



EIB Group

Activity Report 2003





EIB Group: key data

European Investment Bank

Activity in 2003	<i>(EUR million)</i>
Loans signed	42 332
European Union	34 187
Acceding and Accession Countries	4 589
Partner Countries	3 556
Loans approved	46 614
European Union	37 273
Acceding and Accession Countries	5 731
Partner Countries	3 610
Loans disbursed	35 672
From the Bank's resources	35 414
From budgetary resources	258
Resources raised (after swaps)	41 911
Community currencies	30 983
Non-Community currencies	10 928
Situation as at 31.12.2003	
Outstandings	
Loans from the Bank's resources	247 600
Guarantees provided	392
Financing from budgetary resources	2 497
Short, medium and long-term borrowings	194 505
Own funds	25 984
Balance sheet total	234 078
Net profit for year	1 424
Subscribed capital	150 000
of which paid in	7 500

European Investment Fund

Activity in 2003	<i>(EUR million)</i>
Venture capital (14 funds)	135
Guarantees (31 operations)	2 251
Situation as at 31.12.2003	
Venture capital (189 funds)	2 480
Guarantees (126 operations)	6 351
Subscribed capital	2 000
of which paid in	400
Net profit for year	20
Reserves and provisions	178



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Message from the President

In 2003, the European Investment Bank affirmed its role as a “policy-driven public bank”, both within Europe and outside.

Against the backdrop of a difficult economic climate, the EIB increased its lending volume, with loans signed reaching a record level of EUR 42.3 billion.

Economic and social cohesion remained at the heart of our activity, with some 70% of individual loans signed in the EU going to projects located in assisted areas and supporting regional development. The Bank’s commitment to protecting and improving the environment (the natural as well as urban environment) was once more highlighted by the high proportion of environmental financing in its total EU lending (42%).

Particular developments in 2003 were the EU enlargement process, the launch of the “European Action for Growth” and further efforts in promoting the objectives of the Europe-Mediterranean Partnership.

EU enlargement process

During the year, the Bank continued to consolidate its support for the integration of the new Member States, lending a record EUR 4.6 billion in the region. With an outstanding portfolio of EUR 18 billion, the EIB is the largest single external source of finance in the new Member States.

EIB financing in the region has now widened from an initial concentration on large infrastructure schemes, to include more investments aimed at compliance with EU environmental norms and promotion of SMEs.

The Bank has continued to support the development of domestic capital markets in the region, issuing in local currencies. Today, the EIB is the largest issuer of bonds (other than the national governments) in the local capital markets of Central and Eastern Europe.

The Member States have also updated the Bank’s Statute to take account of the new political reality of the Union. As a result of enlargement, the Bank’s subscribed capital has increased from EUR 150 billion to EUR 163.7 billion. Each Member State now has one representative on the Board of Governors and on the Board of Directors. The Bank’s Management Committee has grown from 8 to 9 members.

European Action for Growth

The EIB has been actively involved in the preparation of the European Action for Growth. Adopted by the European Council in December 2003, this initiative aims at strengthening Europe’s long-term growth potential through increased investment in Trans-European transport, telecommunications and energy networks (TENs), as well as in innovation and R&D development, including environmental technologies.

In the course of 2003, the Bank confirmed the mobilisation of two programmes to support the European Action for Growth from 2004 onwards, which set ambitious lending targets:

- the TENs Investment Facility, with a lending objective set at EUR 50 billion by 2010. Work has also begun on developing new instruments to encourage greater private sector participation in financing TENs.
- the “Innovation 2010 Initiative” designed to foster the development of the European knowledge-based economy, with a lending target of EUR 40 billion by 2010. During 2003, the Bank lent EUR 6.2 billion under this heading, with a particular emphasis on higher education and R&D.

Reinforced FEMIP

By asking the EIB to reinforce the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) only one year after its launch, the European Council under-

lined the Bank's crucial role in the Barcelona Process. To meet the challenge, the Bank further expanded FEMIP activities in 2003, lending over EUR 2 billion in the Mediterranean Partner Countries. The Bank also adopted a number of features to support private sector development in the region, including an allocation from the Bank's reserves for extended risk-sharing operations of up to EUR 1 billion.

At the same time, the Bank financed the first operations under the Investment Facility created by the Cotonou Agreement between the EU Member States and the ACP countries.

In carrying out its activities, the EIB has to ensure smooth and flexible access to capital markets. In this respect, the year 2003 saw a strengthening of the Bank's position as the largest supranational bond issuer of quasi-government status, supported by a unanimously acknowledged AAA credit rating.

Our drive for operational efficiency was matched by a commitment to improve transparency and accountability, with a view to bringing the Bank closer to Europe's citizens, the ultimate beneficiaries of its activities. To this effect, the Bank intensified its dialogue with the European Parliament and the Union's Economic and Social Committee.

The year 2003 has been a busy one, bringing additional challenges for the future. I am confident of the Bank's ability to tackle the multiple tasks ahead, to the benefit of the European Union.



Philippe Maystadt
President of the EIB Group





Operational background and overview 2003

In accordance with its Statute and the mandates entrusted to it by the European Councils, the EIB finances projects giving tangible expression to the economic and social priorities of the European Union, especially economic and social cohesion and regional development. As a public bank, the EIB acts in close cooperation with the other EU institutions.

- In fulfilling its mission, the EIB is guided by two major principles: maximising the **value added** of operations and adopting a **transparent approach**. Financing decisions, in particular, are based on clear-cut criteria, focusing mainly on each operation's contribution towards EU objectives, the quality and robustness of the project and the specific financial merit of recourse to EIB funds.

Against this background, in 2003 the EIB took forward initiatives responding to the guidelines handed down by its Board of Governors and successive European Councils:

- support for investment in Trans-European Networks (TENs) in the transport, telecommunications and energy sectors (European Action for Growth, Brussels – December 2003);
- long-term development of a European economy based on knowledge, innovation and research and development, including environmental technologies (Lisbon – March 2000; Stockholm – March 2001; Seville – June 2002, Brussels – December 2003);
- contribution to the European Union's climate change policy (Gothenburg – June 2001);
- strengthening of the financial partnership with the Mediterranean countries under the Facility for Euro-Mediterranean Investment and Partnership – FEMIP (Barcelona – March 2002; Seville – June 2002; Brussels – December 2003);
- continued support for the economic development and integration of the new Member States (Helsinki – December 1999; Barcelona – March 2002; Copenhagen – December 2002);
- introduction, with effect from 1 June 2003, of the new "Investment Facility" designed to promote private sector development in the ACP Countries, in line with the goals of the Cotonou Agreement (Laeken – December 2001).

Salient figures⁽¹⁾:

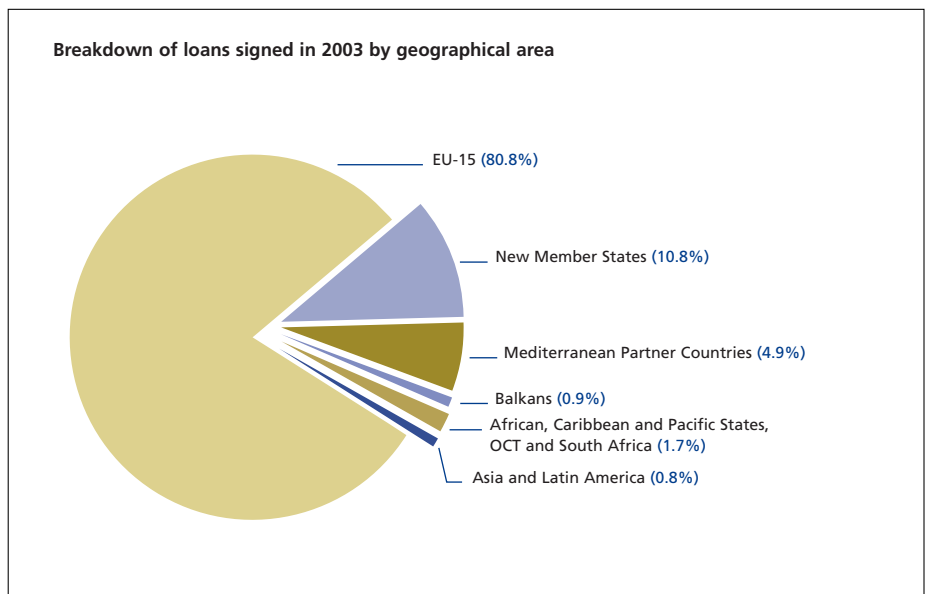
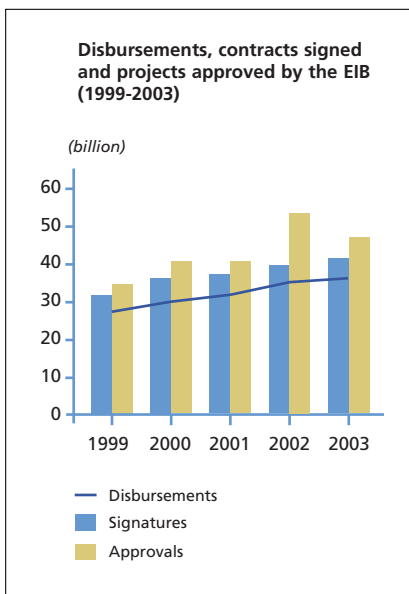
- In 2003, **loans signed** by the EIB totalled **42.3 billion**, as against 39.6 billion in 2002. This rise reflects especially the Bank's commitment to supporting the new Member States and EU aid and cooperation policies towards non-Member Countries. The breakdown was as follows:
 - 34.2 billion within the EU-15;
 - 4.6 billion for the new Central and Eastern European Member States along with Cyprus and Malta;
 - 2.1 billion for the Mediterranean Partner Countries;
 - 372 million in the Balkans;
 - 463 million in the African, Caribbean and Pacific Countries and the OCT;
 - 260 million in South Africa;
 - 348 million in Asia and Latin America.
- **Disbursements** came to **35.7 billion**, of which 63% were in euro.



- Almost **350** capital projects were appraised by the Bank, resulting in **loan approvals** totalling **46.6 billion**.
- **Borrowings**, after swaps, amounted to **42 billion**. They involved 310 bond issues denominated in 14 currencies. After swaps, 54.7% of market operations were in EUR, 23.1% in USD and 17.6% in GBP.
- As at 31 December 2003, outstanding loans from own resources and guarantees amounted to 248 billion.

Aggregate outstanding borrowings ran to 194 billion. The **balance sheet total** stood at **234.1 billion**.

- The EIF⁽²⁾ for its part continued its support for SME activity, taking participations in **venture capital** funds for close on **135 million** and providing **guarantees** worth some **2.2 billion**.



⁽¹⁾ Unless otherwise indicated, amounts in this report are expressed in EUR.

⁽²⁾ This EIB Group Activity Report is supplemented by the EIF Annual Report, available on that institution's website www.eif.org.

On the CD-ROM enclosed with this brochure, readers will find all statistics on activity for 2003 and the period 1999-2003 together with the list of projects financed during the year by the EIB Group. These data are also available under the "Publications" section of the EIB's website: www.eib.org.



The Corporate Operational Plan for the period 2004-2006

The Corporate Operational Plan (COP) is a strategic document, approved annually by the Board of Directors, that defines a three-year rolling medium-term programme and sets operational priorities in the light of the objectives assigned by the Bank's Board of Governors. The strategic projections of the plan, which is central to the work of the Bank's staff, are adapted annually to take account of new mandates and changes in the economic climate.

Covering a period of profound change and new challenges for the EIB Group, the Corporate Operational Plan 2004-2006 outlines the likely evolution of operations in view of the EU's biggest enlargement ever in terms of scope and diversity.

During 2003, the operational directorates were reorganised in preparation for the accession of the ten new Member States. The Acceding Countries, along with Bulgaria and Romania, were grouped together with the Member States in the single Lending Directorate for Europe. From the start of this year they have been joined by Turkey and the Western Balkans.

As from 2004, most countries previously benefiting from the Bank's pre-accession support qualify for financing under its leading priority: EU Economic and Social Cohesion and Regional Development. Implementation of the "Innovation 2010 Initiative" (i2i) is maintained as a key operational priority following the Governors' endorsement of the Bank's continued support for the Lisbon Strategy. The EIB expects to make a significant contribution under its i2i programme to supporting the "European Action for Growth" endorsed by the European Council of December 2003. By the same token, the importance attached to this initiative by the European Council has led the Bank to give higher priority than in recent years to the development of Trans-European Networks (TENs).

Lending priorities

These challenges have been taken into account in the setting of the EIB's five main COP lending priorities for the years 2004-2006:

- Economic and Social Cohesion and Regional Development in the enlarged EU;
- Implementation of the Innovation 2010 Initiative (i2i);
- Development of Trans-European and access networks;
- Environmental protection and improvement;
- Support for EU development and cooperation policies with Partner Countries, in particular through the reinforced Facility for Euro-Mediterranean Investment and Partnership (FEMIP) and the Cotonou Agreement, including the Investment Facility. The Bank is currently addressing the changes in priorities and organisation to accommodate their implementation.

Alongside these main priorities, the EIB Group will step up its financial support for small and medium-sized enterprises as well as for projects in the health and education sectors.

While taking a flexible approach to reconciling the different internal COP targets, the plan's overall objective is to set a ceiling on lending growth within the EU-15 of a nominal 5% per year. Operations in the new Member States, Accession Countries and Partner Countries (particularly those associated with the reinforced FEMIP and the ACP Investment Facility) are projected to grow more rapidly.



Borrowing

Optimisation of the funding cost on a sustainable basis and enhancement of secondary market liquidity will remain the pillar of the Bank's funding strategy. In deciding on the Corporate Operational Plan 2004-2006, the Board of Directors also approved a global borrowing authorisation for 2004 of up to 50 billion for prudential coverage of maximum projected funding requirements.



The EIB's Board of Directors

* The full text of the Corporate Operational Plan 2004-2006 can be found on the Bank's website: www.eib.org.

