

EBRD

**Your partner in eastern
Europe, Caucasus and
Central Asia**

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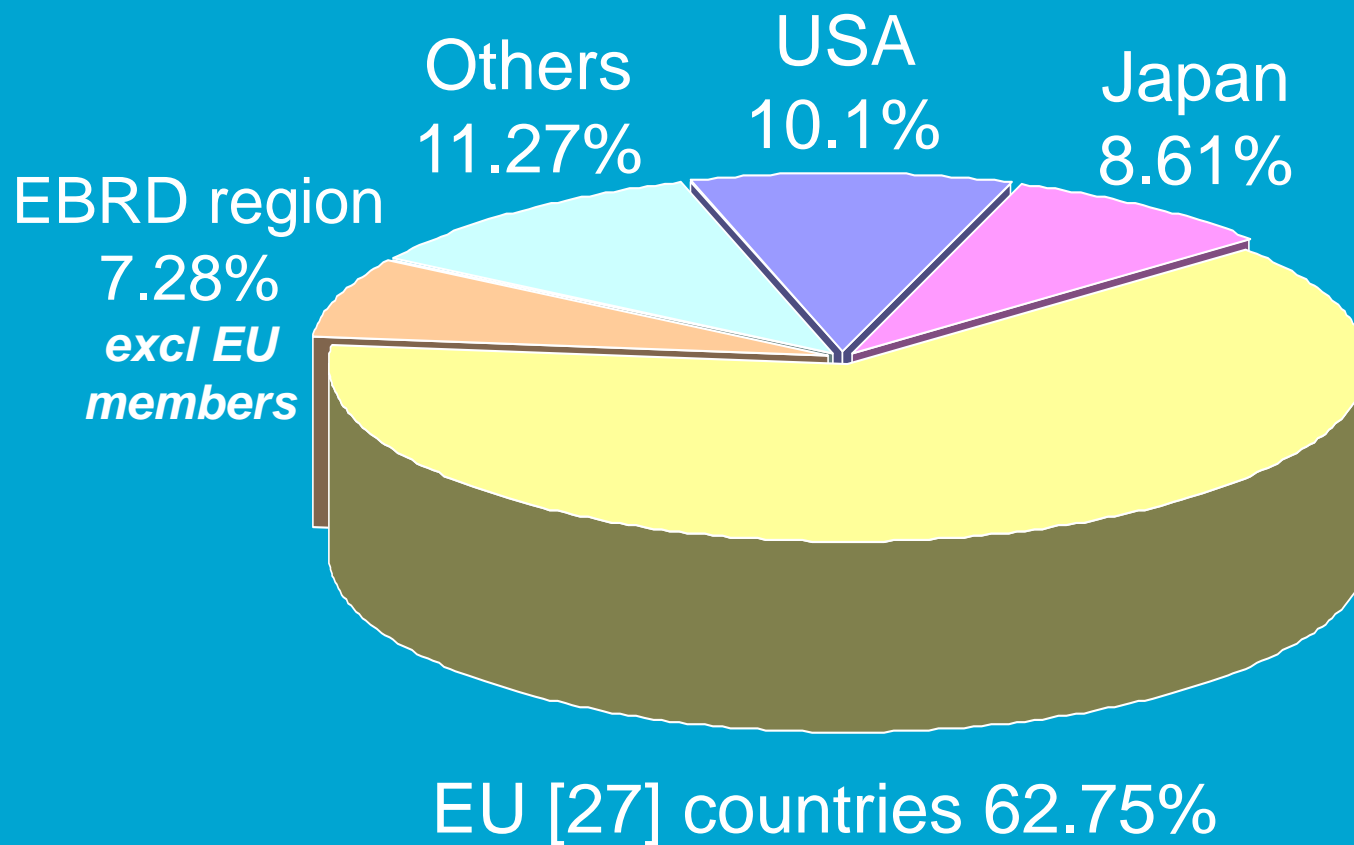


What is the EBRD?

