[Bulgaria: EIB and Raiffeisen Leasing join forces to support corporate investment]

- **EUR 30m intermediated loan will improve access of some 150 small and medium-sized companies to leasing services**
- **EIB funds will support smaller projects in agriculture, manufacturing, transportation and storage**

The European Investment Bank (EIB) has signed an intermediated loan agreement of EUR 30 million with Raiffeisen Leasing Bulgaria to finance projects of small and medium-sized enterprises and mid-cap companies. The loan will allow Raiffeisen Leasing Bulgaria to better address the needs of SMEs and mid-caps, which are the backbone of the Bulgarian economy.

The partners expect that the loan will benefit more than 150 companies operating in Bulgaria in agriculture, manufacturing, transportation and storage.

For the EIB, this operation takes forward its long-standing successful cooperation with the Bulgarian subsidiaries of Raiffeisen Bank International going back to 2002. This financial institution has proved to be a strong and reliable partner in intermediated lending, with a well-developed network of branches across Bulgaria and a profound knowledge of the country's SMEs market.

EIB Vice-President Vazil Hudák said: *"Support to SMEs is crucial for further development of the Bulgarian economy. Improved access to long-term financing strengthens the competitiveness of recipient companies that employ 1.5 million Bulgarian citizens and create two thirds of the value added of the Bulgarian economy".*

Dobromir Dobrev, Deputy CEO of Raiffeisenbank (Bulgaria), responsible for corporate banking, capital markets and the leasing company, said: *"Thanks to our good cooperation with the EIB, we will further expand our support to Bulgarian businesses. So far, the Raiffeisenbank (Bulgaria) Group and the EIB have signed global loan transactions for EUR 160 million for the bank and the leasing company. Under this last agreement with the EIB, through Raiffeisen Leasing Bulgaria, we will provide new lease financing in BGN and EUR for a wide range of customers for purchases of equipment, trucks and trailers, light commercial vehicles and passenger car fleets, etc."*

"Raiffeisen Leasing has traditionally supported small and medium-sized Bulgarian companies in their investment activities for over 14 years. This new credit facility from the EIB will enable our clients to enjoy leasing conditions similar to their competitors in Central Europe, and we believe this will not only support their investment plans but will also increase their competitiveness." Dobrev added.

Financial statements of the ECB for 2017

PRESS RELEASE

22 February 2018

- ECB profit increased by €0.1 billion to €1.3 billion in 2017 (2016: €1.2 billion) and is distributed in full to national central banks
- Net interest income on securities held for monetary policy purposes: €1.1 billion (2016: €1.0 billion)
- ECB's Balance Sheet grew to €414 billion (2016: €349 billion)

The European Central Bank's (ECB's) audited financial statements for 2017 show that the **net profit increased by €82 million, to €1,275 million**, mainly as a result of higher net interest income earned on the US dollar portfolio and the asset purchase programme (APP) portfolio.

Net interest income totalled €1,812 million in 2017 (2016: €1,648 million). Net interest income on foreign reserve assets increased to €534 million (2016: €370 million) owing to higher interest income earned on the US dollar portfolio. Net interest income arising from the APP increased by €140 million, to €575 million, as a result of the continuing securities purchases under this programme. Conversely, as a result of redemptions, net interest income earned under the Securities Markets Programme (SMP) decreased to €447 million (2016: €520 million). The ECB's interest income from its SMP holdings of Greek government bonds amounted to €154 million (2016: €185 million).

Realised gains arising from financial operations decreased to €161 million (2016: €225 million). The decrease in net realised gains was mainly due to lower price gains on US dollar securities.

Write-downs amounted to €105 million (2016: €148 million), primarily as a result of a decrease in the market value of a number of securities held in the US dollar portfolio alongside an increase in the relevant yields.

Impairment tests are conducted on the securities held by the ECB in its monetary policy portfolios, which are valued at amortised cost (subject to impairment). Based on the results of these tests, no impairment losses have been recorded for these portfolios.

The **fees charged to supervised entities amounted to €437 million** (2016: €382 million). These fees are charged in order to recover expenses incurred by the ECB in the performance of its supervisory tasks. The increase in 2017 relates predominantly to work associated with the targeted review of internal models (TRIM) and an increase in the number of ECB staff working in banking supervision.

Total staff costs and **other administrative expenses** increased to **€535 million** (2016: €467 million) **and €539 million** (2016: €487 million) respectively, mainly owing to the increase in expenses related to the ECB's supervisory tasks.

The ECB's net profit is distributed to the euro area national central banks (NCBs). **The Governing Council decided to make an interim profit distribution, amounting to €988 million, to the euro area NCBs on 31 January 2018**. At yesterday's meeting, the Governing Council decided to **distribute the remainder of the profit, amounting to €287 million, on 23 February 2018.**

The total size of the ECB's Balance Sheet increased by 19% to €414 billion (2016: €349 billion). This increase was almost exclusively due to the securities purchased under the APP.

