

# Introducing the European Bank for Reconstruction and Development

January 2017



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for Reconstruction and Development

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Introduction to EBRD

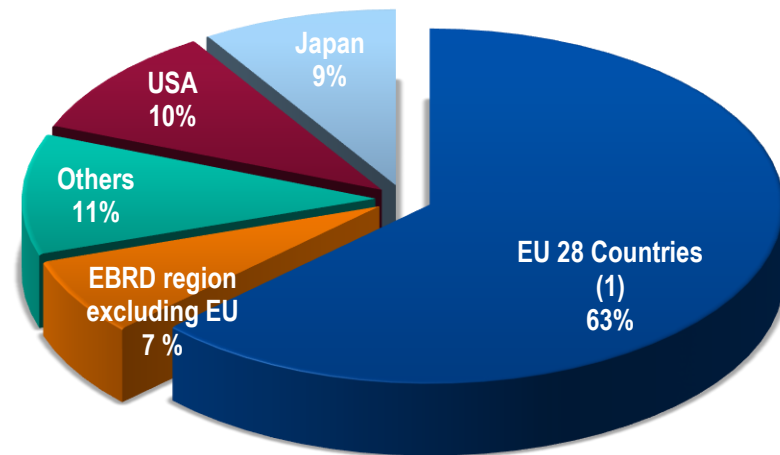
Partners together: Korea-EBRD

Select project case studies with Korean Sponsors

# What is the EBRD?

- An international financial institution, with the mandate to promote transition to modern and well-functioning markets in 36 countries from Central and Eastern Europe, Caucasus, Central Asia and the Southern and Eastern Mediterranean – SEMED region.
- Owned by 65 countries and 2 inter-governmental institutions (EU, EIB).
- Capital base of €30 billion.
- Credit rating (AAA/Aaa) from all three main rating agencies (S&P, Moody's and Fitch)
- In January 2016, China became the EBRD's 67th shareholder.

