

1997



ANNUAL REPORT

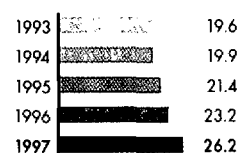


EUROPEAN INVESTMENT BANK
The European Union's financing institution

KEY DATA

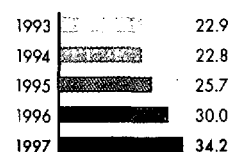
(ECU million)	1997	1996
Contracts signed	26 202	23 240
Within the European Union	22 958	20 946
Outside the European Union	3 244	2 294
- Africa, Caribbean, Pacific	60	396
- South Africa	199	56
- Mediterranean	1 122	681
- Central and Eastern Europe	1 486	1 116
- Asia, Latin America	378	45
Loans approved	34 215	30 004
Within the European Union	29 748	27 322
Outside the European Union	4 467	2 705
Disbursements	23 473	20 394
From own resources	23 346	20 265
From other resources	127	129
Resources raised	23 025	17 553
Community currencies	19 639	16 078
Non-Community currencies	3 387	1 475
Outstandings		
Loans from own resources	142 363	126 621
Guarantees	386	392
Financing from budgetary resources	2 334	3 044
Short, medium and long-term borrowings	110 394	96 649
Reserves and profit for the financial year	14 310	13 320
Balance sheet total	157 122	135 721
Subscribed capital at 31 December	62 013	62 013
of which paid in and to be paid in	4 652	4 652
<i>Bank staff</i>	980	948

Contracts signed



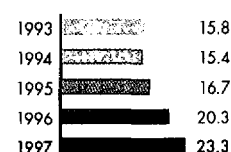
13% growth in lending activity

Approvals



14% growth in loan approvals

Disbursements




15% growth in disbursements

ANNUAL REPORT



EUROPEAN INVESTMENT BANK

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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 furthering development of its least advanced regions. Over the past five years, the Bank has supported capital projects totalling over ECU 160 billion in these regions, where nearly half the people of Europe live and work.

Furthermore, 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 projects, for instance in the areas of health and urban development, or towards schemes that prepare Europe for the future by placing particular emphasis on educational needs and environmental protection. In this context, acting in partnership with the European banking community and the European Investment Fund, we are also deploying a gamut of innovative financing techniques aimed at providing smaller businesses with greater access to risk capital. Between now and the millennium, the EIB expects to mobilise an additional ECU 10 billion to boost growth and employment.

But our efforts to promote the Union's sustainable development do not stop there: we also finance investment to assure and husband Community energy supplies, hone the technological edge of European industry and safeguard quality of life, as well as to establish communications and energy-transfer networks across Europe.

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

As the world's foremost non-sovereign borrower, the Bank is also mobilising its exceptional resource-raising capacity and credit rating towards assisting the future single currency's successful launch. Through its innovative issuing strategies, it is working to ensure that, even before 1 January 1999, a liquid and deep capital market is established offering a broad spectrum of euro-denominated instruments. In furtherance of this objective we floated our first global euro issue in early 1998.



The EIB's
Management
Committee



Outside the Union, the Bank makes a major contribution to the success of European development aid and cooperation policies in favour of over 120 countries across the globe. In particular, it is committed to paving the way for the accession of new member countries by lending for projects compliant with Community standards within such areas as environmental protection, communications infrastructure and industrial development. To this end, we have set up a "Pre-Accession Facility" to finance priority schemes in the EU applicant countries of Central and Eastern Europe and Cyprus.

The EIB is thus making a practical contribution to building a more cohesive, good-neighbourly 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 in preparing Europe for the challenges of the third millennium.

Sir Brian Unwin
President and Chairman of the Board of Directors

1997: OVERVIEW

In 1997, EIB lending activity focused, on the one hand, on paving the way towards successful establishment of Economic and Monetary Union and, on the other, on prospective enlargement of the Union. In pursuit of these objectives, the EIB recorded, for the third year in a row, significant growth in its activity, which totalled ECU 26.2 billion, up from 23.2 billion the previous year.

Preparations for Economic and Monetary Union centred primarily on strengthening economic and social cohesion in assisted areas and on implementing the Amsterdam Special Action Programme (ASAP). Launched in response to the European Council's June 1997 Resolution on Growth and Employment, this programme has led to an extension of Bank operations to the health and education sectors as well as to creation of pioneering financial instruments specifically for innovative and job-creating SMEs. It is also serving to enhance the Bank's support for urban renewal, environmental protection and trans-European network projects.

Against this backdrop, the Bank pressed ahead with its policy of preparing the capital markets for introduction of the euro. Its euro and euro-tributary issues came to account for a quarter of overall resource raising. Particularly active on the **capital markets**, the EIB launched 156 **borrowing operations** in 21 currencies – including the first ever euro-denominated loan issue – raising 23 billion in all, a year-on-year increase of 31%.

Of aggregate **finance contracts signed**, 23 billion, or 9.6% more than in 1996, targeted projects within the European Union, notably to promote regional development, attracting 67% of lending, trans-European transport and energy networks, as well as environmental schemes.

Activity outside the Union, 3.2 billion, was characterised by increased financing for the non-member Central and Eastern European and Mediterranean Countries. It was nevertheless subject to external factors: entry into force at mid-year of the mandates covering the bulk of operations outside the Union and the time taken to ratify the Second Financial Protocol to the Fourth Lomé Convention. This notwithstanding, in 1997 the Bank drew up the blueprint for a pre-accession facility approved by its Board of Governors in January 1998.

Disbursements totalled 23.3 billion, of which 21.1 billion in the Member States.

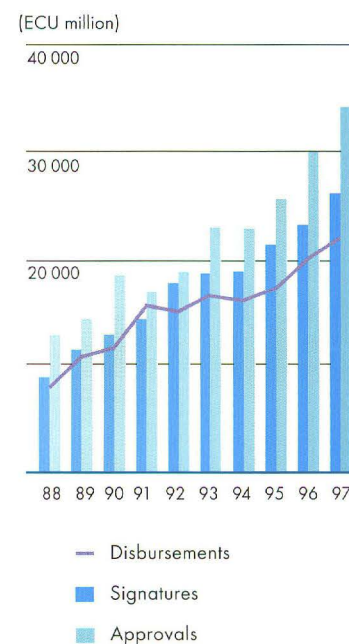
The some 250 investment projects appraised by the Bank's departments in 1997 served to achieve a substantial rise in **approvals**, which reached 34.2 billion. Consequently, the stock of loans approved and awaiting signature recorded an appreciable increase, climbing from 30 billion at end-1996 to 34.5 billion.

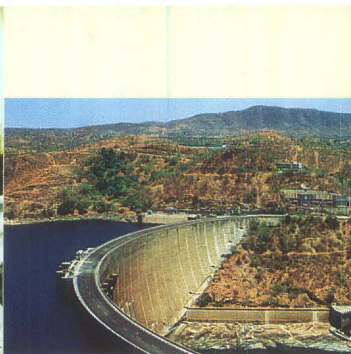
By the close of 1997, **outstanding lending** from own resources came to 142.4 billion, or 230% of subscribed capital. **Total outstanding borrowings** amounted to 110 billion. The **balance sheet totalled** 157 billion, a rise of 16%.

This level of activity underscores the EIB's leading position among multilateral financing institutions.

Unless otherwise indicated, all amounts given in this report are expressed in ECUs, rounded to the nearest million.

Disbursements, contracts signed and projects approved (1988-1997)





BEI EIB

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 EIB supports development in over 120 partner countries.

To this end, it borrows 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



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

1962
First financing
operations outside
the Community

1961
First EIB issue on the
capital markets

1964
1.1 billion u.a.
in loans

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



1976
Capital increased
to ECU 3,544
billion

1968
Transfer of head
office from Brussels
to Luxembourg

1958

1958

The EIB's mission -

To lend in support of:

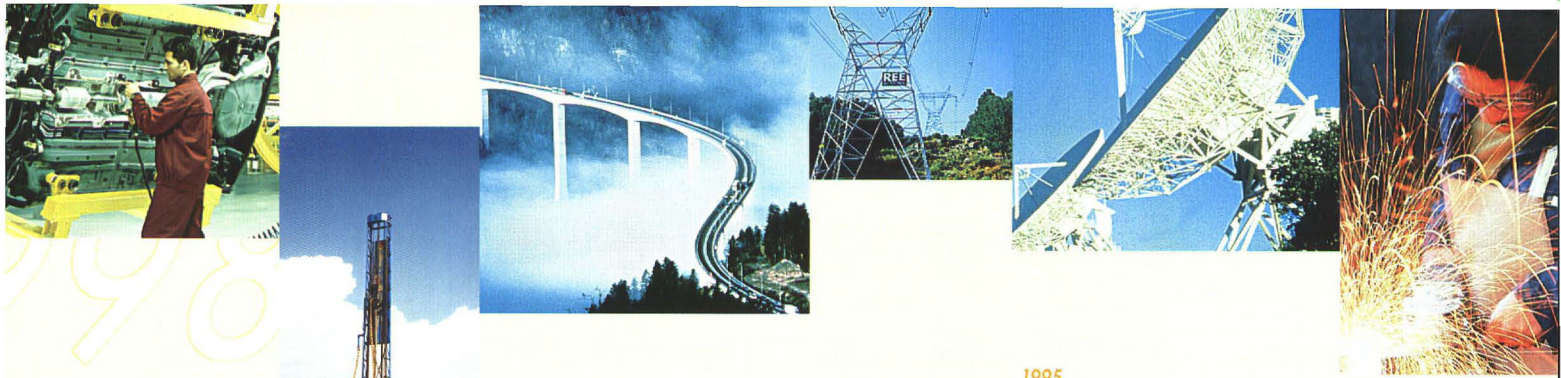
- regional development;
- sectoral modernisation and conversion;
- projects of common interest.

1968

The Bank grants its first
global loans to fund SMEs:
operations limited
to assisted areas

1973

Oil crisis: lending
extended to
energy sector



Regional development

Since its inception, the EIB has directed the bulk of the resources raised by it on the capital markets towards funding a broad array of investment aimed at correcting regional disparities. Bank lending in the less favoured regions - home to nearly half the population of the European Union - is undertaken in close association with the European Commission to ensure an optimum mix of EIB loans and Community grant aid and the best possible allocation of resources.

Two thirds of EIB funding targets enhanced cohesion within the EU

EMU will not on its own reduce underlying regional disparities within the European Union or between countries participating in the euro from the start and those adopting the single currency at a later stage. Thus, calls such as those made by the European Parliament in its resolution on EMU, in April 1996, for an integrated cohesion strategy together with implementation of EMU as well as of regional and all other apposite Community policies continue to be relevant.

With EMU in prospect, containment of public expenditure and the trend towards privatisation, the range of EIB lending is likely to be broadened, notably to support infrastructure, including facilities in the health and education sectors, with increased emphasis on long-term EIB loans for suitable projects carried out through public-private partnerships.

On the occasion of its mid-term review of the 1994-1999 Structural Funds programme, the Commission, in May 1997, mapped out its financing priorities: basic infrastructure, innovation, technological research and development, the environment, harnessing human resources and equal opportunities.

Having analysed the linkage between cohesion policy and the environment, the European Parliament advocates strengthening the environmental dimension of the Structural Funds and Cohesion Fund as well as making environmental considerations a genuine criterion in selecting projects and modulating Community support.

Greater importance attached to developing human resources

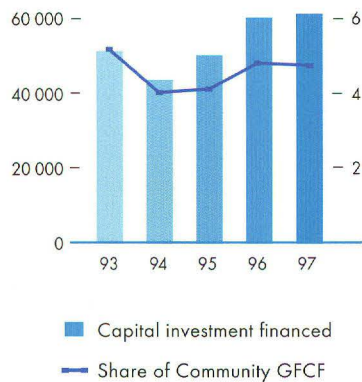
In July, the Commission also issued its proposals for the future development of cohesion policy in its communication "Agenda 2000 - For a stronger and wider Union". It proposes more concentrated structural support both geographically and in terms of objectives, whilst advocating maintenance of aggregate assistance at the same level. The Commission, Council and Parliament are unanimous in believing that greater importance should be attached to developing human resources throughout the Union.

In its recommendations on Member States' economic policies, the Council noted that "structural deficiencies continue to restrain both growth and the degree to which growth can be translated into additional employment". On the same occasion, the Council emphasised the continued need for funding designed to improve Europe's structural make-up and geared to sustaining balanced development. The Council further highlighted the vital role of the EIB in this area and called for greater involvement by the private sector.

All the Community bodies have repeatedly confirmed the importance of maintaining strong regional and structural policies so as to foster greater convergence between the Member States' economies, both during and after the run-up to EMU. The EIB will therefore continue to work towards achieving balanced regional development throughout the Union, a cornerstone of its activity ranking among its foremost financing priorities.



Total cost of projects financed by the EIB from 1993 to 1997 and share of Community GFCF



During the past five years, aggregate capital investment to which the Bank contributed can be put at 266 billion, or 4.5% of Community GFCF

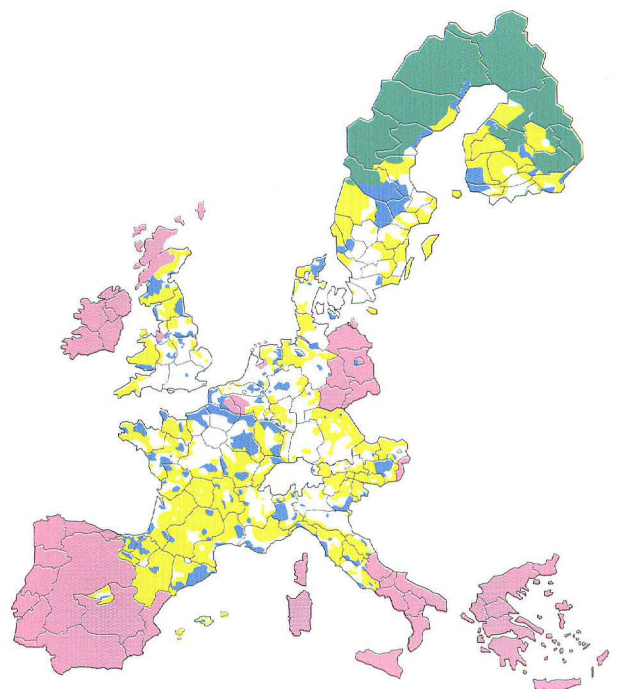
Since the reform of the Structural Funds in 1989, the EIB has devoted on average two thirds of its financing to projects in assisted areas. This level of Bank lending was sustained during 1997 and undertaken in close conjunction with the major structural instruments funded from budgetary resources, notably the ERDF and the Cohesion Fund. During the past year, 24% of EIB financing in areas eligible for structural assistance was cofinanced with these two Funds. On average, the rate of cofinancing amounted to 25% over the period 1989-1997.

Over the past 5 years, the EIB has made 64 billion available for regional development, contributing to implementation of projects representing total investment of about 162 billion. A large part of this support has gone towards developing transport, telecommunications and energy infrastructure, a key factor in integrating less favoured regions, as is the action to strengthen Europe's industrial base.

Extension of EIB lending to the health and education sectors, under the Amsterdam Special Action Programme, has strengthened the role played by the Bank in pursuing its primary mission. Indeed, the great majority of loans in these sectors, already signed during the second half of 1997 or currently awaiting approval, centre on projects located in assisted areas.

Regions eligible for structural support

- Objective 1
- Objective 2
- Objective 5(b)
- Objective 6



In 1997, projects in less favoured regions of the Union totalled 14 646 million, accounting for 67% of EIB funding, as against 13 805 million the previous year. This is in line with the average figure for regional development financing since the reform of the Structural Funds, confirming the Bank's commitment to fostering economic and social cohesion within the Union.

The loan finance in question supported ventures costed at around 43 billion all told. The greater part of funding was targeted at areas qualifying for structural support measures, with 12 282 million going to projects in Objective 1, 2, 5(b) and 6 areas. Furthermore, national network projects, mainly in the telecommunications sector, received 1 878 million.

In regions lagging behind in their development (Objective 1), funding ran to 5 230 million, as against 6 872 million in 1996. This fall is chiefly due to the decline in activity in Germany's eastern Länder (1 111 million, compared to 1 613 million), global loans signed at the end of the year not yet having been drawn on. Operations in the Cohesion Countries (Portugal, Spain, Greece and Ireland) were also down on 1996 (4 049 million, as against 4 477 million), mainly due to budgetary constraints curbing investment in the public sector.

According to the First Cohesion Report published by the Commission in 1996, one of the possible reasons for the limited level of EIB activity was "the (too) ready availability of EU grants". However, the advent of EMU and the tendency to keep public budgetary expenditure on a tight rein are likely initially to restrict the potential benefits of combining EIB loans and budgetary resources for certain projects.

The Bank has nonetheless continued to attach special importance to technical upgrading of basic infrastructure in Objective 1 areas, where such schemes have attracted 80% of Bank assistance.

The contribution of projects cofinanced by the EIB to gross fixed capital formation (GFCF) amounted to 6% in the Mezzogiorno and 8% in the Cohesion Countries, compared with an average of 4.7% for the Union as a whole. The figure for Portugal remains at a very high level (23.2%).

The policy of cooperation with the Structural Funds has continued. Cofinancing arrangements concerned projects making up one quarter of the Bank's activity in areas qualifying for Structural Fund measures. The EIB was also involved in appraising the economic and technical merits of 26 projects submitted for Cohesion Fund support, of which 8 have already been financed.

Under the financial mechanism set up in the context of the European Economic Area (EEA), grant aid worth 128 million was advanced in Greece, Spain and Ireland, while 10 loans, totalling 423 million, in the environment, education and transport sectors benefited from interest rebates. By end-1997, about 80% of the 1.5 billion package of subsidised EIB loans and 71% of the 500 million grant aid allocation had thus been committed.

In areas affected by industrial decline (Objective 2), **rural areas facing conversion problems** (Objective 5(b)) and **Arctic areas** (Objective 6) - where the first projects were financed - Bank assistance reached 7 052 million in 1997, well up on the 1996 figure of 5 423 million.

Of this total, 4 146 million (60%) supported infrastructure, while lending to industry ran to 2 905 million, a steep increase on the previous year's figure. Global loan allocations recorded modest growth whereas individual loans rose sharply, accounting for 55% of total Bank funding for industry. Much of this increase was ascribable to lending in France for projects in the motor vehicle, chemicals and pharmaceuticals industries, and an upturn in activity in the United Kingdom.

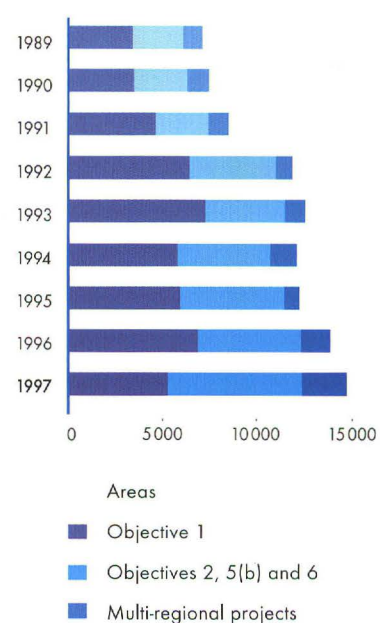
In 1997, 67% of lending supported less favoured regions

Regional development Sectoral breakdown (1997)

	(ECU million)	
	amount	%
Energy	996	7
Communications	6 338	43
Water management and sundry	2 748	19
Urban development	290	2
Industry, agriculture	3 157	22
Education, health	459	3
Other services	658	4
Total(*)	14 646	100

(*) of which 3 288 million in global loan allocations

Regional development Breakdown by objective 1989 - 1997



Amsterdam Special Action Programme: an initiative for growth and employment

"Creating employment through investment opportunities"

In adopting the Resolution on Growth and Employment, the Amsterdam European Council (meeting on 16 and 17 June 1997) conferred upon the EIB new tasks with regard to mobilising resources designed to contribute to economic growth and, by increasing activity, stimulate employment: "... we recognise the important role of the European Investment Bank and the European Investment Fund in creating employment through investment opportunities in Europe. We urge the EIB to step up its activities in this respect, promoting investment projects consistent with sound banking principles and practices, and more in particular:

- to examine the establishment of a facility for the financing of high-technology projects of small and medium-sized enterprises in cooperation with the European Investment Fund, possibly making use of venture capital with involvement of the private banking sector;
- to examine its scope of intervention in the areas of education, health, urban environment and environmental protection;
- to step up its interventions in the area of large infrastructure networks by examining the possibility of granting very long-term loans, primarily for the large priority projects adopted in Essen".

In response to this initiative, the EIB's departments and Management Committee drew up the "Amsterdam Special Action Programme" (ASAP), which was approved by the Bank's Board of Directors at its meeting on 21 July and by its Board of Governors on 20 August 1997.

ASAP, which will last for three years (September 1997 - 2000), contains a number of novel features, such as the assumption of risk by the EIB in favour of innovative SMEs with strong growth potential. Like the EIB's traditional global loans (see box article, page 26), the new instruments for SMEs will be deployed in close cooperation with banks and financial institutions in the Member Countries, whose involvement will have a significant multiplier effect on EIB operations. The risks associated with these instruments are guaranteed under an overall package of 1 billion drawn from the Bank's operating surpluses.

The Programme also aims to direct some of the EIB's lending into investment which is labour-intensive (health, urban renewal) or oriented towards the Union of tomorrow (education, the environment, and trans-European networks). Overall, ASAP is targeted towards increasing prospective financing in these sectors by some 10 billion over the period 1997-2000.

In 1997, the EIB's Operations Evaluation Unit (EV) conducted a study on the impact of measures undertaken in the context of the Edinburgh Facility (see 1992 Annual Report, page 20). This study, covering 90 projects, shows that appropriate support can be provided for the creation of permanent jobs by financing projects in the urban renewal and education sectors.

According to this study, major infrastructure projects have only a moderate impact on direct employment and require considerable capital expenditure. The positive influence of such projects is thus related primarily to support for competitiveness and growth in the productive sectors. The study also demonstrated that providing an increased level of EIB lending, for certain projects, did not materially accelerate implementation of the capital investment evaluated.



In order to cater for Member Countries' economic needs and banking sector potential, ASAP's "SME window" comprises a variety of financial instruments with the common objective of facilitating access to bank finance for innovative SMEs or those at the development stage. Operations on this front are thus founded upon complementarity with the banking sector and EIB partner financial institutions. They will involve venture capital instruments based on customised, risk-sharing operations.

As at 31 December, three loans of this kind totalling 51 million had been approved in Italy, Spain and France. They are intended either for financing venture capital funds or bank guarantees to encourage the provision of medium and long-term loans to SMEs.

In November, the new "European Technology Facility" (ETF), the first, pioneering initiative under the SME window, was set up by the EIB and the European Investment Fund (EIF). The ETF has been allocated 125 million by the EIB and will be administered under mandate by the EIF. The ETF will be used to acquire stakes in venture capital funds or companies specialising in providing equity for innovative and growth-oriented SMEs. The anticipated leverage effect in terms of capital injections for SMEs is put at around 500 to 800 million.

At the end of 1997, a total of 175 million had therefore been approved in favour of operations linked to the SME window, of which 151 million had been signed as at 31 December.

Health and education: in the newly eligible sectors of health and education, approvals for 1997

totalled more than 2 billion for projects in nine countries and located mainly in assisted areas.

The most significant projects in the health sector centred on modernisation of hospitals in Berlin and Mecklenburg-Vorpommern and construction of the new Galicia general hospital in Spain as well as of a new hospital in Thessaloniki.

In the field of education, projects focused on universities and technical education establishments in Spain, Portugal and Ireland, and secondary schools in Réunion. Global loans specifically for smaller-scale investment schemes in these two sectors have been approved and signed, some in 1997, in France, Belgium, the Netherlands, Denmark and Finland.

As at 31 December, finance contracts totalling 728 million had been signed for projects in these sectors.

Urban environment, environmental protection and TENs: in accordance with the wishes of the Amsterdam Council, the EIB stepped up lending in these areas. In 1997, contracts worth 15.5 billion were signed in these traditional spheres of activity, compared with 13.3 billion on average in preceding years.

In the case of four projects in the environmental sector, advantage was taken of the scope allowed under ASAP for raising, where appropriate, the ceiling on EIB financing to a maximum of 75% for environmental or TEN-related projects.

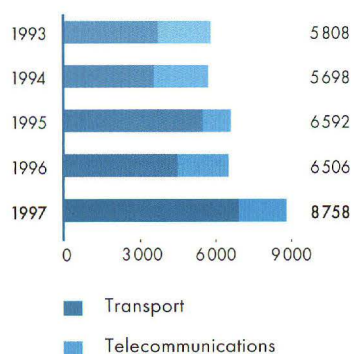
ASAP's direct and indirect impact on employment, referred to in the European Council Resolution, is for the time being more difficult to quantify. On the basis of econometric models, the indirect effects on employment have been estimated, in the construction phase of infrastructure projects, at some 20 000 jobs/year per one billion invested, while in the manufacturing sector capital investment of one billion provides support, on average, for 8 000 jobs.



European communications infrastructure

Creating Trans-European networks boosts competitiveness, growth and job creation in Europe

European communications infrastructure
1993 - 1997: 33.6 billion



Extending TENs into the Central and Eastern European countries: paving the way for their accession to the Union

The Amsterdam European Council (June 1997) recognised the important role of the EIB in financing European infrastructure networks, given their impact on economic activity and the level of employment. The Council urged the Bank to step up its operations in this sphere by looking into ways of making long-term loans more widely available.

In November, the European Council, at its extraordinary meeting on Employment, expressed the wish that each of the priority projects under the trans-European network should henceforth follow a timetable and an appropriate financing plan, defined in cooperation with the various private and public partners and with the active participation of the EIB.

These decisions reflect the EIB's strong support for and commitment to financing European communications and energy transfer infrastructure in line with its mission and the remits handed down to it following previous European Councils, in particular those held in Edinburgh (December 1992) and Essen (December 1994).

The Commission communication on financing trans-European transport network projects via public-private partnerships, prepared by a high-level group under the chairmanship of Mr Neil Kinnock, Member of the Commission, has given fresh impetus to creating such partnerships. The EIB, represented on this group by the Vice-President responsible for issues relating to trans-European networks, was able to contribute its own experience of TEN projects and to make constructive proposals.

On various occasions, most recently at the time of its Transport Ministers meeting in October 1997, the Council has highlighted the importance of public-private partnerships in speeding up implementation of certain projects, by pooling the specific expertise of both sectors. It also favours the setting up of special working parties right from the planning stage, bringing together all parties involved in the project.

One of the priority commitments of the EIB in Central and Eastern Europe is the extension of TENs to the applicant countries in this region as they prepare for EU membership. The conclusions of the Third Pan-European Transport Conference held in June 1997 endorse the Commission's approach and confirm the importance attached to the transport corridors identified in Crete in December 1994. The greater part of EIB finance in this region goes to projects located along these road and rail corridors.

The EIB's close cooperation with the PHARE programme as part of the Bank's efforts to further integration of the applicant countries is set to develop to a still greater extent in view of the current steps to refocus this programme (see page 35).

In connection with liberalisation of the telecommunications market on 1 January 1998, the Council and the European Parliament have adopted a decision identifying projects of common interest in this sector which are eligible for financing from the Community budget.

In May, the Parliament and Council put the finishing touches to the policy guidelines on trans-European energy networks, taking into account both the accelerated pace at which interconnected grids are being extended across the European continent and prospective enlargement of the Union.

Over the past five years, lending for European communications infrastructure has totalled 34 billion, rising from 5.8 billion in 1993 to 6.5 billion in 1995 and 1996, reaching 8.8 billion in 1997. During this period, the Bank's loans have supported aggregate capital investment of the order of 104 billion (see Table B, page 104).

In 1997, loans for European communications infrastructure amounted to 8 758 million, 35% up on the previous year's figure.

Lending for **telecommunications** networks matched the 1996 level. Finance went towards both conventional networks and exchanges in Portugal, Italy and Sweden, as well as, first and foremost, mobile telephone systems in Belgium, Italy, Austria, Spain and the United Kingdom.

Lending in the **transport** sector rose significantly. At the forefront of the schemes financed were five of the priority projects identified by the Essen European Council in 1994, for an amount totalling 1.6 billion (see box article, page 18 and list of projects financed, pages 85 to 98, where they are highlighted by the symbol TEN).

European communications infrastructure (1997)

	(ECU million)
Transport	6 879
Exceptional structures (*)	514
Railways	1 948
Roads and motorways	2 982
Air transport and shipping	1 435
Telecommunications	1 879
Networks and exchanges	485
Mobile telephony	1 394
Total (**)	8 758

(*) Great Belt and Öresund
 (***) of which 48 million in global loan allocations

The following projects also attracted finance:

- rail: notably, upgrading and rehabilitation of lines in the United Kingdom and construction of the Heathrow Express rail link, laying and modernisation of sections in Portugal, and the Helsinki-Tampere link in Finland;

- roads and motorways: in particular, continuation of motorway programmes in France, Spain and Portugal, construction of an additional motorway tunnel under the Elbe, in Hamburg, and under the North Sea Canal in the Netherlands, and part of the M6 link between Scotland and England;

- air transport: airports in Germany, Portugal, Greece, Denmark and Spain; air fleet renewals in Belgium, the United Kingdom, Spain and Luxembourg;



- shipping: a container terminal in Germany and acquisition of an icebreaker in Finland.

Financing deployed for European communications infrastructure during 1997 accounted for 41% of aggregate lending provided within the Union. Besides helping to foster integration between Member Countries, this financing is very much instrumental in promoting the development of assisted areas, 70% of funding being concentrated in these regions.

Lending for communications infrastructure during 1997 up by one third on 1996

Financing the infrastructure to take Europe into the 21st century

*46 billion advanced since 1993
for widening the reach of TENs,
38 billion of this within
the Union*

Support for major infrastructure projects and the development of trans-European networks is one of the basic themes of EIB action and has been endorsed by numerous European Council decisions since 1993. Through its commitment to the creation of these networks, the Bank also helps to sustain operation of the Single Market and foster industrial competitiveness, economic growth in Europe and the balanced development and greater cohesion of all regions in the Union. Moreover, the extension of TENs to partner countries in Central and Eastern Europe and the Mediterranean Region establishes physical links likely to boost integration and economic development.

As the leading source of bank finance for major public and private infrastructure projects in Europe, the EIB stands centre stage in establishing the infrastructure for the new millennium. Not only is it able to raise the considerable sums needed on the requisite terms, but it can also support the formation of public-private partnerships combining the advantages inherent in the two sectors for setting such infrastructure in place. Recognising this expertise, the Council expressed the wish, in its recommendations of June 1997 on the broad guidelines of the economic policies of the Member States and the Community, that the creation of trans-European networks be actively pursued and that existing Community financial instruments and the European Investment Bank play a key role in this process, in cooperation with the private sector, which should be more closely involved.

Over the past five years, the EIB has provided 46 billion for the establishment of trans-European networks and their extension to countries bordering on the Union, particularly in Central and Eastern Europe. Operations within the Union accounted for 38 billion, i.e. almost one third of financing over this period. Altogether, the projects supported in this way represent aggregate investment in excess of 130 billion. The Bank has provided particularly significant support for public-private partnerships (PPPs) involving projects associated with transport infrastructure, in accordance with the recommendations of the Working Group chaired by Mr Neil Kinnock, Member of the European Commission. Notable examples of PPPs financed by the Bank in 1997 included the new tunnel under the Elbe in Hamburg, Germany, Spata Airport and the Patras-Athens-Thessaloniki and Via Egnatia motorways in Greece, Milan-Malpensa Airport in Italy, extension of the M6 motorway and the Manchester Metrolink project in the United Kingdom.

Loans totalling over 28 billion have been approved since 1993 for all transport networks within the Union. Of this amount, finance contracts for 16.1 billion had been concluded by end-1997.

At the close of 1997, loans approved for nine of the fourteen priority projects in the transport sector identified by the Essen European Council in December 1994 ran to 11.2 billion, compared with 8.4 billion the previous year. The total amount of contracts signed for these projects at year end was 6.9 billion, compared with 5.3 billion at the end of 1996, representing an increase of 30%. Preparations for implementation of the five other priority projects are in hand and the EIB has indicated its willingness to assist in financing them.

For construction and extension of trans-European gas and electricity transmission networks, the Bank has approved loans over the past five years adding up to more than 5.5 billion, thus taking on some 30% of the financing for these projects. Finance contracts worth 4.3 billion in all had been signed by end-1997. For seven of the ten priority projects in the energy sector loan approvals totalled 2.5 billion, while contracts signed amounted to 2 billion. In 1997, a loan for 300 million went towards the gasline conveying Algerian natural gas to Spain and beyond to the other European networks. Schemes to upgrade Europe's interconnected energy transfer grids attracted 554 million, comprising 298 million for the electricity sector and 256 million for gas projects (see also map of gas networks financed from 1993 to 1997, page 25).

This EIB backing for priority transport and energy networks, mobilising funds of no less than 8.2 billion in all in 1997, including close on 6.2 billion under contracts signed by end-December, prompted the Amsterdam European Council in June 1997 to ask the Bank to step up its support for priority projects in the transport sector with a view to fostering economic growth generating new employment opportunities.

At the same time, the Bank continued its commitment to modernising fixed and mobile telecommunications networks. Since 1993, financing decisions totalling 10 billion have contributed to the improvement of these networks in twelve EU Member States and seven countries in Central and Eastern Europe.

The Bank continued to cooperate with the European Investment Fund (EIF). At end-1997, guarantees provided by the EIF for trans-European network projects represented 1.5 billion, i.e. 67% of aggregate operations concluded by the Fund.

EIB financing operations in support of trans-European networks plus key road and rail corridors in neighbouring countries 1993-1997



Protection of the environment

Particular attention given to integrating environmental aspects into all Union policies and EIB operations

Financing projects aimed at improving protection of the environment is a constant priority for the EIB. Furthermore, the Bank is careful to take account of environmental factors in all the projects it appraises and finances. The granting of any EIB loan is conditional upon compliance with current environmental standards and implementation of the most appropriate environmental protection measures. Conscious of the impact of EIB lending in leading to a better protected environment, the Amsterdam European Council asked the Bank to step up its support for projects in this sector and in the field of urban environment as part of the drive to stimulate growth and employment.

Major initiatives have been taken to reinforce the system of Community environmental legislation which, as the European Parliament has acknowledged, has a key role to play in promoting sustainable development. Thus, new proposals for directives have been put forward to strengthen common action, for instance in the field of waste and water management. Under the proposed framework directives for joint action on water resources, which envisages dividing up Member States' territory into river basins, plans for managing these basins are to be drawn up by 2004 so that all these waters are brought into a satisfactory state by 2010.

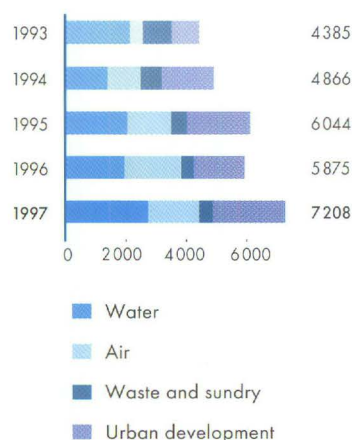
During 1997, particular attention was devoted to integrating environmental considerations into structural, energy and transport policies. On 18 February, the European Parliament voted in favour of strengthening the environmental dimension of the Structural Funds and the Cohesion Fund. It recommended that respect for the environment be made a genuine criterion for selecting projects and modulating the Union's financial contribution.

At the end of the United Nations Conference on Climate Change, held in Kyoto in December, the European Union entered into binding commitments to reduce greenhouse gas emissions by 6% between 1990 and 2010. The Luxembourg European Council considered that this initial outcome should be followed by quantifiable progress in the future.

Since 1996, the structured dialogue conducted with the countries that have applied to join the Union has included environmental aspects, with the aim of bringing legislation in the Central and Eastern European Countries into line with Community standards. The pre-accession facility, launched by the Bank in 1997, will help to transfer the existing body of Community legislation and regulations to these countries, particularly through EIB support for environmental projects.

The first meeting of Environment Ministers under the Euro-Mediterranean Partnership took place in Helsinki in November 1997. It discussed, in particular, the problems relating to desertification and integrated management of coastal areas, and approved priority measures to be undertaken in the Mediterranean.

Environment and quality of life
1993 - 1997: 28.2 billion



23% growth in lending for the environment in 1997

Between 1993 and 1997, the EIB allocated more than 28 billion, i.e. 31% of its total lending, to projects containing environmental components. Since 1995, the amount of finance provided has increased, the annual figure averaging 6.4 billion as against 4.5 billion during the preceding two years (see Table B, page 104). In 1997, operations meeting this objective totalled 7 208 million (up 23% over 1996).

In particular, there was a marked increase in **urban development** projects. These involved mainly rehabilitation of urban and local infrastructure in the Mezzogiorno, improvements to the urban environment in Berlin, Stuttgart and Bamberg in Germany, and, in Spain, development of Barcelona's harbour district. Finally, there was substantial lending for urban transport, with funds going to light railway lines in Madrid, Lisbon and Rennes, as well as tram systems in Montpellier, Manchester, Saarbrücken and Munich.

Schemes to upgrade **wastewater management** and **drinking water supplies** accounted for 38% of financing. Such support took the form of individual loans for large-scale developments: wastewater collection and treatment facilities in Salzburg (Austria), Munich, Dresden, Mannheim

and Berlin (Germany), the Severn and Trent basin (United Kingdom), Stockholm and Malmö (Sweden); or global loan allocations for small-scale projects undertaken by local authorities.

The EIB also assisted construction of dykes to protect parts of the Netherlands from flooding.

Finance in Denmark, Italy and Germany contributed towards **solid waste** processing schemes, generally combined with heat and power cogeneration to supply district heating networks.

Lending to reduce **atmospheric pollution** targeted flue-gas desulphurisation equipment at power plants in Italy and Germany as well as, in the industrial sector, installations in steelworks in Austria and Finland and in chemical plants in Spain, France, Italy, the Netherlands and Sweden.

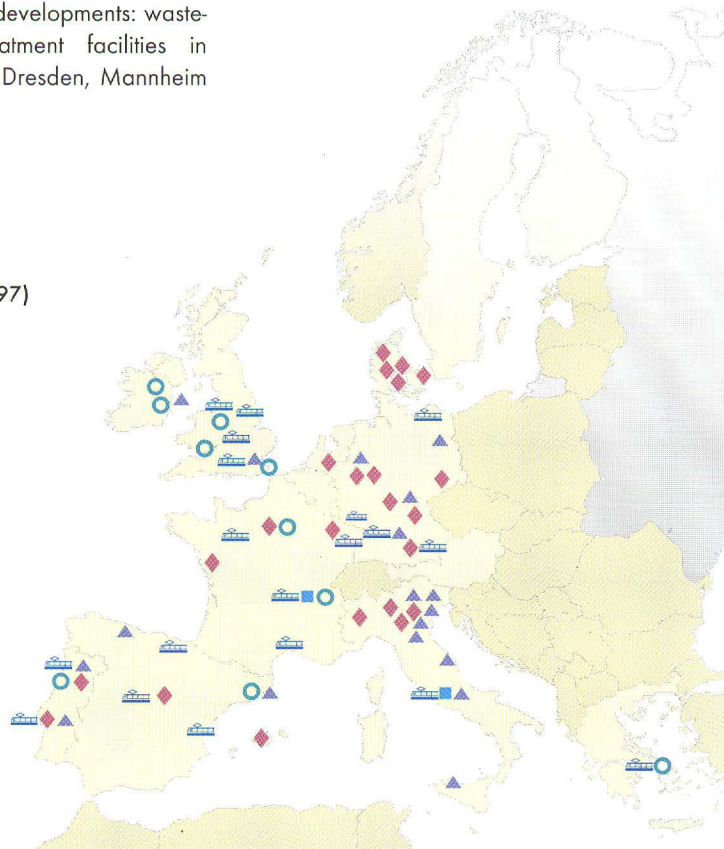
Environment and quality of life (1997)

	(ECU million)
	Total
Environment	4 826
Water conservation and management	2 707
Waste management	446
Measures to combat atmospheric pollution	1 673
Urban development	2 382
Urban and suburban transport	1 266
Urban renewal	295
Urban infrastructure	820
Total (*)	7 208

(*) of which 1 455 million in global loan allocations.

Lending for urban development (1993-1997)

-  urban transport
-  car parks
-  ring roads and bypasses
-  district heating and waste incineration
-  urban renewal



Over the past five years, some 9 billion has been mobilised in support of projects to improve urban living conditions, notably for development of public transport, improved parking facilities, construction of ring roads and waste incineration plants with heat recovery

Safeguarding the environment

A continuing EIB priority

As the financing institution of the European Union, the EIB attaches considerable importance to promoting Community environmental policy. Within the Union, it supports this priority objective by directly financing large-scale environmental projects, while smaller-scale schemes, generally implemented at local level, are financed indirectly by means of global loans. The Bank also ensures that all projects funded by it are subjected not only to economic and financial appraisal but also to systematic assessment and monitoring of their impact on the environment. The EIB requires financial intermediaries operating global loan programmes to do likewise.

