

**BLACK SEA TRADE AND DEVELOPMENT BANK**

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**GREECE**

**Country Strategy**

**2019-2022**

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**Table 1: Basic Macroeconomic Indicators at a Glance for Greece**

Key Long Term Foreign Currency Sovereign Risk Rating at 1 July, 2019:

**Moody's: B1 | S&P: B+/B (domestic currency) positive outlook | Fitch: BB-**

	Indicator	2015	2016	2017	2018	Est. 2019	Proj. 2020	Proj. 2021
1	Population (Million)	11.22	11.18	11.16	11.14	11.12	11.10	11.08
2	Avg Exch. Rate (EUR/ USD)	0.90	0.90	0.89	0.85	0.86	0.82	0.82
3	Inflation (CPI Avg.)	-1.7%	-0.8%	1.1%	0.6%	0.8%	1.0%	1.5%
4	Average monthly wages (US\$)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5	GDP (EUR billion) current prices	177.26	176.49	180.22	184.71	187.10	190.60	196.20
6	GDP US\$ billion	196.59	195.22	203.09	218.03	217.03	232.52	237.90
7	GDP per capita (current US\$)	17,524.95	17,455.96	18,198.01	19,571.99	19,516.92	20,948.12	21,471.54
8	Real GDP growth, %	-0.4%	-0.2%	1.5%	1.9%	1.8%	1.7%	2.1%
9	Official Unemployment (ILO, annual average) %	24.9%	23.6%	21.5%	19.3%	18.1%	17.0%	15.8%
10	Industrial Production Growth, %	1.0%	2.5%	4.5%	1.0%	1.3%	0.6%	1.8%
11	Agricultural Production Growth %	-1.8%	-1.3%	0.6%	n.a.	n.a.	n.a.	n.a.
12	Domestic Credit Growth %	-3.1%	-7.9%	-5.6%	-19.8%	8.3%	-2.8%	5.7%
13	Lending rate (average for non-bank clients)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14	Consolidated Budget Balance/ GDP, %	-5.6%	0.5%	0.8%	-0.1%	-0.4%	-1.7%	-2.3%
15	Total Gross External Debt/ GDP	249.1%	244.4%	224.0%	218.4%	n.a.	n.a.	n.a.
16	Public External Debt/GDP	213.9%	201.5%	190.0%	176.8%	n.a.	n.a.	n.a.
17	Private External Debt/ GDP	35.2%	42.8%	34.0%	41.6%	n.a.	n.a.	n.a.
18	Exports (Goods) growth rate	-22.7%	-1.0%	16.4%	20.7%	3.8%	5.8%	7.7%
19	Imports (Goods) growth rate	-27.7%	-0.1%	14.8%	19.9%	1.2%	8.9%	5.4%
20	Trade Balance/ GDP	-10.0%	-10.2%	-11.0%	-12.2%	-11.9%	-12.7%	-12.6%
21	Current Account. Bal./ GDP	-0.8%	-1.7%	-1.6%	-2.9%	-1.9%	-1.9%	-1.8%
22	Forex Reserves (end period- exc gold) US\$ million	2,189.35	2,695.07	3,096.13	2,918.42	n.a.	n.a.	n.a.

Last updated on April 9, 2019

Sources:

Data for items 1-3, 34, 38-41, 43, 51, 53, 55, 59-65, 74 from IFS, IMF, Apr 2019

Data for items 4, 8, 10-23, 28-29, 33, from National Statistical Service of Greece

Data &amp; projections for item 6 from World Economic Outlook Database, IMF (Apr 2019)

Data for items 26, 30-31, 66-68 from Bank of Greece

Data for item 27 from EIU Country Reports

Data for items 46-47 from Eurostat

Projections from EIU Country Data (Latest update - 27 February 2019)

## **I. Summary of Recent Developments and Outlook**

### ***a. Economic structure and Demographic trends***

Greece is a high-income developed post-industrial and mostly service-oriented economy — shipping and tourism are main contributors to GDP formation — along with food and beverages, industrial products, petroleum and chemical products. The economy returned to growth in 2017, and the economic recovery is expected to accelerate over the next couple of years. The debt-to-GDP ratio is projected to remain on a downward trajectory in the medium term.