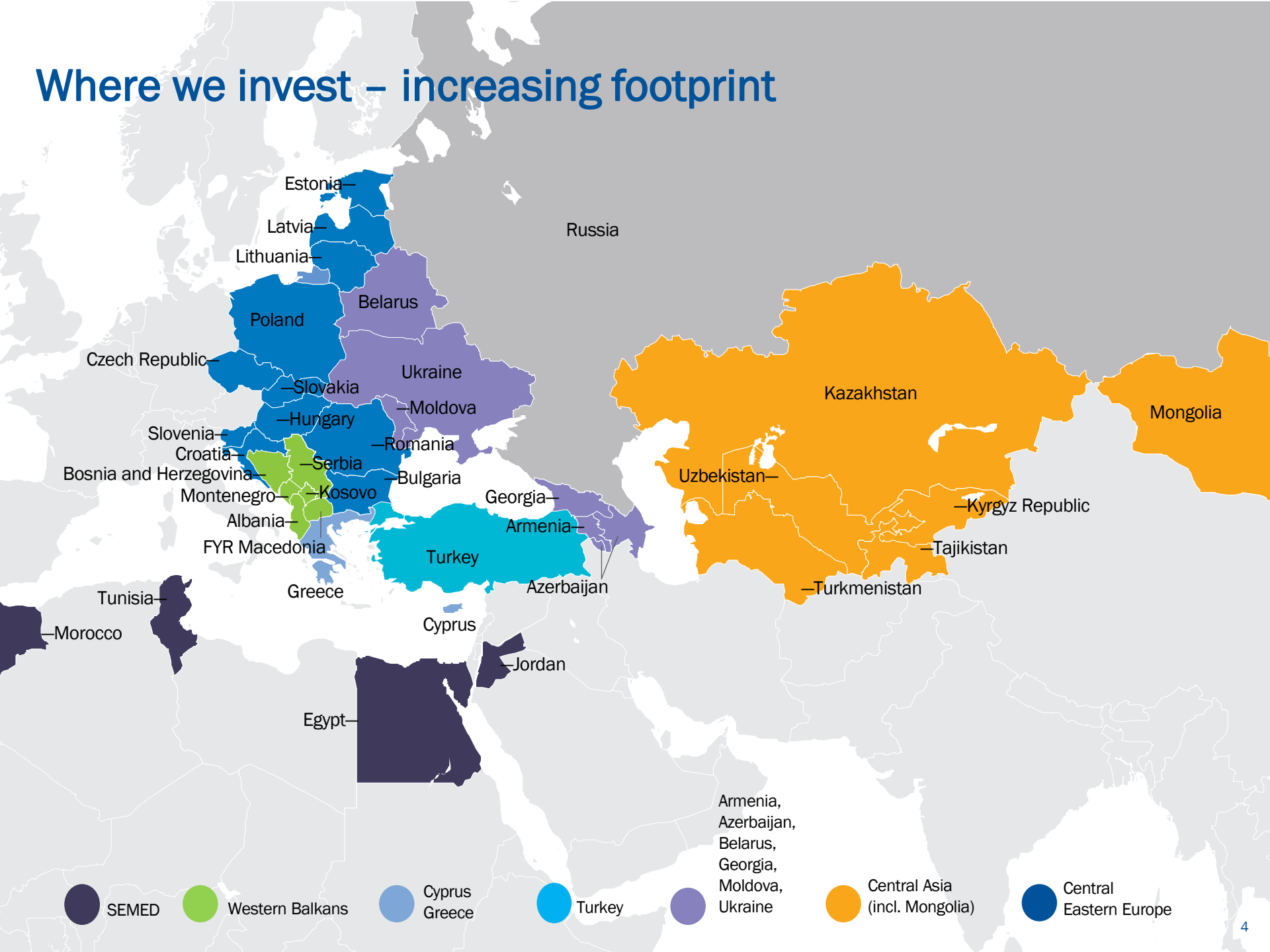
Shareholding structure



*\*Korea is a founding member of the EBRD, with a 1.00 per cent capital share.*

*(1) Includes European Community and European Investment Bank (EIB) each at 3%. Among other EU countries: France, Germany, Italy, and the UK each holds 8.6%.*

# Where we invest – increasing footprint

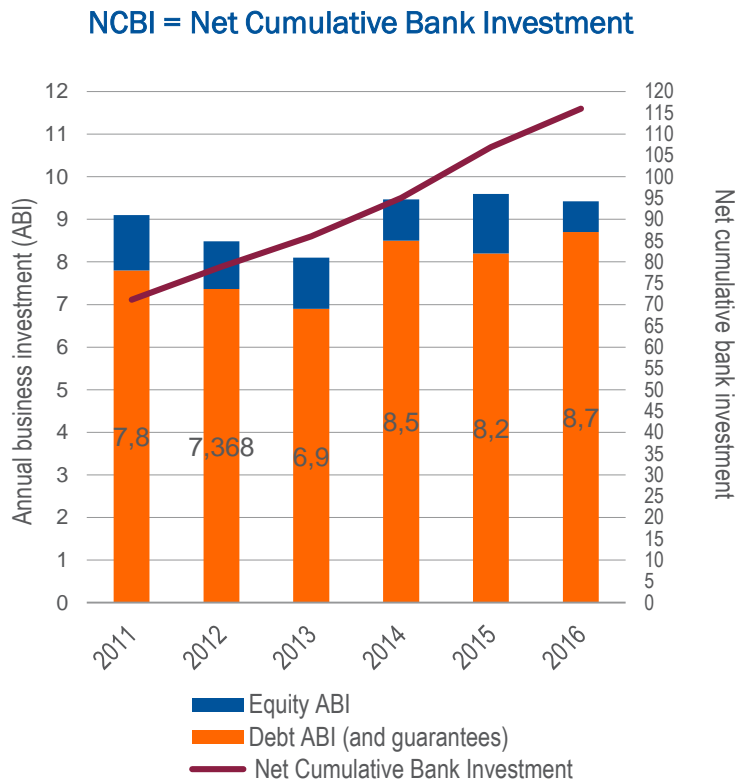


# EBRD largest investor in the region

Since 1991, EBRD invested over **€116 billion** in around **4,723** projects across private and public sectors in its countries of operations

