



Annual Report 2005



Volume I

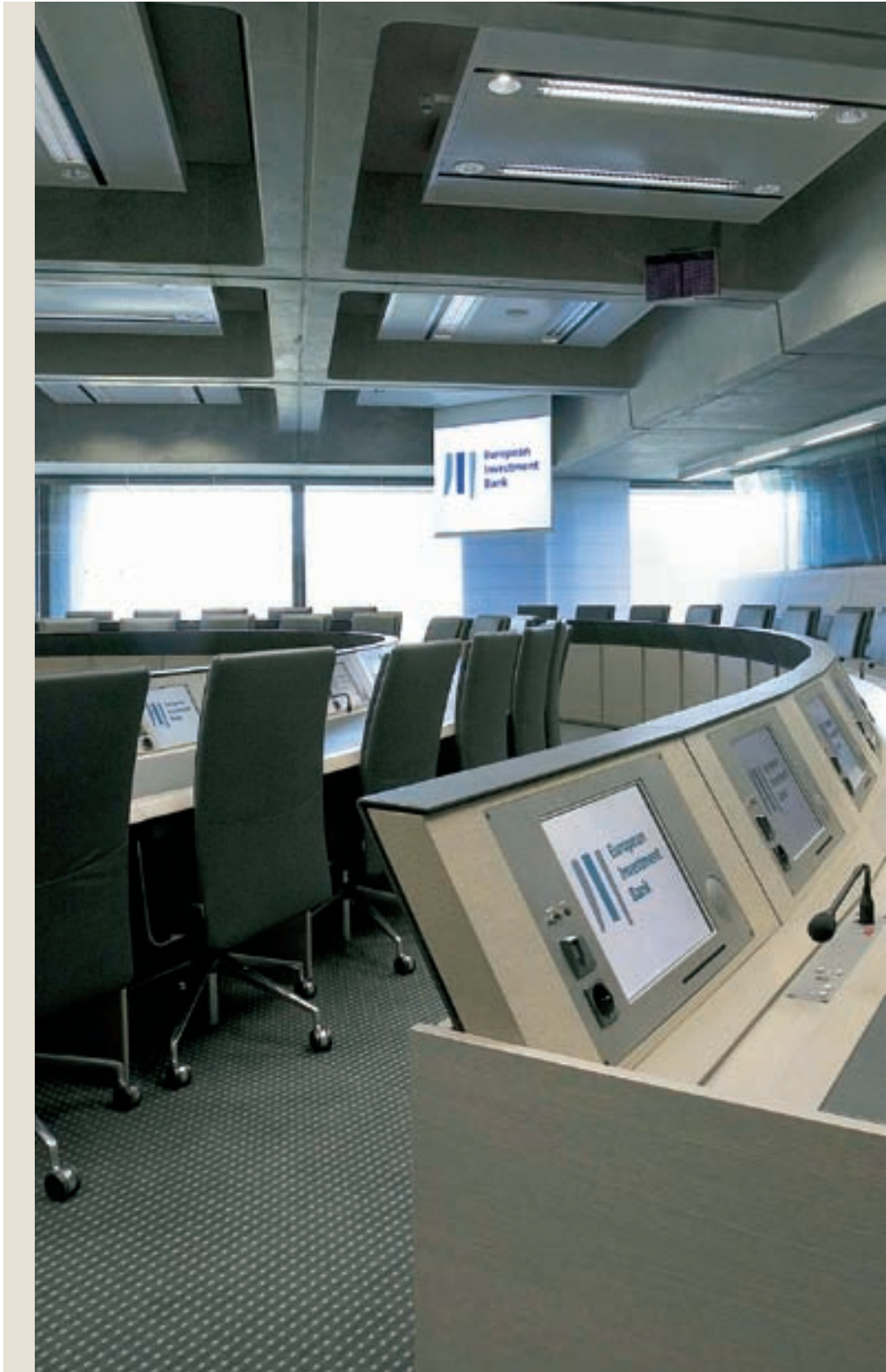
Activity Report

The **EIB Group's 2005 Annual Report** consists of three separate volumes:

- ⇒ The Activity Report presenting the EIB Group's activity over the past year and future prospects;
- ⇒ The Financial Report presenting the financial statements of the EIB Group, the EIB, the Cotonou Investment Facility, the FEMIP Trust Fund and the EIF, along with the related explanatory annexes;
- ⇒ The Statistical Report presenting in list form the projects financed, and the borrowings undertaken, by the EIB in 2005 together with a listing of the EIF's projects. It also includes summary tables for the year and over the last five years.

On the CD-Rom enclosed with this brochure, readers will find information contained in the three volumes as well as electronic versions of these volumes in the different available languages.

The Annual Report is also available on the Bank's website www.eib.org/report



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EIB Group: key data



European Investment Bank

Activity in 2005

(EUR million)

Signatures	47 406
European Union	42 276
Partner Countries	5 131
Projects approved	50 957
European Union	44 650
Partner Countries	6 307
Disbursements	38 874
From the Bank's resources	38 677
From budgetary resources	197
of which Investment Facility	114
Resources raised (after swaps)	52 707 (*)
Community currencies	38 095
Non-Community currencies	14 612

Situation as at 31.12.2005

Outstandings

Loans from the Bank's resources	294 200
Guarantees provided	135
Financing from budgetary resources	2 169
Short, medium and long-term borrowings	248 283

Own funds	29 280
Balance sheet total	289 301
Net profit for year	1 389
Subscribed capital	163 654
of which paid in	8 183



European Investment Fund

Activity in 2005

Signatures	
Venture capital (21 funds)	368
Guarantees (35 operations)	1 685
Commitments	
Venture capital (24 funds)	468
Guarantees (35 operations)	1 685

Situation as at 31.12.2005

Venture capital (217 funds)	3 081
Guarantees (164 operations)	9 306

Subscribed capital	2 000
of which paid in	400
Net profit for year	43
Reserves and provisions	212

(*) of this amount, EUR 49.8 billion was raised under the EUR 50 billion global borrowing authorisation for 2005 and EUR 2.9 billion was attributed to the 2006 borrowing programme.

EIB Group: summarised balance sheet

As at 31 December 2005 (in EUR '000)



Financial Report 2005

ASSETS	31.12.2005	LIABILITIES	31.12.2005
1. Cash in hand, balances with central banks and post office banks	13 168	1. Amounts owed to credit institutions	
2. Treasury bills eligible for refinancing with central banks	2 798 645	a) with agreed maturity dates or periods of notice	393 048
3. Loans and advances to credit institutions		393 048	
a) repayable on demand	285 200	2. Debts evidenced by certificates	
b) other loans and advances	23 567 366	a) debt securities in issue	260 021 070
c) loans	114 643 969	b) others	1 138 266
	138 496 535	261 159 336	
4. Loans and advances to customers		3. Other liabilities	
a) loans	133 700 679	a) interest subsidies received in advance	237 765
b) specific provisions	- 292 500	b) sundry creditors	1 669 846
	133 408 179	c) sundry liabilities	18 749
5. Debt securities including fixed-income securities		d) negative replacement values	16 462 569
a) issued by public bodies	1 585 300	18 388 929	
b) issued by other borrowers	11 323 079	4. Accruals and deferred income	96 027
	12 908 379	5. Provisions for liabilities and charges	
6. Shares and other variable-yield securities	1 299 762	a) staff pension fund	748 568
7. Intangible assets	6 146	b) provision for guarantees issued in respect of loans granted by third parties	0
8. Property, furniture and equipment	180 113	c) provision for guarantees issued in respect of venture capital operations	36 750
9. Other assets		785 318	
a) sundry debtors	506 377	6. Capital	
b) positive replacement values	20 225 370	- Subscribed	163 653 737
	20 731 747	- Uncalled	-155 471 050
10. Subscribed capital and receivable reserves, called but not paid	1 684 188	8 182 687	
11. Prepayments and accrued income	41 364	7. Consolidated reserves	
		a) reserve fund	16 365 374
		b) additional reserves	1 856 290
		18 221 664	
		8. Funds allocated to structured finance facility	500 000
		9. Funds allocated to venture capital operations	1 679 333
		10. Fund for general banking risks after appropriation	975 000
		11. Profit for the financial year:	
		Before appropriation from Fund for general banking risks	1 246 884
		Appropriation for the year from Fund for general banking risks	-60 000
		Profit to be appropriated	1 186 884
	311 568 226		311 568 226



Message from the President

The Lisbon European Council made a clear pronouncement: the primary objective of economic policy in Europe has to be to increase the growth potential of the European economy. Without stronger and more sustained growth, it will not be possible to reduce underemployment and ensure adequate social protection.

With the aim of enhancing Europe's growth potential, the "Lisbon Strategy" sets out a number of priorities: **to complete the single market**, in particular by stimulating competition in the markets for goods and services; **to boost employment**, especially by encouraging the development of SMEs and making the labour market more flexible; **to foster productive investment**, notably by adapting fiscal instruments and promoting venture capital; and **to increase the capacity for innovation** by investing more – and more effectively – in training and research.

In Lisbon in March 2000, and several times since, the European Council called on the EIB to contribute to implementing this strategy. This led the Bank to develop its activity along three main lines: financing the **trans-European transport and energy networks**, a key component of the single market (see p. 32); financing infrastructure and **training and research** initiatives by launching the i2i programme (see p. 22); and supporting **SMEs** through a renewed partnership with the banking sector and through the action of its subsidiary the European Investment Fund (see p. 36).

This development of the EIB's activity in the priority areas established by its shareholders has been accompanied by the diversification of its

financing instruments with a view to a controlled increase in risk-taking. In this connection, two initiatives mounted jointly with the Commission and approved by the European Council and Parliament deserve particular mention: the launch of a Risk Sharing Finance Facility designed to enable the EIB to channel more finance into R&D while taking a higher degree of risk; and the introduction of a Community guarantee facility for trans-European transport networks covering certain specific risks borne by the private sector during the first years of operating an infrastructure. In both cases, the aim is to generate a **leverage effect** – that is, to facilitate the mobilisation of resources for an amount far greater than the initial outlay from the EU budget.

As the EIB is the bank of the Member States of the European Union, it is natural that the bulk of its financing goes to projects located in the Union (loans worth EUR 42 billion out of a total of EUR 47 billion in 2005). This will continue to be the case in the future, especially since we envisage stronger growth in our operations in the new Member States.

Nevertheless, over the years the EIB has also been called on to finance projects outside the Union on the basis of mandates handed down by the Council on a proposal from the Commission or by the Member States (in the successive conventions with the ACP countries). Conferred at different times and for different reasons, these mandates are far from uniform. Their amounts, fields of application and terms of reference vary markedly. In certain cases, especially as regards the Mediterranean and ACP countries, they are no longer



restricted to simply financing but have become genuine “**development mandates**” involving the use of a strategic approach, financial instruments and conditionality different from those applied in the European Union. This evolution has required the EIB to bolster its human resources and diversify its types of operation, especially in support of **FEMIP** (see p. 40) and the **Cotonou Investment Facility** (see p. 46). It also calls for new forms of cooperation with the Commission and with other international financial institutions.

By the end of 2006, the Council will reach a decision on the renewal of the EIB’s external mandates for the period 2007-2013. That will be the time to take stock of this evolution, set the course for the future and, most probably, confirm the EIB’s role as a “development bank” in regions with which the European Union has chosen to maintain a preferential partnership.

are essential to business life, the EIB has substantially widened public access to information on its activities (see p. 60). Indeed, the EIB believes that increasing the transparency of the decisions that it takes and the way in which it operates can only enhance its credibility.

Philippe Maystadt
President of the EIB Group

The development of the EIB’s activities must be based on consistency and transparency.

Consistency with the other European institutions. The EIB is not only a bank; it is also a European institution created at the same time as the others under the Treaty of Rome. It is therefore vital for it to conduct an ongoing operational dialogue with the Union’s other institutions, while of course respecting each of those institutions’ autonomy and specific characteristics (see p. 55).

Transparency vis-à-vis Europe’s citizens. While complying with the rules of confidentiality that



The European Investment Bank Group in 2005

In 2005, the European Investment Bank lent a total of EUR 47.4bn (2004: 43.2bn) for projects furthering the European Union's political objectives. Financing in the EU-25 Member States totalled EUR 42.3bn of which EUR 5.8bn in the 10 new Member States. EUR 5.1bn was made available in non-EU countries, of which EUR 2.0bn in the Accessing Countries (Bulgaria, Romania) and Accession Countries (Croatia, Turkey).

In 2005 the European Investment Fund (EIF) – the EIB Group's specialised venture capital arm and guarantee provider – invested EUR 368m in venture capital funds, bringing its aggregate portfolio to EUR 3.1bn, and provided a total of EUR 1.7bn in guarantees for SME portfolios of financial intermediaries.

To fund its lending, the EIB raised an aggregate amount of EUR 49.8bn on the international capital markets through 330 bond issues in 15 currencies.

As at 31 December 2005, the EIB's outstanding lending amounted to EUR 294.2bn and outstanding debt to EUR 248.3bn.

Core areas of activity

The Bank's lending in 2005 was focused on five core areas: economic and social cohesion, the Innovation 2010 Initiative, environmental protection, the development of Trans-European Networks, and support for the EU's development and cooperation policies. Activity in these fields is described in separate sections in the main body of the Activity Report, as is support for small and medium-sized enterprises, a core area that was added by the Board of Governors in June 2005, as well as corporate governance topics. What follows below is a summary of the EIB's key figures and salient characteristics in 2005.

Economic and social cohesion in the enlarged EU (EUR 34bn)

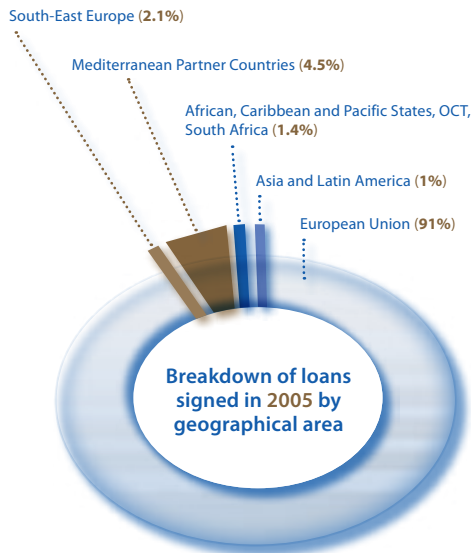
Within the EU-25, individual loans (loans for individual projects appraised by the Bank) worth

EUR 28bn were granted in 2005 for investment contributing to the strengthening of the economic potential of the regions. A further EUR 6bn was made available as credit lines (global loans) to partner banks for the financing of SMEs and smaller-scale public investment. The total lending of EUR 34bn for regional development represented about 80% of the EIB's aggregate lending within the EU-25.

The cooperation with the European Commission's Regional Policy Directorate-General has been further intensified. Two new initiatives have been developed. Firstly, JASPERS aims at offering technical assistance to countries and regions to ensure that the Cohesion Funds available in 2007-2013 are used for the best investments in terms of stimulating economic growth and job creation. JASPERS is managed by the EIB; experts of the EIB, the Commission and EBRD will join forces to assist the national authorities of the recipient countries in the preparation and implementation of investment projects that are suitable for co-financing by grant money from the Commission.



The European Investment Bank Group in 2005



Secondly, JEREMIE, which is managed by the European Investment Fund, will use European Regional Development Fund money provided, on a voluntary basis, by recipient countries to transform it into new financial products, such as regional venture capital funds, guarantees for SME loan portfolios or global loans for micro-finance institutions with the objective of improving, in regional development areas, SMEs' access to finance.

Innovative and knowledge-based European economy (EUR 10.7bn)

Through its Innovation 2010 Initiative (i2i), the EIB supports the EU's Lisbon Strategy for an information and knowledge-based economy. The EIB's target is to mobilise EUR 50bn by the end of the decade to increase the EU's innovative capacity and enhance its longer-term competitiveness.

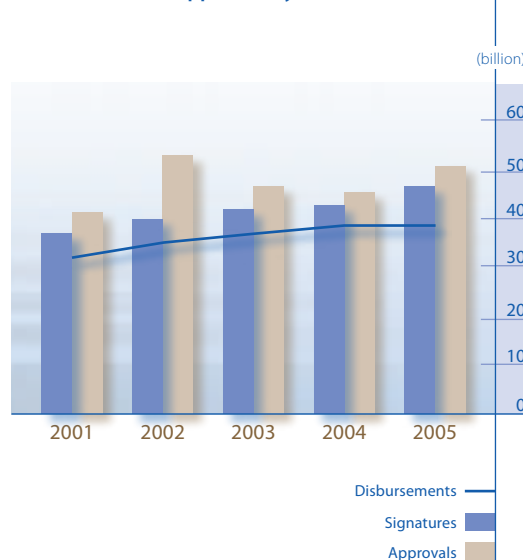
Since the start of i2i in 2000, the EIB has advanced loans for innovative investment worth EUR 34.8bn, of which EUR 10.7bn in 2005 alone. The EIB's lending is concentrating on three main areas: (1) research, development and innovation (RDI), with projects ranging from fundamental research undertaken by universities/research centres to applied research done principally by private sector businesses (45% of individual loans provided since 2000); (2) education and training for fur-

thering employability, with the bulk of the Bank's financing being directed to the enhancement and technological upgrading of higher education facilities (30%); and (3) development of information and communication technologies and networks, such as broadband, and dissemination of their use throughout society (25%).

The EIB has made an effort to distribute its financing of i2i projects throughout the EU-25. About two thirds of total i2i lending so far has been within regional development areas, in order to help bring these less developed regions into the knowledge-based economic fold.

The European Investment Fund (EIF) strongly supports the Innovation 2010 Initiative, mostly by taking equity stakes in venture capital funds. In 2005, the EIF invested EUR 368m in venture capital funds (2004: EUR 358m), expanding its portfolio of participations to EUR 3.1bn, spread over some 217 funds operating in the EU-25. The EIF oper-

Disbursements, contracts signed and projects approved by the EIB (2001-2005)



Unless otherwise indicated, amounts in this report are expressed in EUR.



The European Investment Bank Group in 2005

ates as a fund of funds, with a bias (two thirds of its portfolio) towards funds specialising in early-stage financing (primarily information and communication technologies and life sciences). It is now one of Europe's largest venture capital providers in this segment. Last year, the EIF further broadened its investment policy to include mid and later-stage funds.

Environmental protection (EUR 12.3bn)

In 2005, the EIB signed individual loans for environmental projects totalling EUR 12.3bn, of which EUR 1.4bn outside the EU-25. The EIB's target of devoting 30-35% of its individual loans in the EU-25 to projects aimed at protecting or improving the natural or urban environment was therefore attained. Over 60% of this lending in the EU-25 was directed to the urban environment (i.e. public transport and urban renewal) and 20% to water supply and sanitation projects and the reduction of industrial pollution. Most of the remaining 20% went on investments in energy efficiency and renewable energy.

The EIB had, in 2004, undertaken to increase renewable energy's share of total new electricity generation capacity financed by the Bank in the EU from some 15% to 50% by 2010. In 2005, a share of 64% was attained. In support of the EU's Lisbon



Agenda, the EIB has also started to fund renewable energy projects involving new and innovative technologies that, although not meeting the Bank's standard criteria for economic viability, can demonstrate that they have the potential to become economically viable within a reasonable timeframe.

Trans-European Networks (EUR 8.2bn)

Efficient transport and energy networks are vital for the economic integration of the enlarged EU and for secure energy supplies. Hence Trans-European Networks (TENs) are another priority area of the EIB. In 2005, signed loans in support of TEN projects within the EU-25 totalled EUR 7.7bn, with a further EUR 550m signed in Romania.

In order to step up its support for TENs, the EIB also introduced new financial instruments, such as the Structured Finance Facility for financing higher-risk TEN projects, and proposed an EU loan guarantee instrument for TEN-Transport projects, which is still under consideration, covering risks in the early years of a project when the flow of revenues may be below expectations.

Support for EU development and cooperation policies (EUR 3.6bn)

FEMIP aims to develop the private sector and social and economic infrastructure in the Mediterranean Partner Countries. In 2005, lending under FEMIP totalled EUR 2.2bn, split between four key fields: the private sector (49%); transport infrastructure (34%); energy (13%); and the environment (4%). FEMIP provides the regional business community (including foreign investors) with access to financial products that are not easily available in the region (long-term loans, risk-sharing finance, risk capital and funding for technical assistance). 2005



The European Investment Bank Group in 2005

was also the first operational year of the FEMIP Trust Fund, which focuses on upstream technical assistance and risk capital operations in the Mediterranean Partner Countries.

In the EU's ACP (African, Caribbean and Pacific) partner countries covered by the Cotonou Agreement, the EIB is mandated, for the period 2003-2007, to provide loans from its own funds of up to EUR 1.7bn and manage an Investment Facility of EUR 2bn. The latter is designed as a revolving fund, with the repayments being invested in new projects. In 2005, political problems or difficult economic situations in some countries and the resulting sluggish foreign direct investment hampered the EIB's activity. Loans granted from EIB resources and the Investment Facility totalled EUR 540m, with the focus on industry and infrastructure projects and support for SMEs via local banks.

