

Exporting Success

**An Interview with Viktor Kapustin,
Chairman of the Board, The State Export-Import Bank of Ukraine, Kiev**



Viktor Kapustin

EDITORS' NOTE *Named Ukraine's Financier of the Year in 2007, Viktor Kapustin has been Chairman of the Board for the State Export-Import Bank of Ukraine since March 2005. Prior to that, he was a member of Parliament of Ukraine (from 2002), and served as First Deputy Head of the Finance and Banking Committee of the Parliament of Ukraine.*

COMPANY BRIEF *A 100-percent state-owned bank, the State Export-Import Bank of Ukraine is one of the most profitable operators in the Ukrainian banking market, responsible for servicing a considerable portion of Ukrainian export and import activity. The bank is the sole agent of the government of Ukraine in handling intergovernmental credit lines. A partner of the World Bank on the large Export Development Project, the State Export-Import Bank of Ukraine is recognized by about 30 primary export credit agencies as a direct borrower/guarantor on medium- and long-term financing.*

Looking back over the 15-year history of the State Export-Import Bank of Ukraine, what are the key achievements to date, and who are some of your partners in developing your business?

The State Export-Import Bank of Ukraine was established in 1992 to facilitate domestic exports and support private-sector development in Ukraine. In doing so, we have built a very successful banking institution with strong

positions in the Ukrainian banking sector, an excellent reputation among partners and customers, state-of-the-art infrastructure, and the necessary human talent to support growth.

The State Export-Import Bank of Ukraine is among the top 10 Ukrainian banks by assets, and number five by net profit and return on capital. With 60 percent of Ukrainian GDP coming from exports, we are one of the major players facilitating export operations for Ukrainian and foreign companies, with some of Ukraine's leading exporters as our clients. The State Export-Import Bank of Ukraine is recognized internationally for the high quality of our management and employee professionalism.

The State Export-Import Bank of Ukraine is a partner of choice for the World Bank's Export Development Project. We have secured a \$154.5 million loan under the second Export Development Project, following the successful completion of the first Export Development Project's \$70 million loan three years ago. The bank has also worked with the German Credit Institution for Reconstruction, to provide capital to small- and medium-sized businesses, and with the European Bank for Reconstruction and Development on lending for energy efficiency projects.

As large international banks enter Ukraine and the banking environment grows more competitive, what preparations have you made to ensure continued success for the State Export-Import Bank of Ukraine?

We have been able to ensure that the government – our main shareholder – provides sufficient capitalization for the bank, on a par with its major competitors. We have invested in infrastructure and streamlined our operations so that we can deliver a greater variety of better-quality services to our customers. We continue to maintain strategic focus on Ukraine's export-oriented sectors with high-growth potential, such as the machine-building, steel, energy, and food industries.

Two years ago, a memorandum of cooperation for \$50 million was signed between the Export-Import Bank of the United States and the State Export-Import Bank of Ukraine. Has this agreement met your expectations, and how do you foresee trade relations between the United States and Ukraine developing over the next several years?

At the inception of the memorandum, a new credit line was opened to allow Ukrainian customers to purchase American machinery, equipment, products, and services. The memorandum creates favorable ground for Ukrainian economic development and expands credit-financial support possibilities for structural renovation, technical re-equipment, national production, reconstruction, and the introduction of new technologies. This memorandum undoubtedly has had a positive effect. The credit line is being successfully utilized and has met our expectations. To date, several projects have been implemented, aimed at financing the delivery of U.S. agricultural machinery.

Today, trade relations between Ukraine and the United States are developing rather dynamically. Based on statistics, product exchange between the two countries increased 1.3 times over the past year. In addition, there are several factors that will positively impact the development of relations between our countries, among which are the recognition of Ukraine as a market-economy country; last year's exclusion of Ukraine from the Jackson-Vanik amendment, which removed restrictions from credit-resource markets; investment and product import and export; and Ukraine's entrance to the World Trade Organization in the foreseeable future.

In your opinion, what are an investor's most compelling reasons for investing in Ukraine today?

Over the past 15 years, Ukraine has become a focal point for foreign investors and one of the region's largest and most promising emerging markets. A nation of 46 million people, Ukraine offers exceptional investment opportunities, following seven years of consecutive economic growth. The reason for such strong interest is the growth in many sectors of the economy, especially banking. GDP growth in 2006 was 7.1 percent, compared to 2.7 percent in 2005. Industrial production in 2006 increased by 6.2 percent, double the increase in 2005. Foreign direct investment has more than doubled in recent years, surging to \$7 billion in 2005, following annual inflows of \$1 billion in previous years. Yet another important factor is the well-defined Euro-integration vector of Ukraine's development, which is a base for the attractiveness of our country to investors in the medium- and long-term. ●