



European
Investment
Bank

The EU bank



2014

Activity Report

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Foreword by the President



Despite some good news, in 2014 Europe's economies experienced considerable hardship. The economies of all EU Member States are expected to grow again this year, but Europe is still held back by weak investment and high unemployment. Uncertainty on the financial markets persists and money is still not reaching the real economy as it should.

The work of the EIB Group, the EU bank, makes a real difference to people's lives. In 2014 we continued to deliver.

We implemented one of the most ambitious business plans this institution has ever seen, with EIB loans standing at EUR 77bn. We strengthened advisory services as one of the key pillars of our business, and we will look at expanding them further in the future. The European Investment Fund – which celebrated its 20th anniversary last year – committed EUR 3.3bn in 2014 through its equity and guarantee activities, catalysing more than EUR 13bn for

the benefit of smaller businesses and remaining a leading provider of SME risk finance in Europe.

2014 was also an important year in terms of investment and competitiveness being placed high on the political agenda. After years of focusing on the financial crisis and its costs, and despite enduring difficulties, Europe's economy is now on its way toward recovery. We should look ahead, sharpen our focus on growth and restart the investment engine. And Europe has recognised that reforms and investment are two sides of the same coin.

Expectations are high that the Investment Plan presented together with the President of the European Commission, Jean-Claude Juncker, in November will be swiftly implemented. As the EU bank, we were involved in the development of the plan from the very beginning.

All three parts of this plan are essential: completing structural reforms, revising national and Euro-

pean regulations to make them more investment-friendly, and making better use of limited public resources. We need to use public money to unlock investment, principally from private capital. This is the goal of the Investment Plan. It marks a paradigm shift in the use of limited public funds, from subsidies and grants to loans and guarantees, in order to leverage private capital, multiply the effect of the initial funding, and use the initial capital again once repaid.

Speed is of the essence, and we are now looking to turn this plan into real business and get new projects off the ground that can help kick-start the economy and create jobs in the EU. The European Fund for Strategic Investments (EFSI) is set to target strategic investment in infrastructure, education and innovation, and sustainable energy, as well as in small and medium-sized enterprises. In the framework of the Investment Plan, we will also create a new advisory hub to help develop quality projects and build the technical and financial capacity of public and private actors.

Europe is not yet making the best use of its investment potential. We allow many financial and non-financial barriers to stand in the way of investment. EFSI, and the strengthened advisory services alongside it, will mark an important step towards removing some of those barriers. But regulatory simplification remains urgent, at both EU and national level.

EFSI will complement the traditional lending activity of the EIB. It will go for projects in strategic sectors that are struggling to attract funding under the existing mechanisms, including because of the higher risk profile.

Critically, EFSI will complement and build upon the bulk of EIB lending activity, the bedrock of investment the EU bank continues to bring to Europe's economy. Even so, we will not be able to tackle Europe's economic challenges alone. But if everyone works together, we can help improve the overall investment climate and get private money back to work again.

2015 will be a year of transition for the Bank. We completed an exceptional lending programme undertaken after the EIB's shareholders, the EU Member States, decided an increase of the Bank's capital in 2012. The target of EUR 180bn of investment mobilised thanks to the EIB Group's additional lending following the capital increase was met in March, well ahead of the end-2015 deadline.

While continuing to deliver on our core business, we will focus on financing new projects under the new Investment Plan. Investing in Europe means so much more than figures and projects. The new initiative is about sending out a signal, to investors, to project promoters and to citizens. We are telling them that Europe is back in business.

This report looks back at the operational highlights of 2014. It also seeks to look ahead to the outcomes we expect to see from projects we supported during the year. In 2014, for example, we provided financing for businesses that created or preserved 3.6 million jobs, supported high-speed broadband access for 3.2 million households and helped improve healthcare facilities for 10 million EU citizens.

Benefits for citizens are what we are about. Our funding is a means to an end. We are backing viable projects that can make a difference, we are financing the future. That is what investment and competitiveness are about.

Werner Hoyer



2014

Highlights

80.3bn^{EUR}

EIB Group financing

→ **14.7bn**^{EUR}
for **innovation and skills**

→ **25.5bn**^{EUR}
for **smaller enterprises**

→ **20.6bn**^{EUR}
for **strategic infrastructure**



7.9bn^{EUR}

for **projects outside the EU**

→ **19.1bn**^{EUR}
for **climate action**

Making a difference


As a result of our 2014 funding, we anticipate the creation of more than 150 000 new permanent jobs, with 1.8 million jobs being generated in the construction phase. As the EU bank, we know that our financing is a means to an end. We target viable projects where we know our contribution can make a difference and which can deliver concrete benefits to Europe's citizens.

25 000
international patent
applications

172 000
 students
enrolled per year


high-speed broadband
access for
3.2 million
households

285 000
micro, small and
medium-sized businesses


This helps sustain some
 **3.6**
million jobs

supported some
500 000
young people

545 million
additional passengers and
100 million
transport hours saved

6 000  MW
of electricity capacity, of
which **80%** from renewables

Improved healthcare
facilities for
10
million
EU citizens 

4 million people
benefitting from
access to safe
drinking water or
improved sanitation
in emerging and
developing economies 

3 000
GWh of energy
savings



3 million tonnes per year
of CO₂ emissions saved
the equivalent of taking

1.5 million cars off
the road

12 000
GWh of electricity
generated from renew-
able sources per year,
1 powering over
million homes



Delivering **a firm response to the economic crisis**

Since 2008, the EIB Group has provided almost EUR 500bn for projects across Europe. This means that we have supported some EUR 1.5tn of investment, as we typically finance around one third of a project's costs. The EIB responded to the sovereign debt crisis with a sharp increase in activity, doubling its support for those countries which were hit the hardest. Now, as risk-bearing constraints have emerged, we are acting to mobilise investment across Europe.



