EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN 2018

For projects, previously subject to a confidentiality agreement,
As of 21 September 2018
RATIONALES FOR THE DECISIONS TAKEN BY
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For projects, previously subject to a confidentiality agreement,
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This document should be read in conjunction with the document: “DECISIONS TAKEN
BY THE EFSI INVESTMENT COMMITTEE IN 2018 - for projects previously subject to a
confidentiality agreement, as of 21 September 2018”

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the
decisions taken by the Investment Committee to approve the use of the EU guarantee
for EIB operations are made publicly available, in general after the subsequent
Investment Committee meeting, except for projects subject to a confidentiality agreement
between the EIB and the promoters.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank,
the rationales of the Investment Committee for decisions approving the use of the EU
guarantee in 2018, which have not yet been disclosed as of 21 September 2018, are
published below. This is after the projects have been signed or if these projects are not
subject to a confidentiality agreement between the EIB and the promoters anymore.

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Alongside previously disclosed rationales of Investment Committee decisions in 2018,
the rationales of the Investment Committee to approve the availability of the EU
guarantee for the following EIB operations, which were previously subject to a
confidentiality agreement between the EIB and the promoters, are as follow:

March 2018

VIVAWEST ENERGY EFFICIENT BUILDINGS (Germany)

The IC approved the use of the EFSI Guarantee for a project that concerns the
construction of residential Nearly Zero Energy Buildings (NZEBs) by a German housing
company, in the German state of North Rhine-Westphalia. There is a justified need to
invest in the energy efficiency of buildings. The refurbishment of old buildings and the
construction of new energy efficient buildings is a priority within the EU’s Climate and
Energy policy. Additionally, the project is expected to improve the living conditions for the
tenants, while contributing to employment and economic growth.

The promoter is not engaged in the prime, high-end real estate segment. Rather, its
apartments cater to a broad and diverse customer base of small household sizes (1-3
people) - in line with the demographic trend in Germany – and are positioned to attract
low-to-medium income households. A part of the project is dedicated to rent-restricted
units.

The identified suboptimal investment situation is based on the lack of unsecured
financing for the real estate sector via loan-type instruments, in the German market. The
EFSI backed unsecured, structurally subordinated loan will be an entirely new instrument
in the company’s funding mix. Access to the capital markets for unsecured funding is only
possible for companies that already have unsecured financing in their capital structure.
Therefore, the unsecured EIB/EFSI loan is deemed additional to the existing available funding and highly complementary to the secured financing available from commercial sources, thereby promoting the acceleration of the proposed investments.

**ERICSSON 5G Project (Sweden, Ireland, Spain, Regional – EU countries)**

The IC approved the use of the EFSI Guarantee for supporting the RDI investments in the development of the fifth generation of mobile telecommunications systems (5G). The project will be performed in several European countries. The promoter is a European global provider of telecommunications equipment and services to mobile and fixed network operators. The project is expected to generate 3,000 new patents as well as some 45 EU collaboration agreements with universities, research institutes and the like. The proposal is expected to have a significant and far-reaching impact on the digitalisation of the European economies and promotion of the Digital Single Market, by enabling the launch of new applications and usage of mobile broadband, not achievable with today’s technology. The 5G technology will also contribute to cybersecurity and network protection, and to climate action, as mobile networks based on the 5G will be several orders of magnitude more energy efficient than existing systems.

The financing of this project supports RDI activities, which generate significant positive knowledge, technology and/or environmental externalities, through the creation of innovative processes, products or services and through skills development and upgrading. The telecommunication equipment vendor market has undergone a major re-shuffling with regards to positioning during the last decade, resulting in a very competitive market. The promoter is currently undergoing a major restructuring programme, which may affect the company’s credit metrics. At same time the company is forced to step up investments in RDI and 5G development in particular. The EIB will be providing long term financing via an unsecured structure. The EIB/EFSI lending will be seen as a quality stamp to the company and its 5G RDI initiative. As such, this is expected to crowd-in private sector financing, increasing the commercial lenders’ confidence in the company and confirm their own engagement in the financing, and improve the borrower’s diversification of borrowing sources. The EIB/EFSI financing is also expected to crowd-in lending from two Nordic NPBs, the Nordic Investment Bank and the Swedish Export Credit Corporation.

**BOEHRINGER-INGELHEIM VENTURE FUND (Regional – EU countries)**

The Investment Committee approved the availability of the EFSI guarantee for the proposed investment into a captive vehicle that provides equity support to R&D and early stage investments in the Life Sciences sector alongside an experienced promoter with deep knowledge of the industry and an established investment track record.

