



# Structured Finance

## *Exportadores II*

### HIGHLIGHTS

- US\$20mn securitization of pre-shipment export loans in Argentina
- IFC's stand-by purchase agreement helped broaden investor base
- Innovative funding structure attracted domestic institutional investors

### THE COMPANY

Exportadores II (the Project) was sponsored by a consortium of three Argentine banks: HSBC Bank Argentina (HSBC), BBVA Banco Frances (BBVA), and Banco Rio de la Plata (BRLP) (the Sponsors). HSBC is a fully owned subsidiary of HSBC Holdings headquartered in London. Its interests in general banking include: investment banking, corporate banking, cash management, leasing, personal banking, and asset management. BBVA, a subsidiary of Spain's Banco Bilbao Vizcaya Argentaria, provides a full range of financial services to large corporations, middle-market businesses, and individual consumers. BRLP is the second largest private bank in Argentina and a member of Banco Santander Central Hispano Group.

### FINANCING OBJECTIVES

The Argentine banking sector has traditionally funded trade finance activity in the country. However, cutbacks from international and domestic banks due to Argentina's economic crisis in late 2001 made it difficult for exporters to obtain pre- and post-shipment trade financing. The Project was designed to help mobilize funding from alternative sources, including domestic institutional investors, in order to provide financing to Argentine exporters.

Exportadores II was structured through a financial trust (the Trust or SPV) incorporated in Argentina under Law 24.441. HSBC, BBVA, and BRLP acted as arrangers and ING Bank N.V. as trustee. The Trust acquired predetermined US\$-denominated pre-shipment export loans originated by the Sponsors and funded this origination activity by issuing US\$-denominated short-term debt notes.

IFC in its investment capacity provided a stand-by purchase commitment of up to US\$10mn which could be used to cover an under-subscription or achieve an over-subscription of the securities to be issued. This participation helped broaden the investor base thus contributing to a successful placement of the securities among institutional investors.

### THE STRUCTURE

The Sponsors, through the financial trust, securitized US\$20mn in pre-shipment export loans to four Argentine exporters: Molinos Rio de la Plata, Pecom Agra, Petroquimica Rio Tercero, and Vitopel. The securities had a tenor of 270 days and a yield of 5.5%.

There were six components to the structure: 1) the Sponsors originate 270-day pre-export loans with the exporters; 2) the Trust purchases the loans from the Sponsors; 3) the purchase is made using proceeds from an issuance of the securities; 4) the exporters ship the goods to the offshore importers; 5) the importers pay either the Trust or the exporter's off-shore account; 6) the Trust, after receiving payment from importers, pays investors.

## OUTCOME

This was the second securitization carried out under the Exportadores program. IFC's role in the transaction was instrumental in helping the Sponsors broaden the investor base for the securities beyond a core group of Argentine pension funds (AFJPs). Furthermore, IFC's participation contributed to expand the size and tenor of the financing in order to make the program more widely available to Argentine exporters. The issue, which was significantly oversubscribed, was rated A3 by the local affiliate of Fitch. It was placed primarily with domestic institutional investors.

The transaction was IFC's first investment in Argentina's domestic financial markets since the onset of the country's economic crisis. Exportadores II not only helped channel funding to Argentine exporters, but also contributed to the redevelopment of the domestic capital market through the introduction of an innovative funding structure.

## TERMS AND CONDITIONS

<b>Amount</b>	US\$20mn
<b>Currency</b>	US Dollar
<b>Issue Date</b>	August 20, 2003
<b>Maturity</b>	270 days
<b>Series</b>	1 Series
<b>Interest Payment</b>	5.5%, payable at maturity
<b>Principal Payment</b>	At maturity
<b>Rating</b>	A3 by the local affiliate of Fitch
<b>Enhancement</b>	Stand-by purchase commitment for up to US\$10mn