An overview of the environmental policies and practices of the EIB can be found in the Bank's "Environmental Policy Statement" and the companion document, "Environmental Guidelines". In general terms, the Bank is guided by the recommendations contained in the Fifth Action Programme "Towards Sustainability", as well as by the Treaty on European Union which sets the objective of "balanced and sustainable development".

The Bank also supports similar environmental activities outside the EU, especially in the Mediterranean region, where the Mediterranean Environmental Technical Assistance Programme (METAP), implemented jointly with the World Bank and with the financial support of the European Commission and the United Nations Development Programme, has been complementing EIB operations since 1990 (see page 34). Since 1992, the Bank has also been participating, under the aegis of the Helsinki Commission, in the Baltic Sea Joint Comprehensive Environmental Action Programme. In the CEEC, whereas specific environmental projects so far have been difficult to identify, a recent internal study has shown that most Bank projects contain features - typically, amounting to 5-15% of project costs - to protect and enhance the environment.

Although in its approach to environmental matters, the Bank emphasises compliance with existing legislation, its environmental strategy is evolving as new information becomes available, sometimes through the work of its internal Operations Evaluation Unit.



The EIB is also making a positive contribution to resolving a variety of regional and global environmental issues, related to climate change, biodiversity, sustainable forestry management, desertification and water resource management.

In this regard, the international conventions on climate change and biodiversity, opened for signature at the Rio "Earth Summit" in 1992, were a milestone. Part II of the EU Fifth Action Programme is devoted to "the Communities' Role in the Wider International Arena".

In the EIB, awareness of such environmental issues is growing and a number of projects financed recently will contribute directly or indirectly to their resolution. In order to reduce greenhouse gas emissions, responsible for climate change, it is necessary to replace fossil fuels with cleaner, renewable sources of energy, as well as to conserve energy resources. Projects of this nature financed by the Bank recently include heat and power cogeneration plants, notably one in Sweden fuelled by biomass, as well as wind farms (Spain and the Netherlands) plus urban renewal programmes incorporating, inter alia, installation of solar panels (Italy).

Issues of biodiversity - on the EU's agenda in the framework of "Natura 2000" and the Natural Habitats Directives - are systematically addressed in the appraisal of Bank projects. Examples of recent projects in which such issues have had a significant bearing on project design include Ireland's reforestation programme and the bridge over the Öresund linking Sweden and Denmark.

1997 also witnessed a strengthening of working relationships with other public and private institutions active in the field of the environment, including other international financial institutions and Community bodies. Such contacts serve a number of purposes, including policy refinement, project identification, co-ordination of activities and, more generally, as a source of information and ideas on a range of current issues.

The Projects Directorate has lead responsibility in the EIB on environmental matters and this Directorate's staff as well as others underwent further training in a variety of forms in 1997. In turn, Bank representatives participated in several conferences on environmental matters and the EIB Forum, held in Stockholm, included a session on "Environment and Energy" in the Baltic Sea region (see page 29).

It is a policy of the Bank to have an open and constructive dialogue with representatives of civil society and there has been a continuing exchange of ideas and views with a number of international and national environmental NGOs throughout 1997.



Energy conservation

Reconciling reliable energy supplies, crucial for industrial development, with environmental dictates

In 1997, the European Union and its Member States continued to pursue the three major priority objectives defined in the White Paper on Energy Policy: to maintain secure supplies by exploiting indigenous resources and diversifying imports, to improve the competitiveness of European firms by means of more balanced energy management and to take increased account of environmental requirements.

For the economies of the Union, access to reliable, economical and relatively unpolluting sources of energy is a prerequisite for growth and the development of an industrial fabric conducive to job creation.

A key aim of the Union's energy policies is to interconnect national electricity and gas grids and develop new links, both between Member Countries and with countries bordering on the Union. These interconnections make it possible to rationalise the use of existing capacity and thus reduce the environmental impact. They are also a precondition for progressive liberalisation of the internal energy market and an essential tool for securing reliable, diversified supplies.

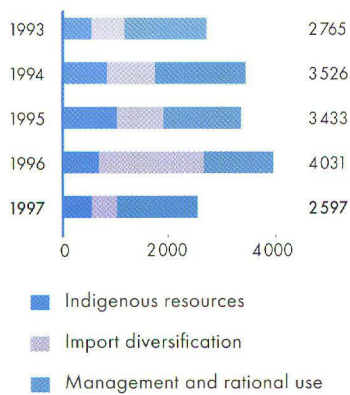
Following approval in 1996 by the Council and the European Parliament of the guidelines on trans-European energy networks, progress was made towards establishing the internal market in natural gas in 1997, by virtue of the policy agreement adopted by the Council on a proposal for a directive complementing the 1996 directive on the internal market in electricity.

The Commission, in its communication on extending trans-European energy networks to Central and Eastern European and non-member Mediterranean Countries, pointed out that these schemes should be financed by a combination of the operators' own resources, recourse to private finance and contributions from various Community sources, mainly EIB loans.

Cooperation on energy matters with the applicant Central European Countries continued, particularly under the PHARE programme and the pre-accession structured dialogue, devoted principally to energy saving and the pan-European dimension of trans-European energy networks.

The Euro-Mediterranean Energy Forum, which met in Brussels in May, identified a number of priority cooperation projects, such as extension of trans-European energy networks to the Mediterranean, strengthened cooperation on research and industry and application of major common energy policy priorities to the Mediterranean Countries.

Energy objectives
1993 - 1997: 16.3 billion



Over the past five years, the EIB has actively supported this policy of promoting security of supply and rational management by providing finance of more than 16 billion (see Table B, page 104).

In 1997, lending in the energy sector amounted to 2 597 million. A total of 300 million went to a major gasline linking the Algerian gas fields to Spain and, by extension, large parts of mainland Europe. Although located outside the territory of the Union, this priority TEN project will directly underpin the objective of diversifying supplies and linking up networks.

In pursuing establishment of an interconnected pan-European network, lending to **diversify imports** is promoting the use of natural gas from areas close to the Union. In 1997, the EIB financed continuation of the programmes for supplying Algerian gas to Spain, Portugal and Italy, Russian gas to Germany and Greece, and North Sea gas to France.

Under the heading of **development of indigenous resources**, support was provided for hydroelectric plants in Austria and Finland, lignite-fired power stations in Germany and Greece and development of oil and natural gas deposits in Italy and the United Kingdom.

Operations centring on **management and rational use** of energy were on a par with the high levels of preceding years. The bulk of funding went on projects in the energy sector itself, particularly transmission and supply of electricity (353 million) and heat (540 million) as well as installation of a wind farm in Spain (42 million).

In the industrial sector, loans were made available for upgrading work in refineries and chemical plants in Italy, Spain, Sweden and the Netherlands and in the steel industry in Finland.

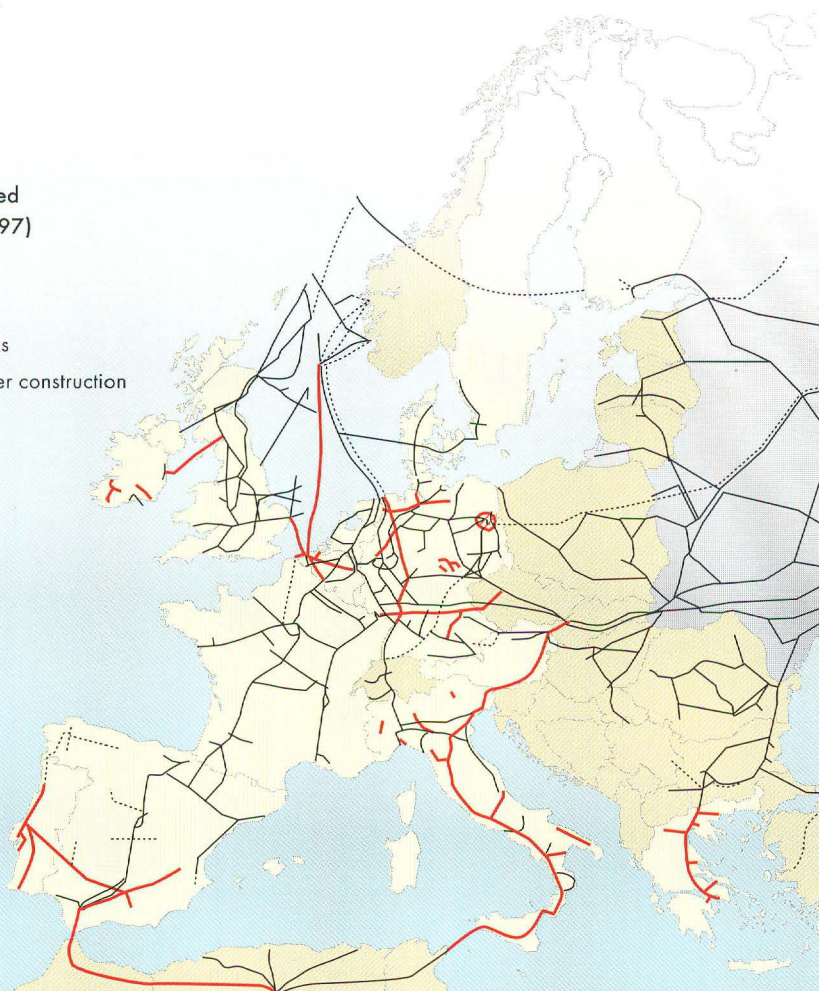
Energy objectives (1997)

	(ECU million)
Indigenous resources	558
Oil and natural gas deposits	148
Solid fuels	239
Hydropower	171
Import diversification	482
Natural gas	482
Management and rational use (*)	1 557
in energy sector	1 133
in industry	424
Total	2 597

(*) of which 168 million in global loan allocations.

Gas networks financed by the EIB (1993-1997)

- existing networks
- planned or under construction
- financed by EIB



In addition to the networks outlined here, a large number of local supply systems have been financed in, for example, Italy, Germany, Portugal, Denmark and Austria

Cooperation with the banking sector

The EIB maintains very close cooperation with the banking sector, in the form of global loans, intermediated or joint financing operations or the provision of guarantees. In its capacity as a borrower with a sought-after name on the capital and derivatives markets, the EIB also maintains solid links with the Union's banking community in conjunction with the launching of its issues and management of its liquidity.

Lending channelled through the banking sector consists primarily of global loans. This facility was introduced thirty years ago to provide financing on an indirect and decentralised basis for small and medium-scale projects which, for reasons of efficiency and management, the Bank does not finance directly by individual loans. Global loans, the proceeds of which are deployed via the EIB's network of banking partners, accommodate the real needs of investors, SMEs and local authorities and have shown steady growth over the years, now accounting for a quarter of activity within the Union.

Traditional global loans are similar to lines of credit, which the EIB extends to some 120 financial intermediaries acting in partnership with it. These institutions select projects in accordance with criteria laid down in liaison with the EIB and take on management of the loan and the associated risk. Allocations to SMEs range in amount from 20 000 to 12.5 million and may cover up to 50% of project cost.

Between 1993 and 1997, 18.5 billion was disbursed to assist close on 56 000 small and medium-scale projects. Of this total, 7.4 billion went to finance local infrastructure schemes: environmental protection, energy installations, transport facilities and urban development. Nearly 200 industrial firms obtained financing for equipment contributing to environmental protection and rational use of energy. SMEs, however, continue to be the main beneficiaries. Over 47 000 such firms, 85% of them employing fewer than 50 persons, attracted nearly 11 billion for their ventures (see table on page 28).

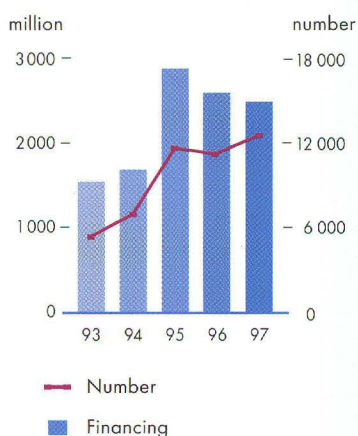
Global loans have been steadily increasing in scope. Such finance is now provided in all fields eligible for funding by the Bank, including the new sectors targeted by the Amsterdam Special Action Programme (ASAP): health and education.

Despite extension of global loans to all industrial and service sectors, there has been a modest but steady decline in the volume of financing for SMEs, since the expansion recorded in 1995. Thought therefore needs to be given to a new approach in supporting these firms, to be developed in co-operation with long-standing partners of the Bank. Project financing, based on loan portfolios rather than on individual ventures, could help channel more financial resources to small and medium-scale ventures, thereby acting as a catalyst in combining EIB resources with those of the intermediary concerned. Such an approach would assist the emergence of a vast market in capital and banking services when Economic and Monetary Union comes to fruition. Operations of this kind have already been mounted in France in 1997 to finance small-scale infrastructure schemes and could be extended to the SME sector.

Under the Amsterdam Special Action Programme, cooperation with the banking sector and the European Investment Fund (EIF) is set to become deeper and more broadly based, especially in the context of the "SME Window". Hence, the EIF is the prime partner for the Bank in implementing the European Technology Facility (ETF) (see page 14), endowed with initial capital of 125 million drawn from the EIB's surpluses and designed to support innovative projects of SMEs through equity participations in intermediary structures such as venture capital funds.

The other instruments deployed under the ASAP SME Window, in cooperation with the banking sector, relate to a series of risk-sharing operations aimed at developing venture capital structures and the provision of equity or quasi-equity to SMEs.

SME financing
1993-1997



Industrial objectives

In 1997, the combined issues of economic growth, the competitiveness of Europe's productive sectors and job creation remained of prime concern to the European Union and its Member States. Developments in the priority area of employment had a particular bearing on implementation of proposals in the White Paper on "Growth, Competitiveness and Employment" and in the initiative "Action for employment in Europe: A confidence pact".

In its Resolution on Growth and Employment, the Amsterdam European Council decided to implement certain provisions of the new Title on Employment in the Amsterdam Treaty with immediate effect and to hold an extraordinary European Council meeting on 20 and 21 November devoted exclusively to this problem.

The extraordinary European Council approved two initiatives: the EIB action programme to generate extra investment likely to create stable jobs and, at the instigation of the European Parliament, re-deployment of budget appropriations towards job-creating SMEs.

Building on the Commission's communication entitled "benchmarking the competitiveness of European industry" and the debates conducted on this subject by the European Parliament, on 24 April the Council decided to hold an annual debate on the competitiveness of European industry.

The first year in which the new multi-annual programme for SMEs was activated, 1997 also saw the launch of fresh initiatives by the European institutions to help SMEs maximise their job-creating potential. Accordingly, the Commission adopted a recommendation on enhancing and simplifying the environment for business start-ups, presented a communication on European capital markets for SMEs and, at the invitation of the Amsterdam European Council, set up a working group on streamlining administrative procedures for smaller businesses.

The European Investment Fund (EIF) was authorised in November 1996 to acquire equity participations up to an amount of 75 million in venture capital funds. This activity received a considerable boost when the "European Technology Facility" was established on the Bank's initiative in November 1997, endowed with 125 million drawn from the EIB's surpluses and managed by the EIF.

The European Parliament resolution on "the craft industry and small enterprises, keys to growth and employment in Europe", adopted on 24 April, underscored the need for more emphasis in education and training on encouraging a spirit of initiative and entrepreneurship, in order to stimulate the creation of new SMEs. The resolution also called for more effective financial assistance for businesses.

For many years, the EIB has striven to sharpen the international competitiveness of Community industry through individual loans and to promote the development of SMEs through global loans. An indirect, decentralised financing facility, global loans are akin to credit lines made available to financial intermediaries working in partnership with the EIB and which, operating at national, regional or even local level, are closely in touch with economic realities and the needs of businesses.

Enhancing growth and competitiveness to bolster employment



Brisk expansion in lending to make European industry more competitive

**Industrial objectives
1993 - 1997: 15.8 billion**



EIB lending for industrial objectives verged on 16 billion over the period 1993-1997, including 10.7 billion for some 47 000 SMEs.

The year 1997 featured strong growth in **individual loans** for bolstering the international competitiveness of Community industry: 2 069 million, in contrast to 1 182 million in 1996, an increase of 75%.

A wide array of projects was financed: in the motor vehicle industry in France (production of a new low-polluting generation of engines and small city cars), Italy (vehicle assembly, mechanical engineering components, mopeds and scooters), Germany and the United Kingdom; in the chemicals industry in France, Sweden, Denmark, the United Kingdom and the Netherlands; and in the electronics sector, notably semi-conductor manufacturing in France and Germany.

A large proportion of the loans served to protect the environment by supporting introduction of less polluting technologies or development of

advanced technologies. Three quarters of the financing was concentrated in assisted areas.

Productive ventures promoted by 13 000 **small and medium-sized enterprises** attracted a total of 2 486 million. Two thirds of these SMEs are located in assisted areas.

The sectoral breakdown of aggregate financing for businesses is detailed in Tables E and F, pages 106 and 107.

Industrial objectives (1997)

	(ECU million)
Large firms	2 069
International competitiveness and European integration	2 069
Small and medium-sized enterprises	2 486
Assisted areas	1 613
Non-assisted areas	873
Total	4 555

**Investment by small and medium-sized enterprises
Allocations from ongoing global loans**

	1997		1993-1997			
	Total		Total		Enterprises employing less than 50 persons	
	number	amount	number	amount	number	amount
Belgium	644	281	2 004	969	1 755	735
Denmark	285	52	1 208	237	902	118
Germany	1 025	378	2 823	1 673	1 861	692
Greece	11	19	92	122	48	53
Spain	127	44	3 072	589	2 838	485
France	7 383	417	27 222	2 039	23 684	1 556
Ireland			567	153	525	110
Italy	757	766	4 857	3 413	3 503	1 380
Luxembourg			3	2	1	1
Austria	70	34	188	100	104	40
Netherlands	22	52	564	284	378	110
Portugal	76	22	375	107	239	57
Finland	4	7	68	22	50	13
Sweden	1	0	50	17	40	11
United Kingdom	2 367	415	4 149	1 020	4 062	934
Total	12 772	2 486	47 242	10 748	39 990	6 295

*Nearly 13 000 SMEs,
two thirds located
in assisted areas,
attract EU financing*

EIB Forum 1997: "Bridging the seas in Northern Europe"

The prospects and challenges now opening up in Northern Europe and the countries around the Baltic Sea, after the profound changes which have taken place in that part of the world, prompted the EIB to make cooperation in Northern Europe the theme of its Forum for 1997, held in Stockholm on 23 and 24 October.

This region is indeed undergoing major transformation. The European Union has been enlarged to take in Sweden and Finland, Norway has become associated with the Union within the European Economic Area, Poland and the Baltic States are preparing for accession, and it is hardly likely that Russia will remain on the fringe of this process of regional integration.

At the Forum, over 30 leading figures from the European Union and Central and Eastern Europe joined the 350 delegates from banking, industrial and political circles, as well as international organisations and NGOs, in analysing the measures taken by the Northern European countries to modernise their economies and strengthen the ties that bind them. They focused special attention on the way in which earlier patterns of cooperation were being revived and noted the emergence of a will to take joint action in protecting common interests, particularly relating to the environment.

Those who spoke at the Forum stressed in particular that creation and modernisation of the infrastructure needed for better communications between Northern Europe, the rest of the Union and the applicant Central and Eastern European countries were a precondition for sound and sustainable economic development. They also discussed the role of partnerships between cities and training for persons with civic responsibilities in the Central and Eastern European countries. Finally, a special session was devoted to ways of reconciling coverage of energy needs with concern to protect the environment, which brought together speakers from the energy producers, industrialists and representatives of NGOs in the Union and in Central and Eastern Europe.

It became clear from the discussions that the Baltic region had all the potential to achieve for many years to come one of the highest rates of economic growth in Europe. Interaction between countries recording rapid growth which have just adopted the market economy, such as Poland, the Baltic States and North-Western Russia, and countries with mature economies can indeed generate a new climate of economic dynamism.

The guest of honour, historian Bronislaw Geremek, Polish Minister of Foreign Affairs since November, drew attention in his speech to the rich and long tradition of regional cooperation which was now taking on new life and to the need to strengthen the common intellectual and cultural heritage of Europe as a whole. It was Europe's duty to develop a cultural and political identity of its own, rooted in a common history, and to put it to work in forging bonds between the peoples and societies of the continent sustaining further progress towards integration.

In order to give tangible form to this momentum of change, the EIB stood ready, as its President, Sir Brian Unwin, emphasised in his opening speech, to promote sustainable development in the region, by making a substantial volume of loan funds available for projects geared to infrastructure and the environment. It had already financed several projects aimed at remedying certain "black spots" identified in the context of the Baltic Sea Joint Comprehensive Environmental Action Programme. Over the past five years, the Bank had helped to fund projects representing aggregate capital investment of ECU 31 billion in the Baltic region.

The theme of the next EIB Forum will be the main challenge facing Europe: job creation. It is to be held in London in October 1998. The proceedings of the 1997 EIB Forum can be obtained from the Information and Communications Department, fax (+352) 4379 3189.



IN SUPPORT OF COOPERATION POLICIES WITH NON-MEMBER COUNTRIES

Amounting to a total of 3 244 million in 1997, financing outside the Union in support of the financial aid and cooperation policies of the European Union involved 3 190 million in loans from the Bank's own resources and 55 million for operations using risk capital from EU or Member States' budgetary resources.



Loans from the EIB underpin the Union's financial cooperation policies in over 120 countries across the globe

During the year this activity, governed by mandates handed down by the Union and accepted by the EIB, was influenced by external factors: procedures for renewing four regional mandates, delays in ratification of the Second Financial Protocol to the Fourth Lomé Convention, political tensions in certain countries, as well as further demands and expectations vis-à-vis the Bank.

On 27 January 1997, the Council of the European Union approved amounts for the new mandates covering the three-year period from 31 January 1997 to 31 January 2000. The packages formulated run to: 3 520 million for the Central and Eastern European Countries, 2 310 million for the non-member Mediterranean Countries, 900 million for the Asian and Latin American Countries and 375 million for South Africa.

New guarantee arrangements set up at the request of the Council strengthen the Bank's position and responsibility within the system of cooperation outside the Union: indeed, the agreement formalised in July 1997 provides for the Bank to cover financial and economic risks on a significant proportion of loans outside the Union by recourse to non-sovereign guarantees, in keeping with the practice for operations within the Union. Henceforth, the Community budget guarantee will only cover political risks on operations outside the EU. This arrangement will provide guarantee cover appropriate for the nature of the operations and compatible with maintenance of the Bank's credit rating.

Also at the Council's request, the Bank has put in place a substantial pre-accession facility for the Central and Eastern European Countries and Cyprus. This facility, financed entirely from the EIB's own resources and operating without a Community guarantee, will further strengthen the Bank's impact on the financial support being deployed by the Union to assist countries seeking membership.

EIB loans promote sustainable development in the ACP Countries and the OCT

African, Caribbean and Pacific States

Relations between the European Union and the African, Caribbean and Pacific States (ACP) are governed by successive Lomé Conventions. Based on contractual arrangements, these relations offer the 71 ACP Countries firm and continued support for the development of their economies.

The Fourth Lomé Convention covers the period 1991 to 2000. The Second Financial Protocol, for the years 1996-2000, provides for a total of 14 625 million in financial assistance, including 11 967 million in grant aid from budgetary resources made available through the European Development Fund and managed by the European Commission. An amount of 1 000 million in risk capital drawn from budgetary resources and managed by the Bank is supplemented by 1 658 million in loans from the EIB's own resources. The Second Financial Protocol was still in the process of ratification at the start of 1998. It should come into effect during the first half of the year. Consequently, the EIB was obliged to confine its activity in 1997 to using up funds available from previous packages.

During the year, on the basis of a document presented by the Commission, the Council began a study on the future shape of the Convention and the need to adapt it to recent changes in the world economy and to the globalisation of trade, the overriding objective being to achieve sustainable economic and social development. In this context, greater priority should be given in future to promoting agriculture and the private sector, an area in which the Bank has considerable experience.

The Protocol on the accession of South Africa to the Convention was concluded during the year.

In 1997, activity in the **ACP States and the OCT** was limited to commitment of funds remaining under earlier packages (see Table I, page 112).

Loans totalling 60 million, including 19 million from risk capital resources, were concluded in support of operations in 10 countries, as well as for one regional project.

Of this amount, 39 million benefited the energy sector, in particular upgrading of power generating

and supply capacity in Ghana, the Comoros and the Cayman Islands.

The productive sectors attracted 18 million, of which 16 million in the form of global loans for small and medium-scale ventures.

In addition, harbour installations at Port Louis (Mauritius) were financed by a loan of 3 million (see list of lending operations, page 99).

**ACP-OCT:
loans granted in 1997**

	(ECU million)	
	Total	of which risk capital
Africa	50	13
West	35	7
East	10	10
Southern	4	7
Central and Equatorial	1	7
Caribbean	4	4
Pacific	2	2
OCT	4	
ACP-OCT	60	19

South Africa

The Amsterdam European Council in June 1997 reiterated the importance the Union attaches to deeper and strengthened relations with South Africa. A major step in this process was the granting of a new mandate to the EIB in support of South Africa.

Operations in 1997, totalling 199 million, accounted for the balance of the 300 million available under the first mandate (1995 to 1997) aimed at underpinning South Africa's Reconstruction and Development Programme (see Table I, page 112).

Of the amount advanced in the past financial

year, 104 million went to water, sewerage and sewage disposal schemes and 45 million to development of a natural gas deposit.

A global loan for 50 million assisted small and medium-scale ventures in the productive sector (see list of lending operations, page 99).

Mediterranean Countries

Generating long-term growth and stability in the non-member Mediterranean Countries has been the main objective of the Union's Mediterranean policy since its inception in the early 1960s. The policy has been founded on two cornerstones: financial assistance based on bilateral protocols and trade agreements.

A more ambitious and more comprehensive cooperation concept, formulated by the Barcelona Conference, brought the Euro-Mediterranean Partnership into being in November 1995. The gradual establishment of a free trade area between now and the year 2010 will lay the foundations for closer economic integration between the Union and its Mediterranean partners.

In this context, the Union is offering increased financial assistance towards bearing the costs of the transition to a market economy and accompanying reforms. To this end, 4 685 million have been set aside from EU budgetary resources for the period 1995-1999, including 200 million in the form of risk capital managed by the EIB. The Bank has also received a mandate to lend up to 2.3 million from its own resources during the period from 31 January 1997 to 31 January 2000. Through its operations, whether by way of, on the one hand, global or individual loans, or, on the other, risk capital, the EIB seeks to assist the structural adjustment of the Mediterranean Countries and privatisation and liberalisation of their economies, thereby promoting their gradual integration with the EU's economy, and to support development of the financial sector.

In 1997, the European Union and the Mediterranean Countries continued to strengthen their relations in keeping with the ideals formulated in Barcelona. The Second Euro-Mediterranean Conference, held at Foreign Minister level in Malta on 15-16 April, stressed the need for increased promotion of investment in the Mediterranean region. The "modus operandi" for the Bank and the Commission in these countries have been set out in tripartite framework agreements.

Tunisia and Morocco have signed free trade agreements within the framework of the Partnership. Jordan has initialled a similar agreement. Euro-Mediterranean association agreements have been signed with the Palestinian Authority and Jordan. Cyprus and Malta are linked with the EU via a customs union, which in the case of Cyprus forms an integral part of the pre-accession strategy.

The European Parliament, in a resolution adopted on 13 March, also called for the EIB to give greater support to cross-border projects favouring cooperation between countries in the European Union and those in the Mediterranean region.

In 1997, lending in the **Mediterranean Countries** amounted to 1 122 million. This level of activity, an all-time record, represents a significant increase over the average for the preceding years (see Table L, page 114).

The breakdown of projects by final objective shows a good balance between sectors: energy - 346 million for gas and electricity infrastructure

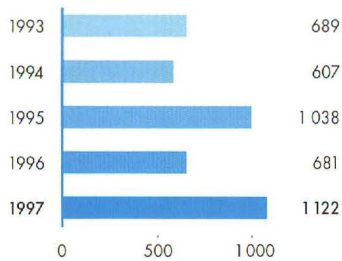
in Algeria and Lebanon; communications - 310 million for extension of the road network in Egypt, Lebanon and Tunisia, rehabilitation of main railway lines in Morocco and Tunisia, upgrading of port facilities in Jordan and renewal of the Egyptian aircraft fleet; environment - 265 million for water supply, sewerage and sewage disposal schemes in Lebanon, Tunisia, Turkey, Morocco and Cyprus.

EIB support for economic liberalisation also fosters a balanced Euro-Mediterranean Partnership

Mediterranean Countries: loans granted in 1997

	(ECU million)	
	Total	of which risk capital
Algeria	335	
Tunisia	145	15
Egypt	138	7
Morocco	135	
Lebanon	131	
Turkey	95	
Jordan	70	10
Cyprus	55	
Gaza	15	1
Malta	3	3
Mediterranean	1 122	36

**Mediterranean Countries
1993-1997: 4.1 billion**



Global loans totalling 136 million helped to finance small and medium-scale projects, venture capital and equity participations in SMEs in Tunisia, Egypt, Turkey, Jordan, Cyprus and Malta.

The industrial sector also benefited from direct loans amounting to 50 million. Finance to the value of 15 million helped to set up an industrial estate in Gaza.

Since 1987, the EIB has been deploying risk capital from Union budgetary resources in the non-member Mediterranean Countries, in order to bolster the capital base of enterprises and to provide equity or quasi-equity finance in the form of direct or indirect participations.

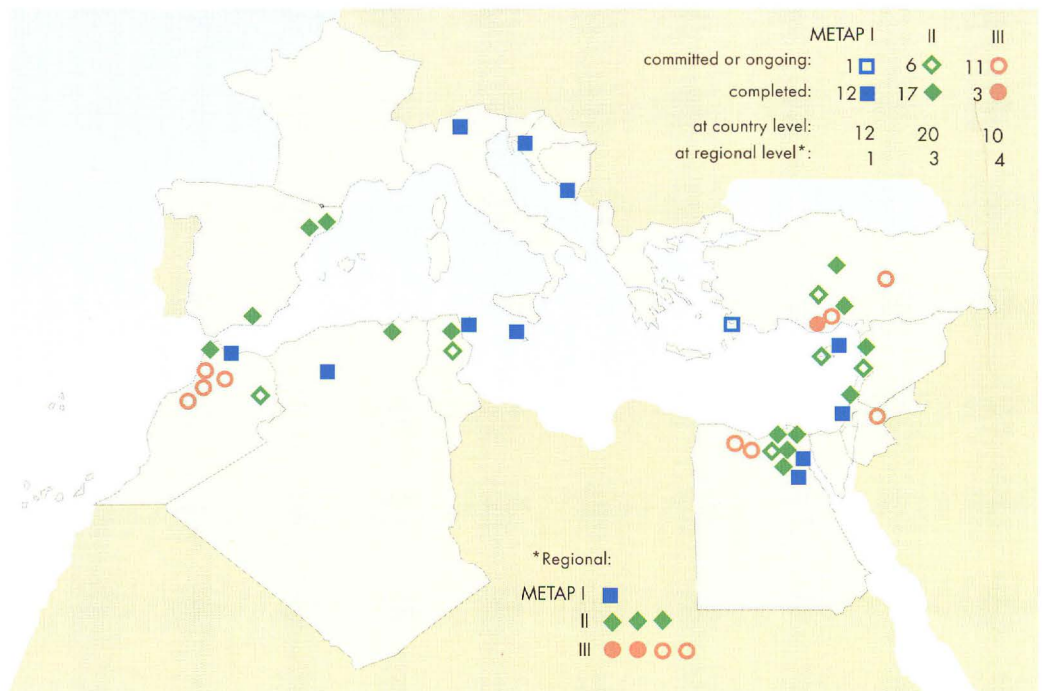
To date, 117 million in risk capital has been lent by the EIB in the non-member Mediterranean Countries. This has provided equity finance for over 1 000 ventures, representing total investment of over 600 million. The main thrust of this funding has been to support economic privatisation and liberalisation and to promote competitive restructuring of the corporate sector.

The EIB is also at pains to encourage the emergence of a dynamic financial sector able to propose sophisticated financial products. In this context, it supports the creation of new structures, particularly investment funds and venture capital and development capital companies.

In 1997, risk capital operations were mounted to finance: in Egypt, creation of the first venture capital fund of its kind; in Jordan, an equity participation in the Industrial Development Bank of Jordan; in Gaza, establishment of an industrial estate; in Malta, financial assistance to SMEs through the Valletta Investment Bank; and in Tunisia, additional equity financing for enterprises engaged in competitive upgrading. The latter operation is designed to offer products geared specifically to the current level of development of the financial sector so as to strengthen this sector and to help it to cater for the chronic under-capitalisation of Tunisian enterprise. Several intermediary institutions will be directing the funds made available towards the largest possible number of ventures.

Projects financed by the EIB under METAP (1990-1997)

Between 1990 and 1996, the Mediterranean Environmental Technical Assistance Programme (METAP) mobilised nearly 27 million in all for 121 studies, conducted by METAP's four partner institutions, relating to environmental projects or programmes in 21 Mediterranean Countries. For the period 1996-2000, the programme has sufficient resources to finance some 75 studies (see 1996 Annual Report, page 40).



Central and Eastern European Countries

1997 was a decisive year for relations between the European Union and the Central and Eastern European Countries preparing for accession, as the way is now open for enlargement of the Union and even greater integration. The Luxembourg European Council, on 12-13 December, decided to initiate negotiations with all the applicant countries of Central and Eastern Europe and Cyprus with a view to concluding accession agreements. This was an opportunity for EU Heads of State or Government to meet their opposite numbers in the applicant countries.

*Stage now set
for enlargement
of the Union*

A range of new measures - involving a total of 6.7 billion for the period 1995-1999 - were included in the PHARE programme in order to underpin the pre-accession strategy and help the applicant countries ready themselves to take on board the existing body of Community legislation and regulations.

This new package, approved by the Council on 9 June 1997, which at the same time stressed the need for a general strengthening of the pre-accession strategy, will be implemented by way of "accession partnerships" adopted by the Council for each of the applicant countries.

Designed to help the countries concerned prepare for accession, the EIB's activities are governed in the first instance by the second general mandate covering the region, for which the amount of loans has been set at 3 520 million for the period from 31 January 1997 to 31 January 2000.

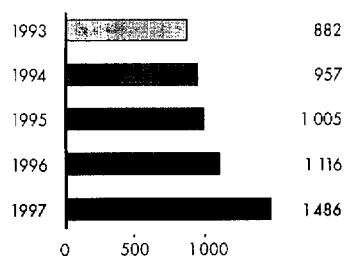
A further development in EIB activity has been the introduction of an additional facility financed entirely from the Bank's own resources and operating without a Community guarantee. This pre-accession facility, which provides for a maximum amount of 3 500 million and expires at the same time as the mandate, was approved by the Board of Governors on 26 January 1998. The prime aim of the facility is to give priority to integration and to the adoption of Community regulations, particularly in terms of safeguarding the environment as well as extending transport, communications and energy transfer networks, including TENs, fostering industrial competitiveness and promoting regional development.

The Bank will develop its cooperation with the PHARE programme in order to achieve optimum interplay between budgetary and banking resources. As in the past, it will continue to cooperate closely with other international financial institutions, in particular the European Bank for Reconstruction and Development and the World Bank. The EIB, with over 7 billion for the period from 1997 to end-January 2000, and the PHARE programme represent the Union's two main sources of finance involved in preparing the applicant Central and Eastern European Countries for accession.

By managing the mandate and the pre-accession facility in tandem, the Bank is in a position to finance, without discrimination, all the countries seeking to join the Union and hence to promote attainment of major Community policy objectives, in particular in the fields of regional development, communications, energy, environment and industrial competitiveness.

As in the case of previous enlargements, the EIB is assisting development of local financial markets by launching loan issues in the currencies of the applicant countries. This strategy is helping to build up the markets in question and to increase their efficiency, while at the same time channelling savings to productive investment in need of local currency in order to minimise promoters' exchange risks. The EIB has already floated issues in Czech koruny and in 1997 it set in place a medium-term note programme in Hungarian forint.

**Central and Eastern Europe
1993 - 1997: 5.4 billion**



Activity in the Central and Eastern European Countries, pursued with a view to bringing the countries concerned closer together and preparing them for accession, increased in 1997 by one third over the previous year to stand at 1 486 million (see Table I, page 112).

The bulk of EIB lending (804 million) was absorbed by transport and telecommunications infrastructure, efficient communications and extension of the trans-European networks being recognised as basic prerequisites for economic revitalisation and successful integration into the Union. Noteworthy transport projects financed included: in the Czech Republic, the motorway linking Prague with Nuremberg plus the Berlin-Prague-Vienna railway link; in the Slovak Republic, the Bratislava bypass, as well as links between the capital and the Austrian and Hungarian borders; in Bulgaria, Sofia airport; in Estonia, Tallinn airport; and in Latvia, the port of Ventspils.

Fixed and mobile telecommunications projects attracted loans totalling 357 million, serving to extend networks in the Czech and Slovak Republics, Romania, Slovenia and Lithuania.



In addition, reconstruction of basic infrastructure in Poland and the Czech Republic damaged by the floods of summer 1997 was supported by loans running to 500 million.

The remainder of direct financing went to the energy sector (district heating in Romania and electricity generation in Hungary) and industry (Romania).

Global loans totalling 45 million were advanced to finance small and medium-scale productive ventures in Poland and Estonia (see list of lending operations, page 101).

**Central and Eastern Europe:
loans granted in 1997**

	(ECU million)
Czech Republic	540
Poland	355
Slovak Republic	262
Romania	142
Bulgaria	60
Slovenia	45
Hungary	35
Latvia	20
Estonia	20
Lithuania	7
Central and Eastern Europe	1 486

Asian and Latin American Countries

The partnership between the European Union and the Asian and Latin American Countries strengthened further in 1997 in line with the policy guidelines set forth by the Madrid European Council in December 1995.

In view of the global interdependence between nations, the Council had felt that the Union should promote more efficient use of energy and development of renewable forms of energy by means of technology transfers. It had also stressed the major role of the EIB as an instrument of cooperation, in particular in implementing projects of mutual interest both to the Union and to the Asian and Latin American Countries.

Negotiations continued in 1997 between the European Union, various regional organisations, including MERCOSUR and ASEAN, and certain countries developing closer cooperative links with the Union, such as Mexico and Chile.

In 1997, the Bank's financing operations in Asia and Latin America amounted to 205 million under the interim mandate for 275 million approved by the Council on 12 December 1996 to cover the period from expiry of the first ALA mandate to commencement of the new three-year mandates.

The new mandate, providing a package of 900 million, up to January 2000, for the Asian and Latin American Countries, enables the Bank to commit increased financing for projects of mutual benefit to countries in these regions and the Union: joint ventures between European and local operators, transfers of European technology and know-how, and cooperation in the fields of energy and environmental protection.

In 1997, EIB financing totalled 378 million in the Asian and Latin American Countries. The geographical breakdown - 205 million for Latin America, 173 million for Asia - reflects the concern of the Bank to achieve a fair distribution of the amounts available (see Table I, page 112).

In **Latin America**, individual loans to Brazil and Mexico favoured the establishment or expansion of enterprises in the industrial sector with involvement of operators from the Union in the fields of optical fibres, cement and flat glass production.

A global loan with regional coverage supported medium-scale projects, notably those resulting

from joint ventures entered into with European partners, in the Andean Pact countries.

Undertaken in association with enterprises in the Union, projects to extend the telecommunications network in Peru and expand plantations in Uruguay also attracted financing.

In **Asia**, loans were shared between the public sector (energy in Pakistan, airports in the Philippines) and the private sector, bringing European operators into private infrastructure projects (energy in the Philippines, water supplies in Indonesia).

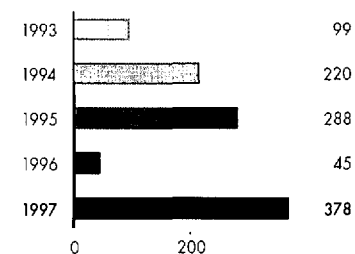
(see list of lending operations, page 102)

Increased commitment to projects of mutual benefit

Asia and Latin America: loans granted in 1997

	(ECU million)
Asia	173
Philippines	97
Indonesia	55
Pakistan	21
Latin America	205
Brazil	55
Mexico	50
Peru	50
Andean Pact Countries	40
Uruguay	10
Asia and Latin America	378

Asia and Latin America 1993 - 1997: 1 billion



RESOURCES RAISED

In 1997, two of the Bank's priorities were to step up its support for the European Union's successful transition to Economic and Monetary Union and the single currency, and to pave the way for enlargement of the Union. In pursuit of these objectives, the EIB took advantage of promising conditions on the capital markets in a climate of low interest rates and with keen interest on the part of investors in top-quality issuers. These factors combined enabled the Bank to establish itself firmly as the world's leading non-sovereign international borrower in terms of both volume of borrowings and diversity of products offered. **Aggregate borrowings before swaps** ran to **23 071 million**, some 31% higher than the 17 611 million in 1996, with EU currencies accounting for 75% of the total raised. Resources were obtained through 156 operations signed compared with 114 in 1996 (+37%), covering **21 different currencies** as opposed to 22 in 1996; operations broke down as to 144 public issues (104 in 1996) and 12 private borrowings (10 in 1996), some of which (66 borrowing operations) formed part of medium-term note programmes.

