

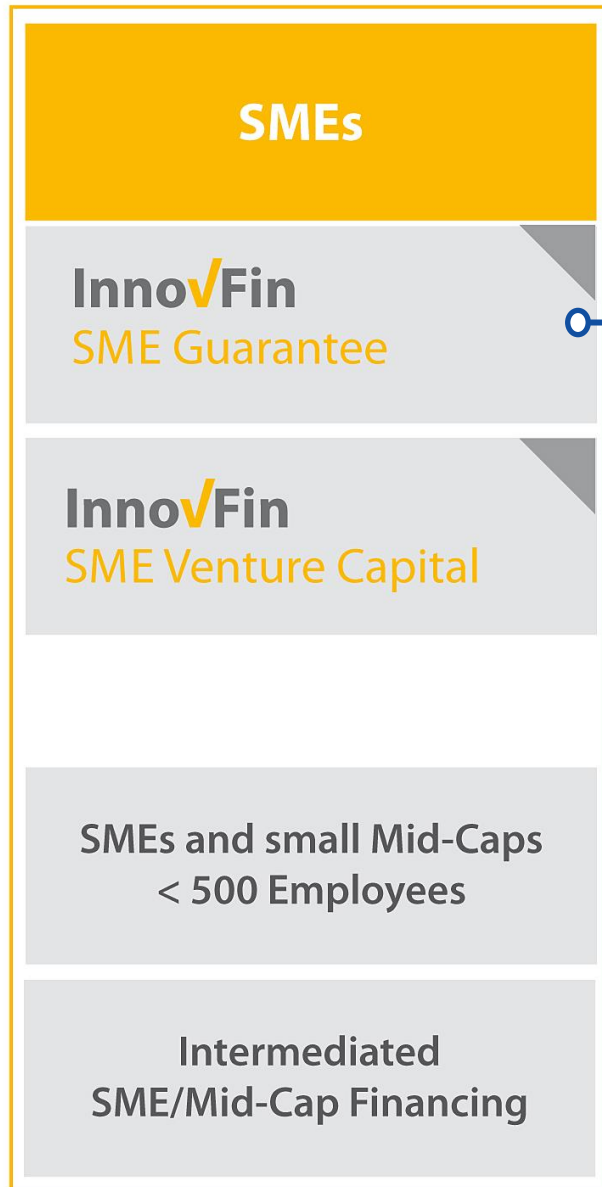


*Supporting Innovation in the Western
Balkans:
InnovFin SME Guarantee Facility*

*Belgrade, 28 November 2016
Vincent van Steensel*

InnovFin SME Guarantee Facility

Main characteristics and track
record



- **Responsible EC Service / Timeframe:** DG Research & Innovation / 2014-2020
- Target over EUR 10bn of financing to benefit innovative SMEs and small Mid-caps over the next 7 years

Guarantee rate:
Max 50%

Eligible recipients:
SMEs
small Mid-caps

Guarantee fee:
SME – 0.5% p.a.
SMC* – 0.8% p.a.

Loan/lease maturity:
1 year – 10 years

Loan/lease amount:
EUR 25k – 7.5m

Financing purpose:
Investments, working capital and M&A

- Financial Intermediaries to transfer the financial benefit to SMEs and small Mid-caps (reduced interest rate)
- Thanks to EIF multilateral development bank status, no capital charge on the covered part of the portfolio

* SMC– means small Mid-caps

- Eligible financing:
 - New loans, credit lines, bonds (such as mini-bonds) and/or financial leases;
 - to be originated within a **two-year period** by the selected intermediary (up to Dec. 2022 under H2020 programme)
- Eligible debtors:
 - SMEs (EC definition) and small Mid-caps (< 500 FTE employees);
 - Operating in **EU-28 and H2020 Associated Countries**; and
 - Innovative
 - invest in producing, developing or implementing innovative products, processes, services, delivery methods and/or organisational and process innovation and where there is a risk of technological or industrial failure; or
 - “innovative” SMEs/small Mid-caps, i.e. satisfying at least one of a list of pre-defined criteria; or
 - “fast growing enterprises”, measured by employment or by turnover: annual increase > 20%
- Can be combined with EIB funding facilities (subject to specific criteria and transfer of benefit requirements)

InnovFin SMEG – Key Terms

Up to 50% loss coverage (Principal + Interest 90days)

