EAPB

# Actors of growth

# ANNUAL REPORT 2020

# Contents

# President's foreword

**For more than a year, COVID-19 has dominated life in Europe. As a measure against its spread, industrial production facilities, gastronomy and retail as well as schools and day-care centres were temporarily closed.**
**These massive interventions, which were and are necessary to protect human lives, have put an enormous strain on the economy. Some manufacturing companies are feeling the crisis less, but for others the situation is dramatic. All in all, European economic output slumped by more than 6 percent last year.**

"COVID-19 hit many sectors of the European economy hard. Thanks to the support measures taken by policy-makers and banks, an even worse economic slump was prevented. After the crisis, it is important to support the recovery of the economy and the ongoing transformation process towards digitalisation and sustainability with sufficient bank lending."

For more than a year, COVID-19 has dominated life in Europe. As a measure against its spread, industrial production facilities, gastronomy and retail as well as schools and day-care centres were temporarily closed. These massive interventions, which were and are necessary to protect human lives, have put an enormous strain on the economy. Some manufacturing companies are feeling the crisis less, but for others the situation is dramatic. All in all, European economic output slumped by more than 6 percent last year.

As part of the European response to lessen the negative economic impact of the COVID-19 crisis, national and regional governments and promotional banks, together with commercial banks, have worked hard within the joint on-lending system over the last year to ensure the supply of credit to the economy - from SMEs to large companies. Municipal funding agencies have been key in their Member States to provide continued liquidity to municipalities which have suffered from COVID-19 related income losses in particular due to the loss of business taxes and increased health costs. All parties involved have worked to ensure that also self-employed persons would be able to benefit from aid. By considerably expanding certain well-established programmes and procedures banks have rapidly made available support for the financing of enterprises in temporary difficulties. Investments – and above all working capital – could be financed by the intermediary banks in a speedy process, while promotional banks were able to lower interest rates significantly. Public banks have also engaged their customers with debt moratoria to cushion the impact of the crisis for retail customers. National liquidity measures, including schemes approved by the European Commission under temporary flexible EU State Aid rules amounted to 3 trillion EUR. Almost 1 trillion EUR has been made available to be distributed by NPBs in the first half of 2020, which means the bulk of public support measures 2020 in have been provided by promotional banks. Like in the 2007/2008 crisis – EAPB members have effectively fulfilled their counter-cyclical role for which that have been originally set up by the State.

I want to underline that the consequent actions from the EBA, ECB and European Commission to adapt the supervisory and state aid frameworks in record time to ensure that the liquidity of the banking sector was key to the overall success to public support measures. Much of that flexibility was of course only possible as a consequence of many years of hard work of implementing the Banking Union.

However, difficult months remain ahead of us. Despite very positive announcements about vaccines, we do not know what will be the delays in implementation of the different national vaccination campaigns and this may have a lasting impact on the level of activity in many European countries. This is certainly the most important point: we do not yet know the full intensity and the entire duration of the crisis. The role of public banks will be crucial to participate in the recovery.

In these exceptional circumstances, we need a transition period. Let me stress the need for a careful phase out of the extraordinary supervisory measures, ECB liquidity and State aid rules that have been taken. We must avoid a cliff edge effect, so any phase out of these measures must be very progressive.

It is therefore key that in the coming phase, when the economy needs to recover and restart, banks' lending is not unduly burdened by regulatory measures. It is important that the capital requirements for banks do not increase significantly as a result. This requires, in particular, the proper implementation of the Basel "output floor", which sets a lower limit for the calculation of capital requirements with the help of internal bank models, in the EU. The promotional lending must also not be hindered by Basel IV.

In addition, the application of guidelines of the European Banking Authority (EBA) - for example on lending and supervision, on outsourcing and on the management of non-performing and deferred risk positions - should be delayed by the EBA. Regulators should also have in mind that the rationale for the recommendation to not pay out dividend does not hold for those public banks that pay dividends to their public stakeholders. Our members are generally well-capitalized banks and where paid out dividends are generally paid out of profits (and not reserves). Therefore, in these cases the distribution of dividend does not deplete available capital, nor does the dividend payment stem from a relaxation in prudential requirements. The distribution of dividends to the public owners in turn would provide the authorities with additional financial resources which could be used most optimally in the fight against COVID-19.

Bank loans are necessary in the recovery after COVID-19. COVID-19 hit many sectors of the European economy hard. Thanks to the support measures taken by policy-makers and banks, an even worse economic slump was prevented. After the crisis, it is important to support the recovery of the economy and the ongoing transformation process towards digitalisation and sustainability with sufficient bank lending. Sustainable Finance is particularly relevant for the DNA of Public Banks. Our members have been among the most important issuers of Green and Sustainability Bonds for the last 10 years. In 2020 over 11 billion EUR in new green and social bonds were issued. The EAPB now counts 10 sustainable issuers and constitutes a major pole in this field in Europe. Green finance projects are selected on the basis of a strict methodology, taking into consideration the Green Bond Framework, independent analysis of every project checking the likelihood of achieving long-term positive environmental effects. With the above said, the EAPB members fully support the EU's green bond project and wish to contribute to its success. The EAPB was also heavily involved in the discussion from the beginning and participated in all consultations and hearings of the supervisory authorities on the topic of ESG risks in 2020. It is important to keep in mind that climate and environmental risks do not form a new, independent risk category, but rather act as drivers of the traditional risk categories. Also for some EAPB members, such as that of municipal financiers, it is difficult to get the data basis, as they finance the budget of municipalities (not covered by the Non-Financial Reporting Directive) and not individual projects. I would like to thank -on this occasion- the European Banking Authority for excellent exchanges on this important topic.

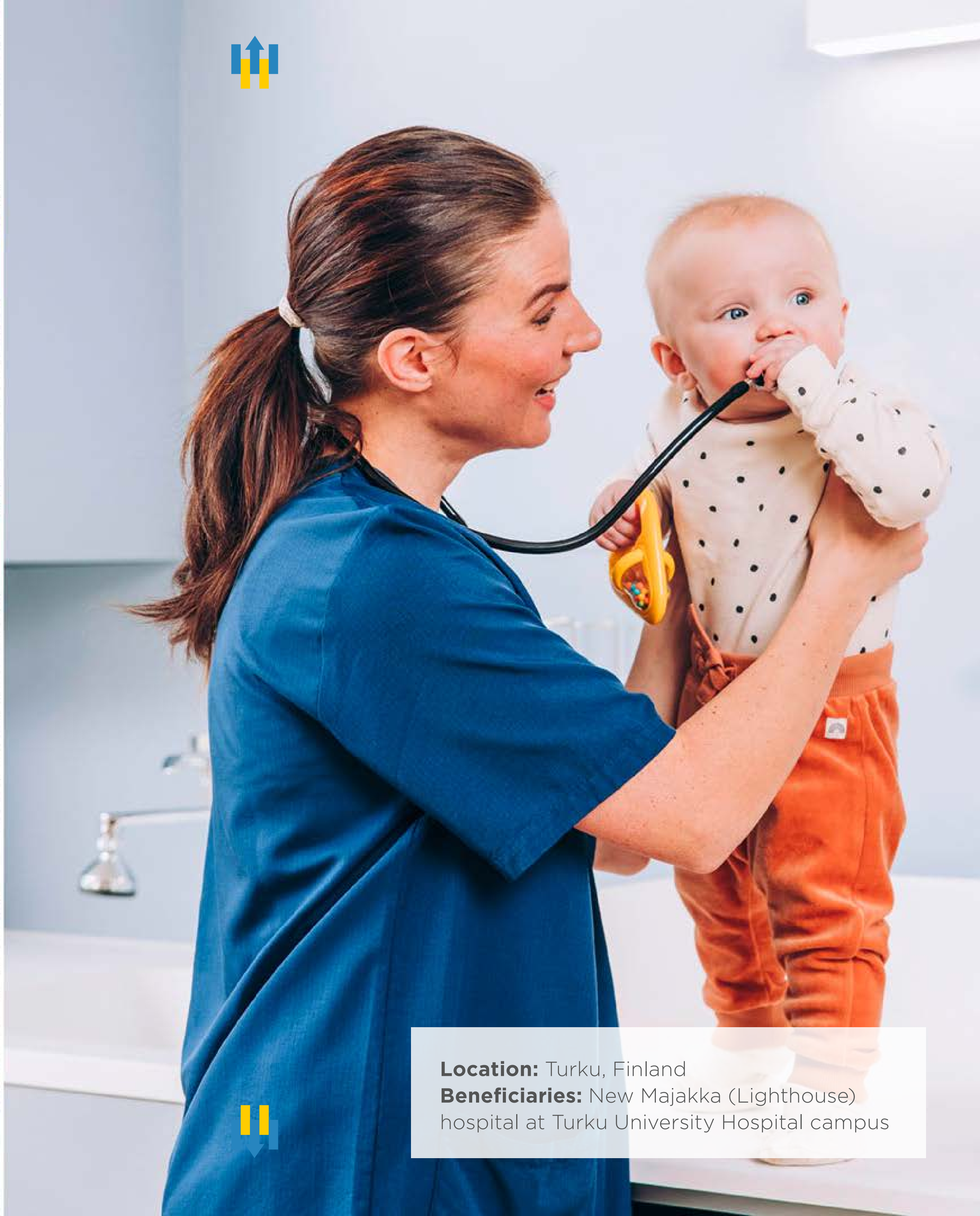
Sustainability is also rightly at the center of the new Multi Annual Framework. Many of our members are national and promotional institutions, Municipal funding agencies and public commercial banks, all involved in different ways in the implementation of national and European promotional policies. Most and foremost, many of our members have been involved as financial intermediaries in EU centrally managed financial instruments, such as COSME and InnovFin. They are looking back at several programming periods of experience and cooperation with the EIF. In addition to this cooperation, many of our members have started the Pillar Assessment process in order to become Implementing Partners under the new MFF.