Facts and figures after swaps

The 31% growth in funds raised after swaps (**23 025 million**, compared with 17 553 million in 1996), covering 18 currencies, can be attributed, on the one hand, to cash flow shortfalls in some currencies and, on the other, to sustained growth in loan disbursements in keeping with the objectives set by the Bank for 1997.

The **proportion tapped in Community currencies**, after swaps, still made up the bulk of the resources raised, although the percentage did fall slightly compared with 1996 (85%, down from 92%), reflecting a broader degree of diversification. The main currencies employed were ITL, DEM, GBP, ESP and FRF.

Fixed-rate borrowings comprised the bulk, 54%, of funds raised (12 358 million compared with 10 126 million in 1996). Floating-rate resources were in increased demand on the part of borrowers and were mobilised primarily in four Community currencies and USD.

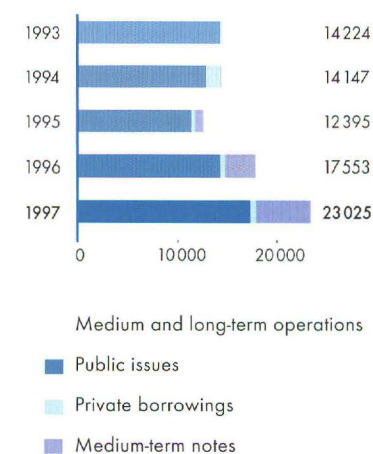
The **average maturity** of borrowings signed lengthened slightly to 8 years from 7.8 in 1996. The maturities, however, ranged broadly over the spectrum: very short-dated borrowings (2 to 3 years) linked to a stock exchange or currency index or long-dated zero coupon or reverse dual-

currency issues. Net resources raised for loan disbursements totalled 22 425 million, allowing for 600 million in early redemptions of which 258 million were refinanced via a combination of new issues and the Bank's liquid holdings. The Bank bought back 234 million of its own paper on the market.

With a view to obtaining funds in suitable, mostly Community, currencies or with appropriate interest rate formulae for disbursing in loans or to transforming structured borrowings into straightforward fixed-rate or floating-rate issues, the Bank had recourse to the **swap markets**. The nominal value of swaps totalled **12.7 billion** compared with 12 billion in 1996, with the number of operations increasing from 115 to 134. This process, altering some 55% of the structure of aggregate resources raised, tended to involve primarily currency and/or floating-rate interest swaps.

To **guard against interest-rate risks**, the Bank pursued its policy of hedging its operations. This was achieved via three instruments: floating rates, use of a specific portfolio comprising fixed-rate bonds having the same characteristics as those issued by the Bank and resold in line with disbursement of the net proceeds of borrowings and, lastly, deferred rate-setting contracts.

Breakdown of resources raised from 1993 to 1997



Capital market trends in 1997

Official interest rates
for the main currencies



The year 1997 was marked by an environment of low or falling long-term interest rates in industrialised countries. After divergence until the end of the first half, a solid convergence process at the long end reasserted itself in the European arena, no doubt being fuelled by subdued inflation, deep fiscal consolidation and increasing credibility that the EMU process will develop according to the Maastricht schedule and with a large group of countries. After decoupling both in 1996 and in the first half of 1997, bond markets in the G-3 (US, Japan and Germany) moved in tandem in the second half of the year. In Japan, the yield on 10-year Japanese Government bonds actually reached new record low levels and fell firmly below two per cent towards the end of the year. In contrast, European short-term interest rates were less stable and more volatile as investors realised that the cycle of short rates had turned around with the concerted increase of intervention rates by core central banks in October. The most prominent European example was the UK where the Bank of England raised its base rate several times to prevent economic over-heating.

While the search for yields by investors that had already been visible in the previous year continued in the first half of 1997, the tumultuous developments in south-east Asian countries led to the usual reaction of "flight to quality" and a shift in favour of low-risk financial instruments. As a consequence, local economic fundamentals grew in importance in investment strategies. It is quite striking that in the wake of the Asian crisis, the strong turbulences in financial markets worldwide did not lead to any visible tensions of intra-EU exchange rates and yield spreads. Furthermore, fixed-income markets were effectively isolated from the volatility of foreign exchange and equity markets. As such, stock indices last year continued to test new peaks, but were subject to abrupt, albeit temporary, corrections. Exchange rates also reacted to the vagaries of the market with extreme volatility. While the Asian crisis probably put paid to the risk of another US tightening, the much anticipated interest rate hike in the US in February had far less adverse effects than the one in 1994. However, the unusually long expansion of the US economy raises the question of adequate pricing of credit risk over the full business cycle.

With a total volume of USD 832 billion (1996: USD 715 billion), 1997 saw another increase in the amount of bonds issued, especially in structured deals and asset-backed securities. While usually the preserve of big currencies, issuance activity in second-tier currencies such as the ESP, PTE and ITL grew markedly. The reasons for these developments are twofold: investors either had views on market trends, or they sought to preserve nominal yields or extra returns. Furthermore, ample liquidity due to an accommodative monetary policy in Europe and economic weakness in Japan continued to support activity in the international financial markets.

The dominant currency in international bond markets in 1997 continued to be the USD with a share of the total close to 45%. It was followed by the DEM (17%) and the JPY (9%). Together, these currencies made up more than two thirds of issuance activity. As regards the pattern of borrowers, private corporations captured the lion's share of issuance activity with 36%. They were followed by banks and financial institutions with 35%, governments with 12% and public enterprises with 10%. Latin America accounted for a substantial part of the 10% share of total offers for non-OECD countries, even if the pace of issuance moderated sharply in the wake of the confidence crisis in south-east Asia. Central and Eastern Europe also saw its share of bond market issuance activity grow.

The Bank's borrowing strategy

The Bank's strategy was geared primarily to preparing for the advent of the euro, undertaking operations on Central and Eastern European markets and pursuing a policy aimed at diversifying products, investors and markets.

Paving the way for the euro

There was a dual approach to paving the way for the euro: issuing bonds denominated in euros and launching euro-tributary bonds.

The Bank was the first borrower to issue a euro-denominated bond, worth 1 billion, the nominal value subsequently being raised to 1.3 billion. The terms and conditions applicable to the issue stipulate that, until introduction of the single currency, payments will be made in ECUs and then later in euros on the basis of the principle of continuity of contracts and a parity of 1 ECU to 1 euro in accordance with Community regulations. The bonds were accepted as deliverable securities on the MATIF futures market.

Heartened by the success of this initiative, other borrowers - governments and corporates - followed the EIB's lead and issued euro-denominated paper.

Euro-tributary issues offer, at the initiative of the borrower, the opportunity to redenominate in euros an issue made in an EU currency through an exchange of permanent global notes and the possibility to make bonds originally denominated in EU currencies and subsequently redenominated in euros fungible into a single consolidated euro-denominated issue. Thus, bonds with the same coupon and maturity date could, if the Bank so decided, be combined into a single issue. These euro issues launched last year will make it possible to set up benchmarks for euro-denominated paper along the length of the euro yield curve. Tributary issues totalled 4 565 million, comprising 11 bonds issued in 7 different currencies (DEM, FRF, GBP, NLG, ITL, LUF, PTE), with maturities of 7, 10 and 12 years. The adop-

tion of identical terms and conditions drafted in one and the same language and subject to the same legislation makes fungibility a much easier process to achieve.

With a view to future EU membership of Central and Eastern European Countries, their markets are growing in significance. They should enable the Bank to secure financing, on suitable terms and conditions and for appropriate amounts, for loans granted in these countries where public or private-sector beneficiaries express a preference for their national currency. The Bank's strategy has focused chiefly on two markets. In Hungary, a programme of medium-term notes was signed in late October in conjunction with a presentation to Hungarian investors, making it possible for the Bank to launch borrowings denominated in forint. In Poland, where the Bank is planning to make its market debut, contacts have also been pursued with the Polish capital market authorities so as to launch zloty-denominated borrowings. The Bank has already floated a DEM zloty-linked issue on the Euromarket. In addition, as in 1996, the Bank was also active in the Czech koruna sector of the Euromarket.

It was mainly through structured operations accompanied by interest-rate and/or currency swaps that the Bank was in a position to offer a diversified palette of products sufficiently sophisticated to meet investor demand. These operations were conducted chiefly within the framework of medium-term note programmes denominated in single or multiple currencies. Under this heading, the Bank arranged and deployed a medium-term note programme in GRD. Alongside products already issued in the past by the Bank - zero coupon, step-up coupons, bonds linked to stock market indices - an array of new formats were offered such as sticky floating rates, callable fixed-reverse floaters or capped modified reverse dual-currency constructions. These operations were mainly undertaken in DEM, FRF, ITL, ESP, PTE or JPY.

The Bank pressed ahead with its policy of seeking to broaden its investor base, launching

EIB first to the market with pioneering euro-denominated issue

The Bank has stepped up its presence on Central and Eastern European capital markets

Euro-tributary issues (before swaps)

(amount in millions)			
Number of operations	Currency	ECU	
2	EURO	1 300	1 300
1	PTE	20 000	102
2	DEM	2 000	1 021
2	FRF	6 000	909
1	NLG	1 000	458
3	ITL	2 550 000	1 326
1	GBP*	500	700
1	LUF	2 000	49
13			5 865

* Although this issue includes euro-tributary fungibility clauses, the coupon and maturity are in line with Gilts.

The Bank pressed ahead with its policy of diversifying products, investors and markets

issues aimed at specific categories of investor, such as an issue offered to Spanish retail investors, an FRF-denominated, floating-rate issue underwritten by central banks or structured bonds geared to Japanese retail investors.

The EIB also sought to **diversify its markets**, in particular when they could offer attractive cost-saving opportunities. It should be noted that the Bank, especially in the aftermath of the crisis in Asian financial markets, benefited from its status as a highly prized top-quality borrower among investors. The Bank also pursued its activities as an effective financial intermediary deploying funds raised on the international market for disbursements in national currencies, a case in point being the ZAR, a market on which the Bank was very active.

**Medium-term notes
(before swaps)**

(amount in millions)

Number of operations	Currency		ECU
25	ESP	149 569	912
9	JPY	126 761	927
11	ITL	4 050 000	2 106
3	PTE	35 000	177
6	DEM	778	398
3	DKK	1 200	161
1	ZAR	200	39
2	GRD	50 000	161
1	CZK	1 000	27
1	NLG	150	68
2	USD	350	314
1	SEK	800	95
1	FIM	100	17
66			5 402

Community currencies

Italian lira: ECU 5 044 million
ITL 9 680 billion

Brisk demand for ITL to cover loans disbursed both in Italy and outside the country resulted in considerable funds being raised in this currency. Expectations of a drift-down in interest rates as part of the convergence process in EU currency markets, a reduction in the Italian State's borrowing requirements and a broader diversification of products available meant that funds could be raised on the market on favourable terms. In common with other EU currencies, two euro-tributary issues were launched, for 7 and 10 years. These were well received by the market and accounted for 25% of the total raised by the Bank in lira. ITL issues were used to obtain PTE via swaps.

Deutsche Mark: ECU 3 437 million
DEM 6 722 million, of which 1 535 million (ECU 786 million) obtained via swaps

One of the most striking features of fund-raising in DEM was the considerable use of structured issues (52% of the total raised) targeting primarily retail investors. Such operations helped to lower the cost of borrowing in DEM appreciably. Two euro-tributary issues were launched in DEM: the first, in March for 10 years with the lowest spread ever secured at the time of 9 basis points over German Bunds; the second, with a 7-year maturity launched in October with a yield on a par with Bunds. Other resources were raised via currency swaps, particularly early in 1997 thanks to the net proceeds of the first NLG euro-tributary issue.

Pound sterling: ECU 2 875 million
GBP 2 050 million

Total borrowings in GBP rose sharply in 1997 (2 050 million compared with 1 350 million in 1996), mainly as a result of a relatively buoyant capital market in the first half of the year and sizeable loan disbursements. The policy of launching issues along the length of the yield curve by floating borrowings with features iden-

tical to Gilts was continued. This strategy was implemented either by floating fungible tranches for a substantial amount with a view to ensuring continued liquidity or by re-opening earlier issues. Difficulties in placing fixed-rate paper prompted the Bank to resort to floating-rate issues. As with other Community currencies, a euro-tributary issue was launched, but bearing different conditions in terms of coupon and maturity.

Spanish peseta: ECU 2 599 million
*ESP 430 billion, of which 138 billion
(ECU 829 million) obtained via swaps*

Direct borrowing on the Spanish market expanded strongly, sustained by active recourse to the swap market, also making use of treasury funds. All resources combined, the total amounted to a record ESP 435 billion. Structured issues on very advantageous terms accounted for 71% of total funds raised. Also worth noting were an ESP 40 billion issue aimed at retail investors, a benchmark ESP 15 billion 10-year issue, increased subsequently to ESP 25 billion, an ESP 14 billion fixed/reverse floating-rate note and several equity-linked issues. The EIB's share of the Matador market was 25%. In addition, the medium-term note programme was extended to ESP 500 billion, making it the largest in the ESP market.

French franc: ECU 2 590 million
*FRF 17 billion, of which 3 462 million
(ECU 524 million) obtained via swaps*

Borrowings in FRF, the volume of which increased fourfold compared with 1996, were raised principally via two euro-tributary issues totalling 6 billion and maturing in 2007 and 2009. These issues confirmed investor interest in the enhanced liquidity resulting from the accompanying redenomination and euro-fungibility clauses. Another innovative transaction, welcomed by French SICAV managers and a number of central banks, was the FRF 3 billion

floating-rate note issue, due in 2002, the only liquid floating-rate benchmark available at the time on the FRF market. Other operations mainly involved structured products on very favourable terms: step-up coupons or TEC 10-linked issues targeted at specific institutional investors.

Euro: 1 300 million
(see specific section on page 41).

Portuguese escudo: ECU 1 092 million
*PTE 216 billion, of which 146 billion
(ECU 738 million) obtained via swaps*

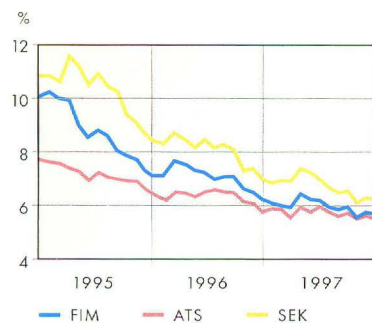
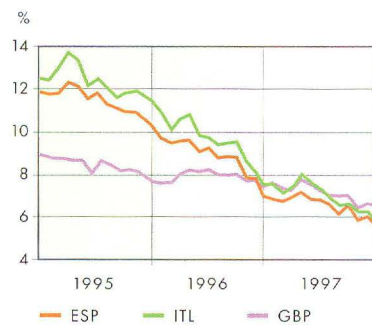
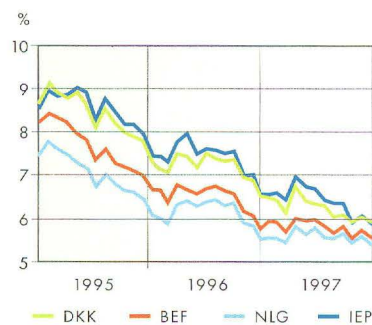
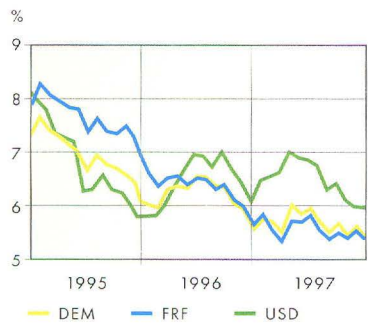
Throughout the year, the Portuguese bond market was particularly receptive to structured issues. This can be explained partly by the historically low level of PTE interest rates. The Bank launched a fixed/reverse floating-rate note, an issue with a fixed-rate coupon transformable into floating rate at the EIB's option and a floating-rate/fixed callable note. Proceeds from these three issues were swapped at attractive sub-LIBOR levels into PTE floating rate. The Bank also tapped the fixed-rate sector of the Caravela market via a euro-tributary issue of PTE 20 billion designed to become euro-fungible with similar issues launched beforehand in NLG and FRF. A further PTE 15 billion fixed-rate issue was launched later in the year. The Bank made use of a number of currency swap operations to raise an additional PTE 146 billion at floating rates on competitive terms.

Swedish krona: ECU 189 million
*SEK 1 628 million, of which 828 million
(ECU 94 million) obtained via swaps*

In an otherwise lacklustre Euro-SEK market, the Bank exploited a revival in investor interest towards the end of the year to launch two issues, primarily aimed at retail investors. The domestic market, on the other hand, continued to offer unattractive borrowing conditions and no direct operations were undertaken. Additional resources in SEK were raised by virtue of two cross-currency swaps from DKK issues.

**Gross yield on 10-year
Government bonds**

For ease of comparison, all yields are expressed on an annual basis



Greek drachma: ECU 161 million
GRD 50 billion

For this currency, 1997 was marked by the setting-up, in close co-operation with the Greek authorities, of the first debt issuance programme denominated in GRD. This innovative funding tool will enable the EIB to react swiftly to market opportunities via an array of financial structures tailor-made to suit the specific needs of GRD investors. The programme, extending over two years, covers GRD 200 billion, involving the issuance mainly of fixed-rate, floating-rate and zero-coupon bonds. The Bank inaugurated this programme with the launch of two floating-rate issues at a very attractive sub-ATHIBOR level.

Danish krone: ECU 134 million
DKK 1 000 million

The Euro-DKK market experienced increased business as retail investors were attracted by the comparatively high yields on offer in this segment. The Bank launched three operations in the Euromarket sector, including one step-up coupon structure. On the domestic market, DKK 500 million were raised via low coupon/deep discount issues. The proceeds of all these issues were swapped into floating-rate DKK or SEK.

Luxembourg franc: ECU 99 million
LUF 4 000 million

The principally retail-driven LUF market suffered from reduced investor interest as increased convergence of interest rates (in anticipation of introduction of the euro) prompted investors to turn to higher-yielding alternatives.

Nevertheless, the Bank launched two fixed-rate issues, the second of these operations being swapped into floating-rate funds, with the counterparty absorbing the LUF-BEF currency risk implicit in swaps involving LUF. This operation

included euro-redemption and consolidation clauses, a novelty for bonds that exist in physical form.

Irish pound: ECU 58 million
IEP 44 million obtained via swaps

To accommodate demand for disbursements at variable rates, the Bank was obliged to tap funds via ZAR for which conditions were more attractive than for a direct IEP issue on the market.

Finnish markka: ECU 45 million
FIM 262 million, of which 162 million (ECU 28 million) obtained via swaps

The domestic market was used once during the year as the Bank arranged a fixed-rate private placement with an institutional investor. The narrow swap spreads inhibited further funding operations as the cost level was not sufficiently

attractive. Reflecting the limited yield pick-up over core EMU currencies, the Euro-FIM market remained subdued, not permitting the Bank to tap this market. Additional resources were raised via cross-currency swaps emanating from CZK issues.

Netherlands guilder: ECU 17 million
NLG 37 million

The pilot NLG 1 billion euro-tributary issue launched in January enabled the Bank to move closer to its goal of launching promptly large euro-denominated issues from the outset of the third stage of EMU and thus establishing an early position in the euro market (see above section on the euro). Proceeds from this issue were swapped into DEM as was the best part of a private placement for NLG 150 million (with a capped and swap-rate-linked mismatch floating-rate note structure).

Resources raised in 1997

	(ECU million)				
	Before swaps		Swaps	After swaps	
	Amount	%	Amount	Amount	%
Medium and long-term operations					
European Union	17 441	75.6	2 198	19 639	85.3
ITL	5 301	23.0	- 257	5 044	21.9
DEM	2 651	11.5	786	3 437	14.9
GBP	2 875	12.5		2 875	12.5
ESP	1 770	7.7	829	2 599	11.3
FRF	2 066	9.0	524	2 590	11.2
EURO	1 300	5.6		1 300	5.6
PTE	354	1.5	738	1 092	4.7
SEK	95	0.4	94	189	0.8
GRD	161	0.7		161	0.7
DKK	228	1.0	- 94	134	0.6
LUF	99	0.4		99	0.4
IEP			58	58	0.3
FIM	17	0.1	28	45	0.2
NLG	525	2.3	- 509	17	0.1
Non-European Union	5 637	24.4	- 2 244	3 387	14.7
USD	3 011	13.0	- 800	2 211	9.6
CHF	566	2.5		566	2.5
JPY	1 380	6.0	- 838	541	2.4
ZAR	261	1.1	- 193	68	0.3
AUD	131	0.6	- 131		
HKD	56	0.2	- 56		
NZD	170	0.7	- 170		
CZK	55	0.2	- 55		
TOTAL	23 071	100.0	- 46 (1)	23 025	100.0
- of which fixed rate	18 215	79.0	- 5 857	12 358	53.7
- of which floating rate	4 856	21.0	5 811	10 668	46.3

(1) Exchange adjustments

Non-Community currencies

US dollar: ECU 2 211 million

USD 2 530 million

Resource-raising activity in USD in 1997 virtually tripled compared with 1996. The Bank completed its USD yield curve with issues for 2, 4, 5, 7, 10 and 12 years. Fixed-rate borrowing was successfully complemented by a USD 1 billion floating-rate note issue. Three quarters of issues were targeted at institutional investors, the remaining 25% being retail driven. All these issues were well received in the market, thereby allowing the Bank to continue to have access to the market on the best terms and conditions.

Swiss franc: ECU 566 million

CHF 950 million

In January, the Bank launched a 10-year, CHF 500 million benchmark issue, targeted at institutional investors and with a coupon level meeting the requirements of insurance companies (4%). This bond was very well received as large liquid issues from top-rated borrowers are rare on this market. In addition to an opportunistic 5.5-year issue, aimed at Swiss retail investors, the Bank launched two other issues, one being a 10-year transaction for CHF 200 million to be used partly to refinance early redemptions.

Yen: ECU 541 million

JPY 72 billion

Six operations provided for yen resource raising per se. Funds mobilised via the remaining issues (JPY 117.3 billion/ECU 838 million) were swapped to satisfy floating-rate requirements in, most notably, ESP and PTE. Four issues were targeted at Japanese retail investors. The other operations involved a Euroyen issue and eight pri-

vate placements with Japanese institutional investors. As the Bank had not previously concluded any deals with several of these, it thereby further broadened its Japanese investor base. The growing complexity and sophistication of borrowing transactions - such as capped modified reverse dual-currency or callable/quintuple structures - enabled the Bank to meet its ambitious floating-rate targets or to achieve fixed-rate all-in cost levels in yen well below the yields on corresponding Japanese Government bonds.

South African rand: ECU 68 million

ZAR 350 million

With seven operations, the EIB was one of the most frequent issuers on the Euro-ZAR market. The proceeds of these issues were either swapped into other currencies (USD, IEP, ESP or PTE) or disbursed in ZAR-denominated loans to EIB clients. The EIB launched the first international floating-rate ZAR 300 million issue and the first fixed-rate 5-year issue for ZAR 500 million.

Czech koruna :

The Bank launched two issues, with maturities of 4 and 3 years, worth a total of CZK 2 000 million, the proceeds being swapped into floating-rate FIM and PTE. The Bank's CZK-denominated bonds were the longest maturities issued in this currency during the course of the year, most other issues concentrating on the 1 to 2 year sector.

Australian dollar, New Zealand dollar, Hong Kong dollar :

All funds raised in these three currencies (ECU 358 million) were swapped into USD, DEM, ESP and PTE on very advantageous terms.

Trends in exchange rates against the ECU for 1 dollar and 100 yen



Liquidity management

Liquid funds, at 31 December 1997, totalled some 12 billion, i.e. 10 billion net of short-term commitments; these funds were held in 27 currencies, including the ECU. EU currencies and the ECU accounted for over 90% of total liquid funds. The breakdown was as follows:

Money-market placements of 7.4 billion (5.2 billion net of short-term commitments) constituted the bulk of liquid funds.

Short-term money-market placements consist primarily of borrowing proceeds and surplus cash flow. They are designed to cover the Bank's future loan disbursements. These holdings are sufficient to cover almost 3 months' average loan disbursements and equal to approximately one quarter of aggregate outstanding Bank loans signed but not yet disbursed.

By definition, the short-term money-market treasury consists of liquid instruments with short-dated maturities. At end-1997, the bulk of this treasury was placed in first-class products and marketable short-term instruments.

The **interest-rate hedging portfolio** (2.3 billion) is intended to hedge, through bond purchases, all or part of certain new EIB fixed-rate bond issues. This instrument enables the Bank to hold in its treasury the proceeds of issues launched, irrespective of disbursement needs.

The **investment portfolio** represents the second line of liquidity (2.5 billion). It comprises bonds issued by EU Member States and other first-class public institutions. Over 99% of the securities in the investment portfolio are rated "AAA" or issued by EU Member States.

Liquidity management results

Overall, bond rates eased in 1997. This was reflected in a general reduction in interest rates for currencies regarded as high-yielding. Money-market interest rates for the main currencies used in the Bank's disbursements, with the exception of the Italian lira, increased slightly in 1997.

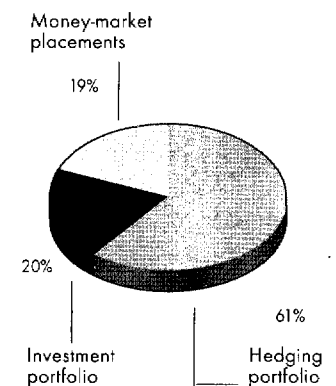
Liquidity management operations, excluding the hedging portfolio, generated gross interest income of 623 million in 1997, corresponding to an overall book return of 5.70%.

Short-term money-market placements yielded interest of 434 million on average holdings of 8.5 billion, i.e. a return of 5.13% against a background of lower rates than in 1996.

The **investment portfolio** generated interest income of 189 million on average holdings of 2.5 billion. Its book return worked out at 7.66% in 1997, compared with 7.89% in 1996. This slight drop can be explained by the re-investment of securities upon maturity in shorter-dated paper, against a background of lower interest rates.

In this respect, the average duration was 2.9 years at 31 December 1997, as against 3.2 years at 31 December 1996. Lastly, the market value of the portfolio as at 31 December 1997 stood at 2 664 million compared with a portfolio entry price of 2 413 million.

Liquidity management



	(ECU million)	
	1997	1996
Total gross liquid funds		
Total income	623	607
Average holdings	10 927	9 858
Average return	5.70%	6.16%
of which short-term money-market treasury		
Total income	434	416
Average holdings	8 464	7 451
Average return	5.13%	5.58%
Duration	20 days	26 days
of which investment portfolio		
Total income	189	190
Average holdings	2 463	2 408
Average return	7.66%	7.89%
Duration	2.9 years	3.2 years

DECISION-MAKING BODIES, ADMINISTRATION AND STAFF

Board of Governors

The Board of Governors consists of Ministers designated by each of the Member States, usually Finance Ministers. They represent the Member States as shareholders in the Bank.

The Board of Governors lays down general directives on credit policy, approves the balance sheet, profit and loss account and annual report, decides on capital increases and appoints members of the Board of Directors, the Management Committee and the Audit Committee.

Mr António SOUSA FRANCO, EIB Governor for Portugal, held the office of Chairman of the Board of Governors until the Annual Meeting in June 1997. In accordance with the system of annual rotation, he was succeeded by Ms Arja

ALHO, Governor for Finland. Ms ALHO having been replaced as Governor for Finland by Mr Jouko SKINNARI, the latter took over her duties as Chairman of the Board of Governors as from 9 October 1997.

Board of Directors



The Board of Directors 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 has sole power to take decisions in respect of loans, guarantees and borrowings. Its Members are appointed by the Governors for a (renewable) period of five years following nomination by the Member States and are responsible solely to the Bank. Pursuant to amended Article 11 (2) of the Statute, the Board of Directors consists of 25 Directors and 13 Alternates, of whom 24 and 12 respectively are nominated by the Member States; one Director and one Alternate are nominated by the European Commission.

Since publication of the Annual Report for the financial year 1996, Messrs Tony FAINT, Sven-Olof JOHANSSON and Wedige Hanns von DEWITZ have taken over as Directors from Messrs Barrie HUDSON, Svante ÖBERG and Gerhard RAMBOW respectively. Messrs Eberhard KURTH and Per Bremer RASMUSSEN have

been succeeded as Alternates by Mr Gerhard BOEHMER and Ms Annette MOE; the post left vacant by Mr Giancarlo DEL BUFALO has now been filled by Mr Nunzio GUGLIELMINO.

The Board of Directors wishes to thank all outgoing members for their contributions towards its work.

Board of Governors

Situation at 1 April 1998

Chairman

Jouko SKINNARI (Finland)

Arja ALHO, Ministeri, Valtiovarainministeriö, *until October 1997*

António SOUSA FRANCO, Ministro das Finanças, *until June 1997*

Belgium	Philippe MAYSTADT, Ministre des Finances
Denmark	Mogens LYKKETOFT, Finansminister
Germany	Theo WAIGEL, Bundesminister der Finanzen
Greece	Yannos PAPANTONIOU, Minister for National Economy
Spain	Rodrigo DE RATO Y FIGAREDO, Vicepresidente del Gobierno y Ministro de Economía y Hacienda
France	Dominique STRAUSS-KAHN, Ministre de l'Économie, des Finances et de l'Industrie Jean ARTHUIS, Ministre de l'Économie et des Finances, <i>until June 1997</i>
Ireland	Charles MCCREEVY, Minister for Finance Ruairi QUINN, Minister for Finance, <i>until June 1997</i>
Italy	Carlo Azeglio CIAMPI, Ministro del Tesoro, del Bilancio e della Programmazione Economica
Luxembourg	Jean-Claude JUNCKER, Premier Ministre, Ministre d'État, Ministre des Finances
Netherlands	Gerrit ZALM, Minister van Financiën
Austria	Rudolph EDLINGER, Bundesminister für Finanzen Viktor KLIMA, Bundesminister für Finanzen, <i>until January 1997</i>
Portugal	António SOUSA FRANCO, Ministro das Finanças
Finland	Jouko SKINNARI, Ministeri, Valtiovarainministeriö Arja ALHO, Ministeri, Valtiovarainministeriö, <i>until October 1997</i>
Sweden	Erik ÅSBRINK, Finansminister
United Kingdom	Gordon BROWN, Chancellor of the Exchequer Kenneth CLARKE, Chancellor of the Exchequer, <i>until May 1997</i>

Audit Committee

Situation at 1 April 1998

Chairman

Albert HANSEN

Secrétaire général du Conseil de gouvernement, Luxembourg

Michael J. SOMERS

Chief Executive, National Treasury Management Agency, Dublin, *until June 1997*

Members

Emídio MARIA

Subinspector-Geral de Finanças, Inspeccão-Geral das Finanças, Lisbon

Yrjö TUOKKO, CPA,

Managing Director, Tuokko Deloitte & Touche Oy, Helsinki

Observer

Michael J. SOMERS

Chief Executive, National Treasury Management Agency, Dublin, *from June 1997*

Board of Directors

Situation at 1 April 1998

Chairman:

Sir Brian UNWIN

Vice-Chairmen:

Wolfgang ROTH

Panagiotis-Loukas GENNIMATAS

Massimo PONZELLINI

Luis MARTÍ

Ariane OBOLENSKY

Rudolf de KORTE

Claes de NEERGAARD

Directors:

Fernando BECKER ZUAZUA	Presidente del Instituto de Crédito Oficial, Madrid
Sinbad COLERIDGE	Executive Director, Global Structured Finance, ANZ Investment Bank, London
Isabel CORREIA BARATA	Directora-Geral, Assuntos Europeus e Relações Internacionais, Ministério das Finanças, Lisbon
Wedige Hanns von DEWITZ	Ministerialdirektor, Leiter der Abteilung Europapolitik, Bundesministerium für Wirtschaft, Bonn
Tony FAINT	Director, International Development Affairs Division, Department for International Development, London
Federico FERRER DELSO	Subdirector General de Financiación Exterior, Dirección General del Tesoro y Política Financiera, Ministerio de Economía y Hacienda, Madrid
Vittorio GRILLI	Dirigente Generale, Direzione Generale del Tesoro, Ministero del Tesoro, Rome
Inga-Maria GRÖHN	Finanssineuvos, Rahoitusmarkkinaosasto, Valtiovarainministeriö, Helsinki
Sven-Olof JOHANSSON	Finansråd, Internationella avdelningen, Finansdepartementet, Stockholm
Rainer MASERA	Direttore generale dell'Istituto Mobiliare Italiano, Rome
Francis MAYER	Chef du Service des Affaires Internationales, Direction du Trésor, Ministère de l'Économie, des Finances et de l'Industrie, Paris
Paul McINTYRE	Deputy Director, Head of European Union Group (Overseas Finance), HM Treasury, London
Noel Thomas O'GORMAN	Second Secretary, Finance Division, Department of Finance, Dublin
Petros P. PAPAGEORGIOU	Associate Professor, Department of Economics, University of Piraeus, Piraeus
Vincenzo PONTOLILLO	Direttore Centrale, Banca d'Italia, Rome
Antoine POUILLIEUTE	Directeur Général de la Caisse Française de Développement, Paris
Giovanni RAVASIO	Director-General for Economic and Financial Affairs, European Commission, Brussels
Gaston REINESCH	Administrateur général, Ministère des Finances, Luxembourg
Emmanuel RODOCANACHI	Président-Directeur Général, Natexis, Paris
Gerd SAUPE	Ministerialdirigent, Bundesministerium der Finanzen, Bonn
Lars TYBJERG	Managing Director, The Mortgage Bank of Denmark, Copenhagen
Jan M.G. VANORMELINGEN	Ere-Directeur-generaal van de Administratie der Thesaurie, Ministère des Finances, Brussels
Gert VOGT	Sprecher des Vorstands der Kreditanstalt für Wiederaufbau, Frankfurt
Jos de VRIES	Plaatsvervangend Directeur, Directie Buitenlandse Financiële Betrekkingen, Ministerie van Financiën, The Hague
Thomas WIESER	Gruppenleiter für Wirtschaftspolitik, EU-Angelegenheiten und internationale Finanzinstitutionen, Bundesministerium für Finanzen, Vienna

Alternates:

Jean-Pierre ARNOLDI	Directeur Général de la Trésorerie et de la Dette publique, Ministère des Finances, Brussels
Gerhard BOEHMER	Ministerialdirigent, Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung, Bonn
Nunzio GUGLIELMINO	Dirigente Superiore, Direzione Generale del Tesoro, Ministero del Tesoro, Rome
Eneko LANDÁBURU ILLARRAMENDI	Director-General for Regional Policy and Cohesion, European Commission, Brussels
Giuseppe MARESCA	Dirigente Superiore, Direzione Generale del Tesoro, Ministero del Tesoro, Rome
Pedro Antonio MERINO GARCIA	Subdirector General del Tesoro y Política Financiera, Ministerio de Economía y Hacienda, Madrid
Annette MOE	Deputy Manager, The Mortgage Bank of Denmark, Copenhagen
Xavier MUSCA	Sous-Directeur des Affaires Multilatérales, Direction du Trésor, Ministère de l'Économie, des Finances et de l'Industrie, Paris
John NUGÉE	Chief Manager, Reserves Management, Bank of England, London
Pierre RICHARD	Président-Directeur Général du Crédit Local de France, Paris
Konrad SOMMER	Ministerialrat, Bundesministerium der Finanzen, Bonn
Adam SHARPLES	Head of Transport Issues Team, HM Treasury, London

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Management Committee

The Management Committee, composed of eight members, is the Bank's full-time collegiate executive body; under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day business at the EIB. All major decisions are taken collectively; the lead responsibility for supervising the different activities of the Bank is currently divided amongst its members as shown below. The Management Committee recommends decisions to Directors and ensures that these are implemented. The President, or, in his absence, one of the seven Vice-Presidents, chairs the meetings of the Board of Directors. The members of the Management Committee are responsible solely to the Bank; they are appointed by the Board of Governors, on a proposal from the Board of Directors, for a period of six years.

The College of the Management Committee Members and their supervisory responsibilities

Sir Brian UNWIN
President of the Bank and
Chairman of its Board of Directors

Wolfgang ROTH
Vice-President



- Information and Communications policy
- Vice-Governor of EBRD
- Financing operations in Germany and in Central and Eastern Europe



- Organisation and management
- Operations monitoring and evaluation
- Governor of EBRD
- Chairman of Supervisory Board of EIF
- Financing operations in United Kingdom

Panagiotis-Loukas GENNIMATAS
Vice-President



- Regional development policy
- Project evaluation
- Financing operations in Denmark, Greece and Ireland and in Albania, Cyprus, Malta, Turkey and countries of former Yugoslavia

Luis MARTÍ
Vice-President



- Budget. External and internal audit
- Information technology
- Liaison with IADB
- Financing operations in Spain and Portugal and in Latin America

Massimo PONZELLINI
Vice-President



- Economic and financial studies
- Credit risk
- European Investment Fund
- Policies in support of SMEs
- Financing operations in Italy

Ariane OBOLENSKY
Vice-President



- Borrowing and treasury policies
- Capital markets
- Financing operations in France and in Maghreb and Mashreq countries, Israel, Gaza and West Bank

Claes de NEERGAARD
Vice-President



- Trans-European Networks
- Accounting policies
- Liaison with NIB and AfDB
- Financing operations in Austria, Sweden and Finland, in Iceland and Norway and in ACP States

Rudolf de KORTE
Vice-President



- Environmental policy issues
- Legal affairs
- Liaison with AsDB
- Financing operations in Belgium, Luxembourg and the Netherlands, in Asia and in South Africa

Audit Committee

The three members of the Audit Committee are appointed by the Board of Governors for a renewable mandate of three years. An independent body answerable directly to the Board of Governors, the Audit Committee verifies that the operations of the Bank have been conducted and its books kept in a proper manner. The Governors take note of a report by the Audit Committee and its conclusions before approving the Annual Report of the Board of Directors.



On 5 June 1997, the Governors appointed Mr Yrjö TUOKKO, Managing Director, Tuokko Deloitte & Touche Oy, Helsinki, as a member of the Audit Committee to succeed Mr Michael SOMERS at the end of his mandate. In accordance with the system of annual rotation, Mr Albert HANSEN took over the chairmanship of the Audit Committee held by Mr SOMERS until 5 June 1997.

At their Annual Meeting, the Governors also decided to appoint Mr Michael SOMERS as an observer to the Audit Committee for a term of one year. At the end of the one-year term, the observer may be appointed by the Board of Governors as a member of the Audit Committee.

In May 1997, the Governors adopted further amendments to the Bank's Rules of Procedure in order to strengthen the Committee's audit and control functions and tailor these to recent devel-

opments in audit practice, in line with the changes introduced in 1995. In accordance with its function, the Audit Committee continued to examine the reports of the Bank's external and internal auditors and to conduct on-site visits to projects financed by the Bank. It inspected, jointly with the European Court of Auditors, several projects financed from Community budgetary resources, concentrating in 1997 on the audit of the Copenhagen SME Facility and the audit of risk capital operations under the Third and Fourth Lomé Conventions.

After having designated Ernst & Young as the Bank's new external auditors for a period of 5 years from 1997 onwards, the Audit Committee actively supervised the hand-over from the previous external auditors, Price Waterhouse, and the smooth integration of the new auditors into the Bank.

