

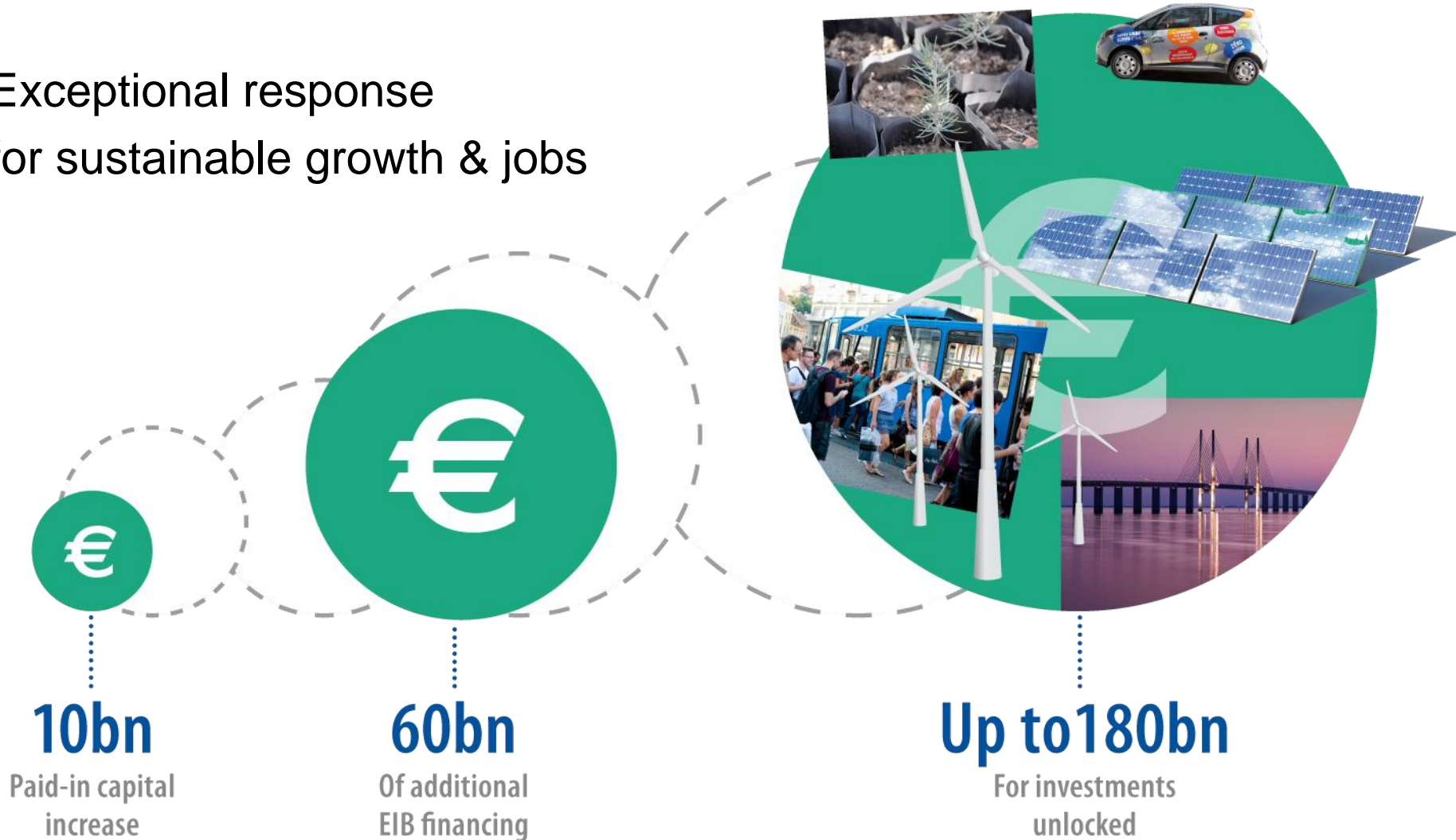


EIB and SME lending

Taking Action: Promotion of Employee Share Ownership
Thursday 30 January 2014

The EIB: capital increase

Exceptional response
for sustainable growth & jobs

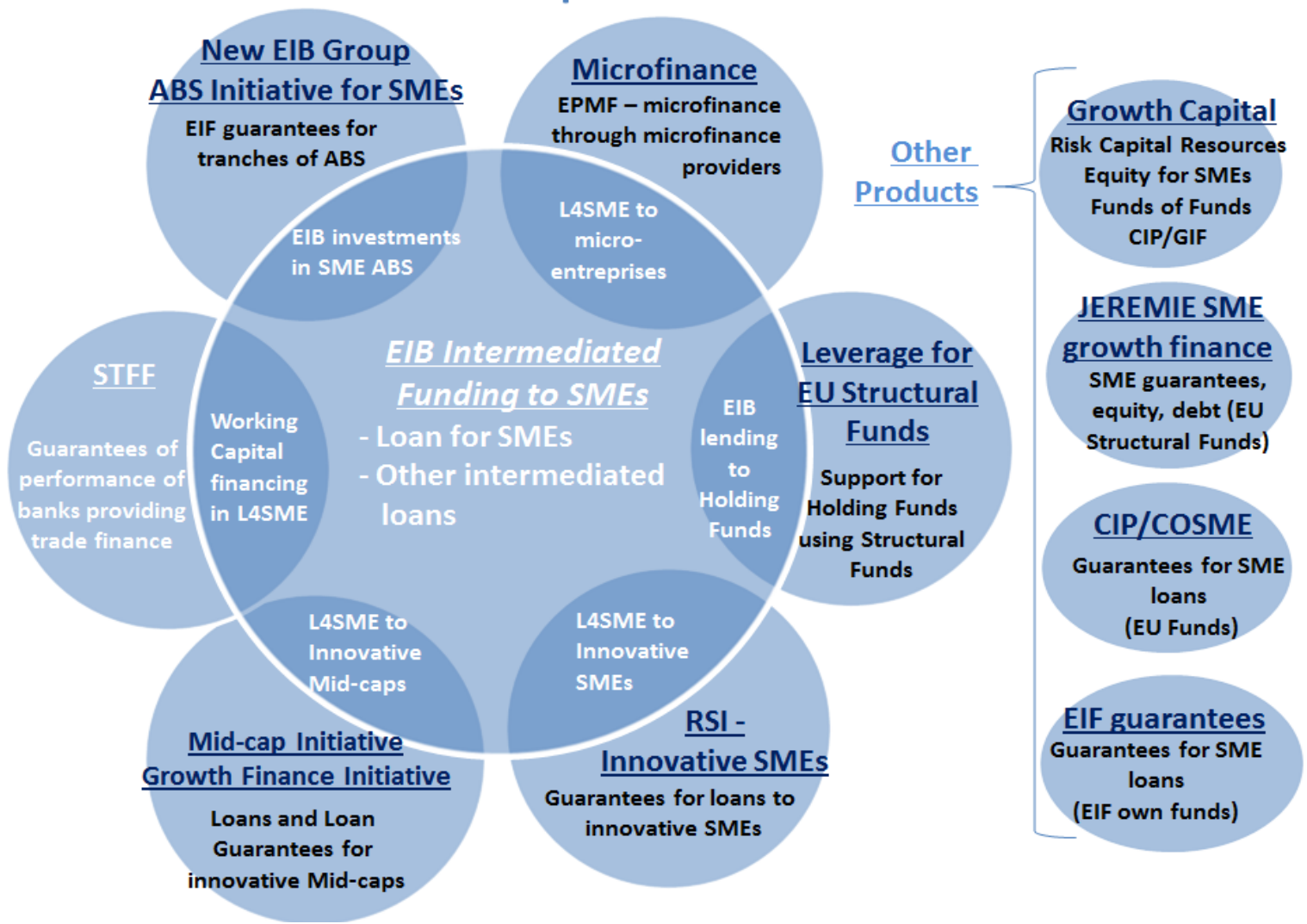


European Council Conclusions - June 2013: (confirmed by the European Councils of October and December 2013)

EIB to enhance support to SMEs finance & the EU economy



EIB Group SME Product Portfolio



EIB Group operations in 2013: EUR 23.1 billion for SME businesses and mid-cap companies throughout the EU 28

EIB Intermediated Lending: the Loan for SMEs

- Main funding product of the EIB aiming at improving conditions and enhancing access to finance for SMEs.
- Standardized product reaching a very large number of SMEs via financial intermediaries
- 3 Pillars:

Transparency

- Financial beneficiaries are informed of EIB involvement

Transfer of Financial Advantage (ToFA)

- Financial intermediaries benefit from financial value added and transfer an agreed share to the final beneficiaries

Complementarity

- EIB leverage effect min. 2 times

EIB Intermediated Lending: the Loan for SMEs (2)

- Through commercial banks, financial institutions
- Final beneficiaries are autonomous small and medium sized enterprises (“SMEs”) with fewer than 250 employees
- Finance for the development of SMEs, e.g. investment loans for tangible & intangible **assets**, medium/long term working capital finance **and business transmission (within limits)**; not for purely financial **or real estate** transactions
- Financial holding companies of industrial groups and leasing companies associated with a specific manufacturer are not eligible for EIB financing
- Terms of the SME loans min 2 years, < 25m
- Most sectors covered

Financing of Business transmission across products

- No specific window or mention of employee buyouts in EIB Group instruments, but business transfer eligibility
- Commission programmes for SMEs adopted last year (COSME, H2020)