In view of these challenges ahead which are not just European but global, I have participated in the opening of the 1st international summit dedicated to public banks (The Finance in Common summit or the FICs / an initiative of the World Federation of Development Finance Institutions (WFDFI) and the International Development Finance Club (IDFC), with large public banking organizations and agencies associations. This summit has been the first opportunity to gather the world's 450 Public Development Banks (PDBs) and discuss their role, their ambition, their challenges and opportunities. A joint declaration was signed by all the leaders of the public bank networks (including the EAPB), underlining the need to work closer together for better coordination and to have a greater impact on the debates, particularly on climate issues. The volume of activity of our institutions at the international level amounts to about 2 trillion USD annually – a staggering 10 percent of the total amount invested in the world every year by all public and private sources combined. By rallying and challenging a new and significant global community with enhanced capacity of action, and by promoting sustained collective action, the Finance in Common Summit is a key milestone on the way to the crucial events of 2021, notably the COP26, the COP15 and the Generation Equality Forum.

I wish you a pleasant read of our 2020 Annual report.

Philippe Mills
President of the EAPB

# EAPB member MuniFin funds hospital



**Location:** Turku, Finland
**Beneficiaries:** New Majakka (Lighthouse) hospital at Turku University Hospital campus

# Who we are

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

May 2000

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

EAPB gathers member organisations from 14 European member states and 3 non member states.

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

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

The combined balance sheet total of all EAPB-members is around EUR 3,200 billion

We represent about 83,000 employees.

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

# What we do

**Advocating** to the European institutions in the area of Banking- and Financial Services legislation and EU funding programs.

**Establishing contacts** with the EU institutions as well as with other European banking associations, credit institutions and promotional institutions in all European countries.

**Representing** the EAPB-members to professional organisations, media and the general public.

**Encouraging** exchange of **experience** and **co-operation** among public sector banks in Europe.

Regularly and rapidly **informing** its members of all relevant financial, political and legal developments and of measures adopted by the European institutions in the fields of banking law, and European economic and financial policies.

# Who we represent

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

**Agence France Locale**
Balance Sheet Total (in bn EUR): 2,2
www.agence-france-locale.fr

**Bank Gospodarstwa Krajowego (BGK)**
Balance Sheet Total (in bn EUR): 23,6
www.bgk.pl

**BNG Bank**
Balance Sheet Total (in bn EUR): 149,7
www.bngbank.com

**Bulgarian Development Bank (BDB)**
Balance Sheet Total (in bn EUR): 1,5
www.bdbank.bg

**Finlombarda – Finanziaria per lo Sviluppo della Lombardia S.p.A**
Balance Sheet Total (in bn EUR): 0,4
www.finlombarda.it

**Eximbank Hungary**
Balance Sheet Total (in bn EUR): 3,0
www.exim.hu

**Croatian Bank for Reconstruction and Development (HBOR)**
Balance Sheet Total (in bn EUR): 3,5
www.hbor.hr

**Verband der österreichischen Landes-Hypothekenbanken (Hypoverband)**
Balance Sheet Total (in bn EUR): 54,1
www.hypoverband.at

**Institut Català de Finances (ICF)**
Balance Sheet Total (in bn EUR): 2,0
www.icf.cat

**Investitionsbank Berlin (IBB)**
Balance Sheet Total (in bn EUR): 18,2
www.ibb.de

# Who we represent

**The Republic of Srpska Investment-Development Bank (IRBRS)**
Balance Sheet Total (in bn EUR): 1,1
www.irbrs.org

**Institut Valencià de Finances (IVF)**
Balance Sheet Total (in bn EUR): 0,6
www.ivf.gva.es/en/inicio

**Kommunalbanken Norway (KBN)**
Balance Sheet Total (in bn EUR): 44,6
www.kbn.com

**KommuneKredit Denmark**
Balance Sheet Total (in bn EUR): 31,7
www.kommunekredit.dk

**Kommuninvest Sweden**
Balance Sheet Total (in bn EUR): 46,7
www.kommuninvest.se

**Landeskreditbank Baden-Württemberg (L-Bank)**
Balance Sheet Total (in bn EUR): 77,6
www.l-bank.de

**Development Bank of North Macedonia**
Balance Sheet Total (in bn EUR): 0,2
www.mbdp.com.mk

**Malta Development Bank**
Balance Sheet Total (in bn EUR): 0,04
mdb.org.mt/en/Pages/default.aspx

**MFB-Magyar Fejlesztési Bank Zártkörűen Működő (Hungarian Development Bank LTD)**
Balance Sheet Total (in bn EUR): 4,0
www.mfb.hu

**Municipality Finance (MuniFin)**
Balance Sheet Total (in bn EUR): 38,9
www.munifin.fi

**NRW.BANK**
Balance Sheet Total (in bn EUR): 149,2
www.nrwbank.com

**Nederlandse Waterschapsbank (NWB)**
Balance Sheet Total (in bn EUR): 96,2
www.nwbbank.com

# Who we represent

**Landwirtschaftliche Rentenbank**
Balance Sheet Total (in bn EUR): 90,9
www.rentenbank.de

**Sächsische Aufbaubank (SAB)**
Balance Sheet Total (in bn EUR): 7,0
www.sab.sachsen.de

**SFIL**
Balance Sheet Total (in bn EUR): 74,8
www.sfil.fr

**Slovene Export and Development Bank (SID Bank)**
Balance Sheet Total (in bn EUR): 2,4
www.sid.si

**Thüringer Aufbaubank (TAB)**
Balance Sheet Total (in bn EUR): 3,5
www.aufbaubank.de

**Bundesverband Öffentlicher Banken Deutschlands (VÖB)**
Balance Sheet Total (in bn EUR): 2700 (member entities)
www.voeb.de

**Wirtschafts- und Infrastrukturbank Hessen (WIBank)**
Balance Sheet Total (in bn EUR): 24,9
www.wibank.de

**Visit EAPB's website to learn more about our members**

* Balance sheet totals as from 2019

## EAPB member EXIM Hungary provides export financing for construction of urban sewage treatment plant

**Location:** Kumasi, Ghana
**Beneficiaries:** Providing clean water for local businesses and citizens

# The new multiannual EU budget and structural challenges ahead: Promotional banks on their way out of the COVID-19 crisis

**Since the outbreak of the COVID-19 pandemic, promotional banks have once again proved themselves to be reliable partners in times of economic crisis. By providing national and European emergency funding and enabling support measures, they have acted as stabilizers for small and large companies. With the beginning of the new 2021-2027 Multiannual Financial Framework, the European Union's (EU) seven year-long budget, promotional banks are confronted to a new range of challenges, notably related to the concrete implementation of the updated structural funds programs and the new InvestEU program.**

" While businesses, and in particular SMEs, have been a natural target for support measures during the first phase of the crisis, the public sector must be taken on board over the months to come in strategic recovery planning. In the medium to long term, keeping the public sector up to speed will be a crucial key to pushing the recovery forward. Investment needs are immense and diverse: digitalisation, immigration, demographic change, urbanization and the green transition are just a few examples."

## Digitalisation, climate action and innovation on the post COVID-19 pandemic agenda

Furthermore, still in the midst of combatting the economic downturn, promotional banks already prepare its aftermath. It is not just about overcoming the crisis, as resilience, sustainability, securing future viability via digitalization and innovation now dominate the agenda. It is time for faster and more certain steps in the new direction.

