

## Supporting Europe's SMEs

European Investment Fund's Guarantee Instruments:  
Fact sheet for the European leasing industry



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### → About the European Investment Fund (EIF)

EIF's central mission is to support Europe's small and medium-sized businesses (SMEs) by helping them to access finance. EIF designs and develops guarantee and venture capital instruments, which specifically target this market segment. In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment.

EIF is a AAA rated European institution with Multilateral Development Bank status. As of the end 2012, EIF's guaranteed loan portfolio totalled over EUR 4.7bn, in close to 255 operations, positioning it as a major European SME guarantee actor and a leading micro-finance player.

EIF's partners include banks; guarantee, leasing and microfinance institutions; private equity and venture capital funds, among others, acting as financial intermediaries providing finance to SMEs. EIF's geographical focus is the EU 27, Members of EFTA and EEA, Candidate and Potential Candidate Countries (Turkey, Croatia, Western Balkans).

### → How This Fact Sheet Can Help You

The purpose of this fact sheet is to describe a range of **EIF guarantee products** that are available to help the leasing industry support European SMEs. The fact sheet focuses on those products where the EIF uses its own resources to fulfil its central mission to support Europe's SMEs. In addition to these products, the EIF also operates mandates (including from the European Commission) to channel EU and governmental funding to SMEs through financial instrument programmes such as CIP, JEREMIE and Progress Microfinance. Further options for leasing companies under new mandates at European, national and regional levels can be expected in the future. More information on these programmes can be found on our website [www.eif.org](http://www.eif.org).

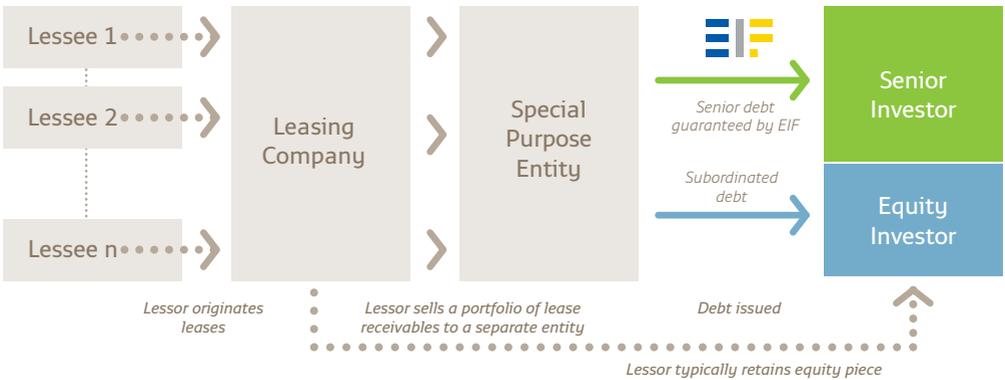
### → Contact Details

If you would like more information or to discuss any of EIF's product range please contact:

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# Structured Finance

An alternative source of funding for leasing companies



→ EIF, via the securitisation instrument, can help leasing companies find an alternative source of funding. An originated portfolio of leases can be sold to a separate bankruptcy-remote entity and funds can be raised in the capital market via the issuance of debt. EIF can facilitate the placement of debt with third party investors by guaranteeing the timely payment of debt's interest and principal. The diagram above illustrates a plain vanilla structure; however EIF can offer more complex and bespoke solutions.

## Target Originators

EIF targets financial institutions committed to SME financing. This includes leasing originators of all types and sizes, such as:

- Banks' leasing subsidiaries;
- Banks;
- Independent leasing companies, including smaller, unrated companies typically funded through bank lending.

EIF typically guarantees senior debt sized between EUR 50m and EUR 100m.

## Requirements

EIF has a flexible approach aimed at facilitating deal execution. The EIF Guarantee is charged at

a market rate, dependent on the risk taken by EIF. EIF will request a letter from the leasing company committing to lend a certain amount to SMEs as a function of the Guarantee. EIF will always perform its own due diligence and require certain data from leasing companies in order to assess the risk of the transaction.

## Benefits to Leasing Companies

EIF can help leasing companies find financing in challenging times. EIF has a pool of investors keen to invest in products guaranteed by EIF with an attractive all-in cost for the originators.

