Annual Report
2014-2015

European Association of Public Banks

- European Association of Public Banks & Funding Agencies AISBL -

EAPB

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President's Foreword

The year 2014 and the first half of 2015 have continued to be marked by sustained regulatory and supervisory activity, mainly aimed at implementing the Banking Union. In order to ensure a higher degree of Banking sector stability, the ECB, now in charge of supervision in the Eurozone, has engaged in an unparalleled exercise of risk mapping in the financial sector, notably by launching an Asset Quality Review and a stress test exercise. This exercise, while generally needed in view of better systemic risk control, has been a great organisational challenge for the sector in general and smaller institutions in particular. However burdensome the exercise, it has strengthened confidence in the industry, and we are pleased to underline that none of the Member organisations of EAPB failed the stress test.

As the ECB has taken over the direct supervision of 120 significant banks throughout the Eurozone and next year will see the implementation of a Single Resolution Board, supervision at EU-level is eventually materializing, covering a great variety of national markets and different business models. This in general is to be seen as a positive evolution, as there should be coherent rules for the largest systemically important banks in the Eurozone. While convergence at this level is certainly welcome, there is however also a need to take into account specificities related to the different business models of promotional banks and institutions, which should be reflected in the supervisory practices. Despite the complexity of the European banking industry, we are convinced that this can be achieved in order to maintain the high degree of diversity that characterises the financial sector on our continent, ensuring that different financing needs can be served by highly specialised financial institutions.

It is in the same spirit of offering the broadest scope of financing sources to address the market shortages caused by the financial crisis that the newly appointed Juncker Commission recently presented its project for a European Capital Markets Union (CMU), aiming at integrating and developing capital markets to pick up the slack which according to the Commission is a direct cause of the deleveraging of the credit sector. The EAPB has a positive view on the CMU project aiming at greater integration of capital markets and clearer rules, e.g. in the field of securitization. Developing alternative financing channels is desirable with

Ron Walkier,
President of the EAPB

a view of providing the most sophisticated financing mix to the European economy. Against this backdrop the European banking industry will be challenged to maintain and develop it's important role within the European financial market. Synergy between capital markets with a newly strengthened credit sector financing, within which public banks play a key role of partners and facilitators, will be in the interest of Europe. As for the Banking Union, new initiatives should be carefully calibrated not to negatively affect existing market structures or products, as for example in the area of private placement, when setting EU-wide rules.

We also welcome the Juncker Investment Plan, aiming at generating investments at around € 315 bn that has been presented by the new Commission as its flagship initiative to relaunch the European economy and infrastructure investment in particular. Given that public banks are well-placed to provide added value in the framework of this investment plan, the EAPB follows this initiative with great interest, highlighting the need to address a broad scope of development institutions, thereby ensuring that the greatest number of intermediaries can be eligible to participate. Another condition for a quick deployment of investments into the European Economy, in light of the urgent need for solutions to fixing Europe's sluggish economy, is a flexible and slim regulatory and governance framework accompanying this new investment fund.

Ron Walkier
President of the EAPB

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Leading Article

EU Investment Plan

The proposal for a regulation aiming to establish the European Fund for Strategic Investments (EFSI) was published by the European Commission on 13 January 2015. The trialogue among the European Commission, the European Parliament and the Council of the EU is expected to reach an overall agreement by mid- 2015 in order to enable new investments to begin as early as mid-2015.

EFSI is part of a plan aimed at mobilising more than €315 billion in private and public investment, thereby facilitating economic recovery, job creation and long-term growth and competitiveness – the EU Investment Plan.

The political support for this initiative is strong amongst EU Member States; the current economic context requires new investments in Europe to be delivered rapidly. In the following the focus will be on the three dimensions of the "Juncker Package", the EU Investment Plan in other words, which was announced by Jean-Claude Juncker - the President of the European Commission - in November 2014.

The Investment Plan for Europe is a triangle combining financing, project pipeline and an investment friendly environment: First, mobilising sources of investment finance to deliver at least € 315 billion of additional investment over the next three years and making better use of public money to attract private investors. Second, making sure this extra finance contributes to growth in ways that are adapted to each sector and geography. And third, measures to improve the investment environment in Europe and thereby trigger knock-on effects.

Germaine Klein

Julien Ernoult

Mobilising additional finance for investment until 2017

First, with its Investment Plan the European Commission hopes to unlock public and private investments in the real economy of at least € 315 billion over the next three years (2015-2017). This investment volume is seen as to be supplementary to the regular investment activity of the European Investment Bank (EIB), the European Union and its Member States. The Investment Plan foresees a smart mobilisation of public and private sources of finance – where every euro of public money is used to generate additional private investment, without creating new debt.

The new European Fund for Strategic Investments (EFSI) will be set up in partnership with the EIB and within the existing structure of the EIB. It will act as a guarantee fund of €21 billion which is built on the one hand on a guarantee of €16 billion from the EU budget. As planned in the Commission proposal the EU guarantee will be backed up by existing EU funds from the existing margins of the EU budget (€2 billion), the Connecting Europe Facility (€3.3 billion) and

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the Horizon 2020 programme (€2.7 billion), to a total amount of €8 billion. In addition, the EIB will contribute with €5 billion of own funds to the EFSI. According to estimates, the Fund will have a multiplier effect or leverage of 15; that means for every public Euro that is mobilised through the Fund, €15 of total investment, that would not have happened otherwise, is generated.
The focus of the Fund should be to invest in infrastructure, notably broadband and energy networks, transport infrastructure in industrial centres, education, research and innovation, renewable energy, and in SMEs and middle capitalisation companies.

A project pipeline coupled with technical assistance in line with European priorities

Secondly, the European Commission proposes to set up a project pipeline, flanked by decentralised technical assistance. The Commission considers that generating additional investment finance is not enough. The funding must reach viable projects, with a real added value for the European economy. Investors need the certainty of a continuous pipeline of sound projects, in particular for large infrastructure projects. Increased transparency and understanding of risks are needed to trigger additional investments.

Therefore a transparent pipeline identifying viable projects at EU level and providing the necessary technical assistance to support project selection and structuring as well as the use of more innovative financial instruments is foreseen in the Investment Plan for Europe. The EU Member States have already provided the joint Commission-EIB Task Force which was established in September 2014 with lists of potential projects.
The EIB-Group will ensure that the EFSI's pipeline is transparent and regularly updated. Member States, including regional authorities and National Promotional Banks, European institutions and private investors will be able to contribute to the pipeline by presenting or sponsoring projects.

The Commission and the EIB will also launch a major programme of technical assistance to identify projects and help make them more attractive for private investors. Therefore the European Investment Advisory Hub (EIAH) is foreseen to be created within the EIB. The EIAH shall have as its objective to build upon existing EIB and Commission advisory services in order to provide advisory support for investment project identification, preparation and development and act as a single technical advisory hub for project financing within the Union. This shall include support on the use of technical assistance for project structuring, use of innovative financial instruments, use of public-private partnerships and advice, as appropriate, on relevant issues of EU legislation. To meet that objective, the EIAH shall use the expertise of the EIB, the Commission, National Promotional Banks and the managing authorities of the European Structural and Investment Funds.

Creating an investment friendly environment – both at national and at European level

The third strand of the Plan consists of providing greater regulatory predictability, removing barriers to investment across Europe and further reinforcing the Single Market by creating the optimal framework conditions for investment in Europe. The regulatory environment has a direct impact on investment, growth and jobs. To improve the business environment and financing conditions, the Investment Plan focuses on measures in the financial sector, for example the creation of a Capital Markets Union, to provide an enhanced supply of capital to SMEs and long term projects. Priority will be given to removing the significant regulatory and

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non-regulatory barriers which remain across all the important infrastructure sectors, including energy, telecoms, digital and transport, as well as barriers in services and product markets. The European Commission proposes a priority list of initiatives specifically linked to the Investment Plan.

The creation of a Capital Markets Union is aimed at reducing fragmentation in the EU's financial markets; it shall also help bring about a more diverse supply of finance to SMEs and long-term projects by complementing bank financing with deeper, more developed capital markets. The Capital Markets Union is seen as an important medium to long-term component of the Investment Plan.

Governance

As regards the governance of the fund the EFSI would have a two-tier governance structure: A steering board would set the overall strategy, investment policy and risk profile of the fund. It would adopt investment guidelines for the use of the EU guarantee.

Political will for a quick adoption of the legal framework of the Investment plan

Following the Commisison proposal, a fast-track legislative process has been launched.

Negotiations among the concerned parties, the European Commission, the Council and the Parliament are expected to pave the way for an overall agreement to be reached by June to enable new investments to begin as early as mid-2015. The Council agreed its negotiating stance on 10 March 2015 on the proposed EFSI regulation. According to the Council, the EU Guarantee should also be available to cross-border operations between Member States and third countries and it should be possible under the regulation that the EIB grants a guarantee to a National Promotional Bank under a counter guarantee of the Union.

The European Parliament will decide on its position in June 2015 when the Plenary of the European Parliament will vote on the draft report which is under discussion since March 2015. Several amendments tabled indicate the key concerns of the European Parliament. The European Parliament would like to have a more important role in supervising the operations of the new European Fund for Strategic Investment, in selecting its top officials and in the decisions on how to feed the guarantee fund.

Role for National Promotional Banks

The Investment Plan is a fundamental recognition of the important role of public banks and financial institutions in Europe. From the start of the financial crisis in 2007 until today, national promotional banks across Europe have demonstrated their capacity of swiftly responding to the sharply reduced access to finance. By providing dedicated financial instruments, for example in form of working capital loans, SME loan guarantees, global loans for partner banks, equity instruments, counter-guarantees, as well as advisory services for SMEs affected by the crisis and many others, they have contributed an important share to keeping the EU economy running during the crisis years. They have also played a key role in jump-starting investments in infrastructure projects across Europe. National Promotional Banks are ready to continue their important role in helping re-launch the European Economy in line with their public mandates and, and where possible, via the cooperation mechanisms put forward by the Juncker Commission.

By spring 2015 several countries have publicly announced their National Promotional Banks (NPBs) participation in the Juncker plan. Germany announced in February that it would contribute €8 billion to the Investment Plan through KfW. Also in February, Spain announced a €1.5 billion contribution through Instituto de Crédito Oficial (ICO), and France beginning of March announced a €8 billion pledge through Caisse des Dépôts (CDC) and Bpifrance (BPI). On 10 March Italy also pledged to pay €8 billion through its National Promotional Bank Cassa Depositi e Prestiti. Poland has also announced its participation, via its national promotional bank Bank Gospodarstwa Krajowego (BGK) with €8 billion.

Key elements for a successful implementation

Several elements will be key for a successful implementation of the plan.

First, the EIB will be the central pillar of the cooperation system under the Juncker plan. While the synergies brought by the EIB and NPBs will be truly beneficial for the European economy the governance system and funding framework should also reflect the subsidiarity principle which allows National Promotional Banks to take into consideration national and regional specificities in carrying out their public mission tasks. This also includes that the EFSI agreement allows for a wide range of of types of national, regional and local promotional banks in Europe to act as partners in EFSI.

