Department of Business and Management

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THE MINI-BONDS MARKET: A COMPLEMENTARY LONG-TERM DEBT FINANCING or JUST A TEMPORARY RELIEF FOR SMALL AND MEDIUM-SIZED ENTERPRISES?

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To my grandparents, with a special affection to

my unforgettable Pina…

…and to my lovely family.

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Introduction

Italian small and medium-sized enterprises (SMEs) have traditionally based the collection of their financial resources on two main mechanisms: self-financing and bank credit. In the past ten years, crisis was so much severe to decrease both the forms they used to cover their financial needs. Whilst the ability to self-financing decreased due to the decline in companies' volumes and margins, the increasing difficulties faced by the banking system to allocate capital resources towards the real economy have strongly widened the downward path in loan availabilities which soon has culminated into a real credit crunch.

This phenomenon has stressed the excessive dependence of Italian SMEs on bank lending, practically the only "external" funding excluding self-financing or the capital contribution of their members.

The number of denied loans to companies has reached a very significant level from 2011 to 2014. The worsening of credit quality as well as the tightening of the capitalization parameters imposed by the European Authorities have led SMEs' denied loans to a proportion exceeding 18% on the total of their requests. Although they have applied the most for loans and got the highest number of bank refusals, also for larger companies the percentage did not fall under the 12% in 2014.

The bank credit limitation has not only depended on the extremely selective supply policies, but also on a sharp drop in the demand for new loans, due to the contraction of investments in such adverse conditions. Large-sized companies had a major impact on the decrease in demand, since they made greater recourse to the bond market which proved a solution to the lack of banking financial resources.

This is the background that pushed the European legislators to introduce several regulatory measures to support SMEs financing with the aim of making more convenient the equity capital contributions (e.g. through the intervention called "ACE") or to allow their collection of debt capital with alternative instruments to bank credit, such as the mini-bonds.

The first chapter of the thesis is entirely focused on the analysis of this debt financing instrument designed to foster long-term investments and to diversify the set of financial resources that could enable SMEs in being more competitive and less risky than plenty dependent on the bank credit system.

With the occurrence of the crisis, the ability to raise adequate financial resources proved to be essential for supporting the processes of growth and innovation. Indeed, the "quantity" of financial resources is not the only relevant variable a company should evaluate, but mainly they should focus on the characteristics of the financing in terms of technical features and provider. These characteristics of the loans mainly refer to two elements: the congruence with the investments a company wants to finance, in terms of maturity and risk profile as well as the nature of the provider, in relation to additional services to the financing and, above all, to the impact on corporate governance.

The preference for bank credit of most Italian SMEs is due not only to its cost convenience, but also to the objective of limiting the interference of external lenders in the company choices.

The need for change in the financing methods derives not only by the growing difficulties in accessing bank credit, but also from changes in competitiveness factors for companies. Today enterprises' attention to investment in manufacturing technologies, for example, should be complemented by an increasing commitment to other aspects of the business activity, such as research and development, organization and human capital and the internationalization.

Moving towards this direction requires investments that for their own intangible character, risk profile and maturity are not suitable to be supported with bank financing, and nor self-financing is enough.

The second chapter, in fact, is focused on the assessment of the mini-bonds and bank loans market within the last 4-year time span. It aims at analysing the current and perspective trend for these two debt instruments, to assess how they have been mutually influenced and to explore the quantitative features of both the type of loan, with a critical perspective and the additional purpose of quantifying how much the "new" debt instrument is proving to be suitable and spread for its designed target.

The companies, even small ones, who want to try to walk the extraordinary opportunities offered by global markets and developments in technologies need access to external financing instruments that ensure greater effectiveness in supporting their development projects.

The last section of the analysis moves the attention on the SMEs audience within the European countries. After a first examination of their credit conditions on a broader perimeter too, focus is made on the importance of raising long-term source of funding to foster growth and on the main European interventions as well as challenges in developing non-bank finance instrument for SMEs. The chapter ends with the assessment of the mini-bonds market within some sampled European countries, and the comparison between their features and the figures emerged by analysing the Italian market.

CHAPTER 1

The Mini-Bond Market in Italy

1.1. Mini-bond definition and key features

Mini-bonds are corporate bonds or medium-long term debt securities issued by unlisted Italian companies, typically SMEs[1], designed for helping healthy enterprises in search of liquidity to finance development plans, structured business transactions and/or refinancing operations.

They allow non-listed companies to open up to the capital market, representing a complementary source of funding and a way to diversify their set of financing instruments. They fall, in fact, within a series of provisions promoted by the Italian legislator, in line with other European countries, to counter the heavy credit crunch of recent years and modernize finance for supporting the recovery of the national companies and reducing their dependence on the banking system.

The excessive weight of bank debt had made Italian SMEs extremely vulnerable to unfavourable economic conditions; the shock that hit the banking system created tensions in bank balance sheets, leading to worse terms for accessing to credit supply. These restrictions quickly moved to the real economy, putting an additional strain on companies already weakened by the emerging crisis. It has reduced firms' ability to repay bank debts, damaging their balance sheets and making them too selective in granting credit, and so leaving the largest part of the Italian economy without its first source of financing.

To stop this "vicious circle" and hinder the possibility of a future recurrence, the new provisions introduced since mid-2012 arise from the intention to prompt SMEs in using alternative debt to bank credit. The structural imbalances of the Finance in most of the Italian firms have made debt diversification a strategic objective for our companies. But before dealing with the extensive regulation, it is advisable to clarify which are the typical features of this financial instrument and those of the companies that can access to the market.

1.1.1. Key features of the financial instrument

Like the traditional bonds, set out by Italian Civil Code in Articles 2410 to 2420-ter for Public Limited Companies and in Article 2483 for Limited-Liability Companies, mini-bonds are fixed-income securities that entitle their subscribers to receive a periodic return in the form of fixed interest payments and the repayment of the principal on the agreed expiration date of the bond loan.

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[1] There is no a universal SME definition, since the designated criteria and thresholds can vary across countries.
In drawing up this thesis, reference is made to the Commission Recommendation of 6th May 2003 (2003/361/EC) which came into effect as from 1st January 2005, up-dating and replacing the first SME common definition adopted with the Commission Recommendation of 3rd April 1996 (1996/280/EC).

They are bearer bonds whose subscription and trading is compulsorily reserved to professional and/or institutional investors, i.e. all the entities classified as “Qualified Investors”[2] under the Article 100 of the Legislative Decree No 58 of 24 February 1998.

They include:

- **a.** investment firms, banks, stockbrokers, fund management companies (“SGR”), investment company with variable share capital (SICAV), pension funds, insurance companies, financial holding company of banking groups and entities included in the lists provided for by the articles 106, 107 and 113 TUBC (Legislative Decree No 385 of 1 September 1993);
- **b.** foreign subjects authorized to carry out, according to the legislation of the country of origin, the investment services /the same activities performed by the entities of point a), also having their registered office in a non-EU state, provided they are authorized to provide services in the territory of the Republic;
- **c.** bank foundations;
- **d.** natural and legal persons and/or other parties with specific skills and experience in financing transactions, expressly declared in writing by the same natural person or by the legal representative.

The choice to reserve the subscription of mini-bonds to professional investors stems from the substantial illiquidity that, at least at this stage, characterizes the market and from the caution associated with investing in those risky securities that are mostly classified as high-yield or speculative bonds. Most of these subscribers apply "buy and hold" investment policies, consisting in the underwriting of the financial instrument at the time of issuance and in the maintenance in portfolio until the original expiry date.

In general terms, the mini-bonds may take different characteristics depending on the financing needs of the issuing companies. The coupon rate and the volume of the bond loan are set out at issuance, tailored to the needs and characteristics of the issuing company and to the contingencies of the market. There are no limits applied to the volume of issuance of a mini-bond traded on regulated markets or on multilateral trading facilities (MTF). They usually have a maturity greater than 36 months.

The repayment of the principal may take place all at once on the maturity (“bullet bond”), or by amortizing that amount over its lifetime (“amortizing bond”). The periodic coupon, defined as a percentage of the nominal value, can be fixed or variable, i.e. indexed to an observable parameter on the market; almost all the mini-

[2] The figure of “Qualified Investor”, as foreseen in Article 34-ter of the “Regolamento Emittenti” No 11971/1999, must be considered equivalent to that of the "Professional Client" *de jure* or on request. The Consob Resolution No 18079 of 20 January 2012, in fact, has compared the notion of “Qualified Investor” to that of “Professional Client”.
“Professional Clients” are then classified as “Public” or “Private”. The criteria to satisfy are different according to the previous distinction. For further details reference should be made to LD 236/2011 (MEF).

bonds on the market paid a fixed coupon. The issuances can be secured or unsecured, depending on whether they are secured by collaterals.

The debt security may be callable, if the issuer can redeem the bond loan before the maturity; this option may be exercised if the issuer believes he could refinance debt on better terms, or if an unexpected cash-in would allow sufficient liquidity to reimburse. All other things being equal, this option benefits the issuing company since it can be exercised when it is convenient for the same. On the contrary the debt security may be puttable, if the subscriber can ask for get back its money in advance. In this case, the option advantages the investor, giving him the opportunity to divest even before the maturity. Most of the issuances present both the options.

The contract provides for covenants, as said those constraints explicitly declared in the Loan Agreement which, in case of non-compliance by the issuer, trigger one or more events, aimed at safeguarding the investor interests (e.g. the right to reimbursement, in addition to possible penalties). In the case of mini-bonds issuances, the eventual presence of a rating represents the main information to evaluate the risk of default of the issuer.

Four main reasons have proved to be determinant in accessing to this financial instrument. Most of the involved enterprises have issued mini-bonds to finance 'internal' growth, for collecting funds to support their specialisation with investment in research and development, rather than to invest in new products or new markets. Other companies have found a solution for financing 'external' growth, a support for possible acquisitions of other companies or divisions. A third part of the sample carried out issuances as a refinancing operation to reshape the outstanding debt, by using the raised cash to repay maturing debts, such as bank loans. The last cluster has issued mini-bonds to finance the operating cash flows of the company, looking for an appropriate channel to satisfy their short-term needs. On this issue, should therefore be necessary to make a further clarification.

As stated above, normally these financing instrument have a maturity no less than 3 years by which companies enter into a medium-long term debt relationship with a plurality of subjects. Despite it has been designed to perform a complementary function to the bank lending and to finance long-term development plans in support of growth, it is increasingly common to find enterprises that use mini-bonds to fund their working capital financing. At first, they issued commercial papers to cope with these needs, but progressively these latter have been replaced by the introduction of the so-called “Minibond Short-term”[3], as said a new type of corporate bond with a shorter maturity than the traditional minibond, that has allowed to overcome the greatest constraints scheduled for the financial papers.[4]

[3] The number of Minibonds short-term, actually, exceeds that of the issuing companies because typically, like for the commercial papers, these instruments follow a “rolling” approach (i.e. at the expiry of the security another one is issued, which happens frequently for short-term financing),

[4] Commercial papers are debt securities to order, issued in series and with a maturity between 1 and 18 months, as laid down in the Article 32, sub-paragraph 1 of the LD 83/2012 (the so-called “Decreto Sviluppo” which has reformed the previous provisions of the Law 43/1994). Unlike the mini-bonds, they can be issued only under the compulsory support of a sponsor (not for large-sized companies), called to comply with specific requirements and tasks, and there is a limit to the overall volume of issuance that shall

There are no rules that forbid the issuance of a mini-bond with a maturity of less than 36 months, but since this thesis aims to compare the mini-bonds, as a funding source designed to address part of the national long-term saving to the real economy, with the volumes and costs of bank lending, the scope of analysis will take into account only those long-term[5] debt securities, i.e. traditional mini-bonds, that are appropriate to support investments and create the necessary conditions for a sustainable growth.

Features and requirements about the issuers will be outlined in the following paragraph, which will be useful to handle this resource with more understanding.

1.1.2. Key features and requirements of the issuing companies

Law establishes that mini-bonds can be issued by Italian non-listed companies, typically SMEs, in the forms of public limited companies, limited-liability companies, cooperatives and mutual societies, other than banks and micro-enterprises.

The Article 2 of the Annex to Commission Recommendation 2003/361/EC states that "*The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million*"[6]. To qualify as a SME, an enterprise must respect the staff headcount ceiling and either the turnover ceiling or the balance sheet ceiling. Two out of three requirements must be assessed cumulatively.

The purpose of the SME Definition is to provide an instrument for targeting a broad range of policy measures and state aid specifically designed to advantage the SMEs sector. For our purpose, it is useful to delimitate which companies can carry out a mini-bond issuance.

The following table summarises the outlined dimensional thresholds:

Enterprise category	**Staff Headcount**	**Financial Ceilings**	
		Turnover	**Balance Sheet Total**
Large	≥ 250	> 50 million	> 43 million
Medium	< 250	≤ 50 million	≤ 43 million
Small	< 50	≤ 10 million	≤ 10 million
Micro	< 10	≤ 2 million	≤ 2 million

be equal to the current assets resulting from the last approved balance sheet. The disclosure requirements and the subscription and trading reserved to qualified investors are common conditions to both the debt instruments.

[5] Despite they are traded on the same segment of the Italian Stock Exchange and sometimes mistakenly defined as mini-bonds, commercial papers fall outside the scope of this evaluation; they will be considered only to get an approximate value of the volumes and costs before the mini-bonds short-term introduction, that will be compared with those of the short-term bank loans.

[6] Official Journal of the European Union L 124/36 of 20.5.2003, COMMISSION RECOMMENDATION of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC)

More specifically, small enterprises are considered to be firms with fewer than 50 employees and with an annual turnover or an annual balance sheet total not exceeding 10 million euros; medium-sized firms are companies that own between 50 and 249 employees and an annual turnover below 50 million euros and/or an annual balance sheet total not exceeding 43 million euros. These two categories represent the target companies to which the legislative innovations are addressed.

Micro-enterprises, i.e. those firms with a staff of less than 10 people and with an annual turnover and/or an annual balance sheet total not exceeding 2 million euro, fall within the Community SME Definition, but they are not allowed to issue mini-bonds, together with banks.[7]

Large enterprises are not covered by the previous definition. However, the new regulatory framework does not explicitly forbid them from issuing mini-bonds, which explains why there is an increasing number of non-listed large-sized firms taking advantage from these financial instruments that proved to be easy to issue, less complicated and less expensive than traditional debt loan.

The last Cerved Report on SMEs has highlighted that there are roughly 140.362 Italian companies that fall within the above thresholds. 115.773 are small businesses whilst 24.859 correspond to medium-sized companies, with an overall employment of 3.9 million employees. The over 140 thousand SMEs have produced a turnover of 871 billion euros, an added value of 204 billion (equal to 12.5% of the GDP) and financial debts for 235 billion euros. Compared to the total of non-financial companies, they account for 37% in terms of turnover, 40% in terms of value added and 29% in terms of financial debt.[8]

It is extremely important to clarify that mini-bonds are not a solution to support companies in crisis, but rather an opportunity to get financing directly on the capital market, available only for those companies with good performance in recent years and with laid out growth projects for the coming years.

Beyond the legal form requirements, mini-bond issuers usually present these general features:

- a staff of at least 10 employees;
- a positive EBITDA in the last two-three years;
- a growing turnover (exceeding the minimum of 2 million euros);
- a greater willingness to an international openness;
- an efficient performance audit;
- a comprehensive business plan;
- an even more transparent communication;
- a good market share and positioning;
- a strong management skills and expertise;

[7] Reference is made to the LD 83/2012, Ch.2 “*Nuovi strumenti di finanziamento per le imprese*”, Article 32, sub-paragraph 1
[8] Data refer to the Report “*Rapporto Cerved PMI 2017*”, the last Cerved analysis on Italian SMEs published in November 2017

- a good technological level and degree of product or process innovation.

The authorised undertakings shall not be start-ups or companies affected by turnarounds; furthermore, it is strictly required the absence of bankruptcy proceedings in place or about to be declared.

The issuers must have filed the last two-years financial statements, the latest to be audited in case of listing. An updated document of the company structure could be required to allow analysts to better compute a detailed preliminary evaluation.

In addition, the issuing companies shall also declare the "use of proceeds", specifying how the raised funds would be used in the process. It is very important to highlight the purpose of the issue, since these instruments are designed for supporting the company's growth projects and they should not be aimed at replacing, refinancing or repaying pre-existing debts.

Therefore, in the evaluation documents and presentation of the issuance, besides to consider the traditional economic-financial parameters[9], they must illustrate the industrial project and the related forecasted cash flows, in order to assess the financial sustainability of the transaction and its ability to match the expected return of the potential investors.

[9] To assess the issuer's stability and its ability to support debt repayment several ratios are used in the preliminary evaluation, that may differ according to the characteristics of the issuer, of the development projects as well as of the type of potential investors. The most commonly applied are revenue growth rate, EBITDA margin and EBIT margin, interest coverage ratio and more.

1.2. The issuing process and the agents involved

The mini-bond issuance is a complex process of extraordinary nature compared to the standard activities of a company. Usually, it requires about three-four months to complete the transaction, but timing can vary significantly from one case to another.

Indeed, it can be influenced by multiple factors, as the general willingness of the company issuer, the availability of information in enabling analysts to carry out the evaluations and the cooperation of the internal organisation in providing additional ones, the time to negotiate the terms of placement and how attractive the operation could be for the investors.

It involves a huge number of specialized agents able to support the entity until the debt securities are issued and, eventually, until their listing.

This process of issuing is usually longer than the one that leads, under normal conditions, to the granting of a bank loan. These debt securities are not designed to cope with immediate cash requirements but, as previously specify, they are generally used to finance medium-long term development plans. Those companies in search of liquidity in the short-term horizon should turn to more suitable financing tools.

Beyond the more time required to assess the economic-financial analysis, there is a greater number of steps to follow that can be split into three main stages: the preparation, the marketing and the placement phases.

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The preparation phase:

Before starting the process that will lead to issue mini-bonds, the issuer may have to adapt the legal form of the company and its organizational structure to the legislative standards. If the issuer is a Limited Liability Company, its Statute must provide for the possibility of issuing debt securities, together with the indication of the competent authority in taking the associated decisions, as well as any limits, and the terms and conditions for the approval.

It may, therefore, be necessary to change the Company Statute for allowing their issuance. If the issuer is a Public Limited Company or a Limited Joint-Stock Partnership, the Statute does not need to provide expressly for the possibility of issuing bonds. In absence of a different statutory provision, in fact, the company executives will be the competent authority to deliberate on the mini-bonds issue and on their eventual admission to trading on the related Stock Exchange. If the issuer is a Limited Liability Company[10], the same rules apply and the company can issue debt securities only if expressly provided by the Statute.

These legal requirements can inevitably lead to strong organizational and cultural changes.

[10] Reference is made to Article 2483, sub-paragraph 1, of the Civil Code, concerning the issuance of debt securities for LLC

The first contact of the company can take place with different subjects, such as banks, chambers of commerce, associations, which can carry out a primary orientation service, or even a pre-analysis activity, aimed at ensuring the existence of the already described requirements laid down by law.

In most cases, the advisor is the first agent to interact with the company. This is typically a specialized company or banks with a dedicated division on advisory services. The advisor is called to support the entity in the whole issuing process, acting as a preliminary evaluator of the issuer, as the organizer of the operation, the coordinator of the multiple subjects involved in the operation (arranger, rating agency, Italian Stock Exchange, investors, legal advisors and other consultants), and lastly, as a supervisor in drafting the necessary documents.

In the initial phase of the process, he is generally responsible for assessing the feasibility and sustainability of the transaction, verifying that the applicant holds the essential requirements that enable the operation.

If these minimum conditions are satisfied, then the advisor examines the industrial plan that would be financed by issuing mini-bonds and agrees with the issuer the time frame, costs and conditions to carry out an in-depth analysis aimed to understand the company, its market, the positioning and to provide a first comprehensive evaluation that will be reference material in the presentation to potential investors.

They start conducting a real business, legal, financial and fiscal due diligence to which different subjects can take part, each one for their area of expertise. The arranger and the rating agency can, in fact, work alongside the advisor.

The arranger plays the role of financial coordinator of the issuing process. He provides for structuring the bond loan, defining the securities characteristics and all the terms and conditions associated to the transaction. At the same time, he collaborates to the definition of the covenants and to the drafting of the Loan Agreement. Then, he takes care of the securities placement on the market, identifying potentials investors and taking care of the 'fine-tuning'[11] of the operation.

In the preliminary phase, the arranger can support the advisor in the overall evaluation of the issuing company, by analysis its business plan, its structure and organization, the current financial situation and prospective assessment of the debt sustainability, its relations with banks e with the other credit lines, as well as the performance of the sector and of the target market.

The rating agency[12], instead, is called to provide an independent judgment on the creditworthiness of the issuer. The rating is a judgment on the company's ability to meet its own financial obligations.

[11] In this context, it refers to the process of making small variations to improve or optimize the outcome, seeking to increase the effectiveness or efficiency of the transaction.

[12] In the EU, only agencies recognized by the ESMA (European Securities and Markets Authority), the European authority responsible for registration and supervision of rating agencies, can issue a rating. The European legislation introduced the obligation to register as Credit Rating Agency (CRA) for all agencies that operate or intend to operate in the EU countries (2009/1060/EC)

The regulatory framework does not impose that a mini-bonds issuer should have a rating, but it is appropriate to consider that it plays a fundamental role in acquiring possible investors, since it offers a summary evaluation of the target reliability, guaranteeing market transparency and facilitating the success of the bond issue.

All useful information to assess the issuer's risk of default is taken into account; some of these information is public, such as financial statements, while others must be provided by the issuer. It is obvious, however, that the entrepreneur and the company staff must guarantee their support both by providing the materials and information necessary for drafting all the documentation, both by participating in meetings with the other agents involved into the process.

At the end of the investigation, the analyst communicates the rating to the company and the reasons which led to this assessment. Subsequently, the judgment becomes public and the company begins to be monitored for revising the rating in case of significant events that can modify the company's risk profile.

The presence of a rating[13] can improve company's ability to raise funds on the capital market, allowing investors to evaluate the risk-return associated to the security; but it also represents a powerful tool to advise the issuer about its actual and potential weaknesses.

A comprehensive due diligence will examine all the information fields related to the company activities; the business DD[14] will allow to understand if the business plan drawn up by the issuer is consistent with the standard of the sector and the competitive positioning of the company. The financial DD will allow to highlight the right profile of the economic and financial performance of the issuer, whilst the fiscal DD will allow to deepen the tax treatment and assess the presence of potential risks. Lastly, the legal DD will allow to highlight potential risks of litigation that can have an impact on the enterprise value or on any guarantees to provide to the investors.

The legal advisors provide a substantial support in the realization of the legal due diligence. In addition, they work alongside the issuing company for the fulfilment of its obligations and for drafting the necessary documents for the completion of the key steps that will lead to the issue and, eventually, to the listing of the securities. They are responsible for checking formal aspects and compliance to the contracts and the regulations. They may provide assistance in the drafting of the Loan Agreement, in the definition and evaluation of the covenants and the contracts to be signed with investors and other market players, in the necessary documentation for the quotation on the Stock Exchange.

Once the due diligence has been completed, all those agents provide their expertise in drawing up the associated documentation. The legal provisions governing the issuance of the mini-bonds do not contain

[13] Ratings can be "public", if the expressed evaluation is an information open to everybody, or "private", if the assessment is reserved for applicant (and shared with third parties only in specific cases). In case of public ratings, the evaluations are published on the ESMA website and therefore become freely accessible. This does not prevent the possibility for a subject to request more evaluations from different rating agencies; the final judgment can differ between them.

[14] The acronym stands for "Due Diligence"

specific obligations about the documents to be produced; the regulation requires only that the issuers must have filed the last two-years financial statements, with the latest to be audited in case of listing.[15]

In practice, similarly to what happens with the issuance of traditional bonds, it is necessary to prepare a series of documents that may vary depending on the type of issue (e.g. listed or unlisted securities, with or without rating).

The documentation can be divided among economic files, such as the Business Plan, the Information Memorandum and the Executive Summary, useful to understand the basic features of the issuer and to assess its ability to be productive and to fulfil its debt obligations, and administrative files that are strictly linked to the issuing process, such as the Loan Agreement and the several contracts to be signed with the agents involved in the transaction. Ultimately, for the admission to the Stock Exchange, special documents should be provided.

The advisor shall be responsible for preparing the economic files; he is called to support the issuer in drawing up:

a. the Business Plan, containing the fundamental data on the issuing company and the development plan that would be financed throughout the issuance;
b. the Information Memorandum, where the entrepreneur shall report the summary information about the company's history, the organizational structure, its ordinary activities, the business model, the market and the sector competitive scenario, the economic-financial data and the forecasts for the three-year following period;
c. the Executive Summary, used as a further summary (one or two pages) of the information contained in the previous two documents.

These documents are used to present the development plan that mini-bonds are going to finance; at first, analysts examine them to assess the feasibility of the operation, and if approved, they will be presented to investors during the securities placement.

The arranger shall be responsible for drafting most of the administrative files; the issuer can sign a specific contract to give him the task of carrying out all the activities associated with structuring the issuance and managing the deadlines and repayments to the subscribers. The Loan Agreement, the Subscription Agreement, the various certificates and, in case of listing, the Admission Document are some of the administrative files the arranger is called to prepare, with the support of the advisor and the other company consultants.

In the Loan Agreement, he defines the terms and conditions of the issuance, including the characteristics of the debt securities, the methods of payment of the interests and repayment of the principal, the subscribers'

[15] This requirement recalls also the Regulation of the Italian Stock Exchange segment where these debt securities are authorized to be traded. In particular, reference is made to the Article 220.5 of the ExtraMOT market Regulation.

rights, the issuer's obligations and the covenants[16]. Within the Subscription Agreement, signed between the issuing company and the subscriber, the arranger further regulates the terms and conditions of the subscription, reporting the company's commitments, warranties, the safeguard and compensation clauses in favour of the subscriber.

The arranger structures the issuance based on the financial needs of the company and its expected cash flows. He determines the volume, the minimum size of the deal, the coupon rate, the frequency and type of interest payment, the maturity of the bond loan comparing the company's needs, described in detail in the Business Plan, with the situation of the bond market, with the appeal that the company can exercise on investors and with its effective ability to support the payment of periodic interest and repay the principal at maturity.

In this phase, he supports the issuer also in deciding whether to make a single issuance or structure it in several tranches, in function of both the industrial plan articulation and the number and type of investors involved into the deal.

Once the general analysis of the company has been completed and the issuance structure has been outlined, the preparation phase can therefore be considered to have been successfully completed, by opening the marketing session.

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The marketing phase:

The arranger and the advisor perform pre-marketing activities to test the investors' reaction and collect a preliminary market feedback. They discuss with the investors about the adequacy of the offered coupon, its frequency, the plan to redeem the principal amount as well as other aspects of the bond loan.

The investors selection is a delicate and difficult operation, in which the target investors can be identified in different ways. Usually, the consultants aim to contact those investors in line with the operating, organizational and industrial features of the mini-bonds issuing company. They start an initial "warm-up" of the key target accounts, educating investors about the prospective investment, and then they address any areas of concern.

If the volume of the issue is particularly considerable and/or the transaction presents specific characteristics, the arranger and the advisor organize a real roadshow, i.e. a key marketing event to promote the issuance, where the company presents its development plan and introduce it to potential investors. The aim is to approach all potential investors and build demand for offering. Sometimes, the same advisor or arranger have

[16] Covenants are agreements in bond indentures made by the issuer and designed to ensure debtholders that the creditworthiness of the issuing company will remain satisfactory; they must be respected, otherwise the bond loan can be settled or renegotiated on less favourable terms. The most commonly applied covenants are: limitations on indebtedness, negative pledge, change of control, use of proceeds, financial reporting requirements, limitation on dividend, and among the financial, the Interest Coverage Ratio, the Leverage Ratio and NFP/EBITDA.

privileged and functional relationships with one or more target investors, making the selection faster and less complicated.

Once the investors audience has been well-established[17], proved their interest for the development project and for the issuance features, they normally ask for a meeting with the issuer to discuss the company's development plan and to directly verify the financial soundness and efficiency of the organizational structure. The same investors may require analytical supplements if they believe that a further in-depth analysis concerning some aspects of the plan is appropriate to assess the company's situation.

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The placement phase:

Based on the investors feedback, the advisor and/or arranger share the market expectations with the issuer and evaluate the feasibility and final terms of the issuance. If the issuing company agrees with the investors' expectations, the former must rule on the issuing approval, setting the volume and definitive characteristics of the bond loan. Then it announces the transaction and formalizes the issuance. The investors' manifestations of interest are confirmed; the orderbook closes and the allocation process starts with the definition of the mini-bonds amount to be placed to each investor involved in the operation. The company must set up a bond paper where to indicate the amount of bonds issued and those extinguished, the name of the bond holders (in the case of registered securities) and the transfers and constraints relating to the securities.

The company issue the mini-bonds subscribed by the investors that, lastly, provide for the payment of the corresponding amount to their share of the securities placement.

At the same time, the administrative documentation is completed[18] and the issuer can start the required proceedings for the eventual listing. He may request the admission on the stock exchange at any time from the date of issue onwards. The issued and listed amount will be equivalent to the one subscribed during the period, or the periods, provided for the offer.

In case of trading, the transferor is liable for the solvency of the company towards buyers who are not qualified investors or shareholders of the same company.

As will be thoroughly examined in the section concerning the regulatory framework, the new provisions have introduced substantial tax benefits for issuers and investors which want to access the mini-bonds market. To

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[17] Several institutional events have been already organized to foster a first contact between companies interested in issuing mini-bonds and investors operating on the bond market. In addition, digital platforms have been introduced also in Italy to provide this matching service; the potential mini-bonds issuer can prepare a manifestation of interest which is digitally sent to the target investors, proved to be consistent with the characteristics of the company. Obviously, these initiatives do not aim to replace the so far described preliminary steps of the issuing process, but they have only informative purposes for mutual knowledge.

[18] At time of the issuance and signing of the mini-bonds, the issuing company delivers three certificates to the subscribers: the certificate of solvency, the certificate of validity and the bankruptcy certificate, the last two to attest the absence of bankruptcy procedures against the issuer.

take advantage of these measures, it is appropriate that, within the issuing resolution, the issuer expressly provides that the securities can be subscribed and traded exclusively between qualified investors as well as underwritten by shareholders holding less than 2% of the share capital or assets of the issuer. This clarification should also be contained in the offering document of the securities issued.[19]

Although some companies decide to do not trade their mini-bonds, neither on the Italian Stock Exchange nor on stock markets of other countries, and to let them simply in holding to the professional investors, the legislative measures to incentivise their usage and spread require listing as a precondition to exploit the advantages of the new regulation. This explains why most of the mini-bonds issuer decide to move towards listing.

[19] At the time of subscribing the securities, the issuer must acquire an investor's written certification in which he attests to be a qualified investor, not owning more than 2% of the share capital or assets of the issuing company and that the beneficial owner of the proceeds accrued by the securities is resident in Italy or in a State or territory that allows a proper exchange of information. If these conditions are fulfilled, the unlisted companies will be able to deduct their interest expenses up to the limits of 30% of the gross operating margin resulting from the last approved budget.

1.3. Trading on the ExtraMOT PRO segment of the Italian Stock Exchange

The mini-bonds issued may be listed on the professional segment of the ExtraMOT market[20] (ExtraMOT PRO) of the Italian Stock Exchange, designed to trade bonds and other debt securities (including commercial papers, participating equity instruments and project bonds) issued by limited companies.

Reserved to professional investors, it was created in early 2013 to collect debt instruments issued by national SMEs; it was designed as a secondary market where only the securities previously placed to professional investors could be traded among themselves. As from 2016, amendments made on the Italian Stock Exchange Regulation have introduced the possibility for the issuer to directly place mini-bonds on the ExtraMOT PRO platform with the support of an entrusted operator. The service ensures continuity between the primary and the secondary market, and being all automated, from the launch of the transaction to the settlement of the contracts, it simplifies the whole process of issuance.[21]

Listing on this segment requires a simplified documentation, shorter procedures and lower costs if compared to the traditional bonds issues; it aims to facilitate the access to the capital market also for companies, as SMEs, traditionally adverse to this source of financing. ExtraMOT PRO can also represent the first step in linking the companies to the stock exchange, laying the foundations for a subsequent potential openness to the equity market.

The initial requirements for listing oblige the issuers to have filed the last two-years financial statements, also consolidated, with the last one to be revised, independently drawn up in conformity with the national or international accounting standards. In addition, they must draft one of the following documents:

- The *Prospectus*, usually selected by medium-large companies for bond issuances with volumes of at least 200 million euros, that shall be prepared according to the rules[22] covered by the Commission Regulation (EC) No 809 of 29 April 2004;

  or
- The Admission Document, usually chosen by small-sized issuers for transactions below 30 million euros, or for private placements, that shall be prepared according to the guidelines set out in the ExtraMOT Regulation;[23]

  or
- The offering memorandum, in line with the art. 102 of the TUF.

[20] ExtraMOT is the multilateral trading facility of the Italian Stock Exchange for bond instruments. It is reserved to bonds and other debt securities already listed on a EU regulated market, but it allows the trading of foreign government securities and bonds issued by unlisted banks too. It is open to professional as well as retail investors.
[21] For more details on the so-called "Procedura OPS on the ExtraMOT segment", reference is made to POLITECNICO DI MILANO, Osservatorio Mini-bond - "3° Report Italiano sui Mini-bond", February 2017, page 19
[22] For further information, see: Official Journal of the European Union, L 149/105, 30.4.2004, Annexes IV et seq. on the minimum disclosure requirements for debt and derivative securities of the Commission Regulation (EC) No 809/2004
[23] Reference is made to ExtraMOT market regulation updated to 13.03.2017, Section 10, Guidelines on the Admission Document

These documents must be presented to Borsa Italiana, together with the application form and a summary of the debt securities features to be admitted on ExtraMOT PRO. The issue of mini-bonds does not involve the subjection to any control by the Supervisory Authority, even on the content of this documentation.

The former can be anticipated by email in electronic format, but then it must be lodged in the format paper. The Admission Document or the *Prospectus*, together with the summary of the debt securities features can be sent by email. The issuer must request the assignment of the ISIN[24] code to the Bank of Italy.

Following the ExtraMOT Regulation, Borsa Italiana publicly announces its decision to accept or reject the company application within seven days of open market from the date of receipt of the documentation, by mean of a special notice on the starting date of the negotiations. If all the conditions are met, the whole listing process so far described could cover a period of two-three weeks.

Anyway, Borsa Italiana reserves the right to disrupt the admission proceeding if it believes there is a need to acquire additional information as well as exemptions to the ExtraMOT Regulation may be granted in listing the securities. This latter can be listed on any regulated market or multilateral trading facility of the EU Members and/or of the EEA (European Economic Area) "White List"[25] countries; they can be listed on several markets simultaneously.

If the issuance has been structured in several tranches, the issuer may ask for the admission on the stock exchange for the amount distributed during the offer period ending at least two days prior to the date of issue. Subsequently, if other offer periods are triggered and further securities are subscribed, the issuer will communicate the updated outstanding volume of the bond loan to Borsa Italiana.

