

EIB Activities in Central and Eastern Europe

September 2008



A.Peshkoff



The Bank Promoting European Objectives

Table of Contents :

1. **Introduction to EIB**
2. **EIB Issuance and Treasury**
3. **EIB lending in CEE**



Introduction to EIB



Introduction to EIB:

The Bank Promoting European Objectives

- **European Union's financing arm and an instrument of European integration since creation in 1958 by Treaty of Rome**
- **Owned by the 27 Member States of the EU**
- **Board of Governors consisting of Ministers of the EU Member States**
- **“Policy-driven public bank”**: Mission to promote EU policies by financing investment furthering European integration
- **AAA rated by S&P, Moody's and Fitch**
- **0% risk weighting under Basle II (standardised approach)**



Policy-Driven Priorities

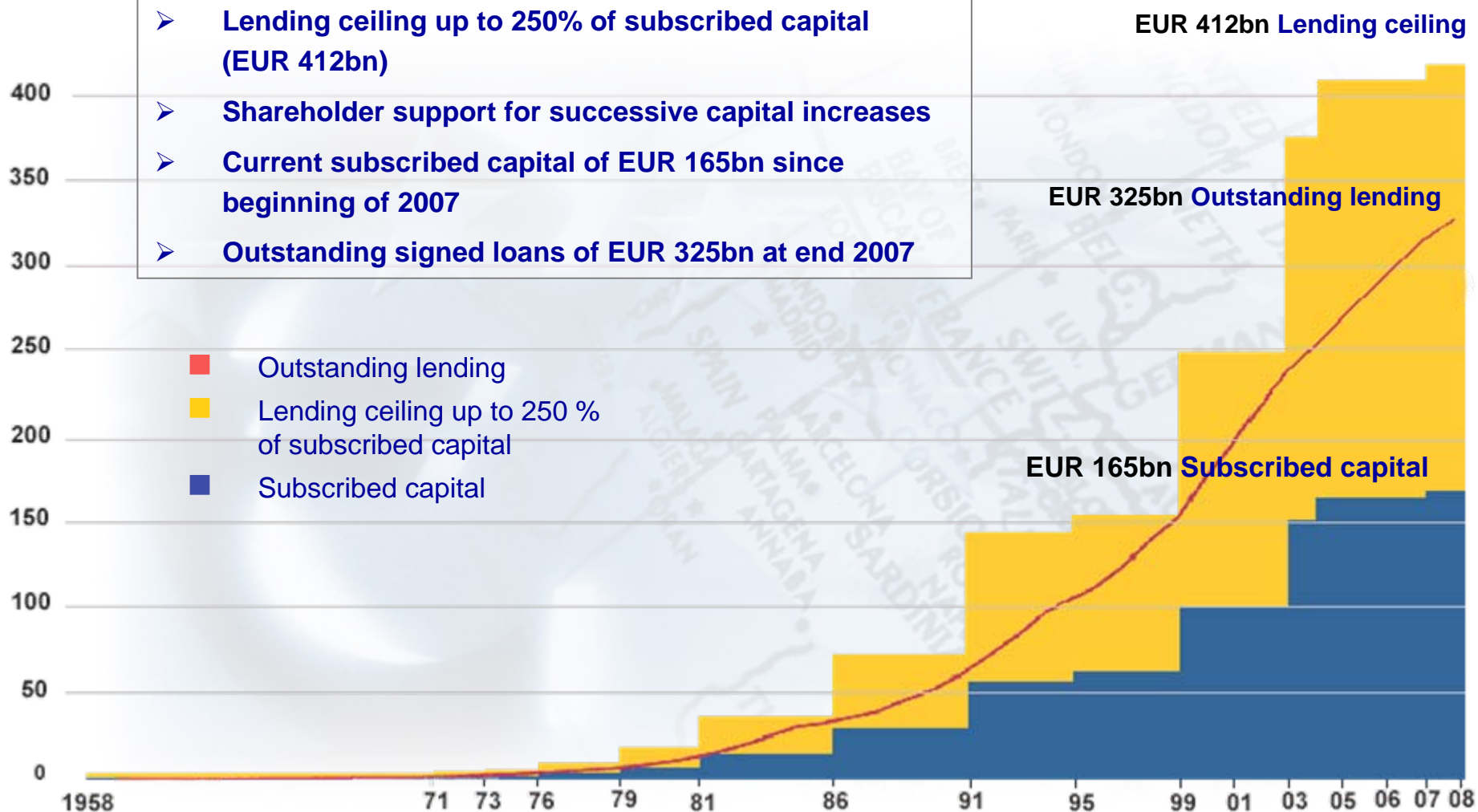
Mission to promote EU policies by financing investment furthering European integration

