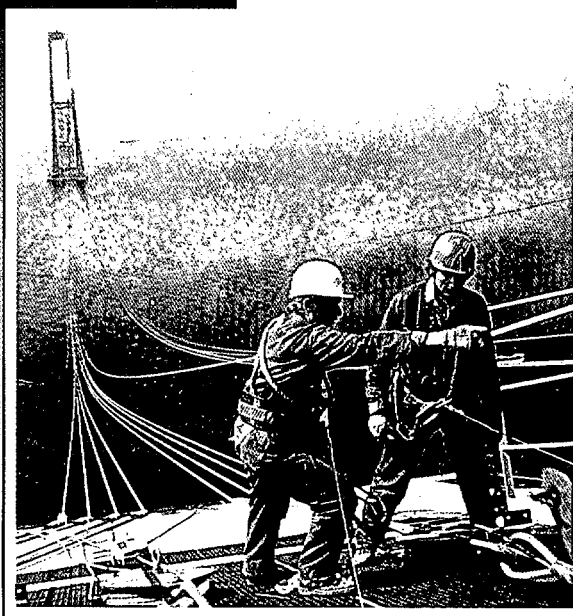


1996



ANNUAL REPORT



EUROPEAN INVESTMENT BANK
The European Union's financing institution

THE MISSION OF THE EUROPEAN INVESTMENT BANK

Our mission is to further the objectives of the European Union by making long-term finance available for sound investment.

- **We are at the service of the Union.**

We were created by the Treaty of Rome; our shareholders are the Member States; and our Board of Governors is composed of the Finance Ministers of these States.

- **We provide service and value-added**

- through our appraisal and follow-up of investment projects and programmes.

To receive our support, projects and programmes must be viable in four fundamental areas: economic, technical, environmental and financial. We appraise each investment project thoroughly and follow it through to completion.

- through our financing.

Through our own lending operations and our ability to attract other financing, we widen the range of funding possibilities. Through our borrowing activities, we contribute to the development of capital markets throughout the Union.

- **We offer first-class terms and conditions.**

Our financial soundness derives from the strength and commitment of our shareholders, the independence of our professional judgements and our record of achievement. It enables us to borrow at the finest terms, which we pass on in our lending conditions.

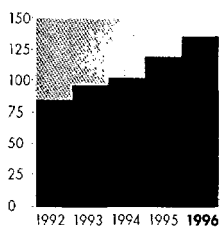
- **We work in partnership with others.**

Our policies are established in close coordination with the Member States and the other Institutions of the European Union. We also cooperate closely with the business and banking sectors and the main international organisations in our field.

- **We attract qualified and multi-lingual staff from all the Member States.**

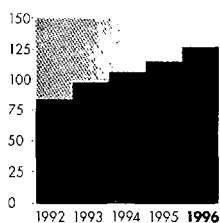
We are motivated by our direct participation in the construction of Europe.

Balance sheet



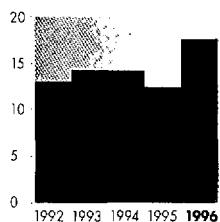
Strong growth in the balance sheet :
14.4% in 1996 after 5.9% in 1995

Outstandings



Aggregate own-resource loans
outstanding amount to 204%
of subscribed capital

Resources



The EIB confirms its position, in 1996,
as the world's leading multilateral borrower

NB: Bar charts in ECU billion.

KEY DATA

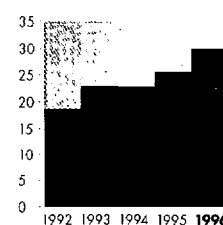
(ECU million)	1996	1995
Contracts signed	23 240	21 408
Within the European Union	20 946	18 603
Outside the European Union	2 294	2 805
- <i>Africa, Caribbean, Pacific</i>	396	430
- <i>South Africa</i>	56	45
- <i>Mediterranean</i>	681	1 038
- <i>Central and Eastern Europe</i>	1 116	1 005
- <i>Asia, Latin America</i>	45	288
Loans approved	30 004	25 664
Within the European Union	27 322	23 071
Outside the European Union	2 705	2 593
Disbursements	20 394	16 881
From own resources	20 265	16 749
From other resources	129	132
Resources raised	17 553	12 395
Community currencies	16 078	10 774
Non-Community currencies	1 475	1 622
Outstandings		
Loans from own resources	126 621	114 636
Guarantees	392	390
Financing from budgetary resources	3 044	3 492
Short, medium and long-term borrowings	96 649	87 079
Reserves and profit for the financial year	13 320	12 177
Balance sheet total	135 721	118 724
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>	948	897

Contracts signed



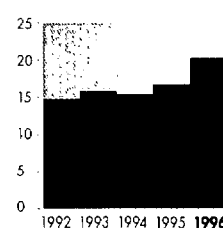
For the second year in a row, significant growth in volume

Approvals



Loans approved during the financial year reach a record high of 30 billion

Disbursements



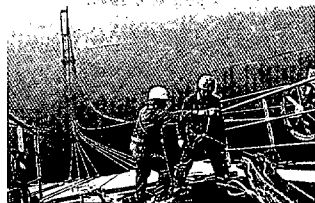
Increase in aggregate disbursements in 1996 of 20.9%

ANNUAL REPORT



EUROPEAN INVESTMENT BANK

39th ANNUAL REPORT OF THE EUROPEAN INVESTMENT BANK



	Page
Mission Statement	
Message from the President	5
The EIB, the European Union's financing institution	7
1996: Overview	7
Serving European Union objectives	8
Financing provided within the European Union	18
Breakdown by Community policy objective	22
Operations outside the European Union	36
Africa, Caribbean, Pacific	37
South Africa	39
Mediterranean Countries	39
Central and Eastern European Countries	43
Asia and Latin America	45
Resources raised	46
EIB borrowing operations on the financial markets	47
Liquidity management	57
Decision-making bodies, administration and staff	58
Decision-making bodies	59
Administration and structure	63
Annual accounts and results for the financial year	68
Balance sheet and financial statements	70
Report by the External Auditors	88
Statement by the Audit Committee	89
Annexes	
Geographical breakdown of lending	
- Within the European Union	90
- Outside the European Union	106
Statistical tables	112

MESSAGE FROM THE PRESIDENT

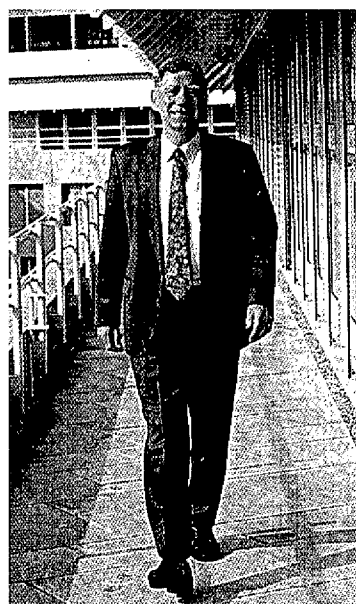
In 1996, as we approach the decisive phase of preparation for economic and monetary union, the European Investment Bank maintained its strong practical support for European economic integration.

Total lending, of which 90% occurred within the Member States of the Union, amounted to over ECU 23 billion; and to finance this the Bank raised the equivalent of over ECU 18.5 billion by bond issues on the international capital markets.

As a European Union institution and the world's largest non-sovereign borrower, a priority objective of the EIB is to further the preparations for transition to a single currency. Following the decisions of the Madrid summit, it was the first - in February 1996 - to issue a bond with a clause explicitly guaranteeing conversion on the basis of one ECU for one Euro, just as 11 months later it placed the very first issue denominated in Euros. Moreover, its subsequent programme of Euro-tributary issues in the various currencies of the Union but providing for redenomination in Euros is already contributing to the progressive emergence of a well-stocked and liquid Euro market.

The nature and distribution of the Bank's lending activity is further evidence of its contribution to the success of economic and monetary union. In 1996 well over two thirds of the EIB's lending in the Union went to finance investment projects in the less prosperous regions. At the same time the Bank committed more than a further ECU 6 billion to the trans-European transport, energy and telecommunications networks, which have a decisive role to play in opening up remote areas and progressively eliminating regional disparities. The Bank remains the largest single financier of these networks, having lent some ECU 33 billion for this purpose since 1993 for capital investment representing three times that amount.

In the course of 1996, the Bank also continued to promote investment in support of other European Union priority economic objectives. Over two thirds of its loans went to finance investment protecting the environment, meeting the Union's energy requirements, enhancing industrial competitiveness or underpinning small and medium-sized enterprises (SMEs). Indeed, EIB loans to SMEs, channelled through almost 130 banks and financial institutions in every country of the Union, helped to finance over 11 000 small or medium-sized productive investment schemes. This illustrates well the EIB's increasing cooperation with the banking sector. The EIB now relies for almost half its operations on close collaboration with banks, so as to maximise the impact of the long-term finance it



can make available. By this cooperation it can often act as a catalyst in arranging effective financing packages, well matched to the needs of the projects it supports.

EIB lending outside the European Union in 1996 amounted to ECU 2.3 billion, including 1.1 billion in Central and Eastern Europe, and largely exhausted the existing mandates which expired at the end of the year. The new generation of mandates, which were agreed by the Ecofin Council in January 1997, will bring to more than ECU 7 billion the volume of financing available for commitment, between now and January 2000, in Central and Eastern Europe, the non-member Mediterranean countries, the countries in Africa, the Caribbean and the Pacific who are signatories to the Lomé Convention, South Africa, Asia and



Latin America. Thus, the Bank is now well placed to enhance its contribution to the economic development of these partner countries of the Union. Moreover, it will shortly be introducing an additional "pre-accession" lending facility for the countries of Central and Eastern Europe which have begun formal accession negotiations with the Union, thereby enabling them to take greater advantage of the EIB's capital base while preparing for integration.

As the Bank starts its fortieth year of operation, its contribution to European integration will continue to be based on a sound financial structure and portfolio of first-class projects. With the support of its managing bodies, the skills and dedication of its staff and the experience gained from participating in numerous large-scale investment projects inside and outside the Union, the EIB, as in the past, will ensure that its products and operations are adapted to the requirements and expectations of European integration, the guarantor of stability and well-being for the peoples of our continent.

Sir Brian Unwin
President and Chairman of the Board of Directors

THE EIB, THE EUROPEAN UNION'S FINANCING INSTITUTION



1996: OVERVIEW

The task of the European Investment Bank, the European Union's financing institution, is to contribute by means of its long-term loans towards the integration, balanced development and economic and social cohesion of the Member Countries. • Outside the Union it implements the financial components of agreements concluded under European development aid and cooperation policies. • To this end, the EIB raises on the capital markets substantial volumes of funds which it directs on the most favourable terms towards financing capital projects according with the objectives of the Union.

In 1996, in a climate characterised by the desire to establish in Europe a macro-economic framework favourable to economic and monetary union, the European Investment Bank expanded its activity, advancing loans for a total of ECU 23.2 billion ⁽¹⁾, up from 21.4 billion during the previous financial year.

Throughout the year, the EIB was particularly active on the capital markets. Authorised to raise up to 18.6 billion, it launched 123 **borrowing operations** in 22 different currencies, garnering 17.6 billion (12.4 billion in 1995); it thus built further on its role as intermediary and financial catalyst, working closely with Europe's banking community. The operations floated in 1996 include in particular the first borrowing in ECUs with an explicit clause providing for redemption in Euros on a basis of 1 ECU for 1 Euro.

This growth in activity demonstrates the EIB's capacity to give strong support to the Union's priorities and objectives. Furthermore, the Bank is contributing to preparations for entry into force of the third phase of economic and monetary union. The volume of borrowing and lending confirms the EIB's leading position among multilateral financing institutions.

Finance contracts signed amounted to 20.9 billion - an increase of 12.6% - for projects within the European Union, with funds going in particular to regional development, which attracted 70% of financing, trans-European transport and energy networks and environmental projects. The Bank also continued to devote particular efforts to developing its operations in the new Member Countries.

Activity outside the Union was influenced by the process of renewal by the Union's decision-making bodies of the various mandates and, in certain regions, by a climate depressing the level of investment. Operations outside the EU ran to 2.3 billion, using up the balance of the funds remaining under the various mandates expiring during the financial year.

Disbursements, climbing strongly, totalled 20.4 billion (+ 21%), of which 19.1 billion in the Member States.

The some 250 investment projects appraised by the Bank's departments in 1996 served to register, for the second year in a row, a substantial rise in **approvals**, which reached 30 billion. Consequently, the stock of **loans approved and awaiting signature** recorded an appreciable increase, climbing from 22.6 billion at end-1995 to 30 billion.

At the end of 1996, **outstanding lending** from own resources came to 126.6 billion, or 204% of subscribed capital. **Total outstanding borrowings** amounted to 96.6 billion. **The balance sheet totalled** 135.7 billion, a rise of 14.4%.

Disbursements, contracts signed and projects approved (1986-1996)



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



The EIB ... serving European Union objectives

The determination, confirmed by successive European Councils, to complete the transition to the third stage of Economic and Monetary Union and to secure the introduction of the Euro as from 1 January 1999, was a key element in shaping the terms of reference for the economic and financial policies of the Union and its Member States.

The Dublin European Council of 13-14 December 1996 established political agreement on all the factors essential for the introduction of the single currency: the legal framework for the use of the Euro; the stability and growth pact; the structure of the new exchange rate mechanism for Member States not initially forming part of the Euro area. The same European Council also confirmed the timetable for the completion of the Intergovernmental Conference and the start of negotiations, six months later, with the countries seeking to join the Union. These developments hold out prospects both for the deepening and for the broadening of the Union.

As a major partner in the building of Europe, by virtue of its specific mission, its experience and its professionalism, the EIB has reaffirmed its ability to make a full contribution to achieving the ambitions and objectives of the Union.

Through the long-term financing it provides, the Bank supports the implementation of quality investment projects, promoting balanced growth and better integration of Europe's regions and helping to strengthen industrial competitiveness. Its prime concern is to ensure that its operations further the wellbeing and advancement of the Union's citizens.

As a committed player in the building of Europe, the EIB participates in the preparation and implementation of many Community policy decisions.

In this context, the President of the EIB has conveyed the viewpoints of the Bank at meetings of the Council of the Union, bringing to the debates its knowledge of economic realities and the expertise gained through the financing of major projects in a wide range of sectors of the economy. This applied in particular to questions relating to implementation of the trans-European networks, renewal of external lending mandates and redefinition of the level of Community guarantees for operations outside the Union.

In order to increase and enhance the information provided to Europe's elected representatives, a meeting, now formally instituted as an annual event, took place with the European Parliament under the responsibility of its Committee on Economic and Monetary Affairs and in association with the other committees concerned, on lending policies and planned developments in the activity of the EIB. This exchange of views builds on and strengthens the contacts long maintained between members of the Management Committee and the parliamentary committees more directly concerned with the Bank's operations.

Many coordination and programming meetings were also held with representatives of the European Commission, at both Management Committee and departmental levels. This inter-institutional cooperation, like the bilateral contacts the Bank maintains with authorities in the Member States, enables it to optimise the direction and structure of its operations in the service of European Union objectives.

***A leading
player
in the process of
European integration ...***

**... paving the way for
Economic and Monetary
Union**

The completion of Economic and Monetary Union (EMU) and introduction of the single currency will be an important milestone in European integration and will bring about a major change in the EIB's environment. As a bank and an institution of the Union, the EIB will be closely involved in the transition to the third stage of EMU, to which it is henceforth fully committed through its borrowing and lending operations.

The EIB's contribution to the success of the single currency stems directly from the mission of the Bank and is reinforcing its support for balanced regional development and added cohesion within the Union.

As the top multilateral financing institution in terms of the volume of its borrowings and loans, the EIB is well placed to underpin the introduction of the Euro, to benefit from the opportunities presented and to confront the challenges thrown up at this crucial stage in the building of Europe. The EIB has been the first non-sovereign borrower explicitly to commit itself to converting its outstanding ECU-denominated debt into Euros at the rate of one ECU for one Euro as soon as the third stage of EMU comes into effect.

The Dublin European Council of December 1996 definitively confirmed the general framework for the economic and financial policies of the Union and all its Member States. The legal framework for the use of the Euro gives the market the signals it needs and helps to prepare for the transition to the single currency on time. In ensuring that the public finances of the states expected to make up the Euro area remain sound over the long term, the stability and growth pact will guarantee monetary stability and facilitate continued low interest rates, which will in turn favour investment, growth and employment. The structure of the new exchange rate mechanism will help to encourage all Member States of the European Union to join the Euro area and protect the single market from monetary uncertainty.

The European Parliament, in its resolution on Economic and Monetary Union of 18 April 1996, notes that better economic and social cohesion is the Union's overriding objective. It nevertheless recognises that the achievement of EMU may initially increase the disparities between Member States in the Euro area and those which remain outside. For this reason, Parliament calls for an integrated cohesion strategy, geared to both the implementation of Economic and Monetary Union and the achievement of regional and all other Community policies involved.

The need to maintain strong regional and structural policies, with a view to greater convergence between economies, has been restated many times by the Council.

The likely contraction in public-sector investment in the interests of maintaining a certain budgetary discipline, offset by an increase in investment by the private sector or by public-private partnerships in support of infrastructure projects, will strengthen the role of the EIB. The Bank already has a proven track record in backing such projects, having put together in conjunction with other guarantors and intermediaries a great many financial packages tailored to the specific needs of schemes of this type and their promoters.

In order to play its role to optimum effect, the Bank will continue to develop its action in the various Member States without distinction as to their monetary status and, as an intermediary and financial facilitator, will adapt its lending instruments and its borrowing strategy to this new environment.

Accordingly, the Bank will continue, through its borrowing operations, to make a significant contribution towards the growth of the financial markets and the introduction of the Euro (see pages 52-53).

As the Union's bank each year raising large volumes of funds, mostly (92% in 1996) in Community currencies, the EIB is set to become one of the main issuers in Euro, alongside the leading sovereign issuers. It is forging a borrowing strategy aimed at speeding up the creation of a critical mass of operations denominated in Euro, or destined to be redenominated in Euro as from 1999. In this context, the building-up of a fungible and liquid stock of benchmarks will be fostered by the conversion into Euro of all the debt instruments already issued by the Bank, convertible into that currency and covering the entire yield curve.

.....

The EIB devotes most of its lending activity - 70% in 1996 - to the correction of regional imbalances. In 1996, Objective 1 areas absorbed 49% of financing in support of regional development, 41% was concentrated on Objective 2, 5(b) and 6 areas and 10% benefited multiregional projects (see pages 24-25).

With the aim of optimising the combined impact of loans and Community grant aid and of ensuring optimum allocation of available resources, the EIB is concerned to strengthen cooperation with two of the major structural facilities funded from budgetary resources, the European Regional Development Fund (ERDF) and the Cohesion Fund.

During the year just ended, 20% of total lending by the Bank in areas eligible for structural assistance involved cofinancing arrangements. On average, the rate of cofinancing amounted to 28% over the period 1989-1995.

In some sectors, the availability of Community grants makes it possible to speed up project implementation, whereas in others, as suggested by the First Cohesion Report published by the Commission at the end of 1996, "EIB activity seems to have been limited by the (too) ready availability of EU grants".

At the same time, the Bank is continuing to apply the financial mechanism introduced within the context of the European Economic Area (EEA) and funded by the Community budget as well as by the countries of the European Free Trade Association participating in the EEA. With an amount of 500 million in grants and 2% interest rebates on EIB loans totalling 1.5 billion, this mechanism - for the period 1994 to 1998 - is assisting investment in the fields of the environment, transport, education and SMEs in Greece, Portugal, the island of Ireland and the underprivileged regions of Spain. By the end of 1996, the EIB had drawn on the facility as to 52% for interest rebates and allocated 58% of the grants.

**Regional development
at the heart of the
EIB's activities**

The Bank is also participating in the joint action to support the peace and reconciliation initiative in the island of Ireland. Global loans concluded with eight local banks enabled some 120 million to be made available in 1996 for 233 SMEs on either side of the border.

Finally, in order to contribute towards developing innovative financing instruments, the EIB helped to set up the "Merseyside Special Investment Fund", covering one of the Objective 1 areas in the North West of the United Kingdom. This Fund uses loans and equity participations to further the growth of small businesses as well as job creation, combining local funding, resources from the ERDF and loans from the EIB, the latter being covered by a guarantee from the European Investment Fund (EIF).

.....

It was the wish of the Florence European Council that convergence within EMU and between regions inside and outside the Euro area, coupled with increased economic and social cohesion and structural policy adjustment should gear structural policies more to job creation and especially support for SMEs, particularly in cooperation with the EIB.

Measures specifically tailored to small businesses

The threefold problem of growth, competitiveness and employment, which remains in the forefront of the European Union's priorities, has led to unanimous recognition among the bodies of the Union that small and medium-sized enterprises have a crucial role to play.

In this context, the Commission in April 1996 drew up a ground plan for action in support of SMEs. Strengthening their competitiveness is one of the most appropriate ways of dynamising the productive base and combating unemployment.

Hence the EIB has for almost thirty years been developing global loans in partnership with some 130 banks and financial institutions in close touch with the realities and needs of the businesses they serve.

Through this facility, illustrating the principles of additionality and subsidiarity by which the EIB's action is guided, the Bank in 1996 succeeded in channelling 2.6 billion to over 11 000 productive ventures undertaken by enterprises of this type including in particular job-creating ventures (see page 35). This activity made it possible to maintain support for SMEs at a high level, on a par with the marked growth recorded in 1995.

Good communications and efficient **trans-European networks** help to make industry more competitive, boost employment and promote the integration of peripheral or isolated areas.

The Florence European Council of 21-22 June 1996 hailed the advances achieved in this area.

Continued support for Trans-European networks, the infrastructure of the Twenty-First Century

Adoption of the directive on the interoperability of high-speed rail systems, publication of a communication on a new maritime strategy, the white paper to revitalise the Community's railways and an action programme in support of intermodal freight transport systems were all important

stages in development and refinement of the regulatory framework at Union level.

At the same time, efforts were deployed to promote partnerships between the private and public sectors. Under the chairmanship of Mr Neil Kinnock, Member of the Commission, a high-level working group was set up in September 1996, consisting of personal representatives of European Transport Ministers and representatives of transport-sector operators, equipment manufacturers and European financial institutions. The EIB is participating in this group through its Vice-President whose particular remit covers questions relating to trans-European networks.

The work of this group focuses on the removal of financial, legal and administrative obstacles still holding up implementation of trans-European transport network schemes, notably priority projects, and creation of partnerships between the public and private sectors.

The telecommunications liberalisation policy, a key factor in the rapid growth of the information society, has also undergone major development, involving in particular the adoption of a directive laying down 1 January 1998 as the date for the complete opening up of this market to competition.

The approval in May 1996 by the Council and the European Parliament of a set of policy guidelines on trans-European energy networks was intended to promote interconnection, interoperability and development of these networks and establishment of an internal market in electricity and gas.

The aim of the priorities mapped out is to link hitherto separate electricity and gas networks with the interconnected European grid and to develop new links, both between member countries and with non-member countries in Europe and the Mediterranean. At the same time, the introduction of natural gas to new regions will be promoted.

The EIB has maintained its strong support for the financing of European communications and energy transmission infrastructure in line with its mission and, more especially, the commitments assumed following the Edinburgh and Essen European Councils. In 1996, it advanced 10.7 billion in loans, including 1.9 billion for priority TENs projects (see pages 27-28).

In order to finance these projects, whenever necessary, the EIB has made use of the facilities offered by its "special TENs window" (see page 27), coordinating its action with the structural instruments of the Union - in particular the Cohesion Fund and the ERDF - which contribute budgetary resources towards funding of trans-European networks.

Having appraised and participated in financing all European-scale projects, the EIB endorses the view that delays to these projects are mainly due to planning problems and administrative difficulties. As a general rule, access by either the public or the private sector to loan funding does not constitute a major obstacle to implementation of the networks.

It is only when, despite clear macro-economic advantages, projects offer poor financial return that budgetary constraints can curb more dynamic progress on these projects.

Because of the Central and Eastern European countries' increasing integration and the prospect of enlargement of the Union, the EIB is according priority to the extension of TENs. It is attaching special importance to loans for projects located in the nine transport corridors identified by the Pan-European Conference in Crete in December 1994 and to telecommunications projects. In the course of its activity in this region, the EIB has forged close coordination with the PHARE programme.

Seeking to reconcile economic growth with protection of the environment, the Union and its Member States over the past 20 years have adopted more than 200 directives aimed at improving air and water quality, encouraging better methods of waste disposal and recycling, evaluating risks as-

sociated with certain production processes and safeguarding the environment in general.

Integration of environmental considerations into the various Community policies was considerably strengthened by the adoption in 1993 of the Fifth Action Programme "Towards Sustainability". The review of this programme in 1996 calls for its activities to be concentrated on certain priority areas: water management, integrated waste disposal with the emphasis on producer responsibility, air quality and the abatement of nuisance caused by road transport.

Given its active presence in all these sectors, the EIB possesses sound expertise, built up over the years, in all the countries of the Union and in many non-member countries (see pages 32-33). Over the past five years it has devoted on average 30% of its operations to financing projects aimed primarily at protection of the environment: water management and urban development have accounted for two thirds of these. Bearing in mind the Bank's commitment to improving the quality of life, the level of operations supporting environmental protection is likely to increase over coming years.

In 1996 environmental aspects were also included in the structured dialogue with the Central and Eastern European countries, aimed at bringing their legislation up to Community standards and preparing them to take on board the legacy of Community regulations and decisions.

Guided by the constant concern, both within and outside the Union, to assist projects with a high environmental input, the EIB has continued and expanded its contribution to initiatives and programmes at regional and international level. For example, the "Mediterranean Environmental Technical Assistance Programme" (METAP), set up jointly in 1988 by the World Bank and the EIB with the support of the

Over 30 billion in loans for trans-European networks since 1993 for capital investment totalling 120 billion

Reconciling respect for the environment with sustainable growth in the Union and adjacent regions

European Commission and the United Nations Development Programme (UNDP), has made it possible over the past four years to finance some twenty feasibility studies in nine countries. These have helped to pinpoint or carry out investment totalling close on 1.7 billion (see page 40). The third stage provides the framework for increased commitment on the part of the Bank.

In view of the serious environmental problems affecting the Baltic, the EIB has since 1992 been participating in the "Joint Comprehensive Action Programme" pursued by the countries around its seaboard (see Annual Report 1995, page 44). The EIB will continue to underpin coordinated action on environmental problems. Through the Joint Programme, no fewer than 132 major sources of pollution have been identified, and viable solutions have been devised for ten of them, bringing compliance with current Community standards. The Bank is prepared to help put together financial packages comprising loans, rebates and national and Community grant aid to assist far-reaching action on a regional scale. These environmental aspects will form an integral part of the proceedings of the next EIB Forum, to be held in Stockholm in October 1997 (see page 16).

Aware of the importance of greater information and transparency, the EIB has continued its series of annual meetings with NGOs in the Union and neighbouring countries, active proponents of environmental protection. It has also published and widely distributed its "Environmental Policy Statement".

There were significant developments in European Union cooperation with the associated countries in Central and Eastern Europe, with forthcoming enlargement in prospect. In 1996 Slovenia, with which a Europe Agreement has been concluded, and the Czech Republic sought membership, in-

creasing to ten the number of countries which have formally applied to join the Union.

The Dublin European Council voiced satisfaction with implementation of the pre-accession strategy laid down by previous Councils in Essen and Madrid. It also confirmed the initial timetable for the start of these negotiations, six months after the end of the Intergovernmental Conference scheduled for June 1997.

In addition, the summit of Heads of State or Government of the Baltic States, meeting in Visby on 3-4 May, recorded its agreement to the proposals drawn up by the Commission, at the request of the Madrid European Council, to strengthen democracy, political stability and economic development in this region.

The priorities of this strengthened regional cooperation are integration of transport and telecommunications systems into the trans-European networks, interconnection of gas and electricity grids and tightening-up of environmental protection measures.

Giving effect to these lines of action, which coincide with the EIB's priority areas, will serve to boost the role of the Bank in the process of regional integration and will help to stem, or even reverse, environmental degradation in the Baltic and the industrial regions along its shores.

The Bank has supported redevelopment of the Central and Eastern European countries, deploying in full the loan packages totalling 4.8 billion, for which it had accepted the mandate. The loans advanced are sustaining efforts to redirect and integrate the economies of these countries, particularly by assisting projects with a cross-border dimension, which extend trans-European networks and seed partnerships in industry. The President of the Bank also reported on EIB activity and outlined future developments at the annual meeting, in Graz on 8-9 November 1996, of Heads of Government of the countries forming the Central and Eastern European Initiative.

The financial package for the new three-year mandate (31.01.1997-31.01.2000) will enable the EIB to step up its action through loans, attracting a Community guarantee, amounting to 3.5 billion.

Moreover the Bank has given a positive response to the suggestion of the Council on 27 January 1997 that the EIB set up a substantial pre-accession support facility, financed from the Bank's own resources and deployed without cover from the Community guarantee for operations outside the Union. The facility will enter into force as soon as possible with a view to future accessions.

**Central and Eastern Europe:
from transition
to market economy to
pre-accession**

EIB action in the region will be pursued in combination and in conjunction with the financial means available under the various Community funds and schemes, particularly the PHARE programme, as well as with inputs by EU Member States' financing institutions and by the European Bank for Reconstruction and Development (EBRD).

.....

In October 1996, the Council adopted a policy paper specifying the positions of the European Union on support for the peace process in the states emerging out of the former Yugoslavia. This paper draws special attention to the importance the Union attaches to full observance of the peace agreements.

When the time is right, the EIB will join with other agencies in supporting the reconstruction process, concentrating its resources on rehabilitation of basic infrastructure.

.....

During the year, the Union and its financing institution, the EIB, launched the ambitious Euro-Mediterranean partnership, the foundations for which were laid by the Barcelona Conference at the end of 1995. As well as maintaining a dialogue on political matters, the participants are pursuing a major programme of economic and financial partnership in preparation for the progressive establishment of a vast free trade area by the year 2010.

In addition to the various ministerial conferences held, 1996 saw adoption of the MEDA regulation laying down the legal framework for the Union's cooperation arrangements with its 12 Mediterranean partners. The Euro-Mediterranean agreements with Morocco and Tunisia were signed and negotiations continued on similar agreements with Algeria, the Palestinian Authority, Egypt, Jordan, Lebanon, Israel and Syria.

Since introduction of the Redirected Mediterranean Policy, which includes a major horizontal financial cooperation component, the EIB has been supporting the emergence of new regional cooperation schemes, strengthening stability throughout the area. Investment financed includes a variety of energy, water treatment and communications projects and industrial partnerships.

In order to encourage the development of the private sector and to promote joint ventures between local and European operators, the EIB also offers risk-capital financing drawn from the Union's budgetary resources. Anxious to adapt these arrangements to the needs of the productive sector and to assist the growth of a local banking sector capable of giving impetus to domestic development, the Bank in 1996 was instrumental in creating a venture capital company in Morocco, as well as in setting up in Morocco, Tunisia and Cyprus financial mechanisms open to the entire banking sector in those countries.

***In the Mediterranean:
effective support for the
development of a
balanced partnership***

The EIB intends to maintain its commitment to the creation and fostering of development capital companies, investment funds and merchant banks serving as new financial vehicles for countries on the southern and eastern shores of the Mediterranean, thereby giving concrete expression to the spirit of the Barcelona Conference within its own sphere of activity.

The new mandate for the twelve non-member countries in the Mediterranean region, covering the period from end-January 1997 to end-January 2000, will enable the EIB to continue the action it first launched over 20 years ago in the field of long-term lending.

Overall, the 2.3 billion in loans covered by this mandate, backed by a Community guarantee, together with the 3.4 billion in grant aid decided by the Cannes European Council for the period 1995-1999 and bilateral financial contributions from Member States, will offer scope for cooperation and integration on a more ambitious scale.

The timetable for opening accession negotiations with Cyprus and Malta was confirmed in June by the Florence European Council. Following parliamentary elections, the new Maltese Government chose to put the application for accession to the Union on hold.

The entry into force of the Customs Union between the European Union and Turkey on 31 December 1995 and the new outlook for relations between Turkey and the Union prompted the EIB to resume its operations in support of projects of regional

**"The Mediterranean:
Working In
Partnership"**

EIB FORUM 1996

The new momentum apparent in relations among the countries of the Mediterranean rim since the Barcelona Conference inspired the EIB to make partnership between Europe and the Mediterranean the theme of its Forum 1996, which was held on 24 and 25 October in Madrid. As the European Union's bank and financing institution, the EIB has an important part to play in promoting fruitful regional cooperation and establishing a Euro-Mediterranean economic area as the cornerstone of sustainable development accompanied by peace and stability.

Some twenty prominent speakers attended the Forum together with over 350 delegates drawn from banking, industry, politics and international institutions to discuss the prospects and challenges of this partnership, what has to be done to ensure better protection of the environment, the importance of transregional projects that create bonds of common interest, and the need to develop the financial sector so that it can support economic and social development.

The discussions highlighted the importance which all the participants from the two sides of the Mediterranean attach to this new partnership, founded on mutual respect and acceptance of the interests of each party yet recognising their diversity, as the prerequisite for economic, social and cultural progress based on dialogue between societies.

The Forum stressed that if these goals are to be attained the riches and potential of the whole region will need to be harnessed within the framework of a free trade area, to be introduced gradually and extended to all spheres by the year 2010. This area of shared prosperity will be the fruit of a joint enterprise in which the Mediterranean countries on one side will undertake economic reforms, restructure, invest and develop their human resources while the countries on the northern shores for their part will provide sustained financial assistance coupled with expertise.

To turn this project into reality the EIB, as the main source of multilateral funding for the countries on both sides of the Mediterranean, remains committed to stepping up its role. The amount of resources it is ready to lend to these countries (2 300 million by the year 2000) will complement the ECU 4.6 billion of grant aid which the Union has pledged to provide during the period 1996 to 1999 to assist in particular inter-regional links, private-sector joint ventures and environmental protection measures.

An improved environmental situation, particularly with regard to the management and treatment of water resources, must ensure that the benefits of a common approach rapidly percolate down to a large proportion of the region's people. Accordingly, the EIB used the opportunity provided by the Forum to confirm its commitment to assisting the Mediterranean environment in a triple North-South-transregional partnership.

The Forum also demonstrated that economic modernisation and advancement require appropriate debt and equity instruments. Liberalisation of the banking sector so as to bring in foreign investors, encourage the reflux of capital to the Mediterranean countries and attract institutional investors was identified as a major factor in development, and practical ways of achieving these ends were addressed. Discussion of these issues has been continued and subsequently extended to other fora such as the "First Euro-Mediterranean Banking Forum" held in Tunis in December 1996.

The next EIB Forum, focusing on the problems of integration and regional cooperation in northern Europe including the Baltic Sea, is to be held in Stockholm in October 1997.

The proceedings of the EIB Forum 1996 are obtainable from the Information and Communications Department, fax 4379-3188.



**EIB Forum 1997
Stockholm**

benefit, under the horizontal cooperation component of the Redirected Mediterranean Policy.

However tensions occurring in the region in 1996 prevented release of the additional amounts planned under the EU - Turkey special financial co-operation arrangements.

Long-term measures to support the development of the ACP countries and the OCT ...

In Africa, the Caribbean and the Pacific, activity in 1996 made it possible to commit in full amounts available under agreements reaching expiry. EIB action over coming years will be pursued within the context of the Financial Protocol to the revised Fourth Lomé Convention, spanning the period 1996-2000, ratification of which is under way. As authorised by its Board of Governors on 31 October 1995, the EIB will be able to grant loans from its own resources up to a total of 1 693 million in the 70 countries signatory to the Convention. Added to this amount are 1 billion in risk capital from budgetary resources provided by the European Development Fund (EDF) and 370 million in interest subsidies managed by the EIB.

By decision of its Board of Governors of 19 June 1995, the EIB was authorised to assist South Afri-

ca's commitment to the democratic process with a package of loans worth 300 million, to be spread over two years, thereby contributing to development and stability in the region. The new mandate for South Africa, totalling 375 million, will enable firm support to be given for projects specified in the South African Reconstruction and Development Programme over the period 1997-2000.

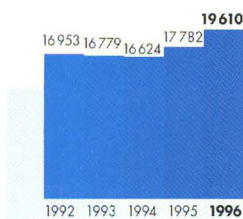
... and the reconstruction programme in South Africa

.....

In Asia and Latin America, the 750 million earmarked under the mandate expiring at the end of February 1996 was to a large extent committed by that date. On 2 December 1996, an interim mandate for 275 million was set up covering the period until commencement of the new three-year mandates which the Bank has accepted for the countries of Central and Eastern Europe, the Mediterranean and Asia and Latin America.

Increase in loans for Asia and Latin America

Since 31 January 1997 the loan package totalling 900 million, available for the second mandate in support of countries in Asia and Latin America, has given the Bank scope for increased commitment to projects of mutual benefit, in certain cases involving partnerships with operators from countries in the Union.



FINANCING PROVIDED WITHIN THE EUROPEAN UNION

Amount provided: Financing in the countries of the European Union amounted to 19 810 million in 1996. It covered, on the one hand, 192 projects financed by individual loans under contracts signed during the year (15 366 million) and, on the other, 13 033 allocations from global loans concluded during the year or in previous years (4 444 million). • This operational presentation of activity is employed for the breakdown by sector and objective. It also serves to illustrate the distribution of global loans according to purpose. • It differs from the list of finance contracts signed (20 946 million in 1996) as given in the annex highlighting the geographical breakdown of financing operations, which covers individual loans (15 366 million) and global loans concluded with intermediaries during the year (5 580 million) for commitment over a number of years.

The year 1996 saw a levelling-off in lending for communications infrastructure, a definite revival of funding for the environment - water management and urban development works - as well as for energy, and a slight loss of momentum in financing for industry, where the renewed uptrend in individual loans was insufficient to make up fully for the decline in allocations from global loans. Support channelled through global loans concluded during the year, meanwhile, increased by a substantial 7%.

Detailed figures on the sectoral breakdown of financing are contained in Table E on page 114 of the annexes. The summary table below illustrates the main trends.

Financing by sector

	1996	1995
Infrastructure		
Communications	7 093	7 328
Water management and sundry	3 295	2 754
Energy	4 945	3 083
Industry, services, agriculture	4 477	4 617

Infrastructure, taken overall, recorded further growth, making up 77% of total activity.

Financing for communications remained at a high pitch owing to the very clear recovery in lending for the telecommunications sector, especially mobile telephone systems.

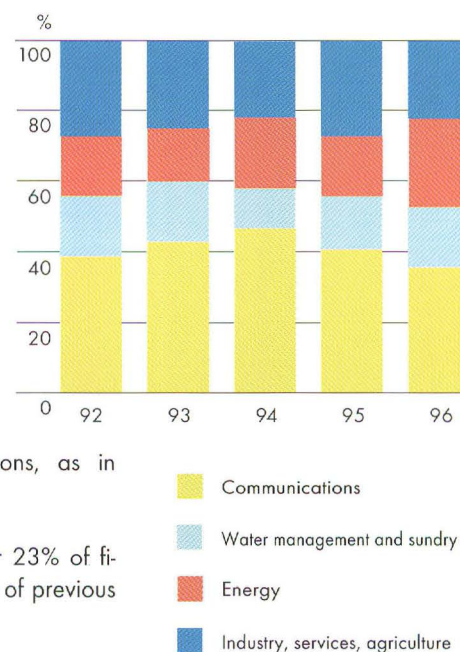
Leading recipients of financing for transport infrastructure were not only the priority trans-European networks (six of which attracted 1 189 million in 1996), but also various infrastructure schemes of European interest (trunk roads and railways, and ports) and air transport.

Environmental infrastructure absorbed a high proportion of loan finance notably for major multi-annual urban development programmes: in Italy (Venice and Rome) and Portugal (preparation of the site for the World Fair in Lisbon).

Lending for energy centred on the natural gas and electricity grids, including four priority TENs claiming 695 million, as well as on construction of waste-fired combined heat and power plants, in Italy, Denmark and Portugal, and lignite-fired power stations, as in Greece and Germany.

The productive sectors accounted for 23% of financing, thereby continuing the trend of previous years.

Sectoral breakdown of financing
1992 - 1996: 87.3 billion



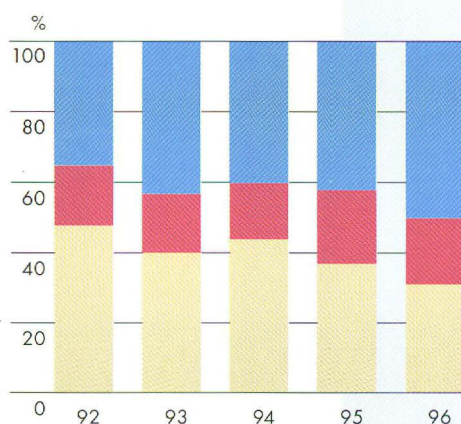
Cooperation with the banking sector...

Reinforced cooperation with the European banking community over the years is tangible proof of the EIB's application of the subsidiarity and additionality principles enshrined in the European Treaties. At the same time, this cooperation allows the EIB to give full rein to its role as an effective financial intermediary.

Since the early 1990s, the proportion of EIB activity involving financial institutions from the Member States has more than doubled. A growing share of EIB operations in the form of major individual loans is being deployed in conjunction with partner banks or banking syndicates, acting as guarantors or intermediaries. Loans granted to or guaranteed by banks have seen their share rise from 26% in 1990 to 40% in 1994 and then again to 50% in 1996. In parallel with this trend, the share of loans advanced to or guaranteed by States or public institutions fell back to 38% in 1995 and 31% in 1996.

With all the projects it supports, the Bank operates, under its Statute, according to the principle of complementary financing whereby a loan may not exceed 50% of investment cost. In practice, it bears only about one third of project cost⁽¹⁾, on average, with commercial banks most often being involved in the overall financing package.

Breakdown of guarantees for loans deployed in the union 1992 - 1996



Lending deployed in cooperation with the banking sector is embodied chiefly by the global loan facility, in operation for close on thirty years, under which a bank or local financial institution on-lends EIB funds to final beneficiaries. This facility accommodates the real needs and situation of investors, SMEs and local authorities, and is designed to support small or medium-scale ventures which it would be impractical for the EIB to appraise and finance directly through individual loans. There has been steady growth in global loans which, in recent years, have come to account for almost one quarter of activity within the Union.

Between 1992 and 1996, close on 49 000 small or medium-scale ventures attracted 17.5 billion for investment encompassing the full range of sectors, including 2.7 billion for around 13 000 schemes in 1996 alone. The level of activity attained means that the EIB can envisage working in partnership with certain established client institutions to finance a portion of their SME loan portfolio, thereby simplifying monitoring of these operations.

In its capacity as a borrower with a sought-after name on the capital and derivatives markets, the EIB has also forged solid links with the banking community in conjunction with the launching of its issues and management of its liquidity. This cooperation is set to intensify as, with the advent of EMU in prospect, the Bank gears up its borrowing strategy in support of introduction of the Euro (see pages 52 - 53).

The European Investment Fund (EIF), a public-private partnership set up in June 1994 and with capital subscribed by the EIB (40%), the European Commission (30%) and the banking sector (30%), furnishes long-term guarantees for large-scale infrastructure projects and SMEs. Since mid-November 1996, the Fund has also acquired equity stakes in SMEs, by backing intermediaries such as venture-capital funds which invest in the firms of a country or specific region. With a view to underpinning this investment, the EIF General Meeting has earmarked a maximum amount of ECU 75 million, to be disbursed between 1996 and 1998.

Guarantees signed since the Fund's inception run to ECU 1 505 million, of which 78% channelled into trans-European network projects, cofinanced by the EIB - 33% for transport, 33% for energy and 12% for telecommunications - (see page 27) and 22% made available to SMEs.

On 1 October 1996, Mr Thomas Oursin, former EIB Secretary General, was appointed Chairman of the EIF Financial Committee, as successor to Mr Georges Ugeux.

(1) Except in the case of supplementary environmental costs where the upper limit is set at 60%.

Impact on economic activity

The EIB, whose mission is to provide long-term investment financing to meet the priority objectives of the Union, operates in all the Member Countries and in a broad range of economic sectors. This very diversity makes it particularly difficult to quantify the precise impact of its operations on economic activity and employment. However, a number of yardsticks may still be advanced for gauging their effects.

Funding provided for projects within the European Union helped on average to underpin one third of their aggregate investment cost, which, on the basis of information from the promoters, can be estimated at some 60 billion in 1996. The latter breaks down as follows: 24 billion for communications infrastructure, 10 billion for environmental infrastructure, 15 billion for energy and 11 billion for the productive sectors.