- **SME Loans:** Generation change or staff-related enterprise transmission, allowing for a **continuation in economic activity of the respective enterprise**. The scope of the financing is however limited to those cases where both buyer and the entity to be sold are SMEs, and to an amount not exceeding EUR 5m (**NEW**: threshold recently increased from EUR 1m). The acquisition of enterprises as such is not eligible for EIB financing
- **COSME DEBT:** from legal basis, Article 19 para 5: *“Eligibility under the Loan guarantee Facility (LGF) shall be determined for each intermediary on the basis of their activities and how effective they are in helping SME in accessing funding for viable projects. The LGF may be used by intermediaries supporting business in financing, inter alia, acquisition of tangible and intangible assets, working capital and for **business transfers**. “*

Financing of Business transmission across products (2)

- **COSME EQUITY:** Business transfer eligible but *Risk capital funds targeting buy-out or replacement capital intended for asset stripping shall not qualify as Eligible Financial Intermediaries (not finalised)*
- **RSI:** *where a Transaction purpose is a business transfer, the Beneficiary shall qualify as an SME or small Mid-cap as a result of such transfer and the Beneficiary shall comply with at least one of the Innovation Criteria (not finalised)*

Looking forward – Enhancing EIB support for SMEs

- Ensure continued availability of **intermediated** financing for SMEs through banking partners **and other financial institutions**
- Continued development of risk-sharing activities for innovative SMEs, **risk enhancement capacity of EIF** and **development of SME securitisation market**
- Respond to evolving EU policy priorities and **specific financing gaps**: e.g. youth employment, trade finance
- 2014 EIB lending **target for** SMEs in the range of EUR 17.5 – 18.5 bn. Maintaining similar levels of lending in 2015 and 2016.
- Continue strengthening cooperation with the European Commission, Member States, national and multilateral development financing institutions, SME and banking associations
- Continue discussions on employee buyouts with European Commission ?

Thank you!