Full Delegation to Financial Intermediaries

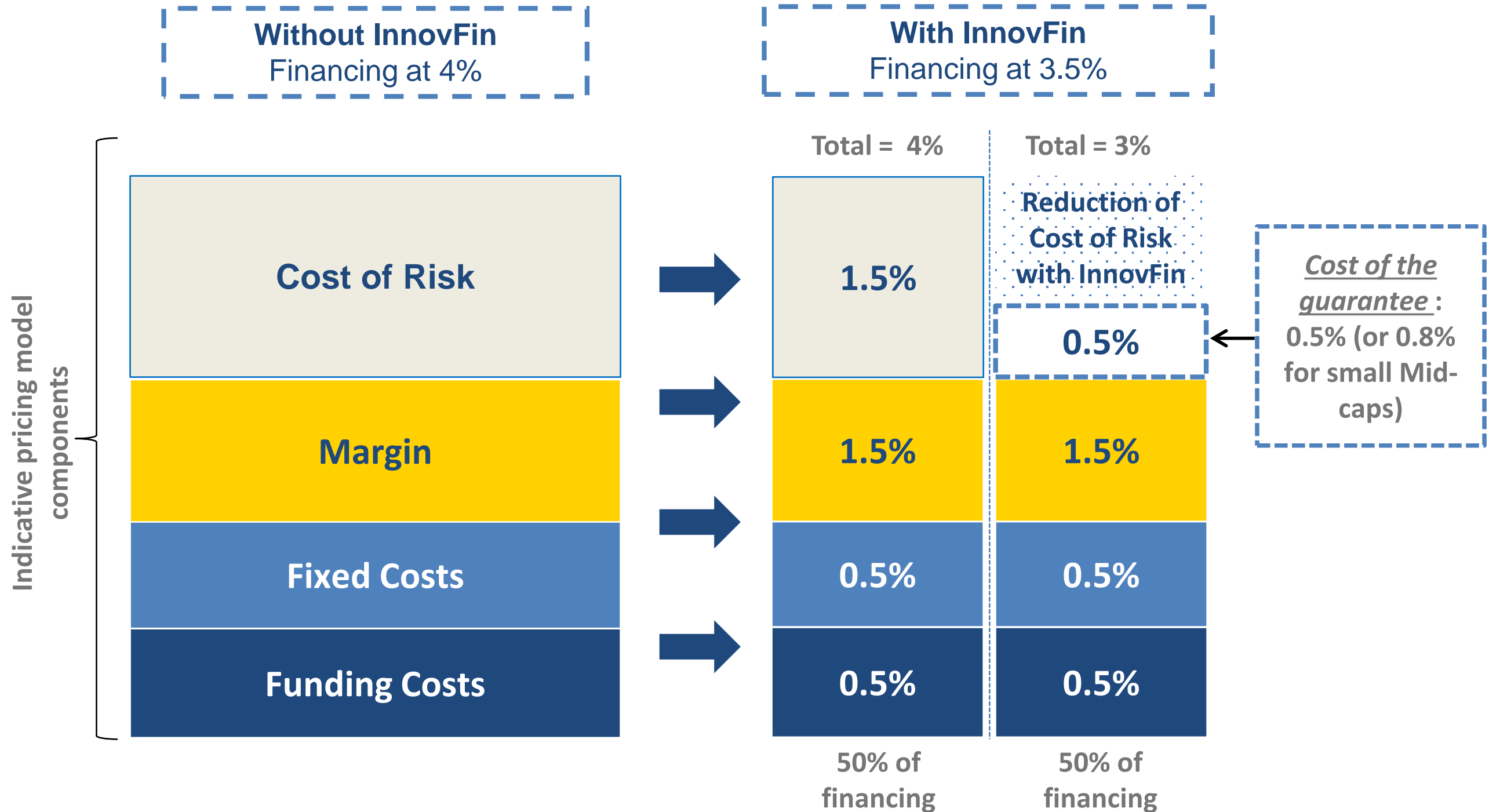
Automatic Coverage/ Inclusion

Attractive Guarantee Terms

Favourable Capital Treatment

Guarantee and Counter-guarantee

InnovFin Financial Benefit Transfer

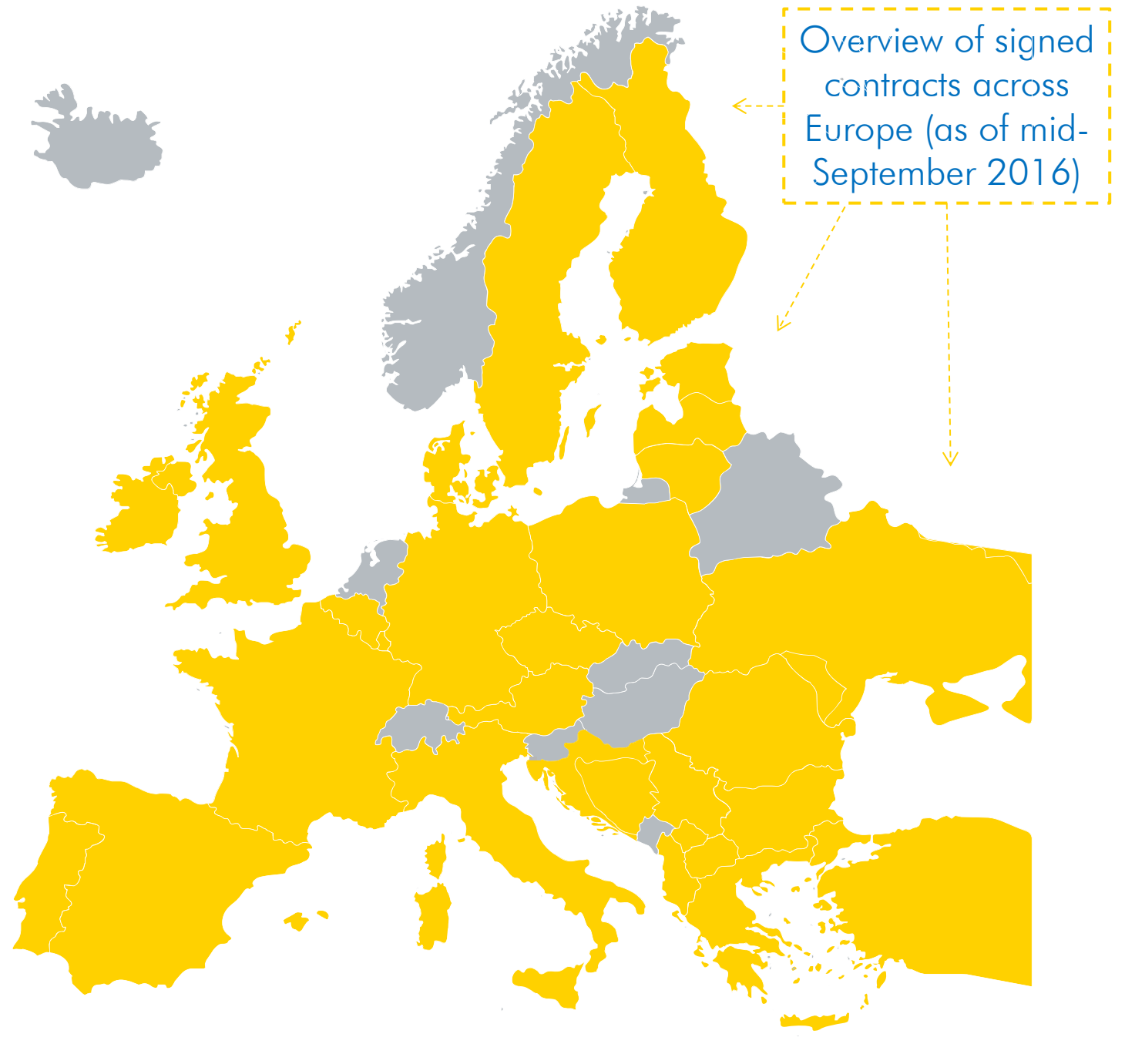


InnovFin Deployment in Europe

Status of InnovFin implementation:

(as of mid-September-16)

- **97** applications
 - **85** for the direct guarantee
 - **12** applications for the counter-guarantee
- **84** guarantee agreements signed (multiple intermediaries under umbrella applications)
 - covering **31** countries
 - for a total guarantee amount of EUR **3.8bn**
 - Enabling over EUR **8.5bn** of loans/ leases to innovative SMEs and small Mid-caps



InnovFin Deployment (mid-September 2016)