The Bank has sought continuously to enhance its product offering. New and innovative products have been launched in order to address market gaps, open up to new client groups, reflect changing policy priorities and Member States' financing requirements, as well as to maximise resources and help attract additional funding. These products range from risk finance for R&D to midcap loans, from innovative climate funds to trade finance. At the same time, the Bank has placed its financial expertise at the service of Europe's investment needs by further expanding its advisory services in support of project preparation and implementation, better use of EU funds and improved access to finance.

In 2012, the EU Member States agreed to increase the EIB's paid-in capital by EUR 10bn, allowing us to increase our lending activity by some 40% between 2013 and 2015. By end-2014, we had delivered over EUR 50bn of additional lending, mobilising more than EUR 150bn in total investment. This means we are on track to meet our target of EUR 180bn of additional investment across Europe by March 2015, well in advance of the end-of-year deadline.

In 2014, we achieved our highest level of signatures since 2009. Crucially, 40% of these were with new counterparts, an indication that our strategy of diversifying our client base and deepening our reach into new markets is bearing fruit.


Banking on results

As the EU bank, owned by the 28 Member States, we provide finance and expertise for sound and sustainable investment. Our mission is to support projects with a significant impact on people's lives. The EIB Group consists of the EIB and the European Investment Fund (EIF), which helps to cater for the higher-risk financing needs of small and medium-sized enterprises and midcaps.

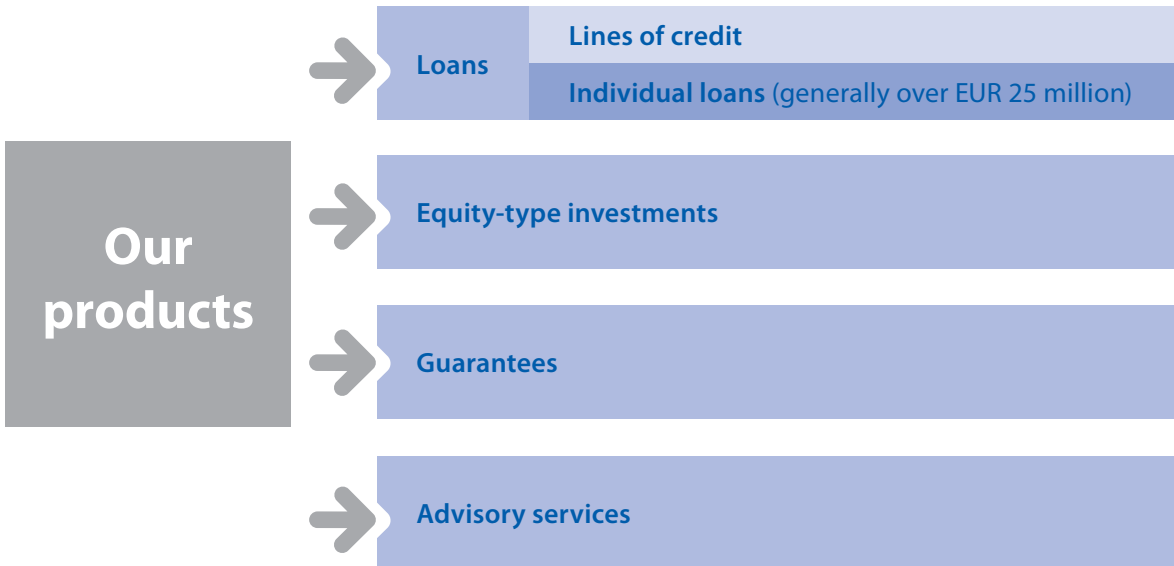
Building on more than 50 years of experience in project financing, we are the largest multilateral lender and borrower in the world. The EIB raises money on the financial markets by issuing bonds. Our excellent credit standing allows us to raise funds on favourable terms. This financial advantage is passed on to customers – be they public bodies, large corporations or small businesses – in line with the EIB's non-profit-maximising remit. We provide long-term loans, but also, especially through the EIF, guarantees and equity.

We often lend with longer maturities than commercial banks or bond markets, matching the long-term nature of the projects we finance. For many of our clients, it is important to be able to diversify their funding sources, and an EIB loan approval often helps them access other sources of funding. We lend directly to larger projects costing over EUR 25m and channel smaller loans through a network of local financial intermediaries. Our technical expertise and advice complement our financial offering.

This year for the first time, our Activity Report highlights some of the results expected from operations signed in 2014, demonstrating the difference our projects make.