The continuing purchases of securities under the APP led to an increase in the **consolidated balance sheet of the Eurosystem**, which rose by 22% to €4,472 billion (2016: €3,661 billion). The Eurosystem's holdings of securities held for monetary policy purposes increased by €732 billion to €2,386 billion (2016: €1,654 billion). The APP holdings increased by €754 billion to €2,286 billion, while securities held under the first two covered bond purchase programmes and the SMP declined by €9 billion and €13 billion respectively owing to redemptions.

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Notes:

1. *Accounting policies of the ECB and the Eurosystem:* Common accounting policies have been established by the Governing Council for the Eurosystem, including the ECB, in accordance with Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB), and have been published in the Official Journal of the European Union. Although generally based on internationally accepted accounting practice, these policies are designed with special regard to the unique circumstances of the central banks of the Eurosystem. Particular prominence is given to the principle of prudence, owing to the large foreign exchange exposures of most of the Eurosystem central banks. This prudent approach applies particularly to the differing treatment of unrealised gains and unrealised losses for the purpose of recognising income, and to the prohibition on netting unrealised losses on one asset against unrealised gains on another. Unrealised gains are transferred to revaluation accounts. Unrealised losses exceeding the related revaluation account balances are treated as expenses at the end of the year. Impairment losses are taken to the profit and loss account in their entirety. All euro area NCBs are required to follow these policies for the purpose of reporting their operations as part of the Eurosystem, which are included in the Eurosystem's weekly consolidated financial statements and the

consolidated annual balance sheet. Moreover, they apply broadly the same policies as the ECB in preparing their own annual financial statements.
2. *The securities currently held for monetary policy purposes* are accounted for at amortised cost (subject to impairment).
3. *Marketable securities, other than securities held for monetary policy purposes*, are revalued at market prices.
4. *Gold and all other on-balance-sheet and off-balance-sheet assets and liabilities denominated in foreign currency* are converted into euro at the exchange rate prevailing at the year-end.
5. *Profit distribution/allocation of losses:* Pursuant to Article 33 of the Statute of the ESCB, up to 20% of the net profit for any year may be transferred to the general reserve fund, subject to a limit equal to 100% of the ECB's capital. The remaining net profit is to be distributed to the euro area NCBs in proportion to their paid-up shares.
6. In the event of a loss incurred by the ECB, the shortfall may be offset against (a) the ECB's general risk provision and the general reserve fund; and (b) the monetary income for the relevant financial year, following a decision by the Governing Council. Finally, any remaining net loss may be recorded on the Balance Sheet as losses carried forward and be offset against any net income earned in subsequent year(s).
7. *Eurosystem SMP holdings:* The table below presents the breakdown by issuer of the outstanding amounts of the Eurosystem's SMP holdings as at 31 December 2017.

Total Eurosystem SMP holdings by issuer country as at 31 December 2017

Issuer country	**Nominal amount** (EUR billions)	**Book value**[1] (EUR billions)	**Average remaining maturity** (years)
Ireland	7.3	7.2	2.3
Greece	9.5	8.9	2.8
Spain	17.3	17.3	2.3
Italy	49.5	48.7	2.2
Portugal	7.3	7.1	2.0
Total[2]	**91.0**	**89.1**	**2.3**

[1] SMP holdings are valued at amortised cost.

[2] Totals may not add up due to rounding.

Temporary traffic arrangements in North Point from this Sunday

The Transport Department (TD) today (February 22) reminded the public that to facilitate construction work for the Central-Wan Chai Bypass, the following temporary traffic arrangements will be implemented at the section of the Island Eastern Corridor (IEC) eastbound near North Point from this Sunday (February 25) at the times specified below:

From 1am to 6am on February 25

The section of the first and second left lanes of the IEC eastbound between Harbour Heights and Provident Centre will be temporarily closed to all vehicular traffic.

From 3am to 6am on February 25

The section of the second right lane of the IEC eastbound between Oil Street and Provident Centre will be temporarily closed to all vehicular traffic.

From 6am on February 25 until further notice

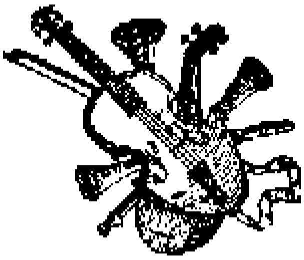
The section of the first and second left lanes of the IEC eastbound between City Garden and Provident Centre will be merged into one traffic lane.

Appropriate traffic signs will be erected on-site to guide motorists. The TD anticipates that the traffic in the vicinity of the IEC near North Point will be busy. Motorists should exercise tolerance and patience in case of traffic congestion and consider using alternative routes. Members of the public are advised to plan their journey in advance and allow more travelling time to cater for unexpected delay, and stay alert to the latest traffic news through the media.

Details of the temporary traffic arrangements are now available on the department's website (www.td.gov.hk).

Friends of Wighton update …

From Sheena Wellington :



Wighton Heritage Centre at the Central Library : Saturday 24th February at 11am (doors open 10.30am)

Cappuccino Concert with Sandy Brechin, accordion and Ewan Wilkinson, vocals and guitar

Sandy and Ewan have been playing together for twelve years now, combining Ewan's rich baritone singing and unique guitar style with Sandy's lightning fast accordion playing and backing vocals.

