



Activity Report

2011



With 55 turbines in the North Sea, Belwind is Belgium's biggest energy project. The EIB is the leading financier of wind energy, with loans amounting to EUR 1.7bn in 2011. Climate action accounts for one third of total EIB lending.

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The EIB lent nearly **EUR 11bn** for transport networks that link up Europe.

TGV high-speed train, France

Key results in 2011

Total EIB lending reached **EUR 61bn**

The EIB financed **454** projects in **70** countries.

Lending for climate action represented almost a third of the Bank's total lending, at **EUR 18bn**.

The EIB financed the installation of over **4 000** mega watts of capacity in wind and solar plants, which will produce clean electricity to power over **2 million** households.



ENBW Baltic 1 wind farm, Germany




Funding for the EU regions hardest hit by the economic and financial crisis reached **EUR 20bn.**

Some **74** regions received EIB cohesion loans.



120 000 small and medium-sized enterprises in Europe received EIB Group financing.

Total EIB Group finance for small and medium-sized businesses and mid-caps in the EU amounted to **EUR 13bn.**



The Bank invested some **EUR 10bn** in the knowledge economy.

Foreword

from the President



Contrary to predictions, economic recovery did not take firm hold in Europe in the 12 months covered by this report, leaving the EIB operating in a challenging environment for the fourth year running. Despite this difficult backdrop, the Bank remained well capitalised and kept a sound loan portfolio. Crucially, thanks to its prudent policies and excellent reputation, it maintained its top credit standing, translating the continued confidence of investors into low funding costs – a key advantage passed on to clients.

In 2011, the EIB pursued its three top priorities of contributing to the Europe 2020 strategy, helping the EU to stay at the forefront of the climate agenda, and supporting the Union's external policy goals.

With its lending – the first pillar of its activity – the EIB provided its highest-ever contribution

to the real economy, disbursing EUR 60bn to SMEs, corporates, infrastructure promoters and public authorities on favourable terms and with long tenors (the largest volume of loans for this purpose among all multilateral financial institutions). The EIB financed cutting-edge innovation projects to push the knowledge frontier; it helped to build research facilities and schools, wind farms, bridges and tunnels, high-speed trains and highways.

The difficult economic climate and budgetary constraints across the EU called for us to come up with innovative mechanisms that would achieve more with less. The second pillar of the Bank's activity – blending that combines EU and Member State budget funds with EIB resources through risk-sharing and guarantee mechanisms – enabled the EIB to generate more capital to stimulate innovation, growth and employment.



In the difficult year of 2011 the European Investment Bank continued to deliver. Our investments underpinned our mission of supporting sustainable growth, competitiveness and jobs; from Athens to Zaragoza we were at the service of the European economy; outside the EU we helped to promote the Union's objectives.

Advising is the third pillar of EIB activity. Technical assistance with the preparation and implementation of projects and advice to local authorities on how to better use public resources is an important instrument with which the knowledge and expertise of EIB staff contributed to the recovery efforts.

To be able to lend, blend and advise, we, of course, had to secure funding. The EIB – the world's largest supranational borrower – raised EUR 76bn on the capital markets. Almost half of this amount came from non-European investors, showing their continued trust and confidence in the EU in general and the EIB in particular.

The impressive results posted in 2011, particularly from operations within the EU, confirmed the Bank as a key instrument for Europe's policymakers in their recovery efforts. In spite of the difficult

operating environment, the targets for all priority objectives were met or exceeded. The EIB stood behind every EU Member State and worked closely with the European Commission, the Council and the European Parliament to promote growth across the Union with targeted investments into decisive drivers of economic expansion. It made sure that long-term investment is preserved for future generations of Europeans.

Werner Hoyer

In 2011, the EIB continued to be a solid, reliable partner for project promoters and partner organisations alike, targeting projects with the greatest impact on Europe's growth and employment potential.

Increasing Europe's growth and employment potential

The EIB signed a total of EUR 61bn worth of financing contracts in 2011, marking a gradual return to pre-2008 lending levels after having made an exceptional additional lending effort in 2008, 2009 and 2010.

The Bank continued to support Europe's transition to a smarter, greener and more sustainable economy. It used its financial and technical expertise to help improve financing in areas that are in need of support, such as the weaker regions and peripheral countries, making sure important investments are kept up in a particularly difficult economic environment. At the same time it provided targeted support for key growth drivers, such as SMEs, innovation, climate action and infrastructure projects.

As the sovereign debt crisis developed, the EIB gave specific support to countries and regions that face limited access to capital markets by leveraging existing resources, such as EU structural funds, to make sure key investments go ahead.

For the years ahead, the EIB's strategy will focus on growth and jobs, economic cohesion and climate action. The Bank will continue to prioritise projects that maximise the impact of its financing on the real economy. With its tailored products, it can address the needs of specific sectors and help to make the most of existing resources. The EIB will develop further joint actions with the European Commission and continue to deploy its expertise and resources in support of EU policy goals.



Cementing Europe's transition to a smarter, greener and more sustainable economy with a total of **EUR 61bn** in financing contracts.


Supporting regional development in Europe



In 2011, the EIB lent over EUR 20bn to support projects that will spur growth in the economically less advanced regions of the EU. The Bank also helps to maximise the use of public funding to bridge shortages in times of austerity.

The economic crisis has hit the weaker EU countries particularly hard, leading to increasing divergence. The Bank has taken these more heterogeneous situations among the Member States into account. Lending for the weaker regions helps to strengthen the fabric of the Union and promote more balanced development.

In 2011, signed loans in support of the so-called convergence regions reached over EUR 20bn, more than a third of total EIB lending within the EU. The focus here is mainly on financing the basic



Some **74** regions
benefitted from
EIB cohesion loans.

crisis and market uncertainties are affecting its operating environment in some countries. Structural funds are only granted if local authorities are able to commit their own money first. Projects therefore need to find some financing locally (usually half the value of the proposed project and mostly from public authorities). In times of austerity it has proved difficult for some Member States to finance their own contribution, putting at risk the implementation of investments that could increase their national growth potential.

Structural programme loans help to finance part of the national budgets' contribution to investment in a wide range of priority projects that are supported by subsidies from the EU structural funds. In this way the EIB's pre-financing of the countries' contributions plays a key role in stabilising investment flows, securing growth and employment. In 2011, structural programme loans amounted to some EUR 1.6bn, enabling key investments to go ahead in transport, healthcare, information and communication technologies, and water and waste infrastructure, as well as in rural development, energy efficiency and renewable energy, in countries such as Portugal, Hungary and Poland.

Overall, EIB framework loans totalling some EUR 2.8bn helped to support important investments in nine convergence countries across the EU.

Targeted assistance for less-advanced regions

infrastructure required to attract business and thereby create employment opportunities, providing assistance to innovative firms and SMEs, developing information society services, improving the urban environment and accelerating the integration of outlying regions by building trans-European networks. The EIB is supporting investment and initiatives to help the regions that have suffered most during the economic downturn return to a sustainable growth path.

The Bank adapts its activities to the changing economic setting, especially as the sovereign debt

The EIB also provides technical assistance to help the newer Member States tap into structural and cohesion funds. It does so through specific initiatives that have been set up in cooperation with the European Commission.