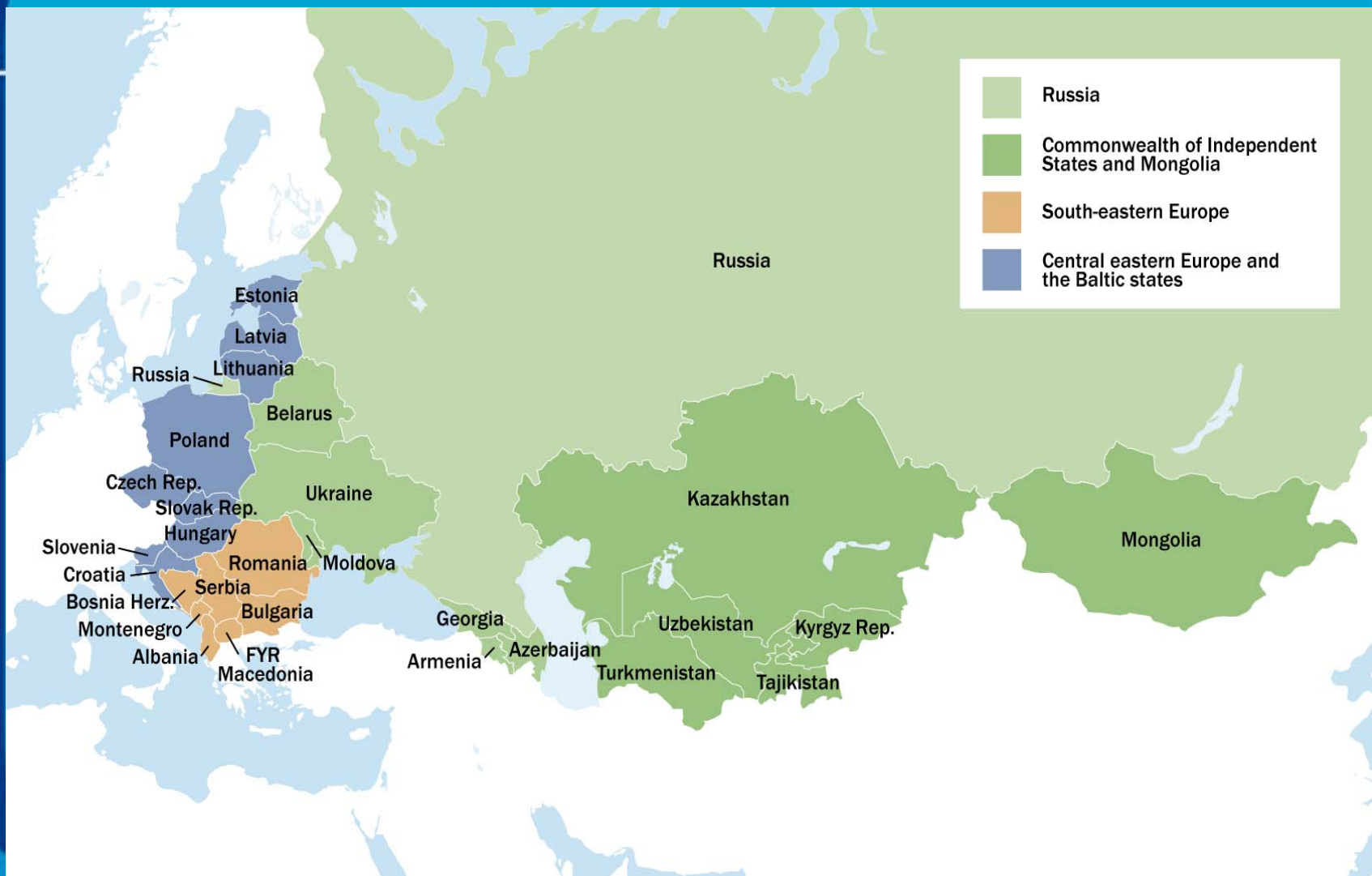
- AAA-rated international financial institution founded in 1991, owned by 61 national governments and two inter-governmental institutions
- EUR 20 billion capital base
- The largest lender and private equity investor in Central & Eastern Europe and CIS
- Cca 1350 employees



Shareholding of the EBRD



EBRD - A large Field Network



What are the EBRD's Objectives?

- To promote transition to market economies by investing mainly in the private sector
- To mobilise significant foreign direct investment
- To support privatisation, restructuring and better municipal services to improve people's lives
- To encourage environmentally sound and sustainable development



Advancing the Transition

EBRD projects should promote:

- Expansion of competitive markets, including private ownership
- Stronger institutional and legal framework
- Sound corporate governance
- Structural reforms
- Respect for people and environment



