



European Bank
for Reconstruction and Development

EBRD: A Partner in Growth Markets

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Venice

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- **Who we are**

International Financial Institution founded in 1991 with 64 government and supranational shareholders.

- **Our mission**

To promote **transition to open, market-based economies** in 34 countries from Central Europe to Central Asia and the Southern and Eastern Mediterranean

- **What we do**

Provide **long-term debt and equity** finance, as well as technical assistance, to the **private sector**

- **Credit strengths**

AAA/Aaa/AAA rating with stable outlook

Strong support from diversified global shareholder base

To foster open, market-oriented economies and promote private and entrepreneurial initiative in the EBRD's countries of operations through investments based on:

- **Promoting transition**

Through projects that expand and improve markets, and help build the institutions that underpin the market economy

- **Sustainability**

Investments meet the highest social, environmental, governance and integrity standards, supporting sustainable private sector development

- **Sound banking principles**

Ensuring the project returns are consistent with private sector market practice commensurate with the risks and are

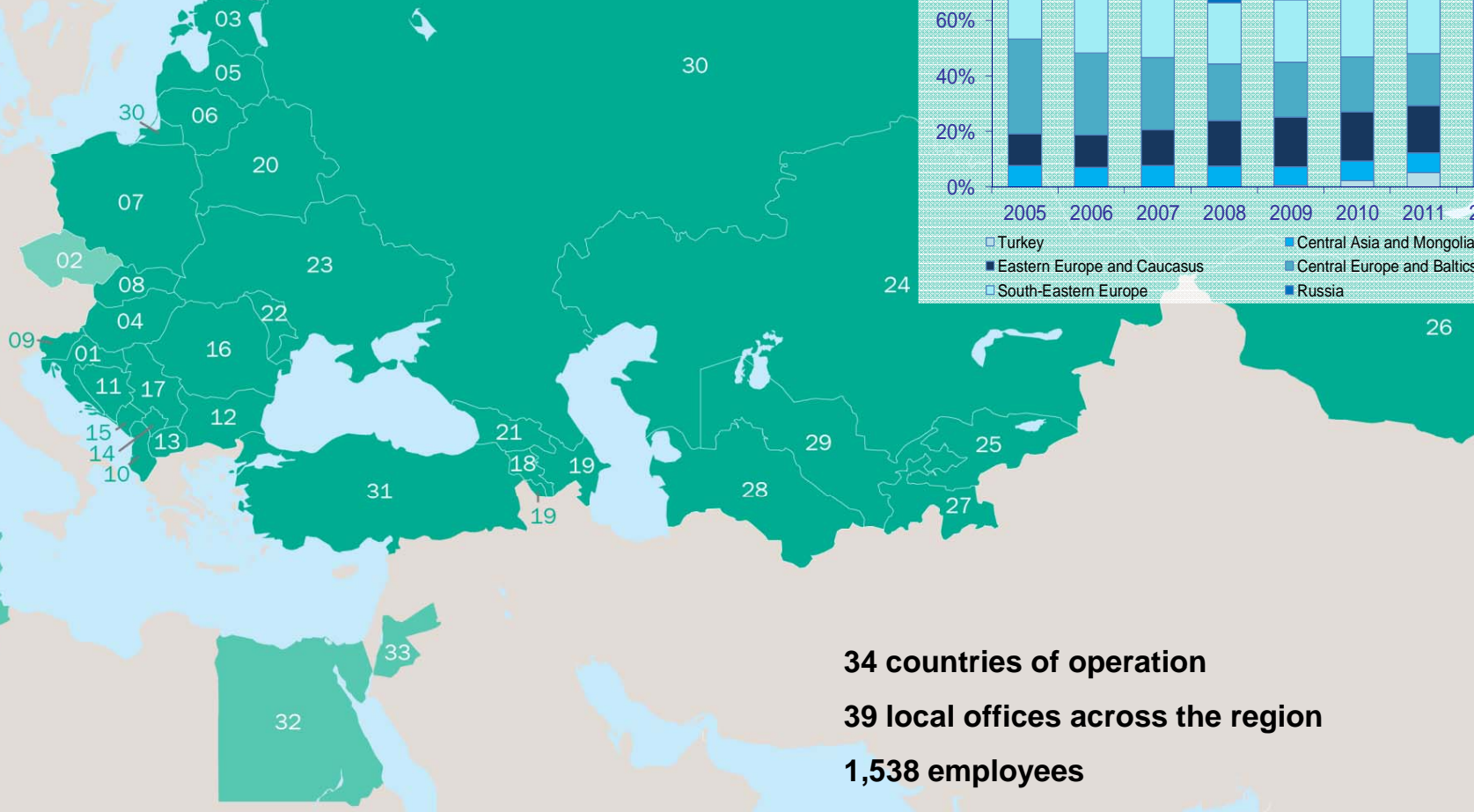
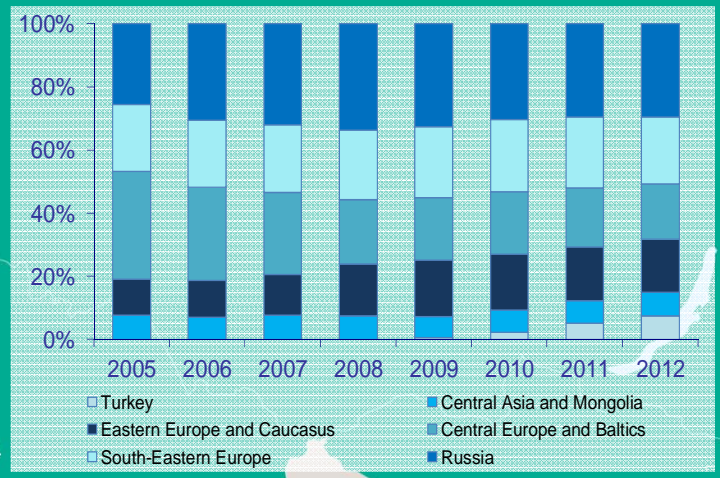
- **Additionality**