General Secretariat

Francis CARPENTER
Secretary General



Audit Recommendations Enactment
Helmut KUHRT
Internal Audit
Peter MAERTENS

Corporate Affairs

Rémy JACOB
Director

Secretariat
Hugo WOESTMANN
Planning, Budget and Control
Theoharry GRAMMATIKOS
Translation
Georg AIGNER
Coordination
Evelyne POURTEAU

Representative Office in Brussels

Andreas VERYKIOS
Director

Autonomous Departments

Human Resources

Gerlando GENUARDI
Director

Personnel Administration
Zacharias ZACHARIADIS
Personnel Policy
Margareta HÖLCKE
Recruitment
Jörg-Alexander UEBBING

Information Technology

Dominique de CRAYENCOUR
Director

Software Projects
Alexander ANDÒ

Services
Andrew ALLEN

Infrastructure
Ernest FOUSSE

Administrative Services

Adriaan ZILVOLD
Director

Administrative Support
Manfredo PAULUCCI DE CALBOLI

Directorates for Lending Operations in the European Union

Directorate 1

Pitt TREUMANN
Director General

Italy (Rome)

Caroline REID
Director

Infrastructure
Jean-Christophe CHALINE

Energy
Michael O'HALLORAN

Industry and Banks
Laurent de MAUTORT



Belgium, France, Luxembourg, the Netherlands

Alain BELLAVOINE
Director

France - Infrastructure
Jacques DIOT

France - Enterprises
Isabelle LOPES DIAS

Belgium, Luxembourg, the Netherlands
Ferdinand SASSEN

Germany, Austria

Emanuel MARAVIC
Director

Germany (Northern Länder)
Henk DELSING

Germany (Southern Länder), Austria
Joachim LINK

Directorate 2

Michel DELEAU
Director General



Spain, Portugal

Armin ROSE
Director

Spain - Public Sector
Francisco DOMINGUEZ

Spain - Private Sector
Jos VAN KAAM

Madrid Office
Fernando DE LA FUENTE

Portugal
Filipe CARTAXO

Lisbon Office
Manuel ROCHA FONTES

Ireland, United Kingdom, North Sea

Thomas HACKETT
Director

UK, North Sea: Infrastructure, Industry, Banks
Bruno LAGO

UK, North Sea: Transport, Energy
Thomas BARRETT

London Office
Guy BAIRD

Ireland
Richard POWER

Greece, Finland, Denmark, Sweden

Ernest LAMERS
Director

Greece, Finland
Antonio PUGLIESE

Athens Office
Arghyro ELEFTHERIADOU-YARMENITOU

Denmark, Sweden
Paul DONNERUP

Coordination

André DUNAND
Director

Ralph BAST

Directorate for Lending Operations outside the European Union

Fridolin WEBER-KREBS
Director General



Africa, Caribbean, Pacific

Martin CURWEN
Director

Stephen MCCARTHY

West Africa and Sahel
Tassilo HENDUS

Central and East Africa
Jacqueline NOËL

Southern Africa and Indian Ocean
Justin LOASBY

Caribbean and Pacific
Claudio CORTESE

Mediterranean

Jean-Louis BIANCARELLI
Director

Daniel OTTOLENGHI
Christian CAREAGA

Maghreb, Turkey
Alain SEVE

Mashreq, Middle East, Malta, Cyprus
Patrick WALSH

Central and Eastern Europe

Walter CERNOIA
Director

Estonia, Latvia, Lithuania, Poland
Grammatiki TSINGOU-PAPADOPETROU

Hungary, Czech Republic, Slovakia, Slovenia, Euratom
Christopher KNOWLES

Albania, Bulgaria, Romania, Bosnia-Herzegovina, Croatia, FYROM, FRY
Guido BRUCH

Asia and Latin America

Patrick THOMAS
Director

Coordination and Control

Manfred KNETSCH
Director

Coordination
Marc BECKER

Control: Mediterranean, Central and Eastern Europe, Asia and Latin America
Michel HATTERER

Control: ACP and Financial Institutions
Guy BERMAN

Finance Directorate



René KARSENTI
Director General

Capital markets

Ulrich DAMM
Deputy Director General

ECU, Spain, Ireland, United Kingdom,
Australia, Canada, United States, South-East Asia
Jean-Claude BRESSON, Deputy Director
Carlos GUILLE

Greece, France, Italy, Portugal
Carlo SARTORELLI

Germany, Austria, Switzerland,
Central and Eastern Europe
Barbara STEUER

Belgium, Denmark, Luxembourg,
Netherlands, Finland, Sweden, Norway, Japan
Joseph VOGTEN

Treasury

Anneli PESHKOFF
Director

Portfolio Management
James RANAIVOSON

Liquidity Management
Francis ZEGHERS

Asset/Liability Management
Jean-Dominique POTOCKI

Planning and Settlement of Operations

Eberhard UHLMANN
Director

Back Office Loans
Francisco DE PAULA COELHO

Back Office Treasury
Erling CRONQVIST

Back Office Borrowings
Yves KIRPACH

Financial Control/Accountancy

François ROUSSEL
Director

General Accounting
Luis BOTELLA MORALES

Financial and Accounting Control of Operations
Charles ANIZET

Control of Financial Management and Market
Risks

Alain GODARD

Coordination
Henri-Pierre SAUNIER

Projects Directorate



Herbert CHRISTIE
Director General

Jacques GIRARD

Energy Economics
(Coordinator with special responsibilities for
Methodology)

Infrastructure I

Peter BOND
Director

Transport and Sundry Infrastructure
Jean-Pierre DAUBET
(Coordinator with special responsibilities for Procurement)

Richard DEELEY
Luis LÓPEZ RODRÍGUEZ
Lars NORDIN
Mateu TURRÓ

Infrastructure II

Luigi GENAZZINI
Director

Water Supply, Sewerage and
Wastewater Treatment, Solid Waste,
Agriculture and Forestry, Fisheries

Peter CARTER
(Coordinator with special responsibilities
for the Environment)

José FRADE
Peder PEDERSEN
Barend STOFKOPER

Energy

Günter WESTERMANN
Director

Electricity, Oil and Gas
Angelo BOIOLI
Heiko GEBHARDT
René VAN ZONNEVELD

Industry I

Hemming JØRGENSEN
Director

Mining, Heavy Industry, Health and Education
Constantin CHRISTOFIDIS
Jean-Jacques MERTENS
Carillo ROVERE
Stephen WRIGHT

Industry II

Horst FEUERSTEIN
Director

Aviation, Telecommunications, Tourism, Agricultural
Processing, Financial Intermediaries
Juan ALARIO GASULLA
Patrick MULHERN
Pedro OCHOA

Coordination
Patrice GÉRAUD
Jenny QUILLIEN

Legal Affairs Directorate



Alessandro MORBILLI
General Counsel

Hans-Jürgen SEELIGER

Directorate Units

Operational Policy
Roderick DUNNETT

Institutional Policy
Pauline KOSKELO

Financial Questions
Marc DUFRESNE
Co-Director

Operations

Konstantin ANDREOPOULOS
Deputy General Counsel

Germany, Austria
Gerhard HÜTZ

Spain, Italy, Portugal
Alfonso QUEREJETA

Greece, Ireland, United Kingdom
Patrick Hugh CHAMBERLAIN

Belgium, France, Luxembourg, Netherlands
Marc DUFRESNE

Denmark, Finland, Sweden,
Central and Eastern Europe
Robert WAGENER

ACP, Asia and Latin America,
Mediterranean, OCT

Marco PADOVAN

Coordination
Manfredi TONCI OTTIERI

Directorate for Economics and Information



Alfred STEINHERR
Chief Economist

Economic and Financial Studies
Christopher HURST
Documentation and Library
Marie-Odile KLEIBER

Information and Communications

Henry MARTY-GAUQUIÉ
Director

Media Relations
Adam McDONAUGH
Communications Policy
Paul Gerd LÖSER

Coordination
Daphne VENTURAS

Operations Evaluation Unit



Jean-Jacques SCHUL
Special Adviser to the President

Bernard BÉLIER
Peter HELGER

Credit Risk



Terence BROWN
Director

Coordination and Control
Pier Luigi GILIBERT, Deputy Director

Public Sector
Agostino FONTANA

Project Finance Risk
Brian FEWKES

Corporate
John Anthony HOLLOWAY

Banks
Georg HUBER

Administration and staff

The Bank continued to reorganise in 1997, following the major restructuring of 1995 and 1996. It also embarked on a reappraisal of the main components of its human resource management policy, in the quest for better ways of mobilising and utilising skills and abilities, with the focus on performance management and personal development.



The structure of the Bank's Directorates is set out in the organisation chart (pages 54-55). Only movements affecting the Bank's senior management cadre are mentioned hereafter.

The Legal Affairs Directorate has been reorganised. Questions of general policy are now the direct responsibility of the General Counsel, assisted by three directorate units covering, respectively, operational, institutional and financial policies. The Operations Department has been placed under the authority of K. ANDREOPOULOS, who has been appointed Deputy General Counsel. M. DUFRESNE has been appointed Co-Director.

Ms A. PESHKOFF has joined the Finance Directorate as Director of Treasury. She replaces L. WINAND, who has been seconded to the European Investment Fund as Director of Finance.

Within the Directorate for Lending Operations outside the European Union, P. THOMAS has been promoted to the post of Director for Operations in Asia and Latin America

A. ZILVOLD has been promoted to the post of Director of Administrative Services, in which an internal control unit has been set up to monitor administrative management.

P.-L. GILBERT has been promoted to the post of Deputy Director in the Credit Risk Department.

The Translation Division has been reassigned to the Corporate Affairs Department.

The remit of the Internal Audit Division has been broadened with a view to ensuring that internal controls are constantly adapted to the developing nature of the Bank's work and to external practices.

Workforce

At end-December 1997, the EIB's staff numbered 980, an increase of 3% on a year-on-year basis. Half of new recruitment was to replace staff in posts that had become vacant. One third of new executives recruited were female. As before, recruitment continued to be centred primarily on nationals of the three Member States which acceded to the European Union in 1995. In the same context, the Bank took part in the "Nordic Career Futures" recruitment forum in Sweden, and intends to continue this approach in 1998. It also hosted a meeting at its premises in June 1997, attended by the recruitment officers of some twenty international institutions and organisations. One third of the present workforce has joined the Bank in the past five years, and the relative share of executives has steadily expanded over the same period.

Management

The style of human resource management currently applied has so far enabled the Bank to pursue its mission efficiently and with constant improvement. However, the changing environment in which the EIB operates and the increasing scope and complexity of its tasks now call for revamped human resource management. Consequently, a reappraisal of the EIB's human resource policy has been launched.

Human resources

	Staff complement	Executive staff	Administrative and support staff
1994	859	473	386
1995	897	498	399
1996	948	535	413
1997	980	564	416

The reappraisal began with an analysis of the changes needed, based on a participatory process involving various specific study groups, comprising staff representatives and members of staff at all levels. This initial stage made it possible to clarify the issues and determine the main aspects to be developed, at the same time gathering the views of staff on existing policy and identifying their expectations and needs.

The proposals emerging from this work will be given concrete shape during 1998, with special emphasis on qualitative improvement. They will be flexibly adapted to the EIB's changing requirements with a view to making optimum use of available knowledge and experience. In the interests of maintaining its successful record and of enhancing the contribution of each and everyone, the Bank will endeavour to promote a staff ethos founded on dynamism, innovation and self-reliance.

Staff Representatives

The Convention signed in 1995 between the Staff Representatives and the Bank offers the opportunity to progress together on a shared and constructive basis. Following a year of transition in 1996, the start of 1997 was devoted to forming and starting up joint committees. This new form of cooperation between the Bank's administration and the Staff Representatives has already led to some positive results in terms of social welfare.

The reassessment of human resource management within the Bank pointed the way for the ac-

tivities of the Staff Representatives in the second half of the year. Special attention was devoted to the staff appraisal system and remuneration policy.

Equal opportunities

The Joint Committee on Equal Opportunities for men and women (COPEC) is a bipartite body comprising representatives of the administration and the staff. Its purpose is to ensure application of equal opportunities in terms of careers, training and social amenities. COPEC's work falls within the scope of a multi-annual action programme approved in 1994.



The year 1997 was one of transition, when the Committee was renewed. The new members decided to focus their work on two main aspects in 1998: career development and changes in the organisational culture. To this end, the Committee has drawn up a programme of professional enrichment to be put to the Human Resources Department. COPEC has maintained contacts with other international institutions in its field of activity, and in 1997 the annual meeting of their network was held at the EIB. A survey and a conference were organised in order to raise awareness of equal opportunities among staff, and a system of assigning mentors was set up to welcome new recruits.



Progress achieved in the representation of women in the professional categories shows that the will for change is there but that more strenuous efforts are still needed to arrive at a satisfactory level of representation.

Training

The demand for training remained at a level comparable with that of recent years.

Internal courses of general or specific interest were organised in order to meet the demand for group training. At the same time, a great effort was made to enable staff to attend major professional events and to take advantage of high-level training.

Special attention will be devoted to senior cadre training with a view to developing the tools and knowledge essential for human resource management in an ever more demanding environment.

Finally, several eminent outside lecturers and heads of various organisations responded to invitations from the President of the EIB to share with the staff their rich experience in fields of current interest.

The Board of Directors wishes to thank the staff of the Bank for their productivity and the quality of their work, performed with commitment and professionalism throughout the year. It would like to encourage continuance of such efforts in support of the Bank's activity

Luxembourg, 24 March 1998

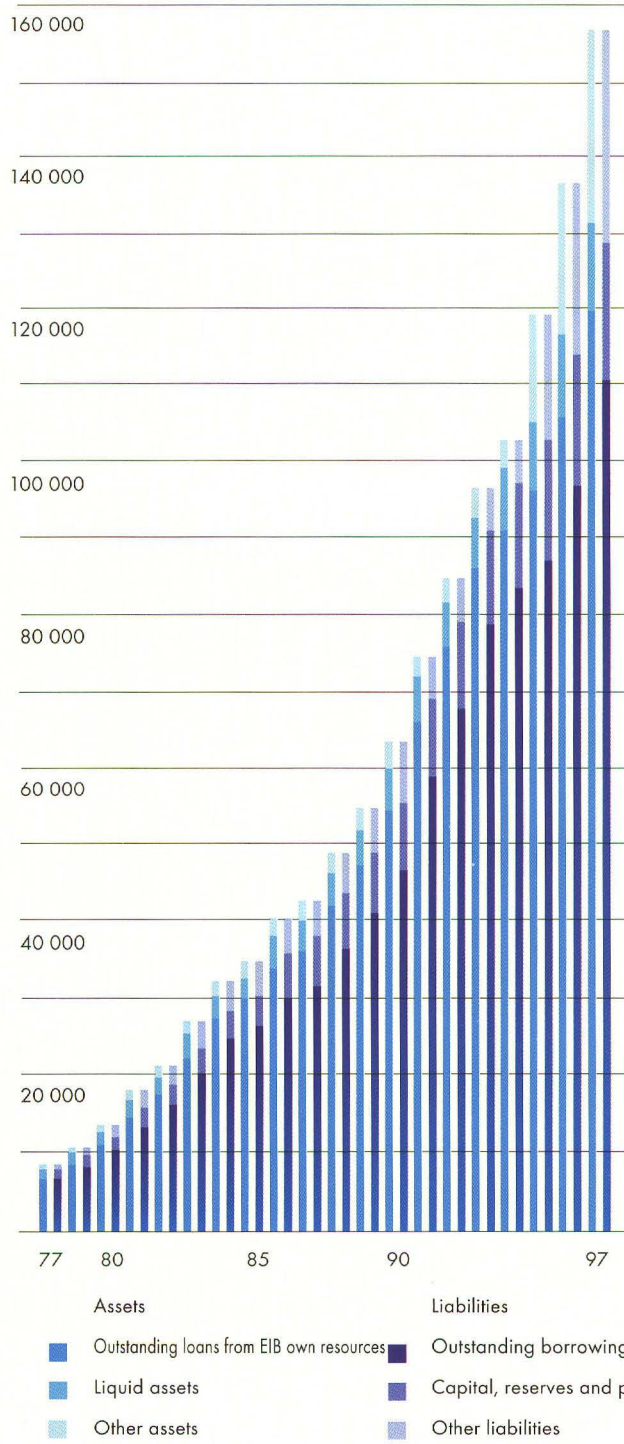
*The Chairman
of the Board of Directors*

Sir Brian Unwin

FINANCIAL STATEMENTS

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Growth in the balance sheet of the Bank



FINANCIAL STATEMENTS

Results for the year

Profit for the financial year 1997 came to 1 105 million compared with 1 092 million in 1996, representing an increase of 1.20%. Prior to transfers to provisions, the operating result came to 1 205 million in 1997, as against 1 192 million in 1996. This rise of 1.22% is attributable mainly to the combined effect of the growth in the Bank's balance sheet and the decline in interest rates.

The fall in long-term interest rates, impacting on the principal European currencies in which the Bank operates, led to a reduction in the average lending rate which dropped from 7.87% in 1996 to 7.21% in 1997 in line, in particular, with the general convergence of interest rates in Europe in the run-up to the euro.

Receipts of interest and commission on loans in 1997 came to 8 112 million as against 7 935 million in 1996, while interest and commission on borrowings totalled 7 241 million (7 035 million in 1996).

Overall, treasury operations yielded interest income of 623 million in 1997, or 16 million higher than the 1996 figure of 607 million, corresponding to an average overall return of 5.70% in 1997, compared with 6.16% in 1996.

The increase in interest income accruing from treasury operations in 1997 stemmed chiefly from the higher return on money market placements, which grew by 18 million on a year-on-year basis.

The main reason for the dip in the overall return from 6.16% in 1996 to 5.70% in 1997 was that, in absolute terms, interest rate levels were lower on average in 1997 (1-month LIBID,

4.64%) than in 1996 (1-month LIBID, 5.10%), in turn influencing the return on short-term money market placements, which accounted for 80% of total average liquid holdings.

A detailed analysis of the Bank's treasury by compartment appears on page 47.

Administrative expenses and charges together with depreciation of buildings, furniture and equipment totalled 159.8 million in 1997, or 3.3% more than in 1996 (154.6 million).

At its meeting on 9 June 1997, the **Board of Governors** had decided to draw on the profit for the year ended 31 December 1996 (1 092 118 660) as to 215 322 916 to finance the remaining contributions of the Member States to the subscribed capital of the Bank and to carry forward the balance, i.e. 876 795 744, in the form of prior-year profit to be appropriated. Further to the Governors' Decision of 20 August 1997, an amount of 200 000 000 has been set aside from this balance for the **Amsterdam Special Action Programme**. As at 31 December 1997, the balance of the sum to be carried forward in the form of prior-year profit to be appropriated amounted, therefore, to 676 795 744.

The **Board of Directors recommended, on 24 February 1998, that the Governors appropriate the profit for the year, i.e. 1 105 169 722, as to 200 000 000 to the Funds allocated to the Amsterdam Special Action Programme and the balance, i.e. 905 169 722, to the prior-year profit to be appropriated, bringing this to 1 581 965 466. On 28 April 1998, it proposed a further allocation of 100 000 000 to the Amsterdam Special Action Programme.**

BALANCE SHEET AS AT 31 DECEMBER 1997

In ECUs — see notes to the financial statements

ASSETS	31.12.1997	31.12.1996
1. Cash in hand, balances with central banks and post office banks	36 407 741	26 413 138
2. Treasury bills eligible for refinancing with central banks (Note B)	3 131 902 772	2 278 253 143
3. Loans and advances to credit institutions		
a) repayable on demand	102 329 680	24 661 020
b) other loans and advances (Note C)	6 772 824 604	5 947 256 987
c) loans: aggregate outstanding	50 941 406 850	46 080 183 735
less undisbursed portion	<u>6 443 637 135</u>	<u>6 492 777 142</u>
	44 497 769 715	39 587 406 593
	<u>51 372 923 999</u>	<u>45 559 324 600</u>
4. Loans and advances to customers		
loans: aggregate outstanding	91 421 788 160	80 540 707 217
less undisbursed portion	<u>16 646 742 627</u>	<u>14 435 832 566</u>
	74 775 045 533	66 104 874 651
Specific provisions (Note A.4)	<u>- 175 000 000</u>	<u>- 175 000 000</u>
	<u>74 600 045 533</u>	<u>65 929 874 651</u>
5. Debt securities including fixed-income securities (Note B)		
a) issued by public bodies	1 821 606 568	1 721 884 549
b) issued by other borrowers	<u>539 299 685</u>	<u>220 516 797</u>
	2 360 906 253	1 942 401 346
6. Shares and other variable-yield securities (Note D)	90 000 000	90 000 000
7. Participating interests (Note D)	160 000 000	120 000 000
8. Intangible assets	307 513 106	294 612 387
9. Tangible assets (Note E)	81 557 214	85 401 214
10. Other assets		
a) receivable from Member States for adjustment of capital contributions (Note F)	4 125 394	11 025 379
b) receivable on account of reserves and provisions	0	155 296 499
c) receivable in respect of EMS interest subsidies paid in advance (Note G)	28 201 833	37 366 091
d) sundry debtors (Note H)	433 602 852	168 160 950
e) receivable in respect of currency swap contracts	<u>21 767 303 390</u>	<u>16 053 004 746</u>
	22 233 233 469	16 424 853 665
11. Subscribed capital, called but not paid	0	275 403 127
12. Prepayments and accrued income	<u>2 747 056 268</u>	<u>2 694 942 178</u>
	<u>157 121 546 355</u>	<u>135 721 479 449</u>

The bracketed notes refer to the Notes to the Financial Statements

LIABILITIES

	31.12.1997	31.12.1996
1. Amounts owed to credit institutions		
a) repayable on demand	0	949 703
b) with agreed maturity dates or periods of notice (Note I)	<u>954 246 601</u>	<u>56 273 324</u>
	954 246 601	57 223 027
2. Debts evidenced by certificates		
a) debt securities in issue	109 425 297 067	93 601 923 143
b) others	<u>968 801 389</u>	<u>3 047 200 782</u>
	110 394 098 456	96 649 123 925
3. Other liabilities		
a) interest subsidies received in advance (Note G)	321 612 509	263 841 349
b) sundry creditors (Note H)	572 443 455	529 259 303
c) payable in respect of currency swap contracts	21 743 927 957	16 318 153 993
d) sundry liabilities	<u>30 708 802</u>	<u>29 111 552</u>
	22 668 692 723	17 140 366 197
4. Accruals and deferred income	3 823 410 143	3 611 135 316
5. Provisions for liabilities and charges		
staff pension fund (Note J)	319 207 443	291 586 801
6. Fund for general banking risks		
(Note K)	600 000 000	500 000 000
7. Capital		
subscribed	62 013 000 000	62 013 000 000
uncalled	<u>- 57 361 014 839</u>	<u>- 57 361 014 839</u>
	4 651 985 161	4 651 985 161
8. Reserves (Note L)		
a) reserve fund	6 201 300 000	6 201 300 000
b) additional reserves	<u>5 526 640 362</u>	<u>5 526 640 362</u>
	11 727 940 362	11 727 940 362
9. Funds allocated to the Amsterdam Special Action Programme (Note L)	200 000 000	0
10. Prior-year profit to be appropriated (Note L)	676 795 744	0
11. Profit for the financial year	1 105 169 722	1 092 118 660
	<u>157 121 546 355</u>	<u>135 721 479 449</u>

OFF-BALANCE-SHEET ITEMS

	31.12.1997	31.12.1996
Guarantees		
- in respect of loans granted by third parties	343 775 395	344 113 448
- in respect of participations by third parties in Bank loans	<u>42 721 151</u>	<u>48 073 838</u>
	386 496 546	392 187 286
Special deposits for service of borrowings (Note Q)	8 185 282 113	10 726 955 432
Nominal value of interest-rate swap and deferred rate-setting contracts	43 613 000 000	36 491 000 000
Portfolio securities (Note R):		
- securities for delivery	10 667 638	617 308 171
- securities receivable	208 324 681	308 304 293
Borrowings arranged but not yet signed as at 31 December	343 771 790	1 027 832 902

STATEMENT OF SPECIAL SECTION ⁽¹⁾ AS AT 31 DECEMBER 1997

In ECU's — see notes to the financial statements

ASSETS	31.12.1997	31.12.1996
Member States		
<i>From resources of the European Atomic Energy Community</i>		
- Disbursed loans outstanding ⁽²⁾	118 406 216	580 496 090
<i>From resources of the European Community (New Community Instrument for borrowing and lending)</i>		
- Disbursed loans outstanding ⁽³⁾	355 158 745	556 227 627
Turkey		
<i>From resources of Member States</i>		
- Disbursed loans outstanding ⁽⁴⁾	115 103 253	131 090 088
Mediterranean Countries		
<i>From resources of the European Community</i>		
- Disbursed loans outstanding	247 238 516	255 671 453
Risk capital operations		
- amounts to be disbursed	74 656 175	51 710 606
- amounts disbursed	74 313 715	63 644 398
	148 969 890	115 355 004
Total ⁽⁵⁾	396 208 406	371 026 457
African, Caribbean and Pacific States and Overseas Countries and Territories		
<i>From resources of the European Community</i>		
Yaoundé Conventions		
Loans disbursed	52 873 963	57 297 830
Contributions to the formation of risk capital		
Amounts disbursed	415 902	647 675
	53 289 865	57 945 505
Total ⁽⁶⁾	53 289 865	57 945 505
Lomé Conventions		
Risk capital operations		
- amounts to be disbursed	385 267 254	486 316 719
- amounts disbursed	910 663 426	860 902 341
	1 295 930 680	1 347 219 060
Total ⁽⁷⁾	1 295 930 680	1 347 219 060
Grand Total	2 334 097 165	3 044 004 827

For information:

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

- a) Under the First, Second and Third Lomé Conventions: at 31.12.1997: 1 493 687 843; at 31.12.1996: 1 484 433 789
 b) Under Financial Protocols signed with the Mediterranean Countries: at 31.12.1997: 178 369 306; at 31.12.1996: 180 897 034

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

(2) Initial amount of contracts signed under Council Decisions 77/271/Euratom of 29 March 1977, 80/29/Euratom of 20 December 1979, 82/170/Euratom of 15 March 1982 and

85/537/Euratom of 5 December 1985 providing for an amount of three billion as a contribution towards financing commercially-rated nuclear power stations within the Community under mandate, for the account and at the risk of the European Atomic Energy Community:
 2 773 167 139
 add: exchange adjustments + 181 936 290
 less: repayments - 2 836 697 213
 118 406 216

LIABILITIES
31.12.1997
31.12.1996
Funds under trust management

Under mandate from the European Communities

European Atomic Energy Community	118 406 216	580 496 090
European Community:		
- New Community Instrument	355 158 745	556 227 627
- Financial Protocols with the Mediterranean Countries	321 552 231	319 315 851
- Yaoundé Conventions	53 289 865	57 945 505
- Lomé Conventions	910 663 426	860 902 341

	1 759 070 483	2 374 887 414
	115 103 253	131 090 088

Under mandate from Member States

Total	1 874 173 736	2 505 977 502
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Funds to be disbursed

On loans and risk capital operations in the Mediterranean Countries

	74 656 175	51 710 606
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On risk capital operations under the Lomé Conventions

	385 267 254	486 316 719
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Total	459 923 429	538 027 325
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Grand Total	2 334 097 165	3 044 004 827
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(3) Initial amount of contracts signed under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982, 83/200/EEC of 19 April 1983 and 87/182/EEC of 9 March 1987 for promoting investment within the Community, as well as 81/19/EEC of 20 January 1981 for reconstructing areas of Campania and Basilicata (Italy) stricken by an earthquake on 23 November 1980 and 81/1013/EEC of 14 December 1981 for reconstructing areas stricken by earthquakes in Greece in February and March 1981, under mandate, for the account and at the risk of the European Community:

add:	exchange adjustments		+ 117 956 001
less:	cancellations	201 990 536	
	repayments	5 959 951 576	- 6 161 942 112
			<u>355 158 745</u>

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

add:	exchange adjustments		+ 10 655 344
less:	cancellations	215 000	
	repayments	312 552 091	- 312 767 091
			<u>115 103 253</u>

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

less:	cancellations	10 142 800	
	repayments	58 766 138	
	exchange adjustments	571 656	- 69 480 594
			<u>396 208 406</u>

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

- loans on special conditions	139 483 056	
- contributions to the formation of risk capital	2 502 615	141 985 671
add:		
- capitalised interest	1 178 272	
- exchange adjustments	9 375 575	+ 10 553 847
less:		
- cancellations	1 573 610	
- repayments	97 676 043	- 99 249 653
		<u>53 289 865</u>

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

- conditional and subordinated loans	1 826 204 404	
- equity participations	38 296 962	1 864 501 366
add:		
- capitalised interest		+ 1 663 486
less:		
- cancellations	255 272 918	
- repayments	303 204 321	
- exchange adjustments	11 756 933	- 570 234 172
		<u>1 295 930 680</u>

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

In ECUs — see notes to the financial statements

	31.12.1997	31.12.1996
1. Interest receivable and similar income (Note N)	8 881 314 722	8 615 729 435
2. Interest payable and similar charges	- 7 433 497 300	- 7 214 462 976
3. Commission receivable (Note O)	15 625 330	16 053 794
4. Commission payable	- 5 152 439	- 5 020 717
5. Result on financial operations	- 790 465	2 545 531
6. Other operating income	3 193 716	3 768 641
7. General administrative expenses (Note P):	- 150 651 221	- 144 985 624
a) staff costs	118 388 936	112 300 480
b) other administrative expenses	<u>32 262 285</u>	<u>32 685 144</u>
8. Value adjustments in respect of:	- 102 942 298	- 81 128 501
a) intangible assets	94 332 285	71 516 778
b) tangible assets (Note E)	<u>8 610 013</u>	<u>9 611 723</u>
9. Value adjustments in respect of loans and advances (Note A.4)	0	- 50 000 000
10. Transfer to Fund for general banking risks	- 100 000 000	- 50 000 000
11. Profit on ordinary activities	1 107 100 045	1 092 499 583
12. Net loss arising from re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute (Note A § 2)	<u>- 1 930 323</u>	<u>- 380 923</u>
13. Profit for the financial year (Note L)	1 105 169 722	1 092 118 660

CASH FLOW STATEMENT AS AT 31 DECEMBER 1997

In ECUs — see notes to the financial statements

	31.12.1997	31.12.1996
A. Cash flows from operating activities:		
Profit for the financial year	1 105 169 722	1 092 118 660
Adjustments:		
Transfer to Fund for general banking risks	100 000 000	50 000 000
Value adjustments	102 942 298	131 128 501
Exchange adjustment not subject to Article 7	1 930 323	380 923
Increase in accrued interest and commissions payable and interest received in advance	212 274 827	132 936 789
Increase in accrued interest and commissions receivable	- 52 114 089	- 7 346 014
Investment portfolio amortisation	- 24 986 821	- 25 013 689
Hedging portfolio premium	782 334	0
Profit from operating activities:	1 445 998 594	1 374 205 170
Net loan disbursements	- 23 230 607 530	- 19 753 511 260
Repayments	11 774 547 831	11 469 298 838
Hedging portfolio sales	6 220 583 099	7 997 280 826
Hedging portfolio purchases	- 7 162 789 231	- 8 675 855 165
Net balance on NCI operations (Note H)	- 258 095 365	0
Net cash from operating activities	- 11 210 362 602	- 7 588 581 591
B. Cash flows from investing activities:		
EIF shares paid up (Note D)	- 40 000 000	- 40 000 000
Sales of securities	305 624 754	0
Purchases of securities	- 321 761 082	0
Increases in land, buildings and furniture (Note E)	- 4 766 013	- 7 885 775
Increases in intangible assets	- 2 397 645	0
Other (decreases)/increases in assets	8 717 706	- 44 736 867
Net cash from investing activities	- 54 582 280	- 92 622 642
C. Cash flow from financing activities:		
Issue of borrowings	22 923 782 835	17 579 230 285
Redemption of borrowings	- 11 816 592 731	- 8 520 539 615
Net increase in issuing charges and redemption premiums	- 104 835 359	- 11 194 796
Increase in currency swaps receivable	- 5 714 298 644	- 6 028 847 625
Increase in currency swaps payable	5 425 773 964	6 217 497 470
Net increase/(decrease) in short-term borrowings	240 912 136	- 518 904 417
Capital, reserves and provisions paid in by Member States	215 376 709	538 414 874
Net increase in amounts owed to credit institutions	897 023 574	20 613 623
Other increases/(decreases) in liabilities	130 173 204	- 85 792 299
Net cash from financing activities	12 197 315 688	9 190 477 500
Summary statement of cash flows		
Cash and cash equivalents at beginning of financial year	6 360 412 500	5 252 522 372
Net cash from:		
(1) operating activities	- 11 210 362 602	- 7 588 581 591
(2) investing activities	- 54 582 280	- 92 622 642
(3) financing activities	12 197 315 688	9 190 477 500
Effects of exchange rate changes on cash and cash equivalents	109 801 248	- 401 383 139
Cash and cash equivalents at end of financial year	7 402 584 554	6 360 412 500
Cash analysis (excluding investment and hedging portfolios)		
Cash in hand, balances with central banks and post office banks	36 407 741	26 413 138
Bills maturing within three months of issue	689 425 240	422 166 512
Loans and advances to credit institutions:		
- accounts repayable on demand	102 329 680	24 661 020
- term deposit accounts	6 574 421 893	5 887 171 830
7 402 584 554	6 360 412 500	6 360 412 500

SUMMARY STATEMENT OF LOANS AND GUARANTEES AS AT 31 DECEMBER 1997

In ECUs — see notes to the financial statements

1. Aggregate loans outstanding (*)

Aggregate historical amount of loans calculated on the basis of the parities applied on the date of signature 229 592 900 528

Add:

exchange adjustments + 3 347 433 297

Less:

terminations and cancellations 4 597 120 699

principal repayments 85 937 296 965

third party participations 42 721 151

- 90 577 138 815

Aggregate loans outstanding **142 363 195 010**

Loans granted

	to intermediary credit institutions	directly to final beneficiaries	Total
--	---	------------------------------------	-------

Analysis of aggregate loans outstanding:

- Loans disbursed 44 497 769 715

- Undisbursed portion 6 443 637 135

74 775 045 533 119 272 815 248

16 646 742 627 23 090 379 762

50 941 406 850 91 421 788 160 142 363 195 010

Aggregate loans outstanding

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

2. Statutory ceiling on lending and guarantee operations

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

The present level of capital implies a ceiling of 155 billion in relation to aggregate loans and guarantees outstanding currently totalling 142 749 691 556 and broken down as follows:

Aggregate loans outstanding 142 363 195 010

Aggregate guarantees outstanding (off-balance-sheet items):

- in respect of loans granted by third parties 343 775 395

- in respect of third party participations in Bank loans 42 721 151

386 496 546

Aggregate loans and guarantees outstanding **142 749 691 556**

3. Breakdown of loans outstanding by type of interest rate

- fixed rate of interest 33 074 657 809

- variable rate of interest 11 423 111 906

Loans disbursed: **44 497 769 715**

Loans granted

	to intermediary credit institutions	directly to final beneficiaries	Total
--	---	------------------------------------	-------

56 595 711 508 89 670 369 317

18 179 334 025 29 602 445 931

74 775 045 533 119 272 815 248

The amount to be disbursed at interest rates fixed upon signature totalled 2 498 859 346 at 31 December 1997, i.e. approximately 11% of the aggregate amount to be disbursed of 23 090 379 762.

4. Scheduled repayments on loans disbursed

Period remaining until final maturity:

- Not more than three months 1 322 136 230

- More than three months but not more than one year 4 038 408 050

- More than one year but not more than five years 20 928 381 520

- More than five years 18 208 843 915

Loans disbursed: **44 497 769 715**

2 093 375 170 3 415 511 400

6 217 032 650 10 255 440 700

35 787 574 960 56 715 956 480

30 677 062 753 48 885 906 668

74 775 045 533 119 272 815 248

5. Breakdown of loans disbursed by currency of repayment

- Member States' currencies and the ECU 39 833 380 600

- other currencies 4 664 389 115

Loans disbursed: **44 497 769 715**

59 881 518 070 99 714 898 670

14 893 527 463 19 557 916 578

74 775 045 533 119 272 815 248

6. Geographical breakdown of lending by country in which projects are located

Countries and territories in which projects are located	Number of loans	Aggregate loans outstanding	Undisbursed portion	Disbursed portion	% of total
6.1 Loans for projects within the Union and related loans (a)					
Germany	496	14 681 777 413	943 966 792	13 737 810 621	10.31
France	440	15 858 603 802	1 252 267 706	14 606 336 096	11.14
Italy	1 953	26 449 852 924	3 059 032 554	23 390 820 370	18.58
United Kingdom	360	19 305 361 531	3 901 871 758	15 403 489 773	13.56
Spain	360	18 667 742 952	1 177 106 906	17 490 636 046	13.11
Belgium	114	3 621 782 653	676 468 558	2 945 314 095	2.54
Netherlands	57	2 768 521 212	603 476 836	2 165 044 376	1.94
Sweden	53	2 091 246 896	85 948 484	2 005 298 412	1.47
Denmark	152	4 235 673 930	359 193 780	3 876 480 150	2.98
Austria	39	1 369 169 685	45 245	1 369 124 440	0.96
Finland	19	921 604 735	92 797 039	828 807 696	0.65
Greece	199	4 312 845 719	679 900 440	3 632 945 279	3.03
Portugal	244	8 923 415 121	1 593 850 475	7 329 564 646	6.27
Ireland	193	2 817 117 233	417 442 442	2 399 674 791	1.98
Luxembourg	10	176 861 967	3 286 932	173 575 035	0.12
Related loans (a)	23	1 702 284 482	412 284 688	1 289 999 794	1.20
Total	4 712	127 903 862 255	15 258 940 635	112 644 921 620	89.84
6.2 Loans for projects outside the Union					
6.2.1 ACP Countries/OCT					
Zimbabwe	15	140 588 430	18 675 734	121 912 696	
Jamaica	12	136 138 478	23 153 063	112 985 415	
Kenya	9	109 090 133	7 000 000	102 090 133	
Trinidad and Tobago	5	101 738 546	31 862 043	69 876 503	
Nigeria	6	101 546 331	—	101 546 331	
Ghana	5	101 177 679	48 278 386	52 899 293	
Côte d'Ivoire	11	99 030 416	—	99 030 416	
Mauritius	11	78 521 560	39 934 239	38 587 321	
Botswana	12	75 388 074	11 927 891	63 460 183	
ACP Group	2	72 643 922	26 495 067	46 148 855	
Papua New Guinea	6	64 201 944	15 805 000	48 396 944	
Namibia	5	44 930 298	22 823 506	22 106 792	
Bahamas	4	44 283 036	31 622 800	12 660 236	
Regional - Africa	2	39 836 203	20 000 000	19 836 203	
Cameroon	7	38 505 666	8 000 000	30 505 666	
Mali	1	37 455 666	—	37 455 666	
Barbados	5	37 138 608	22 471 934	14 666 674	
Fiji	5	24 095 662	7 450 258	16 645 404	
Mozambique	1	20 000 000	20 000 000	—	
Caribbean Region	1	19 888 898	16 000 000	3 888 898	
Guinea	2	16 271 035	—	16 271 035	
Saint Lucia	4	14 233 742	630 000	13 603 742	
Mauritania	1	13 329 842	—	13 329 842	
Gabon	2	13 111 123	10 500 000	2 611 123	
Uganda	1	10 107 228	8 887 188	1 220 040	
French Polynesia	4	10 084 986	1 523 500	8 561 486	
Netherlands Antilles	5	8 648 926	1 000 000	7 648 926	
Dominican Republic	1	8 021 279	5 507 283	2 513 996	
Cayman Islands	3	8 009 603	4 000 000	4 009 603	
Senegal	1	7 949 276	—	7 949 276	
Malawi	4	6 945 996	—	6 945 996	
Tonga	3	5 806 502	2 667 987	3 138 515	
Democratic Republic of Congo	1	5 235 338	—	5 235 338	
Lesotho	1	5 071 499	—	5 071 499	
New Caledonia	2	4 386 270	1 325 000	3 061 270	
Grenada	1	4 000 000	4 000 000	—	
British Virgin Islands	2	3 697 718	917 071	2 780 647	
Belize	2	3 002 299	1 553 039	1 449 260	
Falklands	1	2 582 231	—	2 582 231	
People's Republic of the Congo	2	2 384 791	—	2 384 791	
Swaziland	2	2 199 147	—	2 199 147	
Saint Vincent	1	2 191 957	—	2 191 957	
Togo	1	1 569 680	—	1 569 680	
Aruba	2	1 465 965	—	1 465 965	
West Africa	1	1 483 797	—	1 483 797	
Seychelles	1	977 140	—	977 140	
Central Africa	1	950 429	—	950 429	
Montserrat	1	216 659	—	216 659	
Sub-total	178	1 550 134 008	414 010 989	1 136 123 019	1.09
6.2.2 South Africa	9	298 563 884	198 993 804	99 570 080	0.21

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

6. Geographical breakdown of lending by country in which projects are located (continued)

Countries and territories in which projects are located	Number of loans	Aggregate loans outstanding	Undisbursed portion	Disbursed portion	% of total
6.2.3 Mediterranean Countries					
Algeria	24	1 124 955 797	610 540 512	514 415 285	
Egypt	28	928 634 776	311 862 838	616 771 938	
Morocco	24	863 358 460	409 839 070	453 519 390	
Tunisia	33	535 290 327	238 221 697	297 068 630	
Lebanon	12	451 866 669	323 868 640	127 998 029	
Turkey	10	436 456 373	242 500 000	193 956 373	
Former FR of Yugoslavia (b)	20	373 456 138	—	373 456 138	
Jordan	28	253 567 484	119 610 877	133 956 607	
Cyprus	12	176 339 383	70 202 200	106 137 183	
Israel	4	97 717 040	26 054 073	71 662 967	
Gaza/West Bank	5	87 000 000	87 000 000	—	
Syria	5	42 634 485	1 090 200	41 544 285	
Malta	4	35 731 807	18 135 659	17 596 148	
Sub-total	209	5 407 008 739	2 458 925 766	2 948 082 973	3.80
6.2.4 Central and Eastern European Countries					
Poland	22	1 687 962 393	1 268 625 766	419 336 627	
Czech Republic	15	1 530 593 906	1 232 913 069	297 680 837	
Hungary	16	889 775 681	368 792 773	520 982 908	
Romania	15	616 953 740	407 093 047	209 860 693	
Slovak Republic	15	600 466 859	355 628 354	244 838 505	
Bulgaria	8	350 692 516	200 851 151	149 841 365	
Slovenia	7	194 550 117	54 264 559	140 285 558	
Lithuania	9	109 436 392	67 895 716	41 540 676	
Estonia	8	87 177 881	64 000 000	23 177 881	
Latvia	5	51 284 302	40 000 163	11 284 139	
Albania	4	46 000 000	46 000 000	—	
Sub-total	124	6 164 893 787	4 106 064 598	2 058 829 189	4.33
6.2.5 Asian and Latin American Countries					
Argentina	4	172 331 586	81 620 508	90 711 078	
Philippines	5	144 604 452	118 749 253	25 855 199	
Indonesia	2	101 131 827	93 886 828	7 244 999	
Peru	2	81 580 938	50 000 000	31 580 938	
Pakistan	3	81 000 000	81 000 000	—	
Chile	1	65 846 623	—	65 846 623	
Thailand	2	62 991 026	—	62 991 026	
China	1	55 859 886	34 177 872	21 682 014	
India	1	55 000 000	55 000 000	—	
Brazil	2	54 840 895	32 500 000	22 340 895	
Mexico	1	52 136 822	—	52 136 822	
Costa Rica	1	44 408 282	39 509 509	4 898 773	
Regional-Andean Pact	1	40 000 000	40 000 000	—	
Paraguay	1	17 000 000	17 000 000	—	
Uruguay	1	10 000 000	10 000 000	—	
Sub-total	28	1 038 732 337	653 443 970	385 288 367	0.73
Total	548	14 459 332 755	7 831 439 127	6 627 893 628	10.16
Grand total	5 260	142 363 195 010	23 090 379 762	119 272 815 248	100.00

(b) Loans granted to public entities in the former Federal Republic of Yugoslavia are still considered as related to loans in the Mediterranean Countries.