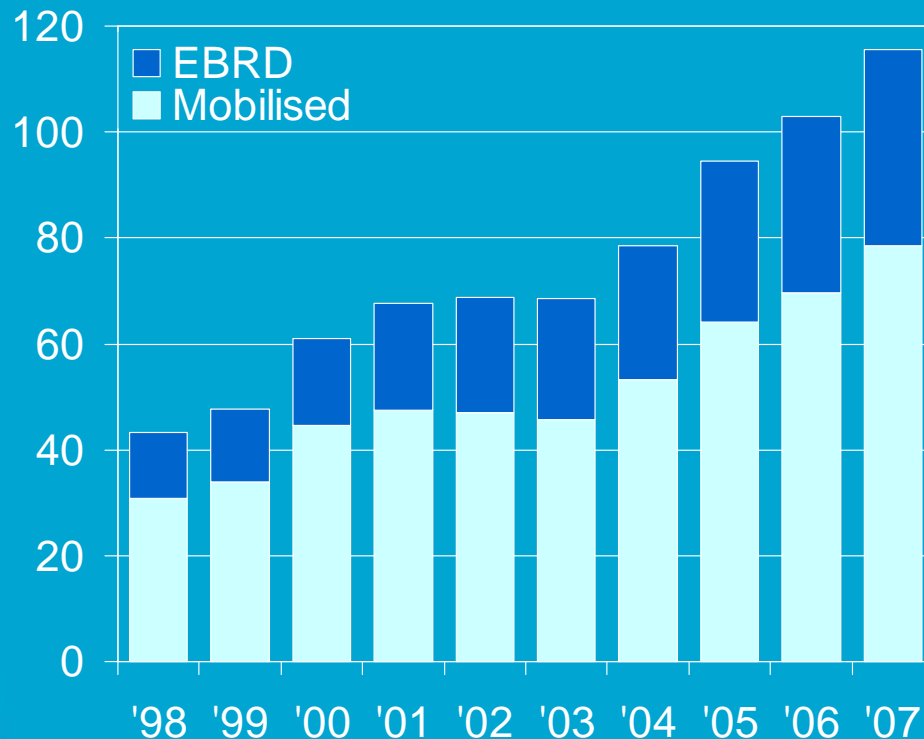
EBRD in 2007

- Record level of commitments: EUR 5.6 bn
- Strong level of disbursements at EUR 4.1 bn
- Record number of projects: 353 (187 standalone and 166 under frameworks)
- **41% of commitments in Russia**
- 49% of commitments in south-eastern Europe, the Caucasus and Central Asia
- New investments made in 28 of the Bank's countries of operations



EBRD: a Catalyst for Change

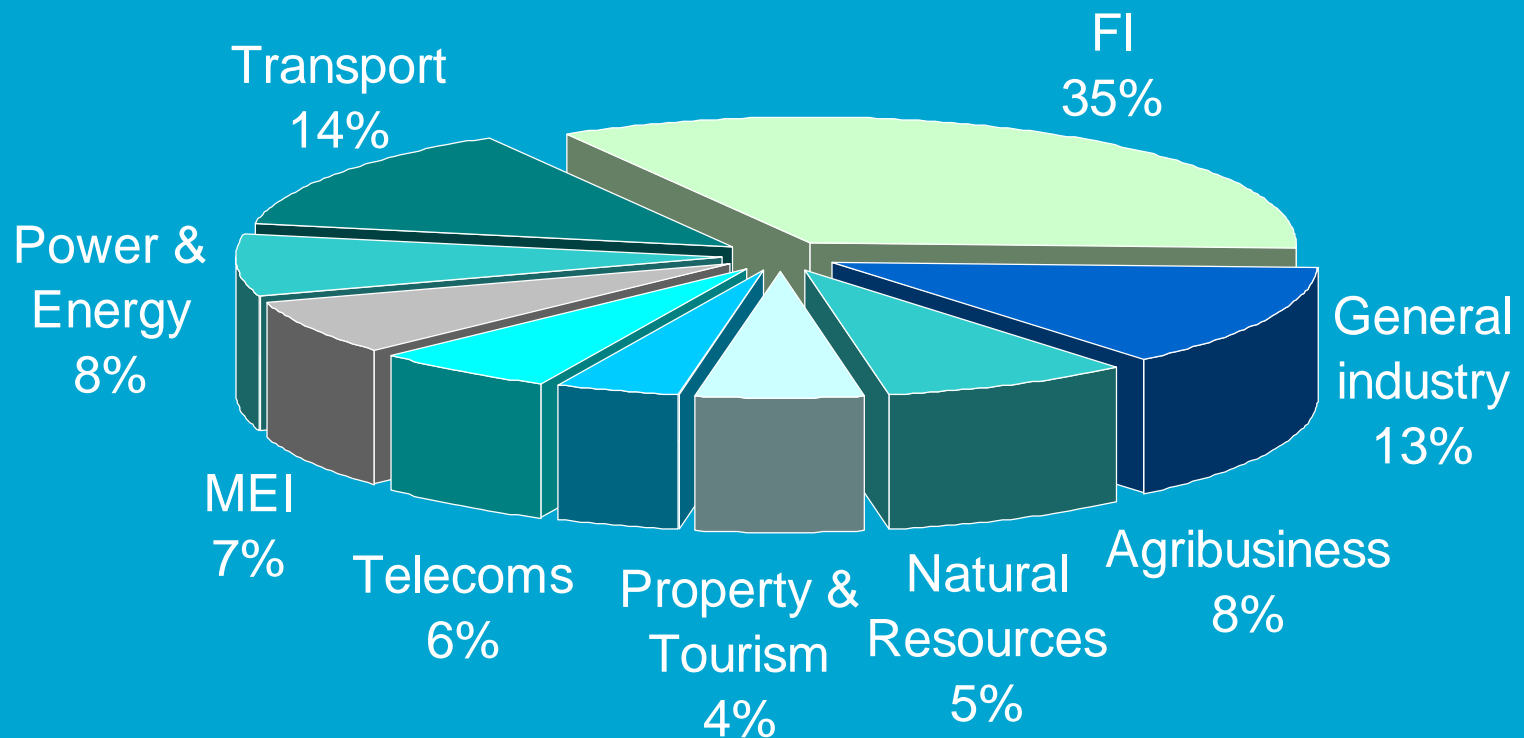
Cumulative additional funds mobilised EUR 78 billion