New priority objective: SMEs

At its 2005 annual meeting, the EIB's Board of Governors decided to include support for SMEs in the Bank's core objectives. To this end, new ways of collaborating with the banking sector are being explored. In addition, the EIB and EIF will use their combined strength to develop financial products tailored to the specific needs of SMEs operating in the different national and regional markets.

In 2005, global loans to financial intermediaries, which on-lend for small-scale investments, amounted to EUR 9bn, of which EUR 4.2bn went to some 20 000 SMEs.

Borrowing activities in 2005

Under the 2005 funding programme, the Bank raised EUR 49.8bn through 330 transactions

across 15 currencies. While overall volume was almost identical to 2004, the composition of funding shifted significantly in response to changing market conditions. Noteworthy growth areas included long-dated issuance (maturities of 10 years or above), notably in EUR benchmarks, and also structured issuance in EUR. Long-dated issuance raised over EUR 23bn equivalent, double last year's issuance in this maturity spectrum. Overall, issuance in EUR (39% of the total) accounted for the largest share of funding, followed by USD (29%) and GBP (20%). Currency diversification continued, with issuance in 12 additional currencies (12%). This reflects the Bank's ongoing contribution to the development of capital markets in currencies of the new Member States and Acceding/Accession Countries, where issuance in local currency also supports the development of the EIB's lending activities.



Statistical Report 2005



The Corporate Operational Plan for the period 2006-2008

The Corporate Operational Plan describes how the EIB plans to contribute to the strategic objectives of the EIB Group and therefore to its mission. The 2006-2008 COP translates the new strategy adopted by the Board of Governors in June 2005 into priorities, actions and initiatives.

Innovation, quality, new mandates and development impact

The EIB Group will continue to support growth and employment within the European Union and help take forward the Lisbon Agenda. In Europe, the operational focus is on innovation and quality. Innovation implies that the EIB Group will develop new financial instruments, also in cooperation with the European Commission, and that it will find new and improved ways of working together with the banking sector, notably in order to strengthen the EIB's support for small and medium-sized enterprises, which, since the Board of Governors' decision, is included among the Group's key operational priorities (the others being economic and social cohesion, the Innovation 2010 Initiative, protecting and improving environment, the development of Trans-European Networks and support for the development policy of the European Union in partner countries). In line with their new priority status, global loans for SMEs should account for more than 50% of all global loans in 2006.

The focus on quality requires further strengthening of the value added content of operations, including a progressive increase in the Bank's taking of credit risk to enhance financial value added. To that end, the Bank has reviewed its credit risk policy in order to reduce minimum credit ratings and has further developed its Structured Finance Facility, which enables lending to low – or below – investment-grade borrowers and projects via mezzanine and subordinated debt, derivatives and equity-type instruments. The Bank benefits

from strong risk assessment and management structures as well as from the quality of its loan portfolio. Over the last few years, the quality of the EIB's loan book has been excellent, with the best credit risks, according to the Bank's own rating, making up 96% of the portfolio, which leaves sufficient space to absorb a number of operations with a higher risk profile.

Outside the European Union, the Bank operates under lending mandates decided by the European Council. The existing mandates in the Enlargement and Eastern Neighbour Countries, the Mediterranean Partner Countries (MPCs), the Republic of South Africa, and Asia and Latin America are coming to an end in 2007 and new mandates will have to be agreed for the period from January 2007 to 2013. Considering the near depletion of available resources under the present Euromed II mandate by end-2005, the EIB has decided to provide loans on its own risk in the MPCs in 2006.

Under the Cotonou Partnership Agreement, the Bank intends to further develop its lending activity in the African, Caribbean and Pacific countries, in terms of both new instruments for ACPs – e.g. guarantees – and geographical and sectoral spread. Particular attention will be paid to the development impact of EIB operations.

Increased advisory services

The EIB Group also intends to increase its provision of advisory services where its technical expertise can support EU policies. Notably in the

The Corporate Operational Plan for the period 2006-2008



The EIB's Board of Directors

field of transport infrastructure, Member States and local authorities have requested the Bank on numerous occasions to play an advisory role in the development of new financing structures or to provide support in the construction of priority Trans-European Networks.

In addition, the Bank is supporting the Union's priority objective of promoting environmental protection and improvement under the Kyoto Protocol with the launch of the Climate Change Technical Assistance Facility. This provides advance funding to assist project promoters in developing the carbon reduction potential of their activities and maximising the generation of carbon credits, which can be traded within the EU emissions trading scheme, helping Member States to meet their obligations under the Kyoto Protocol.

The EIF has also developed advisory services drawing on its expertise in the fields of venture capital and portfolio guarantees to support regional and financial organisations in creating more favourable conditions and enhanced access to finance for small and medium-sized enterprises.

Cooperation with the European Commission

Cooperation and joint product development between the EIB and the European Commission will be further intensified. In the context of the European Action for Growth, the EIB will be involved upstream in project issues, but also in the design of specific financial instruments mobilising



The Corporate Operational Plan for the period 2006-2008

budget resources over the 2007-2013 programming period. The creation of new instruments by the Commission, to be managed by the Bank, will help to leverage grant aid with EIB loans and technical and market expertise.

Against this background, the organisation of the Directorate for Lending Operations in Europe has been adapted as of 1 January 2006 with the creation of a new horizontal department named "Action for Growth Instruments". This new department is responsible for all structured finance operations (risk-sharing loans) in support of Trans-European Networks and the Innovation 2010 Initiative (i2i), the two legs of the Action for Growth initiative launched by the European Council in 2003. It also leads the Directorate's centres of expertise on i2i, TENS/PPPs and environmental protection, and coordinates its advisory services. The department will contribute to ensuring consistent and coherent cooperation with the European Commission and the development of joint financial instruments for growth.

The EIB and the Commission have also decided on a substantial enlargement of the current cooperation framework with the Structural Funds for the programming period 2007-2013. Under JASPERS (Joint Assistance in Supporting Projects for European Regions), the beneficiary countries will be able to obtain technical assistance from the Bank to ensure the quality of projects and their implementation. A dedicated task force of some 50 European Commission, EBRD and EIB professionals will operate from the Bank's Luxembourg headquarters and in the field.

organising and participating in public events, and developing the Bank's website, publications and dialogue with civil society.

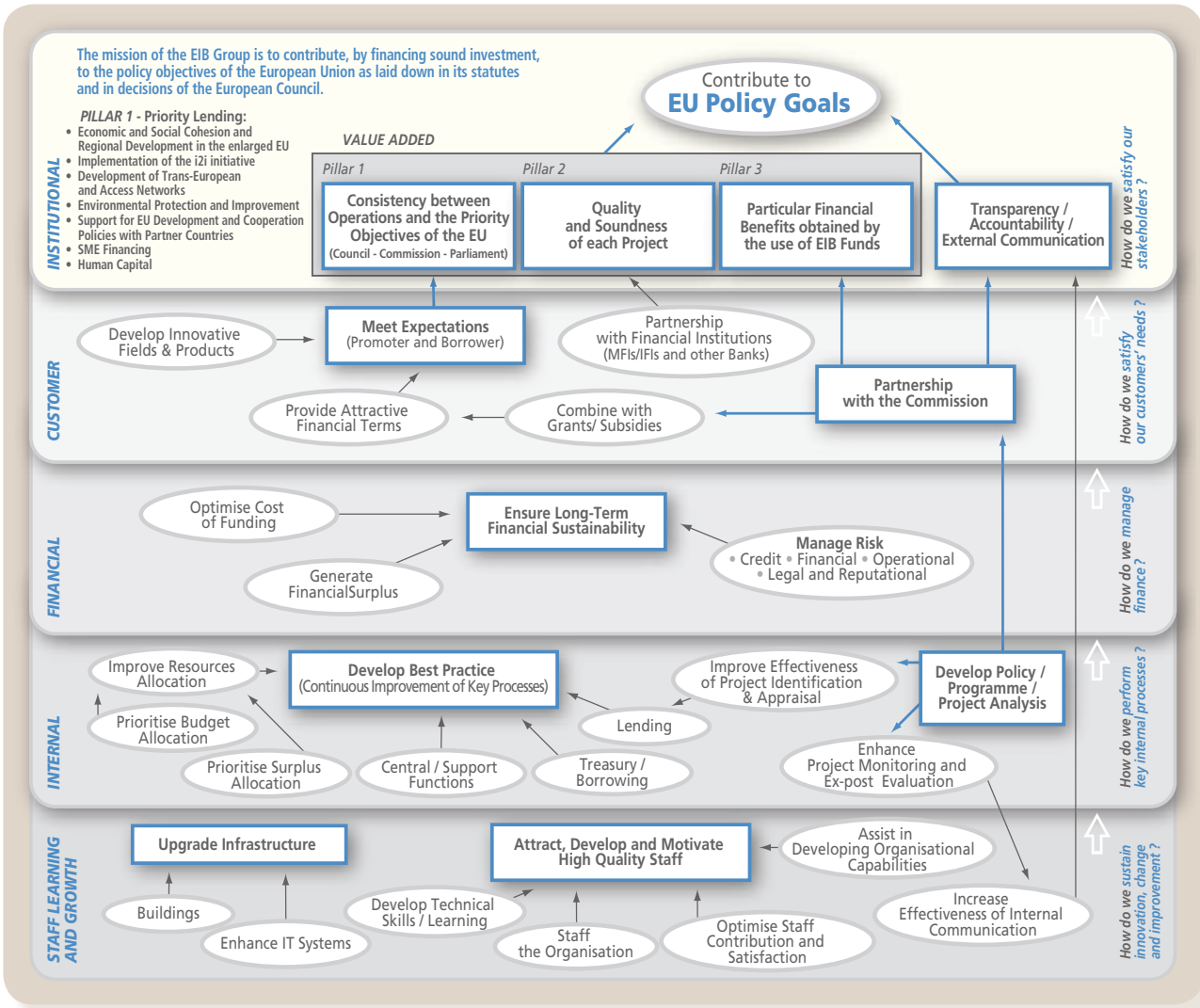
The EIB's website is a central tool for the Bank's transparency. Work will therefore continue on an annual rolling programme to develop and improve the content and user-friendliness of the EIB's website with the introduction of a new content management system.

Public consultation on the Bank's disclosure policy was carried out in 2005. This was the first time that the EIB has consulted the public on a Bank policy. The new disclosure policy, effective as of 2006, will be based on a presumption of disclosure. The Bank will also consider public consultation on further EIB policies.

Accountability through transparency

The COP period 2006-2008 will see the EIB continue to increase its transparency by stepping up the provision of information about its activities. This will involve interacting with the news media,

The Corporate Operational Plan for the period 2006-2008



The strategy map is a visual representation of the EIB's strategy and the processes and systems necessary to implement that strategy. It shows employees how their jobs are linked to the Bank's overall objectives.

EIB Group Activity in 2005





Balanced development throughout the European Union

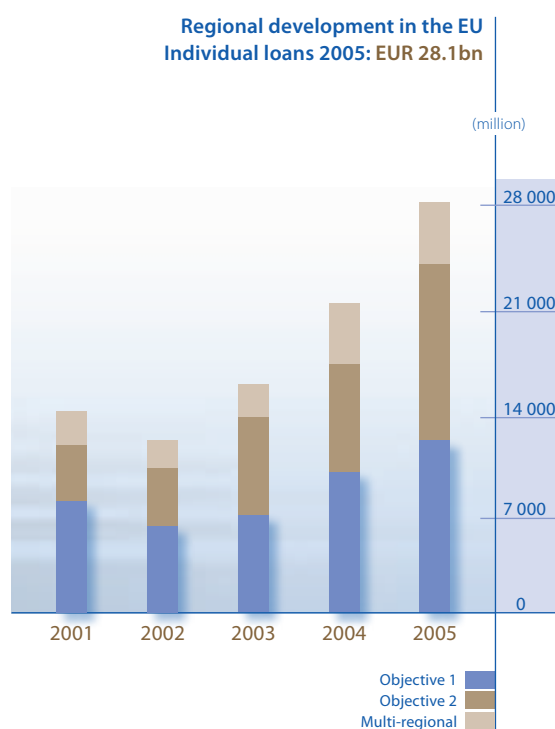
Supporting economic and social cohesion within the European Union constitutes the main remit of the EIB and is a core lending objective. Regional development, with the aim of reducing imbalances between the regions, is an essential component of that objective.

Fostering economic and social cohesion in the less favoured regions is the prime task assigned to the Bank by the Treaties. In view of the challenges resulting from enlargement and the continuing disparities within each Member State, the EIB's Board of Governors, when it reviewed the Bank's strategy in 2005, reaffirmed that economic and social cohesion was to remain its top priority. The enlarged European Union and the future cohesion policy for the 2007-2013 period put economic and social cohesion high on the EU agenda: adding further importance to this objective is the Lisbon Strategy, with its focus on investment in education, research and innovation as a means of achieving sustained economic growth and employment.

EUR 34bn for the regions

In 2005, the Bank granted loans of almost EUR 28bn in the 25-member Union for projects to assist regions lagging behind in their economic development (Objective 1 regions) or grappling with structural difficulties (Objective 2 regions), or suffering from both, which is equivalent to 84% of total individual loans in the EU. Global loans to financial intermediaries, for on-lending in support of small and medium-scale investments in assisted areas, reached EUR 5.9bn, bringing total lending for economic and social cohesion to some EUR 34bn in 2005, 80% of all lending in the EU last year. In 2006, the Bank also intends to focus at least two thirds of its individual loans and half of its global loans on projects supporting economic and social cohesion.

Reflecting the priority given to the development of EIB activities in the new Member States, lending in these countries was particularly strong at EUR 4.9bn. This is partly the result of a significant increase in Structural Programme Lending (SPL) operations, which consists of EIB co-financing of programmes benefiting from European





Balanced development throughout the European Union

Regional development in the EU Breakdown of individual loans by sector (2005)

	(million)	
	Amount	Total %
Energy	2 885	10
Communications	12 857	46
Water and sanitation	1 530	5
Urban development	2 193	8
Industry, agriculture	2 824	10
Health, education	2 423	9
Other services	3 376	12
Total individual loans	28 088	100
Global loans	5 900	

Union Structural and Cohesion Funds. Launched in Italy and Spain in 2001, SPL has been extended to other EU countries over the years and has now become a common instrument in the new Member States. Support for investment in assisted areas was also strong in Spain (EUR 6.1bn), Germany (EUR 4.8bn), Italy (EUR 3.9bn) and the United Kingdom (EUR 2.9bn). Future growth in lending is expected primarily from projects in the new Member States and the Acceding and Accession Countries.

EIB loans covered all sectors of the economy, the main ones in 2005 being communications (46%), industry and services (22%) and health and education (9%). Much of the lending for economic and social cohesion also benefited other EU priority objectives. Thus 79% of lending for TENs and other major European networks – including energy networks – went to assisted areas; this was likewise true of 82% of Bank loans aimed at improving the environment and 84% of loans to underpin the Lisbon Strategy.

Cooperation with the European Commission

Operational cooperation with the European Commission was intensified in 2005 in preparation of the 2007-2013 programming cycle to develop new synergies and complementarities between the operations of the Bank and those of the Commission in support of economic and social cohesion and to maximise the value added of the EIB's activities in this field.

The most significant development in this context is JASPERS (see box), an ambitious technical assistance partnership between the Commission's DG REGIO and the EIB, as well as the EBRD, supporting the successful implementation of the future EU cohesion policy.



Balanced development throughout the European Union

JASPERS: enhanced EIB/Commission cooperation for the regions

In 2005, the EIB and DG REGIO, the Regional Policy Directorate-General of the European Commission, stepped up their coordinated approach to policy development and operational activities with a view to launching a new policy for the period 2007-2013.



In October 2005, the European Commission, the EIB and EBRD presented the Joint Assistance to Support Projects in European Regions (JASPERS) initiative to the Member States and Accession Countries. JASPERS' objective is to help beneficiary countries absorb Structural and Cohesion Funds, financing badly needed investment over the EU's next budgetary planning period 2007-2013 while ensuring that the money is used in good time and with the best possible economic return in terms of growth and jobs. The key role of JASPERS will be to provide upstream technical expertise in programming and project preparation, but also in project appraisal. Hence, assistance will be offered from the early stages of project development and will have comprehensive sectoral and geographical coverage within its remit.

Key areas for JASPERS technical assistance will be those in which the JASPERS partners' expertise is highly valued: Trans-European Networks (TENs); and the transport sector outside of TENs, including rail, river and sea transport, inter-modal transport systems and their interoperability, management of road and air traffic, and clean urban and public transport. Environmental protection also features prominently, with a special focus on water and including energy efficiency and renewable energy.

JASPERS will be managed from the EIB's headquarters in Luxembourg. It will have recourse to some 50 dedicated experts in technical, economic and financial analysis. Many of these experts will be posted in the field to provide technical assistance to the Member States and regions, in particular in the new Member States, for preparing investment projects.

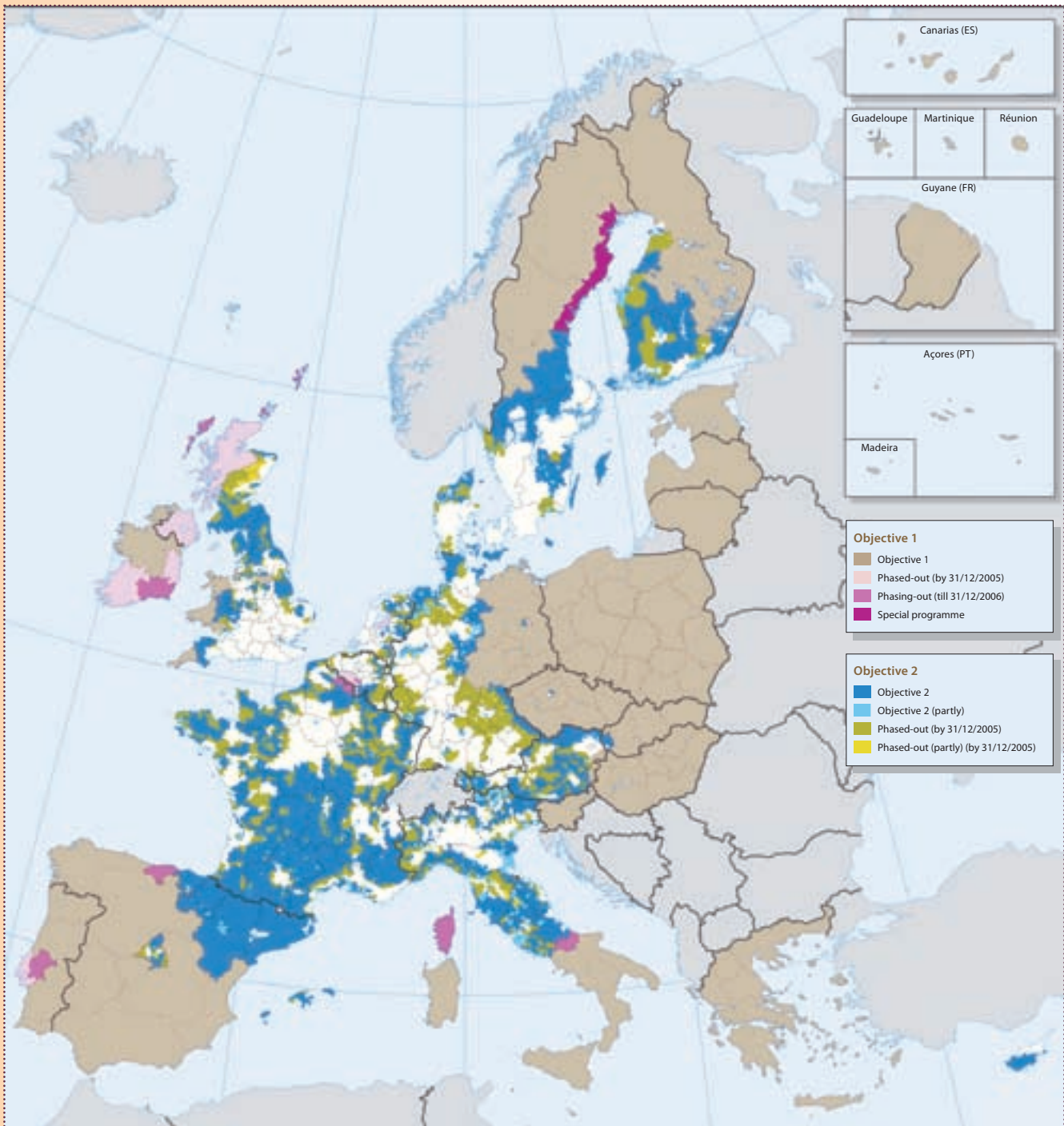


As appropriate, the experts will work in close cooperation with partner international financial institutions, notably the EBRD, which will be a full member of the team together with the EIB and the Commission. JASPERS will be complementary to the project preparation work carried out by national and local authorities, and countries requesting assistance will be under no obligation to borrow from the EIB or EBRD.