Furthermore some aspects of the proposed regulation could create excessive burden in terms of procedures. Given the urgency to un-lock funds the procedures for the selection and approval of projects should be slim an effective. Also imposing to many eligibility criteria would lead to having to change the instruments that they have at hand in detriment of a speedy implementation.

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Issues of Special Interest

ECB comprehensive assessment and EBA Stress Test – no time for complacency

Sandra Hafner

Banks in the Eurozone and beyond had in 2014 one overarching theme that bound their resources like no other exercise before: the ECB conducted for Eurozone banks a so called Comprehensive Assessment, which consisted of a Balance Sheet Assessment, an Asset Quality Review and a subsequent Stress Test. The EBA (being in charge of EU 28) conducted a Stress Test in parallel to the ECB with the support of the national competent authorities (NCA). The background for this mega-exercise was the ECB's take off as the single supervisor for Eurozone banks. After the recent banking crisis, the fragmented supervisory practices proved to be partially responsible for the disaster and the idea of a banking union was revived. The concept of the banking union was already discussed as early as in 2001, shortly after the establishment of the ECB and the Eurosystem. The single currency and the European System of Central Banks were logically to be followed by a single supervisor. However, it took a bit more than a decade before the idea could materialize.

Above all, it proved to be a major effort for banks to be ready for the Single Supervisory Mechanism (SSM). The ECB insisted on taking over the responsibility only if there was a clear picture about the banks' health and wealth. This means that a quantitive and qualitative analysis of financial data had to be conducted before the quality of assets on the banks' balance sheet was assessed. After all, future projections of the banks' ability to absorb shocks and financial losses under stress should prove their resilience. When the SSM part of the ECB took office officially on 4 November 2014, it was clear that only those who passed the "fit and proper" test were under its auspices. The ones that did not meet the critical hurdle rate in the stress scenario were named and shamed already before – lessons learnt from the previous EBA stress test.
The SSM is now directly in charge of the 120 banks/groups deemed significant and indirectly oversees approximately 3500 institutions that are considered less significant. Although the NCAs continue to play a role in day-to-day supervision, the ultimate decision making power lies with the SSM. The results can be felt already in the recent requests resulting from the Supervisory Review and Evaluation Process (SREP), where minimum capital requirements can be topped up "made to measure" according to an individual bank's risk and governance profile. This leaves credit institutions with the feeling that after the stress test is before the stress test. They still need to gear up for higher capital ratios and national options and discretions might fall victim to enhanced comparability, reduced complexity and the elimination of regulatory arbitrage.

A bank nevertheless remains subject to its economic and political environment where it is domiciled and hence has to cope with a fundamentally different environment compared to that of other Member States. When national discretions originate from diverging market structures and legal settings, bypassing them via the SREP will streamline the affected banks but it will not eliminate the underlying causes. As such, a mitigating factor is needed somewhere – an insight that will also reach supervisors, because the European Union thrives on unity in diversity and so does its banking sector.

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Capital Markets Union

Guthke Thorsten

Starting from the ongoing discussion on Long-Term Financing in 2013 and 2014, the considerations about harmonising European financial markets materialised in the project of creating a European Capital Markets Union. This idea was for the first time addressed during the preparation of the conference "Finance for growth", organised on 6th November 2014 by the EU Commission in common with the Italian Council Presidency. As of then, several ideas have been set out and concrete steps were expected with anticipation, after Commissioner Jonathan Hill was entitled to elaborate a concrete roadmap towards a Capital Markets Union (CMU). Contrary to what some initially supposed, the CMU is not alike the Banking Union: it is less supposed to be a firework of regulatory initiatives but rather a bundle of ideas to stimulate the economy, conceived to start from market-driven activities. Moreover, it is not restricted to a group of Member States but aims to comprise all the 28 including the City of London.

The core objectives of the CMU are as follows: to develop a more diversified financial system complementing bank financing with deep and developed capital markets. The Commission states that these initiatives do not aim at replacing or edging out bank funding. Moreover Commissioner Hill wants to unlock the capital throughout Europe that is currently frozen and put it to work for the economy, thus giving savers more investment choices and offering businesses a greater choice of funding at lower costs. Thirdly, the Commission aims at establishing a genuine single capital market in the EU where investors are able to invest their funds without hindrance across borders and businesses can raise the required funds from a diverse range of sources, irrespective of their location. The goal of this is not less than to further develop one of the four fundamental freedoms: the one of the free movement of capital.

At the very first stage, the EAPB has recognised the significance of this project and started exploring opportunities. Member experts and the Secretariat have been attending conferences, workshops and roundtables, where they raised the flag of the public banks and put forward their readiness to get involved. On 18th February 2015 the Commission published the Green Paper detailing the different objectives. The project deals with three horizons: in a first step, it is summarily analyses the current state of capital markets in the EU, and in a further chapter, which appears to be of core importance, it lines out priorities for early action that the Commission hopes to achieve at short term. Such priorities encompass five areas:

- Lowering barriers to accessing capital markets including for SMEs; in this context, the Commission is reviewing the prospectus directive with a view to making it easier to raise capital throughout the EU;
- Improving credit information on SMEs by standardising and making it more comparable;
- Furthermore the Green Paper envisages building sustainable securitisation with the aim to increase capacity for banks to lend; the Commission is running a separate consultation on specific measures in this respect;

- Under the header "Boosting Long-Term Investment" the Investment Plan (known as Juncker Plan) will be promoted with the establishment of the new European Fund for Strategic Investment Fund (EFSI) and the European Long-Term Investment Funds (ELTIFs);
- Finally, the Green Paper proposes to develop private placement markets.

The Commission sees a timeline until 2019 to make a big jump forward for to deliver a true Capital Markets Union. Finally, it identifies some areas which may rather be tackled in the long term in order to remove barriers to funding: insolvency and company law as well as taxation and security regulation. It is obvious that such areas call for a review of legislation whilst the short-term goals might be achieved with fewer compelling rules by emphasising on stimulating market activities.

The project earned contrasting reactions: whereas the EAPB sees it rather positively with some interesting potential, other representatives of the economy and some banking sectors are reserved and even opposed to it. While the EAPB is currently working with high priority on its position-building, the Secretariat believes that in particular the two short-term priority areas of private placement and securitisation offer interesting opportunities for the members: certain financial instruments may be promoted, for instance asset-backed commercial papers or bonded loans. With respect to infrastructure financing, this is a momentum to draw on the expertise of EAPB member institutions and to attract the attention of the public investor on promotional banks. The EAPB is advocating in this direction and is planning some events in 2015 in order to increase visibility and to place the public banks as strong players in the Capital Markets Union project.

Financial Transaction Tax

The project to introduce a Financial Transaction Tax in EU Member States dates back to the end of 2010, when the EU Commission published a communication setting out ideas for the future taxation of the financial sector. Basic motivation was to make the financial sector pay a contribution to the cost triggered by the crisis, and so to public finance. An additional aim was to discourage financial transactions which would not contribute to the efficiency of financial markets or of the real economy. A first proposal from September 2011 to legislate in this field had to be withdrawn by the Commission since no common ground could be found among Member States in the Council. The Union started appearing to be literally split in two camps in favor and against an FTT. This situation led to the initiative of just a minority of eleven countries, a coalition of the "willing", to go ahead for introducing the tax in their jurisdictions, using the unusual procedure of an enhanced cooperation, foreseen at the end of the Treaty on the Functioning of the EU. Upon their demand, the Commission tabled a new proposal for a directive in February 2013.

Cornerstones of the proposed directive are the taxation of securities trading and of derivatives. With respect to securities trading (shares and bonds) the proposed rate amounts to 0.1% of the market price, to be paid by financial institutions involved. With respect to Derivatives agreements the proposed rate amounts to 0.01% of the notional amount underlying the product, to be paid by the financial institutions involved. The tax should in principle comprise all markets, all instruments and all actors. It is to be noted that the Council is the sole legislator in taxation matters; therefore, the EU Parliament has just been consulted and gave its consent in order to satisfy the procedural requirements. Since then, Member States have been discussing the matter in intervals at Council level.

Guthke Thorsten

Under the Italian Council Presidency in the second semester 2014, no progress had been made by the governments taking part in the enhanced cooperation. Two years after the Commission's second proposal, the features are still far from being clarified. Member States have to find answers on how to deal with extraterritorial effects of the tax; they need to agree on its collection mechanisms and on the repartition of its potential revenue between the eleven participating countries. The FTT project is of particular interest for the United Kingdom with focus on the enhanced cooperation procedure, as a possible precedent for further projects under such rules. After a first suit filed by the United Kingdom was rejected by the EU Court of Justice for merely formal reasons, another action will be most likely as soon as an FTT should enter into force.

The EAPB is intensely opposing these plans. The current FTT project is far from consensual, since only 11 Member States wish to partake whilst the other 17 are more or less strongly against it. The present scenario of a split Union would increase the participating governments' dependence on financial markets outside the FTT zone and outside Europe. With its broad-based approach, the proposed FTT would negatively impact financial activities that are essential to the functioning of financial markets, and the economy as a whole. Cascading effects would make the effective tax rate of the FTT on securities much higher than the rates named by the Commission. In consequence of these and of extraterritorial effects of the tax, the FTT would result in a significant decrease in market volumes, notably from market-makers, and a massive reduction of derivatives trade. Finally, the FTT is diametrically opposed to the projected Capital Markets Union, as it would massively hamper exactly those activities that the Capital Markets Union aims to stimulate.

Member States so far have been making already some experiences: Sweden had an FTT at national level in the 1980s but abandoned it already in the early 1990s, when parts of its markets had almost grinded to a halt. Following the abolition of the tax, the markets recovered and trading volumes increased again significantly. Currently, only three EU countries have a national FTT in force: France, Hungary and Italy.

The EAPB has sent, together with three other European banking associations, a letter to a broad range of institutional addressees, stressing their concerns about the threats and disadvantages of an FTT. To provide an outlook is difficult; governments are standing by their proposals while realizing the need to achieve a consensus with some substance. Even a minor agreement would be satisfactory to them as they plan to introduce the tax in a tiered approach, building step-by-step on existing over the coming years. The EAPB continues raising its concerns and advocating for more constructive projects instead.

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The fight against terrorism financing

Julien Ernoult

The beginning of 2015 was marked by the terrorist attacks in Paris and Copenhagen and has highlighted the vulnerability of society towards partly "home grown" terrorism and brutality. New developments in the Middle-East where the Islamic State in Iraq and the Levant (ISIL) funds its operations, infrastructure and governance primarily through the exploitation of the territory it occupies, for example by looting banks and exploiting oil fields, have also called for a new response of the International Community.

