

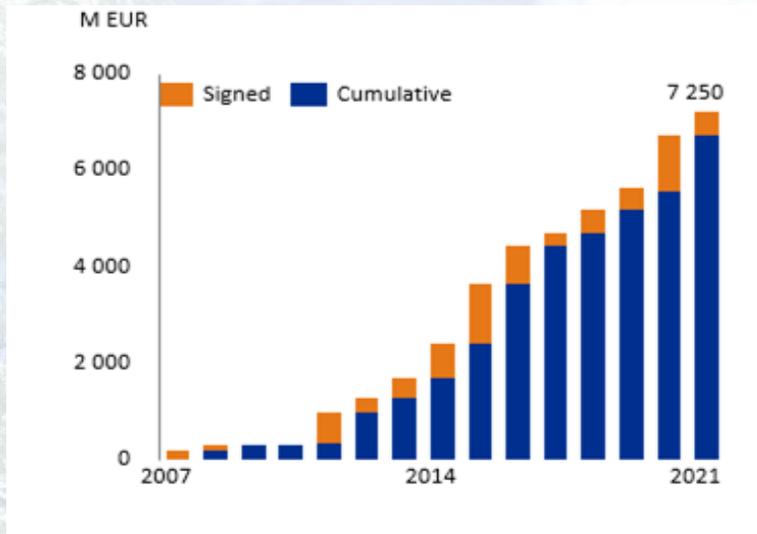


Investing in Ukraine's Future

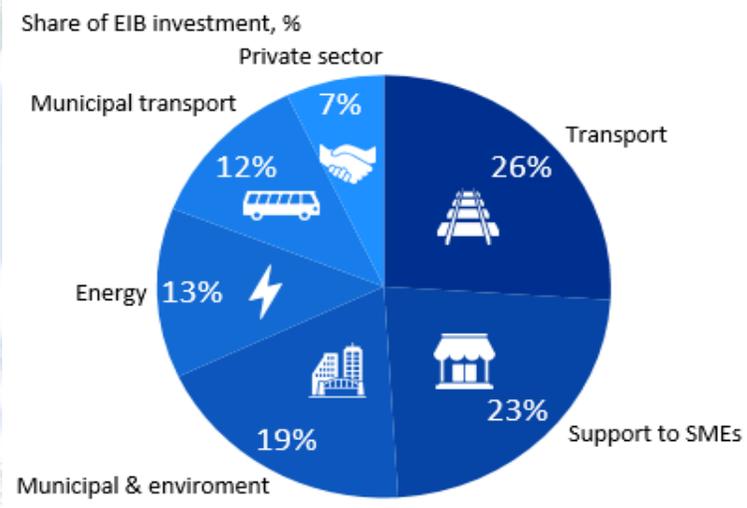


EIB investments in Ukraine

Total investment size



Areas of EIB activity



- The EIB has worked with Ukraine **since 2007**.
- Most of the EIB's activities in Ukraine have been carried out under the **EU mandates which provided guarantee coverage as well as financial resources facilitating provision of technical assistance and investment grants**.
- Together with EBRD and the World Bank, EIB is one of the top-3 largest investors in Ukraine with **signed projects of more than EUR 7bn**.

EIB projects in Ukraine

More than 50 projects focused on financing social and economic infrastructure, transport and connectivity, energy efficiency, SMEs development, climate action and innovation

Examples of projects supported by EIB loans, advisory support and financial instruments



Connectivity – transport

Examples:

- European Roads Ukraine 1 & 2
- Beskyd Railway Tunnel
- Boryspil Airport Development
- Air Navigation Upgrade



Connectivity – energy

Examples:

- Rivne-Kyiv High Voltage Line
- 750kV Zaporizhzhia – Kakhovska Line



Urban Transport

Examples:

- Ukraine Urban Public Transport 1 & 2
- Dnipropetrovsk Metro Completion
- Kyiv City Urban Electric Transport



Sustainable Energy

Examples:

- Ukraine Public Buildings Energy Efficiency
- Ukraine Municipal Infrastructure Programme
- Hydro Power Plants Rehabilitation
- Agri-infrastructure and biomass power generation



SMEs & Private Sector

- Bank intermediated loans to SMEs and MidCaps and direct loans to corporates
- “DCFTA” and “Innovfin” guarantee facilities

EIB ongoing social infrastructure projects

Ukraine Early Recovery Programme

€200 million loan

- **Major repairs** to hospitals, schools, kindergartens, residential, administrative & public buildings
- **100 objects reconstructed and 138 under construction** in order to ensure good living conditions for internally displaced people and their host communities
- 📍 *Donetsk, Luhansk, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Odesa, Kyiv, Poltava, and Kherson Oblasts*

Ukraine Recovery Programme

€340 million loan

- **Constructing or reconstructing** schools, kindergartens, hospitals, social housing, and other key social infrastructure
- 📍 *10 oblasts and Kyiv region*
- **More than 1 000 applications from the municipalities**



BEFORE



AFTER

Ukraine Public Buildings Energy Efficiency

€300 million loan

- In addition to thermal modernisation, **repairing buildings damaged by the war** and making their adaptation to suit the needs of internally displaced persons
- **1st call for proposals to Ukrainian cities** is coming soon

EIB RESPONSE TO THE WAR IN UKRAINE

€1.72
billion

€668
million

to meet most urgent financial needs of Ukraine fully disbursed within a month from the start of the war.

