

OBJECTIVES

European objectives within and outside the Union

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Cohesion and Convergence

- » Lending for convergence regions, phasing-out/in regions
- » Promoting competitiveness and employment and European cooperation
- » Loans of EUR 20.2bn in 2006 in all major economic sectors:
 - » Health and education infrastructure
 - » SMEs
 - » Transport and telecommunications infrastructure
 - » Industry and the services sector
 - » Urban infrastructure
- » Total loans of EUR 101.8bn 2002-2006

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Small and Medium Enterprises (SMEs)

- » EIB credit lines to regional and national banks
- » EIF venture capital and SME guarantees
- » EIB credit lines of EUR 11.3bn in EU in 2006:
 - » Industry
 - » Energy and transport
 - » Services, including tourism
- » Total loans of EUR 55.3bn 2002-2006

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Environmental Sustainability

- » Climate change initiatives, sustainable development and social welfare
- » Minimising adverse environmental impact in all projects
- Direct loans of EUR 9.6bn in 2006 for:
 - » mitigating climate change
 - » promoting waste management and sustainable use of natural resources
 - » improving the urban environment
 - » reducing pollution
 - » protecting biodiversity
- » Total loans of EUR 52.9bn 2002-2006

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5

Innovation 2010 Initiative (i2i)

- » A competitive, innovative and knowledge-based European economy
- » Job creation and sustainable growth
- » Loans of EUR 9.5bn in 2006 for:
 - » Research, development and innovation (RDI)
 - » Education and training
 - » Information and communications technology (ICT) networks
- » Total loans of EUR 35.9bn 2002-2006

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Trans-European Networks (TENs)

- » Large transport and energy infrastructure networks
- » Transport supporting developmental and integration
- » Security and diversification of internal energy supply
- » Loans of EUR 7.9bn in 2006 for:
 - » EUR 7.6bn for TEN Transport
 - » EUR 0.3bn for TEN Energy
- » Total loans of EUR 35.8bn 2002-2006
 - » EUR 32.7bn for TEN Transport
 - » EUR 3.1bn for TEN Energy

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7

Sustainable, Competitive and Secure Energy

- » Five priority areas:
 - » Renewable energy
 - » Energy efficiency
 - » Research, development and innovation
 - » Diversification and security of internal supply (including TEN-E)
 - » External energy security and economic development
- » Loans of EUR 3.3bn in 2006:
 - » EUR 0.5bn to renewable energy projects
 - » EUR 0.3bn to TEN-E projects
- » Total loans of EUR 15.3bn 2002-2006
 - » EUR 2.4bn to renewable energy projects
 - » EUR 3.1bn to TEN-E projects

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Funding strength adds value for customers

- » Loan portfolio is mainly funded through international capital markets bond issues
- » Transfer to loan customers of funding advantage, based on financial strength and stability – AAA rating – and strong capital market positioning
- » Non-profit maximising – lending at close to the cost of borrowing
- » Large and frequent international bond issuers comparable to EU Governments. EUR 48 billion issued in 2006
- » EIB's ownership by all EU sovereigns means its bonds offer a unique and diversified sovereign-class investment: 'a way to buy Europe'

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Enlargement

Candidate and Potential Candidate Countries

- » EIB can lend up to EUR 8.7bn during 2007-2013
- » Priorities:
 - » Projects supporting accession agreements with EU
 - » Incorporation and implementation of *acquis communautaire*
- » Loans of EUR 3.5bn in 2006 plus EUR 0.7bn to Romania and Bulgaria for (amongst others):
 - » Transport
 - » Energy and Environment
 - » SME
- » Total loans of EUR 5.7bn 2002-2006

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10

Mediterranean Neighbours

Facility for Euro-Mediterranean Investment and Partnership

- » Established October 2002
- » EIB can lend up to EUR 8.7bn during 2007-2013
- » Priorities:
 - » Private sector ventures
 - » Infrastructure projects
 - » Investment in human capital
 - » Schemes specifically targeting environmental protection
- » Total lending in 2006 reached EUR 1.4bn plus EUR 1.8bn for Turkey
- » Total loans of EUR 11.3bn 2002-2006 including Turkey

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Russia & Eastern Neighbours

- » EIB can lend up to EUR 3.7bn during 2007-2013
- » Loans for:
 - » Environment
 - » Transport, energy and telecommunications infrastructure on priority TEN axes were there are cross-border implications for a Member State
- » Total loans of EUR 85m 2002-2006

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Africa, Caribbean & Pacific

- Cotonou Agreement mandate
- EIB can lend up to EUR 3.8bn via EIB own resources & Investment Facility (2003-2008)
- Loans of EUR 745m in 2006 for:
 - Industry and services
 - Energy
 - SMEs
- Total loans of EUR 2483m 2002-2006
- Republic of South Africa Mandate :
 - EIB can lend up to EUR 0.9bn during 2007-2013
 - Focus on infrastructure projects of public interest and private sector support
 - Loans of EUR 80m in 2006
 - Total loans of EUR 635m 2002-2006