The EAPB and its members are fully committed to the fight against terrorism financing. During the past decade, the European financial industry has invested considerable resources in measures to support the combat of terrorism financing and more generally the prevention of financial crime. Financial institutions have special dedicated staffs (e.g. Compliance or Anti-Money Laundering Officers) that ensure that all business units are well trained to recognise risks of financial crime. Suspicious transactions are flagged and brought to the attention of public authorities which may use such financial information in their investigations on terrorist activities. In this context the adoption by the EU of a new Directive on anti-money laundering and terrorism financing was timely and brings along new tools that will make the fight against terrorism financing - and financial crime in general- more effective.

The text has been formally approved in spring 2015. On 16 December 2014 the Council of the EU, the European Parliament and the European Commission had agreed on a compromise concerning the new and Fourth Anti-Money Laundering (AML) Directive. The critical issues that needed to be agreed upon were in particular the question of public access to beneficial ownership registers and the treatment of politically exposed persons. On 5th February 2013 the European Commission had published its proposal for a AML Directive. It should be noted that the European Parliament has played an important role in improving the Commission proposal for a Fourth AML/CFT Directive.

The final text brings along some key improvements that will be beneficial for the fight against terrorism financing.

Transparency of complex company structures

First, terrorist networks may use complex company and foundation structures to conceal the financing of terrorist activities. The public register with beneficial ownership (BO) was therefore a key demand of the European Banking Sector, since it allows bringing some light in complex ownership structures. Identifying BOs is one of the most challenging due diligence requirements for banks as they have to collect this information from customers with limited alternative information channels. With the new Directive the ultimate owners of companies will have to be listed in central registers in EU countries, open both to the authorities, obliged entities (incl. banks) and to people with a "legitimate interest". These central registers were not envisaged in the European Commission's initial proposal and faced opposition by several Member States initially, but were included by MEPs in negotiations. While financial institutions will not be allowed to simply rely on information in these registers, they will be, if properly designed, useful in cross-checking information on legal entity customers. The banking sector had also asked for an efficient interconnection between the different national registers. This will be subject to a report that the Commission shall submit in 4 years after entry into force; it shall assess the features of an interconnection via the European central platform established in Article 4a of Directive 2009/101. Such a report may be accompanied by a legislative proposal so there are good chances that the EU can agree on the registers in the future. This interconnection is very important in order for banks to be able to verify EU-wide, interconnected company structures.

Information on Third Countries' deficiencies in the fight against terrorism financing

Further, the new Directive provides for a list of countries having deficiencies in their AML/CFT frameworks. The European Banking Sector called for the text to require the European Commission to provide a list of equivalent jurisdictions in terms of counter terrorism financing (and AML) measures. Separate evaluations of the third countries carried out by the different national regulators or international organisations risk creating confusion for obliged entities, especially for those that run their business in several European countries. Having a high quality and regularly updated list based on the joint analysis and research of the Member States and the European Commission on the legislative AML/CFT frameworks of third countries provides objective criteria that financial institutions can integrate in their AML/CFT programmes. Banks also supported a listing of countries with grave deficiencies in their AML/CFT frameworks ("black list"). Considering that the European Commission proposed abolishing any such lists, the final outcome requiring a black list is to be welcomed. This will provide useful information on weaknesses in certain countries in terms of their effectiveness to cope with terrorism financing and allow European banks to reinforce their vigilance where needed.

New excessive due diligence rules on politically exposed persons

While there are several improvements to the text as mentioned above, it should be stressed that the negotiations on the Fourth Directive have ended with an unfortunate compromise on the provisions concerning politically exposed persons. The final text goes beyond the international FATF Standards by no longer distinguishing between domestic and foreign PEPs and treating all PEPS as high risk, and therefore subject to Enhanced Due Diligence. The European Banking Sector had called for a definition regarding all EU PEPs as domestic and dealing with them on a risk based approach, thus allowing banks to focus their resources on the most risky areas. This had been taken up by the European Commission in its legislative proposal and was supported by the European Parliament. However, the Council feared not to be fully in line with FATF standards if it considered the EU as single jurisdiction, although the EU has on many occasions been recognised by the FATF as precisely that. Since the Commission, on its side, did not accept to discriminate between PEPs in the EU, the trilogue negotiations resulted in these excessive provisions on PEPs that will mobilise many compliance resources of financial institutions. While this will not be completely new for cross-border banking groups, smaller institutions only active in one country are likely to have serious new implementation costs. Banks will also have to check if beneficial owners of customers are PEPs, in which case such legal entities will automatically become high risk and subject to enhanced measures. Being obliged to

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apply enhanced due diligence in potentially low risk situations will not contribute to making the fight against terrorism financing more effective.

Need for a proportionate response to new types of terrorism

Following the terrorist attacks some Member States considered to introduce new measures against terrorism financing in the Fourth Directive but in the end decided not to jeopardise the compromise that had been found in December 2014. Nevertheless several declarations annexed to the adopted text indicate possible new elements that could be part a future political response to the events in Paris and Copenhagen and to the development of a new type of terrorism observed in the Middle-East. In a Declaration by the European Commission and the Council there are calls for speeding up the process of national implementation of the new Directive. The Commission and the Council ask Financial Intelligence Units to further strengthen cooperation on terrorist financing at European level. Moreover the European Commission and the European Supervisory Authorities are asked to address terrorist financing risks via the EU's supranational risk assessment, notably by assessing the risks posed by virtual currencies. More far-reaching measures put forward by individual Member States include setting up of an EU Terrorist Finance Tracking System (TFTS) , in order to use the data on international fund transfers (using the SWIFT system) in combating terrorism, improving the effectiveness of the European system for the detection and freezing of terrorist assets within the EU, the set-up of bank account registries, that would facilitate the work of financial intelligence units and their cooperation; and greater control of anonymous payment instruments, both through reinforcement of reporting requirements on movement of gold, freight transfers and other types of physical capital transfers. The EAPB will closely follow these discussions and bring in its members' experience and expertise to make the response to new terrorism patterns as effective as possible. The dramatic attacks should, however, not lead to a knee-jerk political reaction resulting in a multitude of uncoordinated new measures. The industry must have sufficient time at its disposal to implement the new Directive and some of its new resource-intensive provisions before new measures are adopted. The EAPB therefore welcomes that the FAFTF plans to play a role in coordinating possible new measures. As part of the FATF Private Sector Consultative Forum the EAPB will be pleased to participate in this process.

Exemption for promotional banks from the obligation to provide basic payment accounts

In order to restore consumer's confidence into the financial services sector and to boost cross-border supply of financial services related to payment accounts, the European Commission had proposed a directive on access to payment accounts with basic features, payment account switching and comparability of fees related to payment accounts. The legislative proposal has to be seen as a reaction to the financial crisis and followed extensive – but in the eyes of the European Commission unsuccessful – discussions with the European financial industry on a self-regulatory approach ("soft law").

Susanne Mulch

The Directive regulates three different aspects of payment accounts: the access to payment accounts with basic features ("financial inclusion"), switching of payment accounts and the comparability of fees related to payment account services.

The EAPB advocated for the possibility to exempt promotional banks from the obligation to provide basic payment accounts for consumers, arguing that promotional banks should not be forced to set up an offer of services that they are not already providing and that does not form part of their business model. The European Parliament agreed to the position advanced by EAPB and clearly limited the scope of those obliged to offer basic payment accounts to institutions that operate in general retail payment services and that offer payment accounts as an integral part of their regular business. The EAPB believes that this clear exemption on a European level would have been the preferred option since it would have clearly established a level playing field and expressed the legislator's intention.

However, in the course of the final negotiations, the Council pushed through the demand for more flexibility for Member States. Therefore, the adopted text finally foresees that Member States oblige "all or a sufficient number of credit institutions" to guarantee access to basic payment accounts. Credit institutions which are expressly exempted from the CRD IV may be exempted from the Directive by Member States.

Those promotional banks not exempted from the CRD IV can benefit from another exemption from the Directive which provides for a limitation of scope as regards the types of accounts covered. According to article 1 paragraph 6, the provisions of the Directive only apply to payment accounts through which consumers are able at least to: place funds in a payment account; withdraw cash from a payment account and execute and receive payment transactions, including credit transfers, to and from a third party. In a recital, it is specified that accounts with more limited functions such as savings accounts, credit card accounts where funds are usually paid in for the sole purpose of repaying a credit card debt, current account mortgages or e-money accounts should be excluded (recital 12).

The EAPB believes that this leaves enough room for manoeuvre for Member States to exempt promotional banks from the obligation to offer basic payment accounts. We encourage our members to point to this exemption and especially the corresponding recital in case of discussions with their national ministries in charge of transposing the directive into national law. The European Commission confirmed that those credit institutions not offering the accounts with the functions mentioned in article 1 paragraph 6 of the Directive should be excluded from the scope.

The legislative proposal which had been published by the Commission in May 2013 has been discussed in the European Parliament and among Member States in the Council until reaching an agreement in March 2014. The Directive has been published in the Official Journal of the European Union on 28 August 2014. Member States have to transpose the provisions into national law by 18 September 2016.

Perspectives on the local funding market and new key players in Europe

Alina Gilitschenski

In the European Union, local and regional authorities contribute to 25 % of all public expenditure and play a crucial role for regional development (Eurostat, 2013). Local and regional authorities are responsible for the financing of public and digital infrastructure, kindergartens and hospitals; undisputedly essential facilities for every society. However, in the recent past, funding to local authorities, communes, municipalities and regions in Europe has undergone a remarkable transformation causing fundamental imbalances, but also leaving scope for new players to enter the market. Just like other areas of the financial industry, the local funding market faced great challenges imposed by the global financial crisis. As a matter of fact, the crisis led to a shortfall in local funding due to the resolution of major market participants. Finance provided by other market players was also scarce since the crisis provoked a liquidity crunch making many market actors less likely to lend.

More challenges to local funding arose from the tightening of the regulatory environment as a consequence to the financial downturn. Although the Basel III framework and the Capital Requirements Directive and Regulation were targeted at counterbalancing the repercussions of the crisis, they turned out to curb local financing even more as they came along with a reevaluation of credit ratings of local authorities and municipalities in some countries. In addition to that, the new leverage ratio and strict requirements on liquidity coverage and net stable funding made many market participants change their lending behavior, enforcing higher margins and shorter maturities and thus offering credit conditions which local authorities could only hardly agree upon. This resulted in a situation of insufficient credit supply for local funding.

Despite of the challenges related to the financial crisis and the strict regulatory framework, a new consciousness arose and moved existing best-practice models of local finance provision further into the spotlight. One important best-practice model can be found in Germany, where public banks act as communal financiers, in particular in the provision of long-term loans that are strongly demanded by local authorities for their investment needs. During the financial crisis, this model proved to sustain robust or even increasing volumes of long-term loans, counterbalancing the private bank trend of lowering the long-term loan volumes. According to the German Central Bank, approximately 80% of communal loans granted by German public promotional banks run with a maturity of more than 5 years, while only 40% of communal loans from private banks exhibit the same maturity level. Hence, the well-established German "Förderbanken-model" becomes indispensable in times of crisis and tightening regulation. Another promotional bank model recently emerged in France with 'La Société de Financement Local (SFIL)' where a new key player for local finance was created in 2013. It was purposely established by the French government in order to meet the risk of a market failure on the local funding market in the aftermath of the financial crisis. This new French public bank is entrusted with covering the medium- and long-term financing needs of French local authorities and public health entities whose credit demand is even considered to grow in future years (EU Commission Decision C(2012) 9962). The smooth market entry of this new player proves of the added value it brings to the local funding market in France.