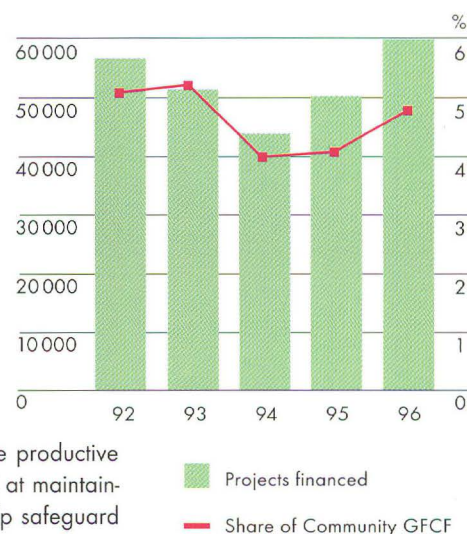
This capital investment corresponds to about 5% of overall investment, in terms of gross fixed capital formation (GFCF), in the fifteen countries of the Union.

During the past five years, aggregate capital investment to which the Bank has contributed can be put at some 262 billion, or approaching 5% of Community GFCF. This investment represents a substantial share of national GFCFs, notably in all the Cohesion Countries, where it averaged more than 10% (10% in Greece, 9% in Spain and 16% in Portugal).

The contribution made to job creation is an indirect spin-off from projects financed by the Bank. Whereas for infrastructure schemes, financing has only a temporary direct job-creating effect, in the productive sectors large-scale projects are aimed at maintaining European competitiveness and help safeguard existing employment areas.

Assistance channelled to small-scale ventures has a more direct impact on jobs. This is especially true of the support facility for job-creating SMEs (see page 35).

Total cost of projects financed by the EIB from 1992 to 1996 and share of Community GFCF



Sectoral breakdown of financing provided (1996)

(individual loans and allocations from ongoing global loans)

(ECU million)

	Total	Infrastructure			Industry Services Agriculture
		Communications	Water management and sundry	Energy	
Belgium	497	231	11	7	247
Denmark	674	589	24	15	46
Germany	3 031	97	1 017	924	993
Greece	730	310	—	379	41
Spain	2 523	1 037	499	539	447
France	2 310	1 632	156	3	519
Ireland	107	38	18	—	51
Italy	3 912	171	819	1 637	1 285
Netherlands	516	236	—	140	141
Austria	400	185	—	26	189
Portugal	1 288	614	178	489	7
Finland	245	234	1	—	10
Sweden	868	697	58	111	2
United Kingdom	2 305	619	514	674	499
Other (Art.18)	403	403	—	—	—
Total	19 810	7 093	3 295	4 945	4 477
(of which allocations)	(4 444)	(597)	(939)	(279)	(2 630)
%	100	36	17	25	23

Breakdown by Community policy objective

To contribute to the balanced development of the Union by backing economically-justified projects while adhering to rigorous banking practice: this is the mission entrusted to the EIB. In accomplishing its task, the Bank has constantly adapted to developments in Community policies.

A number of projects simultaneously serve several objectives. Operations are therefore presented in such a way as to provide successive pictures of activity and the figures given in this section, particularly the tables, cannot therefore be meaningfully added together.

The remit specific to the EIB not shared by other financial institutions is to support investment serving a Community objective. The "eligibility" criterion requires that projects financed contribute to **regional development** or be of **common interest** to several Member States (Article 198e of the EC Treaty).

Regional development

In order to promote economic and social cohesion within the Union, the EIB consistently assigns priority to financing investment in those regions in which development is lagging behind - Objective 1 areas for the purposes of assistance from the Community Structural Funds - or which are facing industrial or agricultural conversion problems - Objective 2 and 5(b) areas - or the Arctic areas covered by Objective 6. It devotes over two thirds

of its financing to this goal, generally in conjunction with the Community's Funds.

Common interest

In keeping with the concept of common interest, the Bank takes into account objectives resulting from Community policies. The projects in question must:

- contribute, as in the case of trans-European communications networks, to the development of trade between Member States and with countries outside the Union;
- help diversify energy supplies and promote rational use of natural resources;
- accommodate citizens' concerns about the environment and quality of life;
- boost the competitive standing of European industry, including that of SMEs.

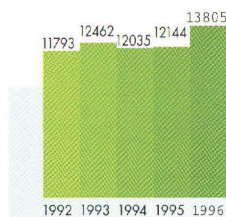
Breakdown by Community policy objective of financing provided (1996)⁽¹⁾

(individual loans and allocations from ongoing global loans)

(ECU million)

	Regional development	European communications infrastructure	Environment and quality of life	Energy objectives	International competitiveness	SMEs
Belgium	236	222	10	7	—	247
Denmark	397	540	88	29	—	46
Germany	2 297	450	1 334	1 039	396	295
Greece	730	310	—	454	—	41
Spain	2 352	835	686	360	5	279
France	1 614	1 133	263	—	109	409
Ireland	108	38	18	—	—	44
Italy	2 853	171	2 249	641	364	882
Netherlands	17	236	56	196	103	38
Austria	254	185	—	26	140	49
Portugal	1 288	435	398	489	4	3
Finland	10	234	138	6	—	5
Sweden	317	695	105	111	—	2
United Kingdom	1 331	619	530	674	61	253
Other (Art. 18)	—	403	—	—	—	—
Total	13 805	6 506	5 875	4 031	1 182	2 594
(of which allocations)	(3 179)	(151)	(891)	(245)	—	(2 594)

(1) As certain financing operations meet several objectives, the amounts for the various headings cannot be meaningfully added together.



REGIONAL DEVELOPMENT

Financing (individual loans and allocations from global loans) for projects contributing to regional development within the European Union totalled 13 805 million in 1996, an increase of 14% on the 1995 figure (12 144 million).

Projects in disadvantaged regions of the Union thus mobilised 70% of EIB funding, confirming the Bank's key contribution to the balanced development of Europe's regions and to the economic and social cohesion of the Union.

This loan finance supported ventures costing altogether at around 44 billion (+ 25% year-on-year).

As in previous years, the bulk of funding was targeted at areas qualifying for structural support measures. Nearly nine tenths of the assistance (12 239 million) involved projects in Objective 1, 2, 5(b) and 6 areas. They accounted for 62% of aggregate Bank lending.

The true figure is actually higher since many projects straddling more than one region (e.g. infrastructure networks) are located partly in areas qualifying for Structural Fund measures (see bar charts on page 25).

Regional development: sectoral breakdown (1996)

	Total	
	amount	%
Energy	4 076	30
Communications	4 640	34
Water management and sundry	1 826	13
Industry, services, agriculture	3 263	24
Total	13 805	100

In regions lagging behind in their development (Objective 1), funding rose by 16% to 6 816 million, as against 5 881 million in 1995. This growth is attributable chiefly to sustained activity in Germany's eastern Länder, Greece and the Italian Mezzogiorno, where financing regained its 1994 level.

The sectoral breakdown reflects a predominance of loans for energy, accounting for 42% of the total; infrastructure taken overall makes up eight tenths of this financing.

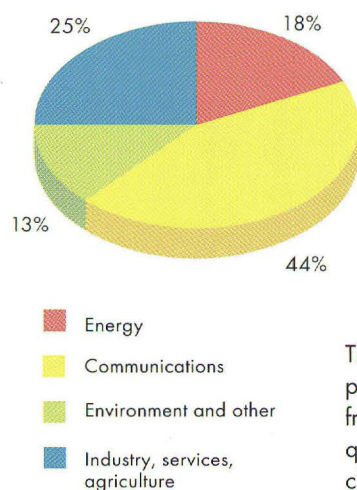
Operations in the Cohesion Countries (Portugal, Spain, Greece and Ireland) added up to 4 477 million, on a par with the figure in previous years. Demand for loans doubled in Greece and remained level in Portugal, whilst declining in Ireland and Spain. In the latter country, a slackening in capital investment resulted in less recourse to EIB loans.

The ready availability of Structural Fund grant aid in these countries seems to have been reflected in lower demand than hitherto for loans from the Bank.

Cooperation between the EIB and the Structural Funds continued to increase. The EIB was involved in appraising some thirty projects for the Cohesion Fund, of which eight were also co-financed by the Bank.

In addition, under the mechanism set up as part of the agreement on the European Economic Area (EEA) to support structural development in Greece, the island of Ireland, Portugal and the disadvantaged regions of Spain, grant aid worth

Regional development 1992 - 1996: 61.7 billion



68 million was channelled to Spain, Portugal and Northern Ireland, while 12 loans, totalling 457 million, in the environment and transport sectors benefited from interest rebates.

In areas affected by industrial decline (Objective 2), rural areas facing conversion problems (Objective 5 (b)) and Arctic areas (Objective 6), funding reached 5 423 million, over two thirds of which going to infrastructure projects, mainly in the transport sector. Financing for the productive sectors slackened by comparison with 1995 (1 762 million), with a particularly marked decline in support for SMEs in these areas.

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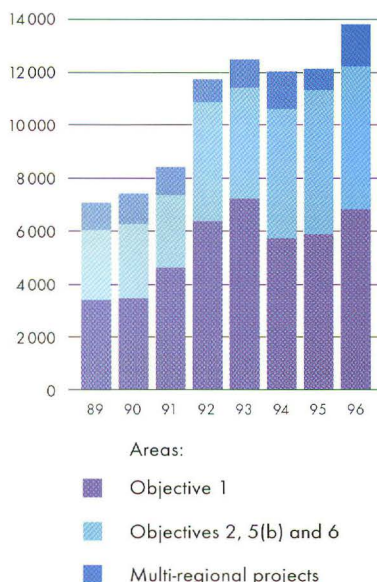
Since the launch of the Structural Fund reform in 1989, regional financing has amounted to 85 billion, contributing to the implementation of projects representing total investment estimated at 249 billion.

During the first half of the second stage of the Structural Fund implementation programme (1994-1999), 38 billion has been committed, of which 90% for projects in areas qualifying for structural support measures and the remainder for multi-regional projects.

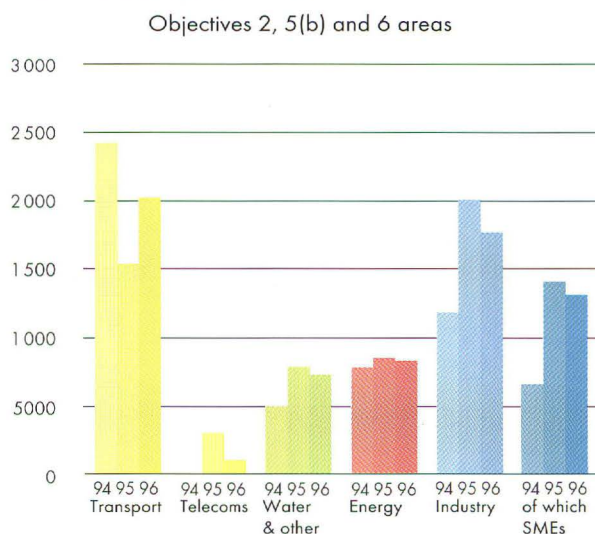
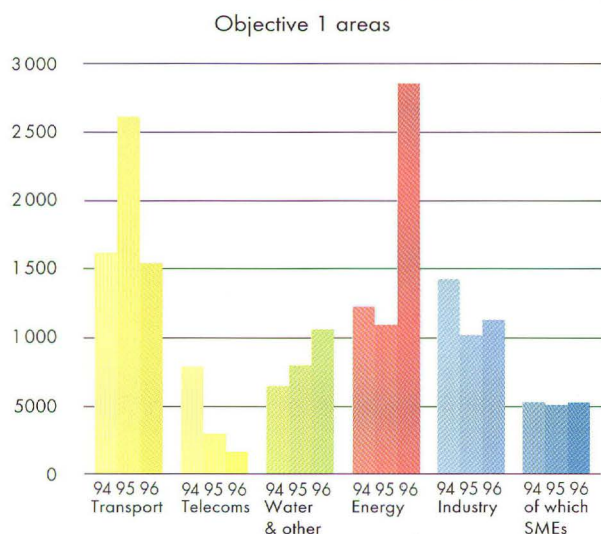
Three quarters of this financing was devoted to projects for extending infrastructure, a key factor

in integrating regions lagging behind in their development and in consolidating the Single Market, but also in strengthening the industrial fabric.

Breakdown of financing by Structural Fund area 1989 - 1996



Sectoral breakdown of financing provided in Structural Fund areas (1994-1996)



EIB financing operations in support of trans-European networks and transport corridors in neighbouring countries 1993-1996

- Priority trans-European networks (TENs)
- Sections of these TENs for which financing has been committed
- Other Infrastructure and networks financed with a European dimension
- Rail and road corridors in Central and Eastern Europe
- Sections of these corridors financed
- Road/Rail
- ←- - -> Electricity
- - - - ● Gas
- ✈ Airport
- ◆ Intermodal freight terminal
- ▼ Port
- Air traffic management



A continuous thread running through the EIB's activity down the years has been its support for the development of trans-European networks and infrastructure of paramount importance to the Union. The Bank has a proven track record in mobilising, on appropriate conditions, the large volumes of funding needed to put in place infrastructure for the coming millennium. As a consequence, the EIB has come to be the leading source of bank finance for large-scale public or private infrastructure projects in most Member States. Whenever necessary or desirable, the Bank encourages partnerships between the public and private sectors. This approach has been tried and tested in the implementation of energy and telecommunications TENs as well as in the case of certain transport projects - "Second Severn Crossing" and "Channel Tunnel Rail Link" in the United Kingdom, the new bridge over the Tagus in Lisbon plus the new Athens airport - and serves to bring the entrepreneurial spirit of the private sector to bear on the creation of operating infrastructure (see page 53).

Since 1993, the EIB has channelled 33 billion of assistance towards setting up trans-European transport, energy transfer and telecommunications networks, and for extending these networks to countries on the outskirts of the Union. Operations in the EU Member Countries worth 30 billion all told represented one third of activity during this period. Projects so supported involved aggregate investment in excess of 120 billion. Over the same period, more than 21 billion in loans was approved by the Bank for transport networks as a whole within the Union. Of this figure, upwards of 11 billion had been signed by end-1996, an increase of at least 30% on the level twelve months earlier.

For 9 of the 14 high-priority projects in the field of transport, identified in December 1994 by the Essen European Council, contracts for 5.8 billion of the 8.5 billion approved had been signed by the close of 1996. Lending during the past financial year focused on the PBKAL high-speed rail link, the Øresund fixed link, the "Nordic Triangle" and the PATHE axis. The 5 other priority projects under preparation are as follows: the eastern section of the high-speed rail link in France, the trans-Alpine part of the Lyons - Turin high-speed line, the Betuwe goods transport link between the Netherlands and Germany, the high-speed rail project connecting Barcelona and Madrid to the French border, and the west coast railway line in the United Kingdom.

Over the past 4 years, the EIB has approved loans running to more than 4.4 billion for building and extending trans-European electricity and gas transmission networks, putting up 30% of the project financing. Contracts to the value of 3 billion had been signed by end-1996, compared with 1.8 billion at end-1995 (+ 67%). For 7 of the 10 high-priority projects in the energy sector, contracts for 1.7 billion out of the 2.2 billion approved had been signed by end-1996.

In tandem with its expanding commitment to transport and energy networks, the EIB has continued its support for modernising telecommunications systems of benefit to the Community, and since 1993 has approved over 6 billion for fixed digital, mobile and satellite telephone projects. During the same period, loans totalling 900 million were decided for improving telecommunications with the countries of Central and Eastern Europe and enlarging the networks of 6 countries in the region.

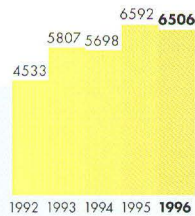
The facilities provided by the special "TENs Window", operational since December 1994 and offering in particular scope for very long-term financing with extended grace periods for repayment of principal as well as funding of studies, have been drawn on substantially, notably for the Belgian (PBKAL) and "TGV Méditerranée" high-speed rail projects, the London - Channel Tunnel link, the Rome - Naples high-speed railway line, the Øresund fixed link and the Lower Inn Valley section of the "Brenner Axis" rail link.

Interaction with the European Investment Fund (EIF) has been further developed. By the end of 1996, guarantees furnished by the EIF for trans-European network projects represented 1.1 billion or 78% of total operations concluded by the Fund. The principal guarantees provided in the trans-European network sector during 1996 concerned Milan - Malpensa airport, the gas interconnection between Portugal and Spain, the gas grid in Portugal and the London - Channel Tunnel high-speed rail link.

TENs:

33 billion
in EIB loans
since 1993,
of which
30 billion
within the Union





EUROPEAN COMMUNICATIONS INFRASTRUCTURE

The single market allows people, goods, information and capital to circulate freely. The success of the single market and an even distribution of investment across the Union depend on having structured transport and telecommunications networks, essential for bringing individual countries more closely together. They also help foster a greater sense of European unity and solidarity.

In 1996, lending for European communications infrastructure totalled 6 506 million, on a par with the previous year's performance.

Funding continued to run at a high level as loans for **posts and telecommunications** moved up again sharply to double the 1995 figure, recovering the ground lost after the previous year's steep fall. Operations centred on pursuing the drive to upgrade national and international telephone capacities; a growing share also went to mobile telephone systems, with projects to install this type of network attracting loan finance in Austria and the Netherlands.

Loans for **transport**, meanwhile, slipped back. At the forefront of the ventures financed were six of the high-priority projects identified by the Essen European Council in 1994, for an amount totalling 1.2 billion (see page 27).

Virtually all the other operations involved land-based transport: main railway lines ("TGV Méditerranée" high-speed rail link, lines on the east and west coasts of Sweden, and modernisation of signalling equipment throughout the Italian network) plus a host of road and motorway sections.

The EIB also stepped up its contribution towards two important fixed links across the Scandinavian straits, the Great Belt and the Øresund.

Noteworthy financing in the air transport sector focused on construction of the new Athens international airport. This project, a vital component in the development of the European transport network, will additionally serve to safeguard the quality of the environment in Athens and, given its situation on the EU's periphery, help integrate this country more closely with the Union.

Over the past five years, lending for European communications infrastructure has attained 30 billion, rising from 4.5 billion in 1992 and then levelling off at 6.5 billion during the last two years. Funding went towards schemes with an aggregate cost estimated at 97 billion.

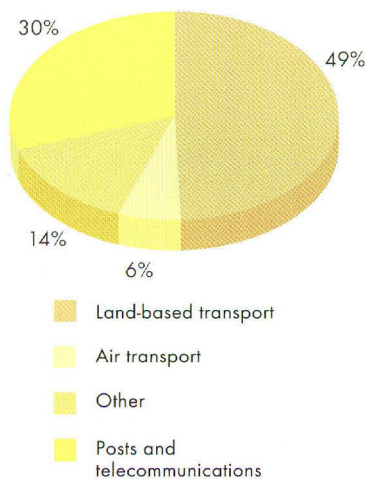
Since it was first established, the Bank has actively supported project financing in this sector crucial for the future of Europe. Over 70% of the infrastructure projects funded by the EIB are situated in assisted areas.

European communications infrastructure (1996)

	(ECU million)
Transport	4 500
Exceptional structures (*)	733
Railways	1 104
Roads and motorways	2 369
Air transport and shipping	294
Telecommunications	2 006
Networks and exchanges	1 220
Mobile telephony	421
Posts	365
Total (**)	6 506

(*) Great Belt and Øresund
 (**) of which 15.1 million in global loan allocations

European communications infrastructure 1992 - 1996: 29.5 billion



THE EIB AND THE CROSS-CHANNEL RAIL LINK

Since the project's inception, the EIB has been fully committed to ensuring that this vital infrastructure should play its full part in the development of the trans-European rail network. Following the delayed commencement of services and the financial difficulties encountered by the Company in 1995, agreement in principle was reached on 1 October 1996, between the Company and the Steering Group, of which the EIB is one of the six member banks, on the financial restructuring of the Company's debts of GBP 9 billion. Under this Agreement, which should ensure the long-term future of the Company, the banks agree to extend the maturity of their loans and to convert approximately GBP 1 billion of their debt into equity. Approval of the detailed documentation for this Agreement is being sought from shareholders and the syndicate of over 200 banks in 1997.



ENERGY OBJECTIVES

Financing in pursuit of the Community's energy objectives moved up appreciably during 1996, from 3 433 million in 1995 to 4 031 million (+ 17%), owing chiefly to the increased support for an array of natural gas transmission and supply projects.

Four high-priority TENs projects attracted 695 million, of which 3 involving the introduction of natural gas in Greece, Portugal and Germany, and the fourth concerning interconnection of the Spanish and Portuguese power grids.

Energy objectives (1996)

	(ECU million)
Indigenous resources	676
Oil and natural gas deposits	177
Solid fuels	473
Hydropower	26
Import diversification	2 011
Natural gas	1 726
Coal	285
Management and rational use (*)	1 344
in energy sector	1 247
in industry	97
Total	4 031

(*) of which 245 million in global loan allocations

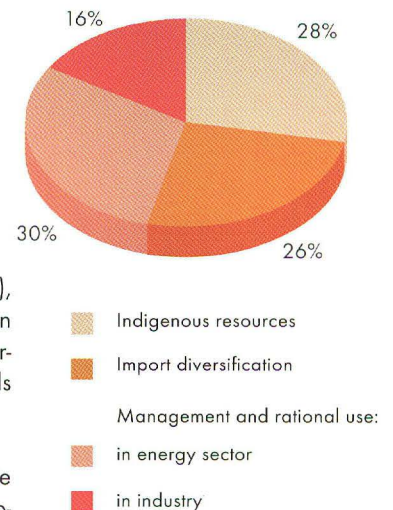
Assistance towards **diversifying imports** promoted the use of natural gas imported from areas close to the Union: pipelines bringing gas from Russia to Germany and Greece, from Algeria to Portugal via Spain as well as to Italy and Greece, and also from the British sector of the North Sea; construction of a combined-cycle natural gas-fired power station in Portugal, near Oporto; and building of underground gas storage facilities near Hamburg in Germany to ensure reliable and continuous supplies. Brindisi power plant, fired with imported coal, also received financing.

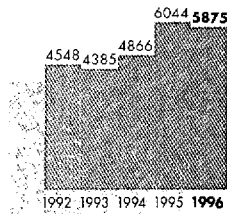
Operations centring on **management and rational use of energy** continued to run close to the high level recorded in 1995. The bulk of funding went to projects in the energy sector proper: electricity transmission and supply (457 million), and combined heat and power generation in plants fired by gas or urban waste, notably in Portugal, Germany, Denmark and the Netherlands (600 million).

In the industrial sector, loans were made available for the modernisation of refineries in Italy and upgrading works in a variety of factories. This investment will also yield benefits for the environment.

Lastly, the EIB kept up its support for the development of **indigenous resources**: a hydroelectric scheme on the Danube, in Austria, tapping of oil and natural gas deposits in Italy, and in particular lignite-fired power plants built on sites adjacent to mines supplying their fuel, thereby harnessing deposits in Greece and Germany's eastern Länder.

Energy objectives
1992 - 1996:
16.8 billion

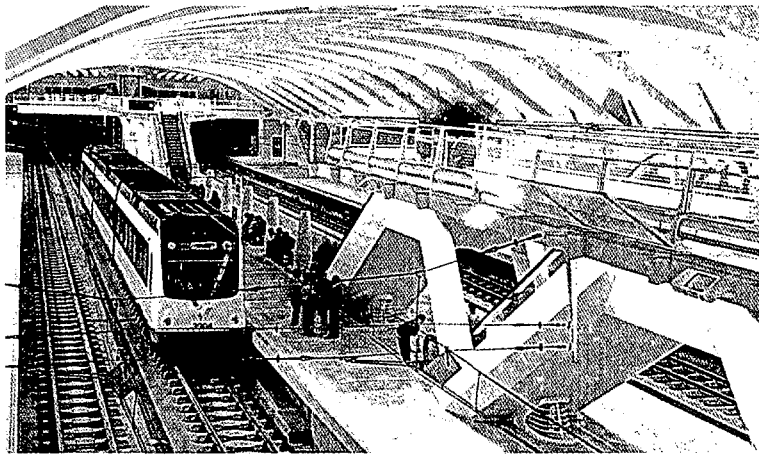




PROTECTION OF THE ENVIRONMENT

Protecting the environment and improving the quality of life of Europe's citizens number among the objectives enshrined in the Treaty on European Union.

The fifth environmental action programme, spanning the period 1993-2000 and reviewed in 1996, highlights the need to add to the body of existing regulations. Its primary aim is to focus environmental protection measures on treating solid



and liquid waste and reducing nuisances caused by road traffic.

Consequently, the Bank is pursuing its drive to safeguard the environment against a continuously evolving backdrop.

Projects in which environmental objectives take pride of place have accounted for a large portion of Bank activity (30% a year on average) in the European Union over the past five years. The EIB also includes environmental considerations among its assessment criteria for all projects financed, making compliance with Community and national law a precondition for granting its loans.

In 1996, the volume of operations meeting this objective stayed on a level pegging with the average for the past few years, at 5 875 million. Loans supported projects corresponding to aggregate investment of some 11 billion.

These projects fall into various categories. Works to improve **drinking water supplies** and the **treatment of wastewater** attracted 33% of funding, for schemes located mainly in Spain, Portugal, Germany, the United Kingdom and Sweden.

For projects of this type, financing took the form of individual loans for large-scale multi-annual programmes and global loan allocations for smaller-scale projects undertaken by local authorities. This was the case notably in Germany and France, where the Bank supported construction of 1 000 small waste-water collection and treatment systems.

Loans were also deployed for processing **solid waste**, often combined with electricity generation, as in the Lisbon and Oporto conurbations, and in Fürth, Germany.

Financing for reducing **atmospheric pollution** moved up again, accounting for 32% of environmental operations. Projects mainly involved desulphurisation equipment for gaseous emissions from lignite-fired power plants in Germany or from those burning refinery residues in Italy.

Environment and quality of life (1996)

	(ECU million)
	Total
Environment	4 209
Water conservation and management	1 943
Waste management	397
Measures to combat atmospheric pollution	1 869
Urban development	1 666
Urban and suburban transport	615
Other measures	1 051
Total (*)	5 875

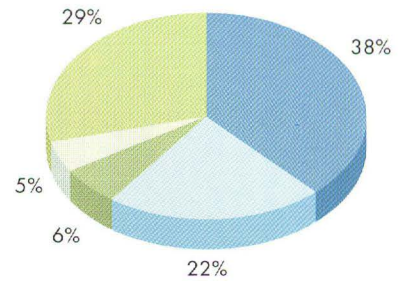
(*) of which 891 million in global loan allocations

There was a fall in the share of lending for urban transport - light railway lines in Lyons, Lisbon and Valencia, while support for **urban development** grew steeply. Foremost among these projects were rehabilitation works on the derelict site earmarked for holding the 1998 World Fair in Lisbon, cleaning up the Venice lagoon as well as restoration works in the city itself, and a wide-ranging development programme in and around Rome, comprising roadworks, sewerage and sewage disposal measures and the restoration of many historic buildings.

At the same time, over this period the Bank deployed 1.7 billion in loans for environmental schemes in the Mediterranean basin and in the Central and Eastern European countries (CEEC), producing direct benefits for the countries of the European Union.

Projects undertaken in the Mediterranean region concerned wastewater collection and treatment works in coastal towns, thereby enhancing water quality in the Mediterranean.

Environmental protection
1992 - 1996:
25.5 billion

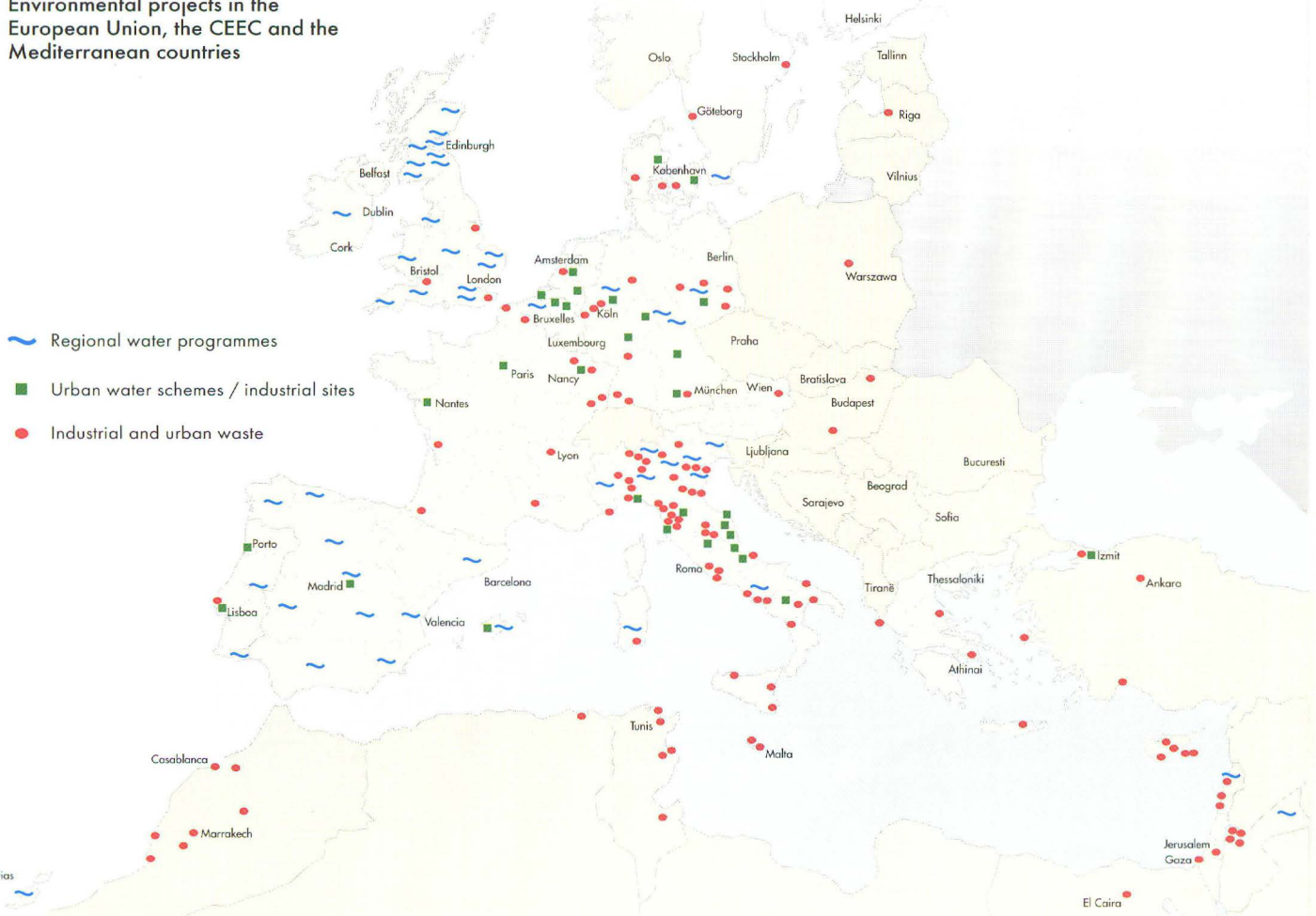


Between 1992 and 1996, the EIB redoubled its efforts to protect the environment, raising the volume of lending from 4.5 billion in 1992 to some 6 billion annually over the past two years. Altogether, financing during the period ran to 25 billion.

In the CEEC, operations focused on combating atmospheric pollution by converting polluting power plants. For this group of countries, compliance with Community environmental standards represents an important stage in their progress towards building closer links with the Union.

- Water
- Air
- Waste
- Other
- Urban development

Environmental projects in the European Union, the CEEC and the Mediterranean countries



An established priority
for EIB action

SAFEGUARDING THE ENVIRONMENT:

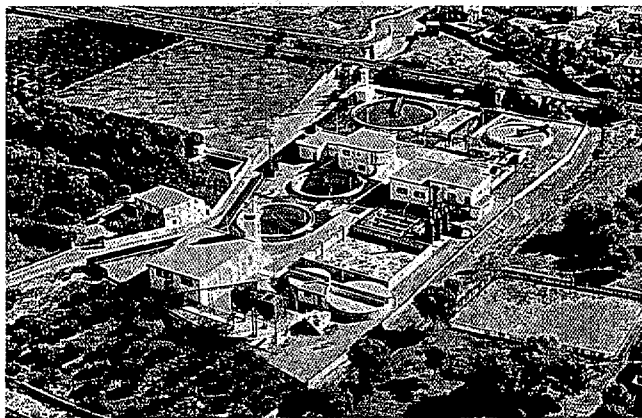
The attention that the European Union devotes to the environment finds its expression in the substantial share taken by this sector in the Bank's activities over the past five years. Financing devoted to the environment now accounts for around a third of all EIB operations within the European Union - 5.9 billion in 1996 and 25.5 billion in total since 1992. In fact, over the year just ended, the Bank financed a large number of purely environmental projects. The records show (see in particular Annual Report 1995, page 22) that systematic vetting of the environmental impact of all projects funded by the EIB forms part and parcel of its economic and financial appraisal.

In this way, the Bank makes a significant contribution to the practical achievement of the priorities and goals specified in the "Programme of policy and goals in relation to the environment and sustainable development" ("Fifth Action Programme"), particularly as regards quality standards for air and water, nature conservation and the control of noise and waste in urban areas (see pages 29 - 30).

An ongoing
commitment

The EIB is continuing to participate in many regional programmes focusing on marine areas or river basins, the ecological state of which is of concern not only to the Union, but also to neighbouring regions, namely:

- the Environmental Action Programme for Central and Eastern Europe - the Bank is a member of the Project Preparation Committee and is mainly responsible for the cofinancing aspect;
- the Mediterranean Environmental Technical Assistance Programme (METAP) (see page 40) - aimed at identifying and preparing environmental projects which might be eligible for financing by the EIB or the World Bank. For environmental projects implemented in non-member Mediterranean countries under horizontal cooperation arrangements, the EIB's loans carry a 3% interest subsidy from EU budgetary resources (see page 42);
- the Baltic Sea Joint Comprehensive Action Programme - the Bank is a member of the group entrusted with implementation of this programme under the auspices of the Helsinki Commission;
- finally, the Danube Environmental Action Programme.



Lending activity in support of environmental protection and improvement has been boosted by institutional developments within the EIB. Thus in June 1996 the Bank published a document on its policy relating to the environment ("Environmental Policy Statement"), setting out its general approach. The internal "Environmental Guidelines" manual, produced for the Bank's analysts early in 1997, completed the documentation on general environmental policy. Policy and procedures governing operations are kept under constant review, so that the staff of the new Projects Directorate, whose job is to assess environmental aspects, have guidelines to which they can refer. Integrating compliance with the relevant environmental legislation into their project appraisals,

the Bank's analysts conduct a broad examination of projects taking in, where the techniques and data available to them allow, a cost-benefit analysis of investment relating to the environment. Drawing upon the extensive experience they have built up in the course of project appraisals in most economic sectors and in many countries, they are able to inform promoters of the most appropriate techniques without giving rise to excessive cost increases.

The Bank is permanently developing its contacts with institutions and bodies active in the field of the environment. These make for enhanced coordination of financing activities, greater consistency of objectives and more efficient exchanges of information. Hence the Bank is actively involved in:

Coordinated action

- periodic meetings on operational matters with other international financial institutions;
- exchanges of views with the European Commission's Directorate-General for the Environment;
- technical contacts with the European Environment Agency;
- exchanges of information with NGOs, particularly in the framework of annual meetings, the second of which was held at the Bank in September 1996.

Over the year, the Bank also participated in several conferences devoted to the environment. Moreover, the 1996 EIB Forum ("The Mediterranean: Working in Partnership") devoted one of its sessions to the theme "The Sea, Water and Cities: Preserving a Common Heritage".

In addition, the debate within the Bank on environmental questions continues to be fuelled by seminars and training sessions taking a variety of forms.

Publications on the environment and operations evaluation form part of efforts to disseminate information on the Bank's activities to a wider public.



The EIB's contribution to EU objectives depends on the success of the investment it helps finance. To assess project impact, set future policies on the basis of actual experience from past operations, and enhance transparency, the Bank created an Operations Evaluation Unit (EV) at the end of 1995.

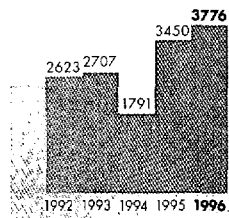
Emphasis on ex post evaluation of operations

EV's 1996/1997 programme comprises a series of four studies designed to measure the EIB's support for EU policies, with particular emphasis on regional development. For each study, a representative sample of completed projects is being evaluated with the assistance of outside consultants.

Evaluation adds a new dimension to the Bank's activities. It will complement a market-response strategy with enhanced value added based on the tangible results of clients' investments, and their actual contribution to EU policies.

Within the EIB, the objective is that evaluation as a management tool should evolve further, from an individual-based into a corporate-wide culture, aided by a developing project portfolio management system.

In tandem with the internal developments outlined above, the EIB has become a member of the European Evaluation Society, a forum set up in 1994 to develop a better response on the part of public bodies to citizens' expectations. The Bank is also collaborating with the major international financial institutions in their drive to improve effectiveness of evaluation programmes.



INDUSTRIAL OBJECTIVES

The year 1996 saw a very definite uptrend in individual loan finance for projects to strengthen the international competitiveness of Community industry. After climbing sharply a year earlier, global loan allocations to SMEs tapered off slightly, although remaining high in volume terms.

Overall funding ran to 3 776 million, substantially higher than in 1995 (3 450 million).

Individual loans (1 182 million) doubled compared with 1995, half going to motor vehicle plants in Italy, Spain, the United Kingdom and Austria, as well as to the development, testing and production of aero engines in Germany and France. A good number of these projects have a high research or environmental component by virtue of introducing non-polluting technologies.

The balance of loans went to a wide range of sectors with, at the forefront, electrical engineering and electronics (domestic appliances in factories of the same group in Italy, France and Portugal; optical fibre production at various factories in Italy, the United Kingdom and France), wood-working, ceramics, paper and tyres, pharmaceuticals production in France, fine chemicals in Italy, and industrial gases in the Netherlands.

Productive ventures promoted by more than 11 000 **small and medium-sized enterprises** attracted a total of 2 594 million. SMEs located in assisted areas claimed 1 803 million, or 70% of total financing, exactly matching the figure for aggregate regional development funding. Over 230 of these firms in the island of Ireland, either in Northern Ireland or in the border Counties, attracted support under the peace and reconciliation initiative.

In addition, some 40 million in allocations was earmarked for twenty or so firms to finance investment in environmental protection or rational use of energy.

Industrial objectives (1996)

	(ECU million)
Large Firms	1 182
International competitiveness and European integration	1 182
SMEs	2 594
Assisted areas	1 803
Non-assisted areas	791
Total	3 776

The sectoral breakdown of overall financing for SMEs in industry, agriculture and the service sector is detailed in Table E on page 114 of the annexes.



Between 1992 and 1996, 42 000 SMEs attracted 11 billion worth of funding. A breakdown by sector is shown in Table F on page 115 of the annexes. The breakdown by country and by number/amount is tabulated below.

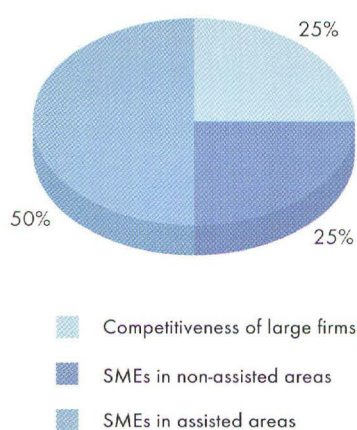
In April 1994, the Council of the European Union entrusted the EIB with administering the support facility for job-creating SMEs.

This specific measure, put in place in cooperation with the European Commission in June 1994, was designed to give fresh impetus to investment by small and medium-sized enterprises in view of their key contribution to job creation in the Union.

The SME facility provided for EIB global loans totalling 1 billion, subsidised from EU budgetary resources. SMEs creating new jobs became eligible for loans for a maximum of ECU 30 000 per job created and carrying a 2% interest subsidy over a period of 5 years.

By the end of 1995, the full amount of one billion had been committed in support of 4 435 SMEs located throughout the Member States. This facility has helped to generate some 45 000 new job opportunities.

Industrial objectives
1992 - 1996:
13.9 billion



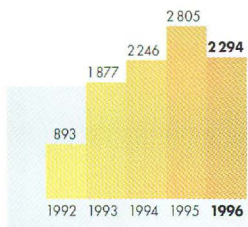
As at end-1996, 2 451 SMEs had confirmed that 28 000 jobs had been created and maintained for six months. Consequently, 48% of available grant aid has already been disbursed to small businesses in the fifteen countries of the Union. The remaining confirmations of newly-created jobs must be submitted by 30 June 1997; the balance of grant aid will be disbursed as and when the confirmations are received.

Investment by small and medium-sized enterprises

Allocations from ongoing global loans

(ECU million)

	1996		1992 - 1996			
	Total		Total		Enterprises employing less than 50 persons	
	number	amount	number	amount	number	amount
Belgium	576	247	1 644	874	1 384	601
Denmark	198	46	1 080	238	790	106
Germany	266	295	2 385	1 975	1 350	768
Greece	21	41	125	155	67	69
Spain	1 314	279	3 565	705	3 261	556
France	6 831	409	23 673	1 979	20 435	1 473
Ireland	133	44	516	137	481	99
Italy	842	882	6 078	3 850	4 491	1 644
Luxembourg	—	—	3	2	1	1
Austria	84	49	118	66	65	28
Netherlands	65	38	749	352	513	139
Portugal	19	3	366	140	203	56
Finland	19	5	65	20	47	11
Sweden	1	2	48	17	38	11
United Kingdom	665	253	1 548	554	1 495	484
Total	11 034	2 594	41 963	11 064	34 621	6 046



OPERATIONS OUTSIDE THE EUROPEAN UNION

Financing outside the European Union totalled 2 294 million in 1996, consisting of 2 190 million in loans from the Bank's own resources and 104 million for operations involving risk capital drawn from the budgetary resources of the Union or of Member States. • Activity was extensively influenced by the process, which took longer than first anticipated, of renewal of the mandates laying down the general framework for these operations and by the political climate affecting investment in certain regions. • The detailed list of loans by country appears in the annex, under the geographical breakdown of loans outside the European Union, pages 106 - 110; the sectoral breakdown is shown in the table on page 41.

In the ACP States and OCT, activity during the year was limited to commitment of the funds available under the first package for the Fourth Lomé Convention. Finance contracts were signed in 27 ACP countries and three OCT, to which should be added three operations of regional scope.

In twelve countries, projects were financed solely from the Bank's own resources mainly in the Carib-

bean, while in fifteen other countries all operations were based entirely on risk capital.

Two thirds of financing were devoted to basic infrastructure necessary for the economic development of the countries concerned (256 million). Industry attracted 41 million in the form of individual loans and 98 million in global loans, placed with local financial institutions to provide finance for small businesses.

Africa, Caribbean, Pacific

The Fourth Lomé Convention sets out the framework for the Union's development aid policies towards the 70 ACP countries. It is supplemented by a first financial protocol covering the initial five years, 1991-1995. The protocol for the second five-year period, under ratification in early-1997, should enter into effect during the first half of the year.

The First Financial Protocol (1991-1995) to the Fourth Lomé Convention provides for a package of 12 billion, including 9 975 million in the form of grand aid from budgetary resources, made available to the European Development Fund and managed by the European Commission.

An amount of 825 million in risk capital, drawn from budgetary resources, is being managed by the EIB.

On top of these budgetary resources, the Protocol provides for loans from the EIB's own resources totalling 1.2 billion. They carry an interest subsidy automatically adjusted to ensure an interest rate within a range of 3% minimum to 6% maximum. This interest subsidy is financed from European Union budgetary resources.

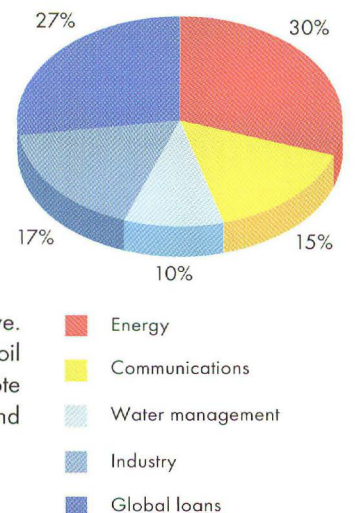
Bank operations under the Fourth Lomé Convention are concentrated on investment capable of generating sufficient income to cover servicing of the debt.

Under the first financial protocol, the EIB has granted loans totalling 1 988 million in the ACP countries and the OCT, of which 1 219 million from the Bank's own resources and 769 million from budgetary resources (see Table K on page 120).

Loans in the **energy sector** accounted for 30% of the total (602 million, including 456 million for projects located in Africa). They went mainly towards construction and modernisation of power stations particularly in Guinea, Sierra Leone, Cape Verde, Ghana, Malawi, Tanzania, Mozambique, Côte d'Ivoire and Burkina Faso. Finance was also advanced for a high-voltage line linking Mozambique and South Africa via Zimbabwe. Other loans were provided for development of oil and gas deposits in Kenya, Zambia and Côte d'Ivoire, and for expansion of transmission and distribution capacity.

First financial protocol to the Fourth Lomé Convention: an overview

1 988 million
Sectoral breakdown



Conventions, financial protocols and decisions in force or under negotiation at 1 April 1997

(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	1997	300	—	—	300
	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
Slovenia	Financial Protocol	1997	150	—	20 ⁽⁹⁾	170
Asian and Latin American Countries						
	Council Decision	1997	275	—	—	275
	Council Decision	2000	900	—	—	900

(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) Solely for interest subsidies on EIB loans in favour of transport projects of common interest.