In 2016: **€9.4 billion / 378 projects**

- Private sector accounted for 76% share
- Debt 87%, Equity 9% & Guarantee 4%



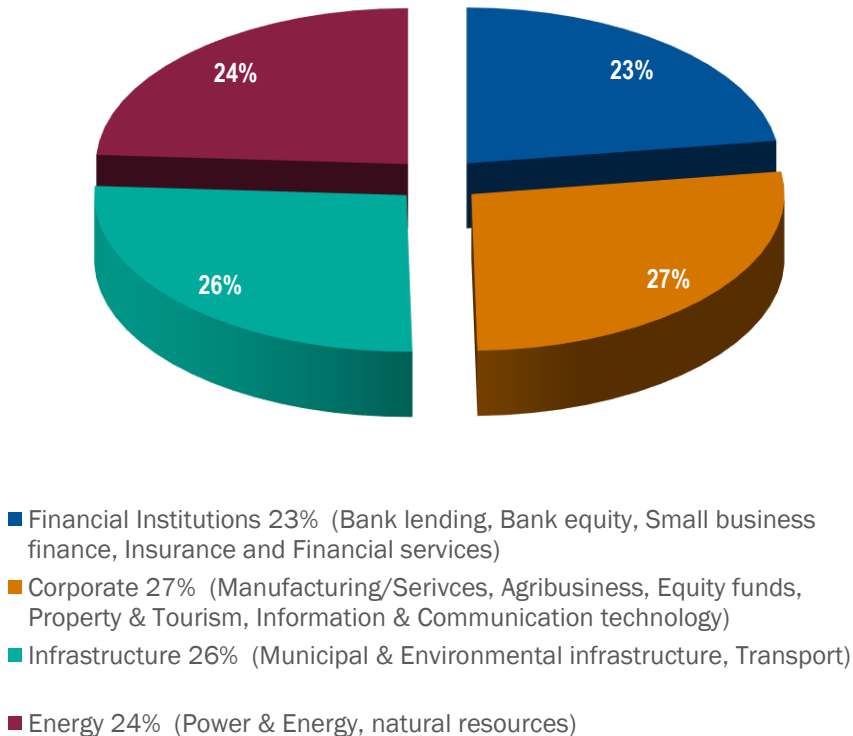
| EBRD TOP 10 INVESTEE COUNTRIES<br>IN 2015 (€, million) |            |       |
|--|------------|-------|
| 1  | Turkey     | 1,904 |
| 2  | Ukraine    | 997   |
| 3  | Egypt      | 780   |
| 4  | Kazakhstan | 709   |
| 5  | Poland     | 647   |
| 6  | Serbia     | 478   |
| 7  | Mongolia   | 467   |
| 8  | Morocco    | 431   |
| 9  | Greece     | 320   |
| 10   | Azerbaijan | 269   |

Note: unaudited as at 31 December 2016

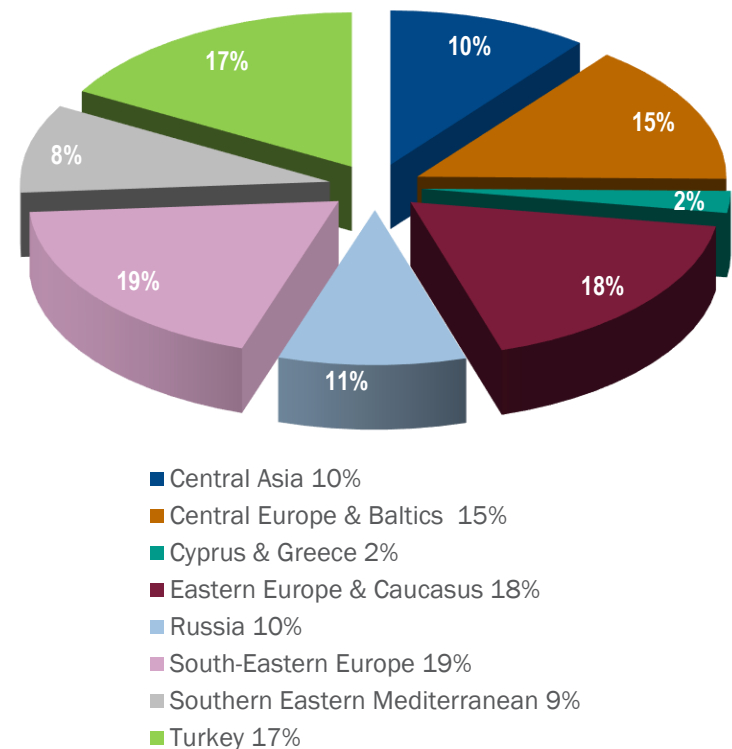
# Portfolio distribution by sector and region

