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Organizatorzy

Krajowy Punkt Kontaktowy ds. Instrumentów Finansowych Programów Unii Europejskiej

Europejski Fundusz Gwarancyjny jako wsparcie w walce z ekonomicznymi skutkami COVID-19 - także w Polsce

Konferencja inauguracyjna dla polskiego rynku finansowego

21 października 2020r., godz.15:00-17:30

Patroni Honorowi:

Ministerstwo Rozwoju, Pracy i Technologii

Ministerstwo Finansów

Komisja Europejska

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Pan-European Guarantee Fund (EGF) - Linked Risk Sharing

European Investment Bank

EGF Context: EIB Group COVID-19 Response

Additional resources deployed

- **EIB Group responded to the COVID health crisis and its emerging economic effects already in early 2020, by re-prioritising activities within existing available resources:**
- Up to **EUR 10bn of lending transactions** (liquidity) to SMEs and MidCaps, including a EUR 5bn Global Authorisation for intermediated operations to accelerate deployment to target beneficiaries (Entirely EIB own lending capacity).
- Up to **EUR 10bn to SMEs and Midcaps via purpose linked securitisation transactions** with FIs (including up to EUR 2bn of mezzanine (higher risk) operations made possible by EFSI guarantee (Global Authorisation).

Flexibility

- Widened eligibility requirements for target beneficiaries (including e.g. working capital) introduced to provide more flexible liquidity support as part of crisis response.

EFSI support

- Transfer of **remaining EFSI guarantee capacity** to EIF portfolio guarantee products (COSME/InnovFin), resulting in **more than to EUR 20bn mobilised via financial intermediaries.**
- All resources available have been mobilised quickly.

Support outside EU

- More than **EUR 6bn** of a financing support for **non-EU**, as part of **Team Europe** crisis response.

EGF overview

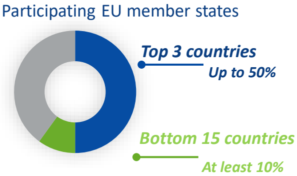
Key mandate targets (and restrictions)

- SMEs > 65%*
- Equity and Venture Debt < 7%*
- EGF net Expected Loss at 20%
- Larger enterprises < 30%*
- Public entities < 5%*

(* as % of total mobilized resources)

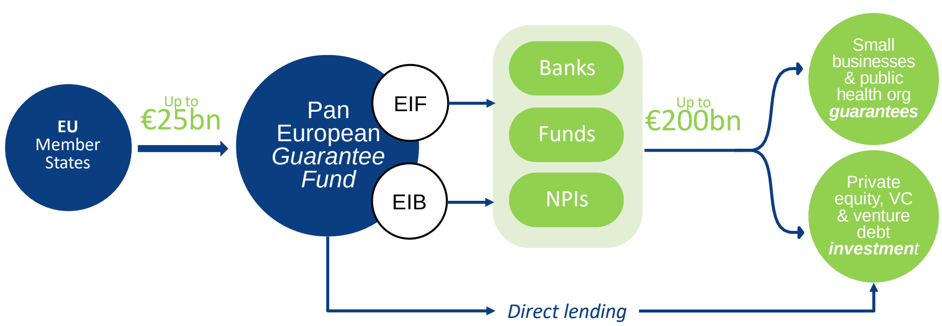
Geographical focus
(% on total resourced mobilized for final recipients)

Participating EU member states



No focus on specific sectors

Deployment will be driven by market demand and the potential to provide an effective response to the negative impact of the crisis



EGF products – EIB Linked Risk Sharing Instrument

- Unfunded, **uncapped, guarantee or counter-guarantee** instrument granted to a **newly*** originated portfolio;
- EGF Partners: Duly authorized credit institutions such as **Banks, Leasing & Factoring Entities (only Supply Chain – i.e. reverse factoring is eligible) and NPBIs** - jointly referred to as "FIs";
- Risk Coverage of **up to 75%** on a loan by loan and *pari passu* basis, covering outstanding principal and accrued interest (up to 90 days) in respect of defaulted loans;
- Minimum risk retention of 20% in case of third party guarantees.

