



European Investment Bank Group • European Investment Bank Group • European Investment Bank Group • European Investment Bank Group



Volume II

Financial Report





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Volume II

Financial Report

The EIB Group's 2009 Annual Report consists of three separate volumes:

- the Activity and Corporate Responsibility 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 (under IFRS and EU Directives), the EIB, the Cotonou Investment Facility, the FEMIP Trust Fund, the EU-Africa Infrastructure Trust Fund, the Neighbourhood Investment Facility Trust Fund and the EIF, along with the related explanatory annexes;
- the Statistical Report, presenting in list form the projects financed and borrowings undertaken by the EIB in 2009, together with a list of the EIF's projects. It also includes summary tables for the year and over the last five years.

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



EIB Group: key statutory figures



European Investment Bank

Activity in 2009

(EUR million)

Projects approved	103 898
European Union	93 615
Partner countries	10 283
Signatures	79 102
European Union	70 505
Partner countries	8 597
Disbursements	54 022
European Union	48 898
Partner countries	5 123
Resources raised (before swaps)	79 386
Core currencies (EUR, GBP, USD)	70 205
Other currencies	9 182

Situation as at 31.12.2009

Outstandings	
Loans disbursed	324 150
Loans to be disbursed	81 843
Financing from budgetary resources	1 416
Borrowings	305 758
Own funds	37 954
Balance sheet total	361 871
Net profit for year	1 877
Subscribed capital	232 393
of which called up	11 620



European Investment Fund

Activity in 2009

Signatures	3 031
Venture capital (39 funds)	733
Guarantees (22 operations)	2 298

Situation as at 31.12.2009

Portfolio	17 697
Venture capital — assets under management (307 funds)	4 103
Guarantees — positions (168 operations)	13 594
Accumulated signatures	
Venture capital (307 funds)	5 136
Guarantees (168 operations)	13 987
Own funds	1 015
Balance sheet total	1 157
Net profit for year	-7
Subscribed capital	2 940
of which called up	588



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EIB Statutory Bodies

Situation at 11/03/2010

The composition of the Bank's statutory bodies, the curricula vitae of their members and additional information on the remuneration arrangements are regularly updated and posted on the EIB's website: www.eib.org.

Board of Governors

Chairman	Einars REPŠE	(Latvia)
Belgium	Didier REYNDEERS	Deputy Prime Minister and Minister for Finance and Institutional Reforms
Bulgaria	Simeon DJANKOV	Deputy Prime Minister, Minister for Finance
Czech Republic	Eduard JANOTA	Minister for Finance
Denmark	Brian Arthur MIKKELSEN	Minister for Economic Affairs, Trade and Industry
Germany	Wolfgang SCHÄUBLE	Federal Minister for Finance
Estonia	Jürgen LIGI	Minister for Finance
Greece	George PAPACONSTANTINOU	Minister for Finance
Spain	Elena SALGADO	Second Deputy Prime Minister and Minister for Economic Affairs and Finance
France	Christine LAGARDE	Minister for Economic Affairs, Industry and Employment
Ireland	Brian LENIHAN	Minister for Finance
Italy	Giulio TREMONTI	Minister for Economic Affairs and Finance
Cyprus	Charilaos STAVRAKIS	Minister for Finance
Latvia	Einars REPŠE	Minister for Finance
Lithuania	Ingrida ŠIMONYTĖ	Minister for Finance
Luxembourg	Jean-Claude JUNCKER	Prime Minister, Ministre d'État, Minister for the Treasury
Hungary	Péter OSZKÓ	Minister for Finance
Malta	Tonio FENECH	Minister of Finance, Economy and Investment
Netherlands	Jan Cornelis DE JAGER	Minister for Finance, Deputy Prime Minister
Austria	Josef PRÖLL	Vice Chancellor and Federal Minister for Finance
Poland	Jan VINCENT-ROSTOWSKI	Minister for Finance
Portugal	Fernando TEIXEIRA DOS SANTOS	Ministro de Estado, Minister for Finance
Romania	Sebastian VLĂDESCU	Minister for Public Finance
Slovenia	Franc KRIŽANIČ	Minister for Finance
Slovakia	Ján POČIATEK	Minister for Finance
Finland	Mari KIVINIEMI	Minister of Public Administration and Local Government
Sweden	Anders BORG	Minister for Finance
United Kingdom	Alistair DARLING	Chancellor of the Exchequer

Audit Committee

Chairman	Ortwin KLAPPER	Former Chief Executive Officer of Bank Austria Creditanstalt Leasing Group
Members	Gerard SMYTH	Secretary and Director of Audit at the Office of the Comptroller and Auditor General, Dublin
	Éric MATHAY	Corporate Auditors, Buelens, Mathay, Matis & Associates, Brussels
	José RODRIGUES DE JESUS	Chartered Auditor, Oporto
	Danièle NOUY	Secretary General of Prudential Control Authority, Banque de France, Paris
	Joseph G. GALEA	Adviser to the Auditor General, Malta

Management Committee

President	Philippe MAYSTADT	
Vice-Presidents	Philippe de FONTAINE VIVE CURTAZ	Eva SREJBER
	Simon BROOKS	Marta GAJEČKA
	Carlos da SILVA COSTA	Dario SCANNAPIECO
	Matthias KOLLATZ-AHNEN	Plutarchos SAKELLARIS



Board of Directors

The Board of Directors consists of 28 Directors, with one Director nominated by each Member State and one by the European Commission. There are 18 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 six experts (three Directors and three Alternates), who participate in the Board meetings in an advisory capacity, without voting rights.

Directors

Olivier HENIN	Executive Director, Head of Policy Unit, Ministry of Finance, Brussels
Dimitar IVANOVSKI	Member of the Managing Board, Centre for Economic Development, Sofia
Zdeněk HRUBÝ	General Director, Ministry of Finance, Prague
Sigmund LUBANSKI	Head of Office, Special Advisor, Ministry of Economic Affairs, Trade and Industry, Copenhagen
Ralph MÜLLER	Head of EU Budget Department, Federal Ministry of Finance, Berlin
Ivar SIKK	Deputy Secretary General, State Budget and Governance Policy, Ministry of Finance, Tallinn
Panagiotis DROSSOS	Manager, Wholesale Products Division, Alpha Bank, Athens
María Jesús FERNÁNDEZ GARCÍA	Director General for International Finance, Ministry of Economic Affairs and Finance, Madrid
Michel HOUDEBINE	Head of European Affairs Department, Treasury and Economic Policy Directorate General, Ministry of Economic Affairs, Industry and Employment, Paris
Michael SOMERS	Director, Allied Irish Banks and other companies, Dublin
Carlo MONTICELLI	Head of International Financial Relations, Treasury Department, Ministry of Economic Affairs and Finance, Rome
Kyriacos KAKOURIS	Senior Economic Officer, Ministry of Finance, Nicosia
Irēna KRŪMĀNE	Chairwoman of the Financial and Capital Market Commission, Ministry of Finance, Riga
Jurgita UZIELIENĒ	Deputy Director, European Union and International Affairs Department, Ministry of Finance, Vilnius
Gaston REINESCH	Director General, Ministry of Finance, Luxembourg
János ERŐS	Chief Executive Officer, Hungarian Development Bank Ltd., Budapest
Vincent GRECH	Consultant to the Government of Malta, Ministry of Finance, Economy and Investment, Valletta
Pim VAN BALLEKOM	Financial Counsellor, Permanent Representation of the Netherlands to the EU, Brussels
Wolfgang NITSCHKE	Deputy Head of Division for Coordination of European Integration Matters and Trade Policy, Federal Ministry of Finance, Vienna
Jacek DOMINIŁ	Undersecretary of State, Ministry of Finance, Warsaw
Álvaro Pinto Coelho de AGUIAR	Chief Economist, Cabinet of the Ministro de Estado and Minister for Finance, Ministry of Finance and Public Administration, Lisbon
Bogdan Alexandru DRAGOI	Secretary of State, Ministry of Public Finance, Bucharest
Katja BOŽIČ	Director General, Financial System Directorate, Ministry of Finance, Ljubljana
Katarína KASZASOVÁ	Director General of the State Reporting Section, Ministry of Finance, Bratislava
Tytti NORAS	Legal Counsellor, Ministry of Finance, Helsinki
Kurt Arne HALL	Director General, International Department, Ministry of Finance, Stockholm
Peter CURWEN	Director — Europe, International and Finance Directorate, HM Treasury, London
Marco BUTI	Director-General, Directorate-General for Economic and Financial Affairs, European Commission, Brussels

Experts

Pierre RICHARD	Expert on the Board of Directors of the EIB, Paris
Rainer MASERA	Head of Italian Delegation, Intergovernmental Commission on Turin-Lyon rail link, Rome
Timothy STONE	Chairman, Global Infrastructure and Projects Group, KPMG LLP, London

Alternates

Michael KRUSE	Head of Department (retired), Federal Ministry of Economic Affairs and Technology, Berlin
(...)	(Germany)
Jean-Michel SEVERINO	Director General, Agence Française de Développement Group, Paris
Sandrine GAUDIN	Head of European Strategy and Coordination Office, Treasury and Economic Policy Directorate General, Ministry of Economic Affairs, Industry and Employment, Paris
Pietro MASCI	Director, office for economic and financial analysis of emerging countries and their policies. Economic impact of global issues including climate change, trade policies, financial fraud and respective negotiations within OECD, WTO and other international organisations. Department of the Treasury, Ministry of Economic Affairs and Finance, Rome
Francesca MERCUSA	Director, Office for the European Investment Bank, the Mediterranean and the Balkans, International Financial Relations Division, Department of the Treasury, Ministry of Economic Affairs and Finance, Rome
Mike GLYCOPANTIS	Team Leader, EU Finances, International and Finance Directorate, HM Treasury, London
Tamsyn BARTON	Head of EU Department, Department for International Development, London
Carmen LAÍN	Deputy Director General for European Financial Institutions, General Directorate for International Finance, Ministry of Economic Affairs and Finance, Madrid
Rudolf de KORTE	Alternate Member of the Board of Directors of the EIB, Wassenaar
Alf THERKILDSEN	Special Advisor, Ministry of Economic Affairs, Trade and Industry, Copenhagen
Angela CARABAŞ	General Director, General Department of Treasury and Public Debt, Ministry of Public Finance, Bucharest
Pauli KARINIEMI	Financial Advisor, Ministry of Finance, Helsinki
Andžs ŪBELIS	Deputy State Secretary, Ministry of Finance, Riga
Ivana VLKOVÁ	Head of Development Cooperation Unit, Ministry of Finance, Prague
Zsuzsanna VARGA	Director General, Department of International Relations, Ministry of Finance, Budapest
(...)	...
Dirk AHNER	Director-General, Regional Policy Directorate-General, European Commission, Brussels

Alternate experts

Antoni SALA	Advisor to the CEO, Bank Gospodarstwa Krajowego, Warsaw
Eneko LANDABURU	Head of the Delegation of the European Union in Morocco, European Commission, Brussels
Axel NAWRATH	Member of the Managing Board, KfW Bankengruppe, Frankfurt am Main



EIF Statutory Bodies

Situation at 12 April 2010

The composition of the Fund's statutory bodies, the curricula vitae of their members and additional information on the remuneration arrangements are regularly updated and posted on the EIF's website: www.eif.org.

EIF is managed and administered by the following three authorities:

- the General Meeting of all shareholders (EIB, European Commission, 30 financial institutions);
- the Board of Directors;
- the Chief Executive, Mr Richard Pelly and the Deputy Chief Executive, Mr Jean-Marie Magnette.

Board of Directors

Chairman

Philippe MAYSTADT President, European Investment Bank, Luxembourg

Members

<p>Matthias KOLLATZ-AHNEN David McGLUE</p>	<p>Vice-President, European Investment Bank, Luxembourg Former Director, Directorate for Financial Operations, Programme Management and Liaison with the EIB Group, Directorate-General for Economic and Financial Affairs, European Commission, Luxembourg</p>
<p>Carlo MONTICELLI</p>	<p>Head of International Financial Relations in the Treasury Department, Ministry of Economic Affairs and Finance, Rome</p>
<p>Tytti NORAS</p>	<p>Legal Counsellor, Ministry of Finance, Helsinki</p>
<p>Werner OERTER</p>	<p>Senior Vice President, Head of the SME Division, KfW Bankengruppe, Frankfurt/Main</p>
<p>Heinz ZOUREK</p>	<p>Director-General, Directorate-General for Enterprise and Industry, European Commission, Brussels</p>

Alternates

<p>Dirk AHNER</p>	<p>Director-General, Directorate-General for Regional Policy, European Commission, Brussels</p>
<p>Marc AUBERGER</p>	<p>Director General, Qualium Investissement, Paris</p>
<p>Peter BASCH</p>	<p>Principal Advisor, Directorate-General for Economic and Financial Affairs, European Commission, Luxembourg</p>
<p>Thomas HACKETT</p>	<p>Director General, Directorate for Lending Operations in Europe, European Investment Bank, Luxembourg</p>
<p>Zdeněk HRUBÝ</p>	<p>General Director, Ministry of Finance, Prague</p>
<p>Rémy JACOB</p>	<p>Director General, Strategy and Corporate Centre, European Investment Bank, Luxembourg</p>
<p>Gaston REINESCH</p>	<p>Director General, Ministry of Finance, Luxembourg</p>

Audit Board

Chairwoman

Gabriela PANTRING Managing Director, Head of Municipal and Special Promotion Business, NRW. BANK, Düsseldorf, Germany

Members

<p>Ortwin KLAPPER</p>	<p>Former Chief Executive Officer of Bank Austria Creditanstalt Leasing Group</p>
<p>Bernard MAGENHANN</p>	<p>Head of Unit responsible for the internal audit activities in regulatory agencies, Internal Audit Service, European Commission</p>

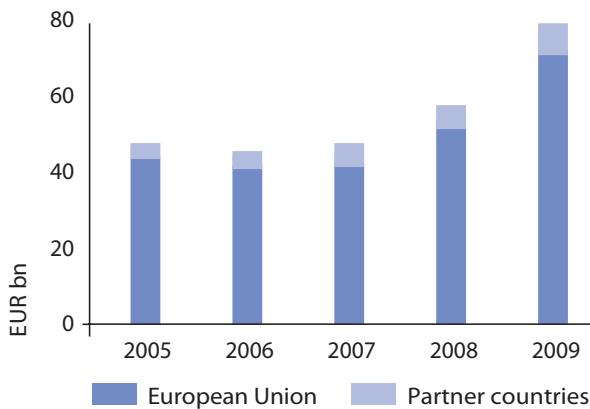
EIB Financing Activity

In 2009, the European Investment Bank increased the total volume of its loans to EUR 79bn, a rise of 37% compared with the EUR 58bn lent in 2008. In an exceptionally difficult economic climate, this represented a new milestone in financial support for the European economy, cementing the EIB's reputation as a reliable source of finance and stability.

In particular, the EIB increased its support for (i) small and medium-sized enterprises (SMEs), (ii) the economically weakest European regions (the "convergence regions") and (iii) the energy sector, as part of the measures to tackle climate change.

In 2009, the EIB provided credit lines totalling EUR 13bn to intermediary banks for onlending to **SMEs**, an increase of 55% over the preceding year. More than 50 000 SMEs across Europe received these funds.

Financing 2005-2009: EUR 278bn



Lending activity in the **convergence** regions amounted to EUR 29bn (an increase of 36% over the EUR 21bn lent in 2008), equivalent to 41% of the total volume of lending in the European Union. The funds were well distributed geographically throughout the EU, as was shown by the EUR 13bn received by the new Member States.

The third priority – measures to tackle **climate change** – received nearly EUR 17bn, which was used to finance projects that help to reduce the level of CO₂ emissions, particularly in the fields of renewable energy (EUR 4.2bn), energy efficiency (EUR 1.5bn), research and development (EUR 4.7bn) and support for urban transport (EUR 5.5bn). Outside the European Union, EUR 474m was allocated to projects to mitigate and deal with climate change.



In total, the EIB devoted more than EUR 70bn, i.e. 89% of its lending volume, to the Member States of the EU. At the same time it also provided considerable financial support (EUR 8.6bn) for countries **outside the European Union**.

With EUR 4.3bn, of which EUR 2.6bn in Turkey, the EIB is helping the Candidate and Potential Candidate Countries to prepare for their accession to the EU and is one of the leading providers of funds in south-eastern Europe.

By increasing its lending volume to a record EUR 1.6bn in the Mediterranean, FEMIP confirmed to the partners of the Union for the Mediterranean (UfM) that it was able to support them in modernising their public policies in the face of the economic crisis and consolidated its position as the leading investor in the development of this region.

The EIB continued its activities in the eastern partner countries (Russia and Ukraine, EUR 233m) and central Asia, with the emphasis on investments that are clearly

of importance to the EU in the fields of transport, energy, telecommunications and environmental infrastructure.

In Latin America and Asia, the EIB lent EUR 1.288bn (nearly three times as much as in 2008) in support of the EU's cooperation strategy in these regions.

The EIB was also involved in promoting the development of the African, Caribbean and Pacific countries, where EUR 863m was lent in 2009 to encourage private sector initiatives and boost economic growth. In South Africa, the EIB supported projects amounting to EUR 280m. Thus a total of EUR 1.1bn was lent in these regions in 2009, with the choice of projects being dictated by their ability to generate sustainable benefits economically, socially and environmentally.

On 1 April 2009, **the EIB's subscribed capital was raised to EUR 232bn, an increase of EUR 67bn.**

EIB Borrowing Activity

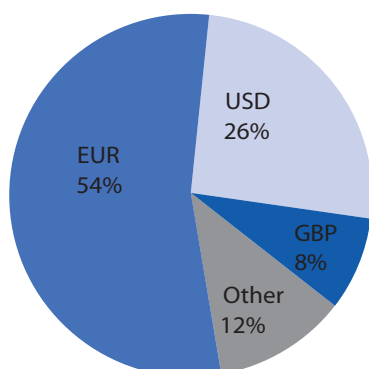
Substantial growth amid exceptional market volatility and uncertainty

- The Bank achieved a substantial (33%) increase in funding volume over 2008, in line with the needs generated by growth in its lending programme. EUR 79.4bn (EUR 59.5bn in 2008) was raised via 262 transactions (247 in 2008).
- In extremely turbulent times, the Bank benefited from its high credit quality and applied a funding strategy that addressed market demand focused on top quality liquid products.
- The Bank was able to extend the maturity of funding to 7.4 years, vs. 5.0 years in 2008, when attractive market opportunities had a shorter-term focus. This extension of maturity was in keeping with the long-term profile of the Bank's lending.

Highlights by currency

- Issuance in EUR increased in importance, offering the good size and longer maturities required by the Bank for its enlarged long-term lending. EUR funding accounted for 54.4% or EUR 43.2bn, the largest amount ever raised by the Bank in a single currency.
- The Bank continued to be one of the leading non-US issuers in the USD market, raising USD 28.0bn/ EUR 20.5bn (25.9% of the total), including the EIB's largest USD issue to date – a USD 5bn 3-year issue.
- GBP 5.8bn/EUR 6.5bn (8.2% of the total) was raised, and the Bank remained the leading non-gilt issuer.
- Funding in other currencies increased to EUR 9.2bn (2008: EUR 8.3bn) during limited periods of opportunity, as risk aversion meant non-core markets, especially for emerging currencies, were largely closed early in the year.

Currency breakdown of borrowings in 2009



AUD	4.7%	SEK	0.4%	HUF	0.2%	RON	0.04%
CHF	2.0%	TRY	0.3%	PLN	0.1%	BGN	0.02%
JPY	1.9%	ZAR	0.2%	DKK	0.1%	CZK	0.02%
NOK	1.4%	HKD	0.2%	NZD	0.1%	RUB	0.01%

Issues in synthetic format:

Brazilian real (BRL), Ghanaian cedi (GHS) and Zambian kwacha (ZMK), with payment and settlement in either EUR or USD.



Market conditions: Adapting to exceptional levels of volatility and uncertainty

In the highly volatile market environment, the achievement of funding objectives required a flexible and balanced funding strategy. The Bank duly adapted its approach to the market, with its initiatives including:

- a swift response to windows of opportunity, while maintaining a strategic approach promoting liquidity and transparency;
- closer collaboration with a wider range of banks to reach more disparate demand worldwide and greater use of banks with local reach, in particular in Europe;
- increased product diversification to access market demand, such as substantially increased issuance of floating-rate notes across currencies, and use of promissory notes (Schuldscheine) and similar products that were in demand in the German market;
- continued development of the benchmark liquidity required by the markets;
- proactive use of targeted plain vanilla issuance.

While investor demand became more fragmented, at a time of crisis investors increasingly demanded top-quality liquid bonds, such as those from the EIB. The Bank thus seized the opportunity to access new investors worldwide, notably in Europe and the US, and was able to roughly double the number of investors in EIB benchmark bonds. The strongest demand came from Europe, which accounted for around 70% of demand for EIB benchmark bonds.

Results by currency: Core currencies remain a dominant source of funding

Funds raised in the Bank's three core currencies (EUR, GBP, USD) amounted to EUR 70.2bn through 171 transactions,

accounting for 88.4% of the total (86% in 2008). In addition there was issuance in 16 non-core currencies in 2009 (plus three currencies – BRL, GHS and ZMK – issued in synthetic format), accounting for EUR 9.18bn or 11.6% of the total funding programme (EUR 8.3bn or 14% in 2008).

Benchmark issuance in the three core currencies accounted for the bulk of funds raised: EUR 53.7bn or 68% of total funding. Targeted plain vanilla issuance in both core and non-core currencies accounted for EUR 23bn or 29% of the total. The balance (3%) was provided by the subdued structured product market.

EUR: Largest programme ever

EUR 43.2bn, or 54.4% of the total funding programme, was raised in euros. This is the largest amount ever collected by the Bank in a single currency and a substantial increase over 2008 (EUR 16.8bn, or 28.2% of the total). Of this amount, EUR 34bn was issued in maturities of five years or longer.

EARNs benchmarks accounted for EUR 32bn, representing the bulk of EUR funding and 40% of overall issuance. In the targeted and structured segment, there was a strong increase in volume to EUR 11.0bn (26% of the euro total, from EUR 3.8bn/22% in 2008), raised via much more frequent transactions (69 vs. 22 in 2008).

GBP: Largest non-gilt issuer

GBP 5.8bn/EUR 6.5bn, or 8.2% of total funding, was raised through 21 transactions (GBP 6.9bn/EUR 8.9bn, or 15% of the total in 2008). Despite the reduced issuance volume in GBP, the Bank continued to be the top non-government sterling issuer.

The Bank updated its sterling yield curve with new, current low-coupon benchmark issues, which was essential

to make sterling products attractive to investors in a market environment characterised by low yields. In tune with the market's appetite for liquid bonds, the Bank was able to launch several relatively large benchmark transactions.

USD: Strong benchmark presence

USD 28.0bn/EUR 20.5bn, or 25.9% of the total funding programme, was raised through 65 transactions (USD 35.5bn/EUR 25.5bn or 43% of the total in 2008). In stark contrast to 2008, 2009 can be characterised as a buyer's market. This, along with volatile conditions in underlying markets buffeted by event risk, led to a very challenging issuance environment in USD. Notwithstanding the context, the Bank was able to navigate its USD Global benchmark bond programme in a manner that enabled the maintenance of benchmark sizes of its issues.

As markets recovered from the second quarter onwards from their extremely fragile state, funding spreads tightened with successive issues, culminating in the Bank's largest-ever USD Global bond issue – a USD 5bn 3-year issue in September 2009, which also illustrated the move to sub-Libor cost levels in short maturities. Although USD spreads made a significant recovery from their distressed levels earlier in the year, they were still far from reverting to mean historical levels.

Structured issuance and other tailor-made transactions also reached good volumes, at USD 5bn/EUR 4bn. Demand was good for short-dated plain vanilla private placements and various callable structures.

Strong diversification: Issuance in 16 other currencies

Against a backdrop of severe risk aversion, which largely closed emerging currency markets for much of H1, it

was significant to achieve an 11% volume increase in other currencies to EUR 9.18bn. There were 91 transactions (113 in 2008). The three largest contributors in these other currencies were AUD (EUR 3.7bn), CHF (EUR 1.6bn) and JPY (EUR 1.5bn).

In Swiss francs (CHF), the EIB was the largest issuer in its asset class, and CHF was the Bank's fifth-largest funding currency (EUR 1.6bn/CHF 2.4bn raised). The volume of issuance in the Nordic region totalled EUR 1.5bn. This was dominated by Norwegian krone (NOK), where the Bank raised a total of NOK 9.7bn (EUR 1.1bn), twice the volume of 2008. This made the Bank the largest issuer in NOK in its asset class. In Swedish krona (SEK), the Bank raised a total of SEK 3.5bn (EUR 335m), the majority via Climate Awareness Bonds, the proceeds from which will be used for future lending projects of the Bank in the fields of renewable energy and energy efficiency.

Investor interest in new and future Member State and EU neighbouring country currencies dropped significantly. There were 26 issues for EUR 498m equivalent, down from EUR 1.15bn equivalent the previous year. Turkish lira (TRY) and Hungarian forint (HUF) were the largest contributors (71% in total), with EUR 225m and EUR 131m respectively. In the international markets, the EIB was the leading IFI issuer in HUF.

In Asia/Pacific markets, the largest source of funding – and the Bank's fourth-largest currency – was once more the Australian dollar (AUD), with AUD 6.3bn (EUR 3.7bn) raised. This was almost double the 2008 volume and made the Bank, for the third year in a row, the largest Kangaroo (foreign) issuer. Japanese yen (JPY) issuance was noteworthy in achieving the longest average maturity (13.8 years) for sizeable volume (JPY 189bn/EUR 1.5bn).

Issuance in African currencies continued to be muted, reflecting investors' risk aversion. In 2009 the Bank launched 10 transactions in three currencies – Ghanaian cedi (GHS), South African rand (ZAR) and Zambian kwacha (ZMK) – for a total of EUR 216m equivalent.



EIB Treasury Activity

Liquidity and portfolio management

The 2009 monthly average net global liquidity amounted to EUR 32.2bn, i.e. 37% more than the 2008 level of EUR 23.5bn. On a yearly basis the average liquidity ratio was 43.6% above the minimum liquidity requirement of 25% of the forecast net cash requirement for the following calendar year, against which, as at 31 December 2009, the Bank's overall net liquidity amounted to EUR 23.9bn (EUR 21.0bn at year-end 2008), representing a liquidity ratio of 31.3%.

Prudential measures applied to the treasury in 2008, i.e. no purchase of ABS and no investments in ABCP, were maintained through 2009, but the rules on mandatory liquidations of assets in the event of downgrades were reviewed and adjusted to the prevailing market conditions.

Over the year, significant improvements took place in terms of strengthening the Bank's liquidity and its management of liquidity risk. Access to the Eurex repo platform was implemented, giving the Bank access to the liquidity operations of the Swiss National Bank. In the spring, discussions between the EIB and the ECB resulted in the Bank gaining access to the monetary policy operations of the ESCB via the Banque Centrale du Luxembourg, with standard terms of ECB-eligible counterparties.

The component portfolios of the operational treasury can be described as follows:

- A short-term money market portfolio (A1), designed for daily liquidity management in 13 different currencies, whose benchmarks are based on the index of the daily 1-month EURIBID/LIBID for assets and the index of the daily 1-month EURIBOR/LIBOR for liabilities.
- An operational money market portfolio (A2), designed to diversify the credit risk profile and enhance the money market performance in the core currencies (EUR, GBP and USD), with a benchmark indexed to the daily 3-month EURIBID/LIBID.
- A credit spread portfolio (B1), designed to enhance overall treasury performance, with a benchmark indexed to the daily 3-month EURIBOR/LIBOR.
- An alternative investment portfolio (B2), invested in capital-guaranteed structured products with coupons indexed to the performance of selected funds of hedge funds.
- A global fixed-income portfolio (B3), with a benchmark based on the iBoxx Eurozone 1 to 3-year Government Bond Index.
- An inflation-linked bond portfolio (B4), launched in September 2009, invested in EUR-denominated government bonds indexed to consumer inflation (HICP) in the euro area.
- An investment bond portfolio, which is being phased out.

Short-term gross liquidity held in the money market portfolios as of 31.12.2009 was slightly higher at EUR 29.1bn (EUR 24.2bn in 2008), with short-term commitments of EUR 9.1bn (EUR 20.2bn in 2008), consisting principally of the outstandings of commercial paper issuance (EUR 3.6bn), cash collateral (EUR 4.2bn), and special accounts (EUR 0.9bn). The operational bond portfolios and investment portfolio amounted to EUR 3.9bn (EUR 3.4bn in 2008). The breakdown of treasury net liquidity of EUR 23.9bn at year-end (EUR 7.4bn in 2008) moved as follows in comparison with 2008: 83.7% (54.1%) for the operational money market portfolio, 9.6% (20.7%) for the operational bond portfolios and 6.7% (25.1%) for the investment bond portfolio.

Market development and treasury financial result

After the dismal state of markets at the end of 2008, the widespread expectations of an improved tone were disappointed in the first quarter of 2009, leading to deep pessimism and a bleak outlook for the rest of the year. However, by the beginning of the second quarter unexpected signs of stabilisation had already started to appear, followed by a slow but steady improvement. The market talk about “green shoots” was nevertheless overshadowed by a unanimous conviction that there would not be a V-shaped recovery. As the year progressed, the improvement in economic figures, credit spreads and market liquidity formed a virtuous cycle, which continued to pick up momentum. This was certainly a sign that the combination of the

various rescue packages, government interventions and central bank measures had managed not only to stop the free fall and panic, but create the preconditions for recovery.

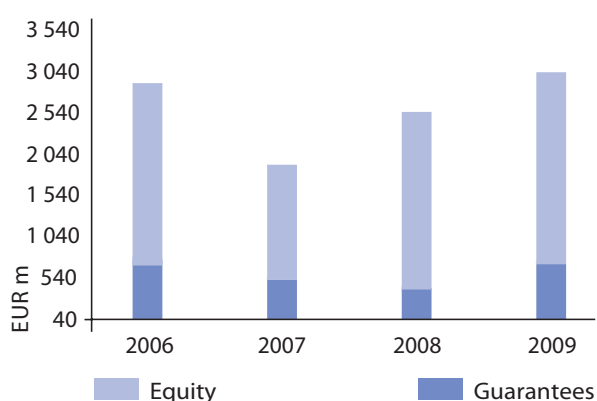
Central banks across the globe kept interest rates low and liquidity abundant to maintain the flow of funding to the real economy and to support their banks.

The treasury accounting results were strongly impacted by the very low levels of absolute interest rates, which brought the average rate of return to record lows, and thus unavoidably reduced the level of financial income from treasury operational portfolios, which amounted to EUR 376m against EUR 928m in 2008 (down 59.5%). In comparison the combined operational portfolios (A2 + B1 + B2 + B3 + B4), some of which had suffered accounting losses in 2008, improved their results by 52.9% to EUR 115m (EUR 75.2m in 2008).



EIF Activity

Annual commitments 2006-2009



Equity operations

In 2009, EIF made, across all funding sources, total unconditional equity commitments of close to EUR 518m. However, given the difficult market conditions seen in 2009, EIF reinforced its catalytic role by making over EUR 215m in conditional commitments to help teams in their fundraising. This amount can also be added in, resulting in a combined total of close to EUR 733m.

Throughout the year, EIF maintained a high level of support by backing teams in the early stages of their fundraising and played an instrumental role in helping fund managers to attract co-investors and reach a sufficiently viable fund size to implement their investment strategies.

Total net equity commitments amounted to EUR 4.1bn at the end of the year. With investments in over 300 funds, EIF remains the leading player in European venture capital and small to mid-cap funds, continued to broaden its investment strategy across venture capital and mid-stage funds.

In April 2009, EIF's Board approved the Mezzanine Facility for Growth, a new EUR 1bn fund-of-funds mandate granted by the EIB to be invested in hybrid debt/equity funds throughout Europe, with a view to playing a catalytic role in

this market segment. EIF has approved EUR 282m in seven funds to date and has already signed commitments of EUR 160m in funds managed by leading independent mezzanine players (MML Capital Partners Fund V, Syntaxis, Accession Mezzanine Capital 3, Avenir Entreprise Mezzanine).

In 2009 EIF also conducted a strategic review of its technology transfer activity to determine the potential for increasing its support for this asset class. EIF investments in technology transfer are expected to increase in 2010.

The United Kingdom Future Technology Fund UK FTF L.P. was launched by the UK Prime Minister as part of the Government's strategy for venture capital funds investing in technology companies. In September 2009 EIF responded to an open call for tender, and was then selected in December 2009 and subsequently appointed – in February 2010 – to serve as investment adviser to UKFTF, which reached GBP 200m at first closing.

Guarantee transactions

EIF offers two main product lines for its SME guarantee activity: credit enhancement-securitisation (guarantees for securitised SME financing instruments) and guarantees/counter-guarantees for portfolios of micro-credits, SME loans or leases.

Due to the prevailing market conditions no securitisation (own funds) transactions were signed in 2009, however, EIF successfully provided guarantee instruments using European Commission CIP resources throughout the year. Twenty-two new guarantee agreements and extensions of existing agreements amounting to EUR 2.3bn were signed. At end-2009, cumulative signatures¹ of EUR 10.7bn had been made using European Commission mandates, with a budgetary allocation of EUR 620m.

Total EIF guarantee transactions in 2009 amounted to nearly EUR 2.3bn, while the total outstanding guarantee portfolio stood at EUR 13.6bn at year-end, comprising some 168 transactions.

⁽¹⁾ Maximum portfolio volume

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

In 2009, EIF entered into the operational implementation phase of JEREMIE (Joint European Resources for Micro-to-Medium Enterprises). To date EIF has signed ten agreements (three in 2009) with Member States and regions, six of which are in new Member States (Bulgaria, Cyprus, Latvia, Lithuania, Romania and the Slovak Republic), demonstrating its continued commitment to supporting economic development in these regions. The total funds committed to these agreements by the end of 2009 amounted to EUR 1bn.

Further JEREMIE contracts between EIF and national or regional governments are currently at an advanced stage of negotiation.

In addition to this, in 2009 EIF offered advisory services to other national/regional JEREMIE Holding Funds.

EIF has developed for JEREMIE a toolbox of financial engineering debt, guarantee and equity instruments which covers the full life cycle of SMEs. In countries where EIF has signed funding agreements, the first calls for expression of interest to financial intermediaries were launched and in 2009 the first contracts were signed.

Throughout 2009, EIF's role extended beyond the successful implementation of the JEREMIE Holding Funds to establishing and developing strong relationships in all markets in which it is active, often through a local presence.

Microfinance

The European Commission has launched a new initiative in the field of social policy and entrepreneurship to address, in particular, the adverse effects of the global financial crisis on at-risk groups.

In this context, EIF is negotiating with the Commission a new mandate ("Progress Microfinance Facility"), which will provide up to EUR 100m in support of employment, development of micro-enterprises and the social economy.

The mandate, which is expected to be match-funded by the EIB, will be deployed over the period 2010-2013 in the form of guarantees and debt products, and is expected to be operational in early 2010. It is aimed at increasing lending activity to micro-borrowers through a wide range of financial intermediaries, such as microfinance institutions, dedicated microfinance companies or investment funds, local savings banks, smaller cooperative banks, smaller development banks/institutions and selected local commercial banks (the latter particularly in the new Member States of the EU).

This complements other Commission, European Parliament and national initiatives in support of the sector and managed by EIF, as well as own resource securitisations in the field:

- the CIP Guarantees microfinance window;
- the JASMINE initiative (Joint Action to Support Microfinance Institutions in Europe), which comprises technical assistance services in support of non-bank microfinance institutions, and a EUR 20m pilot window for investment activity made available by the EIB under the Risk Capital Mandate. To date, EIF has signed one investment and further transactions are in the pipeline;
- microfinance in the context of JEREMIE Holding Fund agreements;
- an additional EUR 4m will be made available by the European Parliament through a Preparatory Action and is expected to be ready for investment in 2010.



Global Energy Efficiency and Renewable Energy Fund (GEEREF)

GEEREF is an innovative fund of funds, providing global risk capital through private investment for energy efficiency and renewable energy projects in developing countries and economies in transition. It aims to accelerate the transfer, development, use and enforcement of environmentally sound technologies for the world's poorer regions, helping to bring secure, clean and affordable energy to local people. GEEREF was initiated by the European Commission and signed by EIF on behalf of the EIB Group. It is advised by both EIF and the EIB and sponsored by the EU, Germany and Norway.

The target funding size is EUR 200-250m and as of September 2009 GEEREF had secured a total of EUR 108m. To date GEEREF has made two investments and has numerous other deals in the pipeline as the EIB Group, with its experience and large portfolio in renewable energy, is uniquely positioned to act as a catalyst for investors interested in the sector.

Audit and Control

Audit Committee – The Audit Committee is an independent statutory body, appointed by, and reporting directly to, the Board of Governors, in compliance with the formalities and procedures defined in the Bank's Statute and Rules of Procedure. The role of the Audit Committee is to verify that the Bank's operations have been conducted and its books kept in a proper manner. The Audit Committee has overall responsibility for the audit of the Bank's accounts. The new EIB Statute, adopted upon the entry into force of the Lisbon Treaty, strengthens the Audit Committee by increasing the number of members from three to six and adds a new responsibility, namely to verify that the activities of the Bank conform to best banking practice.

The Committee provides Statements each year on whether the financial statements, as well as any other financial information contained in the annual accounts drawn up by the Board of Directors, give a true and fair view of the financial position of the Bank, the EIB Group, the Investment Facility, the FEMIP Trust Fund and of the EU-Africa Infrastructure Trust Fund. Starting in 2009, the Committee will issue such a Statement also in relation to the Neighbourhood Investment Facility Trust Fund.

In fulfilling its role, the Committee meets with representatives of the other statutory bodies, reviews the financial statements, takes note of the work performed by the internal auditors, oversees and supervises the external auditors, safeguards the independence and integrity of the external audit function, and coordinates audit work in general. Regular meetings with Bank staff and reviews of internal and external reports enable the Committee to understand and monitor how Management is providing for adequate and effective internal control systems, risk management and internal administration. The Inspector General, the Chief Compliance Officer and the Financial Controller have direct access to the Audit Committee and may request private meetings if necessary.

External Auditors – The external auditors report directly to the Audit Committee, which is empowered to delegate the day-to-day work of auditing the financial statements to them. Following a public tendering procedure, the Audit Committee designated the firm KPMG,

after consultation with the Management Committee, as the EIB's external auditor for a period of four years, starting in 2009, with the possibility of one extension of three years. The external auditors are not allowed to carry out any work of an advisory nature or act in any other capacity that might compromise their independence when performing their audit tasks. A summary of services provided by the external auditors and the associated fees is published each year by the Bank on its website, in accordance with best practice.

Financial Control – The Director General of the Strategy and Corporate Centre is also Financial Controller for the EIB Group. Under his direct responsibility, the Financial Control division prepares the financial statements. Together with the Secretary General, the Financial Controller manages the relationships with the external auditors, the Audit Committee and the European Court of Auditors as well as with the European Ombudsman.

Inspectorate General – The Inspectorate General for the EIB Group comprises three independent control functions.

Internal Audit. Catering for audit needs at all levels of management of the EIB Group and acting with the guarantees of independence and of professional standards conferred upon it by its Charter, Internal Audit examines and evaluates the relevance and effectiveness of the internal control systems and the procedures involved in managing risk within the Group. An internal control framework covering all key operational activities of the Group and any newly identified processes continues to be maintained. Action Plans agreed with the Bank's departments are a catalyst for improving procedures and strengthening controls. Internal Audit therefore reviews and tests controls in critical banking, information technology and administrative areas on a rotational basis using a risk-based approach.

Operations Evaluation. Operations Evaluation (EV) independently carries out evaluations (mainly ex post) of the EIB Group's operations. The objective is to assess operations with a view to identifying aspects that could improve operational performance, accountability and transparency. EV focuses on how the institution (EIB – EIF)

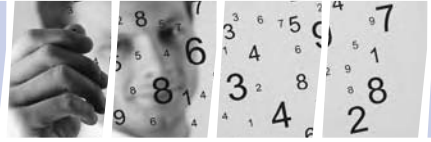


conducts its operations, given the framework of relevant EU policies and the decisions of the EIB's Governors. EV's work also includes analysis of the related policies and strategies to identify those aspects that may need to be reviewed by the appropriate bodies. Evaluation reports are published in a dedicated section of the EIB's website (www.eib.org/evaluation).

Fraud investigations. Under internal procedures to combat fraud, the Inspector General has the authority to conduct inquiries independently into allegations of possible fraud or corruption involving EIB funds. The Bank may also call upon external assistance or experts in accordance with the requirements of the inquiry, and works closely with the services of the European Anti-Fraud Office (OLAF). The scope of activities also encompasses a proactive anti-fraud approach – the Proactive Integrity Reviews (PIR). Through PIRs the Inspectorate General supports the Bank's efforts to monitor projects, identify red flags and search for possible indicators of fraud and/or corruption. Projects are selected for PIR independently by IG on the basis of an extensive risk assessment process. In addition, the Inspector General provides, when required, an independent recourse mechanism for investigating complaints that the European Ombudsman considers to be outside his remit.

Compliance Office – The Office of the Group Chief Compliance Officer (OCCO) identifies the compliance risk associated with EIB operations and coordinates compliance matters within the EIB Group. OCCO assesses or advises on compliance-related questions by expressing opinions or making recommendations either upon request or on its own initiative, monitors the risk and reports it to the governing bodies. More specifically, OCCO is responsible for the observance of guidelines, policies and procedures adopted from time to time by the governing bodies of the EIB Group on the prevention of money laundering, and the financing of terrorism, internal ethics and integrity, including administration of the codes of conduct. The Office also checks that the correct procurement procedures are chosen for the Bank's own account. In discharging its duties OCCO contributes to the implementation of current best standards of good professional practice applicable to the Bank.

Management Control – Within the Strategy and Corporate Centre Directorate, the Strategy and Management Control Department brings together the functions responsible for management control – namely strategy, budget/cost accounting and associated analyses, partnership coordination and process improvement – and integrates them with functions responsible for corporate responsibility policies and corporate governance issues, including complaints handling. This structure ensures that the overall strategic and financial planning and reporting processes are coordinated and support the achievement of the Bank-wide objectives and ultimately that the results achieved are monitored. Key tools include the Corporate Operational Plan, the budget/cost accounting and independent opinions and analysis on proposals affecting them, plus other associated control systems, together with the financial accounting and control systems. A suite of integrated reports facilitates evaluation of the financial situation in relation to strategy, institutional and operational objectives and business plans.



EIB

Financial Statements

as at 31 December 2009

Results for the Year

The net surplus of the Bank for the financial year 2009 stands at EUR 1 877 million as compared to a net surplus of EUR 1 651 million for 2008.

The net surplus for the financial year increased by EUR 226 million (+13.7%) despite additional writedowns on venture capital operations of EUR 103 million. Please note in this respect that the Bank follows prudent accounting principles in its individual statutory accounts that do not allow it to book unrealised gains, which amounted to EUR 201 million at the end of 2009.

The other main factors influencing the financial results either positively or negatively are the following:

Positive impacts:

- The net balance between interest income and charges rose by EUR 169 million and stands at EUR 2 242 million (items 1 and 2 of the profit and loss account).
- The average interest rate on outstanding loans decreased from 4.84% to 2.36%, and on outstanding debt from 4.64% to 1.82%, resulting in a realised margin of 0.53% versus 0.20% previously.
- The average interest rate on the net balance between treasury outstanding assets and liabilities decreased from 4.58% to 1.45%.

Negative impacts:

- The value adjustment on shares and other variable-yield securities (including venture capital operations) resulted in an unrealised loss of EUR 78.5 million, against a larger unrealised loss of EUR 165.3 million in 2008.
- General administrative expenses and depreciation increased by EUR 34.7 million or 9% to EUR 425 million. Staff costs increased by some 9% or EUR 22.8 million. The breakdown of staff costs is detailed in note R to the Statutory Financial Statements, which states that salaries and allowances increased by EUR 15.0 million (+8.9%) while welfare contributions and other social costs increased by EUR 7.8 million (8.4%). Other administrative expenses increased by EUR 11.5 million (11.3%) and included the costs of consultancy and external services. The Group had greater recourse to external services because of its increasing activity.

Main evolution of loans and borrowing activity:

- The volume of loans disbursed in 2009 increased by 11% to EUR 54.0 billion from EUR 48.6 billion in 2008.
- The volume of loan signatures for 2009 increased by 37% to EUR 79.1 billion from EUR 57.6 billion in 2008.
- The volume of borrowing proceeds, before swap operations, received during the financial year 2009 increased by 33% versus 2008 to EUR 79.4 billion from EUR 59.5 billion.

In 2009, the EIB launched new “Climate Awareness Bonds” (CAB), for the first time in Swedish krona, for a total amount of SEK 2.25 billion (EUR 214 million). As of 31 December 2009, EUR 50.3 million had been committed to such projects and disbursed.

The own funds of the Bank increased from EUR 35.7 billion at the end of 2008 to EUR 38.0 billion at the end of 2009. Expressed as a percentage of outstanding loans disbursed, the own funds of the Bank decreased slightly from 12.50% at the end of 2008 to 12.01% at the end of 2009.

Appropriation of the surplus

On the basis of the EIB 2009 statutory accounts and acting on a proposal from the Management Committee, the Board of Directors recommends that the Board of Governors appropriate the balance of the profit and loss account for the year ended 31 December 2009, which amounts to EUR 1 876 894 253, to the Reserve Fund.

Following the change in the Statute of the Bank applicable to the 2009 financial statements, it is also recommended to transfer the following amounts from the fund allocated to the structured finance facility (EUR 4 750 000 000) and the fund allocated to venture capital operations (EUR 1 617 127 000) to the newly created reserves and additional reserves of the Bank, for the year ended 31 December 2009:

- EUR 3 299 370 000 transferred to the special activities reserve
- EUR 1 923 734 000 transferred to the general loan reserve
- EUR 1 144 024 000 transferred to the additional reserve

Consequently, the fund allocated to the structured finance facility and the fund allocated to venture capital operations would amount to nil balances.

Balance sheet

as at 31 December 2009 (in EUR '000)

Assets	31.12.2009	31.12.2008
1. Cash in hand, balances with central banks and post office banks (Note B.1)	227 227	76
2. Treasury bills and other bills eligible for refinancing with central banks (Note B.2)	3 788 227	2 132 808
3. Loans and advances to credit institutions		
a) repayable on demand	334 382	245 372
b) other loans and advances (Note C)	19 032 387	21 361 419
c) loans (Note D.1)	116 575 861	111 990 666
	135 942 630	133 597 457
4. Loans and advances to customers		
a) loans (Note D.1)	199 365 019	173 662 179
b) specific value adjustments (Note D.2)	- 110 800	- 22 000
	199 254 219	173 640 179
5. Debt securities including fixed-income securities (Note B.2)		
a) issued by public bodies	1 888 424	71 539
b) issued by other borrowers	15 976 042	10 437 250
	17 864 466	10 508 789
6. Shares and other variable-yield securities (Note E.1)	1 479 405	1 366 456
7. Shares in affiliated undertakings (Note E.2)	480 668	479 272
8. Intangible assets (Note F)	4 817	4 316
9. Tangible assets (Note F)	304 918	313 881
10. Other assets (Note G)	89 499	148 584
11. Subscribed capital and reserves, called but not paid (Note H.3)	115 327	473 986
12. Prepayments and accrued income (Note I)	2 319 988	3 095 170
Total assets	361 871 391	325 760 974

The accompanying notes form an integral part of these financial statements.

Liabilities	31.12.2009	31.12.2008
1. Amounts owed to credit institutions (Note J)		
a) with agreed maturity dates or periods of notice	4 480 414	5 779 865
	4 480 414	5 779 865
2. Amounts owed to customers (Note J)		
a) repayable on demand	1 256 333	1 201 858
b) with agreed maturity or periods of notice	1 106 417	178 542
	2 362 750	1 380 400
3. Debts evidenced by certificates (Note K)		
a) debt securities in issue	286 247 691	252 004 894
b) others	19 510 696	14 984 134
	305 758 387	266 989 028
4. Other liabilities		
a) sundry creditors (Note G)	367 676	344 144
b) sundry liabilities	19 263	18 352
	386 939	362 496
5. Accruals and deferred income (Note I)	9 501 189	13 863 467
6. Provisions		
a) pension plans and health insurance scheme (Note L)	1 306 754	1 187 653
c) provision for guarantees issued in respect of venture capital operations	5 781	5 781
	1 312 535	1 193 434
7. Subscribed capital (Note H)		
- Subscribed	232 392 989	164 808 169
- Uncalled	- 220 773 340	-156 567 760
	11 619 649	8 240 409
8. Reserves (Note H)		
a) reserve fund	18 205 506	16 480 817
b) additional reserves	1 144 024	5 305 876
c) funds allocated to structured finance facility	0	2 750 000
d) funds allocated to venture capital operations	0	1 764 305
e) special activities reserve	3 299 370	0
f) general loan reserve	1 923 734	0
	24 572 634	26 300 998
9. Profit for the financial year attributable to equity holders of the Bank (Note M)	1 876 894	1 650 877
Total liabilities	361 871 391	325 760 974

The accompanying notes form an integral part of these financial statements.

Off balance sheet

as at 31 December 2009 (in EUR '000)

	31.12.2009	31.12.2008
Commitments		
- EBRD capital (Note E.1)		
uncalled	442 500	442 500
- EIF capital (Notes E.2, X)		
uncalled	1 460 800	1 457 600
- Undisbursed loans (Note D.1)		
credit institutions	18 686 622	12 457 853
customers	63 156 626	46 411 674
	81 843 248	58 869 527
- Undisbursed venture capital operations (Note E.1)	1 244 196	1 088 046
- Undisbursed investment funds (Note E.1)	511 895	334 721
Contingent liabilities including guarantees		
- In respect of loans granted by third parties	314 244	246 621
- In respect of venture capital operations	17 385	15 171
Assets held on behalf of third parties		
- EIF treasury management	900 069	851 595
- Guarantee Fund treasury management	1 240 505	1 091 447
- FP7 Guarantee Fund treasury management	547 761	283 132
- Investment Facility – Cotonou	1 289 209	1 144 922
- Special Section	1 416 067	1 593 398
- RSFF	432 266	205 760
- EU-Africa	144 151	91 881
- HIPC	65 768	90 569
- FEMIP	30 236	33 159
- LGTT	105 198	43 760
- JASPER	119	1 114
- JESSICA	16 805	0
Other items		
- Special deposits for service of borrowings (Note S)	52 292	134 772
- Securities receivable	100 000	157 480
- Nominal value of interest-rate swap contracts (Note V.1)	316 379 517	276 181 870
- Nominal value of currency swap contracts payable (Note V.1)	125 166 944	115 600 764
- Nominal value of currency swap contracts receivable (Note V.1)	119 986 609	106 514 766
- Nominal value of credit default swap (Note V.1)	196 796	172 383
- Nominal value of put option granted to EIF minority shareholders (Note E.2)	388 842	363 433
- Borrowings launched but not yet settled	360 631	0
- Swaps launched but not yet settled	11 590	0
- Securities lending (Note B.2)	422 134	306 934
- Futures contracts (Note V.2)	334 676	393 663
- Forward rate agreement (Note V.2)	0	5 472 000
- FX Forward (Note V.2)	251 938	234 469

The accompanying notes form an integral part of these financial statements.

Profit and loss account

for the year ended 31 December 2009 (in EUR '000)

	2009	2008
1. Interest receivable and similar income (Note N)	16 531 782	14 953 421
2. Interest payable and similar charges (Note N)	- 14 289 505	- 12 879 963
3. Income from securities	17 082	43 215
a) income from shares and other variable-yield securities	7 997	30 427
b) income from shares in affiliated undertakings	9 085	12 788
4. Commissions receivable (Note O)	148 503	128 973
5. Commissions payable (Note O)	- 11 768	- 8 474
6. Net loss on financial operations (Note P)	- 20 751	- 221 195
7. Other operating income (Note Q)	12 157	7 305
8. General administrative expenses (Note R)	- 397 295	- 362 929
a) staff costs (Note L)	- 283 971	- 261 127
b) other administrative expenses	- 113 324	- 101 802
9. Value adjustments in respect of tangible and intangible assets (Note F)	- 27 941	-27 602
a) tangible assets	- 25 645	- 25 748
b) intangible assets	- 2 296	- 1 854
10. Value (re-)adjustments in respect of loans and advances (Note D.2) and provisions for contingent liabilities and for commitments	- 85 370	18 126
11. Profit for the financial year	1 876 894	1 650 877

The accompanying notes form an integral part of these financial statements.

Cash flow statement

as at 31 December 2009 (in EUR '000)

	31.12.2009	31.12.2008
A. Cash flows from operating activities:		
Profit for the financial year	1 876 894	1 650 877
Adjustments for:		
Net increase/decrease in specific value adjustments on loans and advances	88 800	- 18 219
Net increase in specific provisions on staff pension fund	119 101	90 079
Value adjustments in respect of shares and other variable-yield securities	102 201	165 269
Value adjustments in respect of tangible and intangible assets	27 941	27 602
Investment portfolio amortisation	8 484	- 4 926
Effects of exchange rate changes on loans, borrowings and swaps	174 191	- 393 010
Profit on operating activities	2 397 612	1 517 672
Disbursements of loans and advances to credit institutions and customers	- 51 895 204	- 47 423 453
Repayments of loans and advances to credit institutions and customers	23 200 287	19 765 944
Increase/decrease in treasury operational portfolios	- 1 301 471	721 486
Increase in venture capital operations included in shares and other variable-yield securities	- 138 350	- 82 524
Increase in shares and other variable-yield securities excluding venture capital operations	- 53 086	- 53 535
Decrease/increase in amounts owed to credit institutions and customers	- 317 101	5 933 575
Decrease in prepayments and accrued income	775 182	558 563
Decrease/increase in other assets	59 085	- 23 373
Decrease/increase in accruals and deferred income	- 2 646 810	524 259
Increase in other liabilities	24 443	5 442
Net cash from operating activities	- 29 895 413	- 18 555 944
B. Cash flows from investing activities:		
Purchase of EIF shares	- 1 396	0
Securities from investment portfolio matured during the year	251 786	260 206
Increase in asset backed securities included in the treasury portfolios	- 2 442 526	- 1 057 345
Increase in tangible and intangible assets	- 19 479	- 61 570
Net cash from investing activities	- 2 211 615	- 858 709
C. Cash flows from financing activities:		
Issue of borrowings	79 122 016	58 002 563
Redemption of borrowings	- 33 010 200	- 39 727 853
Member States contribution	358 659	630 823
Decrease / increase in commercial papers	- 10 647 642	5 987 392
Net cash from financing activities	35 822 833	24 892 925
Summary statement of cash flows:		
Cash and cash equivalents at beginning of financial year	23 718 439	17 965 695
Net cash from:		
(1) operating activities	- 29 895 413	- 18 555 944
(2) investing activities	- 2 211 615	- 858 709
(3) financing activities	35 822 833	24 892 925
(4) effects of exchange rate changes on cash held	- 201 307	274 472
Cash and cash equivalents at end of financial year	27 232 937	23 718 439
Cash and cash equivalents are composed of:		
Cash in hand, balances with central banks and post office banks (Note B.1)	227 227	76
Bills maturing within three months of issue (Note B.2 ; See A1 portfolio)	7 638 941	2 111 572
Loans and advances to credit institutions:		
Accounts repayable on demand	334 382	245 372
Term deposit accounts	19 032 387	21 361 419
	27 232 937	23 718 439

The accompanying notes form an integral part of these financial statements.

European Investment Bank

Notes to the financial statements

as at and for the year ended 31 December 2009

The European Investment Bank (the 'Bank' or 'EIB') was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union. The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB raises substantial volumes of funds on the capital markets which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activity to developments in EU policies.

Note A – Significant accounting policies

A.1. Accounting standards

The unconsolidated financial statements (the 'Financial Statements') of the European Investment Bank have been prepared in accordance with the general principles of the Directive 86/635/EEC of the Council of the European Communities of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (the 'Directive'), as amended by Directive 2001/65/EC of 27 September 2001, by Directive 2003/51/EC of 18 June 2003 and by Directive 2006/46/EC of 14 June 2006 on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings (the 'Directives'). However, the Financial Statements do not include any management report. The Bank prepares an Activity Report which is presented separately from the Financial Statements and its consistency with the Financial Statements is not audited.

On a proposal from the Management Committee, the Board of Directors adopted the Financial Statements on 11 March 2010 and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

In preparing the Financial Statements, the Management Committee is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the resulting differences may be material to the Financial Statements.

The Bank also publishes consolidated financial statements as of the same date as the annual Financial Statements.

A.2. Foreign currency translation

In accordance with Article 4(1) of its Statute, the EIB uses the euro (EUR), the single currency of the Member States participating in the third stage of Economic and Monetary Union, as the unit of measure for the capital accounts of Member States and for presenting its Financial Statements.

The Bank conducts its operations in the currencies of its Member States, in euro and in non-Community currencies.

Its resources are derived from its capital, borrowings and accumulated earnings in various currencies and are held, invested or lent in the same currencies.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction. The Bank's monetary assets and liabilities denominated in currencies other than in euro are translated at closing exchange rates prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the profit and loss account.

A.3. Derivatives

All derivatives held by the Bank are hedging derivatives which consist of micro and macro-hedging. The Bank does not enter in any trading derivatives.

The Bank uses derivative instruments, i.e. mainly currency and interest rate swaps, as part of its asset and liability management activities to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions. All derivatives transactions are booked as off-balance sheet items at the date of the transaction.

The majority of the Bank's swaps are concluded with a view to hedging specific bond issues. The Bank enters into currency swaps, in which, at inception the proceeds of a borrowing are converted into a different currency, mainly as part of its resource-raising operations, and, thereafter, the Bank will obtain the amounts needed to service the borrowing in the original currency.

The Bank also enters into currency, interest rate and overnight index swaps as part of its hedging operations on loans or for the global ALM position. The corresponding interest is accounted for on a prorata temporis basis.

The Bank also enters into credit default swaps as part of its credit risk mitigation.

Long-term futures are also used by the Bank to adjust the interest rate exposure of its treasury bond portfolios. Futures are valued by reference to the previous day's closing price on the relevant market.

Currency swaps

The revaluation of the spot leg of the long-term currency swap is neutralised in 'Accruals and deferred income' or 'Prepayments and accrued income'. The forward leg of the currency swap is not revalued as:

- The forward leg is not fixed at the swap inception.
- The Bank has no foreign exchange position when taking on balance sheet and off balance sheet balances and transactions on foreign exchange.

The Bank also enters into short-term currency swap contracts in order to adjust currency positions in its operational treasury in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursement. The revaluation of the spot leg of the currency swap is neutralised in 'Accruals and deferred income' or 'Prepayments and accrued income'. The premium/discount between the spot and forward legs is spread prorata temporis through the profit and loss account.

Interest rate swaps

The hedging interest rate swaps are not revalued.

A.4. Financial assets

Financial assets are accounted for using the settlement date basis.

A.5. Cash and cash equivalents

The Bank defines cash and cash equivalents as short-term, highly liquid securities and interest-earning deposits with original maturities of 90 days or less.

A.6. Treasury bills and other bills eligible for refinancing with central banks and debt securities including fixed-income securities

With a view of clarifying management of its liquid assets and consolidating its solvency, the Bank has established the following portfolio categories:

A.6.1. Investment portfolio

The investment portfolio consists of securities purchased with the intention of holding them to maturity. These securities are issued or guaranteed by:

- Governments of the European Union, G10 countries and their agencies;
- Supranational public institutions, including multinational development banks.

These securities are initially recorded at purchase price or more exceptionally at transfer price. Value adjustments are accounted for, if these are other than temporary. The difference between entry price and redemption value is accounted for pro-rata temporis over the remaining life of the securities.

In 2006, the Bank decided to phase out the investment portfolio. Since then, the Bank has not made any new addition to the investment portfolio and will keep the existing portfolio lines until final maturity, upon which the redemption proceeds of such matured securities will be invested in the operational portfolios described in paragraph A.6.2.

A.6.2. Operational portfolios

- Operational money market portfolios A1 and A2

In order to maintain an adequate level of liquidity, the Bank purchases money market products with a maximum maturity of 18 months, in particular Treasury bills and negotiable debt securities issued by credit institutions. The securities in the A1 portfolio are held until their final maturity and presented in the Financial Statements at purchase price. Value adjustments are accounted for, if these are other than temporary. The A2 portfolio includes securities and money market funds. The money market funds and securities in the A2 portfolio are available for sale and presented in the accounts at the lower of cost or market value. Value adjustments are recorded under item 6. *Net loss on financial operations* in the profit and loss account.

Treasury bills appear on the assets side of the balance sheet under item 2. *Treasury bills and other bills eligible for refinancing with central banks*.

Negotiable debt securities issued by credit institutions appear on the assets side of the balance sheet under item 5. *Debt securities including fixed-income securities - b) issued by other borrowers*.

- Operational bond portfolios B1, B2, B3 and B4

The B1 'Credit Spread' portfolio comprises floating-rate and fixed-rate bonds issued or guaranteed by national governments, supranational institutions, financial institutions and corporations with a maximum residual maturity of 5 years. These securities are available for sale and are presented in the Financial Statements at the lower of cost or market value. Value adjustments are recorded under item 6. *Net loss on financial operations* in the profit and loss account.

The B2 'Alternative Investment' portfolio comprises capital guaranteed notes by issuers, which meet the Bank's Treasury investment criteria and with coupons linked to the performance of underlying Funds of Hedge Funds with initial maturities of approximately five years. The securities are available for sale and presented in the accounts at the lower of cost or market value. Value adjustments are recorded under item 6. *Net loss on financial operations* in the profit and loss account.

The B3 'Global Fixed Income' portfolio comprises listed securities with a maximum residual maturity of 10 years, issued and guaranteed by financial institutions. Securities held in this portfolio are marked to market value in the balance sheet; the corresponding changes in market value are recorded under item 6. *Net loss on financial operations* in the profit and loss account.

The B4 'Inflation Linked Investment' portfolio comprises listed securities with a maximum residual maturity of 30 years, issued by EU Governments. Securities held in this portfolio are marked to market value in the balance sheet; the corresponding changes in market value are recorded under item 6. *Net loss on financial operations* in the profit and loss account.

The market value of treasury portfolios is based on published price quotations in an active market which is the first source for determining the fair value of these treasury instruments. For instruments without an available market price, the fair values are determined by obtaining quotes from market participants and/or by using valuation techniques or models, based whenever is possible on observable market data prevailing at the balance sheet date.

A.6.3. Asset backed securities

This portfolio mainly consists of obligations in the form of bonds, notes or certificates issued by a Special Purpose Vehicle (SPV) or a trust vehicle. These securities are classified as held to maturity and recorded at purchase price. Value impairments are accounted for, if these are other than temporary.

A.7. Securities lending

In April 2003, the Bank signed an agreement for securities lending with Northern Trust Global Investment acting as an agent to lend securities from the Investment portfolio, the B1 'Credit Spread' portfolio and the B3 'Global Fixed Income' portfolio.

Securities lent are recorded at the book value as an off balance-sheet item. Securities received as collateral under securities lending transactions are not recognised in the balance sheet unless control of the contractual rights that are comprised in these securities received is gained. Securities lent are not derecognised from the

balance sheet unless control of the contractual rights that are comprised in these securities transferred is relinquished.

Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

A.8. Loans and advances to credit institutions and customers

A.8.1. Loans and advances

Loans and advances are included in the assets of the Bank at their net disbursed amounts. Specific value adjustments have been made for loans and advances outstanding at the end of the financial year and presenting risks of non-recovery of all or part of their amounts. Such value adjustments are held in the same currency as the asset to which they relate. Value adjustments are accounted for in the profit and loss account as '*Value adjustments in respect of loans and advances*' and are deducted from the appropriate asset items on the balance sheet.

A.8.2. Interest on loans

Interest on loans is recorded in the profit and loss account on an accruals basis, i.e. over the life of the loans. On the balance sheet, accrued interest is included in '*Prepayments and accrued income*' under assets. Value adjustments to interest amounts on these loans are determined on a case-by-case basis by the Bank's Management and deducted from the relevant line item under assets.

A.8.3. Reverse repurchase and repurchase operations (reverse repos and repos)

The Bank enters into tripartite reverse repos for the purpose of optimising credit risk usage involved in assets held in operational portfolios.

Under a Tripartite repo, a custodian/clearing agency arranges for custody, clearing and settlement of repos transactions between the Bank and a third party. The custodians/clearing agencies operate under standard global master purchase agreements and provide for delivery against payment system, substitution of securities, automatic marking to market, reporting and daily administration.

This type of operation is considered for the purposes of the Bank to be a loan (borrowing) at a guaranteed rate of interest. The reverse repos/ repos are carried at the amounts of cash advanced or received, plus accrued interest, and are entered on the balance sheet under asset item 3. *Loans and advances to credit institutions – b) other loans and advances* or liability item 1. *Amounts owed to*

credit institutions – a) with agreed maturity dates or periods of notice.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense, over the life of each agreement.

A.8.4. Interest subsidies

Interest subsidies received in advance (see Note I) are deferred and recognised in the profit and loss account over the period from disbursement to repayment of the subsidised loan.

A.9. Shares, other variable-yield securities and shares in affiliated undertakings

A.9.1. Shares and other variable-yield securities

Shares and other variable-yield securities are initially recorded at acquisition cost. Their carrying value is adjusted to the lower of cost or market value at subsequent measurement at the balance sheet date. The Bank acquires shares and other variable-yield securities when it enters into venture capital operations, infrastructure funds or investment funds under the structured finance facility.

Investments in venture capital enterprises, infrastructure funds and investment funds represent shares and other variable-yield securities acquired for the longer term in the normal course of the Bank's activities. They are initially shown in the balance sheet at their original purchase cost. Based on the reports received from fund managers up to the balance sheet date, the portfolios of investments are valued on a line-by-line basis at the lower of cost or attributable net asset value ('NAV'), thus excluding any attributable unrealised gain that may be prevailing in the portfolio. The attributable NAV is determined through applying either the Bank's percentage ownership in the underlying vehicle to the NAV reflected in the most recent report or, to the extent available, the value per share at the same date, submitted by the respective Fund Manager. The attributable NAV is adjusted for events having occurred between the date of the latest available NAV and the balance sheet date to the extent that such adjustment is considered to be material. Unrealised losses due solely to administrative expenses and management fees of venture capital, infrastructure funds and investment funds in existence for less than two years at the balance sheet date are not taken into consideration in determining the attributable NAV.

A.9.2. Shares in affiliated undertakings

Shares in affiliated undertakings represent medium and long-term investments and are accounted for at cost.

Value adjustments are accounted for, if these are other than temporary.

A.10. Tangible assets

Tangible assets include land, Bank-occupied properties, other machines and equipment.

Land is stated at acquisition cost and buildings are stated at acquisition cost less accumulated depreciation. The value of the Bank's headquarters building in Luxembourg-Kirchberg and its buildings in Luxembourg-Hamm and Luxembourg-Weimershof are depreciated on a straight-line basis as set out below.

Permanent equipment, fixtures and fittings, furniture, office equipment and vehicles have been recorded in the balance sheet at their acquisition cost, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated life of each item purchased, as set out below:

- Buildings in Kirchberg, Hamm and Weimershof: 30 years
- Permanent equipment, fixtures and fittings: 10 years
- Furniture: 5 years
- Office equipment and vehicles: 3 years

A.11. Intangible assets

Intangible assets comprise computer software. Software development costs are capitalised if they meet certain criteria relating to identifiability, to the probability that future economic benefits will flow to the enterprise and to the reliability of cost measurement.

Internally developed software meeting these criteria is carried at cost less accumulated amortisation calculated on a straight-line basis over three years from completion.

Software purchased is amortised on a straight-line basis over its estimated life (2 to 5 years).

A.12. Pension plans and health insurance scheme

A.12.1. Pension plan

The Bank's main pension scheme is a defined benefit pension scheme funded by contributions from staff and from the Bank which covers all employees. All contributions of the Bank and its staff are invested in the assets of the Bank. These annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Bank's balance sheet, together with annual interest.

Commitments for retirement benefits are valued at least every year using the projected unit credit method, in order to ensure that the provision entered in the accounts is adequate. The latest valuation was carried out as at 30 September 2009, but updated as at 31 December 2009 with an extrapolation (roll forward method) for the last three months of 2009. The main actuarial assumptions used by the actuary are set out in Note L. Actuarial surpluses do not influence provisioning and deficits result in an additional specific provision.

A.12.2. Health insurance scheme

The Bank has set up its own health insurance scheme for the benefit of staff, financed by contributions from the Bank and its employees. The health insurance scheme is managed under the same principles as the pension scheme. The latest valuation was carried out as at 30 September 2009, but updated as at 31 December 2009 with an extrapolation (roll forward method) for the last three months of 2009.

A.12.3. The Management Committee pension plan

The Management Committee pension plan is a defined benefit pension scheme funded by contributions from the Bank only which covers all Management Committee members. All contributions of the Bank are invested in the assets of the Bank. These annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Bank's balance sheet, together with annual interest.

A.13. Debts evidenced by certificates

Debts evidenced by certificates are presented in this account at their redemption amounts. Transaction costs and premiums/ discounts are amortised in the profit and loss account on a straight line basis over the life of the debt through item '*Accruals and deferred income*' or '*Prepayments and accrued income*'.

Interest expense on debt instruments is included in '*Interest payable and similar charges*' in the profit and loss account.

A.14. Provision for guarantees issued

This provision is intended to cover risks inherent in the Bank's activity of issuing guarantees in favour of financial intermediaries or issued in respect of loans granted by third parties. A provision for guarantees issued is established if there is objective evidence that the Bank will have to incur a credit loss in respect of a given guarantee granted.

A.15. Reserves

A.15.1. Funds allocated to structured finance facility

This item comprises the cumulative amount of appropriations from the annual result of the Bank, determined each year by the Board of Governors to facilitate the implementation of operations with a greater degree of risk for this new type of instrument.

A.15.2. Funds allocated to venture capital operations

This item comprises the cumulative amount of appropriations from the annual result of the Bank, determined each year by the Board of Governors to facilitate instruments providing venture capital in the context of implementing the European Council Resolution on Growth and Employment.

Value adjustments on venture capital and structured finance operations are accounted for in the profit and loss account. Upon appropriation of the Bank's result, such value adjustments are taken into consideration for determining the amounts to be recorded in '*Funds allocated to structured finance facility*' and '*Funds allocated to venture capital operations*'.

A.15.3. Special activities reserve and General loan reserve

The new Statute of the Bank, which came into force with the Lisbon Treaty, no longer requires the maintenance of specific reserves for Funds allocated to structured finance facility and similar undertakings (SFF/SFE) or Funds allocated to venture capital operations. Instead, the new Statute foresees a reserve allocation for "special activities" to be defined.

A proposal was put forward and approved at the Management Committee meeting of the 2 February 2010 for a definition of special activities and corresponding reserve allocation, which is in line with existing credit risk practise and external agreements. The redefining of the Bank's reserve framework for its lending activities provides the opportunity to separate more clearly reserves for the expected loss (EL) of the entire loan portfolio and the capital allocation (CA) for special activities.

As a result, two new reserves were created retroactively as at 31 December 2009. These reserves are described as follows:

- Special activities reserve: As foreseen by Article 16.5 of the new Statute, "the special activities of the Bank will have a specific allocation of reserve". The reserve will be based on the capital allocation of each operation.

- General loan reserve: With the coming into force of the new Statute, a non-specific reserve is introduced for the expected loss of the Bank's loan and guarantees portfolio, modelled upon the Bank's policy guidelines. Upon the creation of the general loan reserve, the practice of calculating the Fund for general banking risk ('FGBR') was discontinued. The FGBR was previously reported in the notes to the financial statements as an approximation of the aggregate expected loss of the Bank's loan portfolio.

A.16. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Bank are exempt from all direct taxes.

A.17. Prepayments and accrued income - Accruals and deferred income

These accounts comprise:

Prepayments and accrued income: Expenditure incurred during the financial year but relating to a subsequent financial year, together with any income for which payment is not due until the expiry of the underlying instrument (principally interest on loans).

Accruals and deferred income: Income received before the balance sheet date but relating to a subsequent financial year, together with any charges which, though relating to the financial year in question, will be paid only in the course of a subsequent financial year (principally interest on borrowings).

A.18. Interest receivable and similar income

In addition to interest and commission income on loans and deposits and other revenue from the securities portfolio, the *'Interest receivable and similar income'* includes the indemnities received by the Bank for prepayments made by its borrowers. In order to maintain equivalent accounting treatment between income on loans and the cost of borrowings, the Bank amortises prepayment indemnities received over the remaining life of the loans concerned.

A.19. Dividend income

Dividends are recognised in the profit and loss account when the entity's right to receive payment is established.

A.20. Reclassification of prior year figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

Note B – Cash in hand, balances with central banks and post office banks and debt securities portfolio (in EUR'000)

B.1. Cash in hand, balances with central banks and post office banks

The cash in hand and balances with central banks and post office banks equal to EUR '000 227 227 at 31 December 2009 (2008: EUR '000 76).

On 8 July 2009, EIB became an eligible counterparty in the Eurosystems' monetary policy operations, and therefore has been given access to the monetary policy operations of the European Central Bank. The Bank conducts the operations via the Central Bank of Luxembourg, where the Bank maintains a deposit to cover the minimum reserve requirements. The balance of this deposit amounts to EUR '000 227 144 as at 31 December 2009 (2008: EUR nil).

B.2. Debt securities portfolio

In addition to asset backed securities, which represent acquisitions of interests pools of loans or receivables in connection with securitisation transactions, the debt securities portfolio is composed of the investment portfolio, the operational money market portfolios A1 and A2 and the operational bonds B1 'Credit Spread', B2 'Alternative Investment', B3 'Global Fixed Income' and B4 'Inflation Linked Investment' portfolios. The detail of these portfolios and their classification as at 31 December 2009 and 2008 are as follows:

				31.12.2009	31.12.2008
Treasury bills and other bills eligible for refinancing with central banks (listed)				3 788 227	2 132 808
Debt securities including fixed-income securities (of which EUR '000 9 192 041 unlisted in 2009 and EUR '000 3 893 591 in 2008)				17 864 466	10 508 789
				21 652 693	12 641 597
At 31.12.2009	Purchase price	Book value	Premiums/ discounts to be amortised	Value at final maturity	Market value
Investment portfolio	1 636 734	1 605 848	- 23 616	1 582 232	1 686 822
Operational money market portfolios:					
- A1: money market securities with a max. 3 month maturity	7 638 941	7 638 941	0	7 638 941	7 635 850
- A2: money market securities and money market funds with a max. 18 month maturity	1 913 055	1 911 359	0	1 912 934	1 913 478
Operational bond portfolios:					
- B1: Credit Spread	1 132 731	1 112 564	0	1 133 246	1 126 106
- B2: Alternative Investment	125 000	124 131	0	125 000	124 131
- B3: Global Fixed Income	553 499	554 715	0	530 000	554 715
- B4: Inflation Linked Investment	478 334	496 336	0	435 000	496 336
Asset backed securities (Note D)	8 208 799	8 208 799	0	8 208 799	7 716 159
	21 687 093	21 652 693	- 23 616	21 566 152	21 253 597

At 31.12.2008	Purchase price	Book value	Premiums/ Discounts to be amortised	Value at final maturity	Market value
Investment portfolio	1 888 520	1 866 118	- 27 786	1 838 332	1 933 358
Operational money market portfolios:					
- A1: money market securities with a max. 3 month maturity	2 111 572	2 111 572	0	2 111 572	2 270 507
- A2: money market securities and money market funds with a max. 18 month maturity	1 358 601	1 356 580	0	1 359 098	1 359 527
Operational bond portfolios:					
- B1: Credit Spread	970 799	883 004	0	971 189	883 322
- B2: Alternative Investment	150 000	145 685	0	150 000	145 685
- B3: Global Fixed Income	503 978	512 365	0	494 000	512 365
Asset backed securities (Note D)	5 766 273	5 766 273	0	5 766 273	5 300 242
	12 749 743	12 641 597	- 27 786	12 690 464	12 405 006

The Bank enters into collateralised securities lending transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Bank controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Bank when deemed necessary.

The book value of securities lending activity amounts to EUR '000 422 134 at the end of December 2009 (2008: EUR '000 306 934).

The Asset backed securities set out above are undertaken as loan substitutes and as such are considered as part of the aggregate loans (Note D). Some of these transactions have been structured by adding credit or project related remedies, thus offering additional recourse. The differences in 2009 and 2008 between book value and market value are quasi exclusively explained by the credit spreads' increase and do not represent a value adjustment. Therefore, no value adjustment has been accounted for.

Note C – Loans and advances to credit institutions – other loans and advances (in EUR '000)

The Bank enters into collateralised reverse repurchase and repurchase agreements transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Bank controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Bank when deemed necessary.

	31.12.2009	31.12.2008
Term deposits	8 938 331	14 111 555
Tripartite reverse repos ^(*)	10 094 056	7 249 864
	19 032 387	21 361 419

^(*) These operations are carried out with a third-party custodian who undertakes, on the basis of a framework contract, to guarantee compliance with the contractual terms and conditions, notably with respect to:

- delivery against payment,
- verification of collateral,
- the collateral margin required by the lender which must always be available and adequate, with the market value of the securities being verified daily by the said custodian,
- organisation of substitute collateral provided that this meets all the contractual requirements.

Note D – Summary statement of loans and guarantees

D.1. Aggregate loans granted (in EUR'000)

Aggregate loans granted comprise both the disbursed and undisbursed portions of loans. The analysis is as follows:

	To intermediary credit institutions	Directly to final beneficiaries	Total 2009	Total 2008
Disbursed portion	116 575 861	199 365 019	315 940 880	285 652 845
Undisbursed loans	18 686 622	63 156 626	81 843 248	58 869 527
Aggregate loans granted	135 262 483	262 521 645	397 784 128	344 522 372
Asset backed securities portfolio (Note B.2)			8 208 799	5 766 273
Aggregate loans including asset backed securities portfolio (Note D.3)			405 992 927	350 288 645

D.2. Specific value adjustments for loans (in EUR'000)

Movements in the specific value adjustments are detailed below:

	2009	2008
Provision at beginning of the year	22 000	41 550
Release for the year	0	- 18 219 ^(*)
Allowance during the year	88 800	0
Foreign exchange adjustment	0	- 1 331
Provision at end of the year	110 800	22 000

^(*) The amount of EUR'000 18 219 was released following the sale during 2008 of loan assets for which a specific value adjustment had previously been established. The sale of those loan assets resulted in a realised loss of EUR'000 15 467 in 2008 (Note P).

D.3. Geographical breakdown of lending by country in which projects are allocated (in EUR '000)**D.3.1. Loans for projects within the Union**

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Spain	666	61 689 824	56 701 207	4 988 617	15.19%	15.43%
Germany	733	54 590 294	46 793 656	7 796 638	13.45%	14.05%
Italy	534	50 804 361	40 643 772	10 160 589	12.51%	12.82%
France	395	38 819 742	32 630 496	6 189 246	9.56%	10.02%
United Kingdom	226	27 644 050	21 848 048	5 796 002	6.81%	6.44%
Portugal	285	21 676 805	18 542 564	3 134 241	5.34%	5.45%
Poland	158	18 123 756	12 543 892	5 579 864	4.46%	3.84%
Greece	146	14 821 604	12 963 476	1 858 128	3.65%	3.95%
Hungary	114	9 472 550	7 408 458	2 064 092	2.33%	2.18%
Austria	191	8 686 805	8 257 805	429 000	2.14%	2.14%
Czech Republic	100	8 561 322	6 213 517	2 347 805	2.11%	2.26%
Belgium	87	7 698 981	6 218 779	1 480 202	1.90%	1.85%
Netherlands	65	6 781 356	4 335 503	2 445 853	1.67%	1.48%
Finland	110	6 663 713	6 070 713	593 000	1.64%	1.71%
Romania	72	6 413 799	2 579 922	3 833 877	1.58%	1.45%
Sweden	72	5 097 638	4 569 525	528 113	1.26%	1.17%
Ireland	56	4 289 388	3 164 700	1 124 688	1.06%	1.06%
Slovenia	49	2 706 648	1 937 648	769 000	0.67%	0.65%
Denmark	45	2 419 507	1 854 067	565 440	0.60%	0.70%
Bulgaria	42	2 398 958	801 549	1 597 409	0.59%	0.65%
Latvia	28	1 594 363	749 363	845 000	0.39%	0.31%
Cyprus	29	1 415 257	1 045 097	370 160	0.35%	0.36%
Slovakia	43	1 349 231	1 065 370	283 861	0.33%	0.30%
Lithuania	16	1 328 846	839 846	489 000	0.33%	0.05%
Estonia	14	1 032 018	485 518	546 500	0.25%	0.06%
Luxembourg	27	838 614	729 129	109 485	0.21%	0.18%
Malta	4	202 853	47 353	155 500	0.05%	0.06%
Sub-total	4 307	367 122 283	301 040 973	66 081 310	90.43%	90.63%

D.3.2. Loans for projects outside the Union

D.3.2.1. Candidate Countries

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Turkey	105	12 205 857	7 830 320	4 375 537		
Croatia	27	1 820 684	991 059	829 625		
FYROM	8	236 659	149 125	87 534		
Sub-total	140	14 263 200	8 970 504	5 292 696	3.51%	3.34%

D.3.2.2. ACP States

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Madagascar	2	255 117	157 573	97 544		
Namibia	10	195 051	112 751	82 300		
Kenya	4	154 867	30 993	123 874		
Mauritius	14	134 381	54 446	79 935		
Mozambique	8	123 937	74 937	49 000		
Ghana	3	116 090	96 090	20 000		
Regional – West Africa	3	80 717	80 717	0		
Senegal	3	76 878	41 878	35 000		
Cap Verde	2	63 046	23 842	39 204		
Congo (Democratic Republic)	1	55 000	0	55 000		
Nigeria	1	50 000	0	50 000		
Regional – Caribbean	3	46 629	40 629	6 000		
Benin	2	45 000	0	45 000		
Lesotho	3	42 650	29 350	13 300		
Swaziland	2	40 409	26 909	13 500		
Cameroon	1	40 000	0	40 000		
Barbados	5	32 536	22 786	9 750		
Congo	1	29 000	0	29 000		
Jamaica	5	26 747	26 747	0		
Botswana	4	26 474	26 474	0		
Fiji	1	24 500	0	24 500		
Burkina Faso	1	18 500	0	18 500		
Malawi	2	17 725	1 975	15 750		
Regional – Africa	2	17 127	17 127	0		
Mauritania	2	15 818	15 818	0		
Zambia	1	11 464	11 464	0		
Regional - ACP	1	10 572	10 572	0		
Saint Vincent and The Grenadines	2	8 237	6 775	1 462		
Bahamas	2	7 406	7 406	0		
Saint Lucia	2	4 442	4 442	0		
Zimbabwe	2	3 880	3 880	0		
Togo	1	3 000	0	3 000		
Gabon	1	2 538	2 538	0		
Papua New Guinea	1	749	749	0		
Ivory Coast	1	665	665	0		
Dominican Republic	1	604	604	0		
Grenada	1	549	549	0		
Sub-total	101	1 782 305	930 686	851 619	0.44%	0.44%

D.3.2.3. Asia

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
China	6	1 147 387	428 468	718 919		
India	3	261 822	86 822	175 000		
Vietnam	5	232 875	102 983	129 892		
Pakistan	5	166 752	66 752	100 000		
Sri Lanka	4	150 224	120 224	30 000		
Indonesia	4	108 963	98 894	10 069		
Philippines	4	100 173	97 736	2 437		
Maldives	1	44 962	44 962	0		
Laos People's Democratic Republic	1	37 242	37 242	0		
Thailand	1	21 551	21 551	0		
Bangladesh	1	17 022	17 022	0		
Sub-total	35	2 288 973	1 122 656	1 166 317	0.56%	0.54%

D.3.2.4. Balkans

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Serbia	52	2 302 442	879 736	1 422 706		
Bosnia-Herzegovina	32	1 089 557	405 140	684 417		
Albania	13	247 428	155 552	91 876		
Montenegro	18	192 977	75 110	117 867		
Sub-total	115	3 832 404	1 515 538	2 316 866	0.94%	0.79%

D.3.2.5. Central and Latin America

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Brazil	12	651 105	617 105	34 000		
Panama	4	602 510	147 022	455 488		
Argentina	5	223 036	223 036	0		
Colombia	2	182 993	125 280	57 713		
Peru	4	117 309	117 309	0		
Mexico	4	101 599	51 599	50 000		
Paraguay	1	71 334	34 708	36 626		
Regional - Central America	2	40 880	12 514	28 366		
Ecuador	1	35 516	35 516	0		
Uruguay	3	26 591	26 591	0		
Honduras	1	20 000	0	20 000		
Nicaragua	1	15 046	0	15 046		
Costa Rica	1	12 407	12 407	0		
Regional Andean Countries	1	7 323	7 323	0		
Sub-total	42	2 107 649	1 410 410	697 239	0.52%	0.42%

D.3.2.6. European Free Trade Association (EFTA) Countries

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Norway	7	786 143	786 143	0		
Iceland	10	538 906	418 906	120 000		
Sub-total	17	1 325 049	1 205 049	120 000	0.33%	0.40%

D.3.2.7. Mediterranean Countries

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Morocco	52	2 876 907	1 629 907	1 247 000		
Tunisia	59	2 819 633	1 579 950	1 239 683		
Egypt	37	2 465 216	2 114 282	350 934		
Syrian Arab Republic	15	1 377 579	658 455	719 124		
Lebanon	27	862 778	414 509	448 269		
Israel	8	464 015	320 022	143 993		
Jordan	23	397 761	276 413	121 348		
Gaza-West Bank	7	70 856	25 856	45 000		
Sub-total	228	11 334 745	7 019 394	4 315 351	2.79%	3.01%

D.3.2.8. Overseas Countries and Territories (OCT)

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
French Polynesia	2	11 097	1 097	10 000		
British Virgin Islands	1	880	880	0		
New Caledonia	1	875	875	0		
Netherlands Antilles	1	22	22	0		
Sub-total	5	12 874	2 874	10 000	0.00%	0.00%

D.3.2.9. Eastern Europe, Southern Caucasus, Russia

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Ukraine	5	450 000	68 000	382 000		
Russian Federation	3	206 037	188 537	17 500		
Moldova	2	49 923	8 333	41 590		
Sub-total	10	705 960	264 870	441 090	0.17%	0.14%

D.3.2.10. South Africa

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
South Africa	32	1 217 485	666 725	550 760		
Sub-total	32	1 217 485	666 725	550 760	0.30%	0.29%
Total Loans for projects outside the Union	725	38 870 644	23 108 706	15 761 938	9.57%	9.37%
Total Loans 2009	5 032	405 992 927	324 149 679⁽¹⁾	81 843 248	100.00%	
Total Loans 2008	4 839	350 288 645	291 419 118⁽¹⁾	58 869 527		100.00%

⁽¹⁾ including asset backed securities (Note B.2 and D.1)

Note E – Shares and other variable-yield securities

E.1. Shares and other variable-yield securities

This balance comprises (in EUR '000):

	Venture Capital Operations	EBRD Shares	Shares acquired following loan assets restructuring	Investment funds	TOTAL
Cost					
At 1 January 2009	1 545 505	157 500	30 873	138 429	1 872 307
Net additions / releases	138 350	0	- 30 873	83 959	191 436
At 31 December 2009	1 683 855	157 500	0	222 388	2 063 743
Value adjustments					
At 1 January 2009	- 480 437	0	- 23 714	- 1 700	- 505 851
Net additions/releases	- 103 051	0	0	850	- 102 201
Uses	0	0	23 714	0	23 714
At 31 December 2009	- 583 488	0	0	- 850	- 584 338
Net book value					
At 31 December 2009	1 100 367	157 500⁽¹⁾	0⁽²⁾	221 538	1 479 405
At 31 December 2008	1 065 068	157 500⁽¹⁾	7 159⁽²⁾	136 729	1 366 456

⁽¹⁾ The amount of EUR '000 157 500 (2008: EUR '000 157 500) corresponds to the capital paid in by the Bank as at 31 December 2009 with respect to its subscription of EUR '000 600 000 to the capital of the EBRD.