Industrial development attracted 879 million, nearly half the total for the Bank's operations in the ACP countries and the OCT. This finance was used primarily to support the mining and quarrying sector in Mali, Madagascar, Mozambique, Zimbabwe and Uganda; the chemicals industry in Zambia, Ghana, Côte d'Ivoire and Zimbabwe; agri-foodstuffs, particularly in Guinea, Madagascar, Swaziland and Nigeria; a large number of allocations were also made from global loans.

Of this total, 536 million in the form of global loans made available to local banks, including 216 million from risk capital, benefited small-scale private-sector ventures in most of the countries covered by the Convention.

Overall, the **communications sector** attracted 301 million in loans for transport, particularly in Tanzania, Cape Verde, Burkina Faso, Ethiopia and Senegal, and extension and modernisation of telecommunications facilities in Ethiopia, Eritrea, Djibouti, Senegal, Mauritius, Burkina Faso and



Namibia. Improvements to air traffic safety in 16 West and East African countries were also financed.

Pollution abatement, mainly involving water management and treatment projects, drew 205 million (10% of the loan total), over half of which went to Southern Africa.

In 1996, the Bank continued its operations in **South Africa**, granting a loan of 56 million for extension of the electricity grid.

A total of 101 million was advanced in this country in 1995 and 1996 to assist its transition to democratic rule and to help finance the reconstruction and development programme.

South Africa

In 1996, lending in the **Mediterranean** countries amounted to 681 million, on a par with the figures recorded in 1993 and 1994 though without quite reaching the exceptional level achieved in 1995.

Of the amount provided, 562 million involved off-protocol horizontal financing - for projects to improve communications and to combat pollution in Algeria, Cyprus, Egypt, Lebanon, Turkey, Morocco and Gaza - and 119 million related to operations under current protocols.

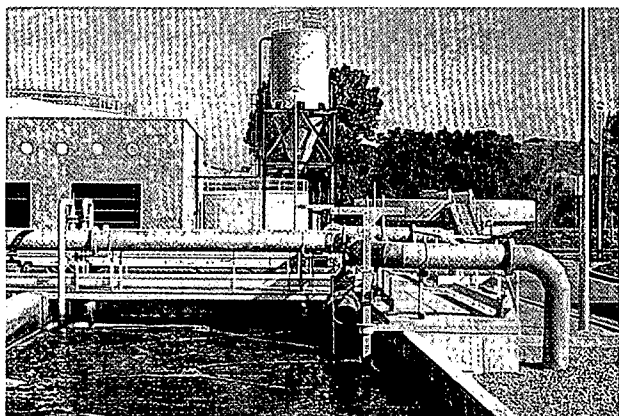
Mediterranean Countries

Activity took place in a climate marked by political tension in several countries, which slowed down investment and delayed implementation of inter-regional projects. Moreover, expiry of the protocols last October, with the exception of those for Malta and Cyprus, constituted an additional obstacle to more dynamic development of operations.

An analysis in terms of the final objective of these projects illustrates the importance attached to protection of the environment: 275 million for drinking water supply and wastewater management schemes.

METAP

Ever since it started operating in the Mediterranean, the Bank has attached special importance to environmental challenges. The dearth of water resources and arable land in particular, combined with high population growth, extensive urbanisation and the rapid transition of certain countries from agricultural to industrial societies have generated increasing pollution in the region. Since the late 1980s, the EIB and World Bank have worked together in coordinating international support action to arrest and reverse the worrying degradation of natural resources and in particular to repair damage to the marine environment.



In 1990, the two institutions, with financial backing from the European Commission and the United Nations Development Programme (UNDP), launched the Mediterranean Environmental Technical Assistance Programme (METAP) with the aim of making grants to facilitate feasibility studies and providing assistance at both national and regional level to authorities and agencies involved in environmental issues.

In each of its three successive phases the programme has moved into higher gear. The first stage from 1990 to 1992 was devoted mainly to assessing needs, while the second, concluded in 1995, focused on working out concrete measures, conducting preparatory studies for investment projects and setting up the institutional structures required to implement and coordinate them. In the course of these first two phases, METAP mobilised nearly 27 million for 121 studies relating to environmental projects or programmes in 21 Mediterranean countries.

Preparations made under the METAP programme, designed to ensure cooperation and coordination between the various partners, contributed decisively to implementation of several innovative projects. In all, environmental schemes supported by the partner institutions come to a total of 1.6 billion. The projects financed include a wastewater treatment scheme in Cairo, for which the EIB put up 45 million, and cleaning up of polluted industrial sites in Skikda on the Algerian coast, financed jointly by the EIB and the World Bank.

In the area of integrated water resource management and management of solid and hazardous waste, the EIB has made some 1 billion available since 1991. EIB loans to finance environmental protection projects with a regional dimension located in non-member Mediterranean countries attract a 3% interest-rate subsidy from European Union budgetary resources.

The third phase of METAP, covering the years 1996 to 2000, is backed by substantially increased resources and will enable the partners to expand and deepen the programme to support a growing number of projects. The costs incurred for the seventy-five studies under way are estimated at some 97 million. A project preparation unit, to which the EIB and the World Bank have each seconded an expert, has been set up in Cairo to assist the promoters of various projects in drawing up specific capital investment plans while ensuring that the most appropriate techniques are applied and financial resources used in the best way. In addition, this unit is intended to help disseminate environmental know-how and practices throughout the area.

In addition, the Bank advanced 40 million for equipment to reduce pollutant emissions from a thermal power station in Turkey, 50 million to control pollution at an industrial site at Skikda in Algeria and 15 million, in the form of a global loan in

Egypt, to finance environmental protection measures in small-scale enterprises. Altogether 380 million, i.e. 56% of operations during the year, served directly to support protection and improvement of the environment.

Financing provided outside the European Union in 1996

(ECU million)

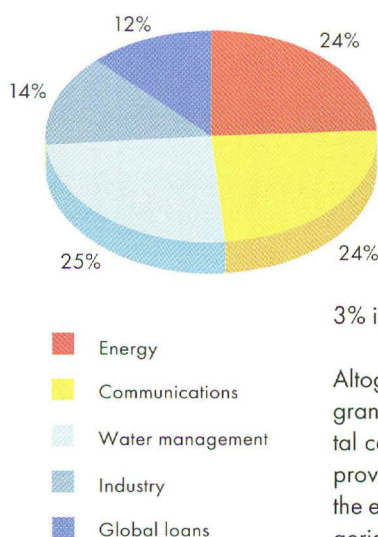
	Total	Own resources	Risk capital resources					Individual loans	Global loans
				Energy	Communications	Water management and sundry	Industry Agriculture Services		
ACP-OCT	396	296	99	111	130	15	41	98	
Africa	190	105	85	12	60	15	41	62	
West	20	—	20	5	—	—	11	4	
Central-Equatorial	11	10	1	—	10	—	1	—	
East	71	30	41	—	—	—	26	45	
Southern	58	35	23	7	20	15	4	13	
Multiregional	30	30	—	—	30	—	—	—	
Caribbean	193	188	5	97	60	—	—	36	
Pacific	4	4	—	—	4	—	—	—	
OCT	9	—	9	2	6	—	1	—	
SOUTH AFRICA	56	56	—	56	—	—	—	—	
MEDITERRANEAN	681	676	5	174	141	275	50	42	
of which off protocol: 562									
Turkey	246	246	—	120	76	50	—	—	
Algeria	50	115	—	35	30	—	50	—	
Egypt	105	108	3	3	—	90	—	15	
Lebanon	50	66	—	16	—	50	—	—	
Cyprus	27	54	2	—	12	15	—	27	
Gaza	53	53	—	—	23	30	—	—	
Morocco	31	31	—	—	—	31	—	—	
Jordan	9	9	—	—	—	9	—	—	
CENTRAL and EASTERN EUROPE (CEEC)	1 116	1 116	—	363	688	15	—	50	
Poland	380	380	—	180	200	—	—	—	
Czech Republic	255	255	—	55	200	—	—	—	
Slovak Republic	100	100	—	100	—	—	—	—	
Hungary	135	135	—	—	95	—	—	40	
Romania	90	90	—	—	90	—	—	—	
Bulgaria	—	—	—	—	—	—	—	—	
Lithuania	72	72	—	10	57	—	—	5	
Slovenia	30	30	—	—	30	—	—	—	
Latvia	26	26	—	6	—	15	—	5	
Estonia	16	16	—	—	16	—	—	—	
Albania	12	12	—	12	—	—	—	—	
ASIA, LATIN AMERICA (ALA)	45	45	—	—	45	—	—	—	
Argentina	45	45	—	—	45	—	—	—	
Total	2 294	2 190	104	704	1 004	305	91	190	

4th financial protocols and horizontal cooperation: an overview

The EIB is playing a crucial role in implementation of the "Redirected Mediterranean Policy", put in place in 1992.

schemes to improve agricultural land by means of irrigation, particularly in Morocco, Algeria, Tunisia, Cyprus, Egypt and Jordan.

2 977 million
Sectoral breakdown



Within the total funds available, EIB loans amounting to 1.4 billion are being deployed through bilateral financial protocols running for a period of five years. Added to this amount are a further 1.8 billion in EIB loans covered by the arrangements for off-protocol financial cooperation to assist projects of regional benefit or spanning both shores of the Mediterranean, mainly in the fields of communications infrastructure, energy transfer and environmental protection. In the latter case, loans carry a 3% interest subsidy financed from the EU budget.

In the field of infrastructure for energy (727 million) and communications (713 million), EIB loans assisted the Mediterranean countries in modernising and in developing links at regional level and with EU countries. The main projects financed centred on production and transmission of electricity and natural gas in Morocco, Algeria, Egypt, Jordan and Turkey. In the transport sector, the trans-Algerian and Moroccan motorways, the Aqaba - Amman highway, the ports of Tunis, Istanbul, Izmir and Gaza and the port and airport at Beirut all attracted funding from the EIB. Finally, support was given to expanding the capacity of international telecommunications networks in Morocco, Turkey and Jordan.

Altogether, loans totalling 2 977 million were granted under the various protocols and horizontal cooperation arrangements from the 3.2 billion provided for, fully utilising the main packages with the exception of those earmarked for Syria and Algeria, and those for Malta and Cyprus covering a period extending into 1998.

The EIB also contributed to development of the means of production, agriculture and industry in the Mediterranean countries through loans totalling 797 million.

With regard to the sectoral breakdown (see Table L on page 121), the scarcity of water resources and degradation of natural resources make protection of the environment the prime concern of the Bank's operations. From the last generation of protocols, 741 million (i.e. 25% of loans allocated) went towards this objective, particularly through the financing of projects for water conservation, supply and catchment and wastewater treatment in Algeria, Tunisia, Syria, Jordan, Morocco, Malta, Lebanon, Egypt, Turkey, Israel, Cyprus and Gaza.

The projects supported related to large-scale investment in printing, production of HGV tyres, air conditioning equipment, and a refinery in Egypt; development of industrial estates in Jordan and Tunisia. In addition, small-scale productive ventures in industry and tourism were financed in most of the countries concerned by way of global loans, with allocations totalling 373 million.

This investment in water resource management complements that deployed in rural areas for

In order to stimulate development of the private sector and the emergence of joint ventures bringing together promoters from both sides of the Mediterranean, the Bank mounted operations totalling 70 million, using risk capital financed from the Union's budgetary resources, over the five-year period just ended.



Budapest - Gyöngyös motorway in Hungary, the Via Baltica in Lithuania and sections of the Ljubljana - Celje motorway in Slovenia.

Central and Eastern European Countries

In 1996, activity in the **Central and Eastern European** countries, pursued with preparation for Union membership in mind for the countries concerned, accounted for a total of 1 116 million. Almost all of it, apart from 50 million in global loans, was devoted to financing the basic infrastructure needed for economic development in these countries: communications 688 million, energy 363 million, the environment 15 million.

Under the heading of financing for transport infrastructure, 483 million went to fund projects forming part of the priority transport corridors identified by the Pan-European Conference in Crete in March 1994.

In the road transport sector, these included, the A4 Wrocław - Gliwice motorway in Poland, the M3

In the field of rail transport, these operations covered continued work on the Warsaw - Ostrava - Vienna link in the Czech Republic plus several sections of the Tallinn - Narva line and many other sections in Estonia.

As the amounts available under the mandate accepted by the Bank in 1994 had been fully utilised by the end of 1996, it has already begun active preparations for a new mandate by compiling an extensive pool of projects which have either been appraised or are in the process of appraisal.

The special priority assigned to Central and Eastern European countries, candidates for accession to the Union, is further demonstrated by the forthcoming establishment of an additional support facility, financed from EIB banking resources and operating without the Community guarantee covering operations outside the Union.

The EIB's loans in Central and Eastern Europe were granted under the 3 billion mandate which the Bank accepted in May 1994 and under the terms of the financial protocol concluded in 1993 with Slovenia, which provides for loans worth 150 million for road and rail infrastructure.

These financial packages had been virtually committed in full by the end of 1996; the breakdown is as follows: Poland (853 million), Czech Republic (770 million), Hungary (475 million), Romania (331 million), Slovak Republic (215 million), Slovenia (150 million), Lithuania (101 million), Bulgaria (90 million), Estonia (68 million), Albania (46 million) and Latvia (31 million).

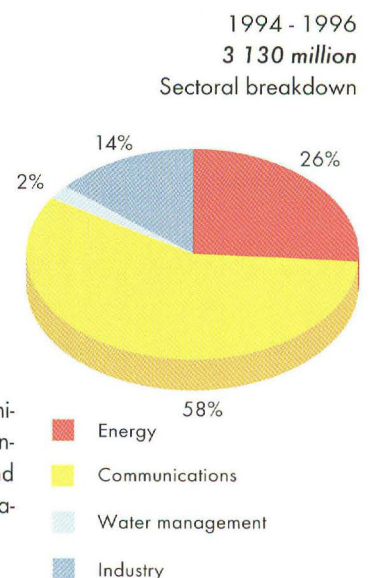
Aware of the importance of improving communications links between the Union and these countries, the EIB concentrated the major share of its financing - 1 832 million, i.e. 58% of the total

amount - on communications infrastructure projects (see Table M on page 121).

Projects covering road transport (644 million), rail transport (463 million), air transport (91 million), ports (69 million) and urban transport (20 million) were funded. Major projects financed include modernisation of the Berlin - Warsaw and Berlin - Prague - Vienna railway lines, the Wrocław - Gliwice motorway in Poland and improvements to the road networks, particularly in Bulgaria, Romania and the Czech Republic.

In the air transport sector, the Bank financed modernisation of air traffic control systems in most of the countries concerned, as well as expansion of Vilnius and Warsaw airports. Port infrastructure in Durrës, Albania, and Klaipėda, Lithuania, also attracted loans.

Enhanced links with the CEEC



In the field of telecommunications, extension of facilities and harmonisation of standards with those of the Union were supported by a total of 545 million. Loans were granted for the Czech, Hungarian, Polish, Romanian and Slovak networks.

NEW GENERATION OF MANDATES

On 27 January 1997, the ECOFIN Council gave its agreement to the amounts for the financial packages available under the regional mandates accepted by the EIB for the period 1997-2000, carrying a blanket guarantee from the Union of 70%:

Central & Eastern European countries:	3 520 million
Mediterranean countries:	2 310 million
Asia and Latin America:	900 million
South Africa:	375 million

Projects in the energy sector received 810 million, i.e. 26% of total financing, much of it devoted to gas pipelines and storage facilities in Slovakia and Poland, a combined heat and power plant in the Czech Republic, electricity generating and supply facilities in Romania, Albania and

Slovakia, and desulphurisation equipment at thermal power stations in the Czech Republic, helping to improve the ecological balance in the region.

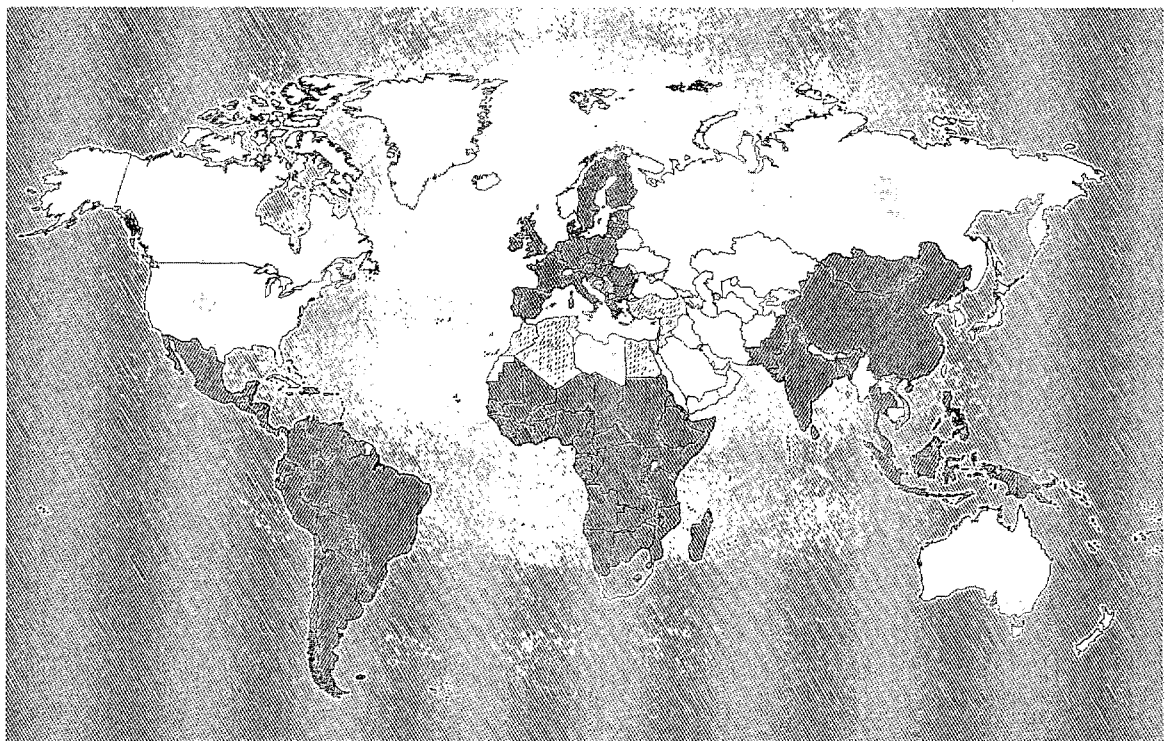
Support for industrial projects was deployed through global loans arranged in all these coun-

tries. Totalling 428 million, i.e. some 14% of all operations, their main purpose was to support projects promoted by small and medium-sized firms and to encourage the establishment of enterprises from the Union and creation of joint ventures. Smaller-scale infrastructural projects, particularly in the field of environmental protection, may also be financed under certain global loans.

The largest industrial projects were concerned with motor vehicle assembly, glass production, woodworking and agri-foodstuffs.

In its activities in the Central and Eastern European countries, the EIB cooperates with Community funds and schemes, particularly the PHARE programme, as well as with the EBRD, of which it is a shareholder.

In the case of all the projects financed, especially those in the fields of energy, transport and industry, the Bank devotes particular attention to the environmental aspects of projects and, in particular, to mitigating environmental degradation.



Under the authorisation handed down by the Board of Governors in February 1993 to finance investment in **Asia** and **Latin America**, a loan of 45 million was provided in Argentina for rehabilitation of roads forming part of the MERCOSUR network, which links together several Latin American countries.

This represents a decrease compared with amounts committed in previous years, the result of deferment of the decision on renewal of the ALA mandates to the end of 1996.

Asia and Latin America

In 1992, the Council of the European Union invited the EIB to consider lending operations in the Asian and Latin American countries, and in February 1993 the Bank's Board of Governors authorised a package of 750 million, to be spread over a period of three years, aimed at supporting investment projects of mutual benefit to the Union and these countries.

Projects involving the production and transmission of natural gas received loans in Thailand, Argentina, Indonesia and China.

Loans were advanced in the communications sector for extension of the telecommunications network in Chile, rehabilitation of roads in Peru and Argentina and extension of Davao airport in the Philippines.

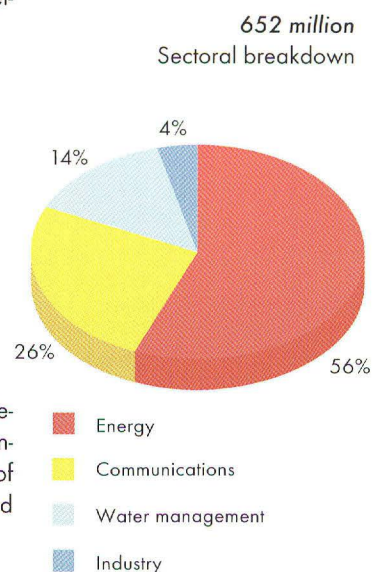
By the end of 1996, projects bringing together partners in the Asian or Latin American countries and the Union, comprising an element of technology transfer or helping to protect the environment, had been supported by funds totalling 652 million (see Table N on page 121).

In the field of the environment, the EIB supported the extension of wastewater collection and treatment systems in Asunción, and in Buenos Aires where it also financed facilities for hazardous waste processing and disposal.

The bulk of this amount went to the energy sector, which attracted 364 million, i.e. 56% of the total. The main projects centred on electricity generation and grid extensions in Costa Rica and India, and in Pakistan where the EIB helped to finance a hydroelectric complex on the Indus.

Generally speaking, there is evidence of a marked trend towards the financing of private-sector projects in cooperation with European enterprises investing in the emerging economies of this group of countries. The trend may be expected to continue in the years to come.

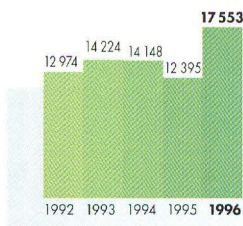
First ALA mandate: an overview



WORKING WITH OTHER MFIs

Outside the European Union, the EIB's cooperation with other multilateral financing institutions (MFIs) is aimed at maximising the impact of the resources available. To date, the EIB has financed projects jointly with members of the World Bank group, with the African Development Bank and African Development Fund, with the Asian Development Bank, the Inter-American Development Bank and, since 1991, the European Bank for Reconstruction and Development, of which it is a shareholder, as well as with other regional and national financing institutions, in particular those of the European Union Member States.

Over the past five years (1992-1996) co-financing operations increased to some 6 billion of aggregate lending outside the EU in excess of 10 billion. This cooperation policy has proved effective and has unquestionably had a beneficial impact, particularly in helping to solve environmental problems, above all at regional level, and in promoting sustainable development in the regions concerned.



RESOURCES RAISED

In 1996, the EIB launched 123 medium and long-term borrowing operations on the capital markets, totalling 18 555 million. • The volume of borrowings before swaps, in terms of operations signed, amounted to 17 611 million, compared with 12 429 million in 1995. • With a volume of loan disbursements some 21% higher than in 1995, the EIB accommodated demand from its borrowers through its highly active presence on the various markets and greater recourse to swap operations. • Resources raised after swaps rose from 12 395 million in 1995 to 17 553 million, of which 10 126 million at fixed rates and 7 427 million at floating rates. • Community currencies accounted for over 90% of the total raised.

Benefiting from favourable conditions on the capital markets with interest rates falling for the main currencies used in its disbursements, the Bank retained its position as the leading international borrower in terms of both the volume of borrowings and the innovative techniques employed.

Aggregate borrowings before swaps (17 611 million) were 42% higher than in 1995 (12 429 million) and involved 114 borrowing operations signed compared with 68 in 1995 (+ 68%), covering 22 currencies as opposed to 17 in 1995. Resources were raised through 104 public issues (73 in 1995) and 10 private borrowings (8 in 1995), the total including 26 medium-term note issues.

The 42% growth in funds raised after swaps (17 553 million, compared with 12 395 million in 1995). This 42% increase can be attributed to significantly greater financing requirements stemming from increased loan disbursements for fresh capital investment in the run-up to EMU and, to a lesser extent, the Bank's cash flow shortfalls in some currencies.

The proportion tapped in Community currencies rose compared to 1995 (92% up from 86%), the main currencies being the DEM, ITL, GBP and ESP, the ECU ranking in fifth place. As in the past, a large share of non-Community currencies was swapped into Community currencies.

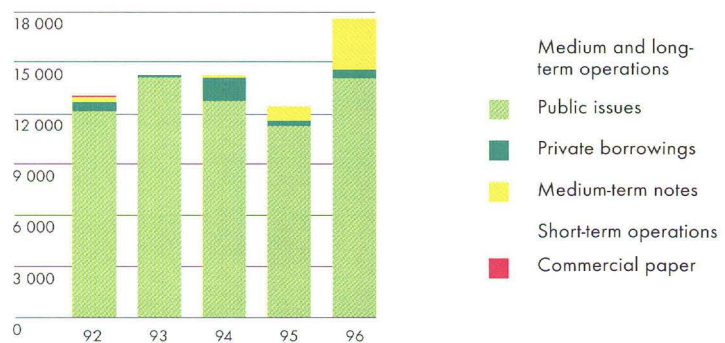
As in previous years, fixed-rate borrowings comprised the bulk of funds raised (10 126 million compared with 7 058 million in 1995). Floating-rate resources, 7 427 million, were mobilised in the five main Community currencies.

The average maturity lengthened slightly to 7.8 years from 7 years in 1995, with maturities ranging from 3.7 to 10 years. Some structured operations, in particular zero coupon issues, were launched with maturities varying from 15 to 30 years (DEM, ITL, ESP, USD, JPY).

Most of the resources raised by the EIB were deployed in loan disbursements. Early redemptions totalled 1 050 million (1 094 million in 1995); and were refinanced via a combination of new issues (458 million compared with 478 million in 1995) and the Bank's liquid holdings.

EIB borrowing operations on the financial markets

Breakdown of resources raised from 1992 to 1996



As in the previous year, the Bank pursued its strategy of ensuring that it commanded adequate liquidity to accommodate loan disbursements whilst seeking every opportunity on the markets to reduce its borrowing costs.

CAPITAL MARKET TRENDS IN 1996

1996 was characterised by a decoupling of the main bond markets as the US, the European and the Japanese markets followed different trends. The US bond yields rose in the first half of the year and then fell back in the second half, finishing the year around one percentage point above the level at the beginning of the year. After moving down initially, German long-term yields also drifted higher before coming down in the second half of the year. With the exception of the British market, European long-term bond yields fell by much more than in Germany, particularly in Italy, Spain and Sweden. Declining bond yield spreads were a response to the severe fiscal adjustment put in place in many countries and growing optimism that EMU will take place in line with the timetable specified in the Maastricht Treaty. Japanese long-term bond yields remained at record lows as the Japanese economy is only slowly recovering from last year's recession. Stock markets in the US and many European countries had a record-breaking year, although the volatility of stock prices also increased. The USD appreciated significantly against the DEM and JPY throughout the year.

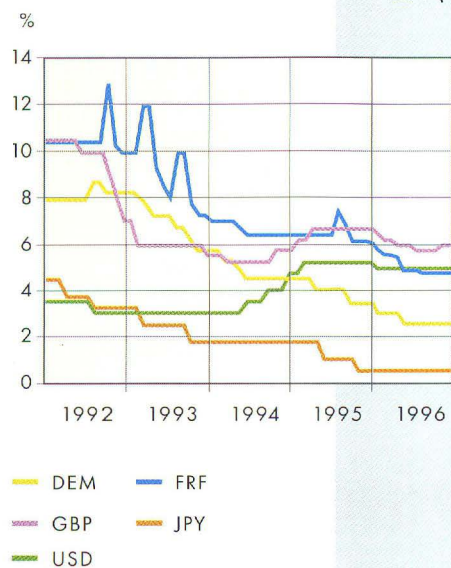
The previous year's move into emerging markets accelerated as the driftdown in European long-term interest rates further encouraged many investors to increase their positions in these markets. Better economic fundamentals in many of the Eastern European countries, the improving outlook for credit quality in emerging markets and the granting of "investment-grade" status to several such borrowers led to a much larger volume of international bond issues.

The volume of bonds issued on international markets increased from USD 470 billion in 1995 to USD 715 billion in 1996. This huge rise can be explained by the very favourable bond market climate in 1996 and also by the fact that 1995 was a year of relatively low issuance activity.

The USD consolidated its position as the dominant currency with more than 45% of issues denominated in this currency, up from 32% in 1995, whereas European currencies lost some ground. The USD (46%), JPY (12%) and DEM (11%) accounted for two thirds of total market volume. Only minor changes in the pattern of borrowers on international bond markets took place in 1996. Banks and financial institutions, the largest group, increased their share of the total amount issued to 37%, industrial and commercial companies accounted for an unchanged 31%, whereas the shares of governments (11%) and supranationals (7%) fell marginally.

In an environment of relatively low interest rates in the largest industrialised countries, investment flows into less traditional instruments (highly structured products and asset-backed structures) or in bonds issued by weaker borrowers (i.e. borrowers on emerging markets) increased, e.g. the amount issued as asset-backed bonds rose from USD 34.5 billion in 1995 to USD 98.6 billion in 1996. Issues by Eastern European countries nearly trebled from USD 6 billion to USD 17 billion. Issues by Latin American countries more than doubled and East Asian countries also increased their issuing activity significantly.

Official interest rates
for the main currencies



Gross yield on 10-year Government bonds

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

With a view to obtaining substantial liquid funds in Community currencies, the Bank primarily launched sizeable issues which, as in previous years, covered the entire length of the yield curve for benchmarks, providing investors with a complement to EU sovereign issues. Its own issues, chiefly in DEM, ESP, FRF, GBP, ITL, NLG and PTE, enabled the EIB to strengthen its presence on the Community capital markets and position itself in the new European financial area in readiness for the single currency. In this respect, the Bank stepped up its support specifically for the EURO by issuing a benchmark ECU bond on the market guaranteeing that interest will be paid and principal redeemed in EURO on the basis of a rate of 1 ECU for 1 EURO with the advent of the single currency. This undertaking reassured the market about the continuity of ECU-denominated debt once the transition is made to EMU.

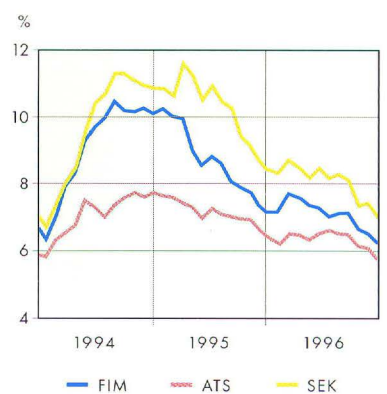
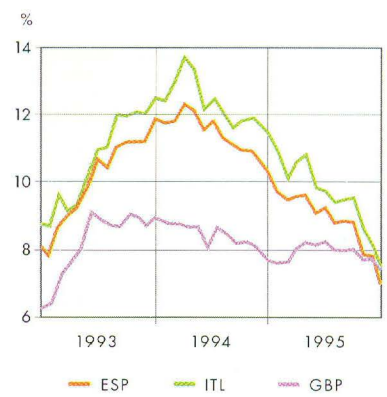
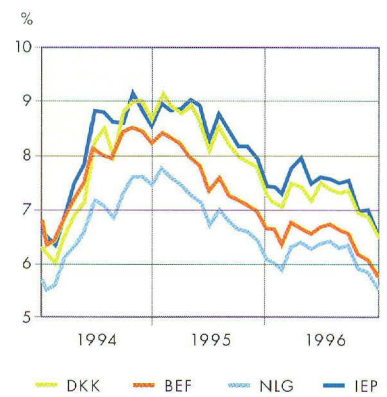
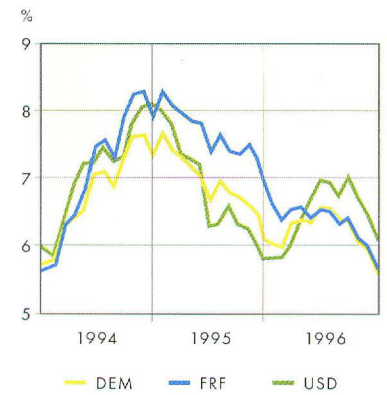
Given the ever increasing need to raise larger amounts at least cost, the Bank pressed ahead with its policy of **diversification** in terms of markets, investors, products and/or techniques.

The Bank also returned to **capital markets** from which it had been absent for a number of years. This was particularly the case on the US market where the EIB launched a 10-year USD 1 billion issue swapped against DEM and placed simultaneously with American, European and Asian investors. It also broached new markets for its issues: the number of currencies borrowed rose to 22 from 17 in 1995, so highlighting the Bank's strategy of making calls on all financial markets, be they emerging Eastern European (CZK), Asian (HKD), African (ZAR) or Australasian (NZD). Over and above the fresh opportunities for resource raising, this policy of moving into new mar-

kets will also enable the Bank to familiarise investors with an issuer who will be offering them bonds denominated in the single currency.

The Bank is especially keen to offer all its **investors** the opportunity to subscribe to its issues. Whilst the active interest of institutional and retail investors in the markets varies depending on the features of the issues being launched, it may occasionally prove necessary to target particular operations at a specific group of investors. The Bank has pursued this strategy in the past and will resort to it again as and when necessary, an example being the successful gearing of a recent EIB issue to retail investors on Spain's domestic bond market.

The diversity of the Bank's **products** was further broadened in 1996, either within the framework of its traditional issues or its medium-term note programmes, by varying the currencies, amounts or other features of borrowing operations: stock exchange index linked bonds (borrowings in DEM linked to the DAX share index or REX bond index, in ESP indexed to IBEX), floating-rate bonds possibly linked to a fixed-rate bond yield with a cap and/or floor (operations in BEF, FRF or PTE), step-up coupon issues in FRF and the whole gamut of products offered to Japanese investors, both institutional and retail (puttable-callable, rainbow option or power reverse dual currency) or zero coupon issues placed mainly with Italian investors (in ITL, DEM or USD).



The diversification of bond issuance techniques continued. Greater recourse was had to the price discovery system, already set in place in the previous year. Moreover, the Bank, for the first time, made use of the global bond issuing technique in 1996. Worldwide placement of such bonds is achieved by reconciling supervisory bodies' placement and listing requirements whilst establishing agreement and links between securities clearing agencies. Adopted for a USD issue, this technique will be extended to other markets should conditions allow.



The need to raise over 90% of funds for loan disbursements in European Union currencies - without disregarding markets in other currencies - and to transform the sophisticated and diverse instruments proposed by the markets

into fixed or floating-rate financing corresponding to the products offered to its clients prompted the Bank to have significant recourse to the interest-rate or currency swap markets. The total notional amount of such operations was 12 billion, appreciably higher than in 1995 (3.5 billion), with the number of such operations expanding significantly as well (115 compared with 31 in 1995). Currency swaps accounted for 62% of the total no-

tional amount, interest-rate swaps the remaining 38%. As in the previous year, interest-rate swaps generated a substantial volume of resources at floating rates.

This use of derivatives was accompanied by a policy of **active risk management**. Risks are closely monitored in line with limits established for each counterparty, due account being taken of rating criteria and an exposure ceiling calculated on the basis of prices on derivatives markets. The Bank continued its policy of diversifying counterparties: larger amounts were made possible for each of these by systematically arranging collateral, although without this influencing the pattern of lending as, generally, different counterparties are involved.

In order to guard against interest-rate risks stemming from volatility on the capital markets, the Bank further pursued its **hedging strategy**. Hedging operations, accounting for almost half of total fixed-rate borrowings (excluding refinancing), were mainly conducted through an internal facility based on a portfolio of bonds resold in line with disbursement of the net proceeds of borrowings and, to a lesser extent, through deferred rate-setting contracts generally concluded with lead managers at the time of issue. These hedging policies form part of asset/liability management designed ultimately to establish a comprehensive hedging strategy.

Pattern of resources raised

(ECU million)

	1992	1993	1994	1995	1996	TOTAL
Medium and long-term operations (after swaps)	12 861.7	14 223.8	14 148.0	12 395.4	17 553.4	71 182.3
- Public issues	12 103.4	14 079.7	12 778.7	12 080.3	17 066.0	68 057.8
- Private borrowings	758.3	144.0	1 369.3	315.2	487.4	3 074.1
of which medium-term notes	222.3	-	50.4	829.0	2 988.8	4 090.5
Short-term operations	111.9	-	-	-	-	111.9
- Commercial paper	111.9	-	-	-	-	111.9
Total	12 973.6	14 223.8	14 148.0	12 395.4	17 553.4	71 294.2

Deutsche Mark: ECU 5 285 million
DEM 10 027 million, of which 5 799 million
(ECU 3 056 million) obtained via swaps

The DEM was the leading currency raised by the Bank; the total more than doubled, compared with the previous year, while funding sources and techniques were diversified and developed accordingly. Nine direct operations were undertaken in

DEM for a total of ECU 2 230 million: three benchmark issues aimed at institutional investors, two smaller operations targeted at retail investors and four structured operations (two placements and a public issue linked to stock exchange indexes plus a zero coupon bond issue). Over half of the DEM funds were obtained via currency swaps primarily from issues denominated in NLG, FRF and USD.

Community currencies

Resources raised in 1996

(amounts in ECU million)

	Before swaps		Swaps	After swaps	
	Amount	%		Amount	Amount
MEDIUM AND LONG-TERM OPERATIONS					
European Union	13 765.8	78.2	2 312.0	16 077.8	91.6
DEM	2 229.6	12.7	3 055.6	5 285.1	30.1
ITL	4 217.7	23.9	180.0	4 397.6	25.1
GBP	1 650.7	9.4	517.7	2 168.4	12.4
ESP	1 740.3	9.9	294.2	2 034.5	11.6
FRF	1 121.2	6.4	- 465.9	655.3	3.7
ECU	650.0	3.7	- 150.0	500.0	2.8
PTE	357.8	2.0	-	357.8	2.0
SEK	-	-	190.8	190.8	1.1
IEP	-	-	102.2	102.2	0.6
GRD	97.0	0.6	-	97.0	0.6
DKK	257.8	1.5	- 169.6	88.2	0.5
NLG	1 185.6	6.7	- 1 102.1	83.5	0.5
LUF	205.5	1.2	- 140.9	64.6	0.4
FIM	33.7	0.2	-	33.7	0.2
BEF	19.0	0.1	-	19.0	0.1
Non-European Union	3 845.7	21.8	- 2 370.0	1 475.6	8.4
USD	1 465.4	8.3	- 767.1	698.3	4.0
JPY	1 319.4	7.5	- 739.9	579.6	3.3
CHF	296.2	1.7	- 130.9	165.3	0.9
ZAR	35.2	0.2	- 2.6	32.5	0.2
CAD	253.9	1.4	- 253.9	-	-
AUD	38.2	0.2	- 38.2	-	-
NZD	202.5	1.1	- 202.5	-	-
HKD	162.0	0.9	- 162.0	-	-
CZK	72.9	0.4	- 72.9	-	-
TOTAL	17 611.5	100.0	- 58.1 (1)	17 553.4	100.0
- of which fixed rate	14 967.6	85.0	- 4 841.5	10 126.1	57.7
- of which floating rate	2 643.9	15.0	4 783.5	7 427.4	42.3

(1) Exchange adjustments

Moving to the single currency...

Economic and Monetary Union (EMU) will be a major step on the way to European integration. It will have important economic consequences, both during the transitional period and after introduction of the single currency. It will lead, within the Union, to the creation of a vast integrated financial and banking market that will be more competitive and have a wider range of financial instruments.

EMU will fundamentally affect the EIB's activities. Currently the Bank lends over ECU 20 billion a year, and each year borrows some ECU 18 billion in over 20 different currencies, placing it among the European Union's biggest borrowers and at the forefront of the world's multilateral financing institutions. The currencies of the EU Member States account for over 80% of EIB borrowings. Aggregate outstanding Bank debt comes to nearly ECU 100 billion (of which 53 billion denominated in ECU or in European currencies falls due after 1 January 1999).

As a major player in the markets for lending, borrowing, investments and derivatives denominated in European currencies including the ECU, the EIB unreservedly supports establishment of EMU, both in the loans it makes to promote cohesion and competitiveness within the Union and in its borrowing operations on the capital markets.

The single currency will considerably simplify the EIB's operations, particularly its asset/liability management, since the Bank will be able to conduct most of its transactions in just one currency. In the Euro area's more competitive environment, creditworthiness will be an even more critical factor for prospective borrowers. With the high credit rating it derives from the quality of its loan book and the strength of its shareholders, the EIB is excellently placed to take advantage of the deeper and more liquid Euro market and to trim further its borrowing costs. It was the first borrower committing itself explicitly to convert its outstanding ECU-denominated debt into Euro on a one-for-one basis as soon as monetary union becomes a reality. By so doing it reassured investors in ECU bonds and underscored its support for EMU.

Borrowing strategy in support of the Euro

With an annual borrowing capacity currently estimated at between 20 and 25 billion, the Bank has the opportunity to make a major contribution to establishing a large capital market in the Euro. Over the coming years the Bank will be launching benchmark issues in the various currencies of the Union which will be identical in terms of nominal coupon and duration. These borrowings will embody an option for the Bank to convert into Euro from 1 January 1999. It will then be possible for these "tributary issues" to be consolidated with other Euro issues in order to feed the bond market with benchmark issues combining liquidity and substantial size - both important factors in creating a critical mass of Euros. During the first four months of 1997, the Bank has floated four such borrowings, with a duration of 10 years and a coupon of 5.75%, in guilders, French francs, Portuguese escudos and Deutsche Mark.

The Bank also intends, well before 1 January 1999 and of course thereafter, to launch Euro loans for large amounts and with a spread of maturities in order to cover the entire yield curve. This strategy was already initiated in early 1997 with the issuance of a 7-year Euro-denominated borrowing for an amount of 1 billion. In view of the operation's favourable reception on the markets, its amount was boosted to 1.3 billion through the addition of an extra tranche. This policy will enable the Bank to supply the market with liquid issues that will hold up well on the secondary market and serve as a basis for establishing futures markets. The yields on the Bank's borrowings will therefore stand favourable comparison with those of sovereign issues, in national currencies, by Member States participating in EMU. The potential resulting reduction in relative funding costs will afford the Bank, as a leading financial intermediary, scope to expand its lending and, in particular, to propose new financial services unavailable to most borrowers on appropriate terms on the market, while still maintaining its prudent financial policies.

The EIB's lending policy and instruments will, of course, have to adapt to this changing environment. EMU will offer many of the Bank's customers the possibility of borrowing on an increasing scale directly from the larger Euro-market, thus giving the EIB fewer opportunities to lend to large companies. However, it will also enable the EIB to diversify its products along new lines, for example by accompanying its clients onto the bond market. In addition, lower relative borrowing costs will enable the EIB to expand its global loan activity in favour of small and medium-sized enterprises.

Public-sector investment, which has long been the mainstream of the Bank's business, may well remain flat in the years ahead. Governments of those countries participating in EMU will have to maintain tight fiscal rectitude and there will thus be less scope to embark on significant investment programmes, whether projects are being financed directly from budgetary appropriations or supported via the Bank. However, this need not entail a reduction in the EIB's scope for lending. A further decline in public investment may well be offset by an increasing trend towards private or public-private investment for infrastructure projects, resulting from growing recognition that many activities previously considered as natural state monopolies could better be provided by the private sector. A trend towards privatisation of such activities is evident already in such sectors as telecommunications, water and waste treatment and public transport.

The Bank has already acquired considerable experience in financing projects in these sectors and has proved to be innovative in tailoring financial packages, with other financial intermediaries and guarantors, to the specific needs of individual projects and promoters. The Bank, therefore, is well placed to expand its activities in this area, which is still in its early growth phase in the European Union. EMU might even lend special impetus to Bank involvement in this sector in all those countries where governments and other public authorities are less than AAA-rated, given that there would be more advantages to securing project financing from the EIB and other banks.

Contributing to balanced regional development within the European Union will remain a cornerstone of the Bank's lending activity. Since EMU will not necessarily reduce regional disparities within Member States, and those staying out of EMU for a longer period may even face disadvantages, the European Union's regional and structural policies will have to continue. However, there is a possibility that these policies might be revised, notably the Cohesion policy (planned to be phased out by the end of 1999), which could lead to a lower overall volume of grants from budgetary resources. As infrastructure needs have to be accommodated somehow, this could broaden the scope for EIB lending, in particular in supporting private-public partnerships promoting public utilities.

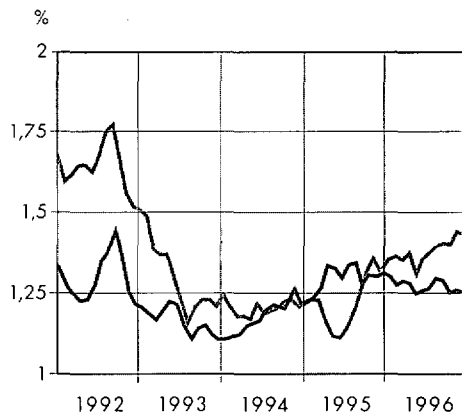
Looking further ahead, with some Central and Eastern European countries likely to join the EU in the near future, there should be ample opportunities for the Bank to extend further its existing financing in these countries to modernise their productive systems and develop their infrastructure with a view to building pan-European networks.

