

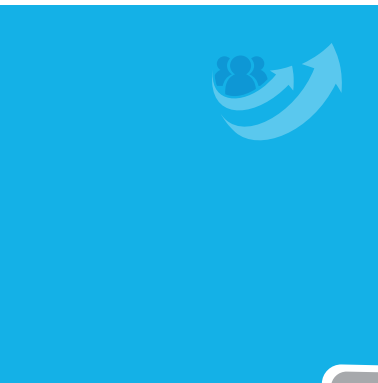
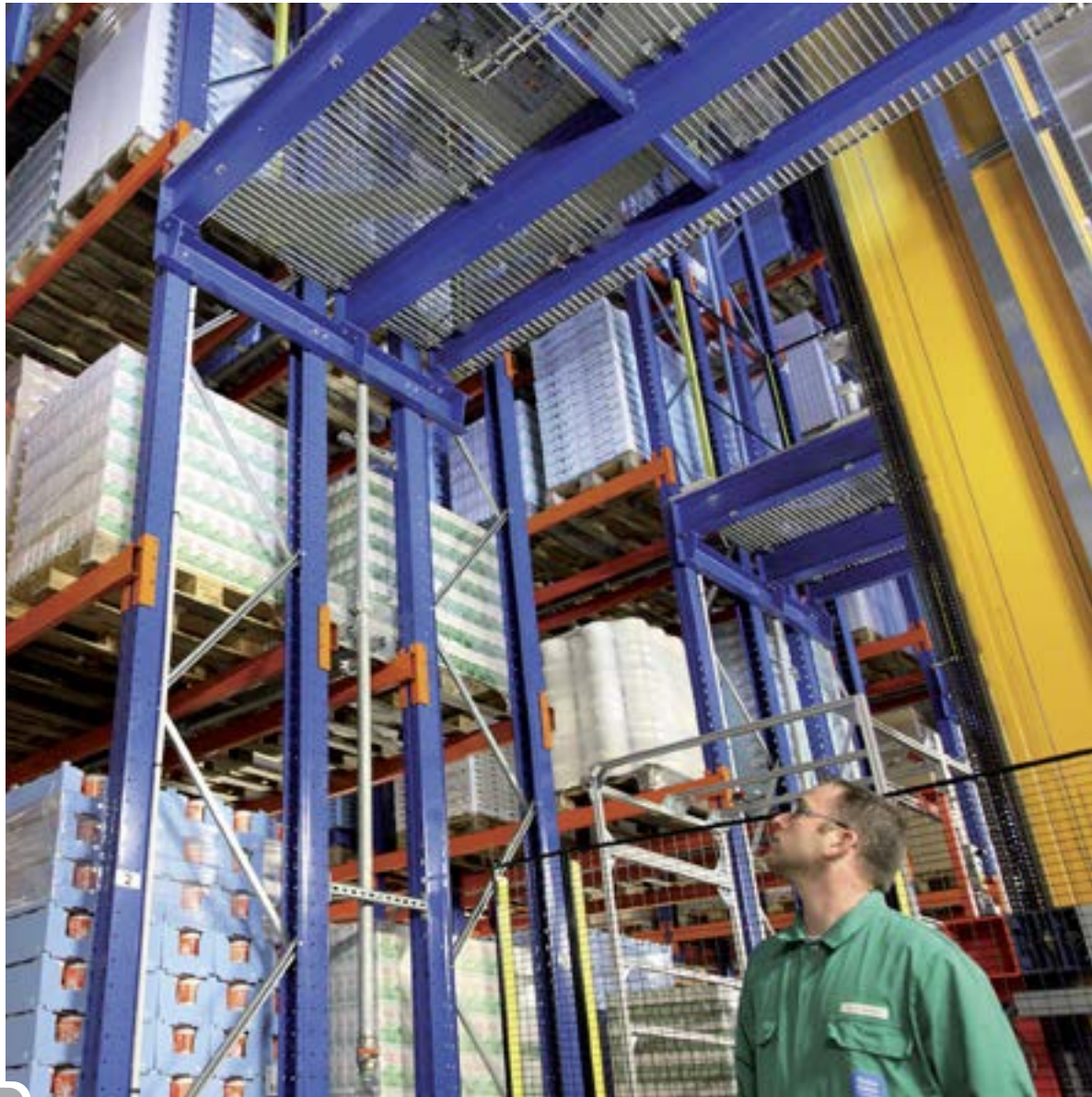


