Financial Report 2001

European
Investment
Bank Group

EIB Group: key data

(EUR million)

European Investment Bank

Activity in 2001	
Loans signed	**36 776**
European Union	31 184
Accession Countries	2 659
Partner Countries	2 933
Loans approved	**41 424**
European Union	35 163
Accession Countries	3 376
Partner Countries	2 884
Loans disbursed	**31 573**
From the Bank's resources	31 368
From budgetary resources	205
Resources raised (after swaps)	**32 172**
Community currencies	28 597
Non-Community currencies	3 575
Situation as at 31.12.2001	
Outstandings	
Loans from the Bank's resources	221 116
Guarantees provided	543
Financing from budgetary resources	2 558
Short, medium and long-term borrowings	176 027
Own funds	**23 296**
Balance sheet total	**209 376**
Net profit for year	**1 311**
Subscribed capital	**100 000**
of which paid in	6 000

European Investment Fund

Activity in 2001	
Contracts signed	**1 758**
Venture capital *(57 funds)*	800
Guarantees *(39 operations)*	958
Situation as at 31.12.2001	
Operational portfolio	**5 340**
Venture capital *(153 funds)*	2 005
Guarantees *(86 operations)*	3 335
Subscribed capital	**2 000**
of which paid in	400
Net profit for year	**76**
including extraordinary profit of 60.5 million	
Reserves and provisions	**100**

Contents

Message from the President

The EIB is no ordinary bank: it was created specifically to provide financial support for the European Union's objectives. I describe this special character with the term "*policy-driven public bank*" - namely a bank which, in synergy with the other EU institutions and without burdening the public purse, contributes to the realisation of projects giving concrete expression to the economic, social and, ultimately, political priorities of the Union.

In 2001, the EIB lent 36.8 billion euro, over 31 billion of this within the Union, and raised funds totalling 32.3 billion in 13 currencies. At the same time, our specialised subsidiary, the European Investment Fund, substantially stepped up its support for small and medium-sized enterprises (SMEs) by providing more than 800 million in venture capital and 960 million in guarantees. Beyond the sheer scale of our activity, however, I wish to underline its qualitative focus. Over two thirds - some 22 billion - of the Group's operations served to foster wealth creation in the less advanced regions of the Union or its future member states. Ranging across all sectors of the economy from basic infrastructure to SMEs, these operations exerted a major catalytic effect in mobilising other sources of finance, whether from banks or from the Community Structural Funds.

Our second objective is modernising the European economy to enable the Union, now underpinned by its new currency, to play its full part in a globalised economy. The Innovation 2000 Initiative (i2i), launched by the EIB Group in the wake of the Lisbon European Council of March 2000, works towards this goal by nurturing the development of a knowledge-based and innovation-driven economy. In 2001, i2i surged ahead, bringing the grand total of approved financing for the Union's Member States and seven Accession Countries to over 10.3 billion. Hence the Group has already made great strides towards achieving the objective - set for it by the Lisbon European Council - of investing 12-15 billion under the i2i banner by the end of 2003.

Over the course of the year, we backed no fewer than twelve research and development projects of major importance for boosting Europe's economy, while nearly 100 000 smaller businesses benefited from EIB or EIF assistance in various forms. Additionally, in response to requests from the Ghent European Council, the Bank recently decided to step up its support for sectors particularly hard hit by the economic slowdown: to this end, it will deploy the full gamut of the Group's financial engineering resources, especially with a view to risk-sharing with project promoters.

The Bank cannot maintain this high level of activity without paying heed to the legitimate demand from the peoples of the Union for environmentally responsible development. Accordingly, as well as factoring environmental considerations into all project appraisals, the EIB devotes nearly one quarter of its financing to schemes

aimed at protecting the natural environment, rectifying environmental degradation – notably in the Accession Countries – and enhancing the quality of urban life. With this objective, the Bank continually reviews its methods and has overhauled its internal organisation in this area, further increasing its ability to underpin the Union's commitments on sustainable development and climate change.

Outside the Union, the EIB Group focuses particularly on two regions of vital importance for tomorrow's Europe: Central and Eastern Europe and the Mediterranean. Operating in these parts of the world under European Union mandates or under dedicated financial facilities set up on its own initiative and at its own risk, the EIB ranks as by far the leading source of banking finance for project development in the countries flanking the Union to the South and East. Its efforts centre on fostering economic liberalisation, encouraging the transfer of capital and know-how through foreign direct investment and promoting projects with a regional dimension. In this sphere, too, the Bank's whole-hearted commitment to furthering the Union's policies has ensured its close involvement with the Commission in the current deliberations under the Union's Spanish Presidency on the means of revitalising the Euro-Mediterranean Partnership launched in Barcelona in 1995.

The Bank's quest for operational efficiency must be pursued within a framework of transparency and accountability that will bring our institution closer to Europe's citizens - the ultimate beneficiaries of our activities. In 2001, the EIB therefore intensified its political dialogue with the European Parliament and forged links with the Union's Economic and Social Committee. It also implemented a new policy of transparency, characterised by a recast information policy and closer dialogue with civil society via NGOs.

As is widely known, the EIB Group funds its operations by tapping capital markets across the globe. Thanks to the calibre of its shareholders, the quality of its loan book and the judicious mix of prudence and innovation in its borrowing policies, the EIB enjoys a benchmark status on the markets akin to that of a sovereign borrower, as universally recognised by its AAA rating.

As at 31 December 2001, the Bank's outstanding loan book stood at 221 billion euro, close to the maximum of 250 billion permissible under the EIB's Statute. The demands of our objectives led me to propose to our shareholders a 50% capital increase. The work done by the Board of Directors on the multiannual operational priorities and on the practical aspects of implementing a self-financed capital increase prepared the way for the decision taken by the Governors on 4 June 2002. On that occasion, the Bank once again received confirmation of the solid and unanimous backing of its shareholders, the EU Member States. To them, I proffer my thanks.

Philippe Maystadt
EIB Group President

EIB Governing Bodies

Board of Governors

Chairman
Bendt BENDTSEN (Denmark)

Belgium	Didier REYNDERS, Ministre des Finances
Denmark	Bendt BENDTSEN, økonomi- og erhvervsminister samt minister for nordisk samarbejde, vicestatsminister
Germany	Hans EICHEL, Bundesminister der Finanzen
Greece	Nikolaos CHRISTODOULAKIS, Ministre de l'Économie nationale et des finances
Spain	Rodrigo DE RATO Y FIGAREDO, Vicepresidente Segundo del Gobierno y Ministro de Economía
France	Laurent FABIUS, Ministre de l'Économie, des Finances et de l'Industrie
Ireland	Charles McCREEVY, Minister for Finance
Italy	Giulio TREMONTI, Ministro dell' Economia e delle Finanze
Luxembourg	Jean-Claude JUNCKER, Premier Ministre, Ministre d'État, Ministre des Finances
Netherlands	Gerrit ZALM, Minister van Financiën
Austria	Karl-Heinz GRASSER, Bundesminister für Finanzen
Portugal	Manuela FERREIRA LEITE, Ministra de Estado e das Finanças
Finland	Suvi-Anne SIIMES, Ministeri, Valtiovarainministeriö
Sweden	Bosse RINGHOLM, Finansminister
United Kingdom	Gordon BROWN, Chancellor of the Exchequer

Audit Committee

Chairman
Emídio MARIA, Subinspector-Geral de Finanças, Inspecção-Geral de Finanças, Lisbon

Members
Caj NACKSTAD, Partner, KPMG, Stockholm
Marc COLAS, Premier Conseiller de Gouvernement, Luxembourg

Observer
Michael P. HARALABIDIS, Senior Associate, Group Risk Management, National Bank of Greece, Athens

Management Committee

President
Philippe MAYSTADT

Vice-Presidents
Wolfgang ROTH
Massimo PONZELLINI
Ewald NOWOTNY
Francis MAYER
Peter SEDGWICK
Isabel MARTÍN CASTELLÁ
Michael G. TUTTY

The EIB's President also chairs the Bank's Board of Directors.

Situation at 31 March 2002

Board of Directors

Directors:

Jean-Pierre ARNOLDI	Administrateur général de la Trésorerie, Ministère des Finances, Brussels
Lorenzo BINI SMAGHI	Dirigente Generale, Capo della Direzione III, Dipartimento del Tesoro, Ministero dell'Economia e delle Finanze, Rome
Sinbad J.D. COLERIDGE	Project Finance Director, Private Financial Holdings Limited, EFG Private Bank, London
Isabel CORREIA BARATA	Consultora da Direcção, Departamento de Relações Internacionais, Banco de Portugal, Lisbon
Wedige Hanns von DEWITZ	Ministerialdirektor, Leiter der Abteilung Aussenwirtschafts- und Europapolitik, Bundesministerium für Wirtschaft und Technologie, Berlin
Tony FAINT	Director, International Division, Department for International Development, London
Iñigo FERNÁNDEZ DE MESA	Subdirector General de Coordinación de Organismos Monetarios Internacionales, Ministerio de Economía, Madrid
Kurt HALL	Finansråd Internationella avdelningen, Finansdepartementet, Stockholm
Jan Willem van der KAAIJ	Plaatsvervangend Directeur van de Directie Buitenlandse Financiële Betrekkingen, The Hague
Rainer MASERA	Presidente, SanPaolo IMI, Turin
Constantinos MASSOURAS	Director for Financial and Fiscal Policy Affairs, Ministry for National Economy, Athens
Ingrid MATTHÄUS-MAIER	Mitglied des Vorstandes der Kreditanstalt für Wiederaufbau, Frankfurt/Main
Noel Thomas O'GORMAN	Second Secretary, Finance Division, Department of Finance, Dublin
Stéphane-Emmanuelle PALLEZ	Chef du Service des Affaires européennes et internationales, Direction du Trésor, Ministère de l'Économie, des Finances et de l'Industrie, Paris
Maria PÉREZ RIBES	Consejero Técnico, Dirección General de Financiación Internacional, Ministerio de Economía, Madrid
Vincenzo PONTOLILLO	Direttore Centrale, Banca d'Italia, Rome
Kaarina RAUTALA	Hallitusneuvos, Valtiovarainministeriö, Helsinki
Klaus REGLING	Director-General for Economic and Financial Affairs, European Commission, Brussels
Gaston REINESCH	Directeur général, Ministère des Finances, Luxembourg
Pierre RICHARD	Administrateur délégué, DEXIA, Paris
Walter RILL	Abteilungsleiter für internationale Finanzinstitutionen, Bundesministerium für Finanzen, Vienna
Ivan ROGERS	Director Europe, HM Treasury, London
Gerd SAUPE	Ministerialdirigent, Bundesministerium der Finanzen, Berlin
Jean-Michel SEVERINO	Directeur général, Groupe Agence Française de Développement, Paris
Lars TYBJERG	Direktør, Økonomi- og Erhvervsministeriet, Copenhagen

Alternates:

Marc AUBERGER	Directeur général de la Société française de garantie des financements des PME (groupe BDPME), Paris
Stefania BAZZONI	Dirigente, Direzione Rapporti Finanziari Internazionali, Dipartimento del Tesoro, Ministero dell'Economia e delle Finanze, Rome
Gerhard BOEHMER	Ministerialdirigent, Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung, Bonn
Gianpaolo BOLOGNA	Dirigente, Direzione del Contenzioso Comunitario, Dipartimento del Tesoro, Ministero dell'Economia e delle Finanze, Rome
Paul CHILCOTT	Chief Manager, Reserves Management, Bank of England, London
Guy CRAUSER	Director-General for Regional Policy, European Commission, Brussels
Björn FRITJOFSSON	Departementsråd, Internationella avdelningen, Finansdepartementet, Stockholm
Rudolf de KORTE	Alternate Member of the Board of Directors of the EIB, Wassenaar
Nacer MEDDAH	Chef du Bureau des Affaires Européennes, Direction du Trésor, Ministère de l'Économie, des Finances et de l'Industrie, Paris
Ralph MÜLLER	Regierungsdirektor, Ministerialrat Referat E A3, Bundesministerium der Finanzen, Berlin
Luis ORGAZ GARCÍA	Subdirector General de Análisis Financiero y Estratégico, Ministerio de Economía, Madrid
Philip RUTNAM	Head of Enterprise Team, HM Treasury, London

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Situation at 31 March 2002

EIB Lending Activity

Lending activity
1997 - 2001: 160 billion

In 2001, total EIB lending amounted to 36.8 billion ([1]) compared with 36 billion the previous year. This figure reflects the approach adopted by the Bank in 2000, namely focusing its activity on fields in which it provides maximum value added, whilst furthering European Union policy objectives in accordance with the Treaties, its Statute, the decisions of the European Council and its Corporate Operational Plan. Financing for projects in the EU Member States came to 31.2 billion. Additionally, the EIB made available 2.7 billion for capital investment paving the way for enlargement and 2.9 billion in the Partner Countries.

During the year, the EIB pressed ahead with implementing its overriding operational priorities as set out in its Corporate Operational Plan in order to fulfil the Bank's remits under Article 267 of the Treaty establishing the European Community.

- The EIB's top operational priority continues to be strengthening the **economic and social cohesion** of the EU. Within the Union, 70% of individual loans (14.5 billion) and around 50% of global loans were located in less favoured regions. If loans in the Accession Countries, the future target of EU regional policy, are included, the EIB provided some 22 billion for projects in less advanced regions during 2001.
- Financing under the **"Innovation 2000 Initiative"** grew markedly in 2001: loans worth 5 billion, including 1.7 billion for research and development, were signed, of which 448 million in the Accession Countries. Since its launch in May 2000, this initiative, aimed at underpinning the creation of a knowledge-based, innovation-driven economy, has already accounted for loans totalling over 7 billion.
- The EIB stepped up its activity in favour of the **environment and quality of life**, signing loans for some 7 billion in all during the year, of which 6 billion within the European Union, 484 million in the Accession Countries and 580 million in the Euro-Mediterranean Partnership Countries. In addition, environmental investment funded through global loan allocations can be estimated at 2 billion.
- The **Accession Countries** attracted 2.7 billion, over half of which (56%) was devoted to basic infrastructure. The environment, absorbing 20% of loans, also remained a major concern for the region's development. Lastly, the Bank extended its field of operations to the health and education sectors in the Accession Countries, with 75 million already signed last year.

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

- The Bank's support for implementation of the EU's development aid and cooperation policy in the **Partner Countries** ran to 2.9 billion in 2001.

Providing 1.4 billion in the *Mediterranean Partner Countries,* the EIB represented the leading source of bank finance for projects in this region. This performance illustrates the Bank's pre-eminent role in ensuring the success of the Union's objectives in these countries.

Financing in the *Balkans* totalled 319 million. The Bank boosted its support for reconstruction and launched its first global loans in favour of SMEs via intermediary banks in Croatia and the Former Yugoslav Republic of Macedonia, so assisting modernisation of the banking sector and SME investment in the region. It also resumed operations in the Federal Republic of Yugoslavia.

Other Partner Countries received EIB finance amounting to 520 million in the African, Caribbean and Pacific (ACP) Countries, 150 million in South Africa and 543 million in Asia and Latin America.

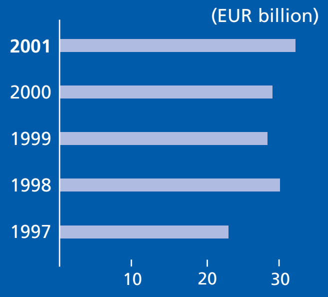
The Corporate Operational Plan continues to target other sectors, namely SMEs, TENs and health and education.

- In 2001, support for **SME** investment through EIB global loans reached 5.2 billion. The EIF, for its part, invested 800 million in venture capital funds, as well as concluding 39 SME portfolio guarantee operations worth 958 million.
- Lending for **trans-European networks** and major infrastructure of Community interest came to 7.9 billion within the Union and 1.2 billion in the Accession Countries.
- Financing for the development of **human capital,** encompassing health and education, totalled 2.1 billion within the Union and in the Accession Countries, where the EIB launched its maiden operations.

As in the previous year, aggregate activity across all countries in 2001 continued to be dominated by loans for transport and telecommunications infrastructure, as well as backing for SMEs and small-scale local infrastructure (32%). There was also a marked upturn in the volume of lending to the health and education sectors.

EIB Borrowing Activity

Borrowing activity 1997 - 2001: 143 billion



In 2001, the EIB raised EUR 32.3 billion on the international capital markets through 148 transactions in 13 currencies before swaps (and 11 currencies after swaps). The EIB continued to reinforce its role as a European Union institution in supporting the euro. While the USD was the prime currency of funding, reflecting favourable borrowing conditions, the euro substantially increased its share as compared to the year 2000.

Resources borrowed before swaps in the three major currencies accounted for 94% of the total: 41% USD, 32% EUR and 21% GBP. Funds raised after swaps in the three major currencies broke down as to: 67% EUR, 21% GBP and 8% USD, the USD having heavily generated euro via currency swaps. Non-structured operations amounted to EUR 31 billion (representing 96% of total funds raised) in 94 transactions. Structured operations totalled EUR 1.3 billion (representing 4% of total funds raised) in 54 transactions.

Optimisation of the funding cost on a sustainable basis and enhancement of secondary market liquidity constitute the pillars of the Bank's funding strategy. This strategy is designed to maintain the EIB's position as a leading AAA-rated non-sovereign benchmark borrower, enabling it to grant loans on the best possible terms and thus continue to serve the policies of the European Union.

This has been implemented through a combination of strategic and market-driven approaches.

A key feature has been the issuance of large liquid benchmark bonds in EUR, USD and GBP. The EIB is the largest supranational borrower and the only benchmark issuer offering liquid benchmark yield curves in all the core currencies. This funding strategy is aimed at broadening the EIB's investor base and strengthening market penetration while offering investors highly liquid and electronically traded products.

Particular emphasis has been attached to transparency through the use of book-buildings and the pot syndication methodology. These techniques constituted an integral part of the largest single bond issue ever launched by the EIB, the EUR 5 billion Global EARN 2007. At the end of 2001, the EARNs curve comprised nine benchmarks covering maturities from 2003 to 2010, with an outstanding volume of almost EUR 40 billion, all of which are traded on the MTS electronic trading network.

In USD, the Bank offered large sized issues, which, whilst enhancing liquidity perception, permitted less frequent calls on the market, eventually generating a beneficial effect on both performance and funding cost. Four Global bond issues were brought to the market with an increasing share of placement with US investors. The USD 4 billion 2006 Global issue constitutes the largest outstanding USD issue of the Bank.

Sterling funding accounted for 8.2% of total sterling non-Gilt fixed income issuance in 2001. EIB bonds represent over 12% of the non-Gilt sterling fixed income index, the Bank thus remaining the benchmark non-Gilt issuer.

Moreover, recourse has been had in issuance activity to customised products targeted at specific investor needs in all available currencies. The requirements of retail and institutional investors for specific investment instruments were catered for by the launch of tailor-made and innovative issues which often included elements such as calls, caps and floors as well as the linking of coupons and redemption amounts to movements in share indices and currencies. Structured funding included the launch of a GBP constant annuity RPI (UK Retail Price Index) issue with a 33-year maturity for onlending on a back-to-back basis to the Dudley Hospital PPP. In the context of EIB risk management policy, the Bank remained vigilant by rigorously analysing and hedging against the various types of risk embedded in these issues.

The EIB pursued its efforts to borrow in the currencies of the Accession Countries, both on domestic markets and the Euromarket. By virtue of its top credit rating, the Bank continues to be able to issue longer-term bonds denominated in such currencies, thereby contributing to the development of deeper capital markets. The EIB made a major contribution to the development of the Polish market as the first issuer to launch a domestic debt issuance programme with the signature of its PLN 3 billion Debt Issuance Programme, followed by the first PLN issue on the domestic market. Funds raised in such currencies are on-lent to project promoters in the region concerned and, by eliminating foreign exchange risks, provide a strong incentive for investment, ultimately fostering integration.

The EIB's role as an important international issuer is also reflected in its currency diversification. This is demonstrated by its strong presence notably in Japan, the Asian / Pacific region and the South African market. In Hong Kong, the EIB established itself as the largest international issuer and launched the first transaction of the millennium in the form of a HKD 2.5 billion issue.

A comprehensive and effective marketing programme has addressed both the institutional and retail investor communities. This has been carried out via numerous investor roadshows in the world's financial centres with a view to enhancing the EIB's distribution channels and further familiarising investors with its product range.

Borrowings signed in 2001 (EUR million)

	Number of transactions	Before swaps		After swaps	
EUR	*14*	*10 398*	*32.2%*	*21 535*	*66.9%*
GBP	44	6 862	21.2%	6 971	21.7%
USD	27	13 092	40.5%	2 484	7.7%
	85	**30 353**	**94.0%**	**30 991**	**96.3%**
Other currencies	63	1 952	6.0%	1 181	3.7%
TOTAL	**148 (*)**	**32 305**	**100%**	**32 172**	**100%**
of which EU	58	17 261	53%	28 597	89%

(*) Effectively 146 operations, given that some are split into several transactions.

EIF Governing Bodies

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

- the General Meeting of shareholders (EIB, European Union, 28 financial institutions);
- the Board of Directors;
- the Chief Executive, Mr Walter CERNOIA.

Board of Directors

Chairman

Giovanni RAVASIO	Former Director General for Economic and Financial Affairs, European Commission, Brussels

Members

Guy CRAUSER	Director General for Regional Policy, European Commission, Brussels
Iñigo FERNÁNDEZ DE MESA	Subdirector General de Coordinación de Organismos Monetarios internacionales, Ministerio de Economía, Madrid
Detlef LEINBERGER	Mitglied des Vorstandes, Kreditanstalt für Wiederaufbau, Frankfurt
Francis MAYER	Vice-President, European Investment Bank
Peter SEDGWICK	Vice-President, European Investment Bank
Lars TYBJERG	Direktør, Økonomi- og Erhvervsministeriet, Copenhagen

Alternates

Jean-Pierre ARNOLDI	Administrateur général de la Trésorerie, Ministère des Finances, Brussels
Terry BROWN	Director-General Europe, European Investment Bank
Mauro CICCHINÈ	President, DEXIA CREDIOP, Rome
Isabel CORREIA BARATA	Consultora da Direcção, Departamento de Relações Internacionais, Banco de Portugal, Lisbon
Rémy JACOB	Director of General Administration, European Investment Bank

Audit Board

Chairman

Michael HARALABIDIS	Senior Associate, National Bank of Greece, Athens

Members

Henk KROEZE	Group Controller Holding - NIB Capital NV, The Hague
Sylvain SIMONETTI	Head of Unit, Accounting and Administration, European Commission, DG ECFIN, Luxembourg

Situation at 29 April 2002

European Investment Fund Activity

The EIF is now the European Union's financial institution specialising in venture capital and SME guarantees. Since June 2000, the EIB has held a majority stake in the Fund, which nevertheless remains a tripartite institution (EIB 61%, European Commission 30%, 28 banks 9%). This distinctive feature is reflected in the EIF's principal goals, namely contributing to the pursuit of “Community objectives” (Article 2 of its Statutes) whilst generating an “appropriate return” for its shareholders (Article 24).

Venture capital operations

As at 1 January 2002, the EIF managed a portfolio of 153 funds corresponding to 2 billion. In 2001, it concluded 57 operations worth 800 million in the 15 Member States and 5 Accession Countries, making it a major player on the European venture capital market. The bulk of its resources are provided by the EIB under the “Innovation 2000 Initiative”. The Commission makes available additional sums under the Multiannual Programme for Enterprise 2001/2005.

The EIF's investment strategy revolves around three key areas:

- support for European high technology;
- the development of funds active on Europe's southern flank and in the Accession Countries;
- the expansion of funds operating on a pan-European basis, thus providing them with critical mass comparable to the large US funds.

SME guarantees

The other pillar of EIF activity is guaranteeing portfolios of bank loans to SMEs. This involves credit enhancement, reinsurance and counter-guarantee operations and is based on a network of 86 financial intermediaries. The EIF's total guarantee commitments amount to more than 3.3 billion. In 2001, the EIF concluded 39 SME portfolio guarantee operations, involving a total of 958 million.

The majority of these operations (64% of the portfolio) were concluded under the SME Facility, financed from Community budgetary resources, which has just been extended to guaranteeing micro-credit operations, equity participations and investment by smaller businesses in the information technology field. These EIF guarantee operations have a particularly strong leverage effect and constitute an advantageous means of optimising budgetary resources. The EIF also manages the “Growth and Environment” programme, which guarantees SME investment in the environmental protection sphere. Lastly, the volume of guarantee operations mounted by the EIF from its own resources has grown substantially.