One example of this is JASPERS, the Joint Assistance to Support Projects in European Regions initiative. Managed by the EIB and co-sponsored by the European Commission, the European Bank for Reconstruction and Development and the German promotional bank Kreditanstalt für

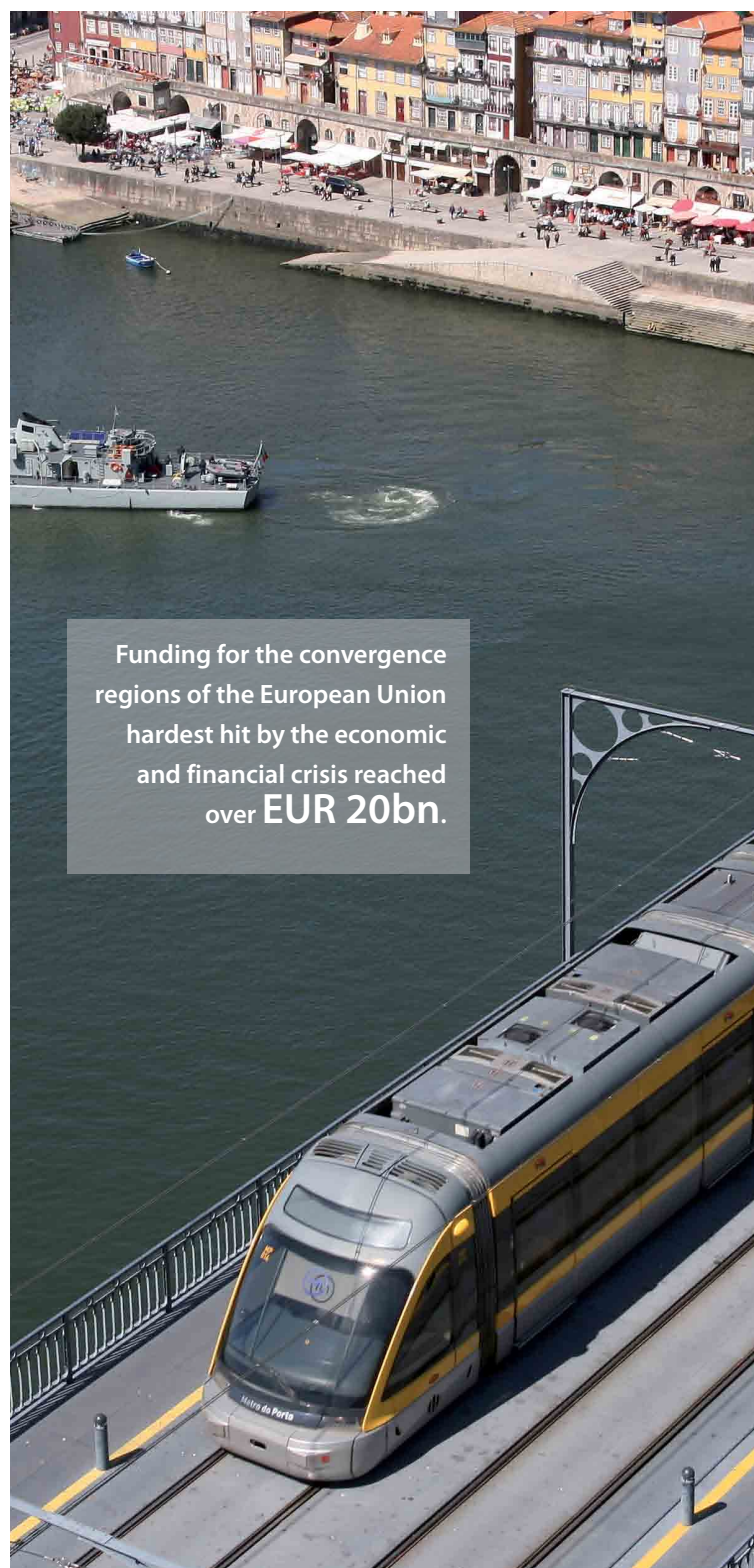
Wiederaufbau, it provides technical assistance to the beneficiary countries of EU structural funds to help them prepare sound infrastructure proposals. Since its inception in 2006, a total of 172 JASPERS-supported projects in 13 countries have been approved, representing EUR 63.7bn worth of investments – of which almost EUR 13bn in 2011 alone. JASPERS assistance was already extended to Croatia in 2011, ahead of its accession to the EU.

Fostering cross-border regional cooperation

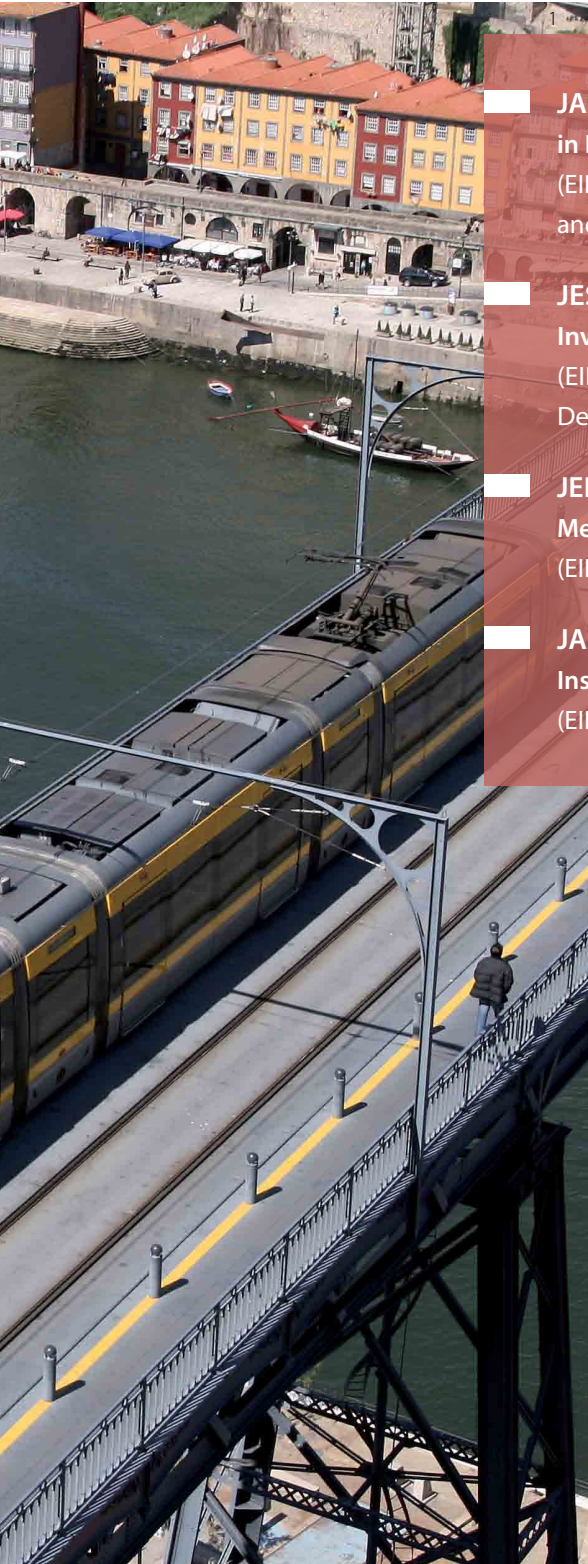
Some regions in Europe are cooperating closely on issues of common interest, and the EU structural funds encourage such territorial collaboration.

Similarly, the EIB supports regional initiatives that bring together EU Member States and partner countries. In the Baltic Sea Region, the EIB backs projects that improve the overall sustainability of the region, which stretches across Estonia, Latvia, Lithuania, Sweden, Denmark, Finland, Germany (Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein), Poland, and Russia. Here, the focus is on making the region environmentally sustainable, competitive and accessible and promoting risk prevention. In 2011, the Bank supported some 62 projects with a total of EUR 8bn in loans in the Baltic Sea Region.

Modelled on the Baltic Sea strategy, the Danube Region strategy was launched in 2011. Similarly, it provides for specific investments under common objectives, reaching countries and regions from Germany (Baden-Württemberg and Bavaria), Austria, Hungary, the Czech Republic, the Slovak Republic, Slovenia, Bulgaria and Romania to Serbia, Bosnia-Herzegovina, Montenegro, Moldova and Ukraine. In 2011, the Bank supported some 89 projects with a total of EUR 10bn in loans in the Danube Region.



Funding for the convergence regions of the European Union hardest hit by the economic and financial crisis reached over **EUR 20bn.**



- **JASPERS – Joint Assistance to Support Projects in European Regions**
(EIB, European Commission, European Bank for Reconstruction and Development and KfW Bankengruppe)
- **JESSICA – Joint European Support for Sustainable Investment in City Areas**
(EIB, European Commission and Council of Europe Development Bank)
- **JEREMIE – Joint European Resources for Micro to Medium Enterprises Initiative**
(EIF and European Commission)
- **JASMINE – Joint Action to Support Microfinance Institutions in Europe**
(EIF and European Commission)

1 – Porto metro, Portugal
2 – Stora Enso paper plant, Sweden



Financing small and medium-sized enterprises

Micro, small and medium-sized enterprises are the drivers of economic growth and job creation in Europe. In 2011, the EIB Group – both the EIB and EIF – supported some 120 000 SMEs and mid-caps.

In the current economic context SMEs continue to face difficulties in securing funding on acceptable terms. In order to foster such a crucial part of the economic fabric, the EIB directs some 18% of its lending towards SMEs.