The EU's updated promotional programs reflect these new priorities. Among these, InvestEU was finalized in spring 2021 with a focus on supporting investment and creating jobs. Its aim is to encourage public and private investor participation in financing and investment operations by providing guarantees from the EU budget to address failures and sub-optimal investment situations. It builds on the success of the European Fund for Strategic Investments (EFSI) launched in 2015 to close the investment gap in the EU in the aftermath of the 2007-2008 financial and economic crisis.

InvestEU bundles all central financial instruments under a single framework, and, for the first time, the new regulation allows for promotional banks in addition to the EIB Group to take on the role of direct implementing partners, after going through the comprehensive so-called pillar assessment procedure.

It is equally important that existing structures continue to be available under InvestEU. This means that promotional banks can continue to work with the EIB Group and act as established financial intermediaries under structures that have proven reliable in the past.

This means for example that companies might easier access necessary loans through their house banks, which could not have been granted without the EU guarantee. Negotiations on the offer "for financial intermediaries", conditions and features are underway – for the moment, the final outcome remains an exciting one to be seen. The wider choice of acting as implementing partner or as financial intermediaries will provide promotional banks with greater ability to mobilize EU public funding.

Next to InvestEU, EAPB members will be essential in implementing the new structural funds, of which the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+), have received a revamp and so has the overarching Common Provisions Regulation (CPR). Additionally, more targeted funds such as the Just Transition Fund (JTF), supporting territories in their transition towards climate neutrality, as well as REACT-EU created as a follow-up to the Corona Response Investment Initiative (CRII/CRII+) to tackle the immediate consequences of the COVID-19 crisis, are bound to become an integral part in the portfolio of many promotional banks.

The new structural funds promise new opportunities for promotional banks in using their diverse range of financial instruments as the regulations have been simplified and allow for more flexibility in this regard. At the same time, some aspects, such as issues related to management costs and fees, remain burdensome also in the new programming period.

Moreover, horizontal targets for climate and digitalization have also been integrated into the new regulations, which strongly connect the new structural funds and the InvestEU program with the aforementioned post-coronavirus priorities. As top providers of sustainable finance, EAPB members are ready to up the ante when it comes to financing the green and digital transitions through structural funds.

### Blending as an option for enhancement

Finally, by enabling the possibility to combine different funding sources by blending, for example from the Recovery and Resilience Facility with InvestEU through the Member States compartment, or, from InvestEU with the structural funds, more targeted funding options can now be enabled to deliver the money to where it is need on the ground.

## Looking forward

Looking forward, we allow ourselves a cautiously positive outlook towards a hopefully approaching end to the economic hardship induced by the COVID-19 pandemic. A fast implementation of the EU-wide vaccination campaign and the accompanying low levels of infection incidence will set the stage for a green and digital recovery.

EAPB members have been vital in supporting resilience throughout Europe, but critical investments have been postponed until after the crisis. Promotional banks will be crucial in delivering the funds, the tools, and the expertise to allow companies as well as the public sector to build up their investment capacities.

While businesses, and in particular SMEs, have been a natural target for support measures during the first phase of the crisis, the public sector must be taken on board over the months to come in strategic recovery planning. In the medium to long term, keeping the public sector up to speed will be a crucial key to pushing the recovery forward. Investment needs are immense and diverse: digitalisation, immigration, demographic change, urbanization and the green transition are just a few examples.

## Close cooperation as a key to success against entering a vicious circle

As the extensive experience of recent months has shown, both the close cooperation between policymakers, promotional banks and house banks, and the simplification of programs have worked very well. Similar conditions and mechanisms should be maintained post-COVID-19 as they will facilitate and accelerate the recovery.

Thanks to their knowledge of the economic conditions on the ground and the trust that their partners put into promotional banks on the local and regional level, EAPB members will be key actors in addressing the structural challenges that a transition towards a green and digital economy entails.

Germaine Klein - Luca Neumann

# The Temporary State aid framework, a major feature of the European response to the COVID-19 crisis

"Benefiting from the quick State aid rules adaptations of the EU, the national and regional promotional banks and funding agencies members of the EAPB have taken measures in response to the COVID-19 crisis, fulfilling their role as counter-cyclical state instruments. Early 2021 the approved aid amounted to 3 trillion EUR under the temporary rules. By Summer 2020 NPBs had already mobilised a third of that amount (1 trillion) for the European Economy."

## The Temporary framework

State aid measures that distort competition and trade within the European Union are generally prohibited under the Treaty on the Functioning of the European Union. Still, the European Commission has the power to approve state aid measures, the objective of which is to remedy serious economic disturbances. Thus, in light of the COVID-19 outbreak and its impact on the economy of the Member States, on March 19, 2020 the European Commission adopted a Temporary Framework for State aid measures to support the economy of the European Union. According to the European Commission, the introduced measures are compatible with the objective of the EU internal market and ensure a level playing field. The main categories of permitted assistance by the Member States under the initial version of the Temporary Framework were (i) aid in the form of direct grants, repayable advances or tax advantages, (ii) aid in the form of guarantees on loans, (iii) aid in the form of subsidized interest rates for loans, (iv) aid in the form of guarantees and loans channelled through credit institutions or other financial institutions, and (v) short-term export credit insurance.

## The central role of public banks in the COVID-19 crisis

Benefiting from the quick State aid rules adaptations of the EU, the national and regional promotional banks and funding agencies members of the EAPB have taken measures in response to the COVID-19 crisis, fulfilling their role as counter-cyclical state instruments. Early 2021 the approved aid amounted to 3 trillion EUR under the temporary rules. By Summer 2020 NPBs had already mobilised a third of that amount (1 trillion) for the European Economy.

Their high-level intervention capacities have been fully available to participate actively in Europe's economic recovery. National governments and promotional banks, together with commercial banks, have worked hard within the joint on-lending system, over the last months to ensure the supply of credit to the economy - from SMEs to large companies. All parties involved have worked to ensure that also self-employed persons would be able to benefit from aid.
By considerably expanding certain well-established programmes and procedures banks have rapidly made available support for the financing of enterprises in temporary difficulties. Investments – and above all working capital – can now be financed by the intermediary banks in a speedy process, while promotional banks were able to lower interest rates significantly. The schemes are fulfilling their counter-cyclical function. In many cases, promotional banks disbursed funding directly to beneficiaries. Many of our members have made use of the possibility of a 100% guarantee coverage for the immediate provision of working capital loans, in order to respond to the request by the intermediary banking sector to minimize its risk exposure.

## Risk of Single market fragmentation

One of the worries expressed in the public debate as to the flexibilization of the State aid rules, is that the main beneficiaries of the measures would be companies in a few larger Member States, with companies in Member States with lower spending capacities being disadvantaged. However the European think tank Brueghel has found that differences in the different national credit-support programmes do not appear to have caused single market fragmentation.
The differences in usage of the offered funding was rather driven by demand for liquidity support by firms rather than by supply constraints or the characteristics of the programmes and that the severity of the GDP loss largely determined firms' demand for credit. The data collected by Brueghel indicates that after an initial burst, the usage of the facilities plateaued as firms seem to have satisfied, around the middle of 2020, their liquidity needs and that much of the guaranteed funds have successfully worked as liquidity buffers.

Also some of the funding capacity asymmetries have been addressed by the *Recovery and Resilience Facility*, with a budget of 672.5 billion EUR, providing Member States with financial support to intensify public investment and reforms after the COVID-19 crisis. The instrument should ensure the transition from the emergency phase, managed by each Member State according to its own economic resources, to that of reviving the EU economy as a whole, by benefiting each Member State from the vast resources agreed at EU level.

### EAPB's role and views on the development of the TF

Throughout the crisis, the EAPB has communicated about the role of public banks in the COVID-19 crisis to EU decision-makers and general public, advocated urgent regulatory changes to the EU competition framework and contributed to the development of new EU and national support instruments by advising the EIB group and facilitating exchanges of best practices between NPBs in easing the impact on the economy and society. In particular the EAPB has organised - as of the first days of the crisis- regular multilateral teleconferences, followed by numerous bilateral contacts, with all important actors (EC, EIB group, EBRD and EAPB members etc.) and thus helped build and deploy the necessary instruments. The EAPB has also liaised with the EC on State aid implementation questions and provided several comment letters on the temporary State aid framework and its amendments.

It is important to recognise the speed with which the European Commission has reacted to mitigate the economic consequences, e.g. by introducing a temporary State aid framework allowing for larger support of companies with Member State coffers but also by quickly cutting down EU level restrictions by activating the suspense clause of the Stability and Growth pact. The breadth and variety of the range of instruments contained in the TF as well as the gradual increase in caps, demonstrate the radical change in perspective of the European Commission, which has traditionally been wary of granting State aid to companies in difficulty. The most significant measures certainly include recapitalisation aid, which can also be granted in the form of individual aid. Furthermore, in order to encourage the choice of forms of repayable aid, the Commission has given Member States the possibility, after notifying the Commission accordingly before expiry of the Temporary Framework, of converting the forms of repayable aid granted – such as repayable advances, guarantees and loans – into other forms of aid, for example, grants.