EMU and increasingly competitive pressures on the financial markets will affect the EIB's lending business. However, at the same time, fresh opportunities for borrowing on even more favourable terms are likely to emerge, providing the EIB with the chance to diversify its lending and to develop the financial services needed in the new Euro area in order to fulfil its basic objectives.

New horizons for the EIB

Regional development will remain a cornerstone

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



— USD — JPY

Italian lira: ECU 4 398 million
ITL 8 810 billion, of which 376 billion (ECU 180 million) obtained via swaps

The ITL was the principal currency borrowed in 1996 (ECU 4 218 million), supplementary funds raised via swaps, in contrast to the DEM, accounting for only a small amount. During the year, 25 operations were signed, of which 22 on the Euro-lira market and 3 on the domestic market. Given lower inflation and the prospect of a driftdown in interest rates, demand from Italian retail investors was such that the Bank could raise its funds on keen terms. To meet the strong call for variable-rate loans, a not insignificant share of fixed-rate resources was the subject of interest-rate swaps. The conclusion of structured operations in the shape of long-dated zero coupon issues allowed the Bank to lengthen the duration of its bond portfolio.

Pound sterling: ECU 2 168 million
GBP 1 788 million, of which 428 million (ECU 518 million) obtained via swaps

Total borrowing in GBP rose sharply over 1995 levels (ECU 1 651 million), mainly as a result of a cash flow shortfall in 1996. The most striking feature of resource-raising in 1996 was the launch at the start of the year of a GBP 400 million issue aimed at encouraging British investors to subscribe more extensively to the Bank's borrowings and thus at reducing the yield gap over UK govern-

ment gilts. As a result, the differential was indeed narrowed on the secondary market. Further funds were raised by reverting to shorter-dated borrowings, thereby tapping into mounting interest from non-resident investors for GBP-denominated paper, and by currency swaps.

Spanish peseta: ECU 2 034 million
ESP 327 billion, of which 47 billion (ECU 294 million) obtained via swaps

Borrowing in ESP rose particularly steeply compared to 1995 in terms of both the amounts involved and the number of operations undertaken. The setting-up of a medium-term note programme enabled the Bank to conclude for the most part structured operations on attractive terms, accompanied, where necessary, by interest-rate swaps and intended mostly for Spanish investors. For the first time, the Bank successfully targeted retail investors on the domestic market. On the "Matador" market, significant resources were raised via two new issues and two re-openings of earlier issues. Additional funds were raised via currency swaps.

French franc: ECU 655 million
FRF 4 250 million

The Bank made more substantial calls on the FRF capital market than in the previous year (7 250 million before swaps). Apart from one conventional structured issue for 3 000 million launched at the outset of 1996 and swapped into DEM, the Bank tended to opt for structured operations in tandem with swaps, allowing it to reduce its borrowing costs appreciably: these took the form of step-up coupon and floating-rate TEC 10 indexed issues.

ECU: 500 million

A bond for 500 million launched in early March was later increased to 650 million by adding a fungible tranche that was swapped against other Community currencies. These operations were the first to include in their conditions a commitment by the Bank to ensure financial servicing of the issue in Euros on the basis of one ECU for one Euro upon transition to the single currency. At a later stage, a joint statement by the Bank and the European Communities extended this commitment to cover all issues made by the Bank in ECU. This undertaking was a crucial feature of these issues and behind their success on the secondary market.

Portuguese escudo: ECU 368 million
PTE 70 billion

The highlights of resource-raising in PTE were the launch of a 20-year bond on the Portuguese capital market - on which the longest-dated paper had hitherto been 10 years - and the conclusion on the "caravela" market of a capped floating-rate operation, selling of the cap on which made it possible subsequently to improve the final cost of the issue.

Swedish krona: ECU 191 million
SEK 1 595 million obtained via swaps

Considering the rather lethargic state of the SEK Euromarket and the somewhat unfavourable conditions on the domestic market, no funds were raised through direct operations in 1996. Resources in SEK were obtained via 5 cross-currency swaps.

Irish pound: ECU 102 million
IEP 80 million obtained via swaps

To meet demand for disbursements at variable rates, the Bank was obliged to tap funds via the

USD for which conditions were more attractive than with a direct IEP issue on the market.

Greek drachma: ECU 97 million
GRD 30 billion

A single issue for GRD 30 billion, together with a currency and interest-rate swap for GRD 20 billion, were undertaken. The borrowing was the last fungible tranche of a floating-rate note issue capped at a total amount of GRD 75 billion. In addition, the Bank secured the approval of the Greek authorities to inaugurate a medium-term note programme in 1997.

Danish krone: ECU 88 million
DKK 650 million

The Bank made two calls on the Euromarket launching deep discount bonds placed chiefly with retail investors. A portion of the funds raised was swapped into SEK and DEM.

Netherlands guilder: ECU 84 million
NLG 180 million obtained via swaps

The Bank issued a 10-year bond for NLG 2 500 million (ECU 1 186 million), the largest ever floated by the Bank and accepted as a surrogate State bond. The proceeds of this operation were swapped into DEM.

Luxembourg franc: ECU 65 million
LUF 2 500 million

Three issues were launched for a total of LUF 8 billion (ECU 206 million). Virtually all the proceeds were used for swapping into other currencies.

Belgian franc: ECU 19 million
BEF 750 million

A multicurrency debt issuance programme for BEF 25 billion was arranged, facilitating private placements with Belgian institutional investors. The EIB is the first supranational to establish such a programme. The inaugural transaction was a structured issue swapped into floating-rate BEF.

Finnish markka: ECU 34 million
FIM 200 million

Funds raised from a single fixed-rate private placement with an institutional investor were swapped for floating-rate FIM.

Non-Community currencies

US dollar: ECU 698 million
USD 898 million obtained via swaps

Five operations for a total of USD 1 859 million (ECU 1 465 million) were launched on very attractive terms and the proceeds swapped into Community currencies. The most noteworthy transaction was a USD 1 billion global bond issue, signalling the Bank's debut in this particular arena. A 30-year zero coupon issue was also launched for a nominal amount of USD 1 billion.

Yen: ECU 580 million
JPY 80 billion

Innovative structured operations - puttable/callable, rainbow option and power reverse dual currency - were undertaken with the aim of reconciling investors' needs with the Bank's borrowing targets. The Euroyen market was revived with the Bank's JPY 50 billion 10-year bond issue. Taking advantage of its presence on the "Samurai" market since late 1995, the EIB broadened its investor base in Japan, reaching non-residents investing in the Euroyen market as well as Japanese retail and institutional investors. A private placement of JPY 3 billion also inaugurated the multicurrency medium-term note (EMTN) programme set up in 1996. Nearly 60% of funds raised in JPY were re-deployed for swap or arbitrage purposes.

Swiss franc: ECU 165 million
CHF 250 million

As disbursements in CHF were low and cash flow was very positive, only two issues were launched, one of them being swapped for DEM.

South African rand: ECU 33 million
ZAR 185 million

Demand for disbursements in ZAR from clients in the Republic of South Africa led the Bank to enter the international market for this currency. Two issues were launched, the bulk of the net proceeds of which were given over to back-to-back operations with South African borrowers.

Czech koruna:

The Bank made its debut on Eastern European markets with two CZK Euromarket issues: one bearing a 3-year maturity, the other 5 years, the longest to date for a Euro-CZK issue launched on this market. As the Bank had no demand for disbursements in CZK, both these issues were swapped into DEM.

New Zealand dollar, Hong Kong dollar:

Although benefiting from preferential tax status for its issues, until 1996 the Bank had not launched operations in either HKD or NZD. As the Bank now enjoys the option of issuing in non-OECD currencies, it entered these markets with issues worth a total of NZD 300 million (ECU 162 million) and HKD 2 billion (ECU 202 million), of which one issue for HKD 1 billion enabled the Bank's securities to qualify for the "Liquidity Adjustment Facility". The full proceeds of these operations were swapped for floating-rate USD.

Australian dollar, Canadian dollar:

Funds raised in AUD (68 million; ECU 38 million) and CAD (450 million; ECU 264 million) were swapped for floating-rate USD on favourable terms.

Liquid funds, at 31 December 1996, totalled some 10 219 million, held in 20 currencies, including the ECU. The breakdown was as follows:

- **The money-market treasury** constitutes the bulk of liquid funds (6 420 million). It comprises a short-term money-market treasury and an operational bond portfolio.

The short-term money-market treasury consists chiefly of borrowing proceeds and surplus cash flow. It is designed to cover the Bank's future disbursements. Its holdings are sufficient to cover 2.7 months' loan disbursements and equal 24% 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-1996, the bulk of this treasury was placed in first-class products, the rest being invested in marketable short-term instruments.

Following a fractional upturn in the first part of the year, bond rates eased in the second half. This was reflected in a widespread reduction in interest rates for currencies regarded as high-yielding. Overall, money-market interest rates in Europe, the USA and Japan also declined in the course of 1996, though a small reversal occurred at the end of the year, particularly in the case of the pound sterling, US dollar and Deutsche Mark.

Liquidity management operations generated total income of 607 million, corresponding to an overall book return of 6.2%.

Investments in the **short-term money-market treasury** yielded interest of 416 million on average holdings of 7 451 million.

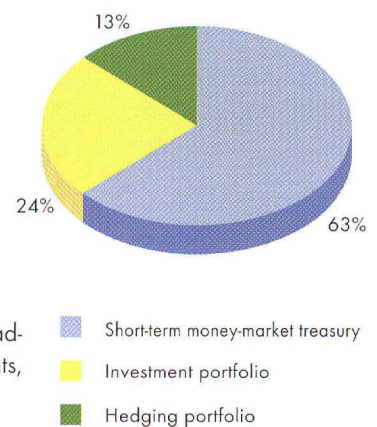
The book return on the **investment portfolio** worked out at 7.9% for 1996.

The operational bond portfolio registered no movement during the 1996 financial year.

- **The investment portfolio** represents the second line of liquidity (2 423 million). It comprises bonds issued by selected OECD Member States and other first-class public institutions. Over 98% of the **investment portfolio** is guaranteed by Member States of the European Union or issued by "AAA" rated names.

- **The interest-rate hedging portfolio** (1 376 million) is intended to hedge, through bond purchases, all or part of certain new EIB fixed-rate bond issues. This instrument enables the EIB to hold in its treasury the proceeds of issues launched with a view to taking advantage of particularly favourable developments, irrespective of disbursement needs.

Liquidity management



In 1995, the portfolio had produced overall income of ECU 268 million, which included a gain of ECU 90 million realised on restructuring, i.e. a return of 11.5% (or 8% excluding the exceptional gain). The average duration of the portfolio was 3.2 years at 31 December 1996, as against 3.8 years at 31 December 1995. The market value of the portfolio as at 31 December 1996 stood at 2 626 million, compared with a book value of 2 423 million.

Liquidity management results

	1996	1995
Liquidity management		
Total income	607	593
Average holdings	9 858	7 593
Average return	6.2%	7.8%
of which short-term money-market treasury		
Total income	416	318
Average holdings	7 451	5 243
Average return	5.1%	5.8%
Duration	26 days	29 days
of which investment portfolio (a)		
Total income	190	268
Average holdings	2 408	2 324
Average return	7.9%	11.5%
Duration	3.2 years	3.8 years

(a) During the first half of 1995, restructuring of the investment portfolio realised a gain of ECU 90 million, or 3.6% of the average portfolio.

DECISION-MAKING BODIES, ADMINISTRATION AND STAFF

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, commits the Bank with respect to its activities outside the Union, 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 Viktor KLIMA replaced Mr Andreas STARIBACHER as Governor for Austria and consequently held the office of Chairman of the Board of Governors until the Annual Meeting in June 1996. In accordance with the system of annual rotation, he was succeeded by Mr António SOUSA FRANCO, Governor for Portugal.

Board of Governors

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 1995, Mr Barrie HUDSON, Ms Inga-Maria GRÖHN and Messrs Fernando BECKER ZUAZUA and Svante ÖBERG have taken over as Directors from Messrs Geoffrey DART, Veikko KANTOLA, Miguel MUÑIZ de Las CUEVAS and Leif PAGROTSKY respectively. Ms Susan Jane CAMPER and Messrs Pierre

DUQUESNE and Philip WYNN OWEN have been succeeded as Alternates by Messrs John NUGÉE, Xavier MUSCA and Adam SHARPLES respectively.

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

Board of Directors



BOARD OF GOVERNORS

Situation at 5 May 1997

Chairman

António SOUSA FRANCO (Portugal)

Viktor KLIMA (Austria), *until June 1996*

Andreas STARIBACHER (Austria), *until January 1996*

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, Ministro de Economía y Hacienda Pedro SOLBES MIRA, Ministro de Economía y Hacienda, <i>until May 1996</i>
FRANCE	Jean ARTHUIS, Ministre de l'Économie et des Finances
IRELAND	Ruairi QUINN, Minister for Finance
ITALY	Carlo Azeglio CIAMPI, Ministro del Tesoro, Ministro del Bilancio Lamberto DINI, Primo Ministro, Ministro del Tesoro, <i>until May 1996</i>
LUXEMBOURG	Jean-Claude JUNCKER, Premier Ministre, Ministre d'Etat, 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> Andreas STARIBACHER, Bundesminister für Finanzen, <i>until January 1996</i>
PORTUGAL	António SOUSA FRANCO, Ministro das Finanças
FINLAND	Arja ALHO, Ministeri, Valtiovarainministeriö
SWEDEN	Erik ÅSBRINK, Finansminister Göran PERSSON, Finansminister, <i>until March 1996</i>
UNITED KINGDOM	Gordon BROWN, Chancellor of the Exchequer Kenneth CLARKE, Chancellor of the Exchequer, <i>until May 1997</i>

AUDIT COMMITTEE

Situation at 1 May 1997

Chairman

Michael J. SOMERS

Chief Executive, National Treasury Management Agency, Dublin

Juan Carlos PÉREZ LOZANO, Interventor Delegado, Agencia Española de Cooperación Internacional (AECI), Ministerio de Asuntos Exteriores, Madrid *until June 1996*

Members

Albert HANSEN, Secrétaire général du Conseil du gouvernement, Luxembourg

Emídio de JESUS MARIA

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

BOARD OF DIRECTORS

Situation at 1 May 1997

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

Chief Executive (Retired), Structured Finance Division, Barclays de Zoete Wedd Ltd., London

Isabel CORREIA BARATA

Subdirectora-Geral do Tesouro, Direcção-Geral do Tesouro, Ministério das Finanças, Lisbon

Jos de VRIES

Plaatsvervangend Directeur, Directie Buitenlandse Financiële Betrekkingen, Ministerie van Financiën, The Hague

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

Rahoitusjohtaja, Valtiovarainministeriö, Helsinki

Barrie HUDSON

Director, International Development Affairs Division, Overseas Development Administration, London

Rainer MASERA

Direttore generale dell'Istituto Mobiliare Italiano, Rome

Francis MAYER

Chef du Service des Affaires Internationales, Direction du Trésor, Ministère de l'Économie et des Finances, Paris

Paul McINTYRE

Deputy Director, Head of European Union Group (Overseas Finance), HM Treasury, London

Svante ÖBERG

Generaldirektör, Konjunkturinstitutet, Stockholm

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

Gerhard RAMBOW

Ministerialdirektor a.D., Bonn/Berlin

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, Crédit National, 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

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

Eberhard KURTH

Ministerialdirektor a.D., Bonn

Herbert LUST

Direktor, Abteilung für Internationale Finanzinstitutionen, Bundesministerium für Finanzen, Vienna

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 GARCÍA

Subdirector General del Tesoro y Política Financiera, Ministerio de Economía y Hacienda, Madrid

Xavier MUSCA

Sous-Directeur des Affaires Multilatérales, Direction du Trésor, Ministère de l'Économie et des Finances, Paris

John NUGÉE

Chief Manager, Reserves Management, Bank of England, London

Per Bremer RASMUSSEN

Kontorchef, Ministry of Finance, Copenhagen

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

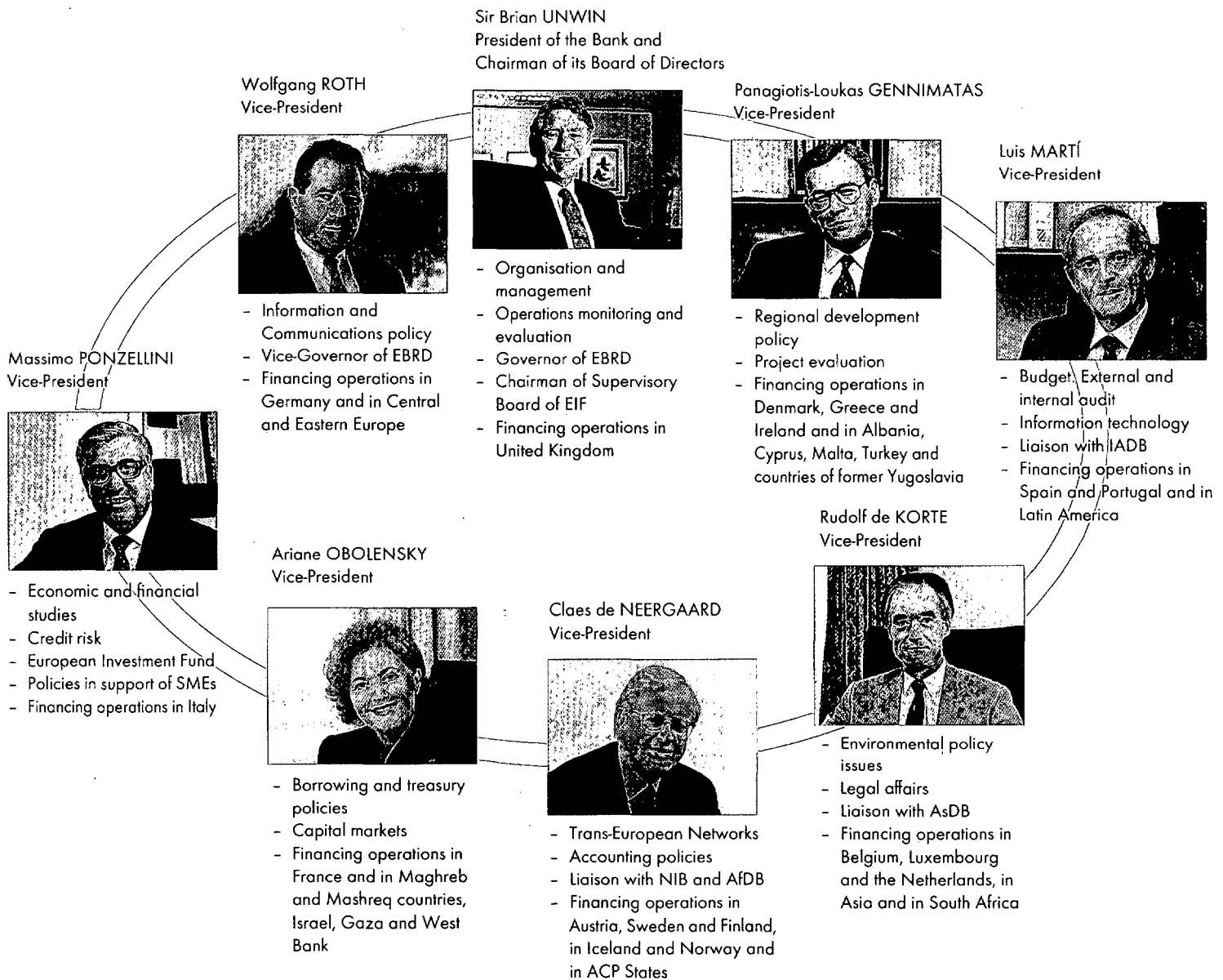
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Management Committee

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



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 3 June 1996, the Governors appointed Mr Emídio de JESUS MARIA, Subinspector-Geral de Finanças, to succeed Mr Juan Carlos PÉREZ LOZANO, whose mandate had expired. In accordance with the system of annual rotation, Mr Michael J. SOMERS took over the chairmanship of the Audit Committee held by Mr PÉREZ LOZANO until June 1996.

At their Annual Meeting, the Governors unanimously decided to appoint annually an observer to the Audit Committee for a term of one year. In principle, this observer will be the outgoing member of the Audit Committee. At the end of this one-year mandate, the observer may again be appointed by the Board of Governors as a full member of the Audit Committee.

In accordance with its function, the Audit Committee continued to examine the reports of the Bank's internal and external 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 European Union budgetary resources.

In keeping with the strengthening of its role, decided by the Governors at their 1995 Annual Meeting, the Audit Committee designates the Bank's external auditors. During the course of the year, following tendering procedures and after consultation with the Management Committee, it appointed Ernst & Young to succeed Price Waterhouse as the new external auditors, for an initial period of five years. Ernst & Young will therefore be responsible for auditing the financial statements for the 1997 financial year.

Audit Committee

The major restructuring measures implemented in 1995 and 1996 place the Bank in a better position to contend with the challenges raised by the increasingly complex economic environment in which it operates.

The structure of the Bank's Directorates is set out in the organisation chart (pages 64 - 65). Only movements affecting the Bank's senior management cadre are mentioned hereafter.

The former Secretary General, Thomas OURSIN, relinquished his post on 30 June 1996 to take over chairmanship of the EIF. He has been succeeded by Francis CARPENTER, formerly Director of the "Credit and Monitoring" Department in the Directorates for "Lending Operations in the European Union", who will also act as principal adviser to the Management Committee on institutional issues and questions relating to general policy and coordination with the Directorates.

Administration and Staff

ORGANISATION STRUCTURE

(Situation at 1 May 1997)

Secretary General
Francis CARPENTER



Directors

Corporate Affairs
Rémy JACOB

Andreas VERYKIOS

Autonomous Departments

Human Resources
Gerlando GENUARDI

Information Technology
Dominique de CRAYENCOUR

Administrative Services

Coordination

Secretariat
Planning, Budget, Budgetary Control,
Management Information System

Representative Office in Brussels

Internal Audit

Personnel Administration
Personnel Policy
Recruitment

Applications Engineering
Systems and Operations

Internal Services
Translation

Evelyne POURTEAU
Jenny QUILLIEN
Hugo WOESTMANN

Theoharry GRAMMATIKOS

Zacharias ZACHARIADIS
Margareta HÖLCKE
Jörg-Alexander UEBBING

Albert BRANDT
Ernest FOUSSE

Adriaan ZILVOLD
Georg AIGNER

Directorates for Lending Operations in the European Union

Coordination
André DUNAND

Directorate 1
Director General
Pitt TREUMANN



Italy, (Rome)
Caroline REID

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Germany, Austria
Emanuel MARAVIC

Spain, Portugal
Armin ROSE

Directorate 2
Director General
Michel DELEAU



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Thomas HACKETT

Greece, Finland, Denmark, Sweden
Ernest LAMERS

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Energy
Industry and Banks

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France - Enterprises
Belgium, Luxembourg, the Netherlands

Germany (Northern Länder)
Germany (Southern Länder), Austria

Spain - Public Sector
Spain - Private Sector
Madrid Office
Portugal
Lisbon Office

UK, North Sea: Infrastructure, Industry, Banks
London Office
UK, North Sea: Transport, Energy
Ireland

Greece, Finland
Athens Office
Denmark, Sweden

Ralph BAST

Angelo MICHETTI
Michael O'HALLORAN
Laurent de MAUTORT

Jacques DIOT
Isabel LOPES DIAS
Ferdinand SASSEN

Henk DELSING
Joachim LINK

Francisco DOMINGUEZ
Jos VAN KAAM
Fernando DE LA FUENTE
Filipe CARTAXO
Manuel ROCHA FONTES

Bruno LAGO
Guy BAIRD
Thomas BARRETT
Richard POWER

Antonio PUGLIESE
Arghyo ELEFTHERIADOU-YARMENITOU
Paul DONNERUP

Directorate for Lending Operations outside the European Union

Director General
Fridolin WEBER-KREBS



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Martin CURWEN

Mediterranean
Jean-Louis BIANCARELLI

Central and Eastern Europe
Walter CERNOIA

Coordination and Control
Manfred KNETSCH

Asia and Latin America

West Africa and Sahel
Central and East Africa
Southern Africa and Indian Ocean
Caribbean and Pacific

Maghreb, Turkey
Mashreq, Middle East, Malta, Cyprus

Estonia, Latvia, Lithuania, Poland
Hungary, Czech Rep., Slovakia, Slovenia, Euratom
Albania, Bulgaria, Romania, Bosnia-Herzegovina,
Croatia, FYROM, FRY

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Control: Mediterranean, Central and Eastern Europe,
Asia and Latin America
Control: ACP and Financial Institutions

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Director General

René KARSENTI



Directors

Capital Markets

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Deputy Director General
Jean-Claude BRESSON,
Deputy Director

Treasury

Luc WINAND

Planning and Operational Support

Eberhard UHLMANN

Financial Control/Accountancy

François ROUSSEL

Coordination

Risk Control

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ECU, Spain, Ireland, United Kingdom, Australia, Canada,
United States, South-East Asia

Germany, Austria, Switzerland, Central and Eastern Europe
Belgium, Denmark, Luxembourg, Netherlands, Finland, Sweden,
Norway, Japan

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Liquidity Management

Operational Asset/Liability Management

Planning/Loan Cashflows

Administration of Accounts, Transfers and Teletransmissions

General Accounting

Financial and Accounting Control of Operations

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Jean-Claude BRESSON

Carlos GUILLE

Barbara STEUER

Joseph VOGTEN

Luc WINAND

Francis ZEGHERS

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Luis BOTELLA MORALES

Charles ANIZET

Projects Directorate

Director General

Herbert CHRISTIE



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Peter BOND

Infrastructure II

Luigi GENAZZINI

Energy

Günter WESTERMANN

Industry I

Hemming JØRGENSEN

Industry II

Horst FEUERSTEIN

Coordination

Transport (except Air Transport) and Sundry Infrastructure

*Technical Adviser with special responsibilities for Procurement

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

**Economic Adviser with special responsibilities for the Environment

Electricity, Oil and Gas

Mining, Metallurgy, Chemicals, Heavy Industry

**Air Transport, Telecommunications, Light Industry and
Food Processing**

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Mateu TURRÓ

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Barend STOKOPER

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Operations

Konstantin ANDREPOULOS

Policy

Giannangelo MARCHEGANI

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Ireland, United Kingdom

France

Belgium, Denmark, Greece, Finland, Luxembourg, the Netherlands, Sweden

Germany, Austria

Spain, Portugal

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Community Law and Institutional Questions

Marco PADOVAN

Patrick Hugh CHAMBERLAIN

Marc DUFRESNE

Robert WAGENER

Hans-Jürgen SEELIGER

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Operations Evaluation Unit

Jean-Jacques SCHUL, Special Adviser to the President



Bernard BELIER

Peter HELGER

Credit Risk

Terence BROWN



Public Sector (DK, DE, ES, IT, AT, SE)

Public Sector (BE, GR, FR, IE, LU, NL, PT, FI, GB)

Private Sector (DK, DE, ES, IT, AT, SE)

Private Sector (BE, GR, FR, IE, LU, NL, PT, FI, GB)

Financial Institutions

Pier Luigi GILIBERT

Agostino FONTANA

Brian FEWKES

John Anthony HOLLOWAY

RESULTS FOR THE YEAR

Profit for the financial year 1996 came to 1 092.1 million compared with 1 216.5 million in 1995. This 10% fall was due mainly to a different way of booking receipts from loan prepayment indemnities in the accounts. The change, under which part of such indemnity income is amortised over subsequent financial years, was adopted by the Bank in pursuance of its prudent financial policy and this reduced the profit for 1996 by 135.3 million. The profit figure also takes account of a further transfer of 100 million with respect to the specific provisions and the Fund for general banking risks.

Receipts of interest and commission on loans in 1996 came to 7 935 million as against 7 795 million in 1995, while interest and commission on borrowings totalled 7 061 million (6 653 million in 1995).

Overall, treasury operations yielded a profit of 607 million in 1996, or 14 million higher than the 1995 figure of 593 million.

This rise was due mainly to money-market treasury income, which increased by 98 million in 1996 compared with 1995 when, however, the accounts included an exceptional gain of 90 million arising from restructuring of the investment portfolio.

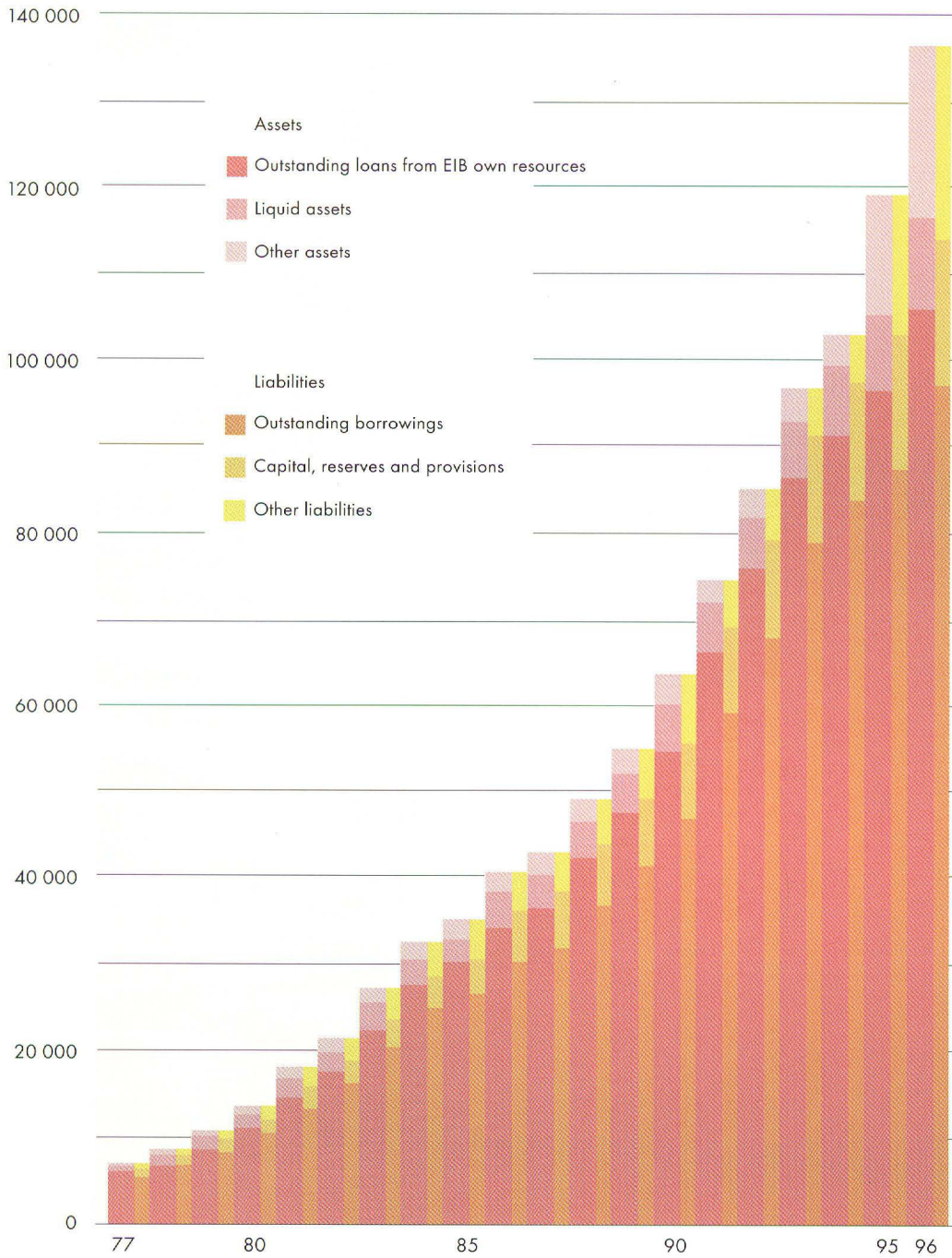
Excluding the hedging treasury and short-term borrowings, treasury operations produced an average overall return of 6.2% as against 7.8% in 1995 (or 6.7% excluding the exceptional gain from the investment portfolio restructuring). This lower return is attributable mainly to the general fall in short-term interest rates for money-market treasury holdings partly offset by the continuing high return on the investment portfolio (7.9% in 1996). However, the money-market treasury still outperformed the benchmark by 0.50%.

A detailed analysis by compartment appears on page 57.

Administrative expenses and charges plus depreciation of buildings, furniture and equipment totalled 154.6 million in 1996.

The Board of Directors has recommended that the Governors appropriate the balance of the profit and loss account for the year ended 31 December 1996 - after transfers of 50 000 000 to the specific provisions and 50 000 000 to the Fund for general banking risks - i.e. 1 092 118 660, to the unallocated earned surplus.

GROWTH IN THE BALANCE SHEET OF THE BANK



RESULTS FOR THE YEAR, ANNUAL ACCOUNTS

Balance sheet and financial statements	70
Report by the External Auditors	88
Statement by the Audit Committee	89

BALANCE SHEET AS AT 31 DECEMBER 1996

In ECUs — see notes to the financial statements

ASSETS	31.12.1996	31.12.1995
1. Cash in hand, balances with central banks and post office banks	26 413 138	26 807 130
2. Treasury bills eligible for refinancing with central banks (Note B)	2 278 253 143	2 257 430 092
3. Loans and advances to credit institutions		
a) repayable on demand	24 661 020	218 145 514
b) other loans and advances (Note C)	5 947 256 987	3 792 859 024
c) loans: aggregate outstanding ⁽¹⁾	46 080 183 735	42 190 441 135
less undisbursed portion	<u>6 492 777 142</u>	<u>6 112 849 242</u>
	39 587 406 593	36 077 591 893
	<u>45 559 324 600</u>	<u>40 088 596 431</u>
4. Loans and advances to customers		
loans: aggregate outstanding ⁽¹⁾	80 540 707 217	72 446 367 515
less undisbursed portion	<u>14 435 832 566</u>	<u>12 432 195 744</u>
	66 104 874 651	60 014 171 771
Specific provisions (Note A.4)	<u>- 175 000 000</u>	<u>- 125 000 000</u>
	<u>65 929 874 651</u>	<u>59 889 171 771</u>
5. Debt securities including fixed-income securities (Note B)		
a) issued by public bodies	1 721 884 549	1 587 923 120
b) issued by other borrowers	<u>220 516 797</u>	<u>409 072 971</u>
	1 942 401 346	1 996 996 091
6. Shares and other variable-yield securities (Note D)	90 000 000	90 000 000
7. Participating interests (Note D)	120 000 000	80 000 000
8. Intangible assets	294 612 387	353 697 601
9. Tangible assets (Note E)	85 401 214	87 127 162
10. Other assets		
a) receivable from Member States for adjustment of capital contributions (Note F)	11 025 379	2 888 806
b) receivable on account of reserves and provisions (Note L)	155 296 499	465 889 494
c) receivable in respect of EMS interest subsidies paid in advance (Note G)	37 366 091	49 721 890
d) sundry debtors (Note H)	168 160 950	120 441 626
e) receivable in respect of currency swap contracts	<u>16 053 004 746</u>	<u>10 024 157 121</u>
	16 424 853 665	10 663 098 937
11. Subscribed capital, called but not paid ⁽²⁾	275 403 127	503 225 006
12. Prepayments and accrued income	<u>2 694 942 178</u>	<u>2 687 596 164</u>
	<u>135 721 479 449</u>	<u>118 723 746 385</u>

APPENDED SUMMARY STATEMENTS:

- ⁽¹⁾ Loans and guarantees, page 76;
- ⁽²⁾ Debts evidenced by certificates, page 80;
- ⁽³⁾ Subscriptions to the capital of the Bank, page 80.

LIABILITIES
31.12.1996
31.12.1995

1. Amounts owed to credit institutions			
a) repayable on demand	949 703		0
b) with agreed maturity dates or periods of notice (Note I)	<u>56 273 324</u>		<u>36 609 404</u>
		57 223 027	36 609 404
2. Debts evidenced by certificates ⁽²⁾			
a) debt securities in issue	93 601 923 143		83 626 500 656
b) others	<u>3 047 200 782</u>		<u>3 452 264 448</u>
		96 649 123 925	87 078 765 104
3. Other liabilities			
a) payable to Member States for adjustment of capital contributions (Note F)	0		0
b) interest subsidies received in advance (Note G)	263 841 349		261 558 884
c) sundry creditors (Note H)	529 259 303		638 697 558
d) sundry liabilities	29 111 552		29 929 690
e) payable in respect of currency swap contracts	<u>16 318 153 993</u>		<u>10 100 656 523</u>
		17 140 366 197	11 030 842 655
4. Accruals and deferred income		3 611 135 316	3 478 198 527
5. Provisions for liabilities and charges			
staff pension fund (Note J)		291 586 801	269 405 172
6. Fund for general banking risks (Note K)		500 000 000	450 000 000
7. Capital ⁽³⁾			
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>4 310 100 085</u>
		11 727 940 362	10 511 400 085
9. Profit for the financial year		1 092 118 660	1 216 540 277
		135 721 479 449	118 723 746 385

OFF-BALANCE-SHEET ITEMS
31.12.1996
31.12.1995

Guarantees ⁽¹⁾			
- in respect of loans granted by third parties	344 113 448		331 144 074
- in respect of participations by third parties in Bank loans	<u>48 073 838</u>		<u>59 295 788</u>
		392 187 286	390 439 862
Special deposits for service of borrowings (Note R)		10 726 955 432	5 131 929 918
Swap contracts:			
- currency	318 000 000		293 148 000
- interest	<u>308 000 000</u>		<u>198 816 000</u>
		626 000 000	491 964 000
Portfolio securities:			
- commitments to sell (Note S)		617 308 171	0
- commitments to purchase		308 304 293	0

STATEMENT OF SPECIAL SECTION ⁽¹⁾ AS AT 31 DECEMBER 1996

In ECUs — see notes to the financial statements

ASSETS	31.12.1996	31.12.1995
Member States		
<i>From resources of the European Atomic Energy Community</i>		
Loans outstanding		
- disbursed ⁽²⁾	580 496 090	729 480 896
<i>From resources of the European Community (New Community Instrument for borrowing and lending)</i>		
Loans outstanding		
- disbursed ⁽²⁾	556 227 627	846 099 719
Turkey		
<i>From resources of Member States</i>		
Loans outstanding		
- undisbursed	—	1 804 484
- disbursed	131 090 088	148 865 138
Total ⁽⁴⁾	131 090 088	150 669 622
Mediterranean Countries		
<i>From resources of the European Community</i>		
Loans outstanding		
- undisbursed	—	159 286
- disbursed	255 671 453	263 512 810
	255 671 453	263 672 096
Risk capital operations		
- amounts to be disbursed	51 710 606	54 946 917
- amounts disbursed	63 644 398	48 007 159
	115 355 004	102 954 076
Total ⁽⁵⁾	371 026 457	366 626 172
African, Caribbean and Pacific States and Overseas Countries and Territories		
<i>From resources of the European Community</i>		
Yaoundé Conventions		
Loans disbursed	57 297 830	61 962 093
Contributions to the formation of risk capital		
Amounts disbursed	647 675	659 959
Total ⁽⁶⁾	57 945 505	62 622 052
Lomé Conventions		
Risk capital operations		
- amounts to be disbursed	486 316 719	531 984 626
- amounts disbursed	860 902 341	804 606 812
Total ⁽⁷⁾	1 347 219 060	1 336 591 438
Grand Total	3 044 004 827	3 492 089 899

For information:

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

- a) Under the First, Second and Third Lomé Conventions: at 31.12.1996: 1 484 433 789; at 31.12.1995: 1 492 793 886
 b) Under Financial Protocols signed with the Mediterranean Countries: at 31.12.1996: 180 897 034; at 31.12.1995: 172 394 118

(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, 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	+ 180 859 999
less: repayments	- 2 373 531 048
	<u>580 496 090</u>

LIABILITIES

31.12.1996

31.12.1995

Funds under trust management

Under mandate from the European Communities		
European Atomic Energy Community	580 496 090	729 480 896
European Community:		
- New Community Instrument	556 227 627	846 099 719
- Financial Protocols with the Mediterranean Countries	319 315 851	311 519 969
- Yaoundé Conventions	57 945 505	62 622 052
- Lomé Conventions	860 902 341	804 606 812
	<hr/>	<hr/>
	2 374 887 414	2 754 329 448
Under mandate from Member States	131 090 088	148 865 138
	<hr/>	<hr/>
Total	2 505 977 502	2 903 194 586

Funds to be disbursed

On loans to Turkey under the Supplementary Protocol	—	1 804 484
On loans and risk capital operations in the Mediterranean Countries	51 710 606	55 106 203
On risk capital operations under the Lomé Conventions	486 316 719	531 984 626
	<hr/>	<hr/>
Total	538 027 325	588 895 313
	<hr/>	<hr/>
Grand Total	3 044 004 827	3 492 089 899

(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: 6 399 144 856

add: exchange adjustments		+ 101 391 024
less: cancellations	201 990 536	
repayments	5 742 317 717	- 5 944 308 253
	<hr/>	<hr/>
		556 227 627

(4) Initial amount of contracts signed for financing projects in Turkey under mandate, for the account and at the risk of Member States: 417 215 000

add: exchange adjustments		+ 9 100 320
less: cancellations	215 000	
repayments	295 010 232	- 295 225 232
	<hr/>	<hr/>
		131 090 088

(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: 430 189 000

less: cancellations	8 618 226	
repayments	49 918 079	
exchange adjustments	626 238	- 59 162 543
	<hr/>	<hr/>
		371 026 457

(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	9 501 250	+ 10 679 522
less:		
- cancellations	1 573 610	
- repayments	93 146 078	- 94 719 688
	<hr/>	<hr/>
		57 945 505

(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	1 805 311 141	
- equity participations	36 600 636	1 841 911 777
add:		
- capitalised interest		+ 1 659 296
less:		
- cancellations	241 864 252	
- repayments	241 666 584	
- exchange adjustments	12 821 177	- 496 352 013
	<hr/>	<hr/>
		1 347 219 060

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

In ECUs — see notes to the financial statements

	31.12.1996	31.12.1995
1. Interest receivable and similar income (Note N)	8 615 729 435	8 316 827 738
2. Interest payable and similar charges	-7 214 462 976	- 6 754 202 799
3. Commission receivable (Note O)	16 053 794	18 048 975
4. Commission payable	- 5 020 717	- 1 501 412
5. Result on financial operations	2 545 531	9 010 507
6. Other operating income	3 768 641	672 003
7. General administrative expenses (Note P):	-144 985 624	- 142 229 173
a) staff costs	112 300 480	109 790 367
b) other administrative expenses	<u>32 685 144</u>	<u>32 438 806</u>
8. Value adjustments in respect of:	- 81 128 501	- 105 200 120
a) issuing charges and redemption premiums	71 516 778	96 551 267
b) buildings and net purchases of furniture and equip- ment (Note E)	<u>9 611 723</u>	<u>8 648 853</u>
9. Value adjustments in respect of loans and advances (Note A.4)	- 50 000 000	- 125 000 000
10. Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings (Note Q)	0	90 399 744
11. Transfers to Fund for general banking risks	- 50 000 000	- 50 000 000
12. Profit on ordinary activities	1 092 499 583	1 256 825 463
13. Net loss arising from re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute (Note A § 1)	<u>- 380 923</u>	<u>- 40 285 186</u>
14. Profit for the financial year (Note L)	1 092 118 660	1 216 540 277

CASH FLOW STATEMENT AS AT 31 DECEMBER 1996

In ECUs — see notes to the financial statements

	31.12.1996	31.12.1995
A. Cash flows from operating activities:		
Profit for the financial year	1 092 118 660	1 216 540 277
Adjustments:		
Transfer to Fund for general banking risks	50 000 000	50 000 000
Value adjustments	131 128 501	230 200 120
Exchange adjustment not subject to Article 7	380 923	40 285 186
Increase in accrued interest and commissions payable and interest received in advance	132 936 789	63 963 658
Increase in accrued interest and commissions receivable	- 7 346 014	- 143 933 966
Proceeds from investment portfolio sales	0	- 90 399 744
Investment portfolio amortisation	- 25 013 689	- 16 865 738
Profit from operating activities:	1 374 205 170	1 349 789 793
Net loan disbursements	- 19 753 511 260	- 16 909 887 002
Repayments	11 469 298 838	10 505 127 397
Operational portfolio sales	0	567 174 314
Operational portfolio purchases	0	- 567 174 314
Hedging portfolio sales	7 997 280 826	851 288 767
Hedging portfolio purchases	- 8 675 855 165	- 1 447 573 111
Net cash from operating activities	- 7 588 581 591	- 5 651 254 156
B. Cash flows from investing activities:		
Sales of securities	0	1 842 449 978
Purchases of securities	0	- 2 003 757 457
Proceeds from investment portfolio sales	0	90 399 744
Increases in land, buildings and furniture	- 7 885 775	- 8 478 928
Other increases in assets	- 84 736 867	- 37 741 270
Net cash from investing activities	- 92 622 642	- 117 127 933
C. Cash flows from financing activities:		
Issue of borrowings	17 579 230 285	12 717 129 211
Redemption of borrowings	- 8 520 539 615	- 6 186 060 817
Net increase in issuing charges and redemption premiums	- 11 194 796	- 57 282 174
Increase in currency swaps receivable	- 6 028 847 625	- 2 953 390 042
Increase in currency swaps payable	6 217 497 470	3 243 600 958
Net decrease in short-term borrowings	- 518 904 417	- 1 348 607 739
Capital, reserves and provisions paid in by Member States	538 414 874	538 414 874
Net increase/(decrease) in amounts owed to credit institutions	20 613 623	- 31 087 108
Other decreases/increases in liabilities	- 85 792 299	57 320 560
Net cash from financing activities	9 190 477 500	5 980 037 723
Summary statement of cash flows		
Cash and cash equivalents at beginning of financial year	5 252 522 372	5 247 784 128
Net cash from:		
(1) operating activities	- 7 588 581 591	- 5 651 254 156
(2) investing activities	- 92 622 642	- 117 127 933
(3) financing activities	9 190 477 500	5 980 037 723
Effects of exchange rate changes on cash and cash equivalents	- 401 383 139	- 206 917 390
Cash and cash equivalents at end of financial year	6 360 412 500	5 252 522 372
Cash analysis		
Cash in hand, balances with central banks and post office banks	26 413 138	26 807 130
Bills maturing within three months of issue	422 166 512	1 214 710 704
Loans and advances to credit institutions:		
- accounts repayable on demand	24 661 020	218 145 514
- term deposit accounts	5 887 171 830	3 792 859 024
6 360 412 500	5 252 522 372	5 252 522 372

