



BEI – NUOVI STRUMENTI DI GARANZIA

Giovanni Inglisa, Roma, 5 Aprile 2022

Linked Risk Sharing Overview

What it is

First demand, unconditional, direct guarantee (50% rate) provided by EIB on a portfolio of **new financing** to SMEs and MidCaps

Why we offer it

Ensure uninterrupted access to finance to SMEs and MidCaps
Provide risk protection on green financing → in this case, up to **75% guarantee rate**

What it is **NOT**

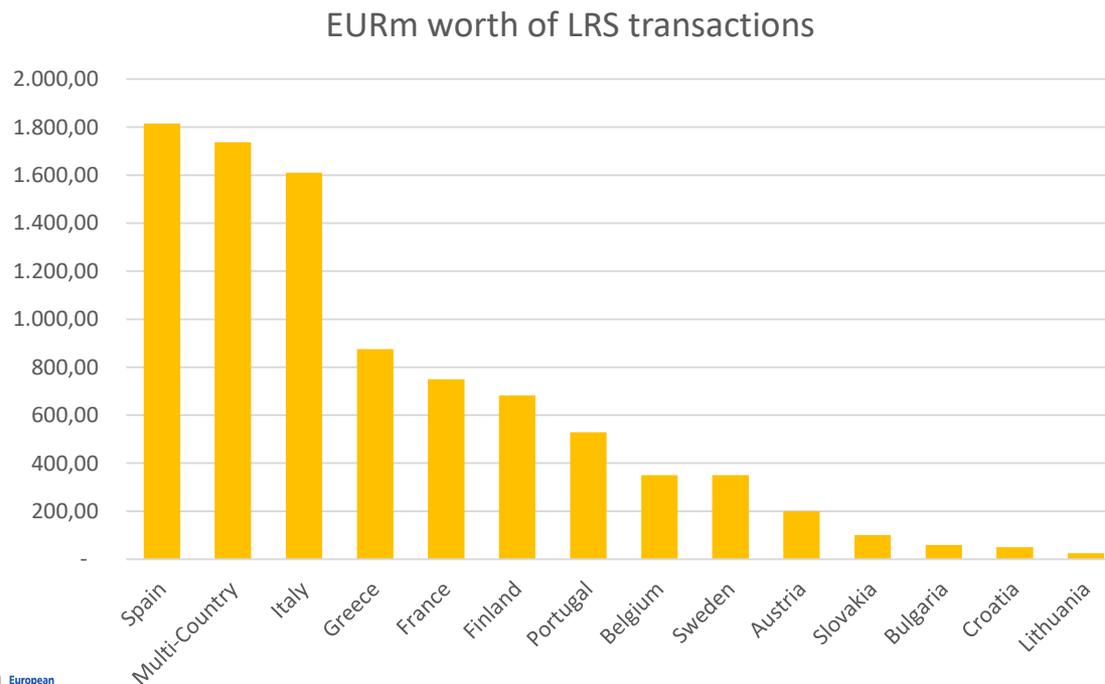
No originate-to-distribute – the intermediary **keeps 50%** of the guaranteed exposure (25% in case of green financing)

>> THE PRODUCT IS BEING FINALISED AND WE EXPECT IT TO BE READY SHORTLY<<

Linked Risk Sharing

The predecessor: EGF

- ❑ EGF has been the EIB Group response to the COVID crisis. It was an off-balance sheet instrument
- ❑ The EGF Linked Risk Sharing has been **the flagship product under EGF**, offering Fis significant and uncapped risk protection
- ❑ Across EU, **c. 9bn EUR** worth of transactions were signed



in Italy, signed with:



Linked Risk Sharing

Eligible counterparties



**BANKS AND
LENDERS**

*retaining an independent risk/rating model and
eligibility assessment on the exposures to be
guaranteed*



**PROMOTIONAL
INSTITUTIONS**



SPVs

*whereby a suitable
financial institution
acts as a sponsor of
the initiative*

Linked Risk Sharing Eligible beneficiaries

SMEs

Companies with **less than 250** employees
FTE

Mid-
Caps

Those companies with more than 250 and
less than 3000 employees (FTE)

Large
Corp.

Companies with **more than 3000**
employees (FTE). Only allowed in Supply
Chain transactions

LOAN AMOUNT*

>[*]m / < 25m

< 50m

< 100m

Linked Risk Sharing Technical form

LINE-BY-LINE GUARANTEES OFFERED ON:



Loans for medium/long term financing (up to 12y, of which 2 of grace, or 7y bullet) and **working capital** facilities (at least 2 years tenor)



Supply Chain facilities, covering the risk of the Buyer (a Large Corp./Mid-Cap), facilitating access to finance for their Suppliers (**primarily SMEs**, and Mid-Caps)



Factoring with SMEs/MidCaps as sellers, either *pro-soluto* or *pro-solvendo* (credit line of at least two years)

