

**Infrastructural Finance – Product range of NRW.BANK**

**EAPB-Working Group Infrastructural Finance,**

**First Meeting, Brussels, 10 March 2010**




## Profile – Development Bank for North–Rhine Westphalia

- NRW.BANK, as a state owned development bank,
  - has a clear public mission mandate
  - doesn't focus on maximising profits
  - is a tax-exempt institution
  - is regulated by Bundesbank and BaFin
- NRW.BANK is the third-largest development institution in Europe
- The State of North Rhine–Westphalia grants an explicit guarantee
  - the guarantee is transparent and permanent
  - zero risk weighting in Germany, Euroland, Canada and Australia
  - first-class credit quality: rating (Aa1/AA–/AAA)

## Tasks pursuant to the NRW.BANK Act

- Securing and improving the medium-sized business structure of the economy, in particular by financing start-ups and recently established businesses
- Measures within the framework of social housing programmes subsidized by the government
- Provision of risk capital
- **Construction development for cities and municipalities**
- **Infrastructure support**
- **Measures for the protection of the environment**
- Technology/innovation support
- Measures for purely social purposes
- Measures for cultural and scientific purposes
- **Financing of public authorities and public-sector special purpose associations as well as co-financings with European institutions**

## Core Business Segments

				
Business Segment	Standardised Promotion Programms	Equity and Mezzanine Investments	Municipal and Special Promotion	Social Housing
Promotional Fields	<ul style="list-style-type: none"> <li>▪ SME/ Entrepreneurship</li> <li>▪ <b>Infrastructure projects</b></li> <li>▪ Agriculture</li> <li>▪ Social Housing</li> <li>▪ Education</li> </ul>	<ul style="list-style-type: none"> <li>▪ Entrepreneurship</li> <li>▪ Innovative companies</li> <li>▪ SME</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Infrastructure projects</b></li> <li>▪ SME</li> <li>▪ Cinema- /TV-Productions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Residential housing</li> <li>▪ Municipally owned social housing cooperations</li> <li>▪ <b>Urban development</b></li> </ul>
Products	<ul style="list-style-type: none"> <li>• Loans</li> <li>• Standardised mezzanine</li> <li>• Grants</li> <li>• Framework loans for commercial banks</li> <li>• Guarantee schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Equity Investments</li> <li>• Individual mezzanine solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Structurised financial solutions</li> <li>• Syndicated Loans</li> <li>• Financing Advice</li> <li>• <b>Public private partnership</b></li> </ul>	<ul style="list-style-type: none"> <li>• Loans</li> </ul>

## Scope of activity in light of legal framework

- Second Agreement between EU-Commission and Germany:  
Prerequisite for an involvement of NRW.BANK
  - **Co-financings with EIB or other development banks**
  - **Financings in those sectors that are in accordance with legal specification**
  - **No secondary market investments**
- NRW.BANK Act: Geographical limitation
  - **Financing of projects located in NRW or with a positive effect on NRW (e.g. employment)**
  - **Financing on a stand-alone basis is possible for public authorities only**
- State Aid Regulations: Further limitations for business possibilities
  - **Participation in syndicated loans by invitation**
  - **Credit amount of max. 50% of total financing and not being largest lender**
  - **No arranging or agency role by NRW.BANK (private-investor-test)**

## Structured Finance: Scope of Business

- Our products in project finance
  - **Purchase of receivables**
  - **Loans**
  - **Bonds**
  - **Bonded loans (SSD)**
  - **Guarantees**
- Tenors up to 30 years
- Exclusively primary market transactions
- Consulting services
  - **PPP transactions in respect to financing issues**
  - **Structuring of financial concepts**

## Structured Finance: Business segments I

- Energy and environment
  - Energy and water supply (distribution and generation, renewable energies)
  - Waste management (waste water, rubbish)
  - Target clients are public authorities, public and private utility companies, waste management companies, others
- Social infrastructure
  - Focussing on hospitals and nursing homes
  - Target clients are public sector companies and private investors (e.g. the church)

## Structured Finance: Business segments II

- Transport
  - **Public roads (for each segment of local authority: Federal Republic, State, Municipality), waterways**
  - **Railway transportation (private and public transport, railway system)**
  - **Airports, harbours, trade fair companies**
  - **Target clients are public authorities and the private sector**
- Public Private Partnership
  - **Construction (schools, university medical centres, other public buildings, public roads, motorways)**
  - **Target clients are private consortia as partners of the public authorities**

## Objectives for the EAPB Working Group on Infrastructural Finance

- Exchange of experiences in between the working group members in the different fields of activity concerning market developments
- Exchange of ideas concerning new product developments
- Discussion of possible common approaches in the financing of large infrastructure projects
- Discussion of legal framework settings from the EU/national authorities and the experiences with it
- Special fields of interest:
  - **Social infrastructure**
  - **Energy efficiency**

## Contacts

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### **Verständigung II –**

#### **Agreement between the EU-Commission and the Federal Republic of Germany**

According to a second agreement (the so-called “Verständigung II”) reached between the European Commission and the Federal Republic of Germany on March 1, 2002, Institutional Liability, Guarantor Liability and similar state guarantees and tax privileges will continue to be available for development banks whose activities are confined to bona-fide development and promotion (e.g. SME promotion, technology promotion, environmental promotion).

These banks must not compete with private sector banks and their public development and promotion missions must be clearly documented in their charters and guidelines.

All requisite implementation measures must be completed no later than March 31, 2004.