Signed guarantee transactions

#	InnovFin Intermediary Names	Country	Guarantee (EURm)	Signature date
1	Bankinter	Spain	100.0	27-Oct-14
2	BPI	Portugal	100.0	27-Nov-14
3	Vaeksfonden	Denmark	67.5	28-Nov-14
4	Almi	Sweden	66.0	22-Jan-15
5	AWS	Austria	48.0	30-Jan-15
6	LHV	Estonia	20.0	12-Feb-15
7	Ceska sporitelna	Czech Republic	50.0	26-Mar-15
8	Komerčni	Czech Republic	75.0	26-Mar-15
9	Anthilia Capital Partners	Italy	25.0	02-Apr-15
10	BPIfrance financement	France	200.0	22-Apr-15
11	Credem	Italy	110.0	20-May-15
12	ING Luxembourg	Luxembourg	25.0	21-May-15
13	Idea Bank SA	Poland	10.0	29-May-15
14	Santander UK	United Kingdom	70.0	12-Jun-15
15	Belfius	Belgium	50.0	16-Jun-15
16	Bank of Ireland	Ireland	50.0	16-Jun-15
17	DB	Germany	150.0	17-Jun-15
18	Banif	Portugal	10.0	26-Jun-15
19	Bürgschaftsbank	Germany	17.5	30-Jun-15
20	BIL	Luxembourg	30.0	01-Jul-15
21	LBank	Germany	20.0	13-Jul-15
22	BPER	Italy	50.0	14-Jul-15
23	Novo Banco	Portugal	100.0	24-Jul-15
24	Sowalfin	Belgium	10.0	10-Sep-15
25	BCP Millennium	Portugal	100.0	11-Sep-15
26	Barclays	United Kingdom	70.0	15-Sep-15
27	MCTAA	Italy	15.0	06-Oct-15
28	Inveready	Spain	3.3	26-Nov-15
29	ING Bel	Belgium	50.0	17-Dec-15
30	CDP-SACE	Italy	150.0	18-Dec-15
31	CERSA	Spain	60.0	04-Jan-16
32	LfA Forderbank Bayern	Germany	35.0	04-Jan-16
33	KfW	Germany	125.0	04-Jan-16
34	BPCE - Banque Populaire	France	150.0	06-Jan-16

Signed guarantee transactions (continued)

#	InnovFin Intermediary Names	Country	Guarantee (EURm)	Signature date	Countries covered
35	Commerzbank	Germany	100.0	13-Jan-16	1 Albania
36	Banca CRS	Italy	15.0	18-Jan-16	2 Austria
37	Raiffeisen Bank	Bulgaria	17.5	20-Jan-16	3 Belgium
38	ProCredit Umbrella	ALB, BiH, BGR, MDA, SRB, ROU, FYROM	125.0	21-Jan-16	4 BiH
39	Norrlandsfonden	Sweden	9.0	25-Jan-16	5 Bulgaria
40	CREVAL	Italy	75.0	26-Jan-16	6 Croatia
41	Bari	Italy	50.0	01-Feb-16	7 Czech Republic
42	Bank Leumi	Israel	45.0	02-Feb-16	8 Denmark
43	TSKB	Turkey	10.0	17-Feb-16	9 Estonia
44	Banco Popolare	Italy	150.0	18-Feb-16	10 Finland
45	BCC Cambiano (umbrella)	Italy	45.0	08-Mar-16	11 France
46	Pohjola	Finland, Latvia, Lithuania, Estonia	75.0	29-Mar-16	12 Germany
47	BPCE - Caisses d'Epargne	France	50.0	08-Apr-16	13 Greece
48	LBP	France	20.0	08-Apr-16	14 Ireland
49	Entrepreneur Venture	France	25.0	08-Apr-16	15 Israel
50	ALMI (increase)	Sweden	70.0	12-Apr-16	16 Italy
51	Raiffeisen Leasing Polska	Poland	17.5	20-Apr-16	17 Latvia
52	SEK	Sweden	50.0	26-Apr-16	18 Lithuania
53	Alba Leasing	Italy	40.0	27-Apr-16	19 Luxembourg
54	VF_Green Investment Fund	Denmark	22.5	27-Apr-16	20 Macedonia
55	ProCredit Umbrella – Bulgaria Expansion	Greece	10.0	09-May-16	21 Malta
56	BBB	United Kingdom	15.0	20-May-16	22 Moldova
57	Banca Sella	Italy	40.0	09-Jun-16	23 Poland
58	NRW.BANK (umbrella)	Germany	38.5	17-Jun-16	24 Portugal
59	HBOR	Croatia	10.0	17-Jun-16	25 Romania
60	Laboral Kutxa	Spain	50.0	20-Jun-16	26 Serbia
61	UniCredit Bank Austria	Austria	100.0	30-Jun-16	27 Spain
62	Tenax	Italy	25.0	15-Jul-16	28 Sweden
63	EKF	Denmark	67.0	21-Jul-16	29 Turkey
64	Iccrea Bancalmpresa	Italy	50.0	01-Aug-16	30 Ukraine
65	Cariparma	Italy	75.0	31-Aug-16	31 United Kingdom
66	Procredit Ukraine	Ukraine	25.0	12-Sep-16	
67	Eurobank Ergasias	Greece	50.0	19-Sep-16	
68	APS Bank	Malta	6.0	20-Sep-16	