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13

Asia and Latin America

- EIB can lend up to EUR 3.8bn during 2007-2013
- Support for EU presence in Asia and Latin America through Foreign Direct Investment and transfer of technology
- Environmental sustainability (climate change mitigation)
- EU energy security
- Loans of EUR 483m in 2006 for:
 - Infrastructure
 - Industry
 - SMEs
- Total loans of EUR 1994m 2002-2006

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14

Benefits of an EIB Loan

- Benefits of low cost of funding passed on to clients:
 - Large amounts
 - Broad range of currencies
 - Long maturities
 - Attractive interest rates
 - Catalytic effect on participation of other banking or financial partners

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Financing Facilities

- 2 main facilities:
 - **Direct Loans**
 - Large-scale projects (more than EUR 25m)
 - **Intermediated Loans**
 - Small and medium-scale projects (particularly to SMEs) via national and regional intermediary banks
 - Lending decision remains with the financial intermediary

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Innovative Facilities

- Initiatives with the European Commission:
 - RSFF – Risk-Sharing Finance Facility for higher-risk promoters
 - JASPERS – Joint Assistance to Support Projects in European Regions to prepare projects supported by EU Structural and Cohesion Funds
 - JEREMIE – Joint European Resources for Micro-to-Medium Enterprises in the regions to encourage more business start-ups and new ventures. Managed by the EIF
 - JESSICA – Joint European Support for Sustainable Investment in City Areas for investment in sustainable urban development

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17

PROJECT CYCLE

A Test for Sound Investment

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18

Project Requirements

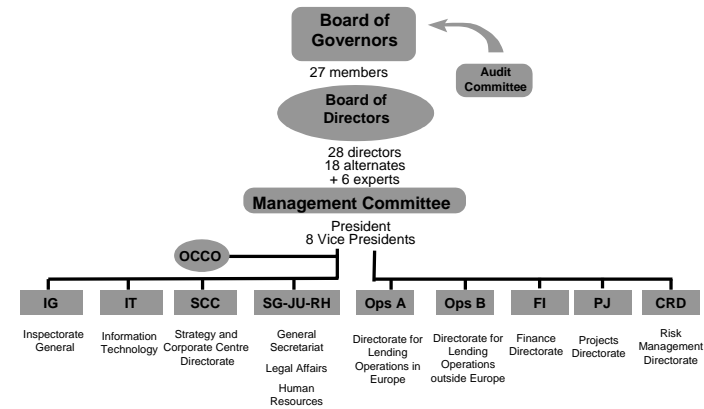
- Projects must:
 - Correspond to at least one of the EIB objectives
 - Be technically sound
 - Be financially viable
 - Show an acceptable economic return
 - Comply with environmental protection and procurement regulations

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19

The EIB



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Borrowing Objectives

- » Constant: to ensure regular access to funding sources
- » Efficient: to minimise the cost of funds
- » Prudent: to limit refunding risk
- » Pioneering: to promote innovation and act as an important market presence

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JASPERS

Joint Assistance to Support Projects in European Regions (JASPERS)

- » A Technical Support Facility, managed by the EIB, and co-sponsored by the Commission, EIB and EBRD
- » Helping to absorb EU Structural and Cohesion Funds to finance needed investments in areas in need of regional development
- » Assistance available for:
 - » Trans-European networks (TENs)
 - » The transport sector outside of TENs, including rail, river and sea transport
 - » Inter-modal transport systems and their interoperability
 - » Management of road and air traffic
 - » Clean urban and public transport
 - » The environment, including energy efficiency and renewable energy
 - » Private public partnerships
- » Assistance provided free of charge by the Commission and the EIB

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Research and Development Cooperation with the Commission

- » EIB – European Commission cooperation takes a number of forms:
 - » Coordination and co-financing of key initiatives backed by the 6th EU R&D Framework Programme and preparation for the 7th Framework Programme (2007-2013)
 - » Agreements with DG-Info on financing technology networks and schemes involving ICT content and applications
 - » Creation of synergies with DG-Culture for the support and financing of European audiovisual projects
 - » Cooperation agreements with the Commission in the fields of regional development, with a view to maximising the effectiveness of the European Structural Funds

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EIB Group contribution to the Lisbon Agenda

- » Loans signed: EUR 45.7bn since launch in 2000
- » Venture Capital: EUR 3.8bn
- » Guarantees for SME loan portfolios: EUR 11.1bn