EBRD Portfolio (at 31 December 2016): € 41,750 million

Sector



Region



Note: unaudited as at 31 December 2016

# The EBRD, its objectives and key strengths

## The EBRD



- Strong, internationally recognised financial partner with long-term perspective
- Operates on a commercial basis
- Wide product, currency, tenor range
- Facilitates inward and cross border investments in the region to enhance regional integration
- Promotes through policy dialogue improvements in the investment climate and necessary sector reforms
- Close working relationship with governments and shareholders
- Extensive knowledge of local economy, business environment and practices based on 25 years experience and local presence in 36 countries
- Structuring expertise and project preparation and implementation support available
- Catalyst to access additional equity, debt and trade & project finance to both private and public sector clients

## Objectives



- To promote transition to modern and well-functioning markets by investing both in the private and state sectors
- To support private sector development, privatisation and enterprise restructuring
- To improve competitiveness and promote innovation to enhance energy and resource efficiency
- To encourage environmentally sound and sustainable development
- To support better municipal services to improve people's lives
- To mobilise significant foreign direct investment



# EBRD working with commercial investors

- EBRD does not compete with commercial investors
- EBRD does not lend or invest when commercial banks or private investors can do it alone
- EBRD invites other banks to participate in its operations (syndication, co-financing)
- EBRD cooperates with other investors (supporting strategic equity investors)
- EBRD leads the market with innovative products and longer tenors
- EBRD investment of €1 “mobilises” another €3 for the project
- EBRD employs donor grant funds to blend with its projects. Donor funds and the Bank’s own resources are used to fund technical assistance for project preparation and implementation, where such assistance is required, infrastructure investments, for risk-sharing facilities and incentive payments, etc.
- EBRD provides assistance in structuring and executing investments with significant energy and resources efficiency gains as well as reduction in emissions of greenhouse gases.

