Annual Report 2013-2014

EAPB

European Association of Public Banks

- European Association of Public Banks & Funding Agencies AISBL -

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President's Foreword

The financial crisis has resulted in a new peak of initiatives to improve the regulatory and supervision framework. Since 2010 the European Commission has proposed nearly 30 sets of rules relating to the parts and activities of the financial sector and the capital markets. New mechanisms have also been put in place in order to have a better governed and deeper economic and monetary union.

The new capital and liquidity requirements will significantly influence the business activities of the European financial sector. Financial institutions all over Europe will have to adapt to this new legal and economic environment. This is particularly true for public financial institutions which have a public-interest mandate. In fact, most of the new rules have been tailored to correct the excessive risk-behavior of parts of the financial sector and are often poorly suitable for the activities of public financial institutions which aim at proving added value in the public-interest and correcting market-failures.

The debate launched by the European Commission to assess the impact of the new rules on long-term financing is welcome, but a close calibration of the rules will also be needed in the years to come to make sure that public financial institutions can continue to fully fulfill their public mandates of funding social and economic development, key infrastructure and public services as well the transition towards a greener economy.

This includes taking into account public banking's specific characteristics and ensuring that credit is available. In this respect, the leverage ratio will be a critical measure in the future. It is intended to limit the total volume of loans without taking into account the risk of the loan. Banks with a low risk profile which finance municipalities would, however, unnecessarily face restricted lending conditions if policy makers do not ensure a sufficient granularity of the rules. This could seriously restrict available means of cities and municipalities used to finance important utilities such as schools, kindergartens and hospitals. It is also important

Mr. Søren Høgenhaven,
Vice President of the EAPB

that promotional banks continue to find fair provisions for granting loans to local authorities and SMEs. It is also crucial that sufficient time is foreseen to implement these new rules.

The European Central Bank has been given new powers to supervise the European financial sector and the new European Supervisory authorities will have a stronger role in coordinating and supervisory practice. These new and empowered authorities will have to prove their capacity of discernment when supervising and adopting rules for the very heterogeneous European financial sector. The diversity of the European financial sector is a strength for the European Economy and should be preserved.

At the start of the European funding period, it will also be of greatest importance to put in place appropriate cooperation mechanisms between the European Commission, the European Investment bank and national and regional public interest investors, in order to ensure an efficient and complementary public funding system that takes into consideration the needs of actors on the ground. This will be also a key element to regain the confidence of European citizens in the European economic and political system.

Søren Høgenhaven
Vice President of the EAPB

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Section 1:

Leading Article

European Commission plans to foster long-term investment in the European Economy - Role of public-interest banks and funding agencies

On 27 March 2014 the European Commission has published a Communication on measures to support long-term financing. The Communication aims at identifying new measures to stimulate new and different ways of unlocking long-term financing and providing support to Europe's economy. The European Commission recognizes that significant long-term investment will be needed in infrastructure, new technologies and innovation, R&D and human capital over the coming years. The European Commission estimates that the investment needs for transport, energy and telecom infrastructure networks of EU importance alone will require €1 trillion for the period up to 2020 as identified by the Connecting Europe Facility. The diagnosis of the European Commission also points to the fact that that the financial crisis has affected the ability of the financial sector in Europe to channel savings to long-term investment.

Important role of public funding entities

After the publication of a Green Paper in 2013 on the Long-term financing of the European economy, where the Commission consulted stakeholders on the most efficient ways to promote long-term investment and in order to live up to the challenges described above, the European Commission sees an important role for public funding. When presenting the new initiatives Olli Rehn, Vice-President for Economic and Monetary Affairs and the Euro, declared that "*we must make better use of public funds to maximise the impact of productive investment on growth and job creation. This means creating synergies and facilitating access to funding for the renewal of key infrastructure. National and EU budgets, as well as promotional banks and export credit agencies, all have a role to play*." The Communication recognizes the important role of public- interest banks and funding agencies in the crisis and aims to coordinate the activities of national and regional promotional banks and the European Investment Bank (EIB) as well as the European Investment Fund (EIF) in order to ensure an efficient use of public funding, for example for environmental projects, innovation and social and human capital development. The European Commission wants to report to the European Council on its activities to encourage and monitor the cooperation between national promotional banks by December 2014.

The Commission further wishes to clarify key principles regarding promotional banks' structures and activities. In particular the Commission announces a special Communication setting out principles for national and regional promotional banks for 2014 regarding the added value of promotional banks, market failures these should address, their governance and transparency arrangements and supervision and regulatory aspects. The Commission services will also publish a report on promoting better coordination and cooperation among existing national credit export schemes.

EAPB as leading forum for cooperation between promotional banks

The EAPB highly welcomes the intention of the European Commission to encourage the cooperation of national and regional promotional banks. The European Commission rightly highlights their important role to help support economic growth during the financial crisis. From the EAPB's perspective, they will continue to be essential in the years to come, independently of the business cycle, in supporting the EU economy as providers of long-term financing.

The EAPB is the leading forum for cooperation between national promotional banks and other public financial institutions that serve the public interest. It organizes exchanges of best practice and helps put in place bilateral projects of technical assistance between members. In the context of EU funded programmes such as INTERREG, cooperation projects exist in which promotional banks share their expertise. In particular, the EAPB takes part together with several promotional banks in an INTERREG IVC project (FIN-EN project) on the exchange of expertise on the use financial instruments. On many occasions the EAPB has also set up dialogues with the European Investment Bank, the European Investment Fund and its members in order to encourage synergies between the different European, national and regional funding levels. The EAPB therefore would be very pleased to work together with the European Commission to see how the activities of national promotional banks and funding agencies can be further supported.

These positive developments notwithstanding, the EAPB has some concerns with regarding the Commission plans to possibly define harmonizing provisions on national and regional promotional banks and funding agencies. This is because the economic parameters and legal frameworks vary strongly from one Member State or region to the other. It is important that the specific form and applicable legal framework of promotional bank be tailored according the needs of the local economic actors and the respective public missions. From its members' experiences the EAPB can assure that a one size fits all approach will not work. It is important to avoid any unnecessary administrative burden that could prevent promotional banks and funding agencies to effectively pursue their public-interest activities.

Need for technical and financial assistance for the creation of new development banks

Following the financial crisis the EAPB has received many requests for assistance of Member States and regions wishing to set up promotional banks or municipal funding agencies and in order to learn from successful experiences in other Member States and regions. In its own-initiative report on long-term financing the European Parliament "*calls on the Commission to explore ways to support Member States requiring financial and technical assistance*" in the creation of such public funding structures. There is clearly the political will that Member States without public funding entities can learn from the experience of other Member States which have greatly benefited from such financing structures, particularly during the crisis. Therefore, the EAPB believes that the European Commission should focus its efforts on helping coordinate the exchange of best practices and on providing technical and financial support to Member States and regions wishing to put in place effective funding tools to foster growth and innovation.

Finding alternatives to commercial banking

In the light of Europe's perceived historically heavy dependence on banks to finance long-term investment, the Commission also seeks funding alternatives in order to have a more diversified system with significantly higher shares of direct capital market financing (i.e. bond finance) and greater involvement of institutional investors (e.g. pension funds). The Commission wishes to mobilize private sources of long term financing by taking into consideration long-term investment when finalizing the details of the prudential framework for banks and insurance companies, by mobilizing more personal pension savings and by exploring ways to foster more cross-border flows of savings and the merits of a possible EU savings account.

EAPB considers that generally banks have stood up to the tests of time and the crisis, especially when they were flanked by public funding entities. The role of banks in long-term financing of the real economy is strongly dependent on the company culture of companies. While in some countries companies are mainly financed by the capital markets, in most EU Member States SMEs trust banking loans in the field of long-term financing. Development banks, funding agencies and public long-term investors have different instruments at their disposal, including through indirect financing mechanisms via commercial banks. These public financing models allow incentivizing private funding by sharing the associated risks (e.g. by forming consortia in the financing of projects or by providing guarantees). Promotional banks can further provide loans with preferential interest rates as well as mezzanine financing. Promotional banks as well as local funding agencies can also often mobilize funds from capital markets and use them to satisfy long-term funding needs for example for local infrastructure or social projects. EAPB considers that well established economic structures should, therefore, not be changed by regulations. Regarding the project of an EU savings account, EAPB considers that the success of special tax incentives e.g. on savings accounts depend heavily on different social and economic interlinked conditions in the national markets. While they have been successful in some Member States (e.g. France or Italy), they would not necessarily work in others. It seems difficult to transpose certain measures to other Member States or to "upload" them at EU level.

Municipal funding agencies – key actors in long-term financing

It should also be highlighted that there are already successful models in Europe ensuring an efficient access to capital markets in order to finance long-term infrastructure investments of municipalities. Special municipal credit institutions, particularly present in Scandinavia but also in the Netherlands, play a critical role in financing the local government sector. They contribute to financing roads, social housing, broadband infrastructure and public-service facilities such as kindergartens, schools or local hospitals. Their mission is to support their respective municipalities and county councils in their financial operations, through secure and cost-efficient financing, financing advice, skills development and cooperation. Municipal credit institutions act along non-profit maximizing principles. Their lending policy is focused on the low risk weighted municipal sector in which they are playing a crucial role as a market stakeholder. Their mandate prescribes a narrowly defined set of activities which are focused on local government or public sector entities funding. This model has recently inspired the creation and the discussion of new municipal funding entities in France and the UK. The EU could also build on these experiences to boost local investment.

Finally the EAPB welcomes the intention of the European Commission to take into consideration long-term investment when finalizing the details of the prudential framework (CRD, CRR etc.). While EAPB believes this should have been considered right from the start of the reform process, there are still important details to be defined with regard to the leverage ratio, the liquidity coverage ratio of the net stable funding ratio that could greatly impact the business model of public funding entities.

The EAPB will closely monitor the follow-up measures of the new European Commission, following this year's parliamentary elections and the composition of a new College. The EAPB will be very pleased to exchange in a fruitful dialogue with the European Institutions on its members' experiences in the field of efficient public funding measures in order to help safeguard long-term financing for the European economy in the years ahead.

Marcel Roy
Secretary General

Section II:
Issues of Special Interest

European Regional Policy 2014-2020

In December 2013, the European Council and the European Parliament paved the way for the Multiannual Financial Framework 2014-2020 (MFF). The MFF represents the seven years cycle spending plan that translates the European priorities into financial terms and sets the maximum amounts which the EU may spend in the different political fields.

In accordance with the new long-term objectives for growth and jobs, the so called "Europe 2020 strategy", the new generation of programmes and allocations for 2014-2020 European Regional policy will focus on programmes aimed at achieving the agreed targets on employment, education, poverty, innovation, research & development (R&D) and climate (renewable energy, energy-efficiency and greenhouse gas emissions).

The new legislative package for Regional Policy 2014-2020 was adopted on 17th December 2013. The package includes an overarching regulation setting out common rules governing the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), which is an improvement as compared to five sets of different rules in the period 2007-2013. Three specific regulations for the ERDF, the ESF and the Cohesion Fund are also included, as well as two regulations dealing with the European territorial cooperation goal and the European grouping of territorial cooperation (EGTC).

Due to the financial and economic pressure stemming from the economic crisis, the MFF 2014-2020 resulted in a reduction of 3,7% in total compared to the previous period which has significant effects on most policy areas, respectively EU Regional Policy.

Elke Nass Tønnessen

The allocation for Structural Policy in 2014-2020 is reduced by 8,4% as compared with the commitment appropriations in 2007-2013, which still enables the European Union to invest € 325 billion in Europe's regions and cities.

Key elements of the reform

The level of support given to European Regions will depend on their respective degrees of economic and social development and is classified accordingly into three newly defined categories:

- less developed regions, whose GDP is below 75% of the EU-27 average, will continue to be the top priority for the policy;
- transition regions, whose GDP is between 75% and 90% of the EU-27 average
- more developed regions whose GDP per capita is above 90% of the EU-27 average.

Under the ERDF, resources will be targeted on investments concentrated on **4 key priorities**: innovation and research, the digital agenda, support for small and medium sized businesses (SMEs) and the low-carbon economy depending on the category of region. Around € 100 billion will be dedicated to these sectors, of which at least € 23 billion will support the low-carbon economy (energy efficiency and renewable energies), with different obligations to dedicate ERDF resources.

Around € 66 billion will be focused on priority Trans-European transport links and key environmental infrastructure projects through the Cohesion Fund. In addition, a minimum amount of resources under the ERDF needs to be spent for integrated projects in cities with the aim to enhance the urban dimension of the policy.

Through the ESF, contributions are foreseen to EU priorities in the field of employment, for example through training and life-long learning, education and social inclusion. The new Youth Employment Initiative linked to the ESF will provide a specific focus on young people.

Countries and regions will have to define upfront what objectives they intend to achieve with the available resources and identify precisely how they will measure progress towards those goals. Additional funds can be made available to well-performing programmes through the "performance reserve" towards the end of the period.

Ensuring that Structural Policy is fully coherent with the wider EU economic governance, programmes will have to be consistent with National Reform Programmes and contribute to address the relevant reforms identified in the European Semester. If necessary, the European Commission can ask Member States – under the "macro-economic conditionality" clause - to modify programmes to support key structural reforms or, as a last resort, it can suspend funds if economic recommendations are repeatedly and seriously breached.

The role of financial instruments

Building on the implementation experiences with Financial Instruments in past Structural policy cycles and reflecting the importance attached to them in the Multiannual Financial Framework 2014-2020, the legislative and policy framework for 2014-2020 encourages a greater and more intensified use of Financial Instruments (FI) in the new programming period as an efficient and sustainable alternative to complement traditional grant-based financing.

The EAPB welcomes that a separate section on financial instruments - Title IV (Articles 37 to 46) - was included in the Common Provision Regulation, not only ensuring consistency with the provisions in the Financial Regulation but also allowing for a clear presentation of the instruments' specificities and regulatory requirements. Implementation details are laid down in related secondary legislation, respectively Delegated Acts and Implementing Acts, which are planned to be adopted in April 2014.

What has changed since the 2007-2013 period?

The following changes fulfil the expectations of the EAPB and are in line with the needs of its member institutions

Widening the scope of financial instruments

In contrast to the 2007-2013 programming period, the rules adopted for 2014-2020 financial instruments are non-prescriptive with regard to sectors, beneficiaries, types of projects and activities that are to be supported. Member States and managing authorities **may use financial instruments in relation to all thematic objectives covered by Operational Programmes (Ops)**, and for all Funds, where it is efficient and effective to do so.

The new framework also contains clear rules to enable better **combination of financial instruments with other forms of support, in particular with grants**, which enhances the design of well-tailored assistance schemes that meet the specific needs of Member States or regions.

In the context of an OP, there is a new provision that **Financial Instruments should be designed on the basis of an *ex ante* assessment** that has identified market failures or sub-optimal investment situations, respective investment needs, possible private sector participation and resulting added value of the financial instrument in question. The ex-ante assessment is intended to avoid overlaps and inconsistencies between funding instruments implemented by different actors at different levels.

A range of new implementation options

The new regulations offer different implementation options from which Member States and managing authorities may choose the most suitable solution. EU Structural and Investment Funds (ESIF) programme support can be provided to:

1. **Financial instruments set up at EU level** and managed by the Commission, in line with the Financial Regulation (direct or indirect management). This includes specific provisions for the implementation of dedicated financial instruments combining ESIF with other sources of EU Budget and EIB/EIF resources with a view to stimulate bank lending to SMEs. Under this option, OP contributions to the financial instruments will be ring fenced for investments in regions and actions covered by the OP from which resources were contributed.
2. **Financial instruments set up at national/ regional, transnational or cross-border level** and managed by or under the responsibility of the managing authority. For these instruments, managing authorities have the possibility of contributing programme resources to:
   - **already existing or newly created instruments**, tailored to specific conditions and needs; and
   - **standardised instruments** (off-the-shelf), for which the terms and conditions are pre-defined and laid down in a Commission Implementing Act. These instruments should be ready-to-use for a swift roll-out.
3. **Financial instruments consisting solely of loans or guarantees** may be implemented directly by managing authorities themselves.

The EAPB successfully advocated for the equal treatment of the three implementation options and the guarantee that EAPB members can continue using FIs which have proven to be efficient and effective.

More flexible co-financing modalities and additional financial incentives

Payments by the EU Commission to managing authorities will in future be strictly linked to implementation on the ground. For contributions to an **EU-level financial instrument under Commission management** (option 1 above), a separate priority axis is to be envisaged in the OP. The co-financing rate for this priority axis or national programme will be 100 %. For contributions to **national, regional**; transnational or cross-border **Financial Instruments** (options 2 a. and b. above), the EU co-financing share will be increased by ten percentage points in cases where a priority axis is fully implemented through financial instruments.

Clear financial management rules

Building on the guidance issued to the Member States through the Coordination Committee of the Funds (COCOF), the new framework contains clear rules in terms of the qualification of financial streams at the different levels of Financial Instruments and corresponding eligibility or legacy requirements.