Normally the applicants chose the Admission Document to submit the information; the drafting provisions of the Italian Stock Exchange are less stringent than those regulating the Prospectus, making the listing process shorter, easier, more flexible and less expensive.[26]

It requires the disclosure of some minimal information briefly outlined as follows:[27]

- Persons responsible (as the Section 1 of Annex IX);
- Risk factors (as the Section 3 of Annex IX);
- Information about the issuer (limited to the Section 4.1 of Annex IX relating to the history and development of the Issuer);
- Organisational structure (Section 6 of Annex IX);

[24] The ISIN (International Securities Identification Numbering) is a 12-character alpha-numerical code set up at international level to number specific securities, such as stocks, bonds, options, futures, funds, indexes and more.
[25] List of States with allow the exchange of information to avoid double taxation on the income, in force in Italy with the introduction of the Ministerial Decree of 4 September 1996 and subsequent amendments.
[26] These favourable conditions and the simplified procedure for the market access have fostered an increasing number of medium-large sized companies to issue mini-bonds, even if they were already listed on the equity markets of the Italian Stock Exchange.
[27] The Annexes refer to the previously mentioned about the minimum disclosure requirements for debt and derivative securities set up in the Commission Regulation (EC) No 809/2004

- Major shareholders (Section 10 of Annex IX);
- Financial information concerning the Issuer's assets and liabilities, financial position, profits and losses (Section 11 of Annex IX). In alternative, the last financial statement is attached;
- Information concerning the securities to be admitted to trading (Section 4 of Annex XIII);
- Admission to trading and dealing arrangements (Section 5 of Annex XIII).

Borsa Italiana may request further information or authorize some omissions as well as make changes to the content or to the listing process according to the characteristics of the deal.

Before the admission on the stock exchange, the issuing company must make the information available on its website[28]. It must publish the *Prospectus* or the Admission Document and the last two financial statements. After the admission, the issuing company shall publish the revised annual financial statements within six months after the end of the period, all the price sensitive information, the information concerning any modification to the rights of the subscribers or to the technical characteristics of the debt securities, and whether the issuance is supported by a rating, any variation of the judgement must be disclosed to the market.

[28] Or using an authorized SDIR, entered on the Consob's list under Article 113-ter, sub-paragraph 4, a), DL 58/1998.

1.4. The regulatory framework

The new regulation comprises the Decree-Law No 83 of 22 June 2012 ("Decreto Sviluppo") and the subsequent additions and amendments made by Legislative Decree No 179 of 18 October 2012 ("Decreto Sviluppo Bis"), by the Decree-Law No 145 of 23 December 2013 ("Piano Destinazione Italia") and by the most recent Legislative Decree No 91 of 24 June 2014 ("Decreto Crescita e Competitività").

What has prompted the Italian legislators, in line with the Community-wide labelling directives, to reform and simplify the regulation governing the financial instruments was the awareness that by fostering "*productive investments, the creation of new jobs and stronger innovation, SMEs can help bring about more sustainable and inclusive growth with broader benefits for our societies*".[29]

It is important to stress that they have not introduced a new form of financing; the debt securities that are actually defined as "mini-bonds" were already provided for by Italian law, but the previously rules in force were so disadvantageous to preclude SMEs from accessing to funding other that bank loans.

Some legal limitations, under the civil and tax law, hindered SMEs from issuing corporate bonds to collect financial resources, depriving them of any real alternative to the traditional bank debt. The innovation lies in the amendments that, starting from mid-2012, have removed these barriers and have extended benefits, so far reserved to listed companies, in favour of unlisted companies.[30] The new legislation has introduced important tax benefits, both for the issuers and for investors, to encourage the use and the spread of this financing instrument. The main fiscal measures that will be thoroughly examined are the deductibility of the interest expense and the waiver of the 26% withholding tax on interest and other proceeds accrued on the mini-bonds.

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The Legislative Decree No 83 of 22 June 2012 (the so-called "Decreto Sviluppo" or "Development Decree") and the subsequent additions incorporated in the Legislative Decree No 179 of 18 October 2012 converted with Law 221/2012 (the so-called "Decreto Sviluppo Bis" or "Development Decree Bis") have briefly allowed SMEs or generally unlisted companies to issue securities on the bond market, i.e. the mini-bonds, under the same conditions as those of listed companies on the Stock Exchange.

Their main measures can be summarised as follows:

- The deletion of the quantitative limits to the bond issuances laid down in Article 2412 of the Civil Code

In the previous legislation, the issuer could issue bearer or registered bonds for an overall amount not exceeding twice the company equity, i.e. the share capital, the legal reserve and available reserves resulting

[29] A. Gurría, OECD Secretary General, from the forward of the annual report: "Financing SMEs and Entrepreneurs 2017 – an OECD scoreboard"
[30] In this way, SMEs could take advantage of those financial instruments which, faced with the lack of credit from banks, had allowed big companies to find alternative funds and counter the severe liquidity crisis that the world economy was facing.

from the last approved balance sheet. This limit could be exceeded if the surplus bonds issued were subscribed by professional investors. These provisions could be exempted only if the debt securities were issued by listed companies, which, generally, correspond to large-sized companies in Italy.

In support of the SMEs, the Article 32 of the Development Decree has partially smoothed their disparities by extending the possibility of issuing bonds more than twice the equity to all unlisted companies[31], other than banks and micro-enterprises, which issue bonds intended to be listed on regulated markets or on multilateral trading facilities[32]. The new provisions have therefore deleted the legal constraints which effectively prevented unlisted companies from issuing bonds for a sufficient amount to finance growth and development plans.

- Tax benefits for mini-bonds issuers

The new regulation has introduced the possibility for unlisted companies, i.e. those firms not having shares listed on regulated markets or on multilateral trading facilities of the EU Members and/or of the EEA countries included into the "White List", to deduct the interest expense within the limits[33] set out by Law, provided that the mini-bonds are traded on regulated markets or multilateral trading facilities of the previously mentioned countries, as well as held by professional investors who do not hold more than 2% of the issuer's share capital or its assets (directly or indirectly, as said through trust companies or a third party), as long as the beneficial owner of the proceeds is resident in Italy or in States and territories which allow a proper exchange of information.[34]

If the above conditions are properly satisfied, the interest payables can be deducted for IRES purposes up to the limit of 30% of the Gross Operating Margin. For those securities that are not traded on the regulated markets or MTF previously mentioned, the threshold to deduct the interest expenses still applies only if the other three conditions are fulfilled, while the impossibility persists on those securities underwritten and held by different subjects and for micro businesses. However, this has been a very significative measure for SMEs, since in the past the full deductibility of interest expense was applied exclusively to bonds issued by banks, listed public limited companies and economic public entities transformed into joint-stock companies.

[31] These amendments are explicitly directed to support Public Limited Companies, but they do not prevent Limited Liability Companies to exploit their benefits. Under the civil provisions at Article 2483, if explicitly provided for by the Statute, they may issue debt securities intended exclusively to be subscribed by professional investors subject to prudential supervision.
[32] Reference is made to the LD 83/2012, Ch.2 *"Nuovi strumenti di finanziamento per le imprese"*, Article 32, sub-paragraph 26
Text of the LD 83/2012, incorporated into LD 134/2012, laying down: «Misure urgenti per la crescita del Paese»

[33] Pursuant to Article 96 of the Italian Income Tax Code (TUIR), the interest expense can be deductible up to the limit of 30% of the Gross Operating Margin, computed following the calculations to get the Italian "MOL" (or "Margine Operativo Lordo")
[34] Reference is made to the LD 179/2012, Section X *"Ulteriori misure urgenti per la crescita del Paese",* Article 36, sub-par 3a
Text of the Law 221/2012 incorporating the LD 179/2012, laying down: «Ulteriori misure urgenti per la crescita del Paese» page 63

Furthermore, the new provisions have established that the costs, fees, expenses to issue these debt securities can be deductible in the financial year in which they are incurred, regardless of the charging criterion applied in the accounts.[35]

- <u>Tax benefits for mini-bonds investors, if traded on regulated markets or on multilateral trading facilities in EU and/or "White List" countries</u>

The mid-2012 legislation has extended the exemption from the 26%[36] withholding tax on interest and other proceeds from financial instruments to bonds and similar debt securities issued by unlisted companies[37], provided that their securities are traded on regulated markets or on multilateral trading facilities of the EU Members and/or of the EEA "White List" countries, replacing the previous regime of tax benefits applied exclusively to bonds issued by banks, listed public limited companies and economic public entities transformed into joint-stock companies.

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The Legislative Decree No 145 of 23 December 2013 (the so-called "Piano Destinazione Italia" or "Destination Italy Decree") has introduced further measures to foster the mini-bonds spread within the Italian economy and to facilitate institutional investors in the subscription of the debt securities issued by unlisted companies.

The new measures can be summarised as follows:

- <u>The possibility to extend the scope of the securitization to bonds and similar debt securities</u>

  The Decree provides[38] the possibility to apply the provisions of Law 130/1999[39] to securitization transactions carried out through the subscription of bonds and similar securities. The previous legislation allowed to the SPV vehicle could only buy such securities without being able to directly subscribe them on the primary market.

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[35] Reference is made to the LD 83/2012, Ch.2 "*Nuovi strumenti di finanziamento per le imprese*", Article 32, sub-paragraph 13

[36] The LD 66/2014 has imposed the general increase from 20% to 26% of the rate of withholding taxes and substitute taxes on financial income, with effect from 1 July 2014.

[37] Reference is made to the LD 179/2012, Section X *"Ulteriori misure urgenti per la crescita del Paese",* Article 36, sub-par 3b

[38] Reference is made to the LD 145/2013, Article 12 "*Misure per favorire il credito alla piccola e media impresa"*. The first sub-paragraph specifies how such measures relate to the securitization transactions carried out through the subscription and purchase of bonds and similar debt securities, excluding securities representing the share capital, hybrids and convertible bonds.
Text of the LD 145/2013, converted into Law 9/2014, laying down: «Interventi urgenti di avvio del piano «Destinazione Italia», per il contenimento delle tariffe elettriche e del gas, per la riduzione dei premi RC-auto, per l'internazionalizzazione, lo sviluppo e la digitalizzazione delle imprese, nonché' misure per la realizzazione di opere pubbliche ed EXPO 2015» (G.U. 23/12/2013, No 300), page 18

[39] Law No 130 of 30 April 1999, laying down: "*Disposizioni sulla cartolarizzazione dei crediti*", recently modified by the LD 50/2017 bearing the inscription: «*Disposizioni urgenti in materia finanziaria, iniziative a favore degli enti territoriali, ulteriori interventi per le zone colpite da eventi sismici e misure per lo sviluppo*.»

- <u>The increase of the subjects eligible for the subscription of the securities</u>

The new provisions have widened the audience of potential mini-bonds investors, by making possible for insurance companies as well as pension funds to invest in securities that have been issued as part of securitization transactions, also not intended to be traded on a regulated market or on a multilateral trading facility, and even without a credit assessment. Insurance companies can invest in these new financial instruments as assets eligible to cover the technical provisions.[40]

- <u>Tax benefits for mutual funds</u>

The exemption from the 26% withholding tax has been extended on interest and other proceeds from investing into bonds and similar debt securities issued by the unlisted companies also to collective investment undertakings, consisting exclusively of qualified investors, whose asset is mainly invested in these securities.

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The most recent Legislative Decree No 91 of 24 June 2014 (the so called "Decreto Crescita e Competitività" or "Growth and Competitiveness Decree") has strengthened the provisions introduced with the previous Decrees aiming to increase the attractiveness of the mini-bonds market for investors.

Two are the main measures that can be summarised as follows:

- <u>Tax benefits for mini-bonds investors, also if not traded on regulated markets or on multilateral trading facilities in EU and/or "White List" countries</u>

The Legislative Decree 91/2014 has broadened the exemption from the 26% withholding tax on interest and other proceeds deriving from bonds and similar debt securities issued by unlisted companies also to securities that are not traded on regulated markets or on multilateral trading facilities of the EU Members and/or of the EEA "White List" countries, but provided that they are held by one or more qualified investors.[41]

- <u>Tax benefits for collective investment undertakings and company for the credit securitisation</u>

The exemption from the 26% withholding tax has been applied also to interest and other proceeds deriving from bonds and similar debt securities issued by unlisted companies paid to collective investment undertakings and companies for the credit securitization. The collective investment schemes must be established in Italy or

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[40] Different has been the implementing legislation issued by the supervisory institutions on investments and assets allowed for the coverage of the technical provisions.

[41] Reference is made to the LD 91/2014, Ch.3 "*Disposizioni urgenti per le imprese*", Article 21, sub-paragraph 1. Please refer to Article 100 of the LD 58/1998 for the reminded definition of "qualified investors".
Text of the LD 91/2014, converted into Law 46/2014, laying down: «Disposizioni urgenti per il settore agricolo, la tutela ambientale e l'efficientamento energetico dell'edilizia scolastica e universitaria, il rilancio e lo sviluppo delle imprese, il contenimento dei costi gravanti sulle tariffe elettriche, nonché' per la definizione immediata di adempimenti derivanti dalla normativa europea» (G.U. 24/06/2014, No 144), page 73

in a EU country, their assets must be invested for more than 50% in such securities and be held exclusively by qualified investors.

Similarly, the withholding tax does not apply to interests and others proceeds paid to companies for the credit securitization, that issue securities held by qualified investors and with more than 50% of the assets invested in these bonds.[42]

Completed the discussion of the rules currently in force and pending for further measures to support SMEs, the next paragraph will be dedicated to the main advantages and disadvantages linked to the mini-bonds market that are going to be compared with those of the bank loan, the traditional source of financing for the small and medium-sized enterprises.

[42] Reference is made to the LD 91/2014, Ch.3, Article 21 *"Misure a favore delle emissioni di obbligazione societarie"*, sub-paragraph 2

1.5. PROs and CONs of the debt security

When issuing mini bonds, there are several advantages for SMEs, but accessing this debt instrument does not only require an economic investment, as much a cultural change for the companies.

Their cost, in fact, is higher than the one required by the bank for a similar loan, but the issuers should identify the trade-offs associated to the market by evaluating the benefits that mini-bonds could bring in terms of growth and corporate development. On the other side, since they are designed for SMEs that want to raise liquidity to finance their projects, they proved to be easier to issue, less complicated and less expensive than traditional debt loan, also due to their simplified documentation required by the new regulation.

Among the PROs, they can briefly be resumed as follows:

- Diversification of the financing sources and mitigation of the companies' dependence on the banking system;

- Visibility on the market and greater exposure to international investors too, due also to the availability of listing the securities on the ExtraMOT PRO. The issuer can increase its attractiveness and promote its brand by providing disclosure and transparency on important company information and on its performance;

- The already analysed tax benefits, including deductibility of interest expense up to 30% on the Gross Operating Margin as for bank interest, deductibility of the issuance costs in the same year in which they have occurred and the exemption from withholding tax;

- Possibility to repay the principal amount at "bullet", i.e. to periodically incur only in the payment of the coupon over the life of the loan, avoiding large cash outflows before the maturity, when typically, fixed investments may still do not have generated sufficient liquidity;

- A usually longer maturity, that has been verified and will be analysed in the following chapter. Times and repayment terms, indeed, represent a very important variable for the companies since they depend on the development and the same feasibility of the industrial plan to be financed. The longer is the maturity of the bond loan and the softer is its amortization schedule, the greater will be the advantage of the company in terms of financial stability and cash flows generated by the investment.

- Opportunity to redevelop the liabilities through a better financial balance that could englobe the lengthening of their average maturity, the credit stability and improvement of the balance sheet ratios;

- Direct access to the capital market;

- No mandatory guarantees provision.

Among the CONs that can be related to this debt security, the cost and all the variables influencing its determination are now its main disadvantage, especially compared to the low interest rates currently applied by the banks.

They can be summarized as follows:

- Their visibility and reliability require a cultural investment towards the company transparency; it involves the realization of several activities to provide investors with all the necessary information for assessing the investment risk. It represents a significant cost for the company, which in reality should figure much as an investment for the future in terms of image and credibility on the market;

- At least for the moment, mini-bonds are illiquid securities since they can be accessed only by professional investors that usually apply a "buy-hold" strategy to this investment. Companies pay a higher coupon[43] to remunerate this small market and to attract other investors, also because most of the mini-bonds are considered "no-investment grade";

- Companies incurred into several administrative and consulting costs necessary for structuring the issuance and for the subsequent eventual listing on the Stock Exchange. They depend on the specific characteristics and needs of each issuing company, but the following are common to most of the transactions: costs for the consultancy provided by the advisor, for the assistance of the arranger, for the rating agency, for the due diligence, legal costs and the commissions for the centralization of securities at Monte Titoli as well as those for the Stock Exchange.

In the comparison between bank and mini-bonds lending, the examination of their different characteristics is necessary for evaluating their convenience by taking into consideration other additional parameters to the interest rates.

The table below compare the two loans according to these further criteria, such as the maturity, the repayment methods (bullet, amortizing, tailored) and the fact that mini-bonds guarantee the capital availability up to the expiration date, without running the risk to experience a withdraw funding and/or a reduction or change in the amounts and conditions from the lender.

[43] It depends on a whole series of internal and external variables. Among these, the risk profile of the issuing company, the premium for illiquidity, the spread on corporate bonds with same rating, the spread compared to long-term government bonds, the type of security, the presence of any guarantee and the maturity and type of coupon.

Investors	Banks	Institutional and private qualified investors (minibond)
Maturity	medium and long-term debt	
Criteria to assess the debtor economic situation	capital strength, profitability, cash flows	
	Qualitative aspects based on the long-term relationship between bank and customer	Qualitative aspects based on the company's characteristics. Quantitative aspects based on future forecasts and trends prospective of the business
Collateral	Normally required	Not necessarily required
Interest rate	Dependent on: cost of capital and cost of the bank's liquidity, valuation of the credit worthiness, market competitiveness banking, presence of collaterals	Dependent on: issuer rating, secondary market conditions, liquidity of the issue
Costs	Cost of inquiries	Legal costs, different consulting costs, listing commissions and cost to revise the last budget
Placement	Bilateral or pooled transactions	Private placement, in case of public issuances, consortium with guarantee and placement
Advertising of the conditions of the operation	No	Yes
Rating	No	Yes
Reporting to Central Risks	Yes	No
Negotiation time	Dependent on the complexity of the transaction, normally longer for the mini-bonds issuances	
Possibility of withdrawing funding or reduction or change conditions aside of the lender	Yes	No
Brand promotion	No	Yes

Table 1.2 – Comparing the qualitative parameters of bank and mini-bond loans to find their advantages

The parameters shown in the table are expressions of their "qualitative differences", whose choice depends essentially on the subjective preferences of the companies at the time of financing and on the availability of the lenders to fulfil their needs of liquidity.

Those who issued mini-bonds recall the ability to have attract typical AIM investors on a debt transaction, to have obtained wide visibility on the market and on the media and allowed them to test the market mechanisms. Lots of enterprises, in fact, have chosen to issue mini-bonds as a preliminary phase to approach a new capital market compared to the traditional banking channel, using at first a form of debt financing to then move on the equity market.

The next chapter is fully dedicated at analysing the interaction of this source of debt financing that have spread in the SMEs capital structure during these last 4 years. The study will aim at identifying their main characteristics and analyzing the dynamics that have interested the two markets over this time, to possibly get significant conclusions about the influence that one source can exert on the other.

CHAPTER 2

Bank Loans and Mini-bond Loans. Comparing the two markets

2.1. Introduction

This chapter focuses on the comparison between two of the debt funding sources which best could support small and medium-sized enterprises in raising capital for their growth.

Bank loans and mini-bond loans will be compared in terms of issuance volumes and interest rates applied to non-financial companies, of course, over a 4-year time span that runs from 1 January 2014 to 31 December 2017.

Data on bank lending are derived from the Statistical Database of the Bank of Italy, while the surveys concerning the mini-bonds market come from the list of quotations available on the Italian Stock Exchange website relating to the ExtraMOT PRO segment.

Based on these results, reflections will be carried out to understand whether the mini-bonds have only a temporary role for companies or if they are debt instruments, with direct access to the capital market, able to perform a complementary function to the banking system. These conclusions will also be taken in relation to the potential impact of the ECB's recent monetary policies on the current and prospective outcomes.

2.2. Bank loans. Volumes and interest rates charged to Italian companies from 2014 to 2017

This first paragraph is dedicated to an in-depth assessment of the bank lending system in Italy. The goal is to highlight the credit developments that followed the crisis, focusing the attention on the changes occurred on bank loans in support of the real economy. Findings will allow to estimate the difficulties faced by the Italian corporations in raising capital from their first source of funding and to understand the importance of introducing new financial instruments to fulfill their financing needs, to do not exit from the business and, possibly, to foster growth.

2.2.1. Definition of the Scope and the Sample of the Analysis

The banking system is completing the adaptation to the new market environment and the deep regulatory review following the crisis. Banking rules introduced in response to the economic downturn have profoundly affected the prudential and accounting rules of the credit institutions.

The new regulatory precepts push towards the downsizing of the banking system[44]. Among these, the Basel III principles have risen capital requirements, limited leverage and established stringent liquidity requirements. In several countries, measures have been introduced to separate the credit activity from the financial activity that banks carry out on their own account. These regulatory innovations aim to make banks less risky, equipping them with more capital, more liquidity, and a lower leverage degree. However, they inevitably have compressed their profitability and the development of the credit market, with negative effects on the availability of loans to the real economy.

This is the background in which the present document has been drawn up. The analysis is based on data concerning the volumes and interest rates applied to loans granted by banks to Italian non-financial corporations in the time span that runs from 1 January 2014 to 31 December 2017. These variables have been examined on an annual basis, as well as for each month to seize as far as possible information about the phenomenon. In addition, loans have been divided and analyzed according to their volume and maturity; it has allowed to study the characteristic of bank loans with short-term and medium/long-term distinctly and compare their results with the mini-bonds loans having the same maturity.

2.2.2. Quantitative assessment

In the last four years from November[45] 2014 to the same month 2017, the decline in loans granted by the banking system to Italian non-financial corporation has continued, reaching a reduction of the total outstanding amounts that accounts for -9,35% (approximatively € -76,5 billion). The figure raises at -11,56% (i.e. € -96,87 billion) when considering January 2014 as basis for the valuation.

The table below, indeed, shows a decrease of the bank loans stocks per annum, that as noted has particularly affected lending exceeding 5 years, immediately followed by those with short-term maturity. Bank loans with a maturity between 1 and 5 years have moved in the opposite direction, recording a comprehensive growth of +26,3% within the selected time span.

Period	Total Outstanding Amounts of Bank Loans to Italian Non-Financial Corporations	Outstanding Amounts of Bank Loans up to 1 year	Outstanding Amounts of Bank Loans from 1 to 5 years	Outstanding Amounts of Bank Loans over 5 years
year 2014	817.548.900.000	299.248.190.000	129.741.350.000	388.559.370.000
year 2015	804.131.010.000	288.248.690.000	148.146.240.000	367.736.090.000
year 2016	785.729.740.000	267.230.720.000	160.792.110.000	357.706.920.000
year 2017	741.129.480.000	248.531.470.000	163.875.760.000	328.722.240.000
delta '14-'17	**-76.419.420.000**	**-50.716.720.000**	**34.134.410.000**	**-59.837.130.000**

Table 2.1 – Yearly outstanding amounts of bank loans to Italian non-financial corporations

[44] F. Panetta (2017), *"Il sistema bancario italiano e l'uscita dalla crisi"*, Speech of the General Deputy Director of the Bank of Italy, ABI - Banking Union and Basel 3: Risk & Supervision 2017 (Rome, 14 June 2017)
[45] Data on December 2017 have not yet been disclosed so the month of November has been selected to compare the results at the end of each year.

It should be noted that, despite the much smaller overall outstanding amounts, they probably have represented a good compromise for both parties in years of intense economic downturn. They should enable banks to be repaid in a shorter time than loans with a maturity above 5 years, as well as companies to get a type of financing more suitable for investing in development projects.

One of the problems that most have struck the Italian economy is the strong imbalance in the financial and capital structure of its firms, mainly represented by small and medium-sized enterprises. They not only present a few diversified range of financing sources, consisting almost entirely of debt instruments, but among these they are too dependent on bank loans with short-term maturity, often used to make investments in fixed assets.

Short-term debts, of course, should be redeemed long before that this invested capital will be able to generate cash flows exceeding the financial charges that the indebtedness obliges to pay.

In adverse economic conditions, this financial fragility gets worse, resulting in serious difficulties in repaying borrowing costs. The undercapitalization of the Italian companies, as well as the entrepreneur's reluctance to open the share ownership to external investors and its wary linked to the disclosure requirements of a broader capital markets, are problems in addition to an already compressed situation.

A rebalance of corporate balance sheets appears to be an indispensable condition for starting medium-term growth. The resources needed to finance investments need also to be originated from companies' equity. Equity capital is in fact more suitable than debt capital to finance innovation, which is well known to be a strategic element to support productivity and growth. Debt capital, in turn, will have to require longer maturities and be less concentrated towards the banking system.

Going back to analyze the quantitative side of this credit crunch, the Figure 2.1 shows the change in the total outstanding amounts of bank loans to Italian non-financial corporations in the last decade. They have been characterized by a quite linear increase in the first years affected by the crisis, trend that has completely reversed from the beginning of the 2012.

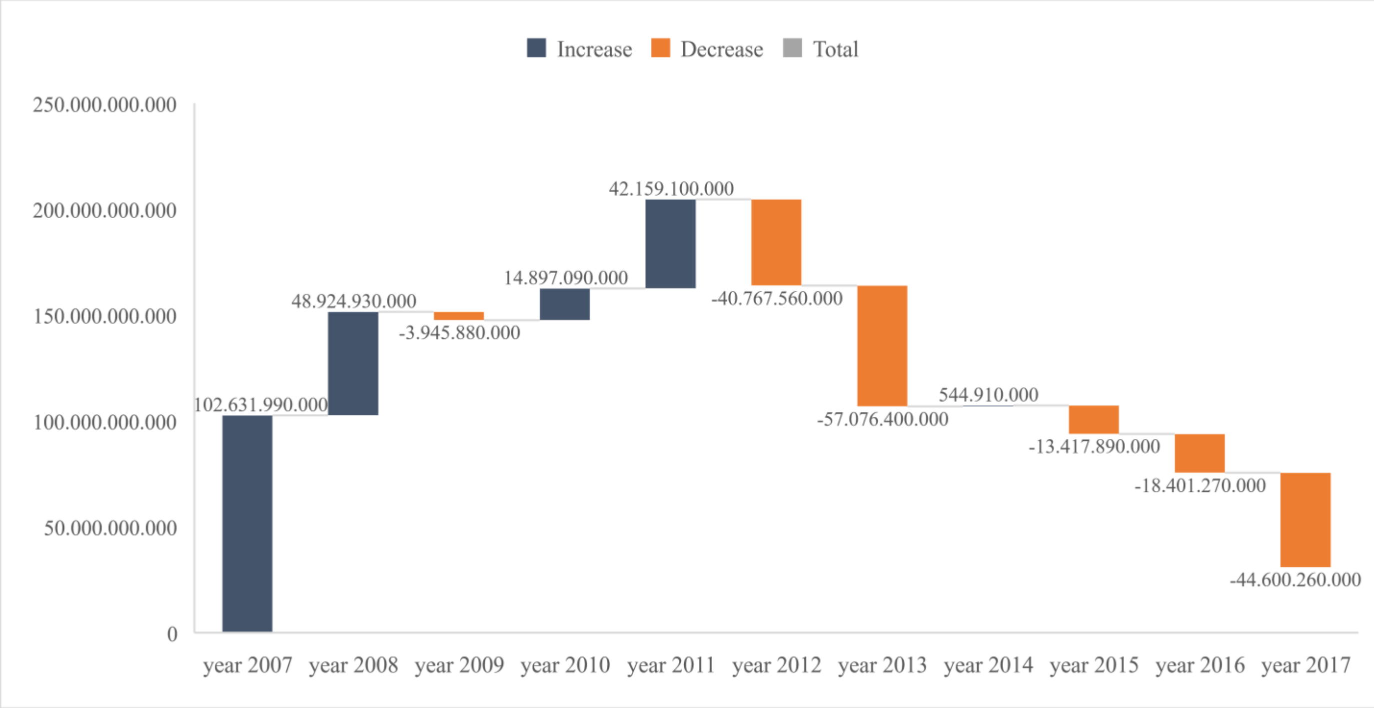

Figure 2.1 – Difference in the total outstanding amounts of bank loans to Italian non- financial corporations from 2007 to 2017

Italian banks have held up well the impact of the first wave of the crisis, of a financial nature. However, the protraction of the recession and the tensions on sovereign debt have caused a worsening of the conditions of the collection and of the credit quality especially for the companies.

In fact, there is evidence of a stiffening in granting bank credit since the early mid of 2009, when it has become negative for the first time. The limited degree of capitalization and the pre-eminent role of bank credit made companies more vulnerable to the restrictions on banks' lending. The resulting high weight of the debt on companies' capital structure have compressed their profitability and have weakened their resistance these external shocks. The effects of the crisis have so quickly spread to the real economy. In addition, the regulatory innovation introduced with Basel III concerning bank's capital and liquidity standards, whilst aim to provide stability to the financial system, have participate to slow down lending in these years.

By examining the volumes of new bank loans granted to Italian non-financial corporations in the 4-years ranged from 2014 to 2017, it is noted an increase in these figures during the year 2015 to which bank loans with short-term maturity and those exceeding € 1 million contributed the most.

Following the criteria used by the Bank of Italy to classify these debt issuances, in fact, loans have been distinguished into 5 main categories whose figures for the selected period are resumed in the following table.

Period	Total Outstanding Volume (€) per annum	Volume of Bank loans up to 1 year	Volume of Bank loans up to € 1 million	Volume of Bank loans over € 1 million	Volume of Bank loans with guarantee up to € 1 million	Volume of Bank loans with guarantee over to € 1 million
year 2014	861.808.900.000	386.569.100.000	162.809.200.000	232.193.200.000	41.287.900.000	38.949.500.000
year 2015	922.396.000.000	414.672.600.000	165.583.400.000	261.308.400.000	42.555.200.000	38.276.400.000
year 2016	884.729.300.000	389.731.300.000	164.535.700.000	248.508.700.000	42.723.400.000	39.230.200.000
year 2017	710.480.100.000	309.708.800.000	151.356.900.000	185.984.300.000	35.242.300.000	28.187.800.000

Table 2.2 – Volumes of bank loans to Italian non-financial corporations between 2014 and 2017

After this sign of probably investment recovery by companies, loans volumes turned to decreased in 2016, with a sharp decline in the last year.

The reported data are the results of “two types” of credit rationing: in the strong sense, consisting in a real refusal to grant new loans, and/or in a weak sense, consisting in granting bank loans on so burdensome terms to induce the debtor to refuse the credit offer.

The decline in loans reflects the weakness in its demand from the companies, which dealing with strong economic difficulties have contracted their investments. From the other side, one of the main obstacle to the loans supply has been the worsening of the companies’ credit risk.

Based on these data and by using the interest rate applied by the banking system to each type of loans, the assessment continued with the computation of the cost associated to all these individual categories.

The periodic cost of borrowing through a bank loan has been computed by dividing the amount of each monthly issuance on the overall outstanding volume for the period, so deriving the weight of each monthly summary transaction on the yearly total. This weight has then been multiplied for the interest rate of each specific type of granted loan, allowing to get the weighted average cost for each sub-period.

Period	Weighted Average Cost (%) per annum	Weighted Average Cost of Bank loans up to 1 year	Weighted Average Cost of Bank loans up to € 1 million	Weighted Average Cost of Bank loans over € 1 million	Weighted Average Cost of Bank loans with guarantee up to € 1 million	Weighted Average Cost of Bank loans with guarantee over € 1 million
year 2014	3,414%	3,012%	3,905%	2,431%	4,749%	2,972%
year 2015	2,545%	2,143%	2,985%	1,655%	3,742%	2,197%
year 2016	2,099%	1,712%	2,453%	1,251%	3,174%	1,903%
year 2017	1,834%	1,527%	2,122%	1,083%	2,821%	1,619%
Average cost for the period '14-'17	**2,473%**	**2,098%**	**2,867%**	**1,605%**	**3,622%**	**2,173%**

Table 2.3 – Weighted average cost of bank loans to Italian non-financial corporations from 2014 to 2017

The values reported in the table are the result of summing each individual estimated costs per annum. The cost of borrowing money from the banks has decreased by approx 1,6%, and has interested the most loans up to € 1 million, secured and unsecured.

The interest rates applied by the banking system on the loans granted to Italian non-financial corporations and to Italian families have recorded a sharp decline in these 4 years. In 2007 they ranged between 5% and over 6%; in the middle of 2008 they suffered a strong collapse that lasted for about two years.

In 2010 they were between just under 2% and 3.5%; since then, they started raising pushed by the higher credit risk associated to companies and reached a peak in mid-2011 when they ranged between 3% and 5%. Since mid-2012, the increase in the insolvency rate of Italian companies has offset the potentially positive effects of the reduction in interest rates and of the decline in yields on government securities, which took place during 2013. From that moment onwards the interest rates have gradually fallen for two years, giving way to an accelerated downward trend beginning with the middle of 2013 and still ongoing in these last years.

Of course, this has translated into a cost advantage for companies interested in financing their business through the recourse to the banking system, but on the other hand, as confirmed by the data on the volumes, credit institutions have become increasingly cautious in granting loans, increasing the difficulty to rely on this source of financing.

The uncertainty about the economic outlook, the high risk of insolvency and difficulties in assessing the creditworthiness of each debtor have increased the risk aversion of intermediaries and pushed them to adopt restrictive credit policies. The reduced availability of credit has concerned also companies with balanced and profitable financial conditions, albeit with less intensity than other riskier companies. Differencies on their geographic location is now being examined.

2.2.3. The regional supply and demand for credit

Based on the information provided by the periodic survey[46] on the regional[47] demand and supply for credit and on the demand for financial instruments carried out by the Bank of Italy, it is now examined the geographical distribution of the bank loans to Italian non-financial companies between 2014 and 2017.

The first half of 2014 has been characterized by a general weak demand for loans, proving the difficulties faced by the real economy and the lack of conditions to foster investments. The slight signs of expansion in the North-East regions have been offset by a further decline in the Center, whilst the demand has been stagnated in the other areas of the country.

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[46] Reference is made to the Regional Bank Lending Survey (RBLS) carried out by the Bank of Italy, which reproduces in large part the questions contained in the Eurosystem survey (Bank Lending Survey, BLS)

[47] The Italian regions have been grouped into 4 macro categories according to their proximity. Talking about North-West, reference is made to Piemonte, Valle d'Aosta, Lombardy and Liguria, whilst the North-East includes Trentino-Alto Adige, Veneto, Friuli Venezia Giulia and Emilia-Romagna. Similarly, central regions englobe Tuscany, Umbria, Marche and Lazio, whilst South and Islands include Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia.

