



Activity Report

2012



Research and development at the Swedish high-technology engineering group Sandvik is helping to strengthen Europe's industrial technology leadership. The EIB supports innovation as a driver of sustainable growth and competitiveness in Europe. In 2012 the Bank invested some EUR 9bn in the knowledge economy.



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Key results in 2012

Total lending reached **EUR 52bn**, supporting growth and jobs in the EU and beyond

400 projects financed in over 60 countries

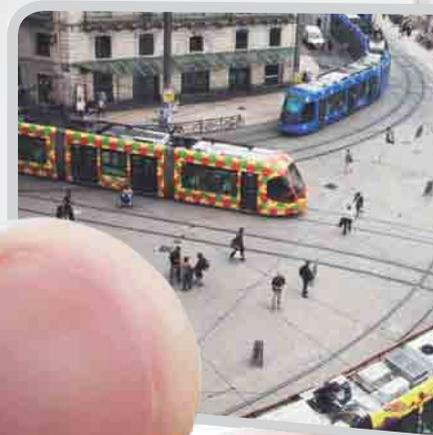
Some **EUR 9bn** invested in innovation



Funding for the EU regions hardest hit by the economic and financial crisis reached **EUR 15bn**



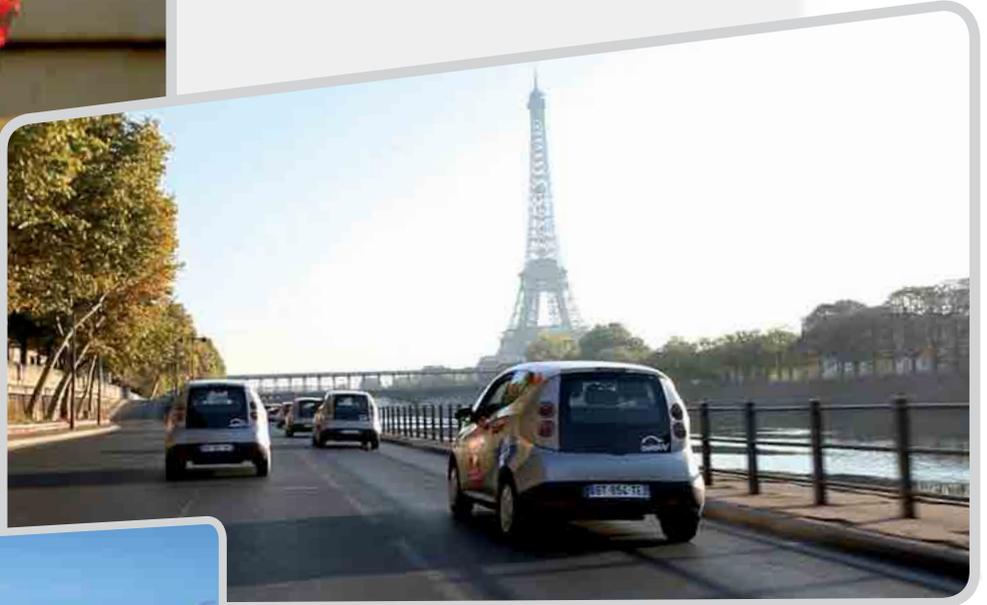
200 000 small and medium-sized enterprises received EIB Group financing totalling **EUR 13bn**



EUR 10bn capital increase approved, facilitating an additional EUR 60bn of lending for projects in the EU between 2013 and 2015



Nearly EUR 7bn in lending for transport and energy networks that link up Europe

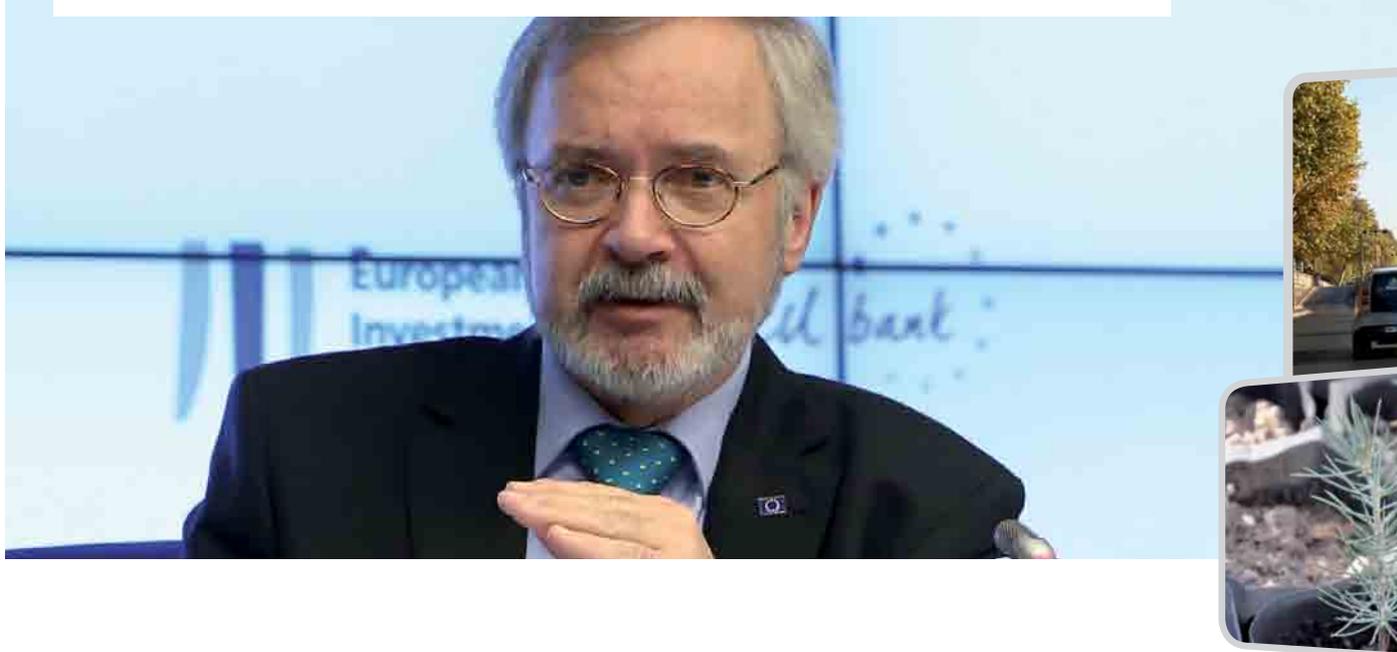


Climate action lending:
EUR 13bn



Foreword

from the President



The European Union is facing difficult economic circumstances and increasing unemployment, with dramatic consequences for our societies, particularly youth. It is clear that exceptional times call for exceptional measures and require a coherent European response to overcome the crisis.

The EIB, as the EU bank, has a crucial role to play in ensuring investment in projects that support growth and jobs. This is why I am particularly proud that during my first year as President of the EIB, our shareholders, the Member States of the European Union, took the historic decision to practically double the EIB's paid-in capital with a EUR 10 billion increase. We are now ready to increase our lending to some EUR 200 billion over the next three years up to 2015.

We have agreed with the EU Member States to focus our financing activities in Europe on innovation and skills, SME lending, resource efficiency (including clean energy) and strategic infrastructure in support of our overall objective of sustainable growth. These are areas where access to finance

has been most difficult and where EIB financing will unlock additional private sector funding to maximise growth and job creation. And by blending our EIB financing with EU budget resources, we can achieve even more effective results.

The EIB has responded, and will continue to respond, to the specific needs of the regions hit hardest by the crisis as in many instances our bank will be the only financier who can play this role on a significant scale.

In 2012, our bank delivered the agreed operational plan and financed some 400 projects in over 60 countries for an amount of EUR 52 billion. In line with our ambition to do 'more and better' for EU growth and job creation, we will pay even more attention than before to the quality of the projects that we finance. We have therefore introduced strengthened measurement systems which will give us better insight into the results of the projects that we finance.

Our advisory services that help EU Member States prepare and implement sound investment projects



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are proving to be critical for increasing the capacity for projects qualifying for EIB financing as well as for projects using EU structural funds money.

The EIB's financing activities are complemented by the specific instruments offered by the European Investment Fund (EIF), which focus on providing risk finance for the benefit of SMEs and start-ups as well as microfinance. A specific effort has been undertaken to make more joint interventions, which include combining EIF guarantees with EIB loans for SMEs.

