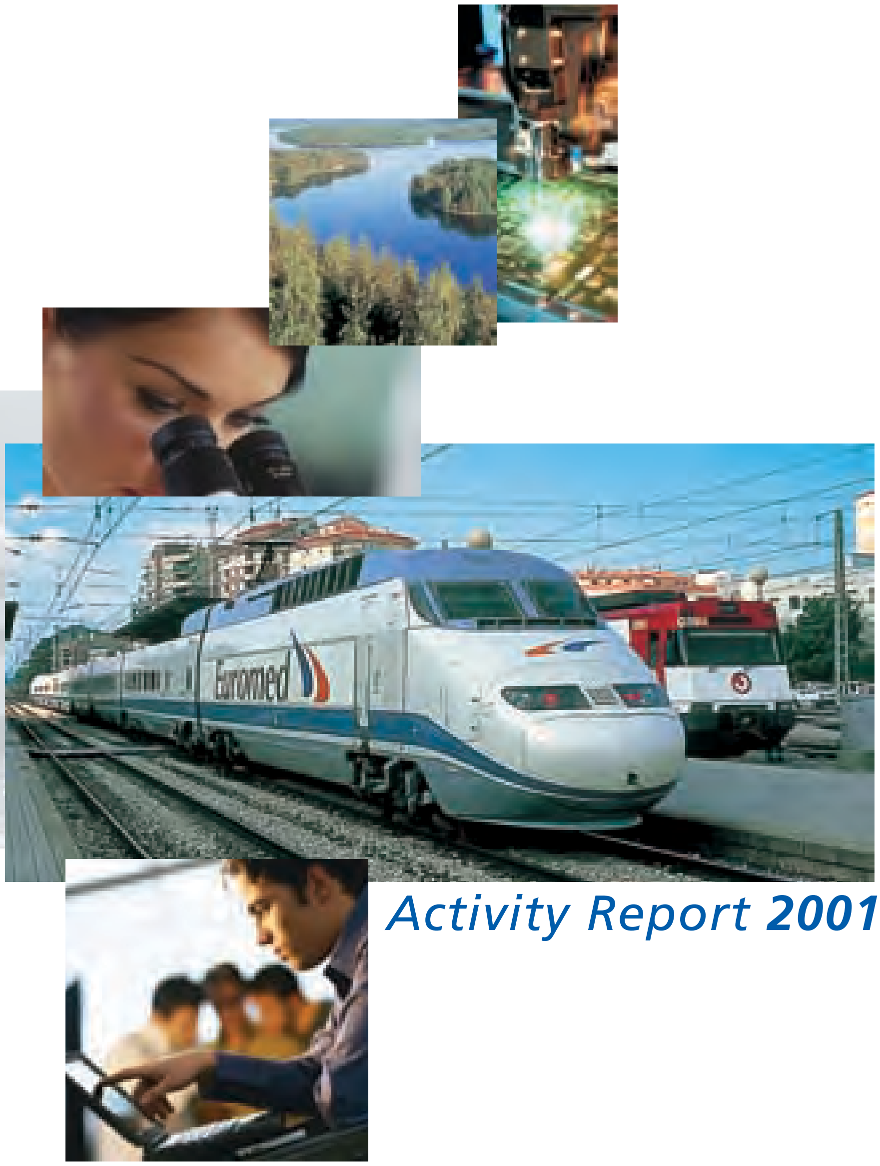


The EIB Group

Activity Report 2001

European
Investment
Bank Group

EIB Group: key data

(EUR million)

European Investment Bank

Activity in 2001	
Loans signed	**36 776**
European Union	31 184
Accession Countries	2 659
Partner Countries	2 933
Loans approved	**41 424**
European Union	35 163
Accession Countries	3 376
Partner Countries	2 884
Loans disbursed	**31 573**
From the Bank's resources	31 368
From budgetary resources	205
Resources raised (after swaps)	**32 172**
Community currencies	28 597
Non-Community currencies	3 575
Situation as at 31.12.2001	
Outstandings	
Loans from the Bank's resources	221 116
Guarantees provided	543
Financing from budgetary resources	2 558
Short, medium and long-term borrowings	176 027
Own funds	**23 296**
Balance sheet total	**209 376**
Net profit for year	**1 311**
Subscribed capital	**100 000**
of which paid in	6 000

European Investment Fund

Activity in 2001	
Contracts signed	**1 758**
Venture capital *(57 funds)*	800
Guarantees *(39 operations)*	958
Situation as at 31.12.2001	
Operational portfolio	**5 340**
Venture capital *(153 funds)*	2 005
Guarantees *(86 operations)*	3 335
Subscribed capital	**2 000**
of which paid in	400
Net profit for year	**76**
including extraordinary profit of 60.5 million	
Reserves and provisions	**100**

Contents

Message from the President

The EIB is no ordinary bank: it was created specifically to provide financial support for the European Union's objectives. I describe this special character with the term "policy-driven public bank" - namely a bank which, in synergy with the other EU institutions and without burdening the public purse, contributes to the realisation of projects giving concrete expression to the economic, social and, ultimately, political priorities of the Union.

In 2001, the EIB lent 36.8 billion euro, over 31 billion of this within the Union, and raised funds totalling 32.3 billion in 13 currencies. At the same time, our specialised subsidiary, the European Investment Fund, substantially stepped up its support for small and medium-sized enterprises (SMEs) by providing more than 800 million in venture capital and 960 million in guarantees. Beyond the sheer scale of our activity, however, I wish to underline its qualitative focus. Over two thirds - some 22 billion - of the Group's operations served to foster wealth creation in the less advanced regions of the Union or its future member states. Ranging across all sectors of the economy from basic infrastructure to SMEs, these operations exerted a major catalytic effect in mobilising other sources of finance, whether from banks or from the Community Structural Funds.

Our second objective is modernising the European economy to enable the Union, now underpinned by its new currency, to play its full part in a globalised economy. The Innovation 2000 Initiative (i2i), launched by the EIB Group in the wake of the Lisbon European Council of March 2000, works towards this goal by nurturing the development of a knowledge-based and innovation-driven economy. In 2001, i2i surged ahead, bringing the grand total of approved financing for the Union's Member States and seven Accession Countries to over 10.3 billion. Hence the Group has already made great strides towards achieving the objective - set for it by the Lisbon European Council - of investing 12-15 billion under the i2i banner by the end of 2003.

Over the course of the year, we backed no fewer than twelve research and development projects of major importance for boosting Europe's economy, while nearly 100 000 smaller businesses benefited from EIB or EIF assistance in various forms. Additionally, in response to requests from the Ghent European Council, the Bank recently decided to step up its support for sectors particularly hard hit by the economic slowdown: to this end, it will deploy the full gamut of the Group's financial engineering resources, especially with a view to risk-sharing with project promoters.

The Bank cannot maintain this high level of activity without paying heed to the legitimate demand from the peoples of the Union for environmentally responsible development. Accordingly, as well as factoring environmental considerations into all project appraisals, the EIB devotes nearly one quarter of its financing to schemes aimed at protecting the natural environment, rectifying environmental degradation - notably in the Accession Countries - and enhancing the quality of urban life. With this objective, the Bank continually

reviews its methods and has overhauled its internal organisation in this area, further increasing its ability to underpin the Union's commitments on sustainable development and climate change.

Outside the Union, the EIB Group focuses particularly on two regions of vital importance for tomorrow's Europe: Central and Eastern Europe and the Mediterranean. Operating in these parts of the world under European Union mandates or under dedicated financial facilities set up on its own initiative and at its own risk, the EIB ranks as by far the leading source of banking finance for project development in the countries flanking the Union to the South and East. Its efforts centre on fostering economic liberalisation, encouraging the transfer of capital and know-how through foreign direct investment and promoting projects with a regional dimension. In this sphere, too, the Bank's whole-hearted commitment to furthering the Union's policies has ensured its close involvement with the Commission in the current deliberations under the Union's Spanish Presidency on the means of revitalising the Euro-Mediterranean Partnership launched in Barcelona in 1995.

The Bank's quest for operational efficiency must be pursued within a framework of transparency and accountability that will bring our institution closer to Europe's citizens - the ultimate beneficiaries of our activities. In 2001, the EIB therefore intensified its political dialogue with the European Parliament and forged links with the Union's Economic and Social Committee. It also implemented a new policy of transparency, characterised by a recast information policy and closer dialogue with civil society via NGOs.

As is widely known, the EIB Group funds its operations by tapping capital markets across the globe. Thanks to the calibre of its shareholders, the quality of its loan book and the judicious mix of prudence and innovation in its borrowing policies, the EIB enjoys a benchmark status on the markets akin to that of a sovereign borrower, as universally recognised by its AAA rating.

As at 31 December 2001, the Bank's outstanding loan book stood at 221 billion euro, close to the maximum of 250 billion permissible under the EIB's Statute. The demands of our objectives led me to propose to our shareholders a 50% capital increase. The work done by the Board of Directors on the multiannual operational priorities and on the practical aspects of implementing a self-financed capital increase prepared the way for the decision taken by the Governors on 4 June 2002. On that occasion, the Bank once again received confirmation of the solid and unanimous backing of its shareholders, the EU Member States. To them, I proffer my thanks.

Philippe Maystadt
EIB Group President

Operational background and overview 2001

As a public bank cooperating closely with the Union's other institutions without burdening public finances, the EIB contributes to the implementation of projects that give concrete expression to the Union's economic and social priorities, in accordance with its Statute and the decisions of the European Councils.

Following the Lisbon European Council in March 2000, the Board of Governors decided to set up the "EIB Group", comprising the European Investment Bank and the European Investment Fund. The EIB thereby became the majority shareholder and operator of the EIF, its specialised subsidiary for venture capital and SME guarantees.

In 2001, the Bank's activity was shaped by the guidelines handed down by the European Councils of Stockholm and Göteborg (March and June 2001), Ghent and Laeken (October and December 2001), which called on the EIB to:

- continue its support for the Accession Countries;
- step up its activities to develop a knowledge-based and innovation-driven European economy;
- promote a strategy of sustainable development and cooperate with the Commission in implementing a European policy on climate change;
- underpin investment in sectors particularly affected by the economic slowdown.

The EIB responded to these invitations in various ways:

- boosting the volume of EIB and EIF financing for projects under the "Innovation 2000 Initiative" (i2i) launched following the Lisbon European Council and extending this initiative to the Accession Countries;
- devoting special attention to environmentally beneficial projects and reinforcing the structure for the environmental evaluation of projects within the Projects Directorate;
- financing up to 75% of the cost of certain projects in the transport, environmental protection and tourism sectors as well as in fields covered by "i2i", including education.

Unless otherwise indicated, amounts are expressed in EUR.

- **Loans signed** by the EIB in 2001 totalled **36.8 billion**. As predicted at the beginning of the year, this figure is only slightly higher than in 2000 (36 billion), reflecting the commitment to improving the qualitative focus of lending decisions.

  The breakdown was as follows:

  - 31.2 billion within the European Union;
  - 2.7 billion in the Accession Countries;
  - 1.4 billion in the Euro-Mediterranean Partnership Countries;
  - 319 million in the Balkans;
  - 520 million in the ACP Countries and the OCT;
  - 150 million in South Africa;
  - 543 million in Asia and Latin America.

- **Disbursements** totalled **31.6 billion**, of which 27.8 billion within the European Union. 70% of these disbursements were made in euro.

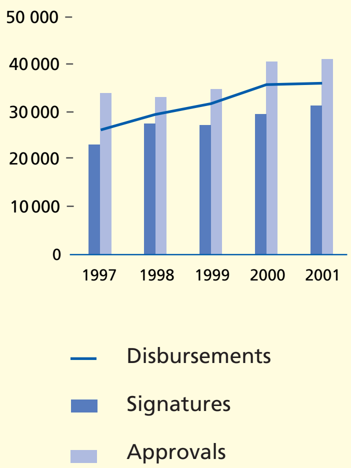
- The 310 or so capital projects appraised by Bank staff in 2001 resulted in **41.4 billion in loan approvals**.

- By the close of 2001, **outstanding lending** from own resources and guarantees came to 221.7 billion. Aggregate **outstanding borrowings** amounted to 176 billion. The balance sheet total stood at 209.4 billion.

- **Borrowings**, after swaps, amounted to **32.2 billion**. They involved 148 transactions, with funds being mobilised in 13 currencies. After swaps, 67% of market operations were in EUR, with 21% in GBP and 8% in USD.

- The **EIF** [1] for its part substantially expanded its operations in support of SMEs, investing over 800 million in venture capital and providing 960 million in guarantees.

Disbursements, contracts signed and projects approved by the EIB (1997 - 2001)



(1) This EIB Group activity report is supplemented by the EIF brochure, available on that institution's website (www.eif.org).

On the CD-ROM enclosed with this brochure, readers will find all statistics on activity for 2001 and the period 1997-2001, together with the list of projects financed during the year by the EIB Group. These data are also available under the "Publications" section of the EIB's website (www.eib.org).