Financing projects which would not solely be funded by other private sector commercial banks or PE funds, demonstrating EBRD's value added

Where we operate

March 2013

Operating Assets by Region at end-2012



34 countries of operation
39 local offices across the region
1,538 employees

POTENTIAL RECIPIENT COUNTRIES

- Southern and eastern Mediterranean**
- 32 Egypt
 - 33 Jordan
 - 34 Morocco
 - 35 Tunisia

EBRD COUNTRIES OF OPERATIONS

Central Europe and the Baltic states	South-eastern Europe	Eastern Europe and the Caucasus	Central Asia	
01 Croatia	10 Albania	18 Armenia	24 Kazakhstan	30 Russia
02 Czech Republic*	11 Bosnia and Herzegovina	19 Azerbaijan	25 Kyrgyz Republic	31 Turkey
03 Estonia	12 Bulgaria	20 Belarus	26 Mongolia	
04 Hungary	13 FYR Macedonia	21 Georgia	27 Tajikistan	
05 Latvia	14 Kosovo	22 Moldova	28 Turkmenistan	
06 Lithuania	15 Montenegro	23 Ukraine	29 Uzbekistan	
07 Poland	16 Romania			
08 Slovak Republic	17 Serbia			
09 Slovenia				

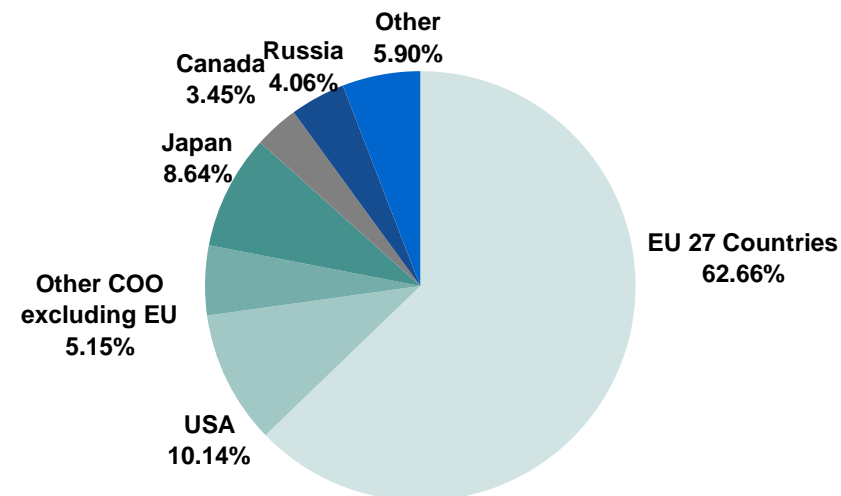
In 2011 the EBRD launched donor-funded activities in the southern and eastern Mediterranean (SEMED) region, in support of the countries which are undergoing important political and economic reforms.

*as of the end of 2007, the EBRD no longer makes investments in the Czech Republic.