- EBRD investments have attracted an additional EUR 78 billion from domestic and foreign investors
- Every EUR invested by EBRD mobilised EUR 2.1



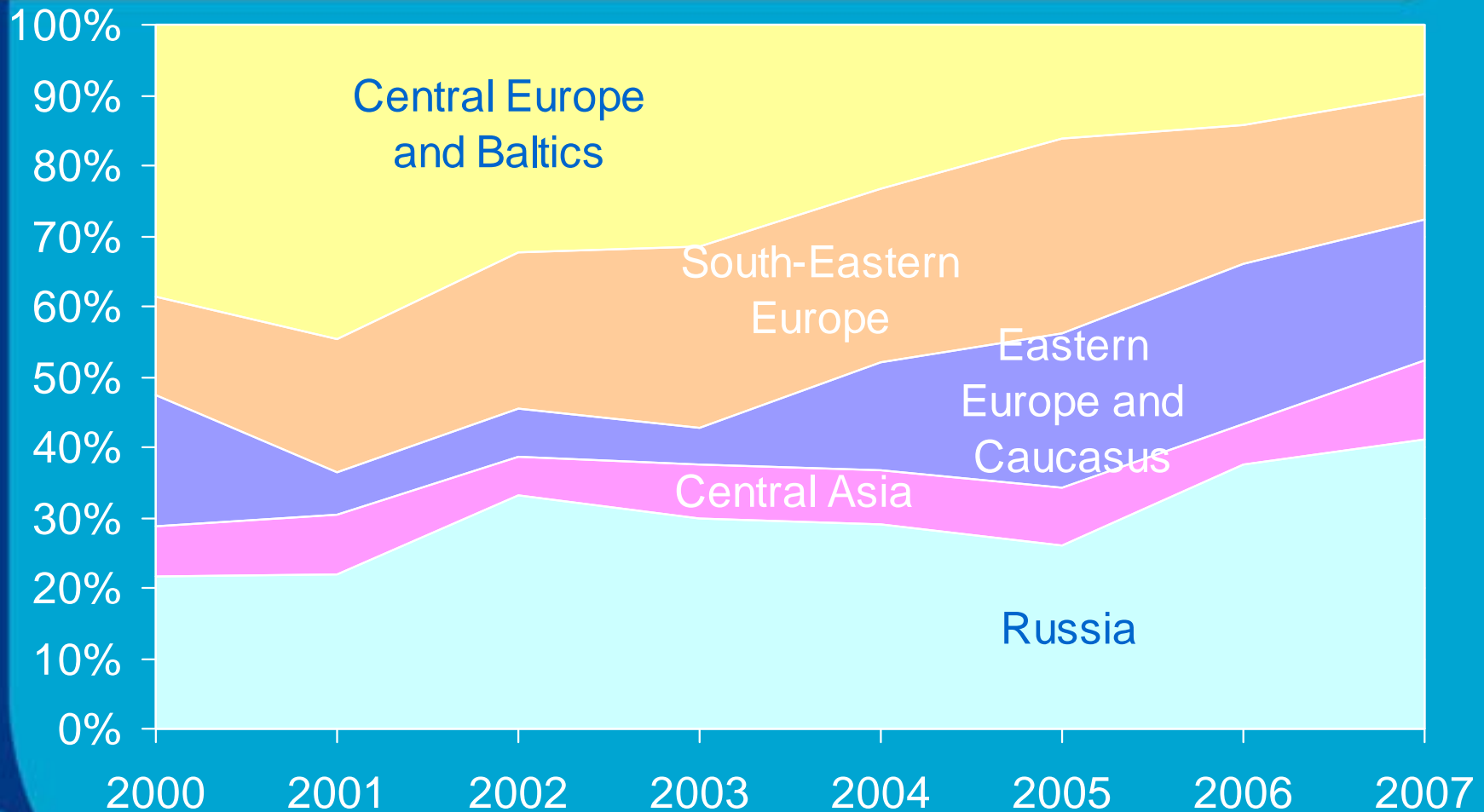
Net Cumulative Volume by Sector



Cumulative commitments EUR 36.9 bn (as of 12/2007)



EBRD's Geographic Breakdown of Annual Business Volume



EBRD – Leading IFI in Kazakhstan

- **Leading IFI in Kazakhstan:**
 - 15 years of operations
 - Largest foreign investor outside Oil & Gas
 - Strategic partner to the Government of Kazakhstan
 - **How do we distinguish ourselves from other IFIs:
(IFC/WB, ADB, IsDB, EuroAsianDB:**
 - **EBRD is more commercial than the other IFIs**
 - **financing both private and public sector,**
 - **EBRD Accounting for 64% of all IFI business in 2007**
