



Financial Instruments provided by the European Investment Bank (including Risk Sharing Finance Facility)

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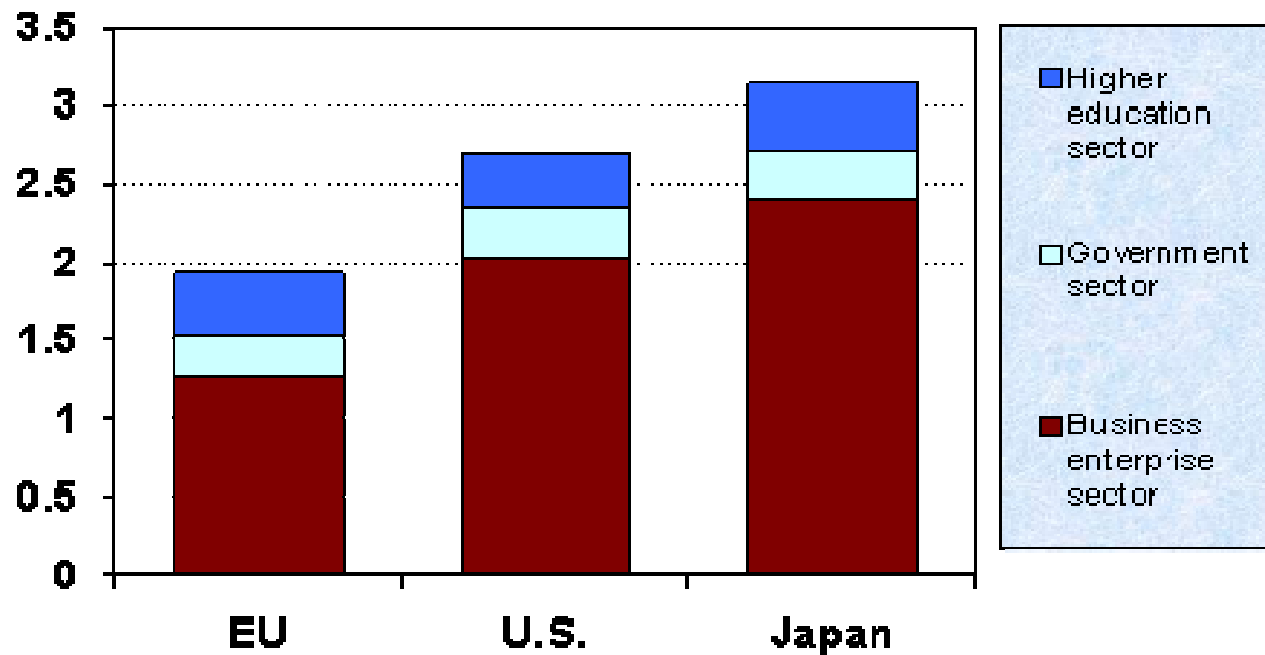
European Investment Bank

EIB Profile



- The EIB has been created by the Rome Treaty 1958
- The EIB is owned by the 27 EU member states
- The European Union's long-term financing institution
- An **autonomous body** up to finance capital investment furthering European integration by **promoting EU policies**
- The EIB is a policy driven, non profit institution following sound banking principles
- The EIB has a subscribed capital EUR 232.4 bn
- The EIB collects its funds on the capital markets (2008: EUR 59.5 bn)
- The EIB signed loans amounting to EUR 57.6 bn in 2008
- Knowledge Economy is one of EIB's Six Strategic Priorities





- In March 2002 the Barcelona European Council launched a call for action: investment in RDI should rise to 3% of GDP in the EU by 2010 and the share funded by private sector should rise to 2/3 of the total in order to close the gap to the USA and Japan.

The EU to become “*the most dynamic and competitive knowledge-based economy in the world*” by 2010.

Main Areas For Action

Establishing
an effective internal
market

Boosting research
and
innovation

Improving
Education

Plan for Action

Encourage private-sector to do more...