Balanced development throughout the European Union

Structural Funds 2004-2006: Areas eligible under Objectives 1 and 2





Balanced development throughout the European Union

Regional development by objectives in 2005

	(million)			
Countries	Objective 1	Objective 2	Indivisible multi-regional/other	Total
Austria	–	125	180	305
Belgium	189	276	–	465
Cyprus	–	170	–	170
Czech Republic	1 011	110	–	1 121
Estonia	5	–	–	5
Finland	25	25	200	250
France	121	865	668	1 654
Germany	2 448	2 306	–	4 754
Greece	895	–	–	895
Hungary	1 265	–	–	1 265
Ireland	329	–	–	329
Italy	665	1 423	1 791	3 879
Latvia	195	–	–	195
Lithuania	5	–	–	5
Malta	13	–	–	13
Netherlands	–	220	–	220
Poland	1 733	–	–	1 733
Portugal	1 234	–	–	1 234
Slovak Republic	174	–	–	174
Slovenia	257	–	–	257
Spain	1 592	4 007	475	6 074
Sweden	–	200	–	200
United Kingdom	279	1 906	707	2 892
Total	12 435	11 634	4 020	28 089
%	44%	41%	14%	100%

The Innovation 2010 Initiative

At the Lisbon European Council of March 2000, the European Union set itself the strategic goal of establishing a competitive, knowledge-based economy, capable of sustainable growth with more and better jobs and greater social cohesion by 2010. Soon after the Lisbon Council, the EIB created a special lending facility, the Innovation 2010 Initiative (i2i), in order to support the EU's innovation drive with the Bank's financial resources.

Since it set up i2i in 2000, the EIB has advanced loans for innovative investment projects worth EUR 34.8bn, EUR 10.4bn of which in 2005 alone. The overall quantified objective is to lend a minimum of EUR 50bn under the i2i programme over the current decade.

The EIB's lending is concentrated on three main areas:

- ⇒ Research, development and innovation (RDI) – private and public sector investment in research, the development of centres of excellence and academic research centres, as well as downstream investment (products and processes), notably in the private sector.
- ⇒ Education and training – support for university training by improving access to training as well as life-long learning, integration of research into tertiary education projects, helping to finance upgrading of related IT infrastructure, digital literacy and e-learning, as well as primary and secondary education.
- ⇒ The diffusion of technologies and development of information and communication technology (ICT) – involving the rollout of fixed and mobile broadband networks and access technologies, the creation of communications networks in a number of sectors (such as health and transport), and the development of electronic commerce platforms.

The European Investment Fund, the Bank's subsidiary, also plays an important role in implementing

the Lisbon Strategy. It stimulates entrepreneurship by investing in venture capital funds providing innovative small and medium-sized enterprises with equity resources. In 2005, the Fund committed EUR 468m to 24 venture capital funds, bringing its total commitments to EUR 3.2bn, invested in 217 funds. These investments are not included in the Bank's i2i lending figures, but are additional.

Research, development and innovation

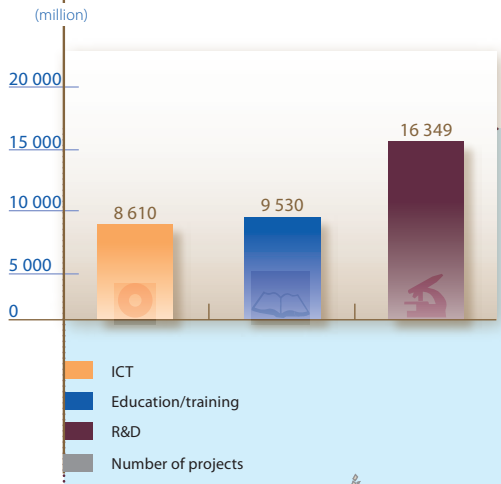
The EIB Group gives priority to projects furthering or resulting from synergies between the public and private sectors, since mobilising their combined effort is crucial for attaining the ambitious RDI investment target of 3% of Europe's GDP by 2010, set by the Barcelona European Council in March 2002.

With 44 loans amounting to more than EUR 6.1bn in 2005 (EUR 4.1bn in 2004), the RDI leg of i2i accounted for most of the EIB's lending. Investment in Germany played an important role, attracting a total of close to EUR 3.2bn, which went inter alia to: basic and applied research at independent national research institutions such as the Max Planck Gesellschaft and Fraunhofer-Gesellschaft; research activities in three leading science centres in Bavaria; the construction of a research, development and production site for semiconductors in Dresden; and research activities at universities and university colleges of technology in Lower Saxony. EUR 650m went to R&D-driven investment in the automotive sector in the Czech Republic and Slovakia.

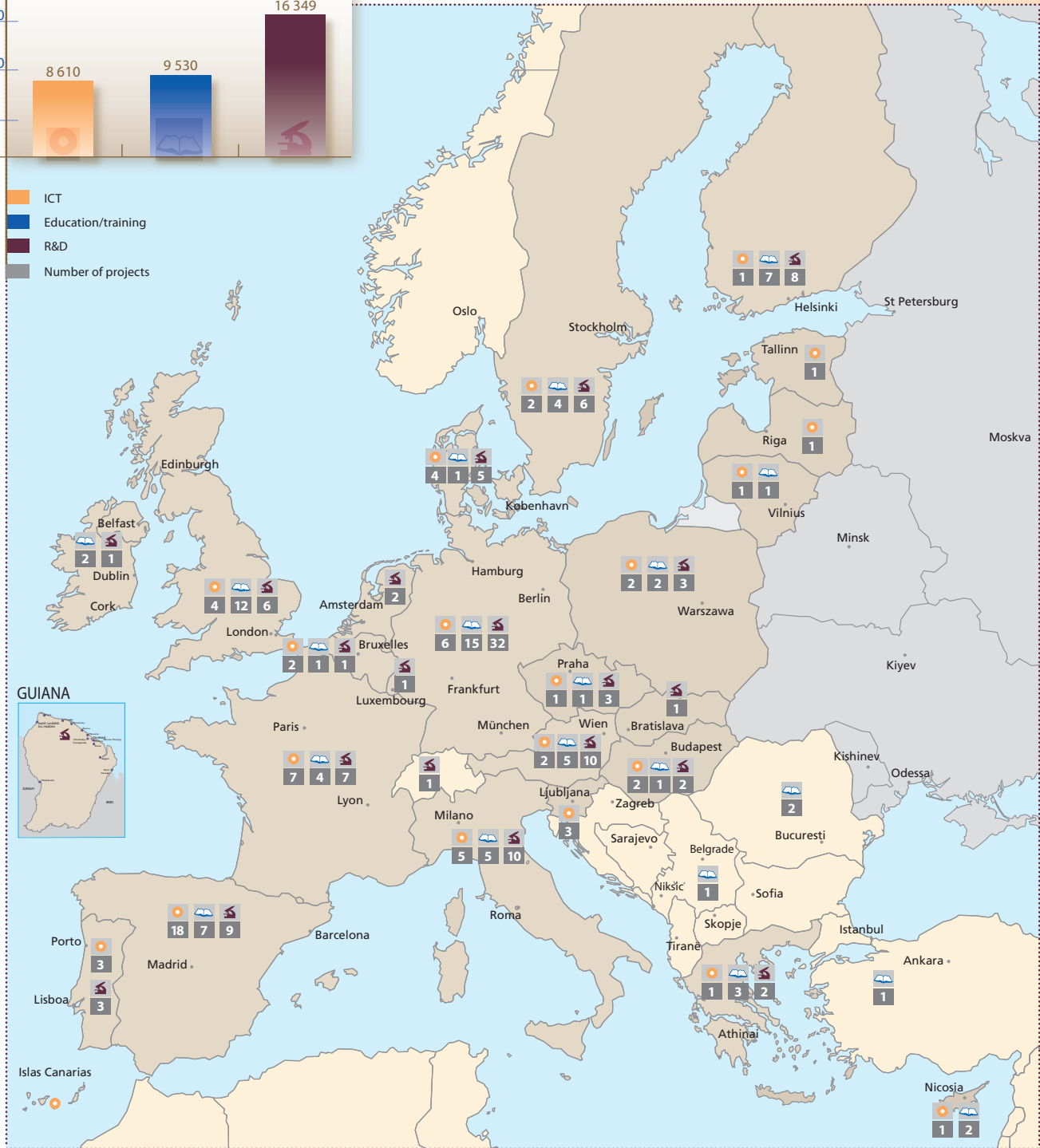


The Innovation 2010 Initiative

Signatures: Innovation 2010 Initiative (2000-2005)



EIB lending under i2i 2000-2005



The Innovation 2010 Initiative

More upstream, the EIB participated in the launching of technology platforms and supported their work. Initiated by DG RESEARCH of the European Commission, these platforms serve as a forum for linking stakeholders in innovative technological sectors that are important for the future of European industry. One basic objective is to develop a common vision and strategy for the technology. At the end of 2005, more than 20 platforms had been

created, with the more advanced (e.g. those focusing on hydrogen and fuel cell technology, nano-electronics, photovoltaics, and water supply and sanitation technology) encouraging the establishment of so-called joint technology initiatives, the aim of which is to promote priority projects that will have large funding requirements.

Increased access to education

The EIB granted a EUR 100m loan to Diákhitel Központ, Hungary's student loan centre, which is in turn channelling the funds as student loans to higher education students on favourable terms and conditions. This student loan scheme addresses the needs of eligible undergraduate and graduate students regardless of their social or educational background. Hungary's higher education system has undergone massive transformation in recent years. Undergraduate and graduate numbers have more than doubled over the past decade, reflecting an evolution towards a more inclusive educational system.



Education and training

In 2005, 30 loans for investment in education and training under the i2i umbrella amounted to almost EUR 2.2bn (EUR 1.7bn in 2004). In the United Kingdom, the construction, refurbishment and maintenance of primary and secondary schools took up a substantial portion of the Bank's lending. In Scotland, in North Lanarkshire, 21 primary and secondary schools will be constructed and maintained, as well as 28 schools in Argyll and Bute, both by public-private partnerships. In Finland, schools, social care centres and higher education facilities received a total of EUR 255m in EIB loans, while EUR 320m went to the rehabilitation and modernisation of higher education facilities in North Rhine-Westphalia in Germany.

Information and communication technology networks

Essential for the diffusion of innovation and sharing of data, ICT networks attracted close to EUR 1.9bn in 2005 (EUR 1.6bn in 2004). These networks are by definition large-scale projects with substantial funding requirements. Thus, the rollout of a broadband access network in Austria took up EUR 180m, in Spain almost EUR 400m, in Southern Italy EUR 350m, and in Germany's eastern Länder EUR 500m.

Smaller loans, under the Structured Finance Facility, went to the EIB's film/TV financing to



The Innovation 2010 Initiative

Launching new technologies

An EIB loan of EUR 121m went to Ariespace for a project comprising the construction of a new launch pad at the Guyana Space Centre in Kourou for launching Soyuz ST rocket vehicles. The Ariespace-Soyuz programme will be used for a number of EU scientific programmes, such as the satellite positioning system Galileo and GMES (Global Monitoring for Environment and Security) projects, and will foster the development of other new technologies.



strengthen the industry's international competitiveness. Since the Innovation 2010 Initiative was set up, the EIB has co-financed 70 film/TV productions, for a total EIB loan amount of EUR 105m. The aggregate production budgets of these 70 projects amount to nearly EUR 800m.

New financial tools

In order to help accelerate investment up to 2010, the EIB has developed a "toolbox" of financial engineering instruments tailored to investors' needs and expectations. The combination of Commission grants and Bank loans plays an important role

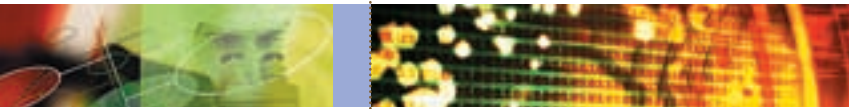
in this respect. The EIB has also set up a special window for "mid-caps" – corporates of intermediate size, which are frequently major innovators. This window is aimed at financing investments of up to EUR 50m, particularly in i2i sectors. For example, a loan of EUR 30m was signed with Investkredit for financing innovative mid-cap companies in Poland in 2005.

To increase its value added further, the EIB has started to accept higher credit risks for i2i projects by extending its Structured Finance Facility (SFF). Created in 2001, the SFF is used to support priority projects and promoters that are below investment grade, through provisioning of the associated higher credit risks by setting aside part of the Bank's surplus. The present SFF envelope of EUR 500m (of which EUR 100m for investment in the Mediterranean region under FEMIP) is practically exhausted and the Bank will propose an extension to its statutory bodies in 2006.

Cooperation with the European Commission

To support investment in innovation, the EIB cooperates closely with the European Commission. Most prominently, this cooperation is visible in the coordination and co-financing under the current EU Research Framework Programme and the intense preparations for the next framework programme, covering the years 2007-2013.

Despite the combined endeavours of the Commission and the Bank, the mid-term review of implementation of the Lisbon Strategy, which was on the agenda of the spring 2005 European Council in Brussels, concluded that further public and private efforts are essential, failing which Europe will certainly fall short of reaching its innovation objectives.

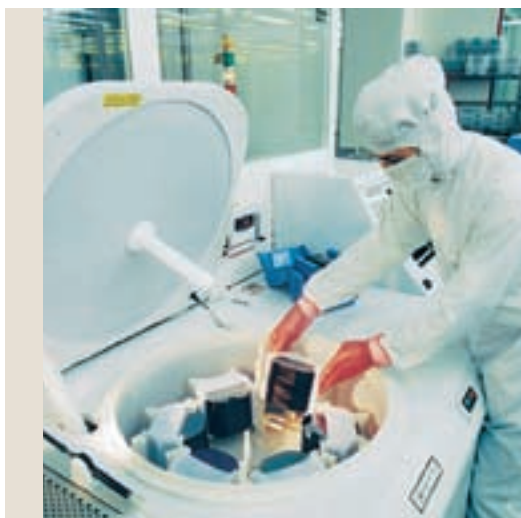


The Innovation 2010 Initiative

Increased leverage of EU grant resources through RSFF

In the context of the next Research Framework Programme covering the period 2007-2013, the EIB and the European Commission are preparing new ways of improving the leverage of EU grant resources when combined with EIB loans, as requested by the spring 2005 Brussels European Council. A Risk-Sharing Finance Facility (RSFF) is being set up for this purpose. Under the RSFF, the Bank will use Community grant resources, together with its own funds, to cover part of the risks associated with projects that have a higher risk profile than the Bank would normally accept. The EU grant portion is estimated to allow the EIB to make available in loans for risk-bearing European RDI investment an additional amount of six times the value of the grant. Following the agreement of the European Parliament and Council, the Risk-Sharing Finance Facility is scheduled to start operating in 2007 and will be open to all partners in large RDI projects with a strong European dimension.

The European Investment Fund is also stepping up its efforts in support of the Lisbon Strategy. Under the proposed "Competitiveness and Innovation Programme" (CIP), covering the period 2007-2013, the EIF will manage the implementation of the Entrepreneurship and Innovation Programme, an important component of which is the High Growth and Innovation Facility. This facility will leverage private capital for SMEs seeking between EUR 200 000 and EUR 2.5m.



The Innovation 2010 Initiative

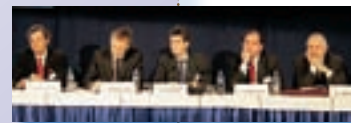
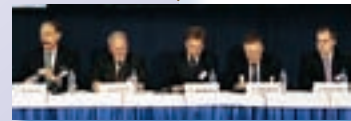
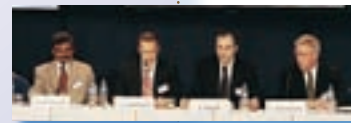
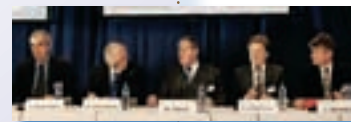


EIB Forum 2005: from Lisbon to Helsinki and back

The EIB's annual Forum has become a prime occasion to discuss topical issues at the highest level. Bringing together renowned speakers, top EIB officials and experts, and their counterparts in other EU institutions, the Member States and the private sector, the Forum provides an ideal setting for open and frank exchanges on the Bank's achievements and the backdrop against which these take place.

Following on from Forums dedicated to environmental sustainability (Dublin, 2003) and investment in the new Member States (Warsaw, 2004), the 11th EIB Forum, which took place in Helsinki in October 2005, focused on the future of the Lisbon Strategy. In the face of the disappointing mid-term results of the EU's bid to promote Europe as "the most dynamic knowledge-based economy by the end of the decade", the conference's 400 participants debated how to accelerate the implementation of Lisbon's ambitious objectives. As Finland had been named the best performing country in terms of global competitiveness by the World Economic Forum in 2004, Helsinki seemed the appropriate venue for such a debate.

For details of the proceedings, see EIB Information No. 121 or visit the Bank's website. The 12th Forum will be held in Athens in October 2006, when the focus will be on "South-East Europe – a region on the move".





Protecting the environment

In 2005, the Bank again realised its objective of dedicating 30-35% of all individual loans in the European Union to environmental protection, an ambitious target that demonstrates how important environmental protection is amongst the EIB's policy objectives.

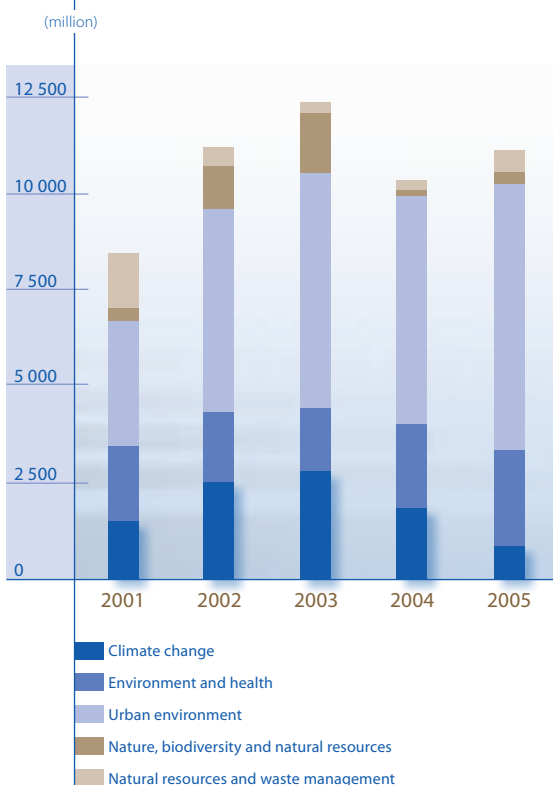
Individual loans for environmental investment projects totalled EUR 10.9bn in the European Union, accounting for 33% of direct lending. In addition, most global loans have multiple objectives, including environmental protection, and the EIB also provides dedicated environmental global loans. In 2005, the EIB advanced EUR 210m for two such loans in Austria and Germany.

Environment and quality of life
Individual loans in 2005

	(million)
	Total
Climate change	1 131
Environment and health	2 329
Urban environment	6 796
Nature, biodiversity and natural resources	338
Natural resources and waste management	400
Total individual loans	10 924*

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

Environment and quality of life
Individual loans 2001-2005: EUR 49.7bn



In the Acceding (Bulgaria and Romania) and Accession (Croatia and Turkey) Countries, the share of environmental protection projects was even higher, with EUR 853m (56%) devoted to the environment. In the Mediterranean Partner Countries, EUR 260m in individual loans was advanced for environmental schemes. A further EUR 90m went to environmental projects in the African, Caribbean and Pacific countries, EUR 85m to a project in South Africa, EUR 60m in Russia, and EUR 42m in Asia, all contributing to the Bank's goal of promoting environmentally sustainable development in the partner countries.

EIB lending for environmental protection and improvement covers both the natural environment and the built environment. Urban transport and urban renewal are central to the Bank's activities in the built environment; climate change and air and water quality are key to EIB support for improving the natural environment.



Protecting the environment

Climate change

The EIB's renewable energy action plan, adopted in 2004, is meant to step up the Bank's support for the European Union's climate change policies. The objective of the plan is to increase lending year-on-year, dedicating 50% of loans for new electricity generation to renewables by 2010. In 2005, lending for renewable energy projects totalled EUR 484m, or 64% of loans for new electricity generation.

In Finland, the EIB lent EUR 25m for the upgrading of two hydroelectric power plants on the Kemijoki River in Lapland. This investment will increase power generating capacity by 30% and at the same time help Finland meet its commitments with respect to greenhouse gas emission reductions. Renewable energy projects also included wind farms in Portugal and Sweden.

The EIB launched specific climate change instruments in 2004, which it started implementing in 2005. The EUR 500m Climate Change Financing Facility (CCFF) has now become operational. Half of the EUR 400m sub-window allocated to emission reduction projects within the European Union, undertaken by companies operating under the EU Emissions Trading Scheme, had already been committed by end-2005. This was done by approving the financing of the modernisation and environmental upgrading of pulp and paper mills in Portugal and the construction and operation of two run-of-river hydropower plants in Slovenia. Other potential projects for this facility are under preparation.