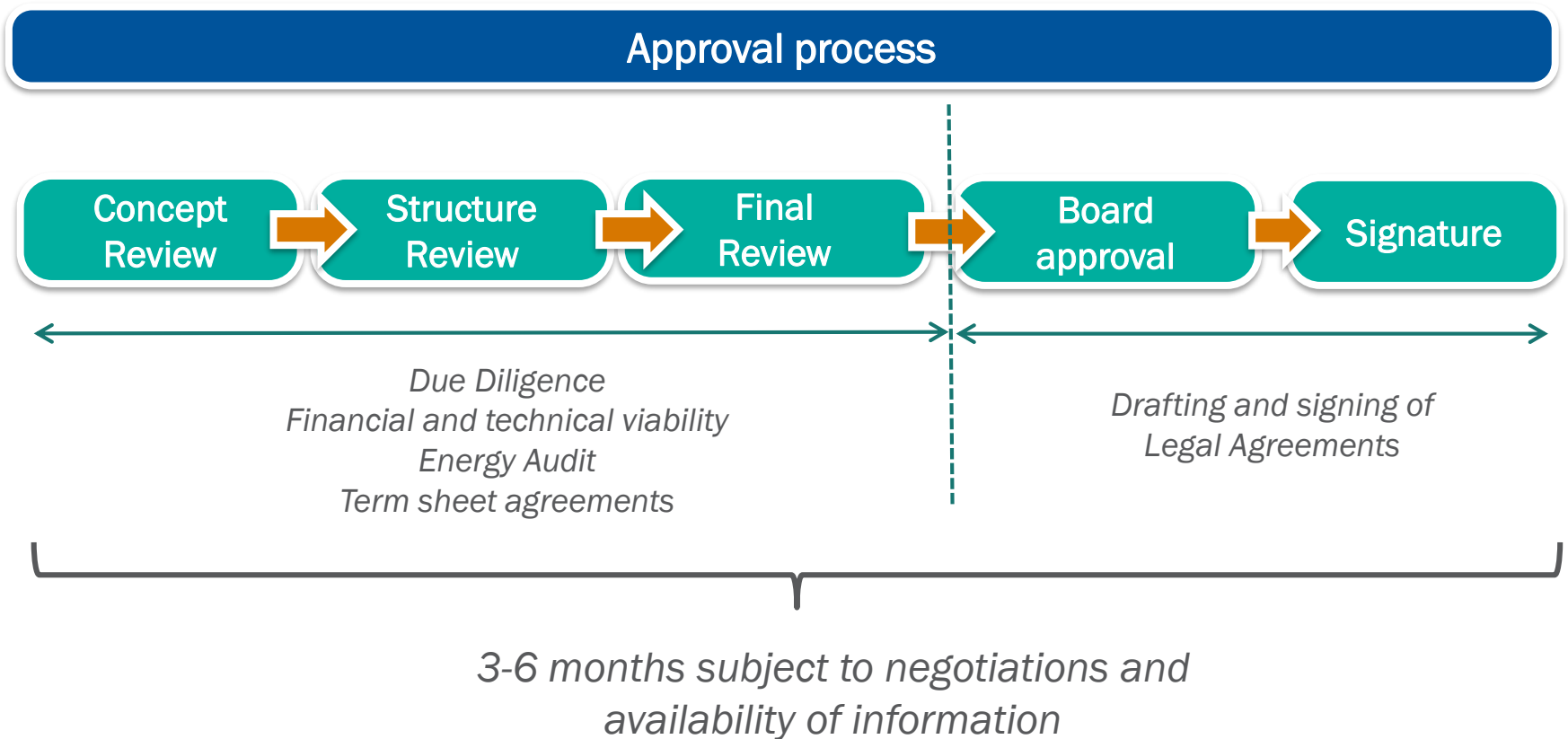


# EBRD Product Flexibility tailored to project needs

|              | Debt   | Equity   |
|--------------|--|--|
| Typical size | € 15mln+ (MEI)<br>€ 50mln+ (Transport)   | € 20mln+   |
| Term         | Up to 15 years (public sector) and<br>18-23 years (PPPs)   | Around 7 years   |
| Currency     | Major foreign currencies as well as local currency   |  |
| Approach     | Finance up to 35% of the project (60%<br>with syndication), more for sovereign   | Minority stake   |
| Structures   | <ul style="list-style-type: none"> <li>• Senior, subordinated or convertible</li> <li>• Project finance</li> <li>• Capital Market instruments (bonds)</li> <li>• Floating or fixed rates</li> </ul>  | <ul style="list-style-type: none"> <li>• Risk equity</li> <li>• Equity investor for infra funds</li> </ul> |
| Applications | <ul style="list-style-type: none"> <li>• Greenfield/Brownfield</li> <li>• Private, sub-sovereign, sovereign, quasi-corporate utility loans, PPPs</li> <li>• Capex for expansion/modernization, including resource efficiency improvements</li> <li>• Privatization, consolidation</li> </ul> |  |

Exact terms depend on specific needs and market conditions

# Risk assessment and investment strategy



## Financing requirements

Ensure appropriate returns by carefully assessing the risks:

- Management strength and strategy
- Clear business plan and project costs
- Transparency of operations
- Disclosed identity of final shareholders and corporate structure
- Identified and limited tax liability risk
- Recourse to subsidiaries generating profits and holding assets

## How to obtain finance?

- Provide EBRD with an **overview of proposed investment**
- **Commitment to cooperation**
  - clarify role of EBRD
  - mandate to initiate transaction
  - mutual understanding of corporate integrity issues
- **Project / business plan**, market analysis, strategy, ownership structure, financial analysis, risk assessment
- **Exit strategy**



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# Partners together: Korea - EBRD



# Korea and EBRD joint cooperation

The value of joint **Korea-EBRD** investment stood at **€1.4 billion** as of January 2016. EBRD finance accounted for **€0.84 billion** of this total and Korean investment accounted for **€0.56 billion**.