The Bank holds 3.03 % of the subscribed capital.

As at 31 December 2009 the share of underlying net equity of the Bank in EBRD amounts to EUR 355.0 million (2008: EUR 420.4 million). This is based on the audited 2008 financial statements prepared in accordance with International Financial Reporting Standards.

In EUR million	% held	Total own funds	Total net result	Total assets
EBRD (31.12.2007)	3.03	13 874	1 884	33 175
EBRD (31.12.2008)	3.03	11 750	- 717	33 047

⁽²⁾ The Bank has sold all its investments in Eurotunnel by 31 December 2009. The total number of ordinary Eurotunnel shares held by the Bank as at 31 December 2009 is nil (2008: 1 596 713, valued at EUR '000 6 133). The total number of Eurotunnel bonds redeemable in shares (ORA) held by the Bank as at 31 December 2009 is nil (2008: 12 422 valued at EUR '000 1 026). Furthermore, the Bank holds nil warrants in the balance sheet at year-end (2008: 4 800 000 warrants). The sale during the 2009 year of shares, ORAs and warrants resulted in a net realised profit of EUR 2.2 million, following the use of the previous year value adjustment of EUR 23.7 million.

The amounts signed but not yet disbursed disclosed off-balance sheet are respectively:

- for venture capital operations EUR '000 1 244 196 (2008: EUR '000 1 088 046)
- for investment funds EUR '000 511 895 (2008: EUR '000 334 721)

E.2. Shares in affiliated undertakings

The balance on the 'shares in affiliated undertakings' account of EUR '000 480 668 (2008: EUR '000 479 272) corresponds to the amount paid in by the Bank in respect of its subscription of EUR '000 1 826 000 (2008: EUR '000 1 822 000) to the capital of the European Investment Fund, with its registered office in Luxembourg.

The Bank holds 62.11% (2008 – 63.60%) of the subscribed capital of the EIF amounting to EUR 2.94 billion (2008: EUR 2.86 billion). At the EIF Annual General Meeting of Shareholders held on 7 May 2007, it was decided to issue 1 000 new shares, identical to the 2 000 existing ones (nominal value EUR 1 million each, paid in ratio of 20%) between 30 June 2007 and 30 June 2010. Out of the 1 000 new shares, 940 were subscribed on 31 December 2009 (2008: 865), and for the remainder there is an option for subscription over the next 2 years. By 30 June 2010, all shares not subscribed by the other shareholders will be subscribed by the Bank.

With respect to the 1 114 EIF shares subscribed by other EIF investors, the EIB is offering to buy these shares at any time under a Replacement Share Purchase Undertaking at a price per share of EUR '000 349. This price corresponds to the part of each share in the called capital of the EIF, increased by the share premium account, the statutory reserves, the disclosed unrealised gains in venture capital operations, the profit brought forward and the profit of the year and decreased by the dividend for the 2008 financial year. Given that the dividend for the year 2008 was to be due to the other shareholders, the dividend decided has been deducted from the price determined as described above.

The nominal value of the put option granted to EIF minority shareholders, shown as an off-balance sheet item, EUR '000 388 842 (2008 EUR '000 363 433) has been calculated on the basis of the 2008 audited EIF statutory accounts prepared according to the International Financial Reporting Standards.

In EUR '000	% held	Total own funds	Total net result	Total assets
EIF (31.12.2008)	63.60	1 014 073	35 111	1 075 860
EIF (31.12.2009)	62.11	1 028 734	- 7 374	1 157 329

Note F – Intangible and tangible assets (in EUR '000)

	Land	Luxembourg buildings	Furniture and equipment	Total property, furniture and equipment	Total intangible assets
Historical cost					
At 1 January 2009	10 085	353 777	73 201	437 063	6 664
Additions	302	3 457	12 923	16 682	2 797
Disposals	0	0	- 8 992	- 8 992	- 2 553
At 31 December 2009	10 387	357 234	77 132	444 753	6 908
Accumulated depreciation					
At 1 January 2009	0	- 92 213	- 30 969	- 123 182	- 2 348
Depreciation	0	- 11 908	- 13 737	- 25 645	- 2 296
Disposals	0	0	8 992	8 992	2 553
At 31 December 2009	0	- 104 121	- 35 714	- 139 835	- 2 091
Net book value					
At 31 December 2009	10 387	253 113	41 418	304 918	4 817
At 31 December 2008	10 085	261 564	42 232	313 881	4 316

All land and buildings are used by the Bank for its own activities. The cumulative cost relating to the construction of the new building amounts to EUR '000 215 226 (2008: EUR '000 211 769).

Note G – Other assets and sundry creditors (in EUR'000)

Other assets	31.12.2009	31.12.2008
Loan instalments receivable	23 677	99 893
Staff housing loans and advances ^(*)	15 712	18 764
Advances on salaries and allowances	247	1 210
Other	49 863	28 717
	89 499	148 584

^(*) The Bank has entered into arrangements with an external financial institution, whereby permanently employed staff members may be granted staff loans in accordance with the Bank's staff regulations. The same interest rates, terms and conditions are applicable to all said employees.

Sundry creditors	31.12.2009	31.12.2008
Optional Supplementary Provident Scheme (Note L)	190 904	189 004
Transitory account on loans	37 242	15 566
Western Balkans infrastructure	10 000	5 000
Payable on HIPC initiative	46 872	46 872
Personnel costs payable	2 017	8 674
Other	80 641	79 028
	367 676	344 144

Note H – Subscription to the capital of the Bank, own funds and appropriation of profit

H.1. Statement of Subscriptions to the Capital of the Bank as at 31 December 2009 (in EUR)

Member States	Subscribed capital	Uncalled capital ^(*)	Called up capital at 31.12.2009
GERMANY	37 578 019 000	35 699 118 050	1 878 900 950
FRANCE	37 578 019 000	35 699 118 050	1 878 900 950
ITALY	37 578 019 000	35 699 118 050	1 878 900 950
UNITED KINGDOM	37 578 019 000	35 699 118 050	1 878 900 950
SPAIN	22 546 811 500	21 419 470 925	1 127 340 575
NETHERLANDS	10 416 365 500	9 895 547 225	520 818 275
BELGIUM	10 416 365 500	9 895 547 225	520 818 275
SWEDEN	6 910 226 000	6 564 714 700	345 511 300
DENMARK	5 274 105 000	5 010 399 750	263 705 250
AUSTRIA	5 170 732 500	4 912 195 875	258 536 625
POLAND	4 810 160 500	4 569 652 475	240 508 025
FINLAND	2 970 783 000	2 822 243 850	148 539 150
GREECE	2 825 416 500	2 684 145 675	141 270 825
PORTUGAL	1 820 820 000	1 729 779 000	91 041 000
CZECH REPUBLIC	1 774 990 500	1 686 240 975	88 749 525
HUNGARY	1 679 222 000	1 595 260 900	83 961 100
IRELAND	1 318 525 000	1 252 598 750	65 926 250
ROMANIA	1 217 626 000	1 156 744 700	60 881 300
SLOVAKIA	604 206 500	573 996 175	30 210 325
SLOVENIA	560 951 500	532 903 925	28 047 575
BULGARIA	410 217 500	389 706 625	20 510 875
LITHUANIA	351 981 000	334 381 950	17 599 050
LUXEMBOURG	263 707 000	250 521 650	13 185 350
CYPRUS	258 583 500	245 654 325	12 929 175
LATVIA	214 805 000	204 064 750	10 740 250
ESTONIA	165 882 000	157 587 900	8 294 100
MALTA	98 429 500	93 508 025	4 921 475
TOTAL	232 392 989 000	220 773 339 550	11 619 649 450

^(*) Could be called by decision of the Board of Directors to such extent as may be required for the Bank to meet its obligations towards those who have made loans to it.

H.2. Own funds and appropriation of profit

Statement of movements in own funds (in EUR '000)	2009	2008
Share Capital		
- Subscribed capital ⁽³⁾	232 392 989	164 808 169
- Uncalled	- 220 773 340	- 156 567 760
- Called capital	11 619 649	8 240 409
- Less: Capital called but not paid	- 28 861	- 128 627
- Paid in capital	11 590 788	8 111 782
Reserves and profit for the year:		
Reserve Fund		
- Balance at beginning of the year	16 480 817	16 480 817
- Appropriation of prior year's profit ⁽¹⁾	1 650 877	0
- Transfer from Funds allocated to venture capital operations ⁽²⁾	147 177	0
- Transfer to Called capital on 1 April 2009	- 73 365	0
- Balance at end of the year	18 205 506	16 480 817
- Less: Receivable from Member States	- 86 466	- 345 359
- Paid-in balance at end of the year	18 119 040	16 135 458
Additional reserves		
- Balance at beginning of the year	5 305 876	5 245 781
- Appropriation of prior year's profit	0	1 633 460
- Transfer to Called capital on 1 April 2009 ⁽³⁾	- 3 305 876	0
- Transfer to Funds allocated to structured finance facility ⁽³⁾	- 2 000 000	- 1 500 000
- Transfer to Funds allocated to venture capital operations	0	- 73 365
- Transfer from funds allocated to venture capital operations and to structured finance facility ⁽⁴⁾	1 144 024	0
- Balance at end of the year	1 144 024	5 305 876
Funds allocated to structured finance facility		
- Balance at beginning of the year	2 750 000	1 250 000
- Transfer from Additional reserves ⁽³⁾	2 000 000	1 500 000
- Transfer to Special activities reserve, General loan reserve and Additional reserves ⁽⁴⁾	- 4 750 000	0
- Balance at end of the year	0	2 750 000
Funds allocated to venture capital operations		
- Balance at beginning of the year	1 764 305	1 690 940
- Transfer to Reserve Fund ⁽²⁾	- 147 177	73 365
- Transfer to Special activities reserve, General loan reserve and Additional reserves ⁽⁴⁾	- 1 617 128	0
- Balance at end of the year	0	1 764 305
Special activities reserve ⁽⁴⁾		
- Balance at beginning of the year	0	0
- Transfer from funds allocated to venture capital operations and to structured finance facility	3 299 370	0
- Balance at end of the year	3 299 370	0
General loan reserve ⁽⁴⁾		
- Balance at beginning of the year	0	0
- Transfer from funds allocated to venture capital operations and to structured finance facility	1 923 734	0
- Balance at end of the year	1 923 734	0
Profit for the financial year	1 876 894	1 650 877
Total own funds	37 953 850	35 718 298

⁽¹⁾ At its annual meeting on 9 June 2009, the Board of Governors decided to appropriate the balance of the profit and loss account for the year ended 31 December 2008, which amounted to EUR '000 1 650 877, to the Reserve Fund.

⁽²⁾ It was also approved that an amount of EUR '000 147 177 resulting from the value adjustment on venture capital operations be transferred from the Funds allocated to venture capital operations to the Reserve Fund. Following this transfer, the balance of the Funds allocated to venture capital operations amounted to EUR '000 1 617 128, the Reserve Fund to EUR '000 18 205 506 and the Additional Reserves to nil.

⁽³⁾ As a result of the decision to raise the capital subscribed by the Member States pro-rata, from EUR '000 164 808 169 to EUR '000 232 392 989 on the 1 April 2009, the following appropriations were made:

- EUR '000 3 379 240 to be transformed into paid-in capital by way of transfers from the Additional Reserves (EUR '000 3 305 876) and from the Reserve Fund (EUR '000 73 365) to the Bank's capital, thereby increasing the paid in capital from EUR '000 8 240 409 to EUR '000 11 619 649;
- EUR '000 2 000 000 to be transferred from the Additional Reserves to Funds allocated to the structured finance facility and similar undertakings.

⁽⁴⁾ The new Statute of the Bank, which came into force with the Lisbon Treaty, no longer requires the maintenance of specific reserves for Funds allocated to structured finance facility and similar undertakings (SFF/SFE) or Funds allocated to venture capital operations. Instead, the new Statute foresees a reserve allocation for "special activities" to be defined.

A proposal was put forward and approved at the Management Committee meeting of the 2 February 2010 for a definition of special activities and corresponding reserve allocation, which is in line with existing credit risk practise and external agreements.

The redefining of the Bank's reserve framework for its lending activities provides the opportunity to separate more clearly reserves for the expected loss (EL) of the entire loan portfolio and the capital allocation (CA) for special activities.

As a result, two new reserves were created retroactively as at 31 December 2009. They are described as follows:

Special activities reserve (SAR): As foreseen by Article 16.5 of the new Statute, "the special activities of the Bank will have a specific allocation of reserve". The reserve will be based on the capital allocation of each operation as defined in the Credit risk policy guidelines. SAR will be set aside for operations without specific provisioning; for operations in which third parties provide CA (RSFF, LGTT) only the residual risk for the Bank will be covered.

General loan reserve (GLR): With the coming into force of the new Statute, a non-specific reserve has been introduced for the expected loss of the Bank's loan and guarantees portfolio.

Therefore, it has been decided to transfer the balances of the Funds allocated to structured financed facility and similar undertakings (SFF/SFE) and the Funds allocated to venture capital operations to the Special activities reserve (EUR'000 3 299 370), the General loan reserve (EUR'000 1 923 734) and to the Additional reserves (EUR'000 1 144 024).

H.3. Subscribed capital and reserves, called but not paid

As a consequence of the increase in subscribed capital from EUR 150 000 000 000 to EUR 163 653 737 000 on 1 May 2004, the total amount to be paid to capital and reserves by the ten new Member States that joined on 1 May 2004 and Spain of EUR 2 408 million (composed of an amount of EUR 683 million for the capital and an amount of EUR 1 725 million for the reserves) was equally spread over 8 instalments: 30 September 2004, 30 September 2005, 30 September 2006, 31 March 2007, 30 September 2007, 31 March 2008, 30 September 2008 and 31 March 2009. The instalments up to and including 31 March 2009 have been entirely settled.

On 1 January 2007, the subscribed capital increased from EUR 163 653 737 000 to EUR 164 808 169 000, by virtue of the contributions of two new Member States that joined on 1 January 2007: Bulgaria and Romania. As a consequence of this capital increase, the two new Member States had to contribute to their share of paid-in capital (EUR 57.7 million), and also their share of the Reserves and General Provisions (EUR 172.9 million) for the amounts outstanding as of 31 December 2006. The total amount to be paid has been equally spread over 8 instalments: 31 May 2007, 31 May 2008, 31 May 2009, 30 November 2009, 31 May 2010, 30 November 2010, 31 May 2011 and 30 November 2011. The instalments up to and including 30 November 2009 have been entirely settled.

The related net receivable from the Member States is shown in the balance sheet as follows under the caption *Subscribed capital and reserves, called but not paid*:

(in EUR'000)	31.12.2009	31.12.2008
Reserves called but not paid:	86 466	345 359
Subscribed capital called but not paid:	28 861	128 627
	115 327	473 986

Note I – Prepayments and accrued income – Accruals and deferred income (in EUR '000)

	31.12.2009	31.12.2008
Prepayments and accrued income:		
Interest and commission receivable	1 825 124	2 413 052
Deferred borrowing charges	61 633	274 486
Redemption premiums on swaps receivable ^(*)	393 852	370 323
Investment Facility's commission receivable	36 405	35 741
Other	2 974	1 568
	2 319 988	3 095 170
Accruals and deferred income:		
Foreign exchange neutralisation on currency swap contracts	5 180 511	9 055 318
Interest and commission payable	2 811 862	3 038 711
Deferred early repayment indemnities on loans	134 846	164 868
Deferred borrowing proceeds	309 417	662 643
Redemption premiums on swaps payable ^(*)	887 325	770 772
Interest subsidies received in advance ^(**)	177 228	171 155
	9 501 189	13 863 467

^(*) Redemption premiums on swaps receivable and payable represent end payments of the underlying swap agreements for those structured agreements which include such features.

^(**) Part of the amounts received from the European Commission through the European Monetary System (EMS) arrangements has been made available as a long-term advance which is entered on the liabilities side under item 5. *Accruals and deferred income* and comprises:

- amounts in respect of interest subsidies for loans granted for projects outside the Union, under Conventions signed with the ACP States and Protocols concluded with the Mediterranean Countries;
- interest subsidies, concerning certain lending operations put in place within the Union from the Bank's own resources, made available in conjunction with the EMS under Council Regulation (EEC) No 1736/79 of 3 August 1979 and in conjunction with the financial mechanism established by the EFTA Countries under the EFTA Agreement signed on 2 May 1992;
- amounts received in respect of interest subsidies for loans granted from EC resources under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982 and 83/200/EEC of 19 April 1983 and under Council Regulation (EEC) No 1736/79 of 3 August 1979 as amended by Council Regulation (EEC) No 2790/82 of 18 October 1982.

Note J – Amounts owed to credit institutions and customers with agreed maturity dates or periods of notice (in EUR '000)**J.1. Amounts owed to credit institutions**

	31.12.2009	31.12.2008
Short-term borrowings	4 380 414	5 778 852
Promissory notes issued in respect of paid-in capital of EBRD	0	1 013
Repo with Central Banks	100 000	0
	4 480 414	5 779 865

J.2. Amounts owed to customers

	31.12.2009	31.12.2008
Repayable on demand ^(*)	1 256 333	1 201 858
Short-term borrowings	1 106 417	178 542
	2 362 750	1 380 400

^(*) Includes European Union and Member States accounts:

	31.12.2009	31.12.2008
European Union and Member States accounts:		
• For Special Section operations and related unsettled amounts	332 310	368 727
• Deposit accounts	899 908	833 131

Note K – Debts evidenced by certificates (in EUR '000)

In its financing activity, one of the Bank's objectives is to align its funding strategy with the funds required for the loans granted, notably in terms of currencies. The table below discloses the details per currency of debts outstanding at 31 December 2009 and 2008, together with the average rates and due dates.

BORROWINGS					
PAYABLE IN	OUTSTANDING AT 31.12.2009	AVERAGE RATE 2009	DUE DATES	OUTSTANDING AT 31.12.2008	AVERAGE RATE 2008
EUR	136 846 665	3.77	2010/2057	107 902 959	4.02
GBP	51 032 542	4.77	2010/2054	47 705 235	5.11
DKK	604 692	2.77	2010/2026	536 869	2.86
SEK	1 961 373	3.72	2011/2028	1 985 281	4.18
CZK	598 190	4.00	2010/2030	928 119	5.03
HUF	525 109	6.83	2010/2016	731 159	7.20
PLN	378 058	6.24	2010/2026	465 206	6.29
BGN	171 285	5.72	2011/2013	309 336	6.60
RON	106 225	8.88	2014/2016	74 580	7.00
USD	78 348 270	3.42	2010/2058	77 423 397	3.72
CHF	5 763 009	2.41	2010/2036	4 468 687	2.47
JPY	10 607 943	0.73	2011/2047	10 331 351	0.97
NOK	2 383 494	4.42	2010/2025	1 315 897	4.08
CAD	778 221	4.72	2037/2045	770 751	4.70
AUD	9 099 260	5.85	2010/2021	4 971 016	5.83
HKD	227 380	1.46	2010/2019	77 883	6.97
NZD	2 749 583	7.13	2010/2017	2 806 416	6.88
ZAR	1 256 187	8.49	2010/2018	1 160 062	8.91
MXN	30 550	6.65	2015/2015	79 425	8.57
TWD	65 574	4.21	2010/2013	176 856	1.66
TRY	1 991 631	12.37	2010/2022	2 518 980	14.04
ISK	95 036	8.74	2010/2011	113 793	9.47
RUB	138 110	8.14	2011/2019	135 770	7.39
TOTAL	305 758 387			266 989 028	

The principal and interests of certain structured borrowings are index linked to stock exchange indexes (historical value: EUR 843 million). All such borrowings are fully hedged through structured swap operations.

Note L – Provisions – pension plans and health insurance scheme (in EUR '000)

The Bank's main pension scheme is a defined benefit pension scheme funded by contributions from staff and from the Bank which covers all employees. All contributions of the Bank and its staff are invested in the assets of the Bank. These annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Bank's balance sheet, together with annual interest.

The pension plans and health insurance scheme provisions are as follows (in EUR '000):

	2009	2008
Staff pension plan:		
Provision at beginning of the year	1 051 093	981 085
Payments made during the year	- 44 896	- 38 710
Annual contributions and interest	150 161	108 718
Sub-total	1 156 358	1 051 093
Management Committee Pension Plan	33 398	32 637
Provision at 31 December	1 189 756	1 083 730
Health insurance scheme:		
Provision at beginning of the year	103 923	84 750
Payments made during the year	- 7 868	- 7 661
Contribution arising from measures with a social character	0	9 000
Annual contributions and interest	20 943	17 834
Provision at 31 December	116 998	103 923
Total provisions at 31 December	1 306 754	1 187 653

The above figures do not include the liability towards members of staff in respect of the Optional Supplementary Provident Scheme (a defined contribution pension scheme). The corresponding amount of EUR 191 million (2008: EUR 189 million) is classified under 'Sundry creditors' (Note G).

The provision in respect of future retirement and health insurance benefits was valued as at 30 September 2009 by an independent actuary using the projected unit credit method. The actuarial valuation was updated as at 31 December 2009 with an extrapolation ('roll forward' method) for the last 3 months of 2009, using the prevailing market rates of 31 December 2009 and following assumptions (for the staff pension and medical plan):

- a discount rate of 6.19% (2008: 6.0%) for determining the actuarial present value of benefits accrued in the pension and health insurance schemes, corresponding to 16.24 year duration (2008: 14.46 year duration);
- in the light of past experience, the Bank estimates that the overall expected remuneration of post-employment reserves are set at a rate of 1.5% above the discount rate mentioned above. As a consequence, the final discount rate used is 7.69% (2008: 7.05%);
- a progressive retirement between the age of 55-65 (2008: retirement at the age of 55-65);
- a combined average impact of the increase in the cost of living and career progression of 4.5% (2008: 4.5%);
- probable resignation of 3% up to age 55 (same as 2008);
- a rate of adjustment of pensions of 2% per annum (same as 2008);
- use of the LPP 2005 actuarial tables (same as 2008);
- a medical cost inflation rate of 4% per annum (same as 2008).

The provisions for these schemes are adjusted when needed (Note A.12.1) according to the actuarial valuation, as per the tables above (i.e. actuarial surpluses do not influence provisioning and deficits result in an additional specific provision). In 2008 and 2009, no such adjustments have been accounted for.

Note M – Profit for the financial year (in EUR'000)

On 8 June 2010 the appropriation of the balance of the profit and loss account for the year ended 31 December 2009, which amounts to EUR'000 1 876 894, will be submitted for approval by the Board of Governors.

Note N – 'Interest receivable and similar income' and 'Interest payable and similar charges'**N.1. Net interest income** (in EUR'000)

	2009	2008
Interest receivable and similar income		
Cash in hand, balance with central banks and post office banks	340	202
Treasury bills and other bills eligible for refinancing with central banks and debt securities including fixed income securities	374 541	715 988
Loans and advances to credits institutions and customers	9 006 172	14 052 824
Derivatives	7 150 729	183 301
Other	0	1 106
TOTAL	16 531 782	14 953 421
Interest payable and similar charges		
Amounts owed to credit institutions and customers	- 34 653	- 53 185
Debts evidenced by certificates	- 12 361 091	- 12 045 964
Derivatives	- 1 747 785	- 644 029
Other	- 145 976	- 136 785
TOTAL	- 14 289 505	- 12 879 963
Net interest income	2 242 277	2 073 458

N.2. Geographical analysis of 'Interest receivable and similar income' (in EUR'000)

	2009	2008
Spain	1 305 158	2 142 754
Germany	1 049 761	2 007 736
Italy	996 206	1 697 521
France	880 744	1 385 177
United Kingdom	634 245	1 046 518
Greece	534 391	559 573
Portugal	531 264	774 332
Poland	411 585	445 231
Hungary	226 252	294 883
Austria	188 155	294 117
Belgium	184 813	198 186
Czech Republic	166 249	229 280
Finland	158 306	232 358
Netherlands	124 903	140 740
Romania	98 174	90 752
Sweden	92 704	165 238
Ireland	83 529	127 842
Slovenia	55 612	75 549
Denmark	46 001	123 126
Slovakia	29 513	42 225
Bulgaria	26 467	24 764
Cyprus	22 880	38 895
Luxembourg	22 554	27 009
Latvia	21 107	23 012
Lithuania	19 867	5 766
Estonia	5 806	8 142
Malta	1 084	582
Total	7 917 330	12 201 308
Outside the European Union	765 476	886 933
Total	8 682 806	13 088 241
Income not analysed ⁽¹⁾	7 848 976	1 865 180
Total	16 531 782	14 953 421
⁽¹⁾ Income not analysed:		
• Revenue from Investment portfolio and ABS portfolios	208 491	354 462
• Revenue from Operational bond portfolios	55 908	77 283
• Revenue from Operational money-market portfolios	110 137	272 545
• Revenue from money-market operations	323 711	977 589
• Derivatives	7 150 729	183 301
	7 848 976	1 865 180

Note O – ‘Commission receivable’ and ‘Commission payable’ (in EUR ‘000)

	2009	2008
Commission receivable		
Investment Facility/Cotonou (Note Y)	36 405	35 741
Income from advisory activities	50 165	32 380
Income on loans and guarantees	22 364	18 893
Jaspers (Note Y)	16 948	14 933
Jessica (Note Y)	4 976	3 962
Yaoundé/Lomé conventions (Note Y)	8 468	10 371
Other European Union institutions (Note Y)	9 177	12 693
Total commission receivable	148 503	128 973
Commission payable	- 11 768	- 8 474

Note P – Net loss on financial operations (in EUR ‘000)

	2009	2008
Result on loans and advances	6 879	- 15 467
Unrealised gain / loss on operational treasury portfolio	82 088	- 65 194
Value adjustment on venture capital operations	- 103 051	- 171 570
Net realised loss on operational treasury portfolio	- 30 284	- 7 638
Loss on long-term futures	- 5 776	- 11 714
Net gain on buy back of debts evidenced by certificates	6 555	3 430
Net gain on unwind of ALM swaps	14 826	21 125
Realised loss / gain on sale of shares and other variable yield securities	201	9 609
Value (re-)adjustment on shares and other variable yield securities other than venture capital	850	6 301
Net foreign exchange gain	6 961	9 923
	- 20 751	- 221 195

Note Q – Other operating income (in EUR ‘000)

	2009	2008
Reversal of previous year’s accruals on general administrative expenses	4 119	3 999
Other	8 038	3 306
	12 157	7 305

Note R – General administrative expenses (in EUR '000)

	2009	2008
Salaries and allowances ^(*)	- 183 111	- 168 086
Welfare contributions and other social costs	- 100 860	- 93 041
Staff costs	- 283 971	- 261 127
Other general administrative expenses	- 113 324	- 101 802
Total general administrative expenses	- 397 295	- 362 929

The number of persons employed by the Bank was 1 717 at 31 December 2009 (1 599 at 31 December 2008).

^(*) of which the amount for members of the Management Committee is EUR'000 2 924 at 31 December 2009 and EUR'000 2 821 at 31 December 2008.

Note S – Off-balance sheet special deposits for service of borrowings

This item represents the amount of coupons and bonds due, paid by the Bank to the paying agents, but not yet presented for payment by the holders of bonds issued by the Bank.

Note T – Fair value of financial instruments

The Bank records balance sheet and off balance sheet financial instruments on the basis of their historical cost in foreign currency (apart from the operational portfolios) representing the amount received in the case of a liability or the amount paid to acquire an asset. The fair value of the financial instruments (mainly loans, treasury, securities and borrowings) entered under assets or liabilities compared with their accounting value is shown in the table below:

At 31 December 2009 (in EUR million)	ASSETS		LIABILITIES	
	Accounting value	Fair value	Accounting value	Fair value
Assets				
Cash in hand, balances with central banks and post office banks	227	227		
Loans and advances to credit institutions and to customers, excluding loan substitutes	335 197	338 484		
Treasury bills and debt securities portfolios including loan substitutes (Note B.2)	21 653	21 254		
Shares and other variable yield securities (Note E)	1 479	1 853		
Total assets	358 556	361 818		
Liabilities				
Amounts owed to credit institutions and customers			6 843	6 843
Debts evidenced by certificate (Note K)			305 758	324 913
Total liabilities			312 601	331 756

At 31 December 2008 (in EUR million)	ASSETS		LIABILITIES	
	Accounting value	Fair value	Accounting value	Fair value
Assets				
Cash in hand, balances with central banks and post office banks	0	0		
Loans and advances to credit institutions and to customers, excluding loan substitutes	307 238	315 005		
Treasury bills and debt securities portfolios including loan substitutes (Note B.2)	12 642	12 405		
Shares and other variable yield securities (Note E)	1 366	1 826		
Total Assets	321 246	329 236		
Liabilities				
Amounts owed to credit institutions and customers			7 160	7 160
Debts evidenced by certificate (Note K)			266 989	285 938
Total Liabilities			274 149	293 098

Note U – Financial risk management

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments. These are:

- credit risk;
- interest rate risk;
- liquidity risk;
- foreign exchange rate risk; and
- market risk.

U.1. Credit risk

Credit risk concerns mainly the Bank's lending activity and, to a lesser extent, treasury instruments such as fixed-income securities held in the investment and operational portfolios, certificates of deposit and interbank term deposits.

The credit risk associated with the use of derivatives is also analysed hereafter in the 'Derivatives' section (Note V).

Management of credit risk is based, firstly, on the degree of credit risk vis-à-vis counterparties and, secondly, on an analysis of the solvency of counterparties.

As regards lending, treasury and derivatives operations, credit risk is managed by an independent Risk Management Directorate under the direct responsibility of the Management Committee of the Bank. The Bank has thus established an operationally independent structure for determining and monitoring credit risk.

U.1.1. Loans

In order to limit the credit risk on its loan portfolio, the Bank lends only to counterparties with demonstrated creditworthiness over the longer term and sound guarantees.

In order to efficiently measure and manage credit risk on loans, the Bank has graded its lending operations according to generally accepted criteria, based on the quality of the borrower, the guarantee and, where appropriate, the guarantor.

The structure of guarantors and borrowers relating to the loan portfolio as at 31 December 2009 is analysed below (in EUR million), including undisbursed portions.

Loans outside the European Union (apart from those under the Facilities ^(*)) are, in the last resort, secured by guarantees of the European Union budget or the Member States (loans in the ACP Countries and the OCT). The agreements decided by the Council of the European Union on 14 April 1997 (Decision 97/256/EC) introduced the concept of risk sharing whereby certain bank loans are secured by third-party guarantees with respect to the commercial risk, the budgetary guarantee applying in the case of political risks solely arising from currency non-transferability, expropriation, war and civil disturbance.

The table below shows (in EUR million) the loans for projects inside the European Union and outside the European Union granted under the Facilities and under the risk-sharing operations:

Borrower \ Guarantor	Member States	Public institutions	Zone 'A' banks	Corporates	Not guaranteed ⁽¹⁾	Total 2009	Total 2008
Member States	0	0	0	0	30 505	30 505	27 202
Public institutions	21 935	11 477	697	3 933	38 037	76 079	65 452
Zone 'A' banks	9 492	40 809	35 190	18 039	23 282	126 812	115 242
Corporates	18 378	8 223	32 338	35 235	41 308	135 482	111 250
Total 2009 ^{(1) (2) (3) (4) (5)}	49 805	60 509	68 225	57 207	133 132	368 878	
Total 2008 ^{(1) (2) (3) (4) (5)}	47 727	56 686	59 899	45 611	109 223		319 146

⁽¹⁾ These amounts include loans for which no formal guarantee independent from the borrower and the loan itself was required, the borrower's level of solvency itself representing adequate security. In the event of certain occurrences, appropriate contractual clauses ensure the Bank's right to access independent security.

⁽²⁾ The loans in risk-sharing operations amount to EUR 5 229 million as of 31 December 2009 (2008: EUR 4 330 million).

⁽³⁾ This amount includes loans granted under Facilities.

⁽⁴⁾ This amount does not include asset backed securities (2009: EUR 8 209 million; 2008: EUR 5 766 million).

⁽⁵⁾ These amounts exclude loans to current European Union Member States but granted before their accession to the European Union and guaranteed by the European Union budget or the Member States.

The table below shows (in EUR million) the loan for projects outside the European Union (Apart from Article 16 Facility and those failing under the Pre Accession Facility, the Mediterranean Partnership Facility, the Energy Sustainability Facility and the EFTA Facility):

Secured by:	31.12.2009	31.12.2008
Member States	1 795	1 554
European Union budget ⁽¹⁾	32 340	28 152
Total ⁽²⁾	34 135	29 706

⁽¹⁾ of which EUR 5 229 million in risk-sharing operations as explained above (2008: EUR 4 330 million).

⁽²⁾ including loans to current European Union Member States but granted before their accession to the European Union and guaranteed by the European Union budget or the Member States.

^(*) Loans granted under Article 16 (previously Article 18) of the Bank's statute and loans granted under the Pre Accession Facility, the Mediterranean Partnership Facility, the Energy Sustainability Facility and the EFTA Facility. These loans, granted under the Facilities, are not secured by guarantees of the European Union budget or the Member States. Therefore, lending under the Facilities is from the Bank's own resources and at the Bank's own risk.

LOANS FOR PROJECTS OUTSIDE THE UNION (in EUR million)

(including loans in the new Member States before accession)

BREAKDOWN OF LOANS BY GUARANTEE AS AT 31 DECEMBER

AGREEMENT	Outstanding 31.12.2009	Outstanding 31.12.2008
75% Member States global guarantee		
- ACP/OCT Group 3rd Lomé Convention	0	1
- ACP/OCT Group 4th Lomé Convention	108	142
- ACP/OCT Group 4th Lomé Convention/2nd Financial Protocol	415	516
Total 75% Member States global guarantee	523	659
75% Member States guarantee		
- Cotonou partnership agreement	783	819
- Cotonou partnership 2 nd agreement	489	76
Total 75% Member States guarantee	1 272	895
Total Member States guarantee	1 795	1 554
100% European Union budget guarantee		
- South Africa – 300m – BG Decision 19.06.95	5	41
- ALA I – 750m	114	135
- ALA interim (100% guarantee) –153m	5	5
- CEEC – 1bn - BG Decision 29.11.89	90	120
- CEEC –3bn - BG Decision 02.05.94	455	618
- CEEC – 700m - BG Decision 18.04.91	2	9
- Russia – 100 m - 2001-2005	74	79
- Russia – 500 m - 2004-2007	230	230
Total 100% European Union budget guarantee	975	1 237
75% European Union budget guarantee		
- Mediterranean Protocols	800	988
- Yugoslavia – Art.18 (1984)	1	2
- Yugoslavia – 1st Protocol	3	4
- Yugoslavia – 2nd Protocol	10	16
- Slovenia – 1st Protocol	51	62
Total 75% European Union budget guarantee	865	1 072
70% European Union budget guarantee		
- South Africa – 375m – Decision 29.01.97	105	128
- ALA II – 900m	144	175
- ALA interim (70% guarantee: risk sharing) – 122m	7	10
- Bosnia–Herzegovina – 100m 99/2001	84	89
- Euromed (EIB) –2 310m – Decision 29.01.97	781	908
- FYROM (Former Yugoslav Republic of Macedonia) – 150m – 1998/2000	106	117
- CEEC–3 520m–Decision 29.01.97	1 457	1 627
Total 70% European Union budget guarantee	2 684	3 054
65% European Union budget guarantee		
- South Africa – 825m – 7/2000-7/2007	621	629
- South Africa – Decision 2/2007–12/2013	486	202
- ALA III – 2 480m – 2/2000 – 7/2007	1 082	1 275
- ALA Decision – 2/2007–12/2013	1 926	791
- Euromed II – 6 520m – 2/2000 -- 1/2007	5 339	5 686
- South Eastern Neighbours – 9 185m – 2/2000 – 7/2007	8 022	8 344
- Turkey special action – 450m – 2001-2006	299	324
- Turkey TERRA – 600m – 11/1999 -- -11/2002	527	549
- PEV EE/CAS/RUS 1/2/2007 – 31/12/2013	403	170
- PEV MED 1/2/2007 – 31/12/2013	3 851	2 404
- Pre-Accession – 8 700m – 2007 – 2013	5 260	2 415
Total 65% European Union budget guarantee	27 816	22 789
Total European Union budget guarantee	32 340	28 152
TOTAL	34 135	29 706

Collateral on loans (in EUR million)

Among other credit mitigant instruments, the Bank also uses pledges of financial securities. These pledges are formalised through a Pledge Agreement, enforceable in the relevant jurisdiction. The portfolio of collateral received in pledge contracts amounts to EUR 15 175 million (2008: EUR 12 998 million), with the following composition:

As at 31 December 2009		Loan Financial Collateral (in EUR million) ⁽¹⁾								
Moody's or equivalent rating	Bonds						Equities & Funds	Cash	Total 2009	
	Government	Supra-national	Agency	Secured Bonds (Pfandbriefe, Cedulas)	Bank and Corporate Bonds	ABS				
Aaa	913	231	107	1 282	1 282	480	0	0	4 295	
Aa1 to Aa3	742	0	0	19	1 971	203	0	0	2 935	
A1	2 407	0	0	0	368	0	0	0	2 775	
Below A1	3 075	0	0	0	1 569	0	0	0	4 644	
Non-Rated	0	0	0	0	0	0	188	338	526	
Total 2009	7 137	231	107	1 301	5 190	683	188	338	15 175	

⁽¹⁾ Bonds, equities and funds are valued at their market value.

As at 31 December 2008		Loan Financial Collateral (in EUR million) ⁽¹⁾								
Moody's or equivalent rating	Bonds						Equities & Funds	Cash	Total 2008	
	Government	Supra-national	Agency	Secured Bonds (Pfandbriefe, Cedulas)	Bank and Corporate Bonds	ABS				
Aaa	678	1	34	482	694	638	0	0	2 527	
Aa1 to Aa3	1 193	0	0	50	1 937	151	0	0	3 331	
A1	1 743	0	16	0	1 025	0	0	0	2 784	
Below A1	2 500	0	28	0	1 199	0	0	0	3 727	
Non-Rated	0	0	0	0	0	0	277	352	629	
Total 2008	6 114	1	78	532	4 855	789	277	352	12 998	

⁽¹⁾ Bonds, equities and funds are valued at their market value.

A breakdown of disbursed loans outstanding, including assets backed securities (in EUR million), at 31 December according to the sectors in which borrowers are engaged is set out below:

Sector :	Maturity			Total 2009	Total 2008
	not more than 1 year	1 year to 5 years	more than 5 years		
Energy	2 485	11 611	21 328	35 424	30 840
Transport	3 968	19 788	75 174	98 930	90 713
Telecommunications	1 116	4 929	4 097	10 142	9 461
Water, sewerage	978	4 968	12 789	18 735	16 432
Miscellaneous infrastructure	1 003	4 717	13 101	18 821	16 988
Agriculture, forestry, fisheries	19	59	153	231	210
Industry	2 552	13 334	8 505	24 391	18 814
Services	439	5 103	7 843	13 385	12 306
Global loans ⁽¹⁾	7 863	36 394	38 763	83 020	77 154
Health, education	721	4 068	16 282	21 071	18 501
TOTAL 2009	21 144	104 971	198 035	324 150	
TOTAL 2008	20 056	88 918	182 445		291 419

⁽¹⁾ A Global loan is a line of credit to an intermediary financing institution or a bank which then on-lends the proceeds, at its own risk, to finance small and medium-sized projects being undertaken by private or public sector promoters.

Arrears on loans

Amount in arrears are identified, monitored and reported according to a set of procedures called the “Guidelines for the Monitoring of late payments”.

Loans granted inside the European Union or outside the European Union not secured by guarantees of the European Union budget or the Member States:

Loans for which the projects are located inside the European Union or outside the European Union not secured by guarantees of the European Union budget or the Member States are mainly secured by guarantees from public institutions, Zone A banks and corporate entities. Unsecured part of these loans amounts to EUR 133 132 million as at 31 December 2009 (2008: EUR 109 223 million).

As at 31 December 2009, the Bank has no arrears on loans inside the European Union above 30 days (2008: EUR 0.1 million).

Loans granted for projects outside the European Union secured by the European Union budget or the Member States:

Loans for projects located outside the European Union and carried out on the basis of mandates given by the Council are guaranteed by the European Union, the Member States or on a risk-sharing basis. If an instalment remains unpaid for approximately 90 days, the primary guarantee is called (if any available). If due amount is still unpaid within 150 days after the instalment date (and in any case before the next instalment becomes due), the guarantee of the Member States or the European Union is officially invoked. Each unpaid instalment is called individually.

The arrears of payments on the loan portfolio of the Bank outside the European Union can be analysed as follows (in EUR 000):

	Instalments overdue: 30 days to 90 days	Instalments overdue more than 90 days	Due instalments more than 150 days which have been called and paid under the guarantee of a Member State or the European Union	Total
31.12.2009	1 897	12 278	93 830	108 005
31.12.2008	3 165	17 613	127 232	148 010

U.1.2. Treasury

The credit risk associated with treasury (securities, commercial paper, term accounts, etc.) is rigorously managed through selecting first-class counterparties and issuers.

Limits governing the structure of the securities portfolio and outstanding treasury instruments have been laid down by Management, in particular on the basis of the ratings awarded to counterparties by the rating agencies (these limits are reviewed regularly by the Risk Management Directorate).

The table below provides a percentage breakdown of the credit risk associated with the securities portfolio (i.e. operational money market and bond portfolios) and treasury instruments (money markets products) in terms of the credit rating of counterparties and issuers (as at 31 December):

Moody's or equivalent rating	Securities portfolio %		Treasury instruments %	
	2009	2008	2009	2008
Aaa	37	52	3	1
Aa1 to Aa3	40	41	45	39
A1 to A3	11	7	49	57
Below A3	12	0	2	2
A-1+P-1	0	0	1	1
Total	100	100	100	100

As part of its treasury management activities, the Bank holds investments in capital guarantee notes, the coupons of which embed options on the performance of funds of hedge funds. At 31 December 2009, the total nominal amount of such notes stood at EUR 125 million (2008: EUR 150 million). The notes are part of the Securities portfolio.

Collateral on Treasury transactions

The Treasury transactions include EUR 10 100 million (2008: EUR 7 250 million) of tripartite reverse repurchase agreements. These transactions are governed by Tripartite Agreements, the exposure is fully collateralised, with daily margin calls. The market value of the collateral portfolio at 31 December 2009 is EUR 10 470 million (2008: EUR 7 243 million), with the following classification:

Tripartite Agreements Collateral (in EUR million)							
At 31 December 2009							Total 2009
Moody's or equivalent rating	Government	Supranational	Agency	Bonds			ABS
				Secured Bonds (Pfandbriefe, Cedulas)	Bank and Corporate Bonds		
Aaa	1 253	253	140	181	1 039	907	3 773
Aa1 to Aa3	237	0	395	99	2 383	16	3 130
A1	476	0	5	0	550	0	1 031
Below A1	354	0	27	0	2 155	0	2 536
Total 2009	2 320	253	567	280	6 127	923	10 470

Tripartite Agreement Collateral (in EUR million)							
At 31 December 2008							Total 2008
Moody's or equivalent rating	Government	Supranational	Agency	Bonds			ABS
				Secured Bonds (Pfandbriefe, Cedulas)	Bank and Corporate Bonds		
Aaa	358	309	12	477	1 142	85	2 383
Aa1 to Aa3	844	0	10	4	1 955	0	2 813
A1	84	0	10	0	524	0	618
Below A1	513	0	0	0	916	0	1 429
Total 2008	1 799	309	32	481	4 537	85	7 243

U.1.3. Securities lending

The market value of the bonds lent in the securities lending activities amounts to EUR 455 million at 31 December 2009 (2008: EUR 309 million). These transactions are governed by an agreement signed with Northern Trust Global Investment, the exposure is fully collateralised, with daily margin calls. The market value of the collateral portfolio at 31 December 2009 is EUR 480 million (2008: EUR 322 million), with the following classification:

Securities Lending Collateral (in EUR million)					
At 31 December 2009			Bonds	Time deposit	Total 2009
Moody's or equivalent rating	Government		Certificate of Deposits		
Aaa	116	15		0	131
Aa1 to Aa3	324	17		8	349
Total 2009	440	32		8	480

Securities Lending Collateral (in EUR million)				
At 31 December 2008	Bonds		Time deposit	Total 2008
Moody's or equivalent rating	Government	Certificate of Deposits		
Aaa	96	0	0	96
Aa1 to Aa3	161	0	25	186
A1	0	0	17	17
Below A1	0	0	23	23
Total 2008	257	0	65	322

U.1.4. Guarantees granted by the Bank in respect of loans granted by third parties and on venture capital operations

The structure of guarantors relating to guarantees granted as at 31 December 2009 is analysed below (in EUR million):

Granted to:	Total 2009	Total 2008
Zone 'A' banks	207	207
Corporates	125	55
Total	332	262

U.2. Interest rate risk

Interest rate risk is the volatility in the economic value of, or in the income derived from, the Bank's positions due to adverse movements in market yields or the term structure of interest rates. Exposure to interest rate risk occurs when there are differences in repricing and maturity characteristics of the different asset, liability and hedge instruments.

In measuring and managing interest rate risk, the Bank refers to the relevant key principles of the Basel Committee for Banking Supervision (BCBS). The main sources of interest rate risk are: repricing risk, yield curve risk, basis risk and spread risk. An interest rate risk that is particularly relevant for the Bank is spread risk. Spread risk is the volatility in the economic value of, or in the income derived from, the Bank's positions due to movements in the funding or lending spread of the Bank.

The Bank manages its global structural interest rate position via a dedicated portfolio. The majority of the financial risk indicators and controls in use at the Bank apply to this portfolio. Financial indicators and controls for the rest of the activities outside this portfolio only relate to the risks, which are not transferred to it via the transfer pricing system, and which therefore remain with their respective activities, such as the equity risk in the venture capital activity or the interest rate or credit risks taken in those treasury portfolios predominantly managed for yield-enhancement purposes.

U.2.1. Value-at-Risk for the Own funds of the Bank (Economic perspective)

The Bank's ALM strategy aims at maintaining a balanced and sustainable revenue profile as well as limiting the volatility of the economic value of the Bank. A clear preference has been given to the revenue profile in light of the objective of self-financing of the Bank's growth, and given the existing accounting principles. This overall objective is achieved by investing the Bank's own funds according to a medium to long term investment profile, implying an own funds duration target of 4.5 – 5.5 years.

Apart from the duration target for own funds, the Bank's balance sheet should be match-funded with respect to currency and interest rate characteristics. However, small deviations are authorised for operational reasons. The net residual positions that arise from outstanding operations are managed within pre-set limits to constrain market risk to minimum levels.

The Risk Management department quantifies the VaR of own funds for both interest rates and foreign exchange risk factors. It is measured on the Bank's positions using a 99% confidence level and a one-day time horizon. As at 31 December 2009, the VaR of the EIB own funds amounted to EUR 186 million (2008: EUR 363 million).

The computation is based on the so-called Riskmetrics methodology, which assumes a linear dependency between the changes in portfolio or position values and the underlying risk factors. Given the nature of the positions held by the EIB, the Bank deems this assumption appropriate to measure its exposure to interest rate risk. Volatility and correlation data are computed internally on the basis of historical market data. The evolution of the VaR of own funds reflects the overall decrease of the volatility of the risk factors and not a change in the risk profile of the Bank's positions.

More generally, the VaR does not purport to measure the worst loss that could be experienced. For this reason, it is complemented by regular stress testing. As of 31 December 2009, the impact of a 2% upward parallel shift of the interest rate curves would reduce the economic value of own funds by EUR 4.24 billion (2008: EUR 4.01 billion).

Among the financial instruments in the Bank's portfolio, some deals (borrowings and associated swaps) may be redeemed before they get to maturity.

At cash flows level all such borrowings are fully hedged by swaps so that they can be considered being synthetic floating rate notes. Uncertainty arises from the maturity of such positions indexed to Libor/Euribor as they might be called before their final maturity.

Below is a summary of the features of the Bank's callable portfolio as of 31 December 2009 and 31 December 2008, where the total nominal amount, the average natural maturity and the average expected maturity (both weighted by the nominal amount of the concerned transactions) are shown per funding currency and per main risk factor involved:

By funding currency (after swap):

31.12.2009	Pay Currency					
(in EUR million)	CZK	EUR	JPY	PLN	USD	Total
EUR Pay Notional	- 108	- 6 976	- 14	- 21	- 5 793	- 12 912
Average maturity date	14.12.2016	16.01.2022	16.02.2020	05.05.2026	30.10.2032	05.11.2026
Average expected maturity	19.11.2012	13.03.2017	27.02.2017	11.09.2020	09.02.2025	18.09.2020

31.12.2008	Pay Currency					
(in EUR million)	CZK	EUR	GBP	PLN	USD	Total
EUR Pay Notional	- 236	- 7 834	- 25	- 20	- 6 531	- 14 646
Average maturity date	16.09.2016	10.12.2018	24.09.2035	05.05.2026	07.06.2029	21.08.2023
Average expected maturity	13.05.2010	08.11.2016	10.02.2010	24.05.2014	23.05.2018	02.06.2017

By risk factor involved:

31.12.2009	Risk factor			Total
(in EUR million)	FX level	IR curve level	IR curve shape	
EUR Pay Notional	- 4 097	- 6 585	- 2 230	- 12 912
Average maturity date	14.08.2033	07.12.2023	30.12.2022	05.11.2026
Average expected maturity	25.08.2027	09.07.2017	02.06.2017	18.09.2020
31.12.2008	Risk factor			Total
(in EUR million)	FX level	IR curve level	IR curve shape	
EUR Pay Notional	- 4 090	- 7 735	- 2 821	- 14 646
Average maturity date	07.09.2032	09.06.2019	13.01.2022	21.08.2023
Average expected maturity	10.04.2023	19.02.2013	01.09.2020	02.06.2017

U.2.2. Interest rate risk management (Earnings perspective)

The sensitivity of the Earnings quantifies the amount of net interest income that would change during the next 12 months if all interest rate curves rise by one percentage point or decrease by one percentage point. Such exposure stems from the mismatch between interest rate repricing periods, volumes and rates of assets and liabilities that the Bank accepts within the approved limits.

With the positions in place as of 31 December 2009, the earnings would increase by EUR 66.72 million (2008: EUR 9.26 million) if interest rate increase by 100 basis points and decrease by EUR 69.96 million (2008: EUR 9.57 million) if interest rates decrease by 100 basis points.

The Bank computes the sensitivity measure with a dedicated software that simulates earnings on a deal by deal basis. The sensitivity of the Earnings is measured on an accrual basis and is calculated under the “ongoing” assumption that, over the time horizon analysed, the Bank realises the new loan business forecasted in the Corporate Operational Plan, maintains exposures within approved limits and executes monetary trades to refinance funding shortages or invest cash excesses. Accounting earnings are simulated on monthly time steps, assuming that all the fixed rate items carry their contractual rate and that all floating rate items are subject to interest rate repricings according to the interest rate scenario applied in the simulation. The monetary trades to refinance funding shortages or invest cash excesses carry rates equal to the money market rates prevailing according to the interest rate scenario applied in the simulation. In line with the current practice of the Bank, the model uses the hypothesis that simulated earnings are not distributed to the shareholders, but are used to refinance the Bank’s business. The administrative costs are projected according to the forecasts of the Corporate Operational Plan.

U.3. Liquidity risk

The main objective of liquidity policy is to assure that the Bank can always meet its payment obligations punctually and in full. The Bank manages the calendar of its new issues so as to maintain the global level of liquidity within the chosen range. Liquidity planning takes into account the Bank’s needs to service its debt, disbursements on loans and cash flows from the loan portfolio. It also takes into account the sizeable amount of signed but un-disbursed loans, whose disbursement takes place at the borrower’s request.

Liquidity risk is managed prudently as, in contrast to commercial banks, EIB does not have the natural sources of liquidity from the deposits of clients. The Bank pre-finances its commitments to avoid being forced to borrow, or to sell assets, when it does not have access to resources at a desirable cost level.

The Bank further assures sound management of liquidity risk by maintaining a sufficient level of liquid assets, and by spreading the maturity dates of its placements according to the forecasts of liquidity needs. Liquidity risk policy also incorporates a floor on treasury levels. The Bank’s year-end total liquidity ratio (defined as a target percentage of annual projected net cash flows) must at all times exceed 25% of the average forecast net annual cash flows for the following year.

The Bank has in place a Contingency Liquidity Plan (CLP) that defines the respective responsibilities and the decision making procedures in case of signs of an approaching liquidity crisis. The CLP has been benchmarked against the “Principles for Sound Liquidity Risk Management and Supervision” by the Basel Committee on Banking Supervision (September 2008). The CLP is subject to ad-hoc updates and is presented to the Management Committee annually for approval.

The table hereafter analyses the financial assets and liabilities of the Bank by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date. Assets and liabilities for which there is no contractual maturity date are classified under “Maturity undefined”.

Liquidity risk (in EUR million)

Maturity (at 31 December 2009)	not more than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	maturity undefined	Total 2009
ASSETS						
Cash in hand, central banks and post office banks	227	0	0	0	0	227
Treasury bills and other bills eligible for refinancing with central banks	601	435	2 000	752	0	3 788
Other loans and advances:						
- Current accounts	334	0	0	0	0	334
- Others	19 032	0	0	0	0	19 032
	19 366	0	0	0	0	19 366
Loans:						
- Credit institutions	2 899	7 408	47 782	58 487	0	116 576
- Customers	1 831	8 352	55 497	133 574	0	199 254
	4 730	15 760	103 279	192 061	0	315 830
Debt securities including fixed-income securities	7 611	1 802	2 608	5 843	0	17 864
Shares and other variable-yield securities	0	0	0	0	1 479	1 479
Shares in affiliated undertakings	0	0	0	0	481	481
Other assets	0	0	0	0	2 836	2 836
Total assets	32 535	17 997	107 887	198 656	4 796	361 871
LIABILITIES						
Amounts owed to credit institutions	4 380	100	0	0	0	4 480
Amounts owed to customers	2 353	10	0	0	0	2 363
Debts evidenced by certificates	10 765	27 868	136 834	130 291	0	305 758
Capital, reserves and profit	0	0	0	0	38 069	38 069
Other liabilities ^(*)	477	826	3 115	763	6 020	11 201
Total liabilities	17 975	28 804	139 949	131 054	44 089	361 871

(*) Including foreign exchange neutralisation on currency swap contracts

Maturity (at 31 December 2008)	not more than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	maturity undefined	Total 2008
ASSETS						
Cash in hand, central banks and post office banks	0	0	0	0	0	0
Treasury bills and other bills eligible for refinancing with central banks	0	135	1 175	823	0	2 133
Other loans and advances:						
- Current accounts	245	0	0	0	0	245
- Others	21 361	0	0	0	0	21 361
	21 606	0	0	0	0	21 606
Loans:						
- Credit institutions	2 429	7 840	40 812	60 910	0	111 991
- Customers	1 962	7 767	46 375	117 536	0	173 640
	4 391	15 607	87 187	178 446	0	285 631
Debt securities including fixed-income securities	3 065	694	2 798	3 952	0	10 509
Shares and other variable-yield securities	0	0	0	0	1 366	1 366
Shares in affiliated undertakings	0	0	0	0	479	479
Other assets	0	0	0	0	4 037	4 037
Total assets	29 062	16 436	91 160	183 221	5 882	325 761
LIABILITIES						
Amounts owed to credit institutions	5 779	1	0	0	0	5 780
Amounts owed to customers	1 380	0	0	0	0	1 380
Debts evidenced by certificates	18 090	23 409	113 219	112 271	0	266 989
Capital, reserves and profit	0	0	0	0	36 192	36 192
Other liabilities ^(*)	1 496	1 255	4 463	1 841	6 365	15 420
Total liabilities	26 745	24 665	117 682	114 112	42 557	325 761

^(*) Including foreign exchange neutralisation on currency swap contracts

Some of the borrowings and associated swaps include early termination triggers or call options granted to the investors or the hedging swap counterparties. Certain liabilities could therefore be redeemed at an earlier stage than their maturity date.

If all calls were to be exercised at their next contractual exercise date, cumulated early redemptions for the period 2010 - 2012 would amount to EUR 10.7 billion.

U.4. Foreign exchange rate risk

The sources of foreign exchange rate risk are to be found in the margins on operations and in general expenses incurred in non-euro currencies. The Bank's objective is to eliminate exchange risk by reducing net positions per currency through operations on the international foreign exchange markets.

A foreign exchange hedging program exists in order to protect the known loan margins in USD and in GBP for the next 3 years.

Foreign exchange position (in EUR million)

Currency at 31 December 2009	Euro	Pound Sterling	US Dollar	Other currencies	Sub-total except Euro	Total 2009
ASSETS						
Cash in hand, balances with central banks and post office banks	227	0	0	0	0	227
Treasury bills and other bills eligible for refinancing with central banks	3 788	0	0	0	0	3 788
Other loans and advances:						
- Current accounts	231	18	9	76	103	334
- Others	13 202	224	3 867	1 739	5 830	19 032
	13 433	242	3 876	1 815	5 933	19 366
Loans:						
- Credit institutions	72 760	15 227	23 924	4 665	43 816	116 576
- Customers	163 324	15 684	9 191	11 055	35 930	199 254
	236 084	30 911	33 115	15 720	79 746	315 830
Debt securities including fixed-income securities	14 436	927	1 233	1 268	3 428	17 864
Shares and other variable-yield securities	1 142	244	30	63	337	1 479
Shares in affiliated undertakings	481	0	0	0	0	481
Other assets	1 907	283	445	201	929	2 836
Total assets	271 498	32 607	38 699	19 067	90 373	361 871
LIABILITIES						
Amounts owed to credit institutions	4 242	0	177	61	238	4 480
Amounts owed to customers	2 178	81	0	104	185	2 363
Debts evidenced by certificates:						
- Debt securities in issue	127 402	50 478	74 926	33 441	158 845	286 247
- Others	9 445	555	3 422	6 089	10 066	19 511
	136 847	51 033	78 348	39 530	168 911	305 758
Capital, reserves and profit	38 069	0	0	0	0	38 069
Other liabilities ^(*)	90 180	- 18 506	- 39 834	- 20 639	- 78 979	11 201
Total liabilities	271 516	32 608	38 691	19 056	90 355	361 871
Net position	- 18	- 1	8	11	18	

(*) Other liabilities include foreign exchange neutralisation on currency swap contracts.

Currency at 31 December 2008	Euro	Pound Sterling	US Dollar	Other currencies	Sub-total except Euro	Total 2008
ASSETS						
Cash in hand, balances with central banks and post office banks	0	0	0	0	0	0
Treasury bills and other bills eligible for refinancing with central banks	2 133	0	0	0	0	2 133
Other loans and advances:						
- Current accounts	193	16	12	24	52	245
- Others	14 508	2 369	2 067	2 417	6 853	21 361
	14 701	2 385	2 079	2 441	6 905	21 606
Loans:						
- Credit institutions	67 016	14 925	26 331	3 719	44 975	111 991
- Customers	140 731	14 304	9 292	9 313	32 909	173 640
	207 747	29 229	35 623	13 032	77 884	285 631
Debt securities including fixed-income securities	7 467	1 541	1 199	302	3 042	10 509
Shares and other variable-yield securities	1 069	210	28	59	297	1 366
Shares in affiliated undertakings	479	0	0	0	0	479
Other assets	3 122	429	28	458	915	4 037
Total assets	236 718	33 794	38 957	16 292	89 043	325 761
LIABILITIES						
Amounts owed to credit institutions	5 444	0	317	19	336	5 780
Amounts owed to customers	1 380	0	0	0	0	1 380
Debts evidenced by certificates:						
- Debt securities in issue	102 926	47 293	72 966	28 820	149 079	252 005
- Others	4 833	412	4 457	5 282	10 151	14 984
	107 759	47 705	77 423	34 102	159 230	266 989
Capital, reserves and profit	36 192	0	0	0	0	36 192
Other liabilities ^(*)	85 951	- 13 912	- 38 777	- 17 842	- 70 531	15 420
Total liabilities	236 726	33 793	38 963	16 279	89 035	325 761
Net position	- 8	1	- 6	13	8	

^(*) Other liabilities include foreign exchange neutralisation on currency swap contracts.

U.5. Market risk

Market risk is the risk that the net present value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risks are identified, measured, managed and reported according to a set of policies and procedures called the "Financial Risk and ALM Policy Guidelines" (FRPG), updated on a regular basis. The general principles underpinning these policies are described below.

Stress testing is a widely used method to analyse the impact of possible scenarios on the Bank's earnings and economic value of own funds, especially when analysis of historical market movements are viewed to be insufficient to assess future risks. Scenarios applied may relate to changes in market rates (interest rates, FX rates, spreads, equity prices etc.), liquidity conditions, or to worst-case events that may impact the former, such as sudden and adverse macroeconomic changes, simultaneous default of sizeable obligors, widespread system failures and the like.

Stress testing is performed on a regular basis and the results of the change in the economic value of the Bank and of the change of the earnings profile is reported within the Bank's market risk measurement process.

Note V – Derivatives

The Bank uses derivative instruments, mainly currency and interest rate swaps, as part of its asset and liability management activities to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions.

The majority of the Bank's swaps are concluded with a view to hedging specific bond issues. The Bank enters into currency swaps, in which, at inception the proceeds of a borrowing are converted into a different currency, mainly as part of its resource-raising operations, and, thereafter, the Bank will obtain the amounts needed to service the borrowing in the original currency. The amounts corresponding to these operations are booked as off-balance sheet items at the date of the transaction.

The Bank also enters into currency, interest rate and overnight index swaps as part of its hedging operations on loans or for the global Assets and Liabilities Management (ALM) position. The corresponding interest is accounted for on a pro-rata temporis basis. The nominal amounts of these swaps are booked as off-balance sheet items at the date of the transaction.

The Bank also enters into short-term currency swap contracts in order to adjust currency positions in its

operational treasury in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursements.

The Bank also enters into credit default swaps as part of its credit risk mitigation. The corresponding amounts are booked as off-balance sheet items at the date of the transaction.

Derivatives are contractual financial instruments, the value of which fluctuates according to trends in the underlying assets, interest rates, exchange rates or indices.

V.1. As part of funding and hedging activity

The Bank uses derivatives mainly as part of its funding strategy in order to bring the characteristics of the funds raised, in terms of currencies and interest rates, into line with those of loans granted and also to reduce funding costs. It uses also long-term swaps to hedge certain treasury transactions and for ALM purposes.

Long-term derivatives transactions are not used for trading, but only in connection with fund-raising and for the reduction of market risk exposure.

All interest rate and currency swaps linked to the borrowing portfolio have maturities matching the corresponding borrowings and are therefore of a long-term nature.

The derivatives most commonly used are:

- Currency swaps;
- Interest rate swaps;
- Options; and
- Futures.

V.1.1. Currency swaps

Currency swaps are contracts under which it is agreed to convert funds into another currency and, simultaneously, a forward exchange contract is concluded to re-exchange the two currencies in the future in order to be able to repay the funds raised on the due dates.

V.1.2. Interest rate swaps

Interest rate swaps are contracts under which, generally, it is agreed to exchange floating-rate interest for fixed-rate interest or vice versa.

Interest rate or currency swaps allow the Bank to modify the interest rate and currency structure of its borrowing portfolio and other portfolios in order to accommodate requests from its clients and also to reduce funding costs by exchanging its advantageous access conditions to certain capital markets with its counterparties.

- Derivatives credit risk mitigation policy:

The credit risk with respect to derivatives lies in the loss which the Bank would incur where a counterparty would be unable to honour its contractual obligations.

In view of the special nature and complexity of the derivatives transactions, a series of procedures has been put in place to safeguard the Bank against losses arising out of the use of such instruments.

- Contractual framework:

All the EIB's long-term derivatives transactions are concluded in the contractual framework of Master Swap Agreements and, where non-standard structures are covered, of Credit Support Annexes, which specify the conditions of exposure collateralisation. These are generally accepted and practised contract types.

- Counterparty selection:

The minimum rating at the outset is set at A1, but exceptionally certain counterparties rated A2/A3 have also been authorised, all their exposures being fully collateralised. The EIB has the right of early termination if the rating drops below a certain level.

- Limits:

Limits have been set in terms of:

- Total net present value of derivatives exposure with a counterparty;
- Unsecured exposure to a counterparty;
- Specific concentration limits expressed as nominal amount.

All limits are dynamically adapted to the credit quality of the counterparty.

- Monitoring:

The derivatives portfolio is regularly valued and compared against limits.

- Collateralisation:

- Derivatives exposure exceeding the limit for unsecured exposure is collateralised by cash and first-class bonds.
- Very complex and illiquid transactions require collateralisation over and above the current market value.
- Both the derivatives portfolio with individual counterparties and the collateral received are regularly valued, with a subsequent call for additional collateral or release.

The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional value. In the Bank's case, where only mutually agreed derivatives are negotiated, the credit risk is evaluated on the basis of the 'current exposure' method recommended by the Bank for International Settlements (BIS). Hence, the credit risk is expressed in terms of the positive 'fair value' or replacement value of the contracts, increased by the potential risks, contingent on the duration and type of transaction, weighted by a coefficient linked to the category of counterparty (BIS II weighted risk).

The following tables show the maturities of currency swaps (excluding short-term currency swaps – see Note V.2), and interest rate swaps (including credit default swaps), sub-divided according to their notional amount and the associated credit risk. The notional amounts are disclosed off balance sheet.

Currency swaps at 31 December 2009 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2009
Notional amount	15 369	54 520	23 418	15 211	108 518
Fair value (i.e. net discounted value) ^(*)	- 1 344	- 2 158	- 765	467	- 3 800
Credit risk (BIS II weighted) ^(**)	70	866	563	431	1 930

Currency swaps at 31 December 2008 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2008
Notional amount	7 460	47 737	20 976	14 281	90 454
Fair value (i.e. net discounted value) ^(*)	- 1 543	- 3 727	- 1 777	1 440	- 5 607
Credit risk (BIS II weighted) ^(**)	19	739	439	603	1 800

^(*) Including the fair value of macro-hedging currency swap which stood at EUR 35 million as at 31 December 2009 (2008: EUR 160 million).

^(**) At transaction level (netting not applied)

Interest rate swaps at 31 December 2009 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2009
Notional amount	30 053	135 875	63 223	87 425	316 576
Fair value (i.e. net discounted value) ^{(*) (**)}	764	4 862	2 006	1 914	9 546
Credit risk (BIS II weighted) ^(**)	173	1 371	922	1 363	3 829

Interest rate swaps at 31 December 2008 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2008
Notional amount	29 874	114 048	64 746	67 686	276 354
Fair value (i.e. net discounted value) ^{(*) (**)}	384	3 749	3 246	3 608	10 987
Credit risk (BIS II weighted) ^(***)	90	1 092	1 168	1 660	4 010

^(*) The net discounted value of Credit Default Swaps (CDS) has been included with the rest of derivatives. However, these transactions have not been included in the BIS computations, since in the Basel Agreement BIS II, they are assimilated to guarantees and their capital charge is computed in the loan portfolio.

^(**) Including the fair value of macro-hedging interest rate swap which stood at EUR - 524 million as at 31 December 2009 (2008: EUR - 523 million).

^(***) At transaction level (netting not applied)

The Bank does not generally enter into any options contracts in conjunction with its risk hedging policy. However, as part of its strategy of raising funds on the financial markets at a lesser cost, the Bank enters into borrowing contracts and loans encompassing notably interest rate or stock exchange index options. Such structured borrowings and loans are entirely covered by swap contracts to hedge the corresponding market risk.

Below are the number and notional amounts of structured swaps:

	Option embedded		Stock exchange index		Special structure coupon or similar	
	2009	2008	2009	2008	2009	2008
Number of transactions	395	405	6	6	363	359
Notional amount (in EUR million)	13 598	15 678	843	843	21 346	22 241
Net discounted value (in EUR million)	132	238	- 10	- 59	380	- 485

The 'fair value' of 'plain vanilla' swap transactions is their market value. For structured deals, the 'fair value' is computed using the income approach, using valuation techniques to convert future amounts to a single present amount (discounted). The estimate of fair value is based on the value indicated by marketplace expectations about those future amounts. Internal estimates and assumptions might be used in the valuation techniques when the market inputs are not directly available.

All option contracts embedded in, or linked with, borrowings are negotiated over the counter. The structured deals include a variety of transactions dependent on interest rates, FX rates, inflation rates, stock indexes and IR volatilities.

Generally, there is a reduced credit risk on these swaps, because security exists in the form of regularly monitored collateral.

The collateral received for swaps amounts to EUR 8 557 million, with the following composition:

Swap collateral (in EUR million)						
Moody's or equivalent rating	Bonds				Cash	Total 2009
	Government	Supranational	Agency	Secured bonds (Pfandbriefe)		
Aaa	2 219	0	0	0	0	2 219
Aa1 to Aa3	1 331	0	0	0	0	1 331
Below A1	1 267	0	0	0	0	1 267
Non-Rated	0	0	0	0	3 740	3 740
Total 2009	4 817	0	0	0	3 740	8 557

Swap collateral (in EUR million)						
Moody's or equivalent rating	Bonds				Cash	Total 2008
	Government	Supranational	Agency	Secured bonds (Pfandbriefe)		
Aaa	2 160	0	0	0	0	2 160
Aa1 to Aa3	1 148	0	0	0	0	1 148
Below A1	116	0	0	0	0	116
Non-Rated	0	0	0	0	5 647	5 647
Total 2008	3 424	0	0	0	5 647	9 071

Ratings exposure table: the majority of the derivative portfolio is concentrated on counterparties rated A1 or above; however, during 2009, there has been a general deterioration of the ratings of the derivatives counterparties.

Grouped ratings	Percentage of nominal		Net Market Exposure (in EUR million)		CRE BIS II swaps (in EUR million) ^(*)	
	2009	2008	2009	2008	2009	2008
Aaa	2.5%	2.9%	10	0	93	84
Aa1 to Aa3	60.7%	64.5%	589	406	8 027	7 403
A1	28.5%	23.1%	1	147	3 238	3 258
A2 to A3	7.8%	9.5%	0	37	2 046	2 720
Below A3	0.5%	0.0%	0	0	146	0
Non-rated	0%	0.0%	0	1	0	1
Total	100.0%	100.0%	600	591	13 550	13 466

^(*) At transaction level (netting not applied)

The Net Market Exposure is the net present value of a swap portfolio net of collateral, if positive (zero if negative). It represents a measure of the losses the Bank could incur in case of default of the counterparty, after application of netting and using the collateral.

The BIS Credit Risk Equivalent is the sum of the Net Present Value of the swap plus an Add-On equal to the Notional Amount multiplied by a coefficient dependent on the structure of the swap and its maturity (according to the Basel Agreement), meant to cover potential future increases in exposures due to changing market conditions over the residual life of the swap.

V.1.3. Credit swaps

The Bank also entered into one credit default swap contract for a nominal amount of EUR 197 million as at 31 December 2009 (2008: EUR 172 million) with a fair value of EUR 1.5 million (2008: EUR 9.8 million).

V.2. As part of liquidity management

The Bank also enters into short-term currency swap contracts in order to adjust currency positions in its operational treasury portfolios in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursements.

The notional amount of short-term currency swaps stood at EUR 11 887 million at 31 December 2009 against EUR 16 062 million at 31 December 2008. The notional amount of short term currency forwards was EUR 252 million at 31 December 2009 (2008: EUR 234 million). The fair value of these contracts was EUR 255 million at 31 December 2009 (2008: EUR - 989 million).

Long-term futures are also used by the Bank to adjust the medium-term (2-year) interest rate exposure of its treasury bond portfolios. The notional amount of long-term futures stood at EUR 335 million at 31 December 2009 (2008: EUR 394 million), with a fair value of EUR - 0.1 million (2008: EUR - 1.3 million).

Nominal amounts of EUR nil million (2008: EUR 5 472 million) of Forward Rate Agreements with a fair value of EUR nil million (2008: EUR 0.7 million) are outstanding as at 31 December 2009.

Note W – Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2009 and 31 December 2008:

	31.12.2009	31.12.2008
NON-EURO CURRENCIES OF EU MEMBER STATES		
Bulgarian leva (BGN)	1.9558	1.9560
Czech koruna (CZK)	26.473	26.875
Danish kroner (DKK)	7.4418	7.4506
Hungarian forint (HUF)	270.42	266.70
Polish zloty (PLN)	4.1045	4.1535
Pound sterling (GBP)	0.8881	0.9525
Romanian lei (RON)	4.2363	4.0225
Swedish kronor (SEK)	10.252	10.870
NON-COMMUNITY CURRENCIES		
Australian dollar (AUD)	1.6008	2.0274
Canadian dollar (CAD)	1.5128	1.6998
Hong Kong dollar (HKD)	11.1709	10.7858
Japanese yen (JPY)	133.16	126.14
Kenyan shilling (KES)	108.43	109.14
Moroccan dirham (MAD)	11.290	11.229
Mexican peso (MXN)	18.9223	19.2333
New Zealand dollar (NZD)	1.980	2.419
Norwegian krone (NOK)	8.3000	9.7500
Russian ruble (RUB)	43.154	41.283
South African rand (ZAR)	10.6660	13.0667
Swiss franc (CHF)	1.4836	1.4850
Turkish lira (TRY)	2.1547	2.1488
United States dollar (USD)	1.4406	1.3917

Note X – Related party – European Investment Fund

Related party transactions with the European Investment Fund ('EIF') are mainly related to the management by the Bank of the EIF treasury, the IT, the pension fund and other services on behalf of the EIF. In addition, the EIF manages the venture capital activity of the Bank. The amounts included in the Financial Statements and relating to the EIF are disclosed as follows:

(in EUR '000)	31.12.2009	31.12.2008
ASSETS		
Other assets	4 362	1 210
Total assets	4 362	1 210
LIABILITIES		
Sundry creditors	26 947	18 190
Total liabilities	26 947	18 190
PROFIT AND LOSS ACCOUNT		
Commission expenses	- 11 650	- 8 349
Other operating income	2 236	1 686
General administrative expenses	4 418	3 643
Total profit and loss account	- 4 996	- 3 020
OFF BALANCE SHEET		
EIF capital - uncalled	1 460 800	1 457 600
EIF treasury management	900 069	851 595
Nominal value of put option granted to EIF minority shareholders	388 842	363 433
Total off balance sheet	2 749 711	2 672 628

Note Y – Management of third party funds

Y.1. EIF treasury

The EIF treasury is managed by the Bank in accordance with the treasury management agreement signed between the two parties in December 2000.

Y.2. Guarantee Fund

The European Commission entrusted financial management of the Guarantee Fund to the EIB under an agreement signed between the two parties in November 1994.

Y.3. Investment Facility

The Investment Facility, which is managed by the EIB, has been established within the framework of the Cotonou Agreement on cooperation and development of the African, Caribbean and Pacific Group of States and

the European Union and its Member States on 23 June 2000. The EIB prepares separate financial statements for the Investment Facility.

Y.4. FEMIP Trust Fund

The FEMIP Trust Fund, which is also managed by the EIB, was set up to enhance the existing activities of the EIB in the Mediterranean Partner Countries, with the support of a number of donor countries and with a view of directing resources to operations in certain priority sectors through the provision of technical assistance and risk capital. The EIB prepares separate financial statements for the FEMIP Trust Fund.

Y.5. Risk-Sharing Finance Facility (the 'RSFF')

The RSFF has been established within the framework of the Co-operation Agreement, entered into force on the 5 June 2007 between the European Commission on behalf of the European Union and the European Investment Bank. The EIB is setting up the RSFF, an instrument aimed at fostering investment for Europe in research,

technological development and demonstration, as well as innovation, in particular in the private sector. The EIB prepares separate financial statements for the RSFF.

Y.6. Heavily Indebted Poor Countries ('HIPC') Initiative

The HIPC Initiative (the "Initiative") is an international debt relief mechanism that provides special assistance to the world's poorest countries. It was launched in 1996 following a proposal from the World Bank and the International Monetary Fund. The principal objective of the initiative is to reduce the debt burden of poor countries to sustainable. The EIB prepares separate financial statements for the Initiative.

Y.7. EU-Africa Infrastructure Trust Fund (the 'Trust Fund')

The Trust Fund has been created within the framework of the Trust Fund Agreement between the European Commission on behalf of the European Union as Founding Donor and the European Investment Bank as Manager, also open to Member States of the European Union which subsequently accede to this agreement as Donors. On 9 February 2006, the European Commission and the European Investment Bank signed a Memorandum of Understanding (the 'MoU') to promote jointly the EU-Africa Infrastructure Partnership and, in particular, to establish a supporting EU-Africa Infrastructure Trust Fund. The EIB prepares separate financial statements for the Trust Fund.

Y.8. FP7 Guarantee Fund

The European Commission entrusted financial management of the FP7 Guarantee Fund to the EIB under an agreement signed between the two parties in December 2007.

Y.9. Neighbourhood Investment Facility ('NIF') Trust Fund

The NIF Trust Fund managed by the EIB was set up to achieve the strategic objective of the European Neighbourhood Partnership Instrument ('ENPI') through targeted funding aimed at strengthening infrastructure interconnection between the EU and its neighbours in the areas of Transport and Energy, at addressing common environmental concerns and at supporting other

relevant activities. The EIB prepares separate financial statements for the NIF Trust Fund.

Y.10. Loan Guarantee Instrument for Ten-T Projects (the 'LGTT')

The LGTT has been established within the framework of the Co-operation Agreement, entered into force on 11 January 2008 between the European Commission on behalf of the European Union and the EIB.

The Commission and the EIB are setting up the LGTT, which aims at facilitating a greater private sector involvement in the financing of Trans-European transport networks infrastructure. The EIB prepares separate financial statements for the LGTT.

Y.11. JASPERS

JASPERS (The Joint Assistance to Support Projects in European Regions) is a major joint policy initiative of the EIB, European Commission (Regional Policy Directorate-General - DG Regio) and the European Bank for Reconstruction and Development (EBRD).

Y.12. JESSICA

JESSICA (The Joint European Support for Sustainable Investment in City Area) is an initiative developed by the European Commission and the EIB, in collaboration with the Council of Europe Development Bank (CEB).

Under new procedures, Member States are being given the option of using some of their EU grant funding to make repayable investments in projects forming part of an integrated plan for sustainable urban development. These investments are delivered to projects via Urban Development Funds or if required Holding Funds (JESSICA Holding Funds).

Y.13. Special Section

The Special Section was set up by the Board of Governors on 27 May 1963. Under a decision taken on 4 August 1977, its purpose was redefined as being that of recording financing operations carried out by the EIB for the account of and under mandate from third parties. It includes the FED, MED/FEMIP and Turkey mandates.

Statement of Special Section ⁽¹⁾

as at 31 December 2009 and 2008 (in EUR '000)

AMOUNTS DISBURSED AND TO BE DISBURSED	31.12.2009	31.12.2008
Turkey		
From resources of Member States		
Disbursed loans outstanding	10 076	10 746
Total ⁽²⁾	10 076	10 746
Mediterranean Countries		
From resources of the European Union		
Disbursed loans outstanding	127 673	140 039
Risk capital operations		
- amounts to be disbursed	212 218	212 352
- amounts disbursed	195 709	203 739
	407 927	416 091
Total ⁽³⁾	535 600	556 130
African, Caribbean and Pacific State and Overseas Countries and Territories		
From resources of the European Union		
• Yaoundé Conventions		
Loans disbursed	14 686	16 299
Contributions to the formation of risk capital		
- amounts disbursed	419	419
Total ⁽⁴⁾	15 105	16 718
• Lomé Conventions		
Operations from risk capital resources:		
- amounts to be disbursed	39 099	75 148
- amounts disbursed	813 171	923 457
	852 270	998 605
Operations from other resources		
- amounts to be disbursed	0	7 274
- amounts disbursed	3 016	3 925
	3 016	11 199
Total ⁽⁵⁾	855 286	1 009 804
TOTAL	1 416 067	1 593 398

FUNDS RECEIVED AND TO BE RECEIVED	31.12.2009	31.12.2008
Funds under trust management		
Under mandate from the European Union		
- Financial Protocols with the Mediterranean Countries	323 383	343 778
- Yaoundé Conventions	15 105	16 718
- Lomé Conventions	813 171	923 457
- Other resources under the Lomé Conventions	3 016	3 925
	1 154 675	1 287 878
Under mandate from Member States	10 076	10 746
Total	1 164 751	1 298 624
Funds to be disbursed		
On loans and risk capital operations in the Mediterranean countries	212 218	212 352
On operations from risk capital resources under the Lomé Conventions	39 098	75 148
On operations from other resources under the Lomé Conventions	0	7 274
Total	251 316	294 774
TOTAL	1 416 067	1 593 398

For information:

Total amounts disbursed and not yet repaid on loans on special conditions made available by the Commission in respect of which the Bank has accepted an EC mandate for recovering principal and interest:

a) Under the First, Second and Third Lomé Conventions: at 31.12.2009: EUR '000 648 409 (at 31.12.2008: EUR '000 709 988)

b) Under Financial Protocols signed with the Mediterranean Countries: at 31.12.2009: EUR '000 103 000 (at 31.12.2008: EUR '000 109 396)

Note (1): The Special Section was set up by the Board of Governors on 27 May 1963. Under a decision taken on 4 August 1977, its purpose was redefined as being that of recording financing operations carried out by the European Investment Bank for the account of and under mandate from third parties. However, for the Investment Facility under the Cotonou Agreement, the EU-Africa Infrastructure Trust Fund, the Neighbourhood Investment Facility (NIF) Trust Fund and the FEMIP Trust Fund, separate financial statements are presented. In addition, since 2005, the EIB also prepares financial statements of different types for other mandates.

The Statement of Special Section reflects amounts disbursed or to be disbursed, less cancellations and repayments, under mandate from the European Union and the Member States. Amounts disbursed and to be disbursed and funds received and to be received are carried at nominal value. No account is taken in the Statement of Special Section of provisions or value adjustments, which may be required to cover risks associated with such operations. Amounts in foreign currency are translated at exchange rates prevailing on 31 December.

Note (2): Initial amount of contracts signed for financing projects in Turkey under mandate, for the account and at the risk of Member States.

Initial amount:			405 899
add:	exchange adjustments		19 876
less:	cancellations	215	
	repayments	415 484	
			- 415 699
			10 076

Note (3): Initial amount of contracts signed for financing projects in the Maghreb and Mashreq countries, Malta, Cyprus, Turkey and Greece (EUR 10 million lent prior to accession to the EC on 1 January 1981) under mandate, for the account and at the risk of the European Union.

Initial amount:			925 007
less:	exchange adjustments	13 551	
	cancellations	83 345	
	repayments	292 511	
			- 389 407
			535 600

Note (4): Initial amount of contracts signed for financing projects in the Associated African States, Madagascar and Mauritius and the Overseas Countries, Territories and Departments (AASMM-OCTD) under mandate, for the account and at the risk of the European Union:

Loans on special conditions		139 483	
Contributions to the formation of risk capital		2 503	
Initial amount:			141 986
add:	capitalised interests	1 178	
	exchange adjustments	9 839	
			11 017
less:	cancellations	1 758	
	repayments	136 140	
			- 137 898
			15 105

Note (5): Initial amount of contracts signed for financing projects in the African, Caribbean and Pacific States and the Overseas Countries and Territories (ACP-OCT) under mandate, for the account and at the risk of the European Union:

Loans from risk capital resources:			
Conditional and subordinated loans		3 116 097	
equity participations		120 984	
Initial amount:			3 237 081
add:	capitalised interests		8 099
less:	cancellations	654 044	
	repayments	1 679 484	
	exchange adjustments	59 382	
			- 2 392 910
			852 270
Loans from other resources:			
Initial amount:			16 500
less:	cancellations	8 493	
	repayments	4 857	
	exchange adjustments	134	
			- 13 484
			3 016
			855 286

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying financial statements of the EUROPEAN INVESTMENT BANK, which comprise the balance sheet as at 31 December 2009, the profit and loss account and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the general principles of Directive 86/635/EEC of the Council of the European Communities of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions and insurance undertakings, as amended by Directive 2001/65/EC of 27 September 2001, by Directive 2003/51/EC of 18 June 2003 and by Directive 2006/46/EC of 14 June 2006 (the 'Directives'). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the EUROPEAN INVESTMENT BANK as of 31 December 2009, and of the results of its operations and its cash flows for the year then ended in accordance with the general principles of the Directives.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises

Emmanuel Dollé

Statement by the Audit Committee

The Audit Committee reports to the Board of Governors, the following statement being communicated to the Governors prior to their approval of the Annual Report and the financial statements for the past financial year.

Statement by the Audit Committee on the Bank unconsolidated financial statements prepared in accordance with the general principles of the EU Directives

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the financial statements of the European Investment Bank for the year ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, met regularly the Head of Internal Audit and discussed the relevant internal audit reports, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the financial year ending on 31 December 2009 as drawn up by the Board of Directors at its meeting on 11 March 2010,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 & 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

- confirms that the activities of the Bank are conducted in a proper manner, in particular with regard to risk management and monitoring;
- has verified that the operations of the Bank have been conducted and its books kept in a proper manner and that to this end, it has verified that the Bank's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;
- confirms that the financial statements, comprising the balance sheet, the statement of special section, the profit and loss account, the cash flow statement and the notes to the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009 in respect of its assets and liabilities, and of the results of its operations and cash flows for the year then ended.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



J. RODRIGUES DE JESUS



G. SMYTH



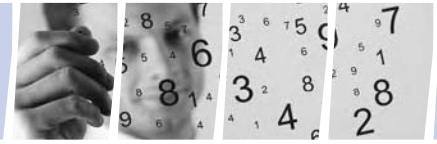
D. NOUY



E. MATHAY



J. GALEA



EIB Group

Financial Statements under EU directives

as at 31 December 2009

Consolidated Results for the Year

In order to provide a more coherent approach to the statutory financial statements, which are also drawn up in application of the EU Accounting Directives, the financial statements of the EIB Group have also been drawn up based on the same accounting framework for the first time.

The EIB Group balance sheet total increased by EUR 36 billion (+11%) compared to 2008. The net surplus of the Group for the financial year 2009 stands at EUR 1 865 million as compared to a net surplus of EUR 1 648 million for 2008.

The net surplus for the financial year increased by EUR 217 million (+13.2%) despite additional writedowns on venture capital operations of EUR 107.5 million. Please note in this respect that the Group follows prudent accounting principles in its EU GAAP consolidated accounts that do not allow it to book unrealised gains, which amounted to EUR 201 million at the end of 2009.

The other main factors influencing the financial results either positively or negatively are the following:

Positive impacts:

- The net balance between interest income and charges rose by EUR 161 million and stands at EUR 2 273 million (items 1 and 2 of the consolidated profit and loss account).
- The average interest rate on outstanding loans decreased from 4.84% to 2.36%, and on outstanding debt from 4.64% to 1.82%, resulting in a realised margin of 0.53% versus 0.20% previously.
- The average interest rate on the net balance between treasury outstanding assets and liabilities decreased from 4.58% to 1.45%.

Negative impacts:

- The value adjustment on shares and other variable-yield securities (including venture capital operations) resulted in an unrealised loss of EUR 82.9 million.