The Corporate Operational Plan 2002 - 2004

Drawn up for the first time at the instigation of the Board of Governors in June 1998, the Corporate Operational Plan is a strategic document, approved by the Board of Directors, for defining medium-term policy and setting operational priorities in the light of the objectives assigned to the Bank by its Governors with a view to ensuring fulfilment of the EIB's remits under Article 267 of the Treaty establishing the European Community. It is also an instrument for ex post evaluation of the EIB's activities. The plan spans three years, although the strategic projections may be adapted during this period in order to take account of new mandates and changes in the economic climate. The Corporate Operational Plan adopted in December 2001 covers the period 2002 - 2004.

Lending activity is geared to five operational priorities:

1. **Regional development** and economic and social cohesion within the Union: this is the number one priority for the Bank, which has set itself the target of maintaining the share of its individual loans at a minimum of 70% in the Union's assisted areas, with a corresponding objective of 50% for its global loans. In meeting those targets, the Bank cooperates closely with the Commission, in order to maximise the synergies between the financial and budgetary instruments deployed by the two institutions. The Bank is continuing to refine its approach to lending for regional development and has developed a corresponding series of project performance indicators (see box on page 13);

2. Implementation of the **"Innovation 2000 Initiative"**, fostering the emergence in Europe of an information and knowledge-based economy. Here, the aims are in particular to expand lending in favour of information and communications technologies, R & D, the development of SMEs and the dissemination of information, including audiovisual material. With regard to research and support for the European Union's objectives in the audiovisual sector, arrangements for enhanced cooperation with the Commission were introduced in 2001;

3. The lending strategy for **environmental** protection and improving the quality of life has been reexamined and a new environmental structure has been created within the Bank (see box on page 17). In order to keep the public better informed of the way in which it promotes this prime objective, the EIB has published on its website its new environmental policy statement and papers on climate change and sustainable development. Here too, cooperation with the Commission and other financial institutions remains vital;

4. Preparing the **Accession Countries** for EU membership continues to command the Bank's full attention. Accordingly, the EIB has limited its growth target for loans within the Union in order to secure greater room for manoeuvre for financing in these countries. Its lending strategy has been reviewed (see box on page 20). The EIF has also extended its venture capital activities to the Accession Countries, which are set to absorb 10% of its investment capacity;

5. The Bank supports the implementation of Community development aid and cooperation policy in the **Partner Countries**:

   - in the *Mediterranean region*, the top priority is to finance projects meeting the objectives of the Euro-Mediterranean Partnership launched in Barcelona in November 1995. With that in mind, the EIB is pursuing a three-pronged lending policy aimed at: developing the private sector and strengthening the local financial sector; creating basic infrastructure, especially in the environmental protection field; and supporting projects with a regional dimension resulting from cooperation between the countries concerned;

   - in the *Balkans*, the EIB has implemented the Quick Start Package. It has likewise been accorded a key role in rolling out a second programme to rebuild the economy, with the focus on financing cross-border projects of regional importance in the transport and energy sectors;

   - financing projects of mutual interest will remain the prime objective in the *Asian and Latin American countries,* where cooperation with multilateral and bilateral financing institutions will be continued and stepped up;

   - in the *ACP Countries,* in line with the general objectives of the Cotonou Agreement, the first concern will be to promote the private sector. The Bank will also endeavour to finance selected projects in the health and education sectors.

Alongside its main priorities, the Corporate Operational Plan also makes clear that the EIB Group will press ahead with financing **SMEs** via global loans and venture capital operations. A debate on possible new products is currently under way. Backing for trans-European transport and energy networks **(TENs)** will be maintained, with PPP-type financing operations being increasingly favoured, at both geographical and sectoral levels. Support for **human capital** formation will gradually be extended to non-member countries.

EIB Group activity in 2001

Fostering balanced development throughout the Union

Promoting the Union's economic and social cohesion is the prime task assigned to the Bank - initially by the Treaty of Rome, then by the Amsterdam Treaty (June 1997) - and constitutes the first of the priority objectives of the Corporate Operational Plan. In order to gauge more accurately the impact of its efforts towards this objective, the EIB has developed performance indicators for the projects which it finances.

The Bank cooperates closely with the Commission, complementing in particular the impact of budgetary grant aid, in order to maximise the effectiveness of the resources deployed by the two institutions. It also acts as a major catalyst in attracting other sources of finance, especially from banks.

Demonstrating its ability to channel investment selectively towards those sectors or regions which need it most, in recent years the Bank has constantly increased its financing for regional development within the overall goal of steady growth in lending in the Union. Thus, average growth since 1994, when the second phase of programming the Community's structural operations began, has stood at 5% a year. Since 2000, lending in the Objective 1 regions has expanded by 19%.

70% of individual loans within the Union for regional development

In 2001, the EIB granted **individual loans** worth **14.5 billion** for projects to assist regions lagging behind in their economic development or grappling with structural difficulties (Objective 1 and 2 regions), representing 70% of its total individual loan activity within the countries of the Union.

56% for Objective 1 regions

The Objective 1 regions, together with the Objective 1 regions in transition, absorbed 8.2 billion in individual loans. Germany's eastern Länder received 1.8 billion, the Cohesion Countries (Spain, Portugal, Ireland and Greece) 5.1 billion and Italy's Mezzogiorno 866 million.

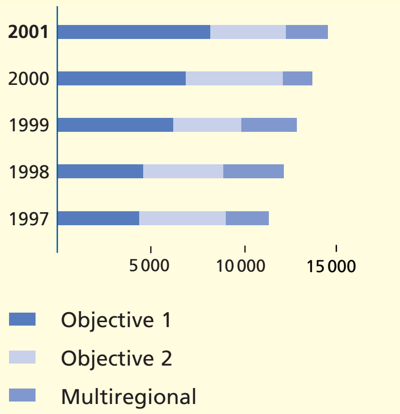
Lending in these areas rose significantly compared with 2000 (up 19%), especially as a result of the increase, for the third year running, in operations in Germany's eastern Länder. The volume of loans in Greece remained at the same level as in 2000, while in Portugal it grew by 25%.

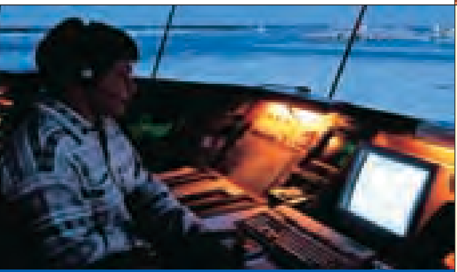
As a practical expression of the EIB-EC Agreement, for the first time the Bank cofinanced the entire capital expenditure programme set out under the Community Support Framework (2000 - 2006) for the Basilicata region in Italy.

40% for transport - 16% for human capital

Attracting 40% of loans, a markedly higher percentage than in the Union as a whole (25%), transport is the main sector supported in the Objective 1 regions. These loans are helping to mitigate the effects of geographical isolation.

Regional development
Individual loans
1997 - 2001: 65 billion





Upgrading of infrastructure accounted for two thirds of operations. However, loans for wealth and job-creating ventures in industry and services totalled 17%, while at 16% those for health and education were double the Community average. This clearly shows the Bank's commitment to developing, in these less favoured areas, health and education services of a level comparable to that of the more developed regions, so fostering equal access for the people of the Union to the most advanced educational facilities and health care.

The impact of global loans

Through its lines of credit to banks or financial institutions, the EIB supports SMEs as well as small-scale local infrastructure and environmental projects. The fact that global loans have multiple objectives must not divert attention from their contribution to regional development. For 2001, it may be estimated that global loan allocations in the Union's less favoured regions amounted to some 5.3 billion, of which half went to Objective 1 regions.

Integration of the Accession Countries

With a view to tackling regional disparities as of now, the EIB is extending support for assisted areas to the Accession Countries. In 2001, individual loans in the region totalled 2.1 billion. Poland absorbed 48%, Hungary 16%, the Czech Republic 13% and Slovenia 9%.

The main beneficiary sectors were transport (51%), telecommunications (20%) and environmental infrastructure (25%). The first loans were granted for health and education (75 million).

In addition, global loans worth some 600 million will help finance SMEs and small-scale local infrastructure.

Contribution of venture capital operations

The **EIF**'s venture capital activity focuses on the need to promote a balanced venture capital market within the Union. In the EU's southern states (Greece, Portugal and Spain), as well as in the Accession Countries, the EIF has played a major role in developing this market. The EIF is additionally acting as a catalyst in the southern part of the Union by attracting other investors. Furthermore, some of the guarantees provided by the EIF from its own resources have benefited regional funds in Objective 1 areas in the United Kingdom and the new German Länder.

Regional development
Breakdown of individual loans by sector (2001)

(EUR million)

	Total	
	amount	%
Energy	2 770	19
Communications	6 194	43
Water management and sundry	134	1
Urban development	445	3
Industry, agriculture	2 365	16
Health, education	1 957	13
Other services	677	5
Total individual loans	**14 542**	**100**



Measuring the performance of projects meeting the regional development objective

In order to evaluate the way in which it carries out the tasks assigned to it, the EIB has formulated a range of performance indicators for the projects which it finances vis-à-vis its objectives, especially that of contributing to regional development. This process has been based on the “three pillars” of the Bank's value added:

- **Intrinsic quality of the project:** the project's validity from the economic, financial, technical and environmental points of view.
- **Contribution to fulfilment of the Bank's remits:** the project's conformity with the thrust of Community structural operations or national development plans; synergy with Community grant aid.
- **Financial value added** obtained by the use of EIB funds: subsidiarity, catalytic effect, financial engineering.

Since measuring the performance of projects is an ongoing process, from preparation to implementation and operation, the proposed methodology is applied throughout the project life cycle.

An initial exercise was launched to take stock of operations promoting regional development in 2000. Individual loans for that purpose totalled 13.7 billion, with over half targeting Objective 1 regions. Overall support for infrastructure accounted for more than three quarters of these loans, transport alone attracting nearly a third.

- **Quality:** half the operations showed an economic rate of return of more than 10% and three quarters of the basic infrastructure essential for development displayed rates of over 6%, in line with the norm for this type of project.
- **Contribution to remits:** there was a close correlation between the investment choices made by the Bank in these regions and the attainment of objectives defined at EU level: three quarters of lending for Community communications networks, 63% of loans contributing to environmental protection and 87% of operations in the human capital field focused on the less favoured regions. Lastly, virtually all loans approved under the Innovation 2000 Initiative were directed towards the Union's less developed areas. A quarter of operations were cofinanced with Community budgetary funds: loans totalling 4.5 billion (30% of the amount) were combined with some 2.3 billion of structural aid.
- **Value added:** The main reasons given by promoters for seeking EIB assistance are the terms it offers on maturities and rates. These advantages have enabled customers either to limit their overall debt burden or, by reducing the cost of their funding, to lower the tariffs applied to users or local authorities. Compliance with the principle of subsidiarity is illustrated by the fact that, for half of operations, the EIB's contribution represents less than 50% of external bank financing. This proportion is exceeded for public infrastructure projects or schemes located in Objective 1 areas, where the involvement of the commercial banking sector is obviously not so great.

The analyses carried out on operations in 2000 are still incomplete and the methodologies will be refined. They nevertheless cast a positive light on the way in which the Bank is performing its tasks.

The “Innovation 2000 Initiative”

The Innovation 2000 Initiative (i2i) was launched by the EIB Group in the wake of the conclusions of the Lisbon European Council (March 2000) with a view to fostering the development of an innovation and knowledge-based European economy. In 2001, there was a significant upsurge in i2i activity, with the volume of operations approved in all the Member States and seven Accession Countries rising to over 10.3 billion (EIB: 9.1 billion + EIF: 1.2 billion). At end-2001, aggregate loans signed came to 7.2 billion (of which more than 5 billion in 2001), while the volume of EIF equity participations stood at more than 2 billion (including 800 million in respect of 2001 alone). The EIB Group has thus made significant progress towards the goal set for it by the Lisbon European Council in March 2000, namely investing between 12 and 15 billion under i2i by end-2003.

“i2i” centres on five objectives paving the way for technological modernisation and the tailoring of human capital to the European economy of tomorrow.

R&D

In 2001, the **EIB** lent 1.7 billion to finance 12 R&D projects in ten EU countries plus Hungary, in the fields of chemicals/pharmaceuticals, metallurgy, electronic components and telecommunications. These included, in particular, two pan-European schemes involving research into the introduction and shared management of third-generation telecommunications networks.

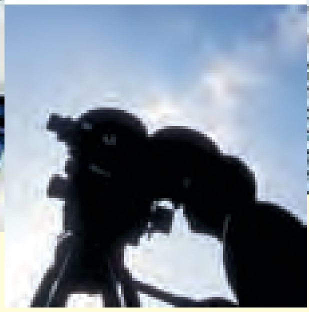
Several of the funds supported by the **EIF** also help to finance research. These include “Heidelberg Innovation” in Germany, “BIOAM” in France and “SYMBION” in Denmark.

Development of SMEs and entrepreneurship

Last year, over 800 million was committed by the EIF in respect of 57 venture capital funds, serving as a catalyst for overall investment of around 3 billion, in all EU Member Countries as well as five Accession Countries. This figure of more than 800 million represented some 25% of the European start-up capital market. Also of particular significance were equity participations in 11 pan-European venture capital funds, furthering the emergence of operators comparable in size to those in the United States.

