

European Investment Fund

Financial Instruments for Small Business

We help improve the funding environment for small businesses

Factors adversely affecting access to finance

We deliver market driven solutions for lenders and investors in small businesses

Information asymmetry

Small businesses are often too small (lacking information) for banks to assess their risk

Highly innovative small businesses may be too disruptive for banks or funds to be able to assess risk and potential

Sharing risk

Regulatory environment

Bank capital adequacy ratios have led to a scarcity of capital and a decline in lending to higher risk small businesses

Providing capital relief

Economic environment

Smaller banks can face liquidity issues

Private investors can shy away from venture capital and private equity asset classes, especially in times of market downturn

Providing funding

Convergence & EU competitiveness

Small businesses in emerging sectors can lack access to funding opportunities or specialised financing partners

Europe remains structurally behind other major markets in terms of the scale of VC investments

Building ecosystem

Our unique approach

We design financial instruments that share risks with our partners multiplying public resources and increasing the supply of finance

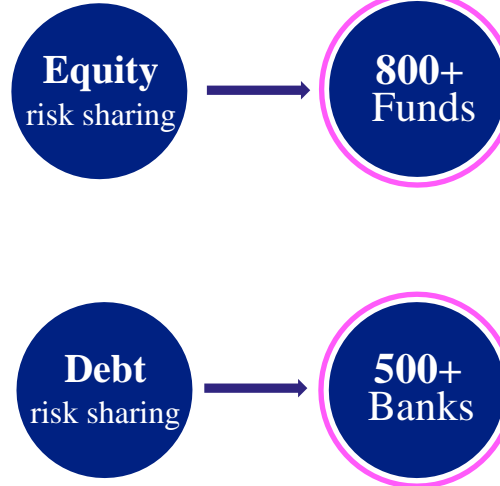
Our resources

- European Commission
- European Investment Bank
- Local authorities & National Promotional Institutions
- Other investors*

Our approach



Our partners



Small businesses



5x leverage of public resources**

*Includes EIF's own resources and private investors.

**On aggregate based on 2019 transactions. Depending on the instrument and the transaction, the leverage achieved can range from 4x to 40x.

Source: EIF Annual Report 2019.

Our main debt financing solutions

We share risk with our banking partners to encourage lending and improve lending terms to riskier small businesses

	Capped guarantees	Uncapped guarantees	Credit enhancement (securitisation)	Private credit
Risk sharing mechanism	AAA guarantee of losses up to a capped rate per loan (free of charge)	AAA guarantee of losses uncapped (guarantee fee)	Credit enhancement of securitized SME loan portfolios provides economic and regulatory relief for originators	Crowding in additional investors via cornerstone investments in direct lending funds
Benefit for small businesses	Loans at better terms (collateral reduction, maturity extension, lower interest rates)	Loans at better terms (collateral reduction, maturity extension, lower interest rates)	Increased lending to riskier small businesses	Bespoke debt packages, speedy deployment and flexible approach

Our debt financing solutions

Boosting the lending capabilities of our banking partners

Market failure

Low risk appetite

Capital adequacy ratios

Scarce liquidity

Risk sharing instruments

Incentive lending through:

- capped portfolio guarantees
- uncapped portfolio guarantees

Provide capital relief through:

- portfolio guarantees
- securitisation
- subordinated loans

Increase lending capacity through:

- securitisation
- private credit investments
- subordinated loans

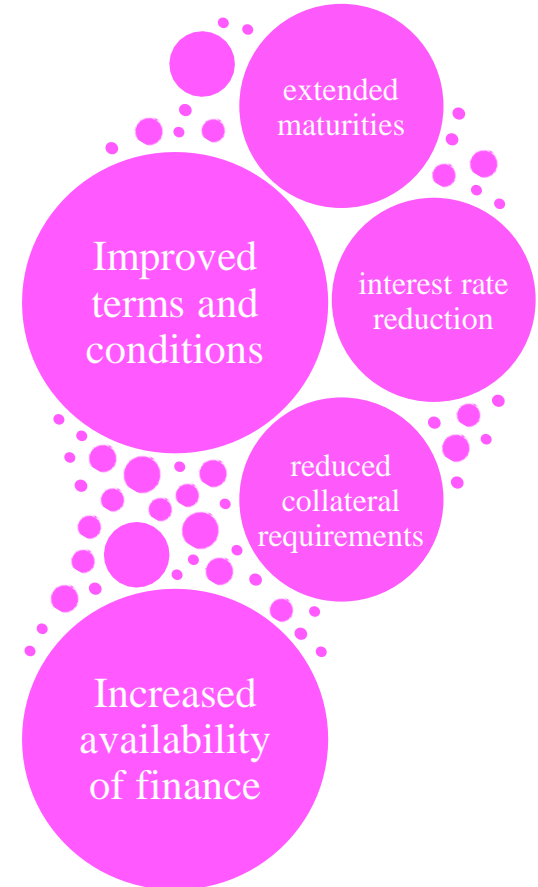
Leverage potential

Higher



Lower

Benefit for small businesses



• Note: Different instruments result in different SME benefits.

