

Speech by Philippe Maystadt (22 February 2011)

Caption: At the international press conference held in Brussels on 22 February 2011, Philippe Maystadt, President of the European Investment Bank, presents the Bank's activities in 2010 and sets out the prospects for 2011. In his address, he emphasises the record volume of loans to support climate action and the Bank's gradual return to pre-crisis activity levels.

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Opening slide

Good morning Ladies and Gentlemen,

I am pleased to share with you today the European Investment Bank's 2010 results, which will show that our activities are gradually returning to pre-crisis volumes as the Bank is adapting to the improved economic environment. As you know, our lending volume had reached record levels over the last three years to help deliver the EU recovery package. I will give you an update on where we are as regards this exceptional effort.

But let me start with our lending results for last year.

Slide: Signatures and disbursement

In 2010, we disbursed almost EUR 59 billion to our customers, an increase of EUR 5 billion compared to last year. This is an important stimulus as it is money that is made to work in the real economy. Signatures last year were at EUR 72 billion, supporting some 460 projects. This is a slight decrease compared to 2009 and it marks a gradual return to pre-crisis volumes of financing. This is due to the progressive return to stability of European economies and the improvement of market conditions for large corporate clients. The Bank's overall aim remains to maximize its impact on sustainable growth, innovation and jobs.

Slide: Borrowing activity

As you know, the EIB borrows on the international capital markets to meet its funding needs. Last year we raised our second largest volume in history, namely EUR 67 billion. We successfully executed our funding strategy and were able to access markets that satisfy our needs, in terms of volume, maturity and cost.

Slide: Lending in 2010

The bulk of our lending was inside the EU and amounted to EUR 63 billion, a decrease of signatures of approximately 10% compared to last year but not of disbursements as I mentioned before. Our lending volume outside the EU amounted to EUR 9 billion representing a slight increase compared to last year while disbursements remained more or less the same.

As you can see from the slide, enlargement countries as well as the Mediterranean countries take the larger share of our lending outside the EU. Turkey ranks first among recipient countries outside the EU. Our lending activity there focuses on three areas: financing of infrastructure; supporting SMEs through credit lines with local banks and financing energy, in particular renewable projects.

The Mediterranean countries benefitted from another record lending of which half was allocated to climate action projects, in particular renewable energy projects.

And we will continue to finance viable business projects in the Mediterranean region. The current situation in the Mediterranean requires all our coordinated efforts and fast action. We have already indicated to Baroness Ashton, the high representative of the Union for Foreign and Security Policy, that we will step up our activity, particularly in Tunisia and Egypt. We see an opportunity to strengthen joint EIB financial support with increased EU budget funds and have identified some immediate opportunities. For example, we could accelerate the financing of projects currently in the pipeline. We could increase the use of EU budget funds for FEMIP Risk Capital and Technical Assistance, this would benefit local SMEs and micro-enterprises. Also, the Council and the European Parliament could decide to increase the ceiling for EIB financing activity in the Mediterranean, so we could do more and faster in these countries in transition towards democracy. Last week the Parliament already voted an increase of EUR 1 bn on the ceiling of our operations in the Mediterranean. If the Council can agree with the Parliament, the EIB will be an essential part of the EU's response to the recent events in this region.

Let me now turn to our lending results in EU countries in 2010.

Slide: Lending in EU countries in 2010 (COP objectives)

As you can see from the slide, convergence – i.e. supporting the less advanced regions of the EU - got a large share of our lending: 41%.

Also SMEs lending received strong support from the EIB Group, from both the bank and the EIF. SME support got specific attention during the crisis as they tend to have more difficulty to access finance than larger corporates, and I will share some specific figures later on.

Transport and energy infrastructure projects (TEN's), received some EUR 10 billion worth of financing inside the EU in 2010. Transport infrastructure projects are large scale investment projects and are important long-term drivers for growth. They can unlock the economic potential of a region and support further business development. Over the last two years, TEN's received an overall volume of EUR 22 billion in the EU.

The knowledge economy represented a quarter of our lending portfolio in the EU. It underlines the importance that the bank attaches to innovation and research generally as a driver for economic growth. In 2010, our total lending for innovation amounted to EUR 16,5 billion.

Environment and energy are the Bank's business priorities that include the specific climate action projects that we pursue and where we delivered a record lending of 19 billion in the European Union in 2010.

Let me pause for a moment on one of the biggest environmental, social and economic threats: climate change.

