

ACT TO GROWTH

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2016 continued to be a challenging year for the European banking sector. The EU financial sector faced various pitfalls to fulfil their role as lenders to the real economy, such as the low interest rate environment, the business changes brought about by digitalization and the high costs stemming from regulatory compliance. In this context the European Central Bank has acknowledged important lacks in public investment and has called for measures to address this issue.

[Read more](#)

“In 2016 the EU also stepped up efforts to meet the target of its investment plan launched in 2015 to bring back growth to the European economy granting a major role for national and regional promotional banks in this endeavor. Over 100 EFSI Operations have been done with the involvement of national and regional promotional banks and institutions representing over EUR 40 bn investments.”



In November 2016 the European Commission published a set of proposals on the current legislative framework of the EU Banking Union. The proposals constitute the most substantial amendments to the existing provisions ever since the establishment of the post-crisis framework and will make important changes to the texts of various regulations and directives (Capital Requirements Regulation (CRR), Capital Requirements Directive IV (CRDIV), Bank Recovery and Resolution Directive (BRRD), Single Resolution Mechanism Regulation (SRMR)).

For the first time, the new proposals acknowledge the need for a dedicated treatment of promotional banks when establishing new regulatory provisions, such as the leverage and net stable funding ratio, in Union law. This is a very encouraging sign that the stabilizing and counter-cyclical function of promotional banks is recognized. EAPB and its members strongly support the possibility to make specific adjustments to promotional banks' leverage ratios by allowing them to deduct certain promotional exposures from the LR exposure measure. At the same time, EAPB is convinced that a dedicated treatment can only be complete if it allows all affected promotional banks and business models including local finance providers to obtain the same treatment. In this perspective, it will be crucial to maintain a level playing field without offering the scope to regulatory arbitrage. Consequentially, further adjustments will have to be made in order to clarify issues still open.

In 2016 the EU also stepped up efforts to meet the target of its investment plan launched in 2015 to bring back growth to the European economy granting a major role for national and regional promotional banks in this endeavor. Over 100 EFSI Operations have been done with the involvement of national and regional promotional banks and institutions representing over EUR 40 bn investments. It will now be key to learn from the short comings of the initial plan when it is reviewed and prolonged. In particular the European Investment Bank (EIB) needs to be encouraged to further engage in high-risk projects of significant additionality which could not be financed without EFSI. The new rules should also encourage the creation of investment platforms with a full delegation of credit decision from the EIB. This will enable the NPI/NPBs to finance more small projects. A greater use of investment platforms could also contribute to a more geographically balanced allocation of EFSI investments.

This Annual Report contains some ideas on the introduction of a leverage ratio, the new bail-in mechanism under the EU Bank resolution scheme the review of EFSI and on how to adapt the new rules to the specific activities of national and regional promotional banks taking into consideration their mission to fund their economy. The report also contains an overview of public banks' best-practices which the Association has brought forward in the discussion on a Capital Markets Union, a key component of the EU investment plan.

As key providers of public investment our members are happy to participate in the dialogue on the right calibration of the measures mentioned above. We hope you will enjoy reading this annual report and look forward to future cooperation with all interested stakeholders.

Philippe Mills
President of the EAPB



EAPB member MuniFin
invests in public transport



Location: Helsinki Metropolitan Area, Finland
Beneficiaries: 170.000 daily passengers using the Metro underground track connecting Helsinki to Espoo
Allocated resources: EUR 315 million

Who we are

The EAPB is the voice of the European public banking sector.

We represent the interests of over **30** public banks, funding agencies and associations of public banks throughout Europe...

...representing indirectly the interests of about **90** financial institutions towards the EU and other European stakeholders.

We represent about **190,000** employees.



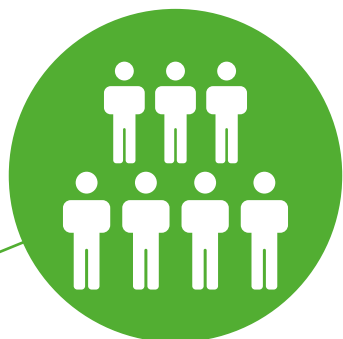
The European Association of Public Banks (EAPB) was founded on 4 May 2000.



EAPB gathers member organisations from **13** European member states and **3** non member states.



The combined balance sheet total of all EAPB members is around EUR **3,500 billion**



