

CNB-EIB Conference: Investment in the Czech Republic

Overview of EIB activities in the Czech Republic

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The EIB in the Czech Republic

1. General overview of the EIB Group
2. Recent EIB lending activity in CZ
3. Project highlights 2016
4. EIB lending outlook in CZ for 2017



1. General overview of the EIB Group – The EIB

The EIB: the European Union bank



- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States
- AAA rated.
- Over 2900 staff.
- 23 local offices in EU and 22 outside EU

Investing in Europe's growth

1. General overview of the EIB Group – The EIF



- ❖ Shareholders:
 - ❖ European Investment Bank (59.9%)
 - ❖ European Commission (28.1%)
 - ❖ 30 public & private financial institutions (12%)
- ❖ Strong capital base (EUR 4.5bn)
- ❖ AAA-rated by the three major rating agencies
- ❖ Over 20 years of market experience in SME financing
- ❖ Over 400 staff

1. General overview of the EIB Group – Key priorities

Environment



EUR
16.9bn

Infrastructure



EUR
19.7bn

Innovation



EUR
13.5bn

SMEs



EUR
33.6bn

EUR 83,7bn Group financing in 2016, of which 89% EIB and 11% EIF.

1. General overview of the EIB Group – Our activities

We help catalyse investment by

FINANCING	BLENDING	ADVISING
<p>Loans</p> <p>Guarantees</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budgetary guarantees to support higher risk investment (InnovFin, EFSI)</p>	<p>Prepare, evaluate and support the implementation of projects (JASPERS)</p> <p>European Investment Advisory Hub (EIAH)</p> <p>Support for public/private partnerships (EPEC)</p>

Attracting FUNDING for long-term growth

1. General overview of the EIB Group – The Investment Plan for Europe (EFSI)

**Persisting low growth in
Europe**



Investment & competitiveness gap

Limited long-term financing in the
market

Public budget constraints

Non-financial barriers to investment



**EU Investment Plan
for Europe
(EFSI)**

EU budget guarantee
EIB capacity to mobilise
additional investment
in the EU



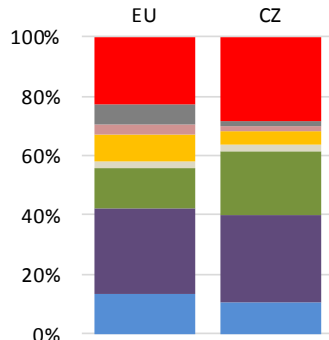
Target

**EUR 315bn in investment across
the EU within 2016-2018.**

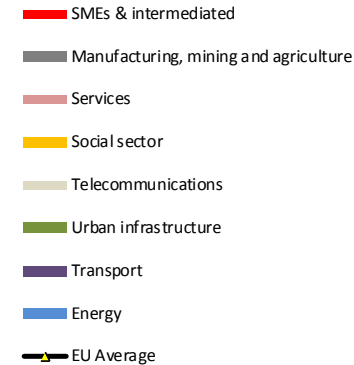
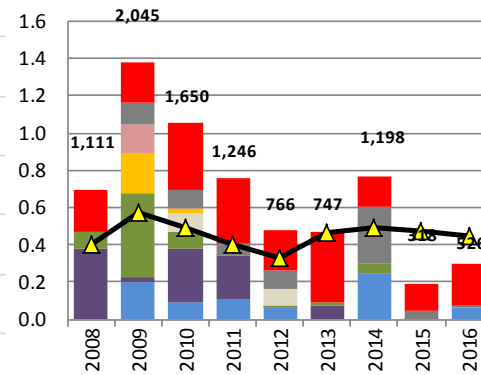
2. Recent lending activity in CZ- EIB

EIB's activity by sector - Czech Republic

Exposure, Dec-2016
% of total exposure



Signature flow
% of GDP, figures in EUR million



	CZ	EU	FVA per 1 EUR (in cent)			
Exposure (EUR bn)	7.3	508.3	2015 2012			
Exposure (% of GDP)	4.2	3.4	CZ	1.2	12.7	
N° Counterparties (by total exposure):	50	2,503	EU	5.1	18.4	
N° Counterparties (by signatures in 2016):	8	396				
Average exposure to counterparty (EUR m)	146	203				

- In 2016, **EIB lending in the Czech Republic** totaled EUR 526m, bringing EIB lending in the Czech Republic to EUR 3.6bn over the past five years (2012–2016).
- **Public sector lending represented 18%** and **private sector lending 82%** (banks 56% and corporates 26% respectively) over that period.
- Lending activity has mainly **focused on intermediated lending to SMEs and Mid-caps segments**, together with direct loans to large corporates and some municipal/regional financing.
- Our activity in CZ in relation to other CEE countries is comparable in terms of private sector operations (banks/corporates), but **below average on the public sector given reduced lending activity with the sovereign**.

