



The Voice of Leasing and Automotive Rental in Europe



Supporting Europe's SMEs

European Investment Bank fact sheet for the European leasing industry



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→ About the European Investment Bank (EIB) Group

The EIB Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF). The EIB is the long-term financing institution of the European Union and is owned by the EU Member States. Its mission is to help implement the EU's policy objectives by financing sound business projects. To finance these projects, the EIB borrows on capital markets and operates on a "not for profit" basis.

The EIF is the EIB Group's specialist provider of risk financing for small and medium-sized enterprises (SMEs). It has several shareholders, with the EIB being the majority shareholder and the European Commission and other European Financing Institutions holding minority stakes. Further information is available at www.eib.org and www.eif.org.

→ The EIB's objectives

The EIB promotes long term economic growth and innovation in Europe and beyond. The priority objectives for the EIB's lending in the EU are jobs and growth, regional development and climate action. Outside the EU, the EIB helps to implement the financial pillar of the EU's foreign policy.

In the context of jobs and growth, SMEs play an important role. Small businesses account for more than two thirds of private sector employment in Europe and grow more quickly than larger firms, making them an important source of new jobs. However, their size also makes them more vulnerable in times of crisis as they have more difficulty accessing finance in adverse economic circumstances. In 2011, the EIB provided more than EUR 10bn of finance for SMEs and midcaps companies. Overall, more than 70,000 SMEs received EIB support across Europe last year.

The EIB promotes European SMEs through medium and long-term credit lines to intermediaries in the banking sector which on-lend the EIB's funds. The EIF concentrates on investment in innovative SMEs in the EU and Enlargement area through venture capital funds as well as SME guarantee operations using its own resources and those of third parties.



→ How leasing companies can help the EIB achieve its objectives

The EIB supports SMEs by providing funds to financial intermediaries, which are able to rapidly on-lend the funding to eligible SMEs. As such, leasing companies, with their direct links to a wide range of SMEs and support of investment in fixed assets, are well placed to deliver EIB funding, using their expertise in national and sectoral markets. For the EIB, leasing is an important channel to reach smaller SMEs and entrepreneurs.

→ EIB products made available to leasing companies

The main financial product made available by the EIB for on-lending to SMEs is the **Loan for SMEs**, and the EIB wants to stimulate the use of this instrument by leasing companies. It is a medium to long term loan to financial intermediaries (i.e. including leasing companies), typically for up to 7 years bullet or 12 years amortising. The EIB loan is used by the financial intermediary to support lease contracts with eligible SMEs. The Loan for SMEs is structured as a loan to the financial intermediary, with the exact structure (including security structure) negotiated on a transaction by transaction basis, reflecting the credit characteristics of the counterpart and the transaction.

The EIB requires the intermediary to match the funds provided by the Loan for SMEs with at least the same amount of additional funding for SMEs, creating a leverage effect. The intermediary must also transfer a financial advantage to the SME reflecting the impact of the EIB's funding. This normally takes the form of a reduction in the interest rate for the lease contracts supported.

Additionally, the intermediary has to clearly inform the SME of the favourable terms made possible by the EIB's involvement.

→ Why should leasing companies partner with the EIB?

The EIB is a neutral partner that works with many intermediaries to reach the largest possible number of SMEs. EIB funds provide leasing companies with an alternative, attractive long term funding source without interfering in the commercial or risk-approach of the intermediaries, i.e. the choice of the SMEs receiving EIB support remains entirely with the intermediary.

Participation of an intermediary under the EIB Loan for SMEs programme is a quality label which can be displayed as a commercial argument and increase the visibility of the intermediary within the SME market segment.

→ Are all leasing companies eligible to receive the EIB Loan for SMEs?

Both independent leasing companies and those owned by banks may be financial intermediaries, with eligible SMEs as lessees. Leasing entities which are linked to specific suppliers, or which do not finance assets selected using a free choice of supplier, are not eligible. Leasing companies providing consumer finance are also not eligible.

Additionally, a leasing company receiving an EIB Loan for SMEs must provide evidence for its allocation of funds to SMEs according to the EIB's reporting requirements. A change of SME final beneficiary is permitted during the lifetime of the lease financing.

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The EIB requires that its intermediaries ensure that final beneficiary SMEs comply with applicable EU law on Environment and with EIB procurement guidelines, which are available on the Bank's [website](#). To be eligible, leasing companies must confirm that they will stipulate with their clients that the latter use the lease to finance assets which have been procured efficiently in line with relevant EU legislation, through unrestricted international competition and in a fair and non-discriminatory manner and in the best economic interest of the SME.

→ Eligibility criteria for leasing companies

The EIB requires that, in the case of Loans for SMEs, the leasing company undertakes to deploy ('allocate') the EIB funds to eligible SMEs within an agreed period, normally up to two years. SMEs are autonomous small and medium sized enterprises with fewer than 250 employees on a full-time equivalent basis at the time of the presentation of the allocation proposal to the EIB. EIB funds can be used for financing in almost all economic sectors, with a small number of exceptions, such as real estate development, production of weapons, gambling, tobacco, etc.

The EIB ensures that all its counterparts meet normal banking requirements in terms of credit quality that are agreed on a case by case basis. It carries out its own due diligence to determine whether the creditworthiness of a particular counterpart meets its requirements.

The minimum size of an EIB Loan for SMEs is normally EUR 50 million (i.e. the capacity of the intermediary to conclude leasing contracts with eligible SMEs should be more than EUR 100 million within the allocation period of up to 2 years). However, depending on circumstances, smaller amounts could also be taken into consideration. Selection of financial intermediaries includes an analysis of its SME strategy, the readiness to advertise the cooperation with the EIB and to pass a substantial amount of financial benefit to SMEs.

There are no specific additional requirements for leasing companies.

Both operational leases and financial leases are eligible, as long as the asset financed has a medium to long-term economic life. Consumer lease finance, however, is not eligible.

The EIB does not use quotas or country limits.

→ Reporting requirements for leasing companies

Leasing companies must follow the normal reporting requirements of the EIB Loan for SMEs, and in particular, the requirements covering provision of information to final beneficiaries, transfer of financial advantage, reporting on allocations to SMEs and reporting on their own additional contribution to SME financing. Therefore, minimum information requirements include:

- Name and address of the final beneficiary
- Activity code (NACE)
- Number of employees
- Loan/lease amount granted by the intermediary to the final beneficiary
- Allocation amount in contract currency
- Term of the loan/lease granted by the intermediary to the final beneficiary
- Financial advantage transferred (basis points or other methods)



→ Further information

The EIB lending operations are structured geographically, to provide the best support for national and regionally based intermediaries. In the first instance, leasing companies should contact the Information Desk infodesk@eib.org, which will ensure the query reaches the appropriate person.

For further information, please also feel free to contact Leaseurope at j.mills@leaseurope.org or join Leaseurope's LinkedIn Group to share any questions you may have with Leaseurope.

We will do our best to aggregate these questions and submit them to the EIB for response.



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