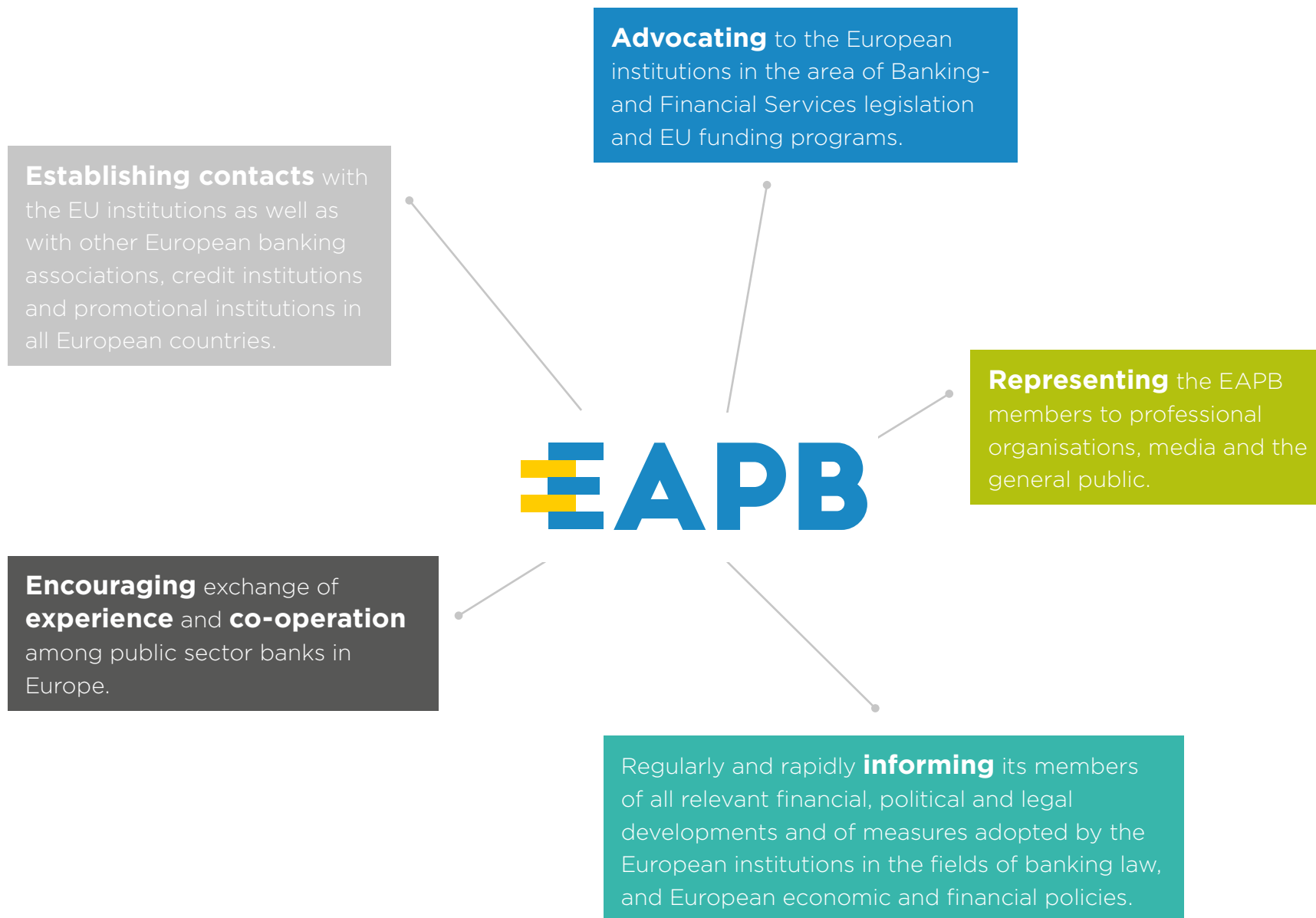
EAPB members constitute an essential part of the European financial sector with a market share of around **15%**



Currently there are 14 direct and indirect EAPB members, which have signed projects to contribute to financing under EFSI of an amount of over EUR **2.5 billion** in five countries across Europe.



What we do



Who we represent

EAPB members are national and regional promotional banks, municipality funding agencies and public commercial banks. They provide financial services and funding for projects that support sustainable economic and social development with, amongst others, activities ranging from the funding of companies and the promotion of a greener economy to the financing of social housing, health care, education and public infrastructure at national, regional and local level.



Agence France Locale

Balance Sheet Total (in bn EUR): 0,91
www.agence-france-locale.fr



Bank Gospodarstwa Krajowego (BGK)

Balance Sheet Total (in bn EUR): 10,07
www.bgk.pl



BNG Bank

Balance Sheet Total (in bn EUR): 153,60
www.bngbank.nl



Bulgarian Development Bank (BDB)

Balance Sheet Total (in bn EUR): 0,97
www.bdbank.bg



Erste Group Bank AG

Balance Sheet Total (in bn EUR): 208,227
www.erstegroup.com



Finlombarda – Finanziaria per lo Sviluppo della Lombardia S.p.A

Balance Sheet Total (in bn EUR): 0,38
www.finlombarda.it



Hungarian Export-Import Bank (Exim Bank)

Balance Sheet Total (in bn EUR): 1,93 bn
www.exim.hu



Croatian Bank for Reconstruction and Development (HBOR)

Balance Sheet Total (in bn EUR): 3,42
www.hbor.hr



Verband der österreichischen Landes-Hypothekenbanken (Hypoverband)

Balance Sheet Total (in bn EUR): 59,23
www.hypoverband.at



Institut Català de Finances (ICF)

Balance Sheet Total (in bn EUR): 3,19
www.icf.cat

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Investitionsbank Berlin (IBB)

Balance Sheet Total (in bn EUR): 19,13
www.ibb.de



Macedonian Bank for Development Promotion

Balance Sheet Total (in bn EUR): 0,23
www.mbdp.com.mk



The Republic of Srpska Investment-Development Bank (IRBSR)

Balance Sheet Total (in bn EUR): 0,34
www.irbsr.org



MFB-Magyar Fejlesztési Bank Zártkörűen Működő (Hungarian Development Bank LTD)

Balance Sheet Total (in bn EUR): 4,2
www.mfb.hu



Kommunalbanken Norway (KBN)

Balance Sheet Total (in bn EUR): 50,67
www.kbn.org



Municipal Bank PLC

Balance Sheet Total (in bn EUR): 0,61
www.municipalbank.bg



KommuneKredit Denmark

Balance Sheet Total (in bn EUR): 28,56
www.kommunekredit.dk



Municipality Finance (MuniFin)

Balance Sheet Total (in bn EUR): 33,88
www.munifin.fi



Kommuninvest Sweden

Balance Sheet Total (in bn EUR): 35,96
www.kommuninvest.se



Institut Valencià de Finances (IVF)

Balance Sheet Total (in bn EUR): 0,95
<http://www.ivf.gva.es/en/inicio>



Landeskreditbank Baden-Württemberg (L-Bank)

Balance Sheet Total (in bn EUR): 73,29
www.l-bank.de



Investitions- und Förderbank Niedersachsen (NBank)

Balance Sheet Total (in bn EUR): 4,92
www.nbank.de



Landesanstalt für Aufbaufinanzierung Bayern (LfA)

Balance Sheet Total (in bn EUR): 22,01
www.lfa.de



NRW.BANK

Balance Sheet Total (in bn EUR): 141,2
www.nrwbank.com

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Who we represent



Nederlandse Waterschapsbank (NWB)

Balance Sheet Total (in bn EUR): 91,31
www.nwbbank.com



Landwirtschaftliche Rentenbank

Balance Sheet Total (in bn EUR): 93,30
www.rentenbank.de



Sächsische Aufbaubank (SAB)

Balance Sheet Total (in bn EUR): 7,95
www.sab.sachsen.de



SFIL

Balance Sheet Total (in bn EUR): 83,6
www.sfil.fr



Slovene Export and Development Bank (SID Bank)

Balance Sheet Total (in bn EUR): 3,19
www.sid.si



Thüringer Aufbaubank (TAB)

Balance Sheet Total (in bn EUR): 4,01
www.aufbaubank.de



Bundesverband Öffentlicher Banken Deutschlands (VÖB)

Balance Sheet Total (in bn EUR): 2700 (member entities)
www.voeb.de



Wirtschafts- und Infrastrukturbank Hessen (WIBank)

Balance Sheet Total (in bn EUR): 16,81
www.wibank.de



Visit EAPB's [website](http://www.eapb.eu) to learn more about our members

* Balance sheet totals as from 2015

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A photograph of a long, circular tunnel. The walls are made of concrete and have a series of blue light strips installed along them. The lights create a strong sense of perspective, drawing the eye towards a bright light at the far end of the tunnel. On the left side, there are some electrical conduits and a small light fixture.

