

MULTILATERAL INVESTMENT GUARANTEE AGENCY PROJECTS IN UKRAINE

Project name: Raiffeisen Bank AVAL

Fiscal year: 2013

Guarantee holder: Raiffeisen Bank International AG

Investor country: Austria

Project Board date: June 11, 2013

Gross exposure: US\$142.5 million

On June 21, 2013, MIGA issued a guarantee of US\$142.5 million covering a loan guarantee by Raiffeisen Bank International AG (RBI) of Austria in support of funds raised by its Ukrainian subsidiary Raiffeisen Bank AVAL (RBAV). The coverage is for a period of up to eight years against the risks of transfer restriction and expropriation of funds.

The state of Ukraine's economy continues to remain delicate in the aftermath of the 2008 financial crisis as a result of spillover effects from its euro-zone neighbors.

The project will continue to bolster the capital base of a systemically important bank, strengthening the banking sector in Ukraine in a difficult macroeconomic environment.

RBAV provides new credit to the economy—in particular to corporates, farms, and small and medium enterprises that create jobs and foster economic activity and growth.

MIGA's guarantee to the project is fully consistent with the World Bank Group's Country Partnership Strategy for Ukraine that calls for job creation and the attraction of foreign direct investment to improve productivity and international competitiveness. It is also consistent with the goals of the Vienna 2 Initiative for countries of Central, Eastern and Southeastern Europe—through which MIGA seeks to support Western banks active in the region.

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Fiscal year: 2012

Guarantee holder: ProCredit Holding AG & Co. KGaA

Investor country: Germany

Project Board date: December 01, 2011

Gross exposure: US\$4.0 million

On December 22, 2011, MIGA issued a guarantee of €3 million (about US\$4.0 million equivalent) to cover an investment by ProCredit Holding AG & Co. KGaA in its subsidiary in Ukraine. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

MIGA provided coverage of US\$5.6 million under the project in FY11. This additional coverage brings MIGA's exposure under the project to US\$9.6 million.

This project is part of a master contract that MIGA has issued. ProCredit Holding AG & Co. KGaA is headquartered in Germany and is the parent company of 21 banks (ProCredit group). The ProCredit group is a provider of finance to some 750,000 micro, small, and medium-sized enterprises (MSMEs) in Latin America, Eastern and Central Europe, and Africa. Throughout the world, banks are required to maintain mandatory reserves with the central banks of their respective jurisdictions. Currently, the ProCredit group's capital adequacy ratio (CAR) is calculated according to Basel II, but in the future it will also be calculated according to the German Banking Act. Under this act, at a consolidated level, reserves deposited at the various central banks can attract a risk weighting of 100 or even 150 percent, depending on the country. This risk weighting determines the amount of equity required to maintain a specified CAR in accordance with the German Banking Act.

ProCredit Holding AG & Co. KGaA approached MIGA to obtain capital relief from the CAR requirements. By obtaining MIGA's insurance against the risk of expropriation of funds, the risk weighting for mandatory reserves held at the central bank can be reduced. A lower risk weighting would allow ProCredit Holding AG & Co. KGaA to free up equity currently tied up for CAR maintenance purposes, thereby allowing these funds to be injected into its subsidiary banks. This in turn will allow ProCredit Holding AG & Co. KGaA's emerging market subsidiary banks across its network to increase their lending activities.

MIGA's support will allow ProCredit Holding AG & Co. KGaA to direct equity to subsidiaries with the greatest need. The additional services these banks offer are helping to stimulate growth, generate employment, and reduce poverty.

MIGA's support for this project is aligned with the World Bank Group's microfinance strategy, which includes improving the supply of microfinance in large, but underserved markets; enhancing deposit capacity by assisting microfinance institutions in savings mobilization; promoting capacity building; creating and shaping markets; and fostering innovation.

Project name: Whirlpool Ukraine LLC

Fiscal year: 2012

Guarantee holder: n.v. Whirlpool Europe Coordination Center s.a.