Many of the TF measures would be beneficial as part of a permanent framework, such as the simplified rules for subordinated loans. State aid rules should also encourage the set-up and promotion of tele-medicine as part of services of general economic interest. As we fear that the aftermath of the pandemic will be perceptible for some time, it should be also examined whether the measures of the Temporary Framework could be extended beyond the 31st of December 2021.

Julien Ernoult

## Timeline

**March 2020**
Adoption of the TF on 19 March 2020. The Temporary Framework has subsequently been amended five times

**April 2020**
On 3 April 2020, the EC made extensions to increase possibilities for public support in connection with research, testing and production of products relevant to counteracting the COVID-19 pandemic, as well as to protecting jobs and supporting the overall stability of the economy (including tax deferrals and wage subsidies for employees)

**May 2020**
On 8 May 2020 the EC made amendments to extend the scope of the TF to recapitalisation and subordinated debt measures

**June 2020**
On 29 June 2020, the EC expanded the TF to further support micro, small and start-up companies, as well as to incentivize private investments

**October 2020**
On 13 October 2020, the EC prolonged the availability of aid measures, allowed for the Member States to grant aid in the form of a contribution to an undertaking's fixed costs. Further, the amendment offered some clarifications to the existing rules, in particular around State recapitalisation measures, introducing new mechanisms around a State's exit from beneficiaries of COVID-19 recapitalisation

**January 2021**
On 28 January 2021, the EC extended the *TF until* 31 December 2021, at the same time increasing the aid caps of some measures to help Member States cope with the persistent economic and health crisis. The most significant changes relate to the increase in aid in the form of subsidies (or tax advantages) from 800 thousand to 1.8 million EUR per beneficiary undertaking and contributions in the form of support for fixed costs, from 3 to 10 million EUR, also per individual undertaking.

Next article

# ESG Risks and Opportunities for Public Banks

## How the EU is trying to make banks (and the economy) sustainable

**The European Union wants to become climate neutral by 2050 and is looking for a strong ally to achieve this ambitious goal. It would be natural to assume that the EU and its member states would try to find this ally in the real economy and push them to reduce greenhouse gas emissions.**

" EAPB members will need to quantify ESG risks, in line with the saying: If you cannot measure it, you cannot manage it."

This could be done through classical regulatory instruments that ensure that market participants with sustainable business models prevail and that polluters gradually leave the internal market. European companies that opt for such a path could be supported with the planned carbon-adjustment tax, so that cheaper but more environmentally damaging competitors outside the EU would no longer have a foothold in the internal market. Instead, state subsidies for fossil energies continue to exist in all member states and the plans for the actual implementation of the formulated climate goals appear mediocre, to put it kindly. The EU opted for another way in order not to jeopardise the goals, which is why the financial sector, which has been rather unloved since the financial crisis, is now increasingly moving into the focus of the legislators and is to be given a green coat of paint. If the banking sector only issues sustainable loans, the business models of the economy will also become more sustainable - so the logic goes. Fortunately, the focus on sustainability is in the DNA of public banks, as they have supported their owners in the energy transition since the beginning of the climate crisis and have supported social inclusion and social climbing ever since.

Environmental, social and governance (ESG) products have evolved from niche products to investor favourites in recent years. The same goes for ESG risks which occupy an increasingly prominent place in the banking supervisory debate, as investors and supervisors question the extent to which banks manage financial risks arising from climate change, resource depletion, environmental degradation and social matters. The EU therefore called on bank supervisors in the banking package adopted in 2019 to find common definitions for ESG risks and to consider whether ESG risks should become part of the supervisory review process. In addition, banks were required to disclose their ESG risks from 2022. This ensured that the debate on ESG risks gathered pace in 2020, as the EBA began to work through its mandates and the ECB and some other national supervisors also issued non-binding guidance to banks on managing climate and environmental risks.

The EAPB was heavily involved in the discussion from the beginning and participated in all consultations and hearings of the supervisory authorities on the topic of ESG risks in 2020. This was also the case in the consultation on the Guidance on Climate and Environmental Risks launched by the ECB at the end of May, in which we argued that this guidance should be non-binding for the time being and should only be used as a basis for discussion with institutions. We also argued that climate and environmental risks do not form a new, independent risk category, but rather act as drivers of the traditional risk categories. Both positions were taken into account in the ECB's final guidance of November 2020. Autumn 2020 also saw the start of work by the EBA, which now had to work through the mandates of CRD V and CRR II. It started this by distributing a questionnaire to European banking associations asking questions about the extent of banks' climate, environmental and ESG risk disclosures. The EBA also took a keen interest in the banks' problems and organised a bilateral exchange with our members in which we argued that the measurement of ESG risks mostly failed due to the lack of data. However, the dialogue with the EBA did not end here, as it already consulted on its comprehensive discussion paper on ESG risk management and supervision in November 2020, in which it presented, among other things, uniform definitions for the first time and how the ESG topic complex could be integrated into the regulatory supervisory framework.

The Secretariat used the good working relationship with the EBA not only to present our comments in writing, but also to discuss our concerns with our members and the EBA in a bilateral format. We stressed that the revision of the Non-Financial Reporting Directive was the basis for a larger data base to measure ESG risks. We stressed that for some business models, such as that of municipal financiers, it is difficult to get the data basis, as they finance the budget of municipalities not covered by the NFRD and not individual projects. The EBA was very interested and promised to take the concerns of the public banks into account, as they did not want to place an additional burden on those whose business model was already largely sustainable. However, the EBA also made it clear that we should not expect any special treatment just because some members have a state guarantee and therefore a default risk de facto does not exist. So all EAPB members will have to make the effort to quantify ESG risks, true to the motto: If you cannot measure it, you cannot manage it. Various methods, such as the Portfolio Alignment Method, the Risk framework method or the Exposure Method are under discussion. Some of our members have already opted for climate stress tests or joined the Partnership for Carbon Accounting Financials to measure financed emissions. For the others, time is running out to decide on a methodology.

The Secretariat would like to maintain the good dialogue with the EBA and other authorities (see timeline for all ESG-related projects) and would therefore like to encourage members to continue to actively participate in the discussions. We are convinced that we can influence the regulatory debate and also achieve proportionate and adapted solutions for our members' business models if we are able to explain implementation problems and, if necessary, already propose reasonable solutions. We would therefore like to thank all those involved. Keep up the good work!

Dan Esser

Next article

# The European Green Bond Standard (GBS): How to make it a success?

" The EAPB fully supports the EU's climate goals and stands ready to contribute its fair share to support redirecting funding to sustainable projects. Our members across many EU countries are among the leading issuers of green and social bonds. Furthermore, in several Member States the EAPB members were among the first to issue green bonds. In 2020, over EUR 12 billion in new green and social bonds were issued by our members."

## Issue at stake

Europe has set an ambitious goal of becoming the first climate-neutral continent by 2050. Green bonds play a central role to achieving that goal.

Green bonds are fixed income securities which finance investments with environmental or climate-related benefits. The European green bond market has been growing steadily over the past years, even though its size is still relatively small compared to the overall volume of bonds in circulation.

In January 2020, the European Commission announced its intention to propose a European Green Bond Standard with the objective to increase public and private finance for sustainable investments. The legislative proposal on a voluntary EU GBS expected in July 2021 will be based on the recommendations put forward by the Commission's Technical Expert Group on Sustainable Finance.

The Expert Group advised the Commission to propose a voluntary green bond label building on best market practices that would comprise four critical elements: projects financed by EU Green Bonds should be aligned with the EU taxonomy for sustainable activities; issuers should publish a Green Bond Framework explaining how the issuer's strategy aligns with the environmental objectives; mandatory reporting on use of proceeds and on environmental impact of projects funded by EU Green Bond; mandatory verification of the Green Bond Framework and final allocation report by an external reviewer.

The above proposals were submitted to a public consultation in autumn last year, the results of which would feed into the Commission's reflection on the choice of policy instrument (legislative versus non-legislative initiative) as well as the design of the future EU GBS. In parallel, the Commission has engaged in bilateral discussions with interested stakeholders, including the EAPB, to better understand their specificities and business models, so that the EU GBS can be better adapted to the market needs.

## EAPB position

The EAPB fully supports the EU's climate goals and stands ready to contribute its fair share to support redirecting funding to sustainable projects. Our members across many EU countries are among the leading issuers of green and social bonds. Furthermore, in several Member States the EAPB members were among the first to issue green bonds. In 2020, over EUR 12 billion in new green and social bonds were issued by our members.