EAPB member NRW.BANK
invests in infrastructure

Location: North Rhine-Westphalia, Germany
Beneficiaries: Renaturing of the Emscher
river by the Emschergenossenschaft

CRD V and CRR II between the poles of economic growth and risk reduction

The recently proposed banking reform package contains a major revision of the current capital requirements framework. The European Commission is right in its aim to reduce further risks in the banking sector while trying to ensure that banks can continue to provide lending to the real economy but falls short in achieving these goals due to partially inappropriate criteria or overly restrictive scopes of application of the revised rules.

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“The CRD V and the CRR II proposals are going into the right direction but many important adjustments must be made to reach perceptible economic growth and appropriate risk reduction in the banking sector”

Issue at stake

On 23 November 2016, the European Commission presented a comprehensive legislative package to revise the existing EU banking rules. Most of the changes relate to the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR). Overall, the reform package is driven by two main goals. On the one hand, the Commission aims at implementing several international standards to further reinforce banks' ability to withstand potential shocks. On the other hand, the legislative proposals also contain adjustments of the regulatory framework to make it more growth-friendly and proportionate to banks' complexity, size and business profile.

Regarding the first part of the package, one of the aforementioned international standards to be transposed into EU Law is the so-called Leverage Ratio (LR). This requirement aims at preventing excessive leverage of banks by complementing the risk-based capital requirements with a non-risk based ratio as a backstop. The proposal foresees that the limit for the relation between a bank's capital and its lending business amounts to at least 3 %. Another novelty is the proposed introduction of a binding Net Stable Funding Ratio (NSFR) which requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. Aside from the aforementioned two ratios the Commission proposals for instance also contains the implementation of the revised frameworks for market risk, interest rate risk in the banking book and counterparty credit risk.

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In contrast to the aforementioned implementation of international standards, the second part of the legislative proposals aims at making adjustments to the existing set of rules in the CRD/CRR. The Commission's intention in this respect was driven by economic policy considerations and prudential aspects. As it had noticed that a vast number of regulatory measures since the financial crisis were important but at the same time going too far and leading to inconsistencies in certain areas, one of the key policy goals is the improvement of the principle of proportionality and its application in banking regulation. This is believed to allow banks to reduce regulatory costs and free up capital which can be used for more lending to consumers and companies.

Against this background and the Commission's overarching goal to support economic growth, the regulatory requirements for banks in areas such as reporting, disclosure and remuneration shall be reduced for smaller banks in terms of frequency and substance. Further, the Commission proposed reduced capital requirements for SME financing and investments in infrastructure. Another very important point in this regard is the proposal to make changes to the scope of application of the CRD/CRR. More specifically, the Commission set out certain criteria which have to be met, so promotional banks and credit unions could be exempted.

Assessment of policy development

Currently, banks are facing various challenges to fulfil their role as lenders to the real economy. Amongst those are a low interest rate environment, digitalisation and high costs stemming from regulatory compliance. These challenges can make it difficult for banks to provide clients with loans and other banking services since the necessary capital and other resources are tied up. Therefore, EAPB believes that the Commission made the right decision in aiming at finalising post-crisis reforms by reducing further risks in the banking sector but at the same time trying to support economic growth and to reduce unnecessary regulatory burden. Nonetheless, the pursuit of this policy approach fails to reach its full potential and does not strike an appropriate balance between risk reducing and growth supporting measures.

The European public banking sector plays a key role in supporting sustainable economic and social development at national, regional and local level. Its activities range from the funding of companies and the promotion of a greener economy to the financing of social housing, health care, education and public infrastructure. Therefore, the CRD V and the CRR II proposals are of high importance for the entire sector and its future role in financing the economy. Since public banks have very specific business models which deviate from the ones of private banks, proportional regulation is one of the keys to allow them to fulfil their public mandates.

Having this in mind and against the background that the current regulatory framework has been designed with a focus on private, commercial banks, EAPB welcomes the proposal that promotional banks can be excluded from the scope of the CRD/CRR if certain criteria are met. However, some of these criteria cannot be met by the vast majority of promotional banks in Europe. This for instance applies to the requirement that the respective entity's total assets are below EUR 30 bn. Since promotional banks in large economies automatically have larger balance sheets, this criterion would lead to unjustified differentiations between small and large promotional banks even though their business models are essentially the same.

Another important issue for promotional banks is the implementation of the LR. As the European Banking Authority and the Commission acknowledged, promotional banks would be heavily constrained by a 3 % LR. Due to their institutional set up including public guarantees, they have very low-risk weighted assets, so their own funds are usually rather low. When putting these into relation to the non-risk based leverage ratio exposure measure, many promotional banks' LR would currently be below 3 %. Thus, the LR would act as a 'frontstop' to new investments. In order to avoid these negative and unintended effects on promotional banks and the real economy, the legislative proposals contain the possibility for promotional banks to deduct promotional lending from the calculation basis of the LR. This is however linked to certain prerequisites which cannot be met by most promotional banks. For instance, promotional banks cannot be precluded from taking covered deposits. Promotional banks are not deposit taking retail institutions however they have often full banking licences.