Information and communications technologies (ICT)

In 2001, ICT networks, key vehicles for the diffusion of innovation and the exchange of data between enterprises, attracted 1.8 billion in EIB loans in Spain, Portugal, Italy, the United Kingdom, Sweden, Finland and the Accession Countries. A particular example was financing of the pan-European “Telia” project focusing on extension of the broadband network from Scandinavia, Germany and Austria to the Accession Countries in Central Europe (Baltic States, Poland, Czech Republic, Slovakia and Hungary).



Human capital formation

1.4 billion was made available by the EIB in 2001 to finance 11 education projects involving the modernisation and computerisation of schools, colleges and universities in eastern Germany, Austria, Denmark, Greece and the United Kingdom as well as Poland.

All projects were located in assisted areas, promoting improved access for the population concerned to state-of-the-art educational facilities.

A further 700 million was channeled into the health sector.

"Audiovisual i2i"

Audiovisual i2i, launched by the EIB Group in December 2000, is designed to underpin European audiovisual productions and the industry's adjustment to communications technologies.

In 2001, the **EIB** advanced 147 million for a new television centre (production, digitalisation and broadcasting) in Denmark as well as for two financial intermediaries specialising in funding film production on a pan-European basis from France. These loans brought EIB operations signed in the audiovisual sector to 219 million.

For its part, the **EIF** committed some 89 million to seven venture capital funds in Germany, Finland, Italy, Spain and Denmark specialising chiefly in bolstering the equity base of audiovisual SMEs, particularly those operating in the production sector.

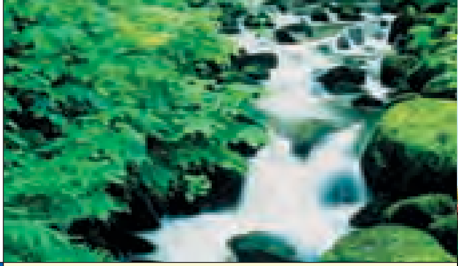
Cooperating to boost R&D

The European Investment Bank, represented by its President **Philippe Maystadt** and the European Commission, represented by Research Commissioner **Philippe Busquin**, signed an agreement in June 2001 stepping up their cooperation in order to boost investment in research and technological innovation in Europe by offering complementary forms of financial support.

The main objective of this initiative is to maximise the impact of, on the one hand, EU financing and, on the other, EIB loans and EIF venture capital directly related to infrastructure, research activities and innovative enterprises. This goal will be achieved through more effective coordination of the two institutions' respective financing facilities and the establishment of synergies between the Union's research framework programme and the EIB's "Innovation 2000 Initiative".

Cooperative action between the European Commission and the EIB Group will be initiated in three specific areas:

- nurturing research and technological development projects and exploiting their results;
- underpinning research infrastructure and the creation of "centres of excellence" bringing together universities, companies and R&D laboratories;
- venture capital financing of high-tech companies and incubators.



Safeguarding the environment and improving the quality of life

Safeguarding the environment and improving the quality of life as well as supporting the European Union's climate change policy rank among the EIB's operational priorities. Formal expression was given to the Bank's action in this field for the first time by the Declaration on environmental protection adopted by the Board of Governors in 1984. As well as financing projects specifically targeting the environment, the EIB also takes account of environmental considerations in all projects that it appraises.

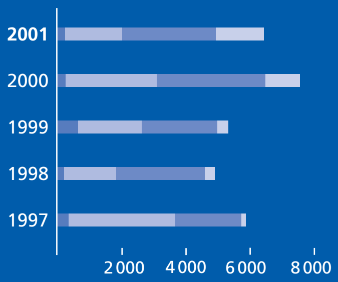
The Bank supports the Union's climate change policy, notably via its loans in favour of projects fostering rational use of energy - for example, combined heat and power generation, industrial efficiency, public transport - or recourse to renewable energy sources.

The Bank has set itself the target of providing between a quarter and one third of individual loans within the European Union for projects safeguarding and improving the environment, with a similar percentage to be applied in the Accession Countries.

Within the European Union, 29% of **EIB** individual loans, or 5.9 billion, centred on the environment.

- The urban environment, with 3.4 billion, accounted for the majority of operations: urban public transport networks in numerous cities; urban renovation with social housing projects in Finland, Sweden and the United Kingdom, as well as heritage-related measures and a variety of schemes in Venice.
- In addition, financing was made available for projects involving drinking water supplies, wastewater treatment and disposal, solid and hazardous waste processing and air quality improvement as well as energy saving and energy substitution.
- Furthermore, an estimated 2 billion in global loan allocations benefited small-scale local infrastructure, which often has a critical impact on the quality of the environment in the regions.
- Under the "Growth and Environment" Programme, the **EIF** provided 86 million in guarantees to financial institutions from eight EU countries. Under this pilot scheme set up at the instigation of the European Parliament, the EIF partially covers SME environmental investment portfolios at its own risk. The Community budget allocation (25 million) allows for the cost of insurance premiums paid by SMEs. In all, the Programme has since its launch facilitated investment by over 4 750 small enterprises in this sphere.

Environment and quality of life
Individual loans: 29 billion
1997 - 2001



Natural environment
Environment and health
Urban environment
Reg. and world environment

Environment and quality of life
Individual loans (2001)

	(EUR million)
	Total
Natural environment	238
Environment and health	1 792
Urban environment	2 917
Regional and world environment	1 503
Total individual loans	**5 937***

* As certain projects meet several sub-objectives, the various headings cannot be added together

In the Accession Countries, loans for safeguarding the environment came to 484 million, representing some 20% of total individual loans.

Financing was provided for reconstruction work following the floods which hit Poland and Hungary as well as for water treatment and disposal schemes in Poland, Prague and a number of cities in Hungary and Slovenia.

EIB lending in these countries helps them to meet the European Union's environmental standards. Certain projects were cofinanced by the European Commission, thus qualifying for EU grants.

In the **Euro-Mediterranean Partnership Countries**, the bulk of the 580 million went to water schemes plus wastewater treatment and disposal projects in Morocco, Algeria, Turkey and Tunisia. EIB loans for the environment may be accompanied by a 3% interest subsidy financed from EU budgetary resources. In 2001, loans totalling 60 million attracted such subsidies.

New environmental structure at the EIB

Following a period of review and consultation, the EIB introduced a number of new arrangements aimed at strengthening the environmental aspects of project appraisal in its lending activity. The institutional measures taken by the EIB reflect the priority accorded to environmental objectives as well as the variety and complexity of issues raised out of concern to protect and improve the environment.

Based on the experience of comparable financial institutions and its own expertise, which have guaranteed the Bank's good environmental record in the past, the EIB's Management Committee endorsed three major developments:

- establishment of a high-level, cross-Directorate environmental steering committee (ENVSC) to provide guidance to the Bank's decision-making bodies on new key policy issues in this area as they arise;
- strengthening of the environmental assessment capability of the Bank's Projects Directorate by continuously developing methodologies and enhancing expertise through the creation of a specialised environmental assessment group (ENVAG);
- creation of an environmental unit (ENVU), also within the Projects Directorate, as a focal point for the development and dissemination of the Bank's environmental policies and procedures and responsible for nurturing existing and new external relations on the environment.

These new arrangements will bolster the EIB's support for promoting the Union's environmental policy and sustainable development, ensure that all activities funded by the Bank incorporate the optimum environmental benefit-cost ratio and provide the basis for the Bank's value added on environmental matters.

Preparing the Accession Countries for EU membership

Since 1990, EIB lending in the Accession Countries has totalled 16.8 billion, of which 16.2 billion in Central European countries and 567 million in Cyprus and Malta [(1)]. Between 1996 and 2000, annual lending averaged 2.1 billion. In 2001, the Bank continued to devote a substantial volume of resources to projects enabling the Accession Countries to comply with current EU standards and policies, lending 2.7 billion in the twelve Accession Countries.

The Bank operates in the region under:

- the lending mandate, linked to specific security arrangements connected with the Community budget, which authorises it to grant loans of 8.68 billion during the period 2001 - 2006 ;
- the three-year Pre-Accession Facility of 8.5 billion (2000 - 2003), set up at the Bank's own initiative and risk. This is not covered by the Community guarantee.

Loans made in Accession Countries are subject to the Bank's customary credit risk policy.

Accession Countries
1997 - 2001: 12 billion

Improving the environment

Joining the European Union means that the Accession Countries will have to comply with the Union's environmental standards.

To assist them in this, the Bank granted loans worth 484 million in 2001 for municipal waste processing and wastewater treatment in Hungary, and for distribution and sewage disposal networks in Poland (Szczecin and Lodz), the Czech Republic (Prague) and Slovenia.

In Hungary and Poland, flood prevention and post-flood repair projects were financed in order to provide increased protection.

Health and education

Initial loans totalling 75 million were advanced for upgrading health and education infrastructure in Lodz, Poland, and equipping a new hospital in Nicosia, Cyprus.

Effective support for SMEs

EIB loans granted to the industrial sector took the form of credit lines made available to partner banks which on-lent the funds to SMEs. Small and medium-sized enterprises are major contributors to the development of a dynamic and job-creating private sector in the Accession Countries.

Accession Countries
Loans provided in 2001

	(EUR million)
Poland	1 144
Hungary	483
Czech Republic	390
Slovenia	223
Bulgaria	130
Slovak Republic	79
Lithuania	55
Romania	40
Estonia	35
Latvia	5
Central Europe	*2 584*
Cyprus	50
Malta	25
Mediterranean	*75*
Accession Countries *	**2 659**

* of which Pre-Accession Facility: 2 285 million

(1) In 2001, Turkey was included in the list of countries eligible for finance under the Bank's Pre-Accession Facility. However, loans signed during the financial year (370 million) were made under the Euro-Mediterranean partnership and the TERRA facility. Thus, for the sake of consistency of presentation, operations in Turkey are covered in the section on the Partner Countries.

In addition, the **EIF** acquired stakes worth 65 million in five multi-country venture capital funds encompassing all the Central and Eastern European Accession Countries: the Baltic Investment Fund, the Baltic SME Fund, the Baring Central Europe Fund, the Raiffeisen Central and Eastern Europe Equity Fund and the Innova/3 L.P. The EIF is now playing an increasing role in the emergence of development capital companies in the region.

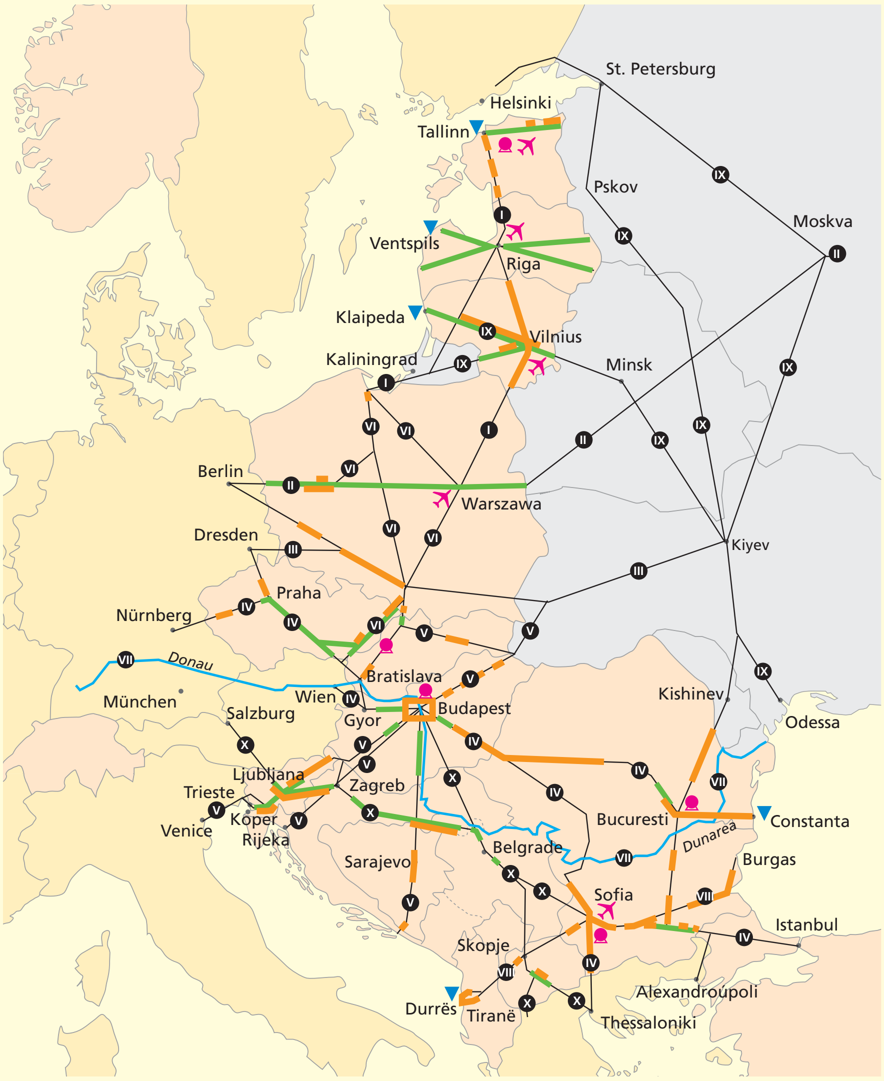
Continued support for transport and telecommunications networks

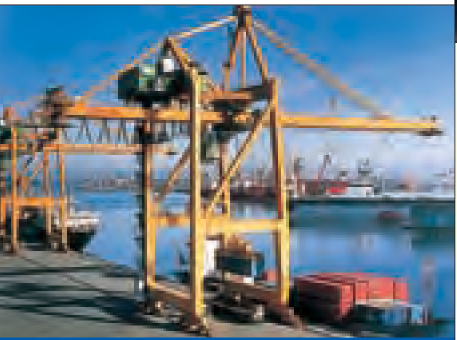
To respond to the Accession Countries' substantial **transport** needs, the EIB devoted 40% of its loans to this sector in 2001, financing the capacity enhancement and rehabilitation of rail networks, upgrading of sections of regional roads, construction of motorways and a bridge over the Danube.