Main Obstacles to Innovation

Excessive
risk

Lack of
financial resources

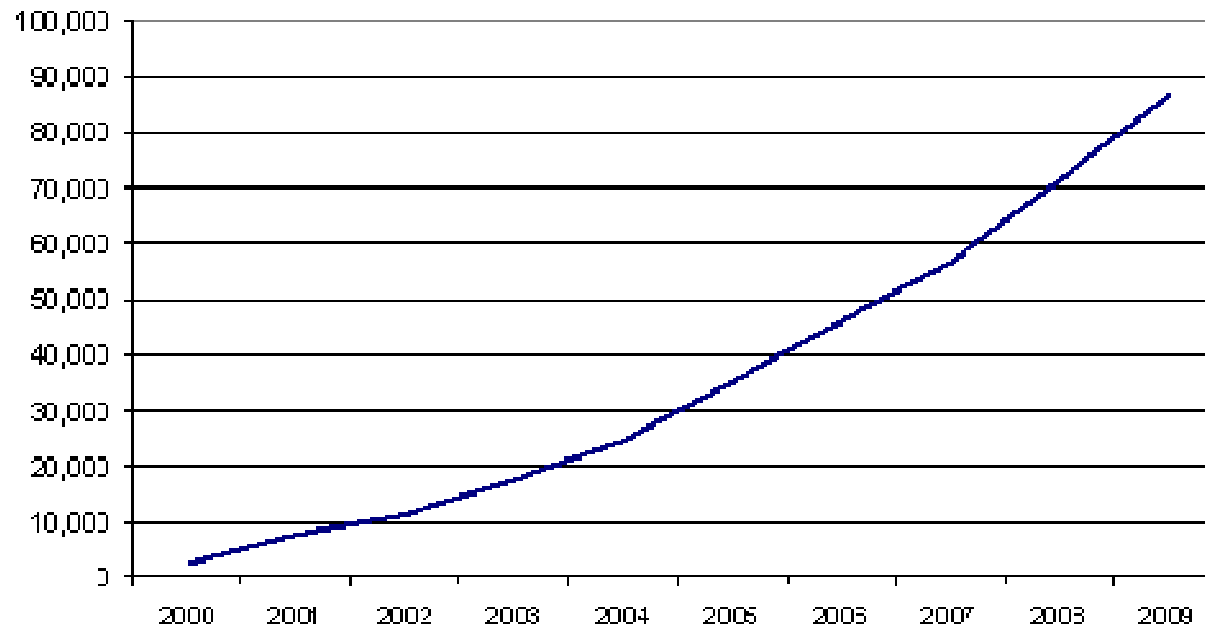
Lack of qualified
human resources

Remove one obstacle to R&D by facilitating access
to debt financing.

