



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments
Meeting of the Investment Committee held
on 9th April 2018**

**RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE**

EFSI Investment Committee
9th April 2018

Those attending

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| <u>Chairman:</u> | Mr. | Wilhelm MOLTERER, Managing Director |
| | Ms. | Iliyana TSANOVA, Deputy Managing Director |
| <u>Members:</u> | Mr. | Gordon BAJNAI |
| | Mr. | Thierry DEAU |
| | Ms. | Dalia DUBOVSKA |
| | Ms. | Vicky D. KEFALAS |
| | Ms. | Andreja KODRIN |
| | Mr. | Fabio PAMMOLLI |
| | Ms. | Nieves RODRIGUEZ VARELA |
| | Mr. | Manfred SCHEPERS |
| <u>Experts:</u> | Mr. | Marcus SCHLUECHTER, Advisor to the Managing Director |
| | Mr. | Juan Jose FEBLES, Advisor to the Deputy Managing Director |
| <u>EFSI Secretariat:</u> | Ms. | Emilie BOIS-WILLAERT, Head of EFSI Secretariat |
| | Mr. | Renko WOUTERS, Corporate Secretariat Officer |

**Meeting of the EFSI Investment Committee
held the 9th April 2018**

Rationales for the decisions taken by the Investment Committee

Investment Committee decisions approving the availability of the EU guarantee for EIB operations are made publicly available, except for projects subject to a confidentiality agreement between the EIB and the promoters. In line with article 29 of the EFSI Agreement and the Transparency Policy of the Bank, Investment Committee decisions for such cases will be disclosed at a later stage, after project's signature, by including such cases in a list of Investment Committee decisions taken throughout the year and published at least once a year after year-end.

In line with article 7.12 of Regulation (EU) 2017/2396, the rationale of the Investment Committee will be included in the decisions approving the use of the EU guarantee for EIB operations, after the rationales have been approved by the Investment Committee, in general during the subsequent Investment Committee meeting.

The Chairman recorded that there was a quorum.

No Conflict of Interest was declared.

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The Investment Committee approved the availability of the EFSI portfolio guarantee for the following EIB operations:

BANKIA VOCATIONAL TRAINING YOUTH EMPLOYMENT MBIL (Spain)

The IC approved the proposal, which is to double the available financing amount under Bankia group's Fundación Bankia por la formación dual (FDP+), targeted to support youth employment and the access to finance for entities up to 3,000 employees.

Through the combination of long-term financing at terms not available in the Spanish market for entities hiring young persons up to the age of 30 years, with vocational training sponsored by Bankia Foundation as part of its Fundación Bankia por la formación dual, the FDP+ programme directly targets two urgent and important social issues in Spain. The operation thereby clearly addresses a market failure and supports the EFSI objective of access to finance for entities up to 3,000 employees and in a unique way also the EU Skills Agenda (Vocational Education and Training).

The Investment Committee welcome the proposal which is expected to directly benefit more than 250 SMEs and MidCaps willing to hire young persons and participate in the vocational training programme, and also to create around 550 employment or training opportunities for young people. At least 20% of the initiative is expected to benefit Cohesion regions, in which unemployment rates are traditionally highest.

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.

NBG COVERED BONDS LOAN FOR SMES AND MID-CAPS (Greece)

The IC approved the use of the EFSI guarantee for EIB's participation in the proposed covered bond operation, which is expected to facilitate new long-term financing to eligible SMEs and MidCaps of at least EUR 400m, supporting close to 200 entities with up to 3,000 employees and more than 23,000 employees.

The IC acknowledged the important benefit for Cohesion, with 60% of the expected EUR560m of EFSI eligible investment at full deployment forecast in Cohesion regions. It also welcomed the strong performance of the prior ABS operation with EFSI support with the same intermediary, the first since the financial crisis, which in less than 2 years has already resulted in more than EUR400m of new eligible financing for entities up to 3,000 employees.

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.

ISALA HOSPITAL (The Netherlands)

The IC approved the use of the EFSI guarantee for a proposal concerning the investment plan of a reference clinical hospital group in the Netherlands, for rehabilitation and modernisation works, including the construction and equipping of a new general community hospital, and the upgrade of the hospitals electronic management information system.

The proposal is considered addressing a sub-optimal investment situation, channelled by the specificities of the Dutch healthcare sector, evolved from a budget to a performance based revenue system. This switch has led into the re-designing of the basic insurance packages and the removal the Dutch Ministry of Health from investment decisions, determining healthcare providers to obtain adequate financing themselves. The consequences have been translated into changes in the healthcare centres' risk profile, which are making commercial banks and financial institutions, including local NPB's, more cautious to finance healthcare providers.

The EIB/EFSI loan is expected to contribute to the healthcare providers to obtain adequate financing and to the diversification of the funding structure in regard to the maturity profile and creditor base. The combination of structural subordination due to a longer tenor and the general pressure on the revenues due to the reduced public budget in the Dutch healthcare sector, makes the EIB/EFSI loan dependent on the performance related revenues of the hospital and leads into a risk profile of Special Activities as per the Bank's statute. The EIB participation as an anchor investor is expected to confer a signalling effect that shall give confidence to and crowd-in more conservative private sector investors, and allowing the operation to obtain the required financing, while significantly enhancing the project's financing profile and increasing the feasibility of the investments.

