European Investment Fund
Annual General Meeting 2019

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

There is real satisfaction for a Chairman of the Board who can report a successful year to the General Meeting…and I am delighted to be in that position, as I address you today.

2018 was a year in which the EIF achieved impressive operational and financial results, working within a framework of multi-dimensional partnerships with the European Investment Bank and the European Commission and working alongside our 33 financial institution shareholders.

The EIF also enjoyed strong cooperation with National Promotional Institutions across Europe – bringing opportunities for business and for exchanges of mutual benefit – and it delivered solid results in broadening its funding sources, by attracting institutional investor capital in Europe, all of which contributed to the mobilisation of public and/or private resources.

With total commitments of 10.1 billion euros last year and a net profit of just over 127.5 million euros, the Board of Directors congratulates the EIF on the record-breaking nature of these results.

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We also recognise that it is equally – if not more – significant to look past the headline figures to the resulting impact.

As illustrated in the annual report, submitted for your approval today, it is estimated that the EIF’s overall business volumes in 2018 will leverage almost 44 billion euros of financing.

In turn, these commitments are contributing to the backing of some 280,000 European SMEs and midcaps, and to the supporting of roughly 2.8 million jobs.

The assessment of the EIF’s impact represents an area of ongoing focus for the Board of Directors. This is reflected in the strategic objectives of the Corporate Operational Plan or “COP”, approved in December, which include the ambition to further develop the EIF’s impact culture.

Thanks to the EIF’s excellent research and market analysis expertise, the Board – like the shareholders – received advance copies of six EIF Working Papers in the course of last year. Across these different papers, we have comprehensive analyses of the main markets of relevance to the EIF, as well as demonstrable evidence of how the EIF can make a difference, through both its equity and debt activities.

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In line with the strategic objective to accelerate the development of the “4th pillar” initiative, we observed good progress, taking the EIF further into new areas of cooperation, including with the Asset Management Umbrella Fund and the China-EU Co-Investment Fund platform.

Delivering on the Investment Plan for Europe remains a key objective – for the EIB Group as a whole – and it continues to receive the Board’s full support through the EIF’s activities under the European Fund for Strategic Investments or “EFSI”.

Check against delivery
Counting from the start of the EIF’s EFSI implementation, by 31 December 2018, investments of 6.25 billion euros had been approved under the SME Window, expected to mobilise investments of over 131 billion euros to the benefit of more than 857,000 SMEs and mid-caps in Europe.

In the second half of 2018, and in anticipation of the year-end signature of the fourth amendment to the EFSI Agreement between the EIB Group and the European Commission, the Board was already approving a number of transactions, notably under the new diversified debt programme “Private Credit Tailored for SMEs”, in order to allow this additional “EFSI 2” firepower to be rapidly deployed.

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Across its ten meetings and the nine written procedures last year, the Board approved transactions and mandates ranging across the EIF’s activities.

In line with the objectives of the European Commission’s Capital Markets Union action plan, the EIF’s new programmes and mandates seek to provide pan-European coverage as well as addressing the financing concerns of individual countries.

As all shareholders know, collaboration with the European Commission on policy objectives is a fundamental aspect of the EIF’s raison d’être. Those shared objectives include entrepreneurship, growth, innovation, research and development, and employment, as well as education, social impact and inclusive finance.

Moreover, the goals reach beyond specific markets and geographies, or particular intermediaries and beneficiary profiles. There is also the broader question of tax good governance and working to eliminate opportunities for tax abuse as well as the financing of terrorism. In this context, the Board welcomed the introduction of the Risk Scoring Tool for Anti-Money Laundering and the Counter-Financing of Terrorism, which serves to further reinforce the EIF’s comprehensive and valuable Compliance assessments.

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I would like to take a moment to address another strategic objective, namely the implementation of capital optimisation measures and a sustainable operating model.

The Board has continued to endorse the Chief Executive’s prudent approach to financial planning and his clear commitment to respect the undertaking made at the time of the 2014 capital increase, that the additional resources would cover business needs until 2020.

Thanks to the rapid implementation and continuation in 2018 of effective capital optimisation measures, stability has been maintained, the EIF’s AAA rating has been preserved and return on equity reached 6.46% last year – above the 4% - 6% range indicated in the COP.

In this context, there has been acknowledgement – at the level of both the Board and the shareholders – as concerns the rationale for having moved towards a reduced level of dividend payments in recent years. It was on this basis, and with the aim of formalising a stable dividend framework for the coming years that, in December, the Board endorsed a policy approach for the appropriation of net income and distribution of dividends.
As presented to shareholders in February, this policy foresees dividend payments only if the EIF has achieved a positive net income, both before and after the application of the IFRS 9 accounting treatment for the fair value measurement of the EIF’s operations.

Accordingly, the proposal endorsed by the Board for decision today clearly indicates the basis for the calculated allocations, including the proposal to attribute 10% from the net operating income of 104.7 million euros for the distribution of dividends.

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The 2018 results were clearly extremely good and may even be challenging to repeat. The wind of change, or at least a strong breeze, was already beginning to blow last year, against a background which included Group-level strategic discussions, capital optimisation considerations, and the European Union’s new investment period and the exciting new opportunities which the EIF hopes to embrace.

As you know, the COP – which was approved in December - specifically presented “orientations” for 2019 and “preliminary indications” for 2020 and 2021. Therefore, by the time of the COP mid-year review, scheduled for June, the Board will be making a particularly critical assessment of the direction to be followed.

In these times of change, I would like to conclude on an optimistic note and communicate that the Board of Directors is united in its recognition of the role that the EIF plays within the EIB Group and that it can continue to play in this 25th year of operations and beyond.

I would like to thank my colleagues on the Board of Directors. Our discussions are certainly enriched through the expertise, market knowledge and different perspectives brought by each director.

At the beginning of this year, we were pleased to welcome new Board member Kerstin JORNA, who will take the floor in a moment, as well as Armands EBERHARDS as new alternate member.

Lastly, I would like to reiterate the Board’s thanks and congratulations to the EIF’s Chief Executive and Deputy Chief Executive, as well as the management and staff, for the excellent results in 2018. The in-house skills, experience and commitment are clearly observed and very much appreciated by the Board.

As the proverb says, "Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime”. It is in that spirit that we can see the “investment” in European Investment Fund, referring to not only to the investment of financial resources, but also to the investment of time, energy and human resources into pursuing policy objectives and supporting markets, intermediaries, SMEs, micro-enterprises, entrepreneurs and – ultimately – empowering people to realise their potential, thereby investing in the present and for the future.

Thank you.