- **Economic and social cohesion and convergence in the enlarged Union**
Concentrates regional development actions on convergence regions
- **Promoting innovation**
Establish a competitive, innovative and knowledge-based European economy
- **Development of Trans-European and Access Networks (TENs)**
Facilitate freedom of movement of goods, persons, energy and information
- **Support for SMEs**
Promote successful entrepreneurship and improve the business environment for SMEs
- **Promoting EU's environmental policy**
Focus on climate change, nature and wildlife, environmental and health issues, natural resources and waste management, improving the quality of life in the urban environment.
- **Promoting sustainable, competitive and secure energy**
- **Support for countries preparing for EU accession, EU neighbourhood countries & Partner countries benefiting from EU development and cooperation policies**



Conservative Lending Ceiling and Firm Shareholder Support

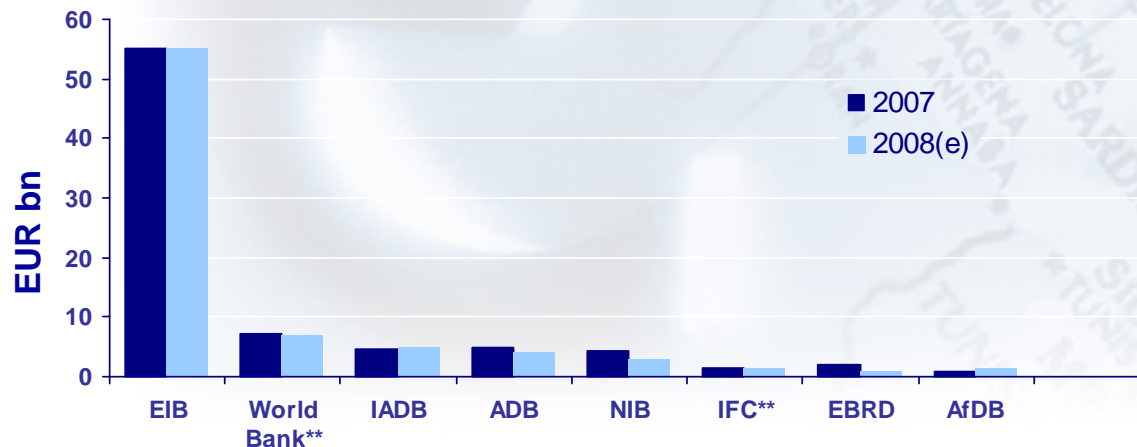
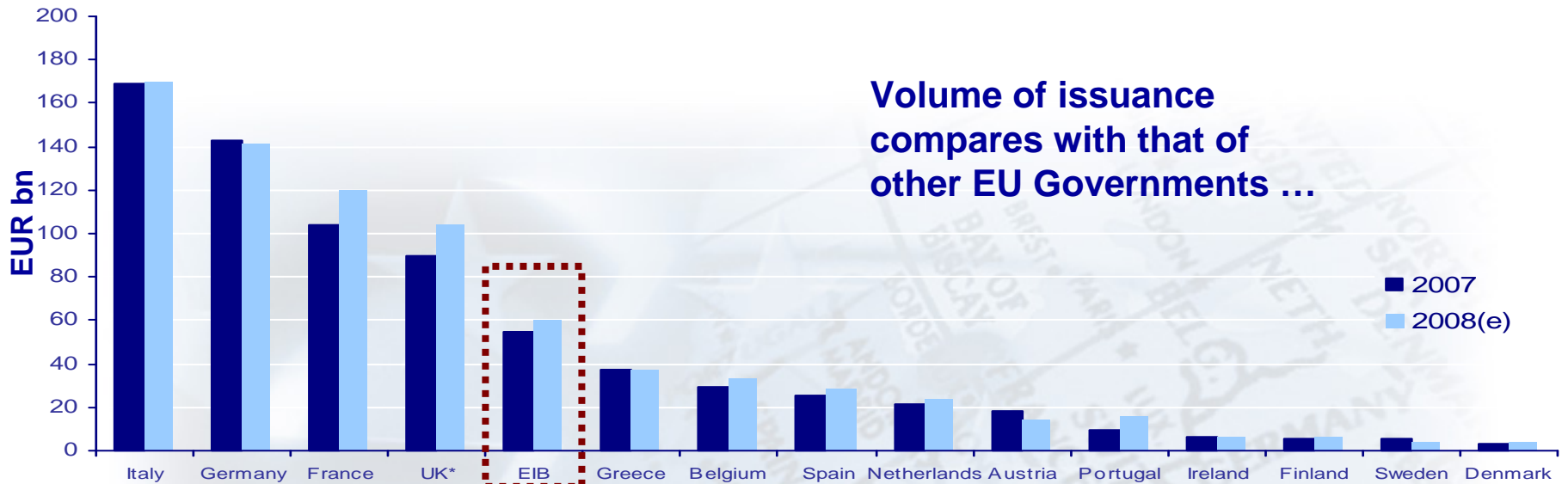
- Lending ceiling up to 250% of subscribed capital (EUR 412bn)
- Shareholder support for successive capital increases
- Current subscribed capital of EUR 165bn since beginning of 2007
- Outstanding signed loans of EUR 325bn at end 2007