However, high levels of NPLs burdening the banking sector, slow credit growth, high unemployment, low levels of investment (gross fixed capital formation accounts for 13-15% of GDP), incomplete debt relief still casting doubt on the long-term sustainability of public debt, negative demographics and potential lack of public support for politically unappealing structural reforms add to concerns regarding the ability of the Greek economy to both sustain long-term primary budget surpluses and recover quickly a loss of about one fifth of GDP relative to 2008 level. In the World Bank Ease of Doing Business Greece ranks 72 out of 190 countries and territories, with a score of 68.08.

Greece has a population of 10,760,421. Over one third of the population lives in poverty or at risk of social exclusion. Greece has an average to high inequality (OECD 10 April 2019) with a Gini coefficient of 33%, somewhere in between Spain and Italy, usual for South and South-East Europe, lower though than Russia and Turkey.

### ***b. Performance 2015-2018***

#### ***i- Real Sector***

Greek GDP was up 1.5% and 1.9% in 2017 and 2018 respectively, the first consecutive two year growth rates since the country faced with the economic challenges more than a decade ago. Annual average growth rate over the four years from 2015 to 2018 was 0.7% compared to an annual average contraction of 4.7% in 2011-2014 period. During the latest four year period major positive contributions to the growth came from net exports, as growth in exports outpaced growth in imports, and from recovering household demand, while negative contribution came from the government consumption. On the production side, major positive contribution came from real estate activities, followed by industry and construction, while negative contribution came from financial activities, and information and communication. In nominal EUR terms Greek GDP in 2018 was 3.4% bigger than in 2014, albeit 23.7% smaller than in 2008.

#### ***ii- Public Sector and Fiscal Policy***

Greek general government budget balance improved significantly from an annual average deficit of 9.0% of GDP in 2011-2014 period to an annual average deficit of just 0.8% of GDP in 2015-2018 period. This improvement was attained due to better revenues, which were up from 46.6% of GDP to 48.3% of GDP during these respective periods and less spending, which was down from 55.6% of GDP to 49.1% of GDP. It should be mentioned that from 2015 to 2018 deficit was recorded only in 2015, and since then it turned to surplus which increased with each year to reach 1.1% of GDP in 2018. On the revenue side as a ratio to GDP increases were recorded in taxes on production and imports and social contributions, while capital transfer receipts and taxes on income and wealth declined in 2015-2018 period compared to the previous four year period. Expenditures in 2015-2018 period compared to the previous four year period declined mainly due to less capital expenses along with less expenditure on interest, social benefits, and salaries, while insignificant increase was recorded in subsidies.

General government consolidated gross debt of Greece was up from 178.9% of GDP or EUR 319.6bn in 2014 to 181.1% of GDP or EUR 334.6bn in 2018. During this period the share of the long term loans increased, while the share of the long term debt securities declined.

### ***iii- Public Policy***

A particular challenge for the sustainability of public finances and provision of adequate old age financial security represents the pension system, currently a pay-as-you-go (PAYG) defined benefit which relies almost exclusively on the state. As sustainability cannot be ensured through continuous reductions in pension benefits, increases in the rate of contribution and the retirement age, there is an acute and urgent need for reform.

### ***iv- Monetary and Financial Sector***

#### *Monetary Policy & Inflation*

Following four years of deflation, prices were eventually up in 2017 and 2018 at 1.1% and 0.6% respectively. However, positive inflation in the last two years was driven by energy and foods prices. Core inflation, which excludes these categories, remained in the negative territory for five years, before recovering to zero in 2017 and remaining at that level in 2018 too. From 2015 to 2018 inflation averaged -0.2% per year compared to 0.6% per annum in 2011-2014 period. Among the major categories the highest price increases over the four year period were recorded in alcoholic beverages and tobacco, hotels, cafes, restaurants, communication, and food and non-alcoholic beverages, while highest drop in prices was observed in clothing and footwear, durable goods, and housing.