The duo have toured all over the world, including Australia, The Middle East, Scandinavia and all over the British Isles.

A selection of some of the best traditional songs from Scotland (and even some from England!) are interwoven with Ewan's own songs and Sandy's high-energy tunes sets to make a dazzling show.

Admission £5 with tea/coffee available for small donation.

Leaving the single market will not damage us as some suggest

Over the next few days I will share with you the text of my lecture in Speaker's House on Tuesday evening. Today I start off by disagreeing with the assumption that we have been winners from the single market and we will lose from leaving it.

Let me question the thoughtless assumption of some who think this should be an argument about trade and not about these wider truths

Let me challenge their view that our membership of the single market and customs union has boosted our economy

They wish us all to discuss in worried tones what we might lose from leaving

If you look out the economic growth figures for the UK you will discover that the UK economy grew faster from 1945 to 1972 when we joined the EEC than in the long years since we joined

You will discover that the growth rate did not accelerate again in 1992 when the EU claimed it had completed its single market

The immediate sequel to joining the EEC and to completing the single market was the UK plunged into recession on both occasions

In 1974 it was the oil and banking crisis that affected much of the west. Not the EEC's fault, but the EEC offered us no respite from it.

In 1993 it was a recession created by European policy

Our period shadowing the DM and then as a member of the Exchange Rate Mechanism gave us a nasty boom and bust

Our early experience of the completed single market was a 5% loss of national output and income.

We were told then that creating currency stability was a crucial part of a single market.

The only problem was the policy to achieve it did the opposite.

The EU itself has sought to study the impact of the single market

They concluded that the UK got the least benefit of all the states out of the process

They said we experienced a single gain of just 1% over the whole time we have been in the single market.

It is difficult to find even as much as that that in the figures.

Instead the UK’s entry into the EEC’s so called common market of the 1970s speeded painful losses of industrial business in the UK

The lop sided freeing of trade, removing barriers where France and Germany were strong but not doing the same where we were strong

hastened large closures and output losses in steel, cars and other basic industry.

In 1972 the UK made 1.92 million cars. Ten years later in the EEC that had fallen to a low of just 888,000.

We lost Austin and Morris, Wolseley and Riley, Vanden Plas and Hillman, Sunbeam and Triumph, Jensen and Rover

It is true there were home made problems with the way the industry was managed, but no-one can say we got a boost from EEC membership.

In 1972 the UK steel industry had 323,000 employees and the UK was the world’s fifth largest producer

Today we have 35,000 and are in twenty first place

The large coal industry that produced 147 m tonnes in 1970 has seen all the deep mines closed

with just a small residual of surface mining left

The German steel and coal industries flourished and the German car industry exported large volumes to the UK replacing our output

EU regulations have played a part in the demise of parts of our energy industries

EU energy policy is turning the UK into a net importer despite being a country rich with energy resources

In chemicals and textiles too the UK lost out to continental competition

Under Labour and Conservative governments there was a remorseless decline of important parts of our industry throughout the period of our membership.

It is difficult to see why people think there will be any additional a loss of output when we leave the single market when there was no gain from joining it

The argument seems to be based on the dubious idea that our exports to the continent will suffer because we will find the EU impedes our access to their market

This assumption too needs examination

Given the way the rest of the EU exports to us much more than we export to them imposing barriers could be a more costly choice for them

I assume the UK will retaliate should the rest of the EU impose tariff and non tariff barriers, and would match any such restrictions

Tariffs will be strictly limited under WTO rules which bind both us and the EU

We should not exaggerate the impact moving to World Trade terms would have.

Many countries have increased their exports to the EU at a faster rate from outside the customs union than we have from inside

Non tariff barriers too have to conform with the Facilitation of Trade Agreement which the WTO brought into effect last year.

It is just possible the rest of the EU will want to punish us and punish themselves more by imposing what barriers they can

The UK economy would have several ways of adjusting

It could import cheaper goods from the rest of the world, removing tariffs on imports in return for free trade agreements with other countries

The UK could reimburse consumers and companies that had to pay the additional tariff by giving them offsetting tax cuts out of the substantial tariff revenue the UK state would collect

The UK Treasury would collect about £16bn in tariff revenue on EU exports to us, giving plenty of scope to compensate. Meanwhile the rest of the EU would collect just £6bn on our exports to them. All of that money of course would go to the EU, not to member states governments.

UK business could divert some production from export to the EU to the domestic market

Our farms could greatly expand production behind the substantial tariff wall that is allowed under WTO rules for food

so that we all enjoy more home produced food as we used before entry into the EEC.

The one non farm tariff that does cause some to worry is the 10% tariff on cars

Here you would expect the combined impact of the stronger Euro and a 10% tariff to cause more UK car buyers to switch to domestic suppliers

Helping offset any impact on export volumes to the continent.

The UK does run too high a balance of payments deficit.

It has been persistent for many years of our membership of the EU

It is heavily influenced both by the substantial budget contributions we have to make

and by the large deficit in goods we run with the EU

On exit we will be able to cut the deficit by no longer making payments

We will be able to rebuild our agricultural industry