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EBRD – Loan Syndications Activities

CBonds conference

9-11 December 2010



Agenda

- The state of the loan market
- EBRD's loan syndications activity

The key themes

Volumes are much lower

Tenors are much shorter

Spreads and fees are much higher

We see more official lenders

But some hope on the horizon ...

Spreads tightening for good credits ...

Still some bad news ...



Whilst there are some reasons for cheer many challenges remain

- Some pricing reductions
- Some longer tenors
- Some movement down the credit curve

BUT

- Unwinding of stimulus packages
- Higher interest rates
- Higher NPLs
- Basel III: liquidity and capital ratios
- Withdrawal of govt gtees on bank issuance
- USD cost of funding
- Sovereign exposures

Still limited

Unknowns



Key eurozone bank CDS levels 2008-2010



iTRAXX Europe all-name and financials* CDS levels 2008-2010



* iTRAXX Europe top 125 IG CDS names (can be corp or Fin). Pink is subset of yellow.



Selected sovereign CDS levels 2008-2010



Loan Market Association conference, 30th September 2010

Some interactive voting results ...

- A relatively upbeat mood – for now
- Loan pricing will decrease and tenors lengthen over the next 12 months
 - Yes 50%
 - No 20%
 - Don't know 30%
- Given EM growth prospects, my institution should increase its exposure to EMs
 - Yes 80%
 - No 20%
- My institution should increase its exposure mostly in:
 - CEE/CIS 56%
 - Middle East 27%
 - Africa 17%