#### *Banking Sector*

Banking sector total assets in Greece were down from 222.2% of GDP or EUR 397.0bn in 2014 to 158.1% of GDP or EUR 292.1bn in 2018. This drop was driven by a decline in loan portfolio and a decline in holdings of debt securities of entities in the rest of the Euro zone. On the liabilities side, this drop was mainly matched by a decline in liabilities to Bank of Greece and deposits.

Non-performing loans as a ratio to gross loans remained at 44.6-49.1% range during 2015-2018 period. At the end of 2018 non-performing loan ratio stood at 45.4%, up compared to 43.5% at the end of 2014, as increase in residential non-performing loans outpaced decline in consumer and business non-performing loans.

#### *Major governance reforms have advanced in the banking sector.*

- Regulatory, institutional and administrative progress has been made with respect to the resolution of non-performing exposures
- Extensive consolidation took place with the 4 systemic banks accounting at end 2018 for over 80% of total banking sector assets

#### *Loans and deposits at commercial banks*

Total loans in Greece declined from EUR 235.2bn in 2014 to EUR 188.1bn in 2018. The fall was driven mainly by drop in loans to private non-financial corporations, followed by a decline in housing and consumer loans.

Over the same period, total deposits declined by 19.2% to EUR 168.0bn, as households' time deposits decreased by 45.5% to EUR 44.4bn. Given the comparable declines in both loans and deposits, loan to deposit ratio declined slightly from 113.1% in 2014 to 112.0% in 2018.

## **v- External Sector**

### *Foreign Trade*

Greece's exports reached EUR 33.5bn in 2018, or 23.4% more than in 2014. This growth was driven by increase in exports of mineral fuels, metals, chemicals, and machinery. Imports, on the other hand reached EUR 55.2bn in 2018 or 14.2% more than in 2014. This growth was driven by imports of machinery, metals, and chemicals while negative contribution came from the drop in imports of mineral products. In terms of exports destinations, Greece's main partners in 2018 were Italy, Germany, Turkey, Cyprus and Lebanon, while on the import side the main partners were Germany, Iraq, Italy, Russia, and China.

Greece's share in regional trade increased recently, but remains below 2000 level for trade in non-fuel products. In 2018, compared to 2014, exports to BSTDB member countries were down 14.4% to EUR 5.6bn. Given that total exports from Greece increased over the same period, share of BSTDB member countries in total exports declined from 24.1% in 2014 to 16.7% in 2018. Imports from BSTDB member countries, on the other hand, were up to EUR 9.4bn or 5.3% more than in 2014. However, given that total imports increased faster, share of BSTDB member countries in total imports declined from 18.5% in 2014 to 17.0% in 2018.

### *Current Account*

Greek current account deficit averaged 1.8% of GDP from 2015 to 2018, down from an annual average of 4.4% of GDP in the previous four year period. Improvement in the external balance was primarily led by a boom in tourism and in goods exports. While net inflows through capital account declined, they still covered third of the current account deficit during this period, the rest covered by the financial flows. Direct investments accounted for the major share of the external financing during 2015-2018 period, followed by portfolio investments, while net outflow was recorded in other investments. Net foreign direct investments averaged 1.3% of GDP in 2015-2018 period, compared to 0.4% in the previous four year period.

### *Foreign debt*

With non-debt creating financing flows higher than current and capital account deficit, Greece was able to lower its external debt burden from 2014 to 2018. Over this period gross external debt of the country retreated from 237.5% of GDP to 218.4% of GDP, while in nominal EUR terms was down from EUR 424.4bn to EUR 403.4bn. Decline in the short-term obligations (currency and deposits) at commercial banks and the Central Bank was the main reason behind the fall in the gross external debt. External debt of the government, on the other hand increased from 150.6% of GDP in 2014 to 161.3% of GDP in 2018.

## **c. Forecast for 2019-2022**

According to the European Commission, GDP growth rate in Greece will slightly accelerate to 2.2% in 2019 and 2020, on the back of a recovery in domestic demand and policy measures which are expected to provide a short-term boost to the economy.