European  
Investment  
Bank

*The EIB bank*



EUROPEAN  
INVESTMENT  
FUND



2015

## SME Report

EIB Group activities in support  
of SMEs and midcaps



## EIB Group key messages and main achievements in 2015

The EIB Group effectively reached SMEs through an **increasingly wide range of predominantly intermediated debt-financing, risk-sharing products and private equity instruments** aimed at improving financing conditions and enabling continued access to finance. Furthermore, the Bank's advisory services complemented financing activities for the benefit of SMEs.

The **EIB Group rolled out a new generation of EU financial instruments** in favour of SMEs deployed through dedicated thematic programmes such as **InnovFin – EU Finance for Innovators, Competitiveness of Enterprises and SMEs (COSME), and Employment and Social Innovation (EaSI)**. Also in partnership with the EC, the EIB Group successfully launched the SME Initiative in an initial group of countries.



The EIB Group **continued delivering record levels of support to SMEs with EUR 28.4bn of new operations** signed. Through these commitments, the EIB Group **estimates that at least EUR 69.7bn of finance was leveraged for SMEs.**

Commitment to **small and medium-sized enterprises and midcaps (SMEs)** continues to represent the **single largest public policy goal of the EIB Group**; support for SMEs accounted for 29% of the EIB's overall signature volume and almost all of the EIF's activities.

1. Unless stated otherwise, throughout the remainder of the text, references to 'SMEs' include midcaps.

The EIB Group worked in **close cooperation with nearly 1 000 financial intermediaries**, such as banks and leasing companies, guarantee and microfinance institutions, private equity fund managers, and **increasingly, national promotional institutions (NPIs).**

**SME finance remains a key activity for the Bank also outside the EU.** Particularly in Partner Countries, EIB support for SMEs, and especially micro-enterprises, also through targeted advisory measures, helps underpin the EU's wider private sector development policy objectives.

The EIB Group reacted swiftly to calls from EU stakeholders for the set-up of a **dedicated SME Window under the Investment Plan for Europe (IPE)/European Fund for Strategic Investment (EFSI) framework**; the EIF has already committed over a third of the total resources made available by the EIB and the EC under the SME Window, and the EIB signed its first innovative SME lending operations under the EFSI Infrastructure & Innovation Window.

Some **240 000 SMEs employing over 4.1 million people** were supported in sustaining their business activities through EIB Group operations.

## EIB Group support for SMEs in 2015 (in EUR bn)

EIB Group support for SMEs	Inside the EU			Outside the EU			Total	
	EIB	EIF <sup>1</sup>	EIB Group	EIB	EIF <sup>1</sup>	EIB Group	EIB	EIB Group
Approvals	25.1	9.7	34.8	3.0	n/a	3.0	28.1	37.8
Signatures	19.8	7.0	25.6 <sup>4</sup>	2.8	n/a	2.8	22.6	28.4
Disbursements <sup>2</sup>	17.7	n/a		2.3	n/a		20.0	
Allocations (volume)	18.8	n/a		1.9	n/a		20.7	
Finance leveraged	39.6	26.9	64.4 <sup>4</sup>	5.6	n/a	5.6	45.2	69.7
					n/a			
# Allocations	152 000	n/a	152 000	6 700	n/a	6 700	158 700	158 700
# Intermediaries <sup>3</sup>	244	607	851	148	n/a	148	392	999
# Final beneficiaries	124 000	110 000	234 000	6 000	n/a	6 000	130 000	240 000
# Employment sustained	3 130 000	700 000	3 830 000	279 000	n/a	279 000	3 409 000	4 109 000

1. For the sake of simplicity, the EIF's very marginal activity outside the EU is included in the figures for the EU.

2. Disbursement volumes do not include EUR 2.1bn corresponding to guarantee operations under the SME public policy goal.

3. Active counterparts with which the EIB signed new loans or to which the EIB made disbursements or allocations during 2015.

