



CRÉDIT AGRICOLE INDOSUEZ

At a time when many banks are scaling back their operations in Asia in response to the recent economic crisis, Crédit Agricole Indosuez remains committed to the region. Since it established its first foothold in Indochina in 1875, the bank has, throughout its uninterrupted 123-year history in Asia, weathered plenty of storms and continues to actively pursue project finance opportunities

"In 1998 the project finance business in Asia will change focus due to the economic crisis," remarks Marc Tabouis, managing director of the project and international finance department of Crédit Agricole Indosuez, based in Paris. "Instead of straight grassroots project financing, there will be refinancing and acquisition opportunities. European and US sponsors are shopping around to buy into companies and assets in Asia that have become cheap. We are there to provide clients with our advisory and financing capabilities."

As a testament to its strength in structured finance, the bank is redeploying its teams, despite the trouble in the region. The Hong Kong office will now have a team of five people, headed by Arnaud Dornel, to focus

A long standing leader in Asia-Pacific project finance

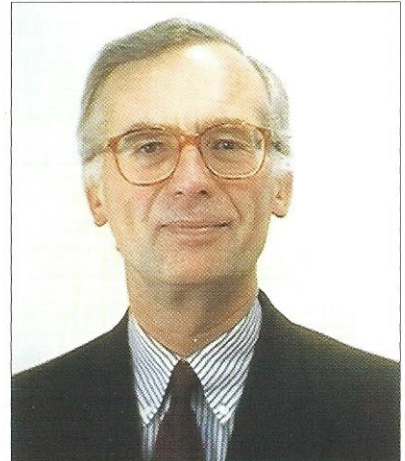
on project and international finance in North Asia. Until now, this part of Asia was covered from Singapore, but the bank feels that the amount of work in North Asia has increased substantially and now necessitates a full-time dedicated team in Hong Kong.

The project finance team in Singapore, which covers South and Southeast Asia, is composed of 14 people and is headed by Patrick Blanchard, who also oversees the entire Asia-Pacific region. In Australia, the bank has 10 people working on project finance, led by Don Parsonage. In addition, Crédit Agricole Indosuez has full-time representatives dedicated to export and project finance in Beijing, Shanghai, Guangzhou, New Delhi, Bangkok and Jakarta, as well as a team of 18 Paris-based professionals working full time on Asian export and project finance. "Overall," says Blanchard, "our bank has one of the highest head counts and widest coverage among the leading project finance banks in Asia-Pacific." Outside the region the bank also has project finance teams in Paris, London, Milan, Madrid, Frankfurt and New York.

Crédit Agricole group

In 1996 Caisse Nationale de Crédit Agricole (CNCA) acquired Banque Indosuez, to strengthen its position in international and wholesale banking. The new entity, a 100% subsidiary of CNCA renamed Crédit Agricole Indosuez, is specialized in asset-based finance, corporate banking, debt-forex, commodity finance, equities and private banking.

Based on June 1997 rankings, Crédit Agricole is among the 10 largest banking groups in the world in terms of equity and total assets. As of December 31 1997 the group's net profit, equity and total assets were, respectively, US\$1.65 billion, US\$20.5 billion and US\$419.9 billion. Crédit Agricole Indosuez has a AA long-term rating, as its parent.



Marc Tabouis, global head of project and international finance at Crédit Agricole Indosuez

Project finance arranging expertise

"When we syndicate a deal, we do not send out 100 faxes to 100 banks. We first talk to our counterparts at the other banks," explains Tabouis. "We generally select banks that we have worked with in the past and we know that they will understand the details of the transaction. We never call up potential syndicate banks on a cold call basis to participate in a deal. Project finance is very much a club. Now that the depth of the loan syndication market in Asia is gone, it is essential to have an even more professional approach — one that fully integrates the interests of our clients."

Crédit Agricole Indosuez has successfully completed transactions in almost every country in Asia-Pacific. In 1996-1997, the bank structured, arranged and advised on projects in China, Thailand, Taiwan, Vietnam, Indonesia, Korea, Laos, India, Australia and Papua New Guinea. "We are not looking for volume; we are looking for quality transactions and

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One of China's new power plants financed by the bank, a key target for Crédit Agricole Indosuez's project and export finance activities in Asia

innovativeness," sums up Blanchard. "We much prefer being viewed as a discriminating, path-breaking project finance bank, and have no interest in topping league tables. We think that recent events in Asia and in particular the large number of failed syndications and of projects facing difficulties proved that the 'everything that moves' strategy was not the right one."