Another successful best-practice in local funding is performed by municipal credit agencies as can be found in Denmark, The Netherlands, Norway, Sweden and Finland. Such "Nordic model" types of agencies often have a cooperative structure offering municipalities in their country to join the agency as members. The credit agencies aggregate the demand for funding of their member municipalities and issue bonds on financial markets raising the capital requested to satisfy the municipalities' financial needs. A particular feature of a "Nordic model" type agency is that it works within the scope of a mandate prescribing it a narrow set of activities that are targeted to support municipalities and local authorities in their financial operations. This model of local funding is marked by great benefits; in particular to small or medium-sized municipalities that otherwise would have no access to financial markets. The structure of such municipal credit agencies causes economies of scale reducing administrative costs for each involved municipality, the more municipalities engage as members in the agency. Participating municipalities are made jointly accountable for defaults, but overall credit default risk is limited and the pooling of funding needs allows reaching considerable emission volumes and constant liquidity flows. In particular in Denmark, Finland and Sweden, over 90% of the municipalities are represented in a municipal credit agency. In these countries, local governments experienced virtually no real-term contraction during the financial crisis, even if losses were suffered on the general government level (Council of Europe, 2011). This fact does not only reflect the economic soundness of local authorities in Scandinavian countries, but also underlines the important role played by municipal credit agencies providing for sufficient liquidity to be used for municipal finance. The success of the "Nordic model" is also confirmed by the fact that entities with a similar model arise elsewhere in Europe. A new actor recently emerged in France which started to be operative in 2014 aiming to have as members around half of the French local authorities on a long term perspective. Another similar development can be currently observed in the United Kingdom where a municipal bonds agency was created starting its financing activities in 2015.

With well-established and newly emerging key players, the European local funding market continues to transform even in the aftermath of the financial crisis. Given the crucial role that public promotional banks and municipal credit agencies played in the provision of local finance during the crisis and in view of decreasing credit supply to local authorities from private sector banks, it becomes obvious that the importance of established and new local finance providers will grow. Their contribution to local and regional development is essential and should thus not be reduced by additional regulatory burden if continuous and stable growth rates in Europa shall be upheld. Therefore, the EAPB will continue advocating the specific business models of public banks providing local finance as well as an appropriate legal framework in the light of the concretisation of an EU Banking Union and the formation of an EU Capital Markets Union.

FinEn- INTERREG IVC Project: EAPB exchanged experiences on Financial Engineering with 12 EU Member States

Elke Nass Tønnessen

Introduction

During 2012-2014, the EAPB participated in the FIN-EN project - sharing methodologies on Financial Engineering for enterprises, co-financed by the European Regional Development Fund (ERDF) under INTERREG IVC. FinEn established a network of regional and national institutions coming from 13 different EU Member States and promoted the exchange of experience with a cross-section of Financial Instruments in both Convergence and Competitiveness Regions, and provided a comprehensive overview of the strengths and weaknesses of such instruments in practice. Together with partners from Denmark, France, Germany, Greece, Hungary, Italy, Lithuania, Portugal, Slovenia, Spain, United Kingdom and Bulgaria, in total managing 45 Financial Instruments (FIs) under 2007-2013 Structural Funds programmes, worth a total budget of circa 3,5 billion euro, without the support of the European Investment Fund (EIF), members of the EAPB had the opportunity to participate in a range of activities aimed at enhancing co-operation among EU regions on the implementation of Financial Instruments (FIs) under EU Structural Funds and identifying concrete solutions on common issues related to the overall life cycle of FIs.

Project activities

Since the launch of the network in 2012, a series of networking and exchange of information activities have taken place. As a first step, a comprehensive database of information on the 45 Financial Instruments (FIs) operated by the partners was developed. The updatable database describes the main quantitative and qualitative characteristics of the instruments which represent the basis for the exchange of experience between partners. Three Thematic Working Groups were set up to examine and report on the programming, implementation and monitoring phases of operating FIs, identifying main critical problems and related good practices. In addition, study visits have been held in Lisbon, Auvergne and North-West England, and the mid-term conference took place in Auvergne (December 2013). The main recommendation of the work of the partnership is compiled in the 'Guidelines for the Implementation of Financial Instruments' which were presented and debated during the final conference in Brussels in November 2014 with stakeholders from the EU institutions and national authorities from all over Europe.

The Guidelines illustrate the main findings of the FIN-EN networking activity: the first part considers the 'lifecycle' of FIs and deals with aspects of programming, implementation and monitoring which are essentially common to all FIs; the second part reviews each type of financial instrument in turn, considering issues that are specific to that form of intervention. Each section has been structured to consider the 2007-2013 contexts, the experience of FIN-EN partners, with particular reference to the good practices identified; and the new rules and regulations for 2014-2015.

Project conclusion and perspectives for the future

The partnership concentrated the analysis of FIs on forms of Equity, Loans, Guarantees and combinations of FIs (CFI) and with grants and other forms of assistance. Equity instruments turned out to be of high efficacy at the price of high costs, time and effort. Loans were identified as inefficient due to burdens for the beneficiaries in form of red tape and the collateral required. Guarantees which proved to be the most common form of co-financed FIs were identified by high efficiency and the highest levels of leverage. On the other hand, combined FIs, proved to be the most popular type of FI among FinEn partners and covered a wide range of combinations. FinEn partners classified combined FIs as being very attractive, but complex to implement due to regulatory and operational issues. However, CFIs represent a good way of introducing flexibility to FI implementation. The need for flexibility during the programme period has been a key issue among FinEn partners. Experience in 2007-2013 has shown that both 'need' and 'economic context' can change in the framework of a seven-year period and so consequently should the FIs.

The Structural Funds programmes for 2014-2015, introduce new regulations which provide greater clarity and certainty on the use of FIs. There are new provisions that must be adhered to in the regulations, particularly relating to monitoring and reporting. FIs must be adapted to the new State Aid requirements, and there is increased pressure on all projects and instruments funded under European Structural and Investment Funds, ESIF, to be able to demonstrate the impact they have achieved.

FIN-EN partners have discussed many of these issues and shared possible solutions, such as how to ensure flexibility and the ability to adapt FIs to changing market conditions, how to combine different instruments to produce successful levels of outputs while still being able to address niche markets, combining instruments to ensure sustainability of the FI portfolio, effective means of monitoring, and how to communicate FI achievements to a wider audience.

Further challenges have been identified by partners: finding effective ways to incentivise fund managers while ensuring value for money, ensuring effective leverage and involving the private sector to a greater degree, and calculating the leverage effect. In this regard, the FIN-EN partners would welcome common provisions at EU level to calculate leverage effect, providing a common standard allowing reliable benchmarking and comparisons between regions.

The EAPB and its members participating in the project became part of a European network and benefited from the broad exchange of experience with stakeholders from other European regions. Most members could consolidate their experiences and enable important cross border cooperation. The EAPB is determined to continue the network and analyse further future cooperation.

FinEn partners:

- Finlombarda SpA. (Italy) – Lead Partner with endorsement of Lombardy Region
- European Association of Public Banks A.I.S.B.L. (Belgium)
- Agencia IDEA - Agencia de Innovación y Desarrollo de Andalucia - Agency for Innovation and Development of Andalucía, IDEA (Spain)
- Nemzetgazdasági Minisztérium - Ministry for National Economy, Deputy State Secretariat Responsible for Implementing Economic Development Programs, Managing Authority (previously the National Development Agency, Operational Programme for Economic Development Managing Authority) (Hungary)
- Conseil Régional d'Auvergne - Regional Council of Auvergne (France)
- SID – Slovenska izvozna in razvojna banka, d.d. -SID Bank (Slovenia)
- VAS Latvijas Attīstības finanšu institūcija Altum - Latvian Development Finance Institution (Latvia)
- UAB Investiciju ir verslo garantijos – Investment and Business Guarantees Ltd.- INVEGA (Lithuania)
- Region Midtjylland - Central Denmark Region (Denmark)
- Wirtschafts- und Infrastrukturbank Hessen - WIBank (Germany)
- Hellenic Fund for Entrepreneurship and Development SA - ETEAN SA (Greece) (until July 2013)
- Autoridade de Gestao do COMPETE, Programa Operacional Factores de Competitividade – Managing Authority of COMPETE/POFC (Portugal)
- North West Competitiveness Operational Programme, Department for Communities and Local Government (England, UK)

The following institutions were involved as Observers:

- Bulgarian Development Bank (BDB) (Bulgaria)
- Investitionsbank Berlin (IBB) (Germany)
- Bank of Valletta p.l.c (Malta)

Financing European energy efficiency – report on EEFIG activities

On the occasion of the EAPB State Aid and Development Committee meeting in November 2013, EAPB members expressed the wish the EAPB to become involved in the Energy Efficiency Financial Institutions Group (EEFIG) stakeholder working group. The EAPB participated in this process from the very first moment of EEFIG's creation and offered EAPB members the opportunity to contribute to the ongoing EEFIG work, e.g. by presenting the members' best practices in the field of energy efficiency financing.

EEFIG was established as a permanent working group by the European Commission, as a result of the dialogue between the Directorate-General for Energy ("DG Energy") and the United Nations Environment Programme Finance Initiative ("UNEP FI"), as both institutions are engaging with financial institutions to determine how to overcome the well documented challenges inherent to obtaining long-term financing for energy efficiency.

After several working group sessions in which the EAPB was involved, first the EEFIG interim report "Energy Efficiency – the first fuel for the EU Economy – How to drive new finance for Energy Efficiency Investments" dealing with the buildings sector was finalised in the beginning of April 2014.

Germaine Klein

The second step, the EEFIG final report, was presented to the public in February 2015 during the "International Conference on Heating and Cooling" hosted by the European Commission's Directorate General for Energy in Brussels. The final report identifies critical success factors, policies, market instruments and financing solutions to increase energy efficiency investments in Europe in the buildings, industry and SME sectors and is based on EEFIG's interim report from April 2014. The work of EEFIG gathered over 120 expert participants from various fields who jointly worked on the compilation of the report.

As a next step, the report is disseminated on Member State level in the context of local events. Moreover, a follow-up on EEFIG's recommendations is expected by the Commission Services.