Investor country: Belgium

Project Board date: May 30, 2012

Gross exposure: US\$6.6 million

On June 22, 2012, MIGA issued a guarantee of US\$6.6 million to cover a non-shareholder loan from n.v. Whirlpool Europe Coordination Center s.a. of Belgium to Whirlpool Ukraine LLC. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, and war and civil disturbance.

Whirlpool Ukraine (WU) is the local sales office for Whirlpool Corporation, a global leader in the home appliance industry. It sells air conditioners, washing machines, microwaves, dishwashers, built-in stoves, hoods, and built-in ovens to distributors, wholesalers, and retailers in Ukraine. WU's operations comprise a sales office in downtown Kiev and a warehouse in the outskirts of the city. WU buys its inventory from other Whirlpool entities and from third-party vendors. The company receives the products fully assembled, stores them in its warehouse until they are sold, and delivers them to its customers. WU plans to serve the Moldova, Georgia, Uzbekistan, Armenia, and Azerbaijan markets in the future.

WU has been having a positive development impact in Kiev since its conversion into a sales operation in 2011. The operation has hired six additional employees for a total of 30 permanent positions and expects to open new positions as the company grows and expands into new markets. WU also participates in knowledge transfer by encouraging its employees to take courses at Whirlpool University, Whirlpool's internal training program. Courses are designed to help the company's personnel develop leadership, operational, and cross-functional competencies.

The project is aligned with the World Bank Group's Country Partnership Strategy for Ukraine, which advocates focusing on growth, competitiveness and job creation, improvements in the business climate, and the promotion of domestic investment and foreign direct investments to achieve productivity improvements.

The project was underwritten through MIGA's Small Investment Program.

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Fiscal year: 2011

Guarantee holder: ProCredit Holding

Investor country: Germany

Project Board date: November 23, 2010

Gross exposure: US\$5.6 million

On December 22, 2010, MIGA issued a guarantee of US\$5.6 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Ukraine. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

This project is part of a master contract that MIGA has issued. PCH is headquartered in Germany and is the parent company of 21 banks (ProCredit group). The ProCredit group is a provider of finance to some 750,000 MSMEs in Latin America, Eastern and Central Europe, and Africa. Throughout the world, banks are required to maintain mandatory reserves with the central banks of their respective jurisdictions. The ProCredit group's capital adequacy ratio (CAR) is calculated according to the German Banking Act. Under this act, at a consolidated level, reserves deposited at the various central banks can attract a risk weighting of 100 or even 150 percent, depending on the country. This risk weighting determines the amount of equity required to maintain a specified CAR in accordance with the German Banking Act.

The guarantee issued by MIGA will help PCH obtain capital relief from the CAR requirements. By obtaining MIGA's insurance against the risk of expropriation of funds, the risk weighting for mandatory reserves held at the central bank can be reduced. A lower risk weighting will allow PCH to free up equity currently tied up for CAR maintenance purposes, thereby allowing these funds to be injected into its subsidiary banks. This in turn will allow PCH's emerging market subsidiary banks across its network to increase their lending activities.

MIGA's support will help PCH optimize its capital management across its 21 banks, allowing PCH to direct equity to subsidiaries with the greatest need. These banks will be able to offer additional financial services to MSMEs at a time of macroeconomic challenges. Supporting productive small businesses will help stimulate growth, generate employment, and reduce poverty.

MIGA's support for this project is aligned with the World Bank Group's microfinance strategy, which includes improving the supply of microfinance in large, but underserved markets; enhancing deposit capacity by assisting microfinance institutions in savings mobilization; promoting capacity building; creating and shaping markets; and fostering innovation.

Project name: Raiffeisen Leasing Aval LLC

Fiscal year: 2009

Guarantee holder: Raiffeisen Zentralbank Österreich AG

Investor country: Austria

Project Board date: October 28, 2008

Gross exposure: US\$142.5 million

MIGA has issued a guarantee of US\$142.5 million covering Raiffeisen Zentralbank Österreich AG's (RZB) US\$150 million shareholder loan to its leasing subsidiary in Ukraine, Raiffeisen Leasing Aval LLC (RLAV). The coverage is for a period of up to seven years against the risks of transfer restriction and expropriation of funds.