Outside the EU, our bank continued financing projects to the tune of EUR 7.4 billion in support of the European Union's foreign policy objectives. Pre-accession countries and our Eastern and Southern Neighbours remain one of our key priorities. But the EIB also acts as the financing arm of the European Union throughout the world in order to contribute to shaping the process of globalisation in the 21st century.

Our financial strength is reflected in our AAA rating and enabled us to borrow EUR 71 billion in

2012 on the international capital markets. This is an important stimulus as it is money that is made to work in the real economy. It is also a clear indication of confidence in the EIB and in the "EU brand" in general.

As the EU bank, in 2013 we will focus on playing a countercyclical role and act as a reliable partner for sound projects throughout the EU and beyond. The projects we finance make a genuine difference to people's lives, whether by securing jobs with hundreds of thousands of small businesses, by making sure important growth-driving infrastructure projects can go ahead in the regions that are suffering most from the crisis, or by keeping up support for cutting-edge innovation and clean energy, which help Europe retain its competitive edge on a global scale.

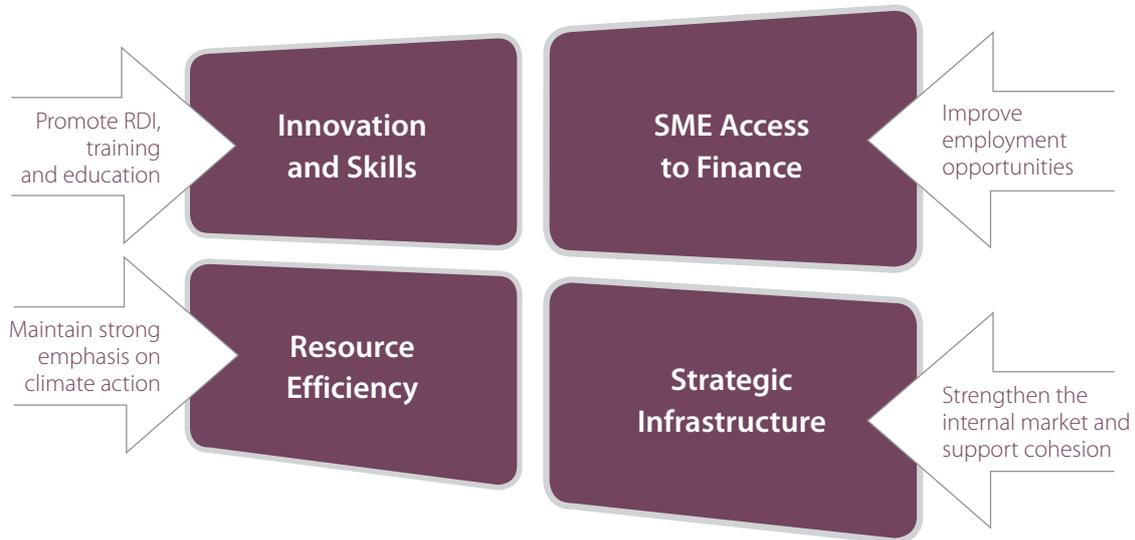
Werner Hoyer



Unlocking Europe's growth potential

Putting finance at the service of the real economy, the EIB signed finance contracts worth EUR 52bn in 2012, focusing on projects with the greatest impact on growth and job creation.

The EIB's role in supporting long-term investment to boost growth in Europe and beyond has become even more critical in the light of current economic challenges. The EIB uses its financial and technical expertise to improve financing in areas where support is needed, especially in Europe's economically weaker regions and peripheral countries. Furthermore, it acts as a catalyst for private and public investment, by vouching for project quality and attracting co-financers. This ensures that finance is available for key growth drivers, such as skills and innovation, strategic infrastructure, SMEs and climate action projects.



Capital increase for additional lending in the EU

The EIB has played a prominent role in the European economic recovery plan since 2008, delivering exceptional volumes of lending before returning, as planned, to lower lending levels in 2012 to safeguard its financial strength and thus its ability to borrow at attractive rates on the financial markets.

In 2012, the EIB's shareholders (the 27 EU Member States) agreed a capital increase of EUR 10bn, ensuring that additional finance of up to EUR 60bn will be available to the Member States in support of the real economy for the period 2013-2015. The capital increase will enable the Bank to increase support to sectors where finance has been difficult to obtain. The Bank will also pursue further blending of EIB finance with EU resources to improve efficiency and maximise the impact on growth and job creation.

As the EU bank, the EIB is working to jump-start growth and spur employment in Europe. We are doing more and better to help put Europe's economy back on track.



Boosting innovation for smart growth in Europe



The EIB invests in ground-breaking research, such as the Large Hadron Collider at CERN in Geneva. A EUR 300m loan helped finance the particle accelerator's construction, allowing a breakthrough discovery to be made in 2012.

Targeting investment in innovation is critical as finance in this sector is especially vulnerable to cuts in times of austerity. In 2012, the EIB invested some EUR 9bn in the EU in support of innovation and skills.

Accelerating innovation

Research, development and innovation (RDI) is essential to enhance Europe's competitiveness. The EIB helps fund RDI both in academic institutions and in the private sector, whilst encouraging knowledge transfer between the two.

In 2012, the EIB initiated a review of its product offering with a view to increasing its support for investments in RDI. A market sounding exercise and a sector study are expected to lead to new financial products to address market and structural inefficiencies so that innovative ideas can become concrete business opportunities.



Digital economy key to long-term growth

Internet-based information and communications technologies (ICT) are essential drivers of growth, with broadband networks contributing an estimated 2.1 million additional jobs in the EU between 2006 and 2015. Investment in telecoms infrastructure is necessary to support Europe's growing data needs and is one of the main goals of Europe's Digital Agenda. Super-fast internet, mobile networks and cloud computing are therefore priority areas for the Bank. In 2012, the EIB provided EUR 1.5bn in loans for information and communication technology investments as part of its funding for innovation.

Targeting high value added investments

Higher risk and higher value added projects in priority technologies are a core area of investment for the EIB and the EIF, not least because the crisis has reduced the willingness of private venture capital funds to take risks on early-stage innovative enterprises. In 2012, the European Investment

Fund (EIF), which focuses on innovative financing for SMEs, launched the Risk Sharing Instrument (RSI). This aims to encourage banks to provide loans and leases to SMEs undertaking research, development and innovation projects. To date, seven deals have been signed for a total amount of EUR 345m.

Driving smart growth

Innovation requires skills, and high-quality education is an essential ingredient for leading 21st century economies. In 2012, the EIB supported education and skills with loans of EUR 1.5bn.

The EIB focuses on investments that improve the quality of education and promote the European Higher Education Area and the European Research Area. The overall aim is to improve the coherence and integration of higher education and scientific resources in Europe. The EIB's support involves providing financial backing for investments in schools and university facilities, for reforms targeting the quality and competitiveness of tertiary education, and technology transfer initiatives which promote innovation by bridging the gap between academia and business.



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Building an interconnected Europe



The closing of the seawall of Maasvlakte 2 in 2012 brought the expansion of the Port of Rotterdam a step nearer to completion. A EUR 900m EIB loan is supporting this landmark infrastructure project.

Strategic transport links are vital to enhance and maintain the competitiveness of Europe's businesses whilst creating jobs for millions of Europeans. In 2012, the EIB lent EUR 6bn for major EU transport networks.

The EIB is a natural financing partner for large-scale investments in transport networks due to their size, their long-term perspective and the financing challenge they can represent for national and regional public investors. The Bank targets infrastructure projects with a strong value to society at large, while its expertise attracts additional funding from other investors.

In 2012, the Bank supported 30 major transport infrastructure projects, connecting ten countries in the EU's trans-European transport network (TEN-T). Trans-European transport links increase the potential for trade within and outside the EU and bolster economic growth. Moreover, the transport sector is a major employer, accounting for one in 20 jobs in Europe.



The EIB provides finance for all modes of transport in addition to logistics and intelligent transport systems. The results are tangible benefits for all businesses and citizens, who reap the rewards of a more efficient, sustainable and effective transport system.

Piloting the project bond initiative

In 2012, the EIB and the European Commission launched the pilot phase of the project bond initiative, which aims to boost the funding for key infrastructure projects by attracting institutional investors such as pension funds and insurance companies.

