



Activity Report

2013



The EU bank – a trusted innovator:

- Innovative projects to create new jobs
- Innovative financing solutions
- Innovative partnerships to maximise results

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Promoting sustainable growth in support of job creation is the EIB's principal lending priority.

In 2013 the EIB Group supported some  
**230 000 SMEs**  
in Europe to the tune of

**21.9bn** EUR



In July 2013 Croatia became the 28th Member State of the European Union. Our first operation following accession was in direct support of small and medium-sized enterprises – the backbone of the Croatian economy and the main driver of growth and employment.

## STRATEGIC INFRASTRUCTURE

**15.9bn** EUR

EIB investment in European  
**strategic infrastructure**

**4.2bn** EUR  
to support smart  
European cities

Launch of new  
**energy lending criteria** for  
**sustainable energy** projects

First two projects  
supported with the  
**Project Bond  
Initiative**

Group finance for  
**230 000** SMEs and mid-caps

supporting  
**2.8m**

**JOBS**  
in Europe

**2013**  
**IN FIGURES**

The EIB Group plays an  
integral role in the EU  
strategy to address the  
lasting consequences  
of the financial crisis

Smart financing  
instruments to put  
Europe's economy  
back on track

## FINANCE FOR CLIMATE ACTION

**19bn** EUR  
finance to  
promote  
**climate action**

**214m** EUR  
dedicated to seven inno-  
vative **climate funds**

**1.4bn** EUR  
Record  
in EIB  
**Climate Awareness Bonds**

Launch of EIB  
**Climate Statement**

## ACCESS TO FINANCE

**21.9bn** <sup>EUR</sup> FOR SMEs AND MID-CAPS

Group support for SMEs and mid-caps in Europe

First EIB **trade finance** operations go live in Greece and Cyprus

**9.1bn** <sup>EUR</sup>  
committed to **youth skills** and **employment** in EU



Capital increase put to productive use to support the drivers of growth and employment

**75.1bn** <sup>EUR</sup>  
EIB Group financing focusing on projects with impact on **growth and jobs**



## INNOVATION AND SKILLS

**17.2bn** <sup>EUR</sup> at Group level  
for **innovation and skills** in Europe

**Growth Finance Initiative (GFI)** launched to promote innovative mid-caps

**19**  
universities and research centres supported by EIB

**856m** <sup>EUR</sup> for innovative SMEs via the EIF-managed **Risk Sharing Instrument (RSI)**



## Foreword from the President



2013 was a challenging year for the European Investment Bank, the “EU bank”. One year ago I announced that our shareholders, the EU Member States, had entrusted us with a capital increase of EUR 10bn, enabling the EIB to play a counter-cyclical role in times of crisis by increasing its lending volume and being active as a reliable partner on markets that commercial banks have left or at least where they have reduced their volumes dramatically. Today, I am proud to tell you that we have delivered on our promises. We stepped up our total Group financing activities by 37% to EUR 75.1bn. This effort is even more impressive when considering Europe alone, where financing of EUR 67.1bn represents a 42% increase on 2012 volumes.

Support for Europe’s SMEs doubled in 2013 to EUR 21.9bn. Our investments mobilised more than EUR 50bn for some 230 000 SMEs and mid-caps, sustaining 2.8m jobs in Europe. Our attention was concentrated on the countries hard-

est hit by the crisis, in particular Greece, Cyprus, Ireland, Portugal and Spain, where SME loans alone amounted to almost EUR 7bn.

And whilst SMEs accounted for almost 30% of investments in 2013, our commitment to our other key priorities remained high; European R&D received EUR 17.2bn in Group financing, and EUR 15.9bn went on strategic infrastructure in Europe and EUR 19bn on global climate action.

2013 was a year for looking beyond the scope of our traditional toolkit. We adopted a tailor-made approach, adapting our financial solutions to the specific needs of Member States. Examples include the award-winning Trade Finance Facilities in Greece and Cyprus, a Greek SME Guarantee Fund and an innovative Portfolio State Guarantee in Portugal.

We also activated the pilot phase of the Europe 2020 Project Bond Initiative. Two projects were





credit-enhanced in 2013 and a steady pipeline of additional projects was generated; Europe is making real progress towards creating a project bond market.

The Project Bond scheme is just one in a series of initiatives which demonstrates enhanced collaboration with our colleagues in other European institutions. In June, the European Council called upon us to make a meaningful contribution to the fight against youth unemployment. In a bid to prevent the emergence of a lost generation of skilled European workers, we developed our Skills and Jobs – Investing for Youth programme. Exceeding the initial EUR 6bn target, we committed loans of some EUR 9.1bn in the second half of 2013 to provide young people with skills training and lasting employment opportunities.

Our work within Europe would not be complete without the powerful instrument that is the European Investment Fund. With its broad range of instruments, our partners at the Fund provided EUR 3.4bn in support of SMEs, entrepreneurship and innovation. 2014 is the 20th anniversary of the EIF and we foresee another exceptional year. The Bank, as the largest shareholder, has decided to increase the Fund's capital by EUR 1.5bn and, in parallel, we will extend its activity with a EUR 4bn mandate over the next seven years.

Whilst Europe is our focus as the bank of the EU-28, we support EU external priorities, using our experience in the Union to the benefit of our partner countries. Loans worth EUR 7.7bn underscore our commitment to financing infrastructure, SME activities and climate action projects in our Eastern Partners, the Mediterranean, Africa, Asia and Latin America. We are delighted that the External Lending Mandate under the EU budget guarantee will provide EUR 27bn, with an optional EUR 3bn, for the period 2014-2020.

During the year we continued to borrow in highly competitive markets and maintained a stable AAA rating. The EIB's financial strength was clearly demonstrated via a EUR 72bn funding programme. And with 44% of bonds placed with investors outside

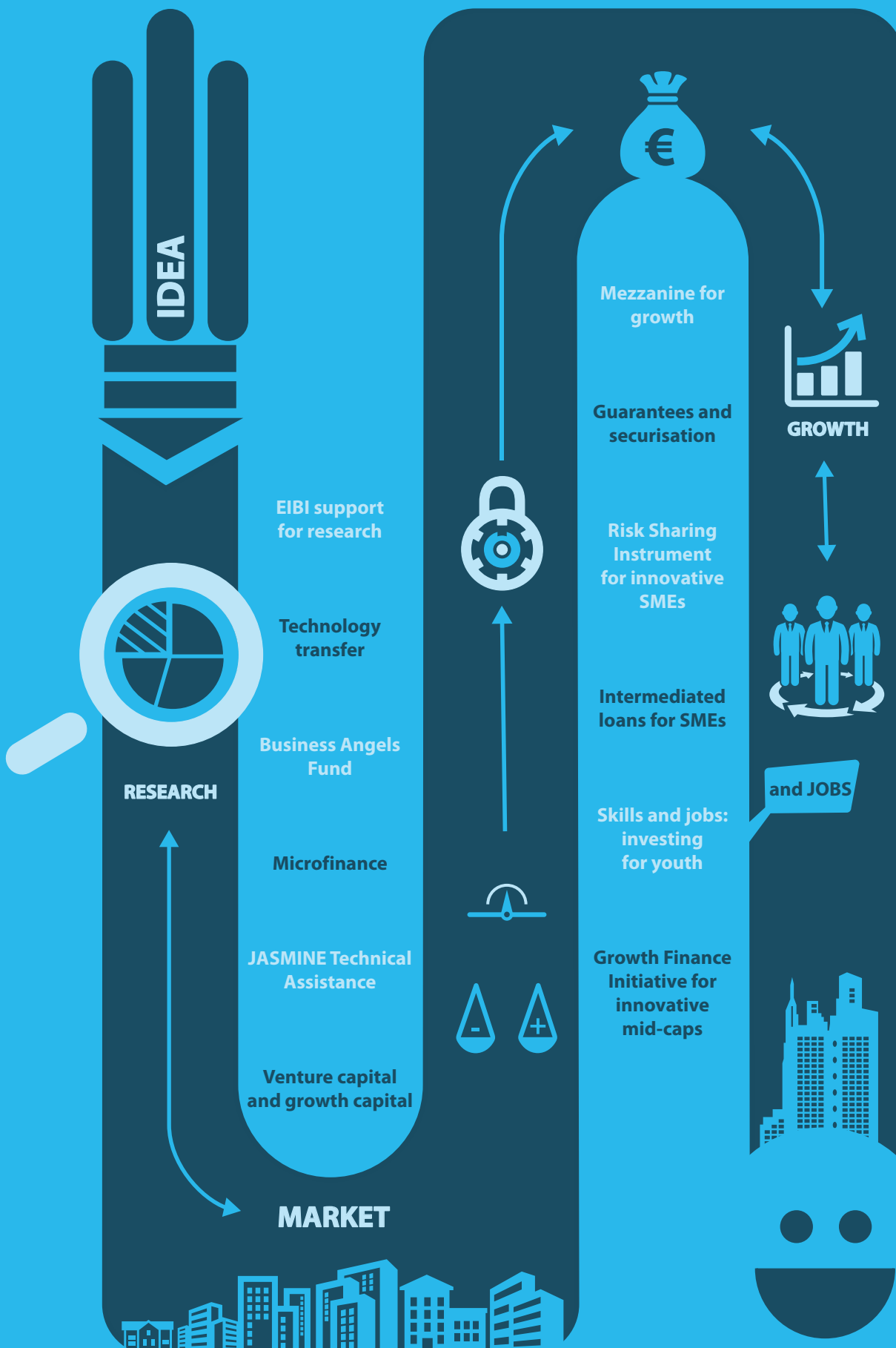
the EU, we consolidated our role as a conduit for investment from outside Europe into the Union.