When it comes to other areas of proportionality, EAPB is concerned about the fact the legislative proposals mainly rely on size criteria but not on other aspects such as risk or complexity of a bank's business model. This is problematic for public banks since they usually have large balance sheets. However, they have also a very low risk business model and are only active within a certain region or Member State. In order to reach a truly proportionate regime, many of the proposed criteria and thresholds in the CRD V and CRR II would need to be changed. This for example applies to the market risk framework which foresees simplifications for banks with a small or middle-sized trading book. However, the size of an institution's trading book does not give any indication about the materiality of the associated market risk for a given institution which is why other factors such as the profit and loss of a bank's trading book and its relation to the level of own funds should be considered.

As outlined above, many of the pursued policy objectives will not be fully reached because the various requirements cannot be met by the targeted types of banks, so they would benefit from regulatory relief or special treatment. For promotional banks, the proposed regulatory changes would lead to constraints when pursuing their public policy objectives. This also includes investments into equity and venture capital. Therefore, EAPB is of the view that the CRD V and the CRR II proposals are going into the right direction but many important adjustments must be made to reach perceptible economic growth and appropriate risk reduction in the banking sector. As the voice of the European public banking sector and constructive partner in the ongoing legislative procedure, EAPB has elaborated comprehensive proposals on how to better achieve these goals and strike a suitable balance between risk reduction and support of economic growth. For more details on our respective proposals, please read our current position papers.

Timeline

- **23 November 2016**
Adoption of the legislative proposals by the European Commission
 - **30 March 2017**
EAPB publishes its position papers
 - **8 June 2017**
Expected publication of the draft report in the European Parliament
 - **December 2017**
Expected vote on the final report in the European Parliament & potential agreement on a general approach of the Council of the EU
 - **2018**
Potential start of the trilogue negotiations
 - **2019**
Potential entry into force
- Visit EAPB's [website](#) to access our position papers.

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The new bail-in mechanism under the EU Bank resolution scheme

– Goodbye to bail-out?



“The final provisions regarding MREL requirements will be of crucial importance to the EU banking sector and will bear impact on future bank activity and funding strategies.”

Issue at stake

In the wake of the financial crisis, the European Union did not stand still. Actors in the sector have had to adapt to the extensively reformed regulatory framework for financial services, none the least of which was the new recovery and resolution regime for European Banks introduced in 2015 under the so-called BRRD (Bank Recovery and Resolution Directive). This marked the EU's response to the global standards which have been developed to prevent the bail-out of large financial institutions with taxpayers' money and to resolve the “too big to fail” issue.

One particular focus of attention brought about by the BRRD is the new statutory “bail-in” mechanism, to ensure that in the event of a bank failure, losses are absorbed and banks are recapitalised by writing down their liabilities and/or converting them into equity. This is done in a manner that respects the hierarchy of claims prescribed in national insolvency law. While public resources have been used for a long time in order to rescue banks, the burden is now placed firstly on the shoulders of shareholders and then on creditors, before an institution can access any kind of public backstop support. This of course requires sufficient financial resources to be available for bail-ins, and the key change is that resolution authorities now set banks on a case-by-case basis a minimum requirement of own funds and eligible liabilities, to meet the so-called MREL quota. Globally, this is known as the Total Loss Absorbing Capacity (TLAC) for global systemically important institutions (G-SIIs). Although both

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quotas share the same objective, their design is noticeably different - they have different scopes and come to different conclusions regarding the subordination of eligible liabilities. To make matters more complicated, a number of Member States have as a result amended the ranking of creditor claims under their own national insolvency law, thereby creating significant divergences throughout the Union.

Faced with this developing situation, the European Commission sought to take action in November 2016. It brought forward a legislative proposal which, amongst other recovery and resolution issues, seeks to reconcile both standards with the aim of simplifying matters for European banks. It lays down MREL-eligible criteria reflecting those laid down for TLAC with certain additions and variations. Moreover, the proposal takes a fast track approach to amending the creditor hierarchy of banks, thereby seeking to create a new class of non-preferred senior liabilities. As these changes still require the approval of the European Parliament and the Council, the final shape of the scheme remains to be seen.

EAPB position

Generally speaking, the EAPB welcomes moves to increase the resilience of EU institutions and to enhance financial stability. The Commission's proposals to further reduce inconsistencies between national rules concerning the loss absorbency and recapitalisation capacity of banks could help serve these objectives. Accordingly, a quick agreement and transposition for harmonising the ranking of senior unsecured debt is essential to avoid more uncertainty across the Union and to enable banks to issue the new class of senior unsecured debt.

Moreover, the final provisions regarding MREL requirements will be of crucial importance to the EU banking sector and will impact on future bank activity and funding strategies. However, it should be underlined that uncertainties regarding a possible rise in banks' funding costs as well as concerns regarding the extent to which bail-in debt can be absorbed by the market remain.

EAPB stresses the utmost importance of taking various business models and different resolution strategies into account when calibrating the MREL quota. Accordingly, we support plans to implement the uniform and compulsory TLAC requirement in the EU only for GSIs, while MREL would continue to be set on a case-by-case basis and determined primarily by the systemic relevance of the institution for the European financial market, as well as its resolvability.

Furthermore, EAPB strongly calls for recognizing banks' critical role in supporting the real economy. As many EAPB members are national and regional promotional banks, they play a vital role in supporting economic and structural public policy goals and thereby help promote economic growth and stability. Given the responsibility of the public authority owners for the governance of the institution as well as their special capital structure, they are characterised by a low risk nature. This, in addition to their reliance on whole sale funding, translates into a small amount of capital in absolute terms and a liability structure driven by senior unsecured debt. EAPB has therefore been urging relevant actors in Brussels to take those specific features into account when calibrating the MREL quota, in order not to threaten their business model and to prevent damaging consequences to the economy.

Verena Cassidy

Timeline

- **January 2016**
Entry into force of the Bail-in mechanism under the BRRD
 - **July 2016**
EAPB position paper on MREL and TLAC
 - **September 2016**
Publication of Delegated Regulation (EU) 2016/1450 for setting MREL
 - **November 2016**
Commission: Legislative proposals reviewing BRRD
 - **December 2016**
EBA: Final Report on MREL
- Visit EAPB's [website](#) to access our position papers.

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“The CMU is generally aspiring to address the harmful debt-to-equity bias on the European corporate balance sheets. We believe that such measure can actually increase the resilience of European businesses and effectively limit the market risks for banks too.”