The EAPB members provide financing to sustainable projects that seek to mitigate climate change or adapt to it in various fields such as renewable energy, clean transportation, water and waste water management, sustainable buildings, and others. Green finance projects are being selected using a strict methodology, including the publication of a Green Bond Framework, independent analysis of every project checking the likelihood of achieving long-term positive environmental effects, external audit to verify the allocations, as well as annual publication of impact reports. With the above said, the EAPB members fully support the EU's green bond project and wish to contribute to its success.

In his speech at the European Parliament in November 2020, the European Commission's Executive Vice-President Valdis Dombrovskis stated that "*Investor appetite for sustainable opportunities is on the rise. We will harness this demand by developing enabling frameworks. For example, the EU taxonomy and the EU green bond standard.*"

It is important to stress that the success of the EU GBS will depend on its take-up by both issuers and investors. For that to become a reality, the EU GBS must be well-designed and adapted to different business models of market participants.

First of all, the EAPB welcomes the Commission's intention to propose a voluntary standard instead of a binding one. This would ensure that other market standards can also be used to issue green bonds, and would thus spur the market growth and funding of a higher number of sustainable projects.

Second, while we support the principle that 100% of the use of proceeds of green bonds should be used to finance taxonomy-compliant projects, a certain flexibility should be allowed for a transitional period, i.e. 80%-90% alignment should be allowed until the EU taxonomy is fully put in concrete terms and is implemented.

Third, the EU GBS should be designed in such a way as to be applicable to a dynamic portfolio of projects. Most EAPB members provide green loans to small projects in their portfolio that are financed or refinanced by the proceeds of green bonds – this is referred to as "portfolio approach" as opposed to "pairing assets back-to-back with bonds". According to estimates, around 60% of the green bond volume issued by European issuers so far has been based on the portfolio approach. The EU GBS should allow grandfathering on project level – and not only on bond level - in order to keep up the volumes in the green bond market. This implies that once a project has been approved to the project portfolio and is aligned with the taxonomy valid at the time of approval, the project should be considered taxonomy-compliant until maturity of the loan or lease that finances the project.

Fourth, the EU GBS should require only ex-ante assessment of 'do no significant harm' criteria. Introducing ex-post reporting as a requirement for green bond issuers would sharply increase costs, as well as issuers' and verifiers' liability risk, and hence reduce the appetite to issue the EU Green Bond. In addition, small projects (below EUR 10 million) should be exempted from the obligation to perform an individual check of the 'do no significant harm' criteria and Minimum Safeguards defined in the Taxonomy Regulation.

Finally, external verification of the final allocation report should be a recommendation and not a requirement, as such a requirement would increase costs significantly for the issuers and would prevent them from offering cheap financing to green and sustainable projects.

We are delighted that the Commission is open to dialogue and is willing to take the EAPB proposals on board. Although nothing is set in stone as of yet and the outcome of the legislative scrutiny by the European Parliament and the Council can never be predicted, an adequate legislative proposal by the Commission in June this year would be an excellent start of a long journey. We do therefore hope that the EAPB proposals above will be part of the soon-to-be proposed EU Green Bond Standard.

Farid Aliyev

## Timeline

**March 2018**
Establishing an EU Green Bond Standard (EU GBS) was an action announced under the Commission action plan on financing sustainable growth

**June 2019**
Recommendations for an EU GBS by the Commission's Technical Expert Group on Sustainable Finance (TEG)

**January 2020**
The European Green Deal Investment Plan announced that the Commission will establish an EU GBS

**March 2020**
Usability guide – TEG proposal for an EU GBS

**June 2020**
Inception Impact Assessment launched by the Commission

**October 2020**
EAPB response to the targeted public consultation run by the Commission

**January 2021**
Commission-EAPB meeting on the EU GBS

**February 2021**
Commission-EAPB meeting on the EU GBS

**July 2021**
The Commission is expected to make a legislative proposal for a voluntary EU GBS

# Lifting the veil on FinDatEx

> " The implementation of ESG aspects into regulation is a megatrend and will keep market participants including public banks busy for the time to come. The Paris Climate Accord might be the main but is not the only reason for this. Making financial activities "greener" or more "responsible" under ESG aspects led to manifold standard-setting or regulatory activities worldwide, and in particular in the EU."

In 2020, the EAPB has circulated several communications on FinDatEx and some recipients might still wonder what this is all about so it is good time to shed some light on it. FinDatEx is short for *Financial Data Exchange Templates* which is a joint structure established by the European Fund and Asset Management Association (EFAMA), the European Banking Federation (EBF), Insurance Europe, the European Savings and Retail Banking Group (ESBG), the European Association of Cooperative Banks (EACB) and the European Structured Investment Products Association (EUSIPA). In October 2019, the EAPB joined FinDatEx.

FinDatEx is not a data provider or repository. Its mission is to support the *development and use of standardised technical templates* to facilitate the exchange of data between stakeholders. The intention is to allow representatives of the EU financial services sectors to:

- Collectively decide on the need to develop or disband standards, in the form of technical templates, to facilitate the exchange of data between stakeholders in application of European financial markets legislation,
- Coordinate and organise the standardisation work carried out by experts from the different financial services sectors,
- Help disseminate agreed technical templates to relevant actors.

FinDatEx aims to be inclusive, open and transparent to all EU financial services sectors affected by the standardisation process. FinDatEx templates are not compulsory, provided to the industry free of charge and free of intellectual property rights. Templates are offered as Excel-table only.

## Existing FinDatEx templates

So far, FinDatEx has published four templates. The *European MiFID Template* (EMT) and the *European Feedback Template* (EFT) implement the MiFID requirements on the determination of a target market for financial products and the information that a product manufacturer has to provide to distributors, and vice versa. The *European PRIIPs Template* (EPT) is a functional description of the data to be exchanged from asset managers and banks to insurers to help them fulfil their regulatory obligations under the PRIIPs Regulation. The *Solvency II Tripartite Template* (TPT) helps investment management companies which exchange data between funds and insurers facilitating capital requirements calculation and supporting data delivery for quantitative reporting. But work does not stop here.

## State-of-play of FinDatEx work

The European Commission and European Supervisory Authorities are currently consulting upon, drafting and publishing numerous legislative acts dealing with the incorporation of ESG criteria into existing EU legal frameworks that regulate the provision of financial products and services, and potentially require gathering, circulating or referencing ESG-related data. As a first consequence, FinDatEx made available to the public an interim version of the EMT in February 2021 to facilitate a high-level exchange of information as required by Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).

Furthermore, an entirely new working group is being set up under the FinDatEx structure which will take stock of all EU regulation that relates to ESG, and the information flow of ESG data in relation to financial products and their underlyings. This starts with the entire SFDR framework and the Taxonomy Regulation, and will subsequently be extended to other relevant acts such as the Non-Financial Reporting Directive (NFRD). The work of industry standard setters such as EFRAG will be carefully taken into consideration, overlaps avoided and data standards eventually aligned. Overall, it does not matter whether the ESG data comes from a financial corporate or a non-financial corporate.

The working group will be tasked with coordinating and organising the standardisation work to facilitate the exchange of ESG data between market participants. This includes elaborating *European ESG Templates* (EET), comprising of a template for a firm's own data discovery (the ESG Data Definition Inventory, EDDI), and one or more templates for the exchange of ESG data (the actual EET). The first template for exchange will be for the communication between product manufacturer and distributor. Whether or not ESG templates for other communications will be necessary in the future has yet to be decided. However, the ideal outcome would be to have one consistent product-related template with ESG-relevant information.

## Contribution of the EAPB

Singling out ESG as being of relevance, the EAPB volunteered to providing the Technical Secretariat for the MiFID ESG subgroup which is the working group that looks at integrating ESG criteria into the MiFID target market concept, as standardised by the EMT. The EAPB will also provide the Technical Secretariat for the new dedicated ESG working group which elaborates the ESG templates.

The implementation of ESG aspects into regulation is a megatrend and will keep market participants including public banks busy for the time to come. The Paris Climate Accord might be the main but is not the only reason for this. Making financial activities "greener" or more "responsible" under ESG aspects led to manifold standard-setting or regulatory activities worldwide, and in particular in the EU. At the same time, there are obstacles for investing or financing under ESG aspects which are not easy to overcome, despite all goodwill, such as lack of promotable projects or lack of data to proof that financing fulfils ESG criteria. Contributing to the work of FinDatEx helps tackling the problem of data availability and the EAPB is doing its part.

Boris Bartels

## Timeline

- **April 2019**
  FinDatEx established by EBF, EACB, ESBG, EFAMA, EUSIPA and Insurance Europe
- **October 2019**
  EAPB joins FinDatEx
- **July 2020**
  EAPB takes over secretariat of the EMT ESG TWG
- **February 2021**
  EMT ESG TWG publish interim EMT V3.1
- **March 2021**
  New TWG on ESG templates (EET) set up
- **April 2021**
  EAPB takes over secretariat of the EET TWG; Pensions Europe joins FinDatEx

# Digital Finance – what does it mean?

“ EU legislators and supervisors seem to understand that digitalisation will not wait for the financial sector with all its various players; it even will accelerate certain developments, create synergies, and also challenge certain – (maybe too) well established – beliefs.”

