



European Investment Fund
Annual General Meeting 2020

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

President, Shareholders,

In "normal times", my report to the Annual General Meeting, as Chairman of the Board of Directors, would really be centred on the Board's recognition of the EIF's significant achievements in 2019.

Clearly, we are living in times that are far from "normal".

Nevertheless, before turning to the ongoing extraordinary circumstances, I will begin with such recognition because, as the annual report on today's agenda shows, it is well deserved. Also because it reminds us of the solid and dependable work that the EIF delivered last year, and on which we are counting even more as this year unfolds.

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The EIF achieved numerous operational, policy-oriented, financial and strategic successes last year.

Across its business lines, the EIF committed 10.2 billion euros, with over 80% of those volumes supporting the key policy areas of innovation, growth and competitiveness amongst European SMEs.

A net income of over 175 million euros was recorded. Return on equity reached 8.8% – well above the target long-term range of 5%-6% approved by the Board in the Corporate Operational Plan, or "COP", last December.

The EIF's cost to income ratio reached an all-time low of 43.5%, again out-performing the COP's target range of 55%-60%.

The Board of Directors congratulates the EIF on these results.

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I think it is important to take a closer look at how the 10.2 billion euros of total commitments in 2019 translated into real impact.

It is estimated that these volumes will generate almost 59 billion euros in leveraged finance to SMEs, notably thanks to the crowding-in of private investors. In turn, these commitments are contributing to supporting some 323,000 small businesses.

An important part of this activity is realised thanks to the financing channelled through the European Fund for Strategic Investments or "EFSI" SME Window, deploying European Commission, EIB and EIF resources to improve access to finance for SMEs and small mid-caps.

By the end of 2019, the EIF had already deployed 8.2 billion euros out of the 10.5 billion euros under the EFSI SME Window, benefitting more than a million small businesses, achievements which are very much applauded by the Board of Directors.

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The Board's work was carried out throughout the year, as usual, through a combination of meetings and decisions via written procedures. That being said, 2019 was characterised by a number of strategic discussions at EIB Group level, seeking to address short- and long-term challenges, such as Brexit and the EIB Group equity strategy.

The EIB Group equity strategy, entailing the transfer of EU climate and infrastructure fund activity from the EIB to the EIF this year, is a significant milestone. Considerable efforts, on both sides, were devoted towards proposing a coherent and rational strategic direction, seeking to maximise efficiencies, skills and market know-how within the EIB Group and present the outside world with a clearly articulated division of activities, all the more noteworthy given the EIB Group's important climate change ambitions and undertakings.

The strategic, operational, financial and risk-related discussions which the Board pursued in this and other contexts, benefitted from the Board members' breadth of expertise, as well as their appreciation of the need to recognise the EIF's specific role and statutory frameworks.

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The EIF continued to enjoy strong shareholder support, which also materialised through the active and constructive support of the Board members, whether nominated by the EIB, the European Commission, or the financial institution shareholders.

Having started the year with 34 financial institution shareholders, we were pleased to welcome new Portuguese shareholder IFD (Instituição Financeira de Desenvolvimento S.A.) in February, followed by Bürgschaftsbank Baden-Württemberg GmbH, from Germany, in March.

Good collaboration with the EIB, the European Commission and the financial institutions - in their capacities not only as shareholders but often also as mandators – is critical to the EIF. The EIF also enjoyed strong cooperation with National Promotional Institutions (NPIs), spanning 45 NPIs in 29 countries across Europe, including every EU Member State.

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Clearly, we cannot look at any year in isolation, and this is especially true for 2019, where not only "upstream" but also "downstream" considerations are particularly relevant.

The Board is well aware that 2019's excellent achievements can be partly attributed to factors such as previous years of relationship building with our stakeholders and relevant actors from both the public and private sectors; the accumulated market knowledge of EIF staff and management, including securitisation and equity investment expertise; as well as capital optimisation measures.

On the other hand, we need to consider the extraordinary circumstances which have followed the end of 2019 - and which continue to evolve - and have impacted the outlook as we knew it only months ago.

Turning back just four months, the Board of Directors approved the new COP, on the basis of an overall stability in operational volumes over the 2020-2022 period as well as numerous other business assumptions where the Board felt comfortable with the orientations presented for this year.

Even more recently, six weeks ago, the Board endorsed an initial proposal for the attribution of net income and payment of dividends, in an economic environment which had not deteriorated to the extent that we currently observe.

However, as we have all been experiencing, in our professional and personal lives, our ability to accept and adapt to change has become crucial. It is within this new reality, and thanks to the flexibility, dedication and understanding of my colleagues on the Board, that parameters have been adjusted.

In keeping with the agility which the EIF has shown over the years, the EIF - and the EIB Group as a whole - have reviewed positions, ranging from the Board's proposal, as presented to the shareholders today, to refrain from the payment of dividends for 2019, to a critical re-assessment of the EIF's capital needs, to the rapid introduction of adapted instruments and strengthened resources in response to the COVID-19 economic crisis.

During this period, the Board of Directors is very much focussing on maximising and, where necessary, strengthening the EIF's role and resources in support of European SMEs. Knowing the importance of the EIF shareholders' support, we will be seeking to have a close dialogue with you, not least as far as the EIF's capital requirements are concerned and the size and timing of the envisaged future capital increase which, in light of the changed economic environment, is being reassessed.

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To conclude, I would like to thank my colleagues on the Board of Directors for the constructive and insightful discussions that we held throughout the year. Those members and alternates who are concluding their mandates today and leaving the Board have left their mark and brought their own particular areas of expertise. At the same time, we look forward to the new Board working together over the coming two-year period.

Lastly, on behalf of the Board, I would like to note the achievements of the EIF's executive management and staff who delivered excellent results in 2019, and to wish the EIF a successful year.

Thank you.