EIB Group
Financial Statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2001

In EUR '000

ASSETS		*31.12.2001*		*31.12.2000*
1. Cash in hand, balances with central banks and post office banks		*22 180*		24 726
2. Treasury bills eligible for refinancing with central banks (Note B)	1 519 621		1 474 510	
Fair value adjustment	106		0	
		1 519 727		1 474 510
3. Loans and advances to credit institutions				
a) repayable on demand	181 292		135 178	
b) other loans and advances (Note C)	9 917 933		11 257 184	
c) loans (Note D)	84 654 699		75 647 232	
		94 753 924		87 039 594
4. Loans and advances to customers				
Loans (Note D)	101 085 284		93 101 379	
Specific provisions (Note A.4)	– 175 000		– 175 000	
Fair value adjustment	33 179		0	
		100 943 463		92 926 379
5. Debt securities including fixed-income securities (Note B)				
a) issued by public bodies	3 262 797		1 543 467	
b) issued by other borrowers	3 418 574		2 310 668	
Fair value adjustment	– 46		0	
		6 681 325		3 854 135
6. Shares & other variable-yield securities (Note E)	838 530		632 408	
Fair value adjustment - shares	5 642		0	
		844 172		632 408
7. Intangible assets (Note F)		*7 788*		10 018
8. Tangible assets (Note F)		*84 528*		83 459
9. Other assets				
a) receivable in respect of EMS interest subsidies paid in advance (Note G)		*3 528*	7 636	
b) sundry debtors (Note H)		*538 779*	902 504	
c) currency swap contracts adjustment account	1 236 663		1 003 224	
d) fair value adjustment - derivatives	6 948 150		0	
		8 184 813		1 913 364
10. Prepayments and accrued income (Note I)		*2 378 477*		3 444 117
		215 962 704		191 402 710

OFF-BALANCE-SHEET ITEMS

		31.12.2001		*31.12.2000*
Commitments				
- EBRD capital (Note E)				
. Uncalled		*442 500*		442 500
. To be paid in		*33 750*		42 188
- Undisbursed loans (Note D)				
. Credit institutions	8 523 766		7 741 032	
. Customers	25 729 446		22 308 598	
		34 253 212		30 049 630
- Undisbursed venture capital operations		*1 067 531*		565 763
Guarantees				
. In respect of loans granted by third parties		*1 562 167*		1 718 226
. In respect of venture capital operations		*57 946*		57 946
Fiduciary operations (Note A)		*2 070 512*		1 526 977
Assets held on behalf of third parties (Note A)				
- Growth and environment	16 091		22 481	
- SME Guarantee Facility	54 762		60 832	
- European Technology Facility	59 892		59 310	
		130 745		142 623

The bracketed notes refer to the Notes to the Consolidated Financial Statements.

LIABILITIES		*31.12.2001*		*31.12.2000*
1. Amounts owed to credit institutions (Note J)				
a) repayable on demand	**0**		13	
b) with agreed maturity dates or periods of notice	**607 622**		507 889	
		607 622		507 902
2. Debts evidenced by certificates (Note K)				
a) debt securities in issue	**178 293 413**		161 488 067	
b) others	**857 103**		825 137	
	179 150 516		162 313 204	
c) net premiums on issues	**17 852**		0	
d) fair value adjustment	**4 741 338**		0	
		183 909 706		162 313 204
3. Other liabilities				
a) interest subsidies received in advance (Note G)	**324 956**		334 562	
b) sundry creditors (Note H)	**989 394**		896 320	
c) sundry liabilities	**44 245**		38 290	
d) fair value adjustment - derivatives	**2 414 809**		0	
		3 773 404		1 269 172
4. Accruals and deferred income (Note I)		***3 779 972***		4 775 375
5. Provisions for liabilities and charges				
- Staff pension fund (Note L)		***474 951***		433 281
- Provision for guarantees issued (Note M)		***24 312***		45 005
6. Minority interests		***216 349***		191 786
7. Capital				
Subscribed	**100 000 000**		100 000 000	
Uncalled	**– 94 000 000**		– 94 000 000	
		6 000 000		6 000 000
8. Consolidated reserves				
a) reserve fund	**10 000 000**		10 000 000	
b) additional reserves	**3 181 985**		2 124 244	
	13 181 985		12 124 244	
c) fair value adjustment 1.1.2001	**– 117 883**		0	
d) valuation of securities available for sale	**3 266**		0	
		13 067 368		12 124 244
9. Funds allocated to Structured Finance Facility		***250 000***		
10. Funds allocated to venture capital operations		***1 500 000***		1 500 000
11. Fund for general banking risks after appropriation (Note M)		***1 080 000***		935 000
12. Profit for the financial year				
before appropriation	**1 424 021**		1 372 741	
appropriation for the year to Fund for general banking risks (Note M)	**– 145 000**		– 65 000	
profit to be appropriated		**1 279 021**		1 307 741
		215 962 704		191 402 710

OFF-BALANCE-SHEET ITEMS

	31.12.2001	*31.12.2000*
Special deposits for service of borrowings (Note R)	***640 526***	778 552
Securities portfolio		
. Securities receivable	***9 327***	0
. Securities payable	***12 673***	0
Nominal value of interest-rate swap and deferred rate-setting contracts (Note U)	***109 868 600***	97 548 200
FRA operations		
. Purchase	***25 000 000***	0
. Sale	***25 000 000***	0
Nominal value of currency swap contracts payable	***39 356 131***	28 064 569
Nominal value of currency swap contracts receivable	***40 592 794***	29 067 793
Borrowings arranged but not yet signed	***0***	921 327
Guarantee Fund treasury management	***1 775 229***	1 432 249

STATEMENT OF SPECIAL SECTION[1] AS AT 31 DECEMBER 2001

In EUR '000

(amounts at historic cost in foreign currency converted at exchange rates prevailing on 31 December 2001)

ASSETS	***31.12.2001***	*31.12.2000*
Member States		
From resources of the European Community		
(New Community Instrument for borrowing and lending)		
Disbursed loans outstanding (2)	**80 959**	106 191
Turkey		
From resources of Member States		
Disbursed loans outstanding (3)	**58 953**	72 041
Mediterranean Countries		
From resources of the European Community		
Disbursed loans outstanding	211 121	220 434
Risk capital operations		
- amounts to be disbursed	96 582	129 842
- amounts disbursed	192 572	157 381
	289 154	287 223
Total (4)	**500 275**	507 657
African, Caribbean and Pacific States and Overseas Countries and Territories		
From resources of the European Community		
Yaoundé Conventions		
Loans disbursed	44 810	46 364
Contribution to the formation of risk capital		
Amounts disbursed	419	419
Total (5)	**45 229**	46 783
Lomé Conventions		
Operations from risk capital resources:		
- amounts to be disbursed	666 171	503 993
- amounts disbursed	1 198 479	1 141 646
	1 864 650	1 645 639
Operations from other resources:		
- amounts to be disbursed	8 000	8 000
Total (6)	**1 872 650**	1 653 639
Grand total	**2 558 066**	2 386 311

For information:

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

a) Under the First, Second and Third Lomé Conventions: at 31.12.2001: 1 402 697; at 31.12.2000: 1 447 378.

b) Under Financial Protocols signed with the Mediterranean Countries: at 31.12.2001: 158 245; at 31.12.2000: 164 050.

(1) The Special Section was set up by the Board of Governors on 27 May 1963: under a Decision taken on 4 August 1977 its purpose was redefined as being that of recording operations carried out by the European Investment Bank for the account of and under mandate from third parties.

(2) Initial amount of contracts signed under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982, 83/200/EEC of 19 April 1983 and 87/182/EEC of 9 March 1987 for promoting investment within the Community, as well as 81/19/EEC of 20 January 1981 for reconstructing areas of Campania and Basilicata (Italy) stricken by an earthquake on 23 November 1980 and 81/1013/EEC of 14 December 1981 for reconstructing areas stricken by earthquakes in Greece in February and March 1981, under mandate, for the account and at the risk of the European Community:

			6 399 145
add:	exchange adjustments		+ 127 897
less:	cancellations	201 991	
	repayments	6 244 092	– 6 446 083
			80 959

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

			405 899
add:	exchange adjustments		+ 24 955
less:	cancellations	215	
	repayments	371 686	– 371 901
			58 953

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

			635 007
add:	exchange adjustments		+ 3
less:	cancellations	30 867	
	repayments	103 868	– 134 735
			500 275

LIABILITIES	***31.12.2001***	*31.12.2000*
Funds under trust management		
Under mandate from the European Communities		
- New Community Instrument	80 959	106 191
- Financial Protocols with the Mediterranean Countries	403 693	377 815
- Yaoundé Conventions	45 229	46 783
- Lomé Conventions	1 198 479	1 141 646
	1 728 360	1 672 435
Under mandate from Member States	58 953	72 041
Total	**1 787 313**	1 744 476
Funds to be disbursed		
On loans and risk capital operations in the Mediterranean Countries	96 582	129 842
On operations from risk capital resources under the Lomé Conventions	666 171	503 993
On operations from other resources under the Lomé Conventions	8 000	8 000
Total	**770 753**	641 835
Grand total	**2 558 066**	2 386 311

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

- loans on special conditions	139 483	
- contributions to the formation of risk capital	2 503	141 986
add:		
- capitalised interest	1 178	
- exchange adjustments	9 839	+ 11 017
less:		
- cancellations	1 574	
- repayments	106 200	– 107 774
		45 229

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

Loans from risk capital resources:		
- conditional and subordinated loans	2 711 347	
- equity participations	117 634	2 828 981
add:		
- capitalised interest		+ 1 663
less:		
- cancellations	347 411	
- repayments	601 882	
- exchange adjustments	16 701	– 965 994
		1 864 650
Loans from other resources:		8 000
		1 872 650

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 december 2001
In EUR '000

		31.12.2001		*31.12.2000*
1. Interest receivable and similar income (Note N)		**10 757 180**		10 654 762
2. Interest payable and similar charges		**– 9 072 365**		– 9 086 590
3. Income from participating interests		**0**		4 800
4. Commission receivable (Note O)		**32 529**		35 198
5. Commission payable		**– 1 771**		– 5 650
6. Result on financial operations (Note N)		**– 47 739**		– 3 887
7. Other operating income		**26 357**		18 611
8. General administrative expenses (Note P):		**– 211 538**		– 185 411
a) staff costs	**158 669**		140 607	
b) other administrative costs	**52 869**		44 804	
9. Value adjustments in respect of (Note F):		**– 15 737**		– 12 068
a) intangible assets	**4 951**		2 802	
b) tangible assets	**10 786**		9 266	
10. Value adjustment on venture capital operations		**– 22 137**		
11. Extraordinary income (Note Q)		**40 000**		35 213
12. Extraordinary charges (Note Q)		**– 11 364**		– 67 428
13. Transfer to provision for guarantees issued (Note M)		**– 19 665**		– 7 452
14. Minority interests		**– 29 729**		– 7 355
15. Profit for the financial year		**1 424 021**		1 372 741
16. Appropriation to Fund for general banking risks (Note M)		**– 145 000**		– 65 000
17. Profit to be appropriated		**1 279 021**		1 307 741

STATEMENT OF MOVEMENTS IN CONSOLIDATED OWN FUNDS AS AT 31 DECEMBER 2001

(In EUR '000)

	Situation at 31.12.2000	Appropriation of profit for the 2000 financial year	Situation at 31.12.2001
Capital			
- subscribed	100 000 000		100 000 000
- uncalled	– 94 000 000		– 94 000 000
	6 000 000		6 000 000
Reserves:			
- reserve fund	10 000 000		10 000 000
- additional reserves	2 124 244	1 057 741	3 181 985
	12 124 244	1 057 741	13 181 985
- fair value adjustment as at 01.01.2001 (IAS 39)			– 117 883
- increase for the year in valuation of securities available for sale			3 266
	12 124 244	1 057 741	13 067 368
Fund for general banking risks (Note M)	870 000	65 000	935 000
Funds allocated to Structured Finance Facility	0	250 000	250 000
Funds allocated to venture capital operations	1 500 000	0	1 500 000
	20 494 244	1 372 741	21 752 368
Profit for the financial year	1 372 741	– 1 372 741	1 424 021
	21 866 985		**23 176 389**

• Commitment to purchase the remaining 785 EIF shares at a fixed future price.

Under the terms of this put option, the EIB is offering to buy these shares from the EIF's other shareholders within a remaining period of four years for a price of EUR 315 000 per share. This purchase price represents annual appreciation of 3% compared with the purchase offer made in 2000.

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 DECEMBER 2001

In EUR '000

	31.12.2001	*31.12.2000*
A. Cash flows from operating activities:		
Profit for the financial year	1 424 021	1 372 741
Adjustments:		
Transfer to provision for guarantees issued	– 20 693	(*) 45 005
Value adjustments	15 737	11 865
Exchange adjustment not subject to Article 7	905	1 049
Decrease in accrued interest and commissions payable and interest received in advance	– 995 403	– 142 932
(Decrease)/increase in accrued interest and commissions receivable	1 065 640	– 143 621
Investment portfolio amortisation	– 2 711	– 5 225
IAS 39 adjustments	– 114 617	0
Profit on operating activities:	1 372 879	1 138 882
Net loan disbursements	– 30 485 314	– 29 714 485
Repayments	15 772 177	15 590 952
IAS 39 loan adjustments	– 33 179	0
Net balance on NCI operations (Note H)	16 298	33 859
Increase in operational portfolio	– 1 526 000	– 81 683
Increase in venture capital operations	– 196 909	– 284 026
Increase in securitised loans	– 1 003 287	– 120 000
Net cash from operating activities	**– 16 083 335**	**– 13 436 501**
B. Cash flows from investing activities:		
EBRD shares paid up (Note E)	– 8 437	– 8 438
Sales of securities	316 149	337 126
Purchases of securities	– 356 768	– 763 465
Increases in land, buildings and furniture (Note F)	– 11 855	– 11 651
Increases in intangible fixed assets	– 2 721	– 5 583
Other (decreases)/increases in assets	118 394	– 309 430
Purchase of EIF shares	0	– 57 004
Reclassification of EIF portfolio	66 526	0
Net cash from investing activities	**121 288**	**– 818 445**
C. Cash flows from financing activities:		
Issue of borrowings	32 531 378	28 770 713
Redemption of borrowings	– 19 000 043	– 17 102 100
(Decrease)/increase in currency swaps	– 233 439	516 441
IAS 39 borrowings adjustments	4 759 190	0
Net increase in commercial paper	670 303	589 973
IAS 39 derivatives adjustments	– 4 533 341	0
Net increase in amounts owed to credit institutions	99 720	171 276
Other increases in liabilities	155 656	467 412
Hedging portfolio sales	0	1 293 081
Hedging portfolio purchases	0	– 27 216
Net cash from financing activities	**14 449 424**	**14 679 580**
Summary statement of cash flows		
Cash and cash equivalents at beginning of the financial year (before consolidation)	13 302 774	12 200 160 (*)
EIF - initial consolidation		408 790
		12 608 950
Net cash from:		
(1) operating activities	– 16 083 335	– 13 436 501
(2) investing activities	121 288	– 818 445
(3) financing activities	14 449 424	14 679 580
Effects of exchange rate changes on cash and cash equivalents	583 257	269 190
Cash and cash equivalents at end of the financial year	**12 373 408**	**13 302 774**
Cash analysis (excluding investment and hedging portfolios)		
Cash in hand, balances with central banks and post office banks	22 180	24 726
Bills maturing within three months of issue	2 252 003	1 885 686
Loans and advances to credit institutions:		
- accounts repayable on demand	181 292	135 178
- term deposit accounts	9 917 933	11 257 184
	12 373 408	**13 302 774**

(*) For the first year of consolidation, the closing balances for the EIF's accounts have been incorporated in the movements for 2000.

EUROPEAN INVESTMENT BANK GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2001

Note A — Significant accounting policies

1. *Consolidation principles and accounting standards*

a) The Group's consolidated financial statements have been prepared in accordance with international accounting standards (IAS). The Group's consolidated financial statements have been drawn up, for the first time, in compliance with IAS 39, the main features of which are as follows:

1- Currency swaps receivable and payable are no longer entered on the balance sheet for nominal amounts but are recorded at their fair value.
2- The majority of the Group's swaps are concluded with a view to hedging specific bond issues. These derivatives as well as borrowings hedged are measured at their fair value using internal valuation tools. This has no impact on the Group's own funds or surplus as value adjustments cancel each other out.
3- Macro-hedging swaps used as part of asset/liability management are marked to market (fair value) using internal valuation tools.
4- Gains or losses, following fair value variations in respect of securities available for sale, are recorded as a separate item of own funds until the actual sale of such securities. Only the gain or loss, in the event of sale of these securities, is entered in the profit and loss account.
5- Net premiums (discounts) on borrowings are added to (deducted from) the book value of borrowings on the liabilities side of the balance sheet.
6- Financial assets are accounted for using the settlement date basis.

The accounting policies applied are in conformity, in all material respects, with the general principles of the Directive of the Council of the European Communities of 8 December 1986 (as amended by Directive 2001/65/EC of 27 September 2001) on the annual accounts and consolidated accounts of banks and other financial institutions (the "Directive"), except as explained in the relevant notes on accounting policies. On a proposal from the Management Committee, the Board of Directors decided, on 26 February 2002, to submit the consolidated financial statements to the Governors for approval at their meeting on 4 June 2002.

b) The Group's consolidated accounts comprise the accounts of the European Investment Bank ("the Bank") and those of its subsidiary, the European Investment Fund ("the EIF"), having its registered office at 43, avenue J.F. Kennedy, Luxembourg, as from 1 July 2000.

The gain arising from the elimination of the Bank's majority (60.75%) shareholding in the EIF is recorded, in accordance with IAS 22, as extraordinary income. Minority interests are disclosed separately.

c) Restatement and intra-group transactions.

Prior to consolidation, the EIF's accounts have been restated in order to ensure conformity with the following accounting policies. After aggregation of the balance sheets and profit and loss accounts, intra-group balances and profits or losses arising on transactions between the two entities have been eliminated.

2. *Conversion of currencies*

The Group uses the euro, the single currency of the Member States participating in the third stage of Economic and Monetary Union, as the unit of measure for the capital accounts and for presenting its financial statements.

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

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

The Group's assets and liabilities are converted into euro on the basis of the exchange rates obtaining at the balance sheet date. The gain or loss arising from such conversion is credited or charged to the profit and loss account.

The profit and loss accounts are converted into euro monthly on the basis of the exchange rates obtaining at the end of each month.

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

With a view to clarifying management of its liquid assets and consolidating its solvency, the Group has decided to establish the following types of portfolio:

3.1. *Investment portfolio*

The investment portfolio consists of securities purchased with the intention of holding them until final maturity in order to ensure the Group's solvency. These securities are issued or guaranteed by:

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

The entry cost of securities in this portfolio is the purchase price or more exceptionally the transfer price. The difference between entry price and redemption value is accounted for pro rata temporis over the remaining life of the securities held.

3.2. *Operational portfolio*

The operational portfolio comprises listed securities issued and guaranteed by financial establishments. Securities held in this portfolio are marked to market in the balance sheet.

Realised and unrealised gains and losses are entered in the profit and loss account.

3.3. *Short-term securities*

In order to maintain an adequate level of liquidity the Group purchases money market products, in particular Treasury bills and negotiable debt securities issued by credit institutions. The securities are held until their final maturity and presented in the accounts at their nominal value.

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

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

3.4. *Available for sale portfolio*

Securities are classified as available for sale where they do not appropriately belong to one of the other categories of portfolio. The securities are measured at fair value and changes in value are recorded under own funds.

4. *Loans and advances to credit institutions and customers*

4.1. *Loans are included in the assets of the Group at their net disbursed amounts. Where loans are hedged by derivatives, they are measured at their fair value.*

Specific provisions have been made for loans and advances outstanding at the end of the financial year and presenting risks of non-recovery of all or part of their amounts. These provisions are entered on the profit and loss account as "Value adjustments in respect of loans and advances".

Value adjustments with regard to interest on these loans are determined on a case-by-case basis by the Bank's Management.

4.2. *Interest on loans*

Interest on loans is recorded in the profit and loss account on the accruals basis, i.e. over the life of the loans.

4.3. *Reverse repurchase and repurchase operations (reverse repos and repos).*

A reverse repurchase (repurchase) operation is one under which the Group lends (borrows) liquid funds to (from) a credit institution which provides (receives) collateral in the form of securities. The two parties enter into an irrevocable commitment to complete the operation on a date and at a price fixed at the outset.

The operation is based on the principle of delivery against payment: the borrower (lender) of the liquid funds transfers the securities to the Group's (counterparty's) custodian in exchange for settlement at the agreed price, which generates a return (cost) for the Group linked to the money market.

This type of operation is considered for the purposes of the Group to be a loan (borrowing) at a guaranteed rate of interest and is entered on the assets side of the balance sheet under item 3) Loans and advances to credit institutions - b) other loans and advances (on the liabilities side of the balance sheet under item 1) Amounts owed to credit institutions - b) with agreed maturity dates or periods of notice). The securities received (provided) as collateral are accounted for off balance sheet (are maintained in the balance sheet accounts).

5. *Shares, other variable-yield securities and participating interests*

Shares are classified as available for sale. They are measured at fair value and changes in value are recorded under own funds.

Venture capital operations and participating interests held represent medium and long-term investments and are accounted for at cost in accordance with IAS 39 which stipulates that financial instruments for which a fair value cannot be established shall be so valued. The estimated fair value of a risk capital investment may vary significantly in the course of the holding period and the nature of such investments is such that an accurate fair value can be determined only upon realisation of the investment. The estimation by the Group of a fair value for risk capital investments for which the method and timing of realisation have not yet been determined is therefore considered to be inappropriate. Value impairments are accounted for where these are other than temporary.

6. *Tangible assets*

Land and buildings are stated at cost less both initial write-down of the Kirchberg headquarters and accumulated depreciation. Depreciation is calculated to write off the value of the Bank's Luxembourg-Kirchberg headquarters and its office in Lisbon on the straight-line basis over 30 and 25 years respectively. Office furniture and equipment were, until end-1997, depreciated in full in the year of acquisition. With effect from 1998, permanent equipment, fixtures and fittings, furniture, office equipment and vehicles have been recorded in the balance sheet at their purchase price, less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated life of each item purchased, as set out below:

- permanent equipment, fixtures and fittings	10 years
- furniture	5 years
- office equipment and vehicles	3 years

Works of art are depreciated in full in the year of acquisition.

7. *Intangible assets*

a) Intangible assets comprise investment in software developed internally, depreciated on the straight-line basis over three years as from completion.

IAS 38 stipulates, inter alia, that for recognition as an asset the following criteria must be met:

1- the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
2- the technical feasibility of the product or process can be demonstrated.

b) Software purchases are depreciated on the straight-line basis over their estimated life (2 to 5 years).

8. *Staff pension fund and health insurance scheme*

a) Pension fund

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

Commitments for retirement benefits are valued at least every three years in accordance with IAS 19 using the projected unit credit method, in order to ensure that the provision entered in the accounts is adequate. The main actuarial assumptions used by the actuary are set out in Note L. Actuarial surpluses and deficits are spread forward over a period based on the average expected remaining service lives of staff.

2- The EIF's pension scheme is a contributory defined benefit pension scheme, managed externally.

b) Health insurance scheme

1- The EIB has set up its own health insurance scheme for the benefit of staff, financed by contributions from the Bank and its employees. The health insurance scheme is currently managed on the basis of equal benefits and contributions.

2- The EIF's staff health insurance scheme is managed externally.

9. *Fund for general banking risks and provision for guarantees issued*

a) Fund for general banking risks

This item includes those amounts which the Group decides to put aside to cover risks associated with loans and other financial operations, having regard to the particular risks attaching to such operations.

International accounting standards require that the transfer to this reserve form part of the appropriation of the profit. The Directive requires that amounts transferred to this item feature separately in the profit and loss account as "Transfer to Fund for general banking risks".

b) Provision for guarantees issued

This provision is intended to cover risks inherent in the Group's activity of issuing guarantees in favour of financial intermediaries.

10. *Funds allocated to venture capital operations and to the Structured Finance Facility*

a) Funds allocated to venture capital operations

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

b) Funds allocated to the Structured Finance Facility

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

Value adjustments on these operations will be deducted from these items when allocating future results.

11. *Taxation*

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

12. *Currency and interest rate swaps*

The Group enters into currency swaps, in which the proceeds of a borrowing may be converted into a different currency, mainly as part of its resource-raising operations. Simultaneously, a forward exchange operation is conducted in order to obtain the amounts needed to service the borrowing in the original currency. The amounts corresponding to these operations are entered off balance sheet (see Note U).

The Group also enters into interest rate swaps as part of its hedging operations. The corresponding interest is accounted for on a *pro rata temporis* basis. The nominal amounts of interest rate swaps are accounted for off balance sheet.

13. *Prepayments and accrued income - Accruals and deferred income*

These accounts comprise:

Prepayments and accrued income:	Expenditure incurred during the financial year but relating to a subsequent financial year, together with any income which, though relating to the financial year in question, is not due until after its expiry (principally interest on loans);
Accruals and deferred income:	Income received before the balance sheet date but relating to a subsequent financial year, together with any charges which, though relating to the financial year in question, will be paid only in the course of a subsequent financial year (principally interest on borrowings).

14. *Interest receivable and similar income*

In addition to interest and commission on loans, deposits and other revenue from the securities portfolio, this heading includes the indemnities received by the Bank in respect of prepayments made by its borrowers. With a view to maintaining equivalent accounting treatment between income on loans and the cost of borrowings, the Bank amortises prepayment indemnities received over the remaining life of the loans concerned.

15. *Assets held for third parties*

Assets held for third parties represent three trust accounts established by the EIF.

The first one was set up for the administration of the budgetary contributions made by the European Commission in relation to the "Growth and Environment" pilot project. Sums held in this account remain the property of the Commission so long as they are not disbursed for the purposes of the abovementioned project.

The second trust account is opened and maintained in the name of the EIF, but for the benefit of the Commission, for the administration of the "SME Guarantee Facility". Under this scheme, the EIF is empowered to issue guarantees in its own name but on behalf and at the risk of the Commission.

