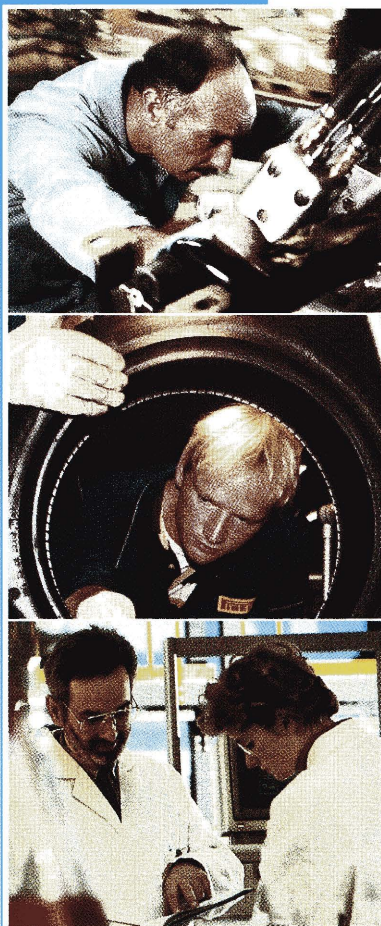


1998



40 years
of lending
in support of
European
integration

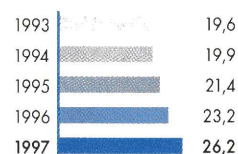


EUROPEAN INVESTMENT BANK
The European Union's financing institution

Key data

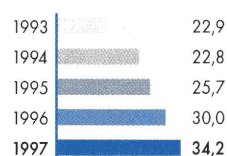
(ECU million)	1997	1993-1997
Contracts signed	26 202	110 410
Within the European Union	22 958	97 915
Outside the European Union	3 244	12 495
Resources raised	23 025	81 364
Outstandings		
Loans from the Bank's own resources	142 406	
Financing from budgetary resources	2 334	
Short, medium and long-term borrowings	110 394	
Reserves and profit for the financial year	14 310	
Balance sheet total	157 122	
Subscribed capital at 31 December	62 013	
of which paid in and to be paid in	4 652	

Contracts signed



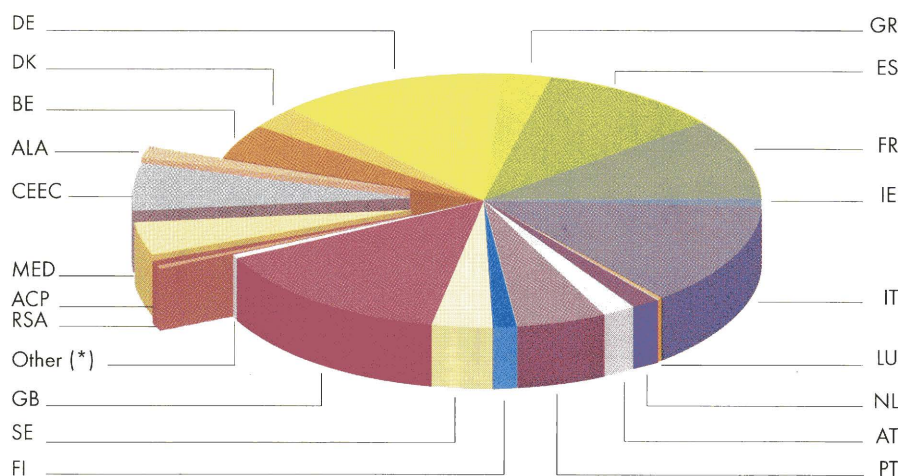
13% growth in lending activity in 1997

Disbursements



15% growth in disbursements in 1997

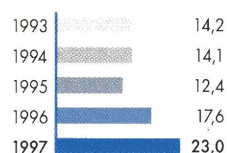
Geographical breakdown of EIB lending in 1997: ECU 26.2 billion



(*) Projects with a European dimension located outside the territory of the Union

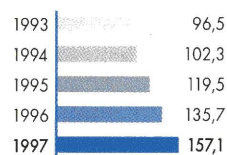
NB: - Bar charts in ECU billion
- Unless otherwise indicated, all amounts given in this brochure are expressed in ECUs

Resources



31% growth in borrowings in 1997

Balance sheet



16% growth in the balance sheet in 1997

Message from the President

In 1998, the European Investment Bank celebrates 40 years of serving the cause of European integration. This anniversary falls as the Union completes its monetary integration and prepares for the admission of new members, while faced with the need to respond to its citizens' legitimate concerns for sustainable and job-creating growth.

Through its operations, the Bank is a proactive player in meeting these challenges. Two thirds of our financing is devoted to investment strengthening the fabric of the Union and promoting development of its least advanced regions. Additionally, in order to sustain growth and employment in Europe, the EIB has built on the foundations laid at the Amsterdam European Council meeting by launching a special action programme. The purpose of this is to direct a substantial part of our lending towards labour-intensive schemes or towards projects that prepare Europe for the future by placing particular emphasis on education and health, environmental protection and the start-up of innovative businesses.

But the Bank also helps to pave the way for the Union's sustainable development by financing investment directed towards sound energy stewardship, honing industrial technologies, building up communications networks and looking after our citizens' quality of life.

In such ways the EIB demonstrates day by day its capacity and resolve to prepare effectively for Economic and Monetary Union.

The Bank is also mobilising its exceptional resource-raising capacity and credit rating towards assisting the future single currency's successful introduction. Through its innovative issuing strategies, it is working to ensure that a liquid and deep market in euros is well established by 1 January 1999.