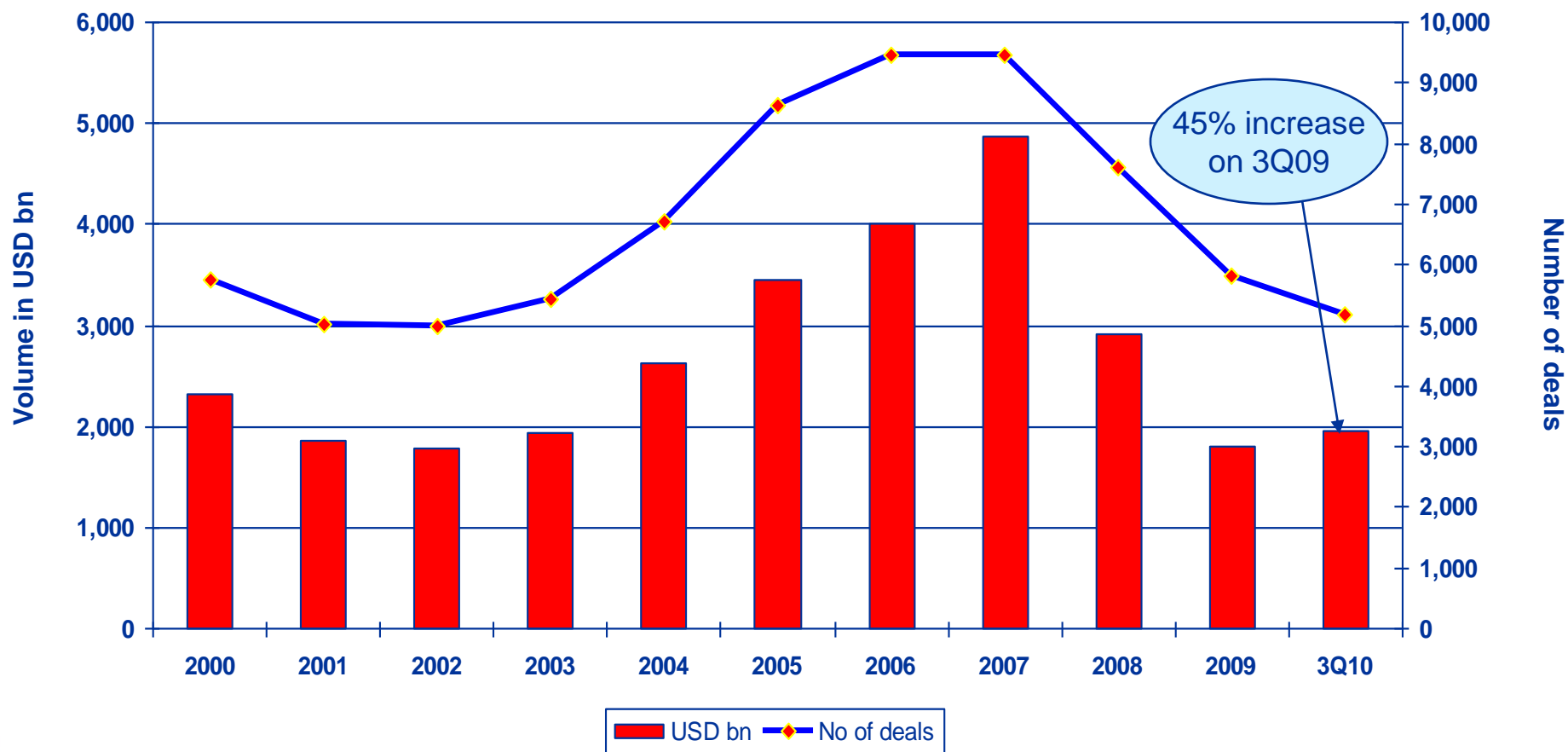


Global loan syndications to 3Q10

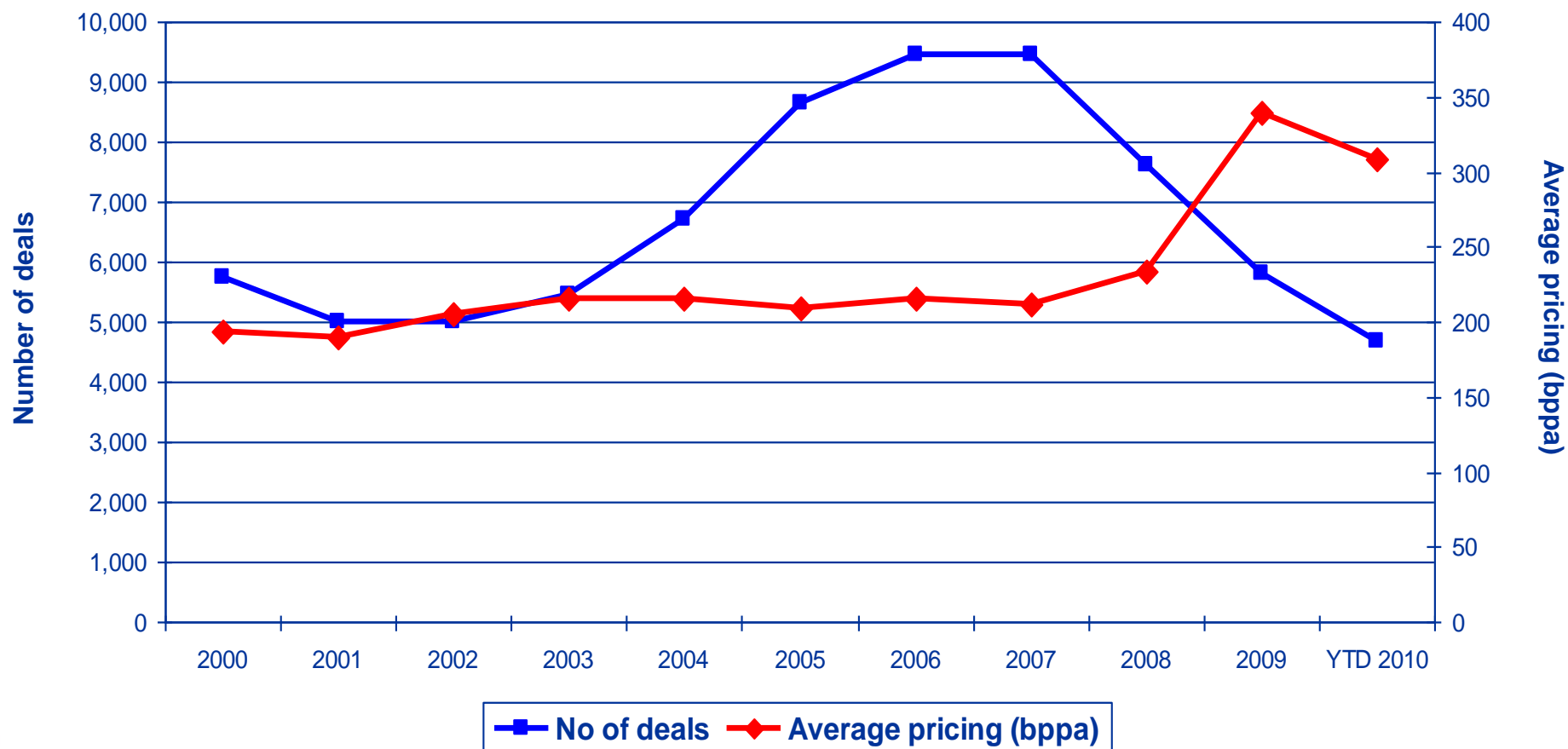
- Global syndicated lending grew 45% to USD 1,960 bn
 - But full year 2007 was still at USD 4,877 bn
 - Average tenor 3 yrs 10 mths, still down from 5 yrs in 2008
 - Refinancings accounted for 34% of volume, up from 18% in 2008
- EBRD COOs' volume grew 87% to USD 23 bn
- Russia volume grew 145% to USD 21 bn
- India up 90% to USD 72 bn
- China up 72% to USD 43 bn