The third trust account is established for the administration of the "ETF Start-up Facility" (see below), under which the EIF is empowered to acquire, manage and dispose of investments in fledgling technology-sector enterprises with high growth potential, in its own name but on behalf and at the risk of the Commission.

16. *Fiduciary operations*

Pursuant to Article 28 of its Statutes, the EIF acquires, manages and disposes of investments in venture capital enterprises, in its own name but on behalf and at the risk of the European Community, according to Fiduciary and Management Agreements concluded with the European Community ("ETF Start-up Facility").

The EIF is also empowered to issue guarantees in its own name but on behalf and at the risk of the European Community according to the Fiduciary and Management Agreement concluded with the European Community ("SME Guarantee Facility").

17. *Guarantee Fund treasury*

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

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

Note B — Securities portfolio (in EUR '000)

	31.12.2001	31.12.2000
Treasury bills eligible for refinancing with central banks (of which EUR 12 661 unlisted in 2001 and EUR 12 651 in 2000)	1 519 727	1 474 510
Debt securities including fixed-income securities (listed):	6 681 325	3 854 135
	8 201 052	**5 328 645**

	Purchase price	Amortisation for the period	Book value	Amortisation to be accounted for	Value at final maturity	Market value
Investment portfolio	2 866 643	33 934	2 900 577	– 44 642	2 855 935	2 926 969
Operational money market portfolio:						
- Money market securities with a max. 3-month maturity	2 252 003	—	2 252 003	—	2 252 003	2 252 003
- Money market securities with a max. 12-month maturity	1 348 120	—	1 348 120	—	1 348 120	1 348 120
Operational bond portfolio B1 Credit Spread	381 668	– 56	381 479 *	– 128	381 484	381 479
Operational portfolio B3 Global Fixed Income	195 453	—	195 586 **	—	190 800	195 586
Loan Securitisation Portfolio (Note D)	1 123 287	—	1 123 287	—	1 123 287	1 123 287
	8 167 174	**33 878**	**8 201 052**		**8 151 629**	

* including reduction in market value of EUR - 73. ** including increase in market value of EUR 133.

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

	31.12.2001	31.12.2000
Term deposits	6 588 593	6 525 201
Reverse repos(*)	3 329 340	4 731 983
	9 917 933	**11 257 184**

(*) These operations comprise those carried out with a third-party custodian who undertakes, on the basis of a framework contract, to guarantee compliance with the contractual terms and conditions, notably with respect to:
- delivery against payment;
- verification of collateral;
- the collateral margin required by the lender which must always be available and adequate, with the market value of the securities being verified daily by the said custodian;
- organisation of substitute collateral provided that this meets all the contractual requirements.

Note D — Summary statement of loans as at 31 December 2001 (in EUR '000)

Aggregate loans granted (*)

Aggregate historical amount of loans calculated on the basis of the parities applied on the date of signature			360 315 577
Add:	debt adjustment	270 250	
	exchange adjustments	12 891 752	+ 13 162 002
Less:	terminations and cancellations	9 250 399	
	principal repayments	144 233 985	
			– 153 484 384
Aggregate loans granted			**219 993 195**

Analysis of aggregate loans granted:	Loans granted to intermediary credit institutions	Loans granted directly to final beneficiaries	Total 2001	Total 2000
- Disbursed portion	84 654 699	101 085 284	185 739 983	168 748 611
- Undisbursed portion	8 523 766	25 729 446	34 253 212	30 049 630
Aggregate loans granted	**93 178 465**	**126 814 730**	**219 993 195**	**198 798 241**

(*) Aggregate loans granted comprise both the disbursed portion of loans and the portion still to be disbursed.

	31.12.2001	31.12.2000
Aggregate loans granted	219 993 195	198 798 241
Securitised loans (Note B)	1 123 215	120 000
Aggregate loans (Note V)	**221 116 410**	**198 918 241**

Note E — Shares and other variable-yield securities

This item comprises (in EUR '000):

		2001	2000
Venture capital operations - after write-down of EUR 19 213 (2000: 0)		683 809	486 900
EBRD shares		123 750	115 312
Shares acquired with a view to guaranteeing recovery of loans and advances	30 970		
IAS 39 value adjustment	5 642		
		36 613	30 196
		844 172	**632 408**

The amount of EUR 123 750 500 (2000: 115 312 500) corresponds to the capital paid in by the Group at 31 December 2001 in respect of its subscription of EUR 600 000 000 to the capital of the EBRD.

The Group holds 3.04% of the subscribed capital.

Neither the Group's result nor its own funds would have been materially affected had these shares been accounted for using the equity method.

in EUR '000	% held	Total own funds	Total net result	Balance sheet total
EBRD (31.12.2000)	3.04	3 511 178	152 792	21 290 010

The market value of shares acquired with a view to guaranteeing recovery of loans and advances amounts to EUR 36 613 076 (2000: 32 499 160).

Note F — Tangible and intangible assets (in EUR '000)

	Land	Kirchberg buildings	Lisbon building	Furniture and equipment	Total tangible assets	Total intangible assets
Net book value at beginning of the year	3 688	70 833	139	8 799	83 459	10 018
Acquisitions during the year	—	—	—	11 855	11 855	2 721
Depreciation during the year	—	3 991	14	6 781	10 786	4 951
	3 688	**66 842**	**125**	**13 873**	**84 528**	**7 788**

All of the land and buildings are used by the Group for its own activities.

Note G — Interest subsidies paid and received in advance

a) Part of the amounts received from the European Commission through EMS (European Monetary System) arrangements has been made available as a long-term advance which is entered on the assets side under item 9.(a) as "Receivable in respect of EMS interest subsidies paid in advance".

b) On the liabilities side (item 3.(a)), "Interest subsidies received in advance" comprise:

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

Note H — Other balance sheet accounts (in EUR '000)

Sundry debtors:

	31.12.2001	31.12.2000
- Staff housing loans and advances	82 173	89 035
- Net balance of amounts disbursed in respect of borrowings and amounts received in respect of loans under NCI operations managed for the account of the European Community (Special Section)	107 116	123 413
- Borrowing proceeds to be received	0	226 723
- Swap receivables	0	227 393
- Loan instalments receivable	299 010	140 148
- Other	50 480	95 792
	538 779	**902 504**

Sundry creditors:

	31.12.2001	31.12.2000
- European Community accounts:		
. for Special Section operations and related unsettled amounts	167 241	160 692
. deposit accounts	296 053	200 426
- Swap payables	0	226 723
- Borrowing instalments payable	172 066	0
- Optional Supplementary Provident Scheme (Note L)	133 689	127 693
- Other	220 345	180 786
	989 394	**896 320**

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

	31.12.2001	31.12.2000
Prepayments and accrued income:		
Interest and commission receivable	2 377 198	2 627 403
Deferred borrowing charges	0	815 716
Other	1 279	998
	2 378 477	**3 444 117**
Accruals and deferred income:		
Interest and commission payable	3 181 619	3 348 393
Deferred loan proceeds	461 868	505 733
Deferred borrowing proceeds	0	714 868
HIPC initiative (*)	67 912	70 000
Personnel costs payable (*)	7 100	6 939
External mobility costs (*)	7 500	0
Other	53 973	129 442
	3 779 972	**4 775 375**

(*) Included in item 12. of the profit and loss account: extraordinary charges (Note Q).

Note J — Amounts owed to credit institutions
(in EUR '000)

		31.12.2001		31.12.2000
Repayable on demand				
- Credit institutions		0		13
With agreed maturity dates or periods of notice				
- Short-term borrowings	597 497		426 658	
- Promissory notes issued in respect of paid-in capital of EBRD	10 125		9 113	
- Repos	0		72 118	
		607 622		507 889
		607 622		**507 902**

Note K — Summary statement of debts evidenced by certificates as at 31 December 2001 (in EUR '000)

	Borrowings					Currency swaps						Net amount	
						Amounts payable (+) or receivable (–)							
Payable in	Outstanding at 31.12.2000	Average rate	Outstanding at 31.12.2001	Average rate	Due dates	31.12.2000		Average rate	31.12.2001		Average rate	Outstanding at 31.12.2000	Outstanding at 31.12.2001
EUR	47 344 105	5.38	72 131 851	5.48	2001/2030	6 313 851	+	4.73	24 174 809	+	5.50	53 657 956	96 306 660
DEM	2 153 413	6.20		0.00		4 633 060	+	5.63			0.00	6 786 473	
FRF	4 923 660	6.54		0.00		263 927	+	5.06			0.00	5 187 587	
ITL	7 478 250	7.50		0.00		42 102	+	4.58			0.00	7 520 352	
BEF	68 171	7.50		0.00		119 342	+	8.25			0.00	187 513	
NLG	2 932 860	6.68		0.00		1 557 764	–	4.73			0.00	1 375 096	
IEP	61 392	7.75		0.00		316 135	+	5.64			0.00	377 527	
LUF	679 304	7.05		0.00		210 709	–	6.54			0.00	468 595	
ESP	4 199 933	7.23		0.00		1 789 206	+	4.72			0.00	5 989 139	
PTE	942 091	6.11		0.00		1 291 307	+	4.76			0.00	2 233 398	
FIM	67 275	6.29		0.00		157 349	+	4.74			0.00	224 624	
GRD	616 287	6.29		0.00		205 429	–	4.85			0.00	410 858	
IN-CURRENCIES	**71 466 741**		**72 131 851**										
GBP	40 713 384	6.46	48 004 134	6.34	2001/2040	2 993 749	–	6.39	4 046 143	–	6.35	37 719 635	43 957 991
DKK	482 373	4.94	484 099	5.17	2002/2005	32 243	+	3.96	141 865	+	5.17	514 616	625 964
SEK	211 181	5.70	200 512	5.70	2003/2007	765 695	+	3.93	864 306	+	5.70	976 876	1 064 818
USD	34 505 658	6.11	45 145 774	5.50	2001/2026	4 420 494	–	6.45	15 983 627	–	5.56	30 085 164	29 162 147
CHF	3 627 232	4.32	3 213 298	3.99	2001/2014	181 657	+	7.11	54 960	–	4.00	3 808 889	3 158 338
JPY	4 570 277	3.42	3 429 706	3.04	2001/2031	1 649 598	–	1.45	944 455	–	3.04	2 920 679	2 485 251
NOK	255 055	5.56	314 406	5.67	2004/2007	177 324	–	7.22	213 796	–	5.67	77 731	100 610
CAD	1 841 031	8.13	1 474 036	7.98	2001/2008	1 769 424	–	9.00	1 402 998	–	7.98	71 607	71 038
AUD	636 553	7.88	462 963	6.28	2001/2005	636 553	–	7.88	462 963	–	6.28		
CZK	296 248	9.03	247 891	7.55	2001/2015	57 066	–	5.10	101 167	+	7.55	239 182	349 058
HKD	1 811 844	7.74	1 767 967	7.12	2001/2010	1 811 844	–	7.74	1 767 967	–	7.12		
NZD	142 045	7.17	94 273	6.50	2002/2004	142 045	–	7.17	94 273	–	6.50		
ZAR	761 152	13.68	609 566	12.88	2001/2018	447 906	–	13.44	371 124	–	12.88	313 246	238 442
HUF	73 585	11.77	161 106	10.02	2003/2004				81 573	–	10.02	73 585	79 533
EEK	9 587	10.00		0.00	2001/2001	9 587	–	10.00			0.00		
PLN	94 242	14.54	326 416	12.52	2003/2006	42 291	–	14.84	118 105	–	12.52	51 951	208 311
TWD	746 729	5.66	1 035 766	5.00	2003/2008	746 729	–	5.66	1 035 766	–	5.00		
SKK	68 286	15.58	46 752	15.63	2001/2002	68 286	–	15.58	63 114	+	15.63		109 866
TOTAL	**162 313 203**		**179 150 516**										
IAS 39			4 759 190										
TOTAL	**162 313 203**		**183 909 706**										

The redemption of certain borrowings is indexed to stock exchange indexes (historical value: 2 672 million). All such borrowings are hedged in full through swap operations.

Note L — Provisions for liabilities and charges (staff pension fund) (in EUR '000)

Commitments in respect of retirement benefits were valued at 30 June 2000 by an independent actuary using the projected unit credit method. The calculations were based on the following assumptions:

- a discount rate of 7% for determining the actuarial present value of benefits accrued;
- a retirement age of 62;
- a combined average impact of the increase in the cost of living and career progression estimated at 4%;
- a rate of adjustment of pensions of 1.5%;
- probable resignation of 3% up to age 55;
- use of the EVK/PRASA 90 actuarial tables.

Following this valuation, the Group's commitments have been found to be covered.

The movements in the pension fund provision were as follows:

- provision at 31 December 2000	433 281
- payments made during the year	– 17 039
- annual cost	+ 58 709
- provision at 31 December 2001	**474 951**

The above figures do not include the liability towards members of staff in respect of the Optional Supplementary Provident Scheme (a contributory defined benefit pension scheme). The corresponding amount of EUR 133.7 million (2000: EUR 127.7 million) is entered under "Sundry creditors/other" (Note H).

The EIF's pension scheme is a contributory defined benefit pension scheme, managed externally.

Note M — Fund for general banking risks and provision for guarantees furnished (in EUR '000)

a) Movements in the Fund for general banking risks are tabulated below:

	31.12.2001	31.12.2000
Fund at beginning of the year	935 000	870 000
Appropriated for the year . . .	145 000	65 000
Fund at end of the year	**1 080 000**	**935 000**

An amount of EUR 145 million has been appropriated from the profit for the 2001 financial year (see Note A 9.a).

b) Movements in the provision for guarantees issued are tabulated below:

	31.12.2001	31.12.2000
Provision at beginning of the year	45 005	37 573
Transfer for the year	19 665	7 452
Reversal of TENs' guarantee provision (Note Q)	– 40 000	0
Written off	– 358	– 20
	24 312	**45 005**

Note N — Geographical analysis of "Interest receivable and similar income" (item 1 of the profit and loss account)
(in EUR '000)

	31.12.2001	31.12.2000
Germany	1 552 900	1 444 343
France	1 227 998	1 229 088
Italy	1 369 824	1 315 449
United Kingdom	1 377 507	1 452 315
Spain	1 219 248	1 242 882
Belgium	213 288	231 762
Netherlands	149 850	153 771
Sweden	177 804	189 422
Denmark	247 954	284 546
Austria	152 647	135 974
Finland	115 649	101 487
Greece	389 539	354 670
Portugal	525 726	506 674
Ireland	113 859	135 521
Luxembourg	26 829	23 816
	8 860 622	8 801 720
Outside the European Union .	1 061 294	944 305
	9 921 916	**9 746 025**
Income not analysed (1)	835 264	908 737
	10 757 180	**10 654 762**

(1) Income not analysed:

Revenue from investment portfolio securities	180 039	155 475
Revenue from hedging portfolio securities	—	16 514
Revenue from short-term securities	87 931	60 607
Revenue from money-market operations	556 761	676 141
EIF guarantee commission (EIB counterguarantee)	10 533	0
	835 264	**908 737**

- Result on financial operations: (item 6 of the profit and loss account)

The result comprises the following components (in EUR '000):

	2001	2000
Net result on ALM swaps	– 60 756	0
Net result on fair value hedging operations	6 124	0
Operational portfolio	133	0
	– 54 499	0
Other financial operations . . .	6 760	– 3 887
	– 47 739	**– 3 887**

Note O — Geographical analysis of "Commission receivable" (item 4 of the profit and loss account):
(in EUR '000)

	31.12.2001	31.12.2000
France	0	9
Italy	2	5
United Kingdom	59	54
Spain	0	0
Denmark	1	8
Greece	0	0
Ireland	20	27
	82	103
Community institutions	22 506	18 824
Results not analysed (EIF)	9 941	16 271
	32 529	**35 198**

Note P — General administrative expenses (in EUR '000)

	31.12.2001	31.12.2000
Salaries and allowances	106 813	97 723
Welfare contributions and other social costs	51 856	42 884
Staff costs	158 669	140 607
General and administrative expenses	52 869	44 804
	211 538	**185 411**

The number of persons employed by the Group was 1 132 at 31 December 2001 (1 070 at 31 December 2000).

Note Q — Extraordinary income and charges

a) Extraordinary income

This item comprises:

At 31.12.2000:

- An amount corresponding to the sale of warrants received in conjunction with a loan restructuring operation.
- The difference arising on consolidation of EUR 15.5m between the book value of the EIB's participation and the portion of EIF own funds attributable to the Bank. This has been recorded as extraordinary income in the consolidated profit and loss account.

At 31.12.2001:

- An amount of EUR 40m corresponding to reversal of the EIF TENs' guarantee provision following the counterguarantee furnished by the Bank.

b) Extraordinary charges (in EUR '000)

	31.12.2001	31.12.2000
Staff costs payable	0	6 939
Provision for external mobility	7 500	0
Special conversion rates	3 864	0
HIPC initiative	0	60 000
Other	0	489
	11 364	**67 428**

Note R — Special deposits for service of borrowings

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

Note S — Estimated present value of financial instruments

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

(EUR million) 31 December 2001	Assets		Liabilities	
	net accounting value	present value	accounting value	present value
- Loans	186 863	192 470	—	—
- Investment portfolio	2 901	2 927	—	—
- Liquid assets	10 282	10 974	—	—
- Borrowings after swaps	—	—	174 794	180 198
Total	200 046	206 371	174 794	180 198

Note T — Risk management

The significant risks which have to be managed by the Group are:

* credit risk
* interest rate risk
* liquidity risk
* exchange risk.

Credit risk

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

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

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

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

Loans

In order to limit the credit risk on its loan portfolio, the Group lends only to counterparties where it has been possible to demonstrate their creditworthiness over the longer term and who can offer guarantees deemed sufficiently sound.

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

The structure of guarantees attaching to the portfolio of loans granted as at 31 December 2001 is analysed below (EUR million):

- within the European Union:

		Guarantor					
		Member states	Public institutions (1)	"Zone A" banks	Corporates (1)	Without formal guarantee (2)	Total
Borrower	Member States					13 509	13 509
	Public institutions	19 147	8 991	1 870	899	1 133	32 040
	Zone "A" banks	13 716	27 063	9 472	15 174	13 472	78 897
	Corporates	8 682	914	21 247	28 957	6 695	66 495
	Total 2001	41 545	36 968	32 589	45 030	34 809	190 941
	Total 2000	37 873	32 672	30 528	41 168	30 857	173 098

(1) Loans secured by assignment of rights by category of final beneficiary.

(2) Loans for which no formal guarantee was required, the borrower's level of solvency itself representing adequate security. In the event of certain occurrences, appropriate contractual clauses ensure the Bank's right of access to independent security.

- outside the European Union:

	2001	2000
Secured by:		
Member States	1 881	1 843
Community budget	21 530 (*)	19 506 (*)
Pre-Accession Facility	6 765	4 471
Total	30 176	25 820

(*) of which 2 969 million in risk-sharing operations as explained below (2000: 2 387 million).

Loans outside the Community (apart from those under the Pre-Accession Facility) are, in the last resort, secured by guarantees of the Community budget or the Member States (loans in the ACP Countries and the OCT). In all regions (South Africa, non-member Mediterranean Countries, Central and Eastern Europe, Asia and Latin America), apart from the ACP Countries and the OCT, in the case of loans secured by a sovereign guarantee, all risks are, in the last resort, covered by the Community budget.

The agreements decided by the Council of the European Union on 14 April 1997 (Decision 97/256/EC) introduced the concept of risk sharing whereby certain Bank loans are secured by third-party guarantees with respect to the commercial risk, the budgetary guarantee applying in the case of political risks solely arising from currency non-transfer, expropriation, war and civil disturbance. To date, finance contracts for EUR 2 966 million in risk-sharing loans have been signed under these agreements.

Loans granted under the Pre-Accession Facility (EUR 6765 million) are not secured by guarantees of the Community budget or the Member States.

LOANS FOR PROJECTS OUTSIDE THE UNION

Breakdown of loans by guarantee as at 31 December 2001 (in EUR '000)

Convention/agreement	Outstanding 31.12.01	Outstanding 31.12.00
Member States guarantee		
ACP/OCT Group	8 924	17 361
2nd Lomé Convention		
ACP/OCT Group	177 225	227 943
3rd Lomé Convention		
ACP/OCT Group	867 832	968 061
4th Lomé Convention		
ACP/OCT Group	826 818	629 489
4th Lomé Convention/2nd Financial Protocol		
Total Member States guarantee	***1 880 799***	***1 842 854***
100% Community budget guarantee		
South Africa - 300m - BG Decision 19.06.95	205 887	285 714
ALA I - 750m	587 466	603 804
ALA interim (100% guarantee) - 153m	115 711	168 477
CEEC - 1bn - BG Decision 29.11.89	582 878	659 114
CEEC - 3bn - BG Decision 02.05.94	2 491 321	2 663 977
CEEC - 700m - BG Decision 18.04.91	329 195	366 338
Total: 100% Community budget guarantee	*4 312 458*	*4 747 424*
75% Community budget guarantee		
Mediterranean Protocols	3 903 857	3 964 057
Yugoslavia - Art. 18 (1984)	21 159	26 253
Yugoslavia - 1st Protocol	34 555	48 360
Yugoslavia - 2nd Protocol	193 597	215 237
Slovenia - 1st Protocol	131 268	139 229
Total: 75% Community budget guarantee	*4 284 436*	*4 393 136*

Convention/agreement	Outstanding 31.12.01	Outstanding 31.12.00
70% Community budget guarantee		
South Africa - 375m - Decision 29.01.97	327 031	363 257
ALA II - 900m	995 196	963 759
ALA interim (70% guarantee: risk sharing) -122m	135 063	136 196
Bosnia-Herzegovina - 100m 99/2001	100 122	60 000
Euromed (EIB) - 2 310m - Decision 29.01.97	2 385 402	2 421 834
FYROM - 150m - 1998/2000	150 000	130 000
CEEC - 3 520m - Decision 29.01.97	3 360 841	3 425 935
Total: 70% Community budget guarantee	*7 453 655*	*7 500 981*
65% Community budget guarantee		
South Africa - 825m - 7/2000-7/2007	202 533	50 000
ALA III - 2/2000-7/2007	941 255	391 601
Euromed II - 2/2000-7/2007	1 905 885	700 574
CEEC - 8 680m - 2/2000-7/2007	1 979 920	1 347 000
Turkey-TERRA-11/1999-11/2002	450 000	375 000
Total: 65% Community budget guarantee	*5 479 593*	*2 864 175*
Total: Community budget guarantee	***21 530 142***	***19 505 716***
Total: Pre-Accession Facility	***6 764 930***	***4 471 112***
Grand total	**30 175 871**	**25 819 682**

A breakdown of disbursed loans outstanding (in EUR million) at 31 December 2001 according to the sectors in which borrowers are engaged is set out below:

Sector	Maturity				
	not more than 1 year	1 year to 5 years	more than 5 years	TOTAL 2001	TOTAL 2000
Energy	2 173	10 014	11 564	23 751	22 217
Transport	2 554	11 704	37 238	51 496	47 423
Telecommunications	1 915	7 884	4 581	14 380	14 204
Water, sewerage	1 255	4 770	6 713	12 738	13 000
Miscellaneous infrastructure	454	3 180	4 509	8 143	7 561
Agriculture, forestry, fisheries	24	196	146	366	325
Industry	1 636	9 067	4 429	15 132	12 742
Services	216	1 433	769	2 418	1 684
Global loans	3 935	19 835	30 727	54 497	47 301
Health, education	89	529	3 324	3 942	2 413
	14 251	68 612	104 000	186 863	168 869

Treasury

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

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

The following table provides a percentage breakdown of the credit risk associated with the securities portfolio and treasury instruments in terms of the credit rating of counterparties and issuers:

% as at 31 December 2001	Securities portfolio %	Treasury instruments %
Moody's or equivalent rating		
AAA	62	11
P1	0	12
AA1 to AA3	32	64
A1	1	9
Below A1	4	3
Non-rated	1	1
Total	100	100

Interest rate risk

The Bank has established an organisational structure for the asset-liability function, applying best practices in the financial industry, and, in particular, an Asset-Liability Management Committee (ALCO) under the direct responsibility of the Bank's Management Committee. Accordingly, it has decided on an asset-liability management strategy which involves maintaining an own funds duration of around 5 years, thereby safeguarding the Bank against substantial fluctuations in its long-term revenue.

Given a notional own funds portfolio in line with the above objective of an own funds duration equal to around 5 years, an increase in interest rates of 0.01% on all currencies would result in a fall of EUR 1 227 000 in the differential between the net present value of the Bank's own funds and the net present value targeted by the ALM Strategy.

The following table illustrates the Group's exposure to interest rate risk. It presents the nominal amounts according to maturities affected by the incidence of interest rate changes, as regards the main balance sheet items subject to reindexation:

Reindexation interval (EUR million):

	not more than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total 31.12.2001	Total 2000
Assets							
Loans (gross)	91 274	2 878	5 710	40 000	47 001	186 863	168 869
Net liquidity	9 033	458	1 086	1 355	1 251	13 183	13 459
	100 307	3 336	6 796	41 355	48 252	200 046	182 328
Liabilities							
Borrowings and swaps	99 950	1 981	4 313	32 900	35 650	174 794	158 817
Interest rate risk	357	1 355	2 483	8 455	12 602		

Liquidity risk

The table hereafter analyses assets and liabilities by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date.