SUMMARY STATEMENT OF LOANS AND GUARANTEES AS AT 31 DECEMBER 1996

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 203 444 900 622

Add:
exchange adjustments + 1 222 958 992

Less:

terminations and cancellations 3 836 145 690
principal repayments 74 162 749 134
third party participations 48 073 838

- 78 046 968 662

Aggregate loans outstanding **126 620 890 952**

Loans granted

Analysis of aggregate loans outstanding:

- Loans disbursed
- Undisbursed portion

	to intermediary credit institutions	directly to final beneficiaries	Total
- Loans disbursed	39 587 406 593	66 104 874 651	105 692 281 244
- Undisbursed portion	6 492 777 142	14 435 832 566	20 928 609 708
Aggregate loans outstanding	46 080 183 735	80 540 707 217	126 620 890 952

(*) 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 total-
ing 127 013 078 238 and broken down as follows:

Aggregate loans outstanding	126 620 890 952
Aggregate guarantees outstanding (off- balance-sheet items):	
- in respect of loans granted by third parties	344 113 448
- in respect of third party participations in Bank loans	48 073 838
	<hr/> 392 187 286
Aggregate loans and guarantees out- standing	127 013 078 238

3. Breakdown of undisbursed portion by type of interest rate

- fixed rate of interest and standard currency mix, as specified in the
finance contract
- fixed rate of interest, as specified in the finance contract, with the
Bank selecting the currency mix
- open rate, with the Bank selecting the rate of interest and currency
mix
- variable rate
- revisable rate

Loans granted

	to intermediary credit institutions	directly to final beneficiaries	Total
- fixed rate of interest and standard currency mix, as specified in the finance contract	210 330 643	272 626 287	482 956 930
- fixed rate of interest, as specified in the finance contract, with the Bank selecting the currency mix	520 627 798	1 145 669 122	1 666 296 920
- open rate, with the Bank selecting the rate of interest and currency mix	4 783 059 962	12 078 871 263	16 861 931 225
- variable rate	978 758 739	560 569 652	1 539 328 391
- revisable rate	0	378 096 242	378 096 242
Undisbursed portion:	6 492 777 142	14 435 832 566	20 928 609 708

4. Scheduled repayments on loans disbursed

Period remaining until final maturity:

- Not more than three months
- More than three months but not more than one year
- More than one year but not more than five years
- More than five years

- Not more than three months	1 161 699 060	1 352 112 595	2 513 811 655
- More than three months but not more than one year	3 303 545 419	4 644 645 575	7 948 190 994
- More than one year but not more than five years	20 247 304 796	32 883 050 000	53 130 354 796
- More than five years	14 874 857 318	27 225 066 481	42 099 923 799

Loans disbursed:

39 587 406 593 **66 104 874 651** **105 692 281 244**

5. Breakdown of loans disbursed by currency of repayment

- Member States' currencies and the ECU
- other currencies

- Member States' currencies and the ECU	34 775 661 000	52 705 940 899	87 481 601 899
- other currencies	4 811 745 593	13 398 933 752	18 210 679 345

Loans disbursed:

39 587 406 593 **66 104 874 651** **105 692 281 244**

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	447	12 828 948 812	95 040 919	12 733 907 893	10.13
France	423	14 180 650 653	1 278 890 285	12 901 760 368	11.20
Italy	2 057	26 477 350 906	3 641 791 380	22 835 559 526	20.91
United Kingdom	373	15 405 163 458	2 819 502 234	12 585 661 224	12.17
Spain	348	18 406 542 050	1 767 771 534	16 638 770 516	14.54
Belgium	86	2 669 803 846	518 971 687	2 150 832 159	2.11
Netherlands	54	2 470 876 634	588 844 108	1 882 032 526	1.95
Sweden	29	1 130 839 623	4 108 740	1 126 730 883	0.89
Denmark	164	3 735 361 495	125 310 647	3 610 050 848	2.95
Austria	22	872 175 219	87 335 086	784 840 133	0.69
Finland	11	521 509 127	62 289 389	459 219 738	0.41
Greece	203	3 799 957 537	481 802 573	3 318 154 964	3.00
Portugal	246	8 142 355 931	1 621 232 649	6 521 123 282	6.43
Ireland	205	2 963 737 848	406 085 824	2 557 652 024	2.34
Luxembourg	4	83 117 957	78 150 521	4 967 436	0.07
Related loans (a)	22	1 447 561 475	386 180 326	1 061 381 149	1.14
Total	4 694	115 135 952 571	13 963 307 902	101 172 644 669	90.93
6.2 Loans for projects outside the Union					
6.2.1 ACP Countries/OCT					
Zimbabwe	15	165 049 295	48 192 002	116 857 293	
Jamaica	12	131 179 920	67 872 690	63 307 230	
Kenya	10	115 211 040	21 000 000	94 211 040	
Nigeria	5	112 353 909	—	112 353 909	
Cote d'Ivoire	12	106 784 384	—	106 784 384	
Trinidad & Tobago	6	106 667 301	60 772 826	45 894 475	
Botswana	13	78 325 537	51 687 744	26 637 793	
Mauritius	10	76 278 314	49 521 593	26 756 721	
Ghana	4	75 193 015	28 994 350	46 198 665	
ACP Group	2	70 944 433	53 420 439	17 523 994	
Papua New Guinea	7	66 151 817	40 805 000	25 346 817	
Cameroon	9	45 218 174	8 000 000	37 218 174	
Bahamas	4	45 016 148	34 000 000	11 016 148	
Namibia	5	44 438 311	34 833 863	9 604 448	
Regional - Africa	2	41 849 296	30 000 000	11 849 296	
Mali	1	36 923 969	—	36 923 969	
Barbados	5	36 814 720	26 649 979	10 164 741	
Fiji	6	26 117 369	8 000 000	18 117 369	
Caribbean Region	1	20 000 000	20 000 000	—	
Mozambique	1	20 000 000	20 000 000	—	
Guinea	2	17 117 176	—	17 117 176	
Saint Lucia	4	14 380 532	9 060 000	5 320 532	
Gabon	2	14 164 676	10 500 000	3 664 676	
Mauritania	1	13 978 998	—	13 978 998	
French Polynesia	4	11 179 584	3 023 500	8 156 084	
Uganda	1	10 100 000	10 100 000	—	
Senegal	2	9 782 967	—	9 782 967	
Netherlands Antilles	5	9 682 555	1 000 000	8 682 555	
Dominican Republic	1	8 000 000	8 000 000	—	
Malawi	5	7 850 451	—	7 850 451	
Zaire	1	6 248 459	—	6 248 459	
Tonga	3	5 863 661	4 320 000	1 543 661	
New Caledonia	2	5 299 654	1 325 000	3 974 654	
Lesotho	1	4 469 309	—	4 469 309	
Grenada	1	4 000 000	4 000 000	—	
Cayman Islands	2	3 933 080	—	3 933 080	
British Virgin Islands	2	3 500 403	1 143 566	2 356 837	
Belize	2	3 106 716	2 500 000	606 716	
Congo	2	3 098 417	—	3 098 417	
Swaziland	2	2 804 492	—	2 804 492	
Falkland Islands	1	2 514 986	—	2 514 986	
Saint Vincent	1	2 368 843	—	2 368 843	
West Africa	1	1 979 938	—	1 979 938	
Togo	1	1 868 012	—	1 868 012	
Aruba	2	1 483 670	—	1 483 670	
Central Africa	1	1 209 276	—	1 209 276	
East Africa	1	1 162 696	—	1 162 696	
Seychelles	1	1 148 787	—	1 148 787	
Montserrat	1	262 249	—	262 249	
Sub-total	185	1 593 076 539	658 722 552	934 353 987	1.26
6.2.2 South Africa	3	101 020 026	69 475 038	31 544 988	0.07

(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

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					
Egypt	27	845 446 919	536 526 138	308 920 781	
Algeria	21	796 660 778	451 483 815	345 176 963	
Morocco	22	773 286 153	434 294 981	338 991 172	
Tunisia	31	426 189 300	179 639 767	246 549 533	
Former FR of Yugoslavia (b)	18	388 659 638	—	388 659 638	
Turkey	8	339 069 788	308 500 000	30 569 788	
Lebanon	10	319 211 504	263 362 500	55 849 004	
Jordan	26	198 614 693	92 682 952	105 931 741	
Cyprus	11	122 142 851	59 493 670	62 649 181	
Israel	4	97 665 102	68 000 000	29 665 102	
Gaza/West Bank	4	73 000 000	73 000 000	—	
Syria	5	48 152 809	5 532 200	42 620 609	
Malta	4	36 286 956	20 043 943	16 243 013	
Sub-total	191	4 464 386 491	2 492 559 966	1 971 826 525	3.53
6.2.4 Central and Eastern European Countries					
Poland	18	1 343 259 919	1 013 778 887	329 481 032	
Czech Republic	11	987 511 409	792 913 069	194 598 340	
Hungary	14	852 370 384	447 515 492	404 854 892	
Romania	11	469 592 966	361 887 618	107 705 348	
Slovak Republic	10	346 502 267	199 520 719	146 981 548	
Bulgaria	7	285 819 147	191 048 434	94 770 713	
Slovenia	6	149 728 921	77 742 644	71 986 277	
Lithuania	8	100 958 564	89 741 885	11 216 679	
Estonia	6	67 338 063	50 857 995	16 480 068	
Albania	4	46 000 000	46 000 000	—	
Latvia	4	31 000 000	31 000 000	—	
Sub-total	99	4 680 081 640	3 302 006 743	1 378 074 897	3.70
6.2.5 Asian and Latin American Countries					
Argentina	4	165 697 279	119 577 888	46 119 391	
Chile	1	69 633 596	—	69 633 596	
Pakistan	2	60 000 000	60 000 000	—	
Thailand	2	58 108 394	23 103 313	35 005 081	
India	1	55 000 000	55 000 000	—	
China	1	55 000 000	55 000 000	—	
Philippines	2	48 081 653	25 000 000	23 081 653	
Indonesia	1	46 000 000	46 000 000	—	
Costa Rica	1	44 021 745	41 856 306	2 165 439	
Peru	1	27 831 018	—	27 831 018	
Paraguay	1	17 000 000	17 000 000	—	
Sub-total	17	646 373 685	442 537 507	203 836 178	0.51
Total	495	11 484 938 381	6 965 301 806	4 519 636 575	9.07
Grand total	5 189	126 620 890 952	20 928 609 708	105 692 281 244	100%

(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 granted to, or guaranteed by, Member States	45 181 083 470	(c,d)
Loans granted to, or guaranteed by, public institutions of Member States	5 826 655 608	
Loans granted to, or guaranteed by, financial institutions (banks, long-term credit institutions, insurance companies)	43 427 904 258	(c)
Loans guaranteed by companies (excluding financial institutions) under majority control of Member States or public institutions in the Community	3 890 749 473	(c)
Loans secured by fixed charge on real estate	553 207 363	
Loans guaranteed by non-bank companies in the private sector	14 129 130 570	
Loans secured by fixed charge on assets other than real estate, or other security	2 127 221 829	
Total loans within the Union	115 135 952 571	

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	6 706 170	
Second Lomé Convention	89 469 541	
Third Lomé Convention	372 443 763	
Fourth Lomé Convention	734 740 488	
	1 203 359 962	(e)
Loans secured by other guarantees:		
First Lomé Convention	1 402 966	
Second Lomé Convention	5 936 561	
Third Lomé Convention	19 684 446	
Fourth Lomé Convention	362 692 604	
	389 716 577	(e)
Total ACP States/OCT	1 593 076 539	

7.2.2 South Africa

Loans granted to, or guaranteed by, the Republic of South Africa	101 020 026	(f)
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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	2 667 458 643	
Loans secured by other guarantees	6 000 000	
Horizontal cooperation		
Loans granted to, or guaranteed by, countries benefiting from this cooperation	1 497 927 848	
Loans secured by other guarantees	293 000 000	
Total Mediterranean Countries	4 464 386 491	(c)
7.2.4. Non-member Central and Eastern European Countries (CEEC)		
Loans granted to, or guaranteed by, countries signatories to financial cooperation agreements	4 120 324 879	(f-c)
Loans secured by other guarantees	559 756 761	(f)
Total Central and Eastern European Countries	4 680 081 640	

7.2.5 Non-member Asian and Latin American Countries (ALA)

Loans granted to, or guaranteed by, countries signatories to financial cooperation agreements	432 961 157	
Loans secured by other guarantees	213 412 528	
Total Asian and Latin American Countries	646 373 685	(f)
Total loans outside the Union	11 484 938 381	
AGGREGATE LOANS OUTSTANDING	126 620 890 952	

(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 blanket guarantee provided by the EC was 5 158 208 276 at 31 December 1996 compared to 4 658 457 187 at 31 December 1995. This guarantee is provided to cover any risk attaching to financial commitments in the Mediterranean Countries, including loans granted to public entities in the former Federal Republic of Yugoslavia and loans under the First Financial Protocol signed with Slovenia, as well as in Greece, Spain and Portugal in respect of loans granted prior to these countries' accession to the EC, totalling 264 402 337 at 31 December 1996.

(d) Aggregate loans outstanding guaranteed by the EC amounted to 783 211 at 31 December 1996.

(e) 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: 8 109 136;
- Second Convention: 95 406 102;
- Third Convention: 392 128 209;
- Fourth Convention: 841 935 600.

(f) 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.

SUMMARY STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES AS AT 31 DECEMBER 1996

In ECUs — see notes to the financial statements

Payable in	Borrowings				Currency swaps			Net amount	
	Outstanding at 31.12.1995	Outstanding at 31.12.1996	Average rate	Due dates	Amounts payable (+) or receivable (-)		Average rate	Outstanding at 31.12.1995	Outstanding at 31.12.1996
					31.12.1995	31.12.1996			
ECU	8 923 516 164	8 541 852 255	8.04	1997/2004	341 290 002 +	191 290 002 +	5.36	9 264 806 166	8 733 142 257
DEM	14 069 944 851	14 541 281 698	6.29	1997/2026	54 645 244 +	3 039 119 586 +	5.95	14 124 590 095	17 580 401 284
FRF	9 296 013 845	9 964 433 482	8.14	1997/2006	516 720 506 +	16 017 711 -	7.11	9 812 734 351	9 948 415 771
GBP	8 409 809 813	10 620 329 240	8.47	1997/2017	1 247 613 762 +	2 014 624 541 +	7.27	9 657 423 575	12 634 953 781
ITL	10 095 980 717	14 031 528 646	9.01	1997/2016	314 503 700 +	547 863 585 +	6.94	10 410 484 417	14 579 392 231
BEF	1 315 844 012	864 887 375	7.82	1997/2004	124 405 976 +	120 049 823 +	8.25	1 440 249 988	984 937 198
NLG	3 596 717 385	4 148 595 212	6.76	1997/2009	12 615 185 +	1 049 841 784 -	2.79	3 609 332 570	3 098 753 428
DKK	58 667 427	299 198 958	5.52	1997/2004	—	167 862 970 -	5.44	58 667 427	131 335 988
IEP	375 269 050	332 598 995	7.99	1999/2015	121 880 172 +	241 870 477 +	6.31	497 149 222	574 469 472
LUF	717 708 196	863 296 436	7.08	1997/2005	129 205 978 -	261 831 675 -	6.46	588 502 218	601 464 761
GRD	176 527 039	274 634 736	13.18	1999/2000	—	64 619 938 +	12.70	176 527 039	339 254 674
ESP	4 229 708 741	4 885 445 918	8.92	1997/2026	1 606 190 822 +	1 760 295 085 +	6.15	5 835 899 563	6 645 741 003
PTE	1 693 381 339	1 825 593 464	8.26	1997/2016	572 324 877 +	573 893 187 +	6.76	2 265 706 216	2 399 486 651
ATS	60 352 762	—	—	—	—	—	—	60 352 762	—
SEK	114 978 740	115 901 715	10.00	1999/1999	28 291 094 -	156 343 530 +	4.07	86 687 646	272 245 245
FIM	17 491 844	51 578 296	6.72	2001/2002	—	—	—	17 491 844	51 578 296
USD	9 577 477 285	10 483 068 716	7.39	1997/2026	728 290 771 -	1 716 781 182 -	4.66	8 849 186 514	8 766 287 534
CHF	4 841 950 794	4 537 956 235	5.63	1997/2007	401 700 136 +	241 058 600 +	6.05	5 243 650 930	4 779 014 835
JPY	6 668 677 631	6 597 275 264	4.43	1997/2016	1 749 804 558 -	2 127 241 188 -	4.25	4 918 873 073	4 470 034 076
CAD	2 349 984 642	2 563 788 885	7.99	1997/2008	2 112 640 661 -	2 316 206 455 -	9.00	237 343 981	247 582 430
AUD	481 512 743	583 087 600	8.72	1998/2001	481 512 743 -	583 087 600 -	8.72	—	—
CZK	—	72 999 308	10.85	1999/2001	—	72 999 308 -	10.85	—	—
HKD	—	205 285 907	7.32	2001/2002	—	205 285 907 -	7.32	—	—
NZD	—	169 489 610	8.83	1999/2001	—	169 489 610 -	8.83	—	—
ZAR	—	34 102 690	14.88	2001/2001	—	2 557 702 -	15.25	—	31 544 988
Total	87 071 515 020	96 608 210 641							
Pre-miums	7 250 084	40 913 284							

Total 87 078 765 104 96 649 123 925

The redemption of certain borrowings is indexed to financial indexes. 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		4 013 243 966		31 204 505		4 044 448 471	
More than three months but not more than one year		7 168 591 057		489 137 921		7 657 728 978	
More than one year but not more than five years		52 632 135 093		1 359 261 581		53 991 396 674	
More than five years		29 787 953 027		1 167 596 775		30 955 549 802	
Total		93 601 923 143		3 047 200 782		96 649 123 925	

STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL OF THE BANK AS AT 31 DECEMBER 1996

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		
			Paid in at 31.12.1996	To be paid ⁽¹⁾	Total
Germany	11 017 450 000	10 189 970 950	789 224 015	38 255 035	827 479 050
France	11 017 450 000	10 189 970 950	789 224 015	38 255 035	827 479 050
Italy	11 017 450 000	10 189 970 950	789 224 015	38 255 035	827 479 050
United Kingdom	11 017 450 000	10 189 970 950	789 224 015	38 255 035	827 479 050
Spain	4 049 856 000	3 747 237 310	288 556 690	14 062 000	302 618 690
Belgium	3 053 960 000	2 825 758 011	217 597 962	10 604 027	228 201 989
Netherlands	3 053 960 000	2 825 758 011	217 597 962	10 604 027	228 201 989
Sweden	2 026 000 000	1 874 016 998	117 365 568	34 617 434	151 983 002
Denmark	1 546 308 000	1 430 762 746	110 176 129	5 369 125	115 545 254
Austria	1 516 000 000	1 402 275 305	87 821 423	25 903 272	113 724 695
Finland	871 000 000	805 660 812	50 456 767	14 882 421	65 339 188
Greece	828 380 000	766 479 995	59 023 685	2 876 320	61 900 005
Portugal	533 844 000	493 953 399	38 036 976	1 853 625	39 890 601
Ireland	386 576 000	357 689 755	27 543 967	1 342 278	28 886 245
Luxembourg	77 316 000	71 538 697	5 508 845	268 458	5 777 303
Total	62 013 000 000	57 361 014 839	4 376 582 034	275 403 127	4 651 985 161

(1) As from 1 January 1995, the subscribed capital has been increased from 57 600 000 000 to 62 013 000 000 by virtue of the contributions of the three new Member States: the Kingdom of Sweden, the Republic of Austria and the Republic of Finland. The amount to be paid in of 275 403 127 comprises:

- the four equal instalments of 53 830 729.13 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;
- the instalment of 60 080 210.40 to be paid in by the Kingdom of Sweden, the Republic of Austria and the Republic of Finland on 30 April 1997 corresponding to their share in the capital paid in by the Member States at 1 January 1995.

(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 1996 — in ECUs

Note A — Significant accounting policies and risk management

1. Accounting standards

The annual accounts 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 investment 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, 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 following conversion rates were used for drawing up the balance sheets at 31 December 1996 and 31 December 1995:

1 ECU =	31.12.1996	31.12.1995
Deutsche Mark	1.946530	1.88397
French francs	6.56193	6.43979
Italian lire	1913.72	2082.71
Pounds sterling	0.737273	0.847242
Spanish pesetas	164.167	159.549
Belgian francs	40.1021	38.6979
Dutch guilders	2.18472	2.10857
Swedish kronor	8.62800	8.69726
Danish kroner	7.44655	7.29536
Austrian Schillings	13.6965	13.2554
Finnish markka	5.81640	5.71695
Drachmas	309.502	311.567
Portuguese escudos	195.968	196.505
Irish pounds	0.745342	0.820478
Luxembourg francs	40.1021	38.6979
United States dollars	1.25299	1.31424
Swiss francs	1.69129	1.51282
Lebanese pounds	1921.10	2097.53
Japanese yen	145.849	135.590
Canadian dollars	1.71660	1.79065
Australian dollars	1.57352	1.76527
CFA francs	656.193	643.979
Czech koruny	34.2469	34.9444
Hong Kong dollars	9.74251	10.1620
New Zealand dollars	1.77002	2.01047
Rand	5.86464	4.79140

The Bank's assets and liabilities are converted into ECUs. 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 three types of portfolio: investment portfolio, hedging portfolio and operational portfolio.

3.1. Investment portfolio

The investment portfolio was set up on 1 January 1995 by transferring, at their net book value, the fixed-income securities held in the portfolio at 31 December 1994.

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

This portfolio is intended to cover the Bank's short-term liquidity requirements.

The operational portfolio comprises, in addition to securities already mentioned under the heading of the investment portfolio, listed securities issued and guaranteed by financial entities. Securities held in this portfolio are marked to market in the balance sheet.

4. Loans and advances to credit institutions and customers

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

5. 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.

6. Intangible assets

Issuing charges and redemption premiums are amortised over the lives of the borrowings on the basis of the principal amounts outstanding.

In 1996, the Bank redeveloped all its data processing systems.

Given the cost involved, it has been decided to record this investment under "Intangible assets". At 31 December 1996, the investment concerned was 1.2 million, an amount which will be depreciated upon completion of the project.

7. Staff pension fund

The Bank's main pension scheme is a contributory defined benefit pension scheme which covers all employees. All contributions to the scheme by the Bank and its staff are invested in the assets of the Bank. Annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Bank's balance sheet. The scheme is valued at least every three years. Actuarial surpluses and deficits are spread forward over a period of average remaining service lives of the membership.

8. Fund for general banking risks

This item includes those amounts which the Bank decides to put aside to cover risks on loans, having regard to the particular risks associated with such operations representing the Bank's main activity.

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

9. 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.

10. Interest rate and currency swaps

The EIB has entered mainly into currency swaps in which the proceeds of a borrowing may be converted into a different currency. Simultaneously, a forward exchange operation has been 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". In previous years, only the net amounts payable or receivable appeared on the balance sheet under assets or liabilities respectively. Hence, the balance sheet figures for 1995 have been restated, the impact on assets and liabilities being 10 billion.

11. Financial futures operations

Used by the Bank as a means of hedging the value of bonds held in the operational portfolio, at the year-end open futures contracts concluded on organised markets are revalued at the closing date. Gains and losses on hedging operations are symmetrically

accounted for in the profit and loss account with the gains and losses on the part of the portfolio hedged.

12. Prepayments and accrued income - Accruals and deferred income

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).

13. 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 has decided that, as from 1996, indemnities received are to be amortised over the remaining life of the loans concerned. This change of practice is explained by the large amounts of prepayments with which the Bank is now having to contend.

Consequently, for the financial year 1996, a sum of 135.3 million has been entered under "Accruals and deferred income" with a view to amortisation over subsequent financial years. By way of comparison, had the same principles been applied to the financial year 1995, the profit for that financial year would have been 75.3 million less.

14. 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 and operational portfolios, certificates of deposit and interbank term accounts.

The credit risk associated with the use of derivatives is analysed hereafter in the "Derivatives" section.

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

As regards lending activity, 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.

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 also offer guarantees deemed sufficiently sound.

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

The structure of guarantees attaching to the portfolio of loans within the European Union and related loans as at 31 December 1996 is tabulated below [ECU million]:

Type of guarantee	Maturity			TOTAL 1996	1995
	not more than 1 year	1 to 5 years	more than 5 years		
Loans granted to Member States	1 311	5 625	5 126	12 062	11 378
Loans guaranteed by Member States	3 052	16 040	10 317	29 409	29 335
Loans granted to public institutions of Member States	155	1 517	2 225	3 897	3 350
Loans guaranteed by public institutions of Member States	122	626	446	1 194	1 139
Loans granted to, or guaranteed by, banks - including long-term credit institutions	3 797	18 040	13 586	35 423	31 064
Loans granted to, or guaranteed by, insurance companies	28	196	201	425	389
Guarantees of companies under majority control of Member States or EC public institutions	375	2 160	1 078	3 613	2 908
Loans secured by fixed charge on real estate	36	152	366	554	577
Guarantees of private companies, excluding banks and insurance companies	1 200	6 369	4 948	12 517	10 041
Loans secured by fixed charge on assets other than real estate - miscellaneous	83	761	1 235	2 079	2 205
	10 159	51 486	39 528	101 173	92 386

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

Sector	Maturity			TOTAL 1996	1995
	not more than 1 year	1 year to 5 years	more than 5 years		
Energy	2 053	9 507	8 220	19 780	17 651
Transport	1 765	13 202	13 894	28 861	25 619
Telecommunications	1 412	6 155	4 282	11 849	11 553
Water, sewerage	936	4 159	3 846	8 941	7 934
Miscellaneous infrastructure	287	1 195	1 174	2 656	2 589
Agriculture	3	15	2	20	23
Industry	1 358	5 928	2 677	9 963	10 454
Services	83	841	315	1 239	703
Global loans	2 563	12 129	7 691	22 383	19 566
	10 460	53 131	42 101	105 692	96 092

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 mainly on the basis of the ratings awarded to counterparties by the rating agencies (these limits are reviewed regularly by the risk control unit within the Finance Directorate).

The table opposite 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 1996	Portfolio securities %	Treasury instruments %
Moody's or equivalent rating		
AAA	75	16
AA1 to AA3	23	59
A1 to A3	2	21
B	—	1
Non-rated	—	3
Total	100	100

Interest rate risk

The following table illustrates the Bank's exposure to interest rate risk. It shows the nominal amounts and corresponding 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
Assets						
Loans	21 530	3 937	4 280	41 282	34 663	105 692
Net liquidity	5 886	80	24	1 453	1 735	9 178
	<u>27 416</u>	<u>4 017</u>	<u>4 304</u>	<u>42 735</u>	<u>36 398</u>	<u>114 870</u>
Liabilities						
Borrowings and swaps	24 841	4 566	4 859	38 596	23 852	96 714
Interest rate risk	2 575	(- 549)	(- 555)	4 139	12 546	

The Bank has recently introduced 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

Management Committee. Accordingly, it has decided on an asset-liability management strategy which involves setting and maintaining an own funds duration of around 5 to 6 years, in line with the approach observed in international financial institutions.

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".

(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	26					26
Treasury bills eligible for refinancing with central banks	296	37	1 016	930		2 279
Other loans and advances:						
Current accounts	25					25
Borrowing proceeds to be received	60					60
Term deposits	4 781					4 781
Reverse repos	1 106					1 106
	<u>5 972</u>					<u>5 972</u>
Loans:						
Credit institutions	1 162	3 303	20 247	14 875		39 587
Customers	1 352	4 645	32 883	27 225		66 105
	<u>2 514</u>	<u>7 948</u>	<u>53 130</u>	<u>42 100</u>		<u>105 692</u>
Debt securities including fixed-income securities	396		688	858		1 942
Receivable on account of reserves and provisions		155				155
Receivable in respect of currency swap contracts	1 725	112	8 064	6 152		16 053
Subscribed capital, called but not paid		168	108			276
Other assets					3 326	3 326
Total assets	10 929	8 420	63 006	50 040	3 326	135 721
Liabilities						
Amounts owed to credit institutions	57					57
Debts evidenced by certificates:						
Debt securities in issue	4 013	7 169	52 632	29 788		93 602
Others	31	489	1 359	1 168		3 047
	<u>4 044</u>	<u>7 658</u>	<u>53 991</u>	<u>30 956</u>		<u>96 649</u>
Capital, reserves and profit					17 972	17 972
Other liabilities					4 725	4 725
Payable in respect of currency swap contracts	1 733	121	8 287	6 177		16 318
Total liabilities	5 834	7 779	62 278	37 133	22 697	135 721

A securities portfolio, termed an "investment portfolio", 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 counter-

parties, 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.

DERIVATIVES

1. As part of funding activity

The Bank uses derivatives mainly as part of its funding strategy in order to bring the currencies raised and the interest rates thereon 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.

Currency swaps (ECU million)

	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 1996	Total 1995
Notional amount	710	8 064	6 013	139	14 926	8 719
Credit risk (BIS 2 weighted)	6	187	122	3	318	293

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 1996	Total 1995
Notional amount	4 504	19 369	11 599	1 019	36 491	31 381
Credit risk (BIS 2 weighted)	16	177	101	14	308	199

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.

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

Embedded option	Notional amount (ECU m)	Stock exchange index	Notional amount (ECU m)	Special structure coupon or similar	Notional amount (ECU m)
27	2 678	12	707	7	676

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 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 ECU 1 127 million at 31 December 1996, as against ECU 1 306 million at 31 December 1995.

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.

Estimated present value of financial instruments

The European Investment Bank records balance sheet financial instruments on the basis of their historical cost representing the amount received in the case of a liability or the amount paid to acquire an asset. For the financial year 1996, it was decided not to adjust the nominal amount of balance sheet financial instruments where the estimated present value as of that date was lower, but to indicate in this note to the annual state-

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.

Use and associated risks

As stated earlier, derivatives have hitherto been used principally in conjunction with the Bank's objective of raising funds at least cost for the benefit of borrowers, as part of the institution's main remit of furthering the development of countries within the European Union.

Thus 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.

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:

ments the present value of financial instruments (mainly loans, treasury and borrowings after interest rate or currency swaps) entered under assets and liabilities compared with their nominal value. It was not possible to furnish a comparison with the financial year 1995 as data processing systems for producing such calculations were not available at that time.

The table below summarises the present values of the balance sheet financial instruments described above according to the "RISK METRICS" discounting method:

(ECU million) 1996	Assets		Liabilities	
	nominal	present value	nominal	present value
Recorded at historical cost:				
- Loans	105 692	115 955		
- Net treasury	9 178	9 787		
- Borrowings and swaps	—	—	96 714	105 341
Total	114 870	125 742	96 714	105 341

Note B —

	Treasury bills eligible for refinancing with central banks		Debt securities including fixed-income securities	
	31.12.1996	31.12.1995	31.12.1996	31.12.1995
The breakdown according to maturity is as follows:				
- not more than three months	295 674 800	598 966 297	396 146 903	615 744 407
- more than three months but not more than one year	36 540 966	—	—	—
- more than one year but not more than five years	1 015 804 916	1 167 590 214	687 689 732	448 737 998
- more than five years	930 232 461	490 873 581	858 564 711	932 513 686
	2 278 253 143	2 257 430 092	1 942 401 346	1 996 996 091

	Purchase price	Amortisation for the period	Book value	Amortisation to be accounted for	Value at final maturity	Market value
Investment portfolio	2 380 444 053	42 225 770	2 422 669 823	118 927 570	2 541 597 393	2 625 947 312
Operational portfolio	—	—	—	—	—	—
Hedging portfolio	1 378 691 296	- 2 873 142	1 375 818 154	- 90 053 473	1 285 764 681	1 391 773 612
Other short-term paper valued at nominal value	422 166 512	—	422 166 512	—	422 166 512	422 166 512
	4 181 301 861	39 352 628	4 220 654 489			

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

	31.12.1996	31.12.1995
Borrowing proceeds to be received		
- not more than three months	60 085 157	—
Term deposits		
- not more than three months	4 781 265 316	3 423 026 433
Reverse repos		
- not more than three months	1 105 906 514	369 832 591
	5 947 256 987	3 792 859 024

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

Shares and other variable-yield securities

This item (90 000 000) corresponds to the capital paid in by the Bank as at 31 December 1996 in respect of its subscription to the capital of the EBRD. In July 1996, the EIB subscribed an amount of 300 000 000 to the EBRD's capital increase, so raising its subscription to 600 000 000.

Participating interests

This item (120 000 000) corresponds to the first three of four equal annual instalments (160 000 000 in all) to be 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.

For the financial year 1996, the Bank has decided not to consolidate the EIF's accounts. Consequently, no additional information will be provided in this report due to the negligible effect of any such consolidation in terms of showing a true and fair view pursuant to the Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.

Note E - Tangible assets

	Land	Kirchberg buildings	Lisbon building	Furniture and equipment	Total
Net accounting value at beginning of the year	3 358 412	83 560 244	208 506	—	87 127 162
Acquisitions during the year	—	2 118 052	—	5 767 723	7 885 775
Depreciation during the year	—	3 830 000	14 000	5 767 723	9 611 723
Net accounting value 31.12.1996	3 358 412	81 848 296	194 506	—	85 401 214

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

In accordance with Article 7 of the Statute, application of the conversion rates given in Note A 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:

	<u>31.12.1996</u>	<u>31.12.1995</u>
Receivable from:		
Germany	7 577 492	1 956 748
Netherlands	2 186 013	478 388
Austria	<u>1 261 874</u>	<u>453 670</u>
	11 025 379	2 888 806

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 through EMS arrangements has been made available as a long-term advance. The corresponding contra account 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.(b)), "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 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982 and 83/200/EEC of 19 April 1983 and under Council Regulation (EEC) No 1736/79 of 3 August 1979 as amended by Council Regulation (EEC) No 2790/82 of 18 October 1982.

Note H – Other balance sheet accounts

	<u>31.12.1996</u>	<u>31.12.1995</u>
Sundry debtors:		
- staff housing loans and advances	72 445 886	67 661 671
- other	<u>95 715 064</u>	<u>52 779 955</u>
	168 160 950	120 441 626

Sundry creditors:

- European Community accounts:		
. for Special Section operations and related unsettled amounts	50 256 568	237 171 573
. deposit accounts	82 142 063	92 735 066
- deposit accounts held under the EFTA financial mechanism	276 640 719	212 923 519
- other	<u>120 219 953</u>	<u>95 867 400</u>
	529 259 303	638 697 558

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

The breakdown according to maturity is as follows:

	<u>31.12.1996</u>	<u>31.12.1995</u>
- not more than three months	56 273 324	36 609 404

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

The cost of retirement benefits was last valued on 30 June 1994 by a qualified actuary using the projected method. The main assumptions contained in this review were as follows:

- a discount rate of 7.5% for determining the actuarial present value of future benefits,
- an average retirement age of 62,
- a combined average impact of the increase in the cost of living and career progression estimated at 4.5%.

This valuation revealed that the provision on the liabilities side of the balance sheet as at that date corresponded to 103% of future benefits and that this same provision would exceed the plan termination liability.

The total cost of the pension scheme, including interest credited by the Bank for the financial year ended 31 December 1996, was 41 063 606 (1995: 36 679 977). The cost of retirement benefits charged to the profit and loss account at the same date amounted to 12 107 903 (1995: 9 443 809). The provision on the liabilities side of the balance sheet increased by 22 181 629 (1995: 31 076 382).

Note K – Fund for general banking risks

At 31 December 1996, the balance of 500 000 000 broke down as follows:

	<u>31.12.1996</u>	<u>31.12.1995</u>
Fund at beginning of the year	450 000 000	350 000 000
Contribution of the three new Member States as at 1.1.1995	—	26 815 105
Partial appropriation of the item "Contribution to balance of profit and loss account still to be appropriated" ⁽¹⁾	—	23 184 895
Transfer for the year	<u>50 000 000</u>	<u>50 000 000</u>
	500 000 000	450 000 000

(1) On 19 June 1995, the Board of Governors decided to appropriate an amount of 23 184 895 from the item "Contribution to balance of profit and loss account still to be appropriated" (three new Member States) totalling 74 292 465 at 1 January 1995.

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

On 3 June 1996, the Board of Governors decided to appropriate the balance of the profit and loss account for the year ended 31 December 1995 - after creation of specific provisions of 125 000 000 and the transfer of 50 000 000 to the Fund for general banking risks - i.e. 1 216 540 277, to the Additional Reserves.

Statement of movements in the reserves at 31 December 1996:

	Situation at 31.12.1995	Appropriation of balance of profit and loss account for year ended 31.12.1995	Situation at 31.12.1996
Reserve Fund	6 201 300 000	—	6 201 300 000
Additional Reserves	4 310 100 085	1 216 540 277	5 526 640 362
	10 511 400 085	+ 1 216 540 277	11 727 940 362

Following their accession, the Kingdom of Sweden, the Republic of Austria and the Republic of Finland are contributing to the balance of the profit and loss account for the year ended 31 December 1994, in five equal instalments between 30 April 1995 and 30 April 1997. The balance at 31 December 1996 amounted to 155 296 499, to be paid in on 30 April 1997.

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 1996 - after transfers of 50 000 000 to the specific provisions and 50 000 000 to the Fund for general banking risks - i.e. 1 092 118 660, to the unallocated earned surplus.

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

	31.12.1996	31.12.1995
Assets	118 484 248 732	101 810 971 686
Liabilities	107 796 049 275	91 297 882 536

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

	31.12.1996	31.12.1995
Germany	796 958 145	720 977 323
France	1 010 027 216	1 051 188 278
Italy	2 048 748 620	2 075 870 564
United Kingdom	971 320 707	875 578 964
Spain	1 198 761 562	1 232 782 617
Belgium	135 736 691	119 535 073
Netherlands	120 814 737	120 012 464
Sweden	40 960 121	7 257 919
Denmark	262 004 995	290 549 279
Austria	32 295 915	17 711 803
Finland	17 413 794	6 314 334
Greece	246 402 208	243 520 587
Portugal	486 580 809	483 648 779
Ireland	210 574 783	220 671 815
Luxembourg	3 830 828	7 445 353
	7 582 431 131	7 473 065 152
Other countries	352 315 199	321 690 143
	7 934 746 330	7 794 755 295
Income not analysed ⁽¹⁾	680 983 105	522 072 443
	8 615 729 435	8 316 827 738

(1) Income not analysed:

Interest and commissions on funds placed	637 311 404	500 309 161
Other revenue from portfolio securities	43 671 701	21 763 282
	680 983 105	522 072 443

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

	31.12.1996	31.12.1995
Germany	—	—
France	281 139	398 161
Italy	269 717	459 247
United Kingdom	218 585	200 229
Spain	8 217	16 049
Belgium	2 226	9 780
Netherlands	2 403	2 702
Denmark	125 467	170 181
Greece	99 761	125 297
Portugal	11 014	12 439
Ireland	113 696	169 467
	1 132 225	1 563 552
Community institutions	14 921 569	16 485 423
	16 053 794	18 048 975

Note P – Administrative expenses and charges

	31.12.1996	31.12.1995
Staff costs		
Salaries and allowances	79 017 247	77 064 709
Welfare contributions and other social costs	33 283 233	32 725 658
	112 300 480	109 790 367
General and administrative expenses	32 685 144	32 438 806
	144 985 624	142 229 173

The number of personnel employed by the Bank was 948 at 31 December 1996 (897 at 31 December 1995).

Note Q – Value adjustments in respect of transferable securities

In 1995, in order to ensure that the investment portfolio complied with well-defined management guidelines, it was decided to restructure it by substituting securities. This generated a gain of 90.4 million.

Note R – Special deposits for service of borrowings

This item represents the amount of coupons and bonds due but not yet presented for payment.

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

These amounts correspond to hedging portfolio operations.

REPORT BY THE EXTERNAL AUDITORS

The Chairman of the Audit Committee
European Investment Bank
Luxembourg

We have audited the accompanying financial statements of the European Investment Bank, which are listed below, for the year ended 31 December 1996. These financial statements are the responsibility of the European Investment Bank's management. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the European Investment Bank as of 31 December 1996, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and the principles of the

Luxembourg, 25 February 1997

European Communities Council Directive on the annual accounts and consolidated accounts of banks and other financial institutions.

Without qualifying our opinion expressed above, we draw attention to Note 13 to the financial statements which sets out a change in the accounting method for recording in the profit and loss account indemnities received in respect of loan prepayments.

The financial statements covered by our opinion are the following:

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.

Price Waterhouse

THE AUDIT COMMITTEE

The Audit Committee consists of three members appointed by the Board of Governors of the Bank for a three-year period. One member is replaced or reappointed each year. Chairmanship of the Committee rotates annually and is held by the member whose term of office is ending in that year. The Committee verifies that the Bank's operations are carried out in compliance with the procedures laid down in the EIB's Statute. It verifies that the operations of the Bank have been conducted and its books kept in a proper manner and confirms that the balance sheet and financial statements reflect exactly the situation of the Bank as regards both assets and liabilities.

In carrying out these tasks, the Audit Committee bases itself on ongoing work conducted both by the Bank's Internal Audit Division and by an outside firm of international chartered accountants. It also avails itself of information supplied by the EIB's monitoring departments.

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 accounts 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 books, vouchers and documents which it deemed necessary to examine in the discharge of its duties,
- having examined the reports of 25 February 1997 drawn up by Price Waterhouse,

considering the 1996 Annual Report, the balance sheet of the Bank and the statement of Special Section as at 31 December 1996 as well as the profit and loss account for the financial year ending on that date as drawn up by the Board of Directors at its meeting on 25 February 1997,

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

hereby certifies:

that the Bank's operations during the 1996 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 balance sheet, the profit and loss account and the statement of Special Section correspond to the book entries and that they reflect exactly the situation of the Bank as regards both assets and liabilities.

Luxembourg, 25 March 1997

The Audit Committee

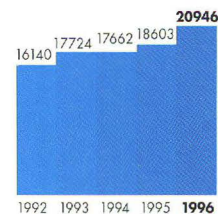
M. J. SOMERS

A. HANSEN

E. MARIA



GEOGRAPHICAL BREAKDOWN OF LENDING WITHIN THE EUROPEAN UNION



Financing provided for capital investment within the European Union in 1996 totalled 20 946 million, against 18 603 million in 1995, representing an increase of 12.6% (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.

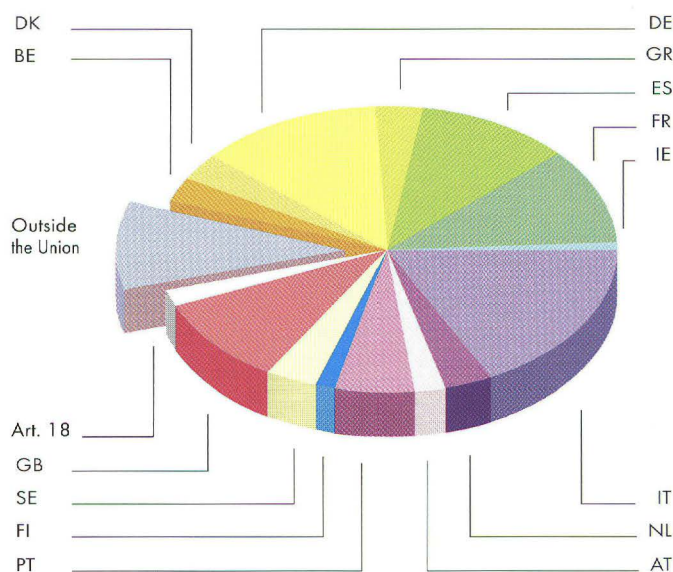
The EIB cooperates closely with an increasing number of financial institutions and commercial banks, with which it concludes global loans for financing small and medium-scale industrial, service-sector and infrastructural schemes. It also grants individual loans directly or through the intermediary of institutions and banks.

In 1996, the breakdown of guarantees covering the EIB's lending showed a substantial rise in banking-sector guarantees, to 50% of total activity (against 47% in 1995).

19% of EIB operations were guaranteed by private companies and 31% (38% in 1995) carried a State or public institution's guarantee.

This increased cooperation with the banking sector gives concrete expression to the principles of subsidiarity

and additionality, which are essential components of Bank activity. It looks set to expand still further in the future.



Amount and geographical breakdown of contracts signed

	1996		1995	
	Amount	%	Amount	%
Belgium (BE)	657.5	3.1	665.3	3.6
Denmark (DK)	688.0	3.3	825.0	4.4
Germany (DE)	3 021.6	14.4	2 715.0	14.6
Greece (GR)	721.1	3.4	525.2	2.8
Spain (ES)	2 552.6	12.2	2 817.6	15.1
France (FR)	2 509.2	12.0	2 206.7	11.9
Ireland (IE)	188.7	0.9	327.3	1.8
Italy (IT)	4 120.7	19.7	3 434.9	18.5
Luxemburg (LU)	.	.	78.8	0.4
Netherlands (NL)	765.7	3.7	318.9	1.7
Austria (AT)	489.9	2.3	241.9	1.3
Portugal (PT)	1 293.8	6.2	1 231.5	6.6
Finland (FI)	302.1	1.4	179.1	1.0
Sweden (SE)	846.5	4.0	273.1	1.5
United Kingdom (GB)	2 386.2	11.4	2 243.9	12.1
Art.18 ⁽¹⁾	402.5	1.9	518.5	2.8
European Union	20 946.0	100.0	18 602.8	100.0

(ECU million)

In the lists that follow, 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 403 million for projects of direct interest to the European Union but located outside the territory of the Member States.

All of these were communications projects, either to facilitate exchanges between the European Union and Iceland and Norway or to place satellites in geostationary orbit for ensuring radio and television transmission throughout Europe.

Improvement of Norwegian section of E6 main European road link between southern Oslo and Swedish border
Kingdom of Norway

30.6



Acquisition, launch and operation of satellites to facilitate communications with ships, aircraft and land-based vehicles

International Maritime Satellite Organization

39.0



Improvement of communications infrastructure throughout Iceland
Republic of Iceland

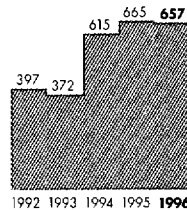
33.0



Acquisition, launch and delivery into geostationary orbit of three television satellites

European Telecommunications Satellite Organization

300.0



Finance contracts signed: 657 million

1995: 665 million

Individual loans: 229 million

Global loans: 428 million

Global loan allocations: 268 million

Individual loans were divided sectorally between energy (7 million), transport (32 million) and telecommunications (190 million).

Global loans under drawdown enabled 171 small-scale public infrastructural projects to be financed in the fields of road improvement and sewerage and sewage disposal. In addition, 247 million was provided for investments in 576 SMEs.

List of finance contracts signed in 1996:

Individual loans

Construction (final phase) of two natural gas-fired power stations combining gas and steam turbines in Drogenbos (Brussels region) and Seraing (near Liège)
Tractebel S.A.

7.4



Modernisation of short-haul aircraft fleet for intra-Community traffic

Sabena S.A.

31.8



Modernisation and extension of telecommunications network

Belgacom S.A.

189.9



Global loans

For financing small and medium-scale public infrastructural works:

Credit Communal de Belgique

85.7

For financing small and medium-scale ventures:

Generale de Banque S.A.

102.0

Kredietbank S.A.

101.4

Banque Bruxelles Lambert S.A.

51.4

Bank van Roeselare S.A.

25.3

CERA Bank

25.3

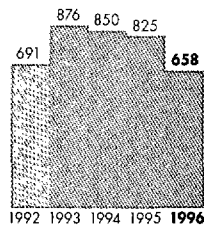
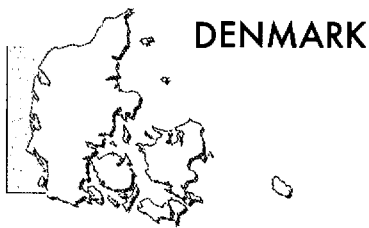
Societe Nationale de Credit a l'Industrie

24.5

Caisse Nationale de Credit Professionnel S.A.

12.7





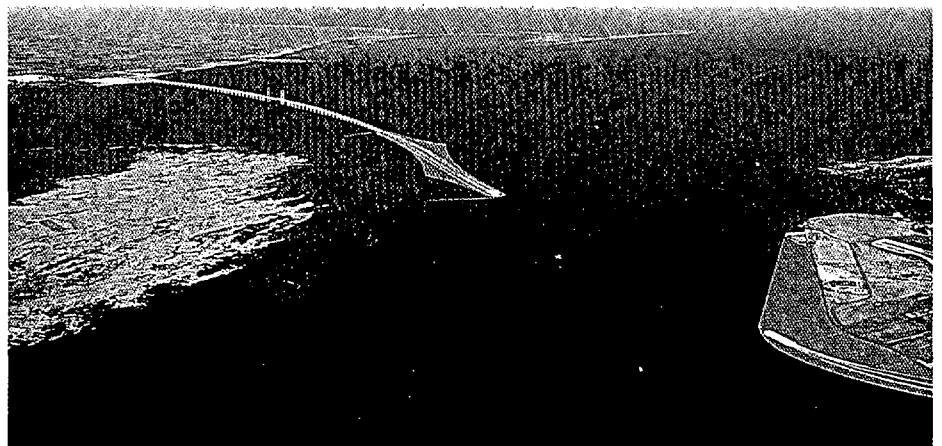
Finance contracts signed: 688 million
 1995: 825 million
Individual loans: 628 million
Global loans: 60 million
 Global loan allocations: 46 million

Individual loans covered the energy sector with household waste recycling (29 million), water management (10 million) and transport (589 million, including 197 million for priority TENs).

Global loans under drawdown provided financing for 198 SMEs.

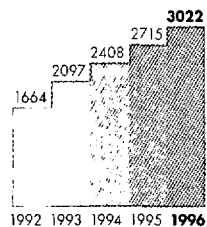
List of finance contracts signed in 1996:

Individual loans		Global loans	
Renovation and extension of district heating and sewerage system Odense Kommune	15.2	Improvements to "Gittervej" link road to port of Copenhagen Københavns Havn	6.2
Construction of wastewater treatment facilities Korsør Kommune	10.2	Construction of rail/road fixed link across Great Belt A/S Storebæltsforbindelsen	343.1
Extension and modernisation of municipal waste treatment plant in Glostrup Vestforbrænding I/S	13.7	Construction of Øresund rail/road fixed link between Copenhagen (Denmark) and Malmö (Sweden) A/S Øresundsforbindelsen	TEN 72.0
Construction of by-passes throughout road network Kongeriget Danmark	42.2	Øresundskonsortiet	TEN 125.1
		For financing small and medium-scale ventures: Finance for Danish Industry International S.A., FIH	60.3



Computer simulation of the future bridge over the Øresund





Finance contracts signed: 3 022 million
 1995: 2 715 million
Individual loans: 1 933 million
Global loans: 1 089 million
 Global loan allocations: 1 098 million

Individual loans within Germany as a whole were granted for the energy sector (801 million), wastewater collection and treatment, waste disposal (399 million), transport and urban infrastructure (56 million). In addition, projects within industry and the service sector attracted 677 million.

Global loans advanced during the year, together with those concluded in earlier years, served to finance 279 small-scale ventures in the productive sectors (317 million) and 426 small-scale infrastructural schemes (781 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 53% of total EIB financing in Germany.

List of finance contracts signed in 1996:

Individual loans		Eisenach area (Thuringia)	
Construction, adjacent to mines, of lignite-fired power stations to replace obsolete units at:		Abwasserverband Eisenach-Erbstromtal	3.3
- Schwarze Pumpe (Brandenburg/Saxony)		- Bernburg and neighbouring municipalities (Sachsen-Anhalt)	
SVK Schwarze Pumpe-VEAG Kraftwerksgesellschaft mbH	210.6	Wasserverband Saaleaue	10.4
- Schkopau (Sachsen)		- Mannheim	
Kraftwerk Schkopau GbR	90.3	Stadt Mannheim	32.8
Natural gas-fired combined-cycle heat and power plants in:		- Herford (North Rhine-Westphalia)	
- Potsdam (Brandenburg)		Abwasserwerk der Stadt Herford	20.0
Energieversorgung Potsdam GmbH	21.2	- Munich (Bavaria)	
- Neubrandenburg (Mecklenburg-Vorpommern)		Stadt München	54.6
KFB Beteiligungsgesellschaft für Kommunale Projekte mbH & Co.	26.1	- near Senftenberg (Brandenburg)	
Construction of system of natural gas pipelines to supply the Union with gas from Russia		Wasserverband Lausitz	18.2
Wintershall Gas GmbH, WINGAS	343.2	- Dresden (Saxony)	
Construction of underground gas storage facilities in Kraak (Mecklenburg-Vorpommern)		Dresden Wasser und Abwasser GmbH	23.5
Hamburger Gaswerke GmbH	39.2	Construction of waste disposal plants in:	
Modernisation and extension of natural gas supply network		- Bonacker (North Rhine-Westphalia)	
GASAG Berliner Gaswerke AG	44.9	Hochsauerlandkreis	5.3
Renovation and modernisation of medium-voltage power grid in Leipzig region		- Cröbern, near Leipzig	
Westsächsische Energie Aktiengesellschaft (WESAG)	26.1	Zentraldeponie Cröbern Betriebs-GmbH, Espenhain	40.5
Sewerage and sewage disposal schemes in:		- Offenbach (Hesse) (with incineration)	
- region of Bitterfeld and Wolfen (Sachsen-Anhalt)		Umlandverband Frankfurt-UVF	30.5
Abwasserzweckverband "Untere Mulde"	3.7	- near Bad Hersfeld (Hesse)	
- Lutherstadt-Wittenberg (Sachsen-Anhalt)		Abfallwirtschafts-Zweckverband Landkreis Hersfeld-Rotenburg, AZV	9.6
Lutherstadt Wittenberg	14.2	- Fürth (Bavaria) (with incineration)	
- Rudolstadt and Saalfeld (Thuringia)		Umwelttechnik Mittelfranken GmbH	86.0
Zweckverband Wasserversorgung und Abwasserbeseitigung für Städte und Gemeinden der Landkreise Rudolstadt & Saalfeld	6.9	Modernisation of suburban railway network in Stuttgart area	
- part of North Rhine-Westphalia		Zweckverband Nahverkehr Region Stuttgart	21.2
Ertverband	7.8	Extension of "Wilhelm Kaisen" container terminal at port of Bremerhaven	
		Bremer Lagerhaus-Gesellschaft AG	5.2
		New terminal at Leipzig/Halle airport (Saxony)	
		Flughafen Leipzig Halle GmbH	29.9
		Rehabilitation of disused industrial site and conversion into arts and media technology centre; sewerage and sewage disposal works	
		Stadt Karlsruhe	23.8
		Construction of electric arc furnace to produce long-steel products in Saalfeld (Thuringia)	
		Stahlwerk Thüringen GmbH	41.8

Development, testing and production of aero engines in Dahlewitz (Brandenburg)
BMW Rolls-Royce GmbH

Improvements to manufacturing process and development of new tyres at plant in Breuberg (Hesse)
Pirelli Reifenwerke GmbH

Mail distribution centres

260.5 ■▶

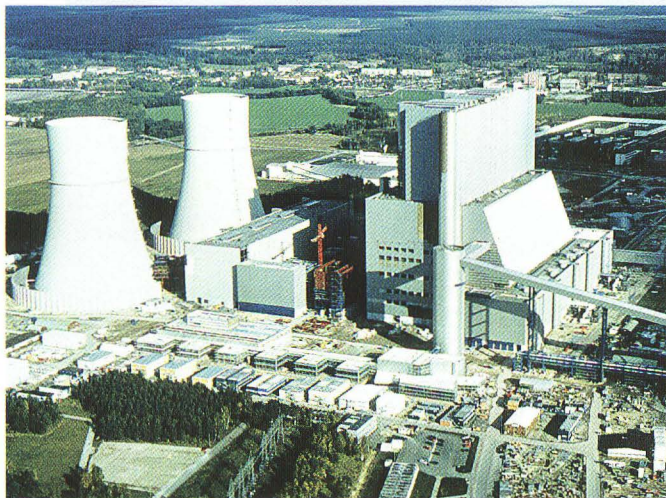
8.1 ▶

365.4 ■●

Global loans

For financing small and medium-scale ventures:

- Kreditanstalt für Wiederaufbau	264.5
- Landesbank Hessen-Thüringen Girozentrale	257.2
- Commerzbank AG	157.4
- Deutsche Bank AG	104.7
- IKB Deutsche Industriebank	72.5
- Westdeutsche Landesbank Girozentrale	69.0
- InvestitionsBank des Landes Brandenburg	52.2
- Südwestdeutsche Landesbank Girozentrale	36.7
- Deutsche Ausgleichsbank	26.1
- Landesbank Sachsen Girozentrale	26.1
- Landesbank Schleswig-Holstein Girozentrale	13.8
- Norddeutsche Landesbank Girozentrale	8.4



energy sector (436 million) with the construction of lignite-fired power stations replacing obsolete, polluting units, at the two main lignite mining sites. The new plants will use the locally produced fuel. They tie in with the programme for modernising electricity generation

Hamburg, which will ensure the security of the city's gas supply at times of peak demand.

In the environmental field, the Bank devoted 121 million to wastewater collection and treatment installations and to industrial and municipal waste disposal plants at various locations.

The Bank also made loans to the productive sector for construction in Saalfeld of an electric-arc steelworks specialising in long products. Offering higher energy efficiency together with lower pollution, it is replacing a plant based on traditional foundry methods. Another loan centred on construction of a new generation of aero engines. Ongoing global loans helped to fund SMEs and in particular small-scale facilities in the field of water and energy management (290 allocations totalling 557 million).

In the western part of Germany individual loans were granted totalling 877 million. Over half of this went to the energy sector (452 million), mainly for construction of five sections of gasline with a total length of 900 kilometres to enable Germany to receive supplies of Russian gas. This project, accorded priority status by the Essen European Council, will not only make energy supplies for Germany and neighbouring regions more secure but will also help to promote economic activity.

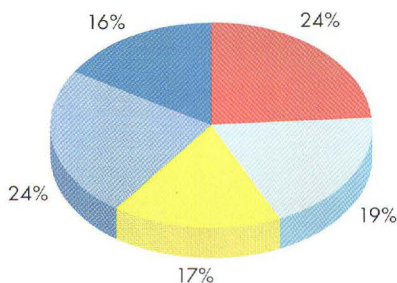
in eastern Germany, thereby helping to maintain employment in the regions concerned.

Progress towards the introduction of natural gas continued with, in particular, construction of underground storage facilities near

The water and waste management sectors and transport attracted 219 million, with, in the latter case, 8 million being lent for a tyre plant. Global loans under drawdown facilitated the financing of some 240 SMEs (241 million) and 180 small-scale local infrastructural projects (299 million), mainly for wastewater treatment.

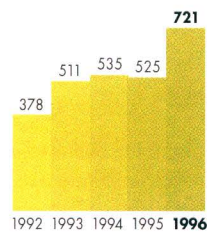
In the eastern Länder (1 613 million), the EIB provided substantial financing for the en-

Financing provided in the eastern Länder from 1990 to 1996: 6 975 million



- Energy
- Water and sundry
- Communications
- Industry and services
- SMEs

Since it started assisting the eastern Länder in 1990, the EIB has provided nearly ECU 7 billion to establish or modernise the basic infrastructure needed to expand economic activity and improve living standards, and to nurture the productive sector. This applies particularly to SMEs, where over ECU 2 billion has been made available for some 1 500 smaller-scale ventures.



Finance contracts signed: 721 million
 1995: 525 million
Individual loans: 689 million
Global loans: 32 million
 Global loan allocations: 41 million

Individual loans were advanced for the **energy** sector (379 million, including 200 million to foster introduction of natural gas, a priority TENs project) and for **transport** facilities (310 million, including 158 million for continued development of the PATHE priority road link).

Global loans under drawdown funded 21 SMEs in industry and tourism.

List of finance contracts signed in 1996:

Individual loans

Construction of fifth unit of Aghios Dimitrios lignite-fired power station (Macedonia) <i>DEI - Dimosia Epihirisi Ilektrismou (Public Power Corporation)</i>	172.0 ■◆
Extension and upgrading of power transmission and distribution grid <i>DEI</i>	6.6 ■◆
Construction of high-pressure gasline network between Kula, on Greco - Bulgarian border, and Aghia Triada, near Athens, to supply Greece with natural gas from Russia and a terminal handling liquid gas from Algeria <i>DEPA - Dimosia Epihirisi Aeriou</i>	TEN 200.0 ■◆
Corinth - Tripoli motorway and Megalopoli by-pass (Peloponnese) <i>Elliniki Dimocratia</i>	19.8 ■●
Upgrading to motorway standard of Katerini - Klidi section of highway between Patras, Athens, Thessaloniki and Bulgarian border (PATHE) <i>Elliniki Dimocratia</i>	TEN 9.9 ■●

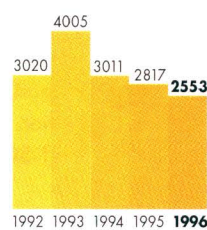
Construction of orbital motorway north of Athens, forming part of PATHE highway, also linking city centre with new Spata international airport <i>Elliniki Dimocratia</i>	TEN 148.5 ■●
Construction of new Spata international airport (Athens) <i>Athens International Airport SA</i>	132.0 ■●

Global loans

For financing small and medium-scale ventures: <i>Banque Nationale de Paris SA</i>	32.3
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Under the EEA Financial Mechanism, interest rebates were made available for two projects: the Port of Piraeus (contract signed in 1995) and Athens orbital motorway.



Finance contracts signed: 2 553 million
 1995: 2 818 million
Individual loans: 1 885 million
Global loans: 668 million
 Global loan allocations: 639 million

Individual loans were concentrated as to over 90% on infrastructure projects: **energy** (444 million, of which 50 million went to priority TENs), **transport** (742 million), **telecommunications** (188 million), **water management and composite infrastructure** (352 million). **Industry** attracted 160 million.

Global loans helped to fund small-scale local infrastructural works (160 projects) and SMEs (1 310 ventures totalling 287 million).

List of finance contracts signed in 1996:

Individual loans

Installation of exhaust gas desulphurisation equipment at Teruel thermal power station (Aragón)
Empresa Nacional de Electricidad 83.6 ■◀

Interconnection of Spanish and Portuguese electricity grids: Mesón - Portuguese border and Cartelle - Trives (Galicia) sections
Red Eléctrica de España SA TEN 50.1 ■◆

Establishment of strategic oil reserves to ensure continuity of supply
Corporación de Reservas Estratégicas de Productos Petrolíferos 185.8 ■◆

Extension and upgrading of electricity transmission and distribution network in regions of Galicia, Madrid, Castilla la Mancha and Castilla y León
Unión Eléctrica Fenosa SA 123.9 ■◆

Sewerage and sewage disposal and drinking water supply schemes in:
 - Valencia
Entidad Pública Saneamiento Aguas Residuales Comunidad Valenciana 68.1 ■◀

- Catalonia
Junta de Saneamiento de Cataluña 31.0 ■◀

- Canaries
Ministerio de Obras Públicas, Transportes y Medio Ambiente 37.7 ■◀

New sections of motorway network in:
 - Galicia
Autopistas del Atlántico Concesionaria Española SA 119.2 ■●
Autoestradas de Galicia SA 40.3 ■●

- Cantabria
Ministerio de Obras Públicas, Transportes y Medio Ambiente 103.6 ■●

- seven sections on main routes
Ministerio de Obras Públicas, Transportes y Medio Ambiente TEN 154.9 ■●

Improvements to road infrastructure:
 - *La Generalidad de Cataluña* 56.5 ■●
 - *Comunidad Autónoma de Madrid* 61.9 ■●

Improvements to regional and local road network and to installations for drinking water supplies and wastewater collection and treatment
 - *Comunidad Autónoma de Murcia* 32.3 ■◀
 - *Comunidad Autónoma de Extremadura* 29.5 ■◀
 - *Gestión de Infraestructuras SA GISA* 57.7 ■◀

Improvements to water supply infrastructure and forestry development works
 - *Comunidad Autónoma de Castilla y León* 27.9 ■◀
 - *Comunidad Autónoma de Galicia* 67.3 ■◀

Extension of autonomous port of Bilbao (País Vasco)
Autoridad Portuaria de Bilbao 12.4 ■●

Extension of port of Valencia
Autoridad Portuaria de Valencia 15.0 ■●

Extension of urban railway network in Valencia and purchase of rolling stock
Comunidad Valenciana 55.7 ■◀

Extension of Barcelona metro
Generalidad de Cataluña 94.2 ◀

Improvement and extension of two airports on island of Tenerife, and of Lanzarote and Fuerteventura airports (Canaries)
Ente Público de Aeropuertos Españoles y Navegación Aérea 27.9 ■●

Modernisation and extension of telecommunications network
Telefónica de España SA 188.0 ■●

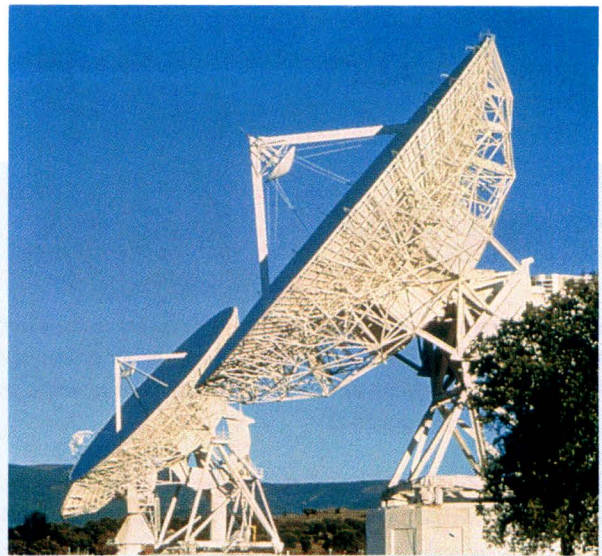
Design and development of new small city car at Almussafes plant (Valencia)
Ford España SA 155.0 ■

Improvements to manufacturing process and development of new tyres at plant in Manresa (Catalonia)
Pirelli Neumáticos SA 4.7 ■▶

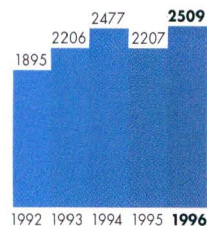
Global loans

For financing small and medium-scale public infrastructural works:
 - *Banco de Crédito Local de España* 31.3
 - *Crédit Local de France España SA* 62.7

For financing small and medium-scale ventures:
 - *Instituto de Crédito Oficial* 251.2
 - *Banco Bilbao Vizcaya SA* 62.8
 - *Deutsche Bank SAE* 62.0
 - *Banco Central Hispanoamericano SA* 61.9
 - *Banco de Santander SA* 61.9
 - *Caixa - Caja de Ahorros y Pensiones de Barcelona* 12.4



Interest rebates were advanced under the EEA Financial Mechanism for loans in support of infrastructure in Galicia, Extremadura and Castilla y León as well as for a global loan to fund environmental protection works, while grant aid was provided for an urban renewal project comprising in particular restoration work on Burgos, Salamanca and León cathedrals.



Finance contracts signed: 2 509 million
 1995: 2 207 million
Individual loans: 1 334 million
Global loans: 1 175 million
 Global loan allocations: 976 million

Individual loans in the field of infrastructure focused on the **transport** sector (1 200 million), where they helped to implement major rail and motorway links of Community benefit and the development of urban transport, as well as sewerage and sewage disposal works (25 million). All loans for **industry** (109 million) contributed towards strengthening the competitiveness of the manufacturing sector, particularly in the area of veterinary products.

Global loans helped to finance both small-scale local infrastructural projects and productive-sector SMEs. In 1996, allocations from global loans under drawdown were made for 1 150 infrastructural schemes (566 million), mainly in the road and wastewater treatment and disposal sectors, as well as for some 6 850 SMEs (410 million), half of them in the service sector.

List of finance contracts signed in 1996:

Individual loans

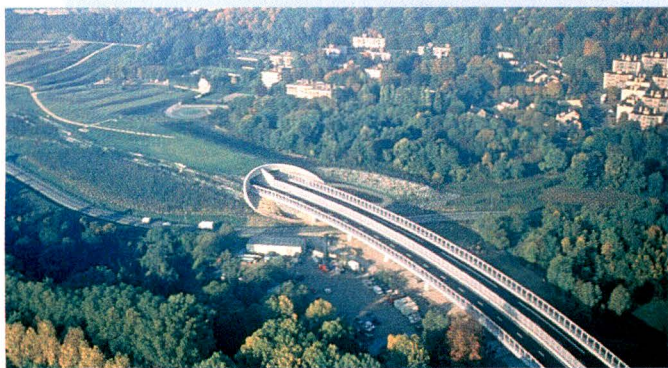
Modernisation of sewerage system in Nancy (Lorraine)
 Communauté Urbaine du Grand Nancy

24.8 ■◀

Southward extension of Paris - Lyons - Valence high-speed railway line (TGV Méditerranée): Valence - Avignon joint section and Avignon - Marseilles and Avignon - Nîmes branches

Société Nationale des Chemins de Fer Français

469.0 ■●



New sections of motorway network: through intermediary of Caisse Nationale des Autoroutes (CNA)

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

SAPRR - Société des Autoroutes Paris Rhin-Rhône SA

84.9 ■●

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

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

72.5 ■●

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

Société Française du Tunnel Routier du Fréjus

206.5 ■●

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

SAPN - Société des Autoroutes Paris - Normandie

35.5 ■●

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

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

7.7 ■●

- A51: Grenoble - Col du Fau section (Rhône - Alpes)
 AREA - Société des Autoroutes Rhône - Alpes SA

23.4 ■●

- A51: Sisteron - La Saulce section

ESCOTA - Société de l'autoroute Esterel - Côte d'Azur

31.6 ■●

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

ASF Société des Autoroutes du Sud de la France SA

92.6 ■●

Construction of "francilienne" motorway link between Cergy-Pontoise and Roissy - Charles de Gaulle airport, north of Paris

Département du Val d'Oise

69.4 ●

Extension of line B of Lyons metro

SYTRAL - Syndicat Mixte des Transports pour le Rhône et l'agglomération de Lyon

107.8 ◀

Construction of veterinary vaccine plant in Lyons (Rhônes - Alpes)

Rhône Mérieux SA

38.5 ▶

Modernisation of aero engine development and manufacturing process in Paris region

SNECMA - Société Nationale d'Etude et de Construction de Moteurs d'Aviation

63.2 ▶

Expansion of optical fibre production capacity in Trégastel (Brittany)

Pirelli Cavi SpA

2.1 ■▶

New production line for domestic electrical appliances at Thionville factory (Lorraine)

Merloni Electroménager SA

5.0 ■▶

Global loans

For financing small and medium-scale public infrastructural projects in transport and environmental protection:

- Crédit Local de France

695.3

- Caisse Nationale de Crédit Agricole SA

155.3

For financing small and medium-scale ventures:

- Crédit National

92.4

- Crédit Commercial de France

77.6

- Société Générale SA

77.0

- Crédit Mutuel Centre Est Europe

46.5

- Crédit Mutuel de Bretagne

30.8

Over the past five years, the EIB has provided financing totalling nearly 2 billion for urban infrastructure projects.

In the transport sector, it has financed two types of project: construction of by-passes and ring roads to avoid through-traffic, particularly of heavy goods vehicles, swelling local traffic flows; and development of public-transport, road improvements and car parking schemes designed to enhance road conditions and reduce traffic nuisance.

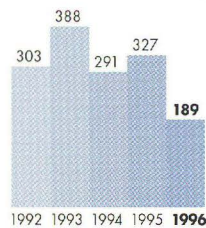
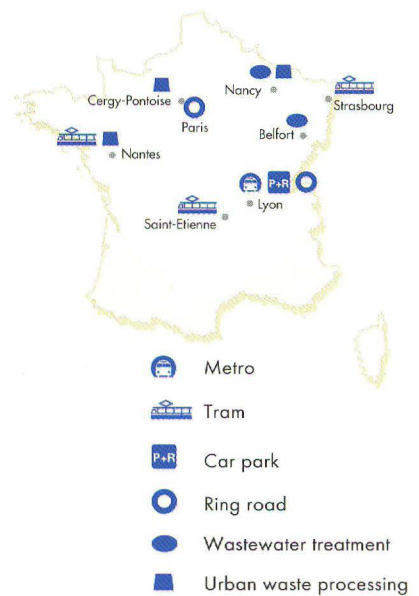
EIB-assisted projects included building the Lyons northern ring road, partly underground, intended to divert the heavy volume of through-traffic on a trunk road leading to the Alps. This was complemented by urban road and underground parking schemes. In Paris, the Bank also supported construction of the motorway (again underground) between Nanterre and La Défense.

In the public transport sector, Lyons also benefited from loans to extend line B on its metro system, while Strasbourg, Nantes and Saint-Etienne received finance to establish tramway systems.

The EIB also stepped up its lending for wastewater collection and treatment in Nancy and Belfort and urban waste disposal in Nancy, Nantes and Cergy-Pontoise, coupled, in the latter case, with use of the waste to fuel district heating networks.

Alongside these large-scale projects, some 3 000 schemes carried out by local authorities throughout France were supported, ranging from sewerage and sewage disposal, road and car parking schemes to works designed to improve the quality of life.

Financing for urban development schemes 1992 - 1996



Finance contracts signed: 189 million
 1995: 327 million
 Individual loans: 63 million
 Global loans: 125 million
 Global loan allocations: 44 million

Individual loans were advanced for a new phase of the reforestation programme (6 million), upgrading of the road network (50 million) and extension of several technical training colleges (7 million).

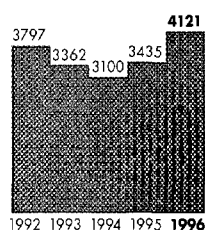
New global loans, together with those made available in previous years, gave rise to 133 allocations, of which 128 for a total of 32 million were in support of the peace and reconciliation initiative. The beneficiary SMEs, half of which operate in the tourism sector, are located in the six border counties of Ireland. Interest-rate subsidies are being provided for the ventures in question from national and EU budgetary resources.

List of finance contracts signed in 1996:

Individual loans		Global loans	
Development of Irish forests <i>Ireland, Minister for Finance</i>	6.4 ■◀	Modernisation and extension of higher education colleges <i>Ireland, Minister for Finance</i>	7.6 ■
Improvements to road network <i>Ireland, Minister for Finance</i>	38.2 ■●	For financing small and medium-scale ventures:	
Road, water supply and sewerage and sewage disposal schemes, various infrastructural projects, improvements to tourist amenities <i>Ireland, Minister for Finance</i>	11.5 ■◀	- ICC Bank PLC	63.7
		- Allied Irish Banks	61.3

The loan for road improvements attracted an interest rebate under the EEA Financial Mechanism.





Finance contracts signed: 4 121 million

1995: 3 435 million

Individual loans: 2 981 million

Global loans: 1 139 million

Global loan allocations: 931 million

Individual loans covered various sectors, including **energy** (1 598 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, **transport** (171 million), **water management and urban infrastructure** (809 million). Lending to industry totalled **403 million**.

Global loans concluded in 1996 and in previous years provided 866 allocations to SMEs.

List of finance contracts signed in 1996:

Individual loans		- Regione Veneto		26.1	■◀
Multi-fuel power plant in Brindisi (Apulia) ENEL SpA	285.1	◆◀	Development schemes in and around Rome: urban transport, car parks, road tunnels, architectural heritage	730.3	◀
Refining-residues gasification plant and integrated combined-cycle power station in: - Priolo Gargallo (Sicily) ISAB Energy SpA	372.5	■◀	Upgrading of control and safety systems throughout rail network Ferrovie dello Stato SpA	156.5	■●
- Falconara Marittima (The Marches) API Energia SpA	78.3	◀	Extension and upgrading of Caselle-Turin airport (Piedmont) SAGAT - Società Autonoma di Gestione del Aeroporto della Città di Torino SpA	4.8	●
- Sarroch (Sardinia) Sarlux SpA	391.3	■◀	Extension of Padua intermodal freight terminal (Veneto) Interporto di Padova SpA	9.9	●
Equipment to reduce atmospheric pollution in thermal power plants in Vado Liguria (Liguria), Torvaldaliga (Latium) and La Casella (Emilia-Romagna) ENEL SpA	182.6	■◀	New fibreboard production facility in Rivoli di Osoppo, near Udine (Friuli-Venezia Giulia) Fantoni SpA	10.4	▶
Combined-cycle power plant in Porcari (Tuscany) SONDEL - Società Nordelettrica	20.8	◆	Modernisation of ceramic tile factories near Bologna and Modena (Emilia-Romagna) Florim Ceramiche SpA	4.1	▶
Extension of Angela/Angelina - Ravenna Mare Sud gas field, off Emilia-Romagna AGIP SpA	36.3	◆	Cooperativa Ceramica d'Imola Scrl	5.2	■▶
Development of Aquila oil field, off Brindisi (Apulia) AGIP SpA	36.3	■◆	Modernisation of refinery in Falconara, on Adriatic coast (The Marches) API - Raffineria di Ancona SpA	26.1	◆◀
Development of oil field in Val d'Agri (Basilicata) AGIP SpA	104.3	■◆	Expansion of plant producing speciality chemicals (organosilanes) used as additives to improve affinity between mineral and organic materials, in Termoli (Molise) OSI Specialties Italia SpA	7.8	■
Completion of conversion to natural gas in Milan Azienda Energetica Municipale - Milano	24.0	◆	Modernisation and extension of elastomer filament plant in Capriate San Gervasio, near Bergamo (Lombardy) Fillattice SpA	6.8	▶
Extension and modernisation of natural gas distribution network in Rome ITALGAS - Società Italiana per il Gas SpA	24.8	◆	Modernisation of motor vehicle production facilities at plants in Pomigliano d'Arco (Campania), Termoli (Molise) and Rivalta di Torino (Piedmont) FIAT Auto SpA	156.5	■▶
Extension and modernisation of natural gas distribution networks in Latium, Tuscany, Umbria, The Marches, Abruzzo and Molise ITALGAS SpA	41.7	■◆			
Sewerage and sewage disposal works and urban restoration schemes to preserve and protect the Venice lagoon - Comune di Venezia	52.2	■◀			

Modernisation and conversion of paintshops at four motor vehicle plants in Termini Imerese (Sicily), Cassino (Latium), Rivalta di Torino and Mirafiori (Piedmont) FIAT Auto SpA	25.9 ■◀	Modernisation of five spectacle frame factories and development of new products (Veneto/Friuli-Venezia Giulia) Safilo SpA	15.9 ■▶
Expansion of capacity for production of optical systems in Milan (Lombardy) and fibres in Battipaglia (Campania) FOS - Fibre Ottiche Sud SpA and Pirelli Cavi SpA	7.8 ■▶	Relocation of wholesale fruit and vegetable market to edge of town Centro Agro Alimentare Bologna	26.1 ◀
Construction of plant to produce burners for domestic boilers in Legnago (Veneto) Riello SpA	3.9 ▶◀	<u>Global loans</u>	
Rationalisation of facilities and development of new domestic electrical appliances in Albacina, Melano, Comunanza (The Marches) and None (Piedmont) Merloni Elettrodomestici SpA	13.8 ■▶	For financing small and medium-scale ventures:	
Modernisation and expansion of facilities for production of water heaters and bathroom equipment, at nine plants Merloni Termosanitari SpA	12.4 ■▶	- IMI	207.4
Construction of new domestic air-conditioning plant in San Bonifacio and modernisation of two other plants in Alano di Piave and Gambellara (Veneto) Ferrolis SpA	18.3 ■◆	- Mediocredito Centrale	178.8
Relocation of pasta production facilities to edge-of-town site and introduction of new manufacturing process in Pedrignano (Emilia-Romagna) Barilla Alimentare Sud SRL	23.5 ◀	- BNL	120.0
Modernisation and expansion of baby food factory in Latina (Latium) Plasmon Dietetici Alimentari SpA	4.8 ■	- Rolo Banca 1473	102.5
Expansion and modernisation of corrugated paper mill in Verona (Veneto) Cartiera di Cadidavid SRL	15.6 ◆◀	- Efibanca	101.5
Process improvement and product development for new tyres at Settimo Torinese plant (Piedmont) Pirelli Pneumatici SpA	18.2 ■▶	- Banca Popolare di Verona	71.7
		- Banca Monte dei Paschi di Siena	65.2
		- Istituto Bancario San Paolo di Torino	52.2
		- Banco Ambrosiano Veneto	33.6
		- Banca Mediocredito	31.3
		- Cassa di Risparmio di Bologna	31.3
		- Banca Popolare di Milano	26.1
		- Interbanca	26.1
		- Banca Popolare dell'Emilia-Romagna	25.9
		- Mediobanca	18.1
		- Cassa di Risparmio di Parma e Piacenza	14.9
		- Banca Carige	13.0
		- Mediocredito di Roma	10.4
		- Banca Popolare di Bergamo	9.9



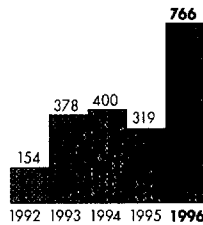
"The EIB is proud to be able to make a major contribution to protecting and restoring this beautiful and historic city", said Sir Brian Unwin, the Bank's President, in describing the loan granted by the EIB to finance a programme for the protection and restoration of the Venice lagoon.

These works consist of two main elements: collection and treatment of wastewater throughout the region in order to reduce problems caused by untreated household, industrial and agricultural effluent discharged into the lagoon; and restoration of sewers and water distribution networks, excavation of canals and reinforcement of foundations and buildings in Venice itself.

The EIB also financed the multiannual programme for improvement of Rome's urban environment, the aim of which is to meet the needs of the Rome conurbation and speed up implementation of infrastructural schemes.

The works concerned include enlargement of the Rome ring road and Fiumicino motorway, extension of the tram and suburban train network, sewerage and sewage disposal schemes and restoration of numerous castles, palaces and historic buildings.

They should be completed by the end of 1999 and so contribute to the successful outcome of an event - the Holy Year - which has global resonance and is particularly important for Europe's image in the world.



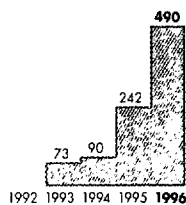
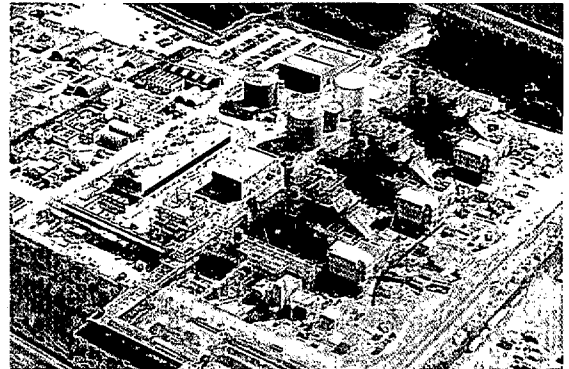
Finance contracts signed: 766 million
 1995: 319 million
Individual loans: 478 million
Global loans: 288 million
 Global loan allocations: 38 million

Individual loans for infrastructure centred on the energy (140 million) and mobile telecommunications sectors (236 million). In addition, two individual loans went to industry (102 million).

Global loans under drawdown facilitated the financing of 65 SMEs.

List of finance contracts signed in 1996:

Individual loans		Global loans	
Construction of natural gas-fired combined-cycle heat and power plant in Terneuzen (Zeeland) Elsta BV & Co CV	139.7	- Rabobank Nederland	47.2
Commissioning of mobile telephony network PTT-Telecom BV	235.9	- Bank Nederlandse Gemeenten NV	70.8
Construction of cryogenic-gas separation plant near Rotterdam (Zuid-Holland) to produce industrial gases Air Products Rozenburg Inc.	55.9	- ABN Amro Bank NV	100.0
Construction of factory in Zwolle to produce two types of diesel engines for power generation and marine propulsion Stork-Wärtsila Diesel BV	46.6	- Nationale Investeringsbank NV	69.7



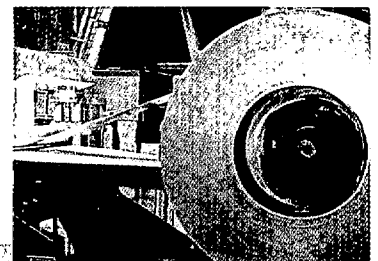
Finance contracts signed: 490 million
 1995: 242 million
Individual loans: 351 million
Global loans: 139 million
 Global loan allocations: 49 million

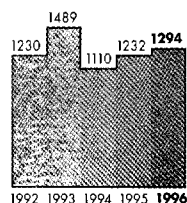
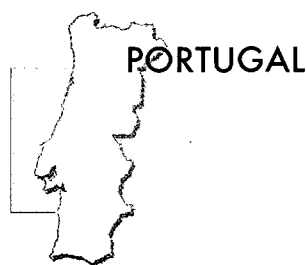
Individual loans focused on power generation (26 million), mobile telecommunications (185 million) and industry (140 million).

Global loans under drawdown supported 84 SMEs.

List of finance contracts signed in 1996:

Individual loans		Global loans	
Construction of hydroelectric power station on Danube and rehabilitation of river area downstream of Vienna Österreichische Donaukraftwerke AG	26.4	Construction of woodfree coated paper mill in Gratkorn to replace obsolete units KNP - Leykam Gratkorn GmbH	88.6
Implementation of second mobile telephony network OE Call Mobil Telekommunikation Service GmbH	184.6	For financing small and medium-scale ventures: - Bank Austria AG	112.4
Development of new engine at motor vehicle plant in Steyr BMW Motoren GmbH	51.6	- Österreichische Hotel und Fremdenverkehr Treuhand GmbH	26.2





Finance contracts signed: 1 294 million
 1995: 1 232 million
Individual loans: 1 280 million
Global loans: 14 million
 Global loan allocations: 8 million

Individual loans, apart from 4 million for **industry**, were all concentrated on infrastructural schemes: **energy** (489 million), mainly for the continued introduction of natural gas, **water** and **urban waste management** (122 million), **transport** (537 million), **telecommunications** (77 million) and **urban infrastructure** (51 million).

One **global loan** was made to finance urban renewal. During the year, 50 smaller-scale infrastructural schemes were financed by allocations from global loans under drawdown.

List of finance contracts signed in 1996:

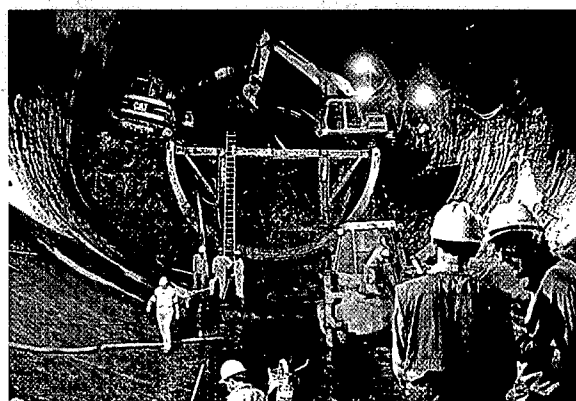
Individual loans		Global loans	
Construction of natural gas-fired combined-cycle power station near Oporto <i>Turbogás Produtora Energetica SA</i>	281.6 ■◆	Road improvements in Lisbon conurbation <i>Câmara Municipal de Lisboa</i>	51.2 ■
Initial construction phase of natural gas transmission network in western Portugal <i>Transgás-Sociedade Portuguesa de Gás Natural SA</i>	102.5 ■◆	Improvements to national road network <i>Junta Autónoma de Estradas</i>	271.3 ■●
Construction of natural gas distribution networks in nine central and western towns <i>Lusitaniagás-Companhia de Gás do Centro SA</i>	12.8 ■◆	Construction of second road bridge across Tagus estuary, upstream from Lisbon <i>Lusoponte - Concessionária para a Travessia sobre o Tejo SA</i>	35.5 ■●
Construction of oil storage and distribution infrastructure in Aveiras de Cima to supply refined petroleum products <i>CLC - Companhia Logística de Combustíveis SA</i>	92.2 ■◆	Extension and modernisation of Lisbon metro <i>Metropolitano de Lisboa EP</i>	128.1 ■◆
Construction of combined plant to incinerate municipal waste and generate power: - in Lisbon conurbation <i>Valorsul SA</i>	51.2 ■◆◆	Modernisation and extension of telecommunications network <i>Portugal Telecom SA</i>	76.8 ■●
- in Oporto conurbation <i>LIPOR - Serviço Municipalizado de Lixos da Região Porto</i>	41.0 ■◆◆	Urban redevelopment work in preparation for 1998 World Fair in Lisbon <i>Parque Expo'98 SA</i>	51.1 ■◆
Extension of regional drinking water supply network in central Tagus region <i>Empresa Portuguesa das Águas Livres SA</i>	6.7 ■◆	Rationalisation of facilities and development of new domestic electrical appliances at plants in Sabugo and Setúbal <i>Merloni Electrodomésticos SA</i>	4.0 ■◆
Northward extension of A3 motorway from Braga to Spanish border, linking the networks <i>Brisa - Auto Estradas de Portugal SA</i>	51.2 ■●		

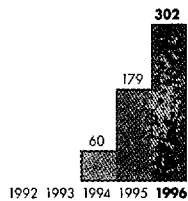
Loans provided for urban renewal and oil storage infrastructure were accompanied by interest rebates under the EEA Financial Mechanism.

pated, through financing of 100 million, in the infrastructure work needed to prepare the site. These works, forming part of a vast urban rehabilitation programme to create a new development zone in the city of Lisbon, focus on rehabilitating the site, reequipping its basic infrastructure and renovating 5 km of quays along the Tagus. They will make a ma-

In anticipation of the 1998 World Fair in Lisbon, which will have the theme "the ocean - a heritage for the future", the EIB partici-

por contribution to upgrading the urban environment by transforming a derelict area into a residential, office and recreational district.



