



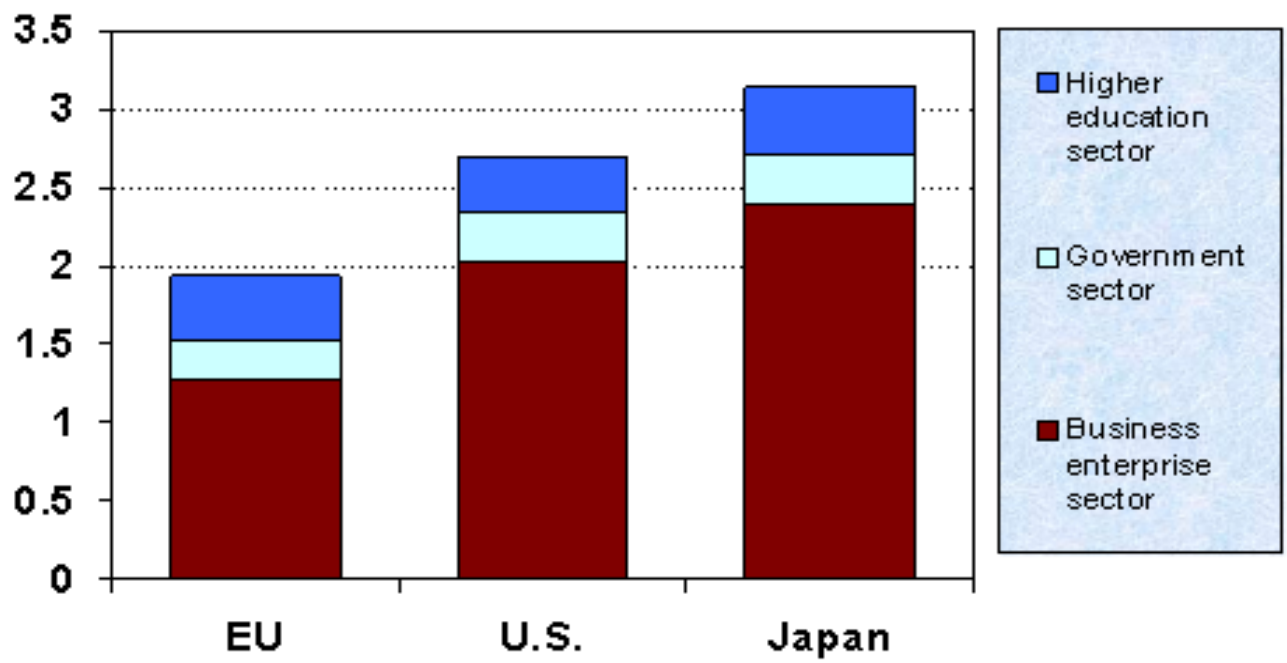
Financial Instruments provided by the European Investment Bank

Risk Sharing Finance Facility

<http://www.eib.org/products/loans/special/rsff/index.htm>

- The EIB has been created by the Rome Treaty 1958
- The EIB is owned by the 27 EU member states
- The European Union's long-term financing institution
- An **autonomous body** up to finance capital investment furthering European integration by **promoting EU policies**
- The EIB is a policy driven, non profit institution following sound banking principles
- The EIB has a subscribed capital EUR 232.4 bn
- The EIB collects its funds on the capital markets (2008: EUR 59.5 bn)
- The EIB signed loans amounting to EUR 57.6 bn in 2008
- Knowledge Economy is one of EIB's Six Strategic Priorities





- In March 2002 the Barcelona European Council launched a call for action: investment in RDI should rise to 3% of GDP in the EU by 2010 and the share funded by private sector should rise to 2/3 of the total in order to close the gap to the USA and Japan.

The EU to become “*the most dynamic and competitive knowledge-based economy in the world*” by 2010.

Main Areas For Action

Establishing
an effective internal
market

Boosting research
and
innovation

Improving
Education

Plan for Action

Encourage private-sector to do more...

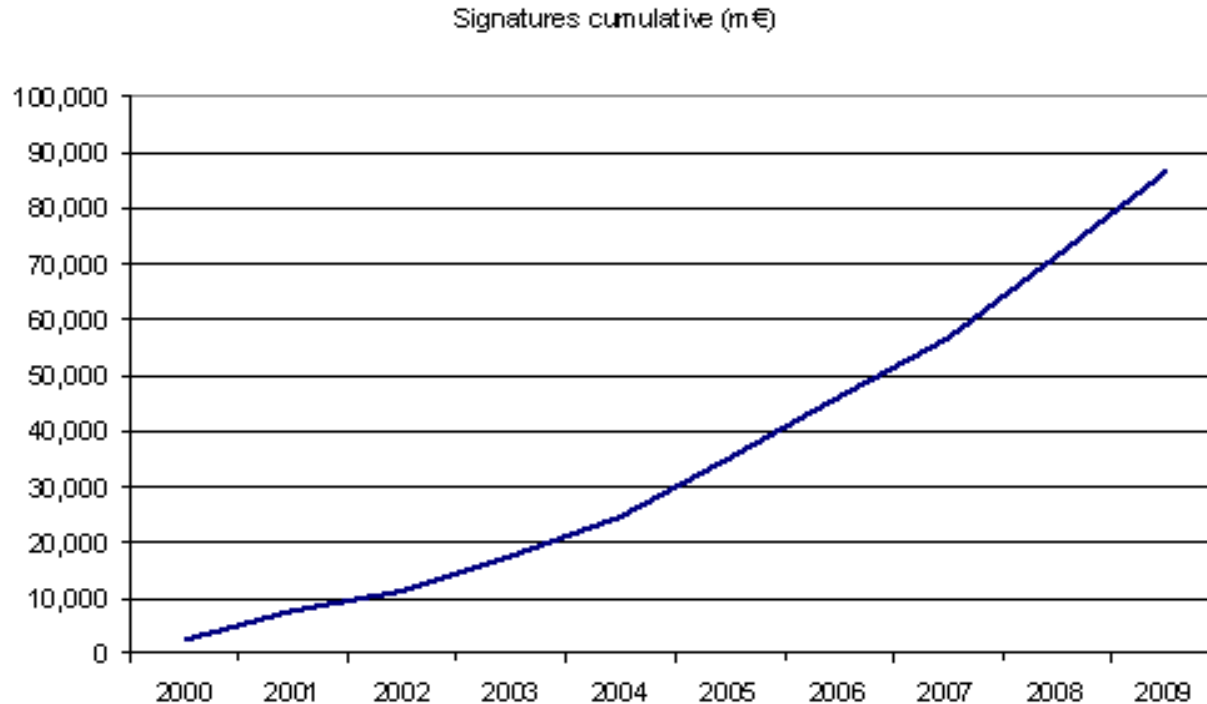
Main Obstacles to Innovation

Excessive
risk

Lack of
financial resources

Lack of qualified
human resources

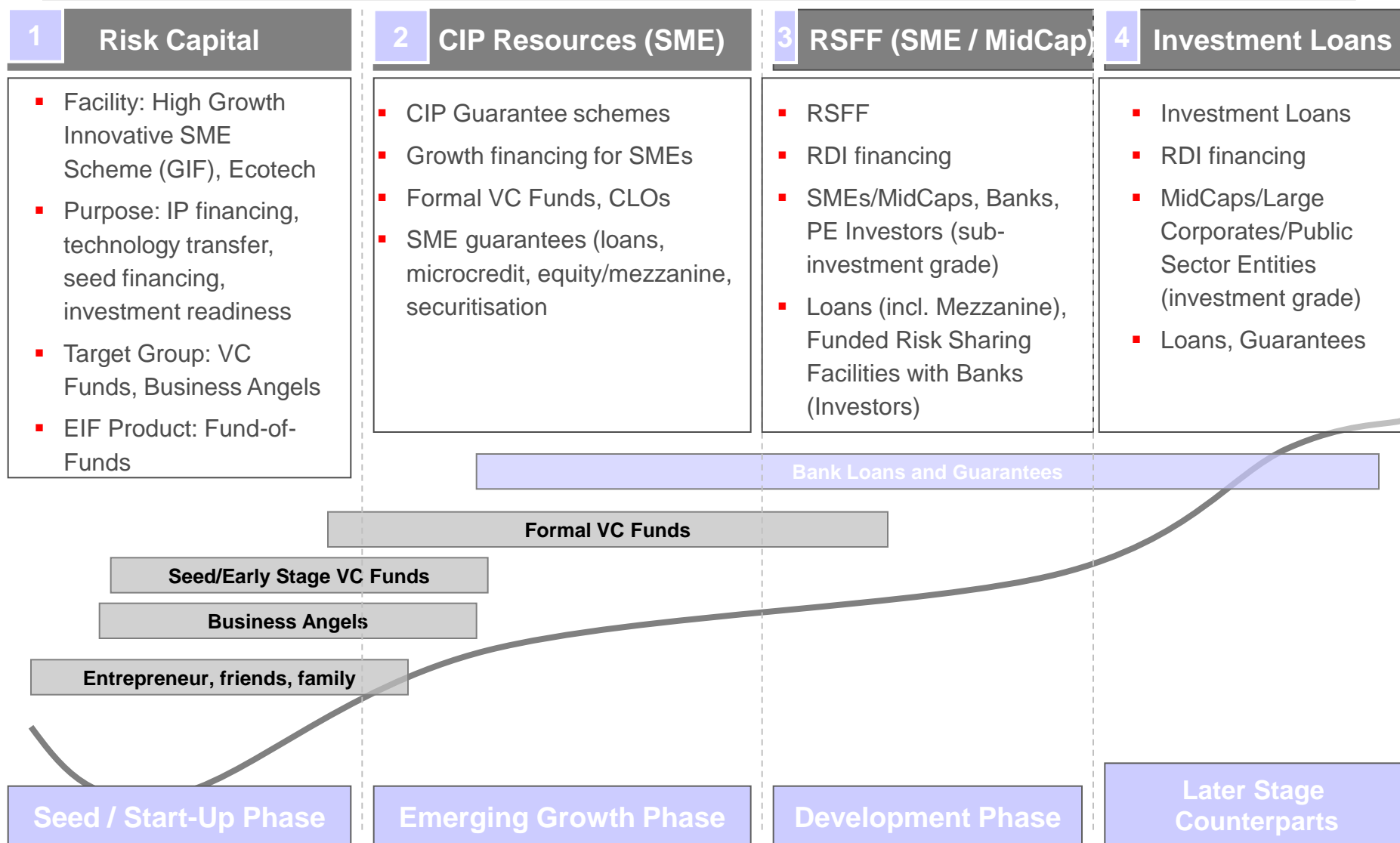
Remove one obstacle to R&D by facilitating access
to debt financing.



- In 2000 EIB pledged to make loans worth €50bn for the “Knowledge Economy” target by 2010. The €50bn barrier was already surpassed in 2007.

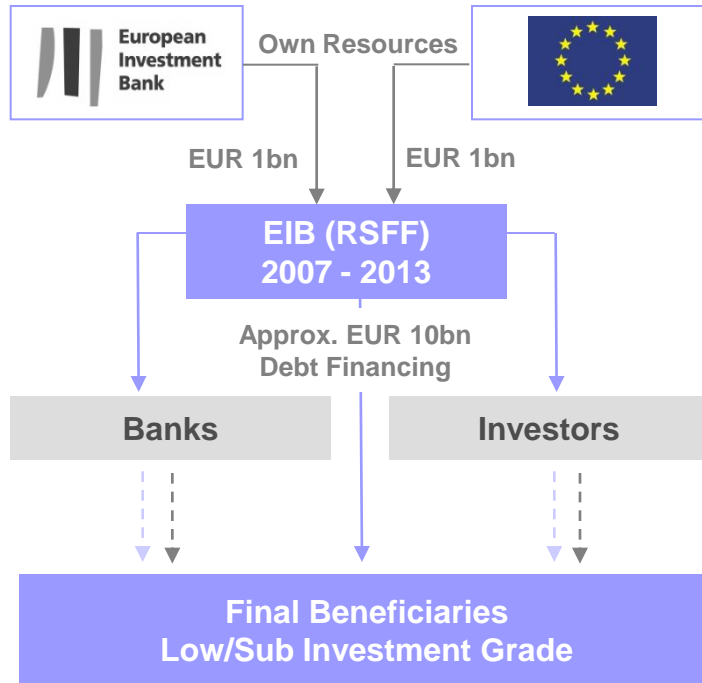
The Risk Sharing Finance Facility

EIB and EIF



Risk Sharing Finance Facility

A new Source of Risk Capital



- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
 1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
 2. Long maturities of up to 10 years or more
 3. Direct EIB participation of up to EUR 200m per transaction (depending on rating)
 4. Strong technology/industry expertise
 5. EIB does not sell assets on the secondary market (buy and hold strategy)
 6. No cross selling (just long-term lender)
 7. Signalling Effect: EIB as a quality stamp
 8. Debt and Mezzanine Debt Product

Risk Sharing Finance Facility

Risk categories

Moody's	S&P and Fitch
...	...
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Ba1	BB+
Ba2	BB
Ba3	BB-
B1	B+
B2	B
B3	B-

- RSFF is a debt based instrument not a grant
- Financing does not involve a subsidy element
- The facility does not concern risk capital such as venture capital



- RSFF concerns companies or projects mature enough to demonstrate capacity to repay debt on the basis of a credible business plan.
- An external rating is not required.

1

Engineering/Automotive

2

Energy

3

ICT

4

Life Science

5

RDI Infrastructures

Rationale for Selection

- Scope of Sector
- EU Policy Dimension
- Key RDI Trends
- Strong EIB Track Record in the industry
- RSFF Implementation Strategy

Product Development

Sector Know-How

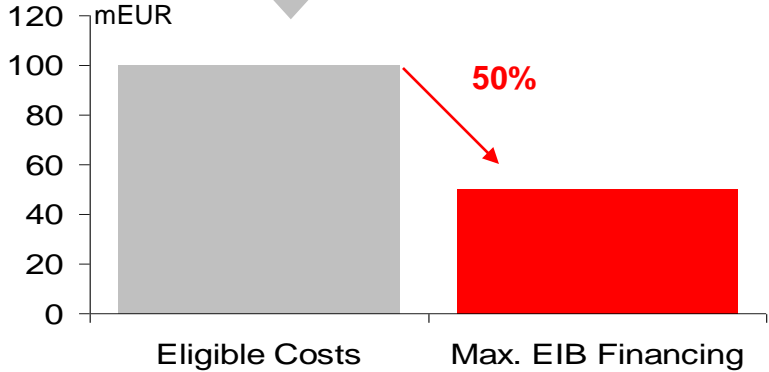
Long Term Financing

RSFF Eligible Cost Definition

ELIGIBLE COSTS	
Year 1	€ 30m
Year 2	€ 40m
Year 3	€ 30m
Total	€ 100m

- Project related CAPEX on tangible & intangible assets
- Research staff cost
- Incremental working capital
- Related operating costs

Eligible Costs
RDI Budget



- Eligible project cost include: project capital expenditures in tangible & intangible assets, research staff cost, incremental working capital needs and other related operating expenses.
- R&D budgets typically cumulated over 3 years.
- In addition, prototype development + demonstration plants + any form of innovation conducted on own behalf or for OEM customers is deemed eligible.
- In addition to the financing agreement, a Project Implementation Agreement will be signed with the promoter.
- The agreement describes the project, the eligible project costs and the foreseen time-frame. It further stipulates project reporting requirements and project related remedies/covenants.

EIB financing solutions under RSFF

Key counterpart groups

I. Corporate / Project Finance

- **Targeted beneficiaries:** Mid-sized and large corporations (low/sub-investment grade),
- **Product Ideas:** RSFF loans and guarantees (Structured individual corporate loans - senior/junior debt, mezzanine),
- **EIB value added:** Lower Financing Cost, increase of debt capacity (in case of subordination), project risk sharing.

II. Risk Sharing with Universities

Targeted beneficiaries: Universities, research institutes, science parks,
Product Idea: RSFF loans and guarantees; Royalty fund,
EIB value added: Increased access to financing for universities; facilitates partnerships and PPPs; monetize royalty streams of research results (e.g. patents).

NEW PRODUCT DEVELOPMENTS

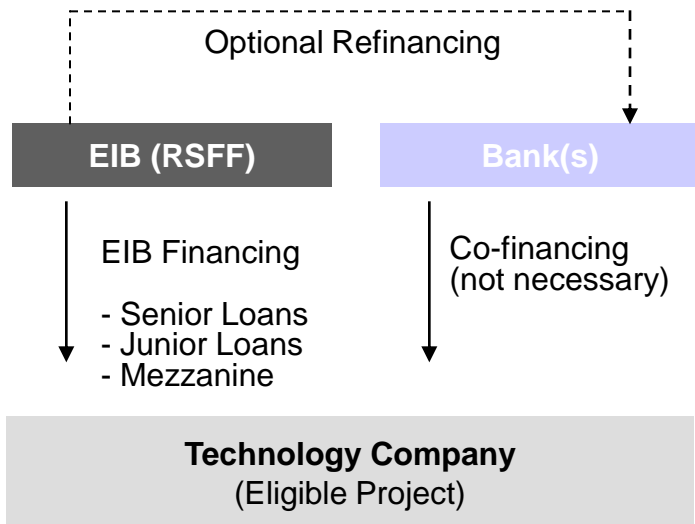
Targeted beneficiaries: Joint Technology Initiatives (JTIs), European Technology Platforms (ETPs), Multi country Research Infrastructures (ESFRI),
Product Ideas: PPPs, SPVs and RSFF/ERCF loans and guarantees for R&D programmes,
EIB value added: facilitate both public and private sector financing of Research Infrastructure through conventional as well as structured finance.

Targeted beneficiaries: SMEs & Mid Caps (low / sub-investment grade),
Product Ideas: RSFF loans and guarantees, Risk Sharing Global Authorisations,
EIB value added: Beneficiaries: risk sharing, higher debt capacity, lower financing cost; Banks: risk sharing, capital relief, customers cross selling.

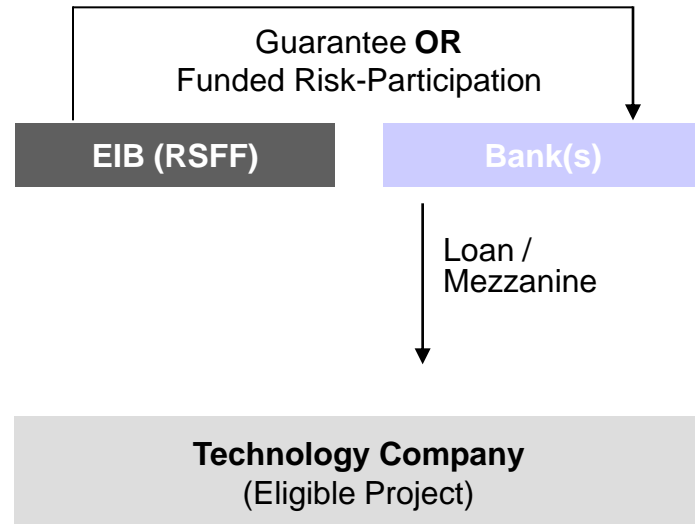
III. R&D and Infrastructure Consortia

IV. Risk Sharing with Banks

OPTION 1: Parallel Financing Approach

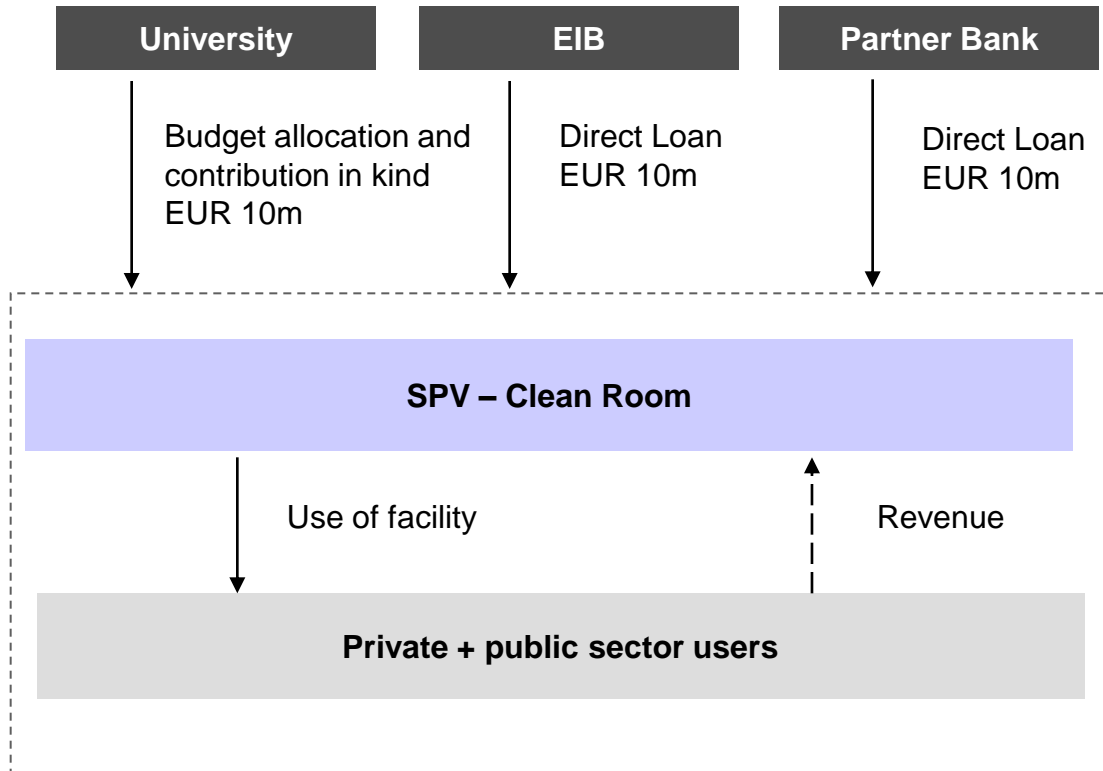


OPTION 2: Back-to-Back Financing Approach



- To finance individual projects, EIB can either act as the sole financing provider or as a co-financing partner to other bank(s).
- In the case of co-financing, EIB could provide a direct financing agreement in parallel to other financing(s) from financing partner(s) or provides back-to-back to the financing partner(s).
- EIB financing contracts normally are in line with market standards (protective clauses, covenants, etc.) but will always be structured according to the needs of the borrower.
- EIB financing can also be junior to co-financing banks (e.g. Mezzanine financing)

University investing EUR 30m in clean room technology and seeking partial debt financing to leverage budget allocation :



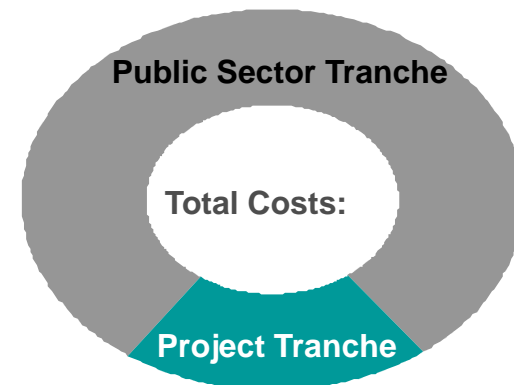
- Total Debt Financing: EUR 20m
- Credit Rating of SPV: Ba3
- Senior secured loan: 10 years
- Structured Finance with cash flow finance underpinned by minimum level of utilisation contract
- Limited recourse to University

Public Sector Tranche:
Facility to finance peak & bridge
financing requirements
faced by committed partner
countries

- The repayment of the public sector tranche is made through budgetary commitments of partner countries over the long term (5-30 yrs)
- **Key Advantages:**
 1. Meet peak & bridge financing requirements;
 2. Provide contingency cover for cost overruns;
 3. Can finance eligible operating costs & associated infrastructure

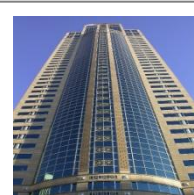
ERCF... The ESFRI RSFF Capital Facility

Project Specific Tranche:
Finance individual projects
including associated facilities
With limited recourse to
committed partner countries



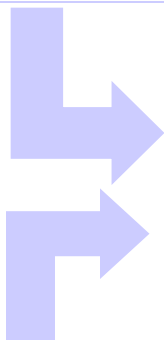
Risk sharing with banks for SMEs

Rationale and potential synergies

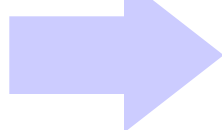


Partner banks

- Direct access to promoters with national geographical focus
- Structuring and due diligence expertise & capacity
- Track record in direct/indirect low/sub- investment grade lending (incl. Mezzanine financing)
- Regulatory capital constraints, rating sensitivity, Basel II impacts



Synergies

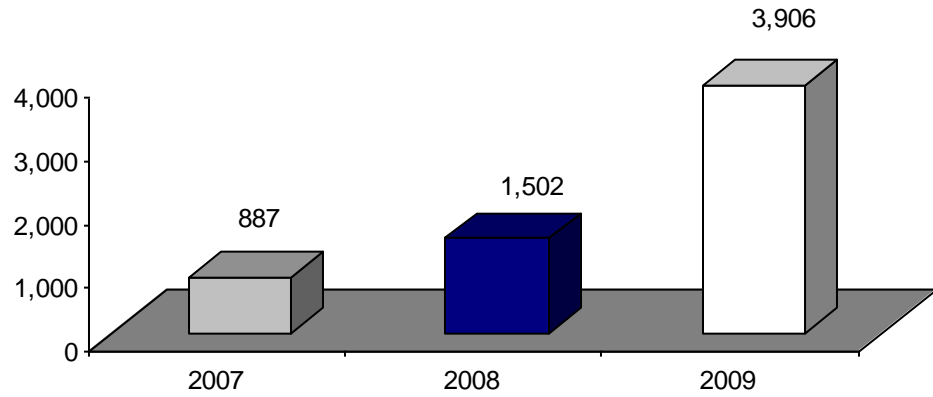


**Partner banks / EIB
Co-financing of RDI**

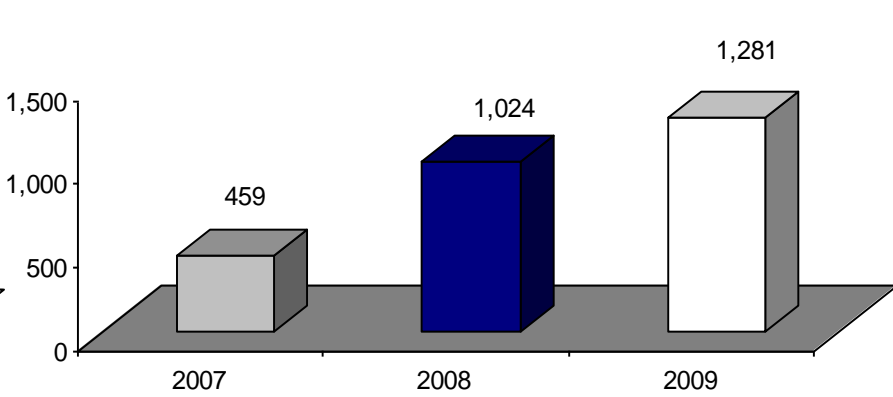


- RSFF resources (European Commission) -> high long-term capacity for low/sub-investment grade lending to RDI intensive counterparts / projects
- Attractive funding costs, competitive risk pricing
- Strong sector/technology know-how in key RDI sectors and activities
- European scope
- Strong track record in co-financing and risk sharing with commercial/promotional banks across Europe (>150 Partner Banks; more than EUR 7bn of finance for more than 30 000 SMEs in 2008)

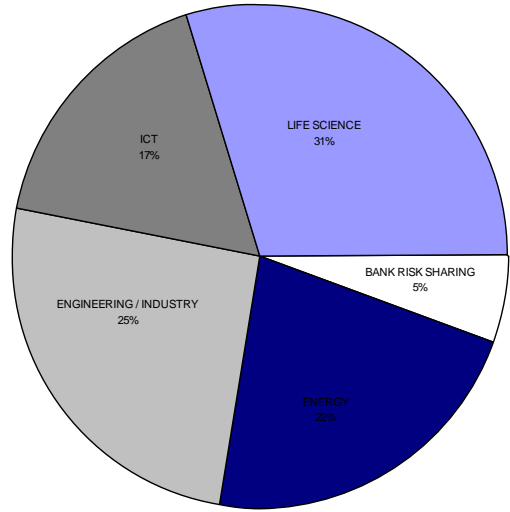
RSFF APPROVALS (2007 - 12/2009*)



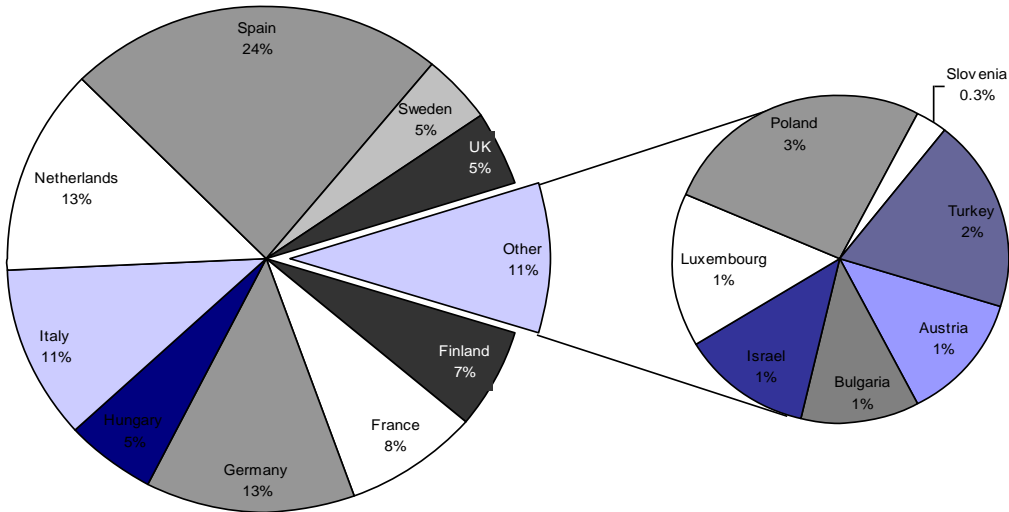
RSFF SIGNATURES (2007 - 11/2009)



Signed RSFF Projects by Sector



Signed RSFF Projects by Country



- Total RSFF signatures amount to EUR 2,764 m. Total approvals amount to EUR 5,368 m in November and are expected to reach EUR 6,295 m in December.
- Main sectors financed so far: renewable energy technologies, engineering industry and life science.

Open Innovation

EIB supports the implementation of Open Innovation in promoting collaborative R&D in Europe

Open Innovation has benefits. Using each other's strengths, knowledge, experience and expensive research equipment will result in efficient and effective technology developments.

Combining views and visions can create synergies, a win-win situation and make successful research accessible for all parties, including SMEs, large Corporates, research institutes, etc.

The success rate of new initiatives that emerge from open innovation is substantially higher than the success rate of closed research centres.

Open innovation also creates space for specialist companies to develop their core business at a high level and to market new products effectively.

-
- Financing flexibility: provide debt financing adapted to project implementation and the borrower's repayment capacity
 - Improved financing conditions; advantage of EIB's AAA based funding is passed on to the borrower in order to reduce overall project cost
 - Increased access to financing: additional supply of loans/guarantees from EIB; joint financial products with Commission (RSFF, leveraging FP7 funds) and through co-financing with financial markets
 - Risk sharing: share financial risks with promoters and consequently reduce their risk adjusted cost of capital
 - Signalling Effects: Due to the Bank's reputation for its prudent lending policy and its strong market/technology know-how, the EIB provides learning/signalling effects for other Banks