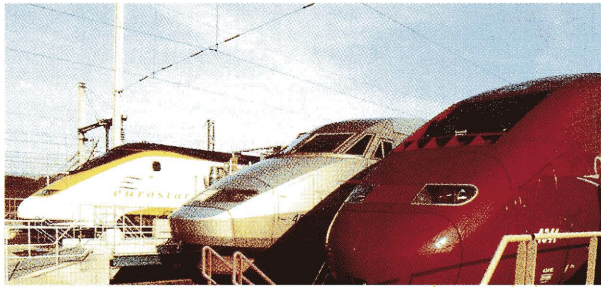


Outside the Union, the Bank makes a major contribution to the success of European development aid and cooperation policies. In particular, it is committed to preparing the ground for the accession of new member countries by lending for projects compliant with Community standards within such areas as environmental protection, industrial development and communications.

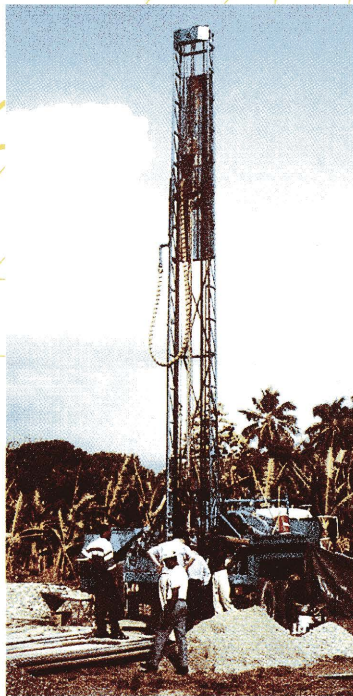
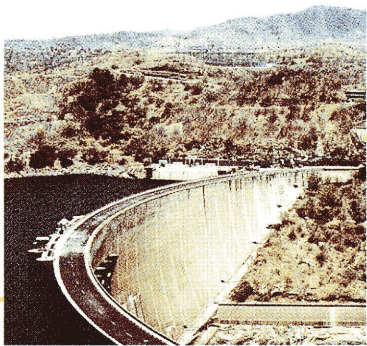
With a balance sheet approaching ECU 160 billion and annual operations totalling over ECU 25 billion, the Bank is making a practical contribution to building a mutually more supportive and outward-looking Europe. In so doing it draws on a long-standing partnership with the Union's banking community, thereby leveraging its operations to exert maximum impact as the third millennium dawns.

Sir Brian Unwin
President and Chairman of the Board of Directors

40 years dedicated to promoting European integration



The EIB, the European Union's financing institution, has been working since it was set up in 1958 to promote balanced development and economic and social cohesion in its Member States.



In so doing, it contributes to building a closer-knit Europe, the economic integration of which becomes ever more firmly based as the EU moves towards Monetary Union.

Outside the Union, the Bank also supports development in some 120 partner countries.

The EIB raises its resources by borrowing substantial volumes of funds on the capital markets, which it deploys on the finest terms in financing investment consistent with the Union's objectives.

1958

1958
The EIB is set up:
Initial subscribed capital: 1 billion units of account (u.a.)

1963
EIB lends in 17 ACP countries signatories to the Yaoundé Convention

1973
First enlargement:
Capital increased to 2.025 billion u.a.

1976
Capital increased to ECU 3.544 billion



1962
First financing operations outside the Community

1968
Transfer of head office from Brussels to Luxembourg



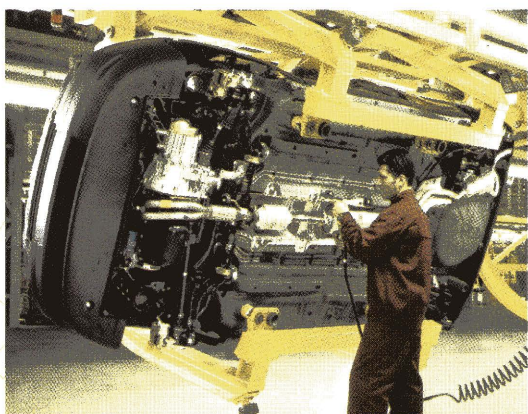
1958

1964
1.1 billion u.a. in loans

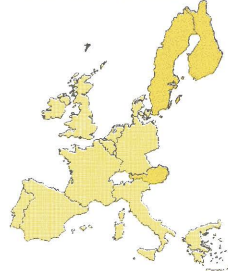
1961
First EIB issue on the capital markets

1968
The Bank grants its first global loans to fund SMEs in assisted areas

1973
Oil crisis:
Lending extended to energy sector



1995
Fourth enlargement:
Capital increased to
ECU 62.013 billion



1998
EIB launches pre-accession
facility for Central and
Eastern European
Countries and Cyprus

1998

1990
First operations in
Central and
Eastern
European
Countries

1993
First EIB
operations in Asia
and Latin America

1997
First borrowing
denominated in
euros

1997
Amsterdam European Council:
EIB puts in place programme for
growth and employment

1991
Capital
increased to
ECU 57.6 billion

1994
ECU 20 billion
in loans

1994
Essen European Council:
EIB announces its special
"Trans-European
Networks" window

1990
First convertible,
variable-rate loans

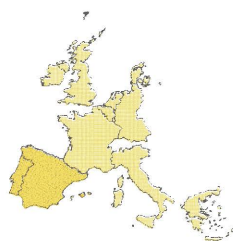
1993
Copenhagen
European Council:
EIB deploys subsidised
lending facility for
SMEs

