

# EBRD's Crisis Response to the Banking Sector in Southeast Europe

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# Banking Sector in Southeast Europe

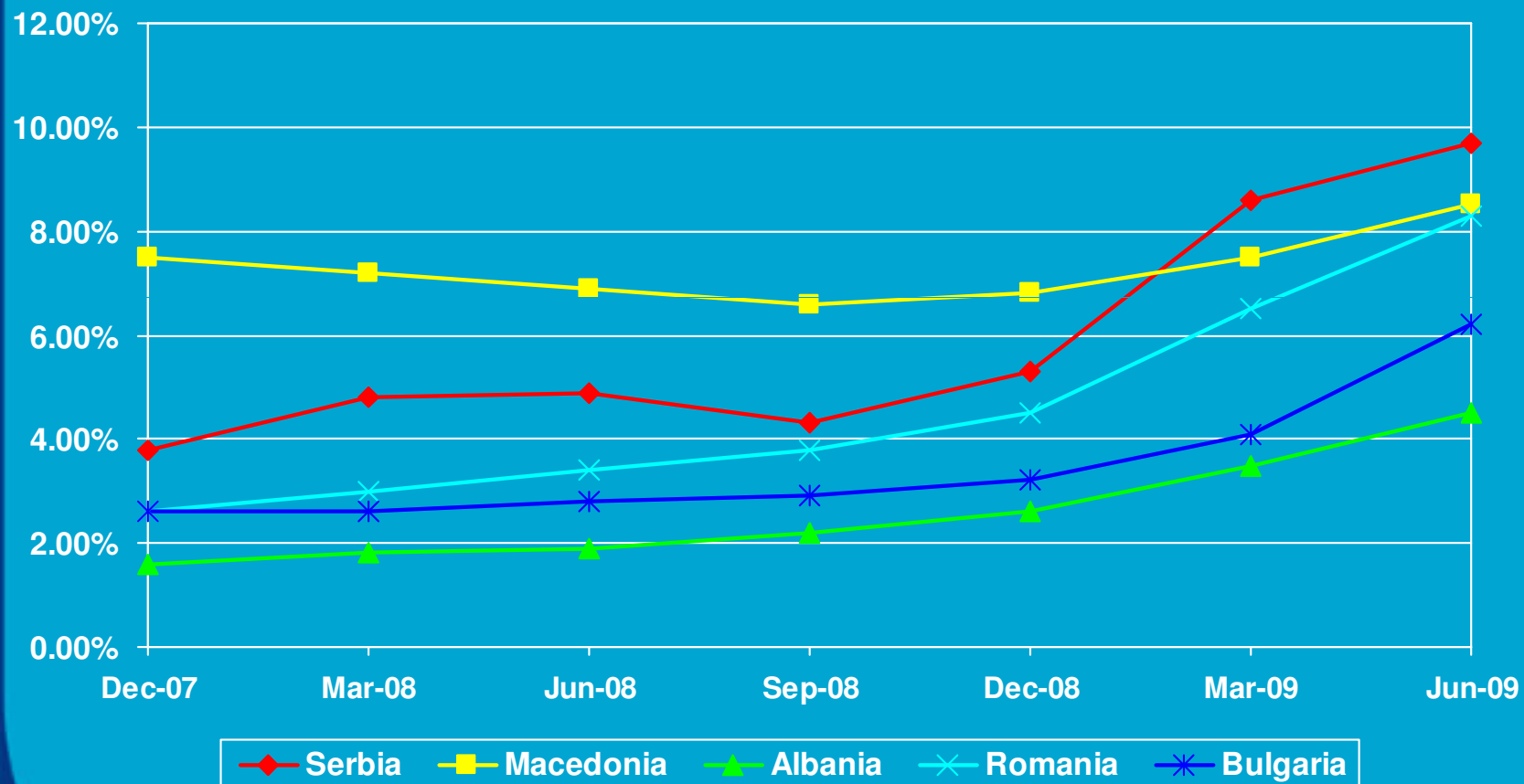
(%)

	Private Sector Credit / GDP		Loans / Deposits		CAR		Foreign Ownership	FOREX Lending
	2004	2008	2004	2008	2004	2008	2008	2008
Albania	9.2	35.3	18.6	61.5	21.6	17.2	93.6	71.9
BiH	32.3	53.5	78.9	92.6	18.7	16.3	95.0	10.2
Bulgaria	35.2	74.5	68.3	120.3	16.6	14.9	83.9	49.7
Croatia	51.8	68.1	85.6	103.3	16.0	14.5	90.8	60.3
Macedonia	22.1	43.9	143.4	106.5	23.0	16.2	93.1	57.0
Montenegro	16.8	87.2	103.0	122.6	31.3	15.0	84.6	N/R
Romania	15.7	38.5	72.1	130.8	20.6	12.3	87.7	59.4
Serbia	24.8	39.7	119.7	125.9	27.9	21.9	75.3	69.3

(Sources: IMF, EBRD)