Demand for investments has continued to fall during the year, led by a strong contraction in the construction sector, whilst it has turned to growth for the manufacturing companies in the North. These latter have seen a break of the conditions tightening to access credit. The lending policies followed by medium-large sized banks have stabilized in all areas of the country, differently from those applied by smaller banks which have been more cautious in the central and southern regions.

During 2015, the demand for loans from companies has continued to growth. For the second consecutive semester, these loans proved to be addressed to productive investments. Indeed, this has been the year with higher outstanding volume of new loans granted to the industries (approx. € 922,4 billion). They could benefit of much easier conditions to access credit, a gradual process which has been more intense for larger banks and that has not concerned smaller banks in the South.

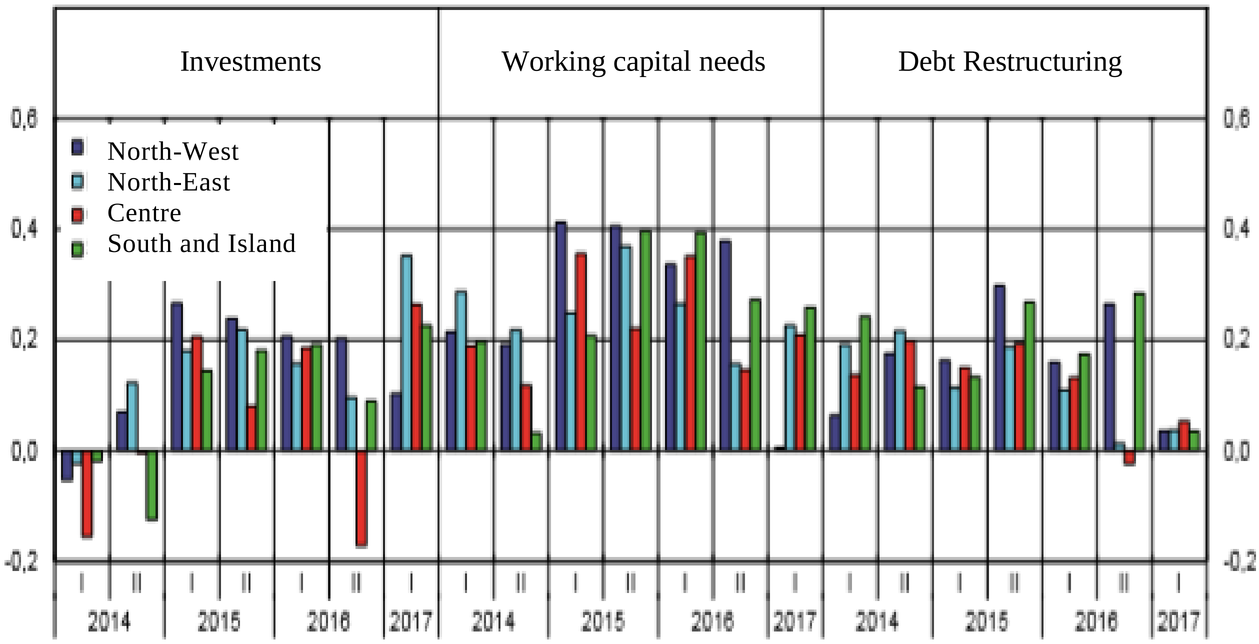
In the first half of 2016, the demand for loans from non-financial corporations has still grown in all areas of the country apart from the Centre, where the productive activity has faced significant difficulties arising from the seismic events that hit some central regions. Once again, the request for lending has been greater for large and medium-sized banks than for smaller ones.

The manufacturing and service sectors have contributed the most to this expansion, despite a weak demand has been recorded from the construction sector. The latter, in fact, has been affected by more caution in getting banks financial resources especially in the North-East, whilst in all the other geographical areas the process of accessing loans under easier conditions continued to occur, being more marked for the larger banks.

The year 2017 has been characterized by the growth in demand for credit from companies in all the country except in the North-West regions. Loan requests have originated mainly from the financing needs of productive investments. The easier conditions of credit access remained generally extended; in particular, the spread applied on loans, source of income for the banks, has decreased along with an increase of the credit amount available for companies.

Banks have applied more selective supply policies in the assessment of company ratings and this justifies the lower new loans volume recorded for the year, showing how they still continue to maintain a general cautious attitude which is particularly accentuated towards building companies.

The figure 2.2 shows that the credit requests from non-financial corporations has been mainly intended to finance working capital and consolidate their debt positions until the 2016. The demand for loans aimed at supporting productive investments have remained weak for the first three years but it has become the main purpose from the last examined year.



Source: *Regional Bank Lending Survey* (RBLS), n.24 – November 2017

Figure 2.2 – Main drivers of the bank loans demand

Loan demand and supply, therefore, have showed a recovery during the period, but banks are expressing new signs of tightening from the offer side, thus enabling bond loans to potentially increase their role within the companies' capital structure. The next sections are so addressed to deepen this source of financing.

2.3. Bond loans. Volumes and interest rates charged to Italian companies from 2014 to 2017

In this paragraph, the research deals with analyzing the companies that placed mini-bonds on the market within the selected period. The goal is to identify their characteristics, analyzing any significant trends compared to the past, and to get sufficient information for performing the comparison with the bank loans.

2.3.1. Definition of the Scope of the Analysis

As mentioned in the first chapter, listing represents an option rather than obligation for companies that decide to finance themselves through mini-bonds. Part of these securities, therefore, were not listed on the ExtraMOT PRO, but issued as private placements and fully subscribed by the ever more Private Debt Funds specifically designed to provide financial support to SMEs, especially at the local level.

In fact, it is estimated that there is approximately one billion euros converged to the SMEs that has not been traced by the Italian Stock Exchange, but in response to the lack of details regarding these unlisted issues and to still provide a comprehensive assessment of the market, the analysis will focus only on the mini-bonds that have been listed on ExtraMOT PRO, since they account for just under 85% of the overall securities issued and it is considered they could represent a reliable sample to perform this study.[48]

It is worth noting that this research does not consider convertible bonds issued by already listed companies on the Stock Exchange, as these securities are usually traded on regulated markets, open to any type of investor. Similarly, even though 21 commercial papers have been traded on the ExtraMOT PRO in these 4-years, these are not included in the sample since they are debt securities with different characteristics compared to the "traditional" mini-bonds. References could be made just to observe their analogy and relation with the latest trend of the mini-bonds market.

The early stage of the market was characterized by few issuances of an average high amount; the first signs of growth came in the second half of 2013 when large non-listed companies started issuing mini-bonds to take advantage of the new regulatory framework introduced with the LD 83/2012 et seq. Followed by fewer than a dozen SMEs, they have contributed the most to close the year 2013 with 30 issuances and an overall outstanding volume of over two billion of euros.

This means that probably, when it was established, this market had been exploited mainly by companies that did not constitute the target of the mini-bonds as imagined by the legislator, being far larger and more sophisticated. After this trial period, the real spread of the instrument has occurred in the second half of 2014 when an increasing number of SMEs chose mini-bonds for raising capital to support their growth.

[48] The ExtraMOT PRO, although it is not the only place to evaluate the phenomenon, has nevertheless allowed a complete assessment both on the characteristics of the securities issued and on the key features and the creditworthiness of issuers. The same analysis, on the other hand, would have been more difficult and less accurate with regard to unlisted mini-bonds.

The analysis, indeed, starts from this year and is focused on a more homogeneous sample, to avoid skewing of results and to get a lower influence from the large-sized companies.

2.3.2. Description of the Sample and Quantitative Assessment

The research has, therefore, identified 240 mini-bonds issued by 161 companies that chose listing in the time span between the beginning of January 2014 and the end of December 2017. This gap is due to the fact that 42 sampled companies either have placed more securities with different characteristics at the same time, or have accessed the market afterwards.

Period	# of Outstanding Securities per annum	Outstanding Volume (€) per annum
year 2013	30	2.090.441.500,00
year 2014	60	1.597.885.840,00
year 2015	43	594.687.980,00
year 2016	67	2.566.604.180,00
year 2017	70	2.248.150.000,00
TOTAL	**270**	**9.097.769.500,00**

Table 2.4 – The mini-bonds market up to 31 December 2017

The substantial joining of SMEs into the market can be confirmed by looking at the figures for 2014. The number of outstanding securities doubled compared to the previous year, but since the new entrances were much smaller companies, the average size of the individual issuance has strongly decreased going from just under 100 million to about 29 million euros, so leading to a reduction of the annual outstanding volume that ramped in the following year.

Indeed, 2015 marked a slowdown of the market. It has been characterized by few listed securities with lower amount and an overall outstanding volume equal to one third of the previous year. At the same time, however, there was an increase in the commercial papers issued and traded on the ExtraMOT PRO, and in March the first “Minibond Short-Term” was issued reflecting the even more widespread will of the companies to access the market also for financing their working capital.

2016 and 2017 showed a recovery and a progressive growth of the market; both have recorded a steady stream of new issuances with highest number in December, but the proportion of the “Minibond Short-term” has doubled, accounting for 28 out of 70 of the securities issued during the year 2017. This is not an aspect to be underestimated.

The figure below shows the evolution of the mini-bonds market in the selected 4-years.

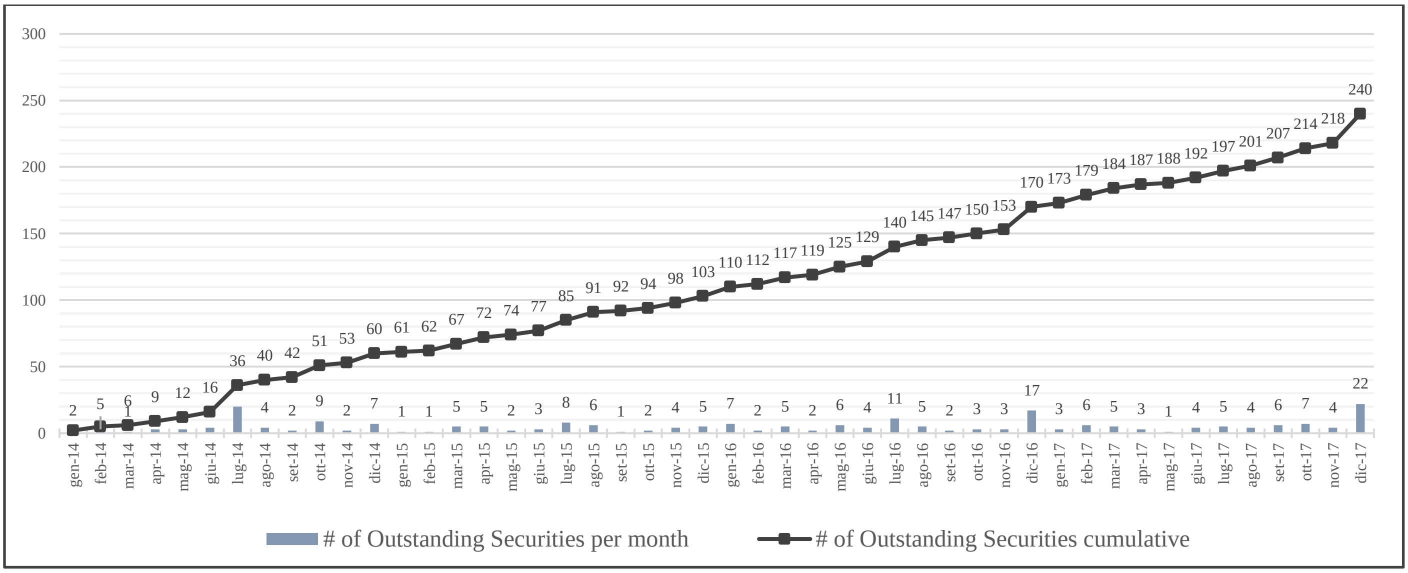


Figure 2.3 - Time flow of mini-bonds issues from 1 January 2014 to 31 December 2017. Sample: 240 issuances

The total outstanding volume of the mini-bonds from January 2014 to December 2017 accounts for approximately € 6.95 billion (€ 6.92 billion considering only the medium and long-term issuances).

As stated in Chapter One, there are no mandatory limits concerning the volume of the single issuances. More than half of the total sample has issued securities below the threshold of € 10 million. The Figure 2.4 shows the overall distribution of the individual issuances, where it is noted that most of the observations ranges between € 2 million and € 10 million, followed by 70 issues (equal to 29% of the sample) that do not exceed € 2 million. Their percentage has strongly increased during the period, moving from 6 issues in 2015 to 38 issues in the last observed year, because of the even more spread mini-bonds with short-term maturity.

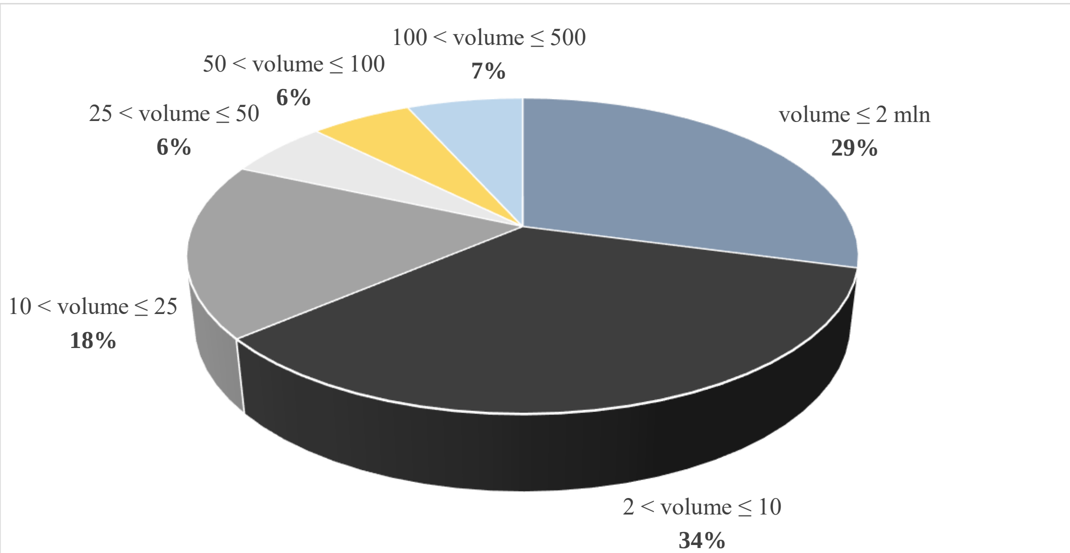
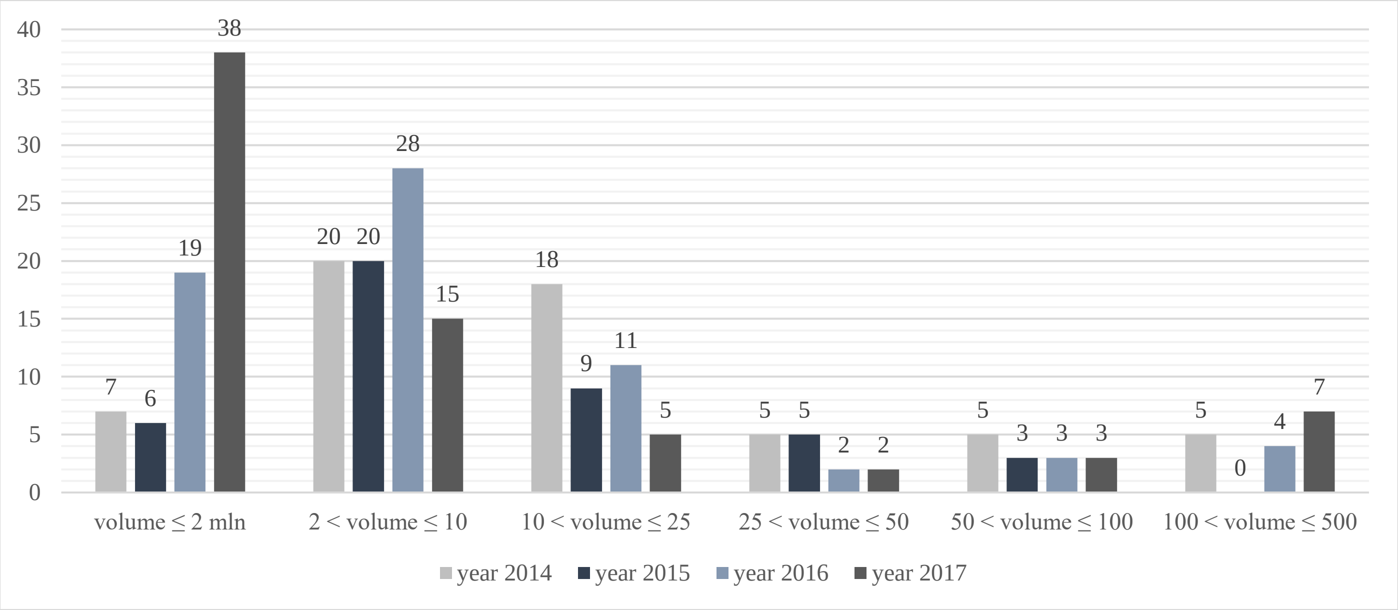
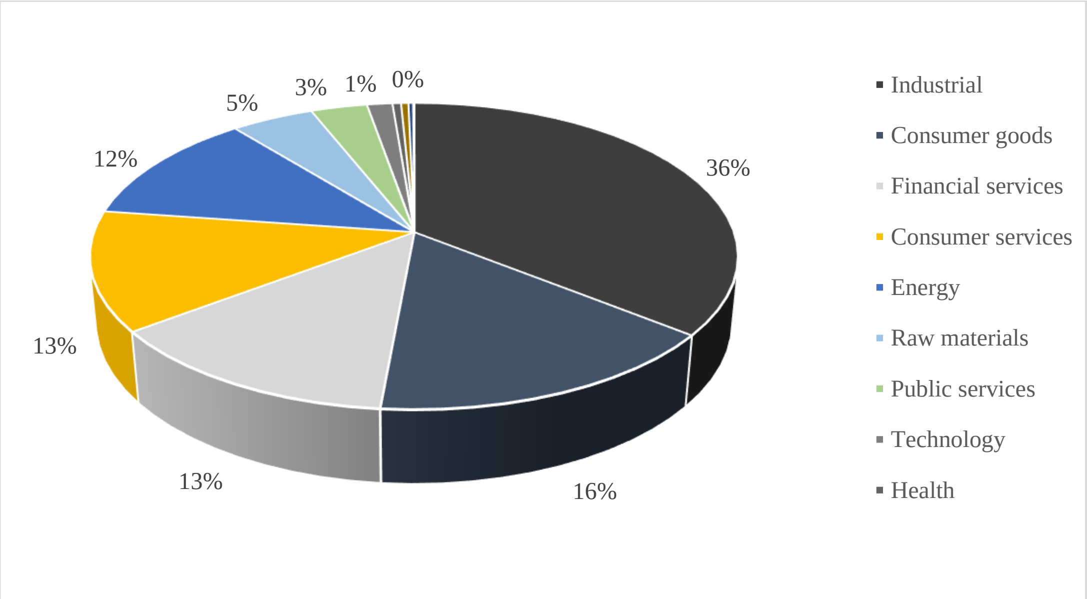


Figure 2.4 – Distribution of the securities for amount of individual issuances



Figures 2.5 – Yearly distribution of the securities for amount of individual issuances

The 88% of the issuers are Public Limited Companies, with 212 securities from heterogeneous industries. Limited Liability Companies and Cooperatives account for 8% and 4% respectively, these latter increasing from the year 2016 and mainly operating in the production of consumer goods.



Figures 2.6 – Distribution of the securities for branch of economic activity

The table below differentiates the overall outstanding volume for branch of economic activity. It is noted that industrial sector participates the most in issuing mini-bonds, with manufacturing and steel companies prevailing into the sample. Despite dominated by large companies, the average and median size of the individual issuances tends to be respectively under € 50 million and € 5 million.

The impact of larger placements is particularly appreciable in the financial services sector[49]; these companies depart the furthest from the native idea of mini-bond issuer. The market trend for SMEs mini-bonds with medium and long-term maturity focuses on individual operations with a range between 3 and 30 million euro, also for already listed companies on the Stock Exchange whose average outstanding volume is just over € 16 million. Highest transactions are usually related to large-sized companies.

The lowest and highest size of a medium and long-term mini-bond traded on the ExtraMOT PRO amounts respectively to € 750 thousand and to just under € 500 million. Short-term securities present a minimum and maximum amount of respectively € 150 thousand and € 5,5 million for an average 6 months maturity.

The largest placements listed on ExtraMOT PRO were made on the Luxembourg market by turning to an international parterre of potential investors, with a double line of listing in accordance with the provisions of Rule 144 of the US Securities Act.

Sector	# of Outstanding Securities	Outstanding Volume (€)	Average Outstanding Volume (€)	Median Outstanding Volume (€)	Average Maturity (years)	Median Maturity (years)
Industrial	80	2.480.760.000	31.009.500	4.200.000	4,42	5,00
Consumer goods	42	1.092.149.150	26.637.784	4.166.650	4,10	5,00
Financial services	10	919.000.000	91.900.000	60.000.000	3,65	2,50
Consumer services	20	875.530.000	43.776.500	3.175.000	5,50	6,00
Energy	27	828.179.870	30.673.329	17.934.670	8,59	6,00
Raw materials	12	333.300.000	27.775.000	5.700.000	5,96	6,00
Public services	17	226.612.980	13.330.175	12.350.000	16,06	18,00
Technology	17	102.060.000	6.003.529	1.500.000	3,29	3,00
Health	5	34.490.000	6.898.000	7.200.000	5,60	5,00
Insurance	2	29.500.000	14.750.000	14.750.000	10,00	10,00
Advisory services	6	18.846.000	3.141.000	1.850.000	3,58	4,50
Telecommunications	2	5.400.000	2.700.000	2.700.000	3,25	3,25
TOTAL	**240**	**6.945.828.000**				

Table 2.5 – Mini-bonds outstanding volume for branch of economic activity

Turning now to examine the geographic location of the issuers, the North-West regions prevail for number of securities issued. They account for 38% of the sample, with the regional Lombardy's primacy in carrying out 57 mini-bonds within the selected 4-year (25% of the sampled companies). North-western issuers are mainly Public Limited Companies.

The North-East regions follow accounting for 35% of the entire sample. Veneto and Emilia-Romagna issued respectively 19% and 10% of the same and show an increasing involvement of Limited-Liability Companies and Cooperatives.

[49] Debt securities issued by banks are not comprised obviously since these are not allowed to issue mini-bonds.

Central and southern regions have recorded a progressively growth in terms of number of mini-bonds issued.

Among the central regions, Lazio prevails with 18 securities, followed by the 10 issued in Tuscany. Central issuers are mainly Public Limited Companies.

28 mini-bonds have been comprehensively issued by companies operating in the southern region. They account for 12% of the entire sample. Campania holds the highest contribution with 13 securities and 5% on the overall sampled companies.

Large-sized enterprises are mainly located in northern or central regions, whilst they are still a minority in South. Lombardy ranks at the top for number of mini-bonds issued by SMEs, followed by Veneto and Trentino-Alto Adige.

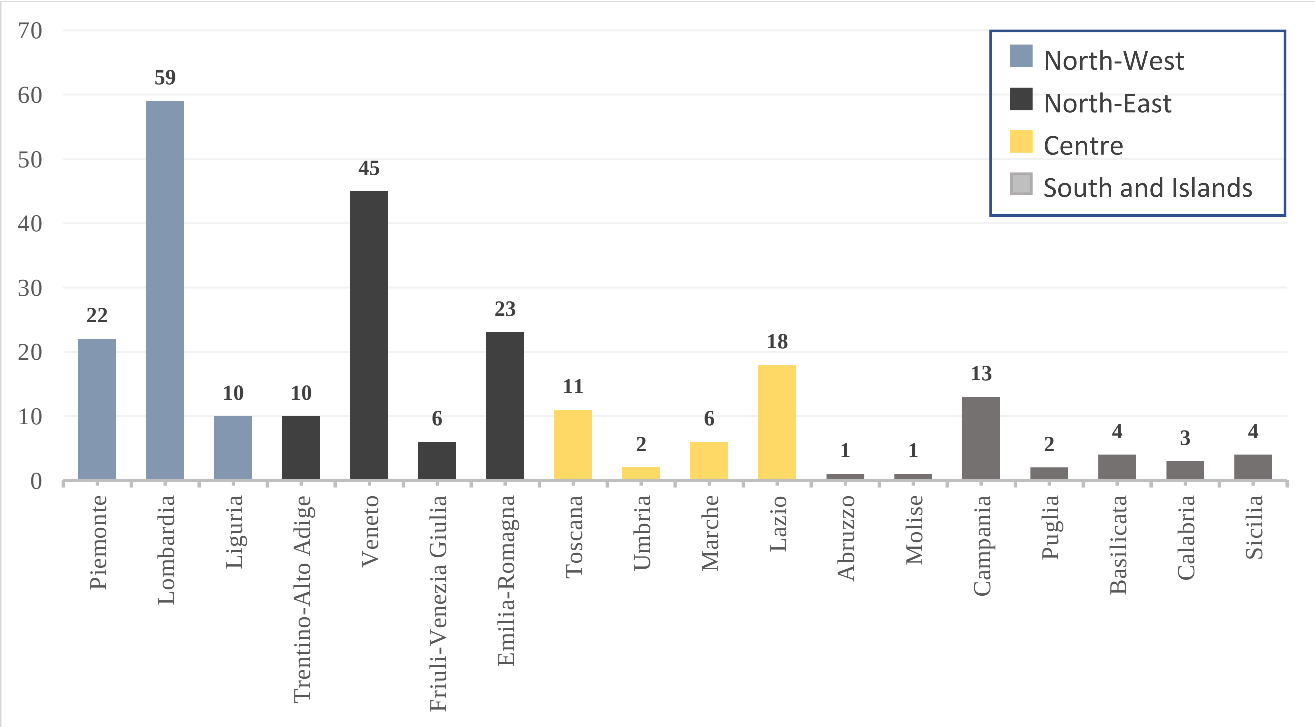


Figure 2.7 – Distribution of the securities for geographic location of the issuers

21 out of 160 are listed companies, mainly located in Lombardy, Lazio and Emilia-Romagna. They are listed almost on equal terms on the MTA and AIM markets of the Italian Stock Exchange. The latter has been created in 2012 as an equity market designed for high growth potential small and medium-sized Italian companies, giving them the opportunity to interact efficiently with investors focused on small caps.

The 12% of the issuers are currently members of ELITE, an international program dedicated to the most ambitious companies, with a solid business model and a clear growth strategy. It is designed to enhance financing opportunities, improve the visibility and attractiveness of companies, connect them with potential investors and support management in a process of cultural and organizational change. There are more than 700 Italian enterprises currently enrolled into the project, 19 covered by the sample and located in the North.

Most of the traded mini-bonds are listed on the ExtraMOT PRO, but there is no shortage of companies which have preferred listings in other European countries. Among these, Luxemburg, Ireland and Austria proved to be first in the selection; in particular, 2016 recorded 11 securities[50] listed on the Viennese Third Market, which differently from the Italian segment is also open to retail investors.

Again concerning listing, almost all the sample has made use of the Admission Document to list their mini-bonds, taking advantage of the easier and less restrictive disclosure required by the ExtraMOT Regulation. Furthermore, most of them have provided a clause to change the interest rate set out in the Loan Agreement.

2.3.3. Main Features of the Sampled Securities and Quantitative Assessment

Based on the collected data, the 240 sampled securities are now analyzed to assess the technical characteristics that are accompanied to most of these debt instruments traded on the ExtraMOT PRO.

With regard to the maturity, the Table 2.6 shows the average value for each type of security. Commercial papers are set out to highlight their analogy with the "Minibond Short-term" from which have been gradually replaced.[51]

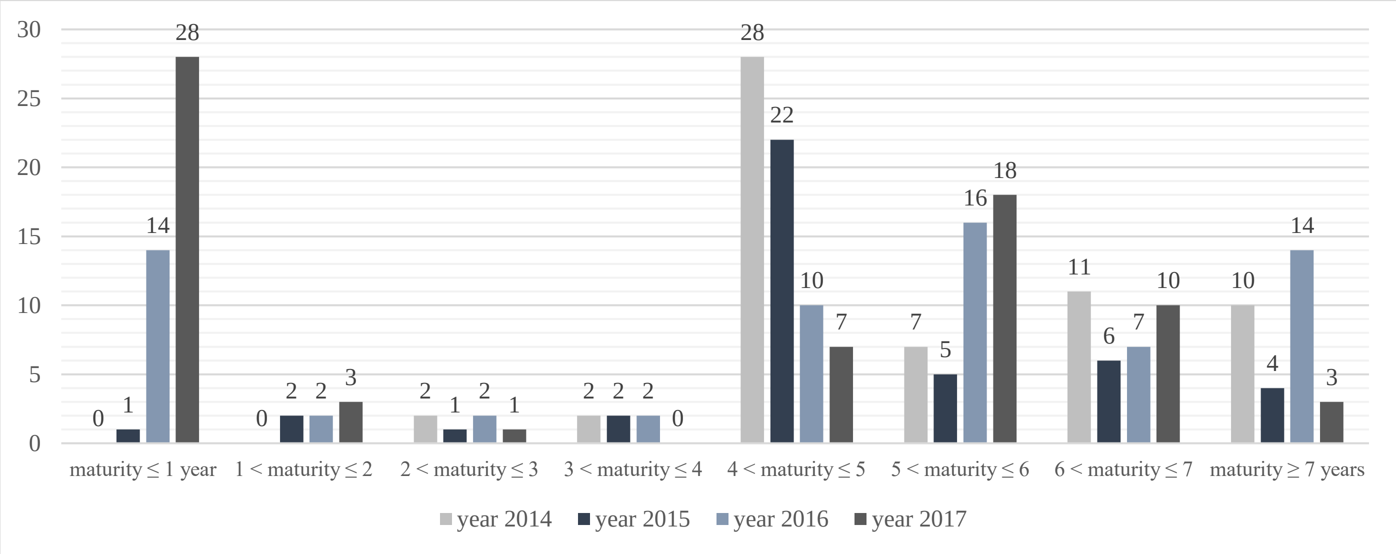
	# of Outstanding Securities			Average Maturity		
Period	Mini-bond M/L term	Mini-bond Short-term	Commercial Papers	Mini-bond M/L term	Mini-bond Short-term	Commercial Papers
year 2014	60	-	5	7,66 years	-	6 months
year 2015	42	1	12	5,62 years	6 months	5 months
year 2016	53	14	4	7,68 years	8 months	9 months
year 2017	42	28	-	5,92 years	9 months	-

Table 2.6 – Yearly average maturity for type of security

Most of the mini-bonds (67) have a maturity between 4 and 5 years, representing the 28% of the sample, but the collected data show a change in issuers preferences. As opposed to their sharp decline, the securities with a range from 5 and 6 years and those with a short-term maturity have experienced a remarkable growth over time.

[50] The securities with the ISIN: IT0005152043 and ISIN: IT0005221038 are two examples.

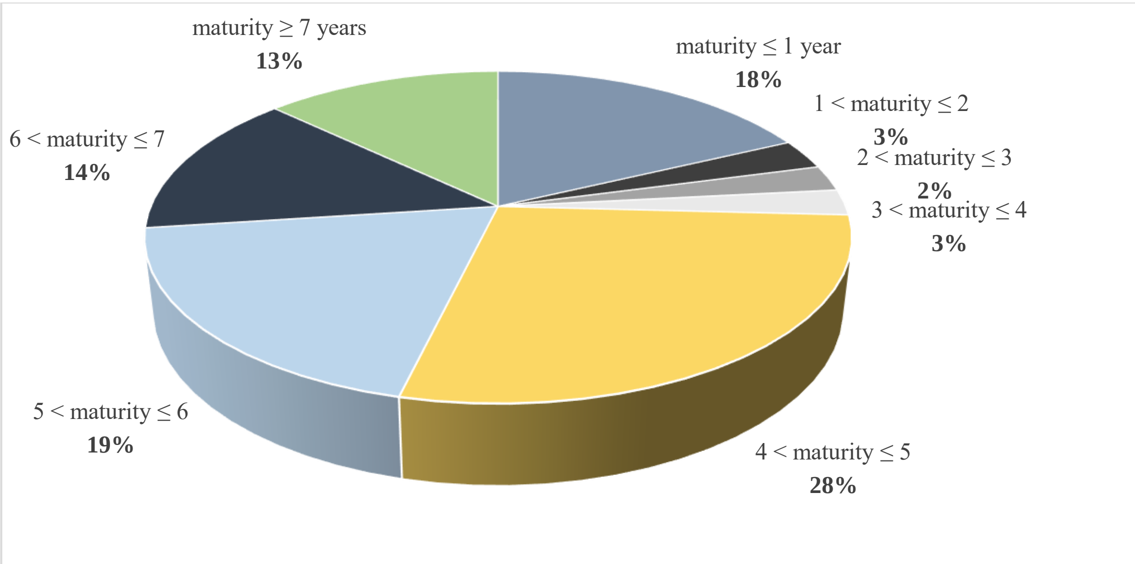
[51] It will be interesting to observe the evolution of the market in the coming years, if will be necessary to reshape the legislation that introduced mini-bonds as a source designed to finance growth through medium long-term development projects, and how a greater use of these securities in the short-term could modify their relationship with the bank loans having a maturity lower than 1 year.



Figures 2.8 – Yearly distribution of the securities for range of maturity

Indeed, there are 43 issuances which expire within one year, strongly increased also due to the specialization of some advisory companies on this variant able to fulfil companies' short-term needs, as well as, at the other end, 31 issuances with a maturity above 7 years, mainly issued from enterprises operating in the energetic and public services sectors.[52]

The securities with a maturity exceeding 5 years represent cumulatively the 46% of the sample, meaning that, just like designed by the legislator, different companies have taken advantage from this complementary debt instrument, in a context of low interest rates, for ensure their medium-long term financing.



Figures 2.9 – Distribution of the sampled securities based on their maturity

[52] 8 out of the 10 securities issued in 2014 with maturity above 7 years belong to the first Italian mini-bonds securitization. The transaction involved eight companies participating in the "Viveracqua" consortium (owners of the integrated water management service for some provinces in Veneto) which placed as many mini-bonds for a total of € 150 million. Renamed the 'hydro-bond' operation and listed on the ExtraMOT PRO, these securities are those with the longest maturity in the sample (20 years). In January 2016, 5 new issues were added by 4 new members of the consortium and a previous company with a maturity of 18 years. 11 are the long-term mini-bonds issued by the energy sector, with a maturity ranged from 7.5 and 14 years.

Looking at the remuneration offered to the market, it occurs through the payment of a periodic coupon defined as a percentage of the debt loan principal amount. The 88% of the sample (212) pays a fixed coupon ranged from 4,2% to 6%. The average value for the period is 5,02%, whilst the median stands at 5,00%.

