



Dutch Good Growth Fund

Notice proposed transaction: Bank Lviv

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Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting dggf@nl.pwc.com within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

Description (English)

Part of DGGF

Financing Local SMEs

Name of Financial Institution (FI)

Bank Lviv

Domicile of the FI

Ukraine

Nature of the activities of the FI

Bank Lviv is a financial institution that operates in Western Ukraine. The bank's focus on serving the agricultural, micro, and SME sectors, as well as its commitment to sustainable finance and carbon neutrality, makes it a strong fit for DGGF's investment portfolio. The bank's green strategy includes an objective to reach a 10% green portfolio by 2025. The bank has a Gross Loan Portfolio of over EUR 121m, a Deposit Portfolio of EUR 121m and serves over 43,000 clients.

The majority ownership of the bank is held by international impact investors such as NEFCO and responsAbility. Since 2018, the bank has been managed by Inspiring Development, a highly experienced and professional management consulting firm, after being brought in by responsAbility, who at the time acquired a majority stake of 51%. In the past years including in the period of ongoing war, Bank Lviv has successfully turned around its business and is now a profitable up-and-coming SME focused bank in Western Ukraine.



Size of proposed investment

DGGF will make an Equity Investment of up to EUR 5 million in local currency.

Intended transaction date

The Fund Manager aims to close the agreement with Bank Lviv in Q2 2024, subject to National Bank of Ukraine approval.

Expected financial results

A positive financial return on the investment is expected.

Expected impact

The anticipated impact of DGGF's equity investment in Bank Lviv is expected to be highly significant in the years ahead. The targeted funding is set to play a pivotal role in advancing Bank Lviv's mission to strengthen its SME portfolio, crucial in light of Ukraine's escalating financing gap for SMEs. Currently, this is identified by 46% of firms as a major growth constraint, up from 12% five years ago.

Particularly noteworthy is the timing of DGGF's equity investment during a period of conflict, sending a robust signal that Ukraine remains an appealing investment destination despite challenging circumstances. This unique investment not only provides crucial financial support but also serves as a testament to the confidence in the country's potential, setting a tangible example for other investors. Beyond monetary contributions, the facility elevates Bank Lviv's credibility and reputation within the international lending community, further solidifying its position in the market.

ESG compliance

Bank Lviv its ESG risk management consists of an exclusion check, sector-based risk categorization and detailed ESG due diligence in case of elevated risks. ESG is part of the bank's legal requirements and monitoring procedures. Documentation of the ESG policy and ESMS needs to be enhanced, which is currently addressed as part of a project in cooperation with another investor. Management is knowledgeable on and committed to ESG. The bank's complaints procedures comply with DGGF requirements.

We identified the several conditions for investment. Firstly, Bank Lviv should align its Exclusion List with the DGGF Exclusion List. Secondly, Bank Lviv should adapt its ESG Policy and ESMS in accordance with DGGF requirements. Due to the cooperation with the other investor and management's commitment to ESG, Bank Lviv is expected to be able to fulfil the conditions for investment without technical assistance from DGGF.



Tax compliance

Bank Lviv is a limited company established in Ukraine and is subject to the statutory tax rates. Bank Lviv solely provides financing to Ukrainian SMEs, which will be normally taxed at the applicable rates. Bank Lviv is not making use of artificial constructions to lower its taxation or the taxation of the SMEs it finances. DGGF's investment conditions focus on ascertaining this. Bank Lviv requires SMEs that it finances to comply with local laws and regulations, amongst others, those regarding tax. DGGF will monitor whether Bank Lviv meets its ongoing tax obligations and acts in accordance with the DGGF tax criteria.