Master of Public Administration

EIB Capstone Project

National Promotional Banks Benchmark Analysis
This capstone project has been prepared by a pool of Bocconi University students attending the following programs:

- MPA – Master in Public Administration
- MCF – Master in Corporate Finance
- MBA – Master in Business Administration
- MSc GIO – Master of Science in Government of International Organizations

Its aim is to prepare a database with salient data about National Promotional Banks (NPBs)

This presentation is a summary of the main data collected
**VARIABLES ANALYZED**

- Shareholder structure
- Regulated
- Sectors
- Instruments
- Sources
- Financial information
- Mission
- Legal background
- Operational model
- Structure
- Headquarter/branch offices

**Variables**

<table>
<thead>
<tr>
<th>Variable Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder structure</td>
<td>Description of shareholder composition and ownership structure.</td>
</tr>
<tr>
<td>Regulated</td>
<td>Indication of whether the bank or institution is regulated.</td>
</tr>
<tr>
<td>Sectors</td>
<td>List of economic sectors the bank operates in.</td>
</tr>
<tr>
<td>Instruments</td>
<td>Description of financial instruments provided by the bank.</td>
</tr>
<tr>
<td>Sources</td>
<td>Source of data for each variable.</td>
</tr>
<tr>
<td>Financial information</td>
<td>Detailed financial data and analysis.</td>
</tr>
<tr>
<td>Mission</td>
<td>Mission statement or objectives of the bank or institution.</td>
</tr>
<tr>
<td>Legal background</td>
<td>Legal framework and regulatory environment in which the bank operates.</td>
</tr>
<tr>
<td>Operational model</td>
<td>Model of operation and processes.</td>
</tr>
<tr>
<td>Structure</td>
<td>Organizational structure and hierarchy.</td>
</tr>
<tr>
<td>Headquarter/branch offices</td>
<td>Details of headquarters and branch offices.</td>
</tr>
</tbody>
</table>

**National Promotional Banks**

- (1 per worksheet)

**Year of latest data**

- (as indicated in the Excel database for each entry).
National Promotional Banks Analyzed

- Croatia – HBOR
- Hungary – MFB
- Portugal – IDF
- Slovakia – SZRB
- Slovenia – SID
- Spain – ICO
- France – CDC
- France – BPI
- Netherlands – BNG
- Netherlands – NWB
- Netherlands – NIA
- Italy – CDP
- Poland – BGK
- Denmark – VKF
- Malta – MDB
- Sweden – ALMI
- Germany – KFW
- Austria – AWS
- Lithuania – VIPA
- Lithuania – INVEGA
- Latvia – ALTUM
- Romania – Eximbank
- Czech Republic – CMZRB
- Estonia – KredEx
- Finland – Finnvera
- Ireland – SBCI
- Czech Republic – CEB
- Belgium – SFPI
- Luxembourg – SNCI
- Belgium – PMV
- Belgium – SCRIB
- Bulgaria – BDB
- United Kingdom - BBB
Mission Statements

- bank
- better
- businesses
- clients
- companies
- competitiveness
- contributing
- enterprises
- entrepreneurship
- export finance
- market
- EU funds
- loans
- energy
- institutions
- help
- growth
- funds
- guarantee
- projects
- SMEs
- sustainable
- innovation
- promote
- projects
- partner
- investment
- economic development
- support
- policy
- improve
Shareholders Structure

- Similarities on decision making and appointed boards (state-owned)
- Involvement of different public institutions (national, federal, local)
- Impact driven vs. Market performance driven
Financing Activities per Sector

Climate, SMEs and Infrastructure are the main financing activities of NPBs.
In terms of areas of financing, there are few specialized banks.

Most countries prefer to have a Promotional bank that is very diversified.

Could there be inefficiencies?
Financing Instruments

Loans and guarantees are the most used instruments by NPBs

- Loans and guarantees are clearly the most used instrument
- Banks are starting to specialize on PPP projects, building necessary skills and capabilities
### Funding Sources

Most national promotional banks rely on public funding for their initiatives.

