

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	LUMINOR COVID-19 ENHANCED SUPPORT FOR SMES
<u>Promoter and financial intermediary</u>	LUMINOR BANK AS
<u>Country of implementation</u>	Estonia, Latvia, Lithuania
<u>Summary project description</u>	<p>The proposed operation concerns a guarantee aimed at supporting new lending to SMEs and MidCaps in Estonia, Latvia, Lithuania to be undertaken by Luminor Bank AS ("Luminor", the "Promoter" or the "Originator"). The operation is designed for COVID-19 response. The EIB will provide capital relief to the Originator through a guarantee of a synthetic securitisation transaction on both a mezzanine and senior tranches. The guaranteed portfolio is a granular portfolio of SMEs, Mid-Caps and possibly corporate loans originated by Luminor. Luminor will contractually commit to generate 4 times the amount of the EIB guarantee under the mezzanine tranche and 1 time under the senior tranche in new EIB eligible investments to SMEs and Mid-Caps. This additional funding is expected to mobilise up to EUR 1,232m of new investments. It is anticipated that the transaction will support c. 50,000 jobs.</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 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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].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		High
Cross-cutting objectives		
EIB Cohesion Priority Regions / Economic and Social Cohesion		100.00%
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 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 sustainability²;
- (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.

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

The proposed operation concerns a guarantee aimed at supporting new lending to improve the resilience and recovery of predominantly SMEs (and some Mid-Caps) from the COVID-19 liquidity and economic crisis in Latvia, Lithuania and Estonia to be undertaken by Luminor. As a synthetic securitisation transaction, it will also contribute to the channelling of funding, local capital and saving resources into productive financing available to SMEs and Mid-Caps - one of the priorities of the Capital Market Union of the EU. Equally, the operation will address the objective of supporting less-developed regions and transition regions as 100% of the operation will 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 and financial market development.

The operation addresses an existing market failure whereby SMEs and Mid-Caps experience difficulties in accessing long-term finance at favourable conditions. SMEs and Mid-Caps are key for growth creation and employment but, as smaller entities, they have greater difficulty in accessing financing sources. This difficulty in turn leads to sub-optimal investment situations faced by SMEs and Mid-Caps, which have to delay or downscale needed investments and related employment. This may prove even further true due to the recent COVID-19 outbreak and the increased riskiness of the economic environment, which represents a threat for the financially weaker companies. Not only do the Baltic economies rely on SMEs to a greater extent than the EU average, but these SMEs struggle more than their EU peers to access adequate financing. Thanks to EIB support, the operation will increase the availability of financing that will in turn primarily support the viability and resilience and secondly capital investments of eligible SME and Mid-Caps beneficiaries across a variety of regions and sectors in the targeted countries, hence contributing to sustainable economic growth and job creation.

Thanks to an innovative financial product and EIB's subordinated position, the operation will release significant additional private sector financing and offer better financial terms to SMEs and Mid-Caps. The operation will qualify as EIB Special Activities, in particular due to the risk profile of the transaction. The EIB would not be able to provide such type of financing support and reach out to this market segment in such volumes during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

This will be the first operation with the Promoter and the first operation of this nature in the Baltic countries.

Structured finance transactions such as this operation require a significant amount of structuring, advising and support provided by the EIB Group.

Set of indicators related to the macroeconomic environment

Estonia - Economic environment

Economic Performance

	EE 2018	EU 2018	US 2018	EE 2001-2007
GDP per capita (EUR, PPS)	24,764.83	30,935.11	43,569.11	20,225.30
GDP growth (%)	3.87	1.97	2.86	7.64
Potential GDP growth (%)	3.21	1.60	2.24	5.48
Output gap (% of potential GDP)	3.33	0.62	0.74	5.60
Unemployment Rate (%)	4.20	6.60	3.90	8.47
Unemployment Rate (%) - Y/Y change (% points)	-1.40	-0.60	-0.20	-1.46
Bank-interest rates to non-financial corporations (%)	1.82	1.26	--	--
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.19	-0.06	--	--
Investment rate (GFCF as % of GDP) - Total	23.90	20.54	20.84	32.63
Investment rate (GFCF as % of GDP) - Public	5.49	2.86	3.31	5.16
Investment rate (GFCF as % of GDP) - Private	18.42	17.68	17.53	27.47

SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	41.17	18.89	30.35	30.31	17.54
Availability of Private equity (Thousand euro)	--	--	--	--	67,350,185.55
Availability of Venture Capital (Thousand euro)	--	--	--	--	6,100,548.37

Latvia - Economic environment

Economic Performance

	LV 2018	EU 2018	US 2018	LV 2001-2007
GDP per capita (EUR, PPS)	21,386.53	30,935.11	43,569.11	17,430.40
GDP growth (%)	4.77	1.97	2.86	8.99
Potential GDP growth (%)	3.65	1.60	2.24	7.02
Output gap (% of potential GDP)	2.84	0.62	0.74	3.27
Unemployment Rate (%)	6.90	6.60	3.90	9.87
Unemployment Rate (%) - Y/Y change (% points)	-1.20	-0.60	-0.20	-1.24
Bank-interest rates to non-financial corporations (%)	2.50	1.26	--	5.53
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.08	-0.06	--	0.71
Investment rate (GFCF as % of GDP) - Total	22.80	20.54	20.84	29.63
Investment rate (GFCF as % of GDP) - Public	5.41	2.86	3.31	3.44
Investment rate (GFCF as % of GDP) - Private	17.39	17.68	17.53	26.19

SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	47.11	24.67	33.24	16.96	17.54
Availability of Private equity (Thousand euro)	--	--	--	--	67,350,185.55
Availability of Venture Capital (Thousand euro)	--	--	--	--	6,100,548.37

Lithuania - Economic environment
Economic Performance

	LT 2018	EU 2018	US 2018	LT 2001-2007
GDP per capita (EUR, PPS)	24,800.94	30,935.11	43,569.11	16,916.75
GDP growth (%)	3.45	1.97	2.86	8.08
Potential GDP growth (%)	2.83	1.60	2.24	6.09
Output gap (% of potential GDP)	3.62	0.62	0.74	1.38
Unemployment Rate (%)	5.80	6.60	3.90	9.71
Unemployment Rate (%) - Y/Y change (% points)	-0.90	-0.60	-0.20	-1.81
Bank-interest rates to non-financial corporations (%)	3.06	1.26	--	4.59
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.99	-0.06	--	0.75
Investment rate (GFCF as % of GDP) - Total	19.27	20.54	20.84	23.36
Investment rate (GFCF as % of GDP) - Public	3.21	2.86	3.31	3.60
Investment rate (GFCF as % of GDP) - Private	16.06	17.68	17.53	19.76

SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	48.46	45.43	52.99	31.92	17.54
Availability of Private equity (Thousand euro)	--	--	--	--	67,350,185.55
Availability of Venture Capital (Thousand euro)	--	--	--	--	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 indicators³

Key project characteristics	Expected value at PCR
EIB/EFISI eligible investment mobilised [MEUR]	1,232.00 MEUR
External EFSI multiplier	7.25
External EIB (non-EFSI) multiplier	0.00
Amount of private financing [MEUR]	282.00 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	49,864
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]	0.00 MEUR

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/EFISI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.