

European Investment Fund
Annual General Meeting 2016

Activity Report
by the Chairman of the Board of Directors,
Mr. Dario Scannapieco,
Vice President of the European Investment Bank

President, Shareholders,

I am pleased to address you at this year's Annual General Meeting, especially as I was unable to attend the Financial Institutions shareholder meeting in Rome last November.

This opportunity allows me to review EIF's strong performance during the past year, resulting in achievements of which we are particularly proud, not least given that, in 2015, EIF was able to sign EUR 1.8 billion in commitments under EFSI within just a few months of the launch of the Investment Plan for Europe.

Operational activity and key developments in 2015

As President Hoyer already mentioned, the rollout of EFSI has represented a unique opportunity for the EIB Group, and for EIF in implementing the EFSI SME Window.

The additional resources have enabled EIF to deploy its support under its flagship mandates at a higher and faster rate than initially anticipated, and to increase its response to a very strong overall market demand.

By the end of 2015, the estimated volume of financing mobilised by EIF under EFSI already reached more than one third of the SME Window's EUR 75 billion target. Furthermore, as at the end of March, EIF has achieved approvals totalling 64% of that target.

Such outstanding results could not have been achieved without the continued valuable support of our shareholders.

Going beyond EFSI, EIF has been able to consolidate its activities across its numerous debt financing mandates and equity business lines. Commitments nearly doubled compared to the previous year.

An all-time-high volume of 204 transactions were signed, mobilising nearly EUR 27 billion for the benefit of European enterprises. The real impact achieved at the SME level is that EIF's activities supported an estimated 110 000 businesses and helped sustain around 700 000 jobs.

EIF's close cooperation with the EIB, the European Commission and Member States allowed for the smooth rollout of new mandates, in particular the SME Initiative and EaSI, which are instrumental in delivering timely responses to both existing and emerging challenges.

The SME Initiative is a joint EIB and EIF product and an outstanding example of our ability to maximise the funding impact at times in which public resources remain scarce in most countries. It effectively combines European Structural Investment Funds (ESIF), EU budget and EIB Group resources.

Under EaSI, the new EU programme on Employment and Social Innovation mandated by the European Commission in 2015, EIF was able to recently conclude the very first agreement dedicated to social enterprises, in addition to the already successful microfinance component.

Board of Directors

Naturally, the achievement of such operational results required an active and reactive Board of Directors.

With over 200 transactions and mandate proposals being submitted for approval – through 10 physical meetings and 12 written procedures – the volume of operations assessed by the Board was considerable.

When you add the numerous policy and strategy notes which were also discussed throughout the year, plus the many supporting documents provided for information, you understand the high level of dedication needed from, and provided by, the Board.

Against this background, in February of this year, the Board increased the decision-making authority delegated to the Chief Executive, somewhat facilitating the management of such a sustained high level of operations, whilst allowing the Board full visibility through detailed reporting.

Subject to your approval shortly, the Board of Directors will benefit from both the re-appointments of already experienced members, alongside the appointment of new members, who will no doubt bring complementarity in terms of knowledge and insight.

Going forward, the demands on the Board will remain high, and not only with respect to operational volumes, but also, and increasingly, in areas of strategic and policy importance.

Financial results

Turning to financial results, EIF reached an all-time high in 2015, recording a net income of EUR 97.3m.

At its meeting last month, and as received for decision today, the Board endorsed the proposal for the appropriation of net income and distribution of dividends.

As for 2014, a 25% allocation of net profit is proposed for dividend payments, translating into a nominal payment of EUR 5,770 per share held for the full year.

I would like to thank the shareholders for the smooth process, which EIF already initiated in Rome last November, and which resulted in a proposal that I consider to represent a balanced approach, taking account of various elements, not least EIF's forecast business demands and the higher number of shares across which the dividend envelope is to be attributed.

Latest developments and plans

Looking ahead, EIF's performance is expected to stay on an upward path. The focus will remain on the implementation of the EFSI SME Window.

The quick uptake of EFSI-backed financial instruments suggests that EIF will reach the objectives of the SME Window ahead of time. Furthermore, market reception has been so positive that a continuation of EFSI would seem advisable to ensure continuity in the level and pace of support provided to SMEs.

Increased collaboration with the financial institutions shareholders and National Promotional Institutions will remain a high priority for EIF, including efforts to implement joint initiatives such as an EIF-NPI Equity Investment Platform, as well as a Securitisation Platform.

EIF's existing mandates from the EIB and European Commission will be complemented by new product offerings – for example, the inclusion of subordinated loans under InnovFin, as well as a new funded product under the EaSI guarantee facility.

A partial reallocation of the budget under the EIB EREM mandate should help EIF to meet the strong demand from the loan funds market segment into which EIF entered last year.

In close cooperation with the EIB, the EREM mandate will be further diversified to encompass the new Cooperative Banks and Smaller Institutions Instrument that will allow EIF to lend directly to smaller financial intermediaries. It targets an untapped market segment which falls between the current microfinance activities and existing EIB lending programmes for SMEs.

EIF also foresees the launch of a new loan guarantee facility mandated by the European Commission and targeting enterprises in the "creative and cultural sector".

Concluding remarks

I am confident that last year's achievements, as well as the ambitious agenda for the upcoming period, reflect an EIF that is on a strong operational and organisational footing.

Credit is clearly due to Pier Luigi Gilibert for his contribution to this success. The Board of Directors is pleased to recognise that, under Pier Luigi's leadership, EIF evolved and adapted rapidly, effectively delivering and capitalising on the full spectrum of opportunities which we encountered last year. Whilst managing a 30 percent increase in staffing, Pier Luigi successfully encouraged EIF's management and staff to capitalise on their resourcefulness, flexibility, dynamism and dedication.

At the beginning of this year, we welcomed Roger Havenith as EIF's new Deputy Chief Executive. Roger's vast experience gained at the European Commission and his in-depth knowledge of EIF's financial instruments are very much to the benefit of EIF.

In addition to the recognition which is deserved with respect to EIF's management and staff, I would also like to extend sincere thanks to my colleagues on the Board of Directors, as well as to the shareholders, including the new shareholders that decided to join forces with us last year: Nuevo MicroBank and SID banka Ljubljana. We were equally pleased to welcome the BPCE at the beginning of this year.

2015's particularly good results have positioned us well to continue delivering relevant financial instruments and initiatives that best serve a smart, sustainable and inclusive development in Europe through our dedicated support to the SME sector.

On behalf of the Board of Directors, I thank you once again for your cooperation and support last year, and look forward to a similarly successful collaboration in 2016.

Thank you.