First candidate projects have been identified for the Climate Change Technical Assistance Facility (CCTAF), which provides grant financing to fund technical assistance for the development of carbon credit investment projects under the Clean Development Mechanism (CDM) and Joint Implementation (JI) schemes of the Kyoto Protocol.

The EIB is collaborating with the EBRD on the preparation of an EBRD-EIB Multilateral Carbon Credit Fund, which will provide additional outlets for projects financed by the institutions to sell their carbon credits as well as creating additional organisational capacity to help both the public and private sectors meet their compliance requirements.

In 2005, the EIB also participated in discussions with other public and private sector financial institutions with a view to strengthening cooperation to promote CDM and JI projects and the functioning of the carbon market overall.

Air and water

Loans for projects improving the environment in terms of air and water quality and reducing industrial pollution amounted to EUR 2.5bn in 2005, of which EUR 2.3bn in the European Union.

Water and sanitation is a key area for EIB lending, attracting more than EUR 1.2bn in the EU in 2005. The projects help to protect and safeguard the natural environment, promote public welfare and, especially in the partner countries, combat poverty. In the context of the EU's Water Framework Directive (WFD), the Bank finances projects and capital expenditure programmes, often jointly with the instruments of the European Commission, in order to ensure compliance with the objectives of the WFD. This often requires significant investment in urban wastewater and drinking water. EIB loans also promote the sustainable management of demand, integrated planning of catchment areas and flood protection.

In Belgian Flanders, the Bank lent EUR 75m for wastewater treatment, the last instalment of a EUR 250m financing agreement with the municipal wastewater management company Aquafin. The agreement encompasses 219 individual



Protecting the environment

projects, providing for the construction and upgrading of main sewers, treatment plants and pumping stations. The investments result in significant environmental benefits to the water quality of the Escault and Meuse rivers and the downstream North Sea area.

The modernisation and extension of water infrastructure in the city of Plzen in the Czech Republic was supported with a EUR 15m loan, which went to the upgrading of the drinking water supply as well as the construction of storm-water retention and drainage facilities and extension of the city's sewerage network. The project was co-financed with European Commission Cohesion Fund grants.

The built environment

By improving areas of deprivation, urban renewal projects can have a strong social cohesion impact and represent the best option of making use of valuable and scarce assets in city centres. At the same time, urban renewal may reduce the pressure towards further occupation of surrounding agricultural and natural land and contribute to a more balanced urban structure that is less demanding environmentally.

Most cities have an urban development plan under which areas showing signs of physical decay and more generalised social and economic deprivation are identified as requiring special attention. Loans for urban renewal amounted to EUR 1.8bn and included, for example, EUR 125m for the modernisation of municipal infrastructure in the Polish capital of Warsaw. The money will support small and medium-scale urban renewal projects, investment in local transport, environmental protection, health and education, conservation of cultural heritage, and the provision of priority community facilities.

Investment in sustainable urban public transport goes hand-in-hand with urban renewal. In the United Kingdom, the EIB lent EUR 145m for the extension of the Docklands Light Railway, providing a new transport link across the River Thames in South London. This public transport project is expected to create opportunities for deprived communities on both sides of the River Thames, improving their access to facilities and making development sites in the areas concerned more attractive to developers. Total lending for urban public transport came to EUR 4.9bn in the EU in 2005.

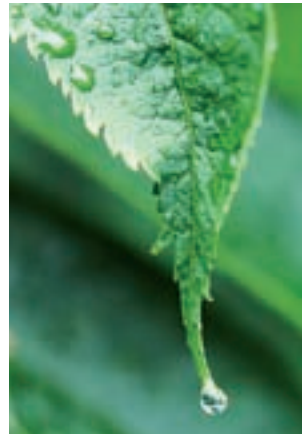




Protecting the environment

The Environment Unit at the EIB

The EIB's Environment Unit (ENVU), along with the environmental assessment group, both in the Projects Directorate, plays a central role in the Bank's environmental management system. ENVU was set up in 2002, as the focal point for dealing with environmental issues, to promote the development and application of environmental policy and practices throughout the broad range of EIB activities. During the course of 2005, ENVU enhanced its capacity to oversee environmental and social issues in Bank lending operations with the addition of two environment specialists and a social development specialist.



Among the priority tasks of ENVU during 2005 were a comprehensive review and revision of the internal environmental practices of the EIB, including the further development of a set of guidelines to help project teams deal more effectively with social development issues in operations outside the EU, environmental training and awareness-raising for Bank staff and the provision of additional support to the operational directorates of the Bank in priority environmental lending areas, such as those concerned with the mitigation of climate change. The unit also assisted other parts of the Bank in the development and promotion of the EIB's internal environmental management system.

In the field of social assessment, new guidelines are being developed in line with international standards, such as those of the ILO, and will not only emphasise the mitigation of potentially adverse impacts but also seek to promote social well-being in suitable EIB-financed projects.

ENVU continues to develop its external relations with a variety of institutions, including other European Union bodies and multilateral and bilateral financial institutions, on a range of topics. For instance, with DG ENV, the unit is helping to promote the new EU Directive on Strategic Environmental Assessment (SEA) through the projects that the Bank finances, and it participates in multi-institutional working groups on biodiversity, environmental technologies and the development of performance indicators. In particular, the Bank is seeking to reinforce its capacity to assess the consequences of investments in the pursuit of the Millennium Development Goals in developing countries through a new pilot tool known as the Development Impact Assessment Framework.



Development of Trans-European Networks (TENs)

One of the operational priorities of the EIB, the development of the Trans-European Networks (TENs) in transport and energy is crucial for the economic and social integration of the European Union.

The EIB remains a leading source of bank finance for these major networks in the Union, Acceding and Accession Countries. Since 1993, when TENs were put on the EU policy agenda at the Essen European Council, loans amounting to EUR 69.3bn have been signed for transport TENs and EUR 9.1bn for energy TENs.

The Bank is supporting 21 of the 30 priority transport projects identified by the European Action for Growth approved by the European

Council in December 2003. This initiative aims to strengthen Europe's long-term growth potential through increased investment in TENs, as well as in research, development and innovation.

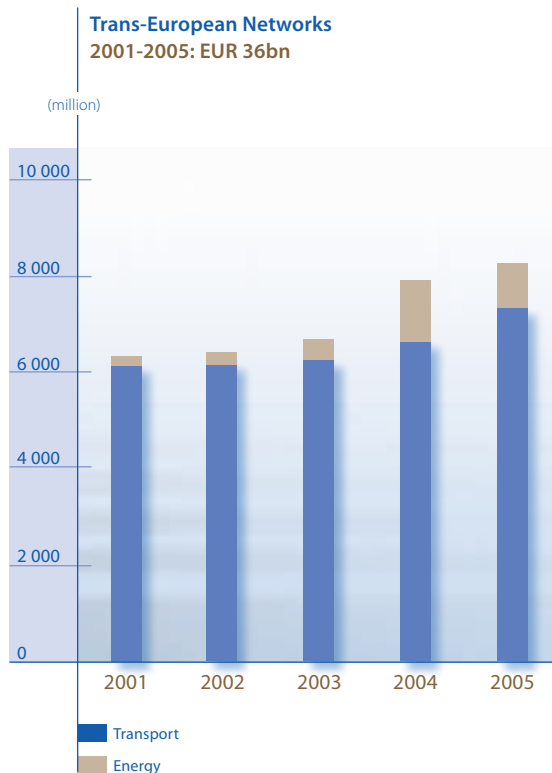
Transport networks

The 30 priority transport TENs were selected on the basis of their long-term strategic importance for the integration of the internal market in the enlarged Union, along with their impact on growth.

In 2005, EIB lending for transport TENs reached over EUR 7.4bn (EUR 6.6bn in 2004), almost half of which went to priority TENs. More than 40% was advanced to railways and 38% to roads, while the remainder went to maritime infrastructure.

One of the Action for Growth priority TENs that received EIB support was the construction of 90 kilometres of A1 motorway between Gdansk and Nowe Marzy in Poland. A EUR 500m loan of 30 years duration went to the Gdansk Transport Company, the private concessionaire in this PPP project forming part of European Corridor IV linking the Baltic Sea in the north with the Czech Republic, Slovakia and Austria.

In Finland, the EIB lent EUR 153m for the construction and operation of a 51-kilometre section of the E18. The project, which is implemented as a PPP, is part of the Nordic Triangle, a transport TEN prioritised by the EU which links the Nordic countries and their capital cities to each other while improving connections to Central Europe and the EU and Russia.





Development of Trans-European Networks (TENs)





Development of Trans-European Networks (TENs)

PPP Expertise

Through PPPs, the private sector is making a significant and increasing contribution to the development and delivery of public infrastructure. As a consequence, many national and regional public authorities are seeking a better understanding of PPPs.

In 2005, the EIB helped prepare, with the European Commission, the establishment of a European PPP Expertise Centre (EPEC) designed to share the experience of public bodies throughout the EU on best practice for PPP development. EPEC's advisory role will serve to disseminate experiences across Europe more efficiently and provide practical PPP implementation assistance. EPEC is expected to become operational in 2006.

The Bank's catalytic role in boosting private sector involvement in TENs led it to support public-private partnerships with loans worth EUR 772m in 2005.

EIB finance may eventually reach EUR 2.5bn, making it the largest contribution to a single project in the Bank's history.

Given its long experience and accumulated expertise in the area of TENs, the EIB also increasingly plays an advisory role to assist project definition. A new advisory mandate taken on last year concerns the Brenner Base Tunnel (*see also box on PPP Expertise*).

Energy networks

Energy TENs are a top priority of the European Union's energy policy owing to their contribution to the creation of the internal energy market, diversification of energy imports and enhancement of the security of energy supplies. Some of these energy TENs also promote the development of regions lagging behind economically.

The Commission's priority list of energy TENs comprises both electricity and natural gas transportation axes. All projects contributing to these axes, ranging from small cross-border power links to transcontinental gas pipelines, are eligible for EIB finance.

In 2005, the EIB lent close to EUR 900m for energy TENs. This compares to EUR 1.3bn in 2004. Such fluctuations are to be expected because TEN projects are few and of a large-scale, with long preparation and implementation lead times. It is envisaged that in 2006 a number of important energy TENs will have reached the stage at which the Bank will again increase its involvement in the sector.

One of the energy TENs financed in 2005 was the liquefied natural gas terminal on the Isle of Grain in Kent (UK). The Bank's EUR 177.3m loan is helping to provide a cost-effective solution to supplying natural gas to the UK market at a time when it faces

PPP conference
(Athens,
18 April 2005)



The EIB lent a further EUR 1.1bn for the Madrid-Barcelona-Figueres high-speed rail line to the French border, a project consisting of the construction and commissioning of 744 kilometres of new high-speed railway. The project links Spain's two main cities and integrates the Iberian Peninsula's rail network into that of the rest of Europe.



Development of Trans-European Networks (TENs)

increasing demand and declining indigenous reserves. LNG facilities ensure import diversification and contribute to gas-on-gas competition. The transport costs of LNG have come down in recent years which, combined with increasing regional market imbalances, is leading to the creation of a worldwide LNG market.

In 2005, the EIB carried out a major review of its involvement in the energy sector. The recent increase in oil prices, which have reached their third highest historical peak, has led to a higher prioritisation of energy issues on the European Union's policy agenda. The object of the review was to define orientations for the Bank's operations in the energy sector in order to reflect the new priorities. The promotion of competition and development of energy TENs, reducing the risks linked to increased energy dependence on supplies coming from outside the European Union, and cooperation with partner and neighbouring countries, all figure high on the agenda. The EIB will follow up with an energy action plan in 2006.

of products that the Bank offers in support of high priority operations to include infrastructure funds investing in projects that meet the EIB's eligibility requirements. PPP projects are a particular focus. Thus, the Bank invested EUR 50m in the Emerging Europe Convergence Fund, which concentrates its activities on the new Member States of Eastern Europe. The Bank is developing a pipeline of such operations to create, over the medium term, a portfolio of infrastructure funds that collectively invest in quasi-equity on the broadest geographic basis throughout the EU. Subject to market conditions, three or four further infrastructure fund investments may be signed during 2006.

Systematic support for private sector involvement

Many TENs operations involve conventional long-term lending with very long maturities and appropriate grace periods on the repayment of principal. However, as the Bank wishes to be a catalyst for private sector investment in TENs, it has also introduced new financial instruments to address risk issues. The EIB's Structured Finance Facility, for example, makes it possible to finance private, public or semi-public special purpose vehicles, particularly in cross-border PPP projects, on a risk-sharing basis.

Under the Structured Finance Facility, the EIB for the first time took participations in infrastructure funds in 2005. This has extended the range



SME support becomes a core objective in 2005

At their 2005 annual meeting, the Board of Governors of the EIB elevated support for small and medium-sized enterprises (SMEs) to one of the Bank's five core objectives in the European Union. In practice this means that the EIB Group is making more resources available for SME financing and is further fine-tuning its financial toolbox.

More than 20 million small and medium-sized enterprises are active in the European Union, accounting for two thirds of jobs in the EU and half the turnover of the non-agricultural business sector, and playing an important role in terms of growth and innovation. The EIB supports SMEs through global loans – credit lines to intermediary banks and financial institutions that have expert knowledge of the local market, which subsequently on-lend the money to finance small-scale investment projects. The global loan instrument is critical. Without it, the Bank's remit would be limited to large projects and large counterparts.

In 2005, global loans in the EU amounted to EUR 8.9bn, of which EUR 4.2bn benefited an estimated 20 000 small and medium-sized enterprises. Most of these loans supported other core objectives of the Bank as well. A considerable part went to SME investment fostering economic and social cohesion. EIB-financed research and development by innovative SMEs helped to implement the Lisbon Agenda.

In the new Member States, global loan activity in 2005 amounted to EUR 815m, EUR 471m of which targeted SMEs. In these countries, global loans are provided in close cooperation with European Union grant funding, in particular the SME Finance Facility originally launched under PHARE, a pre-accession instrument financed by the EU. Such cooperation encourages the development of financial markets and improves the framework conditions for SME finance.

Improving the financial product in 2005

A value added framework for global loans in the European Union, supported by an ex post evaluation of the EIB's SME financing, was adopted and

implemented in 2005. Improvements have been made to the reporting requirements of financial intermediaries, focusing on the Bank's three pillars of value added (consistency with EU priority objectives, quality of the intermediaries, financial benefits for the final beneficiaries), while transparency and information to the final beneficiaries have been reinforced.

Diversification of banking counterparts, in order to stimulate competition, which is favourable to the final beneficiaries, continued in 2005. The EIB had global loan arrangements with 255 financial intermediaries in the European Union.

A fruitful partnership with commercial banks based on subsidiarity and complementarity will remain very important to the EIB. Such cooperation enables the Bank to bring added value to a wide variety of projects. In addition, in the new Member States, Accessing, Accession, Candidate and Partner Countries, the EIB can make a significant contribution to the development and strengthening of the banking sector. The Bank is developing alternative approaches and structures, while ensuring that the final beneficiaries and partner banks both benefit from EIB intervention.



SME support becomes a core objective in 2005

The EIF

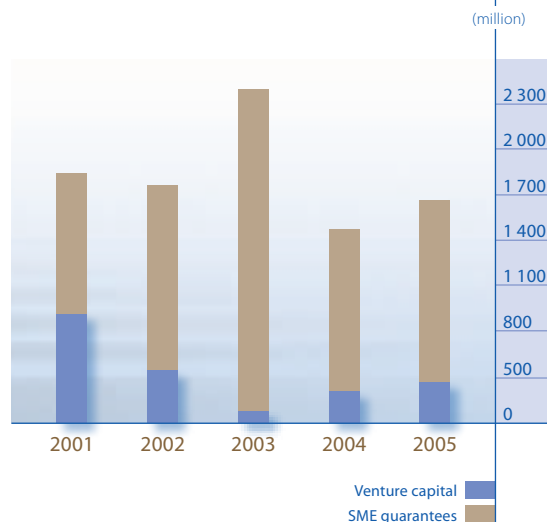
The European Investment Fund, in which the EIB is the lead shareholder (some 60%) alongside the European Commission (30%) and financial institutions, specialises in SMEs. The EIF acts as a fund of funds in the venture capital market, offers SME credit guarantees and provides financial advisory services. EIF financing is made available through financial intermediaries, using its own resources as well as funds mandated to the Fund by its shareholders or third parties. EIF activities are accounted for separately and are not included in the Bank's lending figures.

In 2005, the EIF committed EUR 468m to investment in venture capital, while total venture capital commitments amounted to EUR 3.1bn at the end of the year. With investments in some 220 funds in the European Union, the EIF is a key institution in promoting innovative financing for SMEs. The Fund concentrates on early-stage technology and life sciences, which account for close to two thirds of the investment portfolio.

EIF guarantee operations amounted to EUR 1.7bn in 2005. The total guarantee portfolio ran to EUR 9.3bn at end-2005. The EIF offers two main product lines for its SME guarantee activity: credit enhancement for securitisation and credit insurance/re-insurance (including micro-credit loans). The objective of securitisation is to enhance SMEs' access to debt financing by facilitating SME credit risk transfer from the originating financial institutions to the capital market. More than EUR 450m in credit enhancement operations were concluded in 2005.

In 2005, EUR 1.2bn worth of SME guarantee operations were signed under the guarantee window of the current EU multi-annual programme for SMEs. So far, over 260 000 SMEs have benefited from this programme (and its predecessor). Included in the window is the micro-credit guarantee facility, which supports entrepreneurs

EIF Commitments 2001-2005



and micro-enterprises with up to 10 employees, guaranteeing micro-loans of up to EUR 25 000. Its objective is to help entrepreneurs who are starting a business and face difficulties in gaining access to financing, due to the relatively higher credit risk they represent and the insufficient security that they can provide to lenders. Guarantee commitments of this kind have reached close to EUR 180m, which is a substantial amount considering that the size of the micro-loans is on average just below EUR 10 000.

Future global relationship management for SMEs

Elevating SME finance to a core priority has led the Bank to explore possible further synergies with the European Investment Fund with a view to maximising value added for its SME clients. The European Investment Bank and the European Investment Fund's activities are dissimilar in



SME support becomes a core objective in 2005

JEREMIE: leverage for SME funding in the regions

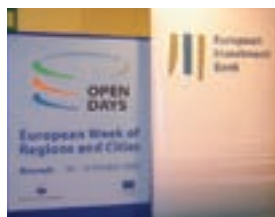
At the request of DG REGIO, the Regional Policy Directorate-General of the European Commission, the EIB and EIF have together developed innovative measures to foster access to finance for SMEs (including first-time entrepreneurs) and micro-credit in regions that are eligible for Structural Funds support over the next budgetary planning period 2007-2013.



In October 2005, the Commission and the EIF launched the Joint European Resources for Micro-to-Medium Enterprises (JEREMIE) initiative. Under JEREMIE, the Member States and regions will have the possibility of outsourcing to the European Investment Fund (EIF) the management of the SME-dedicated part of the Structural Funds (ERDF). The first phase of JEREMIE will consist of an EIF evaluation at regional and national levels of the needs for financial engineering and the formulation of action plans in 2007.

Instead of using the grant resources as such, a part will be transformed into a range of other financial products, including equity, venture capital, guarantees, loans and technical assistance. The objective is to create a multiplier effect on the Structural Funds budget. For each budget euro, the sum of financing products available could range from 2 to 10 euros. In addition, the funds will be rolled over instead of simply "granted" once.

The targeted SMEs will range from life sciences start-ups to medium-sized enterprises operating in more traditional sectors of the economy. Through JEREMIE, regions will be able to benefit from the EIF's experience in all areas of investment concerned, but also from the Fund's large network of international, national and local institutions dealing with SME finance, as well as from the ability of the EIB Group (and other International Financial Institutions) to leverage additional funding.



The EIF will work with national and local authorities to design each local scheme "à la carte", taking into account and adapting to local conditions. This tool-kit approach is expected to optimise the use of Structural Funds to the benefit of the whole chain: the regions, the financial sector and the beneficiary SMEs.



SME support becomes a core objective in 2005

nature: the Bank's borrowing and lending is quite different from the investor and guarantor role of the Fund. However, these differences and the fact that the EIF is a key market player for two of the Bank's strategic priorities – particularly SMEs, but also i2i – set the stage for complementarity between the two institutions and joint initiatives between the EIB Group and the European Commission.

Global relationship management is well established in the Bank and ensures a systematic approach to increasingly complex relationships with key clients. In the future, joint EIB-EIF global relationship management for financial intermediaries that on-lend to SMEs should make it possible to offer a much more comprehensive financial product line. Coordination of the marketing and relationship function will result in better identification of the most appropriate product required to improve access to finance for SMEs, reflecting the variety of situations at national and regional level and the specificity of the financial counterpart. Drawing on the EIB's extensive network of relationships with financial intermediaries and the EIF's specific technical expertise and experience, the EIB Group can combine lending and guarantee instruments with securitisation transactions.