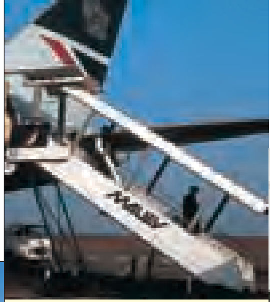
Modern **telecommunications** facilities are a prerequisite for doing business and effective communications links are essential for attracting new foreign investment. Loans totalling 423 million were granted in seven countries for improving fixed and mobile networks.

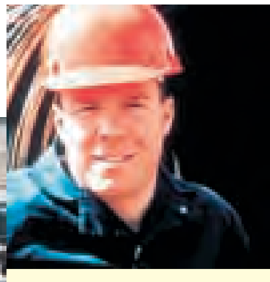
EIB loans signed for priority transport corridors in the Central and Eastern European Accession Countries

- Priority corridors
- Rail
- Road
- Port
- Air traffic management
- Airport









Future lending policy in the Accession Countries

Over the next few years, EIB activity in the Accession Countries will continue to intensify and diversify, paving the way for successful enlargement of the Union and underlining the Bank's commitment to furthering EU policies. As emphasised in the Corporate Operational Plan, lending in the Accession Countries serves to foster regional development in the run-up to enlargement. In fact, if financing operations in 2001 in the Accession Countries and the less favoured regions of the Union are taken together, individual EIB loans in favour of economic and social cohesion accounted for 73% of the total. Such operations are mounted in close cooperation with the Commission.

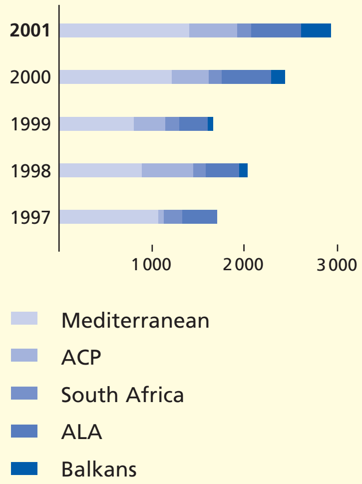
- In the field of **transport**, the emphasis will be on the balanced distribution of financial resources between rail and road as well as on improving air transport, both passenger and freight.
- The **environment** will continue to require increasing levels of investment as countries come into line with the standards laid down by the Union's environmental directives. Particular attention will be paid to wastewater treatment and solid waste processing, local public transport, the urban environment and the replacement and modernisation of industrial facilities.
- In order to foster entrepreneurship and support the strategic **SME** sector, cooperation with banks will be strengthened by means of EIB global loans. The EIF has also commenced activity in the venture capital arena and is set to step up its operations.
- Support will be given to a wide range of **industrial** undertakings, preparing the ground for corporate restructuring and the establishment of foreign investors. This will stimulate employment creation and increase the value added of existing jobs in the region.
- In the **energy** sector, the focus will be on upgrading distribution networks and replacing obsolete facilities, as well as on rationalising energy use and ensuring security of supply.
- **Health** and **education** will be areas of special attention, since skills and facilities in the region are scarcely able to meet the needs of a modern economy.
- The Bank will reaffirm its backing for **telecommunications** networks utilising information and communications technologies, so fostering the creation of a knowledge-based economy.

Operations in these various sectors will be underpinned by the Innovation 2000 Initiative, which was extended to the Accession Countries at the request of the Stockholm European Council (March 2001).

Cooperating with Partner Countries

The Bank underpins Community development aid policies and participates actively in the Union's cooperation policies in favour of some 150 non-member countries. It operates within the scope of lending mandates [1] entrusted to it by the Union with the benefit of an external guarantee as well as the additional Euro-Mediterranean Partnership financing facility launched by the EIB following the Nice European Council (December 2000), which provides for a lending package of up to 1 billion between now and January 2007 in support of major trans-regional transport, energy and environmental projects.

Partner Countries
1997 - 2001: 11 billion



Euro-Mediterranean Partnership

In 2001, the EIB promoted the objectives of the Euro-Mediterranean Partnership with a view to establishing an area of stability and economic prosperity through an unprecedented volume of loans amounting to **1.4 billion.**

Particular emphasis was placed on infrastructure - water management, transport and urban development, energy - totalling 1.1 billion. The balance assisted the development of private sector SMEs via global loans.

One loan was earmarked for the reconstruction of industrial installations in earthquake-stricken regions of Turkey under the TERRA facility.

By virtue of the volume of lending in 2001 coupled with the diversity of sectors financed and resources deployed, the EIB, the leading source of bank finance for sustainable development in the region, confirmed its role as a major player in the economic development of the Mediterranean Partner Countries.

The EIB is an active party, alongside the Commission, in ongoing deliberations under the auspices of the Spanish Presidency, aimed at revitalising the Euro-Mediterranean Partnership launched in Barcelona in 1995.

Mediterranean Countries
Loans provided in 2001

(EUR million)

	Total	of which risk capital
Turkey	370	
Tunisia	225	
Algeria	225	
Egypt	180	
Morocco	280	
Syria	115	
Regional	6	6
Mediterranean	**1 401**	**6**

(1) See table G "Conventions, Financial Protocols and Decisions in force or under negotiation at 28 January 2002" in the Statistical Report on the CD-Rom included in this brochure. These data are also available on the EIB's website: www.eib.org

Balkans
Loans provided in 2001

	(EUR million)
	Total
Croatia	146
Federal Republic of Yugoslavia	66
Albania	47
Bosnia-Herzegovina	40
FYROM	20
Balkans	**319**

ACP-OCT
Loans provided in 2001

(EUR million)

	Total	of which risk capital
Africa	436	278
Central and Equatorial	*144*	*56*
Southern & Indian Ocean	*139*	*69*
East	*85*	*85*
West	*66*	*66*
Regional Africa	*2*	*2*
Caribbean	73	43
All ACP States	8	8
OCT	3	3
ACP-OCT	**520**	**332**

Balkans

The EIB, after primarily underpinning the transport sector since it began to provide finance in the Balkans under the Stability Pact, broadened its lending in the region in 2001 in order to bolster its support for the private sector. This development can be ascribed to the onset of stabilisation and economic development in the region. However, the EIB will continue to finance infrastructure since it is called upon to play a key role in implementing the second package of urgent reconstruction measures representing total investment of 2.4 billion.

In 2001, the EIB substantially increased its financing to **319 million**: 79% for basic infrastructure, including energy and 21% for the private sector through global loans in Croatia and FYROM.

The Bank granted its maiden loan to the Federal Republic of Yugoslavia.

African, Caribbean and Pacific States and OCT

The EIB contributes towards financing the development of the ACP States and the OCT as part of the European Union's development policies. The new Cotonou Agreement will, once in force, provide for the largest financing package to date - 1.7 billion from the Bank's own resources and 2.2 billion over the coming 5 years under the new investment facility, management of which is entrusted to the EIB by the agreement. The Bank is actively preparing to set up this new facility, which will draw on a variety of risk sharing instruments.

In 2001, the Bank mounted operations in 21 countries, while assisting implementation of five regional projects. Lending totalled **520 million**, of which 332 million in risk capital.

Significant projects included the oil pipeline between Chad and Cameroon, part of a broader integrated scheme focusing on harnessing the region's oil resources and having a vital impact on the GDP of the regions concerned.

South Africa

150 million in loans targeted the financing of small-scale infrastructure and SMEs as well as the N4 toll road, an essential link for the network serving the surrounding areas of Pretoria.

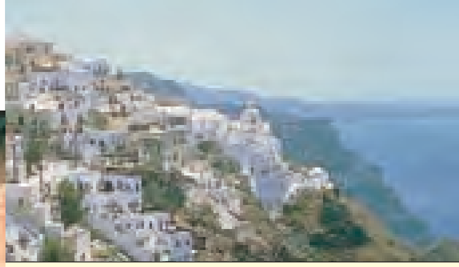
Asia and Latin America

In 2001, loans worth **543 million** in total benefited Asia (EUR 178 million) and Latin America (365 million).

The foremost priority continued to be strengthening the international presence of European companies and banks by supporting their subsidiaries and joint ventures. Over 90% of lending was geared to this objective.

Asia and Latin America
Loans provided in 2001

	(EUR million)
Latin America	***365***
Brazil	171
Argentina	124
Panama	54
Mexico	16
Asia	***178***
Philippines	93
China	56
Indonesia	28
Asia & Latin America	**543**



EIB Forum: Cooperation across the Mediterranean

The seventh EIB Forum (1), held in Sorrento on 25 and 26 October 2001, brought together some 400 specialists from government and political circles as well as from the administrative, industrial and banking sectors in the Union and the Mediterranean Partner Countries. They reviewed the results of the Barcelona Process and explored the factors behind the success or failure of economic development in the region.

In his opening speech, **Mr Philippe Maystadt**, EIB President, called for further strengthening of Euro-Mediterranean cooperation to guarantee the region's stability and development. He also underlined that economic development in the last few years had been very uneven from one country to another in the Mediterranean region.

In winding up the debate, **Mr Francis Mayer**, Vice-President in charge of EIB financing in the Mediterranean Partner Countries, summarised the proceedings of the Forum as follows: “Mediterranean countries wishing to benefit from the enhanced opportunities offered by a free trade area with the EU, scheduled to be in place by 2010, will need to redouble their efforts to modernise their economies and introduce the structural reforms required to generate growth and attract foreign investment. The European Union stands ready to underpin this process. Such efforts will give fresh impetus to the Barcelona Process and will also enable the region to gain from further enlargement of the Union. Sustainable development in the region can be achieved only through ever-closer partnership between all countries and economic players. Developing greater ‘South-South cooperation’ in the region is essential”.

The Mediterranean Partner Countries were strongly represented among the Forum's speakers. These notably included Messrs Dervis, Minister of Economic Affairs (Turkey), El-Dersh, Minister of Planning and International Cooperation (Egypt), Merdassi, Minister of International Cooperation and Foreign Investment (Tunisia), Oualalou, Minister for Finance, the Economy, Privatisation and Tourism (Morocco), Lahlimi, Minister for the Social Economy, SMEs and the Craft Industry, responsible for the Government's General Affairs (Morocco), Benjelloun, Secretary General, Banque marocaine du commerce extérieur (Morocco), Canevi, Chairman of Turk Ekonomi Bankasi (Turkey), and Abdelkefi, President of the Tuninvest Finance Group (Tunisia).

Guest speaker at the 2001 EIB Forum was Mr Predrag Matvejević, writer and Professor at La Sapienza University in Rome. His publications include “Mediterranean - a cultural landscape”, focusing on the countries on the Mediterranean seaboard.

(1) For further information on the proceedings of the EIB Forum, see EIB Information N° 109 and www.eib.org

Mr Solbes Mira, European Commissioner

Mr Laurent Fabius, Minister of Economy and Finance

Lord Rothschild, Chairman of Rothschild Capital Ltd

Mr Miquel Nadal Segalá, Secretary of State for Foreign Affairs

Mr Henri Proglio, Chairman of Management Board, Vivendi Environnement

Mr Vito Tanzi, Under-Secretary of State, Ministry of Finance



EIB Group support for SMEs

SMEs account for more than 98% of all private enterprises in Europe and contribute substantially to generating employment. The number of jobs created by SMEs over the past ten years has offset the jobs lost as a result of rationalisation in large-scale industrial undertakings. Despite this, they still lack adequate financing, in terms of both volume and duration.

The EIB Group is able to provide both traditional medium and long-term debt financing via standard global loans and equity by means of venture capital funding. The financing needs of SMEs can be addressed through three different instruments:

- EIB global loans;
- EIF SME portfolio guarantees;
- EIF venture capital operations.

Together, these instruments are benefiting some 100 000 SMEs in the European Union and the Accession Countries.

EIB global loans

Financing SMEs is a local business. Accordingly, the Bank channels its support for small-scale investment projects through a decentralised network of financial partners.

In 2001, the **EIB** made available global loans totalling 10.5 billion in EU countries, almost half of which in favour of SME investment. Thus, 5.2 billion will be pumped into some 24 000 enterprises.

The average amount allocated was around EUR 215 000, particularly well suited to requirements. Two thirds of firms attracting these loans have fewer than 100 employees.

In order to extend its field of operations even further, the EIB is diversifying and refining the range of its banking partners, giving particular priority to SME financing by partner banks with strong representation in assisted areas.

Venture capital

In January 2001, the EIB transferred its equity participation business to the EIF, thereby turning it into the European Union's specialist financial institution for venture capital and SME guarantees.