Targeted support for smaller businesses

The EIB helps improve access to finance for SMEs by working with an established network of local partner banks. The Bank signed EUR 9.6bn worth of loans for SMEs in 2011, of which EUR 8.8bn in the EU. Intermediaries that the EIB works with are asked to onlend to SMEs the funds that it provides at favourable rates, adding an equivalent amount from their own funds. Consequently, every euro made available by the EIB triggers a multiple in finance provided to SMEs.

The EIB Group (EIB and EIF) is also developing new structures to provide additional funding for SMEs in countries facing particular liquidity squeezes, such as Greece, Portugal and the Western Balkans.





¹ Reaching out to mid-cap enterprises

Seeking to extend access to finance in challenging economic circumstances, the EIB has made its intermediated loan formula available to mid-cap enterprises, i.e. companies which have more than 250, but fewer than 3 000 employees. This new mid-cap product is available for an initial trial period in 2011 and 2012. In 2011 alone, over EUR 800m worth of such mid-cap loans were signed. The EIB recently extended its mid-cap support to cover candidate and potential candidate countries. For example, a new EUR 150m loan, signed in 2011, is providing a welcome boost for mid-caps and SMEs in Turkey.

Tailored support from the European Investment Fund

The European Investment Fund (EIF), which together with the EIB forms the EIB Group, is the specialist arm for SME risk financing operations. It supports small businesses by means of equity (venture and growth capital) and guarantee instruments via a broad range of financial institutions.

- 1 – Need a Skip recycling company, UK
- 2 – Noor East marble manufacturing, Egypt

2



The EIB Group provided **EUR 13bn** of finance for SMEs and mid-caps.

In 2011, guarantee and funding commitments more than doubled compared to 2010, catalysing new SME lending of over EUR 7.5bn.

The EIF offers equity to improve the availability of risk capital for high-growth and innovative SMEs, but equally targets debt requirements, as many SMEs seek finance through this more traditional route. It provides guarantees and credit enhancement through securitisation to improve the lending capacity of financial intermediaries. The EIF uses either its own resources or those made available by mandators, such as the EIB, the European Commission or third parties.

The EIF also provides management and advice for funds-of-funds to help increase the effectiveness of EU financing by attracting capital from other investors for regional development. In 2011, the EIF built a number of partnerships with public and private entities and country-specific funds-of-funds to this end.

The Joint European Resources for Micro to Medium Enterprises Initiative, JEREMIE in short, supports

economic development in selected European regions where SMEs have particular difficulties in accessing finance. Instead of offering grants, national and regional authorities can use JEREMIE to deploy money made available by the European Regional Development Fund in the form of market-driven financial instruments, and they benefit from their revolving nature. In 2011, two new regional funds were approved with Calabria (Italy) and Provence-Alpes-Côte d'Azur (France), bringing to 14 the total number of holding funds managed by the EIF in 11 European countries, with more than EUR 1bn under management.

The European Progress Microfinance Facility, financed jointly by the EIB and the European Commission and managed by the EIF, helps to improve the availability of finance for groups and individuals who do not have access to the traditional banking system. In 2011, Progress Microfinance's first full year of operation, 17 transactions were signed, with overall commitments of EUR 67m, establishing the EIF as one of the most important providers of microfinance support within the EU.





The EIF also provides technical assistance and financial support through other microfinance programmes and initiatives. Under the JASMINE initiative, it supplies funding to non-bank microfinance institutions and microcredit providers from EIB resources, as well as technical assistance from European Commission resources. For example, 10 rating reports, 15 assessment reports and 250 training days were provided to 25 microfinance institutions in 2011 under JASMINE.

Innovative loans for innovative SMEs

Innovative SMEs in their start-up and early stages have particular difficulties obtaining credit. To further improve access to debt financing for SME research, development and innovation, in 2011 the EIF was asked to manage a dedicated guarantee product, which is part of the renewed innovative Risk Sharing Finance Facility (RSFF), jointly set up by the EIB and the European Commission (see next chapter). This builds on the success of EUR 7bn in

loans to projects – including many large and mid-cap companies – giving a boost to RDI in Europe since 2007.

The new Risk Sharing Instrument (RSI) addresses the funding gap and helps these dynamic and fast-growing SMEs to start and grow their businesses. The amendment to the existing RSFF agreement was signed in 2011 at the first Innovation Convention in Brussels. It is expected to unlock around EUR 1bn for SMEs up to the end of 2013. The EIF offers banks a guarantee on part of their new loans and leases to innovative SMEs, allowing them to lend more and to do so at more attractive rates.

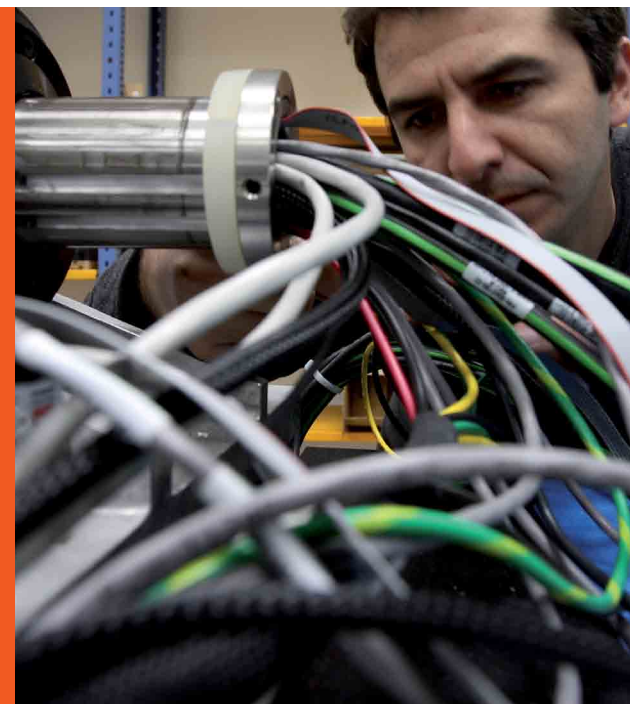
- 1 – Greenmeadow Stores, UK
- 2 – LANXESS AG, Germany
- 3 – Danisco RDI, Denmark
- 4 – BI Aino bookbinding
- 5 – Spectrum Dynamics imaging technology, Israel

4



SMEs account for more than two thirds of private sector employment in Europe. A total of **120 000 SMEs** and mid-caps received EIB Group support in 2011.

5



Accelerating innovation



Trelleborg high-tech engineering, Sweden

Investing in the knowledge economy is crucial for Europe's productivity and will help secure competitiveness and jobs in the future. In 2011, over EUR 10bn was put to work in innovation, education and new technologies in the EU.

Investments in research, development and innovation – from prototyping and demonstration plants up to first commercialisation – as well as in education and information and communication technology (ICT) are key drivers of smart growth, as these foster the move towards an economy based on knowledge and innovation as envisaged in the EU 2020 flagship initiative. In 2011 alone, the EIB invested some EUR 10bn in the EU's knowledge economy.

Technological advances from life sciences to environmental improvements ensure that the EU's research and development sector is leading-edge, and also bring added value by helping to improve people's lives. The EIB contributes to funding RDI in academic institutions under research programmes, but also places strong emphasis on private sector innovation and knowledge transfer across sectors. Clean technologies, from energy-efficient engines to innovative renewables, such as hydrogen, solar and wind, are among the areas in which Europe is leading the way.

For example, the EIB provides backing for the French Group Bolloré's research, development and innovation programmes concerning electric vehicles and electricity storage for their batteries. Another loan is supporting Ion Beam Applications' research infrastructure project in the field of cancer diagnosis and proton therapy in Belgium.

Targeting high value added investments

The Bank is focusing its lending on higher value added projects in priority technologies that warrant support at EU level. A flagship initiative in this area is the Risk Sharing Finance Facility (RSFF). This joint initiative of the EIB and the European Commission helps to ensure funding for RDI projects that would otherwise struggle to secure finance on acceptable terms due to their risk profile.

Since its creation in 2007, the Facility has helped to turn good ideas into real business by providing loans worth over EUR 7bn to some 75 companies. In late 2011, the EIB and the Commission agreed to continue RSFF until the end of the EU budgetary period (2007-2013). The new RSFF places particular emphasis on providing finance for research infrastructure and smaller businesses' RDI, which is managed by the European Investment Fund, the EIB Group's specialised arm for innovative SME



funding. Pharmaceutical research programmes at France's Laboratoires Pierre Fabre attracted support from the EIB in the form of a EUR 100m loan under RSFF. Some 12 companies and research infrastructures received a total of EUR 1bn in financing under RSFF in 2011.