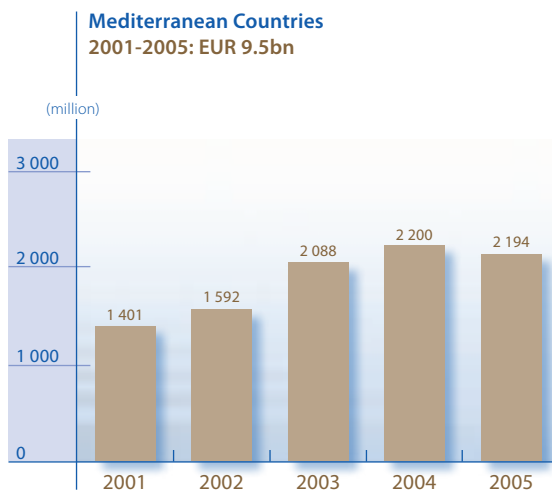
FEMIP: supporting the Mediterranean Partner Countries

The European Union's Foreign Ministers designated 2005 "the year of the Mediterranean". For its part, FEMIP, the EIB's lending facility in the Mediterranean Partner Countries, played an important role by making EUR 2.2bn available for key investment projects.

Since October 2002, the European Investment Bank's operations in the Mediterranean Partner Countries (MPCs) have been brought together under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). FEMIP underpins the Barcelona Process, which started in 1995 and aims to help the MPCs meet the challenges of economic and social modernisation and economic integration, particularly in the run-up to the creation of a free trade area with the European Union in 2010. Against this backdrop, FEMIP gives priority to financing private sector ventures, whether local initiatives or foreign direct investment. In order to create an enabling environment for the development of the private sector, FEMIP also supports infrastructure projects, investment in human capital and schemes specifically targeting environmental protection. In addition, FEMIP allocates grant resources to upstream technical assistance and to risk capital.

2005 was also the first operational year of the FEMIP Trust Fund. Created in mid-2004 and so far having EUR 33.5m at its disposal, donated by 15 Member States and the European Commission, the Trust Fund complements the Technical Assistance Fund by focusing on upstream technical assistance and risk capital operations in the Medi-

terranean Partner Countries. Over the course of the year, seven operations were approved for a total amount of EUR 3.4m. In terms of geographical distribution, four of the projects approved had a regional focus, while the other three targeted Algeria, Morocco and Syria. Sector-wise, four of the projects approved supported the development of the local financial sector. In addition, one project was approved in each of the following sectors: transport, energy and industry. All projects approved had the ultimate goal of supporting private sector development in the region.



Projects financed in 2005

In 2005, FEMIP lent a total of EUR 2.2bn for 23 projects in the Mediterranean Partner Countries, slightly over the already remarkable figure achieved in 2004. Investment in the private sector, aimed at supporting small and medium-sized projects and foreign direct investment, accounted for EUR 1.1bn, half of the Bank's lending in the area.



FEMIP: supporting the Mediterranean Partner Countries



FEMIP
2005 ministerial meeting
(Skhirat, Morocco,
19-20 June 2005)

In terms of sector allocation, EUR 1.3bn (59%) was directed towards infrastructure, including transport projects (29%), investment in the energy sector (25%) and telecommunications improvement schemes (5%). Global loans to financial intermediaries, for on-lending in support of small and medium-scale investment, accounted for EUR 650m (31%), investment in industry absorbed EUR 142m (6%) and environmental protection took up EUR 90m (4%). Risk capital operations rose to EUR 45m, a twofold increase compared to 2004.

In terms of geographical distribution, six projects for a total of EUR 930m were financed in Turkey, reflecting the boost in local and foreign investment in the country resulting from its status as an EU Accession State.

Lending in the Near East countries reached EUR 834m in 2005. Investment in the energy sector (natural gas) was paramount in Egypt, while in Syria the construction of a combined heat-and-power generation plant and improvements to the rural telephone network were supported by the Bank. Loans in Lebanon went to small and medium-sized enterprises, wastewater treatment and road construction along the coast. Maintaining a well-functioning Lebanese road network is essential to support the development of the private sector as well as regional economic transit activity and trade, given that Lebanon plays a key role and is a driving force in the region.

In the Maghreb countries, EIB lending amounted to EUR 430m, directed to six projects. Loans in Tunisia went to some ten local banks to help them finance small and medium-sized investments, as well as supporting the creation of five technology

parks offering research and development, training and production facilities. Road improvement and finance for small-scale investments accounted for the bulk of lending in Morocco.

A fresh start for the West Bank and Gaza Strip

In 2005, the EIB carried out a thorough evaluation of the state of implementation of Bank-financed projects in Gaza-West Bank. A fact-finding mission was organised mid-year and the mission team had discussions with Palestinian borrowers on the status of EIB-financed projects in the area and the scope for new financing in the light of the Gaza disengagement and the re-launch of the Middle East peace process and the implementation of the Wolfensohn Action Plan. Priority projects were identified for future EIB involvement in the power,

Mediterranean Countries Loans provided in 2005		
		(million)
	Total	of which risk capital
Turkey	930	–
Egypt	309	25
Syria	300	–
Tunisia	260	–
Lebanon	170	–
Morocco	160	–
Gaza/West Bank	55	10
Algeria	10	10
Mediterranean	2 194	45



FEMIP: supporting the Mediterranean Partner Countries

Euro-Mediterranean
Ministers of Foreign
Affairs meet
in Barcelona
(30-31 May 2005)



transport, social (public housing, schools, hospitals) and environmental protection sectors. Support for small and medium-sized enterprises will also be vital, as it underpins job creation and will lead to greater prosperity in the future.

A rapid follow-up made it possible for the Bank to lend EUR 45m in 2005 to improve electricity supplies in Gaza-West Bank. Together with funding from Spain, Norway and Sweden, and the Palestinian Authority, the EIB's loan is going to the rehabilitation and upgrading of the electricity and distribution network in the Palestinian territories.

Furthermore, the EIB joined the European-Palestinian Credit Guarantee Fund, being established and led by KfW Development Bank of Germany, with a soft loan of EUR 10m. Alongside the EIB, the European Commission is supporting the Guarantee Fund with a grant of EUR 14m. The Fund will assist privately owned small and medium-sized enterprises with fewer than 20 employees that have difficulty in obtaining bank loans for investment.

Technical assistance

To facilitate the preparation and implementation of projects, FEMIP can avail itself of a Technical Assistance Support Fund. In 2005, 26 contracts were concluded for a total value of EUR 21m.

A clean Mediterranean Sea by 2020

Based on a European Commission initiative, the EIB is participating in preparations for a large-scale depollution programme for the Mediterranean. The Euro-Mediterranean Conference of Foreign Affairs, held in Luxembourg in May 2005, concluded that the quality of life in the Mediterranean should be improved by launching an initiative for the depollution of the Mediterranean Sea by 2020. The goal is to tackle all the major sources of pollution, including industrial emissions, municipal waste and particularly urban wastewater. This will improve the development of tourism and contribute towards stemming the decline of local fishery stocks as well as providing safe drinking water.

Confirmed at the 10th anniversary summit of the Barcelona Declaration end-2005, participation in the initiative is open to the Member States of the European Union, the Mediterranean Partner Countries, international organisations, financial institutions and bilateral donors, representatives of the NGO community and civil society and other interested parties. The initiative is not restricted to national level stakeholders but reaches out to involve local and regional actors in a bottom-up approach.

As environmental protection and improvement are a key objective of FEMIP, the Bank has joined the initiative already at the preparatory stage, in which it contributes expert advice. It is expected that, at a later stage, it may also contribute financially.

The funds were allocated to direct private sector support, infrastructure and the environment, including the water and wastewater sectors. The technical assistance component provides FEMIP with a strong instrument for improving the quality and development impact of its lending operations.



FEMIP: supporting the Mediterranean Partner Countries



FEMIP Annual Report

By the end of 2005, the EIB had contracted a total of 46 technical assistance operations with consulting firms, with an overall value of EUR 35m.

Cooperation with others

In order to ensure efficient coordination and cooperation with the authorities, borrowers, the banking sector and other lenders in the region, the EIB opened an office in Rabat in 2005. This is the third office in the region, after the representations in Cairo and Tunis, which were inaugurated in 2003 and 2004 respectively.

Formalising a long-standing relationship, a Memorandum of Understanding on an enhanced strategic partnership for cooperation in the African countries was signed in 2005 between the European Investment Bank, the European Commission and the African Development Bank. To combine resources and increase cooperation with bilateral development finance institutions from the European Union Member States that also operate in the Mediterranean, the EIB signed an agreement with twelve such institutions last year, all members of the Association of European Development Finance Institutions. In addition, it signed a letter of intent with the Agence Française de Développement and the KfW Development Bank.

Political backing

FEMIP's success is made possible by cooperation between the Mediterranean and EU countries at the political level, notably through the FEMIP ministerial meetings, which bring together the Ministers of Finance and Economy of the European Union and the MPCs. The 5th Ministerial Meeting was held in Morocco in June 2005 and was twinned with an extraordinary Euro-Mediterranean ECOFIN meeting. Representatives of the other European institutions, the World Bank group, IMF, African

Development Bank, European Central Bank and Arab Monetary Fund also attended the meeting.

The focus was on water and sanitation issues and the development of the region's transport, banking and financial sectors.

The Euro-Mediterranean Summit that took place in Barcelona in November 2005 celebrated the 10th anniversary of the Barcelona Process and reaffirmed the objective of the creation of a free trade area by 2010. On this occasion, the EIB expressed its willingness to provide supplementary resources of up to EUR 1.5bn for investment in the Mediterranean region in 2006. As the Bank's lending in the area reached very high levels in 2004 and 2005 (EUR 2.2bn annually), the available resources under the current Euromed mandate have been rapidly depleted. This transitional measure, the "Interim Facility", became necessary to bridge the gap until a new EU envelope was mandated for the period 2007-2013.

At the end of 2006, the EU Member States will, in consultation with the Mediterranean Partner Countries, evaluate the performance of FEMIP. The European Council will then have to decide whether FEMIP should be continued in its present configuration or whether it might be more appropriate to set up an EIB majority-owned subsidiary.



Cooperation with other partner countries

In the context of the European Union's development and cooperation policies, the EIB finances projects around the world: in Africa, the Caribbean and the Pacific, in South Africa, in Asia and Latin America, in South-East Europe and in Russia. Loans for projects in these countries amounted to almost EUR 3bn in 2005.

Signature of the Accession Treaty with Romania and Bulgaria (25 April 2005)



The Acceding Countries: Romania and Bulgaria

EIB loans in this part of South-East Europe amounted to EUR 979m in 2005, the bulk of it going to Romania, which received EUR 949m. Most of the lending in Romania was channelled into transport infrastructure: the rehabilitation and new construction of parts of Trans-European Networks as well as the repair of roads damaged by heavy floods in 2004 and 2005. EUR 66m went to the national healthcare sector for investments providing better services for patients requiring maternity and newborn care, and to upgrade emergency medical care and rural primary health-care. The project was co-financed with the World Bank. Another EUR 12.6m served to improve water supply services in small and medium-sized towns, resulting in cost savings and the reduction of leakage through the replacement of network pipes and old pumps and installation of water consumption meters. EUR 20m financed small and medium-sized investments in Romania, and EUR 30m in Bulgaria.

The Accession Countries: Croatia and Turkey

The EIB lent EUR 60m for the construction of a ring road in Split, in Croatia, in 2005.

In Turkey EIB lending amounted to EUR 930m. The private sector played an important role, but the largest loan of EUR 450m went to the construction of the Bosphorus railway tunnel, a project that also has symbolic importance, as the tunnel will unite the European and Asian rail networks across the Bosphorus Strait. The tunnel will connect two railway lines on Pan-European Transport Corridor IV, which presently terminate on either side of the Bosphorus. It will also reduce air and noise pollution in metropolitan Istanbul by enabling a major shift from road to rail, alleviating congestion on the road network.

The Western Balkans

Total lending in the Western Balkans reached EUR 399m. Lending in Bosnia and Herzegovina ran to EUR 211m, while EUR 35m was advanced in Albania. Projects in Serbia and Montenegro

Balkans Loans provided in 2005		(million)
		Total
Serbia and Montenegro		226
Croatia		195
Albania		40
Balkans		461



Cooperation with other partner countries

amounted to EUR 153m. EIB lending takes place in close cooperation with other donors, such as the European Commission, the European Agency for Reconstruction and the World Bank.

EFTA countries

At the end of 2005, the EIB assigned a further EUR 800m to its loan facility in favour of European Free Trade Association (EFTA) member countries up to 2009, thus bringing it to EUR 2.5bn. This loan facility was initiated by the Bank in 1994 to finance projects with a direct EU interest in the various EFTA member states – today Norway, Iceland, Liechtenstein and Switzerland. The main objective is to support close economic ties between the EU and EFTA countries, in particular in the sectors of energy, Trans-European Networks and research, development and innovation. To date, 24 projects have been signed for a total amount of EUR 1.7bn.



telecommunications and energy infrastructure on priority Trans-European Network axes with cross-border implications for a EU Member State. Potential projects have been identified in Russia and Ukraine and first operations will be submitted to the Board of Directors in the first half of 2006.

Russia and the New Eastern Neighbours

The first EUR 100m EIB mandate for special lending under the Northern Dimension for selected environmental projects in the Baltic Sea rim of Russia expired in May 2005. After a first loan under this mandate in 2003, for wastewater treatment, two further loans were advanced for environmental projects in the St. Petersburg area in 2005: EUR 40m for flood protection and EUR 20m for the modernisation of a sludge treatment plant.

A new mandate of EUR 500m for lending in Russia as well as in Belarus, Moldova and Ukraine in support of the EU European Neighbourhood Policy was approved by the European Council end-2004. Valid until January 2007 (with a possible extension), Bank lending is intended to focus on environmental protection as well as transport,



A Memorandum of Understanding establishing an EU-Africa Infrastructure Partnership was signed by EU Commissioner Louis Michel and Philippe Maystadt (Brussels, 9 February 2006)



Cooperation with other partner countries

African, Caribbean, Pacific (ACP) States

Under the European Union – ACP Partnership Agreement (Cotonou Agreement), the EIB is providing, between 2003-2007, up to EUR 1.7bn in loans from its own resources and a further

EUR 2bn from the Investment Facility, a revolving fund financed from the European Development Fund (EDF) and managed by the Bank. The central objective of the Cotonou Agreement is the reduction of poverty. The Investment Facility makes available long-term capital in the form of loans and various risk-bearing instruments, mainly for private sector operations but also for commercially run public sector infrastructure projects that are essential for economic growth. In specific cases, loans may be granted on concessional terms, notably for projects with an important environmental or social component, as well as projects located in Heavily Indebted Poor Countries or in areas that have suffered from conflicts or natural disasters.

Financing provided by the EIB totalled EUR 537m in 2005, EUR 388m from EDF resources and the remainder from own resources. After only two and a half years of operation, the Investment Facility has already committed EUR 829m, 41% of the amount foreseen until 2007, for some 50 projects in more than 20 countries spread across the ACP region.

The Bank's loans in 2005 supported projects in industry (EUR 202m), infrastructure – notably energy investment (EUR 184m) and transport



Inauguration of regional office in Tshwane (Pretoria) by EIB Vice-President Torsten Gersfelt (24 October 2005)





Cooperation with other partner countries



Cotonou Investment Facility Annual Report

(EUR 10m) – and tourism (EUR 5m). EUR 137m went to the financial sector, either as global loans to banks and other financial intermediaries for on-lending to (or investment in) small and medium-sized enterprises and for micro-finance, or as investments in private equity funds. Illustrating how the Bank's resources can be geared to project financing needs, the construction and operation of a new cement plant in Nigeria received a US dollar denominated financing package of senior and subordinated loans from the Bank's own resources and Investment Facility resources, in co-financing with a consortium of major international and Nigerian financial institutions. Another project concerned the extension of a geothermal power plant in Kenya, financed with a EUR 32.5m loan from the Investment Facility. The Bank had already been involved when the original plant was constructed in the 1980s, and also financed the first phase of the second plant in 1999.

ACP-OCT Loans provided in 2005			
	Total	Own resources	of which risk capital
			(million)
Africa	449	111	338
West	188	91	97
Southern and Indian Ocean	123	20	103
East	126	–	126
Central and Equatorial	12	–	12
Caribbean	72	40	32
Pacific	13	–	13
Multi-regional	4	–	4
ACP-OCT	537	151	386

Difficult economic conditions in many ACP States continued to have an influence on EIB lending in 2005. Activity was also circumscribed to some extent because, pending a revision of the Cotonou Agreement in mid-2005, public sector projects in Heavily Indebted Poor Countries could not be finalised as Investment Facility terms did not comply with IMF/World Bank debt management conditions. In addition, project appraisal, negotiation and finalisation is taking longer under the Investment Facility because of the credit and security criteria required to preserve the Facility's financial sustainability and revolving nature.



Opening of Dakar office in presence of Senegal's President Wadé (30 June 2005)

An important development in 2005 was the opening of EIB regional offices in Nairobi, Dakar and Tshwane (Pretoria), which became fully operational during the year and are expected to strengthen EIB operations in Africa considerably. Regional offices for the Caribbean and Pacific are due to open in the course of 2006.



Cooperation with other partner countries

Asia and Latin America Loans provided in 2005

	(million)
	Total
Latin America	134
Brazil	94
Regional - Andean Pact	40
Asia	622
China	500
Indonesia	50
Laos	42
Vietnam	30
Asia and Latin America	756

South Africa

EIB loans in South Africa amounted to EUR 145m in 2005. It is expected that the EUR 825m available under the Bank's 2000-2006 mandate in South Africa will be entirely allocated during 2006. A substantial part of the loans are paid out in South African rand, of which the Bank is the largest supra-national issuer on the euro-rand market.

Two loans of EUR 30m each went to improving urban infrastructure in the cities of Tshwane and eThekweni (Durban) for specific schemes selected on the basis of their contribution to social cohesion and sustainable development. Another loan of EUR 85m co-financed the Vaal water pipeline, ensuring a reliable water supply to two strategic industrial producers, Eskom and Sasol. In addition to its lending operations, the EIB provided management support to the EU Commission for its Risk Capital Facility, aimed at providing equity and quasi-equity funding to SMEs owned by "historically disadvantaged persons" as defined in South African legislation – basically victims of the apartheid regime.

Asia and Latin America

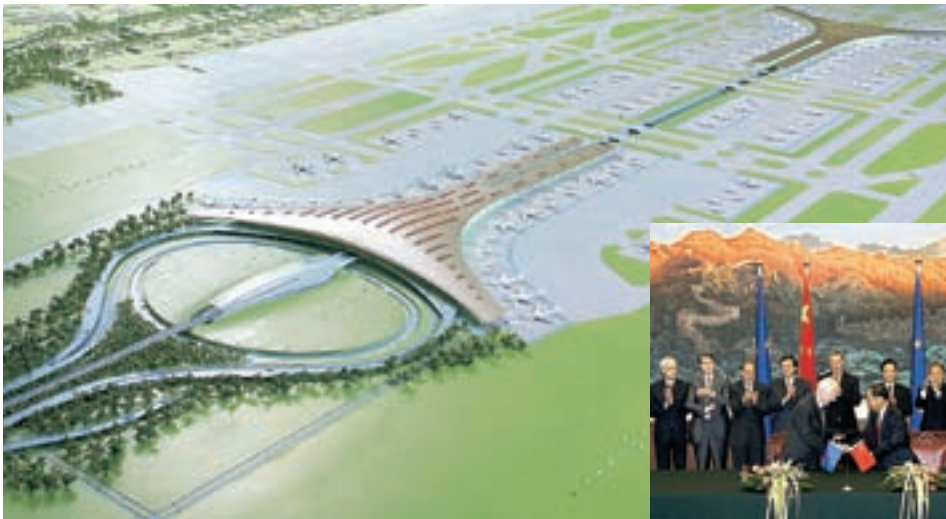
The current EIB mandate for lending in Asia and Latin America (ALA) provides for up to EUR 2 480m in loans between 2000 and January 2007. Under the mandate, EUR 256m was lent in 2005, and it is expected that the resources will be fully utilised by the end of the mandate.

Lending under the ALA mandate is focused on productive investment. Projects are selected in line with European Union cooperation policy objectives and must present a mutual interest for the country concerned and the EU. Normally, this means that the project is implemented by an EU enterprise or that European firms are otherwise involved in the project. Since the tsunami of end-2004, reconstruction efforts are also eligible for EIB support.

In 2005, EIB lending in Asia amounted to EUR 122m, while another EUR 500m for the extension of Beijing airport was advanced outside the mandate, with special authorisation by the Bank's Board of Governors (*see box*). EUR 50m went to Indonesia to support investment by small and medium-sized enterprises that were affected by the **tsunami**. The Bank's Directors approved similar loans for Sri Lanka and the Maldives in 2005, which will be signed in 2006. Projects in Latin America received EUR 134m in EIB loans.