EIB Group lending activity in 2003





Fostering balanced development throughout the Union

Promoting the European Union's economic and social cohesion through its financing operations, particularly in the less favoured regions, is the Bank's prime task – originally assigned by the Treaty of Rome and reaffirmed by the Amsterdam Treaty (1997) – and constitutes the first priority objective of its Corporate Operational Plan.

This activity helps to reduce economic and social disparities by stimulating growth, employment and competitiveness.

With the European Union undergoing its biggest enlargement ever in terms of scope and diversity, the emphasis on the Bank's regional development and economic and social cohesion objective becomes even more intense this year. Since 1 May 2004, the countries previously benefiting from the Bank's pre-accession support have qualified for financing under its regional development priority.

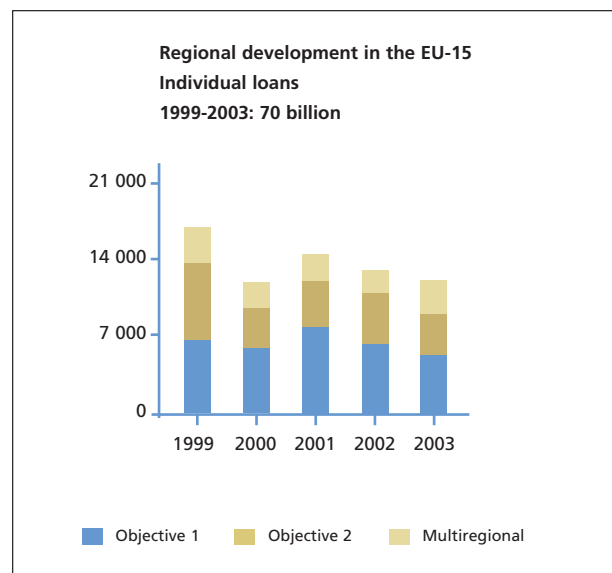
Almost 16.3 billion of individual loans in the EU-15

In 2003, the Bank granted individual loans worth nearly 16.3 billion in the 15-member Union for projects to assist regions lagging behind in their economic development or grappling with structural difficulties. This amount makes up some 70% of aggregate individual loans. The main beneficiaries were the Cohesion Countries – Spain, Portugal, Ireland and Greece – (7.1 billion), Italy's Mezzogiorno (3.2 billion) and Germany's eastern Länder (2.7 billion).

Attracting more than 35% of loans, transport is the main sector supported. The projects financed are helping to mitigate the effects of geographical isolation and improve internal services, so promoting the physical integration of outlying regions.

Upgrading of urban infrastructure accounted for over 19.5% of operations, while loans for the energy sector totalled 14.4% and those for industry and services 13.7%.

Lastly, the health and education sectors saw their share of loans rise markedly to 10.16% (7% in 2002), confirming the Bank's commitment to fostering equal access for the people of the Union to the most advanced educational and healthcare facilities.



Global loans ran to around 6.5 billion, bringing total lending in the EU-15 under the regional development heading to over 22.8 billion in 2003 (67%).



**Regional development in the EU-15
Breakdown of individual loans by sector (2003)**

(million)

	Total	
	amount	%
Energy	2 347	14
Communications	6 545	40
Water management and sundry	318	2
Urban development	3 178	20
Industry, agriculture	1 682	10
Health, education	1 653	10
Other services	547	3
Total individual loans	16 269	100
Global loans	6 502	

Integration of the new Member States

The EIB continued its financing drive in the new Member States in order to reduce the regional disparities between these countries and the EU-15. Individual loans totalled 3.4 billion compared to 3.1 billion in 2002. Of this amount, Poland absorbed 1.2 billion (36.1%), the Czech Republic 1.1 billion (32.6%) and Hungary 571 million (16.8%).

**Regional development in the new Member States
Breakdown of individual loans by sector (2003)**

(million)

	Total	
	amount	%
Communications	1 421	42
Water management and sundry	736	22
Industry, agriculture	834	25
Health, education	400	12
Total individual loans	3 391	100
Global loans	565	

The main sectors concerned were transport (41.9%), industry and services (24.6%), infrastructure (20.4%) and health and education (11.8%).

Global loans ran to 635 million, bringing total lending in the new Member States to over 4 billion.

**Regional development in the new Member States
Breakdown of loans by country (2003)**

(million)

	Total	Individual loans	Global loans
Poland	1 345	1 225	120
Czech Republic	1 217	1 107	110
Hungary	741	571	170
Cyprus	235	235	
Slovakia	209	159	50
Slovenia	109	34	75
Lithuania	100	60	40
Total	3 956	3 391	565

Enhanced cooperation with the Commission and integration with the Community's financial instruments

At the same time, the EIB has continued to work closely with the European Commission's services, in particular DG REGIO, in preparing the third cohesion report. A joint EIB-DG REGIO working group has been examining how the Bank's financing can support and complement the actions of the Structural Funds more directly.

The EIB is also involved in project appraisal for the Commission and in information exchanges on large projects likely to benefit from Structural Funds within the EU-15 and the new Member States (ERDF, Cohesion and ISPA).



Structural Programme Lending

The expansion of Structural Programme Lending (SPL) is a further demonstration of increased cooperation with the Commission and closer integration of EIB lending and the Structural Instruments. SPL refers to a specific type of framework facilities to support multiannual investment programmes managed by public authorities and co-financed by the Structural Instruments with a view to meeting the EU's economic and social cohesion objectives. Since its launch in 2001, SPL has made rapid progress within the Union, as witnessed by a number of operations supporting the regional authorities' contribution to Objective 1 and 2 development programmes; and in 2003 it extended its scope to Acceding Countries such as Poland and Lithuania, where for the first time this approach was used to fund the central government's share of the financing of EC structural programmes.

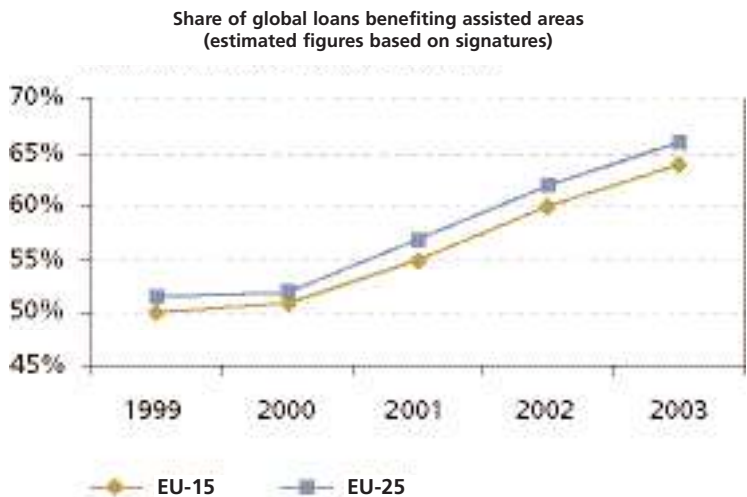
The contribution of global loans to regional development

In pursuing its regional development objectives the EIB utilises all instruments at its disposal, including global loans. These enable it to channel resources to small-scale projects mounted by SMEs and local authorities (financing of small-scale infrastructure).

As with individual loans, fostering regional development represents the priority goal of the EIB's global loan activity, which is designed to facilitate access to medium and long-term funding for small-scale investment in the less-favoured regions, especially for small businesses in the new Member States.

As demonstrated in the graph below, global loan support for assisted areas has been stepped up over the past five years, with the estimated proportion of such loans within the Union (based on signatures) benefiting these regions rising from around 50% in 1999 to close on 65% in 2003 (66% with the inclusion of loans in the 10 new Member States).

This growth is the result of the EIB's increased efforts to target less developed regions more effectively with its global loans, in particular by broadening the range of its financial intermediaries so as to achieve better regional coverage.





The Innovation 2010 Initiative

The Innovation 2000 Initiative (i2i) was set up by the EIB Group to underpin the "Lisbon Strategy", as charted by the European Council in March 2000, for building a European economy based on knowledge and innovation. In 2003, i2i was renewed as the Innovation 2010 Initiative, confirming the priority accorded by the EIB Group to financing innovation up to 2010.

Since the launch of i2i, over 17 billion has been advanced in support of capital projects under this initiative, including 6.2 billion in 2003.

Focusing on five economic sectors, i2i operates through:

- medium and long-term EIB financing (where appropriate in the form of risk-sharing or structured loans) and
- EIF participations in venture capital funds (VCFs) that provide SMEs with equity resources in the form of venture capital.

Research and Development (R&D)

In 2003, the EIB ploughed over 2 billion into 18 R&D projects, most of which mounted by the private sector in the fields of nanotechnology, optics, biotechnology and telecommunications. These loans brought the EIB's R&D financing since 2000 to a total of almost 6 billion.

A notable example of such projects is the Helsinki Science Park, where laboratory and office space is made available to start-up companies in the biotechnology sector. Similarly, the construction of a research platform in Louvain will enable IMEC (Europe's largest independent microelectronics and nanotechnology research centre) and its partners to remain at the forefront of nanotechnology research and spearhead the latest developments in semiconductor technology.

Development of SMEs and entrepreneurship

The EIB supports SMEs through its global loans, from which part of the allocations serve i2i objectives. The EIB Group's operations in 2003 include the activities of its specialised subsidiary, the EIF, which committed 135 million in 16 transactions. These new operations brought the EIF's total portfolio to around 2.5 billion, invested in 189 transactions.



The EIF continues to concentrate on financing funds downstream of R&D, and especially technology transfer and investment companies promoting the exploitation and commercialisation of university research results. Thus, in 2003 the EIF invested in the Belgian fund VIVES, which provides seed capital for new companies presenting high intellectual value added and harnessing the research results of the Catholic University of Louvain.

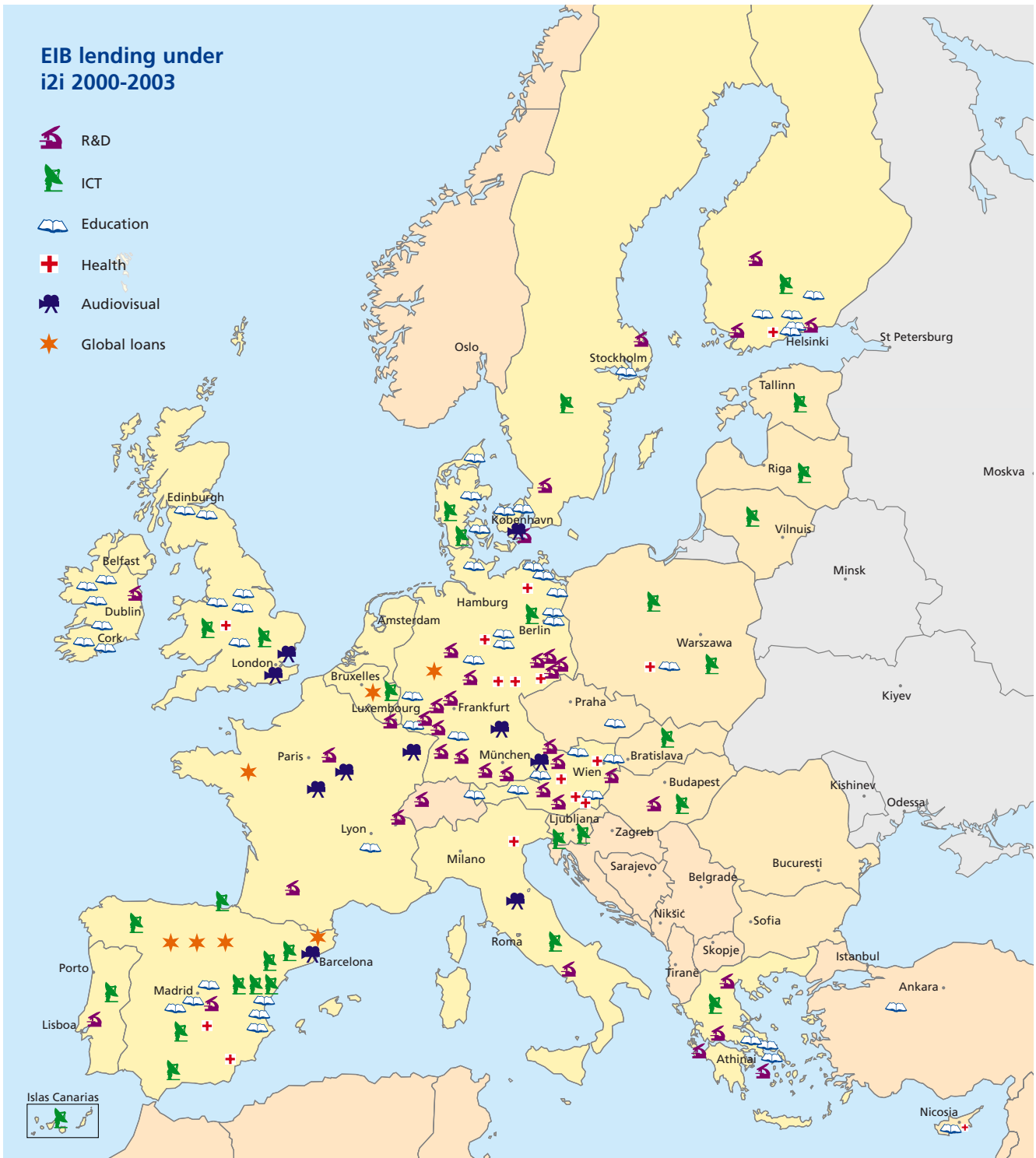
In addition, the European Commission's Research Directorate-General has entrusted the EIF with carrying out a feasibility study on the introduction of a new type of investment and technology transfer vehicle built around centres of excellence and universities. This study is geared particularly towards the creation of a pan-European instrument bridging the gap between research and its commercialisation.

Finally, under the European Action for Growth, the venture capital resources made available to the EIF by the EIB have been increased by 1 billion. These resources will be injected into venture capital funds investing in innovative companies.