EIB Issuance and Treasury



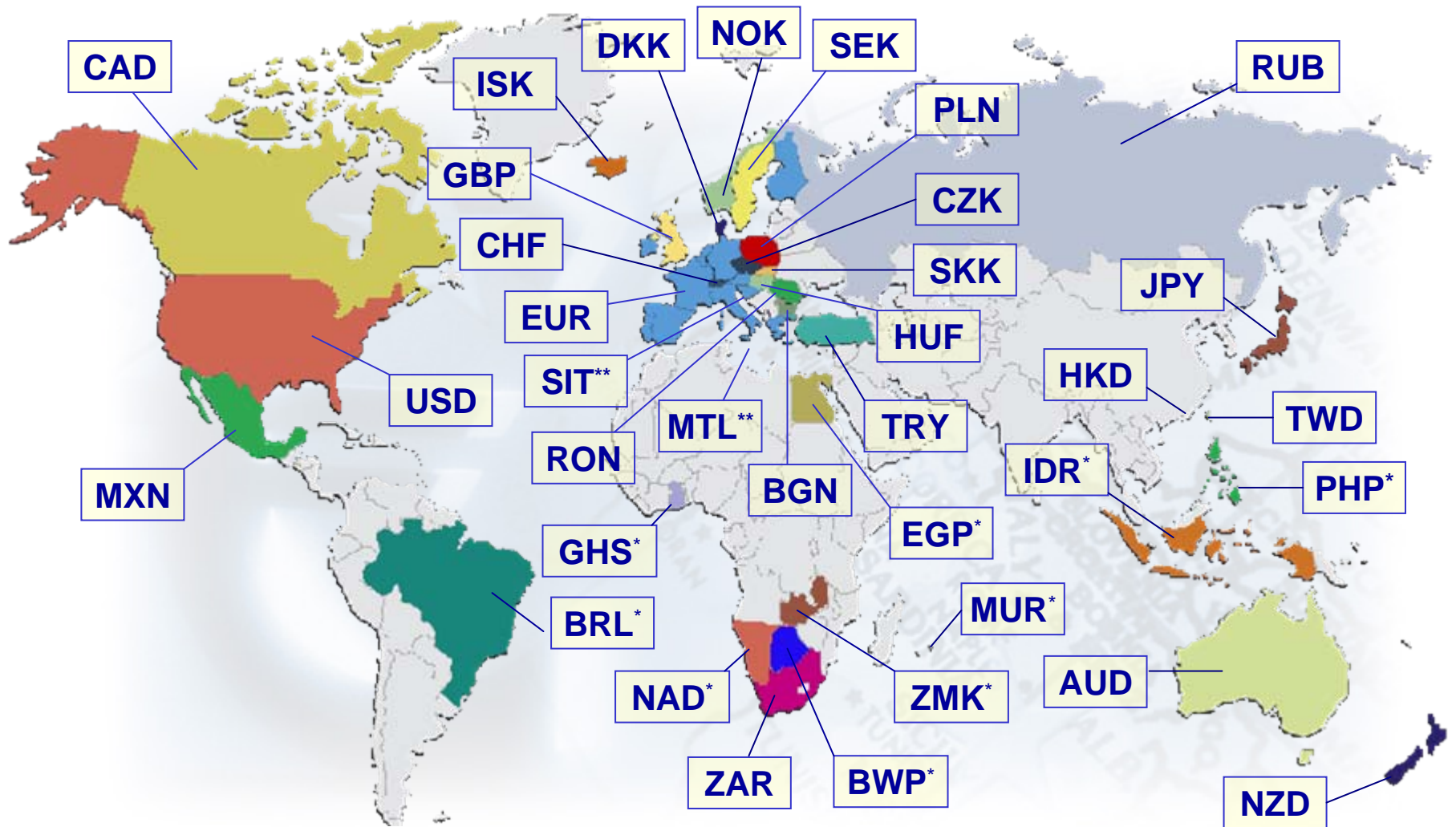
Large Volumes of Issuance Require Strategic Approach



* Estimated financial results/forecasts Apr 05-06/Apr 06-07

** Estimated financial results/forecasts are June 06-07/June 07-08

Diversification: 35 Currencies (2002 – 2008)