RZB's shareholder loan will enable RLAV to respond to rapidly growing demand for leasing products in Ukraine. RLAV will use the proceeds of the shareholder loan to support its leasing portfolio of equipment and machinery to Ukrainian enterprises across various sectors. A substantial part of this funding is expected to benefit small and medium-sized enterprises (SMEs) and support investments in agriculture. The SME sector is an underserved segment of the Ukrainian market as they often do not qualify for bank financing and lack the capital to purchase fixed assets to grow their businesses. RZB's shareholder loan is also expected to help RLAV to support the share of long-term leases in its portfolio. This is MIGA's second guarantee in support of RLAV.

Ukraine is among the countries in the region hardest hit by the global economic crisis. Until September 2008, it was one of Europe's fastest-growing economies, with annual growth of more than 7 percent for eight years. The crisis has dried up foreign loans, crippled banks with defaults, and triggered massive layoffs.

The World Bank Group's country partnership strategy for Ukraine emphasizes the need to support the development of non-bank financial institutions, including leasing companies, to deepen the financial sector, broaden the availability of financial instruments to Ukrainian enterprises, and support private investment. This investment fits well with the country partnership strategy. First, it promotes the involvement of strategic foreign investors, such as RZB, that are playing an important role in the development of the leasing industry in Ukraine in these difficult times. Second, this project is expected to support investments in the agribusiness sector, an important area for job creation and the development of local industries.

Project name: Joint Stock Commercial Bank for Social Development Ukrsotsbank

Fiscal year: 2009

Guarantee holder: UniCredit Bank Austria AG

Investor country: Austria

Project Board date: October 28, 2008

Gross exposure: US\$247.0 million

MIGA has issued a guarantee of US\$247 million covering a US\$260 million shareholder loan from UniCredit Bank Austria AG (UBA) to Joint Stock Commercial Bank for Social Development Ukrsotsbank (USB) of Ukraine. The coverage is for a period of up to seven years against the risks of transfer restriction, expropriation, and war and civil disturbance.

UBA is a subholding company of UniCredit Group of Italy. USB, Ukraine's fourth-largest bank, was acquired by UniCredit through UBA in January 2008. The long-term shareholder loan is expected to provide USB with liquidity at a time of limited availability of long-term funding. This is expected to improve USB's asset-liability management.

Ukraine is among the Eastern European countries hardest hit by the global financial turmoil. Economic growth averaged above 7 percent in the country between 2000 and 2007, but the global downturn has seen investors and lenders withdraw. The country's stocks, banks, and currency have all suffered. MIGA's support to the country's banking sector is part of the Bank Group's efforts to help crisis-hit countries cope with the turmoil in the global financial markets.

Over the medium to long term, the World Bank Group's country partnership strategy for Ukraine places a strong emphasis on improving the environment for private sector development and identifies building financial institutions as a priority area. This project is consistent with the first pillar—sustaining growth and improving competitiveness—of the World Bank's country partnership strategy for Ukraine.

Project name: Can-Pack (Ukraine) Ltd.

Fiscal year: 2009

Guarantee holder: Can-Pack S.A.

Investor country: Poland

Gross exposure: US\$4.0 million

MIGA has issued a US\$4.0 million guarantee to Can-Pack S.A. of Poland covering its new investment in Can-Pack (Ukraine) Ltd. The new investment will be in the form of equipment and raw materials, to modernize an existing production line. MIGA is currently providing coverage to Can-Pack S.A totaling US\$49.4 million against the risks of transfer restriction, expropriation, and war and civil disturbance.

Can-Pack S.A.—through its subsidiary Can Pack (Ukraine) Ltd.—is the largest producer of beverage cans in Ukraine and the fourth-largest beverage can producer in Europe. The project involves the replacement of old can necking equipment, which is producing 50-centiliter (cl) beverage cans, with new cans and extending the line capability with machines and tooling for the production of 33-cl cans. It also involves the transfer of technical know-how on operating the new equipment into Ukraine.