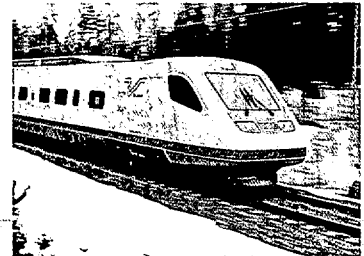


Finance contracts signed: 302 million
 1995: 179 million
Individual loans: 234 million
Global loans: 68 million
 Global loan allocations: 12 million

Individual loans were entirely devoted to the transport sector (234 million) and involved priority TENs.

Global loans under drawdown provided financing for 22 small-scale ventures.

List of finance contracts signed in 1996:



Individual loans

Modernisation of Turku-Helsinki, Riihimäki-Lahti and Helsinki-Tikkurila sections of southern rail link between Turku, Helsinki and Russian border

Suomen Tasavalta TEN 132.0

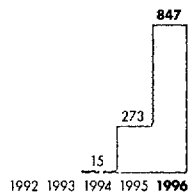
Improvements to several sections of E18 east-west road link in southern Finland and completion of Hämeenlinna-Tampere motorway

Suomen Tasavalta TEN 101.7

Global loans

For financing small and medium-scale public infrastructural schemes:
Municipality Finance Ltd 33.7

For financing small and medium-scale ventures:
Okobank Ltd 34.8



Finance contracts signed: 847 million
 1995: 273 million
Individual loans: 828 million
Global loans: 19 million
 Global loan allocations: 40 million

Individual loans benefited energy (93 million), water management (45 million), transport (450 million, including 346 million for priority TENs) and telecommunications (240 million).

Global loans under drawdown provided financing for 15 local infrastructural schemes.

List of finance contracts signed in 1996:



Individual loans

Renovation of small hydroelectric power stations and construction of integrated biofuel and cogeneration plant

Skellefteå Kraft AB 46.2

Extension and modernisation of district heating, district cooling and power networks in Stockholm conurbation

Stockholm Energi AB 47.0

Modernisation and extension of drinking water supply network in Malmö area

Sydvatten AB 23.3

Modernisation and extension of wastewater treatment plants in:

- Stockholm
Stockholm Vatten AB 13.4

- Göteborg
Göteborg Ryaverks Aktiebolag 8.5

Upgrading of railway lines:

- Ulriksdal-Uppsala section on east coast
Banverket 103.5

- Malmö-Göteborg on west coast
Banverket TEN 123.6

Construction and restoration of seven sections of E4 motorway between Stockholm and Helsingborg
Vägverket TEN 30.0

Construction of Öresund rail/road fixed link between Copenhagen (Denmark) and Malmö (Sweden)

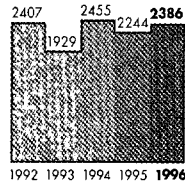
- *Öresundskonsortiet* TEN 125.1

- *Svensk-Danska Broförbindelsen AB, SVEDAB* TEN 67.6

Modernisation of telecommunications network
Telia AB 239.6

Global loans

For financing small and medium-scale ventures:
AB Svensk Exportkredit, SEK 18.7



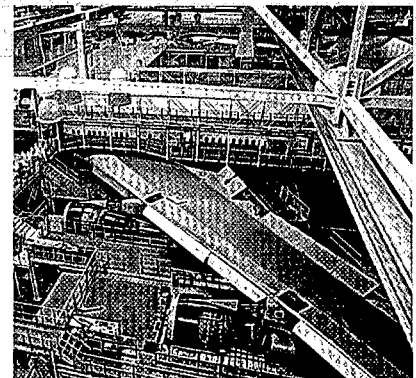
Finance contracts signed: 2 386 million
 1995: 2 244 million
Individual loans: 2 051 million
Global loans: 335 million
 Global loan allocations: 254 million

Individual loans covered various sectors, including energy (674 million), water management (512 million), transport (432 million, of which 118 million for priority TENs) and telecommunications (186 million). Industry received loans totalling 246 million.

Global loans under drawdown assisted 671 small-scale ventures, of which 105 (for 86 million) were located in Northern Ireland. The allocations under this latter heading, which were made under the special programme to support the peace and reconciliation initiative in the Island of Ireland, attract interest subsidies from national and EU budgetary resources.

List of finance contracts signed in 1996:

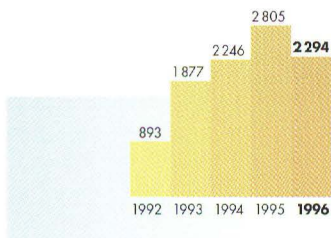
Individual loans		Global loans	
Extension and upgrading of high-voltage power grid <i>The National Grid Co plc</i>	248.8	Extension of telecommunications network and undersea cable links with continental Europe <i>Mercury Communications Ltd</i>	186.5
Construction of undersea gasline between Bacton (East Anglia) and Zeebrugge (Belgium) <i>Interconnector UK Ltd</i>	424.9	Design, development and manufacture of new car engine in Bridgend (Wales) <i>Jaguar Ltd</i>	105.7
Improvements to drinking water supply and sewerage and sewage disposal infrastructure in:		Establishment of new avionics maintenance and repair centre in Pontyclun (Wales) <i>British Airways Avionic Engineering Ltd</i>	10.6
- Thames Basin <i>Thames Water Utilities Ltd</i>	62.2	Expansion of optical fibre production capacity in Bishopstoke and Harlow (South East) <i>Pirelli General plc</i>	5.7
- South East <i>Southern Water Services Ltd</i>	35.4	Expansion of optical fibre cable plant in Deeside (Wales) <i>Optical Fibres</i>	49.8
- Midlands <i>Severn Trent Water Ltd</i>	166.4	Construction of plant to produce glass components for cathode-ray tubes in Cardiff (Wales) <i>Ocean Technical Glass Ltd</i>	68.4
- North West <i>North West Water Ltd</i>	248.8	Process improvement and product development for new tyres in Carlisle (Cumbria) <i>Pirelli UK Tyres Ltd</i>	5.5
First phase of high-speed railway line between London and Channel Tunnel <i>European Passenger Services Ltd</i>	TEN 118.9	Global loans	
Upgrading to motorway standard of section of A1 between London and Newcastle; improvements to A417 and A419 in western England <i>Road Management Services</i>	131.1	For financing small and medium-scale ventures:	
A1 and M1 motorway links <i>Yorkshire Link Ltd</i>	106.2	- <i>Barclays Bank plc</i>	186.6
Construction of new sections and improvements to existing road between Faversham and Ramsgate and between Whitfield and Eastry; Eastry by-pass (South East) <i>Kent County Council</i>	59.4	- <i>National Westminster Bank plc</i>	118.0
Construction of Uttoxeter by-pass and improvements to road network <i>Staffordshire County Council</i>	16.6	- <i>Lloyds Bank plc</i>	30.8



Under the EEA Financial Mechanism, a grant was provided for harbour works in Northern Ireland.

In order to generate additional resources tailored to the specific needs of SMEs, a contribution was made to establishment of

the Merseyside Special Investment Fund by drawing on part of a global loan advanced by the EIB to Barclays Bank. The Bank of England, the Liverpool Chamber of Commerce and the ERDF are also participating in this initiative. The Fund is backed by a guarantee from the EIF.



GEOGRAPHICAL BREAKDOWN OF LENDING OUTSIDE THE EUROPEAN UNION IN 1996

Outside the European Union, financing provided in 1996 as part of European development aid and cooperation policies totalled 2 294 million spread over 50 partner countries (see geographical breakdown tabulated below). The funds were directed to fostering sustainable development in the beneficiary countries and underpinning efforts to achieve peace and stability in several regions. These operations were financed either from the EIB's own resources (2 190 million) or from European Union or Member States' budgetary resources (104 million). Total lending from own resources, carrying interest subsidies from Community budgetary funds, came to 296 million in the ACP States, 380 million in the Mediterranean for loans granted under the off-protocol facility for environmental protection purposes and 30 million in Slovenia.

Financing from budgetary resources is provided by the EIB under mandate from, on behalf, for the account and at the risk of the Community and is accounted for off balance sheet in the Special Section.

In the lists below, loans from own resources are indicated by * and financing from budgetary resources by □. In addition, certain risk capital operations have been conducted under ongoing authorisations, the amounts of which do not appear in the statistics for the year. The corresponding operations are included in the following lists by way of information, marked with the symbol +.

The amounts relating to operations featured in this list are expressed in millions of ECUs

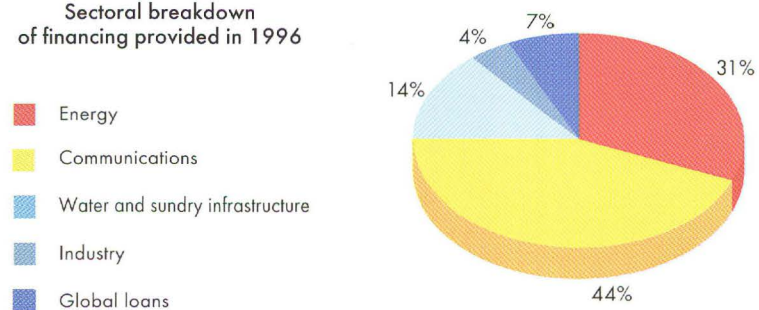


Amount and geographical breakdown of contracts signed

(ECU million)

	1996		1995	
	Amount	%	Amount	%
Africa, Caribbean, Pacific (ACP)	395.5	17.2	429.9	15.3
South Africa (RSA)	56.0	2.4	45.0	1.6
Mediterranean (MED)	681.0	29.7	1 037.5	37.0
Central and Eastern Europe (CEEC)	1 116.0	48.7	1 005.0	35.8
Asia and Latin America (ALA)	45.0	2.0	288.0	10.3
Outside the European Union	2 293.5	100.0	2 805.4	100.0

Sectoral breakdown of financing provided in 1996



SOUTH AFRICA	56.0	BOTSWANA	6.6
Upgrading and extension of power grid in Durban/Pietermaritzburg region in Northern Province and in Cape region ESKOM	56.0 *	Construction of electricity substation to interconnect with Zimbabwe and South African networks <i>Botswana Power Corporation</i>	6.6 *
AFRICA		SWAZILAND	3.0
REGIONAL	30.0	Construction of sugar cane refinery and warehouse for storing bagged sugar in Mhlume Conditional loan to <i>Swaziland Sugar Assets Ltd</i>	3.0 □
Renewal and modernisation of airport and aeronautical equipment to improve air traffic safety <i>Agence pour la Sécurité de la Navigation Aérienne en Afrique et Madagascar (ASECNA)</i>	30.0 *	ZAMBIA	3.0
EAST AFRICA	71.0	Financing of equity participations in businesses Conditional global loans to: - <i>Zambia Venture Capital Fund Ltd</i> - <i>Fund Investment Services Ltd</i>	1.9 □ 0.1 □
KENYA	35.0	Financing of equity participations in business Conditional global loan to <i>Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) for Zambesi Fund (Pvt) Ltd</i> + <i>Zambesi Fund</i> <i>Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) (0.5)</i>	1.0 □
Financing for small and medium-scale ventures <i>Republic of Kenya</i>	20.0 *	MADAGASCAR	1.7
Conditional global loan to <i>Republic of Kenya</i>	15.0 □	Financing for small and medium-scale ventures Conditional global loans to: - <i>Banque Malgache de l'Océan Indien</i> - <i>Union Commercial Bank</i>	1.0 □ 0.7 □
ETHIOPIA	19.0	ZIMBABWE	0.6
Financing for small and medium-scale ventures Conditional global loan to <i>Federal Democratic Republic of Ethiopia through Development Bank of Ethiopia</i>	10.0 □	Feasibility study into extraction of cobalt, zinc and manganese from Sanyati mine in north of country Conditional loan to <i>Munyati Mining Company Ltd</i> + <i>Frese Ltd</i> <i>Industrialiseringsfonden for Udviklingslandene (0.4)</i>	0.6 □
Upgrading of finishing department of Bahr Dar textile mill Conditional loan to <i>Federal Democratic Republic of Ethiopia</i>	9.0 □	MOZAMBIQUE	0.5
UGANDA	17.0	Development of foliated graphite deposit at Ancuabe in north of country Conditional loan to <i>Grafites de Ancuabe</i>	0.5 □
Extraction of metallic cobalt by reprocessing cobaltiferous pyrite concentrates generated as waste from working of Kilembe copper mine <i>Kasese Cobalt Company Ltd</i> Conditional loan to <i>Kilembe Mines Ltd</i>	10.1 * 6.9 □	WEST AFRICA	20.3
SOUTHERN AFRICA	58.4	MALI	6.3
NAMIBIA	20.0	Upgrading of thermal power generating capacity Conditional loan to <i>Energie du Mali</i>	5.3 □
Construction of new quay at port of Lüderitz and container terminal at Walvis Bay <i>Namibian Ports Authority</i>	12.0 *	Creation of workshop for production of dry cell batteries Loan with participating rights to <i>OMNIUM MALI</i>	1.0 □
Financing for small and medium-scale ventures Global loan to <i>Republic of Namibia</i> + <i>Cadilu Fishing (Pty) Ltd</i> <i>Compañía Española de Financiación del Desarrollo, S.A. (COFIDES) (0.5)</i>	8.0 *	BURKINA FASO	6.0
MALAWI	15.0	Expansion and modernisation of cotton processing facilities Conditional loan to <i>Société Burkinabé des Fibres Textiles</i>	6.0 □
Extension and modernisation of Lilongwe water supply system Conditional loan to <i>Republic of Malawi for Lilongwe Water Board</i>	15.0 □	CÔTE D'IVOIRE	4.0
MAURITIUS	8.0	Financing for small and medium-scale ventures Conditional global loans to <i>ECOBANK and SOGEFINANCE</i>	4.0 □
Extension and resurfacing of international airport runway <i>Airport Development Corporation Ltd</i>	8.0 *		

MAURITANIA 3.4

Installation of engineering workshop in Nouadhibou
 Conditional loan to *Société Nationale Industrielle et Minière* 2.0 □

Installation of foundry facility in Nouadhibou
 Conditional loan to *Société Arabe du Fer et de l'Acier* 1.4 □

GUINEA-BISSAU 0.2

Construction of door factory
 Loan with participating rights to *Guineense-Espanhola de Madeiras S.A.R.L.* 0.2 □

REGIONAL WEST AFRICA 0.4

Equity participation for account of European Union in
CAURIS Investissement S.A. 0.4 □

CENTRAL AND EQUATORIAL AFRICA 11.1**GABON** 11.1

Modernisation of airport and aeronautical equipment at
 the seven principal national airports
République du Gabon 10.5 ★

Establishment of pilot aquaculture farm
 Conditional loan to *S.A. Ferme Equatoriale de la Ndounie* 0.6 □

CARIBBEAN**JAMAICA** 60.0

Extension of domestic and international telecommunications
Telecommunications of Jamaica Ltd 40.0 ★

Construction and equipping of second container terminal in
 port of Kingston
Port Authority of Jamaica 20.0 ★

TRINIDAD AND TOBAGO 45.0

Development of gas transmission capacity
National Gas Company of Trinidad and Tobago Ltd 45.0 ★

BAHAMAS 20.0

Expansion of power generating and transmission capacity
 on New Providence Island
Bahamas Electricity Corporation 20.0 ★

BARBADOS 20.0

Expansion of power generating and transmission capacity
Barbados Light and Power Company Ltd 20.0 ★

DOMINICAN REPUBLIC 8.0

Financing for small and medium-scale ventures
 Global loan to *Banco Intercontinental S.A.* 8.0 ★

+ *Inversiones Arrecife S.A.*
Compañía Española de Financiación del
Desarrollo, S.A. (COFIDES) (0.8)

SAINT LUCIA 8.0

Expansion of power generating capacity
Saint Lucia Electricity Services Ltd 8.0 ★

GRENADA 4.0

Expansion of Queen's Park power station
Grenada Electricity Services Ltd 4.0 ★

**BELIZE** 2.5

Financing for small and medium-scale ventures
 Global loan to *Development Finance Corporation* 2.5 ★

REGIONAL CARIBBEAN 25.0

Financing for small and medium-sized ventures with a
 regional or national dimension

- Global loan to *Caribbean Development Bank* 20.0 ★

- Conditional global loan to *Caribbean Development Bank* 5.0 □

PACIFIC**TONGA** 3.7

Extension of switching and local telecommunications
 networks and satellite communications links
Tonga Telecommunications Commission 3.7 ★

OVERSEAS COUNTRIES AND TERRITORIES**NETHERLANDS ANTILLES** 6.0

Installation of air traffic control system on island of Curaçao
 Conditional loan to *Government of the Netherlands Antilles* 6.0 □

MAYOTTE 1.9

Upgrading of generating facilities at Badamiers power
 station
 Conditional loan to *Collectivité Territoriale de Mayotte* 1.9 □

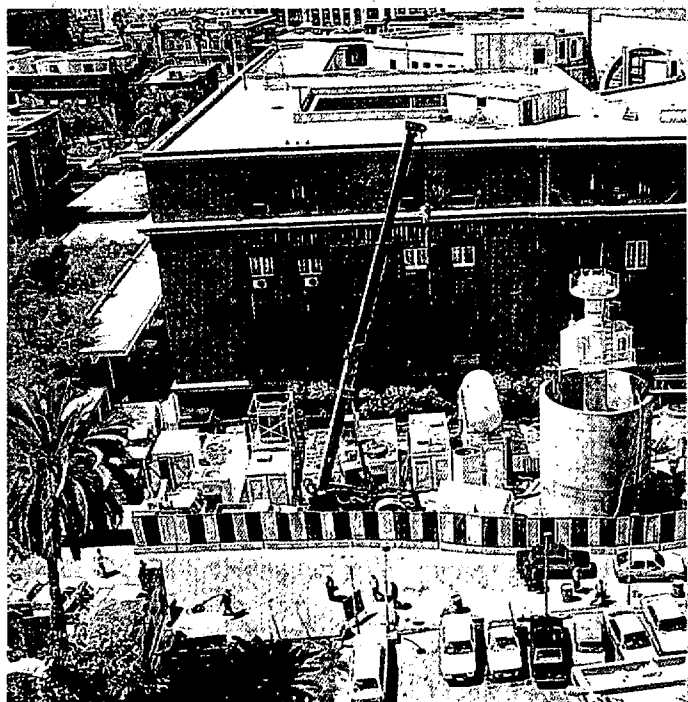
BRITISH VIRGIN ISLANDS 0.6

Feasibility study on extension of Tortola airport
 Conditional loan to *British Virgin Islands* 0.6 □

MEDITERRANEAN

MASHREQ COUNTRIES

EGYPT	108.0
Extension of sewage treatment plant (Gabal El Asfar) north-east of Cairo on east bank of Nile <i>Arab Republic of Egypt</i>	55.0 *
Extension of wastewater collection system in centre of Cairo on east bank of Nile <i>Arab Republic of Egypt</i>	35.0 *
Financing for investment in environmental protection in industrial and productive sectors Global loan to <i>National Bank of Egypt</i>	15.0 *
Construction of plant to make radial tyres for heavy goods vehicles and buses near Alexandria Conditional loan to <i>Bank of Cairo for Alexandria Tyre Company</i>	2.5 □
LEBANON	66.0
Modernisation of sewerage and sewage disposal facilities serving coastal conurbations of Kesrouan, Saïda and Sur <i>Republic of Lebanon</i>	50.0 *
Modernisation of high-voltage underground power transmission loop in Beirut <i>Republic of Lebanon</i>	16.0 *
JORDAN	9.0
Restructuring and rehabilitation of water supply network in Greater Amman <i>Hashemite Kingdom of Jordan for Water Authority of Jordan</i>	9.0 *



MAGHREB COUNTRIES

ALGERIA	115.0
Measures to reduce pollution in three industrial plants on north-east coast at Skikda and Annala <i>Banque Algérienne de Développement for Entreprise Nationale de la Pétrochimie</i>	50.0 *
Electrification scheme for southern Algeria <i>Banque Algérienne de Développement for Société Nationale de l'Electricité et du Gaz</i>	35.0 *
Modernisation of air traffic control systems at Algiers, Constantine and Oran airports <i>Banque Algérienne de Développement for Établissement National de Navigation Aérienne</i>	30.0 *
MOROCCO	30.5
Rehabilitation and extension of sewage and stormwater collectors and construction of sewage treatment plant in Marrakesh <i>Régie Autonome Intercommunale de Distribution d'Eau et d'Electricité de Marrakech</i>	30.5 *
OTHER COUNTRIES	
TURKEY	246.0
Expansion of gas transmission and supply networks <i>BOTAS - Petroleum Pipeline Corporation</i>	80.0 *
Collection and treatment of household and industrial effluent in Greater Municipality of Izmit <i>Izmit Greater Metropolitan Municipality</i>	50.0 *
Retro-fitting of flue gas desulphurisation equipment at Yeniköy power station on Aegean coast <i>Turkish Electricity Generation and Transmission Corporation</i>	40.0 *
Modernisation of telephone network <i>Türk Telekom</i>	40.0 *
Acquisition of container handling equipment at ports of Haydarpaşa (Istanbul), Mersin and Izmir <i>Republic of Turkey</i>	36.0 *
CYPRUS	54.0
Financing for small and medium-scale ventures Global loan to <i>Cyprus Development Bank (CDB)</i>	25.0 *
Direct equity participation on behalf of European Union in CDB	2.0 □
Construction of sewerage network and sewage treatment facilities for towns of Paralimni and Ayia Napa <i>Sewerage Boards of Paralimni and Ayia Napa</i>	15.0 *
Improvement and upgrading of air traffic control system <i>Government of Cyprus</i>	12.0 *
GAZA-WEST BANK	53.0
Improvements to water supply and sewerage services in Gaza <i>Palestinian Authority for Palestinian Water Authority</i>	30.0 *
Construction of port of Gaza: first phase <i>Palestinian Authority</i>	23.0 *

CENTRAL AND EASTERN EUROPEAN COUNTRIES

POLAND 380.0

Conversion of depleted Wierchowice gas field, in west of country, into underground storage facility <i>Polskie Gornictwo Naftowe i Gazownictwo (Polish Oil and Gas Company)</i>	180.0	★
Extension and modernisation of telecommunications network <i>Telekomunikaija Polska S.A.</i>	100.0	★
Upgrading to motorway standard of A4 between Bielany (Wroclaw) and Nogawczyce (Gliwice) via Prady (Opole) <i>Republic of Poland</i>	100.0	★

CZECH REPUBLIC 255.0

Modernisation of Warsaw-Ostrava-Vienna railway line <i>C'eské drahy s.o. (Czech State Railways Company)</i>	200.0	★
Replacement of VW/Skoda's lignite-fired combined heat and power plant in Mlada Boleslav by coal-fired plant of same type <i>ENERGO FIN s.r.o.</i>	55.0	★

HUNGARY 135.0

Upgrading of M3 toll motorway linking Budapest to Gyöngyös <i>Eszak-Kelet-Magyarorszag Autopalya Fejlesztö es Üzemeltetö Rt.</i>	95.0	★
Financing for small and medium-scale ventures Global loan to several financial intermediaries	40.0	★

SLOVAK REPUBLIC 100.0

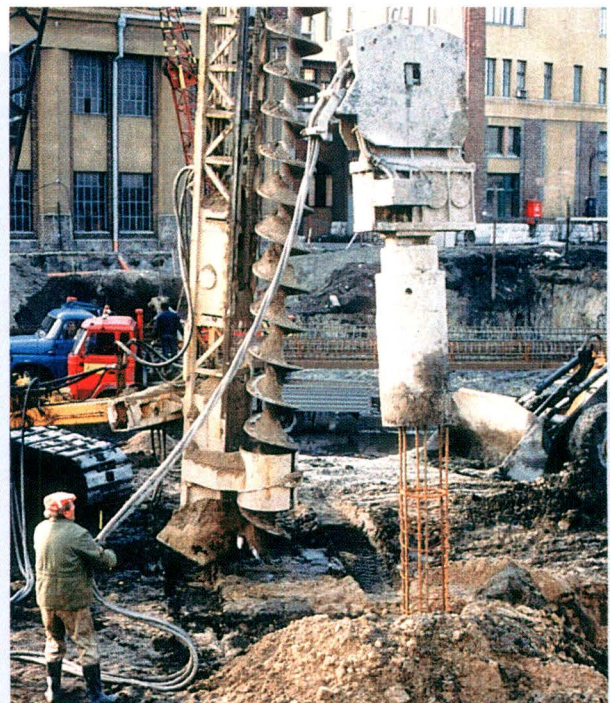
Rehabilitation of Vojury I coal-fired power station <i>Slovenske Elektrame</i>	70.0	★
Modernisation and expansion of international gas transit network <i>Slovensky Plynarensky Priemysel</i>	30.0	★

ROMANIA 90.0

Rehabilitation of sections of E81 and E60 European road corridors <i>Romania for National Administration of Roads</i>	70.0	★
Renewal of rolling stock and completion of network infrastructure on Bucharest metro <i>Romania for METROREX R.A.</i>	20.0	★

LITHUANIA 72.0

Modernisation of railway infrastructure <i>Republic of Lithuania for Lietuvos Gelezinkeliai, Lithuanian Railways Company</i>	22.0	★
Upgrading and rehabilitation of selected sections of Via Baltica road corridor <i>Republic of Lithuania for Ministry of Transport - Lithuanian Road Administration</i>	20.0	★
Construction and operation of first phase of mobile telecommunications network <i>MOBILIOS Telekomunikacijos (Bité GSM)</i>	15.0	★
Construction of natural gas transmission and distribution pipelines <i>Republic of Lithuania for Lietuvos Dujos</i>	10.0	★



Financing for small and medium-scale ventures Global loan to <i>Lithuanian Development Bank</i>	5.0	★
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SLOVENIA 30.0

Construction of three sections on Ljubljana - Celje east-west motorway <i>Druzba za Autocest v Republiki Sloveniji</i>	30.0	★
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LATVIA 26.0

Upgrading and rehabilitation of water supply and sewerage systems in and around Riga <i>City of Riga</i>	15.0	★
Rehabilitation works and dam safety improvements at hydroelectric plants <i>LATVENERGO</i>	6.0	★
Financing for small and medium-scale ventures Global loan to <i>Investment Bank of Latvia</i>	5.0	★

ESTONIA 16.0

Rehabilitation of several sections of Tallinn-Narva main railway line <i>Republic of Estonia for Eesti Vabariigi Raudtee</i>	16.0	★
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ALBANIA 12.0

Rehabilitation and upgrading of electricity grid <i>Republic of Albania for Albanian Power Corporation</i>	12.0	★
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LATIN AMERICA

ARGENTINA 45.0

Upgrading of roads in the MERCOSUR network linking southern Paraguay with Brazil, Uruguay and Buenos Aires <i>Argentine Republic</i>	45.0	★
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STATISTICAL TABLES

Table A: Financing provided (contracts signed) from 1959 to 1996

(ECU million)

Year	Total	Within the European Union				Outside the European Union		
		Total	EIB own resources	Mandates & guarantees	NCI resources	Total	EIB own resources	Budgetary resources
1959/1972	2 839.9	2 453.4	2 344.1	109.3	—	386.5	155.7	230.8
1973/1980	14 548.0	12 553.0	11 946.2	132.1	474.7	1 995.0	1 381.5	613.5
1981/1985	28 500.2	25 714.2	20 747.6	379.7	4 586.9	2 786.0	2 438.8	347.2
1986	7 556.1	7 071.1	6 678.1	—	393.0	485.0	381.8	103.2
1987	7 848.8	7 450.4	7 003.4	—	446.9	398.4	188.8	209.5
1988	10 180.1	9 479.8	8 938.3	185.0	356.5	700.2	520.1	180.1
1989	12 246.1	11 634.2	11 555.9	—	78.3	611.8	485.9	125.9
1990	13 338.9	12 626.0	12 549.9	52.5	23.6	712.9	669.0	43.9
1991	15 393.3	14 477.3	14 438.1	—	39.2	916.0	781.5	134.5
1992	17 032.5	16 139.7	16 066.0	73.7	—	892.8	764.3	128.5
1993	19 624.7	17 724.1	17 672.6	51.5	—	1 900.6	1 807.4	93.2
1994	19 929.5	17 681.8	17 656.0	25.8	—	2 247.7	1 978.5	269.2
1995	21 408.2	18 602.8	18 602.8	—	—	2 805.4	2 557.2	248.2
1996	23 238.9	20 945.4	20 945.4	—	—	2 293.5	2 189.9	103.6
Total	213 684.9	194 553.2	187 144.4	1 009.6	6 399.1	19 131.7	16 300.4	2 831.3

Table B: Financing provided (contracts signed) from 1992 to 1996 and from 1959 to 1996
Breakdown by origin of resources and project location

(ECU million)

	1992-1996			1959-1996		
	Total	EIB own resources ⁽¹⁾	Other resources	Total	EIB own resources ⁽¹⁾	Other resources
European Union	91 093.9	91 093.9	—	194 553.3	188 154.1	6 399.1
Belgium	2 706.3	2 706.3	—	3 951.4	3 927.8	23.6
Denmark	3 929.1	3 929.1	—	8 422.2	7 876.4	545.8
Germany	11 905.1	11 905.1	—	17 797.3	17 797.3	—
Greece	2 669.6	2 669.6	—	5 924.4	5 618.2	306.1
Spain	15 407.4	15 407.4	—	23 368.7	23 124.7	244.0
France	11 293.9	11 293.9	—	25 788.2	24 538.2	1 250.0
Ireland	1 498.7	1 498.7	—	5 225.5	4 801.4	424.0
Italy	17 814.0	17 814.0	—	57 539.1	54 452.4	3 086.7
Luxembourg	126.6	126.6	—	212.2	212.2	—
Netherlands	2 018.1	2 018.1	—	3 305.2	3 302.0	3.2
Austria	893.8	893.8	—	1 127.7	1 127.7	—
Portugal	6 353.7	6 353.7	—	10 046.7	10 006.9	39.8
Finland	541.4	541.4	—	541.4	541.4	—
Sweden	1 135.0	1 135.0	—	1 135.0	1 135.0	—
United Kingdom	11 421.2	11 421.2	—	27 628.7	27 152.9	475.8
Other ⁽²⁾	1 380.1	1 380.1	—	2 539.6	2 539.6	—
Africa-Caribbean-Pacific	1 771.1	1 001.4	769.7	5 128.9	3 145.1	1 983.9
South Africa	101.0	101.0	—	101.0	101.0	—
Mediterranean	3 335.8	3 262.8	73.0	8 469.7	7 622.3	847.4
CEEC	4 280.0	4 280.0	—	4 780.0	4 780.0	—
ALA	652.0	652.0	—	652.0	652.0	—
Total	101 233.9	100 391.2	842.7	213 684.9	204 454.4	9 230.4

Financing provided in Spain and Portugal up to the end of 1985 and in Greece up to the end of 1980 is recorded under operations outside the European Union.

(1) Including loans under mandate and guarantees.

(2) Financing akin to operations within the European Union authorised under the second paragraph of Article 18 (1) of the Bank's Statute.

Table C: Financing provided within the European Union in 1996
(individual loans and allocations from ongoing global loans) - Breakdown by objective

(ECU million)

Community policy		Total	Individual loans	Global loan allocations
Regional development		13 805	10 626	3 179
Energy (1)		4 076	3 829	247
Transport (2)		3 574	3 112	462
Telecommunications (3)		1 066	1 066	—
Environment and sundry infrastructure (4)		1 826	1 191	635
Industry, services, agriculture (5)	3 263	1 428	1 835	
Communications		6 506	6 355	151
Transport		4 500	4 349	151
Exceptional structures (1)		733	733	—
Railways (2)		1 104	1 104	—
Roads and motorways (3)		2 369	2 253	116
Air and maritime transport (4)		294	259	35
Posts and telecommunications (5)	2 006	2 006	—	
Environment and quality of life		5 875	4 984	891
Environment		4 209	3 433	776
Water conservation and management (1)		1 943	1 270	673
Waste management and sundry (2)		397	312	85
Measures to combat atmospheric pollution (3)		1 869	1 851	18
Urban development (4)	1 666	1 551	115	
Energy		4 031	3 786	245
Indigenous resources (1)		547	547	—
Import diversification (2)		2 011	2 011	—
Rational use and management of energy (3)		1 473	1 228	245
Industrial competitiveness		3 776	1 182	2 594
International competitiveness and European integration of large firms (1)		1 182	1 182	—
Investment by small and medium-sized enterprises assisted areas (2)		1 803	—	1 803
non-assisted areas (3)		791	—	791

Table D: Financing provided within the European Union from 1992 to 1996
(individual loans and allocations from ongoing global loans) - Breakdown by objective

(ECU million)

	Regional development	European communications infrastructure	Environment and quality of life	Energy	Industrial objectives	
					International competitiveness	SMEs
Belgium	782.1	993.4	363.8	310.3	—	874.1
Denmark	2 246.0	2 837.9	694.8	716.3	—	236.9
Germany	8 494.6	2 390.8	5 178.4	2 249.7	476.2	1 604.7
Greece	2 391.4	1 199.3	377.4	617.2	—	153.0
Spain	14 499.7	6 821.2	4 866.1	2 045.1	410.2	696.6
France	7 139.5	3 592.4	2 208.5	122.0	988.5	1 958.5
Ireland	1 204.1	249.1	211.5	344.9	—	137.4
Italy	11 685.5	3 792.2	4 874.8	4 183.4	1 198.4	3 644.5
Luxembourg	91.2	30.9	78.8	78.8	—	2.1
Netherlands	92.0	547.6	577.2	773.1	102.4	335.1
Austria	318.3	437.6	39.4	26.4	193.5	66.1
Portugal	6 289.8	2 220.7	1 681.4	1 414.0	20.8	129.1
Finland	34.1	443.0	270.6	5.8	—	15.2
Sweden	321.6	771.4	144.3	236.8	—	17.2
United Kingdom	6 129.8	2 679.6	3 955.8	2 851.1	70.4	553.6
Other	—	531.1	—	849.0	—	—
Total	61 719.4	29 538.4	25 522.5	16 823.8	3 460.5	10 424.2

As certain financing operations meet several objectives, the totals for the various headings cannot be meaningfully added together.

Table E: Financing provided within the European Union in 1996
(individual loans and allocations from ongoing global loans)
Sectoral breakdown

(ECU million)

	Total		Loans	Allocations
	amount	%	EIB	EIB
Energy and infrastructure	15 332.8	77.4	13 519.0	1 813.8
Energy	4 944.9	25.0	4 666.3	278.6
Production	2 722.0	13.7	2 612.6	109.4
Conventional thermal power stations	2 181.0	11.0	2 155.3	25.8
Hydroelectric power stations	31.7	0.2	26.4	5.3
Geothermal and alternative energy sources	30.2	0.2	—	30.2
Heat generating plant	302.2	1.5	254.0	48.2
Development of oil and natural gas deposits	176.9	0.9	176.9	—
Transmission, storage, reprocessing	1 693.3	8.5	1 693.3	—
Electricity	305.5	1.5	305.5	—
Oil and natural gas	1 387.8	7.0	1 387.8	—
Supply	529.6	2.7	360.4	169.2
Electricity	271.4	1.4	197.0	74.4
Natural gas	203.9	1.0	148.3	55.6
Heat	54.3	0.3	15.2	39.1
Transport	5 452.2	27.5	4 855.6	596.7
Exceptional structures	733.0	3.7	733.0	—
Railways	1 131.7	5.7	1 124.7	7.0
Roads, motorways	2 712.5	13.7	2 310.2	402.3
Intermodal freight terminals and other	49.4	0.2	42.9	6.5
Urban transport	527.8	2.7	385.8	142.0
Air transport	226.4	1.1	226.4	—
Maritime transport	71.5	0.4	32.6	38.9
Telecommunications	1 640.5	8.3	1 640.4	—
Networks and exchanges	694.3	3.5	694.3	—
Satellites, ground stations	339.0	1.7	339.0	—
International cables	186.5	0.9	186.5	—
Mobile telephony	420.5	2.1	420.5	—
Water, sewerage, solid waste	2 036.1	10.3	1 318.9	717.2
Drinking water supplies	163.1	0.8	53.0	110.2
Wastewater treatment	779.3	3.9	385.7	393.6
Supply and sewerage	652.1	3.3	592.2	59.9
Solid and liquid waste processing	320.5	1.6	277.8	42.7
Multi-purpose schemes	121.1	0.6	10.2	110.9
Urban infrastructure	999.8	5.0	805.3	194.5
Urban renewal	157.4	0.8	51.1	106.3
Urban development schemes	842.3	4.3	754.2	88.1
Other infrastructure	259.4	1.3	232.5	26.9
Composite infrastructure	252.7	1.3	226.2	26.6
Agricultural and forestry development	6.7	—	6.4	0.3
Industry, services, agriculture	4 477.4	22.6	1 847.3	2 630.1
Industry	3 273.5	16.5	1 448.2	1 825.3
Mining and quarrying	21.7	0.1	—	21.7
Metal production and semi-processing	80.9	0.4	41.8	39.1
Metalworking and mechanical engineering	417.9	2.1	46.6	371.3
Transport equipment	886.9	4.5	829.2	57.8
Electrical engineering, electronics	299.8	1.5	191.1	108.7
Chemicals	244.1	1.2	135.1	109.0
Rubber and plastics processing	181.4	0.9	36.5	145.0
Glass and ceramics	188.8	1.0	9.3	179.4
Construction materials	87.1	0.4	—	87.1
Woodworking	98.9	0.5	10.4	88.5
Foodstuffs	235.7	1.2	28.3	207.4
Textiles and leather	117.9	0.6	—	117.9
Paper and pulp, printing	277.2	1.4	104.2	173.1
Other manufacturing industries	58.4	0.3	15.9	42.6
Civil engineering, building	76.8	0.4	—	76.8
Services	1 179.9	6.0	399.1	780.8
Tourism, leisure, health	179.6	0.9	—	179.6
Research and development	5.3	—	—	5.3
Private and public-sector services	740.8	3.7	365.4	375.4
Waste recovery and recycling	19.5	0.1	—	19.5
Training and education centres	9.9	0.1	7.6	2.3
Commerce	224.7	1.1	26.1	198.7
Agriculture, fisheries, forestry	23.9	0.1	—	23.9
Grand total	19 810.2	100.0	15 366.3	4 443.9

Table F: Financing provided within the European Union from 1992 to 1996
(individual loans and allocations from ongoing global loans)
Sectoral breakdown

(ECU million)

	Total		Loans		Allocations	
	amount	%	EIB	Total	EIB	NCI
Energy and infrastructure	66 175.0	75.8	59 684.5	6 490.5	6 490.5	—
Energy	16 802.0	19.3	16 154.5	647.5	647.5	—
Production	8 713.7	10.0	8 476.7	237.0	237.0	—
<i>Conventional thermal power stations</i>	4 653.4	5.3	4 602.6	50.8	50.8	—
<i>Hydroelectric power stations</i>	690.4	0.8	612.5	78.0	78.0	—
<i>Geothermal and alternative energy sources</i>	59.1	0.1	27.4	31.6	31.6	—
<i>Heat generating plant</i>	1 153.1	1.3	1 080.1	73.0	73.0	—
<i>Development of oil and natural gas deposits</i>	2 118.0	2.4	2 116.6	1.3	1.3	—
<i>Solid fuel extraction</i>	39.7	—	37.4	2.2	2.2	—
Transmission, storage, reprocessing	4 987.7	5.7	4 974.3	13.4	13.4	—
<i>Electricity</i>	1 244.7	1.4	1 241.8	2.9	2.9	—
<i>Oil and natural gas</i>	3 704.7	4.2	3 694.2	10.4	10.4	—
<i>Nuclear fuel</i>	38.3	—	38.3	—	—	—
Supply	3 100.7	3.6	2 703.6	397.1	397.1	—
<i>Electricity</i>	1 522.1	1.7	1 415.7	106.4	106.4	—
<i>Natural gas</i>	1 406.3	1.6	1 190.2	216.1	216.1	—
<i>Heat</i>	172.3	0.2	97.7	74.6	74.6	—
Transport	27 123.8	31.1	25 341.4	1 782.4	1 782.4	—
Exceptional structures	2 792.2	3.2	2 792.2	—	—	—
Railways	5 382.7	6.2	5 355.9	26.8	26.8	—
Roads, motorways	11 831.4	13.6	10 772.4	1 059.0	1 059.0	—
Intermodal freight terminals and other	199.2	0.2	187.8	11.4	11.4	—
Urban transport	4 259.6	4.9	3 690.6	569.0	569.0	—
<i>Air transport</i>	1 966.7	2.3	1 950.0	16.7	16.7	—
<i>Maritime transport</i>	692.0	0.8	592.4	99.6	99.6	—
Telecommunications	8 764.7	10.0	8 764.4	—	—	—
Specialised networks	201.3	0.2	201.3	—	—	—
Networks and exchanges	6 940.8	8.0	6 940.8	—	—	—
<i>Mobile telephony</i>	624.5	0.7	624.5	—	—	—
<i>Satellites, ground stations</i>	659.4	0.8	659.4	—	—	—
<i>International cables</i>	338.3	0.4	338.3	—	—	—
Water, sewerage, solid waste	10 035.9	11.5	6 548.4	3 487.6	3 487.6	—
Drinking water supplies	834.4	1.0	287.8	546.6	546.6	—
Wastewater treatment	3 901.6	4.5	1 937.8	1 963.8	1 963.8	—
Supply and sewerage	3 106.5	3.6	2 718.8	387.7	387.7	—
Solid and liquid waste processing	1 520.8	1.7	1 191.0	329.8	329.8	—
Multi-purpose schemes	672.6	0.8	412.9	259.7	259.7	—
Urban infrastructure	1 349.0	1.5	1 072.2	276.8	276.8	—
Urban renewal	387.1	0.4	215.1	172.0	172.0	—
Exhibition, trade fair and conference centres	8.7	—	—	8.7	8.7	—
Public and administrative buildings	5.8	—	—	5.8	5.8	—
Urban development schemes	947.5	1.1	857.2	90.4	90.4	—
Other infrastructure	2 099.9	2.4	1 803.6	296.3	296.3	—
Composite infrastructure	1 966.9	2.3	1 671.5	295.4	295.4	—
Agricultural and forestry development	133.0	0.2	132.1	0.9	0.9	—
Industry, services, agriculture	21 100.7	24.2	9 978.3	11 122.4	11 064.7	57.8
Industry	17 131.2	19.6	8 854.2	8 276.9	8 234.2	42.7
Mining and quarrying	103.9	0.1	—	103.9	103.5	0.4
Metal production and semi-processing	325.9	0.4	185.1	140.8	140.8	—
Metalworking and mechanical engineering	1 761.2	2.0	109.7	1 651.5	1 648.3	3.2
Transport equipment	4 780.8	5.5	4 505.7	275.1	274.1	1.0
Electrical engineering, electronics	1 109.5	1.3	599.7	509.7	508.4	1.3
Chemicals	2 777.4	3.2	2 238.9	538.5	536.7	1.8
Rubber and plastics processing	639.7	0.7	89.6	550.1	548.3	1.8
Glass and ceramics	469.4	0.5	44.3	425.1	424.3	0.8
Construction materials	672.5	0.8	129.7	542.9	541.6	1.2
Woodworking	491.2	0.6	42.0	449.2	448.8	0.5
Foodstuffs	1 296.4	1.5	177.0	1 119.4	1 108.6	10.8
Textiles and leather	555.5	0.6	40.3	515.2	513.0	2.2
Paper and pulp, printing	1 501.1	1.7	676.4	824.8	812.0	12.7
Other manufacturing industries	203.2	0.2	15.9	187.3	182.9	4.5
Civil engineering, building	443.5	0.5	—	443.5	442.9	0.6
Services	3 924.1	4.5	1 124.0	2 800.1	2 785.5	14.6
Tourism, leisure, health	866.9	1.0	139.3	727.6	721.7	5.9
Research and development	53.9	0.1	44.3	9.6	9.6	—
Private and public-sector services	2 343.5	2.7	830.2	1 513.3	1 507.8	5.5
Waste recovery and recycling	90.1	0.1	—	90.1	89.8	0.2
Training and education centres	92.6	0.1	84.1	8.4	7.4	1.0
Commerce	477.1	0.5	26.1	451.1	449.1	2.0
Agriculture, fisheries, forestry	45.4	0.1	—	45.4	45.0	0.4
Grand total	87 275.7	100.0	69 662.8	17 613.0	17 555.2	57.8

Table G: Breakdown of financing by region in 1996 and from 1992 to 1996
(individual loans and allocations from ongoing global loans)

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 1993 estimates of per capita GDP expressed in terms of purchasing power parities (EU 15 = 100).
1993 population figures ('000 inhabitants).