Slide: Climate Action – some highlights

The EU and the EIB have made climate change mitigation and adaptation a top priority. While political leaders will negotiate the EU and international legislation on climate action, our financing will be critical to help meet the goals.

As I was saying, in 2010, the Bank reached a new record as climate action financing now represents 30% of our lending in the EU (or 29% of our total lending).

Climate action projects are projects in the areas of energy efficiency, renewable energy, transport, forestry, innovation (RDI), and adaptation. In order to qualify as climate action projects, they have to meet stringent criteria for their contribution to Co2 reduction, energy efficiency goals or sequestration of Co2. Only the most up-to-date technologies qualify as climate action projects. Alternatively, it can be required that the climate adaptation component accounts for at least 50% of the total project cost.

It is important to note that the Bank also applies a general **improvement** approach for all of its projects in relation to their potential reduction of Co2 emissions, use of cleanest technology, etc. This is what we call “mainstreaming” of climate action considerations in all of our projects.

The main focus of EIB Climate Action financing is on **energy** - renewable energy and energy efficiency – and **sustainable transport**.

It will be a particular challenge to meet the world’s growing demand for energy while at the same time reducing Co2 emissions – both in the developed and developing world. Because of current demand a mix of energy sources remains necessary. But the Bank has made a successful effort to increase the size of renewable energy and energy efficiency in its portfolio. Let me give you the numbers.

Slide: Renewable energy and energy efficiency

As you can see from the chart, we have increased our lending in renewable energy in the EU and accession countries by EUR 1.4 billion, from EUR 4.2 to 5.6 billion. This is a significant improvement. The national renewable energy action plans have proven to be an important enabler for investment in this area and I am pleased to share with you that all three emerging technologies (wind, solar, biomass) were supported.

At the same time, financing of energy efficiency projects also increased by 10%.

But in 2010, we also made an important contribution to financing renewable energy and energy efficiency projects outside the EU, namely EUR 800 million for renewable energy and EUR 600 million for energy efficiency.

Slide: Lending 2009-2010 [EIB- IBRD- IFC-EBRD]

As I mentioned earlier, the bank delivered its critical contribution to European recovery and completed delivery of an additional EUR 61 billion support package over the last three years, 11 billion more than originally envisaged. Small and Medium sized Enterprises (SMEs) and less advanced regions in Europe were the main beneficiaries of this exceptional effort.

Let me give you the figures.

Slide: Support for European SMEs

We reached already by the end of 2010 the target of lending EUR 30 billion to SMEs (EUR 30.792 to be precise) between 2008 and 2011 as set in the EU European Economic Recovery plan – benefitting some 160.000 SMEs in the EU.

Let me also say here a few words on the EIF activities in 2010. The EIF is, as you may know, Europe's leading developer of risk financing for entrepreneurship and innovation. It delivers a wide spectrum of SME financing instruments from equity (venture and growth capital) to guarantees and securitisation. In 2010, the EIF committed EUR 930 million in venture and growth capital funds and EUR 1.9 billion of portfolio guarantee structures.

Also in 2010, the EIF together with the EIB and the Commission launched PROGRESS, a new EUR 200 million microfinance initiative. It is intended to provide finance to groups who have difficulties to access the traditional banking system – these groups include (young) unemployed, minorities, people at risk of social exclusion. The first agreements are being signed, one in the Netherlands 10 days ago and soon one in Belgium.

Last but not least, the EIB Board has decided to increase the risk capital mandate of the EIF with EUR 1 billion, thereby bringing it to a revolving amount of EUR 5 billion. This will be used for venture capital activity with a particular focus on addressing market gaps for funding at early stage ventures, especially technology driven SMEs.

Slide: convergence lending (in EU countries)

And as I mentioned earlier, the bank also delivered for the other main beneficiaries, the less advanced regions, ie the lending we are providing under “convergence”.

In 2010, the Bank signed EUR 26 billion of loans for projects located in convergence regions, slightly less than in 2009. But in terms of disbursement, the actual money delivered, it was up 30% at EUR 23 billion versus 18 billion in 2009.

In this context the Bank signed a large loan to Greece (EUR 2 billion), to Poland (EUR 2 billion) and to Portugal (EUR 1.5 billion), in each case to finance investment programmes also supported by EU structural funds.

Slide: EIB responsible lending

I provided you with detailed information (numbers) on **what** we delivered in 2010. But it is equally important to share with you **how** we delivered.