- **Strong Policy dialogue with KZ government:**
 - EBRD is the main IFI represented in the Foreign Investor Council (FIC) created by President Nazarbayev;
 - EBRD's President is Co-chairman of the FIC.



EBRD's 15 years in Kazakhstan

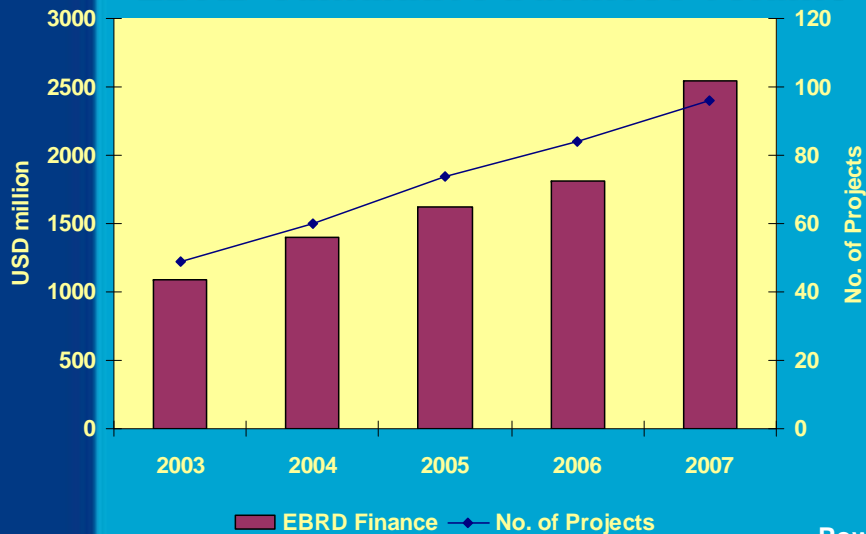
- Offices in Almaty and Astana
(16 professional bankers + 10 support staff)
- Cumulative investments \$2.5 billion (project value \$4.7 billion)
- Current portfolio of \$1.6 billion, 82% in private sector
- Dynamic growth:
New business volume in 2007 over \$780 million
- No losses in 15 years; (prudent partner/project selection)
- EBRD is committed and needed in KZ more than ever due to severe local impact of international liquidity crunch