Superfast internet: the key to long-term growth

Internet-based information and communications technologies (ICT) have driven half of EU productivity growth over the past 15 years. This trend is likely to accelerate as widespread availability of broadband is considered to be a prerequisite for reaping the full benefits of the knowledge economy.

Providing access to superfast internet is one of the main goals of Europe's so-called Digital Agenda, designed to make the EU fit for growth based on digital innovation. Making available ICT infrastructure such as high-speed internet coverage and financing projects that enable ICT-based product innovation are therefore important objectives for the Bank. ICT investments in 2011 amounted to some EUR 4bn.

Improving the quality of education

The EIB supports investments that improve the quality of education on offer, especially through the upgrading of educational infrastructure and research facilities. It also promotes the European Higher Education Area and the European Research Area, which is helping to integrate scientific resources. This involves providing financial backing for investments in schools and university facilities as well as for reforms targeting the quality and competitiveness of tertiary education. The Bank also encourages mobility among students, researchers and academic staff by supporting relevant national programmes and demand-side measures through tailored student loan schemes. Investment is also necessary to bridge the gap

between academia and business enterprises to promote innovation via technology transfer initiatives.

In Spain, the EIB is supporting investment programmes designed to foster the knowledge economy and sustainable communities in the Basque Country. Also in 2011, the EIB helped fund redevelopment at University College Dublin in Ireland and the restructuring of the two main campuses of the University of Strathclyde in Scotland. The Universities of Leuven in Belgium and Castilla-La Mancha in Spain are among the eight universities which also benefited from EIB financing in 2011.



Since 2000, the EIB has lent more than
EUR 110bn to knowledge economy projects in the EU
– **EUR 10bn** in 2011 alone.

The 2011 EIB Conference on Economics and Finance also identified productivity and superfast internet as key drivers of long-term growth in Europe. Bringing together nearly 100 academics and representatives of public institutions, governments and industries, the conference underlined the complementary roles of economic dynamism and IT investment in boosting productivity. EIB research presented at the conference suggests the switch to next-generation superfast networks could require some EUR 200bn of dedicated infrastructure investment.



Connecting Europe



TAV high-speed train, Italy

Building networks for the European internal market helps ensure the competitiveness of Europe's industry and services. In 2011, the EIB lent nearly EUR 11bn for major EU transport networks.

The EIB is a natural financing partner for large-scale investments in transport networks, due to their size and long-term perspective. In 2011, the EIB supported a total of 37 transport infrastructure projects, connecting people in 13 countries in the EU.

The EIB has been investing in Europe's transport links for over fifty years. Since trans-Europe-

an transport networks (TEN-T) became a top EU priority in the 1990s, the Bank has provided over EUR 100bn in funding. A strong transport network of railways, motorways and waterways across Europe is essential for the free movement of people and for ensuring trade flows both within and outside the Union. Some five million km of roads, including around 70 000 km of motorways, some 200 000 km of rail lines, and more than 40 000 km of navigable inland waterways link up Europe.

In 2011, rail projects accounted for more EIB finance than investment in roads, with EUR 4.3bn and EUR 3.4bn respectively. Key high-speed rail loans were signed to fund the construction of the Milan-Naples, Tours-Bordeaux, Lorraine-Strasbourg and Brittany-Loire Valley lines, as well as the purchase of new trains on the Gdynia-Warsaw and Krakow-Katowice lines. Waterway transport received some EUR 625m in loans with the signing of the finance to build the biggest lock in the world at the port of Antwerp, a major transport hub.



And investment needs remain high. However, in the current economic environment, infrastructure financing can represent a burden for public investors. In order to stabilise investment on a long-term path, the EIB has placed increased emphasis on funding infrastructure projects with a strong value to society at large, as well as providing its expertise to attract additional funding from investors.

Leveraging Europe's growth potential

Partnerships that bring together public and private funding can help to bridge financing gaps. Although the number of public-private partnerships (PPPs) has decreased during the crisis, they continue to play an important role in investment, particularly in transport networks. In 2011, almost a third of EIB transport financing went to PPPs. The EIB has considerable experience and expertise in this field, thanks in part to the European PPP Expertise Centre (EPEC), a joint initiative of the EIB, the European Commission and the EU Member States and Candidate Countries with a network of 35 members. EPEC helps strengthen the capacity of its public sector members to enter into PPP transactions by sharing experience and expertise, developing structured approaches to identify best practice in issues of common concern. Following the request by several partner countries, in 2011 the Bank moved to extend the support of EPEC to the Mediterranean partner countries.

The European Commission and the EIB are also developing the project bond initiative, which aims to boost the funding of long-term infrastructure projects by attracting capital from institutional investors, such as pension funds and insurance companies. Not to be confused with the Eurobonds currently under discussion, project bonds aim to enable project companies themselves to issue investment-grade bonds. They would do so by using a Commission-EIB risk-sharing mechanism to enhance the credit rating of senior bonds to a sufficiently high level to attract institutional investors. In this way EU budget resources would be used more effectively and valuable projects could be implemented more quickly than would otherwise be the case.

A public consultation on the project bond initiative was conducted in 2011. Later in the year the European Commission unveiled the Connecting Europe Facility, a EUR 50bn fund for improving Europe's transport, energy and digital networks between 2014-2020, which should include the project bond initiative pending approval by the EU Member States. It was proposed to start testing project bonds in a pilot phase, to be managed by the EIB, in 2012-2013. This should focus on projects in one or more of the three target sectors of transport, energy and broadband.

Apollo Bridge, Slovakia



The EIB supported **37** transport infrastructure projects, connecting people in **13** countries in the EU.

Powering Europe



Port of Rotterdam, the Netherlands

By powering Europe's energy sector, the EIB is helping the EU to achieve its policy goals of sustainability, competitiveness and security of supply. With EUR 11bn in loans in 2011, support for energy projects accounts for more than 20% of EIB lending in the EU.

According to the European Commission, EU energy investment needs are in the order of a trillion euros over the next ten years. As investment needs have grown, the EIB has matched this by substantially increasing its lending to EU energy projects from EUR 9bn worth of loans signed in 2008 to more than EUR 11bn in 2011. Energy-related financing accounts for 20% of total EIB lending in Europe.

Almost half of EU energy investment needs should be met by capital investment in energy networks. The EIB plays a significant role in financing energy infrastructure and has become the largest provider of debt for electricity transmission grid investment in Europe. Financing to support energy distribution networks, including electricity grids and natural gas transport infrastructure, accounts for more than a third of the EIB's energy lending, with EUR 4bn in 2011.



Investment in grids to renovate or replace existing assets strengthens the internal market. Supporting smart grids and improved energy storage also helps to improve the use of renewable electricity.

Securing Europe's supplies

Major energy infrastructure projects signed in 2011 include the construction of a natural gas transmission system and the first terminal for liquefied natural gas in Poland, reinforcement and extension of electricity distribution networks throughout Italy, upgrading of grids in Ireland, Spain and Portugal, building of a new power interconnector between France and Spain, and connection of offshore wind farms to the grid in the Netherlands and the UK.

The Bank has reduced its financing for the sectors of hydrocarbon production – considered to be more carbon intensive – which since 2005 has represented less than 1% of EIB loans in the field of energy. What is more, in the refineries sector the Bank's financing concentrates on energy efficiency and conversion projects, excluding all capacity expansion. The EIB has also adopted a more selective approach to financing carbon-intensive electricity generation. For example, only coal/lignite power stations that replace existing plants, use the best available technology and are carbon capture ready, and in addition result in a decrease of at least 20% in the carbon intensity of power generation, may be financed by the Bank.

Lending for power generation in the EU reached EUR 4.6bn in 2011, with 80% supporting renewable energies while 16% helped to finance gas generation and 1% coal or oil power generation.

ENEL energy, Italy

Lending for power generation in the EU reached **EUR 4.6bn**, with 80% supporting renewable energies.





The EIB helped finance the installation of over **4 000** mega watts of capacity in wind and solar plants, which will produce clean electricity to power over **2 million** households.



Supporting climate action

The Bank is among the largest providers of finance for climate action. In 2011, this amounted to some EUR 18bn, almost a third of total lending. Climate considerations are increasingly part of all EIB activities.

The EIB supports the EU's goal of low-carbon and climate-resilient growth both within and outside the Union. As a financial leader in supporting innovative clean technologies, the EIB is committed to acting as a catalyst for investment.