Our equity solutions

We make catalytic investments crowding in private investors and increasing long term sustainability

	Technology transfer	Business angels	Venture capital	Lower mid-market & hybrid debt equity
Risk sharing mechanism	Investment in funds often alongside other public investors	Investment matching for BAs via co-investments	Investment in funds often sending a positive signalling effect to private investors	Investment in funds often sending a positive signalling effect to private investors
Benefit for small businesses	Funding for research projects reaching the development phase	Pre-seed funding for early stage business ideas	Funding for Europe's most disruptive founders in ICT, life sciences and social impact	Funding to unlock the growth potential and boost internationalization of SMEs and small mid-caps

Our equity financing solutions

We adopt our approach based on the specific market failure

Market failure

Fund raising
(new teams, sectors, regions)

Attracting private investor capital

Closing larger funds or later generation funds

Risk sharing approach

Market builder

- Taking a large stake in the funds acting as the cornerstone investor

Market catalyst

- Catalysing private investors by taking a nominal stake in the fund and providing a seal of approval

Market access provider

- Providing market access to private institutional investors often in oversubscribed funds

Leverage potential

Higher



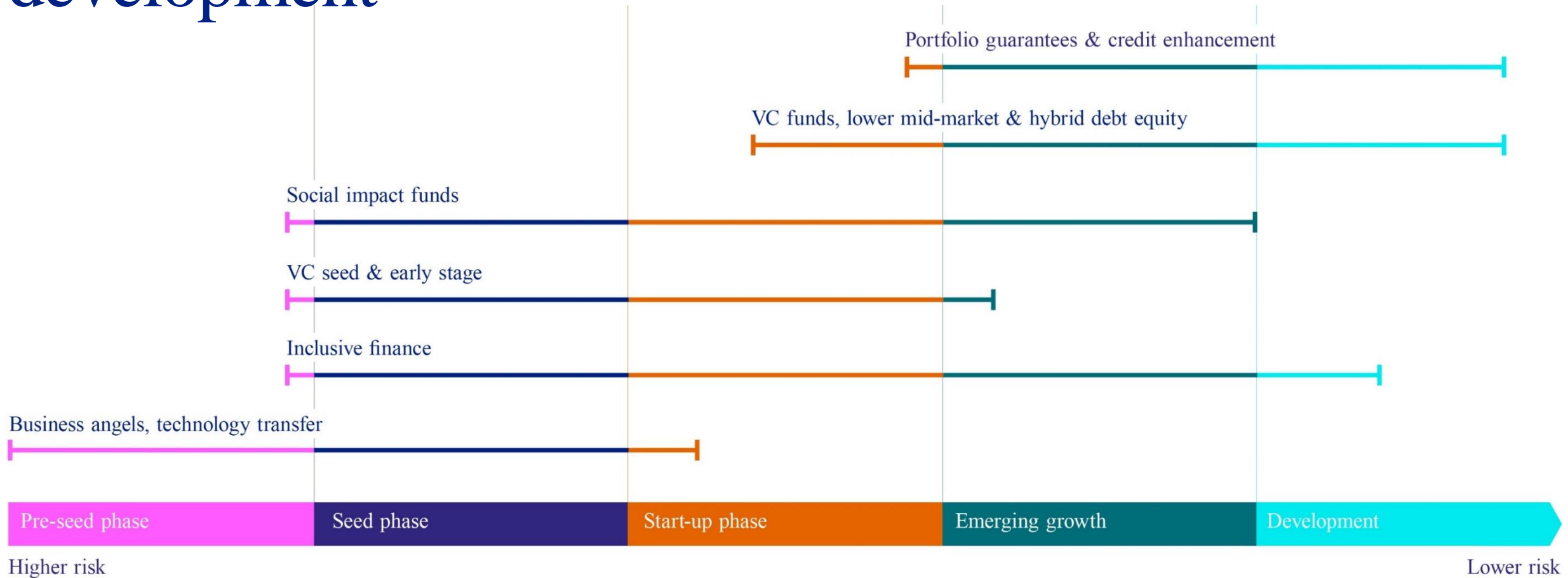
Lower

Small businesses benefit



• Note: Different instruments result in different SME benefits

Our products help small businesses at every stage of development



EIF in Bulgaria 2021-2022

*Help companies tackle
short-term financial
shock linked to the
COVID-19 crisis*

*Continue the
development of regional
risk capital platform*

COVID-19 response measures in Bulgaria

JEREMIE crisis reaction (Documentary Finance) guarantee

- **EUR 400-600m capped guarantee** facility designed to help companies tackle short-term financial shocks linked to the COVID-19
- Providing working capital to small businesses and small mid-caps facing a disruption of production or sales and are therefore affected by a liquidity squeeze:
 - pure WC credit lines for at least 3 months and up to 36 months;
 - Letters of Credit and Bank Guarantees
 - Factoring (Trade receivables)
 - Partial refinancing of existing liabilities
- **6 Bulgarian banks** to start lending by end 2020