Total signed

3,785.3

Financial Intermediary (FI)

Reduced Capital Consumption

Increased Return on Capital

Competitive Loan Pricing

Beneficiary

Enhanced Access to Finance

Flexible Funding

Reduced Cost of Funding

- Selection of FIs through a Call for Expression of Interest published on 4 August 2014 on EIF website
- Application assessed on a « first come, first processed » basis by EIF
- Selection procedure:
 - Pre-selection of Expression of Interest based on the evaluation criteria
 - Due diligence exercise of pre-selected Applicants
 - Transaction proposal

EIF

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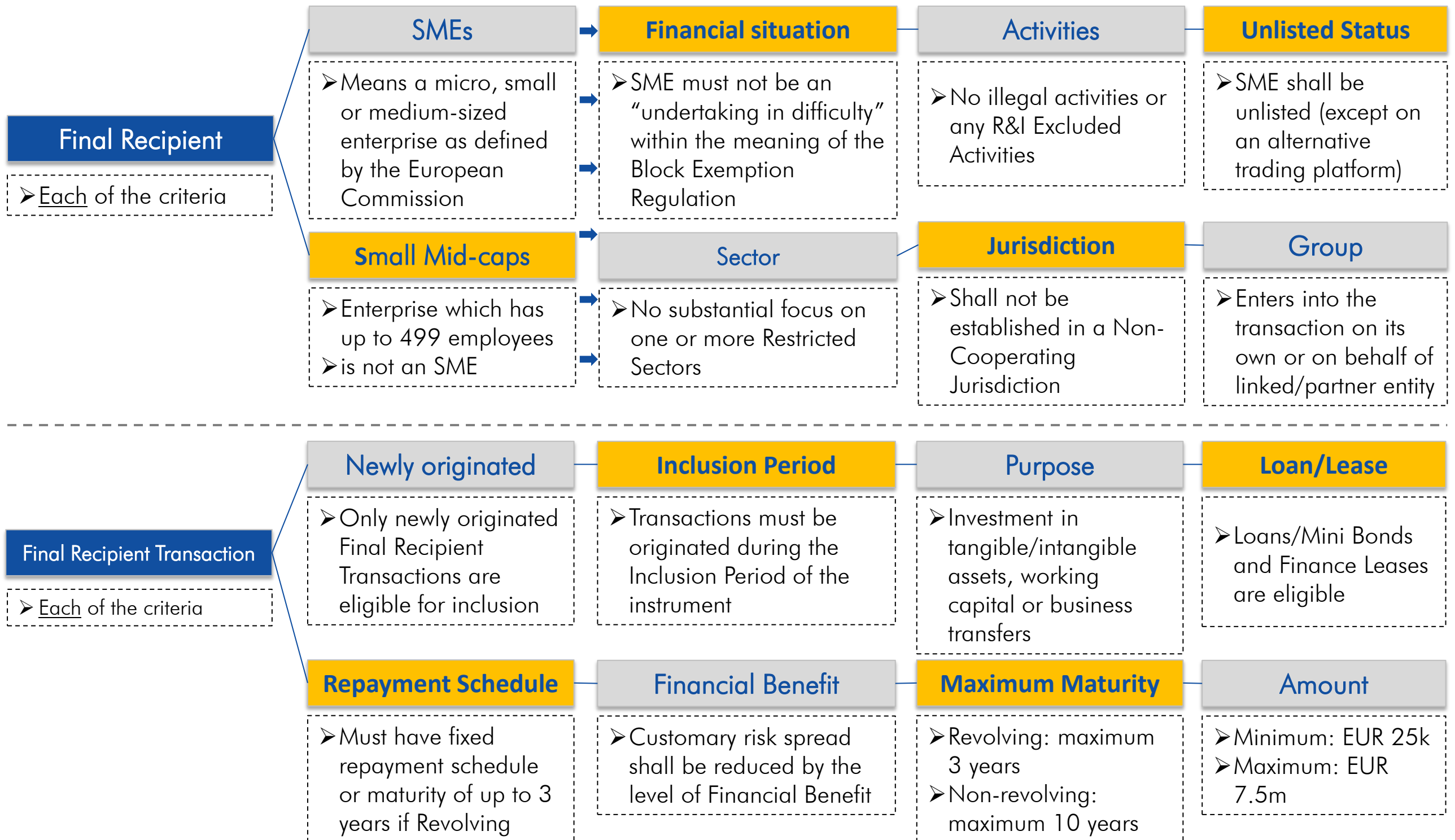
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InnovFin SME Guarantee Facility - Technical Appendix