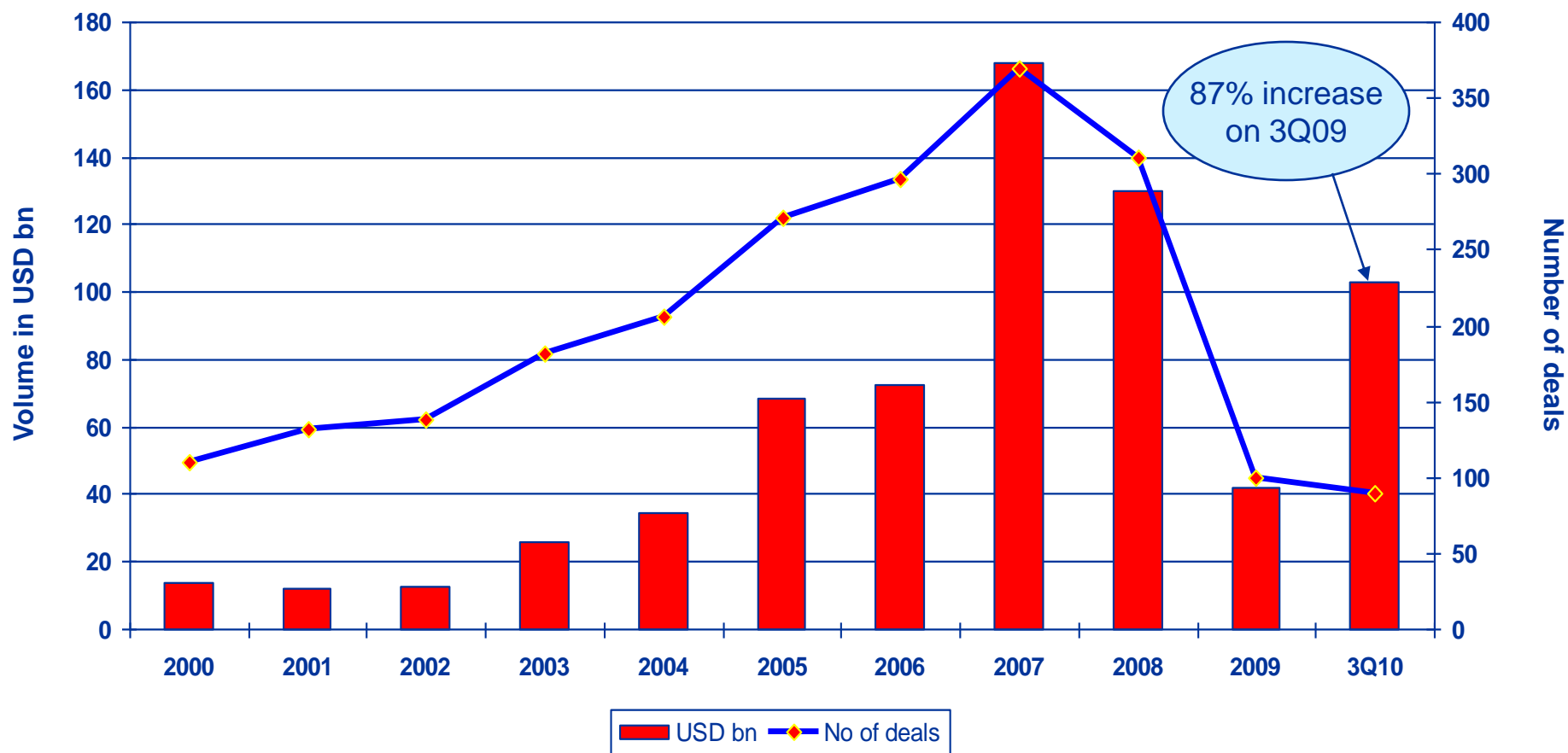
Global syndicated loan volumes, 2000-2010



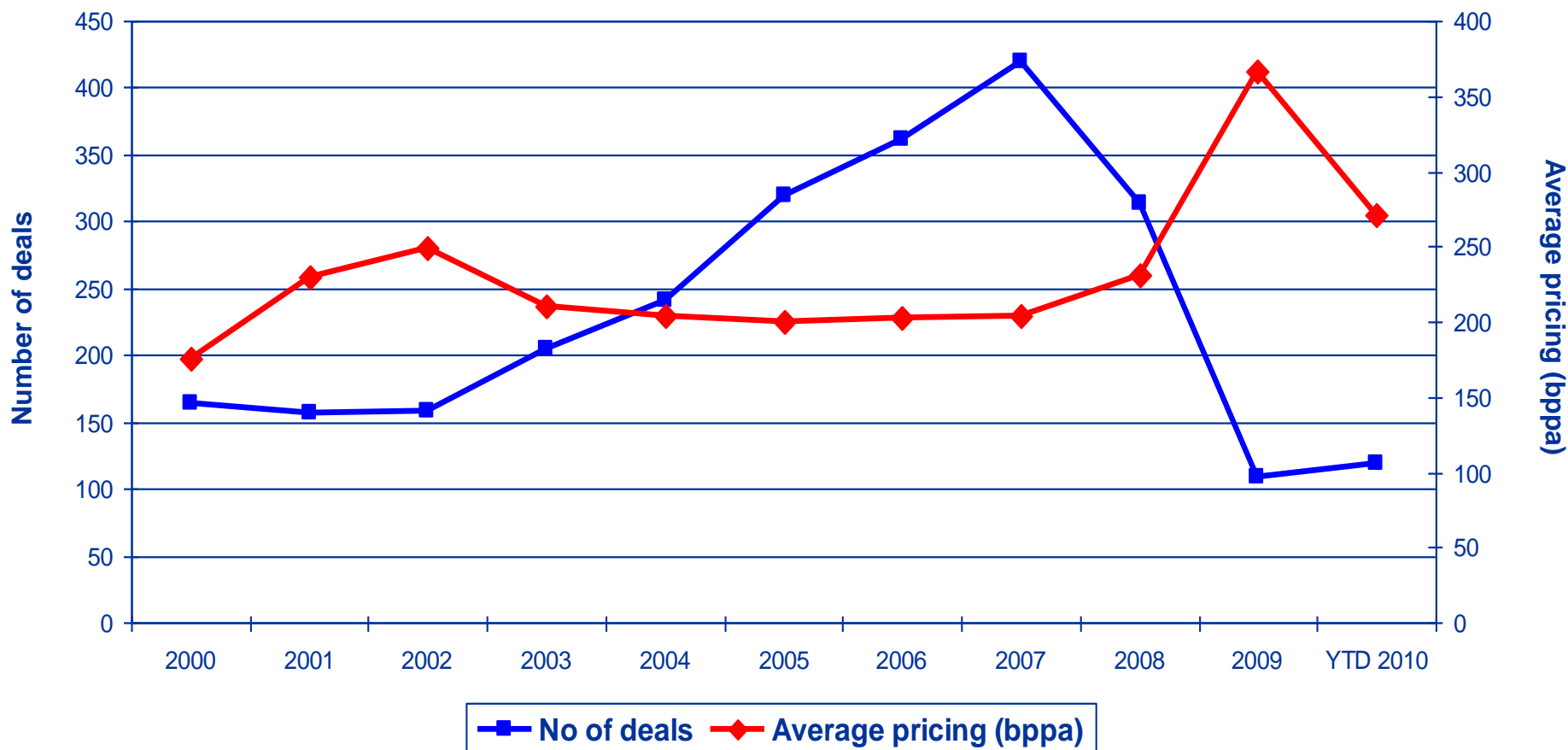
Global syndicated loans, 2000-2010: number of deals and average pricing