The Bank focuses on low-carbon investments that mitigate greenhouse gas emissions and on climate-resilient projects that improve adaptation to climate change impacts. This is reflected in the EIB's approach to lending in various sectors, notably energy, transport, water, wastewater, solid waste and forestry, as well as research, development and innovation. Climate considerations are being factored into all of its operations, for instance by promoting the use of the best available technology.

Over the last three years, the Bank has engaged in a pilot initiative to measure the carbon footprint of EIB projects in order to better track its performance in terms of emissions and savings. In 2011, the Bank

continued this exercise: 63 projects were included, representing a total investment of EUR 50bn, 27% of which financed by the EIB. These projects are expected to emit an estimated 16 million tonnes of CO₂ equivalent per year, roughly the same as the emission of Luxembourg. The emissions savings from these projects are estimated at 4 million tonnes of CO₂ equivalent per year.

The EIB is an observer at the United Nations Conference on Climate Change. Together with other international financing institutions, it is closely involved in the setting-up of a Green Climate Fund, which should help raise some USD 100bn per year by 2020 to finance both climate change mitigation and adaptation initiatives in developing countries in the future. In 2012, the fund could be ready for access by developing countries which, due to their rapid growth, will soon become the main emitters of greenhouse gases. These countries often face particularly difficult challenges both in addressing their existing climate risks and adapting to new ones. The Bank has recently been equipped with an additional EUR 2bn to support the fight against climate change beyond the EU's borders. In 2011, it signed major framework loans to help finance key climate investments in China, India, Brazil and South Africa.

Putting finance to work for emissions reduction



EIB loans for renewable energy and energy efficiency directly contribute to the reduction of greenhouse gas emissions. Support for these objectives amounted to EUR 7bn in 2011.

An estimated EUR 450bn of renewable investments are necessary to meet the EU's ambitious climate targets by 2020. Already, the EIB's support for renewable energies and energy efficiency in the EU has more than doubled over the past four years, from EUR 3bn in 2008 to EUR 7bn in 2011. The Bank currently funds more than 10% of all renewable investments in Europe.

Renewable energy

The EIB is the leading financier of wind energy in the EU. In recent years, it has particularly increased its financing of offshore wind farms, notably in Germany, the UK, Denmark and Belgium. In 2011, with



Solar energy is becoming increasingly competitive and innovative. Gemasolar, a cutting-edge solar power plant inaugurated in 2011 and located in the Spanish region of Andalusia, is the first commercial solar power plant in the world that can generate electricity even without sunshine thanks to its unique technological features. It is one of a series of seven concentrated solar power (CSP) and 19 photovoltaic (PV) power plants financed by the Bank since 2006 with a total of EUR 2.6bn. This includes other solar plants in Spain, France and the Czech Republic. Overall support for solar energy amounted to EUR 819m in 2011.

The EIB is the leading financier of wind energy, with financing reaching **EUR 1.7bn** in 2011. Wind energy was also the theme of the 2011 EIB Forum in Hamburg.

Skegness offshore wind farm, UK

a total of EUR 856m, financing for offshore generation reached similar levels to that for onshore, which amounted to EUR 845m.

Supporting such innovative technologies is even more important because commercial lenders are only hesitantly moving into the sector and financing is seen as a major constraint in the development of offshore wind power. These projects are by definition large, long-term and technically demanding investments. The EIB is therefore a natural financing partner for this sector, which in addition to the funding can benefit from its technical expertise and experience, having co-financed around a third of all European projects. Large onshore projects in 2011 include wind farms in Spain and Austria. Total wind energy lending in 2011 stood at EUR 1.7bn.

Energy efficiency

EIB lending for energy efficiency has increased by 70% since 2008, reaching EUR 1.3bn in 2011. Energy efficiency considerations are being mainstreamed into all projects appraised by the Bank. Further gains are expected to be made from targeted energy efficiency investments. EIB financing for such projects covers both the supply side, such as combined heat and power and district heating, and the demand side, mainly insulation of public and private buildings.

Among the investments supported by the EIB in 2011 were several projects involving the energy efficiency refurbishment of multi-storey residential buildings in Romania's capital Bucharest. This will help to reduce the energy consumption of more than 600 multi-storey residential buildings covered by the thermal rehabilitation project by around 50%.



Specialised funds and initiatives

The EIB has also developed other means of financing, such as equity and carbon funds, to further support renewable energy and energy efficiency projects. It works upstream with project promoters, providing technical assistance to develop projects. At the same time, it manages and participates in several other initiatives or programmes relating to energy and climate change, such as the **Mediterranean Solar Plan (MSP)** and the **GEEREF (Global Energy Efficiency and Renewable Energy Fund)** fund-of-funds.

In 2011, the EIB, together with the European Commission, the Cassa Depositi e Prestiti and Deutsche Bank launched a new **European Energy Efficiency Fund (EEEEF)**. The EEEEF is designed to provide market-based financing for commercially viable public energy efficiency and renewable energy projects in the EU. It aims to raise the total volume from EUR 265m at present to approximately EUR 800m by attracting further investors. A technical assistance facility is also available to support investments pursued under the EEEEF.

Carbon capture and storage

The EIB also supports EU climate and energy policy in other ways. The Bank and the European Commission have joined forces in the so-called **NER 300** initiative – the world's largest funding programme for carbon capture and storage demonstration projects and innovative renewable energy technologies. The initiative is so named because it will be funded from the sale of 300 million emission allowances in the New Entrants Reserve (NER) of the EU Emissions Trading System. The Bank, acting as an agent for the Commission, has two roles under the initiative: to appraise and rank projects submitted by EU Member States for financing; and to raise funds by selling a special allocation of the 300 million emissions allowances set aside for the purpose in the NER. The European Commission is due to se-

lect a first batch of projects for NER 300 funding in the second half of 2012 following the sale of a first tranche of 200 million carbon allowances. Allowance sales began in December 2011 and will be reported monthly on the EIB website until the end of the initiative.

EIB-sponsored carbon funds

The EIB co-sponsors six carbon funds with other national or international financing institutions. The funds focus mainly on the less-developed areas of the carbon market while aiming to help EU Member States and companies meet their carbon emission compliance obligations at EU and international level. In addition, they assist promoters in economies in transition and developing countries



The **Crescent Clean Energy Fund**, a new investment fund targeting the renewable energy sectors in Turkey and neighbouring countries, was set up in 2011 with a EUR 25m contribution from the EIB. It aims to obtain a commercial return whilst helping to increase the share of electricity from renewable energy sources.

European Local Energy Assistance (ELENA) is a joint EIB-European Commission initiative that helps local and regional authorities prepare energy efficiency or renewable energy projects in order to improve the chances that their plans attract external finance. ELENA covers a share of the cost of the technical support that is necessary to prepare, implement and finance the investment programme, such as feasibility and market studies, structuring of programmes, business plans, energy audits and preparation of tendering procedures. It is on track to mobilise some EUR 1.4bn in total investments. In 2011, technical assistance commitments to beneficiaries under ELENA amounted to EUR 17m.

In 2011, the 2020 European Fund for Energy, Climate Change and Infrastructure, also known as the **Marguerite Fund** made its first investments in a wind project in Belgium and a photovoltaic solar plant in France, both managed by EDF Energies Nouvelles. Jointly established with the backing of six major European financial institutions, Marguerite's target size is EUR 1.5bn, with a first close of EUR 710m made in 2010. The fund is specifically designed to act as a catalyst for infrastructure investments implementing key EU policies in the areas of climate change, energy security and trans-European networks.

For Enlargement and Neighbourhood countries, ACP countries, Asia and Latin America a dedicated EUR 4.5bn multiannual **Facility for Energy Sustainability and Security of Supply** has been helping to finance projects since 2007. By the end of 2011, EUR 2.2bn had already been signed. Most of the funding under this multiannual facility has been for investment in renewables and energy efficiency.

with raising finance for low-carbon investments. EUR 589m has been committed by investors to the six funds, mainly to purchase carbon credits that should be eligible as offsets by EU Emissions Trading Scheme compliance companies. As of end-2011, 62% of that amount had been committed in 91 Emission Reduction Purchase Agreements signed with sellers located in 25 countries throughout the world.

With tailored objectives, structures, regional focuses and participants, EIB-sponsored carbon funds have all been designed to extend market capacity and complement rather than crowd out private sector participants in the carbon market. EIB carbon fund initiatives also seek to anticipate market developments and promote confidence in regulatory frameworks, in particular for the period beyond 2012 when the Kyoto Protocol expires.