The plant has been operating since 2003. Can-Pack's decision to upgrade the equipment to produce the 33-cl aluminum beverage cans in Ukraine is driven by an increase in demand from soft drink companies, such as Coca-Cola and Pepsi, as well as from local and regional breweries. The demand for 33-cl cans is also growing from neighboring countries, especially Russia, Kazakhstan, and Belarus. The production of 33-cl cans in Ukraine will allow Can-Pack to maintain its competitiveness in the expanding beverage market in Ukraine in particular, and the region in general. Can-Pack is currently addressing the need by procuring the 33-cl cans from Poland, in turn incurring high transportation costs, which impact its competitiveness.

MIGA's continuing support to Can-Pack (Ukraine) is consistent with the World Bank's Group Country Partnership Strategy for Ukraine for 2008–11. Enhancing technological updates in the manufacturing sector and promoting the modernization of production align with the first pillar of the CPS—sustaining growth and improving competitiveness.

Project name: OJSC Raiffeisen Bank Aval

Fiscal year 2008

Guarantee holder: Raiffeisen Zentralbank Österreich AG

Investor country: Austria

Gross exposure: US\$380.0 million

MIGA has issued a guarantee of US\$380 million to Raiffeisen Zentralbank Österreich AG (RZB) of Austria covering its shareholder loan of US\$400 million to its subsidiary, OJSC Raiffeisen Bank Aval. MIGA's guarantee is for a period of up to six years and provides coverage against the risks of transfer restriction and expropriation of funds.

RZB's shareholder loan will provide funding to Raiffeisen Bank Aval to enable it to expand its portfolio and improve the range and quality of its banking services. Proceeds of the loan are expected to be on-lent primarily to individuals and SMEs, mostly for long-term assets such as residential and commercial mortgages.

The retail business potential of Ukrainian banks is currently limited by a shortage of long-term funding in the local market. This loan from RZB is designed to provide Raiffeisen Bank Aval, the second-largest lender in the country, with the long-term funding needed to increase its reach into underserved markets. In particular, the project is expected to support the role of Raiffeisen Bank Aval as one of the market leaders in SME banking. SME loans currently account for about 20 percent of the bank's total portfolio, and in 2006, Raiffeisen Bank Aval established an SME business unit.

The World Bank Group's country assistance strategy for Ukraine places a strong emphasis on improving the environment for private sector development and identifies building financial institutions as a priority area. This project will help Ukraine's private sector gain access to banking and financial products to help the country achieve sustainable growth.

Project name Can-Pack (Ukraine) Ltd.

Fiscal year: 2008

Guarantee holder: Can-Pack S.A.

Investor country: Poland

Project Board date: June 17, 2008

Gross exposure: US\$21.0 million

MIGA has issued guarantees totaling US\$21.04 million to Can-Pack S.A. of Poland covering its equity investment, shareholder loan, and management contract with Can-Pack (Ukraine) Ltd. The coverage is against the risks of transfer restriction, expropriation, and war and civil disturbance. The equity investment and management contract will be covered for a period of up to 10 years. The duration of the coverage under the shareholder loan will be four years.

The project involves the expansion of an existing aluminum beverage can production plant in Vyshgorod, Ukraine for which MIGA is currently providing coverage. MIGA's coverage is being modified to cover an increase in the equity investment, a management contract with the project enterprise, and the issuance of a new shareholder loan to the project.

The plant has been operating since 2003. The expansion of the production line will include the installation, assembly, and operation of new equipment. The expansion will increase the plant's production capacity from the current 1,700 cans per minute to 2,400—an increase from 650 million to 950 million cans per year. To accommodate the increase in finished products and materials, a new warehouse will be built on land adjacent to the existing plant.

Can-Pack S.A.—through its subsidiary Can Pack Ukraine Ltd.—is the largest producer of beverage cans in Ukraine and the fourth-largest beverage can producer in Europe. The increase in production capacity is expected to help the project company meet the growing demand for canned beverages in Ukraine and maintain its market share in the country, as well as Kazakhstan, Georgia, Russia, and other Commonwealth of Independent States (CIS) countries.

