



## EIB steps up SME lending in response to financial crisis

In 2009, the EIB made EUR 12.7bn available in credit lines to intermediary banks for on-lending to small businesses, an increase of 55% compared with the year before. The Bank reached more than 50 000 SMEs across the EU. Already in 2008 the EIB made its “Loans for SMEs” product simpler and more transparent in order to facilitate lending to SMEs through its partner banks. In 2009 the new SME policy of the EIB was implemented on a large scale and the EIB continued the rapid growth, registering a 55% increase in signatures of intermediated loans for SMEs, which followed a 43% rise the year before. With a total of EUR 20.8bn signed with intermediary banks during 2008 and 2009, the EIB is well on its way to delivering on its target of lending EUR 30bn to SMEs between 2008-2011, a target set in the European Economic Recovery Plan that was adopted by the Heads of State and Government in December 2008.

The EIB, together with the intermediary banks, used the flexible “Loans for SMEs” product in 16 (of the 27) Member States in 2008 and in a further 9 in 2009, bringing in many new counterparts to ensure widespread support for SMEs. In addition to channelling EIB funds to SMEs, partner financial intermediaries commit to matching each euro of EIB lending by at least another EUR from their own resources.

The European Investment Fund (EIF), the EIB Group’s specialist arm for SME risk financing operations, granted SME loan portfolio guarantees for EUR 2.3bn, consolidating a trend with 15% growth (from EUR 2.0bn), following an increase of 43% in 2008 (from EUR 1.4bn). The EIF works together with SME financing professionals, guarantee institutions and investment funds. Guarantees and venture & growth capital involve controlled risk-taking, which is the role of the EIF within the EIB Group. With its unique shareholder structure the EIF supports the Group’s policies on guarantees for SMEs and risk-bearing operations in support of EU policies and assures an appropriate return to its shareholders – the EIB (62%), the European Commission (29%) and a group of 30 banks from 17 Member States (together 9%).

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### EIB approvals promise further growth in SME lending

Beyond the EUR 20.8bn signed with intermediary banks in 2008/2009, loan approvals have increased even faster, which ensures future growth in SME lending across the EU. The EIB approved a total of EUR 15.1bn for SME lending in 2009, which was 80% higher than approvals in 2008 (EUR 8.4bn), which in turn was 44% higher than in 2007 (EUR 5.8bn) – all in all a 160% increase over two years.

Underlining the efforts of the EIB in support of SMEs is the high level of disbursements following loan signatures, which reached EUR 10bn in 2009, a 79% increase over 2008 (EUR 5.6bn) or 57% over two years (2007: EUR 6.4bn)<sup>1</sup>. These increased disbursements represent an enormous funding commitment during a period of unprecedented liquidity shortages and market disruption due to the 2008/2009 financial crisis.

The increase in approvals, signatures and disbursements in 2009, which had begun in late 2008, was even more marked in the New Member States, with EUR 2.4bn in approvals (+135%), EUR 2.1bn in signatures (+ 193%), and EUR 1.7bn in disbursements (+ 176%). Under a joint IFI Action Plan, the EIB has been working closely with the EBRD and World Bank Group to increase the lending of international financial institutions to SMEs in Central, Eastern and South Eastern Europe. The IFI initiative required close cooperation with local partner banks to promote SME financing in the region and was launched in February 2009. By the end of 2009 the EIB had made EUR 10bn available to intermediaries in the region.

<sup>1</sup> 2008 showed a dip in disbursements for SME lending.



## The EIF extends its support for SMEs in a market weakened by the economic downturn

The EIF is Europe's leading developer of risk financing for entrepreneurship and innovation. It promotes the implementation of Community policies, particularly in the field of entrepreneurship, technology, innovation and regional development. The EIF uses its own funds or funds made available through mandates from the EIB (the Risk Capital Mandate or RCM), the EU (the Competitiveness and Innovation Framework Programme or CIP), Member States or other third parties to provide support to SMEs. Complementing the EIB product offering, it delivers a wide spectrum of SME financing solutions for selected intermediaries, financial institutions, private equity funds and banks, and takes on SME risk. While the EIF equity instruments aim to improve the availability of capital for SMEs for high-growth and innovative companies, it is equally important to target the debt requirements of SMEs by providing guarantees and securitisation.