EIB lending under i2i 2000-2003

-  R&D
-  ICT
-  Education
-  Health
-  Audiovisual
-  Global loans





Human capital formation

Under the i2i programme, the EIB lent almost 2.7 billion for 27 health and education projects in 2003. A large number of these involve the construction, renovation or upgrading of higher education or university facilities, notably in Helsinki, Madrid, Toulouse and North Rhine-Westphalia. In Romania, the EIB financed the refurbishment and equipping of schools throughout the country.

Technology networks

As essential vehicles for the diffusion of innovation and data exchange between companies, in 2003 information and communications technology (ICT) networks attracted 1.4 billion in EIB loans split between 14 transactions.

In Ørestad (Copenhagen), the EIB cofinanced the construction of a new production facility for Denmark's national broadcasting company. Further investment will be made in new technological developments such as digitalisation and online services in this new audiovisual production centre. In Cyprus, agreements were signed for financing investment in education and information technology in a bid to foster the development and use of ICT networks.

Diffusion of innovation: Audiovisual i2i

In 2003, the EIB signed two further framework agreements – each worth 20 million – in a continuation of its cooperation with two financial institutions specialising in audiovisual sector finance. By the end of the year, the EIB's partnership with these companies had generated a portfolio of 36 films or television programmes cofinanced by the Bank, bringing total loans signed in the audiovisual sector to 423 million.

Launched in December 2000, Audiovisual i2i is designed to foster European audiovisual production and distribution, help the industry embrace new technologies and encourage greater involvement by the European banking and financial community in financing the sector's players. This initiative is being implemented in tandem with the European Commission's "MEDIA Plus" programme.



Financing Trans-European Networks

Efficient communications, energy transfer and information networks will be a vital factor in the economic integration of the Member States of the enlarged European Union.

Since 1993, in response to the various Community initiatives identifying Trans-European Networks (TENs) in the Union, and more recently in the new Member States, the Bank has vastly scaled up its TENs lending.

Leading source of bank finance

As the leading source of bank finance for these major networks in the enlarged EU, the EIB is supporting twelve of the fourteen priority transport projects and seven of the ten priority energy projects pinpointed by the Essen European Council in December 1994, as well as the main large-scale telecommunications projects. Over a period of 10 years (1993-2003), loans amounting to 56 billion have been signed for transport TENs, 6.7 billion for energy TENs and EUR 19 billion for telecommunications TENs.

The Bank contributes real value added to these projects. It has the financial clout to:

- mobilise on the keenest terms the huge sums necessary to build this infrastructure;
- offer maturities (up to 30 years and longer) tailored to the scale of the schemes concerned;
- where appropriate, provide structured finance as an adjunct to commercial bank and capital market funding.

The catalytic effect of the Bank's input is especially illustrated by the growing number of public-private partnerships (PPPs) supported by the EIB, which combine the inherent advantages of both sectors in the creation of such infrastructure. In 2003, the Bank approved loans totalling 2.8 billion for PPP projects and finance contracts for a similar amount were signed in support of key schemes such as improvements to the London

Underground and the Barcelona tram network, and the construction of motorways in Spain, the United Kingdom and Ireland, the Rion-Antirion bridge in Greece and an intermodal freight centre in Graz (Austria).

Enhanced activity up to 2010

Under the **European Action for Growth** approved by the European Council in December 2003, the EIB will increase its contribution to TENs financing, notably by introducing a priority lending facility endowed with 50 billion up to 2010.

Furthermore, the Bank will improve the range of its financial instruments with a view to boosting the proportion of private-sector investment in TENs financing. In particular, it will offer loans with very long maturities (up to 35 years) and appropriate grace periods – which in certain cases may cover up to 75% of the investment cost; provide guarantees for investment-grade projects during their construction phase; and create securitisation funds.

Finally, the Bank will implement, in cooperation with the Commission and the Council, a "quick-start" programme focusing on projects' importance for the integration of the internal market in the enlarged EU, along with their degree of maturity, economic and financial viability, impact on growth and leverage effect on private capital.



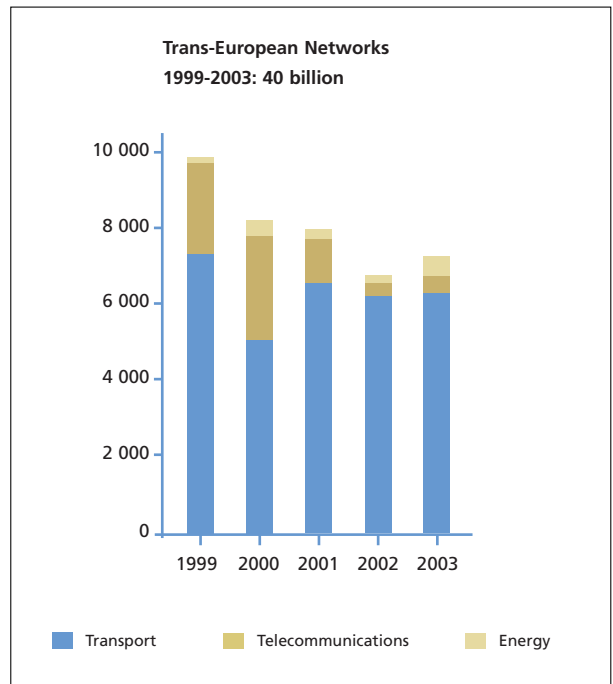
6.8 billion lent in 2003

In 2003, signed loans in support of TENs projects in the enlarged Union totalled 6.8 billion.

In the **transport** sector, the principal financing operations within the EU (excluding the new Member States) concerned:

- construction of high-speed rail lines such as those connecting Fawkham Junction to London (United Kingdom) and Cologne to Frankfurt city and airport (Germany) and the new line linking Madrid to Barcelona (Spain);
- improvements to road and motorway networks involving, in particular, the building of several motorways in Spain and Portugal, upgrading of a section of the A1 motorway between Darrington and Dishforth (United Kingdom) and construction of motorway sections on the Egnatia trunk road and the Rion-Antirion bridge connecting the Peloponnese to mainland Greece;
- upgrading of airport infrastructure in Madrid (Spain), Munich and Hamburg (Germany), Cork (Ireland) and Venice (Italy);
- expansion or modernisation of port infrastructure: some 20 ports in Italy; Barcelona, Sagunto and Las Palmas (Spain); Hamburg and Bremerhaven (Germany); Vuosaari and Kotka (Finland); Gothenburg (Sweden); Funchal, Caniçal and Porto Novo on the island of Madeira (Portugal); and the port of Brussels (Belgium).

In the new Member States, where infrastructure development and rehabilitation needs are immense, signatures for transport TENs projects amounted to close on 1.5 billion in 2003. These countries benefited from schemes to upgrade roads and motorways (1 billion in Poland, Romania, Slovakia, Hungary and Bulgaria), port and airport infrastructure (280 million in Czech Republic) and rail transport (200 million in Hungary and Slovenia).



A further 1 billion served to finance **telecommunications** projects, of which 315 million was invested in TENs in Spain and Denmark.

In addition, loans worth 390 million were signed for **energy** TENs projects in Spain, Portugal and the United Kingdom.



EIB operations in support of Trans-European Networks and corridors in the enlarged EU 1993-2003

- Routes of priority Trans-European Networks (TENs)
- Sections of TENs concerned by financing commitments
- Other infrastructure and networks of EU benefit financed
- Road and rail corridors in Central and Eastern Europe
- Sections of corridors financed
- Road/Rail
- ⬅️➡️ Electricity
- Gas
- ✈️ Airport
- Multi-regional project
- ◆ Intermodal hub
- ▼ Port
- ⦿ Air traffic control
- ➡️ Development of oil and natural gas fields



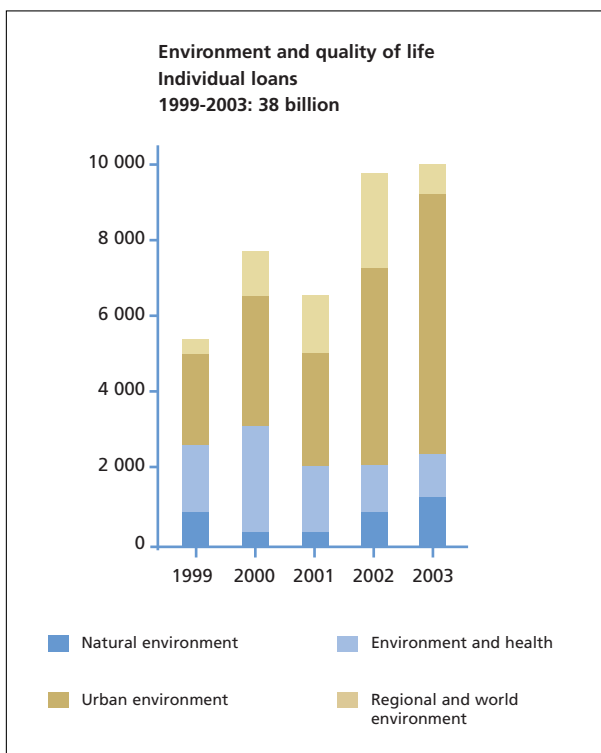


Protecting the environment and improving the quality of life

Protecting and improving the environment ranks among the EIB's top priorities. Accordingly, the Bank has set itself the goal of devoting between 30% and 35% of all its individual loans within the enlarged European Union to projects safeguarding and enhancing the environment.

The figures for 2003 meet this goal, with the proportion of individual loans in the enlarged Union reaching 42%, i.e. 11.5 billion out of a total of 12.3 billion in environmental lending.

The Bank also hit its target of doubling the financing of renewable energy projects as a proportion of its total energy sector funding (from 7% in 2002 to 15% in 2003). A large percentage of such projects were mounted in the wind power sector. The EIB is seeking to consolidate this positive result and diversify its operations into other renewable energy areas.



2003: a record year

In 2003, EIB individual loans for environmental projects within the **15-member European Union** amounted to 10.7 billion. Among the year's highlights, 3.3 billion went to urban transport schemes, including tram and

**Environment and quality of life
Individual loans in 2003**

(million)	
	Total
Natural environment	869
Environment and health	1 488
Urban environment	6 791
Regional and world environment	2 618
Total individual loans	10 761 *

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

light metro systems throughout the EU. A number of urban renewal – especially social housing rehabilitation – projects also benefited from EIB support: in Belgium (Flemish region), Germany (Saxony), Spain (Catalonia), Austria (Vienna), Portugal and the United Kingdom (Glasgow).

The EIB provided reconstruction financing to counter damage caused by natural disasters in various countries. This included, in particular, an aggregate 1.2 billion for rebuilding programmes in several Italian regions and cities struck by natural disasters in late 2002/early 2003 and a further 84 million for regions in the north of the country afflicted by floods in 2000.



In Germany, the EIB signed a global loan agreement with a particular focus on the renewable energy sector to support wind power, geothermal power, small-scale hydropower, solar energy and biomass schemes.

In the new Member States, individual loans for environmental projects ran to 811 million. The EIB continued to support reconstruction work following the damage caused by the August 2002 floods, providing in particular 155 million for repairs to the Prague metro network in the Czech Republic and 50 million for landslide protection schemes in Poland.

Fostering environmental protection in non-Member Countries

In the Mediterranean Partner Countries and the Balkans, the EIB advanced 677 million in direct loans.

Algeria benefited from 230 million for infrastructure rebuilding and repair in areas hit by the earthquake on 21 May 2003 while Turkey received 150 million for priority rehabilitation and reconstruction measures in the regions devastated by the earthquake of August 1999.

The Bank provided its first ever loan for an environmental project in the Western Balkans: 27 million for water infrastructure in 5 Albanian municipalities.

In the ACP (Africa, Caribbean and Pacific) Countries, 54.5 million went to environmental projects, at the same

Support for regions affected by oil slick

In 2003, the EIB again demonstrated its solidarity and ability to react swiftly to environmental disasters and emergencies by granting an exceptional loan to counter the catastrophic economic and ecological effects of the oil spill from the tanker "Prestige" in Galicia, Asturias and Cantabria – the three Spanish regions worst affected.



Specifically, in March 2003 the EIB provided a global loan of 150 million aimed first and foremost at sustaining economic activity in these regions, with special emphasis on small and medium-sized enterprises (SMEs) and local authorities. In addition, the Bank deployed a 350 million emergency framework loan dedicated to financing a public investment programme for larger-scale projects. These loans carry particularly favourable terms which in exceptional cases may stretch to financing total project costs.

time contributing to the Bank's overarching goal of promoting sustainable development in these countries.

Lastly, the Bank signed a 25 million loan contract for construction of a wastewater treatment plant in St Petersburg, its first lending operation in the Russian Federation.



Cooperation with the Commission

Synergies between EIB loans and EU grant financing are crucial for an effective and efficient transfer of funds. The Bank and the European Commission are operational partners in the environmental sector, combining their funds particularly in the new Member States of the Union, the Mediterranean Partner Countries and the ACP Countries. The Bank also acts as an adviser to the Commission in the appraisal of Cohesion Fund and ISPA (Instrument for Structural Policies for Pre-Accession) projects.

Furthermore, the Bank is supporting the EU Water and Renewable Energy Initiatives to help achieve the UN Millennium Development Goals. It also plays a part in various European regional environmental initiatives in the Baltic, Mediterranean, Danube and Black Sea regions. Its role in the Northern Dimension Environmental Partnership (NDEP), which is to co-ordinate and accelerate the implementation of environmental and nuclear projects in Europe's northern region, in particular in North West Russia and Kaliningrad, deserves mention as the EIB is chairing the NDEP Steering Group for the period July 2003-2004.