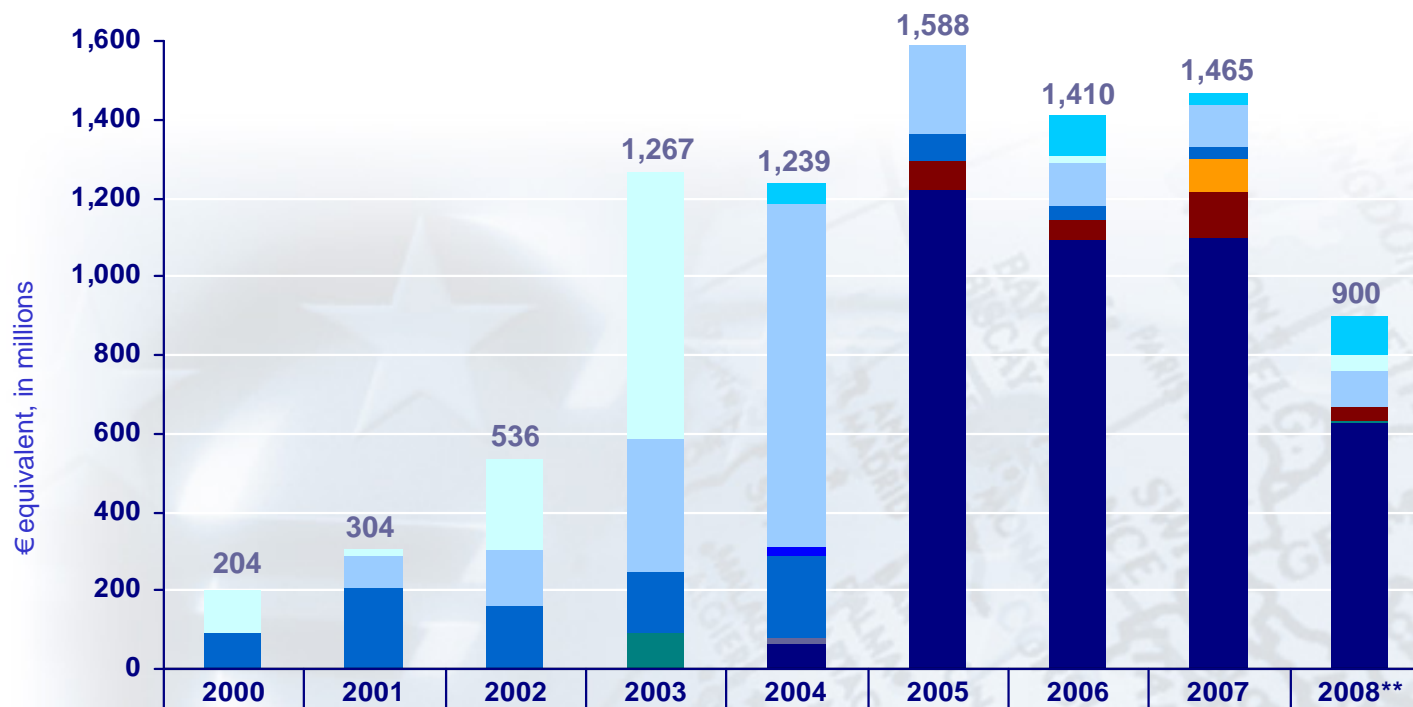
* Synthetic format
** Now member of eurozone

Local Currency Issuance

- In markets where EIB has a lending mandate, it may be possible to on-lend in local currency: clients benefiting from EIB loans seek to reduce FX exposure and to obtain long-term funding to match cash-flows
- EIB seeks to aid the development of local currency bond markets to facilitate the channelling of international and domestic savings into productive investment
- EIB issuance aids development of local currency markets by
 - ✓ improving market infrastructure, including legal framework
 - ✓ providing product diversity and encouraging liquidity
 - ✓ deepening and extending the maturity profile
 - ✓ attracting new investors to the market



Local Currency Borrowing - New Member States, Accession and other Eastern European Countries



	2000	2001	2002	2003	2004	2005	2006	2007	2008**
■ BGN	-	-	-	-	51	-	102	28	100
■ CZK	111	16	233	678	-	-	18	-	40
■ HUF	-	79	140	339	880	222	110	108	93
■ MTL	-	-	-	-	23	-	-	-	-
■ PLN	93	209	163	156	203	73	32	27	-
■ RON	-	-	-	-	-	-	-	90	-
■ RUB	-	-	-	-	-	71*	53*	115	34
■ SIT	-	-	-	-	17	-	-	-	-
■ SKK	-	-	-	94	-	-	-	-	7
■ TRY	-	-	-	-	65*	1,222	1,095	1,097	626