2. Recent lending activity in CZ- EIF

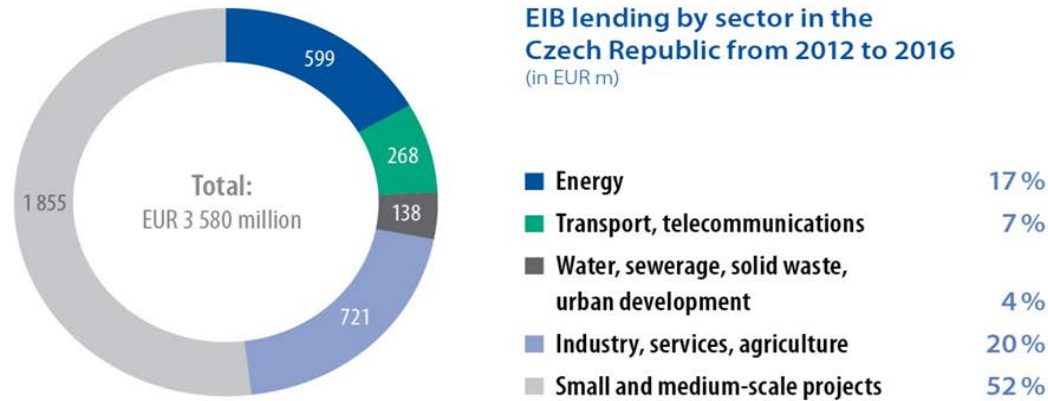
➤ From 2012 to 2016, EIF committed a total **amount of EUR 370m.**

	2012		2013		2014		2015		2016		Total	
	Number of transactions	Commitment (mEUR)	Number of transactions	Commitment (mEUR)	Number of transactions	Commitment (mEUR)	Number of transactions	Commitment (mEUR)	Number of transactions	Commitment (mEUR)	Number of transactions	Commitment (mEUR)
EQUITY	-	-	-	-	-	-	1	15.00	2	45.00	3	60.0
GUARANTEES	2	48.15	1	79.18	1	4.09	3	130.73	5*	68.83*	12*	331.0*
MICRO	-	-	-	-	-	-	-	-	3	4.19	3	4.2
Total	2	48.2	1	79.2	1	4.1	4	145.7	10*	118.0*	18*	395.2*

- In the Czech Republic in 2016, the EIF committed EUR 93m in two equity, four guarantee and three microfinance operations, aimed at raising EUR 636m.
- The potential Investment triggered by the EIB Group in the Czech Republic thanks to EFSI transactions totaled EUR 1.34bn in 2016. In this regard, the EIF signed five EFSI transactions with an aggregate EIF contribution of EUR 175m.

*Including EUR 25m allocated to UniCredit Bank Czech Republic and Slovakia a.s. under umbrella InnovFin guarantee agreement signed with UniCredit Bank Austria AG

2. Recent lending activity – by sector



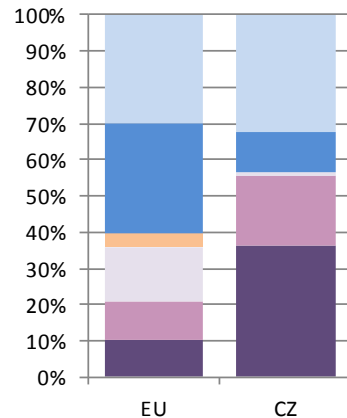
The five year overview shows the sector distribution of EIB's total lending of EUR 3,580m during the last five years:

- Support to SMEs represent the largest share (52% or EUR 1,862m).
- Support to industry, services and agriculture is another important EIB lending objective constituting roughly one fifth of the portfolio (20% or EUR 716m).
- Energy (mainly renewables) is the third most important sector of EIB funding with 17% of total EIB lending volume in Czech Republic for the period.