The EIB and climate change

At the 9th Conference of Parties (COP) of the Kyoto Protocol in Milan in December 2003, EIB President Philippe Maystadt presented the Bank's new initiatives to support the EU's climate change policy. Key are a 500 million "Dedicated Financing Facility" to help European businesses participating in the EU Emissions Trading System (2005) and a "Technical Assistance Facility" to provide conditional grant finance in the framework of the "Joint Implementation" and "Clean Development Mechanism" of the Kyoto Protocol. EIB participation in a carbon equity fund to invest in carbon credits is also being explored. The EIB, which has been working on climate change for several years in co-operation with the European Commission, is now again working closely with the Commission in developing and implementing its new initiatives, as well as with other parties specialising in carbon credit markets.



Environmental report 2003

In May 2004, the EIB published its second environmental report setting out the resources allocated by the Bank to this priority objective, its approach to environmental issues and its recent lending for the natural and urban environment.

This report is available on the Bank's website: www.eib.org.



Forum 2003



“Visions of Environmental Sustainability: Europe’s Long-Term Energy and Water Policies”

The 9th EIB Forum was held in Dublin on 23 and 24 October 2003 with some 350 participants from throughout Europe.

In his opening address, EIB President **Philippe Maystadt** highlighted the extreme importance of the chosen theme: long-term environmental sustainability in the energy and water sectors. He also stressed that the EU Member States had made firm commitments to environmental sustainability and that continuous and consistent action needed to be taken to achieve this goal.

Speakers at the Forum notably included Ms **Margot Wallström** (European Commissioner for the Environment) and Messrs **Bertie Ahern** (Prime Minister of Ireland), **Charlie McCreedy** (Ireland's Finance Minister), **Børge Brende** (Chairman of the UN Commission for Sustainable Development and Norway's Minister for the Environment) and **István Csillag** (Hungary's Minister for the Economy and Transport).

For further details of the proceedings, see *EIB-Information n°115* or visit the Bank's website www.eib.org/forum. The 10th Forum will be held on 14 and 15 October 2004 in Warsaw (Poland).



Philippe Maystadt, President of the EIB



Michael G. Tutty, Vice-President of the EIB, Margot Wallström, European Commissioner for the Environment, Børge Brende, Norway's Minister for the Environment, Charlie McCreedy, Ireland's Finance Minister



Michael G. Tutty, Vice-President of the EIB, Bertie Ahern, Prime Minister of Ireland, Philippe Maystadt, President of the EIB



Preparing the new Member States

Since 1990, the EIB has granted loans totalling over 25 billion in the 10 new Member States: 24 billion in the Central and Eastern European countries and 1.02 billion in Cyprus and Malta. With 4.6 billion advanced in 2003 alone (compared to 3.4 billion in 2002), the Bank remains the leading external source of financing in the new Member States and Accession Countries (Bulgaria and Romania).

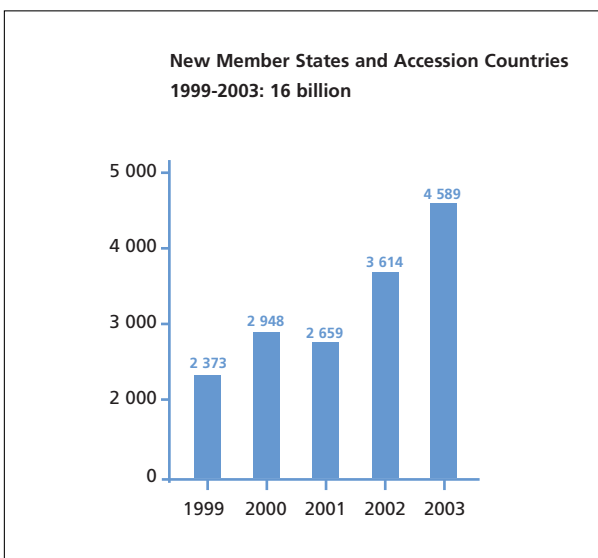
The EIB gives priority to projects enabling these countries to comply with current EU standards and policies. It has operated under:

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

Since 2002, the EIB has applied the same objectives, evaluation criteria and risk management policies to projects in the new Member States as to operations in the 15-member Union.

Improving the environment

The new Member States must comply with the Union's environmental standards. Besides supporting urban and regional transport programmes, which also help to reduce air and water pollution and improve the quality of life, the Bank maintained a steady flow of funds to environmental protection schemes, particularly in the water supply, wastewater treatment and urban development sectors. Thus, 16% of loans granted in 2003 targeted environmental protection, water and urban renewal projects.



**New Member States and Accession Countries
Loans by sector in 2003**

(million)

	Total
Transport and telecommunications	1 681
Water (urban infrastructure) and environment	736
Industry and services	869
Health and Education	643
Global loans	660
Total	4 589

Among the other sectors financed, the bulk of loans went to transport and telecommunications infrastructure (37%), industry and services (19%) and health and education (14%). These are priority sectors in vital need of rehabilitation and modernisation to meet EU standards.



**New Member States
Loans provided in 2003**

(million)

	Total
Poland	1 345
Czech Republic	1 217
Hungary	741
Slovakia	209
Slovenia	109
Lithuania	100
Latvia	40
Estonia	30
Central Europe	3 791
Cyprus	235
Mediterranean	235
Total *	4 026

* of which Pre-Accession Facility: 3 867 million

The remaining 14% was granted in the form of global loans for projects mounted by small and medium-sized industrial and services firms and by local authorities or associations of municipalities.

Solid backing for SMEs and small-scale infrastructure

The Bank supports SMEs and small-scale investment by local authorities with medium and long-term financing in the form of global loans, providing finance on favourable terms in domestic currency through the intermediary of a large number of banks, for projects with an investment cost below 25 million.

The EIB encourages its partner banks in the region to make special efforts

to reach the smaller projects. As a result, the average size of the EIB's contribution to funding these investments dropped from 650 000 in 2002 to 360 000 in 2003.

In the framework of the EIB/European Commission partnership (the **SME Finance Facility**), 300 million was allocated to financing some 335 small and medium-scale projects under existing global loans. Following the success of this concept and its implementation, the EIB joined forces with the Commission to set up the **Municipal Infrastructure Facility (MIF)**. This aims to speed up the development of small-scale local infrastructure projects in regions of the new Member States bordering the EU-15. Under the MIF, the EIB allocates part of its global loan credits for on-lending to municipalities, whereas the Commission provides grants to both EIB intermediaries and final beneficiaries in support of these municipalities' projects.

For its part, the EIF pressed ahead with its activity, signing three guarantee operations in Eastern Europe (Bulgaria, Czech Republic and Latvia) in the form of credit insurance transactions amounting to 54 million. It also signed a venture capital operation in Hungary.

Close cooperation with the banking sector

The scope and impact of EIB lending in the new Member States depends on close cooperation with their banking sectors. It would not be possible to

reach small – especially the smallest – firms without the help of local banks who know the market and maintain relations with start-up SMEs. In addition, the EIB works together with the region's international and domestic banks in arranging adequate guarantees for its financing operations.

Three financial institutions have joined the EIF's shareholder base: The Hungarian Development Bank Ltd (Hungary), The Encouragement Bank (Bulgaria) and Bank of Valletta plc (Malta).



The Euro-Mediterranean financial partnership (FEMIP)

In 2003, the first full year of activity since the launch of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), lending in the 10 Mediterranean Partner Countries (MPC) reached the record figure of almost 2.1 billion, confirming the Bank's position as a major player in fostering the region's economic development and stability.

Focus on the private sector and infrastructure

EIB activity in the Mediterranean region reflects the high priority accorded to FEMIP's objectives: more than one third of operations directly promoted the growth of private businesses, through support for foreign direct investment (Turkey, Tunisia) or joint ventures resulting from cooperation between MPC promoters (Algeria), or through SME financing (Egypt, Syria, Tunisia, creation of a regional venture capital fund).

Loans also targeted infrastructure projects, including in the energy and environment sectors (46%), underpinning private sector development in Morocco, Algeria, Egypt, Lebanon and Syria.

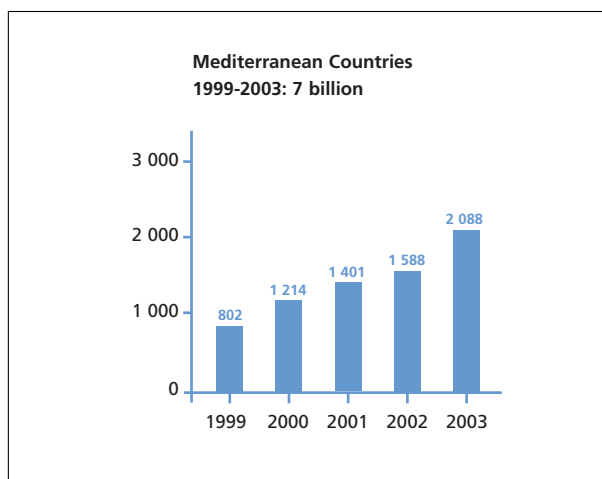
Other EIB-financed projects included:

- Power and water supply and distribution in Egypt, Morocco and Tunisia;
- Improvement of health infrastructure in Syria and Tunisia;
- Remodelling of education systems in Jordan and Turkey;
- Assistance to populations stricken by natural disasters (Algeria).

FEMIP: new dimension to EIB financing in the MPC

FEMIP represents a major step forward in economic and financial cooperation between the Union and the MPC. Its priorities are:

- Extensive involvement of the MPC in FEMIP policy-making through the holding of ministerial-level meetings (Policy Dialogue and Coordination Committee – PDCC) and opening of regional offices in the Mashreq and Maghreb countries;
- Development of the wealth and job-creating private sector;
- Promotion of investment in human capital;
- Greater technical assistance for the design of quality projects and the process of economic reform in the MPC;
- Deployment of innovative financial products and risk capital;
- Gradual increase in the annual volume of EIB lending in the MPC from 1.4 to 2 billion.





**Mediterranean Countries
Loans provided in 2003**

	Total	(million) of which risk capital
Turkey	600	
Egypt	509	
Tunisia	395	
Algeria	230	
Morocco	194	10
Syria	90	
Jordan	66	
Mediterranean Group	4	4
Total	2 088	14

A decision on whether to incorporate an EIB majority-owned subsidiary dedicated to the Mediterranean Partner Countries will be taken in December 2006 on the basis of an evaluation of the reinforced FEMIP's performance and taking account of the outcome of consultations with the Barcelona Process partners.

Future development

FEMIP's third PDCC meeting (Naples, November 2003) reaffirmed the strong commitment of the Economy and Finance Ministers of the 15 EU Member States and the Mediterranean Partner Countries to forging a closer economic partnership.

In December 2003, the Brussels European Council decided to augment FEMIP, bolstering its position within the Bank by means of a number of measures in support of private sector development:

- Allocation of a maximum of 200 million from the Bank's reserves to the expansion of risk-sharing operations up to 1 billion, and better structuring of lending to mitigate private sector risks (special FEMIP envelope);
- Improved dialogue on the structural reform process to enhance the

environment for private sector activity; increased project and donor coordination; development of new financial products by virtue of transformation of the Policy Dialogue and Coordination Committee into a Ministerial Committee of Finance Ministers meeting once a year, to be complemented by a high-level preparatory body of experts;

- Creation of a trust fund of 20-40 million, modelled on the special cofinancing funds of other IFIs, channelling resources to projects in priority sectors (water, transport, electricity, human capital) that can be made financially viable by means of a grant contribution or risk-capital participation.



Cooperation with other partner countries

Dovetailing with its activity in the Mediterranean Partner Countries, the EIB makes an active contribution towards implementing the European Union's development aid and cooperation policies in other non-member states.

African, Caribbean, Pacific (ACP) States and OCT

Since 2 June 2003, the Bank's operations in the ACP countries have been carried out under the new Cotonou ACP-EU Partnership Agreement and project financing under the expired Fourth Lomé Convention has been phased out.

In this framework, the Member States have entrusted the Bank with managing, over the next five years, an Investment Facility endowed with 2.2 billion, plus 1.7 billion in EIB own resource lending. As the prime objective is poverty reduction, priority will be given to small-scale private-sector investment and schemes in the health and education sectors. The Investment Facility will operate as a revolving fund, meaning that the proceeds of repayments will be ploughed back into financing new projects.

In 2003, the EIB granted loans totalling 463 million in the ACP countries, including close on 286 million from the Member States' budgetary resources. Last year saw the swift launch of operations under the new Cotonou Agreement, amounting to 146 million or 31.5% of the lending volume.

Highlights include the financing of:

- renewal and upgrading of airport and aeronautical equipment in various African regions (63 million) to improve air traffic safety;
- rehabilitation of water and sanitation facilities in Tanzania (35 million);
- Kansanshi copper mine in Zambia (34 million);
- Bel Ombre hotel complex in Mauritius (12.2 million), in an operation combining a loan from own resources, a subordinated loan and an equity participation to create a made-to-measure financing package for a tourism sector project.

ACP-OCT Loans provided in 2003		
		<i>(million)</i>
	Total	of which risk capital
Africa	415	278
<i>Southern and Indian Ocean</i>	199	94
<i>East</i>	71	71
<i>Regional Africa</i>	63	30
<i>West</i>	47	47
<i>Central and Equatorial</i>	36	36
Caribbean	48	8
ACP-OCT	463	286

South Africa

The EIB lent 260 million, partly in support of the energy sector (50 million) and partly in the form of global loans for financing small and medium-scale infrastructure schemes (210 million).



Western Balkans

In 2003 the EIB pressed ahead with its operations in this region, lending some 372 million. Its business was characterised by diversification into new sectors such as health (hospital modernisation in Serbia) and local authority financing (extension and rehabilitation of water and sanitation networks in Albania, transport and district heating in Croatia).

In the years ahead, the EIB will continue its financing in support of the integration of the Western Balkan countries, while maintaining average annual lending at some 400 million.