Assets and liabilities for which there is no contractual maturity date are classified under "Maturity undefined".

Liquidity risk (EUR million)

Maturity	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Maturity undefined	Total
Assets						
Cash in hand, central banks and post office banks	22					22
Treasury bills eligible for refinancing with central banks	20	288	630	582		1 520
Other loans and advances:						
Current accounts	181					181
Others	9 918					9 918
	10 099					10 099
Loans:						
Credit institutions	1 740	4 502	31 582	46 831		84 655
Customers	1 684	6 325	36 862	56 214		101 085
IAS 39 adjustment					33	33
	3 424	10 827	68 444	103 045	33	185 773
Debt securities including fixed-income securities	2 576	1 202	901	2 002		6 681
Currency swap contracts adjustment	35	388	881	– 67		1 237
IAS 39 adjustment					6 948	6 948
	35	388	881	– 67	6 948	8 185
Other assets					3 683	3 683
Total assets	16 176	12 705	70 856	105 562	10 664	215 963
Liabilities						
Amounts owed to credit institutions	598	4	6			608
Debts evidenced by certificates	7 461	15 544	83 779	72 367		179 151
IAS 39 adjustment					4 759	4 759
	7 461	15 544	83 779	72 367	4 759	183 910
Capital, reserves and profit					23 176	23 176
Other liabilities					8 269	8 269
Total liabilities	8 059	15 548	83 785	72 367	36 204	215 963

A securities portfolio, termed an “investment portfolio” (Note B), has also been created in order to ensure the Group's solvency and to contend with unforeseen liquidity needs. This securities portfolio consists of mainly fixed-income securities issued by first-class counterparties, largely bonds issued by Member States, with the intention of holding them until final maturity.

Exchange risk

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

Exchange position (EUR million)

Currency	euro	Pound sterling	United States dollar	Other currencies	Total excl. euro	Grand total
Assets						
Cash in hand, central banks and post office banks	*14*	7		1	*8*	**22**
Treasury bills eligible for refinancing with central banks	*1 520*					**1 520**
Other loans and advances:						
Current accounts	*120*	8	26	27	*61*	**181**
Others	*6 574*	726	2 322	296	*3 344*	**9 918**
	6 694	734	2 348	323	*3 405*	**10 099**
Loans:						
Credit institutions	*48 615*	22 576	11 798	1 666	*36 040*	**84 655**
Customers	*61 339*	19 357	13 898	6 491	*39 746*	**101 085**
IAS 39 adjustment	*33*					**33**
	109 987	41 933	25 696	8 157	*75 786*	**185 773**
Debt securities including fixed-income securities	*4 558*	665	1 432	26	*2 123*	**6 681**
Currency swap contracts adjustment	*– 24 672*	4 579	15 903	5 427	*25 909*	**1 237**
IAS 39 adjustment	*6 948*					**6 948**
	– 17 724	4 579	15 903	5 427	*25 909*	**8 185**
Other assets	*2 272*	903	321	187	*1 411*	**3 683**
Total assets	*107 321*	48 821	45 700	14 121	*108 642*	**215 963**
Liabilities						
Amounts owed to credit institutions	*593*		12	3	*15*	***608***
Debts evidenced by certificates:						
Debt securities in issue	*71 977*	47 758	45 146	13 413	*106 317*	**178 294**
Others	*155*	247		455	*702*	**857**
IAS 39 adjustment	*4 759*					**4 759**
	76 891	48 005	45 146	13 868	*107 019*	**183 910**
Capital, reserves and profit	*23 176*					**23 176**
Other liabilities	*6 678*	812	538	241	*1 591*	**8 269**
Total liabilities	*107 338*	48 817	45 696	14 112	*108 625*	**215 963**
Off balance sheet	2	– 2				
Net position as at 31.12.2001	**– 15**	**2**	**4**	**9**		
Net position as at 31.12.2000	**– 193**	**7**	**5**	**181** (1)		

(1) of which GRD: 172 (euro-in currency as from 01.01.2001)

Note U — Derivatives

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

1. *As part of funding activity*

The Group uses derivatives mainly as part of its funding strategy in order to bring the characteristics, in terms of currencies and interest rates, of the funds raised into line with those of loans granted and also to reduce funding costs.

The derivatives most commonly used are:

* Currency swaps

* Interest rate swaps

* Deferred rate-setting (DRS) agreements.

Currency swaps

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

Interest rate swaps

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

Deferred rate-setting (DRS) agreements

This derivative is similar to an interest rate swap contract (fixed rate/floating rate or vice versa). However, it is used more specifically by long-term financing institutions such as the EIB, which raises substantial amounts on the capital markets.

Interest rate or currency swaps allow the Group to modify the interest rates and currencies of its borrowing portfolio in order to accommodate requests from its clients and also make it possible to access certain capital markets by exchanging with counterparties their advantageous conditions of access to these markets, so reducing funding costs.

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

All interest rate and currency swaps linked with the borrowing portfolio have maturities identical to the borrowings concerned and are therefore long term.

Derivatives credit risk hedging policy

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

In view of the special nature and complexity of the derivatives transactions, a series of procedures was put in place to safeguard the Group against loss arising out of the use of this instrument.

Contractual framework:

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

Counterparty selection:

Minimum rating A1 at the outset, the Group having the right of early termination if the rating drops below a certain level.

Limits:

- total net market value of derivatives exposure with a counterparty;
- unsecured exposure to a counterparty;
- furthermore, specific concentration limits expressed as nominal amounts.

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

Monitoring:

The derivatives portfolio is regularly valued and compared against limits.

Collateralisation:

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

The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional value. In the Group's case, where only mutually agreed derivatives are negotiated, the credit risk is evaluated on the basis of the "current exposure" method recommended by the Bank for International Settlements (BIS). Hence, the credit risk is expressed in terms of the positive replacement value of the contracts, increased by the potential risks, contingent on the duration and type of transaction, weighted by a coefficient linked to the category of counterparty (BIS 2 weighted risk).

The following tables show the maturities of currency swaps and interest rate swaps plus DRS combined, sub-divided according to their notional amount and the associated credit risk:

Currency swaps (EUR million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	**Total 31.12.2001**	Total 2000
Notional amount	4 233	29 185	3 182	1 967	**38 567**	28 126
Net discounted value	516	1 695	13	58	**2 282**	1 732
Credit risk (BIS 2 weighted)	148	959	105	145	**1 357**	1 103

The notional amounts receivable or payable in respect of currency swaps are disclosed off balance sheet (see 2. below for short-term swaps).

Interest rate swaps and DRS (EUR million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	**Total 31.12.2001**	Total 2000
Notional amount	11 967	50 175	21 119	26 607	**109 868**	97 548
Net discounted value	366	1 739	617	2 095	**4 817**	2 974
Credit risk (BIS 2 weighted)	99	635	343	655	**1 732**	1 380

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

Tabulated below are the number and notional amount of the various types of option attaching to borrowings:

	Embedded option	Stock exchange index	Special structure coupon or similar
Number of transactions	99	33	30
Notional amount (EUR million)	7 505	2 672	3 641
Net discounted value	126	167	277

All options contracts embedded in, or linked with, borrowings are negotiated by mutual agreement.

Generally, there is no credit risk on these options, except in some cases where they are based on a stock exchange index, but for which security exists in the form of regularly monitored collateral.

Ratings exposure table

All new transactions are concluded with counterparties rated at least A1. Consequently, most of the portfolio is concentrated on counterparties rated A1 or above.

Rating	% of nominal	Net market exposure	Credit risk & BIS2
Aaa	10.5	549	1 397
Aa1 to Aa3	83.5	1 014	7 464
A1	4.4	33	546
A2 to Baa3	0.9	14	108
Non-rated	0.7	0	154
Total	**100**	**1 610**	**9 669**

2. *As part of liquidity management*

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

The notional amount of short-term currency swaps stood at EUR 2 025 million at 31 December 2001 as against EUR 981 million at 31 December 2000.

3. *IAS 39*

• *ALM derivatives*

The Bank's policy aims to maintain a high and stable level of income as well as to safeguard the economic value of the Bank. Accordingly, the Bank:

- has adopted an own funds investment profile ensuring a stable and high flow of income,
- manages residual interest rate risks in relation to this investment profile.

With a view to managing residual interest rate risks, the Bank operates natural hedges in respect of loans and borrowings or concludes global hedging operations (interest rate swaps).

Macro-hedging swaps used as part of asset/liability management are marked to market (fair value) in accordance with IAS 39.

Changes in "fair value" are entered in the profit and loss account.

• *Hedging derivatives*

The vast majority of the Bank's swaps are concluded with the aim of hedging bond issues. These derivatives as well as borrowings hedged are measured at fair value.

Table of hedging derivatives (in EUR million)

Description of hedged item	Fair value	Cost	Risk being hedged	Hedging instrument	Positive fair value	Negative fair value
Debts evidenced by certificates	183 909	179 168	Fair value	Interest rate and currency swaps	4 741	
Loans and advances to customers	100 943	100 910	Fair value	Interest rate swaps		33

Note V — Geographical breakdown of lending by country in which projects are located

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Undisbursed portion	Disbursed portion	% of total	% fin. year 2000
1. Loans for projects within the Union and related loans						
Germany	739	32 228 163	755 710	31 472 453	14.58%	13.71%
France	385	25 318 051	2 542 954	22 775 097	11.45%	11.18%
Italy	1 231	29 828 077	3 275 444	26 552 633	13.49%	14.04%
United Kingdom	303	25 049 052	3 510 566	21 538 486	11.33%	12.17%
Spain	443	27 346 806	2 452 300	24 894 505	12.37%	12.86%
Belgium	88	4 128 141	394 841	3 733 300	1.87%	2.11%
Netherlands	48	3 055 414	793 523	2 261 890	1.38%	1.49%
Sweden	116	4 393 271	821 598	3 571 673	1.99%	1.90%
Denmark	111	5 580 093	613 113	4 966 980	2.52%	2.41%
Austria	105	3 569 121	0	3 569 121	1.61%	1.45%
Finland	53	2 859 620	331 035	2 528 584	1.29%	1.21%
Greece	205	8 915 099	1 466 871	7 448 228	4.03%	3.77%
Portugal	214	13 556 906	3 467 993	10 088 914	6.13%	6.22%
Ireland	98	2 486 418	875 581	1 610 837	1.12%	1.19%
Luxembourg	33	605 738	109 308	496 430	0.27%	0.30%
Related loans (*)	22	2 020 569	200 000	1 820 569	0.91%	1.01%
Total	**4 194**	**190 940 539**	**21 610 837**	**169 329 700**	**86.35%**	**87.02%**

(*) Loans authorised under the second paragraph of Article 18 (1) of the Statute for projects located outside the territory of Member States of the Union but offering benefits for the Union are considered as related to loans within the Union.

Note V — Geographical breakdown of lending by country in which projects are located (continued)

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Undisbursed portion	Disbursed portion	% of total	% fin. year 2000
2. Loans for projects outside the Union						
2.1. ACP Countries/OCT						
Namibia	10	161 461	45 225	116 236		
Kenya	10	146 987	54 376	92 610		
Jamaica	11	135 479	15 337	120 143		
Mauritius	11	129 587	61 755	67 832		
ACP Group	3	113 373	48 450	64 923		
Zimbabwe	12	102 371	18 030	84 341		
Trinidad and Tobago	5	91 638	499	91 139		
Barbados	6	80 254	50 173	30 081		
Ghana	5	78 980	22 629	56 351		
Senegal	3	75 330	42 977	32 353		
Mozambique	4	70 321	3 500	66 821		
Botswana	8	66 065	0	66 065		
Regional - Central Africa	1	53 713	44 636	9 077		
Lesotho	3	52 940	27 414	25 526		
Mauritania	3	51 612	30 000	21 612		
Papua New Guinea	6	41 749	0	41 749		
Bahamas	4	39 737	0	39 737		
Cameroon	3	38 688	29 903	8 785		
Cote-d'Ivoire	8	37 299	0	37 299		
Nigeria	2	32 829	0	32 829		
Dominican Republic	4	31 634	16 375	15 259		
Regional - Africa	1	30 033	0	30 033		
Gabon	3	21 545	15 500	6 045		
Regional - Caribbean	1	20 814	6 024	14 790		
Regional - West Africa	1	19 849	8 350	11 499		
Swaziland	2	17 500	7 500	10 000		
Saint Lucia	4	17 414	5 000	12 414		
Uganda	2	15 828	0	15 828		
Guinea	2	10 391	0	10 391		
Malawi	4	10 100	0	10 100		
Dominica	1	10 000	10 000	0		
French Polynesia	3	9 715	3 000	6 715		
British Virgin Islands	3	7 805	0	7 805		
Cayman Islands	3	6 775	0	6 775		
Saint Vincent and the Grenadines	2	5 342	0	5 342		
Mali	1	5 093	0	5 093		
OCT Group	1	5 000	4 845	155		
New Caledonia and Dependencies	2	4 992	0	4 992		
Chad	1	4 982	4 415	567		
Surinam	1	4 419	0	4 419		
Grenada	1	3 993	0	3 993		
Tonga	2	3 257	0	3 257		
Falkland Islands	2	3 255	0	3 255		
Netherlands Antilles	3	3 223	0	3 223		
Aruba	3	2 828	2 000	828		
Belize	1	2 826	0	2 826		
Fiji	1	1 774	0	1 774		
Sub-total	173	1 880 800	577 913	1 302 887	0.85%	0.93%
2.2. South Africa *Sub-total*	23	735 452	256 180	479 272	0.33%	0.35%
2.3. Euro-Mediterranean Partnership Countries and the Balkans						
Egypt	34	1 552 165	575 925	976 240		
Morocco	35	1 509 609	739 500	770 109		
Turkey	23	1 508 292	684 712	823 581		
Algeria	28	1 484 851	385 650	1 099 201		
Tunisia	39	1 081 415	489 200	592 215		
Lebanon	12	446 645	147 000	299 645		
Jordan	28	409 844	103 000	306 844		
Croatia	10	215 748	146 000	69 748		
Syria	3	210 725	190 000	20 725		
Gaza-West Bank	10	197 509	106 270	91 239		
FYROM	8	174 358	89 000	85 358		

Note V — Geographical breakdown of lending by country in which projects are located (continued)

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Undisbursed portion	Disbursed portion	% of total	% fin. year 2000
Bosnia-Herzegovina	3	160 123	156 350	3 773		
Albania	6	131 092	91 349	39 743		
Federal Republic of Yugoslavia	11	122 360	66 000	56 360		
Israel	3	44 758	0	44 758		
Sub-total	253	9 249 494	3 969 956	5 279 539	4.18%	3.64%
2.4. *Accession Countries*						
Poland	58	4 655 602	2 253 603	2 402 000		
Czech Republic	28	2 513 895	940 800	1 573 095		
Romania	33	2 227 071	1 315 330	911 741		
Hungary	42	1 838 956	642 700	1 196 256		
Slovak Republic	24	1 136 039	194 991	941 049		
Slovenia	24	1 063 270	512 585	550 685		
Bulgaria	22	918 140	632 000	286 140		
Cyprus	17	486 525	265 194	221 331		
Lithuania	17	294 838	121 442	173 397		
Latvia	11	201 740	107 987	93 753		
Estonia	13	161 554	65 415	96 139		
Malta	4	37 806	25 000	12 806		
Sub-total	293	15 535 436	7 077 047	8 458 392	7.03%	6.92%
2.5. *Asian and Latin American Countries*						
Brazil	16	763 403	68 912	694 491		
Argentina	10	496 013	92 136	403 876		
Philippines	7	281 549	88 725	192 824		
Indonesia	5	253 143	207 279	45 865		
Thailand	4	175 129	35 650	139 479		
China	3	151 558	56 167	95 391		
Panama	2	111 974	18 438	93 536		
Peru	2	99 913	0	99 913		
Mexico	3	96 445	36 307	60 138		
Vietnam	1	55 000	55 000	0		
India	1	54 489	27 096	27 393		
Costa Rica	1	48 818	0	48 818		
Pakistan	2	44 902	34 035	10 867		
Regional - Andean Pact	1	42 166	0	42 166		
Bangladesh	1	36 202	36 202	0		
Regional - Central America	1	35 034	5 333	29 701		
Chile	1	16 500	0	16 500		
Uruguay	1	12 451	0	12 451		
Sub-total	62	2 774 689	761 280	2 013 409	1.25%	1.14%
Total	**804**	**30 175 871**	**12 642 376**	**17 533 499**	**13.65% ***	**12.98%**
Grand total	**4 998**	**221 116 410 ****	**34 253 213**	**186 863 199**	**100.00%**	**100.00%**

(*) 10.6% excluding Pre-Accession Facility.
(**) including securitised loans (Note B).

Note W — IAS 14 - Segment reporting

In accordance with the determining factors set out in revised IAS 14, the Group considers that lending constitutes its main business segment; its organisation and entire management systems are given over to developing and providing loans for its customers.

Consequently, pursuant to the above standard, the determining factors for segment reporting are:

• primary determining factor: lending as the main business segment;

• secondary determining factor: lending in terms of geographical spread.

Information to be disclosed under the heading of geographical segment reporting is given in the following notes:

• interest receivable and similar income by geographical area (Note N);

• lending by country in which projects are located (Note V);

• tangible and intangible assets by country of location (Note F).

Note X — Conversion rates

The following conversion rates were used for drawing up the balance sheets at 31 December 2001 and at 31 December 2000:

1 euro =

EURO-12: Rates fixed irrevocably

Deutsche Mark	1.95583
French francs	6.55957
Italian lire	1936.27
Spanish pesetas	166.386
Belgian francs	40.3399
Netherlands guilders	2.20371
Austrian Schillings	13.7603
Finnish markka	5.94573
Drachmas	340.750
Irish pounds	0.787564
Luxembourg francs	40.3399
Portuguese escudos	200.482

	31.12.2001	31.12.2000
PRE-IN:		
Pounds sterling	0.608500	0.624100
Danish kroner	7.43650	7.46310
Swedish kronor	9.30120	8.83130
NON-COMMUNITY CURRENCIES:		
United States dollars	0.881300	0.930500
Swiss francs	1.48290	1.52320
Lebanese pounds	1359.01	1351.02
Japanese yen	115.330	106.9200
Canadian dollars	1.40770	1.39650
Australian dollars	1.72800	1.67700
CFA francs	655.957	655.957
Czech koruny	31.9620	35.0470
Hong Kong dollars	6.87230	7.25780
New Zealand dollars	2.12150	2.11200
South African rand	10.4302	7.03920

Results for the Year

Profit for the 2001 financial year came to 1 279 million compared with 1 308 million in 2000, representing a fall of 2.2%. Before transfers to provisions and extraordinary profit (after deduction of minority interests), the operating surplus worked out at 1 415 million in 2001, or 0.2% higher than the 2000 figure of 1 412 million.

This increase is attributable mainly to the growth of the EIB Group's balance sheet. On the interest rate front, movements were modest with the average rate on loans falling from 6.06% in 2000 to 5.64% in 2001 and the average rate on borrowings down over the same period from 5.86% to 5.34%.

Receipts of interest and commission on loans in 2001 totalled 9 921 million as against 9 746 million in 2000, while interest and commission on borrowings amounted to 8 995 million (8 857 million in 2000).

Overall, treasury operations yielded net income of 690 million in 2001, or 28 million below the 2000 figure of 718 million, producing an average overall return of 4.83% in 2001 compared with 5.57% in 2000.

The decline in interest income from treasury operations in 2001 stemmed chiefly from the lower return on operational portfolios, down by 30 million on 2000. This dip was due to falling short-term interest rates but remained limited by the impact of increased holdings.

General administrative expenses together with depreciation of tangible and intangible assets amounted to 205 million in 2001, or 8.5% more than in 2000 (189 million).

Report of the Auditor

The Chairman of the Audit Committee
EUROPEAN INVESTMENT BANK
Luxembourg

We have audited the consolidated financial statements, as identified below, of the European Investment Bank for the year ended 31 December 2001. These consolidated financial statements are the responsibility of the management of the European Investment Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements identified below give, in accordance with International Accounting Standards and with the general principles of the Directives of the European Union on the annual accounts and consolidated accounts of banks and other financial institutions except as explained in the relevant notes on accounting policies, a true and fair view of the financial position of the European Investment Bank as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended.

The consolidated financial statements on which our opinion is expressed comprise:

- Consolidated balance sheet
- Statement of Special Section
- Consolidated profit and loss account
- Statement of movements in consolidated own funds
- Consolidated cash flow statement
- Notes to the consolidated financial statements.

ERNST & YOUNG
Société Anonyme

Luxembourg, 26 February 2002

Kenneth A. HAY

The Audit Committee

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

Statement by the Audit Committee

The Committee, instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated Ernst & Young as external auditors, reviewed their audit planning process, examined and discussed their reports and noted that their opinion on the consolidated financial statements is unqualified,

- convened on a regular basis with the heads of Directorates and relevant services, met regularly the Head of Internal Audit and discussed the relevant internal audit reports, and studied the documents which it deemed necessary to examine in the discharge of its duties,

- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the consolidated financial statements for the financial year ending on 31 December 2001 as drawn up by the Board of Directors at its meeting on 26 February 2002,

- that the foregoing provides a reasonable basis for its statement and,

- Articles 22, 23 & 24 of the Rules of Procedure,

to the best of its knowledge and judgement:

confirms that the consolidated financial statements, comprising the consolidated balance sheet, the statement of special section, the consolidated profit and loss account, the consolidated own funds, the consolidated cash-flow statement and the notes to the consolidated financial statements give a true and fair view of the financial position of the Bank as at 31 December 2001 and of the results of its operations and cash flows for the year then ended.

Luxembourg, 19 March 2002

The Audit Committee

E. MARIA	C. NACKSTAD	M. COLAS

EIB
Financial Statements

BALANCE SHEET AS AT 31 DECEMBER 2001

In EUR '000

ASSETS		***31.12.2001***		*31.12.2000*
1. Cash in hand, balances with central banks and post office banks		***22 180***		24 726
2. Treasury bills eligible for refinancing with central banks (Note B)		***1 377 061***		1 410 978
3. Loans and advances to credit institutions				
a) repayable on demand	**142 213**		130 668	
b) other loans and advances (Note C)	**9 907 933**		11 235 552	
c) loans (Note D)	**84 654 699**		75 647 232	
		94 704 845		87 013 452
4. Loans and advances to customers				
Loans (Note D)	**101 085 284**		93 101 379	
Specific provisions (Note A.4)	**– 175 000**		– 175 000	
		100 910 284		92 926 379
5. Debt securities including fixed-income securities (Note B)				
a) issued by public bodies	**3 099 397**		1 374 787	
b) issued by other borrowers	**3 222 928**		2 075 684	
		6 322 325		3 450 471
6. Shares and other variable-yield securities (Note E)		***788 992***		605 934
7. Participating interests (Note E)		***269 942***		269 942
8. Intangible assets (Note F)		***7 687***		9 863
9. Tangible assets (Note F)		***79 460***		78 327
10. Other assets				
a) receivable in respect of EMS interest subsidies paid in advance (Note G)	**3 528**		7 635	
b) sundry debtors (Note H)	**586 790**		899 491	
c) currency swap contracts adjustment account*	**1 236 663**		1 003 224	
		1 826 981		1 910 350
11. Prepayments and accrued income (Note I)		***3 066 660***		3 430 962
		209 376 417		191 131 386

OFF-BALANCE-SHEET ITEMS

		31.12.2001		*31.12.2000*
Commitments				
- EBRD capital (Note E)				
. Uncalled		***442 500***		442 500
. To be paid in		***33 750***		42 188
- EIF capital (Note E)				
. Uncalled		***972 000***		972 000
- Undisbursed loans (Note D)				
. Credit institutions	**8 523 766**		7 741 032	
. Customers	**25 729 446**		22 308 598	
		34 253 212		30 049 630
- Undisbursed venture capital operations		***1 015 800***		549 952
Guarantees (Note D)				
. In respect of loans granted by third parties		***484 936***		223 187
. In respect of venture capital operations		***57 946***		57 946
EIF treasury management		***525 051***		485 700
Guarantee Fund treasury management		***1 775 229***		1 432 249

(*) The amount of currency swap contracts has not been included in the balance sheet.
Figures as at 31 December 2000 have consequently been recast for the purposes of comparison.

The bracketed notes refer to the notes to the financial statements

LIABILITIES		31.12.2001		31.12.2000
1. Amounts owed to credit institutions (Note J)				
a) repayable on demand	**0**		0	
b) with agreed maturity dates or periods of notice	**607 622**		507 889	
		607 622		507 889
2. Debts evidenced by certificates (Note K)				
a) debt securities in issue	**178 293 413**		161 488 067	
b) others	**857 103**		825 137	
		179 150 516		162 313 203
3. Other liabilities				
a) interest subsidies received in advance (Note G)	**324 956**		334 562	
b) sundry creditors (Note H)	**989 394**		896 320	
c) sundry liabilities	**42 230**		37 482	
		1 356 580		1 268 364
4. Accruals and deferred income (Note I)		***4 490 597***		4 768 943
5. Provisions for liabilities and charges				
Staff pension fund (Note L)		***474 951***		433 281
6. Fund for general banking risks (Note M)		***1 080 000***		935 000
7. Capital				
subscribed	**100 000 000**		100 000 000	
uncalled	**– 94 000 000**		– 94 000 000	
		6 000 000		6 000 000
8. Reserves				
a) reserve fund	**10 000 000**		10 000 000	
b) additional reserves	**3 154 706**		2 124 244	
		13 154 706		12 124 244
9. Funds allocated to structured finance facility		***250 000***		
10. Funds allocated to venture capital operations		***1 500 000***		1 500 000
11. Profit for the financial year		***1 311 445***		1 280 462
		209 376 417		191 131 386

OFF-BALANCE-SHEET ITEMS

	31.12.2001	31.12.2000
Special deposits for service of borrowings (Note R)	***640 526***	778 552
Securities portfolio		
. Securities receivable	***9 327***	0
. Securities payable	***12 673***	0
Nominal value of interest-rate swap and deferred rate-setting contracts (Note U)	***109 868 600***	97 548 200
FRA operations		
. Purchase	***25 000 000***	0
. Sale	***25 000 000***	0
Nominal value of currency swap contracts payable	***39 356 131***	28 064 569
Nominal value of currency swap contracts receivable	***40 592 794***	29 067 793
Borrowings arranged but not yet signed	***0***	921 327

STATEMENT OF SPECIAL SECTION[1] AS AT 31 DECEMBER 2001

In EUR '000
(amounts in foreign currency converted at exchange rates prevailing on 31 December 2001)

ASSETS	***31.12.2001***	*31.12.2000*
Member States		
From resources of the European Community (New Community Instrument for borrowing and lending)		
Disbursed loans outstanding (2)	**80 959**	106 191
Turkey		
From resources of Member States		
Disbursed loans outstanding (3)	**58 953**	72 041
Mediterranean Countries		
From resources of the European Community		
Disbursed loans outstanding	211 121	220 434
Risk capital operations		
- amounts to be disbursed	96 582	129 842
- amounts disbursed	192 572	157 381
	289 154	287 223
Total (4)	**500 275**	507 657
African, Caribbean and Pacific States and Overseas Countries and Territories		
From resources of the European Community		
Yaoundé Conventions		
Loans disbursed	44 810	46 364
Contributions to the formation of risk capital		
Amounts disbursed	419	419
Total (5)	**45 229**	46 783
Lomé Conventions		
Operations from risk capital resources:		
- amounts to be disbursed	666 171	503 993
- amounts disbursed	1 198 479	1 141 646
	1 864 650	1 645 639
Operations from other resources:		
- amounts to be disbursed	8 000	8 000
Total (6)	**1 872 650**	1 653 639
Grand total	**2 558 066**	2 386 311

For information:

Total amounts disbursed and not yet repaid on loans on special conditions made available by the Commission in respect of which the Bank has accepted an EC mandate for recovering principal and interest:
a) Under the First, Second and Third Lomé Conventions: at 31.12.2001: 1 402 697; at 31.12.2000: 1 447 378
b) Under Financial Protocols signed with the Mediterranean Countries: at 31.12.2001: 158 245; at 31.12.2000: 164 050

(1) The Special Section was set up by the Board of Governors on 27 May 1963: under a Decision taken on 4 August 1977 its purpose was redefined as being that of recording operations carried out by the European Investment Bank for the account of and under mandate from third parties.

(2) Initial amount of contracts signed under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982, 83/200/EEC of 19 April 1983 and 87/182/EEC of 9 March 1987 for promoting investment within the Community, as well as 81/19/EEC of 20 January 1981 for reconstructing areas of Campania and Basilicata (Italy) stricken by an earthquake on 23 November 1980 and 81/1013/EEC of 14 December 1981 for reconstructing areas stricken by earthquakes in Greece in February and March 1981, under mandate, for the account and at the risk of the European Community:

			6 399 145
add:	exchange adjustments		+ 127 897
less:	cancellations	201 991	
	repayments	6 244 092	– 6 446 083
			80 959

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

			405 899
add:	exchange adjustments		+ 24 955
less:	cancellations	215	
	repayments	371 686	– 371 901
			58 953

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

			635 007
add:	exchange adjustments		+ 3
less:	cancellations	30 867	
	repayments	103 868	– 134 735
			500 275

LIABILITIES	***31.12.2001***	*31.12.2000*
Funds under trust management		
Under mandate from the European Communities		
- New Community Instrument	80 959	106 191
- Financial Protocols with the Mediterranean Countries	403 693	377 815
- Yaoundé Conventions	45 229	46 783
- Lomé Conventions	1 198 479	1 141 646
	1 728 360	1 672 435
Under mandate from Member States	58 953	72 041
Total	**1 787 313**	1 744 476
Funds to be disbursed		
On loans and risk capital operations in the Mediterranean countries	96 582	129 842
On operations from risk capital resources under the Lomé Conventions	666 171	503 993
On operations from other resources under the Lomé Conventions	8 000	8 000
Total	**770 753**	641 835
Grand total	**2 558 066**	2 386 311

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

- loans on special conditions	139 483	
- contributions to the formation of risk capital	2 503	141 986
add:		
- capitalised interest	1 178	
- exchange adjustments	9 839	+ 11 017
less:		
- cancellations	1 574	
- repayments	106 200	– 107 774
		45 229

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

Loans from risk capital resources:		
- conditional and subordinated loans	2 711 347	
- equity participations	117 634	2 828 981
add:		
- capitalised interest		+ 1 663
less:		
- cancellations	347 411	
- repayments	601 882	
- exchange adjustments	16 701	– 965 994
		1 864 650
Loans from other resources:		8 000
		1 872 650

PROFIT AND LOSS ACCOUNT FOR

THE YEAR ENDED 31 DECEMBER 2001
In EUR '000

		31.12.2001		*31.12.2000*
1. Interest receivable and similar income (Note N)		**10 729 506**		10 644 426
2. Interest payable and similar charges		**– 9 072 365**		– 9 086 590
3. Income from participating interests		**7 333**		4 800
4. Commission receivable (Note O)		**22 841**		18 927
5. Commission payable		**– 8 110**		– 6 588
6. Result on financial operations		**6 903**		– 5 082
7. Other operating income		**20 037**		16 220
8. General administrative expenses (Note P):		**– 203 764**		– 181 057
a) staff costs	**152 903**		137 435	
b) other administrative costs	**50 861**		43 622	
9. Value adjustments in respect of (Note F):		**– 15 359**		– 11 865
a) intangible assets	**4 872**		2 760	
b) tangible assets	**10 487**		9 105	
10. Value adjustment on venture capital operations (Note E)		**– 19 213**		0
11. Extraordinary income (Note Q)		**0**		19 699
12. Transfer to Fund for general banking risks (Note M)		**– 145 000**		– 65 000
13. Extraordinary charges (Note Q)		**– 11 364**		– 67 428
14. Profit for the financial year		**1 311 445**		1 280 462

OWN FUNDS AND APPROPRIATION OF PROFIT

On 5 June 2001 the Board of Governors decided to appropriate the balance of the profit and loss account for the year ended 31 December 2000, which, after transfer of EUR 65 000 000 to the Fund for general banking risks, amounted to EUR 1 280 461 896, as follows:

- an amount of EUR 250 000 000 for addition to the funds allocated to the Structured Finance Facility;
- the balance, i.e. EUR 1 030 461 896, for appropriation to the Additional Reserves.

Own funds at 31 December 2001 (EUR '000)

	Situation at 31.12.2000	Appropriation of profit for the 2000 financial year	Transfer for the 2001 financial year	Situation at 31.12.2001
Capital				
- subscribed	100 000 000			100 000 000
- uncalled	– 94 000 000			– 94 000 000
	6 000 000			6 000 000
Reserves				
- Reserve Fund	10 000 000			10 000 000
- Additional Reserves	2 124 244	+ 1 030 462		3 154 706
	12 124 244			13 154 706
Fund for general banking risks (Note M)	935 000		145 000	1 080 000
Funds allocated to venture capital operations	1 500 000			1 500 000
Funds allocated to Structured Finance Facility		+ 250 000		250 000
Profit to be appropriated	1 280 462	– 1 280 462		0
	21 839 706		145 000	21 984 706
Profit for the financial year				1 311 445
				23 296 151

STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL OF THE BANK AS AT 31 DECEMBER 2001

In EUR

Member States	Subscribed capital	Uncalled capital (*)	Paid-in capital
Germany	17 766 355 000	16 699 382 842	1 066 972 158
France	17 766 355 000	16 699 382 842	1 066 972 158
Italy	17 766 355 000	16 699 382 842	1 066 972 158
United Kingdom	17 766 355 000	16 699 382 842	1 066 972 158
Spain	6 530 656 000	6 140 003 092	390 652 908
Belgium	4 924 710 000	4 630 122 198	294 587 802
Netherlands	4 924 710 000	4 630 122 198	294 587 802
Sweden	3 267 057 000	3 071 033 586	196 023 414
Denmark	2 493 522 000	2 344 363 695	149 158 305
Austria	2 444 649 000	2 297 970 078	146 678 922
Finland	1 404 544 000	1 320 271 348	84 272 652
Greece	1 335 817 000	1 255 909 988	79 907 012
Portugal	860 858 000	809 362 903	51 495 097
Ireland	623 380 000	586 090 514	37 289 486
Luxembourg	124 677 000	117 219 032	7 457 968
	100 000 000 000	**94 000 000 000**	**6 000 000 000**

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

CASH FLOW STATEMENT AS AT 31 DECEMBER 2001

In EUR '000

	31.12.2001	*31.12.2000*
A. Cash flows from operating activities:		
Profit for the financial year	1 311 445	1 280 462
Adjustments:		
Transfer to Fund for general banking risks	145 000	65 000
Value adjustments	15 359	11 865
Exchange adjustment not subject to Article 7	905	1 049
Decrease in accrued interest and commissions payable and interest received in advance	– 278 346	– 149 364
(Decrease)/Increase in accrued interest and commissions receivable	364 302	– 130 466
Investment portfolio amortisation	– 4 597	– 5 225
Profit on operating activities:	1 554 068	1 073 321
Net loan disbursements	– 30 485 314	– 29 714 485
Repayments	15 772 177	15 590 952
Net balance on NCI operations (Note H)	16 298	33 859
Increase in treasury portfolios	– 1 483 626	– 81 683
Increase in venture capital operations	– 173 846	– 257 551
Increase in securitised loans	– 1 003 287	– 120 000
Net cash from operating activities	**– 15 803 530**	**– 13 475 587**
B. Cash flows from investing activities:		
EBRD shares paid up (Note E)	– 8 437	– 8 438
Sales of securities	281 949	337 126
Purchases of securities	– 290 489	– 330 843
Increases in land, buildings and furniture (Note F)	– 11 620	– 6 519
Increases in intangible fixed assets	– 2 696	– 5 428
Other (decreases)/increases in assets	73 015	– 306 420
Purchase of EIF shares	0	– 109 942
Net cash from investing activities	**41 722**	**– 430 464**
C. Cash flows from financing activities:		
Issue of borrowings	32 531 378	28 770 713
Redemption of borrowings	– 19 000 043	– 17 102 100
Increase/(decrease) in currency swaps receivable	– 233 439	516 441
Net increase in commercial paper	670 303	589 973
Net increases in amounts owed to credit institutions	99 733	171 263
Other increases in liabilities	129 886	466 604
Hedging portfolio sales	0	1 293 081
Hedging portfolio purchases	0	– 27 216
Net cash from financing activities	**14 197 818**	**14 678 759**
Summary statement of cash flows		
Cash and cash equivalents at beginning of financial year	13 242 058	12 200 160
Net cash from:		
(1) operating activities	– 15 803 530	– 13 475 587
(2) investing activities	41 722	– 430 464
(3) financing activities	14 197 818	14 678 759
Effects of exchange rate changes on cash and cash equivalents	583 257	269 190
Cash and cash equivalents at end of financial year	**12 261 325**	**13 242 058**
Cash analysis (excluding investment and hedging portfolios)		
Cash in hand, balances with central banks and post office banks	22 180	24 726
Bills maturing within three months of issue	2 188 999	1 851 112
Loans and advances to credit institutions:		
- accounts repayable on demand	142 213	130 668
- term deposit accounts	9 907 933	11 235 552
	12 261 325	**13 242 058**

EUROPEAN INVESTMENT BANK
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2001

Note A — Significant accounting policies

1. *Accounting standards*

The unconsolidated financial statements have been prepared in accordance with the general principles of the Directive of the Council of the European Communities of 8 December 1986 (as amended by Directive 2001/65/EC of 27 September 2001) on the annual accounts and consolidated accounts of banks and other financial institutions (the "Directive").

On a proposal from the Management Committee, the Board of Directors decided, on 26 February 2002, to submit the financial statements to the Governors for approval at their meeting on 4 June 2002.

The Bank also publishes consolidated financial statements.

2. *Conversion of currencies*

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

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

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

The Bank's assets and liabilities are converted into euro on the basis of the exchange rates obtaining at the balance sheet date. The gain or loss arising from such conversion is credited or charged to the profit and loss account.

The profit and loss accounts are converted into euro monthly on the basis of the exchange rates obtaining at the end of each month.

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

With a view to clarifying management of its liquid assets and consolidating its solvency, the Bank has decided to establish the following types of portfolio:

3.1. *Investment portfolio*

The investment portfolio consists of securities purchased with the intention of holding them until final maturity in order to ensure the Bank's solvency. These securities are issued or guaranteed by:

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

The entry cost of securities in this portfolio is the purchase price or more exceptionally the transfer price. The difference between entry price and redemption value is accounted for pro rata temporis over the remaining life of the securities held.

3.2. *Hedging portfolio*

The hedging portfolio, which comprises securities with a fixed maturity, is maintained as part of the Bank's active management of the interest-rate risks inherent in its lending and funding activities. These investments are accounted for at cost. Gains and losses on disposal of these securities are released to income over the period of the original maturity of the borrowings.

3.3. *Operational portfolio*

The operational portfolio comprises listed securities issued and guaranteed by financial establishments. Securities held in this portfolio are marked to market in the balance sheet.

3.4. *Short-term securities*

In order to maintain an adequate level of liquidity the Bank purchases money market products with a maximum maturity of twelve months, in particular Treasury bills and negotiable debt securities issued by credit institutions. The securities are held until their final maturity and presented in the accounts at their nominal value.

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

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

4. *Loans and advances to credit institutions and customers*

4.1. *Loans are included in the assets of the Bank at their net disbursed amounts.*

Specific provisions have been made for loans and advances outstanding at the end of the financial year and presenting risks of non-recovery of all or part of their amounts. These provisions are entered on the profit and loss account as "Value adjustments in respect of loans and advances".

Value adjustments with regard to interest on these loans are determined on a case-by-case basis by the Bank's Management.

4.2. *Interest on loans*

Interest on loans is recorded in the profit and loss account on the accruals basis, i.e. over the life of the loans.

4.3. *Reverse repurchase and repurchase operations (reverse repos and repos)*

A reverse repurchase (repurchase) operation is one under which the Bank lends (borrows) liquid funds to (from) a credit institution which provides (receives) collateral in the form of securities. The two parties enter into an irrevocable commitment to complete the operation on a date and at a price fixed at the outset.

The operation is based on the principle of delivery against payment: the borrower (lender) of the liquid funds transfers the securities to the Bank's (counterparty's) custodian in exchange for settlement at the agreed price, which generates a return (cost) for the Bank linked to the money market.

This type of operation is considered for the purposes of the Bank to be a loan (borrowing) at a guaranteed rate of interest and is entered on the assets side of the balance sheet under item 3) Loans and advances to credit institutions - b) other loans and advances (on the liabilities side of the balance sheet under item 1) Amounts owed to credit institutions - b) with agreed maturity dates or periods of notice). The securities received (provided) as collateral are accounted for off balance sheet (are maintained in the balance sheet accounts).

5. *Shares, other variable-yield securities and participating interests*

Shares, venture capital operations and participating interests held represent medium and long-term investments and are accounted for at cost. Value impairments are accounted for, if these are other than temporary.

6. *Tangible assets*

Land and buildings are stated at cost less both initial write-down of the Kirchberg headquarters and accumulated depreciation. Depreciation is calculated to write off the value of the Bank's Luxembourg-Kirchberg headquarters and its office in Lisbon on the straight-line basis over 30 and 25 years respectively. Office furniture and equipment were, until end-1997, depreciated in full in the year of acquisition. With effect from 1998, permanent equipment, fixtures and fittings, furniture, office equipment and vehicles have been recorded in the balance sheet at their purchase price, less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated life of each item purchased, as set out below:

- permanent equipment, fixtures and fittings	10 years
- furniture	5 years
- office equipment and vehicles	3 years

Works of art are depreciated in full in the year of acquisition.

7. *Intangible assets*

Intangible assets comprise investment in software developed by the Bank, depreciated on the straight-line basis over three years as from completion.

8. *Staff pension fund and health insurance scheme*

a) Pension fund

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

Commitments for retirement benefits are valued at least every three years using the projected unit credit method, in order to ensure that the provision entered in the accounts is adequate. The main actuarial assumptions used by the actuary are set out in Note L. Actuarial surpluses and deficits are spread forward over a period based on the average expected remaining service lives of staff.

b) Health insurance scheme

The Bank has set up its own health insurance scheme for the benefit of staff, financed by contributions from the Bank and its employees. The health insurance scheme is currently managed on the basis of equal benefits and contributions.

9. *Fund for general banking risks*

This item includes those amounts which the Bank decides to put aside to cover risks associated with loans and other financial operations, having regard to the particular risks attaching to such operations.

Amounts transferred to this Fund feature separately in the profit and loss account as "Transfer to Fund for general banking risks".

10. *Funds allocated to venture capital operations and to the Structured Finance Facility*

a) Funds allocated to venture capital operations

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

b) Funds allocated to the Structured Finance Facility

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

Value adjustments on these operations will be deducted from these items when allocating future results.

11. *Taxation*

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

12. *Currency and interest rate swaps*

The Bank enters into currency swaps, in which the proceeds of a borrowing may be converted into a different currency, mainly as part of its resource-raising operations. Simultaneously, a forward exchange operation is conducted in order to obtain the amounts needed to service the borrowing in the original currency. The amounts corresponding to these operations are entered off balance sheet.

The Bank also enters into interest rate swaps as part of its hedging operations. The corresponding interest is accounted for on a *pro rata temporis* basis. The nominal amounts of interest rate swaps are accounted for off balance sheet.

13. *Prepayments and accrued income - Accruals and deferred income*

These accounts comprise:

Prepayments and accrued income:	Expenditure incurred during the financial year but relating to a subsequent financial year, together with any income which, though relating to the financial year in question, is not due until after its expiry (principally interest on loans).
Accruals and deferred income:	Income received before the balance sheet date but relating to a subsequent financial year, together with any charges which, though relating to the financial year in question, will be paid only in the course of a subsequent financial year (principally interest on borrowings).

14. *Interest receivable and similar income*

In addition to interest and commission on loans, deposits and other revenue from the securities portfolio, this heading includes the indemnities received by the Bank in respect of prepayments made by its borrowers. With a view to maintaining equivalent accounting treatment between income on loans and the cost of borrowings, the Bank amortises prepayment indemnities received over the remaining life of the loans concerned.

15. *Management of third-party funds*

a) EIF treasury

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

b) Guarantee Fund treasury

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

16. Certain prior-year figures have been reclassified to conform with the current year's presentation, particularly as regards currency swap contracts, which are entered off balance sheet instead of under "other assets" and "other liabilities".

Note B — Securities portfolio (in EUR '000)

	31.12.2001	31.12.2000
Treasury bills eligible for refinancing with central banks (of which 12 661 unlisted in 2001 and 12 651 in 2000)	1 377 061	1 410 978
Debt securities including fixed-income securities (listed):	6 322 325	3 450 471
	7 699 386	**4 861 449**

	Purchase price	Amortisation for the period	Book value	Amortisation to be accounted for	Value at final maturity	Market value
Investment portfolio	2 466 639	37 650	2 504 289	– 39 573	2 464 716	2 525 770
Operational money market portfolio:						
- Money market securities with a max. 3-month maturity	2 188 999	—	2 188 999	—	2 188 999	2 188 999
- Money market securities with a max. 12-month maturity	1 330 120	—	1 330 120	—	1 330 120	1 330 120
Operational bond portfolio B1 Credit Spread	357 294	– 56	357 238	– 154	357 084	357 165
Operational portfolio B3 Global Fixed Income	195 453	—	195 453	—	190 800	195 453
Loans securitisation portfolio (Note D)	1 123 287	—	1 123 287	—	1 123 287	1 123 287
	7 661 792	**37 594**	**7 699 386**		**7 655 006**	

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

	31.12.2001	31.12.2000
Term deposits	6 578 593	6 503 569
Reverse repos (*)	3 329 340	4 731 983
	9 907 933	**11 235 552**

(*) These operations comprise those carried out with a third-party custodian who undertakes, on the basis of a framework contract, to guarantee compliance with the contractual terms and conditions, notably with respect to:
- delivery against payment,
- verification of collateral,
- the collateral margin required by the lender which must always be available and adequate, with the market value of the securities being verified daily by the said custodian,
- organisation of substitute collateral provided that this meets all the contractual requirements.

Note D — Summary statement of loans and guarantees as at 31 December 2001 (in EUR '000)

1. Aggregate loans granted (*)

Aggregate historical amount of loans calculated on the basis of the parities applied on the date of signature			360 315 577
Add:	debt adjustment	270 250	
	exchange adjustments	12 891 752	+ 13 162 002
Less:	terminations and cancellations	9 250 399	
	principal repayments	144 233 985	
			– 153 484 384
Aggregate loans granted			**219 993 195**

Loans granted

Analysis of aggregate loans granted:	to intermediary credit institutions	directly to final beneficiaries	Total 2001	Total 2000
- Disbursed portion	84 654 699	101 085 284	185 739 983	168 748 611
- Undisbursed portion	8 523 766	25 729 446	34 253 212	30 049 630
Aggregate loans granted	**93 178 465**	**126 814 730**	**219 993 195**	**198 798 241**

(*) Aggregate loans granted comprise both the disbursed portion of loans and the portion still to be disbursed.

	31.12.2001	31.12.2000
Aggregate loans granted	219 993 195	198 798 241
Securitised loans (Note B)	1 123 215	120 000
Aggregate loans (Note V)	**221 116 410**	**198 918 241**

2. Statutory ceiling on lending and guarantee operations

Under the terms of Article 18 (5) of the Statute, the aggregate amount outstanding at any time of loans and guarantees granted by the Bank must not exceed 250% of its subscribed capital.

The present level of capital implies a ceiling of EUR 250 billion in relation to aggregate loans and guarantees furnished currently totalling EUR 223 328 million and broken down as follows:

Aggregate loans granted:	219 993
Venture capital operations:	1 669
Aggregate guarantees furnished in respect of loans granted by third parties:	543
Aggregate securitised loans:	1 123
	223 328

Note E — Shares and other variable-yield securities and participating interests

Shares and other variable-yield securities

This item comprises (in EUR '000):	2001	2000
Venture capital operations - after write-down of EUR 19 213 (2000: 0)	634 272	460 426
EBRD shares	123 750	115 312
Shares acquired with a view to guaranteeing recovery of loans and advances	30 970	30 196
	788 992	**605 934**

The amount of EUR 123 750 000 (2000: EUR 115 312 500) corresponds to the capital paid in by the Bank as at 31 December 2001 in respect of its subscription of EUR 600 000 000 to the capital of the EBRD.

The Bank holds 3.04% of the subscribed capital.

Neither the Bank's result nor its own funds would have been materially affected had these shares been accounted for using the equity method.

In EUR '000	% held	Total own funds	Total net result	Balance sheet total
EBRD (31.12.2000)	3.04	3 511 178	152 792	21 290 010

The market value of shares acquired with a view to guaranteeing recovery of loans and advances amounts to EUR 36 613 076 (2000: 32 499 160).

Participating interests

This item for EUR 269 941 795 corresponds to the capital paid in by the Bank in respect of its subscription (EUR 1 215 000 000) to the capital of the European Investment Fund (EIF), with its registered office in Luxembourg.

The Bank holds 60.75% of the subscribed capital.

Under the terms of a put option in respect of the remaining 785 EIF shares, the EIB is offering to buy these shares from the EIF's other shareholders within a remaining period of four years for a price of EUR 315 000 per share. This purchase price represents annual appreciation of 3% compared with the purchase offer made in 2000. The EIF's financial situation as at 31 December 2001 does not require any provision to be made by the Bank as a result of this commitment.

Note F — Tangible and intangible assets (in EUR '000)

	Land	Kirchberg buildings	Lisbon building	Furniture and equipment	Total tangible assets	Total intangible assets
Net book value at beginning of the year	3 358	66 528	139	8 302	78 327	9 863
Acquisitions during the year	—	—	—	11 620	11 620	2 696
Depreciation during the year	—	3 830	14	6 643	10 487	4 872
	3 358	**62 698**	**125**	**13 279**	**79 460**	**7 687**

All of the land and buildings are used by the Bank for its own activities.