Cooperation with other partner countries



EIB supports Beijing airport expansion

In September 2005, EIB President Maystadt signed the finance contract for a EUR 500m EIB loan to support the expansion of Beijing's international airport. The signature took place in the framework of the 8th EU-China Summit, in the presence of British Prime Minister Tony Blair, then President of the European Council, Wen Jiabao, Prime Minister of China, José Manuel Barroso, President of the European Commission, and Javier Solana, Secretary-General of the European Council of Ministers and High Representative for Foreign and Security Policy.

The expansion of Beijing airport has high priority for China and is one of the key projects for the Olympic Games, which will be held in Beijing in 2008. It will increase substantially the airport's capacity, which will help to address the increasing congestion of the existing infrastructure and to handle the significant growth in traffic safely. The project's completion is scheduled for early 2008.

The loan had to be approved unanimously by the EIB's 25 Governors because it was provided outside the current ALA mandate, the loan amount exceeding the resources still available. The EUR 500m loan constitutes by far the largest ever granted by the Bank in Asia. The EIB is the only international financial institution involved in financing the project.

Although the loan falls outside the Bank's Asia and Latin America mandate, it meets the same general objective: it supports a project that is of mutual interest to the European Union and the beneficiary country, in this case China. A number of European enterprises have been involved in the project's design and implementation and the airport expansion will facilitate air travel between China and the EU, which is an essential condition for trade contacts, investment and tourism.



A leading international debt issuer

In 2005 the EIB once again leveraged its strong foundations and adaptability to deliver a unique combination of performance across multiple markets. Under the 2005 funding programme¹, the Bank raised EUR 50bn through 330 transactions across 15 currencies. While overall volume was almost identical to 2004, the composition of funding shifted significantly in response to changing market conditions. Noteworthy growth areas included long-dated issuance (maturities of 10 years or above), notably in EUR benchmarks, and also structured issuance in EUR. Long-dated issuance in various currencies raised over EUR 23bn equivalent, double last year's issuance in this maturity spectrum. Issuance in EUR (EUR 19.3bn or 39% of total funding) accounted for the largest share of funding, followed by USD (EUR 14.3bn equivalent or 29%) and GBP (EUR 10.1bn equivalent or 20%). The three core currencies (EUR, GBP, USD) thus together accounted for 88% of funding. Currency diversification continued with issuance in 12 additional currencies (EUR 6.1bn equivalent or 12% of funding). The market's positive reception of the Bank's funding strategy was reflected in the Euroweek poll, where market participants voted the EIB the 'Most Impressive' and 'Most Innovative' borrower as well as 'Best Supranational/Agency' borrower, for the second consecutive year.

Unique presence across core currencies

The EIB continued to deliver benchmark liquidity across the three core currencies and is the sole issuer to offer such comprehensive yield curves with such liquid issue sizes across EUR, GBP and USD. In the EUR market, where the Bank raised EUR 19.3bn, it cemented its distinctive sovereign-class positioning by extending and renewing the Bank's curve in the challenging maturities of 30 years and 10 years. The Bank thereby became the only borrower to complement sovereigns with outstanding benchmark issues of EUR 5bn size from 3 years out to 30 years. At end-2005 an aggregate amount of EUR 62bn in EARNs (Euro Area Reference Notes) was outstanding.

In USD, the Bank raised an amount of USD 18.3bn (EUR 14.3bn) in 2005, thus making it the largest non-US issuer in the international markets in this currency². These results were aided by a timely and responsive approach in challenging market conditions. The Bank issued five Global benchmarks,

comprising two USD 3bn issues in the 3-year tenor, two USD 3bn 5-year issues and a USD 1bn issue in the particularly exigent 10-year maturity, thereby providing regular refreshment of its yield curve. The Bank also issued two Eurodollar bonds totalling USD 2 250m, and structured transactions amounting to USD 2.9bn (EUR 2.3bn).

In GBP, the Bank underscored its status as the leading non-gilt issuer by raising GBP 6.9bn (EUR 10.1bn). There was benchmark issuance in 11 maturities (2 years to 13 years), illustrating a careful approach to maintaining the curve, which extends out to the 50-year area. Of particular note were the issuance in two new maturities (a 7-year and a 10-year issue) and the increase of four issues (in maturities ranging from 2007 to 2013) to full benchmark status, with a size of GBP 1bn.

Responsive tailor-made programme

In tailor-made issuance, the Bank remained highly responsive to changing patterns of demand.

¹ The 2005 programme was completed as of 04.11.05. Funds raised after this date to year end (EUR 2.9bn equivalent) are attributed to the 2006 programme. The financial statements in the Financial Report include figures for the calendar year.

² Source: Dealogic League Tables - International Issuance in USD.



A leading international debt issuer



*Sovereign Debt
Markets in the EU
Mediterranean Partner
Countries - 2005*

Of particular note was the strength of issuance in structured format, where the Bank raised EUR 11bn equivalent (22% of total issuance), mainly in EUR and USD, but also in GBP and JPY. A particular highlight was the exceptional growth of structured issuance in EUR, raising EUR 7.6bn – over double the amount in 2004, driven by high demand for yield-enhancing interest rate structures among European investors.

EIB bonds: “The Way to Buy Europe”

Joint EU sovereign ownership underpinning top-class credit quality, as well as a strategic approach to markets, offer investors an attractive “Way to Buy Europe”.

- ⇒ *The EIB’s ownership by all EU sovereigns means its bonds offer a unique and diversified sovereign-class investment.*
- ⇒ *The Bank is rated AAA by the three major rating agencies, which uniformly assign a stable outlook to the EIB.*
- ⇒ *The well-established funding strategy, involving a strong focus on liquidity and transparency, combines comprehensive benchmark programmes in the Bank’s three core currencies (EUR, GBP and USD) with frequent tailor-made issuance across a wide range of currencies and products.*
- ⇒ *The EIB is one of the largest and most frequent borrowers in the international capital markets. In 2005 it issued an aggregate of EUR 50bn. This volume of issuance is of a similar order of magnitude to that of EU governments.*
- ⇒ *The Bank has contributed to the development of capital markets in currencies of new Member States and Acceding/Accession Countries, where issuance in local currencies also supports the development of lending activities. This developmental work also extends to selected EU partner countries, complementing the Bank’s development role.*

Opening new doors

Outside its 3 core currencies, the Bank raised EUR 6.1bn equivalent via 12 additional currencies, reflecting the continued pursuit of currency diversification.

New EU Member State and Accession Country currencies

The EIB has taken a particular interest in fostering the development of the markets of the new EU Member States, Acceding and Accession Countries, which also complements the Bank’s lending in these countries’ currencies. Since 1996, when the EIB launched its first issue in these currencies, the Bank has over recent years become one of the largest non-government issuers in the region. In 2005, the Bank continued to be a leading complement to government bonds in currencies of the new Member States and Accession States, raising a total of EUR 1 518m equivalent (in HUF, PLN and TRY). The Bank underscored its reputation for opening new doors in these markets by seizing an opportunity to build the first-ever yield curve in Turkish lira going out to 10 years, with eight bonds maturing between 2006 and 2015. Also, the TRY 2007 issue became the largest Turkish lira bond in the international market at that time.

Other European currencies

In other European currencies, activity in CHF was important, raising CHF 1 100m (EUR 709m). In CHF as well as in SEK (SEK 1 600m/EUR 174m), the focus was on further developing the Bank’s benchmark presence. Issuance in NOK continued (NOK 300m/EUR 38m). Also, the Bank issued for the first time in Icelandic krona (ISK 12bn/EUR 162m).



A leading international debt issuer

Capital Markets team
receives prizes in
Euroweek poll



Borrowings signed and raised in 2005³ vs 2004
(EUR million)

	Before swaps:				After swaps:			
	2005		2004		2005		2004	
EUR	19 311	38.8%	17 373	34.8%	32 179	64.6%	22 355	44.8%
CZK					19	0.0%	522	1.0%
GBP	10 057	20.2%	9 583	19.2%	3 096	6.2%	5 497	11.0%
HUF	222	0.4%	880	1.8%	53	0.1%	77	0.2%
MTL			23	0.0%				
PLN	73	0.1%	203	0.4%	49	0.1%	251	0.5%
SEK	174	0.4%	329	0.7%	468	0.9%	165	0.3%
SIT			17	0.0%				
Total EU	29 838	60%	28 408	57%	35 864	72%	28 868	58%
AUD	692	1.4%	1 065	2.1%				
BGN			51	0.1%				
CAD			193	0.4%				
CHF	709	1.4%			259	0.5%		
HKD			67	0.1%				
ISK	162	0.3%						
JPY	1 352	2.7%	1 418	2.8%				
MXN	183	0.4%						
NOK	38	0.1%			38	0.1%		
NZD	1 077	2.2%	329	0.7%				
TRY	1 222	2.5%						
USD	14 309	28.7%	17 863	35.8%	13 581	27.3%	20 777	41.7%
ZAR	219	0.4%	474	0.9%	63	0.1%	220	0.4%
Total non-EU	19 962	40%	21 460	43%	13 941	28%	20 997	42%
TOTAL	49 800	100%	49 868	100%	49 805	100%	49 865	100%

³ The 2005 programme was completed as of 04.11.05. Funds raised after this date (EUR 2.9bn equivalent) are attributed to the 2006 programme. The financial statements in the Financial Report include figures for the calendar year.



A leading international debt issuer

Asia/Pacific

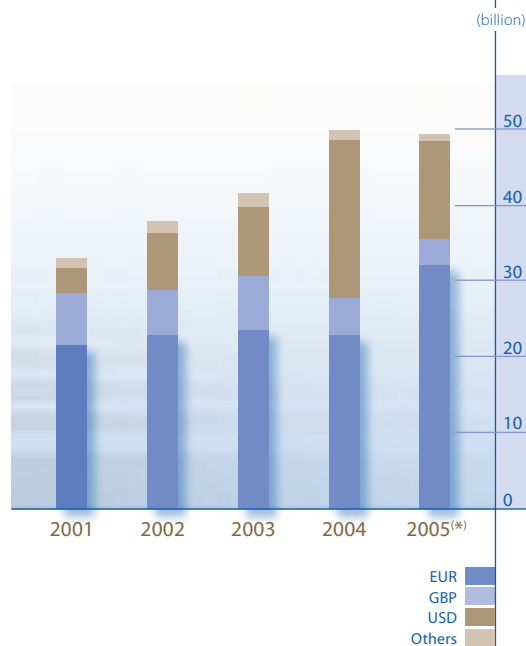
The EIB consolidated its role as a prominent issuer in the Asia/Pacific markets, where it issued across JPY, AUD and NZD for a total of EUR 3 120m equivalent. The largest amount was in JPY, where the Bank raised JPY 183bn (EUR 1 352m). Of particular note was the Bank's debut in the Yen Global market, with a JPY 100bn 12-year issue, which reopened the Yen Global market for supranational issuers. Australian dollars and New Zealand dollars also provided a large funding volume, driven by strong growth in NZD issuance (raising NZD 1 900m/EUR 1 077m), more than doubling 2004 levels.

Other currencies

Other novelties included the debut in Latin American currencies, with the launch of 6 transactions in Mexican peso, raising MXN 2.4bn (EUR 183m). As in 2004, there were a number of innovative issues via synthetic currency format in markets where the currency is not fully convertible. In 2005, this approach was used for the first time in Brazilian real and again in Russian rouble.

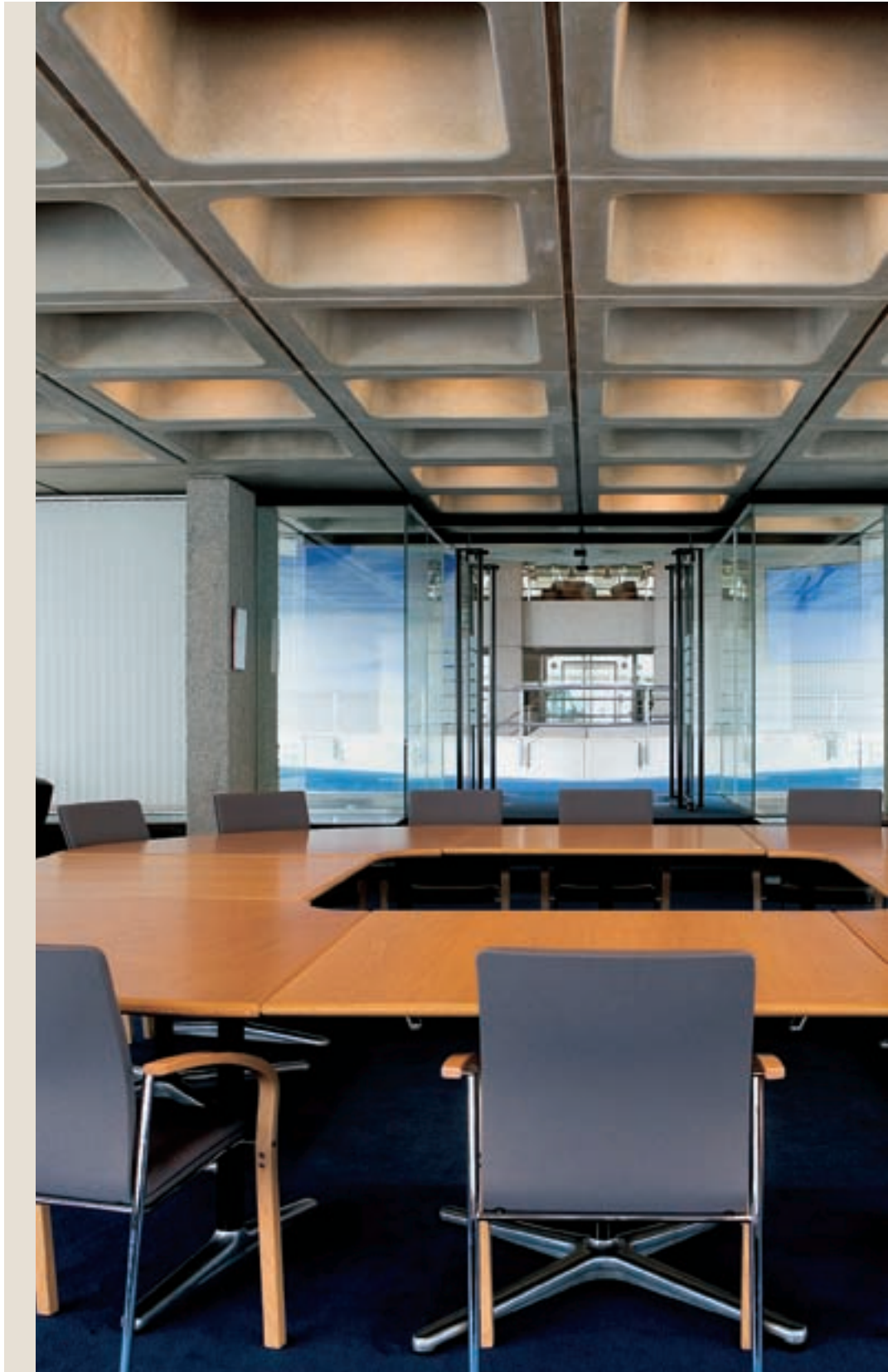
The Bank made further progress in contributing to capital markets development in certain EU partner countries. In particular, it maintained a leadership role in South African rand, raising ZAR 1 750m (EUR 219m), and also extended its Euromarket bond issuance in other African currencies with the launch of a synthetic Botswana pula bond. This issue was the first to be linked to this currency and launched by a AAA-rated issuer (and booked under pre-funding of the 2006 programme).

Borrowing activity 2001-2005:
EUR 212bn



* Funds raised under the 2005 programme.

Corporate Governance





A partner to the European and development institutions

A constant dialogue with the European institutions that prepare, propose and decide on the Union's policies is crucial for the EIB, which operates on the basis of guidelines laid down by its shareholders in the Board of Governors and in the framework of the European Council of Ministers.

Working together with the Council

Cooperation with the other EU institutions (including the Council of Ministers) was intensive in 2005. The EIB continued to contribute to the work of the ECOFIN Council on a regular basis, by participating in the Council meetings and by making its capital investment financing expertise available, not only to ECOFIN's preparatory bodies but also to several committees and working groups coordinating and preparing the work of other Council configurations.

Both the spring 2005 European Council, which reviewed the implementation of the Lisbon Agenda, and the December 2005 Council, which discussed the 2007-2013 EU budget, underlined the continuing importance of the Bank's role. In this context, the Council called on the EIB to extend its Structured Finance Facility to research, development and innovation projects and, together with the Commission, explore new ways of using Community funds as levers for EIB loans. The Council also urged the European Investment Fund to diversify its financing of innovative small and medium-sized enterprises through individual-investor (business angel) and technology-transfer networks.

Working in partnership with the European Commission

Operational cooperation with the European Commission is traditionally strong, but has been particularly intensive for the preparation of the



2007-2013 programming cycle, with the objective of developing new synergies and complementarities between the operations of the Bank and those of the Commission. The most significant development in this context is JASPERS (Joint Assistance to Support Projects in European Regions), an ambitious technical assistance partnership between the Commission (DG REGIO) and the EIB, and also involving the EBRD, aimed at supporting the successful implementation of EU cohesion policy.

Also, a Memorandum of Understanding was signed by the EIB and the Commission (DG TREN), confirming the framework for cooperation on policy and investment in transport and energy, notably for the development of Trans-European Networks.

The EIB Group and the Commission have been working on a number of proposals for joint initiatives: the Risk-Sharing Finance Facility (RSFF), the EU loan guarantee instrument for TEN-Transport projects, the Joint European Resources for Micro-to-Medium Enterprises (JEREMIE) and the Tech-



A partner to the European and development institutions

EIB Group cooperation with EU Commission: proposed major initiatives

⇒ Risk Sharing Finance Facility (RSFF)

A facility managed by the EIB and supported from the budget of the 7th Research Framework Programme 2007-2013 (FP7). The EU funding will increase the reserves for provisioning and capital allocation for Structured Finance Facility operations and stimulate major European RDI projects and research infrastructures. The RSFF initiative was initially proposed at the spring 2005 European Council.

⇒ EU loan guarantee instrument for TEN-Transport projects

A facility managed by the EIB and supported under the new TEN-Transport Financial Regulation over the period 2007-2013. It is designed to guarantee revenue risks during a limited period following the construction of projects, notably under PPP structures.

⇒ Joint European Resources for Micro-to-Medium Enterprises (JEREMIE)

In the period 2007-2013, the EIF will set up and manage funds or accounts into which Member States will inject the SME-dedicated part of the European Regional Development Fund, to be topped up by the EIB and other lenders and invested in or on-lent to venture capital, SME and micro-finance organisations.

⇒ Competitiveness and Innovation Programme (CIP)

The financial instruments of this Commission programme are managed by the EIF (replacing the existing MAP – Multi-Annual Programme for Enterprises 2000-2005) in order to provide guarantees and venture capital to SMEs.

⇒ Technology Transfer Accelerator (TTA)

A consulting assignment carried out by the EIF on behalf of the Commission's DG RTD, the Technology Transfer Accelerator initiative seeks to set up pilot projects, bringing together a number of research institutions and addressing their seed-stage financing needs.

⇒ Joint Assistance to Support Projects in European Regions (JASPERS)

Technical assistance partnership between the Commission, the EIB and other IFIs (EBRD) supporting the implementation of EU cohesion policy during the period 2007-2013, with two main tasks:

1. Helping Member States and related entities, at their request, to prepare and present quality projects with a view to receiving grants from the Structural and Cohesion Funds;
2. Appraising large projects proposed for such financing, in support of the Commission.

⇒ Technology Platforms (TPs)

Active EIB participation in the launching of TPs initiated and organised by the Commission, which serve as a forum for linking stakeholders in innovative technological sectors that are important to the future of European industry and have the basic objective of developing a common vision and strategy for the technology.

⇒ Environmental

1. Patient Capital Initiative: active EIB support for a new financial vehicle sponsored by DG ENV, to provide seed capital for the development of renewable energy projects in various regions.
2. EIB membership of a high level working group to promote the EC Environmental Technology Action Plan, endorsed by the European Council in support of the Lisbon Strategy.



A partner to the European and development institutions



Annual Meeting of
the EIB's Board of
Governors

nology Transfer Accelerator (TTA). The European Investment Fund continued to manage the financial aspects of the EU's Multi-Annual Programme for Enterprises 2000-2005 (MAP).

In the new Member States, EIB global loans are advanced in close cooperation with EU funding, in particular under the SME Finance Facility, which was set up under the PHARE programme. This contributes to the development of financial markets and improves the framework conditions for SME finance and municipal infrastructure.

With regard to EIB lending outside the European Union, an EIB/Commission working party is preparing joint proposals for the renewal of the Bank's EU-guaranteed external lending mandates and management of EU budgetary resources during the period 2007-2013.

In parallel, EIB and Commission staff have been negotiating a Memorandum of Understanding proposing the establishment of an EU-Africa

Infrastructure Partnership, a new initiative aimed at blending EIB loans with EU grants in favour of regional infrastructure projects in Africa. This initiative will be complementary to, and coordinated with, the new G-8 sponsored Infrastructure Consortium for Africa. In a second stage, it will also be opened to Member State agencies active in this field.



