

# **Slovakia: EIB Group and Slovenská sporiteľňa (SLSP) join forces to support SMEs and mid-caps impacted by COVID-19**



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The European Investment Bank (EIB) and the European Investment Fund (EIF) signed a €49 million guarantee with Slovenská sporiteľňa (SLSP), the largest financial institution in Slovakia, to support SMEs and mid-caps impacted by the COVID-19 pandemic.

This is the first time that a synthetic securitisation is implemented in Slovakia and as such, EIB Group is presenting to local lenders an alternative instrument for capital management. The novel instrument foresees a guarantee on the mezzanine tranche of a reference portfolio of SMEs of around €750 million. It provides regulatory capital relief and additional lending headroom. The transaction is structured according to the standard EIF layout with a mezzanine cover, replenishment period and synthetic excess spread.

This operation is backed by the European Fund for Strategic Investment (EFSI), the central pillar of the Investment Plan for Europe under which the EIB and the European Commission are working together to boost the competitiveness of the European economy. It is part of a wider €2 billion EU Asset-Backed Security programme loan managed by the EIB Group addressing the working capital, liquidity needs and investment constraints of EU SMEs and mid-caps affected by the COVID-19 outbreak in Europe. This programme loan will be available for a wide range of sectors and categories of small businesses.

EIB Vice-President Lilyana Pavlova said: “The COVID-19

Pandemic requires not only healthcare related emergency measures but also appropriate responses to deal with the ongoing economic fallout. This support is particularly necessary given the current situation in Slovakia, where financial institutions face urgent need to provide short to medium term liquidity solutions to SMEs and mid-caps severely hit by the lockdown measures and the reduction of consumers spending. This new collaboration with SLSP will also help reduce regional disparities by supporting investments in Cohesion regions, which is one of our priorities.”

EIF Chief Executive Alain Godard said: “In the current market environment, financial institutions often lack adequate capacity to finance the corporate sector and especially the growing needs of the smallest actors of the economy, such as SMEs and small mid-caps. S These segments represent the backbone of the economy, both in terms of economic activity and employment. This synthetic securitisation with Slovenská sporiteľňa, the first of its kind for the EIF in Slovakia, will introduce a novel capital market instrument and help to channel institutional financial resources to SMEs. It will contribute to preserve employment and to minimise the adverse economic impact of the pandemic in the country.”

European Commissioner for the Economy, Paolo Gentiloni, said: “I welcome this agreement between EIB Group and Slovenská sporiteľňa, which is backed by a guarantee from the Investment Plan for Europe. It will provide small and mid-cap businesses in Slovakia with access to additional financing to maintain their operation in the context of the COVID-19 pandemic. In these difficult times we must do all we can to help businesses stay afloat.”

SLSP Member of the Board of Directors Norbert Hovančák said: “With the signature of the synthetic securitisation, a novel type of transaction with the EIB and the EIF, we will create an additional capital room for SLSP and contribute to providing much-needed financial help to the corporate sector, especially SMEs, in these hard times throughout the COVID-19 pandemic. It will also facilitate the economic recovery by stimulating investment activities and providing working capital. The cooperation with the EIB and the EIF will provide

additional €241 million of funding to SMEs and small mid-caps over the next two years under reasonable lending conditions.”

SLSP is the largest commercial bank in Slovakia, serving 2.2 million retail, corporate and public sector clients via 220 branches and 17 commercial centres. In 2001, Slovenská sporiteľňa became a member of Erste Group, one of the largest financial services providers in the eastern part of EU, with approx. 47,500 employees serving around 16,1 million clients in more than 2,300 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia).

LSP is the largest commercial bank in Slovakia, serving 2.2 million retail, corporate and public sector clients via 220 branches and 17 commercial centres.

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