

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	BENELUX COVID-19 ENHANCED SME AND MIDCAP SUPPORT
<u>Promoter and financial intermediary</u>	ING BANK NV
<u>Country of implementation</u>	Belgium, Luxembourg, Netherlands
<u>Summary project description</u>	<p>The operation will support new lending activities in favour of small and medium-sized enterprises ("SMEs") and Mid-Caps against the issuance of guarantees on a mezzanine and senior tranche of a granular SME and small Mid-Cap portfolio.</p> <p>The operation will specifically seek to support the lending to the SMEs and Mid-Caps segments affected by the Covid-19 epidemic in the Benelux.</p> <p>The impact on several areas of the EU economy and markets is already substantial. As value-chains are being disrupted and consumer demand is slowing down, both industry output and financial markets are being severely affected.</p> <p>The impact of Covid-19 will be particularly difficult for SMEs (including self-employed individuals) and Mid-Caps, who are currently experiencing shortages in liquidity and funding lines, hence putting them under stress. EIB support could contribute to bridge the transitional period until the situation normalises again. This proposal intends to present a rapid response to mitigate the socio-economic impact of the Covid-19 outbreak. The proposed transaction will allow for a very meaningful amount of new lending support in these challenging times for SMEs and Mid-Caps.</p> <p>Swift and meaningful support is therefore essential to ensure the going concern of in substance viable companies by helping them bridge the current exceptional adverse effect on their operations. This will also help to preserve employment and avoid the adverse social effects of rapidly rising unemployment levels. The proposed Operation is one of the EIB responses to the crisis caused by the Covid-19 and it is part of the EIB contribution to mitigate the negative economic impact that the spread of the Covid-19 pandemic is having on SMEs and Mid-Caps.</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSA Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

Securitisation is a structuring technique whereby an existing portfolio of performing loans is tranching into different layers of risk (i.e. senior, mezzanine and junior, from lower to higher risk, respectively) and then placed to different investors with different risk appetites (although the issuer, as per the CRR regulation, always retains a certain percentage to ensure alignment of interests). Mezzanine investments in securitisations release capital to the originating financial intermediaries, which is currently bound in the securitised portfolios. The reduction of risk-weighted assets for certain types of loans (e.g. SME loans, consumer loans, mortgage loans) can ease constraints to their capabilities to generate new lending (i.e. lending to SMEs), as well as reverse a tightening in the conditions under which such loans are granted (i.e. more restrictive lending criteria) that would have occurred under constrained capital. In short, capital "blocked" on the balance sheet impair the ability to expand new lending by financial intermediaries and securitisations are an effective means to make capital available earlier and in higher aggregate amount than would have been the case through normal amortisation over time, which in turn triggers an acceleration of new lending. Within the Covid-19 context, a crisis that is causing a great shock to the real economy, EIB participation can make an important contribution towards increasing financing and improving financing conditions for SMEs/Mid-Caps by participating in securitisation tranches and achieve high leverage with a limited use of resources, hence reaching a large number of SMEs across the EU.

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy		Moderate
Cross-cutting objectives		
Climate Action		2.00%
EFSI		
Contribution to EFSI		100.00%
EFSI: Financial support through the EIF and the EIB to entities having up to 3 000 employees		100.00%
Provision of working capital and investment		100.00%

Pillar 2

Quality and soundness of the project		Excellent
1. Capacity and soundness of the Intermediary and quality of the operating environment		[...]
2. Increasing access to finance and improving financing conditions including for final beneficiaries		[...]
3. Employment		[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect;
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".

Pillar 3

EIB Technical and financial contribution to the project		High
1. Financial contribution		[...]
2. Financial facilitation		[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 - Complementary indicators

Additionality

This operation will contribute to the EFSI objective of providing financing to entities below 3,000 employees in the Benelux through the provision of subordinated mezzanine financing. It will also contribute to channelling of local capital and saving resources into productive capital available to SMEs and Mid-Caps, one of the priorities of the Capital Market Union of the EU.

The operation addresses an existing market failure whereby SMEs and Mid-Caps experience lasting difficulties in accessing long-term finance at favourable conditions. SMEs and Mid-Caps are key for growth creation and employment but, as smaller entities, they have greater difficulty in accessing financing sources.

This difficulty in turn leads to sub-optimal investment situations faced by SMEs and Mid-Caps, which have to delay or downscale needed investments and related employment. This may prove even further true due to the recent Covid-19 outbreak and the increased riskiness of the economic environment, which represents a threat for the financially weaker companies. Thanks to EIB support, the operation will generate the provision of new financing that will support the investments of eligible SME and Mid-Cap beneficiaries across a variety of regions and sectors in the targeted countries, hence contributing to sustainable economic growth and job creation.