To identify the most promising project finance opportunities and provide its clients with in-depth, up-to-date market intelligence, the bank's project finance teams also utilize its extensive, century-old Asian network and continually exchange information with Crédit Agricole Indosuez's corporate banking and forex-debt activities, which represent for project sponsors a natural complement to limited recourse debt financing.

In addition to applying its balance sheet muscle to project finance transactions, the bank is always exploring opportunities to utilize the ability of its equities arm, Indosuez WI Carr Securities, a leading player in the Asian market, to provide global capital market solutions.

Laibin B

In 1997, the eyes of the project finance industry were on China. In par-

ticular, they were focused on the outcome of Laibin B, the first build-operate-transfer (BOT) project in China that is 100% owned by foreigners. Many past project financings in China have been a slow and gruelling process, with much time spent waiting for regulatory approvals from the various Chinese government agencies and support from export credit agencies.

But Laibin broke that mould: the financing was signed within 14 months of the selection of the preferred bidder. "It is the first time that the Chinese have gone through the open tender process. It was done remarkably well and all parties were very professional, allowing the project financing to be completed more or less according to schedule," recalls Blanchard. Crédit Agricole Indosuez, along with two other banks were the debt underwriters, with Crédit Agricole Indosuez acting as both the coordinating bank and the agent bank.

The financing was itself notable in many ways. There was no concession law in China at the time, so the advising parties had to help draft regulations as the project moved along. The resulting power purchase agreement will serve as a springboard for the documentation of future BOT projects in China in all sectors, not only for the power industry. Additionally, the French export credit

agency Compagnie Française d'Assurance pour le Commerce Extérieur (Coface) accepted provincial risk in China for the first time without a formal guarantee from Beijing by backing a US\$303-million 12-year export credit tranche. The arranging banks provided US\$502 million in total, eventually syndicating the loan to a group of 19 banks. Despite difficult market conditions, the syndication was well oversubscribed, closing in January 1998. The transaction was given the "Power Deal of the Year 1997" award by Project Finance International.

Rayong refinery

The Rayong refinery was initially financed in 1993, but its sponsors Shell and PTT asked a small number of banks experienced in large-scale project finance and familiar with the refining industry to restructure the debt of their Thailand project shortly after the Rayong refinery went on stream. Crédit Agricole Indosuez, part of the original lead arranger syndicate, readily agreed and became one of the nine coordinating arrangers to extend US\$1.5 billion of refinancing facilities. The deal was completed in September 1997 despite the very difficult market environment. There was no general syndication. By participating in the refinancing, Crédit Agricole Indosuez was able to help its client move closer to operating as a stand-alone corporate, although in today's market the pricing would be much higher.

The facilities include a US\$500-million term loan, a US\$400-million term loan with three years grace, and a US\$600-million revolving loan. All three tranches have a maturity of 10 years.

Bontang LNG Train H

Crédit Agricole Indosuez has a strong track record for assessing risk. That's why it felt comfortable participating in the largest uncovered project finance loan in Indonesia's history and the last "jumbo" transaction to be put

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together prior to the Indonesian crisis.

In less than six months, a US\$1.13-billion loan for the construction of an additional liquefied natural gas (LNG) plant and offsite facilities at Bontang was structured and arranged. The deal was led by the Bank of Taiwan, with Crédit Agricole Indosuez and three other international banks acting as co-arrangers. Crédit Agricole Indosuez was invited due to its experience in financing some of the previous expansions at the Bontang plant. The debt facility attracted widespread interest, with a total of 30 banks participating in the deal. The loan has a tenor of 14 years, with a four-year grace period.