I will conclude by looking to the future. Signs of recovery in Europe are tangible. Furthermore, 2014 will be an important year for Europe, with EU elections, and a new Parliament and Commission. Altogether, we must now start looking beyond the crisis. In doing so, we see a three-dimensional challenge: a serious investment gap, EU productivity falling behind the US and Japan and, above all, an employment crisis. In short, we have an innovation challenge on our hands. The EIB will focus increasingly in coming years on all sectors that are decisive for Europe's competitiveness on the global markets, especially research and development.

It is clear that we have our role to play, helping to build a strong and competitive Europe in a globalised world, developing lasting relations with partner countries for the benefit of our citizens. I am confident that in one year's time I will be able to transmit the same message: **the EIB Group is delivering.**

Werner Hoyer

# SMEs for growth and jobs



Access to finance





# Unlocking access to finance for SMEs

SMEs are the key to unlocking economic potential and creating a stronger Europe as it emerges from the crisis. Europe's 16 million SMEs account for 98% of companies, and an impressive 70% of private sector workers are employed by small and medium-sized businesses. Yet finance is notoriously difficult to access for this important economic group.

**W**e have become a European leader in SME financing. Debt, equity, guarantee and venture capital instruments help meet the diverse needs of small businesses across the EIB's 160 countries of operation and throughout the EU and enlargement countries in the case of the EIF.

Our lending has been focused on developing innovative products and partnerships that facilitate access to finance for SMEs at all stages of their development in a bid to boost employment opportunities, specifically for Europe's youth.

Both the EIB and EIF mobilised financial and technical expertise in 2013, acting as a catalyst for investment from both the public and private sectors. As a whole, the Group works with national and regional governments to tailor our solutions to individual needs. A coordinated effort across the EIB Group has resulted in an efficient response, targeting those sectors and countries where support is needed most.

## 2013 access to finance for SMEs highlights:

**21.9bn** EUR  
for **230 000 SMEs**  
supporting **2.8m** employees

- A record EUR 21.9bn for SMEs, up 50% on 2012, catalysing over EUR 50bn in support of Europe's small businesses
- Exceptional measures to promote access to finance for SMEs, including:
  - EIB finance for working capital
  - First EIB trade finance operations in Greece and Cyprus
  - EUR 9.1bn approved support for the EIB's Skills and Jobs – Investing in Youth initiative
- Record EIF support for SMEs of EUR 3.4bn
- EIB support for agriculture

## EIB Group SME activities

Unlocking finance for Europe's SMEs is our top priority. In 2013, we deployed almost 30% of our activity to support some 230 000 SMEs and mid-caps, which provide approximately 2.8 million jobs.

**W**e have developed tailor-made guarantee schemes in collaboration with the EU Member States to provide additional support to countries facing severe liquidity constraints:

A Portfolio State Guarantee with Portugal supports the country's efforts to foster growth and employment, especially investments promoted by SMEs.

The Cyprus Entrepreneurship Scheme enables the State and commercial banks to lend to SMEs on a risk-sharing basis, developing support for their investment and working capital needs.

We carried out an extensive evaluation of our Loans for SMEs (2005-2011), which confirmed their vital role in keeping the credit tap flowing during the crisis; SMEs gain access to loans with affordable conditions and contribute to growth and employment. The evaluation revealed the need to encourage banks to lend to riskier SMEs.

Mid-caps – companies with between 250 and 3 000 employees – have become a more impor-

tant client group for the EIB. We launched our Mid-Cap Initiative (MCI) and Growth Finance Initiative (GFI) to stimulate loans, in particular to innovative mid-caps. Mid-cap loans totalling EUR 37m were signed under the GFI in the EU in 2013.

The EIF is celebrating 20 years of operation in 2014. It remained a key instrument for targeting support for European SMEs in 2013. EUR 1.5bn in equity/mezzanine investments catalysed EUR 7.1bn in SME support, while EUR 1.8bn in guarantees and securitisations throughout the year resulted in EUR 8.6bn in catalysed volumes.

The Bank is underscoring the Fund's role in fostering growth, jobs and innovation in Europe, backing an increase of EUR 1.5bn in the EIF's subscribed capital and issuing a EUR 4bn mandate in support of additional EIF guarantees over the next seven years. We are working hand-in-hand to prepare further Group-wide support for the SME sector in Europe.



A family-owned wine-producing business in central Greece received a boost in the form of a EUR 150 000 EIB loan in January 2013 to purchase equipment for a second production line. The fruits of the loan are evident – 12 new jobs and an expected increase in turnover of around 50% compared with 2012.



## Microfinance for social and financial inclusion

Microfinance has become a valid and growing financial market segment in the EU in part as a result of the continuing austere economic environment. Micro-enterprises account for 91% of all European businesses and are a steady source of employment and social inclusion.

**T**he European Progress Microfinance Facility is an EU programme jointly funded by the European Commission and the EIB. It enables the EIF to act as the Group's partner to micro-finance institutions that support those European entrepreneurs and micro-businesses who encounter difficulties accessing traditional banking services. 2013 was a record year for microfinance finance in the EU, with 26 transactions amounting to EUR 54m.

For the first time ever in 2013 the EIB also provided microfinance in Europe. A EUR 60m loan to MicroBank in Spain will sustain the projects of microbusinesses and entrepreneurs to help tackle the country's high unemployment rates.

Worldwide, some 1.4 billion people are thought to live in extreme poverty and lack access to basic financial services. Outside Europe, microfinance is a key tool for achieving financial inclusion. The financial services enabled by the EIB's microfinance investments have reached 8 million people.

The EIB is a major global microcredit player, with over EUR 75.5m in finance committed to microfinance activities outside Europe in 2013.



Vegetable grower Anton built a new greenhouse two years ago and plans to extend it and increase production. Through Bulgarian microfinance provider Mikrofond, he obtained EUR 1 150 to finance his greenhouse extension. Given the additional workload, he hires seasonal labourers from the local long-term unemployed Roma community.

In 2013 we made our first microfinance loan in Palestine, where a USD 1m investment is supporting the Arab Center for Agricultural Development (ACAD). Sheep breeder Nethmia Salameh received EUR 1 520. "With this loan I would like to purchase five more sheep, which would enable me to increase my income and would greatly help me in paying my son's university fees."



## An EIB first: trade finance

In 2013 the Bank approved two trade finance trailblazers. A loan of up to EUR 500m is supporting foreign trade SMEs in Greece and a further EUR 150m will be made available to Cypriot SMEs.

SABO S.A. benefited under the initiative with a loan for its trade activities via Eurobank and Commerzbank. The company produces turnkey factories for bricks and roof tiles. With its focus on exports, SABO has sold and installed tailor-made factories in every continent except Australia. With an average staff age of 27, SABO is supporting the Bank's drive to stimulate youth employment.



Long-term finance for strategic projects which underpin the policy objectives of the European Union has shaped the EIB's lending strategy. As a result, short-term credit instruments such as trade finance have not been part of our product portfolio. But exceptional times call for exceptional measures.

Trade – a historically stable financial segment – is vulnerable in times of crisis as transaction and systemic risks relating to developing trade flows hinder economic development. The Greek Government was the first Member State to call on the EIB to act as a secure bridge between domestic and foreign banks for the benefit of SMEs in the import/export sector.

Through the Trade Finance Facility, the EIB provides foreign banks with appropriate guarantees in favour of the domestic banks for letters of credit. This alleviates cash collateral constraints otherwise imposed on SMEs and increases access to international trade instruments.

Appetite for the existing trade finance facilities is strong – Cyprus was the second Member State to benefit – and the EU bank is tailoring the mechanism to the needs of specific markets. Moreover, the EIB is working hard to avoid distortion in the markets, giving flexibility to those involved to define pricing through independent negotiation.

In 2013 the Trade & Forfaiting Review (TFR), the worldwide leading trade and supply chain finance magazine, named the EIB Trade Finance Facility for Greece as Deal of the Year out of some 140 deals submitted.





## Skills and jobs – investing for Europe's youth

Youth unemployment is one of the main challenges facing Europe. In a bid to address the jobs crisis affecting the EU's 15-24 year olds, in July 2013 the EIB Group launched the "Skills and Jobs – Investing for Youth" programme.

In line with youth employment policies at EU and Member State level, the programme is specifically dedicated to supporting young people. It is focused on financing facilities for vocational training and student and apprentice mobility and aims to address the shortage of jobs for young people.

In 2013 we approved support totalling EUR 4.5bn in favour of developing skills, and almost EUR 4.6bn for youth employment, exceeding the programme EUR 6bn target by 50%. The Bank also concentrated efforts on prioritising credit lines for SMEs in regions with youth unemployment of over 25%.

We deployed both large-scale direct loans and intermediated financing solutions to invest in skills:

Microcredit, intermediated lending and large direct loans have all been used for the Group's contribution to support jobs for young people:

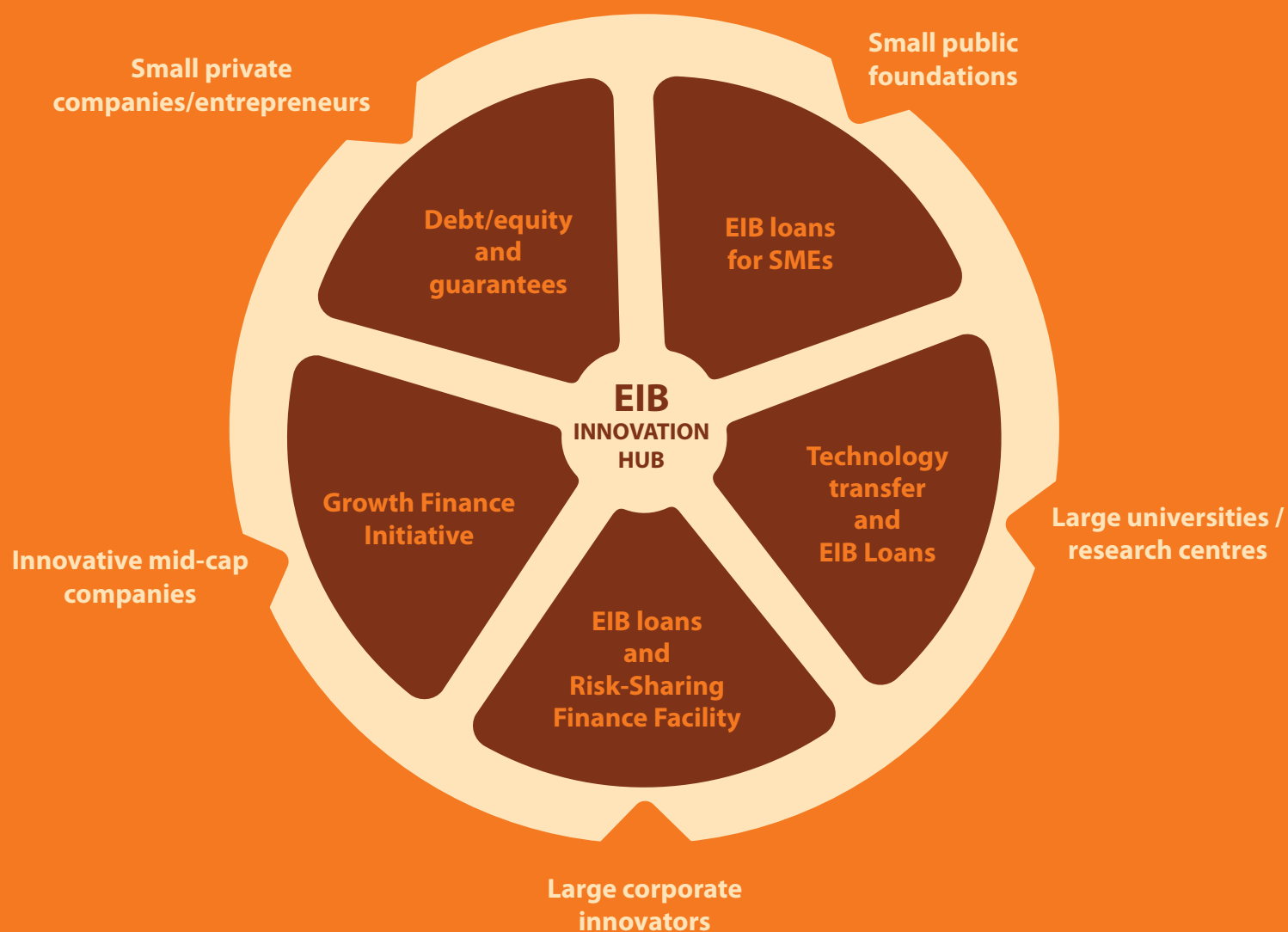


French educational facilities were awarded a EUR 400m loan for the construction and modernisation of 85 lycées, 14 vocational schools and seven higher education institutions in the Centre region, where unemployment stands at 28%.

A EUR 200m loan intermediated by Santander Bank in Spain will provide for measures to support young people looking for their first job and loans for young entrepreneurs, as well as financing higher education needs.



# Innovation and skills







# Developing innovation and skills for a growing economy

Investment in innovation is a focus for the EIB as a driver of employment, a toolkit for developing skills and a mechanism for solving tomorrow's problems today. The EIB Group stands ready to make a tangible contribution to Europe's goal of spending 3% of GDP on research and innovation by 2020 to create 3.7 million jobs.

**T**he EIB Group, through its financing of innovation and research, plays an important role in European growth, prosperity and competitiveness. The Bank and the Fund employ a wide range of instruments to catalyse the development of innovative projects and maintain the flow of finance from the public and private sectors.

The Group has developed productive partnerships, notably with the European Commission, which has led to the successful Risk Sharing Fi-

nance Facility, the most powerful tool in our innovation financing kit. The first phase of the facility was launched in 2007 and surpassed expectations as it closed in 2013.

Innovation partnerships are also key for the EIF. The Fund is partnering with large corporations through the Corporate Innovation Platform to catalyse private investment in innovation and help translate ideas into concrete business opportunities.

## 2013 innovation and skills highlights:

**17.2bn** EUR  
to promote **innovation**  
at **EIB Group** level

- First Growth Financing Initiative (GFI) operations – developing the mid-cap client group
- EUR 856m invested in innovative SMEs via the Risk Sharing Instrument under the RSFF
- Preparation of the RSFF's successor within the new Multiannual Financial Framework
- EUR 111m EIF support for technology transfer via nine transactions

## The EIB Group – an innovation hub

The crisis has depleted the willingness of the private sector to invest in start-ups and innovative entrepreneurs. To bridge this gap in times of austerity, the EIB has extended additional support to fund research, development and innovation (RDI) in academic institutions and the private sector, encouraging knowledge-sharing between the two.

**Corporate innovation** – The EIB has lent almost EUR 1bn to Renault since 2009. Our investment has targeted research and development for electric vehicles and conventional powertrains. A EUR 400m loan in 2013 is intended to finance the research and development for a new generation of efficient, affordable and environmentally-friendly cars.

**Research centres working for the common good** – In 2008 we signed a EUR 50m loan for the construction of a clinical research centre in Pavia to develop treatments for specific types of cancer through sophisticated innovative nuclear applications. A new loan is planned to finance the development and optimisation of cancer treatment plans as well as basic research activities in the field of radiobiology.

**Financing technological breakthroughs** – The EIF committed EUR 15m to GO CAPITAL Amorçage, a

French interregional technology transfer fund that backs the creation of high-technology businesses. The investment supports the entrepreneurial ecosystem in France's West region.

**Our innovation hub also underpins Europe's Digital Economy** – 2013 saw the EIB continue its support for Internet-based information and communications technologies (ICT), which stimulate technological innovation. EUR 3bn in loans were signed in favour of the telecoms sector. We pledged EUR 36m to finance a **very high-speed broadband** network for France's Haute-Savoie region, in the Alps. The project supports France's objective to connect 70% of the population to very high-speed broadband by 2020.





## Financial solutions for innovative start-ups

In 2013 the EIB Group built on its countercyclical activity to encourage innovative start-ups – the catalyst for growth and employment. The EIF, as the Group's specialist in assuming SME risk to facilitate finance for SMEs, deployed a number of initiatives to support innovative small businesses at all stages of their development.

**M**uch of the work of universities and research centres has the potential to develop into concrete business ideas, which lead to the creation of small enterprises. Research, however, is often considered to be 'too high-risk' to be transferred out of the laboratory and financed by traditional investors. Technology transfer transforms the results of RDI into marketable products and services, including the creation of start-up businesses or university spin-out companies.

In 2013 the EIF invested EUR 111m to promote technology transfer via nine transactions, with strong growth noted in the market.

The EIF also harnesses venture capital and growth capital to support innovation and entrepreneur-

ship. In 2013 it achieved record volumes of signatures for the third year running, committing EUR 1.5bn (up from EUR 1.3bn in 2012 and EUR 1.2bn in 2011) in 68 seed, venture and growth capital funds. As well as concentrating on specific sectors, we tailor venture capital activities to country needs. In 2013 the first investments were made under the Dutch Venture Initiative and the Baltic Innovation Fund.

The High Growth and Innovative SME Facility (GIF) under the EU's Competitiveness and Innovation Framework Programme (CIP), managed by the EIF, also provided risk capital for innovative SMEs in their early stages and expansion phase in 2013. To date, CIP has supported more than 275 000 SMEs in 17 countries.

We have also accumulated considerable expertise in the life sciences, clean-tech and ICT sectors. In less than two years of operation and three years ahead of schedule, the EUR 70m European Angels Fund in Germany is already almost fully committed, and the amount will be increased in 2014. In December 2013 the European Angels Fund was incorporated in another two countries (Spain and Austria).



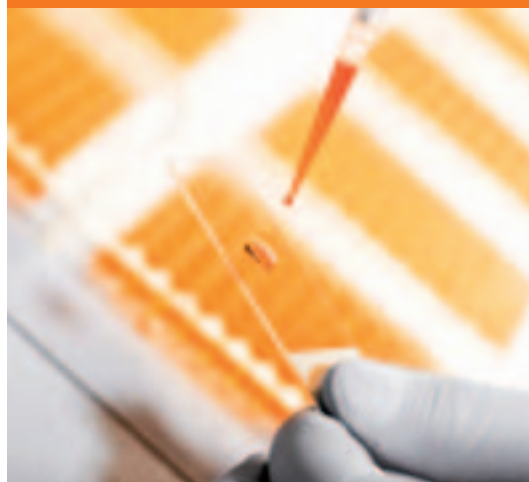
## Sharing the risk for successful innovation

One of the Bank's most compelling roles over the past decade has been as a catalyst for innovation finance. Working with project promoters, banks and financial partners, we can shoulder some of the risk that is an inherent part of innovative ventures. The ultimate beneficiaries are Europe's innovative businesses – large companies, mid-caps and SMEs alike.

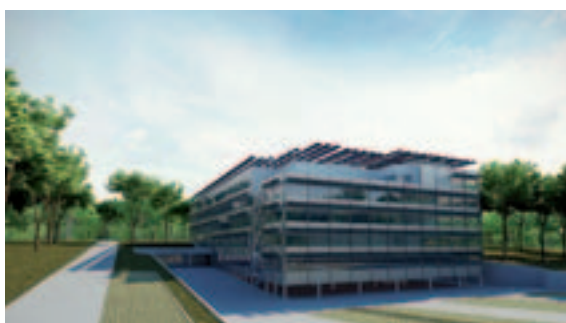
**T**he Risk Sharing Finance Facility (RSFF), a co-operative venture between the EIB and the European Commission, was launched in 2007 to encourage investment in higher-risk long-term research, development and innovation. The mechanism reached the end of its first period of availability in 2013, having financed some 114 RDI projects to the tune of EUR 11.3bn. It is estimated that the RSFF catalysed a further EUR 37.2bn in private investment in European innovation. The RSFF's successor is being developed for the 2014-2020 period, with a likely total budget of some EUR 2.5bn.

In 2013 the EIB established the Growth Financing Initiative (GFI) to offer innovative European mid-cap companies a spectrum of tailor-made financing solutions ranging from direct debt to quasi-equity risk and mezzanine instruments. The EIB will provide financing of EUR 7.5m to EUR 25m to support up to 50% of companies' European RDI investments. The GFI received initial capital support of EUR 150m under the RSFF.

In 2013 the EIB made a EUR 150m loan to H. Lundbeck in Denmark, financing the development of innovative drugs for the treatment of central nervous system diseases. The RSFF investment will help to preserve and create RDI employment opportunities and will strengthen the competitiveness of this mid-sized European company.



The Belgian company EVS Broadcast Equipment SA received a loan of EUR 12m for its ambitious RDI programme to stimulate competitiveness within the company and offer employment for hundreds of current and future engineers.





## Risk finance at work to support innovative SMEs

Another facet of the RSFF is its promotion of innovation within the SME market. The Risk Sharing Instrument gained further momentum in 2013 as a successful tool supporting the financing of innovative SMEs and small mid-caps.

**M**anaged by the EIF and financed under the RSFF, the scheme provides guarantees and counter-guarantees to banks and leasing companies to encourage additional loans and leases to be extended to innovative enterprises on attractive terms. By covering up to 50% of any loss on each new loan to an innovation-focused SME, the EIF stimulates financial intermediaries to take additional risk to increase RDI output.

Since its 2012 launch the RSI has been responsible for guarantees totalling EUR 1.2bn (EUR 856m in 2013 alone) in 14 countries in the EU and pre-accession countries via 25 financial transactions.

The RSI was extended to cover five additional countries in 2013: Germany, Poland, Portugal, Sweden and Turkey.

Highlights in 2013 included the first ever RSI guarantee agreement in Portugal for innovative businesses, underscoring our commitment to supporting economic development in the country. Banco Português de Investimento (BPI) signed a EUR 160m agreement with the EIF.

Trotter Holding International, an innovative Dutch SME, works with industrialised billboards for the mobile outdoor advertising market. A working capital loan granted by ABN Amro with a 50% EIF guarantee under the RSI enabled Trotter to start expanding the business and enter new markets.

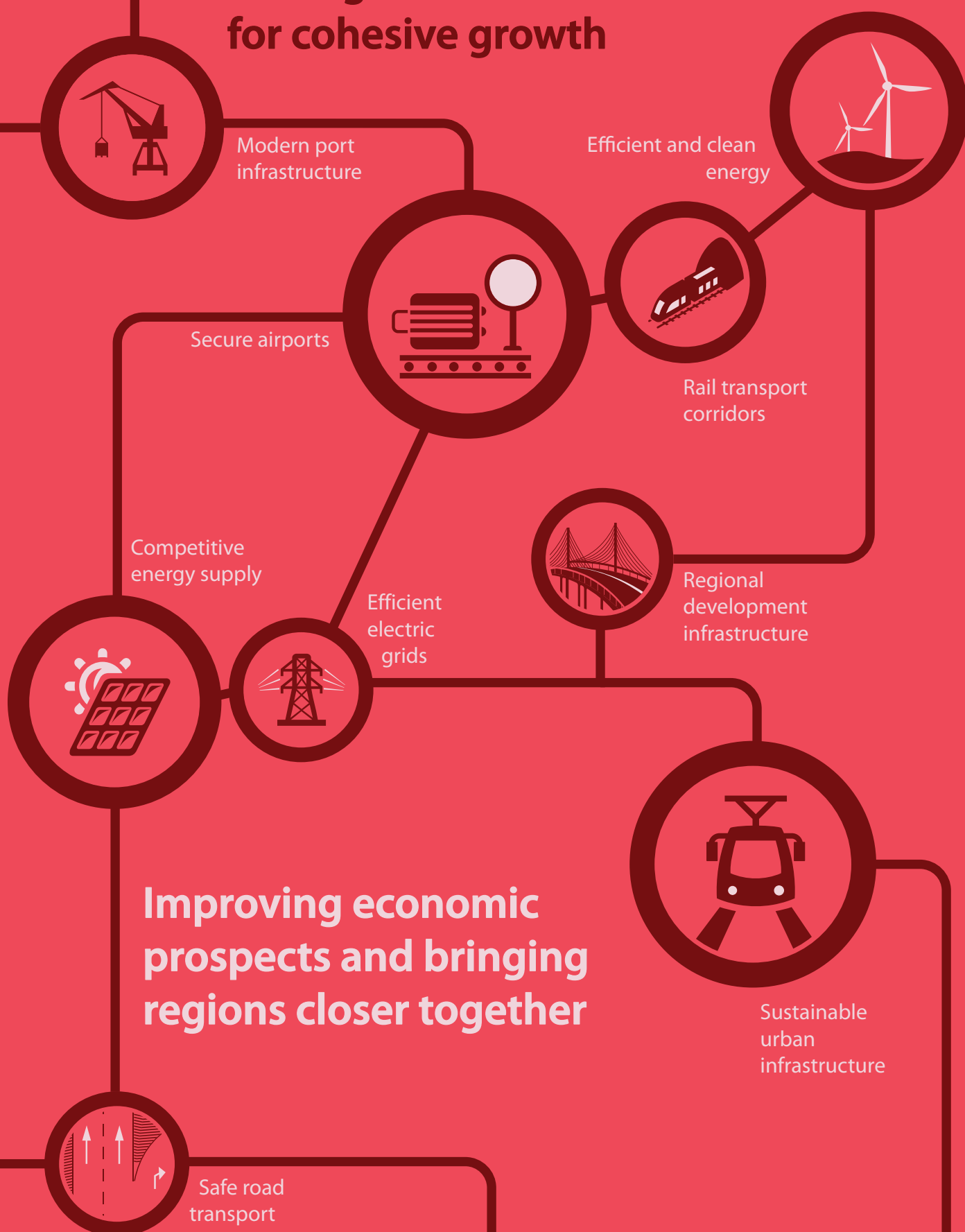


Zeta Biopharma is an Austrian company with 237 employees, which constructs R&D plants for large pharmaceutical companies. A EUR 2.5m RSI-guaranteed loan from UniCredit Bank Austria covers Zeta's high working capital requirements during the long lead times in plant engineering and manufacturing.





# Strategic infrastructure for cohesive growth



**Improving economic  
prospects and bringing  
regions closer together**



# Building strategic infrastructure

Efficient energy networks, developed transport links, cutting-edge information technologies and high-performing urban infrastructure are the underlying structures required to support today's economic, societal and environmental needs. Over the period 2014-2020 the EU will triple its finance for transport infrastructure alone to EUR 26bn. With our long history of infrastructure financing, we at the EIB are in a unique position to maximise this finance.

**D**uring the financial crisis national budgetary constraints meant that certain infrastructure projects, regardless of their strategic significance, were placed on the backburner. As well as fulfilling the role of financier of large projects, the EIB stimulated the investment flow back into this essential sector through the Project Bond Initiative in 2013.

The EIB's infrastructure activities within Europe are a key element in our contribution to promoting social cohesion across the 28 Member States

of the Union. Outside the EU, our infrastructure investments are helping to modernise economies and provide development opportunities.

The Bank offers much more than finance for infrastructure projects. Technical advice and advisory services are an important part of our product offering, ensuring that infrastructure is developed in a sustainable manner. In the EU, JASPERS helps to maximise the impact of the EU's Structural Funds where they are most needed.

## 2013 strategic infrastructure highlights:

**15.9 bn**  
to support **strategic infrastructure** in Europe

- EUR 6.4bn for strategic transport projects in Europe
- EUR 5.2bn for strategic energy projects in Europe
- EUR 4.2bn for urban renewal and regeneration projects in Europe
- Launch of revised energy lending criteria
- Establishment of strict fossil fuel policy
- Signature of first two EIB project bonds

## Transport that's going places

In October 2013 the EU launched a revised policy for transport infrastructure, helping Europe's economy to grow and prosper with efficient infrastructure links.

**C**lean and safe – Our transport financing aims to deliver tangible benefits for businesses, citizens and also for the climate.



In 2013, in Europe the EIB provided:

**EUR 5.3bn** for safe road infrastructure

**EUR 3.6bn** for rail projects

**EUR 2.9bn** for urban transport projects

**EUR 212m** for maritime infrastructure

**EUR 511m** for air transport projects



In 2013 JASPERS (Joint Assistance to Support Projects in European Regions) provided advice to 14 EU Member States and three enlargement countries during project preparation to improve the absorption of EU Structural and Cohesion Funds. JASPERS' capacity-building role was reinforced in March 2013 with the official launch of a Networking Platform in Brussels. The platform complements JASPERS' project advisory operations by addressing horizontal project preparation problems, enhancing knowledge-sharing activities and disseminating best practice and experience among JASPERS' stakeholders.

Since its inception in 2006, 310 major JASPERS-supported projects have been approved, representing almost EUR 56.4bn worth of investments, of which EUR 17.4bn in 2013.



In 2013 the Bank signed the third loan since 1996 to Lietuvos Geležinkeliai (LG), Lithuania's state-owned railway company. In addition to supporting the construction of the Trans-European Networks, EIB investments have facilitated heightened safety and efficiency as well as reduced emissions.

## Energising a sustainable economy

The EIB is one of the leading players in energy financing in Europe and has a major role to play in the promotion of secure, competitive and sustainable energy worldwide.

In 2013 we signed loans worth EUR 5.2bn for projects in Europe promoting competitive and secure energy supply.

The EIB agreed to lend EUR 140m to Elektrociepłownia Stalowa Wola in Poland to construct a modern combined-cycle gas turbine power station, improving the internal energy supply and increasing competition in the domestic electricity market.



The most significant development in the Bank's energy sector activities in 2013 was the introduction of revised energy lending criteria following extensive public consultation. We shall be focusing on financing energy efficiency, renewable energy, energy networks, and related research and innovation. The new criteria include streamlined guidelines for lending for energy efficiency projects to enhance co-financing of national energy efficiency programmes.

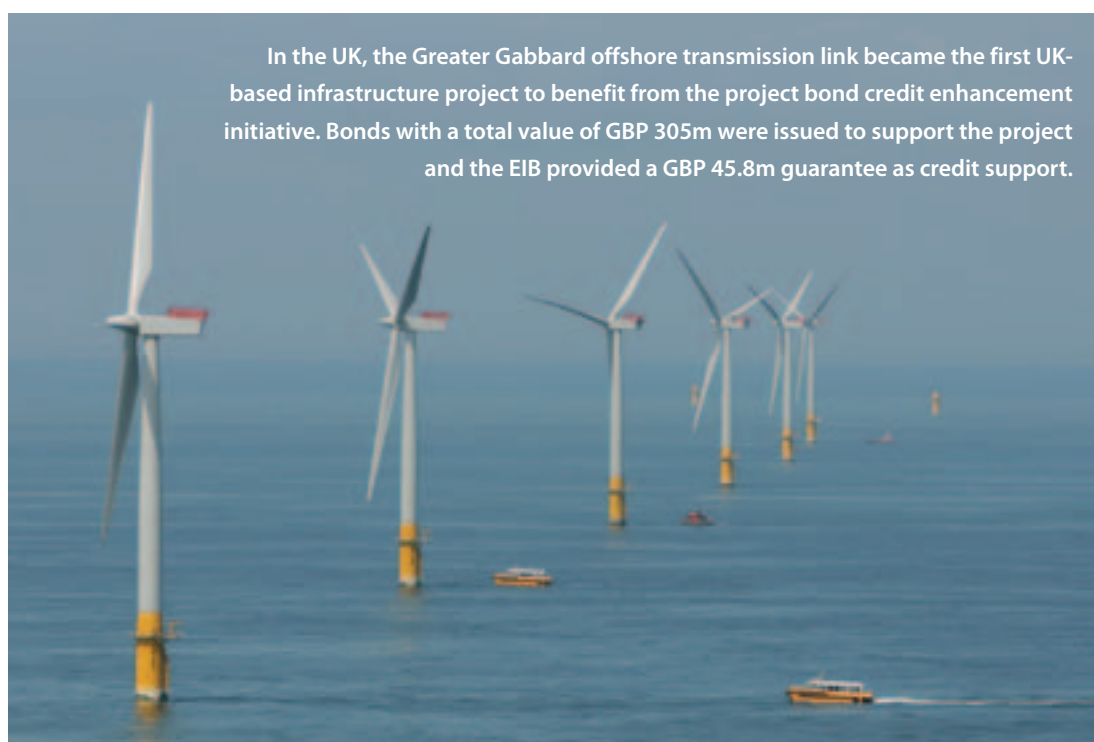
We have introduced a new Emissions Performance Standard (EPS) to be applied to all fossil fuel generation projects to screen out investments whose carbon emissions exceed a threshold level, in line with EU and national limits. Gas is expected to remain a transition fuel on the way to a low-carbon energy system, and the EPS will ensure that lending is restricted to projects that make a positive contribution to EU economic growth and are consistent with EU climate policy.



