



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	CESKA SME AND MIDCAP MEZZANINE ABS
<u>Promoter or financial intermediary</u>	CESKA SPORITELNA AS
<u>Country of implementation</u>	Czech Republic
<u>Summary project description</u>	<p>The operation will support new lending activities to small and medium-sized enterprises ("SMEs") and Mid-Caps ("New Portfolio") in the Czech Republic through a joint EIB-EIF guarantee on a mezzanine tranche of a granular SME and Mid-Caps loan portfolio. EIB will provide a counter-guarantee to an unconditional first demand guarantee fronted by EIF under the Service Level Agreement.</p> <p>Ceska Sporitelna A.S. will redeploy the capital relief generated through the origination of a new portfolio of loans to eligible SMEs and Mid-Caps, equal to at least 4x the value of the guarantee. A minimum of 50% of the new portfolio will be dedicated to SMEs, with Mid-Caps accounting for the remaining amount. Approximately 80% of Mid-Caps to be financed are active in manufacturing, a sector with high labour intensity that pushes smaller companies in terms of turnover/activity into the Mid-Cap definition.</p> <p>The EIB Group is playing a key role in supporting the development of a functioning ABS market in Czech Republic and building awareness, knowledge and confidence among various markets participants (originating banks, investors, regulators, law firms, tax advisors, arrangers etc.). There was no public securitization transaction ever executed in the Czech Republic and, to the best of our knowledge, the private transactions were only concluded within the same banking groups, with no visibility or impact on the wider market. As the first public securitization in the Czech Republic, this operation fully supports the Capital Markets Union priority objective of the EU.</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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].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	90.00%
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 operation will contribute to the EFSI objective of providing financing to entities below 3000 employees through the provision of subordinated mezzanine financing in a synthetic securitisation. 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. This will be a joint operation between the EIF and the EIB, whereby the EIF guarantee to the mezzanine tranche is supported by a back-to-back counter-guarantee by the EIB.

The 2018 EIF European Small Business Finance Outlook ranks the Czech Republic in the bottom half amongst EU peers (16th out of 28), with the overall situation worsening in 2018. Having restricted access to finance creates sub-optimal investment situation for SMEs and Mid-Caps, which in turn leads to less innovation, lower growth and eventually decreased competitiveness of Czech SMEs and Mid-Caps. The pressure on banks' capital is evidenced on various platforms as the main reason behind their difficulties to meet financing needs of SMEs and Mid-caps.

Given the high capital consumption of corporate loans on banks' balance sheets and the lack of investors in ABS mezzanine tranches, EIB's support under this operation would be catalytic in helping the counterpart to create additional lending headroom that will be directed to EFSI eligible SMEs and Mid-Caps. The intermediary will transfer to the final beneficiaries a pre-agreed level of a minimum financial advantage.

The EIB counter-guarantee to the EIF guarantee to the mezzanine tranche in the securitisation will be classified under EIB Special Activity risk category since it will act as a second loss tranche. Once the first loss tranche is absorbed, the realised losses will be absorbed by the mezzanine tranche. Thanks to the Guarantee, the Intermediary will be reimbursed for any loss covered by the mezzanine tranche, which would enable the capital relief, allowing additional lending by the Intermediary.

Such additional lending would improve access to finance for Czech SMEs and Mid-Caps and trigger new investments, employment, innovation and economic growth in the cohesion regions of the country, representing 90% of the territory.

It will be the first operation of this kind in the Czech Republic. Structured finance transactions such as this operation require a significant amount of structuring, advising and support to be provided by the EIB Group.

Set of indicators related to the macroeconomic environment

Czech Republic - Economic environment

Economic Performance

	CZ 2017	EU 2017	US 2017	CZ 2001-2007
GDP per capita (EUR, PPS)	28,435	29,998	43,470	22,717
GDP growth (%)	4.3	2.4	2.2	4.6
Potential GDP growth (%)	2.9	1.6	2.0	3.7
Output gap (% of potential GDP)	0.05	0.08	0.04	1.0
Unemployment Rate (%)	2.4	7.3	4.1	7.2
Unemployment Rate (%) - Y/Y change (% points)	-1.1	-0.9	-0.6	-0.5
Bank-interest rates to non-financial corporations (%)	2.3	1.3	2.4	4.2
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.63	-0.04	0.4	1.3
Investment rate (GFCF as % of GDP) - Total	24.7	20.2	20.5	28.9
Investment rate (GFCF as % of GDP) - Public	3.4	2.7	3.3	5.2
Investment rate (GFCF as % of GDP) - Private	21.3	17.4	17.2	23.7

Environment and Climate

	2013	2014	2015	2016	EU (latest available)
GHG emissions level (emissions in 1990=100)	85.9	83.5	--	--	77.1
Employment in the environmental goods and services sector	98,381	--	--	--	4,171,000
Resource productivity (Euro per kilogram, chain linked volumes (2010))	1.0	1.0	1.0	--	2.0
GHG emissions in non-ETS sectors (base year=100)	99.0	92.8	91.2	--	86.5
GHG emissions in non-ETS sectors, distance to EU 2020 target	-10.0	-16.2	-17.8	--	-4.2
Value added in the environmental goods and services sector (% of total VA)	1.9	--	--	--	2.3
Employment in the environmental goods and services sector (% of total employment)	20.6	--	--	--	22.1

Research, development and innovation

	2013	2014	2015	2016	EU (latest available)
Gross domestic expenditure on R&D (GERD) (% of GDP)	1.9	2.0	2.0	--	2.0
Gross domestic expenditure on R&D (GERD) distance to EU 2020 target (% of GDP)	-0.9	-0.97	-0.95	--	0.97
Research and development expenditure - Government (% of GDP)	0.35	0.38	0.4	--	0.24
Research and development expenditure - Higher education (% of GDP)	0.52	0.5	0.48	--	0.47
Research and development expenditure - Business (% of GDP)	1.0	1.1	1.1	--	1.3
Research and development expenditure - Private non-profit sector (% of GDP)	0.01	0.01	0.01	--	0.02
Eco-innovation index (EU =100)	71.0	92.0	99.0	--	100.0

SME/midcap

	2013	2014	2015	2016	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	35.9	16.0	23.3	10.3	20.9
Availability of Private equity (Thousand euro)	140,124	265,964	13,827	93,053	50,091,574
Availability of Venture Capital (Thousand euro)	4,440	5,535	1,870	4,200	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	616.00 MEUR
External EFSI multiplier	5.60
External EIB (non-EFSI) multiplier	
Amount of private financing	1,140.00 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	62,000
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/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.