* Synthetic Format
 ** as of 20 June 2008



Milestones in Local Currency Issuance

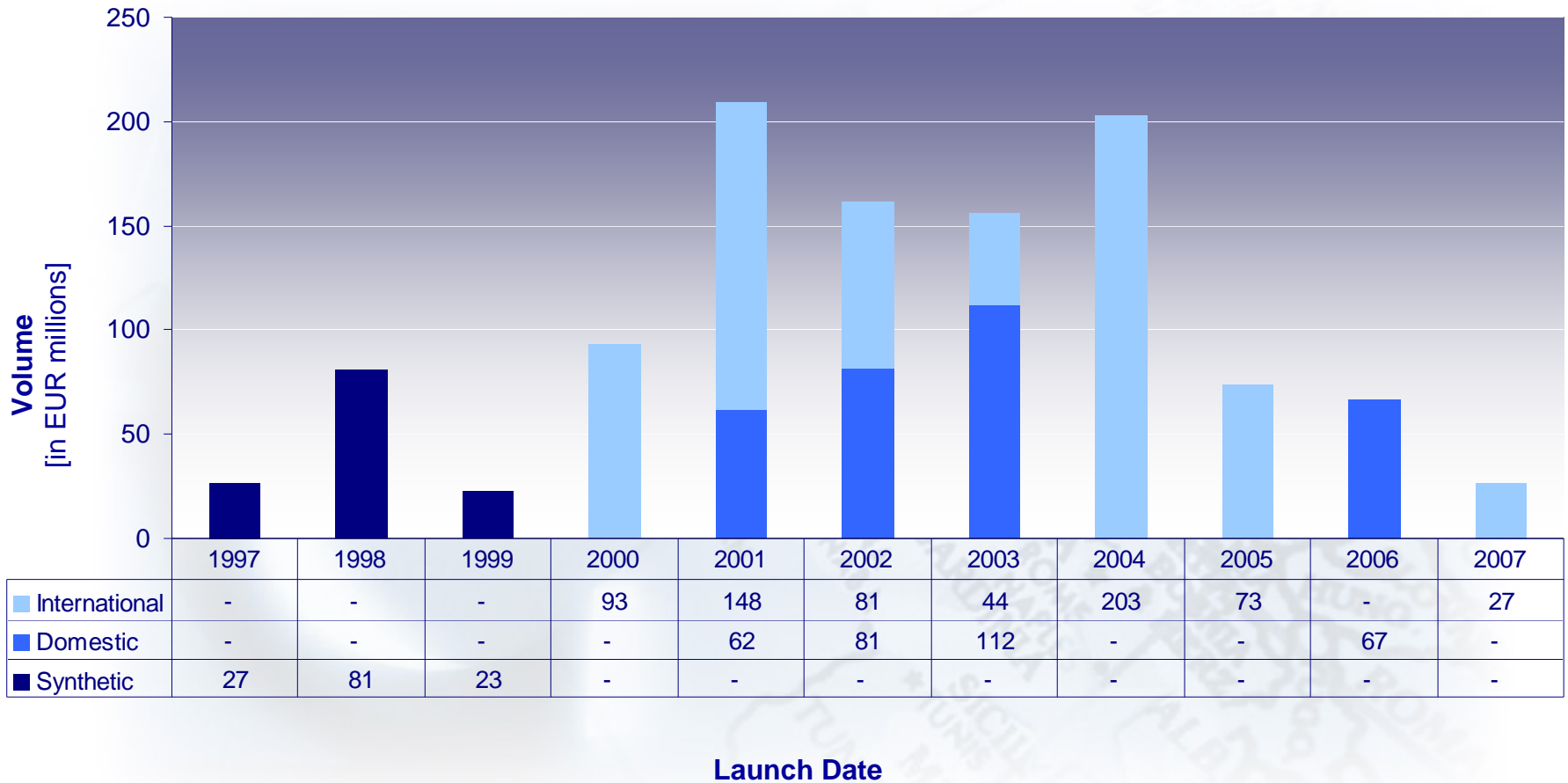
NMS, Accession and other Eastern European Countries

- 1996: First CZK bond issue in the international markets**
- 1997: Launch of first domestic debt issuance programme in Hungary**
- 1998: Launch of first domestic HUF bond issue**
- 1999: Launch of domestic debt issuance programme in the Czech Republic**
- 2001: Launch of domestic debt issuance programme in Poland**
- 2003: Launch of first 25-year SKK bond issue**
- 2004: Maltese lira, Slovenian tolar, Bulgarian lev, and Russian rouble and Turkish lira (both in synthetic format) added as currencies of issuance**
- 2005: New Turkish lira added as currency of issuance, raising EUR 1.2bn equivalent via 44 transactions**
- 2007: Romanian leu and Russian rouble added as currencies of issuance**



Case Study I: Issuance in Polish zloty (PLN)

From synthetic format to international and finally domestic issuance



Case Study II: Issuance in Romanian lei (RON)

- **Reverse enquiry received for international short maturity RON issue in early 2006: Romanian authorities request that EIB issues on domestic market which is currently restructuring**
- **July 2006: new Romanian settlement system in operation. First domestic issues by foreign borrowers at short maturities**
- **December 2006: Government announces resumption of domestic RON borrowing programme after 18 months' absence: requests EIB to issue on domestic market at longest possible maturity**
- **April 2007: Government launches RON 1 billion 5 year bond**
- **April 2007: EIB launches domestic market's first 7 year bond for RON 300 million.**



Looking to the Future

- **Opportunities for issuance in further currencies in these regions**
- **Opportunities for issuance in further domestic markets, by strengthening relationship with local counterparts and establishing an active dialogue with all market participants**
 - e.g. development of local infrastructures in corporation with Ministries of Finance, Central Banks, Regulators, Clearing Houses, Stock Exchanges and other local authorities
- **Establish local currency liquidity pools where appropriate to make local currency funds available to local EIB projects**
- **Respond to specific investor needs, including longer maturities and tailor-made issues**
- **Enhance secondary market liquidity and extend maturities**
- **Encourage development of long term swap markets**