Standard Terms and Conditions

Appendix 1: Eligibility Criteria



Innovation eligibility criteria

➤ At least one of the criteria

1
The Final Recipient intends to use the funds for innovative purposes

- to invest in producing, developing or implementing new or substantially improved products, processes or services that are innovative
- With a risk of technological or industrial failure as evidenced by an external expert
- Includes innovative production or delivery method; and
- Organisational or process innovation – business models

2
The Final Recipient is a “fast-growing enterprise”

- operating in a market for less than 12 years following its first commercial sale
- “Fast-growing enterprise” – average annualised endogenous growth in employees or turnover greater than 20% a year, over a 3-year period, and ten or more employees at the beginning of the observation

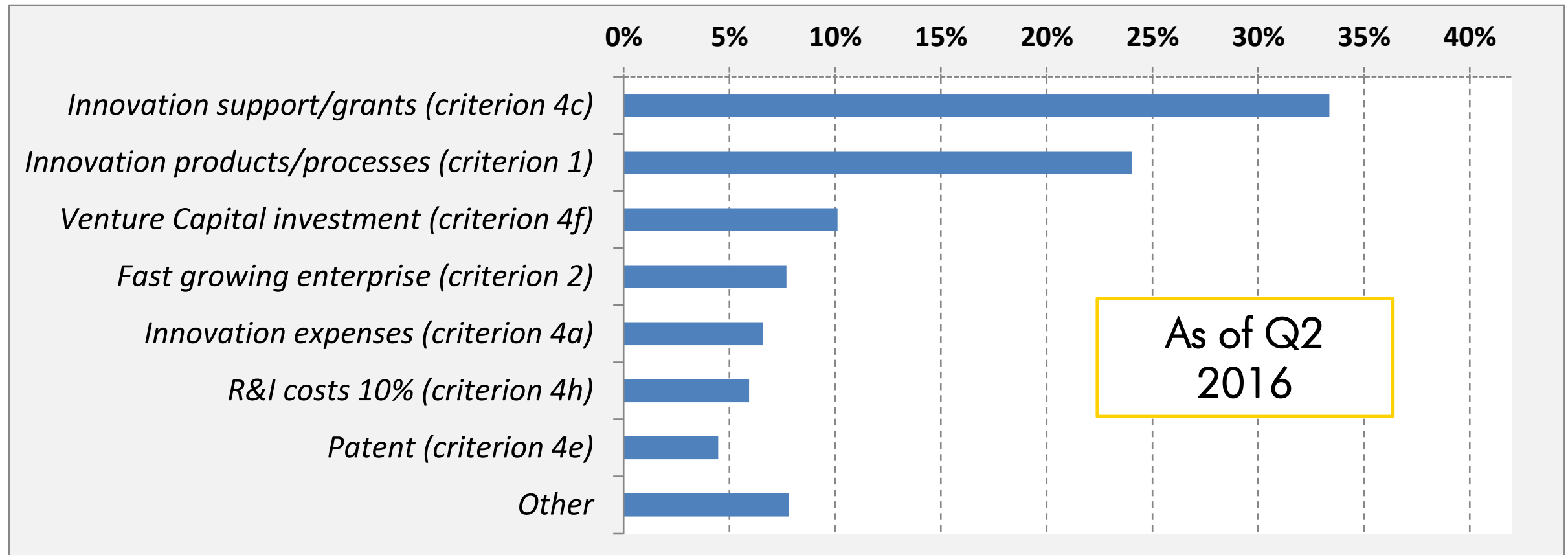
3
R&I costs represent at least 5% of total operating costs