1988
Introduction
of revisable,
fixed-rate
loans

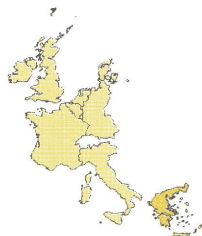
1988
ECU 10.2 billion
in loans

1992
Edinburgh
European Council:
Lending for major
infrastructure and
the environment
stepped up

1988
Lending extended
to SMEs,
telecommunications,
urban transport and
cultural heritage
outside assisted
areas



1986
Third enlargement:
Capital increased to
ECU 28.8 billion



1981
Second enlargement:
Capital increased to
ECU 14.4 billion

1984
Introduction
of variable-
rate loans

1983
ECU 5.9 billion
in loans

1984
Lending extended
to advanced
technology and
environmental
protection

1979
Capital increased to
ECU 7.088 billion

1980
EIB moves
into new
headquarters
in Luxembourg-
Kirchberg

1978
Extension of
operations to
associated
Mediterranean
Countries

1979
First global loans to
support local and
regional infrastructure

1998





On the road towards Economic and Monetary Union

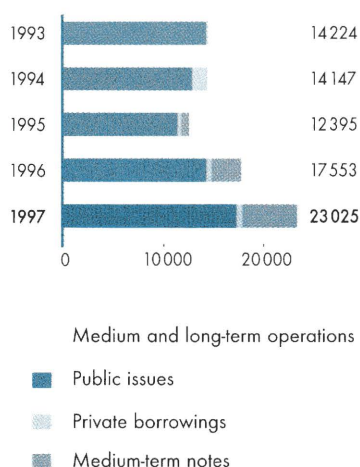
The balanced development of the Union, an ambition enshrined in the Treaty of Rome and the goal of Economic and Monetary Union (EMU), is a constant priority for the European Investment Bank. As an institution of the Union and a bank, the EIB is closely involved in implementing EMU, which it actively supports both through its lending activity in furtherance of the Union's regional development and cohesion and through its borrowing activity on the capital markets.

Strategic support for introduction of the euro

As the leading supranational borrower, the EIB maintains a constant presence on the capital markets, where the excellent rating its issues enjoy enables the Bank to channel the savings it taps on the finest terms towards capital projects giving tangible expression to European integration. In the past it has played a particularly significant role in opening up and internationalising Europe's capital markets and promoting the ECU.

On the strength of this experience and with a borrowing capacity of between ECU 20 and 25 billion a year, the EIB has the means and the determination to make a decisive contribution towards

Breakdown of funds raised between 1993 and 1997



Euro-tributary issues in 1997 (before swaps) (amounts in million)

	National currency	EURO
EURO	1 300	1 300
PTE	20 000	102
DEM	2 000	1 021
FRF	6 000	909
NLG	1 000	458
ITL	2 550 000	1 326
GBP	500	700
LUF	2 000	49
		5 865

introduction of the euro. It is establishing itself as the benchmark issuer on this market, alongside the major sovereign borrowers.

The Bank is thus pursuing a borrowing strategy aimed at speeding up the creation, even prior to the start of Monetary Union, of a deep and liquid market in euro-denominated instruments. In early 1997, it launched the maiden borrowing in euros, amounting to 1.3 billion, followed, in February 1998, by its first global euro issue - for 2 billion - which was placed simultaneously on the European, American and Asian markets.

The EIB launches the first-ever borrowing in euros



Two thirds of lending geared to fostering economic and social cohesion within the Union

The Bank has also embarked upon a major programme of "euro-tributary" issues in the various currencies of the Union. These borrowings, based on identical terms with regard to nominal coupon and maturity, are convertible into euros as from 1 January 1999. At 1 May 1998, aggregate EIB euro and euro-tributary issues ran to 13.9 billion.

Over coming months, the EIB will be bolstering this strategy with programmes involving the exchange and redenomination of its earlier borrowings - totalling more than ECU 45 billion - in the currencies of countries taking part in Monetary Union.

The Bank is thus playing a leading role in building up a critical mass of euro-denominated instruments on the financial markets.

The EIB: financing regional development

Contributing towards the development of the less privileged regions, which encompass nearly half the Union's population, is a top priority for the EIB. It devotes more than two thirds of its lending to such areas, thus providing vital support for correcting regional imbalances.

Over the past five years, 64 billion have been advanced for projects representing aggregate capital expenditure of more than 160 billion in these regions. A large part of this activity has focused on expanding transport, telecommunications and energy infrastructure, key factors in promoting integration and development. At the same time, the EIB has invested in strengthening their productive base, by underpinning large-scale industrial projects as well as small and medium-sized enterprises (SMEs).

Since 1993, more than 47 000 SME ventures - two thirds of them located in assisted areas - have received loans totalling 10.7 billion. Combined with the financing of major start-up or extension projects in the industrial sector, which have been supported by loans exceeding 9 billion over the same period, EIB lending has thus been making a crucial contribution towards boosting economic activity and employment in structurally weak regions.

Action by the Bank to promote regional development is mounted in close liaison with European Commission initiatives, in particular via the European Regional Development Fund and the Cohesion Fund; it is designed to achieve an optimum mix of Community budgetary grant aid and EIB loans.

Financing infrastructure for the 21st century

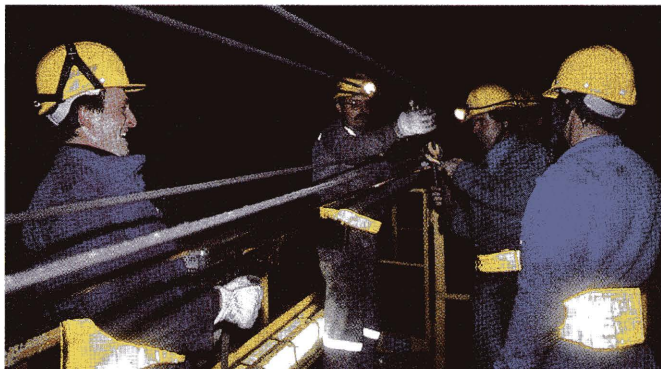
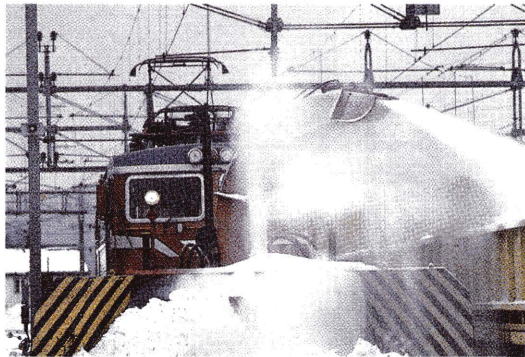
Efficient transport, telecommunications and energy transfer networks are more necessary than ever for a Europe which is successfully pushing ahead with economic and monetary integration and preparing for the accession of new Member Countries.