Of course, all projects have to meet financial, economic and technical criteria - we are a bank after all, we only support financially-sound business projects: the money lent will have to be repaid and it is.

But these are definitely not the only EIB criteria to appraise a project. For instance, a team of some 200 engineers, economists, environmental and social experts reviews all projects to see to it that EU environmental, social and procurement standards are met. And we

publish - amongst others - the Environmental Impact Assessments on our website. This is part of our overall transparency commitments.

As I mentioned before, climate action considerations are increasingly “mainstreamed” into the EIB’s overall lending activities. Projects with climate change implications are assessed by the EIB to ensure that they incorporate and meet our climate policy requirements. We want to ensure that the projects that we finance support low carbon and climate resilient growth. We are working, together with other IFI’s, to develop a robust methodology to measure the carbon footprint of our projects; we will continue to ensure use of cleanest and energy-efficient technologies; and pursue opportunities for carbon credits.

The EIB is further committed to a ‘zero tolerance’ policy on prohibited practices, corruption, fraud, money laundering, tax fraud, harmful tax practices and financing of terrorism. The EIB was one of the first international finance institutions to adopt such rules in 2005. Our policy is regularly reviewed, updated and published. We of course support the policies of the European Union and the international policies which the EU contributes to. Therefore, the EIB is involved in the international efforts to put pressure on what we call non-compliant jurisdictions (NCJ) in order to push them to align with international standards. The definition of an NCJ is more ambitious than the traditional offshore centre which is commonly only used for tax havens. It includes not only tax evasion but also money laundering and financing of terrorism.

Let’s move from how we appraise projects, back to some figures again.

Slide EIB 2010 results

As in previous years, the Bank delivered a solid net profit and for 2010 it amounts to EUR 2.1 billion. The Bank operates on a self-financing basis and builds the necessary reserves enabling it to finance any required capital increase.

Slide: Financial strength

We are very strongly capitalized, with a capital adequacy ratio of 27%; we enjoy a triple A rating - with a stable outlook; we have a high quality loan book. The watch list of loans is only 0.3% of our total loan portfolio, and remains extremely low.

Slide: Looking forward

The EIB will help implement Europe’s 2020 strategy and pursue sustainable, smart and inclusive growth.

Budget restraints are however likely to apply going forward, both at EU and national levels. But the needs for investment in order to enable and drive economic growth are huge. This is particularly true for large infrastructure projects and this highlights the importance of identifying new and scalable capital-efficient financial instruments, for example through the combination of EU budget funds and EIB loans.

As you know, we already have some successful instruments with the European Commission, such as the Risk Sharing Financial Facility for research (RSFF), under which we have both committed to set aside 1 billion euro in capital in order to make loans to higher risk R&D projects. We are in talks with the Commission about developing similar instruments to tackle other challenges linked to Europe’s 2020 strategy, such as

supporting Innovation and the Digital Agenda. We are also discussing how to reach SMEs through RSFF and hope to have a special financing window by the end of the year.

We are further looking forward to announcing in the coming days an initiative with the European Commission to develop a new financial instrument to help project promoters raise finance for infrastructure projects. This follows the call from President Barroso last year to look at the role that “project bonds” could play in supporting the EU’s infrastructure needs in the coming decade. It is important to note that project bonds would be issued by project companies, not the EIB or the European Commission. We could help however by enhancing the credit of the bonds that are issued, making them more attractive to private investors. There is a large pool of private capital that the EU must attract if it wants to finance its energy, transport and climate objectives without burdening the EU or national budgets.

Our goal is to create simple, catalytic instruments that can be replicated across several policy areas to mobilize public and private resources.

Climate action will remain a top priority for the Bank.

As I mentioned before, we will “mainstream” climate action considerations in all of our operations.

I also want to share with you that in the coming three years, the Bank will substantially strengthen its support to climate action and sustainable energy projects for countries outside the European Union. The EIB Board has agreed an EUR 1.5 billion increase for the Energy Sustainability Facility to reach an overall amount of EUR 4.5 billion. This together with the proposed EUR 2 billion climate change mandate, already approved in first reading by the European Parliament, positions the Bank well to help the EU implement its climate action goals across the globe.

Ladies and Gentlemen, in conclusion allow me to sum up what the year 2010 has been for the EIB

- **MISSION ACCOMPLISHED ON THE EU ECONOMIC RECOVERY PLAN,**

AND

- **RECORD LENDING FOR CLIMATE ACTION.**

Thank you for your attention and I will be happy to answer your questions.