7. Breakdown of loans by principal form of guarantee (a)

7.1 Loans for projects within the Union and related loans (b)

Loans guaranteed by Member States (*)	33 544 043 922	
Loans guaranteed by public institutions of Member States	14 391 229 131	
Loans guaranteed by zone "A" banks	24 660 892 121	
Loans guaranteed by private-sector companies	39 516 604 066	
Loans without formal guarantee	15 791 093 015	
Total lending within the Union	127 903 862 255	(c)

(*) excluding loans granted directly to the Member States, totalling 14 008 619 077 and included under "Loans without formal guarantee".

7.2 Loans for projects outside the Union

7.2.1 African, Caribbean and Pacific States – Overseas Countries and Territories

Loans granted to, or guaranteed by, States signatories to financial cooperation agreements:		
First Lomé Convention	3 841 065	
Second Lomé Convention	67 265 709	
Third Lomé Convention	345 141 762	
Fourth Lomé Convention	745 878 622	
	1 162 127 158	(d)
Loans secured by other guarantees:		
First Lomé Convention	487 385	
Second Lomé Convention	3 632 815	
Third Lomé Convention	15 743 217	
Fourth Lomé Convention	368 143 433	
	388 006 850	(d)
Total ACP States/OCT	1 550 134 008	

7.2.2 South Africa

Loans granted to, or guaranteed by, the Republic of South Africa	298 563 884	(e)
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7.2.3 Non-member Mediterranean Countries benefiting from financial cooperation with the EC

. Financial Protocols

Loans granted to, or guaranteed or counter-guaranteed by, countries signatories to these protocols	2 671 985 684	(c)
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. Horizontal cooperation

Loans granted to, or guaranteed by, countries benefiting from this cooperation	1 505 516 734	
Loans secured by other guarantees	294 141 902	
Sub-total	1 799 658 636	(c)

Euro-Mediterranean Partnership

Loans granted to, or guaranteed by, countries benefiting from this Partnership	830 364 419	
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Loans secured by other guarantees	105 000 000	
Sub-total	935 364 419	(f)

Total Mediterranean Countries	5 407 008 739	
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7.2.4 Non-member Central and Eastern European Countries (CEEC)

Loans granted to, or guaranteed by, countries signatories to financial cooperation agreements	5 109 861 073	(e-c-f)
Loans secured by other guarantees	1 055 032 714	(e-f)

Total Central and Eastern European Countries	6 164 893 787	
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7.2.5 Non-member Asian and Latin American Countries (ALA)

Loans granted to, or guaranteed by, countries signatories to financial cooperation agreements	489 125 656	
Loans secured by other guarantees	549 606 681	

Total Asian and Latin American Countries	1 038 732 337	(e-f)
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Total loans outside the Union 14 459 332 755

AGGREGATE LOANS OUTSTANDING 142 363 195 010

(a) Certain loans are covered by several types of guarantee or security.

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

(c) The ceiling amount of the 75% blanket guarantee provided by the EC was 5 218 902 029 at 31 December 1997 compared to 5 158 208 276 at 31 December 1996. This guarantee is provided to cover any risk attaching to financial commitments in the Mediterranean Countries (4 471 644 320), including loans under the First Financial Protocol signed with Slovenia (149 550 117) shown in the figures for outstandings in the CEEC as well as loans granted in Greece, Spain and Portugal prior to their accession to the EC (211 566 444).

(d) The ceiling amounts on guarantees provided by Member States to cover any risk attaching to financial commitments entered into under the Lomé Conventions, insofar as the ACP States are concerned, and under the related Council Decisions, insofar as the OCT are concerned, are respectively:

- First Convention:	4 328 450
- Second Convention:	70 898 524
- Third Convention:	360 884 979
- Fourth Convention:	845 841 145

(e) The full amount of loans granted in non-member Central and Eastern European and Asian and Latin American Countries and in South Africa is guaranteed by the EC prior to entry into force of the new Council Decision of 14 April 1997 (see (f)):

CEEC	4 549 121 076
ALA	824 232 337
	5 373 353 413

(f) Loans granted in non-member Mediterranean and Central and Eastern European Countries as well as in Asia and Latin America (ALA) are secured by the 70% Community blanket guarantee for all risks arising in respect of financial commitments. The amounts concerned are as follows:

MED	830 364 419	{loans secured by a sovereign guarantee}
	59 000 000	{loans secured by other guarantees}
CEEC	1 022 222 591	
ALA	65 000 000	
	1 976 587 010	

However, in the case of commitments secured by other guarantees, the EC guarantee covers only certain political risks (currency non-transfer, expropriation, war and civil disturbance) for the following loan amounts:

MED	46 000 000
CEEC	444 000 000
ALA	149 500 000
	639 500 000

SUMMARY STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES AS AT 31 DECEMBER 1997

In ECUs — see notes to the financial statements

Payable in	Borrowings				Currency swaps			Net amount	
	Outstanding at 31.12.1996	Outstanding at 31.12.1997	Average rate	Due dates	amounts payable (+) or receivable (-)		Average rate	Outstanding at 31.12.1996	Outstanding at 31.12.1997
ECU	8 541 852 255	8 277 218 449	7.24	1998/2004	191 290 002 +	650 223 408 -	5.17	8 733 142 257	7 626 995 041
DEM	14 541 281 698	15 324 728 830	6.14	1998/2026	3 039 119 586 +	3 813 434 792 +	5.79	17 580 401 284	19 138 163 622
FRF	9 964 433 482	11 186 202 198	7.46	1998/2012	16 017 711 -	524 796 325 +	6.11	9 948 415 771	11 710 998 523
GBP	10 620 329 240	13 883 783 399	8.10	1998/2017	2 014 624 541 +	2 194 401 660 +	7.48	12 634 953 781	16 078 185 059
ITL	14 031 528 646	17 520 672 131	8.04	1998/2017	547 863 585 +	244 567 540 +	5.78	14 579 392 231	17 765 239 671
BEF	864 887 375	619 297 234	8.07	1998/2004	120 049 823 +	118 090 391 +	8.25	984 937 198	737 387 625
NLG	4 148 595 212	4 395 343 291	6.60	1998/2009	1 049 841 784 -	1 541 182 328 -	3.50	3 098 753 428	2 854 160 963
DKK	299 198 958	518 067 952	5.25	1999/2005	167 862 970 -	259 033 976 -	5.23	131 335 988	259 033 976
IEP	332 598 995	321 130 212	7.99	1999/2015	241 870 477 +	322 524 357 +	6.15	574 469 472	643 654 569
LUF	863 296 436	846 262 341	6.91	1998/2007	261 831 675 -	257 558 104 -	6.46	601 464 761	588 704 237
GRD	274 634 736	432 638 228	13.17	1999/2002	64 619 938 +	64 094 552 +	13.83	339 254 674	496 732 780
ESP	4 885 445 918	6 070 781 059	8.35	1998/2026	1 760 295 085 +	2 681 262 472 +	4.87	6 645 741 003	8 752 043 531
PTE	1 825 593 464	1 893 556 845	6.61	1998/2016	573 893 187 +	1 352 836 584 +	4.84	2 399 486 651	3 246 393 429
SEK	115 901 715	206 130 316	8.22	1999/2004	156 343 530 +	249 238 117 +	4.63	272 245 245	455 368 433
FIM	51 578 296	66 808 523	6.29	2001/2002	—	27 017 601 +	3.29	51 578 296	93 826 124
USD	10 483 068 716	12 829 047 854	6.97	1998/2026	1 716 781 182 -	2 342 245 038 -	4.80	8 766 287 534	10 486 802 816
CHF	4 537 956 235	4 904 922 362	5.34	1998/2007	241 058 600 +	253 934 838 +	6.05	4 779 014 835	5 158 857 200
JPY	6 597 275 264	6 796 123 330	4.46	1998/2022	2 127 241 188 -	2 805 380 011 -	4.25	4 470 034 076	3 990 743 319
CAD	2 563 788 885	2 607 168 133	8.05	1998/2008	2 316 206 455 -	2 417 601 860 -	9.00	247 582 430	189 566 273
AUD	583 087 600	660 859 383	8.44	1998/2002	583 087 600 -	660 859 383 -	8.44	—	—
CZK	72 999 308	118 337 282	11.42	1999/2001	72 999 308 -	118 337 282 -	11.42	—	—
HKD	205 285 907	406 760 593	7.16	2001/2004	205 285 907 -	406 760 593 -	7.16	—	—
NZD	169 489 610	211 155 336	8.37	1999/2002	169 489 610 -	211 155 336 -	8.37	—	—
ZAR	34 102 690	288 474 065	14.15	2000/2007	2 557 702 -	188 903 985 -	14.04	31 544 988	99 570 080
Total	96 608 210 641	110 385 469 346							
Premiums	40 913 284	8 629 110							
Total	96 649 123 925	110 394 098 456							

The redemption of certain borrowings is indexed to stock exchange indexes (historical value: 1 952 million). All such borrowings are hedged in full through swap operations.

The following table shows the total capital sums required for the redemption of borrowings:

Maturities:		Notes and bonds		Other	Total
Not more than three months		4 461 116 788		2 073 427	4 463 190 215
More than three months but not more than one year		9 760 114 239		151 566 422	9 911 680 661
More than one year but not more than five years		59 135 222 889		127 957 546	59 263 180 435
More than five years		36 068 843 151		687 203 994	36 756 047 145
Total		109 425 297 067		968 801 389	110 394 098 456

STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL OF THE BANK AS AT 31 DECEMBER 1997

In ECUs — see notes to the financial statements

Member States	Subscribed capital ⁽¹⁾	Available for call ⁽²⁾	Capital paid in and to be paid in
Germany	11 017 450 000	10 189 970 950	827 479 050
France	11 017 450 000	10 189 970 950	827 479 050
Italy	11 017 450 000	10 189 970 950	827 479 050
United Kingdom	11 017 450 000	10 189 970 950	827 479 050
Spain	4 049 856 000	3 747 237 310	302 618 690
Belgium	3 053 960 000	2 825 758 011	228 201 989
Netherlands	3 053 960 000	2 825 758 011	228 201 989
Sweden	2 026 000 000	1 874 016 998	151 983 002
Denmark	1 546 308 000	1 430 762 746	115 545 254
Austria	1 516 000 000	1 402 275 305	113 724 695
Finland	871 000 000	805 660 812	65 339 188
Greece	828 380 000	766 479 995	61 900 005
Portugal	533 844 000	493 953 399	39 890 601
Ireland	386 576 000	357 689 755	28 886 245
Luxembourg	77 316 000	71 538 697	5 777 303
	62 013 000 000	57 361 014 839	4 651 985 161

(1) As from 1 January 1995, following the accession of Austria, Finland and Sweden, the subscribed capital has been increased from 57 600 000 000 to 62 013 000 000.

The four equal instalments of 53 830 729.13 which were to be paid in by the fifteen Member States on 30 April and 31 October of the years 1997-1998 in respect of their share in the capital increase decided on 11 June 1990, i.e. a total of 215 322 916, have been paid in in full by drawing on the profit for the 1996 financial year, in accordance with the Decision of the Board of Governors of 9 June 1997.

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 1997 - in ECUs

Note A – Significant accounting policies

1. Accounting standards

The financial statements have been drawn up on the basis of the historical cost convention adapted in keeping with the provisions on the evaluation of certain financial instruments and securities, in accordance with the Bank's accounting rules, the general principles of the Directive of the Council of the European Communities on the annual accounts and consolidated accounts of banks and other financial institutions ("the Directive"), and international accounting standards.

2. Conversion of currencies

In accordance with Article 4(1) of its Statute, the EIB uses the ECU adopted by the European Communities as the unit of measure for the capital accounts of Member States and for presenting its financial statements.

The value of the ECU is equal to the sum of the following amounts of the Member States' currencies:

DEM	0.6242	NLG	0.2198	IEP	0.008552
GBP	0.08784	BEF	3.301	GRD	1.440
FRF	1.332	LUF	0.13	ESP	6.885
ITL	151.8	DKK	0.1976	PTE	1.393

The conversion rates between Member States' currencies and the ECU, which are determined on the basis of market rates, are published daily in the Official Journal of the European Communities.

The Bank applies these rates in calculating the rates applicable to other currencies used for its operations.

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

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

The Bank's assets and liabilities are converted into ECUs on the basis of the conversion rates obtaining at the balance sheet date. The gain or loss arising from such conversion is credited or charged to the profit and loss account. Excluded from such calculations are the assets representing the portion of capital paid in by the Member States in their national currency which is adjusted periodically in accordance with Article 7 of the Bank's Statute.

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

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

3.1. Investment portfolio

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

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

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

3.2. Hedging portfolio

The hedging portfolio, which comprises fixed-dated securities, is maintained as part of the Bank's active management of the interest-rate risks inherent in its lending and funding activities. These investments are accounted for at cost adjusted by the amortisation of premiums or discounts between purchase cost and maturity values. Such amortisation is performed on a straight-line basis over the remaining life of the security. Gains and losses on disposal of these securities are released to income over the period of the original maturity of the borrowings.

3.3. Operational portfolio

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

3.4. Short-term securities

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

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

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

4. Loans and advances to credit institutions and customers

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

Specific provisions have been made for loans and advances outstanding at the end of the financial year and presenting risks of non-recovery of all or part of their amounts.

These provisions are entered on the profit and loss account as "Value adjustments in respect of loans and advances".

4.2. Reverse repurchase operations

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

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

This type of operation is considered for the purposes of the Bank to be a loan at a guaranteed rate of interest and is entered on the assets side of the balance sheet under item 3) Loans and advances to credit institutions - b) Other loans and advances. The securities received as collateral are accounted for off balance sheet.

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

Shares and participating interests held represent a long-term investment and are accounted for at their purchase price. At the end of the year, their book value is compared with their estimated value. Should the latter be less than the book value, the corresponding carrying amount is reduced, if the decline is other than temporary.

6. Tangible assets

Land and buildings are stated at cost less both initial write-down of the Kirchberg headquarters and accumulated depreciation. Depreciation is calculated to write off the value of the Bank's Luxembourg-Kirchberg headquarters and its office in Lisbon on the straight-line basis over 30 and 25 years respectively. Office furniture and equipment are depreciated in full in the year of acquisition.

7. Intangible assets

Intangible assets comprise:

- Issuing charges and premiums which are amortised over the lives of the borrowings.
- Investment in software developed by the Bank, depreciated over three years as from completion.

8. Staff pension fund and health insurance scheme

a) Pension fund

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

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

b) Health insurance scheme

The Bank has set up its own health insurance scheme for the benefit of staff, financed by contributions from the Bank and its employees. The health insurance scheme is currently managed according to the principle of a balance between benefits and contributions.

9. Fund for general banking risks

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

Amounts transferred to this Fund feature separately in the profit and loss account as "Transfer to Fund for general banking risks" in accordance with the Directive, whereas international accounting standards require that such a transfer form part of the appropriation of the profit.

10. Funds allocated to the Amsterdam Special Action Programme

This item comprises the amount of allocations from the annual result of the Bank, determined each year by the Board of Governors to facilitate instruments providing venture capital in the context of implementing the European Council Resolution on Growth and Employment adopted on 16-17 June 1997.

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

11. Taxation

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

12. Currency and interest rate swaps

The EIB enters into currency swaps, in which the proceeds of a borrowing may be converted into a different currency, mainly as part of its resource-raising operations. Simultaneously, a forward exchange operation is conducted in order to obtain the amounts needed to service the borrowing in the original currency. The amounts corresponding to these operations are entered on the balance sheet either, in the case of gross amounts receivable, under "Other assets" or, in the case of gross amounts payable, under "Other liabilities".

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

13. Prepayments and accrued income - Accruals and deferred income

These accounts comprise:

Prepayments and accrued income: Expenditure incurred during the financial year but relating to a subsequent financial year, together with any income which, though relating to the financial year in question, is not due until after its expiry (principally interest on loans).

Accruals and deferred income: Income receivable before the balance sheet date but relating to a subsequent financial year, together with any charges which, though relating to the financial year in question, will be paid only in the course of a subsequent financial year (principally interest on borrowings).

14. Interest receivable and similar income

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

Note B – Portfolio securities

	Treasury bills eligible for refinancing with central banks		Debt securities including fixed-income securities	
	31.12.1997	31.12.1996	31.12.1997	31.12.1996
The breakdown according to maturity is as follows:				
- not more than three months	111 758 692	295 674 800	623 196 014	396 146 903
- more than three months but not more than one year	630 722 654	36 540 966	57 237 334	—
- more than one year but not more than five years	1 644 684 858	1 015 804 916	835 155 252	687 689 732
- more than five years	744 736 568	930 232 461	845 317 653	858 564 711
	3 131 902 772	2 278 253 143	2 360 906 253	1 942 401 346

	Purchase price	Amortisation for the period	Book value	Amortisation to be accounted for	Value at final maturity	Market value
Investment portfolio	2 413 474 592	67 611 376	2 481 085 968	78 463 936	2 559 549 904	2 664 314 947
Hedging portfolio	2 322 943 120	- 645 303	2 322 297 817	- 87 964 883	2 234 332 934	2 359 986 223
Operational portfolio	—	—	—	—	—	—
Other short-term paper	689 425 240	—	689 425 240	—	689 425 240	—
	5 425 842 952	66 966 073	5 492 809 025			

Note C – Loans and advances to credit institutions (other loans and advances)

	31.12.1997	31.12.1996
Borrowing proceeds to be received		
- not more than three months	198 402 711	60 085 157
Term deposits		
- not more than three months	4 363 332 307	4 781 265 316
Reverse repos (*)		
- not more than three months	2 211 089 586	1 105 906 514
	6 772 824 604	5 947 256 987

(*) These operations comprise those carried out with a third-party depository who undertakes, on the basis of a framework contract, to guarantee compliance with the contractual terms and conditions, notably with respect to:

- delivery against payment;
- verification of collateral;
- the collateral margin required by the lender which must always

be available and adequate, with the market value of the securities being verified daily by the said depository;

- organisation of substitute collateral provided that this meets all the contractual requirements.

Note D – Shares and other variable-yield securities and participating interests

Shares and other variable-yield securities

This item for 90 000 000 (1996: 90 000 000) corresponds to the capital paid in by the Bank as at 31 December 1997 in respect of its subscription of 600 000 000 to the capital of the EBRD.

The Bank holds 3% of the subscribed capital.

Participating interests

This item for 160 000 000 (1996: 120 000 000) corresponds to the capital paid in by the Bank in respect of its subscription (800 000 000) to the capital of the European Investment Fund (EIF), with its registered office in Luxembourg.

The Bank holds 44.8% of the subscribed capital.

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

As at 31.12.1996	% held	Total own funds	Total net result	Balance sheet total
EBRD	3.0	2 857 246 000	4 888 000	10 964 214 000
EIF	44.8	287 051 215	11 506 907	386 139 468

Note E – Tangible assets

	Land	Kirchberg buildings	Lisbon building	Furniture and equipment	Total
Net accounting value at beginning of the year	3 358 412	81 848 296	194 506	—	85 401 214
Acquisitions during the year	—	—	—	4 766 013	4 766 013
Depreciation during the year	—	3 830 000	14 000	4 766 013	8 610 013
Net accounting value 31.12.1997	3 358 412	78 018 296	180 506	—	81 557 214

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

Note F – Amounts receivable from Member States for adjustment of capital contributions

In accordance with Article 7 of the Statute, application of the conversion rates given in Note V entails adjusting the amounts paid by Member States in their national currency as contributions to the Bank's capital.

The corresponding amounts receivable from Member States are as follows:

Receivable from:	31.12.1997	31.12.1996
Germany	2 767 189	7 577 492
Netherlands	849 527	2 186 013
Austria	508 678	1 261 874
	4 125 394	11 025 379

In accordance with the Decision of the Board of Governors of 30 December 1977, where the accounting conversion rate of a currency fluctuates upwards or downwards by more than 1.5% amounts receivable from or payable to Member States will be settled on 31 October of each year. Where the conversion rate fluctuates within the above margin of 1.5% in either direction, the resulting amounts will remain in non-interest-bearing adjustment accounts.

Note G – Interest subsidies received in advance

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

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

- amounts in respect of interest subsidies for loans granted for projects outside the Union, under Conventions signed with the ACP States and Protocols concluded with the Mediterranean Countries;

- interest subsidies, concerning certain lending operations mounted within the Union from the Bank's own resources, made available in conjunction with the European Monetary System under Council Regulation (EEC) No 1736/79 of 3 August 1979 and in conjunction with the financial mechanism established by the EFTA Countries under the EFTA Agreement signed on 2 May 1992;

- amounts received in respect of interest subsidies for loans granted from EC resources under Council Decisions 78/870/EEC of 16 Octo-

ber 1978 (New Community Instrument), 82/169/EEC of 15 March 1982 and 83/200/EEC of 19 April 1983 and under Council Regulation (EEC) No 1736/79 of 3 August 1979 as amended by Council Regulation (EEC) No 2790/82 of 18 October 1982.

Note H – Other balance sheet accounts

	31.12.1997	31.12.1996
Sundry debtors:		
- staff housing loans and advances	74 649 223	72 445 886
- net balance of amounts disbursed in respect of borrowings and amounts received in respect of loans under NCI operations managed for the account of the European Community (Special Section)	258 095 365	0
- other	100 858 264	95 715 064
	433 602 852	168 160 950

Sundry creditors:

- European Community accounts:		
- for Special Section operations and related unsettled amounts	115 698 622	50 256 568
- deposit accounts	53 296 959	82 142 063
- deposit accounts held under the EFTA financial mechanism	281 003 164	276 640 719
- other	122 444 710	120 219 953
	572 443 455	529 259 303

Note I – Amounts owed to credit institutions (with agreed maturity dates or periods of notice)

The breakdown according to maturity is as follows:

	31.12.1997	31.12.1996
- not more than three months	336 336 476	56 273 324
- more than three months but not more than one year	617 910 125	—
	954 246 601	56 273 324

Note J – Provisions for liabilities and charges (staff pension fund)

Commitments in respect of retirement benefits were valued at 30 June 1997 by an independent actuary using the projected unit credit method. The calculations were based on the following assumptions:

- a discount rate of 6.5% for determining the actuarial present value of benefits accrued;
- an average retirement age of 62;
- a combined average impact of the increase in the cost of living and career progression estimated at 4%.

The year-on-year trend in the pension fund provisions was as follows:

- provisions at 31 December 1996	291 586 801
- payments made during the year	- 10 025 868
- annual cost	+ 42 405 739
- exchange adjustment	- 4 759 229
	<hr/>
- provisions at 31 December 1997	319 207 443

Note K – Fund for general banking risks

Recent movements in the Fund for general banking risks are tabulated below:

	31.12.1997	31.12.1996
Fund at beginning of the year	500 000 000	450 000 000
Transfer for the year	100 000 000	50 000 000
Fund at year-end	600 000 000	500 000 000

Statement of movements in the reserves at 31 December 1997:

	Situation at 31.12.1996	Appropriation of profit for the 1996 financial year	Situation at 31.12.1997
Reserve Fund	6 201 300 000	—	6 201 300 000
Additional Reserves	5 526 640 362	—	5 526 640 362
Funds allocated to the Amsterdam Special Action Programme	0	+ 200 000 000	200 000 000
Profit to be appropriated	1 092 118 660	- 415 322 916	676 795 744
	<hr/> 12 820 059 022	<hr/> - 215 322 916 (1)	<hr/> 12 604 736 106

(1) allocated to subscribed capital to be paid in.

Acting on a proposal from the Management Committee, the Board of Directors is recommending that the Governors appropriate the balance of the profit and loss account for the year ended 31 December 1997 - after transfer of 100 000 000 to the Fund for general banking risks -

Note M – Aggregate foreign-exchange denominated assets and liabilities converted into ECUs

	31.12.1997	31.12.1996
Assets	140 255 449 377	118 484 248 732
Liabilities	128 737 795 547	107 796 049 275

Note L – Reserves and appropriation of balance of profit and loss account

On 9 June 1997 the Board of Governors decided to appropriate the balance of the profit and loss account for the year ended 31 December 1996, which after transfers of 50 000 000 to the specific provisions and 50 000 000 to the Fund for general banking risks amounted to 1 092 118 660, as follows:

- the amount of 215 322 916 to be given over to financing the remaining contributions of the Member States to the subscribed capital of the Bank, payable in 1997 and 1998;
- the balance, i.e. 876 795 744, being carried forward as prior-year profit to be appropriated.

On 20 August 1997, under the Amsterdam Special Action Programme (ASAP), an amount of 200 000 000 was drawn from the as yet unappropriated profit for the financial year 1996, to be set aside in a specific reserve account.

The amount of subsequent allocations to be drawn from the results for the financial years 1997-1999 will be determined annually. An overall amount of up to 1 billion has been set for the period ending in the year 2000. This amount "may be used to facilitate the financing of sound projects, in the interests of the Community, through instruments extending the scope of the Bank's financing, including but not limited to facilities for the provision of risk capital to certain categories of enterprise through suitable intermediaries with the necessary qualifications and expertise, excluding any subsidiaries" (Decision of the Board of Governors of 20 August 1997).

Deployment at 31 December 1997 of the first allocation of 200 million, as to 164.6 million, breaks down as follows:

- a fiduciary and management agreement for an amount of 125 million signed between the EIB and the EIF in connection with the European Technology Facility (at 31 December 1997, 75 000 disbursed thereunder);
- other amounts also set aside under Bank financing operations through recognised intermediaries (39 600 000 as at 31 December 1997).

Assessment of the credit risk associated with these ASAP operations at 31 December does not call for any specific provision to be made.

i.e. 1 105 169 722, as to 200 000 000 to the Funds allocated to the Amsterdam Special Action Programme, and the balance of 905 169 722 to the prior-year profit to be appropriated, bringing this to 1 581 965 466.

The difference between asset and liability items in foreign currencies - mainly in the currencies of the Member States - corresponds to the net foreign exchange position to which the Bank is exposed. The exchange risk is very limited, given that the components of the foreign currency positions mainly reflect the respective weightings of the Member States' currencies in the definition of the ECU.

Note N – Geographical analysis of "Interest receivable and similar income" (item 1 of the profit and loss account)

	31.12.1997	31.12.1996
Germany	846 630 776	796 958 145
France	1 009 663 280	1 010 027 216
Italy	1 817 564 185	2 048 748 620
United Kingdom	1 148 268 671	971 320 707
Spain	1 243 637 158	1 198 761 562
Belgium	174 043 525	135 736 691
Netherlands	137 169 533	120 814 737
Sweden	106 298 314	40 960 121
Denmark	255 394 566	262 004 995
Austria	50 796 227	32 295 915
Finland	34 606 200	17 413 794
Greece	269 813 591	246 402 208
Portugal	509 476 209	486 580 809
Ireland	210 577 395	210 574 783
Luxembourg	5 717 611	3 830 828
Other countries	7 819 657 241	7 582 431 131
	<u>292 137 242</u>	<u>352 315 199</u>
	8 111 794 483	7 934 746 330
Income not analysed (1)	769 520 239	680 983 105
	8 881 314 722	8 615 729 435

(1) Income not analysed:

Revenue from investment portfolio securities	188 354 781	189 467 376
Revenue from hedging portfolio securities	139 821 502	69 416 609
Revenue from short-term securities	24 205 374	76 217 680
Revenue from money-market operations	417 138 582	345 881 440
	<u>769 520 239</u>	<u>680 983 105</u>

Note O – Geographical analysis of "Commissions receivable" (item 3 of the profit and loss account)

	31.12.1997	31.12.1996
Germany	—	—
France	151 983	281 139
Italy	181 326	269 717
United Kingdom	170 920	218 585
Spain	3 159	8 217
Belgium	—	2 226
Netherlands	702	2 403
Denmark	87 640	125 467
Greece	78 496	99 761
Portugal	2 413	11 014
Ireland	76 167	113 696
	<u>752 806</u>	<u>1 132 225</u>
Community institutions	14 872 524	14 921 569
	15 625 330	16 053 794

Note P – Administrative expenses and charges

	31.12.1997	31.12.1996
Salaries and allowances	81 867 641	79 017 247
Welfare contributions and other social costs	36 521 295	33 283 233
Staff costs	118 388 936	112 300 480
General and administrative expenses	32 262 285	32 685 144
	150 651 221	144 985 624

The number of persons employed by the Bank was 980 at 31 December 1997 (948 at 31 December 1996).

Note Q – Special deposits for service of borrowings

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

Note R – Statement of futures position in respect of portfolio securities

These amounts correspond to portfolio securities operations, the value dates of which fall due after the end of the financial year.

Note S – Estimated present value of financial instruments

The European Investment Bank records balance sheet financial instruments on the basis of their historical cost in foreign currency, representing the amount received in the case of a liability or the amount paid to acquire an asset. The present value of the financial instruments (mainly loans, treasury, securities and borrowings after long-term interest rate or currency swaps) entered under assets and liabilities compared with their accounting value is shown in the table below in accordance with J.P. Morgan's "RiskMetrics" discounting method:

[ECU million] 31 December 1997	Assets		Liabilities	
	net accounting value	present value	accounting value	present value
- Loans	119 098	129 673	—	—
- Hedging portfolio	2 322	2 459	—	—
- Investment portfolio	2 481	2 712	—	—
- Liquid assets	7 402	7 479	—	—
- Borrowings after swaps	—	—	110 384	120 247
Total	131 303	142 323	110 384	120 247

Note T – Risk management

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

- * credit risk
- * interest rate risk
- * liquidity risk
- * exchange risk

Credit risk

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

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

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

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

Loans

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

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

The structure of guarantees attaching to the loan portfolio as at 31 December 1997 is analysed below (ECU million):

– within the European Union:

		Guarantor				Without formal guarantee ⁽¹⁾	Total
		Member States	Public institutions ⁽²⁾	Zone "A" banks	Companies ⁽²⁾		
Borrower	Member States					14 009	14 009
	Public institutions	21 635	6 524	2 095	633		30 887
	Zone "A" banks	10 291	7 544	11 330	15 617	1 352	46 134
	Companies	1 618	323	11 236	23 267	430	36 874
	Total	33 544	14 391	24 661	39 517	15 791	127 904

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

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

– outside the European Union:

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

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

contracts for 640 million in risk-sharing loans have been signed under these agreements.

Member States	1 550
Community budget	12 910 (*)
Total	14 460

(*) of which 640 million in risk-sharing operations as explained above.

A breakdown of disbursed loans outstanding (in ECU million) at year end according to the sectors in which borrowers are engaged is set out below:

Sector	Maturity			Total 1997	Total 1996
	not more than 1 year	1 year to 5 years	more than 5 years		
Energy	2 547	9 493	8 834	20 874	19 780
Transport	3 136	14 774	14 945	32 855	28 861
Telecommunications	1 685	5 945	4 614	12 244	11 849
Water, sewerage	1 101	4 738	4 701	10 540	8 941
Miscellaneous infrastructure	330	1 763	2 042	4 135	2 656
Agriculture	4	12	1	17	20
Industry	1 731	6 054	3 469	11 254	9 963
Services	54	1 119	248	1 421	1 239
Global loans	3 083	12 817	10 033	25 933	22 383
	13 671	56 715	48 887	119 273	105 692

Treasury

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

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

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

% as at 31 December 1997	Portfolio securities %	Treasury instruments %
Moody's or equivalent rating		
AAA	56	9
AA1 to AA3	43	64
A1	—	15
Below A1	—	11
Non-rated	1	1
Total	100	100

Interest rate risk

The Bank is introducing an organisational structure for the asset-liability function, applying best practices in the financial industry and, in particular, establishing an Asset-Liability Management Committee (ALCO) under the direct responsibility of the Bank's Management Committee. Accordingly, it has decided on an asset-liability management strategy which involves maintaining an own funds duration of around 5 to 6 years, thereby safeguarding the Bank against substantial fluctuations in its long-term revenue.

Given a notional own funds portfolio in keeping with the above objective of an own funds duration equal to 5 to 6 years, an increase in interest rates of 0.01% on all currencies makes for a rise in the residual value (assets less liabilities) of 258 000.

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

Reindexation interval (ECU million):

	not more than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total 1997	Total 1996
Assets							
Loans (gross)	29 536	4 030	6 045	42 863	36 799	119 273	105 692
Net liquidity	5 447	38	649	2 546	1 571	10 251	9 178
	34 983	4 068	6 694	45 409	38 370	129 524	114 870
Liabilities							
Borrowings and swaps	33 084	4 724	5 499	39 384	26 829	109 520	96 714
Interest rate risk	1 899	- 656	1 195	6 025	11 541		

Liquidity risk

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

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

Liquidity risk (ECU million)

Maturity	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Maturity undefined	Total
Assets						
Cash in hand, central banks and post office banks	36					36
Treasury bills eligible for refinancing with central banks	112	631	1 644	745		3 132
Other loans and advances:						
Current accounts	102					102
Term deposits	4 561					4 561
Reverse repos	2 211					2 211
	6 874					6 874
Loans:						
Credit institutions	1 322	4 039	20 928	18 209		44 498
Customers	2 093	6 217	35 788	30 677		74 775
	3 415	10 256	56 716	48 886		119 273
Debt securities including fixed-income securities	623	57	835	846		2 361
Receivable in respect of currency swap contracts	2 462	1 191	11 412	6 702		21 767
Other assets					3 678	3 678
Total assets	13 522	12 135	70 607	57 179	3 678	157 121
Liabilities						
Amounts owed to credit institutions	336	618				954
Debts evidenced by certificates:						
Debt securities in issue	4 461	9 760	59 135	36 069		109 425
Others	2	152	128	687		969
	4 463	9 912	59 263	36 756		110 394
Capital, reserves and profit					18 962	18 962
Other liabilities					5 067	5 067
Payable in respect of currency swap contracts	2 441	1 126	11 600	6 577		21 744
Total liabilities	7 240	11 656	70 863	43 333	24 029	157 121

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

Exchange risk

The sources of exchange risk are to be found in the accumulation of own funds denominated in non-ECU currencies, in the margins on operations and in general expenses incurred in non-ECU currencies. The purpose of asset-liability management is to minimise this risk by re-allocating net balance sheet positions either in ECUs or in the currencies comprising the ECU and according to their respective weightings in the ECU. Any divergence from this objective is eliminated by regular operations on the foreign exchange markets.

Note U – Derivatives

1. As part of funding activity

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

The derivatives most commonly used are:

- * Currency swaps
- * Interest rate swaps
- * Deferred rate-setting (DRS) agreements.

Currency swaps

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

Interest rate swaps

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

Deferred rate-setting (DRS) agreements

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

Currency swaps (ECU million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 31.12.1997	Total 1996
Notional amount	1 677	11 413	6 393	309	19 792	14 926
Net discounted value	88	156	364	- 4	604	89
Credit risk (BIS 2 weighted)	26	261	231	75	593	318

It should be pointed out that the notional amounts receivable or payable in respect of currency swaps are entered on the balance sheet under "Other assets" and "Other liabilities" respectively.

Interest rate swaps and DRS (ECU million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 31.12.1997	Total 1996
Notional amount	4 167	23 824	14 181	1 441	43 613	36 491
Net discounted value	82	1 059	397	320	1 858	759
Credit risk (BIS 2 weighted)	24	296	170	80	570	308

Hitherto, the Bank has not entered into any options contracts in conjunction with its risk hedging policy.

However, as part of its strategy of raising funds on the financial markets at least cost, the Bank enters into borrowing contracts encompassing notably interest rate or stock exchange index options. Such borrowings are covered by swap contracts to hedge the corresponding market risk.

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

	Embedded option	Stock exchange index	Special structure coupon or similar
Number	51	42	21
Notional amount (ECU million)	5 257	1 952	1 315

Use and associated risks

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

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

All derivatives described above are negotiated by mutual agreement with first-class counterparties.

In common with balance sheet financial instruments, derivatives are subject to credit risk. However, unlike balance sheet financial instruments where the credit risk usually corresponds to the notional or nominal amount, the credit risk associated with derivatives is generally equivalent to only a small portion of their notional value. In the Bank's case, where only mutually agreed derivatives are negotiated, the credit risk is evaluated on the basis of the "current exposure" method recommended by the Bank for International Settlements (BIS). Hence, the credit risk is expressed in terms of the positive replacement value of the contracts, increased by the potential risks, contingent on the duration and type of transaction, weighted by a coefficient linked to the category of counterparty (BIS 2 weighted risk).

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

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

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

2. As part of liquidity management

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

The notional amount of short-term currency swaps stood at 1 974 million at 31 December 1997, as against 1 127 million at 31 December 1996.

It should be pointed out that the notional amounts receivable or payable in respect of short-term currency swaps are also entered on the balance sheet under "Other assets" and "Other liabilities" respectively.

Note V – Conversion rates

The following conversion rates were used for drawing up the balance sheets at 31 December 1997 and 31 December 1996:

1 ECU =	<u>31.12.1997</u>	<u>31.12.1996</u>
Deutsche Mark	1.97632	1.946530
French francs	6.61214	6.56193
Italian lire	1942.03	1913.72
Pounds sterling	0.666755	0.737273
Spanish pesetas	167.388	164.167
Belgian francs	40.7675	40.1021
Dutch guilders	2.22742	2.18472
Swedish kronor	8.73234	8.62800
Danish kroner	7.52797	7.44655
Austrian Schillings	13.9020	13.6965
Finnish markka	5.98726	5.81640
Drachmas	312.039	309.502
Portuguese escudos	202.137	195.968
Irish pounds	0.771961	0.745342
Luxembourg francs	40.7675	40.1021
United States dollars	1.10421	1.25299
Swiss francs	1.60553	1.69129
Lebanese pounds	1684.66	1921.10
Japanese yen	143.680	145.849
Canadian dollars	1.58256	1.71660
Australian dollars	1.69098	1.57352
CFA francs	661.214	656.193
Czech koruny	38.0269	34.2469
Hong Kong dollars	8.60457	9.74251
New Zealand dollars	1.89434	1.77002
South African rand	5.37310	5.86464

Report of the Auditor

The Chairman of the Audit Committee
EUROPEAN INVESTMENT BANK
Luxembourg

Following our appointment by the Bank on 20 June 1996, we have audited the financial statements, as identified below, of the European Investment Bank for the year ended 31 December 1997. These financial statements are the responsibility of the management of the European Investment Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements identified below give, in accordance with the general principles of the Directive of the Council of the European Communities on the annual accounts and consolidated accounts of banks and other financial institutions and International Accounting Standards, a true and fair view of the financial position of the European Investment Bank as at 31 December 1997 and of the results of its operations and its cash flows for the year then ended.

The financial statements on which our opinion is expressed comprise:

- Balance sheet
- Profit and loss account
- Statement of special section
- Cash flow statement
- Summary statement of loans and guarantees
- Summary statement of debts evidenced by certificates
- Statement of subscriptions to the capital of the Bank
- Notes to the financial statements

ERNST & YOUNG
Société Anonyme

Luxembourg, 24 February 1998

Kenneth A. HAY

The Audit Committee

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

Statement by the Audit Committee

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

-having studied the documents which it deemed necessary to examine in the discharge of its duties,

-having examined the report of 24 February 1998 drawn up by Ernst & Young,

considering the 1997 Annual Report and the financial statements for the financial year ending on 31 December 1997 as drawn up by the Board of Directors at its meetings on 24 February and 24 March 1998,

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

hereby confirms:

that the Bank's operations during the 1997 financial year have been carried out in compliance with the formalities and procedures laid down by the Statute and the Rules of Procedure,

that the financial statements, comprising the balance sheet, the profit and loss account, the statement of Special Section, the notes to the financial statements, as well as any other financial information contained in the financial statements, give a true and fair view of the financial position of the Bank in respect of its assets and liabilities, and of the results of its operations and its cash flows for the financial year 1997.