In 2001, the **EIF** concluded 57 operations worth 800 million in the 15 Member States and 5 Accession Countries, so becoming a major player on the European venture capital market, particularly in its specialist segment of start-up capital.

The bulk of the EIF's resources are provided by the EIB under the Innovation 2000 Initiative. Additional sums are made available




by the Commission under the Multiannual Programme for Enterprise (MAP) (2001/2005) for financing seed capital and incubators. There is marked synergy between the mandates of the Commission and the EIB, which focus on successive stages of the venture capital cycle (seed then start-up).

The EIF's investment strategy revolves around 3 key areas:

- support for European high technology;
- the development of funds active on Europe's southern flank (Spain, southern Italy, Portugal and Greece) and in the Accession Countries, where the market is less advanced;
- the expansion of funds operating on a pan-European basis, thus providing them with critical mass comparable to the large US funds.

As at 1 January 2002, the EIF managed a portfolio of 153 funds corresponding to 2 billion.

SME guarantees

The other pillar of the EIF's activity is guaranteeing portfolios of bank loans to SMEs. This involves credit enhancement, reinsurance and counter-guarantee operations and is based on a network of 86 financial intermediaries. In 2001, the EIF concluded 39 new SME portfolio guarantee operations, involving a total of 958 million.

The majority of these operations (64% of the portfolio) were concluded under the SME Facility, financed from Community budgetary resources. Under the Multiannual Programme for Enterprise 2001/2005, this Facility has just been extended to guaranteeing micro-credit operations, equity participations and investment by smaller businesses in the information technology field.

The EIF also manages the "Growth and Environment" programme (20% of the portfolio), which guarantees SME investment in the environmental protection and eco-business spheres.

Lastly, the volume of guarantee operations mounted by the EIF from its own resources has grown substantially. These operations have a particularly strong leverage effect and constitute an advantageous means of optimising resources.

The EIF's total guarantee commitments amount to more than 3.3 billion.




Financing Trans-European Networks

To date, eleven of the fourteen priority transport projects and seven of the ten priority energy schemes have been the focus of EIB commitments worth 17 billion.

Efficient communications and energy transfer networks are vital for both the economic integration of the European Union and preparations for its enlargement. Since 1993, following the deliberations of the Christophersen Group and identification by the Essen European Council (December 1994) of priority trans-European networks, the EIB has steadily bolstered its support for TENs.

The EIB represents the **leading source of bank finance** for these major networks. It is able not only to mobilise, on the finest terms, the substantial amounts required for their implementation, but also to offer maturities and other conditions tailored to the scale of the projects, while serving as a catalyst for other sources of funding. This is illustrated, *inter alia*, by the growing number of **Public-Private Partnerships** underpinned by the EIB and combining the advantages specific to each of the two sectors in building this infrastructure. After financing numerous projects within the EU, it extended this type of partnership in 2001 to the Accession Countries.

In 2000, the EIB introduced a **Structured Finance Facility** (SFF) making it possible to offer a varied range of financial products with the goal of providing value added for priority projects by complementing commercial banks and the capital markets. These operations will be mounted principally in EU countries, although the Accession Countries will also benefit.

6.1 billion within the EU

2001 witnessed a sustained level of EIB lending in support of TENs within the **EU**: 5.1 billion for transport networks and 1 billion for telecommunications.

In the **transport** sector, financing centred on:

- construction of *high-speed rail lines* in France, Italy and the Netherlands;
- upgrading of *road and motorway networks* in eight countries;
- improving *airport infrastructure* in Germany, Spain, United Kingdom, Ireland and Portugal;
- extending and modernising *port infrastructure*.

1 billion for the Accession Countries

In the **Accession Countries**, with their substantial need for infrastructure development and rehabilitation, projects in the fields of transport and telecommunications TENs attracted **1 billion**: rail transport together with roads and motorways on priority corridors, telecommunications and mobile telephony networks.

The EIB's contribution towards revitalising the rail sector

As announced in its new white paper on the transport sector, adopted on 12 September 2001, the European Commission proposed a new package of measures in January 2002 aimed at revitalising the rail sector. The EIB has consistently placed great stock in financing rail transport. Over the last five years, loans totalling 12.3 billion have been made available for railways (12.6 billion for motorways). More specifically, the EIB has provided finance in excess of 7 billion for the high-speed rail networks in France, Belgium, Spain, Italy and the United Kingdom.

In 2001, two particularly significant projects, featuring among the 14 priority projects, received EIB backing: the TGV Est-Europe in France and the HSL Zuid in the Netherlands.

The **TGV Est-Europe**, connecting France with Luxembourg and Germany, forms an important link in the future European high-speed rail network. The 405 km line will cut the journey time between Paris and Metz to 1h30, between Paris and Strasbourg to 2h20 and between Paris and Frankfurt to 3h45. It will enhance the appeal of long-distance passenger rail travel through appreciable improvements in travel times and comfort for a large part of France, certain areas of Germany and Luxembourg. Preliminary work began in early 2001 with a view to commissioning in 2006.

In 2001, 510 million was granted to Réseau Ferré de France and the Champagne-Ardenne, Alsace and Lorraine regions.

The **HSL Zuid** in the Netherlands constitutes the final phase of the major PKBAL (Paris-Cologne-Brussels-Amsterdam-London) high-speed rail network. This project involves the construction of a high-speed train link connecting Amsterdam in the Netherlands to the Dutch/Belgian border, via Rotterdam.

The 80-km HSL Zuid line, scheduled to open in 2006, will provide passengers with a faster and more reliable service. The journey time between Amsterdam and Paris will be reduced to around 3 hours while Amsterdam-London will take only 3h40. Thus, using rail transport on one of Europe's major routes will become more attractive.

The HSL Zuid is a landmark project in the Netherlands, not only because it will ensure a better service for travellers, but also because it will be the first Public-Private Partnership in that country to be project-financed. The EIB has played an active role, in cooperation with a group of international banks, in putting together the 1.2 billion package required to finance this rail infrastructure concession. In 2001, it advanced a loan of 400 million.

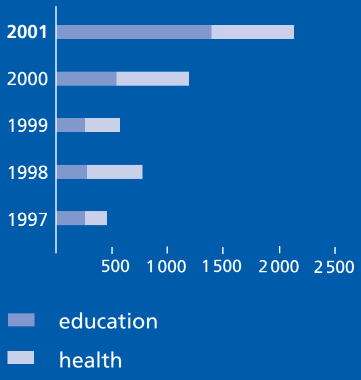
Promoting human capital

Investing in human capital - health and education - is an essential component of economic and social development.

The conclusions of the Lisbon European Council (March 2000) put it this way: “People are Europe's main asset and should be the focal point of the Union's policies”.

In a bid to help the Accession Countries improve their health and education systems, the EIB has extended funding for these sectors to those twelve states. Initial loans were signed in 2001 for projects in Nicosia (Cyprus) and Lodz (Poland).

Human capital
Individual loans 1997 - 2001:
5 billion



In 2001, the volume of financing in the health and education sectors rose sharply - from 1.2 billion in 2000 to 2.1 billion.

1.4 billion for education

Loans were advanced in this sector to underpin a wide range of infrastructure projects, including:

- modernisation of higher education facilities in eastern Germany and primary schools in Greece;
- renovation of schools and supply of ICT (information and communications technology) tools in England and Scotland under public-private partnerships;
- creation of computer research laboratories and data exchange networks in Greece;
- provision of state-of-the-art educational infrastructure, including libraries, laboratories etc., in Austria, Denmark and Finland.

700 million for healthcare

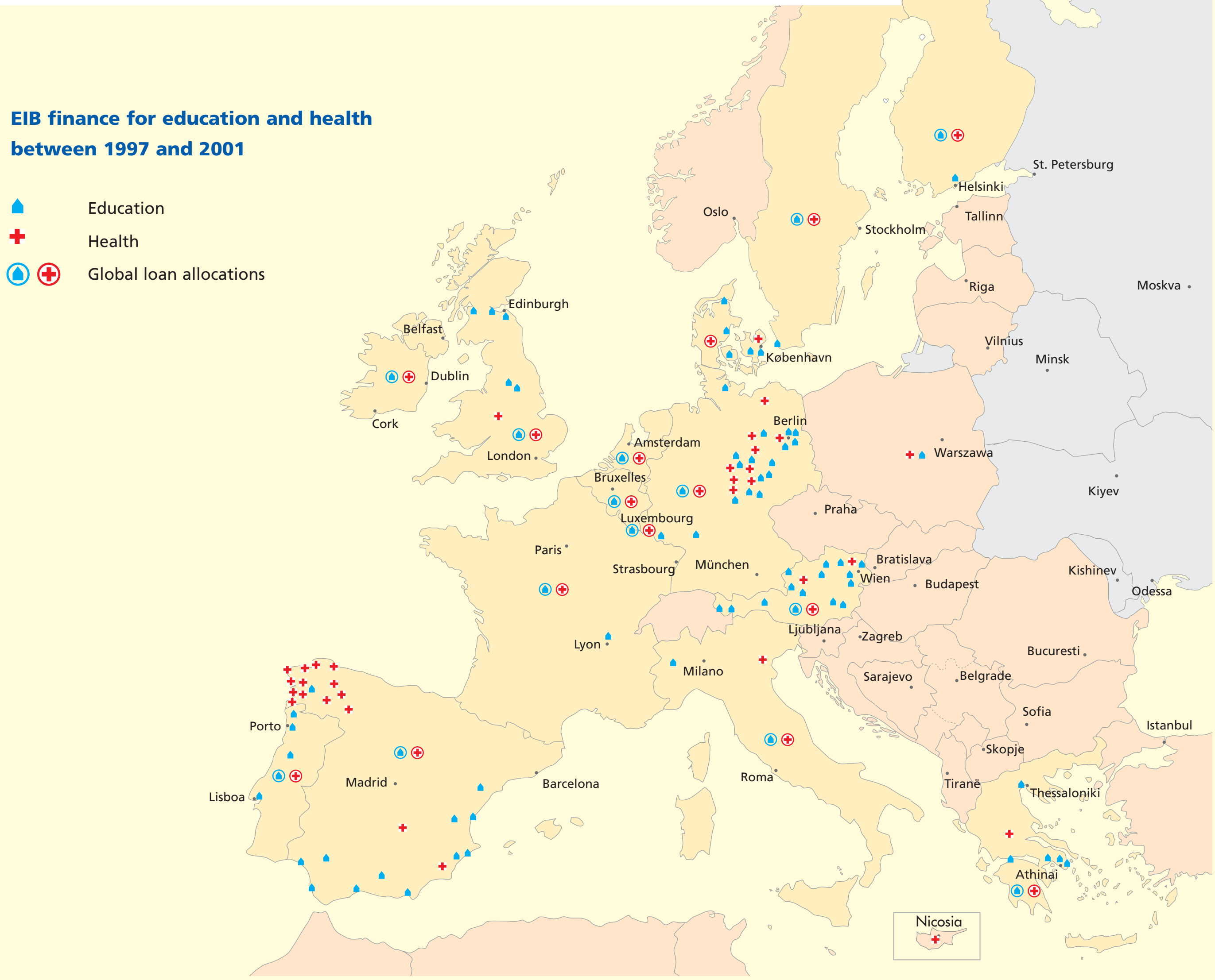
Projects in the health sector included:

- upgrading of hospital facilities in Cyprus and Poland (the Bank's first loans in this field outside the Union);
- large-scale hospital schemes in Upper and Lower Austria;
- restructuring of a hospital and its IT equipment in the United Kingdom under a Public-Private Partnership;
- construction of a new hospital in an assisted area in Spain and modernisation of healthcare infrastructure in eastern Germany.

8 billion invested in human capital since 1997

Since 1997, the Bank has granted loans totalling more than 5 billion to support investment in the health and education sectors. In addition, some 3 billion has been made available for smaller-scale infrastructure in these sectors via global loans.

Almost 90% of projects are located in assisted areas. Many have focused on providing schools, universities and hospitals with the most advanced information and communications technologies.



A top-flight financial intermediary

Activity on the capital markets

Optimisation of the funding cost on a sustainable basis and enhancement of secondary market liquidity constitute the pillars of the Bank's funding strategy. This strategy is designed to maintain the EIB's position as a leading AAA-rated non-sovereign benchmark borrower, enabling it to grant loans on the best possible terms and thus continue to serve the policies of the European Union. This has been implemented through a combination of strategic and market-driven approaches.

A key feature has been the issuance of large liquid benchmark bonds in EUR, USD and GBP. This funding strategy is aimed at broadening the EIB's investor base and strengthening market penetration while offering investors highly liquid and electronically traded products. Particular emphasis has been attached to transparency through the use of book-buildings and the pot syndication methodology.

Moreover, recourse has been had in issuance activity to customised products targeted at specific investor needs in all available currencies. The requirements of retail and institutional investors for specific investment instruments were catered for by the launch of tailor-made and innovative issues which often included elements such as calls, caps and floors as well as the linking of coupons and redemption amounts to movements in share indices and currencies. In the context of the EIB's risk management policy, the Bank remained vigilant by rigorously analysing and hedging against the various types of risk embedded in these issues.