Euro-Mediterranean
Summit
(Barcelona, Spain,
27-28 November 2005)



A partner to the European and development institutions



Philippe Maystadt

Dialogue with the representatives of Europe's citizens

In 2005, the Bank kept on dynamically pursuing its dialogue with the European Parliament. President Maystadt presented the strategy and activities of the EIB Group before several parliamentary committees, notably the Committee on Economic and Monetary Affairs, the Committee on Development, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Foreign Affairs and the Committee on Industry, Research and Energy. The review of the Bank's public disclosure policy also offered

a forum for dialogue with Members of the European Parliament.

In addition, President Maystadt was invited to a European Parliament plenary session on the Bank's activities. The Parliament also called on the Bank in the context of several round-table discussions to provide its expertise in financing Trans-European Networks and research, development and innovation projects.

In acknowledgment of the EIB's performance in the Mediterranean region, the Bank was granted permanent observer status at the Euro-Mediterranean Parliamentary Assembly in 2005.



The Bank also continued its dialogue with the European Economic and Social Committee (EESC) by participating in a meeting with the EESC-NGOs liaison group and by providing the EESC with expert advice on public-private partnerships. President Maystadt presented the EIB Group strategy and public disclosure policy before a plenary meeting.



A partner to the European and development institutions

Finally, the Bank actively contributed to the debate on how to assist the Member States and regions in their preparations for the 2007-2013 generation of Structural Funds programmes and instruments in the context of the “*Open days 2005 - European Week of Regions and Cities*”, jointly organised by the Committee of the Regions and the European Commission’s Regional Policy Directorate-General.

Cooperation with development institutions

In order to enhance the effectiveness of its operations, the Bank continues to develop partnerships with other IFIs. At the level of day-to-day activities, the partnership involves the co-financing of individual projects and exchange of information. In many cases, such cooperation is laid down in a formal Memorandum of Understanding (MoU).

In 2005, a new MoU was signed regarding cooperation in the new Member States and Candidate Countries between the European Commission and international financial institutions (EIB, EBRD, World Bank, NIB, etc). A tripartite MoU between the European Commission, the African Development Bank and the EIB formalised an “Enhanced Strategic Partnership for Cooperation in the African Countries”. The Bank also joined an existing MoU between the European Commission and international financial institutions regarding cooperation in Eastern Europe, the Southern Caucasus, Russia and Central Asia in the context of the European Neighbourhood Policy. Finally, the EIB signed a Letter of Intent with Agence française de développement (Afd) and KfW Entwicklungsbank (KfW) with a view to strengthening their cooperation in the Mediterranean Partner Countries and African, Caribbean and Pacific States in which they operate.



Financing Growth and Cohesion in the Enlarged EU

Transparency and accountability

Greater transparency on how it makes decisions, works and implements European Union policies, is a continuing corporate objective of the European Investment Bank. The Bank considers that openness and transparency are crucial for strengthening its credibility and accountability to Europe's citizens.

In 2005, the Bank implemented most of the commitments laid down in its transparency policy ("Transparency – Report and Prospects") dated June 2004. This policy showed an important evolution in the Bank's perception of its responsibilities towards stakeholders as a public body within the set-up of the European Union.

Increased information on issues reinforcing transparency

By the end of 2005, over 85% of the transparency policy's action plan to boost disclosure of information had been achieved:

⇒ The stock of documents disclosed through the EIB's website had increased by 50% since the publication of the transparency policy. Many of the new documents published dealt with issues of corporate governance, policies and strategies. Two documents were key in this process: the "Statement on Corporate Social Responsibility" and "Statement on Governance at the EIB".

⇒ Other publications contributing to greater transparency, included: "Towards a New Strategy for the EIB Group", a core document submitted to the Bank's Board of Governors; six ex post evaluation reports (see box); the 2004 Environmental Report (which this year will be integrated into a more comprehensive 2005 Corporate Responsibility Report); the Audit Committee's Annual Report for the year 2004 and the EIB management's response; the condensed consolidated and unconsolidated interim financial statements for 2005; the salary and tax scales of EIB staff; the Annual Report of the Bank's Joint Committee on Equal Opportunities (COPEC); and a document outlining the Bank's "Sponsoring and Subsidy Policy".

Public consultation on EIB disclosure policy

The EIB's public disclosure policy is a crucial reference point when it comes to the implementation of its commitment to achieve the highest possible level of transparency in all its activities. Adapting itself to best practice among European Union institutions, the Bank's policy complies with EU policy initiatives on transparency and public disclosure of information and documents, most particularly Regulation EC/1049/2001 on Public Access to European Parliament, Council and Commission documents.

In May 2005, the EIB launched a review of its public disclosure policy. A public consultation process was linked to this, in line with the transparency policy adopted in 2004, which committed the Bank to giving active consideration to opening up to public consultation on selected EIB policies. A

Discussing the disclosure of information with civil society





Transparency and accountability

flexible and “work-in-progress” approach towards the consultation process allowed as full a consultation as possible and enabled the Bank to respond to issues raised by stakeholders while the process was ongoing. The first 45 working days’ round of consultation was web-based, but also included direct correspondence with interested parties and a public consultation meeting. The President of the EIB and staff discussed the draft policy with Members of the European Parliament and also presented the policy review to members of the European Economic and Social Committee. In a second round of 20 working days, the public was invited to submit comments on a re-edited draft policy that took into account contributions from the first round of consultation, and another public meeting was held in Brussels before year-end.

Throughout the process, an inter-directorate review panel at the EIB, chaired by the Deputy Secretary General, scrutinised the public’s reactions and examined the extent to which they could be taken into account. The panel’s evaluations provided the framework for re-drafting and editing the draft policy.

The policy review was completed in April 2006, after its presentation to the Board of Directors, together with a consultation report. The report provides information on how the consultation process was conducted, which stakeholder submissions were received, which were taken into account, and which were not considered, and why not. The new policy has been published on the EIB’s website and in the Official Journal in all official languages of the European Union. In due course, after the EU’s legislative bodies have approved the Aarhus Regulation⁴, the EIB will again review the public disclosure policy from a legal perspective.

The formal reviews of the disclosure policy will take place every three years, but the EIB also maintains a dedicated mailbox on its website (infopol@eib.org) to receive comments on an ongoing basis.



Awareness-building for EIB staff

Relations with civil society organisations

In 2005, the EIB pursued a pro-active approach towards civil society organisations (CSOs), including non-governmental organisations (NGOs), exploring new ways of exchanging information and working together. The Bank acknowledges that NGOs, as public interest groups, can have a valuable input in policy development. They also help to ensure that institutions such as the EIB are more aware of, and sensitive to, local issues and can provide useful additional information at the project level.

In 2005, a dedicated civil society unit was created in the Bank. Its core activities include:

- ⇒ Coordination of the Bank’s replies to enquiries and requests for information from NGOs and other CSOs. In 2005, the EIB received 88 CSO/NGO enquiries of a certain scale and/or complexity, requiring a wider examination within the Bank and/or with third parties, such as the European Commission, other international financing institutions, or project promoters. 64 of these enquiries were lending-related, the remainder tackling more general transparency topics. 67 enquiries came from European NGOs.
- ⇒ Organisation of regular workshops with CSOs on topics of common interest, which, in principle, are held twice a year. The agenda for these workshops is drawn up in cooperation with

⁴ European Parliament and Council Regulation on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to EC institutions and bodies.



Transparency and accountability

interested CSOs. EIB participants may include members of the Management Committee and Board of Directors. In 2005, for the first time a workshop was held outside Europe, in Johannesburg (Republic of South Africa). The topics on the agenda included: integrating economic development with social development and environmental protection; safe water and sanitation; renewable energies and climate change; and good governance practices.

- ⇒ Facilitation and coordination of contacts with local and regional CSOs, notably NGOs, when there is a particular interest in an EIB-financed project. Operational staff are also involved in such meetings, which can be initiated either by NGOs or by the EIB itself. In 2005, only one project (Spain) gave cause to organise such a meeting – in this case on the initiative of the Bank's staff.
- ⇒ Participation in CSO-organised events, assisted by specialised EIB staff.

EIB staff support is indispensable for implementing the transparency policy and maintaining open and active relations with civil society. For this reason, the Bank held awareness-building sessions for staff members on transparency and related issues, such as corporate social responsibility. In 2005, some 120 staff members participated in an NGO awareness-building programme, increasing awareness of the importance of the Bank's outreach to civil society.

Audit, control and evaluation

All activities of the EIB are subject to controls, whether statutory, based on internal organisational provisions, or exercised by external independent control bodies.

The *Audit Committee* is a statutory body of the EIB and reports to the Board of Governors, the Ministers of Finance of the EU Member States. It verifies that the Bank's operations are conducted in compliance with the procedures laid down in the Statute and the Rules of Procedure and its books are kept in a proper manner. A firm of external auditors, Ernst & Young, assists the Audit Committee in carrying out its task. The *Risk Management Directorate* monitors credit, market and operational risks, while *Management Control* focuses on the process of translating strategy into objectives and operational plans. A special *Compliance Office* ensures that the Bank complies with all applicable laws, regulations, codes of conduct and standards of good practice.

The *Inspectorate General* combines *Internal Audit and Operations Evaluation*, the two main independent, ex post control functions. Internal Audit keeps a constant eye on internal control systems and the procedures involved. Operations Evaluation carries out ex post evaluations of a representative sample of the projects and programmes financed by the Bank.

The *European Court of Auditors* audits the use of Community funds managed by the Bank under mandate. The Bank works closely with *OLAF*, the European Anti-Fraud Office, and with the *European Ombudsman*. In accordance with the Bank's "Code of good administrative behaviour for the staff of the EIB in its relations with the public", a formal complaint mechanism ensures that all complaints are brought to the attention of the Secretary General.



Transparency and accountability



Operations Evaluation
Overview Report 2005

Six thematic ex post evaluations published in 2005

About one in every six projects financed by the EIB is subject to an intensive ex post evaluation. The main objective is to learn from past experience, but since the findings of these ex post evaluations are made public on the Bank's website, ex post evaluation is also an instrument for increasing transparency and accountability.

In 2005, the EIB's Operations Evaluation (EV) was combined with Internal Audit (IA) to form a single autonomous department called the Inspectorate General (IG). The creation of IG underlines the importance attached by the Bank to the two main internal, independent ex post functions. In particular, the new structure reflects the contribution of evaluation activities to the attainment of the Bank's strategic objectives and their impact on operational performance, accountability and transparency. EV and IA continue to function independently, but the new structure makes it possible to exploit synergies and to develop a more coordinated approach to their respective work programmes.

Six thematic ex post evaluations were finalised and presented to the Bank's Board of Directors, and subsequently published on its website in 2005. The evaluations focused on:

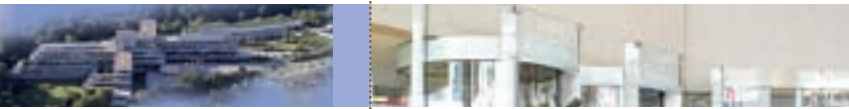
- ⇒ Air infrastructure projects, mainly in the European Union
- ⇒ Railway projects in the EU-15
- ⇒ Public-private partnership projects
- ⇒ Global loans to small and medium-sized enterprises in the EU-25
- ⇒ Global loans in the Mediterranean Partner Countries (MPCs)
- ⇒ Individual loans to projects in the MPCs

A summary of the findings and recommendations was posted on the EIB's website early in 2006 ("Operations Evaluation 2005 Overview Report"). This was the first time that such a report has been made public in the interests of transparency and accountability.

In the years to come, EV plans to modulate its evaluations more systematically to the differing specific characteristics of operations inside the European Union and outside.

In the Member States, its evaluations will track the achievements in realising the Bank's five core objectives (economic and social cohesion, the Innovation 2010 Initiative, the development of Trans-European Networks, environmental protection and improvement, support for small and medium-sized enterprises).

Outside the European Union, the EIB's lending activities are evolving, with increasing attention being paid to its role as a development bank. EV will follow suit by routinely and consistently assessing the development impact of the Bank's operations, which is a priority, particularly in the ACP countries.



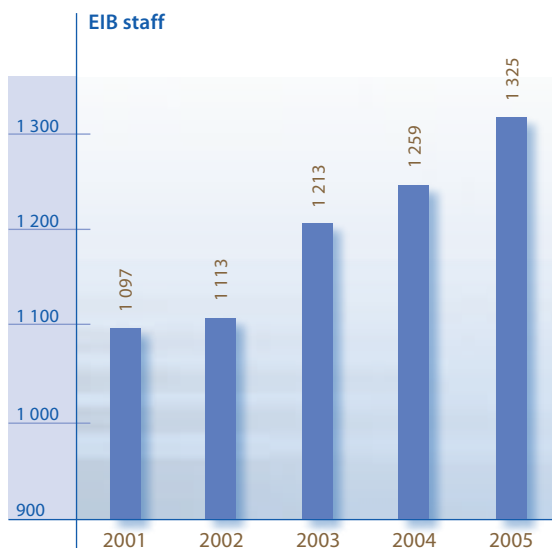
EIB Group Administration and Staff

From the point of view of human resources, 2005 was characterised by efforts to improve and enhance the working environment of the EIB's staff by bringing to fruition the policies and work programmes previously announced.

Recruitment and enlargement

The Bank's recruitment efforts are driven by the needs of the operational directorates and a special effort is being made to increase the number of female staff and nationals from the new Member States. The Bank's staff complement grew to 1 325⁵ during 2005, recruitment being particularly active, with 121 vacant positions (78 executive positions and 43 in support functions) being filled. Of 78 recruits at executive grade level, 56% were male and 44% female. At the end of 2005 the Bank had 50 employees from the new Member States (55 including those from Bulgaria and Romania). All Member States are represented in the staff complement. The Bank continues to be an attractive employer, having received some 14 000 applications for employment during the year.

⁵ This figure includes the Management Committee and staff seconded to the EIF.



Development and training

During the course of 2005, the Bank enhanced its policies in favour of a better work/life balance, and a more systematic approach to career development was studied. From a training perspective, the Management Skills Development Programme was completed in 2005, having been extended to senior executives as well as the management grades. A new training policy, which is designed to ensure that training responds to the strategic objectives of the Bank, was agreed by the Management Committee and will be communicated to the staff and implemented in 2006.

Staff communication

Staff communication remained an area of special interest and development throughout 2005. Human Resources launched its own in-house publication, HR News, placing the emphasis on staff-related questions, occupational health and human resources policies, including remuneration policy.

Human resources and corporate social responsibility

The Bank continued to build on the foundations laid in 2004 in terms of its social responsibility towards the staff. The issue of gender balancing was reviewed with the aim of identifying and remedying possible barriers to the career progress of female staff. This review also covered training



EIB Group Administration and Staff



and development opportunities as well as policies related to work/life balance. The EIB instituted its own health centre and employed a full time occupational health physician. Human Resources was once again a participant in the Central Services Survey, consulting the staff on the quality of the Bank's central services, of which Human Resources forms an integral part.

Staff Representation

The Bank's staff issues are dealt with by the Human Resources Department (HR) and the College of Staff Representatives (SR) in a consultation process involving regular meetings between HR management and the Staff Representatives, working groups on specific subjects and joint committees. In 2005, the Health Insurance Scheme Joint Committee and the Pensions Board worked especially hard to continue adapting the accounting methods of these two welfare schemes to developments in European best practice. Of the working groups, those responsible for launching the discussion of the review of the remuneration system and for drawing up the new training policy deserve particular mention. The Staff Representatives also participate in the working group tasked with putting in place the Bank's corporate social responsibility policy.

Equal Opportunities

The Joint Committee on Equal Opportunities (COPEC) monitors implementation of the equal opportunities policy in terms of career development, recruitment, training and social welfare infrastructure.

In 2005, COPEC made an inventory of the views of staff members on what, in their opinion, were the key issues, concerns and priorities for action



Food for Thought Luncheons

relating to equal opportunities. This was achieved through a staff survey and the introduction of "Food for Thought Luncheons", hosted by members of the Management Committee and attended by staff with an interest in equal opportunities issues. This exercise, which brings together staff from all grades within the organisation for a full and often lively debate with senior managers, helped to shape an overview of the issues that COPEC will take forward. In addition, the committee lobbied to increase the size of the EIB crèche and supported management training on gender sensitivity issues. In partnership with Human Resources, COPEC engaged an external consultant to undertake an expert independent analysis of the current situation of equal opportunities at the EIB and to provide advice and recommendations based on her findings and expertise. These will form the basis of a report to the Management Committee in June 2006 and a future action plan.



EIB Statutory Bodies

The **Board of Governors** consists of Ministers designated by each of the 25 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 the members of the Board of Directors, the Management Committee and the Audit Committee.

The **Board of Directors** has sole power to take decisions in respect of loans, guarantees and borrowings. As well as seeing that the Bank is properly run, it 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. 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 26 Directors, with one Director nominated by each Member State and one by the European Commission. There are 16 Alternates, meaning that some of these positions will be shared by groupings of States.

Furthermore, in order to broaden the Board of Directors' professional expertise in certain fields, the Board is able to co-opt a maximum of 6 experts (3 Directors and 3 Alternates), who participate in the Board meetings in an advisory capacity, without voting rights.

Decisions are taken by a majority consisting of at least one third of members entitled to vote and representing at least 50% of the subscribed capital.

The **Management Committee** is the Bank's permanent collegiate executive body. It has nine members. Under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day running of the EIB, prepares decisions for Directors and ensures that these are implemented. The President chairs the 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 renewable period of six years.

The **Audit Committee** is an independent body answerable directly to the Board of Governors and responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner. At the time of approval of the financial statements by the Board of Directors, the Audit Committee issues its statements thereon. The reports of the Audit Committee on the results of its work during the preceding year are sent to the Board of Governors together with the annual report of the Board of Directors.

The Audit Committee is composed of three members and three observers, appointed by the Governors for a term of office of three years.

The provisions governing these bodies are set out in the Bank's Statute and Rules of Procedure. Lists of the members of the EIB's statutory bodies and their curricula vitae, along with additional information on remuneration arrangements, are regularly updated and posted on the Bank's website: www.eib.org.



The Audit Committee



EIB Statutory Bodies

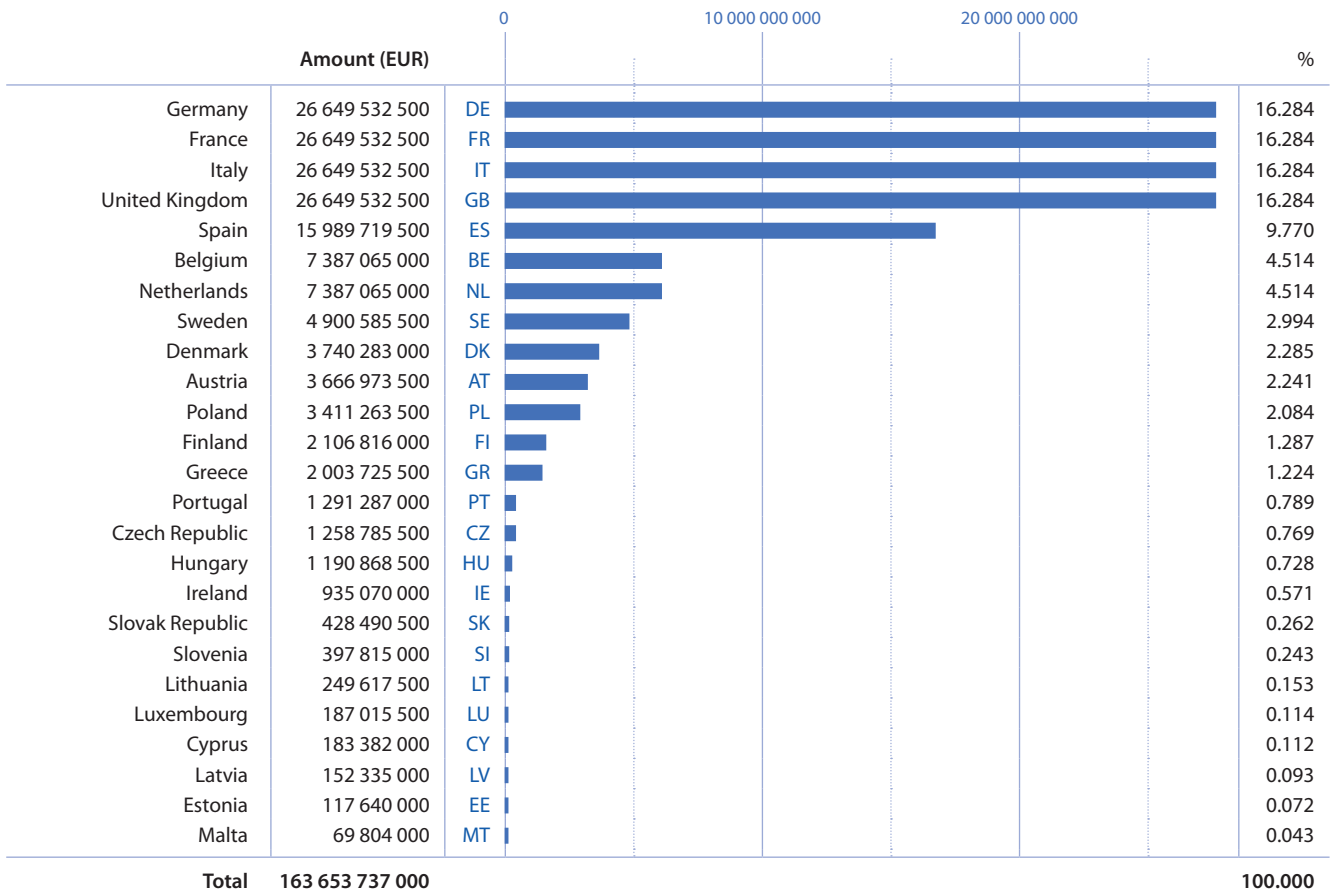
Capital: Each Member State's share in the Bank's capital is calculated in accordance with its economic weight within the European Union (expressed in GDP) at the time of its accession.