The operation will release significant additional private sector financing and offer better financial terms to SMEs and Mid-Caps. The operation will qualify as EIB Special Activities due to its risk profile, specifically the subordinated position taken by the EIB as a guarantor of the mezzanine tranche. The EIB would not be able to provide this type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

The operation enables the promoter to increase its own financing capacity to SMEs and Mid-Caps, which will in turn invest further own resources for necessary investments in their businesses. The operation will also crowd-in private sector investment into the senior tranches of the securitization capital structure.

Structured finance transactions such as this operation require a significant amount of structuring, advising and support provided by the EIB Group. The proposed operation would be a first securitization with the promoter.

Set of indicators related to the macroeconomic environment

Belgium - Economic environment

Economic Performance

	BE 2018	EU 2018	US 2018	BE 2001-2007
GDP per capita (EUR, PPS)	35,670.36	30,935.11	43,569.11	36,134.50
GDP growth (%)	1.43	1.97	2.86	2.15
Potential GDP growth (%)	1.44	1.60	2.24	2.02
Output gap (% of potential GDP)	0.24	0.62	0.74	0.57
Unemployment Rate (%)	5.80	6.60	3.90	7.97
Unemployment Rate (%) - Y/Y change (% points)	-0.40	-0.60	-0.20	0.10
Bank-interest rates to non-financial corporations (%)	1.34	1.26	--	4.33
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.02	-0.06	--	-0.34
Investment rate (GFCF as % of GDP) - Total	23.81	20.54	20.84	21.80
Investment rate (GFCF as % of GDP) - Public	2.40	2.86	3.31	2.09
Investment rate (GFCF as % of GDP) - Private	21.41	17.68	17.53	19.71

SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	16.97	20.57	14.82	16.32	17.54
Availability of Private equity (Thousand euro)	1,055,844.19	1,677,387.03	1,185,863.91	1,696,254.92	67,350,185.55
Availability of Venture Capital (Thousand euro)	112,799.66	68,019.92	124,574.56	143,990.16	6,100,548.37

Luxembourg - Economic environment

Economic Performance

	LU 2018	EU 2018	US 2018	LU 2001-2007
GDP per capita (EUR, PPS)	77,215.56	30,935.11	43,569.11	74,836.95
GDP growth (%)	2.60	1.97	2.86	4.04
Potential GDP growth (%)	1.78	1.60	2.24	4.20
Output gap (% of potential GDP)	0.58	0.62	0.74	1.30
Unemployment Rate (%)	5.20	6.60	3.90	3.97
Unemployment Rate (%) - Y/Y change (% points)	-0.40	-0.60	-0.20	0.31
Bank-interest rates to non-financial corporations (%)	1.45	1.26	--	3.91
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.27	-0.06	--	-0.01
Investment rate (GFCF as % of GDP) - Total	17.48	20.54	20.84	19.76
Investment rate (GFCF as % of GDP) - Public	4.08	2.86	3.31	4.41
Investment rate (GFCF as % of GDP) - Private	13.40	17.68	17.53	15.36

SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	0.00	10.66	32.49	17.65	17.54
Availability of Private equity (Thousand euro)	136,600.00	697,820.31	1,169,053.91	277,322.85	67,350,185.55
Availability of Venture Capital (Thousand euro)	4,289.94	5,896.75	861.95	16,619.94	6,100,548.37

Netherlands - Economic environment

Economic Performance

	NL 2018	EU 2018	US 2018	NL 2001-2007
GDP per capita (EUR, PPS)	39,650.24	30,935.11	43,569.11	38,443.32
GDP growth (%)	2.67	1.97	2.86	2.00
Potential GDP growth (%)	1.80	1.60	2.24	2.09
Output gap (% of potential GDP)	1.08	0.62	0.74	-0.52
Unemployment Rate (%)	3.60	6.60	3.90	4.70
Unemployment Rate (%) - Y/Y change (% points)	-0.80	-0.60	-0.20	0.09
Bank-interest rates to non-financial corporations (%)	1.01	1.26	--	3.82
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.19	-0.06	--	-0.06
Investment rate (GFCF as % of GDP) - Total	20.94	20.54	20.84	21.27
Investment rate (GFCF as % of GDP) - Public	3.40	2.86	3.31	3.96
Investment rate (GFCF as % of GDP) - Private	17.55	17.68	17.53	17.30

SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	62.30	51.02	38.10	28.77	17.54
Availability of Private equity (Thousand euro)	3,008,197.56	3,295,045.86	3,945,066.48	3,993,898.71	67,350,185.55
Availability of Venture Capital (Thousand euro)	193,207.01	160,403.42	212,661.31	320,186.32	6,100,548.37

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics	Expected value at PCR
EIB/EFSI eligible investment mobilised [MEUR]	1,347.00 MEUR
External EFSI multiplier	10.70
External EIB (non-EFSI) multiplier	0.00
Amount of private financing [MEUR]	516.88 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	190,000
Allocation volume dedicated to SME/Mid-Caps [%]	89.00 %
Co-financing with national promotional banks [MEUR]	0.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	0.00 MEUR

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.