- The Final Recipient has been operating in the market for less than 7 years following its first commercial sale
- R&I costs represent at least 5% of total operating costs in at least one of the 3 years preceding the loan application;

4
The Final Recipient shall have significant innovation potential or be “R&I-intensive enterprise”

- Innovation potential or the status of an “R&I-intensive enterprise” is assessed through additional 11 sub-criteria

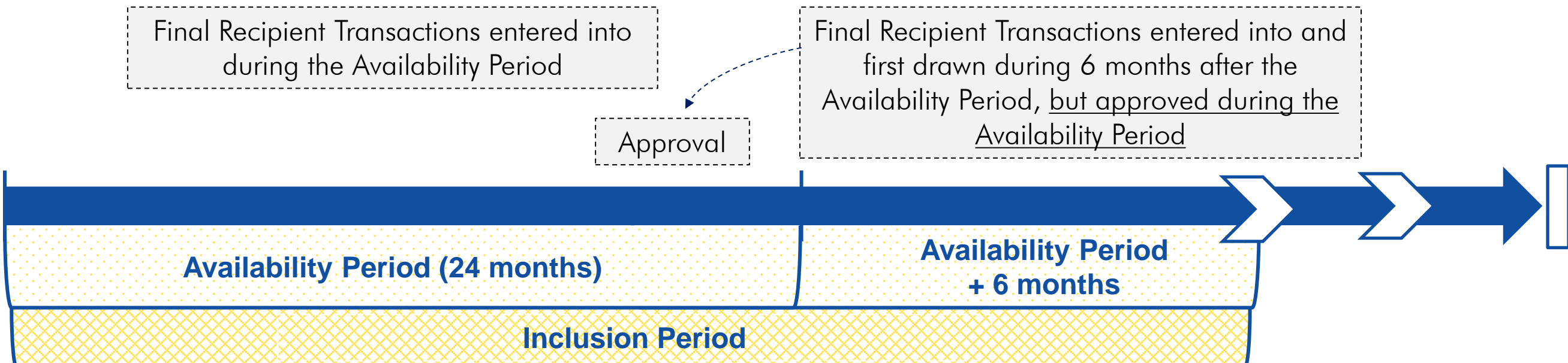
Appendix 2: Innovation Eligibility Criteria



➤ Typical SME or small Mid-cap loan covered by InnovFin guarantee:

- Received grants/schemes from EU R&I schemes (Horizon 2020 or FP7);
- Are producing, developing or implementing innovative new products, processes or services;
- Had a venture capital/business angel investment;
- Is a fast-growing enterprise;
- Has annual R&I expenses equal/above 20% of the final recipient transaction; or
- Has satisfactory proportion of R&I Costs as % of total operating costs.

Appendix 3: Inclusion Period



1

Inclusion Period

- The Guarantee covers Final Recipient Transactions that have been included in the Portfolio by the Intermediary in accordance with the Agreement.
- To be validly included, the Final Recipient Transactions should:
 - comply with the Eligibility Criteria
 - must have been entered into during the "Inclusion Period".

2

Availability Period

- Final Recipient Transactions which have been entered into during the "Availability Period" (i.e. 24 months from the Effective Date*, unless otherwise agreed) may be included in the Portfolio.