Integration and balanced urban and regional development are in fact largely dependent on such infrastructure, which provides a firm basis for a competitive European industry generating new job opportunities. The EIB is thus striving - by means of financing tailored to the specific requirements of the sector concerned - to transform the different national networks into an ever-more integrated system at European level.

As the principal source of bank finance for major infrastructure projects in most Member Countries, the EIB has, over the past five years, provided loans totalling 46 billion (the bulk, 38 billion, within the Union) for a wide range of infrastructure schemes encompassing all means of communication.

These projects - fixed links across the Scandinavian straits, establishment of a European high-speed rail network, harmonisation of European air traffic control systems, interconnection of electricity or gas grids - illustrate how Europe is equipping itself with the infrastructure suited to underpinning competitive economic activity.

Leading source of bank finance for key infrastructure projects





Financing sustainable development

For four decades the EIB has been committed to building Europe, by means of its lending operations designed to preserve the common heritage of the citizens of the Union and actively prepare for the future in terms of safeguarding the environment and securing energy conservation. Its loans for capital projects of all sizes foster the competitiveness of European industry and target sustainable economic growth with the emphasis on job creation.

The Amsterdam Special Action Programme, launched in 1997, reinforces the EIB's traditional remit by channelling a large proportion of Bank finance into labour-intensive projects (health, urban renewal) or those laying the foundations for the Union of tomorrow (education, environment and trans-European networks).

A safer environment

Protecting the quality of life, making better use of natural resources, preserving the ecological and cultural heritage and harnessing low-pollution energy sources are matters of legitimate concern to EU citizens. This calls for concerted action, to which EIB financing is contributing on an ongoing basis.

Since the 1960s, the EIB has helped to enhance the quality of life of Europeans by providing loans for projects in the water sector: establishment of distribution networks and installation of wastewater collection and treatment facilities. It has subsequently built on and broadened its initiatives to include the processing of industrial and household waste, the reduction of atmospheric pollution and the correction of environmental degradation.

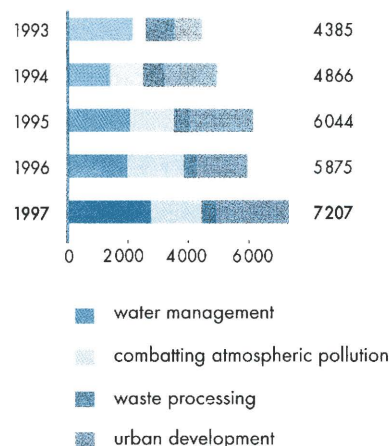
Improving the quality of life in urban areas, where two out of three Europeans live and work, has become a permanent feature of the Bank's activities. Over the past five years the EIB has mobilised some 9 billion for projects involving some 60 European towns and cities. These schemes have focused notably on the development of public transport, road improvements and urban renewal, and waste incineration with heat recovery. The main aim has been to promote

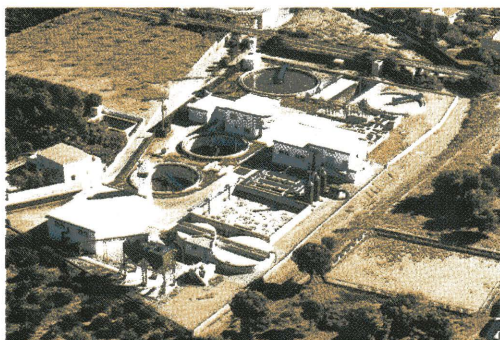
sustainable, growth-oriented urban environments contributing towards a revival of economic, cultural, social and other types of activity.

Loans for environmental projects increased by 23% in 1997

Over the years, lending for projects with an environmental bias has grown steadily and now accounts for roughly a third of financing within the Union (more than 28 billion during the past five years).

Environment and quality of life 1993-1997: 28.2 billion





Plentiful, low-pollution energy supplies

It is imperative for our highly developed economies to be able to command secure, environmentally-friendly energy supplies. Hence, since the 1970s the EIB has been supporting efforts to diversify the Union's energy supplies, and to exploit indigenous resources as well as to manage these judiciously.

To this end, the EIB mobilised more than 16 billion between 1993 and 1997, i.e. nearly a fifth of overall lending.

The priorities included setting up, on a pan-European scale, interconnected gas or electricity networks with a view to a fully integrated energy market, reliable least-cost supplies and optimum use of existing capacity.

In this context, the Bank has provided finance for introducing natural gas into Italy, Germany, Spain, Greece and Portugal; it has also funded construction of gaslines linking Russia, Algeria and fields in the North Sea with the Union, thereby giving access to plentiful resources on the outskirts of the Union.

In the electricity sector, the Bank has helped to set up and interconnect high-voltage power transmis-

sion networks, in particular by laying underwater cables, namely between Sweden and Germany, between Norway and Denmark, between the United Kingdom, Ireland and mainland Europe, and between Spain and Morocco.

