EBRD’s Crisis Response to the Banking Sector in Southeast Europe

“Southeast Europe – Corporate Governance of Banks”
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EBRD
## Banking Sector in Southeast Europe

<table>
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<th>(Sources: IMF, EBRD)</th>
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<tr>
<td><strong>Private Sector Credit / GDP</strong></td>
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<td><strong>Albania</strong></td>
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<td><strong>BiH</strong></td>
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<td><strong>Romania</strong></td>
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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 (iv) 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
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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