4. Signature and leveraged finance volumes in connection with the SME initiative are included in both the EIB and EIF figures. The respective EIB Group figures have been adjusted to avoid double counting at Group level.







## Inside the EU

### EIB key figures for 2015

Support for a record  
**124 000 SMEs**

mainly through MBIL/L4SME  
intermediated loans  
(13% increase on 2014)

These enterprises  
employed over  
**3 million people**

Sustained  
high volumes  
of new operations  
approved  
amounting to

EUR **25.1bn**  
(same as in 2014)

EUR **19.8bn**

in new operations  
signed  
(11% decrease on 2014)

Catalysing financing financing  
of at least EUR 39.6bn

EUR **17.7bn**

disbursed<sup>1</sup>  
to financial intermediaries for  
onlending to SMEs

(17% decrease on 2014)

Financial intermediaries  
allocated  
a record

EUR **18.8bn**  
(24% increase on 2014)

Emphasis on deployment of  
joint EU  
financial instruments

Ongoing strong cooperation  
with public promotional  
institutions

Approval of first dedicated  
SME operations under EFSI

1. Disbursement volumes do not include guarantee operations. There is a natural time lag between signature/disbursement/allocations of multiple beneficiary intermediated loans (MBILs). Historic analysis shows that about 70-80% of an MBIL is normally disbursed within one year after signature and about 90% within two years after signature. The standard period for financial intermediaries to report on allocations is 18-24 months after either signature or disbursement.



## The EIB's main achievements in 2015

- Achieved **EUR 19.8bn in new signatures** and a **record EUR 18.8bn in allocations** to SMEs; supported a record **124 000 SMEs that employ over 3 million people**.
- Together with the EIF, successfully **launched the SME Initiative in Spain and Malta**, thereby showcasing the EIB Group's commitment to delivering on joint EU instruments dedicated to SMEs.
- **Enhanced cooperation with EU Member States and their public promotional institutions and authorities** for dedicated SME operations, accounting for approx. 30% of 2015 SME signatures.
- Continued to **shore up the European securitisation market**, by investing EUR 2.3bn in ABS (of which EUR 838m SME-backed) resulting in additional SME financing and by reinforcing, through intra-Group agreements, the EIF's capacity to provide guarantees for investors in SME-backed ABS.
- Under the Horizon 2020 programme, together with the EIF, continued delivering novel operations through the **InnovFin – EU Finance for Innovators** programme, including for newly introduced windows such as energy demonstration and infectious diseases, with the EIB providing debt, guarantees and advisory services to innovative enterprises.
- Building on EIB-EIF synergies, signed **new instrument agreements under the EIB Group Risk Enhancement Mandate (EREM)** to be implemented by the EIF over 2014-2020, including to support financing for Europe's nascent market for debt funds as an alternative to bank financing.
- **Increased the EIB's Risk Capital Resources (RCR) mandate to the EIF by EUR 2.5bn**, as the EIB's own resources contribution to the SME Window **under the Investment Plan for Europe (IPE)/ European Fund for Strategic Investment (EFSI)** framework.
- Demonstrated innovation in its activity by signing **pilot operations in support of financing the SME internationalisation process**, a thematic focus of growing relevance in Europe also supported by the Luxembourgish Presidency of the Council of the EU during 2015.
- Supported a number of specific areas related to SME financing, most notably through signatures of **dedicated operations for target sectors including microfinance and agriculture**.