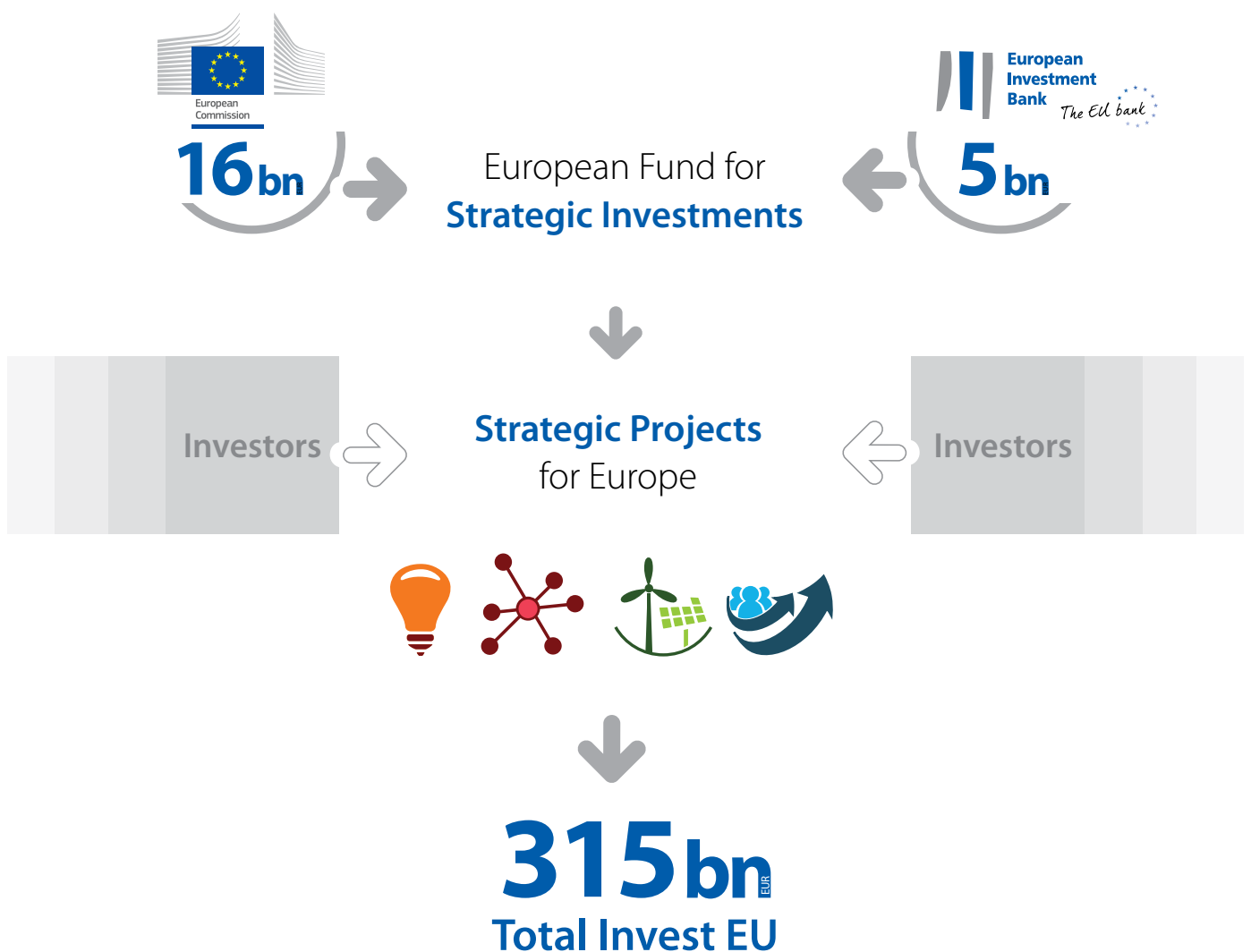


Benefits for citizens are what we are about. Our funding is a means to an end. We are backing viable projects that can make a difference, we are financing the future.



An investment plan for Europe

The Investment Plan proposed by European Commission President Jean-Claude Juncker and EIB President Werner Hoyer in November 2014 is part of a broader strategy that combines investment, structural reforms, single market integration and fiscal responsibility. The Plan aims to revive investment, particularly in higher-risk projects, to help fuel growth and employment opportunities and improve Europe's competitiveness.



“Effective action to stimulate increased investment across Europe is essential to restore economic growth, create jobs and enhance Europe’s competitiveness.”

President Werner Hoyer



Within the Investment Plan for Europe, the European Commission and EIB Group have forged a strategic partnership to address market gaps and help shoulder the risk inherent in projects to encourage private investment. Together we are launching the European Fund for Strategic Investments (EFSI). Initial funding of EUR 21bn – a EUR 16bn guarantee from the EU budget and EUR 5bn from the EIB – should result in total investment in strategic projects of at least EUR 315bn over the next three years.

Mobilising investment

We use seed money to mobilise private investment and additional public funding. The key to delivering this is attracting private investors, which helps us to mobilise overall investment in two ways: by getting private investors to buy our bonds and by getting investors to join our projects.

EFSI will direct funding to sound projects where it can add value. It will focus its financing potential on sectors of key importance to the EU where the EIB has proven expertise, such as strategic infrastructure, including digital, transport and energy investments; education, research and innovation; SME funding; and environmentally sustainable projects.

Addressing market gaps

Studies undertaken by the EIB in early 2014 revealed an alarmingly large investment gap: EU investment in 2013 was some 15% below the pre-crisis peak in real terms, with the shortfall reaching 25% or even 60% in some Member States.

EFSI aims to overcome these problems by relieving investors of some of the risk. The new initiative will allow the EIB Group to offer products supporting projects with a higher risk profile and high added value. As a result, we expect considerable participation by other financing sources, in particular the private sector.

The new initiative complements the extra lending the EIB is delivering as a result of its capital increase. It aims to help share project management know-how and experience so as to enhance access to finance and ensure the optimal use of EU funds. We seek to add value beyond providing favourable financing conditions, by combining funds, attracting additional financing and providing advice on project preparation and follow-up.

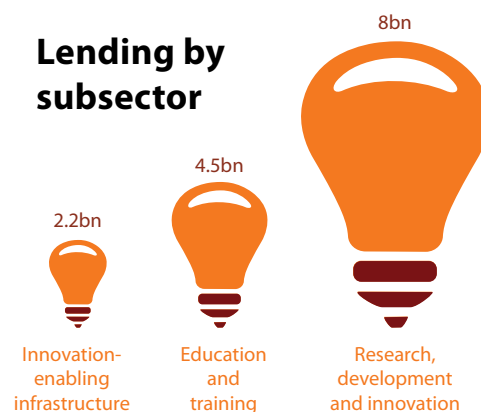


Innovating for smart growth in Europe

Innovation and skills are key ingredients for ensuring sustainable growth and creating high-value jobs. They play an important part in driving Europe's long-term competitiveness. For the EIB, this is a top priority. In 2014, we supported innovation and skills with EUR 14.7bn of EIB Group loans in Europe.

14.7 bn EUR
to promote **innovation**

Lending by subsector



Highlights of 2014:

- New InnovFin product range for European innovators of all sizes
- InnovFin advisory service launched for large R&D projects
- First broadband project bond scheme
- State-of-the-art laser research facility supported





Making a difference - our 2014 lending supports

25 000
international patent
applications



172 000
students enrolled per year



high-speed broadband
access for

3.2



million
households



"We're happy that the EIB has chosen UCB as a first partner for its new 'at-risk co-development funding' approach. This will help to accelerate the development of several promising projects in UCB's pipeline."