The residual 12% of the securities is characterized by a variable coupon, usually indexed to Euribor[53]. The number of mini-bonds with this type of interest rate has increased up to December 2017, perhaps required by investors who could expect a future increase in interest rates on the market and it is strongly chosen by large-sized enterprises. They pay a coupon between 0,3% and 9,5%, plus the respective floating rate at a given time. The calculated average and median values are respectively 3,34% and 3,42%.

The annual coupon can be paid on different dates. Companies that issued securities with fixed coupon proved to prefer 6 months or annual frequency for fulfilling their obligations, whilst 3 months coupon payments are most common for securities with a floating interest rate.

All things being equal, advanced interest payments represent an advantage for the investors and contribute to increase the IRR of their invested capital. Clearly there are several variables than influence the coupon amount. Firstly, it is proportional to the issuer's possible risk of default; that means the greater is the perceived risk, the higher will be the expected return required by investors. Furthermore, and under the same conditions, the further is the maturity of a security, the greater will be its coupon amount (reflecting the expected premium that the market generally requires for longer-term financing). Finally, given the limited liquidity of the mini-bonds market, the coupon will also include a premium for the illiquidity, which is expected to be greater as the value of the issuance is smaller, and if the same is not listed.

From data analysis, it is note how the offered coupons have gradually decreased from January 2014 to December 2017; the average and median coupon for the period are respectively 5,08% and 5,15%. This could mean a decrease in their convenience for investors.

Period	# of Outstanding Securities per annum	Outstanding Volume (€) per annum	Weighted Average Cost (%) per annum	Median coupon per annum	Average coupon per annum
year 2014	60	1.585.885.840,00	6,470%	6,00%	6,06%
year 2015	43	594.687.980,00	3,638%	5,50%	5,22%
year 2016	67	2.517.104.180,00	4,732%	4,80%	4,81%
year 2017	70	2.248.150.000,00	3,351%	4,10%	4,22%
TOTAL	**240**	**6.945.828.000,00**	**4,548%**	**5,15%**	**5,08%**

Table 2.7 – Yearly average and median coupon of the sampled securities

[53] The Euro Inter-Bank Offered Rate (the so called "Euribor") is a reference rate, daily calculated, which indicates the average interest rate applied by banks on interbank loans with various maturity, in euros, among the main European banks. It is particularly important because often used as the base to compute the rate applied to mortgages and loans with floating coupon.

From the issuers perspective, instead, this has resulted into a decrease of the cost associated to the adoption of this debt financial instrument. The periodic cost of issuing mini-bonds has been computed by dividing the amount of each issuance on the overall amount for the period, so deriving the weight of each security on the periodic total. This weight has then been multiplied for the specific coupon rate of the security, allowing to get the weighted average cost of each individual issuance.

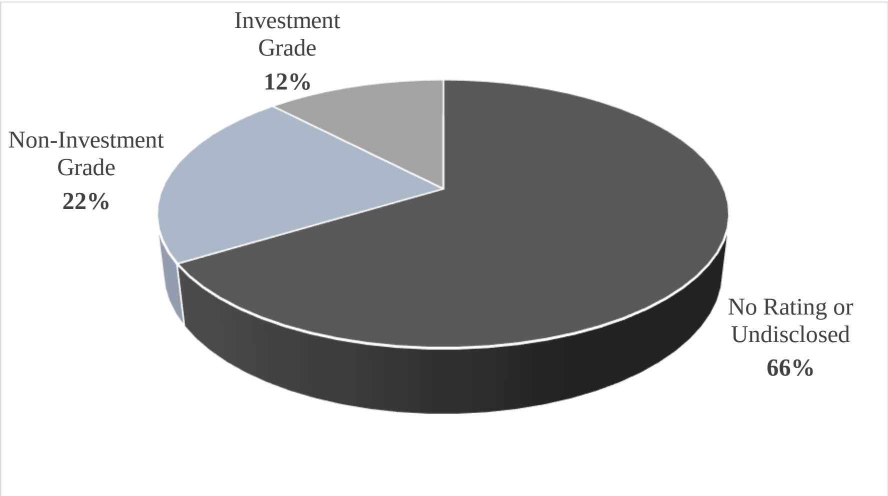
The values reported in the table are the result of summing all the estimated costs per annum; it shows a declining trend for the market, a subject which we shall touch upon again in the next paragraph.

Finally, it should be emphasized that the investor’s remuneration is also determined by the security price at the issuance. In almost all cases, mini-bonds are placed at face value (100), but there are also several exceptions.

The repayment of the principal does not always coincide with the maturity of the security, as typically happens for bonds issued by large companies or governments. Exactly half of the sample provides for bullet repayment, usually linked to higher issuances, to shorter maturities and from already listed companies on the Stock Exchange.

The practice of repaying capital gradually over the bond lifetime (amortizing repayment) is widespread and relatively more associated to SMEs securities, allowing them to spread their financial commitment over several accounting periods. Although the early disadvantage, it is even more chosen at the time of structuring the transaction, reducing the risk for the investors.

Only 81 sampled mini-bonds are associated to a rating. According to their risk of default, 29 securities are ranked as “investment grade”, i.e. have a rating of at least BBB in the scale used by Standard & Poor's, or equivalent, while the other 52 present characteristics that move their judgements from moderately speculative to very high risky, justifying their classification as “non-investment grade” or “high-yield bonds”.



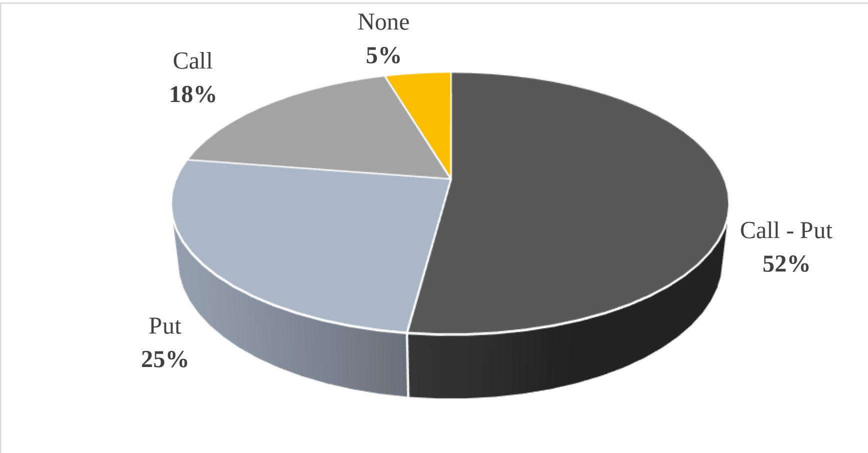
Figures 2.10 – Distribution the securities based on their rating

The public rating is normally attached to issuances made by large companies, for large placements and with a long-term maturity. Its use is much less frequent for SMEs, partially because they are more sensitive in saving this cost and prone to renounce to the possible benefits, and partially since an interested investor probably will be able to personally assess the economic and financial situation of a small issuer.

The private rating is more common for issues with a maturity equal or greater than 5 years. It is interesting to observe a certain frequency of the "non-investment grade" rating for issues exceeding the € 50 million, which more specifically present an average outstanding volume of over € 78,5 million and an average coupon of 5,79%. The "investment grade" is usually attached to issues whose size is lower than the previous threshold and present values for the already mentioned measures of € 40,9 million and 4,24% respectively.

Almost all the sampled securities have been issued in the form of "Senior loans", recognising priority in the issuer's capital structure over other unsecured or junior debt owed by the same entity. Just a couple of mini-bonds have been structured in the form of "Tier II loans" or subordinated debt by the only two sampled enterprises operating in the insurance sector.

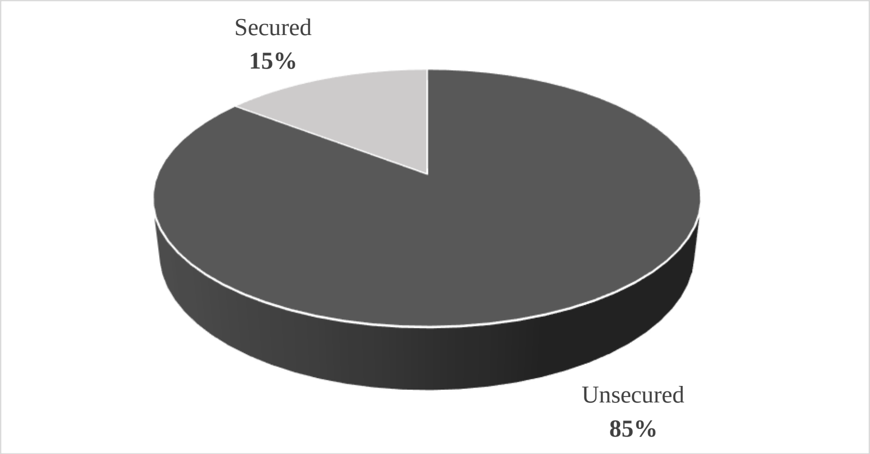
Another factor that will affect the remuneration offered by the instrument is the presence of any options, for the issuer and/or for the investor. Among the 240 examined mini-bonds, some present one, both, or none of the options. The Figure 2.11 shows that more than half of the sample (125) provides both options, especially common for large-sized companies and issuances.



Figures 2.11 – Distribution the securities based on their options

The only puttable securities are 61 (25%), usually selected by listed companies and for mini-bonds with longer maturity. On the contrary, those only callable are 43 (18%) and are relatively more frequent among SMEs, for the sampled companies operating in the financial sector and for securities with shorter term maturity. Lastly, there are only 11 issuances (equal to 5% of the sample) that do not provide for any options.

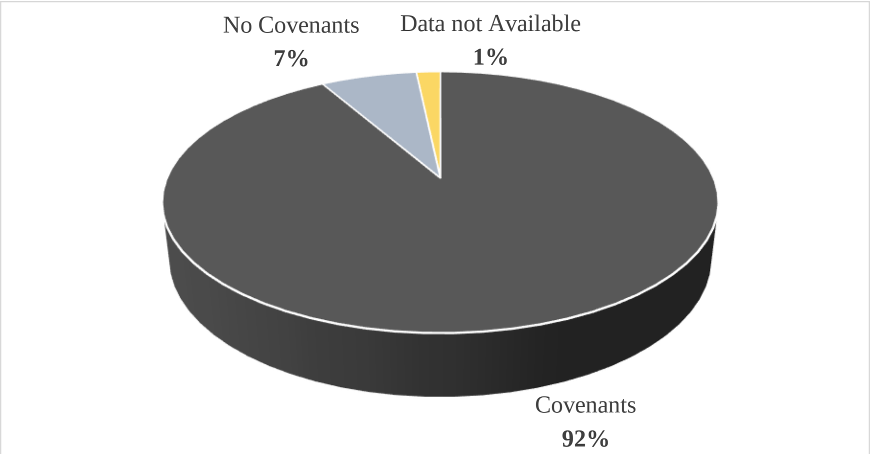
Another solution to protect investors is providing a guarantee to cover a possible issuer's risk of default. All other things being equal, in fact, the presence of a total or partial guarantee on which retaliate can reduce the cost of capital for the issuing company. In this case the mini-bond qualifies as "secured", otherwise it will be an “unsecured” security. The offered guarantee normally concerns company assets, such as mortgages on real estate property, liens on the issuer’s shares or a surety, but there are other forms of guarantee provided by the issuers or third party, such as maintenance guarantees offered by two sampled cooperatives.[54] The Figure 2.12 shows a limited number of secured mini-bonds, that account for just 15% of the sample.



Figures 2.12 – Distribution the securities based on their guarantees

The guarantee appears more frequently for securities issued by large-sized companies and with a long-term maturity, especially provided by those listed on foreign Stock Exchanges. They are more willing to accept this requirement, also to further reduce the cost of capital compared to unsecured issues. On the other hand, SMEs probably find it excessively expensive here too, without considering that they may not have sufficient expertise on the subject. They prefer being subject to certain covenants and ensuring the investors by respecting some specific conditions and ratios specifically established in the Loan Agreement.

Compliance with certain covenants is present in the vast majority of the securities listed on the ExtraMOT PRO. It is relatively more frequent in issuances with smaller amount and longer-term maturity.



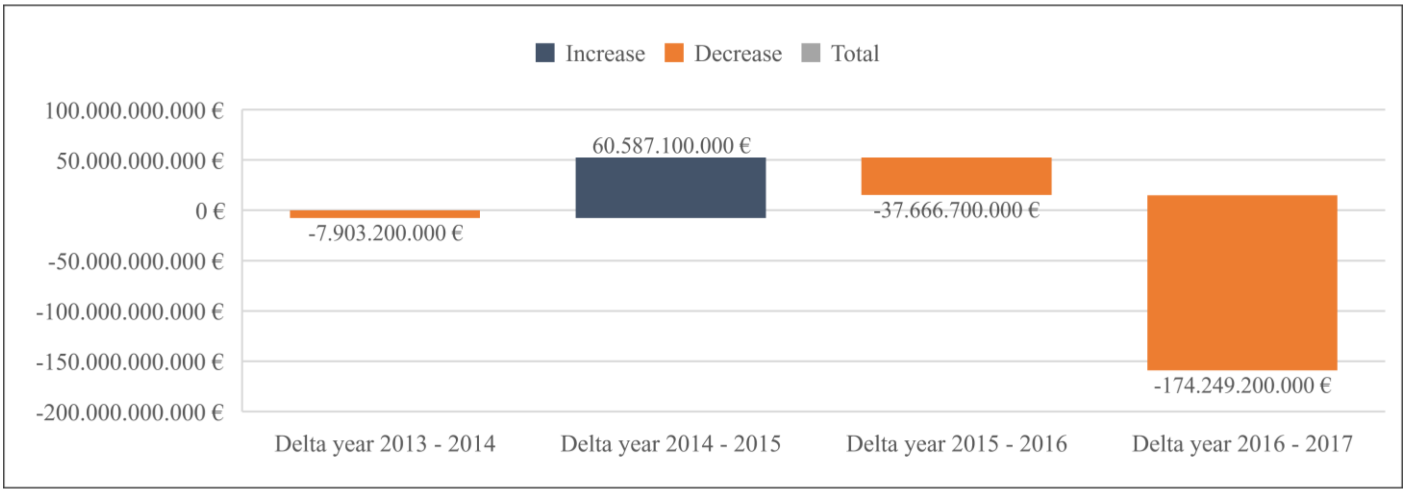
Figures 2.13 – Distribution the securities based on their covenants

[54] Reference is made to securities with ISIN: IT0005159543 and IT0005210973, which secured their issuances by providing respectively high-quality cheese and wine. Both have been issued in the first half of the 2016, present a maturity of 6 years and an amortizing method to repay the principal.

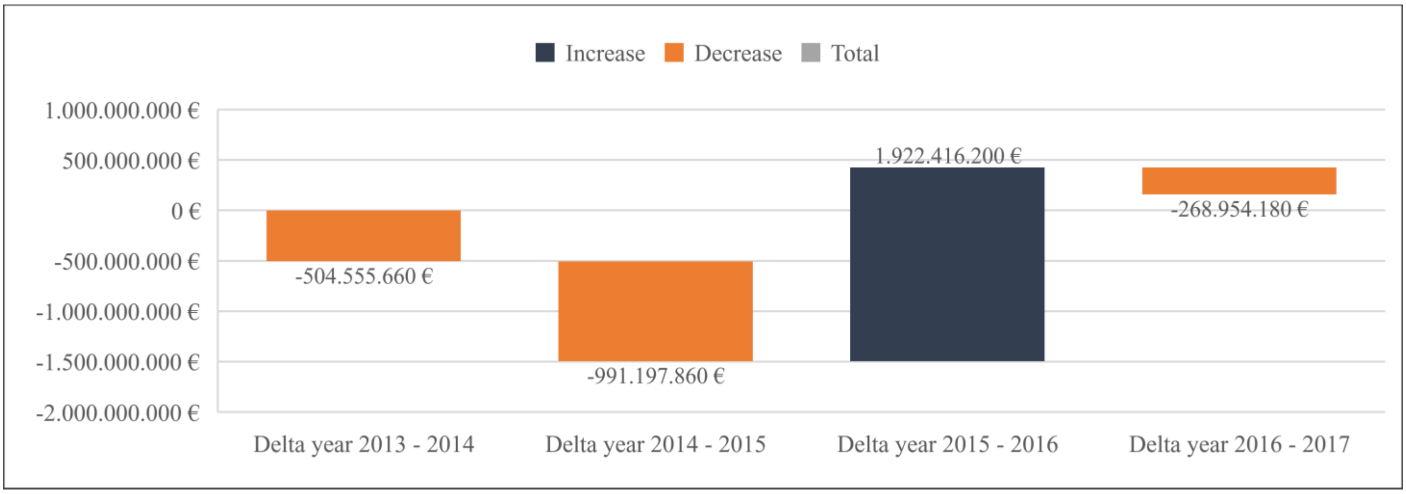
2.4. Comparing the Analytical Results

This section seeks to identify the relationship between the two types of previously analyzed loans. The respective volumes of issue as well as their computed weighted average cost are the variables used to assess their linkage and the affordability that they have held for the Italian companies over the 4 selected years.

The following figures show the variation in terms of outstanding volume that has characterized the two types of loans from 2014 to 2017.



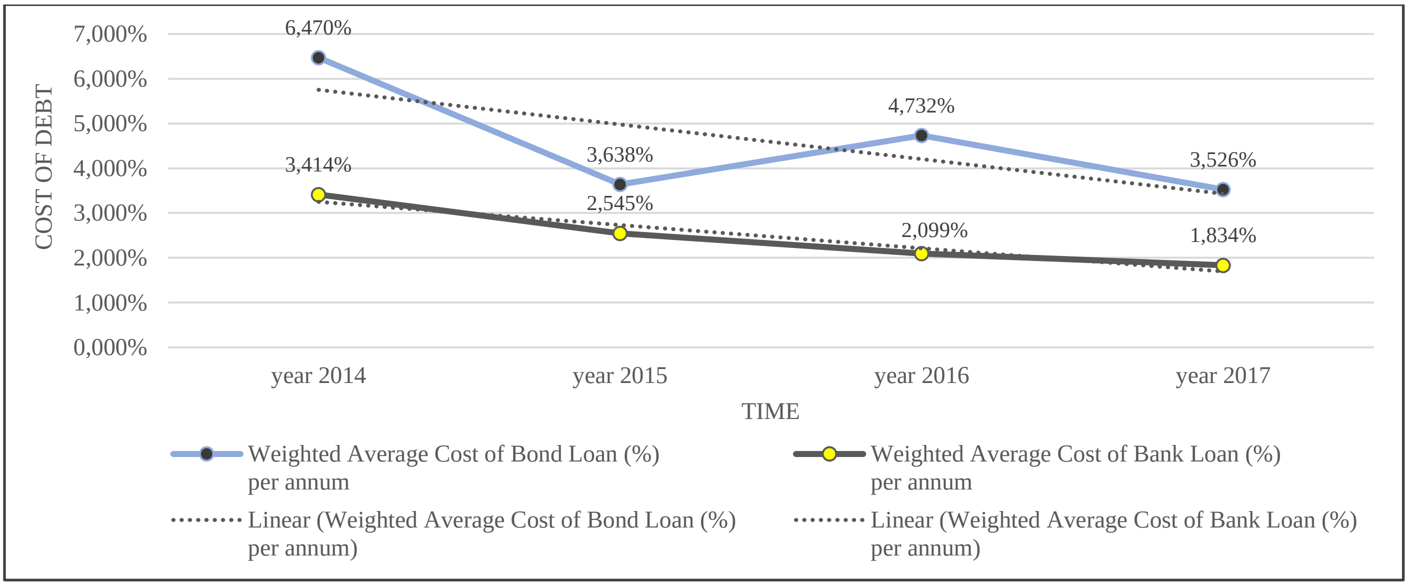
Figures 2.14 – Difference in the outstanding volume of bank loans per annum



Figures 2.15 – Difference in the outstanding volume of mini-bond loans per annum

The first year of observation has been characterized by a decrease in new issuances for both the loans at issue. In 2015 the mini-bonds market saw a strong contraction that has been fully offset by an increase of the bank lending, which probably was able to offer credit at better conditions for the companies. The following year, instead, has recorded an opposite trend that partially can be justified by the research of suitable financing sources to support investments. As previously mentioned, in fact, banks used to grant loans with a short-term maturity, mainly intended to finance working capital needs, whilst mini-bonds proved to be a viable financial instrument to cope with a longer-term perspective and foster growth. During 2017 a decline in outstanding volume occurred for both the types of loans, but it has been extremely marked for the banking system due to the selective supply policies in the assessment of company ratings and the high risk still perceived within the real economy. On the other side, mini-bonds loans have started to be considered also to fulfill short-term liquidity needs, partially taking a function carried out by the banks in these last 4 years.

The cost of raising capital with both the types of loans have gradually decreased due to the decline in the interest rates occurred with the crisis. The figure 2.16 shows a falling trendline expected to persist at least in the next period. The cost of financing by issuing mini-bonds proved to be higher and less predictable than the interest rates applied by the banking system, despite companies were able to access them at cheaper conditions. Cost does not represent the only variable to consider in evaluating their convenience; they are two form of debt funding but are characterized by different features that are fully assessed according to companies' preferences.



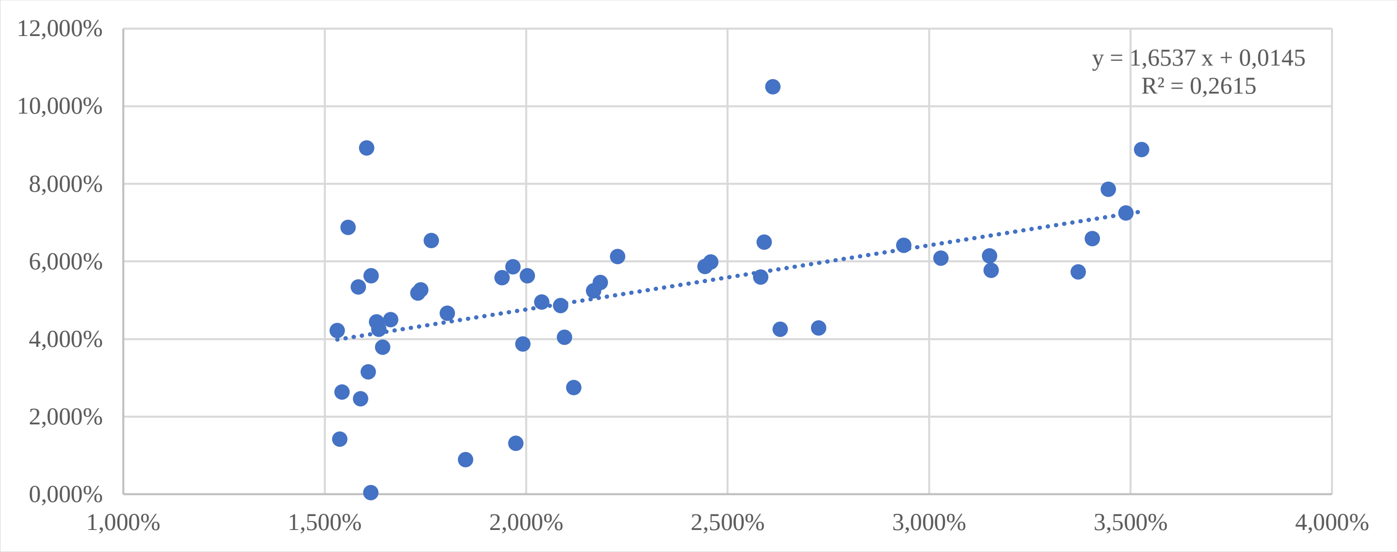
Figures 2.16 – Decrease in the annual cost of debt for mini-bonds and banks loans

The influence of the interest rates applied on bank loans over the coupon paid by issuing mini-bonds has been estimated by carrying out a simple linear regression[55]. The analysis has been performed by taking in consideration the monthly weighted average cost of debt computed for both the financial instruments. It is focused on 47 observations, coinciding with the 47 months that ran from January 2014 to November 2017.

As showed in the next figure, the linear regression has allowed to identify the straight line that reflects their relation during the period. It is characterized by an intercept, i.e. the point where the line crosses the ordinate axis and when the cost of bank loan is 0, of 0,0145 and an angular coefficient, i.e. the measure of how much the cost of the bond loans changes for a unitary change in the cost applied by the banking system, of approx. 1,65. It determines the slope of the regression line of the dependent variable on the independent one and shows

[55] The assessment is based on a very simple model, where the cost of the bank loan represents the independent variable (X) while the cost of the bond debt the dependent (Y) one. The equation that binds Y to X is as follows: $Y = \alpha + \beta X$

a growing trendline, whose positive inclination reflects their direct relation where the former grows as the latter increases.



Figures 2.17 – Linear regression between the monthly cost of debt related to mini-bonds and bank loans

Being a linear model, this implies that, for every variation in the cost of bank loans, the same variation in the cost of the mini-bonds loans is always determined whatever is the value of the former on the X-axis.

The coordinates of the 47 observations are scattered around this straight line which best fits the points describing the distribution of the cost of bond loans on the banking one. It is the one that best interpolates the data dispersion by passing as close as possible to the several monthly measurements and that minimizes the error involved in the regression, i.e. the sum of the squared differences between an observed dependent value and its computed theoretical value in line with the application of the Ordinary Squared Method[56].

The relation between the two variables, in fact, is not perfect. They are not perfectly linear as well as important predictors may have been omitted. In addition, the two variables are measured with an error or residual term that is incorporated into the linear regression equation. The summary output table in the section dedicated to the analysis of the variance indicates a sum of the squared differences of the model residuals ("SS") that accounts for approx. 0,0141, a low value of dispersion which signs a more likelihood that any average is close to the average of the sample.

In evaluating the goodness of fit of the model, the analysis follows with a focus on the regression coefficient. Indeed, it expresses the relationship between the cost of bond loans and the cost of bank lending by making the square of their correlation coefficient. Also known as determination coefficient, this index explains how the model is better the more its value is closer to 1.

[56] This method evaluates the goodness of the model by summing the squares of all the errors made during the estimation. It states that the best line is the one which minimizes the sum of the squares of the differences between the observed and estimated values, also called "residuals" of the regression. It uses the square of the errors to prevent positive and negative residuals from compensating and to give greater weight to the larger deviations, as said the ones that influence analysis the most.

The regression coefficient of this assessment measures about 0,2615; this value is quite low meaning that the linear model[57] is not able to describe adequately how the cost of bank loans influences that of the mini-bonds issuances, since it does not fit well with the data and therefore could lead to unreliable predictions about their relationship.

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,511383503
R Square	0,261513087
Adjusted R Square	0,245102267
Standard Error	0,017687709
Observations	47

ANOVA – Analysis of the Variance

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0,004985472	0,004985472	15,93540619	0,000239208
Residual	45	0,014078477	0,000312855		
Total	46	0,019063949			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	0,014539703	0,009489064	1,532258868	0,132459381	-0,004572254	0,033651659	-0,004572254	0,033651659
X Variable 1	1,653733804	0,414270525	3,991917609	0,000239208	0,819350135	2,488117472	0,819350135	2,488117472

Table 2.8 – Summary output of the linear regression computed on the monthly cost of debt for both the types of loan

There is no doubt that both have recorded a decrease in the interest rates from January 2014, but if for bank loans they have steadily decreased, the same cannot be said for the mini-bonds issuances, whose cost turned to growth in 2016 due to their greater recourse from the companies. The 2017 data concerning the mini-bond market still show a greater decrease in their cost in proportion to the slightly decrease in the outstanding volumes compared to previous years.

As already mentioned, the convenience from either the two sources of financing is based on different factors that companies carefully evaluate when they need to finance. More than alternatives, they represent complementary debt sources and their selection is strongly dependent on the current or forward-looking perspective of their applicants.

Mini-bonds, in fact, do not only are additional sources to bank financing, but they can also provide a possible exit strategy for profitable companies now stagnating because of the impossibility to find and produce resources for supporting their growth and development.

[57] The phenomena are rarely linear, or they could be linear only partially; using this type of model is almost always a simplification of the real phenomenon.

2.5. The potential influence of the ECB’s monetary policy on the previous results

Although the mini-bonds market has showed a quite significant growth, the contribution that they have brought in terms of financial resources for SMEs is still too limited. The ECB’s expansionary monetary policies and the momentary availability of liquidity on the market currently make the cost of capital raised through mini-bonds still too unattractive to SMEs.

Following the subprime crisis of 2007, many credit institutions in the Eurozone have experienced serious difficulties and have required numerous public interventions to be saved. Known as the “Sovereign debt crisis” (2010-2011), it has accentuated the public finance imbalances of the most vulnerable countries, contributing to cause a global contraction of GDP that was close to 5% for Italy in 2009.

In this climate of severe financial instability, credit dynamics have strongly worsened, and although the ECB's expansionary stimulus may have improved the situation for banks in these last years, it may be interesting to go back over the major monetary policy interventions in order to estimate their potential influence on the current or perspective bank loans, and consequently on the mini-bonds market. They have been resumed in three distinct clusters that englobe the reforms occurred for each three-year period.

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ECB’s monetary policies from 2010 to 2012

Firstly, European Union has intervened several times through the European Financial Stability Fund (EFSF), a temporary intergovernmental fund created in June 2010 to strengthen the Euro Area stability and to provide financial support for the Member States in difficulty. The participating countries[58] provided guarantees for a total amount of € 440 billion, used to make loans, recapitalize banks and buy sovereign debt securities. The fund has been replaced from 1 July 2013 by the European Stability Mechanism (ESM), a permanent mechanism to manage crisis with its same purposes.

The strong pressures on the European banking securities as well as the increasing stress conditions on the interbank market pushed the ECB to adopt several measures for supporting the intermediaries’ liquidity. The existing refinancing instruments have been joined by annual auctions with unlimited satisfaction of the sovereign debt securities and the purchase of Euro Area government bonds on the secondary market.

Over the years, the ECB's interventions have become increasingly incisive. The two Long Term Refinancing Operations (LTROs), i.e. open market operations to manage interest rates and liquidity in the Eurozone, launched in December 2011 and February 2012, had partial positive effects and only served to curb the crisis.

The objective was to normalize the credit parameters in the Euro Area and avoid a credit crunch. Banks were encouraged to buy back some of the European sovereign debt that in those months, especially in peripheral Europe, recorded too high rates. A significant portion of these loans was used by banks to repurchase their

[58] The participation of the individual states was defined based on the ECB's share capital. For further information: ECB's capital subscription

bonds and restructure their capital in view of the strictest requirements application by the European Banking Authority, which aimed to consolidate the European credit system.

The Outright Monetary Transactions (OMT) of September 2012 have launched a strong signal from the ECB. This latter, indeed, considered unacceptable the risk premiums that the fear of the Euro reversibility imposed on some member countries in macroeconomic difficulties, damaging their attempts to recover and consolidate their debt and so creating tensions on the Eurozone bond market.

The OMTs[59] consisted into the direct purchase by the ECB of short-term government bonds issued by countries in serious macroeconomic difficulties, with a maturity of one to three years and short-term interest rates.

They aimed at safeguarding the transmission channel of monetary policy for the Euro Area, or at preventing strong tensions on the sovereign debt markets. These imbalances could lead to an excessive increase in interest rates, which in turn would prevent banks and companies from financing themselves under sustainable conditions and would accelerate the recession of the affected countries up to their possible default.

•••

ECB's monetary policies from 2013 to 2015

In the second half of 2014, the ECB took two extraordinary measures to inject liquidity into the market and counter a too low inflation. The former was the provision of a first series of Targeted Long-Term Refinancing Operation (TLTROs) announced on 5 June 2014, consisting into offer long-term financing at attractive conditions to credit institutions for period of up to four years. They aimed at improving private sector credit conditions and fostering bank lending to the real economy.

The TLTROs are targeted operations, since the amount that banks can borrow depends on the quantity of their loans to non-financial corporations and households, with the exception of loans for house purchase.

The purchase for at least two years of ABS and Covered Bond securities has represented a second extraordinary measure launched in September 2014 to restart securitization markets. The Asset-Backed Security are derivative securities made by a pool of credits[60] that a bank places on the market to generate liquidity. This intervention aimed at fostering banks in granting loans to companies, "turning" then the credits to the ECB. Covered bonds[61], instead, are bank bonds with a very low risk profile, high liquidity and low yields. They were provided to allow banks in raising capital at very cheap costs. If the issuing bank goes out

[59] Their main peculiarity was the fact that the Eurosystem was committed to receive the same treatment as any private creditor, with equal remuneration and not being able to boast any priority in case of debt restructuring.

[60] A bank that needs liquidity and owns different loans, creates a SPV and provides it with credits and guarantees. The SPV issues bond securities with a face value equal to the credits amount and pays periodic coupon through the rates that it receives from the loans. Banks can originate such loans without funding them with deposits.

[61] The bank divests some assets (securities or credits) to a SPV. To purchase these assets, the SPV applies for funding at the same bank that get the required capital by issuing bonds. The ownership unbundling of the bank assets sold to the SPV makes possible to obtain a guarantee for the satisfaction of the bondholders. In this way, they are guaranteed and cannot be attacked by third-party creditors.

from the business, the repayment is guaranteed by high quality assets, claims against the public administration or guaranteed by it.

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ECB's monetary policies from 2016 to 2018

In the first few months of 2015, the capital market has benefited from the improved expectations of the ECB's purchase program (so-called "Quantitative Easing"). It was approved in January and activated at the beginning of March and extended the purchase program for the securities issued by the private sector on the secondary market, in particular ABS and covered bonds, also to the public securities denominated in euro.

As a result, the investors' confidence in the Euro Area market has improved, showing a sharp rise and interrupting the decreasing trendline observed at the end of 2014, connected to the underway weak economic growth and deflationary pressures.

It aimed at influencing financial and real variables through the interest rate channel, having a broader scope than the precedent monetary policy which were mainly addressed to the banking sector and to restore the proper mechanism of the monetary policy transmission to the economy through the banking channel.

The duration of the Expanded Asset Purchase Program is substantially indeterminate. The intervention, in fact, could continue until inflation has stabilized again at levels close to the ECB's medium-term objective (i.e. around 2% per year).

At the beginning, the program envisaged the purchase of securities (from the public and private sector) of up to € 60 billion per month for a total amount of approximately € 1.140 billion, of which an estimated € 900 billion of securities issued by public institutions. In October 2017, BCE has announced it would halve the monthly purchase amount from €60 billion to €30 billion starting from January 2018. It has pledged a gradual withdrawal of the "Quantitative Easing" to smooth the return to normality without shaking financial markets.

The distribution of purchases by country has been made in proportion to the contribution of the national central banks to the ECB's capital[62], maintaining a certain flexibility in monthly purchases, and has cover securities with maturities between 2 and 30 years.

Following the announcement of the Quantitative Easing, sovereign debt yields have fallen to exceptionally low levels within the Euro Area and across all maturities. The perception of sovereign risk for the Eurozone countries has weakened considerably as well as the decline in government bond yields have reduced debt service spending and made easier to implement deficit containment measures by countries with greater public finance imbalances.