- General administrative expenses and depreciation increased by EUR 40.7 million or 10% to EUR 461 million. Staff costs increased by some 11% or EUR 29.9 million. The breakdown of staff costs is detailed in note R to the Consolidated Financial Statements, which states that salaries and allowances increased by EUR 21.4 million (+11.4%) while welfare contributions and other social costs increased by EUR 8.5 million (8.8%). Other administrative expenses increased by EUR 10.5 million and included the costs of consultancy and external services. The Group had greater recourse to external services because of its increasing activity.

Main evolution of loans and borrowing activity:

- The volume of loans disbursed in 2009 increased by 11% to EUR 54.0 billion from EUR 48.6 billion in 2008.
- The volume of loan signatures for 2009 increased by 37% to EUR 79.1 billion from EUR 57.6 billion in 2008.
- The volume of borrowing proceeds, before swap operations, received during the financial year 2009 increased by 33% versus 2008 to EUR 79.4 billion from EUR 59.5 billion.

In 2009, the EIB launched new "Climate Awareness Bonds" (CAB), for the first time in Swedish krona, for a total amount of SEK 2.25 billion (EUR 214 million). As of 31 December 2009, EUR 50.3 million had been committed to such projects and disbursed.

The own funds of the Group increased from EUR 36.7 billion at the end of 2008 to EUR 38.6 billion at the end of 2009. Expressed as a percentage of outstanding loans disbursed, the own funds of the Group decreased slightly from 12.68% at the end of 2008 to 12.17% at the end of 2009.

Consolidated balance sheet

as at 31 December 2009 (in EUR '000)

Assets	31.12.2009	31.12.2008
1. Cash in hand, balances with central banks and post office banks (Note B.1)	227 227	76
2. Treasury bills and other bills eligible for refinancing with central banks (Note B.2)	4 057 500	2 254 923
3. Loans and advances to credit institutions		
a) repayable on demand	367 694	275 915
b) other loans and advances (Note C)	19 105 287	21 712 872
c) loans (Note D.1)	116 575 861	111 990 666
	136 048 842	133 979 453
4. Loans and advances to customers		
a) loans (Note D.1)	199 365 019	173 662 179
b) specific value adjustments (Note D.2)	- 110 800	-22 000
	199 254 219	173 640 179
5. Debt securities including fixed-income securities (Note B.2)		
a) issued by public bodies	1 980 966	96 725
b) issued by other borrowers	16 421 602	10 776 191
	18 402 568	10 872 916
6. Shares and other variable-yield securities (Note E)	1 618 309	1 495 830
7. Intangible assets (Note F)	4 817	4 316
8. Tangible assets (Note F)	310 504	319 558
9. Other assets (Note G)	121 570	171 233
10. Subscribed capital and reserves, called but not paid (Note H.2)	115 327	473 986
11. Prepayments and accrued income (Note I)	2 316 114	3 093 960
Total assets	362 476 997	326 306 430

The accompanying notes form an integral part of these consolidated financial statements.

Liabilities	31.12.2009	31.12.2008
1. Amounts owed to credit institutions (Note J)		
a) with agreed maturity dates or periods of notice	4 480 414	5 779 865
	4 480 414	5 779 865
2. Amounts owed to customers (Note J)		
a) repayable on demand	1 256 333	1 201 858
b) with agreed maturity or periods of notice	1 106 417	178 542
	2 362 750	1 380 400
3. Debts evidenced by certificates (Note K)		
a) debt securities in issue	286 247 691	252 004 894
b) others	19 510 696	14 984 134
	305 758 387	266 989 028
4. Other liabilities		
a) sundry creditors (Note G)	352 474	338 979
b) sundry liabilities	45 988	39 946
	398 462	378 925
5. Accruals and deferred income (Note I)	9 501 189	13 863 467
6. Provisions		
a) pension plans and health insurance scheme (Note L)	1 330 003	1 205 830
b) provision for guarantees issued (Note D.4)	70 412	14 765
	1 400 415	1 220 595
7. Subscribed capital (Note H)		
- Subscribed	232 392 989	164 808 169
- Uncalled	- 220 773 340	-156 567 760
	11 619 649	8 240 409
8. Reserves (Note H)		
a) reserve fund	18 205 506	16 480 817
b) additional reserves	1 321 995	5 488 403
c) funds allocated to structured finance facility	0	2 750 000
d) funds allocated to venture capital operations	0	1 764 305
e) special activities reserve	3 299 370	0
f) general loan reserve	1 923 734	0
	24 750 605	26 483 525
9. Profit for the financial year attributable to equity holders of the Bank (Note M)	1 864 832	1 648 467
10. Equity attributable to minority interest (Note H)	340 294	321 749
Total liabilities	362 476 997	326 306 430

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated off - balance sheet

as at 31 December 2009 (in EUR '000)

Off-balance sheet items	31.12.2009	31.12.2008
Commitments		
- EBRD capital (Note E)		
• uncalled	442 500	442 500
- Undisbursed loans (Note D.1)		
• credit institutions	18 686 622	12 457 853
• customers	63 156 626	46 411 674
	81 843 248	58 869 527
- Undisbursed venture capital operations (Note E)	1 392 559	1 227 139
- Undisbursed investment funds (Note E)	511 895	334 721
Contingent liabilities and guarantees		
- In respect of loans granted by third parties	2 893 490	4 067 932
- In respect of venture capital operations	17 385	15 171
Fiduciary operations^(*)	11 406 667	9 033 466
Assets held on behalf of third parties (Note X)		
- SMEG 2007	93 703	95 483
- GIF 2007	99 999	69 342
- SME Guarantee Facility	61 992	69 877
- European Technology Facility	6 573	13 585
- Map Equity	65 795	77 816
- Guarantee Fund	1 240 505	1 091 447
- Investment Facility	1 289 209	1 144 922
- Map guarantee	72 590	73 580
- Seed Capital Action	0	131
- Special Section	1 416 067	1 593 398
- Risk Sharing Finance Facility	432 266	205 760
- Neighbourhood Investment Facility ("NIF") Fund	44	0
- EU-Africa Infrastructure Trust Fund	144 151	91 881
- Heavily Indebted Poor Countries Initiative	65 768	90 569
- FEMIP Trust Fund	30 236	33 159
- Loan Guarantee Instrument for Ten-T Projects	105 198	43 760
- FP7 Guarantee Fund	547 761	283 132
- JASPERS	119	1 114
- JESSICA	16 805	0
- LFA-GV	24	0
- JEREMIE	763 175	283 101
- TTP	2 010	0
- GEEREF	57 999	45 929
- GEEREF Technical Support Facility	2 390	0
- EFSE	10 000	0
- Bundesministerium für Wirtschaft und Technologie	102	130
	6 524 481	5 308 116

^(*) Pursuant to Article 28 of its Statutes, the EIF acquires, manages and disposes of investments in venture capital enterprises, in its own name but on behalf and at the risk of the European Union, according to the Fiduciary and Management Agreements concluded with the European Union ("ETF Start-up Facility" and "High Growth and Innovative SME Facility" (GIF), under two programs known as GIF1 and GIF2). The EIF is also empowered to issue guarantees in its own name but on behalf and at the risk of the European Union according to the Fiduciary and Management Agreements.

Off balance sheet items	31.12.2009	31.12.2008
Other items		
Special deposits for service of borrowings ^(*) (Note S)	52 292	134 772
Securities portfolio		
- Securities receivable	100 000	157 480
Nominal value of interest-rate swap and deferred rate-setting contracts (Note V.1)	316 379 517	276 181 870
Nominal value of currency swap contracts payable (Note V.1)	125 166 944	115 600 764
Nominal value of currency swap contracts receivable (Note V.1)	119 986 609	106 514 766
Nominal value of put option granted to EIF minority shareholders	388 842	363 433
Borrowings launched but not yet settled	360 631	0
Swaps launched but not yet settled	11 590	0
Securities lent (Note B.2)	471 434	367 704
Future contracts (Note V.2)	334 676	393 663
Forward rate agreements (Note V.2)	0	5 472 000
FX Forwards (Note V.2)	251 938	234 469
Credit default swap (Note V.1)	196 796	172 383

^(*)This item represents the amount of coupons and bonds due, paid by the Group to the paying agents, but not yet presented for payment by the holders of bonds issued by the Group.

Consolidated profit and loss account

for the year ended 31 December 2009 (in EUR'000)

	2009	2008
1. Interest receivable and similar income (Note N)	16 562 333	14 991 747
2. Interest payable and similar charges (Note N)	- 14 289 505	- 12 879 963
3. Income from securities	8 930	35 025
4. Commissions receivable (Note O)	207 040	168 259
5. Commissions payable (Note O)	- 117	- 125
6. Net loss on financial operations (Note P)	- 26 918	- 260 131
7. Other operating income (Note Q)	10 723	6 026
8. General administrative expenses (Note R)	- 432 210	- 391 831
a) staff costs (Note L)	- 313 498	- 283 606
b) other administrative expenses	- 118 712	- 108 225
9. Value adjustments in respect of intangible and tangible assets (Note F)	- 28 682	-28 319
a) tangible assets	- 26 386	- 26 465
b) intangible assets	- 2 296	- 1 854
10. Value (re-)adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments (Note D)	- 149 100	13 093
11. Profit for the financial year	1 862 494	1 653 781
12. Loss/profit attributable to minority interest	2 338	- 5 314
13. Profit attributable to equity holders of the Bank	1 864 832	1 648 467

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2009 (in EUR '000)

	2009	2008
A. Cash flows from operating activities:		
Profit for the financial year	1 862 494	1 653 781
Adjustments for:		
Net Increase/Decrease in specific value adjustments on loans and advances	88 800	- 18 219
Net Increase in specific provisions on staff pension fund	124 174	95 025
Net Increase in specific provisions for guarantees	60 300	5 126
Value adjustments in respect of tangible and intangible assets	28 682	28 319
Value adjustments in respect of shares and other variable-yield securities	106 654	192 842
Investment portfolio amortisation	10 112	- 5 823
Effects of exchange rate changes on loans, borrowings and swaps	190 418	- 381 921
Profit on operating activities	2 471 634	1 569 130
Disbursements of loans and advances to credit institutions and customers	- 51 895 204	- 47 423 453
Repayments of loans and advances to credit institutions and customers	23 200 287	19 765 944
Increase/Decrease in treasury operational portfolios	- 1 673 885	702 544
Increase in venture capital operations included in shares and other variable-yield securities	- 154 477	- 107 675
Increase in shares and other variable-yield securities excluding venture capital operations	- 53 086	- 53 535
Decrease/Increase in amounts owed to credit institutions and customers	- 317 101	5 933 575
Decrease in prepayments and accrued income	777 846	558 206
Decrease/Increase in other assets	49 663	- 13 920
Decrease/increase in accruals and deferred income	- 2 646 810	524 259
Increase in other liabilities	19 537	29 761
Net cash from operating activities	- 30 221 596	- 18 515 164
B. Cash flows from investing activities:		
Securities from investment portfolio matured during the year	301 440	311 577
Increase in asset backed securities included in the treasury portfolios	- 2 442 526	- 1 057 345
Increase in tangible and intangible assets	- 20 130	- 62 500
Net cash from investing activities	- 2 161 216	- 808 268
C. Cash flows from financing activities:		
Issue of borrowings	79 122 016	58 002 563
Redemption of borrowings	- 33 010 200	- 39 727 853
Member States contribution	358 659	630 823
Decrease / increase in commercial papers	- 10 647 642	5 987 392
Net cash from financing activities	35 822 833	24 892 925
Summary statement of cash flows:		
Cash and cash equivalents at beginning of financial year	24 100 435	18 256 470
Net cash from:		
Operating activities	- 30 221 596	- 18 515 164
Investing activities	- 2 161 216	- 808 268
Financing activities	35 822 833	24 892 925
Effect of exchange rate changes on cash held	- 201 307	274 472
Cash and cash equivalents at end of financial year	27 339 149	24 100 435
Cash and cash equivalents are composed of (excluding investment and hedging portfolios):		
Cash in hand, balances with central banks and post office banks	227 227	76
Bills maturing within three months of issue (Note B.2 ; See A1 portfolio)	7 638 941	2 111 572
Loans and advances to credit institutions:		
Accounts repayable on demand	367 694	275 915
Term deposit accounts	19 105 287	21 712 872
	27 339 149	24 100 435

The accompanying notes form an integral part of these consolidated financial statements.

European Investment Bank Group

Notes to the consolidated financial statements

as at and for the year ended 31 December 2009

The European Investment Bank (the ‘Bank’ or ‘EIB’) was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union (‘EU’). The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB raises substantial volumes of funds on the capital markets which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activity to developments in EU policies.

The European Investment Fund (hereafter the “Fund” or “EIF”) was incorporated on 14 June 1994, in Luxembourg, as an international financial institution. The address of its registered office is 96, boulevard Konrad Adenauer, L-2968 Luxembourg.

The primary task of the Fund, while providing adequate return on equity, is to contribute to the pursuit of European Union objectives through:

- the provision of guarantees to financial institutions that cover credits to small and medium sized entities (“SME”);
- the acquisition, holding, managing and disposal of equity participations;
- the administration of special resources entrusted by third parties; and
- related activities.

The Bank holds 62.11 % (2008: 63.60%) of the subscribed capital of the EIF. The Bank and the Fund are defined together as the “Group”.

Note A – Significant accounting policies

A.1. Accounting standards

The consolidated financial statements (the ‘Financial Statements’) of the European Investment Bank have been prepared in accordance with the general principles of the Directive 86/635/EEC of the Council of the European Communities of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions and insurance undertakings, as amended by Directive 2001/65/EC of 27 September 2001, by Directive 2003/51/EC of 18 June 2003 and by Directive 2006/46/EC of 14 June 2006 (the ‘Directives’). However, the Financial Statements do not include any management report. The Group prepares an Activity Report which is presented separately from the Financial Statements and its consistency with the Financial Statements is not audited.

On a proposal from the Management Committee, the Board of Directors adopted the Financial Statements on 11 March 2010 and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

In preparing the Financial Statements, the Management Committee is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the resulting differences may be material to the Financial Statements.

The Financial Statements as at 31 December 2009 are the first consolidated financial statements of the Group prepared in accordance with the Directives. The Group also publishes consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union.

A.2. Foreign currency translation

In accordance with Article 4(1) of its Statute, the Group uses the euro (EUR), the single currency of the Member States participating in the third stage of Economic and Monetary Union, as the unit of measure for the capital accounts of Member States and for presenting its Financial Statements.

The Group conducts its operations in the currencies of its Member States, in EUR and in non-EU currencies.

Its resources are derived from its capital, borrowings and accumulated earnings in various currencies and are held, invested or lent in the same currencies.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction. The Group’s monetary assets and liabilities denominated in currencies other than in EUR are translated at closing exchange rates prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the profit and loss account.

A.3. Basis of consolidation

The Financial Statements comprise those of European Investment Bank (the “Bank” or the “EIB”), having its registered office at 100, boulevard Konrad Adenauer,

Luxembourg, and those of its subsidiary, European Investment Fund (the "Fund" or the "EIF"). The financial statements of the Fund are prepared for the same reporting year as the Bank, using consistent accounting policies.

The Bank consolidates the financial statements of the EIF.

After aggregation of the balance sheets and the profit and loss accounts, all intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated.

Minority interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank.

Assets held in an agency or fiduciary capacity are not assets of the Group and are reported in Note X.

A.4. Derivatives

All derivatives held by the Group are hedging derivatives which consist of micro and macro-hedging. The Group does not enter in any trading derivatives.

The Group uses derivative instruments, i.e. mainly currency and interest rate swaps, as part of its asset and liability management activities to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions. All derivatives transactions are booked as off-balance sheet items at the date of the transaction.

The majority of the Group's swaps are concluded with a view to hedging specific bond issues. The Group enters into currency swaps, in which, at inception the proceeds of a borrowing are converted into a different currency, mainly as part of its resource-raising operations, and, thereafter, the Group will obtain the amounts needed to service the borrowing in the original currency.

The Group also enters into currency, interest rate and overnight index swaps as part of its hedging operations on loans or for the global ALM position. The corresponding interest is accounted for on a prorata temporis basis.

The Group also enters into credit default swaps as part of its credit risk mitigation.

Long-term futures are also used by the Group to adjust the interest rate exposure of its treasury bond portfolios. Futures are valued by reference to the previous day's closing price on the relevant market.

Currency swaps

The revaluation of the spot leg of the long-term currency swap is neutralised in 'Accruals and deferred income' or 'Prepayments and accrued income'. The forward leg of the currency swap is not revalued as:

- The forward leg is not fixed at the swap inception.
- The Group has no foreign exchange position when taking on balance sheet and off balance sheet balances and transactions on foreign exchange.

The Group also enters into short-term currency swap contracts in order to adjust currency positions in its operational treasury in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursement. The revaluation of the spot leg of the currency swap is neutralised in 'Accruals and deferred income' or 'Prepayments and accrued income'. The premium/discount between the spot and forward legs is spread prorata temporis through the profit and loss account.

Interest rate swaps

The hedging interest rate swaps are not revalued.

A.5. Financial assets

Financial assets are accounted for using the settlement date basis.

A.6. Cash and cash equivalents

The Group defines cash and cash equivalents as short-term, highly liquid securities and interest-earning deposits with original maturities of 90 days or less.

A.7. Treasury bills and other bills eligible for refinancing with central banks and debt securities including fixed-income securities

With a view of clarifying management of its liquid assets and consolidating its solvency, the Group has established the following portfolio categories:

A.7.1. Group investment portfolio

The investment portfolio consists of securities purchased with the intention of holding them to maturity. These securities are issued or guaranteed by:

- Governments of the European Union, G10 countries and their agencies;
- Supranational public institutions, including multinational development banks.

These securities are initially recorded at purchase price or more exceptionally at transfer price. Value adjustments are accounted for, if these are other than temporary. The difference between entry price and redemption value is accounted for prorata temporis over the remaining life of the securities.

In 2006, the Group decided to phase out the investment portfolio. Since then, the Group has not made any new addition to the investment portfolio and will keep the existing portfolio lines until final maturity, upon which the redemption proceeds of such matured securities will be invested in the operational portfolios described in paragraph A.7.2.

A.7.2. Operational portfolios

- Operational money market portfolios A1 and A2

In order to maintain an adequate level of liquidity, the Group purchases money market products with a maximum maturity of 18 months, in particular Treasury bills and negotiable debt securities issued by credit institutions. The securities in the A1 portfolio are held until their final maturity and presented in the Financial Statements at purchase price. Value adjustments are accounted for, if these are other than temporary. The A2 portfolio includes securities and money market funds. The money market funds and securities in the A2 portfolio are available for sale and presented in the accounts at the lower of cost or market value. Value adjustments are recorded under *Net loss on financial operations* in the profit and loss account.

Treasury bills appear on the assets side of the balance sheet under *Treasury bills and other bills eligible for refinancing with central banks*.

Negotiable debt securities issued by credit institutions appear on the assets side of the balance sheet under *Debt securities including fixed-income securities - issued by other borrowers*.

- Operational bond portfolios B1, B2, B3 and B4

The B1 'Credit Spread' portfolio comprises floating-rate and fixed-rate bonds issued or guaranteed by national governments, supranational institutions, financial institutions and corporations with a maximum residual maturity of 5 years. These securities are available for sale and are presented in the Financial Statements at the lower of cost or market value. Value adjustments are recorded under *Net loss on financial operations* in the profit and loss account.

The B2 'Alternative Investment' portfolio comprises capital guaranteed notes by issuers, which meet the Group's Treasury investment criteria and with coupons linked to the performance of underlying Funds of Hedge Funds with initial maturities of approximately five years. The securities are available for sale and presented in the accounts at the lower of cost or market value. Value adjustments are recorded under *Net loss on financial operations* in the profit and loss account.

The B3 'Global Fixed Income' portfolio comprises listed securities with a maximum residual maturity of 10 years, issued and guaranteed by financial institutions.

Securities held in this portfolio are marked to market value in the balance sheet; the corresponding changes in market value are recorded under *Net loss on financial operations* in the profit and loss account.

The B4 'Inflation Linked Investment' portfolio comprises listed securities with a maximum residual maturity of 30 years, issued by EU Governments. Securities held in this portfolio are marked to market value in the balance sheet; the corresponding changes in market value are recorded under *Net loss on financial operations* in the profit and loss account.

The Operational portfolio EIF comprises listed securities with a maximum residual maturity of 10 years. These securities are classified in the available for sale category and are presented in the Financial Statements at the lower of cost or market value. Value adjustments are recorded under *Net loss on financial operations* in the profit and loss account.

The market value of treasury portfolios is based on published price quotations in an active market which are the first source for determining the fair value of these treasury instruments. For instruments without an available market price, the fair values are determined by obtaining quotes from market participants and/or by using valuation techniques or models, based whenever possible on observable market data prevailing at the balance sheet date.

A.7.3. Asset backed securities

This portfolio mainly consists of obligations in the form of bonds, notes or certificates issued by a Special Purpose Vehicle (SPV) or a trust vehicle. These securities are classified as held to maturity and recorded at purchase price. Value impairments are accounted for, if these are other than temporary.

A.8. Securities lending

In April 2003, the Group signed an agreement for securities lending with Northern Trust Global Investment acting as an agent to lend securities from the Group investment portfolio, the B1 'Credit Spread' portfolio, the B3 'Global Fixed Income' portfolio and the Operational portfolio EIF.

Securities lent are recorded at the book value as an off balance-sheet item. Securities received as collateral under securities lending transactions are not recognised in the balance sheet unless control of the contractual rights that are comprised in these securities received is gained. Securities lent are not derecognised from the balance sheet unless control of the contractual rights that are comprised in these securities transferred is relinquished.

Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

A.9. Loans and advances to credit institutions and customers

A.9.1. Loans and advances

Loans and advances are included in the assets of the Group at their net disbursed amounts. Specific value adjustments have been made for loans and advances outstanding at the end of the financial year and presenting risks of non-recovery of all or part of their amounts. Such value adjustments are held in the same currency as the asset to which they relate. Value adjustments are accounted for in the profit and loss account as '*Value adjustments in respect of loans and advances*' and are deducted from the appropriate asset items on the balance sheet.

A.9.2. Interest on loans

Interest on loans is recorded in the profit and loss account on an accruals basis, i.e. over the life of the loans. On the balance sheet, accrued interest is included in '*Prepayments and accrued income*' under assets. Value adjustments to interest amounts on these loans are determined on a case-by-case basis by the Group's Management and recorded under '*Specific value adjustments*' on loans and advances to customers.

A.9.3. Reverse repurchase and repurchase operations (reverse repos and repos)

The Group enters into tripartite reverse repos for the purpose of optimising credit risk usage involved in assets held in operational portfolios.

Under a Tripartite repo, a custodian/clearing agency arranges for custody, clearing and settlement of repos transactions between the Group and a third party. The custodians/clearing agencies operate under standard global master purchase agreements and provide for delivery against payment system, substitution of securities, automatic marking to market, reporting and daily administration.

This type of operation is considered for the purposes of the Group to be a loan (borrowing) at a guaranteed rate of interest. The reverse repos/repos are carried at the amounts of cash advanced or received, plus accrued interest, and are entered on the balance sheet under asset item *Loans and advances to credit institutions – other loans and advances* or liability item *Amounts owed to credit institutions – a) with agreed maturity dates or periods of notice*.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense, over the life of each agreement.

A.9.4. Interest subsidies

Interest subsidies received in advance (see Note I) are deferred and recognised in the profit and loss account

over the period from disbursement to repayment of the subsidised loan.

A.10. Shares and other variable-yield securities

Shares and other variable-yield securities are initially recorded at acquisition cost. Their carrying value is adjusted to the lower of cost or market value at subsequent measurement at the balance sheet date. The Group acquires shares and other variable-yield securities when it enters into venture capital operations, infrastructure funds or investment funds under the structured finance facility.

Investments in venture capital enterprises, infrastructure funds and investment funds represent shares and other variable-yield securities acquired for the longer term in the normal course of the Group's activities. They are initially shown in the balance sheet at their original purchase cost. Based on the reports received from fund managers up to the balance sheet date, the portfolios of investments are valued on a line-by-line basis at the lower of cost or attributable net asset value ('NAV'), thus excluding any attributable unrealised gain that may be prevailing in the portfolio. The attributable NAV is determined through applying either the Group's percentage ownership in the underlying vehicle to the NAV reflected in the most recent report or, to the extent available, the value per share at the same date, submitted by the respective Fund Manager. The attributable NAV is adjusted for events having occurred between the date of the latest available NAV and the balance sheet date to the extent that such adjustment is considered to be material. Unrealised losses due solely to administrative expenses and management fees of venture capital, infrastructure funds and investment funds in existence for less than two years at the balance sheet date are not taken into consideration in determining the attributable NAV.

A.11. Tangible assets

Tangible assets include land, Group-occupied properties, other machines and equipment.

Land is stated at acquisition cost and buildings are stated at acquisition cost less accumulated depreciation. The value of the Group's headquarters building in Luxembourg-Kirchberg and its buildings in Luxembourg-Hamm and Luxembourg-Weimershof are depreciated on a straight-line basis as set out below.

Permanent equipment, fixtures and fittings, furniture, office equipment and vehicles have been recorded in the balance sheet at their acquisition cost, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated life of each item purchased, as set out below:

- Buildings in Kirchberg, Hamm and Weimershof: 30 years

- Permanent equipment, fixtures and fittings: 10 years
- Furniture: 5 years
- Office equipment and vehicles: 3 years

A.12. Intangible assets

Intangible assets comprise computer software. Software development costs are capitalised if they meet certain criteria relating to identifiability, to the probability that future economic benefits will flow to the enterprise and to the reliability of cost measurement.

Internally developed software meeting these criteria is carried at cost less accumulated amortisation calculated on a straight-line basis over three years from completion.

Software purchased is amortised on a straight-line basis over its estimated life (2 to 5 years).

A.13. Pension plans and health insurance scheme

A.13.1. Pension plans

The Group operates defined benefit pension plans to provide retirement benefits to substantially all of its staff.

The Bank's main pension scheme is a defined benefit pension scheme funded by contributions from staff and from the Bank which covers all employees. All contributions of the Bank and its staff are invested in the assets of the Bank. These annual contributions are set aside and accumulated as a specific provision on the liabilities side of the balance sheet, together with annual interest.

Commitments for retirement benefits are valued at least every year using the projected unit credit method, in order to ensure that the provision entered in the accounts is adequate. The latest valuation was carried out as at 30 September 2009, but updated as at 31 December 2009 with an extrapolation (roll forward method) for the last three months of 2009. The main actuarial assumptions used by the actuary are set out in Note L. Actuarial surpluses do not influence provisioning and deficits result in an additional specific provision.

The main pension scheme of the EIF is a defined benefit scheme funded by contributions from staff and from the EIF which covers all employees. The scheme entered into force in March 2003, replacing the previous defined contribution scheme. The funds allocated to the pension scheme are in the custody of and invested by the Bank, following the rules and principles applied by the Bank for its own pension scheme.

A.13.2. Health insurance scheme

The Group has set up its own health insurance scheme for the benefit of staff, financed by contributions from

the Group and its employees. The health insurance scheme is managed under the same principles as the pension scheme. The latest valuation was carried out as at 30 September 2009 and was updated as at 31 December 2009 with an extrapolation (roll forward method) for the last three months of 2009.

A.13.3. The Management Committee pension plan

The Management Committee pension plan is a defined benefit pension scheme funded by contributions from the Group only which covers all Management Committee members. All contributions of the Group are invested in the assets of the Group. These annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Group's balance sheet, together with annual interest.

A.14. Debts evidenced by certificates

Debts evidenced by certificates are presented in this account at their redemption amounts. Transaction costs and premiums/ discounts are amortised in the profit and loss account on a straight line basis over the life of the debt through item '*Accruals and deferred income*' or '*Prepayments and accrued income*'.

Interest expense on debt instruments is included in '*Interest payable and similar charges*' in the consolidated profit and loss account.

A.15. Provision for guarantees issued

This provision is intended to cover risks inherent in the Group's activity of issuing guarantees in favour of financial intermediaries or issued in respect of loans granted by third parties. A provision for guarantees issued is established if there is objective evidence that the Group will have to incur a credit loss in respect of a given guarantee granted.

A.16. Reserves

A.16.1. Funds allocated to structured finance facility

This item comprises the cumulative amount of appropriations from the annual result of the Group, determined each year by the Board of Governors to facilitate the implementation of operations with a greater degree of risk for this new type of instrument.

A.16.2. Funds allocated to venture capital operations

This item comprises the cumulative amount of appropriations from the annual result of the Group, determined each year by the Board of Governors to facilitate

instruments providing venture capital in the context of implementing the European Council Resolution on Growth and Employment.

Value adjustments on venture capital and structured finance operations are accounted for in the profit and loss account. Upon appropriation of the Group's result, such value adjustments are taken into consideration for determining the amounts to be recorded in '*Funds allocated to structured finance facility*' and '*Funds allocated to venture capital operations*'.

A.16.3. Special activities reserve and General loan reserve

The new Statute of the Bank, which came into force with the Lisbon Treaty, no longer requires the maintenance of specific reserves for Funds allocated to structured finance facility and similar undertakings (SFF/SFE) or Funds allocated to venture capital operations. Instead, the new Statute foresees a reserve allocation for "special activities" to be defined. A proposal was put forward and approved at the Management Committee meeting on 2 February 2010 for a definition of special activities and corresponding reserve allocation, which is in line with existing credit risk practise and external agreements. The redefining of the Bank's reserve framework for its lending activities provides the opportunity to separate more clearly reserves for the expected loss (EL) of the entire loan portfolio and the capital allocation (CA) for special activities.

As a result, two new reserves were created retroactively as at 31 December 2009. These reserves are described as follows:

- Special activities reserve: As foreseen by Article 16.5 of the new Statute, "the special activities of the Bank will have a specific allocation of reserve". The reserve will be based on the capital allocation of each operation.
- General loan reserve: With the coming into force of the new Statute, a non-specific reserve is introduced for the expected loss of the Bank's loan and guarantees portfolio, modelled upon the Group's policy guidelines. Upon the creation of the general loan reserve, the practice of calculating the Fund for general banking risk ('FGBR') was discontinued. The FGBR was previously reported in the notes to the financial

statements as an approximation of the aggregate expected loss of the Bank's loan portfolio.

A.17. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Group are exempt from all direct taxes.

A.18. Prepayments and accrued income - Accruals and deferred income

These accounts comprise:

Prepayments and accrued income: Expenditure incurred during the financial year but relating to a subsequent financial year, together with any income for which payment is not due until the expiry of the underlying instrument (principally interest on loans).

Accruals and deferred income: Income received before the balance sheet date but relating to a subsequent financial year, together with any charges which, though relating to the financial year in question, will be paid only in the course of a subsequent financial year (principally interest on borrowings).

A.19. Interest receivable and similar income

In addition to interest and commission income on loans and deposits and other revenue from the securities portfolio, the '*Interest receivable and similar income*' includes the indemnities received by the Group for prepayments made by its borrowers. In order to maintain equivalent accounting treatment between income on loans and the cost of borrowings, the Group amortises prepayment indemnities received over the remaining life of the loans concerned.

A.20. Dividend income

Dividends are recognised in the profit and loss account when the entity's right to receive payment is established.

Note B – Cash in hand, balances with central banks and post office banks and debt securities portfolio (in EUR '000)

B.1. Cash in hand, balances with central banks and post office banks

The cash in hand and balances with central banks and post office banks equal to EUR '000 227 227 at 31 December 2009 (2008: EUR '000 76).

On 8 July 2009, EIB became an eligible counterparty in the Eurosystems' monetary policy operations, and therefore has been given access to the monetary policy operations of the European Central Bank. The Bank conducts the operations via the Central Bank of Luxembourg, where the Bank maintains a deposit to cover the minimum reserve requirements. The balance of this deposit amounts to EUR '000 227 144 as at 31 December 2009 (2008: EUR nil).

B.2. Debt securities portfolio

In addition to asset backed securities, which represent acquisitions of interests pools of loans or receivables in connection with securitisation transactions, the debt securities portfolio is composed of the investment portfolio, the operational money market portfolios A1 and A2 and the operational bonds B1 'Credit Spread', B2 'Alternative Investment', B3 'Global Fixed Income', B4 'Inflation Linked Investment', the Operational EIF portfolios. The detail of these portfolios and their classification as at 31 December 2009 and 2008 are as follows:

				31.12.2009	31.12.2008
Treasury bills and other bills eligible for refinancing with central banks (listed)				4 057 500	2 254 923
Debt securities including fixed-income securities (of which EUR '000 9 192 041 unlisted in 2009 and EUR '000 3 893 591 in 2008)				18 402 568	10 872 916
				22 460 068	13 127 839
At 31.12.2009	Purchase price	Book value	Premiums/ discounts to be amortised	Value at final maturity	Market value
Group investment portfolio	1 928 370	1 894 508	- 24 426	1 870 082	1 981 858
Operational money market portfolios:					
- A1: money market securities with a max. 3 month maturity	7 638 941	7 638 941	0	7 638 941	7 635 850
- A2: money market securities and money market funds with a max. 18 month maturity	1 913 055	1 911 359	0	1 912 934	1 913 478
Operational bond portfolios:					
- B1: Credit Spread	1 132 731	1 112 564	0	1 133 246	1 126 106
- B2: Alternative Investment	125 000	124 131	0	125 000	124 131
- B3: Global Fixed Income	553 499	554 715	0	530 000	554 715
- B4: Inflation Linked Investment	478 334	496 336	0	435 000	496 336
Operational portfolio - EIF	523 076	518 715	0	516 218	522 864
Asset backed securities (Note D)	8 208 799	8 208 799	0	8 208 799	7 716 159
	22 501 805	22 460 068	- 24 426	22 370 220	22 071 497

At 31.12.2008	Purchase price	Book value	Premiums/ Discounts to be amortised	Value at final maturity	Market value
Investment portfolio	2 229 809	2 206 059	- 29 277	2 176 782	2 279 466
Operational money market portfolios:					
- A1: money market securities with a max. 3 month maturity	2 111 572	2 111 572	0	2 111 572	2 270 507
- A2: money market securities and money market funds with a max. 18 month maturity	1 358 601	1 356 580	0	1 359 098	1 359 527
Operational bond portfolios:					
- B1: Credit Spread	970 799	883 004	0	971 189	883 322
- B2: Alternative Investment	150 000	145 685	0	150 000	145 685
- B3: Global Fixed Income	503 978	512 365	0	494 000	512 365
Operational portfolio - EIF	153 989	146 301	0	153 990	147 599
Asset backed securities (Note D)	5 766 273	5 766 273	0	5 766 273	5 300 242
	13 245 021	13 127 839	- 29 277	13 182 904	12 898 713

The Group enters into collateralised securities lending transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Group controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

The book value of securities lending activity amounts to EUR '000 471 434 at the end of December 2009 (2008: EUR '000 367 704).

The Asset backed securities set out above are undertaken as loan substitutes and as such are considered as part of the aggregate loans (Note D). Some of these transactions have been structured by adding credit or project related remedies, thus offering additional recourse.

The difference between book value and market value is quasi exclusively explained by the credit spread increase and does not represent a value adjustment. Therefore, no value adjustment has been accounted for.

Note C – Loans and advances to credit institutions - other loans and advances (in EUR '000)

The Group enters into collateralised reverse repurchase and repurchase agreements transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Group controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

	31.12.2009	31.12.2008
Term deposits	9 011 231	14 463 008
Tripartite reverse repos ^(*)	10 094 056	7 249 864
	19 105 287	21 712 872

^(*) These operations are carried out with a third-party custodian who undertakes, on the basis of a framework contract, to guarantee compliance with the contractual terms and conditions, notably with respect to:

- delivery against payment,
- verification of collateral,
- the collateral margin required by the lender which must always be available and adequate, with the market value of the securities being verified daily by the said custodian,
- organisation of substitute collateral provided that this meets all the contractual requirements.

Note D – Summary statement of loans and guarantees

D.1. Aggregate loans granted (in EUR'000)

Aggregate loans granted comprise both the disbursed and undisbursed portions of loans. The analysis is as follows:

	To intermediary credit institutions	Directly to final beneficiaries	Total 2009	Total 2008
Disbursed portion	116 575 861	199 365 019	315 940 880	285 652 845
Undisbursed loans	18 686 622	63 156 626	81 843 248	58 869 527
Aggregate loans granted	135 262 483	262 521 645	397 784 128	344 522 372
Asset backed securities portfolio (Note B.2)			8 208 799	5 766 273
Aggregate loans including asset backed securities portfolio (Note D.3)			405 992 927	350 288 645

D.2. Specific value adjustments for loans (in EUR'000)

Movements in the value adjustments are detailed below:

	2009	2008
Provision at beginning of the year	22 000	41 550
Release for the year	0	- 18 219 ^(*)
Allowance during the year	88 800	0
Foreign exchange adjustment	0	- 1 331
Provision at end of the year	110 800	22 000

^(*) The amount of EUR '000 18 219 was released following the sale during 2008 of loan assets for which a specific value adjustment had previously been established. The sale of those loan assets resulted in a realised loss of EUR '000 15 467 in 2008 (Note P).

D.3. Geographical breakdown of lending by country in which projects are allocated (in EUR '000)**D.3.1. Loans for projects within the Union**

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Spain	666	61 689 824	56 701 207	4 988 617	15.19%	15.43%
Germany	733	54 590 294	46 793 656	7 796 638	13.45%	14.05%
Italy	534	50 804 361	40 643 772	10 160 589	12.51%	12.82%
France	395	38 819 742	32 630 496	6 189 246	9.56%	10.02%
United Kingdom	226	27 644 050	21 848 048	5 796 002	6.81%	6.44%
Portugal	285	21 676 805	18 542 564	3 134 241	5.34%	5.45%
Poland	158	18 123 756	12 543 892	5 579 864	4.46%	3.84%
Greece	146	14 821 604	12 963 476	1 858 128	3.65%	3.95%
Hungary	114	9 472 550	7 408 458	2 064 092	2.33%	2.18%
Austria	191	8 686 805	8 257 805	429 000	2.14%	2.14%
Czech Republic	100	8 561 322	6 213 517	2 347 805	2.11%	2.26%
Belgium	87	7 698 981	6 218 779	1 480 202	1.90%	1.85%
Netherlands	65	6 781 356	4 335 503	2 445 853	1.67%	1.48%
Finland	110	6 663 713	6 070 713	593 000	1.64%	1.71%
Romania	72	6 413 799	2 579 922	3 833 877	1.58%	1.45%
Sweden	72	5 097 638	4 569 525	528 113	1.26%	1.17%
Ireland	56	4 289 388	3 164 700	1 124 688	1.06%	1.06%
Slovenia	49	2 706 648	1 937 648	769 000	0.67%	0.65%
Denmark	45	2 419 507	1 854 067	565 440	0.60%	0.70%
Bulgaria	42	2 398 958	801 549	1 597 409	0.59%	0.65%
Latvia	28	1 594 363	749 363	845 000	0.39%	0.31%
Cyprus	29	1 415 257	1 045 097	370 160	0.35%	0.36%
Slovakia	43	1 349 231	1 065 370	283 861	0.33%	0.30%
Lithuania	16	1 328 846	839 846	489 000	0.33%	0.05%
Estonia	14	1 032 018	485 518	546 500	0.25%	0.06%
Luxembourg	27	838 614	729 129	109 485	0.21%	0.18%
Malta	4	202 853	47 353	155 500	0.05%	0.06%
Sub-total	4 307	367 122 283	301 040 973	66 081 310	90.43%	90.63%

D.3.2. Loans for projects outside the Union*D.3.2.1. Candidate Countries*

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Turkey	105	12 205 857	7 830 320	4 375 537		
Croatia	27	1 820 684	991 059	829 625		
FYROM	8	236 659	149 125	87 534		
Sub-total	140	14 263 200	8 970 504	5 292 696	3.51%	3.34%

D.3.2.2. ACP States

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Madagascar	2	255 117	157 573	97 544		
Namibia	10	195 051	112 751	82 300		
Kenya	4	154 867	30 993	123 874		
Mauritius	14	134 381	54 446	79 935		
Mozambique	8	123 937	74 937	49 000		
Ghana	3	116 090	96 090	20 000		
Regional – West Africa	3	80 717	80 717	0		
Senegal	3	76 878	41 878	35 000		
Cap Verde	2	63 046	23 842	39 204		
Congo (Democratic Republic)	1	55 000	0	55 000		
Nigeria	1	50 000	0	50 000		
Regional – Caribbean	3	46 629	40 629	6 000		
Benin	2	45 000	0	45 000		
Lesotho	3	42 650	29 350	13 300		
Swaziland	2	40 409	26 909	13 500		
Cameroon	1	40 000	0	40 000		
Barbados	5	32 536	22 786	9 750		
Congo	1	29 000	0	29 000		
Jamaica	5	26 747	26 747	0		
Botswana	4	26 474	26 474	0		
Fiji	1	24 500	0	24 500		
Burkina Faso	1	18 500	0	18 500		
Malawi	2	17 725	1 975	15 750		
Regional – Africa	2	17 127	17 127	0		
Mauritania	2	15 818	15 818	0		
Zambia	1	11 464	11 464	0		
Regional - ACP	1	10 572	10 572	0		
Saint Vincent and The Grenadines	2	8 237	6 775	1 462		
Bahamas	2	7 406	7 406	0		
Saint Lucia	2	4 442	4 442	0		
Zimbabwe	2	3 880	3 880	0		
Togo	1	3 000	0	3 000		
Gabon	1	2 538	2 538	0		
Papua New Guinea	1	749	749	0		
Ivory Coast	1	665	665	0		
Dominican Republic	1	604	604	0		
Grenada	1	549	549	0		
Sub-total	101	1 782 305	930 686	851 619	0.44%	0.44%

D.3.2.3. Asia

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
China	6	1 147 387	428 468	718 919		
India	3	261 822	86 822	175 000		
Vietnam	5	232 875	102 983	129 892		
Pakistan	5	166 752	66 752	100 000		
Sri Lanka	4	150 224	120 224	30 000		
Indonesia	4	108 963	98 894	10 069		
Philippines	4	100 173	97 736	2 437		
Maldives	1	44 962	44 962	0		
Laos People's Democratic Republic	1	37 242	37 242	0		
Thailand	1	21 551	21 551	0		
Bangladesh	1	17 022	17 022	0		
Sub-total	35	2 288 973	1 122 656	1 166 317	0.56%	0.54%

D.3.2.4. Balkans

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Serbia	52	2 302 442	879 736	1 422 706		
Bosnia-Herzegovina	32	1 089 557	405 140	684 417		
Albania	13	247 428	155 552	91 876		
Montenegro	18	192 977	75 110	117 867		
Sub-total	115	3 832 404	1 515 538	2 316 866	0.94%	0.79%

D.3.2.5. Central and Latin America

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of year 2008
Brazil	12	651 105	617 105	34 000		
Panama	4	602 510	147 022	455 488		
Argentina	5	223 036	223 036	0		
Colombia	2	182 993	125 280	57 713		
Peru	4	117 309	117 309	0		
Mexico	4	101 599	51 599	50 000		
Paraguay	1	71 334	34 708	36 626		
Regional - Central America	2	40 880	12 514	28 366		
Ecuador	1	35 516	35 516	0		
Uruguay	3	26 591	26 591	0		
Honduras	1	20 000	0	20 000		
Nicaragua	1	15 046	0	15 046		
Costa Rica	1	12 407	12 407	0		
Regional - Andean Countries	1	7 323	7 323	0		
Sub-total	42	2 107 649	1 410 410	697 239	0.52%	0.42%

D.3.2.6. European Free Trade Association (EFTA) Countries

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Norway	7	786 143	786 143	0		
Iceland	10	538 906	418 906	120 000		
Sub-total	17	1 325 049	1 205 049	120 000	0.33%	0.40%

D.3.2.7. Mediterranean Countries

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Morocco	52	2 876 907	1 629 907	1 247 000		
Tunisia	59	2 819 633	1 579 950	1 239 683		
Egypt	37	2 465 216	2 114 282	350 934		
Syrian Arab Republic	15	1 377 579	658 455	719 124		
Lebanon	27	862 778	414 509	448 269		
Israel	8	464 015	320 022	143 993		
Jordan	23	397 761	276 413	121 348		
Gaza-West Bank	7	70 856	25 856	45 000		
Sub-total	228	11 334 745	7 019 394	4 315 351	2.79%	3.01%

D.3.2.8. Overseas Countries and Territories (OCT)

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
French Polynesia	2	11 097	1 097	10 000		
British Virgin Islands	1	880	880	0		
New Caledonia	1	875	875	0		
Netherlands Antilles	1	22	22	0		
Sub-total	5	12 874	2 874	10 000	0.00%	0.00%

D.3.2.9. Eastern Europe, Southern Caucasus, Russia

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Ukraine	5	450 000	68 000	382 000		
Russian Federation	3	206 037	188 537	17 500		
Moldova	2	49 923	8 333	41 590		
Sub-total	10	705 960	264 870	441 090	0.17%	0.14%

D.3.2.10. South Africa

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
South Africa	32	1 217 485	666 725	550 760		
Sub-total	32	1 217 485	666 725	550 760	0.30%	0.29%
Total Loans for projects outside the Union	725	38 870 644	23 108 706	15 761 938	9.57%	9.37%
Total Loans 2009	5 032	405 992 927	324 149 679⁽¹⁾	81 843 248	100.00%	
Total Loans 2008	4 839	350 288 645	291 419 118⁽¹⁾	58 869 527		100.00%

⁽¹⁾ including asset backed securities (Note B.2 and D.1)

D.4. Provisions in respect of guarantee operations

A provision for guarantees issued has been established as there is objective evidence that the Group will have to incur a credit loss in respect of guarantees granted. This provision amounts to EUR '000 70 412 as at 31 December 2009 (2008: EUR '000 14 765).

The additional provision in respect of guarantees issued totalled EUR '000 - 60 300 in 2009 (2008: EUR '000 - 5 126) as well as a foreign exchange adjustment of EUR '000 4 653 for the year ended 31 December 2009 (2008: nil).

Note E – Shares and other variable-yield securities

This balance comprises (in EUR '000):

	Venture Capital Operations	EBRD Shares	Shares acquired following loan assets restructuring	Investment funds	TOTAL
Cost					
At 1 January 2009	1 737 021	157 500	30 873	138 429	2 063 823
Net additions/releases	152 333	0	- 30 873	83 959	205 419
At 31 December 2009	1 889 354	157 500	0	222 388	2 269 242
Value adjustments					
At 1 January 2009	- 542 579	0	- 23 714	- 1 700	- 567 993
Net additions/releases	- 107 504	0	0	850	- 106 654
Utilisation	0	0	23 714	0	23 714
At 31 December 2009	- 650 083	0	0	- 850	- 650 933
Net book value					
At 31 December 2009	1 239 271	157 500⁽¹⁾	0⁽²⁾	221 538	1 618 309
At 31 December 2008	1 194 442	157 500	7 159	136 729	1 495 830

⁽¹⁾ The amount of EUR '000 157 500 (2008: EUR '000 157 500) corresponds to the capital paid in by the Bank as at 31 December 2009 with respect to its subscription of EUR '000 600 000 to the capital of the EBRD.

The Group holds 3.03% of the subscribed capital.

As at 31 December 2009 the share of underlying net equity of the Group in EBRD amounts to EUR 355.0 million (2008: EUR 420.4 million). This is based on the audited 2008 financial statements prepared in accordance with International Financial Reporting Standards.

In EUR million	% held	Total own funds	Total net result	Total assets
EBRD (31.12.2007)	3.03	13 874	1 884	33 175
EBRD (31.12.2008)	3.03	11 750	- 717	33 047

⁽²⁾ The Bank has sold all its investments in Eurotunnel by 31 December 2009. The total number of ordinary Eurotunnel shares held by the Bank as at 31 December 2009 is nil (2008: 1 596 713 valued at EUR '000 6 133). The total number of Eurotunnel bonds redeemable in shares (ORA) held by the Bank as at 31 December 2009 is nil (2008: 12 422 valued at EUR '000 1 026). Furthermore, the Bank holds nil warrants in the balance sheet at year-end (2008: 4 800 000 warrants). The sale during the 2009 year of shares, ORAs and warrants resulted in a net realised profit of EUR 2.2 million, following the use of the previous year value adjustment of EUR 23.7 million.

The amounts signed but not yet disbursed disclosed off-balance sheet are respectively:

- for venture capital operations EUR '000 1 392 559 (2008: EUR '000 1 227 139)
- for investment funds EUR '000 511 895 (2008: EUR '000 334 721)

Note F – Intangible and tangible assets (in EUR '000)

	Land	Luxembourg buildings	Furniture and equipment	Total property, furniture and equipment	Total intangible assets
Historical cost					
At 1 January 2009	10 085	357 152	78 838	446 075	6 664
Additions	302	3 457	13 573	17 332	2 797
Disposals	0	0	- 8 992	- 8 992	- 2 553
At 31 December 2009	10 387	360 609	83 419	454 415	6 908
Accumulated depreciation					
At 1 January 2009	0	- 92 213	- 34 304	- 126 517	- 2 348
Depreciation	0	- 12 096	- 14 290	- 26 386	- 2 296
Disposals	0	0	8 992	8 992	2 553
At 31 December 2009	0	- 104 309	- 39 602	- 143 911	- 2 091
Net book value					
At 31 December 2009	10 387	256 300	43 817	310 504	4 817
At 31 December 2008	10 085	264 939	44 534	319 558	4 316

All land and buildings are used by the Bank for its own activities. The cumulative cost relating to the construction of the new building amounts to EUR '000 215 226 (2008: EUR '000 211 769).

Note G – Other assets and sundry creditors (in EUR '000)

	31.12.2009	31.12.2008
Other assets		
Loan instalments receivable	23 677	99 893
Staff housing loans and advances ^(*)	15 712	18 764
Advances on salaries and allowances	247	1 210
Commission receivable on guarantees and venture capital operations	15 205	8 874
Other	66 729	42 492
	121 570	171 233

^(*) The Group has entered into arrangements with an external financial institution, whereby permanently employed staff members may be granted staff loans in accordance with the Group's staff regulations. The same interest rates, terms and conditions are applicable to all said employees.

	31.12.2009	31.12.2008
Sundry creditors		
Optional Supplementary Provident Scheme (Note L)	190 904	189 004
Transitory account on loans	37 242	15 566
Payable on HIPC initiative	46 872	46 872
Personnel costs payable	2 017	8 674
Western Balkans infrastructure	10 000	5 000
Other	65 439	73 863
	352 474	338 979

Note H – Subscribed capital, Group own funds and appropriation of profit

H.1. Consolidated own funds and appropriation of profit

Statement of movements in consolidated own funds (in EUR '000)	2009	2008
Share Capital		
- Subscribed capital ⁽¹⁾	232 392 989	164 808 169
- Uncalled	- 220 773 340	- 156 567 760
- Called capital	11 619 649	8 240 409
- Less: Capital called but not paid	- 28 861	- 128 627
- Paid in capital	11 590 788	8 111 782
Reserves and profit for the year:		
Reserve Fund		
- Balance at beginning of the year	16 480 817	16 480 817
- Appropriation of prior year's profit ⁽¹⁾	1 650 877	0
- Transfer from Funds allocated to venture capital operations ⁽²⁾	147 177	0
- Transfer to Called Capital on 1 April 2009	- 73 365	0
- Balance at end of the year	18 205 506	16 480 817
- Less: Receivable from Member States	- 86 466	- 345 359
- Paid-in balance at end of the year	18 119 040	16 135 458
Additional reserves		
- Balance at beginning of the year	5 488 403	5 405 602
- Appropriation of prior year's profit	- 2 410	1 657 615
- Transfer to Called Capital ⁽¹⁾	- 3 305 876	0
- Transfer to Funds allocated to structured finance facility ⁽³⁾	- 2 000 000	- 1 500 000
- Transfer to Funds allocated to venture capital operations	0	- 73 365
- Transfer from funds allocated to venture capital operations and to structured finance facility ⁽⁴⁾	1 144 024	0
- Changes in ownership interests	- 2 146	- 1 449
- Balance at end of the year	1 321 995	5 488 403
Funds allocated to structured finance facility		
- Balance at beginning of the year	2 750 000	1 250 000
- Transfer from Additional reserves ⁽³⁾	2 000 000	1 500 000
- Transfer to Special activities reserve, General loan reserve and Additional reserves ⁽⁴⁾	- 4 750 000	0
- Balance at end of the year	0	2 750 000
Funds allocated to venture capital operations		
- Balance at beginning of the year	1 764 305	1 690 940
- Transfer to Reserve Fund	- 147 177	73 365
- Transfer to Special activities reserve, General loan reserve and Additional reserves ⁽⁴⁾	- 1 617 128	0
- Balance at end of the year	0	1 764 305
Special activities reserve ⁽⁴⁾		
- Balance at beginning of the year	0	0
- Transfer from funds allocated to venture capital operations and to structured finance facility	3 299 370	0
- Balance at end of the year	3 299 370	0
General loan reserve ⁽⁴⁾		
- Balance at beginning of the year	0	0
- Transfer from funds allocated to venture capital operations and to structured finance facility	1 923 734	0
- Balance at end of the year	1 923 734	0
Profit for the financial year attributable to the equity holders of the Bank	1 864 832	1 648 467
Total consolidated own funds attributable to equity holders of the Bank	38 119 759	35 898 415

Minority interests (in EUR '000) (cont.)	31.12.2009	31.12.2008
- Balance at beginning of the year	321 749	291 129
- Movement on reserves	25 843	32 678
- Dividend paid	- 4 960	- 7 372
- Appropriation of this year's loss/profit	- 2 338	5 314
- Balance at end of the year	340 294	321 749
Total minority interests	340 294	321 749

⁽¹⁾ At its annual meeting on 9 June 2009, the Board of Governors decided to appropriate the balance of the profit and loss account for the year ended 31 December 2008, which amounted to EUR '000 1 650 877, to the Reserve Fund.

⁽²⁾ It was also approved that an amount of EUR '000 147 177 resulting from the value adjustment on venture capital operations be transferred from the Funds allocated to venture capital operations to the Reserve Fund. Following this transfer, the balance of the Funds allocated to venture capital operations amounted to EUR '000 1 617 128, the Reserve Fund to EUR '000 18 205 506 and the Additional Reserves to nil.

⁽³⁾ As a result of the decision to raise the capital subscribed by the Member States pro-rata, from EUR '000 164 808 169 to EUR '000 232 392 989 on 1 April 2009, the following appropriations were made:

- EUR '000 3 379 240 to be transformed into paid-in capital by way of transfers from the Additional Reserves (EUR '000 3 305 876) and from the Reserve Fund (EUR '000 73 365) to the Group's capital, thereby increasing the paid in capital from EUR '000 8 240 409 to EUR '000 11 619 649;
- EUR '000 2 000 000 to be transferred from the Additional Reserves to Funds allocated to the structured finance facility and similar undertakings.

⁽⁴⁾ The new Statute of the Bank, which came into force with the Lisbon Treaty, no longer requires the maintenance of specific reserves for Funds allocated to structured finance facility and similar undertakings (SFF/SFE) or Funds allocated to venture capital operations. Instead, the new Statute foresees a reserve allocation for "special activities" to be defined.

A proposal was put forward and approved at the Management Committee meeting of the 2 February 2010 for a definition of special activities and corresponding reserve allocation, which is in line with existing credit risk practise and external agreements.

The redefining of the Bank's reserve framework for its lending activities provides the opportunity to separate more clearly reserves for the expected loss (EL) of the entire loan portfolio and the capital allocation (CA) for special activities.

As a result, two new reserves were created retroactively as at 31 December 2009. They are described as follows:

Special activities reserve (SAR): As foreseen by Article 16.5 of the new Statute, the special activities of the Bank will have a specific allocation of reserve. The reserve will be based on the capital allocation of each operation as defined in the Credit risk policy guidelines. SAR will be set aside for operations without specific provisioning; for operations in which third parties provide CA (RSFF, LGTT) only the residual risk for the Bank will be covered.

General loan reserve (GLR): With the coming into force of the new Statute, a non-specific reserve has been introduced for the expected loss of the Bank's loan and guarantees portfolio.

Therefore, it has been decided to transfer the balances of the Funds allocated to structured financed facility and similar undertakings (SFF/SFE) and the Funds allocated to venture capital operations to the Special activities reserve (EUR '000 3 299 370), the General loan reserve (EUR '000 1 923 734) and to the Additional reserve (EUR '000 1 144 024).

H.2. Subscribed capital and reserves, called but not paid

As a consequence of the increase in subscribed capital from EUR 150 000 000 000 to EUR 163 653 737 000 on 1 May 2004, the total amount to be paid to capital and reserves by the ten new Member States that joined on 1 May 2004 and Spain of EUR 2 408 million (composed of an amount of EUR 683 million for the capital and an amount of EUR 1 725 million for the reserves) is equally spread over 8 instalments: 30 September 2004, 30 September 2005, 30 September 2006, 31 March 2007, 30 September 2007, 31 March 2008, 30 September 2008 and 31 March 2009. The instalments up to and including 31 March 2009 have been entirely settled.

On 1 January 2007, the subscribed capital increased from EUR 163 653 737 000 to EUR 164 808 169 000, by virtue of the contributions of two new Member States that joined on 1 January 2007: Bulgaria and Romania. As a consequence of this capital increase, the two new Member States had to contribute to their share of paid-in capital (EUR 57.7 million), and also their share of the Reserves and General Provisions (EUR 172.9 million) for the amounts outstanding as of 31 December 2006. The total amount to be paid has been equally spread over 8 instalments: 31 May 2007, 31 May 2008, 31 May 2009, 30 November 2009, 31 May 2010, 30 November 2010, 31 May 2011 and 30 November 2011. The instalments up to and including 30 November 2009 have been entirely settled.

The related net receivable from the Member States is shown in the balance sheet as follows under the caption *Subscribed capital and reserves, called but not paid*:

(in EUR '000)	31.12.2009	31.12.2008
Reserves called but not paid:	86 466	345 359
Subscribed capital called but not paid:	28 861	128 627
	115 327	473 986

Note I – ‘Prepayments and accrued income’ and ‘Accruals and deferred income’ (in EUR '000)

	31.12.2009	31.12.2008
Prepayments and accrued income:		
Interest and commission receivable	1 822 290	2 413 052
Deferred borrowing charges	61 633	274 486
Redemption premiums on swaps receivable ^(*)	393 852	370 323
Investment Facility's commission receivable	36 405	35 741
Other	1 934	358
	2 316 114	3 093 960
Accruals and deferred income:		
Interest and commission payable	2 811 862	3 038 711
Deferred early repayment indemnities on loans	134 846	164 868
Deferred borrowing proceeds	309 417	662 643
Redemption premiums on swaps payable ^(*)	887 325	770 772
Interest subsidies received in advance ^(**)	177 228	171 155
Foreign exchange neutralisation on currency swap contracts	5 180 511	9 055 318
	9 501 189	13 863 467

^(*) Redemption premiums on swaps receivable and swaps payable represent end payments of one leg of the underlying swap agreements for those agreements which include such features.

^(**) Part of the amounts received from the European Commission through European Monetary System (EMS) arrangements has been made available as a long-term advance which is entered on the liabilities side under item 5. *Accruals and deferred income* and comprises:

- amounts in respect of interest subsidies for loans granted for projects outside the Union, under Conventions signed with the ACP States and Protocols concluded with the Mediterranean Countries;
- interest subsidies, concerning certain lending operations put in place within the Union from the Bank's own resources, made available in conjunction with the EMS under Council Regulation (EEC) No 1736/79 of 3 August 1979 and in conjunction with the financial mechanism established by the EFTA Countries under the EFTA Agreement signed on 2 May 1992;
- amounts received in respect of interest subsidies for loans granted from EC resources under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982 and 83/200/EEC of 19 April 1983 and under Council Regulation (EEC) No 1736/79 of 3 August 1979 as amended by Council Regulation (EEC) No 2790/82 of 18 October 1982.

Note J – Amounts owed to credit institutions and customers with agreed maturity dates or periods of notice (in EUR '000)**J.1. Amounts owed to credit institutions**

	31.12.2009	31.12.2008
Short-term borrowings	4 380 414	5 778 852
Promissory notes issued in respect of paid-in capital of EBRD	0	1 013
Repo with Central Banks	100 000	0
	4 480 414	5 779 865

J.2. Amounts owed to customers

	31.12.2009	31.12.2008
Repayable on demand ^(*)	1 256 333	1 201 858
Short-term borrowings	1 106 417	178 542
	2 362 750	1 380 400
^(*) Includes European Union and Member States accounts:		
	31.12.2009	31.12.2008
European Union and Member States accounts:		
• For Special Section operations and related unsettled amounts	332 310	368 727
• Deposit accounts	899 908	833 131

Note K – Debts evidenced by certificates (in EUR'000)

In its financing activity, one of the Bank's objectives is to align its funding strategy with the funds required for the loans granted, notably in terms of currencies. The caption 'Debts evidenced by certificates' includes 'Debt securities in issue' (securities offered to the general investing public) and 'Others' (private placements). The table below discloses the details per currency of debts outstanding at 31 December 2009 and 2008, together with the average rates and due dates.

BORROWINGS					
PAYABLE IN	OUTSTANDING AT 31.12.2009	AVERAGE RATE 2009	DUE DATES	OUTSTANDING AT 31.12.2008	AVERAGE RATE 2008
EUR	136 846 665	3.77	2010/2057	107 902 959	4.02
GBP	51 032 542	4.77	2010/2054	47 705 235	5.11
DKK	604 692	2.77	2010/2026	536 869	2.86
SEK	1 961 373	3.72	2011/2028	1 985 281	4.18
CZK	598 190	4.00	2010/2030	928 119	5.03
HUF	525 109	6.83	2010/2016	731 159	7.20
PLN	378 058	6.24	2010/2026	465 206	6.29
BGN	171 285	5.72	2011/2013	309 336	6.60
RON	106 225	8.88	2014/2016	74 580	7.00
USD	78 348 270	3.42	2010/2058	77 423 397	3.72
CHF	5 763 009	2.41	2010/2036	4 468 687	2.47
JPY	10 607 943	0.73	2011/2047	10 331 351	0.97
NOK	2 383 494	4.42	2010/2025	1 315 897	4.08
CAD	778 221	4.72	2037/2045	770 751	4.70
AUD	9 099 260	5.85	2010/2021	4 971 016	5.83
HKD	227 380	1.46	2010/2019	77 883	6.97
NZD	2 749 583	7.13	2010/2017	2 806 416	6.88
ZAR	1 256 187	8.49	2010/2018	1 160 062	8.91
MXN	30 550	6.65	2015/2015	79 425	8.57
TWD	65 574	4.21	2010/2013	176 856	1.66
TRY	1 991 631	12.37	2010/2022	2 518 980	14.04
ISK	95 036	8.74	2010/2011	113 793	9.47
RUB	138 110	8.14	2011/2019	135 770	7.39
TOTAL	305 758 387			266 989 028	

The principal and interest of certain structured borrowings are index linked to stock exchange indexes (historical value: EUR 843 million). All such borrowings are fully hedged through structured swap operations.

Note L – Provisions – pension plans and health insurance scheme (in EUR'000)

The Group's main pension scheme is a defined benefit pension scheme funded by contributions from staff and from the Group which covers all employees. All contributions of the Group and its staff are invested in the assets of the Group. These annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Group's balance sheet, together with annual interest.

The staff pension plans and health insurance scheme provisions are as follows (in EUR'000):

	2009	2008
Staff pension plan:		
Provision at beginning of the year	1 067 684	993 067
Payments made during the year	- 44 896	- 38 710
Annual contributions and interest	154 883	113 327
Sub-total	1 177 671	1 067 684
Management Committee Pension Plan	33 398	32 637
Provision at 31 December	1 211 069	1 100 321
Health insurance scheme:		
Provision at beginning of the year	105 509	86 000
Payments made during the year	- 7 868	- 7 661
Contribution arising from measures with a social character	0	9 000
Annual contributions and interest	21 293	18 170
Provision at 31 December	118 934	105 509
Total provisions at 31 December	1 330 003	1 205 830

The above figures do not include the liability towards members of staff in respect of the Optional Supplementary Provident Scheme (a defined contribution pension scheme). The corresponding amount of EUR 191 million (2008: EUR 189 million) is classified under 'Sundry creditors' (Note G).

The provision in respect of future retirement and health insurance benefits was valued as at 30 September 2009 by an independent actuary using the projected unit credit method. The actuarial valuation was updated as at 31 December 2009 with an extrapolation ('roll forward' method) for the last 3 months of 2009, using the prevailing market rates of 31 December 2009 and following assumptions (for the staff pension and medical plan):

- a discount rate of 6.19% (2008: 6.0%) for determining the actuarial present value of benefits accrued in the pension and health insurance schemes, corresponding to 16.24 year duration (2008: 14.46 year duration);
- in the light of past experience, the Group estimates that the overall expected remuneration of post-employment reserves are set at a rate of 1.5% above the discount rate mentioned above. As a consequence, the final discount rate used is 7.69% (2008: 7.05%);
- a progressive retirement between the age of 55-65 (2008: retirement at the age of 55-65);
- a combined average impact of the increase in the cost of living and career progression of 4.5% (same as 2008);
- probable resignation of 3% up to age 55 (same as 2008);
- a rate of adjustment of pensions of 2% per annum (same as 2008);
- use of the LPP 2005 actuarial tables (same as 2008);
- a medical cost inflation rate of 4% per annum (same as 2008).

The provisions for these schemes are adjusted when needed (Note A.13.1) according to the actuarial valuation, as per the tables above (i.e. actuarial surpluses do not influence provisioning and deficits result in an additional specific provision). In 2008 and 2009, no such adjustments have been accounted for.

Note M – Profit for the financial year (in EUR'000)

On 8 June 2010 the appropriation of the balance of the profit and loss account of the standalone financial statements of the Bank for the year ended 31 December 2009, which amounts to EUR'000 1 876 894, will be submitted for approval by the Board of Governors.

Note N – 'Interest receivable and similar income' and 'Interest payable and similar charges'**N.1. Net interest income** (in EUR'000)

	2009	2008
Interest receivable and similar income		
Cash in hand, balance with central banks and post office banks	340	202
Treasury bills and other bills eligible for refinancing with central banks and debt securities including fixed income securities	374 541	715 988
Loans and advances to credits institutions and customers	9 006 172	14 052 824
Derivatives	7 150 729	183 301
Other	30 551	39 432
TOTAL	16 562 333	14 991 747
Interest payable and similar charges		
Amounts owed to credit institutions and to customers	- 34 653	-53 185
Debts evidenced by certificates	- 12 361 091	- 12 045 964
Derivatives	- 1 747 785	- 644 029
Other	- 145 976	- 136 785
TOTAL	- 14 289 505	- 12 879 963
Net interest income	2 272 828	2 111 784

N.2. Geographical analysis of 'Interest receivable and similar income' (in EUR'000)

	2009	2008
Spain	1 305 158	2 142 754
Germany	1 049 761	2 007 736
Italy	996 206	1 697 521
France	880 744	1 385 177
United Kingdom	634 245	1 046 518
Greece	534 391	559 573
Portugal	531 264	774 332
Poland	411 585	445 231
Hungary	226 252	294 883
Austria	188 155	294 117
Belgium	184 813	198 186
Czech Republic	166 249	229 280
Finland	158 306	232 358
Netherlands	124 903	140 740
Romania	98 174	90 752
Sweden	92 704	165 238
Ireland	83 529	127 842
Slovenia	55 612	75 549
Denmark	46 001	123 126
Slovakia	29 513	42 225
Bulgaria	26 467	24 764
Cyprus	22 880	38 895
Luxembourg	22 554	27 009
Latvia	21 107	23 012
Lithuania	19 867	5 766
Estonia	5 806	8 142
Malta	1 084	582
Total	7 917 330	12 201 308
Outside the European Union	765 476	886 933
Total	8 682 806	13 088 241
Income not analysed ⁽¹⁾	7 879 527	1 903 506
Total	16 562 333	14 991 747
⁽¹⁾ Income not analysed:		
• Revenue from Investment portfolio and ABS portfolios	220 277	370 648
• Revenue from Operational bond portfolios	55 908	83 271
• Revenue from Operational money-market portfolios	124 175	272 753
• Revenue from money-market operations	328 438	993 533
• Derivatives	7 150 729	183 301
	7 879 527	1 903 506

Note O – ‘Commission receivable’ and ‘Commission payable’ (in EUR'000)

	2009	2008
Commission receivable		
Investment Facility/Cotonou (Note X)	36 405	35 741
Income from advisory activities	50 165	32 380
Income on loans and guarantees	22 364	18 893
Income from guarantee operations	43 423	23 551
Jaspers (Note X)	16 948	14 933
Jessica (Note X)	4 976	3 962
Jeremie (Note X)	6 961	0
Jasmine (Note X)	257	0
Yaoundé/Lomé conventions (Note X)	8 468	10 371
Other European Union institutions (Note X)	17 073	28 428
Total commission receivable	207 040	168 259
Commission payable	- 117	- 125

Note P – Net loss on financial operations (in EUR'000)

	2009	2008
Result on loans and advances	6 879	- 15 467
Unrealised gain / loss on operational treasury portfolio	82 933	- 65 194
Value adjustment on venture capital operations	- 107 504	- 199 143
Gain / loss on operational treasury portfolio	- 30 284	- 7 638
Net realised loss on long-term futures	- 5 776	- 11 714
Net gain on buy back of debts evidenced by certificates	6 555	3 430
Net gain on unwind of ALM swaps	14 826	21 125
Realised loss on sale of shares and other variable-yield securities	201	- 1 754
Value (re-)adjustment on shares and other variable-yield securities other than venture capital	850	6 301
Net foreign exchange gain/loss	6 905	9 923
Other	- 2 503	0
Total net loss on financial operations	- 26 918	- 260 131

Note Q – Other operating income (in EUR'000)

	2009	2008
Reversal of previous year's accruals on general administrative expenses	4 119	3 999
Other	6 604	2 027
Total other operating income	10 723	6 026

Note R – General administrative expenses (in EUR '000)

	2009	2008
Salaries and allowances ^(*)	- 208 747	- 187 327
Welfare contributions and other social costs	- 104 751	- 96 279
Staff costs	- 313 498	- 283 606
Other general administrative expenses	- 118 712	- 108 225
Total general administrative expenses	- 432 210	- 391 831

The number of persons employed by the Group was 1 896 at 31 December 2009 (1 744 at 31 December 2008).

^(*) of which the amount for members of the Management Committee is EUR '000 2 924 at 31 December 2009 and EUR '000 2 821 at 31 December 2008.

Note S – Off-balance sheet special deposits for service of borrowings

This item represents the amount of coupons and bonds due, paid by the Group to the paying agents, but not yet presented for payment by the holders of bonds issued by the Group.

Note T – Fair value of financial instruments

The Group records balance sheet and off balance sheet financial instruments on the basis of their historical cost in foreign currency (apart from the operational portfolios) representing the amount received in the case of a liability or the amount paid to acquire an asset. The fair value of the financial instruments (mainly loans, treasury, securities and borrowings) entered under assets and liabilities compared with their accounting value is shown in the table below:

At 31 December 2009 (in EUR million)	ASSETS		LIABILITIES	
	Accounting value	Fair value	Accounting value	Fair value
Assets				
Cash in hand, balances with central banks and post office banks	227	227		
Loans and advances to credit institutions and to customers, excluding loan substitutes	335 303	338 590		
Treasury bills and debt securities portfolios including loan substitutes (Note B.2)	22 460	22 071		
Shares and other variable yield securities (Note E)	1 618	2 018		
Total assets	359 608	362 906		
Liabilities				
Amounts owed to credit institutions and customers (Note J)			6 843	6 843
Debts evidenced by certificate (Note K)			305 758	324 913
Total liabilities			312 601	331 756

At 31 December 2008 (in EUR million)	ASSETS		LIABILITIES	
	Accounting value	Fair value	Accounting value	Fair value
Assets				
Cash in hand, balances with central banks and post office banks	0	0		
Loans and advances to credit institutions and to customers, excluding loan substitutes	307 620	315 387		
Treasury bills and debt securities portfolios including loan substitutes (Note B.2)	13 128	12 899		
Shares and other variable yield securities (Note E)	1 496	1 983		
Total Assets	322 244	330 269		
Liabilities				
Amounts owed to credit institutions and customers (Note J)			7 160	7 160
Debts evidenced by certificate (Note K)			266 989	285 938
Total Liabilities			274 149	293 098

Note U – Financial risk management

This note presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments. These are:

- credit risk;
- interest rate risk;
- liquidity risk;
- foreign exchange rate risk; and
- market risk.

Within the Group, the management and control of risks is handled separately by each entity. As a consequence, risk management information presented in this note will distinguish between the Bank and the Fund.

U.1. Risk Management Organisation

U.1.1. Risk Management Organisation of the Bank

The Bank aligns its risk management systems to changing economic conditions and evolving regulatory standards. It adapts them on an ongoing basis as best market practice develops. Systems are in place to control and report on the main risks inherent in its operations, i.e. credit, market and operational risks.

The Bank applies best market practice in order to analyse and manage risks so as to obtain the strongest protection for its assets, its financial result, and consequently its capital. While the Bank is not subject to regulation, it aims to comply in substance with the relevant EU banking directives and the recommendations of the banking supervisors of the EU Member States, EU legislation and the competent supranational bodies, such as the Basel Committee on Banking Supervision (BCBS).

The following sections disclose the credit, market and liquidity risks to which the Bank is exposed on its activities performed on own resources.

The Risk Management Directorate (RM) has, since November 2003, initially been structured around two departments – namely the Credit Risk (CRD) and the ALM, Derivatives, Financial and Operational Risk (FRD) Departments – and a Coordination Division. In 2006, the Bank formalised credit risk policies for own resource operations outside the European Union, expanding CRD's remit.

RM independently identifies, assesses, monitors and reports the credit, market and operational risks to which the Bank is exposed in a comprehensive and consistent way and under a consistent approach. Within a commonly defined framework, whereby the segregation of duties is preserved, RM is independent of the Front Offices. The Director General of RM reports, for credit, market and operational risks, to the designated Vice-President. The designated Vice-President meets regularly with the Audit Committee to discuss topics relating to credit, market and operational risks. He is also responsible for overseeing risk reporting to the Management Committee and the Board of Directors.

To support the implementation of the Bank's risk policies, two risk-oriented committees have been created.

The Credit Risk Assessment Group (CRAG) is a high-level forum for discussing relevant credit risk issues arising in the course of the Bank's activities and for advising the Management Committee on these. Its members are the Directors General of the Operations, Projects, Risk Management, Finance and Legal Affairs Directorates. The CRAG is intended to complement, and does not replace, the existing case-by-case review of lending operations, which remains central to the loan approval process.

An ALM Committee (ALCO), made up of the Directors General of the Operations, Finance and Risk Management

Directorates, provides a high-level forum for debating the Bank's ALM policy and for making proposals in this field to the Management Committee. It promotes and facilitates the dialogue among the Directorates represented in it, while providing a wider perspective on, and enhancing their understanding of, the main financial risks.

The Bank continued to develop its capacity to manage loans post signature, thereby also preparing for the riskier transactions resulting from its "take-more-risk" strategy, the Bank's overall higher lending volume and the economic environment. For significant parts of the portfolio it is the responsibility of Transaction Management & Restructuring (TMR) an autonomous department, reporting to a separate Vice-President. In 2009, TMR focused on monitoring the higher risk counterparts and certain forms of security; it also managed transactions requiring particular attention. All of its proposals which have credit risk implications, are subject to an independent second opinion by the Risk Management Directorate.

U.1.1.1. Risk measurement and reporting system

The Bank's risks are measured using a method which reflects both expected losses likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on a portfolio model. The models make use of probabilities derived from statistics based on historical experiences observed in financial markets. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Information on the risk measures described above are presented and explained to the Management Committee on a quarterly basis and to the Board of Directors twice a year. The reports include aggregate credit exposures, credit concentration analyses, VaR, liquidity ratios and risk profile changes. In addition, key risk indicators of the loan portfolio and liquidity mismatch risks are presented to the Management Committee on a monthly basis.

U.1.1.2. The Bank's financial risk tolerance

As a public institution, the Bank does not aim to make profits from speculative exposures to financial risks, sets its financial risk tolerance to a minimum level as defined by approved limits, and applies a conservative financial framework.

As a consequence, the Bank does not view its treasury or funding activities as profit-maximising centres, even though performance objectives are attached to those activities. Investment activities are conducted within the primary objective of protection of the capital invested. With respect to exposures arising from the Bank's lending and borrowing operations, the main principle of the Bank's financial risk policy is therefore that all material financial risks are hedged.

Following best market practice, all new types of transaction introducing operational or financial risks must be

authorised by the Management Committee, after the approval of the New Products Committee, and are managed within approved limits.

U.1.1.3. Sustainability of revenue and self-financing capacity

The Bank's ALM policy forms an integral part of the Bank's overall financial risk management. It reflects the expectations of the three main stakeholders of the Bank (i.e. the Bank's shareholders, the Bank's borrowers and the financial markets) in terms of stability of earnings, preservation of the economic value of own funds, and the self-financing of the Bank's growth in the long term.

To achieve these aims, the ALM policy employs medium to long-term indexation for the investment of own funds to promote stability of revenues and enhance overall returns. This indexation policy implies an exposure to medium to long-term yields and is not influenced by any short-term views on trends in interest rates.

This is accomplished by targeting a duration for the Bank's own funds of between 4.5-5.5 years.

U.1.2. Risk Management Organisation of the Fund (EIF)

Most of the Private Equity (PE) Venture Capital and Guarantees & Securitisation (GS) operations for both entities of the Group are managed by the Fund. The mandate of the Fund is to support small and mid-size enterprise (SME) finance for start-up, growth and development within European Union objectives for SME.

The Fund aligns its risk management systems to changing economic conditions and evolving regulatory standards. It therefore adapts them on an ongoing basis as best market practices develop. Credit, market and operational systems are in place to control and report on the main risks inherent to its operations.

An independent Risk Management and Monitoring (RMM) division reports directly to the Deputy Chief Executive. This segregation of duties and the "four-eyes" principle ensure an unbiased review of EIF's business activities. Moreover, within the EIB Group context, RMM operates in close contact with the European Investment Bank's Risk Management Directorate, particularly with regard to Group risk exposure relating to guarantee operations, the venture capital operations under the Bank's Risk Capital Mandate (RCM) and general EIF policy matters.

RMM is divided into three teams: a PE Risk Management team, a Portfolio GS Risk Management team and a Monitoring & Administration (MA) team covering both business lines.

The Fund's treasury management has been outsourced to the Bank under a treasury management agreement signed by both parties and it is carried out according to EIF treasury guidelines.

U.1.2.1. Risk assessment private equity

Under its private equity operations, the Fund has a fund of funds approach, taking minority equity participations in funds managed by mostly independent teams in order to catalyse further commitments from a wide range of investors. The Fund's PE operations include investments in early-stage and seed capital, but also in well-established funds targeting mid-, later-stage and mezzanine investments, which, generally speaking, have a lower risk profile.

Over the last years, the Fund has developed a tool-set to design, manage and monitor portfolios of PE funds tailored to the dynamics of this market place, going beyond the typical and often-simplistic recipe of investing only in top quartile funds. This tool-set is based on an internal model, the Grading-based Economic Model (GEM), which allows the Fund to better assess and verify each funds' but also each portfolios of funds' valuations, risks and expected future cash flows and performances. Before committing to a PE fund, the Fund assigns a grading which is based on the outcome of an extensive due diligence performed by the Fund's transaction team and reviewed by its risk management team. During the funds' lifetimes, gradings are periodically reviewed with a frequency and intensity depending on the level of risk.

These efforts, supported by the development of a proprietary IT system and an integrated software (front to back), improve the investment decision-making process and the management of the portfolio's financial risks and of liquidity.

In the context of the actual financial crisis, the Fund has been closely monitoring the valuations reported by PE fund managers, and also other specific risks linked to the crisis. The Fund has also run more stringent stress test scenarios on its PE funds portfolios to assess the impact of a worsening and/or continuation of the financial crisis.

U.1.2.2. Risk assessment guarantees

The Fund extends portfolio guarantees to financial intermediaries involved in SME financing, and by taking on the risk faced by those institutions, it facilitates access to funding, and, in turn, it helps to finance SMEs.

For its guarantee & securitisation business, over the last years, the Fund has developed a tool-set to analyse portfolio guarantee and structured financial transactions in line with best market practices. Before the Fund enters legally into a guarantee transaction, an internal rating is assigned to each new own risk guarantee transaction in accordance with the Fund's Credit Risk Policy and Model Review Guidelines. The rating is based on internal models, which analyse and summarise the transaction's credit quality (expected loss concept), considering not only quantitative parameters but also qualitative aspects. Guarantee transactions are monitored regularly, at least quarterly.

The guarantees portfolio is valued according to marked-to model. The main impact on the valuation of the transactions in the portfolio stems from the assigned rating and the possible subsequent rating changes.

In the context of the financial crisis, the Fund has increased its monitoring efforts to follow a potential negative rating migration closely. The improvement of the monitoring is not only based on the reaction to the financial crisis but is a continuous process.

Furthermore, the Fund has strengthened the stress testing methodology, i.e. its scenario analysis with regard to portfolio downgrades and related impacts on capital allocation, expected losses.

U.2. Credit risk

Credit risk concerns mainly the Group's lending activity and, to a lesser extent, treasury instruments such as fixed-income securities held in the investment and operational portfolios, certificates of deposit and interbank term deposits as well as the derivatives transactions of the Group and the Fund's guarantee transactions funded by own resources. No credit risk is attached to the Group's venture capital operations, which are performed entirely through equity participations and are, hence, only exposed to market risk.

The Group's policies on credit risk are approved by the Group's governing bodies. They set out minimum credit quality levels for both borrowers and guarantors in lending operations and identify the types of security that are deemed acceptable. They also detail the minimum requirements which loan contracts must meet in terms of key legal clauses and other contractual stipulations to ensure that the Bank's position ranks at least equal to that of other senior lenders, with prompt access to security when required. In addition, via a counterpart and sector limit system, the credit policies ensure an acceptable degree of diversification in the Group's loan portfolio. The Group's limit system draws its inspiration from the traditional prudential regulations on concentration and large exposure management contained in the EU banking directives, though the Group generally adopts a more restrictive approach to risk-taking than commercial banks. They also set out the minimum credit quality of counterparties of derivatives and treasury transactions as well as the contractual framework for each type of transaction.

As regards lending, treasury and derivatives operations, credit risk is managed by the independent Risk Management Directorate (RM) under the direct responsibility of the Management Committee of the Bank. The Group has thus established an operationally independent structure for determining and monitoring credit risk.

The Fund manages exposures and risk taking in the frame of conservative policies deriving from statutory

provisions and Credit Risk Policy Guidelines approved by the Fund's Board of Directors or guidelines as set out under mandates.

Credit policies undergo periodic adaptations to incorporate evolving operational circumstances and respond to new mandates that the Group may receive from its shareholders.

Management of credit risk is based, firstly, on the degree of credit risk vis-à-vis counterparties and, secondly, on an analysis of the solvency of counterparties.

U.2.1. Loans

In order to limit the credit risk on its loan portfolio, the Group lends only to counterparties with demonstrated creditworthiness over the longer term and sound guarantees.

In order to efficiently measure and manage credit risk on loans, the Group has graded its lending operations according to generally accepted criteria, based on the

quality of the borrower, the guarantee and, where appropriate, the guarantor.

The structure of guarantors and borrowers relating to the loan portfolio as at 31 December 2009 is analysed below (in EUR million), including undisbursed portions.

Loans outside the European Union (apart from those under the Facilities ^(*)) are, in the last resort, secured by guarantees of the European Union budget or the Member States (loans in the ACP Countries and the OCT). The agreements decided by the Council of the European Union on 14 April 1997 (Decision 97/256/EC) introduced the concept of risk sharing whereby certain Group loans are secured by third-party guarantees with respect to the commercial risk, the budgetary guarantee applying in the case of political risks solely arising from currency non-transferability, expropriation, war and civil disturbance.

The table below shows (in EUR million) the loans for projects inside the European Union and outside the European Union granted under the Facilities and under the risk-sharing operations:

Borrower \ Guarantor	Member States	Public institutions	Zone 'A' banks	Corporates	Not guaranteed ⁽¹⁾	Total 2009	Total 2008
Member States	0	0	0	0	30 505	30 505	27 202
Public institutions	21 935	11 477	697	3 933	38 037	76 079	65 452
Zone 'A' banks	9 492	40 809	35 190	18 039	23 282	126 812	115 242
Corporates	18 378	8 223	32 338	35 235	41 308	135 482	111 250
Total 2009 ^{(1) (2) (3) (4) (5)}	49 805	60 509	68 225	57 207	133 132	368 878	
Total 2008 ^{(1) (2) (3) (4) (5)}	47 727	56 686	59 899	45 611	109 223		319 146

⁽¹⁾ These amounts include loans for which no formal guarantee independent from the borrower and the loan itself was required, the borrower's level of solvency itself representing adequate security. In the event of certain occurrences, appropriate contractual clauses ensure the Bank's right to access independent security.

⁽²⁾ The loans in risk-sharing operations amount to EUR 5 229 million as of 31 December 2009 (2008: EUR 4 330 million).

⁽³⁾ This amount includes loans granted under Facilities.

⁽⁴⁾ This amount does not include asset backed securities (2009: EUR 8 209 million; 2008: EUR 5 766 million).

⁽⁵⁾ These amounts exclude loans to current European Union Member States but granted before their accession to the European Union and guaranteed by the European Union budget or the Member States.

The table below shows (in EUR million) the loan for projects outside the European Union (Apart from Article 16 Facility and those failing under the Pre Accession Facility, the Mediterranean Partnership Facility, the Energy Sustainability Facility and the EFTA Facility):

Secured by:	31.12.2009	31.12.2008
Member States	1 795	1 554
European Union budget ⁽¹⁾	32 340	28 152
Total ⁽²⁾	34 135	29 706

⁽¹⁾ of which EUR 5 229 million in risk-sharing operations as explained above (2008: EUR 4 330 million).

⁽²⁾ including loans to current European Union Member States but granted before their accession to the European Union and guaranteed by the European Union budget or the Member States.

^(*) Loans granted under Article 16 (previously Article 18) of the Group's statute and loans granted under the Pre Accession Facility, the Mediterranean Partnership Facility, the Energy Sustainability Facility and the EFTA Facility. These loans, granted under the Facilities, are not secured by guarantees of the European Union budget or the Member States. Therefore, lending under the Facilities is from the Group's own resources and at the Group's own risk.