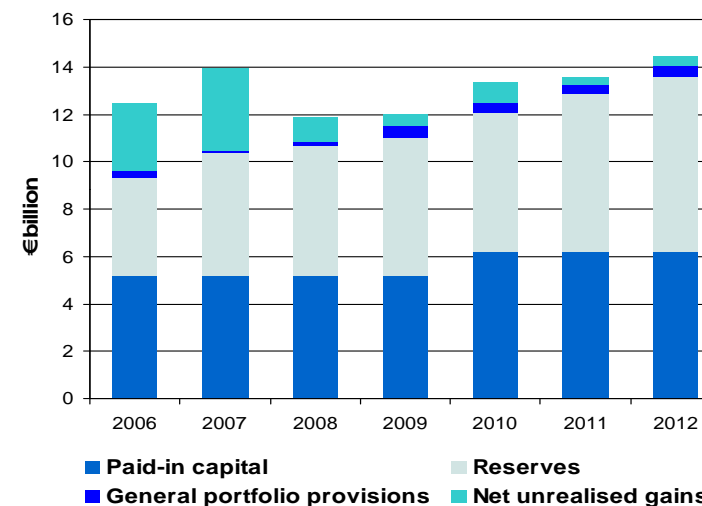
EBRD Capital Structure

- 57% of shareholding is G7, 63% EU members and 84% is OECD
 - US largest shareholder with 10.14%
- €30 billion authorised capital
 - €6.2 bill paid-in / €23.8 billion callable
- Strong capital accumulation through retained profits (€8 billion as at Q1 2013)
- Core Tier 1 capital ratio of 32% (standardised) / 18% (Foundation IRB)
- Strong capital position and performance underpin AAA/Aaa/AAA rating (stable)
- Capital strength supports €10 billion annual equity and loan investments in CEE and SEMED

Global Shareholder Structure



Capital and Reserves



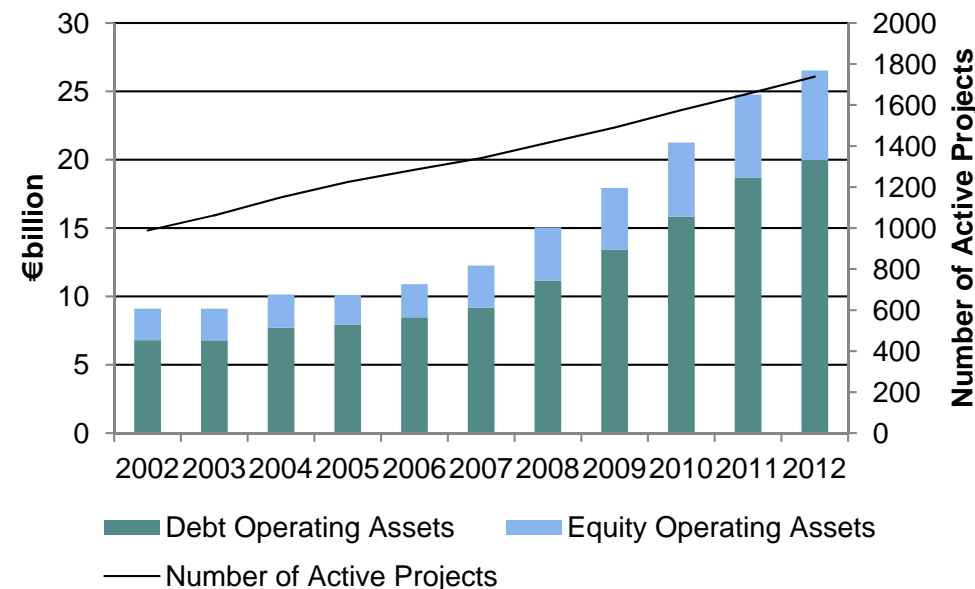
EBRD Diversified Investments



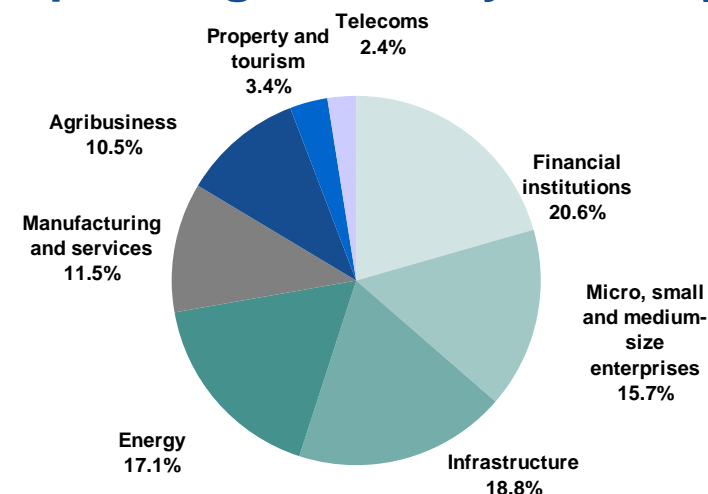
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- **€27 billion operating assets (OA):**
 - Debt: €20 billion
 - Equity: €7 billion
- **1,801 portfolio investments**
 - Debt: 1,395 investments
 - Equity: 406 investments
- **Loan investments:**
 - Average size €15 million
 - Average loan margin 3.3%
 - Internal rating equivalent of 'B'
 - Average life 7.5 years
 - NPLs at 3.4% of total loan assets
- **Equity investments:**
 - Average size €17 million
 - Average holding period 6.5 years
 - Realised Net IRR 16% and 2x money multiple for exited direct equity investments