Balkans Loans provided in 2003	
	(million)
	Total
Croatia	170
Serbia and Montenegro	162
Albania	27
FYROM	13
Balkans	372

Asia and Latin America Loans provided in 2003	
	(million)
	Total
Latin America	254
Brazil	219
Regional – Central America	36
Asia	94
India	50
Pakistan	44
Asia and Latin America	348

Asia and Latin America (ALA)

In 2003, lending amounted to 254 million in Latin America and 94 million in Asia, or 348 million overall. Since it began its operations in the ALA countries in 1993, the EIB has signed 73 loans totalling 3 298.4 million. EIB activity is aimed at strengthening the international presence of European companies and banks by supporting projects of mutual benefit.



Abdoulaye Wade, President of Senegal, David Mwiraria, Kenya's Minister of Finance, and Philippe Maystadt, President of the EIB, at the ceremony to launch the Investment Facility.



EIB Group support for SMEs

The EIB Group is able to provide both medium and long-term financing via its global loans and equity through venture capital financing. This covers the spectrum of resources necessary for the development of SMEs in a changing economy.

Over the past five years, the EIB Group's support for SMEs in the enlarged 25-member Union has been distributed as follows:

- Almost half of the 56.2 billion signed in global loans to over 200 partner banks;
- 2.5 billion in equity participations in 189 operations;
- 6.4 billion in portfolio guarantees set up through 120 specialised banks.

EIB global loans

Global loans are credit lines that the EIB grants to an intermediary – a bank or other financial institution – which deploys the proceeds to support small-scale investment projects. Global loans signed by the Bank in 2003 in the enlarged 25-member Union amounted to 11.2 billion, of which nearly half is destined to benefit SMEs. Of this amount, the Central and Eastern European Countries that have recently joined the EU received 635 million.

The Bank pressed ahead with its policy of diversifying intermediary banks in order to create a competitive environment favourable to SMEs and spread the use of global loans, particularly in regional development areas.

SME Finance Facility in the new Member States

In the framework of the EIB/European Commission partnership (the SME Finance Facility), 300 million was allocated to financing some 335 small and medium-scale projects under existing global loans in the new Member States. Following the success of this concept and its implementation, the EIB again joined forces with the Commission to set up the Municipal Infrastructure Facility (MIF). With the Commission's support, this Facility aims to speed up the development of small-scale local infrastructure projects in regions of the new Member States bordering the EU-15.

The EIF

The EIF, in which the Bank is lead shareholder (almost 60%) alongside the Commission (30%) and a cluster of banks and financial institutions, specialises in venture capital financing and SME guarantees.

Since 2000 and in light of the Lisbon Summit conclusions, the EIF has been responsible for all the EIB Group's investment in venture capital funds. It also manages budgetary resources mobilised by the European Commission under the Multiannual Programme for Enterprise (MAP) 2001-2005, which mainly consists of a seed and start-up capital instrument and a SME guarantee facility.

The EIF's business is geared to a twofold objective: supporting EU policies while obtaining a financial return. Total venture capital and guarantee operations currently amount to 2.5 billion and 6.4 billion respectively.



EIF venture capital operations

The EIF's investment strategy rests on three main pillars:

- support for European high technology (biotechnology, new materials, life sciences, etc.);
- participation in funds furthering the Union's regional development objective;
- backing for funds operating on a pan-European scale.

Despite a market environment beset by investor wariness, the EIF's investments in 2003 reached 135 million spread over 16 operations. Five of the venture capital funds involved focus exclusively on companies in their seed and start-up phases, with two targeting new technology-based firms that are either university spin-offs or benefit from a strategic partnership with a university. The EIF's participation in these funds, which will feed extensively off research conducted at universities, is wholly in line with the EIB Group's Innovation 2010 Initiative.

EIF SME guarantees

The second branch of the EIF's activity is the provision of guarantees for the SME portfolios of financial institutions or public guarantee bodies. Under this heading, the EIF works with over 120 financial intermediaries. It offers two main product lines for its guarantee activity: credit enhancement (securitisation) and credit insurance/re-insurance. The EIF only covers operational lending risks.

New definition of SMEs

In line with EIB criteria, SMEs have hitherto been defined as firms with fewer than 500 employees and net fixed assets of less than 75 million before the investment. The EIB recently decided to align its definition of SMEs with the Commission's new definition, which will enter into effect on 1 January 2005 and according to which SMEs are companies with a staff of fewer than 250 and an annual turnover not exceeding 50 million or an annual balance sheet total not exceeding 43 million.

Alignment with the Commission definition will mean lowering the SME workforce threshold from 500 to 250. This will not have a major impact in terms of potential beneficiaries since the majority of SMEs receiving EIB global loan allocations have fewer than 250 employees. At the same time, the EIB has decided to put in place tailor-made instruments for financing mid-cap companies, defined as having a workforce of fewer than 3 000, thereby enabling it to continue offering indirect loans to firms excluded from the SME category by virtue of introduction of the new definition, provided that their projects are eligible for EIB financing.

In 2003, the EIF concluded 31 guarantee transactions totalling over 2.2 billion, an increase of 80% compared to the previous year. The first three EIF guarantee operations were signed in Eastern Europe (Bulgaria, Czech Republic and Latvia) in the form of credit insurance transactions amounting to 54 million. The EIF guarantee portfolio totals 6.4 billion. To date, over 250 000 SMEs have benefited indirectly from EIF guarantees.

In response to growing demand, the EIF is strengthening its advisory services for the structuring of guarantee and venture capital funds. These are designed to support the creation, growth and development of SMEs by enhancing their access to finance. This is accomplished through the provision

– for a fee – of strategic and technical advice on the design, implementation and evaluation of SME finance policies, projects and structures to a range of counterparties, e.g. governments, local authorities and regional development agencies, as well as the European Commission.

A top-flight financial intermediary



Activity on the debt capital markets

The Bank's consistent and comprehensive borrowing strategy was well received by the capital markets in a time of significant growth. This was evident in the achievement of an 11% increase in borrowing to the volume of EUR 42 bn, as well as in strong secondary market performance. Multiple awards were garnered for the borrowing programme, notably three awards for Best Supranational/Agency issuer and an award for EMTN Programme of the Year, where flexibility and innovation were the central themes. While the primary source of growth was in structured issuance, an important area of innovation, benchmark issuance in EUR, GBP and USD remained the cornerstone and largest source of funding. The AAA credit standing, reflecting strength, and the positioning of the EIB as the Consolidated European Sovereign Issuer, also remained central to the appeal of the Bank as a borrower.

Consistent and comprehensive borrowing strategy

The Bank strengthened its position as the largest and leading supranational bond issuer in a challenging market. In its funding strategy the Bank continued to pursue consistency and innovation. The cornerstone of EIB's funding programme remained the issuance of large liquid benchmarks in the Bank's three core currencies (EUR, GBP, USD). In addition, the Bank remained responsive to opportunities for targeted and structured issuance across a diverse array of currencies. EIB continued to develop its strong presence across the major capital markets, while also playing a developmental role, notably in new Member State markets. Also, EIB's issuance programme benefited from an intensification of the dialogue with leading market participants, including intermediaries and investors.

Growth and Innovation

The Bank raised EUR 42 bn (before swaps) through 310 transactions, representing significant growth compared with 2002 (EUR 38 bn raised via 219 transactions). The major source of growth was structured issuance.

Resources borrowed in the Bank's three major currencies, in EUR equivalent terms, were as follows: 41% EUR

	Before swaps		After swaps	
	EUR million	%	EUR million	%
EUR	17 318	41.1%	22 931	54.7%
GBP	7 175	17.0%	7 393	17.6%
SEK	442	1.1%	659	1.6%
Total EU	24 935	59.2%	30 983	73.9%
AUD	470	1.1%	0	0.0%
CHF	161	0.4%	161	0.4%
CZK	678	1.6%	521	1.2%
HKD	122	0.3%	0	0.0%
HUF	339	0.8%	270	0.6%
JPY	2 201	5.2%	0	0.0%
NOK	226	0.5%	0	0.0%
PLN	156	0.4%	174	0.4%
SKK	94	0.2%	94	0.2%
TWD	180	0.4%	0	0.0%
USD	12 375	29.4%	9 665	23.1%
ZAR	153	0.4%	44	0.1%
Total non-EU	17 155	40.8%	10 928	26.1%
Total	42 090	100%	41 911	100%

(35% in 2002), 29% USD (38% in 2002), 17% GBP (16% in 2002). While the volume of borrowing increased significantly in each of these three major currencies in original currency terms, the weakening dollar/euro exchange rate had a downward impact on the percentage share accounted for by dollar funding in euro equivalent terms.



EUR 40.8 bn or 97% of the issuance volume was swapped. Resources raised after swaps totalled EUR 41.9 bn, with the three major currencies accounting for 95% of the total (55% EUR, 23% USD, 17% GBP). As in 2002, the USD provided a large supply of EUR via currency swaps. The average maturity profile of borrowing stood at 8.6 years (6.1 years in 2002).

Non-structured (benchmark and targeted) issuance totalled EUR 32.8 bn through 81 transactions, representing 78% of total funds raised, compared with EUR 34.6 bn (91%) via 90 transactions in 2002. The progressive strategy in benchmark issuance has led to yet more comprehensive liquid yield curves in the Bank's three core currencies. This has produced tangible benefits for investors, not only in terms of liquidity and tradability, but also in terms of performance in the secondary market. The maintenance of strong market making arrangements also remained key to sustaining the sovereign-class liquidity and minimal bid-offer spreads of EIB benchmark bonds.

Issuance in structured format was the primary source of overall growth. Structured issuance grew strongly to EUR 9.3 bn via 229 transactions (EUR 3.4 bn via 129 transactions in 2002). The Bank conducted structured operations in a variety of currencies, with the largest and fastest growing volume achieved in EUR (EUR 3.6 bn), followed by USD (EUR 2.4 bn equivalent) and JPY (EUR 2.2 bn equivalent).

Structured and targeted issuance were important areas of innovation. In a variety of currencies, the Bank has expanded the range of structures offered to investors. Highlights included the introduction of callable formats coupled with large issue sizes in EUR and USD, the latter in Global format, and the building of the basis for a curve of inflation linked bonds in EUR, the first in EIB's asset class. Innovations in targeted issuance included an increased presence in the Japanese "Uridashi" market (non-JPY issues).

EIB raised funds in 15 currencies in 2003 (14 currencies in 2002), underlining the continued strength of diversification in its funding activities. The global reach of EIB's funding activities was further enhanced through growing penetration of key markets, including Asia/Japan and the US.

The Bank contributed to the development of markets in new Member State currencies, where innovation and strong growth in issuance to an equivalent of EUR 1.3 bn (EUR 533 m in 2002) reinforced the Bank's position as the largest non-government bond issuer.

EUR: 17 318 m before swaps/22 931 m after swaps

Overall, the Bank completed 53 transactions raising EUR 17.3 bn, compared with EUR 13.3 bn via 19 transactions in 2002. There was especially strong growth in structured issuance in the form of inflation-linked and callable bonds.

Non-structured issuance accounted for 79% of EUR funding and grew to EUR 13.8 bn (EUR 12.8 bn in 2002). The primary contribution came from four benchmark (EARN) transactions raising EUR 13 bn. Targeted transactions also made a significant contribution (raising over EUR 750 m), and included an innovative "Uridashi" transaction placed in Japan.

The Bank maintained its strategic approach to EUR benchmark issuance, launching four EARN transactions, which further strengthened the Bank's offering of highly liquid products and its presence on leading electronic trading platforms:

- Two new EARN Global issues, each raising EUR 5 bn and with original maturities in the key 5-year and 10-year sectors.



- Two strategic re-openings: a EUR 1 bn increase (EARN 4% April 2009) and a EUR 2 bn increase (EARN 5.375% October 2010), raising the outstanding volume of both issues to the EUR 5 bn threshold required for trading on the leading EuroMTS trading platform.

At end-2003 the EARN benchmark yield curve comprised 12 benchmarks covering maturities from 2004 to 2013, with a total outstanding volume of over EUR 60 bn. This remains the most comprehensive yield curve among quasi-sovereign issuers. The entire EARN yield curve is traded on the MTS electronic platform, with 11 benchmarks also trading on EuroMTS alongside the largest sovereign issues.

The enhanced distribution of benchmarks was evident in the increased breadth and depth of demand. The new EUR 5 bn 5-year EARN issued in March offered clear evidence of the widening appeal of EIB benchmark bonds in difficult market conditions. In the “flight to quality” shortly before the conflict in Iraq, this issue attracted over 300 institutional investors, including a large number of central banks, and with high levels of geographic diversity. The new EUR 5 bn 10-year EARN issued in June offered evidence of a growing presence for EUR benchmarks in Asia, with 25% of the book placed in Japan alone.

Structured transactions grew sharply in 2003 in terms of volume (to EUR 3.6 bn

Amounts outstanding on EARN issues as at 31 December 2003 (EUR million)

Coupon %	Maturity	Amount
5.250	15.04.2004	6 190
3.875	15.04.2005	5 000
3.500	15.10.2005	5 000
4.875	15.04.2006	5 000
4.000	15.01.2007	5 000
5.750	15.02.2007	2 578
5.000	15.04.2008	6 082
3.250	15.10.2008	5 000
4.000	15.04.2009	5 538
5.625	15.10.2010	5 000
5.375	15.10.2012	5 000
3.625	15.10.2013	5 000
		60 388

after EUR 0.5 bn in 2002) and also by number of transactions (46 after 12 in 2002). Highlights included the EUR 500 m callable issue, establishing a key reference point in a segment that had been subdued in EUR. Another key area of progress was in inflation-linked issuance, where EIB raised a significant volume of funds (EUR 1.1 bn) and also applied a strategic approach. The nine inflation-linked issues outstanding carry maturities ranging from 2007-2023, forming the basis for furthering the development of such innovative product along the curve.