LOANS FOR PROJECTS OUTSIDE THE UNION (in EUR million)

(including loans in the new Member States before accession)

BREAKDOWN OF LOANS BY GUARANTEE AS AT 31 DECEMBER

AGREEMENT	Outstanding 31.12.2009	Outstanding 31.12.2008
75% Member States global guarantee		
- ACP/OCT Group 3rd Lomé Convention	0	1
- ACP/OCT Group 4th Lomé Convention	108	142
- ACP/OCT Group 4th Lomé Convention/2nd Financial Protocol	415	516
Total 75% Member States global guarantee	523	659
75% Member States guarantee		
- Cotonou partnership agreement	783	819
- Cotonou partnership 2 nd agreement	489	76
Total 75% Member States guarantee	1 272	895
Total Member States guarantee	1 795	1 554
100% European Union budget guarantee		
- South Africa – 300m – BG Decision 19.06.95	5	41
- ALA I – 750m	114	135
- ALA interim (100% guarantee) – 153m	5	5
- CEEC – 1bn – BG Decision 29.11.89	90	120
- CEEC – 3bn – BG Decision 02.05.94	455	618
- CEEC – 700m – BG Decision 18.04.91	2	9
- Russia – 100 m – 2001-2005	74	79
- Russia – 500 m – 2004-2007	230	230
Total 100% European Union budget guarantee	975	1 237
75% European Union budget guarantee		
- Mediterranean Protocols	800	988
- Yugoslavia – Art.18 (1984)	1	2
- Yugoslavia – 1st Protocol	3	4
- Yugoslavia – 2nd Protocol	10	16
- Slovenia – 1st Protocol	51	62
Total 75% European Union budget guarantee	865	1 072
70% European Union budget guarantee		
- South Africa – 375m – Decision 29.01.97	105	128
- ALA II – 900m	144	175
- ALA interim (70% guarantee: risk sharing) – 122m	7	10
- Bosnia–Herzegovina – 100m 99/2001	84	89
- Euromed (EIB) – 2 310m – Decision 29.01.97	781	908
- FYROM – 150m – 1998/2000	106	117
- CEEC–3 520m–Decision 29.01.97	1 457	1 627
Total 70% European Union budget guarantee	2 684	3 054
65% European Union budget guarantee		
- South Africa – 825m – 7/2000-7/2007	621	629
- South Africa – Decision 2/2007–12/2013	486	202
- ALA III – 2 480m -- 2/2000 – 7/2007	1 082	1 275
- ALA Decision – 2/2007–12/2013	1 926	791
- Euromed II – 6 520m – 2/2000 -- 1/2007	5 339	5 686
- South Eastern Neighbours – 9 185m – 2/2000 – 7/2007	8 022	8 344
- Turkey special action – 450m – 2001-2006	299	324
- Turkey TERRA – 600m – 11/1999 -- 11/2002	527	549
- PEV EE/CAS/RUS 1/2/2007 – 31/12/2013	403	170
- PEV MED 1/2/2007 – 31/12/2013	3 851	2 404
- Pre-Accession – 8 700m – 2007 – 2013	5 260	2 415
Total 65% European Union budget guarantee	27 816	22 789
Total European Union budget guarantee	32 340	28 152
TOTAL	34 135	29 706

Collateral on loans (in EUR million)

Among other credit mitigant instruments, the Group also uses pledges of financial securities. These pledges are formalised through a Pledge Agreement, enforceable in the relevant jurisdiction. The portfolio of collateral received in pledge contracts amounts to EUR 15 175 million (2008: EUR 12 998 million), with the following composition:

As at 31 December 2009		Loan Financial Collateral (in EUR million) ⁽¹⁾						Equities & Funds	Cash	Total 2009
Moody's or equivalent rating	Bonds									
	Government	Supra-national	Agency	Secured Bonds (Pfandbriefe, Cédulas)	Bank and Corporate Bonds	ABS				
Aaa	913	231	107	1 282	1 282	480	0	0	4 295	
Aa1 to Aa3	742	0	0	19	1 971	203	0	0	2 935	
A1	2 407	0	0	0	368	0	0	0	2 775	
Below A1	3 075	0	0	0	1 569	0	0	0	4 644	
Non-Rated	0	0	0	0	0	0	188	338	526	
Total 2009	7 137	231	107	1 301	5 190	683	188	338	15 175	

⁽¹⁾ Bonds, equities and funds are valued at their market value.

As at 31 December 2008		Loan Financial Collateral (in EUR million) ⁽¹⁾						Equities & Funds	Cash	Total 2008
Moody's or equivalent rating	Bonds									
	Government	Supra-national	Agency	Secured Bonds (Pfandbriefe, Cédulas)	Bank and Corporate Bonds	ABS				
Aaa	678	1	34	482	694	638	0	0	2 527	
Aa1 to Aa3	1 193	0	0	50	1 937	151	0	0	3 331	
A1	1 743	0	16	0	1 025	0	0	0	2 784	
Below A1	2 500	0	28	0	1 199	0	0	0	3 727	
Non-Rated	0	0	0	0	0	0	277	352	629	
Total 2008	6 114	1	78	532	4 855	789	277	352	12 998	

⁽¹⁾ Bonds, equities and funds are valued at their market value.

A breakdown of disbursed loans outstanding, including assets backed securities (in EUR million), at 31 December according to the sectors in which borrowers are engaged is set out below:

Sector :	Maturity			Total 2009	Total 2008
	not more than 1 year	1 year to 5 years	more than 5 years		
Energy	2 485	11 611	21 328	35 424	30 840
Transport	3 968	19 788	75 174	98 930	90 713
Telecommunications	1 116	4 929	4 097	10 142	9 461
Water, sewerage	978	4 968	12 789	18 735	16 432
Miscellaneous infrastructure	1 003	4 717	13 101	18 821	16 988
Agriculture, forestry, fisheries	19	59	153	231	210
Industry	2 552	13 334	8 505	24 391	18 814
Services	439	5 103	7 843	13 385	12 306
Global loans ⁽¹⁾	7 863	36 394	38 763	83 020	77 154
Health, education	721	4 068	16 282	21 071	18 501
TOTAL 2009	21 144	104 971	198 035	324 150	
TOTAL 2008	20 056	88 918	182 445		291 419

⁽¹⁾ A Global loan is a line of credit to an intermediary financing institution or a bank which then on-lends the proceeds, at its own risk, to finance small and medium-sized projects being undertaken by private or public sector promoters.

Arrears on loans

Amount in arrears are identified, monitored and reported according to a set of procedures called the “Guidelines for the Monitoring of late payments”.

Loans granted inside the European Union or outside the European Union not secured by guarantees of the European Union budget or the Member States:

Loans for which the projects are located inside the European Union or outside the European Union not secured by guarantees of the European Union budget or the Member States are mainly secured by guarantees from public institutions, Zone A banks and corporate entities. Unsecured part of these loans amounts to EUR 133 132 million as at 31 December 2009 (2008: EUR 109 223 million).

As at 31 December 2009, the Group has no arrears on loans inside the European Union above 30 days (2008: EUR 0.1 million).

Loans granted for projects outside the European Union secured by the European Union budget or the Member States:

Loans for projects located outside the European Union and carried out on the basis of mandates given by the Council are guaranteed by the European Union, the Member States or on a risk-sharing basis. If an instalment remains unpaid for approximately 90 days, the primary guarantee is called (if any available). If due amount is still unpaid within 150 days after the instalment date (and in any case before the next instalment becomes due), the guarantee of the Member States or the European Union is officially invoked. Each unpaid instalment is called individually.

The arrears of payments on the loan portfolio of the Group outside the European Union can be analysed as follows (in EUR 000):

	Instalments overdue: 30 days to 90 days	Instalments overdue more than 90 days	Due instalments more than 150 days which have been called and paid under the guarantee of a Member State or the European Union	Total
31.12.2009	1 897	12 278	93 830	108 005
31.12.2008	3 165	17 613	127 232	148 010

U.2.2. Treasury

The credit risk associated with treasury (securities, commercial paper, term accounts, etc.) is rigorously managed through selecting first-class counterparties and issuers.

Limits governing the structure of the securities portfolio and outstanding treasury instruments have been laid down by Management, in particular on the basis of the ratings awarded to counterparties by the rating agencies (these limits are reviewed regularly by the Risk Management Directorate).

The table below provides a percentage breakdown of the credit risk associated with the securities portfolio (i.e. operational money market and bond portfolios) and treasury instruments (money markets products) in terms of the credit rating of counterparties and issuers (as at 31 December):

Moody's or equivalent rating	Securities portfolio %		Treasury instruments %	
	2009	2008	2009	2008
Aaa	42	44	5	1
Aa1 to Aa3	35	38	39	26
A1 to A3	11	17	53	70
Below A3	12	1	2	2
A-1+P-1	0	0	1	1
Total	100	100	100	100

As part of its treasury management activities, the Group holds investments in capital guarantee notes, the coupons of which embed options on the performance of funds of hedge funds. At 31 December 2009, the total nominal amount of such notes stood at EUR 125 million (2008: EUR 150 million) and are part of the Securities portfolio.

Collateral on Treasury transactions

The Treasury transactions include EUR 10 100 million (2008: EUR 7 250 million) of tripartite reverse repurchase agreements. These transactions are governed by Tripartite Agreements, the exposure is fully collateralised, with daily margin calls. The market value of the collateral portfolio at 31 December 2009 is EUR 10 470 million (2008: EUR 7 243 million), with the following classification:

Tripartite Agreements Collateral (in EUR million)							
At 31 December 2009				Bonds			Total 2009
Moody's or equivalent rating	Government	Supranational	Agency	Secured Bonds (Pfandbriefe, Cedulas)	Bank and Corporate Bonds	ABS	
Aaa	1 253	253	140	181	1 039	907	3 773
Aa1 to Aa3	237	0	395	99	2 383	16	3 130
A1	476	0	5	0	550	0	1 031
Below A1	354	0	27	0	2 155	0	2 536
Total 2009	2 320	253	567	280	6 127	923	10 470

Tripartite Agreement Collateral (in EUR million)							
At 31 December 2008				Bonds			Total 2008
Moody's or equivalent rating	Government	Supranational	Agency	Secured Bonds (Pfandbriefe, Cedulas)	Bank and Corporate Bonds	ABS	
Aaa	358	309	12	477	1 142	85	2 383
Aa1 to Aa3	844	0	10	4	1 955	0	2 813
A1	84	0	10	0	524	0	618
Below A1	513	0	0	0	916	0	1 429
Total 2008	1 799	309	32	481	4 537	85	7 243

U.2.3. Securities lending

The market value of the bonds lent in the securities lending activities amounts to EUR 507 million at 31 December 2009 (2008: EUR 381 million). These transactions are governed by an agreement signed with Northern Trust Global Investment, the exposure is fully collateralised, with daily margin calls. The market value of the collateral portfolio at 31 December 2009 is EUR 480 million (2008: EUR 322 million), with the following classification:

Securities Lending Collateral (in EUR million)				
At 31 December 2009	Bonds		Time Deposit	Total 2009
Moody's or equivalent rating	Government	Certificate of Deposits		
Aaa	116	15	0	131
Aa1 to Aa3	324	17	8	349
A1	0	0	0	0
Below A1	0	0	0	0
Total 2009	440	32	8	480

Securities Lending Collateral (in EUR million)				
At 31 December 2008	Bonds		Time Deposit	Total 2008
Moody's or equivalent rating	Government	Certificate of Deposits		
Aaa	96	0	0	96
Aa1 to Aa3	161	0	25	186
A1	0	0	17	17
Below A1	0	0	23	23
Total 2008	257	0	65	322

U.2.4. Guarantees granted by the Group in respect of loans granted by third parties

Credit risk arising from the Group's GS transactions funded by own resources is managed by risk management policies covered by the statutory and Credit Risk Policy Guidelines. The statutes limit own-risk guarantees to approximately EUR 8.7 billion. The EUR 2.9 billion exposure at risk at the end of 2009 (2008: 4.1 billion) was well below the statutory limit of EUR 8.7 billion.

The Credit Risk Policy Guidelines ensure that the Group continues to develop a diversified guarantee portfolio in terms of product range, geographic coverage, counterparty exposure, obligor exposure, industry concentration and also set out the capital allocation rules based on the ratings of the exposures.

Concentration risk is limited because of the granular nature of the Group's transactions; typically the underlying portfolios are highly diversified in terms of single obligor concentration, sectors, and also with regard to regional diversification. To cover concentration risk, the Group has strict limits (based on capital allocation) for individual transactions and on originator level (maximum aggregate exposures for originators and originator groups).

At the end of 2009, the Group's overall own risk guarantee portfolio was spread over 18 countries. The largest nominal individual country net exposures were Italy, Belgium and UK, which jointly accounted for 42 % of total guarantee commitments.

Own funds guarantees: Exposures at risk by country as at 31 December 2009:

Exposures at risk by country		EUR million	Share	
Country	Currency	2009	2009	2008
Belgium	EUR	313	10.8%	12.2%
Bulgaria	EUR	57	2.0%	1.8%
Denmark	DKK	159	5.5%	4.2%
Finland	EUR	14	0.5%	0.4%
France	EUR	48	1.7%	1.4%
Germany	EUR	144	5.0%	3.9%
Greece	EUR	61	2.1%	1.6%
Ireland	EUR	4	0.1%	0.1%
Italy	EUR	535	18.5%	23.3%
Netherlands	EUR	98	3.4%	5.1%
Non EU	EUR	14	0.5%	0.5%
Pan EU & Multicountry	EUR	495	17.1%	15.6%
Poland	PLN	55	1.9%	2.3%
Portugal	EUR	152	5.2%	7.3%
Serbia	EUR	50	1.7%	1.3%
Spain	EUR	191	6.6%	5.5%
Sweden	SEK	129	4.5%	3.3%
United Kingdom	GBP	374	12.9%	10.2%
TOTAL		2 893	100.0%	100.0%

In the context of the Group's own risk guarantees operations, the credit risk is tracked from the very beginning on a deal-by-deal basis whilst adopting a different model analysis approach depending on the granularity and homogeneity of the underlying portfolios. The industry sector exposures are analysed on a deal-by-deal basis through their impact on the ratings assigned by the Group to each transaction or tranche. For instance, dependent on the financial model to analyse the transaction, industry exposures can be reflected in implicit correlation or can be indirectly captured through the assumption on default rate volatility, as a key model input variable.

Furthermore, concentration exposures are analysed in the context of each deal using qualitative measures such as current status and forecast for sectors with high concentrations in the portfolio. Exceptionally, some deals have a concentrated exposure in the same (broad) sector. This is typically captured through increased credit enhancement (e.g. subordination) to the benefit of the Group. Typically, deals with replenishing features have portfolio criteria, such as maximum single obligor, maximum top five obligors, and maximum industry concentration levels. Furthermore, the consideration of sector exposures is part of the Group's overall portfolio analysis.

Counterparty risk is mitigated by the quality of the Group's counterparties which are usually major market players. The Group performs additional on-site monitoring visits to ensure compliance with procedures and processes during the transaction life. Stress-test scenarios for the portfolio of guarantees, including extreme case assumptions, are regularly carried out to determine the ability of the capital base to sustain adverse shocks.

The exposure on guarantees granted by the Group in respect of venture capital operations amounts to EUR '000 17 385 as at 31 December 2009 (2008: EUR '000 15 171).

U.3. Interest rate risk

Interest rate risk is the volatility in the economic value of, or in the income derived from, the Group's positions due to adverse movements in market yields or the term structure of interest rates. Exposure to interest rate risk occurs when there are differences in repricing and maturity characteristics of the different asset, liability and hedge instruments.

In measuring and managing interest rate risk, the Group refers to the relevant key principles of the Basel Committee for Banking Supervision (BCBS). The main sources of interest rate risk are: repricing risk, yield curve risk, basis risk and spread risk. An interest rate risk that is particularly relevant for the Group is spread risk. Spread risk is the volatility in the economic value of, or in the income derived from, the Group's positions due to movements in the funding or lending spread of the Group.

The Group manages its global structural interest rate position via a dedicated portfolio. The majority of the financial risk indicators and controls in use by the Group apply to this portfolio. Financial indicators and controls for the rest of the activities outside this portfolio only relate to the risks, which are not transferred to it via the transfer pricing system, and which therefore remain with their respective activities, such as the equity risk in the venture capital activity or the interest rate or credit risks taken in those treasury portfolios predominantly managed for yield-enhancement purposes.

U.3.1. Value-at-Risk for the Own funds of the Group (Economic perspective)

Group's ALM strategy aims at maintaining a balanced and sustainable revenue profile as well as limiting the volatility of the economic value of the Bank. A clear preference has been given to the revenue profile in light of the objective of self-financing of the Bank's growth, and given the existing accounting principles. This overall objective is achieved by investing Group's own funds according to a medium to long term investment profile, implying an own funds duration target of 4.5 – 5.5 years.

Apart from the duration target for own funds, the Bank's balance sheet should be match-funded with respect to currency and interest rate characteristics. However, small deviations are authorised for operational reasons. The net residual positions that arise from outstanding operations are managed within pre-set limits to constrain market risk to minimum levels.

The Risk Management department quantifies the VaR of own funds for both interest rates and foreign exchange risk factors. It is measured on the Group's positions using a 99% confidence level and a one-day time horizon. As at 31 December 2009, the VaR of the Group amounted to EUR 188 million (2008: EUR 363 million).

The computation is based on the so-called Riskmetrics methodology, which assumes a linear dependency between the changes in portfolio or position values and the underlying risk factors. Given the nature of the positions held by the Group, the Bank deems this assumption appropriate to measure its exposure to interest rate risk. Volatility and correlation data are computed internally on the basis of historical market data. The evolution of the VaR of own funds reflects the effective decrease of the volatility of the risk factors and not a change in the risk profile of the EIB's positions.

More generally, the VaR does not purport to measure the worst loss that could be experienced. For this reason, it is complemented by regular stress testing. As of 31 December 2009, the impact of a 2% upward parallel shift of the interest rate curves would reduce the economic value of own funds by EUR 4.29 billion (2008: EUR 4.04 billion).

Among the financial instruments in the Bank's portfolio, some deals (borrowings and associated swaps) may be redeemed before they get to maturity.

At cash flows level all such borrowings are fully hedged by swaps so that they can be considered being synthetic floating rate notes. Uncertainty arises from the maturity of such positions indexed to Libor/Euribor as they might be called before their final maturity.

Below is a summary of the features of the Bank's callable portfolio as of 31 December 2009 and 31 December 2008, where the total nominal amount, the average natural maturity and the average expected maturity (both weighted by the nominal amount of the concerned transactions) are shown per funding currency and per main risk factor involved:

By funding currency (after swap):

31.12.2009	Pay Currency					
(in EUR million)	CZK	EUR	JPY	PLN	USD	Total
EUR Pay Notional	- 108	- 6 976	- 14	- 21	- 5 793	- 12 912
Average maturity date	14.12.2016	16.01.2022	16.02.2020	05.05.2026	30.10.2032	05.11.2026
Average expected maturity	19.11.2012	13.03.2017	27.02.2017	11.09.2020	09.02.2025	18.09.2020

31.12.2008 (in EUR million)	Pay Currency					Total
	CZK	EUR	GBP	PLN	USD	
EUR Pay Notional	- 236	- 7 834	- 25	- 20	- 6 531	- 14 646
Average maturity date	16.09.2016	10.12.2018	24.09.2035	05.05.2026	07.06.2029	21.08.2023
Average expected maturity	13.05.2010	08.11.2016	10.02.2010	24.05.2014	23.05.2018	02.06.2017

By risk factor involved:

31.12.2009	Risk factor			Total
	FX level	IR curve level	IR curve shape	
EUR Pay Notional (EUR million)	- 4 097	- 6 585	- 2 230	- 12 912
Average maturity date	14.08.2033	07.12.2023	30.12.2022	05.11.2026
Average expected maturity	25.08.2027	09.07.2017	02.06.2017	18.09.2020

31.12.2008	Risk factor			Total
	FX level	IR curve level	IR curve shape	
EUR Pay Notional (EUR million)	- 4 090	- 7 735	- 2 821	- 14 646
Average maturity date	07.09.2032	09.06.2019	13.01.2022	21.08.2023
Average expected maturity	10.04.2023	19.02.2013	01.09.2020	02.06.2017

U.3.2. Interest rate risk management for the Group (Earnings perspective)

The sensitivity of the Earnings quantifies the amount of net interest income that would change during the next 12 months if all interest rate curves rise by one percentage point or decrease by one percentage point. Such exposure stems from the mismatch between interest rate repricing periods, volumes and rates of assets and liabilities that Group accepts within the approved limits.

With the positions in place as of 31 December 2009, the Earnings would increase by EUR 68.8 million (2008: EUR 12.6 million) if interest rate increase by 100 basis points and decrease by EUR 72.0 million (2008: EUR 12.9 million) if interest rates decrease by 100 basis points.

The Group computes the sensitivity measure with a dedicated software that simulates earnings on a deal by deal basis. The sensitivity of the Earnings is measured on an accrual basis and is calculated under the "ongoing" assumption that, over the time horizon analysed, the Bank realises the new loan business forecasted in the Corporate Operational Plan, maintains exposures within approved limits and executes monetary trades to refinance funding shortages or invest cash excesses. Accounting earnings are simulated on monthly time steps, assuming that all the fixed rate items carry their contractual rate and that all floating rate items are subject to interest rate repricings according to the interest rate scenario applied in the simulation. The monetary trades to refinance funding shortages or invest cash excesses carry rates equal to the money market rates prevailing according to the interest rate scenario applied in the simulation. In line with the current practice of the Bank, the model uses the hypothesis that simulated earnings are not distributed to the shareholders, but are used to refinance the Bank's business. The administrative costs are projected according to the forecasts of the Corporate Operational Plan.

The sensitivity of the EIF is computed by taking into consideration the coupon repricings of all the positions present in the EIF treasury portfolio managed by the Group on a deal by deal basis. Each fixed rate asset is assumed to be reinvested at maturity in a new asset with the same residual life of the previous one as of end of year's date. Positions in floating rate assets are assumed to have quarterly repricings.

U.4. Liquidity risk

The main objective of liquidity policy is to assure that the Group can always meet its payment obligations punctually and in full. The Group manages the calendar of its new issues so as to maintain the global level of liquidity within the chosen range. Liquidity planning takes into account the Group's needs to service its debt, disbursements on loans and cash flows from the loan portfolio. It also takes into account the sizeable amount of signed but un-disbursed loans, whose disbursement takes place at the borrower's request.

Liquidity risk is managed prudently as, in contrast to commercial banks, EIB does not have the natural sources of liquidity from the deposits of clients. The Group pre-finances its commitments to avoid being forced to borrow, or to sell assets, when it does not have access to resources at a desirable cost level.

The Group further assures sound management of liquidity risk by maintaining a sufficient level of liquid assets, and by spreading the maturity dates of its placements according to the forecasts of liquidity needs. Liquidity risk policy also incorporates a floor on treasury levels. The Group's year-end total liquidity ratio (defined as a target percentage of annual projected net cash flows) must at all times exceed 25% of the average forecast net annual cash flows for the following year.

The Group has in place a Contingency Liquidity Plan (CLP) that defines the respective responsibilities and the decision making procedures in case of signs of an approaching liquidity crisis. The CLP has been benchmarked against the "Principles for Sound Liquidity Risk Management and Supervision" by the Basel Committee on Banking Supervision (September 2008). The CLP is subject to ad-hoc updates and is presented to the Management Committee annually for approval.

The table hereafter analyses the financial assets and liabilities of the Group by maturity on the basis of the period remaining between the consolidated balance sheet date and the contractual maturity date. Assets and liabilities for which there is no contractual maturity date are classified under "Maturity undefined".

Liquidity risk (in EUR million)

Maturity (at 31 December 2009)	not more than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	maturity undefined	Total 2009
Assets						
Cash in hand, central banks and post office banks	227	0	0	0	0	227
Treasury bills and other bills eligible for refinancing with central banks	633	508	2 087	830	0	4 058
Other loans and advances:						
- Current accounts	368	0	0	0	0	368
- Others	19 105	0	0	0	0	19 105
	19 473	0	0	0	0	19 473
Loans:						
- Credit institutions	2 899	7 408	47 782	58 487	0	116 576
- Customers	1 831	8 352	55 497	133 574	0	199 254
	4 730	15 760	103 279	192 061	0	315 830
Debt securities including fixed-income securities	7 629	1 915	2 799	5 910	150	18 403
Shares and other variable-yield securities	0	0	0	0	1 618	1 618
Other assets	0	0	0	0	2 868	2 868
Total assets	32 692	18 183	108 165	198 801	4 636	362 477
Liabilities						
Amounts owed to credit institutions	4 380	100	0	0	0	4 480
Amounts owed to customers	2 353	10	0	0	0	2 363
Debts evidenced by certificates	10 765	27 868	136 834	130 291	0	305 758
Capital, reserves, profit and minority interest	0	0	0	0	38 575	38 575
Other liabilities ^(*)	477	826	3 115	763	6 120	11 301
Total liabilities	17 975	28 804	139 949	131 054	44 695	362 477

^(*) Including foreign exchange neutralisation on currency swap contracts

Maturity (at 31 December 2008)	not more than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	maturity undefined	Total 2008
Assets						
Cash in hand, central banks and post office banks	0	0	0	0	0	0
Treasury bills and other bills eligible for refinancing with central banks	0	215	1 212	828	0	2 255
Other loans and advances:						
- Current accounts	276	0	0	0	0	276
- Others	21 713	0	0	0	0	21 713
	21 989	0	0	0	0	21 989
Loans:						
- Credit institutions	2 429	7 840	40 812	60 910	0	111 991
- Customers	1 962	7 767	46 375	117 536	0	173 640
	4 391	15 607	87 187	178 446	0	285 631
Debt securities including fixed-income securities	3 072	709	3 019	4 073	0	10 873
Shares and other variable-yield securities	0	0	0	0	1 496	1 496
Other assets	0	0	0	0	4 062	4 062
Total assets	29 452	16 531	91 418	183 347	5 558	326 306
Liabilities						
Amounts owed to credit institutions	5 779	1	0	0	0	5 780
Amounts owed to customers	1 380	0	0	0	0	1 380
Debts evidenced by certificates	18 090	23 409	113 219	112 271	0	266 989
Capital, reserves, profit and minority interest	0	0	0	0	36 694	36 694
Other liabilities ^(*)	1 496	1 255	4 463	1 841	6 408	15 463
Total liabilities	26 745	24 665	117 682	114 112	43 102	326 306

^(*) Including foreign exchange neutralisation on currency swap contracts

Some of the borrowings and associated swaps include early termination triggers or call options granted to the investors or the hedging swap counterparties. Certain liabilities could therefore be redeemed at an earlier stage than their maturity date.

If all calls were to be exercised at their next contractual exercise date, cumulated early redemptions for the period 2010 - 2012 would amount to EUR 10.7 billion.

U.5. Foreign exchange rate risk

The sources of foreign exchange rate risk are to be found in the margins on operations and in general expenses incurred in non-euro currencies. The Group's objective is to eliminate exchange risk by reducing net positions per currency through operations on the international foreign exchange markets.

A foreign exchange hedging program exists in order to protect the known loan margins in USD and in GBP for the next 3 years.

Foreign exchange position (in EUR million)

Currency at 31 December 2009	Euro	Pounds Sterling	US Dollars	Other currencies	Sub-Total except Euros	Total 2009
Assets						
Cash in hand, balances with central banks and post office banks	227	0	0	0	0	227
Treasury bills and other bills eligible for refinancing with central banks	4 058	0	0	0	0	4 058
Other loans and advances:						
- Current accounts	260	22	9	77	108	368
- Others	13 275	224	3 867	1 739	5 830	19 105
	13 535	246	3 876	1 816	5 938	19 473
Loans:						
- Credit institutions	72 760	15 227	23 924	4 665	43 816	116 576
- Customers	163 324	15 684	9 191	11 055	35 930	199 254
	236 084	30 911	33 115	15 720	79 746	315 830
Debt securities including fixed-income securities	14 975	927	1 233	1 268	3 428	18 403
Shares and other variable-yield securities	1 281	244	30	63	337	1 618
Other assets	1 944	279	445	200	924	2 868
Total assets	272 104	32 607	38 699	19 067	90 373	362 477
Liabilities						
Amounts owed to credit institutions	4 242	0	177	61	238	4 480
Amounts owed to customers	2 178	81	0	104	185	2 363
Debts evidenced by certificates:						
- Debt securities in issue	127 402	50 478	74 926	33 441	158 845	286 247
- Others	9 445	555	3 422	6 089	10 066	19 511
	136 847	51 033	78 348	39 530	168 911	305 758
Capital, reserves, profit and minority interest	38 575	0	0	0	0	38 575
Other liabilities ⁽¹⁾	90 280	- 18 506	- 39 834	- 20 639	- 78 979	11 301
Total liabilities	272 122	32 608	38 691	19 056	90 355	362 477
Net position	- 18	- 1	8	11	18	

⁽¹⁾ Including foreign exchange neutralisation on currency swap contracts

Currency at 31 December 2008	Euro	Pounds Sterling	US Dollars	Other currencies	Sub-Total except Euros	Total 2008
Assets						
Cash in hand, balances with central banks and post office banks	0	0	0	0	0	0
Treasury bills and other bills eligible for refinancing with central banks	2 255	0	0	0	0	2 255
Other loans and advances:						
- Current accounts	220	19	13	24	56	276
- Others	14 860	2 369	2 067	2 417	6 853	21 713
	15 080	2 388	2 080	2 441	6 909	21 989
Loans:						
- Credit institutions	67 016	14 925	26 331	3 719	44 975	111 991
- Customers	140 731	14 304	9 292	9 313	32 909	173 640
	207 747	29 229	35 623	13 032	77 884	285 631
Debt securities including fixed-income securities	7 831	1 541	1 199	302	3 042	10 873
Shares and other variable-yield securities	1 199	209	28	60	297	1 496
Other assets	3 147	430	28	457	915	4 062
Total assets	237 259	33 797	38 958	16 292	89 047	326 306
Liabilities						
Amounts owed to credit institutions	5 444	0	317	19	336	5 780
Amounts owed to customers	1 380	0	0	0	0	1 380
Debts evidenced by certificates:						
- Debt securities in issue	102 926	47 293	72 966	28 820	149 079	252 005
- Others	4 833	412	4 457	5 282	10 151	14 984
	107 759	47 705	77 423	34 102	159 230	266 989
Capital, reserves, profit and minority interest	36 694	0	0	0	0	36 694
Other liabilities ^(*)	85 993	- 13 911	- 38 777	- 17 842	- 70 530	15 463
Total liabilities	237 270	33 794	38 963	16 279	89 036	326 306
Net position	- 11	3	- 5	13	11	

^(*) Including foreign exchange neutralisation on currency swap contracts

U.6. Market risk

Market risk for the Bank:

Market risk is the risk that the net present value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risks are identified, measured, managed and reported according to a set of policies and procedures updated on a regular basis called the “Financial Risk and ALM Policy Guidelines” (FRPG). The general principles underpinning these policies are described below.

Stress testing is a widely used method to analyse the impact of possible scenarios on the Bank’s earnings and economic value of own funds, especially when analysis of historical market movements are viewed to be insufficient to assess future risks. Scenarios applied may relate to changes in market rates (interest rates, FX rates, spreads, equity prices etc.), liquidity conditions, or to worst-case events that may impact the former, such as sudden and adverse macroeconomic changes, simultaneous default of sizeable obligors, widespread system failures and the like.

Stress testing is performed on a regular basis and the results of the change in the economic value of the Bank and of the change of the earnings profile is reported within the Bank’s market risk measurement process.

Market risk for the Fund:

The Fund’s market risk exposure arises mainly in the form of interest rate risk attached to cash and cash equivalent positions as well as investments in debt securities. Approximately 80% of these assets held have an average duration of up to 5 years, thereby safeguarding the Fund against the substantial fluctuations in its long term revenues.

The specifics of Private Equity (PE) asset class make the use of traditional approaches to market risk analysis difficult to apply. Market risk analysis requires the estimation of the correlation between the assessed asset class and the public market. This can be done based on the capital asset pricing model. This model requires the beta, i.e. a measure of risk relative to the market, which is estimated by regressing returns on an asset against a public market index.

While public market managers can rely on reliable statistical data to support their analysis, PE and in particular venture capital lacks such data. Indeed, the analysis of PE returns, volatility and correlations is limited by the relatively short time series of the publicly available data, which are not fully representative of the market. Most of all, data does not fully capture the uncertainty of the asset class. Furthermore, as the standard performance measure used for PE funds, the internal rate of return (IRR), is capital-weighted, while for the public market

assets, it is traditionally time-weighted, an analysis of correlation between PE and other asset classes is not possible without significant adjustments and therefore induces potentially important biases.

The EIF uses a beta derived from the betas of three listed PE indexes, LPX Europe Price Index, LPX Venture Price Index and LPX Buyout Price Index in order to estimate the sensitivity of the valuation of EIF’s private equity investment to market prices. The regression has been done with the Dow Jones Euro Stoxx 50 over the last two years.

Using the most conservative beta from the three indices mentioned above and assuming market price movements of $\pm 10\%$, the final sensitivity (i.e. $\beta \times \pm 10\%$) is applied to the net asset value giving an adjusted net asset value, which is then compared to the net paid in.

Note V – Derivatives

The Group uses derivative instruments, mainly currency and interest rate swaps, as part of its asset and liability management activities to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions.

The majority of the Group’s swaps are concluded with a view to hedging specific bond issues. The Group enters into currency swaps, in which, at inception the proceeds of a borrowing are converted into a different currency, mainly as part of its resource-raising operations, and, thereafter, the Group will obtain the amounts needed to service the borrowing in the original currency. The amounts corresponding to these operations are booked as off-balance sheet items at the date of the transaction.

The Group also enters into currency, interest rate and overnight index swaps as part of its hedging operations on loans or for the global Assets and Liabilities Management (ALM) position. The corresponding interest is accounted for on a pro-rata temporis basis. The nominal amounts of these swaps are booked as off-balance sheet items at the date of the transaction.

The Group also enters into short-term currency swap contracts in order to adjust currency positions in its operational treasury in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursements.

The Group also enters into credit default swaps as part of its credit risk mitigation. The corresponding amounts are booked as off-balance sheet items at the date of the transaction.

Derivatives are contractual financial instruments, the value of which fluctuates according to trends in the underlying assets, interest rates, exchange rates or indices.

V.1. As part of funding and hedging activity

The Group uses derivatives mainly as part of its funding strategy in order to bring the characteristics of the funds raised, in terms of currencies and interest rates, into line with those of loans granted and also to reduce funding costs. It uses also long-term swaps to hedge certain treasury transactions and for ALM purposes.

Long-term derivatives transactions are not used for trading, but only in connexion with fund-raising and for the reduction of market risk exposure.

All interest rate and currency swaps linked to the borrowing portfolio have maturities matching the corresponding borrowings and are therefore of a long-term nature.

The derivatives most commonly used are:

- Currency swaps;
- Interest rate swaps;
- Options; and
- Futures.

V.1.1. Currency swaps

Currency swaps are contracts under which it is agreed to convert funds into another currency and, simultaneously, a forward exchange contract is concluded to re-exchange the two currencies in the future in order to be able to repay the funds raised on the due dates.

V.1.2. Interest rate swaps

Interest rate swaps are contracts under which, generally, it is agreed to exchange floating-rate interest for fixed-rate interest or vice versa.

Interest rate or currency swaps allow the Group to modify the interest rate and currency structure of its borrowing portfolio in order to accommodate requests from its clients and also to reduce funding costs by exchanging its advantageous access conditions to certain capital markets with its counterparties.

- Derivatives credit risk mitigation policy:

The credit risk with respect to derivatives lies in the loss which the Group would incur where a counterparty would be unable to honour its contractual obligations.

In view of the special nature and complexity of the derivatives transactions, a series of procedures has been put in place to safeguard the Group against losses arising out of the use of such instruments.

- Contractual framework:

All the Group's long-term derivatives transactions are concluded in the contractual framework of Master Swap Agreements and, where non-standard structures are covered, of Credit Support Annexes, which specify the conditions of exposure collateralisation. These are generally accepted and practised contract types.

- Counterparty selection:

The minimum rating at the outset is set at A1, but exceptionally certain counterparties rated A2/A3 have also been authorised, all their exposures being fully collateralised. The Group has the right of early termination if the rating drops below a certain level.

- Limits:

Limits have been set in terms of:

- Total net present value of derivatives exposure with a counterparty;
- Unsecured exposure to a counterparty; and
- Specific concentration limits expressed as nominal amount.

All limits are dynamically adapted to the credit quality of the counterparty.

- Monitoring:

The derivatives portfolio is regularly valued and compared against limits.

- Collateralisation:

- Derivatives exposure exceeding the limit for unsecured exposure is collateralised by cash and first-class bonds.
- Very complex and illiquid transactions require collateralisation over and above the current market value.
- Both the derivatives portfolio with individual counterparties and the collateral received are regularly valued, with a subsequent call for additional collateral or release.

The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional value. In the Group's case, where only mutually agreed derivatives are negotiated, the credit risk is evaluated on the basis of the 'current exposure' method recommended by the Bank for International Settlements (BIS). Hence, the credit risk is expressed in terms of the positive 'fair value' or replacement value of the contracts, increased by the potential risks, contingent on the duration and type of transaction, weighted by a coefficient linked to the category of counterparty (BIS II weighted risk).

The following tables show the maturities of currency swaps (excluding short-term currency swaps – see Note V.2), interest rate swaps (including credit default swaps) and asset swaps, sub-divided according to their notional amount and the associated credit risk. The notional amounts are disclosed off balance sheet.

Currency swaps at 31 December 2009 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2009
Notional amount	15 369	54 520	23 418	15 211	108 518
Fair value (i.e. net discounted value) ⁽¹⁾	- 1 344	- 2 158	- 765	467	- 3 800
Credit risk (BIS II weighted) ⁽²⁾	70	866	563	431	1 930

Currency swaps at 31 December 2008 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2008
Notional amount	7 460	47 737	20 976	14 281	90 454
Fair value (i.e. net discounted value) ⁽¹⁾	- 1 543	- 3 727	- 1 777	1 440	- 5 607
Credit risk (BIS II weighted) ⁽²⁾	19	739	439	603	1 800

⁽¹⁾ Including the fair value of macro-hedging currency swap which stood at EUR 35 million as at 31 December 2009 (2008: EUR 160 million).

⁽²⁾ At transaction level (netting not applied)

Interest rate swaps at 31 December 2009 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2009
Notional amount	30 053	135 875	63 223	87 425	316 576
Fair value (i.e. net discounted value) ⁽¹⁾⁽²⁾	764	4 862	2 006	1 914	9 546
Credit risk (BIS II weighted) ⁽³⁾	173	1 371	922	1 363	3 829

Interest rate swaps at 31 December 2008 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2008
Notional amount	29 874	114 048	64 746	67 686	276 354
Fair value (i.e. net discounted value) ⁽¹⁾⁽²⁾	384	3 749	3 246	3 608	10 987
Credit risk (BIS II weighted) ⁽³⁾	90	1 092	1 168	1 660	4 010

⁽¹⁾ The net discounted value of Credit Default Swaps (CDS) has been included with the rest of derivatives. However, these transactions have not been included in the BIS computations, since in the Basel Agreement BIS II, they are assimilated to guarantees and their capital charge is computed in the loan portfolio.

⁽²⁾ Including the fair value of macro-hedging interest rate swap which stood at EUR - 524 million as at 31 December 2009 (2008: EUR - 523 million).

⁽³⁾ At transaction level (netting not applied)

The Group does not generally enter into any options contracts in conjunction with its risk hedging policy. However, as part of its strategy of raising funds on the financial markets at a lesser cost, the Group enters into borrowing contracts encompassing notably interest rate or stock exchange index options. Such borrowings are entirely covered by swap contracts to hedge the corresponding market risk.

Below are the number and notional amounts of structured swaps:

	Option embedded		Stock exchange index		Special structure coupon or similar	
	2009	2008	2009	2008	2009	2008
Number of transactions	395	405	6	6	363	359
Notional amount (in EUR million)	13 598	15 678	843	843	21 346	22 241
Net discounted value (in EUR million)	132	238	- 10	- 59	380	- 485

The 'fair value' of 'plain vanilla' swap transactions is their market value. For structured deals, the 'fair value' is computed using the income approach, using valuation techniques to convert future amounts to a single present amount (discounted). The estimate of fair value is based on the value indicated by marketplace expectations about those future amounts. Internal estimates and assumptions might be used in the valuation techniques when the market inputs are not directly available.

All option contracts embedded in, or linked with, borrowings are negotiated over the counter. The structured deals include a variety of transactions dependent on interest rates, FX rates, inflation rates, stock indexes and IR volatilities.

Generally, there is a reduced credit risk on these swaps, because security exists in the form of regularly monitored collateral.

The collateral received for swaps amounts to EUR 8 557 million, with the following composition:

Moody's or equivalent rating	Swap collateral (in EUR million)					Cash	Total 2009
	Bonds				Secured bonds (Pfandbriefe)		
	Government	Supranational	Agency				
Aaa	2 219	0	0	0	0	0	2 219
Aa1 to Aa3	1 331	0	0	0	0	0	1 331
Below A1	1 267	0	0	0	0	0	1 267
Non-Rated	0	0	0	0	0	3 740	3 740
Total 2009	4 817	0	0	0	0	3 740	8 557

Moody's or equivalent rating	Swap collateral (in EUR million)					Cash	Total 2008
	Bonds				Secured bonds (Pfandbriefe)		
	Government	Supranational	Agency				
Aaa	2 160	0	0	0	0	0	2 160
Aa1 to Aa3	1 148	0	0	0	0	0	1 148
Below A1	116	0	0	0	0	0	116
Non-Rated	0	0	0	0	0	5 647	5 647
Total 2008	3 424	0	0	0	0	5 647	9 071

Ratings exposure table: the majority of the derivative portfolio is concentrated with counterparties rated A1 or above; however, during 2009, there has been a general deterioration of the ratings of the swap counterparties.

Grouped ratings	Percentage of nominal		Net Market Exposure (in EUR million)		CRE BISII swaps (in EUR million) ^(*)	
	2009	2008	2009	2008	2009	2008
Aaa	2.5%	2.9%	10	0	93	84
Aa1 to Aa3	60.7%	64.5%	589	406	8 027	7 403
A1	28.5%	23.1%	1	147	3 238	3 258
A2 to A3	7.8%	9.5%	0	37	2 046	2 720
Below A3	0.5%	0.0%	0	0	146	0
Non-rated	0%	0.0%	0	1	0	1
Total	100.0%	100.0%	600	591	13 550	13 466

^(*) At transaction level (netting not applied)

The Net Market Exposure is the net present value of a swap portfolio net of collateral, if positive (zero if negative). It represents a measure of the losses the Group could incur in case of default of the counterparty, after application of netting and using the collateral.

The BIS Credit Risk Equivalent is the sum of the Net Present Value of the swap plus an Add-On equal to the Notional Amount multiplied by a coefficient dependent on the structure of the swap and its maturity (according to the Basel Agreement), meant to cover potential future increases in exposures due to changing market conditions over the residual life of the swap.

V.1.4. Credit swaps

The Group also entered into one credit default swap contract for a nominal amount of EUR 197 million as at 31 December 2009 (2008: EUR 172 million) with a fair value of EUR 1.5 million (2008: EUR 9.8 million).

V.2. As part of liquidity management

The Group also enters into short-term currency swap contracts in order to adjust currency positions in its operational treasury portfolios in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursements.

The notional amount of short-term currency swaps stood at EUR 11 887 million at 31 December 2009 against EUR 16 062 million at 31 December 2008. The notional amount of short term currency forwards was EUR 252 million at 31 December 2009 (2008: EUR 234 million). The fair value of these contracts was EUR 255 million at 31 December 2009 (2008: EUR - 989 million).

Long-term futures are also used by the Group to adjust the medium-term (2-year) interest rate exposure of its treasury bond portfolios. The notional amount of long-term futures stood at EUR 335 million at 31 December 2009 (2008: EUR 394 million), with a fair value of EUR - 0.1 million (2008: EUR - 1.3 million).

Nominal amounts of EUR nil million (2008: EUR 5 472 million) of Forward Rate Agreements with a fair value of EUR nil million (2008: EUR 0.7 million) are outstanding as at 31 December 2009.

Note W – Conversion rates

The following conversion rates were used for establishing the balance sheets at 31 December 2009 and 31 December 2008:

	31.12.2009	31.12.2008
NON-EURO CURRENCIES OF EU MEMBER STATES		
Bulgarian leva (BGN)	1.9558	1.9560
Czech koruna (CZK)	26.473	26.875
Danish kroner (DKK)	7.4418	7.4506
Hungarian forint (HUF)	270.42	266.70
Polish zloty (PLN)	4.1045	4.1535
Pound sterling (GBP)	0.8881	0.9525
Romanian lei (RON)	4.2363	4.0225
Swedish kronor (SEK)	10.252	10.870
NON-EU CURRENCIES		
Australian dollar (AUD)	1.6008	2.0274
Canadian dollar (CAD)	1.5128	1.6998
Hong Kong dollar (HKD)	11.1709	10.7858
Japanese yen (JPY)	133.16	126.14
Kenyan shilling (KES)	108.43	109.14
Moroccan dirham (MAD)	11.290	11.229
Mexican peso (MXN)	18.9223	19.2333
New Zealand dollar (NZD)	1.980	2.419
Norwegian krone (NOK)	8.3000	9.7500
Russian ruble (RUB)	43.154	41.283
South African rand (ZAR)	10.6660	13.0667
Swiss franc (CHF)	1.4836	1.4850
Turkish lira (TRY)	2.1547	2.1488
United States dollar (USD)	1.4406	1.3917

Note X – Management of third-party funds

X.1. Guarantee Fund

The European Commission entrusted financial management of the Guarantee Fund to the EIB under an agreement signed between the two parties in November 1994.

X.2. Investment Facility – Cotonou

The Investment Facility, which is managed by the EIB, has been established within the framework of the Cotonou Agreement on cooperation and development of the African, Caribbean and Pacific Group of States and the European Union and its Member States on 23 June 2000. The EIB prepares separate financial statements for the Investment Facility.

X.3. FEMIP Trust Fund

The FEMIP Trust Fund, which is also managed by the EIB, was set up to enhance the existing activities of the EIB in the Mediterranean Partner Countries, with the support of a number of donor countries and with a view of directing resources to operations in certain priority sectors through the provision of technical assistance and risk capital. The EIB prepares separate financial statements for the FEMIP Trust Fund.

X.4. Risk-Sharing Finance Facility (the 'RSFF')

The RSFF has been established within the framework of the Co-operation Agreement, entered into force on the 5 June 2007, between the European Commission on behalf of the European Union and the European Investment Bank. The EIB is setting up the RSFF, an instrument aimed at fostering investment for Europe in research, technological development and demonstration, as well as innovation, in particular in the private sector. The EIB prepares separate financial statements for the RSFF.

X.5. Heavily Indebted Poor Countries ('HIPC') Initiative

The HIPC Initiative (the "Initiative") is an international debt relief mechanism that provides special assistance to the world's poorest countries. It was launched in 1996 following a proposal from the World Bank and the International Monetary Fund. The principal objective of the initiative is to reduce the debt burden of poor countries to sustainable. The EIB prepares separate financial statements for the HIPC Initiative.

X.6. EU-Africa Infrastructure Trust Fund (the 'Trust Fund')

The Trust Fund has been created within the framework of the Trust Fund Agreement between the European Commission on behalf of the European Union as Founding Donor and the European Investment Bank as Manager, also open to Member States of the European Union which subsequently accede to this agreement as Donors. On 9 February 2006, the European Commission and the EIB Group signed a Memorandum of Understanding (the 'MoU') to promote jointly the EU-Africa Infrastructure Partnership and, in particular, to establish a supporting EU-Africa Infrastructure Trust Fund. The EIB prepares separate financial statements for the Trust Fund.

X.7. FP7 Guarantee Fund

The European Commission entrusted financial management of the FP7 Guarantee Fund to the EIB under an agreement signed between the two parties in December 2007.

X.8. Neighbourhood Investment Facility ('NIF') Trust Fund

The NIF Trust Fund managed by the EIB was set up to achieve the strategic objective of the European Neighbourhood Partnership Instrument ('ENPI') through targeted funding aimed at strengthening infrastructure interconnection between the EU and its neighbours in the areas of Transport and Energy, at addressing common environmental concerns and at supporting other relevant activities. The EIB prepares separate financial statements for the NIF Trust Fund.

X.9. Loan Guarantee Instrument for Ten-T Projects (the 'LGTT')

The LGTT has been established within the framework of the Co-operation Agreement, entered into force on 11 January 2008 between the European Commission on behalf of the European Union and the EIB Group.

The Commission and the EIB are setting up the LGTT which aims at facilitating a greater private sector involvement in the financing of Trans-European transport networks infrastructure. The EIB prepares separate financial statements for the LGTT.

X.10. JASPERS

JASPERS (The Joint Assistance to Support Projects in European RegionS) is a major joint policy initiative of

the EIB, European Commission (Regional Policy Directorate-General - DG Regio) and the European Bank for Reconstruction and Development (EBRD).

X.11. JESSICA

JESSICA (The Joint European Support for Sustainable Investment in City Area) is an initiative developed by the European Commission and the EIB, in collaboration with the Council of Europe Development Bank (CEB).

Under new procedures, Member States are being given the option of using some of their EU grant funding to make repayable investments in projects forming part of an integrated plan for sustainable urban development. These investments are delivered to projects via Urban Development Funds or if required Holding Funds (JESSICA Holding Funds).

X.12. JEREMIE

JEREMIE (The Joint European Resources for Micro to Medium Enterprises) is an initiative of the European Commission's Directorate General for Regional Policy (DG Regio) and the EIB Group.

X.13. JASMINE

JASMINE (The Joint Action to Support Micro-finance Institutions in Europe) is a pilot initiative by the European Commission and the EIB Group for the development of Microfinance Institutions and Microcredit.

X.14. ELENA

ELENA (The European Local Energy Assistance) is a facility developed by the European Commission and the EIB to facilitate the mobilisation of funds for investments in sustainable energy at local level.

X.15. GEEREF

GEEREF (Global Energy Efficiency and Renewable Energy Fund) is a fund of funds set-up at the initiative of the European Commission. Its objective is to make investments in private equity funds that focus on the fields of renewable energy and energy efficiency in emerging markets (ACP, ALA and European Neighbour countries).

X.16. SMEG 2007

In the SMEG 2007 under the Competitiveness and Innovation Framework Programme (CIP/SMEG 2007), the EIF

is empowered to issue guarantees in its own name but on behalf and at the risk of the Commission.

X.17. GIF 2007

In the GIF 2007 under the Competitiveness and Innovation Framework Programme and the Technology Transfer Pilot Project (CIP/GIF 2007), the EIF is empowered to acquire, manage and dispose of investments, in its own name but on behalf and at the risk of the Commission.

X.18. Preparatory Action

The EIF is managing a European Commission facility, the Preparatory Action Facility (Preparatory Action) on behalf of the EIB Group. The facility is particularly targeting micro lending and will be used for grants to finance technical assistance to SMEs, which must be coupled with an EIF guarantee or an EIB global loan.

X.19. Guarantees

The EIF is empowered to issue guarantees in its own name but on behalf and at the risk of the European Union according to the Fiduciary and Management Agreement concluded with the European Union ('SME Guarantee Facility').

X.20. Fiduciary operations

Pursuant to Article 28 of its Statutes, the EIF acquires, manages and disposes of investments in venture capital enterprises, in its own name but on behalf and at the risk of the European Union, according to Fiduciary and Management Agreements concluded with the European Union ('ETF Start-up Facility') and High Growth and Innovative SME Facility ('GIF'), under two programs known as GIF1 and GIF2.

X.21. LfA-EIF Facility

LfA-EIF Facility, signed in 2009 is a joint EIF and LfA Förderbank Bayern venture providing investments to support technology-oriented early and expansion stage companies in the region of Bavaria, Germany.

X.22. Special Section

The Special Section was set up by the Board of Governors on 27 May 1963. Under a decision taken on 4 August 1977, its purpose was redefined as being that of recording financing operations carried out by the EIB for the account of and under mandate from third parties. It includes the FED, MED/FEMIP and Turkey mandates.

Statement of Special Section ⁽¹⁾

as at 31 December 2009 (in EUR '000)

AMOUNTS DISBURSED AND TO BE DISBURSED	31.12.2009	31.12.2008
Turkey		
From resources of Member States		
Disbursed loans outstanding	10 076	10 746
Total ⁽²⁾	10 076	10 746
Mediterranean Countries		
From resources of the European Union		
Disbursed loans outstanding	127 673	140 039
Risk capital operations		
- amounts to be disbursed	212 218	212 352
- amounts disbursed	195 709	203 739
	407 927	416 091
Total ⁽³⁾	535 600	556 130
African, Caribbean and Pacific State and Overseas Countries and Territories		
From resources of the European Union		
• Yaoundé Conventions		
Loans disbursed	14 686	16 299
Contributions to the formation of risk capital		
- amounts disbursed	419	419
Total ⁽⁴⁾	15 105	16 718
• Lomé Conventions		
Operations from risk capital resources:		
- amounts to be disbursed	39 099	75 148
- amounts disbursed	813 171	923 457
	852 270	998 605
Operations from other resources		
- amounts to be disbursed	0	7 274
- amounts disbursed	3 016	3 925
	3 016	11 199
Total ⁽⁵⁾	855 286	1 009 804
TOTAL	1 416 067	1 593 398

FUNDS RECEIVED AND TO BE RECEIVED	31.12.2009	31.12.2008
Funds under trust management		
Under mandate from the European Union		
- Financial Protocols with the Mediterranean Countries	323 383	343 778
- Yaoundé Conventions	15 105	16 718
- Lomé Conventions	813 171	923 457
- Other resources under the Lomé Conventions	3 016	3 925
	1 154 675	1 287 878
Under mandate from Member States	10 076	10 746
Total	1 164 751	1 298 624
Funds to be disbursed		
On loans and risk capital operations in the Mediterranean countries	212 218	212 352
On operations from risk capital resources under the Lomé Conventions	39 098	75 148
On operations from other resources under the Lomé Conventions	0	7 274
Total	251 316	294 774
TOTAL	1 416 067	1 593 398

For information:

Total amounts disbursed and not yet repaid on loans on special conditions made available by the Commission in respect of which the Bank has accepted an EU mandate for recovering principal and interest:

a) Under the First, Second and Third Lomé Conventions: at 31.12.2009: EUR '000 648 409 (at 31.12.2008: EUR '000 709 988)

b) Under Financial Protocols signed with the Mediterranean Countries: at 31.12.2009: EUR '000 103 000 (at 31.12.2008: EUR '000 109 396)

Note (1): The Special Section was set up by the Board of Governors on 27 May 1963. Under a decision taken on 4 August 1977, its purpose was redefined as being that of recording financing operations carried out by the European Investment Bank for the account of and under mandate from third parties. However, for the Investment Facility under the Cotonou Agreement, the EU-Africa Infrastructure Trust Fund, the Neighbourhood Investment Facility (NIF) Trust Fund and the FEMIP Trust Fund, separate financial statements are presented. In addition, since 2005, the EIB also prepares financial statements of different types for other mandates.

The Statement of Special Section reflects amounts disbursed or to be disbursed less cancellations and repayments, under mandate from the European Union and the Member States. Amounts disbursed and to be disbursed and funds received and to be received are carried at nominal value. No account is taken in the Statement of Special Section of provisions or value adjustments, which may be required to cover risks associated with such operations. Amounts in foreign currency are translated at exchange rates prevailing on 31 December.

Note (2): Initial amount of contracts signed for financing projects in Turkey under mandate, for the account and at the risk of Member States.

Initial amount:			405 899
add:	exchange adjustments		19 876
less:	cancellations	215	
	repayments	415 484	
			- 415 699
			10 076

Note (3): Initial amount of contracts signed for financing projects in the Maghreb and Mashreq countries, Malta, Cyprus, Turkey and Greece (EUR 10 million lent prior to accession to the EC on 1 January 1981) under mandate, for the account and at the risk of the European Union.

Initial amount:			925 007
less:	exchange adjustments	13 551	
	cancellations	83 345	
	repayments	292 511	
			- 389 407
			535 600

Note (4): Initial amount of contracts signed for financing projects in the Associated African States, Madagascar and Mauritius and the Overseas Countries, Territories and Departments (AASMM-OCTD) under mandate, for the account and at the risk of the European Union:

Loans on special conditions		139 483	
Contributions to the formation of risk capital		2 503	
Initial amount:			141 986
add:	capitalised interests	1 178	
	exchange adjustments	9 839	
			11 017
less:	cancellations	1 758	
	repayments	136 140	
			- 137 898
			15 105

Note (5): Initial amount of contracts signed for financing projects in the African, Caribbean and Pacific States and the Overseas Countries and Territories (ACP-OCT) under mandate, for the account and at the risk of the European Union:

Loans from risk capital resources:			
Conditional and subordinated loans		3 116 097	
equity participations		120 984	
Initial amount:			3 237 081
add:	capitalised interests		8 099
less:	cancellations	654 044	
	repayments	1 679 484	
	exchange adjustments	59 382	
			- 2 392 910
			852 270
Loans from other resources:			
Initial amount:			16 500
less:	cancellations	8 493	
	repayments	4 857	
	exchange adjustments	134	
			- 13 484
			3 016
			855 286

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying consolidated financial statements of the EUROPEAN INVESTMENT BANK, which comprise the consolidated balance sheet as at 31 December 2009, the consolidated profit and loss account and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the general principles of Directive 86/635/EEC of the Council of the European Communities of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions and insurance undertakings, as amended by Directive 2001/65/EC of 27 September 2001, by Directive 2003/51/EC of 18 June 2003 and by Directive 2006/46/EC of 14 June 2006 (the 'Directives'). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan

and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the EUROPEAN INVESTMENT BANK as of 31 December 2009, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the general principles of the Directives.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises

Emmanuel Dollé

Statement by the Audit Committee

The Audit Committee reports to the Board of Governors, the following statement being communicated to the Governors prior to their approval of the Annual Report and the financial statements for the past financial year.

Statement by the Audit Committee on the EIB consolidated financial statements prepared in accordance with the general principles of the EU Directives

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the consolidated financial statements of the European Investment Bank, prepared in accordance with the general principles of the EU Directives, for the year ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, met regularly the Head of Internal Audit and discussed the relevant internal audit reports, and studied the documents

which it deemed necessary to examine in the discharge of its duties,

- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the consolidated financial statements for the financial year ending on 31 December 2009 as drawn up by the Board of Directors at its meeting on 11 March 2010;
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 & 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

confirms that the consolidated financial statements, comprising the consolidated balance sheet, the consolidated profit and loss account and the consolidated cash flow statement and a summary of significant accounting policies and other explanatory notes give a true and fair view of the consolidated financial position of the Bank as at 31 December 2009 in respect of its assets and liabilities, and of the consolidated results of its operations and its consolidated cash flows for the year then ended, in accordance with the general principles of the EU Directives.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



G. SMYTH



E. MATHAY



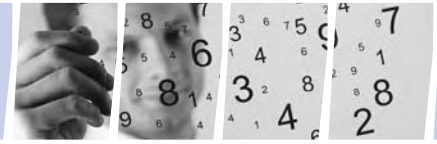
J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



EIB Group

Financial Statements under IFRS

as at 31 December 2009

Consolidated Results for the Year

The EIB Group balance sheet total increased by EUR 34 billion (+10%) compared to 2008. The result of the Group for the reporting date stands at a negative EUR - 2 281 million compared to an ordinary consolidated result of EUR 6 356 million for 2008, representing a decrease of EUR 8 637 million.

The main contributing factor influencing the consolidated financial statements is the result on financial operations, which mainly comprises the net results on derivatives, loans and borrowings, with application of the fair value option under IAS 39; it decreased by EUR 8 708 million (item 6 of the Consolidated Income Statement under IFRS). The major impact is the decrease related to borrowings designated at fair value and their related swaps for EUR 8 579 million.

As it is the intention of the Group to hold the financial instruments involved until maturity, it is expected that this accounting negative result will be completely neutralised when the cash flows of the bonds and the hedging swaps are unwound. It should be noted that the opposite phenomenon was observed last year. Indeed, the IFRS accounting impact was an accounting profit in 2008 and an accounting negative result in 2007. Since the introduction of the FVO in 2005, the IFRS results have actually fluctuated each year, alternating between being higher or lower than the statutory results.

Other positive or negative factors are the following:

Positive impacts:

- The net result of interest and similar income and charges stands at EUR 2 270 million in 2009, i.e. an increase of EUR 157 million (items 1 and 2 of the Income Statement).
- The impairment losses on shares and other variable-yield securities resulted in a negative of EUR - 105 million, compared to larger losses of EUR - 199 million in 2008, being a positive variation of EUR 94 million.

Negative impacts:

- The change in impairment on loans and advances, together with the movements in the specific provision for credit risk, resulted in a loss of EUR - 149 million, compared to a loss of EUR - 2 million in 2008, being a negative variation of EUR - 147 million.
- General administrative expenses and depreciation increased by EUR + 49 million.

Consolidated balance sheet

as at 31 December 2009 (in EUR '000)

Assets	31.12.2009	31.12.2008
1. Cash in hand, balances with central banks and post office banks (Note B.1)	227 227	76
2. Treasury bills and other bills eligible for refinancing with central banks (Note B.2)	4 146 585	2 309 070
3. Loans and advances to credit institutions		
a) repayable on demand	367 694	275 915
b) other loans and advances (Note C)	19 115 981	21 745 356
c) loans (Note D.1)	117 560 917	116 216 197
	137 044 592	138 237 468
4. Loans and advances to customers		
a) loans (Note D.1)	203 106 638	175 668 894
b) Impairment on loans and advances, net of reversals (Note D.2)	- 106 300	- 17 500
	203 000 338	175 651 394
5. Debt securities including fixed-income securities (Note B.2)		
a) issued by public bodies	1 985 302	108 315
b) issued by other borrowers	16 450 994	10 829 095
	18 436 296	10 937 410
6. Shares and other variable-yield securities (Note B.3)	2 017 903	1 983 238
7. Derivative assets (Note R)	20 868 332	21 861 679
8. Property, furniture and equipment (Note E)	307 319	316 184
9. Intangible assets (Note E)	4 817	4 316
10. Other assets (Note G)	106 914	159 955
11. Assets held for sale (Note E)	3 373	3 373
12. Subscribed capital and reserves, called but not paid (Note W.2)	107 637	458 925
13. Prepayments	35 479	37 471
Total Assets	386 306 812	351 960 559

The accompanying notes form an integral part of these consolidated financial statements.

Liabilities	31.12.2009	31.12.2008
1. Amounts owed to credit institutions (Note H)		
a) with agreed maturity dates or periods of notice	4 480 561	5 779 876
	4 480 561	5 779 876
2. Amounts owed to customers (Note H)		
a) repayable on demand	1 256 333	1 201 858
b) with agreed maturity dates or periods of notice	1 106 828	179 477
	2 363 161	1 381 335
3. Debts evidenced by certificates (Note I)		
a) debt securities in issue	303 978 963	268 938 893
b) others	19 869 005	15 562 052
	323 847 968	284 500 945
4. Derivative liabilities (Note R)	14 866 773	17 473 719
5. Other liabilities (Note G)		
a) sundry creditors	667 317	691 121
b) sundry liabilities	45 986	43 123
	713 303	734 244
6. Deferred income (Note F)	177 228	171 155
7. Provisions		
a) pension plans and health insurance scheme (Note J)	1 242 292	1 122 800
b) provisions for guarantees	70 412	8 984
	1 312 704	1 131 784
Total Liabilities	347 761 698	311 173 058
1. Capital (Note W)		
- Subscribed	232 392 989	164 808 169
- Uncalled	- 220 773 340	- 156 567 760
	11 619 649	8 240 409
2. Consolidated reserves		
a) reserve fund	18 205 506	16 480 817
b) additional reserves	5 777 469	5 196 255
c) funds allocated to structured finance facility	0	2 750 000
d) funds allocated to venture capital operations	0	1 764 305
e) special activities reserve	3 299 370	0
f) general loan reserve	1 923 734	0
	29 206 079	26 191 377
3. Loss/Profit for the financial year (Note K)	- 2 280 614	6 355 715
Total Equity	38 545 114	40 787 501
Total Liabilities & Equity	386 306 812	351 960 559

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated income statement

for the year ended 31 December 2009 (in EUR '000)

	2009	2008 (Re-presented)
1. Interest and similar income (Note L)	16 539 390	14 981 759
2. Interest expense and similar charges (Note L)	- 14 269 346	- 12 868 295
3. Income from shares and other variable-yield securities	8 930	35 025
4. Fee and commission income (Note O)	207 005	168 234
5. Fee and commission expense (Note O)	- 117	- 125
6. Result on financial operations (Note M)	- 4 048 359	4 659 704
7. Other operating income (Note N)	10 759	6 051
8. Change in impairment on loans and advances and provisions for guarantees, net of reversals (Notes D.2, D.4)	- 149 099	- 2 375
9. Change in impairment on shares and other variable-yield securities, net of reversals (Note B.3)	- 104 599	- 198 806
10. General administrative expenses (Notes J, P)	- 446 496	- 397 138
a) staff costs (Note J)	- 328 696	- 289 475
b) other administrative costs	- 117 800	- 107 663
11. Depreciation and amortisation: property, furniture and equipment and intangible assets (Note E)	- 28 682	- 28 319
a) property, furniture and equipment	- 26 386	- 26 465
b) intangible assets	- 2 296	- 1 854
12. Loss/Profit for the financial year (Note K)	- 2 280 614	6 355 715
Attributable to: Equity holders of the Bank	- 2 280 614	6 355 715

Consolidated statement of comprehensive income

for the year ended 31 December 2009 (in EUR '000)

	2009	2008
Loss/Profit for the financial year	- 2 280 614	6 355 715
Other comprehensive income / loss		
Available for sale financial assets – Fair Value reserve		
1. Net unrealised gains and losses on financial asset available for sale	- 51 162	- 209 005
2. Impairment charges transferred to the consolidated income statement	40 149	64 725
3. Realised gains and losses transferred to the consolidated income statement	43 778	3 516
Total available for sale financial assets	32 765	- 140 764
Total other comprehensive income / loss	32 765	- 140 764
Total comprehensive income / loss for the financial year	- 2 247 849	6 214 951
Attributable to:		
Equity holders of the Bank	- 2 247 849	6 214 951

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2009 (in EUR '000)

	Subscribed capital	Callable capital	Funds allocated to structured finance facility	Funds allocated to venture capital operations	Reserve fund	Special activities reserve	General loan reserve	Additional reserves Other	Fair value reserve	Profit/loss for the year before appropriation	Total consolidated own funds
At 31 December 2007	164 808 169	- 156 567 760	1 250 000	1 690 940	16 480 817	0	0	5 418 801	648 377	843 206	34 572 550
Appropriation of prior year's profit	0	0	1 500 000	0	0	0	0	- 656 794	0	- 843 206	0
Total comprehensive income / loss for the year	0	0	0	0	0	0	0	0	- 140 764	6 355 715	6 214 951
Transfer from additional reserves	0	0	0	73 365	0	0	0	- 73 365	0	0	0
Changes in ownership interests in subsidiaries that do not result in a loss of control	0	0	0	0	0	0	0	0	0	0	0
At 31 December 2008	164 808 169	- 156 567 760	2 750 000	1 764 305	16 480 817	0	0	4 688 642	507 613	6 355 715	40 787 501
Appropriation of prior year's profit	0	0	0	0	1 650 877	0	0	4 704 838	0	- 6 355 715	0
Total comprehensive income / loss for the year	0	0	0	0	0	0	0	0	32 765	- 2 280 614	- 2 247 849
Transfer to Reserve fund (*)	0	0	0	- 147 177	147 177	0	0	0	0	0	0
Contributions by and distributions to owners and transfer from reserves	67 584 820	- 64 205 580	2 000 000	0	- 73 365	0	0	- 5 305 875	0	0	0
Changes in ownership interests in subsidiaries that do not result in a loss of control	0	0	0	0	0	0	0	5 462	0	0	5 462
Transfer to special activities reserve and general loan reserve	0	0	- 4 750 000	- 1 617 128	0	3 299 370	1 923 734	1 144 024	0	0	0
At 31 December 2009	232 392 989	- 220 773 340	0	0	18 205 506	3 299 370	1 923 734	5 237 091	540 378	- 2 280 614	38 545 114

(*) An amount of EUR 000 147 177 resulting from the impairment on venture capital operations has been transferred to the Additional reserves from the Funds allocated to venture capital operations.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009 (in EUR '000)

	2009	2008
A. Cash flows from operating activities:		
Loss/Profit for the financial year	-2 280 614	6 355 715
Adjustments for:		
Changes in impairment on loans and advances, net of reversals	88 800	- 18 219
Net increase in provisions for pension plans and health insurance scheme	119 492	84 255
Unwinding of the discount relating to capital and reserve called, but not paid in	- 4 763	- 28 245
Increase in provision for guarantees	60 299	5 127
Depreciation/amortisation on property, furniture and equipment and intangible assets	28 682	28 319
Changes in impairment of shares and other variable-yield securities	104 599	198 806
Investment portfolio amortisation and accrued interest	38 065	- 9 905
Net results on loans and associated swaps under the fair value option	1 834 019	- 147 196
Net results on borrowings and associated swaps under the fair value option	- 1 328 392	53 831
Changes in fair value of derivatives	1 679 479	- 3 464 428
Effects of exchange rate changes	213 974	- 407 775
Disbursements of loans and advances to credit institutions and customers	- 51 895 204	- 47 423 453
Repayments of loans and advances to credit institutions and customers	23 200 287	19 765 944
Increase/Decrease in Available for sale and trading debt securities	- 1 623 628	628 001
Increase in Available for sale venture capital operations	- 148 590	- 85 412
Increase in Available for sale shares and other variable-yield securities	- 53 806	- 53 535
Decrease/Increase in amounts owed to credit institutions and customers	- 317 489	5 934 482
Decrease/Increase in interest accrued on cash and cash equivalents	23 217	36 742
Decrease/Increase in prepayments and accrued income	1 992	- 6 813
Decrease/Increase in other assets	52 853	- 14 510
Increase/Decrease in accruals and deferred income	6 073	- 16 535
Decrease/Increase in other liabilities	- 20 941	69 640
Net cash used in operating activities	- 30 221 596	- 18 515 164
B. Cash flows from investing activities:		
Held to maturity debt securities matured during the year	301 440	311 577
Increase in asset backed securities	- 2 442 526	- 1 057 345
Increase in property, furniture and equipment and intangible assets	- 20 130	- 59 127
Increase in assets held for sale	0	- 3 373
Net cash used in investing activities	- 2 161 216	- 808 268
C. Cash flows from financing activities:		
Issue of borrowings	79 122 016	58 002 563
Redemption of borrowings	- 33 010 200	- 39 727 853
Paid in by Member States	358 659	630 823
Decrease/Increase in commercial paper	- 10 647 642	5 987 392
Net cash from financing activities	35 822 833	24 892 925

Summary statement of cash flows:

Cash and cash equivalents at beginning of financial year	24 100 435	18 256 470
Net cash from:		
(1) operating activities	- 30 221 596	- 18 515 164
(2) investing activities	- 2 161 216	- 808 268
(3) financing activities	35 822 833	24 892 925
(4) effects of exchange rate changes on cash held	- 201 307	274 472
Cash and cash equivalents at end of financial year	27 339 149	24 100 435
Cash and cash equivalents are composed of:		
Cash in hand, balances with central banks and post office banks	227 227	76
Bills maturing within three months of issue	7 638 941	2 111 572
Loans and advances to credit institutions:		
- Accounts repayable on demand	367 694	275 915
- Term deposit accounts (excluding accrued interest)	19 105 287	21 712 872
	27 339 149	24 100 435
Supplementary disclosures of operating cash flows:	2009	2008
Interest received	16 420	14 406
Dividends received	7 862	34 740
Interest paid	- 1 911	- 809

The accompanying notes form an integral part of these consolidated financial statements.

European Investment Bank Group

Notes to the consolidated financial statements

as at and for the year ended 31 December 2009

The European Investment Bank (the 'Bank' or 'EIB') was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union ("EU"). The Bank has its registered office at 100, boulevard Konrad Adenauer, Luxembourg. The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB raises substantial volumes of funds on the capital markets which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activity to developments in EU policies.

The European Investment Fund (hereafter the "Fund" or "EIF") was incorporated on 14 June 1994, in Luxembourg, as an international financial institution. The address of its registered office is 96, boulevard Konrad Adenauer, L-2968 Luxembourg.

The primary task of the Fund, while providing adequate return on equity, is to contribute to the pursuit of European Union objectives through:

- the provision of guarantees to financial institutions that cover credits to small and medium sized entities ("SME");
- the acquisition, holding, managing and disposal of equity participations;
- the administration of special resources entrusted by third parties; and
- related activities.

The Bank holds 62.11 % (2008: 63.60%) of the subscribed capital of the EIF. The Bank and the Fund are defined together as the "Group".

Note A – Significant accounting policies

A.1. Basis of preparation

A1.1 Statement of compliance

The European Investment Bank consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union.

On a proposal from the Management Committee, the Board of Directors adopted the Financial Statements on 11 March 2010 and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

A1.2 Basis of measurement

The Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets and assets and liabilities designated at fair value through profit and loss that have been measured at fair value. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses. The Financial Statements are presented in euro rounded to the nearest thousand, unless otherwise indicated.

A.2. Significant accounting judgements and estimates

In preparing the Financial Statements, the Management Committee is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Financial Statements.

The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on loans and advances

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and advances, the Group also makes a collective

impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arms length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. The Group treats “significant” generally as 30% or more and “prolonged” greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Pension and other post employment benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

A.3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

IAS 1R – Presentation of Financial Statements

This revised standard requires the separate presentation of changes in equity arising from transactions with owners in their capacity as owners from non-owner changes in equity. The revised standard also requires separate disclosure of other comprehensive income. The Group has chosen to present all items of income and expense recognised in the year in two statements: a separate income statement and a statement of comprehensive income. Comparative information has been re-presented to conform with the revised standard.

IFRS 7 — Financial Instruments: Disclosures

The Group has applied the amendments to IFRS 7, issued in March 2009, which expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between level 1 and level 2 of the fair value hierarchy be disclosed separately. Furthermore, changes in valuation techniques from one period to another, including reasons therefore, are required to be disclosed for each class of financial instruments.

Further, liquidity risk has now been defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount for the guarantee to be disclosed in the earliest period in which the guarantee could be called.

The revised disclosures are included in notes Q, R and S.

IFRS 8 — Operating Segments

This standard requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. This standard has been applied with effect from 1 January 2009. The Group has

applied this standard retroactively to all periods presented in these Financial Statements.

IAS 23 — Amendment – Borrowing costs

This standard is to be applied for annual periods beginning on or after 1 January 2009. This amendment eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Accordingly, borrowing costs are capitalised on qualifying assets with a commencement date after 1 January 2009. The adoption of this standard has no impact on the reported financial position or performance of the Group.

IAS 32 – Financial instruments: Presentation and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IFRIC 9 – Reassessment of Embedded Derivatives

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

Standards issued but not yet effective:

The following IFRS and IFRIC interpretations were issued with an effective date for financial periods beginning on or after 1 January 2010. The Group has chosen not to early adopt these standards and interpretations before their effective dates.

IAS 27R – Consolidated Financial Statements

This standard is applicable for annual periods beginning on or after 1 July 2009 and must be adopted simultaneously with the adoption of IFRS 3R. The revised IAS 27 will require entities to account for changes in the ownership of a subsidiary, which do not result in the loss of control, as an equity transaction and therefore will not give rise to a gain or loss in income. In addition losses incurred by a subsidiary will be required to be allocated between the controlling and non-controlling interests, even if the losses exceed the non-controlling equity

investment in the subsidiary. Finally on loss of control of a subsidiary, entities will be required to re-measure to fair value any retained interest, which will impact the gain or loss recognised on the disposal linked to the loss of control. The Group plans to adopt this revised standard at its effective date or at the date of endorsement by the European Union, if later and does not anticipate any significant impacts on its financial statements.

IAS 39 – Financial Instruments – Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRS 3 – Business Combinations

The revised standard is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. The Group plans to adopt this revised standard at its effective date and does not anticipate any significant impacts on its financial statements.

IFRS 9 – Financial instruments

This standard is the first step in a three part project by the IASB to replace IAS 39 Financial instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The standard is effective for financial years beginning on or after 1 January 2013, although it may be early adopted. The Group is in the process of analysing the impact of this standard on its operations as well as the date at which it plans to adopt the standard. The date of the adoption of this standard by the Group will also be dependent on the timing of the EU endorsement process.

A.4 Summary of significant accounting policies

A.4.1. Basis of consolidation

The Financial Statements comprise those of the European Investment Bank (the “Bank” or the “EIB”) and those of its subsidiary, the European Investment Fund (the “Fund” or the “EIF”). The financial statements of the Fund are

prepared for the same reporting year as the Bank, using consistent accounting policies.

The Bank holds 62.11% (2008: 63.60%) of the subscribed capital of the EIF and therefore has applied the principles pronounced by IAS 27 in preparing consolidated financial statements. Hence, the Group consolidates the financial statements of the EIB and the EIF line by line by adding together like items of assets, liabilities, equity, income and expenses.

After aggregation of the balance sheets and income statements, all intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and is presented under "*Interest expense and similar charges*" in the consolidated income statement and under "*Other liabilities - b) sundry creditors*" (Note A.4.21) in the consolidated balance sheet.

Assets held in an agency or fiduciary capacity are not assets of the Group. They are reported in Note V. The Group does not hold any Special Purpose Entities.

A.4.2. Foreign currency translation

The Financial Statements are presented in euro (EUR), as the functional currency of the Bank and the unit of measure for the capital accounts of the Member States.

The Group conducts its operations in euro, in the other currencies of the Member States and in non-EU currencies.

Its resources are derived from its capital, borrowings and accumulated earnings in various currencies and are held, invested or lent in the same currencies.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in euro are translated into euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement or within the equity reserves.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the consolidated income statement.

A.4.3. Derivatives

All derivative instruments of the Group are measured at fair value through profit or loss and are reported as derivative assets and liabilities. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, which consider current market and contractual prices for the underlying instrument, as well as time value of money, yield curve and volatility of the underlying.

The Group uses derivative instruments mainly for hedging market exposure on borrowings and lending transactions, and also as part of its asset and liability management activities to manage exposures to interest rate and foreign currency risk, including exposures arising from forecast transactions. The Group applies the amended Fair Value Option of IAS 39 when balance sheet items, together with one or more derivative transactions meet the eligibility criteria of the amended Fair Value Option, more in particular when a significant reduction of the accounting mismatch is thus obtained.

The Group currently does not use any of the hedge accounting possibilities available under IAS 39.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "*Result on financial operations*".

The majority of the Group's swaps are concluded with a view to hedging specific bond issues. The Group enters into currency swaps, in which, at inception, the proceeds of a borrowing are converted into a different currency, mainly as part of its resource-raising operations and, thereafter, the Group will obtain the amounts needed to service the borrowing in the original currency.

Macro-hedging swaps used as part of asset/liability management are marked to market (fair value) using internal valuation models. In general, derivative instruments transacted as economic hedges are treated in the same way as derivative instruments used for trading purposes, i.e. realised and unrealised gains and losses are recognised in "*Result on financial operations*". Accrued interest on derivatives is part of the fair value recorded.

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and arise predominantly from the issuance of certain structured debt instruments. If the host contract is not carried at fair value with changes in fair value reported in the

consolidated income statement, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative instrument at fair value if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the embedded derivative actually meets the definition of a derivative.

A.4.4. Financial instruments

Financial instruments are accounted for using the trade date basis.

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 – Financial Instruments: Disclosures, for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

A.4.5. Cash and cash equivalents

The Group defines cash and cash equivalents as short-term, highly liquid securities and interest-earning deposits with original maturities of 90 days or less.

A.4.6. Fee income

The Group earns fee income from a diverse range of services it provides to its customers. Fee income can be divided into two broad categories:

- income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and
- income earned from providing transaction-type services.

Fees earned from services that are provided over a certain period of time are recognised on an accrual basis over the service period. Fees earned from providing transaction-type services are recognised when the service has been completed. Fees or components of fees that are performance linked are recognised when the performance criteria are fulfilled. Issuance fees and redemption premiums or discounts are amortised over the period to maturity of the related borrowings, unless those borrowings are measured at fair value, in which case the recognition in the consolidated income statement is immediate.

A.4.7. Securities lending

In April 2003, the Group signed an agreement for securities lending with Northern Trust Global Investment acting as an agent to lend securities from the Investment Portfolio, B1 'Credit Spread' portfolio, B3 'Global Fixed Income' portfolio and the EIF operational portfolio.

Securities received as collateral under securities lending transactions are not recognised in the consolidated balance sheet unless control of the contractual rights that comprise these securities received is gained. Securities lent under securities lending transactions are not derecognised from the consolidated balance sheet unless control of the contractual rights that comprise these securities transferred is relinquished. The Group monitors the market value of the securities lent on a daily basis and requests additional collateral in accordance with the underlying agreement.

Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

A.4.8. Treasury bills and other bills eligible for refinancing with central banks and debt securities including fixed-income securities and shares and other variable-yield securities

With a view to clarifying management of its liquid assets and consolidating its solvency, the Group has established the following portfolio categories:

A.4.8.1. Held for trading portfolio

The held for trading portfolio (see Operational portfolios B3 and B4 in Note B.2) comprises listed debt securities issued and guaranteed by financial establishments. The debt securities are owned by the Group ("long" positions). Securities held in this portfolio are marked to market in the consolidated balance sheet, any gain or loss arising from a change in fair value being included in the consolidated income statement in the period in which it arises.

Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value of trading portfolio assets are reported as Net trading income in the account "*Result on financial operations*". Interest income on trading portfolio assets is included in "*Interest and similar income*".

The determination of fair values of trading portfolio assets is based on quoted market prices in active markets or dealer price quotations, pricing models (using assumptions based on market and economic conditions), or management's estimates, as applicable.

A.4.8.2. Held-to-maturity portfolio

The held-to-maturity portfolio comprises the Group's Investment portfolio, the operational money market portfolio A1 of EIB and the Asset backed securities portfolio (see Note B.2).

The Investment portfolio consists of securities purchased with the intention of holding them to maturity. These securities are issued or guaranteed by:

- Governments of the European Union, G10 countries and their agencies;
- Supranational public institutions, including multinational development banks.

These securities are initially recorded at the purchase price, or more exceptionally the transfer price. The difference between entry price and redemption value is amortised *prorata temporis* over the remaining life of the securities.

The Group has decided to phase out the investment portfolio of the Bank, by ceasing to invest the redemption proceeds of matured securities in the portfolio.

The Operational portfolio A1 of the Group are held for the purpose of maintaining an adequate level of liquidity in the Group and comprise money market products with a maximum maturity of twelve months, in particular, treasury bills and negotiable debt securities issued by credit institutions. The securities are held until their final maturity and presented in the Financial Statements at their amortised cost.

The Asset backed securities portfolio mainly consists of obligations in the form of bonds, notes or certificates issued by a Special Purpose Vehicle (SPV) or a trust vehicle. These securities are classified as held-to-maturity and recorded at amortised cost.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Impairment loss is recognised in the profit and loss and the amount of the loss is measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

A.4.8.3. Available-for-sale portfolio

The available-for-sale portfolio comprises the securities and money market funds of the operational money market portfolio A2 and the securities of the operational bond portfolios B1 and B2 (see Note B.2), the operational portfolio of the Fund, shares and other variable-yield securities (see Note B.3). Securities are classified as available-for-sale where they do not appropriately belong to one of the other categories of financial instruments recognised under IAS 39, i.e. "held for trading" or "held-to-maturity". The Management Committee determines

the appropriate classification of its investments at the time of the constitution of a portfolio. Financial instruments within one portfolio have always the same classification. Available-for-sale financial investments may be sold in response to or in anticipation of needs for liquidity or changes in interest rates, credit quality, foreign exchange rates or equity prices.

Available-for-sale financial investments are carried at fair value. They are initially recorded at fair value plus transaction costs. Unrealised gains or losses are reported in comprehensive income and accumulated in the fair value reserve until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in the fair value reserve is included in consolidated income statement for the period. A financial investment is considered impaired if its carrying value exceeds the recoverable amount. Quoted financial investments are considered impaired if the decline in market price below cost is of such a magnitude that recovery of the cost value cannot be reasonably expected within the foreseeable future. For non-quoted equity investments, the recoverable amount is determined by applying recognised valuation techniques.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Group has transferred substantially all risks and rewards of ownership. On disposal of an available-for-sale investment, the accumulated unrealised gain or loss included in the fair value reserve is transferred to consolidated income statement for the period. Gains and losses on disposal are determined using the average cost method. Interest and dividend income on available-for-sale financial investments are included in "Interest and similar income" and "Income from shares and other variable-yield securities". Interest on available-for-sale debt securities and other fixed income securities is recognised in the income statement using the effective interest method. Dividends on equity investments are recognised in the income statement when the Group's right to receive payment is established.

The determination of fair values of available-for-sale financial investments is based on quoted market rates in active markets, dealer price quotations, discounted expected cash flows using market rates that commensurate with the credit quality and maturity of the investment or based upon review of the investee's financial results, condition and prospects including comparisons to similar companies for which quoted market prices are available.

Venture capital operations held represent medium and long-term investments. They are measured at fair value, which is determined by applying the aggregated Net Asset Value (NAV) method. This valuation method implicitly assumes that if the NAVs of underlying funds can be considered as equivalent to the fair value as determined under IAS 39, then the aggregation of the NAVs

of all funds will itself be equivalent to the fair value as determined under IAS 39. If IAS 39 rules have not been followed, other guidelines might be acceptable (for example the international private equity and venture capital valuation guidelines, IPEV Guidelines, as published by the EVCA) and more detailed monitoring and review will be required. In accordance with this method, the venture capital funds are classified into three categories:

- Category I – funds that have adopted the fair value requirements of IAS 39 or IPEV Guidelines for which a specific review is performed to ensure that the NAV is a reliable estimate of fair value.
- Category II – funds that have adopted other valuation guidelines (such as the former 2001 EVCA) or standards that can be considered as in line with IAS 39 a specific review is performed to ensure that the NAV is a reliable estimate of fair value.
- Category III – funds that have not adopted the fair value requirements of IAS 39 or any other valuation guidelines in line with IAS 39.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in equity. In contrast, if in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement.

A.4.9. Loans and advances to credit institutions and customers

Loans and advances to credit institutions and customers (or “Loans and receivables”) include loans where money is provided directly to the borrower. A participation in a loan from another lender is considered to be originated by the Group, provided it is funded on the date the loan is originated by the lender.

Loans and receivables are recognised in the assets of the Group when cash is advanced to borrowers. They are initially recorded at cost (their net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Undisbursed parts of loans are recorded in the memorandum items at their nominal value and are only recognised if impaired.

Where loans meet the eligibility criteria of the amended Fair Value Option and have been designated as at Fair Value through Profit and Loss, they are measured at their fair value. The fair value measurement technique used is based on a discounted cash flow technique. Loans designated at fair value are recorded at fair value in the balance sheet. Changes in fair value are recorded in “*Results on financial operations*”.

A.4.9.1. Interest on loans

Interest on loans originated by the Group is recorded in the consolidated income statement under “*Interest and similar income*” using the effective interest rate method and on the consolidated balance sheet under “*Loans and advances*”.

A.4.9.2. Reverse repurchase and repurchase operations (reverse repos and repos)

A reverse repurchase (repurchase) operation is one under which the Group lends (borrows) liquid funds to (from) a credit institution which provides (receives) collateral in the form of securities. The two parties enter into an irrevocable commitment to complete the operation on a date and at a price fixed at the outset.

The operation is based on the principle of delivery against payment: the borrower (lender) of the liquid funds transfers the securities to the Group’s (counterparty’s) custodian in exchange for settlement at the agreed price, which generates a return (cost) for the Group linked to the money market.

This type of operation is considered for the purposes of the Group to be a loan (borrowing) at a guaranteed rate of interest. Generally treated as collateralised financing transactions, they are carried at the amounts of cash advanced or received, plus accrued interest and are entered on the assets side of the consolidated balance sheet under “*Loans and advances to credit institutions - b) other loans and advances*” or on the liabilities side of the consolidated balance sheet under “*Amounts owed to credit institutions - a) with agreed maturity dates or periods of notice*”.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised in the consolidated balance sheet or derecognised from the consolidated balance sheet, unless control of the contractual rights that comprise these securities is relinquished. The Group monitors the

market value of the securities received or delivered on a daily basis, and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense, over the life of each agreement.