Luxembourg, 31 March 1998

The Audit Committee

A. HANSEN

E. MARIA

Y. TUOKKO

Lending within the European Union

1993	17 724
1994	17 662
1995	18 603
1996	20 946
1997	22 958

Financing provided for capital investment within the European Union in 1997 totalled 22 958 million, against 20 946 million in 1996, representing an increase of 9.6% (see detailed breakdown, table below).

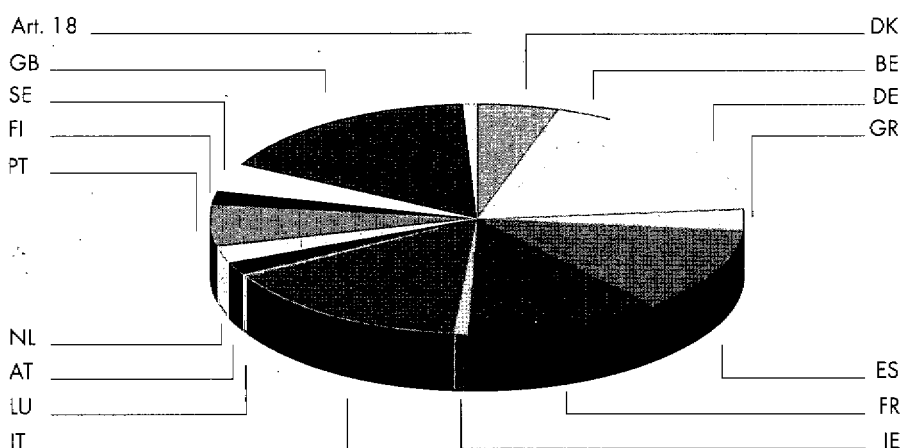
The corresponding operations, all financed from own resources - made up chiefly of the proceeds from the EIB's capital market borrowings as well as its own funds (paid-in capital and reserves) - give rise to financial commitments for the Bank and are accounted for in its balance sheet.

The EIB cooperates closely with a growing number of financial institutions and commercial banks, with which it concludes global loans for financing small and medium-scale projects in the industrial, service, education, health and infrastructural sectors. It also grants individual loans directly or through the intermediary of institutions and banks.

In 1997, the breakdown of guarantees covering the EIB's lending continued to follow the trend recorded since the early 1990s. Banking sector guarantees secured 41% of EIB operations in 1997, while 24% were covered by corporate guarantees and 35% carried a guarantee from the State or a public institution.

This extensive cooperation with the banking sector enables the EIB to translate into tangible results, within its areas of activity, the principles of subsidiarity and additionality enshrined in the European Treaties.

Geographical breakdown of finance contracts signed in 1997



Loans concluded within the European Union in 1997 and from 1993 to 1997

	1997		1993-1997	
	Amount	%	Amount	%
Belgium (BE)	1 140	5.0	3 449	3.5
Denmark (DK)	737	3.2	3 975	4.1
Germany (DE)	3 518	15.3	13 759	14.1
Greece (GR)	730	3.2	3 022	3.1
Spain (ES)	2 716	11.8	15 103	15.4
France (FR)	2 721	11.9	12 119	12.4
Ireland (IE)	207	0.9	1 402	1.4
Italy (IT)	3 517	15.3	17 534	17.9
Luxembourg (LU)	96	0.4	180	0.2
Netherlands (NL)	398	1.7	2 262	2.3
Austria (AT)	555	2.4	1 448	1.5
Portugal (PT)	1 350	5.9	6 473	6.6
Finland (FI)	401	1.7	942	1.0
Sweden (SE)	925	4.0	2 060	2.1
United Kingdom (GB)	3 765	16.4	12 782	13.1
Art. 18 ¹	184	0.8	1 404	1.4
European Union	22 958	100.0	97 915	100.0

(ECU million)

Note:

In the following lists, the Community policy objectives with which individual loans comply are highlighted by symbols in the right-hand columns. Unless otherwise indicated, global loans cover a number of sectors and objectives. The symbols are as follows:

- regional development
- ▶ industrial competitiveness and European integration
- ◀ protection of the environment and urban development
- Community infrastructure
- ◆ energy

TEN: project forming part of the priority trans-European networks adopted by the Essen European Council in December 1994

Amounts relating to projects appearing in these lists are expressed in millions of ECUs.

¹ Projects with a European dimension outside the territory of the Member States

Projects financed under Article 18 of the Statute

Under the second paragraph of Article 18 (1) of its Statute, the EIB provided financing totalling 184 million for projects of direct interest to the European Union but located outside the territory of the Member States.

The beneficiary sectors were **energy** (109 million), **sewerage and sewage disposal** (24 million) and **transport** (51 million).

Construction of new gasline between Norwegian sector of North Sea and Dunkirk, in northern France
Den Norske Stats Oljeselskap AS

108.7



Road construction and improvements in Greater Oslo area

Fjellinjen AS

50.7

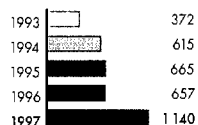


Extension of and improvements to wastewater collection and treatment infrastructure in Reykjavik
Reykjavikurborg

24.3



BELGIUM



Finance contracts signed: 1 140 million

1996: 657 million

Individual loans: 769 million

Global loans: 371 million

Global loan allocations: 332 million

Individual loans were divided sectorally between **transport** (488 million), **telecommunications** (222 million), the **environment** (50 million) and **industry** (10 million). • **Global loans** under drawdown enabled 559 small public infrastructure projects to be financed, mainly sewerage and wastewater treatment schemes. In addition, 644 SMEs attracted sub-loans totalling 280 million.

List of finance contracts signed in 1997:

Individual loans

Extension of wastewater collection and treatment facilities in Flemish Region
Aquafin

49.9



Construction of first phase (French border-Brussels) of new high-speed rail line
SNCB - Société Nationale des Chemins de Fer Belges

TEN 330.0



Construction and technical upgrading of high-speed rail lines between Brussels and Antwerp and between Brussels and Liège (2nd phase)
SNCB - Société Nationale des Chemins de Fer Belges

TEN 120.0



Modernisation of short-haul aircraft fleet for intra-Community traffic
Sabena S.A.

37.7



Establishment of second mobile telephony network
Mobistar S.A.

221.8



Construction of new plant for production of industrial gases in Feluy (Hainaut)
Società ossigeno Liquido SpA

9.9



Global loans

For financing small and medium-scale ventures:

- *Banque Bruxelles Lambert S.A.*

99.5

- *Kredietbank S.A.*

98.5

- *Générale de Banque S.A.*

49.3

- *Cera Banque*

49.3

- *Crédit Général de Banque S.A.*

24.6

For financing small and medium-scale projects in education and health sectors:

Crédit Communal de Belgique

49.3



PBKAL high-speed line in Belgium

DENMARK



Finance contracts signed: 737 million
 1996: 688 million
 Individual loans: 703 million
 Global loans: 34 million
 Global loan allocations: 54 million

Individual loans covered the energy sector (84 million), waste management (43 million), transport (509 million, including 200 million for priority TENs) and R&D (67 million). • Global loans under drawdown provided financing for 286 SMEs.

List of finance contracts signed in 1997:

Individual loans

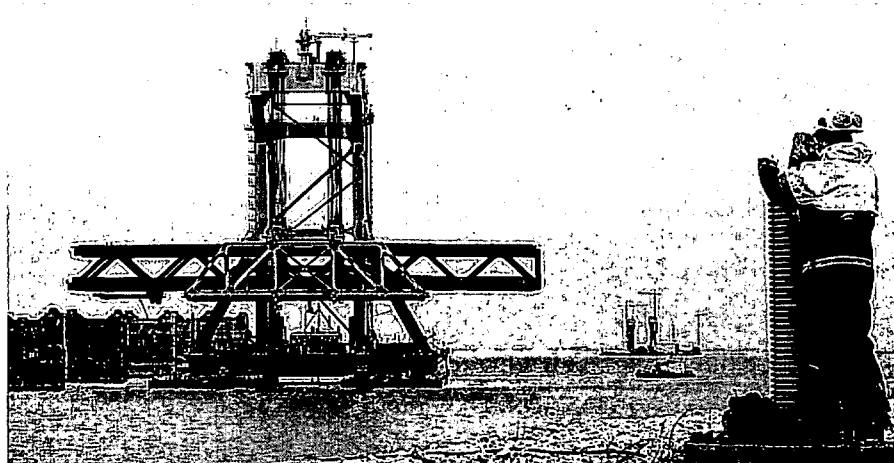
Construction of electricity link between Denmark and Germany Vattenfall AB	83.9	◆	Enlargement and modernisation of Copenhagen-Kastrup airport Københavns Lufthavne A/S	53.6	●
Extension and modernisation of municipal waste treatment plant in Glostrup Vestforbrænding I/S	43.0	◆◀	Modernisation and expansion of R&D facilities in Greater Copenhagen area A/S Novo Nordisk	66.5	▶
Construction of by-passes throughout road network Kongeriget Danmark	24.8	■◀	Global loans		
Construction of Øresund rail-road fixed link between Copenhagen (Denmark) and Malmö (Sweden) A/S Øresundsforbindelsen	TEN 200.3	●	For financing small and medium-scale ventures: Finance for Danish Industry International S.A., FIH	34.4	
Construction of fixed rail-road link between Islands of Zealand and Fynen A/S Storebæltsforbindelsen	230.6	●			

Construction of Øresund fixed link

Large-scale EIB support for transport infrastructure in the Nordic countries

Inauguration of the fixed link over the Great Belt on 1 June 1997 marked an important date in the establishment of pan-European communications networks in the Nordic countries, as the 18 kilometre-long structure between eastern and western Denmark spells significant improvements in goods and passenger traffic flows both within Denmark and between the Nordic countries and mainland Europe. The EIB, which provided loans amounting to ECU 1.7 billion towards total capital investment of ECU 5.5 billion, has been the leading source of finance for this project, thereby emphasising the importance of this link for the region and the trans-European networks (TENs).

Together with the bridge over the Øresund, a priority TEN, which is to join Denmark to Sweden by the year 2000, the Great Belt link will provide for uninterrupted road and



rail travel between the Scandinavian countries and the rest of the European Union. So far, the EIB has supported work on constructing this second fixed link across the Scandinavian straits with loans equivalent to ECU 800 million.

This capital investment represents an extension of the EIB's earlier assistance for improving transport infrastructure in Denmark, where communications projects of

relevance to Europe as a whole have received ECU 3 billion since 1993, helping to finance, in addition to the very large-scale work over the straits, the significant railway electrification programme and expansion of road and motorway networks. The EIB is also helping to finance extension of Copenhagen Airport, one of the hubs of the region's international air traffic.



Finance contracts signed: 3 518 million
 1996: 3 022 million
 Individual loans: 1 656 million
 Global loans: 1 862 million
 Global loan allocations: 1 407 million

Individual loans within Germany as a whole were granted for the energy sector (387 million), wastewater collection and treatment, waste disposal (445 million), transport (295 million) and urban development schemes (55 million). In addition, projects within industry and the service sector attracted 474 million.

Global loans under drawdown served to finance 1 048 small-scale ventures in the productive sectors (399 million) and 673 smaller-scale infrastructural schemes (1 008 million), in particular sewerage and sewage disposal facilities for local authorities.

Individual loans and allocations from global loans to assist projects in Germany's eastern Länder accounted for 36% of total EIB financing in Germany in 1997. However, in volume terms, 57% of new operations approved for this country by the Bank's Board of Directors and due for signature in coming months are targeting the eastern Länder.

List of finance contracts signed in 1997:

Individual loans

Construction of lignite-fired power plant to replace obsolete unit at:			
- Schwarze Pumpe (Brandenburg/Saxony)		- Cologne (North Rhine-Westphalia)	10.2 ◀
SVK Schwarze Pumpe - VEAG Kraftwerksgesellschaft mbH	178.0 ■◆	Zweckverband Südlicher Randkanal	
- Schkopau (Saxony)		- Freiburg im Breisgau (Baden-Württemberg)	10.2 ◀
Kraftwerk Schkopau GbR	38.5 ■◆	Stadt Freiburg	
Construction of gas-fired heat and power cogeneration plant in Gera (Thuringia)		- Mönchengladbach (North Rhine-Westphalia)	10.2 ◀
Kraftwerke Gera GmbH	12.0 ■◆◀	Entwässerung Mönchengladbach GmbH	
Construction of gasline from Dornumersiel (North Sea coast) to Salzwedel to supply Norwegian gas		- North Rhine-Westphalia	7.8 ◀
Netra GmbH Norddeutsche Erdgas Transversale	87.1 ■◆	Wupperverband	5.1 ◀
Modernisation and extension of natural gas supply network in:		Niersverband	
- Leipzig area		- Herford (North Rhine-Westphalia)	7.6 ◀
Erdgas West-Sachsen GmbH	40.9 ■◆	Abwasserwerk der Stadt Herford	
- Berlin		- Mannheim	5.1 ◀
Gasag Berliner Gaswerke AG	10.2 ■◆	Stadt Mannheim	
Extension and modernisation of Chemnitz district heating system		- Baden-Württemberg	3.8 ◀
Stadtwerke Chemnitz AG	20.5 ■◆	Zweckverband Bodensee-Wasserversorgung	
Sewerage and sewage disposal schemes; drinking water supplies in:		Construction of waste incineration plants in:	
- Berlin		- Kassel-Bettenhausen (Hesse)	25.4 ■◆◀
Berliner Wasserbetriebe	152.6 ■◀	Mülheizkraftwerk Kassel GmbH	
- Wuppertal (North Rhine-Westphalia)		- Offenbach (Hesse)	7.6 ◀◀
Wuppertaler Stadtwerke AG	102.7 ◀	Umlandverband Frankfurt UVF	
- Heilbronn (Baden-Württemberg)		Construction of motorway tunnel under the Elbe in Hamburg	102.1 ●◀
Stadtkreis Heilbronn	33.2 ◀	Bundesrepublik Deutschland	
- Munich (Bavaria)		Extension of "Wilhelm Kaisen" container terminal at port of Bremerhaven	8.1 ■●
Stadt München	30.7 ◀	Service-Centrum Logistik Bremen GmbH	
- Nuremberg (Bavaria)		Construction and installation of new urban rail network in Saarbrücken	10.2 ■◀
Stadt Nürnberg	17.3 ◀	Stadtbahn Saar GmbH	
- Dresden (Saxony)		Modernisation and extension of Munich public transport system (Bavaria)	124.0 ◀
Dresden Wasser und Abwasser GmbH	15.4 ■◀	Stadt München	
		Extension of Hanover-Langenhagen airport (Lower Saxony)	50.6 ●
		Flughafen Hannover-Langenhagen GmbH	

Improvements to urban environment in:

- Stuttgart (Baden-Württemberg) <i>Landeshauptstadt Stuttgart</i>	45.9	◀
- Adlershof area, south-east Berlin <i>Berlin Adlershof Aufbaugesellschaft mbH</i>	5.1	■◀
- Bamberg (Bavaria) <i>Stadt Bamberg</i>	3.6	◆◀
Construction of R&D centre in Sindelfingen, near Stuttgart, and modernisation of paint shops in motor vehicle assembly plants in Sindelfingen and Bremen <i>Mercedes Benz AG</i>	256.9	■◀◀
Capacity expansion and process innovation for semiconductor production plant in Landshut (Bavaria) <i>Hitachi Semiconductors GmbH</i>	19.1	▶
Improvements to manufacturing process and development of new tyres at plant in Breuberg (Hesse) <i>Pirelli Reifenwerke GmbH</i>	8.1	▶
Construction of retail goods warehouse/distribution centre in Unna, near Dortmund (North Rhine-Westphalia) <i>Karstadt</i>	34.3	■
Modernisation and renovation of hospitals in east Berlin <i>Senatsverwaltung für Gesundheit und Soziales</i>	155.7	■

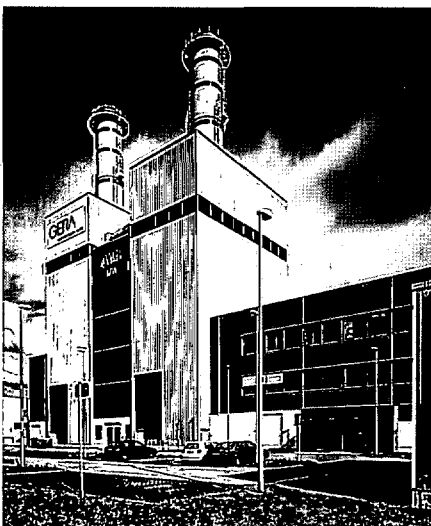
Global loans

For financing small and medium-scale ventures:

- Commerzbank AG	510.2
- Landesbank Hessen-Thüringen Girozentrale	300.5
- Kreditanstalt für Wiederaufbau	254.3
- Bremer Landesbank Kreditanstalt Oldenburg-Girozentrale	145.5
- Südwestdeutsche Landesbank Girozentrale	117.4
- Deutsche Genossenschaftsbank	101.7
- Deutsche Ausgleichsbank	101.7
- IKB Deutsche Industriebank	61.1
- Bayerische Landesbank Girozentrale	58.0
- Landesbank Sachsen Girozentrale	51.1
- Landesbank Berlin Girozentrale	50.9
- Landesbank Schleswig-Holstein Girozentrale	40.8
- Deutsche Bank AG	35.6
- Norddeutsche Landesbank Girozentrale	23.0
- Hamburgische Landesbank Girozentrale	10.3

Since the EIB commenced lending in Germany's eastern Länder in 1990, the Bank has made more than ECU 8 billion in all available towards establishing or modernising basic infrastructure vital for

promoting economic growth, improving living conditions and developing the fabric of industry.



Gas-fired heat and power cogeneration plant in Gera

More than 60% of the EIB's assistance has been directed towards major infrastructural schemes designed, in particular, to:

- upgrade the telecommunications network (1 012 million);
- extend regional and urban natural gas supply grids; modernise Schwarze Pumpe and Schkopau lignite-fired power stations and expand district heating networks in, for example, Potsdam, Dresden, Berlin and Halle (1 981 million), thereby contributing significantly to a cleaner environment;
- build up wastewater collection and treatment facilities as well as solid waste disposal plants (1 506 million, over two



Public transport in Munich

thirds of which for some 600 modest-scale local schemes financed via global loans).

Industry has attracted individual loans supporting a wide range of economic sectors. In the tertiary sector, the EIB has contributed towards modernising mail-order retail goods warehouses, mail sorting and distribution centres and, in 1997 under the ASAP initiative to foster growth and employment, hospitals in Berlin.

Finally, more than 1 000 SMEs have received sub-loans channelled to them by virtue of the EIB's co-operative links with the banking sector.



Finance contracts signed: 730 million
1996: 721 million

Individual loans: 730 million
Global loan allocations: 23 million

Individual loans were advanced for the energy sector (126 million) and for transport facilities (604 million, of which 301 million for priority TENs). • Global loans under drawdown funded 12 SMEs in industry and tourism.

List of finance contracts signed in 1997:

Individual loans

Construction of fifth unit at Aghios Dimitrios lignite-fired power station (Macedonia)

DEI - Dimosia Epirhisi Ilektrismou (Public Power Corporation)

22.7 ■◆

Addition of gas-fired combined-cycle unit at Lavrion power station (Attiki)

DEI

99.8 ■◆

Extension and upgrading of power transmission and distribution grid

DEI

3.6 ■◆

Upgrading to motorway standard of Yliki-Aghios Konstantinos and Raches-Aghii Theodori sections of Patras-Athens-Thessaloniki-Evzoni (PATHE) trunk road

Elliniki Dimocratia

TEN 100.4 ■●

Upgrading to motorway standard of Pelasgia-Gyrtoni section of Patras-Athens-Thessaloniki-Evzoni (PATHE) trunk road

Elliniki Dimocratia

TEN 100.4 ■●

Construction of Kavala by-pass and upgrading to motorway standard of Komotini-Kipi section of Egnatia trunk road

Elliniki Dimocratia

TEN 100.0 ■●

Construction of new Spata international airport (Athens)

Athens International Airport SA

302.6 ■●

PATHE trunk road: bridge over Corinth Canal



Finance contracts signed: 2 716 million

1996: 2 553 million

Individual loans: 1 950 million

Global loans: 766 million

Global loan allocations: 269 million

Individual loans were directed towards the energy (139 million), transport (812 million), telecommunications (360 million), water management and composite infrastructure (154 million) sectors. Industry attracted 210 million and the service sector 275 million for financing capital expenditure in education and health. • Global loans under drawdown helped to support small-scale local infrastructural works (99 schemes) and SMEs (131).

List of finance contracts signed in 1997:

Individual loans

Construction of wind farms in Sierra de Guerinda (Navarra)

Energía Hidroeléctrica de Navarra SA

42.3 ■◆

Construction of oil pipeline between Cartagena terminal and Puertollano refinery

Repsol Petróleo SA

64.0 ■◆

Establishment of new LPG management system

Repsol Butano SA

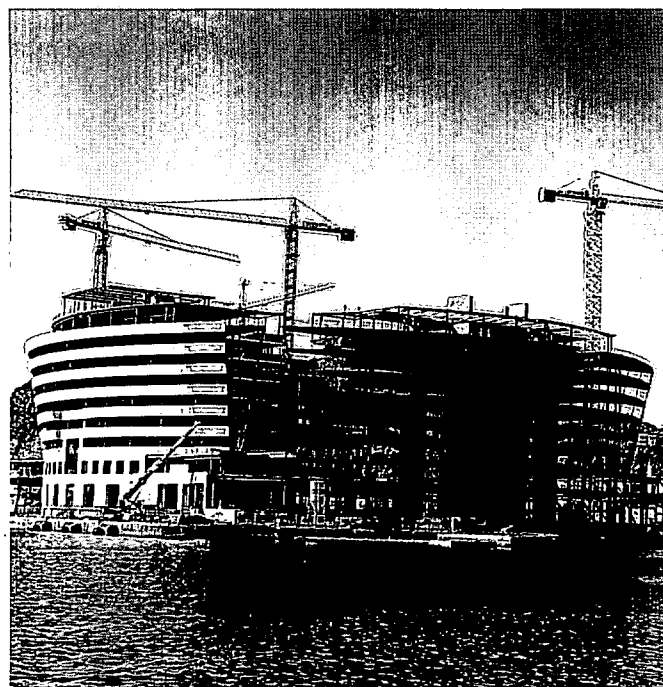
32.6 ■◆

Improvements to wastewater collection and treatment facilities

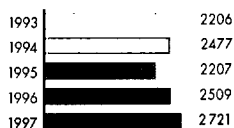
Junta de Saneamiento de Cataluña

90.1 ■◆

Development of national rail network and suburban networks, and upgrading of rolling stock <i>Red Nacional de los Ferrocarriles Españoles</i>	60.9 ■●◀	Construction, renovation or rehabilitation of buildings and equipment in technical institutes and university faculties <i>Comunidad Autónoma de Andalucía</i>	57.4 ■
Improvements to 28 sections of main road network <i>Ministerio de Fomento</i>	240.9 ■●	Construction, enlargement and modernisation of buildings at five universities in Valencia region <i>Comunidad Autónoma Valenciana</i>	173.4 ■
First phase of construction of expressway from León to Burgos <i>GICAL /Comunidad Autónoma de Castilla y León</i>	36.1 ■●	Construction of new Galicia General Hospital in Santiago de Compostela and relocation of departments <i>Comunidad Autónoma de Galicia</i>	44.7 ■
Upgrading of road network <i>Territorio Histórico de Bizkaia</i>	64.0 ■●		
Development of regional road network <i>Comunidad Autónoma de las Islas Baleares</i>	28.8 ■●	Global loans	
Realignment of Oviedo urban railway (Asturias) <i>Cinturón Verde de Oviedo SA</i>	12.0 ■◀	For financing small and medium-scale public infrastructural schemes:	
Construction and extension of Greater Madrid metropolitan railway network <i>Comunidad Autónoma de Madrid</i> <i>Metropolitano de Madrid SA</i>	60.4 ◀ 60.0 ◀	- <i>Dexia Banco Local SA</i> - <i>Instituto de Crédito Oficial</i>	60.9 48.2
Modernisation of long-haul aircraft fleet <i>Iberia Líneas Aéreas de España</i>	139.8 ●	For financing small and medium-scale ventures:	
Improvement and extension of two airports on Tenerife and of Lanzarote and Fuerteventura airports (Canaries) <i>Ente Público de Aeropuertos Españoles y Navegación Aérea</i>	39.3 ■●	- <i>Instituto de Crédito Oficial</i> - <i>Banco de Crédito Local de España</i> - <i>Banco Central Hispanoamericano SA</i> - <i>Banco Exterior de España SA</i> - <i>Banco Bilbao Vizcaya SA</i> - <i>Banco de Santander SA</i> - <i>Caja de Ahorros de Valencia, Castellón y Alicante (BANCAJA)</i> - <i>Caja de Ahorros y Pensiones de Barcelona</i> - <i>Instituto de Fomento de Andalucía</i> - <i>Institut Català de Finances</i>	241.5 78.3 60.4 60.2 60.1 60.1 36.1 30.2 18.1 12.0
Establishment of mobile telephony network <i>Airtel Móvil SA</i>	360.4 ■●		
Construction of maritime terminal and trade centre on quay in old harbour of Barcelona <i>International Trade Center Barcelona SA</i>	69.4 ●◀		
Improvements to water supply infrastructure and forestry development <i>Comunidad Autónoma de Castilla y León</i>	33.5 ■◀		
Implementation of emergency work to repair flood damage to infrastructure <i>Comunidad Autónoma de Andalucía</i>	30.1 ■◀		
Construction of additional unit for polypropylene production in Tarragona <i>Repsol Química SA</i>	84.5 ■◀◀		
Expansion of phenol production capacity at Huelva and construction of new plant producing paraxylene at Cadiz (Andalusia) <i>ERTISA SA</i> <i>Compañía Española de Petróleos SA</i>	60.2 ■◆ 60.2 ■◆		
Process improvements and development of new tyres at plant in Manresa (Catalonia) <i>Pirelli Neumáticos SA</i>	4.7 ■▶		



Barcelona international trade centre



Finance contracts signed: 2 721 million
 1996: 2 509 million
 Individual loans: 1 315 million
 Global loans: 1 405 million
 Global loan allocations: 1 496 million

Individual loans in the field of infrastructure focused on the transport sector (772 million), where they helped to implement major links with a Community dimension and the development of urban transport. Loans to industry (521 million) contributed towards strengthening competitiveness, mainly in the automotive and chemicals sectors. Lastly, in the service sector, 23 million is helping to fund educational facilities in general.

Global loans helped to finance both local infrastructural schemes and SMEs. In 1997, allocations from global loans under drawdown were made for more than a thousand infrastructural schemes (1 080 million), mainly in the road construction and wastewater treatment and disposal sectors, as well as for some 7 400 SMEs (416 million), over half of them in the service sector.

List of finance contracts signed in 1997:

Individual loans

Sections of motorway network through intermediary of Caisse Nationale des Autoroutes (CNA)

- A20: Brive - Cahors - Montauban section of Vierzon - Montauban highway

ASF - Société des Autoroutes du Sud de la France 171.1 ■●

- A16: L'Isle-Adam - Amiens - Boulogne sections (Ile de France/Picardie)

SANEF - Société des Autoroutes du Nord et de l'Est de la France 106.0 ●

- A39: Dôle - Lons-Le-Saunier - Bourg-en-Bresse sections (Franche-Comté)

SAPRR - Société des Autoroutes Paris Rhin-Rhône 102.7 ●

- A43: motorway linking Fréjus road tunnel to French motorway system (Rhône-Alpes)

Société Française du Tunnel Routier du Fréjus 75.9 ■●

- A51: Grenoble - Col du Fau section (Rhône-Alpes)

AREA - Société des Autoroutes Rhône-Alpes 20.4 ■●

- A51: Sisteron - La Saulce section

ESCOTA - Société de l'Autoroute Esterel Côte d'Azur 15.5 ■●

- A29: Neuchâtel - Amiens - St. Quentin sections (Picardie)

SANEF - Société des Autoroutes du Nord et de l'Est de la France 15.1 ■●

- A29: Le Havre - Yvetot - Saint-Saens sections (Haute-Normandie)

SAPN - Société des Autoroutes Paris-Normandie 8.0 ■●

Construction of light railway line in Rennes (Brittany)

District Urbain de l'Agglomération Rennaise 159.7 ◀

Construction of tram line in Montpellier (Languedoc-Roussillon)

District de l'Agglomération de Montpellier 97.3 ◀

Productivity improvements and environmental measures at three chemical plants in Roches-Roussillon (Isère), Salindres (Gard) and Melle (Deux-Sèvres)

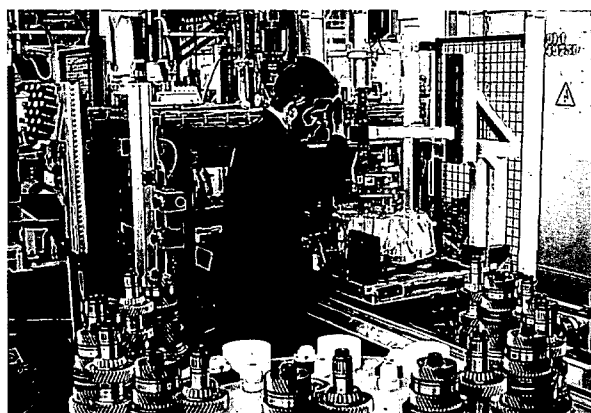
Rhône-Poulenc Chimie 75.7 ■◀▶

Construction of blending facilities for manufacture of phytopharmaceutical products near Rouen (Haute-Normandie)

Rhône-Poulenc Agro Matières Actives 33.9 ■

Construction of small city car production plant in Hambach (Lorraine)

Micro Compact Car 136.9 ■▶



Production of motor vehicle engines at Metz-Trémery

Development and manufacture of new range of diesel and petrol engines in Trémery, near Metz (Lorraine)

Groupe Peugeot 198.1 ■◀▶

Purchase and customisation of Airbus A-300-600 aircraft for use as large-scale transporter

SNI Aérospatiale 38.1 ▶

Construction of plant to produce advanced integrated circuits in Rousset, near Aix-en-Provence (Provence-Alpes-Côte d'Azur)

Atmel Corporation 38.0 ■▶

Expansion and modernisation of secondary educational establishments

Région Réunion 22.7 ■

Global loans

For financing small and medium-scale public infrastructural schemes:

Crédit Local de France 676.1

For financing small and medium-scale ventures:

- Groupe Paribas 228.1

- Caisse Nationale de Crédit Agricole 152.4

- Crédit Commercial de France 106.4

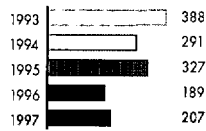
- Bail Matériel 45.6

- Caisse Centrale de Crédit Coopératif 45.2

For financing small and medium-scale projects in education and health sectors:

Crédit Local de France 151.4

IRELAND



Finance contracts signed: 207 million
1996: 189 million

Individual loans: 72 million
Global loans: 135 million

List of finance contracts signed in 1997:

Individual loans

Road, water supply and sewerage and sewage disposal schemes

Ireland, Minister for Finance

71.9 ■◀

Global loans

For financing small and medium-scale ventures:

- Ulster Bank Ltd

70.0

- Allied Irish Banks

65.4



ITALY



Finance contracts signed: 3 517 million

1996: 4 121 million

Individual loans: 2 441 million

Global loans: 1 076 million

Global loan allocations: 814 million

Individual loans went to several sectors: **energy** (335 million), mainly for construction of integrated gasification and combined-cycle power plants, harnessing of oil and natural gas deposits and extension of natural gas networks, **urban and local infrastructure** (874 million), **transport** (117 million) and **telecommunications** (487 million). Lending to **industry** totalled 627 million. • Global loans under drawdown funded 776 allocations for small and medium-scale ventures.

List of finance contracts signed in 1997:

Individual loans

Refining-residues gasification plant and integrated combined-cycle power station in Falconara Marittima (The Marches)

API Energia SpA

205.3 ◀

Construction of three gas-fired co-generation power stations in Cologno, Boffalora (Lombardy) and Nera Montoro (Umbria)

SONDEL - Società Nordelettrica

67.2 ■◆

Construction of gasline from Busso (Abruzzi) to Roccasecca (Latium)

Edison Gas SpA

23.4 ■◆

Development of natural gas deposits in Adriatic

Edison Gas SpA

13.0 ◆

Extension and modernisation of natural gas and drinking water supply networks in Tuscany

Fiorentina Gas SpA

26.1 ■◆◀

Construction of urban waste incineration plant and extension of district heating network in Brescia (Lombardy)

Azienda Servizi Municipalizzati

156.1 ◆◀

Construction of urban waste incineration plant in Milan (Lombardy)

Azienda Milanese Servizi Ambientali

93.7 ◆◀

Extension of Milan-Malpensa airport

SEA - Società Esercizi Aeroportuali SpA

TEN 104.1 ●

Extension of intermodal freight terminals in:

- Padua (Veneto)

Interporto di Padova SpA

6.7 ●

- Bologna (Emilia-Romagna)

Società Interporto Bologna SRL

6.2 ●

Establishment of new mobile telephony network

Omnitel Pronto Italia SpA

414.3 ■●

Telecommunications modernisation and expansion

Telecom Italia SpA

72.9 ■●

Upgrading of sections of trunk roads and repairs to local roads; extension of local public transport systems; rehabilitation and modernisation of water management infrastructure; protection against soil erosion

Ministero del Tesoro

624.5 ■◀

Enlargement and modernisation of four agglomerated marble plants (Veneto)

Quarella SpA

7.8 ▶

Modernisation of three ceramic tile factories in Emilia-Romagna

Piemme SpA

13.0 ▶

Modernisation of oil refinery in Priolo Gargallo (Sicily)

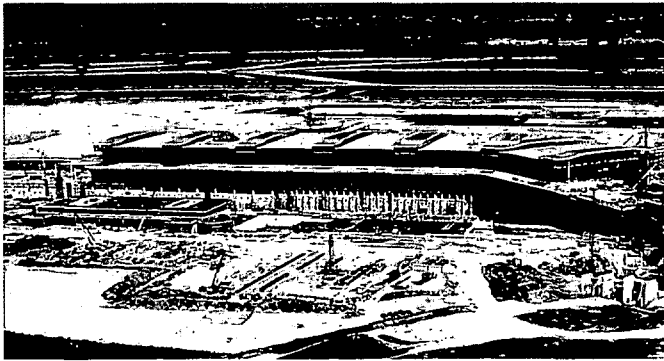
ERG Petroli SpA

47.0 ■◆◀

Modernisation and extension of two pharmaceutical products factories in Montecchio Maggiore (Veneto) and Termoli (Molise)

Fabbrica Italiana Sintetici SpA

20.5 ■◀◀



Extension of Milan-Malpensa airport

Modernisation and capacity expansion of elastomer filament plant in Capriate San Gervasio, near Bergamo (Lombardy) <i>Fillattice SpA</i>	3.4 ▶
Construction of plant to produce nylon packaging film for food products in Pisticci (Basilicata) <i>STP Tecnopolimeri Sud SRL</i>	11.4 ■
Construction of steel radiator factory in Colonnella (Abruzzi) <i>Biasi Termomeccanica SpA</i>	20.8 ■
Construction of new mechanical engineering workshop to manufacture steelmill equipment in Buttrio (Friuli-Venezia Giulia) <i>Danieli & C. Officine Meccaniche SpA</i>	15.6 ▶
Construction of motor-vehicle assembly plant in Melfi (Basilicata) <i>Sata SRL & Fiat Auto SpA</i>	58.2 ■▶
Modernisation of motor-vehicle production facilities at plants in Pomigliano d'Arco (Campania), Termoli (Molise) and Rivalta di Torino (Piedmont) <i>Fiat Auto SpA</i>	154.0 ■▶
Modernisation of two mechanical engineering components plants in Campodarsego (Veneto) and Maniago (Friuli-Venezia Giulia) <i>Carraro SpA</i>	31.2 ■▶
Modernisation of moped and scooter factory in Pontedera (Tuscany) <i>Piaggio Veicoli Europei SpA</i>	18.1 ■▶
Development and manufacture of new generation of semi-conductors at two plants in Agrate Brianza (Lombardy) and Catania (Sicily) <i>SGS Thomson Microelectronics SRL</i>	104.0 ■▶
Extension and modernisation of two electrical equipment factories in Marostica (Veneto) <i>Vimar SRL</i>	11.4 ■

Modernisation and extension of two plants producing automotive and industrial batteries and vehicle alarm systems in Montecchio-Maggiore and Almisano-Lonigo (Veneto) <i>Fabbrica Italiana Accumulatori Motocarri Montecchio SpA</i>	23.1 ▶
Capacity uprating for optical fibres at plant in Battipaglia (Campania) <i>Pirelli Cavi SpA</i>	8.3 ■▶
Construction of plant to produce burners for domestic boilers <i>Riello Bruciatori Legnano SpA</i>	5.2 ▶▶
Expansion of four pasta factories in Foggia (Apulia), Cagliari (Sardinia), Matera (Basilicata) and Caserta (Campania) <i>Barilla Group</i>	48.9 ■
Process improvements and development of new tyres at plant in Settimo Torinese (Piedmont) <i>Pirelli Pneumatici SpA</i>	7.8 ■▶
Enlargement of polypropylene packaging film plant in Grumento Nova (Basilicata) <i>Vifas SpA</i>	17.2 ■

Global loans

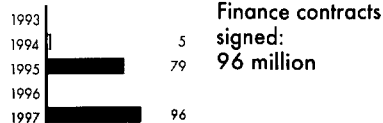
For financing small and medium-scale ventures:

- Crediop	187.3
- IMI	156.1
- Rolo Banca 1473	128.3
- Efibanca	62.4
- Banca Popolare di Verona	52.3
- Interbanca	52.0
- Cassa di Risparmio delle Provincie Lombarde	52.0
- Banco Ambrosiano Veneto	52.0
- Mediovenetie Banca	41.1
- Banca Monte dei Paschi di Siena	39.0
- Banca Carige	38.8
- Banca Popolare dell'Emilia Romagna	26.0
- IMI (applied research)	26.0
- Cassa di Risparmio di Verona, Vicenza, Belluno e Ancona	26.0
- Mediocredito Lombardo	25.7
- Credito Italiano	25.7
- Cassa di Risparmio di Padova e Rovigo	20.8
- Cassa di Risparmio di Parma e Piacenza	15.6
- Banca Popolare di Bergamo	15.4
- Centrobanca	7.7

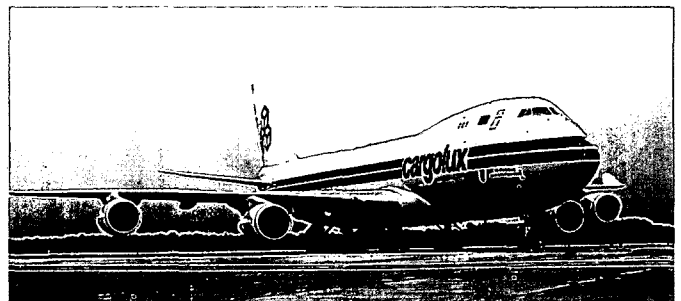
Equity financing for innovative SMEs:

IMI	26.0
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LUXEMBOURG



Acquisition of two civil freighters as part of expansion and modernisation of aircraft fleet <i>Cargolux Airlines International SA</i>	95.7 ●
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NETHERLANDS



Finance contracts signed: 398 million
 1996: 766 million
 Individual loans: 285 million
 Global loans: 113 million
 Global loan allocations: 109 million

Individual loans for infrastructure centred on the environment (182 million) and the transport sector (46 million). In addition, one individual loan went to industry (57 million). • Global loans under drawdown facilitated the financing of 22 SMEs and 21 small infrastructural schemes.

Strengthening of dykes in Gelderland



List of finance contracts signed in 1997:

Individual loans

Raising and widening of river dykes along various sections of the Rhine, Waal, Ussel and Meuse (Gelderland)

Provincie Gelderland

182.2 ◀

Motorway tunnel under the North Sea Canal
 Exploitatiemaatschappij Wijkertunnel

45.5 ●

Construction of chemical plant to produce an intermediate for polyurethanes in Rozenburg, near Rotterdam

ICI Holland BV

57.2 ◀▶

Global loans

For financing small and medium-scale ventures:

Internationale Nederlanden Bank NV

68.3

For financing small and medium-scale projects in education and health sectors:

Bank Nederlandse Gemeenten NV

45.2

AUSTRIA



Finance contracts signed: 555 million
 1996: 490 million
 Individual loans: 491 million
 Global loans: 64 million
 Global loan allocations: 60 million

Individual loans focused on energy (212 million), mobile telecommunications (49 million), wastewater management (27 million) and industry (204 million). • Global loans under drawdown supported 70 SMEs and 20 small-scale water resource management schemes.