Note G — Interest subsidies paid and received in advance

a) Part of the amounts received from the European Commission through EMS (European Monetary System) arrangements has been made available as a long-term advance which is entered on the assets side under item 10.(a) as “Receivable in respect of EMS interest subsidies paid in advance”.

b) On the liabilities side (item 3.(a)), “Interest subsidies received in advance” comprise:

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

Note H — Other balance sheet accounts (in EUR '000)

	31.12.2001	31.12.2000
Sundry debtors:		
- Staff housing loans and advances	82 173	89 035
- Net balance of amounts disbursed in respect of borrowings and amounts received in respect of loans under NCI operations managed for the account of the European Community (Special Section)	107 116	123 413
- Borrowing proceeds to be received	0	226 723
- Swap receivables	0	227 393
- Loan instalments receivable	299 010	140 148
- Other	98 491	92 779
	586 790	**899 491**
Sundry creditors:		
- European Community accounts:		
. for Special Section operations and related unsettled amounts	167 241	160 692
. deposit accounts	296 053	200 426
- Swap payables	0	226 723
- Borrowing instalments payable	172 066	0
- Optional Supplementary Provident Scheme (Note L)	133 689	127 693
- Other	220 345	180 786
	989 394	**896 320**

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

	31.12.2001	31.12.2000
Prepayments and accrued income:		
Interest and commission receivable	2 356 774	2 614 248
Deferred borrowing charges	708 607	815 716
Other	1 279	998
	3 066 660	**3 430 962**
Accruals and deferred income:		
Interest and commission payable	3 165 785	3 341 800
Deferred loan proceeds	461 868	505 733
Deferred borrowing proceeds	726 459	714 868
HIPC initiative	67 912	70 000 (*)
Staff costs payable	7 100	6 939 (*)
External mobility costs	7 500 (*)	0
Other	53 973	129 603
	4 490 597	**4 768 943**

(*) Included in item 13 of the profit and loss account: extraordinary charges (Note Q).

Note J — Amounts owed to credit institutions (with agreed maturity dates or periods of notice) (in EUR '000)

	31.12.2001	31.12.2000
- Short-term borrowings	597 497	426 658
- Promissory notes issued in respect of paid-in capital of EBRD	10 125	9 113
- Repos	0	72 118
	607 622	**507 889**

NOTE K — SUMMARY STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES AS AT 31 DECEMBER 2001 (in EUR '000)

	Borrowings					Currency swaps						Net amount	
						Amounts payable (+) or receivable (–)							
Payable in	Outstanding at 31.12.2000	Average rate	Outstanding at 31.12.2001	Average rate	Due dates	31.12.2000		Average rate	31.12.2001		Average rate	Outstanding at 31.12.2000	Outstanding at 31.12.2001
EUR	47 344 105	5.38	72 131 851	5.48	2001/2030	6 313 851	+	4.73	24 174 809	+	5.50	53 657 956	96 306 660
DEM	2 153 413	6.20	0	0.00		4 633 060	+	5.63			0.00	6 786 473	
FRF	4 923 660	6.54	0	0.00		263 927	+	5.06			0.00	5 187 587	
ITL	7 478 250	7.50	0	0.00		42 102	+	4.58			0.00	7 520 352	
BEF	68 171	7.50	0	0.00		119 342	+	8.25			0.00	187 513	
NLG	2 932 860	6.68	0	0.00		1 557 764	–	4.73			0.00	1 375 096	
IEP	61 392	7.75	0	0.00		316 135	+	5.64			0.00	377 527	
LUF	679 304	7.05	0	0.00		210 709	–	6.54			0.00	468 595	
ESP	4 199 933	7.23	0	0.00		1 789 206	+	4.72			0.00	5 989 139	
PTE	942 091	6.11	0	0.00		1 291 307	+	4.76			0.00	2 233 398	
FIM	67 275	6.29	0	0.00		157 349	+	4.74			0.00	224 624	
GRD	616 287	6.29	0	0.00		205 429	–	4.85			0.00	410 858	
IN-CURRENCIES	**71 466 741**		**72 131 851**										
GBP	40 713 384	6.46	48 004 134	6.34	2001/2040	2 993 749	–	6.39	4 046 143	–	6.35	37 719 635	43 957 991
DKK	482 373	4.94	484 099	5.17	2002/2005	32 243	+	3.96	141 865	+	5.17	514 616	625 964
SEK	211 181	5.70	200 512	5.70	2003/2007	765 695	+	3.93	864 306	+	5.70	976 876	1 064 818
USD	34 505 658	6.11	45 145 774	5.50	2001/2026	4 420 494	–	6.45	15 983 627	–	5.56	30 085 164	29 162 147
CHF	3 627 232	4.32	3 213 298	3.99	2001/2014	181 657	+	7.11	54 960	–	4.00	3 808 889	3 158 338
JPY	4 570 277	3.42	3 429 706	3.04	2001/2031	1 649 598	–	1.45	944 455	–	3.04	2 920 679	2 485 251
NOK	255 055	5.56	314 406	5.67	2004/2007	177 324	–	7.22	213 796	–	5.67	77 731	100 610
CAD	1 841 031	8.13	1 474 036	7.98	2001/2008	1 769 424	–	9.00	1 402 998	–	7.98	71 607	71 038
AUD	636 553	7.88	462 963	6.28	2001/2005	636 553	–	7.88	462 963	–	6.28		
CZK	296 248	9.03	247 891	7.55	2001/2015	57 066	–	5.10	101 167	+	7.55	239 182	349 058
HKD	1 811 844	7.74	1 767 967	7.12	2001/2010	1 811 844	–	7.74	1 767 967	–	7.12		
NZD	142 045	7.17	94 273	6.50	2002/2004	142 045	–	7.17	94 273	–	6.50		
ZAR	761 152	13.68	609 566	12.88	2001/2018	447 906	–	13.44	371 124	–	12.88	313 246	238 442
HUF	73 585	11.77	161 106	10.02	2003/2004			0.00	81 573	–	10.02	73 585	79 533
EEK	9 587	10.00	0	0.00	2001/2001	9 587	–	10.00			0.00		
PLN	94 242	14.54	326 416	12.52	2003/2006	42 291	–	14.84	118 105	–	12.52	51 951	208 311
TWD	746 729	5.66	1 035 766	5.00	2003/2008	746 729	–	5.66	1 035 766	–	5.00		
SKK	68 286	15.58	46 751	15.63	2001/2002	68 286	–	15.58	63 114	+	15.63		109 865
TOTAL	**162 313 203**		**179 150 515**										

The redemption of certain borrowings is indexed to stock exchange indexes (historical value: 2 672 million). All such borrowings are hedged in full through swap operations.

Note L — Provisions for liabilities and charges (staff pension fund) (in EUR '000)

Commitments in respect of retirement benefits were valued at 30 June 2000 by an independent actuary using the projected unit credit method. The calculations were based on the following assumptions:

- a discount rate of 7% for determining the actuarial present value of benefits accrued;
- a retirement age of 62;
- a combined average impact of the increase in the cost of living and career progression estimated at 4%;
- a rate of adjustment of pensions of 1.5%;
- probable resignation of 3% up to age 55;
- use of EVK/PRASA 90 actuarial tables.

Following this valuation, the EIB's commitments have been found to be covered.

The movements in the pension fund provision were as follows:

- provision at 31 December 2000	433 281
- payments made during the year	– 17 039
- annual cost	+ 58 709
- provision at 31 December 2001	**474 951**

The above figures do not include the liability towards members of staff in respect of the Optional Supplementary Provident Scheme (a contributory defined benefit pension scheme). The corresponding amount of EUR 133.7 million (2000: EUR 127.7 million) is entered under “Sundry creditors/other” (Note H).

Note M — Fund for general banking risks (in EUR '000)

Movements in the Fund for general banking risks are tabulated below:

	31.12.2001	31.12.2000
Fund at beginning of the year	935 000	870 000
Transfer for the year	145 000	65 000
Fund at end of the year	**1 080 000**	**935 000**

Note N — Geographical analysis of "Interest receivable and similar income" (item 1 of the profit and loss account) (in EUR '000)

	31.12.2001	31.12.2000
Germany	1 552 900	1 444 343
France	1 227 998	1 229 088
Italy	1 369 824	1 315 449
United Kingdom	1 377 507	1 452 315
Spain	1 219 248	1 242 882
Belgium	213 288	231 762
Netherlands	149 850	153 771
Sweden	177 804	189 422
Denmark	247 954	284 546
Austria	152 647	135 974
Finland	115 649	101 487
Greece	389 539	354 670
Portugal	525 726	506 674
Ireland	113 859	135 521
Luxembourg	26 829	23 816
	8 860 622	8 801 720
Outside the European Union .	1 061 294	944 305
	9 921 916	**9 746 025**
Income not analysed (1)	807 590	898 401
	10 729 506	**10 644 426**

(1) Income not analysed:

Revenue from investment portfolio securities	158 125	146 523
Revenue from hedging portfolio securities	0	16 514
Revenue from short-term securities	85 696	59 253
Revenue from money-market operations	556 133	676 111
EIF guarantee commission (*) (EIB counterguarantee)	7 636	0
	807 590	**898 401**

(*) Net of annual amortisation.

Note O — Geographical analysis of "Commission receivable" (item 4 of the profit and loss account) (in EUR '000)

	31.12.2001	31.12.2000
France	0	9
Italy	2	5
United Kingdom	59	54
Spain	0	0
Denmark	1	8
Greece	0	0
Ireland	20	27
	82	103
Community institutions	22 759	18 824
	22 841	**18 927**

Note P — Administrative expenses and charges (in EUR '000)

	31.12.2001	31.12.2000
Salaries and allowances	101 849	94 924
Welfare contributions and other social costs	51 054	42 511
Staff costs	152 903	137 435
General and administrative expenses	50 861	43 622
	203 764	**181 057**

The number of persons employed by the Bank was 1 097 at 31 December 2001 (1 033 at 31 December 2000).

Note Q — Extraordinary income and charges

a) Extraordinary income (in EUR '000)

The amount as at 31 December 2000 corresponded to the sale of warrants received in conjunction with a loan restructuring operation.

b) Extraordinary charges (in EUR '000)

	31.12.2001	31.12.2000
Staff costs payable	0	6 939
Provision for external mobility	7 500	0
Special conversion rates	3 864	0
HIPC Initiative	0	60 000
Other	0	489
	11 364	**67 428**

Note R — Special deposits for service of borrowings

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

Note S — Estimated present value of financial instruments

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

	Assets		Liabilities	
(EUR million) 31 December 2001	net accounting value	present value	accounting value	present value
- Loans	186 863	192 470	—	—
- Investment portfolio	2 504	2 608	—	—
- Liquid assets	10 128	10 820	—	—
- Borrowings after swaps	—	—	174 794	180 198
Total	199 495	205 898	174 794	180 198

Note T — Risk management

The significant risks which have to be managed by the Bank are:

* credit risk

* interest rate risk

* liquidity risk

* exchange risk.

Credit risk

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

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

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

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

Loans

In order to limit the credit risk on its loan portfolio, the Bank lends only to counterparties where it has been possible to demonstrate their creditworthiness over the longer term and who can offer guarantees deemed sufficiently sound.

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

The structure of guarantees attaching to the portfolio of loans granted as at 31 December 2001 is analysed below (EUR million):

- within the European Union:

		Guarantor					
		Member States	Public institutions (1)	Zone "A" banks	Corporates (1)	Without formal guarantee (2)	Total
Borrower	Member States					13 509	13 509
	Public institutions	19 147	8 991	1 870	899	1 133	32 040
	Zone "A" banks	13 716	27 063	9 472	15 174	13 472	78 897
	Corporates	8 682	914	21 247	28 957	6 695	66 495
	Total 2001	41 545	36 968	32 589	45 030	34 809	190 941
	Total 2000	37 873	32 672	30 528	41 168	30 857	173 098

(1) Loans secured by assignment of rights by category of final beneficiary.

(2) Loans for which no formal guarantee was required, the borrower's level of solvency itself representing adequate security. In the event of certain occurrences, appropriate contractual clauses ensure the Bank's right of access to independent security.

- outside the European Union:

	2001	2000
Secured by:		
Member States	1 881	1 843
Community budget	21 530 (*)	19 506 (*)
Pre-Accession Facility	6 765	4 471
Total	30 176	25 820

(*) of which 2 969 million in risk-sharing operations as explained below (2000: 2 387 million).

Loans outside the Community (apart from those under the Pre-Accession Facility) are, in the last resort, secured by guarantees of the Community budget or the Member States (loans in the ACP Countries and the OCT). In all regions (South Africa, non-member Mediterranean Countries, Central and Eastern Europe, Asia and Latin America), apart from the ACP Countries and the OCT, in the case of loans secured by a sovereign guarantee, all risks are, in the last resort, covered by the Community budget.

The agreements decided by the Council of the European Union on 14 April 1997 (Decision 97/256/EC) introduced the concept of risk sharing whereby certain Bank loans are secured by third-party guarantees with respect to the commercial risk, the budgetary guarantee applying in the case of political risks solely arising from currency non-transfer, expropriation, war and civil disturbance. To date, finance contracts for EUR 2 966 million in risk-sharing loans have been signed under these agreements.

Loans granted under the Pre-Accession Facility (EUR 6 765 million) are not secured by guarantees of the Community budget or the Member States.

LOANS FOR PROJECTS OUTSIDE THE UNION
Breakdown of loans by guarantee as at 31 December 2001

(in EUR '000)

Convention/agreement	Outstanding 31.12.01	Outstanding 31.12.00
Member States guarantee		
ACP/OCT Group 2nd Lomé Convention	8 924	17 361
ACP/OCT Group 3rd Lomé Convention	177 225	227 943
ACP/OCT Group 4th Lomé Convention	867 832	968 061
ACP/OCT Group 4th Lomé Convention /2nd Financial Protocol	826 818	629 489
Total Member States guarantee	***1 880 799***	***1 842 854***
100% Community budget guarantee		
South Africa - 300m - BG Decision 19.06.95	205 887	285 714
ALA I - 750m	587 466	603 804
ALA interim (100% guarantee) - 153m	115 711	168 477
CEEC - 1bn - BG Decision 29.11.89	582 878	659 114
CEEC - 3bn - BG Decision 02.05.94	2 491 321	2 663 977
CEEC - 700m - BG Decision 18.04.91	329 195	366 338
Total: 100% Community budget guarantee	*4 312 458*	*4 747 424*
75% Community budget guarantee		
Mediterranean Protocols	3 903 857	3 964 057
Yugoslavia - Art. 18 (1984)	21 159	26 253
Yugoslavia - 1st Protocol	34 555	48 360
Yugoslavia - 2nd Protocol	193 597	215 237
Slovenia - 1st Protocol	131 268	139 229
Total: 75% Community budget guarantee	*4 284 436*	*4 393 136*

Convention/agreement	Outstanding 31.12.01	Outstanding 31.12.00
70% Community budget guarantee		
South Africa - 375m - Decision 29.01.97	327 031	363 257
ALA II - 900m	995 196	963 759
ALA interim (70% guarantee: risk sharing) - 122m	135 063	136 196
Bosnia-Herzegovina - 100m - 99/2001	100 122	60 000
Euromed (EIB) - 2 310m - Decision 29.01.97	2 385 402	2 421 834
FYROM - 150m - 1998/2000	150 000	130 000
CEEC - 3 520m - Decision 29.01.97	3 360 841	3 425 935
Total: 70% Community budget guarantee	*7 453 655*	*7 500 981*
65% Community budget guarantee		
South Africa - 825m - 7/2000-7/2007	202 533	50 000
ALA III - 2/2000-7/2007	941 255	391 601
Euromed II - 2/2000-7/2007	1 905 885	700 574
CEEC - 8 680m - 2/2000-7/2007	1 979 920	1 347 000
Turkey-TERRA - 11/1999-11/2002	450 000	375 000
Total: 65% Community budget guarantee	*5 479 593*	*2 864 175*
Total: Community budget guarantee	***21 530 142***	***19 505 716***
Total: Pre-Accession Facility	***6 764 930***	***4 471 112***
Grand Total	**30 175 871**	**25 819 682**

A breakdown of disbursed loans outstanding (in EUR million) at 31 December 2001 according to the sectors in which borrowers are engaged is set out below:

Sector	Maturity				
	not more than 1 year	1 year to 5 years	more than 5 years	TOTAL 2001	TOTAL 2000
Energy	2 173	10 014	11 564	23 751	22 217
Transport	2 554	11 704	37 238	51 496	47 423
Telecommunications	1 915	7 884	4 581	14 380	14 204
Water, sewerage	1 255	4 770	6 713	12 738	13 000
Miscellaneous infrastructure	454	3 180	4 509	8 143	7 561
Agriculture, forestry, fisheries	24	196	146	366	325
Industry	1 636	9 067	4 429	15 132	12 742
Services	216	1 433	769	2 418	1 684
Global loans	3 935	19 835	30 727	54 497	47 301
Health, education	89	529	3 324	3 942	2 413
	14 251	68 612	104 000	186 863	168 869

Treasury

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

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

The table below provides a percentage breakdown of the credit risk associated with the securities portfolio and treasury instruments in terms of the credit rating of counterparties and issuers:

% as at 31 December 2001	Securities portfolio %	Treasury instruments %
Moody's or equivalent rating		
AAA	63	11
P1	—	12
AA1 to AA3	32	64
A1	1	9
Below A1	3	3
Non-rated	1	1
Total	100	100

Interest rate risk

The Bank has established an organisational structure for the asset-liability function, applying best practices in the financial industry, and, in particular, an Asset-Liability Management Committee (ALCO) under the direct responsibility of the Bank's Management Committee. Accordingly, it has decided on an asset-liability management strategy which involves maintaining an own funds duration of around 5 years, thereby safeguarding the Bank against substantial fluctuations in its long-term revenue.

Given a notional own funds portfolio in line with the above objective of an own funds duration equal to around 5 years, an increase in interest rates of 0.01% on all currencies would result in a fall of EUR 1 227 000 in the differential between the net present value of the Bank's own funds and the net present value targeted by ALM strategy.

The following table illustrates the Bank's exposure to interest rate risk. It presents the nominal amounts according to maturities affected by the incidence of interest rate changes, as regards the main balance sheet items subject to reindexation:

Reindexation interval (EUR million):

	not more than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total 31.12.2001	Total 2000
Assets							
Loans (gross)	91 274	2 878	5 710	40 000	47 001	186 863	168 869
Net liquidity	8 482	458	1 086	1 355	1 251	12 632	12 979
	99 756	3 336	6 796	41 355	48 252	199 495	181 848
Liabilities							
Borrowings and swaps	99 950	1 981	4 313	32 900	35 650	174 794	158 817
Interest rate risk	– 194	1 355	2 483	8 455	12 602		

Liquidity risk

The table hereafter analyses assets and liabilities by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date.

Assets and liabilities for which there is no contractual maturity date are classified under "Maturity undefined".

Liquidity risk (EUR million)

Maturity	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Maturity undefined	Total
Assets						
Cash in hand, central banks and post office banks	22					22
Treasury bills eligible for refinancing with central banks	20	279	575	503		1 377
Other loans and advances:						
Current accounts	142					142
Others	9 908					9 908
	10 050					10 050
Loans:						
Credit institutions	1 740	4 502	31 582	46 831		84 655
Customers	1 684	6 325	36 862	56 214		101 085
	3 424	10 827	68 444	103 045		185 740
Debt securities including fixed-income securities	2 459	1 204	753	1 906		6 322
Currency swap contracts adjustment	35	388	881	– 67		1 237
Other assets					4 628	4 628
Total assets	16 010	12 698	70 653	105 387	4 628	209 376
Liabilities						
Amounts owed to credit institutions	598	4	6			608
Debts evidenced by certificates	7 461	15 544	83 779	72 367		179 151
Capital, reserves and profit					23 296	23 296
Other liabilities					6 321	6 321
Total liabilities	8 059	15 548	83 785	72 367	29 617	209 376

A securities portfolio, termed an "investment portfolio" (Note B), has also been created in order to ensure the Bank's solvency and to contend with unforeseen liquidity needs. This securities portfolio consists of mainly fixed-income securities issued by first-class counterparties, largely bonds issued by Member States, with the intention of holding them until final maturity.

Exchange risk

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

Exchange position (EUR million)

Currency	Euro	Pound sterling	United States dollar	Other currencies	Total excl. euro	Grand total
Assets						
Cash in hand, central banks and post office banks	*14*	7		1	*8*	**22**
Treasury bills eligible for refinancing with central banks	*1 377*					**1 377**
Other loans and advances:						
Current accounts	*90*	2	23	27	*52*	**142**
Others	*6 564*	726	2 322	296	*3 344*	**9 908**
	6 654	728	2 345	323	*3 396*	**10 050**
Loans:						
Credit institutions	*48 615*	22 576	11 798	1 666	*36 040*	**84 655**
Customers	*61 339*	19 357	13 898	6 491	*39 746*	**101 085**
	109 954	41 933	25 696	8 157	*75 786*	**185 740**
Debt securities including fixed-income securities	*4 199*	665	1 432	26	*2 123*	**6 322**
Currency swap contracts adjustment	*– 24 672*	4 579	15 903	5 427	*25 909*	**1 237**
Other assets	*3 213*	905	323	187	*1 415*	**4 628**
Total Assets	*100 739*	48 817	45 699	14 121	*108 637*	**209 376**
Liabilities						
Amounts owed to credit institutions	*593*		12	3	*15*	**608**
Debts evidenced by certificates:						
Debt securities in issue	*71 977*	47 758	45 146	13 413	*106 317*	**178 294**
Others	*155*	247		455	*702*	**857**
	72 132	48 005	45 146	13 868	*107 019*	**179 151**
Capital, reserves and profit	*23 296*					**23 296**
Other liabilities	*4 735*	808	537	241	*1 586*	**6 321**
Total Liabilities	*100 756*	48 813	45 695	14 112	*108 620*	**209 376**
Off balance sheet	2	– 2				
Net position as at 31.12.2001	**– 15**	**2**	**4**	**9**		
Net position as at 31.12.2000	**– 189**	**4**	**5**	**180** (1)		

(1) of which GRD: 172 (euro-in currency as from 01.01.2001)

Note U — Derivatives

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

1. *As part of funding activity*

The Bank uses derivatives mainly as part of its funding strategy in order to bring the characteristics, in terms of currencies and interest rates, of the funds raised into line with those of loans granted and also to reduce funding costs.

The derivatives most commonly used are:

* Currency swaps

* Interest rate swaps

* Deferred rate-setting (DRS) agreements.

Currency swaps

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

Interest rate swaps

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

Deferred rate-setting (DRS) agreements

This derivative is similar to an interest rate swap contract (fixed rate/floating rate or vice versa). However, it is used more specifically by long-term financing institutions such as the EIB, which raises substantial amounts on the capital markets.

Interest rate or currency swaps allow the Bank to modify the interest rates and currencies of its borrowing portfolio in order to accommodate requests from its clients and also make it possible to access certain capital markets by exchanging with counterparties their advantageous conditions of access to these markets, so reducing funding costs.

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

All interest rate and currency swaps linked with the borrowing portfolio have maturities identical to the borrowings concerned and are therefore long-term.

Derivatives credit risk hedging policy

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

In view of the special nature and complexity of the derivatives transactions, a series of procedures was put in place to safeguard the Bank against loss arising out of the use of this instrument.

Contractual framework:

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

Counterparty selection:

Minimum rating A1 at the outset, the EIB having the right of early termination if the rating drops below a certain level.

Limits:

- total net market value of derivatives exposure with a counterparty;
- unsecured exposure to a counterparty;
- furthermore, specific concentration limits expressed as nominal amount.

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

Monitoring:

The derivatives portfolio is regularly valued and compared against limits.

Collateralisation:

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

The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional value. In the Bank's case, where only mutually agreed derivatives are negotiated, the credit risk is evaluated on the basis of the "current exposure" method recommended by the Bank for International Settlements (BIS). Hence, the credit risk is expressed in terms of the positive replacement value of the contracts, increased by the potential risks, contingent on the duration and type of transaction, weighted by a coefficient linked to the category of counterparty (BIS 2 weighted risk).

The following tables show the maturities of currency swaps and interest rate swaps plus DRS combined, sub-divided according to their notional amount and the associated credit risk:

Currency swaps (EUR million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	**Total 31.12.2001**	Total 2000
Notional amount	4 233	29 185	3 182	1 967	**38 567**	28 126
Net discounted value	516	1 695	13	58	**2 282**	1 732
Credit risk (BIS 2 weighted)	148	959	105	145	**1 357**	1 103

The notional amounts receivable or payable in respect of currency swaps are disclosed off balance sheet (see 2. below for short-term swaps).

Interest rate swaps and DRS (EUR million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	**Total 31.12.2001**	Total 2000
Notional amount	11 967	50 175	21 119	26 607	**109 868**	97 548
Net discounted value	366	1 739	617	2 095	**4 817**	2 974
Credit risk (BIS 2 weighted)	99	635	343	655	**1 732**	1 380

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

Tabulated below are the number and notional amount of the various types of option attaching to borrowings:

	Embedded option	Stock exchange index	Special structure coupon or similar
Number of transactions	99	33	30
Notional amount (EUR million)	7 505	2 672	3 641
Net discounted value	126	167	277

All options contracts embedded in, or linked with, borrowings are negotiated by mutual agreement.

Generally, there is no credit risk on these options, except in some cases where they are based on a stock exchange index, but for which security exists in the form of regularly monitored collateral.

Ratings exposure table

Rating	% of nominal	Net market risk	Credit risk & BIS2
Aaa	10.5	549	1 397
Aa1 to Aa3	83.5	1 014	7 464
A1	4.4	33	546
A2 to Baa3	0.9	14	108
Non-rated	0.7	0	154
Total	**100**	**1 610**	**9 669**

All new transactions are concluded with counterparties rated at least A1. Consequently, most of the portfolio is concentrated on counterparties rated A1 or above.