The proposal addresses the persisting financing gap for risk capital in the life sciences, given the high level of costs and risks associated with the sector. The IC recognised the high added value of the Bank’s intervention to address the persisting innovation gap in Europe and particularly the Excellent score for the Quality and Soundness of the project.

The proposal responds the need for Innovation Risk Sharing identified in the EFSI Strategic Orientation, which calls for innovative structures sharing the economics investment programmes in partnership with European corporates. It is the first such operation with EFSI support, operationalising small pilot activities tested under InnovFin.

Given the expected risk profile of the proposed investment, it falls under the Special Activities as per the Bank’s statute, which is a strong indicator of Additionality under EFSI.
April 2018

**FIVES RDI (France)**

The IC approved the use of the EFSI guarantee for a proposal concerning research, development and innovation of industrial manufacturing process equipment and solutions; with particular focus on intelligent industrial processes in context of an increasing digitization, advanced digital manufacturing technologies, robotics and automation and data-driven systems. The project promoter is engaged in collaborative research projects with private and public partners for the development of future manufacturing concepts and technologies, such as additive manufacturing. Part of the project will be implemented in EU Cohesion areas.

The project addresses market failures helping generate significant positive knowledge, technology and environmental externalities, through the creation of innovative processes, products or services and through skills development and upgrading. The project is expected to strengthen and support the promoter’s innovation-driven growth, through the further development of proprietary technologies and these to be cascaded down when applied in the customer base’ optimized manufacturing processes. The proposal tackles a sub-optimal investment situation based on the transaction’s structural risk when considering: the specific financial profile, the EIB/EFSI’s loan term and amount, both exceeding the bilateral exposure of the borrower’s existing lenders, and the subordination of the EIB debt to certain other debt of the borrower. The operation has a risk profile of Special Activities as per the Bank’s statute.

**AUTOHELLAS LEASING ABS LOAN FOR SMES AND MIDCAPS (Greece)**

The IC approved the use of the EFSI guarantee for the proposed participation in the senior tranche of a true sale securitisation of SME and MidCap leases of Autohellas SA, the first such operation undertaken by EIB. The EIB intervention increases Autohellas capacity to provide new financing for eligible beneficiaries, with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention. The proposal is in line with the EFSI objective of increased access to finance for entities having up to 3,000 employees in Art. 3(b) of the Regulation.

Due to the continued absence of long-term financing alternatives for Greek financial institutions, there is a persisting market failure in the availability of financing, including equipment financing, for entities with up to 3,000 employees. Given the visibility of this first leasing securitisation transaction in the capital market, which will also benefit from two external ratings, it is expected to aid the revival of the Greek capital securitisation market in general, an important source of long-term financing for the Greek banking system, with economic benefits beyond the scope of the operation itself.

The Investment Committee discussed the merits of financing commercial vehicles for SMEs and Midcaps, which provides crucial mobility without which most commercial entities cannot bring their products or services to market, and the possibility for EIB financing to provide economic incentives for the use of newer and less polluting vehicles. The Investment Committee also acknowledged the important benefit for Cohesion, with 60% of the expected EFSI eligible investment at full deployment forecast in Cohesion regions.
In addition the Investment Committee welcomed the close cooperation with EIF, which is fronting the intervention to the market, and KfW, which is expected to participate as cash investor in the senior tranche. The Investment Committee also considered the importance of the proposal for the wider ENSI (Enhanced co-operation to support SME securitisation in Europe) initiative between the EIB Group, European NPBs/NPIs and EBRD.

May 2018

BATTERIES PLANT CAPACITY EXPANSION Project (Greece)

The IC approved the use of the EFSI guarantee for a proposal concerning the expansion of existing lead-acid battery production facilities, with the aim to reach substantial economies of scale and supporting the promoter’s strategy to address new geographical markets and higher value added applications. The proposal supports a key industry in a less-developed region of Greece, contributing to both the EFSI objectives of supporting research, innovation and development as well as supporting industries in less-developed and transition regions as per EU Cohesion policy. The project is also indirectly supporting the circular economy as the battery plant whose capacity will be increased, is partly using as raw material products from a related battery-recycling factory. The project will also contribute to maintain some 740 direct jobs and to create 70 additional ones in a region with high unemployment rates.

The operation is addressing a suboptimal investment situation specific to Greece, as local commercial banks are not presently able to provide long term financing to corporates, while still facing constraints related to their non-performing exposures. Capital markets are also presently offering only short to medium tenors, not accommodated to the longer economic life of capital intensive investments. The EIB financing under EFSI will support the development of the company by offering adapted financing conditions, which fall under the EIB Special Activity risk category. The long-term EIB funding as anchor investor will have a strong signaling effect on the local financial community, since its funding support provides additional comfort on both the project and the promoter’s financial soundness, and will potentially attract international lenders to consider entering into lending operations with the promoter.