- EU contributions to Financial Instruments are to be placed in accounts in Member States, and to be temporarily invested in accordance with the principles of sound financial management;
- Interest or other gains generated at the level of the Financial Instrument prior to investment in final recipients are to be used for the same purposes as the initial EU contribution within the eligibility period;
- EU share of capital resources paid back from investments, gains, earnings, or yields generated by investments is to be used until the end of eligibility period for:
  - further investment in the same or other instruments, in line with the specific objectives set out under a priority.
  - preferential remuneration of investors operating under the market economy investor principle (MEIP) and providing co-investment at the level of financial instrument or final recipient; and/or
  - management costs/fees;
- Capital resources and gains and other earnings or yields attributable to the EU contributions to financial instruments are to be used in line with the aims of the OP for a period of at least 8 years after the end of eligibility date.

Role for the EAPB

The EAPB supports the new legislative package and in particular the reinforcement of the use of Financial Instruments. This is because EAPB Member Institutions are guaranteed a greater flexibility when designing programmes, both to choose between delivering investments through grants and financial instruments, and to select the most suitable Financial Instrument. The efforts of the EAPB to achieve more clarity and certainty in the legal and policy framework for Financial Instruments is sufficiently acknowledged and assures efficient and effective implementation of FIs for its Member Institutions.

Due to the fact, that Financial Instruments can be applied more widely in the period 2014-2020, EAPB Member Institution can improve the access to finance for the benefit of a wide range of socio-economic actors on the ground.

The establishment of the Common Strategic Framework, not only provides the basis for better coordination between the ESIF (ERDF, Cohesion Fund and ESF as the three funds under Cohesion Policy as well as the Rural Development and Fisheries funds) and links better to other EU instruments like Horizon 2020 and the Connecting Europe Facility, but also provides simplified accounting rules, and more use of digital technology (“e-cohesion”).

In the programming period 2014-2020, the EAPB will concentrate its activities on the monitoring of the implementation of the new rules and procedures. It will act as interface between the EAPB member banks and the EU Commission: EAPB will discuss arising questions in relation to the interpretation of the new framework with the EU Commission and defend solutions for the EAPB member banks which will ensure the efficient and economical viable implementation of the Financial Instruments during the programming period 2014-2020.

Modernisation of State aid law

Julien Ernoult

In 2013 the European Commission has continued its wide-reaching process of modernization of the European State aid rules. On 8 May 2012 the Commission published a Communication on the modernisation of State aid control. Its main aim was that State aid enforcement should facilitate sustainable, smart and inclusive growth, focus on cases with the biggest impact on the single market, streamline the rules and provide for faster, better informed and more robust decisions. The main elements of the reform shall be in place by the end of 2014.

In order to provide further simplifications to complex notification procedures, the Commission has started a reform of the so-called Block Exemption Regulations for State aid (de-minimis aid thresholds and general block exempted public funding areas). With these regulations, the Commission can declare specific categories of State aid compatible with the Treaty if they fulfil certain conditions, thus exempting them from the requirement of prior notification and Commission approval. As a result, Member States are able to grant aid that meets the conditions laid down in these regulations without the formal notification procedure and only have to submit information sheets on the implemented aid.

Several area- specific guidelines which serve as references to projects that are not exempted from the secondary regulatory framework but which may benefit from State support have also been published as drafts in order to consult stakeholders (in the area of green finance, SME finance, airports, regional aid etc.) While some elements of the reform package have been adopted others will continue to be consulted upon in 2014.

The EAPB has actively participated and will continue to engage in different consultation rounds in order to ensure that the activities of promotional banks are duly reflected in the modernization process. Their activities play an important role in promoting trade and industry in the EU, especially with respect to regional development and SME financing, and thus contribute to meeting the EU-2020 goals.

So how well has the European Commission lived up to its initial announcements at this stage?

New "de-minimis" rules

Following three public consultations, in December 2013 the European Commission has adopted a revised Regulation on small aid amounts that fall outside the scope of EU state aid control because they are deemed to have no impact on competition and trade in the internal market. Measures that fulfil the criteria of the Regulation do not constitute "state aid" in the meaning of EU rules and therefore do not need to be notified to the Commission for approval before they are implemented.

The new rules have brought some simplifications. In particular, companies undergoing financial difficulties are no longer excluded from the scope of the regulation and will therefore be allowed to receive de minimis aid. Moreover, the definition of what constitutes an "undertaking" has been clarified. In addition, subsidised loans of up to

€1 million may also benefit from the de minimis Regulation if certain conditions are met.

However, the main criteria of the former regulation, which exempted aid amounts of up to €200 000 per undertaking over a three year period, have remained unchanged. The Commission considered that there was no evidence that a higher ceiling than €200 000 would be justified. In this context in should be noted that in parallel, the Commission adopted a regulation aimed at raising the ceiling and clarifying the definition of small amounts of aid in the agriculture sector. The new regulation will bring the amount per beneficiary to EUR 15 000 over a period of three years, and the ceiling per Member State to 1% of the value of agricultural production.

Disappointing outcome

It should be welcome that the European Commission has to some extent taken consideration of EAPB concerns. In particular the EAPB fully supports the Commission decision to include companies undergoing financial difficulties in the scope of the general de minimis regulation. This is especially important in times where many companies still suffer from the financial and economic crisis. In addition, the European Commission has renounced introducing a mandatory register on de-minimis aid, which would have represented an additional burden and had been criticized by the EAPB. Further, the EAPB welcomes that the Commission has facilitated public support in the agricultural sector by agreeing to increase the maximum aid threshold under the specific de-minimis regime.

However, the EAPB greatly regrets that the European Commission has not increased the general "de-minimis" threshold, as requested by many stakeholders and Member States. The temporary increase of the upper limit during the heights of the financial crisis has been very helpful and underlined the need for a higher threshold that reflects the changed economic conditions since the last review. With the final text, the European Commission has not even compensated for inflation.

The EAPB also regrets that the European Commission continues to consider that mezzanine funding forms such as subordinated loans are non-transparent forms of aid and are therefore outside the scope of the de-minimis Regulation. The EAPB believes that this is not appropriate and does not make sense economically, since the risk entailed in subordinated loans can indeed be clearly identified and adequately priced. With the new rules, these funding forms- which are very important for the SME sector- will continue to have to go through burdensome notification procedures.

In addition, with regard to aid contained in public guarantees, EAPB regrets that the Commission adopted a "duration limitation", stipulating that the guaranteed amount of the under-lying loan may not exceed €1.500.000 (€750.000 in under certain conditions) and whose duration may not be longer than 5 (10 under certain conditions) years, in order to be admissible under de minimis.. This does not reflect the diversity of typical loan durations of national lending practices. Fixing a short duration risks discouraging this type of operation which could lead to a worsening of SME access to finance.

General Block Exemption Regulation- towards better and simpler rules?

The review of the General Block Exemption Regulation (GBER) is the second centrepiece of the overall reform. After having published two drafts for consultation, the European Commission finalised the new rules in May 2014. The EAPB has closely followed the discussions on this important issue for public support measures.

The GBER is a general regime simplifying aid granting procedures for Member States by authorising without prior notification a range of measures fulfilling horizontal common interest objectives. The proposed revised regime extends the exempted aid by providing higher notification thresholds and aid intensities in certain areas, and by including a number of new categories of aid. In the field of SME financing for example, under the revised GBER proposed by the Commission, risk finance measures of up to EUR 15 million per SME will be exempted from prior Commission scrutiny. This overall amount has to be seen as a one-off aid covering the full development cycle of the target SME (compared to the current maximum annual tranches of EUR 1.5 million in the current GBER). The proposal, however, also increases the transparency and reporting requirements linked to aid measures.

The EAPB welcomes that the Commission has taken up some concerns expressed following the publication of the first draft for example by deleting the requirement to prove the incentive effect in a unified report form. However, there is a problem with the information that will be generally requested from applicants in the process for granting aids. Such administrative reporting requirements can have a very negative impact on the willingness of applicants to seek public support measures.

Further, the EAPB regrets that the Commission will reduce aid intensities in crucial areas such as SME innovation. In the context of research and technology transfer programmes in the 2007-2013 funding cycle, EAPB members have had positive experiences with financial instruments. Their experience shows that the proposed intensity is not sufficient to mobilise smaller companies which cannot afford to participate with 50%. The current rate of 75% should have been maintained.

Need for simpler rules for green and infrastructure funding under the GBER

In addition, with regard to green finance, the current GBER proposal will lead to serious difficulties for supporting green projects, in particular for calculating the eligible costs of green investment. This is because the new rules require using reference investments/ cases for justifying necessary funds, something which is extremely difficult to find in the market. Since investment projects are mostly very specific and often unique (for example special machinery or complex integrated production procedures), determining the eligible costs is often based on numerous assumptions by the beneficiary. This difficulty in particular concerns highly innovative projects and SMEs which often to not have the know-how for calculating the eligible costs. For example a special machine or energy production unit will only have been bought once. The burden of calculating the extra green costs will often discourage an SME and risks leading the company to (continue) using less environmental friendly technology and putting it at a competitive disadvantage with regard to larger market players. Moreover the company will face legal uncertainty in calculating the eligible costs. The EAPB fears that such administrative burdens risk delaying and hampering the necessary investments for a Greener European Economy. In order to simplify the calculation of the eligible costs of green investments, the EAPB had proposed to allow the calculation on the basis of fixed percentage rates of the total investments.

Moreover, recent jurisprudence has led to a lack of clarity with regard to the assessment from a State aid perspective of certain infrastructure measures. Therefore the EAPB welcomes the introduction in the final text of a block exemption of certain local infrastructures. This is important to provide legal certainty to many public support measures.

New rules for SME support– Guidelines for Risk Capital

The current General Block Exemption covers risk capital aid schemes for SMEs (up to 250 employees) in their seed and start-up phases, small companies in the expansion phase and medium-sized companies in the expansion phase that are established in assisted areas (defined by the guidelines on state aid for regional development). Beyond these limits, Member States need to notify their schemes under the Risk Capital Guidelines, which were reviewed end of 2013.

These guidelines are aimed at ensuring that certain SMEs and midcaps have access to the necessary amount and form of finance, while maintaining a level playing field in the Single Market. The previous rules had been conceived in 2006 and needed to be reviewed, since markets have changed and SMEs in many Member States lack funding. Moreover, the old rules allowed aid for the equity financing of SMEs during their early development stages. The Commission acknowledged that this has proved to be too restrictive. The new Risk Finance Guidelines –to some extent- take account of this evolution and of the extent of the market failure affecting SMEs' ability to access finance. Therefore the new risk finance rules will have an enlarged scope, covering a wider range of companies, irrespective from their location in assisted or non-assisted areas, including not only SMEs from seed/start up and expansion stages, but also SMEs at later growth stages, small midcaps (up to 499 employees) and innovative midcaps (up to 1500 employees and with R&D and innovation costs representing 10% of total operating costs).

The new rules also cater for a wider range of instruments. The former rules required that 70% of the budget is provided in the form of equity. However, it is important for companies to dispose of different forms of financing, depending on their development stage, sector and the specific interests of the owners. The new risk finance rules therefore abolish the 70% minimum equity requirement and allow for a wider range of financial instruments (equity, quasi-equity, loans, guarantees or hybrid instruments) to be used.

The previous rules, moreover, required a minimum flat 50% private capital participation rate in non-assisted areas and 30% in assisted areas. The new risk finance regime abolishes the distinction between assisted and non-assisted areas and introduces a new system whereby the private capital participation ratio is tailored in function of the inherent riskiness of the investee. The Risk Finance Guidelines will also allow for lower levels of private participation where private investors are particularly reluctant to invest in certain territories, irrespective of their assisted/non-assisted status, or sectors.

EAPB concerns considered during the revision process

EAPB welcomes the extension of the permissible financial instruments as well as the degree of flexibility that has been introduced. It also welcomes that the European Commission has taken into consideration public banking practices when clarifying the rules for public-private risk-capital measures for companies that are done at marketable terms and which meet the private investor test. The EAPB moreover appreciates that initial plans for giving advantages to non-territorially restricted venture capital funds have been dropped. Public banks are often territorially restricted by law. This brings along a profound knowledge of the respective local economic structures and actors, which is employed to the benefit of SMEs. EU-wide venture capital funds could not act to this level of proximity. There is, additionally, the risk that they would tend to focus on bigger SMEs, for reasons of scale, whereas especially small and young enterprises are in the market for public support. Any discrimination would have penalised national and regional promotional and their efficient business models.

Overall mixed picture– risk of a restriction of legitimate aid

Finally, so far the picture is– at best– mixed. Some positive developments or corrections done following consultation notwithstanding, the Commission unfortunately missed an important opportunity to really simplify the State aid rules for promotional activities. This is very important in order not to discourage beneficiaries from applying for funding and to reduce the operational costs in the funding of public service providers.

For the end of the reform process the European Commission has published in January 2014 a general communication on the concept of State aid as whole. It should be noted that State aid is defined in the Treaty on the Functioning of the European Union itself. By the Treaties, the European Commission has no margin of interpretation concerning the concept of aid. On several points, the proposed text goes beyond the mere explanation of State aid concepts for a better, more consistent and more transparent implementation of the rules. This is because the European Commission makes a selection and interprets the decisions of the European Courts. Therefrom results an own concept of aid, to which Member States and the European Commission will be bound in practice. The European Commission seems to be taking a restrictive approach towards the concept of legitimate aid. EAPB believes that this is not part of the European Commission competences granted by the Treaties and risks in the future restricting public support measures.

On the contrary, further flexibility is needed in the remaining reforms – in line with the Treaty of the EU– in order to take into consideration the differences in national and regional development strategies and allow public banks to effectively serve the public interest and contribute to a full recovery of the European Economy.

EU debt and equity instruments for SMEs in the new multiannual financial framework (MFF) 2014-2020

Melanie Wulff

The financial instruments aimed at improving access to finance for SMEs that the European Commission proposed for the new Multiannual Financial Framework (MFF) 2014-2020 have been approved by European Parliament and Council and have now reached the implementation stage. The EAPB has been consulted by European Commission and European Investment Fund as regards the draft Terms and Conditions pertaining to these instruments and provided an opinion as regards several stipulations proposed in the draft Term Sheets as well as pointed out some open questions and possible issues that might arise on a practical level. Despite these issues, EAPB member institutions welcome the European Commission's new EU-level financial instruments for SMEs. Especially the continuation of the "Competitiveness and Innovation Framework Programme (CIP)" on similar terms through its successor facility "Programme for the Competitiveness of Enterprises and small and medium-sized enterprises 2014-2020 (COSME)" is appreciated. EAPB members are already partners for the European Investment Fund in implementing the "CIP" Loan Guarantees and are looking forward to continuing their cooperation with the European Investment Fund in the new programming period by implementing the "COSME" and "Horizon 2020" financial instruments.

Two main EU funding programmes containing proposals for centrally managed financial instruments: "COSME" and "Horizon 2020"

"COSME" was designed as successor programme to the current "Competitiveness and Innovation Framework Programme (CIP)". Its objective is to strengthen the competitiveness and sustainability of the EU's enterprises, to encourage an entrepreneurial culture and to promote the creation and growth of SMEs.

The programme contains proposals for an equity facility and a loan guarantee facility. This arrangement of financial instruments mirrors the one proposed in the "Horizon 2020" programme, which includes an equity facility and a loan guarantee facility as well. The idea behind proposing similar financial instruments is to maximise synergies and complementarity between "COSME" and "Horizon 2020" while avoiding overlaps and duplication.

"COSME"'s equity facility for growth (EFG) is to support funds that provide venture capital (VC) and mezzanine finance to expansion and growth-stage SMEs, but it may also make investments in early stage SMEs in conjunction with the equity facility under Horizon 2020. In this way, multi-stage funds can be supported as well. The loan guarantee facility (LGF) is to provide direct guarantees, counter-guarantees and other risk-sharing arrangements for guarantee schemes and other financial intermediaries meeting the eligibility criteria. The facility may cover debt financing via loans or leasing as well as securitisation of SME debt finance portfolios. Only loans up to a maximum of EUR 150,000 and with a minimum maturity of 12 months will be covered. If a financial intermediary wants to include a loan above EUR 150,000 in its "COSME" portfolio, the intermediary has to prove that the SME is not eligible for a loan under "Horizon 2020". This option was included in order to avoid a funding gap for non-innovative SMEs with financing needs above EUR 150,000. However, it is not clear how exactly the demonstration process is envisioned to work in practice. In order to avoid excessive bureaucracy, a checklist with a standardised codification should be set forth. By way of pre-defined codes the reasons for the inclusion of a loan above the threshold in the "COSME" portfolio could be shown in a standardised way. Preferably, processing the checklist should be possible electronically (paperless) through the financial intermediary's credit department.

"Horizon 2020" was developed as successor to the "7th Framework Programme for Research (FP7)". It combines all existing EU funding for research and innovation, such as "FP7", the innovation-related activities of the "CIP" and the European Institute of Innovation and Technology (EIT) in a single programme. Similar to "COSME", two financial instruments are envisioned: a debt facility and an equity facility. The debt facility will provide loans to single beneficiaries for investment in research and innovation; guarantees to financial intermediaries making loans to final beneficiaries; combinations of loans and guarantees as well as guarantees or counter-guarantees for national and regional debt-financing schemes. It will include an SME-window to complement the LGF under "COSME". This window will target innovative SMEs and small mid-caps with loan amounts exceeding EUR 150,000. The equity facility will focus on early-stage VC funds providing VC and/or mezzanine capital to individual portfolio enterprises. However, it may also make expansion and growth-stage investments in conjunction with the EFG under "COSME".

