Trade finance has been a relatively stable component of the overall financial system, but losses in confidence in the markets and contagion mean that it too has been affected by the global crisis. The EIB’s award-winning Trade Finance Facility is helping to counteract this.

What is the Trade Finance Facility?

- The Trade Finance Facility for Greece is the EIB’s first ever trade finance facility. Under this new instrument we are providing EUR 500m in guarantees for foreign banks covering 85% of their risk vis-à-vis their Greek counterparts for letters of credit and other trade finance instruments, to mitigate the risks of non-payment and default.

- These trade finance instruments, denominated in either EUR or USD, have an average term of four months. This means that the underlying EIB funding can be revolved three times per year and thus support a transaction volume of up to EUR 1.5bn on an annual basis.

- The guarantees mean that cash collateral constraints are alleviated and there follows a strengthening of import and export flows in favour of SMEs and midcaps.

- The mitigation of systemic and transaction risk throughout the international banks involved in trade finance with Greece enables more comfort and confidence in the country, its banks and most importantly its ambitious businesses.

- Currently, three Greek issuing banks – National Bank of Greece, Piraeus Bank and Eurobank – and three foreign confirming banks – Citi, HSBC and Commerzbank – have signed up to the programme.

Adding value

- The Facility brings added value through its impact on the size of credit lines set up by foreign banks and the replacement of cash collateral requirements with alternative forms of security such as bonds. In addition, the tenors of short-term letters of credit could be extended by foreign banks, and the whole process will alleviate cash collateral issues for the beneficiary SMEs and midcaps.

- The success of the Greek Trade Finance Facility has seen the Bank approve another one, for Cyprus, valued at EUR 150m. The mechanisms are tailored to suit Cypriot needs. EIB trade finance facilities in different countries, either programme countries or other Member States where a market failure has been identified, will be tailored to local requirements, as well as those of the foreign confirming banks interested in doing business in those countries.
The EIB in Greece 2013

The EIB’s operations in Greece amounted to EUR 1.5bn in 2013, up from approximately EUR 550m the year before. Over the past five years, the Bank has supported projects in Greece to the tune of EUR 7.9bn. Over half of this has gone towards supporting SMEs and midcaps, with energy and infrastructure projects also benefitting.

Interested counterparts can contact the Trade Finance departments of the banks participating in the programme, or send an email to info@eib.org for more information.

The EIB: a strong partner

The EIB is the EU bank. It is owned by the 28 Member States and has an excellent credit rating. It supports economic growth and social cohesion in the EU and has more than 50 years of experience.

More than 90% of our lending is in the EU.

All the projects we finance must not only be bankable but also comply with strict economic, technical, environmental and social standards.

Our strict project assessment procedures ensure the investment’s soundness and allow you to obtain the remaining part of your financing from other investors at a lower rate than without our involvement.

Focal areas of the Bank are innovation and skills, SME access to finance, resource efficiency and strategic infrastructure.

An award-winning facility

Trade & Forfeiting Review, the world’s leading trade and supply chain finance magazine, has awarded the Deal of the Year 2013 to the EIB Trade Finance Facility for Greece. It also received the Deal of the Year for EMEA from Trade Finance magazine.

Local business, global player

Sabo S.A. is a Greek company involved in the production of turnkey factories for bricks and roof tiles as well as general industry. The company is very export- and youth-oriented. It has sold and installed factories on all continents with the exception of Australasia, and has done business in Belgium, Russia, Saudi Arabia, Mexico and Brazil.

Sabo employs highly specialised staff, with an average age of 27, as all of the factories are designed to be tailor-made to customer and location needs.

Eurobank has supported Sabo issuing a EUR 200,000 letter of credit as payment for machinery. The letter of credit has been confirmed by Commerzbank thanks to the EIB Trade Finance Facility.

For further information on the EIB and foreign direct investment financing in Greece: www.eib.org/greece

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