EGF EIB Group COVID--19 response measure

- **Pan-European Guarantee Fund (EGF)** Fund launched in July 2020 with close to **EUR 25bn** contributions from EU member states (incl. Bulgaria)
- Managed jointly by **EIB and EIF**

InvestBG Equity Initiative: launching regional equity players based in Sofia

“ InvestBG Equity initiative will invest EUR 110m in new generation of regional VC and growth capital funds to support emerging high-tech champions in their global expansion ”



Scale-up
capital

Emerging high-tech innovators need bigger investment rounds to compete globally

Regional
integration

Developing connections b/n local ecosystems across the Balkans

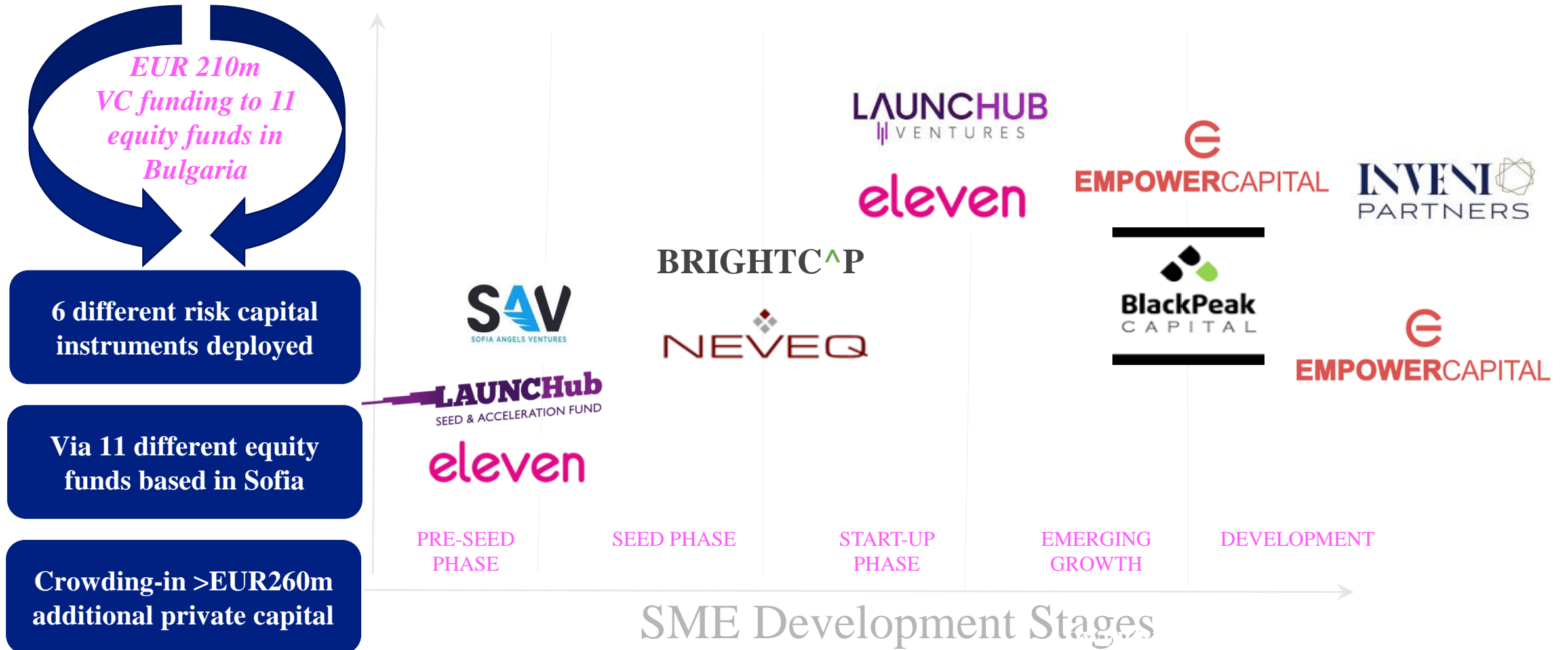
Private
Investors

Larger equity funds with commercial focus will attract more private capital

Attracting
Talent

Faster track to global expansion will expand existing pool of talent in the region

EIF risk capital at every stage of business



Thank You