The EIB pursued its efforts to borrow in the currencies of the Accession Countries, both on domestic markets and the Euromarket. By virtue of its top credit rating, the Bank continues to be able to issue longer-term bonds denominated in such currencies, thereby contributing to the development of deeper capital markets. Funds raised in such currencies are on-lent to project promoters in the region concerned and, by eliminating foreign exchange risks, provide a strong incentive for investment, ultimately fostering integration. The EIB's role as an important international issuer is also reflected in its currency diversification. This is demonstrated by the EIB's strong presence notably in Japan, the Asian/Pacific region and the South African market.

A comprehensive and effective marketing programme has addressed both the institutional and retail investor communities. This has been carried out via numerous investor roadshows in the world's financial centres with a view to enhancing the EIB's distribution channels and further familiarising investors with its product range.

Total borrowings signed, before swaps, amounted to 32 305 million, representing an increase of 11% compared to the previous year (29 002 million in 2000). The share of funds raised in EU currencies stood at 53% (72% in 2000). Aggregate borrowings were garnered in 13 different currencies (10 in 2000) and 148 transactions (149 in 2000).

Resources raised after swaps ran to 32 172 million in 11 currencies (29 038 million in 2000). The Bank's recourse to the swap markets, yielding 26 209 million in all remained very high (81% of resources raised as opposed to 83% in 2000 or 24 197 million). This was prompted by the need to adapt to lending requirements both in terms of currencies and interest rate format as well as by general hedging factors.

Floating-rate resources (25 818 million compared with 24 006 million in 2000) accounted for 80% of the total raised, whereas fixed-rate borrowings increased from 5 032 million in 2000 to 6 354 million. The average maturity profile of borrowings of 6.3 years was shorter compared to 2000 (12.5 years).

As part of its debt management, the Bank engaged in early redemption and repurchase operations worth 981 million (828 million in 2000).

Borrowing activity on the markets

The EIB is the largest supranational borrower and the only benchmark issuer offering liquid benchmark yield curves in all the core currencies: EUR, USD and GBP. In addition, the EIB provides investors with a broad range of structured and tailor-made bond issues denominated in a variety of currencies. As part of its general funding policy, the EIB also assumes a pro-active role in the development of Central European and Asian capital markets.

EUR: 10 398 million before swaps / 21 535 million after swaps

In euro benchmarks, four EARNs (Euro Area Reference Notes) for a total amount of EUR 10 billion were launched in 2001, adding to the EIB's long-standing policy of supporting Europe's own currency, while reinforcing the Bank's presence on the international markets.

During the first part of the year, the Bank continued its policy of increasing existing benchmark lines with a view to enhancing their liquidity and thus meeting the highest standards established in the euro area. Three re-openings were brought to the market: a EUR 3 billion EARN 2006; a EUR 1 billion EARN 2008; and a EUR 1 billion EARN 2005. Two of these benchmark lines attained the EUR 5 billion threshold required for admission to EuroMTS (the widely recognised electronic trading platform), thus benefiting from trading patterns observable for the most liquid European government bonds.

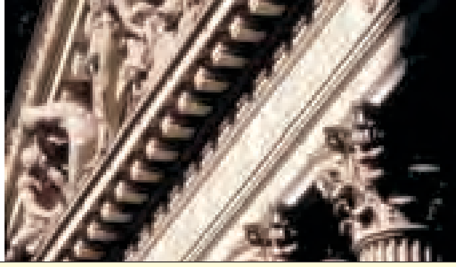
In the second part of the year, a new EARN benchmark issue was launched: a EUR 5 billion Global EARN 2007, the largest single bond issue ever launched by the Bank. The transaction was carefully prepared and launched with the full support of the international banking community. Pricing was based on a thorough book-building process which resulted in a funding cost below the EIB's comparable secondary market levels. This issue was awarded Euroweek's "Best supranational bond issue of the Year 2001", based on market reaction to its execution and pricing.

At the end of 2001, the EARNs curve comprised nine benchmarks covering maturities from 2003 to 2010, with an outstanding volume of almost EUR 40 billion (see table), all of which are traded on the MTS electronic trading network. Five of them are traded on EuroMTS, the most liquid seg-

Borrowings signed in 2001

(amounts in EUR million)

	Before EUR m	%	After EUR m	%
EUR	10 398	32.2	21 535	66.9
DKK	0	0.0	31	0.1
GBP	6 862	21.2	6 971	21.7
SEK	0	0.0	60	0.2
Total EU	**17 261**	**53.4**	**28 597**	**88.9**
AUD	117	0.4	0	0.0
CHF	204	0.6	204	0.6
CZK	16	0.0	23	0.1
HKD	413	1.3	0	0.0
HUF	79	0.2	0	0.0
JPY	379	1.2	541	1.7
NOK	50	0.2	0	0.0
PLN	209	0.6	142	0.4
SKK	0	0.0	111	0.3
TWD	313	1.0	0	0.0
USD	13 092	40.5	2 484	7.7
ZAR	171	0.5	69	0.2
Total non-EU	**15 044**	**46.6**	**3 575**	**11.1**
TOTAL	**32 305**	**100**	**32 172**	**100**



ment of the MTS system, with parallel price quotations.

In addition to its euro benchmark activity, the Bank continued to launch structured and tailor-made issues for a total amount of EUR 398 million to meet the specific preferences of both retail and institutional investors. In response to Japanese demand for structured issues, a maiden EUR-denominated bond issue was targeted at Japanese retail investors.

GBP: 4 279 million before swaps / 4 337 million after swaps

(in EUR: 6 862 million / 6 971 million)

The EIB's issuance strategy in 2001 sought to diversify its investor base and to continue to introduce measures to enhance liquidity and therefore the attractiveness of EIB bonds to investors. A total of GBP 4.3 billion was raised, accounting for 8.2% of total sterling non-Gilt fixed-income issuance in 2001. EIB bonds represent over 12% of the non-Gilt sterling fixed-income index and the Bank is the benchmark non-Gilt issuer.

The bulk of sterling issuance took the form of re-openings of existing benchmark lines. Whilst in the early part of the year increases were achieved in long-dated maturities (from 2021 to 2039), due to changes in the UK regulatory environment, issuance activity then shifted towards the up-to-ten year maturity range. A new 5.5% 2011 issue was launched and increased to GBP 950 million.

A repo market-making facility was established to improve liquidity in EIB benchmark issues. A real-time pricing page for the EIB's sterling issues was established on Reuters page "EIBGBP01" with quotations from the EIB's sterling dealer group.

The EIB also successfully launched a retail targeted issue, which was sold through the electronic dealing systems of its appointed sterling dealer group of banks.

Structured funding included the launch of a constant annuity RPI (Retail Price Index) issue with a 33-year maturity for on-lending on a back-to-back basis to the Dudley Hospital PPP. The first Limited Price Inflation (RPI max. 5%, min. 0%) issue for a AAA issuer was launched with a 30-year maturity.

USD: 11 705 million before swaps / 2 276 million after swaps

(in EUR: 13 092 million / 2 484 million)

USD 11.7 billion was raised, representing the EIB's largest ever annual USD issuance. Four Global bond issues were brought to the market with an increasing share of placement with US investors. The USD 4 billion 2006 Global issue constitutes the Bank's largest outstanding USD issue.

Throughout the year, the Bank offered large-sized issues which, whilst enhancing liquidity perception, permit less frequent calls on the market, eventually generating a beneficial effect on both performance and funding cost.

A curve for liquid benchmark issues has been built up, with USD 24 billion outstanding and real-time prices quoted by market makers on Reuters page "EIBUSD01".

Retail-targeted issuance and structured USD denominated bonds have further contributed to the diversification of the EIB's USD investor base, complementing the product range designed particularly for demand in Japan and Europe.

European markets

A NOK 400 million 5-year issue was launched, the proceeds of which were swapped into SEK. A SEK 30 billion domestic issuance programme was established. A CHF 300 million 10-year issue enabled the Bank to reappear on the Swiss market. DKK 228 million and SEK 577 million were raised through cross-currency swaps due to unfavourable funding conditions in these currencies.

Central and Eastern European markets

The EIB increased its issuance volume in the CEEC by nearly 50% compared to 2000, with nine issues totalling EUR 304 million in Czech koruny (CZK), Hungarian forint (HUF) and Polish zloty (PLN).

The EIB made a major contribution to the development of the Polish market as the first issuer to launch a domestic debt issuance programme with signa-

Amounts outstanding on EARN issues as at 31 December 2001

Coupon %	Maturity	Amount (EUR million)
4.500	15.02.2003	3 360
5.250	15.04.2004	6 188
3.875	15.04.2005	3 000
4.875	15.04.2006	5 000
4.000	15.02.2007	5 000
5.750	15.02.2007	2 578
5.000	15.04.2008	6 082
4.000	15.04.2009	4 538
5.625	15.10.2010	3 000
		38 746

ture of its PLN 3 billion Debt Issuance Programme. A PLN 500 million 10-year zero-coupon issue was launched under the programme and the bonds were placed with domestic investors.

When Hungarian exchange control restrictions were lifted, allowing the currency to be settled outside Hungary, the Bank was the first also to issue HUF on the international market in a HUF 20 billion transaction. The EIB has already in recent years launched issues on the domestic HUF market under its domestic debt issuance programme.

The Bank increased its outstanding CZK 2013 zero-coupon bond issue by CZK 1 bn, which was mainly placed within the Czech Republic.

A total of 4.7 billion Slovak koruny (SKK) was raised via cross-currency swaps in order to finance local lending operations.

South African, Asian and Pacific markets

Total issuance in South African rand (ZAR) amounted to ZAR 1.3 billion, enabling the Bank to provide flexible financing for projects in South Africa, including the award-winning N4 Highway project. In Japan, the Bank increased its share on the structured issues market with JPY 40 billion raised in a significant number of transactions. The EIB enjoyed a strong presence on the Australasian markets, notably the Taiwanese and Australian domestic markets as well as in Hong Kong. On the Taiwanese market, the total volume raised amounted to TWD 9 billion. The Bank returned to the Australian domestic markets with an AUD 200 million issue. In Hong Kong, the EIB established itself as the largest international issuer and launched the first transaction of the millennium in the form of a HKD 2.5 billion issue.

Cooperation with the banking sector

The EIB Group works in close cooperation with the banking sector, both with respect to its capital market operations and lending activity. Cooperation at this level offers an essential channel through which the EIB Group can:

- contribute funding to a raft of large-scale individual projects, where appropriate through intermediated financing;
- obtain adequate security for funding private-sector individual projects, with one third of guarantees offered to the EIB being furnished by banks or other financial institutions;
- on the strength of its experience in appraising projects calling for long-term financing, act as a prime mover in arranging sound financing packages so that projects can be funded on the keenest interest rate and maturity terms;
- enhance the financial environment for SMEs and promoters of small and medium-scale infrastructure schemes by extending global loans.

Lending undertaken by the **EIB** in partnership with the banking community focuses mainly on global loans. This decentralised indirect financing of small and medium-scale projects is tailored closely to the needs of SMEs and local authorities which, for reasons of efficiency, the EIB cannot finance directly. Meeting real needs, global loans are currently deployed through a network of some 180 partner banks - more than one quarter of which have forged ties with the EIB during the past three years. Global loan operations have expanded steadily and in 2001 accounted for one third of activity within the Union. This facility is also deployed in the Accession Countries and the Partner Countries via around 60 banks. Thus, tens of thousands of SMEs and local authorities benefit from EIB finance every year.

In non-member countries, the EIB also cooperates with multilateral and bilateral financial institutions.

To secure optimum interaction between the resources available, tailored to the project in question, the EIB will continue to work together with these entities, especially in promoting the most effective financing packages, sharing risks and ensuring coordination and complementarity between the various partner financial institutions.

The **EIF** often works, in close cooperation with the financial community, to develop venture capital structures within the Union and in the Accession Countries and to guarantee banks' SME portfolios.

A broad palette of products

In its endeavours to provide optimum financing facilities for its clients and to remain alert to market trends, the EIB Group is continually broadening and modernising its array of financial instruments.

In addition to medium and long-term loans, global loans, venture capital and guarantees for SMEs, the EIB Group, on the strength of its Structured Finance Facility (SFF), is now offering a full range of products in the areas of corporate and project funding.

EIB Group administration and staff

Increasing accountability through enhanced transparency

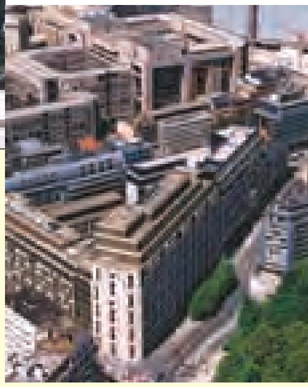
As a public bank whose purpose is to further the Union's objectives by implementing financing policies defined by its Governors within a framework set by the European Councils, the EIB - together with its subsidiary, the EIF - is driven by a demand for operational efficiency based on effective communication and by a commitment to forging partnerships with all its stakeholders.

Partnership with the elected representatives of Europe's citizens

Over the years, the EIB, on behalf of the Group, has established and intensified a policy dialogue with the **European Parliament**, as witnessed by the Bank's participation in numerous meetings of Parliamentary committees (notably the Committee on Economic and Monetary Affairs) and the examination in plenary session of the EP's report on monitoring the Bank's activities. This dialogue serves the twofold purpose of informing the elected representatives of the Union's citizens of the Group's operations in greater depth and allowing the Group to hear at first hand the European Parliament's priorities as regards Union policies. Additionally, this ongoing working relationship enables the Parliament to incorporate the EIB Group's activity into the discharge of its legislative, budgetary and political monitoring responsibilities, thereby making for greater consistency between the initiatives pursued by the Union for the benefit of its citizens.