Roch Doliveux,
CEO of UCB (2005-2014)

A first-of-its-kind transaction under InnovFin – EU Finance for Innovators, payments under the EUR 75m programme are dependent on milestones being reached, sharing risks and returns.

We are a major partner in supporting projects to develop innovation and skills, from financing ambitious large-scale research to backing small, specialised spin-outs or funding digital networks. Supporting investments that are geared towards innovation, skills and greater competitiveness is part of our mission to foster growth and jobs in Europe. We can help secure such investments and maximise resources using our catalytic effect.

Promoting education and skills – investing in people

We support investments that improve the quality and competitiveness of education, especially by upgrading school and university facilities, backing vocational and other training schemes, or funding pan-European student loan programmes to increase student mobility. EIB lending in the education sector can help improve the skill sets of young workers in the EU and thereby contribute to creating new employment opportunities.

Accelerating innovation

Europe's future economic growth and jobs will increasingly have to come from innovation in products, services and business models. Technological advances from life sciences to environmental improvements ensure that the EU's research and development sector is leading-edge. We finance investments in research, technology development and innovation across the board, including joint research programmes at EU and national levels, research infrastructure, academic research in public and private universities, as well as investment in downstream actions and support for incubators, science and technology parks and clusters, to facilitate the transfer of knowledge and expertise between academia and the business sector. A EUR 100m loan is backing the research and development activities of wind turbine manufacturer Nordex in Germany.



“You find the very latest in teaching technology in every classroom, supporting the people who are physically present, as well as excellent classes available through the internet.”

Christoph Badelt,
Rector of Vienna University
of Economics and Business

22 500 students will benefit from the new cutting-edge open space campus at Vienna University of Economics and Business, which received a EUR 250m EIB loan.

Digital economy: the key to long-term growth

Another ingredient stimulating technological innovation is digital infrastructure and services. Internet-based applications will continue to be an essential driver of productivity growth. Investing in digital infrastructure is thus necessary to support Europe’s growing data traffic and it is also one of the main goals of the EU’s Digital Agenda. A EUR 58m EIB loan to Axione in support of broadband services in France was the first digital project signed under the innovative project bond initiative. Increasingly, every business is a digital business. So high-speed internet, mobile networks and cloud computing are priority areas for the Bank.



Partnering for accelerated innovation in Europe

Europe is facing a major challenge in terms of competitiveness and innovation. This is why the EIB Group is partnering with others to help innovators turn good ideas into business realities. A new InnovFin product range provides financing for European innovators of all sizes.

In June 2014, the EIB Group together with the European Commission launched a new range of products under InnovFin – EU Finance for Innovators. This is set to complement the EIB Group's financial offer for research, development and innovation projects.



By 2020, InnovFin products will make more than EUR 24bn available for research and innovation by small, medium-sized and large companies and research infrastructures.

InnovFin – EU Finance for Innovators

One of the key factors holding back research and innovation activities is the lack of available financing on acceptable terms for innovative businesses, since these types of companies or projects often deal with complex products and technologies, unproven markets and intangible assets. 2014 saw the rollout of new products under InnovFin, bringing our offering to new clients, such as innovative midcaps that we reach via direct and indirect lending.

Building on a successful pilot initiative

By combining EU budget funds with EIB Group financing, we are helping to do more with less by mobilising investment by other parties for the benefit of innovation across Europe. This builds on the success of the Risk-Sharing Finance Facility, which financed 114 research and innovation projects to the tune of EUR 11.3bn and in addition provided loan guarantees worth over EUR 1.6bn. InnovFin is set to at least double this.

Experience shows that many research and innovation projects face difficulties in securing access to finance although they are fundamentally good projects. The new InnovFin Advisory support helps them capitalise on their strengths and adjust elements such as governance, funding sources and financing structures, in order to improve their access to finance.



Financial backing for innovative start-ups

The EIF, as the Group's specialist in supplying risk finance for SMEs and midcaps committed a total of EUR 3.3bn in 2014. This includes support for innovative small businesses at all stages of their development. Last year it provided EUR 742m in equity transactions targeting business angels, start-ups and early stage companies, and EUR 653m in guarantees for innovative small businesses.

In 2014, the EIF started rolling out agreements with local partners, which act as financial intermediaries under the InnovFin SME Guarantee Facility. Managed by the EIF, this scheme is deployed by eligible local banks, leasing companies and guarantee institutions. Here, the EIF covers a portion of the losses incurred by the financial intermediaries on loans, leases and guarantees between EUR 25 000 and EUR 7.5m, thereby improving access to finance for innovative SMEs and small midcaps.

Risk finance at work for innovative businesses

Research and innovation by European companies, the creation of start-ups and support for growing

enterprises are fundamental EIF policy objectives, and are particularly important for the economy as they drive structural change.

Much of the work of universities and research centres has the potential to develop into concrete business ideas, leading to the creation of small enterprises. The commercialisation of research and technology-transfer activities that turn RDI into marketable products and services, however, is often considered to be too high-risk to be financed. In 2014, the EIF invested EUR 111m to promote technology transfer via six transactions.

Brolis Semiconductors, a small high-tech company, headquartered in Vilnius, Lithuania, has benefited from EIF-backed venture capital to develop its business. Its technology is applied in a number of areas including the medical diagnostics, dermatology, materials processing, gas sensors, combustion process control and home-security night-vision sectors.





Backing small and medium-sized enterprises

Small businesses are important drivers of growth, employment and innovation in Europe. SMEs represent well over 90% of businesses in the EU and employ two thirds of the active working population. We seek to ensure access to finance for smaller businesses with a range of tailored and new products. In 2014, the EIB Group provided more than EUR 25.5bn worth of finance for SMEs and midcap companies in Europe.