2. Recent lending activity – customer groups

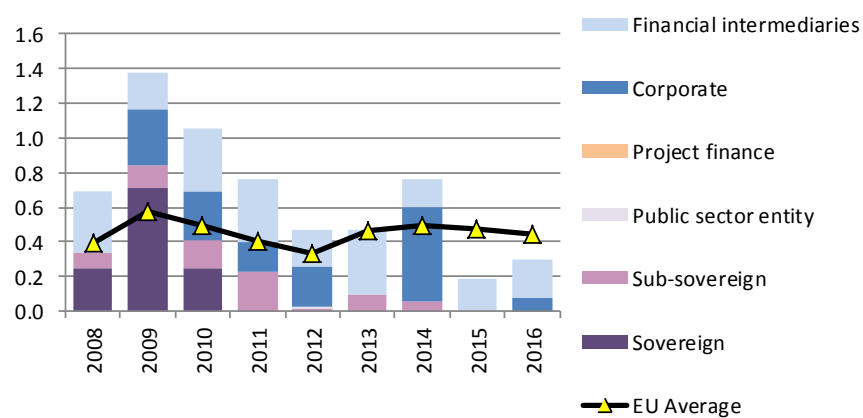
EIB's activity by contract counterpart (borrower) for operations - Czech Republic

Exposure, Dec-2016
% of total exposure



Source: EIB

Signature flow
% of GDP



- **Sovereign** – Decreased lending activity to the Sovereign in line with the favorable financing terms in capital markets due to the exchange rate intervention. Exposure as of 2016: EUR 2.7 bn.
- **Sub-Sovereign** – Deep relationship with regions (majority of them EIB current clients) and larger cities (e.g. Prague, Brno, Ostrava, Plzen). Exposure as of 2016: EUR 1.4 bn.
- **Public Sector Entities** – Long-dated relationships with state-owned companies like CEPS and SZDC. . Exposure as of 2016: EUR 62.5 m.
- **Corporates** – Direct and indirect financing with main private corporate in the country. Clients include among others CEZ, Skoda and T-Mobile. Exposure as of 2016: EUR 817 m
- **Banks** – Intense cooperation with most of major financial institutions in the Czech republic complementing traditional lending with alternative funding structures (ABS) and risk-sharing operations. Exposure as of 2016: EUR 2.4 bn.

3. Project highlights in 2016 - EIB



In 2016 the EIB financed 9 projects in Czech Republic for a total amount of EUR 526 m.

➤ **Strategic infrastructure sector**

- CZK 3bn (EUR 111m) to the Czech Republic's Energy Transmission Network Company - ČEPS, a.s. to finance the reinforcement and modernization of the electricity transmission network in the Czech Republic

➤ **Loans for SMEs and midcaps**

- EUR 392.5m worth of new funding to partner financing institutions to finance projects carried out by SMEs and mid-size companies
- The loan with Česká spořitelna, a.s. improved innovative Czech SMEs access to finance, with the aim of catalysing EUR 100m in new investment.
- In early 2017 two new deals were signed: Komerční banka Jobs For Youth Loan for SME's and MidCaps and Česká spořitelna CZ Initiative for Energy Efficiency

3. Project highlights in 2016 - EIF

In the Czech Republic in 2016, EIF committed EUR 93m in 2 equity, 4 guarantee and 3 microfinance operations, aimed at raising EUR 636m.

➤ **First InnovFin guarantee signed between CSOB and EIF**

- The InnovFin agreement allows CSOB to provide loans to innovative companies in the Czech Republic
- The guarantee is provided by the EIF and backed under Horizon 2020, the EU Framework Programme for Research and Innovation.
- The EU support for innovative Czech companies is expected to generate a portfolio of EUR 50m loans.

➤ **Second InnovFin guarantee signed between Komerční banka and EIF**

- The InnovFin agreement allows Komerční banka to provide loans to innovative companies in the Czech Republic
- The guarantee is provided by the EIF and backed under Horizon 2020, the EU Framework Programme for Research and **Innovation**.
- The EU support for innovative Czech companies is expected to generate a portfolio of EUR 200m loans.