Project bonds aim to enable project companies to issue investment-grade bonds themselves. Using a Commission-EIB risk-sharing mechanism, the credit rating of senior bonds will be enhanced to a sufficiently high level to attract institutional investors. This will result in a more effective use of EU budget resources and faster implementation times for valuable projects.

Under the pilot, the EU budget is providing EUR 230m in guarantees for infrastructure investment in the transport, energy and communications sectors and will focus on encouraging a multiple in capital market contributions. The EIB is managing

the 2012-2013 pilot phase, prior to a possible full roll-out from 2014.

Partnerships that bring together public and private funding can also help bridge financing gaps. Although the number of public-private partnerships (PPPs) has decreased during the crisis, they continue to play an important role in investment, particularly in transport networks. The EIB has considerable experience and expertise in this field and plays an important role in the European PPP Expertise Centre (EPEC). This joint initiative of the EIB, the European Commission and 35 EU Member States and Candidate Countries helps its members by sharing PPP expertise and best practice. In 2012, it provided advice and guidance on issues ranging from delivering access to broadband to energy efficiency in public buildings and financing of PPPs with project bonds.

More support and practical advice for public authorities in developing, designing and bringing forward PPP solutions was also among the key recommendations put forward by a report published in 2012 by the European Policy Centre, a Brussels-based think tank, prepared with input from the EIB and other stakeholders. The report further underlined the need for EU policy-makers to show leadership if the project bond initiative is to become a sustainable part of the financing mix for Europe's infrastructure needs. A number of barriers will have to be overcome if Europe wants to maximise the use of public and private investment, the report argues.



The EIB is providing a total of EUR 850m in finance to the Brittany high-speed train project. Giving a boost to rural areas and providing greater access to trans-European networks are among the Bank's top priorities.

Energising **economic recovery**



Through its lending to Europe's energy sector, the EIB supports the development of a sustainable, competitive and secure energy system that meets society's economic, social and environmental needs. In 2012, the EIB provided EUR 4.5bn for energy projects in the EU.

The EIB plays a significant role in financing energy infrastructure and is one of the largest providers of funding for electricity transmission grid investment in Europe. Areas of focus for EIB finance are energy links, smart grids and sustainable energy production.

Securing Europe's supplies

Investment in grids to renovate or add to existing energy supply systems strengthens the internal market. Supporting smart grids and improved energy storage also helps to improve the use of renewable electricity. Financing to support energy distribution networks, including electricity grids and natural gas transport infrastructure, amounted to over EUR 3.7bn last year.



The world's largest wind farm off the British coast is powering 320 000 homes. The EIB contributed to the Walney offshore transmission link as part of its support for connecting renewable energy to the grid.

use the best available technology, are carbon capture ready and result in a decrease of at least 20% in the carbon intensity of power generation.

Gathering views on the EIB's lending in the energy sector

The EIB launched a public consultation on its energy lending policy in October 2012. Stakeholders, experts from the energy sector and the wider public were invited to contribute, including at a public consultation meeting in Brussels in December. The EIB bases its lending policy on EU policy objectives and aims to strike a balance between security of supply, competitiveness and climate action. The Bank expects to adopt a revised energy lending policy in 2013.

Promoting the sustainable energy switch

Renewables took the lion's share of energy generation lending. In 2012, the Bank's support for renewable sources of energy amounted to over EUR 2bn, while less than EUR 0.4bn helped to finance gas generation and no coal or oil power generation projects were signed.

The EIB has reduced its lending to hydrocarbon-producing industries, which has represented less than 1% of EIB energy sector loans since 2005. In the refineries sector, the Bank's financing concentrates on energy efficiency and conversion projects, excluding all capacity expansion. Similarly, finance is only provided for coal/lignite power stations on condition that they replace existing plants,



Ireland's electricity link with Great Britain was inaugurated in 2012. The East-West Interconnector marks the first successful launch of an EIB-backed EU recovery plan energy project.

Backing small and medium-sized enterprises

SMEs are the backbone of the European economy, making major contributions to employment, economic development and social cohesion in the EU. In 2012, the EIB Group provided more than EUR 13bn of finance for SMEs and mid-cap companies in the EU.

Helping improve access to finance for SMEs is a priority for the EIB Group. SMEs represent 99% of businesses and provide two-thirds of private sector jobs in Europe. Many of them face difficulties in securing funding on acceptable terms. The EIB Group works with a broad range of financial intermediaries, such as local partner banks, funds, leasing companies and microfinance institutions to make finance available to SMEs.

EIB unlocking finance for SMEs

In 2012, the Bank signed EUR 10.5bn worth of loans for SMEs via intermediaries in the EU. These on-lend funds to SMEs, adding an equivalent amount from their own funds.

In recent years, the EIB has worked to improve SMEs' access to credit by increasing flexibility, simplifying procedures and requiring greater transparency from partner banks. The EIB is also developing new structures to provide additional funding for SMEs in countries facing severe liquidity squeezes, such as Greece. Here, a dedicated guarantee fund for SMEs was set up and made operational in 2012 as part of the Bank's special efforts to support the country.

Reaching out to mid-cap enterprises

In 2012, following a two-year trial period, the EIB rolled out its intermediated loan formula for mid-cap enterprises, i.e. companies which have more than 250, but fewer than 3 000 employees. Some EUR 1.8bn worth of such mid-cap loans have already been signed in the EU.



From sports gear and bagels to plumbing material and waste containers for municipalities, small businesses are key to safeguarding and creating jobs in Europe. In 2012, the EIB Group supported some **200 000 SMEs** and mid-caps.





EIF's targeted support for SMEs

The EIF facilitates access to finance for European micro, small and medium-sized enterprises by taking SME risk. It supports businesses from the early to development stages through targeted products ranging from equity to guarantees and microfinance. One of the EIF's objectives is to catalyse additional finance from other market players to boost entrepreneurship and innovation. In 2012, it mobilised a total of EUR 12.3bn by committing EUR 2.6bn in finance.

In 2012, the EIF provided EUR 1.4bn of risk finance to venture and growth capital funds, enhancing their capacity to invest in SMEs. This includes working with new counterparts under the European Angels Fund, as well as establishing new funds-of-funds and laying the groundwork for engaging with corporate investors.

A total of EUR 500m in guarantee and another EUR 500m of credit enhancement commitments were made. EIF guarantees to financial intermediaries facilitate the provision of loans and leases to SMEs by using risk-sharing instruments under two EU initiatives – the Competitiveness and Innovation Framework Programme (CIP) and Joint European Resources for Micro to Medium Enterprises (JEREMIE).

The European Progress Microfinance Facility, financed jointly by the EIB and the European Commission and managed by the EIF, helps micro enterprises and other individuals, who often find it harder to access the traditional banking system. As nine out of ten SMEs are micro enterprises with fewer than ten employees, this mechanism supports self-employment and getting people out of unemployment. In 2012, the EIF brought overall commitments under this programme to over EUR 100m, establishing itself as the most important microfinance provider in the EU. It also continued to provide technical assistance and financial support through the Joint Action to Support Microfinance Institutions in Europe (JASMINE) technical assistance programme.

Partnering with the Member States and national promotional financing institutions forms a central part of the EIF's strategic development and regional business focus. In 2012, the EIF launched four new initiatives amounting to EUR 420m of investment capacity.

The JEREMIE initiative supports economic development in selected European regions where SMEs have particular difficulties accessing finance. National and regional authorities can use JEREMIE to deploy money made available by the European Regional Development Fund. In 2012, the EIF managed 14 holding funds in ten European countries, with more than EUR 1.25bn under management.



Whether it is biotech, laser technology or hand-made products, the EIF helps small businesses and micro enterprises grow. In 2012, it gave a boost to entrepreneurship and innovation by mobilising a total of **EUR 12.3bn** by committing EUR 2.6bn.





Supporting economic and social cohesion

Lending to economically weaker regions helps to strengthen the social and economic fabric of the Union. The Bank contributes to maximising the use of public funding to bridge shortages in times of austerity. In 2012, the EIB lent over EUR 15bn to support projects that will spur growth in the economically less advanced regions of the EU.



The EIB has committed at least EUR 20bn to a EUR 30bn Joint Action Plan to support economic recovery and growth in Central and South Eastern Europe. Here, the Bank especially targets small businesses, renewable energy and energy efficiency, innovation and convergence projects.

The economic crisis has hit the EU's economically weaker regions particularly hard, leading to increasing divergence. The EIB is taking targeted action to help them return to a sustainable growth path. This priority accounts for almost a third of EIB lending in the EU. The key focus is on financing the basic infrastructure required to attract business and create jobs. This translates mainly into projects improving the urban environment and accelerating the integration of outlying regions by building trans-European networks, providing assistance to SMEs and fostering innovation and skills.

Giving economically weaker regions a lift

Regional policy is the expression of the EU's solidarity with its less-favoured regions. It aims to reduce the important economic, social and territorial disparities that exist between the various regions of Europe. The priorities and beneficiary regions are defined by the European Commission.

The Commission has close to EUR 350bn available under the structural funds and the cohesion fund,



Commuters in Warsaw enjoy the greater comfort and efficiency of the new trains bought with the EIB's backing. The Bank is supporting an upgrade of rolling stock and related infrastructure.

largely in the form of subsidies, for implementing regional policy between 2007 and 2013. The money is targeted towards promoting economic growth and creating jobs, for example by improving transport links to remote regions, boosting small and medium-sized enterprises (SMEs) in disadvantaged areas, investing in a cleaner environment and improving education and skills.

As the bank of the European Union, EIB loans complement the Commission's funding of investment in the regions. There is not a single region in the EU that has not benefitted from EIB loans.

Tailor-made products for using structural funds

Framework loans finance multi-scheme investment programmes, in a single or multiple sectors, usually implemented by a public sector entity, whether national, regional or local, and carried out over a number of years. Framework loans are mostly used

for infrastructure investments in the areas of renewable energy and energy efficiency, transport or urban renewal. In 2012 EIB framework loans totalling EUR 3.7bn helped to support important investment across the EU.

Europe's structural funds aim to reduce regional disparities in income, wealth and opportunity but they are only granted if local authorities are able to commit their own money first. In times of austerity, it has proved difficult for some public authorities to finance their contribution, holding up investments that could enhance growth.

A special kind of framework loan, the structural programme loan, has become an important instrument during the crisis. The EIB's structural programme loans help to bridge this gap by financing part of the national contribution to investment in a wide range of priority projects that are supported by subsidies from the EU structural funds. The pre-financing of these contributions plays a key role in stabilising investment flows and securing growth and employment. In this way, the Bank also helps



Loans to the countries which have been hit particularly hard by the crisis have helped to ensure continued public sector investment.



these regions take advantage of the EU funds available. In 2012, structural programme loans amounted to some EUR 2.1bn, enabling key investments to go ahead in countries such as Cyprus, Hungary, Portugal and Slovenia.

Adapting to exceptional circumstances

Loans to the countries which have been hit particularly hard by the crisis have helped to ensure continued public sector investment. Here, the EIB has a major role to play in improving access to finance, reducing liquidity shortages and offering advice in support of structural reforms.

In Greece, total loan disbursements – that is, finance provided to the real economy – amounted to over EUR 900m in 2012. In Greece, the EIB focuses on economic and social infrastructure and smaller businesses. In 2012, EUR 705m was committed to energy and education projects, as well as to SMEs. A dedicated guarantee fund for SMEs

was set up and made operational in 2012 as part of the EIB Group's special efforts to unlock funding and improve access to finance for local small businesses. The fund is a joint initiative of Greece, the European Commission and the EIB. Established by using EUR 500m from unabsorbed structural funds for the country, the fund will guarantee EIB loans to SMEs via partner banks totalling up to EUR 1bn. Small businesses are also key drivers for Greece's exports. In order to support an export-led economic recovery, the EIB has set up new trade finance products for SMEs worth EUR 500m.

In Portugal, the financial contribution extended in 2012 totalled some EUR 740m and the EIB signed loans worth over EUR 870m and used innovative techniques to unlock further national and EU investment. It also delivered exceptional efforts by initiating a portfolio state guarantee for up to EUR 2.8bn, which paves the way for an additional EUR 1bn for new operations in the future.

In Ireland, total funding provided in 2012 amounted to over EUR 530m in disbursed loans. The Bank

Joint Action Plan for Growth in Central and South Eastern Europe

The EIB plays a key role in delivering the Joint International Financial Institutions Action Plan, which targets growth in Central and South Eastern Europe in direct response to the continuing impact of the economic slowdown in the rest of Europe. At its launch in 2012, the Bank committed a minimum of EUR 20bn to the EUR 30bn Action Plan developed with the World Bank Group and the European Bank for Reconstruction and Development (EBRD).

This support will address priority areas such as SMEs, renewable energy and energy efficiency, innovation and convergence. Particular efforts will be made to mobilise EU grants, leverage private and public funds and provide targeted EIB advice to Albania, Bosnia-Herzegovina, Bulgaria, the Czech Republic, Croatia, Estonia, Former Yugoslav Republic of Macedonia, Hungary, Kosovo, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia, all of which have been seriously affected by the crisis.



gave particular support to renewable energy and water infrastructure, as well as education projects and smaller businesses. Loans signed totalled more than EUR 500m.

Assistance for less-advanced regions

In addition to finance, the EIB provides technical assistance to help the newer Member States use structural and cohesion funds efficiently. Together with the European Commission, the EIB has developed several instruments blending EIB financing with EU budgetary resources.

One example is JASPERS, the Joint Assistance to Support Projects in European Regions initiative. This is managed by the EIB and co-sponsored by the European Commission, the European Bank for

Reconstruction and Development and the German promotional bank KfW Bankengruppe. It provides technical assistance to the beneficiary countries of EU structural funds to help them improve the quality of the major projects to be submitted for grant financing under the EU structural and cohesion funds. Since its inception in 2006, a total of 226 JASPERS-supported projects in 12 countries have been approved, representing almost EUR 39bn worth of investments – of which over EUR 10bn in 2012 alone.

Fostering cross-border regional cooperation

Some regions' problems can best be solved through cooperation with other nearby regions. This is what the European Commission calls Euro-



JASPERS – Infrastructure project advice for new EU members

Joint Assistance to Support Projects in European Regions (EIB, European Commission, European Bank for Reconstruction and Development and KfW Bankengruppe)

JESSICA – Supporting urban development

Joint European Support for Sustainable Investment in City Areas (EIB, European Commission and Council of Europe Development Bank)

JEREMIE – Flexible SME funding

Joint European Resources for Micro to Medium Enterprises (EIF and European Commission)

JASMINE – Tailored advice for microfinance institutions

Joint Action to Support Microfinance Institutions in Europe (EIF and European Commission)

pean territorial cooperation. Close cooperation of regions on issues of common interest is encouraged by the EU structural funds. The EIB also supports regional initiatives that bring together EU Member States and partner countries.

In the Baltic Sea Region, the EIB backs projects across Denmark, Estonia, Finland, five federal states – Bundesländer – in Germany (Berlin, Brandenburg, Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein), Latvia, Lithuania, Poland, Sweden, Iceland, Norway and Russia. The focus is on making the region environmentally sustainable, competitive and accessible and promoting risk prevention. In 2012, the Bank supported this initiative with some 64 operations comprising total lending of EUR 7.7bn in the Baltic Sea Region.

The Danube Region strategy involves investment in support of common objectives in Austria, Bulgaria,



the Czech Republic, Germany (Baden-Württemberg and Bavaria), Hungary, Romania, the Slovak Republic and Slovenia, Bosnia-Herzegovina, Croatia, Montenegro and Serbia along with Moldova and Ukraine. In 2012, the Bank supported some 83 operations with a total of EUR 7.5bn in the Danube Region.



Safeguarding the environment – financing climate action

The Bank is among the largest providers of finance for climate action, making available over EUR 13bn in 2012 alone. The EIB supports the EU's goal of low-carbon and climate-resilient growth both within and outside the Union. As a financial leader in supporting innovative clean technologies, the EIB is committed to acting as a catalyst for investment.



The EIB firmly supports the EU's goal of making the European economy much more climate-friendly up to 2050 by going beyond the targets for 2020 of cutting greenhouse emissions by 20%, drawing 20% of energy from renewable sources and reducing energy use by 20%. Building a low-carbon economy is clearly one of the most critical global challenges of our times.

Creating a low-carbon society will generate cutting-edge technologies and new, green jobs. Up to 1.5 million additional jobs could be created by 2020, according to the European Commission. There would be other benefits too: reducing Europe's dependence on imported energy, lowering energy bills, cutting air pollution and increasing mobility. This switch to a more resource-efficient and smarter economy is vital for Europe to remain competitive.

Climate change also requires our societies to adapt. Hence, EIB advice and finance for projects contributing to climate resilience are important for long-term project sustainability.

EIB financial support for innovative climate action is mainly channeled through lending to sectors such as renewable energy, energy efficiency, sustainable transport, water, flood management and forestry. Climate considerations are factored into all operations, for instance by promoting the use of the best available technology. Innovative financial instruments that can bear higher financial risk have also been developed, often in cooperation with the European Commission but also with international organisations. A good example is the Sustainable Energy for All initiative launched with the United Nations in 2012.

Minimising our carbon footprint

Starting in 2009, the Bank engaged in a three-year pilot initiative to measure the carbon footprint of EIB projects in all sectors, in order to better track

its performance in terms of emissions and savings. In 2012, the Bank finalised this pilot work and analysed another year of emissions data: 71 projects were included, representing a total investment of EUR 55bn, 21% of which financed by the EIB. These EIB investments are expected to emit an estimated 7.5 million tonnes of CO₂ equivalent per year. The overall emissions savings from these EIB investments are estimated at 2.1 million tonnes of CO₂ equivalent per year.

Putting finance to work for emissions reduction

EIB finance for renewable energy and energy efficiency contributes directly to the reduction of greenhouse gas emissions. Support for these objectives amounted to EUR 4.4bn in 2012.

The EIB is the leading financier of wind energy in the EU. In recent years, it has particularly increased its financing of onshore and offshore wind farms. In 2012 alone, the EIB financed ten wind farm operations with EUR 1.4bn of loans. These projects are by definition large, long-term and technically demanding investments. The EIB is therefore a natural partner for this sector, both in terms of funding but also technical expertise. For similar reasons, the Bank funds solar energy projects, both concentrated solar power (CSP) and photovoltaic (PV). In 2012, nine solar operations were signed, amounting to total loans of EUR 425m. With each project, the technology is becoming increasingly efficient and innovative.

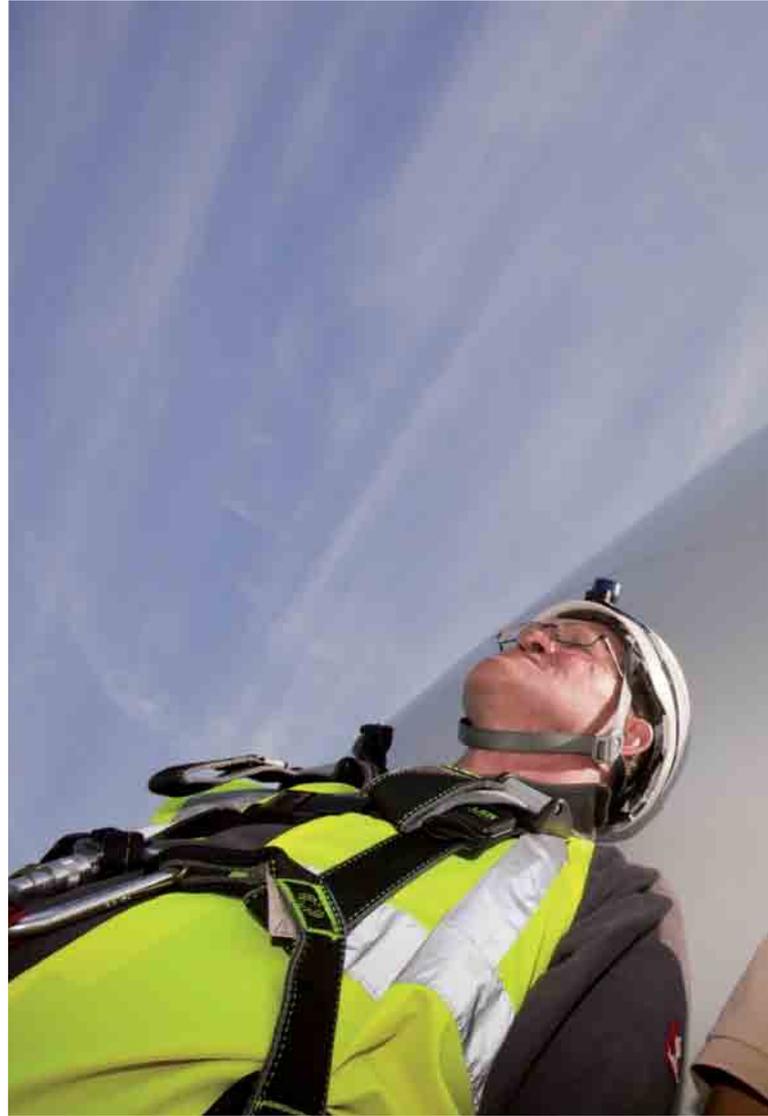
Energy efficiency considerations are taken into account in all Bank projects. Further gains are expected to be made from targeted energy efficiency investments. EIB financing for such projects covers both the supply side, such as combined heat and power and district heating, and the demand side, mainly insulation of public and private buildings.

Increasing climate resilience

Adapting early to the consequences of climate change is more effective and less costly than rushed emergency action. Known as climate resilience, these considerations are factored into all EIB projects. Specific projects that help to increase climate resilience and adapt to changing weather conditions were financed by loans totalling almost EUR 1bn in 2012.

Many of the Bank's forestry-related activities are adaptive measures. For example, woodlands can help prevent soil erosion and cut flood risk, not to mention providing benefits to biodiversity, soil fertility and watershed management. Moreover, they can act as so-called carbon sinks that regulate the global climate. We act mostly in the EU, but also in developing economies, working closely with the European Commission and international financing institutions.

The increased frequency of extreme weather conditions has severe impacts on the availability and quality of freshwater resources, giving rise to water-related natural disasters such as droughts and floods. The EIB is the largest source of loan finance for the global water sector. Besides adaptation to climate change, integrated water resource management is another important goal. For example, in South Africa, the EIB has supported the water system in the city of Durban and in the North Coast area with three loans to help finance the construction of a dam and conveyance system and water distribution to meet the water needs of 5.5 million people in the region by 2025.



EIB financial support for innovative climate action is mainly channeled through lending to sectors such as renewable energy, energy efficiency, sustainable transport, water, flood management and forestry.



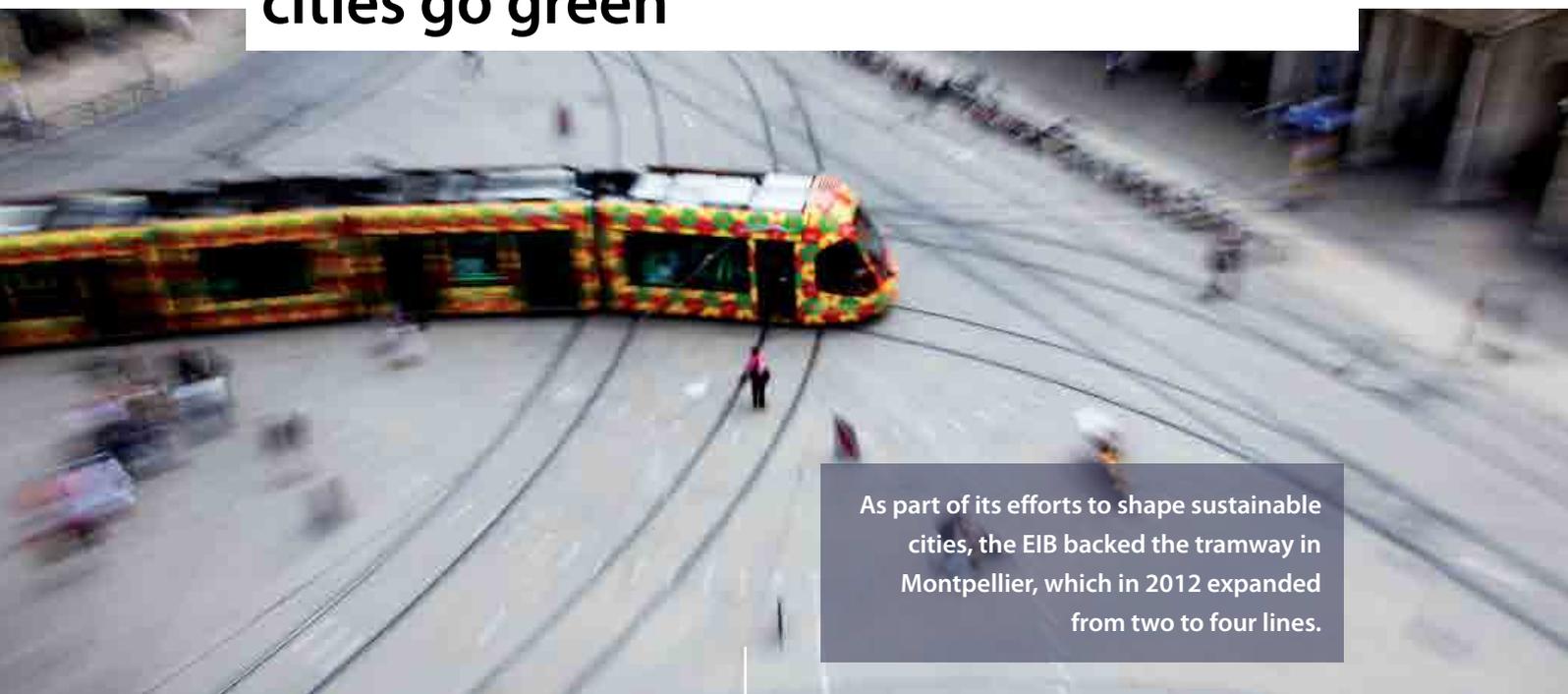


Specialised funds and initiatives

The EIB has a special responsibility to help fund climate-related projects at a time of budgetary austerity. As a catalyst for climate investment, the Bank is working with the public and private sectors on a number of initiatives to mobilise funding. It has also developed equity and carbon funds, to further support renewable energy and energy efficiency projects. It works upstream with project promoters, providing technical assistance to develop projects. At the same time, it is managing and participating in several other initiatives relating to energy and climate change:

- 2020 European Fund for Energy, Climate Change and Infrastructure (Marguerite Fund) is designed to stimulate infrastructure investment to implement EU policies on climate change, energy security and trans-European networks.
- Green for Growth Fund provides financing, including loans, equity and technical assistance, for energy efficiency and renewables projects in South Eastern Europe.
- Sustainable Energy for All (SE4All) aims to provide universal access to modern energy services and to double both the global rate of improvement in energy efficiency and the share of renewable energy in the global energy mix by 2030.
- NER300 is the world's largest funding programme for carbon capture and storage demonstration projects and innovative renewable energy technologies.
- Althelia Climate Fund is a ground-breaking proposal put forward in 2012 to support sustainable land use and conservation of primary forest.
- EIB Climate Awareness Bonds raise funds to support lending for renewable energy and energy efficiency. Since 2007, the EIB has issued EUR 1.7bn through Climate Awareness Bonds. In 2012 alone, these bonds raised EUR 350m equivalent.

Helping cities go green



As part of its efforts to shape sustainable cities, the EIB backed the tramway in Montpellier, which in 2012 expanded from two to four lines.

Greening cities and making them sustainable is at the heart of the EIB's activities in urban areas.

Environmentally friendly public transport is vital for sustainable cities. In 2012, EIB lending for sustainable cities amounted to over EUR 8bn.

Urban areas are home to 75% of Europeans and generate around 85% of the EU's GDP. Metropolitan areas are centres of innovation and economic growth and are where most jobs, businesses and higher education facilities are concentrated. But they are also home to major problems of social cohesion and environmental sustainability. Europe's cities account for 80% of our energy use, and 80% of greenhouse gas emissions.

This means that cities also need to provide answers to some of today's key challenges, such as pollution, emissions and making sure that the infrastructure keeps up with urban development.

Shaping sustainable cities

The EIB's lending in cities focuses on urban renewal and regeneration projects that help shape sustainable communities by improving the areas of greatest deprivation. The Bank aims to improve the use of scarce land assets, support municipal investment in upgrades of public facilities, and protect cultural heritage. In 2012, some EUR 2.4bn went to urban development and regeneration and health-care projects.

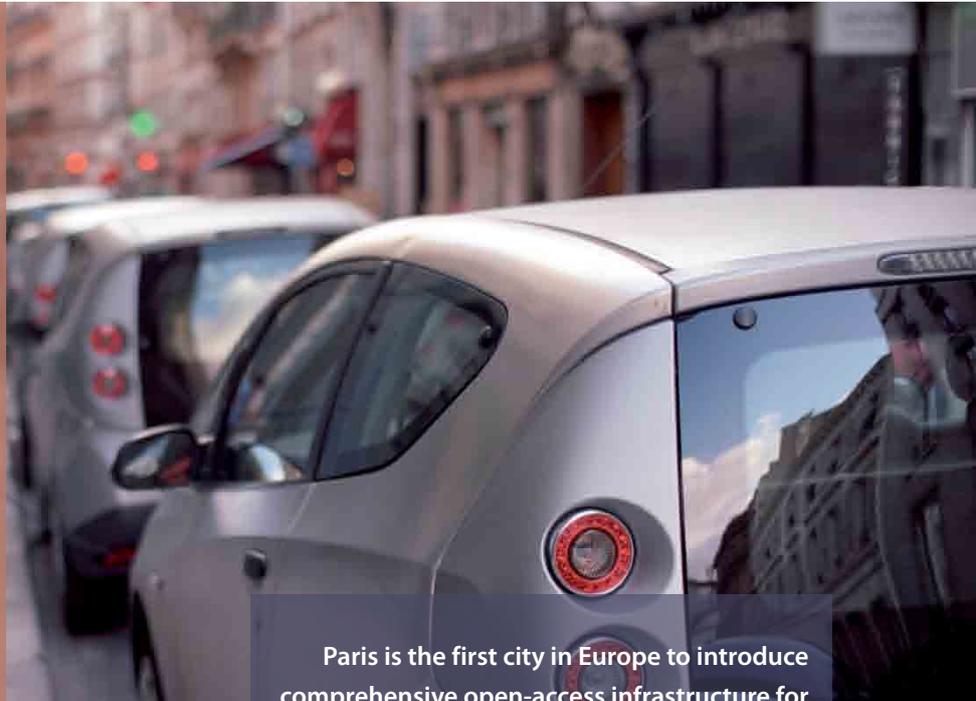
European Local Energy Assistance (ELENA) is a joint EIB-European Commission initiative that helps local and regional authorities prepare energy efficiency and renewable energy projects to make



Over the last five years the EIB has helped to finance:

- 32 metro
- 4 urban rail
- 48 tramway
- 48 rail, and
- 27 high-speed rail projects.

Around **25 million** people in the EU use an EIB-financed public mode of transport every day.



Paris is the first city in Europe to introduce comprehensive open-access infrastructure for electric vehicles. The EIB is lending EUR 75m to help the French capital go green.