European Investment Bank Knowledge Economy



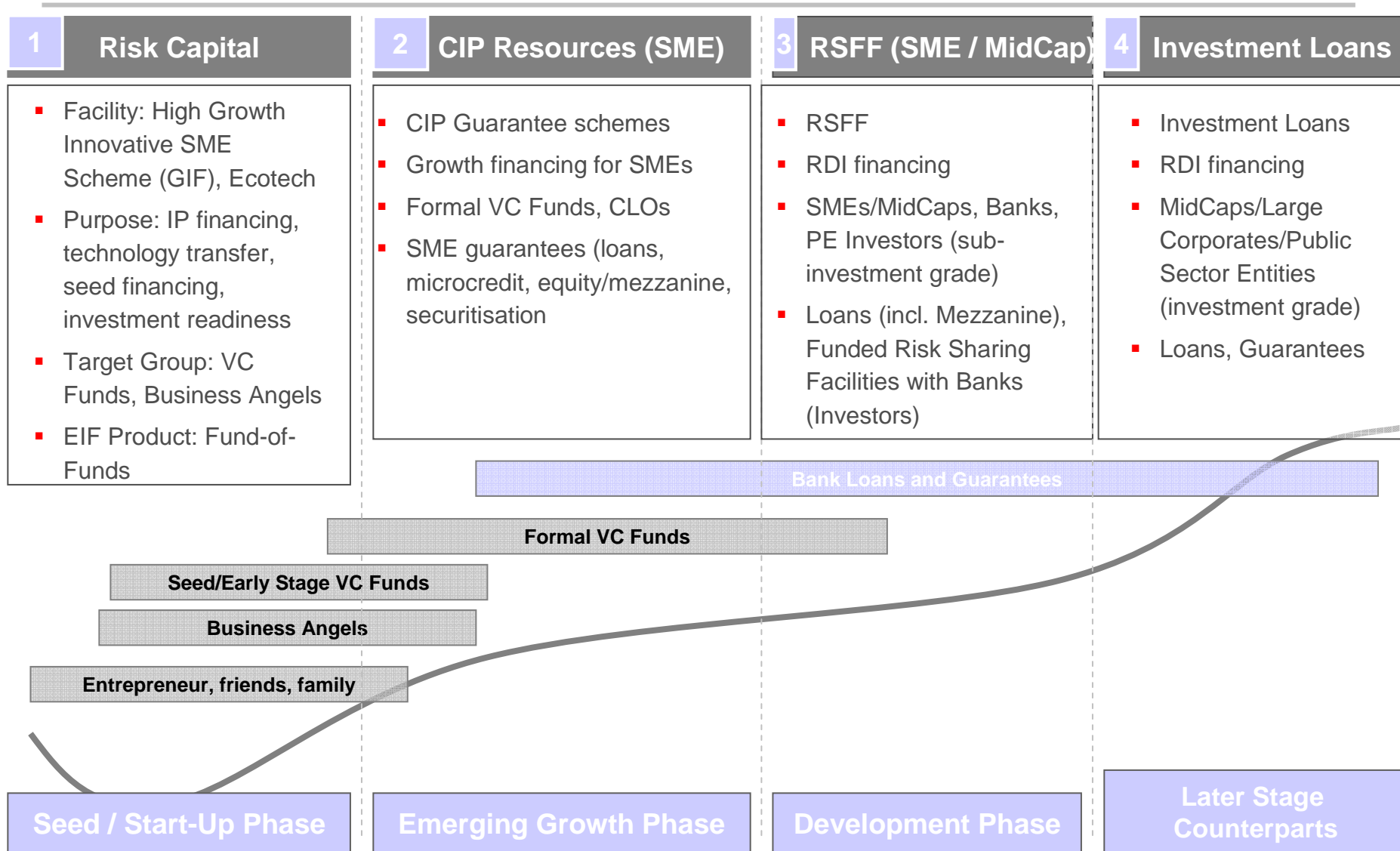
Signatures cumulative (in €)



- In 2000 EIB pledged to make loans worth €50bn for the “Knowledge Economy” target by 2010. The €50bn barrier was already surpassed in 2007.