The IC expressed its awareness on the recent force majeure event affecting the promoter’s manufacturing facilities in Greece. The IC agrees to support the operation under the understanding that the Bank is closely monitoring the potential consequences of the event moving forward.

TEN-T INFRASTRUCTURE PPP PROGRAMME LOAN – PHASE I (Spain)

The IC approved the use of the EFSI guarantee for a proposal concerning a Programme Loan (PL) to finance two road subprojects in Spain, as part of the Spanish Extraordinary Investment Plan for Roads (PIC - Plan Extraordinario de Inversión de Carreteras). The first two subprojects consist of the upgrading, maintaining and improving road safety and service standards of existing expressways, primarily located in the Cohesion region of Murcia. Fulfilling the requirements of the EFSI Regulation, the proposals are part of and contribute to the completion to the EU TEN-T Core and Comprehensive network by 2030. The projects are also expected to reduce the externalities linked to congestion and accidents, as also to improve regional accessibility and market integration, favouring the strengthening of the EU’s economic, social and territorial cohesion.
The programme is addressing a sub-optimal investment situation in financing transport infrastructure in Spain. The severe budgetary restrictions and the lack of adequate levels of investment in infrastructure have led into a slowdown of all the infrastructure investments in Spain. To close this gap, public authorities have decided to use public private partnerships (PPP) to procure the projects, after a prolonged period of very low PPP market activity in the country. This financing option, although alleviating the direct public contribution and benefitting the tax payers, presents certain challenges in securing efficient and sufficient long-term financing, moreover if intended to be sourced from private investors. To contribute mitigating this gap, the EIB under EFSI will offer long term financing in equal conditions to all potential bidding consortia for the PPPs under each subproject. This financing proposal will fall under EIB Special Activity Risk category due to the underlying project risks, in particular with expropriation construction or traffic management related risks, to be taken over by the concessionaires. The EIB’s anchor lender function shall have a strong catalytic effect for contributing to crowding-in other commercial and institutional investors. ICO, the Spanish National Promotional Bank, may also co-finance the programme. The IC puts in value that EIB advisory services, including the European PPP Expertise Centre (EPEC), have supported the Spanish authorities for the development of this programme.

A30 EXPRESSWAY MURCIA (Spain)

The IC approved the use of the EFSI guarantee for a proposal concerning the upgrading, maintaining and improving road safety and service standards of the existing expressway A30 in Murcia, Spain. The works include a new bypass (Arco Noroeste) to facilitate the north-south traffic flow by means of segregating local traffic from long distance traffic and the addition of a third lane will be added in several trams. The subproject will be located in the TEN-T Comprehensive network, and will contribute to improved traffic conditions in the region. 100% of the length under this project is located in Murcia, a Cohesion Region. Fulfilling the requirements of the EFSI Regulation, the project will not only reduce the externalities linked to congestion and accidents, but will also improve regional accessibility and market integration, favouring the strengthening of the EU’s economic, social and territorial cohesion.

The programme is addressing a sub-optimal investment situation in financing transport infrastructure in Spain. The severe budgetary restrictions and the lack of adequate levels of investment in infrastructure have led into a slowdown of all the infrastructure investments in Spain. To close this gap, public authorities have decided to use public private partnerships (PPP) to procure the projects, after a prolonged period of very low PPP market activity in the country. This financing option, although alleviating the direct public contribution and benefitting the tax payers, presents certain challenges in securing efficient and sufficient long-term financing, moreover if intended to be sourced from private investors. To contribute mitigating this gap, the EIB under EFSI will offer long term financing in equal conditions to all potential bidding consortia for the PPPs under each subproject. This financing proposal will fall under EIB Special Activity Risk category due to the underlying project risks, in particular with expropriation construction or traffic management related risks, to be taken over by the concessionaires. The EIB’s anchor lender function shall have a strong catalytic effect for contributing to crowding-in other commercial and institutional investors. ICO, the Spanish National Promotional Bank, may also co-finance the programme. The IC puts in value that EIB advisory services, including the European PPP Expertise Centre (EPEC), have supported the Spanish authorities for the development of this programme.
**A7 EXPRESSWAY MURCIA (Spain)**

The IC approved the use of the EFSI guarantee for a proposal concerning the upgrading, maintaining and improving road safety and service standards of the existing expressway A7 in Murcia, Spain. The works consist of adding additional capacity and by constructing a new bypass (Arco Norte). Following the EFSI Regulation, the subproject will be located in the TEN-T Core and Comprehensive network, and will contribute to improved traffic conditions in the region. 66% of the length under this subproject is located in a Cohesion Region. The project will not only reduce the externalities linked to congestion and accidents, but will also improve regional accessibility and market integration, favouring the strengthening of the EU's economic, social and territorial cohesion.

