

## EFSI Operation Scoreboard<sup>1</sup>

<b>PROJECT PRESENTATION</b>	
<b><u>Project name</u></b>	BBVA RS COVID19 RESPONSE FOR SMES&MIDCAPS
<b><u>Promoter and financial intermediary</u></b>	BANCO BILBAO VIZCAYA ARGENTARIA SA
<b><u>Country of implementation</u></b>	Spain
<b><u>Summary project description</u></b>	<p>The proposed transaction consists of an unfunded guarantee between BBVA and the EIB, aimed at creating additional lending capacity for SME and MidCap financing in Spain. The guarantee aims to promote and accelerate private sector investments as well as facilitating access to finance for SMEs and Midcaps, a backbone in terms of growth and employment for the Spanish economy.</p> <p>The guarantee will cover up to 50% of the credit risk of a pre-approved, existing non-granular portfolio of mainly non-investment grade existing loans to large corporate and Midcaps. In exchange for the guarantee, BBVA will create a portfolio of new loans to SMEs and Midcaps, for an amount twice of the EIB guarantee amount. The transaction will be implemented under a partial delegation approach, under which BBVA will be responsible for operational and risk management tasks post signature i.e. servicing, work-outs, monitoring, regular reporting according to pre-agreed criteria, recovery and restructurings, etc. of the underlying loans.</p> <p>This operation will help address the working capital, liquidity needs and investment constraints of SMEs and Midcaps affected by the COVID-19 breakout in Spain. Spain is currently one of the most affected European country by the coronavirus. The economic impacts in the economy are widespread, as valuechains are disrupted and consumer demand is slowing down, both in turn affecting industries outputs and financial markets. SMEs and Midcaps are facing financial stress and bankruptcies that will further amplify the crisis directly and through the financial sector. This situation could worsen if the ongoing second wave of the COVID-19 Pandemic forces further containment measures that could paralyse the economy</p>

<sup>1</sup> This Scoreboard of indicators reflects the information presented to the EFSI 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 [...].

## PROJECT PILLAR ASSESSMENT

### Pillar 1

Contribution to EU policy	Significant
<b>Cross-cutting objectives</b>	
EIB Cohesion Priority Regions / Economic and Social Cohesion	20.00%
Climate Action	2.00%
<b>EFSI</b>	
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 sustainability<sup>2</sup>;
- (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.

<sup>2</sup> 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 contributes to the EFSI objective of providing financial support to entities having up to 3,000 employees, with a particular focus on SMEs and Mid-Cap companies in Spain so heavily hit by the enduring COVID-19 situation in the country. Equally the operation will address the objective of supporting less-developed regions and transition regions as up to 20% of the operation is expected to be deployed in Cohesion regions. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

The operation addresses an existing market failure and sub-optimal investment situation as smaller players such as SMEs still experience greater difficulty in accessing long-term financing sources at sustainable terms, even because banks operate under stricter regulatory capital constraints and low profitability. This may prove even further true due to the COVID-19 outbreak and the increased riskiness of the economic environment, which represents a threat for those financially weaker companies. Spanish SMEs (and to a certain extent Mid-Caps) were already lagging behind in terms of competitiveness, especially in the less developed regions of the country, due to the limited access to funding and to less favourable conditions if compared to their EU peers. The above are among the main reasons for the current sub-optimal investment situation of Spanish SMEs and Mid-Caps.

The operation will qualify as Special Activities due to the higher risk profile of the identified exposures to be guaranteed and the specific structure associated to such guarantee by the EIB. With the support of EFSI, the proposed EIB risk sharing scheme will allow for a significant new lending activity towards riskier SME/Mid-Cap beneficiaries across Spain in a variety of sectors. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

The EIB capabilities in structuring such type of operations, with the support of EFSI, will provide for an important catalytic effect, which will entail substantial investments of additional private sector resources compared to standard intermediated operations. Such effect is further amplified by the commitment of the promoter to extend the same catalytic effect to the less risky tranche of the guaranteed portfolio.

## Set of indicators related to the macroeconomic environment

### Spain - Economic environment

#### Economic Performance

	ES 2018	EU 2018	US 2018	ES 2001-2007
GDP per capita (EUR, PPS)	28,497.70	30,935.11	43,569.11	29,209.95
GDP growth (%)	2.58	1.97	2.86	3.56
Potential GDP growth (%)	1.17	1.60	2.24	3.58
Output gap (% of potential GDP)	0.88	0.62	0.74	2.75
Unemployment Rate (%)	14.40	6.60	3.90	9.99
Unemployment Rate (%) - Y/Y change (% points)	-2.10	-0.60	-0.20	-0.34
Bank-interest rates to non-financial corporations (%)	1.69	1.26	--	3.79
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.13	-0.06	--	-0.05
Investment rate (GFCF as % of GDP) - Total	21.22	20.54	20.84	28.72
Investment rate (GFCF as % of GDP) - Public	2.11	2.86	3.31	4.15
Investment rate (GFCF as % of GDP) - Private	19.11	17.68	17.53	24.57

#### SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	46.51	32.75	28.33	26.46	17.54
Availability of Private equity (Thousand euro)	2,132,953.11	2,171,941.45	3,779,579.58	4,814,131.57	67,350,185.55
Availability of Venture Capital (Thousand euro)	205,043.98	346,079.27	424,427.69	497,383.80	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 indicators<sup>3</sup>

Key project characteristics	Expected value at PCR
EIB/EFISI eligible investment mobilised [MEUR]	840.00 MEUR
External EFISI multiplier	2.80
External EIB (non-EFISI) multiplier	
Amount of private financing [MEUR]	300.00 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	47,108
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]	

<sup>3</sup> 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/EFISI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.