LRS Instrument – Aim and key benefits

Aim

Aims to tackle current market conditions that restrict new lending:

1. **Increasing credit risk;**
2. Deteriorating asset quality, profitability and increased provisioning for FIs - **Deteriorating capital adequacy positions;**
3. **Tighter exposure** limits on sectors and/or obligors to **reduce concentrations;**

→ **Tightening of credit standards and reduced new lending**

Key incentives for intermediaries

1. Provides significant, uncapped, risk protection;
2. Capital relief on the guaranteed loan portion;
3. Alleviates internal concentrations and limit restrictions on individual obligors and/or sectors.

…for the ultimate benefit of EGF's final beneficiaries

- Facilitates access to finance under the current adverse market conditions; and
- at beneficial terms, in the form of reduced interest rates and/or longer maturities and/or lower collateral requirements.

LRS Instrument – Deployment model

Due Diligence

- Standardized DD process focusing on:
- Step 1 – **Quality of the Counterpart**: Qualitative assessment of operating policies & procedures, systems, models, corporate and risk governance, as well origination and risk assessment;
- Step 2 – **Quality of the portfolio**: portfolio analysis to be performed by the FI based on the future portfolio composition assumptions/thresholds with the view of estimating the portfolio Expected Loss ("Ex-ante Estimated EL"), using own models and risk parameters, but excluding impact of the EGF cover on the portfolio.

Full delegation

1. Deployment strictly in line with the FIs' standard operating rules and procedures;
2. No EIB's prior consent or approval for any amendments and waivers or any recovery action;
    - Undertaking: final beneficiaries and guaranteed exposures should comply with all eligibility and other contractual requirements;
    - Alignment of interest: minimum 25% exposure retained by the FIs (20% should the EGF guarantee be combined with other guarantee schemes);
    - Agreed level of EL in line with EGF's risk appetite and contractually monitored;
    - Contractual risk mitigants such as early termination triggers and portfolio diversification clauses (e.g. max loan amounts for granularity, eligible rating classes, concentration limits by sector)

The EIB will perform eligibility and other contractual checks in line with standard monitoring procedures.

LRS Instrument – Key terms

Final beneficiaries (complementary to EIF products):	Mid-caps and Large corporates (250-2999 employees) + Public Sector Entities ("PSEs") or other entities active in the area of health or health-research or providing essential services related to the health crisis;
Eligible expenditure:	Mid-caps & PSEs – Investment and Working capital, Large corp.: Working capital; Larger exposures with non granular or semi granular portfolios (typically up to 50 exposures);
Tenor and pricing:	Up to 6 years and in line with the pricing of the Temporary State aid framework;
Signatures of transactions:	31/12/2021;
Replenishment feature:	Available until 31/12/2021;
Additional portfolio requirement:	Typically equal to the EGF Guarantee amount - main focus on SMEs – Commitment Fee will apply;
Key deployment factors:	Quick time to market.

•Detailed knowledge of local market conditions and final beneficiaries (needs and riskiness) which are typically outside of EIB's direct operating model

LRS Instrument - Eligibility criteria

Guaranteed Exposures

- Newly originated loans* to MidCaps and LargeCorps (as per EC definition) or PSEs and other health related entities;
- Structure: revolving facilities or amortising/term loans, financial leases as well as supply chain finance. No refinancing of existing loans is allowed (exception for RCFs in case the existing facility has reached either (i) its legal maturity, or (ii) a date when the FI retains contractually the right to renew or cancel the revolving facility).

** loans signed 6 months prior to the start of the inclusion period of the EGF guarantee can be included in the new portfolio, however not earlier than the EC adoption of a State Aid Decision for the respective product/Member State.*

LRS Instrument – Eligibility Criteria (Project)

The loan amount to final beneficiaries shall comply with the following requirements:
The conditions shall be complied with jointly with the State Aid eligibility requirements.

Mid-caps (> 250 employees < 3000 employees)

- **Investment loans** of up to EUR 50 million project cost and **working capital loans** of up to EUR 100m (as per standard allocation policy for SMEs, based on NACE code list).
- **Investment loans** for total project cost between EUR 50m and EUR 100m can be included if they comply with a pre-agreed list of eligible sectors channeling financing to innovation, environment and SME support.
- **Working capital facility of up to EUR 100m**, if complying with a pre-agreed list of eligible sectors channeling financing to innovation, environment and SME support and subject to the final beneficiary signing an Environmental and Social covenant.

Large Corporates (>3000 employees)

- **Working capital facility of up to EUR 100m**, if complying with a pre-agreed list of eligible sectors channeling financing to innovation, environment and SME support and subject to the final beneficiary signing an Environmental and Social covenant.
- Total aggregate exposure on a large corporate (where a large corporate benefits from more than one loan of up to EUR 100m each) can be up to EUR 250m, subject to compliance with any lower existing EIB limit to the relevant counterparts.