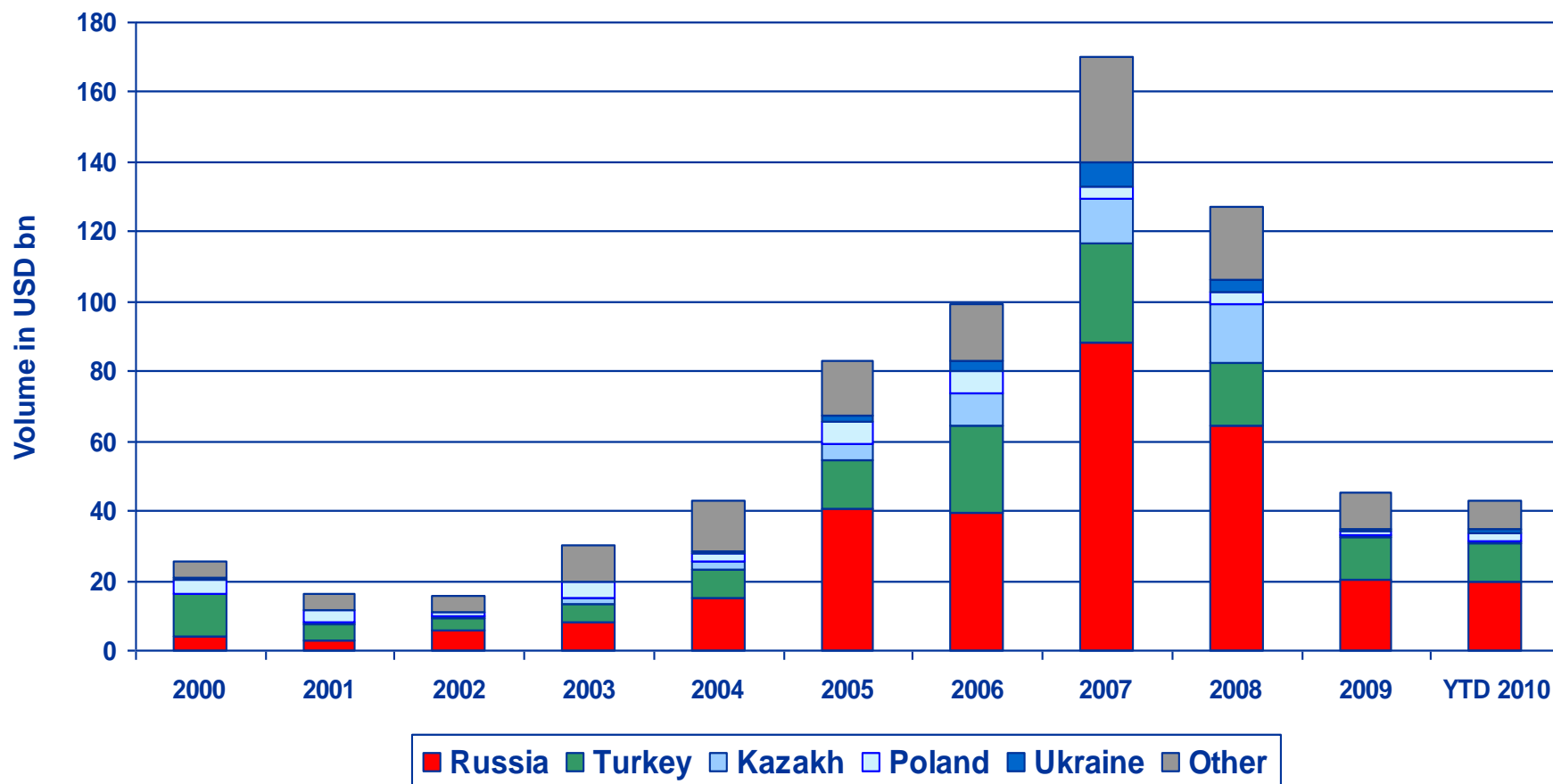
EBRD region syndicated loan volumes, 2000-2010



