LENDING MADE EASY
EXPORT CREDIT AGENCY DEALS OF THE YEAR

WEST
Transaction: $327 million Credit Facility for 1x 173,400 cbm LNG FSU and 1x 174,000 cbm LNGC
Winners: Credit Agricole, Société Generale, KEXIM, Arab Petroleum Investments Corp. ABN AMRO, SEB and National Australia Bank

EAST
Transaction: $317.9 million financing facility for CMB Financial to finance the purchase of five 11,000 TEU containerships
Winners: Citibank, Dekabank, Development Bank of Japan, E. Sun Commercial Bank, KEB Hana Bank and KEXIM

Reflecting national policy goals, export credit agencies provide financing or guarantees which promote their nation’s industrial growth through exports. National governments, particularly in developing countries, require industrial production to grow their economies, and, in turn, provide employment for the labor force. Large capital items are expensive, and a sale is often made easier by offering financing, a role filled by the ECAs. To facilitate a sale, the ECAs offer direct lending, or support commercial banks through guarantees or insurance. To level the playing field, the loan terms are standardized and reflect the requirements of the OECD. This is not the automakers 0% financing; OECD terms allow for an 80% loan with a 12-year tenor to be repaid with equal payments of principal over the term, with interest charged at CIRR rates. For both lenders and borrowers, it is like finding gold. Instead of a shipowner, the lender's counterparty risk is now a nation state with the highest credit rating which translates to lower rates for borrowers.

Nominations in this category were plentiful, a reflection of the delivery of vessels ordered during the boom as well as the low cost de-risked nature of the funding. Credit Agricole and KFW IPEX-Bank nominated their $191.8 million senior secured ECA-backed facility for the BW Integrity, a 170,000 cbm FSRU on behalf of BW Gas Limited. The FSRU is based in Port Qasim in Pakistan working for PGP Consortium under a 15-year time charter. The facility is the beneficiary of 70% ECA cover and a 100% corporate guarantee from BW. Macquarie Bank, a new entrant, and DekaBank utilized two ECAs, KEXIM for construction and GIEK for equipment, to provide a $172 million facility for eight newbuilding MR product tankers. KEXIM provided a mix of direct lending and 100% guarantee (58% of the debt), while the Norwegian ECA provided a 100% guarantee (19% of the total debt) in a structure which includes four tranches. In an extremely competitive deal, BNP Paribas arranged a $91.84 million ECA-backed facility to finance two Suezmax tankers for Angelicoussis Shipping Group Limited, one of the ten largest owners in the world. Kexim is the ECA guarantor, covering 50% of BNP’s funded portion as well as the ECA lender providing 33.3% of the debt.

Led by Credit Agricole and Société Generale, this year’s winning transaction from the West in this category is a $327 million export credit facility for pre- and post-delivery financing for two 174,000 cbm LNG carriers, one of which is an FSU, for Teekay LNG. The facility is structured as 80% financing funded 66% by a 12-year KEXIM tranche repaid straight line to 0 and a 33% commercial tranche repaid in
full at maturity in year 12, which combined give a repayment profile of 18 years to 0. For only the third time, the KEXIM tranche includes an option to convert into a KEXIM-covered bond, a structure pioneered by Credit Agricole. The conversion option gives Teekay LNG the opportunity benefit from the pricing arbitrage in the institutional debt capital market at the time of delivery, thereby lowering its current cost of financing. With the advantage of state of the art MEGI engines, the two vessels are employed under long-term time charters. The FSU will operate under a 2-year time charter to Bahrain LNG, which operates the country’s first LNG import receiving and regasification facility, which plays a vital part in the country’s energy infrastructure and security of power. The conventional LNG carrier is time chartered for 13-years to BP Gas Marketing, transporting Freeport LNG terminal cargos.

Describing the East’s winner as a complex cross-border transaction does not do it justice. In a transaction that was 1.25x oversubscribed, Citi, along with DekaBank and the Development Bank of Japan arranged a $317.9 million KEXIM supported financing for CMB Financial Leasing Co. Ltd (“CMBFL”) to partially finance the purchase of five 11,000 TEU containerships constructed in Hanjin Heavy Industries and Construction Philippines. The borrowers are five single purpose owning companies ultimately owned by CMBFL. In a unique transaction structure, the vessels are bareboat chartered to Seaspan Corporation and then sub-chartered, also on a bareboat basis to Mediterranean Shipping Company, adding to the transactions creditworthiness. The credit is further enhanced by CMBFL’s role as remarketing agent and the loan security. The facility comprises three tranchesc: a 12-year KEXIM funded tranche, a 12-year KEXIM guaranteed tranche and a 10-year commercial tranche. A diagram describing the transaction is shown below.

This is a transaction which connects ECAs and well-known international lenders with the debt funding of Chinese leasing companies, who play an increasingly prominent role in today’s shipping and aircraft financing landscape. In addition to its dependability, ECA financing allows banks to more easily participate in the financing of the sector by offering a stronger alternative counterparty.