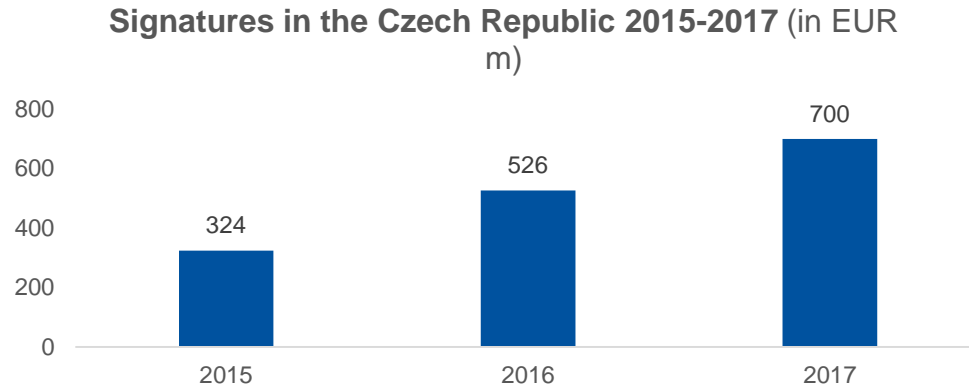
4. Lending outlook in CZ for 2017 - Strategy for 2017 and beyond

The EIB Group will continue its support to growth and employment in the Czech Republic

In 2017 we will focus on:

- Support of the development and upgrading of regional infrastructure, particularly in the transportation and health sectors.
- Support of Financial Instruments in the Czech Republic for 2014-2020 (under central & regional mandates) in priority areas (e.g. SMEs, Environment, Energy Sector).
- Foster competitiveness through corporate lending in several sectors (e.g. energy, manufacturing and warehousing).

4. Lending outlook in CZ for 2017 - EIB



- **Signatures** are expected to increase from 2016 level to c. EUR 700m. Signatures will mainly concentrate in the financial sector, of which two of them would be risk-sharing operations under EFSI.
- **Disbursements** are expected to be slightly higher than in 2016, within the range of EUR 350-400m. In 2017, it is expected 3/4 to banks and 1/4 to public sector.
- **Intense origination activity** is on-going to identify potential EFSI projects both in the private (e.g. risk sharing with banks) and public sectors (lending to muni companies or blending for financial instruments).
- **Issues:**
 - ✓ Potential operations in the public sector will largely depend on the political cycle;
 - ✓ Corporate lending is subject to strong competition for a relatively small number of sizable corporates.
 - ✓ Financing to commercial banks is challenging due to high liquidity of the Czech capital market.

4. Lending outlook in CZ for 2017 - EIF

➤ Central Europe Fund of Funds (CEFoF)

- Czech Republic as one of the 5 participating countries (through CMZRB, Czech National Promotional Bank) – AT, CZ, SK, HU and SL – with EIB (EUR 10m) and EIF (European Investment Fund) (40%) completing the c. EUR 100m FoF (fund of funds)
- Strong developmental impact on Central Europe's underdeveloped private equity market, with investments through VC (venture capital) and PE (private equity) funds focusing on later stage VC and growth equity
- Highly complementary to CZFoF's (Czech equity fund of funds) focus on earlier stage equity investments
- Expected to be launched in June 2017, with a pipeline already growing

➤ First EIF-managed Czech equity fund of funds (CZFoF) signed in January 2017

- **EUR 40m from ESIF** (European structural and investment funds) provided by Ministry of Industry and Trade, topped up by EIF with additional **EUR 10m from RCR** (Risk Capital Resources) **mandate**, with **full geographic coverage** of the country
- Focused on **equity investments throughout the whole early stage cycle**, from acceleration to VC, with **2-3 fund managers to be selected** for the management of seed fund(s) with an acceleration compartment and/or venture capital fund(s)
- Catalyst for **new equity funding for local SMEs** (small and medium enterprises) as well as for **the long-term development of the national equity ecosystem**, likely leading to creation of new fund management teams
- Selection ongoing, deadline for expressions of interest by applicants – 15 May 2017, **estimated launch of selected funds – end-2017**

Thank you!



**European
Investment
Bank**

The EU bank