**Major beneficiary regions:** Turkey, Hungary, Romania and Kazakhstan.

## **Dominant investment sectors:**

- Energy: €0.47 billion
- Industry, Commerce and Agribusiness: €0.46 billion
- Infrastructure: €0.33 billion
- Financial Institutions: €0.13 billion

## **Trade Facilitation Programme**

- Since the start of the programme in 1999, EBRD has financed more than **18,300** transactions for a total amount of more than **€12.8 billion**.
- Regarding Korea:
  - **350** export and import transactions with Korea, totalling **€384 million**
  - **11** Korean Confirming Banks (as at January 2016)

## **Technical Cooperation**

- Korea has been a donor to the EBRD since 1993, and has emerged as a strong partner in recent years, contributing over **€24.7 million** in bilateral funds.
- In 2009, Korea became the 14th contributor to the Early Transition Countries Fund (ETC).
- In 2012, Korea became a contributor to the EBRD water Fund.
- Korea concentrates its support in Central Asia where a number of projects were approved in the municipal and environmental infrastructure, energy efficiency and the financial sector.
- Strategically, Korea is closely engagement in the development of Local Currency Market Initiative as well as climate change and green growth initiatives.
- Other projects supported by Korea include legal transition, policy advisory, economic inclusion and Small Business Support

# Korea and EBRD joint cooperation

## Procurement

- As of December 2015 a total of 184 public sector loan funded and EBRD administered grant contracts were awarded for a total contract value of €972.0 Million. 38 Nuclear Safety Grant funded Contracts worth € 42.4 million were also signed in 2015.
- From 2010 to December 2015, entities from Korea participated in 19 contracts worth a total of € 448.2 million out of which they won 3 contracts worth € 81.0 million, under our public sector projects. Korean entities did not participate in any tender in 2015, under Nuclear Safety Funds.

## Consultancy Services

- In 2015, two contracts with an aggregate value of €93,750 were awarded to Korean consultants, including one contract for €23,750 for the Small Business Support team for provision of management advice.

## Small Business Support

- Since 1993, Korea has provided a total of €960,000 to help small and medium-sized enterprises access business advice to grow their businesses.
- This has funded 11 projects with international industry advisers in 8 countries (Armenia, Azerbaijan, Kyrgyz Republic, Mongolia, Montenegro, Romania, Turkey, and Uzbekistan).
- The projects have been in a large range of industry sectors, including specific environmental and energy efficiency projects. In 2014, Korea contributed €360,000 for projects with international advisers in Turkey.





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# Select project case studies with Korean sponsors







## Client:

Shinhan Bank Kazakhstan (SBK), a 100% subsidiary of Shinhan Bank Korea, one of the largest financial institutions in South Korea.

## EBRD finance and use of proceeds

Two medium-term senior loans in the amount of:

- USD 15 million in KZT equivalent for on-lending to eligible private micro, small and medium sized enterprises (MSMEs) in Kazakhstan (MSME loan); and
- USD 5 million in KZT equivalent for on-lending to eligible women-led MSMEs in Kazakhstan (WiB loan).

## EBRD value added / impact

The proposed projects will improve an access to much needed long-term local currency funding for MSMEs in the country. The projects will also effectively support SBK entering new to it market segment of MSME lending in Kazakhstan, and facilitate diversification of SBK's portfolio.

The aim of the WiB loan is to promote women's entrepreneurship and women's participation in the economy through the development of a strong small business sector in Kazakhstan. For this purpose the WiB loan will also be complemented by the development of sustainable credit mechanisms targeted at women-led MSMEs through technical assistance to SBK and technical support for women-led SMEs in accessing know-how, non-financial business development services and networking opportunities.

*Signed in 2016*



# Case study: Kirikkale CCGT Turkey



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## Borrower

ACWA Guc (Samsung C&T is a 10% equity holder.)

## Sponsor

ACWA Power International

## EBRD finance

US\$250 million A+B senior secured loan, sculpted semi-annual repayments to maintain a minimum ADSCR.