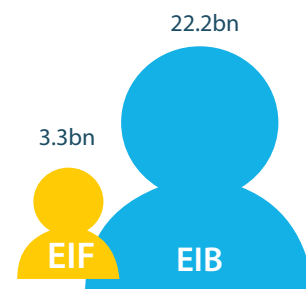
25.5bn EUR
for small and medium-sized enterprises

Supporting access to finance for SMEs is a top priority for the EIB Group. Many smaller businesses face difficulties in securing funding on acceptable terms. The EIB Group (EIB and EIF) works with a broad range of financial intermediaries, such as local partner banks, funds, leasing companies and microfinance institutions to make finance available to SMEs, midcaps and micro-enterprises. Every euro provided by the EIB for SMEs is matched with at least one euro from the intermediary.

EIB and EIF lending for smaller businesses in Europe

Highlights of 2014:

- Continued record lending levels for SMEs
- Increased cooperation with Member States and public promotional institutions
- Youth unemployment initiative bears fruit
- EIF capital increase and new products developed





Making a difference - in 2014 we



supported around
285 000

micro, small and
medium-sized businesses

3.6 helped sustain some
million jobs
in Europe

helped small businesses,
which employed or
trained

500 000

young people
in 2013-2014



*“The good brains and
the wonderful employees
would have been useless
in the absence of loans.”*

Adrian and Adela Cățoiu,
SARA carbon steel fittings

Adrian and Adela Cățoiu
started their modern carbon
steel fittings business with
only USD 100. Loans of
EUR 9.9m enabled them to
grow to provide employment
for almost 200 people.



Supporting access to finance for SMEs and midcaps

In 2014, the EIB Group worked to strengthen its support for SMEs. We heightened cooperation with the EU Member States and public promotional institutions to establish tailor-made innovative financing facilities for SMEs to help maximise resources.

We ensured continued support for revitalising the trade finance market for SMEs in countries that suffer market inefficiencies by enlarging the geographical scope of the Greek facility and approving a Trade Finance Facility for Portugal. Another example of a country-specific partnership is the Strategic Banking Corporation of Ireland, launched in October 2014, for which

the EIB is providing EUR 400m. To maximise the impact of our support for micro-enterprises, SMEs and midcaps, we are continuing to team up with the European Commission, national promotional banks and other key players to enhance access to finance and improve financing conditions.

Investing for youth

Youth unemployment is one of Europe's big challenges. Improving the younger generation's performance on the labour market is precisely what the EIB Group is trying to do through its "Skills and Jobs – Investing for Youth" programme. This initiative aims to boost jobs for young people by improving access to finance for SMEs and enhancing their employability via targeted investment in skills. Some EUR 13bn in loans was signed in 2014 under this initiative.



"I have employed 18 people between 16 and 24 years old and taught our students the welding profession."

Krzysztof Michalak,
owner of Alspaw in Poland

a worldwide leader in the production of aluminium stage systems.

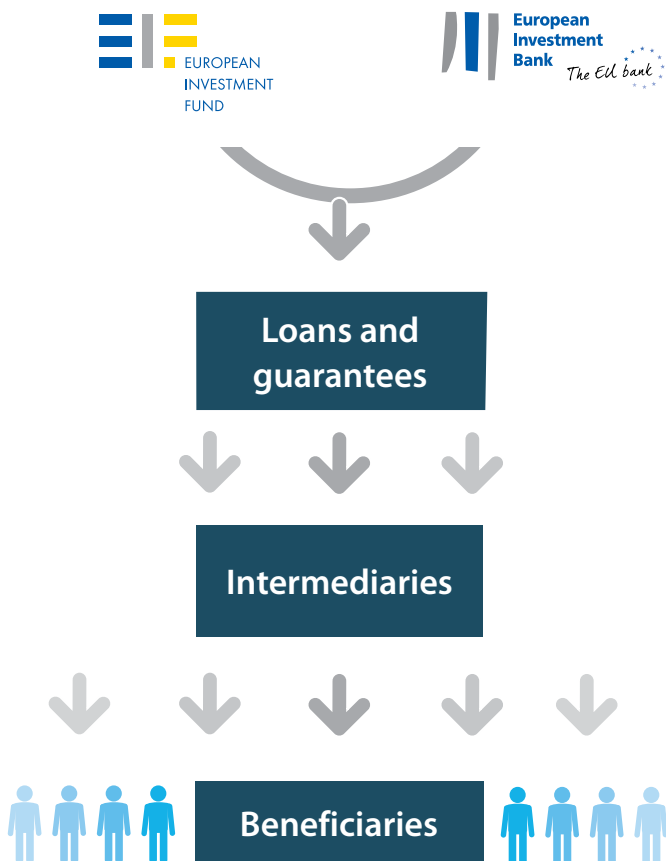


“The EIB loan has been a perfect match for our needs. The loan offered via Banco Santander was accessed in an agile, quick and easy way.”

Gerardo Gutiérrez,
President of Gadea Group
Pharmaceuticals

Driven by its commitment to research, technological development, quality and internationalisation, the Gadea Group grew from six people to now over 300 staff.

EIB Group intermediated lending



EIF's targeted support for smaller businesses

In 2014, the EIF celebrated 20 years of operation and remained a key driver of targeted support for European SMEs and midcaps. It committed EUR 3.3bn, which leveraged EUR 14bn of capital to enhance access to finance for smaller businesses.

In 2014, the EIF made record investments in 74 private equity funds, guaranteeing portfolios of new SME loans and leases and contributing to the revival of the European SME securitisation market, as well as promoting social inclusion and job creation through microfinance transactions. In total, 175 000 businesses across Europe benefited from the EIF's support in 2014.

