

EUROPEAN INVESTMENT BANK

SB/26/18
18 May 2018

PV/18/25

EUROPEAN FUND FOR STRATEGIC INVESTMENTS
STEERING BOARD

Minutes of the Meeting held on 18 April 2018

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

EFSI STEERING BOARD – MEETING 25/2018

Minutes of the meeting held at the EIB Offices in Luxembourg on Wednesday, 18 April 2018

Those attending:

Steering Board members:

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

Observers:

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

Experts:

Ms S. Valtonen (EC) – for item 7
Mr C. Kuhn (EIB) – for item 5
Mr P. Lombardo (EIB) – for item 6

EFSI Secretariat:

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

The Chairperson declared the meeting open at 12:30 on 18 April 2018.

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 9 February 2018 (PV/18/24)

The draft minutes of the 24th Steering Board meeting, held on 9 February 2018 at the EIB Offices in Luxembourg were approved with minor comments.

The minutes shall be published on the EIB website.

4. FOR DISCUSSION

Quarterly reporting from EFSI Managing Director on Q1-2018

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 total financing by approvals and signatures and the breakdown by country and by sector. He provided data on climate financing under the IIW, on investment platforms, the combination with European Structural and Investment Funds (ESIF) and on the number of EFSI projects involving National Promotional Banks / Institutions (NPBIs).

It was highlighted that strong collaboration with NPBIs is taking place, with more than one out of four operations signed under EFSI are involving NPBIs, and that 80% of clients benefitting from EFSI in the IIW and with whom operations have been signed were new counterparts to the EIB.

Mr W. Molterer specified that EFSI has enabled the EIB to finance projects that are larger than permissible under the EIB's Credit Risk Guidelines, and to directly finance smaller tickets than before, as indicated in the evolution of EFSI signature sizes, which show a significant reduction in ticket sizes from an average of EUR 130m to less than EUR 60m by the end of 2017. He also informed the Steering Board that Climate Action financing currently amounts to ~37.9% of the IIW (excluding SMEs, Midcaps and Global Authorisations).

The Steering Board noted with satisfaction the strong cooperation between the EIB group and NPBIs and the substantial amount of new clients that have been reached by the EIB with the support of EFSI. The Steering Board observed that

EFSI operations had been approved in 27 out of 28 Member States in the IIW and that the top three countries accounted for a cumulative 44% of signed operations.

Steering Board members welcomed the amount of financing targeted towards climate action and reflected on the stable number of approved operations, also benefitting from ESIF contributions in comparison with the previous quarter. The Steering Board acknowledged the importance of the Omnibus regulation, which should facilitate the potential of EFSI-ESIF combinations, welcomed the inclusion of several EFSI operations that should benefit from ESIF contributions in the current pipeline of projected approvals and indicated that it will continue monitoring the development of EFSI-ESIF combinations.

5. FOR DISCUSSION

EFSI Projections

Mr C. Kuhn, Director of the Mandate Management Department, presented projections for EFSI operations on signatures and approvals to 31 October 2018 and the volume of IIW disbursements.

Mr C. Kuhn indicated a stable overall volume of projected approvals since year-end 2017, including enhanced approval pipelines for EU13 countries, while observing a substantial increase in the share of operations in the sectors of information & communication technologies and transportation. He also informed the Steering Board that operations are expected to be approved in all EU Member States by the end of the second quarter of 2018 in both the IIW and SMEW.

He noted the substantial growth of the pipeline of signatures over all sectors since year-end 2017. During the presentation, it was emphasised that NPBIs are involved in one of four EFSI operations and that a continued significant reduction in ticket sizes of signed EIB operations under EFSI can be observed, illustrating how EFSI is oriented to smaller projects and, in general, to new and smaller clients.

The Steering Board expressed its satisfaction with the information provided in the presentation and the achievements made in the projections for EFSI operations on signatures and approvals. The Steering Board members also welcomed the fact that operations are expected to be approved in all EU Member States by the end of the second quarter of 2018 in both the IIW and SMEW and that the EIB group is working towards reaching investment-mobilized targets for EFSI.

Steering Board members recognised the large number of operations with NPBIs and asked to receive more information on the geographical breakdown of the operations, which have been approved in partnership with different NPBIs. The Steering Board also noticed that two out of three Investment Platforms are implemented in partnership with NPBIs and noted the importance of strong partners to structure such platforms and operations in all EU member states.

