

ABSTRACT

Export-Import Bank of Malaysia, being a bank mandated by the Government of Malaysia to assist Malaysian companies to grow overseas inherently has to face various risks depending on the type of financing granted. Without proper assessments and acts taken to mitigate the risks, the risks may in the end affect EXIM Bank's financial performance and then directly impact the Government of Malaysia, the sole shareholder of the Bank.

Among the risk that need to be look into in depth is the risk of providing accurate equity funding structure for project financing. With two sets of approach which the Bank can adopt which are front-loading and proportionate basis, it is important to assess which project that suits to either two of these equity funding structures. The need for effective equity funding structure is important because once the project commences its development, EXIM has provided the relevant financing. Hence, a portion of project's failure risk is already with EXIM and it will cause negative financial impact if there is problem with the project and it is not being properly addressed upfront or during the construction period.

The assessment done under this study is based on real life cases that under EXIM Bank's portfolio. This study will observe which equity funding structure these projects are adopting and the issues that are plaguing them.

This study concludes that it is important for EXIM Bank to adopt a correct equity funding structure for any project financing granted. It is because with the long term nature of project, the period of exposure that EXIM Bank needs to recognise any subpar financing will be long and it will then affect its long term financial health. More attention should be put for those project financings that adopt proportionate basis approach for equity funding structure as they pose greater risk to EXIM Bank in comparison to the front loading structure.