# NPL in Selective Countries in SE



# EBRD FI Crisis Response

- **Joint IFI Action Plan**

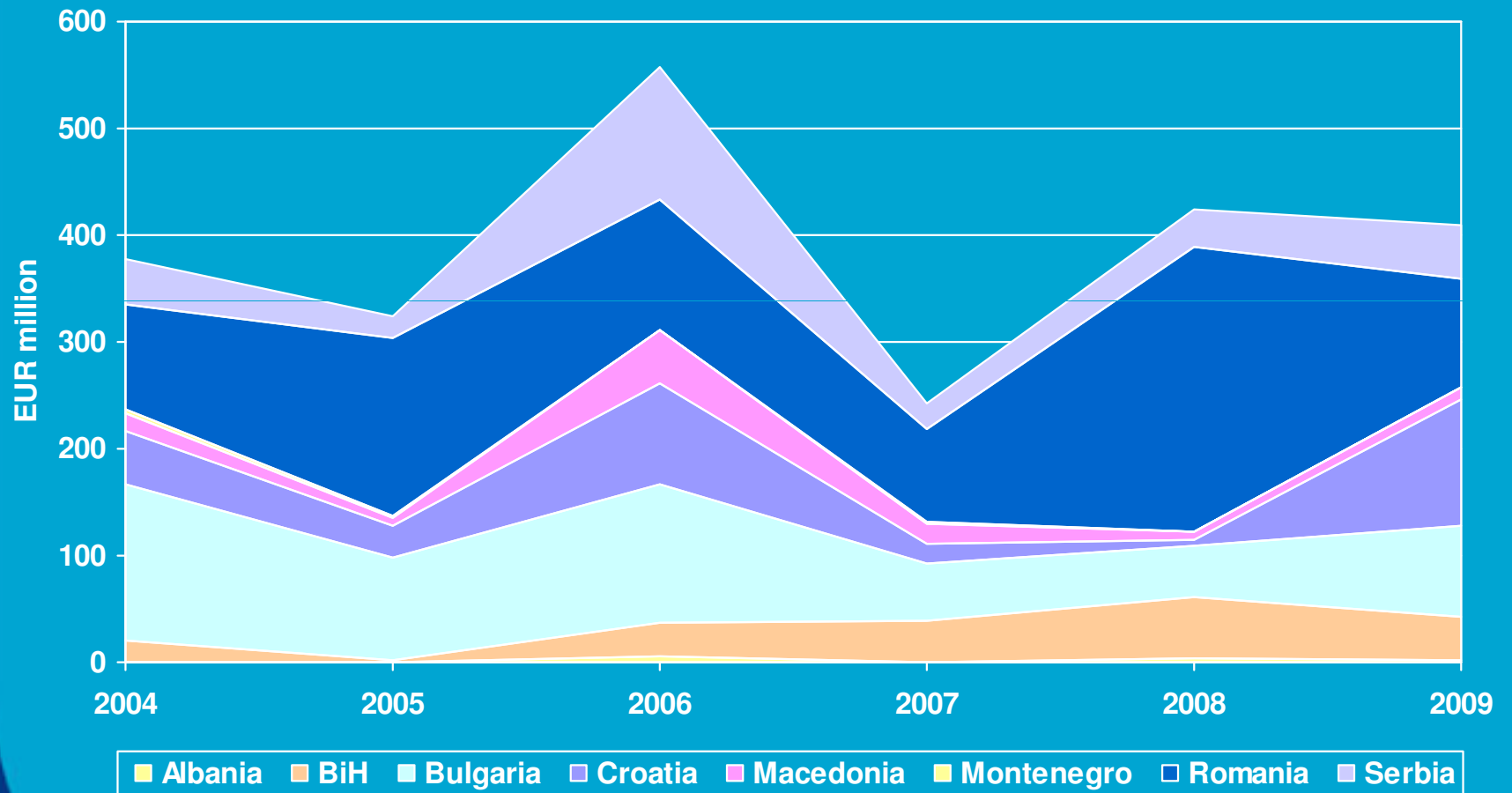
- €24.5 billion financing plan from 3 IFI groups (EBRD, EIB, IBRD/IFC/MIGA)
- €16 billion committed by 3Q 2009
- €3.4 billion from EBRD in form of (i) tier 1 and 2 capital, (ii) senior loans, (iii) trade facilitation, (iv) PE and (v) other innovative instruments and TC