Loans for a more competitive industry

Financing vital adjustments in industry, strengthening its competitiveness and helping to develop efficient businesses withstanding international competition and creating jobs are all crucial issues for our economies.

The EIB has consistently supported these endeavours and advanced nearly 16 billion since 1993 for projects covering all productive sectors, primarily those exposed to fierce international competition (e.g. car manufacturing and electronics) or involving innovation and research (such as the pharmaceuticals and chemicals industries).

Small and medium-sized enterprises, which are the main source of new jobs, have a key role to play in the European economy by virtue of their adaptability, flexibility and dynamism. The provision of appropriate finance is therefore becoming a vital factor in their development and a means of combating unemployment.

Over the past five years, EIB lending has supported productive investment totalling 10.7 billion by some 47 000 SMEs throughout the Union. Under this heading, the Bank has, since the late 1960s, established a fruitful partnership with some 130 banks and institutions, combining its financing capacity with their knowledge of the realities and requirements of SMEs.

Stimulating growth and employment

The Decision taken by the Amsterdam European Council in June 1997 to entrust the EIB with new tasks in order to stimulate economic growth and employment in Europe was both a recognition of past achievements and a challenge for the future.

The Amsterdam Special Action Programme (ASAP), inaugurated by the Bank in September 1997, aims to channel a substantial proportion of EIB finance into labour-intensive projects (health, urban renewal) or those laying the foundations for the Union of tomorrow (education, trans-European networks and the environment).

Furthermore, in order to provide greater support for innovative or growth-oriented SMEs, the EIB is deploying, through the European Investment Fund or risk-sharing operations, a range of novel financing packages for bolstering the equity of such firms, so facilitating their access to bank finance. The risk associated with these new initiatives is guaranteed to the tune of 1 billion via the EIB's operating surpluses.

By the year 2000 the EIB therefore intends to mobilise some 10 billion in favour of projects supporting growth and employment, on top of its traditional lending activity.



**ASAP:
investing
for jobs**



A global perspective

Since its inception, the Union has endeavoured to show its solidarity with the less developed countries; it thus embarked upon development aid and financial assistance policies to help the nations with which it has special relationships. The EIB has been closely associated with implementation of these policies, managing the financial components, and maintaining an active presence in Africa, the Caribbean and the Pacific (ACP), the Mediterranean region, Central and Eastern Europe, Asia and Latin America.

Community assistance, which is enshrined in agreements between the Union and its partner countries, takes the form of budgetary grant aid and EIB loans. It targets the development of 71 ACP countries, the establishment of a stronger Euro-Mediterranean partnership, preparations for the accession of the Central and Eastern European countries and Cyprus and cooperation with Asia and Latin America.

Long-standing support for the development of the ACP countries

EIB activity in the ACP countries, conducted under the Lomé Convention (1995-2000), provides for nearly 3 billion for all the key sectors: mining and quarrying, manufacturing and agricultural process-

ing plus services. It is also intended to contribute towards the development of basic infrastructure essential for economic activity (energy, communications, water management). These financing operations, mounted with both private and public promoters, include not only long-term loans from the Bank's own resources but also, in appropriate cases, risk capital and interest subsidies from the Union's or Member States' budgetary resources.

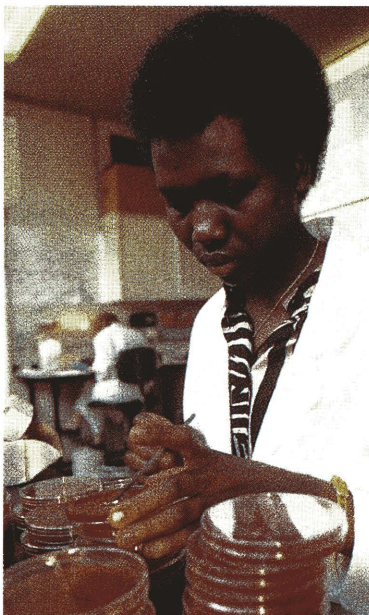
Euro-Mediterranean Partnership

In countries on the southern rim of the Mediterranean, support for the local private sector and for joint ventures is one of the Bank's priority objectives. EIB finance is helping to implement the ambitious Euro-Mediterranean Partnership, which is set to lead, in 2010, to a customs union between the EU and its Mediterranean partners.

EIB loans give practical expression to the Union's financial cooperation policies

Through its operations in the form of individual loans, global loans and risk capital (2.3 billion over the period 1997-2000), the EIB is encouraging the Mediterranean countries to restructure their economies, strengthen their financial sectors as well as press ahead with privatisation and deregulation, so facilitating their progressive economic integration into the Union.

In addition, EIB operations are very much geared towards environmental protection and water ►





management as the dearth of water resources and arable land, combined with population growth and the rapid transition of certain countries towards industrial economies, have given rise to considerable pressures on the region's environment.

Since the late 1980s, the EIB has thus been implementing, in cooperation with other institutions, the Mediterranean Environmental Technical Assistance Programme (METAP).

Preparing for enlargement of the Union: the EIB launches its Pre-Accession Facility

Now that the way is open for enlargement, the Union has embarked upon increasingly close cooperation with the Central and Eastern European countries. The EIB, which has been active in the region since 1990, has supported

efforts to promote the transition towards a market economy and is at present concentrating on the preparations for accession.

With this in mind, the Bank has channelled the bulk of its finance into large-scale projects involving communications infrastructure: roads, railways, telecommunications and trans-European networks, all vital for integration into the Union and expansion of economic activity.