## Co-financiers

US\$164 million IFC A+B / US\$150 million Korea ExIm Bank

## Project

The first truly limited recourse project financing in the power sector in Turkey. The loan, signed in 2014, will be used in constructing one of the most efficient base load power plants in Turkey with gross efficiency of more than 59%.

Signed 2014





# Case study: Eurasia Tunnel Turkey



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**Borrower:** Avrasya Tuneli Isletme Insaat ve Yatirim A.S.

**Sponsors:** Yapi Merkezi and SK E&C Group

**Type of PPP contract:** Build – Operate – Transfer (BOT) (30.5y concession including 55m construction period)

**EBRD finance:** EUR 137.2 million (equivalent of USD 150 million) senior loan with a 18 year tenor with a total project cost of EUR 1,139.3 million.

**Other senior lenders:** EIB (USD 150m), KEXIM (USD 250m) direct facilities SMBC, Standard Chartered, Mizuho under Kexim Cover (USD30m) and Ksure Cover (USD180m)

## Use of proceeds and EBRD value added / impact

To design, finance-build-operate and transfer concession for the Istanbul Strait Road Tube Crossing

The investment provided for expansion of private sector participation in the provision of capital, as well as project management, construction and operational expertise in the country. The investment broadened and further consolidated the benefits of private sector involvement in the transfer of benefits in terms of cost efficiency and timely delivery of a large infrastructure investment.

It was an advanced BOT model developed for large infrastructure projects and this model has used later on Gebze–Izmir highway and 3<sup>rd</sup> Bosphorus Bridge project.

Signed 2012



EBRD Sustainability Award 2015  
Infrastructure Deal of the Year

Industry Recognition 2012  
Infrastructure Deal of the Year



# Case study: LG Russia



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## Client:

OOO LG Electronics RUS, subsidiary of LG Electronics Inc, Korea

## EBRD finance

USD 10 million long term senior loan.

Total project cost: US\$ 120 million

## Use of proceeds and EBRD value added / impact

Construction and operation of a greenfield production facility for digital electronic equipment (TVs and audio equipment) and white goods (washing machines and refrigerators) in the Ruza region of Russia, 70 km from Moscow

Develop the domestic component manufacturing industry; skills transfer to local employees; greater competition and demonstration effect; foster market efficiency, innovation and higher standards; improve corporate governance and business standards

*Signed in 2006*





# Case study: SK Eurochem Poland



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## Client:

SK Chemicals (main sponsor), LG International (off-taker) and Anwil (Poland)

## Total value of project

€54.9 million, of which EBRD finance €15.2 million (€13 million loan, €2.2 million equity investment)

## Co-financing

Parallel loan from Raiffeisen, Nordea Bank and Export-Import Bank of Korea

## Use of proceeds and EBRD value added / impact

Construction and operation of a 120,000 tpa PET resin manufacturing facility in Poland

Demonstration effect and transfer of skills in Polish chemical sector

*Signed in 2002*



# Case study: Korean Telecom – NTC Russia



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## **Client:**

NTC, a private mobile GSM operator and carrier of landline telephony services in the Primorsky Krai region in the Russian Far East. Until the EBRD loans were fully repaid in 2010, Korea Telecom owned 80 per cent of the Company.

## **EBRD Finance**

Loan of up to USD 17 million in 1999 followed by a USD 5 million loan in 2010

## **Use of proceeds and EBRD value added / impact**

Financing the purchase and installation cost of telecommunications equipment to establish a GSM network in Primorsky Krai.

Support a key player in the Russian Far East mobile telephony market, accelerating the development of telecoms infrastructure in Primorsky Krai; increase the provision of telephony services and contribute to the development of competition.

*Signed in 1999*



# Case study: UzDaewoo Bank Uzbekistan



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## **Client:**

Daewoo Securities Corp (main sponsor), KorAm Bank (both Korea), National Bank of Uzbekistan

## **Project**

Establishment of a new commercial bank in Tashkent

## **EBRD Finance**

US\$ 2.5 million Equity investment (25 per cent stake)

## **Terms**

Exit through a Put to Daewoo Securities



*Signed in 1998*



# Contacts

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