(ECU million)

	GDP		1996			1992 - 1996		
	per cap.	Population	Total	Loans	Allocations	Total	Loans	Allocations
Belgium	113	10 085	497.5	229.1	268.3	2 532.5	1 601.5	931.0
Bruxelles-Brussel	182	955	7.8	3.8	3.9	265.1	234.3	30.8
Vlaams Gewest	114	5 833	203.7	—	203.7	1 085.0	381.2	703.8
Région Wallonne	91	3 298	64.3	3.6	60.6	389.9	193.5	196.4
Multiregional			221.7	221.7	—	792.4	792.4	—
Denmark	112	5 189	673.8	627.7	46.1	3 933.6	3 666.1	267.4
Hovedstadsregionen			228.3	218.3	10.0	811.8	766.0	45.8
Oest for Storebælt			362.0	360.9	1.1	1 742.6	1 727.7	14.9
Vest for Storebælt			83.5	48.5	35.0	812.6	605.8	206.8
Multiregional			—	—	—	566.6	566.6	—
Germany	108	81 180	3 030.6	1 932.9	1 097.7	11 977.6	6 703.5	5 274.1
Hamburg	190	1 700	41.2	17.2	24.1	108.9	63.6	45.2
Bremen	154	684	57.9	39.5	18.3	169.3	128.9	40.4
Hessen	149	5 946	200.4	116.8	83.6	612.7	439.4	173.3
Baden-Württemberg	128	10 198	195.0	77.9	117.1	492.8	113.1	379.7
Bayern	125	11 819	170.1	140.6	29.5	556.3	378.8	177.5
Nordrhein-Westfalen	112	17 725	233.1	109.6	123.5	1 915.3	497.3	1 417.9
Saarland	107	1 085	0.5	—	0.5	148.7	85.3	63.4
Niedersachsen	103	7 618	215.4	120.1	95.3	755.3	120.1	635.2
Schleswig-Holstein	103	2 687	26.8	—	26.8	224.6	65.0	159.6
Rheinland-Pfalz	100	3 904	55.5	34.3	21.2	118.6	34.3	84.3
Berlin	99	3 471	47.8	44.9	2.9	265.4	221.9	43.5
Brandenburg	57	2 541	660.5	510.6	149.9	1 348.5	976.1	372.3
Sachsen-Anhalt	54	2 789	152.2	28.4	123.8	1 192.4	717.1	475.3
Sachsen	53	4 624	345.7	210.3	135.4	1 882.1	1 366.7	515.4
Mecklenburg-Vorpommern	52	1 852	96.3	65.2	31.1	493.5	304.1	189.4
Thüringen	52	2 538	166.7	52.0	114.7	1 016.3	515.2	501.0
Multiregional			365.4	365.4	—	677.0	676.4	0.6
Greece	63	10 363	729.8	688.8	41.0	2 391.4	2 214.3	177.1
Attiki	72	3 495	289.5	280.5	9.0	904.9	876.7	28.3
Voreia Ellada	60	3 341	199.7	181.9	17.9	347.3	292.4	54.9
Kentriki Ellada	59	2 531	32.9	19.8	13.1	305.5	245.6	59.9
Nisia	56	996	1.0	—	1.0	113.7	82.9	30.8
Multiregional			206.6	206.6	—	720.0	716.8	3.2
Spain	78	39 141	2 523.0	1 884.3	638.7	15 260.5	13 977.3	1 283.2
Baleares	99	730	19.8	5.8	13.9	348.2	333.2	15.0
Madrid	97	5 019	144.3	132.4	11.9	1 561.3	1 520.5	40.8
Navarra	96	523	2.4	2.4	—	133.4	126.2	7.2
Cataluña	94	6 093	357.1	286.7	70.4	2 398.2	2 224.0	174.2
País Vasco	92	2 088	38.8	23.3	15.5	1 006.8	966.1	40.7
Aragón	88	1 188	129.5	115.6	13.9	303.8	267.0	36.7
La Rioja	86	264	1.9	1.3	0.6	34.9	31.2	3.7
Canarias	76	1 526	87.2	73.8	13.3	233.5	199.7	33.9
Comunidad Valenciana	75	3 902	510.9	311.6	199.3	1 970.9	1 644.9	326.1
Cantabria	75	527	114.1	105.9	8.2	268.7	251.9	16.8
Asturias	75	1 089	8.7	4.3	4.3	309.8	294.8	15.0
Castilla-León	74	2 521	176.9	68.1	108.8	714.6	534.3	180.3
Murcia	69	1 065	49.7	35.9	13.8	392.4	360.7	31.7
Castilla La Mancha	67	1 660	87.1	45.3	41.7	886.6	797.5	89.1
Galicia	60	2 729	416.0	394.1	21.9	1 248.2	1 202.8	45.4
Andalucía	58	7 033	156.0	59.5	96.5	2 504.4	2 300.5	203.9
Extremadura	55	1 056	36.9	32.4	4.5	522.0	499.1	22.9
Multiregional			185.8	185.8	—	422.8	422.8	—

Table G: Breakdown of financing by region in 1996 and from 1992 to 1996 (continued)
(individual loans and allocations from ongoing global loans)

(ECU million)

	GDP		1996			1992 - 1996		
	per cap.	Population	Total	Loans	Allocations	Total	Loans	Allocations
France	110	57 327	2 310.3	1 334.4	975.9	10 378.1	6 249.7	4 128.4
Ile-de-France	166	10 853	272.1	132.6	139.5	1 102.3	691.8	410.5
Alsace	112	1 641	39.0	—	39.0	290.3	132.9	157.4
Champagne-Ardenne	109	1 349	11.3	—	11.3	85.7	40.3	45.4
Rhône-Alpes	108	5 456	622.6	518.5	104.1	1 845.1	1 345.3	499.8
Haute-Normandie	103	1 753	46.8	35.5	11.3	350.0	273.9	76.1
Franche-Comté	101	1 109	84.5	59.9	24.7	250.2	147.0	103.2
Centre	100	2 399	34.8	—	34.8	125.6	2.3	123.3
Basse-Normandie	100	1 402	10.8	—	10.8	70.1	8.7	61.5
Provence-Côte d'Azur	98	4 354	294.7	266.1	28.6	667.9	356.2	311.7
Aquitaine	98	2 832	68.5	—	68.5	249.8	23.4	226.4
Bourgogne	96	1 618	22.3	—	22.3	168.9	88.1	80.8
Midi-Pyrénées	94	1 460	154.6	88.0	66.6	412.4	164.1	248.3
Lorraine	94	2 294	83.6	29.7	53.8	355.9	121.9	233.9
Pays de la Loire	94	3 102	93.0	—	93.0	646.7	325.1	321.6
Picardie	94	1 840	62.9	43.9	19.0	419.0	325.8	93.2
Bretagne	92	2 821	74.8	2.1	72.7	354.3	2.1	352.2
Auvergne	90	1 316	16.3	—	16.3	86.8	—	86.8
Poitou-Charentes	90	1 613	17.8	—	17.8	140.9	45.2	95.7
Nord - Pas-de-Calais	88	3 976	126.3	36.2	90.0	1 827.2	1 517.0	310.1
Limousin	88	718	9.0	4.6	4.4	41.0	4.6	36.4
Languedoc-Roussillon	86	2 170	163.0	117.3	45.7	321.5	162.6	158.9
Corse	78	252	0.2	—	0.2	1.2	—	1.2
Overseas Departments	48	1 499	1.5	—	1.5	209.8	115.6	94.2
Multiregional			—	—	—	355.7	355.7	—
Ireland	81	3 563	107.5	63.7	43.8	1 204.1	1 066.0	138.1
Italy	102	58 090	3 911.8	2 980.8	931.0	16 774.9	12 693.4	4 081.5
Lombardia	131	9 059	226.7	53.5	173.2	1 486.6	887.1	599.4
Valle d'Aosta	130	120	—	—	—	13.0	7.8	5.2
Emilia-Romagna	126	3 998	379.2	136.8	242.4	1 365.9	655.5	710.4
Trentino-Alto Adige	124	914	49.4	1.4	48.1	610.4	414.2	196.1
Liguria	120	1 702	171.9	130.6	41.3	497.1	328.4	168.6
Lazio	120	5 264	856.4	834.4	22.0	1 530.8	1 395.8	135.0
Friuli-Venezia Giulia	118	1 219	19.5	17.0	2.5	108.4	76.4	32.0
Veneto	116	4 482	314.4	142.9	171.5	927.7	471.1	456.6
Piemonte	115	4 389	164.2	94.4	69.7	1 215.9	805.1	410.9
Toscana	108	3 599	84.1	40.7	43.5	674.9	370.2	304.7
Marche	103	1 462	195.8	143.7	52.2	598.1	410.1	188.0
Umbria	99	831	30.8	4.2	26.6	236.1	70.2	165.9
Abruzzo	90	1 280	24.1	14.5	9.6	1 121.7	930.8	190.9
Molise	78	338	71.5	71.5	—	160.4	134.8	25.6
Sardegna	77	1 685	391.4	391.3	0.1	690.1	660.1	30.0
Puglia	74	4 130	333.0	325.6	7.4	1 023.0	921.9	101.1
Sicilia	71	5 097	413.4	401.3	12.1	1 088.0	985.1	102.9
Campania	69	5 781	79.1	72.8	6.4	802.1	600.2	201.9
Basilicata	66	623	105.4	104.3	1.0	862.6	818.9	43.7
Calabria	60	2 116	1.5	—	1.5	306.1	293.6	12.5
Multiregional			—	—	—	1 456.1	1 456.1	—
Luxembourg	160	398	—	—	—	123.7	121.6	2.1
Netherlands	103	15 290	516.2	478.0	38.1	1 777.7	1 419.2	358.5
West-Nederland	111	7 167	205.1	195.6	9.6	820.6	697.8	122.8
Noord-Nederland	102	1 617	9.3	—	9.3	29.9	—	29.9
Zuid-Nederland	98	3 376	11.4	—	11.4	487.2	363.9	123.3
Oost-Nederland	90	3 130	54.4	46.6	7.8	191.1	108.6	82.5
Multiregional			235.9	235.9	—	248.9	248.9	—
Austria	112	7 991	400.5	351.3	49.2	763.0	697.0	66.1

Table G: Breakdown of financing by region in 1996 and from 1992 to 1996 (continued)
(individual loans and allocations from ongoing global loans)

(ECU million)

	GDP		1996			1992 - 1996		
	per cap.	Population	Total	Loans	Allocations	Total	Loans	Allocations
Portugal	69	9 876	1 288.4	1 280.4	8.0	6 289.8	6 058.3	231.5
Lisboa e Vale do Tejo	96	3 296	420.7	420.0	0.7	2 652.9	2 577.7	75.2
Norte	62	3 495	324.1	322.6	1.5	822.8	728.7	94.2
Algarve	59	343	23.5	23.1	0.4	121.0	113.9	7.1
Centro	49	1 714	17.5	12.8	4.7	157.2	116.8	40.4
Madeira	45	255	—	—	—	107.2	96.9	10.2
Alentejo	42	535	0.8	—	0.8	243.3	239.7	3.6
Açores	42	239	—	—	—	76.9	76.1	0.7
Multiregional			501.9	501.9	—	2 108.5	2 108.5	—
Finland	91	5 066	245.1	233.6	11.5	479.2	457.3	21.9
Sweden	98	8 719	868.0	827.9	40.2	1 123.6	1 068.5	55.1
United Kingdom	99	58 070	2 305.2	2 050.9	254.4	10 886.0	10 289.0	597.0
South East	116	17 733	312.3	281.6	30.7	2 345.8	2 247.5	98.2
East Anglia	101	2 090	446.2	437.3	8.9	705.4	677.1	28.4
Scotland	97	5 110	2.6	—	2.6	749.5	737.6	11.8
South West	94	4 758	33.7	21.9	11.8	187.8	153.1	34.8
East Midlands	93	4 074	70.9	61.6	9.4	298.8	265.0	33.8
West Midlands	91	5 279	181.7	161.7	19.9	581.6	531.8	49.8
Yorkshire and Humberside	91	5 004	48.4	24.9	23.5	889.0	827.1	61.9
North West	90	6 399	323.3	298.5	24.8	1 234.9	1 146.1	88.8
North	89	3 096	46.5	30.4	16.2	587.9	553.4	34.4
Wales	84	2 900	314.6	309.1	5.5	1 266.8	1 235.5	31.3
Northern Ireland	79	1 628	100.9	—	100.9	151.0	27.9	123.1
Multiregional			424.0	423.8	0.2	1 887.6	1 886.9	0.7
Other			402.5	402.5	—	1 380.1	1 380.1	—
TOTAL		368 596	19 810.1	15 366.3	4 443.9	87 275.6	69 662.8	17 612.9

Table H: Financing provided within the European Union from 1992 to 1996
(individual loans and allocations from ongoing global loans) - Sectoral breakdown

(ECU million)

	Total	Individual loans	Global loan allocations	Infrastructure			
				Communications	Water management and sundry	Energy	Industry Services Agriculture
Belgium	2 532.5	1 601.5	931.0	1 020.6	276.5	310.3	925.1
Denmark	3 933.6	3 666.1	267.4	2 894.3	110.0	511.5	417.8
Germany	11 977.6	6 703.5	5 274.1	2 094.8	3 763.1	2 036.7	4 083.0
Greece	2 391.4	2 214.3	177.1	1 521.1	73.6	637.5	159.1
Spain	15 260.5	13 977.3	1 283.2	8 768.4	2 703.6	1 708.6	2 079.9
France	10 378.1	6 249.7	4 128.4	5 791.0	947.9	21.6	3 617.6
Ireland	1 204.1	1 066.0	138.1	400.4	211.5	345.5	246.7
Italy	16 774.9	12 693.4	4 081.5	3 802.2	1 435.7	5 311.0	6 226.0
Luxembourg	123.7	121.6	2.1	30.9	—	—	92.8
Netherlands	1 777.7	1 419.2	358.5	547.6	479.2	296.5	454.4
Austria	763.0	697.0	66.1	437.6	39.4	26.4	259.6
Portugal	6 289.8	6 058.3	231.5	3 585.7	389.4	1 318.6	996.1
Finland	479.2	457.3	21.9	443.0	0.9	0.6	34.7
Sweden	1 123.6	1 068.5	55.1	772.3	97.1	236.8	17.3
United Kingdom	10 886.0	10 289.0	597.0	3 247.1	2 956.9	3 191.4	1 490.5
Other	1 380.1	1 380.1	—	531.1	—	849.0	—
Total	87 275.7	69 662.8	17 612.9	35 888.1	13 484.7	16 802.0	21 100.7

Table I: Allocations from ongoing global loans in 1996
Breakdown by country and objective

(amounts in ECU million)

	Total		Regional development				Non-assisted areas		Energy, environment		European communications infrastructure	
	number	amount	Infrastructure		Industry		SMEs		number	amount	number	amount
			number	amount	number	amount	number	amount				
Belgium	747	268.3	97	9.9	78	29.1	498	218.1	77	9.7	—	—
Denmark	198	46.1	—	—	54	11.6	144	34.5	—	—	—	—
Germany	705	1 097.7	289	536.3	89	125.9	184	187.3	423	734.9	10	49.7
Greece	21	41.0	—	—	21	41.0	—	—	—	—	—	—
Spain	1 469	638.7	149	340.0	671	222.3	647	65.0	45	174.3	66	55.6
France	7 985	975.9	902	401.2	4 752	268.2	2 083	141.7	631	130.3	22	39.6
Ireland	133	43.8	—	—	133	43.8	—	—	—	—	—	—
Italy	866	931.0	24	49.2	812	865.0	30	16.9	16	36.5	—	—
Netherlands	65	38.1	—	—	16	17.0	49	21.1	—	—	—	—
Austria	84	49.2	—	—	33	18.2	51	31.0	—	—	—	—
Portugal	51	8.0	32	5.1	19	2.9	—	—	31	5.0	—	—
Finland	22	11.5	2	1.3	18	9.0	2	1.1	3	11.8	—	—
Sweden	16	40.2	1	0.9	—	—	1	2.4	13	32.0	2	6.4
United Kingdom	671	254.4	2	0.5	384	180.7	281	72.2	4	1.0	—	—
Total	13 033	4 443.9	1 498	1 344.4	7 080	1 834.7	3 970	791.3	1 243	1 135.7	100	151.3

Table J: Allocations from ongoing global loans from 1992 to 1996
Breakdown by country and objective

(amounts in ECU million)

	Total		Regional development				Non-assisted areas		Energy, environment		European communications infrastructure	
	number	amount	Infrastructure		Industry		SMEs		number	amount	number	amount
			number	amount	number	amount	number	amount				
Belgium	2 128	931.0	298	33.9	437	232.2	1 208	642.0	234	27.2	6	0.6
Denmark	1 087	267.4	—	—	239	66.5	839	170.8	9	25.7	1	4.8
Germany	3 891	5 274.1	827	1 855.6	1 200	1 272.7	1 098	566.2	1 622	3 464.1	15	68.4
Greece	192	177.1	67	22.0	125	155.1	—	—	44	15.1	3	0.1
Spain	3 925	1 283.2	321	548.5	1 933	487.4	1 632	217.2	50	175.7	68	56.2
France	27 974	4 128.4	3 573	1 778.1	15 317	1 249.7	8 345	723.3	2 559	711.9	41	56.3
Ireland	517	138.1	1	0.6	516	137.4	—	—	—	—	—	—
Italy	6 213	4 081.5	54	89.3	4 981	2 946.6	1 024	720.6	189	373.0	3	16.2
Luxembourg	3	2.1	—	—	1	0.5	2	1.6	—	—	—	—
Netherlands	754	358.5	—	—	176	92.0	569	243.1	9	23.4	—	—
Austria	118	66.1	—	—	57	28.7	61	37.4	—	—	—	—
Portugal	538	231.5	172	91.1	366	140.4	—	—	91	55.9	—	—
Finland	68	21.9	2	1.3	54	18.5	11	1.9	4	6.7	—	—
Sweden	64	55.1	1	0.9	16	4.8	32	12.4	13	31.4	2	6.4
United Kingdom	1 691	597.0	5	1.5	866	342.2	682	211.4	6	1.1	—	—
Total	49 163	17 612.9	5 321	4 422.8	26 284	7 174.8	15 503	3 547.9	4 830	4 911.3	139	209.0

As some allocations meet several objectives, the totals for the different headings cannot be meaningfully added together.

Table K: Financing provided from 1991 to 1996 in the ACP States under the Fourth Lomé Convention and in the OCT

Breakdown by country and sector

(ECU million)

	Total	Resources		Energy	Communications	Water management and sundry	Industry Services	Global loans	Sector
		EIB own	Budgetary						
ACP Group	81.2	70.0	11.2	—	—	—	—	81.2	
AFRICA	1 381.9	760.2	621.7	456.3	207.6	159.3	239.6	319.1	
<i>West Africa</i>	<i>498.3</i>	<i>311.0</i>	<i>187.3</i>	<i>210.1</i>	<i>36.9</i>	<i>27.3</i>	<i>133.5</i>	<i>90.5</i>	
Nigeria	132.5	130.0	2.5	55.0	—	—	—	77.5	
Guinea	65.0	16.5	48.5	26.0	—	8.0	31.0	—	
Ghana	61.7	60.0	1.7	60.0	—	—	0.7	1.0	
Mali	57.3	35.0	22.3	5.3	—	—	51.1	0.9	
Côte d'Ivoire	57.1	41.5	15.6	37.6	6.0	—	9.5	4.0	
Senegal	32.0	13.0	19.0	—	16.4	15.0	—	0.6	
Mauritania	28.4	15.0	13.4	—	—	—	28.4	—	
Burkina Faso	28.0	—	28.0	12.8	7.0	—	8.2	—	
Cape Verde	12.4	—	12.4	5.4	5.0	—	2.0	—	
Sierra Leone	8.0	—	8.0	8.0	—	—	—	—	
Guinea-Bissau	5.2	—	5.2	—	2.5	—	2.7	—	
Regional	4.6	—	4.6	—	—	—	—	4.6	
Gambia	4.3	—	4.3	—	—	4.3	—	—	
Benin	2.0	—	2.0	—	—	—	—	2.0	
<i>Central and Equatorial Africa</i>	<i>39.3</i>	<i>20.0</i>	<i>19.3</i>	<i>26.1</i>	<i>10.5</i>	<i>1.5</i>	<i>1.2</i>	—	
Cameroon	22.6	9.5	13.1	20.5	—	1.5	0.6	—	
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>	<i>257.9</i>	<i>65.0</i>	<i>192.9</i>	<i>28.5</i>	<i>57.5</i>	—	<i>27.3</i>	<i>144.5</i>	
Kenya	100.8	55.0	45.8	5.5	—	—	—	95.3	
Ethiopia	54.7	—	54.7	—	35.7	—	9.0	10.0	
Tanzania	52.2	—	52.2	23.0	11.0	—	—	18.2	
Uganda	37.3	10.0	27.3	—	—	—	18.3	19.0	
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>	<i>542.4</i>	<i>320.2</i>	<i>222.2</i>	<i>191.6</i>	<i>58.7</i>	<i>130.5</i>	<i>77.5</i>	<i>84.0</i>	
Zimbabwe	138.3	120.0	18.3	85.0	—	15.0	13.2	25.1	
Botswana	73.9	69.4	4.5	13.6	—	50.4	3.4	6.5	
Mauritius	67.1	62.0	5.1	—	34.0	28.0	5.1	—	
Mozambique	55.9	20.0	35.9	40.0	—	—	15.9	—	
Zambia	54.5	—	54.5	18.0	—	—	16.0	20.5	
Namibia	50.2	43.8	6.4	—	24.7	14.1	3.4	8.0	
Malawi	44.8	—	44.8	15.0	—	23.0	—	6.8	
Lesotho	23.0	5.0	18.0	20.0	—	—	—	3.0	
Swaziland	16.0	—	16.0	—	—	—	7.5	8.5	
Madagascar	13.7	—	13.7	—	—	—	10.0	3.7	
Angola	3.1	—	3.1	—	—	—	3.1	—	
Comoros	2.0	—	2.0	—	—	—	—	2.0	
<i>Multiregional Project</i>	<i>44.0</i>	<i>44.0</i>	—	—	<i>44.0</i>	—	—	—	
CARIBBEAN	391.2	305.0	86.2	124.5	71.0	44.0	53.7	98.1	
Jamaica	110.0	105.0	5.0	9.0	60.0	7.0	—	34.0	
Trinidad and Tobago	95.6	91.5	4.1	45.0	—	—	46.5	4.1	
Dominican Republic	34.0	8.0	26.0	15.0	—	—	—	19.0	
Bahamas	34.0	34.0	—	20.0	—	14.0	—	—	
Regional	32.0	20.0	12.0	—	4.0	—	—	28.0	
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	—	—	—	3.5	
Grenada	7.3	4.0	3.3	4.0	—	1.8	1.5	—	
Belize	6.0	2.5	3.5	3.5	—	—	—	2.5	
Saint Vincent & the Grenadines	5.0	—	5.0	—	5.0	—	—	—	
Haiti	4.0	—	4.0	—	—	—	—	4.0	
Antigua	3.4	—	3.4	—	—	3.4	—	—	
Dominica	2.5	—	2.5	—	—	—	—	2.5	
Saint Christopher & Nevis	2.0	—	2.0	—	2.0	—	—	—	
Suriname	0.7	—	0.7	—	—	—	0.7	—	
PACIFIC	86.2	58.7	27.5	12.0	16.7	—	46.0	11.5	
Papua New Guinea	64.0	41.0	23.0	12.0	—	—	46.0	6.0	
Fiji	13.0	13.0	—	—	13.0	—	—	—	
Tonga	5.7	4.7	1.0	—	3.7	—	—	2.0	
Solomon Islands	2.0	—	2.0	—	—	—	—	2.0	
Western Samoa	1.5	—	1.5	—	—	—	—	1.5	
Total: ACP States	1 940.5	1 193.9	746.6	592.8	295.3	203.3	339.2	509.9	

Table K: Financing provided from 1991 to 1996 in the ACP States under the Fourth Lomé Convention and in the OCT (continued)

Breakdown by country and sector

(ECU million)

	Sector							
	Total	Resources		Energy	Communications	Water management and sundry	Industry Services	Global loans
		EIB own	Budgetary					
OCT	47.5	25.0	22.5	9.4	6.0	2.0	3.6	26.5
Netherlands Antilles	15.5	8.0	7.5	4.0	6.0	—	3.0	2.5
New Caledonia	10.0	4.0	6.0	—	—	—	—	10.0
French Polynesia	10.0	5.0	5.0	—	—	—	—	10.0
Mayotte	2.9	—	2.9	2.9	—	—	—	—
British Virgin Islands	2.6	1.5	1.1	—	—	—	0.6	2.0
Falkland Islands	2.5	2.5	—	2.5	—	—	—	—
Aruba	2.0	2.0	—	—	—	—	—	2.0
Cayman Islands	2.0	2.0	—	—	—	2.0	—	—
Turks and Caicos Islands	0.03	—	0.03	—	—	—	0.03	—
Grand total	1 988.1	1 218.9	769.2	602.2	301.3	205.3	342.9	536.4

Table L: Financing provided in the Mediterranean Countries (4th Financial Protocols and Off-Protocol)

Breakdown by country and sector

(ECU million)

	Sector							
	Total	Resources		Energy	Communications	Water management and sundry	Industry Services	Global loans
		EIB own	Budgetary					
Morocco	595.5	575.5	20.0	140.0	245.0	110.5	—	100.0
Algeria	595.0	595.0	—	335.0	130.0	80.0	50.0	—
Egypt	580.5	567.0	13.5	67.0	—	90.0	373.5	50.0
Turkey	339.5	339.5	—	133.5	76.0	130.0	—	—
Tunisia	280.0	265.0	15.0	15.0	58.0	117.0	—	90.0
Lebanon	187.0	185.0	2.0	16.0	109.0	60.0	—	2.0
Jordan	140.0	138.0	2.0	20.0	60.0	48.0	—	12.0
Israel	92.0	92.0	—	—	—	35.0	—	57.0
Gaza/West Bank	79.0	73.0	6.0	—	23.0	30.0	—	26.0
Cyprus	64.0	62.0	2.0	—	12.0	25.0	—	27.0
Malta	15.0	15.0	—	—	—	15.0	—	—
Regional	9.0	—	9.0	—	—	—	—	9.0
Total	2 976.5	2 907.0	69.5	726.5	713.0	740.5	423.5	373.0

Table M: Financing provided from 1994 to 1996 in the Central and Eastern European Countries

Breakdown by country and sector

(ECU million)

	Sector				
	Total	Energy	Communications	Water management and sundry	Global loans
Poland	853.0	180.0	515.0	45.0	113.0
Czech Republic	770.0	355.0	415.0	—	—
Hungary	475.0	—	245.0	—	230.0
Romania	331.0	110.0	221.0	—	—
Slovak Republic	215.0	130.0	35.0	—	50.0
Slovenia	150.0	—	150.0	—	—
Lithuania	101.0	10.0	81.0	—	10.0
Bulgaria	90.0	—	90.0	—	—
Estonia	68.0	7.0	51.0	—	10.0
Albania	46.0	12.0	29.0	—	5.0
Latvia	31.0	6.0	—	15.0	10.0
Total	3 130.0	810.0	1 832.0	60.0	428.0

Table N: Financing provided from 1993 to 1996 in Asia and Latin America

Breakdown by country and sector

(ECU million)

	Sector				
	Total	Energy	Communications	Water management and sundry	Industry
Argentina	167.0	46.0	45.0	76.0	—
Chile	75.0	—	75.0	—	—
Pakistan	60.0	60.0	—	—	—
Thailand	58.0	58.0	—	—	—
China	55.0	55.0	—	—	—
India	55.0	55.0	—	—	—
Philippines	48.0	—	25.0	—	23.0
Indonesia	46.0	46.0	—	—	—
Costa Rica	44.0	44.0	—	—	—
Peru	27.0	—	27.0	—	—
Paraguay	17.0	—	—	17.0	—
Total	652.0	364.0	172.0	93.0	23.0

Table O: Resources raised in 1996

Month of issue	Place of issue	Subscription currency	Amount (million)		Life (years)	Coupon (%)
			Currency	ECU		
Medium and long-term operations (before swaps)						
PUBLIC BORROWING OPERATIONS						
January	Spain	ESP	20 000	125.4	5	8.900
	Hong Kong	HKD	500	49.2	7	6.500
	Luxembourg	ITL	500 000	240.1	5	9.600
February	Netherlands	NLG	2 500	1 185.6	10	6.000
	United Kingdom	GBP	400	472.1	11	7.625
	Germany	DEM	1 000	530.8	5	4.625
	Spain	ESP	15 000	94.0	5	8.900
	Italy	ITL	500 000	240.1	2	9.650
	Luxembourg	CAD	200	111.7	6	6.625
	Luxembourg	ITL	1 000 000	480.1	5	variable
	Luxembourg	ITL	217 547	104.5	10	zero coupon
	Luxembourg	ITL	176 850	84.9	10	zero coupon
	Luxembourg	LUF	2 000	51.7	9	6.500
	Luxembourg	USD	250	190.2	4	5.000
March	Luxembourg	ITL	350 000	168.1	3	variable
	Switzerland	CHF	250	165.3	10	4.500
	Spain	ESP	15 000	94.0	7	9.400
	Luxembourg	CAD	150	83.8	10	7.250
	Luxembourg	FRF	750	116.5	10	6.500
	Luxembourg	ITL	150 000	72.0	5	9.600
	Luxembourg	LUF	2 000	51.7	7	6.000
	Luxembourg	FRF	3 000	465.9	10	6.750
	Luxembourg	ECU	500	500.0	5	6.000
	Portugal	PTE	20 000	101.8	5	variable
	April	Germany	DEM	300	158.4	4
Spain		ESP	6 000	37.7	5	7.500
Spain		ESP	7 000	44.0	10	9.300
Luxembourg		ITL	200 000	99.3	3	7.450
Luxembourg		USD	275	214.3	4	6.000
Luxembourg		ITL	1 000 000	496.6	5	variable
Luxembourg		ITL	193 080	95.9	10	10.191
Germany		DEM	1 000	528.0	5	5.125
Germany		DEM	750	396.0	7	6.000
Spain		ESP	10 000	62.8	5	7.500
Spain		ESP	5 000	31.4	10	8.630
May	Spain	ESP	3 000	18.8	3	7.000
	Luxembourg	ITL	200 000	99.3	5	9.600
	Luxembourg	ITL	300 000	149.0	3	7.450
	Luxembourg	NZD	100	53.0	5	8.500
	Switzerland	CHF	200	130.9	8	4.250
	Spain	ESP	10 000	62.8	5	7.500
	Spain	ESP	8 230	51.7	5	7.500
	Spain	ESP	15 000	94.2	25	8.500
	Greece	GRD	30 000	97.0	4	variable
	Japan	JPY	20 000	146.3	10	0.000
	Luxembourg	LUF	2 000	51.4	8	6.375
June	Luxembourg	ITL	300 000	149.0	3	8.600
	Portugal	PTE	10 000	51.1	10	8.500
	Germany	DEM	500	261.1	10	variable
	Germany	CZK	1 500	43.4	3	10.750
	Spain	ESP	18 725	116.1	19	0.622
	Spain	ESP	10 000	62.0	3	7.400
	Italy	ITL	555 500	288.0	7	8.761
	Hong Kong	HKD	500	51.4	5	7.520
	Luxembourg	ITL	300 000	155.5	7	variable
	Luxembourg	USD	200	159.1	3	6.250
	Luxembourg	NZD	100	54.5	3	9.000
July	Luxembourg	NZD	100	54.5	3	9.000
	Luxembourg	LUF	2 000	50.7	8	6.250
	Luxembourg	ECU	150	150.0	5	6.000
	United Kingdom	JPY	20 000	144.9	10	3.080
	United Kingdom	JPY	5 000	36.2	3	6.800
	Spain	ESP	15 000	93.0	10	8.500
	Luxembourg	USD	1 000	795.4	10	7.125
	United Kingdom	JPY	50 000	362.2	10	3.000
	United Kingdom	GBP	250	307.9	4	7.000

Table O: Resources raised in 1996 (continued)

Month of issue	Place of issue	Subscription currency	Amount (million)		Life (years)	Coupon (%)	
			Currency	ECU			
October	Germany	DEM	300	156.3	5	5.125	
	Germany	DEM	137	71.5	30	zero coupon	
	Spain	ESP	7 250	44.9	3	variable	
	Spain	ESP	7 250	44.9	3	variable	
	Spain	ESP	7 250	44.9	3	variable	
	Spain	ESP	7 250	44.9	3	variable	
	Spain	ESP	7 250	44.9	3	variable	
	Spain	ESP	7 250	44.9	3	variable	
	Spain	ESP	40 000	247.8	10	7.000	
	Hong Kong	HKD	1 000	101.9	5	7.620	
	Japan	JPY	70 000	499.3	3	5.050	
	Luxembourg	DKK	600	81.4	8	7.000	
	Luxembourg	FRF	1 000	154.0	8	6.125	
	Luxembourg	USD	134	106.4	30	zero coupon	
	Luxembourg	ITL	447 840	233.6	15	zero coupon	
	Luxembourg	ITL	700 000	365.2	5	7.550	
	Luxembourg	ITL	750 000	391.3	10	7.875	
	Portugal	PTE	20 000	102.5	20	8.000	
	United Kingdom	CZK	1 000	29.5	5	11.000	
	United Kingdom	GBP	200	248.8	10	7.625	
	November	Belgium	BEF	750	19.0	7	variable
		Luxembourg	ZAR	100	17.6	5	14.500
		Luxembourg	ITL	250 000	130.4	10	7.875
Luxembourg		FRF	1 000	154.0	10	5.300	
Luxembourg		CAD	100	58.4	6	5.750	
December	United Kingdom	GBP	300	373.1	7	7.000	
	Denmark	DKK	800	108.5	7	4.000	
	Denmark	DKK	500	67.8	6	4.000	
	Spain	ESP	3 500	21.7	3	variable	
	Spain	ESP	3 500	21.7	3	variable	
	Spain	ESP	3 500	21.7	3	variable	
	Spain	ESP	10 000	61.9	10	6.750	
	Italy	ITL	243 200	126.9	20	zero coupon	
	Luxembourg	FRF	1 500	231.0	10	variable	
	Luxembourg	ZAR	100	17.6	5	15.250	
	Portugal	PTE	20 000	102.5	10	variable	
	United Kingdom	GBP	100	124.4	10	7.625	
	United Kingdom	GBP	100	124.4	4	7.000	
		104 operations					17 125.4
PRIVATE BORROWING OPERATIONS							
	4	JPY	18 000	130.5	10-13	variable-3.15	
	2	DEM	240	127.4	4	variable	
	1	AUD	68	38.2	5	7.250	
	1	FIM	200	33.7	5	6.620	
	1	ESP	17 450	108.2	21-30	8.30-8.39	
	1	ITL	100 000	48.0	3	variable	
	10 operations					486.0	
of which MEDIUM-TERM NOTES							
	10	ITL	3 435 317	1 758.2	3-15	variable-10.19	
	10	ESP	97 955	611.9	3-25	0.62-9.4	
	5	JPY	83 000	600.3	3-20	3.0-6.8	
	1	BEF	750	19.0	7	variable	
	26 operations					2 989.3	
Grand total	114 operations			17 611.5			

N.B.: Zero coupon issues are calculated on the basis of the nominal amount multiplied by the issue price.

Table P: Resources raised from 1992 to 1996

(ECU million)

	1992		1993		1994		1995		1996	
	amount	%	amount	%	amount	%	amount	%	amount	%
European Union Currencies										
ECU	1 937	14.9	960	6.8	300	2.1	400	3.2	500	2.8
DEM	1 583	12.2	1 948	13.7	2 051	14.5	2 397	19.3	5 285	30.1
FRF	1 461	11.3	1 811	12.7	1 153	8.1	342	2.8	655	3.7
GBP	1 428	11.0	2 639	18.6	1 518	10.7	996	8.0	2 168	12.4
ITL	1 326	10.2	2 039	14.3	2 560	18.1	3 343	27.0	4 398	25.1
BEF	238	1.8	—	—	752	5.3	—	—	19	0.1
NLG	303	2.3	227	1.6	661	4.7	145	1.2	84	0.5
DKK	—	—	—	—	53	0.4	—	—	88	0.5
IEP	—	—	125	0.9	177	1.2	135	1.1	102	0.6
LUF	49	0.4	100	0.7	201	1.4	193	1.6	65	0.4
GRD	—	—	—	—	36	0.3	149	1.2	97	0.6
ESP	648	5.0	1 241	8.7	948	6.7	1 574	12.7	2 034	11.6
PTE	85	0.7	243	1.7	584	4.1	1 004	8.1	358	2.0
ATS	—	—	—	—	59	0.4	—	—	—	—
SEK	—	—	—	—	—	—	77	0.6	191	1.1
FIM	—	—	—	—	—	—	18	0.1	34	0.2
Total	9 058	69.8	11 333	79.7	10 994	77.7	10 774	86.9	16 078	91.6
of which: fixed	5 962	46.0	9 886	69.5	8 188	57.9	5 720	46.1	8 970	51.1
of which: floating	3 096	23.9	1 447	10.2	2 806	19.8	5 054	40.8	7 108	40.5
Non-Union Currencies										
USD	1 529	11.8	1 502	10.6	1 659	11.7	528	4.3	698	4.0
CHF	947	7.3	453	3.2	856	6.0	323	2.6	165	0.9
JPY	1 440	11.1	657	4.6	580	4.1	771	6.2	580	3.3
CAD	—	—	278	2.0	—	—	—	—	—	—
ZAR	—	—	—	—	—	—	—	—	33	0.2
Total	3 916	30.2	2 891	20.3	3 154	22.3	1 622	13.1	1 476	8.4
of which: fixed	2 924	22.5	2 808	19.7	2 448	17.3	1 338	10.8	1 156	6.6
of which: floating	992	7.6	83	0.6	706	5.0	284	2.3	320	1.8
GRAND TOTAL	12 974	100.0	14 224	100.0	14 148	100.0	12 395	100.0	17 553	100.0
of which: fixed	8 886	68.5	12 695	89.2	10 636	75.2	7 058	56.9	10 126	57.7
of which: floating	4 087	31.5	1 529	10.8	3 512	24.8	5 338	43.1	7 427	42.3

Table Q: Resources raised in ECU from 1981 to 1996

(ECU million)

Year	Fixed-rate borrowings		Floating-rate borrowings				Raised in ECU (A)	Total raised (B)	A/B as %
	Before swaps	After swaps	After swaps	Commercial paper	Certificates of deposit	Total			
1981	85.0	85.0	—	—	—	—	85.0	2 309.7	3.7
1982	112.0	112.0	—	—	—	—	112.0	3 205.2	3.5
1983	230.0	230.0	—	—	—	—	230.0	3 619.4	6.4
1984	455.0	455.0	—	—	100.0	100.0	555.0	4 360.9	12.7
1985	720.0	720.0	—	—	—	—	730.6	5 709.1	12.8
1986	827.0	897.0	—	—	—	—	897.0	6 785.5	13.2
1987	675.0	807.4	—	—	—	—	807.4	5 592.7	14.4
1988	959.0	993.0	82.9	—	252.5	335.4	1 328.4	7 666.1	17.3
1989	1 395.0	1 526.0	75.1	200.0	37.5	312.6	1 838.6	9 034.5	20.4
1990	1 271.8	1 254.9	—	500.0	10.0	510.0	1 764.9	10 995.6	16.1
1991	1 550.0	1 550.0	450.0	500.0	—	950.0	2 500.0	13 672.3	18.3
1992	1 130.0	1 130.0	806.5	—	—	806.5	1 936.5	12 973.6	14.9
1993	650.0	500.0	460.2	—	—	806.5	960.2	14 223.8	6.8
1994	300.0	—	300.0	—	—	300.0	300.0	14 148.0	2.1
1995	400.0	200.0	200.0	—	—	200.0	400.0	12 395.4	3.2
1996	650.0	—	500.0	—	—	500.0	500.0	17 553.4	2.8
Total	11 409.8	10 460.3	2 874.8	1 200.0	400.0	4 821.1	14 945.6	144 245.2	10.4

1985 includes 10.6 million in third-party participations in Bank loans.

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 1996, these were as follows:

		31.12.1995 1st quarter 1996	31.03.1996 2nd quarter 1996	30.06.1996 3rd quarter 1996	30.09.1996 4th quarter 1996
1 ECU =					
Belgian franc	BEF	38.6979	38.9220	39.4096	39.5045
Danish krone	DKK	7.29536	7.31144	7.38031	7.37027
Deutsche Mark	DEM	1.88397	1.89393	1.91494	1.91902
Greek drachma	GRD	311.567	309.181	302.906	302.974
Spanish peseta	ESP	159.549	159.231	161.259	161.446
French franc	FRF	6.43979	6.45791	6.47765	6.49491
Irish pound	IEP	0.820478	0.815591	0.789342	0.785235
Italian lira	ITL	2 082.71	2 013.64	1 929.09	1 916.92
Luxembourg franc	LUF	38.6979	38.9220	39.4096	39.5045
Netherlands guilder	NLG	2.10857	2.11969	2.14752	2.15249
Austrian Schilling	ATS	13.2554	13.3188	13.4770	13.4997
Portuguese escudo	PTE	196.505	195.643	197.051	195.205
Finnish markka	FIM	5.71695	5.94323	5.84968	5.74702
Swedish krona	SEK	8.69726	8.59750	8.36255	8.33167
Pound sterling	GBP	0.847242	0.841361	0.811978	0.803984
United States dollar	USD	1.31424	1.28350	1.25719	1.25590
Japanese yen	JPY	135.590	136.667	138.064	140.184

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OTHER PUBLICATIONS

Statute:

The EIB's Statute sets out the legal, financial and administrative framework for the Bank's activities; it was established by a Protocol annexed to the Treaty of Rome, of which it forms an integral part.

Available in all EU official languages.

General presentation:

Annual Brochure:

This brochure, updated each year, provides an illustrated summary of the Bank's major objectives and fields of activity, both within and outside the European Union.

Available in all EU official languages.

Videotapes:

The 1996 video film, entitled "Financing European Integration", presents the EIB, its role and activities.

Available in English, French, German, Italian and Spanish.

EIB Information:

A quarterly bulletin featuring topical articles on EIB activity.

Available in all EU official languages.

EIB Papers:

A six-monthly publication, EIB Papers present the results of research carried out by the EIB's Chief Economist's Department together with contributions from external scholars and specialists. The aim is to encourage high-quality economic research and debate on matters of European interest.

New series.

N° 1: "Special issue on EMU".

Published in December 1996.

Available in English.

Country fact sheets:

These publications describe EIB financing facilities available in different countries and geographical areas (Member States, Central and Eastern Europe, the Mediterranean region, the African, Caribbean and Pacific States, South Africa).

Thematic brochures on EIB policies and guidelines:

• EIB Forum Proceedings

The Mediterranean: Working in partnership.

Madrid, 24-25 October 1996.

Available in English.

• Trans-European networks for transport and energy (TENs)

Brochure focusing on transport and energy TENs: general policy, objectives, planning, mobilisation of resources, financing, achievements and maps.

Edited and published jointly by the European Commission and the EIB in November 1996.

Available in all EU official languages.

• Environmental Policy Statement:

Document covering guidelines, standards and procedures in the environmental field.

Published in June 1996.

Available in all EU official languages.

• Guide for tendering for contracts financed by the EIB:

This guide aims to provide promoters of projects financed by the EIB and their suppliers with information on the procedures attaching to EIB financing with regard to

tendering, briefing of potential bidders and compliance with Community legislation.

Published in June 1996.

Available in all EU official languages.

Technical studies:

- "The Western European gas market, future gas infrastructure in Western Europe".

Published in June 1996.

Available in English.

- "The semiconductor industry: review of the sector and financing opportunities".

Published in November 1996.

Available in English.

- "Telecommunications network development and investment in the European Union".

Published in November 1996.

Available in English.

- "Performance of a sample of nine sewage treatment plants in European Union Member Countries".

Report produced by the EIB's Operations Evaluation Unit in December 1995.

Available in English, French and German.

Structured, regularly updated information is also available on

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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 :

- 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;

- supporting the activities of small and medium-sized enterprises.

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 by means of **individual loans** (upwards of ECU 25 million) concluded directly with promoters or through financial intermediaries.*

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

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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