PSEs and other types of entities

- Only health related projects for total project cost of up to EUR 50m.

LRS Instrument – Eligibility Criteria (State Aid)

The loan amount to final beneficiaries shall also comply with the following State Aid requirements:

The overall loan amount per final beneficiary shall not exceed:

- Either double the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the undertaking's site but formally in the payroll of subcontractors) for 2019 or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation
- 25% of the beneficiary's total turnover in 2019
- The amount of the loan may be increased to cover the liquidity needs from the moment of granting (i) for the coming 12 months for large corporates and MidCaps or (2) for the coming 18 months for public sector and other types of entities active in the area of health. The liquidity needs should be established through self-certification by the beneficiary;

For the avoidance of doubt, the liquidity needs for the next 12 months should only include expenses that are meant to be incurred within this period (cash flows).

For the avoidance of any doubt, the aid rules are equally applicable to investment loans.

LRS Instrument - Pricing

Applicable guarantee rate on the basis of the final maturity of underlying loans (irrespective of the amortization profile or rating of the underlying exposures)

		Duration of the loan (i.e. final maturity)					
Type of Final Beneficiaries	Guarantee rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	Up to 6 years
Public sector and other type of health entities with less than 250 employees or which are not economic undertakings[1], irrespective of the number of employees	75%	23 bps	32 bps	34 bps	52 bps	61 bps	68 bps
	65%	23 bps	26 bps	26 bps	36 bps	42 bps	46 bps
	60%	23 bps	26 bps	26 bps	34 bps	38 bps	41 bps
	50%	23 bps	26 bps	26 bps	31 bps	33 bps	34 bps
Large Enterprises including where publicly owned[2]	75%	33 bps	64 bps	72 bps	118 bps	139 bps	154 bps
	65%	23 bps	42 bps	48 bps	88 bps	109 bps	123 bps
	60%	23 bps	38 bps	42 bps	81 bps	100 bps	114 bps
	50%	23 bps	32 bps	34 bps	71 bps	90 bps	103 bps

[1] i.e. which do not undertake, by nature, economic activities.

[2] This includes:

- All counterparts that meet the applicable Mid-Cap definition (including entities with less than 250 employees but that don't satisfy any of the turnover or balance sheet value criteria and therefore cannot be considered as SMEs under the EC definition. These entities will be considered as mid-caps for the needs of EGF);
- All Large corporates (with at least 3000 employees);
- All Public Sector and other type of health entities which are economic undertakings & have at least 250 employees.

Transfer of Advantages and visibility requirements

On the loan portion covered by the Guarantee, the Financial intermediary will be required to apply the pricing according to the table above.

For Supply Chain transactions, alternative mechanisms for the transfer of the financial advantage may be considered, such as higher volumes of financing, origination of riskier portfolios or lower collateral and by aiming to maintain pre-COVID19 conditions for the reverse factoring product in spite of the increased risk costs.

Transparency: The FI will be requested to include certain transparency information in relation to the EGF support, in the contractual documentation with final beneficiary suppliers and/or buyers, or provide such information in another transparent way.

LRS Instrument – Deployment options

Deployment options:

NPBIs

- **Direct guarantee:** NPBI provides directly loans to the final beneficiaries and benefits from a Guarantee (up to 75% guarantee rate);
- **Counter-Guarantee:** NPBI provides guarantees to local FIs and benefits from a counter-Guarantee to share the risks and release risk-taking capacity (up to 75% guarantee rate but typically at an equal share);

Other FIs

- **Direct guarantee:** FI provides loans to the final beneficiaries and benefits from a Guarantee (Up to 75% guarantee rate);
- **Joint Guarantee:** FI provides loans to the final beneficiaries and benefits from separate guarantees from the EIB and an NPBI with the purpose of providing joint risk coverage on the underlying risk exposures (EIB guarantee rate up to 75%).

Thank you for your attention!

Giorgos Hadjigregoriou
Head of Unit - Banks and Energy utilities
Poland, Baltic and Nordic Countries
tel.: +352 4379 81526
g.hadjigregoriou@eib.org

Andra Migiu
Mandate Officer - Pan-European Guarantee Fund implementation
Mandate Management
tel.: +352 4379 82241
a.migiu@eib.org