

European Investment Fund
Annual General Meeting 2018

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

President, Shareholders,

In the March meeting of the Board of Directors, we were presented with some extremely interesting highlights from a recent survey that the European Investment Fund (EIF) conducted across more than 470 European venture capital funds. The soon-to-published results revealed that one of the EIF's quite numerous strengths is the stability it represents in the market.

If you will allow me to draw a parallel with the Board of Directors, I am hoping that, as I complete my third term as Chairman of the Board, that stability is also perceived as one of the EIF's strengths.

I have certainly seen considerable developments during those years. Some of the **operational** numbers are truly impressive. Equity commitments have increased by 250% since 2012, reaching over 3.3 billion euros last year. Guarantee signatures have seen a fivefold increase, growing from approximately 1.2 billion euros in 2012 to 5.9 billion euros signed in 2017. In terms of mandates, by the end of 2017, the EIF was managing 121 mandates, representing a significant increase even if we only look back one year, to the 95 mandates under management at the end of 2016.

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With this growth in mind, the Board of Directors was pleased to see that both operational and financial results for 2017 were very much in line with initial Corporate Operational Plan forecasts.

Looking at **overall business volumes** last year, the EIF committed a total of 9.3 billion euros, leveraging an estimated 35.4 billion euros of financing.

Thanks to these commitments, the EIF contributed to supporting some 202,000 European SMEs and midcaps last year, through its network of financial intermediaries and in partnership with the European Investment Bank (EIB), the European Commission, the financial institution shareholders, EU Member States and regions, and other third party mandators, each contributing to enriching and enhancing the EIF's product offering and reach.

Under the **European Fund for Strategic Investments** or "EFSI", the EIF successfully continued the rapid deployment of resources. From inception to the end of 2017, investments totalling over 4.5 billion euros had been approved under the EFSI **SME Window**, corresponding to 83% of the total envelope of 5.5 billion euros.

In terms of expected leveraged financing, this translated into the EIF having surpassed the EU's SME Window target of 82.5 billion euros, well in advance of the July 2018 deadline.

In parallel, the EIF also extended the scope of its EFSI involvement to deploy resources on behalf of the EIB, via SME and midcap facilities under the EFSI Innovation and Infrastructure Window.

If we look at even more recent EFSI SME Window data, by the end of March, approvals had increased to over 4.6 billion euros, expected to benefit some 600,000 SMEs and small midcaps.

In February, on the back of this successful deployment, the Board was pleased to approve a 5 billion euros increase of the EIF's existing EFSI mandate ("EFSI 2", as we tend to refer to it), further leveraging on existing EIF-managed EU programmes and including an extension of the EFSI-EU guarantee.

Working closely with institutions in Member States remained important and the EIF continued to scale up its collaboration with **National Promotional Institutions** (NPIs).

2017 marked the first full year of operations for the **EIF-NPI Equity Platform**. Under this platform, the EIF is already managing approximately 350 million euros from NPIs, which will be matched with resources from EIF central mandates, in particular under EFSI. It is an excellent opportunity for the EIF to work hand-in-hand with, inter alia, its NPI shareholders. Partnerships for the deployment of standardised investment products have already been concluded with Scottish Enterprise and SID Banka, and the platform's first two tailor-made investment programmes have been established with Cassa depositi e prestiti. The EIF is also successfully collaborating with Bpifrance in the context of joint investments in privately managed fund-of-funds.

Similarly, on the guarantees side, and in a partnership including the EIB, Bpifrance, CDP, KfW and ICO, the **EIF-NPI Securitisation Initiative** (ENSI) has continued to develop its catalytic role in the SME securitisation market. At the end of last year, 17 operations had been closed under this programme.

Investment vehicles like the **Asset Management Umbrella Fund** also remain a strategic long-term priority, to "crowd in" institutional investors, including pension funds and insurance companies, into the top-performing European private equity, venture capital and life sciences funds in the EIF's portfolio. The Umbrella Fund welcomed its anchor investor in December 2017 - Cassa Forense, the second largest private pension fund in Italy - and there is a promising pipeline of other institutional investors across Europe and beyond.

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In terms of **financial results**, operating income went up strongly from 108 million euros in 2016 to reach an all-time high of 127 million euros in 2017. Whilst it was offset by very exceptional items, the EIF's net profit nevertheless reached 110 million euros, whilst return on equity reached an impressive 5.8%.

The Board of Directors has closely followed the measures which the EIF has been developing as a means to addressing the issue of potential capital constraints and it has been supportive of the Chief Executive's prudent approach in this respect.

It is with this context in mind, that the Board endorsed today's proposal to the shareholders for the appropriation of net income, in which a 10% allocation is proposed for the payment of dividends. The Board recognises that this represents a marked decrease compared to recent years and is appreciative of the support which the shareholders have demonstrated in acknowledging the bigger picture associated with this recommendation.

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The Annual Report, which is presented today for your approval, is intended to illustrate as well as any speech the achievements of which the EIF's shareholders, Board of Directors, management and staff can be very proud.

It will not have escaped you that the report has adopted a new look and feel. This reflects the willingness of the EIF's management – with the support of the Board of Directors – to promote the clear and effective communication of the EIF's business activities.

The Board attaches great importance to maximising opportunities for communication on the EIF's impact and to demonstrating – across a spectrum of different audiences and counterparts – the added value of its presence and interventions. Moreover, there is also a significant communication role which the Board and the shareholders themselves can play in this respect.

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Subject to your approval of the proposed appointments today, I am pleased to see that the Board will benefit from a good balance between the continuation of existing members and the introduction of new directors.

I would like to thank those members and alternates who are being proposed for re-appointment. Returning to the theme of stability, I firmly believe their renewed membership will offer valuable continuity and allow us to build on their knowledge and expertise.

On behalf of the Board, I would also like to express our appreciation to outgoing members Pierre DELSAUX, who has served on the Board since August 2015, and Harriet WIRTH, appointed two years ago. Our thanks also to Marjut SANTONI and Filipe CARTAXO, who are concluding their terms of office after, respectively, two and a half years and four years as alternate members.

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It is very satisfying to see the vast majority of the EIF's currently 34 shareholders being represented today as your active support, expertise and market knowledge greatly contribute to the EIF's development. Thank you to Bpifrance and BPCE for the organisation and hosting of this year's annual meeting of the Financial Institutions Shareholder Group, taking place mid-October in Paris.

Before closing, I would like to convey the Board's thanks and congratulations to the EIF's Chief Executive and Deputy Chief Executive, alongside the management and staff, for the excellent results in 2017.

I recall that at last year's AGM, I reflected on the fact that strong performance does not happen without the strong support of shareholders, stakeholders, management and staff. I also said that it should not be taken for granted. It is clear to see that such strong support was again demonstrated through high levels of motivation, dedication and the determination to deliver results by all sides, resulting in another successful year and I am confident that 2018 will be fuelled by equally firm ambitions and commitment.

Thank you.