EIB Treasury Activities

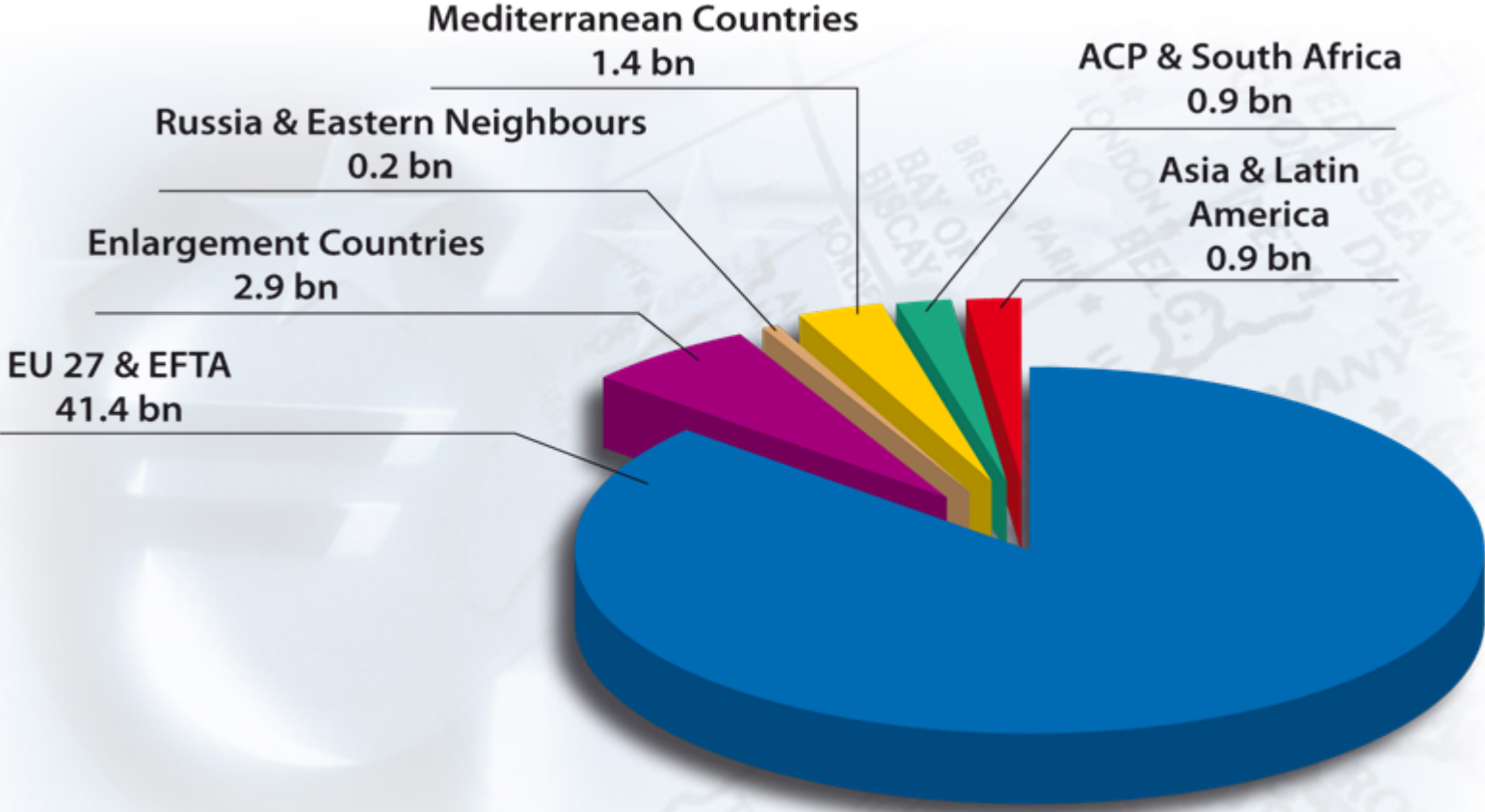
- **Main purpose liquidity management : investment of receipts of bond issuance, lending, bond redemptions**
- **14 currencies, current size : €28 bio**
- **CP program (€15 bio ceiling, current outstanding €8 bio)**
- **Local currencies supported : ZAR (1999), CZK (2000), PLN (2001), HUF (2003), SKK (2004), TRY (2007)**