### *Real Sector*

In the first quarter of 2019 real GDP growth was 1.3% (year-on-year), down from 1.5% in the previous quarter, mainly driven by an increase in investment in non-residential construction and equipment investment, while the deficit in the external sector and public consumption decline were constituting a considerable drag on growth. On the production side major sources of growth in the first semester of 2019 were construction (+33.1% y/y) and trade (+1.8% y/y), while negative contribution came mainly from financial sector (-10.7% y/y) and public administration (-1.4% y/y).

Following 12.2% contraction in 2018, gross fixed capital formation (GFCF) was up 10.7% y/y in 1Q19. Main driver of investments in 1Q19 were investments in “non-dwelling buildings” (+31.9% y/y) and “transport equipment and weapon systems” (+21.4% y/y), both of which contracted significantly in the previous year. Negative contribution in 1Q19 came from fall in investments in “intellectual property products” (-2.3% y/y) and “information communication technology” (-1.8% y/y). As a ratio to GDP, GFCF remained broadly flat at 10.9% in 1Q19, compared to 10.0% in 1Q18.

#### *Public Finances*

According to ESA 2010 methodology, following 2.0% increase in 2018 general budget revenues were down 7.3% y/y in 1Q19 to EUR 17.5bn. Revenues were down mainly on the back of contraction in income tax (-25.2% y/y in 1Q19) and fall in current transfers receivable (-6.0% y/y), while major positive contribution came primarily from VAT (+5.5% y/y). Expenditures, on the other hand, were down 0.5% y/y in 1Q19, following 1.2% increase in the previous year. As a result, budget deficit was up from EUR 0.5bn (1.2% of GDP) in 1Q18 to EUR 1.8bn (4.2% of GDP in 1Q19).

#### *Financial Sector*

Inflation remained subdued in 2019. Following 0.6% increase in 2018, prices were up 0.4% y/y in the first 7 months of 2019. Annual average core inflation was 0.0% in 2018, while recent gains pushed Jan-Jul 2019 average core inflation to 0.4% y/y.

Banking sector loans to the private sector continued to decline and reached EUR 160.8bn in June 2019, lowest level since late 2006. As a ratio to GDP, loans to private sector dropped to 95.9% in 1Q19. Deposits of the private sector, on the other hand, continued upward trend that started in early 2017 and reached EUR 138.6bn in June 2019. As a result, the loan to deposit ratio retreated further to 117.4% in June 2019. As the stock of non-performing loans declined faster than gross loans, NPL ratio declined to 45.1% in 1Q19, down from 48.6% in 1Q18 and 45.4% in 4Q18.

#### *External Sector*

During the first quarter of 2019 the current account deficit was down to EUR 3.9bn (-16.1% y/y). Aside from the trade in goods, where deficit widened from EUR 10.7bn in 1H18 to EUR 11.6bn in 1H19, balance in other categories improved, with surplus in services up 15.4% y/y to EUR 6.8bn, and the rest up 275.2% y/y to EUR 1.1bn. On the financing side, despite 9.5% y/y decline in 1H19, FDI was the main financing source, followed by net errors and omissions, portfolio inflows and reserve financing.

#### *Foreign debt*

In nominal Euro terms, Greek gross external debt was up 0.9% y/y (+0.1% q/q) to EUR 404.1bn in 1Q19. However, as a ratio to GDP it was down from 220.9% of GDP in 1Q18 to 217.9% of GDP in 1Q19. Central government debt, including guarantees, reached record high level of EUR 369.4bn (200.0% as of end of 2018), then declined slightly to EUR 368.2bn (198.6% of GDP) in 1Q19 and down to EUR 367.0bn in 2Q19.