In total, the Bank's subscribed capital amounts to more than EUR 163.6 billion.



The Management Committee

Breakdown of the EIB's capital



The Management Committee of the EIB

The College of the Management Committee Members and their supervisory responsibilities

Situation as at 01/05/2006



Organisation Chart



► Department → Division

(situation at 1 June 2006)



General Secretariat and Legal Affairs

Eberhard UHLMANN
Secretary General and General Counsel
of Legal Affairs

- **Interinstitutional Affairs and Brussels Office**
Dominique de CRAYENCOUR
Director
 - Ferdinand SASSEN

- *Governing Bodies, Secretariat, Protocol*
Hugo WOESTMANN
Associate Director
- *Audit Enactment*
Helmut KUHRT
- *Resource Management and Coordination*
Geneviève DEWULF

Legal Service

- **Community and Financial Affairs; Lending Operations outside Europe**



Marc DUFRESNE
Deputy General Counsel

- **Jean-Philippe MINNAERT**
Data Protection Officer
- *Financial Issues*
Nicola BARR
Associate Director
- *Institutional and Staff Issues*
Carlos GOMEZ DE LA CRUZ
- *Mediterranean (FEMIP), Africa, Caribbean, Pacific – Investment Facility, Asia and Latin America*
Regan WYLIE-OTTE
Associate Director
- **Lending Operations in Europe**
Gerhard HÜTZ
Director
 - Gian Domenico SPOTA
- *Operational Policy, New Financial Instruments*
Roderick DUNNETT
Associate Director
- *Adriatic Sea, South-East Europe*
Manfredi TONCI OTTIERI
Associate Director
- *United Kingdom, Ireland, Baltic Sea, EFTA Countries*
Patrick Hugh CHAMBERLAIN
- *France, Belgium, Netherlands, Luxembourg*
Pierre ALBOUZE
- *Central Europe, Poland, Russia, Ukraine*
Barbara BALKE

- *Spain, Portugal*
Ignacio LACORZANA
 - Maria SHAW-BARRAGAN



General Administration

Rémy JACOB
Deputy Secretary General

Management Control

- **Financial Control**
Luis BOTELLA MORALES
Financial Controller
- *General Accounting*
Henricus SEERDEN
- *Third Party Accounting and Administrative Expenses*
Frank TASSONE
- *Planning, Budget and Control*
Theoharry GRAMMATIKOS
Associate Director
 - Yannick MORVAN
 - Gudrun LEITHMANN-FRÜH
(Adviser to Management Controller, EIF, Court of Auditors)

Communication and Information

- *Media Relations*
Paul Gerd LÖSER
- *Public Information and Relations with Civil Society*
Adam McDONOUGH
 - Yvonne BERGHORST
- *Documentation and Records Management*
Éric VAN DER ELST
 - Duncan LEVER
- *Internal Communication*
--

General Affairs

- **Paris Office: liaison with international institutions and organisations based or represented in Paris**
Henry MARTY-GAUQUIÉ
Director
- *Purchasing and Administrative Services*
Manfredo PAULUCCI de CALBOLI
Associate Director
- *Facilities Management*
Patricia TIBBELS
- *Translation*
Georg AIGNER
Associate Director
 - Kenneth PETERSEN
- New Building Task Force
Enzo UNFER



Directorate for Lending Operations in Europe

Thomas HACKETT
Director General

- **Operations Support**
Jürgen MOEHRKE
Chief Operational Coordinator
- *Coordination*
Dominique COURBIN
- *Information Systems and Applications*
Thomas FAHRTMANN
- *Business Support*
Bruno DENIS
- **Action for Growth Instruments**
Thomas BARRETT
Director
 - *Trans-European Networks*
Tilman SEIBERT
Associate Director
 - Ale Jan GERCAMA
 - *Innovation 2010 Initiative (i2i)*
Kim KREILGAARD
 - *Environment, Energy and Advisory*
Christopher KNOWLES
Associate Director
- **Western Europe**
Laurent de MAUTORT
Director
 - *United Kingdom, Ireland - Banks and Corporates*
Robert SCHOFIELD
 - *Western Europe - Structured Lending and PPPs*
Cheryl FISHER
 - *France - Infrastructure*
Jacques DIOT
Associate Director
 - *France - Banks and Corporates*
Jean-Christophe CHALINE
 - *Belgium, Luxembourg, Netherlands*
Henk DELSING
Associate Director
- **Spain, Portugal**
Carlos GUILLE
Director
 - *Spain - Infrastructure*
Luca LAZZAROLI
 - Marguerite McMAHON
 - *Spain - Banks and Corporates*
Fernando de la FUENTE
Associate Director
 - Madrid Office
Andrea TINAGLI
 - *Portugal*
Rui Artur MARTINS
 - Lisbon Office
Pedro EIRAS ANTUNES

Organisation Chart

(situation at 1 June 2006)

► Department → Division

Central Europe

Joachim LINK
Director

- Northern Germany
Peggy NYLUND GREEN
Associate Director
 - Berlin Office
Margarethe QUEHENBERGER
- Southern Germany
Anita FUERSTENBERG-LUCIUS
- Czech Republic, Slovakia
Jean VRLA
- Austria, Hungary
Paolo MUNINI

Vienna Office

Emanuel MARAVIC
Director

Adriatic Sea

Antonio PUGLIESE
Director

- Italy, Malta - Infrastructure
Bruno LAGO
Associate Director
 - Flavio SCHIAVO CAMPO de GREGORIO
- Italy, Malta - Banks and Corporates
--
 - Eugenio LEANZA
- Slovenia, Croatia, Western Balkans
Romualdo MASSA BERNUCCI

South-East Europe

Grammatiki TSINGOU-PAPADOPETROU
Director

- Greece
Themistoklis KOUVARAKIS
Alain TERRAILLON
 - Athens Office
Christos KONTOGEOORGOS
- Bulgaria, Romania, Cyprus
Cormac MURPHY
- Turkey
Franz-Josef VETTER

Baltic Sea



Andreas VERYKIOS
Deputy Director General

- Poland
Heinz OLBERS
 - Warsaw Office
Michał LUBIENIECKI
- Baltic States, Russia, Ukraine
Constantin SYNADINO
 - Ann-Louise AKTIV VIMONT
- Denmark, Finland, Sweden, EFTA Countries
Michael O'HALLORAN



Directorate for Lending Operations outside Europe

Jean-Louis BIANCARELLI
Director General

Development Economics Advisory Service

Daniel OTTOLENGHI
Chief Development Economist

- Bernard ZILLER

Mediterranean (FEMIP)

Claudio CORTESE
Director

- Alain NADEAU
- Maghreb
Bernard GORDON
 - Tunis Office
Diederick ZAMBON
 - Rabat Office
René PEREZ
- Near East
Jane MACPHERSON
 - Cairo Office
Luigi MARCON
- Special Operations
Jean-Christophe LALOUX

Africa, Caribbean, Pacific - Investment Facility

Martin CURWEN
Director

- West Africa and Sahel
Gustaaf HEIM
 - Dakar Office
Jack REVERSADE
- Central and East Africa
Tassilo HENDUS
 - Nairobi Office
Carmelo COCUZZA
- Southern Africa and Indian Ocean
Serge-Arno KLÜMPER
 - Tshwane (Pretoria) Office
David WHITE
- Caribbean and Pacific
David CRUSH
 - Fort-de-France Office
Anthony WHITEHOUSE
 - Sydney Office
Jean-Philippe DE JONG
- Resources and Development
Justin LOASBY
Associate Director
- Portfolio Management, Policy
Flavia PALANZA
Associate Director

Asia and Latin America

Francisco de PAULA COELHO
Director

- Latin America
Alberto BARRAGÁN
- Asia
Matthias ZÖLLNER
 - Philippe SZYMCZAK

Finance Directorate

--
Director General

- Ghislaine RIOS

Capital Markets

Barbara BARGAGLI PETRUCCI
Director

- Euro
Carlos FERREIRA DA SILVA
 - Aldo ROMANI
- Europe (excluding euro), Africa
David CLARK
- America, Asia, Pacific
Eila KREIVI
- Investor Relations and Marketing
Peter MUNRO

Treasury

Anneli PESHKOFF
Director

- Liquidity Management
Francis ZEGHERS
 - Timothy O'CONNELL
- Asset/Liability Management
Jean-Dominique POTOCKI
- Portfolio Management
Paul ARTHUR
- Financial Engineering and Advisory Services
Guido BICHISAO

Planning and Settlement of Operations

Gianmaria MUSELLA
Director

- Back Office Loans and Operational Lending Support
Ralph BAST
- Back Office Treasury
Yves KIRPACH
- Back Office Borrowings
Erling CRONQVIST
- Systems and Procedures
Georg HUBER
Associate Director

Coordination and Financial Policies

Maria Luce SAMPIETRO



Michel DELEAU
Director General

Projects Directorate

Mateo TURRÓ CALVET
Associate Director

(Trans-European Networks and PPPs)

- Economic and Financial Studies
Éric PERÉE

The organisation chart, curricula vitae of the Directors General and heads of control units and additional information on the remuneration arrangements for all EIB staff are regularly updated and posted on the Bank's website: www.bei.org



► Department → Division

(situation at 1 June 2006)

► **Policy Support**

Patrice GÉRAUD

Director

- Gianni CARBONARO
(Urban Development)

→ *Operational Lending Policies*

Guy CLAUSSE

Associate Director

- Eugenia KAZAMAKI-OTTERSTEN
(Cohesion Policy)

→ *Project Quality and Monitoring*

Angelo BOIOLI

→ *Resource Management*

--

→ *Environment Unit*

Peter CARTER

Associate Director

► **Infrastructure**

Christopher HURST

Director

- Axel HÖRHAGER
(Balkans and Economic Coordination)

→ *Rail and Road*

--

→ *Air, Maritime and Urban Transport*

José Luis ALFARO

→ *Water and Wastewater*

José FRADE

Associate Director

- Michel DECKER

► **Energy, Telecommunications,
Waste Management**

Günter WESTERMANN

Director

- Juan ALARIO GASULLA
Associate Director

→ *Electricity, Renewable Energies and
Waste Management*

René van ZONNEVELD

- Heiko GEBHARDT
- Nigel HALL

→ *Oil and Gas*

Angus NICOLSON

- François TREVoux

→ *Telecommunications and
Information Technology*

Carillo ROVERE

► **Industry and Services**

Constantin CHRISTOFIDIS

Director

- Jean-Jacques MERTENS
Associate Director

→ *Process Industries and Life Sciences*

John DAVIS

- Eberhard GSCHWINDT
- Philippe GUINET

→ *Manufacturing Industry and Services*

Hans-Harald JAHN

- Pedro OCHOA
- Peder PEDERSEN
- Rüdiger SCHMIDT

→ *Human Capital*

Stephen WRIGHT

Associate Director

JASPERS

Patrick WALSH

Director

- Agustin AURÍA
Associate Director



**Risk Management
Directorate**

Pierluigi GILBERT

Director General

→ *Coordination and Support*

Elisabeth MATIZ

Associate Director

► **Credit Risk**

Per JEDEFORS

Director

→ *Corporates, Public, Infrastructure*

Stuart ROWLANDS

→ *Financial Institutions*

--

- Per de HAAS

→ *Project Finance, European Investment Fund (EIF)*

Klaus TRÖMEL

Associate Director

► **Financial and Operational Risks**

Alain GODARD

Director

→ *ALM and Market Risk Management*

Giancarlo SARDELLI

→ *Derivatives*

Luis GONZALEZ-PACHECO

→ *Operational Risks*

Antonio ROCA IGLESIAS



Human Resources

Alfonso QUEREJETA

Director

- Jean-Philippe BIRCKEL

→ *Management Systems*

Zacharias ZACHARIADIS

Associate Director

→ *Staffing*

Luis GARRIDO

→ *Development*

--

- Ute PIEPER-SECKELMANN
- Bruno TURBANG

→ *Administration*

Michel GRILLI



Information Technology

Patrick KLAEDTKE

Chief Information Officer

→ *Planning, Support and Compliance*

Joseph FOY

→ *Business Applications*

Simon NORCROSS

- Derek BARWISE

→ *Technology and Infrastructure*

José GRINCHO

Associate Director



Inspectorate General

Peter MAERTENS

Inspector General

- Siward de VRIES

(Fraud Investigations Unit)

→ *Internal Audit*

Ciaran HOLLYWOOD

→ *Operations Evaluation*

Alain SEVE

Associate Director

- Rainer SAERBECK
- Werner SCHMIDT
- Campbell THOMSON



**EIB Group
Compliance Office**

Konstantin ANDREOPOULOS

Chief Compliance Officer

- Evelyne POURTEAU

Associate Director

- Luigi LA MARCA



**Management Committee
Adviser**

on EIB Group strategy and negotiations

Francis CARPENTER

Director General



**Representation on
Board of Directors**

of European Bank for Reconstruction
and Development

Terence BROWN

Director representing the EIB

- Walter CERNOIA

Alternate

EIF Statutory Bodies



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

- ⇒ the General Meeting of shareholders (EIB, European Union, 23 financial institutions), which meets at least once a year;
- ⇒ the Board of Directors, composed of seven members and seven alternates, which, inter alia, decides on the Fund's operations;



The Board of Directors

- ⇒ the Chief Executive, who is responsible for the management of the Fund in accordance with the provisions of its Statutes and the guidelines and directives adopted by the Board of Directors.

The Fund's accounts are audited by a three-person Audit Board appointed by the General Meeting and by independent external auditors.

Detailed information on the Fund's statutory bodies (composition, curricula vitae of members, remuneration) and services (composition, curricula vitae of Directors General and Directors, remuneration of all staff) is regularly updated and posted on the EIF's website: www.eif.org.

EIF Structure

Francis CARPENTER *Chief Executive*

Thomas MEYER

- ⇒ Head of Risk Management and Monitoring

Marc SCHUBLIN

- ⇒ Head of JEREMIE, Joint European Resources for Micro-to-Medium Enterprises

Alexander ANDÒ

- ⇒ Deputy

Hubert COTTOGNI

- ⇒ Deputy

Robert WAGENER *Secretary General*

Maria LEANDER

- ⇒ Head of Legal Service

Frédérique SCHEPENS

- ⇒ Head of Corporate Affairs and Finance

Jobst NEUSS

- ⇒ EIF Compliance

Eva GOULAS

- ⇒ Human Resources

John A. HOLLOWAY *Director, Investments*

Jean-Philippe BURCKLEN

- ⇒ Head of Venture Capital 1

Ulrich GRABENWARTER

- ⇒ Head of Venture Capital 2

Jouni HAKALA

- ⇒ Deputy

Matthias UMMENHOFER

- ⇒ Deputy

Jacques LILLI-DARCY

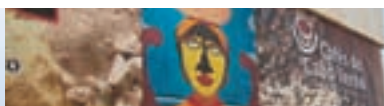
- ⇒ Head of Venture Capital 3

Alessandro TAPPI

- ⇒ Head of Securitisation and Guarantees

Christa KARIS

- ⇒ Deputy



Projects eligible for financing by the EIB Group

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

- ⇒ *strengthening economic and social cohesion: promoting investment in all sectors of the economy to foster the economic advancement of the less-favoured regions;*
- ⇒ *furthering investment contributing to the development of 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;*
- ⇒ *securing the energy supply through rational use, harnessing of indigenous resources including renewable energy, and import diversification.*

The EIB Group assists 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 a view to the creation of a free trade area by 2010;*
- ⇒ *the African, Caribbean and Pacific States (ACP), South Africa and the OCT (Overseas Countries and Territories), where it promotes the development of basic infrastructure and the local private sector;*
- ⇒ *Asia and Latin America, where it supports projects 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 towards not only reconstruction of basic infrastructure and projects with a regional dimension but also private sector development.*

EIB Group Addresses



European Investment Bank

www.eib.org – info@eib.org

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L-2950 Luxembourg

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External Offices

Austria	Parkring 10 A-1010 Wien	☎ (+43-1) 516 33 31 95 ☎ (+43-1) 516 33 30 49
Belgium	Rue de la loi 227 / Wetstraat 227 B-1040 Bruxelles / Brussel	☎ (+32-2) 235 00 70 ☎ (+32-2) 230 58 27
France	21, rue des Pyramides F-75001 Paris	☎ (+33-1) 55 04 74 55 ☎ (+33-1) 42 61 63 02
Germany	Lennéstraße 11 D-10785 Berlin	☎ (+49-30) 59 00 47 90 ☎ (+49-30) 59 00 47 99
Greece	1, Herodou Attikou & Vas. Sofias Ave GR-106 74 Athens	☎ (+30) 210 68 24 517 ☎ (+30) 210 68 24 520
Italy	Via Sardegna 38 I-00187 Roma	☎ (+39) 06 47 19 1 ☎ (+39) 06 42 87 34 38
Poland	Warsaw Financial Centre, 11th floor ul. Emili Plater 53 PL-00-113 Warszawa	☎ (+48 22) 528 68 83 ☎ (+48 22) 528 68 65
Portugal	Avenida da Liberdade, 190-4° A P-1250-147 Lisboa	☎ (+351) 213 42 89 89 ☎ (+351) 213 47 04 87
Spain	Calle José Ortega y Gasset, 29, 5° E-28006 Madrid	☎ (+34) 914 31 13 40 ☎ (+34) 914 31 13 83
United Kingdom	2 Royal Exchange Buildings London EC3V 3LF	☎ (+44) 20 73 75 96 60 ☎ (+44) 20 73 75 96 99



EIB Group Addresses

Egypt	6, Boulos Hanna Street Dokki, 12311 Giza	☎ (+20-2) 336 65 83 ☎ (+20-2) 336 65 84
Kenya	Africa Re Centre, 5th floor Hospital Road, PO Box 40193 KE-00100 Nairobi	☎ (+254-20) 273 52 60 ☎ (+254-20) 271 32 78
Morocco	Riad Business Center, Immeuble S3, Aile sud, 4 ^e étage Boulevard Er-Riad Rabat	☎ (+212) 37 56 54 60 ☎ (+212) 37 56 53 93
Senegal	3, rue du Docteur Roux BP 6935, Dakar-Plateau	☎ (+221) 889 43 00 ☎ (+221) 842 97 12
South Africa	5 Greenpark Estates 27 George Storrar Drive Groenkloof 0181 Tshwane (Pretoria)	☎ (+27-12) 425 04 60 ☎ (+27-12) 425 04 70
Tunisia	70, avenue Mohamed V TN-1002 Tunis	☎ (+216) 71 28 02 22 ☎ (+216) 71 28 09 98

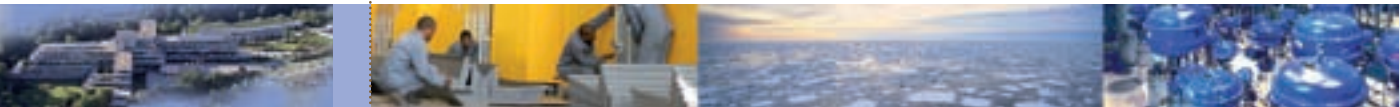


European Investment Fund

www.eif.org – info@eif.org

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L-2968 Luxembourg

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☎ (+352) 42 66 88 200



On the CD-Rom enclosed with this brochure, readers will find information contained in the three volumes of the Annual Report as well as electronic versions of these volumes in the different available languages.

The Annual Report is also available on the Bank's website www.eib.org/report.

2005
EIB-Gruppe EIB Group Groupe BEI

1. Tätigkeitsbericht
Activity Report
Rapport d'activité
2. Finanzbericht
Financial Report
Rapport financier
3. Statistischer Bericht
Statistical Report
Rapport statistique

*The EIB wishes to thank the following promoters and suppliers for the photographs illustrating this report:
CERN (pp. 11, 37), SNECMA (pp. 16, 25), EuroGeographics Association for the administrative boundaries (p. 20), BOSH (p.26).*

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