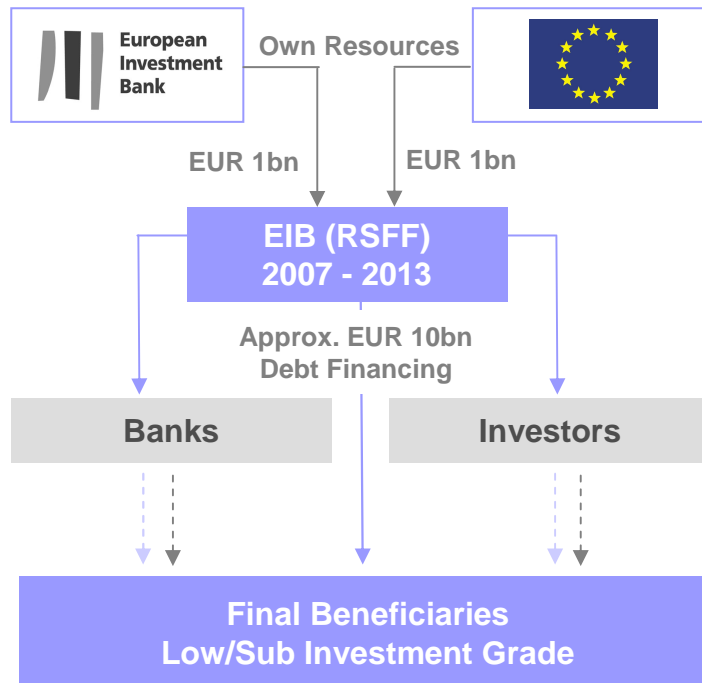
The Risk Sharing Finance Facility

EIB and EIF



Risk Sharing Finance Facility

A new Source of Risk Capital



- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
 1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
 2. Long maturities of up to 10 years or more
 3. Direct EIB participation of up to EUR 200m per transaction (depending on rating)
 4. Strong technology/industry expertise
 5. EIB does not sell assets on the secondary market (buy and hold strategy)
 6. No cross selling (just long-term lender)
 7. Signalling Effect: EIB as a quality stamp
 8. Debt and Mezzanine Debt Product

Risk Sharing Finance Facility

Risk categories

Moody's	S&P and Fitch
...	...
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Ba1	BB+
Ba2	BB
Ba3	BB-
B1	B+
B2	B
B3	B-

- RSFF is a debt based instrument not a grant
- Financing does not involve a subsidy element
- The facility does not concern risk capital such as venture capital



- RSFF concerns companies or projects mature enough to demonstrate capacity to repay debt on the basis of a credible business plan.
- An external rating is not required.

Risk Sharing Finance Facility

Key Sectors



- 1 Engineering/Automotive
- 2 Energy
- 3 ICT
- 4 Life Science
- 5 RDI Infrastructures

Rationale for Selection

- Scope of Sector
- EU Policy Dimension
- Key RDI Trends
- Strong EIB Track Record in the industry
- RSFF Implementation Strategy

Product Development

Sector Know-How

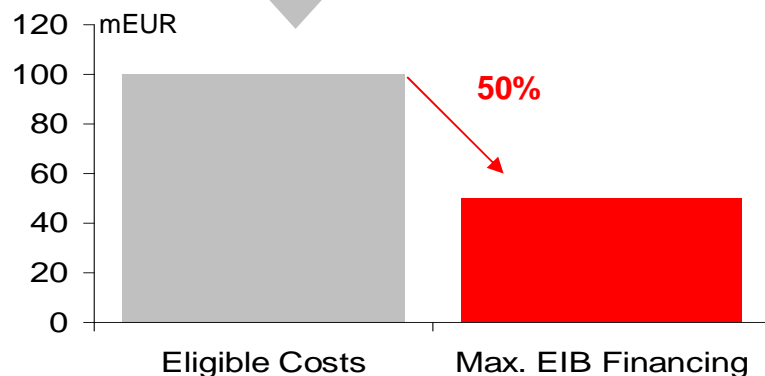
Long Term Financing

RSFF Eligible Cost Definition

ELIGIBLE COSTS	
Year 1	€ 30m
Year 2	€ 40m
Year 3	€ 30m
Total	€ 100m

- Project related CAPEX on tangible & intangible assets
- Research staff cost
- Incremental working capital
- Related operating costs

Eligible Costs
RDI Budget



- Eligible project cost include: project capital expenditures in tangible & intangible assets, research staff cost, incremental working capital needs and other related operating expenses.
- R&D budgets typically cumulated over 3 years.
- In addition, prototype development + demonstration plants + any form of innovation conducted on own behalf or for OEM customers is deemed eligible.
- In addition to the financing agreement, a Project Implementation Agreement will be signed with the promoter.
- The agreement describes the project, the eligible project costs and the foreseen time-frame. It further stipulates project reporting requirements and project related remedies/covenants.