#### *Prospects for 2020-2022*

It is projected that in addition to relatively robust domestic consumption, growth rate in gross fixed capital formation would be at double digit levels, while growth in exports will be matched by growth in imports in 2019 and 2020. Inflation is expected to remain subdued at 0.8% for both 2019 and 2020, while unemployment is forecast to retreat to 16.8% in 2020. Deficit in the current account balance is expected to stay close to zero, while surpluses in public budget are set to continue helping to lower public debt to 168.9% of GDP by the end of 2020.

## Balance of Risks

Risks still appear tilted to the downside. Weaker-than-expected world growth and in particular in the EU, rising geopolitical uncertainties including protectionism, and tightening global financial conditions could weigh on trade and growth. On the domestic side, weakening of stabilization and growth policies may increase the risk of loss of some previously achieved gains. Furthermore, as noted by the EU Commission “*over the medium term, Greece needs to continue adopting measures to address the sources or potential sources of macroeconomic imbalances, while implementing structural reforms to support a robust and sustainable economic growth.*”

## II. Overview of Current BSTDB Portfolio

The BSTDB supported the Greek economy at times of difficulty. It was a strategic priority and the Bank delivered on it. In recent years the Greek portfolio has grown very rapidly, and Greece advanced to rank at end 2018 as the second country in terms of total exposure in the operational portfolio.

**Table 2: Active BSTDB Portfolio in Greece as at end June 2019**

#	Operation	BoD Approval Date	Euro	
			Amount	Outstanding
1	Alumil Syndicated Bond Loan III	07.10.2009	21,900,000	19,414,614
2	Corporate Loan to Terna Energy S.A.	02.12.2011	6,000,000	830,000
3	Terna Energy II	21.06.2014	8,500,000	3,090,909
4	Hellenic Telecommunications Organization	11.06.2016	50,000,000	8,330,000
5	MLS Operation Greece	16.10.2015	3,000,000	1,125,000
6	Regional Greek Airport	12.12.2016	67,000,000	61,641,709
7	Stone Group International Operation	05.08.2016	15,000,000	8,925,000
8	Hellenic Petroleum Finance	17.02.2017	50,000,000	31,132,000
9	Aegean Baltic Bank - Trade Finance	22.09.2017	10,000,000	5,000,000
10	Energean Oil and Gas	17.11.2017	46,133,568	46,133,568
11	Equifund	27.04.2018	3,000,000	27,497
12	Aegean Airlines S.A. Bonds	30.06.2018	20,000,000	18,000,000
13	Eurobank Factors - Trade Finance	19.12.2018 25.01.2019	15,000,000	0
14	SME Leasing Facility-Autohellas (Hertz)	19.04.2019	25,000,000	0
15	PPC S.A	19.04.2019	160,000,000	160,000,000
	<b>Total</b>		<b>500,533,568</b>	<b>363,650,297</b>



### III. Review of Country Strategy 2015-2018: Post-Evaluation

#### Independent Evaluation of 2015-2018 Country Strategy for Greece

Evaluation Office, April 2019jn

The evaluation was performed by the Bank's Evaluation Office as per the respective Evaluation Policy. It reveals the performance of the Bank's 2015-2018 Country Strategies, to provide accountability and facilitate the decision-making regarding future strategies.

The evaluation compares the stated targets with actual results as of end of 2018, and provides an evaluation rating. The 2015-2018 Country Strategy is aligned with the objectives of the Bank's Business Plan 2015-2018 and was therefore evaluated in that context.

The implementation of the Country Strategy is in line with the Medium Term Strategy and exceeded the targeted volumes at a very high level of 166%. Both the investment volume objectives and the intended sector coverage were fulfilled substantially. Further details are outlined in the following table.