List of finance contracts signed in 1997:

Individual loans

Construction of hydroelectric power station on Danube and rehabilitation of river area downstream of Vienna
 Österreichische Donaukraftwerke AG

127.8 ◆

Extension of gas supply system in Burgenland
 Burgenländische Erdgasversorgung AG

7.2 ■◆

Extension and renewal of district heating network in Vienna

Fernwärme Wien GmbH

76.9 ◆

Construction of sewerage system in Bruck, near Vienna

Abwasserverband Großraum Bruck

10.9 ◀

Modernisation and extension of wastewater treatment facilities in Greater Salzburg area
 Reinhaltverband Großraum Salzburg

15.9 ◀

Establishment of second mobile telephony network
 OE Call Mobil Telekommunikation Service GmbH

49.1 ■●

Modernisation of facilities for producing flat and tubular steel products in Linz and Kindberg
 Voest Alpine Stahl Linz GmbH

72.3 ■◀▶



Steel products manufacturing

Construction of woodfree coated paper mill in Gratkorn, to replace obsolete units

KNP-Leykam Gratkorn GmbH

131.3 ▶

Global loans

For financing small and medium-scale ventures:

- Creditanstalt-Bankverein AG

42.4

- Bank für Arbeit und Wirtschaft

15.2

- Österreichische Hotel- und Fremdenverkehrs Treuhandgesellschaft m.b.H.

5.8



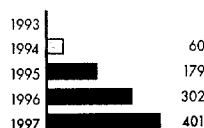
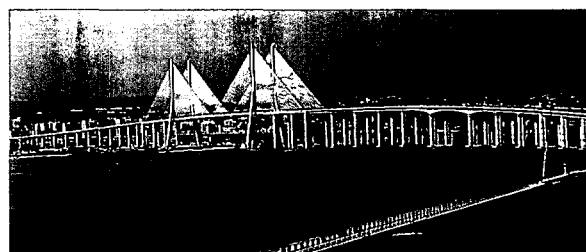
Finance contracts signed: 1 350 million
 1996: 1 294 million
 Individual loans: 1 322 million
 Global loans: 28 million
 Global loan allocations: 30 million

Individual loans, apart from 59 million for industry and the service sector, were all concentrated on infrastructural schemes: energy (30 million), water management (100 million), transport (951 million) and telecommunications (182 million). • During the year, 41 local water resource management schemes were financed from global loans under drawdown, as were 76 SMEs.

List of finance contracts signed in 1997:

Individual loans

Construction of natural gas transmission and distribution networks in northern Portugal <i>Portgás - Sociedade de Produção e Distribuição de Gás S.A.</i>	30.0	■◆	Upgrading of facilities at three airports and modernisation of air traffic control equipment <i>ANA - Aeroportos e Navegação Aérea, EP</i>	49.9	■●
Construction of drinking water supply and wastewater collection and treatment networks - <i>IPE - Águas de Portugal SGPS S.A.</i> - <i>EPAL - Empresa Portuguesa das Águas Livres, S.A.</i>	49.9	■◀	Construction of intermodal transport facilities serving Expo '98 site <i>GIL - Gare Intermodal de Lisboa SA</i>	56.3	■◀
Upgrading and modernisation of Lisbon-Oporto rail link <i>CP - Caminhos de Ferro Portugueses, EP</i>	100.6	■●	Modernisation and extension of telecommunications network <i>Portugal Telecom SA</i>	182.2	■●
Construction of electrified rail line between Chelas, north-east of Lisbon, and Coina, on south bank of Tagus <i>Rede Ferroviária Nacional - REFER, EP</i>	99.9	■◀	Construction of factory to produce bathroom taps in Albergaria-a-Velha <i>Friedrich Grohe Portugal, componentes sanitários Lda</i>	9.0	■
Northward extension of A3 motorway from Braga to Spanish border, linking the networks <i>Brisa-Auto-Estradas de Portugal SA</i>	62.4	■●	Construction of shopping centre in Oporto <i>Sonae Investimentos SGPS SA</i>	50.3	■
Construction of two new sections of A2 and A6 motorways linking Lisbon to the Algarve <i>Brisa-Auto-Estradas de Portugal SA</i>	166.4	■●	Global loans		
Improvements to national road network <i>Junta Autónoma de Estradas</i>	284.6	■●	For financing small-scale infrastructural schemes: <i>Caixa Geral de Depósitos SA</i>	27.5	
Extension and modernisation of Lisbon metro <i>Metropolitano de Lisboa EP</i>	130.7	■◀			



Finance contracts signed: 401 million
 1996: 302 million
 Individual loans: 374 million
 Global loans: 27 million
 Global loan allocations: 30 million

Individual loans were devoted to transport (280 million, of which 69 million for priority TENs), energy (43 million) and industry (51 million). • Global loans under drawdown provided financing for 30 small-scale projects, mainly relating to local infrastructure.

List of finance contracts signed in 1997:

Individual loans

Construction of new hydroelectric power station on river Kitinen and modernisation of four existing power stations on river Kemijoki (Lapland) <i>Kemijoki Oy</i>	43.1	■◆	Upgrading of Helsinki-Tampere-Seinäjoki railway line <i>Suomen Tasavalta (Republic of Finland)</i>	170.2	■●
			Improvements to sections of E18 east-west road link and completion of Hämeenlinna-Tampere motorway <i>Suomen Tasavalta</i>	TEN 69.0	●

Upgrading to motorway standard of E4 road link between Tornio and Kemi
Suomen Tasavalta

13.8 ■●

Acquisition of new custom-built icebreaker
Suomen Tasavalta

26.7 ■●

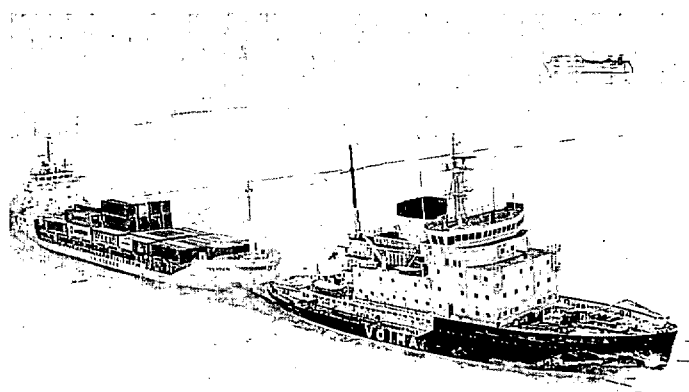
Environmental protection, energy saving and product quality improvement measures at steel mill in Raahе
Rautaruukki Oy

51.0 ■◆◀

Global loans

For financing small and medium-scale projects in education and health sectors:
Municipality Finance Ltd

27.2



Icebreaker off coast of Finland



Finance contracts signed: 925 million
1996: 847 million
Individual loans: 901 million
Global loans: 24 million
Global loan allocations: 11 million

Individual loans were divided between energy (75 million), water management and composite infrastructure (59 million), transport (478 million for priority TENs), telecommunications (230 million) and industry (59 million). • Global loans under drawdown were tapped to finance 12 small-scale ventures.

List of finance contracts signed in 1997:

Individual loans

Modernisation of generating and supply facilities for electricity, district heating and cooling in:

- Greater Stockholm area
Stockholm Energi AB
- Göteborg
Göteborg Energi AB

40.3 ◆

34.5 ◆◆

Modernisation and extension of drinking water supply system in Malmö area
Sydvatten AB

6.2 ◀

Extension and modernisation of wastewater treatment plant in Greater Stockholm area
Käppalaförbundet

29.6 ◀

Improvements to water supply, sewerage, road transport and urban road infrastructure in Malmö
Malmö Gat-och Trafiknämnd

22.7 ●◆

Modernisation of Malmö-Göteborg west-coast railway line
Banverket

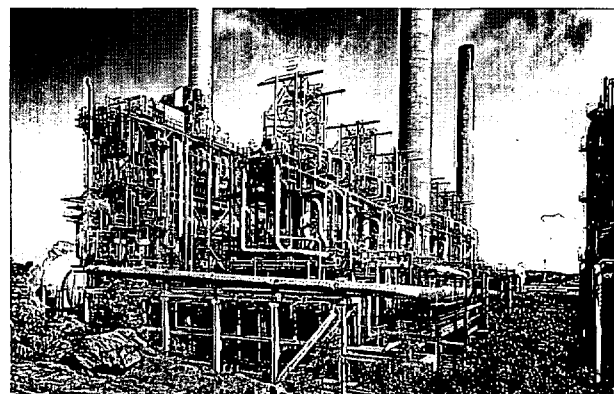
TEN 121.1 ●

Construction and upgrading of seven sections of E4 motorway between Stockholm and Helsingborg
Vägverket

TEN 121.1 ■●

Construction of five sections of E6 motorway between Malmö and Svinesund (Norwegian border)
Vägverket

TEN 153.1 ■●



Petrochemicals plant near Göteborg

Construction of Öresund rail-road fixed link between Copenhagen (Denmark) and Malmö (Sweden)
Svensk-Danska Broförbindelsen AB, SVEDAB

TEN 82.8 ●

Modernisation of telecommunications network
Telia AB

230.2 ■●

Upgrading and expansion of manufacturing facilities for production of petrochemicals in Stenungsund, north of Göteborg
Borealis AB

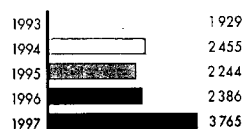
59.3 ◆◆

Global loans

For financing small and medium-scale infrastructural schemes:
Dexia Kommunbank AB

23.7

UNITED KINGDOM



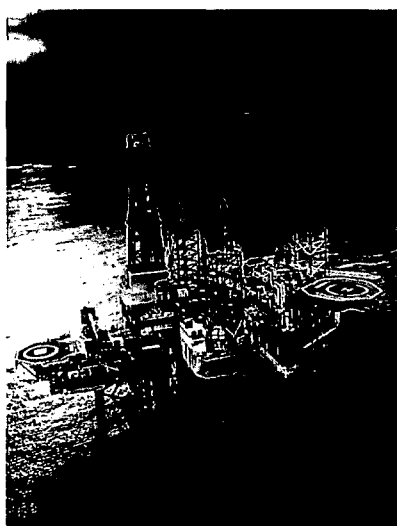
Finance contracts signed: 3 765 million
 1996: 2 386 million
 Individual loans: 3 481 million
 Global loans: 284 million
 Global loan allocations: 444 million

Individual loans covered various sectors, including energy (345 million), water management (662 million), transport (1 637 million) and telecommunications (348 million). Industry and services received 490 million. • Global loans under drawdown assisted 1 945 small-scale ventures, mainly in the productive sectors.

List of finance contracts signed in 1997:

Individual loans

Development of Erskine oil and gas field in British sector of North Sea <i>Texaco North Sea UK Co</i>	134.8	◆	Construction of new express rail link between Heathrow airport and Paddington station <i>BAA plc</i>	175.1	●◀
Upgrading and rehabilitation of electricity supply networks in central southern England <i>Southern Electric plc</i>	210.1	◆	Extension of Manchester Metrolink light railway <i>Greater Manchester Passenger Transport Authority and Greater Manchester Passenger Transport Executive</i>	14.9	■◀
Improvements to drinking water supply and sewerage and sewage disposal infrastructure in: - Midlands <i>Severn Trent Water Ltd</i> - Yorkshire <i>Yorkshire Water Services Ltd</i> - North East England <i>Northumbrian Water Ltd</i> - Essex and Suffolk <i>Essex and Suffolk Water plc</i>	280.2	■◀	Partial renewal of long-haul aircraft fleet <i>British Airways plc</i>	430.4	●
	253.8	■◀	Extension of mobile telephony network <i>Hutchison Telecommunications UK Ltd</i>	348.0	■●
	70.0	■◀	Expansion and upgrading of facilities for production of industrial gases and vacuum pumps in Burgess Hill and Shoreham (Sussex)		
	58.0	◀	<i>BOC Ltd</i>	60.4	■▶
Modernisation of railway infrastructure; improvements to and extension of Thameslink 2000 north-south cross-London line <i>Railtrack PLC</i>	870.1	■●	Development of new motor vehicle (West Midlands); improvements to paint shops and expansion of design and engineering centre <i>Rover Group Ltd</i>	290.0	■◀
Construction of motorway section between Glasgow (Scotland) and Carlisle (Cumbria) <i>Autolink Concessionaires Ltd</i>	121.9	■●	Expansion of optical fibre production capacity in Bishopstoke (Hampshire) and Harlow (Essex) <i>Pirelli General plc</i>	7.3	▶
Construction of link between inner and outer ring roads in Greater Manchester area <i>Trafford Metropolitan Borough Council</i>	24.4	■◀	Construction of plant to produce glass components for cathode ray tubes in Cardiff (Wales) <i>Nippon Electric Glass Ltd</i>	31.5	■
			Modernisation and enlargement of three food product factories in Cardiff (Wales), Bradford (West Yorkshire) and Southport (Merseyside) <i>Princes Ltd</i>	25.2	■
			Process improvement and new tyre development at factory in Carlisle (Cumbria) <i>Pirelli UK Tyres Ltd</i>	5.5	■▶
			Production and distribution of European films <i>PolyGram NV</i>	70.0	▶
			Global loans		
			For financing small and medium-scale ventures:		
			- <i>National Westminster Bank plc</i>	210.1	
			- <i>Midland Bank plc</i>	73.7	



Development of Erskine oil and gas field in North Sea

Lending outside the European Union

1993	1877
1994	2 246
1995	2 805
1996	2 294
1997	3 244

Outside the European Union, financing provided in 1997 as part of European development aid and cooperation policies totalled 3 244 million spread over 41 partner countries.

These operations were financed either from the EIB's own resources (3 190 million), or from European Union or Member States' budgetary resources (55 million).

In the following lists, loans from own resources are indicated by ★ and financing operations from budgetary resources by □.

The amounts relating to operations featured in these lists are expressed in millions of ECUs.

AFRICA		CENTRAL AND EQUATORIAL AFRICA	0.8
WEST AFRICA	35.1	CAMEROON	0.8
GHANA	34.0	Construction of tyre remoulding plant	
Rehabilitation of Akosombo hydroelectric power plant on Volta		Conditional loan to <i>SIP (Société Industrielle de Pneumatiques)</i>	0.8 □
Volta River Authority	34.0 ★	CARIBBEAN	
SENEGAL	0.6	HAITI	4.0
Feasibility study on preliminary processing of raw phosphate		Financing for small and medium-scale ventures	
Conditional loan to <i>Industries Chimiques du Sénégal</i>	0.6 □	Conditional global loan to <i>Société Financière Haitienne de Développement S.A.</i>	4.0 □
MALI	0.5	PACIFIC	
Automotive engine reconditioning plant		REGIONAL PACIFIC	1.7
Conditional loan to <i>Société Groupement des Grands Garages</i>	0.5 □	Equity participation in regional investment capital fund to finance injections of equity and quasi-equity into small and medium-sized private enterprises	
EAST AFRICA	10.2	Conditional global loan to <i>Kula Fund Ltd</i>	1.7 □
UGANDA	10.1	OVERSEAS COUNTRIES AND TERRITORIES	
Financing for small and medium-scale ventures		CAYMAN ISLANDS	4.0
Conditional global loan to <i>Republic of Uganda</i>	10.0 □	Upgrading of power generating and supply capacity on Grand Cayman Island	
Feasibility study on extension of oil pipeline between Kenya and Uganda		<i>Caribbean Utilities Company Ltd</i>	4.0 ★
Conditional loan to <i>Republic of Uganda</i>	0.1 □	SOUTH AFRICA	
KENYA	0.1	SOUTH AFRICA	199.0
Feasibility study on extension of oil pipeline between Kenya and Uganda		Development of satellite gas fields at Mossel Bay and associated compression facilities	
Conditional loan to <i>Republic of Kenya</i>	0.1 □	<i>Central Energy Fund Ltd</i>	45.0 ★
SOUTHERN AFRICA	4.0	Financing for medium-scale infrastructural schemes, mainly in water, sewerage and sewage disposal sectors	
MAURITIUS	3.0	- <i>Standard Bank of South Africa Ltd</i>	15.0 ★
Acquisition of handling equipment for transport and storage of containers at commercial port of Port Louis		- <i>First National Bank of Southern Africa Ltd</i>	15.0 ★
<i>Cargo Handling Corporation</i>	3.0 ★	- <i>Nedcor Bank Ltd</i>	15.0 ★
COMOROS	1.0	- <i>Development Bank of Southern Africa</i>	59.0 ★
Rehabilitation of thermal power generating capacity; upgrading of transmission and supply networks		Financing for small and medium-scale ventures	
Conditional loan to <i>Federal Islamic Republic of the Comoros</i>	1.0 □	Global loan to <i>Industrial Development Corporation</i>	50.0 ★

MEDITERRANEAN

MASHREQ COUNTRIES

EGYPT 137.5

Modernisation of medium-haul aircraft fleet <i>National Bank of Egypt (NBE) for Egyptair</i>	75.0	★
Construction of two motorway sections and bridge over branch of Nile <i>Arab Republic of Egypt</i>	10.0	★
Construction of cement works east of Cairo <i>Egyptian Cement Company</i>	30.0	★
Construction of plant to produce sanitary ware and modernisation of existing tile factory <i>- Lecico Egypt Company</i>	16.0	★
<i>- Conditional loan to Commercial International Bank for Lecico Ceramics</i>	4.0	□
Subscription to capital of <i>EgyCap</i> in name of <i>European Union</i>		
Contribution to <i>EgyCap Venture Capital Fund</i>	2.5	□

LEBANON 131.0

Modernisation of sewerage and sewage disposal facilities serving Greater Tripoli area <i>Republic of Lebanon</i>	100.0	★
Rehabilitation of Tabarja-Chekka motorway section and construction of Chekka-Tripoli section on Beirut-Tripoli trunk road <i>Republic of Lebanon</i>	20.0	★
Computerisation of national electricity control centre in Beirut <i>Republic of Lebanon</i>	11.0	★

JORDAN 70.0

Modernisation and extension of industrial port of Aqaba <i>Hashemite Kingdom of Jordan</i>	30.0	★
Financing for small and medium-scale ventures <i>- Global loan to Industrial Development Bank</i>	30.0	★
<i>- Conditional loan to Industrial Development Bank for equity participations</i>	5.0	□
<i>- EIB equity participation in name of European Union</i>	5.0	□

MAGHREB COUNTRIES

ALGERIA 335.0

Construction of gasline from Alrar to Hassi R'Mel <i>SONATRACH</i>	300.0	★
Construction of power line between Ghardaia and Ouargla <i>Banque Algérienne de Développement for Société Nationale de l'Electricité et du Gaz</i>	35.0	★

TUNISIA 145.0

Dredging and backfill of Lac Sud de Tunis, opening up and redimensioning of Radès canal <i>Republic of Tunisia</i>	40.0	★
Rehabilitation of Tunis-Sfax-Gabès railway line <i>Société Nationale des Chemins de Fer Tunisiens</i>	25.0	★

Upgrading of road network in Greater Tunis area;
construction of by-passes around Sfax, Sousse and Soliman
Republic of Tunisia 65.0 ★

Global loan to provide equity financing for public-sector
undertakings in process of privatisation
Conditional loan to banking sector 15.0 □

MOROCCO 135.0

Rehabilitation of Marrakesh-Casablanca railway line
Office National des Chemins de Fer 85.0 ★

Drinking water supplies for several urban centres
Office National de l'Eau Potable 50.0 ★

OTHER COUNTRIES

TURKEY 95.0

Financing for small and medium-scale ventures
Global loan to banking sector 50.0 ★

Extension of sewer network and construction of two sewage
treatment plants in Adana
Adana Water and Wastewater Administration 45.0 ★

CYPRUS 55.0

Construction of sewage collection and treatment system and
stormwater drainage system in Pafos urban area
Sewerage Board of Pafos 30.0 ★

Financing for small and medium-scale ventures
Global loan to *Cyprus Development Bank* 25.0 ★

MALTA 3.0

Global loan for financing equity participations in SMEs
Conditional loan to *Valletta Investment Bank* 3.0 □

GAZA-WEST BANK 15.0

Development of industrial estate in the Gaza Strip
*Palestine Industrial Estate Development and Management
Company (PIEDCO)* 14.0 ★

Conditional loan to *Palestine Development and Investment
Ltd* for participation in *PIEDCO* 1.0 □



Water purification plant in Morocco

CENTRAL AND EASTERN EUROPEAN COUNTRIES

CZECH REPUBLIC	540.0
Reconstruction and restoration of basic infrastructure damaged by July 1997 floods <i>Konsolidac'ni Banka</i>	200.0 *
Construction of Plzen-Rozvadov section of D5 motorway linking Prague and Nuremberg <i>Konsolidac'ni Banka</i>	165.0 *
Modernisation of telecommunications network <i>SPT TELECOM a.s.</i>	100.0 *
Upgrading of Czech section of Berlin-Prague-Vienna railway line <i>C'eské drahy, s.o.</i>	75.0 *
POLAND	355.0
Reconstruction and restoration of basic infrastructure damaged by July 1997 floods - Republic of Poland - Polish State Railways	225.0 * 75.0 *
Improvements to urban infrastructure in Katowice <i>City of Katowice</i>	20.0 *
Financing for small and medium-scale ventures <i>Vereinsbank Polska S.A.</i>	35.0 *
SLOVAK REPUBLIC	262.0
Construction of 18 km of trunk roads from Bratislava to Austrian and Hungarian borders <i>Slovak Republic</i>	25.0 *
Development of mobile telephony network <i>GLOBTEL GSM, a.s.</i>	65.0 *
Telecommunications network modernisation <i>Slovenské Telekomunikacie s.p.</i>	100.0 *
Construction of new section of D61 motorway, bypassing Bratislava city centre <i>Slovak Republic</i>	72.0 *
ROMANIA	142.0
Extension and modernisation of urban telecommunications network <i>Romania for Regia Autonoma de Telecomunicati - ROM - TELECOM</i>	40.0 *
Rehabilitation of district heating transmission and distribution facilities <i>Romania for Regia Autonoma de Distributie a Energiei Termice - RADET</i>	35.0 *
Renewal of rolling stock and completion of network infrastructure on Bucharest metro <i>Romania for METROREX R.A.</i>	20.0 *
Construction of medium-density fibreboard and special resins plant in Sebes <i>MDF Sebes FRATI S.A.</i>	47.0 *



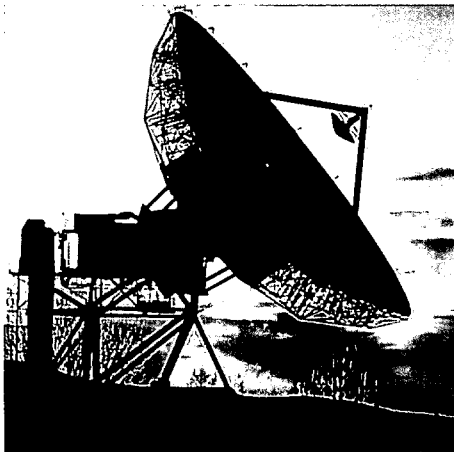
Czech section of Berlin-Prague-Vienna railway line

BULGARIA	60.0
Construction of new passenger terminal and apron at Sofia airport <i>Republic of Bulgaria</i>	60.0 *
HUNGARY	35.0
Construction and operation, at Lörinici power station, of gasoil-fired open-cycle combustion turbine to supply peak load power <i>Magyar Villamos Müvek Rt</i>	35.0 *
SLOVENIA	45.0
Establishment of first mobile telephony network <i>MOBITEL</i>	45.0 *
LATVIA	20.0
Improvements to access channel to port of Ventspils and reconstruction and strengthening of quays <i>Ventspils Port Authority</i>	20.0 *
ESTONIA	20.0
Reconstruction and modernisation of passenger terminal at Tallinn airport <i>Tallinn Airport Ltd</i>	10.0 *
Global loan for financing small and medium-scale ventures <i>Union Bank of Estonia</i>	10.0 *
LITHUANIA	7.0
Development of second phase of mobile telephony network <i>Mobilios Telekomunikacijos</i>	7.0 *

ASIAN AND LATIN AMERICAN COUNTRIES

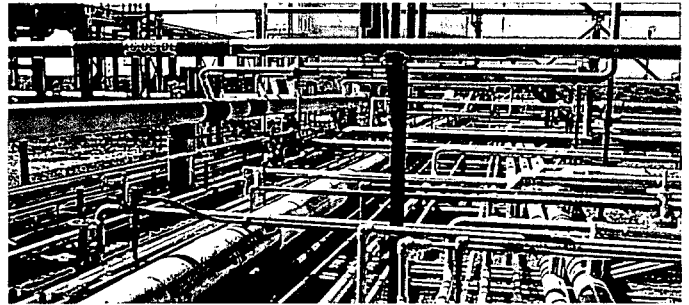
LATIN AMERICA

BRAZIL	54.5
Construction of optical fibre plant in Sorocaba, in State of São Paulo <i>Pirelli Cabos S.A.</i>	22.0 ★
Construction of cement works in State of Minas Gerais <i>Companhia Minas Oeste de Cimento</i>	32.5 ★
MEXICO	50.0
Construction of flat-glass manufacturing plant near Cuernavaca <i>Vidrio Saint-Gobain de México S.A.</i>	50.0 ★
PERU	50.0
Modernisation and extension of telecommunications network <i>Telefónica del Peru</i>	50.0 ★
URUGUAY	10.0
Establishment of 25 000 hectare eucalyptus plantation <i>EUFORES S.A.</i>	10.0 ★
ANDEAN PACT	40.0
Financing of medium-scale regional or national projects Global loan to <i>Corporación Andina de Fomento</i>	40.0 ★



ASIA

PHILIPPINES	97.0
Construction of gas-fired combined-cycle power station in Batangas <i>First Philippine Gas Power Corporation</i>	72.0 ★
INDONESIA	55.0
Upgrading and extension of water supply transmission and distribution system in western Jakarta <i>P.T. Garuda Dipta Semesta</i>	55.0 ★
PAKISTAN	21.0
Construction and commissioning of run-of-the-river hydropower complex on River Indus <i>Government of Pakistan</i>	21.0 ★



STATISTICAL ANNEX ⁽¹⁾

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(1) Unless otherwise indicated, the amounts in these tables are expressed in ECU million.

Table A: Financing provided within the European Union in 1997⁽¹⁾
Breakdown by country and objective

(ECU million)

	Regional development	European communications infrastructure	Environment and quality of life	Energy	International competitiveness	SMEs
Belgium	440	729	80	—	—	281
Denmark	269	485	70	127	66	52
Germany	1 852	183	2 089	524	284	378
Greece	752	603	—	126	3	19
Spain	1 873	1 040	604	377	5	44
France	1 692	515	837	—	487	417
Ireland	72	—	72	—	—	—
Italy	2 595	1 229	1 211	428	470	766
Luxembourg	—	96	—	—	—	—
Netherlands	16	46	266	87	57	52
Austria	157	49	125	212	204	34
Portugal	1 352	771	394	30	—	22
Finland	331	280	66	94	—	7
Sweden	506	737	153	139	59	—
United Kingdom	2 741	1 945	1 166	345	433	415
Other (Art.18) ⁽²⁾	—	51	75	109	—	—
Total	14 646	8 758	7 208	2 597	2 069	2 486
<i>(of which global loan allocations)</i>	<i>(3 288)</i>	<i>(48)</i>	<i>(1 455)</i>	<i>(168)</i>	<i>(3)</i>	<i>(2 486)</i>

(1) Financing operations within EU Member Countries totalled 21 847 million in 1997, comprising 16 769 million in individual loans and 5 078 million in allocations from ongoing global loans. The following tables give the breakdown, by objective and sector, of financing provided both in 1997 and over the period 1993-1997. As certain financing operations meet several objectives, the totals for the various headings cannot meaningfully be added together.

(2) Financing akin to operations within the European Union authorised under the second paragraph of Article 18(1) of the Bank's Statute.

Table B: Financing provided within the European Union from 1993 to 1997
Breakdown by country and objective

(ECU million)

	Regional development	European communications infrastructure	Environment and quality of life	Energy	International competitiveness	SMEs
Belgium	1 158	1 675	432	227	—	969
Denmark	2 144	2 926	703	632	66	237
Germany	9 212	2 299	6 157	2 639	760	1 673
Greece	2 770	1 729	238	674	3	122
Spain	13 392	6 345	4 765	1 975	399	589
France	7 452	3 610	2 689	114	1 190	2 039
Ireland	1 002	171	177	321	—	153
Italy	11 782	4 214	5 410	3 591	1 523	3 413
Luxembourg	79	96	79	79	—	2
Netherlands	82	594	843	792	160	284
Austria	475	487	165	238	397	100
Portugal	6 336	2 443	1 617	1 137	21	107
Finland	366	723	336	100	—	22
Sweden	827	1 508	298	375	59	17
United Kingdom	7 382	4 264	4 220	2 510	504	1 020
Other (Art.18)	—	493	75	887	—	—
Total	64 459	33 576	28 203	16 292	5 083	10 748
<i>(of which global loan allocations)</i>	<i>(12 224)</i>	<i>(251)</i>	<i>(4 667)</i>	<i>(674)</i>	<i>(34)</i>	<i>(10 748)</i>

Table C: Financing provided within the European Union in 1997
Breakdown by country and sector

(ECU million)

	Total	Individual loans	Global loan allocations	Infrastructure				
				Communications	Water management and sundry	Energy	Industry Services Agriculture	Education Health ⁽¹⁾
Belgium	1 101	769	332	711	99	—	290	1
Denmark	757	703	54	509	43	84	120	—
Germany	3 062	1 656	1 407	320	1 380	489	696	177
Greece	752	730	23	603	—	126	23	—
Spain	2 219	1 950	269	1 164	348	169	262	275
France	2 811	1 315	1 496	1 089	745	17	937	23
Ireland	72	72	—	—	72	—	—	—
Italy	3 255	2 441	814	604	885	351	1 414	—
Luxembourg	96	96	—	96	—	—	—	—
Netherlands	393	285	109	46	209	30	109	—
Austria	551	491	60	49	53	212	237	—
Portugal	1 352	1 322	30	1 133	107	30	82	—
Finland	404	374	30	286	12	45	60	—
Sweden	912	901	11	714	59	80	60	—
United Kingdom	3 926	3 482	444	2 006	666	349	902	3
Other	184	184	—	51	24	109	—	—
Total	21 847	16 769	5 078	9 382	4 703	2 090	5 193	479
<i>(of which global loan allocations)</i>	—	—	—	(439)	(1 888)	(206)	(2 521)	(25)

(1) Sectors newly eligible for EIB financing.

Table D: Financing provided within the European Union from 1993 to 1997
Breakdown by country and sector

(ECU million)

	Total	Individual loans	Global loan allocations	Infrastructure				
				Communications	Water management and sundry	Energy	Industry Services Agriculture	Education Health
Belgium	3 316	2 239	1 077	1 684	376	227	1 028	2
Denmark	3 988	3 732	256	3 000	108	395	485	—
Germany	12 881	7 568	5 313	2 053	4 294	2 422	3 931	181
Greece	2 770	2 632	138	1 942	18	682	127	—
Spain	14 276	12 979	1 298	7 887	2 561	1 559	1 994	275
France	11 133	6 406	4 728	5 649	1 565	28	3 867	25
Ireland	1 002	847	154	289	177	322	179	35
Italy	16 177	12 410	3 768	3 599	2 033	4 602	5 941	2
Luxembourg	177	174	2	96	—	—	81	—
Netherlands	2 000	1 636	364	593	688	259	460	—
Austria	1 314	1 188	126	487	92	238	497	—
Portugal	6 336	6 170	166	3 939	468	1 163	766	—
Finland	883	831	52	729	13	46	95	—
Sweden	2 036	1 969	66	1 486	156	316	77	—
United Kingdom	12 422	11 366	1 056	4 806	2 679	2 855	2 076	6
Other	1 404	1 404	—	493	24	887	—	—
Total	92 115	73 553	18 563	38 733	15 252	16 002	21 604	526
<i>(of which global loan allocations)</i>	—	—	—	(1 703)	(4 979)	(703)	(11 140)	(37)

Table E: Financing provided within the European Union in 1997
Detailed breakdown by sector

(ECU million)

	Total		Loans	Allocations
	amount	%		
Energy and infrastructure	16 175	74.0	13 643	2 532
Energy	2 090	9.6	1 885	206
Production	1 100	5.0	1 017	83
Electricity	822	3.8	758	64
Oil and natural gas	182	0.8	180	2
Heat	96	0.4	79	17
Transmission and supply	990	4.5	867	123
Electricity	370	1.7	338	32
Oil and natural gas	432	2.0	398	34
Heat	188	0.9	132	56
Transport	7 503	34.3	7 064	439
Exceptional structures	517	2.4	514	3
Railways	1 927	8.8	1 873	55
Roads, motorways	2 683	12.3	2 425	258
Intermodal freight terminals and other	14	0.1	13	1
Urban transport	968	4.4	901	67
Air transport	1 326	6.1	1 304	22
Maritime transport	68	0.3	35	33
Telecommunications	1 879	8.6	1 879	—
Networks, exchanges and international cables	485	2.2	485	—
Mobile telephony	1 394	6.4	1 394	—
Water, sewerage, solid waste	2 780	12.7	1 909	871
Drinking water supplies and wastewater treatment	2 240	10.3	1 401	839
Solid and liquid waste processing	351	1.6	326	25
Multi-purpose schemes	188	0.9	182	6
Urban infrastructure	534	2.4	147	387
Urban renewal	326	1.5	5	321
Public buildings	74	0.3	69	5
Urban development schemes	134	0.6	72	61
Other infrastructure	1 389	6.4	760	629
Industry, services, education, health, agriculture	5 672	26.0	3 126	2 545
Industry	4 028	18.4	2 451	1 576
Mining and quarrying	16	0.1	—	16
Metal production and semi-processing	154	0.7	123	31
Metalworking and mechanical engineering	331	1.5	45	286
Transport equipment	1 243	5.7	1 181	61
Electrical engineering, electronics	349	1.6	248	101
Chemicals	683	3.1	584	99
Rubber and plastics processing	143	0.7	43	100
Glass and ceramics	78	0.4	13	65
Construction materials	61	0.3	8	54
Woodworking	78	0.4	—	78
Foodstuffs	241	1.1	74	167
Textiles and leather	92	0.4	—	92
Paper and pulp, printing	365	1.7	131	234
Other manufacturing industries	92	0.4	—	92
Civil engineering, building	102	0.5	—	102
Services	1 139	5.2	221	919
Tourism, leisure	222	1.0	70	152
Private and public-sector services	486	2.2	—	486
Research and development	72	0.3	66	5
Commerce	360	1.6	85	275
Education, health	479	2.2	454	24
Education, training	276	1.3	254	22
Health	203	0.9	200	2
Agriculture, fisheries, forestry	26	0.1	—	26
Grand total	21 847	100.0	16 769	5 078

Table F: Financing provided within the European Union from 1993 to 1997
Detailed breakdown by sector

[ECU million]

	Total		Loans	Allocations (*)
	amount	%		
Energy and infrastructure	69 985	76.0	62 601	7 384
Energy	16 002	17.4	15 298	703
Production	8 163	8.9	7 922	241
Electricity	5 140	5.6	4 988	151
Oil and natural gas	1 916	2.1	1 914	2
Heat	1 068	1.2	983	86
Solid fuel extraction	39	0.0	37	2
Transmission and supply	7 838	8.5	7 376	462
Electricity	2 605	2.8	2 511	94
Oil and natural gas	4 848	5.3	4 641	206
Heat	386	0.4	223	162
Transport	30 079	32.7	28 377	1 703
Exceptional structures	2 721	3.0	2 717	3
Railways	6 714	7.3	6 649	65
Roads, motorways	12 595	13.7	11 576	1 018
Intermodal freight terminals and other	175	0.2	162	13
Urban transport	4 347	4.7	3 888	460
Air transport	2 866	3.1	2 838	28
Maritime transport	661	0.7	546	115
Telecommunications	8 653	9.4	8 653	—
Networks, exchanges and international cables	6 282	6.8	6 282	—
Satellites, ground stations	381	0.4	381	—
Mobile telephony	1 990	2.2	1 990	—
Water, sewerage, solid waste	10 662	11.6	7 156	3 505
Drinking water supplies and wastewater treatment	8 386	9.1	5 196	3 190
Solid and liquid waste processing	1 734	1.9	1 456	278
Multi-purpose schemes	542	0.6	505	37
Urban infrastructure	1 785	1.9	1 135	650
Urban renewal	623	0.7	137	486
Public buildings	83	0.1	69	13
Urban development schemes	1 080	1.2	929	150
Other infrastructure	2 804	3.0	1 981	823
Industry, services, agriculture	22 130	24.0	10 952	11 178
Industry	17 209	18.7	9 313	7 896
Mining and quarrying	99	0.1	—	99
Metal production and semi-processing	432	0.5	308	123
Metalworking and mechanical engineering	1 661	1.8	92	1 569
Transport equipment	5 098	5.5	4 831	267
Electrical engineering, electronics	1 191	1.3	706	485
Chemicals	2 662	2.9	2 114	548
Rubber and plastics processing	665	0.7	133	532
Glass and ceramics	477	0.5	48	430
Construction materials	584	0.6	113	471
Woodworking	452	0.5	38	414
Foodstuffs	1 142	1.2	196	945
Textiles and leather	519	0.6	40	478
Paper and pulp, printing	1 533	1.7	678	855
Other manufacturing industries	266	0.3	16	250
Civil engineering, building	430	0.5	—	430
Services	4 331	4.8	1 151	3 181
Tourism, leisure	836	0.9	126	709
Private and public-sector services	2 632	2.9	830	1 801
Research and development	100	0.1	83	16
Commerce	764	0.8	111	654
Education, health	526	0.5	488	37
Education, training	319	0.3	288	30
Health	207	0.2	200	7
Agriculture, fisheries, forestry	63	0.1	—	63
Grand total	92 115	100.0	73 553	18 563

(*) of which 44 million from NCI resources.

Table G: Breakdown of financing by region in 1997 and from 1993 to 1997

This analytical table is based on NUTS 1 or 2 regional classification, depending on the country concerned. Where possible, individual loans covering several regions have been subdivided.

EUROSTAT 1994 estimates of per capita GDP expressed in terms of purchasing power parities (EU15 = 100).

1994 population figures ('000 inhabitants).