Section III:

Overview of the EAPB Meetings

Compliance Committee

In the past year two meetings of the Committee took place, on 27th February 2014 and on 5 March 2015 in Brussels. At the first meeting, Mr. Zsolt Nagygyörgy, Compliance Officer at the Hungarian Development Bank (MFB) presented the newly established Securities and Markets Stakeholder Group (SMSG) of the European Securities and Markets Authority (ESMA), meant to facilitate the consultation with stakeholders in areas relevant to ESMA's work. He offered the possibility to provide input to the work of ESMA on compliance and other issues via his position in the ESMA Stakeholder group. The members of the Compliance Committee further discussed the new and Fourth Directive on the prevention of the use of the financial system for the purpose of money-laundering and terrorist financing. The Committee also discussed EU activities with regard to the internal product approval process and the role of the compliance function, data protection regulation as well as EU rules on financial benchmarks.

At the second meeting, the EAPB invited Mr. Gerhard Hütz, Director General and EuropeanInvestment Bank (EIB) Group Chief Compliance Officer, to present the EIBs internal compliance structure and a case-study to highlight the main compliance procedures. The Committee further exchanged best-practices and experiences with EIB compliance staff on internal anti-money laundering/counter terrorism financing procedures, the implementation of sanctions against Russia as well as on FATCA implementation aspects. The participants were further informed on recent developments regarding revised corporate governance principles for banks issued by the Basel Committee and how it affects the compliance function.

Legal Committee

In 2014 the Legal Committee held one meeting in Brussels on 28 February.

The main focus was on the regulatory role of the European Banking Authority (EBA) with regard to several level-II-measures that are being issued by the authority. Therefore, the EAPB had invited the Head of Legal Affairs Unit of the EBA, Jonathan Overett Somnier, to report on the several competences that are attributed to the EBA in this regard. Further, the EAPB reported on remuneration issues, the state of play as regards collective redress, the Crisis Management Directive and the Single Resolution Mechanism as well as consumer protection issues in MiFID II.

State aid and Development Committee

The State aid and Development Policy Committee met twice in 2014/2015. The first Committee meeting took place on 20 May 2014 in Brussels. On the occasion of the meeting Barbara Cattrysse, DG Competition of the European Commission gave a presentation on the modernisation of State aid law and its impact on access to finance. Ms Catrysse presented three recent key modernisation projects in the field of State aid law and its impact on access to finance: the new de-minimis regulation, the review of the General Block Exemption Regulation and the new risk finance guidelines. Following the presentation, participants discussed several elements of the State aid modernisation package and had the opportunity to exchange experiences in the field of State aid implementation. Another topic on the agenda was the Energy Efficiency Financial Institutions Group (EEFIG). Bettina Dorendorf, DG Energy of the European Commission gave a presentation on the current state of play concerning EEFIG. Following the presentation a discussion among the EAPB members took place. Finally, Chiara Denti, Finlombarda, presented a resume of the FinEn – Sharing Methodology on FINancial ENgineering for Enterprises – project. She explained the project structure with activities and objectives as well as the composition of the partnership. The meeting finished with information on the European Commission's preparations of the Financial Instruments – Technical Advisory Platform – (FI-TAP).

The second meeting took place on 27 February 2015 in Brussels. On this occasion a presentation on COSME Financial Instruments was given by Astrid Bartels, DG Growth of the European Commission and Paul Samsonoff, European Investment Fund, EIF. Ms Bartels and Mr Samsonoff presented the key features of the new COSME instrument. The second topic on the agenda was a presentation on Horizon 2020 / Innovfin which was given by Jean-David Malo, DG Research of the European Commission together with Mr Samsonoff. They presented the key features of the new instrument. COSME is complemented by financial instruments under the Horizon 2020 InnovFin SME Guarantee Facility, focusing on research and innovation. Participants discussed the new instruments. After these presentations, the Secretariat reported on the state of play regarding the set-up of the European Fund for Strategic Investments (EFSI) in the framework of the EU Investment Plan. Furthermore the Secretariat provided an up-date on Long-Term Financing and related issues. Paolo Zaggia, Finlombarda gave a short overview concerning the main findings and recommendations following the FIN-EN project. In the end of the meeting, a possible INTERREG VC Cooperation project was discussed and the Open Days 2015, in terms of identifying possible topics, was dealt with.

In addition, several ad-hoc sessions were organised to allow for an exchange with recently created promotional banks and agencies. Representatives were invited from the British Business Bank, the UK Green Investment Bank, the French BPI France, the new Portuguese Finance Institution Instituição Financeira de Desenvolvimento, the French Agence France Locale and the Strategic Banking Corporation of Ireland.

Capital Markets Committee

EAPBs Capital Markets Committee met on June 18, 2014 in Brussels. The agenda included contributions from Mr Martin Mitov, from the European Commission and Ms Amandine Zelenko, from the European Securities and Markets Authority (ESMA). Mr Mitov delivered a presentation on the proposal for regulation on the transparency and reporting of securities financing transactions. Mr. Mitov stressed out the importance of the proposal to improve transparency. Ms Zelenko presentation focused on "EMIR Transaction Reporting". Requirements, procedures and features of EMIR were thoroughly presented. Vivid debates invariably followed the presentations.

Internal Audit Committee

EABP's meeting on Internal Audit took place in Brussels on June 24, 2014. Ms Maria Roguelova, policy officer at the European Commission delivered an update on the new regulatory framework on statutory audit. Ms Roguelova introduced the objectives of the reform and described the legislative process.

Mr Marc Pickeur, senior advisor at the National Bank of Belgium and member of the International Auditing and Assurance Standards Board (IAASB), presented IAASB's work in 2013 and its strategy for the period 2015-2019.

Mr Hermann Schmid, LfA Förderbank, delivered a presentation on "The role of Internal Audit in the standard project process". Mr Schmid elaborated on the general project process from the auditor's perspective.

The agenda included a contribution from Mr Maciej Piolunowicz, Director of Internal Audit Department at Bank Gospodarstwa Krajowegov (BGK). Mr Piolunowicz presentation focused on the importance of exchange of best practices and experience between peers.

Economic and Financial Affairs Committee

EABP's Economic and Financial Affairs Committee met in Brussels on November 21, 2014. The meeting brought together over 20 delegates from both the Banking industry and the Brussels (EU) policy circle. The meeting was attended by Geert Hoedemaker from the Dutch Central Bank, who provided valuable insights to the group participants.

The agenda included an update on EAPBs activities and a discussion around the EBA technical meeting on the report on AT1 instruments. A thematic roundtable was held to discuss the Public sector entity (PSE) classification of public sector banks.

Members who participated had the opportunity to follow discussion and contribute on:

- The European Commission Delegated Act on ex-ante contributions to the resolution financing arrangements under the Bank Recovery and Resolution Directive
- The Delegated Act on the Liquidity Coverage Ratio.

The agenda included contributions from Pedro Castedo Bartolome, Adviser at the European Central Bank and Tim Segboer, ALM Manager at Bank Nederlandse Gemeenten. The presentations were concluded with a vigorous discussion between guest speakers and the present EAPB members.

Section iv:

Overview of major events and developments

Major Events of the Association in 2014/2015

6 May 2014
EAPB Chief Economist Meeting at the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands – VÖB) in Berlin, Germany

On Tuesday, 6 May 2014, the EAPB held its 9th Chief Economist Meeting at the premises of the Association of German Public Banks in Berlin. The meeting was opened by EAPB Secretary General Marcel Roy and moderated by Ms. Lena Bäcker who is a representative from the Swedish Ministry of Finance and a board member at Örebro University in Sweden. The meeting offered very fruitful contributions by Executive Managing Director of the Association of German Public Banks Prof Dr Liane Buchholz who held a speech on “Public Banks in Germany: Drivers of sustainable economic growth” and by the Deputy Head of Markets Department of the German Central Bank, Mr. Henner Asche, with a highly topical speech on "Monetary policy implementation in a low interest rate environment". Moreover, Member of the German Parliament Dr. Carsten Sieling delivered a speech in which he presented the German perspective on banking regulation. The meeting’s participants included chief economists from 12 different EAPB member institutions, such as a representative from the European Investment Bank (EIB). In addition to the excellent speeches, the gathering gave participants and speakers a unique platform for dialogue and professional exchange with colleagues from different European public banks. A 10th Chief Economist Meeting is foreseen for 2015.

19 May 2014
Technical Workshop on EU Financial Instruments at the Federal State Representation of Hesse to the European Union in Brussels, Belgium

On Monday, 19 May 2014, the EAPB held a technical workshop on EU financial instruments at the German federal state representation of Hesse to the European Union in Brussels. The workshop took place on the day prior to the EAPB State Aid and Development Committee and was attended by 40 experts from EAPB member institutions acting as delegates from their institution to the State Aid and Development Committee. Aim of the workshop was to provide the delegates with thorough and practical information on new EU financial instruments, such as with details on the application and selection processes for financial intermediaries and implementation and reporting requirement of financial instruments. To this end, the EAPB invited specialists from European Institutions to share their insight with the participants. The European Commission was represented by Mr Georg Raab from Directorate General on Enterprise and Industry (DG

Section IV

Enterprise) who gave a presentation on financial instruments under the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), by Mr Thomas de Bethune from Directorate General for Regional and Urban Policy (DG Regio) who elaborated on the conditions for financial instruments under structural funds programmes and by Mr Giovanni Garcea from Directorate General for Economic and Financial Affairs (DG ECFIN) who presented the SME Joint Instrument. Furthermore, contributions were made by Mr Olivier Edelman from the European Investment Bank (EIB) who outlined the new Mid-Cap Initiative (MCI) financial instrument under the Horizon 2020 facility and by Mr Luis Amaro and Mr Vincent van Steensel from the European Investment Fund (EIF) giving an implementation update on the Risk Sharing Instrument (RSI). The highly technical focus of the workshop and in-depth question and answer sessions after the presentations created a great added value to the participants, in particular in view of the new 2014-2020 programming period of the EU Commission.

13 June 2014
EAPB General Assembly at Bank Nederlandse Gemeenten (BNG) in The Hague, Netherlands

On Friday, 13 June 2014, BNG Bank hosted the bi-annual EAPB General Assembly in The Hague. Chief Executive Officers (CEO) and Board Members from 24 EAPB member institutions came together for this event. The General Assembly was opened with a welcome speech by EAPB Vice-President Mr Søren Høgenhaven and a key note speech by Prof Dr Paul Hilbers from the Dutch Central Bank. Consequently, partial elections were held in order to establish a new EAPB President and Vice-President and to fill two vacant positions in the EAPB Administrative Board. Mr Ron Walkier, CEO of Nederlandse Waterschapsbank (NWB) was elected as President and Mr Klaus Neuhaus, CEO of NRW.BANK, as Vice-President of EAPB. The two vacant Administrative Board seats were filled with the appointment of Ms Prof Dr Liane Buchholz, Executive Managing Director of the Association of German Public Banks (VÖB), and Mr Csaba

Nagy, CEO of the Hungarian Development Bank (MFB). The other EAPB Administrative Board members in office between 19 December 2012 and 19 November 2014 were EAPB Vice-President Mr Søren Høgenhaven and CEO of Kommunekredit, Mr Geurt Thomas, Director at BNG Bank, Mr Tomas Werngren, CEO of Kommuninvest Sweden, Mr Matthias Wierlacher, CEO of Thüringer Aufbaubank (TAB) and since 26 November 2013, Mr Dimo Spassov, CEO of the Bulgarian Development Bank (BDB).