Development of Operating Assets



Operating Assets by Industry



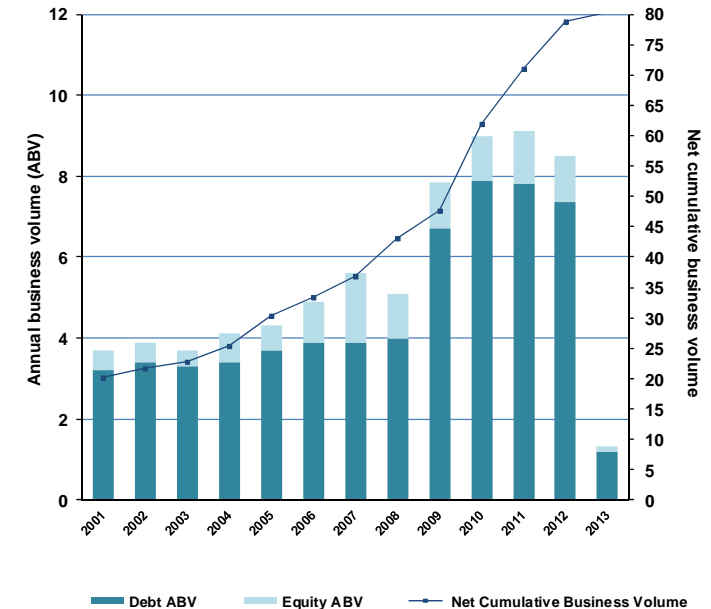
What makes EBRD Unique



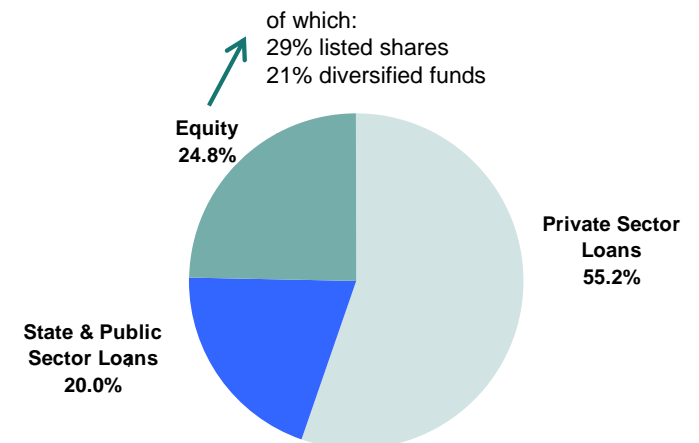
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- **Private sector** focused mandate making long-term investments “through the cycle”
- Strong **local presence** through 39 offices in 35 countries across CEE and SEMED
- **20 year track-record** of long-term loan and equity investment in transition countries
- Promoting **sustainable investment** through environmental, social, governance and integrity policies and action plans
- **Preferred creditor status** with IFI privileges and immunities protecting EBRD investments
- Strategic focus on development of local currency financing and **local capital markets**
- Lending and equity investment to micro, **small and medium-sized enterprises**

Growth in Annual Investment



Total Operating Assets by Type



Institutional Investment Partnership



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The EBRD is looking to establish strategic partnerships with institutional investors to co-invest in the Bank's equity and debt investments.

These partnerships with institutional investors will fulfill a key strategic objective:

1. **Mobilise long-term investment** into EBRD's region in accordance with its strategic mandate to finance private sector growth
2. **Provide long-term capital** that will enable the Bank to make additional investments in its region of operations, especially the new SEMED region
3. **Demonstrate an alignment of interest** of institutional investors with the EBRD's investment model and processes.
4. **Creating a unique public–public partnership** for sustainable long-term private sector investment in the EBRD's Transition region of Central and Eastern Europe

Opportunity for Institutional Investors



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Strategic partnership with the EBRD will provide institutional investors with:

1. Unique investment opportunity to invest in a **diversified portfolio** across the growth region (Central and Eastern Europe including Turkey) and industry sectors
2. Attractive **risk return profile** in equity and debt, supported by a 22-year track record of low loan losses and high realised equity returns
3. Compliance with the **highest ESG standards** (fully UN PRI compliant), addressing the key environmental, governance and integrity challenges in the region
4. Unparalleled **CEE origination capabilities**, given the Bank's local presence and influence, with 39 offices in 34 countries, benefitting from the experience of the largest foreign equity investor in the region
5. Access to experienced pool of **1,500 banking and investment professionals** located in London HQ and across its 34 countries of operation
6. Access to investments in CEE with an IFI partner which has a **unique privileges and immunities** in its countries owing to its shareholder structure and charter
7. Partnering with an **long term investment institution** without the costs of a traditional intermediary investor.