NATIONAL BROADBAND PLAN (Ireland)

The IC approved the use of the EFSI guarantee for a proposal concerning a national investment plan for the roll-out of a high-speed telecommunications network, to cover areas without network coverage throughout Ireland, under the National Broadband Plan (NBP) for Connecting Communities. The project addresses the 'digital divide' between the urban and rural areas of Ireland, which currently has some of the most pronounced differences in broadband coverage between urban and rural areas in Europe. The operation implies funding a wholesale, open access network, rolled out to be as close as possible to end users to ensure that all premises can be connected. It is intended that this open access nature will allow competing retail service providers to access the

network on transparent and non-discriminatory terms and conditions, promoting efficient competition and the development of local SMEs.

The operation is considered addressing a number of market failures, related to the generation of positive network externalities by enabling more users to benefit from the access to information, digital services and better communications. The project is expected to generate further externalities to other sectors of the economy supporting innovation and competitiveness, for instance by supporting smart farming, the productivity of SMEs in rural areas or better access to e-services by households in these regions. The project will also have positive environmental impact by facilitating remote working.

The operations tackles a suboptimal investment situation as commercial operators have no incentives in investing in those areas due to the level of costs and risks associated (implementation risks, take up risks) with low expected returns. Moreover, commercial lenders are also constrained in their capacity to provide the volume of affordable financing necessary for the project to be economically viable (requiring in particular long term maturities), especially when considering the underlying risks. The EIB, thanks to the support of EFSI, will be able to provide a sizeable long term loan, with a strong catalytic effect on other financiers, attracting private investment. The EIB loan will provide a quality stamp and potentially facilitate access to capital markets while increasing the commercial lenders' confidence in and financial support for the project. This private contribution shall result in minimizing the potential size of public subsidies (from the Irish government and the EU ERDF - European Regional Development Fund).

CURTIS BIOMASS POWER GENERATION PLANT (Spain)

The IC approved the use of the EFSI guarantee for a proposal concerning the design, construction, operation and maintenance of a biomass fired electricity-only plant in Galicia, North of Spain. Contributing to circular economy, the power plant feedstock will be entirely forestry residues, sourced in the region, collected primarily as part of the regional plan to avoid the occurrence of forest fires and that are currently not of use for the local industry. The electricity produced is to be fed into the public grid. The operation would be one of the first greenfield renewable energy projects to be financed in Spain since the halt of the investments in renewables in 2012. It will contribute to the achievements of the Spanish 2020 targets for reducing CO₂ emissions, which require additional renewable energy capacity to become operational in the upcoming years.

The EFSI contribution in the operation is tackling market failures (low-carbon power generation) and sub-optimal investment situations, related to the complexity and high risks in the electricity sector, moreover in a still not mature market processing technology such as the forestry biomass, combined with ongoing regulatory reforms and insufficient investments in the required timeframe. The availability of long-term debt financing from the EIB, supported by EFSI, in an operation with a risk profile of Special Activities as per the Bank's statute, is expected to contribute to the project's ultimate viability, as currently alternative sources of suitable long term financing are scarce.

CDP - INTEGRATED URBAN REGENERATION INVESTMENT PLATFORM (Italy)

The IC approved the proposed investment of EUR 100m from EC and EIB resources into a fund focused on urban development (including the redevelopment of unused brownfield sites).

The EFSI intervention allows EIB to match the contribution by the fund sponsor CDP, which is deemed as an important signal towards the acceptability of the proposed governance structure of the captured vehicle FIA2, thereby facilitating the crowding in of private investors into an asset class that is still characterised by lacking risk appetite from

mainstream investors throughout Europe. The fund is expected to achieve important benefits for sustainable urban development, social infrastructure as well as RDI.

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.

The Investment Committee also approved the designation of the proposal as an Investment Platform under EFSI and welcomed the close cooperation with the Italian national promotional Bank CDP.

FORESIGHT LOW CARBON ENERGY INFRASTRUCTURE FUND **(Regional – EU countries)**

The IC approved the availability of the EFSI guarantee for the proposal, which supports the ambitious targets of the EU 20-20-20 Renewable Energy Directive, for which an estimated EUR 180bn of additional investments will be required until 2020 in the EU. The IC welcomed the focus of the fund on greenfield investments, the inclusion of some alternative generation technologies under development, and the development of supporting infrastructure such as energy storage and transmission. These are required to achieve a lasting energy transition, but are not sufficiently supported by mainstream funds and many traditional institutional investors who seek for less risky yield assets. At least 60% of the fund's investments are expected to directly support Climate Action.

According to feedback received from prospective institutional investors into the proposal, the EIB's sizeable participation, with EFSI support as a cornerstone investor, is expected to provide an important signalling effect for the viability of the investment strategy.

Given the inclusion of less mature generation technologies and emerging energy storage assets, EFSI facilitates the participation of EIB at the level required to crowd-in private investment and facilitate a successful fundraising process.

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.

Wilhelm MOLTERER
Managing Director