A.4.9.3. Fees on loans

Front-end fees and commitment fees are deferred, together with the related direct costs of originating and maintaining the commitment, and are recognised as an adjustment to the effective yield, being recorded in the consolidated income statement over the period from disbursement to repayment of the related loan. If the commitment expires without the loan being drawn down, the fee is recognised as income on expiry.

A.4.9.4. Interest subsidies

Interest subsidies received in advance (see Note F) are deferred in accordance with IAS 18, and are recognised as an adjustment to the effective yield, being recorded in the consolidated income statement over the period from disbursement to repayment of the subsidised loan.

A.4.10. Impairment on loans and advances and provisions on guarantees

Impairment on loans and advances or provisions on commitments are recorded if there is objective evidence that the Group will be unable to collect all amounts due on a claim according to the original contractual terms or the equivalent value. A “claim” means a loan, a commitment such as a letter of credit, a guarantee, a commitment to extend credit, or other credit product.

The impairment is reported as a reduction of the carrying value of a claim on the consolidated balance sheet, whereas for an off-balance sheet item such as a commitment a provision for credit loss is reported in “Provisions”. Additional impairment or provisions for credit losses are made through “Change in impairment on loans and advances and provisions on guarantees, net of reversals”.

A.4.10.1. Impairment allowances related to individual loans and advances

Impairment losses have been made for individual loans and advances outstanding at the end of the financial year where objective evidence of risks of non-recovery of all or part of the amounts outstanding according to the original contractual terms or the equivalent value exists. Changes to these provisions are recorded in the consolidated income statement as “Change in impairment on loans and advances, net of reversals”. Allowances and provisions for credit losses are evaluated on the following counterparty-specific principles.

A claim is considered impaired when the Management Committee determines that it is probable that the Group will not be able to collect all amounts due according to the original contractual terms or the equivalent value. Individual credit exposures are evaluated based upon the borrower’s character, overall financial condition, resources and payment record, the prospects for support from any financially responsible guarantors and, where applicable, the realizable value of any collateral. The estimated recoverable amount is the present value of expected future cash flows, which may result from restructuring or liquidation. Impairment is measured and allowances for credit losses are established for the difference between the carrying amount and its estimated recoverable amount of any claim considered as impaired. The amount of the loss is the difference between the asset’s carrying amount and the present value of expected future cash flows discounted at the financial instrument’s original effective interest rate.

All impaired claims are reviewed and analysed at least semi-annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the provision for credit losses and be charged or credited to credit loss expense. An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the claim agreement. A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established provisions for credit losses or directly to credit loss expense and reduce the principal amount of a claim. Recoveries in part or in full of amounts previously written off are credited to credit loss expense.

Upon impairment the accrual of interest income based on the original terms of the claim is discontinued, and is replaced by an accrual based upon the impaired value; in addition, the increase of the present value of impaired claims due to the passage of time is reported as interest income.

A.4.10.2. Guarantees

In the normal course of business, the Group issues various forms of guarantees to support some institutions.

Under the existing rules, these guarantees do not meet the definition of an insurance contract (IFRS 4 Insurance Contracts) and are accounted for under IAS 39 Financial Instruments: Recognition and Measurement, either as “Derivatives” or “Financial Guarantees”, depending on their features and characteristics as defined by IAS 39.

The accounting policy for Derivatives is disclosed under Note A.4.2.

When a guarantee operation measured under IAS 39 is derecognised and treated under IAS 37, its value previously recorded under Financial guarantees is transferred to the caption “Provisions for guarantees” on the balance sheet.

Financial guarantees are initially recognised at fair value in the consolidated balance sheet under “*Other liabilities – b) sundry liabilities*”, being the premium received.

Subsequent to initial recognition, the Group’s liabilities under each financial guarantee are measured at the higher of 1) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 and 2) the best estimate of expenditure required to settle any present financial obligation arising as a result of the guarantee in accordance with IAS 37.

Any increase in the liability relating to financial guarantee is taken to the consolidated income statement in “*Change in impairment on loans and advances and provisions for guarantees, net of reversals*”. The premium received is recognised in the consolidated income statement in “*Fee and commission income*” on the basis of an amortisation schedule in accordance with IAS 18 over the life of the financial guarantee.

A.4.11. Property, furniture and equipment

Property, furniture and equipment include land, Group-occupied properties and other machines and equipment.

Property, furniture and equipment are reviewed periodically for impairment.

Land is stated at acquisition cost and buildings are stated at acquisition cost less accumulated depreciation. The value of the Group’s headquarters building in Luxembourg-Kirchberg and its buildings in Luxembourg-Hamm and Luxembourg-Weimershof are depreciated on a straight-line basis as set out below.

Permanent equipment, fixtures and fittings, furniture, office equipment and vehicles are recorded in the consolidated balance sheet at their acquisition cost, less accumulated depreciation.

Depreciation is calculated on the straight-line basis over the estimated life of each item purchased, as set out below:

- Buildings in Kirchberg, Hamm and Weimershof - 30 years
- Permanent equipment, fixtures and fittings - 10 years
- Furniture - 5 years
- Office equipment and vehicles - 3 years

A.4.12. Intangible assets

Intangible assets comprise computer software. Software development costs are capitalised if they meet certain criteria relating to identifiability, to the probability that future economic benefits will flow to the enterprise, and to the reliability of cost measurement.

Intangible assets are recognised as assets and are amortised using the straight-line basis over their estimated

useful economic life. At each consolidated balance sheet date, intangible assets are reviewed for indications of impairment or changes in estimated future benefits. If such indications exist, an analysis is performed to assess whether the carrying amount is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

Internally developed software meeting these criteria is carried at cost less accumulated depreciation calculated on the straight-line basis over three years from completion.

Software purchased is depreciated on the straight-line basis over its estimated life (2 to 5 years).

A.4.13. Assets held for sale

Assets classified as held for sale includes (as per IFRS 5) assets reclassified from Property, furniture and equipment for which the sale is highly probable and the asset is available for immediate sale in its current condition. They are classified as held for sale as their carrying amounts will be recovered through a sale transaction rather than through continuing use and are measured at the lower of carrying amount and fair value less costs to sell.

A.4.14. Pension plans and health insurance scheme

The Group operates defined benefit pension plans to provide retirement benefits to all of its staff. The Group also provides certain additional post-employment healthcare benefits to former employees in EIB. These benefits are unfunded, as defined by IAS 19. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. The charge to the consolidated income statement in respect of the defined benefit pension plan is based on the current service cost and other actuarial adjustments as determined by qualified external actuaries.

A.4.14.1. Pension plan for staff

The Bank’s main pension plan is a defined benefit pension plan funded by contributions from staff and from the Bank which covers all employees.

Commitments for retirement benefits are valued at least every year using the projected unit credit method, in order to ensure that the liability entered in the accounts is adequate. The latest valuation was performed as at 30 September 2009, with an extrapolation to 31 December 2009. The main actuarial assumptions used by the actuaries are set out in Note J.

Cumulative actuarial surpluses and deficits in excess of 10% of the obligations of the plan (“the corridor”) are recognised in the income statement over the remaining average service lives of the plan active participants, on a straight-line basis. Interest cost on the defined benefit obligation is recognised in the income statement under “*Interest expense and similar charges*”.

The main pension plan of the EIF is a defined benefit plan funded by contributions from staff and from the EIF which covers all employees. All contributions of the EIF and its members of staff are transferred to the EIB for management. The transferred funds allocated to the pension plan are invested by the Group, following the rules and principles applied by EIB for its own staff pension plan. The assets do not qualify as plan assets as they cannot be distinguished from the other assets of the Group.

A.4.14.2. Health insurance plan

The Bank has set up its own health insurance plan for the benefit of staff and Management Committee at retirement age, financed by contributions from the Bank and its employees. The plan is an unfunded plan treated as a defined benefit plan. A specific provision is set aside on the liability side of the consolidated balance sheet. The Fund has subscribed to a health insurance scheme with an insurance company for the benefit of staff at retirement age, financed by contribution from the Fund and its employees.

The entitlement to these benefits is based on the employees remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. The health insurance liabilities are determined based on actuarial calculations as per the same dates as the pension plans.

A.4.14.3. Pension plan for members of the Management Committee

The related provision shown on the liability side of the Group's balance sheet is determined, as for all plans, in conformity with IAS 19. Benefits are based on years of service and a percentage of final gross base salary as defined under the plan.

A.4.14.4. Optional Supplementary provident scheme

The optional supplementary provident scheme is a defined contribution pension scheme, funded by contributions from staff. It is accounted for on a cash basis and the corresponding liability is recorded in "Provisions for pension plans and health insurance scheme".

A.4.15. Debts evidenced by certificates

Debts evidenced by certificates are initially measured at cost, which is the fair value of the consideration received. Transaction costs and net premiums (discounts) are included in the initial measurement. Subsequent measurement is at amortised cost, and any difference between net proceeds and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Where borrowings meet the eligibility criteria of the amended Fair Value Option and have been designated as at Fair Value through Profit and Loss, they are measured at their fair

value and are recorded in the balance sheet at fair value. Changes in fair value are recorded in "Results on financial operations". The fair value measurement technique used, in the case of absence of liquid market prices, is a discounted cash flow technique, using current yield curves.

Combined debt instruments that are related to foreign exchange rates or indices are considered structured instruments. For all the debt instruments including embedded derivatives, the Group has concluded a reversed swap agreement to fully hedge the exposure.

It is the Group policy to hedge the fixed interest rate risk on debt issues and to apply the amended Fair Value Option when this results in a significant reduction of an accounting mismatch. The effect is such that the carrying value of the thus elected debt instruments is adjusted for changes in fair value rather than carried and accrued at cost (see Note R – Derivative financial instruments).

Interest expense on debt instruments is included in the account "Interest expense and similar charges" in the consolidated income statement and in the liabilities caption including the underlying debt instruments in the consolidated balance sheet.

A.4.16. Reserves

A.4.16.1. Funds allocated to venture capital operations

This item comprises the amount of appropriations from the additional reserves of the Group, determined each year by the Board of Governors to facilitate instruments providing venture capital in the context of implementing the European Council Resolution on Growth and Employment. Impairments on venture capital operations are accounted for in the consolidated income statement. Upon appropriation of the Group's result, such impairments are taken into consideration for determining the amounts to be recorded in the "Funds allocated to venture capital operations".

A.4.16.2. Funds allocated to the Structured Finance Facility

This item comprises the amount of appropriations from the additional reserves of the Group, determined each year by the Board of Governors to facilitate implementation of operations with a greater degree of risk for this new type of instrument. Impairments on structured finance operations are accounted for in the consolidated income statement. Upon appropriation of the Group's result, such impairments are taken into consideration for determining the amounts to be recorded in the "Funds allocated to the Structured Finance Facility" accounts.

A.4.16.3. Special activities reserve and General loan reserve

The new Statute of the Bank, which came into force with the Lisbon Treaty, no longer requires the maintenance of specific reserves for Funds allocated to structured

finance facility and similar undertakings (SFF/SFE) or Funds allocated to venture capital operations. Instead, the new Statute foresees a reserve allocation for “special activities” to be defined. A proposal was put forward and approved at the Management Committee meeting on 2 February 2010 for a definition of special activities and corresponding reserve allocation, which is in line with existing credit risk practise and external agreements. The redefining of the Bank’s reserve framework for its lending activities provides the opportunity to separate more clearly reserves for the expected loss (EL) of the entire loan portfolio and the capital allocation (CA) for special activities.

As a result, two new reserves were created retroactively as at 31 December 2009. These reserves are described as follows:

- Special activities reserve: As foreseen by Article 16.5 of the new Statute, “the special activities of the Bank will have a specific allocation of reserve”. The reserve will be based on the capital allocation of each operation.
- General loan reserve: With coming into force of the new Statute, a non-specific reserve is introduced for the expected loss of the Bank’s loan and guarantees portfolio, modelled upon the Group’s policy guidelines. Upon the creation of the general loan reserve, the practice of calculating the Fund for general banking risk (‘FGBR’) was discontinued. The FGBR was previously reported in the notes to the Financial Statements as an approximation of the aggregate expected loss of the Bank’s loan portfolio.

A.4.17. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Group are exempt from all direct taxes.

A.4.18. Prepayments – Deferred income

These accounts comprise:

- Prepayments: expenditure incurred during the financial year but relating to a subsequent financial year.
- Deferred income: income received before the balance sheet date but relating to a subsequent financial year.

A.4.19. Interest income and expense

Interest income and interest expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price including direct

transaction costs. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest is recognised on impaired loans through unwinding the discount used in the present value calculations applied to expected future cash flows.

In addition to interest and commission on loans, deposits and other revenue from the securities portfolio, this heading includes the indemnities received by the Group in respect of early loan reimbursement payments made by its borrowers.

In accordance with the provisions of IAS 39 – Financial Instruments: Recognition and Measurement - the Group records the indemnities received for early repayment of loans immediately in the consolidated income statement at the time of derecognition of those related loans instead of amortising the indemnities over the remaining life of loans.

In accordance with IAS 32 – Financial Instruments: Presentation, as a result of the replacement share purchase undertaking (Note A.4.21), non-controlling interests are presented under “*Interest expense and similar charges*”, in conformity with the anticipated acquisition method.

A.4.20. Dividend income

Dividends are recognised in the income statement when the entity’s right to receive payment is established.

A.4.21. Commitment to purchase EIF shares

Under the terms of a replacement share purchase undertaking in respect of the 1 114 shares held by EIF’s minority shareholders (2008: 1 043 shares), the EIB is offering to buy these on an annual basis. The exercise price is determined on the basis of the audited annual accounts of EIF and corresponds to the part of each share in the called capital of EIF, increased by the share premium account, the statutory reserves, the fair value reserve, the retained earnings and profit of the year, net of the dividend decided by the EIF’s General Meeting. The commitment to purchase is shown in the consolidated balance sheet as a debt item under “*sundry creditors*” (see also Note G). Any variations of the holding in the EIF are in the reserves under “*Changes in ownership interests in subsidiaries that do not result in a loss of control*”.

A.4.22. Reclassification of prior year figures

Where necessary, certain prior year figures have been reclassified to conform with the current year’s presentation for comparative purposes.

Note B – Cash in hand, balances with central banks and post office banks and debt securities portfolio and shares and other variable-yield securities (in EUR '000)

B.1. Cash in hand, balances with central banks and post office banks

The cash in hand and balances with central banks and post office banks equal to EUR '000 227 227 at 31 December 2009 (2008: EUR '000 76).

On 8 July 2009, the EIB became an eligible counterparty in the Eurosystems' monetary policy operations, and therefore has been given access to the monetary policy operations of the European Central Bank. The Bank conducts the operations via the Central Bank of Luxembourg, where the Bank maintains a deposit to cover the minimum reserve requirements. The balance of this deposit amounts to EUR '000 227 144 as at 31 December 2009 (2008: EUR nil).

B.2. Debt securities portfolio

The debt securities portfolio is made up of trading financial assets (portfolios B3 and B4), available-for-sale financial assets (portfolios A2, B1, B2 and operational portfolio-EIF), financial assets held-to-maturity (portfolio A1, Investment portfolio) and the Asset backed securities, which represent acquisitions of interest pools of loans or receivables in connection with securitisation transactions. The detail of each portfolio as at 31 December 2009 and 2008 is as follows:

	31.12.2009	31.12.2008
Treasury bills and other bills eligible for refinancing with central banks (listed)	4 146 585	2 309 070
Debt securities including fixed-income securities (of which EUR '000 9 192 041 unlisted in 2009 and EUR '000 3 893 591 in 2008)	18 436 296	10 937 410
	22 582 881	13 246 480

At 31.12.2009	Classification	Book value	Market value ^(*)
Group Investment portfolio	Held-to-maturity	1 944 504	2 024 751
Operational money market portfolios:			
- money market securities with a max. 3 month maturity A1	Held-to-maturity	7 634 166	7 634 166
- money market securities and money market funds with a max. 18 month maturity A2	Available for sale	1 924 644 ⁽¹⁾	1 924 644
Operational bond portfolios:			
- B1 – Credit Spread	Available for sale	1 135 842 ⁽²⁾	1 135 842
- B2 – Alternative Investment	Available for sale	124 131 ⁽³⁾	124 131
- B3 – Global Fixed Income	Trading	568 567	568 567
- B4 – Inflation Linked Investment	Trading	499 910	499 910
Operational portfolio – EIF	Available for sale	530 174 ⁽⁴⁾	530 174
Asset backed securities (Note D)	Held-to-maturity	8 220 943	7 728 304 ⁽⁵⁾
		22 582 881	22 170 489

^(*) Market value including accrued interest

⁽¹⁾ including unrealised gain of EUR '000 423

⁽²⁾ including unrealised loss of EUR '000 - 6 625

⁽³⁾ including unrealised loss of EUR '000 - 869

⁽⁴⁾ including unrealised loss of EUR '000 - 213

⁽⁵⁾ The Asset backed securities set out above are accounted for as HTM debt securities and are also undertaken as loan substitutes and as such are considered as part of the aggregate loans (see Note D). Some of these transactions have been structured by adding credit or project related remedies, thus offering additional recourse. The difference between book value and market value is quasi exclusively explained by the credit spread increase and does not represent impairment. Therefore, no impairment has been accounted for.

At 31.12.2008	Classification	Book value	Market value ^(*)
Group investment portfolio	Held-to-maturity	2 262 443	2 327 598
Operational money market portfolios:			
- money market securities with a max. 3 month maturity A1	Held-to-maturity	2 108 223	2 108 223
- money market securities and money market funds with a max. 18 month maturity A2	Available for sale	1 364 554 ⁽¹⁾	1 364 554
Operational bond portfolios:			
- B1 - Credit Spread	Available for sale	890 162 ⁽²⁾	890 162
- B2 - Alternative Investment	Available for sale	145 685 ⁽³⁾	145 685
- B3 - Global Fixed Income	Trading	526 291	526 291
Operational portfolio – EIF	Available for sale	149 128 ⁽⁴⁾	149 128
Asset backed securities (Note D)	Held-to-maturity	5 799 994	5 300 242 ⁽⁵⁾
		13 246 480	12 811 883

^(*) Market value including accrued interest

⁽¹⁾ including unrealised loss of EUR '000 - 926

⁽²⁾ including unrealised loss of EUR '000 - 87 477

⁽³⁾ including unrealised gain of EUR '000 4 315

⁽⁴⁾ including unrealised loss of EUR '000 - 5 844

⁽⁵⁾ The Asset Backed Securities set out above are accounted for as HTM debt securities and are also undertaken as loan substitutes and as such are considered as part of the aggregate loans (see Note D). Some of these transactions have been structured by adding credit or project related remedies, thus offering additional recourse. The difference between book value and market value is quasi exclusively explained by the credit spread increase and does not represent impairment. Therefore, no impairment has been accounted for.

The Group enters into collateralised securities lending transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Group controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

The book value of securities lending activity amounts to EUR '000 471 434 at the end of December 2009 (2008: EUR '000 367 704).

B.3. Shares and other variable-yield securities (in EUR'000)

This balance comprises:

	AFS Venture Capital operations	AFS EBRD shares	AFS shares acquired following loan assets restructuring	AFS investment funds	Total
<i>Cost</i>					
At 1 January 2009	1 740 764	157 500 ⁽¹⁾	30 873	138 429	2 067 566
Net additions	148 590	0	- 30 873	83 959	201 676
At 31 December 2009	1 889 354	157 500	0	222 388	2 269 242
<i>Unrealised gains / losses</i>					
At 1 January 2009	373 964	259 852	- 1 884	- 700	631 232
Unrealised gains	14 410	0	1 884	17 350	33 644
Unrealised losses	- 54 554	- 62 660	0	0	- 117 214
At 31 December 2009	333 820	197 192	0	16 650	547 662
<i>Impairment</i>					
At 1 January 2009	- 694 402	0	- 21 158	0	- 715 560
Additions	- 104 599	0	0	0	- 104 599
Uses	0	0	21 158	0	21 158
At 31 December 2009	- 799 001	0	0	0	- 799 001
<i>Net book value</i>					
At 31 December 2009	1 424 173	354 692	0⁽²⁾	239 038	2 017 903
At 31 December 2008	1 420 326	417 352	7 831	137 729	1 983 238

⁽¹⁾ The actual capital paid in by the Group in respect of its subscription of EUR '000 600 000 to the capital of the EBRD amounts to EUR '000 157 500 at 31 December 2009 (2008: EUR '000 157 500). The Group holds 3.03% of the subscribed capital.

⁽²⁾ The Group has sold all its investments in Eurotunnel by 31 December 2009. The total number of ordinary Eurotunnel shares held by the Group as at 31 December 2009 is nil (2008: 1 596 713, valued at EUR '000 6 133). The total number of Eurotunnel bonds redeemable in shares (ORA) held by the Group as at 31 December 2009 is nil (2008: 12 422, valued at EUR '000 1 026). Furthermore, the Group holds nil warrants in the balance sheet at year-end (2008: 4 800 000 warrants). The sale during the 2009 year of shares, ORAs and warrants resulted in a realised profit of EUR 2.2 million.

Note C – Loans and advances to credit institutions (other loans and advances) (in EUR '000)

The Group enters into collateralised reverse repurchase and repurchase agreements transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Group controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

	31.12.2009	31.12.2008
Term deposits	9 017 262	14 490 118
Tripartite reverse repos ^(*)	10 098 719	7 255 238
	19 115 981	21 745 356

^(*) These operations are carried out with a third-party custodian who undertakes, on the basis of a framework contract, to guarantee compliance with the contractual terms and conditions, notably with respect to:

- delivery against payment,
- verification of collateral,
- the collateral margin required by the lender which must always be available and adequate, with the market value of the securities being verified daily by the said custodian,
- organisation of substitute collateral provided that this meets all the contractual requirements.

Note D – Summary statement of loans (in EUR '000)

D.1. Aggregate loans granted

Aggregate loans granted comprise both the disbursed and undisbursed portions of loans. The analysis is as follows:

	To intermediary credit institutions	Directly to final beneficiaries	Total 2009	Total 2008
Disbursed portion	117 560 917	203 106 638	320 667 555	291 885 091
Undisbursed loans	18 686 622	63 156 626	81 843 248	58 869 527
Aggregate loans granted	136 247 539	266 263 264	402 510 803	350 754 618
			31.12.2009	31.12.2008
Aggregate loans granted			402 510 803	350 754 618
Asset backed securities portfolio (Note B.2)			8 220 943	5 799 994
Aggregate loans including asset backed securities portfolio			410 731 746	356 554 612

D.2. Impairment on loans and advances, net of reversals

Specific impairment is created against all F-graded loans and against E-graded ones (see Note S) when an impairment loss is assessed. The amount of such provisioning reflects the difference between the loan's nominal value and the present value of all the expected future cash flows generated by the impaired asset.

Movements in the specific impairment are tabulated below:

	2009	2008
Specific impairment at beginning of the year	17 500	37 050
Allowance during the year	88 800	0
Release during the year	0	- 18 219 ^(*)
Foreign exchange adjustment	0	- 1 331
Specific impairment at end of the year	106 300	17 500

^(*) The amount of EUR '000 18 219 was released following the sale during 2008, of loan assets for which a specific impairment has previously been established. The sale of those loan assets resulted in a realised loss of EUR '000 - 15 467.

The accrued interest on impaired loans as at 31 December 2009 amounts to EUR '000 3 723 (2008: EUR '000 1 158). As at 31 December 2008 and 2009, there is no related collateral held for impaired loans (Note S.2.3.4.).

D.3. Geographical breakdown of lending by country in which projects are allocated

Loans for projects within the Union and related loans

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
Spain	666	61 689 824	56 701 207	4 988 617	15.19%	15.43%
Germany	733	54 590 294	46 793 656	7 796 638	13.45%	14.05%
Italy	534	50 804 361	40 643 772	10 160 589	12.51%	12.82%
France	395	38 819 742	32 630 496	6 189 246	9.56%	10.02%
United Kingdom	226	27 644 050	21 848 048	5 796 002	6.81%	6.44%
Portugal	285	21 676 805	18 542 564	3 134 241	5.34%	5.45%
Poland	158	18 123 756	12 543 892	5 579 864	4.46%	3.84%
Greece	146	14 821 604	12 963 476	1 858 128	3.65%	3.95%
Hungary	114	9 472 550	7 408 458	2 064 092	2.33%	2.18%
Austria	191	8 686 805	8 257 805	429 000	2.14%	2.14%
Czech Republic	100	8 561 322	6 213 517	2 347 805	2.11%	2.26%
Belgium	87	7 698 981	6 218 779	1 480 202	1.90%	1.85%
Netherlands	65	6 781 356	4 335 503	2 445 853	1.67%	1.48%
Finland	110	6 663 713	6 070 713	593 000	1.64%	1.71%
Romania	72	6 413 799	2 579 922	3 833 877	1.58%	1.45%
Sweden	72	5 097 638	4 569 525	528 113	1.26%	1.17%
Ireland	56	4 289 388	3 164 700	1 124 688	1.06%	1.06%
Slovenia	49	2 706 648	1 937 648	769 000	0.67%	0.65%
Denmark	45	2 419 507	1 854 067	565 440	0.60%	0.70%
Bulgaria	42	2 398 958	801 549	1 597 409	0.59%	0.65%
Latvia	28	1 594 363	749 363	845 000	0.39%	0.31%
Cyprus	29	1 415 257	1 045 097	370 160	0.35%	0.36%
Slovakia	43	1 349 231	1 065 370	283 861	0.33%	0.30%
Lithuania	16	1 328 846	839 846	489 000	0.33%	0.05%
Estonia	14	1 032 018	485 518	546 500	0.25%	0.06%
Luxembourg	27	838 614	729 129	109 485	0.21%	0.18%
Malta	4	202 853	47 353	155 500	0.05%	0.06%
Total (nominal value)	4 307	367 122 283	301 040 973	66 081 310	90.43%	90.63%

Loans for projects outside the Union

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion	% of total 2009	% of total 2008
ACP States	101	1 782 305	930 686	851 619	0.44%	0.44%
South Africa	32	1 217 485	666 725	550 760	0.30%	0.29%
Mediterranean Countries	228	11 334 745	7 019 394	4 315 351	2.79%	3.01%
Balkans	115	3 832 404	1 515 538	2 316 866	0.94%	0.79%
Candidate Countries	140	14 263 200	8 970 504	5 292 696	3.51%	3.34%
Eastern Europe, Southern Caucasus and Russia	10	705 960	264 870	441 090	0.17%	0.14%
OCT	5	12 874	2 874	10 000	0.00%	0.00%
EFTA Countries	17	1 325 049	1 205 049	120 000	0.33%	0.40%
Central and Latin America	42	2 107 649	1 410 410	697 239	0.52%	0.42%
Asia	35	2 288 973	1 122 656	1 166 317	0.56%	0.54%
Total (nominal value)	725	38 870 644	23 108 706	15 761 938	9.57%	9.37%
TOTAL 2009 (nominal value)	5 032	405 992 927^(*)	324 149 679^(*)	81 843 248	100.00%	
TOTAL 2008 (nominal value)	4 839	350 288 645^(*)	291 419 118^(*)	58 869 527		100.00%

(*) Aggregate loans including asset backed securities

	Number of loans	Aggregate loans granted	Disbursed portion	Undisbursed portion
TOTAL 2009 (nominal value)	5 032	405 992 927	324 149 679	81 843 248
Change in fair value on loans (**)		4 738 819	4 738 819	
TOTAL 2009	5 032	410 731 746^(*)	328 888 498^(*)	81 843 248
TOTAL 2008	4 839	356 554 612	297 685 085^(*)	58 869 527

^(*) Aggregate loans including Asset backed securities

^(**) Refer to Note A.4.9 for the definition of Fair value on loans

D.4. Change in impairment on guarantee operations

A provision for guarantees issued has been established as there is objective evidence that the Group will have to incur a credit loss in respect of guarantees granted. This provision amounts to EUR '000 70 412 as at 31 December 2009 (2008: EUR '000 8 984).

The impairment on guarantees issued totalled EUR '000 - 60 299 in 2009 (2008: EUR '000 - 5 127).

Note E – Property, furniture, equipment and intangible assets (in EUR '000)

	Land	Luxembourg buildings	Furniture and equipment	Total property, furniture and equipment	Total intangible assets
Historical cost					
At 1 January 2009	10 085	353 777	78 837	442 699	6 664
Additions	302	3 645	13 574	17 521	2 797
Disposals	0	0	- 8 992	- 8 992	- 2 553
At 31 December 2009	10 387	357 422	83 419	451 228	6 908
Accumulated depreciation					
At 1 January 2009	0	- 92 213	- 34 302	- 126 515	- 2 348
Depreciation	0	- 12 096	- 14 290	- 26 386	- 2 296
Disposals	0	0	8 992	8 992	2 553
At 31 December 2009	0	- 104 309	- 39 600	- 143 909	- 2 091
Net book value					
At 31 December 2009	10 387	253 113	43 819	307 319	4 817
At 31 December 2008	10 085	261 564	44 535	316 184	4 316

All land and buildings are used by the Group for its own activities. The cumulative cost relating to the construction of the new building amounts to EUR '000 215 226 (2008: EUR '000 211 769). For subsequent measurement purposes the Group uses the "cost model" under IAS 16.

In 2008, the carrying value of land and Luxembourg buildings for the EIF was transferred from Property, furniture, equipment to Assets held for sale (see note A.4.13). Due to the suppression of the market for commercial property the building has not been sold within the last 12 months, however the EIF remains committed to selling the property and the criteria for classifying it as a non-current asset held for sale are still met.

Note F – Deferred income (in EUR '000)

Deferred income	31.12.2009	31.12.2008
– Interest subsidies received in advance ⁽¹⁾	177 228	171 155
	177 228	171 155

⁽¹⁾ Part of the amounts received from the European Commission through EMS (European Monetary System) arrangements has been made available as a long-term advance which is entered on the liabilities side under item deferred income, and comprises:

- amounts in respect of interest subsidies for loans granted for projects outside the Union, under Conventions signed with the ACP States and Protocols concluded with the Mediterranean Countries;
- interest subsidies, concerning certain lending operations put in place within the Union from the Group's own resources, made available in conjunction with the EMS under Council Regulation (EEC) No 1736/79 of 3 August 1979 and in conjunction with the financial mechanism established by the EFTA Countries under the EFTA Agreement signed on 2 May 1992;
- amounts received in respect of interest subsidies for loans granted from EC resources under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982 and 83/200/EEC of 19 April 1983 and under Council Regulation (EEC) No 1736/79 of 3 August 1979 as amended by Council Regulation (EEC) No 2790/82 of 18 October 1982.

Note G – Other assets, sundry creditors and sundry liabilities (in EUR '000)

Other assets	31.12.2009	31.12.2008
– Loan instalments receivable	23 677	99 893
– Staff housing loans and advances ^(*)	15 712	18 764
– Advances on salaries and allowances	248	1 210
– Commission receivable on guarantees and venture capital operations	15 205	8 874
– Other	52 072	31 214
	106 914	159 955
Sundry creditors	31.12.2009	31.12.2008
– Optional Supplementary Provident Scheme (Note J)	190 904	189 004
– Commitment of purchase of non-controlling interest ^(**)	352 085	367 842
– Payable on HIPC initiative	46 872	46 872
– Personnel costs payable	2 017	8 674
– Western Balkans infrastructure	10 000	5 000
– Other	65 439	73 729
	667 317	691 121
Sundry liabilities	31.12.2009	31.12.2008
– Financial guarantees issued in respect of venture capital operations	20 942	18 991
– Provision for employees' departure indemnities	25 044	24 132
	45 986	43 123

^(*) The Group has entered into arrangements with an external financial institution, whereby permanently employed staff members may be granted staff loans in accordance with the Bank's staff regulations. The same interest rates, terms and conditions are applicable to all said employees.

^(**) As at 31 December 2009, the portion of non Controlling interest on the balance sheet amounts to EUR 352 million (2008: EUR 368 million) and on the consolidated result (Note L) amounts to EUR - 3 million (2008: EUR 13 million). Under the terms of replacement share purchase undertaking in respect of the 1 114 shares held by EIF's non controlling interests (2008: 1 043 shares), the Bank is offering to buy these at an exercise price of EUR 389 million (2008: EUR 363 million) determined on the basis of the audited 2008 annual accounts net of the dividend decided by the EIF's General Meeting.

Note H – Amounts owed to credit institutions and customers with agreed maturity dates or periods of notice (in EUR '000)

H.1. Amounts owed to credit institutions

	31.12.2009	31.12.2008
Short-term borrowings	4 380 414	5 778 863
Promissory notes issued in respect of paid-in capital of EBRD	0	1 013
Repo with Central Banks	100 147	0
	4 480 561	5 779 876

H.2. Amounts owed to customers

	31.12.2009	31.12.2008
Repayable on demand ^(*)	1 256 333	1 201 858
Short-term borrowings	1 106 828	179 477
	2 363 161	1 381 335

^(*) Includes European Union and Member States accounts:

	31.12.2009	31.12.2008
European Union and Member States accounts:		
– For Special Section operations and related unsettled amounts	332 310	368 727
– Deposit accounts	899 908	833 131

Note I – Debts evidenced by certificates as at 31 December (in EUR '000)

In its financing activity, one of the Group's objectives is to align its funding strategy with the funds required for the loans granted, notably in terms of currencies. The caption 'Debts evidenced by certificates' includes 'Debt securities in issue' (securities offered to the general investing public) and 'Others' (private placements). The table below discloses the details per currency of debts outstanding at 31 December 2009 and 2008, together with the average rates and due dates.

BORROWINGS					
PAYABLE IN	OUTSTANDING AT 31.12.2009	AVERAGE RATE 2009	DUE DATES	OUTSTANDING AT 31.12.2008	AVERAGE RATE 2008
EUR	136 846 665	3.77	2010/2057	107 902 959	4.02
GBP	51 032 542	4.77	2010/2054	47 705 235	5.11
DKK	604 692	2.77	2010/2026	536 869	2.86
SEK	1 961 373	3.72	2011/2028	1 985 281	4.18
CZK	598 190	4.00	2010/2030	928 119	5.03
HUF	525 109	6.83	2010/2016	731 159	7.20
PLN	378 058	6.24	2010/2026	465 206	6.29
BGN	171 285	5.72	2011/2013	309 336	6.60
RON	106 225	8.88	2014/2016	74 580	7.00
USD	78 348 270	3.42	2010/2058	77 423 397	3.72
CHF	5 763 009	2.41	2010/2036	4 468 687	2.47
JPY	10 607 943	0.73	2011/2047	10 331 351	0.97
NOK	2 383 494	4.42	2010/2025	1 315 897	4.08
CAD	778 221	4.72	2037/2045	770 751	4.70
AUD	9 099 260	5.85	2010/2021	4 971 016	5.83
HKD	227 380	1.46	2010/2019	77 883	6.97
NZD	2 749 583	7.13	2010/2017	2 806 416	6.88
ZAR	1 256 187	8.49	2010/2018	1 160 062	8.91
MXN	30 550	6.65	2015/2015	79 425	8.57
TWD	65 574	4.21	2010/2013	176 856	1.66
TRY	1 991 631	12.37	2010/2022	2 518 980	14.04
ISK	95 036	8.74	2010/2011	113 793	9.47
RUB	138 110	8.14	2011/2019	135 770	7.39
TOTAL	305 758 387			266 989 028	

	OUTSTANDING AT 31.12.2009	OUTSTANDING AT 31.12.2008
Total debts (notional value)	305 758 387	266 989 028
Change in fair value on borrowings ^(*)	18 089 581	17 511 917
Total debts	323 847 968	284 500 945

^(*) The notional value of debts evidenced by certificates held at fair value through profit or loss as at 31 December 2009 amounts to EUR 284 million (2008: EUR 238 million). The notional value of debts evidenced by certificates held at amortised cost as at 31 December 2009 amounts to EUR 22 million (2008: EUR 29 million).

Refer to Note A.4.15 for the definition of Fair value on borrowings

Note J – Pension plans and health insurance scheme (in EUR '000)

The Group operates 3 defined benefit pension plans. The Group also provides certain post-employment healthcare benefits to former employees of EIB. These benefits are unfunded as defined by IAS19. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial valuation took place at 30 September 2009 and was rolled forward to 31 December 2009.

An additional plan is not included in the figures below: it is the Optional Supplementary Provident Scheme (a defined contribution pension scheme). The corresponding amount of EUR 191 million (2008: EUR 189 million) is entered under "Sundry creditors" (Note G).

Net benefit expense (recognised in consolidated income statement) in 2009:

	EIB Pension	Management Committee Pension	EIF Pension	Health Insurance	Total 2009
Current service cost ⁽¹⁾	26 543	994	1 655	13 853	43 045
Interest cost on benefit obligation ⁽²⁾	62 541	1 741	938	5 193	70 413
Special termination benefits ⁽¹⁾	10 719	0	0	0	10 719
Recognition of actuarial (gains)/losses ⁽¹⁾	5 634	10	- 6	- 170	5 468
Net benefit expense	105 437	2 745	2 587	18 876	129 645

Net benefit expense (recognised in consolidated income statement) in 2008:

	EIB Pension	Management Committee Pension	EIF Pension	Health Insurance	Total 2008
Current service cost ⁽¹⁾	24 271	1 197	1 249	5 058	31 775
Interest cost on benefit obligation ⁽²⁾	57 061	1 625	697	4 750	64 133
Special termination benefits ⁽¹⁾	3 830	0	0	0	3 830
Recognition of actuarial (gains)/losses ⁽¹⁾	10 046	151	38	225	10 460
Net benefit expense	95 208	2 973	1 984	10 033	110 198

⁽¹⁾ Recognised in General administrative expenses

⁽²⁾ Recognised in Interest expense and similar charges

Benefit liabilities as at 31 December 2009:

	EIB Pension	Management Committee Pension ⁽¹⁾	EIF Pension	Health Insurance	Total 2009
Benefit obligation	1 137 436	34 204	19 677	102 097	1 293 414
Unrecognised net actuarial losses / gains	- 56 842	761	- 469	5 428	- 51 122
Net liability	1 080 594	34 965	19 208	107 525	1 242 292

Benefit liabilities as at 31 December 2008:

	EIB Pension	Management Committee Pension ⁽¹⁾	EIF Pension	Health Insurance	Total 2008
Benefit obligation	1 059 102	34 407	15 340	88 048	1 196 897
Unrecognised net actuarial losses / gains	- 76 793	- 116	60	2 752	- 74 097
Net liability	982 309	34 291	15 400	90 800	1 122 800

Movements in the benefit (asset)/liability during the year ended 31 December 2009 are as follows (in EUR '000):

	EIB Staff Pension Plan	Management Committee Pension Plan ⁽¹⁾	EIF Staff Pension Plan	Health Insurance Plan	Total
At 1 January 2009	982 309	34 291	15 400	90 800	1 122 800
Net benefit expense	105 437	2 745	2 587	18 876	129 645
Benefit payments net of employee contributions	- 7 152	- 2 071	1 221	- 2 151	- 10 153
At 31 December 2009	1 080 594	34 965	19 208	107 525	1 242 292

⁽¹⁾ This amount includes indemnities 2009: EUR '000 4 291 (2008: EUR '000 4 589) that are not subject to IAS 19 actuarial valuations.

The principal assumptions used in determining pension and post-employment benefit obligations for the Group's plans are shown below:

	2009	2008
	in %	in %
Discount rate for pension plans	6.19	6.00
Discount rate for health insurance plan	4.50	6.00
Future salary increase (including inflation)	4.50	4.50
Future pension increases	2.00	2.00
Healthcare cost increase rate	4.00	4.00
Actuarial tables	LPP 2005	LPP 2005

The table below shows the sensitivity of both benefit expenses for 2009 and defined benefit obligation as at 31 December 2009 of the Health Insurance Plan to a 1% increase and decrease in the healthcare cost increase rate (in EUR'000):

	1% increase	1% decrease
Benefit expenses	3 182	- 2 403
Defined benefit obligation	21 838	- 17 165

The table below shows the actuarial experience (gain)/loss for the different Plans for 2008 to 2009:

	EIB Pension	Management Committee Pension	EIF Pension	Health Insurance	Total
2009	12 016	- 495	1 452	41	13 014
2008	29 895	- 434	653	- 1 084	29 030

The table below shows the evolution of the Defined Benefit Obligation during the year under review:

	EIB Pension	Management Committee Pension	EIF Pension	Health Insurance	Total 2009
Obligation at the beginning of the year	1 059 102	34 407	15 340	88 048	1 196 897
Current service cost	26 543	994	1 655	13 853	43 045
Employee contributions	12 613	0	1 058	0	13 671
Interest cost	62 541	1 741	938	5 193	70 413
Benefit payments	- 19 765	- 2 071	163	- 2 151	- 23 824
Experience (gain)/loss	12 016	- 495	1 452	41	13 014
Change in assumptions	- 26 333	- 372	- 929	- 2 887	- 30 521
Special termination benefits ^(*)	10 719	0	0	0	10 719
Benefit obligation as at 31 December 2009	1 137 436	34 204	19 677	102 097	1 293 414

^(*) These benefits relate to early retirement of staff

Note K – Result for the financial year (in EUR '000)

On 8 June 2010 the appropriation of the balance of the profit and loss account of the stand-alone financial statements of the Bank for the year ended 31 December 2009, which amounts to EUR'000 1 876 894, will be submitted for approval by the Board of Governors.

Note L – “Interest and similar income” and “Interest expense and similar charges” (in EUR '000)

L.1. Net interest income

	2009	2008
Interest and similar income		
Loans and advances to credit institutions and customers	8 940 988	13 987 508
Derivatives	7 154 738	183 301
Treasury bills and other bills eligible for refinancing with central banks and debt securities including fixed-income securities	400 122	738 987
Interest subsidy from the E.U.	38 439	42 264
Cash in hand, balances with central banks and post office banks	340	202
Other	4 763	29 497
TOTAL	16 539 390	14 981 759
Interest expense and similar charges		
Debts evidenced by certificates	- 12 361 090	- 12 045 965
Derivatives	- 1 749 502	- 634 154
Interest on benefit obligation	- 70 413	- 64 133
Interest on third party mandates	- 18 082	- 45 143
Amounts owed to credit institutions and to customers	- 34 653	- 53 185
Non Controlling interest (Note A.4.21)	2 909	- 12 845
Other	- 38 515	- 12 870
TOTAL	- 14 269 346	- 12 868 295
Net interest income	2 270 044	2 113 464

The table below sets out the net interest income relating to each class of financial assets and liabilities.

	2009	2008
Interest and similar income		
Trading debt securities	51	22 111
Derivatives	7 154 738	183 301
Designated at fair value through profit and loss	1 777 998	844 896
Held-to-maturity	119 219	575 973
Loans and receivables ⁽¹⁾	7 201 769	13 185 290
Available-for-sale	280 852	140 903
Unwinding of interest on non-financial assets	4 763	29 285
TOTAL	16 539 390	14 981 759
Interest expense and similar charges		
Trading debt securities	- 76 446	- 99 537
Derivatives	- 1 749 502	- 634 154
Designated at fair value through profit and loss	- 11 596 868	- 10 994 516
Financial liabilities measured at amortised cost	- 742 556	- 1 005 098
Non-financial liabilities	-103 974	- 134 990
TOTAL	- 14 269 346	- 12 868 295
Net interest income	2 270 044	2 113 464

⁽¹⁾ Including in this class of financial asset accrued interest on impaired loans as at 31 December 2009 which amount to EUR '000 3 723 (2008: EUR '000 2 600).

L.2. Geographical analysis of "Interest and similar income"

	2009	2008
Spain	1 305 158	2 142 754
Germany	1 049 761	2 007 736
Italy	996 206	1 697 521
France	880 744	1 385 177
United Kingdom	634 245	1 046 518
Greece	534 391	559 573
Portugal	531 264	774 332
Poland	411 585	445 231
Hungary	226 252	294 117
Austria	188 155	294 883
Belgium	184 813	198 186
Czech Republic	166 249	229 280
Finland	158 306	232 358
Netherlands	124 903	140 740
Romania	98 174	90 752
Sweden	92 704	165 238
Ireland	83 529	127 842
Slovenia	55 612	75 549
Denmark	46 001	123 126
Slovakia	29 513	42 225
Bulgaria	26 467	24 764
Cyprus	22 880	38 895
Luxembourg	22 554	27 009
Latvia	21 107	23 012
Lithuania	19 867	5 766
Estonia	5 806	8 142
Malta	1 084	582
Total	7 917 330	12 201 308
Outside the European Union	765 476	886 933
	8 682 806	13 088 241
Income not detailed per country ⁽¹⁾	7 856 584	1 893 518
	16 539 390	14 981 759
⁽¹⁾ Income not detailed per country:		
1. Revenue from investment portfolio securities and ABS portfolio	220 277	372 786
2. Revenue from operational bond portfolios	56 031	81 592
3. Revenue from operational money market portfolios	122 359	272 911
4. Revenue from money-market operations	328 437	993 529
5. Derivatives	7 154 738	183 301
6. Unwinding of interest income from the present value adjustment of paid-in capital and reserve receivable	4 763	28 245
7. Adjustment on early repayments of loans	- 30 021	- 38 846
	7 856 584	1 893 518

Note M – Result on financial operations (in EUR '000)

M.1. Per nature of result

	2009	2008
Net result on derivatives under the fair value option ⁽¹⁾	207 797	- 825 326
Net result on loans and associated swaps under the fair value option ⁽²⁾	- 1 235 826	- 106 559
Net result on borrowings and associated swaps under the fair value option ⁽³⁾	- 3 029 215	5 549 832
	- 4 057 244	4 617 947
Fair value gains and losses on operational treasury portfolio	10 663	10 390
Realised gains and losses on operational treasury portfolio	313	- 7 638
Foreign exchange gain and loss	2 388	4 841
Gain and loss on buy back of debts evidenced by certificates	6 556	3 430
Gain and loss on wind of ALM swaps	14 826	21 125
Realised loss on sale of shares	- 25 861	9 609
	- 4 048 359	4 659 704

⁽¹⁾ The net result on derivatives under the Fair Value Option includes for the majority the fair value of Macro-hedging swaps, which has increased during 2009 even though the interest rates have continued to decrease. On 31 December 2009 the macro hedging swaps evidence a positive impact of EUR'000 207 797 compared to a negative impact of EUR'000 825 326 in 2008. The fair value of macro hedging swaps is mostly influenced by the evolution of the exchange rates.

⁽²⁾ The Fair Value Option is applied on loans hedged by a derivative and on the derivative itself. As at 31 December 2009, the total outstanding of loans designated at Fair Value stands at EUR 69.2 billion (2008: EUR 59.3 billion), as only loans at a fixed rate are being hedged. The use of Fair Value Option on loans generates a decrease of EUR'000 -1 235 826 on the income statement at 31 December 2009 (2008: EUR'000 - 106 559). The negative result is attributable to the increases of the funding curve levels since the beginning of 2009. In particular, the increase of the funding curve has caused the fair value of the loans to decrease relative to the fair value of the hedging swaps, the latter being influenced only by the level of the swap curve and not by that of the funding curve. Therefore the downward movement in the fair value of the loans was more than compensated by the change in the fair value of the corresponding hedging swaps.

⁽³⁾ The Fair Value Option is applied on borrowings hedged by derivatives and the derivatives themselves. The majority of the borrowings are systematically hedged, and the volume of borrowings designated at Fair Value amounts to EUR 301.6 billion (2008: EUR 254.5 billion) as at 31 December 2009. The net impact on the income statement at 31 December 2009 on borrowings and associated swaps is a decrease of the profit for the year by EUR'000 - 3 029 215 (2008: increased by EUR'000 5 549 832). This negative change is essentially due to the continuing tightening of EIB credit spreads in the secondary market. Overall, bond prices are observed directly in the market and are very sensitive to market situation, while swap values are derived from internal valuation models. In this context, the fair value of borrowings increases by EUR'000 459 479 and the fair value of derivatives hedging borrowings decreases by EUR'000 3 488 694 and the net result of the variation of the fair value of the liabilities and the hedging items results in an accounting loss of EUR'000 - 3 029 215. The opposite phenomenon was observed last year (EUR'000 5 549 832). For the existing operations, this negative impact will be completely neutralised once the cash flows on both the borrowings and the hedging swaps will have actually occurred, as it is the Group's intent to hold these positions until maturity. The outstanding amount of borrowing operations involved (EUR 301.6 billion) is such that even small changes in the involved market conditions have a significant impact on the result.

M.2. Per category of assets and liabilities

	2009	2008
Financial assets available-for-sale	- 31 195	4 044
Financial assets designated at fair value through profit and loss	- 993 178	3 878 973
Financial liabilities designated at fair value through profit and loss	459 478	- 10 994 901
Financial instruments held for trading	- 3 507 234	11 742 191
Other	23 770	29 397
	- 4 048 359	4 659 704

Note N – Other operating income (in EUR '000)

	2009	2008
Reversal of previous year's accruals of general administrative expenses	4 119	3 999
Other	6 640	2 052
	10 759	6 051

Note O – “Fee and commission income” and “Fee and commission expense” (in EUR '000)**O.1. Fee and commission income**

	2009	2008
Commission on Investment Facility – Cotonou (Note V)	36 405	35 741
Commission income from advisory activities	50 165	32 380
Commission on loans	22 364	18 893
Commission on guarantees	43 388	23 526
Commission on Jaspers (Note V)	16 933	14 933
Commission on Jessica (Note V)	4 976	3 962
Commission on Jeremie (Note V)	6 961	0
Commission on Jasmine (Note V)	257	0
Commission on Yaoundé/Lomé conventions (Note Y)	8 458	10 371
Commission on other European Union institutions and EU countries	17 098	28 428
	207 005	168 234

O.2. Fee and commission expense

	2009	2008
Commission expense	- 117	- 125

Note P – General administrative expenses (in EUR '000)

	2009	2008
Salaries and allowances ^(*)	- 208 747	- 187 327
Welfare contributions and other social costs	- 119 949	- 102 148
Staff costs	- 328 696	- 289 475
Other general and administrative expenses	- 117 800	- 107 663
	- 446 496	- 397 138

^(*) Of which the amount for members of the Management Committee is EUR '000 2 924 at 31 December 2009 and EUR '000 2 821 at 31 December 2008.

The number of persons employed by the Group was 1 896 at 31 December 2009 (1 744 at 31 December 2008).

Note Q – Derivative financial instruments

Q.1. Usage of derivative financial instruments

In the funding activity of the Group

The Group uses derivatives mainly as part of its funding strategy in order to bring the characteristics, in terms of currencies and interest rates, of the funds raised in line with those of loans granted and also to reduce funding costs. It uses also long-term swaps to hedge certain treasury transactions and for ALM purposes.

Long-term derivatives transactions are not used for trading, but only in connection with fund-raising, hedging loans and treasury transactions, and for the reduction of market risk exposure.

All interest rate and currency swaps linked to the borrowing portfolio have maturities matching the corresponding borrowings and are therefore of a long-term nature.

The derivatives most commonly used are:

Currency swaps

Currency swaps are contracts under which it is agreed to convert funds into another currency and, simultaneously, a forward exchange contract is concluded to re-exchange the two currencies in the future in order to be able to repay the funds raised on the due dates.

Interest rate swaps

Interest rate swaps are contracts under which, generally, it is agreed to exchange floating-rate interest for fixed-rate interest or vice versa.

Interest rate and currency swaps allow the Group to modify the interest rates and currencies of its borrowing portfolio and other portfolios in order to accommodate requests from its clients and also to reduce funding costs by exchanging its advantageous access conditions to certain capital markets with its swap counterparties. The use of derivatives by the Bank is limited to the hedging of individual transactions in the area of borrowing and treasury activities and, to a minor degree, to asset and liability management.

In the liquidity management of the Group

The Group enters into short-term currency swap contracts in order to adjust currency positions in its operational treasury in relation to its benchmark currency, the euro, and to cater for demand for currencies in conjunction with loan disbursements.

The notional amount of short-term currency swaps and short term forwards stood at EUR 12 139 million at 31 December 2009, against EUR 16 296 million at 31 December 2008.

Long-term futures are also used by the Group to adjust the medium-term (2 years) interest rate exposure of its treasury bond portfolios. The notional amount of long-term futures stood at EUR 335 million at 31 December 2009 (2008: EUR 394 million).

In the Asset Liability Management of the Group

The Group's policy aims to maintain a high and stable level of income as well as to safeguard the economic value of the Group.

Accordingly, the Group:

- has adopted an own funds investment profile ensuring a stable and high flow of income;
- manages residual interest rate risks in relation to this investment profile.

With a view to managing residual interest rate risks, the Group operates natural hedges in respect of loans and borrowings or concludes global hedging operations (interest rate swaps).

Macro hedging swaps used as part of asset/liability management are fair valued in accordance with IAS 39.

Q.2. Fair value of derivative financial instruments

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 – Financial Instruments: Disclosures, for financial instruments that are measured in the balance sheet at fair value. This standard requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques with inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Valuation techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs). Internal valuation models are used to determine the fair values of these instruments.

Valuation techniques include net present value and discounted cash flows models, Hull-White and Libor Market Model interest rate models and Black-Scholes option model. Assumptions and inputs used in valuation techniques include risk-free interest rates, basis swap spreads and currency basis swaps spreads, foreign currency exchange rates and forward exchange rates, equity and equity index prices and expected price volatilities and correlations, Consumer Price Indices values and expected volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of

the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The valuation models applied are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price. For a portion of derivative transactions, internal estimates and assumptions might be used in the valuation techniques when the market inputs are not directly available, typically in the estimation of correlations in some interest rate and cross currency models and in the estimation of volatilities for some long dated equity linked and inflation linked transactions

The table below shows the net fair value of derivative financial instruments, recorded as assets or liabilities (between those whose fair value is based on quoted market prices, those whose valuation technique where all the model inputs are observable in the market and those where the valuation techniques involve the use of non-market observable inputs) together with their nominal amounts. The nominal amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Derivatives by valuation method as at 31 December 2009 (in EUR million)

	Level 1		Level 2		Level 3		Total	
	Quoted market price		Valuation techniques – market observable inputs		Valuation techniques – non observable market inputs			
	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value
Interest Rate Swaps used for trading	0	0	299 702	9 546	16 677	- 2	316 379	9 544
Cross Currency Swaps used for trading	0	0	102 225	- 3 819	5 623	19	107 848	- 3 800
Credit Default Swaps used for trading	0	0	0	0	197	2	197	2
Forward foreign exchange contracts	0	0	12 139	255	0	0	12 139	255
Futures contracts	335	0	0	0	0	0	335	0
Overnight indexed Swaps	0	0	0	0	0	0	0	0
Forward Rate agreements	0	0	0	0	0	0	0	0
Guarantees associated to derivatives	0	0	0	0	0	0	0	0
Total	335	0	414 066	5 982	22 497	19	436 898	6 001

Derivatives by valuation method as at 31 December 2008 (in EUR million)

	Level 1		Level 2		Level 3		Total	
	Quoted market price		Valuation techniques – market observable inputs		Valuation techniques – non observable market inputs			
	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value
Interest Rate Swaps used for trading	0	0	259 873	11 850	16 309	- 873	276 182	10 977
Cross Currency Swaps used for trading	0	0	84 488	- 6 007	5 966	400	90 454	- 5 607
Credit Default Swaps used for trading	0	0	0	0	172	10	172	10
Forward foreign exchange contracts	0	0	16 296	- 989	0	0	16 296	- 989
Futures contracts	394	- 1	0	0	0	0	394	- 1
Overnight indexed Swaps	0	0	0	0	0	0	0	0
Forward Rate agreements	0	0	5 472	1	0	0	5 472	1
Guarantees associated to derivatives	0	0	0	0	1 217	- 3	1 217	- 3
Total	394	- 1	366 129	4 855	23 664	- 466	390 187	4 388

Quoted prices for the majority EIB's derivative transactions are not available in the market. For such instruments the fair values are estimated using valuation techniques or models, based whenever possible on observable market data prevailing at the balance sheet date.

The fair value of swap transactions is computed using the income approach, applying valuation techniques to convert future amounts to a single present amount (discounted). The estimate of fair value is based on the value indicated by marketplace expectations about those future amounts. Valuation techniques can range from simple discounted known cash flows to complex option models. The valuation models applied are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price.

For a portion of derivative transactions, internal estimates and assumptions might be used in the valuation techniques when the market inputs are not directly available.

Note R – Fair value of financial assets and liabilities (in EUR million)

The tables below set out a comparison by category of the carrying amounts and fair values of the Group's financial assets and financial liabilities that are carried in the financial statements. The tables do not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 31.12.2009	Fair value 31.12.2009	Carrying value 31.12.2008	Fair value 31.12.2008
Assets carried at fair value				
Available-for-sale financial assets	5 733	5 733	4 533	4 533
Financial assets designated at fair value through profit or loss	69 214	69 214	59 257	59 257
Financial assets held for trading	21 936	21 936	22 388	22 388
Total	96 883	96 883	86 178	86 178
Assets carried at amortised cost				
Held-to-maturity investments	17 800	17 391	10 171	9 736
Loans and receivables	271 058	269 570	254 633	255 748
Total	288 858	286 961	264 804	265 484
Total financial assets	385 741	383 844	350 982	351 662
Liabilities carried at fair value				
Financial liabilities held for trading	14 867	14 867	17 474	17 474
Financial liabilities designated at fair value through profit or loss	301 642	301 642	254 526	254 526
Total	316 509	316 509	272 000	272 000
Liabilities carried at amortised cost				
Liabilities measured at amortised cost	29 050	30 115	35 934	37 371
Total	29 050	30 115	35 934	37 371
Total financial liabilities	345 559	346 624	307 934	309 371

The following describes the methodologies and assumptions used to determine the fair value of the financial assets and the financial liabilities.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value.

Assets and liabilities recorded at fair value

Published price quotations in an active market are the first source for determining the fair value of a financial instrument. For instruments without an available market price the fair values are estimated using valuation techniques or models, based whenever possible on observable market data prevailing at the balance sheet date.

The fair value of such instruments is determined by using valuation techniques to convert future amounts to a single present amount (discounted). The estimate of fair value is based on the value indicated by marketplace expectations about those future amounts. Valuation techniques can range from simple discounted known cash flows to complex option models. The valuation models applied are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price. Internal estimates and assumptions might be used in the valuation techniques when the market inputs are not directly available.

The following tables show an analysis of financial assets and financial liabilities recorded at fair value, between those whose fair value is based on quoted market prices, those whose valuation technique where all the model inputs are observable in the market and those where the valuation techniques involve the use of non-market observable inputs.

	Level 1	Level 2	Level 3	Total 2009		Total
	Quoted market price 2009	Valuation techniques – market observable input 2009	Valuation techniques – non market observable input 2009	Positive fair value	Negative fair value	
Financial assets						
Financial assets held for trading	1 068	19 834	1 034	21 936	0	21 936
Financial assets designated at fair value through profit or loss	0	65 856	3 358	69 230	- 16	69 214
Financial investments – Available-for-sale	2 235	777	2 721	5 733	0	5 733
Total	3 303	86 467	7 113	96 899	- 16	96 883
Financial liabilities						
Financial liabilities held for trading	0	13 851	1 016	0	14 867	14 867
Financial liabilities designated at fair value through profit or loss	254 550	33 770	13 322	- 1 581	303 223	301 642
Total	254 550	47 621	14 338	- 1 581	318 090	316 509
	Level 1	Level 2	Level 3	Total 2008		Total
	Quoted market price 2008	Valuation techniques – market observable input 2008	Valuation techniques – non market observable input 2008	Positive fair value	Negative fair value	
Financial assets						
Financial assets held for trading	526	20 854	1 008	22 388	0	22 388
Financial assets designated at fair value through profit or loss	0	56 158	3 099	59 258	- 1	59 257
Financial investments – Available-for-sale	1 993	419	2 121	4 533	0	4 533
Total	2 519	77 431	6 228	86 179	- 1	86 178
Financial liabilities						
Financial liabilities held for trading	1	16 000	1 473	0	17 474	17 474
Financial liabilities designated at fair value through profit or loss	206 206	33 916	14 404	- 1 229	255 755	254 526
Total	206 207	49 916	15 877	- 1 229	273 229	272 000

In 2009, the Group made transfers from level 1 to 2 of the fair value hierarchy:

- Investment securities (available for sale) of EUR 59 million.
- Financial liabilities designated at fair value through profit or loss of EUR 8 601 million.

The Group made also the following transfer from level 2 to 1 of the fair value hierarchy:

- Financial liabilities designated at fair value through profit or loss of EUR 1 957 million.

The following table presents the changes in Level 3 instruments for the year ended at 31 December 2009:

	Financial assets held for trading	Financial assets designated at fair value through P/L	Financial investments – Available-for-Sale	Financial liabilities held for trading	Financial liabilities designated at fair value through P/L	Total
Balance at 1 January 2009	1 008	3 099	2 121	- 1 473	- 14 404	- 9 649
Total gains or losses						
- in profit or loss	- 25	34	- 131	416	- 74	220
- in other comprehensive income	0	0	- 87	0	0	- 87
Purchases	7	648	780	- 36	0	1 399
Issues	0	0	0	0	- 12	- 12
Settlement	- 47	- 423	0	35	895	460
Aggregate transfers into Level 3	180	0	38	- 14	- 1 339	- 1 135
Aggregate transfers out of Level 3	- 89	0	0	56	1 612	1 579
Balance at 31 December 2009	1 034	3 358	2 721	- 1 016	- 13 322	- 7 225

Change in fair value of financial instruments designated at fair value through profit and loss using a valuation technique based on non market observable input, due to alternative assumptions

The potential effect of using reasonable possible alternative non market observable assumptions as input to valuation techniques from which the fair values of financial instruments designated at fair value through profit or loss (FVTPL) are determined has been quantified as a reduction of approximately EUR 9 million using less favourable assumptions and an increase of approximately EUR 74 million using more favourable assumptions for 31 December 2009 and a reduction of approximately EUR 12 million using less favourable assumptions and an increase of approximately EUR 28 million using more favourable assumptions for 31 December 2008.

Financial assets designated at fair value through profit and loss

Included in financial assets designated at fair value through profit or loss is a portfolio of loans hedged by Interest Rates Swaps and Currency Swaps.

The maximum credit exposure of the disbursed loans and advances to customers and to credit institutions designated at fair value through profit and loss amounts

to EUR 69 214 million (2008: EUR 59 257 million). The cumulative change in fair value of the loans attributable to change in credit risk of Group's counterparts amounts to a loss of EUR 38.5 million (2008: loss of EUR 12.44 million) and the change for the current year is a loss of EUR 26.1 million (2008: loss of EUR 15.4 million). The changes in fair value of financial assets designated at fair value through profit and loss attributable to changes in credit risk have been calculated by determining the change in the Expected Credit Loss on these loans.

No credit derivatives have been concluded to hedge the credit risk of the financial assets designated at fair value through profit and loss.

Financial liabilities designated at fair value through profit and loss

The financial liabilities designated at fair value through profit and loss are debts evidenced by certificates issued by the Group and hedged by Interest Rate Swaps and Currency Swaps.

The cumulative change in fair value of quoted financial liabilities designated at fair value through profit and loss attributable to change on credit risk of the Group amounts to a profit of EUR 1 804 million (2008: profit of EUR 4 984 million) and the change for the current year

is a loss of EUR 3 180 million (2008: profit of EUR 6 008 million). The changes in fair value of financial liabilities designated at fair value through profit and loss attributable to the change in credit risk have been calculated by determining the difference between the changes in the quoted fair value minus the changes in fair value due to market risk based on valuation techniques.

The amount that the Group would contractually be requested to pay at maturity of financial instruments designated at fair value through profit and loss is EUR 17 424 million (2008: EUR 16 825 million) less than the carrying amount as at 31 December 2009.

Note S – Risk Management

This note presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments. These are:

- Credit risk - the risk of loss resulting from client or counterparty default and arising on credit exposure in all forms, including settlement risk;
- Market risk - exposure to observable market variables such as interest rates, exchange rates and equity market prices;
- Liquidity and funding risk - the risk that the Group is unable to fund assets or meet obligations at a reasonable price or, in extreme situations, at any price; and
- Operational risk - the potential loss resulting from inadequate or failed internal processes, people and systems or from external events.

Within the Group, the management and control of risks is handled separately by each entity. As a consequence, risk management information presented in this note will distinguish between the Bank and the Fund.

S.1. Risk Management Organisation

S.1.1. Risk Management Organisation of the Bank

The Bank aligns its risk management systems to changing economic conditions and evolving regulatory standards. It adapts them on an ongoing basis as best market practice develops. Systems are in place to control and report on the main risks inherent in its operations, i.e. credit, market and operational risks.

The Bank applies best market practice in order to analyse and manage risks so as to obtain the strongest protection for its assets, its financial result, and consequently its capital. While the Bank is not subject to regulation, it aims to comply in substance with the relevant EU banking directives and the recommendations of the banking supervisors of the EU Member States, EU legislation and

the competent supranational bodies, such as the Basel Committee on Banking Supervision (BCBS).

The following sections disclose the credit, market and liquidity risks to which the Bank is exposed on its activities performed on own resources.

The Risk Management Directorate (RM) has, since November 2003, initially been structured around two departments – namely the Credit Risk (CRD) and the Assets and Liabilities Management (ALM), Derivatives, Financial and Operational Risk (FRD) Departments – and a Coordination Division. In 2006, the Bank formalised credit risk policies for own resource operations outside the European Union, expanding CRD's remit.

RM independently identifies, assesses, monitors and reports the credit, market and operational risks to which the Bank is exposed in a comprehensive and consistent way and under a consistent approach. Within a commonly defined framework, whereby the segregation of duties is preserved, RM is independent of the Front Offices. The Director General of RM reports, for credit, market and operational risks, to the designated Vice-President. The designated Vice-President meets regularly with the Audit Committee to discuss topics relating to credit, market and operational risks. He is also responsible for overseeing risk reporting to the Management Committee and the Board of Directors.

To support the implementation of the Bank's risk policies, two risk-oriented committees have been created.

The Credit Risk Assessment Group (CRAG) is a high-level forum for discussing relevant credit risk issues arising in the course of the Bank's activities and for advising the Management Committee on these. Its members are the Directors General of the Operations, Projects, Risk Management, Finance and Legal Affairs Directorates. The CRAG is intended to complement, and does not replace, the existing case-by-case review of lending operations, which remains central to the loan approval process.

An ALM Committee (ALCO), made up of the Directors General of the Operations, Finance and Risk Management Directorates, provides a high-level forum for debating the Bank's ALM policy and for making proposals in this field to the Management Committee. It promotes and facilitates the dialogue among the Directorates represented in it, while providing a wider perspective on, and enhancing their understanding of, the main financial risks.

The Bank continued to develop its capacity to manage loans post signature, thereby also preparing for the riskier transactions resulting from its "take-more-risk" strategy, the Bank's overall higher lending volume and the economic environment. For significant parts of the portfolio it is the responsibility of Transaction Management & Restructuring (TMR), an autonomous department, reporting to a separate Vice-President. In 2009, TMR focused on monitoring the higher risk counterparts and certain forms

of security; it also managed transactions requiring particular attention. All of its proposals which have credit risk implications are subject to an independent second opinion by the Risk Management Directorate.

S.1.1.1. Risk measurement and reporting system

The Bank's risks are measured using a method which reflects both expected losses likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on a portfolio model. The models make use of probabilities derived from statistics based on historical experiences observed in financial markets. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do in fact occur.

Information on the risk measures described above are presented and explained to the Management Committee on a quarterly basis and to the Board of Directors twice a year. The reports include aggregate credit exposures, credit concentration analyses, VaR, liquidity ratios and risk profile changes.

In addition, key risk indicators of the loan portfolio and liquidity mismatch risks are presented to the Management Committee on a monthly basis.

S.1.1.2. The Bank's financial risk tolerance

As a public institution, the Bank does not aim to make profits from speculative exposures to financial risks, sets its financial risk tolerance to a minimum level as defined by approved limits, and applies a conservative financial framework.

As a consequence, the Bank does not view its treasury or funding activities as profit-maximising centres, even though performance objectives are attached to those activities. Investment activities are conducted within the primary objective of protection of the capital invested. With respect to exposures arising from the Bank's lending and borrowing operations, the main principle of the Bank's financial risk policy is therefore that all material financial risks are hedged.

Following best market practice, all new types of transactions introducing operational or financial risks must be authorised by the Management Committee, after the approval of the New Products Committee, and are managed within approved limits.

S.1.1.3. Sustainability of revenue and self-financing capacity

The Bank's ALM policy forms an integral part of the Group's overall financial risk management. It reflects the expectations of the three main stakeholders of the Bank (i.e. the Bank's shareholders, the Bank's borrowers and the financial markets) in terms of stability of earnings, preservation of the economic value of own funds, and the self-financing of the Bank's growth in the long term.

To achieve these aims, the ALM policy employs medium to long-term indexation for the investment of own funds to promote stability of revenues and enhance overall returns. This indexation policy implies an exposure to medium to long-term yields and is not influenced by any short-term views on trends in interest rates.

This is accomplished by targeting a duration for the Bank's own funds of between 4.5-5.5 years.

S.1.2. Risk Management Organisation of the Fund (EIF)

Most of the Private Equity (PE), Venture Capital and Guarantees & Securitisation (GS) operations for both entities of the Group are managed by the Fund. The mandate of the Fund is to support small and mid-size enterprise (SME) finance for start-up, growth and development within European Union objectives for SME.

The Fund aligns its risk management systems to changing economic conditions and evolving regulatory standards. It therefore adapts them on an ongoing basis as best market practices develop. Credit, market and operational systems are in place to control and report on the main risks inherent to its operations.

An independent Risk Management and Monitoring (RMM) division independently reports directly to the Deputy Chief Executive. This segregation of duties and the "four-eyes" principle ensures an unbiased review of the Fund's business activities. Moreover, within the EIB Group context, RMM operates in close contact with the European Investment Bank's Risk Management Directorate, particularly with regard to Group risk exposure relating to guarantee operations, the private equity and venture capital operations under the Bank's Risk Capital Mandate (RCM) and general EIF policy matters.

RMM is divided into three teams: a PE Risk Management team, a Portfolio GS Risk Management team and a Monitoring & Administration (MA) team covering both business lines.

The Fund's treasury management has been outsourced to the Bank under a treasury management agreement signed by both parties and it is carried out according to EIF treasury guidelines.

S.1.2.1. Risk assessment private equity

Under its private equity operations, the Fund has a fund of funds approach, taking minority equity participations in funds managed by mostly independent teams in order to catalyse further commitments from a wide range of investors. The Fund's PE operations include investments in early-stage and seed capital, but also in well-established funds targeting mid-, later-stage and mezzanine investments, which, generally speaking, have a lower risk profile.

Over the last years, the Fund has developed a tool-set to design, manage and monitor portfolios of PE funds tailored to the dynamics of this market place, going beyond the typical and often-simplistic recipe of investing only in top quartile funds. This tool-set is based on an internal model, the Grading-based Economic Model (GEM), which allows the Fund to better assess and verify each funds' but also each portfolios of funds' valuations, risks and expected future cash flows and performances. Before committing to a PE fund, the Fund assigns a grading which is based on the outcome of an extensive due diligence performed by the Fund's transaction team and reviewed by its risk management team. During the funds' lifetimes, gradings are periodically reviewed with a frequency and intensity depending on the level of risk.

These efforts, supported by the development of a proprietary IT system and an integrated software (front to back), improve the investment decision-making process and the management of the portfolio's financial risks and of liquidity.

In the context of the current financial crisis, the Fund has been closely monitoring the valuations reported by PE fund managers, and also other specific risks linked to the crisis. The Fund has also run more stringent stress test scenarios on its PE funds portfolios to assess the impact of a worsening and/or continuation of the financial crisis.

5.1.2.2. Risk assessment guarantees

The Fund extends portfolio guarantees to financial intermediaries involved in SME financing, and by taking on the risk faced by those institutions, it facilitates access to funding, and, in turn, it helps to finance SMEs.

For its guarantee & securitisation business, over the last years, the Fund has developed a tool-set to analyse portfolio guarantee and structured financial transactions in line with best market practices. Before the Fund enters legally into a guarantee transaction, an internal rating is assigned to each new own risk guarantee transaction in accordance with the Fund's Credit Risk Policy and Model Review Guidelines. The rating is based on internal models, which analyse and summarise the transaction's credit quality (expected loss concept), considering not only quantitative parameters but also qualitative aspects. Guarantee transactions are monitored regularly, at least quarterly.

The guarantees portfolio is valued according to marked-to-model. The main impact on the valuation of the transactions in the portfolio stems from the assigned rating and the possible subsequent rating changes.

In the context of the financial crisis, the Fund has increased its monitoring efforts to follow a potential negative rating migration closely. The improvement of the monitoring is not only based on the reaction to the financial crisis but is a continuous process. Furthermore, the Fund has strengthened the stress testing methodology, i.e. its

scenario analysis with regard to portfolio downgrades and related impacts on capital allocation, expected losses, as well as on the profit and loss.

5.2. Credit risk

5.2.1. Credit risk policies

Credit risk concerns mainly the Group's lending activity and, to a lesser extent, treasury instruments such as fixed-income securities held in the investment and operational portfolios, certificates of deposit and interbank term deposits as well as the derivatives transactions of the Group and the Fund's guarantee transactions funded by own resources. No credit risk is attached to the Group's venture capital operations, which are performed entirely through equity participations and are, hence, only exposed to market risk.

The Group's policies on credit risk are approved by the Group's governing bodies. They set out minimum credit quality levels for both borrowers and guarantors in lending operations and identify the types of security that are deemed acceptable. They also detail the minimum requirements which loan contracts must meet in terms of key legal clauses and other contractual stipulations to ensure that the Bank's position ranks at least equal to that of other senior lenders, with prompt access to security when required. In addition, via a counterpart and sector limit system, the credit policies ensure an acceptable degree of diversification in the Group's loan portfolio. The Group's limit system draws its inspiration from the traditional prudential regulations on concentration and large exposure management contained in the EU banking directives, though the Group generally adopts a more restrictive approach to risk-taking than commercial banks. They also set out the minimum credit quality of counterparties of derivatives and treasury transactions as well as the contractual framework for each type of transaction.

As regards lending, treasury and derivatives operations, credit risk is managed by the independent Risk Management Directorate (RM) under the direct responsibility of the Management Committee of the Bank. The Group has thus established an operationally independent structure for determining and monitoring credit risk.

The Fund manages exposures and risk taking in the frame of conservative policies deriving from statutory provisions and Credit Risk Policy Guidelines approved by the Fund's Board of Directors or guidelines as set out under mandates. Credit policies undergo periodic adaptations to incorporate evolving operational circumstances and respond to new mandates that the Group may receive from its shareholders.

Management of credit risk is based, firstly, on the degree of credit risk vis-à-vis counterparties and, secondly, on an analysis of the solvency of counterparties.

S.2.2. Maximum exposure to credit risk without taking into account any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements (Note S.2.3.4).

Maximum exposure (in EUR million)	31.12.2009	31.12.2008
Financial assets		
Loans and receivables	271 058	254 633
Financial assets held for trading	21 936	22 388
Financial assets designated at fair value through P/L	69 214	59 257
Financial assets – Available-for-sale	5 733	4 533
Financial assets – Held-to-maturity	17 800	10 171
Non financial assets excluding subscribed capital and reserves, called but not paid	457	520
Total	386 198	351 502
Off-balance-sheet		
Contingent liabilities	2 911	4 083
Commitments		
- Undisbursed loans	81 843	58 870
- Undisbursed Venture Capital operations	1 393	1 227
- Other	954	777
Total	87 101	64 957
Total credit risk exposure	473 299	416 459

Where financial instruments are recorded at fair value, the amounts shown above represent maximum risk exposure that could arise in the future as a result of change in values.

S.2.3. Credit risk on loans

S.2.3.1. Credit risk measurement for loans and advances to customers and credit institutions

In line with best practice in the banking sector, an internal loan grading system (based on the expected loss methodology) is implemented for lending operations. This has become an important part of the loan appraisal process and of credit risk monitoring, as well as providing a reference point for pricing credit risk when appropriate.

The loan grading (LG) system comprises the methodologies, processes, databases and IT systems supporting the assessment of credit risk in lending operations and the quantification of expected loss estimates. It summarises a large amount of information with the purpose of offering a relative ranking of loans' credit risks. At the Group, LGs reflect the present value of the estimated level of the "expected loss"; this being the product of the probability of default of the main obligors, the exposure at risk and the loss severity in the case of default. LGs are used for the following purposes:

- as an aid to a finer and more quantitative assessment of lending risks;
- as help in distributing monitoring efforts;
- as a description of the loan's portfolio quality at any given date;

- as a benchmark for calculating the annual additions to the General loan reserve; and
- as one input in risk-pricing decisions based on the expected loss.

The following factors enter into the determination of an LG:

- The borrower's creditworthiness: RM/CRD independently reviews borrowers and assesses their creditworthiness based on internal methodologies and external data. In line with the Basel II Advanced Approach chosen, the Group has developed an internal rating methodology (IRM) to determine the internal ratings of borrowers and guarantors. This is based on a set of scoring sheets specific to defined counterparty types.
- The default correlation: it quantifies the chances of simultaneous financial difficulties arising for both the borrower and the guarantor. The higher the correlation between the borrower and the guarantor's default probabilities, the lower the value of the guarantee and therefore the lower the LG.
- The value of guarantee instruments and of securities: this value is assessed on the basis of the combination of the issuer's creditworthiness and the type of instrument used.
- The contractual framework: a sound contractual framework will add to the loan's quality and enhance its internal grading.

- v) The loan's duration: all else being equal, the longer the loan, the higher the risk of incurring difficulties in the servicing of the loan.

A loan's expected loss is computed by combining the five elements discussed above. Depending on the level of this loss, a loan is assigned to one of the following LG classes listed below.

- A Prime quality loans: there are three sub-categories. A° comprises EU sovereign risks, that is loans granted to – or fully, explicitly and unconditionally guaranteed by – Member States where no repayment difficulties are expected. A+ denotes loans granted to (or guaranteed by) entities other than Member States, with no expectation of deterioration over their duration. A- includes those lending operations where there is some doubt about the maintenance of their current status (for instance because of a long maturity, or for the high volatility of the future price of an otherwise excellent collateral), but where any downside is expected to be quite limited.
- B High quality loans: these represent an asset class with which the Group feels comfortable, although a minor deterioration is not ruled out in the future. B+ and B- are used to denote the relative likelihood of the possibility of such deterioration occurring.
- C Good quality loans: an example could be unsecured loans to solid banks and corporates with a 7-year bullet, or equivalent amortising, maturity at disbursement.
- D This rating class represents the borderline between "acceptable quality" loans and those that have experienced some difficulties. This watershed in loan grading is more precisely determined by the sub-classifications D+ and D-. Loans rated D- require heightened monitoring.
- E This LG category includes loans that in the course of their lives have experienced severe problems and their sliding into a situation of loss cannot be excluded. For this reason, they require careful, close and high monitoring. The sub-classes E+ and E- differentiate the intensity of this special monitoring process, with those operations graded E- being in a position where there is a strong possibility that debt service can not be maintained on a timely basis and therefore some form of debt restructuring is required, possibly leading to an impairment loss.
- F F (fail) denotes loans representing unacceptable risks. F- graded loans can only arise out of outstanding transactions that have experienced, after signature, unforeseen, exceptional and dramatic adverse circumstances. All operations where there is a loss of principal to the Group are graded F and a specific provision is applied.

Generally, loans internally graded D- or below are placed on the Watch List. However, under the Structured Finance Facility (SFF) and the Special Femip Envelope (SFE), a

limited amount of credit exposures with an original LG of D- or less can be accepted.

In addition to the deal-by-deal analysis of each loan, the Group, using an external credit software package, also develops a portfolio view of credit exposures, integrating the concentration and correlation effects created by the dependence of various exposures on common risk factors. By adding a portfolio dimension of credit risks, it is possible to complement the LG's deal-by-deal approach and thus provide a finer and more comprehensive risk assessment of the credit risks in the Group's loan book.

S.2.3.2. Loans secured by Guarantees of the European Union budget or the Member States

Loans outside the European Union (apart from those under the Facilities^(*)) are, in the last resort, secured by guarantees of the European Union budget or the Member States (loans in the ACP Countries and the OCT). The agreements decided by the Council of the European Union on 14 April 1997 (Decision 97/256/EC) introduced the concept of risk sharing whereby certain loans of the Bank are secured by third-party guarantees with respect to the commercial risk, the budgetary guarantee applying in the case of political risks solely arising from currency non-transferability, expropriation, war and civil disturbance.

^(*) Loans granted under Article 16 (previously Article 18) of the Bank's statute and loans granted under the Pre Accession Facility, the Mediterranean Partnership Facility, the Energy Sustainability Facility and the EFTA Facility. These loans, granted under the Facilities, are not secured by guarantees of the European Union budget or the Member States. Therefore, lending under the Facilities is from the Bank's own resources and at the Bank's own risk.

In accordance with the terms of the Guarantees, the European Union and the Member States secure up to 65%, 75% and 100% of pool of signed⁽¹⁾ operations in each portfolio. This results in an effectively full coverage of the Group's exposure. For this reason, the Group deems the credit risk associated to each individual loan as fully covered and therefore excludes them from the section S.2.3 (Group's lending activities).

The total nominal amount of loans signed under this category as at 31 December 2009 amounts to EUR 28 906 million (2008: EUR 25 376 million) including an undisbursed amount of EUR 12 039 million (2008: EUR 19 683 million). These amounts also include loans granted to current European Union Member States but granted before their accession to the European Union and are guaranteed by the European Union budget or Member States.

S.2.3.3. Analysis of lending credit risk exposure

In order to limit the credit risk on its loan portfolio, the Group lends only to counterparties with demonstrated creditworthiness over the longer term and sound guarantees. In order to efficiently measure and manage credit risk on loans, the Group has graded its lending operations according to generally accepted criteria, based

⁽¹⁾ Under the new Guarantee Agreement with the Commission signed on 1 and 29 August 2007, all European Union guaranteed operations signed on and after 17 April 2007 shall be covered up to 65% of "the aggregate amount of credits disbursed". The residual risk borne by the Group in connection with operations is managed in accordance with the Group's fundamental credit rules and procedures.

on the quality of the borrower, the guarantee and, where appropriate, the guarantor.

In detail, the tables below show the maximum exposure to credit risk on loans (the repayable on demand and other loans and advances to credit institutions are not

included) signed and disbursed as well as the part of the exposure that has been signed but not disbursed yet for all exposure where the Group is at risk. Therefore, loans outside the European Union secured by the European Union budget or the Member States are not included (Note S.2.3.2).

2009 (in EUR million)		Guarantor				Not Guaranteed ⁽²⁾	Total disbursed	Signed not disbursed
		Corporate	Bank	Public	State			
Borrower	Corporate	27 724	28 321	6 462	14 921	32 509	109 937	27 917
	Bank	13 159	31 057	37 240	7 291	19 584	108 331	18 882
	Public	4 341	697	9 903	20 024	27 127	62 092	15 012
	State	0	0	0	0	23 178	23 178	7 993
Total disbursed ^{(3) (4) (5)}		45 224	60 075	53 605	42 236	102 398	303 538	69 804
Signed not disbursed ^{(3) (4) (5)}		12 949	8 997	7 298	16 335	24 225	69 804	

⁽²⁾ These amounts include loans for which no formal guarantee independent from the borrower and the loan itself was required, the borrower's level of solvency itself representing adequate security. In the event of certain occurrences, appropriate contractual clauses ensure the Bank's right to access independent security.

⁽³⁾ These amounts include loans granted under Facilities.

⁽⁴⁾ These amounts do not include asset backed securities (2009: EUR 8 221 million; 2008: EUR 5 780 million).

⁽⁵⁾ These amounts exclude loans to current European Union Member States but granted before their accession to the European Union and guaranteed by the European Union budget or the Member States.

2008 (in EUR million)		Guarantor				Not Guaranteed	Total disbursed	Signed not disbursed
		Corporate	Bank	Public	State			
Borrower	Corporate	21 418	27 908	5 265	14 470	26 680	95 741	18 448
	Bank	14 088	25 116	38 094	10 160	16 934	104 392	11 666
	Public	4 442	739	8 616	18 344	22 640	54 781	12 003
	State	0	0	0	0	20 960	20 960	7 071
Total disbursed		39 948	53 763	51 975	42 974	87 214	275 874	49 188
Signed not disbursed		6 762	7 296	5 394	5 782	23 954	49 188	

Regarding the lending activities, the Group's total exposure ⁽¹⁾ to the banking sector amounts to EUR 127 213 million at the end of December 2009 (2008: EUR 116 058 million), which is equal to 34.1% (2008: 35.7%) of the total of EUR 373 342 million in loans outstanding as at 31 December 2009 (2008: EUR 325 062 million).

Unsecured loans to corporates at the end of December 2009 amounted to EUR 41 843 million ⁽¹⁾, which is equal to 11.2% of the total loan book. Unsecured exposure to corporate clients is controlled by bilateral limits and generally individual exposures are capped at 5% of Group's Own Funds. The Group has also introduced a number of sector limits.

S.2.3.3.1. Credit quality on loans

The overall credit quality of risk portfolio continues to present a strong profile, with loans internally graded A to C representing 91.3% of the loan portfolios as at 31 December 2009, compared with 95.6% at 31 December 2008. The share of loans internally graded D+ (the lowest acceptable

⁽¹⁾ Including exposure signed but not disbursed yet.

internal grading for standard loan operations) and below, was 8.7% (2008: 4.4%) of the loan portfolio, corresponding to EUR 32.4 billion (2008: EUR 14.3 billion).

To mitigate credit risk, the Group uses, amongst others, the following instruments:

- Guarantees issued by third parties of acceptable credit quality;
- Financial collaterals;
- Mortgages, claims on revenues etc.

All credit risk mitigation instruments accepted by the Bank have been defined in the Credit Risk Policy Guidelines.

Credit quality analysis per type of borrower

The tables below show the credit quality analysis of the Group's loans portfolio as at 31 December 2009 and 31 December 2008 by the Loan Grading application, based on the exposures signed (disbursed and undisbursed).

2009 (in EUR million)		Sovereign	High Grade	Standard Grade	Min. Accept. Risk	High Risk	Total
		A0, P	A to B-	C	D+	D- and below	
Borrower	Corporate	16 463	60 026	30 579	18 101	12 685	137 854
	Bank	8 389	112 155	5 660	442	567	127 213
	Public	20 818	54 360	1 336	572	18	77 104
	State	29 998	0	1 173	0	0	31 171
TOTAL		75 668	226 541	38 748	19 115	13 270	373 342

2008 (in EUR million)		Sovereign	High Grade	Standard Grade	Min. Accept. Risk	High Risk	Total
		A0, P	A to B-	C	D+	D- and below	
Borrower	Corporate	15 697	56 942	28 695	8 283	4 572	114 189
	Bank	5 752	103 678	5 761	438	429	116 058
	Public	20 136	45 468	816	0	364	66 784
	State	26 846	0	985	200	0	28 031
TOTAL		68 431	206 088	36 257	8 921	5 365	325 062

With the decision in favour of the Internal ratings based approach of Basel II, the Group has introduced an internal rating methodology in 2006. A considerable amount of the counterparts have already been rated according to this model. The table below shows a breakdown of the Group's loan portfolio by the rating of the borrower, based on the internal rating, where available. In cases where an internal rating is not available yet, the external rating has been used for this analysis.

In view of the current market situation, the Group is monitoring the events affecting its borrowers and guarantors, particularly banks. In particular, the Group is assessing on a case by case basis its contractual rights in case of rating deterioration and is seeking appropriate mitigating measures. It is also closely following the renewals of bank guarantees received for its loans to ensure that these are replaced or appropriate action is taken in a timely manner.