Linked Risk Sharing

Practical aspects

FULL DELEGATION

- ❑ At the outset of the transaction, EIB performs a full **due diligence** on the origination processes and **rating models of the FI**
- ❑ **The FI is then fully delegated** to include the exposures under the EIB facility, as per agreed portfolio criteria, and no consultation of EIB is foreseen in this process.
- ❑ The FI sends, on a quarterly basis, **a report listing the included exposures**



DUE DILIGENCE

- ❑ Qualitative assessment of **operating policies & procedures**, systems, models, corporate and risk governance, origination and risk assessment;
- ❑ **Portfolio analysis** to be performed based on the future portfolio composition assumptions/thresholds
- ❑ **Negotiation of risk mitigants**, such granularity level, eligible rating classes, concentration limits by sector and obligor



Linked Risk Sharing Portfolio limits



MAX LIMIT PER COUNTERPART:

EUR 1,6bn for investment grade FIs, **EUR 700m** for sub-investment grade (assuming 50% guarantee rate)

LT financing (12y
amortising, 2y
grace), BB clients

500m

M/LT financing
(7y amortising, 1y
grace), BB clients

700m

Working capital
facilities / supply
chain (3y bullet),
BBB clients

1,6bn

Linked Risk Sharing

Advantages for Fis – wide coverage of clientele

INTESA  **SANPAOLO**

A-IRB Scala di PD	Esposizioni in bilancio	PD media ponderata per l'esposizione (%)	Numero di debitori
- Altre imprese			
da 0,00 a <0,15	9.719	0,09	1.577
da 0,00 a < 0,10	4.213	0,06	705
da 0,10 a < 0,15	5.506	0,12	872
da 0,15 a <0,25	16.337	0,20	1.784
da 0,25 a <0,50	30.143	0,33	4.115
da 0,50 a <0,75	12.178	0,54	3.044
da 0,75 a <2,50	22.997	1,40	5.692
da 0,75 a < 1,75	15.209	1,12	4.227
da 1,75 a < 2,5	7.788	1,93	1.465
da 2,50 a <10,00	8.431	4,98	2.443
da 2,5 a < 5	5.260	3,57	1.392
da 5 a < 10	3.171	7,31	1.051
da 10,00 a < 100,00	2.690	19,70	668
da 10 a < 20	1.553	14,88	435
da 20 a < 30	904	22,82	36
da 30 a < 100	233	31,69	197
100,00 (default)	4.507	100,00	1.819
Subtotale	107.002	5,15	21.142

 **Santander**

PD scale	Original on- balance- sheet gross exposures	Average PD	Number of obligors
Corporates - Other			
0.00 < 0.15	37,211	0.08 %	2,116
0.00 to < 0.10	23,198	0.06 %	1,167
0.10 to < 0.15	14,013	0.15 %	949
0.15 < 0.25	15,155	0.24 %	2,133
0.25 < 0.50	19,021	0.37 %	5,160
0.50 < 0.75	23,889	0.60 %	8,130
0.75 < 2.50	17,983	1.42 %	11,784
0.75 to < 1.75	11,837	1.15 %	6,978
1.75 to < 2.50	6,146	1.89 %	4,806
2.50 < 10.00	6,231	4.08 %	5,982
2.50 to < 5	4,808	3.40 %	4,798
5 to < 10	1,423	6.80 %	1,184
10.00 < 100.00	2,430	21.06 %	1,211
10 to < 20	394	13.71 %	596
20 to < 30	1,938	23.90 %	443
30 to < 100	98	42.89 %	172
100.00 (Default)	3,563	100.00 %	1,926
Subtotal (exposure class)	125,483	3.15 %	38,442
Total (all exposures classes AIRB)	562,363	4.86 %	29,655,171

Up to

2,5% PD
accepted

Eligible clients c.

70%

Clients in lower
eligible classes c.

60%

Linked Risk Sharing

Advantages for Fis – financial impact

stylised exemplification of cost per unit of capital released on the guaranteed portion

	Baa3	Ba1	Ba3
PD 1y	0,5%	0,9%	2,5%
LGD	40%	40%	40%
EL	0,2%	0,3%	1,0%
Bullet maturity	3	3	3
indicative RW	70%	90%	120%
CET1 target	15%	15%	15%
Capital allocated	10,6%	13,7%	18,2%
indicative EIB Gtee cost	0,7%	0,9%	1,7%
Net cost	0,48%	0,54%	0,70%
Cost of capital relief	4,49%	3,95%	3,84%

- ❑ **First loss guarantee** with effects on loan loss provisions (*collettiva crediti*)
- ❑ **EVA positive intervention** compared to a non guaranteed loan
- ❑ Attractive **cost of capital release**

Contatti



European
Investment
Bank

The EIB bank



Giovanni Inglisa

Lending Operations

g.inglisa@eib.org

+352 4379 86500

This document is for information purposes only. This document is an outline of the basic terms and conditions as well as some purely indicative calculations for the product described herein, which are subject to change and non-exhaustive. This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of the European Investment Bank (EIB) and/or any other person to enter into one or more transaction(s). Any finance commitment can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation.