



EIB Financing for R&D and Innovation

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EIB Financing of R&D and Innovation

1. The European Investment Bank
2. The EIB's Finance Facilities and Programs
3. Nanoelectronics Financing Examples



The **European Investment Bank** is the European Union's long-term financing institution. The Bank **acts as an autonomous body** set up to finance capital investment furthering European integration by **promoting EU policies**.

- EIB has been created by the Treaty of Rome in 1958
- EIB is a policy driven institution
- EIB is owned by the 27 EU member states
- EIB has subscribed capital of EUR 232.4bn as of 2009
- EIB is AAA rated
- EIB funds itself on the capital markets: EUR 79.4 bn in 2009
- EIB signed loans amounting to EUR 79.1 bn in 2009
- EIB is the largest multilateral financing institution

European Investment Bank

Policy Objectives

1. Within the European Union
 - Cohesion and convergence
 - Small and medium-sized enterprises (SMEs)
 - Environmental sustainability
 - Knowledge Economy
 - Trans-European Networks (TENs)
 - Sustainable, competitive and secure energy
2. Outside of the European Union
 - Private sector development
 - Infrastructure development
 - Security of energy supply
 - Environmental sustainability
 - Support for EU presence in Asia and Latin America via Foreign Direct Investment (FDI)
 - FDI in Eastern Neighbour countries
3. Under EU Mandates
 - Pre-accession
 - European Neighborhood
 - Development



Policy Objective - Knowledge Economy

Support of European policies concerning innovation (Lisbon Strategy, Europe 2020)

Operations supporting European RDI activities for the period 2000-2009

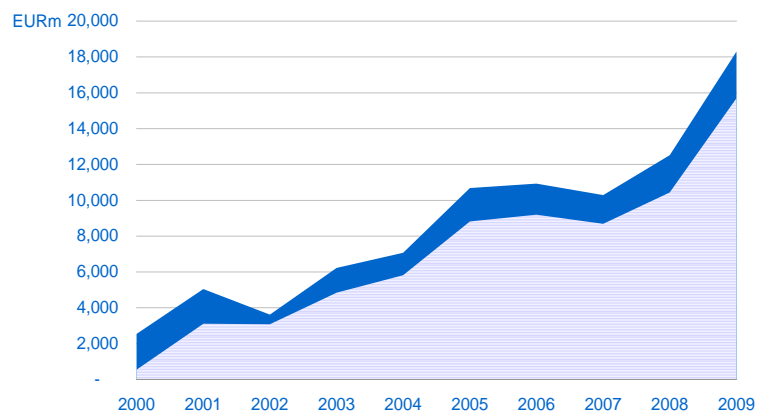
The EIB extended financing to about 590 individual RDI projects

Approvals and signatures amounted to EUR 97bn and 87bn, respectively

Transaction sizes ranged from EUR 8m to EUR 600m

Approximately 50% of the transactions were pure private sector investments

Total Signatures under Knowledge Economy and ICT in particular (dark blue)



For 2000 – 2009:
Total Signatures: EUR 87.0bn

For 2009:
Total Signatures: EUR 18.3bn

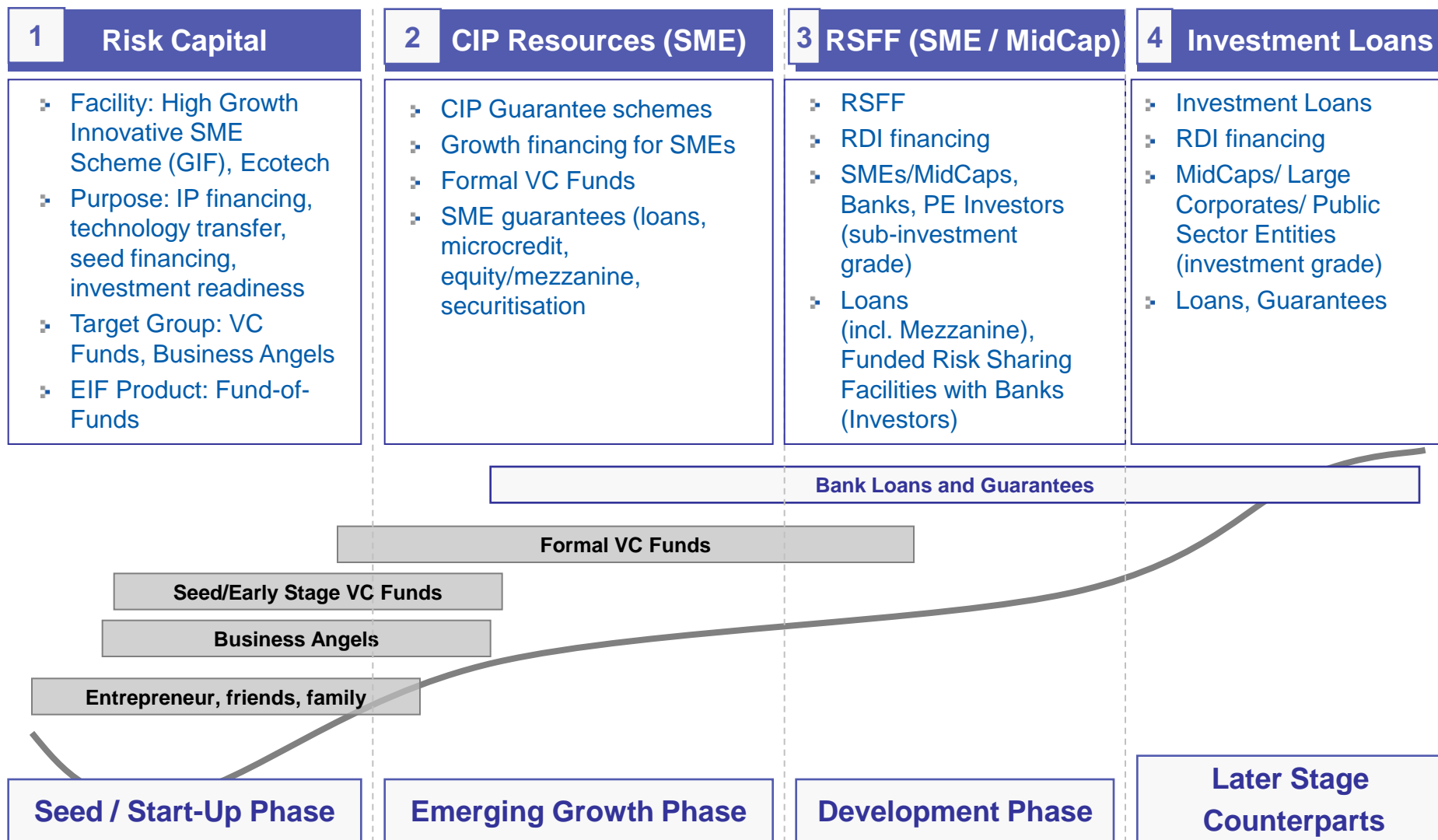
- New thinking in context of EU2020
- EIB set up EU2020 Task Force
- Making support to innovation more effective
- Deepening and broadening of financial instruments (e.g. risk sharing)
- Broader scope of applications (e.g. innovative services, lead market initiatives, pre-commercial procurement)

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EIB Group's financing tools

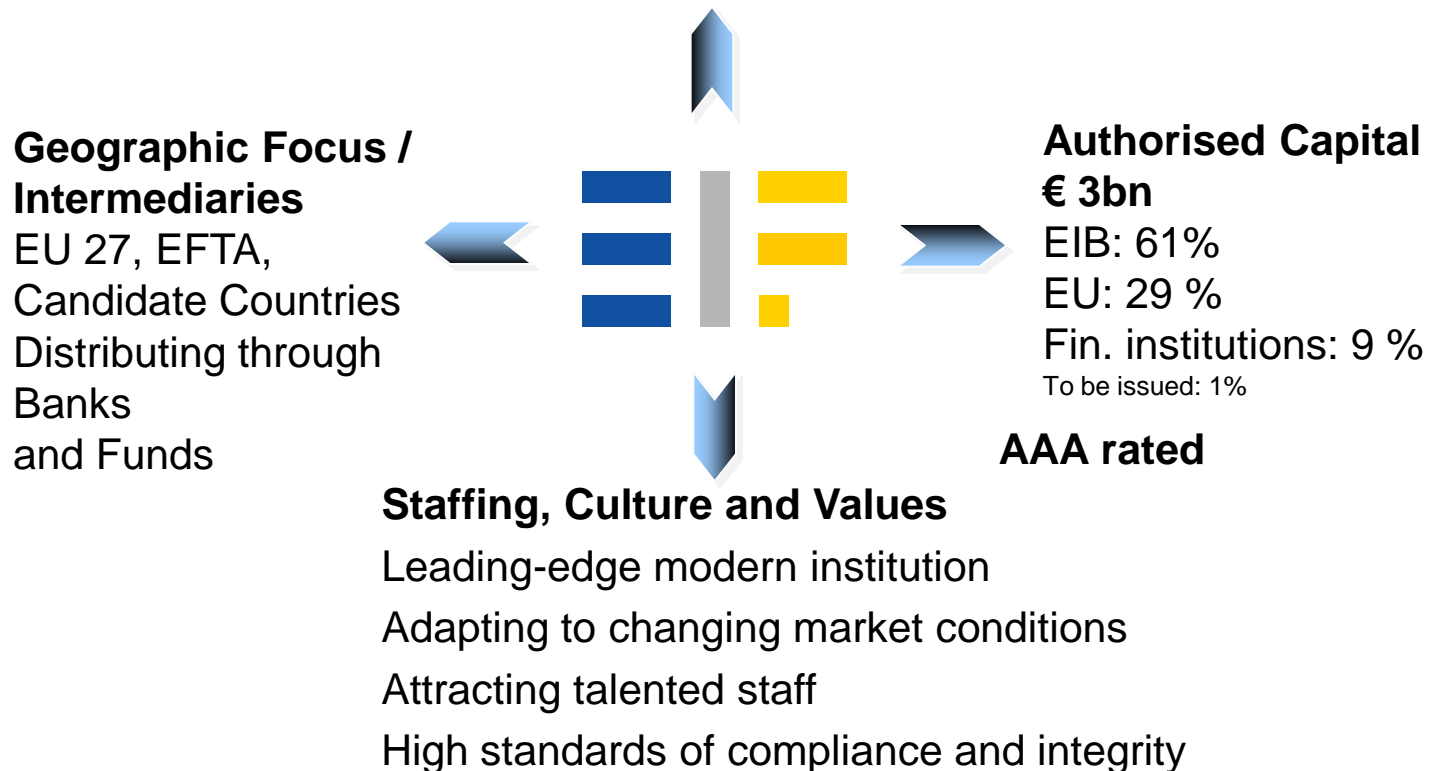


EIF at a Glance

EU specialised institution for SMEs, risk financing

Venture Capital and Mezzanine (fund of funds)

Structuring and Guaranteeing portfolios of SME and microfinance loans/leases



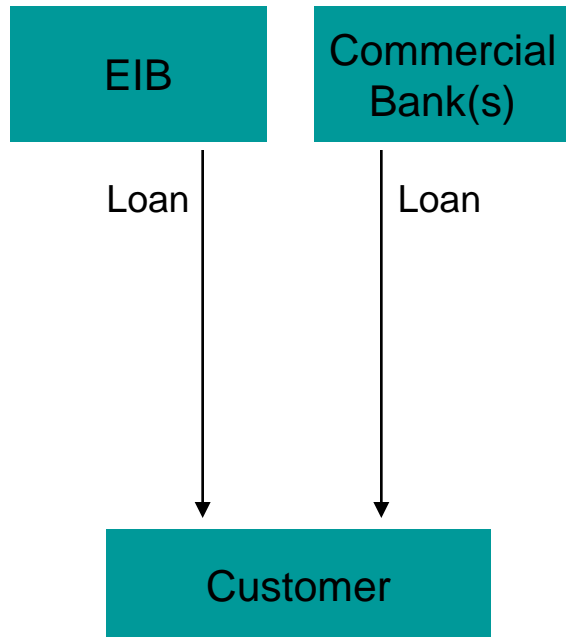
Dual Objective of Meeting EU Policy Goals & Generating a Satisfactory Return on Equity

EIB Long Term Debt Financing Solutions

Typical EIB financing modes

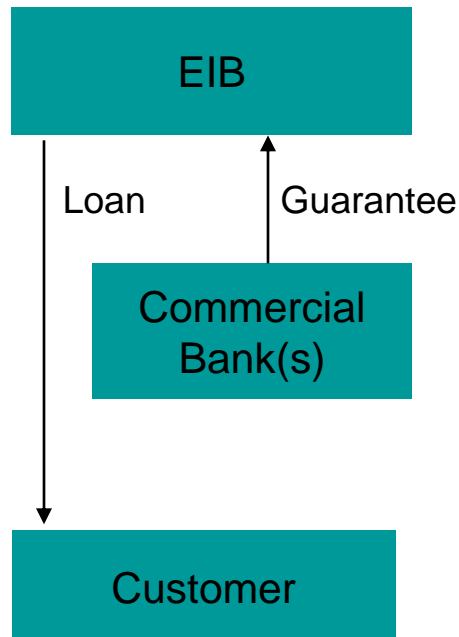
Direct Loan

EIB provides financing directly to the customer alongside other lenders as appropriate. Credit risk is shared on an equal basis with other bank(s).



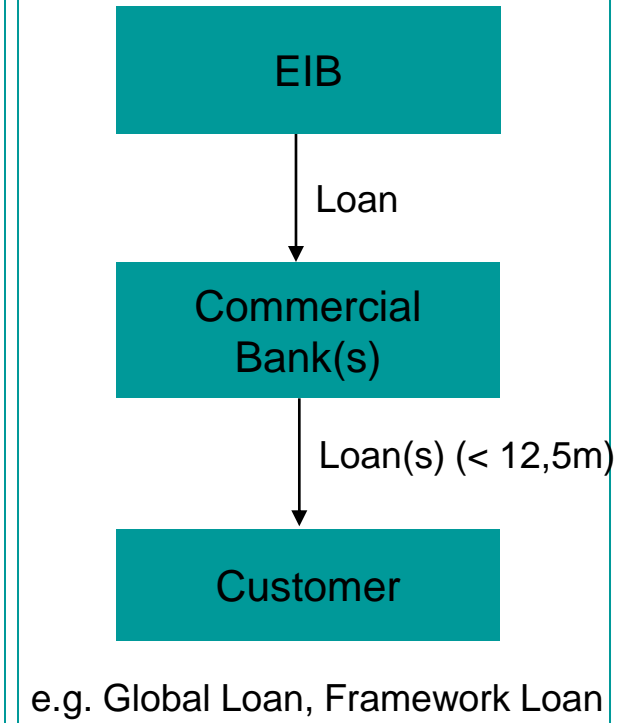
Bank Guaranteed Loan

EIB provides financing directly to the customer alongside other lenders as appropriate. Credit risk is born by the guarantor.



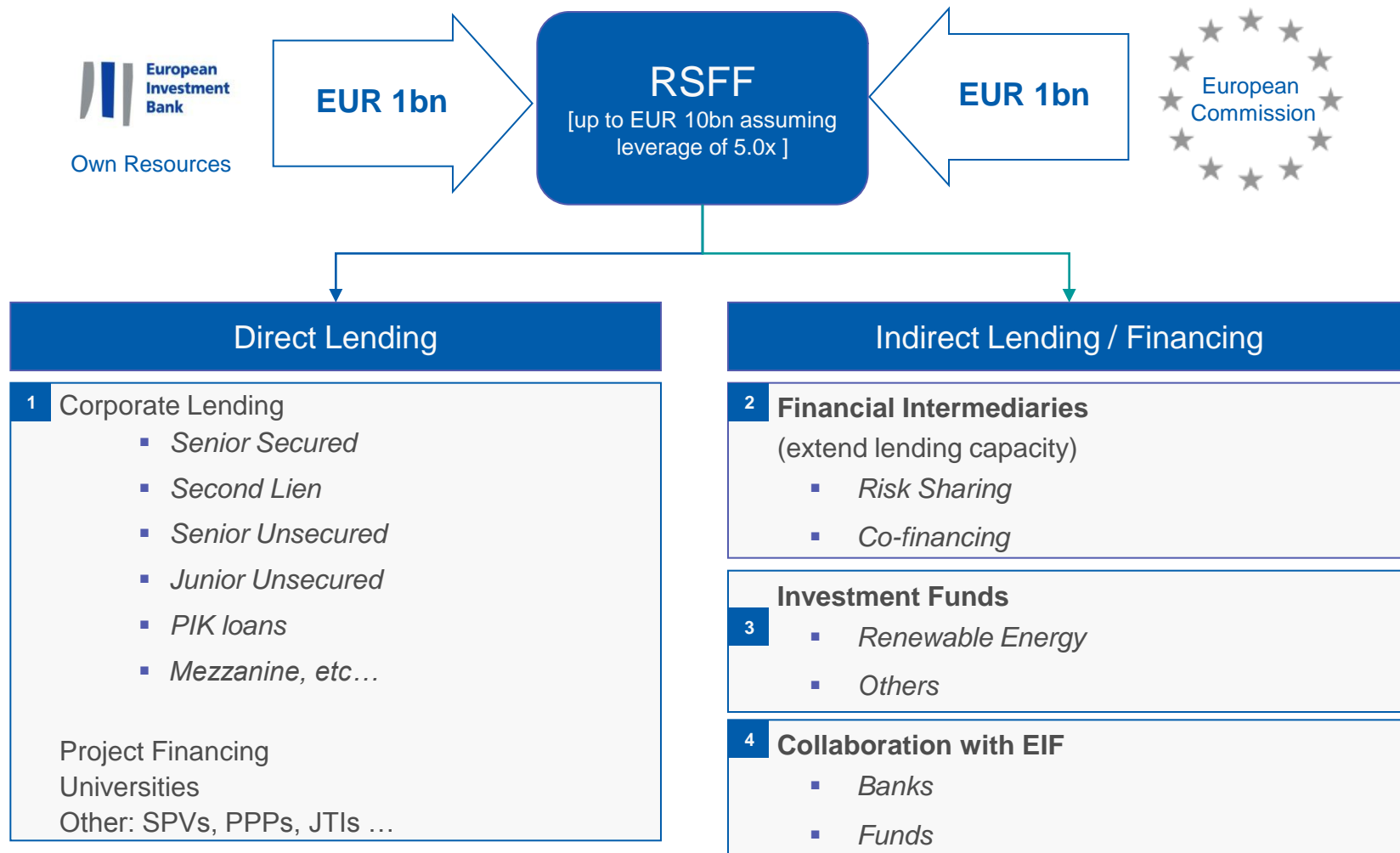
Bank Intermediated Loans

EIB lends to client's house bank(s) passing through its low funding cost. Credit risk is born by the com. bank.

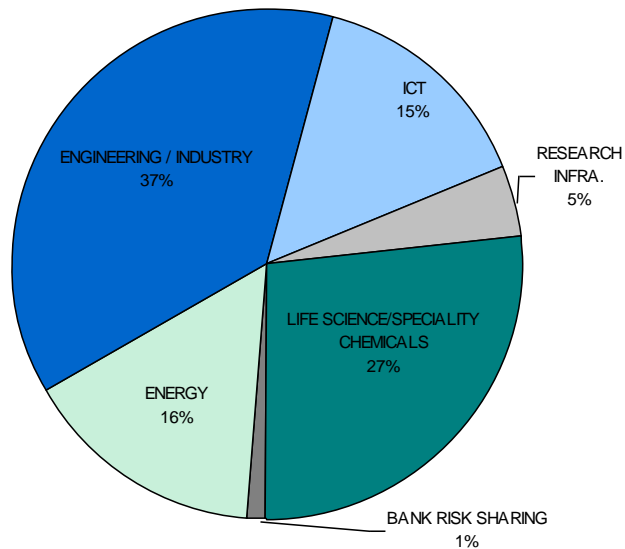


- Financing flexibility: provide debt financing adapted to project implementation and the borrower's repayment capacity
- Improved financing conditions; the advantage of EIB's AAA based funding is passed on to the borrower in order to reduce overall project cost
- Increased access to financing: additional 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

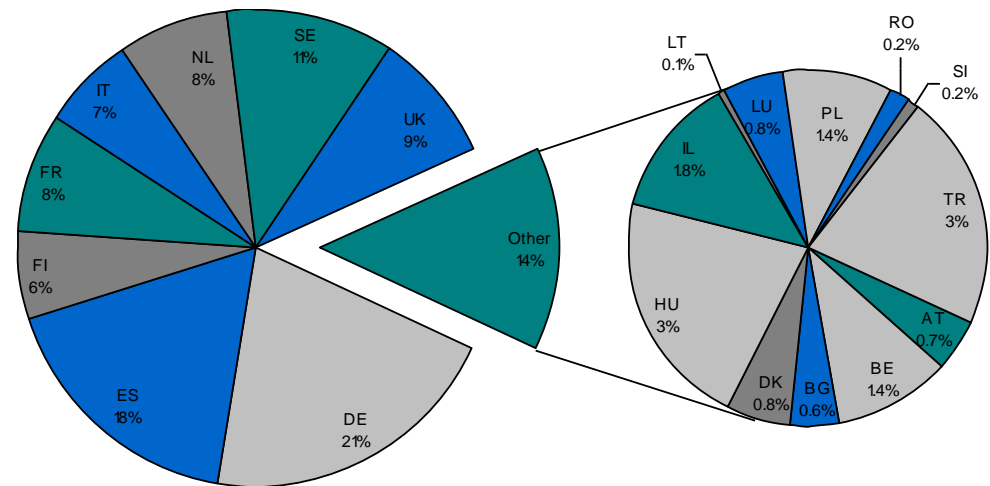
Risk Sharing Finance Facility – Set-up



Signed RSFF Projects by Sector



Signed RSFF Projects by Country



- Total approvals EUR 7.8 and signatures EUR 5.3bn
- Projects spread over many countries and broad range of sectors

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Case study: Research Development Innovation

Semiconductor manufacturer, ICT service provider

RDI

Large corporate - SME

Description: The program should concern:

- basic research
- applied research, or
- pre-commercial prototyping

Acceptable investments or expenditure would be:

- research staff cost
- expenditure for e.g. laboratories, measurement equipment, computers...

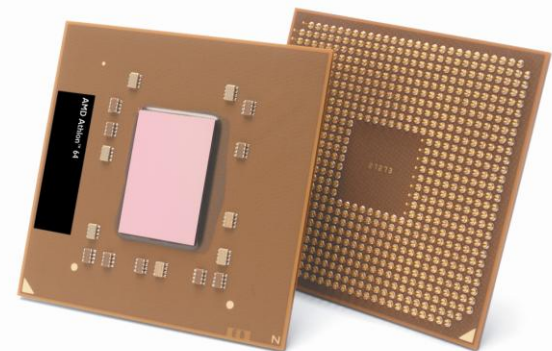
Examples:

- New chips series or chip manufacturing technology
- New Telecom equipment, network designs or services
- New software solutions

Cost:

Loan: Generally up to
50% of cost

Loan Tenor: 5 to 7 years



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- **RDI and innovative infrastructures are key lending priority of EIB**
- Attractive terms and conditions (AAA funding)
- Up to a maximum loan amount equal to 50% (RDI even 75%) of investment costs – **military usage excluded**
- Duration: depends on the economic lifetime and risk structure
- Interest rates: fixed and variable possible
- **The EIB credit risk has to be first class (investment grade) for traditional EIB financing products**
- **New products allow for lending to less favourably rated companies (SFF / RSFF products)**

Project should:

... satisfy EIB lending priorities

... comply to current (EU) law

... be technically viable

... be financially self sustainable

Thank You !



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