The programme is addressing a sub-optimal investment situation in financing transport infrastructure in Spain. The severe budgetary restrictions and the lack of adequate levels of investment in infrastructure have led into a slowdown of all the infrastructure investments in Spain. To close this gap, public authorities have decided to use public private partnerships (PPP) to procure the projects, after a prolonged period of very low PPP market activity in the country. This financing option, although alleviating the direct public contribution and benefitting the tax payers, presents certain challenges in securing efficient and sufficient long-term financing, moreover if intended to be sourced from private investors. To contribute mitigating this gap, the EIB under EFSI will offer long term financing in equal conditions to all potential bidding consortia for the PPPs under each subproject. This financing proposal will fall under EIB Special Activity Risk category due to the underlying project risks, in particular with expropriation construction or traffic management related risks, to be taken over by the concessionaires. The EIB’s anchor lender function shall have a strong catalytic effect for contributing to crowding-in other commercial and institutional investors. ICO, the Spanish National Promotional Bank, may also co-finance the programme. The IC puts in value that EIB advisory services, including the European PPP Expertise Centre (EPEC), have supported the Spanish authorities for the development of this programme.

**June 2018**

**ERSTE MEZZANINE ABS FOR SMES AND MID-CAPS**

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in a synthetic securitisation of a granular portfolio of loans to SMEs and Midcaps. The EIB intervention with EFSI support facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, with a contractual minimum requirement to support new eligible financing of at least 4x the amount of the EFSI intervention. At full deployment the new eligible portfolio is expected to benefit SMEs and Midcaps with more than 84,000 employees in total.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the project is Special Activity in line with the EIB’s Statute which is a strong indicator of Additionality in the EFSI Regulation.
July 2018

MERMAID AND SEASTAR OFFSHORE WIND FARM (Belgium)

The EFSI Investment Committee approved the availability of the EFSI guarantee for the financing of the Mermaid and Seastar offshore wind project. At full capacity the project will generate 1,717GWh/yr of electricity, equivalent to the energy needs of 443,000 households, at a CO2 saving of 810kt of CO2 per annum.

The underlying project supports in its entirety the Climate Action Objective and supports the development of renewable energy as part of the energy market and the Energy Union, the EU Energy Roadmaps and the Paris Agreement. The investments are expected to support more than 2,800 person years of temporary employment across several member states.

The project is among the first under a new support scheme in Belgium which has been significantly reduced to aid the affordability of energy for consumers. In response it employs latest generation turbines and related infrastructure, with limited or no commercial track record, in order to lower lifetime costs of the windfarm to levels that make the project viable in the new regulatory environment.

The Investment Committee noted the significant amounts of private funding expected to be crowded-in to meet the projects financing requirements and facilitate a financial close in 2018, in order to meet the targeted start of operations in 2020.

The operation has a risk profile of Special Activities as per the Bank’s statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

GETINGE MEDICAL TECHNOLOGY RDI (Germany, Sweden, Denmark, France)

The IC approved the use of the EFSI guarantee for a proposal that concerns investments in research and development (R&D) of various new products in the promoter’s acute care therapies, surgical workflows and life science business areas. The R&D activities are located in Germany, Sweden, Denmark and France. The operation fully supports the EU health policy.

The medical device sector is characterised by rapid changes as a result of technological advances and scientific discoveries. To remain competitive and to retain the technological leadership, the companies active in the industry need to maintain a high level of investment in R&D. The financing of this project supports medical and RDI activities, which generate significant positive knowledge and technology through the creation of innovative processes, products or services and through skills development and upgrading and improves medical treatment. The operation addresses market failures in the public healthcare sector. In general, the hospital sector is suffering from a significantly decreased level of investments. The borrower cannot obtain appropriate long-term financing solutions from commercial banks for the full investment amount due to the significant size of the investment required. The borrower is thus facing a suboptimal investment situation where its lack of access to financing prevents it from deploying the investment project under the scale and timeline that would be appropriate. The EIB through EFSI will be providing long term financing via an unsecured structure. The signaling effect of the EIB participation is crucial because it allows the promoter to raise additional financing to allow project implementation. EFSI support will help accelerating the modernisation of the healthcare infrastructure and medical equipment in Europe.
NOKIA 5G (France, Finland, Germany, Regional - EU countries, Poland)