Climate Awareness Bonds

Climate Awareness Bonds are bonds issued by the EIB whose proceeds are used exclusively to finance projects supporting climate action, in particular within the fields of renewable energy and energy efficiency. Since their launch in 2007, EIB Climate Awareness Bonds have raised the equivalent of EUR 1.4bn, through ten transactions in six currencies. The residual treasury balance available for disbursement in 2011 was EUR 57m, coming from the last Climate Awareness Bonds issued in November 2010. These funds were fully allocated to projects in 2011.

Adapting to a changing climate



Forestry and water projects help to improve the climate resilience of infrastructure and adapt to changing weather conditions.

Forests can facilitate adaptation to some of the effects of climate change such as soil erosion and increased flood risk and they offer great potential benefits in terms of biodiversity and soil fertility. At the same time, they are major carbon sinks that regulate the global climate. Sustainable forestry can also make a crucial contribution to climate change mitigation by managing these important carbon stocks, lowering emissions and providing a source of renewable energy.

In Spain, for example, the EIB has financed reforestation and the application of more effective measures to prevent forest fires, mitigate soil erosion and regenerate natural habitats in the Castilla-La Mancha region. The 'Medio-ambiente Castilla-La Mancha' project includes the purchase of fire-fighting equipment, im-



Castilla y León environment, Spain



plementation of engineering works, introduction of forest management techniques to minimise fire risk and improvement of technical expertise. It is also helping to promote improved forest ecosystem health and increased greenhouse gas sequestration and contributing to general nature protection objectives.

Increasing climate resilience

Precautionary adaptation to the consequences of climate change is more effective and less costly than forced, last-minute emergency action. Many of the Bank's activities in the water sector are therefore aimed at the preservation of freshwater resources, sustainable water management, protection of marine and coastal zones and other adaptive measures. Although current EIB-funded adaptation projects are located mostly within the EU, the Bank also invests in projects located in emerging and developing economies throughout the world in close cooperation with the European Commission and other financing institutions.

In 2011, the EIB signed its first water project in Africa that specifically focuses on reducing the threat of, and ensuring long-term preparation for, climate change. The EUR 27m loan to the Seychelles Public Utilities Corporation will help to alleviate water

shortages through the renewal and expansion of the water supply on the country's three main islands to reduce water loss, improve energy efficiency and increase the resilience of the water supply in the face of an increasingly uncertain climate and less predictable rainfall patterns. The scheme will also contribute to improving environmental and natural disaster risk management, as well as overall water management.

Water is the primary medium through which climate change influences human societies and ecosystems. The increased frequency of extreme weather conditions has severe impacts on the availability and quality of freshwater resources, giving rise to water-related natural disasters including droughts and floods. The EIB is the largest source of loan finance for the global water sector, and integrated water resource management and adaptation to climate change are key objectives for future lending operations.

In 2011, the EIB supported **16** projects – both within and outside the EU – that will help to increase climate-resilience and adapt to changing weather conditions, amounting to a total of **EUR 1bn.**



Afforestation and erosion control, Turkey

Shaping sustainable cities



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

- 29 metro
- 5 urban rail
- 42 tramways
- 43 rail, and
- 22 high-speed rail projects.

Around 5% of EU citizens use an EIB-financed public mode of transport every day.

Westmetro, Finland

Greening cities and making them sustainable is at the heart of the EIB's activities in urban areas. In 2011, EIB lending for sustainable cities amounted to EUR 15bn.

Most people in the world live in cities. 75% of Europeans live in towns and cities and around 85% of the EU's GDP is generated in urban areas. While cities and metropolitan areas are the engines of innovation and economic growth and are where most jobs, businesses and higher education facilities are concentrated, they are also home to major problems of social cohesion and environmental sustainability.

Urban living facilitates economies of scale and is associated with the benefits of public services such as hospitals, schools and universities, but also with environmental degradation, noise and poor air quality, and problems such as unemployment,

social exclusion and pockets of acute deprivation. At the same time, urban areas worldwide are faced with the challenge of climate change. Europe's cities account for 80% of our energy use, and 80% of greenhouse gas emissions originate in cities. Over the last five years, the EIB has provided finance totalling EUR 55bn along with technical assistance to projects that promote sustainability in several hundred cities.

Promoting integrated urban development

The EIB's lending in cities focuses on urban renewal and regeneration projects that help shape sustainable communities. Here, the Bank seeks to help improve areas where the most deprived citizens live and make better use of scarce land assets in city centres, as well as supporting municipal investment to refurbish and upgrade public infrastructure, buildings and facilities, with special attention being paid to the protection of cultural and historical heritage. In 2011, some EUR 2.6bn went to projects involving urban development and regeneration.



International Building Exhibition IBA Hamburg, Germany

JESSICA for cities

JESSICA stands for Joint European Support for Sustainable Investment in City Areas, a joint initiative of the European Commission, the EIB and the Council of Europe Development Bank. This financial instrument complements the EIB's direct lending and assists with the allocation of EU structural fund resources to projects forming part of an integrated plan for sustainable urban development and regeneration. JESSICA enables these resources to be used for financing revenue-generating urban projects through so-called Urban Development Funds. Investments may take the form of equity, loans or guarantees, and encourage the development of partnerships between municipalities, banks and private investors. The EIB's JESSICA Task Force advises on how to best deploy resources and offers guidance and support in fund management. By the end of 2011, a total of 68 JESSICA evaluation studies had been commissioned and 18 holding funds had been signed for a total of EUR 1.7bn covering 52 regions. The number of Urban Development Funds increased to 25 at the end of 2011, with a total volume of EUR 842m of which EUR 436m had already been disbursed in eight Member States.



Supporting clean transport

The EIB places strong emphasis on supporting public transport in urban areas and strives for the most efficient, economic and sustainable way of satisfying transport demand. This requires a mix of transport solutions, covering all modes. By promoting a shift from private to public transport and by investing in sustainable transport, projects aim to improve air quality and reduce noise pollution. They further help to tackle climate change by enhancing energy efficiency and limiting greenhouse gas emissions. Special attention is also paid to transport safety.

The Bank's support ranges from the construction, extension or rehabilitation of public transport infrastructure (such as railway, light rail, metro and tramway systems and rolling stock) to the promotion of cycling and pedestrian networks, as well as electromobility. Moreover, the EIB promotes the development of cleaner and safer vehicles by supporting research and development for energy-efficient and low-emission solutions that can be applied, for example, to buses or street cleaning or refuse disposal vehicles.

Around 10% of EIB lending goes to public transport projects. In 2011, this included support for the Ile-de-France transport network upgrade of four tramway lines in Paris, the first tramway in Tours in France and the Nottingham tram network extension in the UK, as well as the extension of metro lines in Rome, Prague, Bucharest and Helsinki.

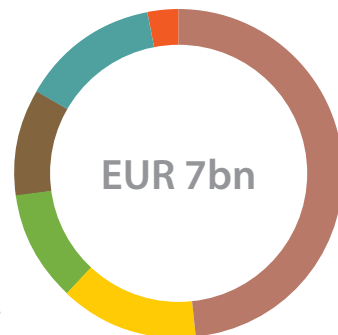
A new transport lending policy

Sustainable transport was also at the heart of discussions that took place in the context of a public consultation in 2011. This led to the adoption of a new transport lending policy that outlines how the Bank conducts project prioritisation and appraisal. The lending policy includes, for each sub-sector, the requirements expected to be met. Furthermore, the new policy specifies the role of the climate action indicator in terms of prioritising certain types of investment and underscores the Bank's commitment to the carbon footprint assessment, which applies to most projects.



The EIB is active around the world, underpinning the EU's foreign policy goals. Its operations outside the EU account for around 10% of total EIB lending. In order to further its impact the Bank partners with others for best results.

Lending outside the EU by region



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



Supporting the EU's policies beyond its borders

In 2011, EIB lending outside the EU reached some EUR 7bn. The same year also saw the European Parliament and Council renew the EIB's mandate for operations outside the Union, putting more emphasis on local private sector development, social and economic infrastructure and climate change mitigation and adaptation projects. In order to enable the Bank to keep up its activities beyond Europe's borders, the general ceiling for the remaining two years of its mandate has been increased by EUR 1.6bn to more than EUR 29bn (2007-2013). A large part of this increase will be used to provide support for Southern Mediterranean countries engaged in political reforms in the wake of the Arab Spring.