EBRD is a **value-added, engaged long-term investor**. Consistent with the mandate to foster transition, EBRD rates and monitors how projects contribute to:

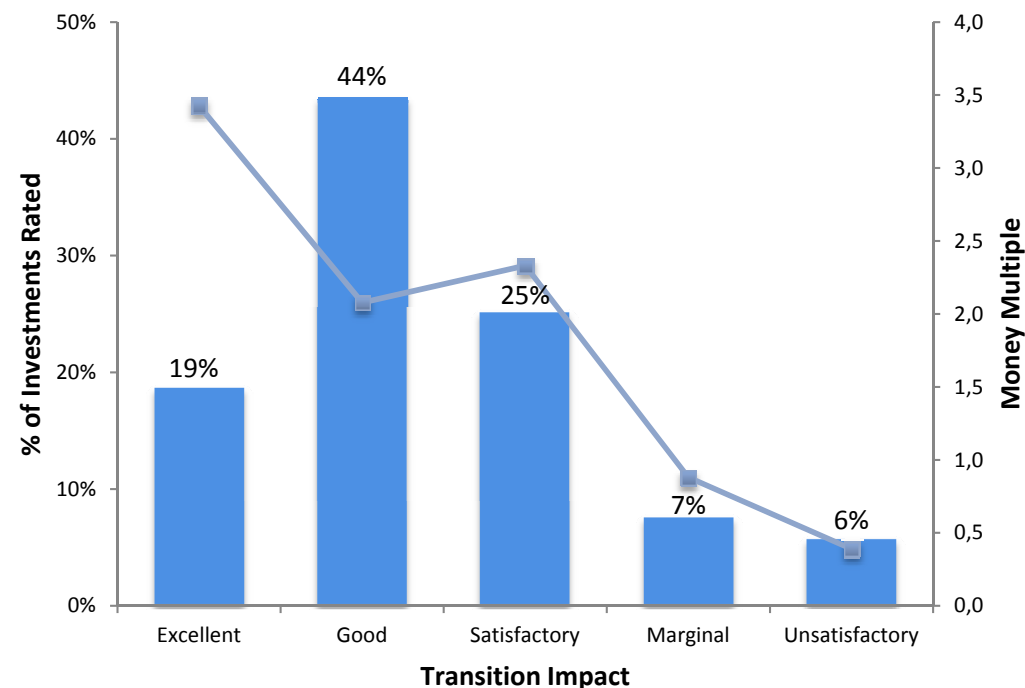
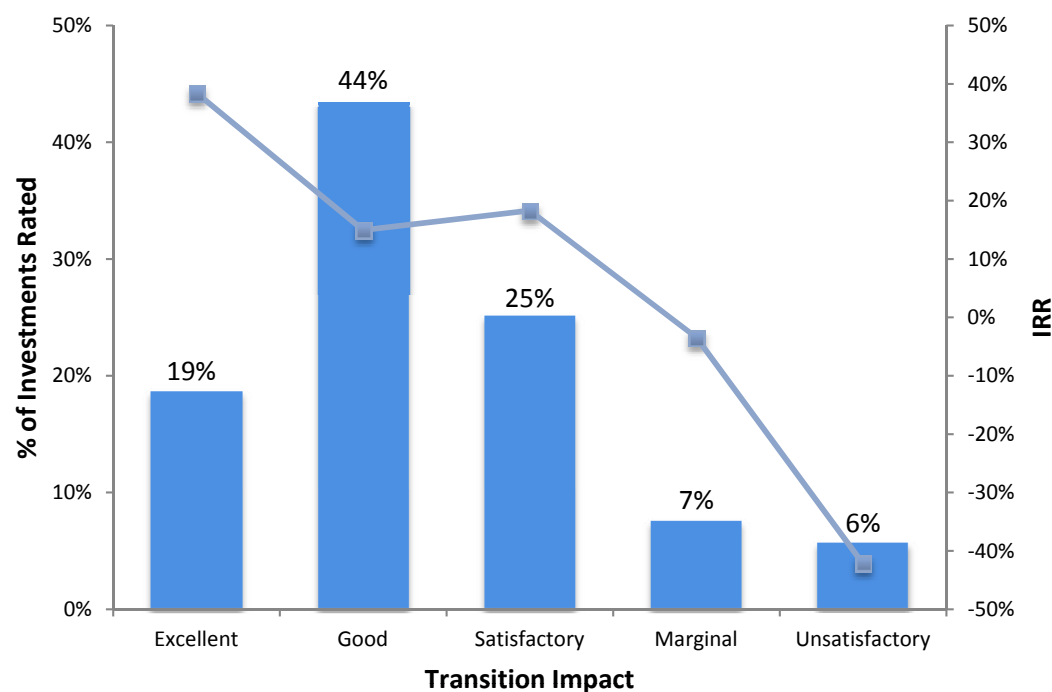
- **The structure and extent of real market economy and financial markets**
 - privatisations, attracting other investors (FDI, PE, local capital)
- **The institutions and policies that support markets**
 - banking regulation and supervision; tariff and energy regulation
- **Market-based behaviour patterns, skills and innovation**
 - standards for corporate governance, transparency, financial reporting