USD: 13 599 m before swaps/10 446 m after swaps (EUR 12 375 m/9 665 m)

The Bank’s continued focus on the provision of liquidity across benchmark maturities and responsiveness to investor needs helped boost distribution in the US and worldwide. Such responsiveness was key, in a year where structured issuance was the primary source of growth in USD funding. The overall growth in volume to USD 13.6 bn (EUR 12.4 bn) involved 45 operations, compared with USD 12.9 bn (EUR 14.4 bn) via 36 transactions in 2002. The volume achieved in 2003 represents EIB’s largest ever USD issuance in a year, although the weakening dollar diminished the value in EUR equivalent terms. With these results EIB remained the largest and most frequent USD issuer among supnationals.

The largest share (81%) of USD funding remained non-structured, and raised USD 11 bn (USD 11.8 bn in 2002). Three benchmark Global transactions raised a combined total of USD 7 bn across a balanced range of maturities (in the 3-year, 5-year and 10-year sectors). Strong secondary market performance of benchmarks reflected the success of the benchmark strategy. Targeted USD issues, focusing mainly on markets in Asia/Japan and Europe, achieved a funding volume of USD 4 bn and further contributed to the diversification of EIB’s USD investor base. These included four Euro-dollar transactions as well as three “Uridashi” issues targeted at the Japanese market. Following expansion to a USD 1 bn size in response to



investor demand, Eurodollar issues are now increasingly taking on benchmark characteristics.

The curve of liquid benchmark issues was further developed and now covers maturities from 2004 to 2013, with USD 36 bn outstanding, of which USD 25 bn are in Global format. In line with the aim of leveraging electronic trading platforms to boost liquidity and transparency, there was continued support for and presence on key platforms including Tradeweb and Brokertec.

Structured issuance more than doubled to USD 2.6 bn or 19% of USD funding. In this area of growth, an important innovation was the first Global callable issue, which raised USD 1 bn and further extended the product range available to investors in EIB's USD bonds. The callable structure generated particular interest among investors in view of the 40-year low in US interest rates and relatively high interest rate volatility.

**GBP: 4 873 m before swaps/5 019 m after swaps
(EUR 7 175 m/7 393 m)**

In the sterling market, the Bank continued to be the leading Gilt-complement and the benchmark for the non-Gilt market. The Bank remained the largest non-Gilt issuer, with over 8% market share, raising GBP 4.9 bn (EUR 7.2 bn) via 25 transactions. The significant growth compared with 2002 (GBP 3.9 bn via 25 transactions) was in particular due to growing penetration of the retail market. Also, use of dedicated institutional and retail dealer groups continued to play an important role, as did eligibility as collateral at the Bank of England, which continued to give the Bank an advantage over certain peers.

Funding in non-structured format continued to dominate GBP funding, accounting for GBP 4.7 bn (96%), and increased significantly versus 2002 (GBP 3.8 bn). The benchmark strategy, of building out the yield curve with new maturities in liquid format, was reinforced. Three new maturities (7-years, 10-years and 15-years) were offered and are targeted for an increase to benchmark size.

Targeted (non-structured) transactions also played a central role and enabled the Bank to extend distribution among retail investors and to retain important institutional investors. A strategic approach to building retail demand by responding to its needs, notably in terms of maturity and coupon, as well as the use of a retail dealer group, underpinned this progress. A GBP 1 bn floating rate note was the largest targeted issue and was launched in response to strong demand from central banks and UK bank treasuries. This has been an enduring feature of the market, and follows a similar issue in 2002.

There was also growth in structured issuance, which was in inflation-linked format and amounted to GBP 185 m (EUR 274 m), of which GBP 155 m were used to finance PFI healthcare and roads projects in the UK.



New Member State currencies

Issuance in new Member State currencies more than doubled to an equivalent of EUR 1.3 bn via 45 transactions, cementing EIB's position as the largest non-government issuer in both the region and in all four markets that it tapped (CZK, HUF, PLN, SKK).

This growth in borrowing in local currencies has supported continued lending growth and EIB's position as the largest external lender in the region. As in other currencies, EIB's issuing strategy in ACC is to build up issues to liquid size across a range of maturities, where market conditions permit. The Bank also aims to respond to the needs of investors where demand for innovative structures arises.

The new SKK treasury pool for disbursement in local currency facilitated greater SKK issuance. EIB is unique amongst multilateral banks in maintaining treasury pools of funds in four EU-Acceding Country currencies (CZK, HUF, PLN, SKK). This not only facilitates on-lending in local currency but also enhances EIB's ability to respond to investor demand.

There was wide-ranging innovation in terms of offering ultra-long maturities (CZK 20-year and 25-year as well as SKK 20-year), providing new structures such as yield-curve steepeners and volatility bonds (firsts in CZK, SKK) and in offering large issue sizes (in HUF). This helped the process of opening up new areas of the market and in widening EIB's local investor base.

Other European currencies

The Bank strengthened its presence in other European currencies, raising EUR 829 m (EUR 304 m in 2002). A key area of progress was in SEK, where the Bank raised SEK 4.1 bn (EUR 442 m) after five years' absence from the market. The main focus in SEK was a Eurotributary issue (linked to EARN 2009). The success of the initial transaction manifested itself in further taps, making it the largest existing SEK issue in the Eurobond market (SEK 3.5 bn). There was also important funding in other European currencies: NOK 1.7 bn (EUR 226 m) and CHF 250 m (EUR 161 m).

Asia-Pacific/Japan and South African markets

In Japan and other Asia-Pacific markets the Bank's presence continued to grow, providing investor diversification and an important source of demand for issuance in both local currencies and the Bank's core currencies, notably in USD and EUR. In total, Asia-Pacific currencies accounted for the equivalent of close to EUR 3 bn (EUR 3.2 bn in 2002), with JPY issuance growing strongly and retaining the largest share. Funding in the region's currencies represented 40% of the Bank's transactions by number and 7% of its funding volume in 2003.

The strong growth of EIB's borrowing programme in Japan was especially noteworthy, as it has come during a



period of very low absolute yields and high exchange rate volatility. JPY issuance grew to some JPY 291 bn (EUR 2.2 bn) via 120 structured transactions (from JPY 146 bn/EUR 1.2 bn in 2002). "Uridashis" (non-JPY, Japan-targeted issues) were an important source of growth, with the largest volume achieved in USD (raising EUR 650 m equivalent), followed by AUD (EUR 470 m equivalent) and an innovative placement for EUR 158 m.

The Bank has been the largest supranational issuer in the Taiwanese market over the past five years and issued a further TWD 7 bn (EUR 180 m) of structured products in 2003. EIB received Euroweek's award for "Best Taiwanese Dollar Bond" for the second consecutive year. In difficult market conditions, the Bank also completed a HKD 1 bn transaction (EUR 122 m). In Rand, the Bank reinforced its position as the leading foreign issuer and strengthened its benchmark role in the Eurorand market by raising ZAR 1.3 bn (EUR 153 m) in nine transactions.

The optimisation of transparency is a declared goal of EIB's funding strategy, and this is supported by data available through Bloomberg (EIB<go>) and Reuters (EIBBENCH), including indications of where EIB benchmark bonds in EUR, USD and GBP are trading. This integrates information provided by market makers and complements information available through leading trading platforms. In addition, information on EIB's capital markets activities is available through the Bank's website: www.eib.org/investor_info.



The EIB's award-winning capital markets team



Cooperation with the banking sector

The EIB Group works in very close cooperation with the banking sector, both with respect to its borrowings on the capital markets and its lending, equity participation and guarantee activity. This provides an essential channel through which the EIB Group can:

- contribute funding to a raft of large-scale individual projects, where appropriate via intermediated financing;
- obtain adequate security for funding private-sector individual projects, with one third of guarantees made available to the EIB being furnished by banks or other financial institutions;
- on the strength of its experience in appraising long-term projects, act as a prime mover in arranging sound financing packages offering the keenest interest rate and maturity terms;
- help to finance municipalities and promoters of small and medium-scale infrastructure schemes by providing global loans;
- by way of its global loans and the operations of its subsidiary the EIF, underpin the activities of SMEs by enhancing their financial environment and acting as a catalyst for bank investment in this sphere.

In working together with the banking sector, the Group deploys a varied and effective range of financial products.

EIB global loans, an important means of fostering smaller-scale investment, are currently deployed through some 280 banks and other financial institutions both within and outside the EU. Apart from their impact on developing the local financial sector, they enable SMEs and local authorities to maintain close links with banks. The palette of global loans is being broadened to encompass regional banks (in response to the objective of supporting investment in less favoured areas) and more specialised intermediaries, for instance in the environmental, audiovisual and high-tech sectors.

The EIB also co-finances medium and larger-scale projects. Complementing the banking sector, EIB funding, predominantly long-term and sometimes taking the form of structured or intermediated financing, serves to diversify the sources and types of funding available to businesses, so optimising their development plans. As part of its endeavours to widen the gamut of its products to accommodate economic needs, the EIB, in cooperation with its partners in the European banking sector, is giving thought to devising a new form of financing tailored to intermediate-sized firms.

Lastly, operating both within and outside the Union, the EIB is well equipped to work in tandem with the banking sector in supporting the group strategies of major players by furthering their projects in the EU as well as their foreign direct investment in non-member countries.

The EIF, for its part, also operates in partnership with the financial and banking sector:

- either in channelling finance to venture capital funds, partly run by banking groups' specialist subsidiaries;
- or by providing guarantee facilities for banks' SME investment portfolios.

EIB Group administration and staff





A partner to the European Institutions and International Financial Institutions

The EIB is a public bank whose purpose is to further the Union's objectives by implementing financing guidelines laid down by its shareholders in the forums of the Board of Governors and the European Council. It must therefore reconcile the operational constraints of a bank and dialogue with the European institutions which prepare, propose and decide on the Union's policies.

Cooperation with the Council

In addition to the Annual Meeting of the Board of Governors, the Bank regularly participates in the meetings of the **ECOFIN Council** and its preparatory bodies, making available its capital investment financing expertise.

Furthermore, in 2003 the trend continued for the **European Council** to look increasingly to the EIB and the EIF for assistance in implementing new Community initiatives hinging on banking or financial instruments. This was particularly the case at the Spring European Council meeting, which took stock of the progress of the Lisbon agenda and congratulated the Bank on its implementation of the i2i programme. Similarly, at the December European Council meeting three major dossiers were the subject of decisions directly involving the Bank: the Action for Growth; the mid-term review of external mandates; and the reinforcement of FEMIP.

Cooperation with the European Commission

Cooperation between the Commission and the EIB is a continuous process. During 2003, a special Joint Working Party was launched to review the various aspects of this cooperation, with particular emphasis on joint working processes and joint products delivery. The conclusions of the Joint Working Party were endorsed in February 2004 at the annual meeting between Commissioners and the EIB's Management Committee.

In terms of **procedures and working processes**, cooperation between the EIB Group and the different Commission services varies in intensity as well as in the form that it takes. Cooperation first applies to the process of "upstream" policy formulation and policy dialogue between the two institutions and then extends "downstream" via the country or sector strategies and programmes to the investment and individual project level.

In combining **EIB Group products with finance from the EU budget**, the objective is to optimise the mix of grant and loan resources to achieve best value for taxpayers' money by leveraging grants with the financial resources of the EIB and ultimately of other partners, so as to increase the incentives for Member States and other beneficiaries to implement EU policies. Mechanisms that can bring added value (viz. leveraging and/or incentives) include the use of the EU budget to provide financial support for guarantee schemes, the provision of risk capital and technical assistance from the EU budget, and increasing recourse to the EIB as a technical adviser in project appraisal. The deployment of financial products combining EIB and budgetary resources is also being expanded in activities outside the EU, such as those under the Facility for Euro-Mediterranean Investment and Partnership ("FEMIP"), whereby risk capital, technical assistance, interest subsidies and budget guarantees are supporting operations managed by the EIB.

In addition, various forms of **joint programming of resources in support of particular EU policies** are employed. This approach has likewise been designed to maximise the impact of all available resources in this regard, through coordination, leveraging and the creation of incentives. A particular example is the programming of regional assistance under the EIB's Structural Programme Lending, whereby EIB operations underpin multiannual investment programmes managed by public authorities meeting the EU's economic and social cohesion objectives. Such lending is normally closely linked to operations supported by the Community Support Frameworks under the *Structural Funds*.



Dialogue with the elected representatives of Europe's citizens

In 2003, the EIB Group continued its dialogue with the **European Parliament** by attending numerous meetings of Parliamentary Committees, notably the Committees on Economic and Monetary Affairs, Budgets, Regional Policy and Transport and Equal Opportunities. These exchanges of views enabled the Bank to stay in tune with the European Parliament's thinking and to discuss the implementation of its various recommendations concerning the EIB's operations. At the same time, the elected representatives of the Union's citizens were regularly briefed on the EIB Group's activities such as its contribution to the Action for Growth, operations in the TENS sector and support for SMEs, as well as its follow-up to the recommendations made by the European Parliament in 2002 in its Annual Report on the EIB's activities. A number of meetings were also held between the members of the Bank's Management Committee and MEPs in order to enhance the mutual awareness of the different EU players' policy priorities.

A meeting between the President of the EIB and the new Chairman of the **European Economic and Social Committee** took forward the dialogue between the Bank and the EESC initiated in 2001, drawing on the Committee's role as an interface between the Union's institutions and civil society. The European Economic and Social Committee also invited the EIB to present its contribution to the Action for Growth at a section meeting.

In a further manifestation of this comprehensive strategy of openness and dialogue between the various protagonists in EU policy, the President of the EIB addressed regional and local elected representatives at the plenary session of the **Committee of the Regions**.



Partnership with other International Financial Institutions (IFIs)

In order to enhance the effectiveness of its operations outside the Union, the EIB made special efforts to step up its cooperation with other international financial institutions, notably the EBRD (particularly in the Balkans and Russia), the World Bank Group and the African Development Bank.



Transparency and dialogue with civil society

Recognising the legitimacy of public interest in its workings, the Bank has set itself the goal of providing as much information as possible on its modus operandi, activities and projects, while achieving a balance with the requisite banking confidentiality of its operations and the integrity of its decision-making processes.