Open questions in terms of the debt facilities' actual implementation

With the adoption of the legal bases for both programmes by the European Parliament and the European Council in autumn 2013, implementation of the two programmes can start. Earlier in 2013, the European Commission already circulated draft Term Sheets for the "COSME" and "Horizon 2020" debt facilities.

These draft Term Sheets raise a number of questions that still need clarification as well as some practical problems which should be addressed. Regrettably the "COSME" Indicative Term Sheet makes little allowance for the diversity of promotional banking systems in Member States. Many proposals and restrictions stipulated in the Term Sheet are understandable but hardly practicable. In Germany, for instance, public promotional banks use a system of indirect lending to final beneficiaries by routing the funds via beneficiaries' local commercial bank ("Hausbankensystem"). Within this system, many of the Term Sheet's stipulations (such as maximum collateralisation rates) are difficult or almost impossible to accommodate because they do not reflect actual lending practices. In order to encourage promotional banks' participation as financial intermediaries in the "COSME" programme, more flexibility should be allowed to make the Term Sheets more compatible with individual promotional banking practices in different Member States. Moreover, some stipulations raise questions in terms of State Aid and legal uncertainty and/or are likely to create additional bureaucracy.

As regards the "Horizon 2020" debt facility, it is modelled closely on the current "Risk-sharing instrument" (RSI). Some clarifications and some additional flexibility were added in the Indicative Term Sheet for the new facility, which was welcomed by EAPB Member institutions. On the other hand, some new clauses add additional layers of complexity, which EAPB Member institutions consider unhelpful. If the product becomes too complex, it risks becoming unattractive for final beneficiaries and on-lending banks.

Finally, there remain some unsolved questions in terms of the practical application of the Financial Regulation. Depending on the way certain articles of the Financial Regulation are interpreted in terms of their application to "COSME" and "Horizon 2020", there is a danger of jeopardising the programmes' success by setting unattractive and unclear reporting conditions, both to financial intermediaries and more importantly to the final beneficiaries – of which the majority are SMEs. For an effective and efficient implementation it is vital to rely on a regulatory environment that strikes the right balance between the EU's legitimate needs for transparency, reporting and supervision on the one side and the instruments' attractiveness for implementing bodies, (sub-)intermediaries and final beneficiaries on the other.

Developments in the areas of EU Energy and Climate Policy

Germaine Klein

According to EU Commission sources, greenhouse gas emissions decreased over the last twenty years while the overall economic growth increased significantly. In parallel, the European Union moved towards the creation of internal energy markets for electricity and gas, has promoted an expansion of innovative renewable energy technologies and made important energy efficiency gains. In fact, the EU is well on track to meet the 20/20/20 targets for greenhouse gas emissions, renewable energy and energy savings agreed upon in 2009 as well as the energy 2020 strategy agreed upon in 2010. The Energy Efficiency Directive adopted in 2012 is also expected to contribute to reaching the objectives. The EU is making progress in ensuring the security of energy supplies, but the affordability of energy and the competitiveness of EU energy prices are of increasing concern.

New policy framework for climate and energy in the period from 2020 to 2030

This is the background against which the European Commission published at the end of January 2014 its proposal for a new policy framework in the area of climate and energy for the period covering the years 2020 until 2030. The Communication "A policy framework for climate and energy in the period from 2020 to 2030" has the ambition to set a greenhouse gas emission reduction target of 40% relative to emissions in 1990. Regarding renewable energy, an EU-wide binding target of at least 27% of the total energy consumption to be achieved until 2030 is proposed. This is however not aimed at being translated into national targets through EU legislation, thus leaving flexibility for Member States to transform the energy system in a way that is adapted to national circumstances. However, the European Commission has not set a specific energy efficiency target. This is expected to become part of the review of the existing Energy Efficiency Directive to be undertaken later in 2014. The potential need for amendments to the Energy Efficiency Directive will be decided on the basis of the outcome of a recently launched consultation on the progress towards the 2020 energy efficiency objective and a 2030 energy efficiency policy framework.

Reformed emission trading scheme and future challenges

Furthermore, the new policy framework comprises suggestions concerning the EU Emissions Trading System (EU ETS). A legislative proposal was submitted to establish a market stability reserve at the beginning of the next ETS trading period in 2021. In addition, the 2030 framework proposes a new governance framework based on national plans for competitive, secure and sustainable energy. Based on guidance by the Commission, these plans are aimed to be drafted by the Member States under a common approach. This should not only ensure stronger investor confidence and greater transparency, but also improve coherence, EU coordination and monitoring.

The new climate and energy framework also includes targets for complementary policies such as transport, agriculture and land use, carbon capture and storage as well as innovation and finance. It outlines ideas on the future orientation of the funding in the areas research and development and the available funding under the European Structural and Investment Funds. It furthermore assesses the current possibilities and also provides an outlook to the future challenges in the areas of energy and climate related research and development, renewables, energy efficiency, secure, clean and low carbon technologies.

Energy prices and competitiveness

The Communication setting out the 2030 framework is accompanied by a report on energy prices and costs, which assesses the key drivers and compares EU prices with those of its main trading partners. According to the European Commission, energy prices have risen in nearly every Member State since 2008, mainly because of taxes and levies, but also due to higher network costs. The comparison with international partners highlights rising price differentials - notably with US gas prices – which could undermine Europe's competitiveness, particularly for energy intensive industries. However, rising energy prices could partly be offset by cost effective energy and climate policies, competitive energy markets and improved energy efficiency measures, such as using more energy-efficient products. The European Commission states that the European industry's energy efficiency efforts may need to go even further, bearing in mind physical limits, as competitors do the same and European industry decides to invest abroad to be closer to expanding markets.

How binding will the objectives be?

The new framework for climate and energy policy is addressed to the European Parliament and the Council of the EU. The European Parliament already dealt with the issue ahead of the proposal. The Parliament is in favour of setting concrete targets, for energy efficiency it calls for a binding target of 40% to improve energy efficiency and for renewable energy it suggests a binding share of 30% of the total energy mix. The Council considered the framework in March 2014 on the occasion of its spring meeting. As the Parliament criticises the European Commission's recent proposals as short-sighted and unambitious, thorough debates in the European Parliament are expected to follow. Once the new framework is adopted, the EU Member States will design their national energy policies until 2030 in order to ensure the competitiveness of the European economy and to further progress in energy transition.

Looking at energy efficiency finance and the role of EAPB members

The discussion around the new policy framework is of particular importance for EAPB members as they are very active in projects that promote a greener economy and in financing energy efficiency measures. In this context, the EAPB is involved in the Energy Efficiency Financial Institutions Group ("EEFIG"). This group was established as a permanent working group by the European Commission in late 2013, 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 were engaging with financial institutions to determine how to overcome the well documented challenges inherent to obtaining long-term financing for energy efficiency. In April 2014, as a start, EEFIG submitted its 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. By the end of 2014, EEFIG aims at preparing a final report which will comprise energy efficiency financing in the buildings' sector as well as in the industrial sector and in small and medium-sized enterprises. Ultimately, EEFIG intends to make recommendations for the use of European Structural and Investment Funds for specific financial instruments aimed at improving energy efficiency.

Crisis Management Directive and the Single Resolution Mechanism (SRM)

Sandra Hafner

The Crisis Management Directive took 3 years before it was politically agreed on in December 2013. There were a number of crucial issues that stalled a potential compromise for such a long time. The entry into force was agreed on for 1 January 2015, with the bail-in system taking effect on 1 January 2016. Regarding bail-in hierarchy, shareholders and bond holders will be the first to shoulder the burden while unsecured depositors (deposits over € 100 000) would be affected last (in some cases even after the resolution fund and the national deposit guarantee scheme have stepped in to stabilize the bank). Smaller depositors are explicitly excluded from any bail-in.

A minimum of 8 % of the creditors will have to be bailed in before the resolution authority may allow the bank to access the resolution fund for up to a maximum of 5 % of liabilities. Exemptions from bail-in are possible but they must be confirmed by the Commission and only after the minimum bail-in rate of 8 % has been reached.

The national resolution fund will be funded by banks and should reach a target level of 1 % of the covered deposits of the banks in that country. The European Parliament succeeded in introducing a clause for so called "government stabilisation tools" which will allow for public intervention in exceptional cases after 8 % of the bank's liabilities have been bailed in and in accordance with state and rules. There is also a clause for public "precautionary recapitalisation" that might arise in relation to the ongoing comprehensive assessment of the ECB. If a capital shortfall is identified, recapitalisation measures can take place under certain circumstances without leading to the resolution of the respective institution.

In parallel to the negotiations of the Crisis Management Directive, the trilogue on the Single Resolution Mechanism (SRM) started with the adoption of a general approach in Council on 20 December 2013. The plenary of the European Parliament voted on 6 February 2014 on the amended text for the Single Resolution Mechanism (SRM) based on the ECON Committee's vote. The final vote on the legislative proposal has not taken place yet, due to the ongoing trilogue with the Council. The Council reached an agreement on 18 December 2013 regarding the establishment of a Single Resolution Board and a Single Resolution Fund. The compromise comprises a draft regulation on the SRM mechanism and an intergovernmental agreement on the functioning of the Single Resolution Fund. The "outsourcing" of the Single Resolution Fund caused quite some upheaval in the European Parliament. The Members of the Parliament protested against the agreement which is seen as bypassing their legislative powers. The agreement will focus on arrangements for the transfer of national contributions to the fund, the future direct payments and their progressive mutualisation over a ten-year transitional phase. This ten year build-up phase is one of the heavily debated items. The European Parliament argued for a mutualisation of the fund right from the start and a shorter build-up phase whereas the Council insists on a step-by step approach including various possible timelines. The Single Resolution Fund will initially consist of national compartments that will be fed by bank levies raised at national level. During the build-up phase, mutualisation between national compartments would progressively increase.

The backstop shall initially be backed by national resources and ex-post bank levies or financial means from the European Stability Mechanism. A fully operational backstop should be developed during the build -up phase of the fund.

In the meantime, trilogue parties are running out of time, since the last chance for formal approval will be the plenary session in April 2014. Given the number of disagreements which still persist, it becomes more and more unlikely that the SRM will be finished under the current regime of co-legislators. Furthermore, any type of agreement needs to be aligned with the Crisis Management Directive to avoid distortions between Eurozone and non-Eurozone countries. Once the system for resolutions is established, the link between the banking sector and the taxpayers' money becomes irrelevant.

Structural reform of EU banks

Sandra Hafner

On 29 January 2014 the European Commission published a long-awaited proposal for structural reform of EU banks. The draft regulation is intended to apply only to the largest EU banks and groups which would be, according to the Commission's estimate, 29 banks (Global Systematically Important Banks + other banks with significant trading activities). The document features two key issues:

- Ban on proprietary trading and owning or investing in hedge funds, as of January 2017
- Obligation to separate other trading activities into a stand-alone trading entity if required by supervisory review, as of July 2018. Particular attention is given to market making, investing in/ sponsoring risky securitizations and derivatives trading. The Chapter also contains an exemption clause for banks established in Belgium, France, Germany or the UK from the separation requirement, based on the precondition that they are subject to national legislation having a similar impact.

The Commission proposal is not likely to be discussed within the current Parliament's setup since elections are due in May 2014.

The proposal leaves quite some room for discretion to the supervisors on mandatory separation of trading activities. They will have to base their decision on metrics and other quantitative/ qualitative criteria which will be determined by the Commission and by EBA.

EU branches of non-EU banks are covered by the regulation unless they are established in a country that has a legal framework deemed to be equivalent to the regulation.

Supervisors have the right to waive the separation requirements if the bank can demonstrate that its trading or market making activities do not threaten financial stability. A ring-fenced deposit-taking entity is only permitted to engage in limited trading activity "to the extent that the purpose is limited to only prudently managing its capital, liquidity and funding needs" including additional specific strict limitations on derivative activity. Large exposure limits are applied to the ring-fenced entity – 25 % of regulatory capital for intra-group exposures and 25 % for individual extra-group exposures.

The relevant limits and conditions for the supervisors to review the trading activities shall be specified by January 2015 and the supervisory assessment should be completed by January 2016. In case the supervisor deems a separation of trading activities necessary, this would take effect from July 2018, although supervisors could already take a decision before that. In any case, the bank must submit a separation plan within 6 months of such a decision.

Although the Commission has stressed in its communication on the dossier the "light touch" approach it follows, the far reaching discretions for the supervisor imply a lot of uncertainty and severe implications once a separation decision is taken. The different already existing national legislations on this subject do not facilitate the Commission's intention to follow a harmonized approach towards a structural reform of the EU banking sector.

Review of the MiFID: Broadening the main pillar of financial markets regulation

Boris Bartels

After considerations that took more than two years, the European Parliament and the Council of the EU agreed at the beginning of 2014 on the final texts of the revised Markets in Financial Instruments Directive (MiFID) and the complementing new Regulation (MiFIR).

MiFID and MiFIR mainly regulate the provision of investment services or activities by investment firms and CRD credit institutions but also trading platforms and data vendors. The rules affect all manufacturing of financial instruments and distribution or sale to end clients as well as structured deposits offered by credit institutions. Promotional banks or funding agencies which do not offer investment services for clients are thus exempt from the MiFID requirements.

MiFIR mainly deals with trade data, transaction reporting, the trading of derivatives, access to clearing and trading, and powers of ESMA and EBA to intervene in the issuance of products and to limit certain derivative positions. The Regulation will be directly applicable in Member States 20 days after the publication in the Official Journal of the EU. The recast MiFID regulates, among others, the authorisation and operating conditions for investment firms (including services and activities by banks and certain funding agencies), regulated markets and data reporting service providers as well as the supervision and enforcement by competent authorities. The MiFID has to be transposed into national law. It therefore will not become fully effective before the end of 2016.

The new MiFID-MiFIR rules will – again – substantially change the securities business of banks, investment firms and other market participants. The infrastructure of markets is reorganised. The relationship with clients receives a new framework. In a nutshell, important changes include the requirement that securities and derivatives transactions usually have to take place on trading platforms, the restructuring of the reporting of transactions, the widening of the requirements for pre- and post-trade transparency, the regulation of algorithmic trading, competent authorities getting product intervention rights, issuers of financial instruments having to define the target market of their product, investment advice being regulated more strictly, and that all conversation and communication by telephone or in an electronic way which lead or might lead to client orders must be recorded.

Some aspects of relevance in more detail:

Market infrastructure

A new category of trading venue is created for non-equity instruments alongside the existing regulated markets and multilateral trading facilities (MTF). The operator of an organised trading facility (OTF) has discretion in matching buyers and sellers. Multilateral trading arrangements that were previously unregulated, such as broker crossing networks or swap execution facilities, will now be obliged to register as OTFs and therefore be subject to the same regulatory requirements as existing MiFID venues. Any OTC trading activity has to be moved to a separate entity as proprietary trading is not allowed for OTFs.

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Increased transparency

The requirements for the provision of information about trading opportunities and prices and details of completed trades will be greatly expanded. In case of equities, the pre-trade bid and offer prices and volumes for all transactions on MiFID trading venues (regulated market, MTF or OTF) must be immediately published. There are four types of waiver including the reference price waiver which is subject to a four per cent venue cap and eight per cent global cap of annually traded volumes respectively. The pre-trade transparency regime is extended to bonds, structured finance instruments, emission allowances and derivatives. In these cases, the limits for equities are not applied and additional derogations are granted giving greater scope for prices and volumes being disclosed after the deals are done.

Trading obligation

MiFIR requires for standardised derivative contracts to be traded on exchanges or electronic trading platforms. All derivatives subject to the clearing obligation under EMIR must be traded on a regulated market, MTF or OTF subject to ESMA determining the class to be subject to a trading obligation. The possibility to trade OTC will thus be strictly limited.

Open access to clearing

Access to trading venues and central counterparties has to be non-discriminatory as a general rule. This means that trading platforms which also undertake clearing houses are required to clear trades transacted on other markets. However, this open access is subject to a 30-months transitional period to allow certain market participants to adjust themselves to the new environment.

Algorithmic trading

With regard to one of the more publicly discussed topics, algorithmic traders will be subject to regulation under MiFID. Traders planning to use algorithmic trading on a trading venue will be obliged to have algorithms tested in the system of trading venues before they are applied for real trading. They also will be required to provide liquidity when pursuing a market making strategy. Trades which were executed by algorithmic trading will have to be marked as such and be disclosed to the market participants. A tick-size regime regulates the smallest change by which a price of an investment product on a trading venue will be able to alter. Trading venues will have to take the order-to-trade ratio into account in their fees.

Investor protection

Within their internal product approval processes issuers will have to define a target market for each product when issuing or manufacturing financial products. Intermediaries are not allowed to actively market product outside this target market. Further down the issuing chain, ESMA, EBA and competent authorities will be able to temporarily prohibit or restrict the marketing, distribution or sale of certain financial instruments – also on a precautionary basis before the marketing or sale – when they assess them as being dangerous for investors or financial markets (product intervention). ESMA will also have powers to intervene in relation to derivative positions (position limits). When investment advice is provided and claimed to be independent, advisors are not allowed to receive and retain any third party payments. Investment advice which contains the payment of inducements remains possible under strict conditions.