To strengthen this strategy of openness, the EIB has also forged closer links with the **Economic and Social Committee** so as to take account of the Committee's opinions when formulating its financing strategies as well as to make the most of the Committee's enhanced role under the Treaty of Nice as an interface between the Union's institutions and civil society.

Philippe Maystadt at the European Parliament's plenary session



Cooperation with the Council

Similarly, the Bank, on behalf of the Group, regularly participates in the meetings of the **Ecofin Council** and its preparatory bodies, making available its expertise on economic issues and capital investment financing. Moreover, the European Council regularly turns to the Bank or the EIF to implement new Community initiatives hinging on banking or financial instruments. This was the case in 2001 at the Council meetings in *Stockholm*, in March, which called on the EIB Group to step up its lending and equity funding to foster a knowledge-based and innovation-driven economy, and in *Ghent*, in October, when the Council asked the EIB to spearhead efforts to stabilise investment in sectors hardest hit by the economic slowdown.

Working relations with the European Commission

The EIB has also strengthened its operational links with the **Commission** so as to enhance the synergies between the Bank's lending, the EIF's operations and the Union's budgetary resources in furthering common objectives. This applies particularly to regional development, preparing the Accession Countries for EU membership, research and development and supporting European audiovisual production - areas in which the Group and the European executive have concluded agreements. In addition, the EIF and the Commission have signed a management agreement appointing the Fund as agent for executing the Directorate-General for Enterprise's operational budget via the Multiannual Plan for Enterprise (MAP). Lastly, an important agreement on environmental protection has been concluded between the EIB and the Commission with a view to improving coordination of their respective efforts to facilitate practical implementation of the Union's commitments in this regard.

Transparency and dialogue with civil society

In early 2001, the Bank launched its new policy of **transparency**, whose main vector is a recast information policy complying with the most advanced Community legislation and meeting the principal requirements of the Bank's stakeholders. Accordingly, the EIB now publishes on its website:

- its operational strategies, making available on-line its Corporate Operational Plan and details of its sectoral policies, in particular those relating to the environment, sustainable development, climate change and preparing the Accession Countries for EU membership;

- a list of projects under appraisal, subject, where applicable, to protection of the Bank's and its counterparties' legitimate interests as regards business confidentiality; detailed information is provided on the parameters of each project under consideration;

- detailed explanatory notes on projects already financed attracting particular attention from interest groups;

- information on appraisal procedures and methods, the project life cycle and the monitoring arrangements for projects financed.

This drive for greater transparency is backed up by *an ongoing dialogue with civil society conducted via NGOs*. In the course of 2001 alone, the Bank participated in five meetings held by NGOs on sectoral aspects of its activities. It also organised two round tables - one in June, in Brussels, on its information policy and the other in November, in London, to discuss its policies on poverty reduction and sustainable development in the emerging countries.

Additionally, in response to the call from the European Parliament, Council and Commission for the other EU institutions and bodies to take account of the principles and constraints set out in the new Regulation applicable to them, the Bank has launched a review of its rules on public access to documents.

Finally, the Bank follows the Code of Good Administrative Behaviour in its relations with the public on a similar basis to the Union's other institutions, although adapted where necessary to take account of its specific role as a banking and financial institution.

The EIB holds some twenty press conferences each year

EIB Governing Bodies

The **Board of Governors** consists of Ministers designated by each of the Member States, usually Finance Ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. It appoints members of the Board of Directors, the Management Committee and the Audit Committee.

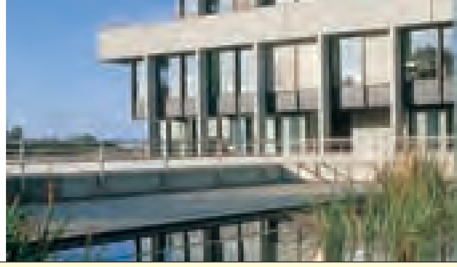
The Board of Directors

The **Board of Directors** ensures that the Bank is managed in keeping with the provisions of the Treaty and the Statute and with the general directives laid down by the Governors. It has sole power to take decisions in respect of loans, guarantees and borrowings. Its members are appointed by the Governors for a (renewable) period of five years following nomination by the Member States and are responsible solely to the Bank. The Board of Directors consists of 25 Directors and 13 Alternates, of whom 24 and 12 respectively are nominated by the Member States; one Director and one Alternate are nominated by the European Commission.

The **Management Committee** is the Bank's permanent collegiate executive body. Under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day running of the EIB, recommends decisions to Directors and ensures that these are implemented. The President or in his absence one of the Vice-Presidents chairs meetings of the Board of Directors. The members of the Management Committee are responsible solely to the Bank; they are appointed by the Board of Governors, on a proposal from the Board of Directors, for a period of six years.

The three members of the **Audit Committee** are appointed by the Board of Governors for a renewable mandate of three years. Since 1996, the Committee has also included an observer, appointed annually for a mandate of one year. An independent body answerable directly to the Board of Governors, the Audit Committee verifies that the operations of the Bank have been conducted in compliance with the procedures laid down in its Statute and its books kept in a proper manner. The Governors take note of the report of the Audit Committee and its conclusions, and of the Statement by the Audit Committee, before approving the Annual Report of the Board of Directors.

The Audit Committee



The Management Committee of the EIB

The College of the Management Committee Members and their supervisory responsibilities

Philippe MAYSTADT
President of the Bank and Chairman of its Board of Directors

- Relations with European Parliament
- Institutional matters
- Relations with Financial Controller and Internal Audit
- Human resources
- Budget
- Information technologies
- Governor of EBRD

Wolfgang ROTH
Vice-President

- Financing operations in Germany and in Central and Eastern European Accession Countries
- Information and communications policy
- Vice-Governor of EBRD

Massimo PONZELLINI
Vice-President

- Financing operations in Italy, Greece, Cyprus and Malta
- Credit risk and loan portfolio monitoring
- Accountancy and control of financial risks
- Policies in support of SMEs

Ewald NOWOTNY
Vice-President

- Financing operations in Austria, Sweden, Finland, Iceland, Norway, Slovenia, Turkey and the Balkans; relations with Switzerland
- Economic and financial studies
- Trans-European Networks
- Liaison with NIB

Francis MAYER
Vice-President

- Financing operations in France and in Maghreb and Mashreq countries, Israel, Gaza and West Bank
- Financial policies
- Capital markets
- Treasury
- Member of EIF Board of Directors

Peter SEDGWICK
Vice-President

- Financing operations in United Kingdom
- Environmental protection
- Relations with NGOs, openness and transparency
- Internal and external audit and relations with Audit Committee
- Relations with Court of Auditors
- Member of EIF Board of Directors

Isabel MARTÍN CASTELLÁ
Vice-President

- Financing operations in Spain, Portugal, Belgium, Luxembourg, Asia and Latin America
- Structured finance and new lending instruments
- Legal affairs (operational aspects)
- Liaison with IADB and AsDB

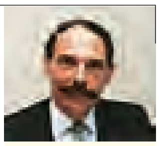
Michael G. TUTTY
Vice-President

- Financing operations in Ireland, Denmark, the Netherlands, ACP States and South Africa
- Project appraisals and *ex post* evaluations
- Regional development
- Global loans
- Liaison with AfDB

Organisation Chart

(Situation at 15 April 2002)

General Secretariat



Francis CARPENTER
Secretary General

General Administration
Rémy JACOB
Director

Governing Bodies, Protocol
Hugo WOESTMANN
Planning, Budget and Control
Theoharry GRAMMATIKOS
Translation
Georg AIGNER
Purchasing and Administrative Services
Manfredo PAULUCCI de CALBOLI
Common Services and Facilities Management
Agustín AURÍA

Institutions
Brussels Office
Dominique de CRAYENCOUR
Director

External Coordination
Evelyne POURTEAU
Associate Director

Information and Communications
Henry MARTY-GAUQUIÉ
Director

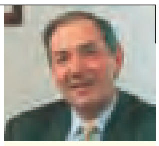
Communications Policy
Adam McDONAUGH
External Communications and Media Relations
Paul Gerd LÖSER

Records and Information Management
Marie-Odile KLEIBER
Associate Director

Audit Enactment and Consulting
Helmut KUHRT

Enlargement and Internal Coordination
Ferdinand SASSEN
Principal Adviser

Directorate for Lending Operations - Europe



Terence BROWN
Director General

United Kingdom, Ireland, Nordic Countries
Thomas BARRETT
Director

Banking, Industry and Securitisation
Bruno DENIS
Infrastructure
Tilman SEIBERT
Structured Finance and PPPs
Cheryl FISHER
Nordic Countries
Michael O'HALLORAN

Spain, Portugal
Alfonso QUEREJETA
Director

Spain - PPPs, Infrastructure, Social and Urban Sector
Christopher KNOWLES
Spain - Banks, Industry, Energy and Telecommunications
Fernando de la FUENTE
Madrid Office
Alberto BARRAGAN
Portugal
Rui Artur MARTINS
Lisbon Office
David COKER

France, Benelux
Laurent de MAUTORT
Director

France - Infrastructure
Jacques DIOT
France - Enterprises
Constantin SYNADINO
Belgium, Luxembourg, Netherlands
Henk DELSING

Germany, Austria
Joachim LINK
Director

Germany - Northern Länder
Peggy NYLUND GREEN
Germany - Southern Länder
Heinz OLBERS
Berlin Office
Franz-Josef VETTER
Austria, Energy and Telecommunications in Germany
Paolo MUNINI

Accession Countries
Emanuel MARAVIC
Director

Estonia, Latvia, Lithuania, Poland, Euratom
Grammatiki TSINGOU-PAPADOPETROU
Associate Director
Hungary, Slovenia, Banks, FDI (Foreign Direct Investment)
Cormac MURPHY
Bulgaria, Romania
Rainer SAERBECK
Czech Republic, Slovakia
Jean VRLA

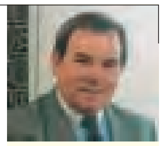
Italy, Greece, Cyprus, Malta
Thomas HACKETT
Director

Infrastructure
Bruno LAGO
Energy, Environment and Telecommunications
Alexander ANDÒ
Industry and Banks
Jean-Christophe CHALINE
Greece
Themistoklis KOUVARAKIS

Operations Support Department
Jos van KAAM
Director

Coordination
Thomas FAHRTMANN
IT and Management Information
Guy BERMAN
Business Support
Ralph BAST

Directorate for Lending Operations - Other Countries



Jean-Louis BIANCARELLI
Director General

Development Economic Advisory Service
Daniel OTTOLENGHI
Chief Development Adviser
Flavia PALANZA
Senior Economic Adviser

Mediterranean and the Balkans
Antonio PUGLIESE
Director

Maghreb
Alain SÈVE
Mashreq, Middle East
Jane MACPHERSON
The Balkans, Turkey
Patrick WALSH

Africa, Caribbean, Pacific, South Africa
Martin CURWEN
Director

West Africa and Sahel
Tassilo HENDUS
Central and East Africa
Jacqueline NOËL
Associate Director
Southern Africa and Indian Ocean
Justin LOASBY
Caribbean and Pacific
Stephen McCARTHY

Asia and Latin America
Claudio CORTESE
Director

Latin America
Matthias ZÖLLNER
Asia
Siward de VRIES

Finance Directorate

René KARSENTI
Director General

Capital Markets
Barbara BARGAGLI-PETRUCCI
Director

Euro Benchmarks
Carlos FERREIRA DA SILVA
Other Euro Funding
Joseph VOGTEN
Europe (excluding euro), Africa
David CLARK
America, Asia, Pacific
Carlos GUILLE

For regular updates on the latest developments in the organisation chart, readers are invited to visit the EIB's website: www.eib.org

Treasury
Anneli PESHKOFF
Director
Liquidity Management
Francis ZEGHERS
Asset/Liability Management
Jean-Dominique POTOCKI
Portfolio Management
James RANAIVOSON

Planning and Settlement of Operations
Francisco de PAULA COELHO
Director
Back Office Loans
Gianmaria MUSELLA
Back Office Treasury
Erling CRONQVIST
Back Office Borrowings
Yves KIRPACH
Systems and Loans Databases
Charles ANIZET

Financial Policy, ALM and Market Risk Management
Alain GODARD

Coordination
Henri-Pierre SAUNIER

Projects Directorate

Michel DELEAU
Director General

Mateo TURRÓ CALVET
Associate Director, Infrastructure Networks

Economic and Financial Studies
Eric PERÉE

Infrastructure
Christopher HURST
Director
Axel HÖRHAGER
(Coordinator for the Balkans)
Andrew ALLEN
Luigi MARCON
Rail and Road
José Luis ALFARO
Air, Maritime and Urban Transport
Philippe OSTENC
(Procurement)
Water and wastewater
José FRADE

Energy, Telecommunications, Waste Management
Günter WESTERMANN
Director
Electricity and Waste Management
René van ZONNEVELD
Heiko GEBHARDT
(Waste Management)
Oil and Gas
(Günter WESTERMANN)
Telecommunications and Information Technology
Carillo ROVERE
Economic Questions
Gerhardus van MUISWINKEL