Issue at stake

Presented in autumn 2015, the Capital Markets Union Action Plan launched a set of both legislative and non-legislative initiatives aiming to create a genuine Single Market for capital, where businesses could raise easily the capital for their investments across the whole EU. It is one of the core pro-growth measures under the current mandate of the European Commission, encompassing a large number of policy areas, including the European Fund for Strategic Investments (EFSI), corporate taxation and sustainable finance.

Although the CMU aims to promote alternatives to traditional bank lending, the EAPB has embraced this initiative as an opportunity. In 2016, two important bills were subject to the legislative process - the reform of the Prospectus Directive and the STS Securitization. The prospectus reform was welcomed for its potential economic impact, while preserving the exemption for most of our members from issuing prospectuses.

The content of the new Prospectus regulation was agreed by the EU legislators at the end of 2016, whilst the negotiations are continuing on Securitisation. The EU Institutions aim on one hand to promote safe securitisation and to re-boost the market, but at the same time propose introducing severe restrictions in terms of capital requirements and risk retention margins. EAPB members are particularly active with Asset-backed Commercial papers (ABCPs), where European public banks are among the biggest players. In this segment, mainly trade receivables, among a high share of auto loans and lease receivables, is securitised, at the intervention of sponsor banks.

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The CMU is generally aspiring to address the harmful debt-to-equity bias on the European corporate balance sheets. A critical measure is enshrined in the proposal for a common corporate tax base (CCTB), which will introduce tax incentives for corporate equity funding, while the current system decisively favors debt. We believe that such measure can actually increase the resilience of European businesses and effectively limit the market risks for banks too. Furthermore, the European capital markets should be boosted by the EFSI.

Other, non-legislative initiatives include a number of actions concerning the access to finance, including the coordination of the European banking sector in providing feedback to rejected SME credit applicants or participation at events and publications promoting different financial instruments on the European market.

In addition, the EU Commission has set up several expert groups (like for example on corporate bonds and on sustainable finance and commissioned several studies e.g. on private placement and on covered bonds) in order to better understand the markets and to find the most appropriate supportive measures. An EAPB expert has been nominated to the expert group on corporate bonds and EAPB capital markets specialists will be involved in the EU study on private placement.

EAPB position

Since the CMU is a core political initiative in the aftermath to Banking Union, the EAPB is monitoring and accompanying it at several levels. A priority is securitisation, where it is about to preserve well-functioning markets. EAPB has therefore been advocating protecting sufficient maturity lines of underlying assets, appropriate risk weights and a reasonable hierarchy of methods to determine the own capital needs. Numerous dialogues took place in 2016 with the relevant decision-makers, including the placement of speakers in small circles and core groups of the EU Parliament.

Another EAPB activity is private placement. This is an area where the Commission received only very few proposals from the industry; the most prominent one is the *Schuldschein*, operated by public commercial banks. *Schuldschein* has a good growth prospect, in particular in Western and Southern Europe, and may be more invested in a cross-border context. EAPB welcomes the EC's institutions focus on enhancing good customs and best practices rather than new legislation. The EAPB presented the *Schuldschein* in several meetings, workshops and conferences in Brussels, with technical support from its members' experts.

New on the agenda has been green finance, in particular bonds designed in the light of requirements for a low-energy, sustainable and environment-friendly economy. Here, a lot will be to do since the market is still small, illiquid, and trade costs are high. This is nevertheless a very interesting opportunity for the public banks and we have already been encouraged by Commission and Parliament to be close partners to the EU in this respect. There are no barriers to creativity: blending between green and traditional instruments is conceivable, also green mortgages and green *Schuldschein* already loom at the horizon.

With regard to insolvency law and a common corporate tax base, important new legislative proposals were issued at the end of 2016. They are currently analysed and will be commented as well by the EAPB.

Thorsten Guthke

Timeline

- **28 November 2016**
Legislative proposal for the CCP Recovery and Resolution
 - **11 May 2017**
Progress Report on CMU with the focus on Brexit
 - **17 May 2017**
Prospectus Regulation was adopted by the EU institutions
 - **30 May 2017**
Political agreement in the triilogue negotiations on Securitization
 - **1 June 2017**
EAPB seminars on Green Finance and Variation Margin under EMIR
 - **13 June 2017**
Legislative proposals for the EMIR Review
 - **7 July 2017**
Legislative proposal for the Pan-European Pension Product
- Visit EAPB's [website](#) to access our position papers.

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The Investment Plan for Europe **highlights the role of public banks**

Throughout 2016, the first investment projects under the European Fund for Strategic Investment (EFSI) kicked in, gradually covering all EU Member States. By spring 2017, 58 % of the targeted total investment volume of EUR 315 billion had been recorded. Countries mostly benefiting from the so-called Juncker plan, relative to their GDP, were the crisis-torn countries like Italy, Spain, Portugal, and Cohesion countries such as Bulgaria or the Baltics. This geographical allocation of EFSI investment is therefore quite satisfactory, as the economies in a critical need of investments seem to be benefiting the most.

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Lessons learned from the first year

The most successful part of EFSI is arguably the SME Window, in which 12 direct and indirect EAPB members share an envisaged total portfolio volume of more than 2 billion Euro. The SME window is channeled through the COSME and InnovFin programs, benefiting from the guarantee instruments managed by the European Investment Fund. As of April 2017, financing for small and medium enterprises amounted to one third of all EFSI investments. The EAPB members have sound experience in enhancing the access to finance for local SMEs through COSME and InnovFin and would like to see both programs financially reinforced for the next years.

“An efficient cooperation of promotional banks across European, national, and regional levels has a potential to maximize the results of the Investment Plan for Europe.”

In contrast, the Infrastructure and Innovation Window had started rather modestly. Large transport infrastructure projects are often seen as low-risk in many European countries, and therefore not considered for eligible for the EU guarantee under EFSI. More successful target sectors have therefore been energy, research and development, as well as digitalization, all of them being crucial for a sustainable transformation of the European economy. A

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number of EAPB national and regional promotional banks cooperate with the European Investment Bank within this window, and value the joint synergies in the EFSI implementation. The EAPB welcomes that the functioning of the relations between the EIB and national promotional banks should be further clarified, especially in terms of establishing of investment platforms of multiple promotional banks and the delegation of credit decisions. An efficient cooperation of promotional banks across the European, national, and regional levels has a potential to maximize the results of the Investment Plan for Europe.