For action

MiFID I aimed at increasing competition in the markets and decreasing prices for investors. However, it led to market fragmentation and a higher lack of transparency. Adjustments to the regime therefore made sense. Whether MiFID II/MiFIR signify the big step forward and make markets more resilient while at the same time strengthening investor protection remains to be seen. Much of the detail of the provisions will be filled in under implementing legislation – delegated acts by the European Commission, mainly transforming technical standards by ESMA – which will be prepared in 2014 and finalised in 2015. In many areas it will nonetheless be necessary for firms to be taking steps well ahead of 2016 to ensure compliance with the new regime.

The new European Directive on Mortgage Credit – no additional bureaucracy for promotional loans

Susanne Mulch

After long and sometimes heated discussions, the European Directive on Mortgage Credit Agreements entered into force in March 2014. The Directive applies to credit agreements which are secured either by a mortgage or by another comparable security on residential immovable property or secured by a right related to residential immovable property And credit agreements aimed at acquiring or retaining property rights.

It aims at establishing uniform standards on a European level for mortgage credits entered into with consumers concerning e.g. early repayment of the loan, pre-contractual and contractual information, advertising, creditworthiness assessments and the calculation of the annual percentage rate of charge.

Exemption for promotional loans possible

One major concern of the EAPB during the legislative process related to the handling of the so called promotional loans. We very much welcome that the Commission's proposal has been amended in order to allow for an exemption of promotional loans as advocated for by the EAPB.

Promotional loans are offered by state owned development banks, which are state funded and which pursue policy-related objectives. Thus promotional loans are granted on the basis of certain conditions, with objectives pre-defined by law, such as social housing, energy efficiency or specific economic objectives. The beneficiary, in case he fulfils a series of requirements, would be legally entitled to receive the loan. The Directive now leaves room for Member States to provide for an exemption of such promotional loans from its scope under the condition that the loan is granted to a restricted public under a statutory provision, free of interest or at lower rates than those prevailing on the market or under terms which are otherwise more favourable to the consumer than those prevailing on the market.

Furthermore, in order to benefit from the exemption clause, it has to be ensured through alternative arrangements that consumers receive adequate information on the main features, risks and costs of such credit agreements at the pre-contractual stage and that advertising of such credit agreements is fair, clear and not misleading.

Another intensely debated topic was the early repayment of the loan and the respective rights and obligations of the borrower and the lender. In the end, a balanced approach on this topic has been found which in principle acknowledges the right of early repayment to the consumer while at the same time entitling the lender to a fair compensation reflecting the actual loss. The EAPB believes that the final wording is legally secure and does not interfere with credit agreements based upon long-term fixed rates.

However, the regulation of mortgage lending will not disappear from the European agenda in the future: the Directive empowers the European Commission to provide by five years after entry into force a comprehensive report – where appropriate together with legislative proposals – assessing the wider challenges of private over-indebtedness directly linked to credit activity as well as to examine the need for the supervision of credit registers and the possibility for the development of more flexible and reliable markets.

A new European legal framework for public procurement – will it add to simplification or bring additional red tape?

Susanne Mulch

In spring 2014, the new European legal framework for public procurement entered into force after the formal adoption of the final text by the European Parliament and the Council beginning of the year. The package comprises three directives: a directive on public procurement relating to the traditional areas such as construction, a utilities directive and a new concession directive.

The objective of the reform was to increase efficiency in public spending, which amounts to 18% of the European GDP spent by public authorities on supplies, works and services, in order to better support common societal goals such as energy efficiency or innovation. The EAPB supports these goals and the simplification of the procurement process especially intended for SMEs. However, not least due to the mere volume of the new laws, one could doubt whether this objective has been achieved.

Public procurement for financial services?

Concerning the public tendering of financial services, the European Commission had proposed to delete the general exemption of financial services from the Directive. The Commission wanted to limit the exemption to financial instruments as regulated in the Markets in Financial Instruments Directive MiFID (such as transferable securities or money market instruments) in order to address irregularities in public spending in some Member States which had been hit hard by the crisis. As a result, loans used for the financing of local authorities would have fallen under the scope of the Directive and therefore would have to be tendered out. This would have had severe implications for local authorities in the need of raising money at a short notice (sometimes within hours) and public funding agencies. Financial markets are volatile and if conditions for interest rates and credit agreements have to be ensured during a lengthy procurement process, as a consequence costs for bidders and credit costs for local authorities would be higher.

EAPB advocated for a comprehensive exemption of financial services in order to cover for all different kinds of financing of local authorities. The Council and the Parliament agreed to extend the exemption of financial services to loans whether or not in connection with the issue, sale, purchase or transfer of securities or other financial instruments. The EAPB welcomes this extension of the exemption although the approach taken by the European Parliament to exclude all financial services per se would have been more adequate. It remains to be seen how any kind of investment outside of the scope of the MiFID as well as deposits of local authorities not covered by the exemption will be dealt with in the future.

Rules for in-house contracts

As for the future rules on in-house contracts, the EAPB has been supporting the approach taken in the case-law of the European Court of Justice (so called Teckal-Decision, C-107/98). According to the Court, an in-house contract - in order to be exempted from the procurement rules – must

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ensure that an "essential part of the activities of that legal person are carried out for the controlling contracting authority". In the final wording it was agreed that "more than 80 % of the activities of the controlled legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authority"

Member States have to implement the new rules within 24 months after the entry into force of the directives, e.g. until spring 2016.

Strengthening the European voice in international financial reporting standards setting

Susanne Mulch

The European Commission is currently considering how to achieve the right balance between the objective of ensuring a high level of harmonized standards at a global level while at the same time taking into account the specific situation of the European economy and the European "public interest" in the area of international financial reporting standards (IFRS). In general, comparability of accounting standards at a global level is of paramount importance and - on a European level - will be of increasing importance with the future ECB's supervisory role.

Therefore, in March 2013 the Commission entrusted the mission to Philippe Maystadt, former president of the European Investment Bank and Belgian Minister of Finance, to assess possible ways to reinforce and enhance the influence of the European Union in international accounting standards, which are being developed by the International Accounting Standards Board (IASB) based in London.

Mr. Maystadt, as a special adviser to Michel Barnier, Commissioner for Internal Market and Services, presented his final recommendations "Should IFRS standards be more "European"? – Mission to reinforce the EU's contribution to the development of international accounting standards" in November 2013 to the public.

The EAPB shares the opinion expressed in the report that the European voice in international standard-setting needs further strengthening. Amending IFRS within the EU would run counter the aim of comparable, transparent and stable financial markets.

In general, the report acknowledges the importance of a single set of global quality rules and therefore recommends the maintenance of the IFRS as the global "accounting language" at the European level. Moreover, the report states that the "standard by standard" adoption procedure should be upheld in the European Union. On the question of opting for more flexibility on endorsement in the European Union, Mr. Maystadt is cautious. According to his report, this possibility should only be granted under very strict and precise conditions defining the European public good and requiring a qualified majority of Member States in the Accounting Regulatory Committee (ARC).

The 12 recommendations of the report are also addressing the improvement of the governance of the European public and private bodies involved in the process of developing, commenting and endorsing IFRS, especially the future composition and responsibilities of the European Financial Reporting Advisory Group (EFRAG). Mr. Maystadt discusses three different options in order to achieve a better influence of the European Union towards the IASB:

1. transforming EFRAG, the private body currently responsible for comment letters to the IASB representing the European interests
2. transferring the responsibilities of EFRAG to the European Securities and Market Authority (ESMA)
3. replacing EFRAG by an agency of the European Union

EAPB welcomes that Mr. Maystadt recommends the first option to strengthen and re-organize the currently existing EFRAG in order to enhance European influence in international standard-setting.

Proposal for a governance reform of EFRAG

He recommends establishing a high-level board which should replace the currently existing supervisory board of EFRAG. The new board would be in a stronger position than its predecessor with more responsibilities and more frequent meetings. It would be appointed by the General Assembly and should approve the comment letters addressed to IASB as well as the endorsement advice letters to the European Commission. The board would be composed of in total 16 members from European public institutions, stakeholders and National Standards Setters. There would be one member representing financial institutions who would be proposed jointly by the European Association of Public Banks together with the European Banking Federation, the European Association of Cooperative Banks and the European Association of Savings Banks. Mindful of the objective of speaking with a European voice in our view it is essential that the members of the new high-level Board represent a range of interest groups. Maystadt recognized the role of EAPB by proposing to give the EAPB a voice among the stakeholders represented in the high-level Board of EFRAG. The EAPB has members from various European countries and represents about 100 financial institutions. As a whole, they have a European market share of approximately 15%, a balance sheet total of about 3.500 billion and they represent about 190.000 employees. Public banks are often capital market oriented and therefore obliged to prepare consolidated financial statements under IFRS.

Mr. Maystadt also recommends changing the role of the currently existing Technical Experts Group (TEG) to an advisory body to the newly appointed board, while the board would be the final decision-making body.

In order to improve EFRAG's independence, Mr. Maystadt also recommends changing its funding. The legal possibility of compulsory contributions by listed companies using and benefiting from IFRS should be analysed by the European Commission. Meanwhile, sufficient funding should be ensured through Member States and the European Commission.

Furthermore, the report calls for a better exchange between the ARC (Accounting Regulatory Committee) and EFRAG at an early stage with the aim of more efficiently influencing the work of EFRAG and the IASB.

Next steps

Mr. Maystadt presented the recommendations to the Economics and Finance Ministers of the Member States (ECOFIN) during their meeting in November 2013 and also discussed them with Members of European Parliament. The ECOFIN welcomed the report and called for a swift implementation of the recommendations. Currently, discussions within EFRAG are still ongoing with a view to finalizing the governance reform until the summer. Furthermore, the findings of Mr. Maystadt's report will feed into the discussions on accounting standards as well as in the revision of the European Regulation on the application of the IFRS which is planned for the end of 2014.

The Fourth Anti-Money Laundering Directive – the shift towards more corporate transparency?

On 5th February 2013 the European Commission published its proposal for a Fourth Anti-Money Laundering Directive. The proposal foresees a reinforcement of the sanctioning powers of the competent authorities by introducing for instance a set of minimum principle-based rules to strengthen administrative sanctions. It also takes into account specificities related to the political legal nature of the European Union and its single market. The Directive proposal extends the overall scope, to the gambling sector (the former directive covered only casinos) and by including an explicit reference to tax crimes. The proposal further strengthens the cooperation between the different national Financial Intelligence Units (FIUs) whose tasks are to receive, analyse and disseminate to competent authorities reports about suspicions of money laundering or terrorist financing.

On 20 February 2014 the two responsible Committees in the European Parliament dealing with civil liberties, justice and home affairs and with economic affairs proposed important improvements to the proposal of the European Commission that would open the way for more transparency in the financial and corporate system if an agreement is found with the representatives of the Member States.

Julien Ernoult

Long-lasting experience of the financial sector in fighting financial crime

During the legislative discussions the EAPB has contributed to share the experience of the financial sector in the fight against financial crime. During the past decade, the European financial industry has invested considerable resources in measures concerning anti-money laundering (AML), combat of terrorism financing (CFT) and prevention of financial crime. Financial institutions are obliged to have special dedicated staff (e.g. Compliance or Anti-Money Laundering Officer) that ensure that all business units comply with regulations and are well trained to recognise risks of financial crime. While financial institutions have a long experience and are well placed in assessing the risks of certain products and in identifying certain patterns of suspicious account activities, they rely to a considerable extent on external and independent sources of information (such as publicly accessible databases, and company registries) in order to assess certain risk factors linked to the profile of customers or the ownership structure of legal entities. Past experience gathered by financial institutions shows that the fight against money laundering, terrorism financing and financial crime can only succeed if public authorities promote greater transparency concerning information on corporate ownership structures and provide requisite support to the private sector.

Transparency of complex company structures

The Directive proposed by the Commission requires merely companies to maintain records as to the identity of those who stand behind the company in reality (beneficial owner, BO). From an industry point of view, the obligations concerning the identification of a potential beneficial owner is the most challenging element of the customer due diligence (CDD) requirements imposed by the Directive from an implementation perspective. In this context EAPB highly welcomes the proposal of the European Parliament Committees to introduce registers with information on beneficial ownership. The inclusion of harmonized, reliable, transparent, detailed, updated and relevant shareholding as well as BO information concerning non-listed companies in public registries is an imperative to ensure high standards of integrity of the CDD process of financial institutions and would help providing financial institutions with the required legal certainty.

Politically exposed persons and the fight against corruption

The Commission proposal also expands the provisions dealing with politically exposed persons, (i.e. people who may represent higher risk by virtue of the political positions they hold) to now also include "domestic" (those residing in EU Member States) (in addition to 'foreign') politically exposed persons and those in international organisations. This includes among others head of states, members of government, members of parliaments, judges of supreme courts. This will significantly increase the compliance requirements for obliged entities. Therefore the EAPB highly welcomes the proposal of the European Parliament to introduce public registers with information on domestic politically exposed persons (PEP). It will represent a substantive tool to discharge their customer due diligence (CDD) obligations. It is, however, also important that the EU helps financial institutions gain access to information about foreign PEPs at international level.

Need for a third country equivalence list and list of non-cooperative countries

The Commission has proposed to remove the provisions relating to positive "equivalence" of third countries. The Commission argues that as the customer due diligence regime is becoming more strongly risk-based and that the use of exemptions on the grounds of purely geographical factors is less relevant. Nevertheless it asks obliged entities to take into consideration country risk in its business decisions. The EAPB regrets that the Commission proposes to abolish the white list process of equivalent countries. The EAPB considers the equivalence regime and the updated list of equivalent third country jurisdictions to be very helpful for financial institutions. Having a high quality and regularly updated list based on the joint analysis and research of the EU 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. This type of information on country risk does not run counter to a successful risk based approach by financial institutions. The EAPB therefore fully supports the proposals of the European Parliament to to require the European Commisison to provide a list of equivalent jurisdictions in terms of AML/CFT measures. It is also welcome that the European Parliaments's amendments provide for a proper consultation process when reviewing the lists.

The EAPB is convinced that many of the European Parliament's amendments will greatly improve the Commission proposal- and thus the fight against financial crime.The EAPB will closely follow the upcoming discussions between the Council of the EU, the European Parliament and the European Commission.

Section iii:

Overview of the EAPB Meetings

Meeting of the Members' Assembly and Administrative Board

The EAPB Members' Assembly and the Administrative Board traditionally meet twice a year.

Mr Wolf Klinz, Member of the European Parliament on the eve of the EAPB Members' Assembly in Brussels

On 11 June 2013, the Members' Assembly held its meeting in Warsaw, Poland, on the invitation of BGK. During the Members' Assembly Mr. Jerzy Pruski, President of the Polish Bank Guarantee Fund and President of the International Association of Deposit Insurers gave a presentation on banking resolution in the EU and Poland. The general Assembly welcomed The Municipal Bank from Bulgaria which became an EAPB ordinary member on 3 January 2013. The Members' Assembly also elected Mr. Marcel Roy as new Secretary-General of the Association, as of 1 January 2014.

The Members' Assembly which took place in Brussels, Belgium, on 26 November 2013 welcomed on the eve of the General Assembly the EAPB Mr Wolf Klinz, Member of the European Parliament who stressed the importance of public banks for the long-term funding of the European Economy.

At the Members' Assembly, Mr. Gerassimos Thomas, Director at the DG for Economic and Financial Affairs of the European Commission, gave a presentation on financial instruments in the new programming period. In the discussion with members Mr Thomas welcomed the EAPB as important partner in designing financial instruments. He highlighted the need for developments banks to coordinate their activities and to have more cooperation, not just on policy issues but also on operational aspects of financial instruments. Mr. Stephan Rabe, interim Executive Managing Director at the German Association of Public Bank (VÖB), and Mr. Dimo Spassov, Chief Executive Officer at the Bulgarian Development Bank were elected as EAPB Board members. Finally, EAPB members thanked Mr Schoppmann, outgoing Secretary-General, for setting up the EAPB in 2000, winning many new members and for his 13 years of good work and excellent cooperation.

Legal Committee

In 2013, the Legal Committee held one meeting on 7 May in Helsinki, Finland.

The discussion was focussed on the European Commission's Green Paper on Long-term financing. Julia Taddei-Stradi (Caisse des Dépôts et Consignations) held a presentation on the topic and members exchanged views and gave input to the EAPB's position paper.

Members discussed the latest developments concerning the directive on public procurement. A main focus was the exemption of financial services and the regulation of in-house contracts. Furthermore, the secretariat gave an overview of the latest state of play on CRD provisions on corporate governance as well as state aid, the Crisis Management Directive and in the field of consumer protection, Directive on Mortgage Lending and the Package on Payment Accounts.

Economic and Financial Affairs Committee

The Economic and Financial Affairs Committee met on the 19 April 2013 in Copenhagen, Denmark and on 25 October 2013 in Brussels. The meeting in Copenhagen was a work meeting dedicated to exchange views with member institutions on the main outstanding regulatory issues, namely the restructuring of the European banking sector, CRR/CRDIV final texts, crisis management directive, IFRS and the banking union.