The EIB has increased its backing for the countries in question by setting up, at the beginning of 1998, an additional pre-accession support facility for 3.5 billion, thereby doubling its capacity to finance operations in those countries up to the year 2000. Operating without the Community guarantee which covers Bank operations outside the Union, this facility is designed primarily to transpose the Community patrimony to the countries in question by financing projects aimed at safeguarding the environment, modernising industry and extending trans-European networks.

The EIB's activity in the region is closely coordinated with the PHARE programme, the Community's second source of financial support for those countries which have applied to join the Union. The Bank has also stepped up its cooperation with financial institutions in the EU Member States, the World Bank and the European Bank for Reconstruction and Development.

As in the case of earlier enlargements, the EIB is helping to develop the capital markets in the countries concerned by setting up borrowing programmes in the currencies of the applicant countries. This strategy fosters the growth of the markets in question, while mobilising savings in favour of projects for which there is a demand for funding in local currency in order to minimise the foreign exchange risk.

Developing cooperation with Asia and Latin America

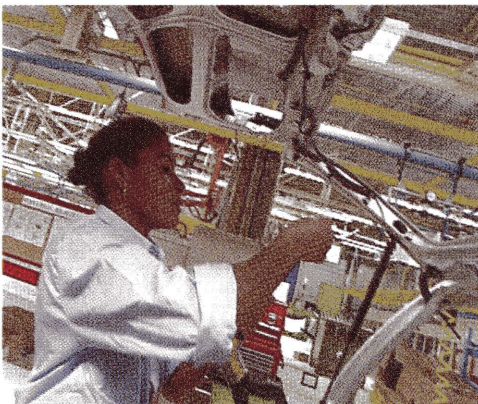
Since 1993, EIB lending in the Asian and Latin American countries has focused on projects of mutual interest to the partner countries.

The latest three-year mandate, involving a 900 million package to be committed by January 2000, has enabled the Bank to increase its assistance for projects bringing together firms from these countries and the Union, improving the environment or incorporating a transfer of European technology and know-how.

Over the past five years the Bank has supported projects to the extent of 1 billion, mainly in the energy sector: electricity generation in Costa Rica, India and Pakistan; natural gas in Thailand,

Argentina, Indonesia, China and the Philippines, but also in the telecommunications sector in Chile and Peru.

In the environmental field, water supply and treatment facilities have been financed in Asunción, Buenos Aires and Jakarta, while joint ventures involving fibre optics, cement and flat glass have been funded in Brazil and Mexico.





The EIB, the Union's financing institution

As a member of the Community family, the EIB supports the objectives of the European Union through its borrowing and lending activity. Its capital is subscribed jointly by the fifteen Member States of the Union. The Bank raises its resources on the capital markets, without placing any burden on the Member States' or the Union's budgets; loans are approved by its decision-making bodies on the sole merits of the projects submitted to the EIB.

Independence in decision-making

Its **Board of Governors** consists of the ministers designated by each of the Member States, usually the Finance Ministers. It lays down general directives on credit policy, approves the financial statements, including the balance sheet, and the annual report, commits the Bank with respect to financing operations outside the Union and decides on capital increases. It appoints members of the Board of Directors, the Management Committee and the Audit Committee.

Its **Board of Directors**, 24 of whose members are nominated on a proposal from the Member States and one on a proposal from the European Commission, ensures that the Bank is managed in keeping with the provisions of the Treaty and the Statute and with the general directives laid down by the Governors. It decides on lending and borrowing operations.

Its **Management Committee** is the collegiate and resident executive board. Under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day business at the Bank, recommends decisions to Directors and is then responsible for carrying them out. The President, or in his absence one of the seven Vice-Presidents, chairs the meetings of the Board of Directors.

Its **Audit Committee**, on the basis of work carried out by internal monitoring and audit bodies and the external auditors, verifies that the operations of the Bank have been conducted and its books kept in a proper manner.

The **staff** consists of 980 persons drawn from all the Member Countries. The staff assesses the eligibility and appraises the economic, technical and financial viability of projects so providing the basis for independent decision-making by the Bank's governance.



The Management Committee:

The President, Sir Brian Unwin (4th from right), with the Vice-Presidents (from left to right), Rudolf de Korte, Wolfgang Roth, Ariane Obolensky, Massimo Ponzellini, Claes de Neergaard, Luis Marti, Panagiotis-Loukas Gennimatas

Serving the Union in partnership with the banking community

Applying the principles of subsidiarity and additionality, the EIB cooperates closely with the banking sector by advancing global loans, mounting intermediated or joint financing packages and securing guarantees. Loans channelled to partner banks or backed by a bank guarantee have grown from 26% in 1990 to 40% in 1994 and to 42% in 1997.

As a borrower with a sought-after name on the capital and derivatives markets, the EIB also maintains extensive relations with the Union's banking community in conjunction with the floating of its issues and the management of its liquidity.

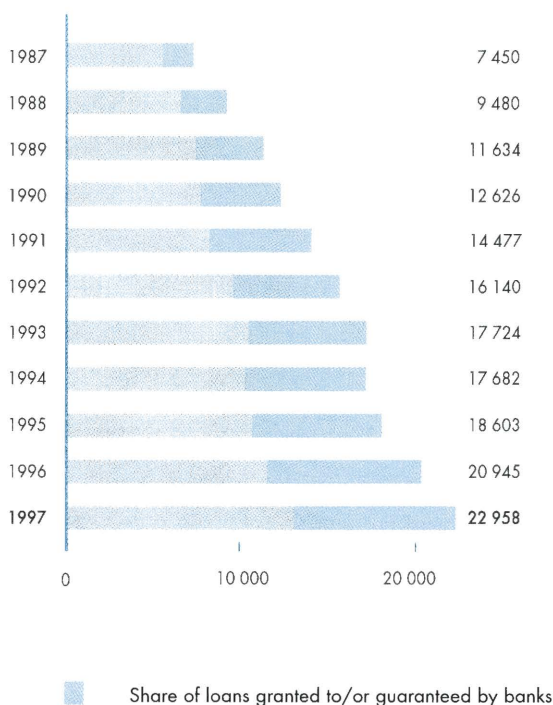
The loans granted in partnership with some 120 financial intermediaries are primarily global loans. This facility was established 30 years ago and is intended to support small and medium-scale projects by providing decentralised indirect finance. Designed to accommodate the requirements of investors, whether SMEs or local authorities, global loans have steadily developed to account for a quarter of lending activity within the Union.

