

European Investment Fund  
Annual General Meeting 2014

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

Ladies and Gentlemen,

As Chairman of EIF's Board of Directors, I am delighted to present an Activity Report which reflects such a positive year for the EIF.

As reported in the last shareholder newsletter, and as presented in more detail in the Annual Report submitted for approval today, you will have seen that the sheer volumes deployed in 2013, and the extent of the support given to European SMEs during the year, represented the tangible and rather exceptional results of EIF's efforts.

## 1. Activities in 2013

### (i) Operational activities

Across its equity, guarantees and microfinance activities, EIF achieved remarkable levels of commitments, allowing investments and loans which translated into support for over 140,000 SMEs last year.

Overall, these transactions are expected to catalyse EUR 16bn for the benefit of European SMEs.

It was a year of both building on the success of existing facilities, and developments into new markets and geographies.

A noteworthy example of building on a success story was seen in the **EIB's doubling of EIF's mezzanine-dedicated resources**, enabling finance to be extended to funds investing in small- to mid-caps, and complementing the EIB Group tool-kit.

As EIF further strengthens its role as the risk-taking arm of the EIB Group, it will continue expanding its activities, thanks to the major new mandate, the EIB Group Risk Enhancement Mandate (EREM). **EREM** will back additional guarantees to be issued by EIF over the next seven years and will complement EIF's guarantee and credit enhancement product offering.

On the **debt** front, 2013 successfully concluded the European Commission's seven-year **CIP SMEG** programming period, for which the resources have so far supported more than 290,000 SMEs across 23 countries and catalysing in excess of EUR 9bn of lending volumes.

In terms of **regional business development**, a particularly strong emphasis was placed on increasing JEREMIE's absorptions levels. EIF's involvement under JEREMIE has been essential to national and regional authorities, with some EUR 1bn of Structural Funds resources currently deployed, leveraging nearly EUR 3bn for SMEs.

EIF also remained committed to helping the **securitisation market** towards recovery. With the need for a revitalised and sound securitisation capital market becoming increasingly important, EIF's role is set to grow further. In this context, the first project was launched under the EIB Group ABS credit enhancement initiative, building on the complementarity of the product range and activities at Group level.

The **European Angels Fund (EAF)** is a great example of combining the success of an existing facility with new developments. The success of the pilot initiative in Germany means that it is expected to be fully committed this year and it has paved the way for similar initiatives to materialise in Spain and Austria, whilst discussions with other Member States are well advanced.

Also in terms of combining success and development, the **Risk Sharing Instrument** experienced rapid absorption and deployment. At end-2013, 25 transactions had been signed in 14 countries and, after only a year, the facility's capacity was increased and a counter-guarantee was included within the product offering.

In terms of new markets and geographies, there were exciting developments in EIF entering the market in support of social entrepreneurship and social innovation in Europe. In May 2013, this resulted in the launch of a new, innovative fund-of-funds, the **Social Impact Accelerator**, for which the first commitment was signed last year.

Other **new initiatives** included:

- The **Western Balkans Enterprise Development and Innovation Facility**;
- The **Baltic Innovation Fund**; and
- The **Polish Growth Fund of Funds**.

These initiatives underline EIF's expertise in partnering with key national institutions and the continuing efforts made to complement the existing national schemes in support of SMEs.

(ii) Financial performance

Turning from operational activity to **financial performance**, EIF generated an operating income of EUR 59m in 2013 and a net profit of EUR 47m, up from EUR 31m in 2012.

As a result of this positive result, EIF is proposing to allocate 33% of net income to dividends, translating into a distribution of EUR 5,220 per share, compared to EUR 2,044 for the previous exercise. This proposal results from numerous exchanges between shareholders, and was considered by the Board to represent an acceptable compromise approach, balancing efforts to strengthen EIF's capital base and seeking to accommodate different shareholder positions. It was nevertheless the Board's position that the 33% allocation for 2013 was not intended to pre-empt future appropriation decisions.