Against this backdrop, the EIB has substantially expanded its website (www.eib.org) which, with more than 1 151 000 visitors each year, represents the main interface between the Bank and the public. The EIB now publishes on its website:

- **its operational strategies**, making available on-line its Corporate Operational Plan and details of its sectoral policies, in particular those relating to the environment, sustainable development, climate change, promotion of renewable energies and preparing the Accessing Countries for EU membership;
- **a list of projects under appraisal**, subject, where applicable, to protection of the Bank's and its counterparties' legitimate business confidentiality interests; full information is provided on the parameters of each project under consideration;
- **detailed explanatory notes** on projects already financed attracting particular attention from interest groups;
- information on **appraisal procedures and methods**, the project life cycle and the monitoring arrangements for projects financed.

This drive for greater transparency is backed by ongoing dialogue with civil society conducted via Non-Governmental Organisations (NGOs). The EIB recognises that NGOs, as public interest groups, can have a valuable input into the evolution of policy at both a national and international level. They help ensure that institutions such as the EIB are sensitive and more aware of local issues and can provide useful additional information.

The Bank organises workshops with interested NGOs twice a year to discuss topics of common interest and to learn about each other's objectives and activities. The EIB's participants have included, as well as staff specialists, members of the Bank's Management Committee and Board of Directors. In 2003, both workshops were held in the Mediterranean region (Thessaloniki and Marseilles), covering in particular regional water topics but also domestic solid waste, sustainable development issues and the Bank's public information policy. The NGO Workshops are organised on a regional basis, primarily to allow local and regional NGOs to meet with the Bank.

Throughout the year, the bulk of contacts were with international NGOs, many of them working in the environmental field. Some international advocacy NGOs are increasingly taking a closer look at the Bank's activities, which has resulted in extensive correspondence, mostly on investment projects being considered by the EIB, as well as on the Bank's information policy. NGOs also formally raised two complaints with the Secretary General, under the Bank's "Code of good administrative behaviour for the staff of the European Investment Bank in its relations with the public", on the way their enquiries had been handled by the Bank. The Secretary General concluded that the enquiries had been dealt with appropriately.

During the year EIB staff also met with local NGO delegations for discussions on the Sofia Airport and E-79 Motorway projects (both in Bulgaria), the Veracel Pulp Mill project (State of Bahia, Brazil) and the S-1 Expressway (Poland).



EIB Governing Bodies

The accession of ten new Member States to the European Union on 1 May 2004 has had the effect of introducing statutory amendments relating to EIB capital shares and governance.

The **Board of Governors** consists of Ministers designated by each of the 25 Member States, usually Finance Ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. It appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

The **Board of Directors** has sole power to take decisions in respect of loans, guarantees and borrowings. As well as seeing that the Bank is properly run, it ensures that the Bank is managed in keeping with the provisions of the Treaty and the Statute and with the general directives laid down by the Governors. Its members are appointed by the Governors for a renewable period of

five years following nomination by the Member States and are responsible solely to the Bank.

The Board of Directors consists of 26 Directors, with one Director nominated by each Member State and one by the European Commission. There are 16 Alternates, meaning that some of these positions will be shared by groupings of States.

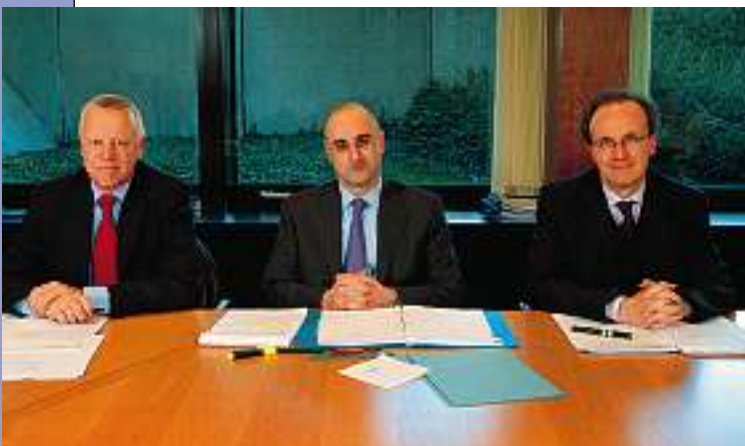
Furthermore, in order to broaden the Board of Directors' professional expertise in certain fields, the Board will be able to co-opt a maximum of 6 experts (3 Directors and 3 Alternates), who will participate in the Board meetings in an advisory capacity, without voting rights.

Since 1 May 2004, decisions have been taken by a majority consisting of at least one third of members entitled to vote and representing at least 50% of the subscribed capital.

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

The **Audit Committee** is an independent body answerable directly to the Board of Governors and responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner. It reports to the Board of Governors and, at the time of approval by the Governors of the Annual Report of the Board of Directors, issues a statement on the audits carried out.

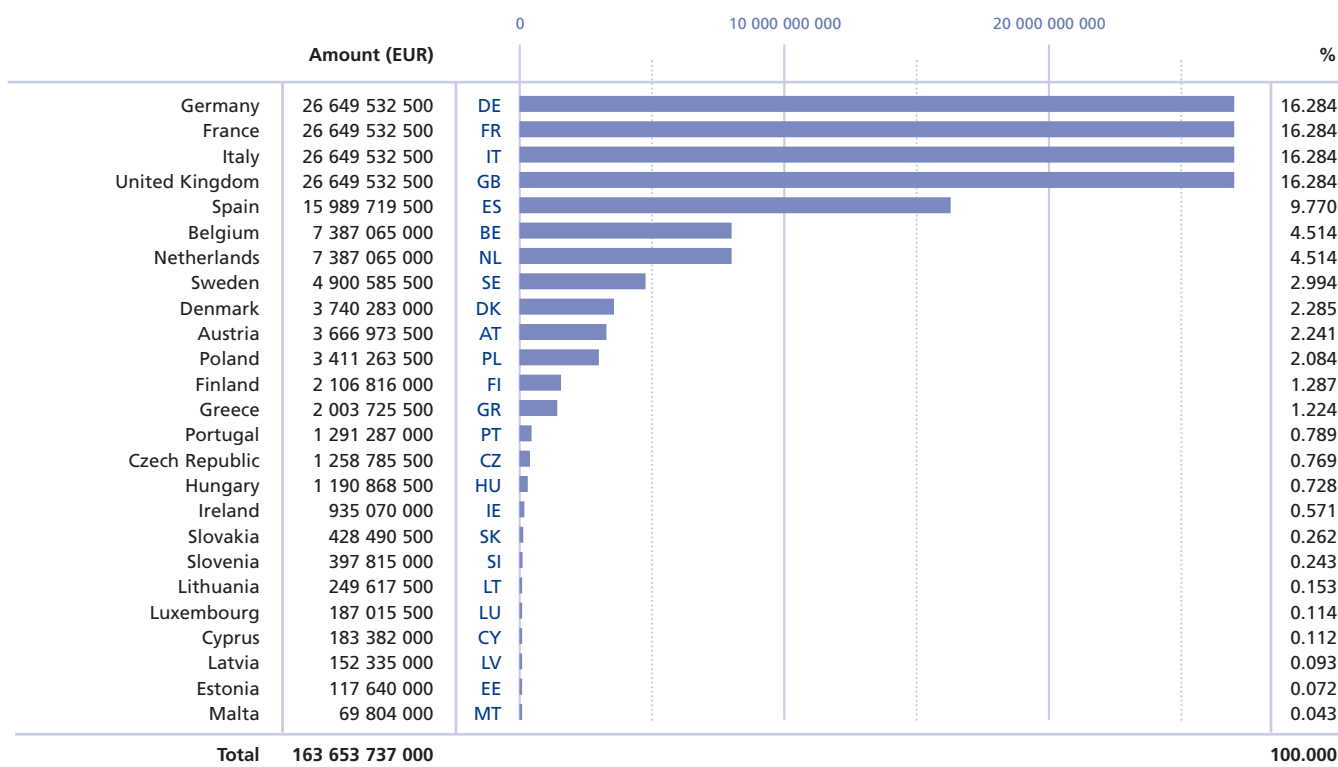
The Audit Committee



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



Breakdown of the EIB's capital as at 1 May 2004



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

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

Capital: Each Member State's share in the Bank's capital is calculated in accordance with its economic weight within the European Union (expressed in GDP) at the time of its accession. For the 10 new countries, the portion of subscribed capital to be paid in (5%) will be so in eight instalments.

On 1 May 2004, Spain increased its share of the subscribed capital to approximately 10% through an additional financial contribution, also in accordance with an eight-instalment schedule.

The Management Committee of the EIB

The College of the Management Committee Members and their supervisory responsibilities

(Situation as from 1 May 2004)

Philippe MAYSTADT

President of the Bank and Chairman of its Board of Directors



- Relations with European Parliament
- Institutional matters, General Secretariat
- Reporting by Financial Controller and Internal Audit
- Credit risk
- Human resources
- Governor of EBRD
- Financing operations in Turkey (temporarily)

- Financing operations in Germany, Austria, Poland, Czech Republic, Hungary, Slovakia and Slovenia, as well as in Croatia, Bulgaria and Romania
- Information and communication policy
- Equal opportunities policy
- Headquarters extension and Buildings
- Vice-Governor of EBRD
- Chairman of EIB Arts Committee

Wolfgang ROTH
Vice-President



- Financing operations in United Kingdom
- Environmental protection
- Relations with NGOs; Openness and transparency
- Operational risks
- Internal and external audit and relations with Audit Committee
- Relations with European Court of Auditors
- Relations with European Anti-Fraud Office (OLAF)
- Member of EIF Board of Directors

Peter SEDGWICK
Vice-President



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

Isabel MARTÍN CASTELLÁ
Vice-President



- Financing operations in the Netherlands, Denmark, Ireland, the ACP States and South Africa
- Cotonou Agreement Investment Facility
- Project appraisal and ex post evaluation
- Regional development
- Global loans (general aspects)
- Professional training
- Liaison with AfDB

Michael G. TUTTY
Vice-President



- Financing operations in Italy, Greece, Cyprus and Malta, as well as in the south-west Balkan countries
- Budget
- Accountancy and control of financial risks
- Information technologies

Gerlando GENUARDI
Vice-President



- Financing operations in France, the Maghreb and Mashreq countries, Israel and Gaza/West Bank
- Facility for Euro-Mediterranean Investment and Partnership (FEMIP)
- Financial policies
- Capital markets
- Treasury

Philippe de FONTAINE VIVE CURTAZ
Vice-President



- Financing operations in Sweden, Finland, Lithuania, Latvia, Estonia, Norway, Iceland and Russia; relations with Switzerland
- Economic and financial studies
- Trans-European Networks
- Liaison with Nordic Investment Bank (NIB)
- Member of EIF Board of Directors

Sauli NIINISTÖ
Vice-President



Ivan PILIP
Vice-President



The distribution of responsibilities has been under review since the new Vice-President took office on 1 May 2004.

Organisation Chart

(Situation at 1 June 2004)



General Secretariat and Legal Affairs

Eberhard UHLMANN
Secretary General and
General Counsel of Legal Affairs

Interinstitutional Affairs and Brussels Office

Dominique de CRAYENCOUR
Director

Governing Bodies, Secretariat, Protocol

Hugo WOESTMANN
Associate Director

Audit Enactment, EIB Group Development

Helmuth KUERT

Resource Management and Enlargement

Ferdinand SASSEN

Institutional Matters

Evelyne POURTEAU
Associate Director

Gudrun LEITHMANN-FRÜH

Legal Support for Lending Operations

Alfonso QUEREJETA
Director

Operational Policy, the Balkans and Croatia

Roderick DUNNETT
Associate Director

Germany, Austria, Poland, Czech Republic, Hungary, Slovakia, Slovenia, Lithuania, Latvia, Estonia, Bulgaria, Romania, Russia

Gerhard HÜTZ

Gian Domenico SPOTA

Spain, Portugal

Ignacio LACORZANA

United Kingdom, Sweden, Denmark, Finland, Ireland, EFTA countries

Patrick Hugh CHAMBERLAIN

France, Belgium, Netherlands, Luxembourg

Pierre ALBOUZE

Italy, Greece, Cyprus, Malta

Manfredi TONCI OTTIERI

Mediterranean (FEMIP), Africa, Caribbean, Pacific (Cotonou Investment Facility), Asia and Latin America

Regan WYLIE-OTTE

Legal Service for Community and Financial Affairs

Marc DUFRESNE
Director

Jean-Philippe MINNAERT
(Data Protection Officer)

Luigi LA MARCA

Legal Aspects of Financial Issues

Nicola BARR

Legal Aspects of Institutional and Staff Issues

Carlos GÓMEZ DE LA CRUZ



General Administration

Rémy JACOB
Deputy Secretary General

Management Control

Accounting and Financial Statements

Luis BOTELLA MORALES
Financial Controller

General Accounting

Third Party Accounting and Administrative Expenses

Frank TASSONE

Planning, Budget and Control

Theoharry GRAMMATIKOS
Associate Director

Organisation
Patricia TIBBELS
Éric VAN DER ELST

Press Office and Communications

Gabrielle LAUERMANN
Director

Press Office

Paul Gerd LÖSER

Corporate Promotion

Adam McDONOUGH

General Affairs

Paris Office: liaison with international institutions and organisations based or represented in Paris