The renewed mandate provides for a partial EU guarantee against losses on loans for projects in the pre-accession and neighbourhood countries, as well as in Asia, Latin America and South Africa until 2013. The lending mandate for African, Caribbean and Pacific (ACP) countries and Overseas Countries and Territories (OCT) comes under the Cotonou Agreement, which defines the EU's relations with its partner countries in these regions. Financing in this framework is provided from EU Member States' budgets through the European Development Fund, alongside EIB own resources.

The EIB has also been equipped with an additional EUR 2bn to support the fight against climate change across all regions – a welcome boost for the Bank's climate action outside the EU.

A flexible external policy tool

The scope of the renewed mandate has been enlarged to cover Iceland, Libya, Iraq and Cambodia. It also allows the EIB to adapt to rapidly changing political realities such as the Arab Spring, where it is contributing to the international efforts to support reforms in the Southern Mediterranean countries. In Syria, the EIB suspended its loans and technical assistance following the EU's decision to impose sanctions on the regime after its violent crackdown on protests.

Securing sustainable growth and job creation in the Southern Mediterranean countries in transition is a top priority for the Bank, which is already the leading public financial institution in the region, supplying more than half of Europe's financial contribution to sustainable projects. The EIB plays an important part in the so-called Deauville Partnership, launched in 2011 by the G8 to back both



Moma Titanium, Mozambique

Measuring results for a more targeted impact

The EIB is moving towards more impact-oriented reporting and enhanced monitoring for its operations outside the EU. Developed and tested throughout 2011, the new results measurement framework will assess and measure the development impact based on monitorable, standard indicators with baselines, timelines and expected outcomes. This will especially take into account the employment and fiscal effects of projects financed, energy efficiency, the carbon footprint and environmental and social safeguards, but also the effects on corporate governance for projects in the private sector. A pilot phase for the implementation of this new framework will start in 2012.

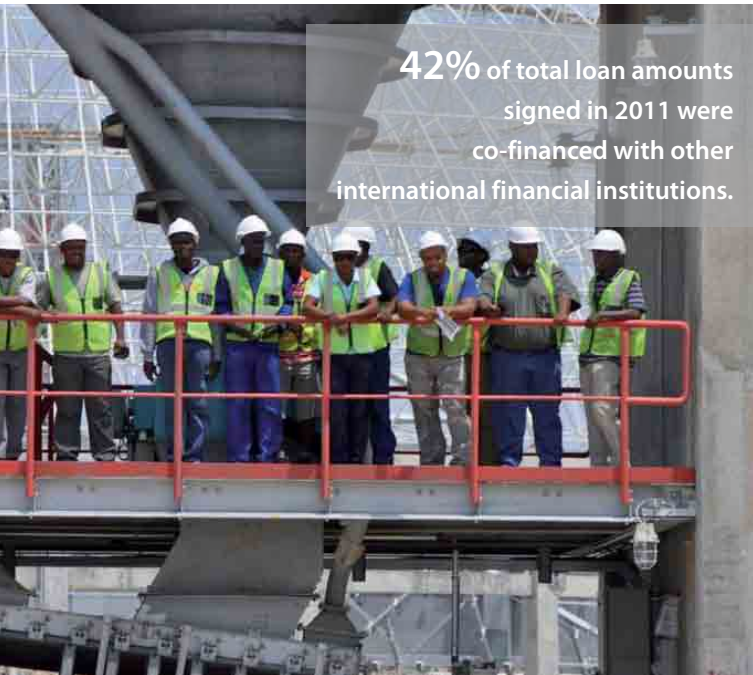
democratic and economic transition in the region. It has committed to support the development of the economy and to bolster employment. Loans worth almost EUR 1bn were signed in 2011 to foster private sector development and accelerate relevant infrastructure projects in the Mediterranean countries.

In 2011, the EIB also strengthened its presence in the Eastern Neighbourhood countries by opening its first office in the region – in Kiev covering Ukraine, Moldova, Georgia, Armenia, Azerbaijan and Russia. The EIB supports projects of significant interest to both the EU and the partner countries, with loans which in 2011 amounted to EUR 776m. The Bank's Eastern Partners Facility provides additional finance for loans that help support EU investment in the region, especially by European corporates. The Eastern Partnership Technical Assistance Trust Fund, set up in 2010 to better share expertise in project preparation and financing in order to speed up and ensure successful project implementation in the region, became fully operational in 2011. Austria, Poland and Sweden were the first

countries to contribute, followed by a pledge from France and with more contributions expected.

Besides lending for its Eastern and Southern neighbours, another important area is the support for EU candidate and potential candidate countries in the Western Balkans and Turkey. Lending to these countries represents almost half of all lending outside the EU.

In 2011, the Western Balkans Investment Framework (WBIF) extended its support to small and medium-sized enterprises, climate change initiatives and other areas. This joint initiative, set up by the European Commission, the EIB, the EBRD and the Council of Europe Development Bank in 2009, pools grant resources in order to leverage loans for the financing of priority infrastructure in the Western Balkans. By end-2011, it had provided EUR 220m in grants to 111 projects, for which it aims to make available over EUR 5.5bn of co-financing. Recent support includes funding for Corridor X, one of the core elements of the pan-Eu-



Ohorongo cement plant, Namibia

European transport network in the Western Balkans, running from Salzburg in Austria to Thessaloniki in Greece.

Closer cooperation with partners

Partnering with others is an important feature of the Bank's operations, particularly outside the EU. The Bank works with a network of trusted partners in the private sector, and from among public authorities and non-governmental organisations, which make a valuable contribution to the EIB's activities. Under the renewed mandate, EU grants are increasingly blended with EIB lending to achieve better results from projects in developing countries. At the same time, the Bank's representations are set to be placed under the same roof as the EU Delegations abroad, enhancing cooperation between the EIB, the European External Action Service and the Commission, while sharing operating costs.

In 2011, a Commission expert group, including the EIB and Member States, began studying the possible establishment of an EU Platform for External Cooperation and Development. The aim is to further increase the impact of EU external cooperation activities by optimising financial mechanisms blending EU grants and loans. This would help leverage limited financial resources to support external and development policy priorities for the benefit of EU partner countries.

The same year the EIB, EBRD and European Commission agreed a new Memorandum of Understanding on cooperation outside the EU to further enhance the complementarity, additionality and efficient use of resources. This concerns the common regions of operation, notably pre-accession countries (Western Balkans and Turkey), the Eastern neighbours and Russia, Central Asia and Mongolia.

Still in 2011, the EIB and the International Finance Corporation, a member of the World Bank Group, agreed to further improve collaboration on private sector development projects in emerging markets (including African, Caribbean and Pacific countries, as well as Mediterranean countries). This should improve the effectiveness of funding by reducing the administrative burden on borrower companies and allowing quicker completion of financial documentation. Areas of cooperation and coordination include the execution of mandate agreements, the appraisal and due diligence process, monitoring visits, and the handling of client requests.

The EIB also works together with other European financial institutions to support projects abroad under a mutual reliance initiative. This framework allows one of the participating institutions to take the lead in project assessment, sharing the results with the co-financiers and thus avoiding a duplication of paperwork for the project promoter and reducing the costs. The EIB launched the mutual reliance initiative with the French development agency, Agence Française de Développement, and the German public bank, Kreditanstalt für Wiederaufbau.



The EIB strives to implement international best practice on corporate responsibility. It is strongly committed to

- integrating environmental and social concerns into all its business activities
- ensuring proper governance, transparency and accountability, for itself and its counterparts
- checking the consistency of its lending activities with EU policy objectives and conducting its appraisals with a view to ensuring that investments are sustainable;
- promoting more ethical and sustainable investments;
- developing mutually beneficial relationships between itself and its host communities; and,
- minimising its own environmental footprint.



A responsible institution

Corporate responsibility is everyone's responsibility at the EIB. The Bank's corporate responsibility strategy is defined by its management and embedded in its business operations. Responsible business behaviour underpins the Europe 2020 strategy for smart, sustainable and inclusive growth. The EIB ensures that all its investment loans are reviewed by its environmental, social and governance specialists to verify that they meet the Bank's standards.

The EIB considers that transparency and disclosure of information that takes into account the legitimate business confidentiality requirements of its clients, is important for an informed dialogue with its stakeholders.

Corporate responsibility reporting

The EIB follows best practice standards in disclosing and reporting on its corporate responsibility and uses the Global Reporting Initiative's guidelines on the disclosure of environmental, social and governance performance.