In May the EIB signed its first loan with the Republic of Nepal, EUR 55m to finance the construction and operation of the Tanahu hydropower plant, providing a clean and reliable supply of electricity in a country with acute power shortages.

## Collaborating for success – project bonds

The Europe 2020 Project Bond Initiative is a joint programme between the European Commission and the EIB that went live last year. It is designed to stimulate capital market financing for infrastructure in the transport, energy and information and communications technology sectors.



According to the Commission, the European Union's infrastructure investment needs to meet the Europe 2020 objectives in these sectors could be as much as EUR 2trn. The Project Bond Initiative is designed to enable eligible infrastructure project promoters, usually private public partnerships (PPPs), to attract additional private finance from institutional investors such as insurance companies and pension funds.

A pilot phase was activated in 2013 to test the project bond concept. Suitable projects would need to reach financial close before the end of 2016.

The testing phase is funded by EUR 230m of EU budgetary resources from unused budget lines for existing programmes. This should enable the EIB to provide finance to infrastructure projects worth more than EUR 4bn across the three sectors. The first two project bond projects in Spain and the UK have demonstrated not only market capacity, but also the benefits of EIB involvement on the pricing and delivery of large capital projects.

## Smart cities – our natural habitat

Some 53% of the global population resides in urban areas, a statistic that rises to 75% for the EU alone. By 2030, many countries worldwide could see around 90% of their population living in towns. Cities, as our new natural habitat, must become smarter to accommodate this influx.

**J**ESSICA (Joint European Support for Sustainable Investment in City Areas) brings together the expertise and financing power of the European Commission, EIB and Council of Europe Development Bank. By developing Urban Development Funds, JESSICA helps authorities to use EU Structural Funds to render them revenue-generating. By the end of 2013, JESSICA had signed a total of 18 Holding Funds amounting to EUR 1.76bn. In addition, a total of 42 Urban Development Funds worth EUR 1.56bn had been developed and 82 evaluation studies commissioned.

In 2013 the EIB invested EUR 4.2bn in urban development, regeneration and healthcare projects. Over the last year the Bank has helped finance the construction or upgrading of:

7 metro projects	2 light rail projects
2 urban rail projects	4 urban road networks
5 tramway projects	



In the United Kingdom, the North West Evergreen Fund was created under JESSICA. This Urban Development Fund targets the remediation of brownfield sites, the creation of new floor space and refurbishment of unusable floor space, with a view to creating jobs.



In June, we supported the development of affordable housing in communities across sub-Saharan Africa with a EUR 15m loan to the specialist development finance institution, Shelter Afrique. The finance institution will provide EIB-backed loans to local developers for the construction of eligible affordable housing estates with clean water, sanitation, power and roads.



Biodiversity

Afforestation

Sustainable  
water  
management

# Climate and Environment Investing in a sustainable future

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Green  
infrastructure

Renewables

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F

F

Energy-efficient homes



# Acting sustainably to safeguard our climate

The science confirming climate change is unequivocal – more frequent natural disasters, higher temperatures, rising sea levels are only some of the indicators. All pose significant risks for economic development, with food and water supplies being affected most. The EIB is one of the global leaders in climate finance, supporting low-carbon, climate-resilient growth globally and catalysing finance for climate action investments.

**2** 013 was a year of great progress for the EIB's Climate Action activities. Climate projects accounted for 27% of our total lending portfolio, underpinning our belief that considering climate action through an economic and social lens can help secure sustainable growth and lasting employment.

We released the EIB Climate Statement, which outlines our objectives and approaches to climate

action. Furthermore, we reconfirmed our commitment to mainstreaming environmental and social considerations into all EIB-financed projects for the benefit of people, planet and profit with the revision of our Environmental and Social Handbook.

## 2013 climate action highlights:

**19bn**  
in support of **climate**  
**action** globally

- Climate action projects account for 27% of the EIB's lending portfolio
- EUR 214m for innovative climate finance via seven Climate Funds
- Record issuance of Climate Awareness Bonds – EUR 1.4bn by year-end
- Launch of EIB Climate Statement
- Revision of the EIB's Environmental and Social Handbook

## Mainstreaming climate concerns

Both environmental and social considerations are taken into account when assessing every project presented to the EIB for financing. Ten environmental and social standards are applied to help assess project impacts and mitigate risks. These standards enable our clients to improve their performance through the implementation of sound environmental and social practices, transparency and accountability.

**T**he EIB is the only international financial institution to establish such environmental and social criteria. In certain cases our standards exceed those of the relevant EU directives, including those on biodiversity. The revision of the Bank's Environmental and Social Handbook has also led to further clarity on our stance on human rights and labour standards.

For our Carbon Footprint Exercise (CFE), we estimate and report the greenhouse gas (GHG) emissions from projects where emissions are expected to be significant, i.e. where they exceed one or both of the following two thresholds:

- absolute emissions (actual emissions from the project) > 100 000t CO<sub>2</sub>-eq/year for a standard year of the project's operations; and/or
- relative emissions (estimated emissions increases or reductions compared to the expected alternative) > 20 000t CO<sub>2</sub>-eq/year.

At the heart of our footprinting approach are the absolute emissions from each project. Whilst as-

Ensuring that nature and wildlife are protected is of the utmost climatic importance. In 2013 we signed a USD 72.24m loan agreement for Jordan's Tafila Windfarm, which will be located along the East African migratory flight line. Our environmental experts worked with the promoter to conduct a monitoring programme to adapt the wind farm's operations to protect the migrating birds.

sessing and reporting emissions reductions and increases, which give an important indication of emissions in comparison with other technologies or projects, we consider a project's absolute emissions to be a fundamental element, as these are what will ultimately affect our climate. Results of the 2013 EIB Carbon Footprint Exercise are reported in the 2013 Sustainability Report.

The EIB supports climate projects with positive social outcomes that further enhance their impact. A water and sanitation project in Nicaragua received a EUR 60m EIB loan, which will help to reduce pollution and improve the quality of water supplied to the population.



## Mitigating future degradation

At the very heart of the response to climate change is the need to reduce emissions. Without mitigation actions, global temperatures are set to rise by as much as 6.4°C this century. For climate mitigation projects to thrive they require both incentives – often political or financial – and innovation.

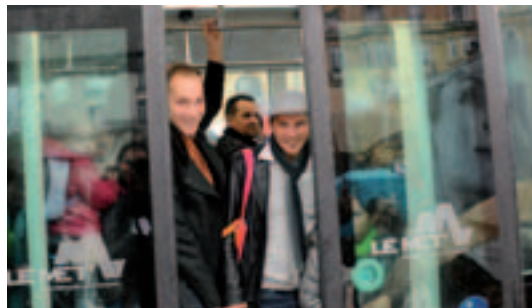
**T**he EIB responds to all these requirements. As the EU bank, we uphold EU policy favouring climate mitigation projects over their less sustainable alternatives. As a catalyst of sustainable finance, we encourage capital flows into mitigation projects. And as one of the world leaders in financing innovation, we foster the development of cutting-edge technology to drive mitigation forward.

In 2013, EUR 17.8bn was dedicated to climate change mitigation projects.

Mitigation  
EUR 17.8bn



- Renewable energy 6.4
- Energy efficiency 2.2
- RDI 2.5
- Sustainable transport 6.2
- Other 0.5



In October Metz, in France, inaugurated the Mettis, a network of bus lanes and highly economical buses, which had received a EUR 80m EIB loan. The new buses will cut CO<sub>2</sub> emissions by an average of 1.53 tonnes per regular working day and 374 tonnes per year.



We supported the German Butendiek Off-Shore Wind Farm with a EUR 450m loan. With 80 turbines, the ambitious EUR 1.4bn project will have a total generating capacity of 288 MW. The project was an opportunity for us to support an emerging technology in the renewable energy sector and to help meet EU and German national renewable energy targets.

## Adapting and staying resilient

Climate change is expected to have significant impacts that will affect a wide range of economic sectors. While certain impacts can be alleviated by mitigation action, some degree of climate change can no longer be avoided. This makes adaptation an essential element of climate action.