2. *As part of liquidity management*

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

The notional amount of short-term currency swaps stood at EUR 2 025 million at 31 December 2001, as against EUR 981 million at 31 December 2000.

Note V — Geographical breakdown of lending by country in which projects are located

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Undisbursed portion	Disbursed portion	% of total	% fin. year 2000
1. Loans for projects within the Union and related loans						
Germany	739	32 228 163	755 710	31 472 453	14.58%	13.71%
France	385	25 318 051	2 542 954	22 775 097	11.45%	11.18%
Italy	1 231	29 828 077	3 275 444	26 552 633	13.49%	14.04%
United Kingdom	303	25 049 052	3 510 566	21 538 486	11.33%	12.17%
Spain	443	27 346 806	2 452 300	24 894 505	12.37%	12.86%
Belgium	88	4 128 141	394 841	3 733 300	1.87%	2.11%
Netherlands	48	3 055 414	793 523	2 261 890	1.38%	1.49%
Sweden	116	4 393 271	821 598	3 571 673	1.99%	1.90%
Denmark	111	5 580 093	613 113	4 966 980	2.52%	2.41%
Austria	105	3 569 121	0	3 569 121	1.61%	1.45%
Finland	53	2 859 620	331 035	2 528 584	1.29%	1.21%
Greece	205	8 915 099	1 466 871	7 448 228	4.03%	3.77%
Portugal	214	13 556 906	3 467 993	10 088 914	6.13%	6.22%
Ireland	98	2 486 418	875 581	1 610 837	1.12%	1.19%
Luxembourg	33	605 738	109 308	496 430	0.27%	0.30%
Related loans (*)	22	2 020 569	200 000	1 820 569	0.91%	1.01%
Total	**4 194**	**190 940 539**	**21 610 837**	**169 329 700**	**86.35 %**	**87.02 %**
2. Loans for projects outside the Union						
2.1. ACP Countries/OCT						
Namibia	10	161 461	45 225	116 236		
Kenya	10	146 987	54 376	92 610		
Jamaica	11	135 479	15 337	120 143		
Mauritius	11	129 587	61 755	67 832		
ACP Group	3	113 373	48 450	64 923		
Zimbabwe	12	102 371	18 030	84 341		
Trinidad and Tobago	5	91 638	499	91 139		
Barbados	6	80 254	50 173	30 081		
Ghana	5	78 980	22 629	56 351		
Senegal	3	75 330	42 977	32 353		
Mozambique	4	70 321	3 500	66 821		
Botswana	8	66 065	0	66 065		

(*) Loans authorised under the second paragraph of Article 18 (1) of the Statute for projects located outside the territory of Member States of the Union but offering benefits for the Union are considered as related to loans within the Union.

Note V — Geographical breakdown of lending by country in which projects are located (continued)

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Undisbursed portion	Disbursed portion	% of total	% fin. year 2000
Regional - Central Africa	1	53 713	44 636	9 077		
Lesotho	3	52 940	27 414	25 526		
Mauritania	3	51 612	30 000	21 612		
Papua New Guinea	6	41 749	0	41 749		
Bahamas	4	39 737	0	39 737		
Cameroon	3	38 688	29 903	8 785		
Cote-d'Ivoire	8	37 299	0	37 299		
Nigeria	2	32 829	0	32 829		
Dominican Republic	4	31 634	16 375	15 259		
Regional - Africa	1	30 033	0	30 033		
Gabon	3	21 545	15 500	6 045		
Regional - Caribbean	1	20 814	6 024	14 790		
Regional - West Africa	1	19 849	8 350	11 499		
Swaziland	2	17 500	7 500	10 000		
Saint Lucia	4	17 414	5 000	12 414		
Uganda	2	15 828	0	15 828		
Guinea	2	10 391	0	10 391		
Malawi	4	10 100	0	10 100		
Dominica	1	10 000	10 000	0		
French Polynesia	3	9 715	3 000	6 715		
British Virgin Islands	3	7 805	0	7 805		
Cayman Islands	3	6 775	0	6 775		
Saint Vincent and the Grenadines	2	5 342	0	5 342		
Mali	1	5 093	0	5 093		
OCT Group	1	5 000	4 845	155		
New Caledonia and Dependencies	2	4 992	0	4 992		
Chad	1	4 982	4 415	567		
Surinam	1	4 419	0	4 419		
Grenada	1	3 993	0	3 993		
Tonga	2	3 257	0	3 257		
Falkland Islands	2	3 255	0	3 255		
Netherlands Antilles	3	3 223	0	3 223		
Aruba	3	2 828	2 000	828		
Belize	1	2 826	0	2 826		
Fiji	1	1 774	0	1 774		
Sub-total	173	1 880 800	577 913	1 302 887	0.85%	0.93%
2.2. South Africa *Sub-total*	23	735 452	256 180	479 272	0.33%	0.35%
2.3. Euro-Mediterranean Partnership Countries and the Balkans						
Egypt	34	1 552 165	575 925	976 240		
Morocco	35	1 509 609	739 500	770 109		
Turkey	23	1 508 292	684 712	823 581		
Algeria	28	1 484 851	385 650	1 099 201		
Tunisia	39	1 081 415	489 200	592 215		
Lebanon	12	446 645	147 000	299 645		
Jordan	28	409 844	103 000	306 844		
Croatia	10	215 748	146 000	69 748		
Syria	3	210 725	190 000	20 725		
Gaza-West Bank	10	197 509	106 270	91 239		
FYROM	8	174 358	89 000	85 358		
Bosnia-Herzegovina	3	160 123	156 350	3 773		
Albania	6	131 092	91 349	39 743		
Federal Republic of Yugoslavia	11	122 360	66 000	56 360		
Israel	3	44 758	0	44 758		
Sub-total	253	9 249 494	3 969 956	5 279 539	4.18%	3.64%

Note V — Geographical breakdown of lending by country in which projects are located (continued)

Countries and territories in which projects are located	Number of loans	Aggregate loans granted	Undisbursed portion	Disbursed portion	% of total	% fin. year 2000
2.4. Accession Countries						
Poland	58	4 655 602	2 253 603	2 402 000		
Czech Republic	28	2 513 895	940 800	1 573 095		
Romania	33	2 227 071	1 315 330	911 741		
Hungary	42	1 838 956	642 700	1 196 256		
Slovak Republic	24	1 136 039	194 991	941 049		
Slovenia	24	1 063 270	512 585	550 685		
Bulgaria	22	918 140	632 000	286 140		
Cyprus	17	486 525	265 194	221 331		
Lithuania	17	294 838	121 442	173 397		
Latvia	11	201 740	107 987	93 753		
Estonia	13	161 554	65 415	96 139		
Malta	4	37 806	25 000	12 806		
Sub-total	293	15 535 436	7 077 047	8 458 392	7.03%	6.92%
2.5. Asia and Latin American Countries						
Brazil	16	763 403	68 912	694 491		
Argentina	10	496 013	92 136	403 876		
Philippines	7	281 549	88 725	192 824		
Indonesia	5	253 143	207 279	45 865		
Thailand	4	175 129	35 650	139 479		
China	3	151 558	56 167	95 391		
Panama	2	111 974	18 438	93 536		
Peru	2	99 913	0	99 913		
Mexico	3	96 445	36 307	60 138		
Vietnam	1	55 000	55 000	0		
India	1	54 489	27 096	27 393		
Costa Rica	1	48 818	0	48 818		
Pakistan	2	44 902	34 035	10 867		
Regional - Andean Pact	1	42 166	0	42 166		
Bangladesh	1	36 202	36 202	0		
Regional - Central America	1	35 034	5 333	29 701		
Chile	1	16 500	0	16 500		
Uruguay	1	12 451	0	12 451		
Sub-total	62	2 774 689	761 280	2 013 409	1.25%	1.14%
Total	**804**	**30 175 871**	**12 642 376**	**17 533 499**	**13.65% (*)**	**12.98%**
Grand total	**4 998**	**221 116 410 (**)**	**34 253 213**	**186 863 199**	**100.00%**	**100.00%**

(*) 10.6% excluding Pre-Accession Facility.
(**) including securitised loans (Note B).

Note W — Segment reporting

The Bank considers that lending constitutes its main business segment; its organisation and entire management systems are given over to developing and providing loans for Bank customers.

Consequently, the determining factors for segment reporting are:

- primary determining factor: lending as the main business segment;
- secondary determining factor: lending in terms of geographical spread.

Information to be disclosed under the heading of geographical segment reporting is given in the following notes:

- interest receivable and similar income by geographical area (Note N);
- lending by country in which projects are located (Note V);
- tangible and intangible assets by country of location (Note F).

Note X — Conversion rates

The following conversion rates were used for drawing up the balance sheets at 31 December 2001 and 31 December 2000:

1 euro =

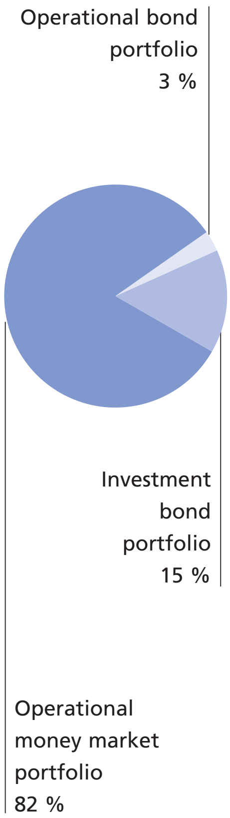
EURO-12: Rates fixed irrevocably

Deutsche Mark	1.95583
French francs	6.55957
Italian lire	1936.27
Spanish pesetas	166.386
Belgian francs	40.3399
Netherlands guilders	2.20371
Austrian Schillings	13.7603
Finnish markka	5.94573
Drachmas	340.750
Irish pounds	0.787564
Luxembourg francs	40.3399
Portuguese escudos	200.482

	31.12.2001	31.12.2000
PRE-IN:		
Pound sterling	0.608500	0.624100
Danish kroner	7.43650	7.46310
Swedish kronor	9.30120	8.83130
NON-COMMUNITY CURRENCIES:		
United States dollars	0.881300	0.930500
Swiss francs	1.48290	1.52320
Lebanese pounds	1359.01	1351.02
Japanese yen	115.330	106.9200
Canadian dollars	1.40770	1.39650
Australian dollars	1.72800	1.67700
CFA francs	655.957	655.95
Czech koruny	31.9620	35.0470
Hong Kong dollars	6.87230	7.25780
New Zealand dollars	2.12150	2.11200
South African rand	10.4302	7.03920

Liquidity Management

Liquidity management



Liquid funds, at 31 December 2001, totalled some 16.6 billion, i.e. 12.6 billion net of short-term commitments; these funds were held in 13 currencies, including the euro. In 2001, the euro accounted for 49% of short-term investments. EU currencies represented 65% of aggregate liquid funds. The level of the Bank's overall liquidity must fall within 25 to 40% of annual net cash flows. The breakdown of liquid funds was as follows:

The **operational money market portfolio** of 13.6 billion (9.6 billion net of short-term commitments) constituted the bulk of liquid funds.

This portfolio consists primarily of borrowing proceeds and surplus cash flow. Its chief purpose is to cover the Bank's day-to-day liquidity needs. These holdings must be sufficient to meet the Bank's future loan disbursements.

By definition, the operational money market portfolio comprises liquid instruments with short-dated maturities. At end-2001, the bulk of this portfolio was placed in first-class products and invested with top-flight issuers and counterparties.

The purpose of the **operational bond portfolio** comprising two sub-portfolios - credit spread and fixed rate bond management - is to diversify money market placements within the first line of liquidity. This portfolio amounted to 0.5 billion.

The **investment bond portfolio** represents the second line of liquidity (2.5 billion), comprising bonds issued by EU Member States and other first-class public institutions. Over 99% of the total volume of securities held in the portfolio are rated AA1 or issued by EU Member States.

Liquidity management results

Whereas money market interest rates followed a sustained downtrend during 2001, bond rates were more volatile, with a fall in rates shorter than 5 years against a rise at the longer end.

In these circumstances, liquidity management operations generated gross interest income of 784 million in 2001 (net income of 666 million), corresponding to an average overall return on gross liquidity of 4.69% (return of 4.85% on net liquidity).

The **operational money market portfolio** yielded 631 million in interest on average holdings of 14.1 billion, i.e. an average return of 4.48% against a background of a fall in average short-term interest rates compared with 2000.

Placements made under the **operational bond portfolio** generated income of 6 million on average annualised holdings of 160 million, corresponding to an average yield of 3.45%. This portfolio was restructured in 2001, with the creation of two new portfolios during the fourth quarter, "credit spread" and "fixed rate bond management".

(EUR million)

	2001	2000
Total gross liquidity		
Total income	784	869
Average holdings	16 756	15 551
Average return	4.69%	5.59%
of which operational money market portfolio		
Total income	631	708
Average holdings	14 100	12 735
Average return	4.48%	5.56%
Duration	0.18 yrs	0.06 yrs
of which operational bond portfolio		
Total income	6	14
Average holdings	160	326
Average return	3.45%	4.13%
Duration	0.42 yrs	0.21 yrs
of which investment bond portfolio		
Total income	147	147
Average holdings	2 496	2 490
Average return	5.91%	5.90%
Duration	5.20 yrs	5.10 yrs

The **investment bond portfolio** yielded total income of 147 million on average holdings of 2.5 billion. Its overall return worked out at 5.91% in 2001 compared with 5.90% in 2000. The relatively higher return than in the previous year can be explained by reinvestment of securities on maturity (273 million) at more favourable rates. Lastly, the market value of this portfolio at 31 December 2001 stood at 2 526 million for a portfolio entry price of 2 467 million.

Results for the Year

Profit for the 2001 financial year came to 1 311 million compared with 1 280 million in 2000, representing an increase of 2.42%. Before transfers to provisions and extraordinary profit, the operating surplus worked out at 1 468 million in 2001, as against 1 393 million in 2000, up 5.38%.

This increase is attributable mainly to the growth of the EIB Group's balance sheet. On the interest rate front, movements were modest with the average rate on loans falling from 6.06% in 2000 to 5.64% in 2001 and the average rate on borrowings down over the same period from 5.86% to 5.34%.

Receipts of interest and commission on loans in 2001 totalled 9 921 million as against 9 746 million in 2000, while interest and commission on borrowings amounted to 8 895 million (8 857 million in 2000).

Overall, treasury operations yielded net income of 666 million in 2001, or 31 million below the 2000 figure of 698 million, producing an average overall return of 4.85% in 2001 compared with 5.60% in 2000.

The decline in the absolute level of interest income from treasury operations in 2001 stemmed chiefly from the lower return on operational portfolios, down by 30 million on 2000. This dip was due to falling short-term rates but remained limited by the impact of increased holdings.

A detailed breakdown of the Bank's treasury by compartment is presented on page 67 of the Financial Report.

General administrative expenses together with depreciation of tangible and intangible assets amounted to 202.4 million in 2001, or 8.5% more than in 2000 (186.5 million).

On 5 June 2001, the Board of Governors decided to appropriate the balance of the profit and loss account for the year ended 31 December 2000, which, after transfer of EUR 65 000 000 to the Fund for general banking risks, amounted to EUR 280 461 896, as follows: (i) an amount of EUR 250 000 000 for addition to the funds allocated to the Structured Finance Facility, and (ii) the balance, i.e. EUR 1 030 461 896, for appropriation to the Additional Reserves.

Acting on a proposal from the Management Committee, the Board of Directors is recommending that the Governors appropriate the balance of the profit and loss account for the year ended 31 December 2001, which, after transfer of EUR 145 000 000 to the Fund for general banking risks, amounted to EUR 1 311 444 923, as follows:

- EUR 750 000 000 to the new special supplementary reserve for venture capital operations and operations under the Structured Finance Facility. Transfers, in whole or in part, from this reserve to the funds allocated to venture capital operations and to the Structured Finance Facility will be effected on a decision by the Governors, it then being possible, on a decision by the Governors, to appropriate the amounts not transferred to these funds to another use and/or to the Additional Reserves.

- deduction of EUR 908 728 from the funds allocated to venture capital operations following transfer of the net result on these operations as at 31 December 2001.

- the balance of EUR 562 353 651 to the Additional Reserves.

Report of the Auditor

The Chairman of the Audit Committee
EUROPEAN INVESTMENT BANK
Luxembourg

We have audited the financial statements, as identified below, of the European Investment Bank for the year ended 31 December 2001. These financial statements are the responsibility of the management of the European Investment Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements identified below give, in accordance with the general principles of the Directives of the European Union on the annual accounts and consolidated accounts of banks and other financial institutions, a true and fair view of the financial position of the European Investment Bank as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended.

The financial statements on which our opinion is expressed comprise:

- Balance sheet
- Statement of Special Section
- Profit and loss account
- Own funds and appropriation of profit
- Statement of subscriptions to the capital of the Bank
- Cash flow statement
- Notes to the financial statements.

ERNST & YOUNG
Société Anonyme

Luxembourg, 26 February 2002

Kenneth A. HAY

The Audit Committee

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

Statement by the Audit Committee

The Committee, instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

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

and considering

- the financial statements for the financial year ending on 31 December 2001 as drawn up by the Board of Directors at its meeting on 26 February 2002,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 22, 23 & 24 of the Rules of Procedure,

to the best of its knowledge and judgement:

has verified that the Bank's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;

confirms that the financial statements, comprising the balance sheet, the statement of special section, the profit and loss account, the statement of own funds and appropriation of profit, the statement of subscriptions to the capital of the Bank, the cash-flow statement and the notes to the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2001 and of the results of its operations and cash flows for the year then ended.

Luxembourg, 19 March 2002

The Audit Committee

E. MARIA | C. NACKSTAD | M. COLAS

EIF
Financial Statements

BALANCE SHEET as at 31 December 2001

(expressed in euro)

ASSETS	*Notes*	***31.12.2001***	*31.12.2000*
Current assets			
Cash at bank and in hand			
current accounts		**39 079 199**	4 510 054
term deposits	3.1	**10 000 000**	21 632 123
		49 079 199	26 142 177
Debtors	3.2	**2 255 558**	4 332 505
Fixed-income securities			
Commercial paper	3.3	**52 578 086**	34 574 164
		103 912 843	65 048 846
Fixed assets	3.6		
Debt securities and other fixed-income securities held as fixed assets	3.4	**452 321 997**	438 437 881
Investments in venture capital enterprises	3.5	**48 428 308**	39 822 926
Intangible assets		**100 622**	154 503
Tangible and other fixed assets		**5 068 425**	5 131 195
		505 919 352	483 546 505
Prepayments and accrued income	3.7	**15 202 680**	14 352 081
Total assets		**625 034 875**	**562 947 432**

LIABILITIES	*Notes*	***31.12.2001***	*31.12.2000*
Creditors	4.1	**31 863 938**	15 562 700
Accruals and deferred income	4.2	**15 545 636**	13 168 799
Provisions for liabilities and charges			
Provision relating to guarantees	4.3	**24 311 610**	45 005 169
Other provisions		**1 444 167**	585 110
		25 755 777	45 590 279
Capital	4.4		
Subscribed		**2 000 000 000**	2 000 000 000
Uncalled		**(1 600 000 000)**	(1 600 000 000)
		400 000 000	400 000 000
Share premium account	4.4	**12 770 142**	12 770 142
Statutory reserve	4.5	**39 464 505**	32 924 425
Profit brought forward	4.5	**23 892 297**	10 230 688
Profit for the financial year	4.5	**75 742 580**	32 700 399
Total liabilities		**625 034 875**	**562 947 432**

OFF-BALANCE SHEET ITEMS

Guarantees in respect of loans granted by third parties	5.1		
Drawn		**2 260 093 563**	1 925 416 649
Undrawn		**529 552 812**	920 806 399
		2 789 646 375	2 846 223 048
Commitments on Venture Capital operations	5.3	**51 777 298**	15 801 078
Assets held for third parties	5.4	**130 745 377**	142 623 375
Fiduciary operations	5.5	**3 852 182 292**	2 594 036 680
		6 824 351 342	5 598 684 181

The accompanying notes form an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001 (expressed in euro)

	Notes	2001	2000
Net interest and similar income	6.1	**24 759 424**	21 094 149
Income from securities Income from investments in venture capital enterprises		**6 332 804**	4 084 116
Commission income	6.2	**15 872 131**	26 392 563
Net profit / (loss) on financial operations	6.3	**(491 187)**	554 842
Other operating income		**3 897**	130 939
General administrative expenses:			
Staff costs:			
- wages and salaries	6.4	**(5 691 120)**	(4 915 177)
- social security costs *of which:* EUR 244 706 relating to pensions (2000: EUR 362 580)		**(298 743)**	(443 054)
		(5 989 863)	(5 358 231)
Other administrative expenses		**(2 277 584)**	(1 807 359)
		(8 267 447)	(7 165 590)
Value adjustments in respect of tangible and intangible assets		**(377 774)**	(396 324)
Value adjustment in respect of financial assets	3.5	**(2 924 364)**	–
Transfer to/from the provision relating to guarantees	4.3	**20 335 096**	(11 994 296)
Extraordinary result	1	**20 500 000**	–
Profit for the financial year		**75 742 580**	32 700 399

The accompanying notes form an integral part of these annual accounts.

1 General

The EUROPEAN INVESTMENT FUND (hereafter the "Fund") was incorporated on 14 June 1994 as an international financial institution.

The primary task of the Fund is to contribute to the pursuit of European Community objectives through:

- the provision of guarantees;
- the acquisition, holding, managing and disposal of equity participations and
- the administration of special resources entrusted by third parties.

The Fund operates as a partnership, the members of which are the European Investment Bank (hereafter "the EIB"), the European Union, represented by the Commission of the European Communities ("The Commission"), and a group of financial institutions of Member States of the European Union. The members of the Fund shall be liable for the obligations of the Fund only up to the amount of their share of the capital subscribed and not paid in.

As a consequence of the reform of the Fund in 2000, the EIB carries out on the Fund's behalf the management of the TEN guarantee portfolio, with the commitments amounting to EUR 1 695 213 950 as at 31 December 2001. The EIB assumed the advantages as well as the risks of this portfolio and paid in January 2001 the Fund a lump sum amount of EUR 20.5 million in consideration thereof. The total risk provision for TEN guarantee operations which amounted to some EUR 40 000 000 at 31 December 2000 has been released to profit and loss as at 1 January 2001.

The EIB and the Fund entered into a Treasury management agreement on 7 December 2000 under which the EIB will manage the Fund's treasury portfolio on its behalf.

The financial year of the Fund runs from 1 January to 31 December each year.

As detailed in note 4.4, the EIB has a majority shareholding in the Fund. Consequently the Fund is included in the consolidated accounts of the EIB Group. The consolidated accounts may be obtained from the registered office of the EIB at 100, boulevard Konrad Adenauer, L-2950 Luxembourg.

2 Accounting policies and presentation of annual accounts

2.1 *Presentation of annual accounts*

These annual accounts have been prepared in accordance with the historical cost convention, employing the accounting policies set out below.

The Fund's accounting policies are in accordance with the Council Directives of the European Union where applicable.

Although the comparative figures in these financial statements have not been restated following the changes in accounting policies as indicated in notes 2.3, 2.4, 2.6 and 2.9, the related financial impact of these changes has been disclosed in the relevant notes.

2.2 *Valuation of foreign currency balances and transactions*

The share capital of the Fund is expressed in euro ("EUR") and the accounting records are maintained in that currency.

Non-monetary items denominated in a foreign currency are reported using the exchange rate at the date of the transaction (historical cost).

Monetary items, which include all other assets, liabilities, and off-balance sheet items expressed in a currency other than EUR are reported using the closing foreign exchange rate as issued by the European Central Bank.

Income and charges in foreign currencies are translated into EUR at the exchange rate ruling on the date of the transaction.

The positive exchange difference arising on the revaluation of investments in venture capital enterprises are not recognised until disposal of the related assets.

Other exchange differences arising from the translation of monetary items are recognised in the profit and loss account in the period in which they arise.

2.3 *Debt securities and other fixed-income securities*

Debt securities and other fixed-income securities intended for use on a continuing basis in the Fund's activities and normally held until final maturity are deemed to be fixed assets. Other debt securities and other fixed-income securities with initial maturity of less than one year are disclosed as current assets.

Debt securities and other fixed-income securities have been re-categorised and valued as follows:

- the floating rate notes have been dedicated to the portfolio considered as "Available for Sale" and consequently valued at market value;
- the fixed rate notes remained in the Investment Portfolio Held to Maturity and valued at cost.

  Premiums paid over the maturity value are amortised by equal instalments over the remaining period to maturity. The cumulative amortisation from the date of acquisition is included in "Accruals and deferred income" on the liability side of the balance sheet.

  Discounts received in comparison to the maturity value of securities are taken to the profit and loss account in equal instalments over the remaining period to maturity. The cumulative amortisation from the date of acquisition is included in "Prepayments and accrued income" on the asset side of the balance sheet.

2.4 *Investments in venture capital enterprises*

Investments in venture capital enterprises represent shares and other variable-yield securities and participating interests acquired for the longer term in the normal course of the Fund's activities and are shown in the balance sheet at their original purchase cost. Unrealised gains arising from the restatement of these investments at the year-end closing rates are not recognised until disposal of the investment.