## Inside the EU

### EIF key figures for 2015

EUR **1.8bn**

already committed by the EIF  
under the EFSI SME Window

This corresponds to  
**36% of the total SME  
Window size**

Support for approx.  
**110 000 SMEs**  
through a range of financial  
instruments provided to SME-  
focused intermediaries

These enterprises employed  
**close to 700 000  
people** in 2015

A record volume of

EUR **2.2bn**

**in equity commitments**  
creating market traction and  
leveraging EUR 9.8bn

EUR **4.7bn**

**of guarantees** committed  
to financial intermediaries  
stimulating new loan portfolios  
and mobilising additional  
resources, leveraging  
EUR 16.6bn

EUR **86m**

signed for **microfinance**  
operations and approx.  
EUR 421m mobilised in  
additional support mobilised  
for micro-entrepreneurs

**Joint operations**  
and complementary instruments  
**with the EIB**  
were increased  
for enhanced impact  
and improved access  
to finance for SMEs



## The EIF's main achievements in 2015

- Played a key role in managing the **EUR 5bn EFSI SME Window under the IPE**. The overall investment volume that the EIF expects to catalyse is EUR 75bn by summer 2018. By the end of the year, **the EIF had already committed EUR 1.8bn**, which corresponds to 36% of the facility's total.
- Satisfied a strong market demand by **supporting SMEs at a higher and faster rate** than initially planned under **existing EU mandates** – in particular the COSME Loan Guarantee Facility and the InnovFin SME Guarantee – due to the upfront availability of multi-annual resources under EFSI.
- **Invested EUR 2.2bn (of which EUR 1.4bn under EFSI) in 85 private equity funds** leading to a total volume of **mobilised equity investments at fund level of EUR 9.8bn** at the end of the year, including financial resources crowded in from the private sector, which underlines the EIF's catalytic role in the markets.
- Promoted broader utilisation of co-investment solutions and **addressed fundraising shortfalls of enterprises and mezzanine funds** under the RCR mandate's Mezzanine Co-Investment Facility (MCIF), which completed its first full year of operation in 2015.
- Guaranteed portfolios of SME loans and leases and supported the development of the European SME securitisation market with **guarantee commitments of over EUR 4.7bn** in 95 different transactions which will generate **EUR 16.6bn of new financing for SMEs**.
- Focused on achieving **cross-selling and complementarity among guarantee instruments** under the different EU programmes with some intermediaries signing both a COSME and an InnovFin agreement, thus making the most efficient use of the available EU guaranteed programmes.
- **Promoted social inclusion and job creation**: launched the new EaSI programme and signed the first six guarantee transactions; the Social Impact Accelerator (SIA) fund reached a final closing in July 2015.
- **Scaled up collaboration with national promotional institutions (NPIs)** and started working on a joint NPI Equity Platform, which will become operational in 2016. It is planned to follow this with an NPI Securitisation Platform.



## Outside the EU

### EIB key figures for 2015

Support for approx.  
**6 000 SMEs**

mainly through MBIL/L4SME  
intermediated loans, equity and  
microfinance activities

These enterprises  
employed some

**280 000 people**

EUR **3** bn

of new operations  
approved

(8% decrease on 2014)

EUR **2.8** bn

of new operations  
signed  
catalysing financing of at least  
EUR 5.6bn

(7% increase on 2014)

EUR **2.3** bn

disbursed  
to financial intermediaries for  
onward financing to SMEs

(29% increase on 2014)

Financial intermediaries  
allocated

EUR **1.9** bn  
to SMEs

(same as 2014)

EUR **95** m

signed for 14 new  
microfinance operations  
expected to support  
financially disadvantaged  
micro-entrepreneurs