Increasing the EIF's capacity to boost innovative SMEs

In 2014, the EIF's shareholders approved a EUR 1.5bn capital increase, taking total authorised capital to EUR 4.5bn. This gave the EIF exten-

sive scope to develop operations, strengthen its financial offer and increase transaction volumes. The EIF has designed new equity, debt, credit enhancement and microfinance instruments aimed at bringing in more capital and attracting private investors and strategic partners to the market, so that European businesses are given the means to develop their competitiveness and grow.

2014 also saw the launch of a new EIB Group Risk Enhancement Mandate, designed to revitalise the SME market and offer a new range of debt finance and equity products, including asset-backed securities. The EIB will contribute up to EUR 4bn to this initiative by 2020 for the benefit of innovative and higher-risk SMEs.





“The EIF made enough funds available to a start-up like Workable for it to be able to not just start, but also graduate to a level where the big venture capital firms in Europe are willing to take it further.”

Nicos Moraitakis,
Founder and CEO of Workable

18 months after start-up, with 20 talented employees, over 300 customers and rapid revenue growth, the founders feel happy with their choice of EIF funding.

In 2014,
the EIF committed
a total of

3.3bn EUR

to providing **risk finance**
for **SMEs** and **midcaps**



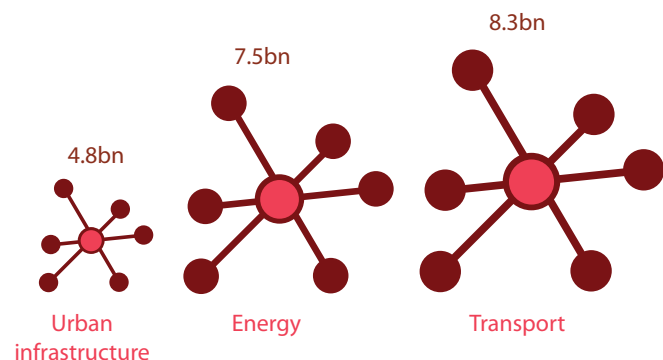


Creating strategic links in Europe's infrastructure

Efficient energy, transport and urban links are important business enablers. So building networks for the internal market helps foster growth and increase Europe's competitiveness. We are the natural financing partner for infrastructure investments, which are typically both large and long-term. In 2014, the EIB provided some EUR 20.6bn in loans for transport, energy and urban infrastructure in Europe.

Lending by subsector

20.6bn EUR
for **strategic infrastructure**



Highlights of 2014:

- UK grid link and largest-ever EIB loan
- First transport projects under project bond initiative
- Technical advisory services strengthened
- Four social housing and six hospital projects under urban infrastructure heading

The Bank offers much more than just finance for infrastructure projects. In addition, and as a complement to our significant experience in infrastructure lending, we seek to add value through technical advisory services, particularly in less developed regions or on projects involving complex structures, such as public-private partnerships (PPPs).



Making a difference - our 2014 lending supports

545 million additional passengers and
100 million hours of time savings per years

A white train icon on a track, positioned at the bottom right of the red box.

6 000 MW of electricity capacity, of which
80% from renewables

A black icon of a power transmission tower, positioned to the right of the text.

improved healthcare facilities for
10 million EU citizens

A red icon showing two hands holding three stylized human figures, positioned at the bottom of the white box.

"The EIB financing's favourable terms and conditions increased the project's sustainability and reduced investment risk."

Peter Frølich,
Chairman of the Board of Fjord Line

A EUR 124m EIB loan helped two new LNG cruise ferries to provide an efficient and environmentally friendly route between Norway and Denmark.

Building an interconnected Europe

Smooth transport links are needed to give life to Europe's single market of 500 million consumers. Trans-European transport links increase the potential to generate trade, foster economic growth and boost competitiveness. In 2014, the EIB lent EUR 8.2bn for major EU transport networks.

The EIB provides finance for all modes of transport infrastructure: from air to rail, road to waterways. This includes support for multi-modal platforms that combine different transport modes, logistics and intelligent transport systems. The results are tangible benefits for all businesses and citizens, who reap the rewards of a more efficient, sustainable and effective transport system.

The Joint Assistance to Support Projects in European Regions (JASPERS) initiative helps to maximise the impact of the EU's structural and cohesion funds where they are most needed, to the benefit of major projects. Since its inception in 2006, a total of 389 JASPERS-supported projects in 14 countries have been approved, representing almost EUR 67bn worth of investments – of which over EUR 10bn in 2014 alone.

A EUR 38m EIB loan supports enhanced energy supply capacity and cleaner fuel at the Port of Rotterdam with the expansion of a liquefied natural gas (LNG) break bulk infrastructure.



Since its launch in 2013, the project bond initiative has successfully leveraged bond financing in five projects. In 2014, we signed our first project bond operations worth some EUR 239m.



In 2014 the EIB supported



16

road and motorway projects



9

railway projects



3

air transport projects



4

sea transport projects



A EUR 180m loan is helping to modernise 66 km of the Rail Baltica line, which also benefited from JASPERS technical assistance during project preparation. It will deliver a faster and more reliable train service.

Shaping smart and sustainable cities

Greening cities and making them smart and sustainable is at the heart of the EIB's activities in urban infrastructure. In 2014 the EIB invested EUR 4.8bn in urban development, regeneration and health projects.



Pilsen, the fourth most populous city in the Czech Republic, will host over 600 cultural events as one of the 2015 European Capitals of Culture. With support from the EIB, this former industrial city has been transformed into a buzzing cultural hub.

Our support for upgrading hospitals contributes to providing improved health care for 10 million EU citizens.





Energising the economy

A secure and sustainable supply of energy at affordable prices is crucial to the EU's economic growth and competitiveness. By placing particular emphasis on key energy links, smart grids and renewable sources of energy, the Bank contributes to making the energy supply sustainable for Europe's citizens and businesses. In 2014, the EIB provided EUR 7.5bn in finance for energy projects.

The EIB is among the largest providers of electricity grid investment in Europe, with a special focus on so-called smart grids. Investment in grids to renovate or extend existing assets strengthens the internal market. The modernisation of energy networks and improved energy storage also help to integrate energy from renewable sources.