To support the above **market development** EBRD requires that investments comply:

- **EBRD Environmental & Social Policy** in compliance with EU standards
- **Integrity standards** on anti-corruption and non-participation of PEPs
- **Ethical investment** standards: no military, tobacco, hard liquor, gambling
- Recommendations of **international bodies** (FATF and OECD's Global Forum)

Transition Impact adds Equity Value

The TI objective is consistent with and supports the creation on investment returns



- The Transition ratings scale from Unsatisfactory to Excellent assesses the transition impact of each investment and also the risk to achieving that transition
- **Positive correlation between transition impact and realised exits returns**

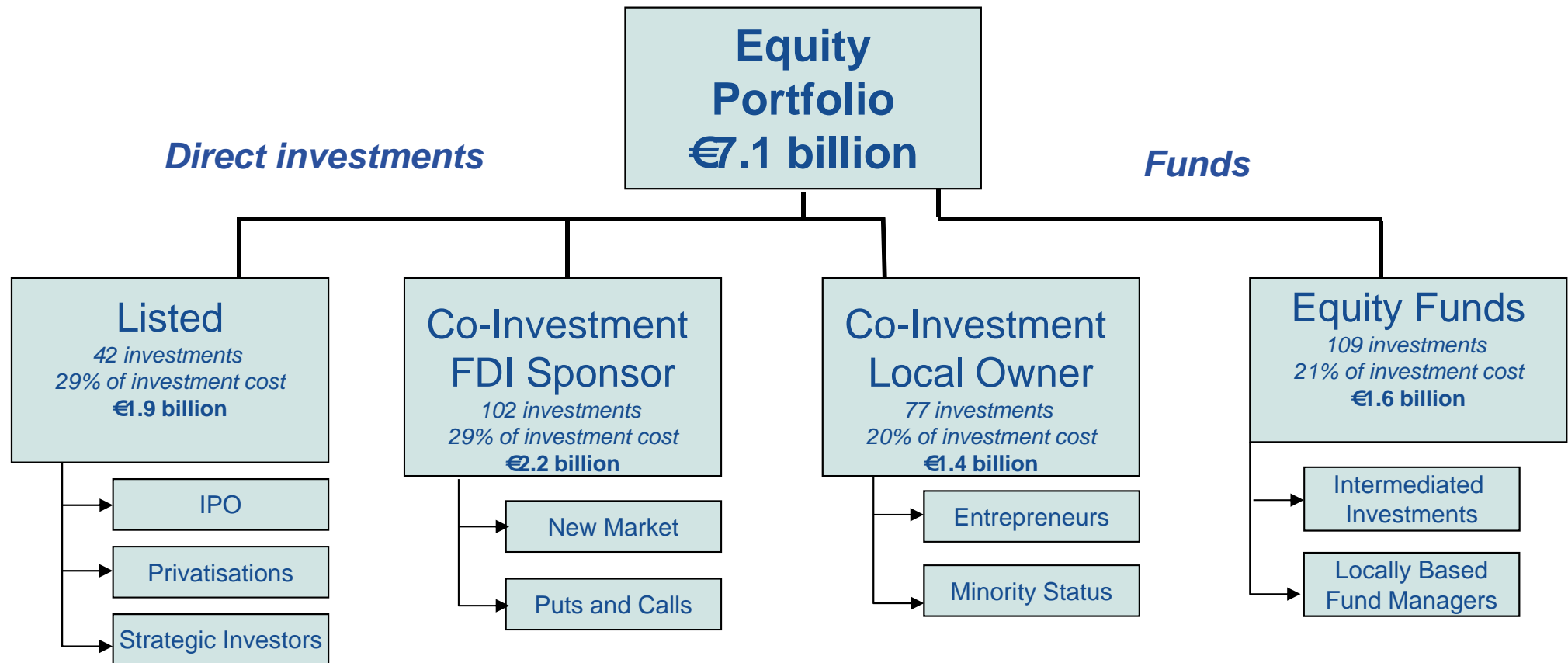


- **Environmental & Social Policy key** to the EBRD investment process:
 - **Due diligence** of all projects to benchmarks (Local & EU standards)
 - **E&S risk ratings** of all projects against EBRD performance requirements
 - Legal requirements to include **E&S provisions in financing agreements**
 - Manage an **exclusion list** of activities (eg. tobacco, military, liquor, gaming)
 - Systematic screening for climate change risks and climate mitigation opportunities
- **E&S action plan** for all projects to address corrective measures, environmental investments and improvements.
 - Management systems for E&S, Health and Safety, Energy Efficiency
 - Stakeholder engagement, community citizenship
- **E&S monitoring** of all projects:
 - 88 professionals dedicated to monitoring environmental and energy efficiency