Value adjustments are made following a line-by-line review of attributable net assets based on valuations provided by funds managers of the equity participations to the extent that such valuations are lower than the original purchase costs of the equity participations.

Any unrealised capital gains arising from the revaluation of venture capital investments are excluded from the value adjustment calculation and are not recognised until disposal of the underlying investment.

2.5 *Valuation of intangible and tangible assets*

Intangible and tangible assets are valued at purchase price, reduced by accumulated value adjustments calculated to write off the value of such assets on a straight line basis over their expected useful life as follows:

	Useful life
Intangible assets	
Software	2 to 5 years
Tangible assets	
Buildings	30 years
Fixtures and fittings	10 years
Office equipment	3 to 5 years
Computer equipment and vehicles	3 years

2.6 *Provision relating to guarantees*

The provisions for the guarantees have been calculated in line with the methodology set out in the Credit Policy Guidelines. This results in a rating based, transaction-by-transaction, evaluation of the provisioning requirements. This represents a change to the previous accounting policy, which was to allocate each year two thirds of gross utilisation commission to the provision relating to guarantees.

2.7 *Guarantees in respect of loans granted by third parties*

The amount disclosed in respect of issued guarantees represents the total commitment which refers to both the drawn and undrawn principal amounts of the underlying loans and, if relevant, to the present value of the flow of future interest payments covered by the guarantees.

2.8 *Commission income*

Up-front commissions received for arranging and granting guarantees are recognised when a binding obligation has been entered into.

Guarantee commissions received are recognised on a time proportion basis over the life of the guarantee.

2.9 *Net interest and similar income*

Interest and similar income are recognised on a time proportion basis taking account of the effective yield on the asset.

Premiums on fixed-income securities held as fixed assets amortised during the financial year, and interest and similar expenses paid are deducted from the gross amount of interest and similar income received.

3 Detailed disclosures relating to asset headings

3.1 *Term deposits*

The remaining life of term deposits is detailed as follows:

	2001 EUR	2000 EUR
Up to three months	10 000 000	21 632 123

The remaining life for amounts repayable by instalments is defined as the period from the balance sheet date to the repayment date of each instalment. The remaining life of other amounts due is the period from the balance sheet date to the date of repayment.

The above amount includes EUR 0 advanced by EIB as at 31 December 2001 (2000: EUR 13 632 123) (See note 4.1).

3.2 *Debtors*

Debtors include an amount of EUR 1 049 612 representing management fees to be received from the EIB with regards to the "Risk Capital Mandate".

3.3 *Commercial paper*

The market value of commercial paper amounts to EUR 52 797 700 as at 31 December 2001 (2000: EUR 32 660 100).

3.4 *Debt securities and other fixed-income securities held as fixed assets*

The securities held by the Fund are all quoted on a recognised market.

Debt securities and other fixed-income securities held as fixed assets are analysed as follows:

	2001 EUR	2000 EUR
Held to Maturity	428 007 727	420 073 531
Available for Sale	24 314 270	18 364 350
	452 321 997	438 437 881

The Available for Sale portfolio as at 31 December 2000 has not been restated to market value due to the immateriality of the amount concerned.

Securities with a remaining duration to maturity of less than one year amount to EUR 62 916 035 (2000: EUR 80 340 339).

Securities issued by the EIB amount to EUR 0 (2000: EUR 3 132 000).

The market value of debt securities held as fixed assets and normally held to maturity amounts to EUR 453 509 860 (2000: EUR 431 656 109).

The Fund participates as lender in a Securities Lending and Borrowing Programme with Euroclear and Clearstream. The market value of securities lent at the year-end amounts to EUR 4 257 802 (2000: EUR 3 816 008).

3.5 *Investments in venture capital enterprises*

Investments in venture capital enterprises are analysed as follows:

	2001 EUR	2000 EUR
Net disbursed amount at cost	51 352 671	39 822 926
Value adjustment	(2 924 364)	–
Net book value	48 428 308	39 822 926

Investments in venture capital enterprises represent equity investments and related financing structures.

The net attributable value (calculated as indicated in note 2.4) of the investments in venture capital enterprises amounts to EUR 65 716 961.

The unrealised foreign exchange gain arising from the revaluation of venture capital enterprises at year-end closing rates amounts to EUR 1 109 446 (2000: EUR 1 070 448). In accordance with the Fund's accounting policy this amount is not recognised until the related investment is either sold or repaid.

3.6 *Movements in fixed assets (expressed in EUR)*

Headings	Purchase price at the beginning of the year	Additions	Disposals	Purchase price at the end of the year	Cumulative value adjustments at the end of the year	Carrying amount at the end of the year
Debt securities and other fixed income securities held as fixed assets	438 437 881	94 283 444	80 340 339	452 380 986	58 989	452 321 997
Investments in venture capital enterprises	39 822 926	16 083 144	4 553 398	51 352 672	2 924 364	48 428 308
Intangible assets (software)	305 982	25 000	–	330 982	230 361	100 622
Tangible and other fixed assets	6 224 176	258 075	359 288	6 122 963	1 054 538	5 068 426
of which:						
a) Land and buildings	5 161 380	–	–	5 161 380	687 502	4 473 878
b) Fixtures and fittings	157 538	76 662	–	234 203	85 849	148 355
c) Office equipment	435 844	6 489	–	442 330	190 276	252 053
d) Computer equipment	386 471	165 030	359 288	192 213	29 814	162 399
e) Vehicles	74 178	9 894	–	84 072	61 097	22 976
f) Other fixed assets	8 765	–	–	8 765	–	8 765
Total	484 790 965	110 649 663	85 253 025	510 187 603	4 268 252	505 919 353

3.7 *Prepayments and accrued income*

Prepayments and accrued income are analysed as follows:

	2001 EUR	2000 EUR
Interest receivable on debt securities	10 915 316	10 056 405
Income receivable on commercial paper	213 763	298 224
Interest receivable on term deposits	7 929	2 138
Accrued discount on debt securities	1 531 320	758 387
Accrued commission on guarantees	2 533 840	3 212 534
Prepaid expenses and others	512	24 393
	15 202 680	14 352 081

The total amount of the discount to be accrued on the remaining life of fixed-income securities amounted to EUR 3 957 694 as at 31 December 2001 (2000: EUR 4 281 719).

4 Detailed disclosures relating to liability headings

4.1 *Creditors*

Creditors are analysed as follows:

	2001 EUR	2000 EUR
Trade creditors	1 686 501	71 003
Current account	30 177 396	15 326 640
Staff costs payable	41	151 515
Amounts owed to credit institutions	–	13 542
	31 863 938	15 562 700

The current account largely represents funds advanced by the EIB for additional investments in venture capital enterprises managed for the EIB, which is also included in the Fund's current accounts reported in Cash at Bank.

4.2 *Accruals and deferred income*

Accruals and deferred income are analysed as follows:

	2001 EUR	2000 EUR
Deferred income on issued guarantees	10 296 926	6 593 388
Premium amortised on debt securities	5 248 710	6 575 411
	15 545 636	13 168 799

The total amount of the premium to be amortised on the remaining life of debt securities amounts to EUR 9 029 153 (2000: EUR 10 025 611).

4.3 *Provision relating to guarantees*

The movements relating to provisions in respect of contingent losses which may arise from the guarantee portfolio are set out below:

	2001 EUR	2000 EUR
Balance at the beginning of the financial year	45 005 169	33 030 932
Release with regards to TEN portfolio	(40 000 000)	–
Transfer to the provision relating to guarantees	19 664 904	11 994 296
Utilisation	(358 463)	(20 059)
Balance at the end of the financial year	24 311 610	45 005 169

The balance of EUR 24 311 610 now solely pertains to the Fund's SME guarantee portfolio. The previous year's balance of EUR 45 005 169 pertains to the Fund's SME guarantee portfolio (EUR 5 005 169) and its TEN guarantee portfolio (EUR 40 million); the risks and rewards of the latter portfolio were transferred to the EIB effective 1 January 2001 (see note 1).

Had the risk grading approach to SME guarantee provisioning been adopted in 2000, the related provision of EUR 5 005 169 (included in the total of EUR 45 005 169) would have been increased by EUR 7 409 765 as at 31 December 2000. This would have had the impact of increasing the total transfer relating to guarantees during 2000 to EUR 19 404 061 and increasing the year-end balance to EUR 52 414 934.

4.4 *Capital*

The authorised capital amounts to EUR 2 billion, divided into 2 000 shares with a nominal value of EUR 1 000 000 each.

The subscribed share capital of EUR 2 000 000 000 representing 2 000 shares is called for an amount of EUR 400 000 000 representing 20% of the subscribed share capital.

The subscribed share capital is detailed as follows:

	2001 EUR	2000 EUR
Subscribed and paid in (20%)	400 000 000	400 000 000
Subscribed but not yet called (80%)	1 600 000 000	1 600 000 000
	2 000 000 000	2 000 000 000

The capital is subscribed as follows:

	2001	2000
	Number of shares	
European Investment Bank	1 215	1 215
European Commission	600	600
Financial institutions	185	185
	2 000	2 000

4.5 *Statutory reserve and profit brought forward*

Under the terms of Article 27 of its Statutes, the Fund is required to appropriate to a statutory reserve at least 20% of its annual net profit until the aggregate reserve amounts to 10% of subscribed capital. Such reserve is not available for distribution.

A minimum amount of EUR 15 148 516 is required to be appropriated in 2002 with respect to the financial year ended 31 December 2001.

Movements in reserves and profit brought forward are detailed as follows (expressed in EUR):

	Statutory reserve	Profit brought forward	Profit for the financial year
Balance at the beginning of the financial year	32 924 425	10 230 688	32 700 399
Dividend paid			(12 498 710)
Other allocation of last financial year profit	6 540 080	13 661 609	(20 201 689)
Profit for the financial year			75 742 580
Balance at the end of the financial year	39 464 505	23 892 297	75 742 580

The General Meeting of members of 22 May 2001 approved the distribution of a dividend amounting to EUR 6 580 per share in respect of the 1 799 shares with entitlement for the full financial year 2000 and EUR 3 290 per share for the 201 shares previously unallocated (2000: EUR 6 000 per share), amounting to EUR 12 498 710.

5 Disclosures relating to off-balance sheet items

5.1 *Guarantees*

Guarantees issued in respect of loans drawn down and those not yet drawn down by the obligor are analysed with reference to their maturity as follows:

	Drawn EUR	Undrawn EUR	Total 2001 EUR	Total 2000 EUR
Up to five years	767 934 062	66 655 296	834 589 358	287 318 121
From five to ten years	960 408 186	349 809 210	1 310 217 396	1 688 112 112
From ten to fifteen years	268 464 179	29 288 113	297 752 292	445 730 516
Over fifteen years	263 287 136	83 800 193	347 087 329	425 062 299
	2 260 093 563	529 552 812	2 789 646 375	2 846 223 048

Of the above total amount, EUR 1 322 531 700 (2000: EUR 1 351 184 430) has been issued in favour of the EIB.

Also included in the above total is an amount of EUR 1 695 213 950 representing the TEN guarantees operations managed by the EIB on behalf of the Fund with effect from 1 January 2001.

The drawn-down portion of the guarantees issued includes an amount of EUR 67 461 129 (2000: EUR 80 558 581) representing the present value of future interest covered by guarantees.

5.2 *Statutory ceiling on the overall commitments for operations*

As regards guarantee operations, under the terms of Article 26 of the Fund's Statutes, the overall commitment of the Fund, excluding commitments made by the Fund on behalf of third parties, may not exceed, three times the amount of its subscribed capital for guarantee operations.

The present level of capital establishes a ceiling of EUR 6 000 000 000 in relation to total guarantees outstanding currently totalling EUR 2 789 646 375 (2000: EUR 2 846 223 046).

In accordance with Article 12 and in conjunction with Article 26 of the Statutes, the ceiling presently applied in respect of the Fund's own venture capital operations is 50% of own funds. Taking into account the 2001 results, the ceiling stands at EUR 268 134 762 whilst the commitments in respect of the venture capital operations amount to EUR 126 246 832 (2000: EUR 74 907 083).

5.3 *Commitments*

Commitments represent investments in venture capital enterprises committed and not yet disbursed amounting to EUR 51 777 298 (2000: EUR 15 801 078).

5.4 *Assets held for third parties*

Assets held for third parties, as set out below, represent three trust accounts opened and maintained in the name of the Fund but for the benefit of the Commission of the European Communities ("the Commission"). Sums held in these accounts remain the property of the Commission so long as they are not disbursed for the purposes set out in relation to each project.

Under the Growth and Environment Pilot Project, the Fund provides a free guarantee to the financial intermediaries for loans extended to SMEs with the purpose of financing environmentally friendly investments. The ultimate risk from the guarantee rests with the Fund and the guarantee fee is paid out of European Union budget funds.

Under the SME Guarantee Facility, the Fund is empowered to issue guarantees in its own name but on behalf of and at the risk of the Commission.

Under the ETF Start-Up Facility, the Fund is empowered to acquire, manage and dispose of ETF start-up investments, in its own name but on behalf of and at the risk of the Commission.

	2001 EUR	2000 EUR
Growth and Environment Pilot Project	16 091 609	22 480 915
SME Guarantee Facility	54 762 256	60 831 838
ETF Start-Up Facility	59 891 512	59 310 622
	130 745 377	142 623 375

The ETF Start-Up Facility balance also includes net investments of EUR 34 466 483 (2000: EUR 21 887 927).

5.5 *Fiduciary operations*

Pursuant to Article 28 of its Statutes, the Fund acquires, manages and disposes of investments in venture capital enterprises, in its own name but on behalf of and at the risk of the EIB and of the Commission, according to Fiduciary and Management Agreements concluded with the EIB ("European Technology Facility", "European Technology Facility 2" and "Transfer, Implementation and Management of Risk Capital Investments" (Risk Capital Mandate)) and with the Commission ("ETF Start-Up Facility").

The Fund is also empowered to issue guarantees in its own name but on behalf of and at the risk of the Commission according to the Fiduciary and Management Agreement concluded with the Commission ("SME Guarantee Facility").

Fiduciary operations concluded pursuant to the Fiduciary and Management Agreements are analysed as follows:

	2001 EUR	2000 EUR
Guarantees signed on behalf of the European Community under the SME Guarantee Facility		
Drawn	1 302 384 060	604 533 627
Undrawn	662 955 077	874 419 383
Investments made:		
European Technology Facility	106 063 926	66 164 846
ETF - Start-Up Facility	50 106 275	21 887 927
EIB Risk Capital Mandate	629 059 524	412 396 810
Investment commitments not yet drawn:		
European Technology Facility	129 583 971	78 637 603
ETF - Start-Up Facility	55 066 686	26 135 858
EIB Risk Capital Mandate	916 986 370	509 860 626
	3 852 205 889	2 594 036 680

6 Detailed information on the profit and loss account

6.1 *Net interest and similar income*

Net interest and similar income comprises:

	2001 EUR	2000 EUR
Interest on debt securities	25 405 315	23 222 252
Interest on term deposits	708 218	744 273
Accrued discount on debt securities	819 505	561 264
Interest on bank current accounts	628 186	123 267
Premium amortised on debt securities	(2 701 123)	(3 494 427)
Interest and similar charges	(100 678)	(62 480)
	24 759 423	21 094 149

6.2 *Commission income*

Commission income is detailed as follows:

	2001 EUR	2000 EUR
Commissions on guarantees issued in respect of loans drawn down	4 519 522	18 431 594
Commissions on guarantees issued in respect of loans not yet drawn down	134 257	1 417 724
Up-front commissions in respect of guarantees issued	958 786	1 792 744
Commission on European Technology Facility	2 291 875	1 875 000
Commission on ETF Start-Up Facility	1 400 521	1 178 208
Commission on SME Guarantee Facility	2 928 326	1 258 395
Commission on EIB Risk Capital Mandate	3 607 843	438 898
Other commissions	31 000	–
	15 872 130	26 392 563

6.3 *Net profit / (loss) on financial operations*

Net profit/(loss) on financial operations represents losses of EUR 491 187 arising from:

- Foreign exchange gains for EUR 150 700 (2000 includes gain of EUR 554 842);

- Value adjustment of EUR 58 989 in respect of Available for Sale portfolio;

- Realised loss of EUR 582 898 on sales of securities.

6.4 *Wages and salaries*

Wages and salaries include costs of EUR 2 162 345 incurred in relation to staff seconded from the EIB.

7 Personnel

The number of persons (including the Chief Executive and 15 EIB secondees) employed at the year-end was as follows:

	2001	2000
Chief Executive	1	1
Employees	51	46
Total	52	47
Average during the year	47	44

8 Taxation

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

Unit of account

The Fund's unit of account is the euro (EUR) adopted by the European Union. Unless otherwise indicated in the Annual Report and Financial Statements, all amounts are expressed in euro. The following conversion rates were used for drawing up the balance sheet of 31 December 2001.

1 euro =	31 December 2001
Pound sterling	0.60850
Danish kroner	7.4365
Swedish kronor	9.3012
US dollar	0.8813

Statistical note

Unless otherwise indicated, amounts in EUR shown in this Annual Report are based on conversion rates published by the European Central Bank on the 28 December 2001.

Results for the Year

The EIF recorded a net profit in 2001 of EUR 75 742 580, compared with EUR 32 700 399 in 2000.

Of gross operating income of EUR 46 964 357, 52.7% stemmed from income on treasury investments, 33.8% from commissions on guarantee operations and 13.5% from income on venture capital operations. A net amount of EUR 20 335 096 was released from the provision relating to guarantees. Extraordinary income of EUR 20 500 000 was generated by the transfer of the risks and advantages related to the TENs guarantee portfolio.

The profit on treasury activities of EUR 24 million in 2001 (EUR 21 million in 2000), up by EUR 3 million, represented a global average return of 4.57% in 2001 (4.80% in 2000).

The balance sheet total progressed from EUR 562 947 432 at 31 December 2000 to EUR 625 034 875 at 31 December 2001, an increase of 11%. On the liabilities side, the provision relating to guarantees stood at EUR 24 311 610. The statutory reserve amounted to EUR 39 464 505, a rise of 19.9% compared to 2000.

Off-balance sheet commitments increased by 21.9% from 5 598 684 181 at 31 December 2000 to EUR 6 824 351 342 at 31 December 2001. Of the 2001 year-end balance, 58% related to fiduciary operations and the remainder essentially to guarantee operations from own resources.

Report of the Auditor

To the Audit Board of
the EUROPEAN INVESTMENT FUND
43, avenue J.F. Kennedy
L-2968 Luxembourg

Following our appointment by the Audit Board, we have audited the accompanying annual accounts of the EUROPEAN INVESTMENT FUND for the year ended December 31, 2001. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached annual accounts give a true and fair view of the assets, liabilities and financial position of the EUROPEAN INVESTMENT FUND as at December 31, 2001 and of the results of its operations for the year then ended in conformity with the Council Directives of the European Union where applicable.

KPMG Audit
Réviseurs d'Entreprises

Luxembourg, 25 February 2002

D.G. Robertson

The Audit Board

The Audit Board set up pursuant to Article 22 of the Statutes,

- acting in accordance with the customary standards of the audit profession,
- having studied the books of accounts and such documents which it deemed necessary to examine in the discharge of its duties,
- having examined the report dated 25 February 2002 drawn up by KPMG Audit,

considering Articles 17, 18 and 19 of the Rules of Procedure,

hereby confirms

- that the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes, the Rules of Procedure and the guidelines and directives from time to time adopted by the Board of Directors;
- that the balance sheet and profit and loss account of the Fund give a true and fair view of the financial position of the Fund in respect of its assets and liabilities, and of the results of its operations for the financial year under review.

Luxembourg, 25 February 2002

The Audit Board

Michael HARALABIDIS

Henk KROEZE

Sylvain SIMONETTI

Control and Evaluation

AUDIT COMMITTEE - As an independent statutory body, answerable directly to the Board of Governors, the Audit Committee verifies that the Bank's operations have been conducted in compliance with the procedures laid down in its Statute and the Rules of Procedure and that its books have been kept in a proper manner. The Governors take note of the report of the Audit Committee and its conclusions, and of the Statement by the Committee, before approving the Annual Report of the Board of Directors. The Audit Committee meets every month to coordinate its own work and that of the external and internal auditors and holds regular meetings with the members of the Management Committee and key staff members.

In furtherance of "best banking practice" and action to strengthen the control structures embarked upon by the Bank over a number of years, the Audit Committee continued during 2001 to monitor closely the gradual integration into the Bank's internal control systems of the method and recommendations of the Basle Committee on Banking Supervision (BIS - Bank for International Settlements) set out in the "Framework for Internal Control Systems in Banking Organisations".

EXTERNAL AUDITORS - The independent external auditors report directly to the Audit Committee, which they inform each year of their work programme and of the coordination of their activity with that of the Bank's Internal Audit. The firm Ernst & Young was appointed by the Audit Committee in 1997, after consultation with the Bank's Management Committee. The contract has been renewed for a 3-year period commencing in 2002.

INTERNAL AUDIT - Catering for audit needs at all levels of management of the EIB Group and acting with the guarantees of independence and of professional standards conferred upon it by its Charter revised in 2001, Internal Audit examines and evaluates the relevance and effectiveness of the internal control systems and the procedures involved. It is also introducing an internal control framework based on BIS guidelines. Hence, Internal Audit reviews and tests controls in critical banking, information technology and administrative areas over a two to five year cycle. Under internal procedures to combat fraud, the Head of Internal Audit has authority to conduct enquiries. The Bank may also call upon external assistance or experts in accordance with the requirements of the enquiry, including the services of the European Anti-Fraud Office (OLAF).

FINANCIAL CONTROL - This independent department, set up as part of measures to tighten financial controls within the Bank, is responsible for general accounting and for preparing the Bank's financial statements. Financial Control is also called upon to express a second opinion on certain aspects of the Bank's financial policies and their implementation. Financial Control covers all the Bank's activities whose data streams have an important impact on its financial position, such as credit risk, performance indicators, information and management systems, the administrative budget, ALM and market risks. Thus, the Financial Control function includes analysing financial management instruments as well as the associated systems.

CREDIT RISK - The process of credit risk control for lending operations is implemented both before and after loan signature. Its objective is to avoid making unsound loans from the outset and, subsequent to disbursement, to ensure that the value of the EIB's loans is preserved, leading to the complete and timely recovery of all outstanding amounts. In the case of treasury, portfolio and derivative operations, the goal is also to ensure that counterparties are of a high quality, that bilateral limits are not exceeded and that the credit risk of transactions is correctly measured and, if necessary, collateralised at all times.

The Credit Risk Directorate delivers an independent opinion on the credit risk involved in each loan proposal to the Management Committee, with recommendations on the structure of the loan, checking its compliance with the relevant credit policy guidelines and approved individual and sectoral limits. Advice is given on appropriate credit risk mitigants (e.g. contractual clauses) to be included in the final contracts.

An in-depth analysis of the creditworthiness of both the client and the guarantor (when appropriate) is carried out, taking also into account the maturity of the operation, as well as all available securities and covenants. The result of this assessment is quantified by an internal loan grading, based on the expected loss methodology. This loan grading serves as a general guide to the acceptability of the proposed transaction and also to establish the level of the general provisioning required.

All the internal credit risk policy guidelines are codified and are approved by the competent bodies.

OPERATIONS EVALUATION - This department carries out *ex post* evaluations and coordinates the self-evaluation process in the Bank. It ensures transparency vis-à-vis the EIB's governing bodies as well as interested outside parties, by carrying out thematic, sector and regional / country evaluations of projects financed by the Bank, once they have been completed. Through its work, this department familiarises external observers with the performance of the Bank and encourages the institution to learn from experience.

In 2001, the department completed and published evaluation reports on regional development in Portugal and Italy, venture capital operations in the African, Caribbean and Pacific States and energy projects in the European Union and Central and Eastern Europe.

The abovementioned controls stem from the Bank's Statute or other internal organisational provisions. As both a Community body and a financial institution, the Bank cooperates with other independent control bodies entrusted with such tasks under the Treaty or other regulations.

EUROPEAN COURT OF AUDITORS - Under Article 248 of the EC Treaty, the Court is vested with the task of examining all revenue and expenditure accounts of the Community. The results of the Court's audits are published (www.eca.eu.int). In accordance with the Agreement mentioned in Article 248 (3) and which sets out the arrangements governing the Court's audit of the use of Community funds managed by the Bank under mandate, the Bank continued in 2001 to provide the Court of Auditors with all information requested.

OLAF (European Anti-Fraud Office) - In accordance with the Bank's policies and procedures regarding the investigation of cases of suspected fraud or corruption, following the establishment in 2000 of a cooperative relationship with OLAF, in 2001 the Bank voluntarily provided OLAF with the results of a comprehensive audit of an EIB project on which suspicions had been raised.

EUROPEAN OMBUDSMAN - Pursuant to Article 195 of the Treaty, the Ombudsman conducts investigations into alleged instances of maladministration by the Community institutions and bodies. The Treaty vests the Ombudsman with full independence in the performance of his duties. The Bank's responses to requests for information or opinions, either in the context of a citizen's complaint or of an investigation opened at the Ombudsman's own initiative, aim to demonstrate the Bank's compliance with the rules that are binding on it. The Ombudsman publishes the results of his enquiries (www.euro-ombudsman.eu.int). In 2001, the Bank received five requests for information or opinions, to which it has since responded.

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