In 2009 the EIF invested EUR 733m in 39 venture capital growth funds in Europe. In total it currently has net commitments of EUR 3.9m in over 300 funds, which makes it one of the major financiers of the private equity industry in Europe. The EIF also committed to 22 guarantee transactions for an amount of close to EUR 2.3bn, improving availability in terms of debt for beneficiary SMEs and the lending capacity of financial intermediaries. The EIF now has a total outstanding guarantee portfolio of EUR 13.6bn.

## Recent developments

The EIB Group has developed innovative hybrid funding structures such as mezzanine finance (a mix of debt and equity, often in the form of lending with a lower seniority or for transformation into equity, which is particularly suitable for developing and high-growth companies). In 2009 the EIB's Board of Directors entrusted the EIF with a mandate to invest EUR 1bn as the Mezzanine Facility for Growth (MFG). The MFG will be invested over the next three years in investment funds targeting growing and innovative companies across Europe to fill funding gaps which could otherwise constrain their growth. The emphasis will be on SMEs.

Funding for the smallest SMEs, including micro enterprises, is available through the "Loans for SMEs" product. In 2009 the Group stepped up support for a wider range of microfinance institutions, particularly those targeting the socially excluded and those at risk of social exclusion. March 2009 saw the approval of a EUR 20m microfinance risk capital facility, a pathfinder initiative that will invest in a wide range of microfinance institutions targeting micro enterprises outside the conventional banking sector. The facility is managed by the EIF on behalf of the Bank.

In November 2009 the EIB Group and the European Commission combined the experience gathered from this facility and other microfinance initiatives, such as JASMINE, for the joint participation in the PROGRESS Microfinance Initiative (PMF). The EIF will manage PMF, which will bring together up to EUR 200m in funding from the Commission and the EIB in a new facility dedicated to financing microfinance institutions. PMF will provide additional capacity to this fast-growing credit market with the objective of increasing access to and availability of micro-finance.

The Mezzanine Facility for Growth and the two microfinance initiatives, the microfinance risk capital mandate and PMF, are concrete EIB Group responses to the increasing need for credit of mid- and micro-sized enterprises. They particularly target microfinance initiatives that underpin smaller enterprises, the social economy or people losing their jobs or having difficulties entering or re-entering the labour market. Increased availability of microfinance is expected to have a significant impact on the creation of new micro enterprises and self-employment, as well as actively promoting equal opportunities.



## Outlook

In summary, EIB support reached more than 50 000 SMEs across the EU during the year and 2010 is bound to see more growth as intermediaries make further progress in channelling SME loans to final beneficiaries. By the end of 2009, the EIB had disbursed close to EUR 16bn to its partners banks, i.e. more than 75% of the EUR 21bn signed in 2008-2009. Actual allocation of loans by the partner banks to the final beneficiaries of EIB SME lending amounted to 90% of the EUR 16bn disbursed, providing tangible financial support across Europe for this vital sector in difficult times. In 2010 the EIB will seek to reach SMEs in even more countries and also select additional intermediaries. In Central, Eastern and South-Eastern Europe, the EIB will continue to develop its role in close cooperation with EBRD and World Bank Group under the 2009 IFI Action Plan.

For further information on the EIB, visit its website [www.eib.org](http://www.eib.org)

**Press contacts:**

Press Office Secretariat

E-mail: [press@eib.org](mailto:press@eib.org); Tel.: (+352) 43 79 – 21000; Fax: (+352) 43 79 – 61000**General questions:**

EIB Infodesk

E-mail: [info@eib.org](mailto:info@eib.org); Tel.: (+352) 43 79 – 22000; Fax: (+352) 43 79 – 62000