EIB financing solutions under RSFF

Key counterpart groups



I. Corporate / Project Finance

- **Targeted beneficiaries:** Mid-sized and large corporations (low/sub-investment grade),
- **Product Ideas:** RSFF loans and guarantees (Structured individual corporate loans - senior/junior debt, mezzanine),
- **EIB value added:** Lower Financing Cost, increase of debt capacity (in case of subordination), project risk sharing.

II. Risk Sharing with Universities

Targeted beneficiaries: Universities, research institutes, science parks,
Product Idea: RSFF loans and guarantees; Royalty fund,
EIB value added: Increased access to financing for universities; facilitates partnerships and PPPs; monetize royalty streams of research results (e.g. patents).

NEW PRODUCT DEVELOPMENTS

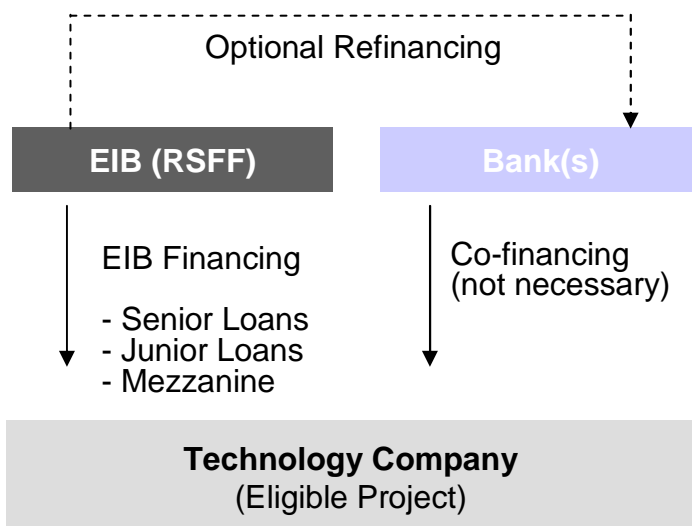
Targeted beneficiaries: Joint Technology Initiatives (JTIs), European Technology Platforms (ETPs), Multi country Research Infrastructures (ESFRI),
Product Ideas: PPPs, SPVs and RSFF/ERCF loans and guarantees for R&D programmes,
EIB value added: facilitate both public and private sector financing of Research Infrastructure through conventional as well as structured finance.

III. R&D and Infrastructure Consortia

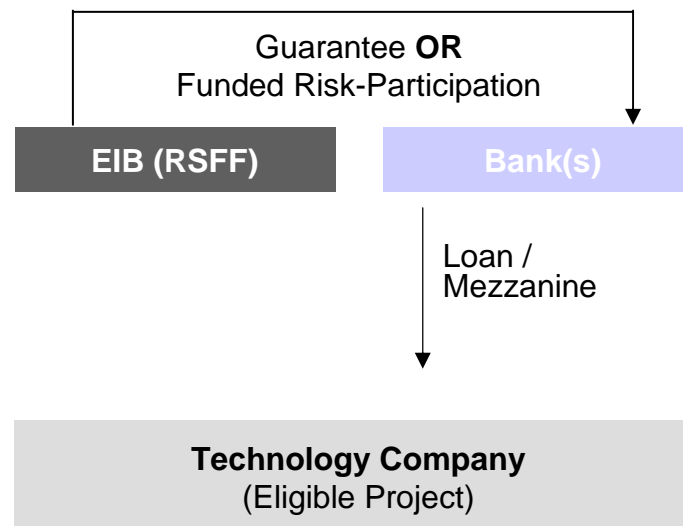
Targeted beneficiaries: SMEs & Mid Caps (low / sub-investment grade),
Product Ideas: RSFF loans and guarantees, Risk Sharing Global Authorisations,
EIB value added: Beneficiaries: risk sharing, higher debt capacity, lower financing cost; Banks: risk sharing, capital relief, customers cross selling.

