



2008: the EIB Group tackled the financial crisis by deploying exceptional resources in support of European SMEs

- **EUR 8bn in loans,**
- **EUR 2bn in guarantees,**
- **EUR 409m in venture capital**

In 2008, the EIB Group launched an out-and-out offensive in support of SMEs, which have been indirectly affected by the financial crisis and, consequently, the credit squeeze. In its role as a public bank, the EIB was asked by the European Council to commit unprecedented sums, EUR 30bn, in the form of loans for SMEs via commercial banks by 2011. The EIB is on its way to meeting these targets for in 2008 it granted a total of EUR 8.1bn in credit lines for SMEs to 75 commercial banks in 16 countries and aims to cover the whole European Union in 2009. To date, 21 000 small businesses have benefited from these credit lines and their impact on the real economy will be felt fully as the commercial banks allocate individual loans to their SME customers. For each euro lent by the EIB to a partner bank, it undertakes to lend at least two to small businesses, thereby generating leverage.

*The European Investment Fund (EIF), the EIB's specialist arm dedicated to SMEs and more particularly start-ups, continued its sophisticated activity of supporting SME financing professionals – commercial banks and investment funds, a role needed more than ever in the midst of a financial crisis. In 2008, the EIF granted SME loan portfolio guarantees totalling EUR 2bn to commercial banks and invested EUR 409m in venture capital funds. Keeping its activity at such a level in order to stabilise an increasingly fragile market is risky but constitutes the *raison d'être* of a body such as the EIF, which is owned by the EIB (64%), the European Commission (27%) and a consortium of 31 private banks (9%). It is estimated that between 2001 and 2008 the EIF supported over 900 000 SMEs in Europe.*

An unprecedented target of EUR 30bn in loans to SMEs by 2011 set by the European Council, of which at least half in 2008-2009

In a bid to cushion the impact of the financial crisis on the real economy, in September 2008 the Council of EU Finance Ministers meeting in Nice called on the EIB to make available EUR 30bn by 2011, of which at least half in 2008-2009, to support investment by Europe's small firms.

At the end of September, barely ten days after the Nice Council meeting, the EIB's Board of Directors adopted the SME support plan, taking the opportunity to launch a new, simpler and more transparent system of lending in order to benefit a greater number of small businesses. These new EIB loans for SMEs, still allocated via commercial banks, can now underpin tangible or intangible investments of all amounts undertaken by firms with fewer than 250 employees, from very small projects to those costing EUR 25m, in the 27 EU Member States. The partner banks undertake to inform the SMEs individually and in concrete terms of the EIB's involvement and its impact on the financial terms of the loan that they receive.

The EIB advanced EUR 8.1bn in loans for SMEs in the European Union in 2008

Thanks to this offensive, in 2008 the EIB advanced EUR 8.1bn in loans for SMEs to commercial banks in the European Union. That represents a 42% increase compared to its SME support activity in 2007, which reached EUR 5.7bn. To date, 21 000 small businesses have obtained a loan from the credit lines that the EIB extended in the European Union in 2008. The impact of these credit lines on the real economy will be felt fully in 2009 as the partner banks allocate individual loans to their SME customers. Furthermore, the commercial banks undertake to lend at least as much from their own funds to SMEs as the amounts

borrowed from the EIB, thereby generating leverage. The contact details of the partner banks by EU country are available on the EIB's website: (www.eib.org/sme).

This boost was made possible thanks to the EIB's broad **consultation** in 2007-2008 of the players in the SME market in order to get a better understanding of it and support it: chambers of commerce, professional and employers' associations, commercial banks and the public authorities of the 27 Member States. This dialogue served, in particular, to pinpoint a number of types of enterprise that had recurring difficulties accessing credit, primarily micro-enterprises with fewer than 10 employees, high growth "gazelles" and SMEs wishing to invest in intangible sectors such as research or eco-technologies.

The EIF continued to support the SME financing market which was weakened by the downturn

Coming to the aid of banks and financial institutions to enable them to continue supporting promising SMEs became in 2008 more than ever a necessity. That is the precise role of the European Investment Fund.

Furthermore, it provides **guarantees** to banks covering a portion of the loans that they grant to their SME customers, grouped together in portfolios. That amounts to partly standing security for millions of small firm borrowers and therefore bearing a share of the risk in place of the banks. The EIF guarantees all sorts of SME loan portfolios as well as microcredit and leasing portfolios. It also provides counter-guarantees to financial institutions that are themselves guarantors of SME loan portfolios. In 2008, the EIF granted 23 guarantees for a total of over EUR 2bn.

The EIF also massively boosts the capital of investment funds specialising in **venture capital**. The activity of these funds consists of providing small businesses, especially start-ups, with part of their start-up capital to enable them to set up. It is therefore a very risky commitment alongside the entrepreneurs, but crucial to make it possible for these projects to begin. In 2008, the EIF invested EUR 409m in 30 venture capital funds in Europe. In total, it currently holds stakes in nearly 300 funds, which makes it one of the major backers of the venture capital industry in Europe.

It is estimated that between 2001 and 2008 over 900 000 SMEs in Europe benefited indirectly from EIF support.

The EIB Group will offer other measures in support of SMEs in 2009

In 2009, the EIB will offer other, more sophisticated financial products, notably risk sharing, to facilitate lending to the SME customers of commercial banks. Three types of measure are currently being developed:

- Loans where risks are shared with the banks, with the EIB guaranteeing part of the overall risk taken on by the intermediary bank;
- loans where the EIB bears a risk on the beneficiary SME directly, in parallel with the intermediary bank;
- mezzanine products for SMEs. Through its subsidiary the European Investment Fund, the EIB Group will provide participating loans, which are like quasi-equity and enable SMEs to increase their ability to obtain bank credit without necessarily having to open up their capital or provide substantial security (the participating loan being converted into shares only if the company is unable to repay the loan).

Finally, the EIB and the European Commission have established a microcredit facility aimed at very small businesses called JASMINE. This EIF-managed facility will, in cooperation with financial institutions or banks, help to finance microfinance institutions in Europe via loans and equity participations coupled with technical assistance financed by the European Commission. The European Parliament is also involved in this pilot initiative, which has a key role to play in the growth of entrepreneurship, social inclusion and the development of microcredit in Europe.

For further information on the EIB, visit its website www.eib.org.

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