Vietnam to be a key market and have acted as **debt arranger and financial advisor** on several key Vietnamese transactions, as shown below:

Among the most active international banks in the country

Most active financial advisor for project finance in the country, currently advising on 3 large scale BOT IPPs and 1 large scale oil & gas project

Closed over 20 project finance and ECA transactions

Two branches in Vietnam with around 200 staff

15% equity stake in the Vietnam Exim Bank

ARRANGING DEALS

- **Nghi Son 2** – MLA, Tech & Env Bank, Hedge Arranger
- **Long Son Petrochemicals** - MLA
- **Vung Ang 2** – MLA, Doc Bank
- **Sung Hau 1** – MLA, K-ECAs Agent
- **Vinh Tan 4** – MLA, Korean ECAs Coordinator
- **TGT FPSO** - MLA

**Water project (ongoing)**

**Nghi Son 2 (2018)**

1,200 MW power plant

**Long Thanh International Airport (2011)**

- Advised Sponsors for a feasibility study
- 2nd international airport in Ho Chi Minh area

**Long Son Petrochemical Complex**

US$5.4bn complex, first integrated petrochemicals project in Vietnam

**Blue Whale (ongoing)**

Vietnam’s largest upstream natural gas development

**Scatec Solar (ongoing)**

Solar power plant

**Van Phong 1 (ongoing)**

1,200 MW power plant

**Ca Rong Do FPSO (2017)**

US$500m FPSO for development of Ca Rong Do oil and gas field
Thank You