IV. Risk Sharing with Banks

OPTION 1: Parallel Financing Approach



OPTION 2: Back-to-Back Financing Approach



- To finance individual projects, EIB can either act as the sole financing provider or as a co-financing partner to other bank(s).
- In the case of co-financing, EIB could provide a direct financing agreement in parallel to other financing(s) from financing partner(s) or provides back-to-back to the financing partner(s).
- EIB financing contracts normally are in line with market standards (protective clauses, covenants, etc.) but will always be structured according to the needs of the borrower.
- EIB financing can also be junior to co-financing banks (e.g. Mezzanine financing)

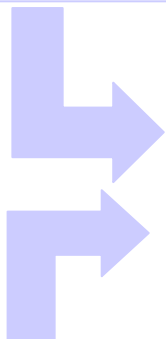
Risk sharing with banks for SMEs

Rationale and potential synergies



Partner banks

- Direct access to promoters with national geographical focus
- Structuring and due diligence expertise & capacity
- Track record in direct/indirect low/sub- investment grade lending (incl. Mezzanine financing)
- Regulatory capital constraints, rating sensitivity, Basel II impacts



Synergies

Partner banks / EIB Co-financing of RDI



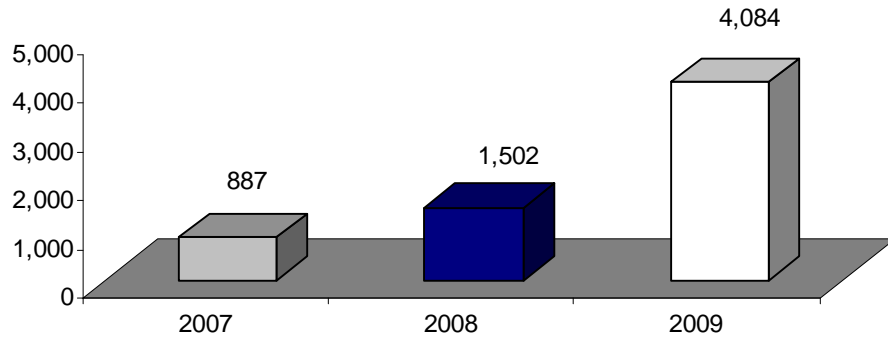
European Investment Bank

- RSFF resources (European Commission) -> high long-term capacity for low/sub-investment grade lending to RDI intensive counterparts / projects
- Attractive funding costs, competitive risk pricing
- Strong sector/technology know-how in key RDI sectors and activities
- European scope
- Strong track record in co-financing and risk sharing with commercial/promotional banks across Europe (>150 Partner Banks; more than EUR 7bn of finance for more than 30 000 SMEs in 2008)