The meeting on Brussels on 25 October 2013 was introduced by Mr Andreas Strohm, DG Markt, European Commission who gave a short statement on the development of macroprudential tools and the application of the various capital buffer requirements of the CRD. Ms Hafner outlined the main key elements of the Commission's SRM proposal, Mr Ernoult presented the application of state aid provisions in the context of the crisis management directive and Mr Bartels gave a short overview over the latest developments on margin requirements for non-centrally cleared derivatives and presented the Commission's communication on shadow banking.

State aid and Development Committee

The State aid and Development Policy Committee met twice in 2013, in Brussels (Belgium) on 08 March and in Berlin (Germany) on 15 November.

In Brussels, Ms Barbara Cattrysse from the European Commission's DG Competition was invited as speaker. She presented the European Commission's wider plans to modernise State aid rules and explained the reform of the risk capital guidelines. Ms Cattrysse's presentation was followed by Mr Paolo Zaggia and Ms Federica Rosi, representatives of the Financial Agency for Lombardy Region (Finlombarda), who presented the Interreg IVc Project "Sharing Methodology on Financial Engineering for Enterprises" which was initiated by Finlombarda. The project aims at deepening and strengthening the knowledge about financial instruments (FI) by analysing the different phases of the FI life cycle, delivering solutions for optimising the implementation of FIs and recommending the findings to the EU institutions. Additionally, EAPB advisers reported on a number of State aid and development issues.

At the Committee's November session in Berlin, hosted by Investitionsbank Berlin (IBB), Mr Stefano Panighetti of the European Commission's DG Energy gave an overview of the policy framework in the area of energy efficiency with an outlook to the current state of play and the Commission work programme for 2014. He was followed by a presentation on the Connecting Europe Facility and the related financial instruments by Mr Stéphane Ouaki of the European Commission's DG Mobility and Transport (DG Move). Subsequent to the respective presentations, participants exchanged information on their activities in energy and infrastructure financing. Finally, Mr Julien Ernoult gave an overview on the state of play as regards the European Commission's Green Paper on long-term financing and the modernisation of State aid law. The meeting finished with EAPB advisers reporting on various EAPB activities concerning State aid and development issues.

Compliance Committee

In 2013 one meeting took place, one in on 6 May 2013 in Helsinki. Mr. Manfred Gorka, Compliance Officer at NRW.Bank gave a presentation on the reform of the compliance function at NRW.Bank. The Committee also discussed the European Commission proposals for a Fourth Anti-Money Laundering Directive as well for a new Wire Transfer Regulation. EU Commission proposals for new cybersecurity measures that could impact the work of compliance officers were also dealt with.

Internal Audit Committee

The Internal Audit Committee met once on 13 November 2013 in Brussels. Mr Ciaran Hollywood, Head of Internal Audit at the European Investment Bank, presented and discussed with the participants the organization of the Internal Audit function at the EIB. As second speaker, Mr Wolfgang Strohbach of the European Banking Authority (EBA) introduced the EBA's work on supervisory reporting to the Committee.

Capital Markets Committee

The Capital Markets Committee was inaugurated on 28 February 2013 in Brussels. It is supposed to meet once per year as a general rule. On the occasion of the first meeting, Ms Maria Teresa Fabregas, Head of Unit G3 Securities Markets at DG MARKT of the European Commission, spoke about the Commission's work on financial benchmarks. The participants also discussed the expected regulation of "shadow banking" activities, mainly with regard to repo and securities lending transactions, as well as the state-of-play of the MiFID review and the regulatory activities concerning margin requirements for non-centrally cleared derivatives.

Section iv:

Overview of major events and developments

Major Events of the Association in 2013/2014

26 June 2013
EAPB Working Group Meeting on Structural Policy 2014-2020

The EAPB Working Group Meeting on Structural Policy 2014-2020 was held in cooperation with the Hungarian Development Bank on the premises of the Hungarian Cultural Centre - Hungarian Culture Brussels (HCB).

Representatives of the EU Commission, respective DG Regio, DG Ecfin and DG Move informed about the latest developments concerning the legislative framework as well as the implementation options for Financial Instruments in the programming period 2014-2020. Furthermore there will be presentations on the proposal of the Technical Assistance Platform and the Connecting Europe Facility.

The meeting was meant to give he opportunity to discuss the proposals directly with the relevant representatives of the EU Commission and to present suggestions and concerns.

The attention was drawn to the topic of the Technical Assistance Platform (TAP). The TAP should provide advisory and capacity enhancement services to Member States, managing authorities and relevant stakeholders for all stages of delivering financial instruments. The EU Commission has expressed a strong interest, that national and regional financial institutions with experience in implementing Financial Instruments and financing expertise in the various thematic areas covered by cohesion policy, will take a strong role in the technical assistance activities which will be financed by the EU Commission.

20 September 2013
EAPB hosts Kommunalbanken Norway

EAPB welcomed a delegation of Kommunalbanken Norway in Brussels. Karl Thirion, Head of Bank Relations, Treasury & Financial Markets of Belfius Bank & Insurance held a speech on Belfius. Tore Grønningsæter, Senior Information Officer of the European Free Trade Association (EFTA) spoke about the functioning of the EEA and how it relates to the agenda in Brussels and Mrs. Paulina Dejmek-Hack Member of Cabinet of Commissioner Barnier talked about current EU policies for the financial services sector. In the afternoon the delegation was welcomed on the premises Flemish Community Commission (VGC), Brussels Parliament where they were hosted by Jean-Luc Vanraes, President of the Flemish Community Commission, currently Vice-President of Société régionale d'investissement de BruxellesS.A./Gewestelijke Investeringsmaatschappij voor Brussel N.V. At the

VGC the guests received an explanation by staff member Hilde Vissers on the Belgian, political system and how it is financed.

24 September 2013 EAPB took part in the SME Finance Forum: EU Financial instruments for SME Competitiveness and Innovation

at the European Commission, Berlaymont Building, Robert Schuman Room, Rue de la Loi 200, 1040 Brussels

Small and medium sized enterprises (SMEs) drive the recovery in Europe, but they need improved and easy access to finance. Over the last few years the European Commission has been constantly working to improve their situation. The SME Finance Forum is part of these efforts. During the meeting, the European Commission and a selection of financial intermediaries presented stakeholders with results and lessons learnt from EU financial instruments for SMEs in the programming period 2007-2013. This was followed by detailed presentations of the new financial instruments for SMEs in the programming period 2014-2020. Many details as regards the practical implementation of these instruments are still under discussion, and stakeholders were able to provide the European Commission with feedback on the proposals.

The EAPB emphasised the importance its members' commitment to continuing to support SMEs, but also pointed out that the new instruments should allow for more flexibility to accomodate the diversity of promotional banking systems in Member States. Many proposals and restrictions were understandable but difficult to implement because they do not reflect actual lending practices. More flexibility should be allowed to accommodate national promotional banking practices and thus enable public banks to utilise COSME Counter Guarantees to continue and even broaden their support for SMEs.

8 October 2013 EAPB participates in Open Days with FIN-EN project, Sharing Methodologies on Financial Engineering for Enterprises

FIN-EN
Sharing Methodologies on Financial Engineering for Enterprises

On 8 October 2013 the FIN-EN project had the opportunity of hosting a conference in the framework of the Open Days 2013 in Brussels.

The conference was attended by almost 100 representatives coming from regional and national authorities but also from private and public banks as well as from various other European institutions. This high participation level confirms the idea that EAPB's concern about the management of financial instruments is shared all over Europe, representing one of the main topics under discussion in the implementation of the upcoming 2014-2020 programming period.

The panel discussion, based on material of FIN-EN, presented to the European Commission some best practices on how to improve the use and the impact of financial instruments.

The main messages that emerged from the debate and that were addressed to the EC were:

- To tackle market gaps public authorities should be able to attract private resources: it means that the implementation options of financial instruments should be such to lead private actors to take risks that they usually refuse
- A deep expertise in regulations is fundamental, to be able to exploit all the possibilities offered by the legislative framework;
- Clarity and transparency in the legislative framework are essential to avoid problems related to the interpretation of rules.
- Flexibility is one of the main success factors: it is not true that "one size fits all", there should be the possibility to "mix" and adapt all the elements and knowledge available to design effective instruments.

Section IV

25 November 2013
Current EU policies in the financial sector, a Key Note Speech by MEP Dr.Wolf Klinz – an "On Invitation Only" event

In November 2013, at the eve of its General Assembly, the European Association of Public Banks (EAPB) organised a network event in the prestigious cloister of the Royal Museums of Art and History. In addition to the, the members of the EAPB administrative board, the members of the EAPB General Assembly and EAPB representatives, guests of European Institutions and members of the permanent representations towards the EU, parent banking associations, the European Banking Industry Committee (EBIC), the press and other relevant European stakeholders attended the event. Mr. Søren Høgenhaven, EAPB Vice-President, initiated the opening ceremony. The EAPB Secretary General gave the welcoming word and introduced the Key Note Speaker, Dr. Wolfgang Klinz, Member of the European Parliament who held a speech on "Current EU policies in the financial sector" word. Mr. Søren Høgenhaven, EAPB Vice President introduced and presented Marcel Roy, new EAPB Secretary General as per 01 January 2014.

26 November 2013
EAPB elected Stephan Rabe (VÖB) and Dimo Spassov (BDB) as EAPB Board Members

On Tuesday 26 November 2013, the European Association of Public Banks elected two new Board Members. Dr. Stephan Rabe, Acting Executive Managing Director (EMD) of the Association of German Public Sector Banks (VÖB) was elected in follow up to Hans Reckers, former EMD of VÖB. Mr. Dimo Spassov, Chairman of the Management Board and Chief Executive Officer of the Bulgarian Development Bank (BDB) was elected in follow up to Iliya Karanikolov, former Executive director in charge of International cooperation of the Bulgarian Development Bank.

The seven other EAPB board members (status as per 26 November 2013) are: EAPB President Dariusz Daniluk, Counsellor to the President of the Polish Bank Gospodarstwa Krajowego (BGK). EAPB Vice-President, Dietmar Binkowska, President of the Board of NRW.BANK, EAPB Vice-President Søren Høgenhaven Managing Director and CEO of Kommunekredit in Denmark and EAPB Board Members Anton Kovačev, President of the Managing Board of HBOR (Croatia), Geurt Thomas, Director of Bank Nederlandse Gemeenten (BNG), Tomas Werngren, President and CEO of Kommuninvest (Sweden) and Mathias Wierlacher, of the Thüringer Aufbaubank Germany.

01 January 2014
Marcel Roy: Secretary General of the European Association of Public Banks A.I.S.B.L.

Mr. Marcel Roy was announced as **new Secretary General** of the European Association of Public Banks (EAPB) as from 1 January 2014 onwards, succeeding Mr. Henning Schoppmann who founded the EAPB in 2000 and who finished his mandate on 31 December 2013. Mr. Roy started his working career as Assistant to the Director of the Fund-Management Department at Hypo Capital Management (1993), before moving on to Nestlé (1994-1995), Frankfurterhypothekenbank (1997), the German Confederation of Skilled Crafts (1998-2001) and lastly the European Association of Co-operative Banks (2001-2007). In his last position he has been Secretary General of the European Association of Mutual Guarantee Societies (AECM) since 2007. Mr Roy has a Masters in Banking from the University of Antwerp Management School.

17 January 2014
EAPB participates in IDEA event on public financial instruments to foster entrepreneurship

On 17 January 2014, the Innovation and Development Agency of Andalusia (Agencia de Innovación y Desarrollo de Andalucía (IDEA)) organized an event in Sevilla, Spain, on public financial instruments to foster entrepreneurship.

The event was attended by more than 150 representatives from the Andalusian financial and entrepreneurial sector. It was inaugurated by the Ms. María Jesús Montero, Consejera from the Andalusian Ministry of Industry and Public Administration and Mr. José Sánchez Maldonado, Consejero at the Ministry of Economy, Innovation, Science and Employment.

Given the difficult economic context in Spain, the speakers highlighted the need for support of entrepreneurship in Andalusia through dedicated financial instruments. Public institutions have a specific role to fulfill in order to counterbalance the impact of the crisis and the consequent market failure of the financial system in the Region.

Ms. Montero insisted on the need for the creation of a new public bank, for which the process has started in cooperation between the Regional Government and Parliament. The aim of this new institution (Instituto de Crédito Público andaluz) would provide Andalusian SMEs with more than € 1,4 billion in form of reimbursable funding, which would mitigate difficulties in access to finance, support job creation and reinforce social cohesion.

The introduction was followed by a round table on best practices and experiences with public financial instruments, moderated by the Secretary General of the Ministry of Finance, Ms. Julia Núñez, and in which participated among others Marcel Roy, Secretary General of EAPB, Mr. Josep Ramón Sanromà, President of the Board of Directors of the Instituto Catalán de Finances as well as the Director General IDEA, Mr. Antonio Valverde.

24 January 2014
Innovative financial instruments in the programming period 2014-2020' at the Committee of the Regions.

The workshop was divided into two parts. In the first part, representatives of the EU Commission, respectively DG Regio and DG Ecfin, informed about the latest developments concerning the legislative framework as well as the implementation options for Financial Instruments in the programming period 2014-2020. Representatives from the Development Bank of Saxony-Anhalt and the Hungarian Development Bank,MfB reported about their experiences with Financial Instruments in the present period and outlined their plans and possibilities under the new legislative framework for 2014 -2020. During a Panel Debate in the second part, panellists from EU Commission,

Development banks and the Association of European Craft, Small and Medium-sized Enterprises, UEAPME discussed the possibilities and limitations for the use of innovative financial instruments in the programming period 2014-2020. The workshop was meant to give the audience the opportunity to discuss their views directly with the representatives on the panel as well as to present suggestions and concerns. Source picture: http://ec.europa.eu/

06 February 2014
Round table discussion for EAPB members under direct ECB supervision

On 6 FEbruary 2014 five EAPB Member institutions discussed how they were influenced by the direct ECB supervision.

The ECB is advancing in its preparation for its new responsibilities as European supervisor of banks in the eurozone and in other participating member states, which it will take up on 4 November in line with Regulation 1024/2013 establishing the Single Supervisory Mechanism (SSM). It will provide direct supervision of the largest banks (around 130 in the eurozone). It may take action in relation to smaller financial institutions that are supervised directly by national authorities, with which it will cooperate closely. The ECB will have a right to address general instructions to the national competent authorities.

EAPB participates as partner in FIN-EN

FIN-EN
Sharing Methodologies on Financial Engineering for Enterprises

FIN-EN: “Sharing Methodologies on Financial Engineering for Enterprises”, is a project amongst 13 European Institutions, co-funded by the Interreg IV C Programme, Interreg IV C promotes interregional cooperation through the exchange of experiences and sharing good practice across Europe, Interreg IV C is complemented under the European Cohesion Policy (Territorial Co-operation Objective) and co-financed through the European Regional Development Fund (ERDF).

The FIN-EN project runs from 1 January 2012 until 31 December 2014 and enhances co-operation between regional and national authorities across Europa on how EU Structural Funds may support Financial Engineering Instruments (FEIs) for entreprises, primarily small and medium-sized entreprises (SMEs) such as venture capital funds, guarantee funds and loan funds.