The monolines, insuring EUR 5 127 million of the Group's loans, have suffered material downgrades. In view of the non-accelerable nature of their credit enhancement, the Group policies provides for the borrowers to be of acceptable credit standing from the outset. In view of the weakened credit of the monolines, the Group has further enhanced its direct monitoring of the underlying borrowers and projects. Due to the poor performance of an underlying borrower, one project finance operation was put on the Watch List in 2009. For the remainder of the monoline backed exposures the credit quality of the underlying operation remains generally satisfactory. The Bank will continue to monitor this portfolio closely.

As an immediate response to the developments on the financial markets that have been taken place since September 2008, the Group has acted to reinforce its

arrangements for the monitoring and management of risks. To this end, an inter-directorate risk monitoring group has been set up. Its purpose is to promote the exchange of information among departments and to suggest reporting and operational management procedures for use at times of financial crisis with the objective of rapid reaction if required.

The Group regularly assesses the credit quality of all loan counterparts and, from these periodic assessments, it derives an internal transaction grading. The internal rating scale comprises 10 internal grading classes, from A to F. This grading also takes into account the value of collaterals or securities received, as well as identified structural weaknesses or deterioration in cash flows. The Group does not assess credit risk on a pooled or portfolio basis, but deals with each outstanding transaction individually.

The internal transaction grading is also used to determine the Watch List (all loans with an internal grading of D- to F, other than SFF/LGTT/RSFF transactions unless downgraded post signature), which increased to EUR 1 386 million (EUR 1 126 million end 2008), also reflecting the general economic situation.

The portion of loans internally rated graded A0 to C represents 91.3% of the total risk portfolio (95.6% end 2008). However, this change was largely driven by the rising volume of new signatures under SFF/LGTT/RSFF (increasing by almost 56.5% in 2009) for which each loan has a proportion of the funds allocated to the general loan and special activities reserves.

Taking into account the above, and the Group's contractual protections, which if breached enable the Bank to negotiate remedies, as at 31 December 2009, there was no need for a collective impairment allowance.

Credit risk exposure for each internal risk rating

The table shows both the exposures signed (disbursed and undisbursed), as well as the risk-weighted exposures, based on an internal methodology that the Group uses for limit management.

	Rating Grade	Moody's equiv. grade	1-year history Def. Rate (*)	2009 (in EUR million)		2008 (in EUR million)	
				Exposures Signed	Weighted Exposures (**)	Exposures Signed	Weighted Exposures (**)
No rating available	n/a	n/a	0%	0	0	0	0
Internal Rating 1	1	Aaa	0%	21 689	2 830	26 983	4 798
Internal Rating 2	2+	Aa1	0%	35 821	1 481	29 307	2 612
	2	Aa2	0%	18 483	5 015	15 710	7 337
	2-	Aa3	0%	46 174	22 129	48 014	21 530
Internal Rating 3	3+	A1	0%	41 401	13 847	45 355	15 773
	3	A2	0%	35 536	20 132	32 561	16 511
	3-	A3	0%	42 213	22 413	32 155	18 666
Internal Rating 4	4+	Baa1	0%	42 460	25 393	31 003	19 197
	4	Baa2	0%	24 404	7 842	15 834	5 803
	4-	Baa3	0%	36 103	16 970	32 351	14 086
Internal Rating 5	5+	Ba1	0%	9 975	6 517	3 424	3 494
	5	Ba2	0%	6 769	4 308	3 470	2 113
	5-	Ba3	0%	4 483	2 263	3 233	1 477
Internal Rating 6	6+	B1	0%	5 234	2 299	3 830	2 126
	6	B2	0%	493	335	166	111
	6-	B3	0%	896	533	806	589
Internal Rating 7	7	C	0%	1 208	329	860	696
TOTAL				373 342	154 636	325 062	136 919

(*) based on actual losses obtained in 2009.

(**) Risk-weights are percentages (from 0% to 100%) applied to the outstanding nominal amounts of loans or other credit exposures (e.g. deposits, derivatives and securities). They depend on the perceived credit risk represented both by the types of claims and by the nature of the main obligator or guarantor. The main risk-weights are 0% (Member States, German and Austria Länder), 20% (public institutions), 50% (banks) and 100% (corporates).

S.2.3.3.2. Risk concentrations of maximum exposure to credit risk on loans

The Group's loans portfolio can be analysed by the following geographical regions (based on the country of the borrower):

(in EUR million)	2009		2008	
	Exposures signed	Weighted exposures ⁽¹⁾	Exposures signed	Weighted exposures ⁽¹⁾
EU ^(*)	361 964	149 504	315 926	132 367
Thereof :				
- Germany	52 644	17 130	48 378	15 168
- Spain	60 541	16 839	54 111	15 017
- Italy	47 879	25 952	43 620	22 201
- France	38 702	18 674	35 011	17 615
- United Kingdom	27 506	20 994	22 363	16 336
ENLARGEMENT COUNTRIES ^(**)	5 731	1 881	4 366	1 649
PARTNER COUNTRIES ^(***)	5 647	3 251	4 770	2 903
TOTAL	373 342	154 636	325 062	136 919

^(*) Including loans outside the EU approved by the Board of Governors according to Article 18 of the Bank's Statute as well as loans in EFTA countries.

^(**) Enlargement Countries as per end 2009 include Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, Turkey, and FYROM.

^(***) Loans in Partner Countries include loans under the Mediterranean Partnership Facility, the Pre-Accession Facility, and Risk Sharing loans.

⁽¹⁾ Risk-weights are percentages (from 0% to 100%) applied to the outstanding nominal amounts of loans or other credit exposures (e.g. deposits, derivatives and securities). They depend on the perceived credit risk represented both by the types of claims and by the nature of the main obligator or guarantor. The main risk-weights are 0% (Member States, German and Austria Länder), 20% (public institutions), 50% (banks) and 100% (corporates).

A critical element of risk management is to ensure adequate diversification of credit exposures. The Group tracks its global exposure by industry (shown in the following table), paying particular attention to industries that might be cyclical, volatile or undergoing substantial changes.

An industry sector analysis of the Group's loan portfolio (based on the industry sector of the borrower) is as follows:

(in EUR million)	2009		2008	
	Exposures signed	Weighted exposures ⁽¹⁾	Exposures signed	Weighted exposures ⁽¹⁾
Energy	32 716	24 701	27 687	21 574
Transport	43 979	15 068	37 780	13 230
Telecommunications	1 105	752	776	415
Water and sewerage	11 967	6 751	10 587	5 981
Miscellaneous Infrastructure	3 599	1 553	2 876	920
Agriculture, forestry and fisheries	72	36	38	19
Industry	22 640	18 301	15 631	14 522
Services ⁽²⁾	252 538	86 004	225 401	78 797
Health and education	4 726	1 470	4 286	1 461
TOTAL	373 342	154 636	325 062	136 919

⁽¹⁾ Risk-weights are percentages (from 0% to 100%) applied to the outstanding nominal amounts of loans or other credit exposures (e.g. deposits, derivatives and securities). They depend on the perceived credit risk represented both by the types of claims and by the nature of the main obligator or guarantor. The main risk-weights are 0% (Member States, German and Austria Länder), 20% (public institutions), 50% (banks) and 100% (corporates).

⁽²⁾ The category "Services" includes the credit exposure of the banking sector. At the end of 2009, the total amount of loans directly exposed to counterparts of the banking sector amounted to EUR 127 213 million (EUR 116 058 million at the end of 2008), or EUR 50 844 million in risk-weighted terms (EUR 47 695 million at the end of 2008). Exposure to bank counterparts is subject to limits approved by the Management Committee. In specific cases, available limits have been temporarily suspended, restricted or withdrawn. The Bank systematically follows up on a daily basis publicly available news and, in particular, external rating movements. On top of the traditional loan exposures to the banking sector there is an amount of EUR 60 075 million (2008: EUR 53 763 million) in the form of guarantees received from financial institutions at the end of December 2009, of which EUR 5 127 million (2008: EUR 5 059 million) represents exposure to monoline insurers.

The principle of risk diversification is at the core of sound banking practices. The Group places limits on the maximum amount that can be lent to a single borrower, group of debtors or sectors. In addition, it follows the evolution of credit risk concentration using the concept of Credit Value at Risk (CVaR). This is done using a tool for assessing portfolio risk due to changes in debt value caused by changes in obligor credit quality. Importantly, this methodology assesses risk within the full context of a portfolio and addresses the correlation of credit quality moves across obligors. This allows the Group to directly calculate the diversification benefits or potential over-concentrations across the portfolio.

The table below shows the concentration indexes the Group follows as at 31 December 2009 and 31 December 2008:

End-of-Period		2009	2008
Largest nominal and risk-weighted Group exposures (*)			
Nominal exposures (% of Group Loan Portfolio)			
	– Top 3	6.4%	7.2%
	– Top 5	9.5%	10.4%
	– Top 10	15.5%	17.3%
N° of exposures (% of Group Own Funds)			
	– over 10%	11	12
	– over 15%	4	4
	– over 20%	2	2
N° of SSSR exposures over 5% of Group Own Funds (**)			
		2	4
Sum of all large risk-weighted exposures (% of Group Own Funds)(***)			
		90%	87%

(*) Including also the net market exposure of treasury operations.

(**) The term "single signature and single risk" (or for brevity, "unsecured" or "SSSR") is used to indicate those lending operations where the Group, irrespective of the number of signatures provided, has no genuine recourse to an independent third party, or to other forms of autonomous security.

(***) The Group defines a Large Individual Exposure as a consolidated group exposure that, when computed in risk-weighted terms, is at or above 5% of the Group's own funds. This definition applies to borrowers or guarantors, excluding loans to Member States and loans fully covered by an explicit guarantee from, or secured by bonds issued by Member States.

5.2.3.4. Collateral on loans

Among other credit instruments, the Group also uses pledges of financial securities. These pledges are formalised through a Pledge Agreement, enforceable in the relevant jurisdiction. The Group does not have right to sell or repledge them. The portfolio of collaterals received in pledge contracts amounts to EUR 15 175 million at the end of 2009 (2008: EUR 12 998 million).

The fair value of the portfolio of collateral received by the Group under pledge contracts that the Group is allowed to sell or repledge amounts to EUR 1 729 million (2008: EUR 3 224 million). None of these collaterals has been sold or re-pledged to third parties.

Fair value of collateral held against disbursed loans is shown below:

In EUR million	Gross exposure	Collateral held				Net exposure
		Bonds	Equities	Cash	Total 2009	
1. Against individually impaired	501	-	-	-	-	501 (*)
2. Against collectively impaired	-	-	-	-	-	-
3. Against past due but not impaired	24	-	-	-	-	24
4. Against neither past due nor impaired	250 929	13 137	188	338	13 663	237 266
5. Against fair value through profit and loss	69 214	1 512	-	-	1 512	67 702
TOTAL 2009	320 668	14 649	188	338	15 175	305 493
TOTAL 2008	291 885	12 369	277	352	12 998	278 887

(*) The disbursed part of loans individually impaired amounts to EUR 501 million (undisbursed part: nil). Impairments on these loans have been accounted for and amount to EUR 106 million as of 31 December 2009. The Group has also received additional security from the counterparts of these loans in the form of debts acknowledgement which cover the remaining exposure.

5.2.3.5 Arrears on loans

Amounts in arrears are identified, monitored and reported according to a set of procedures called the "Guidelines for the Monitoring of late payments".

Loans granted inside the European Union or outside the European Union not secured by guarantees of the European Union budget or the Member States:

Loans for which the projects are located inside the European Union or outside the European Union not secured by guarantees of the European Union budget or the Member States are mainly secured by guarantees from public institutions, Zone A banks and corporate entities. Unsecured part of these loans amounts to EUR 126 623 million as at 31 December 2009 (2008: EUR 111 168 million).

As at 31 December 2009, the Group has no arrears on loans inside the European Union above 30 days (2008: EUR 0.1 million).

Loans granted for projects outside the European Union secured by the European Union budget or the Member States

Loans for projects located outside the European Union and carried out on the basis of mandates given by the Council are guaranteed by the European Union, the Member States or on a risk-sharing basis. If an instalment remains unpaid for over 90 days, the primary guarantee is called (if any available). If due amount is still unpaid within 150 days after the instalment date (and in any case before the next instalment becomes due), the guarantee of the Member States or the European Union is officially invoked. Each unpaid instalment is called individually.

The arrears of payments on these loans can be analysed as follows (in EUR 000):

	Instalments overdue: 30 days to 90 days	Instalments overdue more than 90 days	Due instalments more than 150 days which have been called and paid under the guarantee of a Member State or the European Union	Total
31.12.2009	1 897	12 278	93 830	108 005
31.12.2008	3 165	17 613	127 232	148 010

5.2.3.6. Loan Substitutes

Regarding the Group's exposure to Loan Substitutes (LS), this portfolio comprises Covered Bonds and Asset Backed Securities (ABS). Covered Bonds offer full recourse to the issuer, while ABS are issued by Special Purpose Vehicles backing the underlying issues. Some of these transactions have been structured by adding a credit or project related remedies, thus offering additional recourse.

As of 31 December 2009, the Loan Substitutes amounts to EUR 18 659 million (2008: EUR 16 622 million). This amount is composed of loan substitutes included in debt securities portfolio (Note B.2) for an amount of EUR 8 221 million (2008: EUR 5 800 million) and loan substitutes included in loans and advances to credit institutions and to customers (Note C) for an amount of EUR 10 438 million (2008: EUR 10 822 million).

The following table summarises the breakdown of the Loan Substitutes portfolio by asset class (Mortgages exposure in ABS is primarily residential):

Loan substitutes	Asset class	TOTAL 31.12.2009 (in EUR million)	TOTAL 31.12.2008 (in EUR million)
Asset Backed Securities	Diversified Payment Rights	473	483
Asset Backed Securities	MBS	2 818	1 923
Asset Backed Securities	SME	3 651	3 873
Covered Bonds	MBS	10 705	8 731
Covered Bonds	Public Sector	999	1 597
Structured Public Sector Bonds	Public Sector	13	15
TOTAL		18 659	16 622

While for Covered Bonds, the majority of covered assets are based on residential mortgages, most of the ABS structures are based on SME.

Aside from two Diversified Payments Rights (DPR) transaction with Turkish promoters (amounting to EUR 473 million (2008: EUR 483 million)), all the promoters of the Bank's Loan Substitutes portfolio are domiciled in the European Union, with the majority being located in Spain (64%), in Italy (16%) and in France (5%).

Most of the outstanding Loan Substitutes have a AAA rating provided by at least one of the three major rating agencies, except 15 transactions (8.4% of the Group's Loan Substitutes portfolio in terms of nominal amount) with a AA rating for EUR 871 million and a BBB rating for EUR 546 million (this category represents transactions to promoters located in Turkey and Poland).

The Group's LS transactions have to date performed well, especially when considering the current market environment. This is mainly due to the highly regulated environment and requirements to achieve for Covered Bonds the highest ratings set by the rating agencies and embedded credit enhancements for ABS, along with the selection of sound structures and asset classes.

In the ABS portfolio four transactions experienced a downgrade by one external rating agency and one a downgrade by two external rating agencies, with a total amount of the transactions of EUR 1 080 million. Out of these six rating actions, three were downgrades to AA ratings and three to A ratings. As for Covered Bonds, six issuance programmes with a total amount of EUR 2 504 million experienced external ratings downgrades by one

rating agency in 2009. Out of these six downgrades four were from a AAA to a AA rating, and one downgrade was from a AA to a BBB rating (in two steps). In one case an initial downgrade from AAA to AA by Fitch resulted in said rating being withdrawn, while the Moody's rating for the same issue was maintained at AAA.

Embedded credit mitigants and requirements imposed by the regulation and rating agencies are the initial remedies which are triggered in case of credit event on the issuer. As mentioned above, in some ABS transactions credit or project remedies are available and represent a second way out. Overall, the credit quality of the Group's LS portfolio remains highly satisfactory and no Loan Substitute transaction is on the Bank's Watch List.

S.2.4. Credit risk on treasury transactions

S.2.4.1. Credit risk measurement on treasury transactions

Treasury investments are divided into three categories: (i) monetary treasury assets, with the primary objective of maintaining liquidity, (ii) operational bond portfolios, as a second liquidity line, and (iii) an investment portfolio composed of EU sovereign bonds. In September 2006, the Management Committee decided to gradually phase out the investment portfolio (see Note A.4.7.2.).

Credit risk policy for treasury transactions is monitored through the attribution of credit limits to the counterparts for monetary and bond transactions and short-term derivatives. The weighted exposure for each counterpart must not exceed the authorised limits.

The tables below provide an illustration of the credit exposure of the Group on various treasury portfolios as at 31 December 2009 and 31 December 2008:

Credit Risk Exposures as at 31 December 2009 (in EUR million) (based on book values)						
	A-1+/P-1	< A or NR	External rating			Total
			A	AA	Aaa	
A1 Portfolio max Maturity 3 months	165	551	15 445	9 477	1 111	26 749
<i>Deposits</i>	0	117	5 037	3 363	500	9 017
<i>Triparty Reverse Repos</i>	0	334	7 628	2 137	0	10 099
<i>Discount papers, Bonds</i>	165	100	2 780	3 977	611	7 633
A2 Portfolio max Maturity 18 months	0	349	634	557	385	1 925
Total Monetary Treasury Assets	165	900	16 079	10 034	1 496	28 674
Repartition	1%	3%	56%	35%	5%	100%
B1 Portfolio	0	134	84	441	478	1 137
B2 Portfolio	0	0	0	99	25	124
B3 Portfolio	0	50	15	101	402	568
B4 Portfolio	0	0	0	234	266	500
EIF - AFS	0	70	19	163	278	530
Total Operational Bond Portfolios	0	254	118	1 038	1 449	2 859
Repartition	0%	9%	4%	36%	51%	100%
Investment Portfolio	0	232	111	608	993	1 944
Repartition	0%	12%	6%	31%	51%	100%
Assets backed securities	0	687	328	313	6 893	8 221
Repartition	0%	8%	4%	4%	84%	100%
Total Treasury Funds	165	2 073	16 636	11 993	10 831	41 698
Repartition	0%	5%	40%	29%	26%	100%

Credit Risk Exposures as at 31 December 2008 (in EUR million)
(based on book values)

	External rating					Total
	A-1+/P-1	< A or NR	A	AA	Aaa	
A1 Portfolio max Maturity 3 months	237	586	16 620	6 105	305	23 853
<i>Deposits</i>	0	442	9 847	3 996	205	14 490
<i>Triparty Reverse Repos</i>	0	144	5 442	1 669	0	7 255
<i>Discount papers, Bonds</i>	237	0	1 331	440	100	2 108
A2 Portfolio max Maturity 18 months	0	1	433	798	133	1 365
Total Monetary Treasury Assets	237	587	17 053	6 903	438	25 218
Repartition	1%	2%	68%	27%	2%	100%
B1 Portfolio	0	0	40	215	635	890
B2 Portfolio	0	0	24	98	24	146
B3 Portfolio	0	0	77	153	296	526
BH Portfolio (futures)	0	0	0	- 1	0	- 1
EIF - AFS	0	0	19	52	78	149
Total Operational Bond Portfolios	0	0	160	517	1 033	1 710
Repartition	0%	0%	9%	30%	61%	100%
Investment Portfolio	0	54	291	627	1 290	2 262
Repartition	0%	2%	13%	28%	57%	100%
Assets backed securities	0	488	0	260	5 052	5 800
Repartition	0%	8%	0%	5%	87%	100%
Total Treasury Funds	237	1 129	17 504	8 307	7 813	34 990
Repartition	1%	3%	50%	24%	22%	100%

The credit risk associated with treasury (the securities portfolio, commercial paper, term accounts, etc.) is rigorously managed through selecting first-class counterparties and issuers.

Limits governing the structure of the securities portfolio and outstanding treasury instruments have been laid down by Management, in particular on the basis of the ratings awarded to counterparties by the rating agencies (these limits are reviewed regularly by the Risk Management Directorate).

As part of its treasury management activities, the Group holds investments in capital guaranteed notes, the coupons of which embed options on the performance of funds of hedge funds. As at 31 December 2009, the total nominal amount of such notes, that are part of the operational bond portfolio stood at EUR 125 million (2008: EUR 150 million) with a market value of EUR 124 million (2008: EUR 146 million).

Regarding the Treasury activities, the Group had, as at the end of December 2009, a Treasury outstanding of EUR 41.7 billion, including EUR 8.2 billion of asset backed securities (end of December 2008 EUR 29.2 billion including EUR 5.8 billion of Asset backed securities), distributed over different portfolios and invested in diversified products (deposits, securities and derivative/structured products).

Structured credit products amount to EUR 0.3 billion (end of December 2008 EUR 0.9 billion). Those held in the Bank's short-term portfolio (EUR 0.2 billion in the A1 portfolio) are booked at historic cost, whereas the others are recorded in the Bank's balance sheet as available-for-sale and are marked to market.

No ABS investment has been made since August 2007. The quality of the ABS/RMBS portfolio remains stable and there are no defaults by their issuers to report.

Excluding the investment portfolio, the long-term holdings, which are composed of the Operational Bond Portfolios and the A2 Portfolio, amounted to EUR 4.2 billion as of 31 December 2009 (2008: EUR 3.1 billion), of which 0.3% (EUR 124 million) consisted of securities emanating from a securitisation process.

The Group has a portfolio of Asset Backed Commercial Paper, all of it rated A-1+/P-1. The outstandings as at 31 December 2009 amounted to EUR 0.2 billion (2008: EUR 0.2 billion).

5.2.4.2. Collateral on treasury transactions

Part of treasury transactions are tripartite reverse repurchase agreements, for an amount of EUR 10 100 million (2008: EUR 7 255 million). These transactions are governed by Tripartite Agreement Guidelines and are implemented

depending on the acceptability of collateral and valuations parameters. The exposure is fully collateralised, with daily margin calls. The market value of the collateral portfolio is monitored and additional collateral is requested when needed in accordance with the underlying agreement.

The Group also makes use of master netting agreements with counterparties.

As part of the Tripartite Agreements, the Group has received securities that it is allowed to sell or re-pledge. The fair value of the securities accepted under these terms as at 31 December 2009 amounts to EUR 10 470 million (2008: EUR 7 243 million). None of these securities has been sold or re-pledged to third parties in 2009 and 2008. During the 2009 and 2008 years, the Group did not take possession of any of the above mentioned collaterals.

S.2.4.3. Securities lending activity

The market value of the bonds lent in the securities lending activities is at the end of 2009 of EUR 507 million (2008: EUR 381 million). These transactions are governed by an agreement signed with Northern Trust Global Investment and the exposure arising from these transactions is fully collateralised, with daily margin calls.

As part of the securities lending agreement, the Group receives securities, it is allowed to sell or repledge. The fair value of the collateral portfolio at 31 December 2009, accepted under these terms, amounts to EUR 480 million (2008: EUR 322 million). None of these securities has been sold or re-pledged to third parties in 2008 and 2009.

S.2.5. Credit risk on derivatives

S.2.5.1. Credit risk policies for derivatives

The risk policy for derivative transactions is based on the definition of eligibility conditions and rating-related limits for swap counterparties. In order to reduce credit exposures, the Group has signed Credit Support Annexes with the majority of its swap counterparties and receives collaterals when the exposure exceeds certain contractually defined thresholds.

The credit risk with respect to derivatives lies in the loss which the Group would incur were a counterparty unable to honour its contractual obligations.

In view of the special nature and complexity of the derivatives transactions, a series of procedures has been put in place to safeguard the Bank against losses arising out of the use of such instruments.

Contractual framework:

All the Group's long-term derivatives transactions are concluded in the contractual framework of Master Swap Agreements and, where non-standard structures are

covered, of Credit Support Annexes, which specify the conditions of exposure collateralisation. These are generally accepted and practised contract types.

Counterparty selection:

The minimum rating at the outset is set at A1, but exceptionally certain counterparties rated A2/A3 have also been authorised, all their exposures being fully collateralised. The Group has the right of early termination if the rating drops below a certain level.

Limits have been set in terms of:

- Total net present value of derivatives exposure with a counterparty;
- Unsecured exposure to a counterparty;
- Specific concentration limits expressed as nominal amount.

All limits are dynamically adapted to the credit quality of the counterparty.

Monitoring:

The derivatives portfolio is regularly valued and compared against limits.

Collateralisation:

- Derivatives exposure exceeding the limit for unsecured exposure is collateralised by cash and first-class bonds.
- Very complex and illiquid transactions require collateralisation over and above the current market value.
- Both the derivatives portfolio with individual counterparties and the collateral received are regularly valued, with a subsequent call for additional collateral or release.

The amount of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of collaterals and valuations parameters.

The main types of collateral obtained are cash or securities.

The market value of the collateral is monitored and additional collateral is requested when needed in accordance with the underlying agreement.

S.2.5.2. Credit risk measurement for derivatives

The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional amount.

The notional amount is a derivative's underlying contract amount and is the basis upon which changes in the

value of derivatives are measured. It provides an indication of the underlying volume of business transacted by the Group but does not provide any measure of risk. The majority of derivatives are negotiated as to amount, tenor and price, between the Group and its counterparties, whether other professionals or customers (OTC).

In the Group's case, where only mutually agreed derivatives are negotiated, the credit risk is evaluated on the basis of the "current exposure" method recommended by the Bank for International Settlements (BIS). Hence, the credit risk is expressed in terms of the positive fair value or replacement value of the contracts, increased by the potential risks (add-on), contingent on the duration and

type of transaction, weighted by a coefficient linked to the category of counterparty (BIS II weighted risk).

Positive replacement value represents the cost to the Group of replacing all transactions with a fair value in the Group's favour if all the relevant counterparties of the Group were to default at the same time, and transactions could be replaced instantaneously. Negative replacement value is the cost to the Group's counterparties of replacing all their transactions with the Group where the fair value is in their favour if the Group were to default. The total positive and negative replacement values are included in the consolidated balance sheet separately.

The following table reports the nominal amount of the portfolio of Derivatives covered by ISDA agreements, as well as the exposure measured through the BIS II methodology.

End of period (in EUR million)	2009	2008
Nominal Value of outstanding derivatives	425 094	373 675
Total BIS II Credit Risk Equivalent (after netting)	13 549	13 466
Weighted BIS II Credit Risk Equivalent (after netting)	2 700	2 680
Gross Exposure (after netting)	8 593	9 203
Total Net Market Exposure ⁽¹⁾	600	591

⁽¹⁾ Positive exposure net of collaterals received.

The Net Market Exposure is the net present value of a swap portfolio net of collateral, if this amount is positive; in the case the amount is negative, the Net Market Exposure is nil. It represents a measure of the losses the Bank could incur in case of default of the counterparty, after application of netting and using the collateral.

The BIS II Credit Risk Equivalent is the sum of the Net Present Value of the swap plus an Add-On equal to the Notional Amount multiplied by a coefficient dependent on the structure of the swap and its maturity (according to the Basel Agreement), meant to cover potential future increases in exposures due to changing market conditions over the residual life of the swap.

The table below shows the concentration indexes the Group follows on its main derivative counterparts as at 31 December 2009 and 31 December 2008:

	2009	2008
Nominal Exposure (% of Group derivative portfolio)		
- Top 3	28.3%	28.5%
- Top 10	67.3%	66.8%
- Top 25	93.9%	94.7%
Net Market Exposure		
- Top 3	50.6%	47.6%
- Top 10	91.5%	92.0%
- Top 25	100.0%	100.0%

The majority of derivative portfolio is concentrated on counterparties rated A1 or above; however, during 2009, there has been a general deterioration of the ratings of the derivative counterparties.

Grouped Ratings	Percentage of Nominal		Net Market Exposure (in EUR million)		CRE BIS II Swaps (in EUR million) ^(*)	
	2009	2008	2009	2008	2009	2008
Moody's or equivalent rating						
Aaa	2.5%	2.9%	10	0	93	84
Aa1 to Aa3	60.7%	64.5%	589	406	8 027	7 403
A1	28.5%	23.1%	1	147	3 238	3 258
A2 to A3	7.8%	9.5%	0	37	2 046	2 720
Below A3	0.5%	0.0%	0	0	146	0
Non-rated	0.0%	0.0%	0	1	0	1
Total	100.0%	100.0%	600	591	13 550	13 466

^(*) At transaction level (netting not applied)

The following tables show the maturities of cross currency swaps (excluding forward foreign exchange contracts) and interest rate swaps (including credit default swaps), sub-divided according to their notional amount and the associated credit risk:

Currency swaps at 31 December 2009 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2009
Notional amount	15 369	54 520	23 418	15 210	108 517
Fair value (i.e. net discounted value) ^{(**)(***)}	- 1 344	- 2 158	- 765	467	- 3 800
Credit risk (BIS II weighted)	71	866	563	431	1 931
Currency swaps at 31 December 2008 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2008
Notional amount	7 460	47 737	20 976	14 281	90 454
Fair value (i.e. net discounted value) ^{(**)(***)}	- 1 543	- 3 727	- 1 777	1 440	- 5 607
Credit risk (BIS II weighted)	19	739	439	603	1 800
Interest rate swaps at 31 December 2009 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2009
Notional amount	30 053	135 875	63 223	87 425	316 576
Fair value (i.e. net discounted value) ^{(**)(***)}	764	4 862	2 006	1 914	9 546
Credit risk (BIS II weighted)	173	1 371	922	1 363	3 829
Interest rate swaps at 31 December 2008 (in EUR million)	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2008
Notional amount	29 874	114 048	64 746	67 686	276 354
Fair value (i.e. net discounted value) ^{(**)(***)}	384	3 749	3 246	3 608	10 987
Credit risk (BIS II weighted)	90	1 092	1 168	1 660	4 010

^(*) The net discounted value of Credit Default Swaps (CDS) has been included with the rest of derivatives, since according to IAS39, CDS are treated as derivatives, however, these transactions have not been included in the BIS computations, since in the Basel Agreement BIS II, they are assimilated to guarantees and their capital charge is computed in the loan portfolio.

^(**) Including the fair value of macro-hedging currency swap which stood at EUR 35 million as at 31 December 2009 (2008: EUR 160 million)

^(***) Including the fair value of macro-hedging interest rate swap which stood at EUR - 524 million as at 31 December 2009 (2008: EUR - 523 million)

As at 31 December 2009, notional amounts of EUR 335 million (2008: EUR 394 million) of futures contracts and EUR nil million of Forward Rate Agreements (2008: EUR 5 472 million), with respective fair values of EUR 0.1 million (2008: EUR - 1.3 million) and EUR nil million (2008: EUR 0.7 million) and a maturity less than 1 year are outstanding.

The Bank also entered in to one credit default swap contract for a nominal amount of EUR 197 million as at 31 December 2009 (2008: EUR 172 million) with a fair value of EUR 1.6 million (2008: EUR 9.8 million).

The Group does not generally enter into any options contracts in conjunction with its risk hedging policy. However, as part of its strategy of raising funds on the financial markets at a lesser cost, the Bank enters into borrowing contracts and loans encompassing notably interest rate or stock exchange index options. Such borrowings and loans are entirely covered by swap contracts to hedge the corresponding market risk.

The 'fair value' of 'plain vanilla' swap transactions is their market value. For structured deals, the 'fair value' is computed using the income approach, using valuation techniques to convert future amounts to a single present amount (discounted). The estimate of fair value is based

on the value indicated by marketplace expectations about those future amounts. Internal estimates and assumptions might be used in the valuation techniques when the market inputs are not directly available.

All option contracts embedded in, or linked with, borrowings are negotiated over the counter. The structured deals include a variety of transactions dependent on interest rates, FX rates, inflation rates, stock indexes and IR volatilities.

Generally, there is a reduced credit risk on these swaps, because security exists in the form of regularly monitored collateral.

5.2.5.3. Collateral received for derivative transactions

As part of the ISDA agreements, the Group has received securities and cash that it is allowed to sell or repledge. The fair value of the securities accepted under these terms as at 31 December 2009 amounts to EUR 8 557 million (2008: EUR 9 071 million) of which none has been sold or re-pledged to third parties.

During the 2008 and 2009 years, the Group did not take possession of any of these collaterals.

The collateral received for derivative business has the following composition:

Swap Collateral (in EUR million)			
Moody's or equivalent rating	Government bonds	Cash	Total 2009
Aaa	2 219	0	2 219
Aa1 to Aa3	1 331	0	1 331
Below A1	1 267	0	1 267
Non-Rated	0	3 740	3 740
Total 2009	4 817	3 740	8 557

Swap Collateral (in EUR million)			
Moody's or equivalent rating	Government bonds	Cash	Total 2008
Aaa	2 160	0	2 160
Aa1 to Aa3	1 148	0	1 148
Below A1	116	0	116
Non-Rated	0	5 647	5 647
Total 2008	3 424	5 647	9 071

5.2.5.4. Credit risk on guarantees and securitisation (GS)

Credit risk arising from the Group's GS transactions funded by own resources is managed by risk management policies covered by the statutory and Credit Risk Policy Guidelines. The statutes limit own-risk guarantees to approximately EUR 8.7 billion. The EUR 2.9 billion exposure at risk at the end of 2009 was well below the statutory limit of EUR 8.7 billion.

The Credit Risk Policy Guidelines ensure that the Group continues to develop a diversified guarantee portfolio in terms of product range, geographic coverage, counterparty exposure, obligor exposure, industry concentration and also set out the capital allocation rules based on the ratings of the exposures.

Concentration risk is limited because of the granular nature of the Group's transactions; typically the underlying portfolios are highly diversified in terms of single obligor concentration, sectors, and also with regard to regional diversification. To cover concentration risk, the Group has strict limits (based on capital allocation) for individual transactions and on originator level (maximum aggregate exposures for originators and originator groups).

At the end of 2009, the Group's overall own risk guarantee portfolio was spread over 18 countries. The largest nominal individual country net exposures were Italy, Belgium and UK, which jointly accounted for 42 % of total guarantee commitments.

Own funds guarantees: Exposures at risk by country as at 31 December 2009:

Exposures at risk by country		EUR million	Share	
Country	Currency	2009	2009	2008
Belgium	EUR	313	10.8%	12.2%
Bulgaria	EUR	57	2.0%	1.8%
Denmark	DKK	159	5.5%	4.2%
Finland	EUR	14	0.5%	0.4%
France	EUR	48	1.7%	1.4%
Germany	EUR	144	5.0%	3.9%
Greece	EUR	61	2.1%	1.6%
Ireland	EUR	4	0.1%	0.1%
Italy	EUR	535	18.5%	23.3%
Netherlands	EUR	98	3.4%	5.1%
Non EU	EUR	14	0.5%	0.5%
Pan EU & Multicountry	EUR	495	17.1%	15.6%
Poland	PLN	55	1.9%	2.3%
Portugal	EUR	152	5.2%	7.3%
Serbia	EUR	50	1.7%	1.3%
Spain	EUR	191	6.6%	5.5%
Sweden	SEK	129	4.5%	3.3%
United Kingdom	GBP	374	12.9%	10.2%
TOTAL		2 893	100.0%	100.0%

In the context of the Group's own risk guarantees operations, the credit risk is tracked from the very beginning on a deal-by-deal basis whilst adopting a different model analysis approach depending on the granularity and homogeneity of the underlying portfolios. The industry sector exposures are analysed on a deal-by-deal basis through their impact on the ratings assigned by the Group to each transaction or tranche. For instance, dependent on the financial model to analyse the transaction, industry exposures can be reflected in implicit correlation or can be indirectly captured through the assumption on default rate volatility, as a key model input variable.

Furthermore, concentration exposures are analysed in the context of each deal using qualitative measures such as current status and forecast for sectors with high concentrations in the portfolio. Exceptionally, some deals have

a concentrated exposure in the same (broad) sector. This is typically captured through increased credit enhancement (e.g. subordination) to the benefit of the Group. Typically, deals with replenishing features have portfolio criteria, such as maximum single obligor, maximum top five obligors, and maximum industry concentration levels. Furthermore, the consideration of sector exposures is part of the Group's overall portfolio analysis.

Counterparty risk is mitigated by the quality of the Group's counterparties which are usually major market players. The Group performs additional on-site monitoring visits to ensure compliance with procedures and processes during the transaction life. Stress-test scenarios for the portfolio of guarantees, including extreme case assumptions, are regularly carried out to determine the ability of the capital base to sustain adverse shocks.

S.3. Liquidity risk

Funding liquidity risk is the volatility in the economic value of, or in the income derived from, the Group's positions due to inability to meet payment obligations out of readily available liquid resources. Such an inability may force the Group to borrow at unattractive conditions. As such, the funding liquidity risk for the Group is related to the cost of borrowing and to capital market conditions.

Asset liquidity risk is the volatility in the economic value of, or in the income derived from, the Group's positions due to inability to execute a transaction in the market at the prevailing prices. Such an inability may force early liquidations of assets at unattractive prices when it would be better to avoid such liquidations. This risk is tied to the size of the position compared to the liquidity of the instrument being sold.

S.3.1. Liquidity risk management

Liquidity risk management of the Bank

The main objective of liquidity policy is to assure that the Bank can always meet its payment obligations punctually and in full. The Bank manages the calendar of its new issues so as to maintain the global level of liquidity within the chosen range. Liquidity planning takes into account the Bank's needs to service its debt, disbursements on loans and cash flows from the loan portfolio. It also takes into account the sizeable amount of signed but un-disbursed loans, whose disbursement takes place at the borrower's request.

Liquidity risk is managed prudently as, in contrast to commercial banks, EIB does not have the natural sources of liquidity from the deposits of clients. The Bank pre-finances its commitments to avoid being forced to borrow, or to sell assets, when it does not have access to resources at a desirable cost level.

The Bank further assures sound management of liquidity risk by maintaining a sufficient level of liquid assets, and by spreading the maturity dates of its placements according to the forecasts of liquidity needs. Liquidity risk policy also incorporates a floor on treasury levels. The Bank's year-end total liquidity ratio (defined as a target percentage of annual projected net cash flows) must at all times exceed 25% of the average forecast net annual cash flows for the following year.

The EIB has in place a Contingency Liquidity Plan (CLP) that defines the respective responsibilities and the decision

making procedures in case of signs of an approaching liquidity crisis. The CLP has been benchmarked against the "Principles for Sound Liquidity Risk Management and Supervision" by the Basel Committee on Banking Supervision (September 2008). The CLP is subject to ad-hoc updates and is presented to the Management Committee annually for approval.

Liquidity risk management of the Fund

The liquidity risk is managed in such a way as to protect the value of the paid-in capital, ensure an adequate level of liquidity to meet possible guarantee calls, private equity commitments and administrative expenditure and earn a reasonable return on assets invested with due regard to minimisation of risk.

S.3.2. Liquidity risk measurement

The table hereafter analyses the financial liabilities of the Group by maturity on the basis of the period remaining between the consolidated balance sheet date and the contractual maturity date (based on contractual undiscounted cash flows). Liabilities for which there is no contractual maturity date are classified under "Maturity undefined". The numbers represent undiscounted cash flows inclusive of interest coupons and therefore do not generally reconcile with the Balance Sheet figures.

Principal cash flows and interests are slotted in the bucket corresponding to their contractual payment date.

Some of the borrowings and associated swaps include early termination triggers or call options granted to the investors or the hedging swap counterparties. Certain liabilities could therefore be redeemed at an earlier stage than their maturity date. In these cases, the cash flow is represented in the bucket corresponding to the first possible termination date.

Outflows for committed but un-disbursed loans are represented in line with the internal methodology for short-term liquidity stress-testing. In particular, the maximum amount of loans that under severe conditions of stress could possibly be subject to early disbursement is represented in the first maturity bucket.

Net cash flows are represented for interest rate swaps and Forward Rate Agreements. Gross cash flows are represented in the maturity analysis for interest rate derivatives where settlement is gross (essentially Cross Currency Interest Rate Swaps) and foreign exchange derivatives such as FX-forwards and FX-swaps.

Maturity profile of non-derivative financial liabilities (in EUR million as at 31.12.2009)	not more than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	maturity undefined	Gross nominal inflow/outflow	Carrying amount
Amounts owed to clients and credit institutions	6 684	160	0	0	0	6 844	6 844
Commercial papers	3 606	0	0	0	0	3 606	3 606
Debts evidenced by certificates – first call date scenario	14 431	42 890	170 851	166 768	0	394 940	320 242
Others (issued guarantees, share subscription commitments etc.)	0	389	0	0	4 746	5 135	5 135
Outflows for committed but un-disbursed loans, investment funds and loan substitutes	12 951	0	0	0	70 485	83 436	83 436
TOTAL	37 672	43 439	170 851	166 768	75 231	493 961	419 263

Maturity profile of derivative financial liabilities (in EUR million as at 31.12.2009)	not more than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	maturity undefined	Gross nominal inflow/outflow
Net Settling Interest Rate Derivatives	- 235	4 579	4 356	976	0	9 676
Gross Settling Interest Rate Derivatives – Inflows	9 080	13 661	64 212	42 653	0	129 606
Gross Settling Interest Rate Derivatives – Outflows	- 8 778	- 13 152	- 65 921	- 43 569	0	- 131 420
Foreign Exchange Derivatives – Inflows	11 588	99	118	0	0	11 805
Foreign Exchange Derivatives – Outflows	- 11 341	- 94	- 115	0	0	- 11 550
TOTAL	314	5 093	2 650	60	0	8 117

S.4. Market risk

Market risk is the risk that the net present value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

S.4.1. Market risk management

Market risk for the Bank:

As is the case with the “four-eyes principle” applied in lending activities via the Bank’s credit policies, so the market risk policy of the Bank establishes that the Risk management Directorate shall provide an opinion with respect to all financial activities of the Group that introduce material market risks, and with respect to financial transactions that may create credit risk, such as treasury hedging or derivatives operations.

Market risks are identified, measured, managed and reported according to a set of policies and procedures updated on a regular basis called the “Financial Risk and ALM Policy Guidelines” (FRPG). The general principles underpinning these policies are described below.

Stress testing is a widely used method to analyse the impact of possible scenarios on the Bank’s earnings and economic value of own funds, especially when analysis of historical market movements are viewed to be insufficient to assess future risks. Scenarios applied may relate to changes in market rates (interest rates, FX rates, spreads, equity prices etc.), liquidity conditions, or to worst-case events that may impact the former, such as sudden and adverse macroeconomic changes, simultaneous default of sizeable obligors, widespread system failures and the like.

Stress testing is performed on a regular basis and the results of the change in the economic value of the Bank and of the change of the earnings profile is reported within the Bank’s market risk measurement process.

Market risk for the Fund:

The Fund’s market risk exposure arises mainly in the form of interest rate risk attached to cash and cash equivalent positions as well as investments in debt securities. Approximately 80% of these assets held have an average duration of up to 5 years, thereby safeguarding the Fund against the substantial fluctuations in its long term revenues.

5.4.2. Interest rate risk

Interest rate risk is the volatility in the economic value of, or in the income derived from, the Group's positions due to adverse movements in market yields or the term structure of interest rates. Exposure to interest rate risk occurs when there are differences in repricing and maturity characteristics of the different asset, liability and hedge instruments.

Interest rate risk management for the Bank:

In measuring and managing interest rate risk, the Bank refers to the relevant key principles of the Basel Committee for Banking Supervision (BCBS). The main sources of interest rate risk are: repricing risk, yield curve risk, basis risk and spread risk. An interest rate risk that is particularly relevant for the Bank is spread risk. Spread risk is the volatility in the economic value of, or in the income derived from, the Bank's positions due to movements in the funding or lending spread of the Bank.

The Bank manages its global structural interest rate position via a dedicated portfolio. The majority of the financial risk indicators and controls in use at the Bank apply to this portfolio. Financial indicators and controls for the rest of the activities outside this portfolio only relate to the risks, which are not transferred to it via the transfer pricing system, and which therefore remain with their respective activities, such as the equity risk in the venture capital activity or the interest rate or credit risks taken in those treasury portfolios predominantly managed for yield-enhancement purposes.

5.4.2.1. Value-at-Risk (VaR) for the Own funds of the Group (economic perspective)

Group's ALM strategy aims at maintaining a balanced and sustainable revenue profile as well as limiting the volatility of the economic value of the Bank. A clear preference has been given to the revenue profile in light of the objective of self-financing of the Bank's growth. This overall objective is achieved by investing Group's own funds according to a medium to long term investment profile, implying an own funds duration target of 4.5 – 5.5 years.

Apart from the duration target for own funds, the Bank's balance sheet should be match-funded with respect to currency and interest rate characteristics. However, small

deviations are authorised for operational reasons. The net residual positions that arise from outstanding operations are managed within pre-set limits to constrain market risk to minimum levels.

The Risk Management department quantifies the VaR of own funds for both interest rates and foreign exchange risk factors. It is measured on the Group's positions using a 99% confidence level and a one-day time horizon. As at 31 December 2009, the VaR of the Group's own funds amounted to EUR 188 million (2008: EUR 363 million).

The computation is based on the so-called Riskmetrics methodology, which assumes a linear dependency between the changes in portfolio or position values and the underlying risk factors. Given the nature of the positions held by the Group, the Bank deems this assumption appropriate to measure its exposure to interest rate risk. Volatility and correlation data are computed internally on the basis of historical market data. The evolution of the VaR of own funds reflects the effective decrease of the volatility of the risk factors and not a change in the risk profile of the EIB's positions.

More generally, the VaR does not purport to measure the worst loss that could be experienced. For this reason, it is complemented by regular stress testing. As of 31 December 2009, the impact of a 2% upward parallel shift of the interest rate curves would reduce the economic value of own funds by EUR 4.29 billion (2008: EUR 4.04 billion).

Among the financial instruments in the Bank's portfolio, some deals (borrowings and associated swaps) may be redeemed before they get to maturity.

At cash flow level all such borrowings are fully hedged by swaps so that they can be considered being synthetic floating rate notes. Uncertainty arises from the maturity of such positions indexed to Libor/Euribor as they might be called before their final maturity.

Below is a summary of the features of the Bank's callable portfolio as of 31 December 2009 and 31 December 2008, where the total nominal amount, the average natural maturity and the average expected maturity (both weighted by the nominal amount of the concerned transactions) are shown per funding currency and per main risk factor involved:

By funding currency (after swaps):

31.12.2009	Pay currency					
	CZK	EUR	GBP	PLN	USD	Total
EUR pay notional (EUR million)	- 108	- 6 976	- 14	- 21	- 5 793	- 12 912
Average maturity date	14.12.2016	16.01.2022	16.02.2020	05.05.2026	30.10.2032	05.11.2026
Average expected maturity	19.11.2012	13.03.2017	27.02.2017	11.09.2020	09.02.2025	18.09.2020

31.12.2008	Pay currency					
	CZK	EUR ⁽¹⁾	GBP	PLN	USD	Total
EUR pay notional (EUR million)	- 236	- 7 834	- 25	- 20	- 6 531	- 14 646
Average maturity date	16.09.2016	20.12.2018	24.09.2035	05.05.2026	07.06.2029	21.08.2023
Average expected maturity	13.05.2010	06.11.2016	10.02.2010	24.05.2014	23.05.2018	02.06.2017

⁽¹⁾ From 1 January 2009, Slovakia entered the EMU and the SKK was replaced by the single currency.

By risk factor involved:

31.12.2009	Risk factor			Total
	FX level	IR curve level	IR curve shape	
EUR pay notional (EUR million)	- 4 097	- 6 585	- 2 230	- 12 912
Average maturity date	14.08.2033	07.12.2023	30.12.2022	05.11.2026
Average expected maturity	25.08.2027	09.07.2017	02.06.2017	18.09.2020

31.12.2008	Risk factor			Total
	FX level	IR curve level	IR curve shape	
EUR pay notional (EUR million)	- 4 090	- 7 735	- 2 821	- 14 646
Average maturity date	07.09.2032	09.06.2019	13.01.2022	21.08.2023
Average expected maturity	10.04.2023	19.02.2013	01.09.2020	02.06.2017

S.4.2.2. Interest rate risk management for the Group (Earnings perspective)

The sensitivity of earnings quantifies the amount of net interest income that would change during the next 12 months if all interest rate curves rise by one percentage point or decrease by one percentage point. Such exposure stems from the mismatch between interest rate repricing periods, volumes and rates of assets and liabilities that Group accepts within the approved limits.

With the positions in place as of 31 December 2009, the earnings would increase by EUR 68.8 million (2008: EUR 12.6 million) if interest rate increase by 100 basis points and decrease by EUR 72.0 million (2008: EUR 12.9 million) if interest rates decrease by 100 basis points.

The Group computes the sensitivity measure with a dedicated software that simulates earnings on a deal by deal basis. The sensitivity of earnings is measured

on an accrual basis and is calculated under the "ongoing" assumption that, over the time horizon analysed, the Bank realises the new loan business forecasted in the Corporate Operational Plan, maintains exposures within approved limits and executes monetary trades to refinance funding shortages or invest cash excesses. Accounting earnings are simulated on monthly time steps, assuming that all the fixed rate items carry their contractual rate and that all floating rate items are subject to interest rate repricings according to the interest rate scenario applied in the simulation. The monetary trades to refinance funding shortages or invest cash excesses carry rates equal to the money market rates prevailing according to the interest rate scenario applied in the simulation. In line with the current practice of the Bank, the model uses the hypothesis that simulated earnings are not distributed to the shareholders, but are used to refinance the Bank's business. The administrative costs are projected according to the forecasts of the Corporate Operational Plan.

The sensitivity of the EIF is computed by taking into consideration the coupon repricings of all the positions present in the EIF treasury portfolio managed by the Group on a deal by deal basis. Each fixed rate asset is assumed to be reinvested at maturity in a new asset with the same residual life of the previous one as of end of year's date. Positions in floating rate assets are assumed to have quarterly repricings.

S.4.3. Foreign exchange risk (in EUR million)

The FX risk is the volatility in the economic value of, or in the income derived from, the Group's positions due to adverse movements of FX rates.

The Group's is exposed to FX risk whenever there is a currency mismatch between its assets and liabilities. FX risk also comprises the effect of unexpected and unfavourable changes in the value of future cash flows caused by currency movements, such as the impact of FX rate changes on the Group's future lending intermediation revenue.

The Group's objective is to eliminate exchange risk by reducing net positions per currency through operations on the international foreign exchange markets. A FX hedging program was set up in 2004 in order to systematically protect the known future loan margins in USD and in GBP on a 3-year horizon.

S.4.3.1. Exchange position

Currency (at 31 December 2009)	Euro	Pound Sterling	US Dollar	Other currencies	Sub-total except Euro	Total 2009
ASSETS						
Cash in hand, balances with central banks and post office banks	227	0	0	0	0	227
Treasury bills and other bills eligible for refinancing with central banks	4 147	0	0	0	0	4 147
Other loans and advances:						
- Current accounts	260	22	9	77	108	368
- Others	13 282	224	3 869	1 741	5 834	19 116
	13 542	246	3 878	1 818	5 942	19 484
Loans and advances to:						
- Credit institutions	73 639	15 283	23 945	4 694	43 922	117 561
- Customers	166 860	15 799	9 244	11 097	36 140	203 000
	240 499	31 082	33 189	15 791	80 062	320 561
Debt securities including fixed-income securities	15 006	928	1 233	1 269	3 430	18 436
Shares and other variable-yield securities	1 680	244	30	64	338	2 018
Derivative assets	20 868	0	0	0	0	20 868
Other assets	106	76	270	114	460	566
Total assets	296 075	32 576	38 600	19 056	90 232	386 307
LIABILITIES						
Amounts owed to credit institutions	4 243	0	177	61	238	4 481
Amounts owed to customers	2 178	81	0	104	185	2 363
Debts evidenced by certificates:						
- Debt securities in issue	141 292	51 759	75 787	35 141	162 687	303 979
- Others	10 235	665	3 602	5 367	9 634	19 869
	151 527	52 424	79 389	40 508	172 321	323 848
Derivative liabilities	97 537	- 19 947	- 41 045	- 21 678	- 82 670	14 867
Capital, reserves and profit	38 469	10	23	43	76	38 545
Other liabilities	2 138	8	48	9	65	2 203
Total liabilities	296 092	32 576	38 592	19 047	90 215	386 307
Net position as at 31.12.2009	- 17	0	8	9	17	

Currency (at 31 December 2008)	Euro	Pound Sterling	US Dollar	Other currencies	Sub-total except Euro	Total 2008
ASSETS						
Cash in hand, balances with central banks and post office banks	0	0	0	0	0	0
Treasury bills and other bills eligible for refinancing with central banks	2 309	0	0	0	0	2 309
Other loans and advances:						
- Current accounts	220	19	13	24	56	276
- Others	14 880	2 374	2 071	2 420	6 865	21 745
	15 100	2 393	2 084	2 444	6 921	22 021
Loans and advances to:						
- Credit institutions	70 993	15 029	26 438	3 756	45 223	116 216
- Customers	142 503	14 426	9 358	9 364	33 148	175 651
	213 496	29 455	35 796	13 120	78 371	291 867
Debt securities including fixed-income securities	7 889	1 543	1 202	303	3 048	10 937
Shares and other variable-yield securities	1 686	210	28	59	297	1 983
Derivatives assets	21 862	0	0	0	0	21 862
Other assets	667	30	181	104	315	982
Total assets	263 009	33 631	39 291	16 030	88 952	351 961
LIABILITIES						
Amounts owed to credit institutions	5 445	0	316	19	335	5 780
Amounts owed to customers	1 381	0	0	0	0	1 381
Debts evidenced by certificates:						
- Debt securities in issue	116 741	48 432	73 676	30 090	152 198	268 939
- Others	5 328	520	4 773	4 941	10 234	15 562
	122 069	48 952	78 449	35 031	162 432	284 501
Derivative liabilities	92 137	- 15 366	- 40 046	- 19 251	- 74 663	17 474
Capital, reserves and profit	40 788	0	0	0	0	40 788
Other liabilities	1 200	42	577	218	837	2 037
Total liabilities	263 020	33 628	39 296	16 017	88 941	351 961
Net position as at 31.12.2008	- 11	3	- 5	13	11	

S.4.3.2. Foreign exchange risk management

In compliance with its statutes, the Bank actively hedges its FX risk exposures.

The main objective of the Bank's FX risk management policy is to minimise the impact of a variation of FX rates on the income statement by keeping FX positions within the limits approved by the Management Committee.

Related to the quantification of the VaR of own funds for both interest rates and foreign exchange risk factors, refer to Note T.4.2.1.

S.4.4. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual equity investments.

As of 31 December 2009, equity price risk was limited to those strategic activities approved by the Board of Directors (venture capital investments made by the Fund on behalf of the Bank and on its own resources; equity-like investments in the Structured Finance Facility; participation in the EBRD). The Bank generally segregates these exposures from the rest of the balance sheet by using of specific provisions such as capital reserves. These activities are subject to special forms of monitoring and the resulting exposures are supported by sound capitalisation.

The value of privately held equity positions is not readily available for the purposes of monitoring and control on a continuous basis. For such positions, the best indications available include prices for similar assets and the results of any relevant valuation techniques. These value indications must be used in compliance with recommended best practices.

The effect on Own Funds for the Group (as a result of a change in the fair value of equity investments at 31 December 2009 and 31 December 2008) due to a reasonable possible change in equity indices, with all other variables held constant is as follows:

	Change in equity price 2009 %	Effect on Own Funds 2009 in EUR'000	Change in equity price 2008 %	Effect on Own Funds 2008 in EUR'000
Venture Capital Operations	- 10	- 184 253 ⁽²⁾	- 10	- 196 775 ⁽²⁾
EBRD shares	- 10	- 15 750	- 10	- 41 735
Eurotunnel	N/A	N/A	- 55 ⁽¹⁾	- 4 427
Infrastructure funds	N/A	N/A	- 10	- 11 097
Investment funds	- 10	- 22 154	- 10	- 2 676

⁽¹⁾ The percentage corresponds to one annualised standard deviation of the daily returns of the Eurotunnel shares on the quoted market. One annualised standard deviation has been applied to calculate the sensitivity of all the Eurotunnel positions (shares, Warrants and ORAs) held by the Bank.

⁽²⁾ The sensitivity of Venture Capital operations is calculated by the EIF based on the market risk of the positions on the public market.

S.5. Operational risk

The management of operational risk is performed at all levels within the organisation and is a responsibility of all the various departments of the Group. The Risk Management Directorate is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as day-to-day operational risk management lies with the Group's operational departments.

The Bank employs an assessment methodology that takes into account all available information including loss history, results of risk self-assessment and the business and control environment through a set of Key Risk Indicators (KRIs) organised in an Operational Risk Scorecard. A statistical model and a Value at Risk calculation engine complete the operational risk environment.

Information concerning operational risk events, losses and KRIs, and updates on the activities of the New Products Committee, are regularly forwarded to the Bank's senior management and to the Management Committee.

Note T – Accounting classifications and fair values of assets and liabilities (in EUR million)

The table below sets out the Group's classification of each class and category of assets and liabilities.

31 December 2009	Note	Trading	Designated at fair value through P/L	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non financial assets/liabilities	Total carrying amount
Cash in hand, balances with central banks and post office banks	B.1	0	0	0	227	0	0	0	227
Treasury bills and debt securities portfolios	B.2	1 068	0	17 800	0	3 715	0	0	22 583
Loans and advances to credit institutions and to customers	C/D	0	69 214	0	270 831	0	0	0	340 045
Shares and other variable-yield securities	B.3	0	0	0	0	2 018	0	0	2 018
Derivative assets	R	20 868	0	0	0	0	0	0	20 868
Intangible assets	E	0	0	0	0	0	0	5	5
Property, furniture and equipment	E	0	0	0	0	0	0	307	307
Other assets	G	0	0	0	0	0	0	107	107
Assets held for sale	E	0	0	0	0	0	0	3	3
Prepayments		0	0	0	0	0	0	35	35
		21 936	69 214	17 800	271 058	5 733	0	457	386 198
Amounts owed to credit institutions and to customers	H	0	0	0	0	0	6 844	0	6 844
Debts evidenced by certificates	I	0	301 642	0	0	0	22 206	0	323 848
Derivative liabilities	R	14 867	0	0	0	0	0	0	14 867
Other liabilities	G	0	0	0	0	0	0	713	713
Deferred income	F	0	0	0	0	0	0	177	177
Provisions	J	0	0	0	0	0	0	1 313	1 313
		14 867	301 642	0	0	0	29 050	2 203	347 762

31 December 2008	Note	Trading	Designated at fair value through P/L	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non financial assets/liabilities	Total carrying amount
Cash in hand, balances with central banks and post office banks	B.1	0	0	0	0	0	0	0	0
Treasury bills and debt securities portfolios	B.2	526	0	10 171	0	2 550	0	0	13 247
Loans and advances to credit institutions and to customers	C/D	0	59 257	0	254 633	0	0	0	313 890
Shares and other variable-yield securities	B.3	0	0	0	0	1 983	0	0	1 983
Derivative assets	R	21 862	0	0	0	0	0	0	21 862
Property, furniture and equipment	E	0	0	0	0	0	0	316	316
Intangible assets	E	0	0	0	0	0	0	4	4
Other assets	G/R	0	0	0	0	0	0	160	160
Assets held for sale	E	0	0	0	0	0	0	3	3
Prepayments		0	0	0	0	0	0	37	37
		22 388	59 257	10 171	254 633	4 533	0	520	351 502
Amounts owed to credit institutions and to customers	H	0	0	0	0	0	7 161	0	7 161
Debts evidenced by certificates	I	0	255 728	0	0	0	28 773	0	284 501
Derivative liabilities	R	17 474	0	0	0	0	0	0	17 474
Other liabilities	G/R	0	0	0	0	0	0	734	734
Deferred income	F	0	0	0	0	0	0	171	171
Provisions	J	0	0	0	0	0	0	1 132	1 132
		17 474	255 728	0	0	0	35 934	2 037	311 173

The table below sets out the fair value of each of the Group's classes and categories of assets and liabilities.

Fair value is set to book value for non-financial assets and non-financial liabilities.

31 December 2009	Trading	Designated at fair value through P/L	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non financial assets/liabilities	Total fair value
Cash in hand, balances with central banks and post office banks	0	0	0	227	0	0	0	227
Treasury bills and debt securities portfolios	1 068	0	17 391	0	3 715	0	0	22 174
Loans and advances to credit institutions and to customers	0	69 214	0	269 343	0	0	0	338 557
Shares and other variable-yield securities	0	0	0	0	2 018	0	0	2 018
Derivative assets	20 868	0	0	0	0	0	0	20 868
Intangible assets	0	0	0	0	0	0	5	5
Property, furniture and equipment	0	0	0	0	0	0	307	307
Other assets	0	0	0	0	0	0	107	107
Assets held for sale	0	0	0	0	0	0	3	3
Prepayments	0	0	0	0	0	0	35	35
	21 936	69 214	17 391	269 570	5 733	0	457	384 301
Amounts owed to credit institutions and to customers	0	0	0	0	0	6 844	0	6 844
Debts evidenced by certificates	0	301 642	0	0	0	23 271	0	324 913
Derivatives liabilities	14 867	0	0	0	0	0	0	14 867
Other liabilities	0	0	0	0	0	0	713	713
Deferred income	0	0	0	0	0	0	177	177
Provisions	0	0	0	0	0	0	1 313	1 313
	14 867	301 642	0	0	0	30 115	2 203	348 827

31 December 2008	Trading	Designated at fair value through P/L	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non financial assets/liabilities	Total fair value
Cash in hand, balances with central banks and post office banks	0	0	0	0	0	0	0	0
Treasury bills and debt securities portfolios	526	0	9 736	0	2 550	0	0	12 812
Loans and advances to credit institutions and to customers	0	59 257	0	255 748	0	0	0	315 005
Shares and other variable-yield securities	0	0	0	0	1 983	0	0	1 983
Derivative assets	21 862	0	0	0	0	0	0	21 862
Intangible assets	0	0	0	0	0	0	4	4
Property, furniture and equipment	0	0	0	0	0	0	316	316
Other assets	0	0	0	0	0	0	160	160
Assets held for sale	0	0	0	0	0	0	3	3
Prepayments	0	0	0	0	0	0	37	37
	22 388	59 257	9 736	255 748	4 533	0	520	352 182
Amounts owed to credit institutions and to customers	0	0	0	0	0	7 161	0	7 161
Debts evidenced by certificates	0	255 728	0	0	0	30 210	0	285 938
Derivatives liabilities	17 474	0	0	0	0	0	0	17 474
Other liabilities	0	0	0	0	0	0	743	743
Deferred income	0	0	0	0	0	0	171	171
Provisions	0	0	0	0	0	0	1 123	1 123
	17 474	255 728	0	0	0	37 371	2 037	312 610

The table below sets out the maximum exposure to credit risks of each of the Group's classes and categories of assets.

31 December 2009	Trading	Designated at fair value through P/L	Held-to-maturity	Loans and receivables	Available-for-sale	Non financial assets	Total maximum exposure
Cash in hand, balances with central banks and post office banks	0	0	0	227	0	0	227
Debt securities portfolios	1 068	0	17 800	0	3 715	0	22 583
Loans and advances to credit institutions and to customers (including undisbursed amounts)	0	72 527	0	349 361	0	0	421 888
Shares and other variable-yield securities	0	0	0	0	2 018	0	2 018
Derivative assets	20 868	0	0	0	0	0	20 868
Intangible assets	0	0	0	0	0	5	5
Other assets	0	0	0	0	0	107	107
Prepayments	0	0	0	0	0	35	35
	21 936	72 527	17 800	349 588	5 733	147	467 731
31 December 2008	Trading	Designated at fair value through P/L	Held-to-maturity	Loans and receivables	Available-for-sale	Non financial assets	Total maximum exposure
Cash in hand, balances with central banks and post office banks	0	0	0	0	0	0	0
Debt securities portfolios	526	0	10 171	0	2 550	0	13 247
Loans and advances to credit institutions and to customers (including undisbursed amounts)	0	61 695	0	311 065	0	0	372 760
Shares and other variable-yield securities	0	0	0	0	1 983	0	1 983
Derivative assets	21 862	0	0	0	0	0	21 862
Intangible assets	0	0	0	0	0	4	4
Other assets	0	0	0	0	0	160	160
Prepayments	0	0	0	0	0	37	37
	22 388	61 695	10 171	311 065	4 533	201	410 053

Note U – Segment reporting

The segment information disclosed in this note has been prepared in accordance with the "management approach" applied by IFRS 8 meaning that the definition for segments as well as the preparation of information used for segment reporting are both based on information prepared for internal management decisions.

In line with its mission to further the objectives of the European Union by making long term finance available for sound investment, the EIB Group has one single reportable segment which is the EIB long term finance activity

comprising EIB lending operations inside and outside Europe, borrowing and treasury operations. The Management Committee as the Group's chief operating decision maker reviews internal management reports on the performance of the bank's long term finance activity on at least a quarterly basis.

The second EIB Group operating segment, the financial support of SME's carried out by the European Investment Fund through venture capital investments and the provision of guarantees does not meet any of the quantitative thresholds for determining a reportable segment in 2009 or 2008.

Information about reportable segment (in EUR million)	Long term lending finance activity	
	2009	2008
External revenues		
Net interest income	2 239	2 088
Net income from shares	8	30
Net fee and commission income	148	130
Other operating income	7	2
Total segment revenue	2 402	2 250
Other material non-cash items		
Result on financial operations	- 4 065	4 660
Impairment losses on loans and shares	- 167	- 182
	- 4 232	4 478
Reportable segment profit/loss	- 2 268	6 345
Reportable segment assets	385 667	351 385
Reportable segment liabilities	347 285	310 744
Reconciliation of reportable segment revenues, profit and loss and assets and liabilities (in EUR million)	2009	2008
Revenues		
Total revenues for reportable segment	2 402	2 250
Other revenues	91	81
Consolidated revenue	2 493	2 331
Profit or loss		
Total profit or loss for reportable segment	- 2 268	6 345
Other profit or loss	- 13	11
Consolidated profit	- 2 281	6 356
Assets		
Total assets for reportable segment	385 667	351 385
Other assets	640	576
Consolidated total assets	386 307	351 961
Liabilities		
Total liabilities for reportable segment	347 285	310 744
Other liabilities	477	429
Consolidated total liabilities	347 762	311 173

Note V – Commitments, contingent liabilities, pledged assets and other memorandum items (in EUR '000)

The Group utilises various lending-related financial instruments in order to meet the financial needs of its customers. The Group issues commitments to extend credit, standby and other letters of credit, guarantees, commitments to enter into repurchase agreements, note issuance facilities and revolving underwriting facilities. Guarantees represent irrevocable assurances, subject to the satisfaction of certain conditions, that the Group will make payment in the event that the customer fails to fulfill its obligation to third parties.

The contractual amount of these instruments is the maximum amount at risk for the Group if the customer fails to meet its obligations. The risk is similar to the risk involved in extending loan facilities and is monitored with the same risk control processes and specific credit risk policies.

The assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty and amount as at 31 December 2009 to EUR 2.1 million (2008: EUR 2.23 million) in relation to its activities on Futures (classified as Held-to-Maturity) and to EUR 539 million (2008: EUR 384 million) in relation to its Securities Lending activities (classified as

Held-to-maturity, AFS, and trading). The pledged assets will be returned to the Group when the underlying transaction is terminated but, in the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

As at 31 December 2009 and 2008, commitments, contingent liabilities and other memorandum items were as follows (in nominal amounts and in EUR '000):

		31.12.2009	31.12.2008
Commitments			
- EBRD capital (Note B.3)			
• uncalled		442 500	442 500
- Undisbursed loans (Note D.1)			
• credit institutions	18 686 622		12 457 853
• customers	63 156 626		46 411 674
		81 843 248	58 869 527
- Undisbursed venture capital operations (Note B.3)		1 392 559	1 227 139
- Undisbursed investment funds		511 895	334 721
Guarantees:			
- In respect of loans granted by third parties		2 893 490	4 067 932
- In respect of venture capital operations		17 385	15 171
Fiduciary operations (**)		11 406 667	9 033 466
Assets held on behalf of third parties (***)			
- CIP/SMEG 2007	93 703		95 483
- CIP/GIF 2007	99 999		69 342
- SME Guarantee Facility	61 992		69 877
- European Technology Facility	6 573		13 585
- Map Equity	65 795		77 816
- Guarantee Fund treasury management	1 240 505		1 091 447
- Investment Facility – Cotonou	1 289 209		1 144 922
- Map guarantee	72 590		73 580
- Seed Capital Action	0		131
- Special Section	1 416 067		1 593 398
- RSFF	432 266		205 760
- EU-Africa	144 151		91 881
- HIPC	65 768		90 569
- FEMIP	30 236		33 159
- LGTT	105 198		43 760
- FP7 Guarantee Fund	547 761		283 132
- JASPERS	119		1 114
- JESSICA	16 805		0
- LFA-GV	24		0
- JEREMIE	763 175		283 101
- Technology Transfer Pilot Project (TTP)	2 010		0
- GEEREF	57 999		45 929
- GEEREF Technical Support Facility	2 390		0
- EFSE	10 000		0
- Bundesministerium für Wirtschaft und Technologie	102		130
		6 524 437	5 308 116

Special deposits for service of borrowings ^(*)	52 292	134 772
Securities portfolio		
- Securities receivable	100 000	157 480
Interest-rate swap and deferred rate-setting contracts (Notes Q & S)	316 379 917	276 181 870
Currency swap contracts payable (Notes Q & S)	125 166 944	115 600 764
Currency swap contracts receivable (Notes Q & S)	119 986 609	106 514 766
Put option granted to EIF minority shareholders (Note A.4.21)	388 842	363 433
Borrowings launched but not yet settled	360 631	0
Swaps launched but not yet settled	11 590	0
Securities lent (Note B.2)	471 434	367 704
Future contracts (Notes Q & S)	334 676	393 663
Forward rate agreements (Notes Q & S)	0	5 472 000
FX Forwards (Notes Q & S)	251 938	234 469
Credit default swap	196 796	172 383

^(*) This item represents the amount of coupons and bonds due, paid by the Group to the paying agents, but not yet presented for payment by the holders of bonds issued by the Group.

^(**) **Fiduciary operations**

Pursuant to Article 28 of its Statutes, the EIF acquires, manages and disposes of investments in venture capital enterprises, in its own name but on behalf and at the risk of the European Union, according to Fiduciary and Management Agreements concluded with the European Union ("ETF Start-up Facility" and "High Growth and Innovative SME Facility (GIF), under two programs known as GIF1 and GIF2).

The EIF is also empowered to issue guarantees in its own name but on behalf and at the risk of the European Union.

^(***) **Assets held for third parties**

Assets held for third parties, as set out below, represent trust accounts opened and maintained in the name of the Group entities but for the benefit of the Commission. Sums held in these accounts remain the property of the Commission so long as they are not disbursed for the purposes set out in relation to each project.

Under the Growth and Environment Pilot Project, the EIF provides a free guarantee to the financial intermediaries for loans extended to SME's with the purpose of financing environmentally friendly investments. The ultimate risk from the guarantee rests with the EIF and the guarantee fee is paid out of European Union budget funds.

Under the SME Guarantee Facility and the MAP Guarantee programme (followed by the CIP programme), the EIF is empowered to issue guarantees in its own name but on behalf of and at the risk of the Commission.

Under the ETF Start-Up Facility and the MAP Equity programme (followed by the CIP programme), the EIF is empowered to acquire, manage and dispose of ETF start-up investments, in its own name but on behalf of and at the risk of the Commission.

The support currently provided by the Seed Capital Action is aimed at the long-term recruitment of additional investment managers by the venture capital funds to increase the number of qualified personnel and to reinforce the capacity of the venture capital and incubator industries to cater for investments in seed capital.

The Investment Facility, which is managed by the EIB, has been established within the framework of the Cotonou Agreement on cooperation and development of the African, Caribbean and Pacific Group of States and the European Union and its Member States on 23 June 2000. The EIB prepares separate financial statements for the Investment Facility.

The Commission entrusted financial management of the Guarantee Fund to the EIB under an agreement signed between the two parties in November 1994. The EIB prepares separate financial statements for the Guarantee Fund.

The FEMIP Trust Fund, which is also managed by the EIB, was set up to enhance the existing activities of the EIB in the Mediterranean Partner Countries, with the support of a number of donor countries and with a view to directing resources to operations in certain priority sectors through the provision of technical assistance and risk capital. The EIB prepares separate financial statements for The FEMIP Trust Fund.

The Risk-Sharing Finance Facility (the "RSFF") has been established within the framework of the Co-operation Agreement, entered into force on the 5 June 2007, between the European Commission on behalf of the European Union and the EIB. The EIB is setting up the RSFF, an instrument aimed at fostering investment for Europe in research, technological development and demonstration, as well as innovation, in particular in the private sector. The EIB prepares separate financial statements for the RSFF.

The Heavily Indebted Poor Countries (HIPC) Initiative (the "Initiative") is an international debt relief mechanism that provides special assistance to the world's poorest countries. It was launched in 1996 following a proposal from the World Bank and the International Monetary Fund (IMF). The principal objective of the initiative is to reduce the debt burden of poor countries to sustainable. The EIB prepares separate financial statements for the Initiative.

The EU-Africa Infrastructure Trust Fund (the "Trust Fund") has been created within the framework of the Trust Fund Agreement between The European Commission on behalf of the European Union as Founding Donor and the European Investment Bank as Manager, also open to Member States of the European Union which subsequently accede to this agreement as Donors. On 9 February 2006, the European Commission and the European Investment Bank signed a Memorandum of Understanding (the "MoU") to promote jointly the EU-Africa Infrastructure Partnership and, in particular, to establish a supporting EU-Africa Infrastructure Trust Fund. The EIB prepares separate financial statements for the EU-Africa Infrastructure Trust Fund.

The Commission entrusted financial management of the FP7 Guarantee Fund to the EIB under an agreement signed between the two parties in December 2007.

The Neighbourhood Investment Facility (the "NIF") Trust Fund managed by the EIB was set up to achieve the strategic objective of the European Neighbourhood Partnership Instrument (ENPI) through targeted funding aimed at strengthening infrastructure interconnection between the EU and its neighbours in the areas of Transport and Energy, at addressing common environmental concerns and at supporting other relevant activities. The EIB prepares separate financial statements for the Trust Fund.

JASPERS (Joint Assistance to Support Projects in European Regions) is a major joint policy initiative of the EIB, European Commission (Regional Policy Directorate-General - DG Regio) and the European Bank for Reconstruction and Development (EBRD).

JESSICA (Joint European Support for Sustainable Investment in City Areas) is an initiative developed by the European Commission and the Group, in collaboration with the Council of Europe Development Bank (CEB). Under new procedures, Member States are being given the option of using some of their EU grant funding to make repayable investments in projects forming part of an integrated plan for sustainable urban development. These investments are delivered to projects via Urban Development Funds or if required Holding Funds (JESSICA Holding Funds).

JEREMIE (Joint European Resources for Micro to Medium Enterprises initiative) is an initiative of the European Commission's Directorate General for Regional Policy (DG Regio) and the EIB Group.

JASMINE (Joint Action to Support Micro-finance Institutions in Europe) is a pilot initiative by the European Commission and the EIB Group for the development of Microfinance Institutions and Microcredit.

ELENA (The European Local Energy Assistance) is a facility developed by the European Commission and the EIB to facilitate the mobilisation of funds for investments in sustainable energy at local level.

GEEREF (Global Energy Efficiency and Renewable Energy Fund) is a fund of funds set-up at the initiative of the European Commission. Its objective is to make investments in private equity funds that focus on the fields of renewable energy and energy efficiency in emerging markets (ACP, ALA and European Neighbour countries).

The Loan Guarantee Instrument for Ten-T Projects (the "LGTT") has been established within the framework of the Co-operation Agreement, entered into force on this 11 January 2008, between The European Commission on behalf of the European Union and the EIB. The Commission and the EIB are setting up the LGTT which aims at facilitating a greater private sector involvement in the financing of trans-European transport networks infrastructure. The EIB prepares separate financial statements for the LGTT.

In the SMEG 2007 under the Competitiveness and Innovation Framework Programme (CIP/SMEG 2007), the EIF is empowered to issue guarantees in its own name but on behalf and at the risk of the Commission.

In the GIF 2007 under the Competitiveness and Innovation Framework Programme and the Technology Transfer Pilot Project (CIP/GIF 2007), the EIF is empowered to acquire, manage and dispose of investments, in its own name but on behalf and at the risk of the Commission.

The EIF is managing a European Commission facility, the Preparatory Action Facility (Preparatory Action) on behalf of the EIB Group. The facility is particularly targeting micro lending and will be used for grants to finance technical assistance to SMEs, which must be coupled with an EIF guarantee or an EIB global loan.

The Special Section (Note Y) was set up by the Board of Governors on 27 May 1963. Under a decision taken on 4 August 1977, its purpose was redefined as being that of recording financing operations carried out by the EIB for the account of and under mandate from third parties. It includes the FED, MED/FEMIP and Turkey mandates.

Note W – Capital and Reserves

W.1. Share capital and share premium

The European Investment Bank (EIB), the financing institution of the European Union, was created by the Treaty of Rome of 25 March 1957. The members of the EIB are the Member States of the European Union, who have all subscribed to the Group's capital.

New Member States or Member States that increase their share in the Bank's subscribed capital pay their part of the called capital plus their part of the reserves, provisions equivalent to reserves and similar amounts, normally in several equal instalments over the course of several years. The Accession Treaties and/or the Board of Governors decisions to increase the Bank's capital establish the specific modalities of such payments, including the calculation of the share of the new Member States in the Bank's capital, which is normally based on the national GDP figures officially published by Eurostat.

Voting powers in the Bank's Board of Governors and Board of Directors are established partly on the share of capital subscribed by each Member State, partly on different criteria, set forth in Articles 10 and 12 of the Bank's statute, applied jointly or exclusively depending on the specific voting procedure. Voting powers in the Bank's Management Committee are not based on the Bank's capital criterion.

Withdrawal from the status of EU Member State or decrease of the subscribed capital amount for a Member State is not foreseen by the legal provisions currently in force.

W.2. Subscribed capital and reserves, called but not paid

As a consequence of the increase in subscribed capital from EUR 150 000 000 000 to EUR 163 653 737 000 as at 1 May, 2004, the total amount to be paid to capital and reserves by the ten new Member States that joined on 1 May 2004 and Spain of EUR 2 408 million (composed of an amount of EUR 683 million for the capital and an amount of EUR 1 725 million for the reserves) is equally spread over 8 instalments: 30 September 2004, 30 September 2005, 30 September 2006, 31 March 2007, 30 September 2007, 31 March 2008, 30 September 2008 and 31 March 2009. The instalments up to and including 31 March 2009 have been entirely settled.

As at 1 January 2007, the subscribed capital has increased from EUR 163 653 737 000 to EUR 164 808 169 000, by virtue of the contributions of two new Member States that joined on 1 January 2007: Bulgaria and Romania. As a consequence of this capital increase, the two new Member States had to contribute to their share of Paid-in capital (EUR 57.7 million), and also their share of the Reserves and General Provisions (EUR 172.9 million) for the amounts outstanding as of 31 December 2006. The total amount to be paid has been equally spread over 8 instalments: 31 May 2007, 31 May 2008, 31 May 2009, 30 November 2009, 31 May 2010, 30 November 2010, 31 May 2011 and 30 November 2011. The instalments up to and including 30 November 2009 have been entirely settled.

The related net receivable from the Member States is shown in the consolidated balance sheet as follows under the caption "*Subscribed capital and reserves, called but not paid*":

in EUR '000	31.12.2009	31.12.2008
Subscribed capital called but not paid (nominal value)	28 862	128 627
Net present value adjustment	- 1 939	- 3 878
Subscribed capital called but not paid (carrying value)	26 923	124 749
Reserve called but not paid (nominal value)	86 466	345 359
Net present value adjustment	- 5 752	- 11 183
Reserve called but not paid (carrying value)	80 714	334 176
	107 637	458 925

W.3. Capital management

Even though the Group is not subject to formal supervision, it has generally voluntarily submitted to major EU banking regulations and adopted market “best practice”. In particular, this applies to the new banking regulation (“Basel II”), issued in 2004 by the Basel Committee on Banking Supervision, approved by the EU and the Member States in 2006, and applied in Internal Rating Based EU financial institutions since 1 January 2008 (2006/48/EC as of 14 June 2006).

The implementation of the “Advanced Internal Ratings Based Approach (Advanced IRB)” for credit risk and Advanced Measurement Approach (AMA) for operational risk has been done under the technical assistance of the Commission de Surveillance du Secteur Financier (CSSF).

In addition to the monitoring of Basel II minimum capital requirements, stress tests assess the sensitivity of capital requirements to changes in the macroeconomic environment and in the activities of the Group.

As at 31 December 2009, the Group’s Pillar I tier 1 capital adequacy ratio – decreased to 30.1% (from 35.3% at the end of 2008), compared to the Basel II minimum capital adequacy level of 8%.

Note X – Conversion rates

The following conversion rates were used for establishing the balance sheets at 31 December 2009 and 31 December 2008:

	31.12.2009	31.12.2008
NON-EURO CURRENCIES OF EU MEMBER STATES		
Bulgarian leva (BGN)	1.9558	1.9560
Czech koruna (CZK)	26.473	26.875
Danish kroner (DKK)	7.4418	7.4506
Hungarian forint (HUF)	270.42	266.70
Polish zloty (PLN)	4.1045	4.1535
Pound sterling (GBP)	0.8881	0.9525
Romanian lei (RON)	4.2363	4.0225
Swedish kronor (SEK)	10.252	10.870
NON-EU CURRENCIES		
Australian dollar (AUD)	1.6008	2.0274
Canadian dollar (CAD)	1.5128	1.6998
Hong Kong dollar (HKD)	11.1709	10.7858
Japanese yen (JPY)	133.16	126.14
Kenyan shilling (KES)	108.43	109.14
Moroccan dirham (MAD)	11.290	11.229
Mexican peso (MXN)	18.9223	19.2333
New Zealand dollar (NZD)	1.980	2.419
Norwegian krone (NOK)	8.3000	9.7500
Russian ruble (RUB)	43.154	41.283
South African rand (ZAR)	10.6660	13.0667
Swiss franc (CHF)	1.4836	1.4850
Turkish lira (TRY)	2.1547	2.1488
United States dollar (USD)	1.4406	1.3917

Note Y – Statement of Special Section ⁽¹⁾

as at 31 December 2009 and 2008 (in EUR'000)

AMOUNTS DISBURSED AND TO BE DISBURSED	31.12.2009	31.12.2008
Turkey		
From resources of Member States		
Disbursed loans outstanding	10 076	10 746
Total ⁽²⁾	10 076	10 746
Mediterranean Countries		
From resources of the European Union		
Disbursed loans outstanding	127 673	140 039
Risk capital operations		
- amounts to be disbursed	212 218	212 352
- amounts disbursed	195 709	203 739
	407 927	416 091
Total ⁽³⁾	535 600	556 130
African, Caribbean and Pacific State and Overseas Countries and Territories		
From resources of the European Union		
• Yaoundé Conventions		
Loans disbursed	14 686	16 299
Contributions to the formation of risk capital		
- amounts disbursed	419	419
Total ⁽⁴⁾	15 105	16 718
• Lomé Conventions		
Operations from risk capital resources:		
- amounts to be disbursed	39 099	75 148
- amounts disbursed	813 171	923 457
	852 270	998 605
Operations from other resources		
- amounts to be disbursed	0	7 274
- amounts disbursed	3 016	3 925
	3 016	11 199
Total ⁽⁵⁾	855 286	1 009 804
TOTAL	1 416 067	1 593 398

FUNDS RECEIVED AND TO BE RECEIVED	31.12.2009	31.12.2008
Funds under trust management		
Under mandate from the European Union		
- Financial Protocols with the Mediterranean Countries	323 383	343 778
- Yaoundé Conventions	15 105	16 718
- Lomé Conventions	813 171	923 457
- Other resources under the Lomé Conventions	3 016	3 925
	1 154 675	1 287 878
Under mandate from Member States	10 076	10 746
Total	1 164 751	1 298 624
Funds to be disbursed		
On loans and risk capital operations in the Mediterranean countries	212 218	212 352
On operations from risk capital resources under the Lomé Conventions	39 098	75 148
On operations from other resources under the Lomé Conventions	0	7 274
Total	251 316	294 774
TOTAL	1 416 067	1 593 398

For information:

Total amounts disbursed and not yet repaid on loans on special conditions made available by the Commission in respect of which the Bank has accepted an EU mandate for recovering principal and interest:

- Under the First, Second and Third Lomé Conventions: at 31.12.2009: EUR'000 648 409 (at 31.12.2008: EUR'000 709 988)
- Under Financial Protocols signed with the Mediterranean Countries: at 31.12.2009: EUR'000 103 000 (at 31.12.2008: EUR'000 109 396)

Note (1): The Special Section was set up by the Board of Governors on 27 May 1963. Under a decision taken on 4 August 1977, its purpose was redefined as being that of recording financing operations carried out by the European Investment Bank for the account of and under mandate from third parties. However, for the Investment Facility under the Cotonou Agreement the EU-Africa Infrastructure Trust Fund, the Neighbourhood Investment Facility (NIF) Trust Fund and the FEMIP Trust Fund, separate financial statements are presented. In addition, since 2005, the EIB also prepares financial statements of different types for other mandates.

The Statement of Special Section reflects amounts disbursed or to be disbursed less cancellations and repayments, under mandate from the European Union and the Member States. Amounts disbursed and to be disbursed and funds received and to be received are carried at nominal value. No account is taken in the Statement of Special Section of provisions or value adjustments, which may be required to cover risks associated with such operations. Amounts in foreign currency are translated at exchange rates prevailing on 31 December 2009.

Note (2): Initial amount of contracts signed for financing projects in Turkey under mandate, for the account and at the risk of Member States.

Initial amount:			405 899
add:	exchange adjustments		19 876
less:	cancellations	215	
	repayments	415 484	
			- 415 699
			10 076

Note (3): Initial amount of contracts signed for financing projects in the Maghreb and Mashreq countries, Malta, Cyprus, Turkey and Greece (EUR 10 million lent prior to accession to the EC on 1 January 1981) under mandate, for the account and at the risk of the European Union.

Initial amount:			925 007
less:	exchange adjustments	13 551	
	cancellations	83 345	
	repayments	292 511	
			- 389 407
			535 600

Note (4): Initial amount of contracts signed for financing projects in the Associated African States, Madagascar and Mauritius and the Overseas Countries, Territories and Departments (AASMM-OCTD) under mandate, for the account and at the risk of the European Union:

Loans on special conditions		139 483	
Contributions to the formation of risk capital		2 503	
Initial amount:			141 986
add:	capitalised interests	1 178	
	exchange adjustments	9 839	
			11 017
less:	cancellations	1 758	
	repayments	136 140	
			- 137 898
			15 105

Note (5): Initial amount of contracts signed for financing projects in the African, Caribbean and Pacific States and the Overseas Countries and Territories (ACP-OCT) under mandate, for the account and at the risk of the European Union:

Loans from risk capital resources:			
Conditional and subordinated loans		3 116 097	
equity participations		120 984	
Initial amount:			3 237 081
add:	capitalised interests		8 099
less:	cancellations	654 044	
	repayments	1 679 484	
	exchange adjustments	59 382	
			- 2 392 910
			852 270
Loans from other resources:			
Initial amount:			16 500
less:	cancellations	8 493	
	repayments	4 857	
	exchange adjustments	134	
			- 13 484
			3 016
			855 286

Note Z – Post balance sheet events

There have been no material events after the balance sheet date that would require adjustment of, or disclosure in, the Financial Statements as at 31 December 2009.

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying consolidated financial statements of the EUROPEAN INVESTMENT BANK, which comprise the consolidated balance sheet as at 31 December 2009 and the consolidated statements of income and comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance

whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the EUROPEAN INVESTMENT BANK as of 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises

Emmanuel Dollé

Statement by the Audit Committee

The Audit Committee reports to the Board of Governors, the following statement being communicated to the Governors prior to their approval of the Annual Report and the financial statements for the past financial year.