Public banks as a key partner for the EU

Upon the publication of the legislative proposal for an EFSI 2.0 Regulation from September 2016, the EAPB wrote up an extensive position paper collecting the experience of our members from the first year of the implementation. After the official approval of this position paper at the EAPB State Aid and Development Committee meeting in Paris on 30 November 2016, the EAPB Secretariat has communicated the experience and priorities of promotional banks towards the European Parliament. The EAPB was advocating for strengthening the additionality criteria, clearer rules for establishing investment platforms, making the EU guarantee also available for operations by NPIs and cutting red tape for the financial intermediaries. The suggestions for improvements of EFSI 2.0 were largely understood in the European Parliament.

In December 2016, the EU Member States adopted their General Approach to the EFSI 2.0 proposal under the Slovak Presidency of the Council. The governments also advocated for a greater role of the national promotional banks. The European Investment Bank should, as the Council proposes, cooperate with national promotional banks in all Member States. In countries where such institutions do not exist, the European Union should assist in establishing them via the European Investment Advisory Hub. The EAPB welcomed this provision as such steps would boost the positive role of national promotional banks in the European economy. Furthermore, the Member States envisaged new possible target

sectors for EFSI, including financing of defence industry investments. An increased EU engagement in security and defence is reflected in the European Defence Union initiative and in the White Paper on the Future of the EU. The EAPB continuously monitors the political and legislative development in these areas, as they might draw significant implications for public investments, EU financial instruments, or financing the EU Cohesion Policy.

The legislative process concerning the EFSI 2.0 is approaching its conclusion. In line with the EFSI objectives, the EAPB will in future further advocate for fine-tuning the cooperation between the EIB, national promotional banks, and potential investment platforms, hence ensuring crowding-in of more market players and increasing the investment volumes in the European economy. EAPB members are committed to enhancing the access to finance for small and innovative businesses, supporting the public sector in building transport, energy and social infrastructure, and creating jobs while promoting a sustainable development.

Germaine Klein and Filip Chraska

Timeline

- **14 September 2016**
Proposal for the EFSI 2.0 Regulation tabled by the Commission
- **30 November 2016**
EAPB State Aid and Development Committee approves the EAPB position paper
- **3 December 2016**
General Approach of the Council published
- **January 2017**
EAPB Secretariat drafts amendments and sets first meetings with the MEPs, Policy Advisers and other EP staff
- **February/March 2017**
EAPB Lobby activities, 9 meetings in the Parliament
- **14 March 2017**
Draft Report published
- **15 May 2017**
ECON & BUDG Committees approve the Legislative report
- **2nd half of 2017**
Trilogue concluded. Plenary vote.
- ↓ Visit EAPB's [website](#) to access our position papers.

Our work

Our board

**EAPB member Kommuninvest
finances energy efficient buildings**



Location: Järfälla, Sweden
Beneficiaries: Energy-efficient school
Allocated resources: EUR 33 million

Overview of EAPB meetings and major events

March

7

Workshop on financial instruments under the European Structure and Investment Funds (ESIF) 2014-2020 - Brussels

The Representation of Lower Saxony to the EU, the Association of German Public Banks, VÖB, and the European Association of Public Banks, EAPB, hosted a workshop on Financial Instruments under the European Structure and Investment Funds (ESIF) 2014-2020 at the Representation of the State of Lower Saxony to the EU.

A representative of the European Commission provided insights in the new ESIF Regulation and the benefits envisaged for the real economy. Experts from the public banks illustrated practical examples on financial instruments in the present financing period. The presentations were followed by an open discussion with the audience.

 Our work

On May 11, the European Association of Public Banks (EAPB) organised its State Aid and Development Committee meeting in Munich. The event was kindly hosted by the LfA Förderbank Bayern. Mr. Alfred Wagner, LfA Förderbank Bayern, welcomed the EAPB members and presented LfA to the participants.

Mr. Michael Raschke, European Investment Bank, EIB provided an update on Risk Sharing Products and Investment Platforms. Mr. Martin Koch, DG FISMA, European Commission delivered a presentation on the current developments and activities of the European Commission in terms of venture capital finance. Each presentation was followed by an open discussion with the audience.

At the meeting, Ms. Irene Schucht, Investitionsbank Berlin, IBB was nominated as an expert of the European Commission's Expert Group on the advisory platform of Financial Instruments, fi-compass, under the European Structural and Investment Funds (ESIF) and the Employment and Social Innovation (EaSI) programme (EASI).

On June 1, the European Association of Public Banks (EAPB) organised its Capital Markets Committee meeting in The Hague. The event was kindly hosted by Nederlandse Waterschapsbank (NWB). Mr. Bouke den Hoed, Deputy Head of Treasury of the Nederlandse Waterschapsbank (NWB), welcomed the participants and presented the NWB to the EAPB member institutions. Mr. Sander Verbaan, head of unit Business Conduct and Securities Markets in the Dutch Ministry of Finance, delivered a presentation on the Banking Union and Capital Markets Union. Mr. Hagen Christmann (VÖB) presented the financial instrument of Schuldscheindarlehen (bonded loan). Each presentation was followed by an open discussion with the audience.

On June 2, EAPB organised its Economic and Financial Affairs Committee meeting at the premises of the Nederlandse Waterschapsbank (NWB) in The Hague. EAPB members exchanged with representatives from the Single Resolution Board (SRB) and explained the business models of promotional banks and local funding agencies to the SRB's officials. The EAPB secretariat gave an overview on the background, current status and most important aspects of the various work-strands of the Basel Committee on Banking Supervision (BCBS).

Mr. Tim Segboer, Head Capital Management, Bank Nederlandse Gemeenten N.V. (BNG) delivered a presentation on resolution planning and minimum requirements for own funds and eligible liabilities (MREL). Mr. Michel Heijdra, Deputy Director Financial Markets Directorate at the Dutch Ministry of Finance, delivered a presentation on the strengthening of the Banking Union.