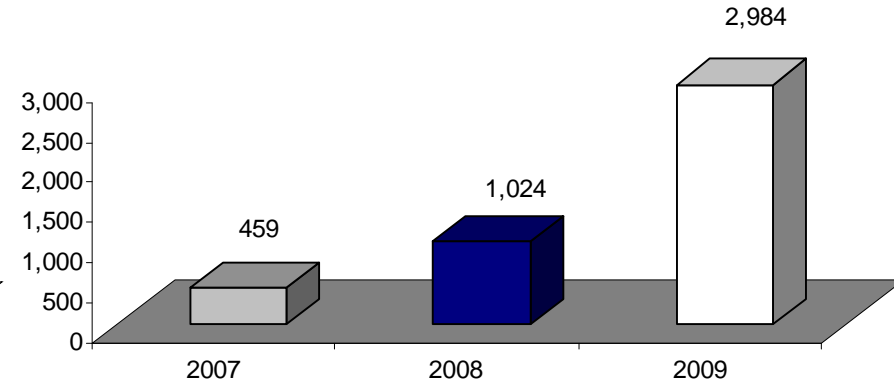
RSFF Update - RSFF Signatures to date



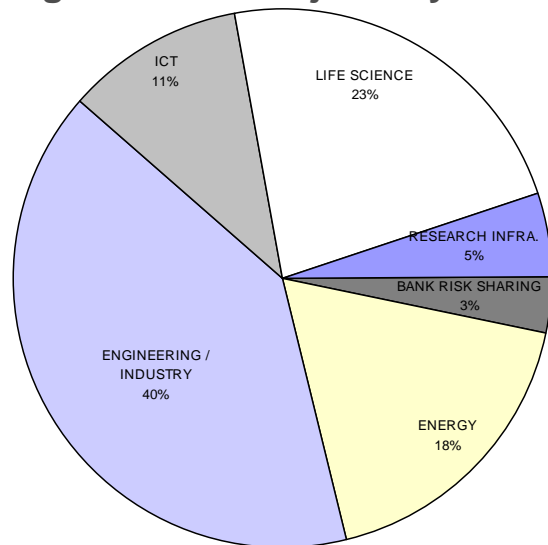
RSFF APPROVALS (2007 - 2009)



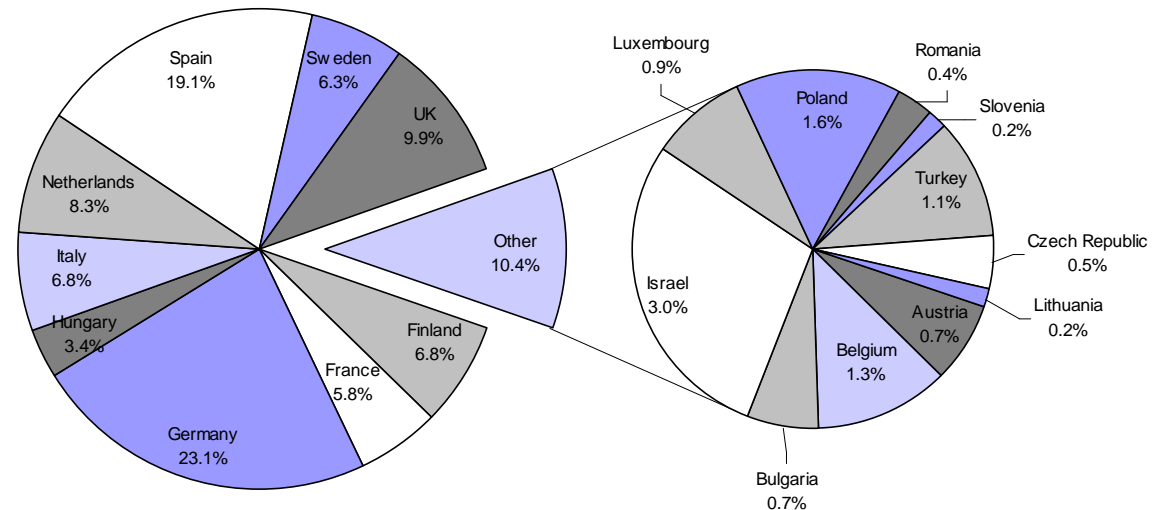
RSFF SIGNATURES (2007 - 2009)



Signed RSFF Projects by Sector



Signed RSFF Projects by Country



- Total RSFF signatures amount to EUR 4.5 bn. Approvals reach EUR 6.5 bn in December 2009.
- Main sectors financed so far: renewable energy technologies, engineering industry and life science.

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- Financing flexibility: provide debt financing adapted to project implementation and the borrower's repayment capacity
 - Improved financing conditions; advantage of EIB's AAA based funding is passed on to the borrower in order to reduce overall project cost
 - Increased access to financing: additional supply of loans/guarantees from EIB; joint financial products with Commission (RSFF, leveraging FP7 funds) and through co-financing with financial markets
 - Risk sharing: share financial risks with promoters and consequently reduce their risk adjusted cost of capital
 - Signalling Effects: Due to the Bank's reputation for its prudent lending policy and its strong market/technology know-how, the EIB provides learning/signalling effects for other Banks

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