Our Emissions Performance Standard is applied to all fossil fuel generation projects to screen out investments whose carbon emissions exceed a threshold level, in line with EU and national limits. This ensures that lending is restricted to projects that make a positive contribution to economic growth and are consistent with EU climate policy.



A EUR 32m EIB loan financed the construction of a back-up power generation plant in Kiisa to ensure a continued electricity supply in the event of an emergency in Estonia, Latvia or Lithuania.





Finance at work for climate action and the environment

Climate action is integral to sustainable growth. The Bank is among the largest providers of finance for climate action. We support the EU's goal of low-carbon and climate-resilient growth both within and outside the Union. In 2014, we provided some EUR 19.1bn to support climate action projects in Europe and around the world. The EIB is partnering with others to unlock further investment in climate action and environmental projects.

19.1bn EUR
in support of
climate action globally

Highlights of 2014:

- Joining UN climate talks in the run-up to the Paris Summit
- Leading international efforts on transparent and accountable climate finance
- New instruments launched supporting energy efficiency and biodiversity investments
- Backing the world's largest wind farm in the Netherlands
- Offsetting our own carbon emissions by investing in biodiversity

Since 2009, the Bank has been measuring the carbon footprint of EIB projects in all sectors in order to better track its performance in terms of emissions and savings. Thanks to its financing in 2014, some 3 million tonnes per year of CO₂ emissions were saved or avoided, which is roughly equivalent to taking 1.5 million cars off the road.

"We are pleased to have found a competent and reliable financing partner for our projects."

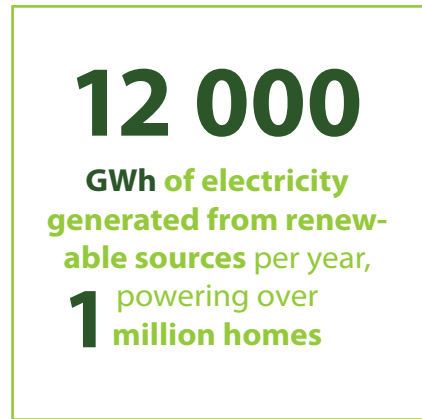
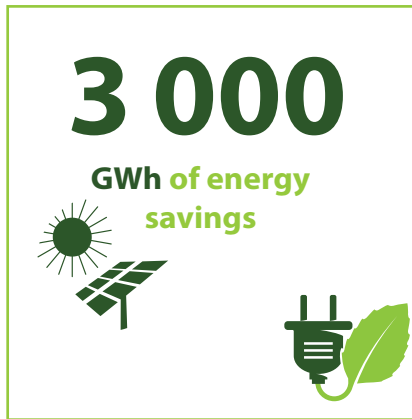
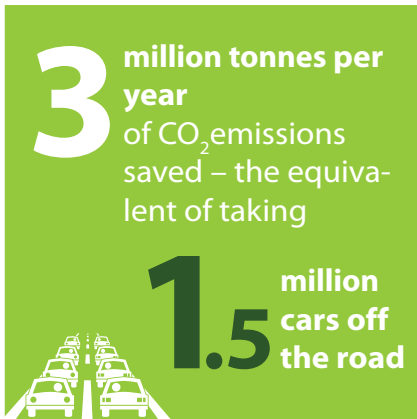
Dr Christof Germann,
Board member of the energy supply
company Illwerke AG

The 360 MW capacity
Obervermuntwerk II plant will harness
the natural power of water and the
Austrian mountains to balance out
uneven energy supply and demand.

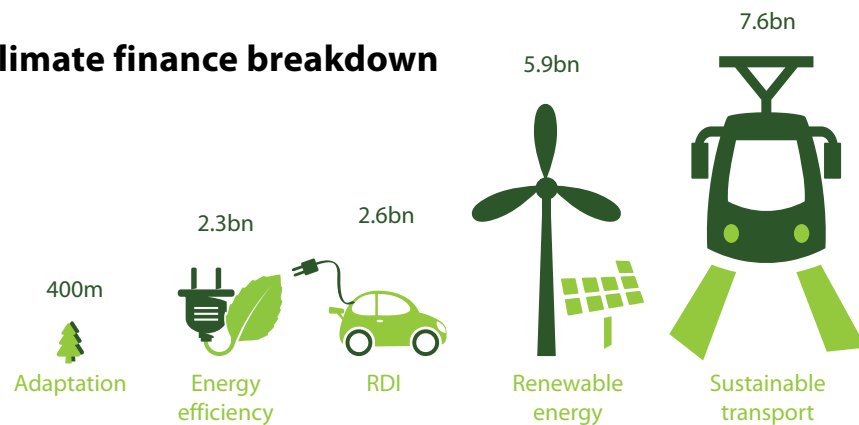




Making a difference - our 2014 lending supports



Climate finance breakdown



Towards a low-emission and **climate-resilient economy**

The EIB supports the EU's goal of making the European economy much more climate-friendly and significantly cutting energy consumption by 2050. Building a low-carbon economy is clearly one of the most critical global challenges of our times. The switch to a more resource-efficient, sustainable and smarter economy is vital for Europe to remain competitive.

EIB financial support for climate action and the environment is directed mainly via lending to sectors including renewable energy, energy efficiency, sustainable transport, water, flood management and forestry. Climate and environmental considerations are factored into all operations, for example by promoting the use of the best available technology.

Our carbon footprint exercise captures estimated greenhouse gas (GHG) emissions from projects where these are expected to be significant, i.e. where they exceed one or both of the following two thresholds:

- absolute emissions (actual emissions from the project) > 100 000t CO₂-equivalent/year for a standard year of the project's operation
- relative emissions (estimated emission increases or reductions compared to the expected alternative) > 20 000t CO₂-equivalent/year

In 2014, 70 of the projects in our portfolio were included in the footprinting exercise. They represent total EIB signatures or allocation approvals of EUR 15.1bn. The related total absolute GHG emissions from these projects are estimated at 4.7 million tonnes CO₂-equivalent per year, with an overall



Rooftop solar systems on the Croatian island of Lošinj in the Adriatic Sea are producing emission-free electricity for around 100 households. The project was funded by EIB partner Privredna banka Zagreb under the Green for Growth Fund.



