

European Investment Fund
Annual General Meeting 2013

Activity Report
by the Chairman of the Board of Directors,
Mr. Dario Scannapieco

Ladies and Gentlemen,

During my first year as Chairman of the Board, I have seen a period rich in developments for the EIF. I would like to start by taking a look back over some of the main aspects of 2012, before sharing some thoughts regarding future activities.

1. Activities in 2012

In 2012, EIF's counter-cyclical role remained of considerable importance as SMEs and micro enterprises throughout Europe continued to face difficult economic and financial conditions and as their access to credit remains constrained in many countries. An increase in the level and range of EIF's products and activities allowed EIF to further demonstrate its determination to improve SME access to finance and to stimulate smart, sustainable and inclusive growth.

In terms of **headline numbers** on the **equity** side, EIF completed a record number of transactions, providing over EUR 1.3bn of new equity and loans across the EU and Accession Countries. This increase of 20% compared to 2011 volumes, catalysed over EUR 7bn in new risk finance. By year end, EIF's total net equity commitments amounted to EUR 7bn in over 435 funds.

On the **guarantees** side, EIF also had a fundamental impact. New transactions amounting to EUR 1.2bn were signed with 43 banks and promotional institutions, through which new loan portfolios of EUR 5.1bn were catalysed. At year end, EIF's guarantee portfolio included 255 operations with total outstanding commitments of almost EUR 4.7bn.

Looking in more detail, some particularly noteworthy additions to EIF's product range were made.

EIF's **equity-related highlights** included the development of the European Angels Fund initiative, which had a successful start in Germany last year, and is receiving significant interest in other EU countries. 2012 also witnessed the launch of the Baltic Innovation Fund, the Dutch Venture Initiative and the Mezzanine Dachfonds für Deutschland, all reinforcing EIF's collaboration with national ministries and promotional agencies.

A real achievement in terms of **debt** activities was the launch and rapid implementation of the RSI Facility aimed at supporting the banking system activity in favour of innovative SMEs. Under this joint initiative of the EIF, EIB and the European Commission (DG Research & Innovation), contracts have already been signed with seven major SME banks to generate EUR 690m of new loans. The success of this pilot scheme has resulted in the capacity being doubled for the next 12 months.

Throughout 2012, EIF continued to be an active participant in the slowly recovering SME securitisation market. The guaranteed volume of securitisation and covered bond tranches for the year amounted to some EUR 480m and supported SME lending volumes of EUR 2.1bn.

Market demand for guarantees under the European Commission's CIP facility remained strong and the resources were fully utilised. So far, more than 200,000 SMEs have already been supported under this programme.

As part of its active role in developing the **microfinance** market across Europe, EIF committed EUR 40m to microfinance intermediaries in 2012. This brought total commitments to EUR 117m, corresponding to more than 19,000 new micro-loans already originated under the Progress facility.

In terms of **regional business development**, 2012 was an important year for EIF. After a long preparation period, in some cases, JEREMIE Holding Funds began to demonstrate real impact at SME level in several Member States. Thanks to the rapid implementation of a number of contractual modifications, the absorption of the JEREMIE funds increased significantly. EIF manages 14 JEREMIE Holding Funds totalling EUR 1.27bn of Structural Funds under management. In 2012 alone, 24 transactions were signed with 19 new financial intermediaries in the regions served. In total, EUR 2.7bn has been catalysed thanks to the JEREMIE Holding Funds.

Turning from operational activity to **financial results**, EIF generated an operating profit of some EUR 55.5m in 2012. With a net profit of EUR 31m, the COP's profit expectations were met, and a positive development was observed in comparison to the previous year.

As a result of this net profit, EIF is in a position to offer a dividend payment for the year 2012, as proposed for approval on today's agenda as part of the appropriation of net income. As you know, the Board had extensive discussions on this point at its meeting last month. Those discussions, alongside exchanges between shareholders, resulted in the consultation process on this question being further pursued, including via the conference call with the Financial Institutions in March.

Today, you are requested to decide on the **2012 appropriation only**. We are conscious of the need for further reflection and consultation with regards to the approach going forwards. Please be assured that the necessary time will be dedicated to this question, including in the informal session following this AGM, during which the next steps for the continuation of the discussion will be addressed.

Finally, in terms of 2012 achievements, and given the prevailing economic climate, it was particularly satisfying to see EIF's triple-A rating reconfirmed once again by all three rating agencies.

2. EIF's future activities

Looking forwards, since a rapid recovery of the fundraising environment is not likely in the current market, EIF will continue to act as a cornerstone equity investor, to encourage co-investment and to support teams, both established and emerging.

Through its guarantee activity, EIF aims to achieve substantial added value by facilitating SME credit risk transfer from financial institutions to the capital markets, thereby increasing their lending capacity to SMEs. The EIF will play a critical role in the SME credit enhancement market and there is cautious optimism that this market will continue to re-open in 2013.

A consolidation and reinforcement of EIF's products and instruments will aim at maximising the impact of its resources. EIF will also seek to fully capitalise on the potential which can be achieved jointly with the EIB, and through the development of new financial instruments with the European Commission, as well as in collaboration with the financial institution shareholders, EIF's other mandators and stakeholders. In doing so, EIF will ensure that every opportunity to increase its operational efficiency will be pursued.

As you will recall from the COP-related presentations communicated in January, EIF is looking at a number of new areas for development, foreseeing a range of financing sources, in order to strike the right balance between strengthening current activities and developing new market segments, for which further information will be presented after the AGM.

3. Conclusion

To conclude, in the face of continuing market challenges, EIF's commitment to supporting European SMEs has translated into an important volume of activities and the introduction of new products and instruments for specific market needs.

EIF has also shown once more its dedication to EU policy objectives, successfully promoting entrepreneurship and innovation across Europe.

I cannot underline enough the importance I personally attach to the dialogue with you, the EIF shareholders, and your support. Through them, we believe that, as EIF enters its 20th year of existence, its role can go from strength to strength.

I would like to end with some words of thanks, firstly to you as shareholders. Secondly, to my colleagues on the Board of Directors for their dedication and support. I would also like to express my personal appreciation for the considerable involvement of Monika Voss as FISG Coordinator and, at the same time, extend that thanks to NRW.BANK for this commitment to EIF. And, last but not least, thank you to EIF's management and staff for their achievements. During this year I have personally witnessed their competences, dedication and passion for the achievement of the EIF's objectives in support of the European economic recovery. All the shareholders can be reassured that this very dedication and passion, I believe, will make the future of this organisation bright.