One of the principal characteristics of the EU Adaptation Strategy launched in April 2013 is the drive to coordinate efforts and share information between Member States. With our global outlook on climate issues, we at the EIB are a champion of this approach. In 2013 our adaptation lending was marked by its long-term strategy, targeting large projects whose positive impacts should outlive the Bank's financing.

In 2013, EUR 1.2bn was dedicated to climate change adaptation projects.

The EU bank provided a second loan of EUR 450m to one of Germany's largest environmental projects, the rehabilitation of the Emscher river in North Rhine-Westphalia. Our loan is co-financing EmscherGenossenschaft's investment programme for the period 2014 to 2016 to help reverse the degradation of the natural habitat, which resulted from years of heavy industry. The project is also having a positive impact on employment, safeguarding 3 700 jobs in the region.



In December, a second EUR 150m loan reconfirmed our support for forest rehabilitation, afforestation and erosion control in Turkey. In addition to the project's environmental value, the reforestation project created employment for 6 500 people in rural villages. Recovering forests also help meet energy needs in areas where fuelwood from state forests is the major energy source.



## Innovative finance for climate

In addition to the more traditional financing products, the EIB offers a number of innovative climate financing instruments, coupled with technical and financial advice.

In 2013 the Bank supported seven climate-specific debt and equity funds with a total investment volume of EUR 214m. In addition we continued to manage other highly strategic funds and initiatives, including the successful GEEREF, which provides global risk capital through private investment for energy efficiency and renewable energy projects in developing countries and economies in transition. GEEREF will enter a new development stage in 2014 with the first input of private funding.

2013 was a year that saw the EIB take the first step into sustainable agriculture lending. The trend was

mirrored in our climate finance investments, forestry and biodiversity funds being key beneficiaries.

**Partnerships** are also particularly important to foster innovation in climate finance. We collaborate with the European Commission on a range of climate mechanisms. We are also developing partnerships with peer financing institutions such as the United Nations Environment Programme (UNEP) to drive forward our contribution to the Sustainable Energy for All (SE4All) initiative.



We made our first ever investment, totalling EUR 15m, in a REDD+ (Reducing Emissions from Deforestation and Forest Degradation) Fund, a market-based and UN-backed mechanism designed to protect forests and support their role in climate abatement strategies by monetising the value of conserving them. The Althelia Fund will invest in some 20 projects around the world, with a particular focus on Africa and Latin America.

The Bank also signed a small but significant investment in the EcoEnterprises II biodiversity fund. We committed USD 6m to the fund, which provides mezzanine financing and equity to support companies that generate biodiversity benefits through the sustainable use of natural resources. The fund will focus on Latin America, home to some of the world's richest regions in terms of biodiversity.

# Stimulating growth within and beyond the EU's borders

## The EIB is active in some 160 countries around the world.

During the crisis the EIB placed a particular focus on providing specific support to countries and regions in the EU-28 that are facing limited access to capital markets by providing increased lending capacity as a direct result of the enlarged mandate from our Governors, the Member States. Lending outside the EU underpins the EIB's support for the EU's external priorities via long-term investments. We focus on local private sector development, social and economic infrastructure and climate change mitigation and support foreign direct investment.



### EU

EUR 64bn total lending volume

Growth and employment – endowing European youth with skills for the future



### EFTA and enlargement countries

EUR 3.1bn total lending volume

Major EIB investment becomes a working reality with the inauguration of the Bosphorus Tunnel project







#### ENCA and Russia

EUR 1.8bn total lending volume

Eastern Partnership conference  
co-organised by the EIB to discuss political  
and business links with the EU



#### ALA

EUR 1.2bn total lending volume

Agreement signed with Nepal in 2012  
approving future EIB activity; first loan to  
Nepal signed in 2013 to support sustainable  
energy



#### FEMIP

EUR 583m total lending volume

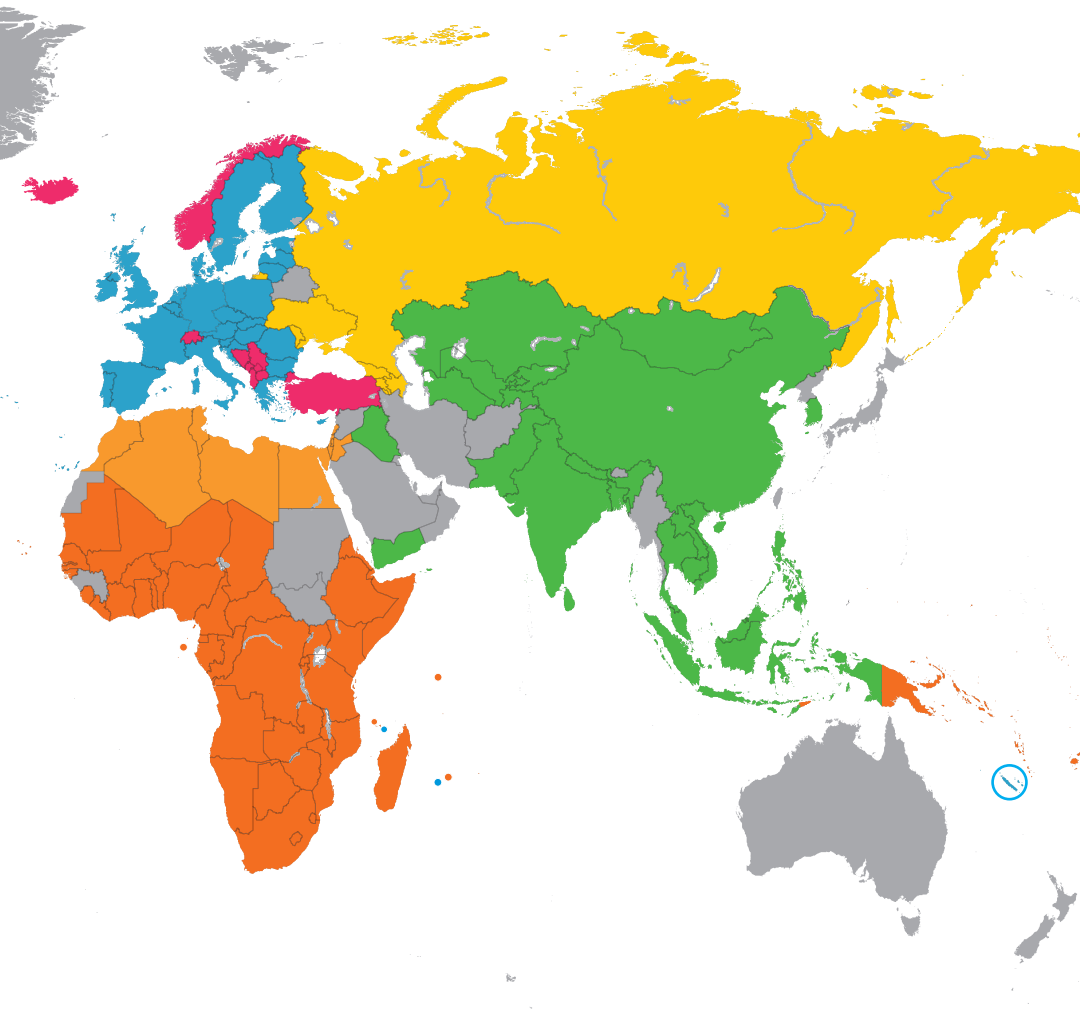
Continued support for local private sector  
development in the Mediterranean during  
the political crisis



#### ACPs, OCTs and Republic of South Africa

EUR 988m total lending volume

50<sup>th</sup> anniversary of EIB operations in the  
ACPs



# Underpinning operations with financial strength

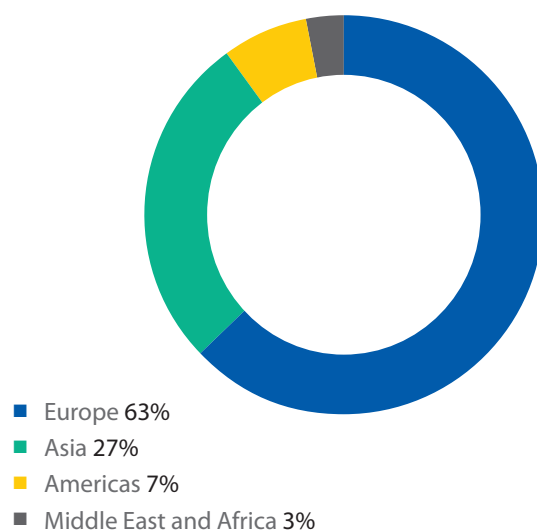
The EIB is the world's largest multilateral borrower and lender. In 2013 we raised EUR 72bn on the international capital markets. We use our financial strength to borrow at attractive rates and pass those benefits on to economically viable projects that promote EU policy objectives.