EBRD Equity Portfolio



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Since the establishment of the EBRD in 1991, it has been the largest international equity investor in CEE/CIS, making 577 direct equity investments and exiting 339.

Objective is to achieve attractive market-based returns based on sound banking principles, whilst also meeting transition and ESG objectives

- **Proven direct equity investment strategy** of investing up to 25% of total annual investments (€ 1-2 billion *per annum*)
- Strategy to achieve financial objectives consistent with **track record of 16% average IRR** achieved on realised direct exits between 1992 and 2012, 2x multiple
- EBRD can only be a **minority investor**, up to 35%
- Flexibility of instruments offered – **equity, convertible & mezzanine**. Capacity to invest between €1-350 million per project
- EBRD makes equity investments **supporting, not competing with**, private corporate or other fund investors
- Equity investments must meet “**Transition**” **criteria** and comply with EBRD environmental, social and governance (ESG) standards
- **Strong pipeline in across all regions**. 81 direct equity projects (€2.4 billion) in pipeline. Diversified across sectors; financial institutions, manufacturing & services, agribusiness, IT/communications, infrastructure and natural resources.

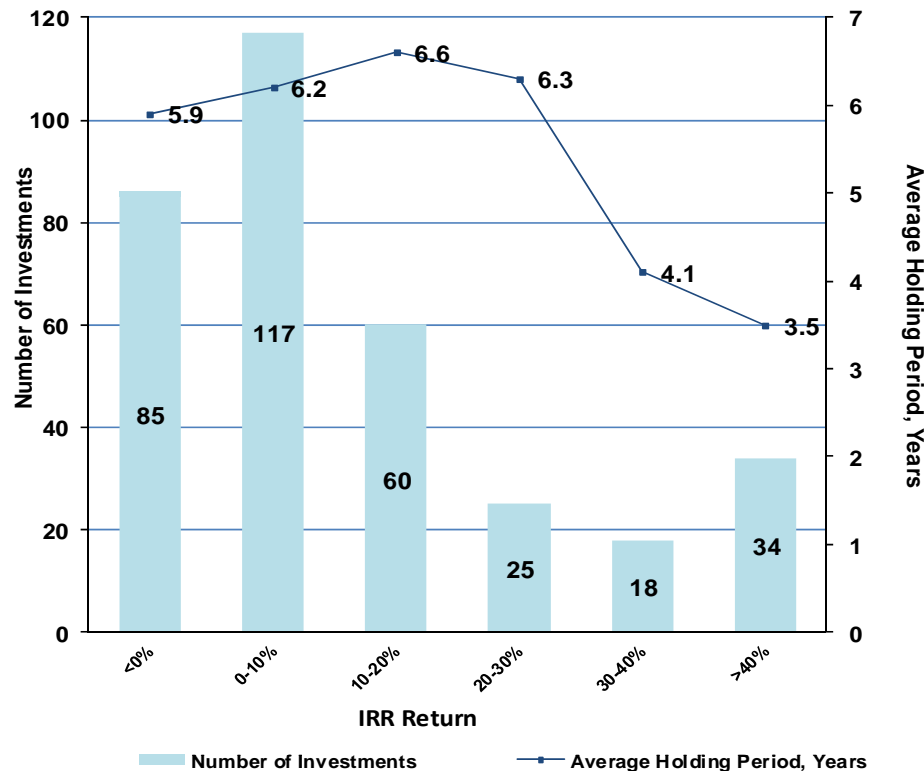
- The EBRD has appointed **more than 200 Nominee Directors**
 - All Nominee Directors, typically an independent industry specialist, occasionally an EBRD representative, receive EBRD training and meet bi-annually
- **Key areas of engagement** are:
 - **Corporate Strategy:** Review optimal strategy to maximise value, through identifying appropriate market segments
 - **Governance/ESG:** Introducing best practice in corporate governance and environmental and social standards, including equal opportunities
 - **Systems and Processing:** Creating MIS reporting and transparent IT systems
 - **Financial Management:** Optimising capital structure, reviewing budgets, planning
 - **Relationships:** Monitoring shareholder/management relationships, management changes, relationships with authorities/auditors/board committees, hiring key staff
- As a **reputable minority investor**, EBRD influences a company through board memberships given its governmental status, local presence and regional track record