EBRD region syndicated loan volumes, 2000-2010: number of deals and average pricing

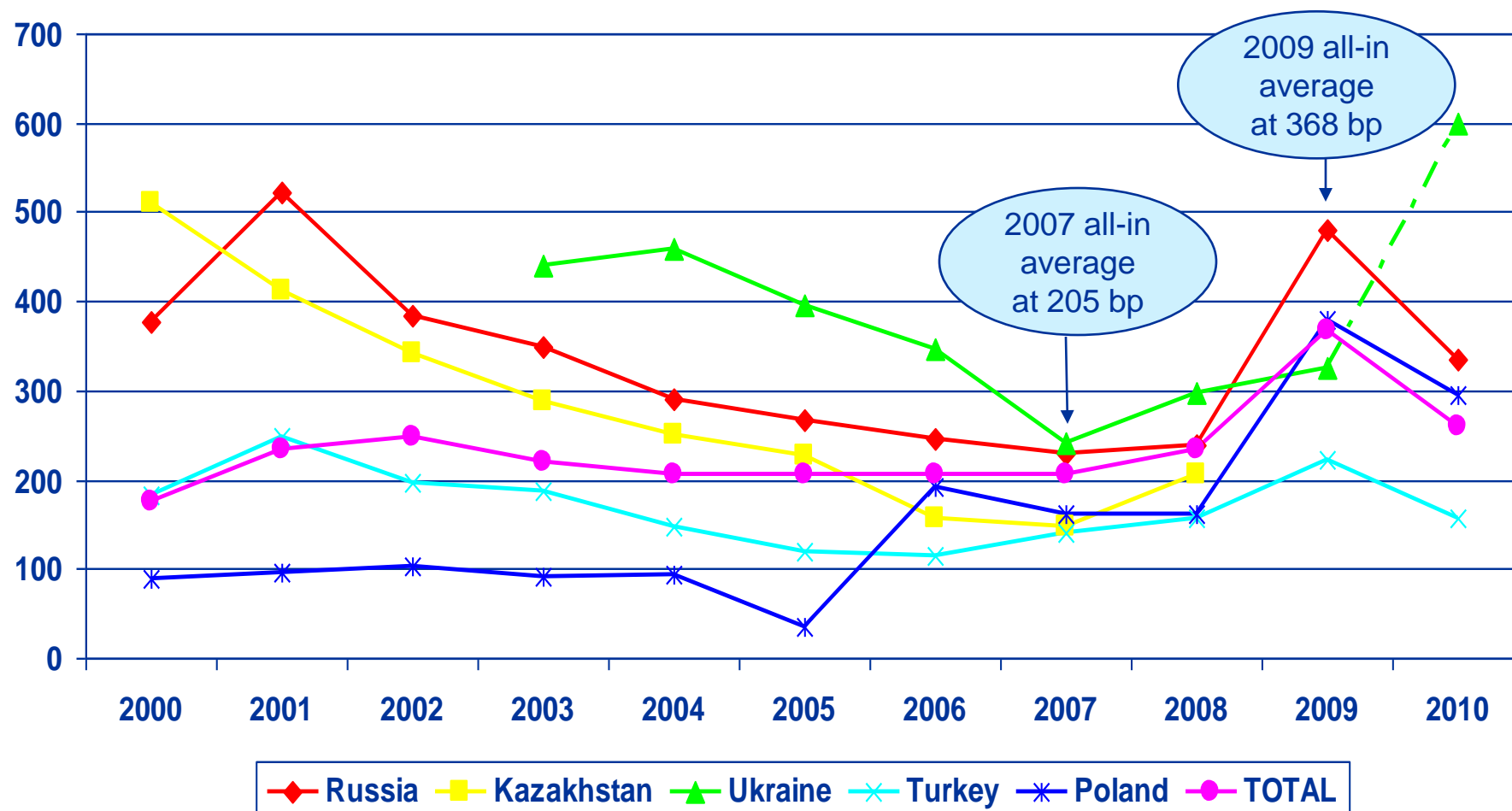


EBRD region syndicated loan volumes, 2000-2010



EBRD COOs, average loan pricing 2000-2010

Selected countries



Loan market granularity

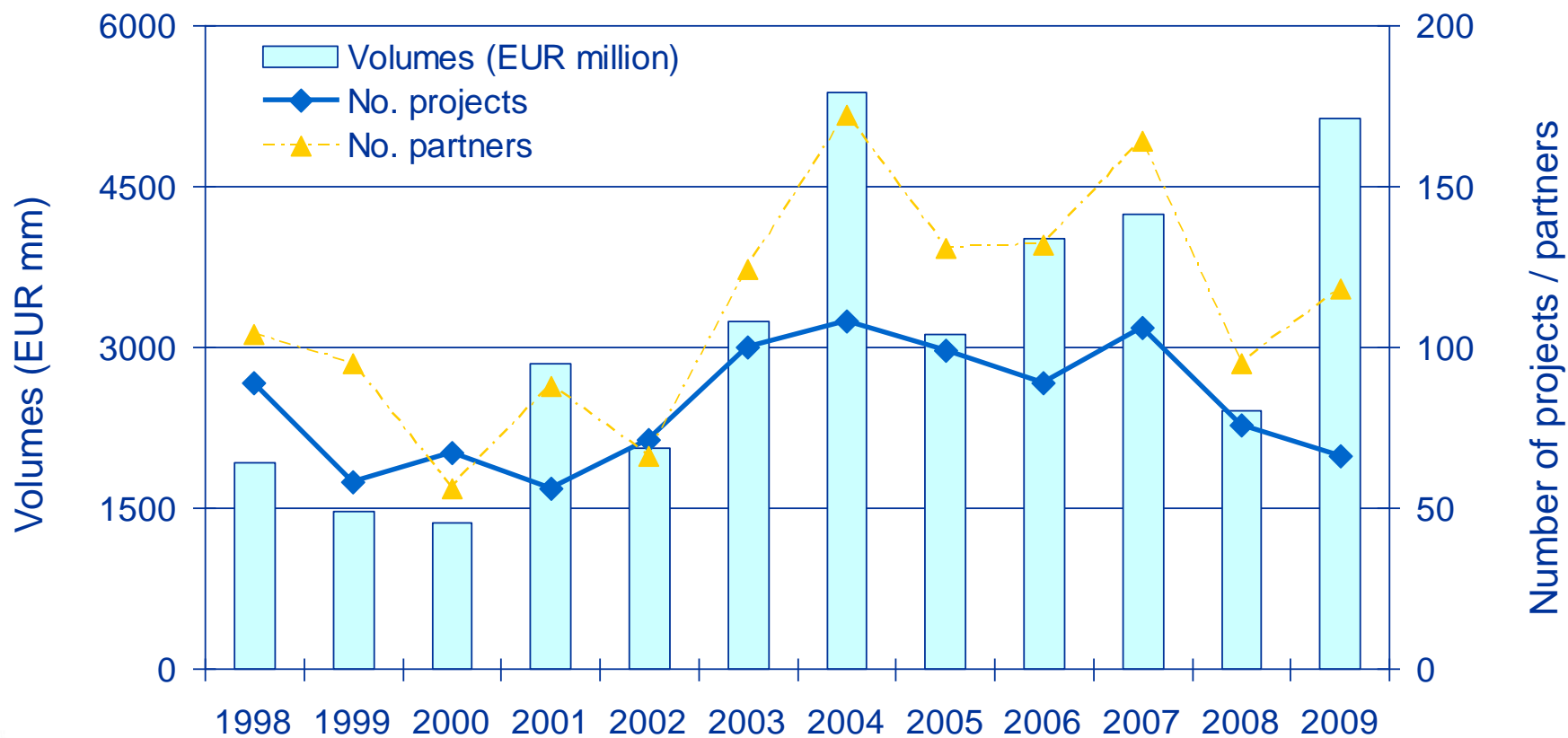
- Corporates
 - Strong western corporates borrow unsecured up to 5 yrs
 - Regional corporates generally max 5 yrs, but longer with EBRD
 - Security usually required (PXF provides strong capital relief for banks)
- What is a non-strategic corporate?
 - Most non-metals/commodities
 - Small bank groups (often no house banks at all, except clearing bank)
 - Structures have to be tight with tangible security and tight covenants
- Financial institutions
 - Growing appetite for good names
 - But the crisis has put the clock back 2-3 years
- Geography
 - Good appetite for Russia, Central Europe (esp Poland) and Turkey
 - Ukraine and Kazakhstan very tough



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EBRD Co-financing – Main Statistics



Preferred Creditor Status: what it means

- Loans not subject to moratoria, rescheduling or restrictions on convertibility or transferability of hard currency
- Exemption from country provisioning requirements (where applicable) for participant banks
- EBRD loans not in Paris Club or London Club
- May allow rated transactions to pierce the sovereign ceiling



Preferred Creditor Status (PCS): what it does not mean

- A guarantee or letter of comfort from the government, or from the EBRD, that the loan will perform commercially
 - If a loan does not perform for commercial reasons, PCS does not protect the loan
- An indicator of the loan's creditworthiness *per se*
 - co-financiers must carry out their own due diligence in the normal manner