Amounts made available under global loans may range between 20 000 and 12.5 million and cover up to 50% of project cost.

Between 1993 and 1997, nearly 56 000 small and medium-scale projects received 18.5 billion. Finance totalling some 7.5 billion was granted for local infrastructure projects: environment, energy installations, transport, urban development. However, SMEs remained the principal beneficiaries. They attracted nearly 11 billion for projects involving more than 47 000 firms, 85% of them employing fewer than 50 people.

Under the Amsterdam Special Action Programme, cooperation with the banking sector is set to become deeper and more broadly based, notably via a series of operations involving risk sharing and aimed at developing venture capital structures or providing equity finance for SMEs.

Financing operations within the Union:
loans granted to/or guaranteed by banks



Financing terms and conditions

Projects

Projects in all sectors of the economy, ranging from communications, environmental and energy infrastructure to health and education, industry and services. Borrowers may be public or private.

The EIB finances large-scale projects by means of individual loans (upwards of 25 million) concluded directly with promoters or through financial intermediaries.

Small and medium-scale projects are funded indirectly through global loans made available to banks or financial institutions operating at European, national or regional level.

Complementarity

As a complementary source of financing, the EIB contributes to only part of the investment costs (up to 50%, as a general rule), supplementing the borrower's own funds and other sources of finance.

The EIB helps to finance investment programmes in conjunction with the operations of the Structural Funds and of the other Community financial instruments. Loans from the EIB may be used in association with national or Community grant aid, particularly in assisted areas.

Appraisal

The EIB assesses the consistency of each project with Community policies (eligibility), its technical and financial viability as well as its economic benefits. Compliance with environmental protection and procurement regulations is also vetted. Similarly, the promoter's financial situation and cash flow projections along with security offered are examined closely.

Loans

Once the appraisal is completed, the EIB's Board of Directors, acting on a proposal from the Management Committee, decides on the granting of the finance, following opinions delivered by the Member State concerned and the European Commission.

Maturities

The EIB grants medium and long-term loans (up to 20 years or more). Their maturity and the possibility of a grace period depend on the type of project involved and its useful life. In the case of certain exceptionally large projects of benefit to Europe in general, such as trans-European networks, the EIB may, if need be, tailor its terms accordingly.

Currencies

Depending on the EIB's holdings and the borrower's preferences, the loan is disbursed in one or more currencies of the Union, in ECUs, or in third country currencies used by the Bank.

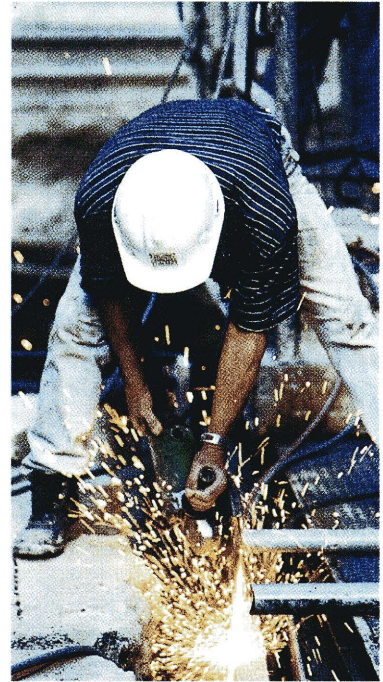
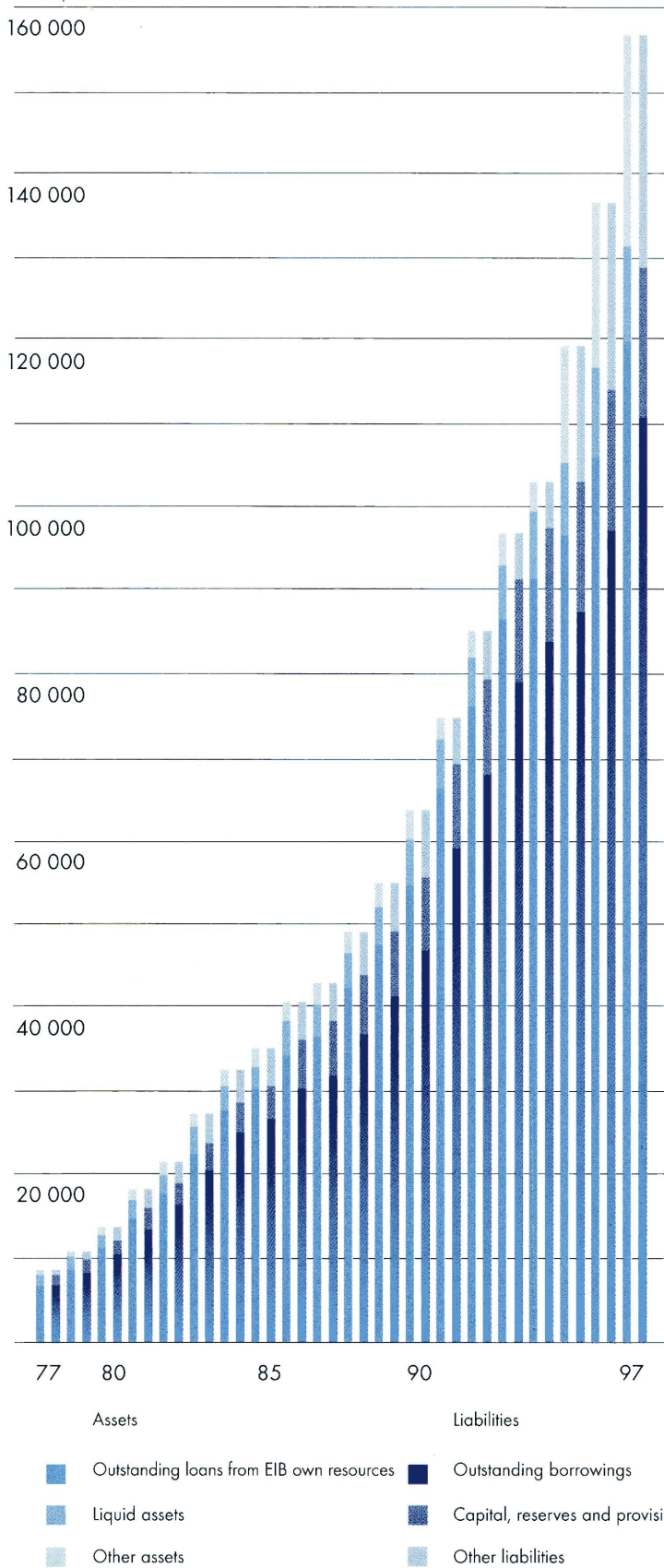
Interest rates