June

13

Meeting of the Legal Affairs Committee - Düsseldorf

On June 13, the European Association of Public Banks (EAPB) organised its Legal Affairs Committee in Düsseldorf. The event was kindly hosted by the NRW.BANK. Mr. Antonio Garre and Mr. Florian Brandt from the Single Resolution Board, presented on the Single Resolution Fund and the ex ante contributions. The presentations prompted a lively discussion among the participants.

28

General Assembly of the European Association of Public Banks - Helsinki

On June 28, the European Association of Public Banks (EAPB) organised its semestrial General Assembly in Helsinki, Finland. The event was kindly hosted by Municipality Finance PLC.

Mr. Philippe Mills, Chairman and Chief Executive of SFIL was elected President of the EAPB.

At the General Assembly, EAPB members met with Mr. Adam Farkas, Executive Director of the European Banking Authority and discussed the right legal framework for the role of promotional banks and municipal funding agencies. EAPB expressed its views on the current Leverage Ratio framework emphasising the adverse effects that the introduction of a binding Leverage Ratio (LR) may have on promotional business in the EU.

EAPB made proposals on how the LR could be rectified in a way that safeguards lending policy and distribution mechanisms of promotional loans and preserving the business models of promotional institutions across the EU.

 Our work

Open Days Workshop: "Financial Instruments under ESIF (2014-2020) – Public banks sharing experiences and best practices"- Brussels

On Wednesday, 12 October 2016, EAPB held a workshop on "Financial Instruments under ESIF (2014-2020) – Public banks sharing experiences and best practices" on the occasion of the Open Days 2016. The Open Days is a series of around 100 seminars, workshops, which are organised by the Committee of the Regions (CoR) and the



European Commission's Directorate General for Regional and Urban Policy (DG Regio). The workshop brought together over 140 representatives from national and regional governments, EU-Member States, EU Institutions as well as from various stakeholder organisations (banking sector Industry and SME associations).

The workshop's agenda included contributions from Mr. Csaba Harsányi, Director - Brussels Representative Office at the Hungarian Development Bank, Mr. Dariusz Wieloch, Deputy Director of Financial Instruments Department at the Gospodarstwa Krajowego BGK, Poland and Mr. Marcel Roy, Secretary General at the European Association of Public Banks. The workshop showcased experience gained and good practices of public banks implementing programmes supported under the European Structural and Investment Funds.

You can access the presentations and pictures of the workshop on EAPB's [website](#).

Combined EAPB General Assembly meeting and conference on the role of the EU and national and regional promotional banks in fighting against social exclusion – Brussels

On November 14 and 15, EAPB organised its semestrial General Assembly (GA) meeting and a conference on the role of the EU and national and regional promotional banks in fighting against social exclusion at the Representation of the State of Hessen to the European Union. The conference brought together over 120 representatives from national and regional governments, EU-Member States, EU Institutions, think tanks as well



as from various stakeholder organisations, the banking sector Industry and SME associations. The agenda of the conference included contributions from Dr. Michael Reckhard (Member of the Managing Board at WIBank), Mr. Paolo Zaggia (Head of European Department at Finlombarda), Mr. Dietrich Suhlrie (Member of the Managing Board at NRW.BANK) and Ms. Maria Viimne (Deputy CEO at Kommuninvest). The panel shared insights, provided an overview of their organisation`s activities and showcased best practices.

The discussion was wrapped up by Mr. Michel Servoz, Director-General of DG Employment and Social Affairs, who highlighted that the EAPB member institutions are a valuable partner for the European Union in addressing the major challenges Europe is facing these days, where the social exclusion fuels the political instability. The major value added by the promotional banks is the construction of quality social housing, which is a key to a successful integration, especially in the context of the recent refugee crisis.

Presentations of the speakers are available on EAPB's [website](#).

EAPB's State Aid and Development Committee took place in Paris on December 8. The meeting was kindly hosted by SFIL. Mr. François Laugier, deputy CEO of SFIL welcomed the EAPB members and presented SFIL to the participants. Mr. Maciej Szymanowicz, DG Connect, delivered a presentation on the "Cultural and Creative Sectors Guarantee Facility" under the Creative Europe Programme. Mr. Alexis Marchand, DG FISMA, delivered a presentation dedicated to the SME access to finance under the Capital Markets Union initiative. Mr. Jacques Darcy, European Investment Fund (EIF), provided a detailed overview on the EIF-NPI Equity Platform, an initiative launched by the EIF in 2016 to promote sharing best practices between EIF and national promotional institutions (NPIs) or banks (NPBs) across EU Member States.

The EAPB organised a one day workshop on export finance at the premises of SFIL in Paris on December 1. The agenda of the workshop was divided into two parts. The morning session consisted of presentations from the representatives of Coface, DG Competition of the European Commission and the Organisation for Economic Co-operation and Development (OECD). The afternoon session was dedicated to sharing good practices and experience among a number of EAPB member institutions.

Mr. David Drysdale from the OECD, delivered a presentation on the OECD arrangement on officially supported export credits. Mr. Kenny Hanssen from DG Competition, tailored his presentation on export credits in the context of the EU state aid law to the perspective of the national promotional banks. The third speaker of the morning session was Ms. Maëlia Dufour from COFACE. She discussed with the participants the French export support framework as well as practical application of the OECD rules.

The first speaker of the afternoon session was Mr. Zoltán Dercze from the EXIM Bank in Hungary. Mr. Dercze presented EXIM's products the Hungarian companies can benefit from, export financing and refinancing products in particular. Mr. Alic' Ante from HBOR presented the four pillars of the bank's services to the Croatian exporters – pre- and post- shipment financing, bank guarantees and the export credit insurance.

Mr. Marko Kirn, (SID Bank) presentation inspired a discussion on the export insurance markets. The last two presenters included the representatives from BPIfrance and SFIL from France. Mr. Pedro Novo elaborated on the commitment of BPIfrance to promote entrepreneurship and internationalization of the French economy. The last speaker, Mr. Pierre-Marie Debreuille discussed export refinancing via commercial banks.

December

8 **Economic and Financial Affairs Committee - Brussels**

EAPB's Economic and Financial Affairs Committee took place in Brussels on December 8. Mr. Sebastijan Hrovatin, policy officer at the European Commission, DG FISMA, delivered a presentation on the regulatory review proposals for the Capital Requirements Regulation and Directive (CRR/CRDIV), Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR)

The EAPB secretariat gave an introduction on recent developments of the European Commission's proposal for a regulation on a European Deposit Insurance Scheme (EDIS) and an update on the current state of play of the Basel Committee on Banking Supervision (BCBS).