- **EBRD's crisis response support to the banking sector in SE**

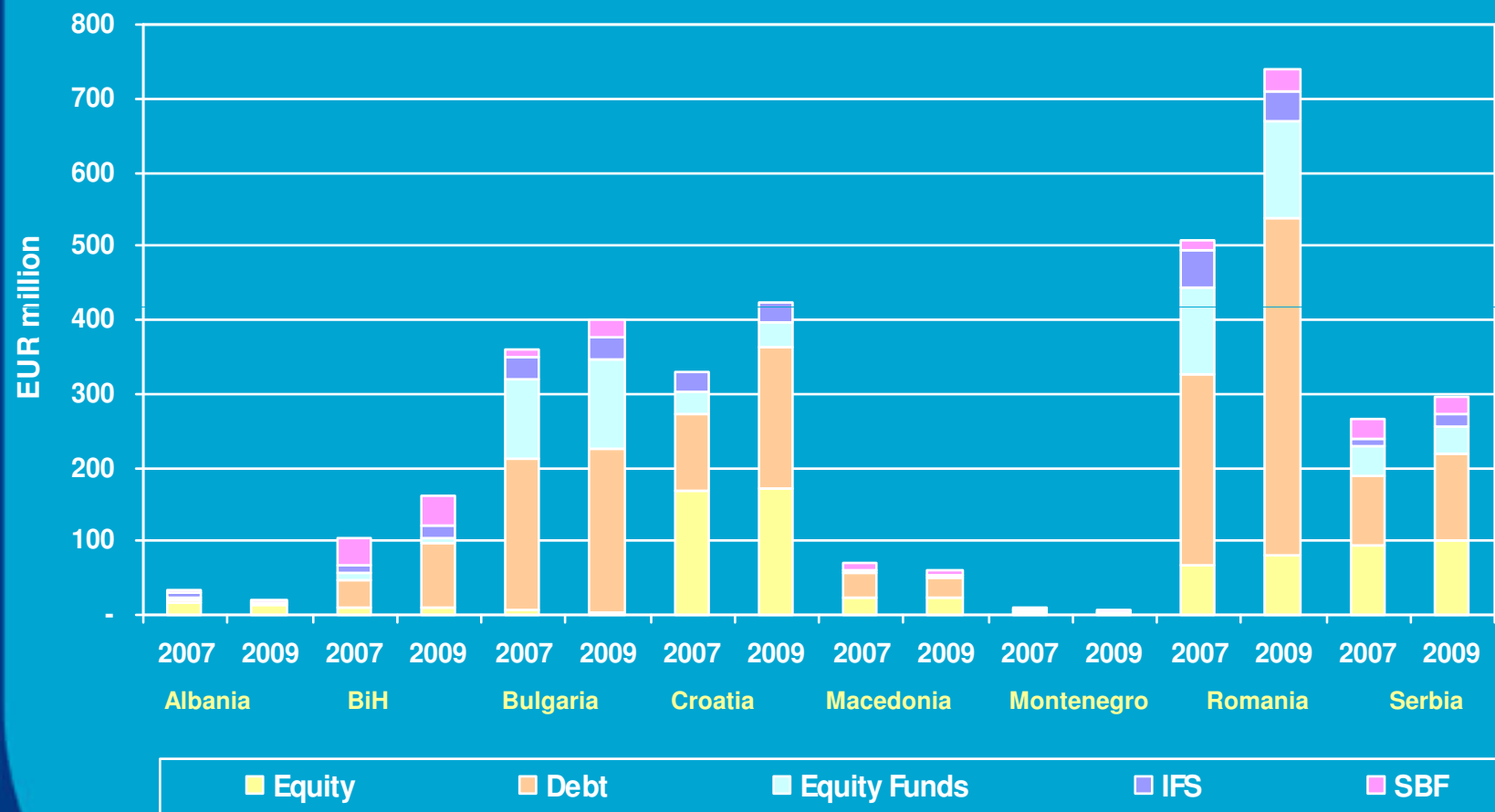
- €415 million for 9 signed transactions
- €420 million for 12 approved transactions to be signed



# EBRD FI New Commitment in Southeast Europe



# EBRD FI Portfolio in Southeast Europe



# Crisis Response and Corporate Governance

- Corporate governance - Lessons form financial crisis
  - The need to build robust banking sector which can withstand systemic risks
  - The time to reconsider the bank's strategic objectives to aim for sustainable growth (speed of credit growth, forex lending, etc.)
  - The need to strengthen risk management (risk assessment, currency/maturity mismatches, related party exposure, problem loans, etc.)
  - The role of banking supervisors, including the issue of cross border supervision, and information disclosure
  - The role of parent banks



## Corporate Governance: EBRD's approach

- Integrity due diligence and the terms of conditions of EBRD's investment – What matters?
  - Integrity and transparency of ownership
  - Financial Disclosure
  - Ethical business behaviour
  - Tax compliance
  - Environmental and social performance





## Corporate Governance: EBRD's Activities

- **Legal transition:** Technical cooperation to improve legal frameworks
- **Policy dialogue:** Creating better legal frameworks and ensuring fair and transparent implementation
- **Active investor:** Best standard demanded. Covenants in loans.
- **Board representation**
- **Technical assistance:** Legal reform work on corporate governance, Institution Building Programme (IBP)



## Case study: Bank A and Bank B

- Crisis Response support (such as SME credit line) is conditional on the implementation of corporate governance improvement measures
- Bank A - (i) change of management structure (“unipersonal” to “collective” management), (ii) reform of Supervisory Board, (iii) restrictions on related party transactions, (iv) management succession plan and (v) nomination of independent Board member
- Bank B – Improved transparency of shareholding structure through the transfer of off-shore shareholding of major shareholders to on-shore.



# Thank you!

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