[62] With reference to Italy it participates to the ECB's capital structure for approx. 12,31%. Based on the first transactions carried out by the ECB on the secondary market, the purchase of public securities in the Italian country has been estimated to around € 150 billion, equivalent to 30% of the outstanding securities forecasted for the two-year period 2015-2016.

A second series of TLTRO (the so-called "TLTRO II") occurred on 10 March 2016. The interest rate to be applied has been linked to the participating banks' lending patterns. The more loans they issued to non-financial corporations and households, excluding loans to households for house purchases, the more attractive the interest rate on their TLTRO II borrowings became.

•••

Despite the huge number of monetary policy interventions briefly described above, the exceptional market conditions arising with the Sovereign debt crisis have hampered their transmission to the real economy.

At the beginning, their attempt to bring stability back to the real economy by trying to improve the conditions of the bank lending channel has been translated into a support which has been exploited exclusively by the banks, leaving non-financial companies and households still without a direct perception of the new adopted policies.

In addition, the fragmentation of the financial market has prevented monetary policy measures from generating an improvement in the conditions of accessing finance for banks in the countries most exposed to the crisis, Italy included.

The measures adopted by the ECB over these years have been crucial to revitalize the functioning of the financial system in the Eurozone countries, and although they were not perceptible right away, they have facilitated SMEs' access to credit, as will be seen in the next chapter. But the current improvement in external financing conditions cannot erase the negative experience faced by many businesses and families just as the fragility showed by banks under so adverse conditions.

Indeed, in countries where businesses are traditionally dependent on bank lending, like Italy, lots of large-sized companies and especially SMEs have lost their main reference in raising capital. Despite the great BCE's efforts to enter liquidity, nowadays the banking system seems to be no longer able to perform its activities as in the past, both due to the strong uncertainty that runs through the markets and to their increased risk aversion in evaluating a potential credit applicant.

In this context, given the lack of funds that businesses could get by resorting to bank loans, new financial instruments have been introduced, such as mini-bonds, linked to the need of supporting long-term investments and reducing their dependence on the banking system, given evidence of the consequences that its difficulties may have on the real economy and the will to equip SMEs with a debt instrument which has represented a solution during the credit crunch for larger companies.

In recent years, if on the one hand mini-bonds proved to be a valuable opportunity for several small and medium-sized enterprises, the interest rates at historic low levels charged on bank loans have partially hold back their spread. But the current more restrictive offer policies, the increasing prudence in granting bank loans, the stricter requirements introduced with Basel III starting from 2013 and the announcement of the gradually measures removing introduced by the quantitative easing could create the conditions for a greater mini-bonds adoption from the audience of the huge SMEs operating in Italy.

If there is no other authority intervention, the tensions experienced by the banks will probably favor shorter-term financing for long. The perceived risk of the real economy is still very high; moreover, the implications in terms of profitability (due to the low interest rates), of provisions and of deterioration of the assets linked to the worsening of credit quality, have narrowed the willingness of banks to reduce the cost of lending for the enterprises and households. A growth in the interest rates is further expected.

If normal economic conditions were restored and interest rates on bank loans resumed to grow, then the mini-bonds could really represent a competitive complementary funding source or replacement tool, and enable companies to get finance exploiting longer maturity that, at least for the moment, is easier to be acquired than by mean of a bank loan.

Even if companies were financed only through mini-bonds, they would not have been exempt from the turbulence that hit the whole economy during the past decade, but they certainly have learned the importance of diversifying their sources of financing and building a more varied capital structure, suitable for reducing their risk exposure.

In countries like Italy, where lots of companies are structurally undercapitalized compared to international standards, equipping themselves with a more solid capital structure, a diversified base of funding sources as well as broadening the shareholding may represent key factors for an enterprise’s development and growth.

The matter will be discussed in the coming chapter.

CHAPTER 3

The need to diversify SMEs long-term funding mechanisms in Europe

3.1. Overview on the recent trends in SMEs' access to finance within the Euro Area

More today than in the past, SMEs must deal with an increasingly complex scenario where to innovate as well as enhance know-how and company's skills are becoming a necessity to growth and compete in an even more cramped scenario. For a sustainable growing, companies need investments which in turn require additional capital, that could not be enough and no longer appropriate if originating only by the banking system.

Recent challenges caused by the crisis have highlighted some key problems that SMEs have faced in accessing bank credit. They can be distinguished between cyclical barriers, arising from the financial crisis, and longer-term structural barriers, already existing before the crisis but worsened since then.

The cyclical barriers may include:

- Decrease in sales - Crisis led to a sharp drop in sales, resulting in a marked reduction in SMEs' income receipts. This has been one of their major long obstacle, since it has reduced banks' willingness to provide credit to those companies which showed decreasing figures in their accounts;
- Increase in lenders' risk aversion - Banks become more prudent in granting loans, particularly those with smaller size which were more likely to provide lending to small firms. In addition, the downsizing of the credit availability due to bank failures and institutional problems has been accentuated by the lack of new credit intermediaries operating on the market;
- Collateral - Real properties and other forms of collaterals were strongly affected during the years of financial crisis, further compromising the SMEs' ability to borrow;
- Regulatory overhang – Banks were subject to new restrictive requirements aimed to conserve capital and grant loans with fewer level of risk.

Among the structural barriers, instead, can be mentioned:

- Banking consolidation - Small firms usually raised capital from small credit institutions, but the process of banking assets consolidation to create fewer large banks increased the difficulties to get necessary sources to finance their business;
- Higher costs to search credit lenders - SMEs often had to ask several lenders before accessing capital, so incurring in longer time and higher costs of research;

- <u>Transaction costs</u> - The expenses to raise also a small capital become as higher as those incurring for getting loans with a greater amount, due to SMEs heterogeneity, their high failure rates and the multiple use of borrowed their funds which increased the difficulty to develop general standards.

To overcome the current difficulties in raising capital, European institutions are seeking to encourage and motivate SMEs to consider alternative options than the classic and traditional banking channels, still their most common form of financing in Europe. It is important to note that SMEs account for 99,8% of firms operating in the Eurozone, providing for 60% of its turnover and 70% of its employment[63].

The last[64] disclosure of the main results concerning the ECB's "*Survey on the Access to Finance of Enterprises*" (SAFE) highlights a general improvement in SMEs' financing conditions, but some problems persist resulting into a lower than potential recovery and spread in SMEs' lending and other non-bank financing instruments.

With the purpose of examining the emerging trends in SMEs' access to finance within the Euro Area, it examines in detail the degree of bank loans availability, the willingness of the credit institutions to lend, the level of loans approval or rejection, as well as the evolution in the charged interest rates and the collateral requirements.

The recovery occurred between 2009 and 2013 proved to be extremely uneven among these countries, many of which continued to worse their financial and economic conditions, such as Italy that moved towards a second strong downturn caused by the outbreak of the Sovereign debt crisis. Since 2013, countries have started experiencing a more favorable trend, with SME bank lending improving in most of the selected nations due to better macro-economic and financial conditions.

In terms of outstanding SME loans, credit growth overtook better levels than those observed in the previous years in most of the Eurozone countries, but considerable differences still remain among them with a further deceleration for those economies particularly affected by the financial crisis, such as Greece and Ireland, or with a strong slowdown in SME credit growth rates in few other countries, Slovak Republic for instance.

New SME loans have been generally characterized by an upward trend from 2013 onwards, even if European countries such as Greece, Italy, Estonia, Netherlands and Portugal were just some of the exceptions.

[63] According to the actual data provided by the European Central Bank.
[64] Reference is made to the 17th edition of the "*Survey on the Access to Finance of Enterprises (SAFE)*", based on a total sample of 11.202 enterprises operating in the Euro Area, 10.210 of which (i.e. 91%) are considered SMEs according to the common definition reported into the Commission Recommendation 2003/361/EC.

According to the results of the last SAFE analysis and compared with those of the previous 6-months observations, an increasing number of SMEs in the Eurozone report:

- a positive turnover trend (27% from 19%), without considering their size and country, reflected into an increase in profits (5% from 0%), its first positive result occurred from 2009;
- an increase in costs[65] to improve their debt situation and make higher investment. SMEs deleveraging efforts have led to a decline in their debt-to-total assets ratio (-10% from -8%), whilst the recovery in the fixed investments has recorded a slight increased (17%, from 16%), more pronounced in Ireland, Portugal and Spain;
- a moderate decreasing demand for external financing, with unchanged portion of SMEs (3%) in their needs for bank loan and a lower demand for bank overdrafts (4% from 6%). Almost 9% of the sample has increased its need for trade credit (from 8%), whilst 11% has reported a higher demand for leasing or hire-purchase (from 10%);
- an increase in the availability of bank loans and bank overdrafts[66];
- a negative external financing gap, indicating that SMEs demand for external financing is smaller than the improvement in the access to external funds. It is negative in all countries except Belgium, France and particularly Greece;
- a decline in financing obstacles, with a better ratio between loan approvals and rejections. The number of SMEs' applications for a bank loan has declined (27% from 32%), since more SMEs reported to be provided with sufficient funds (43% from 39%). The share of successful loan applications has not changed (74%), while the number of rejections have recorded a slight decline (5%, from 6%). Financing obstacles have increased only in Austria, Portugal and Slovakia compared to the previous results;
- an improvement in terms and conditions for bank finance, with declining interest rates (-5%), even if less marked than the previous wave (-9%), and with greater size and longer maturity for available loans and overdrafts;
- an exacerbated tightening concerning the collateral and other requirements of banks. Charges, fees and commissions are referred to as the reason of higher costs for almost 30% of SMEs, used by banks to partially offset the lower interest revenues;

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[65] The share of SMEs reporting an increase in labour costs has remained constant (49%), while the portion of firms which have recorded increasing other costs moved from 50% to 48%.

[66] The availability of bank loans is most perceived for SMEs in Spain, Portugal and Ireland. Greece, instead, is the only country where SMEs are still facing a net deterioration in the availability of bank loans, albeit conditions have improved compared to the past.

- finding customers as still the dominant concern for most of SMEs in the Eurozone (24% from 26%), despite the availability of skilled labor is close second interesting an even more huge number of sampled SMEs (23 % from 19%). Access to finance continues to be considered the least important concern (8% from 9%), except for Greece.

Collateral requirements are broadly different among countries, much that there is not an evident trend for them. In Europe, for instance, less than 10% of French loans have required collaterals, while they increase up to 80% in Portugal. There is an upward trend for collateral requirements in Italy, where secured loans range between 55% and 60%.

In support of the analysis, some of these recent results can be resumed and distinguished for country in the following table.

	Needs				Availability				Financing gap		Financing obstacles	
	Bank loan		Bank overdraft		Bank loan		Bank overdraft					
	H2 2016	H1 2017	H2 2016	H1 2017	H2 2016	H1 2017	H2 2016	H1 2017	H2 2016	H1 2017	H2 2016	H1 2017
euro area	3	0	6	4	12	12	10	11	-4	-5	10	8
BE	4	10	8	9	7	10	7	10	-2	0	9	9
DE	-8	-9	-2	-3	12	10	11	11	-9	-8	6	4
IE	-1	7	12	10	21	17	17	16	-7	-4	12	11
GR	31	19	39	23	-23	-3	-16	-2	24	11	36	29
ES	2	-2	11	5	28	23	26	23	-10	-10	9	9
FR	12	9	17	12	6	7	1	1	4	2	9	8
IT	8	4	10	5	13	14	6	11	0	-4	12	8
NL	-12	-6	-7	-2	11	15	11	16	-11	-8	12	10
AT	-6	-3	-2	0	7	11	2	7	-4	-5	5	7
PT	-6	-10	1	-3	16	22	12	21	-8	-14	10	11
SK	4	0	8	5	18	15	21	19	-6	-6	9	11
FI	0	-6	4	4	6	13	9	9	-4	-6	5	4

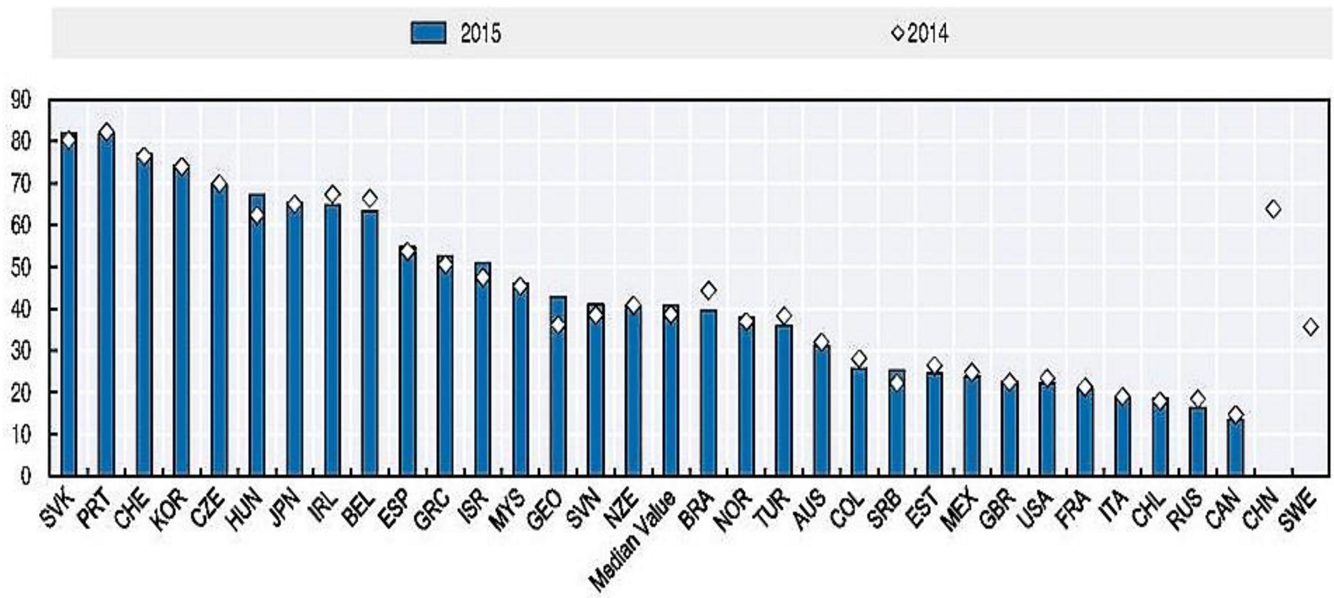
Table 3.1 – Latest trends in SMEs' financing conditions based on the SAFE country results

It could be interesting analyze the portion of loans granted to SMEs over the total outstanding corporate loans for different nations. The last annual survey conducted by the OECD on a sample of 39[67] countries provides

[67] Reference is made to the 6th edition of the report "Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard", presenting detailed profiles for the following 39 countries: Austria, Australia, Belgium, Brazil, Canada, Chile, Republic of China, Colombia, Czech republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Russian Federation, Serbia, Slovak republic, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, United Kingdom and United States.

useful information on this issue. The figure below reflects the so-called "SMEs loan shares" evolution within the time span running from 2007 to 2015, year at which the OECD's assessment is currently concluded. In particular, it highlights the change occurred between the last two years of observation.

Focusing the attention on the European countries, since are the scope of this analysis, it is note that, after Sweden, Italy is the EU member presenting the lowest share of SMEs loans over its overall corporate lending amount, whilst, on the opposite, Slovak Republic and Portugal present loans to SMEs accounting for more than 80% of the total outstanding business loans within their own borders.

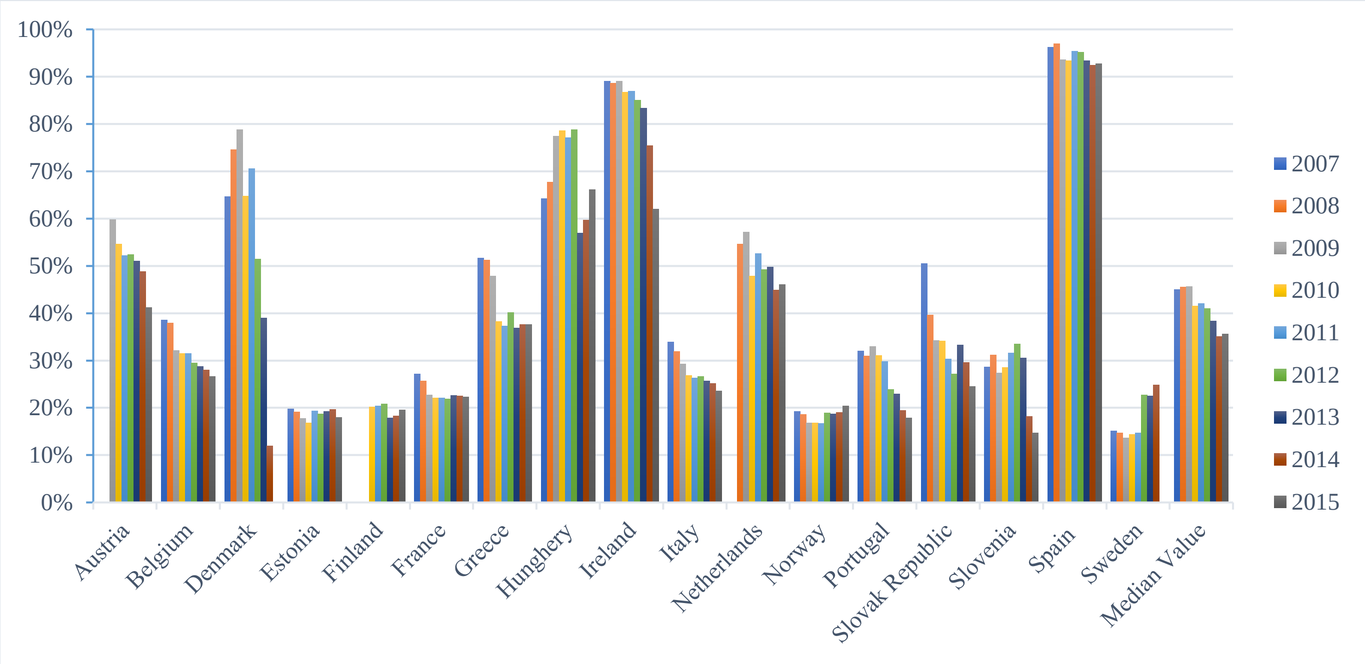


Figures 3.1 – Percentage of national SMEs loans on the related total corporate lending

Despite the Italian economy is characterized by a net prevalence of SMEs and micro-enterprises, SME loans share has decreased faster than the overall loans reduction, leading to a credit market where SMEs could benefit just of a smaller portion of an already shrinking overall availability of corporate loans.

Still by relying on this report, data on loan maturities emphasizes a shift towards long-term lending; the median value of the proportion of short-term SME loans over the total SME loans has moved from 36,75% in 2007, to 31,55% in 2011 and to a further decrease in 2015, when the value started accounting just for 26,68%.

Fixed investments and inventory as well as working capital represent the main purposes for which SMEs used their internal and external financing.



Figures 3.2 – Evolution of the short-term bank loans in some European countries from 2007 to 2015

But not only a rising demand to foster investments could justify this shift, as much also the decrease in the average interest rates charged to SMEs may provide opportunities for reliable companies to fulfil their long-term borrowing needs. In addition, and if the required conditions to assess the applicant's creditworthiness are met, banks may prefer granting loans with longer maturity since they usually provide for higher interest rate and could allow banks to keep their profit margin. Lastly, SMEs may demand fewer short-term bank loans since they could take advantage of alternative funding sources able to cover the same needs, such as factoring, trade credit or retained earnings, as previously mentioned.

Some degree of heterogeneity can be observed also for this emerging trend, since short-term loans still are most-favored in Spain, Hunghery and Ireland, just as there is an equal proportion of loans with short and long maturity in countries like Austria and Netherlands. Despite the figure 3.2 shows a downward for Italy, the analysis contained in Chapter II has proven that short-term bank loans have recorded a greater decrease than long-term ones over these last years, but that the current propensity of the Italian banking system moves towards a more cautious approach to lending and a preference in granting credit lines with short maturity.

Generally, today companies in the Euro Area could benefit from improved credit conditions, since loans have become more available and credit rejection less frequent, moving from a peak of almost 17% in 2009 to a current 5%. Despite this improvement, it reflects that some bank loans demand is not being met, and usually does not concern large-sized firms, of course. Enterprises which have been rejected usually turn to apply to another financial institution, but there is evidence that profitable, mature and larger SMEs are more advantaged in raising capital from the banking system, whilst a hostile approach is commonly reserved to young SMEs, innovative firms, micro-enterprises and start-ups.

The financial condition of large enterprises is still better than for SMEs, since they have strongly increased both turnover and profits over these last years. Large firms applying for a bank loan have accounted for about 46%, with a much higher success rate (85%) and a much lower rejection rate (1%) than for SMEs.

The results of the last ECB's survey have highlighted an average interest rate paid by large-sized enterprises on credit lines and bank overdrafts lower of almost 180 basis points than that charged on SMEs borrowings, proving that large firms are continuing to access finance at better conditions than SMEs.

A great opportunity for companies with small and medium size is linked to the huge number of solutions covered by the designation of alternative finance or non-bank financing instruments. The following table reports some of these financial products that can be properly evaluated by SMEs attempting to access external funding.

Low risk/return **Asset-based finance**	**Low risk/return** **Alternative debt**	**Medium risk/return** **"Hybrid" instruments**	**High risk/return** **Equity instruments**
• Asset-based lending • Factoring • Purchase order finance • Leasing • Warehouse receipts	• Corporate bonds • Securitized debt • Covered Bonds • Crowdfunding (debt) • Private placements	• Subordinated loans/bonds • Silent participations • Participating loans • Convertible bonds • Bonds with warrants • Profit participation rights	• Private equity • Venture capital • Business angels • Crowdfunding (equity) • Specialized platforms for public listing of SMEs

Table 3.2 – Alternative financing instruments. Sources: OECD (2015)

In the aftermath of the financial crisis, as anticipated in Chapter II, policy interventions have been directed mainly to support bank finance, through the expansion or improvement of existing credit guarantees as just the introduction of new ones. At first, they created an adverse effect on SMEs, leading to a perpetuation of their over-reliance on straight debt. Over the last few years, new initiatives to promote alternative finance, especially on the equity-side, have been introduced; among the others, they have included tax incentives, a more efficient regulatory framework (e.g. resulting in the creation of the mini-bonds), as well as the possibility to implement public-private partnerships for equity investments across the capital market.

3.2. The challenges in developing non-bank finance instruments for SMEs

SMEs access to finance still represents one of the main concerns on the worldwide governments agenda. The number of their policy interventions to facilitate SMEs access to capital is even more significant and does not involve just the traditional channels of funding, as more the other non-bank financial instruments indicated above. It is noted, indeed, that countries with bank-oriented systems are exposed to greater extent to adverse economic conditions than those which used to raise financing on the capital market.

But despite this evidence, and although the alternative finance has started increasing its share in the capital structure of many SMEs, they have not been able to offset the lack of credit observed in numerous countries.

The challenges in developing these instruments arise to a significant extent from the demand-side, where a huge number of SMEs is still lacking financial knowledge, proving to be not aware of the existence of other sources than bank credit. This unawareness also often prevents SMEs from accessing to the capital market to seek instruments which are most suited to their needs. Even if they were familiar with the new financing opportunities, they may not be able or willing to comply with the requirements of professional investors. Unfavorable tax treatment concerning some of these alternatives may also represents a barrier to the expansion of their use, with the consequence that bank lending often remains the least expensive form of funding for these types of firms.

On the supply-side, albeit lots of government are making an effort to promote the use of equity-type instruments for SMEs, institutional investors continue to show hesitancy towards investing in these small enterprises due to their major information asymmetries, as well as the shortage of transparency on their credit data, the different regulatory treatment of equity and debt financing and the current not sufficient investment opportunities.

As a result, financial markets for SMEs are still too fragmented and underdeveloped. SMEs are facing a financing gap which is broadly considered as stemming from a market failure, resulting in economic inefficiencies. Moreover, the difficulties in matching supply and demand efficiently are given to the highly uncertainty and complexity of the markets, which are knowledge intensive and may have to operate over long periods before they could show consistent performance.

Nowadays transnational public policies are playing an active role in removing barriers and in fostering the development of these alternative finance instruments for SMEs.

On 30 September 2015, the European Commission has adopted an Action Plan to establish an integrated capital market in the EU by 2019. This plan aims at supporting the development of alternative source of finance complementary to bank-financing and improving access to funding for the real economy, thereby fostering higher levels of economic growth and job creation across the EU.

Capital markets are, in fact, fragmented along national lines, where shareholders and buyers of corporate debt often prefer to invest nationally. A Capital Market Union could lead to a more resilient and diverse European economy, providing SMEs and start-ups with the possibility of gaining a wider access to funding, larger companies with cross-border investment and infrastructure projects with more investment flows. From banks as well as savers and investors perspectives, a CMU may lead respectively to safe ways for lending to corporates and households, or to enlarge the audience of potential investments.

A Single Capital Market could be a great solution to SMEs fragilities, improving and facilitating their funding and making the same at lower cost.

At a European Approach, an important role is played by the huge number of financial resources displayed by the European Investment Bank (EIB), by the European Investment Fund (EIF), by the EC's European Strategic Investment Fund (ESIF) as well as by many other institutional interventions or programs to foster innovation and to support SMEs in raising capital for investing in their growth.

The increasing effort to promote alternative financing instruments is not only an European concern. In 2015, the OECD, together with other international organizations, has defined the G20/OECD High-Level Principles on SME Financing, guidelines for governments which aim to enhance SMEs' access to finance. They seek to improve access to credit as well as to create a more diversified financial offer for small businesses.

They comprise the 11 Principles that follow:

1. Identify SME financing needs and gaps and improve the evidence base;
2. Strengthen SME access to traditional bank financing;
3. Enable SMEs to access diverse non-traditional bank financing instruments and channels;
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms;
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection;
6. Improve transparency in SME finance markets;
7. Enhance SME financial skills and strategic vision;
8. Adopt principles of risk sharing for publicly supported SME finance instruments;
9. Encourage timely payments in commercial transactions and public procurement;
10. Design public programs for SME finance which ensure additionality, cost effectiveness and user-friendliness;
11. Monitor and evaluate public programs to enhance SME finance.

Faced with the difficulty of financing companies with the sole or predominant recourse to bank lending, the type of government policies introduced in response to the need of supporting SMEs access to finance have been different. There measures have implied different costs for public budgets; for instance, government direct lending and loan guarantees were accompanied by significant costs, whilst bank targets for SME lending or negative interest rates for bank deposits at the ECB carried respectively neutral and negative costs. Credit guarantees have remained the most widely spread instrument employed by most of the EU and global countries, followed by venture capital, equity funding, business angel investment and direct lending to SMEs.

In Italy, four main directions have been taken to recover SMEs financing conditions. Italian government has attempted to promote equity capital use by facilitating its access even for small and medium-sized enterprises (e.g. through the action of the Italian Investment Fund, the AIM-MAC market, the creation of Elite Project), as well as it has fostered the use of alternative instruments to bank credit, such as the mini-bonds and debt crowdfunding.

It has then aimed at easing the access to bank credit (through the debt moratorium, the strengthening of the Guarantee Fund for SMEs and the SME Plafond provided by the Cassa Depositi e Prestiti), as well as speeding up the process of disposal of Public Administrative debts.

The use of corporate bond loans has been particularly appreciated by the Italian SMEs. Now the analysis moves to examine the situation of this alternative finance instrument within other European countries.

3.3. The mini-bonds market in the European sample. Main features of the issuers and the securities

In this paragraph, the analysis focuses on debt securities issued by other European countries, showing such characteristics that enable them to be qualified as mini-bonds. Seven EU States have been included in the sample; the selection is justified by the degree of interest they have exhibited for the instrument.

After a brief description of each national market regulation and main features, the assessment will aim to quantify the volume of mini-bond issued within the individual countries, together with their most relevant characteristics. These results will allow to estimate the extension of this debt instrument within European burdens.

3.3.1. Spain

SMEs play an important role in Spain's non-financial business economy; they account for about 99.9% of the national enterprises, producing a value added of 61.4% and employing approx. three quarters of the population (73.0%), both figures above the EU28 average (57.4% and 66,8% respectively)[68].

Spanish SMEs have gradually turned to growth demonstrating an overall economic recovery, for which government reforms on business creation and access to finance have been determinant to partially restore the pre-crisis conditions. Financing access has been a critical factor compared to the average of EU countries.

The "*Bolsas y Mercados Españoles*" (BME) has established the AIAF, the Spanish market of reference for corporate bonds. In 2013, government has created the "*Mercado Alternativo de Renta Fija*" (MARF), a multilateral trading facility dedicated to SMEs debt instruments and open to qualified investors, as a part of a reform package designed to facilitate and foster Spanish SMEs access to the capital market.

SMEs' corporate bonds and financial bills are admitted to listing on this AIAF segment, characterized by more flexible admission requirements but still able to provide investors with a sufficient information and high level of transparency on the issuer's solvency.

Among the main features of Spanish mini-bonds are included:

- Subscription reserved to institutional investors (like in Italy);
- Minimum denomination greater than or equal to €100 thousand;
- Disclosure of the documents concerning the company (including the last two certified financial statements) to ensure transparency for investors;
- Disclosure of the documents concerning the mini-bonds issuance, together with a solvency certificate issued by an institution accredited to ESMA. To ensure the information on the credit quality of the issuer,

[68] Reference is made to data provided by the Eurostat, included in the report "*2016 SBA Fact Sheet*" focused on Spain and published by the European Commission on 31 March 2017.

in fact, the presence of a rating is optional whilst it is required a declaration of solvency issued by a qualified agency;

- Optional coaching of a liquidity provider to guarantee the security liquidity on the secondary market;
- Key role of advisory consultants.

With the recent reforms, also Spanish limited liability company may issue corporate bonds, provided that they are underwritten by institutional investors, or that the minimum denomination is at least € 100 thousand.

Among the analyzed countries, Spanish mini-bonds market is the most similar to Italian one, both in terms of regulation and structure of the issuing process. Unlike Spain, there is not a minimum denomination in Italy as well as the mandatory provision of a solvency certificate.

The quantitative assessment of the market has involved 28 securities, issued from the end of 2013 to September 2017. The table below summarized the main features of Spanish mini-bonds.

# of Outstanding Securities	Average Maturity (years)	Outstanding Volume (€)	Average Coupon Value (%)	Coupon Type	Coupon Frequency	Sector	Stock Exchange
28	9	1.247.600.000	4,995%	Fixed	Annual	Transport and telecommunications	MARF

Table 3.3 – Main results of the Spanish mini-bonds market quantitative assessment

Their maturity ranges between a maximum of 30 years to a minimum of 3 years. Similarly, the offered coupon moves from 2,50% to 8,00%. 28 out of 29 securities pay a fixed coupon, with a preference for annual payments frequency for approx. 73% of the sample. Most of the issuing companies operate in the transport and telecommunications sectors, followed by a quite relevant stake of the energy sector as well as trade of goods and other services.

At the moment, the total outstanding volume accounts for approx. € 1,25 billion, still showing the low growth rate which has characterized Spanish mini-bonds market since their introduction.

3.3.2. France, Belgium, Netherlands, Portugal

French SMEs account for 99.9% of national companies, producing 57.8% of the value added and employing 63.0% of the workforce[69]. They have recovered from the crisis, with a labor productivity 27% higher than the EU28 average. Conditions for SMEs accessing to finance are better than in the average of European countries, although in recent years also France has experienced a worsening in financing situations.

[69] Reference is made to data provided by the Eurostat, included in the report “2016 SBA Fact Sheet” focused on France and published by the European Commission on 31 March 2017.

Nowadays, there are several market segments dedicated to SMEs bond trading as well as other initiatives are in place on the equity side to fulfill the specific needs to finance their growth.

In Belgium, SMEs play a fundamental role in the national non-financial business economy, since they stand for 99.8% of the overall companies, produce 62.2% of the value added and generate 69.9% of all the employment[70]. Despite the negative impact of the financial crisis, Belgian SMEs have performed strongly since 2008, and this is most linked to the growth of the professional service sector. Belgian SMEs can access to finance with better conditions than EU28 average, taking benefits of the huge number of governmental interventions to improve the environment for businesses. Fiscal exemptions, tax incentives for crowd-funding, lower payroll taxes for reducing labor costs, tax deductions for private loans to SMEs and an investment fund for innovative start-ups are some of the national measures to facilitate financing in particular for start-ups and young SMEs.

Dutch SMEs represent the 99.8% of the national enterprises, generating a value added of 62.7% and employing 65.2% of the population, quite in line with the EU average that shows 57.4% and 66.8% for the respective metrics[71]. They have experienced an uneven recovery from the crisis. Despite significant policy efforts, access to finance is still difficult for Dutch SMEs, for which loan financing continues to be one of the main concerns.

The portion of SMEs in Portuguese non-financial business economy is higher compared to the figures for the remaining European countries. They stand for 99.9% of the national enterprises, producing a value added of 69.0% and an employment of 78.1% (4 out of 5 jobs approximately). Albeit a current more favorable outlook, Portugal still is being influenced by the strong downturn of the past decade with a direct reflection on worse access to finance. Government has adopted several measures to improve the situation, such as fostering alternative sources of funding, but they have continued to play a marginal role and to be quite underdeveloped

This introduction on the current SMEs conditions within these four EU countries aims at presenting the Stock Exchange where they commonly trade securities and other financial instruments, and on which specific segments to trade their mini-bonds have been created. Reference is made to Euronext, i.e. the first pan-European exchange covering France, Belgium, the Netherlands, Portugal and the UK.

Once allocated on the Marché Libre of Paris, since June 2017 it has been turned into Euronext Access, a multilateral trading facility created to target SMEs and start-ups that want to access the capital market to get financing for their development and growth, as well as to enlarge the base of the potential investors. They can benefit from an increase in reputation usually attributed to listed companies, but without being subject to the same restrictive criteria to be admitted on the regulated markets.

[70] Reference is made to data provided by the Eurostat, included in the EC's report "2016 SBA Fact Sheet" focused on Belgium.
[71] Reference is made to data provided by the Eurostat and included in the EC's report "2016 SBA Fact Sheet", focused on Netherlands.

It could represent a first step in a firm's development, since other segments have been established to drive company's growth in the following steps, i.e. Euronext Growth (the previous "Alternext") or an Euronext regulated market. In addition, Euronext Access + is the new division designed to help SMEs and start-ups in making a smooth transition to the market and adapting to its operations.

Mini-bonds can be issued in two forms: as private placement transactions or through an IBO. The former is defined as "Euronext Private Placement Bonds" (EPPB) and represents a new type of offering designed for SMEs as well as for non-investment grade large enterprises to allow them in accessing alternative funding sources to bank lending. It provides companies with a mean to diversify their set of financing sources with a long-term debt product, at competitive costs, bullet and flexible size and longer maturity than a traditional bank loan. The latter allow companies to issue a corporate bond through an Initial Bond Offer (IBO), a type of issuance similar to the equity IPO but specifically created for SMEs in July 2012. Today the number of companies that have carried out IBOs is still limited.