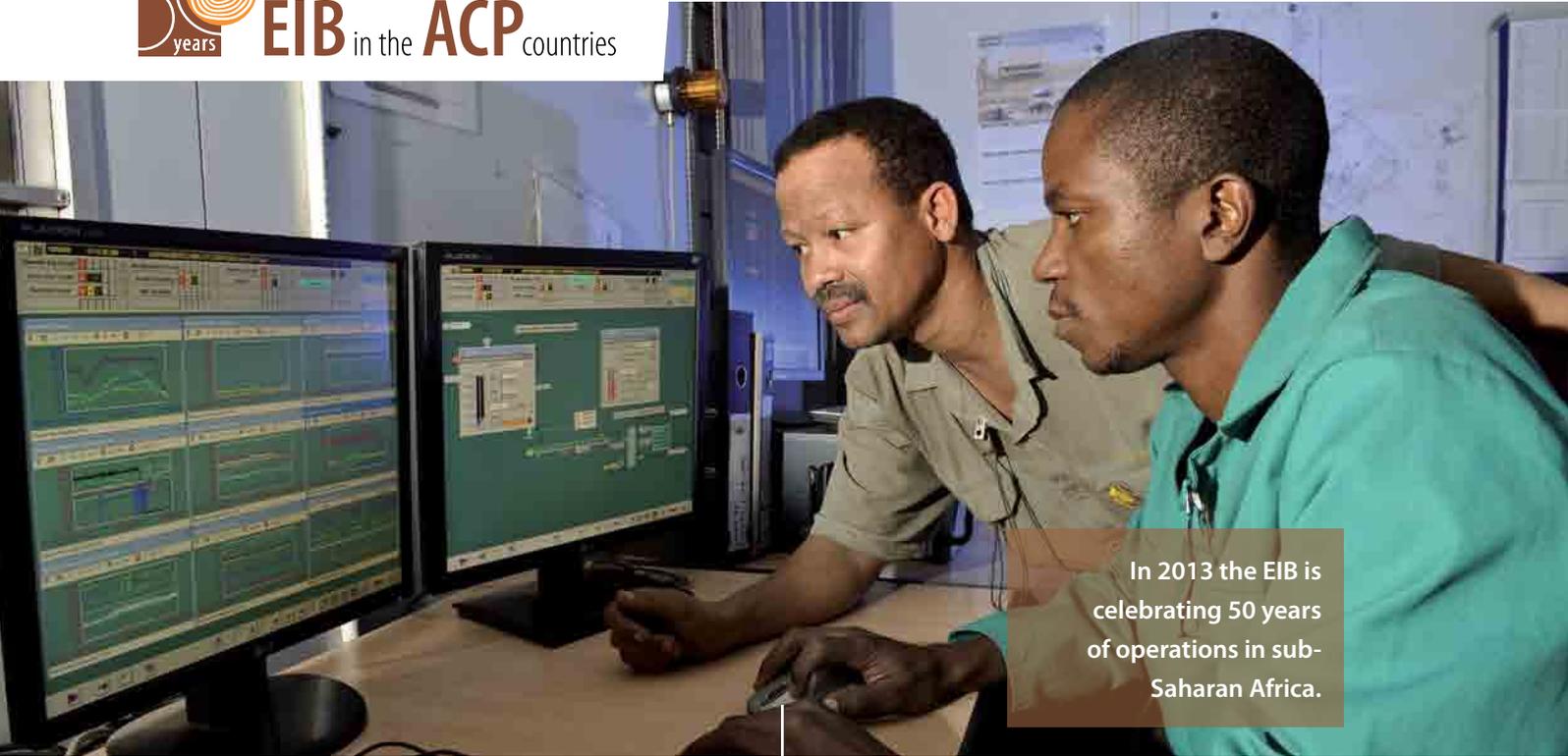
them more attractive to external finance. ELENA covers a share of the cost of the technical support that is necessary to prepare, implement and finance the investment programme. In 2012, technical assistance commitments to beneficiaries under ELENA amounted to EUR 12m bringing total commitments to EUR 37m.

Supporting sustainable transport

The EIB's support for sustainable transport ranges from the construction, extension or rehabilitation of public transport infrastructure, through the promotion of cycling and pedestrian networks, to electric vehicles. The Bank also promotes the development of cleaner and safer vehicles by supporting research and development for energy-efficient and low-emission solutions. The projects it supports help improve air quality, reduce noise pollution, improve safety, enhance energy efficiency and limit greenhouse gas emissions.

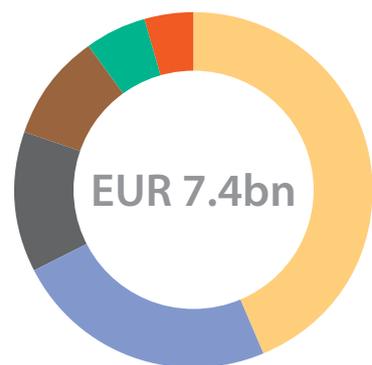
JESSICA for cities

Joint European Support for Sustainable Investment in City Areas (JESSICA) is a joint initiative of the European Commission, the EIB and the Council of Europe Development Bank. It assists with the allocation of EU structural funds and enables these resources to be used for financing revenue-generating urban projects through so-called Urban Development Funds. The EIB advises on how to best deploy resources and offers support for fund management. By the end of 2012, a total of 75 JESSICA evaluation studies had been commissioned and 18 holding funds had been signed for a total of EUR 1.7bn covering 54 regions. The number of Urban Development Funds increased to 37 at the end of 2012, with a total volume of around EUR 1.4bn.



In 2013 the EIB is celebrating 50 years of operations in sub-Saharan Africa.

The EIB's activities around the world underpin the EU's foreign policy goals. Through the projects it finances, the Bank contributes to growth and jobs beyond the Union's borders. The EIB, as the EU bank, is the natural partner of the European Commission and the European External Action Service to fund projects supporting EU policy objectives outside the Union. In 2012, EIB lending across the globe reached some EUR 7.4bn.



Lending outside the EU by region

- Enlargement countries
- Mediterranean countries
- Eastern Neighbours
- African, Caribbean and Pacific countries
- Asia
- Latin America



Promoting sustainable growth beyond the EU's borders

Most of the Bank's financing operations outside the Union are carried out under an EU budget guarantee, set out in external mandates for different regions of the world: pre-accession countries, Southern and Eastern Neighbours and partnership countries in Asia, Latin America and South Africa. The mandates for EIB operations in these regions run until 2013. The guarantee covers a total of EUR 29bn for the period 2007-2013. This includes EUR 2bn in lending set aside for climate action, as well as assistance for Southern Mediterranean countries to support political reforms in the wake of the Arab Spring. The mandates for the next period (2014-2020) will be discussed by the European Commission, the European Parliament and Council in 2013. By working under an EU budget guarantee, the EIB can leverage EU funds in a cost-efficient and scalable manner and thereby increase the external policy impact.

In all these regions, the Bank supports projects that contribute to increasing growth and job creation. It does so by providing finance and technical assistance for local private sector development, social and economic infrastructure and climate action projects.

The lending mandate for the African, Caribbean and Pacific (ACP) countries and Overseas Countries and Territories (OCTs) comes under the Coto-

nou Agreement, which establishes the EU's relations with these partner countries. The Agreement was last renewed in 2010. Financing in this framework is provided from EU Member States' budgets through the European Development Fund, alongside EIB own resources.

The EIB, as the EU bank, is the natural partner of the European Commission and the European External Action Service to fund projects supporting EU policy objectives outside the Union. Projects financed by the Bank deliver tangible results and make a difference in people's everyday lives.

Delivering finance and expertise to aspiring EU members

Lending to pre-accession countries is an important instrument in helping them move closer to their aspiration of EU membership. The enlargement of the Union requires investment to enable these countries to adapt to the European economic and social model and to EU standards. In 2012, lending to countries seeking to join the Union amounted to EUR 3.1bn. Lending to Croatia, which will join the EU in July 2013, reached EUR 300m.

In 2012, the Western Balkans Investment Framework (WBIF) extended its support to small and



The EIB is backing the first large solar project in North Africa with a total financial commitment of EUR 300m. The Ouarzazate solar complex in Morocco will generate electricity for more than half a million people.

medium-sized enterprises, climate change initiatives and other priorities. This joint initiative, set up by the European Commission, the EIB, the EBRD and the Council of Europe Development Bank in 2009, pools grant resources in order to leverage loans for the financing of priority infrastructure in the Western Balkans. By end-2012, it had provided EUR 279m in grants to over 138 projects which, in turn, have attracted investment loans worth over EUR 7.7bn from international financial institutions, of which EUR 2.3bn are signed.

Support for the EU's Eastern and Southern Neighbours

Securing sustainable growth and job creation in the Southern Mediterranean countries (Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Tunisia and soon Libya) is a top priority for the Bank, which is already the leading public financial institu-

tion in the region and plays an important role in the Deauville Partnership, set up to support democratic and economic transition following the Arab Spring. The EIB signed loans worth almost EUR 1.7bn in 2012 to foster private sector development and accelerate infrastructure projects in the Mediterranean countries.

The EIB maintained the suspension of its loans and technical assistance to Syria throughout 2012, following the EU's decision to impose sanctions on the regime.

In the Eastern Neighbourhood (Ukraine, Moldova, Georgia, Armenia, Azerbaijan and Russia) the EIB supported in particular access to finance for small businesses and strategic infrastructure projects with more than EUR 900m of loans in 2012. The Bank's Eastern Partners Facility provides additional finance for loans that help support EU investment in the region, especially by European corporates.



For the Kampala Water project, the EIB teamed up with its partners under the Mutual Reliance Initiative in order to bring improved water treatment and drinking water distribution to the Ugandan capital's 2.5 million inhabitants, including access to clean and safe drinking water for an additional 400 000 people.



Partnering with others

Partnering with others is an important feature of the Bank's operations, particularly outside the Union. EU grants are increasingly blended with EIB lending to achieve better project outcomes. The Bank is also actively participating in the EU Platform for External Cooperation and Development established to further increase the impact of EU external cooperation activities. This will help leverage limited financial resources for the benefit of EU partner countries and improve development effectiveness.