Post Evaluation of 2015-2018 Country Strategies				
TARGETS (signed Operations)			RESULTS (Signed Operations)	
Country Strategy	Sectors/Priorities	Target: Number / EUR million	Actual: Number / EUR million	Evaluation Summary
Greece	<p><b>1. Financial sector – SME, leasing, co-financing.</b></p> <p><b>2. Energy/Infrastructure: energy (oil/gas networks, efficiency, security, etc., transport..</b></p> <p><b>3. Manufacturing: agri-business, renewable energy, waste management, transport, infrastructure, PPPs, export and regional investments.</b></p> <p><b>4. “substantial expansion of activities in Greece”</b></p>	4/160	10/266	<p><b>1. Signed volume:</b> 166%</p> <p><b>2. Sector coverage:</b></p> <p>Hellenic Telecom</p> <p>MLS (IT)</p> <p>Hatzioannou (materials)</p> <p>Regional Greek Airport</p> <p>Stone Group (materials)</p> <p>Hellenic Petroleum Finance</p> <p>Aegean Baltic Bank Trade Finance</p> <p>Energean Oil and Gas</p> <p>Equifund (SME)</p> <p>Aegean Airlines Bonds</p> <p>PPC S.A.</p> <p><b>3. Conclusion:</b></p> <p>The Bank covered well both the sector priorities, as well as the portfolio size targets, recording a notable improvement vis-à-vis the implementation of the earlier strategy.</p>

#### **IV. BSTDB Operational Priorities for 2019 - 2022**

The Bank's priorities are defined (i) in accordance with the priorities and targets laid out in its *Medium-term Strategy and Business Plan 2019-2022* and (ii) country needs and objectives, as well as (iii) available resources, strategies and policies of BSTDB.

Based on the Mid Term Review of the MTSBP 2019-2022 the Bank would expect to cumulatively sign over the strategy period new operations amounting to approximately € 380 million or more if suitable operations are identified. From this perspective, the role of BSTDB is important if demand for financing would rise considerably in the short to medium term, in particular in case of sovereign and sovereign guaranteed operations.

##### **Areas for BSTDB Financing**

###### ***Infrastructure and Public Sector***

###### *Municipal Finance*

Municipal infrastructure including sewage/waste treatment facilities, urban transport infrastructure and energy efficiency are areas where BSTDB can contribute with financing. Investments aiming at improving efficiency and reducing environmental pollution would also be given priority to finance. Priority structures where BSTDB could provide financing include concessions and PPP projects.

###### *Telecommunication and Information Technology*

Some opportunities in telecommunications and information technology may exist and the Bank will be ready to provide its expertise and financing that can encourage domestic and foreign investments in the sector. Consideration shall be given to a number of high value added technology related projects in the Thessaloniki area.

###### *Large-scale infrastructure/ social development*

In this context, BSTDB will follow and seek added value involvement in various projects of high priority for both the country and the wider BSEC region including, among others, oil and gas storages, pipelines and interconnectors. In addition, the Bank will seek to participate in the financing of projects related to the development, construction and operation of major transport infrastructure elements such as toll roads, airports, sea port terminals, marinas and other facilities. The Bank will also consider projects involving investments in the development of tourism infrastructure. Bank involvement in infrastructure operations may include creative arrangements such as PPPs and concession projects.

###### *Energy*

Given its strategic geographical location Greece has been seeking to become an energy transportation hub in the region. The Bank will also seek more actively to support the development and upgrading of regional electricity markets.

On the transmission side, this may involve participating in projects entailing reinforcement of power transmission infrastructure, especially the interconnection with neighboring BSTDB Member Countries. On the generation side, the Bank will seek opportunities to work with private Greek groups interested in becoming involved in independent power production schemes from both conventional and renewable sources.

BSTDB will continue offering its financial support for eligible energy and infrastructure projects, laying particular attention to the following:

- 1) Renewable Energy Sources: projects involving wind parks, solar power plants, small hydroelectric power plants, hybrid facilities, geothermal power plants, biomass plants.
- 2) Transmission interconnection and electricity distribution in the framework of a sovereign-guaranteed structure.
- 3) Logistics infrastructure terminals
- 4) Natural gas distribution, storage and regasification facilities
- 5) Electricity generation from independent power production schemes from conventional sources and especially natural gas fired plants.

The Bank will continue to ensure that all BSTDB infrastructure operations meet sound banking principles and comply with the Bank's Environmental Rules and Procedures and incorporate, where appropriate, Environmental and Social Action Plans.