Industry and Services
Constantin CHRISTOFIDIS
Director
Primary Resources and Life Sciences
Jean-Jacques MERTENS
Peder PEDERSEN
Manufacturing Industry and Services
Bernard BÉLIER
Pedro OCHOA
Human Capital
Stephen WRIGHT
Economic and Market Studies
Hans-Harald JAHN

Policy Support Department
Patrice GÉRAUD
Director
Gianni CARBONARO
Operational Lending Policies
Guy CLAUSSE
Project Quality and Monitoring
Angelo BOIOLI
Resources Management
Daphne VENTURAS
Environmental Unit
Peter CARTER

Legal Affairs Directorate

Eberhard UHLMANN
General Counsel

Financial Questions and Institutional Policy
Marc DUFRESNE
Co-Director
Financial Questions
Nicola BARR
Institutional Policy
Carlos GÓMEZ DE LA CRUZ

Operations
Konstantin ANDREOPOULOS
Deputy General Counsel
Operational Policy and the Balkans
Roderick DUNNETT
Germany, Austria, CEEC
Gerhard HÜTZ
Spain, Portugal
Ignacio LACORZANA
Denmark, Ireland, Finland, Sweden, United Kingdom
Patrick Hugh CHAMBERLAIN
Belgium, France, Luxembourg, Netherlands
Pierre ALBOUZE
ACP, Asia and Latin America, Mediterranean, OCT
Regan WYLIE-OTTE
Greece, Italy, Cyprus, Malta
Manfredi TONCI OTTIERI

Credit Risk

Pierluigi GILIBERT
Director General

Infrastructure and Industry
Per JEDEFORS
Director
Project Finance
Klaus TRÖMEL
Credit Risk Methodologies and Financial Exposures
Luis GONZALEZ-PACHECO
Banking
Georg HUBER
Coordination and Support
Elizabeth MATIZ

Human Resources

Andreas VERYKIOS
Director

Staff Budgets and Horizontal Integration
Zacharias ZACHARIADIS
Staffing
Jörg-Alexander UEBBING
Development
....
Administration
Michel GRILLI

Operations Evaluation

Horst FEUERSTEIN
Director

Juan ALARIO GASULLA
Campbell THOMSON

Financial Control

Patrick KLAEDTKE
Financial Controller

Luis BOTELLA MORALES
Deputy Financial Controller
Accounting
(Luis BOTELLA MORALES)
Internal and Management Control
Antonio ROCA IGLESIAS

Information Technology
Luciano DI MATTIA
Director

Existing Systems and Applications Support
Joseph FOY
Core Business Packages
(Luciano DI MATTIA)
Loans, Publishing, Budget
Simon NORCROSS
Infrastructure
José GRINCHO

Internal Audit
Peter MAERTENS
Associate Director

Chief Economist

Alfred STEINHERR

EIF Governing Bodies

The EIF is managed and administered by the following three authorities:

- the General Meeting of shareholders (EIB, European Union, 28 financial institutions), which meets at least once a year;
- the Board of Directors, composed of seven members, which decides on the Fund's operation;
- and the Chief Executive, who is responsible for the management of the Fund in accordance with the provisions of the Statutes and the guidelines and directives adopted by the Board.

Furthermore, the accounts of the Fund are audited by an Audit Board consisting of three auditors appointed by the General Meeting.

EIF Structure

Walter CERNOIA	**Chief Executive**
Marc SCHUBLIN	*Head of Division, Institutional and Policy Coordination*
Robert WAGENER	**Secretary General**
Frank TASSONE	*Head of Administration and Financial Control Division*
Maria LEANDER	*Head of Division, Legal Service*
Susanne RASMUSSEN	*Responsible for Human Resources*
John A. HOLLOWAY	**Head of Operations**
Alessandro TAPPI	*Head of Guarantees Division*
Jean-Philippe BURCKLEN	*Head of Division, Venture Capital 1 (Belgium, France, Italy, Greece, Luxembourg, Netherlands, Spain, United Kingdom)*
Kim KREILGAARD	*Head of Division, Venture Capital 2 (Austria, Denmark, Finland, Germany, Ireland, Portugal, Sweden, Accession Countries)*
Thomas MEYER	*Head of Division, Risk Management and Monitoring*

EIB Group administration and staff

Committed to maintaining harmonious and fulfilling working conditions, in 2001 the Bank brought forward a number of new policies and initiatives, notably introduction of a revised staff appraisal procedure and the transfer of budgetary and staff management responsibilities to the Directorates.

Organisation and structure

The Bank continually adapts its organisation and operational structures. In 2001, it strengthened its capacity to map out strategies and provide operational support, as reflected in the organisation chart (pages 42 and 43) available on the EIB's website (www.eib.org)

Staff Representation

In 2001, the College of Staff Representatives (SR) carried on working with the Human Resources Department (HR) on the task of developing and updating the Staff Regulations. In the interests of broad participation, this process is being conducted via over 10 SR/HR working groups focusing on issues of importance to staff and management alike, such as annual appraisals and remuneration. Also worthy of note is the activity of the various Joint Committees, the most recently formed of which looks at health, safety and working conditions.

Equal Opportunities

The Joint Committee on Equal Opportunities (COPEC) oversees the implementation of policy on equal opportunities in terms of career development, training and social welfare infrastructure. Its initiatives last year included proposals that led to the successful introduction of an improved parental leave policy, featuring long-term replacements for staff on maternity leave.

Individual Development

In this sphere, the Bank's objective continues to be to maintain its staff's qualifications and skills at a high level while offering scope for development. In 2001, the first phase of the "Management Development Programme" launched in 1999 came to an end. Over 120 management staff attended seminars on strategy, leadership and change management. A new programme for developing day-to-day management skills is in preparation.

Personal Data Protection

Regulation (EC) N° 45/2001 of 18/12/2000 entered into force on 1 February 2002. Its purpose is to ensure that the provisions applicable in the Member States on the protection of individuals with regard to the processing of personal data and the free movement of such data shall likewise apply to the Community institutions and bodies. A substantial amount of work was done in 2001 to bring the Bank into compliance with the provisions of this Regulation.

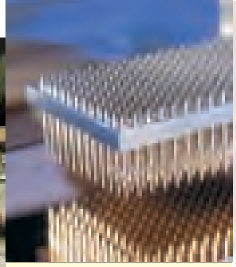
Staff Complement

At end-December 2001, the Bank's staff complement stood at 1 097, 6.2% up on the preceding year.

The EIF

Having become the EIB Group's specialised venture-capital arm, the EIF continued to refocus its operations following the decision adopted by the general meeting of June 2000. The increase in its activity was supported by recruitment to strengthen its operational teams. In addition, a Risk Management and Monitoring Division was created. At the end of 2001, the EIF employed 50 staff, 78% in the executive category, reflecting the priority accorded to operations and the administrative synergies achieved within the Group.





EIB Group

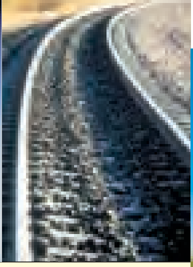
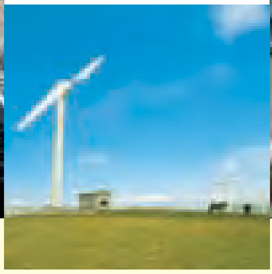
Summarised balance sheet as at 31 December 2001 (in EUR'000)

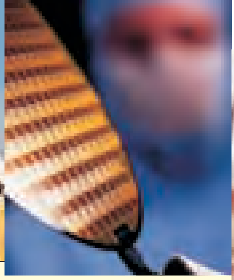
ASSETS 31.12.2001

1. cash in hand, balances with central banks and post office banks	22 180
2. treasury bills eligible for refinancing with central banks	1 519 621
fair value adjustment	106
	1 519 727
3. loans and advances to credit institutions	
a) repayable on demand	181 292
b) other loans and advances	9 917 933
c) loans	84 654 699
	94 753 924
4. loans and advances to customers	101 085 284
specific provisions	- 175 000
fair value adjustment	33 179
	100 943 463
5. debt securities including fixed-income securities	
a) issued by public bodies	3 262 797
b) issued by other borrowers	3 418 574
fair value adjustment	- 46
	6 681 325
6. shares and other variable-yield securities	838 530
fair value adjustment - shares	5 642
	844 172
7. intangible assets	7 788
8. tangible assets	84 528
9. other assets	
a) receivable in respect of EMS interest subsidies paid in advance	3 528
b) sundry debtors	538 779
c) currency swap contracts adjustment account	1 236 663
d) fair value adjustment - derivatives	6 948 150
	8 727 120
10. prepayments and accrued income	2 378 477
	215 962 704

LIABILITIES 31.12.2001

1. amounts owed to credit institutions	
a) repayable on demand	
b) with agreed maturity dates or periods of notice	607 622
	607 622
2. debts evidenced by certificates	
a) debt securities in issue	178 293 413
b) others	857 103
	179 150 516
net premiums on issues	17 852
fair value adjustment	4 741 338
	183 909 706
3. other liabilities	
a) interest subsidies received in advance	324 956
b) sundry creditors	989 394
c) sundry liabilities	44 245
d) fair value adjustment - derivatives	2 414 809
	3 773 404
4. accruals and deferred income	3 779 972
5. provisions for liabilities and charges	
* staff pension fund	474 951
* provision for guarantees issued	24 312
6. minority interests	216 349
7. capital	
subscribed	100 000 000
uncalled	- 94 000 000
	6 000 000
8. consolidated reserves	
a) reserve fund	10 000 000
b) additional reserves	3 154 706
c) consolidation reserve	27 279
	13 181 985
d) fair value adjustment 01.01.2001	- 117 883
e) valuation of securities available for sale	3 266
	13 067 368
9. funds allocated to structured finance facility	250 000
10. funds allocated to venture capital operations	1 500 000
11. Fund for general banking risks	1 080 000
12. profit for the financial year before appropriation	1 424 021
appropriation for the year to Fund for general banking risks	- 145 000
after appropriation	1 279 021
	215 962 704



Projects eligible for financing by the EIB Group

Within the European Union and in the Accession Countries, projects considered for financing must contribute to one or more of the following objectives:

- strengthening economic and social cohesion: promoting business activity to foster the economic advancement of the less favoured regions;
- promoting investment focused on a knowledge-based and innovation-driven society;
- improving infrastructure and services in the health and education sectors, key contributors to human capital formation;
- developing transport, telecommunications and energy transfer infrastructure networks with a Community dimension;
- preserving the environment and improving the quality of life, notably by drawing on renewable or alternative energies;
- securing the energy supply base by more rational use, harnessing of indigenous resources and import diversification;
- assisting the development of SMEs by enhancing the financial environment in which they operate by means of:
  - medium and long-term EIB global loans;
  - EIF venture capital operations;
  - EIF SME guarantees.

In the Partner Countries, the Bank participates in implementing the Union's development aid and cooperation policies through long-term loans from own resources or subordinated loans and risk capital from EU or Member States' budgetary funds. It operates in:

- the non-member Mediterranean Countries by helping to attain the objectives of the Euro-Mediterranean Partnership with sights set on the establishment of a Customs Union by 2010;
- the African, Caribbean and Pacific States (ACP), South Africa and the OCT;
- Asia and Latin America where it supports certain types of project of mutual interest to the Union and the countries concerned;
- the Balkans where it contributes to the goals of the Stability Pact by directing its lending specifically towards not only reconstruction of basic infrastructure and projects with a regional dimension but also private sector development.

The EIB wishes to thank promoters and agencies for the photographs illustrating this report:

Masterfile (cover, pp. 10, 12, 16, 19, 30, 32), Fotostock (cover, pp. 17, 28, 38), La Vie du Rail/Collardey (cover), La Vie du Rail/Recoura (pp. 25, 27), La Vie du Rail/Besnard (p. 26), Benelux Press (cover, pp. 6, 8, 14, 17, 20, 24, 25, 26, 46, 47), Fränk Weber (pp. 3, 5, 45, 47), Rol Schleich (p. 4), Imedia (pp. 5, 31, 40, 41, 42, 46), Getty Images (p.11), DaimlerChrysler (p. 13), Corbis Stockmarket (pp. 13, 15, 27, 33, 35, 46, 47), CNRS (p. 14), Stone (pp. 15, 47), Housing Fund of Finland (p. 16), Sue Cunningham (pp. 18, 19, 20, 22, 26), Barcs Endre (p. 18), Image Bank (pp. 19, 28, 34), Klaipėda State Seaport Authority (p. 20), Meridiana (p. 21), Electricity Authority of Cyprus (p. 21), Bakwena Platinum Corridor Concessionnaire (p. 22), Office National de l'Electricité, Morocco (p. 23), Pirelli (p. 23), SADE (p. 23), Graffinity Pharmaceutical Design GmbH (pp. 24, 25, 46), Cofiroute (p. 27), Siemens press photo (pp. 28, 29), University of Alicante (p. 29), European Parliament (pp. 37, 39), Isopress (p. 39), K. Scheel (pp. 41, 42), J.P. Kiefer (pp. 41, 42), Cofiroute (p. 46), ENEL (p. 47).

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