14 **Capital Markets Committee - Brussels**

On December 14, the European Association of Public Banks (EAPB) organised its Capital Markets Committee meeting in Brussels. The EAPB secretariat provided an overview on the political and legislative development of the Capital Markets Union. Mr. Niall Bohan, Head of Unit "Capital Markets Union" at the EU Commission, outlined in his presentation the main objectives of the Capital Markets Union initiative.



Our work

EAPB **participation** at European Commission expert groups



Expert group for the structured dialogue with European structural and investment funds' for the programming period 2014-2020

Payment systems market expert group

Derivatives expert group


Clearing and settlement code of conduct monitoring group

Expert group for automatic exchange of financial information

Our work

EAPB **comment letters and position papers** and EAPB contributions to comment letters and position papers from the European banking industry

 January	
6	EAPB response to the public consultation on covered bonds in the European Union.
13	EAPB contribution to public consultation on impacts of maximum remuneration ratio under capital requirements directive 2013/36/EU (CRD IV), and overall efficiency of CRD IV remuneration rules.
22	EAPB comments on general approach STS.
29	EAPB observations on the regulation of the European Central Bank on the collection of granular credit and credit risk data
29	Reply form for the consultation paper on PRIIPs key information documents.
29	EAPB position paper on EU Commission call for evidence.

 February	
2	EAPB position paper on contributions to the single resolution fund.
12	EAPB position paper on EBA draft guidelines on the treatment of CVA risk under SREP.
15	EAPB comments on draft Cor opinion in NPB communication.
19	EAPB comments on general approach CRR.

 Our work

March

8	Review of the prospectus regime: EAPB considerations on the prospectus to be published when securities are offered to the public or admitted to trading.
11	EAPB position paper on the Basel committee for banking supervision 2nd consultative document “Revisions to the standardised approach for credit risk”.
18	EAPB position paper on EBA draft guidelines on stress testing & supervisory stress testing.
24	EAPB position paper on adequate capital requirements for infrastructure investments of banks under the foundation IRBA.

April

14	EAPB position paper on the prudential treatment of certain exposures to promotional banks under Solvency II.
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May

4	Securitisation: EAPB position on simple, transparent and standardised securitisation - part I (STS-regulation).
9	EAPB comments EP own initiative report.
27	EAPB position paper on the European Commission's draft for a regulation amending the general block exemption regulation on state aid measures.

June

24	EAPB position paper on the implementation of the NSFR in the EU.
24	EAPB position paper on the Basel Committee for banking supervision consultative document: “Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches”.



Our work

July

6	EAPB position paper on Basel Committee for banking supervision's revisions proposed to the Basel III leverage ratio framework.
6	Securitisation: EAPB comments on the amendments to the European Commission's legislative proposals by the rapporteurs Paul Tang and Pablo Zalba Bidegain.
8	Securitisation: EAPB position on simple, transparent and standardised securitisation Part II (CRR-Amendment).
12	EAPB position paper MREL and TLAC.
29	EAPB position paper on the prudential treatment of certain exposures to promotional banks under Solvency II.

August

19	EAPB feedback to the ECB AnaCredit support team on the draft AnaCredit manual.
29	EAPB position paper on the review of the Investment Plan for Europe.
30	EAPB comments on the EBA interim report on implementation and design of the MREL framework.

September

6	Draft addendum to the EAPB position paper on the leverage ratio.
29	EAPB position paper on EBA guidelines on disclosure requirements under Part Eight of the CRR.

October

7	EAPB response on public consultation on the main barriers to the cross-border distribution of investment funds.
26	EAPB position paper on EBA guidelines on credit risk management practices and accounting for expected credit losses.
26	EAPB position paper on EBA Guidelines on the treatment of connected clients under CRR.

Our work

November

2	EAPB position paper on the extension of the Investment Plan for Europe.
24	EAPB comments on AnaCredit manual part II.
30	EAPB comments on the deliberations on the European Commission proposal for a directive amending the fourth anti-money laundering directive (EU) 849/2015- fifth anti-money laundering directive.

December

2	EAPB comments on the European Commission's second draft for a regulation amending the general block exemption regulation on state aid measures.
5	EAPB proposes amendments to the proposal for a regulation of the European Parliament and of the Council amending regulation (EU) 806/2014 in order to establish a European deposit insurance scheme.
12	EAPB proposes amendments to the EC delegated regulation supplementing EMIR.

You can find EAPB comment letters and position papers [on our website](#).

You can find EAPB contributions to comment letters and position papers from the European banking industry [on EBIC's website](#).

 Our work



EAPB member BNG Bank helps
expand renewable energy

Location: Dutch North Sea, the Netherlands
Beneficiaries: Renewable energy for 1.5 million residents
Allocated resources: EUR 2 billion

EAPB board and secretariat

Our board – Status 01/10/2017



President

Philippe Mills
SFIL

Chief Executive Officer of SFIL



Vice – President

Eckhard Forst
NRW.BANK

Chairman of the Managing Board



Vice – President

Tomas Werngren
Kommuninvest of Sweden, Local
Government Debt Office
President and CEO of Kommuninvest



EAPB Secretary General

Marcel Roy
European Association of Public Banks
(EAPB)
EAPB Secretary General



Board Member

Bilian Balev
Bulgarian Development Bank AD
Executive



Board Member

Iris Bethge
Association of German Public Banks (VÖB)
Executive Managing Director of VÖB



Board Member

John C. Reichardt
Bank Nederlandse Gemeenten N.V. (BNG)
Executive Board Member of BNG Bank



Board Member

Josep-R. Sanroma
Institut Català de Finances (ICF)
Chief Executive Officer of ICF



Board Member

Sibil Svilar
Slovene Export and
Development Bank Inc. (SID)
President of the Board and CEO



Board Member

Matthias Wierlacher
Thüringer Aufbaubank
President of the Board of
the Thüringer Aufbaubank

Our secretariat

DRAGS TO GROWTH