### ***Manufacturing and Enterprise Sector***

Manufacturing sector suffers from insufficient investments, in spite of the recent recovery from the post-crisis low levels. BSTDB will support new investments promoting modernization and expansion projects that increase competitiveness and enhance the resilience of the corporate sector through a shift to a more export oriented growth model. Priority will be given to support further integration of Greece in the Black Sea region through development of cross-border projects.

### ***Financial Sector Intermediated Operations***

BSTDB will provide credit lines and guarantees for the financing of SMEs operations and trade finance activities, in particular through:

*Factoring Companies* - BSTDB seeks to provide financing through financial intermediaries to SMEs and to Micro enterprises for growth and development purposes. Therefore, those facilities combine financing to two major developmental areas for BSTDB Financing. Micro entrepreneurs can also be included in the clientele of Factoring companies, as long as, the trade transaction to be financed is an exporting, importing, or domestic transaction eligible to the Factoring Company. The Bank envisages providing financing to factoring companies of up to EUR 80 million.

*Leasing Companies*- Leasing subsidiaries of systemic banks and leading sizeable and financially sound leasing companies will remain under focus and regularly followed up for potential cooperation for Medium-term credit. Following the amelioration of the rating of the systemic banks, BSTDB may grant facilities for systemic bank's leasing subsidiaries after 2020 for up to EUR 60 million.

### ***Commercial Banks and Specialized Financial Institutions***

1. specialized subsidiaries of the 4 systemic banks,
2. non-systemic banks (2-3 deemed eligible) and cooperative banks, which will be followed up and assessed for potential cooperation subject to amelioration of conditions in the banking sector, and
3. debt funds, which are either state owned, or the state has a significant participation, and which in the opinion of the Bank are managed by competent management.

## ***Financing Instruments and Co-financing***

BSTDB financing can become available in various forms including project and corporate financing instruments, equity investments to a lesser extent, as well as syndication and co-financing with other financial institutions active in the country.

### *Instruments*

Looking into the future, BSTDB is considering provision of financing facilities of higher value with longer maturities:

- o Syndications, including issuance of corporate bonds, to finance corporate development plans of mid-caps and large caps and to promote development of financial markets in the country.
- o Participation in a Bonds' Vehicle. The Vehicle will be a closed-end fund and will be lending to SMEs on a call basis (active in sectors such as: the food & beverage, technology, energy, etc.). It will be a lending fund, not equity. The funding tool will be a corporate bond (under Greek law) fully underwritten by the Vehicle.

Credit enhancement measures are also needed to mobilize private capital. These include:

- o Provision of new, innovative special products such as unfunded risk participations, i.e. financial guarantees and/or financing for equity operations
- o Liquidity instruments, such as A/B loans and letters of credit, which could prevent or delay a potential distress or default
- o Instruments enhancing recovery prospects and reducing loss in the event of a default, such as partial guarantees and political-risk insurance

### *Co-financing*

The Bank will work in cooperation with EBRD, IFC, EIB, KWF, DEG, Proparco, other IFIs, commercial banks and ECAs in joint energy and infrastructure sector projects as an important source of the project co-financing as well as the institutional knowledge transfer.

The Bank will also keep regular contact with complementary Greek specialized financial institutions such as the Hellenic Development Bank (HDB) and the Consignment Deposits and Loans Fund (CDLF), to seek ways to coordinate activities and share experiences, given the opportunities which exist for joint involvement.

### *Risk Sharing and Disposal of Assets*

One of the key tasks of the Bank will be to mobilize foreign and local capital, both public and private, for loans and guarantees in its countries of operation. It would therefore seek to employ a variety of techniques (e.g. originate and sell) and vehicles to both reduce the risk it assumed in operations and to increase the liquidity provided to clients

- Participations - the Bank may agree to make a loan to finance an operation but provide its commitment, or sell its participation, only to a portion of the loan, with other financial institutions subscribing for the balance.
- Assignments – the Bank may identify operations, develop projects, perform due diligence, secure guarantees and collateral, and sell/assign it to other financiers either entirely or part of it, before or after commitment or even after disbursement.