The new EAPB President Mr Ron Walkier commented on the challenges lying ahead for public banks in Europe stating that the business model of public financial institutions was suffering from the new EU capital and liquidity rules originally designed for preventing commercial banks from excessive risk-taking. Mr Walkier added that the new rules were not sufficiently calibrated and that there was the risk that a 'one size fits all approach' would produce inefficiencies and unnecessary constraints for public sector banking. He emphasized that these aspects should be considered in the fine-tuning of the rules. The General Assembly also served as an excellent opportunity to welcome 4 public banks as new ordinary EAPB members. In this context, Landwirtschaftliche Rentenbank from Germany, Staatsbank für Baden-Württemberg (L-Bank) from Germany, Société de Financement Local (SFIL) from France and Institut Catalá de Finances (ICF) from Spain acceded to the EAPB. To mark the occasion, BNG Bank kindly organised a festive reception at the 13th century historic site of Duivenvoorde Castle in South Holland.

5 June 2014
90th Anniversary Conference by Bank Gospodarstwa Krajowego (BGK), in Warsaw, Poland

The EAPB was invited to participate as a speaker in the 90th Anniversary Conference organized by Bank Gospodarstwa Krajowego (BGK) on the 5th of June 2014 in Warsaw, under the patronage

of the President of the Republic of Poland, Mr. Bronislaw Komorowski.

The conference gathered nearly 250 high-level officials from the Polish Government, local and regional authorities, public agencies and the banking sector, as well as international guests from multilateral financial institutions, public banks and their associations.

The conference dealt with the topic of financing of infrastructure projects, with a focus on models employing public banks' support. Marcel Roy, Secretary General of the EAPB, delivered a presentation on the role of public banks' in fostering growth, in particular via the provision of long-term financing. Mr Roy stressed the importance of public banks as well-tested and effective institutions in supporting regional and national economies, particularly in times of economic slow-down. For a detailed overview of the conference please click here.

17 September 2014
Ad-Hoc CEO Meeting on ECB Direct Supervision at the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands – VÖB) in Berlin, Germany

On Wednesday, 17 September 2014, the EAPB organised an Ad-Hoc CEO Meeting for EAPB members under direct supervision of the European Central Bank (ECB). The meeting was scheduled in the context of ECB's publication of the list of significant credit institutions in Europe and was hosted by the Association of German Public Banks in Berlin (VÖB). The exchange between those EAPB member institutions directly affected by ECB's supervisory activities and EAPB and VÖB staff proved as very useful, in particular in the light of the supervisory dialogues with banks on partial and preliminary asset quality review (AQR) and stress test results which were held around the same time in autumn 2014. As of 4 November 2014, the ECB took over the responsibility in the supervision of 120 banks in Europe which represent 82% (by assets) of the euro area banking sector. This step marked the end of a lengthy preparation period including in-depth examinations of the resilience and balance sheets of Europe's biggest banks and is considered as essential cornerstone in the creation of the EU Banking Union.

8 October 2014
EAPB participates at the Open Days – 12th European Week of Regions and Cities – at the Committee of the Regions in Brussels, Belgium

On Wednesday, 8 October 2014, the EAPB held a conference on the European INTERREG IVC Project "FIN-EN Sharing Methodologies on Financial Engineering for Enterprises" (www.fin-en.eu) on the occasion of the Open Days 2014. The Open Days is a series of around 100 seminars, workshops, networking opportunities and debates to which the EAPB contributes every year and 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 Open Days allow various European stakeholders to present the results of their programmes and projects, such as FIN-EN, showcasing the impact these projects have on European regional development.

The FIN-EN project, co-financed by the European Regional Development Fund (ERDF), established a professional network of 13 regional and national institutions from 13 different EU member states that managed 45 financial instruments during the programming period 2007 – 2013, worth a total budget of around 3.5 billion EUR. The main goals of FIN-EN were to promote interregional exchange of experience with financial instruments, provide an overview of strengths and weaknesses in the implementation of such instruments and to maximize the use of EU funds by increasing the leverage effect and by stimulating private co-investment.

The audience summed up to 60 participants coming from the European Commission, public financial institutions, national and regional representations to the European Union, academia, think tanks and European associations.

The highlight of the conference was the panel debate on "The challenges of using Financial Instruments in Structural Policy 2014-2020" with outstanding panelists including Dr Rudolf Niessler, Director at the European Commission's Directorate General for Regional and Urban Policy (DG Regio), Member of the European Parliament Ms Constanze Angela Krehl, CEO of the company "Perfect Memory" Mr Steny Solitude, Mr Giorgio Martini from the Italian Ministry of Economic Development, and two FIN-EN project partner institutions represented by Mr David Read from the Department of Communities and Local Governments in Great Britain, as well as Mr Francisco Nunes from Compete Managing

Authority in Portugal discussing the added value for access to finance for European Enterprises created by the FIN-EN project.

5 November 2014
EAPB participates at Final Conference of the InterReg IVC project FIN-EN

On Wednesday, 5 November 2014, the European INTERREG IVC Project "FIN-EN Sharing Methodologies on Financial Engineering for Enterprises" (www.fin-en.eu) was concluded in Brussels with a final conference on "Financial Instruments in European Regional Policy" that took place at the Committee of the Regions (CoR) of the European Union.

With over 150 participants, the final conference reached a wide audience. It was organized by the FIN-EN project's lead partner Finlombarda and chaired by EAPB Secretary General Marcel Roy representing the EAPB which participated in the project as partner. The final conference brought together representatives from all project partners, the European Commission, the European Parliament, regional and national managing authorities as well as academia discussing the main outcomes of FIN-EN and elaborated on challenges and opportunities in the light of the new programming period 2014 – 2020 of the European Union. Amongst others, Secretary General of the Committee of the Regions, Jiří Buriánek, Director Rudolf Niessler from the EU Commission's Directorate Generale for Regional and Urban Policy (DG Regio), Member of the European Parliament Lambert van Nistelrooij, President of Finlombarda, Ignazio Parrinello, Representative in charge of Regional Policy from the Permanent Representation of Italy, Rossella Rusca and Lombardy Region Representative, Olivia Postorino, participated in the conference's debates and shared their views with the participants.

In the opening session, EAPB Secretary General Marcel Roy highlighted in his position as a chairman: "The FIN-EN project, in which EAPB and a number of its members have participated, has provided us with many valuable suggestions on how to optimize the use of public resources under Cohesion Policy. EAPB and its members look forward to continuing their excellent cooperation with the EU institutions and the Regions for the programming period 2014 – 2020 and hope to successfully contribute to the implementation of the new financial instruments thanks to their long-standing experience in this field."

18 November 2014
EAPB Annual Event on "The Role of Public Development Banks in Europe" in Brussels, Belgium

On Tuesday, 18 November 2014, the EAPB organised its annual event at the Sofitel Hotel in Brussels. The event was held on the eve of the EAPB General Assembly and was dedicated to emphasise "The Role of Public Development Banks in Europe". The event was chaired by three distinguished Members of the European Parliament (MEPs), Mr Peter Simon (S&D) from Germany, Mr Ramon Tremosa I Balcells (ALDE) from Spain and Mr Georgios Kyrtsos (EPP) from Greece. Mr Simon is the Vice-Chair to the Economic and Monetary Affairs Committee of the European Parliament (ECON) and both, Mr Tremosa I Balcells and Mr Kyrtsos, are members of the ECON. Over 160 guests accepted the invitation to the annual event, amongst which there were renowned representatives from EU institutions, Chief Executive Officers (CEOs) from EAPB member entities and official representatives from EU member states such as other European stakeholders.

The evening was opened with a welcome note from EAPB President Ron Walkier and MEP Peter Simon. It offered a platform to 4 EAPB member institutions to present their business model to the audience emphasising the value-added their banks bring to their regions and states. These presentations were held by Mr Hans J. A. Leenaars, Member of the Executive Board at Bank Nederlandse Gemeenten in Netherlands, Mr Matthias Wierlacher, CEO at Thüringer Aufbaubank in Germany, Mr Csaba Harsányi, Office Director of the Brussels representation of Hungarian Development Bank and Mr Josep-Ramón Sanroma I Celma, CEO at Institut Català de Finances in Spain. Subsequently, the presenters participated in a panel debate on "The Role of Public Development Banks in Europe" in which they were joined by MEP Peter Simon, MEP Ramon Tremosa I Balcells and Dr Rudolf Niessler, Director at DG Regio of the European Commission. The debate was moderated by Mr Detlef Fechtner who works as EU-Correspondent for the German news journal Börsenzeitung. After a question and answer session with interesting contributions from the floor, the event was finalised with closing statements from MEP Georgios Kyrtsos and EAPB President Ron Walkier. As a finishing touch to the event, all speakers and participants were invited to a festive dinner in the reception area of Sofitel Hotel.

19 November 2014 EAPB General Assembly in Brussels, Belgium

On Wednesday, 19 November 2014, the EAPB held its bi-annual General Assembly at the Sofitel Hotel in Brussels. On this occasion, Chief Executive Officers and Board Members from 27 EAPB member institutions gathered. In the light of the new European Commission which was officially inaugurated in November 2014, the key note speech was delivered by Miguel Gil-Tertre, Cabinet Member of Jyrki Katainen, on the topic of the "Investment Plan for Europe". Afterwards, the General Assembly held its regular elections of the EAPB President, the two Vice-Presidents and six Administrative Board Members preventing a continued staggered election after the partial election at the General Assembly in June 2014. The General Assembly reconfirmed Mr Ron Walkier, CEO at Nederlandse Waterschapsbank (NWB) and Mr Klaus Neuhaus, CEO of NRW.BANK, in their positions as EAPB President and Vice-President. Furthermore, Mr Tomas Werngren, CEO of Kommuninvest Sweden, was appointed EAPB Vice-President after many years of active engagement in the EAPB Administrative Board.

Together with the EAPB President and the Vice-Presidents, the EAPB Administrative Board was joined by two new EAPB members, Mr Philippe Mills, CEO of Société de Financement Local (SFIL), and Mr Josep-Ramon Sanromà I Celma, CEO of the Managing Board of Institut Catalá de Finances (ICF). EAPB Administrative Board Members Ms Prof Dr Liane Buchholz, Executive Managing Director of the Association of German Public Sector Banks (VÖB), Mr Csaba Nagy, CEO of Hungarian Development Bank (MFB), Mr Matthias Wierlacher, CEO of Thüringer Aufbaubank (TAB) and Mr Dimo Spassov, CEO of Bulgarian Development Bank (BDB) were also reconfirmed in their position by the General Assembly.