They can be carried out both by listed SMEs (even with capitalization less than € 100 million) and by unlisted SMEs, whilst different are the criteria to be listed on the Euronext Access markets (Euronext Access and Euronext Access +) or on Euronext Growth. They can be resumed in the following table.

<table>
<tr><th></th><th></th><th>Euronext ACCESS</th><th>Euronext ACCESS +</th><th>Euronext GROWTH</th></tr>
<tr><td rowspan="5">INITIAL ADMISSION</td><td>Free float</td><td>Not applicable</td><td>€1m</td><td>€2.5m</td></tr>
<tr><td>Financial Statements</td><td>2 years (no requirement of audited accounts)</td><td>2 years o/w last financial year of audited accounts</td><td>2 last financial years of audited accounts</td></tr>
<tr><td>Accounting standards</td><td colspan="3">IFRS or local GAAP</td></tr>
<tr><td>Intermediary</td><td colspan="3">Listing Sponsor</td></tr>
<tr><td>Main document to be provided</td><td colspan="2">Information document*
(*or EU Prospectus in case of public offer)</td><td>Information document or EU Prospectus</td></tr>
<tr><td rowspan="8">ONGOING OBLIGATIONS</td><td>Financial reporting: annual</td><td>Yes but based on local legal code</td><td colspan="2">Audited annual financial report</td></tr>
<tr><td>Financial reporting: semi-annual</td><td>Not required</td><td colspan="2">Unaudited semi-annual financial statements</td></tr>
<tr><td>Price sensitive information, insider lists, market soundings (Market abuse regulation Directive)</td><td colspan="3">Applicable
(Market abuse regulation Directive)</td></tr>
<tr><td>Declaration of management transactions (MAR)</td><td colspan="3">Applicable
(Market abuse regulation Directive)</td></tr>
<tr><td>Declarations of breaches of threshold voting rights</td><td colspan="2">Not applicable</td><td>Applicable</td></tr>
<tr><td>Anti-money laundering</td><td colspan="3">Applicable</td></tr>
<tr><td>Intermediary</td><td>Not required</td><td colspan="2">Listing Sponsor</td></tr>
<tr><td>Website</td><td colspan="3">Yes</td></tr>
</table>

Among the main features of these mini-bonds are included:

- Subscription open to both institutional and retail investors;
- Minimum denomination greater than or equal to € 5 million on Euronext Growth;
- Mandatory rating for SMEs and for enterprises with capitalization less than € 100 million, issued by an authorized institution by the ESMA;
- General mandatory support of a Listing Sponsor for the pre-listing phase, and its presence in the follow-up phase for issuances on Euronext Access + and Euronext Growth;
- Disclosure of the last 2-year company financial statements, to be audited for issuances on Euronext Access + and Euronext Growth;
- No mandatory provisions of collaterals and covenants.

The quantitative assessment of the French market has involved 86 securities, listed on Euronext Access Paris and on Euronext Growth Paris for respectively 52 and 34 and issued from July 2010 to February 2017. The table below summarized the main features of French mini-bonds.

# of Outstanding Securities	Average Maturity (years)	Outstanding Volume (€)	Average Coupon Value (%)	Coupon Type	Coupon Frequency	Sector	Stock Exchange
86	7	5.081.066.995	4,698%	Fixed	Annual	Real Estate	Euronext Access Paris Euronext Growth Paris

Table 3.4 – Main results of the French mini-bonds market quantitative assessment

Their maturity ranges between a maximum of 24 years to a minimum of 2 years. Similarly, the offered coupon moves from 1,44% to 9,75%. 85 out of 86 securities pay a fixed coupon, 52 provide annual interest payments whilst the remaining 40% chose a semi-annual or quarterly coupon frequency. Most of the issuing companies operate in the real estate sector together with a relevant stake in the energy and financial services sectors.

The total computed outstanding volume accounts for approx. € 5,08 billion. The market is reporting a quite steady growth, despite it has shown only partial success, probably due to the low creditworthiness of the issuers or to the still optionality of the liquidity providers.

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The quantitative analysis of the Belgian and Dutch markets has involved 49 securities, all listed on Euronext Growth Brussels from February 2013 to December 2017. The table below summarized the main features for their mini-bonds.

# of Outstanding Securities	Average Maturity (years)	Outstanding Volume (€)	Average Coupon Value (%)	Coupon Type	Coupon Frequency	Sector	Stock Exchange
49	10	2.805.920.000	3,654%	Fixed	Annual	Real Estate Public services Financial services	Euronext Growth Brussels

Table 3.4 – Main results of the Belgian and Dutch mini-bonds markets quantitative assessment

Their maturity ranges from a minimum of 2 years to a maximum of 30 years. Similarly, the offered coupon moves from 1,00% to 7,75%. 47 out of 49 securities pay a fixed coupon, with a preference for annual payments frequency for approx. 90% of the sample. A large portion of the issuers provide services in the real estate sector, but there is more dispersion within this sample with a lot of issuers operating into public services (water distribution) and financial services sectors.

The total computed outstanding volume accounts for approx. € 2,8 billion. The market has reported a decline in number of new mini-bonds issuances.

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The quantitative assessment concerning Portuguese market has carried out less reliable results to investigate the phenomenon, since most of the mini-bonds issuing companies have not chosen listing. Furthermore, a lot of securities negotiated on the Euronext Access Lisbon have not provided information about the charged coupon rate. Anyway, the evaluation has involved 26 securities listed on the Euronext Access Lisbon from March 2013 to October 2017. The market results are indicative for this portion of sampled mini-bonds and are resumed in the following table.

# of Outstanding Securities	Average Maturity (years)	Outstanding Volume (€)	Average Coupon Value (%)	Coupon Type	Coupon Frequency	Sector	Stock Exchange
26	6	990.849.990	3,125%	Floating	Semi-annual	Industrial Tourism	Euronext Access Lisbon

Table 3.5 – Main results of the Portuguese mini-bonds market quantitative assessment

Their maturity ranges from a minimum of 3 years to a maximum of 10 years. Unlike the other sampled countries, 77% of the issuers pay a floating coupon rate, indexed to EURIBOR at 6 months. For the securities that provide a fixed coupon, instead, it moves from 1,70% to 4,50%. 21 out of 26 have chosen a semi-annual payments frequency. Most of the issuers make activities in the industrial sector, especially in the production of paper and plastic derivatives, but there is also a considerable stake with provide services in tourism and leisure sectors.

The total estimated outstanding volume accounts for just under € 1 billion. The market is not very developed and has showed a slight higher interest in 2015.

3.3.3. Norway

Norwegian SMEs account for 99.8% of national companies, producing 58.6% of the value added and employing 67.6% of the workforce[72]. They have been prevented by a strong impact of the financial crisis and have been recovered due to an efficient monetary policy and use of wealth from their petroleum and agricultural resources. The real GDP of the Nation dropped by 1.6% between 2008 and 2009. Growth in the following years was slow, but the government adoption of a national SMEs strategy in 2012 (interventions to simplify and relieve them of administrative burdens just as to enhance both international and financial market access) led to a stronger growth in 2012, with real GDP exceeding the pre-crisis level by 2.9% at the beginning of 2013.

Norway can be considered the first country to provide SMEs with the opportunity to issue corporate bonds and extend their sources of financing with a debt instrument usually reserved to larger or listed enterprises.

In 2005 the Oslo Børs has created the Nordic ABM in adoption to the new EU directives imposing changes on the regulation for the European securities market. It is not a regulated market or a MTF[73], but only a list of registered bonds organized and operated by the Oslo Børs, under its rules settled in consultation with market participants. The segment has been designed to list and trade bonds and commercial papers and is split into two further segments, according to the size of the issuance. If this latter is lower than 500 million NOK, the segment can englobe securities that can be purchased to retail investors too, whilst if the previous threshold is overcome they can be bought only by institutional investors.

The access to this list of registered interest-bearing instruments requires very simplistic procedures, that advantage companies in terms of timing, costs and disclosure requirements. In case of bond issuance, the issuer must produce an admission document prior to applying for registration to allow the evaluation of the potential security suitability for the successive registration on Nordic ABM. Generally, it reports the loan description, the loan agreement and, sometimes, the description of the issuing company to provide information on the borrower[74]. The transparency obligations are limited.

Among the main features of Norwegian mini-bonds are included:

- Subscription reserved to institutional investors if the bond loan size exceeds NOK 500 million;
- Disclosure of the public annual reports and interim reports, plus annual accounts in case of foreign borrowers in accordance with the home state's accounting rules. The annual financial statements must be audited;
- Support of a manager, i.e. an investment bank that provide advisory during the whole process;

[72] Reference is made to data provided by the Eurostat, included in the report "2014 SBA Fact Sheet" focused on Norway as well as Eurostat data contained in the report "Dependent and independent SMEs and large enterprises", extracted in September 2015.
73 It is not subject to the provisions of the Stock Exchange Act or the Securities Trading Act.
[74] The contents of the two documents must fulfil specific requirements, set out in Section 2.7.2 of the ABM Rules.

- Optional presence of a loan trustee to better safeguard investors' interest.

The quantitative assessment of the Norwegian market has involved 103 securities, listed on the Nordic ABM (of which only 1 on the retail investors segment) issued from January 2007 to January 2018. Despite the overall success of Nordic ABM, it is necessary highlight that most of the securities have been issued by banks and insurance companies. To provide a comparable scenario with the other European countries, in particular with Italy where banks and micro-enterprises are not allowed to issue mini-bonds, the analysis only focuses on debt issuances from the industrial and commercial sectors as well as major bond issuances that do not concern the banking and financial sector.

The table below summarized the main features of mini-bonds in Norway.

# of Outstanding Securities	Average Maturity (years)	Outstanding Volume (€)	Average Coupon Value (%)	Coupon Type	Coupon Frequency	Sector	Stock Exchange
103	7	4.738.000.000	3,972%	Fixed	Quarterly	Maritime Energy	Nordic ABM

Table 3.6 – Main results of the Norwegian mini-bonds market quantitative assessment

Their maturity ranges from a minimum of 2 years to a maximum of 34 years. Similarly, the offered coupon moves from 0,40% to 15,00%. Most of the securities pay a fixed coupon and provide quarterly interest payments. A large stake of the industrial issuing companies operates in the maritime and energy sectors.

The total estimated outstanding volume accounts for NOK 47.380.000.000, which under the current currency exchange rates amount to approx. € 4,74. The market shows a quite linear and steady trend.

3.3.4. Germany

German SMEs account for 99.5% of the national companies, produce 53.1% of its value added and generate 62.8% of the employment. All these indicators stand below the EU28 average, showing a good state of healthy for German SMEs sector. Evidence relating to access to finance report a marked improvement in the German financing conditions.

Since 2010 German SMEs, so-called "Mittelstand", have got the opportunity to issue bonds on these five specific segments of its different national Stock Exchanges, ordered for date of inauguration: Bondm (Freiverkehr Börse Stuttgart), Primärmarkt C (Börse Dusseldorf), Mittelstandsbörse Deutschland (Börse Hamburg/ Hannover), Prime Standard (Freiverkehr Börse Frankfurt), m:access (Freiverkehr Börse München)

Like in France, German market offers investors, whether retail or institutional, the possibility to subscribe the minibonds on the primary market by mean of an IBO and then to trade them on the secondary market. These segments, in fact, are organized through an electronic sales channel which aims to facilitate market access for retail investors.

Among the main features of German mini-bonds are included:

- Subscription open to both institutional and retail investors;
- Minimum denomination greater than or equal to € 1.000 for retail investors;
- Minimum denomination generally ranged from € 50.000 to € 100.000 for institutional investors;
- Presentation of an information prospectus;
- Mandatory rating for SMEs, issued by an authorized institution by the ESMA;
- Mandatory support of a Coach, i.e. an intermediary in charge of supporting the company in the pre-listing as well as the follow-up phases for issuances;
- Disclosure of the last 2-year company financial statements, the last to be audited;
- Presence of a Quality Liquidity Provider to trade the securities on the secondary market, aimed at ensuring its liquidity.

The quantitative assessment of the German market has involved 28 securities, of which 17 listed on the Prime Standard segment, 5 on the Primärmarkt C and 3 for both the Bondm and m:access segments and issued from April 2011 to June 2016. The table below summarized the main features of French mini-bonds.

# of Outstanding Securities	Average Maturity (years)	Outstanding Volume (€)	Average Coupon Value (%)	Coupon Type	Coupon Frequency	Sector	Stock Exchange
28	7	4.682.260.000	5,954%	Fixed	Annual	Real Estate Financial Services	Bondm m:access Primärmarkt C Prime Standard Mittelstandsbörse Deutschland

Table 3.7 – Main results of the German mini-bonds market quantitative assessment

Their maturity ranges between a maximum of 26 years to a minimum of 5 years. Similarly, the offered coupon moves from 1,125% to 11,25%. All the securities pay a fixed coupon, with about the 80% that chose an annual interest payments frequency. Most of the issuing companies operate in the real estate sector, followed by a relevant stake in the financial services sector. Two of the mini-bonds listed on the Bondm come from the agricultural sector, have a CCC rating and pay a coupon higher than 8,00%.

The total computed outstanding volume accounts for approx. € 4,68 billion, with the last listed issue recorded on the first half of 2016. The German market has experienced a huge number of mini-bonds defaults; almost one third of these debt instruments listed on the Bondm have defaulted over time, despite they were classified as investment grade. This has probably undermined investor confidence towards this type of investment, thus causing a drop in minibond emissions.

3.4. Comparing the results of the European sample analysis

The quantitative assessment of each individual countries has provided the opportunity to estimate the current situation of the mini-bonds market outside from the Italian boundaries. To perform this comparison, the sampled used in Chapter II has been enlarged and data concerning issuances in 2013 have been added since this paragraph is going to show also the historical changes in their spread and adoption.

The following table resumes the results of the analysis and reports some of the main features which characterize the issuances carried out in these different European countries.

Country	# of Outstanding Securities	Total Outstanding Volume (€)	Average Outstanding Volume (€)	Median Outstanding Volume (€)	Average Coupon (%)	Median Coupon (%)	Average Maturity (years)	Median Maturity (years)
Italy	270	9.035.769.500	33.465.813	5.000.000	5,229	5,225	6	5
France	86	5.081.066.995	59.082.174	19.210.500	4,698	4,800	7	6
Norway	103	4.738.000.000	46.000.000	40.000.000	3,972	2,850	7	5
Germany	28	4.682.260.000	167.223.571	76.500.000	5,954	6,500	7	6
Belgium-Netherlands	49	2.805.920.000	57.263.673	35.000.000	3,654	3,550	11	7
Spain	28	1.247.600.000	44.557.143	34.250.000	4,995	4,875	10	6
Portugal	26	990.849.990	38.109.615	30.000.000	3,125	3,124	6	6
	590	**28.581.466.485**						

Table 3.8 – Results of the EU mini-bonds markets at comparison

Despite most of these Nations still issued SMEs debt securities before they have been introduced in Italy, this latter dominates the sample for number of mini-bonds issued as well as for the pace at which they have risen in only few years. The overall outstanding volume amounts to approx. € 28.6 billion, one third of which results from the Italian contribution, that differs from France for just under its double. In terms of average size of the individual issue, Germany presents the highest data as well as a median value that is significantly above from the rest of the sample, probably due to the structural differences and to increasing stability characterising its stronger SMEs. Together with Italy, they pay the highest coupon rate, but the former used to issue mini-bond with a maturity below than Germany. The longer-term debt loans are issued in Belgium and Netherlands, immediately followed by Spain; as previously observed, Belgian and Dutch companies that have issued mini-bonds mainly operate in the real estate and financial services sectors, requiring longer time for their investments. In addition, if they manage to prove creditworthiness and the reliable profitability of their activities, they may benefit from a huger investors base which is prone to long-term financing since they expect, in turn, to receive higher interest payments.

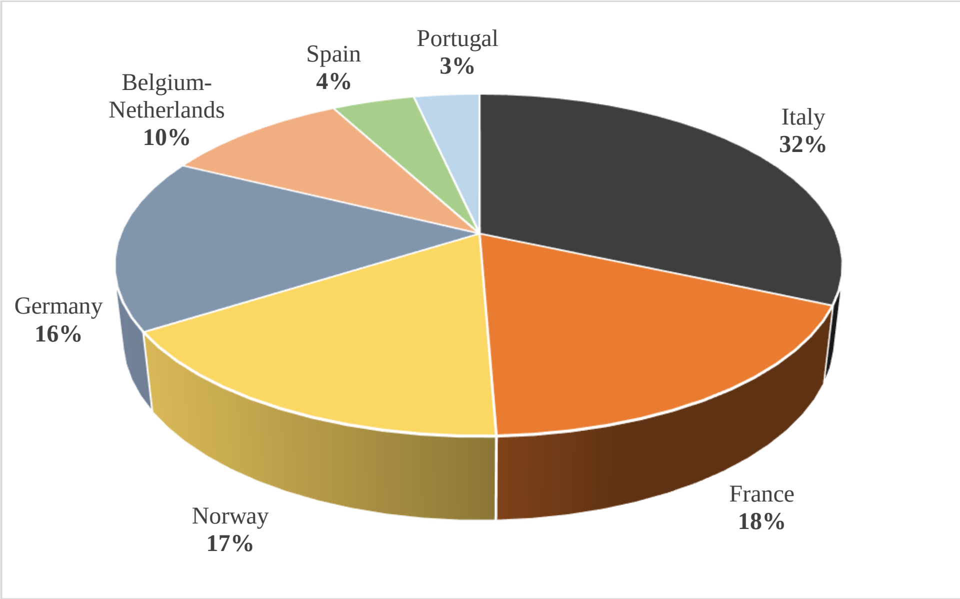

Figure 3.3 – Distribution of the mini-bonds overall outstanding volume within the EU sample

By dividing the number of the overall sampled securities according to their issue date, it is observable how, up to 2012, the bond market designed for SMEs was in an embryonic stage, with few issuances from just France, Germany and Norway. From the beginning of 2013 the debt instrument has recorded a quite significant but uneven spread, with a strong impact brought by the new entrance of those EU countries where previously SMEs were prevented by issuing debt securities, like Italy.

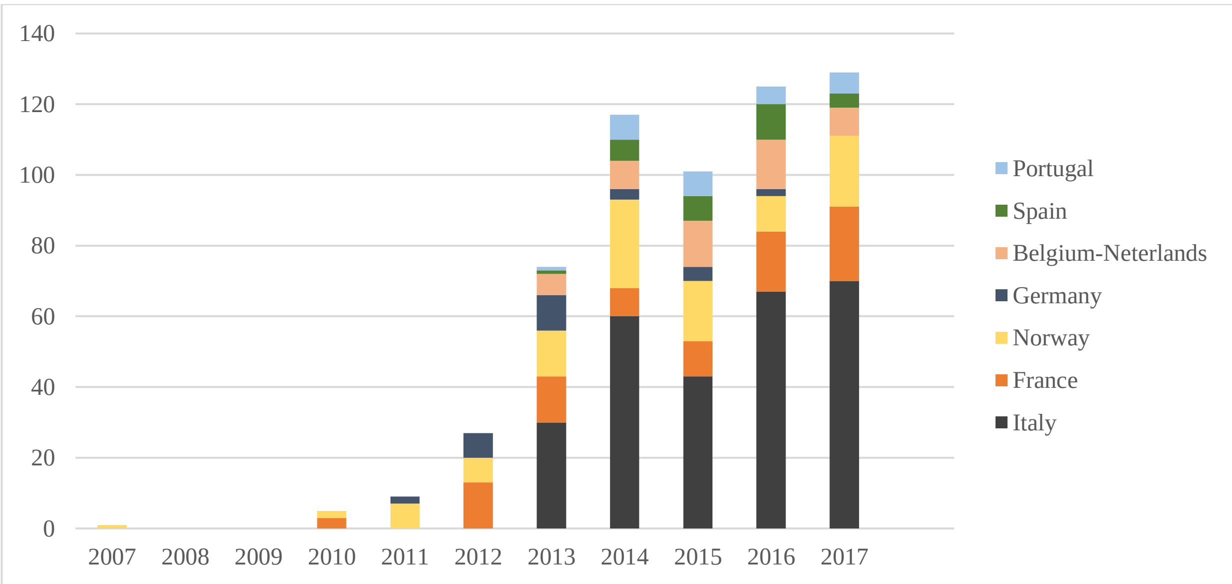

Figure 3.4 – Distribution of the EU mini-bonds issuances up to December 2017

This latter has been the one that most fostered the adoption of mini-bonds within SMEs capital structure, reporting the highest number of new issuances per annum compared to the remaining sample since 2013.

2014 has been the year of a first strong growth in the Italian and Norwegian market (60 and 25 new securities issued respectively) and the first year of decline in Germany (3 from 10). 2015, instead, has been characterised by an opposite trend, but German market increased the result of the previous year for just 1 more issuance (4 from 3). They were the first signs of a downtrend which has led to a lack of new "Mittlestand" listed bonds since 2016.

It is not easy to identify a common and reliable trend to forecast the next results for the market, since the sampled countries show no homogeneous indications on the issue. 4 out of 7 are those which have increased the number of mini-bonds issued in the last year, only 2 for two consecutive periods. Except for Italy, they do not report a such significant adoption of the instrument.

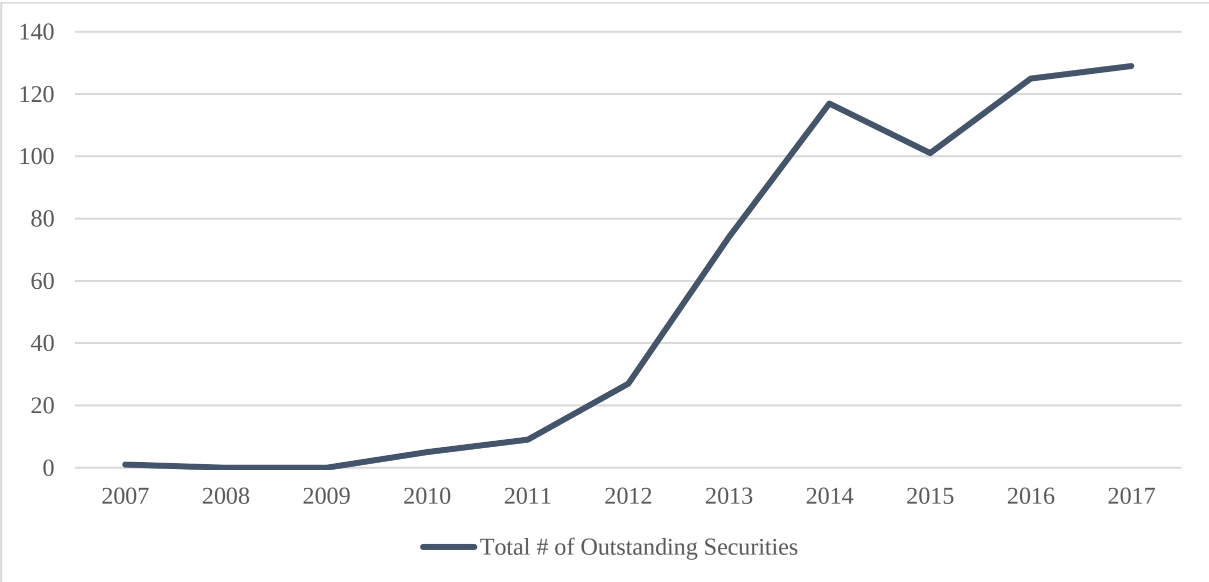

Figure 3.5 – Evolution of the mini-bonds issuances up to December 2017

The figure above seems to identify a positive trend for the market, but it is strongly influenced by the Italian figures, such that it shows a decline in 2015, when the mini-bonds market recorded a lower number of securities issued in Italy but also improvements in other countries' results, do not evident from the chart.

Two may be the next scenarios. On one hand, a lower recourse to this market could be justified by the preferences that a part of the sample, due to their economic differences as well as the peculiar structural features of national SMEs, may show towards other non-bank form of financing as factoring, crowdfunding, mezzanine finance, equity instruments and more. It has already been mentioned that debt funding may not be the most suitable choice for companies without stable cash flow to service the periodic interest payments.

On the other hand, if Italy would manage to properly finance its SMEs with the recourse to the mini-bonds market, it could prompt other countries to take this path and improve the SMEs access to this alternative debt source of financing.

Conclusions

At the end of this analysis, it is possible to argue that mini-bonds are for SMEs a valuable source of funding, designed to complement bank financing and to reduce their reliance from this form of external fund. More generally, being able to draw on a more diversified set of financing instruments would benefit SMEs by making them less vulnerable to potential changes in the credit market.

Moreover, traditional bank lending may not always represent the most suitable form of finance for certain SMEs and entrepreneurs, as well as it has proven to be no longer able to perform the same function it carried out before crisis.

The introduction of the mini-bonds in the Italian capital market, as the result of the wide regulatory reforms to support access to finance for the national businesses (from mid-2012 onwards), has provided an important solution to mitigate the strong impact of the credit crunch on our economy. The number of mini-bonds issuances has gradually increased, as well as the main features of the instrument have changed over time by reflecting its increasing use from SMEs, i.e. its real target. The spread they have experienced within the Italian market has been highly stemming by action of the Central Guarantee Fund, which has effectively facilitated SMEs access to finance providing them with additional or total guarantees on most of the mini-bonds issued.

Despite their huge success in the Italian market, they have not been able to compensate the credit tightening observed in the country. Among their challenges, the exclusion of micro-enterprises from the subject entitled to their adoption has cut a large portion of potential beneficiaries, since Italy presents a higher number of this type of firms compared to the European average. They represent over 90% of the country production and are just the first to have suffered from the lack of bank funding, thus being those which would need alternative sources of liquidity most of all.

In Italy, more than 10 thousand additional SMEs present the required feature for issuing mini bonds, but they have not already join the market, since probably they can rely on cheaper provisions by turning to bank lending. Unlike for larger companies, it continues to be the least expensive form of funding for these types of firms. The cost of issuing mini-bonds, in fact, is one of the main barrier SMEs must face when considering its recourse.

Despite the deductibility of the expenses related to the issuing process and the reduction in the coupon rate that company have charged on these securities (from a weighted average cost of 6,470% in 2014 to 3,526% in 2017), the exceptionally low interest rates applied by the banking system (from 3,414% in 2014 to 1,834% in 2017) are making bank loans clearly more affordable for a large portion of SMEs. But it is opportune to stress that the tightening of bank credit supply, as well as the more severe requirements that they have to fulfil for preserving the overall financial stability, are undermining the ability to raise bank lending for a huge number of Italian SMEs, so encouraging them to consider alternative form of financing, like the mini-bonds.

If compared with other European countries, Italy shows a significant higher growth of this market. It is true that this form of financing has been introduced quite later compared to some of its “neighbours”, but probably the high spread of the Italian mini-bonds can be justified by the advantage which they provide in terms of broader investors audience, but also in terms of prevention from a possible dilution of the company equity, even one of the biggest concern of the Italian entrepreneurs. Several European countries, instead, are showing less restraint towards this aspect, proving to be less worried about the potential interference of new external entities on the company governance. The partial success in their markets is proof of their preference towards other form of non-banking instruments than issuing mini-bonds.

The past three decades have seen a shift in financing from the banking system to the capital market, with even more strong efforts that international governments are reserving on supporting SMEs through interventions aimed at promoting the diversification of their financial resources as well as at building a more stable and balanced capital structure.

“*To improve the financing of our economy, we should further develop and integrate capital markets. This would cut the cost of raising capital, notably for SMEs, and help reduce our very high dependence on bank funding. This would also increase the attractiveness of Europe as a place to invest*”.

Jean-Claude Juncker

(State of the Union Address European Parliament,
14 September 2016)

With these statement, the European Commission President has emphasized the common will to reshape the financial system within the Euro Area, announcing the revolution and the potentiality that a Capital Market Union may imply especially for the huge number of Small and Medium-sized Enterprises operating in Europe.

Among the first purposes of this financial transformation, there is the introduction of new measures to strengthen the access to the current other non-bank financial instruments and to create more efficient channels for allowing companies to make long-term investments and support global growth.

The mini-bonds creation precisely follows these principles, so that further European Commission’s actions may result into a greater adoption of such debt instruments in the next few years.

Appendix I

List of the securities traded on the ExtraMOT PRO up to December 2017

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	IT0004983042	MICROCINEMA 8.125% GE17 EUR	29/01/2014	29/01/2017	1.500.000	8,125%
2	IT0004991706	JSH GROUP 7.5% LG20 AMORT EUR	31/01/2014	31/07/2020	1.080.000	7,500%
3	IT0004991573	TERNIENERGIA 6.875% FE19 EUR	06/02/2014	06/02/2019	25.000.000	6,875%
4	XS1009465136	COGEMAT EUR6M+9,5 LU19 CALL EUR	14/02/2014	27/07/2019	28.606.000	EUR6M+9,5%
5	XS1009589968	COGEMAT EUR6M+9,5 LU19 CALL EUR (144A)	14/02/2014	27/07/2019	21.394.000	EUR6M+9,5%
6	IT0005003600	BOMI ITALIA TF 7.25% MZ17 CALL EUR	31/03/2014	31/03/2017	1.500.000	7,250%
7	IT0005012247	TESMEC TF 6% AP21 EUR	10/04/2014	10/04/2021	15.000.000	6,000%
8	IT0005010480	IPI TF 7% AP21 AMORT CALL EUR	10/04/2014	10/04/2021	18.000.000	7,000%
9	IT0005013724	RSM ITALY TF 8% MZ19 CALL EUR	17/04/2014	31/03/2019	1.000.000	8,000%
10	IT0005020711	ENNA ENERGIA TF 5% MG19 AMORT CALL EUR	16/05/2014	16/05/2019	2.704.990	5,000%
11	IT0005024002	DYNAMICA RET TF 6% MG19 CALL EUR	22/05/2014	22/05/2019	5.000.000	6,000%
12	IT0005026171	SEA TF 6% MG19 AMORT EUR	30/05/2014	30/05/2019	2.250.000	6,000%
13	IT0005025579	IMI FABI TF 6.3% GN20 AMORT EUR	03/06/2014	03/06/2020	7.000.000	6,300%
14	XS1074596344	MACCAFERRI TF 5.75% GN21 CALL EUR	05/06/2014	01/06/2021	187.500.000	5,750%
15	XS1074643013	MACCAFERRI TF 5.75% GN21 CALL EUR (144A)	05/06/2014	01/06/2021	2.500.000	5,750%
16	IT0005028169	SELLE TF 5,75% GN19 AMORT EUR	25/06/2014	25/06/2019	11.812.500	5,750%
17	XS1083010311	ISOLANTE K-F TF 6% LG20 CALL EUR	01/07/2014	01/07/2020	26.160.000	6,000%
18	IT0005028979	FRI-ELBIOGAS TF 4,9% GN21 AMORT CALL EUR	11/07/2014	30/06/2021	12.000.000	4,900%
19	IT0005030306	E.S.TR.A. TF 5% LG19 EUR	14/07/2014	14/07/2019	50.000.000	5,000%
20	XS1088811432	CMC RAVENNA TF 7,5% AG21 CALL EUR	18/07/2014	01/08/2021	284.650.000	7,500%
21	XS1088810111	CMC RAVENNA TF 7,5% AG21 CALL EUR (144A)	18/07/2014	01/08/2021	15.350.000	7,500%
22	IT0005029548	RIGONI TF 6,25% LG19 EUR	18/07/2014	18/07/2019	7.000.000	6,250%
23	IT0005037392	COSWELL TF 6,8% LG19 EUR	21/07/2014	21/07/2019	11.100.000	6,800%
24	XS1086778641	TWIN SET TV EUR3M+5,875 LG19 CALL EUR	22/07/2014	15/07/2019	150.000.000	EUR3M+5,875%
25	XS1086779029	TWIN SET EUR3M+5,875 LG19 CALL EUR (144A)	22/07/2014	15/07/2019	0	5,875%
26	IT0006730235	TE WIND TF 6% LG20 EUR	25/07/2014	25/07/2020	764.000	6,000%
27	IT0005038382	TREVI GROUP TF 5,25% LG19 EUR	28/07/2014	28/07/2019	50.000.000	5,250%
28	IT0005039059	ACQ LIVENZA TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	13.300.000	4,200%
29	IT0005038838	ACQ CHIAMPO TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	12.350.000	4,200%
30	IT0005039521	ACQVICENTINE TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	24.700.000	4,200%
31	IT0005039331	ALTO VIC SER TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	17.100.000	4,200%
32	IT0005038770	ASI TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	14.250.000	4,200%
33	IT0005039604	BIM GSP TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	4.750.000	4,200%
34	IT0005039646	C VENETO SER TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	27.645.000	4,200%
35	IT0005039596	ETRA TF 4,2% LG34 AMORT CALL EUR	29/07/2014	10/07/2034	28.405.000	4,200%
36	IT0005041030	MPG MAN PLAS TV EUR3M+4 LG19 AMORT CALL	31/07/2014	31/07/2019	3.000.000	EUR3M+4%
37	IT0005039430	GLOBAL INT TF 6,75% AG19 EUR	06/08/2014	06/08/2019	5.400.000	6,750%
38	IT0005042939	S.I.G.I.T TF 6,25% AG19 AMORT CALL EUR	11/08/2014	11/08/2019	3.000.000	6,250%
39	IT0005043994	ETRANCIATURA TF 5% AG19 AMORT EUR	14/08/2014	14/08/2019	3.350.000	5,000%
40	IT0005044026	GRUPPO PSC TF 6% AG21 AMORT CALL EUR	14/08/2014	14/08/2019	5.000.000	6,000%
41	IT0005054744	TESISQUARE TF 5,6% ST19 AMORT EUR	29/09/2014	29/09/2019	1.600.000	5,600%
42	IT0005054173	SIPCAM TF 6,5% ST19 EUR	30/09/2014	30/09/2019	15.000.000	6,500%
43	XS1111992563	COESIA TF 3% OT21 CALL EUR	01/10/2014	01/10/2021	100.000.000	3,000%