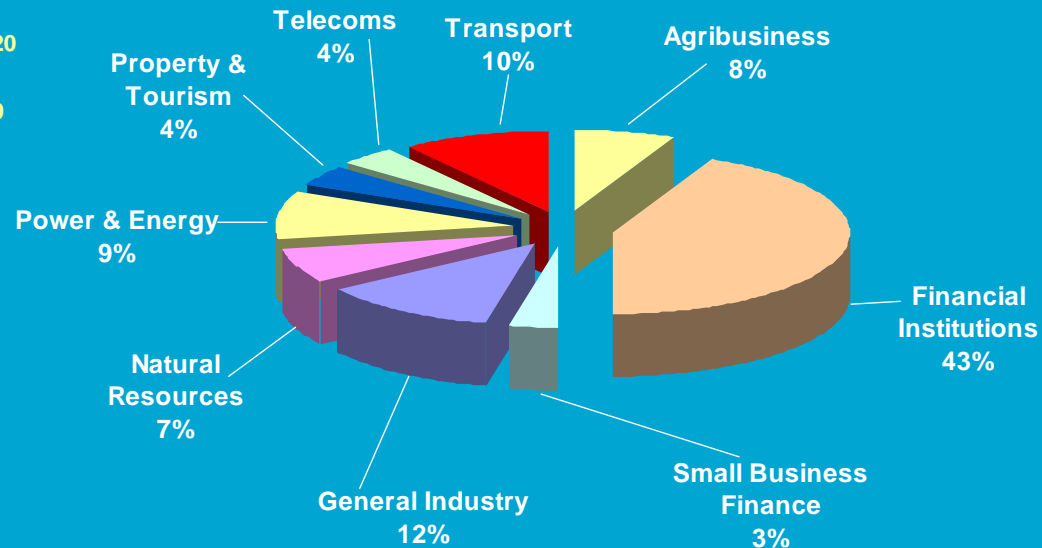
EBRD Operations in KZ – 2007

Signed # 97 projects with total \$ 2.5 bln commitments

EBRD cumulative business volume



Portfolio by sector



PROJECT FINANCE: Financial Flexibility

Wide range of loans

- fixed or floating rate loans
 - choice of currencies
 - short to long-term maturities
 - hedging
- Financing structured to meet project-specific needs including repayment schedules
 - Tailored to particular situation of the country/region and sector
 - Pricing reflects risks with project, borrower and country



Financing Instruments

Direct

- Loans
- Equity, including combination of loan and equity
- Guarantees, including credit enhancements (performance bonds etc.)

Indirect

- SME loans
- Equity funds
- Micro/small business programmes
- Credit lines
- Trade Facilitation Programme
- Co-financings



EBRD Financing Solutions

Loans

- Senior, subordinated, convertible
- LT (up to 10y or more) or ST revolving
- Floating/ Fixed rates
- Choice of currencies (EUR, USD, KZT etc.)
- Syndication possible for large amounts

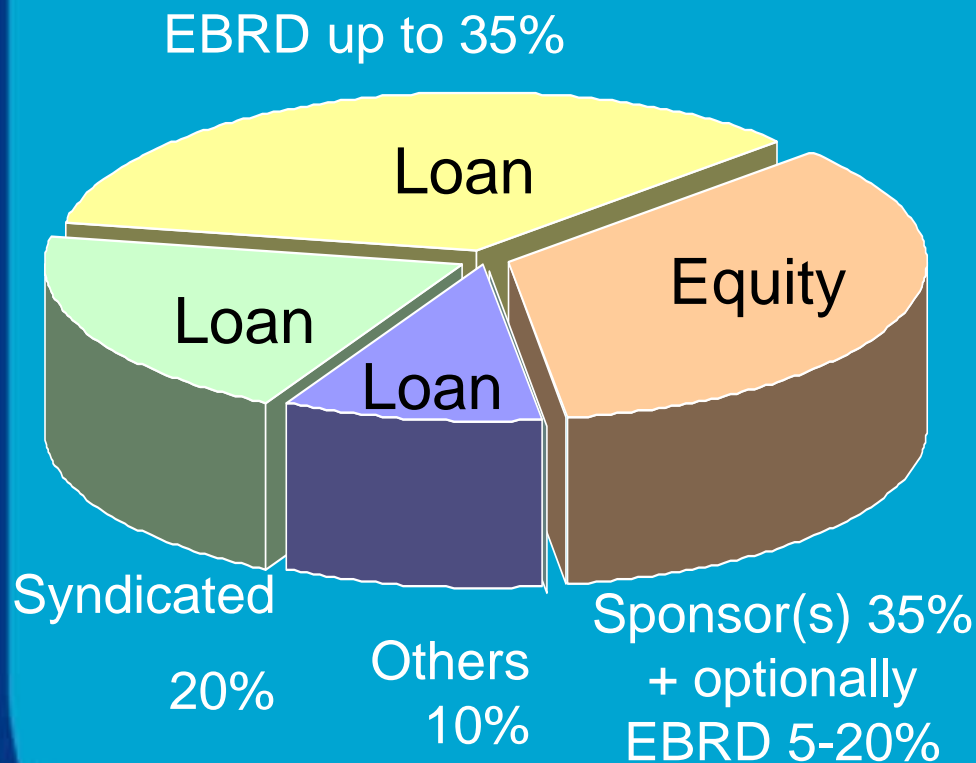
Equity

- Common stock or preferred
- Minority position only (up to 35%)
- Mezzanine debt