**T**he shareholders of the EIB are the 28 Member States of the EU. Each subscribes a share of the Bank's capital in proportion to their economic weight at the time of accession. The EIB is thus ultimately accountable to the Governments of the Member States.

The EIB is nonetheless financially autonomous, borrowing from international capital markets to fund operations. Our financial strength derives from asset quality, strong shareholder support, sound governance, prudent risk management, sustained profitability and strong liquidity.

At the end of 2013 the Bank's capital adequacy (CAD) ratio improved to 28.7%, from 23.1% at the beginning of the year, mainly thanks to paid-in capital received from shareholders. This follows from the historic decision taken by the Bank's shareholders in 2012 to practically double our

Distribution of EIB bond issues by region





## The world's largest green bond

In July we issued a EUR 650m Climate Awareness Bond – our largest ever. This bond was subsequently increased to EUR 1.15bn by year-end, making it the largest bond from a supranational borrower in the green bond market. The bond issue generated strong demand among a range of investors attracted by the sustainable features of the transaction and contributed to the development of the socially responsible investment market.

paid-in capital with a EUR 10bn increase, which enables additional lending of up to EUR 60bn to be provided over a three-year period in support of a joined-up EU response to the crisis.

Asset quality remained strong, with the rate of impaired loans at close to zero per cent (0.2%) of the total loan portfolio at year-end. The annual net surplus amounted to EUR 2.5bn, similar to the prior year.

These strong financial attributes combine to ensure that the Bank continues to benefit from an excellent credit standing and is able to raise funds on very attractive terms. As a non-profit-maximising institution, the Bank passes these beneficial terms on to its lending customers.

2013 was a strong year for borrowing. The EUR 70bn funding programme was completed

by the end of October. However, we continued to be active in the market until year-end, achieving one of our largest funding programmes ever – EUR 72.1bn.

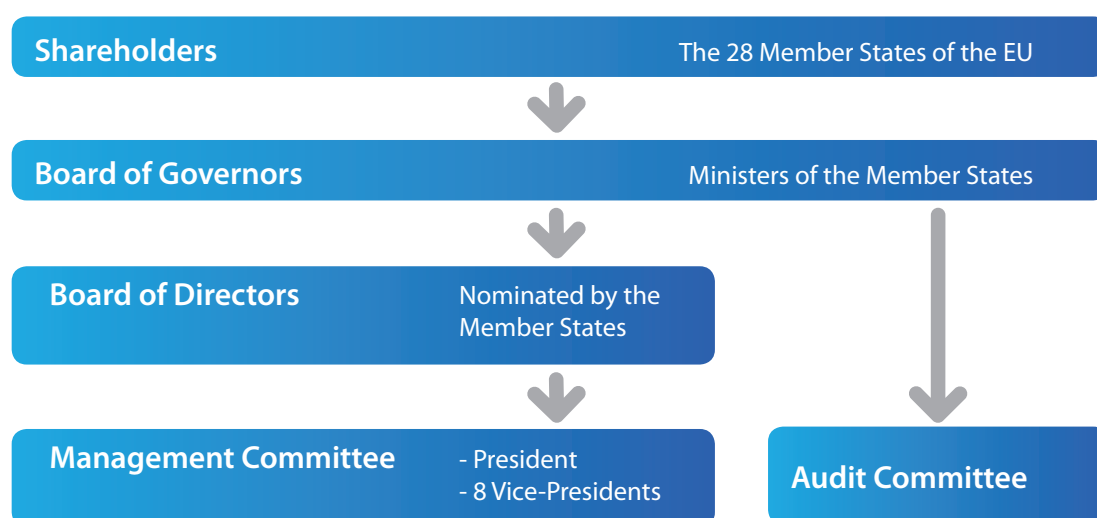
The Bank raises its funding globally, attracting investment from both inside and outside the EU, and as such is an important means of channelling investment from outside the EU into the EU.

2013 was also an important year for the Climate Awareness Bonds (CABs), a socially responsible investment product tailored to the needs of investors. The funds raised via CABs are earmarked for disbursements to EIB climate action lending projects in the fields of renewable energy and energy efficiency that support the EU's goal of low-carbon, climate-resilient growth globally.

# EIB governance

The EIB is a public bank owned by the 28 Member States of the EU. Our governance structure ensures that the Bank is accountable, properly run and effective in promoting sustainable growth and employment across all our activities.

## The EIB governance structure:



**T**he EIB is both an EU body, accountable to the Member States, and a bank that follows best public and private sector practice in decision-making, management and controls. The Bank relies on three decision-making bodies: the Board of Governors at the ministerial level; the Board of Directors, with non-resident members nominated by every Member State; and the Management Committee, the resident decision-making body of the EIB, chaired by the EIB's President.

Internal control of the Bank's operations is conducted by the independent Audit Committee.

The Board of Governors is made up of government ministers from each of the 28 Member States, usually Ministers of Finance. Meeting once a year, it sets out the Bank's credit policy guidelines and approves the annual balance sheet and accounts. It decides on capital increases and the Bank's participation in financing operations outside the EU.

It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

The Board of Directors is the body with the final say on all loans, borrowing programmes and other financing matters such as the issuance of guarantees. It meets ten times a year to ensure that the Bank is properly run in accordance with the EU Treaties, the Bank's own Statute, and the general directives laid down by the Board of Governors.

There are 29 directors, one nominated by each Member State and one by the European Commission. There are also 19 alternate directors. To broaden the Board of Directors' professional expertise, six experts may be co-opted (three members and three alternates) to participate in Board meetings as non-voting advisers. Decisions are taken by a majority representing at least 50% of the capital subscribed by the Member States and one third of Board members eligible to vote, unless otherwise provided for in the Statute. The Board is chaired by the President of the Bank, Werner Hoyer, in a non-voting capacity.

The Management Committee is the Bank's resident executive body. It oversees the day-to-day running of the Bank, prepares decisions for the Board of Directors and ensures that these are implemented.

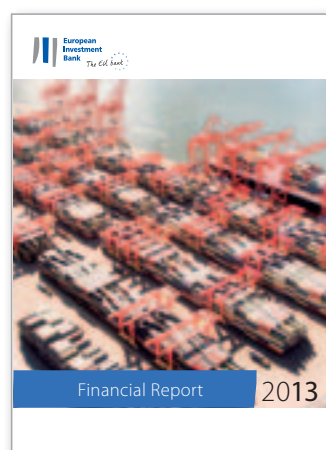
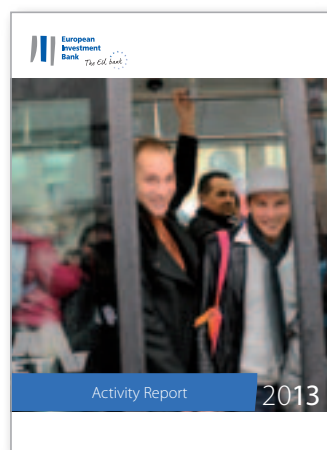
It meets once a week. The Management Committee works under the authority of the President of the Bank and the supervision of the Board of Directors. The other eight members are the EIB's Vice-Presidents. Members are appointed for a renewable period of up to six years and are responsible solely to the Bank. The four largest 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. It is responsible for auditing the Bank's accounts and verifying that activities conform to best banking practice. The statements of the Audit Committee are submitted to the Board of Governors together with the annual report of the Board of Directors. The Audit Committee is composed of six members, who are appointed for a non-renewable term of six consecutive financial years.

The European Investment Fund is part of the EIB Group. The EIF's shareholders are the European Investment Bank, the European Commission and a wide range of public and private banks and financial institutions. The EIF's seven-strong Board of Directors includes two EIB Vice-Presidents, Dario Scannapieco (Board Chairman) and Pim van Ballekom.

Members of the Management Committee from left to right: Dario Scannapieco, Philippe de Fontaine Vive, Pim van Ballekom, Werner Hoyer, Jonathan Taylor, Magdalena Álvarez Arza, László Baranyay, Wilhelm Molterer and Mihai Tănăsescu.





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

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The EIB Group consists of the European Investment Bank and the European Investment Fund.

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