Preferred Creditor Status has been tested

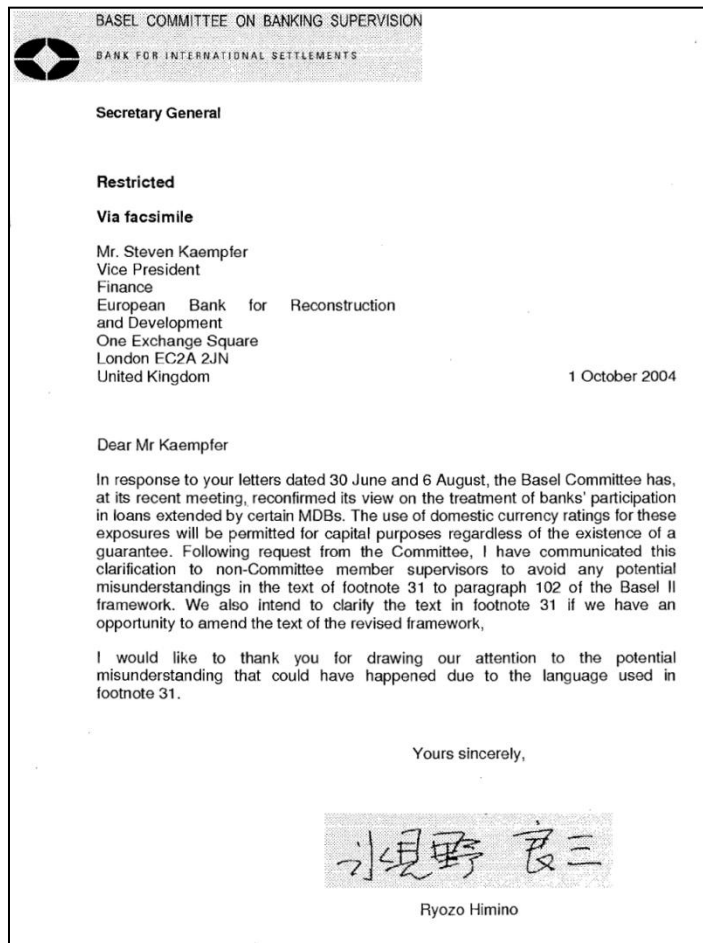
Following the Russian moratorium of 17 August 1998, the Russian Central Bank issued this exemption:

[the moratorium]... “does not cover ... obligations of Russian residents under financial loans from the EBRD, including those involving resources from foreign banks and financial and investment institutions”

During the moratorium, all payments to B lenders came through on time

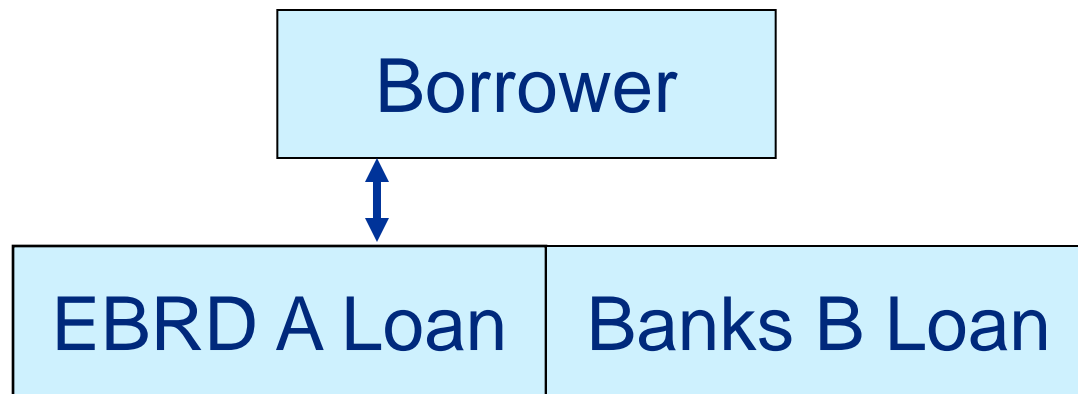


Recognised mitigant under Basel II



The use of domestic currency
rating for participation in EBRD
A/B Loans reconfirms that
EBRD's Preferred Creditor
Status mitigates the
convertibility and transferability
risks of hard currency

A/B Loans – EBRD as Lender of Record



- EBRD is lender of record for entire loan, BUT commits only to the A Loan
- Participation agreement transfers all risks to B lender (B Loan)
- B lenders share Preferred Creditor Status

A/B Loans – EBRD as Lender of Record

- EBRD is lender of record and contracts with the borrower to provide the funds
- Commercial lenders are participants in the EBRD loan
- EBRD is a preferred creditor and banks benefit from this status
 - EBRD portion: A Loan
 - Banks' portion: B Loan



EBRD B loan portfolio performance

- Total B loans committed: EUR 12,230 mm
- Strong EBRD B loan portfolio performance
 - Gross write-offs/total B loans committed: **0.18%**
 - Net write-offs/total B loans after recoveries and writebacks: **0.14%**

Key assumptions/provisos:

1. That a commercial bank writes off the same percentage of its B Loan as the EBRD writes off on its A Loan
2. Currencies vary, and thus precise percentages may vary
3. Information and data as per end of December 2009