Henry MARTY-GAUQUIÉ
Director

Records and Information Management

Marie-Odile KLEIBER
Associate Director

Duncan LEVER

Purchasing and Administrative Services

Manfredo PAULUCCI de CALBOLI
Associate Director

Facilities Management

Agustin AURIA

Translation

Georg AIGNER
Associate Director

Kenneth PETERSEN

New Building Task Force
Enzo UNFER



Directorate for Lending Operations in Europe

Terence BROWN
Director General

Operations Support

Jürgen MOEHRKE
Chief Operational Coordinator

Coordination

Dominique COURBIN

Richard POWER

IT and Management Information

Thomas FAHRTMANN

Business Support

Ralph BAST

Global Relationship Management

Matthew OLEX-SZCZYTOWSKI

United Kingdom, Ireland, Denmark, EFTA Countries

Thomas BARRETT
Director

Banking, Industry and Securitisation

Bruno DENIS

Infrastructure

Tilman SEIBERT

Structured Finance and PPPs

Cheryl FISHER

Spain, Portugal

Carlos GUILLE
Director

Spain – PPPs, Infrastructure, Social and Urban Sector

Christopher KNOWLES
Associate Director

Marguerite McMAHON

Spain – Banks, Industry, Energy and Telecommunications

Fernando de la FUENTE

Madrid Office
Andrea TINAGLI

Portugal

Rui Artur MARTINS

Lisbon Office
Pedro EIRAS ANTUNES

France, Benelux

Laurent de MAUTORT
Director

France – Infrastructure
Jacques DIOT

France – Enterprises
Jean-Christophe CHALINE

Belgium, Luxembourg, Netherlands
Henk DELSING
Associate Director

Germany, Czech Republic, Slovakia

Joachim LINK
Director

Germany (northern Länder)
Peggy NYLUND-GREEN

Berlin Office
Margarethe QUEHENBERGER

Germany (southern Länder)
Kim KREILGAARD

Czech Republic, Slovakia
Jean VRLA

Italy, Malta

Antonio PUGLIESE
Director

Infrastructure
Bruno LAGO
Associate Director

Energy, Environment and Telecommunications
Paolo MUNINI

Industry and Banks
Alexander ANDÒ

Central Europe

Emanuel MARAVIC
Director

Austria, Croatia
Franz-Josef VETTER

Hungary, Slovenia
Cormac MURPHY

Bulgaria, Romania
Rainer SAERBECK

South East Europe

Grammatiki TSINGOU-PAPADOPETROU
Director

Greece
Themistoklis KOUVARAKIS

Alain TERRAILLON
Athens Office
Christos KONTOGEORGOS

Balkans, Cyprus
Romualdo MASSA BERNUCCI

Turkey
Patrick WALSH

Baltic Sea



Thomas HACKETT
Deputy Director General

Poland, Euratom
Heinz OLBERS

Baltic States, Russia
Constantin SYNADINO

Finland, Sweden
Michael O'HALLORAN



Directorate for Lending Operations outside Europe

Jean-Louis BIANCARELLI
Director General

Development Economics Advisory Service

Daniel OTTOLENGHI
Chief Development Economist
Associate Director

Bernard ZILLER

Mediterranean (FEMIP)

Claudio CORTESE
Director

Maghreb
Bernard GORDON

Mashreq, Middle East
Jane MACPHERSON

Cairo Office
Luigi MARCON

Private Sector Support

Alain SÈVE
Associate Director

Africa, Caribbean, Pacific (Cotonou Investment Facility)

Martin CURWEN
Director

West Africa and Sahel
Gustaaf HEIM
Jack REVERSADE

Central and East Africa
Tassilo HENDUS

Southern Africa and Indian Ocean
Justin LOASBY

David WHITE

Caribbean and Pacific
David CRUSH

Resources and Development
Jacqueline NOËL
Associate Director

Portfolio Management and Strategy
Flavia PALANZA

Asia and Latin America

Francisco de PAULA COELHO
Director

Latin America
Alberto BARRAGÁN

Asia
Matthias ZÖLLNER



Finance Directorate

René KARSENTI
Director General

Capital Markets

Barbara BARGAGLI PETRUCCI
Director

Euro
Carlos FERREIRA DA SILVA

Europe (excluding euro), Africa
David CLARK

America, Asia, Pacific
Eila KREIVI

Investor Relations and Marketing
Peter MUNRO

Treasury

Anneli PESHKOFF
Director

Liquidity Management
Francis ZEGHERS

Asset/Liability Management
Jean-Dominique POTOCKI

Portfolio Management
James RANAIVOSON

Planning and Settlement of Operations

Gianmaria MUSELLA
Director

Back Office Loans

Back Office Treasury
Yves KIRPACH

Back Office Borrowings
Erling CRONQVIST

Systems and Loans Databases
Charles ANIZET

Coordination and financial policies



Projects Directorate

Michel DELEAU
Director General

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Associate Director
(Trans-European Networks and PPPs)

Economic and Financial Studies
Éric PERÉE

Policy Support

Patrice GÉRAUD
Director

Gianni CARBONARO
(Regional Development)

Operational Lending Policies
Guy CLAUSSE

Guy BAIRD (Brussels Office)

Project Quality and Monitoring
Angelo BOIOLI

Resources Management
Daphné VENTURAS
Associate Director

Environment Unit
Peter CARTER

Infrastructure

Christopher HURST
Director

Andrew ALLEN
(General Infrastructure and Resource Management)

Axel HÖRHAGER
(Balkans and Economic Coordination)

Rail and Road
José Luis ALFARO

John SENIOR

Air, Maritime and Urban Transport
Philippe OSTENC
Associate Director
(Procurement)

Water and Wastewater
José FRADE

Energy, Telecommunications, Waste Management

Günter WESTERMANN
Director

Electricity, Renewable Energies and Waste Management
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Heiko GEBHARDT

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Angus NICOLSON
François TREVOUX

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Industry and services

Constantin CHRISTOFIDIS
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Philippe GUINET

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Peter MAERTENS
Head of Internal Audit

Siward de VRIES
Luciano DI MATTIA



Management Committee Adviser on EIB Group Strategy and Negotiations

Francis CARPENTER
Director General



EIF Governing Bodies

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

- the General Meeting of shareholders (EIB, European Union, 31 financial institutions), which meets at least once a year;
- the Board of Directors, composed of seven members, which decides on the Fund's operations;
- the Chief Executive, who is responsible for the management of the Fund in accordance with the provisions of its Statutes and the guidelines and directives adopted by the Board of Directors.

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



EIF Structure

Francis CARPENTER

Thomas MEYER

Robert WAGENER

Marc SCHUBLIN

Jacques LILLI

Maria LEANDER

Petra de BRUXELLES

Frédérique SCHEPENS

John A. HOLLOWAY

Jean-Philippe BURCKLEN

Ulrich GRABENWARTER

Matthias UMMENHOFER

Alessandro TAPPI

Christa KARIS

Chief Executive

Head of Division, Risk Management and Monitoring

Secretary General

Head of Division, Policy and Institutional Coordination/Advisory Services

Managerial Adviser

Head of Division, Legal Service

Human Resources

Accounting and Treasury

Director of Operations

Head of Division, Venture Capital 1

(Belgium, Spain, France, Greece, Italy, Luxembourg, Netherlands, United Kingdom)

Head of Division, Venture Capital 2

(Germany, Austria, Cyprus, Denmark, Estonia, Finland, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, Czech Republic, Slovenia, Sweden, Accession Countries)

Deputy Head of Division

Head of Division, Guarantees, Securitisation and "MAP"

Deputy Head of Division

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



EIB Group administration and staff

In 2003, the Bank continued to develop initiatives to promote transparency, accountability and modernisation of its personnel policies. Decentralisation of budgetary and staff management responsibilities to the Directorates was successfully implemented.

Organisation and structure

The Bank continued to adapt its organisational structure, especially to take account of new strategic developments. Thus, responsibility for credit, operational and market risks was concentrated in a single Risk Management Directorate. Similarly, it was decided to group together the Accounting and Financial Statements Department, the Planning, Budget and Control Division and an Organisation unit so as to form the EIB Group's Management Control under the direct responsibility of the Deputy Secretary General. Lastly, in preparation for the enlarged Union, the "Directorate for Lending Operations in Europe" and the "Directorate for Lending Operations outside Europe" were reorganised as from 1 January 2004. Furthermore, the Bank continued to recruit nationals of the new Member States. The Organisation Chart, presented on pages 47 *et seq.* of this report, is regularly updated on the EIB's website (www.eib.org).

Staff Representation

In 2003, the College of Staff Representatives (SR) carried on working with the Human Resources Department (HR) on the task of developing and updating the Staff Regulations. HR/SR cooperation is conducted via working groups – e.g. those concerned with dignity at work and salaries – focusing on issues of importance to staff and management alike. A large part of the discussion between HR and SR is also held within various Joint Committees. These include the Joint Committee on Risk Prevention and Protection at Work, which has stepped up its activities over the past two years with a view to bringing the Bank's risk prevention and workplace protection provisions into line with European best practice.

Equal Opportunities

The Joint Committee on Equal Opportunities (COPEC) oversees the implementation of policy on equal opportunities in terms of career development, recruitment, training and social welfare infrastructure. In 2003, COPEC examined in particular the obstacles to the promotion of women within the Bank. It conducted an awareness campaign among senior management and encouraged the external recruitment of female staff to higher positions. COPEC was especially concerned with increasing the proportion of women among management staff.

Individual Development

In 2003, the Bank launched another Staff Attitude Survey as a follow-up to the one conducted in 2000. The new post of Career Adviser, whose role is to coach and guide staff and management on career matters, was created and filled. A pilot project was completed to extend the ongoing Management Skills Development Programme to senior professionals without managerial responsibilities. The Bank also approved and launched a Dignity at Work policy in 2003.

Staff Complement

At end-December 2003, the Bank's staff complement stood at 1 213, up 9% on the previous year.

The EIF

The structure of the EIF is based on three main departments: Operations, the General Secretariat and Risk Management, with the latter reporting directly to the Chief Executive. The EIF currently has a staff of 68 (15% more than in 2002), most of whom are employed in the Operations department.

EIB Group

Summarised balance sheet as at 31 December 2003 (in EUR '000)

ASSETS	31/12/2003	LIABILITIES	31/12/2003
1. Cash in hand, balances with central banks and post office banks	11 555	1. Amounts owed to credit institutions	
2. Treasury bills eligible for refinancing with central banks	1 611 353	a) repayable on demand	0
3. Loans and advances to credit institutions		b) with agreed maturity dates or periods of notice	308 203
a) repayable on demand	219 757		<u>308 203</u>
b) other loans and advances	13 287 301	2. Debts evidenced by certificates	
c) loans	<u>95 734 289</u>	a) debt securities in issue	191 297 963
	109 241 347	b) others	<u>1 203 079</u>
4. Loans and advances to customers			192 501 042
a) loans	110 897 513	3. Other liabilities	
b) specific provisions	<u>-179 000</u>	a) interest subsidies received in advance	260 207
	110 718 513	b) sundry creditors	969 372
5. Debt securities including fixed-income securities		c) sundry liabilities	53 707
a) issued by public bodies	2 705 798	d) negative replacement values	<u>16 925 122</u>
b) issued by other borrowers	<u>6 446 392</u>		18 208 408
	9 152 190	4. Accruals and deferred income	3 323 993
6. Shares and other variable-yield securities	937 949	5. Provisions for liabilities and charges	
7. Intangible assets	8 075	a) staff pension fund	561 199
8. Property, furniture and equipment	125 666	b) provision for guarantees issued	<u>45 396</u>
9. Other assets			606 595
a) receivable in respect of EMS interest subsidies paid in advance	0	6. Minority interests	229 180
b) sundry debtors	461 487	7. Capital	
c) positive replacement values	<u>6 536 736</u>	a) Subscribed	150 000 000
	6 998 223	b) Uncalled	<u>-142 500 000</u>
10. Prepayments and accrued income	2 014 669		7 500 000
		8. Consolidated reserves	
		a) reserve fund	13 641 249
		b) additional reserves	-365 214
		c) special supplementary reserves	<u>0</u>
			13 276 035
		9. Funds allocated to structured finance facility	500 000
		10. Funds allocated to venture capital operations	1 868 769
		11. Fund for general banking risks after appropriation	1 050 000
		12. Profit for the financial year	
		Before appropriation from/to Fund for general banking risks	1 392 315
		Appropriation for the year from/to Fund for general banking risks	<u>55 000</u>
		Profit to be appropriated	<u>1 447 315</u>
	<u>240 819 540</u>		<u>240 819 540</u>



Result for the year 2003

Before provisions and write-downs (after deduction of minority interests), the profit for the financial year 2003 ran to 1 565 million as against 1 347 million for 2002, up 16.2%, and net profit to 1 447 million compared with 1 168 million for 2002, representing an increase of 23.9%.

The release from the Fund for general banking risks is 55 million for 2003 (transfer of 25 million in 2002), while, for venture capital operations, write-downs and the provision for guarantees provided came to 129 million in 2003 (144 million in 2002).

Interest rates went down in 2003, with the average rate on loans falling from 4.74% in 2002 to 4.06% in 2003 and the average rate on borrowings down over the same period from 4.33% to 3.59%.

Receipts of interest and commission on loans in 2003 totalled 8 143 million against 8 938 million in 2002, while interest and commission on borrowings amounted to 6 935 million against 7 966 million in 2002.

Overall, treasury operations yielded net income of 574 million in 2003, or 173 million below the 2002 figure of 747 million, producing an average overall return of 2.96% in 2003 compared with 3.58% in 2002.

The decrease in the absolute level of interest income from treasury operations in 2003 stemmed chiefly from a lower level of holdings and falling short-term rates.

General administrative expenses together with depreciation of tangible and intangible assets amounted to 272.4 million in 2003, or 8.3% more than in 2002 (251.4 million).

Taking into account IAS 39, the fair value of derivatives had a negative impact of 402 million on the EIB Group's own funds. This negative impact corresponds mainly to the fair value of the macro hedging swaps (349 million).



The new dealing room inaugurated in November 2003



Projects eligible for financing by the EIB Group

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

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

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

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



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EIB-Gruppe EIB Group Groupe BEI

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Tätigkeitsbericht
Finanzbericht
Finanzierte Projekte und statistische Übersichten

Activity Report
Financial Report
Projects financed and statistics

Rapport d'activité
Rapport financier
Projets financés et statistiques



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