Miriam Roemers
Director of Communications and Public Relations

Section IV

Key EAPB activities for 2013/2014

EAPB comment letters and position papers:

1. EAPB opinion on the discussion paper "relating to Draft Regulatory Technical Standards on prudent valuation under Article 100 of the draft Capital Requirements Regulation (CRR)" (EBA/DP/2012/03)	11 January 2013
2. EAPB comments on EU financial instruments to support innovation and competitiveness in the next MFF (2014-2020) following the stakeholder meeting on 05 December 2012	05 February 2013
3. Comments of the EAPB on the European Commission's legislative proposal for a Regulation on key information documents for investment products and the European Parliament's ECON Committee's draft report	6 February 2013
4. EAPB comments on the EBA-ESMA consultation paper "Principles for Benchmark-Setting Processes in the EU"	15 February 2013
5. EAPB comments on the BCBS-IOSCO consultation on margin requriements for non-centrally cleared derivatives	15 March 2013
6. EAPB comments on the EBA discussion paper "Defining Liquid Assets in the LCR under the draft CRR" – EBA reference EBA/DP/2013/01	21 March 2013
7. EAPB comments on the Exposure draft ED/2012/4 on classification and measurement: limited amendments to IFRS 9	28 March 2013
8. EAPB comments on the EIF's Draft Term Sheets for the Cultural and Creative Sector Guarantee facility	26 April 2013
9. EAPB position on the European Commission's draft minimis regulation from 20 March 2013	15 May 2013
10. EAPB comments on the EFRAG consultation on the need for Specific financial reporting for long-term investing activities business models	24 June 2013
11. EAPB response to consultation on Long-Term financing for the European Economy	24 June 2013
12. EAPB comments on the EFRAG consultation on the need for Specific financial reporting for long-term investing activities business models	24 June 2013
13. EAPB response to consultation on Long-Term financing for the European Economy	24 June 2013
14. EAPB response to the European Commission consultation on a draft for a General Block Exemption Regulation on state aid measures	28 June 2013
15. EAPB comments on the Basel Committee on Banking Supervision consultation for a supervisory framework for measuring and controlling large exposures	28 June 2013
16. EAPB comments on the consultation of the European Commission: reforming the structure of the EU banking sector	11 July 2013
17. Response of four European credit sector associations to Commisison request on sanctions database	5 September 2013
18. EAPB comments on the Indicative Term Sheet for Capped Direct Guarantees and Capped Counter-Guarantees under the COSME Loan Guarantee Facility (LGF)	06 September 2013
19. EAPB response to Consultation on the revision of the Guidelines on State aid to support SME access to risk capital	18 September 2013

20. EAPB comments on the consultation of the Basel Committee on Banking Supervision on a revised Basel III leverage ratio framework and disclosure requirements — 20 September 2013
21. Joint letter of AECM, EAPB, NEFI on the EC draft for a new State aid de minimis regulation to Commissioners — 10 October 2013
22. EAPB comments on the ESMA discussion paper on the CRA3 implementation — 10 October 2013
23. EAPB comments on the RSI II Market testing and indicative term sheets — 29 November 2013
24. EAPB position on the European Commission proposal for a Regulation on indices used as benchmarks in financial instruments and financial contracts — 10 December 2013
25. Revision of the Community Guidelines on State Aid for Rescue and Restructuring Firms in Difficulty: EAPB comments on the definition of undertakings in difficulty — 20 December 2013
26. EAPB Position paper on the European Commission's second draft for a General Block Exemption Regulation on state aid measures — 12 February 2014
27. EAPB Position paper on the European Commission's Draft Guidelines on environmental and energy State aid for 2014-2020 — 14 February 2014
28. 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
29. Response of four European credit sector associations to Commisison consultation on sanctions database — 26 February 2014
30. EAPB Position paper on the Notice on the notion of State aid — 28 February 2014

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

1.	EBIC's VIEWS ON THE LIIKANEN REPORT'S RECOMMENDATIONS	8 January 2013
2.	Basel III implementation / EU-US level playing fiel	12 Februay 2013
3.	EBIC's High-Level Messages on the Proposal for a Bank Recovery and Resolution Directive	14 March 2013
4.	EBIC position paper on the Commission proposal for a Fourth Anti-Money Laundering Directive (4th AMLD)	22 April 2013
5.	EBIC's support to the EBA 22 October workshop on proportionality	05 September 2013
6.	EBIC comments on Basel Committee consultative document on sound management of risks related to money laundering and financing of terrorism	27 September 2013
7.	EBIC comments on draft report on the proposal for a Directive of the European Parliament and of the Council on the Prevention of the use of the financial system for the purpose of money laundering and terrorist financing	4 December 2013
8.	EBA Workshop on the Principle of Proportionality-EBIC's forward looking suggestions	20 January 2014
9.	EBIC's comments on the EBA's final draft Regulatory Technical Standard on the determination of the overall exposure to clients in respect of transactions with underlying assets (EBA/RTS/2013/07)	7 February 2014

Section v:

Portrait of the members

Verband Schweizerischer Kantonalbanken
Union des Banques Cantonales Suisses
Unione delle Banche Cantonali Svizzere

Association of Swiss Cantonal Banks, Switzerland

Headquarters: Basel
Balance sheet total (31/12/2013): 514 billion CHF
Number of Employees: 18428,35 (Full Time Equivalents)

The Association of Swiss Cantonal Banks represents 24 Swiss Cantonal banks with nearly 19.000 employees working in 805800 branches and a balance sheet total of 502514 billion CHF (2012)(2013). The majority of Swiss Cantonal Banks were founded in the second half of the 19th century. In the process of becoming full-service banks, the Cantonal Banks have established a wide range of financial products and services beyond the traditional savings and mortgage facilities. They are an important banking group in Switzerland and cover about 30% of the local banking activities. In 1907, the Cantonal Banks formed the Association of Swiss Cantonal Banks. In 1971, an administrative office was opened in Basle to handle the many different functions of the Association. The objectives of the Association are to represent the joint interests of its members in relation to third parties and strengthen the position of Cantonal Banks in Switzerland. Moreover, the Association aims to encourage co-operation between its members, it also provides information on Cantonal Banks and prepares position statements on topical economic and banking issues presenting these to the public. In some areas of public relations, or in the case of political position statements, the Association co-operates closely with the Swiss Bankers Association. Delegates from Cantonal Banks represent the interests of their group by serving both on the board of the Swiss Bankers Association and on its expert committees. The Association also fosters regular contact with the federal authorities and institutions. It is also directly involved in the work of the expert committees on topics concerning banking policies, particularly those which affect the regulation of Cantonal Banks. The Association's administrative office coordinates the various activities, prepares dossiers for the decisionmaking bodies, helps with the implementation of any resolutions adopted and, together with the individual member banks, represents the Cantonal Bank Group to the media and general public. Some 15 inter-regional, national and international joint ventures belong to the group of Cantonal Banks as network partners, in which either all, or individual institutions take part.

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BANK
GOSPODARSTWA
KRAJOWEGO

Bank Gospodarstwa Krajowego (BGK), Poland

Headquarters: Warsaw
Balance sheet total (31/12/2013): 10,6 billion Euro
Number of Employees: 1305

BGK is 100% state-owned development bank of Poland established in 1924, supervised by the Ministry of Finance and overseen by the National Financial Supervision Authority. BGK enjoys a high rating of A- (Fitch), equal to the state. Its total assets reach 10,6 bn EUR.

BGK's mission is to support the Polish economy and growth and to provide services to the public finance sector. Its primary objective is to support government social and economic programmes, as well as regional development projects.

One of the key areas of BGK's activity is **infrastructure financing**. BGK delivers long-term financing of infrastructure projects under *the Polish Investment Programme*. BGK also manages dedicated infrastructure funds, such as National Road Fund or National Railway Fund. Another fundamental field of Bank's activity is supporting **small and medium-sized enterprises**. In 2013 BGK launched *Portfolio de minimis guarantee programme* which aims at enhancing lending to SMEs by commercial banks. BGK also co-operates with the European Investment Bank Group in supporting SMEs by granting loans refinanced from the EIB's global loans and by delivering VC/PE financing via Fund of Funds established with EIF. Moreover, BGK implements programmes supporting **export** of Polish enterprises.

BGK also plays an important role in **implementing EU-funded financial instruments** in Poland, such as *JEREMIE* initiative for SMEs, *JESSICA* initiative for urban projects, as well as a number of other support schemes. BGK also acts as a Payment Authority for all non-agricultural EU funds in Poland.

Other areas of BGK's activity embrace inter alia **financing of municipalities and municipal companies** and **social housing**. In addition to that, BGK plays a key role in the ongoing process of **public finances' consolidation** aimed at limiting ineffectiveness in functioning of the public sector.

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Website: www.bgk.com.pl

Bank Nederlandse Gemeenten N.V., The Netherlands

Headquarters: The Hague
Balance sheet total (31/12/2013): 131,18 billion Euro
Number of Employees: 273 (FTE)

Bank Nederlandse Gemeenten (BNG Bank) is a bank of and for local authorities and public sector institutions. BNG Bank's specialised financial services help to minimise the cost to the public of social provisions.
This mission is indicative of the bank's longstanding strategy of combining cost leadership with client partnership. The mission and strategy of BNG Bank are translated into strategic objectives. These objectives are to retain substantial market shares in the Dutch public and semi-public domain and to achieve a reasonable return for the shareholders.
Maintaining an excellent rating and realizing client partnership as effectively and efficiently as possible are necessary prerequisites in this endeavour. Since all the shareholders in BNG Bank are public authorities, BNG Bank is itself part of this public sector. BNG Bank's clients are local authorities, housing, healthcare, educational and cultural institutions and public utilities. BNG Bank provides made-to-measure financial services ranging from loans and advances and funds transfer to consultancy, electronic banking and investment. BNG Bank also participates in projects within the framework of public-private partnerships (PPPs).
Founded in 1914, BNG Bank is a statutory two-tier company under Dutch law structuurvennootschap). Half of the bank's share capital is held by the State of the Netherlands and the other half is owned by municipal authorities, provincial authorities, and a water board. Changes in the present stakeholder structure are not expected and the government's strong commitment to its current holding was evidenced by its participation in the most recent issue of shares in 1990 in order to maintain its 50 % stake and was recently confirmed by the Minister of Finance on several occasions. The central government's 50 % stake has been held since 1922 and there have only been two share transfers among lower tier governmental entities in BNG Bank's entire history.
Total assets of BNG amounted to EUR 131.183 billion at the end of 2013. The amount of outstanding loans at the end of 2013 was EUR 92 billion. The major part of the granting of credit takes place to, or under guarantee of, Dutch government. The number of employees (in Full Time Equivalent) was 273. After the State, BNG is the largest issuer in the Netherlands. BNG has been rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch, in line with the ratings of the State of the Netherlands.
BNG was listed as the second safest bank in the world by the magazine Global Finance.

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Bayerische Landesbank, Germany

Headquarters: Munich
Balance sheet total (31/12/2013): 255,6 billion Euro
Number of Employees: 8,568

BayernLB is one of the leading commercial banks for large and Mittelstand customers in Germany and a strong, regionally focused corporate and real estate lender with a balanced risk profile. As a member of the Sparkassen Finanzgruppe, BayernLB is a close partner of the savings banks in Bavaria, providing them with a wide range of products while also acting as central bank for the Association. Retail customers are mainly served by BayernLB's Deutsche Kreditbank AG (DKB) subsidiary. In terms of total assets and credit volumes, BayernLB is one of Germany´s largest banks.

BayernLB prides itself on its successful and long-term relationships with German companies and international customers with a significant connection to Germany. It is the bank for German Mittelstand companies, especially in the economic powerhouses of Bavaria and North Rhine-Westphalia. Real estate customers make up another integral part of the Bank's business. BayernLB offers, for example, commercial real estate customers a comprehensive range of real estate financing services. In its public-sector business, BayernLB focuses particularly on expanding its market share in its home market of Bavaria and intensifying sales in close partnership with the Bavarian savings banks. It provides a wide range of customised financing and investment solutions to governments, local authorities and public institutions.

Thanks to its subsidiary DKB, "your bank on the web", BayernLB already boasts over 2.7 million retail customers. And the number keeps growing. In addition to its online banking operations, DKB is active in growing markets like environmental technology, health services and education & research. Target customers also include business clients and customers from the infrastructure sector, particularly in the eastern half of Germany.

The Bank is legally an "institution established under public law". It is owned - indirectly via BayernLB Holding AG - by the Free State of Bavaria and the Association of Bavarian Savings Banks, which have respective holdings of around 75 percent and around 25 percent.

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Bulgarian Development Bank (BDB), Bulgaria

Headquarters: Sofia
Balance sheet total (31/12/2013): 0,92 billion Euro (consolidated)
Number of Employees: 157

Bulgarian Development Bank (BDB) is a credit institution – a joint-stock company with 99.9 % participation of the Bulgarian state, with the following main objectives:

- Improvement, stimulation and development of the general economic, export and technological potential of the small and medium-sized enterprises, registered on the territory of the Republic of Bulgaria, assisting their overall activity through facilitating their access to financing;
- Implementation of schemes and instruments for financing of public investments and development projects, which are of significance to the national economy;
- Attraction of resources and management of projects from international financial and other institutions; Attraction of resources and financing with the purpose of reducing the regional unbalances in the country. To provide the necessary financial support for the accomplishment of its business development objectives the Bulgarian Development Bank uses its own funds and also attracts and manages medium and long-term financial resources extended from various international and local financial institutions. The Bulgarian Development Bank is a shareholder in the European Investment Fund and a member of EAPB, the Network of European Financial Institutions (NEFI) and of the European Long-Term Investors Club (ELTI). In order to meet the different needs of the SME sector in the country, BDB supplements its direct and on-lending funding products by additional support, provided through its two subsidiaries:
- National Guarantee Fund - portfolio guarantees to commercial banks for loans with insufficient collateral. In 2012 NGF was selected as manager of the Guarantee scheme under the Rural development program
- JOBS Microfinance Institution - loans and leases to micro enterprises, including start-ups.

At the end of 2013 the assets of BDB Group amounted to BGN 1.801 billion, and the number of employees was 157. BDB has an investment grade rating “BBB-" with stable outlook by Fitch, equal to the rating of the Bulgarian state.

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Erste Group Bank AG, Austria

Headquarters: Vienna
Balance sheet total (31/12/2013): 199,9 billion Euro
Number of Employees: ca. 47.000

Erste Group was founded in 1819 as the first Austrian savings bank („Erste österreichische Spar-Casse“). In 1997, Erste Group went public with a strategy to expand its retail business into Central and Eastern Europe (CEE). Since then Erste Group´s customer base has grown through numerous acquisitions and organic growth from 600.000 to 17 million. Today 99% of our 16,4 million clients are citizens of the European Union. The EU membership gives the countries of the region a stable regulator framework that supports their economic development. Today Erste Group is one of the largest financial services providers in Central and Eastern Europe in terms of clients and total assets. It has always focused on retail and SME banking.

Strategic Objectives

1. Business focus: Retail and SME banking
   Being almost 200 years old, Erste Group is primarily a savings bank and lender that uses deposits to finance the loans that it grants. As such, it is less dependent on external financing.

2. Geographical focus: Central and Eastern Europe
   More then ten years ago we defined CEE as our extended home market. Today, 95 % of our 17 million clients live in EU member states. The EU membership gives the countries of the region a stable regulatory framework that supports their economic development.

3. Efficiency
   Our group structure reflects the split of responsibilities and increases the overall efficiency within the Group: the retail and SME business is managed locally while Group Corporate & Investment Banking and Group Markets are managed by the central holding company.

As our CEO, Andreas Treichl puts it: "We do not expect economic growth in our region in 2014 to be better than in 2013. And with 1,7% average growth in our region, we also expect our region to outperform the rest of Europe, with the expection of one or two countries, most notably Croatia."

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HBOR

HBOR - Croatian Bank For Reconstruction And Development

Headquarters: Zagreb
Balance sheet total (31/12/2013): 3,43 billion Euro
Number of Employees: 3425

Croatian Bank for Reconstruction and Development (HBOR) was founded in 1992 and is entirely owned by the Republic of Croatia. HBOR plays the role of a development and export bank, as well as an export credit agency.
In its activities, HBOR pursues the strategic goals of the Republic of Croatia, covers market gaps and acts as market developer in underserved niches with the objective of financing the reconstruction and development of the Croatian economy.
Throughout its loan programmes HBOR supports SMEs, infrastructure projects, tourism, industry, agriculture, environmental protection, energy efficiency and renewable energy resources projects. HBOR also provides loans for incentives to SME start-ups and loans to improve liquidity, loans for innovations and new technology projects as well as loans for projects that promote the utilization of EU funds.
As an export bank, HBOR has developed a number of programmes designed for exporters with the objective of enabling their equal competition in the international market. HBOR supports exporters in all stages of an export process, starting from the negotiation to the final payment of an export transaction.
As the Croatian export credit agency, HBOR operates a number of export credit insurance instruments enabling exporters to reduce and share risks. HBOR is the owner of Croatian Credit Insurance J.S.C. (HKO), a subsidiary company that is specialized in the insurance of short-term receivables (up to 1 year) related to the selling of goods and services in Croatia and abroad.

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MFB

Hungarian Development Bank Private Limited Company, Hungary

Headquarters: Budapest
Balance sheet total (31/12/2013): 3,67 billion Euro
Number of Employees: 311

The Hungarian Development Bank (MFB) is a specialised credit institution, and the only participant in the Hungarian banking system which considers the promotion and modernisation of the Hungarian economy its primary task.
The operation of the bank is regulated by Act No. XX. of 2001 on the Hungarian Development Bank. The bank is supervised by the Hungarian Financial Supervisory Authority (PSZÁF). The prevailing macroeconomic policy of the Hungarian Government sets the overall conditions, which allow MFB to promote the development of the Hungarian economy in order to achieve sustainable economic growth. MFB raises funds in the domestic and international financial and capital markets in the form of loans and bond issues, which serve as the sources of its lending and investment activity. Moody's Investors Service currently assigns Ba1 negative respective debt and deposit ratings to the bank.
In similarity to other European development institutions established for the same purpose, MFB is not primarily a profit-oriented financial institution; its objectives are defined by law and the strategy approved by the government. However, MFB may only lend to financially viable projects and uses banking instruments in order to improve the transparency and the efficient utilisation of funds. The Government considers among the highest priorities of MFB to play a bridging role between government's enterprise development (especially SME incentive) instruments and the commercial banking sector. In accordance with the above, MFB has developed and will continue to develop medium and long-term loan programmes, in order to assist the achievement of the macro-economic objectives of the government.
The development loans granted by MFB can only have a term of longer than one year, preferably medium and long term, with a grace period of 1 to 2 years on average.
In its financing activities MFB does not compete with commercial banks and pursues individual lending opportunities (aside from loan programmes) that are not financed by the commercial banks for profitability or risk considerations or because of long maturity requirements. It also cooperates with commercial banks by involving them as on-lending institutions in its loan programmes.
In accordance with its approved strategy, MFB Group was established in 2006. The affiliated enterprises play a supporting role in EU initiatives for SME development, promote improvements in local and regional infrastructure, and assist the internationalisation of Hungarian companies.
As of 31 December 2013, the balance sheet total of MFB amounted to HUF 1105 billion (around EUR 3721 million according to HAS), representing close to 10% of the Hungarian banking sector's balance sheet total. The number of bank employees at the end of 2010 was 291.