(ECU million)

	GDP		1997			1993-1997		
	per cap.	Population	Total	Loans	Allocations	Total	Loans	Allocations
Belgium	114	10 116	1 101	769	332	3 316	2 239	1 077
Bruxelles-Brussel	183	950	119	112	6	349	322	28
Vlaams Gewest	115	5 857	351	86	265	1 264	436	828
Région wallonne	91	3 309	131	70	61	485	263	221
Multiregional			501	501	—	1 218	1 218	—
Denmark	114	5 205	757	703	54	3 988	3 732	256
Hovedstadsregionen			348	337	11	984	933	50
Oest for Storebaelt			87	85	2	1 611	1 602	9
Vest for Storebaelt			211	170	41	802	605	197
Multiregional			111	111	—	592	592	—
Germany	110	81 423	3 062	1 656	1 407	12 881	7 568	5 313
Hamburg	196	1 704	115	102	13	202	150	53
Bremen	156	681	151	137	14	309	266	43
Hessen	152	5 973	109	41	68	641	418	223
Baden-Württemberg	126	10 251	468	240	228	867	332	535
Bayern	128	11 890	283	195	89	685	476	209
Nordrhein-Westfalen	112	17 784	451	178	273	1 615	553	1 062
Saarland	106	1 084	12	10	1	115	89	26
Niedersachsen	105	7 680	231	116	115	851	236	615
Schleswig-Holstein	106	2 701	20	—	20	223	65	158
Rheinland-Pfalz	100	3 938	32	—	32	125	34	90
Berlin	104	3 473	367	324	43	622	545	76
Brandenburg	64	2 537	245	178	67	1 460	1 084	376
Sachsen-Anhalt	60	2 768	97	9	88	1 209	707	502
Sachsen	60	4 596	306	115	191	1 882	1 295	587
Mecklenburg-Vorpommern	57	1 838	43	—	43	489	295	194
Thüringen	60	2 525	132	12	120	1 007	444	563
Multiregional			—	—	—	578	578	—
Greece	65	10 426	752	730	23	2 770	2 632	138
Attiki	73	3 486	414	402	12	1 163	1 129	33
Voreia Ellada	62	3 363	180	173	7	492	446	46
Kentriki Ellada	57	2 575	54	50	3	289	252	37
Nisia	67	1 001	1	—	1	66	48	18
Multiregional			104	104	—	760	757	3
Spain	76	39 150	2 219	1 950	269	14 276	12 979	1 298
Baleares	98	730	35	32	3	360	342	18
Madrid	95	5 020	144	139	4	1 380	1 352	28
Navarra	91	524	42	42	—	160	158	2
Cataluña	93	6 095	377	307	70	2 141	1 916	225
País Vasco	91	2 088	109	70	39	971	901	71
Aragón	85	1 188	22	10	12	268	225	43
La Rioja	87	264	9	5	4	32	25	7
Canarias	75	1 526	41	39	2	232	203	29
Comunidad Valenciana	73	3 903	245	209	36	1 886	1 560	326
Cantabria	75	528	22	17	4	269	250	19
Asturias	72	1 089	18	17	1	226	216	10
Castilla-León	71	2 522	113	95	18	643	477	166
Murcia	68	1 066	35	34	1	269	245	24
Castilla La Mancha	64	1 660	77	70	7	670	593	78
Galicia	59	2 730	102	99	3	1 142	1 108	34
Andalucía	57	7 035	326	262	65	1 967	1 757	210
Extremadura	54	1 056	2	2	—	463	453	9
Multiregional			500	500	—	1 197	1 197	—

Table G: Breakdown of financing by region in 1997 and from 1993 to 1997 (continued)

(ECU million)

	GDP		1997			1993-1997		
	per cap.	Population	Total	Loans	Allocations	Total	Loans	Allocations
France	108	57 900	2 811	1 315	1 496	11 133	6 406	4 728
Ile-de-France	161	10 983	470	—	470	1 393	549	844
Alsace	110	1 663	25	—	25	240	88	152
Champagne-Ardenne	105	1 357	22	—	22	62	—	62
Rhône-Alpes	105	5 528	363	195	169	1 983	1 430	552
Haute-Normandie	101	1 771	68	42	26	312	221	90
Franche-Comté	98	1 113	75	51	23	302	190	111
Centre	99	2 418	63	—	63	177	2	174
Basse-Normandie	98	1 413	20	—	20	75	—	75
Provence-Côte d'Azur	96	4 408	128	54	74	688	410	279
Aquitaine	96	2 861	54	—	54	290	23	266
Bourgogne	94	1 620	34	—	34	152	45	107
Midi-Pyrénées	91	2 487	213	163	50	520	290	230
Lorraine	94	2 305	381	335	46	658	457	201
Pays de la Loire	94	3 136	58	—	58	479	165	314
Picardie	91	1 861	96	68	28	445	334	111
Bretagne	91	2 843	263	160	104	524	162	362
Auvergne	88	1 320	39	—	39	101	—	101
Poitou-Charentes	88	1 628	45	15	30	155	48	107
Nord - Pas-de-Calais	87	4 003	131	53	78	1 474	1 172	302
Limousin	87	722	22	9	14	46	13	33
Languedoc-Roussillon	83	2 202	162	111	51	479	274	206
Corse	76	255	5	—	5	6	—	6
Overseas Departments	45	1 561	35	23	13	178	138	39
Multiregional			38	38	—	394	394	—
Ireland	88	3 571	72	72	—	1 002	847	154
Italy	102	58 247	3 255	2 441	814	16 177	12 410	3 768
Lombardia	131	9 063	611	477	133	1 698	1 113	585
Valle d'Aosta	129	120	—	—	—	5	—	5
Emilia-Romagna	128	3 990	249	32	217	1 266	469	797
Trentino-Alto Adige	123	924	4	—	4	524	380	144
Liguria	120	1 692	40	—	40	490	314	176
Lazio	119	5 282	44	12	32	1 322	1 211	111
Friuli-Venezia Giulia	120	1 212	40	23	17	113	75	39
Veneto	118	4 498	265	94	171	949	414	534
Piemonte	114	4 371	109	59	50	931	572	359
Toscana	110	3 586	118	44	74	534	237	297
Marche	104	1 466	222	205	17	725	581	144
Umbria	99	837	36	19	17	197	51	146
Abruzzo	90	1 289	44	33	12	874	762	112
Molise	77	338	80	80	—	207	188	19
Sardegna	78	1 688	70	70	—	604	594	10
Puglia	72	4 145	128	110	17	832	752	80
Sicilia	70	5 170	178	177	1	1 075	1 009	66
Campania	69	5 844	161	154	7	706	595	112
Basilicata	67	621	141	140	1	871	848	23
Calabria	61	2 112	70	69	2	264	256	8
Multiregional			643	643	—	1 990	1 990	—
Luxembourg	169	404	96	96	—	177	174	2
Netherlands	105	15 381	393	285	109	2 000	1 636	364
West-Nederland	113	7 204	159	103	57	935	801	135
Noord-Nederland	102	1 619	3	—	3	25	—	25
Zuid-Nederland	101	3 395	24	—	24	443	322	120
Oost-Nederland	93	3 163	208	182	26	361	278	83
Multiregional			—	—	—	236	236	—

Table G: Breakdown of financing by region in 1997 and from 1993 to 1997 (continued)

(ECU million)

	GDP		1997			1993-1997		
	per cap.	Population	Total	Loans	Allocations	Total	Loans	Allocations
Austria	110	8 030	551	491	60	1 314	1 188	126
Ostösterreich	122	3 384	249	223	27	325	289	36
Südösterreich	87	1 769	156	150	6	256	239	17
Westösterreich	110	2 877	97	69	27	247	174	72
Multiregional			49	49	—	487	487	—
Portugal	67	9 902	1 352	1 322	30	6 336	6 170	166
Lisboa e Vale do Tejo	87	3 306	530	519	12	2 740	2 697	43
Norte	58	3 511	95	84	11	636	562	75
Algarve	74	344	9	9	—	98	91	7
Centro	55	1 714	31	26	5	87	59	27
Madeira	52	256	—	—	—	102	92	10
Alentejo	53	531	1	—	1	3	—	3
Açores	48	240	—	—	—	38	37	1
Multiregional			684	684	—	2 632	2 632	—
Finland	91	5 088	404	374	30	883	831	52
Uusimaa	119	1 302	62	60	1	87	83	3
Etelä-Suomi	86	1 791	135	124	11	198	184	15
Itä-Suomi	72	708	5	—	5	8	—	8
Väli-Suomi	79	707	80	76	4	89	76	13
Pohjois-Suomi	80	555	122	113	9	126	113	13
Ahvenanmaan Lääni	126	25	—	—	—	—	—	—
Multiregional			—	—	—	375	375	—
Sweden	98	8 781	912	901	11	2 036	1 969	66
Stockholm	125	1 697	64	64	—	301	298	3
Östra Mellansverige	88	1 495	39	39	—	53	48	5
Smaland Med Öarna	93	793	56	56	1	73	70	4
Sydsverige	91	1 252	290	284	6	695	661	35
Västsverige	95	1 754	221	216	4	254	239	16
Norra Mellansverige	91	866	—	—	—	4	—	4
Mellersta Norrland	96	397	—	—	—	—	—	0
Övre Norrland	95	526	—	—	—	47	46	1
Multiregional			242	242	—	608	608	—
United Kingdom	99	58 395	3 926	3 482	444	12 422	11 366	1 056
South East	117	17 832	1 144	1 059	85	2 875	2 685	190
East Anglia	100	2 101	117	102	15	790	745	45
Scotland	98	5 138	354	313	41	942	888	54
South West	95	4 785	187	150	37	293	219	74
East Midlands	93	4 097	247	196	51	485	399	86
West Midlands	90	5 308	364	333	31	869	784	85
Yorkshire and Humberside	87	5 032	366	332	34	1 188	1 089	99
North West	88	6 435	173	118	56	1 205	1 057	148
North	85	3 113	248	229	19	538	482	57
Wales	81	2 917	200	162	38	949	878	71
Northern Ireland	80	1 638	38	—	38	146	—	146
Multiregional			488	488	—	2 141	2 140	1
Other			184	184	—	1 404	1 404	—
Total		372 018	21 847	16 769	5 078	92 115	73 553	18 563

Table H: Conventions, financial protocols and decisions in force or under negotiation at 1 April 1998

(ECU million)

Agreement	Year of expiry	Loans from own resources ⁽¹⁾	Operations mounted from budgetary resources		Total	
			Risk capital operations ⁽²⁾	Grant aid ⁽³⁾		
ACP States - OCT						
ACP	2nd Financial Protocol	2000	1 658	1 000	11 967 ⁽⁴⁾	14 625
OCT	Fourth Lomé Convention Council Decision	2000	35	30	135 ⁽⁴⁾	200
South Africa	Council Decision	2000	375	—	—	375
Mediterranean Countries ⁽⁵⁾						
Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, Gaza and West Bank	Euro-Mediterranean Partnership	2000	2 310	200 ⁽⁶⁾	3 424.5 ⁽⁷⁾	5 734.5
Turkey	Special financial cooperation measure not yet in force	2000	750	—	—	750
Malta	Fourth Financial Protocol	1998	30	2	13	45
Cyprus	Fourth Financial Protocol	1998	50	2	22	74
Central and Eastern European Countries						
Hungary, Poland, Slovak Republic, Czech Republic, Bulgaria, Romania, Estonia, Latvia, Lithuania, Albania, Slovenia	Council Decision	2000	3 520	—	4 564 ⁽⁸⁾	8 084
Former Yugoslav Republic of Macedonia	Financial Protocol	2000	150	—	20 ⁽⁹⁾	170
Asian and Latin American Countries	Council Decision	2000	900	—	—	900
Pre-Accession Facility ⁽¹⁰⁾	Council Decision	2000	3 500	—	—	3 500

(1) Loans attracting interest subsidies from the European Development Fund in the case of projects in the ACP States and the OCT and from the Community budget in the case of environmental projects in the Mediterranean countries. Amounts required for interest subsidies are financed from grant aid.

(2) Granted and managed by the EIB.

(3) Granted and managed by the European Commission.

(4) Including amounts reserved for interest subsidies on EIB loans.

(5) Balances remaining under earlier financial protocols or the entire amounts originally provided for may be drawn on concomitantly.

(6) Indicative amount, drawn from the provision for grant aid in the next column.

(7) Including amounts reserved for risk capital operations and for interest subsidies on EIB loans in favour of environmental projects.

(8) PHARE Programme for the period 1996 - 1999, managed and administered by the Commission.

(9) Reserved for interest subsidies on EIB loans for infrastructure projects which are of interest both to the Community and to FYROM. Assistance from the PHARE Programme is also available to FYROM.

(10) For countries which have applied for membership of the European Union, i.e. Hungary, Poland, Slovak Republic, Czech Republic, Bulgaria, Romania, Estonia, Latvia, Lithuania, Slovenia and Cyprus.

Table I: Financing provided outside the European Union in 1997

(ECU million)

	Resources						Sector	
	Total	own	budgetary	Energy	Communications	Water management and sundry	Industry Services	Global loans
ACP-OCT	60	41	19	39	3	—	2	16
Africa	50	37	13	35	3	—	2	10
West	35	34	1	34	—	—	1	—
East	10	—	10	—	—	—	—	10
Southern	4	3	1	1	3	—	—	—
Central and Equatorial	1	—	1	—	—	—	1	—
Caribbean	4	—	4	—	—	—	—	4
Pacific	2	—	2	—	—	—	—	2
OCT	4	4	—	4	—	—	—	—
SOUTH AFRICA	199	199	—	45	—	—	—	154
MEDITERRANEAN	1 122	1 086	36	346	310	265	65	136
Algeria	335	335	—	335	—	—	—	—
Tunisia	145	130	15	—	90	40	—	15
Egypt	138	131	7	—	85	—	50	3
Morocco	135	135	—	—	85	50	—	—
Lebanon	131	131	—	11	20	100	—	—
Turkey	95	95	—	—	—	45	—	50
Jordan	70	60	10	—	30	—	—	40
Cyprus	55	55	—	—	—	30	—	25
Gaza	15	14	1	—	—	—	15	—
Malta	3	—	3	—	—	—	—	3
CENTRAL and EASTERN EUROPEAN COUNTRIES (CEEC)	1 486	1 486	—	70	804	520	47	45
Czech Republic	540	540	—	—	340	200	—	—
Poland	355	355	—	—	—	320	—	35
Slovak Republic	262	262	—	—	262	—	—	—
Romania	142	142	—	35	60	—	47	—
Bulgaria	60	60	—	—	60	—	—	—
Slovenia	45	45	—	—	45	—	—	—
Hungary	35	35	—	35	—	—	—	—
Latvia	20	20	—	—	20	—	—	—
Estonia	20	20	—	—	10	—	—	10
Lithuania	7	7	—	—	7	—	—	—
ASIA, LATIN AMERICA (ALA)	378	378	—	93	75	65	105	40
Asia								
Philippines	97	97	—	72	25	—	—	—
Indonesia	55	55	—	—	—	55	—	—
Pakistan	21	21	—	21	—	—	—	—
Latin America								
Brazil	55	55	—	—	—	—	55	—
Mexico	50	50	—	—	—	—	50	—
Peru	50	50	—	—	50	—	—	—
Andean Pact	40	40	—	—	—	—	—	40
Uruguay	10	10	—	—	—	10	—	—
Total	3 244	3 190	55	593	1 192	850	219	391

Table J: Financing provided in the ACP States and the OCT from 1993 to 1997
Breakdown by country and sector

(ECU million)

	Resources							Sector
	Total	own		Energy	Communications	Water management and sundry	Industry Services	Global loans
		budgetary						
ACP Group	85.0	70.0	15.0	—	—	—	—	85.0
AFRICA	1 039.7	517.8	521.9	380.9	177.9	122.4	166.0	192.4
<i>West Africa</i>	295.6	146.5	149.1	151.7	29.9	15.0	88.0	11.0
Ghana	75.7	74.0	1.7	74.0	—	—	0.7	1.0
Côte d'Ivoire	54.7	36.0	18.7	37.6	6.0	—	7.1	4.0
Mali	47.7	35.0	12.7	5.3	—	—	41.6	0.9
Guinea	41.0	1.5	39.5	25.0	—	—	16.0	—
Burkina Faso	31.0	—	31.0	9.8	13.0	—	8.2	—
Senegal	19.6	—	19.6	—	3.4	15.0	0.6	0.6
Cape Verde	7.0	—	7.0	—	5.0	—	2.0	—
Guinea-Bissau	5.2	—	5.2	—	2.5	—	2.7	—
Regional	4.6	—	4.6	—	—	—	4.6	—
Nigeria	3.6	—	3.6	—	—	—	1.1	2.5
Mauritania	3.5	—	3.5	—	—	—	3.5	—
Benin	2.0	—	2.0	—	—	—	—	2.0
<i>Central and Equatorial Africa</i>	38.6	18.5	20.1	26.1	10.5	—	2.0	—
Cameroon	21.9	8.0	13.9	20.5	—	—	1.4	—
Gabon	11.1	10.5	0.6	—	10.5	—	0.6	—
São Tomé and Príncipe	5.6	—	5.6	5.6	—	—	—	—
<i>East Africa</i>	222.6	45.1	177.5	28.5	45.8	—	28.0	120.3
Kenya	78.9	35.0	43.9	5.5	—	—	0.1	73.3
Ethiopia	54.0	—	54.0	—	35.0	—	9.0	10.0
Uganda	43.6	10.1	33.5	—	—	—	18.6	25.0
Tanzania	33.3	—	33.3	23.0	—	—	0.3	10.0
Eritrea	8.0	—	8.0	—	8.0	—	—	—
Djibouti	2.8	—	2.8	—	2.8	—	—	—
Seychelles	2.0	—	2.0	—	—	—	—	2.0
<i>Southern Africa</i>	453.0	277.7	175.3	174.6	61.7	107.4	48.0	61.2
Zimbabwe	97.8	79.0	18.8	67.0	—	—	13.8	17.0
Botswana	71.4	66.9	4.5	13.6	—	50.4	3.4	4.0
Mauritius	65.0	63.0	2.0	—	37.0	28.0	—	—
Mozambique	52.9	20.0	32.9	40.0	—	—	12.9	—
Namibia	47.7	43.8	3.9	—	24.7	14.0	0.9	8.0
Zambia	44.5	—	44.5	18.0	—	—	6.0	20.5
Malawi	30.0	—	30.0	15.0	—	15.0	—	—
Lesotho	23.0	5.0	18.0	20.0	—	—	—	3.0
Swaziland	12.5	—	12.5	—	—	—	7.5	5.0
Madagascar	7.2	—	7.2	—	—	—	3.5	3.7
Comoros	1.0	—	1.0	1.0	—	—	—	—
<i>Multiregional Project</i>	30.0	30.0	—	—	30.0	—	—	—
CARIBBEAN	338.7	255.0	83.7	124.7	71.0	44.0	15.0	84.1
Jamaica	98.0	93.0	5.0	9.0	60.0	7.0	—	22.0
Trinidad and Tobago	57.6	53.5	4.1	45.0	—	—	8.6	4.1
Bahamas	34.0	34.0	—	20.0	—	14.0	—	—
Regional	32.0	20.0	12.0	—	4.0	—	—	28.0
Dominican Republic	31.0	8.0	23.0	15.0	—	—	—	16.0
Barbados	30.0	30.0	—	20.0	—	10.0	—	—
Guyana	13.3	—	13.3	—	—	7.8	5.0	0.5
Saint Lucia	11.5	10.0	1.5	8.0	—	—	0.5	3.0
Haiti	8.0	—	8.0	—	—	—	—	8.0
Belize	6.5	2.5	4.0	3.7	—	—	0.3	2.5
Grenada	5.8	4.0	1.8	4.0	—	1.8	—	—
Saint Vincent & the Grenadines	5.0	—	5.0	—	5.0	—	—	—
Antigua	3.4	—	3.4	—	—	3.4	—	—
Saint Christopher & Nevis	2.0	—	2.0	—	2.0	—	—	—
Suriname	0.7	—	0.7	—	—	—	0.7	—
PACIFIC	81.8	53.7	28.1	12.0	11.7	—	46.4	11.7
Papua New Guinea	62.0	41.0	21.0	12.0	—	—	46.0	4.0
Fiji	8.4	8.0	0.4	—	8.0	—	0.4	—
Tonga	5.7	4.7	1.0	—	3.7	—	—	2.0
Solomon Islands	2.0	—	2.0	—	—	—	—	2.0
Regional	1.7	—	1.7	—	—	—	—	1.7
Western Samoa	1.5	—	1.5	—	—	—	—	1.5
Tuvalu	0.5	—	0.5	—	—	—	—	0.5
Total: ACP States	1 545.2	896.5	648.7	517.6	260.6	166.4	227.4	373.2
OCT	37.6	15.5	22.1	5.9	6.0	—	3.2	22.5
Grand total	1 582.8	912.0	670.8	523.5	266.6	166.4	230.5	395.7

Table K: Financing provided in South Africa from 1993 to 1997
Sectoral breakdown

(ECU million)

	Sector					
	Total	Energy	Communications	Water management and sundry	Industry Services	Global loans
South Africa	300	101	—	—	—	199
Total	300	101	—	—	—	199

Table L: Financing provided in the Mediterranean Countries from 1993 to 1997
Breakdown by country and sector

(ECU million)

	Sector							
	Total	Resources		Energy	Communications	Water management and sundry	Industry Services	Global loans
		own	budgetary					
Algeria	910	910	—	670	130	60	50	—
Egypt	714	692	22	55	85	90	431	53
Morocco	661	641	20	140	250	161	—	110
Lebanon	456	453	3	72	155	226	—	3
Turkey	435	435	—	134	76	175	—	50
Tunisia	376	353	23	15	148	140	—	73
Jordan	195	183	12	20	75	48	5	47
Cyprus	148	146	2	—	12	72	—	64
Israel	108	108	—	—	—	35	—	73
Gaza/West Bank	94	87	7	—	23	30	15	26
Malta	31	28	3	—	6	22	—	3
Regional	9	—	9	—	—	—	—	9
Total	4 137	4 035	101	1 106	960	1 059	501	512

Table M: Financing provided in the Central and Eastern European Countries from 1993 to 1997
Breakdown by country and sector

(ECU million)

	Sector					
	Total	Energy	Communications	Water management and sundry	Industry Services	Global loans
Czech Republic	1 475	355	820	200	100	—
Poland	1 471	180	715	378	—	198
Hungary	602	55	317	—	—	230
Romania	592	145	370	—	47	30
Slovak Republic	587	185	352	—	—	50
Bulgaria	231	—	201	—	—	30
Slovenia	195	—	195	—	—	—
Lithuania	108	10	88	—	—	10
Estonia	88	7	61	—	—	20
Latvia	51	6	20	15	—	10
Albania	46	12	29	—	—	5
Total	5 446	955	3 168	593	147	583

Table N: Financing provided in Asia and Latin America from 1993 to 1997
Breakdown by country and sector

(ECU million)

	Sector					
	Total	Energy	Communications	Water management and sundry	Industry Services	Global loans
Argentina	167	46	45	76	—	—
Philippines	145	72	50	—	23	—
Indonesia	101	46	—	55	—	—
Pakistan	81	81	—	—	—	—
Peru	77	—	77	—	—	—
Chile	75	—	75	—	—	—
Thailand	58	58	—	—	—	—
China	55	55	—	—	—	—
India	55	55	—	—	—	—
Brazil	55	—	—	—	55	—
Mexico	50	—	—	—	50	—
Costa Rica	44	44	—	—	—	—
Regional (Andean Pact)	40	—	—	—	—	40
Paraguay	17	—	—	17	—	—
Uruguay	10	—	—	10	—	—
Total	1 030	457	247	158	128	40

Table O: Resources raised in 1997

Month of issue	Place of issue	Subscription currency	Characteristics	Amount (million) Currency	Amount (million) ECU	Life (years)	Coupon (%)	
Medium and long-term operations (before swaps)								
PUBLIC BORROWING OPERATIONS								
January	Germany	DEM		500	257	7	6.000	
	Spain	ESP	(1)	10 000	61	5	6.125	
February	Spain	ESP	(1)	11 150	68	20	22.021	
	Spain	ESP	(1)	15 000	91	10	6.790	
	Luxembourg	NZD		100	56	5	7.000	
	Luxembourg	FRF	(3)	1 500	229	10	4.500	
	Luxembourg	ITL		1 000 000	523	7	variable	
	Switzerland	CHF		500	296	10	4.000	
	Germany	DEM		71	36	30	zero coupon	
	Germany	DEM		288	148	20	zero coupon	
	Germany	DEM		400	205	5	4.500	
	Germany	DEM	(1)	125	64	5	variable	
	Germany	DEM	(1) (3)	150	77	10	8.000	
	Spain	ESP		4 409	27	4	4.300	
	Spain	ESP	(1)	5 279	32	4	4.300	
	Spain	ESP	(1)	5 279	32	4	4.350	
	Spain	ESP	(1)	5 279	32	4	4.450	
	Spain	ESP	(1)	5 279	32	4	4.500	
	Spain	ESP	(1)	10 558	64	4	4.400	
	Spain	ESP	(1) (3)	14 000	85	10	7.280	
	Italy	ITL		1 000 000	523	7	variable	
	Luxembourg	EURO	(2)	1 000	1 000	7	5.250	
Luxembourg	ITL	(1)	300 000	157	3	variable		
Luxembourg	ITL	(1)	750 000	392	10	7.000		
Luxembourg	AUD		100	64	5	7.000		
Luxembourg	LUF		2 000	50	10	6.000		
Luxembourg	ITL	(1)	500 000	261	5	6.200		
Netherlands	NLG	(2)	1 000	458	10	5.750		
Portugal	PTE	(1) (3)	10 000	51	7	5.820		
United Kingdom	GBP		150	203	8	6.000		
United Kingdom	GBP		500	678	5	7.250		
March	Germany	DEM		100	51	5	4.500	
	Denmark	DKK		200	27	7	4.000	
	Spain	ESP		15 000	91	10	6.500	
	Spain	ESP	(1)	6 250	38	4	4.000	
	Spain	ESP		6 250	38	4	4.300	
	Spain	ESP		6 250	38	4	4.350	
	Spain	ESP		6 250	38	4	4.400	
	Spain	ESP		6 250	38	4	4.450	
	Spain	ESP		6 250	38	4	4.500	
	Spain	ESP		6 250	38	4	4.550	
	Spain	ESP		5 000	30	4	4.300	
	Luxembourg	EURO	(2)	300	300	7	5.250	
	Luxembourg	FRF	(2)	3 000	457	10	5.750	
	Luxembourg	FRF	(3)	1 400	213	10	4.250	
	Portugal	PTE	(2)	20 000	102	10	5.750	
	United Kingdom	JPY	(1)	14 000	96	3	5.460	
	April	Germany	DEM	(2)	1 000	512	10	5.750
		Germany	DEM	(1) (3)	50	26	10	8.000
		Germany	DEM		300	154	5	4.750
		Denmark	DKK		300	40	8	4.000
Spain		ESP		2 500	15	5	4.300	
Spain		ESP		2 500	15	5	4.320	
Spain		ESP		2 500	15	5	4.340	
Spain		ESP		2 500	15	5	4.360	
Spain		ESP		2 500	15	5	4.300	
Spain		ESP		2 500	15	5	4.350	
Spain		ESP		2 500	15	5	4.400	
Spain		ESP		2 500	15	5	4.450	
Spain		ESP		2 500	15	5	4.500	
Spain		ESP		2 500	15	6	4.550	
Spain		ESP	(1)	9 500	57	5	5.800	
Luxembourg		DKK	(1)	400	54	8	5.000	
Luxembourg		ITL	(1)	250 000	128	10	7.000	
Luxembourg		USD		500	430	10	7.250	
Luxembourg		AUD		100	67	5	7.250	
Luxembourg		ZAR		100	19	5	14.625	
Luxembourg	USD		300	258	4	6.625		

Table O: Resources raised in 1997 (continued)

Month of issue	Place of issue	Subscription currency	Characteristics	Amount (million) Currency	Amount (million) ECU	Life (years)	Coupon (%)
May	Spain	ESP		10 000	60	10	6.500
	Japan	JPY		30 000	209	3	5.600
	Luxembourg	ZAR	(1)	200	39	3	variable
	Luxembourg	FRF		3 000	456	5	variable
	Luxembourg	ITL		150 000	77	5	6.200
	United Kingdom	GBP	* (2)	500	700	11	7.625
June	Switzerland	CHF		150	89	6	3.000
	Germany	DEM	(1)	53	27	2	variable
	Hong Kong	HKD		500	55	7	7.270
	Luxembourg	ITL	(1)	250 000	128	10	7.000
	Luxembourg	FRF		1 200	182	10	5.105
	Luxembourg	USD		300	258	12	6.875
	Luxembourg	ZAR		150	29	5	14.750
	Luxembourg	FRF		500	76	15	5.955
	Portugal	PTE	(1)	10 000	51	5	5.750
	United Kingdom	GBP		250	350	10	7.625
	July	Germany	DEM		500	254	6
Spain		ESP		2 500	15	4	4.300
Spain		ESP		2 500	15	4	4.320
Spain		ESP		2 500	15	4	4.340
Spain		ESP		2 500	15	4	4.360
Spain		ESP	(1)	10 000	60	11	5.750
Greece		GRD	(1)	20 000	64	3	variable
Luxembourg		DKK	(1)	400	53	5	5.500
Luxembourg		ITL	(1)	250 000	130	5	6.200
Luxembourg		FRF	(2)	3 000	452	12	5.750
Luxembourg		ZAR		150	29	10	14.000
Luxembourg		ITL	(2)	1 500 000	780	10	9.000
United Kingdom		CZK		1 000	27	4	11.500
Switzerland		CHF		300	182	10	3.500
August		Luxembourg	USD		200	177	7
	Luxembourg	ITL	(2)	300 000	156	10	9.000
September	Germany	DEM		250	127	6	5.000
	Luxembourg	ITL	(1)	200 000	104	5	6.200
	Portugal	PTE		15 000	75	4	5.250
	United Kingdom	JPY	(1)	50 000	387	10	2.125
	United Kingdom	CZK	(1)	1 000	27	3	12.750
October	Germany	DEM	(2)	1 000	509	6	5.250
	Hong Kong	HKD		1 000	115	4	6.808
	Spain	ESP		40 000	241	10	5.000
	Greece	GRD	(1)	30 000	97	5	variable
	Italy	ITL		750 000	390	5	variable
	Luxembourg	ZAR		150	29	5	14.000
	Luxembourg	ITL	(1)	500 000	260	5	variable
	Luxembourg	ZAR		100	19	10	13.750
	Luxembourg	USD		500	449	5	6.125
	Luxembourg	USD	(1)	100	90	10	7.000
	Portugal	PTE	(1) (3)	15 000	75	8	variable
	November	Spain	ESP	(1)	3 000	18	5
Spain		ESP	(1)	3 000	18	5	5.080
Spain		ESP	(1)	3 000	18	5	5.090
Spain		ESP	(1)	3 000	18	5	5.100
Spain		ESP	(1)	3 000	18	5	5.110
Spain		ESP	(1)	3 000	18	5	5.120
Japan		JPY		30 000	222	4	3.000
Luxembourg		ITL	(2) (3)	750 000	390	6	variable
Luxembourg		ZAR		500	96	5	13.500
Luxembourg		ITL	(1) (3)	300 000	156	10	10.250
Luxembourg		USD		1 000	898	5	variable
Luxembourg		LUF	(2)	2 000	49	6	5.250
Luxembourg		USD		250	225	5	6.125
United Kingdom		GBP		500	725	5	variable

Table O: Resources raised in 1997 (continued)

Month of issue	Place of issue	Subscription currency	Characteristics	Amount (million) currency	Amount (million) ECU	Life (years)	Coupon (%)
December	Germany	DEM	(1)	300	153	4	4.750
	Spain	ESP	(1)	3 000	18	4	5.360
	Spain	ESP	(1)	3 000	18	4	5.370
	Spain	ESP	(1)	3 000	18	4	5.380
	Spain	ESP	(1)	3 000	18	4	5.390
	Spain	ESP	(1)	3 793	23	4	5.410
	Spain	ESP	(1)	3 793	23	4	5.420
	Italy	ITL		500 000	260	7	4.750
	Luxembourg	DKK	(1)	400	53	5	5.500
	Luxembourg	USD	(1)	250	225	2	4.500
	Luxembourg	ITL	(1) (3)	600 000	312	12	12.000
	Luxembourg	SEK	(1)	800	95	6	6.000
	United Kingdom	JPY	(1)	25 000	185	3	5.000
	United Kingdom	GBP		150	218	7	6.000
144 operations				22 482			

(1) MTN; (2) Euro-tributary; (3) Transformable fixed/variable rate

* Although this issue includes euro-tributary fungibility clauses, the coupon and maturity are in line with Gilts.

PRIVATE BORROWING OPERATIONS

1	ITL	330 491	173	zero coupon
8	JPY	40 761	280	variable-5.56
1	FIM	100	17	4.990
1	NLG	150	68	variable
1	DEM	100	51	variable
12 operations (of which 9, medium-term)		589		

Total **23 071**

N.B.: Zero coupon issues are calculated on the basis of the nominal amount multiplied by the issue price.

Table P: Resources raised (after swaps) from 1993 to 1997

(ECU million)

	1993		1994		1995		1996		1997	
	amount	%	amount	%	amount	%	amount	%	amount	%
European Union Currencies										
ECU/EURO (*)	960	6.8	300	2.1	400	3.2	500	2.8	(*) 1 300	5.6
DEM	1 948	13.7	2 051	14.5	2 397	19.3	5 285	30.1	3 437	14.9
FRF	1 811	12.7	1 153	8.1	342	2.8	655	3.7	2 590	11.2
GBP	2 639	18.6	1 518	10.7	996	8.0	2 168	12.4	2 875	12.5
ITL	2 039	14.3	2 560	18.1	3 343	27.0	4 398	25.1	5 044	21.9
BEF	—	—	752	5.3	—	—	19	0.1	—	—
NLG	227	1.6	661	4.7	145	1.2	84	0.5	17	0.1
DKK	—	—	53	0.4	—	—	88	0.5	134	0.6
IEP	125	0.9	177	1.2	135	1.1	102	0.6	58	0.3
LUF	100	0.7	201	1.4	193	1.6	65	0.4	99	0.4
GRD	—	—	36	0.3	149	1.2	97	0.6	161	0.7
ESP	1 241	8.7	948	6.7	1 574	12.7	2 034	11.6	2 599	11.3
PTE	243	1.7	584	4.1	1 004	8.1	358	2.0	1 092	4.7
ATS	—	—	59	0.4	—	—	—	—	—	—
SEK	—	—	—	—	77	0.6	191	1.1	189	0.8
FIM	—	—	—	—	18	0.1	34	0.2	45	0.2
Total	11 333	79.7	10 994	77.7	10 774	86.9	16 078	91.6	19 639	85.3
of which: fixed	9 886	69.5	8 188	57.9	5 720	46.1	8 970	51.1	10 242	44.5
of which: floating	1 447	10.2	2 806	19.8	5 054	40.8	7 108	40.5	9 397	40.8
Non-Union Currencies										
USD	1 502	10.6	1 659	11.7	528	4.3	698	4.0	2 211	9.6
CHF	453	3.2	856	6.0	323	2.6	165	0.9	566	2.5
JPY	657	4.6	580	4.1	771	6.2	580	3.3	541	2.4
CAD	278	2.0	—	—	—	—	—	—	—	—
ZAR	—	—	—	—	—	—	33	0.2	68	0.3
Total	2 891	20.3	3 154	22.3	1 622	13.1	1 476	8.4	3 387	14.7
of which: fixed	2 808	19.7	2 448	17.3	1 338	10.8	1 156	6.6	2 116	9.2
of which: floating	83	0.6	706	5.0	284	2.3	320	1.8	1 271	5.5
GRAND TOTAL	14 224	100.0	14 148	100.0	12 395	100.0	17 553	100.0	23 025	100.0
of which: fixed	12 695	89.2	10 636	75.2	7 058	56.9	10 126	57.7	12 358	53.7
of which: floating	1 529	10.8	3 512	24.8	5 338	43.1	7 427	42.3	10 668	46.3
Medium and long-term operations										
- Public borrowing operations	14 080	99.0	12 779	90.3	12 080	97.5	17 066	97.2	22 438	97.5
- Private borrowing operations	144	1.0	1 369	9.7	315	2.5	487	2.8	587	2.5
of which medium-term notes	—	—	50	0.4	829	6.7	2 989	17.0	5 377	23.4

(*) As from 1997, ECU issues superseded by euro-denominated issues with issue price and coupon initially payable in ECUs, pending introduction of the single currency.

Table Q: Resources raised in ECU (*) from 1981 to 1997

(ECU million)

Year	Fixed-rate borrowings		Floating-rate borrowings			Total	Raised in ECU (A)	Total raised (B)	A/B as %
	Before swaps	After swaps	After swaps	Commercial paper	Certificates of deposit				
1981	85	85	—	—	—	—	85	2 310	3.7
1982	112	112	—	—	—	—	112	3 205	3.5
1983	230	230	—	—	—	—	230	3 619	6.4
1984	455	455	—	—	100	100	555	4 361	12.7
1985	720	720	—	—	—	—	731	5 709	12.8
1986	827	897	—	—	—	—	897	6 786	13.2
1987	675	807	—	—	—	—	807	5 593	14.4
1988	959	993	83	—	253	335	1 328	7 666	17.3
1989	1 395	1 526	75	200	38	313	1 839	9 035	20.4
1990	1 272	1 255	—	500	10	510	1 765	10 996	16.1
1991	1 550	1 550	450	500	—	950	2 500	13 672	18.3
1992	1 130	1 130	807	—	—	807	1 937	12 974	14.9
1993	650	500	460	—	—	807	960	14 224	6.8
1994	300	—	300	—	—	300	300	14 148	2.1
1995	400	200	200	—	—	200	400	12 395	3.2
1996	650	500	—	—	—	—	500	17 553	2.8
1997	1 300	1 300	—	—	—	—	1 300	23 025	5.6
Total	12 710	12 260	2 375	1 200	400	4 321	16 246	167 271	9.7

1985 includes 10.6 million in third-party participations in Bank loans.

(*) As from 1997, ECU issues superseded by euro-denominated issues with issue price and coupon initially payable in ECUs, pending introduction of the single currency.

Conversion rates

The conversion rates used by the EIB during each quarter for recording statistics of its financing operations – contract signatures and disbursements – as well as of its borrowings are those obtaining on the last working day of the previous quarter; in 1997, these were as follows:

		31.12.1996 1st quarter 1997	31.03.1997 2nd quarter 1997	30.06.1997 3rd quarter 1997	30.09.1997 4th quarter 1997
1 ECU =	ECU				
Belgian franc	BEF	40.10210	40.27720	40.65260	40.57440
Danish krone	DKK	7.44655	7.43775	7.50109	7.48771
Deutsche Mark	DEM	1.94653	1.95206	1.97019	1.96612
Greek drachma	GRD	309.502	308.684	310.621	310.728
Spanish peseta	ESP	164.167	165.605	166.486	166.060
French franc	FRF	6.56193	6.57598	6.64193	6.60354
Irish pound	IEP	0.745342	0.740711	0.748706	0.764949
Italian lira	ITL	1 913.72	1 948.34	1 923.35	1 921.48
Luxembourg franc	LUF	40.1021	40.2772	40.6526	40.5744
Netherlands guilder	NLG	2.18472	2.19591	2.21790	2.21465
Austrian Schilling	ATS	13.69650	13.73980	13.86310	13.83680
Portuguese Escudo	PTE	195.968	196.414	198.884	200.251
Finnish markka	FIM	5.81640	5.79553	5.87612	5.88343
Swedish krona	SEK	8.62800	8.80732	8.74694	8.43766
Pound sterling	GBP	0.737273	0.713901	0.678570	0.689591
United States dollar	USD	1.25299	1.16173	1.13002	1.11300
Japanese yen	JPY	145.849	143.578	129.308	134.873

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

The Stock Market (cover and p. 3), La Vie du Rail (pp. 8, 86), Fiat (p. 9), REE (p. 9), Telefónica España (p. 9), BEGAS (p. 10), Alicante University (p. 15), Image Bank (p. 15), EC (pp. 23, 93), BENELUX Press (pp. 27, 84), Leppin Maschinenbau/SADE (p. 28), Sue Cunningham (pp. 36, 101), FLT Pica Press/P. Mens (p. 87), KWG (p. 89), SWM-Verkehrsbetriebe München (p. 89), SMAE (p. 92), Cargolux (p. 94), Lehti Kuva Oy (p. 97), Texaco (p. 98); other photographs and illustrations: EIB photographic library.

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EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB), the financing institution of the European Union, was created by the Treaty of Rome. The members of the EIB are the Member States of the European Union, who have all subscribed to the Bank's capital.

The EIB enjoys its own legal personality and financial autonomy within the Community system. The EIB's mission is to further the objectives of the European Union by providing long-term finance for specific capital projects in keeping with strict banking practice.

It thereby contributes towards building a closer-knit Europe, particularly in terms of economic integration and greater economic and social cohesion.

As an Institution of the Union, the EIB continuously adapts its activity to developments in Community policies.

As a Bank, it works in close collaboration with the banking community both when borrowing on the capital markets and when financing capital projects.

The EIB grants loans mainly from the proceeds of its borrowings, which, together with "own funds" (paid-in capital and reserves), constitute its "own resources".

Outside the European Union, EIB financing operations are conducted principally from the Bank's own resources but also, under mandate, from Union or Member States' budgetary resources.

Objectives

- Within the European Union, projects considered for EIB financing must contribute towards one or more of the following objectives:
- supporting the activities of small and medium-sized enterprises;
 - extending and modernising infrastructure in the health and education sectors as well as assisting urban renewal, under the Amsterdam Special Action Programme in support of growth and employment.
 - fostering the economic advancement of the less favoured regions;
 - improving European transport and telecommunications infrastructure;
 - protecting the environment and the quality of life, promoting urban development and safeguarding the Community's architectural and natural heritage;
 - attaining Community energy policy objectives;
 - enhancing the international competitiveness of industry;
- Outside the Union, the EIB contributes to European development aid and cooperation policies in accordance with the terms and conditions laid down in the various mandates entrusted to it under agreements linking the Union to more than 120 third countries in Central and Eastern Europe, the Mediterranean region, Africa - including South Africa -, the Caribbean and the Pacific, Asia and Latin America.

The Financing Institution of the European Union

Projects eligible for financing

What types of project?

EIB loans may be granted to public or private borrowers in support of projects in all sectors of the economy, ranging from communications, environmental and energy infrastructure to industry, services and agriculture.

The EIB finances large-scale projects (upwards of ECU 25 million) by means of individual loans 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.

To what extent?

As a complementary source of financing, the EIB contributes to only part of the investment costs (up to 50%, as a 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.

What criteria apply?

The EIB assesses the project's consistency with Community policies, 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

What decision-making procedures?

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 Commission.

What 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.

What 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.

What 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.

DEN EUROPÆISKE INVESTERINGSBANK
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EUROPEAN INVESTMENT BANK
BANCO EUROPEO DE INVERSIONES
BANQUE EUROPEENNE D'INVESTISSEMENT
BANCA EUROPEA PER GLI INVESTIMENTI
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ISBN 92-828-3197-3



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