At the same time, the context of the General Assembly was used to give farewell to outgoing EAPB Administrative Board Members Mr Søren Høgenhaven, CEO of Kommunekredit, and Mr Geurt Thomas, Director at BNG Bank. The EAPB expresses its gratitude to Mr Høgenhaven and Mr Thomas for an excellent cooperation and wishes them all the best.

The EAPB General Assembly reconfirmed the crucial importance of the activity of public banks in Europe, in particular in the context of the new programming period in the EU and the implementation of EU Commission President Juncker's "Investment Plan for Europe".

28 January 2015 EAPB Delegation Visit at the European Central Bank in Frankfurt/Main, Germany

On Wednesday, 28 January 2015, the EAPB organised a delegation visit to the European Central Bank (ECB) in Frankfurt/Main in Germany. For this visit, EAPB President Mr Ron Walkier, EAPB Vice-President Mr Klaus Neuhaus and EAPB Secretary General Mr Marcel Roy were received at the Japan Centre in Frankfurt were they had the opportunity to meet Mr Ramón Quintana, Director General for Micro-Prudential Supervision II (DG-MSII) of the ECB, Mr Paolo Corradino and Mr Rolf Klug, both Deputy Directors General at DG-MSII. Aim of the visit was to depict the concerns of public banks in view of a tight regulatory environment and banking supervision establishing at the same time a high-level dialogue between ECB and EAPB. The exchange with the representatives from Directorate General for Micro-Prudential Supervision II of the ECB proved to be very valuable to both parties and offered an excellent opportunity to present the work of EAPB towards the Central Bank. A continuation of exchange between EAPB and ECB representatives shall be maintained in the future.

Section v:

Key activities and developments

Key EAPB activities for 2014/2015

EAPB comment letters and position papers:

1.	EAPB Position paper on the European Commission's second draft for a General Block Exemption Regulation on state aid measures	12 February 2014
2.	EAPB Position paper on the European Commission's Draft Guidelines on environmental and energy State aid for 2014-2020	14 February 2014
3.	EAPB Position paper on the paper of the services of DG Competition containing a draft Framework for state aid for on research and development and innovation	17 February 2014
4.	EAPB position on the report "Should IFRS standards be more European?" Mission to reinforce the EU's contribution to international accounting standards	24 February 2014
5.	EAPB Position paper on the Notice on the notion of State aid	24 February 2014
6.	EAPB Position paper on liquidity and on the forthcoming European Commission delegated act	31 March 2014
7.	EAPB Comments on the ESMA consultation paper on CRA3 implementation	11 April 2014
8.	EBIC comments on FATF RBA guidance	14 April 2014
9.	EAPB comments on DG ECFIN request for information on national and regional promotional banks' business models, regulatory aspects and cooperation	30 April 201
10.	EAPB Position paper in follow-up to the lcr-lr hearing of the EU Commission	31 March 2014
11.	Structural features of Public Promotional Banks	18 June 2014
12.	EAPB Position paper on the forthcoming European Commission delegated act on the level 2 measures on contributions to the resolution fund under SRM/BRRD	17 July 2014
13.	EAPB Position paper on the forthcoming European Commission delegated act on the level 2 measures on contributions to the resolution fund under SRM/BRRD	21 July 2014
14.	Discussion paper (DP/2014/1): Accounting for Dynamic Risk Management	17 October 2014
15.	4th EU Anti-Money Laundering Directive: EBIC views on the treatment of (domestic) Politically Exposed Persons (PEPs)	20 November 2014
16.	Comments on the Consultative document of the Basel Committee on Banking Supervision on Corporate governance principles for banks	9 January 2015
17.	EAPB concerns regarding the proposed definition of National Promotional Banks and Institutions in EFSI regulation	16 March 2015
18.	EAPB position paper on the Basel Committee for Banking Supervision Consultation Paper "Revisions to the Standardised Approach for Credit Risk" (BCBS 307)	27 March 2015

EAPB contributions to comment letters and position papers from the European Banking Industry

1.	EBIC comments on FATF RBA guidance	14 April 2014
2.	EBIC views on key issues for the trilogue discussions on the proposed 4th Anti-Money Laundering Directive between the European Parliament, the Council and the European Commission	1 October 2014
3.	EBIC position paper on Long-term financing of the EU economy	17 November 14
4.	EBIC position paper on Draft guidelines on product oversight and governance of the European Banking Authority	15 February 2015

EAPB participation at expert groups

EAPB delegate as expert in EU Commission Expert Group fi-compass

Mrs Irene Schucht from the Investitionsbank Berlin (IBB) was appointed as an expert of the Commission's new Expert Group providing advice on fi-compass. Fi-compass is the advisory platform for financial instruments under the ESIF (European Structural and Investment Funds) and EaSI (Employment and Social Innovation) microfinance. To develop the necessary knowledge base and to improve the administrative capacity of bodies involved in the implementation of financial instruments, the Commission (notably DG REGIO, DG AGRI, DG EMPL and DG MARE) will make available technical assistance and advisory services to the benefit of Member States, its Managing Authorities, microcredit providers and other stakeholders. These assistance and advisory services will be delivered in a coherent way via the common platform. The experts will advise the Commission with the objective to render the fi-compass a meaningful initiative which addresses the needs of the stakeholders effectively, reacts quickly to a possibly changing environment and facilitates implementation of financial instruments. Mrs Schucht has long-standing experience regarding the design and implementation of Financial Instruments (FIs) under EU Structural Funds for the German Federal Business Development and Promotional Bank of Berlin, IBB. She has managed the INTERREG IV B project JOSEFIN which successfully developed models to set up FIs with integrated coaching services and recently supported the EAPB as expert in the framework of the INTERREG IVC project FinEn.

http://www.fi-compass.eu/

ESMA Securities and Markets Stakeholder Group

The Securities and Markets Stakeholder Group (SMSG) helps facilitate consultation by ESMA with stakeholders in areas relevant to ESMA's tasks such as the development of technical standards and guidelines. The SMSG is composed of 30 individuals drawn from across 17 Member States and representing ESMA's key stakeholder constituencies:

- Academics
- Consumers
- Financial institution employees
- Financial market participants
- Small and medium sized enterprises
- Users of financial services

Members of the SMSG can submit opinions and advice to ESMA on any issue related to ESMA's tasks, with particular focus on draft technical standards and guidelines, investigations of potential breaches of Union law by national competent authorities, building a common Union supervisory culture and consistent supervisory practices, peer reviews of national competent authorities and assessment of market developments. The group publishes an annual work programme setting out its priorities for the coming year. Mr. Zsolt Nagygyörgy, Compliance Officer at the Hungarian Development Bank (MFB), EAPB Member organization, is a member of the SMSG.

EAPB representation in the Payment Systems Market Expert Group

On April 28, 2014, the Payment Systems Market Expert Group (PSMEG) met in Brussels. The PSMEG meetings are chaired by DG Internal Market and Services. The PSMEG group is composed of European Union government representatives and market participants representing both the supply and the demand side of the market. Mr. Peter Blasche, represented EAPB views in this meeting.

The group's role is to assist the European Commission in the preparation of legislative acts or policy initiatives regarding payment systems, including fraud prevention and issues related to the payment industry and users. Furthermore, the group exchanged views on up to date best practices and on issues of concern to the Market.

EAPB representation in European Banking Authority Banking Stakeholder Group

In 2014 and at the beginning of 2015 the EAPB continued to be represented in the European Banking Authority Banking Stakeholder Group. The group focused on issues in particular relating to application of the proportionality principle and complexity in EBA guidance and technical standards as well as on methodological aspects of the conducted stress tests.

Mrs Sandra Hafner, Department Director for Banking supervision represented EAPB views in these meeting since her appointment in 2013. The EBA's Banking Stakeholder Group is composed of 30 members appointed to represent in balanced proportions credit and investment institutions operating in the Union, their employees' representatives as well as consumers, users of financial services, academics and representatives of SMEs. The Group's role is to help facilitate consultation with stakeholders in areas relevant to the tasks of the EBA.

In particular, the Group shall be consulted on actions concerning regulatory technical standards and implementing technical standards and, guidelines and recommendations, to the extent that these do not concern individual financial institutions. The Group may also submit opinions and advice to the Authority on any issue related to the tasks of the Authority, with particular focus on common supervisory culture, peer reviews of competent authorities and assessment of market developments. The Group may also submit a request to the Authority, as appropriate, to investigate the alleged breach or non-application of Union law.

Section vi:

Portrait of the Members

Bank Gospodarstwa Krajowego (BGK)

Year of Creation: 1924
Number of Employees: 1276
Balance Sheet Total (in bn EUR): 12
Legal Form: Public Law Entity

Contact:
Aleje Jerozolimskie 7
00-955 Warsaw
Poland

Tel.: +48 801 667 655
Fax.: +48 22 627 03 78
E-Mail: bgk@bgk.pl
Website: www.bgk.pl

Bank Nederlandse Gemeenten N.V. (BNG)

Year of Creation: 1914
Number of Employees: 273
Balance Sheet Total (in bn EUR): 130.8
Legal Form: Limited Company

Contact:
Koninginnegracht 2
2514 AA Den Haag
The Netherlands

Tel.: +31 70 3750 750
Fax.: +31 70 3655 178
E-Mail: mc@bngbank.nl
Website: www.bngbank.nl

Bulgarian Development Bank (BDB)

Year of Creation: 1999
Number of Employees: 157
Balance Sheet Total (in bn EUR): 0.9
Legal Form: Shareholding Company

Contact:
10 Stefan Karadzha Street
1000 Sofia
Bulgaria

Tel.: +359 700 11 227
Fax.: +359 2 9306 321
E-Mail: office@bdbank.bg
Website: www.bdbank.bg

Erste Group Bank AG

Year of Creation: 1819
Number of Employees: 44000
Balance Sheet Total (in bn EUR): 196.3
Legal Form: Shareholding Company

Contact:
Graben 21
1010 Vienna
Austria

Tel.: +43 50 100 10 100
Fax.: +43 50 100 9 10 100
E-Mail: contact@erstegroup.com
Website: www.erstegroup.com

Hungarian Export-Import Bank (Exim Bank)

Year of Creation: 1994
Number of Employees: 230
Balance Sheet Total (in bn EUR): 1.35
Legal Form: Limited Company

Contact:
Nagymező utca 46/48
1065 Budapest
Hungary

Tel.: +36 1 374 9100
Fax.: +36 1 269 4476
E-Mail: exim@exim.hu
Website: www.exim.hu

Croatian Bank for Reconstruction and Development (HBOR)

Year of Creation: 1992
Number of Employees: 327
Balance Sheet Total (in bn EUR): 3.43
Legal Form: Public Law Entity

Contact:
Strossmayerov trg 9
10000 Zagreb
Croatia

Tel.: +385 1 4591 666
Fax.: +385 1 4591 790
E-Mail: hbor@hbor.hr
Website: www.hbor.hr

Verband der österreichischen Landes-Hypothekenbanken (Hypoverband)

Year of Creation: 1898
Number of Employees: 10000 (member entities)
Balance Sheet Total (in bn EUR): 81.7
Legal Form: Public Banks Association