EBRD financing up to 35% of total project cost or long-term capitalisation



Project Financing Guidelines – limited (or non) recourse



- Equity contributions (in cash/in-kind) required from Sponsor(s)
- Prudent capital structure (normally 60% long term debt in total financing)
- Completion risks covered
- Commercial viability



Basic Debt Terms for Private Loans

- Up to 35% of cost or capitalisation (EBRD portion)
- Typically 4-7 years' maturity
- Market-based pricing reflecting risk
- Usually secured
- Flexible choice of currency linked to project requirements



Loan Syndications (A/B structure)

- EBRD remains lender of record for the entire loan
- Commercial lenders benefit from EBRD's preferred creditor status
- Interest on loan is exempt from any withholding tax
- Attracting external finance increases the resources available for funding other projects



EBRD as Lender of Record in Syndicated Loans

Borrower

EBRD's "A" loan

- EBRD is lender of record for the entire loan

BUT

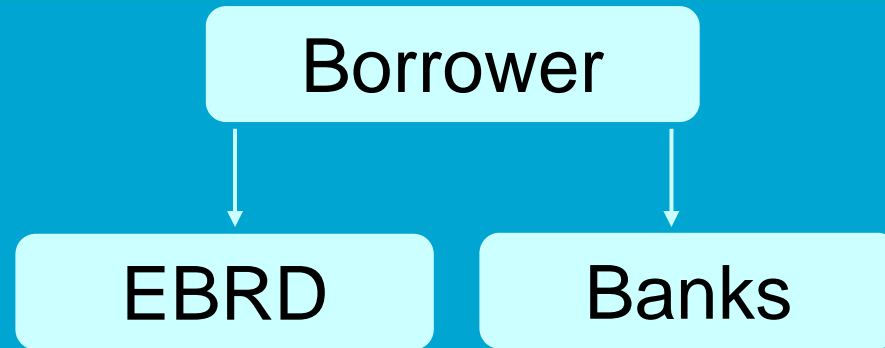
- Commits only to "A" loan

EBRD's "B" loan

- Participation agreement transfers all risks to commercial lenders
- Banks benefit from EBRD's Preferred Creditor Status



EBRD as Parallel Lender



- Each lender/group of lenders enter into direct contractual relationships with borrower
- Banks do not benefit from EBRD's Preferred Creditor Status



EBRD in Private Sector Projects

Preferred Creditor Status

- Preferred Creditor Status granted by all shareholders in Agreement Establishing EBRD
- No rescheduling of EBRD loans (Article 21)
- Commercial lenders benefit from EBRD's Preferred Creditor Status
- PCS loans exempt from country risk provisioning in many jurisdictions



Bank's Direct Equity

- Bank acts as a partner, willing to bear risks and expects a return on its investment
- Minority positions only - usually not more than 20%
- Adds to initial capitalisation - lowers interest and capital payments in early stages
- Agrees with sponsors a time horizon and exit policy
- No “soft” money: extra risk requires higher returns