The project is expected to create local employment during the construction and design phases of the new expansion, as well as for the operation of new equipment. The transfer of high-tech manufacturing equipment from Poland is expected to yield positive developmental benefits in the form of training for local staff, for which an annual budget of US\$200,000 has been allocated. The expansion is also expected to generate tax revenues of approximately US\$7.5 million in present value terms over 11 years of operation.

Improving competitiveness and supporting the modernization of production is a priority area for World Bank Group activities in Ukraine.

Project name: Joint Stock Commercial Bank Ukrspotsbank

Fiscal year: 2008

Guarantee holder: Bank Austria

Investor country: Austria

Project Board date: June 12, 2008

Gross exposure: US\$142.5 million

MIGA has issued a guarantee of US\$142.5 million to Bank Austria, a member of UniCredit Group, covering its shareholder loan to Joint Stock Commercial Bank Ukrspotsbank (USB) in Ukraine. The coverage is for a period of up to 11 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves a subordinated shareholder loan of US\$150 million from Bank Austria to USB, Ukraine's fourth-largest bank. Bank Austria is responsible for UniCredit Group's operations in central and Eastern Europe and is USB's direct parent company. The loan increased USB's regulatory capital, aimed to strengthen the bank and allow it to grow in a sustainable manner.

One of the two pillars of the World Bank Group's country partnership strategy for Ukraine is sustaining growth and improving competitiveness. This encompasses the need to deepen the financial sector and to improve its stability in order to facilitate business growth and spur private investment. Foreign participation in Ukraine's banking sector is also expected to lead to a rapid transfer of product and credit-risk management expertise.

Project name: Raiffeisen Leasing Aval LLC (RLAV)

Fiscal year: 2008

Guarantee holder: Raiffeisen Zentralbank Österreich AG

Investor country: Austria

Gross exposure: US\$47.5 million

MIGA has issued a guarantee of US\$47.5 million to Raiffeisen Zentralbank Österreich AG (RZB) covering its shareholder loan of US\$50 million to its leasing subsidiary in Ukraine, Raiffeisen Leasing Aval LLP (RLAV). The guarantee is covering the risks of transfer restriction and expropriation of funds for a period of up to six years.

RZB's shareholder loan is expected to enable RLAV to respond to the rapidly growing demand for leasing products in Ukraine. RLAV will use the proceeds of the shareholder loan to extend long-term leases of equipment, machinery, and vehicles to Ukrainian enterprises across various sectors. A substantial part of the loan has benefited SMEs and supported investment in agriculture, both of which were underserved segments of the leasing market identified by a survey conducted by IFC.

This is MIGA's first guarantee in support of RZB's leasing operations in Ukraine. By supporting a global financial institution's new leasing subsidiary, MIGA will also contribute to the development of the leasing sector in Ukraine. MIGA is playing an important role in this transaction, as political risk mitigation is a key requirement for the lender to proceed with this investment.

The World Bank Group's country assistance strategy for Ukraine places a strong emphasis on improving the environment for private sector development and identifies building financial institutions as a priority area. The project is expected to help Ukraine's private sector gain greater access to financial products and help the country achieve sustainable growth. It is, therefore, consistent with the World Bank's country partnership strategy for Ukraine.

Project name Can-Pack Ukraine Ltd.

Fiscal year: 2006

Guarantee holder: Pol-Am-Pack, Can-Pack S.A.

Investor country: Poland

Gross exposure: US\$33.7 million

MIGA issued two guarantees totaling US\$33.7 million to Can-Pack S.A. and its subsidiary Pol-Am-Pack, both of Poland, for their investment in a Ukrainian subsidiary, Can-Pack Ukraine Ltd. The contracts replace a previous contract issued to Can-Pack S.A. in 2003, reflecting Can-Pack's transfer of 47 percent control of Can-Pack Ukraine to Pol-Am-Pack. The guarantees cover the investors' equity investment in the project. The coverage protects against the risks of expropriation, war and civil disturbance, and transfer restriction.

The project involves the operation of an aluminum beverage can production plant. MIGA is also providing coverage for a shareholder loan, and a management and technical assistance contract for the project under guarantees issued in 2003.