

EUROPEAN INVESTMENT BANK

SB/24/18
9 February 2018

PV/18/23

EUROPEAN FUND FOR STRATEGIC INVESTMENTS
STEERING BOARD

Minutes of the Meeting held on 17 January 2018

Questions concerning this note should be referred to EFSI Secretariat: EFISecretariat@eib.org

EFSI STEERING BOARD – MEETING 23/2017

Minutes of the meeting held at the EIB Offices in Luxembourg on Wednesday, 17 January 2018

Those attending:

Steering Board members:

Mr G. Thomas (EC) – via video conference
Mr B. Angel (EC)
Ms I. Schwimann (EC) – via video conference
Mr A. Fayolle (EIB)

Observers:

Mr W. Molterer (EFSI Managing Director)
Ms I. Tsanova (EFSI Deputy Managing Director)

Excused:

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Experts:

Ms S. Valtonen (EC)
Mr C. Kuhn (EIB) – for item 5
Mr P. Lombardo (EIB) – for item 6
Mr M. Neto Pinto (EIB) – for item 8

EFSI Secretariat:

Ms E. Bois-Willaert (EIB)
Mr R. Wouters (EIB)

The Chairperson declared the meeting open at 14:00 on 17 January 2017.

1. Quorum

The Chairperson recorded that there was a quorum.

2. Approval of the agenda

The agenda was adopted.

3. FOR DECISION

Approval of the minutes of the meeting held on 23 October 2017 (PV/17/22)

The draft minutes of the 22nd Steering Board meeting, held on 23 October 2017 at the EIB Offices in Brussels were approved without modifications.

The minutes shall be published on the EIB website.

4. FOR DISCUSSION

Quarterly reporting from the EFSI Managing Director – Q4 2017

The EFSI Managing Director presented the EFSI quarterly results for the Infrastructure and Innovation Window (IIW) and for the SME Window (SMEW) to the Steering Board.

Mr W. Molterer described the breakdown by country and by sector and observed that countries in Southern and Central Europe were stronger represented in total approvals under EFSI in comparison to their share in the European economy. The EFSI Managing Director also presented the total financing by approvals and signatures, EFSI projects involving National Promotional Banks / Institutions (NPBIs), data on investment platforms and the combination with European Structural and Investment Funds (ESIF).

The presentation highlighted that 79% of clients benefitting from EFSI in the IIW and with whom operations have been signed were new counterparts to the EIB and that strong cooperation with National Promotional Banks is taking place.

Mr W. Molterer also indicated that the average operation size in the IIW window with EFSI support was well below the EIB non-EFSI average in 2017 and that EFSI had enabled the EIB to finance projects that were larger than permissible under EIB's Credit Risk Guidelines, yet also to directly finance smaller tickets than before, and to greatly increase cooperation with partner banks throughout the EU to finance small entities that could not be served before.

The Steering Board welcomed the comprehensive information provided in presentation and observed that, in terms of geographical diversification of EFSI financings, the top 3 countries accounted for a cumulative 45% and that EFSI

operations had been approved in 27 out of 28 Member States under the IIW, while all 28 Member States benefited from EFSI financing under the SMEW.

While expressing their satisfaction on the general geographical and sectoral diversification, Steering Board members observed differences between individual Member States in EFSI investment mobilized per GDP and reflected how the EFSI sector of social infrastructure and some Member States could attract more EFSI financing. While acknowledging that EFSI is a market driven instrument, it was indicated that the enhanced role of the EIAH, with the entry into force of EFSI 2.0, and the upcoming Omnibus regulation, which should facilitate the potential of EFSI-ESIF combinations, could play a role in this respect.

5. FOR DISCUSSION EFSI Projections

Mr C. Kuhn, Director of the Mandate Management Department, presented projections for EFSI operations on signatures and approvals and the actual volume of IIW disbursements as at 31 December 2017.

Mr C. Kuhn gave indications on the projections for EFSI operations per sector and Member State and provided information on the targets reached in approvals, signatures and disbursements in 2017 and observed a strong pick up in disbursements in the last quarter of 2017. He also mentioned strong results in corporate financing, risk sharing operations and in direct equity type operations. Mr C. Kuhn provided the Steering Board the latest information on the EFSI multiplier calculation and on projections for investment mobilized by EFSI, assuming current market and approval trends.

The Steering Board expressed its satisfaction with the overall pipeline development and with the ambitious targets, set by the EIB group. The Steering Board noted strong demands from the corporate side and the positive development of equity-type activities, in particular for direct equity type operations towards Midcaps, and risk sharing operations.