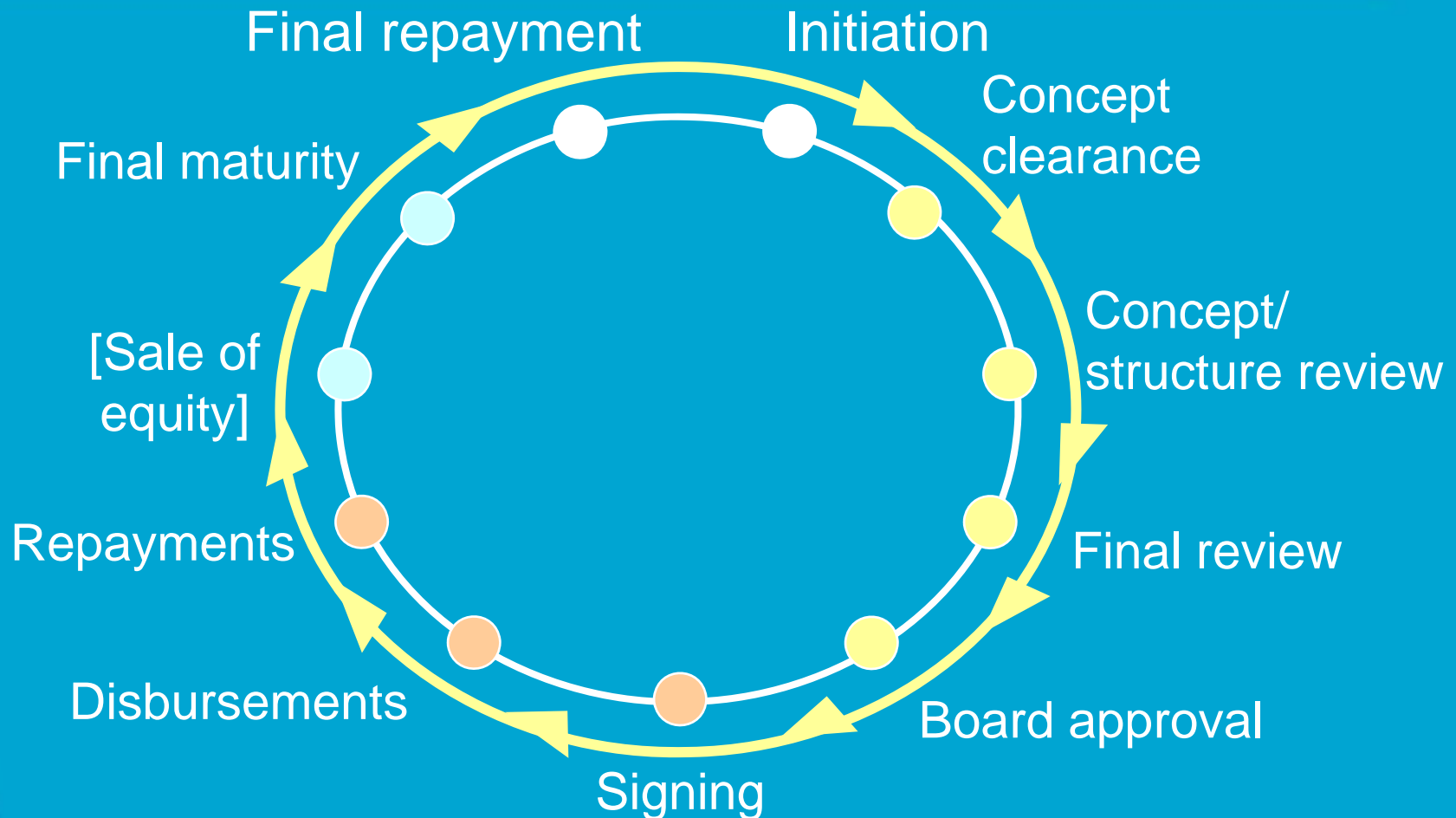


Typical Project Balance Sheet

Project costs	%	Sources of capital	%
Capital investment	60	Western sponsor cash	30
Contingency	10	Financial investors/in-kind	5
		EBRD	5
<i>Total capital investment</i>	<i>70</i>	<i>Total equity</i>	<i>40</i>
Existing liabilities	15	EBRD loan	30
Working capital	15	Commercial bank loan	30
		Total loan	60
Total project cost	100%	Total sources of capital	100%



Project Cycle



Strengths of the EBRD

- Strong, internationally recognised financial partner with long-term perspective
- Willing to share risks, **including political risks**
- Provides finance to both private and public sector clients
- Catalyst to access additional equity, debt and trade finance
- Excellent working relationships with governments
- Experience gained in problem resolution
- Extensive knowledge of local economy, business environment and practices
- Political leverage due to EBRD's unique mandate and shareholder structure
- Preferred Creditor Status
- Good corporate governance incl. protection of minority interests



Sound Banking Principles

Each project requires:

- Solid Business plan
- Detailed due diligence
- Strong capitalisation ratio in accordance to international practice of sector
- Transparent, reputable and committed sponsor
- Adequate returns for all parties in accordance to contribution/risk taken
- Robust projected cash flows to be tested under various sensitivity scenarios
- Clear, simple and transparent structure



EBRD Basic Project Criteria

- The operation is located in our countries of operation
- Investments have beneficial effect on local economy
- We are not “crowding out” private money
- The Project makes economic sense - no “soft loans”
- Main shareholder/sponsor has substantial money at risk before EBRD
- Compliance over time with EU environmental standards



Financing Requirements of EBRD

Ensure appropriate return for risk taken by assessing carefully risks, including:

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



Financing Requirements of EBRD (ctd.)

- IFRS/US GAAP Consolidated audit
 - in place or in progress
 - arm's length dealing
- Management strength and strategy
 - clear business plan and project costs



How to Obtain Finance?

- Provide EBRD with overview of proposed investment
- Commitment to work together
 - clarify role of EBRD
 - mandate to initiate transaction
 - mutual understanding of corporate integrity requirements
- Project / business plan, market analysis, strategy, ownership structure, financial analysis, risk assessment
- Exit strategy (for equity transactions)



How to Contact Us

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