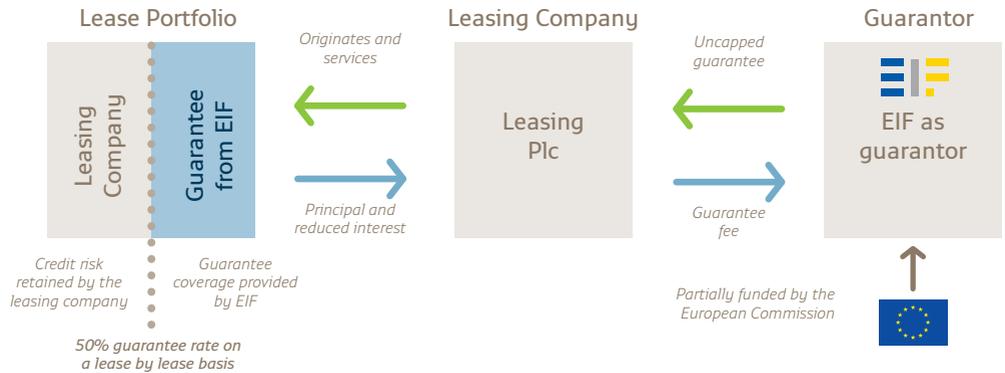
The confidence given by EIF's participation in a transaction as a guarantor could also make it easier to find third party investors.

EIF will be involved in the early stages of any transaction and will help guide first-time issuers through the process.

For more information on the Structured Finance products, please visit our website [here](#).

# The Risk Sharing Instrument (RSI)

Share your risk in the innovative SME sector



→ RSI is a pilot guarantee scheme sponsored by the European Commission to support innovative SMEs and Small Mid-caps. It enables leasing companies to share their risk with EIF on their new leasing activity, in exchange for an attractive fixed fee. Under RSI, EIF provides uncapped guarantees to leasing companies (including those mentioned under Structured Finance) on 50% of each eligible lease. The diagram above illustrates how the scheme operates.

## What is an Innovative SME or Small Mid-Cap?

RSI supports SMEs and Small Mid-caps (companies with fewer than 500 employees) that have innovation potential or a focus on R&D. These are defined as companies that meet one of the following criteria:

- They invest in producing or developing innovative products, processes and/or services that present a risk of technological or industrial failure; or
- They are innovation-driven “fast growing enterprises”, i.e. their workforce or turnover has increased by at least 20% p.a. over the last 3 years; or
- They are “innovative” enterprises, i.e. satisfying at least one “innovation criterion” out of a set of

pre-defined eligibility criteria (e.g. recently registered a patent, received a tax rebate for R&D, situated in a science/tech park, etc.).

## Mechanics of the Guarantee

The origination, credit analysis, decision process and servicing are fully delegated to the leasing company based on eligibility criteria set ex-ante. The Guarantee is fully automated and as such, automatically covers leases for 50% of any principal and interest loss. Payments under the Guarantee will be made upon default, with a pro-rata sharing of recoveries.

EIF has developed a lean and pragmatic quarterly reporting system.

Applications under RSI can be received by EIF until the end of 2013.

## Benefits to Leasing Companies

By reducing their risk, leasing companies can reduce their risk margins and increase both competitiveness and market share. Leasing companies not active or less active in the innovative SME & Small Mid-Cap space can venture into this area, with the knowledge that losses can be minimised with the help of RSI.

For more information on RSI, please visit our website [here](#).

## → EIF Research & Market Analysis

Research & Market Analysis (RMA) is a key element of EIF's strategic development. RMA supports EIF's strategic decision-making, product development and mandate management processes through applied research and market analyses. RMA works as internal advisor, participates in international fora and maintains liaison with many organisations, universities, and institutions.

## → EIF Working Paper Series

EIF has designed its Working Paper Series to make selected topics and studies in relation to EIF's business available to a wider readership. The Working Papers are edited by EIF's Research & Market Analysis unit. They are typically authored or co-authored by EIF staff and are usually published in English and in electronic format (PDF). Two recent papers are mentioned to the right with a brief synopsis.

Would you like to be informed by email when a new EIF Working Paper is available? Subscribe to our mailing list [here](#).

## → EIF Working Paper 2012/15 - "The importance of leasing for SME finance"

The Working Paper was released in August 2012. The paper puts a spotlight on the importance of leasing as integral part of the tool-set for SME finance, also against the background of market weaknesses for SME lending. It explains the mechanics and logic of SME leasing and provides latest available market information. Furthermore, the paper explains in the form of three short EIF case studies how SME leasing can be supported via credit enhancement/guarantee techniques.

You can find the EIF Working Paper on SME leasing [here](#).

## → EIF "European Small Business Finance Outlook"

This Working Paper is published twice per year. It provides an overview of the main markets relevant to EIF. It includes a discussion of the general market environment, a look at main aspects of SME debt and equity finance and the SME Securitisation market. It also contains important aspects of microfinance in Europe.

You can find the latest issue of the EIF European Small Business Finance Outlook [here](#).



The Voice of Leasing and Automotive Rental in Europe



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