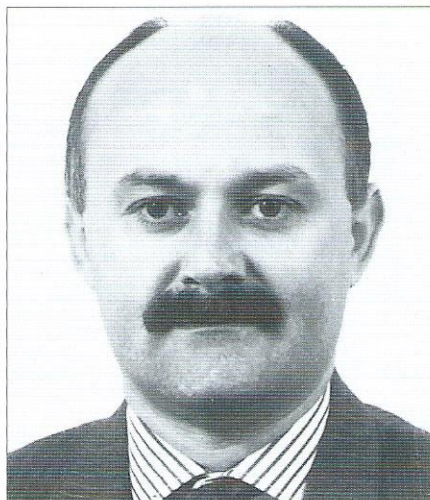
Pertamina, Indonesia's state-owned petroleum company, is expanding the Bontang LNG complex so that it can fulfil a 20-year sales agreement with Chinese Petroleum Corp of Taiwan and Korea Gas Corp. When completed, the project (called Train H as it is the eighth processing train at the site) will increase the total capacity of the Bontang complex, the largest LNG processing facility in the world, to 21.6 million tonnes a year.

Container port

Crédit Agricole Indosuez has been in Thailand for more than 100 years and this long association was a deciding factor in the bank being selected as the lead arranger for the financing of a new container port terminal at the deep-sea port of Laem Chabang. Further, the bank was able to capitalize on its position as a market leader in baht risk management products to secure this role, a useful expertise in the current economic climate.

The project company, sponsored by two major shipping lines, P&O/Nedlloyd and Neptune Orient Lines, was awarded a 30-year concession to construct and operate Terminal B5 at the port.

The deal was being put together when the country sought the assistance of the IMF. This resulted in the debt being structured on a club deal basis and comprising two tranches - a US dollar tranche provided by



Patrick Blanchard, head of project finance, Asia-Pacific at Crédit Agricole Indosuez

Crédit Agricole Indosuez and another international bank, and a baht tranche provided by a Thai bank. Financial close was achieved in March 1998.

Strength in advisory

Crédit Agricole Indosuez has extensive experience advising in a variety of sectors — oil and gas, refining and petrochemicals, power generation, water distribution and waste treatment, telecommunications, transportation — and in virtually every country in Asia. In most cases, the bank employs its strength in advisory to structure and arrange financing for a transaction. But the bank also has a long track record of acting as pure adviser to clients that are in need of an experienced financial consultant.

West Jakarta water concession

In Indonesia, the bank is the financial adviser to French water company Lyonnais des Eaux and the Salim group of Indonesia on their successful bid for the West Jakarta water concession. The joint venture vehicle, called PT Garuda Dipta Semesta (GDS), was awarded the 25-year concession to construct, rehabilitate, operate, maintain and expand the water supply system in West Jakarta.

The privatization is one that will affect the lives of millions. Many of Jakarta's nine million residents experience acute water shortage problems. More than 70%

of water demand is served by ground water, which causes environment problems, land subsidence and sea intrusion. Non-revenue water is estimated at over 50%, one of the highest among major cities in Asia.

Crédit Agricole Indosuez's role in this important infrastructure project has been to advise the sponsors for the negotiation of the concession agreement. The concession agreement was signed in June 1997 and became effective on February 1 1998. While GDS has been operating the network since then, the financing has been structured but is awaiting favourable market conditions.

Corridor block

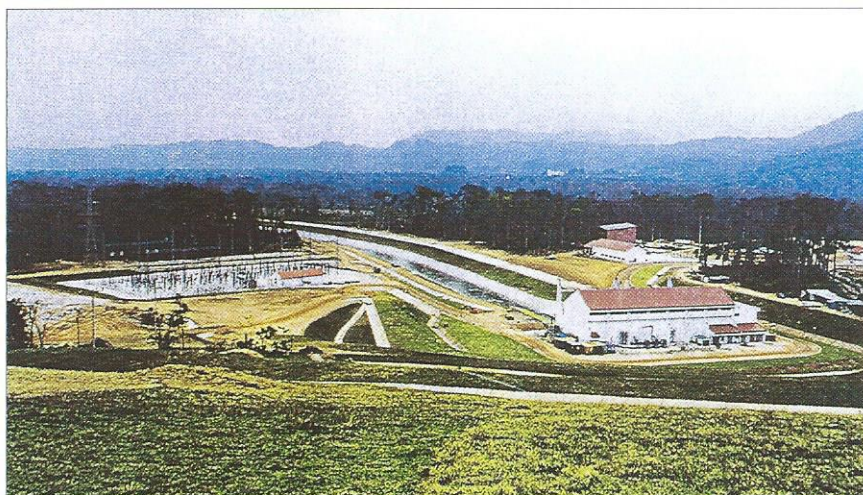
Crédit Agricole Indosuez acted as financial adviser to the sponsors of the Corridor block, a large gas field on Sumatra island. Overall, this complex project comprises of, upstream, the development of the field itself and the construction of a gas treatment plant and, downstream, the laying of a 570-km pipeline across central Sumatra to deliver gas to the Duri block, the large crude oil field in operation in Indonesia. Gas will be burnt to produce steam, which will be injected in the Duri wells to enhance secondary crude oil recovery.