€650
million

to the Ukrainian road agency (Ukravtodor) and the Ukrainian railway (Ukrzaliznytsia) companies for the urgent repair of the road and rail transport infrastructure sector.

€350
million

to the Ministry for Communities, Territories and Infrastructure Development to cover heating needs, restore municipal facilities to working order, and perform the thermal modernisation of residential and public buildings.

€50
million

to Ukraine's transmission system operator Ukrenergo to strengthen its financial resilience and help it to maintain energy supplies for industry and households.



What next for EIB in Ukraine?



Limited or no guarantee capacity for EIB lending in Ukraine under NDICI-GE sovereign lending window – high provisioning rates



EIB continuing daily contact with Ukraine partners to repurpose existing projects in line with most urgent needs, but much more needed



Imperative that EU demonstrates its solidarity with Ukraine through investments on the ground; It is key that the EU Bank sends a positive signal by continuing to invest in the country.

What EIB can offer Ukraine

- EIB's key strength in Ukraine is its **strong focus on financing EU priority investment projects in public sector** (which accounts for 80% of EIB portfolio in the country).



- As the EU bank, **EIB has a specific role in supporting Ukraine not only in recovery through and after the war but also throughout the whole EU integration process until membership and beyond**

EIB's proposal for continued support



EIB is ready to play a **key role in EU's overall effort to support Ukraine during the war, throughout recovery and reconstruction**, and along the country's path towards EU Membership



The Bank has presented a proposal to its shareholders to create a **facility for Ukraine at the Bank's own risk – Ukraine Finance Facility (UFF) – for up to EUR 1 billion** financing for the public sector



Support under the proposal would also include **EUR 15 million from the EIB's own budget for advisory and technical support**



In discussion with EC on **how best to secure guarantees/grant funds required to support EIB's activity under the UFF** and to continue supporting the country's private sector

Portfolio Guarantees in Ukraine



Current market assessment



- Very **high demand for risk sharing instruments**, such as portfolio guarantees



- EIB/EIF is **in constant contact with the main Ukrainian banks** that emphasize the need for guarantees for financing Ukrainian enterprises, including the very important agriculture sector



- EIB/EIF has already been very **successfully deploying guarantee instruments in Ukraine since 2017** and we are well positioned to offer them on the market quickly



- EIB/EIF has so far **partnered with 4 banks: Raiffeisen, ProCredit, Oschadbank, and Ukrgasbank** in deployment of guarantees in Ukraine under “DCFTA” and “Innovfin” guarantee facilities

Current market assessment



- Since 2017, **EIB/EIF has guaranteed EUR 415m of lending to Ukrainian SMEs**, with the backing of EU resources



- In January 2023 we reviewed the usage of the guarantee capital, and **expanded the portfolio coverage to further EUR 125m, reaching a total of EUR 540m guaranteed portfolio in Ukraine**. This is however too little given the current needs



- For the “DCFTA” facility we **achieved a leverage of 10.6 times on the guarantee capital** allocated to Ukraine



- 4-5 **additional banks** (Ukreximbank, Credit Agricole, etc.) are very interested to join the guarantee facility

“DCFTA” Capped guarantee: how it worked

Well tested and much demanded guarantee product, covering both local currency and EUR lending.

The partner financial institution and EIB/EIF agree on a coverage of pre-defined portfolio size (e.g. EUR 100m).

The eligibility criteria are set in the guarantee agreement, and the bank originates and disburses loans to SMEs, and reports the loans included in the guaranteed portfolio to EIB/EIF quarterly.

Upon events of default by the SMEs, the banks submit payment demands to EIF, which would execute guarantee payment within 60 days of receiving a payment demand. The bank engages in recoveries that are shared pro rata with EIB/EIF.

“DCFTA” Capped guarantee: how it worked

The coverage is at a pre-specified guarantee rate, e.g. 70–80% of the losses on the loan by loan basis.

The cumulative losses under the capped guarantee are “capped” at typically 10–15% of the actual portfolio volume, with maximum cap rate up to 25%. The cap rate is set, taking into account expected and unexpected losses in the portfolio.

Broad eligibility: SMEs in all sectors (except restricted under EIBG policies); important to extend cover to Small MidCaps (up to 500 employees), especially for highly needed agriculture financing.

All main financing products are covered: loans, revolving lines, leases, factoring, documentary finance (letters of credit and bank guarantees that are now important in EU – Ukraine trade), bonds.

Benefits and advantages

For financial institutions:

- Very strong credit risk transfer enabling to expand financing of the real economy in extremely difficult market environment: 70%–80% of the loss of defaulted SME loans
- A substantial improvement of recovery time for the losses incurred
- Regulatory capital relief / reduction of provisions, due to EIB/EIF's status as multilateral development institution

For SMEs:

- Reduction of collateral requirements by banks (especially important when asset values have decreased substantially) as the guarantee instrument serves as collateral for banks
- Reduction of risk cost applied through the interest rates
- Extended loan maturities
- Easier access to finance for higher risk clients, e.g. SMEs under higher risk rating categories or start-ups.

Thank you!

Jean-Erik de Zagon
Head of the EIB Resident
Representation in Ukraine