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exim

The Hungarian Export-Import Bank Plc., Hungary

Headquarters: Budapest
Balance sheet total (31/12/2013): 1,35 billion Euro
Number of Employees: 138

Eximbank was founded as the legal successor of the Export Guarantee Ltd. in 1994. The main objective and aim of Eximbank is to provide efficient financial and insurance solutions for the Hungarian exporting companies. As official economy policy instruments, the mission of Eximbank and its counterpart, the Hungarian Export Credit Insurance Plc. (MEHIB) is to support domestic companies' exporting activities, contributing to jobs and sustainability, employment growth and development of Hungarian exporting capacities.
Eximbank and MEHIB act as the official export credit agencies under the supervision of the Ministry for National Economy, by pursuing activities mainly regulated by the OECD and EU provisions, with the basic objective: to promote foreign trade of Hungarian goods and services.
Within the framework of the integrated structure, the bank and the insurer play their role with merged staff, governed by common management and under the new EXIM brand.
With all available credit instruments, guarantees and insurance policies, EXIM supports companies operating in Hungary, assumed to have considerable exporting potentials, but unable to exploit all their opportunities by the products and services of commercial banks without the complementary assistance of EXIM.
By the end of 2013, the balance sheet total of the bank was 1,348 million EUR. Eximbank operates with a sound capital structure, having 161 million EUR regulatory capital.

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Investitionsbank Berlin

Investitionsbank Berlin, Germany

Headquarters: Berlin
Balance sheet total (31/12/2013): 20,5 billion Euro
Number of Employees: 627

Investitionsbank Berlin (IBB) is the development bank of the city state of Berlin. IBB's aim is to promote, support and stimulate business as well as housing and urban development. It offers a wide range of financial and consulting instruments, with a focus on revolving instruments (debt and equity finance in the form of loans, mezzanine and risk capital) and also grant-based schemes. Its consulting services contain a business-plan competition, technology and creative coaching center as well as the structuring of projects in order to make them bankable. IBB's aim is that no promising project fails due to the lack or due to inadequate funds. In that respect it cooperates with all Berlin-based finance institutions. In the field of Business promotion, the focus is on innovative, small and medium-sized, Berlin-based enterprises and the aim to realize and stimulate their projects (growth investments and opening up new markets). IBB primarily supports innovative and high technology start-ups and medium-sized enterprises in Berlin In the field of housing and real estate, IBB is the right partner for all financing needs to support the development of housing and real estate with a focus on energy saving measures. IBB's balance sheet total amounts to about 20 billion Euro. About 630 employees work for IBB.

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Investitions- und Förderbank Niedersachsen - NBank

Headquarters: Hannover
Balance sheet total (31/12/2013): 5,8 billion Euro
Number of Employees: 437

The NBank is *the* bank for investment and business development in Niedersachsen. Since January 2008 it is fully owned by the federal state of Niedersachsen.

NBank is the basic instrument used to support the economic and social policies of the state. Having a full licence the NBank has an equity capital of EUR 150 million. It can make unrestricted use of its state guarantees, i.e. institutional and guarantor liability. Its 437 employees are involved in the daily running of the bank.

All federal state owned subsidy schemes for backing the economy, labour market and education as well as grants for housing and urban development are centralized within the NBank. Beside these programmes the NBank also gives advice on EU–support programmes and programmes offered by the German government as well as cooperating with regional partners in order to implement synergy effects and improve the overall business development programmes.

The NBank plays a key role in helping to finance investments herby focusing on those companies needing assistance the most, i.e. small and medium sized enterprises (SME), start–up–companies and young technology-orientated businesses.

The European network "Enterprise Europe" is part of the international department of the bank. Through this network businesses get competent advice on European subsidy programmes and various European business subsidy instruments.

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Kommunalbanken, Norway

Headquarters: Oslo
Balance sheet total (31/12/2013): 44,42 billion Euro
Number of Employees: 56

Kommunalbanken Norway (KBN) is a AAA/Aaa rated local government funding agency 100 per cent owned by the Royal Ministry of Local Government and Modernisation on behalf of the Kingdom of Norway. Established by an act of Parliament in 1926 as a state administrative body, and started operations in 1927. KBN gained its current status and structure through a conversion act in 1999. KBN is a direct continuation of its predecessor Norges Kommunalbanken and has for 87 years been the main provider of credit to the local government sector in Norway. Today, KBN is defined as a state instrumentality serving a public policy function of providing low cost funding to Norwegian municipalities. The agency's mandate also includes promoting competition in the market, thereby facilitating the efficient provision of public services in Norway. KBN's operations are strictly regulated and the agency may only lend to Norwegian local governments, counties and inter-municipal companies, and against a local government guarantee. KBN is the largest provider of credit to local authorities in Norway, commanding a market share of approximately 50 per cent. At year-end 2013 all counties and 98 per cent of Norway's municipalities serviced loans in KBN. Total balance sheet equivalent to EUR 43 billion.

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Section V

KLP Kommunekredit, Norway

Headquarters: Trondheim
Balance sheet total (31/12/2013): 2,5 billion Euro
Number of Employees: 10

KLP - Kommunal Landspensjonskasse - is one of Norway's largest life insurance companies. Kommunalbanken is now 100% owned by the Central Government.KLP provides pension, financing and insurance services to the local government sector and the state health enterprises, and is the dominant public pension provider for both sectors.. The KLP Group's total assets are NOK 267.3 billion.The formal name of the parent company is Kommunal Landspensjonskasse gjensidig forsikrings-selskap (Kommunal Landspensjonskasse Mutual Insurance Company). KLP and its subsidiaries have a total of just over 750 employees. The Group provides secure and competitive products and services in:

- Pension and pension fund services:
- Banking
- Insurance
- Fund and asset management
- Property

KLP is the leading provider of occupational pensions to the public sector and associated organisations. The mutual ownership model of the parent company in which a customer is also an owner means that KLP must always supply products and solutions in consultation with its customers.
KLP's subsidiaries:

- KLP Skadeforsikring AS is the largest supplier of non-life insurance to Norwegian municipalities.
- KLP Eiendom AS is one of Norway's largest property management companies.
- KLP Fondsforvaltning AS is a large funds manager.
- KLP Kapitalforvaltning AS is one of Norway's largest asset managers.
- KLP Forsikringsservice AS is a leading supplier of pension fund services to the local government sector.
- KLP Bedriftspensjon AS offers defined benefit pensions and defined contribution pensions to companies in both the private and the public sector.
- KLP Banken AS is a "day-to-day" bank providing good and simple saving and borrowing services.
- KLP Kommunekreditt AS has considerable experience in lending to Norwegian municipalities and their enterprises.
- KLP Alternative Investments plc enables KLP to specialize active management mandates further in order to increase the return on the life company's money

Pension agreements with the Company: 332 municipalities and county authorities, 2 500 companies, 25 state health enterprises, 4 regional state health enterprises. The pension scheme covers: 304 000 occupationally active members, 155 000 pensioners, 115 000 previous employees.

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0103 Oslo
Norway

KommuneKredit, Denmark

Headquarters: Copenhagen
Balance sheet total (31/12/2013): 25 billion Euro
Number of Employees: 58

KommuneKredit was established in 1899 and has the objective of providing financing, leasing and financial services to its members. Membership is limited to Danish local governments and currently all of Denmark's 98 municipalities and 5 regions are members of KommuneKredit. KommuneKredit may also lend to companies and entities against full municipal or regional guarantee. The liabilities of KommuneKredit are covered by the joint and several guarantee of the members ensuring that KommuneKredit has the same rating as that of the Kingdom of Denmark which is the highest possible international rating. Throughout its history, KommuneKredit has not suffered a loss on its lending.
KommuneKredit is by far the dominant source of financing for the local government sector due to the solid capitalisation and a low cost level which means that the lending is offered at modest margins. KommuneKredit has a close dialogue with its members in order to make sure that the services and products live up to the needs of the customers.
The local government sector plays a very important role in the Danish welfare society as municipalities and regions are responsible for most of the public services offered to citizens and enterprises. The local governments are responsible for schools, care for children and the elderly, hospitals, unemployment benefits, roads, environment and culture.
Income taxes account for half of municipal funding and the other major source of income is government block grants that ensure equalisation among the local governments. Local governments are subject to the overall economic policy adopted by the central government and the budgets and financial policies of the local governments are supervised closely by the central government in order to ensure fiscal prudency.
KommuneKredit's lending is financed by the issue of securities in the Danish and international financial markets. KommuneKredit carefully diversifies its funding on different markets and products in order to minimize dependency on specific markets and products.
KommuneKredit is authorised to have liquidity resources of up to 25 per cent of total lending and invests in securities with low credit risk, and in order to minimise KommuneKredit's liquidity risk the investments must be easily realised.
KommuneKredit has a solid capitalisation as the equity/asset ratio surpasses 3 per cent.

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Kommuninvest, Sweden

Headquarters: Orebro
Balance sheet total (31/12/2013): 30,62 billion Euro
Number of Employees: 70

"Kommuninvest acts like a debt office for Swedish local governments and is a cooperative membership organisation, owned and guaranteed by Swedish local governments.
Membership is limited to Swedish local government. Of the total 310 municipalities and county councils in Sweden, by 31st December 2012 274 are members of Kommuninvest. Number of members, by 27th March 2013 is 276. Our assignment is to act as Sweden's local government debt office. This entails acting as a guarantor for financial stability in the local government sector, offering all Swedish municipalities and county councils efficient financial management, focusing on financing.
Kommuninvest is a non-profit maximising organisation. Both membership and use of Kommuninvest's services are voluntary.
All of Kommuninvest's members have signed a joint and several guarantee covering all undertakings that have been or that will be entered by Kommuninvest. Swedish municipalities and county councils cannot be declared bankrupt and cannot cease to exist, and the ultimate responsibility for the operations of the municipalities and county councils is borne by the government.
The joint and several guarantee of the members (combined with Kommuninvest's zero risk weighting) makes Kommuninvest a highly attractive borrower.
Kommuninvest is the largest player by far in the local government credit market in Sweden. Lending volumes have risen steadily as an increasing number of local authorities have become members, but also as an effect of Kommuninvest's increasing competitiveness.
Kommuninvest provides credit solely to those municipalities and county councils who are members of the Kommuninvest Cooperative Society. With a municipal guarantee, companies in which members are majority shareholders can also obtain credit from Kommuninvest. Funds are used for local governments' welfare investments within education, social welfare, health services, housing, and public transport.
Kommuninvest finance its operations by borrowing on the Swedish and international capital markets. Kommuninvest borrowing has the lowest possible risk weighting (BIS 0 percent).
As approved monetary policy counterparty to the Swedish Riksbank, Kommuninvest is granted access to the Riksbanks's (the Swedish central bank) short-term credit facilities.
The year 2012 in summary

- Balance sheet total SEK 283.3 (234.0) billion.
- Lending SEK 201.0 (168.1) billion.
- Market share 62 percent of members' borrowing and 46 percent of local government sector's total lending.
- Operating profit SEK 249.1 (396.1) million.
- Persistently high credit rating: Aaa (Moody's) and AAA (S&P).
- Seven new members, total membership 274 (2012).

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Landeskreditbank Baden-Württemberg – Förderbank

Headquarters: Karlsruhe
Balance sheet total (31/12/2013): 70,68 billion Euro
Number of Employees: 1252

L-Bank is a state development agency that operates as the official promotional bank of the State of Baden-Württemberg. It has its headquarters in Karlsruhe and a branch office in Stuttgart. L-Bank is entrusted with public promotional tasks that aim at supporting the structural, economic and social policies and the public promotional goals of its owner. Its key business areas are the financing of small and medium-sized enterprises, private and public housing construction and infrastructure as well as family support. L-Bank provides loans, subsidies and other financial assistance by utilising both its own funds and various funds provided by the State of Baden-Württemberg, the Federal Republic of Germany and the European Union. It also provides guarantees and undertakes, to a very limited extent, equity investments.

L-Bank was established as a financial institution by public law (L-Bank Act of 1998) and is wholly owned by the State of Baden-Württemberg. L-Bank benefits for its financial obligations from an explicit, unconditional and irrevocable guarantee from the State of Baden-Württemberg as well as from the legal support mechanisms of maintenance obligation ("Anstaltslast") and guarantee obligation ("Gewährträgerhaftung").

At the end of 2013, L-Bank had total assets of 70.7 billion EUR and a net income of 100.8 million EUR. The bank employed a total of 1,252 members of staff.

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Landwirtschaftliche Rentenbank

Headquarters: Frankfurt
Balance sheet total (31/12/2013): 78,3 billion Euro
Number of Employees: 257

As a promotional bank for the agricultural sector, Landwirtschaftliche Rentenbank provides low-interest loans for a variety of agriculture-related investments including renewable energies. The range of products is geared towards production enterprises in the agricultural, forestry, viticulture, and horticulture sectors, manufacturers of agricultural investment goods, and trade and service companies related to agriculture. The Bank also provides loans for the food industry and other upstream and downstream companies. Additionally, investments by municipalities and other public bodies in rural areas are also promoted as well as private engagement for rural development. The Bank extends its loans via other banks complying with competition neutrality.

The funds for the refinancing of promotional lending are raised mainly through the issuance of securities or borrowings on domestic and international capital and interbank markets. Rentenbank's long-term obligations are rated with the highest marks AAA / Aaa by rating agencies.

Rentenbank was established by statute in 1949 as the central refinancing institution for agriculture and food industry, with its registered office in Frankfurt/Main. Rentenbank is a federal institution under public law directly accountable to the German federal government operating under a legal promotional mandate.

The basis of the Bank's capital was formed by contributions raised from the German agricultural and forestry sector between 1949 and 1958. Therefore, the Bank uses its distributable profit to promote agriculture and rural areas as well.

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LFA Förderbank Bayern, Germany

Headquarters: Munich
Balance sheet total (31/12/2013): 22,15 billion Euro
Number of Employees: 314

The LfA Förderbank Bayern, established in 1951, is the specialized state-owned development bank for the promotion of the economy in Bavaria in order to secure and create jobs. Therefore the LfA finances start-ups, small and medium sized enterprises as well as technical innovations, environmental protection and infrastructure focusing mainly on investments. In addition LfA is active in the field of financial restructuring.

In cooperation with commercial banks the LfA offers financial services such as low interest loans and risk assumptions. The LfA also provides financial solutions in terms of equity capital through the affiliated BayBG Bayerische Beteiligungsgesellschaft mbH and Bayern Kapital GmbH.

In 2013 the LfA granted loans with a volume of 2.75 billion Euros to approximately 6,300 Bavarian enterprises including about 1,200 cases in the startup sector.

Detailed information can be obtained and advisory appointments made trough the LfA Customer Centre.

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Section V

Macedonian Bank for Development Promotion, Macedonia

Headquarters: Skopje
Balance sheet total (31/12/2013): 0,23 billion Euro
Number of Employees: 42

Macedonian Bank for Development Promotion is the only development and export Bank in the Republic of Macedonia established by the Government of the Republic of Macedonia.

Its primary aim is to implement the strategic policies, goals and priorities of the Republic of Macedonia by offering wide range of financial instruments tailored to the needs of final beneficiaries. In this process MBDP is guided by the core principles of non-competition with commercial Banks, nondiscrimination of beneficiaries, transparency, efficiency, and economic justification of the financed investments.

MBDP, through its finance activities, provide support to small and medium sized enterprises, individual entrepreneurs, infrastructure, industry, agriculture and agroindustry, tourism, environmental and energy efficiency projects as well as export credit financing (pre-shipment export finance) enabling the entities to bridge the period between export and collection of payment from the foreign buyer.
For those who do not have enough collateral MBDP has a special credit guarantee scheme where the Bank provides guarantee for 42% of the loan amount facilitating the borrower's access to loan funds.
MBDP activities encompass pre- and post-shipment insurance of export and domestic receivables as well as factoring enabling the companies to sale goods and supply services with defer payment.
In this circumstances of global economy crises MBDP, as a respond to the challenges faced by the SMEs and the country in a whole, reduced the interest rate of the loans provided from its own funds and also, recently, introduced a new credit product intended for the Municipalities in the Republic of Macedonia for realization of projects form the Instrument for Pre-accession Assistance-IPA component.

MBDP for the most part performs its lending activities through the commercial banks, involving them as on-lending institutions, and maintains fruitful cooperation with a number of export credit agencies, development banks and international financial institutions worldwide.