(iii) Capital increase

As you know, the strengthening of EIF's capital base is very much in the spotlight. EIF is being particularly called upon, in collaboration with national public and private stakeholders, including EIF's financial shareholders, to respond as a matter of urgency to the continuing challenges with regard to SME financing. In this context, the capital increase, which was extensively discussed and developed in the second part of 2013, and which we look forward to see coming to fruition soon, is key to EIF's development.

Following the Board's endorsement of a EUR 1.5bn capital increase in November last year, the proposal was endorsed thereafter by the EIB's Board of Directors and submitted to the EIB's Board of Governors, whose decision is imminent, with only one vote still to be received. Furthermore, thanks to determined and swift action by our colleagues from the European Commission, a decision approving the EU's participation is expected to be formally adopted by the European Parliament in the coming days and by the Council thereafter.

Strong indications of support have also been given from you, EIF's financial shareholders, to continue to sustain and strengthen EIF's unique tripartite structure.

We would highly value full shareholder support with respect to both the authorisation to proceed and to commitments for subscriptions of new shares. To the extent possible, such subscriptions will take place immediately after a formal capital increase decision is taken, with a view to maximising the impact of the capital increase from the start. We attach great importance to the Financial Institution Shareholders' commitment to maintaining and, in due course, increasing the weight, and the important balance provided by the financial institutions within the overall shareholding structure.

The capital increase, together with the elaboration of the Corporate Operational Plan, formed part of the significant decision-making responsibilities of the Board last year. Overall, the number of documents submitted to the Board for decision and information was higher than ever before. Furthermore, in the summer, we welcomed two new members, Alice TERRACOL and Franciscus GODTS, and two new alternate members, Katarina KASZASOVÁ and Wolfgang NITSCHKE. We look forward to maintaining the efficient functioning of the Board and, furthermore, to developing a strong and fruitful relationship with EIF's new Chief Executive.

**2. EIF's future activities**

Looking ahead, EIF will continue developing new financing solutions seeking to achieve maximum impact on Europe's SMEs.

Particular attention will also be paid to building on the joint work with the EIB and making good use of the complementarity and expertise within the Group. While fully respecting the independence of each Institution, we will continue to explore and leverage synergies between EIB and EIF to impact more efficiently the markets in which the Group intervenes.

Furthermore, the EIB Group is currently in intensive negotiations with the **European Commission**, to establish the new generation of financial instruments and implement the Europe 2020 strategy for smart, sustainable and inclusive growth.

### 3. Conclusion

To conclude, whilst market challenges remain, the EU economy would seem to be following a recovery path toward renewed growth and EIF's activities can certainly serve to nurture and reinforce such growth attempts.

As EIF celebrates its 20th anniversary in June, I am convinced that, with your support, it is well positioned to continue to increase the scale and impact of its activities to support the European SME market, and to pursue EU policy objectives for promoting entrepreneurship and innovation, over the next twenty years.

I would like end with some words of thanks, firstly to you as shareholders, for your support and the constructive dialogue, which we always endeavour to maintain. My thanks also to Monika Voss who, as Coordinator of the Financial Institutions Shareholder Group, has been such a valuable counterpart for EIF, and who now leaves that role after four years of considerable dedication. Our sincere thanks to NRW.BANK for such a demonstration of commitment. To my colleagues on the Board of Directors, I extend warm thanks for their dedication.

I would also like to thank EIF's management and staff, and particularly Richard Pelly for the work achieved during his time as Chief Executive. Richard steered the EIF's growth in size, in operational reach and in visibility over the last six years and I would like to acknowledge the achievements during this period, together with the momentum which has been given for the future.

Finally, I am sure you join me in welcoming Pier Luigi Gilibert in his new role at the helm of the Fund and as EIF's new Chief Executive. In leading EIF, Pier Luigi is supported by Marjut Santoni who has shown an incredible drive and enthusiasm during her initial period as deputy CEO.

Thank you.