EIB Lending in CEE

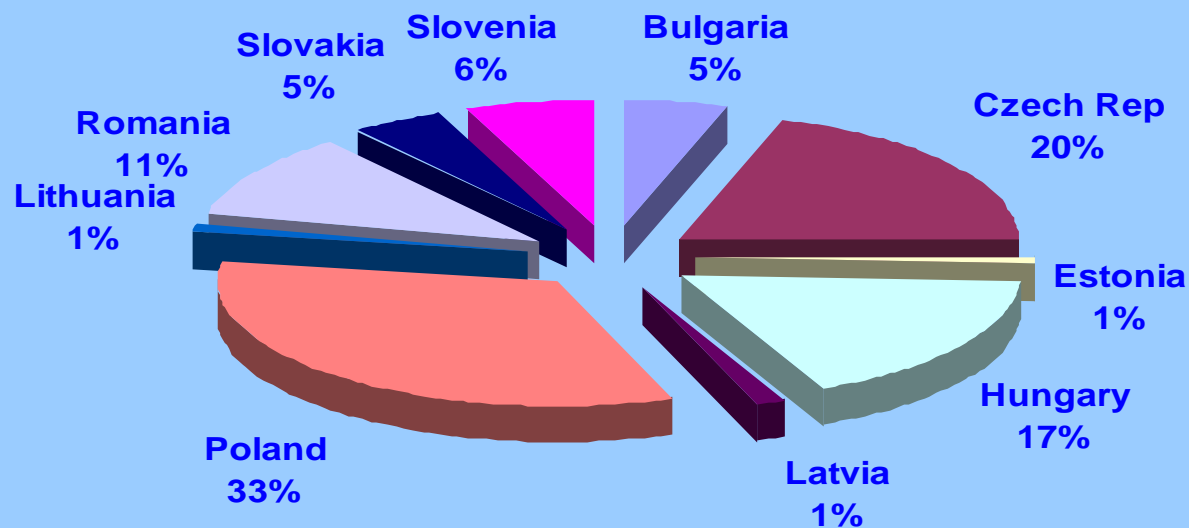


EIB lending in 2007 (in EUR billion)



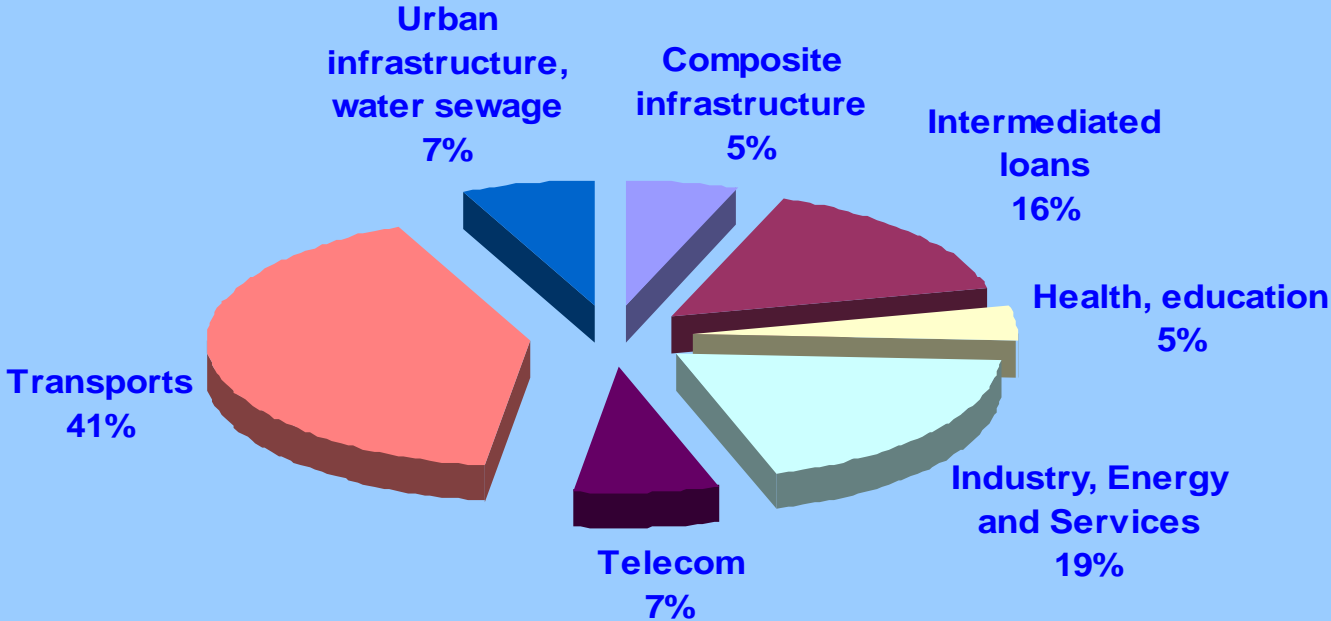
EIB lending in CEEC's

EIB lending in CEECs in 1990-2007 per country
(EUR 47 bn)



EIB lending in CEEC's

EIB lending in CEECs in 1990 - 2007 per sector (EUR 47 bn)



Financing Facilities

- **2 main facilities:**
 - **Direct Loans**
 - Large-scale projects (more than EUR 25m)
 - **Intermediated Loans**
 - Small and medium-scale projects (particularly to SMEs) via national and regional intermediary banks
 - Lending decision remains with the financial intermediary
 - Often in CEEC, combined with EC grant schemes (SME, Municipal Fin. Facilities)



Wide range of lending products

- Corporate loans, project and structured finance, risk sharing etc.
- Normal and low investment grade lending.
- Structured Finance Facility for sub-investment grade including non-senior lending.
- Sub-sovereign lending to municipalities.
- PPP's
- Tailored products/lending including risk participation global loans.