Selected Recent Co-financings



- **PROMSVYAZBANK (Russia)**
 - USD 250 mm to club deal, which was the first syndicated loan transaction for a private Russian bank in 2010
 - EBRD A Loan USD 100 mm; 3 years
 - EBRD B Loan USD 150 mm; 1 year
 - The B Loan was oversubscribed and closed at senior level as a club with the participation of 11 commercial banks
 - Signed June 2010

Selected Recent Co-financings



- **TRANSCAPITALBANK (Russia)**

- USD 82 mm term loan to Transcapitalbank with 12 international commercial banks participating in the B Loan
- IFC has provided USD 82 mm A/B loan in parallel
- EBRD A Loan USD 30 mm; 3 years
- EBRD B Loan USD 52 mm; 1 year
- Signed July 2010

Selected Recent Co-financings



- **PULKOVO AIRPORT (Russia)**

- EUR 200 mm for the reconstruction and expansion of St. Petersburg's Pulkovo Airport managed by Northern Gateway ("Concessionaire"), a company indirectly set up and currently owned by VTB Group, Fraport and Copelouzos Group
- This is Russia's first PPP in the airport sector
- The loan is part of a long-term debt package of about EUR 716 mm put together by 5 IFIs and Russia's Vnesheconombank
- EBRD A Loan EUR 100 mm; 15 years
- EBRD B Loan EUR 100 mm; 12 years
- Signed July 2010

Selected Recent Co-financings



- **BRUNSWICK RAIL (Russia)**

- USD 200 mm to finance the purchase of over 5,000 new railcars, primarily gondolas, to help meet growing demand as the Russian rail freight market recovers from the downturn it suffered in 2008-2009
- IFC in parallel negotiations to raise an additional USD 100 mm for the same project in conjunction with this loan
- EBRD A Loan USD 100 mm; 8 years
- EBRD B Loan USD 100 mm; 5 years
- Signed July 2010

Selected Recent Co-financings



- **EUROPEAN BEARING CORPORATION (Russia)**
 - USD 170 mm to refinance the company's outstanding debt
 - The borrower is the largest bearings producer in Russia and manufactures bearings for the rail, aircraft and automotive industries
 - EBRD A Loan USD 30 mm; 6 years
 - EBRD B Loan USD 100 mm; 4 years
 - EBRD C Loan USD 30 mm mezzanine tranche
 - EBRD D Loan USD 10 mm subordinated tranche
 - Signed July 2010

Outlook

- Simpler loan structures – “back to basics”
 - But tenors beginning to lengthen again
- Most loans require security (or sponsor guarantee)
- Far fewer lenders – mainly the banks with strategic interests
- FI borrowers have little access to debt, with corporates and hard currency infrastructure better placed
 - But strong banks can access the market again
- Very few “new money” facilities, with the majority of new loans being refinancings or restructurings
- Local currency appetite mostly closed
 - But for the right client, long tenors in RUB and PLN are available
- Bank lending unlikely to show strong growth until 2011
 - But it is unlikely to drop again in 2010





Thank you for your attention!

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Selected EBRD transactions

 <p>RUSSIAN FEDERATION USD 19,664,000 <i>Construction and operation of a passenger car assembly plant near St. Petersburg.</i></p> <p>December 2005</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION RUB 205,620,000 <i>Loan to Mosenergo Generation Company, a post-restructuring successor to Mosenergo</i></p> <p>December 2005</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION USD 25,926,000 <i>Participatoin in privatisation of federal generating company OGK-5</i></p> <p>November 2006</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION USD 1,721,000 <i>Project to support the modernisation programme of Sital's glass packaging plant</i></p> <p>December 2005</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION USD 57,234,000 <i>Financing of a Greenfield glass bottle manufacturing plant</i></p> <p>May 2005</p>  <p>European Bank for Reconstruction and Development</p>	 <p>POLAND PLN 800,000,000 <i>Syndicated loan facility to support Energa's PLN 2.5 billion investment programme</i></p> <p>May 2010</p>  <p>European Bank for Reconstruction and Development</p>
 <p>ROMANIA USD 20,000,000 <i>Syndicated loan facility for refinancing purposes for the largest primary aluminium producer in CEE</i></p> <p>August 2010</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION USD 200,000,000 <i>Syndicated loan facility to support VTB 24's strategy to develop MSME Lending in the regions of Russian Federation</i></p> <p>December 2006</p>  <p>European Bank for Reconstruction and Development</p>	 <p>С любовью к автомобилю RUSSIAN FEDERATION RUB 26,185,000,000 <i>Syndicated loan facility for the for the construction and operation of a greenfield assembly plant</i></p> <p>October 2007</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION EUR 200,000,000 <i>Debt facility (EUR 716 million) for the reconstruction and expansion of Pulkovo Airport</i></p> <p>July 2010</p>  <p>European Bank for Reconstruction and Development</p>	 <p>ROMANIA EUR 300,000,000 <i>Syndicated loan facility to finance an environmental investment</i></p> <p>May 2009</p>  <p>European Bank for Reconstruction and Development</p>	 <p>RUSSIAN FEDERATION USD 20,000,000 <i>Equity Investment to establish the Davydova factory</i></p> <p>May 2002</p>  <p>European Bank for Reconstruction and Development</p>