Statement by the Audit Committee on the consolidated EIB financial statements under International Financial Reporting Standards as adopted by the EU (IFRS)

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the consolidated financial statements of the European Investment Bank for the year ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, met regularly the Head of Internal Audit and discussed the relevant internal audit reports, and studied the documents which it deemed necessary to examine in the discharge of its duties,

- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the consolidated financial statements for the financial year ending on 31 December 2009 as drawn up by the Board of Directors at its meeting on 11 March 2010,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 & 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

- confirms that the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statements of income and comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and a summary of significant accounting policies and other explanatory notes give a true and fair view of the financial position of the Bank as at 31 December 2009 in respect of its assets and liabilities, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



G. SMYTH



E. MATHAY



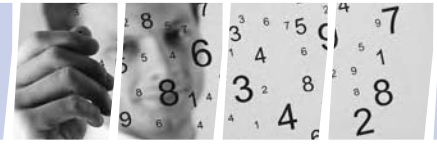
J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



Investment Facility

Financial Statements

as at 31 December 2009

Income Statement

for the year 2009 (In EUR'000)

	Notes	2009	2008
Interest and similar income	5	49 923	61 097
Interest and similar expense	5	-1 878	- 68
Net interest and similar income		48 045	61 029
Fee and commission income	6	1 985	2 632
Net fee and commission income		1 985	2 632
Net result on financial operations	7	9 124	-17 700
Impairment on loans and receivables	11	-44 350	-52 675
Impairment on available-for-sale financial assets	12	-2	-1 725
Member States special contribution to general administrative expenses	8	-	17 871
General administrative expenses	8	-36 410	-35 741
Loss for the year		-21 608	-26 309

Balance Sheet

as at 31 december 2009 (In EUR'000)

	Notes	31.12.2009	31.12.2008
ASSETS			
Cash and cash equivalents	9	330 057	293 416
Derivative financial instruments	10	12 870	8 495
Loans and receivables	11	693 441	647 449
Available-for-sale financial assets	12	164 606	129 146
Amounts receivable from contributors	13/18	87 310	65 891
Other assets	14	925	525
Total assets		1 289 209	1 144 922
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	10	5 522	15 746
Deferred income	15	24 317	20 186
Amounts owed to third parties	16	213 850	193 733
Other liabilities	17	1 560	4 277
Total Liabilities		245 249	233 942
CONTRIBUTORS' RESOURCES			
Member States Contribution called	18	995 000	845 000
Retained earnings		29 250	50 858
Fair value reserve		19 710	15 122
Total Contributors' resources		1 043 960	910 980
Total Liabilities and Contributors' resources		1 289 209	1 144 922

The accompanying notes form an integral part of these financial statements.

Statement of changes in contributors' resources

as at 31 december 2009 (In EUR'000)

	Contribution called	Retained earnings	Fair Value Reserve	Total
At 1 January 2008	830 000	77 167	19 312	926 479
Net unrealised gains and losses on available-for-sale financial assets	-	-	-4 190	-4 190
Member States contribution called during the year	15 000	-	-	15 000
Loss for the year	-	-26 309	-	-26 309
Changes in contributors' resources	15 000	-26 309	-4 190	-15 499
At 31 December 2008	845 000	50 858	15 122	910 980

	Contribution called	Retained earnings	Fair Value Reserve	Total
At 1 January 2009	845 000	50 858	15 122	910 980
Net unrealised gains and losses on available-for-sale financial assets	-	-	4 588	4 588
Member States contribution called during the year	150 000	-	-	150 000
Loss for the year	-	-21 608	-	-21 608
Changes in contributors' resources	150 000	-21 608	4 588	132 980
At 31 December 2009	995 000	29 250	19 710	1 043 960

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

as at 31 december 2009 (In EUR'000)

	2009	2008
OPERATING ACTIVITIES		
Loss for the financial year	-21 608	-26 309
Adjustments		
Impairment on available-for-sale financial assets	2	1 725
Impairment on loans and receivables	44 350	52 675
Interest capitalised on loans and receivables	-4 889	-12 022
Change in accrued interest and amortised cost on loans and receivables	890	352
Increase in deferred income	4 131	-190
Profit on operating activities before changes in operating assets and liabilities	22 876	16 231
Loan disbursement	-158 400	-176 614
Repayments of loans	61 094	73 748
Effect of exchange rate changes on loans	10 963	-10 315
Fair value changes on derivatives	-14 599	31 689
Increase in available-for-sale financial assets	-40 306	-41 641
Sale of available-for-sale financial assets	7 497	15 005
Effect of exchange rate changes on available-for-sale financial assets	1 935	938
Increase / Decrease in other assets	-400	3 369
Increase / Decrease in other liabilities	-2 717	3 361
Increase in other amounts payable to the European Investment Bank	669	2 985
Net cash flows from operating activities	-111 388	-81 244
FINANCING ACTIVITIES		
Contribution from Member States	150 000	15 000
Increase / Decrease in amounts receivable from contributors	-21 419	115 292
Increase in amounts payable from interest subsidies not yet disbursed	19 448	59 596
Net cash flows from financing activities	148 029	189 888
Net increase in cash and cash equivalents	36 641	108 644
Cash and cash equivalents at beginning of financial year	293 416	184 772
Cash and cash equivalents at end of financial year	330 057	293 416

The accompanying notes form an integral part of these financial statements.

Investment Facility

Notes to the financial statements

1. General information

The Investment Facility (“the Facility”) has been established within the framework of the Cotonou Agreement (the “Agreement”) on co-operation and development assistance negotiated between the African, Caribbean and Pacific Group of States (the “ACP States”) and the European Union and its Member States on 23 June 2000 and revised on 25 June 2005.

Financing under the Agreement is provided from EU Member States’ budgets and is disbursed according to financial protocols defined for successive five- to six-year periods. Within the framework of the Agreement and following the entry into force of a second financial protocol on 1st July 2008 (covering the period 2008-2013), referred to as the 10th European Development Fund (“EDF”), the European Investment Bank (“EIB”) is entrusted with the management of:

- the Facility, a EUR 3 137 million risk-bearing revolving fund geared to fostering private sector investment in ACP countries;
- grants for the financing of interest rate subsidies worth EUR 400 million, of which up to EUR 40 million can be used to fund project-related technical assistance.

These financial statements present the situation of the Facility and of the utilisation of the grants.

The Board of Directors of the EIB adopted the financial statements, on 11 March 2010, and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

2. Significant accounting policies

2.1. Basis of preparation

In line with the Investment Facility Management Agreement the preparation of the financial statements of the Facility is guided by International Financial Reporting Standards, as adopted by the European Union. The Facility’s financial statements have been prepared on the basis of the following significant accounting principles:

2.2. Significant accounting judgments and estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the European Investment Bank’s Management

to exercise its judgment in the process of applying the Investment Facility’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed hereafter.

The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on loans and receivables

The Facility reviews its problem loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by the European Investment Bank’s Management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and receivables, the Facility may also book a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

In principle, a loan is considered as non performing when payment of interest and principal are past due by 90 days or more and, at the same time, the European Investment Bank’s Management considers that payment will be completely unlikely.

Valuation of unquoted available-for-sale equity investments

Valuation of unquoted available-for-sale equity investments is normally based on one of the following:

- recent arms length market transactions;

- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted available-for-sale equity investments requires significant estimation. The Facility calibrates the valuation techniques periodically and tests them for validity using either price from observable current market transactions in the same instrument or from other available observable market data.

Impairment of available-for-sale financial assets

The Facility treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Facility treats "significant" generally as 30% or more and "prolonged" greater than 12 months. In addition, the Facility evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

2.3. Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial years.

2.4. Summary of significant accounting policies

The balance sheet represents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

2.4.1. Foreign currency translation

The Facility uses the Euro (EUR) for presenting its financial statements, which is also the functional currency.

Foreign currency transactions are translated, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value

in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement.

The elements of the income statement are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

2.4.2. Cash and cash equivalents

The Facility defines cash and cash equivalents as current accounts and short-term deposits with original maturities of three months or less.

2.4.3. Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

Loans

Loans originated by the Facility are recognised in the assets of the Facility when cash is advanced to borrowers. They are initially recorded at cost (net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost, using the effective yield method, less any provision for impairment or uncollectability.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. They include equity instruments, investments in venture capital funds and other debt instruments.

After initial measurement, available-for-sale financial assets are subsequently carried at fair value. Note the following details for the fair value measurement of equity investments, which cannot be derived from active markets:

a. Venture capital funds

The fair value of each venture capital fund is based on the latest available Net Asset Value (NAV), reported by the fund, if calculated based on international valuation guidelines recognised to be in line with IFRS (for example: the International Private Equity and Venture Capital Valuation guidelines, IPEV Guidelines, as published by the European Venture Capital Association). The Facility

may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

b. Direct equity investments

The fair value of the investment will be based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the participation.

Unrealised gains or losses on venture capital funds and direct equity investments are reported in contributors' resources until such investments are sold, collected or disposed of, or until such investments are determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in equity is included in the income statement.

For unquoted investments, the fair value is determined by applying recognised valuation technique (for example discounted cash flows or multiples). These investments are accounted for at cost when the fair value cannot be reliably measured.

Guarantees

At initial recognition, the financial guarantees are recognised at fair value corresponding to the Net Present Value (NPV) of expected premium inflows. This calculation is performed at the starting date of each transaction and is recognised on balance sheet as "Financial guarantees" under "other assets" and "other liabilities".

Subsequent to initial recognition, the Facility's liabilities under such guarantees are measured at the higher of:

- the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, which is estimated based on all relevant factors and information existing at the balance sheet date.
- the amount initially recognised less cumulative amortisation. The amortisation of the amount initially recognised is done using the actuarial method.

Any increase or decrease in the liability relating to financial guarantees is taken to the income statement under "fee and commission income".

In addition, when a guarantee agreement is signed, it is presented as a contingent liability for the Facility and when the guarantee is engaged, as a commitment for the Facility.

2.4.4. Impairment of financial assets

The Facility assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is

objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans outstanding at the end of the financial year and carried at amortised cost, impairments are made when presenting objective evidence of risks of non recovery of all or part of their amounts according to the original contractual terms or the equivalent value. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The Facility conducts credit risk assessments based on which there is no need for a collective impairment provision.

For the available-for-sale financial assets, the Facility assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its costs. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement) is removed from contributors' resources and recognised in the income statement. Impairment losses on available-for-sale financial assets are not reversed through the income statement; increases in their fair value after impairment are recognised directly in contributors' resources.

The European Investment Bank's Risk Management reviews financial assets for impairment at least once a year. Resulting adjustments include the unwinding of

the discount in the income statement over the life of the asset, and any adjustments required in respect of a reassessment of the initial impairment.

2.4.5. Derivative financial instruments

Derivatives include cross currency swaps, cross currency interest rate swaps, currency forwards and warrants.

In the normal course of its activity, the Facility may enter into swap contracts with a view to hedge specific lending operations or into currency forward contract with a view to hedge its currency positions, denominated in actively traded currencies other than the Euro, in order to offset any gain or loss caused by foreign exchange rate fluctuations.

However, the Facility has not entered into any hedge accounting transactions as at December 31, 2008 and 2009. Therefore, all derivatives are measured at fair value through the income statement. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third party quotes.

Warrants have been received by the Facility as ancillary fees in the context of a lending operation.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are included in "Net result on financial operations".

2.4.6. Contributions

Contributions from Member States are recognised as receivable in the balance sheet on the date of the Council Decision fixing the financial contribution to be paid by the Member States to the Facility.

2.4.7. Interest income on loans

Interest on loans originated by the Facility is recorded in the income statement ('Interest and similar income') and on the balance sheet ('Loans and receivables') on an accrual basis using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the net carrying amount of the loan.

Once the recorded value of a loan has been reduced due to impairment, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

2.4.8. Interest subsidies and technical assistance

As part of its activity, the Facility manages interest subsidies and technical assistance on behalf of the Member States.

The part of the Member States contributions allocated to the payment of interest subsidies is not accounted for in the Facility's contributors' resources but is classified as amounts owed to third parties. The Facility operates the disbursement to the final beneficiaries and then decreases the amounts owed to third parties.

2.4.9. Interest income on treasury

Interest income on treasury is recognised in the income statement of the Facility on an accrual basis.

2.4.10. Fees, commissions and dividends

Fees received in respect of services provided over a period of time are recognised as income as the services are provided. Commitment fees are deferred and recognised in income using the effective interest method over the period from disbursement to repayment of the related loan.

Dividends relating to available-for-sale financial assets are recognised when received.

2.4.11. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

2.4.12. Reclassification of prior year figures

Where necessary, certain prior year figures have been reclassified to conform to the current year's presentation for comparative purpose.

3. Risk management

3.1. Credit risk

This section presents financial information about the investments made by the Facility.

3.1.1. Exposure on loans and receivables and available for sale financial assets disbursed, by nature of borrower/issuer (in EUR'000)

The table hereafter analyses the Facility exposure disbursed by nature of borrower.

	2009	2008
Banks/ Financial Institutions.	267 986	258 824
Project Finance / Structured Operation	330 654	314 705
Sovereign / Public Authorities	100 042	76 319
Venture Capital Fund	136 179	102 975
Corporates	23 186	23 772
Total	858 047	776 595

3.1.2. Exposure on loans and receivables and available for sale financial assets disbursed, by nature of instrument (in EUR'000)

The table hereafter analyses the Facility exposure disbursed by nature of investment instrument used.

	2009	2008
Senior Loans	604 354	524 168
of which Global Loans and Agency Agreement	224 859	205 598
Subordinated Loans	89 087	123 281
Equity	164 606	129 146
Total	858 047	776 595

3.1.3. Risk concentrations of the exposure on loans and receivables and available for sale financial assets disbursed (in EUR'000)

The table below analyses the Facility exposure disbursed by sector. The operations which are first disbursed to a financial intermediary before being disbursed to the final beneficiary are reported under global loans.

	2009	2008
Global loans	178 860	150 430
Energy	236 198	153 985
Industry	141 826	155 811
Services	241 072	241 957
Transports	7 938	9 148
Water, sewerage	2 998	2 549
Agriculture, fisheries, forestry	3 156	7 537
Agency agreements	45 999	55 168
Total	858 047	776 595

3.2. Liquidity risk and funding management

The table below sets out the Facility's assets and liabilities by relevant maturity groupings based on the remaining period to the contractual maturity date (in EUR'000).

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undefined	Total
ASSETS						
Cash and cash equivalents	330 057	-	-	-	-	330 057
Derivative financial instruments	2 211	656	5 923	4 080	-	12 870
Loans and receivables	8 164	5 100	86 565	593 612	-	693 441
Available for sale financial assets	-	-	-	151 049	13 557	164 606
Amounts receivable from contributors	87 310	-	-	-	-	87 310
Other assets	490	-	-	435	-	925
Total assets	428 232	5 756	92 488	749 176	13 557	1 289 209
LIABILITIES						
Derivative financial instruments	379	155	320	4 668	-	5 522
Deferred income	-	-	-	24 317	-	24 317
Amounts owed to third parties	36 410	-	-	-	177 440	213 850
Other liabilities	707	418	-	435	-	1 560
Total liabilities	37 496	573	320	29 420	177 440	245 249
Net liquidity position at 31 December 2009	390 736	5 183	92 168	719 756	-163 883	1 043 960
Net liquidity position at 31 December 2008	324 695	4 855	60 735	675 416	-154 721	910 980

3.3. Market risk

3.3.1. Interest rate (in EUR'000)

The table below summarises the Facility's exposure to interest rate through its loans and receivables.

	2009	2008
Fixed rate interest	354 638	329 111
Floating rate interest	338 803	318 338
Total	693 441	647 449

3.3.2. Currency risk (or Foreign exchange risk) (in EUR'000)

	EUR	USD	CAD	ACP/OCT Currencies	Total
ASSETS					
Cash and cash equivalents	297 717	32 340	-	-	330 057
Derivative financial instruments	12 870	-	-	-	12 870
Loans and receivables	332 474	297 427	-	63 540	693 441
Available-for-sale financial assets	30 422	121 146	7 782	5 256	164 606
Amounts receivable from contributors	87 310	-	-	-	87 310
Other assets	490	-	-	435	925
Total assets	761 283	450 913	7 782	69 231	1 289 209
LIABILITIES AND CONTRIBUTORS' RESOURCES					
Liabilities					
Derivative financial instruments	5 522	-	-	-	5 522
Deferred income	24 317	-	-	-	24 317
Amounts owed to third parties	213 850	-	-	-	213 850
Other liabilities	559	566	-	435	1 560
Total liabilities	242 248	566	-	435	245 249
Contributors' resources					
Member States Contribution called	995 000	-	-	-	995 000
Retained earnings	29 250	-	-	-	29 250
Fair value reserve	-1 443	22 606	-	-1 453	19 710
Total contributors' resources	1 022 807	22 606	-	-1 453	1 043 960
Total liabilities and contributors' resources	1 267 055	23 172	-	-1 018	1 289 209
Currency position as at 31 December 2009	-505 772	427 741	7 782	70 249	-
Currency position as at 31 December 2008	-486 885	428 467	2 171	66 247	-
As a 31 December 2009 :					
COMMITMENTS					
Un-disbursed loans and equity investments	885 667	150 899	-	-	1 036 566
Guarantees drawn	11 800	-	-	-	11 800
CONTINGENT LIABILITIES					
Guarantees undrawn	105 000	-	-	-	105 000

4. Segment information

The primary segment of the Facility is business operation and the secondary segment is geographical.

4.1. By business segment (in EUR '000)

The activity of the Facility is divided into two main business segments on a worldwide basis:

- Banking operations – incorporating investments in projects which are made with the purpose of supporting investments of private and commercially run public sector entities. The main investment products are loans, available-for-sale equity investments and financial guarantees.
- Treasury activities – including investing surplus liquidity and managing the Facility foreign exchange risk.

At 31 December 2009	Treasury	Banking	Total
Revenue from segments	10 904	51 225	62 129
Expenses and charges from segments	-2 975	-44 352	-47 327
Unallocated expenses			-36 410
Loss for the year			-21 608
Segment assets	343 417	858 483	1 201 900
Unallocated assets			87 309
Total assets			1 289 209
Segment liabilities	39 325	25 336	64 661
Unallocated liabilities			180 588
Total liabilities			245 249
Other segment information			
Commitments and contingent liabilities	-	1 153 366	1 153 366
At 31 December 2008	Treasury	Banking	Total
Revenue from segments	14 979	48 767	63 746
Expenses and charges from segments	-17 787	-54 398	-72 185
Unallocated expenses			-17 870
Loss for the year			-26 309
Segment assets	301 911	777 120	1 079 031
Unallocated assets			65 891
Total assets			1 144 922
Segment liabilities	54 235	21 715	75 950
Unallocated liabilities			157 992
Total liabilities			233 942
Other segment information			
Commitments and contingent liabilities	-	1 082 456	1 082 456

4.2. By geographical segment (in EUR '000)

The Facility's activities are divided into five regions for internal management purposes.

At 31 December 2009	Revenues (*)	Total assets	Total liabilities	Commitments and contingent liabilities
Caribbean and Pacific	-22 796	102 363	1 173	143 297
Central and Eastern Africa	9 410	249 261	21 425	371 286
Regional Africa and ACP states	3 260	153 006	-	340 437
Southern Africa and Indian ocean	13 195	202 809	524	104 654
West Africa and Sahel	3 804	151 043	2 214	193 692
Others (**)	-	430 727	219 913	-
Total	6 873	1 289 209	245 249	1 153 366

At 31 December 2008	Revenues (*)	Total assets	Total liabilities	Commitments and contingent liabilities
Caribbean and Pacific	3 694	116 572	-	146 588
Central and Eastern Africa	9 418	152 838	18 222	498 066
Regional Africa and ACP states	1 094	115 534	-	231 628
Southern Africa and Indian ocean	-31 530	206 744	554	108 892
West Africa and Sahel	11 693	182 160	2 427	97 282
Others (**)	-	371 074	212 739	-
Total	-5 631	1 144 922	233 942	1 082 456

(*) Revenues represent the net profit on the Facility's banking activity (i.e. interest and similar income, interest subsidies, net fee and commission income, impairment on loans and receivables and impairment on available-for-sale financial assets).

(**) Under geographical segment "Others" are considered the amount payable to or receivable from the Member States or the European Investment Bank and the Facility cash and cash equivalents.

5. Net interest income (in EUR '000)

The main components of interest and similar income are as follows:

	2009	2008
Cash and short-term funds	2 978	12 452
Loans and receivables	45 359	43 966
Interest subsidies	1 586	1 242
Derivative financial instruments	-	3 437
Total interest and similar income	49 923	61 097

The main components of interest and similar expense are as follows:

	2009	2008
Derivative financial instruments	-1 878	-
Remuneration paid to European Commission	-	- 68
Total interest and similar expense	-1 878	- 68

6. Fee and commission income (in EUR '000)

The main components of fee and commission income are as follows:

	2009	2008
Fee and commission on loans and receivables	1 709	2 340
Fee and commission of financial guarantees	276	292
Total fee and commission income	1 985	2 632

7. Net result on financial operations (in EUR '000)

The main components of net result on financial operations are as follows:

	2009	2008
Fair value change on derivatives	14 599	-31 689
Foreign exchange	-6 673	13 972
Dividend income from available-for-sale financial assets	1 198	17
Net result on financial operations	9 124	-17 700

8. General administrative expenses (in EUR '000)

General administrative expenses represent the actual costs incurred by the EIB for managing the Facility less income generated from standard appraisal fees directly charged by the EIB to clients of the Facility.

	2009	2008
Actual cost incurred by the EIB	-37 653	-36 766
Income from appraisal fees directly charged to clients of the Facility	1 243	1 025
Net general administrative expenses	-36 410	-35 741

Under Council Decision of 8 April 2003, the Member states agreed to cover in full the expenses incurred by the EIB for the management of the Facility for the first 5 years of the 9th European Development Fund.

Following the entry in force of the revised Cotonou Partnership Agreement on the 1st of July 2008, general administrative expenses are not covered anymore by the Member States. As a consequence, for the year 2008, the contribution from the Member States to the general administrative expenses covered only 50% of the total incurred during the year, representing KEUR 17 871.

9. Cash and cash equivalents (in EUR '000)

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

The cash and cash equivalents can be broken down between the funds received from the Member States and not yet disbursed and the funds from the Facility's operational and financial activities.

	2009	2008
Member states contributions received and not yet disbursed	120 807	9 028
Funds from the Facility's financial and operational activities	209 250	284 388
Cash and cash equivalents	330 057	293 416

10. Derivative financial instruments (in EUR '000)

The main components of derivative financial instruments are as follows:

At 31 December 2009	Fair Values		Notional amount
	Assets	Liabilities	
Cross currency swaps	8 542	-237	87 720
Cross currency interest rate swaps	2 041	-5 285	95 713
FX Forwards	2 287	-	290 000
Derivative financial instruments	12 870	-5 522	

At 31 December 2008	Fair Values		Notional amount
	Assets	Liabilities	
Cross currency swaps	8 045	-947	104 446
Cross currency interest rate swaps	450	-13 305	109 739
FX Forwards	-	-1 494	211 000
Warrants	-	-	719
Derivative financial instruments	8 495	-15 746	

11. Loans and receivables (in EUR '000)

The main components of loans and receivable are as follows:

	Global loans (*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2009	205 430	334 397	153 109	692 936
Disbursement	67 275	91 125	-	158 400
Repayments	-37 035	-14 361	-9 698	-61 094
Interest capitalised	-	553	4 336	4 889
FX Difference	-4 681	-4 915	-2 265	-11 861
Nominal as at 31 December 2009	230 989	406 799	145 482	783 270
Impairment as at 1 January 2009	-2 996	-19 749	-31 947	-54 692
Net change in impairment	-5 375	-11 018	-27 957	-44 350
FX Difference	-	550	348	898
Impairment as at 31 December 2009	-8 371	-30 217	-59 556	-98 144
Amortised Cost	-1 355	-1 801	-1 628	-4 784
Accrued interest	3 596	4 714	4 789	13 099
Loans and receivables as at 31 December 2009	224 859	379 495	89 087	693 441

(*) including agency agreements

	Global loans (*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2008	144 288	268 903	154 542	567 733
Disbursement	82 696	92 992	926	176 614
Repayments	-25 282	-31 322	-17 144	-73 748
Interest capitalised	-	676	11 346	12 022
FX Difference	3 728	3 148	3 439	10 315
Nominal as at 31 December 2008	205 430	334 397	153 109	692 936
Impairment as at 1 January 2008	-	-2 242	-2 121	-4 363
Increase	-2 996	-17 484	-29 826	-50 306
FX Difference	-	-23	-	-23
Impairment as at 31 December 2008	-2 996	-19 749	-31 947	-54 692
Amortised Cost	- 292	-1 576	- 364	-2 232
Accrued interest	3 456	5 498	2 483	11 437
Loans and receivables as at 31 December 2008	205 598	318 570	123 281	647 449

(*) including agency agreements

12. Available-for-sale financial assets

The main components of available-for-sale equity financial assets are as follows:

	Venture Capital Fund	Direct Equity Investment	Total
Cost as at 1 January 2009	89 919	26 194	116 115
Disbursement	36 624	3 682	40 306
Repayments	-7 497	-	-7 497
FX Difference	-2 395	585	-1 810
Cost as at 31 December 2009	116 651	30 461	147 114
Unrealised gain and losses as at 1 January 2009	20 190	-7 159	13 031
Net change in unrealised gains and losses	-2 052	6 640	4 588
Impairment	-2	-	-2
Realised FX Difference	-	-125	-125
Unrealised gain and losses as at 31 December 2009	18 136	- 644	17 492
Available-for-sale financial assets as at 31 December 2009	134 787	29 817	164 606
	Venture Capital Fund	Direct Equity Investment	Total
Cost as at 1 January 2008	63 760	26 657	90 417
Disbursement	40 994	647	41 641
Repayments	-15 005	-	-15 005
FX Difference	170	-1 110	- 938
Cost as at 31 December 2008	89 919	26 194	116 115
Unrealised gain and losses as at 1 January 2008	4 546	14 400	18 946
Net change in unrealised gains and losses	15 644	-19 834	-4 190
Impairment	-	-1 725	-1 725
Unrealised gain and losses as at 31 December 2008	20 190	-7 159	13 031
Available-for-sale financial assets as at 31 December 2008	110 109	19 035	129 146

As at 31 December 2009, the split of the available-for-sale financial assets between quoted and unquoted instruments was as follows:

	Fair Value as at 31.12.2009	Fair Value as at 31.12.2008
Quoted instrument	13 557	3 272
Unquoted instrument	151 049	125 874
Total	164 606	129 146

13. Amounts receivable from contributors (in EUR '000)

The main components of amounts receivable from contributors are as follows:

	2009	2008
Contribution called but not paid	87 310	48 020
Special contribution to general administrative expenses	-	17 871
Total amount receivable from contributors	87 310	65 891

14. Other assets (in EUR '000)

The main components of other assets are as follows:

	2009	2008
Amount receivable from EIB	490	-
Financial guarantees	435	525
Total amount of other assets	925	525

15. Deferred income (in EUR '000)

The main components of deferred income are as follows:

	2009	2008
Deferred interest subsidies	23 888	19 962
Deferred commissions on loans and receivables	429	224
Total deferred income	24 317	20 186

16. Amounts owed to third parties (in EUR '000)

The main components of amounts owed to third parties are as follows:

	2009	2008
Net general administrative expenses payable to EIB	36 410	35 741
Interest subsidies not yet disbursed	177 440	157 992
Total amounts owed to third parties	213 850	193 733

17. Other liabilities (in EUR '000)

The main components of other liabilities are as follows:

	2009	2008
Amount repayable to EIB	-	2 257
Financial guarantees	435	525
Other	1 125	1 495
Total amount of other liabilities	1 560	4 277

18. Member States Contribution called (in EUR '000)

Member States	Contribution to the Facility	Contribution to interest subsidies	Total contributed	Called and not paid (*)
Austria	26 368	6 095	32 463	2 650
Belgium	39 004	9 016	48 020	3 920
Denmark	21 293	4 922	26 215	2 140
Finland	14 727	3 404	18 131	1 480
France	241 785	55 890	297 675	24 300
Germany	232 432	53 728	286 160	23 360
Greece	12 437	2 875	15 312	1 250
Ireland	6 169	1 426	7 595	620
Italy	124 773	28 842	153 615	12 540
Luxembourg	2 885	667	3 552	290
Netherlands	51 939	12 006	63 945	5 220
Portugal	9 651	2 231	11 882	970
Spain	58 108	13 432	71 540	5 840
Sweden	27 164	6 279	33 443	2 730
United Kingdom	126 265	29 187	155 452	-
Total at 31 December 2009	995 000	230 000	1 225 000	87 310
Total at 31 December 2008	845 000	190 000	1 035 000	48 020

(*) On 17.11.2009, the Council fixed the amount of financial contributions to be paid by each Member State by 21.01.2010.

19. Contingent liabilities and commitments (in EUR '000)

	2009	2008
Commitments		
Undisbursed loans	784 612	777 597
Undisbursed commitment in respect of available-for-sale financial assets	251 954	188 059
Guarantees drawn	11 800	11 800
Contingent liabilities		
Guarantees undrawn	105 000	105 000
Total	1 153 366	1 082 456

20. Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2009 financial statements.

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying financial statements of the INVESTMENT FACILITY, which comprise the balance sheet as at 31 December 2009 and the income statement, statement of changes in contributors' resources and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

EUROPEAN INVESTMENT BANK Management's responsibility for the financial statements

The EUROPEAN INVESTMENT BANK's Management is responsible for the preparation and presentation of these financial statements in accordance with the accounting rules set out in note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform

the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the EUROPEAN INVESTMENT BANK's Management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements of the INVESTMENT FACILITY for the year ended 31 December 2009 have been prepared, in all material respects, in accordance with the accounting rules set out in note 2 to the financial statements.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises

Emmanuel Dollé

Statement by the Audit Committee

The Financial Regulation applicable to the 10th European Development Fund in Article 134 with regard to the operations managed by the European Investment Bank states that these operations shall be subject to the audit and discharge procedures laid down in the Statute of the Bank for all of its operations. On this basis, the Audit Committee issues this statement.

Statement by the Audit Committee on the Investment Facility financial statements prepared in accordance with the accounting rules as set out in Note 2 to the financial statements

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the financial statements of the Investment Facility for the year ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the financial period ending on 31 December 2009 as drawn up by the Board of Directors at its meeting on 11 March 2010,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 and 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

- confirms that the activities of the Investment Facility are conducted in a proper manner, in particular with regard to risk management and monitoring;
- has verified that the operations of the Investment Facility have been conducted and its books kept in a proper manner and that to this end, it has verified that the Investment Facility's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;
- confirms that the financial statements, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and a summary of significant accounting policies and other explanatory notes give a true and fair view of the financial position of the Investment Facility as at 31 December 2009 in respect of its assets and liabilities, and of the results of its operations for the year then ended, in accordance with the accounting rules as set out in Note 2 to the financial statements.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



G. SMYTH



E. MATHAY



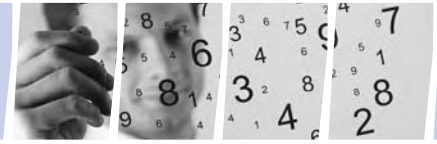
J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



FEMIP Trust Fund

Financial Statements

as at 31 December 2009

Statement of financial position

as at 31 December 2009 (in EUR '000)

	Notes	31.12.2009	31.12.2008
ASSETS			
Cash and cash equivalents	2.4.2	30 141	32 708
Financial assets designated at fair value through profit or loss (Equity investments)	9	767	451
Total assets		30 908	33 159
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Other liabilities	10	14	14
Total Liabilities		14	14
CONTRIBUTORS' RESOURCES			
Contributions	6	34 516	34 516
Retained earnings		- 3 622	- 1 371
Total Contributors' resources		30 894	33 145
Total Liabilities and Contributors' resources		30 908	33 159

Statement of comprehensive income

for the year ended 31 December 2009 (in EUR '000)

	Notes	2009	2008
Interest and similar income		231	1 276
Total income		231	1 276
Projects financed	5	- 2 334	- 1 783
General administrative expenses	3	-	- 32
Net loss on financial assets designated at fair value through profit or loss	9	- 134	- 10
Other expenses	4	- 14	- 17
Total expenses		- 2 482	- 1 842
Net loss		- 2 251	- 566
Total comprehensive loss for the year		- 2 251	- 566

The accompanying notes form an integral part of these financial statements.

Statement of changes in contributors' resources

for the year ended 31 December 2009 (in EUR'000)

	Contributions	Retained earnings	Total
At 1 January 2008	33 716	- 805	32 911
Total comprehensive income for the year			
Loss for the year	-	- 566	- 566
Transactions recorded directly in Contributors' resources			
European Commission / Member States contributions during the year	800	-	800
At 31 December 2008	34 516	- 1 371	33 145

	Contributions	Retained earnings	Total
At 1 January 2009	34 516	- 1 371	33 145
Total comprehensive income for the year			
Loss for the year	-	- 2 251	- 2 251
Transactions recorded directly in Contributors' resources			
European Commission / Member States contributions during the year	-	-	-
At 31 December 2009	34 516	- 3 622	30 894

Statement of cash flows

for the year ended 31 December 2009 (in EUR'000)

	2009	2008
OPERATING ACTIVITIES		
Interest and similar income	231	1 276
General administrative expenses	-	- 32
Projects financed	- 2 334	- 1 783
Other expenses	- 14	- 3
Increase in financial assets designated at fair value through profit or loss	- 450	-
Net cash from operating activities	- 2 567	- 542
FINANCING ACTIVITIES		
Contribution from European Commission and Member States	-	800
Net cash from financing activities	-	800
Net increase in cash and cash equivalents	- 2 567	258
Cash and cash equivalents at beginning of the year	32 708	32 450
Cash and cash equivalents at end of the year	30 141	32 708

The accompanying notes form an integral part of these financial statements.

FEMIP Trust Fund

Notes to the financial statements

1. General information

In March 2002, the Barcelona European Council decided to enhance the existing activities of the European Investment Bank (the "Bank" or "EIB") in the Mediterranean Partner Countries through the creation of the Facility for Euro-Mediterranean Investment and Partnership (the "FEMIP"). The Council's overall objective was to "stimulate private sector development in the Mediterranean Partner Countries, in order to facilitate a higher level of economic growth consistent with the growth of the labour force in the region".

The European Council of 12 December 2003 endorsed the conclusions reached on 25 November 2003 by the ECOFIN Council to reinforce the FEMIP within the Bank, leading to the creation of a 'reinforced FEMIP'. In particular, the ECOFIN Council decided to strengthen the FEMIP operations with a number of features and instruments in support of the private sector, including the establishment of a trust fund allowing resources to complement on a voluntary basis the Bank's own resources as well as the financial resources provided to the Bank by the European Community budget.

The Bank and a number of contributor countries entered into discussions to establish a trust fund ("FEMIP Trust Fund" or "Fund") dedicated to the Mediterranean Partner Countries, directing resources to operations in certain priority sectors which can be enhanced through the provision of technical assistance or made viable via a risk capital operation.

By a decision dated 14 October 2004, the Bank's Board of Directors approved the Rules relating to the establishment and administration of the FEMIP Trust Fund (the "Rules").

The article 8.01 of the Rules includes the possibility to wind-up the Fund once certain events occur and article 8.02 specifies the modalities of disposal of the remaining resources.

The FEMIP Trust Fund Assembly of Donors has approved these financial statements by tacit procedure on 10 March 2010.

The Board of Directors of the EIB adopted the financial statements, on 11 March 2010, and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

2. Significant accounting policies

2.1. Basis of preparation – Statement of compliance

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

2.2. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires EIB Management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed hereafter.

The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arms length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Fund calibrates the valuation techniques periodically and tests them for validity using

either price from observable current market transactions in the same instrument or from other available observable market data.

However regarding the investments done on entities that are less than two years old, any decline in value is not considered and the investment is kept at cost. Only foreign exchange rate impact is taken into consideration.

2.3. Changes in accounting policies

The applicable accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Fund applies revised IAS 1 “Presentation of Financial Statements”, which became effective as of 1 January 2009. The change only impacts the presentation aspects and has no impact on the financial performance or position of the Fund.

The amendments of IFRS 7 “Financial Instruments: Disclosures”, applicable from 1 January 2009, expand the disclosures required in respect of fair value measurement and liquidity risk.

The International Accounting Standards Board (IASB) published the following relevant Standards and Amendments in 2009 that were not yet endorsed by the European Union and consequently are not yet adopted by the Fund:

- IFRS 9 “Financial Instruments” (issued 12 November 2009);
- Revised IAS 24 “Related Party Disclosures” (issued 4 November 2009).

2.4. Summary of significant accounting policies

2.4.1. Foreign currency translation

The Fund uses the Euro (EUR) for presenting its financial statements, which is also its functional currency.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the statement of financial position’s date. The gain or loss arising from such translation is recorded in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of comprehensive income.

The elements of the statement of comprehensive income are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

2.4.2. Cash and cash equivalents

The Fund defines cash and cash equivalents as current accounts and short-term deposits with original maturities of three months or less. The current account is one account opened in the EIB books in the name of the Fund, called “FEMIP Trust Fund Account”.

2.4.3. Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

After initial measurement, financial investments are subsequently carried at fair value through profit or loss in accordance with IAS 39.

The fair value measurement of equity investments is as follows:

a. Venture capital funds

The fair value of each venture capital fund is based on the latest available Net Asset Value (NAV), reported by the fund, if calculated based on international valuation guidelines recognized to be in line with IFRS (e.g. the International Private Equity and Venture Capital Valuation guidelines (“IPEV Guidelines”), as published by the European Private Equity & Venture Capital Association (“EVCA”)). The Fund may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

Venture capital investments are classified into three categories:

- Category I – funds that have adopted the fair value requirements of IAS 39 or IPEV Guidelines for which a specific review is performed to ensure that the NAV is a reliable estimate of fair value.
- Category II – funds that have adopted other valuation guidelines (such as the former 2001 EVCA) or standards that can be considered as in line with IAS 39. A specific review is performed to ensure that the NAV is a reliable estimate of fair value.
- Category III – funds that have not adopted the fair value requirements of IAS 39 or any other valuation guidelines in line with IAS 39.

If no internationally recognised fair valuation standard is applied, the valuation is conducted on the basis of the underlying portfolio.

b. Direct equity investments

The fair value of the investment is based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the investment.

Unrealised gains or losses on venture capital funds and equity investments are recorded in the statement of comprehensive income.

2.4.4. Contributions

Contributions, net of banking charges, are recognised in the statement of financial position on the date

when payment of a contribution by a contributor is received.

2.4.5. Disbursements for operations

Disbursements related to operations financed by the Fund are recorded as expenditures in the statement of comprehensive income as projects financed over the year during which the services are received.

2.4.6. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

3. General administrative expenses

General administrative expenses are directly relating to the Fund and include an administrative and operation support and financial management fee payable to EIB (hereafter referred to as the management fee). This is a total fixed fee of 4% of the total amount of the net contributions made available to the Fund. Such fee shall be payable out of the amount of the net contributions at the time the contribution is actually paid. General administrative expenses are recognised in the statement of comprehensive income at the date of cash receipt.

4. Other expenses

Other expenses totaling KEUR 14 represent KEUR 7 travel fees and KEUR 7 audit cost for the audit of the Fund's Financial Statements (2008: KEUR 3 and KEUR 14 respectively).

5. Projects financed

In 2009 the following disbursements for technical assistance operations and other programmes totalling to EUR 2.334 million were made (2008: EUR 1.783 million):

Projects financed (EUR'000)	2009	2008
Technical Assistance		
Potential for biofuel production	69	104
Medinas	-	50
Review of economic and social impact of microfinance	-	71
Developing renewable energies	-	75
Phenicia Seed Fund	50	75
METAC	-	500
Analysis on tourism strategies	-	79
Review of trade finance services	-	48
Perimetre du Loukkos	-	348
Studies with the Blue Plan	300	180
Wastewater for irrigation in Med	80	120
Jordan Highway Master Plan Study	966	-
Creation of Logistic Platforms in Med	239	-
Union Tunisienne de Banques (UTB)	294	-
Study on Mediterranean Business Development Initiative (MDBI)	85	-
Establishment of a network of Business Angels in Tunisia	97	-
Total Technical Assistance	2 180	1 650
Other Projects		
FEMIP Internship Program	139	82
Regional Dissemination Window	15	51
Total Other Projects	154	133
Total projects financed	2 334	1 783

6. Contributions

As at 31 December 2009 all expected contributions from the European Commission and Member States (“the contributors”) were received by the Fund. The following table shows the detail of contributions received:

Contributor	Accumulated contributions received as at 31.12.2009 (EUR '000)	Accumulated contributions received as at 31.12.2008 (EUR '000)
Austria	1 000	1 000
Belgium	1 000	1 000
Cyprus	1 000	1 000
European Commission	1 000	1 000
Finland	1 000	1 000
France	4 000	4 000
Germany	2 000	2 000
Greece	2 000	2 000
Ireland	1 000	1 000
Italy	2 500	2 500
Luxembourg	1 000	1 000
Malta	1 000	1 000
Netherlands	2 000	2 000
Portugal	1 000	1 000
Spain	10 000	10 000
United Kingdom	3 016	3 016
Total	34 516	34 516

7. Liquidity Position

The table below provides an analysis of assets, liabilities and contributors’ resources into relevant maturity groupings based on the remaining period from the statement of financial position’s date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates. Therefore, in the case of liabilities the earliest possible repayment date is shown, while for assets it is the latest possible repayment date.

Those assets and liabilities that do not have a contractual maturity date are grouped together in the “Maturity undefined” category.

	Up to 3 months (in EUR '000)	1 to 10 years (in EUR '000)	Maturity undefined (in EUR '000)	Total (in EUR '000)
Assets				
Cash and cash equivalents	30 141	-	-	30 141
Financial assets at fair value through profit or loss	-	767	-	767
Total Assets	30 141	767	-	30 908
Liabilities				
Total Liabilities	- 14	-	-	- 14
Contributors’ resources				
Total Contributors’ resources	-	-	- 30 894	- 30 894
Total Liabilities and Contributors’ resources	- 14	-	- 30 894	- 30 908
Net liquidity position at 31 December 2009	30 127	767	- 30 894	-
Cumulative net liquidity position at 31 December 2009	30 127	30 894	-	-
Cumulative net liquidity position at 31 December 2008	32 694	32 694	-	-

8. Interest Rate Risk

The Fund is exposed to an interest rate risk through its cash and cash equivalents deposited with the Bank, and remunerated based on the Euro Overnight Index Average (EONIA).

9. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are entirely composed of venture capital investments. The following table shows the situation of those investments (in EUR '000):

	2009
Cost as at 1 January 2009	470
Disbursements	450
Cost as at 31 December 2009	920
Unrealised losses as at 1 January 2009	- 19
Decrease in Fair Value	- 134
Unrealised losses as at 31 December 2009	- 153
At the end of the financial year	767
	2008
Cost as at 1 January 2008	470
Cost as at 31 December 2008	470
Unrealised losses as at 1 January 2008	- 9
Decrease in Fair Value	- 10
Unrealised losses as at 31 December 2008	- 19
At the end of the financial year	451

The following table shows the fair value hierarchy of venture capital investments (in EUR '000):

	Category I	Category II	Category III	Total
	adoption of fair value requirements of IAS 39 or IPEV Guidelines	adoption of other valuation guidelines (such as the former 2001 EVCA) being considered as in line with IAS 39	funds that have not adopted the fair value requirements of IAS 39	
	2009	2009	2009	
Financial assets designated at fair value through profit or loss (Equity investments)	767	-	-	767
Total	767	-	-	767
	Category I	Category II	Category III	Total
	adoption of fair value requirements of IAS 39 or IPEV Guidelines	adoption of other valuation guidelines (such as the former 2001 EVCA) being considered as in line with IAS 39	funds that have not adopted the fair value requirements of IAS 39	
	2008	2008	2008	
Financial assets designated at fair value through profit or loss (Equity investments)	451	-	-	451
Total	451	-	-	451

As at 31 December 2008 the single venture capital investment was less than two year old. In line with the venture capital valuation guidelines the investment was valued at cost even if the venture capital fund adopted the fair value requirements and finally only foreign exchange differences were recognised in the statement of comprehensive income. In 2009 the investment period passed the two years threshold and finally the investment is carried at its net asset value.

10. Other liabilities

Other liabilities amounting to KEUR 14 are composed of external audit cost for the annual audit of the FEMIP Trust Fund's financial statements (2008: KEUR 14).

11. Contingent liabilities (in EUR'000)

Contingent liabilities of the Fund are entirely composed of approved but not yet disbursed operations. The Fund's contingent liabilities are as follows:

	2009	2008
Contingent liabilities		
Undisbursed commitment in respect of venture capital	1 080	1 530
Undisbursed commitment in respect of technical assistance	2 829	1 604
Total	3 909	3 134

12. Subsequent events

There have been no material post-balance sheet events, which would require disclosure or adjustment to the financial statements as at 31 December 2009.

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying financial statements of the FEMIP Trust Fund, which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, changes in contributors' resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

EUROPEAN INVESTMENT BANK Management's responsibility for the financial statements

The EUROPEAN INVESTMENT BANK's Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether

the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the EUROPEAN INVESTMENT BANK's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the FEMIP Trust Fund as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises

Emmanuel Dollé

Statement by the Audit Committee

The conditions with regard to the approval of Financial Statements of the FEMIP Trust Fund contained in the Rules Relating to the Establishment and Administration of the FEMIP Trust Fund state that the Financial Statements shall be subject to the presentation and approval laid down in the Statute of the Bank for its ordinary operations. On this basis, the Audit Committee issues this statement.

Statement by the Audit Committee on the FEMIP Trust Fund financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS)

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the financial statements of the FEMIP Trust Fund for the year ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,

- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the year ended 31 December 2009 as drawn up by the Board of Directors,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 & 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

- confirms that the activities of the FEMIP Trust Fund are conducted in a proper manner, in particular with regard to risk management and monitoring;
- has verified that the operations of the FEMIP Trust Fund have been conducted and its books kept in a proper manner and that to this end, it has verified that the FEMIP Trust Fund's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;
- confirms that the financial statements, comprising the statement of financial position, the statements of comprehensive income, changes in equity and cash flows and a summary of significant accounting policies and other explanatory notes give a true and fair view of the financial position of the FEMIP Trust Fund as of 31 December 2009 and of its financial performance for the year then ended, in accordance with IFRS.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



G. SMYTH



E. MATHAY



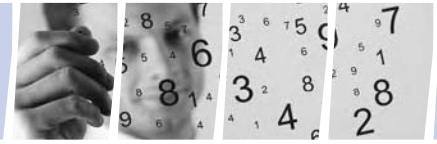
J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



EU-Africa Infrastructure Trust Fund (ITF)

Financial Statements

as at 31 December 2009

Statement of financial position

as at 31 December 2009 (in EUR '000)

	Notes	31.12.2009	31.12.2008
ASSETS			
Cash and cash equivalents	2.4.2	144 151	91 881
Other assets	3	5 132	2 898
Total Assets		149 283	94 779
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Other liabilities	4	7	7
Total Liabilities		7	7
CONTRIBUTORS' RESOURCES			
Contributions from European Commission and Member States	5	170 200	93 000
Retained earnings		- 20 924	1 772
Total Contributors' resources		149 276	94 772
Total Liabilities and Contributors' resources		149 283	94 779

Statement of comprehensive income

for the year ended 31 December 2009 (in EUR'000)

	Notes	2009	2008
Interest and similar income	6	562	2 941
Total income		562	2 941
Projects financed	7	- 22 396	- 1 082
General administrative expenses	8	- 855	- 580
Audit fees		- 7	- 14
Total expenses		- 23 258	- 1 676
Net loss / profit		- 22 696	1 265
Total comprehensive loss / income for the year		- 22 696	1 265

The accompanying notes form an integral part of these financial statements.

Statement of changes in contributors' resources

For the year ended 31 December 2009 (in EUR'000)

	Contributions	Retained earnings	Total
At 1 January 2008	42 500	507	43 007
Total comprehensive income for the year			
Profit for the year	-	1 265	1 265
Transactions recorded directly in contributors' resources			
Contributions from European Commission and Member States (Note 5)	50 500	-	50 500
At 31 December 2008	93 000	1 772	94 772
At 1 January 2009	93 000	1 772	94 772
Total comprehensive income for the year			
Loss for the year	-	- 22 696	- 22 696
Transactions recorded directly in contributors' resources			
Contributions from European Commission and Member States (Note 5)	77 200	-	77 200
At 31 December 2009	170 200	- 20 924	149 276

Statement of cash flows

For the year ended 31 December 2009 (in EUR'000)

	Year to 31.12.2009	Year to 31.12.2008
OPERATING ACTIVITIES		
Interest received	562	2 941
General administrative expenses	- 3 089	- 2 020
Projects financed	- 22 396	- 1 082
Audit fees	- 7	- 7
Net cash from operating activities	- 24 930	- 168
FINANCING ACTIVITIES		
Contributions from European Commission and Member States	77 200	50 500
Net cash from financing activities	77 200	50 500
Net increase in cash and cash equivalents	52 270	50 332
Cash and cash equivalents at beginning of year	91 881	41 549
Cash and cash equivalents at end of the year	144 151	91 881

The accompanying notes form an integral part of these financial statements.

EU-Africa Infrastructure Trust Fund

Notes to the financial statements

1. General information

Under the umbrella of the EU Strategy for Africa, the European Commission and nine EU Member States (“the Contributors”) as well as the European Investment Bank (“EIB”) as Manager of the EU-Africa Infrastructure Trust Fund (ITF) (“the Trust Fund” or “the ITF”), signed the Agreement constituting the Implementation Rules of the Trust Fund (“the Rules”). Since then, three further Member States have become Contributors of the Trust Fund. A first amendment to the Rules was approved by the Trust Fund’s Executive Committee on 29 June 2009.

The key objective of the ITF is to contribute to achieving the strategic objectives of the EU-Africa Infrastructure Partnership through blending of targeted long-term financing of eligible regional infrastructure projects in Sub-Saharan Africa with grant money from Contributor Member States.

The Trust Fund has a limited lifespan and can be wound-up once certain events occur. Article 11.2.1 (d) of the Rules includes the possibility to wind-up the Trust Fund on 31 December 2013 and article 11.3 specifies the modalities of disposal of the remaining resources.

The Board of Directors of the EIB adopted the financial statements, on 11 March 2010, and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

2. Significant accounting policies

2.1. Basis of preparation- Statement of compliance

The Trust Fund’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

2.2. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires EIB Management to exercise its judgment in the process of applying the Trust Fund’s accounting policies.

2.3. Changes in accounting policies

The applicable accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Trust Fund applies revised IAS 1 “Presentation of Financial Statements”, which became effective as of 1 January 2009. The change in accounting policy only impacts the presentation and has no impact on the financial performance or position of the Trust Fund.

The amendments of IFRS 7 “Financial Instruments: Disclosures”, applicable from 1 January 2009, expand the disclosures required in respect of fair value measurement and liquidity risk. As the Trust Fund’s single investment is a current account with EIB, this amendment has no impact on the financial statements of the Trust Fund as at 31 December 2009.

The International Accounting Standards Board (IASB) published the following relevant Standards and Amendments in 2009 that were not yet endorsed by the European Union and consequently are not yet adopted by the Trust Fund:

- IFRS 9 “Financial Instruments” (issued 12 November 2009);
- Revised IAS 24 “Related Party Disclosures” (issued 4 November 2009).

2.4. Summary of significant accounting policies

2.4.1. Foreign currency translation

The Trust Fund uses the Euro (EUR) for presenting its financial statements, which is also its functional currency.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the statement of financial position’s date. The gain or loss arising from such translation is recorded in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences

on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of comprehensive income.

The elements of the statement of comprehensive income are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

2.4.2. Cash and cash equivalents

The Trust Fund defines cash and cash equivalents as current accounts and short-term deposits with original maturities of three months or less. The current account is one account opened in the EIB books in the name of the Trust Fund, called “EU-Africa Infrastructure Trust Fund Account”.

2.4.3. Contributions

In addition to the Founding Donor (the European Commission), any Member State of the European Union or any Member State Development Finance Agency may contribute funds in Euro to the Trust Fund. Contributions, net of banking charges, are recognised in the statement of financial position on the date when payment of a contribution by a contributor is received.

2.4.4. Disbursements for operations

Disbursements related to operations financed by the Trust Fund are recorded as expenditures in the statement of comprehensive income as “Projects Financed” at the date they are paid out by the Trust Fund.

2.4.5. General administrative expenses

For managing the Trust Fund the EIB is granted a one-off payment equal to 4% (four percent) to be deducted from each contribution effectively made available to the Trust Fund. The administrative fee is intended to cover in full the costs associated with managing the Trust Fund. General administrative expenses are recognised in the statement of comprehensive income on a pro-rata basis over the remaining lifespan of the Trust Fund.

2.4.6. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

3. Other assets

Other assets represent administrative fees paid in advance to the EIB as laid down in Note 8.

4. Other liabilities

Other liabilities represent external audit fees payable for the audit of the Trust Fund's financial statements as at 31 December 2009. Comparatives represent external audit fees payable for the audit of the Trust Fund's financial statements as at 31 December 2008.

5. Contributions to the Trust Fund

Contributions received from the European Commission and Member States as at 31 December 2009 and 2008 are detailed below:

European Commission/ Member States	2009 (EUR '000)	2008 (EUR '000)
Austria	1 000	1 000
Belgium	1 000	-
European Commission	108 700	60 000
Finland	5 000	-
France	5 000	5 000
Germany	1 000	1 000
Greece	1 000	1 000
Italy	5 000	5 000
Luxembourg	2 000	2 000
Netherlands	2 000	2 000
Portugal	1 000	1 000
Spain	10 000	10 000
United Kingdom	27 500	5 000
Total	170 200	93 000

6. Interest and similar income

According to the Agreement, the EIB remunerates the cash on the current account based on the Euro Overnight Index Average (EONIA).

During the financial year 2009, the interest income received in remuneration of the current account opened in the EIB books amounts to EUR 561 627 (2008: EUR 2 941 156).

7. Projects financed

In 2009 and 2008 the following disbursements for projects were made:

Projects financed (EUR' 000)	2009	2008
Technical Assistance		
Ethiopia-Kenya Interconnector	92	245
CLSG - West-Africa Power Interconnector	287	777
Ruzizi Hydropower	1 676	-
Total Technical Assistance	2 055	1 022
Interest Rate Subsidies		
Caprivi Link Interconnector	15 000	-
Beira Corridor	4 402	-
Total Interest Rate Subsidies	19 402	-
Direct Grants		
EASSy Cable	939	60
Total Direct Grants	939	60
Total projects financed	22 396	1 082

8. General administrative expenses

The management fee paid to the EIB amounts to EUR 3 088 000 and EUR 2 020 000 for the financial year 2009 and the financial year 2008 respectively. As at 31 December 2009 KEUR 855 (2008: KEUR 580) are recognised in the statement of comprehensive income and KEUR 5 132 (2008: KEUR 2 898) are capitalized in other assets in the statement of financial position as administrative fees paid in advance.

9. Contingent liabilities

Contingent liabilities of the Trust Fund are entirely composed of approved but not yet disbursed grant operations. As at the balance sheet date they are totalling to EUR 72.9 million (2008: EUR 62.2 million), of which EUR 52.8 million (2008: EUR 53.3 million) are within the scope of interest rate subsidies, EUR 16.8 million (2008: EUR 6.4 million) within the scope of technical assistance and EUR 3.3 million (2008: EUR 2.5 million) within the scope of direct support of projects in the investment phase. The Trust Fund Agreement (Article 6.1.2) foresees that disbursement of grant operations to the Project Leader should normally commence within 18 months of formal approval of each grant operation.

10. Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2009 financial statements.

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying financial statements of the EU-AFRICA Infrastructure Trust Fund, which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, changes in contributors' resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

EUROPEAN INVESTMENT BANK Management's responsibility for the financial statements

The EUROPEAN INVESTMENT BANK's Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether

the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the EUROPEAN INVESTMENT BANK's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the EU-AFRICA Infrastructure Trust Fund as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises



Emmanuel Dollé

Statement by the Audit Committee

The conditions with regard to the approval of Financial Statements of the EU-Africa Infrastructure Trust Fund contained in the Agreement Constituting the Implementation Rules of the Trust Fund state that the Financial Statements shall be submitted to the EIB governing bodies according to the provisions laid down in respect of its own financial statements in the Statute. On this basis, the Audit Committee issues this statement.

Statement by the Audit Committee on the EU-Africa Infrastructure Trust Fund financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS)

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the financial statements of the EU-Africa Infrastructure Trust Fund for the period ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the period ended 31 December 2009 as drawn up by the Board of Directors at its meeting on 11 March 2010,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 and 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

- confirms that the activities of the EU-Africa Infrastructure Trust Fund are conducted in a proper manner, in particular with regard to risk management and monitoring;
- has verified that the operations of the EU-Africa Infrastructure Trust Fund have been conducted and its books kept in a proper manner and that to this end, it has verified that the EU-Africa Infrastructure Trust Fund's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;
- confirms that the financial statements, comprising the statement of financial position, the statements of comprehensive income, changes in equity and cash flows, and a summary of significant accounting policies and other explanatory notes give a true and fair view of the financial position of the EU-Africa Infrastructure Trust Fund as at 31 December 2009 and of its financial performance and its operations for the period then ended, in accordance with IFRS.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



G. SMYTH



E. MATHAY



J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



Neighbourhood Investment Facility (NIF) Trust Fund

Financial Statements

as at 31 December 2009

Statement of financial position

as at 31 December 2009 (in EUR '000)

	Notes	31.12.2009
ASSETS		
Cash and cash equivalents	7	42 742
Other assets	8	1 423
Total assets		44 165
LIABILITIES AND CONTRIBUTORS' RESOURCES		
LIABILITIES		
Other liabilities	9	15
Total Liabilities		15
CONTRIBUTORS' RESOURCES		
Contributions	10	44 471
Retained earnings		- 321
Total Contributors' resources		44 150
Total Liabilities and Contributors' resources		44 165

Statement of comprehensive income

for the period from 5 November 2008 to 31 December 2009 (in EUR'000)

	Notes	From 5.11.2008 to 31.12.2009
Interest and similar income	3	154
Total income		154
Projects financed	4	- 5
General administrative expenses	5	- 455
Other expenses	6	- 15
Total expenses		- 475
Net loss		- 321
Total comprehensive loss for the period		- 321

The accompanying notes form an integral part of these financial statements.

Statement of changes in contributors' resources

For the period from 5 November 2008 to 31 December 2009 (In EUR'000)

	Contributions	Retained earnings	Total
At 5 November 2008	-	-	-
Total comprehensive income for the period			
Loss for the period	-	- 321	- 321
Transactions recorded directly in contributors' resources			
Contributions from contributors during the period	44 471	-	44 471
At 31 December 2009	44 471	- 321	44 150

Statement of cash flows

For the period from 5 November 2008 to 31 December 2009 (In EUR'000)

	From 5.11.2008 to 31.12.2009
OPERATING ACTIVITIES	
Interest received	154
General administrative expenses	- 1 878
Projects financed	- 5
Net cash from operating activities	- 1 729
FINANCING ACTIVITIES	
Contributions by contributors	44 471
Net cash from financing activities	44 471
Net increase in cash and cash equivalents	42 742
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	42 742

The accompanying notes form an integral part of these financial statements.

Neighbourhood Investment Facility (NIF) Trust Fund

Notes to the financial statements

1. General information

On 4 December 2006 and on 5 December 2007, the European Commission ("EC") adopted respectively the communication on "Strengthening the European Neighbourhood Policy" and the communication on "A strong Neighbourhood Policy", which proposed to establish a Neighbourhood Investment Facility ("NIF") to support mainly infrastructure expenditures in the Neighbouring and Partner Countries. The NIF intends to match loans from the European public Finance Institutions with Community grants and direct contributions from the Member States in order to generate a substantial leverage effect.

The *NIF Trust Fund agreement constituting the implementation rules of the Trust Fund* ("the Agreement") signed on 5 November 2008 by the EC, Member States and the European Investment Bank as Trust Fund manager establishes the NEIGHBOURHOOD INVESTMENT FACILITY (NIF) TRUST FUND ("the NIF Trust Fund" or "the Fund") which allows Member States and other Contributors to pool their contributions in the NIF.

In accordance with the Agreement the key objective of the Fund is to contribute to achieving the strategic objectives of the European Neighbourhood Partnership Instrument (ENPI) through targeted funding aimed at strengthening infrastructure between the European Union and its neighbours in the areas of Transport and Energy. The Fund provides financial support by way of grant operations to eligible infrastructure projects alongside long-term loan finance made available by Eligible Finance Institutions.

The Eligible Finance Institutions, initially the European Investment Bank ("EIB"), the European Bank for Reconstruction and Development ("EBRD"), the Council of Europe Development Bank ("CEB"), the Nordic Investment Bank ("NIB"), the Agence Française de Développement ("AFD") and the Kreditanstalt für Wiederaufbau ("KfW"), plus those that subsequently joined, undertake to actively seek and develop a pipeline of eligible projects in order to facilitate a timely commitment of funds.

The Trust Fund has a limited lifespan and can be wound-up once certain events occur. Article 11.2.1 (d) of the Agreement includes the possibility to wind-up the NIF Trust Fund on 31 December 2013 and article 11.3 specifies the modalities of disposal of the remaining resources.

The present financial statements are the first financial statements of the Fund and cover the period from the

inception of the Trust Fund on 5 November 2008 to 31 December 2009.

The NIF Trust Fund Executive Committee met four times over the reporting period (5 November 2008, 21 April 2009, 18 September 2009 and 17 November 2009) during the NIF Board's operational meetings to sign the NIF Trust Fund Agreement and to decide on the allocation of funds for individual Grant Operations.

The NIF Trust Fund Executive Committee has approved these financial statements by tacit procedure on 10 March 2010.

The Board of Directors of the EIB adopted the financial statements, on 11 March 2010, and authorised their submission to the Board of Governors for approval at their meeting on 8 June 2010.

2. Significant accounting policies

2.1. Basis of preparation – Statement of compliance

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

2.2. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires EIB Management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed hereafter.

The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of liquidity and model inputs such as correlation and volatility.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arms length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Fund calibrates the valuation techniques periodically and tests them for validity using either price from observable current market transactions in the same instrument or from other available observable market data.

However regarding the investments done on entities that are less than two years old, any decline in value is not considered and investment is kept at cost. Only foreign exchange rate impact is taken into consideration.

2.3. Changes in accounting policies

The International Accounting Standards Board (IASB) published the following relevant Standards and Amendments in 2009 that were not yet endorsed by the European Union and consequently are not yet adopted by the Fund:

- IFRS 9 “Financial Instruments” (issued 12 November 2009)
- Revised IAS 24 “Related Party Disclosures” (issued 4 November 2009)

2.4. Summary of significant accounting policies

2.4.1. Foreign currency translation

The Fund uses the Euro (EUR) for presenting its financial statements, which is also its functional currency.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the statement of financial position's date. The gain or loss arising from such translation is recorded in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the

exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of comprehensive income.

The elements of the statement of comprehensive income are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

2.4.2. Cash and cash equivalents

The Fund defines cash and cash equivalents as current accounts and short-term deposits with original maturities of three month or less. The Fund has three current accounts opened in the EIB books called “NIF Trust Fund – Eastern region”, “NIF Trust Fund – Southern region” and “NIF Trust Fund – un earmarked funding”. In addition, each eligible Finance Institution will open a current account in the name of the Trust Fund for grant operations managed by the eligible Finance Institution. At the balance sheet date, there are two current accounts opened at eligible Finance Institutions, one account at KfW and one account at EBRD.

2.4.3. Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

After initial measurement, financial investments are subsequently carried at fair value through profit or loss in accordance with IAS 39.

The fair value measurement of equity investments is as follows:

a. Venture capital funds

The fair value of each venture capital fund is based on the latest available Net Asset Value (NAV), reported by the fund, if calculated based on international valuation guidelines recognized to be in line with IFRS (e.g. the International Private Equity and Venture Capital Valuation guidelines (“IPEV Guidelines”), as published by the European Private Equity & Venture Capital Association (“EVCA”). The Fund may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

Venture capital investments are classified into three categories:

- Category I – funds that have adopted the fair value requirements of IAS 39 or IPEV Guidelines for which a specific review is performed to ensure that the NAV is a reliable estimate of fair value.

- Category II – funds that have adopted other valuation guidelines (such as the former 2001 EVCA) or standards that can be considered as in line with IAS 39. A specific review is performed to ensure that the NAV is a reliable estimate of fair value.
- Category III – funds that have not adopted the fair value requirements of IAS 39 or any other valuation guidelines in line with IAS 39.

If no internationally recognised fair valuation standard is applied, the valuation is conducted on the basis of the underlying portfolio.

b. Direct equity investments

The fair value of the investment is based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the participation.

Unrealised gains or losses on equity investments and venture capital funds are recorded in the statement of comprehensive income.

2.4.4. Contributions

Contributions, net of banking charges, are recognised in the statement of financial position on the date when payment of a contribution by a contributor is received.

2.4.5. Disbursements for projects financed

Disbursements related to grant operations financed by the NIF Trust Fund are recorded in the statement of comprehensive income as expenses for projects financed at the date they are paid out by the NIF Trust Fund.

2.4.6. General administrative expenses

General administrative expenses are composed of administrative fees to be paid to EIB as the Fund Manager and fees to be paid to eligible Finance Institutions.

According to article 8.4 of the Agreement, EIB shall receive a fixed fee equal to 4% (four percent) of each con-

tribution effectively made available to the Fund. This fee is intended to cover in full all cost incurred by EIB in relation with the Fund's activities and management. Administrative fees paid to EIB are recognised in the statement of comprehensive income on a pro-rata basis over the remaining lifespan of the Fund.

According to the NIF Trust Fund Executive Committee Written Procedure dated 2 December 2009, the Lead Finance Institution on each project shall be paid up front a flat remuneration to recover the costs incurred when implementing NIF Trust Fund projects:

- 2% of the NIF Contribution from the EC Budget and/or the NIF Trust Fund to the Project for investment grants (but irrespective of the size of contribution, a minimum of EUR 200,000 flat up to an amount representing maximum 7% of the NIF Contribution and a maximum of EUR 750,000);
- 4% of the NIF Contribution from the EC Budget and/or the NIF Trust Fund to the Project for technical assistance and studies (but irrespective of the size of contribution, a minimum of EUR 150,000 flat up to an amount representing maximum 7% of the NIF Contribution and a maximum of EUR 300,000).

This remuneration will be applicable to all NIF Contributions from the EC Budget and NIF Trust Fund Contributions irrespective of the project funds being transferred directly to the Beneficiary or not. For the sake of coherence and equal treatment of all NIF projects, this remuneration shall also apply retroactively to all projects already approved by the NIF Board. Administrative fees to be paid to Finance Institutions are recognised in the statement of comprehensive income on a pro-rata basis over the remaining lifespan of the projects financed.

2.4.7. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

3. Interest and similar income

According to the Agreement, the EIB and the eligible Finance Institutions remunerate the cash on the current account opened in the name of the NIF Trust Fund based on the Euro Overnight Index Average (EONIA).

During the reporting period, interest income received as remuneration of the Fund's cash accounts is totalling to KEUR 154.

4. Projects financed

During the reporting period an amount totalling EUR 5 000 was paid out of the EBRD account to finance the Technical Assistance project "Financial Sector Institution Building and Crisis Response (Targeted Crisis Response – Assistance with Portfolio Restructuring and Bad Debt Workout for Ukraine's Kreditprombank)". This project is financed with funds coming from the NIF Trust Fund - Eastern Region account.

5. General administrative expenses

Total general administrative expenses paid by the NIF Trust Fund during the reporting period amount to KEUR 1 878, of which KEUR 1 778 were paid to EIB and EUR 100 000 were paid to KfW.

Out of the KEUR 1 778 administrative expenses paid to EIB, KEUR 455 are recognised in the statement of comprehensive income and KEUR 1 323 are capitalised in other assets in the statement of financial position as administrative expenses paid in advance.

KEUR 100 administrative fees paid to KfW are entirely capitalised in other assets in the statement of financial

position as administrative expenses paid in advance, as those fees were only paid as at 31 December 2009.

6. Other expenses

Other expenses represent audit fees for the audit of the Fund's Financial Statements as at 31 December 2009 amounting to EUR 15 000.

7. Cash and cash equivalents

As at 31 December 2009 the distribution of cash and cash equivalents is as follows (amounts in EUR'000):

Cash and cash equivalents	31.12.2009
EIB account NIF Eastern region	4 075
EIB account NIF Southern region	11 552
EIB account NIF Unearmarked funding	18 120
KfW account	5 000
EBRD account	3 995
Total	42 742

8. Other assets

Other assets represent administrative fees paid in advance to EIB and KfW as laid down in Note 5.

9. Other liabilities

Other liabilities represent external audit cost for the audit of the Fund's financial statements as at 31 December 2009 amounting to EUR 15 000.

10. Contributions

Article 2.2.1 of the Agreement states that European Union Member States, the European Commission, the European Neighbourhood Policy countries and other countries (the latter subject to the unanimous agreement of Member States and the Commission), together “the Contributors”, may make voluntary contributions to the Fund. Contributors may choose to earmark their contributions to NIF Trust Fund Eastern Region, NIF Trust Fund Southern Region or NIF Trust Fund unearmarked funding.

The contributions received from a total of 15 Contributors as at 31 December 2009 are detailed below (in EUR'000):

Contributor	Contribution to Eastern region	Contribution to Southern region	Contribution to Unearmarked funding	Total contributions
Austria			1 000	1 000
Bulgaria	332			332
Czech Republic	2 000			2 000
Estonia	639			639
Finland	1 000			1 000
France		10 000		10 000
Germany			20 000	20 000
Greece		1 000		1 000
Italy		1 000		1 000
Luxembourg			600	600
Poland	3 000			3 000
Portugal			500	500
Romania	400			400
Spain			2 000	2 000
Sweden	1 000			1 000
Total	8 371	12 000	24 100	44 471

11. Contingent liabilities (in EUR'000)

Contingent liabilities of the Fund are entirely composed of approved but not yet disbursed grant operations. As at the balance sheet date the situation of contingent liabilities is as follows:

	31.12.2009
Contingent liabilities	
Undisbursed commitments in respect of risk capital operations managed by KfW	5 000
Undisbursed commitments in respect of technical assistance and investment grant operations managed by EBRD	16 730
Total	21 730

12. Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2009 financial statements.

Independent Auditor's Report

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying financial statements of the NEIGHBOURHOOD INVESTMENT FACILITY (NIF) TRUST FUND, which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, changes in contributors' resources and cash flows for the period from 5 November 2008 to 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

EUROPEAN INVESTMENT BANK Management's responsibility for the financial statements

The EUROPEAN INVESTMENT BANK's Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether

the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the EUROPEAN INVESTMENT BANK's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the NEIGHBOURHOOD INVESTMENT FACILITY (NIF) TRUST FUND as of 31 December 2009, and of its financial performance and its cash flows for the period from 5 November 2008 to 31 December 2009 in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 11 March 2010

KPMG Audit S.à r.l.

Réviseurs d'Entreprises



Emmanuel Dollé

Statement by the Audit Committee

The conditions with regard to the approval of Financial Statements of the NIF Trust Fund contained in the Rules Relating to the Establishment and Administration of the NIF Trust Fund state that the Financial Statements shall be subject to the presentation and approval laid down in the Statute of the Bank for its ordinary operations. On this basis, the Audit Committee issues this statement.

Statement by the Audit Committee on the Neighbourhood Investment Facility (NIF) Trust Fund financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS)

The Committee, instituted in pursuance of Article 12 of the Statute and Article 27 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of KPMG on the financial statements of the NIF Trust Fund for the year ended 31 December 2009 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the year ended 31 December 2009 as drawn up by the Board of Directors at its meeting on 11 March 2010,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 & 26 of the Rules of Procedure,

to the best of its knowledge and judgement:

- confirms that the activities of the NIF Trust Fund are conducted in a proper manner, in particular with regard to risk management and monitoring;
- has verified that the operations of the NIF Trust Fund have been conducted and its books kept in a proper manner and that to this end, it has verified that the NIF Trust Fund's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;
- confirms that the financial statements, comprising the statement of financial position, the statements of comprehensive income, changes in equity and cash flows, and a summary of significant accounting policies and other explanatory notes give a true and fair view of the financial position of the NIF Trust Fund as at 31 December 2009 and of its financial performance and its operations for the year then ended, in accordance with IFRS.

Luxembourg, 11 March 2010

The Audit Committee



O. KLAPPER



G. SMYTH



E. MATHAY



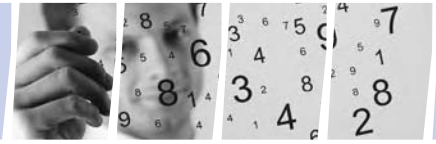
J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



EIF

Financial Statements

as at 31 December 2009

Independent Auditor's Report

To the Audit Board
of the EUROPEAN INVESTMENT FUND
96, boulevard Konrad Adenauer
L-2968 Luxembourg

Following our appointment by the Audit Board, we have audited the accompanying financial statements of the European Investment Fund, which comprise the statement of financial position as of 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud

or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the European Investment Fund as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

KPMG Audit S.à r.l.
Réviseur d'Entreprises

Luxembourg, 10 March 2010

Thierry RAVASIO

Statement by the Audit Board

The Audit Board, set up pursuant to article 22 of the Statutes of the European Investment Fund (EIF),

- acting in accordance with the customary standards of the audit profession,
- having designated KPMG S. à r.l. Réviseur d'Entreprises as external auditor of the EIF pursuant to Art. 19 of the Rules of Procedure,
- having studied the financial statements and such documents which it deemed necessary to examine in the discharge of its duties,
- having examined and discussed the report dated 10 March 2010 drawn up by KPMG S. à r.l. Réviseur d'Entreprises,
- noting that this report gives an unqualified opinion on the financial statements of EIF for the financial period ending 31 December 2009,
- having examined and discussed reports and opinions issued by the EIF's Internal Audit, Risk

Management and Compliance and Operational Risk functions,

- having received assurance from the Chief Executive in particular concerning the effectiveness of the internal control systems, risk management and internal administration,

considering Articles 17, 18 and 19 of the Rules of Procedure,

hereby confirms that to the best of its knowledge and judgement,

- the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure;
- the financial statements, comprising the balance sheet, income statements, cash flow statement, statement of changes in equity, and notes to the accounts of the European Investment Fund give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review.

Luxembourg, 10 March 2010

The Audit Board

Gabriela PANTRING

Ortwin KLAPPER

Bernard MAGENHANN

Statement of financial position

at 31 December 2009 (expressed in EUR)

	Notes	31.12.2009	31.12.2008
ASSETS			
Cash and cash equivalents	4.1	106 266 117	383 502 584
Investments:			
Debt securities and other fixed income securities	4.2	832 313 566	495 733 011
Shares and other variable income securities	4.3	165 027 737	158 714 823
		997 341 303	654 447 834
Non-current assets held for sale	4.4	7 139 812	7 139 812
Other assets	4.5	44 788 915	28 465 987
Intangible assets	4.6	2 183 144	1 869 793
Property and equipment	4.7	217 437	433 673
TOTAL ASSETS		1 157 936 728	1 075 859 683
LIABILITIES			
Financial liabilities	5.1		
Financial guarantees		26 723 389	21 594 769
Provisions for guarantees	5.2	64 630 966	8 983 874
Retirement benefit obligations	5.3	21 144 222	16 984 934
Other liabilities and provisions	5.4	16 703 747	14 223 570
TOTAL LIABILITIES		129 202 324	61 787 147
EQUITY			
Share capital	5.5		
Subscribed		2 940 000 000	2 865 000 000
Uncalled		(2 352 000 000)	(2 292 000 000)
		588 000 000	573 000 000
Share Premium	5.5	143 191 123	132 012 377
Statutory reserve	5.6	138 535 177	124 490 745
Retained earnings		153 457 561	146 435 341
Fair value reserve	5.7	12 924 049	3 022 993
Profit/(loss) for the financial year		(7 373 506)	35 111 080
TOTAL EQUITY		1 028 734 404	1 014 072 536
TOTAL EQUITY and LIABILITIES		1 157 936 728	1 075 859 683

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2009 (expressed in EUR)

	Notes	31.12.2009	31.12.2008
Net interest and similar income	7.1	28 617 478	38 494 827
Income from investments in shares and other variable income securities	4.3	932 384	4 598 262
Net result from guarantee operations	7.2	(20 341 639)	18 492 375
Commission income	7.3	26 844 238	23 405 855
Net loss on financial operations	7.4	(1 351 432)	(5 081 325)
Other operating income		34 687	24 675
General administrative expenses	5.3 & 7.5		
Staff costs:			
- wages and salaries		(25 636 186)	(19 241 179)
- social security and contribution costs		(3 890 535)	(3 237 576)
		(29 526 721)	(22 478 755)
Other administrative expenses		(6 832 821)	(7 546 298)
		(36 359 542)	(30 025 053)
Depreciation and amortisation	4.6 & 4.7	(552 813)	(894 486)
Impairment losses on available-for-sale investments	4.3	(5 196 867)	(13 904 050)
Profit/(loss) for the financial year		(7 373 506)	35 111 080
Other comprehensive income			
- Net change in fair value of available-for-sale financial assets		11 299 835	(23 330 192)
- Net change in fair value of available-for-sale financial assets transferred to profit/(loss)		(1 398 779)	3 983 655
		9 901 056	(19 346 537)
Total comprehensive income for the financial year		2 527 550	15 764 543

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2009 (expressed in EUR)

	Notes	31.12.2009	31.12.2008
Cash flows from operating activities			
Profit for the period		(7 373 506)	35 111 080
Adjustments for:			
Depreciation and amortisation	4.6, 4.7	552 813	894 486
Impairment loss on shares and other variable income securities	4.3	5 196 867	13 904 050
Impairment loss on debt securities and other fixed income securities	4.2	0	98 579
Interest income on debt securities and other fixed income securities	7.1	(23 885 776)	(22 554 525)
Change in financial guarantees		11 487 834	1 024 978
Net loss on sale of debt securities and other fixed income securities	7.4	1 328 508	2 611 743
Provision for financial guarantees	7.2	53 277 911	5 033 449
		40 584 651	36 123 840
Change in shares and other variable income securities	4.3	(17 297 162)	(23 700 053)
Change in other assets and liabilities		(10 178 372)	21 936 784
		(27 475 534)	(1 763 269)
Net cash used in operating activities		13 109 117	34 360 571
Cash flows from investing activities			
Acquisition of debt securities and other fixed income securities	4.2	(449 476 970)	(75 115 790)
Proceeds from sale of debt securities and other fixed income securities	4.2	128 167 142	98 552 727
Interest received on debt securities and other fixed income securities		19 242 953	23 821 225
Acquisition of intangible assets and property and equipment	4.6, 4.7	(649 928)	(1 241 762)
Net cash used in investing activities		(302 716 803)	46 016 400
Cash flows from financing activities			
Dividend paid		(14 044 432)	(20 160 030)
Capital increase		26 178 746	33 102 708
Cash flows from financing activities		12 134 314	12 942 678
Cash and cash equivalents at the beginning of the year	4.1	383 502 584	291 604 538
Effect of exchange rate fluctuations on cash and cash equivalents		236 905	(1 421 603)
Net cash from			
- Operating activities		13 109 117	34 360 571
- Investing activities		(302 716 803)	46 016 400
- Financing activities		12 134 314	12 942 678
Cash and cash equivalents at the end of the year	4.1	106 266 117	383 502 584

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2009 (expressed in EUR)

Attributable to equity holders of the Fund										
	Note	Subscribed Capital	Callable Capital	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Fair value Reserve	Profit/(loss) for the year	Total Equity
Balance as at 01.01.2008		2 770 000 000	(2 216 000 000)	554 000 000	117 909 669	104 329 810	136 353 969	22 369 530	50 402 337	985 365 315
Total comprehensive income										
Profit/(loss) for the financial year		0	0	0	0	0	0	0	35 111 080	35 111 080
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	(19 346 537)	0	(19 346 537)
Transactions with owners										
Appropriation of profit inc. dividend	5.6	0	0	0	0	20 160 935	10 081 372	0	(50 402 337)	(20 160 030)
Share issue	5.5	95 000 000	(76 000 000)	19 000 000	14 102 708	0	0	0	0	33 102 708
Balance as at 31.12.2008		2 865 000 000	(2 292 000 000)	573 000 000	132 012 377	124 490 745	146 435 341	3 022 993	35 111 080	1 014 072 536
Total comprehensive income										
Profit/(loss) for the financial year		0	0	0	0	0	0	0	(7 373 506)	(7 373 506)
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	9 901 056	0	9 901 056
Transactions with owners										
Appropriation of profit inc. dividend	5.6	0	0	0	0	14 044 432	7 022 220	0	(35 111 080)	(14 044 428)
Share issue	5.5	75 000 000	(60 000 000)	15 000 000	11 178 746	0	0	0	0	26 178 746
Balance as at 31.12.2009		2 940 000 000	(2 352 000 000)	588 000 000	143 191 123	138 535 177	153 457 561	12 924 049	(7 373 506)	1 028 734 404

The accompanying notes are an integral part of these financial statements.

European Investment Fund

Notes to the accounts

for the year ended 31 December 2009 (expressed in EUR)

1. General

The EUROPEAN INVESTMENT FUND (hereafter the "Fund" or "EIF") was incorporated on 14 June 1994, in Luxembourg, as an international financial institution. The address of its registered office is 96, boulevard Konrad Adenauer, L-2968 Luxembourg.

The primary task of the Fund, while providing adequate return on equity, is to contribute to the pursuit of European Community objectives through:

- the provision of guarantees to financial institutions that cover credits to small and medium sized entities ("SME");
- the acquisition, holding, management and disposal of equity participations;
- the administration of special resources entrusted by third parties, and
- associated activities.

The Fund operates as a partnership whose members are the European Investment Bank (hereafter the "EIB"), the European Union, represented by the Commission of the European Communities (the "Commission"), and a group of financial institutions of Member States of the European Union and of two candidate countries. The members of the Fund shall be liable for the obligations of the Fund only up to the amount of their share of the capital subscribed and not paid in.

The financial year of the Fund runs from 1 January to 31 December each year.

The EIB has a majority shareholding in the Fund. Consequently the Fund is included in the consolidated financial statements of the EIB Group. The consolidated financial statements are obtainable from the registered office of the EIB at 100, boulevard Konrad Adenauer, L-2950 Luxembourg.

The Fund's financial statements have been authorised for issue by the Board of Directors on 10 March 2010.

2. Significant accounting policies and basis of preparation

2.1. Basis of preparation

2.1.1. Statement of compliance

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards

(IFRS), as issued by the International Accounting Standards Board (IASB), as endorsed by the European Union.

2.1.2. Basis of measurement

The financial statements have been prepared on an historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- the defined benefit obligation is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

2.1.3. Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the Fund's policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in more detail in section 2.14. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

2.1.4. Changes in accounting policies and presentation

The accounting policies adopted are consistent with those used in the previous year with the exception of IAS 1 Presentation of financial statements and amendments to IFRS 7. The accounting policy only affects presentational aspects. Comparatives have been re-presented to conform to the new standard.

Compared to the previous year, changes have been made in the presentation and classification of the guarantees.

– Guarantee operations were previously classified as either "Financial guarantees" or "Derivatives". As of 31 December 2009 both categories have been merged and appear on the statement of financial position under the

single heading “Financial guarantees”. For comparative purposes the same presentation is applied as of 31 December 2008.

The change of presentation includes the derivative liabilities as of 31 December 2008 of EUR 2 604 242 under the heading Financial guarantees. There is no impact on the total statement of financial position or on the statement of comprehensive income for either 2008 or 2009.

2.1.5. Foreign currency translation

The Euro (EUR) is the functional and presentation currency.

Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the statement of comprehensive income or within equity.

Non-monetary items, which include “Property and equipment” denominated in a foreign currency, are reported using the exchange rate at the date of the transaction (historical cost). Exchange differences on non-monetary financial assets are a component of the change in their fair value. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Monetary items, which include all other assets and liabilities expressed in a currency other than EUR are reported using the closing foreign exchange rate prevailing at the reporting date of the financial statements, as issued by the European Central Bank. Exchange differences are recognised in the statement of comprehensive income in the year in which they arise.

Income and charges in foreign currencies are translated into EUR at the exchange rate prevailing at the date of the transaction.

2.2. Cash and cash equivalents

Cash and cash equivalents comprise short term, highly liquid securities and interest-earnings deposits with original maturities of three months or less.

2.3. Investments

2.3.1 Classification and Measurement

Classification

Except for investment in joint ventures (see 2.3.4), the Fund classifies its investments in the Available For Sale

category (hereafter “AFS”). The classification of the investments is determined at initial recognition.

Initial recognition and derecognition

Purchases and sales are initially recognised on trade date. They are initially recognised at fair value plus transaction costs. Fair value consideration is explained in the section below.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when EIF has substantially transferred all risks and rewards of ownership.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion thereof. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include securities lending.

Subsequent measurement

The financial assets are subsequently measured at fair value, and any changes in fair value are directly recognised in the fair value reserve in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Interest on AFS debt securities and other fixed-income securities is calculated using the effective interest method and is recognised in the statement of comprehensive income. Dividends on equity investments are recognised in the statement of comprehensive income when the Fund’s right to receive payment is established.

Differences from currency translation for non-monetary financial assets, such as equity instruments, are recognised in the fair value reserve in equity.

Impairment of financial assets

EIF assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity securities, a significant and/or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses

on equity instruments previously recognised in profit or loss are not reversed through profit or loss. In contrast, if in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

2.3.2. Shares and other variable income securities

Investments in private equity funds are included in "Shares and other variable income securities". They are acquired for a long term in the normal course of the Fund's activities.

a) Fair value considerations

Under the valuation technique, the fair value of private equity (PE) funds is achieved by applying the aggregated Net Asset Value (NAV) method. This valuation method implicitly assumes that if the NAVs of underlying funds can be considered as equivalent to the fair value as determined under IAS 39, then the aggregation of the NAVs of all funds will itself be equivalent to the fair value as determined under IAS 39. If IAS 39 rules have not been followed, other guidelines might be acceptable (for example the International Private Equity and Venture Capital valuation guidelines, IPEVC Guidelines, as published by the European Venture Capital Association "EVCA") and more detailed monitoring and review will be required.

In accordance with this method, the PE funds are classified into three categories:

The grading is defined as follows:

Expected performance grade

P-A	At the time of the grading the fund's rank falls into the first quartile of the peer group.
P-B	At the time of the grading the fund's rank falls into the second quartile of the peer group.
P-C	At the time of the grading the fund's rank falls into the third quartile of the peer group.
P-D	At the time of the grading the fund's rank falls into the fourth quartile of the peer group.

The peer group is defined as the group of funds that have the same risk profile as the graded fund.

Operational Status Grade

O-A	No adverse signals or information so far.
O-B	Presence of signals or information that – if no appropriate measures are quickly put in place – would be atypical for a first quartile fund. Absence of signals or information that would be inconsistent with an expected second quartile performance.
O-C	Presence of signals or information that – if no appropriate measures are quickly put in place – would be atypical for an above average fund. Absence of signals or information that would be inconsistent with an expected third quartile performance.
O-D	Events that if no appropriate measures are quickly put in place, will result in a sub-standard performance or even in a failure or collapse of the private equity fund.