Small and Medium Enterprises (SMEs)

- EIB credit lines to regional and national banks
- EIF venture capital and SME guarantees
- EIB credit lines of EUR 8.6bn in EU in 2007:
 - Industry
 - Energy and transport
 - Services, including tourism
- Total credit lines of EUR 51.5bn 2003-2007

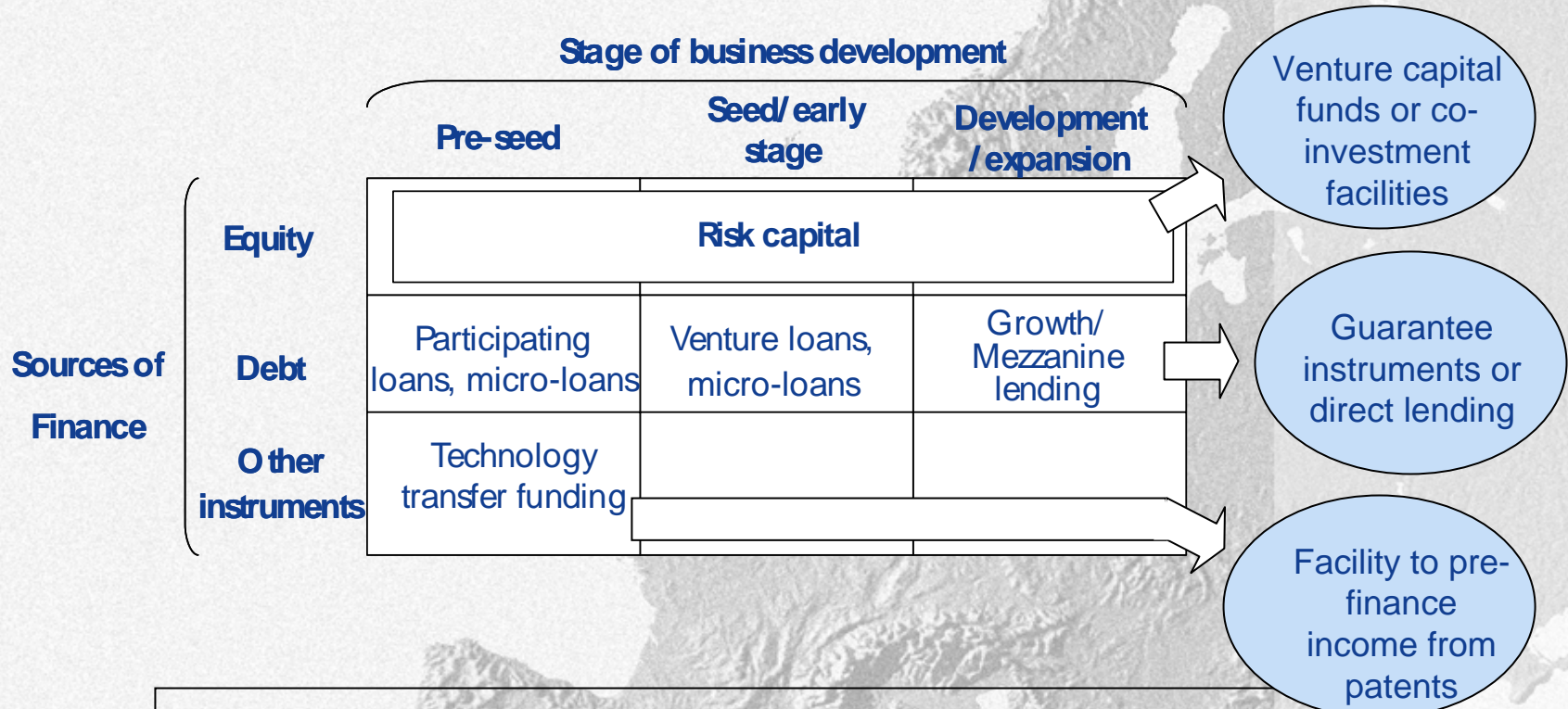


Innovative Facilities

- Initiatives with the European Commission:
 - RSFF – Risk-Sharing Finance Facility for higher-risk promoters
 - JASPERS – Joint Assistance to Support Projects in European Regions to prepare projects supported by EU Structural and Cohesion Funds
 - JEREMIE – Joint European Resources for Micro-to-Medium Enterprises in the regions to encourage more business start-ups and new ventures. Managed by the EIF
 - JESSICA – Joint European Support for Sustainable Investment in City Areas for investment in sustainable urban development



JEREMIE Overview of Possible Instruments



Not an exhaustive list: flexible approach, many instruments can be considered as long as

- 1) They constitute repayable assistance (not grants)
- 2) Address identified market gaps: JEREMIE Evaluation study

JESSICA

- ➤ Joint European Support for Sustainable Investment in City Areas
- ➤ Initiative of the European Commission (DG REGIO) launched at end of 2005, and supported by EIB.
- ➤ Applying “financial engineering” techniques to EU Structural Funds



JESSICA COMPONENTS