Combating corruption and lack of transparency are crucial in countries outside the EU that are rich in oil, gas and mineral resources. The Extractive In-

dustries Transparency Initiative – EITI – was established to encourage and help resource-rich countries to put into place procedures for publishing verified information on payments made and revenues received. The EIB endorses the EITI by working with its project promoters to introduce greater transparency and consistency in reporting on payments at project level.

Civil society dialogue with the EIB's Board of Directors

In October 2011, the Bank organised its first seminar with civil society organisations and the EIB's Board of Directors. Some 65 participants from 52 organisations and 13 panellists came to Luxembourg for the event. Key issues were climate action, lending to SMEs and operations in developing countries. Non-governmental organisation representatives welcomed the EIB's efforts in the area of renewable energy, but called on the Bank to do more to help the EU move towards a greener, more sustainable economy.

Regarding SMEs, where the Bank's lending is channelled through intermediary banks, exchanges centred on how to make the money reach the right sectors and the right beneficiaries faster.

The Bank is seen as a critically important development partner even though only some 10% of its financing goes to operations outside the EU. Civil society members stressed that the Bank's approach should be tailored to country contexts and regional specificities, with an appropriate balance between public and private sector lending, and focus more on local people's needs and life improvement.

Independent ex post evaluation

Operations Evaluation is one of the four independent divisions under the umbrella of the Bank's Inspectorate General. The others are Internal Audit, Fraud Investigation and the Complaints Mechanism.

Operations Evaluation carries out thematic, sectoral and regional/country evaluations of projects financed by the Bank once they have been completed. It strengthens accountability and encourages the organisation to learn from experience.

In 2011, two evaluation reports were completed: on the JEREMIE initiative specialising in micro to medium-sized enterprises; and on lending in support of economic and social cohesion in France, Portugal and the UK. Reports are published on the Bank's website.

An efficient grievance mechanism

The EIB Complaints Mechanism is a comprehensive tool enabling resolution of disputes for members of the public who consider that they have been affected by a Bank decision. Any member of the public has access to it. If no agreement is reached, a second level of recourse is provided by the European Ombudsman. This makes the EIB's grievance mechanism unique among international financing institutions.

In 2011, the Complaints Mechanism division received 54 complaints of which 46 were admissible. Most complaints related to the environmental and social impacts of projects financed (18) and to procurement in projects financed (14). The European Ombudsman decided on three complaints lodged against the EIB, concluding that there had been no maladministration and making no critical remarks.

Minimising our own environmental footprint

The EIB has been measuring the carbon footprint of its internal operations since 2007 (EIB Group baseline). The original target of reducing the carbon footprint by 20% by 2020 was already reached and even exceeded by 4% in 2011.

	Tonnes of CO ₂ 2011	Tonnes of CO ₂ per staff member 2011	Tonnes of CO ₂ per staff member 2010	Tonnes of CO ₂ per staff member 2009
Energy emissions	824	0.38	0.41	0.52
Mobility emissions	18 744	8.62	8.67	8.13
Waste	-1.6	-0.0007	-0.002	0.0001
Copying paper consumption	114.8	0.053	0.1	0.06
TOTAL	19 682	9.05	9.14	8.69





On a per capita basis, the EIB is continuing to reduce the carbon emissions from its internal activities, despite the increase in business from 2008 to 2011. More efficient and effective use of office space and improvements in the management of the office buildings have resulted in a reduction of emissions attributable to energy usage.

Mobility emissions (primarily caused by air travel) have resumed a downward trend after having expanded when the Bank responded to the financial crisis by increasing its lending activity in 2010 and 2011.

The EIB supports waste recycling: 75% of the domestic waste it produces is recycled by the local authorities to produce energy through incineration, composting and the production of biogas that would otherwise be generated from non-renewable sources. According to data provided by the local authorities, the recycling of domestic waste produced by the Bank has a positive impact on overall carbon emissions.

The EIB Institute

Corporate responsibility at the EIB will receive a fresh boost with the newly established EIB Institute. Active since 1 January 2012, the EIB Institute acts as a catalyst for the Bank's existing educational, social and art activities. Created as part of the EIB Group, the Institute is supported by a small group of staff working under the day-to-day management of the Dean. Its Supervisory Board is chaired by the EIB President.

The EIB Institute is dedicated to promoting EU objectives by supporting "European initiatives for the common good". With the aid of its partners and the "Friends of the Institute" network, the Institute aims to be a catalyst for social, cultural, educational and research activities that are directed towards economic and social development in the EU Member States. It is built on three pillars: knowledge, social and arts programmes.



Voices from the Board meeting with civil society:

"If the climate threat is a systemic one, then the climate response has to be too. We all need to join the dots, the Bank included."

"The EIB cannot do everything, but it should do everything in its power."

"People should be at the heart of each operation."







Capital and borrowing operations

For more than 50 years, the EIB has been a solid financial partner underpinning the EU's goals. As a non-profit-maximising organisation, the benefits of the EIB's borrowing conditions are for the most part passed on to project promoters. The Bank is the largest supranational borrower and raised EUR 76bn on the international capital markets in 2011.

The EIB is a responsible borrower and a source of stability in times of turmoil. With a strong capital base and balance sheet that stem from a prudent lending policy and sound risk management, it continued to maintain an excellent financial standing in 2011.

A solid financial partner

At year-end 2011 total assets stood at EUR 472bn, with an extremely low rate of impaired loans close to zero per cent (0.09%). The annual net surplus reached EUR 2.3bn in 2011, reflecting record lending levels in 2009 and 2010, while administrative costs remained moderate.

The EIB is financially autonomous. Its capital of EUR 232bn is subscribed by the EU Member States, which are the Bank's shareholders. Each country's share in the EIB's capital is based on its economic weight at the time of EU accession. The EIB's capital adequacy ratio – the ratio of the Bank's capital to its assets – stood at 24.9% at the end of 2011. The Bank for International Settlements' Basel Com-

mittee sets the minimum capital adequacy ratio for banks at 8%.

The largest supranational borrower

The EIB finances itself and borrows the bulk of its lending resources on the international capital markets. Underpinned by firm shareholder support, a strong capital base, excellent asset quality, conservative risk management and a sound funding strategy, the Bank continued to be rated triple-A by the three major rating agencies in 2011. Building on its financial strength, it is able to borrow at very attractive rates.

Amid highly volatile market conditions in 2011, the Bank borrowed EUR 76bn from the international capital markets at cost levels and an average maturity that compared favourably with 2010.

Borrowing in the Bank's three core currencies – the euro (EUR), US dollar (USD) and sterling (GBP) – continued to dominate, accounting for almost 88% of EIB issuance in 2011. At EUR 35bn the euro accounted for the largest volume, followed by the US dollar (USD 33bn or EUR 24bn) and sterling (GBP 6.8bn or EUR 7.9bn). The Bank borrowed EUR 9bn or 12% of funding in other currencies. The largest volume was in the Australian dollar, followed by the Norwegian krone and Swedish krona.



Governance at the EIB

EIB Statutory Bodies

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

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

and the Audit Committee. The Board of Governors meets once a year.

In 2011, the Board of Governors appointed Werner Hoyer as new President of the EIB from 1 January 2012. Werner Hoyer is the seventh president of the EIB since it was founded in 1958. He succeeds Philippe Maystadt, who was EIB President for two consecutive mandates from 2000 to 2011. Previously, Werner Hoyer was Minister of State at the Foreign Office of the Federal Republic of Germany, responsible for European policy, and a Member of the German Parliament.



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

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

The Board of Directors consists of 28 Directors, with one Director nominated by each Member State

and one by the European Commission. There are also 18 Alternates, meaning that some of these positions are shared by groupings of states. Furthermore, in order to broaden the Board of Directors' professional expertise in certain fields, the Board is able to co-opt six experts (three as members and three as alternates), who participate in the Board meetings in an advisory capacity, without voting rights. Save as otherwise provided in the Statute, decisions are taken by a majority consisting of at least one third of members entitled to vote and representing at least 50% of the subscribed capital. The Board of Directors meets ten times a year.

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

The Management Committee oversees the day-to-day running of the Bank, prepares decisions for the Board of Directors and ensures that these are implemented. Its members are appointed for a renewable period of six years and are responsible solely to the Bank. The Management Committee meets once a week, chaired by the President. According to the Bank's Statute, the President is also Chairman of the Board of Directors. The four largest shareholders – France, Germany, Italy and the United Kingdom – have a permanent seat on the Management Committee.

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

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



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