



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	SANTANDER RISK SHARING LOAN FOR SMES AND MIDCAPS
<u>Promoter or financial intermediary</u>	BANCO SANTANDER SA
<u>Country of implementation</u>	Spain
<u>Summary project description</u>	<p>The proposed operation is a funded participation agreement ("Funded Participation Agreement") between the EIB and Santander aimed at creating new/additional available lending headroom for SMEs and Midcaps, mainly located in Spain but also in other EU Member States.</p> <p>The Funded Participation Agreement will be implemented in the form of a contingent loan that will cover the credit risk (principal and interests) of a pre-approved, existing non-granular portfolio of mainly non-investment grade large corporate and Midcaps ("Existing Portfolio") originated by Santander. The underlying assets will comprise non-SME corporate loans, all of which will be internally rated. Neither Project Finance exposures nor corporate large infrastructure operations will be included in the existing portfolio.</p> <p>The Funded Participation Agreement will provide Santander with additional capacity to lend to SMEs and Midcaps in a capital efficient way. As a result, Banco Santander will undertake to grant new loans ("New Portfolio") for an amount equal to twice EIB's exposure to the Existing Portfolio.</p>

¹ 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 the 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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].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
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	20.00%
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 four indicators which include:

- (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.*

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 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 project, with Santander Group, contributes to the EFSI objective to support SMEs and MidCaps by increasing their access to finance and improving conditions in Spain.

Thanks to EFSI, the EIB will support the investments of eligible SME/MidCaps beneficiaries. The project will benefit SMEs and MidCaps across the Spanish territory, including in cohesion regions (i.e. 20% of total financing).

SMEs and MidCaps are key for growth creation and employment in Spain, where the profile of the economy is skewed towards small companies, which represent 74% of employment. As small players, they have difficulty in accessing financing, especially long-term, and face higher financial costs (ECB data shows that Spanish SMEs pay around 38% more interest costs than bigger companies).

The operation addresses a suboptimal investment situation in the SME market segment in Spain, after Banks have redirected lending to bigger corporates or are unable to assume risk in already highly concentrated loan portfolios. The operation addresses this gap by sharing risk with Santander, allowing it to expand its lending to SMEs.

Building on an initial operation with Santander, and by means of a new financial product jointly created with the EIB, the project will allow Santander to maintain key products for SMEs-MidCaps and improve their financing conditions. All in all, the EIB intervention, with EFSI support, will enable Santander to provide additional financing to SMEs and MidCaps at attractive rates and longer tenors, which would otherwise not be possible. A minimum of 70% of the loan portfolio will be dedicated to SMEs.

The operation will qualify as EIB Special Activities considering the high-risk profile of the supported lending activity. Santander Group's position and experience in this market segment makes it well suited to deploy such financing.

The operation will release significant additional private sector financing, as it enables Santander Group to significantly increase its own financing capacity to SMEs and MidCaps, which will in turn invest further own resources for necessary investments in their businesses.

Set of indicators related to the macroeconomic environment

Spain - Economic environment

Economic Performance

	ES	EU	US	ES
	2016	2016	2016	2001-2007
GDP per capita (EUR, PPS)	26,818	29,440	42,615	28,562
GDP growth (%)	3.2	1.9	1.6	3.6
Potential GDP growth (%)	0.39	1.3	2.1	3.6
Output gap (% of potential GDP)	-1.8	-0.75	-0.03	2.9
Unemployment Rate (%)	18.4	8.2	4.7	10.0
Unemployment Rate (%) - Y/Y change (% points)	-2.3	-0.8	-0.3	-0.33
Bank-interest rates to non-financial corporations (%)	1.6	1.4	1.8	3.8
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.41	-0.21	-1.4	-0.05
Investment rate (GFCF as % of GDP) - Total	19.9	19.7	19.6	28.7
Investment rate (GFCF as % of GDP) - Public	1.9	2.7	3.4	4.1
Investment rate (GFCF as % of GDP) - Private	18.0	17.0	16.2	24.6

SME/midcap

	2013	2014	2015	2016	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	44.5	46.5	32.7	28.3	20.9
Availability of Private equity (Thousand euro)	2,069,646	2,130,457	2,178,024	3,809,024	50,091,574
Availability of Venture Capital (Thousand euro)	170,470	205,044	346,571	405,794	4,035,807

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms
- EU value for "Bank-interest rates to non-financial corporations" 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 at PCR
EIB/EFSI eligible investment mobilised	700.00 MEUR
External EFSI multiplier	2.80
External EIB (non-EFSI) multiplier	
Amount of private financing	450.00 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	350,000
Allocation volume dedicated to SME/ Mid-Caps	89.00 %
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	

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.