In September 2020, the European Commission has adopted its Digital Finance Package. The Package includes two strategies as well as four legislative proposals. It aims for a competitive technological environment, sound digital resilience, and a highly innovative recovery. With the Digital Finance Package, the Commission tries to create a level playing field between new and established business models, consumers and businesses, and risk and opportunity. The Commission aims to harmonise the digitalisation developments within the financial sector as well as to incentivise innovation therein.

## Digital Finance Strategy

With the Digital Finance Strategy, the Commission sets out its approach towards the future Digital Finance landscape. The strategy focuses on four, interconnected priorities: removing fragmentation in the Digital Single Market, adapting the EU regulatory framework to facilitate digital innovation, promoting data-driven innovation in finance by establishing a common financial data space, and addressing the challenges and risks associated with digital transformation. Within the strategy, most of the following initiatives, as well as several unmentioned, play a role in achieving the goal to create a European Digital Finance environment to serve people and businesses. Particularly, it shall create new ways of funding European businesses and especially SMEs, the Green Deal, and the New Industrial Strategy for Europe.

## Retail Payment Strategy

With the Retail Payment Strategy, the European Commission aims to create the conditions to make the development of instant payments and EU-wide payment solutions possible, to ensure consumer protection and safe(r) payment solutions, and to lower the EU's dependency on big global players in the payments area.

## Digital Operational Resilience Act (DORA)

With DORA, the European Commission proposes a regulation which is set to streamline and foster the financial sector's digital resilience through the setting of standards and through the coordination of regulatory and supervisory work. DORA aims specially to improve financial entities' conduct of ICT risk management, establish a thorough testing of ICT systems, increase supervisors' awareness of cyber risks and ICT-related incidents, as well as to introduce powers for financial supervisors to oversee risks stemming from dependency on ICT third-party service providers.

## Markets in Crypto Assets (MiCA)

With MiCA, the European Commission proposes a framework for crypto assets to allow for innovation in a way that can preserve financial stability and protect investors. Crypto assets are digital representations of values or rights, which can be transferred and stored electronically. They can serve as an access key to a service, could facilitate payments, or could be designed as financial instruments.

## Digital Euro

Not part of the Commission's Digital Finance Package but surely a part of Digital Finance: the European Central Bank's (ECB) digital Euro: in October 2020, the ECB issued a report on the possibilities of a digital Euro as a form of Central Bank Digital Currency (CBDC). A digital Euro could support digitalisation and innovation within the European economy. To explore and identify benefits and risks, the ECB and national central banks analyse, in their report, seven scenarios of a digital Euro. They consider thereby different functional design possibilities, technical and organisational approaches, as well as banks' role within the digital ecosystem. In April 2021, the ECB has published the results of a public consultation on the digital Euro: it concludes that privacy & security, accessibility, as well as the facilitation of cross-border-payments and cost efficiency play an important role for the 8000 responders. By mid-2021, the ECB will have decided how to pursue the possible issuance of a digital Euro.

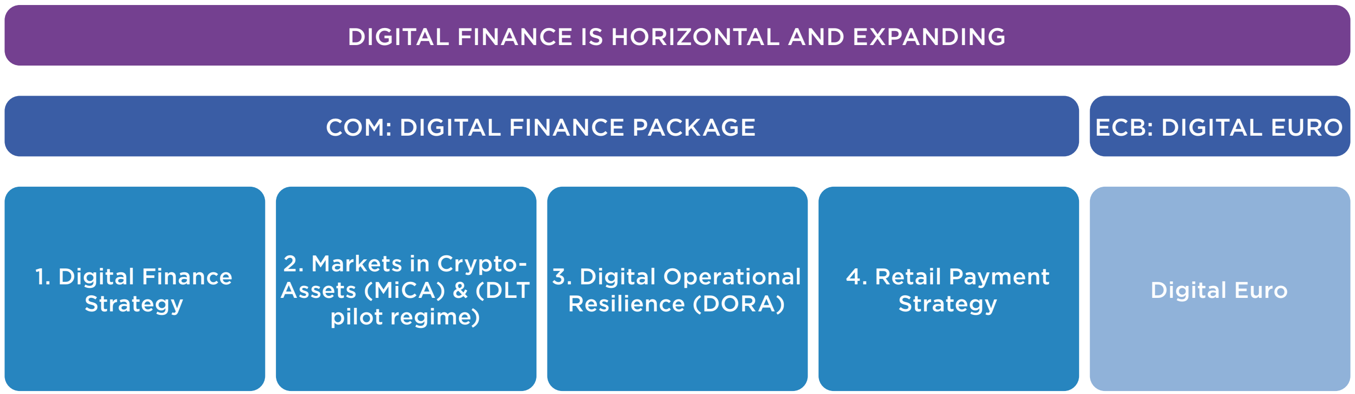
## Digital Finance – what does it mean to you?

EU legislators and supervisors seem to understand that digitalisation will not wait for the financial sector with all its various players; the upcoming regulation will even accelerate certain developments, create synergies, and also challenge certain – (maybe too) well established – beliefs.

The aforementioned initiatives can be seen as flagship initiatives. Digital Finance is finding its way into current legislation, for instance through the reviews of the Consumer Credit Directive, the Mortgage Credit Directive, and Sustainable Finance.

What Commission and ECB propose will be only the beginning, it will be the foundation for the rules to come. Therefore, it is the EAPB's mission to ensure a level playing field, to advocate for proportionate regulation, and to make public and promotional banks a part of the evolving Digital Finance ecosystem.

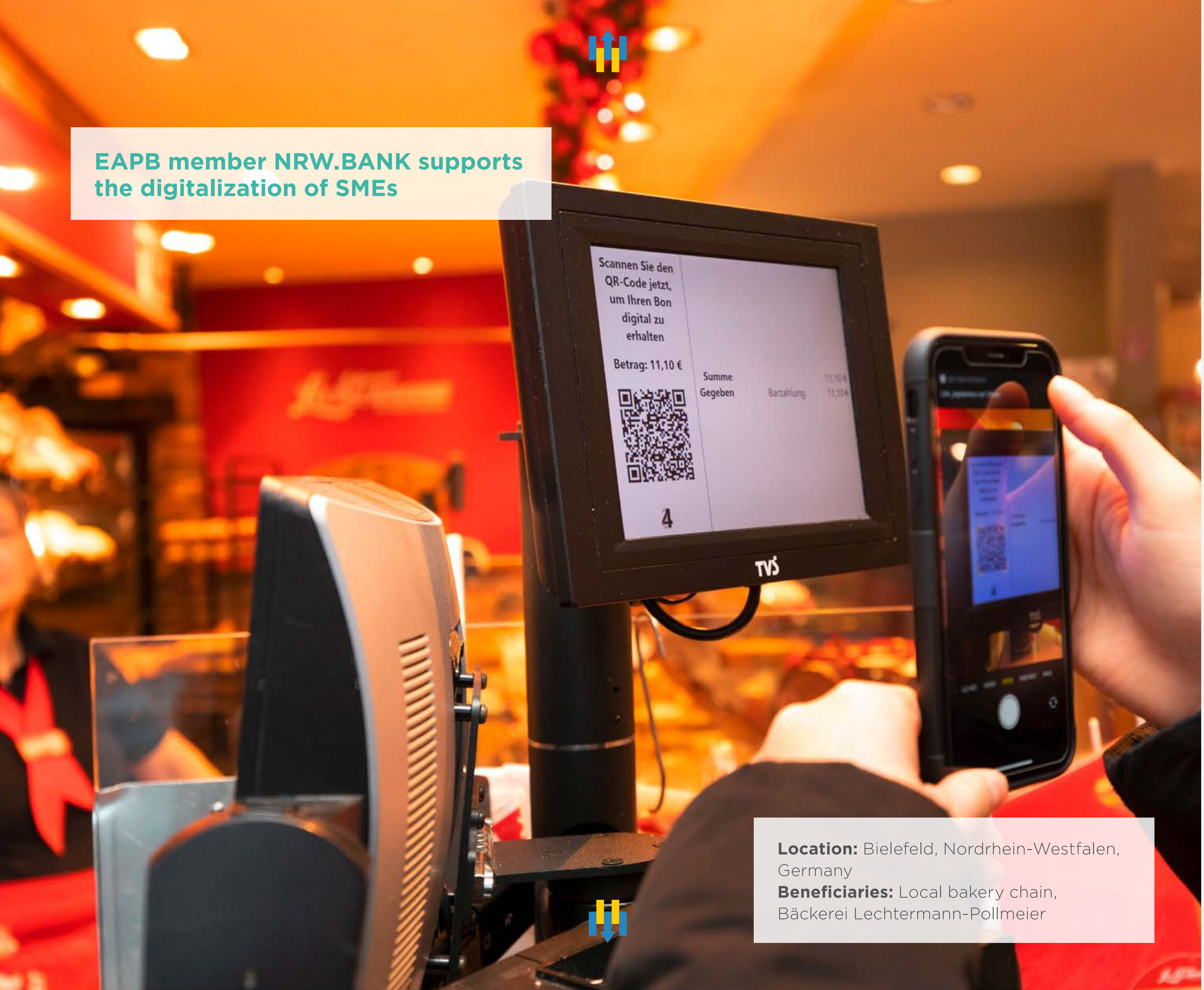
Sebastian Wolpers






Next article

## EAPB member NRW.BANK supports the digitalization of SMEs




**Location:** Bielefeld, Nordrhein-Westfalen, Germany
**Beneficiaries:** Local bakery chain, Bäckerei Lechtermann-Pollmeier