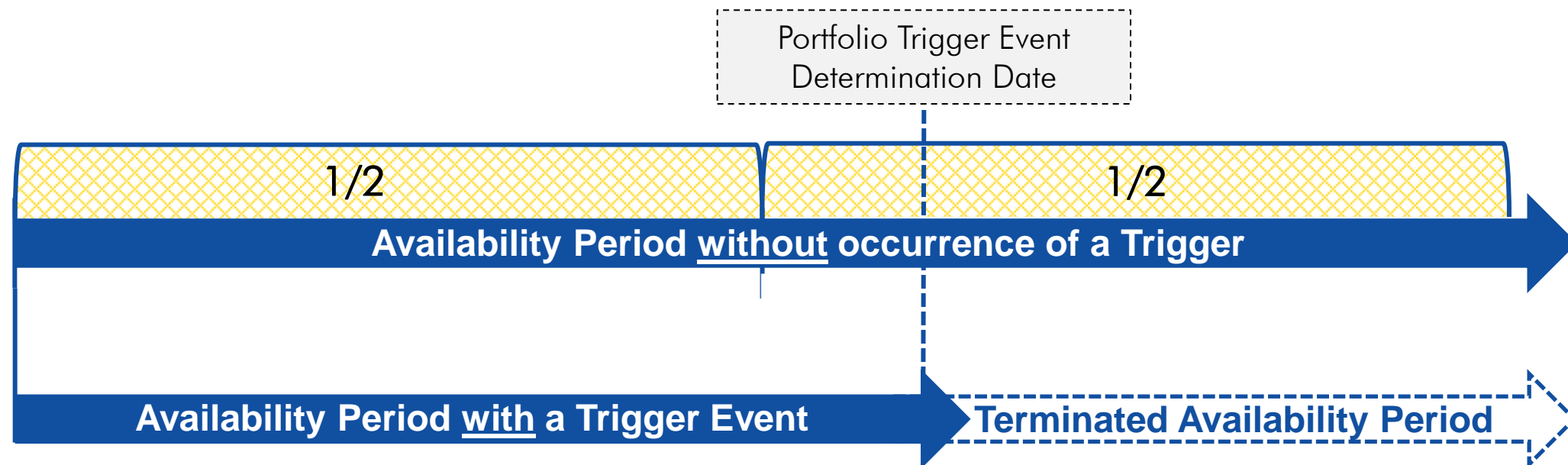
3

6 months following Availability Period

- The Intermediary may also include Final Recipient Transactions which have been entered into during the six months' period following the end of the Availability Period, in which cases they must however have been approved during the Availability Period and drawn for the first time during such six months' period

* When the agreement is entered into

Appendix 3: Inclusion Period - triggers



1

Portfolio Trigger Event

- Determination Date - Report Date* immediately following the middle of the Availability Period
- If on that date the aggregate amount of principal included in the InnovFin Portfolio ("Actual Portfolio Volume") is lower than the "Portfolio Trigger Amount" (30% of the Agreed Portfolio Volume), then the Availability Period is terminated



- In addition, the Guarantee Agreement includes another trigger mechanism providing that the Availability Period will end if on one or more specified date(s) the aggregate defaulted amounts exceed a predetermined level

* **Report Date** – means the date when the Intermediary sends a report containing information about the Final Recipient Transactions included under the Portfolio. Report Dates are 20 January, 30 April, 31 July and 31 October.

Appendix 4: Exclusion Process

Under certain circumstances Final Recipient Transactions shall or may be excluded from the InnovFin Portfolio and hence will no longer be covered by the Guarantee:

- If a Final Recipient Transaction included in the Portfolio does not comply or no longer complies with the Eligibility Criteria; and
- If any of the Portfolio Eligibility Criteria is not or no longer complied with.

Such transactions become “Non Eligible Final Recipient Transactions”

Transactions may become Non Eligible Final Recipient Transactions due to events which are:

Within the control of the Intermediary

Such transactions are excluded from the portfolio

Actual Portfolio Volume is adjusted/decreased for the excluded transaction

Intermediary can replace excluded transaction up to earlier of Termination Date of 3rd Report Date after the exclusion

Outside of the control of the Intermediary

1 In case guarantee **Payment Demand is already sent** – the transaction will be covered by InnovFin

2 In case guarantee **Payment Demand is not sent** – the transaction will be covered by InnovFin only if:

- Intermediary accelerates the payments or terminates the Final Recipient Transaction

Appendix 5: Other definitions

Definition

Defaulted Amounts

- any amount of principal and/or interest (excluding late payment, default or capitalised interest and other costs or expenses and excluding any interest which accrued after a period of 90 days) due, payable and outstanding following a transaction default, acceleration, and/or restructuring.

Recoveries

- **“Recovery”** means each amount, net of recovery and foreclosure costs, recovered or received by the Intermediary in relation to a Defaulted Amount;
- the Intermediary is required to pay to the EIF 50% of all Recoveries;

Currency

- Euro is always the Base Currency of each InnovFin guarantee agreement, however, if multiple currencies are envisaged for a specific portfolio of transactions, these currencies may be specified as Additional Currencies;
- All amounts referred to and payments made by and to the EIF shall be in the “Base Currency” (Euro), except for payments in respect of a Defaulted Amount;
- The latter payment will be made, at the EIF’s discretion, either in the currency in which such Defaulted Amount has been incurred or in the Base Currency.

Intermediary Exposure

- The Intermediary must until the expiry of the Guarantee maintain an economic exposure of at least 20% of the outstanding principal amount of each Final Recipient Transaction included in the Portfolio.



Thank you