6. FOR DISCUSSION **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 31 December 2017.

Mr P. Lombardo indicated that, since the beginning of EFSI, the portion of signed EIB operations within the EU in the Special Activities category grew materially and that the sustainability of such increased level of riskier operations has relied on the presence of the EFSI guarantee. He elaborated on the higher average risk level of EFSI operations in comparison with the average risk level of non-EFSI EIB operations within the EU. In this respect, he observed that nearly 75% of EFSI operations were with non investment grade borrowers, while for the rest of the loan portfolio this percentage dropped to 12%.

Mr P. Lombardo made an overview of the loan grading and the expected losses distribution at approval and signature stages, and at the level of the outstanding EFSI debt and equity portfolios. He further elaborated on the migration of operations` loan grading after signature within the outstanding EFSI portfolio, observing similar evolutions in the migration of signed non-EFSI EIB operations within the EU. He indicated that one of the reasons for loan grading upgrades in general is the gradual decrease over time of the weighted average life of the operations.

Mr P. Lombardo also provided information on the distribution of operations by product-type and borrower, emphasizing the fact that in the overwhelming majority of operations the final beneficiary was a private entity.

The Steering Board expressed its satisfaction with the detailed information provided in the presentation and took note of the risk profile data for the IIW of EFSI.

7. FOR DISCUSSION **Information on EFSI Agreement**

The Steering Board welcomed the finalisation of the negotiations between the EC and EIB and the signing of the revised EFSI Agreement by both institutions within a short timetable that has enabled to have, in practice, no abruptions of approvals of transactions since the entry into force of the amended EFSI Regulation. The Steering Board also welcomed that two Investment Committee meetings have already been organised under the framework of the amended EFSI Regulation.

The Steering Board indicated that remaining modifications of documents, following the entry into force of the amended Regulation, are being prepared by the relevant institutions and will be finalised in due course.

8. FOR DECISION

Revised Code of Conduct for the members of the EFSI Steering Board

The Steering Board approved without comments the revised Code of Conduct, which takes into account the new composition of the Steering Board as reflected in the amended EFSI Regulation.

The revised Code of Conduct will be published on the EIB website and will be signed by all Steering Board members and observers.

9. FOR DISCUSSION

EFSI Steering Board Bilateral Stakeholders' consultation meeting

The Steering Board discussed potential stakeholders that it would like to meet in forthcoming bilateral stakeholders' consultation meetings. Steering Board members referred to the amended EFSI Regulation and emphasised the importance of such bilateral consultation meetings in overseeing EFSI's implementation and in complementing the EFSI stakeholders consultation event. They notably expressed the willingness to meet representatives of new eligible sectors introduced in the amended Regulation.

10. Any other business

While emphasising the exceptional nature of this use, the Steering Board agreed on the procedure to be followed when it is asked to authorise the Investment Committee to examine a project whose scores on the pillars of the scoreboard is below the minimum threshold. The Steering Board would receive the project documentation and make its decision within 5 days.

The Chairperson declared the meeting closed at 14:30.

Schedule A

Decisions taken by the Steering Board (Meeting 25/2018)

Agenda Item	Description	Decision taken
3	Minutes of the meeting held on 9 February 2018.	The Steering Board approved the document with minor comments.
8	Revised Code of Conduct for the members of the EFSI Steering Board.	The Steering Board approved the document without comments.

Decisions taken by the Steering Board under Written Procedure in March 2018

As allowed by Article 8 of the Steering Board Rules of Procedure, two decisions were unanimously taken by the Steering Board under written procedure with an expiry date which was scheduled the **9th of March 2018**:

- Amendment of the EFSI Steering Board Rules of Procedure.
- Establishment of minimum scores for the different pillars in the scoreboard, and the minimum threshold below which an operation will have to be authorised by the Steering Board before being examined by the Investment Committee.

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 which was scheduled the **12th of March 2018**:

- 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).

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 which was scheduled the **30th of March 2018**:

- Update of the EIF – EFSI multiplier calculation.

Decisions taken by the Steering Board under Written Procedure in April 2018

As allowed by Article 8 of the Steering Board Rules of Procedure, two decisions were unanimously taken by the Steering Board under written procedure with an expiry date which was scheduled the **9th of April 2018**:

- 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).