# Overview of EAPB meetings and major events

## March

| 24 | Meeting of the EAPB State Aid and Development Committee – Online meeting |
|---|---|

The EAPB Secretariat outlined the co-ordinated economic response to the COVID-19 outbreak. Ms. Christa Karis, Deputy Director, European Investment Fund (EIF) and Mr. Tomasz Kozlowski, Product Development Manager, EIF, reported on the EIF measures on the COVID-19 crisis. Participants exchanged views on intended measures against the economic impact of the COVID-19 Crisis. Members were invited to present measures introduced by their respective institutions.

## April

| 1 | Second webinar of the Sustainable Finance Working Group Topic: Disclosure Requirements – Online meeting |
|---|---|

Mr. Marius Kat, assistant to MEP Paul Tang, ECON Committee, European Parliament delivered a presentation on sustainability-related disclosure requirements. Participants had the opportunity to ask questions about the sustainability disclosure issues and their interaction with the EU taxonomy.

## April

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| **7** | **Teleconference of the State Aid and Development Committee on measures addressing the impact of the COVID-19 crisis – Online meeting** |

EAPB provided an update on the co-ordinated economic response to the COVID-19 outbreak and the mobilizing of the EU Budget and the EIB Group. Mr. Georg Raab, Policy Officer, DG GROW, European Commission, reported on the COVID-19 crisis measures for SMEs. EAPB members, NRW.BANK, Caisse des dépôts and WIBank presented anti-crisis measures.

## April

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| **21** | **Teleconference of the State Aid and Development Committee on measures addressing the impact of the COVID-19 crisis – Online meeting** |

EAPB provided an update on the co-ordinated economic response to the COVID-19 outbreak and the mobilizing of the EU Budget and the EIB Group. Ms. Victoria Kyritsi, Head of Unit in Mandate Management, EIB and Ms. Ewa Kolodziej, Policy Officer, EIB, presented EIB Group's activities and introduced the pan-European Guarantee Fund. The Malta Development Bank presented its anti-crisis measures.

## May

| 5 | **Teleconference of the State Aid and Development Committee on measures addressing the impact of the COVID-19 crisis – Online meeting** |
| --- | --- |

EAPB provided an update on the co-ordinated economic response to the COVID-19 outbreak and the mobilizing of the EU Budget. Ms. Florentine Hopmeier, Head of Brussels Representation of European Banks for Reconstruction and Development, reported on the EBRD response to the COVID-19 crisis and cooperation with NPBIs.
EAPB members BGK and HBOR presented their anti-crisis measures.

## May

| 27 | **EAPB General Assembly** |
| --- | --- |

Mr. Philippe Mills, President of the EAPB and CEO of SFIL, welcomed the members of the EAPB General Assembly. Mr. Marcel Roy, Secretary General, EAPB, gave a short overview of the EAPB extraordinary activities linked to the COVID-19 crisis before presenting the activities in the first half of 2020

**June**

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|---|---|
| **4** | **Teleconference of the State Aid and Development Committee on measures addressing the impact of the COVID-19 crisis** |

EAPB provided an update on the co-ordinated economic response to the COVID-19 outbreak and the mobilizing of the EU Budget and the EIB Group. The EAPB secretariat reported on the EIB Pan-European Guarantee Fund and the amendments to the InvestEU Programme. Mr. Filippo Munisteri, InvestEU Team, European Commission, presented the solvency support instrument and InvestEU within the new MFF framework. EAPB member Malta Development Bank presented its new anti-crisis measures.

**June**

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| **16** | **Teleconference of the State Aid and Development Committee on measures addressing the impact of the COVID-19 crisis** |

EAPB reported on the co-ordinated economic response to the COVID-19 outbreak and the joint statement by EBF and SME United on COVID-19 measures. The EAPB secretariat provided an update on the EIB pan-European Guarantee Fund and the React-EU initiative. Mr. Jörg Lackenbauer, DG REGIO, European Commission delivered a presentation on React-EU and cohesion policy post-2020.

## October

**14** **Relaunch session of the Sustainable Finance Working Group – Online meeting**

Mr. Ali Erbilgic, European Banking Authority (EBA), delivered a presentation on ESG factors in the EBA loan origination and monitoring guidelines. An EBA-EAPB meeting on ESG disclosures hosted and chaired by EBA followed the online meeting.

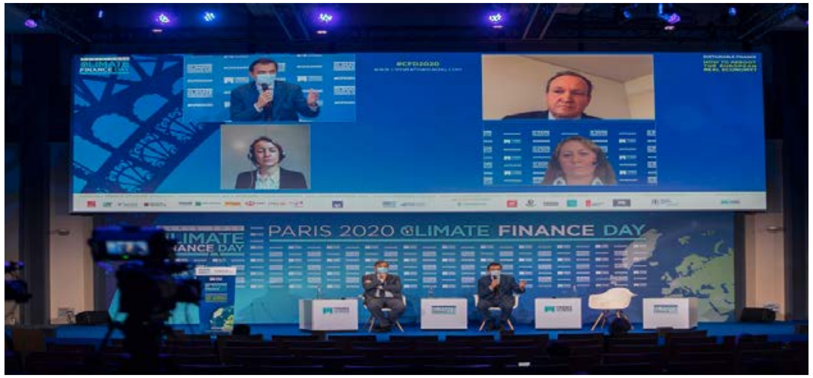
## October

**22** **Meeting of the EAPB State Aid and Development Committee – Online meeting**

The EAPB secretariat provided an update on EU-level policies and the temporary state aid framework. Mr. Filippo Munisteri, DG ECFIN, delivered a presentation on InvestEU.

## October

## 29 EAPB participates in the 6th Climate Finance Day – Paris




Placed under the High Patronage of Mr. Emmanuel Macron, President of the French Republic and powered by the French Minister for the Economy and Finance, the 6th Climate Finance Day was fully dedicated to the theme "Sustainable finance: how to reboot the European real economy?"

This year's edition focused on the EU policies as well as local issues. It also showcased public and private financial mechanisms and tools available (or to be designed) in order to meet the needs of the different sectors of the European economy. Spearheading financial innovations for the green transition, the European financial industry should mobilize to support the implementation of the green deal and serve the needs of the real economy.

Mr. Philippe Mills, CEO at SFIL and President of EAPB, participated in the second round table entitled "Make the Green Deal Finance the real economy and the territories". He stressed the importance of innovation when it comes to regulation, the EU Taxonomy is an essential step but further progress is necessary.

An online recording is available here.

Pictures of the event are available here.

## November

**12** | **EAPB participates in the first global summit of all Public Development Banks - Paris**

On November 12, the first global summit of all Public Development Banks took place during the Paris Peace Forum, an initiative of the World Federation of Development Finance Institutions (WFDFI) and the International Development Finance Club (IDFC) that aims to bring together all actors in global governance and promote their commitment to multilateralism. For this purpose, the summit gathered more than 450 Public Development Banks (PDBs) operating at the local, national regional and international levels. PDBs are public institutions controlled or supported by governments. They have a public mandate and their operations implement countries' commitments to development and international solidarity, in line with the Sustainable Development Goals (SDGs).

The objective of these institutions is to mobilize a collective response to the COVID-19 crisis and discuss measures that need to be taken to build a sustainable recovery. Amid suffering and uncertainty, the COVID-19 pandemic has brought to the fore the urgency of cooperating on a global scale through new forms of collective action. The Finance in Common summit provides the unique opportunity to build a new coalition of Public Development Banks. It will also promote cooperation between them to support collective action for the climate and sustainable development goals.