The project involved complex negotiations to ensure a seamless interface between its upstream and downstream components. Key to the financing was the first gas-for-oil swap in Indonesia, with Itochu Corp of Japan acting in particular as crude oil off-taker. The financing was successfully closed in early 1997, with Itochu Corp, Chase Manhattan Bank, DKB Merchant Bank and Sumitomo Bank playing the lead role in the upstream debt facility. The transaction was given the "Oil and Gas Deal of the Year 1997" award by Project Finance International.

Korea

In Korea, the bank has worked closely with several of the largest *chaebol*, advising a successful bidder on their involvement in the Korean

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The 210MW Theun Hinboun hydropower project in Laos for which Crédit Agricole Indosuez acted as lead arranger and agent and was given the "Project Finance Deal of the Year" award by *Asiamoney* in 1996

IPP (independent power production) programme and other *chaebol* in the IPP programmes of several other Asian countries.

Privatization

Loy Yang A

Crédit Agricole Indosuez backed the winning sponsors of what is the largest privatization in Australia's history. CMS of Michigan and NRG of Minneapolis won the right to acquire the 2,000MW Loy Yang A power station, the Loy Yang A coal mine and other associated assets for A\$4.7-billion (US\$3.2 billion) from the State of Victoria. "For a transaction of that kind, it was done very fast, knowing that our clients had to come up with a bid amount including a very large debt component fully underwritten by banks," explains Blanchard.

Crédit Agricole Indosuez was one of the seven initial lead arranging banks that, together with other underwriters who joined at a later stage, provided A\$3.1 billion of debt in four tranches. The financing facility was composed of a five-year A\$500-million tranche, a 10-year A\$750-million tranche, a 15-year A\$1.55 billion tranche and a A\$300-million junior debt portion. The debt also includes a A\$350-million CPI bond portion to assist in providing a long-

term hedge to match the revenue stream. Syndication of the financing facility was successfully closed in December 1997. *Project Finance News* selected the transaction as one of its "Benchmarks of 1997".

MRDC and Orogen

In 1995, the government of Papua New Guinea was hoping to raise money by selling some of its interest in its mining operations consisting of crude oil fields and gold mines. To tide the government over until it was able to list its exploration company MRDC, Crédit Agricole Indosuez, along with two other banks extended a club bank financing. The bank was willing to underwrite the facility despite the lack of political risk insurance because of the offshore nature of the cash flows.

The facility was prepaid when the European Investment Bank refinanced the club group with a facility including a significantly lower interest cost. The refinancing coincided with the sale of 49% of MRDC, placed in a vehicle called Orogen Minerals, which was listed on the Sydney Stock Exchange.

In mid 1997, Crédit Agricole Indosuez, along with three other banks, was invited to underwrite the working capital facility for Orogen. Initially slated for US\$100 million, the facility was eventually increased to US\$125 million.

Export credits

One of the consequences of the Asian crisis on the project finance market is an increased sensitivity to country risks, resulting in export credits (which allows lenders to benefit from political risk and, increasingly, commercial risk, cover) being back in favour. Crédit Agricole Indosuez is one of the most active arrangers of export credits for Asian borrowers. Capitalizing on its close relationship with export credit agencies, the bank arranged, worldwide, 55 transactions totalling more than US\$10 billion over the last three years. These transactions involved not only Coface for which the bank is the number three lending institution, but also other European (eg, ECGD of the UK for which the bank is the number four lending institution) and non-European agencies, placing Crédit Agricole Indosuez as France's top arranger of non-French export credits. As an example, the bank was the first non-Spanish bank to arrange a CESCE export credit in China.

Significantly, the bank increasingly works with Asian export credit agencies to finance the export of Asian equipment to other countries in the region and to the rest of the world. In particular, Crédit Agricole Indosuez is a member of the Korean Export Insurance Corp advisory committee.

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