Contact:
Brucknerstraße 8
1040 Vienna
Austria

Tel.: +43 1 33 60 333
Fax.: +43 1 33 60 333 20
E-Mail: verband@hypoverband.at
Website: www.hypoverband.at

Institut Català de Finances (ICF)

Year of Creation: 1985
Number of Employees: 93
Balance Sheet Total (in bn EUR): 4.45
Legal Form: Public Law Entity

Contact:
Gran Via de les Corts Catalanes 635
08010 Barcelona
Spain

Tel.: +34 902.227.237
Fax.: +34 9 32 15 20 82
E-Mail: info@icfinances.com
Website: www.icf.cat

Investitionsbank Berlin (IBB)

Year of Creation: 2004
Number of Employees: 624
Balance Sheet Total (in bn EUR): 20.47
Legal Form: Public Law Entity

Contact:
Bundesallee 210
10179 Berlin
Germany

Tel.: +49 30 2125 0
Fax.: +49 30 2125 2020
E-Mail: info@ibb.de
Website: www.ibb.de

The Republic of Srpska Investment-Development Bank (IRBRS)

Year of Creation: 2006
Number of Employees: 115
Balance Sheet Total (in bn EUR): 1.2
Legal Form: Public Law Entity

Contact:
Vidovdanska 2
78000 Banja Luka
Bosnia and Herzegovina

Tel.: +387 51 334 700
Fax.: +387 51 334 770
E-mail: info@irbrs.org
Website: www.irbrs.org

Kommunalbanken Norway (KBN)

Year of Creation: 1927
Number of Employees: 56
Balance Sheet Total (in bn EUR): 44.42
Legal Form: Local Government Funding Agency

Contact:
Haakon VIIs gate 5b
0161 Oslo
Norway

Tel.: +47 21 50 20 00
Fax.: +47 21 50 20 01
E-Mail: post@kbn.org
Website: www.kbn.org

KLP Kommunekreditt AS

Year of Creation: 1999
Number of Employees: 10
Balance Sheet Total (in bn EUR): 2.5
Legal Form: Private Joint Stock Company

Contact:
Beddingen 8
7481 Trondheim
Norway

Tel.: +47 05554
Fax.: +47 73 53 38 39
E-Mail: klpkommunekreditt@klp.no
Website: www.klp.no

KommuneKredit Denmark

Year of Creation: 1899
Number of Employees: 58
Balance Sheet Total (in bn EUR): 27.7
Legal Form: Association

Contact:
Kultorvet 16
1175 Copenhagen
Denmark

Tel.: +45 33 11 15 12
Fax.: +45 33 91 15 21
E-Mail: kk@kommunekredit.dk
Website: www.kommunekredit.dk

Kommuninvest Sweden

Year of Creation: 1986
Number of Employees: 75
Balance Sheet Total (in bn EUR): 33
Legal Form: Cooperative

Contact:
Drottninggatan 2
702 10 Örebro
Sweden

Tel.: +46 10 470 87 00
Fax.: +46 1912 1198
E-Mail: office@kommuninvest.se
Website: www.kommuninvest.se

Landeskreditbank Baden-Württemberg (L-Bank)

Year of Creation: 1998
Number of Employees: 1252
Balance Sheet Total (in bn EUR): 70.70
Legal Form: Public Law Entity

Contact:
Schlossplatz
76113 Karlsruhe
Germany

Tel.: +49 721 150-0
Fax.: +49 721 150-1001
E-Mail: info@l-bank.de
Website: www.l-bank.de

LfA Förderbank Bayern

Year of Creation: 1951
Number of Employees: 314
Balance Sheet Total (in bn EUR): 22.15
Legal Form: Public Law Entity

Contact:
Königinstraße 17
80539 München
Germany

Tel.: +49 89 21 24 0
Fax.: +49 89 2124 2440
E-Mail: info@lfa.de
Website: www.lfa.de

Macedonian Bank for Development Promotion (MBDP)

Year of Creation: 1998
Number of Employees: 39
Balance Sheet Total (in bn EUR): 0.23
Legal Form: Joint Stock Company

Contact:
Ulica Dimitrie Chupovski 26
1000 Skopje
Republic of Macedonia

Tel.: +389 2 3115 844
Fax.: +389 2 3239 688
E-Mail: info@mbdp.com.mk
Website: www.mbdp.com.mk

Hungarian Development Bank (MFB)

Year of Creation: 1993
Number of Employees: 311
Balance Sheet Total (in bn EUR): 3.67
Legal Form: Public Law Entity

Contact:
31 Nádor Street
1051 Budapest
Hungary

Tel.: +36 1428 1400
Fax.: +36 1428 1490
E-Mail: bank@mfb.hu
Website: www.mfb.hu

Municipal Bank PLC

Year of Creation: 1996
Number of Employees: 754
Balance Sheet Total (in bn EUR): 0.59
Legal Form: Shareholding Company

Contact:
Vrabcha Street 6
1000 Sofia
Bulgaria

Tel.: + 359 2 9300 111
Fax.: + 359 2 9300 270
E-Mail: contacts@municipalbank.bg
Website: www.municipalbank.bg

Municipality Finance (MuniFin)

Year of Creation: 1989
Number of Employees: 72
Balance Sheet Total (in bn EUR): 30
Legal Form: Shareholding Company

Contact:
Jaakonkatu 3 A
00100 Helsinki
Finland

Tel.: +358 9 6803 5666
Fax.: +358 9 68 03 56 69
E-Mail: info@munifin.fi
Website: www.munifin.fi

Investitions- und Förderbank Niedersachsen (NBank)

Year of Creation: 2004
Number of Employees: 420
Balance Sheet Total (in bn EUR): 5.6
Legal Form: Public Law Entity

Contact:
Günther-Wagner-Allee 12-16
30177 Hannover
Germany

Tel.: +49 511 30031 333
Fax.: +49 511 30031 11333
E-Mail: info@nbank.de
Website: www.nbank.de

NRW.BANK - Förderbank des Landes Nordrhein-Westfalen

Year of Creation: 2002
Number of Employees: 1.283
Balance Sheet Total (in bn EUR): 143.843
Legal Form: Public Law Entity

Contact:
Kavalleriestraße 22
40213 Düsseldorf
Germany

Tel.: +49 211 91741 0
Fax.: +49 211 91741 1800
E-Mail: info@nrwbank.de
Website: www.nrwbank.de

Nederlandse Waterschapsbank (NWB)

Year of Creation: 1954
Number of Employees: 51
Balance Sheet Total (in bn EUR): 74
Legal Form: Public Law Entity

Contact:
Rooseveltplantsoen 3
2517 The Hague
The Netherlands

Tel.: +31 70 416 62 66
Fax.: +31 70 416 62 62
E-Mail: info@nwbbank.com
Website: www.nwbbank.com

Landwirtschaftliche Rentenbank

Year of Creation: 1949
Number of Employees: 254
Balance Sheet Total (in bn EUR): 81.60
Legal Form: Public Law Entity

Contact:
Hochstraße 2
60313 Frankfurt am Main
Germany

Tel.: +49 69 2107 0
Fax: +49 69 2107 6444
E-Mail: office@rentenbank.de
Website: www.rentenbank.de

Sächsische Aufbaubank (SAB)

Year of Creation: 1991
Number of Employees: 999
Balance Sheet Total (in bn EUR): 8.87
Legal Form: Public Law Entity

Contact:
Pirnaische Straße 9
01069 Dresden
Germany

Tel.: +49 03 51 49 10 0
Fax.: +49 03 51 49 10 4075
E-Mail:
Website: www.sab.sachsen.de

Société de Financement Local (SFIL)

Year of Creation: 2013
Number of Employees: 385
Balance Sheet Total (in bn EUR): 83.53
Legal Form: Limited Company

Contact:
1 Passerelle des Reflets
92913 La Défense Cedex
France

Tel.: +33 1 71 02 90 90
E-Mail: info@sfil.fr
Website: www.sfil.fr

Slovene Export and Development Bank (SID Bank)

Year of Creation: 1992
Number of Employees: 139
Balance Sheet Total (in bn EUR): 3.79
Legal Form: Specialised
Export And Development Promotion Bank

Contact:
Ulica Josipine Turnograjske 6
1000 Ljubljana
Slovenia

Tel.: +386 1 2 00 75 00
Fax.: +386 1 2 00 75 75
E-Mail: info@sid.si
Website: www.sid.si

Thüringer Aufbaubank (TAB)

Year of Creation: 1992
Number of Employees: 368
Balance Sheet Total (in bn EUR): 3.96
Legal Form: Public Law Entity

Contact:
Gorkistraße 9
99084 Erfurt
Germany

Tel.: +49 361 7447 0
Fax.: +49 361 7447 271
E-Mail: info@aufbaubank.de
Website: www.aufbaubank.de

Bundesverband Öffentlicher Banken Deutschlands (VÖB)

Year of Creation: 1916
Number of Employees: 76.000 (member entities)
Balance Sheet Total (in bn EUR): 2686 (member entities)
Legal Form: Public Banks Association

Contact:
Lennéstrasse 11
10785 Berlin
Germany

Tel.: +49 30 81 92 0
Fax.: +49 30 81 92 222
E-Mail: postmaster@voeb.de
Website: www.voeb.de

Wirtschafts- und Infrastrukturbank Hessen (WIBank)

Year of Creation: 1950
Number of Employees: 416
Balance Sheet Total (in bn EUR): 15.9
Legal Form: Public Law Entity

Contact:
Strahlenbergerstr. 11
63067 Offenbach am Main
Germany

Tel.: +49 69 913203
Fax.: +49 69 91324636
E-Mail: info@wibank.de
Website: www.wibank.de

Section VII:

Organisational chart of the EAPB

EAPB Management and Secretariat

Board - Status 1/1/2015

President

Ron Walkier
Nederlandse Waterschapsbank N.V.
Chairman of the Managing Board of
the Nederlandse Waterschapsbank (NWB Bank)

Vice-President

Klaus Neuhaus
NRW.BANK
Chairman of the Managing Board

Vice-President

Tomas Werngren
Kommuninvest i Sverige AB (publ) -
Kommuninvest of Sweden, Local Government Debt Office
President and CEO of Kommuninvest (Sweden)

Board Member

Liane Buchholz
Bundesverband Öffentlicher Banken Deutschlands, Association of German Public Banks

Executive Managing Director of VÖB

Board Member

Philippe Mills
Société de Financement Local (Sfil)

Chief Executive Officer of SFIL

Board Member

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

Chief Executive Officer

Board Member

Josep-Ramon Sanromā i Celma
Institut Catalā de Finances (ICF)

Chief Executive Officer of ICF

Board Member

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

EAPB Secretary General

Marcel Roy
EAPB
EAPB Secretary General

European Association of Public Banks

- European Association of Public Banks & Funding Agencies AISBL -

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1040 Brussels, Belgium
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info@eapb.eu
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