The EIB's first-class credit rating ("AAA") enables the Bank to raise funds on the keenest terms available at the time. As a financial intermediary operating on a non-profit-making basis, the EIB onlends the funds borrowed by it at a rate reflecting its excellent position on the markets, plus a small margin to cover its operating costs. Loans are disbursed at par.

Rates (fixed usually, but also revisable, variable or convertible) may be set either upon signature of the finance contract or upon each disbursement (open-rate contract). The method adopted for setting rates is the same for all countries and sectors. The EIB does not grant interest subsidies, although these may be provided by third parties.

Balance sheet as at 31 December 1997

ASSETS	31.12.1997	31.12.1996	LIABILITIES	31.12.1997	31.12.1996
1. Cash in hand, balances with central banks and post office banks	36 407 741	26 413 138	1. Amounts owed to credit institutions		
			a) repayable on demand	0	949 703
2. Treasury bills eligible for refinancing with central banks	3 131 902 772	2 278 253 143	b) with agreed maturity dates or periods of notice	954 246 601	56 273 324
				954 246 601	57 223 027
3. Loans and advances to credit institutions			2. debts evidenced by certificates		
a) repayable on demand	102 329 680	24 661 020	a) debt securities in issue	109 425 297 067	93 601 923 143
b) other loans and advances	6 772 824 604	5 947 256 987	b) others	968 801 389	3 047 200 782
c) loans: aggregate outstanding	50 941 406 850	46 080 183 735		110 394 098 456	96 649 123 925
less undisbursed portion	6 443 637 135	6 492 777 142			
	44 497 769 715	39 587 406 593	3. Other liabilities		
	51 372 923 999	45 559 324 600	a) interest subsidies received in advance	321 612 509	263 841 349
4. Loans and advances to customers			b) sundry creditors	572 443 455	529 259 303
loans: aggregate outstanding	91 421 788 160	80 540 707 217	c) payable in respect of currency swap contracts	21 743 927 957	16 318 153 993
less undisbursed portion	16 646 742 627	14 435 832 566	d) sundry liabilities	30 708 802	29 111 552
	74 775 045 533	66 104 874 651		22 668 692 723	17 140 366 197
Specific provisions	- 175 000 000	- 175 000 000	4. Accruals and deferred income	3 823 410 143	3 611 135 316
	74 600 045 533	65 929 874 651			
5. Debt securities including fixed-income securities			5. Provisions for liabilities and charges		
a) issued by public bodies	1 821 606 568	1 721 884 549	staff pension fund	319 207 443	291 586 801
b) issued by other borrowers	539 299 685	220 516 797			
	2 360 906 253	1 942 401 346	6. Fund for general banking risks	600 000 000	500 000 000
6. Shares and other variable-yield securities	90 000 000	90 000 000	7. Capital subscribed	62 013 000 000	62 013 000 000
7. Participating interests	160 000 000	120 000 000	uncalled	-57 361 014 839	-57 361 014 839
8. Intangible assets	307 513 106	294 612 387		4 651 985 161	4 651 985 161
9. Tangible assets	81 557 214	85 401 214	8. Reserves		
10. Other assets			a) reserve fund	6 201 300 000	6 201 300 000
a) receivable from Member States for adjustment of capital contributions	4 125 394	11 025 379	b) additional reserves	5 526 640 362	5 526 640 362
b) receivable on account of reserves and provisions	0	155 296 499		11 727 940 362	11 727 940 362
c) receivable in respect of EMS interest subsidies paid in advance	28 201 833	37 366 091	9. Funds allocated to the Amsterdam Special Action Programme	200 000 000	0
d) sundry debtors	433 602 852	168 160 950	10. Prior-year profit to be appropriated	676 795 744	0
e) receivable in respect of currency swap contracts	21 767 303 390	16 053 004 746	11. Profit for the financial year	1 105 169 722	1 092 118 660
	22 233 233 469	16 424 853 665		157 121 546 355	135 721 479 449
11. Subscribed capital, called but not paid	0	275 403 127			
12. Prepayments and accrued income	2 747 056 268	2 694 942 178			
	157 121 546 355	135 721 479 449			



The EIB -
financing a
closer-knit
and more
united Europe



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