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
44	IT0005055394	MOLINARI TF 6,1% OT19 AMORT EUR	06/10/2014	06/10/2019	3.350.000	6,100%
45	IT0005056244	INGLASS TF 5,9% OT21 AMORT CALL EUR	07/10/2014	07/10/2021	8.000.000	5,900%
46	IT0005057432	MEP TF 5,75% OT19 AMORT CALL EUR	08/10/2014	08/10/2019	5.000.000	5,750%
47	IT0005058190	GEODATA TF 6,4% OT20 AMORT CALL EUR	10/10/2014	10/10/2020	7.000.000	6,400%
48	IT0005031346	ENERVENTI TV EUR6M+5,7 OT21 AMORT EUR	15/10/2014	15/10/2021	8.500.000	EUR6M+5,7%
49	IT0005058430	EXPRIVIA HEA TF 5,2% OT18 AMORT EUR	17/10/2014	17/10/2018	1.850.000	5,200%
50	IT0005057770	INNOVATEC TF 8,125% OT20 AMORT CALL EUR	21/10/2014	21/10/2020	10.000.000	8,125%
51	IT0005058372	TBS GROUP TF 6,5% OT19 CALL EUR	31/10/2014	31/10/2019	15.000.000	6,500%
52	XS1139056037	WASTE IT TF 10,5% NV19 CALL EUR	18/11/2014	15/11/2019	129.875.000	10,500%
53	XS1139021676	WASTE IT TF 10,5% NV19 CALL EUR (144A)	18/11/2014	15/11/2019	70.125.000	10,500%
54	IT0005066144	SOLARE ITA TF 3,552% DC28 AMORT CALL	03/12/2014	31/12/2028	18.062.200	3,552%
55	IT0005066151	SOLARE ITA TV EUR6M+3,35 DC28 CALL	03/12/2014	31/12/2028	58.702.150	EUR6M+3,35%
56	IT0005071946	PENELOPE TF 9% DC18 CALL EUR	18/12/2014	18/12/2018	2.000.000	9,000%
57	IT0005068025	DYNAMICA RET TF 6% DC19 CALL EUR	19/12/2014	19/12/2019	2.700.000	6,000%
58	IT0005072712	OLSA TF 4,75% DC19 EUR	19/12/2014	19/12/2019	10.000.000	4,750%
59	IT0005069965	DEDAGROUP TF 6,35% DC19 CALL EUR	22/12/2014	22/12/2019	10.000.000	6,350%
60	IT0005071839	CORVALLIS TF 6,25% DC19 EUR	30/12/2014	30/12/2019	8.000.000	6,250%
61	IT0005069569	RAPETTI TF 5,6% GE18 CALL EUR	26/01/2015	25/01/2018	2.000.000	5,600%
62	IT0005092173	COLEMAN TF 6,5% FB22 AMORT EUR	16/02/2015	28/02/2022	7.200.000	6,500%
63	IT0005091035	ASJA AMBIENT TF 6,75% OT23 AMORT EUR	03/03/2015	31/10/2023	12.000.000	6,750%
64	IT0005089674	BONI TF 5% ST15 CALL EUR	06/03/2015	30/09/2015	750.000	5,000%
65	IT0005087082	L.E.G.O. TF 5,5% DC19 AMORT EUR	11/03/2015	31/12/2019	6.500.000	5,500%
66	IT0005094526	PASTA ZARA TF 6,5% MZ20 AMORT CALL EUR	30/03/2015	30/03/2020	4.166.650	6,500%
67	IT0005095150	EGEA TF 5,5% MZ21 AMORT EUR	31/03/2015	31/03/2021	15.000.000	5,500%
68	IT0005104713	FERRARINI TF 6,375% AP20 EUR	15/04/2015	15/04/2020	30.000.000	6,375%
69	IT0005105884	ESSEPI TF 5,4% AP20 AMORT CALL EUR	20/04/2015	20/04/2020	1.404.480	5,400%
70	IT0005105900	MICOPERI TF 5,75% AP20 EUR	29/04/2015	29/04/2020	31.500.000	5,750%
71	IT0005095101	FIRST CAP TF 5% AP20 CALL EUR	30/04/2015	30/04/2020	9.400.000	5,000%
72	IT0005107385	OXON ITALIA TF 5,5% AP21 AMORT CALL EUR	30/04/2015	30/04/2021	6.400.000	5,500%
73	IT0005107237	LANDI TF 6,1% DC22 AMORT CALL EUR	15/05/2015	15/05/2020	31.960.000	6,100%
74	IT0005117046	MONCARO TF 6,375% MG20 AMORT EUR	29/05/2015	29/05/2020	3.500.000	6,375%
75	IT0005118531	CARTIERE VL TF 5% DC22 EUR	12/06/2015	31/12/2022	5.000.000	5,000%
76	IT0005118523	CARTIERE VL TF 5% GN20 EUR	12/06/2015	12/06/2020	5.000.000	5,000%
77	IT0005120891	CMD TF 6,375% GN20 AMORT CALL EUR	30/06/2015	30/06/2020	5.000.000	6,375%
78	IT0005120511	FAB TF 5,25% LG20 AMORT EUR	07/07/2015	07/07/2020	7.000.000	5,250%
79	IT0005121972	FNM TV EUR6M+1,5 LG20 EUR	21/07/2015	21/07/2020	58.000.000	EUR6M+1,5%
80	IT0005114423	TEETHAN TF 8% LG20 CALL EUR	21/07/2015	21/07/2020	500.000	8,000%
81	IT0005123275	LIGABUE TF 5,75% LG20 AMORT EUR	22/07/2015	22/07/2020	10.000.000	5,750%
82	IT0005123150	ISAIA&ISAIA TF 7,3% LG22 AMORT CALL EUR	27/07/2015	01/07/2022	2.500.000	7,300%
83	IT0005123168	ISAIA&ISAIA TF 5,6% LG20 AMORT CALL EUR	27/07/2015	01/07/2020	5.000.000	5,600%
84	IT0005124893	QS GROUP TF 6% LG21 AMORT CALL EUR	31/07/2015	31/07/2021	5.000.000	6,000%
85	IT0005123739	BUILDING ENE TF 2% LG20 CALL EUR	31/07/2015	31/07/2020	30.000.000	2,000%
86	IT0005124786	CARTIERE VL TF 5% DC21 AMORT EUR	06/08/2015	31/12/2021	20.000.000	5,000%
87	IT0005125171	INDUSTRIAL TF 5,3% AG22 AMORT EUR	07/08/2015	07/08/2022	20.350.000	5,300%
88	IT0005125205	INDUSTRIAL TF 5,3% AG20 AMORT EUR	07/08/2015	07/08/2020	18.900.000	5,300%
89	IT0005125163	INDUSTRIAL TF 5,3% AG21 AMORT EUR	07/08/2015	07/08/2021	3.550.000	5,300%

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90	IT0005125353	SIRIO TF 6,9% AG22 AMORT EUR	07/08/2015	07/08/2022	3.000.000	6,900%
91	IT0005125817	RENCO GROUP TF 5% AG20 EUR	13/08/2015	13/08/2020	10.000.000	5,000%
92	IT0005135402	PROMA TF 4,95% ST20 CALL EUR	14/09/2015	14/09/2020	5.000.000	4,950%
93	IT0005137903	IFIR TF 3,25% OT17 EUR	22/10/2015	22/10/2017	396.000	3,250%
94	IT0005137911	IFIR TF 5,5% OT19 EUR	22/10/2015	22/10/2019	1.000.000	5,500%
95	IT0005137564	MICROSPORE TF 5% NV20 CALL EUR	09/11/2015	09/11/2020	1.550.000	5,000%
96	IT0005138000	GINO TF 5% NV20 AMORT EUR	10/11/2015	10/11/2020	3.000.000	5,000%
97	IT0005142796	TUNDO TF 7% NV22 AMORT EUR	30/11/2015	30/11/2022	2.800.000	7,000%
98	IT0005144669	NLIFE TF 5,45% NV20 AMORT EUR	30/11/2015	30/11/2020	10.000.000	5,450%
99	IT0005144834	ETRION TV EUR6M+2,25 DC29 AMORT CALL EUR	01/12/2015	31/12/2029	31.860.850	EUR6M+2,25%
100	IT0005135691	MERCEDES FSI TV EUR3M+0,55 DC17 CALL EUR	11/12/2015	11/12/2017	100.000.000	EUR3M+0,55%
101	IT0005135741	MERCEDES FSI TV EUR3M+0,81 DC20 CALL EUR	11/12/2015	11/12/2020	50.000.000	EUR3M+0,81%
102	IT0005155665	SACE BT TF 5,7% DC25 SUB TIER2 CALL EUR	17/12/2015	17/12/2025	14.500.000	5,700%
103	IT0005157653	TECNOCAP TF 6,375% DC21 AMORT CALL EUR	23/12/2015	23/12/2021	4.000.000	6,375%
104	IT0005144958	VERONESI ACQ TF 3,9% LG34 AMORT CALL EUR	22/01/2016	10/07/2034	19.000.000	3,900%
105	IT0005144727	GARDESANA S TF 3,9% LG34 AMORT CALL EUR	22/01/2016	10/07/2034	7.600.000	3,900%
106	IT0005144735	ALTREVI SERV TF 3,9% LG34 AMORT CALL EUR	22/01/2016	10/07/2034	28.500.000	3,900%
107	IT0005144776	BIM GSP TF 3,9% LG34 AMORT CALL EUR	22/01/2016	10/07/2034	6.650.000	3,900%
108	IT0005144743	POLESINE ACQ TF 3,9% LG34 AMORT CALL EUR	22/01/2016	10/07/2034	11.400.000	3,900%
109	IT0005159543	4 MADONNE TF 5% GE22 AMORT EUR	27/01/2016	27/01/2022	6.000.000	5,000%
110	IT0005160830	TREFIN TF 5,5% GE21 AMORT EUR	29/01/2016	29/01/2021	3.450.000	5,500%
111	IT0005159204	WIVA GROUP TF 6,5% FB22 AMORT CALL EUR	12/02/2016	12/02/2022	810.000	6,500%
112	IT0005157802	ESSEPI TF 5,4% FB22 AMORT CALL EUR	12/02/2016	12/02/2022	3.035.200	5,400%
113	IT0005163198	GIPLAST SC MZ21 AMORT CALL EUR	02/03/2016	02/03/2021	4.000.000	7,000%
114	IT0005172157	GIGLIO GROUP TF 5,4% MZ22 AMORT EUR	10/03/2016	10/02/2022	3.500.000	5,400%
115	IT0005170342	GDS TF 5,75% DC20 AMORT EUR	11/03/2016	31/12/2020	9.000.000	5,750%
116	IT0005171977	BONI TF 4,1% DC16 CALL EUR	23/03/2016	20/12/2016	1.000.000	4,100%
117	IT0005170417	UBC TF 4,75% ST16 CALL EUR	30/03/2016	30/09/2016	150.000	4,750%
118	XS1395004408	LKQ ITALIA TF 3,875% AP24 CALL EUR	14/04/2016	01/04/2024	464.687.000	3,875%
119	XS1395004580	LKQ ITALIA TF 3,875% AP24 CALL EUR 144A	14/04/2016	01/04/2024	35.313.000	3,875%
120	IT0005175630	FARO TF 6% OT16 CALL EUR	05/05/2016	31/10/2016	350.000	6,000%
121	IT0005177537	HALLEY TF 5,8% OT16 CALL EUR	11/05/2016	31/10/2016	350.000	5,800%
122	IT0005187981	ETT TF 3,98% MG19 AMORT CALL EUR	23/05/2016	31/05/2019	510.000	3,980%
123	IT0005187486	MERCEDES FSI TV EUR3M+0,43 MG18 CALL EUR	25/05/2016	25/05/2018	70.000.000	EUR3M+0,43%
124	IT0005188708	YACHTLINE TF 5,8% DC22 AMORT CALL EUR	27/05/2016	31/12/2022	5.000.000	5,800%
125	IT0005188716	YACHTLINE TF 5% GN21 AMORT EUR	27/05/2016	30/06/2021	5.000.000	5,000%
126	IT0005187320	GPI TF 4,3% OT23 AMORT EUR	01/06/2016	31/10/2023	15.000.000	4,300%
127	IT0005253965	D'AMANTE TF 4,1% DC17 CALL EUR	23/06/2016	20/12/2017	300.000	4,100%
128	IT0005203077	CLABO TF 6% GN21 AMORT CALL EUR	30/06/2016	30/06/2021	3.000.000	6,000%
129	IT0005201972	LUCART TF 5% DC20 AMORT CALL EUR	30/06/2016	31/12/2020	4.900.000	5,000%
130	IT0005203275	ENERGETICA TF 5,5% GN22 AMORT EUR	01/07/2016	30/06/2022	5.000.000	5,500%
131	IT0005202624	OSA TF 7% LG23 AMORT CALL EUR	18/07/2016	18/07/2023	9.940.000	7,000%
132	IT0005204570	TECNO TF 5,25% DC21 AMORT EUR	19/07/2016	31/12/2021	5.000.000	5,250%
133	IT0003853568	CAP HOLDING TV EUR6M+0,4 DC19 AMORT CALL	22/07/2016	31/12/2019	2.962.980	EUR6M+0,4%
134	XS1454980662	SISAL GROUP TF 7% LG23 CALL EUR (144A)	28/07/2016	31/07/2023	4.630.000	7,000%
135	XS1454980159	SISAL GROUP TF 7% LG23 CALL EUR	28/07/2016	31/07/2023	395.370.000	7,000%

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136	XS1454978096	SISAL GROUP TV EUR3M+6,625 LG22 CALL EU 144	28/07/2016	31/07/2022	630.000	EUR3M+6,625%
137	XS1454976801	SISAL GR TV EUR3M+6,625 LG22 CALL EUR	28/07/2016	31/07/2022	324.370.000	EUR3M+6,625%
138	IT0005204653	BONI TF 4,2% LG19 AMORT CALL EUR	29/07/2016	31/07/2019	350.000	4,200%
139	XS1442544141	TS E IT TF 4,2% GN32 AMORT CALL EUR 144A	29/07/2016	30/06/2032	19.822.530	4,200%
140	XS1442543762	TS E IT TF 4,2% GN32 AMORT CALL EUR	29/07/2016	30/06/2032	17.934.670	4,200%
141	IT0005209827	ENERGETICA TF 6% GN22 AMORT EUR	01/08/2016	30/06/2022	1.000.000	6,000%
142	IT0005210973	GESTIONI PIC TF 5,5% AG22 AMORT EUR	04/08/2016	04/08/2022	5.000.000	5,500%
143	IT0005210981	UBC TF 5% AG22 AMORT EUR	04/08/2016	04/08/2022	6.000.000	5,000%
144	IT0005204539	ENERTRONICA TF 5% AG18 EUR	05/08/2016	05/08/2018	5.491.800	5,000%
145	IT0005203416	AGRUMARIA RE TF 4,8% FB17 CALL EUR	10/08/2016	20/02/2017	500.000	4,800%
146	IT0005215055	SOLETO TF 6,5% ST22 AMORT EUR	27/09/2016	27/09/2022	5.000.000	6,500%
147	IT0005216475	NET INSURANC TF 7% ST26 SUB TIER2 CALL	30/09/2016	30/09/2026	15.000.000	7,000%
148	IT0005211633	DATACOL TF 4% MZ17 CALL EUR	04/10/2016	31/03/2017	250.000	4,000%
149	XS1498549325	ISOLANTE K-F TF 4,25% OT23 CALL EUR	07/10/2016	07/10/2023	180.000.000	4,250%
150	IT0005216905	ETT TF 4,25% ST17 CALL EUR	13/10/2016	29/09/2017	350.000	4,250%
151	IT0005218828	FARO TF 6% OT17 CALL EUR	09/11/2016	31/10/2017	400.000	6,000%
152	XS1516322465	GUALA TV EUR3M+4,75 NV21 CALL EUR	11/11/2016	15/11/2021	499.730.000	EUR3M+4,75%
153	XS1516323430	GUALA TV EUR3M+4,75 NV21 CALL EUR (144A)	11/11/2016	15/11/2021	10.270.000	EUR3M+4,75%
154	IT0005210445	FERRARINI TF 5,625% DC20 CALL EUR	01/12/2016	31/12/2020	5.500.000	5,625%
155	IT0005220691	SONNEDIX ITA TV EUR6M+2,3 FB30 CALL	01/12/2016	28/02/2030	91.922.000	EUR6M+2,3%
156	IT000521961	CRISTIANO TF 4,2% AG17 CALL EUR	06/12/2016	31/08/2017	150.000	4,200%
157	IT0005220162	OSAI AS TF 3,75% MZ17 CALL EUR	12/12/2016	29/03/2017	1.000.000	3,750%
158	IT0005220642	ZAMPERLA TF 4% GI17 CALL EUR	13/12/2012	30/06/2017	5.500.000	4,000%
159	IT0005222283	SOLARE TV EUR6M+2,5 GN30 AMORT CALL EUR	15/12/2016	30/06/2030	24.595.000	EUR6M+2,5%
160	IT0005222275	SOLARE TF 3,054% GN30 AMORT CALL EUR	15/12/2016	30/06/2030	98.380.000	3,054%
161	IT0005224891	IMI FABI TF 5,2% GN23 AMORT EUR	15/12/2016	15/06/2023	11.000.000	5,200%
162	IT0005224883	IMI FABI TF 4,5% GN22 EUR	15/12/2016	15/06/2022	5.000.000	4,500%
163	IT0005223430	ICM TF 4,6% GN23 AMORT CALL EUR	16/12/2016	30/06/2023	20.000.000	4,600%
164	IT0005223448	ICM TF 4,6% DC22 AMORT CALL EUR	16/12/2016	31/12/2022	10.000.000	4,600%
165	IT0005221228	BONI TF 4% DC17 CALL EUR	19/12/2016	19/12/2017	1.000.000	4,000%
166	IT0005222101	H.D.M. TF 5% DC21 EUR	23/12/2016	23/12/2021	4.000.000	5,000%
167	IT0005222218	WOLFTANK TF 5% DC21 AMORT EUR	23/12/2016	23/12/2021	5.000.000	5,000%
168	IT0005225864	SPACE TF 4,5% DC17 CALL EUR	27/12/2016	27/12/2017	550.000	4,500%
169	IT0005237372	GRUPPO PSC TF 5% DC22 AMORT CALL EUR	30/12/2016	31/12/2022	5.000.000	5,000%
170	IT0005237398	GRUPPO PSC TF 5,4% DC23 AMORT CALL EUR	30/12/2016	31/12/2023	5.000.000	5,400%
171	IT0005238727	I.CO.P TF 6% GE24 AMORT CALL EUR	31/01/2017	31/01/2024	7.000.000	6,000%
172	IT0005239048	HIGHTEL TOW TF 4,3% LG17 CALL EUR	31/01/2017	31/07/2017	400.000	4,300%
173	IT0005240475	FOND CASATI TF 5,15% DC23 AMORT EUR	31/01/2017	31/12/2023	4.200.000	5,150%
174	XS1562036704	MARCOLIN TV EUR3M+4,125 FB23 CALL EUR	10/02/2017	15/02/2023	249.585.000	EUR3M+4,125%
175	XS1562036456	MARCOLIN TVEUR3M+4,125 FB23 CALL EUR 144	10/02/2017	15/02/2023	415.000	EUR3M+4,125%
176	IT0005239154	SCATOLIFI SA TF 2,25% FB18 EUR	17/02/2017	15/02/2018	350.000	2,250%
177	IT0005241952	C.R. TF 4,5% OT17 CALL EUR	20/02/2017	31/10/2017	200.000	4,500%
178	IT0005244212	AUTOTORINO TF 5,2% FB22 AMORT CALL EUR	24/02/2017	28/02/2022	6.000.000	5,200%
179	IT0005244196	MERCEDES FSI TV EUR3M+0,3 FB19 EUR	27/02/2017	27/02/2019	200.000.000	EUR3M+0,3%
180	IT0005244014	AGRUMARIA RE TF 4,5% DC17 CALL EUR	09/03/2017	01/12/2017	500.000	4,500%
181	IT0005245649	CORVALLIS TF 5% MZ23 AMORT CALL EUR	10/03/2017	10/03/2023	10.000.000	5,000%

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182	IT0005246480	VELIER TF 5,875% MZ23 AMORT CALL EUR	24/03/2017	31/03/2023	5.000.000	5,875%
183	IT0005246514	VELIER TF 5,875% MZ17-MZ23 AMORTCALL EUR	24/03/2017	31/03/2023	1.000.000	5,875%
184	IT0005245599	IREOS TF 4,2% NV17 CALL EUR	28/03/2017	30/11/2017	500.000	4,200%
185	IT0005248619	OSAI AS TF 3,75% DC17 CALL EUR	13/04/2017	15/12/2017	1.000.000	3,750%
186	IT0005246472	WERTHER INTE TF 5,375% AP23 AMORT EUR	24/04/2017	24/04/2023	8.000.000	5,375%
187	IT0005247603	I.CO.P TF 5,6% OT23 AMORT EUR	28/04/2017	31/10/2023	5.000.000	5,600%
188	IT0005252785	INNOVAWAY TF 4,5% DC17 CALL EUR	11/05/2017	20/12/2017	350.000	4,500%
189	IT0005256638	DATACOL TF 3,75% DC17 CALL EUR	12/06/2017	20/12/2017	650.000	3,750%
190	IT0005260085	MERCEDES FSI TV EUR3M+0,35 GN20 CALL EUR	22/06/2017	22/06/2020	300.000.000	EUR3M+0,35%
191	IT0005253965	D'AMANTE TF 4,1% DC17 CALL EUR	23/06/2017	20/12/2017	250.000	4,100%
192	IT0005260077	GREEN BIT TF 4,1% DC17 CALL EUR	30/06/2017	20/12/2017	450.000	4,100%
193	XS1642816554	CMF TF 9% GN22 CALL EUR	06/07/2017	15/06/2022	359.750.000	9,000%
194	XS1642818337	CMF TF 9% GN22 CALL EUR (144A)	06/07/2017	15/06/2022	250.000	9,000%
195	IT0005275166	PIAVE SERV TF 4% DC24 AMORT CALL EUR	21/07/2017	31/12/2024	3.000.000	4,000%
196	IT0005275695	SAFCO TF 5,94% LG23 AMORT EUR	31/07/2017	31/07/2023	1.000.000	5,940%
197	IT0005275687	SAFCO TF 6,35% LG23 AMORT EUR	31/07/2017	31/07/2023	3.000.000	6,350%
198	XS1662516217	LIMACORP TV EUR3M+3,75 AG23 CALL EUR	11/08/2017	15/08/2023	268.730.000	EUR3M+3,75%
199	XS1662519153	LIMACORP TV EUR3M+3,75 AG23 CALL EUR 144	11/08/2017	15/08/2023	6.270.000	EUR3M+3,75%
200	IT0005279200	IREOS TF 4% AP18 CALL EUR	31/08/2017	30/04/2018	700.000	4,000%
201	IT0005277600	PERCASSI TF 6,25% AG22 AMORT CALL EUR	31/08/2017	31/08/2022	4.200.000	6,250%
202	IT0005277113	CRISTIANO TF 3,95% ST18 CALL EUR	05/09/2017	05/09/2018	600.000	3,950%
203	IT0005283335	SPACE TF 4,35% ST18 CALL EUR	27/09/2017	27/09/2018	100.000	4,350%
204	IT0005283392	MPG MAN PLAS TF 3,6% ST24 AMORT CALL EUR	29/09/2017	30/09/2024	600.000	3,600%
205	IT0005283517	MPG MAN PLAS TF 4% ST24 AMORT CALL EUR	29/09/2017	30/09/2024	1.800.000	4,000%
206	IT0005283475	EDAC TF 4% ST23 AMORT CALL EUR	29/09/2017	29/09/2023	3.000.000	4,000%
207	IT0005283467	EDAC TF 5% ST23 AMORT CALL EUR	29/09/2017	29/09/2023	2.000.000	5,000%
208	IT0005282881	ZAMPERLA TF 3,4% OT18 CALL EUR	06/10/2017	05/10/2018	600.000	3,400%
209	IT0005284101	MERCEDES FSI TV EUR3M+0,35 OT19 CALL EUR	11/10/2017	11/10/2019	100.000.000	EUR3M+0,35%
210	IT0005283400	MPG TF 3,6% OT17-ST24 AMORT CALL EUR	12/10/2017	30/09/2024	1.000.000	3,600%
211	IT0005285983	ETT TF 3,95% OT18 CALL EUR	24/10/2017	24/10/2018	350.000	3,950%
212	IT0005283327	CEF 3 WIND TF 2,01% GN25 AMORT CALL EUR	25/10/2017	30/06/2025	170.000.000	2,010%
213	IT0005286049	DATACOL TF 3,6% OT18 CALL EUR	26/10/2017	26/10/2018	350.000	3,600%
214	IT0005285991	FARO TF 6% AP18 CALL EUR	31/10/2017	27/04/2018	400.000	6,000%
215	IT0005311417	MERCEDES FSI TF 1% NV24 CALL EUR	06/11/2017	06/11/2024	50.000.000	1,000%
216	IT0005305468	RENCO GROUP TF 4,75% NV23 AMORT EUR	23/11/2017	23/11/2023	35.000.000	4,750%
217	IT0005315293	C.R. TF 4,3% MG18 CALL EUR	28/11/2017	28/05/2018	100.000	4,300%
218	IT0005312886	GPI TF 3% DC22 AMORT CALL EUR	30/11/2017	31/12/2022	20.000.000	3,000%
219	IT0005315301	C PARDO TF 3,9% ST18 CALL EUR	05/12/2017	05/09/2018	200.000	3,900%
220	IT0005316184	CDL IT TV EUR6M+3,25 DC24 AMORT CALL EUR	01/12/2017	01/12/2024	15.000.000	EUR6M+3,25%
221	IT0005316630	IREOS TF 3,8% LG18 CALL EUR	07/12/2017	09/07/2018	400.000	3,800%
222	IT0005317703	INTERSYS TF 4,3% GN18 CALL EUR	12/12/2017	12/06/2018	100.000	4,300%
223	IT0005316218	DE MATTEIS TF 4,1% DC22 AMORT EUR	18/12/2017	15/12/2022	1.000.000	4,100%
224	IT0005316226	DE MATTEIS TF 5,2% DC23 AMORT EUR	18/12/2017	15/12/2023	5.000.000	5,200%
225	IT0005316879	BONI TF 4,75% DC22 AMORT CALL EUR	15/12/2017	15/12/2022	1.700.000	4,750%
226	IT0005316762	ZAMPERLA TF 3,2% DC18 CALL EUR	15/12/2017	15/12/2018	1.000.000	3,200%
227	IT0005316580	PLISSE TF 2,6% ST18 CALL EUR	15/12/2017	30/09/2018	300.000	2,600%

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
228	XS1733973306	PRO-GEST TF 3,25% DC24 CALL EUR (144A)	14/12/2017	15/12/2024	430.000	3,250%
229	XS1733958927	PRO-GEST TF 3,25% DC24 CALL EUR	14/12/2017	15/12/2024	249.570.000	3,250%
230	IT0005317943	SUNGEM TV EUR6M+2,35 GN30 AMORT CALL EUR	14/12/2017	30/06/2030	70.000.000	EUR6M+2,35%
231	IT0005316382	EXPRIVIA TF 5,8% DC23 AMORT CALL EUR	14/12/2017	14/12/2023	23.000.000	5,800%
232	IT0005317174	AEDES EXT TF 5% GN19 EUR	20/12/2017	20/06/2019	30.000.000	5,000%
233	IT0005317067	FLORIAN TF 3,8% DC23 AMORT CALL EUR	21/12/2017	31/12/2023	10.000.000	3,800%
234	IT0005316747	BONI TF 3,8% DC18 CALL EUR	22/12/2017	22/12/2018	700.000	3,800%
235	IT0005318495	OSAI AS TF 3,6% DC18 CALL EUR	22/12/2017	22/12/2018	300.000	3,600%
236	IT0005318537	BRANDINI TF 4,1% GN18 CALL EUR	22/12/2017	22/06/2018	300.000	4,100%
237	IT0005316572	4 MADONNE TF 4,5% DC18 CALL EUR	22/12/2017	22/12/2018	200.000	4,500%
238	IT0005318669	ROMA G&P TF 5,01% DC23 AMORT EUR	29/12/2017	28/12/2023	2.700.000	5,010%
239	IT0005319154	INNOVAWAY TF 4,5% GN18 CALL EUR	29/12/2017	29/06/2018	300.000	4,500%
240	IT0005314684	ROMA G&P TF 5,5% DC23 AMORT EUR	28/12/2017	28/12/2023	2.300.000	5,500%

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	XS0911441409	IVS F 7.125% AP20 CALL EUR	04/04/2013	01/04/2020	196.035.000	7,125%
2	XS0911438876	IVS F 7.125% AP20 CALL EUR (144A)	04/04/2013	01/04/2020	3.965.000	7,125%
3	XS0808638372	TEAMSYSTEM H 7.375% MA20 CALL EUR	07/05/2013	15/05/2020	289.800.000	7,375%
4	XS0808635782	TEAMSYSTEM H 7.375% MA20 CALL EUR (144A)	07/05/2013	15/05/2020	10.200.000	7,375%
5	XS0931919947	SISAL HOLDIN 7.25% SE17 CALL EUR	15/05/2013	30/09/2017	271.335.000	7,250%
6	XS0931921414	SISAL HOLDIN 7.25% SE17 CALL EUR (144A)	15/05/2013	30/09/2017	3.665.000	7,250%
7	IT0004923725	FIDE EUR3M+2,75 GI16 CALL EUR	03/06/2013	03/06/2016	2.700.000	2,750%
8	IT0004923816	CAAR 6.5% LU18 AMORT EUR	01/07/2013	01/07/2018	1.200.000	6,500%
9	XS0954289913	GAMENET 7.25% AG18 CALL EUR	01/08/2013	01/08/2018	200.000.000	7,250%
10	XS0954290689	GAMENET 7.25% AG18 CALL EUR (144A)	01/08/2013	01/08/2018	0	7,250%
11	XS0808635352	MANUTENCOOP 8.5% AG20 CALL EUR	02/08/2013	01/08/2020	411.600.000	8,500%
12	XS0808635279	MANUTENCOOP 8.5% AG20 CALL EUR (144A)	02/08/2013	01/08/2020	13.400.000	8,500%
13	IT0004953201	IFIR 4.25% FE15 CALL EUR	02/08/2013	02/02/2015	114.000	4,250%
14	IT0004953227	IFIR 5.5% FE16 CALL EUR	02/08/2013	02/02/2016	1.000.000	5,500%
15	IT0004953235	IFIR 6.25% AG17 CALL EUR	02/08/2013	02/08/2017	2.570.000	6,250%
16	IT0004954381	PRIMI 9% AG16 EUR	08/08/2013	08/08/2016	1.680.000	9,000%
17	IT0004964364	FILCA 6% SE19 AMORT EUR	30/09/2013	30/09/2019	16.000.000	6,000%
18	IT0004964612	SUDCOMMERCI 6% OT18 CALL EUR	09/10/2013	09/10/2018	22.000.000	6,000%
19	XS0986071537	RHINO BONDCO 7.25% NO20 CALL EUR	05/11/2013	15/11/2020	200.700.000	7,250%
20	XS0986072691	RHINO BONDCO 7.25% NO20 CALL EUR (CALL)	05/11/2013	15/11/2020	14.300.000	7,250%
21	XS0986071453	RHINO BONDCO FR DI19 CALL EUR	05/11/2013	15/12/2019	198.100.000	5,500%
22	XS0986071370	RHINO BONDCO FR DI19 CALL EUR (CALL)	05/11/2013	15/12/2019	1.900.000	5,500%
23	IT0004974207	MAZZUCCHELLI 8% DI19 CALL EUR	07/11/2013	31/12/2019	2.000.000	8,000%
24	IT0004974181	MERIDIE 8% NO15 CALL EUR	12/11/2013	12/11/2015	4.000.000	8,000%
25	XS0991759076	MARCOLIN 8.5% NO19 CALL EUR	14/11/2013	15/11/2019	188.100.000	8,500%
26	XS0991815241	MARCOLIN 8.5% NO19 CALL EUR (144A)	14/11/2013	16/11/2019	11.900.000	8,500%
27	IT0004975485	BINGO EUR3M+5,6 NO18 AMORT CALL EUR	15/11/2013	15/11/2018	2.812.500	5,600%
28	IT0004983398	ALES ROSSO 10% DI18 CALL EUR	20/12/2013	20/12/2018	3.400.000	10,000%
29	IT0004982143	IACOBUCCI HF 8% DI17 AMORT CALL EUR	20/12/2013	20/12/2017	3.465.000	8,000%
30	IT0004981913	GPI 5.5% GI18 EUR	23/12/2013	30/06/2018	12.000.000	5,500%

Appendix II

List of the securities traded on the sampled European Stock Exchange up to December 2017

Spain

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	ES0376156008	Sociedad Anónima de Obras y Servicios COPASA	19/12/2013	19/12/2018	50.000.000	7,500%
2	ES0347582001	Tecnocom	08/04/2014	08/04/2019	35.000.000	6,500%
3	ES0305031009	Ortiz Construcciones y Proyectos S.A.	03/07/2014	03/07/2019	50.000.000	7,000%
4	ES0205037007	EYSA	23/07/2014	23/07/2021	75.000.000	6,875%
5	ES0305039002	Audax Energía S.A.	29/07/2014	29/07/2019	21.000.000	5,750%
6	ES0205052006	Viario A31 S.A.	25/11/2014	25/11/2024	47.000.000	5,000%
7	ES0276156009	Sociedad Anónima de Obras y Servicios COPASA	19/12/2014	19/12/2020	30.000.000	7,000%
8	ES0305063002	Sidecu S.A.	18/03/2015	18/03/2020	55.000.000	6,000%
9	ES0205068002	Sociedad Concesionaria Autovía de la Plata S.A.	27/05/2015	31/12/2041	184.500.000	3,169%
10	ES0205072004	Grupopikolin S.L.	27/05/2015	27/05/2025	20.000.000	5,000%
11	ES0205072012	Grupopikolin S.L.	27/05/2015	27/05/2022	10.000.000	4,500%
12	ES0384696003	Masmóvil Ibercom S.A.	30/06/2015	30/06/2020	27.000.000	5,500%
13	ES0284940006	Zeltia S.A.	07/07/2015	07/07/2027	17.000.000	4,750%
14	ES0305147003	Saint Croix Holding Immobilier - SOCIMI S.A.	23/06/2016	23/06/2021	8.000.000	2,500%
15	ES0205147004	Saint Croix Holding Immobilier - SOCIMI S.A.	23/06/2016	23/06/2022	2.000.000	2,500%
16	ES0305088009	Oc International Investments B.V. - Grupo Sugal	27/10/2015	27/10/2020	42.000.000	4,250%
17	ES0305088017	Oc International Investments B.V. - Grupo Sugal	19/10/2016	19/10/2019	23.000.000	3,000%
18	ES0215490006	Caja de Seguros Reunidos - CÍA DE REASEGUROS S.A.	17/02/2016	17/02/2026	168.800.000	8,000%
19	ES0205082003	AUNOR - Autovía Noroeste Concesionaria C.A.R.M. S.A.	26/04/2016	30/06/2025	54.000.000	4,750%
20	ES0205135009	Globasol Villanueva 1 S.A.U.	17/05/2016	31/01/2037	45.300.000	4,200%
21	ES0305072003	Grupopikolin S.L.	18/05/2016	18/05/2021	14.000.000	3,750%
22	ES0305105001	Teknia Manufacturing Group S.L.U.	05/07/2016	05/07/2021	20.000.000	5,500%
23	ES0205138003	Masmóvil Broadband S.A. U.	27/07/2016	27/07/2024	68.000.000	5,750%
24	ES0305198006	Empresa Naviera Elcano S.A.	08/11/2016	08/11/2021	33.500.000	5,500%
25	ES0205238001	Planta Solar Puertollano 6 S.A.U.	27/02/2017	31/12/2037	45.100.000	3,750%
26	ES0305039010	Audax Energía S.A.	02/06/2017	02/06/2022	65.000.000	4,200%
27	ES0205264007	Ekondakin Energía y Medioambiente S.A.	03/07/2017	30/05/2047	7.400.000	3,662%
28	ES0205285002	Cadena Mar	22/09/2017	22/09/2024	30.000.000	4,000%