The IC approved the use of the EFSI guarantee for a proposal concerning the development of a 5G end-to-end mobile network product portfolio according to the upcoming telecom industry’s global 5G standard, to address the transport challenges posed by the massive amount of data traffic that will be generated by 5G customers. In line with the EFSI objective of supporting the development of research, development and innovation as well as cybersecurity and network protection, the operation will support the transition to 5G mobile technology network and thus contribute to the EU Gigabit society targets. The operation is expected to have a significant and far-reaching impact on the support of digitalisation of the European economies and promotion of the Digital Single Market by enabling the launch of new applications and usage of mobile broadband not achievable with today’s technology.

The project positive externalities will create new business opportunities, as well as significant social and economic benefits including increased resource efficiency and environmental performance. The EIB loan benefitting from the EFSI guarantee would support a key European technology provider who needs to invest heavily in RDI in an area that will produce enabling technologies for innovation and growth in Europe. The project will underpin the promoter’s ambition to remain a global industry leader among the companies to pioneer the development and deployment of 5G technologies, even in the current challenging and thereby sub-optimal investment situation. The project is expected to be classified under the EIB Special Activities risk category, in particular due to the unsecured structure and long tenor. The EIB/EFSI lending will be seen as a quality stamp to the company and the 5G RDI initiatives overall. This support is expected to crowd-in private sector financing and improve the borrower’s diversification of borrowing sources, by increasing the commercial lenders’ confidence in the company and confirm their own engagement in the financing.

FUNDING CIRCLE P2P FACILITY (Germany, Netherlands)

The Investment Committee approved the use of the EFSI guarantee for the proposed EUR 200m of funding to be provided to Funding Circle, a leading alternative provider of financing for entities up to 3,000 employees in Europe.

The EIB intervention with EFSI support doubles the financing capacity from Funding Circle’s crowdsourcing activities and thereby facilitates additional lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, outside of the traditional banking market. The proposal includes a contractual minimum requirement to support new eligible financing of at least EUR 500m in Germany and the Netherlands. It leverages the financing capacity of a pioneer of P2P financing in continental Europe. This support also the Capital Markets Union Action Plan to develop alternative sources of finance for SMEs, which remain scarce in Europe.

At full deployment, the new eligible portfolio is expected to support the creation of 3,760 full-time jobs in total.

The IC welcomed the innovative use of the EFSI guarantee to develop alternative financing sources for SMEs and Midcaps and highlighted the Excellent score for the Quality and Soundness of the project.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.
The risk profile of the EFSI intervention is Special Activity in line with the EIB’s Statute, which is a strong indicator of Additionality in the EFSI Regulation.

**SANTANDER RISK SHARING LOAN FOR SMES AND MIDCAPS (Spain)**

The IC approved the use of the EFSI guarantee for the proposed intervention in a non-granular risk sharing with Santander. The EIB intervention with EFSI support facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention.

The IC welcomed the speedy creation of a new eligible portfolio of loans to SMEs and Midcaps under the predecessor operation, which pioneered the use of a contingent loan mechanism in risk sharing operations for the benefit of SMEs and MidCaps. It also noted the additional benefit for existing Midcaps whose financings are part of the underlying risk portfolio, by alleviating risk concentration pressures resulting from Santander’s integration of existing loans to clients of Banco Popular group. The proposal thereby increased the lending capacity of Santander Group to existing Midcap clients and the contractually required new eligible portfolio, of which at least 20% directly benefitting entities in Cohesion regions.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

**SC GERMANY ABS - ENHANCED SME AND MID-CAP SUPPORT (Germany)**

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in a synthetic securitisation of a granular portfolio of consumer loans. The EIB intervention with EFSI support facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, with particular focus on micro and small SMEs with up to 49 employees.

Based on the EFSI intervention the intermediary will commit contractual minimum requirement to support new eligible financing of at least 4x the amount of the EFSI intervention, of which 70% for micro- and small SMEs. At full deployment, the new eligible portfolio is expected to benefit SMEs with more than 225,000 employees in total. 25% of the new financing will support Climate Action investments and 15% Cohesion regions.

The IC welcomed the joint EIB Group intervention with EIF acting as guarantor towards the intermediary and providing its expertise in the due diligence and implementation of the project. It noted the additional new eligible portfolio requirement of up to 260m for the separate EIF guarantee in the upper mezzanine tranche of the securitisation, which is not included in the EFSI investment mobilised and multiplier figures.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.
The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

Wilhelm MOLTERER
Managing Director