## The EIB's main achievements in 2015

- Supported approx. **6 000 SMEs that employ some 280 000 people**.
- Partnered with the **EC, Member States, international financing institutions and international donors** to support private sector development in the regions outside the EU.
- **Signed 38 new operations** for SMEs with **EUR 2.8bn in new SME signature volumes accounting for over a third of total EIB signatures outside the EU**.
- **Sustained a record EUR 1.9bn** in allocations to final beneficiaries.
- Signed **14 new microfinance operations** amounting to EUR 95m (144% increase on 2014).
- Concluded **six new technical assistance agreements** for a total amount of EUR 9.4m.
- Made **new commitments to four SME funds** amounting to EUR 67m which aim to make EUR 508m in onward investments to SMEs.
- Cooperated with **148 counterparties** across all regions outside the EU.





## Specific highlights

### Launch of the SME Initiative

The SME Initiative is a joint financial instrument of the European Commission, the EIB Group, and the Member States which aims to stimulate SME financing by providing partial risk cover for SME loan portfolios originated by financial institutions. Alongside the European Structural and Investment Fund (ESIF) resources contributed by the Member States, the SME Initiative is co-funded by the EU budget as well as EIB Group resources. The SME Initiative covers two products: (i) an uncapped portfolio guarantee for new SME loans/leases/guarantees (Option 1) and (ii) the participation in ABS securitisations - under true sale or synthetic transactions - of new or existing SME loans/leases with an obligation for the originator to build up new (de-linked) SME portfolios meeting a minimum leverage factor on ESIF resources (Option 2).

Following earlier product development, during 2015 the SME Initiative (Option 1) was launched in Spain, where agreements were signed in October with six banks, entailing a combined guarantee capacity of EUR 1.7bn of which EUR 1.4bn is provided by the EIB Group. Through this risk-sharing mechanism, the SME Initiative will act as a catalyst for private investment and fostering job creation. A signature for Malta (Option 1) also took place in July, with the first partner bank already selected. At the end of the year, negotiations with Bulgaria, Finland, and Romania (Option 1) and Italy (Option 2) were still under way.

### Ongoing EIB Group support for the securitisation market

With the combination of long-term EIB liquidity and the EIF's longstanding market experience in providing guarantees for SME portfolios, the EIB Group was well placed to help catalyse the SME securitisation market. The EIB Group ABS Initiative for SMEs (2012-2015) combined EIB purchases of senior tranches of ABS notes with EIF guarantees to third-party investors for similar ranking tranches and entailed the signature of an intra-Group Service Level Agreement. This concrete example of enhanced EIB Group synergies enabled the EIB to subscribe to approx. EUR 6.2bn of senior ABS tranches as substitutes for Loans for SMEs (L4S-MEs) in 29 operations across six countries (of which EUR 3bn for 13 SME-backed ABS), with the EIF providing guarantees amounting to approx. EUR 580m for eight of these operations. Under a separate EIB Group securitisation instrument, the EREM ABS Credit Enhancement window, the EIF concluded a total of seven new ABS guarantee operations in 2015 amounting to EUR 460m.

### EIB Group products supporting financial inclusion in the EU

Sustainable employment, social inclusion and protection, and the need to support more vulnerable groups became increasingly prominent throughout the year 2015. The EIB Group's success in implementing the EU's European Progress Microfinance

Facility initiative led to the launch of its successor, the Employment and Social Innovation (EaSI) programme, which draws on resources from the EU budget and provides for matched funding from the EIB Group. Under EaSI, the EIF will provide guarantees and funded instruments to niche financial institutions targeting micro-borrowers from at-risk social groups and companies active in the social economy. A total of 11 guarantee operations under EaSI amounting to EUR 27m were already signed in 2015. As part of a complementary approach, the EIB also supported financial inclusion of micro-borrowers in the EU through its own dedicated microfinance lending. Most notably in 2015, the EIB signed a EUR 100m facility with a social bank in Spain aimed at providing funding to self-employed young people and start-ups, as a way of stimulating investment while supporting youth employment.