The Steering Board reiterated that efforts should continue to be made on the delivery of signatures and disbursements and asked that the EIB and the EIAH would give a, preferably common, presentation on the evolution of the product strategy and technical assistance, building on the lessons learnt from more successful and lesser successful products, and how to improve the targeting of specific sectors and some Member States.

The Steering Board finally took note of the guidelines adopted by the European Council (Art. 50) during their meeting on 15 December 2017 for the second phase of the Brexit negotiations (Doc. 801/17 - 15/12/2017) and indicated that the UK remains a country of operations for the EIB Group and under EFSI. The Steering Board additionally acknowledged the reluctance of potential counterparts in the UK to discuss projects financing due to the lack of clarity on the outcome of these negotiations.

6. FOR DISCUSSION **Supervision of EFSI Risk Profile**

Mr P. Lombardo, Director of the Operational Department within the Risk Management Directorate presented the risk profile data for the Infrastructure and Innovation Window of EFSI as at end September 2017.

Mr P. Lombardo gave an overview of the loan grading and the expected losses distribution at signature as at September 2017, as well as the level of the outstanding EFSI debt and equity portfolios. He indicated that, at end of September 2017, 95% of the outstanding debt operations under the IIW fell under the EIB Special Activity category, while all operations under the equity window fell under this category. He further elaborated on the migration of operations` loan grading after signature within the outstanding portfolio. Mr P. Lombardo also provided information on the distribution of operations by product-type and borrower. He emphasised the strong growth of direct equity type operations in the EFSI equity portfolio and the fact that in the vast majority of final beneficiaries under EFSI indirect operations are private entities.

The Steering Board welcomed the information provided in the detailed presentation and took note of the risk profile data for the IIW of EFSI. The Steering Board members discussed the status of the risk profile of the IIW, the overall situation of the debt and the equity portfolios and the share of operations signed as Special Activities or non-Special Activities.

While noting that most signed operations had not undergone a change in their loan grading, the Steering Board observed that more operations had undergone a positive than a negative loan grading migration. Steering Board members referred to the present economic situation and the time effect on the risk level of projects between the loan grading at signature level and the current loan grading of operations as explanations for this development.

The Steering Board declared that a continuous monitoring of the weighted loan grading of the portfolio, including loan-grading migrations, was desirable and welcomed the proposition of P. Lombardo to also include an analysis on the flow of EFSI operations in his next presentation to better monitor the risk profile of the EFSI portfolio.

7. FOR DISCUSSION **Revised code of conduct for the Steering Board**

The Steering Board discussed the need to introduce changes in the Steering Board Code of Conduct to take into account the new composition of the Steering Board as reflected in the amended EFSI Regulation, i.e. the appointment by the European Parliament of an independent expert, and the EFSI Managing Director and Deputy Managing Director attending Steering Board meetings as observers.

A draft revised Code of Conduct shall be submitted to the Steering Board during a subsequent meeting, where provisions on confidentiality and on conflicts of interest shall reflect the status of the independent expert.

8. Any other business

Ms S. Valtonen and Mr M. Pinto, leading the negotiations of the EFSI Agreement for the EC and the EIB, presented to the Steering Board an indicative timeline for the adoption of the new agreement, and a state of play of the discussions. It was indicated that both institutions were in agreement on various matters, including on topics related to the EFSI governance, and that the aim was to conclude the negotiations in February, in order to provide the framework for implementing the Regulation, and to allow the Steering Board to make decisions on strategic matters that are crucial for the work of the Investment Committee. The EFSI Managing Director also provided to the Steering Board information on the rationale for IC decisions that shall be publicly disclosed.

The Steering Board welcomed the update given by the Commission, the EIB, and the Managing Director, and, on the basis of the progresses made, expected to meet in the coming weeks to implement the requirements contained in the EFSI agreement. The Chairman of the Steering Board also indicated to his colleagues that he sent a letter to the European Parliament to explain the working programme of the Steering Board and its willingness to welcome soon the independent expert, so that he/she could take part in the discussions.

The Chairperson declared the meeting closed at 17:00.

Schedule A

Decisions taken by the Steering Board (Meeting 23/2017)

Agenda Item	Description	Decision taken
3	Minutes of the meeting held on 23 October 2017.	The Steering Board approved the document without comments.

Decisions taken by the Steering Board under Written Procedure in December 2017

As allowed by Article 8 of the Steering Board Rules of Procedure, one decision was unanimously taken by the Steering Board under written procedure with an expiry date scheduled for **11 December 2017**

- Derogation granted by the EFSI Steering Board for EIB operations to be submitted to the EFSI Investment Committee and to the EIB Board of Directors, having higher amounts than EFSI exposure limits per risk category, in accordance with point 7(b) of the EFSI Investment Guidelines (Annex 2 to the EFSI regulation).