France

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	FR0010926287	FCT TSS2	31/07/2010	31/07/2018	70.000.000	3,500%
2	FR0010926295	FCT TSS3	31/07/2010	31/07/2018	4.862.000	3,500%
3	FR0010945725	CYBERGUN	18/10/2010	18/10/2020	9.000.000	3,320%
4	FR0011335769	HOMAIR VACANCES SA	28/09/2012	02/10/2018	4.000.000	5,650%
5	FR0011339654	DELFINGEN INDUSTRY	05/10/2012	02/10/2018	3.500.000	6,500%
6	FR0011340256	ORAPI	09/10/2012	02/10/2018	4.000.000	5,250%
7	FR0011340637	TOUAX SA	09/10/2012	02/10/2018	5.000.000	6,250%
8	FR0011343946	GROUPE GORGE SA	11/10/2012	02/10/2018	4.000.000	5,750%
9	FR0011345602	EXPLOSIFS PRODUITS CHIMIQUES	12/10/2012	02/10/2018	4.000.000	5,750%
10	FR0011346428	BUSINESS ET DECISION	16/10/2012	02/10/2018	3.500.000	6,100%
11	FR0011348168	DELTA PLUS GROUP	23/10/2012	02/10/2018	4.000.000	5,500%
12	FR0011349091	WAVESTONE SA	30/10/2012	02/10/2018	3.000.000	5,500%
13	FR0011352459	MANITOU BF	02/11/2012	02/10/2018	7.000.000	5,950%
14	FR0011352251	AFFINE RE	07/11/2012	02/10/2018	5.000.000	5,800%
15	FR0011360460	FCT COLLECTIVITES	27/11/2012	30/06/2028	76.853.000	3,500%
16	FR0011368349	QUANTEL SA	21/12/2012	02/10/2018	2.800.000	7,950%
17	FR0011391564	HERIGE	16/01/2013	02/10/2018	6.900.000	6,500%
18	FR0011463371	DEAUVILLE DIAMOND PROPERTIES	17/04/2013	28/02/2018	1.476.000	5,500%
19	FR0011464049	HOMAIR VACANCES SA	07/05/2013	07/05/2019	15.027.000	6,500%
20	FR0011493501	DEAUVILLE DIAMOND PROPERTIES	15/05/2013	01/05/2018	300.000	5,500%
21	FR0011505957	REALITES SCA	12/07/2013	12/07/2019	14.772.000	9,000%
22	XS0948413561	LEYNE STRAUSS KAHN PARTNERS CO	31/07/2013	31/07/2019	9.565.000	6,500%
23	FR0011703628	SGMR NEW CO	28/11/2013	28/11/2021	8.000.000	6,000%
24	FR0011519982	AUREA	06/12/2013	12/06/2019	13.600.000	4,750%
25	FR0011660885	BOGART JACQUES	18/12/2013	18/12/2019	5.000.000	4,500%
26	FR0011665553	MANITOU BF	20/12/2013	20/12/2019	12.500.000	5,350%
27	FR0011662071	MICROWAVE VISION	20/12/2013	20/12/2019	4.000.000	4,800%
28	FR0011661339	ORAPI	20/12/2013	29/12/2019	5.000.000	5,250%
29	FR0011661115	HERIGE	27/12/2013	27/12/2019	3.800.000	6,000%
30	FR0011980150	LA FONCIERE VERTE	20/06/2014	20/06/2020	45.000.000	5,800%
31	FR0011945955	AUPLATA	26/06/2014	26/06/2019	4.237.000	8,000%
32	FR0012008910	SA FONCIERE VINDI	30/06/2014	30/06/2016	1.700.000	5,000%
33	FR0012055150	SODIFRANCE	25/07/2014	22/12/2019	7.000.000	4,900%
34	FR0012239531	BOURBON CORPORATION	24/10/2014	24/10/2099	120.000.000	4,700%
35	FR0012317451	AGRIPOLE	27/11/2014	27/11/2019	80.000.000	5,000%
36	FR0012333227	AKUO OPERATIONS	28/11/2014	28/11/2019	7.142.000	6,250%
37	FR0012351393	GROUPE PROMEO	12/12/2014	12/12/2019	11.360.000	5,500%
38	FR0012600872	AGROGENERATION	31/03/2015	31/03/2019	59.575.000	8,000%
39	FR0012672129	ITM ENTREPRISES	13/04/2015	13/04/2022	250.000.000	2,391%
40	FR0012709665	ALTRAD INVESTMENT AUTHORITY	05/05/2015	05/05/2022	150.000.000	3,300%
41	FR0012815967	AKUO ENERGY	30/06/2015	30/06/2020	32.370.000	5,500%
42	FR0012843340	ORCHESTRA PREMAMAN	22/07/2015	22/07/2021	41.500.000	4,031%
43	FR0012843332	ORCHESTRA PREMAMAN	22/07/2015	22/07/2022	38.500.000	4,340%
44	FR0013048220	FINANCIERE APSYS	13/11/2015	13/11/2020	60.430.000	5,000%

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
45	FR0013040334	GROUPE MECANIQUE DECOUPAGE	13/11/2015	29/04/2022	65.000.000	4,500%
46	FR0013060076	DIRECT ENERGIE	24/11/2015	24/11/2020	15.000.000	4,400%
47	FR0013060084	DIRECT ENERGIE	24/11/2015	24/11/2022	45.000.000	4,800%
48	FR0013079530	LABO FRA FRACTIONNEMNT BIOTECH	05/01/2016	30/12/2022	124.000.000	2,848%
49	FR0013088481	PRODWARE	15/01/2016	30/12/2019	5.000.000	3,000%
50	FR0013078318	EMERIGE	22/01/2016	22/01/2021	31.200.000	7,000%
51	FR0013108511	INVIVO GROUP	03/02/2016	03/02/2022	60.000.000	2,800%
52	FR0013108529	INVIVO GROUP	03/02/2016	03/02/2023	60.000.000	3,000%
53	FR0013167129	GROUPE TSF	09/05/2016	09/05/2019	2.700.000	8,000%
54	FR0013188067	AKUO ENERGY	12/07/2016	12/07/2021	49.348.000	5,500%
55	FR0013190022	ITM ENTREPRISES	20/07/2016	20/07/2023	50.000.000	2,250%
56	FR0013195633	AUTOROUTE LIAISON SEINE SARTHE	05/08/2016	31/07/2046	850.297.000	2,485%
57	FR0013209715	ATOS SE	06/10/2016	06/10/2023	300.000.000	1,444%
58	FR0013216033	DIRECT ENERGIE	04/11/2016	06/10/2023	68.000.000	3,250%
59	FR0013219672	PRIAMS	07/12/2016	07/12/2021	22.021.000	5,750%
60	FR0013218583	CTRE HOSPITAL REGION MARSEILLE	16/12/2016	16/12/2036	38.500.000	2,456%
61	FR0013227881	ITM ENTREPRISES	20/12/2016	10/11/2021	40.000.000	2,130%
62	FR0013227899	ITM ENTREPRISES	20/12/2016	10/11/2023	105.000.000	2,400%
63	FR0013226818	ITM ENTREPRISES	20/12/2016	10/11/2023	147.000.000	2,400%
64	FR0013229820	UNI PACKAGING	28/12/2016	27/12/2019	2.100.000	8,000%
65	FR0013240827	ORPEA	06/03/2017	06/03/2025	50.000.000	2,300%
66	FR0013240231	FCT BALZAC	06/03/2017	30/12/2041	603.800.000	1,538%
67	FR0013256393	CAPELLI	18/05/2017	18/05/2099	12.280.000	9,750%
68	FR0013256328	KAUFMAN & BROAD SA	18/05/2017	18/05/2024	50.000.000	2,879%
69	FR0013256336	KAUFMAN & BROAD SA	18/05/2017	18/05/2025	100.000.000	3,204%
70	FR0013256385	CAPELLI	31/05/2017	31/05/2022	22.052.000	6,250%
71	FR0013260049	CAP VERT ENERGIE	09/06/2017	09/06/2019	8.000.000	5,000%
72	FR0013264918	NEXITY	29/06/2017	10/11/2023	30.000.000	2,053%
73	FR0013264926	NEXITY	29/06/2017	29/06/2025	121.000.000	2,600%
74	FR0013265485	FFP	03/07/2017	03/07/2025	155.000.000	2,500%
75	FR0013262987	ORPEA	03/07/2017	03/07/2024	150.000.000	2,130%
76	FR0013272598	FINANCIERE APSYS	28/07/2017	28/07/2022	16.400.000	4,750%
77	FR0013292489	SAS DES CHANFINAIS	27/11/2017	27/10/2021	10.000.000	8,000%
78	FR0013299500	GROUPE REALITES	30/11/2017	30/11/2023	7.750.000	6,000%
79	FR0013301033	FFP	04/12/2017	02/01/2026	90.000.000	2,600%
80	FR0013299575	PIERRE ET VACANCES	05/12/2017	01/04/2023	99.999.995	2,000%
81	FR0013301041	FFP	06/12/2017	06/12/2023	87.500.000	3,000%
82	FR0013301066	AKUO ENERGY	08/12/2017	08/12/2023	50.000.000	4,250%
83	FR0013301074	AKUO ENERGY	08/12/2017	08/12/2024	10.000.000	4,500%
84	FR0013301942	ORPEA	15/12/2017	15/12/2024	63.000.000	2,200%
85	FR0013306768	FONCIERE VOLTA	28/12/2017	28/12/2022	14.850.000	4,750%
86	FR0013314572	CBO TERRITORIA	06/02/2018	01/07/2024	30.000.000	3,750%

Belgium and Netherlands

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	BE0002190560	DREDGING ENVIRON & MARINE ENG	14/02/2013	14/02/2019	200.000.000	4,145%
2	BE0002452275	TUSSENGEMEENTELIJKE MAATSCHAPP	11/12/2013	11/12/2023	10.000.000	3,800%
3	BE0002453281	TUSSENGEMEENTELIJKE MAATSCHAPP	11/12/2013	11/12/2025	16.000.000	4,200%
4	BE0002454297	TUSSENGEMEENTELIJKE MAATSCHAPP	11/12/2013	11/12/2028	24.000.000	4,700%
5	BE0002455302	TUSSENGEMEENTELIJKE MAATSCHAPP	11/12/2013	12/12/2033	40.000.000	5,000%
6	BE0002209758	BROOD EN BANKETBAKKERIJEN	23/12/2013	23/12/2020	40.000.000	4,000%
7	BE0002212786	EANDIS CVBA	05/03/2014	05/03/2036	23.000.000	3,550%
8	BE0002211770	EANDIS CVBA	05/03/2014	05/03/2044	52.000.000	3,550%
9	BE0002471465	TUSSENGEMEENTELIJKE MAATSCHAPP	20/06/2014	20/06/2029	16.000.000	3,754%
10	BE0002472471	TUSSENGEMEENTELIJKE MAATSCHAPP	20/06/2014	20/06/2034	18.000.000	4,151%
11	BE0002473487	TUSSENGEMEENTELIJKE MAATSCHAPP	20/06/2014	20/06/2039	21.000.000	4,423%
12	NL0010762084	CE CREDIT MANAGEMENT II BV	03/07/2014	03/07/2019	27.912.000	7,750%
13	BE6254212408	GHELAMCO INVEST	04/07/2014	28/02/2018	70.000.000	6,250%
14	BE0002221878	FNG GROUP	29/12/2014	15/04/2021	25.000.000	4,625%
15	BE0002222884	BANIMMO SA	19/02/2015	19/02/2020	44.000.000	4,250%
16	BE0002224906	COFINIMMO SICAFI SA	25/03/2015	25/03/2022	190.000.000	1,929%
17	BE0002226927	BEFIMMO SICAFI SA	21/04/2015	21/04/2022	45.000.000	EURIBOR 3m
18	BE0002229954	ECONOCOM GROUP SA/NV	08/06/2015	08/06/2020	45.500.000	2,364%
19	BE0002230960	ECONOCOM GROUP SA/NV	08/06/2015	08/06/2022	55.500.000	2,804%
20	BE0002231976	CODIC INTERNATIONAL SA	15/06/2015	15/06/2020	30.000.000	5,500%
21	NL0010833349	CE CREDIT MANAGEMENT III BV	13/08/2015	30/10/2019	30.416.000	7,000%
22	BE0002496710	VRIJE UNIVERISTEIT BRUSSEL	30/10/2015	30/10/2030	12.142.000	1,400%
23	BE0002495704	VRIJE UNIVERISTEIT BRUSSEL	30/10/2015	30/10/2035	19.475.000	1,653%
24	BE0002494699	VRIJE UNIVERISTEIT BRUSSEL	30/10/2015	30/10/2035	28.000.000	EURIBOR 6m
25	BE0002240092	FLUXYS FINANCE SA	11/12/2015	11/12/2045	150.000.000	3,080%
26	BE0002241108	ORFEA BELGIUM	17/12/2015	22/12/2022	147.000.000	2,506%
27	BE0002242114	FLUXYS FINANCE SA	23/12/2015	23/12/2035	75.000.000	2,750%
28	NL0011192919	TRFI FUNDING BV	08/01/2016	08/01/2018	20.000.000	5,250%
29	BE0002244136	FLUXYS FINANCE SA	28/01/2016	28/01/2036	25.000.000	2,750%
30	BE0002243120	WOW PROJECTS NV	01/02/2016	01/02/2021	4.875.000	6,000%
31	BE0002252212	FNG BENELUX HOLDING	07/07/2016	07/07/2023	45.000.000	5,500%
32	BE0002256254	RESA SA	22/07/2016	22/07/2026	300.000.000	1,000%
33	BE0002255249	RESA SA	22/07/2016	22/07/2031	130.000.000	1,650%
34	BE0002254234	RESA SA	23/07/2016	22/07/2036	70.000.000	1,950%
35	BE0002261304	ATENOR SA	04/10/2016	04/10/2021	30.000.000	3,000%
36	BE0002262310	ATENOR SA	04/10/2016	04/10/2023	30.000.000	3,500%
37	BE0002263326	ATENOR SA	11/10/2016	11/10/2022	18.000.000	3,125%
38	BE0002264332	ATENOR SA	11/10/2016	11/10/2024	8.100.000	3,750%
39	BE0002267368	COFINIMMO SICAFI SA	26/10/2016	26/10/2026	70.000.000	1,700%
40	BE0002268374	VANDEMOORTELE NV	07/11/2016	07/11/2023	75.000.000	3,500%
41	BE0002269380	COFINIMMO SICAFI SA	09/12/2016	09/12/2024	55.000.000	2,000%
42	BE0002277466	BEFIMMO SICAFI SA	12/04/2017	12/04/2027	70.000.000	2,175%
43	BE0002282516	COMPAGNIE IMMOBILIERE DE BELGIUM	01/06/2017	01/06/2022	100.000.000	3,000%
44	BE0002289586	EXTENSA GROUP NV	29/06/2017	29/06/2020	30.000.000	2,500%

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
45	BE0002288570	EXTENSA GROUP NV	29/06/2017	29/06/2022	45.000.000	3,000%
46	BE0002286558	ARGAN	04/07/2017	04/07/2023	130.000.000	3,250%
47	NL0012354963	CE CREDIT MANAGEMENT IV BV	04/08/2017	04/08/2020	30.000.000	6,000%
48	BE0002299684	CODIC INTERNATIONAL SA	01/12/2017	01/12/2022	35.000.000	4,250%
49	BE0002544220	BPI REAL ESTATE	11/12/2017	19/12/2022	30.000.000	3,750%

Portugal

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	PTGALFOE0002	GALP ENERGIA - SGPS SA	21/03/2013	08/03/2018	110.000.000	3,597%
2	PTMYRAOM0005	MYSTIC INVEST - SGPS SA	06/02/2014	06/02/2023	37.500.000	-
3	PTBINDOE0009	CELULOSE BEIRA INDUSTRIAL (CELBI)	21/03/2014	21/03/2019	32.700.000	EUR6M
4	PTBPCAOE0006	BIAL-PORTELA COMPANHIA	11/07/2014	10/07/2019	50.000.000	EUR6M
5	PTATSLOM0002	AUTO-SUECO LDA	25/07/2014	25/07/2018	19.800.000	EUR6M
6	PTIPRAOE0002	IMPRESA - SGPS SA	12/11/2014	12/11/2018	30.000.000	EUR6M
7	PTGRPCOE0002	GRUPO PESTANA SGPS SA	26/11/2014	28/02/2020	65.000.000	EUR6M
8	PTCINGOE0005	CIN - CORP. IND. DO NORTE S.A.	19/12/2014	19/12/2019	20.000.000	-
9	PTGNSAOM0005	GENERIS FARMACEUTICA SA	27/05/2015	27/12/2020	42.750.000	-
10	PTGSCEOE0004	SECIL-COMPANHIA GERAL DE CAL	01/07/2015	25/05/2020	80.000.000	-
11	PTGRPEOE0000	GRUPO PESTANA SGPS SA	13/07/2015	15/07/2022	15.000.000	3,950%
12	PTGRPFOE0009	GRUPO PESTANA SGPS SA	13/07/2015	22/12/2021	27.500.000	EUR6M
13	PTHOVBOE0007	HOVIONE FARMACIENCIA SA	02/10/2015	02/10/2023	40.000.000	-
14	PTVS1BOM0004	VIOLAS SGPS SA	06/11/2015	06/11/2023	100.000.000	-
15	PTMENSOE0003	MOTA ENGIL - SGPS SA	10/12/2015	09/12/2018	12.499.990	-
16	PTGSCGOE0002	SECIL-COMPANHIA GERAL DE CAL	20/01/2016	20/01/2021	26.000.000	2,650%
17	PTGLUAOE0003	GRUPO LUSIAVES SGPS SA	22/01/2016	06/01/2026	25.000.000	-
18	PTGSCHOE0001	SECIL-COMPANHIA GERAL DE CAL	06/02/2016	06/02/2023	30.000.000	-
19	PTSNPEOE0000	SONAE CAPITAL S.G.P.S. S.A.	28/07/2016	29/07/2021	15.000.000	-
20	PTBINIOM0004	CELULOSE BEIRA INDUSTRIAL (CELBI)	21/11/2016	22/02/2024	65.000.000	EUR6M
21	PTOREGOM0001	SOC COMERCIAL OREY ANTUNES	10/04/2017	30/09/2020	2.100.000	4,500%
22	PTALTFOM0007	ALTRI SGPS SA	21/07/2017	20/07/2025	50.000.000	-
23	PTBINJOM0003	CELULOSE BEIRA INDUSTRIAL (CELBI)	25/07/2017	14/07/2027	40.000.000	EUR6M
24	PTMYRCOM0003	MYSTIC INVEST - SGPS SA	05/08/2017	05/08/2024	12.500.000	-
25	PTCOPBOM0000	COLEP PORTUGAL SA	16/08/2017	08/08/2024	25.000.000	2,350%
26	PTCOPCOM0009	COLEP PORTUGAL SA	10/10/2017	10/10/2022	17.500.000	1,700%

Norway

	ISIN	Issuer	Issue date	End date	Issue volume (NOK)	Coupon
1	NO0010351281	Wallenius Wilhelmsen Logistics ASA	25/01/2007	25.01.2022	109.000.000,00	1,880%
2	NO0010564883	OBOS Forretningsbygg AS	25/02/2010	25.10.2019	450.000.000,00	5,180%
3	NO0010572308	TrønderEnergi AS	20/05/2010	20.05.2025	750.000.000,00	0,000%
4	NO0010599566	E-CO Energi Holding AS	22/02/2011	22.02.2018	500.000.000,00	5,150%
5	NO0010610017	Sogn og Fjordane Energi AS	23/05/2011	23.05.2018	200.000.000,00	1,960%
6	NO0010621881	Arendals Fossekompani ASA	19/07/2011	19.07.2021	300.000.000,00	5,950%
7	NO0010624471	Sogn og Fjordane Energi AS	30/08/2011	30.08.2019	250.000.000,00	2,030%
8	NO0010624620	Fjellinjen AS	15/09/2011	15.09.2023	600.000.000,00	4,960%
9	NO0010630775	Fjellinjen AS	15/12/2011	16.12.2024	400.000.000,00	4,700%
10	NO0010633225	Deep Drilling 1 PTE. LTD	21/12/2011	21.12.2020	24.000.000,00	15,000%
11	NO0010657919	Color Group AS	18/09/2012	18.09.2019	700.000.000,00	6,050%
12	NO0010662018	Oceanteam ASA	24/10/2012	02.05.2022	65.000.000,00	0,000%
13	NO0010661754	HelgelandsKraft AS	24/10/2012	24.10.2022	600.000.000,00	4,760%
14	NO0010662117	Fredrikstad Energi AS	30/10/2012	30.10.2019	300.000.000,00	5,110%
15	NO0010662380	TrønderEnergi AS	01/11/2012	01.11.2022	300.000.000,00	4,960%
16	NO0010664725	E-CO Energi Holding AS	05/12/2012	05.12.2022	500.000.000,00	4,350%
17	NO0010662406	Fredrikstad Energi AS	14/12/2012	14.12.2022	100.000.000,00	5,650%
18	NO0010671134	Sogn og Fjordane Energi AS	30/01/2013	30.01.2023	300.000.000,00	4,950%
19	NO0010671233	Felleskjøpet Agri SA	13/02/2013	13.02.2018	400.000.000,00	3,000%
20	NO0010674179	Tine SA	04/04/2013	04.04.2018	500.000.000,00	2,070%
21	NO0010675572	Western Bulk Chartering AS	19/04/2013	19.04.2019	300.000.000,00	7,600%
22	NO0010675051	BOA SBL AS	19/04/2013	31.12.2020	347.000.000,00	9,500%
23	NO0010680291	Tussa Kraft AS	14/06/2013	14.06.2018	600.000.000,00	2,320%
24	NO0010679608	Nord-Salten Kraft AS	21/06/2013	21.06.2018	200.000.000,00	2,250%
25	NO0010683691	Nortura SA	25/06/2013	25.01.2019	230.000.000,00	2,480%
26	NO0010684327	BassDrill Alpha Ltd.	05/07/2013	05.07.2018	71.000.000,00	7,500%
27	NO0010686561	E Forland AS	04/09/2013	04.09.2018	359.000.000,00	7,540%
28	NO0010697279	Salamander Energy PLC	06/12/2013	06.01.2020	150.000.000,00	9,750%
29	NO0010697485	Bluewater Holding B.V	10/12/2013	10.12.2019	400.000.000,00	10,000%
30	NO0010699077	Boa Offshore AS	18/12/2013	16.07.2047	455.000.000,00	0,400%
31	NO0010701212	Verd Boligkreditt AS	24/01/2014	24.06.2019	2.000.000.000,00	1,480%
32	NO0010702947	E-CO Energi Holding AS	31/01/2014	31.01.2029	250.000.000,00	4,400%
33	NO0010703028	Sunnhordland Kraftlag AS	07/02/2014	07.02.2019	300.000.000,00	1,550%
34	NO0010705304	Trondheim Kommune	05/03/2014	05.03.2020	500.000.000,00	1,200%
35	NO0010706005	Felleskjøpet Agri SA	25/03/2014	25.03.2026	325.000.000,00	5,180%
36	NO0010705999	Felleskjøpet Agri SA	25/03/2014	25.03.2021	400.000.000,00	4,140%
37	NO0010708480	OBOS Forretningsbygg AS	03/04/2014	03.04.2024	475.000.000,00	4,490%
38	NO0010709702	Trondheim Kommune	15/04/2014	15.04.2024	500.000.000,00	3,570%
39	NO0010709686	Nortura SA	29/04/2014	29.04.2024	225.000.000,00	4,360%
40	NO0010709678	Nortura SA	29/04/2014	29.04.2021	400.000.000,00	3,980%
41	NO0010710882	GENEL Energy Finance plc	14/05/2014	22.12.2022	422.000.000,00	7,500%
42	NO0010713274	Havyard Group ASA	13/06/2014	13.06.2020	100.000.000,00	9,060%
43	NO0010714561	Jacktel AS	09/07/2014	09.07.2019	146.000.000,00	7,000%
44	NO0010718414	Tine SA	09/09/2014	09.09.2019	500.000.000,00	1,330%
45	NO0010717499	Storebrand ASA	10/09/2014	10.09.2019	500.000.000,00	1,630%

	ISIN	Issuer	Issue date	End date	Issue volume (NOK)	Coupon
46	NO0010720584	HelgelandsKraft AS	25/09/2014	25.09.2019	300.000.000,00	1,390%
47	NO0010720576	HelgelandsKraft AS	25/09/2014	25.09.2019	250.000.000,00	2,600%
48	NO0010720568	HelgelandsKraft AS	25/09/2014	25.09.2024	225.000.000,00	3,400%
49	NO0010720790	BOA OCV AS	07/10/2014	31.12.2020	1.105.000.000,00	9,750%
50	NO0010721913	A/S Eidefoss	14/10/2014	14.10.2026	200.000.000,00	4,100%
51	NO0010722028	Golden Close Maritime Corp. Ltd.	24/10/2014	29.03.2022	103.000.000,00	9,000%
52	NO0010723026	Sporveien Oslo AS	05/11/2014	05.11.2019	660.000.000,00	1,500%
53	NO0010724370	Green Dragon Gas Ltd.	20/11/2014	20.11.2018	88.000.000,00	10,000%
54	NO0010724198	MøllerGruppen AS	26/11/2014	26.11.2019	600.000.000,00	1,590%
55	NO0010727753	Fjellinjen AS	16/12/2014	16.12.2019	500.000.000,00	1,210%
56	NO0010729767	Sarpsborg Kommune	21/01/2015	21.01.2020	563.000.000,00	1,190%
57	NO0010732076	SeaBird Exploration Finance Ltd	03/03/2015	30.06.2020	5.000.000.000,00	6,000%
58	NO0010733611	Fjellinjen AS	26/03/2015	24.09.2018	500.000.000,00	1,110%
59	NO0010734775	E-CO Energi Holding AS	23/04/2015	23.04.2030	200.000.000,00	2,800%
60	XS1220076779	Sequa Petroleum N.V.	29/04/2015	29.04.2020	204.000.000,00	5,000%
61	NO0010736895	AB Stena Metall Finans	29/05/2015	29.10.2019	500.000.000,00	2,850%
62	NO0010740400	Tafjord Kraft AS	15/06/2015	15.06.2020	300.000.000,00	1,390%
63	NO0010740970	HelgelandsKraft AS	01/07/2015	01.07.2030	200.000.000,00	3,350%
64	NO0010741689	Gripship AS	13/07/2015	13.07.2018	210.000.000,00	7,310%
65	NO0010741895	Boa Offshore AS	17/07/2015	16.07.2047	66.000.000,00	0,400%
66	NO0010744600	Nortura SA	15/09/2015	15.09.2020	513.000.000,00	1,860%
67	NO0010745276	HelgelandsKraft AS	15/09/2015	15.09.2020	210.000.000,00	1,860%
68	NO0010745037	Fjellinjen AS	15/09/2015	15.09.2020	500.000.000,00	1,460%
69	NO0010746506	Fjellinjen AS	28/09/2015	28.09.2022	700.000.000,00	2,780%
70	NO0010752991	Tafjord Kraft AS	30/11/2015	30.11.2018	400.000.000,00	2,300%
71	NO0010753031	Fjellinjen AS	03/12/2015	03.12.2020	500.000.000,00	1,840%
72	NO0010754476	TRD Campus Holding AS	22/12/2015	22.12.2025	234.000.000,00	4,500%
73	NO0010762834	Brage Finans AS	14/04/2016	14.02.2018	500.000.000,00	2,080%
74	NO0010762909	E-CO Energi Holding AS	18/04/2016	18.04.2031	200.000.000,00	3,050%
75	NO0010764160	Eika Boligkreditt AS	29/04/2016	29.04.2019	500.000.000,00	1,770%
76	NO0010767122	Ringeriks-Kraft AS	17/06/2016	17.06.2019	300.000.000,00	2,200%
77	NO0010767502	Thon Holding AS	23/06/2016	23.06.2020	700.000.000,00	1,810%
78	NO0010774839	Sunnhordland Kraftlag AS	20/09/2016	20.09.2021	300.000.000,00	1,940%
79	NO0010777741	Tine SA	04/11/2016	04.11.2021	450.000.000,00	1,940%
80	NO0010778236	Nortura SA	11/11/2016	11.02.2022	500.000.000,00	2,260%
81	NO0010779291	KISTEFOS AS	05/12/2016	05.12.2019	1.000.000.000,00	8,640%
82	NO0010779549	Klaveness Ship Holding AS	09/12/2016	27.05.2021	300.000.000,00	6,380%
83	NO0010782667	Tine SA	24/01/2017	24.01.2024	500.000.000,00	2,500%
84	NO0010785744	Olympic Subsea ASA	31/01/2017	31.07.2022	300.000.000,00	3,000%
85	NO0010785959	Navigator Holdings Ltd	10/02/2017	10.02.2021	100.000.000,00	7,750%
86	NO0010786213	Wenaas Plaza Hotel AS	02/03/2017	02.03.2020	1.000.000.000,00	1,940%
87	NO0010789787	MøllerGruppen AS	28/03/2017	28.03.2022	400.000.000,00	1,960%
88	NO0010788979	OBOS Forretningsbygg AS	28/03/2017	28.03.2022	580.000.000,00	2,570%
89	NO0010789456	Golden Close Maritime Corp. Ltd.	29/03/2017	29.03.2022	50.000.000,00	10,000%
90	NO0010790744	Brage Finans AS	07/04/2017	20.03.2019	500.000.000,00	1,580%
91	NO0010790363	Nortura SA	11/04/2017	11.04.2023	500.000.000,00	1,990%

	ISIN	Issuer	Issue date	End date	Issue volume (NOK)	Coupon
92	NO0010790934	Thon Holding AS	21/04/2017	22.04.2024	300.000.000,00	1,940%
93	NO0010790918	Thon Holding AS	21/04/2017	21.04.2022	1.100.000.000,00	1,820%
94	NO0010793250	Tine SA	11/05/2017	11.11.2022	500.000.000,00	1,610%
95	NO0010793144	Thon Holding AS	22/05/2017	31.08.2020	500.000.000,00	1,540%
96	NO0010793524	Storebrand ASA	23/05/2017	23.05.2022	500.000.000,00	2,450%
97	NO0010794274	Læringsverkstedet AS	01/06/2017	01.06.2022	1.200.000.000,00	4,790%
98	NO0010797327	Felleskjøpet Agri SA	22/06/2017	22.06.2020	350.000.000,00	2,230%
99	NO0010806219	Raufoss Industripark AS	28/09/2017	28.09.2020	416.000.000,00	7,790%
100	NO0010809148	Thon Holding AS	01/11/2017	01.11.2027	700.000.000,00	2,860%
101	NO0010809700	KISTEFOS AS	08/11/2017	08.11.2021	600.000.000,00	6,750%
102	NO0010811268	Faroe Petroleum plc	29/11/2017	28.04.2023	100.000.000,00	8,000%
103	NO0010814866	Eiendomskreditt AS	26/01/2018	26.01.2021	100.000.000,00	1,530%

Germany

	ISIN	Issuer	Issue date	End date	Issue volume (€)	Coupon
1	XS0412842857	Innogy Finance BV	10/02/2009	10/08/2021	1.000.000.000	6,500%
2	DE000AB100B4	Air Berlin PLC	19/04/2011	19/04/2018	225.000.000	8,250%
3	DE000A1H3V53	Eno Energy GmbH	30/06/2011	30/06/2018	10.291.000	7,375%
4	DE000A1K0SE5	Textilkontor Walter Seidensticker GmbH&Co KG	12/03/2012	12/03/2018	30.000.000	7,250%
5	DE000A1MLSJ1	Ekosem-Agrar GmbH	23/03/2012	23/03/2021	50.000.000	8,750%
6	DE000A1RE1W1	Deutsche Börse AG	05/10/2012	05/10/2022	600.000.000	2,375%
7	DE000A1HA979	SAF HOLLAND S.A.	31/10/2012	26/04/2018	75.000.000	7,000%
8	DE000A1R0RZ5	Ekosem-Agrar GmbH	05/12/2012	07/12/2022	78.000.000	8,500%
9	DE000A1R0VD4	Homann Holzwerkstoffe GmbH	14/12/2012	14/12/2017	63.700.000	7,000%
10	DE000A1R0VD4	Homann Holzwerkstoffe GmbH	14/12/2012	14/12/2017	63.730.000	7,000%
11	DE000A1R1BC6	Deutsche Börse AG	26/03/2013	26/03/2018	600.000.000	1,125%
12	DE000A1R0741	PNE WIND AG	14/05/2013	01/06/2018	100.000.000	8,000%
13	DE000A1TM8Z7	Stern Immobilien AG	23/05/2013	22/05/2018	20.000.000	6,250%
14	DE000A1R09H8	Timeless Homes GmbH	02/07/2013	02/07/2020	20.000.000	9,000%
15	DE000A1TNJ22	DIC Asset AG	09/07/2013	09/07/2018	100.000.000	5,750%
16	DE000A1RE8B0	Euroboden GmbH	16/07/2013	16/07/2018	14.039.000	7,375%
17	DE000A1TNHC0	BioEnergie Taufkirchen GmbH & Co. KG	30/07/2013	30/07/2020	15.000.000	6,500%
18	DE000A1TNHC0	BioEnergie Taufkirchen GmbH & Co. KG	30/07/2013	30/07/2020	15.000.000	6,500%
19	XS0954227210	TAG Immobilien AG	07/08/2013	07/08/2018	310.000.000	5,125%
20	DE000A1YCQ45	ATON Group	08/11/2013	08/11/2018	200.000.000	3,875%
21	DE000A12T101	TAG Immobilien AG	25/06/2014	25/06/2020	125.000.000	3,750%
22	DE000A12T648	DIC Asset AG	08/09/2014	08/09/2019	175.000.000	4,625%
23	DE000A12UD98	Studierenden Gesellschaft Witten/Herdecke e.V.	02/12/2014	02/12/2024	7.500.000	3,600%
24	XS1211417362	Adler Real Estate	08/04/2015	08/04/2020	500.000.000	4,750%
25	DE000A161W62	Deutsche Börse AG	05/08/2015	05/02/2041	600.000.000	2,750%
26	DE000A1684V3	Deutsche Börse AG	08/10/2015	08/10/2025	500.000.000	1,625%
27	DE000A161LJ8	Royalbeach Spielwaren und Sportartikel Vertriebs GmbH	20/11/2015	10/11/2020	25.000.000	7,375%
28	XS1417876163	4 Finance	23/05/2016	23/05/2021	150.000.000	11,250%
29	DE000A2AAVM5	Deutsche Bildung Studienfonds II GmbH & Co KG	29/06/2016	29/06/2026	10.000.000	4,000%

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