EIB	EUR m	0	10 000	20 000	30 000
Information & Communication Technologies	10 349				
Education & Training	11 590				
Research & Development	23 023				
EIF					
Venture Capital	3 774				
Guarantees for SME loan portfolios	11 136				

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Financing of Trans-European Networks (TEN)

- » In addition to normal EIB loans to TENs projects:
 - » **Structured Finance Facility** : to fund projects with a higher-risk profile and enable equity financing and guarantee operations for large-scale infrastructure schemes
 - » **TENs Guarantee Instrument** (proposed): funded by the EU budget and managed by the EIB taking the revenue ramp-up risk in the early years of TENs projects

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Climate Change Financing Facility

- » Launched in 2003 to support the EU Emissions Trading Scheme
- » Extended to support any investment reducing greenhouse gas emissions
- » EUR 500m window for CO₂ emission-reduction projects undertaken by medium-sized and large EU companies
- » EUR 100m window for the Clean Development Mechanism and Joint Implementation projects (Kyoto Protocol)

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Climate Change Technical Assistance Facility

- » Supporting preparatory work for CDM and JI mechanisms
- » EUR 10m managed by the Bank – EUR 5 million from the EIB, EUR 5m from external resources
- » EIB project development expertise, combined with that of consultants
- » Conditional funding reimbursed once the project has yielded carbon credits
- » Activities include:
 - » Carbon credit feasibility studies
 - » Preparation of carbon credit documentation
 - » Validation of the Project Design Document
 - » Registration of the project
 - » Carbon credit commercialisation activities

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Carbon Funds in partnership with IFIs

- » Acquiring carbon credits on behalf of participants in the funds, both private and public
- » Acting as a carbon credits sales outlet for EIB project promoters
- » Stimulating and complementing the private sector in the carbon market
- » EIB Funds:
 - » Multilateral Carbon Credit Fund (MCCF) with the EBRD – initially EUR 150m
 - » Carbon Fund for Europe (CFE) with the World bank (IBRD) – 1st tranche EUR 50m

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Interaction with the EU Institutions

- » European Council
 - » ECOFIN
 - » Financial Counsellors Group
 - » Other working groups
- » European Parliament
 - » Address to Plenary session
 - » Report on Annual report of EIB
 - » Parliamentary questions
 - » EMAC and other committees

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Interaction with the EU Institutions

- » European Commission
 - » One Board Member and one Alternate
 - » Commission opinion on all projects
 - » Coordination with Directorate General Economic and Financial Affairs
 - » Staff operational contacts
 - » Memoranda of Understandings (MOUs) on key policy issues
 - » Full partner in EU programming activities

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Interaction with the EU Institutions

- » Court of Auditors
 - » Co-operation Agreement on external control of EU funds managed by the EIB
- » Regular interaction with
 - » Economic and Social Committee
 - » Committee of the Regions
 - » Court of Justice

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ORGANISATION AND CONTROL AT THE EIB

Accountable to All Stakeholders

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Governance and Accountability

- » **Board of Governors**
 - » EIB policy guidelines
- » **Board of Directors**
 - » Decisions on loans, guarantees and borrowings. Ensures that the Bank is managed in line with the Treaty, the Statute and the Governors' directives
- » **The Management Committee**
 - » The Bank's permanent executive, the day-to-day running of the EIB, preparing decisions for Directors and their implementation
- » **Audit Committee**
 - » An independent body reporting directly to the Board of Governors, responsible for verifying the Bank's operations

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Additional Control

- » During appraisal of a project, before Board approval:
 - » *Projects Directorate assesses*
 - » Environmental and social aspects of the project
 - » Procurement Procedures
 - » Economic viability
 - » *Compliance Department assesses*
 - » Compliance with national and EU directives
 - » Compliance with international guidelines on fraud prevention
- » After project approval:
 - » *Inspectorate General*
 - » Internal Audit
 - » Operations Evaluation
- » External:
 - » *OLAF – European Anti-Fraud Office*
 - » *European Ombudsman*

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Internal Controls

- » **Inspectorate General**
- » *Internal Audit*
 - » Conducts all fraud investigations
 - » Investigates all complaints when these fall outside the remit of the European Ombudsman
- » *Operations Evaluations*
 - » Carries out ex-post evaluations, focusing on how the Bank conducts its operations within the framework of EU policies
 - » The ultimate objective is to identify aspects which could improve the accountability, transparency and operational performance of the Bank's activities in future operations
- » **Compliance Office**
 - » Internal compliance office headed by EIB Group Chief Compliance Officer

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Transparency

- » Accountable to all stakeholders
- » Transparency policy reflecting EU regulations and banking practices
- » Operational strategies, information procedures and project relevant information published online
- » Access to documents
- » Public information request response - Infodesk
- » Dialogue with society and NGOs

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36