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Municipal Bank PLC, Bulgaria

Headquarters: Sofia
Balance sheet total (31/12/2013): 0,59 billion Euro
Number of Employees: 757

Municipal Bank AD (www.municipalbank.bg) is a universal commercial bank, established in 1996. The registered share capital is BGN 43,497,540, divided into 4,349,754 registered, book-entry voting shares, of BGN 10 par value each. Municipal Bank AD has a full banking license No. B16 by the Bulgarian National Bank for domestic and worldwide banking and financial operations. The bank has extensive experience in the municipal banking niche, but has recently started paying special attention to the retail and corporate banking. Its aim is to be a customeroriented bank, and a trusted partner to businesses and municipalities, offering the highest standards in the banking sector. Municipal Bank is a licensed primary dealer of government securities (market maker on the Bulgarian Government Securities market), an investment intermediary for corporate securities and a service agent of local budgets. The Bank has a network of 53 financial centres and 31 remote workplaces located in 50 populated areas in the country and has established correspondent banking relations with over 270 banks worldwide. The bank has a leading position in public finance, with a market share of 16 % in local government loans and 26 % in local government deposits. Sofia Municipality (67.65 %) and 16 of the biggest Bulgarian municipalities are among its shareholders. The bank is focused on sustainably developing the cooperation with international financial institutions. It offers the full package of financial services. It has also participated in the preparation and implementation of investment projects and project finance, as an agent and advisor or co-manager in the Sofia Metro Extension Projects (¥12.894 bln and €105 mln), the Sofia Eurobond Issue (€50 mln), the Sofia Central Heating System Rehabilitation Project (€120 mln), to name a few. The bank's national long-term credit rating by the Bulgarian Credit Rating Agency (BCRA) is "B+" (stable outlook), the short-term: C.

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Section V

Municipal Bank PLC, Finland

Headquarters: Helsinki
Balance sheet total (31/12/2013): 26,16 billion Euro
Number of Employees: 83

Municipality Finance serves the Finnish municipal sector which consists of municipalities, municipal federations and a range of organisations owned or controlled by municipalities, and corporations designated by state authorities engaging in housing on social grounds. Municipality Finance's mission is to be, as a financial institution owned by the municipal sector and the Republic of Finland, the most sought-after and active partner in municipal-sector financial services in Finland. The aim is to ensure cost-effective financial services for the municipal and social housing sector, to operate efficiently and grow profitably, and to improve its self-sufficiency and increase its own funds primarily through funds from its operations in compliance with the Municipal Guarantee Board Act. The Issuer focuses actively on customer relations and creates solutions and services for its customers.

Funding by Municipality Finance is guaranteed by the Municipal Guarantee Board ("MGB"). MGB is an institution under public law which was established under the MGB Act and operates in accordance with it, as amended from time to time, to safeguard and develop the joint funding of the Finnish municipal sector. Its members are jointly responsible for its debts and obligations in accordance with the MGB Act. All taxpayers share the benefit of Municipal Finance's operations. The financial benefit of the company is accumulated as savings in the financing costs of investments that are important from a social point of view. Financing from Municipality Finance enables infrastructure investments for health, education and care services as well as services for special groups.

The company has the highest possible credit ratings for its long-term funding: Aaa from Moody's and AAA from Standard & Poor's. These form the foundation of the company's strong competitiveness as a provider of financing. The company operates efficiently and grows profitably. The company aims to build the capital needed for growth through profits and thereby ensure its capital adequacy.

Summary of year 2013:

- The Group's net operating profit amounted to EUR 141.3 million (2012: EUR 138.6 million). Net interest income grew by 5% compared with the previous year, totalling EUR 149.5 million (2012: EUR 142.4 million).
- The balance sheet total stood at EUR 26,156 million (2012: EUR 25,560 million).
- The Group's risk bearing capacity continued to be very strong, with the capital adequacy ratio at 39.88% at year-end (2012: 33.87%) and the capital adequacy ratio for Tier I capital at 35.42% (2012: 26.22%).
- Total funding acquisition for 2013 amounted to EUR 10,695 million (2012: EUR 6,590 million). The total amount of funding grew to EUR 23,108 million (2012: EUR 22,036 million).
- Lending increased to EUR 17,801 million (2012: EUR 15,700 million). In total, 9% more loans were withdrawn than in the previous year, amounting to EUR 3,537 million (2012: EUR 3,254 million).

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Nederlandse Waterschapsbank N.V., Netherlands

Headquarters: The Hague
Balance sheet total (31/12/2013): 73 billion Euro
Number of Employees: 51

NWB Bank: "A bank owned by and working as a specialized lender for the public sector" Nederlandse Waterschapsbank N.V. (NWB Bank) was established over sixty years ago, with the objective of providing sound financial services to the Dutch public sector. Since then, the Bank finances water control boards [waterschappen], and municipal and provincial authorities. It also grants long-term loans to social housing, healthcare and educational institutions. In addition, NWB Bank finances public water supply Public Private Partnerships (PPP) and environmental organisations. The key attributes of NWB Bank's services are social relevance , high quality, integrity and sustainability. NWB Bank finances its activities on the international money and capital markets. The Bank relies on its very strong financial position and ratings Aaa/ AA+ ; equal to the Dutch State awarded by Moody's and Standard & Poor's. NWB Bank is wholly owned by Dutch public sector authorities.

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NRW.BANK, Germany

Headquarters: Düseldorf, Münster
Balance sheet total (31/12/2013): 145 billion Euro
Number of Employees: 1256

NRW.BANK is the development bank for the State of North Rhine-Westphalia. It supports its owner – the State of North Rhine-Westphalia (100 %) – with regard to economic and structural tasks. Competition wise, NRW.BANK operates in a strictly neutral manner. NRW.BANK has an equity capital of about EUR 17,9 billion as well as a full banking licence. It has the legal status of an institution under public law and employs more than 1.250 people. Its total assets amount to EUR 145 billion.

NRW.BANK offers the full range of financial products in three areas of promotional competence, namely Housing & Living, Seed & Growth and Development & Protection. The Bank operates in various sectors: e. g. securing and improving the small and medium-sized business sector, housing promotion, providing venture capital, urban development, infrastructure rural development, environmental protection and technology and innovation.

NRW.BANK is allowed to make unrestricted use of its state guarantees, i.e. institutional liability and guarantor liability. In addition, the owners of NRW.BANK grant an explicit guarantee for the bank.

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The Republic of Srpska Investment-Development Bank (IRBRS), Bosnia and Herzegovina

Headquarters: Banja Luka
Balance sheet total (31/12/2013): 1,2 billion Euro
Number of Employees: 115

The Republic of Srpska Investment-Development Bank (IRBRS) was founded in 2006 by the Government of the Republic of Srpska with the aim of efficient management of the Republic of Srpska (RS) assets which are placed in six funds.
IRBRS strives to provide a strong contribution to preserving the stability and further economic growth and development of the RS through efficient management of the funds' portfolios, financing of development projects and implementation of privatisation projects. The vision of IRBRS is to become the most important pillar of the financial support to development and investments through partnership with private sector and international financial institutions and thus enable a competitive and viable economy of the Republic of Srpska.
Strategic goals of IRBRS are to encourage investments and development in the Republic of Srpska, with the following priorities identified: improvement of agricultural production, support to small and medium entrepreneurship (SME), housing and business construction, construction of infrastructure facilities, employment growth, support to production in order to reduce foreign trade deficit, balanced regional development, corporate governance and capital market enhancement, efficient process of conducting privatisation and restructuring of enterprises in the privatisation context, investment support, environmental protection and support to the financial sector.
Projects are financed through loans and investments in securities. Loans are extended to final beneficiaries mainly through intermediaries – commercial banks and microcredit organizations. Besides, IRBRS provides various types of technical and advisory assistance to legal entities in the Republic of Srpska in order to support them in using their development potentials more efficiently. Also, IRBRS promotes resources of the Republic of Srpska and provides certain types of services to foreign investors willing to start business in the RS, such as regular information on business climate (including privatisation projects), assistance in identification of investment opportunities and locations and facilitating contacts.
IRBRS has developed cooperation with international organizations and financial institutions in order to implement development projects and grants as well as programmes for provision of expertise and additional external funds for financing development projects, such as the World Bank and the European Investment Bank.

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Sächsische Aufbaubank – Förderbank – Germany

Headquarters: Dresden
Balance sheet total (31/12/2013): 8,2 billion Euro
Number of Employees: 999

Sächsische Aufbaubank - Förderbank - ('SAB') is the development bank of the State of Sax-ony and the primary state institution for the delivery of regional, national and EU promotional programs. Since its foundation in 1991, SAB's business objective has been to support the State by providing subsidized loans, grants, guarantees and equity to clients. SAB does not undertake commercial banking activities.

SAB is 100%-owned by the State of Saxony, which provides SAB with an explicit guarantee in addition to the traditional institutional liability and maintenance obligations. SAB is incorpo-rated as an institution under public law.

Its work – regionally focused on the State of Saxony – covers both general and highly specif-ic economic and social development initiatives, including agricultural, environmental, tech-nical and urban development projects, as well as the promotion of small and midsize enter-prises. SAB's activities show a strong emphasis on housing, urban and infrastructure devel-opment. SAB fulfils its role as a financial facilitator by offering a wide range of products and services, including low-interest loans and loan guarantees, direct investment, special pur-pose grants and financial consultancy.

As per 31 December 2013, the SAB's total assets amounted to EUR 8,221 million and equity capital to EUR 564,3 million. The annual net profit was EUR 0,7 million and the Bank had a staff of 999 employees.

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Société de Financement Local - Sfil

Headquarters: Paris
Balance sheet total (31/12/2013): 83,53 billion Euro
Number of Employees: 324

Société de Financement Local (Sfil) was created on February 1, 2013, with the aim of guaranteeing stability in local public sector financing in France.
Société de Financement Local is a 100% publicly-owned bank, having obtained approval from the French Prudential Supervision and Resolution Authority (ACPR). The French government is the principal shareholder, with a 75% stake in its capital, the remainder being owned by Caisse des Dépôts et Consignations (20%) and La Banque Postale (5%).
Through its société de crédit foncier Caisse Française de Financement Local (Caffil), Sfil refinances medium and long-term loans offered by La Banque Postale, in partnership with CDC, to local governments and public hospitals.
Its aim is to enable local governments and public hospitals to benefit from enhanced financing conditions thanks to a first-class rating and exceptional risk control.
For 2014, the financing volumes expected are around €4 to €6 billion (€3 billion in 2013).

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Slovene Export and Development Bank (SID Bank), Slovenia

Headquarters: Ljubljana
Balance sheet total (31/12/2013): 3,79 billion Euro
Number of Employees: 139

SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (SID Bank, Inc., Ljubljana) is the legal successor of Slovene Export Corporation, Inc., Ljubljana. SID Bank operates as an export and development bank and as a national export credit agency (ECA) which performs insurance against non-marketable risks. SID Bank performs promotional and development activities in the area of international trade, economic and development cooperation, entrepreneurship, innovation, education, ecology, energy, and infrastructure, with primary aim to cover market gaps in the mentioned areas. By assisting clients in all phases of business transactions, supporting development projects, ensuring safety in internationalization of operations and providing all modern financial services in one place, SID Bank encourages Slovene companies to exploit the opportunities opening up in the international economic and development cooperation.
The main focus of SID Bank is to provide products and services which supplement the financial market. In conducting its activities, the primary objective of SID Bank is quality satisfaction of the needs of the market. In addition, it actively promotes certain segments (branches and markets) in which Slovenia's economy enjoys a strong competitive advantage.
Major facilities of SID Bank are:

- Financial services for:
  - exporters and other international business cooperation (pre/post-shipment export finance, suppliers'/buyers' credits, credit lines),
  - small and medium enterprises,
  - development, research, technology,
  - environmental and power supply projects,
  - communities and regions,
  - education and employment.
- Export credit and investment insurance: ST/MLT cover (commercial and non-commercial – non-marketable risks).

SID Bank is the parent company of the SID Bank Group, which provides a wide and comprehensive range of services aimed at promoting competitive-ness in international economic cooperation. Beside SID Bank the group constitute also: SID – Prva kreditna zavarovalnica d.d., Ljubljana, credit insurance company; PRVI FAKTOR, faktoring družba, d.o.o., factoring company; PRO KOLEKT, družba za izterjavo, d.o.o., debt collection company; CMSR, Centre for International Cooperation and Development, Ljubljana.

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Thüringer Aufbaubank, Germany

Headquarters: Erfurt
Balance sheet total (31/12/2013): 3,9 billion Euro
Number of Employees: 370

The Development Bank of Thuringia (TAB), which was founded in 1992, is the business assistance bank for the Free State of Thuringia. TAB offers business assistance programmes for enterprises, start-ups and private house builders. Every year it approves about 4,000 loan applications, grants or subsidies worth approximately 880 million Euros. With a balance sheet of 3,9 billion Euros the bank employs about 370 people. The Free State of Thuringia is the sole owner of the bank.

Assistance is based on four pillars:
subsidies for investments and technology projects
loans to provide equity capital or guarantees
investment/venture capital to strengthen the capital base of high tech companies
loans to support public investments.
Competent advice from A to Z is the hallmark of the Development Bank of Thuringia. Customer centres are based in the different regions of Thuringia (Nordhausen, Gera, Suhl, Eisenach and in the State Capital Erfurt). TAB offers help with applications and research of the best combination of various programmes. The bank presents itself on the internet at www.aufbaubank.de.

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Verband der österreichischen Landes-Hypothekenbanken (Association of the Austrian land and Mortgage Banks), Austria

Headquarters: Vienna
Balance sheet total (31/12/2013): 81,7 (preliminary) billion Euro
Number of Employees: >10.000 (total) - >4.000 (domestic)

"As overall lobby organization the „Verband der österreichischen Landes-Hypothekenbanken" (Association of the Austrian Land and Mortgage Banks) represents the ten Land and Mortgage banks in Austria. By 2013 our banks had loans to domestic non-banks of € 35.4 bn outstanding. Our Landes-Hypothekenbanken are regional universal banks with 4000 employees domestically. They have strong ties in their respective business areas and focus on long-term business. In addition the association also represents "the Pfandbriefstelle" of the Austrian "Land and Mortgage banks" and other common institutions of the Landes Hypothekenbanken."

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Wirtschafts- und Infrastrukturbank Hessen (WIBank), Germany

Headquarters: Offenbach am Main
Balance sheet total (31/12/2013): 14,5 billion Euro
Number of Employees: 415

Wirtschafts- und Infrastrukturbank Hessen is the German state of Hesse's universal public sector development bank for economic and infrastructure development. Wirtschafts- und Infrastrukturbank Hessen exercises the monetary promotion business of the state of Hesse, supporting the state with regard to its structural tasks, employing the full range of financial development products (grants, loan and equity finance, guarantees) as well as advisory services. The bank was established on 31 August 2009 by Hessian law and originates from the merger of Hesse' former long-standing development banks LTH – Bank for Infrastructure and Investitionsbank Hessen.

Wirtschafts- und Infrastrukturbank Hessen is part of Landesbank Hessen-Thüringen – Helaba, forming, legally, a public sector institution within the public sector institution Helaba and acting independently in organizational and economic terms. Wirtschafts- und Infrastrukturbank Hessen is recognized as a special credit institution in the strict sense of the EU competition rules, its non-competitive development activities being clearly separated from Helaba's business divisions operating in competition with other banks in the market.

As Hesse' universal development bank, we are committed to operating in a customer-oriented and cost-effective manner, to focusing, for Hesse, the know-how relevant for development policy and to developing it further into innovative and comprehensive, cross-sector concepts.

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Bundesverband Öffentlicher Banken Deutschlands (VÖB), Germany

Headquarters: Berlin
Balance sheet total (31/12/2013): ca. 3040 billion Euro (consolidated for all VÖB members)
Number of Employees: ca. 76.000 (consolidated for all VÖB members)

The Association of German Public Banks – Bundesverband Öffentlicher Banken Deutschlands, VÖB – is a leading industry association in the German banking industry. It represents 65 member institutions including the regional banks (Landesbanken) as well as the development banks owned by the federal and state governments. The VÖB together with the four other top-level associations of the German banking industry comprise the joint committee of the central associations of the German banking industry (DK Die Deutsche Kreditwirtschaft). The VÖB has its main office in Berlin. The VÖB represents the joint business and general interests of its members in all matters relating to banking policy promotes cooperation between member banks and supports them in the fulfillment of their missions. The association represents and promotes the interests of its members through communication with lawmakers on the national and state level, national and international regulatory authorities, the media and the public. It is accredited with the German Bundestag, the European Parliament and the European Commission. The VÖB has maintained an office in Brussels since 1987. The association is also a member of the European Association of Public Banks (EAPB), which is located in Brussels. The VÖB is also an employer association within the meaning of German collective-bargaining law. It represents the members of the collectivebargaining association of public banks in collectivebargaining negotiations for public banks and the private banking sector.

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Section vi:

Organisational chart of the EAPB

EAPB Management and Secretariat

Board - Status 1/1/2014

President

(Vacant)

Vice-President

Dietmar P. Binkowska
NRW.BANK
Chairman of the Managing Board of NRW.BANK

Vice-President

Søren Høgenhaven
KommuneKredit
Managing Director and CEO of Kommunekredit in Denmark

Board Member

Dimo Spassov
Bulgarian Development Bank AD
Chairman of the Management Board and Chief Executive Director

Board Member

Anton Kovačev
HBOR Bank Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development)
President of the Managing Board of HBOR

Board Member

Stephan Rabe
Bundesverband Öffentlicher Banken Deutschlands, Association of German Public Banks
Deputy Managing Director

Board Member

Geurt Thomas
Bank Nederlandse Gemeenten N.V.
Director of Bank Nederlandse Gemeenten

Board Member

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

Board Member

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

EAPB Secretary General

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European Association of Public Banks
- European Association of Public Banks & Funding Agencies AISBL -

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