Mr. Philippe Mills, CEO at SFIL and President of EAPB participated in the Summit, he represented Public Development Banks at a round table entitled: "Financing local action and resilient cities: The role of subnational development banks." Mr. Mills stressed that: "Easing the impact of climate change or of the pandemic can only work at global level. Efforts need to be better shared and coordinated at the international level. Setting up cooperation is not always easy, it takes time. Looking back at an integration process of more than 60 years, we are well placed to know the long process towards efficient cooperation, including between Development Banks"

A joint declaration was signed by all the leaders of the public bank networks, including the EAPB, underlining the need to work closer, improve coordination and to increase impact on the debates, particularly on climate issues.

The final declaration and press releases on the commitments made at the Finance in Common Summit are accessible here.

**November**

| 16 | **Meeting of the EAPB Capital Markets Committee – Online meeting** |
|---|---|

EAPB provided an update on the capital markets recovery package and the targeted review of MiFID II. Mr. Tilman Lueder, Head of the Securities Markets Unit at the European Commission, DG FISMA, presented the Commission proposal for a review of the benchmarks regulation (BMR).

**November**

| 24 | **Sustainability ratings approach in the public development banking - Webinar** |
|---|---|

Ms. Sophia Velissaratou, Director –Diversified Banks Research, Sustainalytics, delivered a presentation entitled 'ESG risk ratings for DFIS, generating valuable insights from ESG Factors'.

**November**

| 26 + 27 | **Extraordinary General Assembly and EAPB CEO Conference - Online meeting** |
|---|---|

The European Association of Public Banks (EAPB) held its General Assembly and CEO Conference on November 26 and 27. In his opening comments Mr. Philippe Mills, CEO at SFIL and EAPB President remarked that: "The huge crisis that we are currently dealing with coincides with the 20 years of existence of our association. During this time EAPB has become an indispensable interlocutor between national and regional promotional banks, municipality funding agencies and public commercial banks on the one side and the EU institutions on the other." He added that: "The presence of public banks and funding agencies is strengthening in Europe and our specific features are increasingly taken into account by public authorities, we have an important role to play in the upcoming developments of the European legal framework and the European response to the COVID-19 crisis."

On the occasion of the CEO conference Mr. José Manuel Campa, Chairman of the European Banking Authority (EBA) General Assembly elaborated on the COVID-19: Regulatory response, while Mr. Declan Costello, Deputy Director General, DG ECFIN, European Commission discussed the Implementation of InvestEU and NextGeneration EU.

At the General Assembly, Ms. Gabriela Pantring, Member of the Management Board of NRW.BANK (Germany) and Ms. Mari Tyster, Executive Vice President at Munifin (Finland) were appointed EAPB Vice-Presidents. Ms. Dr. Katrin Leonhardt CEO of SAB (Germany), Ms. Gita Salden, Chairman Executive Board at BNG Bank (The Netherlands) and Mr. Michele Vietti, President of Finlombarda (Italy) were appointed new Board Members of the EAPB. Mr. Philippe Mills, President of the EAPB and CEO of SFIL (France), Ms. Iris Bethge-Krauß, CEO at VÖB (Germany), Ms. Tamara Perko, President of the Management Board of HBOR (Croatia) and Mr. Sibil Svilan, CEO at SID Bank (Slovenia) were re-elected to the EAPB Board.

In his acceptance speech, President Mills stated that "the composition of our new Administrative Board presents an optimal balance from the point of view of geography, business models and gender." EAPB's newly elected nine-member board is composed of six women. Public Banks and Funding Agencies send a strong signal in favor of gender diversity in the workplace. Mr. Marcel Roy, Secretary General at EAPB commented:

"In Europe, promoting gender diversity is important for a fair and democratic society, the economy and most importantly for women themselves. We have achieved much progress but we can and we will do much more. A diverse Europe is, a strong Europe."

## December

| 4 | EAPB Economic and Financial Affairs Committee – Online meeting |
|---|---|

The EAPB secretariat reported on recent lobbying activities. Ms. Despo Malikkidou, European Banking Authority, presented EBA's advice to the European Commission on the implementation of the final Basel III reforms in light of the impact of the COVID-19 pandemic.

## December

| 8 | State Aid and Development Committee on NPBI anti-crisis measures - Online meeting |
|---|---|

Mr. Alexander Schulte, NRW.BANK (Germany) provided an overview of NRW-Corona aid measures for companies, public infrastructure and non-profit organisations. Mr. Gábor Szőcs, EXIM (Hungary) presented EXIM Hungary's compensation program. Mr. Josip Grgic, HBOR (Croatia) outlined HBOR insurance and guarantee schemes. Mr. Mateusz Olszak, BGK (Poland) highlighted BGK's factoring guarantee program. Ms. Barbara Zubriczky, MFB (Hungary) showcased the most successful SME loan programme of the Hungarian Development Bank.

# EAPB participation at European Commission expert groups

**Payment Systems Market Expert Group**

**Structured Dialogue with European Structural and Investment Funds' partners group of experts**

**InvestEU sustainability proofing and climate tracking working group**

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

## January

| | |
|---|---|
| 8 | EAPB position paper for the Commission's consultation on implementing the final EU Basel III reforms in the EU |

## March

| | |
|---|---|
| 3 | EAPB recommendations concerning the preparation of the InvestEU Programme in the context of the recently introduced Sustainable Europe Investment Plan |
| 23 | EAPB comments on the proposal for a temporary framework for state aid measures to support the economy in the current COVID-19 outbreak |
| 26 | Mobilizing for European SMEs: EAPB policy recommendations for addressing the COVID-19 crisis |
| 29 | EAPB comments on the amendment of the temporary framework for state aid measures to support the economy in the current COVID-19 outbreak |

## May

| | |
|---|---|
| 19 | EAPB contribution to MiFID consultation |
| 26 | EAPB answer to EIB roadmap climate bank consultation |

## June

| | |
|---|---|
| 5 | Measures taken by public banks to address the economic impact of the coronavirus epidemic |
| 29 | EAPB response to targeted review of the General Block Exemption Regulation (State aid): extended scope for national funds to be combined with certain Union programmes (2nd consultation) |

## July

| | |
|---|---|
| 24 | EAPB statement on the role of public banks in the context of the COVID-19 crisis |

## August

| | |
|---|---|
| 4 | Statement on latest joint letter MiFID II DA/ESG |
| 24 | EAPB position paper on the InvestEU program |
| 28 | EAPB answers consultation on the renewed sustainable finance strategy |

## September

| | |
|---|---|
| 15 | EAPB response to targeted consultation on the establishment of an EU Green Bond Standard |
| 25 | EAPB position on ECB consultation on climate-related and environmental risks |

## October

| | |
|---|---|
| 2 | EAPB position paper on EC consultation on EU Green Bond Standard |
| 23 | EAPB response to EBA consultation on impracticability contractual recognition bail-in |
| 26 | EBA response to EBA survey pillar 3 disclosure on ESG risks |
| 28 | Joint payment industry letter to EDPB on draft guidelines on the interplay between PSD2 and GDPR |

## November

| | |
|---|---|
| 13 | Public development banks across the world sign first joint declaration at the Finance in Common Summit |
| 23 | EAPB position paper on BMR trilogue – cross-industry request for extension of the third country benchmarks transition period (20 November, 2020) |
| 23 | EAPB position paper on sustainable finance – obligation for certain companies to publish non-financial information |

| December | |
|---|---|
| 10 | EAPB draft position - Draft delegated regulation on climate change mitigation and adaptation |
| 21 | EAPB position paper on TR delegated regulation |

You can find EAPB comment letters and position papers on our website.

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

## EAPB member SFIL finances sustainable energy solutions


**Location:** Albertville, France
**Beneficiaries:** Reducing $CO_2$ emissions with clean heating for 4,450 people and 77 buildings
**Allocated resources:** 3 million EUR

President's foreword
About us
Our thoughts
Our work
Our board

# EAPB board and secretariat

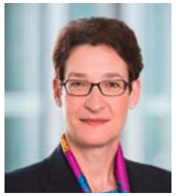
## Our board

**President**
Philippe Mills
SFIL
Chief Executive Officer

**Vice – President**
Gabriela Pantring
NRW.BANK
Member of the Managing Board

**Vice - President**
Mari Tyster
MuniFin
Executive Vice President

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



**Board Member**
Katrin Leonhardt
SAB
CEO

**Board Member**
Tamara Perko
Croatian Bank for Reconstruction and Development (HBOR)
President of the Management Board

**Board Member**
Gita Salden
BNG Bank
Chairman Executive Board

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

**Board Member**
Michele Giuseppe Vietti
Finlombarda
Chair of the Managing Board

## Our secretariat

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

EAPB

Actors
of growth

# ANNUAL REPORT 2020

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