The EIB and the European Bank for Reconstruction and Development (EBRD) collaborate regularly to provide combined financial support to projects in the Eastern Neighbourhood countries. This cooperation is being extended to activities in the Southern Mediterranean. In 2012, the EIB also signed a Memorandum of Understanding with the European External Action Service, the European Commission and the EBRD on projects falling under the EU-Russia Partnership for Modernisation, thereby stepping up cooperation in this region.

The EIB also works closely with the French development agency, Agence Française de Développement, and the German public bank, Kreditanstalt

für Wiederaufbau under the Mutual Reliance Initiative (MRI) in which one of the participating institutions takes the lead on assessment for each co-financed project. This streamlines administrative procedures for the project promoter and reduces transaction costs. The pilot phase was successfully completed in 2012 with 14 co-financed projects in sub-Saharan Africa and in the Middle East/North Africa and operational guidelines were signed at the beginning of 2013. MRI enhances the effectiveness of financing in support of EU policies and creates more visibility for EU investment.

Measuring results for a more targeted impact

The EIB is moving towards more impact-oriented reporting and enhanced monitoring for its operations outside the EU. In 2012, the Bank launched the pilot phase of the implementation of its new results measurement framework which assesses and measures the development impact on the basis of standard indicators. The framework will measure the employment and fiscal effects of projects financed, in addition to energy efficiency, carbon footprint, environmental and social safeguards, and the impact on corporate governance for projects in the private sector.

A solid financial partner

For more than 50 years, the EIB has been a solid financial partner underpinning the EU's goals. In times of turmoil, the Bank acts as a source of stability. In 2012, its shareholders decided to increase the EIB's capital to allow a step up in investment that will create jobs and contribute to economic growth in Europe.



The EIB is financially autonomous. Its capital is subscribed by the 27 EU Member States, which are the Bank's shareholders. Each country's share in the EIB's capital is based on its economic weight at the time of EU accession. In 2012, the EIB's shareholders took the historic decision to practically double the EIB's paid-in capital with a EUR 10bn increase. This will allow additional lending of up to EUR 60bn over a three-year period for economically viable projects across the EU. As a result, the EIB will increase its overall lending to some EUR 200bn over the period 2013-2015 and thereby deliver the investment component of a coordinated EU response to the crisis.

The EIB's financial strength derives from the quality of its assets, its sound governance, prudent risk

management, continued profitability and strong liquidity. These factors combine to ensure that the Bank continues to benefit from an excellent credit standing.

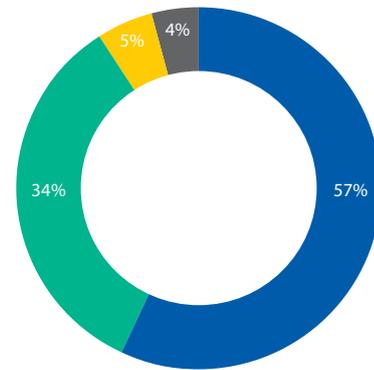
The accounts as of end-2012, which anticipate the forthcoming cash capital infusion, showed a significant increase in the capital adequacy ratio – the ratio of the Bank's capital to its assets – which stood at 23% at the end of 2012. Asset quality remained strong, with a rate of impaired loans close to zero per cent (0.3%) of the total loan portfolio at year-end. The annual net surplus reached EUR 2.7bn, reflecting record lending levels in recent years.



The world's largest supranational borrower

The Bank is the world's largest multilateral borrower and lender. In 2012, it raised EUR 71bn on the international capital markets.

Building on its financial strength, the EIB is able to borrow at very attractive rates. The Bank's lending customers benefit from the EIB's borrowing conditions, all the more so as the Bank does not seek to maximise profit. Despite volatile markets, which were negatively influenced by the adverse economic context in much of Europe, the Bank raised EUR 71.3bn on the international capital markets in 2012, including some prefunding for 2013.



Distribution of EIB bond issues by region

- Europe
- Asia
- Middle East & Africa
- Americas



Governance at the EIB

EIB Statutory Bodies

The **Board of Governors** comprises ministers designated by each of the 27 Member States, usually Finance Ministers.

It lays down credit policy guidelines, approves the annual accounts and balance sheet, and decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee. The Board of Governors meets once a year.

Since 1 January 2012, Werner Hoyer has been President of the EIB. He is the seventh president since the Bank was founded in 1958. Previously, Mr Hoyer was Minister of State at the Foreign Office of the Federal Republic of Germany, responsible for European policy, and a Member of the German Parliament.

The **Board of Directors** has sole power to take decisions in respect of granting finance, particularly in the form of loans and guarantees, and of borrowings.

It ensures that the Bank is properly run and is managed in keeping with the provisions of the Treaties and its Statute and with the general directives laid down by the Governors. Appointed for a renewable period of five years, its members are solely responsible to the Bank.

The Board of Directors consists of 28 Directors: one nominated by each Member State and one by the European Commission. There are 18 Alternates, meaning that some of these positions are shared by groupings of states. Furthermore, in order to broaden the Board of Directors' professional expertise in certain fields, the Board is able to co-opt six experts (three as members and three as alternates), who participate in the Board meetings in an advisory capacity, without voting rights. Except as oth-



The EIB is the only public bank exclusively owned by the 27 Member States. As part of the EU family, it serves to contribute to growth and jobs in the EU and underpins the Union's policy goals in all of its activities.

erwise provided in the Statute, decisions are taken by a majority consisting of at least one third of members entitled to vote and representing at least 50% of the subscribed capital. The Board of Directors meets ten times a year.

The **Management Committee** is the Bank's permanent collegiate executive body. It has nine members and works under the authority of the President and the supervision of the Board of Directors.

The Management Committee oversees the day-to-day running of the Bank, prepares decisions for the Board of Directors and ensures that these are implemented. Its members are appointed for a renewable period of six years and are responsible solely to the Bank. The Management Committee meets once a week, chaired by the President. According to the Bank's Statute, the President is also Chairman of the Board of Directors. The four larg-

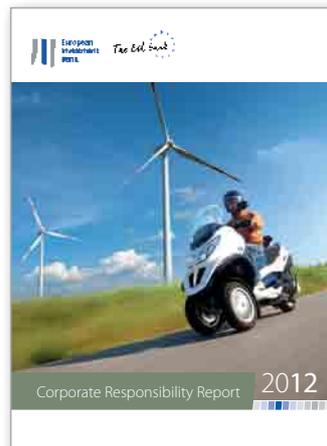
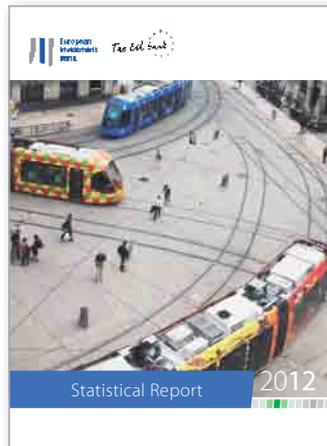
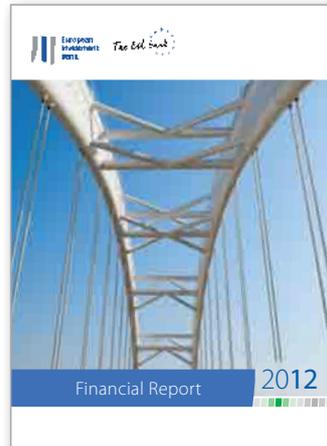
est shareholders – France, Germany, Italy and the United Kingdom – have a permanent seat on the Management Committee.

The **Audit Committee** is an independent body answerable directly to the Board of Governors and responsible for auditing the Bank's accounts and verifying that its activities conform to best banking practice. It is composed of six members, which are appointed for a non-renewable term of six consecutive financial years.

The Audit Committee checks that the operations of the Bank have been conducted and its books kept in a proper manner. At the time of approval of the financial statements by the Board of Directors, the Audit Committee will then issue its statements. The results of its work during the preceding year are sent to the Board of Governors together with the annual report of the Board of Directors.

Members of the Management Committee from left to right: Simon Brooks, Anton Rop, Mihai Tanasescu, Pim van Ballekom, Wilhelm Molterer, Magdalena Álvarez Arza, Dario Scannapieco, Philippe de Fontaine Vive and Werner Hoyer.





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

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