Track Record in line with PE Market

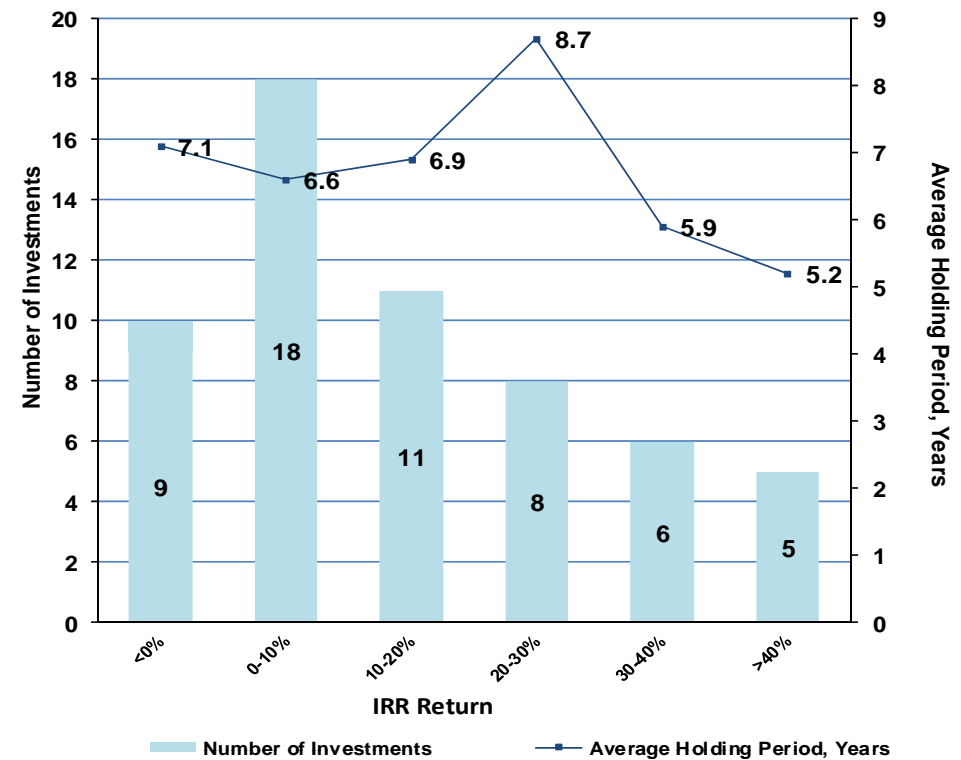


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IRRs/Holding Periods Direct Equity Investments



IRRs/Holding Periods Direct Equity Investments > EUR 20m



- Average IRR for 339 realised direct equity investments was **16% with money multiple of 2x with average holding time of 5.8 years**
- Average IRR for 57 realised direct equity investments over €20 million at cost was **17.5% with money multiple of 2.3x with average holding time of 6.7 years**

Equity Co-investment Fund (I)

- Below is the outline of a potential EBRD Equity Co-investment Fund

Indicative fund size	EUR 1-2 billion
Fund composition	<ul style="list-style-type: none">• Portfolio of minority equity stakes on 30 countries of Central and Eastern Europe, including CIS and Turkey• EBRD Direct equity portfolio, excluding PE funds• Investments follow EBRD's equity investment governance and strategy ("blind pool")
Investment vintage	New EBRD investments from 2014
Investment period	From closing date (H1 2014) to H1 2019
Size of investments	Direct equity stakes above EUR 20 million , creating in a diversified fund with 50-75 individual equity investments
Fund participation ratio	20-30% of every EBRD direct investment; a fund of €1-2 bill out of €5-10 bill EBRD equity investment strategy
Fund life	5 year investment period with 12 year life; potential fair value year 12 "sweep" by EBRD of residual holdings

Equity Co-investment Fund (II)

Investment advisor	EBRD, following the Bank's equity investment process and procedures
Investment administrator	Luxembourg-based fund service provider
Target investors	Approximately 10 Limited Partner investors representing reputable PFs and SWFs, enabling EUR 100m+ investments
Legal structure	<ul style="list-style-type: none">• Luxembourg-based fund established as a limited liability partnership• Fund will purchase equity participation notes (EPNs) issued by EBRD (AAA/Aaa/AAA counterparty risk)• Each EPN will reference a specific underlying EBRD equity investment (EBRD remains 100% shareholder)• EPNs will be entitled to dividends and exit proceeds relating to the specific underlying equity
Fee structure	No carried interest. Cost-sharing based management fee (1-2%)

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