Building on these guarantee instruments and lending capacity in support of inclusive finance, the EIB Group also continues to provide risk capital financing to support the still emerging social entrepreneurship sector in Europe. Through the EIF-managed Social Impact Accelerator (SIA) pilot, the EIB Group takes cornerstone stakes in social impact funds investing onward in social enterprises. This niche segment of SMEs aims to achieve a measurable impact by applying entrepreneurial solutions/commercial strategies as a way of addressing social issues.

## Financing of innovative enterprises through the EIB Group

InnovFin - EU Finance for Innovators is a joint EIB Group (EIB and EIF) and EC (DG Research and Innovation) initiative under Horizon 2020, the EU research programme for 2014-2020. InnovFin consists of a range of tailored products – from guarantees for financial intermediaries to direct

loans to enterprises as well as advisory services – to support the smallest innovative SMEs to the largest research and development projects in the EU and countries associated with Horizon 2020. It is expected that by end-2020, InnovFin products will make available more than EUR 24bn of financing for research and innovation by SMEs, midcaps and large companies, and the promoters of research infrastructures.

The EIB Group ramped up its operational activity under InnovFin during the second year of implementation. In 2015, the EIF signed a total of 28 transactions amounting to EUR 1.6bn under the InnovFin SME Guarantee (most of which under the EFSI SME Window) and four transactions amounting to EUR 53m under InnovFin SME Venture Capital. Also in 2015, the EIB signed a new operation under the InnovFin Midcap Guarantee amounting to EUR 150m and 12 direct loans under InnovFin Midcap Growth Finance, amounting to EUR 214m.

## EIB support for SMEs outside the EU

Local private enterprise development remains a major pillar of EIB activities outside the EU. In 2015, the Bank signed 38 new operations for SMEs and micro-enterprises, including some with a specific thematic or sector focus, and continued to allocate funds to SME projects under existing lines of credit. In 2015, the EIB signed a total of EUR 2.8bn in new operations (of which EUR 2.7bn through intermediated loans) supporting SMEs outside the EU, including EUR 95m for 14 dedicated microfinance operations and EUR 67m across four new fund investments. The EIB continued to serve as an important donor in technical assistance for microfinance and private sector development in ACP countries and Neighbourhood regions. In 2015, the EIB concluded six new technical assistance agreements in support of micro-enterprises and SMEs for a total of over EUR 9m.



## Looking forward

The financial and economic crisis across Europe has placed an additional burden on SME access to funding. Most notably, the lending and risk-taking capacity of banks declined after the crisis due to tighter regulatory requirements and the accumulation of non-performing loans. While the monetary policy environment has led to aggregate borrowing costs remaining low in Europe, interest rates applied by banks to their SME lending activity have not decreased commensurately.

In light of the current outlook, the EIB Group will continue prioritising the access to financing of SMEs as a key policy objective in 2016 by ensuring the availability of intermediated financing and risk-sharing products through a continuously expanding range of financial intermediaries, including still emerging niche actors such as loan funds, microfinance providers, and social finance institutions. This enhanced offer will also serve to align EIB Group activity with the aims of the Capital Markets Union (CMU), which calls for alternative funding sources complementary to bank financing to play a bigger role in providing finance to SMEs. The EIB Group will further anchor its operational activity in evolving EU policy priorities, notably by supporting SME projects under the IPE/EFSI.

The Bank will also continue to support SMEs and promote local financial and private sector development outside the EU through its product range, including intermediated lending and, increasingly,

advisory services. Outside the EU, the Bank's support for microfinance in particular will continue to help address local needs by plugging gaps in the supply of financial services and promoting job creation. Finally, in response to the refugee crisis affecting Europe, the EIB is also conducting an ongoing needs assessment with a view to supporting refugee-related investment, including through enhanced eligibility under its SME activity for operations both inside and outside Europe.







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## SME Report 2015

EIB Group activities  
in support of SMEs  
and midcaps



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