- Category I – funds that have adopted the fair value requirements of IAS 39 or IPEVC Guidelines.
- Category II – funds that have adopted other valuation guidelines (such as the former 2001 EVCA) or standards that can be considered as in line with IAS 39.
- Category III – funds that have not adopted the fair value requirements of IAS 39 or any other valuation guidelines in line with IAS 39.

Although it is assumed for category I and II that the NAV is a reliable estimation of the fair value and specific review is performed, it must be stated that underlying investments have been estimated in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation and current market conditions, actual results in the future could differ from the fund manager's estimate of values and the difference may be material to the financial statements.

From a risk management perspective, EIF has in recent years developed a set of tools to design, manage and monitor PE fund portfolios. This set of tools is based on an internal process and model, the Grading-based Economic Model ("GEM"), which allows EIF to systematically and consistently assess and verify funds' operational quality, valuations and expected performances. This effort supported by the development of a proprietary IT system and integrated software (front to back) improves the investment decision process and the management of portfolio's financial and liquidity risks.

EIF's internal grading methodology allows determining the monitoring coverage and intensity to be determined, as well as the range for the expected performance.

b) Impairment considerations

Shares and other variable income securities are assessed for objective evidence of impairment. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. On each official reporting date, EIF analyses unrealised losses for impairment so as to determine whether they should be recognised as impairment losses in profit or loss or as changes in the fair value reserve.

The decline in value will be estimated as significant or prolonged when funds are graded P-D. In addition EIF defines quantitative thresholds for assessing what is significant and what is prolonged which allows the classification of the funds as follows:

- funds with no indication of impairment;
- funds with an indication of potential impairment which are reviewed for impairment by the Fund Risk committee;
- funds showing objective evidence of impairment

Investments belonging to category III are valued at cost less impairment. When an investment falls under this category, the amount of impairment is calculated based on a matrix of fixed impairment percentages in tranches of 25 % depending on the operational and performance grading of the respective funds.

The fair value attributable NAV is determined by applying either the Fund's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report or, where available, the precise share value at the same date, submitted by the respective Fund Manager. In order to bridge the interval between the last available NAV and the year-end reporting period, a subsequent event review procedure is performed and if necessary the reported NAV is adjusted.

2.3.3. Debt securities and other fixed income securities

Financial assets included under the heading Investments in debt securities and other fixed income securities are all classified as available-for-sale and therefore measured at fair value. Gains or losses arising from changes in fair value are recognised in other comprehensive income.

Securities held by the Fund are all quoted on a recognised market. Consequently, the fair value of financial instruments is based on bid prices at the statement of financial position date.

Premiums paid over the maturity value, discounts received in comparison to the maturity value of securities

and interests on securities are calculated using the effective interest method and are recognised in profit or loss.

2.3.4. Interests in Joint Ventures and associates

EIF complies with conditions to use the private equity and similar entities exemption in IAS 28 and IAS 31 and does not use equity accounting on, or proportionately consolidate, investments in joint ventures. Upon initial recognition, holdings in joint ventures or associates are designated as at fair value through profit and loss, and measured subsequently at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss during the period of the change.

Joint ventures are contractual agreements whereby EIF and other parties undertake an economic activity that is subject to joint control. Said joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control (the venturers).

The participations acquired by EIF for its own account or on behalf of its mandate providers typically represent investments in private equity or venture capital funds. According to industry practice, such investments are generally investments jointly subscribed by a number of investors, none of whom is in a position to individually influence the daily operations and the investment activity of such fund. As a consequence, any membership by an investor in a governing body of such fund does not in principle entitle such investor to influence the day-to-day operations of the fund. In addition, individual investors in a private equity or a venture capital fund do not determine policies of a fund such as distribution policies on dividends or other distributions. Such decisions are typically taken by the management of a fund on the basis of the shareholders agreement governing the rights and obligations of the management and all shareholders of the fund. The shareholders' agreement also generally prevents individual investors from bilaterally executing material transactions with the fund, interchanging managerial personnel or obtaining privileged access to essential technical information.

EIF's investments, made for its own account or on behalf of its mandate providers, are executed in line with the above stated industry practice, ensuring that EIF neither controls nor exercises any form of significant influence within the meaning of IAS 27 and IAS 28 over any of these investments, including those investments in which EIF holds over 20 % of the voting rights either on its own account or on behalf of any of its mandates.

2.4. Guarantee operations

a) Initial recognition

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

b) Financial guarantee measurement

Financial guarantees are initially recognised at fair value plus transaction costs that are directly attributable to the issuance of the Financial guarantees. At initial recognition, the fair value of the obligation to pay corresponds to the Net Present Value (NPV) of expected premium inflows. EIF has developed a model to estimate the NPV. This calculation is performed at the starting date of each transaction.

Subsequent to initial recognition, Financial guarantees are measured at the higher of:

- the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

EIF's amortisation of the amount initially recognised is in line with the risk profile of the transactions, namely a slow linear amortisation over the first two-thirds of the Weighted Average Life (WAL) of the transaction, followed by a quicker linear amortisation down to zero at expected maturity date.

The best estimate of expenditure is determined in accordance with IAS 37. Guarantee provisions correspond to the cost of settling the obligation, the expected loss, which is estimated on the basis of all relevant factors and information existing at the statement of financial position date.

Any increase or decrease in the liability relating to Financial guarantees is recognised in profit or loss under "Net result from guarantee operations".

2.5. Other assets

Other assets include the funds designated to cover the pension liability and accrued commission income classified as loans and receivables.

2.6. Non-current assets held for sale, intangible assets, property and equipment

2.6.1. Non-current assets held for sale

Non-current assets classified as held for sale include assets reclassified from Property and equipment whose sale is highly probable and where the asset is available for immediate sale in its current condition. They are classified as held for sale as their carrying amounts will be recovered through a sale transaction rather than through continuing use and are measured at the lower of carrying amount and fair value less costs to sell.

2.6.2. Intangible assets

Intangible assets are composed of internally generated software and purchased computer software, and are accounted for at cost net of accumulated amortisation and impairment losses.

Direct costs associated with the development of software are capitalised, provided that these costs are separately identifiable, the software provides a future benefit to the Fund and the cost can be reliably measured. Maintenance costs are recognised as expenses during the period in which they occur. However, costs to develop additional functionalities are recognised as separate intangible assets. Intangible assets are reviewed for indicators of impairment at the date of the statement of financial position.

Intangible assets are amortised using the straight-line method over the following estimated useful lives:

Internally developed software:	3 years
Software:	2 to 5 years

2.6.3. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Property and equipment are reviewed for indications of impairment at the date of the statement of financial position.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Fixtures and Fittings:	3 to 10 years
Office Equipment:	3 to 5 years
Computer Equipment and Vehicles:	3 years

2.6.4. Impairment of non-financial assets

EIF assesses at each reporting date the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If the carrying amount exceeds the estimated recoverable amount, impairment losses are recognised in profit or loss.

2.7. Employee benefits

2.7.1. Post employment benefits

Pension fund

EIF operates an unfunded pension plan of the defined benefit type as defined by IFRS, providing retirement benefits based on final salary. The cost of providing this benefit is calculated using the projected unit credit actuarial valuation method.

Actuarial gains and losses are amortised over the average remaining working life of the population through the profit and loss account.

The Fund's defined benefit scheme was initiated in March 2003 to replace the previous defined contribution scheme. The scheme is funded by contributions from staff and the Fund. These funds are transferred to the EIB for management with the Bank's own assets and appear on the Fund's statement of financial position as an asset under the heading "Other Assets".

The charge for the year, actuarial gains and losses, and the total defined benefit obligation are calculated annually by qualified external actuaries.

Health insurance scheme

The Fund has subscribed to a health insurance scheme with an insurance company for the benefit of staff at retirement age, financed by contributions from the Fund and its employees. The entitlement is of a defined benefit type and is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of this benefit are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Health insurance liabilities are determined based on actuarial calculations as per the same dates as the pension fund.

2.7.2. Short-term employee benefits

Employee entitlements to short-term benefits are recognised when they accrue to employees. A provision is made for the estimated liability for any outstanding

short-term benefit entitlement as a result of services rendered by employees up to the date of the statement of financial position.

2.7.3. Other long-term employee benefits

An accrual for other long-term employee benefit costs relating to the period is included in the Statement of comprehensive income under the heading "Staff Costs", resulting in a provision for the estimated liability at the date of the statement of financial position.

2.8. Other liabilities and provisions

Other liabilities are classified according to the substance of the contractual arrangements entered into. Trade payables are non-interest bearing liabilities and are stated at amortised cost.

Provisions are recognised when the Fund has a present obligation, legal or constructive, as a result of a past event, and it is probable that the Fund will be required to settle that obligation.

2.9. Net interest and similar income

Net interest income and similar income is recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.10. Income from investment in shares and other variable income securities

Income from investment in shares and other variable income securities includes dividends which are recognised in profit when EIF's right to receive payment is established.

2.11. Net result from guarantee operations

Net result from guarantee operations mainly includes:

- Guarantee commissions received.
- Interest income on the discounting of the expected premium inflows and any amortisation of the Financial guarantees.
- Changes in estimates of provisions for financial guarantees accounted for under IAS 37.

2.12. Commission income

This heading is mainly made up of fees and commissions on mandates and advisory activities and excludes guarantee commissions.

Fees and commissions are recognised on an accrual basis when the service has been provided. Portfolio and management advisory and service fees are recognised based on the applicable service contracts, usually on a pro-rata basis. Asset management fees related to investment funds are recognised over the period in which the service is provided.

2.13. Leases

The leases entered into by EIF as a lessee are operating leases under which all the risks and benefits of ownership are effectively retained by the lessor. Payments made under operating leases are charged to the statement of comprehensive income in other administrative expenses on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.14. Accounting estimates and judgments

The preparation of financial statements in compliance with IFRS requires the use of certain accounting estimates. The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors. Actual results may differ from those estimates and judgment decisions.

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments and estimates are applied for the determination of Financial guarantees as well as for equity instruments. Further details are included in the notes below.

Judgments and estimates are principally made in the following areas:

- Impairment of available-for-sale equity investments (see notes 2.3.1 and 4.3);

- Determination of fair values of equity investments (see notes 2.3.2 and 4.3);
- Determination of provisions and liabilities for Financial guarantees (see notes 2.4, 3.4, 5.1 and 5.2);
- Actuaries' assumptions related to the measurement of pension liabilities (see notes 2.7.1 and 5.3).

Estimates: Post-retirement benefits

The costs of the defined benefit plan and the post-retirement medical plan as well as the present value of post-retirement benefits are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.15. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Fund has adopted the following new and amended IFRS and IFRIC interpretation during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Fund. They did however give rise to additional disclosures.

IAS 1 (revised) – Presentation of Financial Statements

This revised standard requires the separate presentation of changes in equity arising from transactions with owners in their capacity as owners from non-owner changes in equity. The revised standard also requires separate disclosure of other comprehensive income. The Fund has chosen to present all items of income and expense recognised in the year in one statement called a statement of comprehensive income. Comparative information has been re-presented to comply with the revised standard.

IFRS 7 – Financial instruments: disclosures

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Fund has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.

The following IFRS and IFRIC interpretations were issued but are not yet effective. The Fund has chosen not to early adopt these standards and interpretations. When applicable to the Fund, the Fund plans to adopt them at the date of endorsement by the European Union and does not anticipate any significant impacts on its financial statements.

IFRS 9 – Financial instruments

This standard is the first step in a three-part project by the IASB to replace IAS 39 financial instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The standard is effective for financial years beginning on or after 1 January 2013, although it may be early adopted. The Fund is in the process of analysing the impact of this standard on their operations as well as the date at which they plan to adopt the standard. The date of the adoption of this standard by the Fund will also be dependent on the timing of the EU endorsement process.

Revised IAS 24 – Related party disclosures

This revised standard will modify requirements for entities under control, joint control or significant influence of a government (“government-related entities”) in respect of certain related party disclosures and will consequently require provision of certain information concerning individually or collectively significant transactions with the government or other government-related entities. This standard specifies retrospective application for annual periods on or after 1 January 2011, although it may be early adopted.

3. Financial risk management

3.1. Overview of EIF risk management

EIF aligns its risk management systems with changing economic conditions and evolving regulatory standards. It therefore adjusts them on an ongoing basis as best market practices develop. Credit, market and operational systems are in place to control and report on the main risks inherent to its operations.

An independent Risk Management and Monitoring (RMM) division reports directly to the Deputy Chief Executive. This segregation of duties and the “four-eyes” principle ensures an unbiased review of EIF’s business activities. Moreover, within the EIB Group context, RMM operates in close contact with the European Investment Bank’s Risk Management Directorate. RMM is divided into three teams: a Private Equity (PE) Risk Management team, a Portfolio Guarantees & Securitisation (GS) Risk Management team and a Monitoring & Administration (MA) team covering both business lines. RMM covers own resources, fully public mandates and non-fully public mandates. For more details please see note 6.

RMM’s functions include the collection of information (information gathering, checking, and input), the aggregation and analysis of information (assessment of financial risks, valuations, and cash flow projections), risk reporting, portfolio surveillance and advice. The main challenges and limitations to fulfilment of these

functions are the complexity of structure of transactions in relatively opaque markets, the absence of transparent market values, and the long-term nature of the business (up to 10 years and more).

In general, EIF aims to control its financial risks by creating a well-diversified portfolio within the constraints imposed by shareholders or mandates. Exposures and risk-taking are monitored against predetermined tolerances as determined by the Board of Directors, senior management or as set under mandates. The basis for an effective risk management process is the identification and analysis of existing and potential risks inherent in any product.

RMM covers EIF’s PE and GS activities, monitors risk regularly on individual transactions as well as at portfolio level, and assesses new and existing transactions. For this purpose, RMM:

- reviews the risk management methodologies, processes, and instruments used in EIF’s operations;
- issues independent opinions on all transaction proposals;
- independently reviews internal ratings (GS)/grades (PE) assigned to transactions;
- performs ongoing deal surveillance and monitoring;
- applies stress testing scenarios on both portfolios; and
- checks limits.

The Investment and Risk Committee (IRC) chaired by the Deputy Chief Executive is responsible inter alia for reviewing the relevant market risk events, reviewing the portfolio and transaction rating/grading movements, for deciding on the impaired transactions and, on an ad-hoc basis, for approving transactions prior to the Board.

3.2. The international financial crisis – impact on the Fund activities

Guarantees

Owing to its broad diversification, EIF’s own risk portfolio has been impacted by the systemic risks stemming from the deterioration of the European credit and economic environment in the past two years. Banks became more reluctant to lend and have tightened their lending criteria. This bank behaviour is having negative effects on SME access to finance and on the business cycle in general.

SME default rates have increased significantly in Europe during 2009 – also considering that previous default rate levels have been well below historical default rates.

The credit crisis leads to slower prepayment rates in transactions and hence slower repayments in the underlying pools – expected maturities might be longer.

Additional negative impacts are also expected with regard to recovery rates and as a result of the negative correlation between default and recovery rates. Furthermore, part of EIF's GS portfolio has been submitted to downgrades by the rating agencies due to revision of their rating criteria for Collateralised Loan Obligations (CLO) in SME portfolios.

EIF's guarantees are valued as "marked-to-model". The main impact on the valuation stems from the assigned rating and the possible subsequent rating changes.

EIF has increased its monitoring efforts to identify potential negative rating migrations in a timely manner. The improvement of monitoring is a continuous process that nonetheless addresses the current financial crisis.

EIF has strengthened its stress testing methodology, i.e. its scenario analysis with regard to portfolio rating movements and related impacts on capital allocation, expected losses, as well as on the statement of comprehensive income.

Private equity

EIF's own risk PE portfolio, has been impacted by the market risks stemming from the deterioration of the European economies and public markets.

EIF's PE investments are valued according to best market practice and applicable industry valuation guidelines.

EIF has been closely monitoring the valuations reported by PE fund managers, and also other specific risks linked to the financial crisis. EIF has also run more stringent stress test scenarios on its PE funds portfolios to assess the impact of a worsening and/or continuation of the financial crisis.

Treasury

EIF Treasury management has benefited from the same measures taken by the EIB to manage its portfolio during the financial crisis (EIF treasury management is outsourced to EIB under a treasury management agreement).

Since the beginning of the credit and liquidity crisis in early August 2007, specific risk mitigation, still in force today - has been put in place in line with that implemented for the EIB:

- Suspension of the riskiest investments (e.g. Asset-Backed Securities, Resident Mortgage-Backed Securities) and greater selectivity in the choice of investments,
- Monitoring of the performance of the markets,

- Reducing the maturity of investments and, in line with the investment guidelines, suspension of credit limits of counterparties impacted by rating downgrades.

In this context and in line with the asset management guidelines, disposal decisions were taken in relation to the downgrading of securities held in the portfolio, with certain losses incurred.

3.3. Private equity

3.3.1. Background

EIF is a fund of private equity funds, taking equity participations in funds. EIF's minority stakes in funds have catalysed commitments from a wide range of investors. EIF's PE operations are mainly focused on early-stage and seed capital. However, the portfolio is also expanding in well-established mid- and later-stage investments, which, generally speaking, have a lower risk profile.

Valuation review

Monitoring includes the valuation review of PE funds. This process is divided into several stages to achieve to what is known as Operational Adjustment:

- Collecting financial quarterly reports sent by the fund managers as basis for valuation.
- Assessing whether valuations are in line with best market practice and applicable industry valuation guidelines. Through its monitoring, EIF produces reports that capture events relevant for valuation, such as:
 - "Flash reviews" of regular financial reporting received from PE funds.
 - Monitoring visits.
 - Any significant information with potential valuation impact.
 - Subsequent event reviews.
- Classification of funds: depending on the outcome of the monitoring outlined above, funds are classified into three categories as described in note 2.3.2.
- As stated in note 3.1, the Investment Risk Committee decides the impaired investments.

In conclusion, EIF portfolio monitoring requires the judgment of experienced staff.

3.3.2. Portfolio overview

Assets held on behalf of related parties

At the end of 2009, total PE investments managed by the EIF on behalf of related parties amounted to

EUR 3 709.3m in terms of net commitments (i.e. commitments made to underlying funds minus capital repayment) (2008: EUR 3 370.5m), while cumulative commitments amounted to EUR 4 689.4m (2008: EUR 4 307.5m). The investments were made in 307 funds and helped mobilise total capital of over EUR 37 189.7m with other investors. The majority of EIF's PE activities are carried out on behalf of the EIB under the EUR 4 000m Risk Capital Mandate (RCM). In addition, in March 2009, the EIB signed a Mezzanine Facility for Growth mandate of EUR 1 000m focusing on hybrid debt/equity funds over the coming 3 years. Total net commitments using EIB resources totalled around EUR 2 861.1m with cumulative commitments of EUR 3 701.2m (2008: respectively EUR 2.671.1m & EUR 3 475.3m). EIF also manages PE investments on behalf of the EC under G&E, MAP, CIP and since recently TTP mandates. The portfolio managed by EIF on behalf of EC represents EUR 409m of net commitments with cumulative commitments of EUR 461m at the end of December 2009 (2008: respectively EUR 374m & EUR 421m).

EIF own resources

At the end of 2009, own-risk PE net commitments amounted to EUR 341m (2008: EUR 317m), while cumulative commitments amounted to EUR 430m (2008: EUR 411m). EIF maintains a balanced portfolio with a focus on technology-oriented early-stage and general mid- and later-stage funds. EIF does not directly acquire

participations in companies, but instead invests in selected PE funds, with private sector investors providing at least 50 % of the equity. All investments are made on a pari passu basis with other investors, granting them no specific rights (or obligations) to EIF. All of EIF's risk stemming from its own-risk PE operations is fully covered by shareholders' equity. As a sub-ceiling, PE commitments may not exceed 50 % of equity, excluding fair value reserve, equivalent to EUR 507 905 178 as of 31 December 2009. Of the EUR 430m of own-risk funds committed at that time, EUR 283m had been disbursed. PE investments are valued quarterly according to the market practice industry valuation guidelines. Using the methodology described in note 3.3.1, EIF records value adjustments on a line by line basis, either through the profit and loss accounts in case of impairment or through other comprehensive income which forms part of EIF's equity. Consequently, net disbursed own-risk funds (at cost) of EUR 195m (vs. EUR 178m at the end of 2008) are valued at EUR 165m in EIF's 2009 statement of financial position (vs. EUR 159m at the end of 2008).

3.3.3. Significance of financial instruments for financial position and performance

Activities

In terms of EIF's PE portfolio activities, 2009 shows an increase in signatures but a decrease in the figures for disbursements and reflows:

EIF yearly cash flow activity (EUR m)

	Signatures	Disbursements	Reflows	
			Capital repayments	Dividends
31.12.2009	31.1	23.5	6.2	0.9
31.12.2008	18.9	38.5	15.3	4.6

The proportion of funds considered as impaired has increased from 22 % to 24 % of the EIF portfolio (see table) based on committed funds.

PE assets not impaired vs. impaired (EUR m)

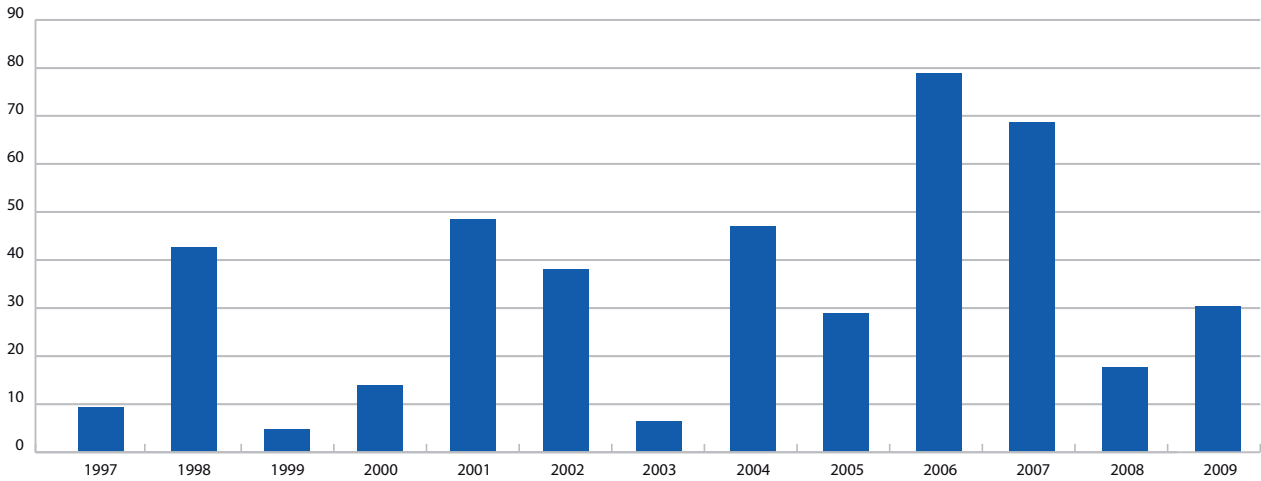
Funds	Signatures		+/-
	31.12. 2009	31.12. 2008	
Not impaired	328.8	319.2	+3 %
Impaired	101.3	91.6	+11 %
Impairment (%)	24 %	22 %	

Diversification

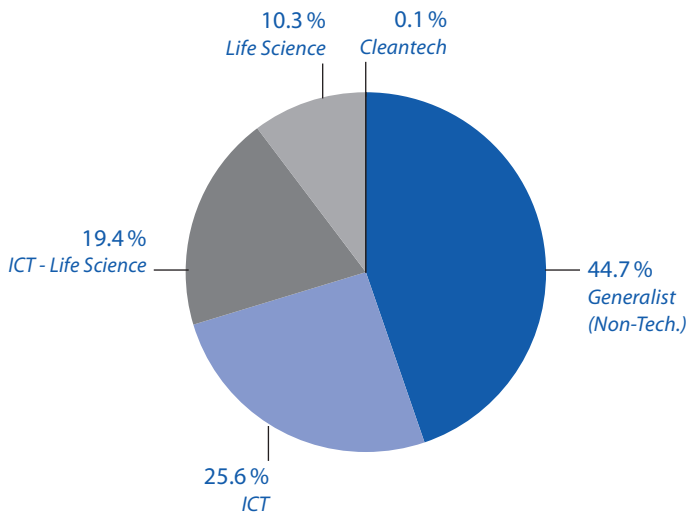
As of 31 December 2009, EIF has committed EUR 430 m in 175 private equity funds with the biggest exposure amounting to EUR 12.5 m (3 % of total signatures). These PE funds have invested in more than 1 600 underlying portfolio companies.

In terms of vintage year, sector and stage the portfolio is well balanced, as illustrated by the following breakdown by signature as of 31 December 2009 (historical information retranslated to current exchange rate):

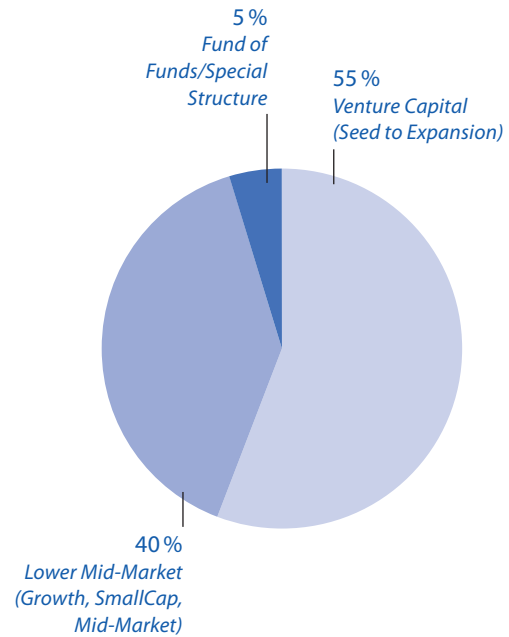
Vintage year (signatures) in EUR m



Breakdown by sector (signatures) in percentage



Breakdown by stage (signatures) in percentage



Finally, in terms of maturity, the EIF portfolio is still young. Its commitment weighted average age has increased from 5 years in 2008 to 5.8 years in 2009.

3.4. Portfolio Guarantees & Securitisation (“G&S”)

3.4.1. Background

EIF extends portfolio guarantees to financial intermediaries involved in SME financing, and by covering part of the risk faced by those institutions, it helps facilitate funding access, and in turn helps to finance SMEs.

For its G&S business, over recent years EIF staff have developed a set of tools to analyse portfolio guarantee and structured financial transactions in line with best market practices. Before EIF legally enters into a guarantee transaction, G&S, within the Transaction and Relationship Management department, assigns an internal rating to each new own risk guarantee transaction in accordance with the EIF Credit Risk Policy Guidelines. The rating is based on internal models, which analyse and summarise the transaction’s credit quality (expected loss concept), considering not only quantitative parameters but also qualitative aspects.

Capital allocation and pricing are functions of the expected loss, i.e. they are risk adjusted and consequently vary according to the assigned rating. Over recent years EIF’s conservative capital allocation rules have already incorporated Basel II principles. These rules have now been tailor-made in line with the Basel II framework.

The implementation of the Ratings Based Approach (RBA) for EIF’s G&S exposures has been carried out with the technical assistance of the “Commission de Surveillance du Secteur Financier” (CSSF) and in close cooperation with the EIB.

As the rating is based on a model, RMM – in the course of the independent opinion process and in line with the Model Review Procedure – conducts a model review for each new rating, as well as sample checks of updated ratings. The purpose of this procedure is to reduce the model risk and to establish guidelines applicable to the official EIF internal rating models. It specifies, inter alia, that each basic model has to be independently reviewed within EIF and that assumptions to adjust the basic model for individual transactions in the course of the rating process must be documented, and reviewed by RMM.

A transaction is eligible if the assigned rating is between Aaa-B1. It is EIF’s intention to maintain an average rating portfolio of minimum Baa3. Once EIF guarantees a particular tranche, the individual performance of said tranche is reviewed quarterly upon closing. For each of the rating input variables a trigger value is defined and the internal rating model is re-run when the transaction performance triggers those limits.

Transactions can be placed under review if there has been any external rating downgrade, any substantial change in the performance of the underlying portfolio

or any suspicious element which calls for additional scrutiny (e.g. negative news regarding the servicer or originator), even without any external or internal rating action. EIF also assigns in ‘watch listed’ any transaction with a rating below Ba2.

Watch Listed and Under Review transactions are closely scrutinised for a possible breach of EIF triggers, which activates an immediate re-run of the rating model.

Over the past few years, EIF has developed a set of early warning signals, which applied to each transaction, flag up the need to increase surveillance and possibly take preliminary action. The EIF early warning signals are basically triggers on the value of performance parameters of each transaction (e.g. actual average default rate, actual average recovery rate), which are compared to a given predetermined threshold level.

G&S transactions are monitored at least quarterly. The monitoring process includes:

- ongoing risk review of each existing G&S operation;
- checking compliance of contractual obligations by the relevant counterparty (e.g. timely reporting, compliance with eligibility criteria, verification of financial covenants, timely payment of fees due, etc.);
- assessing the expected evolution of each G&S operation in terms of its performance compared to ex-ante estimates set prior to signature of the operation;
- applying rating stress testing scenarios and assessing whether the level of capital allocation and general provisions made for each operation are adequate and proposing, as necessary, specific provisions for individual loss items;
- Potential downgrades are monitored by a deal surveillance and portfolio management team which proposes actions to the Investment and Risk Committee.
- Work Out Committee (WOC), consisting of staff from the G&S Division, RMM and the Legal Service and appointed by the IRC, may be set up in order to propose and negotiate solutions to minimise the losses for underperforming deals.
- analysis of the Guarantee Portfolio as a whole (Portfolio Review);
- on-site monitoring visits;
- valuation of G&S in line with IFRS.

3.4.2. Portfolio overview

Of the EUR 13 594m GS exposure at risk at the end of December 2009, EUR 2 893m is for “own risk” activities and the remaining EUR 10 701m (79 %) relates to “trust” activities on behalf of the EC. These trust activities include EUR 4 766m under MAP, EUR 2 401m under the SME Guarantee Facility (SME GF) and EUR 3 534m under CIP.

EIF's own-risk operations are based on three product types:

- Credit Enhancement Products accounted for 95.2 % of total own-risk outstanding guarantees (EUR 2 700m) at end 2009. Credit enhancement is EIF's core own-risk guarantee activity. Credit enhancement serves as an unconditional debt service guarantee (or as a credit default), covering a specific tranche of an SME loan portfolio, with a maximum weighted average term of 15 years. The guarantee is called in when a loss threshold has been reached in the relevant tranche.
- Credit Insurance Products accounted for 4.2 % of all own-risk outstanding guarantees (EUR 118.4 m) at end 2009. In these cases, the fund guarantees up to 50 % of a loan or loan portfolio extended to SMEs by a financial institution.
- Structured Investment Vehicles (SIVs) accounted for 0.6 % of own-risk outstanding guarantees (EUR 17.9 m)

at end 2009. In this instance, the EIF guarantees specific tranches (EUR 10 m – EUR 50 m) of SIVs. These funds are set up to make mezzanine or equity investments in SMEs that would not normally qualify for bank financing and therefore present a higher risk than typical special-purpose vehicles.

3.4.3. Portfolio quality and performance

As of 31 December 2009, the quality of the overall portfolio in relation to the number of transactions was at investment-grade level, meaning rating between Aaa and Baa3 (83 % against 90 % at end 2008), 62 % were confirmed by rating agencies and the remainder relied on EIF's internal rating). EIF has a limited exposure to SIVs, which represented the riskiest portion of the portfolio and carried an average internal rating of Ba2, while the higher rated subportfolio was credit insurance (Aa3) and credit enhancement with a Baa3.

As of 31 December 2009, 78 % of the transactions reviewed had a "neutral" outlook ("performance as expected"), 20 % of transactions had a negative outlook and 13 transactions were downgraded by EIF. The total exposure at risk (commitment less repayments) for EIF's own risk guarantees amounts to EUR 2 893m, breaking down as follows:

	Weighted Average Rating		Exposure at risk (commitment minus repayment); in m EUR		% of total	
	2009	2008	2009	2008	2009	2008
Credit Enhancement	Baa3	Baa2	2 740	3 658	94.7 %	95.3 %
Credit Insurance	Aa3	A1	132	160	4.6 %	4.2 %
SIV	Ba2	Ba1	17	17	0.6 %	0.4 %
Defaulted	D	D	4	3	0.1 %	0.1 %
Total			2 893	3 838	100.00 %	100.00 %

The decrease in the exposure at risk in 2009 is mainly due to terminated deals. No new contracts have been signed. During 2009, guarantees have been called on 6 deals for a total amount paid of EUR 0.8 m. The additional provisions on the portfolio (in particular arising from the downgrades) amounted to EUR 56.7m (see note 5.2.). The portfolio's overall weighted average life was stabilised at 5.4 years at end 2009, compared with 4.9 years at end 2008.

3.5. Treasury

3.5.1. Background

Treasury management has been outsourced to EIB under a treasury management agreement and is carried out according to EIF treasury guidelines.

EIF's operations are not cash based but rather use shareholders' equity, which is the basis for Private Equity investments and capital allocation for guarantees. Consequently, EIF does not borrow funds.

The treasury is managed in such a way as to protect the value of the paid-in capital, to ensure an adequate level of liquidity to meet possible guarantee calls, PE commitments and administrative expenditure and earn a reasonable return on assets invested with due regard to minimisation of risk (see also note 3.1 on special risk mitigation measure adopted in the context of the financial crisis).

3.5.2. Portfolio overview

The treasury portfolio is broken down into the following separate sub-portfolios:

- current accounts;
- term deposits;
- available for sale portfolio (made up of long-term debt instruments, floating rate and fixed rate instruments).

	31.12.2009 EUR	31.12.2008 EUR
Current accounts	33 311 981	30 543 163
Term deposits	72 954 136	352 959 421
Available for sale portfolio	832 313 566	495 733 011
Total Treasury portfolio	938 579 683	879 235 595

3.6. Nature and extent of risks arising from financial instruments

The following table provides information relating to the main assets and liabilities by categories of financial instruments:

31.12.2009	Loans and Receivable	Fair value through profit and loss	Available for sale	Financial guarantees	Total
Cash & cash equivalents	106 266 117	0	0	0	106 266 117
Investments:					
Debt securities and other fixed income securities	0	0	832 313 566	0	832 313 566
Shares and other variable income securities	0	2 759 064	162 268 673	0	165 027 737
Total Assets	106 266 117	2 759 064	994 582 239	0	1 103 607 420
Financial liabilities					
Financial guarantees	0	0	0	26 723 389	26 723 389
Total Liabilities	0	0	0	26 723 389	26 723 389
31.12.2008	Loans and Receivable	Fair value through profit and loss	Available for sale	Financial guarantees	Total
Cash & cash equivalents	383 502 584	0	0	0	383 502 584
Investments:					
Debt securities and other fixed income securities	0	0	495 733 011	0	495 733 011
Shares and other variable income securities	0	2 625 429	156 089 394	0	158 714 823
Total Assets	383 502 584	2 625 429	651 822 405	0	1 037 950 418
Financial liabilities					
Financial guarantees	0	0	0	21 594 769	21 594 769
Total Liabilities	0	0	0	21 594 769	21 594 769

3.6.1. Credit risk

Credit risk concerns mainly the EIF Guarantee activity and, to a lesser extent, treasury instruments such as fixed income securities and floating rate notes held in the AFS portfolio, commercial paper and deposits. The Fund uses appropriate instruments, policies, and processes to manage the credit risk.

The following table shows the maximum exposure to credit risk without taking into account any collateral:

Breakdown by class of statement of financial position (EUR)

	Maximum exposure 2009	Maximum exposure 2008
Cash and cash equivalents	106 266 117	383 502 584
Debt securities and other fixed income securities	832 313 566	495 733 011
Total credit risk exposure	938 579 683	879 235 595

3.6.1.A. Private Equity

For EIF's own risk PE portfolio, there is no credit exposure, as investments in PE funds represent equity investments and related financing structures and are always made through an equity participation. As a result, EIF is only exposed to market risk.

3.6.1.B. Portfolio Guarantees & securitisation

Credit risk arises mainly from EIF's Guarantees transactions funded by own resources.

This risk is managed by risk management policies covered by the statutory and Credit Risk Policy Guidelines.

The statutes of the Fund limit own-risk guarantees to 3.0 x subscribed capital, which amounted to EUR 2 940m at end 2009. Hence, the EUR 2 893m exposure at risk at end 2009 was well below the statutory limit of EUR 8 820m.

EIF Credit Risk Policy Guidelines ensure that EIF continues to develop a diversified guarantee portfolio in terms of product range, geographic coverage, counterparty exposure, obligor exposure, industry concentration and also set out the capital allocation rules based on the ratings of the exposures.

Concentration risk is limited because of the granular nature of EIF's transactions; typically the underlying portfolios are highly diversified in terms of single obligor concentration, sectors, and also with regard to regional diversification.

To cover concentration risk, EIF has strict limits (based on capital allocation) on individual transactions and originator level (maximum aggregate exposures for originators and originator groups).

As of 31 December 2009, EIF's overall own risk guarantee portfolio was spread over 18 countries. The largest nominal individual country net exposures were Italy, Belgium and UK, which jointly accounted for 42 % of total guarantee commitments.

Own funds guarantees: exposures at risk by country as of 31 December 2009

Country	Ccy	2009 EURm	2009 Share	2008
Belgium	EUR	313	10.8 %	12.2 %
Bulgaria	EUR	57	2.0 %	1.8 %
Denmark	DKK	159	5.5 %	4.2 %
Finland	EUR	14	0.5 %	0.4 %
France	EUR	48	1.7 %	1.4 %
Germany	EUR	144	4.9 %	3.9 %
Greece	EUR	61	2.1 %	1.6 %
Ireland	EUR	4	0.1 %	0.1 %
Italy	EUR	535	18.5 %	23.3 %
Netherlands	EUR	98	3.4 %	5.1 %
Non EU	EUR	14	0.5 %	0.5 %
Multicountries	EUR	495	17.1 %	15.6 %
Poland	PLN	55	1.9 %	2.3 %
Portugal	EUR	152	5.3 %	7.3 %
Serbia	EUR	50	1.7 %	1.3 %
Spain	EUR	191	6.6 %	5.5 %
Sweden	SEK	129	4.5 %	3.3 %
United Kingdom	GBP	374	12.9 %	10.2 %
TOTAL		2 893	100.0 %	100.0 %

In the context of EIF's own risk Guarantees operations, the credit risk is tracked from the outset on a deal-by-deal basis whilst adopting a different model analysis approach depending on the granularity and homogeneity of the underlying portfolios.

The industry sector exposures are analysed on a deal-by-deal basis through their impact on the ratings assigned by EIF to each transaction/tranche. For instance, depending on the financial model used to analyse the transaction, industry exposures can be reflected in implicit correlation or can be indirectly captured based on assumption of default rate volatility, as a key model input variable.

Furthermore, concentration exposures are analysed in the context of each deal using qualitative measures such as current status and forecast for sectors with high concentrations in the portfolio. Exceptionally, some deals have a concentrated exposure in the same (broad) sector. This is typically captured through increased credit enhancement (e.g. subordination) to the benefit of EIF. Typically, deals with replenishing features have portfolio criteria, such as maximum single obligor, maximum top 5 obligors, and maximum industry concentration levels.

All of these combined help to model industry concentration and portfolio correlation. Consideration of sector exposures also forms part of EIF's overall portfolio analysis.

Counterparty risk is mitigated by the quality of EIF counterparties which are usually major market players. EIF performs additional on-site monitoring visits to ensure compliance with procedures and processes during the transaction life. Stress-test scenarios for the portfolio of guarantees, including extreme case assumptions, are regularly carried out to determine the ability of the capital base to sustain adverse shocks.

3.6.1.C. Treasury

The Fund is exposed to residual credit risk relating to its liquid assets portfolio. However, the EIF adheres to conservative credit investment guidelines and internal limits. For each portfolio under the EIF's management, the eligibility criteria for counterparties are fixed according to their nature and credit quality (as measured by their external agency rating), while limits are fixed according to counterparties' own funds.

Any currency arbitrage not directly required to carry out EIF's operations is ruled out by the statutes.

The following table outlines the credit quality by investment grade of the Fund's debt securities as of 31 December 2009 and 2008, based on external ratings.

AFS - Debt securities and other fixed income securities	31.12.2009		31.12.2008	
	Amount in EUR	In percentage	Amount in EUR	In percentage
AAA	491 233 789	59.0 %	338 764 565	68.3 %
AA1	12 203 603	1.5 %	0	0.0 %
AA2	46 580 486	5.6 %	20 276 918	4.1 %
AA3	44 253 843	5.3 %	36 644 569	7.4 %
AA+	0	0.0 %	0	0.0 %
A1	132 305 845	15.9 %	49 490 021	10.0 %
A2	9 351 699	1.1 %	46 104 197	9.3 %
A3	0	0.0 %	0	0.0 %
BAA1	91 307 785	11.0 %	0	0.0 %
BAA2	0	0.0 %	4 452 741	0.9 %
BAA3	5 076 516	0.6 %	0	0.0 %
Total	832 313 566	100 %	495 733 011	100 %

3.6.2. Liquidity risk

The liquidity risk is closely related to the Fund's solvency and to the confidence that creditors have in the Fund to meet its commitments. The treasury is managed in such a way as to protect the value of the paid-in capital, ensure an adequate level of liquidity to meet possible guarantee calls, private equity commitments and administrative expenditure and earn a reasonable return on assets invested with due regard to minimisation of risk.

The table below shows the Fund's PE commitment and guarantee exposure at risk classified into relevant maturity groupings based on the remaining period to the expected maturity date. It is presented using the most prudent expectation of maturity dates. Guarantee exposure at risk is analysed with reference to its expected maturity date.

Maturity at 31.12.2009 (in EUR)	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Commitments to private equity	36 102 465	57 059 244	121 171 801	215 769 493	430 103 003
Guarantees' exposure at risk	344 675 863	220 048 010	1 996 988 127	331 464 248	2 893 176 248
Total commitment 2009	380 778 328	277 107 254	2 118 159 928	547 233 741	3 323 279 251
Maturity at 31.12.2008 (in EUR)	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Commitments to private equity	34 172 142	23 810 943	134 962 799	217 917 078	410 862 962
Guarantees' exposure at risk	609 261 744	379 737 730	1 955 768 091	894 048 248	3 838 815 813
Total commitment 2008	643 433 886	403 548 673	2 090 730 890	1 111 965 326	4 249 678 775

3.6.2.A. Private equity

The PE market is not liquid by nature as the vehicles are closed-end funds typically with a 10-year lifetime. After the first closing, it is difficult for an investor to offload its position unless it can find a buyer through the secondary market.

The total commitments to PE funds are limited to 50 % of shareholders' equity. EIF's portfolio is diversified in terms of vintage years, which has a smoothing effect on its cash flows. (See EIF's own resource portfolio broken down by vintage year in section 3.3.3).

3.6.2.B. Portfolio guarantees & securitisation

The nature of EIF's capital structure and the capital charge limits defined in the EIF Credit Risk Policy Guidelines ensure a high degree of liquidity to cover unexpected losses arising from the guarantee activity.

During 2009 the capital charge for the guarantee portfolio increased significantly, driven by the deterioration of some underlying assets.

Liquidity risk: portfolio guarantees & securitisation (EURm)

	31.12.2009	31.12.2008
Gross Capital Charges	444	256
Guarantees Drawn	3 232	4 412
Guarantees Undrawn	56	110
Exposure at risk	2 893	3 839
Yearly guarantee calls	0.8	0.4

3.6.3. Market risk

3.6.3.1. Market risk-interest rate risk

More than half of the Fund's income and operating cash flows are unaffected by changes in market interest rates. The Fund's interest rate risk arises mainly from cash & cash equivalent positions as well as investments in debt securities.

3.6.3.1.A. Private equity

As private equity is an equity product, sensitivity to interest rate is not a consideration.

3.6.3.1.B. Portfolio Guarantees & securitisation

Transactions in which EIF acts as guarantor are typically in non-liquid markets and representative market prices are not available. EIF has therefore developed a mark-to-model approach to value these transactions, using external and internal ratings, information based on regular monitoring, and discounted cash flow analysis.

The value of guarantee transactions classified as financial guarantees ⁽¹⁾ is not directly subject to fluctuations on interest rates during the life of the transactions. The interest rate risk impact on underlying portfolios is indirectly assessed during the quarterly review of the transaction's performance. A change on transaction rating usually implies a revision of transaction expected loss, capital charge and transaction value.

3.6.3.1.C. Treasury

Approximately 80 % of liquid assets held have an average duration of up to 5 years, thereby safeguarding the Fund against the substantial fluctuations in its long-term revenues.

Moreover, speculative operations are not authorised. Investment decisions are based on the interest rates available in the market at the time of investment. Interest rate expectations are not taken into account.

⁽¹⁾ The EIF Guarantee transactions previously classified as derivatives were reclassified as Financial Guarantees at end 2009. The reclassification was motivated by the similarity of the transactions' economics.

The following table illustrates the Fund's exposure to interest rate risk (figures are presented at fair value) at the time they reprice or mature:

At 31.12.2009 (in EUR)	Fixed rate				Variable rate	Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
Cash and cash equivalents	106 266 117	0	0	0	0	106 266 117
AFS - Debt securities and other fixed income securities	13 605 484	205 843 498	401 592 792	145 115 976	66 155 816	832 313 566
Total	119 871 601	205 843 498	401 592 792	145 115 976	66 155 816	938 579 683
Percentage	12.8 %	21.9 %	42.8 %	15.5 %	7.0 %	100.0 %

At 31.12.2008 (in EUR)	Fixed rate				Variable rate	Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
Cash and cash equivalents	383 502 584	0	0	0	0	383 502 584
AFS - Debt securities and other fixed income securities	10 892 068	96 282 103	209 243 693	107 300 813	72 014 334	495 733 011
Total	394 394 652	96 282 103	209 243 693	107 300 813	72 014 334	879 235 595
Percentage	44.9 %	11.0 %	23.8 %	12.2 %	8.1 %	100.0 %

The average effective interest rate on term deposits in EUR is 0.5 % for 2009 (2008: 4.49 %). The average effective interest rate on the AFS securities portfolio in EUR is 3.12 % for 2009 (2008: 4.35 %).

Sensitivity of earnings

The sensitivity of earnings is an estimate of the change over the next 12 months in the earnings of the EIF treasury portfolio managed by the EIB if all interest rate curves rise by one percentage point or fall by one percentage point. The sensitivity measure is computed by taking into consideration the coupon repricings of all the positions present in the portfolio on a deal by deal basis. Each fixed rate asset is assumed to be reinvested at maturity in a new asset with the same residual life as the previous one as of 31 December 2009. Positions in floating rate assets are assumed to have quarterly repricings. For the positions in place as of 31 December 2008, the earnings of the EIF treasury portfolio would increase by EUR 3.4million if interest rates rose by 100 base points and decrease by the same amount if interest rates fell by 100 base points. For the positions in place as of 31 December 2009, the earnings of the EIF treasury portfolio would increase by EUR 2.04 million if interest rates rose by 100 base points and decrease by the same amount if interest rates fell by 100 base points.

Value at Risk

As of 31 December 2009, the Value at Risk of the EIF treasury portfolio was EUR 1.7 million (EUR 1.9 million in 2008). It was computed on the basis of the Riskmetrics VaR methodology, using a confidence level of 99 % and a 1 day time horizon. This means that the VaR figure represents the maximum loss over a one-day horizon such that the probability that the actual loss will be larger is 1 %. Given the nature of the EIF treasury positions, the choice of the RiskMetrics methodology is deemed appropriate to measure their exposure to interest rate risk.

3.6.3.2. Market risk: foreign currency risk

The following section provides information on the risk that fair values and future cash flows of financial assets will fluctuate due to changes in foreign exchange rates.

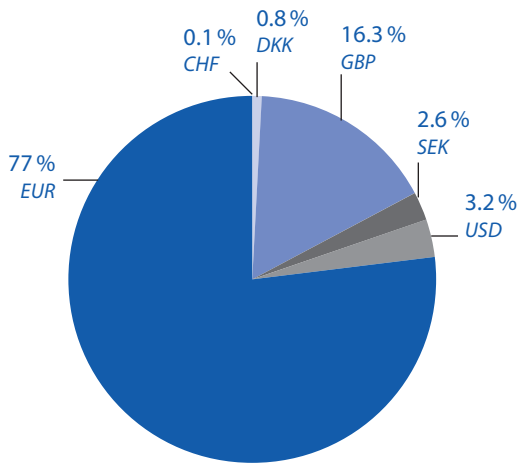
The Fund's objective is to reduce exchange risk by limiting its investment in non euro currency. The Fund's capital is denominated in EUR and the majority of its assets and liabilities are in that currency.

The table below shows the exchange positions (in EUR) of EIF's main assets and liabilities.

At 31.12.2009 (in EUR)	EUR	Pound Sterling	US Dollars	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	100 955 737	3 667 809	408 424	1 234 147	5 310 380	106 266 117
Investments						
Debt securities and other fixed income securities	832 313 566	0	0	0	0	832 313 566
Shares and other variable income securities	127 126 490	26 924 520	5 249 660	5 727 067	37 901 247	165 027 737
Total assets	1 060 395 793	30 592 329	5 658 084	6 961 214	43 211 627	1 103 607 420
Financial liabilities						
Financial guarantees	17 011 251	9 546 123	0	166 015	9 712 138	26 723 389
Total liabilities	17 011 251	9 546 123	0	166 015	9 712 138	26 723 389
Commitments to private equity	36 102 465	57 059 244	121 171 801	215 769 493	394 000 538	430 103 003
Guarantees	2 271 449 395	305 829 728	0	315 897 115	621 726 843	2 893 176 238
Total Off BS	2 307 551 860	362 888 972	121 171 801	531 666 608	1 015 727 381	3 323 279 241
At 31.12.2008 (in EUR)	EUR	Pound Sterling	US Dollars	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	379 729 500	2 640 867	547 475	584 742	3 773 084	383 502 584
Investments						
Debt securities and other fixed income securities	495 733 011	0	0	0	0	495 733 011
Shares and other variable income securities	125 888 187	22 047 946	5 674 338	5 104 352	32 826 636	158 714 823
Total assets	1 001 350 698	24 688 813	6 221 813	5 689 094	36 599 720	1 037 950 418
Financial liabilities						
Financial guarantees	19 630 155	1 856 576	0	108 038	1 964 614	21 594 769
Total liabilities	19 630 155	1 856 576	0	108 038	1 964 614	21 594 769
Commitments to private equity	314 185 778	70 741 172	12 433 714	13 502 298	96 677 184	410 862 962
Guarantees	3 187 942 884	301 532 627	0	349 340 302	650 872 929	3 838 815 813
Total Off BS	3 502 128 662	372 273 799	12 433 714	362 842 600	747 550 113	4 249 678 775

3.6.3.2.A. Private Equity

On the PE side, at 31 December 2009, currency exposure for the investments funds can be broken down as follows:



(as % of total fair value, EUR 165 m)

For 2009, changes in foreign exchange rates for shares and other variable income amount to EUR 2 358 344, of which EUR 1 320 601 has been posted to the fair value reserve.

The sensitivity analysis is performed for all currencies representing more than 5 % of the total exposure. As of year end, only Pound Sterling falls into this category and has been stress tested with an increase / decrease of 15 % vs. the Euro.

Foreign exchange rate risk at 31/12/2009

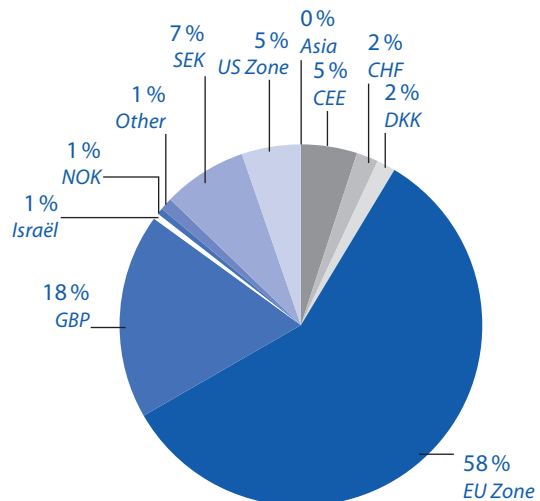
GBP +15 %		GBP -15 %	
Profit & loss account	Equity (Fair value reserve)	Profit & loss account	Equity (Fair value reserve)
EUR	EUR	EUR	EUR
(1 179 765)	(679 533)	803 196	571 068

Foreign exchange rate risk at 31/12/2008

GBP +15 %		GBP -15 %	
Profit & loss account	Equity (Fair value reserve)	Profit & loss account	Equity (Fair value reserve)
EUR	EUR	EUR	EUR
(496 478)	(857 233)	143 150	857 366

It should be noted however, that these impacts are measured at fund level (impact on the net asset values denominated in out currency). Accordingly, they do not take into account indirect potential effects on the underlying portfolio companies which could be in out-currencies. In practice most fund managers try to hedge any positions they hold in currency other than the fund's main currencies.

In addition, the underlying investments are also diversified and the indirect exposure of EIF broadly follows the exposure at fund level, as illustrated by the graph below:



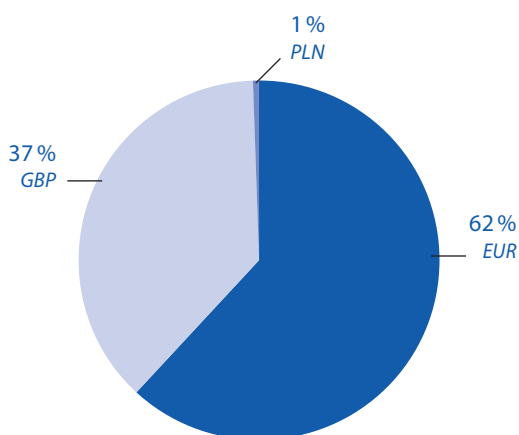
3.6.3.2.B. Portfolio Guarantees & securitisation

The Own Risk guarantees portfolio is mainly denominated in euros. As of end 2009, 80 % of exposure at risk

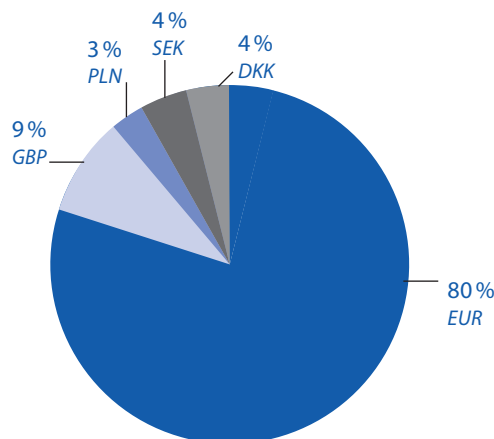
(62 % of carrying amount) was in euros. The GBP is the main foreign currency exposure and represented 9 % of exposure at risk (37 % of carrying amount).

Own Risk Portfolio breakdowns by currency and Assets Fair Value at 31 December 2009:

Breakdown of liabilities carrying amount



Exposure at risk breakdown



EIF monitors its non-euro exposure and performs regular stress tests with regard to currency risk and the impact on unexpected loss. Additional capital charges on non-euro exposures are assumed and the outcome is compared with the available margin. Analyses are carried out on the potential actions required in order to limit foreign exchange risk exposure. For Trust operations, the exchange risk is typically borne by the EIF counterparties. In some cases specific budget allocations can be made in order to mitigate the risk taken by the intermediary. EIF has no currency exposure in relation to related activities.

analysis. Market risk analysis requires an estimation of the correlation between the asset class assessed and the public market. This can be done based on the capital asset pricing model. This model uses the beta, i.e. a measure of risk relative to the market, which is estimated by regressing returns on an asset against a public market index.

3.6.3.2.C. Treasury

No risk is taken regarding EIF's debt securities portfolio, as all investments in debt securities and other fixed income securities are denominated in EUR. Note 3.6.3.2 presents the exchange positions of the financial assets. It shows that risk on foreign currency exchange rates is negligible.

While public market managers can rely on reliable statistical data to support their analysis, such data is lacking for PE and in particular venture capital. Analysis of PE returns, volatility and correlations is limited by the relatively short time series of the publicly available data, which is not fully representative of the market. In particular, data does not fully capture the uncertainty of the asset class. Furthermore, as the IRR, the standard performance measure used for PE funds, is capital-weighted, while for public market assets it is traditionally time-weighted, it is not possible to analyse the correlation between PE and other asset classes without significant adjustments and therefore potentially large biases.

3.6.3.3. Market risk: public market risk

3.6.3.3.A. Private equity

The specific characteristics of the PE asset class make it difficult to apply traditional approaches to market risk

The EIF uses a beta derived from the betas of three listed PE indices, LPX Europe Price Index, LPX Venture Price Index and LPX Buyout Price Index, to estimate the sensitivity of the valuation of EIF's private equity investment to market prices. Regression has been carried out using the Dow Jones Euro Stoxx 50 over the last two years.

Using the most conservative beta from the three indices mentioned above and assuming market price movements of $\pm 10\%$, the final sensitivity (i.e. beta $\times \pm 10\%$) is applied to the net asset value to give an adjusted net asset value, which is then compared to the net paid in. The calculated value adjustment is then recorded using the methodology described in section 3.3.1. EIF's PE investment value would be impacted as follows:

	Public market risk: all private equity					
	+10 % Retained Beta 1.3 Final Sensitivity: +13 %			-10 % Retained Beta 1.3 Final Sensitivity: -13 %		
	Profit & loss account (EUR)	Equity (Fair value reserve) (EUR)	Total effect on equity (EUR)	Profit & loss account (EUR)	Equity (Fair value reserve) (EUR)	Total effect on equity (EUR)
31/12/2009	270 701	20 274 657	20 545 358	(6 105 450)	(15 569 320)	(21 674 770)
31/12/2008	370 227	21 356 608	21 726 836	(5 998 656)	(15 386 227)	(21 384 883)

3.7. Fair value of financial assets and financial liabilities

These results can only be treated as indicators of potential sensitivity. Despite the concept of fair value, private equity is an appraised asset class, valued not by the consensus of many market players in an active and efficient market but by a few experts, normally the fund managers who value each investment based on their views of the investment's earnings potential and/or comparisons with other investments and in accordance with customary industry valuation guidelines.

The following table shows a comparison by category of the carrying amounts and fair value of the Fund's financial assets:

	Carrying amount 2009 EUR	Fair value 2009 EUR	Carrying amount 2008 EUR	Fair value 2008 EUR
Financial assets				
Loans and receivables	106 266 117	106 266 117	383 502 584	383 502 584
Financial investments - AFS	994 582 239	994 582 239	651 822 405	651 822 405
Financial assets designated at fair value through P&L	2 759 064	2 759 064	2 625 429	2 625 429
TOTAL	1 103 607 420	1 103 607 420	1 037 950 418	1 037 950 418

For loans and receivables as well as other liabilities, the carrying values approximate fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31.12.2009	Level 1	Level 3	Total
	EUR	EUR	EUR
Financial assets			
Financial investments - AFS	833 146 329	161 435 910	994 582 239
Financial assets designated at fair value through P&L	0	2 759 064	2 759 064
Total	833 146 329	164 194 974	997 341 303

At 31.12.2008	Level 1	Level 3	Total
	EUR	EUR	EUR
Financial assets			
Financial investments - AFS	496 667 054	155 155 351	651 822 405
Financial assets designated at fair value through P&L	0	2 625 429	2 625 429
Total	496 667 054	157 780 780	654 447 834

Details of the movements of financial assets over 2009 are given in notes 4.2 and 4.3.

4. Detailed disclosures relating to asset headings

4.1. Cash and cash equivalents

The effective interest rate on short-term bank deposits is 0.49 % (2008: 4.49 %). These deposits have an average remaining maturity of 26 days (2008: 33 days).

The remaining life of cash and cash equivalents is as follows:

	31.12.2009	31.12.2008
	EUR	EUR
Current accounts	33 311 981	30 543 163
Term deposits	72 954 136	352 959 421
	106 266 117	383 502 584

4.2. Debt securities and other fixed-income securities

The Fund's portfolio includes long-term debt instruments i.e. bonds, notes and other obligations.

	31.12.2009 EUR	31.12.2008 EUR
Available-for-Sale portfolio	817 899 583	485 961 852
Accrued interests	14 413 983	9 771 159
Total	832 313 566	495 733 011

Debt securities and other fixed-income securities held by the Fund are all quoted on an active market.

The Fund participates as lender in a Securities Lending and Borrowing Programme with three counterparties; the market value of securities lent at year-end amounts to EUR 51 225 956 (2008: EUR 60 948 198).

Movement in debt securities and other fixed income securities:

	2009 EUR	2008 EUR
Fair value at 1 January	495 733 011	522 470 401
Additions	449 476 970	75 115 790
Disposals	(129 495 650)	(101 164 470)
Effective interest rate adjustment	1 082 109	(201 296)
Change in fair value reserve	15 517 126	(388 835)
Impairment	0	(98 579)
Fair value at 31 December	832 313 566	495 733 011

The total fair value change recognised in equity at the end of 2009 is EUR 7 607 165 (2008: EUR (7 909 961)).

The value of debt securities and other fixed-income securities includes accrued interest of EUR 14 413 983 (2008: EUR 9 771 160) and is classified as Level 1.

In 2009, there was no impairment on the portfolio (2008: EUR 98 579).

4.3. Shares and other variable income securities

Shares and other variable income securities are analysed as follows:

	2009 EUR	2008 EUR
Investment at cost at 1 January	191 515 919	167 815 866
Additions	23 424 940	39 561 022
Disposals	(6 127 778)	(15 860 969)
Terminated deals	(3 314 076)	0
Investment at cost at 31 December	205 499 005	191 515 919
Value adjustment and foreign exchange adjustment at 1 January	(32 801 096)	60 656
Terminated deals	3 142 765	0
Adjustments to fair value reserve	(5 616 070)	(18 957 702)
Impairment	(5 196 867)	(13 904 050)
Value adjustment and foreign exchange adjustment at 31 December	(40 471 268)	(32 801 096)
Total	165 027 737	158 714 823

Investments in PE funds represent equity investments and related financing structures. These investments generated a total dividend amount of EUR 932 384 (2008: EUR 4 598 262).

Terminated deals include deals that have reached their maturity during 2009. They have a total statement of financial position impact of EUR 3 142 765 (2008: 0) which includes the remaining net paid in of EUR 2 919 212 and the foreign exchange impact of EUR 223 553.

The cumulative fair value changes recorded in the fair value reserve, in accordance with the valuation method described in note 2.3.2, amounts to EUR (5 616 070) (2008: EUR (18 957 702)) and includes the impact of changes in the value of investments EUR (6 936 671) (2008: EUR (10 989 169)) and the impact of the changes in foreign exchange rates on the investments EUR 1 320 601 (2008: EUR (7 968 533)).

A portion of the total fair value of shares and other variable income securities amounting to EUR 832 763 is classified as Level 1.

Investments belonging to Category III are measured at cost less impairment, as no reliable fair value is available. These amount to EUR 132 938 (2008: EUR 192 777).

The fair value as of 31 December 2009 includes an amount of EUR 2 759 064 (2008: EUR 2 625 429) related to Investment in joint ventures.

4.4. Non-current assets held for sale

The assets concerned relate to a building that is held for sale at a carrying value of EUR 7 139 812 (2008 EUR 7 139 812), which is lower than the fair value less cost to sell. Due to the suppression of the market for commercial property, the building has not been sold within the last 12 months; however the EIF remains committed to selling the property, which still meets the criteria for classification as a non-current asset held for sale.

4.5. Other assets

Other assets are made up of the following:

	31.12.2009 EUR	31.12.2008 EUR
Accounts receivable relating to pensions managed by the EIB	23 216 814	17 801 290
Advanced payments	0	1 920
Accrued commission & other income	14 768 798	9 807 870
Fees receivable on financial guarantees	4 915 786	0
Other debtors	1 887 517	854 907
	44 788 915	28 465 987

Accounts receivable relating to pensions managed by the EIB: following the introduction of a defined benefit pension scheme in 2003 (see note 2.7), contributions from staff and the Fund are set aside to cover future obligations. The assets of the scheme are transferred to the EIB for management and investment on behalf of the Fund. See also note 5.3.

The following table discloses the ageing of other assets past due or not past due but not impaired:

	Total EUR	Neither past due nor impaired EUR	Past due but not impaired		
			0-6 months EUR	6-12 months EUR	> 12 months EUR
2009	44 788 915	44 536 019	7 982	52 790	192 124
2008	28 465 987	28 151 302	28 905	162 276	123 504

4.6. Intangible assets

	Internally Generated Software EUR	Purchased Software EUR	Total EUR
Cost	3 094 582	496 510	3 591 092
Accumulated amortisation	(2 028 802)	(400 806)	(2 429 608)
Carrying amount at 01.01.2008	1 065 780	95 704	1 161 484
Opening net book amount	1 065 780	95 704	1 161 484
Additions	912 719	86 050	998 769
Amortisation charge	(211 433)	(79 027)	(290 460)
Carrying amount at 31.12.2008	1 767 066	102 727	1 869 793
Cost	4 007 301	582 560	4 589 861
Accumulated amortisation	(2 240 235)	(479 833)	(2 720 068)
Carrying amount at 01.01.2009	1 767 066	102 727	1 869 793
Opening net book amount	1 767 066	102 727	1 869 793
Additions	649 928	0	649 928
Amortisation charge	(281 944)	(54 633)	(336 577)
Carrying amount at 31.12.2009	2 135 050	48 094	2 183 144
31.12.2009			
Cost	4 657 229	582 560	5 239 789
Accumulated amortisation	(2 522 179)	(534 466)	(3 056 645)
Carrying amount	2 135 050	48 094	2 183 144

There were no indications of impairment of intangible assets in either 2009 or 2008.

4.7. Property and equipment

	Land & Buildings EUR	Fixtures & Fittings EUR	Office Equipment EUR	Computer Equipment EUR	Vehicles EUR	Other Fixed Assets EUR	Total EUR
Cost	8 590 527	357 469	1 054 136	592 808	84 073	8 764	10 687 777
Accumulated depreciation	(1 138 996)	(264 984)	(621 357)	(332 772)	(84 073)	0	(2 442 182)
Net book amount	7 451 531	92 485	432 779	260 036	0	8 764	8 245 595
Opening net book amount	7 451 531	92 485	432 779	260 036	0	8 764	8 245 595
Additions	0	0	17 447	225 547	0	0	242 994
Disposals/ write-off	*(7 139 812)	(67 534)	(243 543)	0	0	0	(7 450 889)
Depreciation charge	(311 719)	(24 951)	(92 292)	(175 065)	0	0	(604 027)
Net book amount at 31.12.2008	0	0	114 391	310 518	0	8 764	433 673
Cost	0	0	220 668	818 355	0	8 764	1 047 787
Accumulated depreciation	0	0	(106 277)	(507 837)	0	0	(614 114)
Net book amount	0	0	114 391	310 518	0	8 764	433 673
Opening net book amount	0	0	114 391	310 518	0	8 764	433 673
Additions	0	0	0	0	0	0	0
Disposals/ write-off	0	0	0	0	0	0	0
Depreciation charge	0	0	(46 780)	(169 456)	0	0	(216 236)
Net book amount at 31.12.2009	0	0	67 611	141 062	0	8 764	217 437
31.12.2009							
Cost	0	0	220 668	818 355	0	8 764	1 047 787
Accumulated depreciation	0	0	(153 057)	(677 293)	0	0	(830 350)
Net book amount	0	0	67 611	141 062	0	8 764	217 437

There were no indications of impairment of property and equipment in either 2009 or 2008.

*In 2008 the carrying value of Land & Buildings was transferred to Non-current assets held for sale (see note 4.4).

5. Detailed disclosures relating to liability and equity headings

5.1. Financial liabilities

The movements relating to Financial guarantees payables are set out below:

	2009 EUR	2008 EUR
Balance at the beginning of the financial year	21 594 769	13 018 397
Guarantee calls	(797 244)	(353 016)
Net increase/decrease in financial guarantees	2 702 970	8 996 574
Up/downgrading	10 451 348	0
Transfer to provision for guarantees	(7 228 454)	(67 186)
Balance at the end of the financial year	26 723 389	21 594 769

When a guarantee operation measured under IAS 39 is derecognised and treated under IAS 37, its value previously recorded under Financial guarantees is transferred to the heading Provisions for guarantees.

5.2. Provisions for guarantees

	2009 EUR	2008 EUR
Balance at 1 January	8 983 874	5 056 087
Additions (*)	56 696 942	6 276 536
Release of provision	(1 049 850)	(2 348 749)
Balance at 31 December	64 630 966	8 983 874

(*) Additions include the increase in existing provisions on guarantee operations EUR 5 344 291 (2008: EUR 496 255), the value of the guarantee operations transferred from IAS 39 to IAS 37 in 2009 of EUR 7 228 454 (2008: EUR 67 186), and the additional provision on these transferred operations of EUR 44 124 197 (2008: EUR 5 713 153).

5.3. Retirement benefit obligations

The retirement benefit obligation comprises the pension scheme and the health insurance scheme as follows:

Retirement benefit obligations	31.12.2009 EUR	31.12.2008 EUR
Pension scheme	19 208 222	15 398 934
Health insurance scheme	1 936 000	1 586 000
	21 144 222	16 984 934

Commitments in respect of retirement benefits as of 31 December, 2009 have been valued by an independent actuary. The calculations are based on the following main assumptions:

Principal Assumptions	2009	2008
Discount rate for obligations	6.19 %	6.00 %
Rate of future compensation increases	4.50 %	4.50 %
Rate of pension increases	2.00 %	2.00 %
Actuarial tables	Swiss BVG 2005	Swiss BVG 2005

The pension commitment as valued in the independent actuary report dated February 2010 amounts to EUR 19 208 000. As of December 2009, the Fund allocated EUR 21 154 591 (2008: EUR 16 387 845) to pensions to ensure full coverage of the commitments.

Net periodic benefit cost as at 31.12.2009	EIF Pension	"Health Insurance"	Total 2009
	EUR	EUR	EUR
Current net service cost	1 655 000	286 000	1 941 000
Interest cost	938 000	78 000	1 016 000
Amortisation of unrecognised gains/losses	(5 000)	(14 000)	(19 000)
Net benefit expense	2 588 000	350 000	2 938 000

Net periodic benefit cost as at 31.12.2008	EIF Pension	"Health Insurance"	Total 2008
	EUR	EUR	EUR
Current net service cost	1 249 000	280 000	1 529 000
Interest cost	697 000	62 000	759 000
Amortisation of unrecognised gains/losses	37 000	(6 000)	31 000
Net benefit expense	1 983 000	336 000	2 319 000

Benefit liabilities as at 31.12.2009	EIF Pension	"Health Insurance"	Total 2009
	EUR	EUR	EUR
Present value of unfunded obligation	19 677 000	1 587 000	21 264 000
Unrecognised net actuarial gains/(losses)	(469 000)	349 000	(120 000)
Net liability	19 208 000	1 936 000	21 144 000

Benefit liabilities as at 31.12.2008	EIF Pension	"Health Insurance"	Total 2008
	EUR	EUR	EUR
Present value of unfunded obligation	15 340 000	1 298 000	16 638 000
Unrecognised net actuarial gains/(losses)	59 000	288 000	347 000
Net liability	15 399 000	1 586 000	16 985 000

The movements in the "retirement benefit obligations" rounded to the nearest EUR 1 000 are as follows:

Changes in defined benefit obligation as at 31.12.2009	EIF Pension	"Health Insurance"	Total 2009
	EUR	EUR	EUR
Defined benefit obligation, Beginning of year	15 340 000	1 298 000	16 638 000
Net service cost	1 655 000	286 000	1 941 000
Interest cost	938 000	78 000	1 016 000
Employee contributions	1 058 000	0	1 058 000
Benefits paid	163 000	0	163 000
Experience (Gain)/ Loss	1 452 000	10 000	1 462 000
(Gain)/ Loss due to assumption changes	(929 000)	(85 000)	(1 014 000)
Defined benefit obligation	19 677 000	1 587 000	21 264 000

Changes in defined benefit obligation as at 31.12.2008	EIF Pension	"Health Insurance"	Total 2008
	EUR	EUR	EUR
Defined benefit obligation, Beginning of year	12 628 000	1 120 000	13 748 000
Net service cost	1 249 000	280 000	1 529 000
Interest cost	697 000	62 000	759 000
Employee contributions	812 000		812 000
Benefits paid	622 000		622 000
Experience (Gain)/ Loss	653 000	(6 000)	647 000
(Gain)/ Loss due to assumption changes	(1 321 000)	(158 000)	(1 479 000)
Defined benefit obligation	15 340 000	1 298 000	16 638 000

History of asset values (EUR)

Amounts for the current and previous two periods are as follows:

	2009	2008	2007
Defined benefit obligation, End of year	(21 264 000)	(16 638 000)	(13 748 000)
Surplus/ (Deficit) in the plan	(21 264 000)	(16 638 000)	(13 748 000)
Experience gains/ (losses) on DBO	(1 462 000)	(647 000)	(406 000)

The effect of a 1 % increase or decrease in the medical trend costs on the current service cost and interest cost, or the post-employment benefit obligation, would not have a material impact on the EIF's financial statements.

5.4. Other liabilities and provisions

	31.12.2009	31.12.2008
	EUR	EUR
Related parties payables	3 654 767	360 644
Employee benefit payables	10 820 153	7 848 239
Trade creditors	2 228 827	6 014 687
	16 703 747	14 223 570

Employee benefit payables mostly include staff-related costs such as the Bonus, the Optional Supplementary Pension Scheme (OSPS) and the Severance Grant.

5.5. Share capital

The authorised capital amounts to EUR 3 billion, divided into 3 000 shares with a nominal value of EUR 1 000 000 each, of which 2 940 have been issued. The shares confer rights of ownership of the assets of the Fund as described in Article 8 of its Statutes. Shareholders are entitled to any distribution of net profits, which is limited by the requirements of the statutory reserve.

New shares were issued on 30 June 2009 from authorised share capital as follows:

EURm	31.12.2008	New shares issued 30.06.2009	31.12.2009
Authorised Shares	3 000		3 000
of which			
subscribed	2 865	75	2 940
unsubscribed	135	(75)	60

The authorised and subscribed share capital of EUR 2 940 000 000 representing 2 940 shares is called and paid in for an amount of EUR 588 000 000 representing 20 % of the authorised and subscribed share capital.

Further payments of the subscribed but not paid in capital require the approval of the General Meeting of Shareholders.

The 75 new shares were issued at a price of EUR 349 050 per share increasing the share premium reserve by EUR 11 178 746.

The subscribed share capital is detailed as follows:

	31.12.2009 EUR	31.12.08 EUR
Subscribed and paid in (20 %)	588 000 000	573 000 000
Subscribed but not yet called (80 %)	2 352 000 000	2 292 000 000
	2 940 000 000	2 865 000 000

The capital is subscribed as follows :

	31.12.2009 Number of shares	31.12.2008 Number of shares
European Investment Bank	1 826	1 822
European Commission	861	786
Financial institutions	253	257
	2 940	2 865

5.6. Statutory reserve and retained earnings

Under the terms of Article 27 of its Statutes, the Fund is required to appropriate to a statutory reserve at least 20 % of its annual net profit until the aggregate reserve amounts to 10 % of subscribed capital. Such reserve is not available for distribution.

Due to the loss in 2009, there is no appropriation requirement in 2010 with respect to the financial year ended 31 December 2009.

The General Meeting of Shareholders of 11 May 2009 approved the distribution of a dividend amounting to EUR 14 044 432 relating to the year 2008 (2007: EUR 20 160 030). The dividend has been distributed in line with Article 27 of the Fund's statutes.

Further details of the Fund's capital management requirements are explained in note 3.2 and note 3.6.2.B.

5.7. Fair value reserve

The fair value reserve includes the following:

	31.12.2009 EUR	31.12.2008 EUR
Fair value reserve on debt securities and other fixed income securities	7 607 165	(7 909 961)
Fair value reserve on private equity shares and other variable income securities	5 316 884	10 932 954
	12 924 049	3 022 993

6. Disclosures relating to off-balance sheet items

6.1. TEN Guarantees

TEN infrastructure guarantee operations, complementary to EIB's activities, have been transferred to the latter. The relevant contract was signed with the EIB on 7 December 2000. The EIB receives the benefits of the transferred portfolio, but also bears the ultimate risk of the transactions, the Fund remaining merely a guarantor of record.

	Drawn EUR	Undrawn EUR	Total 2009 EUR	Total 2008 EUR
Up to five years	77 274 961	0	77 274 961	55 217 360
From five to ten years	124 432 318	16 750 000	141 182 318	119 177 751
From ten to fifteen years	125 515 155	0	125 515 155	161 084 835
Over fifteen years	0	0	0	44 188 959
	327 222 434	16 750 000	343 972 434	379 668 905

The drawn portion of the guarantees issued includes an amount of EUR 3 963 411 (2008: EUR 10 558 800) representing the present value of future interest covered by guarantees.

6.2. Assets held for third parties

Assets held for third parties represent investments managed by the Fund and trust accounts opened and maintained in the name of the Fund but for the benefit of the third party. EIF acts as an integrated operational platform for SME finance, deploying resources mandated for management by its related parties (EIB and EC see note 8.1 and 8.2 respectively)

and other third parties (public and private entities) depending on the nature of the investment as detailed below.

- **EIB Group resources**

- The Fund manages the EIB resources for equity mainly through the European Technology Facilities (ETF) 1 and 2 implemented since 1998 but also through the **Risk Capital Mandate (RCM)** signed with the EIB in 2000, when the EIF took over the EIB's existing private equity portfolio. The mandates support technology and industrial innovation through early stage, expansion and lower mid-market capital.
- Under the **Joint Action to Support Microfinance Institutions in Europe (JASMINE)** initiative the Fund provides financial support through equity and loans to microcredit providers in EU and Candidate Countries. The funding was made available by the EIB through the Risk Capital Mandate.
- In December 2008, the EIB approved a **Mezzanine Facility for Growth Mandate (MFGM)** asking the Fund to invest in **hybrid debt/equity funds** over the coming 3 years. The mezzanine facility will expand EIF's product offering. It aims to fill the SME or Mid-Caps financing gap by providing hybrid debt/equity products for the benefit of mature European small companies with strong market positions and further scope for growth, as well as high technology companies in their expansion stage.

- **European Commission resources**

- Under the European Union's Growth and Employment Initiative (G&E) and under the **Multi-Annual Programme for enterprises and entrepreneurship (MAP)**, the Fund manages resources on behalf and at the risk of the Commission. This resource is split equally between private equity and guarantee products. The equity segment known as **ESU 1998 (G&E)** and **ESU 2001 (MAP)** covers the ETF start-up investments. The guarantees segment known as **SMEG 1998 (G&E)** and **SMEG 2001 (MAP)**, provides guarantees against the beneficiary's undertaking.
- Under the **Preparatory Action Facility (PA 2005)**, the Fund is managing a European Commission facility on behalf of the EIB Group. The facility targets micro lending in particular and is used to finance technical assistance to SMEs, which must be coupled with an EIF guarantee or an EIB global loan.
- Under the **Technology Transfer Pilot Project (TTP)**, financed by the European Commission, since 2005, the Fund supports financially sustainable technology transfer structures through pre-seed funding and seed funding, as well as funding in the context of licensing and Intellectual Property transaction.
- Under the **Competitiveness and Innovation Framework Programme (CIP)**, the Fund manages resources on behalf and at the risk of the Commission. This resource is split equally between private

equity and guarantee products. The equity segment of the CIP known as GIF (High Growth and Innovative SME Facility) covers early stage (seed and start-up) investments and expansion stage (mid-market) investments. Under the guarantees segment of CIP, SME Guarantee Facility (SMEG 2007), guarantees are provided against the beneficiary's undertaking to enable increased financing to SMEs and to increase the risk taking in the SME financing.

- Under the **Joint Action to Support Microfinance Institutions in Europe (JASMINE)** initiative, the Fund manages the Technical Assistance initiative with European Commission resources. In 2009 the Fund signed, as a component of JASMINE, a Preparatory Action (EPPA) which will provide risk capital and financial support in order to help microfinance institutions to reach a meaningful size and financial standing.
- Under the **Joint European Resources for Micro to Medium Enterprises (JEREMIE)** initiative, the European Commission has mandated the Fund to undertake preparatory evaluations of the gaps between supply and demand and related market failures in the regions.
- The support provided by the JEREMIE initiative is aimed at promoting SME access to finance and financial engineering products, such as PE funds, guarantee funds and loan funds, to enterprises. The Fund has signed JEREMIE Funding Agreements with the following member states/regions: Greece, Romania, Latvia, Lithuania, Languedoc-Roussillon, Campania, Slovakia, Bulgaria, Sicily, Cyprus.

- **Other third party resources**

The Fund has sought to further enhance its market impact by establishing **joint investment facilities with public and private entities** through country-specific funds of funds and multi-country or sector specific funds of funds, such as:

- ERP-EIF Dachfonds, which EIF manages on behalf of the German Federal Ministry of Economics and Technology (BWMi) and the European Recovery Programme (ERP);
- NEOTEC, a joint venture between EIF and a Spanish government entity;
- Istanbul Venture Capital Initiative (iVCi), a dedicated Turkish fund of funds advised by EIF.
- Portugal Venture Capital initiative (PVCi), a fund of funds focused on private equity and venture capital funds in Portugal.
- Within the framework of the European Community in the Global Energy Efficiency and Renewable Energy Fund (GEEREF), the EIF manages the European Community's participation in the fund and represents the Commission's interests.
- LfA-EIF Facility, signed in 2009, is a joint EIF and LfA Förderbank Bayern venture providing investments to support technology-oriented early and expansion stage companies in Bavaria, Germany.

The table below shows the Trust accounts held by the EIF on behalf of third parties, which includes cash at bank, money market balances as well as the relevant accruals:

	31.12.2009 EUR	31.12.2008 EUR
SMEG 1998 (SME Guarantee 1998)	61 991 728	69 876 991
ESU 1998 (ETF Start-up 1998)	6 572 619	13 584 862
Seed Capital Action	0	131 012
SMEG 2001 (MAP Guarantee)	72 590 532	73 579 928
ESU 2001 (MAP Equity)	65 794 671	77 815 569
CIP/ SMEG 07	93 703 050	95 483 380
CIP/ GIF 07	99 998 716	69 341 505
TTP	2 010 227	2 000 938
GEEREF Technical Support Facility	2 390 480	0
GEEREF Trusteeship	57 998 741	45 929 105
EFSE - Trust Account	10 000 066	5 629
SE4F - Trust Account	27	0
Trust accounts with the Commission	473 050 857	447 748 919
Trust accounts with the EIB	23 994 356	11 279 987
Trust account with the BMWi	102 145	130 340
Trust account with the LFA-GV	24 487	0
Trust account with Member States/regions JEREMIE initiative	763 174 834	283 100 783
	1 260 346 679	742 260 029

7. Detailed information on the statement of comprehensive income

7.1. Net interest and similar income

Net interest and similar income comprises:

	31.12.2009 EUR	31.12.2008 EUR
Interest on debt securities	23 885 776	22 554 525
Interest on term deposits	3 129 835	13 774 189
Interest on bank current accounts	147 289	1 126 097
Other interest	1 454 578	1 040 016
	28 617 478	38 494 827

The above figures are shown netted. Discounts amount to EUR 1 061 199 (2008: EUR 1 282 150) and premiums amount to EUR 3 235 272 (2008: EUR 1 156 726).

7.2. Net result from guarantee operations

Net income from guarantee operations comprises:

	31.12.2009 EUR	31.12.2008 EUR
Net increase in the financial guarantees contracts	32 936 271	24 701 725
Provision for guarantees under IAS 37	(54 327 760)	(8 558 099)
Release of provision	1 049 850	2 348 749
	(20 341 639)	18 492 375

See note 5.2

7.3. Commission income

Commission income is detailed as follows:

	31.12.2009 EUR	31.12.2008 EUR
Commissions on mandates relating to venture capital operations	19 564 676	16 357 090
Commissions on mandates relating to guarantees	301 664	2 790 820
Income from advisory activity	8 050 694	6 884 565
Other provisions	(1 082 796)	(2 636 620)
Other commissions	10 000	10 000
	26 844 238	23 405 855

7.4. Net loss on financial operations

Net loss on financial operations amounting to EUR 1 351 432 (2008: EUR 5 081 325) corresponds to realised losses on the debt securities portfolio of EUR 1 328 508 (2008: EUR 2 611 743) and losses arising from transactions or cash positions in foreign currencies of EUR 22 924 (2008: EUR 2 469 582).

7.5. General administrative expenses

Wages and salaries include expenses of EUR 3 080 059 (2008: EUR 3 144 151) incurred in relation to staff seconded from the EIB.

Key management compensation, including pension, for the year is EUR 1 573 758 (2008: EUR 1 474 078).

Other administrative expenses include leased office space. Expenses relating to these operating leases amount to EUR 1 048 434 (2008: EUR 1 191 027).

Future minimum lease payments under non-cancellable operating leases	Less than 1 year EUR	1 to 5 years EUR	Total EUR
2009	1 764 628	2 280 726	4 045 354
2008	1 139 221	4 951 563	6 090 784

The number of persons, including 8 EIB secondees (2008: 12 EIB secondees), employed at the year-end is as follows:

	31.12.2009	31.12.2008
Chief Executive/Deputy Chief Executive	2	2
Employees	185	155
Total	187	157
Average of the year	172	146

8. Related parties transactions

EIB is the majority owner of the Fund with 62 % (2008: 63.6 %) of the shares. The remaining percentage is held by the European Commission 29 % (2008: 27.4 %) and the Financial Institutions 9 % (2008: 9 %).

8.1. European Investment Bank

Related party transactions with the EIB mainly concern the management by the Fund of the PE activity as described in note 6. In addition, the European Investment Bank manages the EIF treasury, the IT, the pension fund and other services on behalf of the Fund. The amounts included in the financial statements and relating to the EIB are disclosed as follows:

	31.12.2009 EUR	31.12.2008 EUR
ASSETS		
Other assets	26 946 561	18 189 648
LIABILITIES AND EQUITY		
Other liabilities and provisions	4 521 603	1 380 111
Share capital	365 200 000	364 400 000
INCOME		
Commission income	11 650 548	8 348 975
EXPENSES		
General administrative expenses	6 654 257	5 329 237
OFF BALANCE SHEET		
Guarantees drawn	281 437 973	312 976 362
Guarantees undrawn	16 250 000	16 250 000
Assets held for third parties	23 994 356	11 279 987
Net disbursed in private equity	1 714 399 857	1 575 836 547
Investments undrawn in private equity	1 261 737 957	1 105 505 990

8.2. European Commission

Related party transactions with the European Commission mainly concern the management by the Fund of private equity and guarantee activities as described in the note 6. In addition, the Commission manages the EC programmes treasury on behalf of the Fund. The amounts included in the financial statements and relating to the Commission of the European Communities are disclosed as follows:

	31.12.2009 EUR	31.12.2008 EUR
ASSETS		
Other assets	4 476 980	7 582 063
LIABILITIES AND EQUITY		
Other liabilities and provisions	69 033	2 652 671
Share capital	172 200 000	157 200 000
INCOME		
Commission income	1 716 055	7 278 146
EXPENSES		
General administrative expenses	139 220	138 950
OFF BALANCE SHEET		
Guarantees drawn	8 025 814 964	7 351 602 659
Guarantees undrawn	2 675 088 511	1 144 037 678
Assets held for third parties	473 050 857	447 748 919
Net disbursed in private equity	200 200 515	151 458 858
Investments undrawn in private equity	209 944 263	223 308 528

9. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 29 October 2004 establishing a Constitution for Europe, applies to the Fund, which means that the assets, revenues and other property of the Fund are exempt from all direct and indirect taxes.

EIB Group Addresses



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Please consult the Bank's website for the updated list of existing offices and their contact details.



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