<table>
<thead>
<tr>
<th>Source</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Funds</td>
<td>30</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>19</td>
</tr>
<tr>
<td>IFIs (incl. EIB)</td>
<td>19</td>
</tr>
<tr>
<td>EU Sources</td>
<td>17</td>
</tr>
<tr>
<td>Deposits</td>
<td>16</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
</tr>
</tbody>
</table>

- Capital Markets and International Financial Institutions (IFIs) are the 2nd most used source of financing.
- EU sources also play a significant role on financing, especially in Eastern EU countries.
Financial Analysis

Balance Sheet compared to GDP & National Public Debt

- Banks from 8 countries (as shown) out of 26 have a higher than average ratio (3.30%), relating to an average public debt of 86.59%
- Highly impacted by the country’s credit ratings and monetary policies

<table>
<thead>
<tr>
<th>Bank</th>
<th>Balance Sheet vs GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy - CDP</td>
<td>22.1%</td>
</tr>
<tr>
<td>Germany - KFW</td>
<td>14.5%</td>
</tr>
<tr>
<td>Netherlands - NWB</td>
<td>13.0%</td>
</tr>
<tr>
<td>France - CDC</td>
<td>9.7%</td>
</tr>
<tr>
<td>Croatia - HBOR</td>
<td>7.8%</td>
</tr>
<tr>
<td>Slovenia - SID</td>
<td>6.3%</td>
</tr>
<tr>
<td>Spain - ICO</td>
<td>4.0%</td>
</tr>
<tr>
<td>Hungary - MFB</td>
<td>3.7%</td>
</tr>
<tr>
<td>Poland - BGK</td>
<td>3.6%</td>
</tr>
<tr>
<td>France - BPI</td>
<td>3.1%</td>
</tr>
<tr>
<td>Luxembourg - SNCI</td>
<td>3.0%</td>
</tr>
<tr>
<td>Bulgaria - BDB</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Banks below 1% excluded
Financial performance – Return On Assets

- Efficiency of an institution’s management at using its assets to generate earnings, owing to the ownership
- Leading to low or negative Net profits

<table>
<thead>
<tr>
<th>Worst performing banks</th>
<th>Best performing banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBB, U.K.</td>
<td>SFPI, Belgium</td>
</tr>
<tr>
<td>SBCI, Ireland</td>
<td>PMV, Belgium</td>
</tr>
<tr>
<td>MFB, Hungary</td>
<td>INVEGA, Lithuania</td>
</tr>
<tr>
<td>CMZRB, Czech Republic</td>
<td>SNCI, Luxembourg</td>
</tr>
<tr>
<td>EXIMBANK, Romania</td>
<td>ALMI, Sweden</td>
</tr>
<tr>
<td>-1%</td>
<td>5.03%</td>
</tr>
<tr>
<td>-0.24%</td>
<td>4.74%</td>
</tr>
<tr>
<td>0.06%</td>
<td>4.68%</td>
</tr>
<tr>
<td>0.07%</td>
<td>3.41%</td>
</tr>
<tr>
<td>0.10%</td>
<td>2.84%</td>
</tr>
</tbody>
</table>
Critical Factors found

• Transparency and access to information
  ✓ Great disparities between banks in terms of information available on their websites
  ✓ Several banks (e.g. Invega in Lithuania, Alma in Sweden) do not publish their annual financial reports in English
  ✓ General lack of transparency about operational modes, funding activities, projects etc

• A wide universe of national promotional banks
  ✓ Challenges encountered in assessing the items “development finance” and “regulation”: some banks, but not all, are explicitly stating which regulations they are subject to
  ✓ Other possible criteria to assess the diversity of banks: year of foundation, value for money
Lessons Learned

CONTENTS

▪ Diversified business and operational models (e.g. AWS is a limited liability company, SZRB is a bank)

▪ Different historical backgrounds (e.g. CDP founded in 1850; SBCI founded in 2014)

▪ Different level of decentralization (e.g. BPI France, KfW have many subsidiaries)

▪ Not an homogeneous panorama (in terms of sectors financed, size, financial instruments)

▪ Focus on different levels (e.g. KfW: international level; VIPA: national level)

SKILLS

▪ Ability to read and interpret an Annual Report

▪ Sharing of our best practices

▪ Development of critical thinking
The Team

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