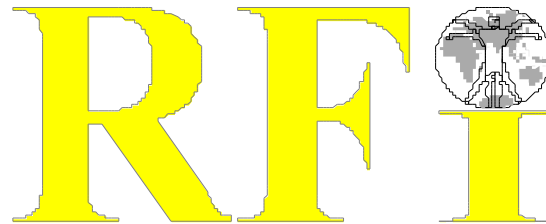


Risk and Banking



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The Paradigm of Risk and Banking

- The banks have to provide loans with long tenors with depositors' money, or money obtained through interbank lending
- In addition, each loan carry its own risks

so

- The banks have to reconcile the risks of short and long money with the intrinsic project risks

Classification of Risks 1

1. Sponsor risk
2. Pre-completion risk
3. Completion risk
4. Technology risk
5. Input or Supply risk
6. Operating Risk
7. Approvals, Regulatory and Environmental risk
8. Offtake and Sales risk
9. Inflation and Foreign Exchange Risk
10. Political risk

Classification of Risks 2

- Physical Risks - geological, geophysical, seismic, inundation, weather etc.
- Technical Risks - technology, maintenance, operation, utilities and infrastructure
- Contract Risks - supply and off-take, EPC, O&M
- Economy Risks - market risks, inflation, currency depreciation
- Financial risks - Sponsors, Buyers and Sellers financial soundness
- Political and Regulatory risks – Government and policy changes, Change of Law and Regulations

Project phases and risk

