



EFSI Operation Scoreboard¹

| PROJECT PRESENTATION | |
|--|---|
| <u>Project name</u> | BBPM ENHANCED SME & MIDCAP SUPPORT |
| <u>Promoter or financial intermediary</u> | BANCO BPM SPA |
| <u>Country of implementation</u> | Italy |
| <u>Summary project description</u> | <p>The operation will support new lending activities in favour of small and medium-sized enterprises (“SMEs”) and Midcaps in Italy through a joint EIB-EIF guarantee on a mezzanine tranche of a granular corporate loan portfolio (“Guaranteed Portfolio”). The capital relief for Banco BPM (“BBPM”) on the Guaranteed Portfolio will expand BBPM’s capacity for new SMEs and Midcaps lending.</p> <p>This operation addresses an existing market gap by supporting working capital and investments of eligible SMEs and Midcaps, thus contributing to sustainable growth and job creation in Italy, a country that, compared to EU average, has a higher share of employment and job creation in the SME segment. This operation therefore contributes to stimulate employment and growth.</p> <p>This transaction fully supports the Capital Markets Union priority objective of the EU since it aims at supporting an active SME and Midcap securitisation market in Europe as it would raise awareness and knowledge of other investors to participate in similar transactions.</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5.5 (protection of commercial interests) and 5.6 (protection of the Bank’s internal decision-making process), have been replaced by the symbol [...].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 | 10.00% |
| 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 | Good |
|--|-------------|
| 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 | Significant |
|--|--------------------|
| 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 Banco BPM S.p.A (BBPM), and in cooperation with the EIF, contributes to the EFSI objective of supporting SMEs and Midcaps by increasing their access to finance and improving their lending conditions in Italy. Investments shall span across a wide variety of sectors and regions, including regions eligible under the EU Cohesion Policy. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting the economic recovery in one of the countries most affected by the recent financial and economic crisis, with lack of investment over the years affecting employment and job creation.

The operation will address a failure in the SME securitization market in Italy as well as a sub-optimal investment situation faced by SMEs and Midcaps. Access to finance for SMEs and Midcaps in Italy continues to be reported as one of the most important problems with the 3rd highest rejection rates in the Euro area. SMEs and Midcaps are key for growth creation and employment; in Italy they represent a very important share of employers. However, as small players, they have difficulty in accessing financing, especially long-term, and face higher financial costs.

Thanks to EFSI, this operation addresses the existing financing gap by supporting working capital and investments of SMEs and Mid-Caps, thus contributing to sustainable growth and stimulating employment, especially among the young. In addition, the transaction aims at developing and supporting an emerging synthetic securitisation market in Europe, which complements banks as a source of financing. In that respect, this transaction fully supports the Capital Market Union policy of the EU. Structured in cooperation with the EIF, the transaction builds upon EIB Group expertise in the field of synthetic securitisation. At the same time, the EIB Group participation is expected to generate a high catalytic effect, creating demand for synthetic transactions, helping develop product knowledge and ultimately attracting other originators and investors in this market.

The transaction will qualify as Special Activities considering the high risk profile of the mezzanine tranche in the capital structure of the guaranteed SME and Mid-Cap portfolio. Thanks to the support of EFSI, EIB can intervene in such a high risk operation, spurring BBPM's new lending capacity to SMEs and Mid-Caps. Without EFSI, the EIB would not be able to provide such support and reach out to the Italian SME and Mid-Cap market segment in such volumes.

The operation is the first synthetic mezzanine structure that EIB implements with Banco BPM, thanks to EFSI. BBPM has a strong market position in Italy, implying significant potential in terms of reaching underserved final beneficiaries. With the resources made available by the EFSI guarantee on a mezzanine tranche, Banco BPM will have greater capacity to grant new loans to SMEs and Mid-Caps in Italy.

The involvement of EIB Group has been of strong added value for BBPM as the EIB Group experience in Synthetic Securitization across the EU is applied to such transaction in the specific national environment. This not only helps the BBPM in developing experience and expertise with such transactions, but also is supportive towards the Italian SME securitization and lending markets and local regulator.

Set of indicators related to the macroeconomic environment

Italy - Economic environment

Economic Performance

| | IT 2017 | EU 2017 | US 2017 | IT 2001-2007 |
|---|------------|------------|------------|-----------------|
| GDP per capita (EUR, PPS) | 28,774 | 29,900 | 43,098 | 31,527 |
| GDP growth (%) | 0.86 | 2.0 | 1.5 | 1.5 |
| Potential GDP growth (%) | 0.26 | 1.7 | 2.2 | 1.1 |
| Output gap (% of potential GDP) | -1.2 | -0.19 | -0.03 | 1.5 |
| Unemployment Rate (%) | 10.9 | 7.3 | 4.1 | 7.6 |
| Unemployment Rate (%) - Y/Y change (% points) | -0.8 | -0.9 | -0.6 | -0.44 |
| Bank-interest rates to non-financial corporations (%) | 1.1 | 1.3 | 2.4 | 3.8 |
| Bank-interest rates to non-financial corporations (%) - Y/Y change (% points) | 0.05 | -0.04 | 0.4 | 0.02 |
| Investment rate (GFCF as % of GDP) - Total | 17.5 | 20.1 | 19.7 | 21.1 |
| Investment rate (GFCF as % of GDP) - Public | 2.0 | 2.7 | 3.2 | 2.9 |
| Investment rate (GFCF as % of GDP) - Private | 15.5 | 17.3 | 16.5 | 18.2 |

SME/midcap

| | 2013 | 2014 | 2015 | 2016 | EU (latest available) |
|---|-----------|-----------|-----------|-----------|-----------------------|
| Share of SMEs with Access to Finance Difficulties (%) | 44.1 | 45.5 | 26.5 | 24.4 | 20.9 |
| Availability of Private equity (Thousand euro) | 3,106,978 | 2,865,297 | 3,115,079 | 5,793,285 | 50,091,574 |
| Availability of Venture Capital (Thousand euro) | 75,044 | 39,922 | 71,744 | 87,547 | 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/EFSD eligible investment mobilised | 385.00 MEUR |
| External EFSD multiplier | 7.00 |
| External EIB (non-EFSD) multiplier | |
| Amount of private financing | 220.00 MEUR |
| Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share) | 37,000 |
| 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. If applicable, a difference between the amount of Project investment costs and EIB/EFSD eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.