“Bristol is a pioneer in its approach to energy and sustainability. Bristol’s European Green Capital year offers a huge opportunity to prepare for the future. If the energy company plans are approved then it will be yet another example of how Bristol is leading the way for UK cities to become greener and more sustainable.”

George Ferguson, Mayor of Bristol

In 2012 Bristol Council applied for EIB funding to undertake feasibility studies for a new energy company.

saving from the same financing operation estimated at 3.0 million tonnes CO₂-equivalent per year. The results of the 2014 EIB carbon footprint exercise are reported in more detail in the 2014 Sustainability Report.

Putting finance to work for emissions reduction

EIB finance for renewable energy and energy efficiency directly contributes to the reduction of greenhouse gas emissions. Support for these objectives amounted to EUR 8.2bn in 2014.

The EIB is the leading financier of wind energy in the EU, particularly onshore and offshore wind

farms. In 2014, the EIB financed 12 wind farm operations. These projects are large, long-term and technically demanding. The EIB is therefore a natural partner for this sector, in terms of both funding and technical expertise. For similar reasons, the Bank funds solar energy projects, both concentrated solar power and photovoltaic, signing nine solar operations in 2014.

Energy efficiency considerations are taken into account in all projects appraised by the Bank. EIB financing for energy efficiency projects covers both the supply side, such as combined heat and power and district heating, and the demand side, mainly insulation of public and private buildings. In 2014, EUR 2.3bn was dedicated to energy efficiency projects.

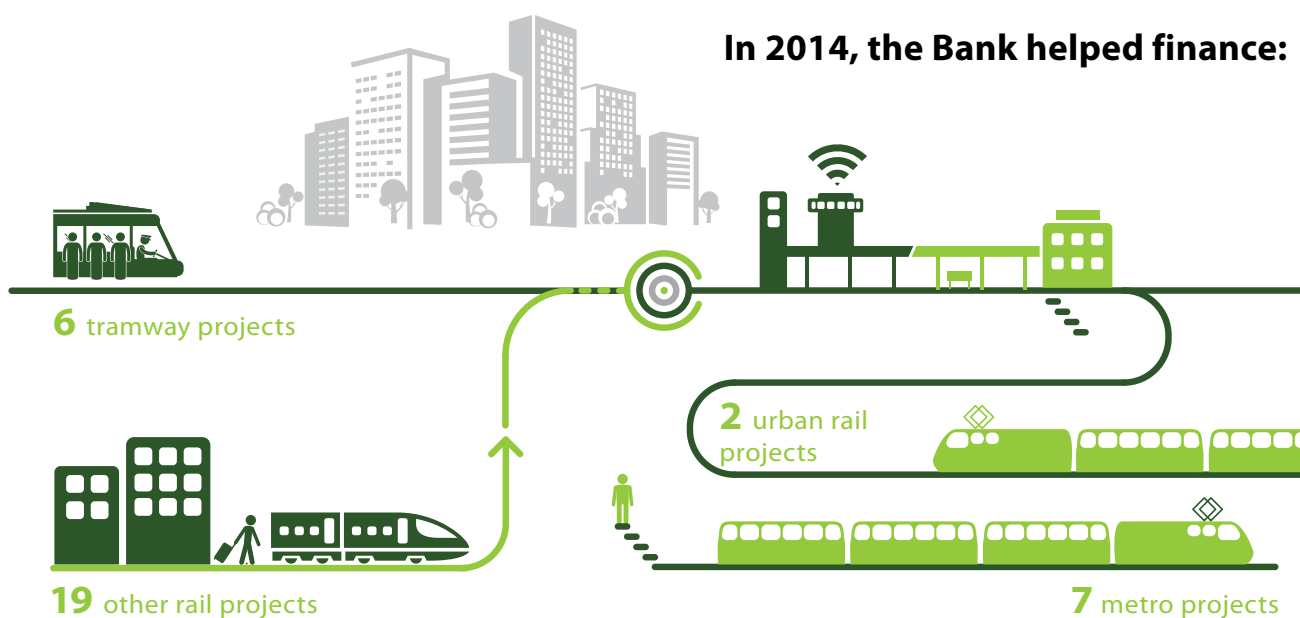
The EIB also works upstream with project promoters, providing technical assistance to develop projects. European Local Energy Assistance (ELENA) is a joint EIB-European Commission initiative that helps local and regional authorities prepare energy efficiency and renewable energy projects to make them more attractive to external finance. ELENA covers a share of the cost of the technical support that is necessary to prepare, implement and finance the investment programme. In 2014, technical assistance commitments to beneficiaries under ELENA amounted to EUR 19m, bringing total commitments to EUR 65m.

Supporting climate-friendly transport solutions

Targets of the EIB's support for sustainable transport range from the construction, extension or rehabilitation of urban public transport infrastructure through road safety, the promotion of cycling and pedestrian networks, to electric vehicles. The Bank also fosters the development of cleaner and

safer vehicles by financing research and development for energy-efficient and low-emission solutions. The projects supported help improve air quality, reduce noise pollution, increase safety, enhance energy efficiency and limit greenhouse gas emissions.

In 2014, the Bank helped finance:



Increasing climate resilience and protecting the environment

Adapting early to the consequences of climate change is more effective and less costly than rushed emergency action. Known as climate resilience, these considerations are factored into all EIB projects. Support for projects that help to increase climate resilience and adapt to changing weather conditions totalled EUR 400m in 2014.

Many of the Bank's forestry-related activities are adaptive measures. For example, woodlands can help prevent soil erosion and cut flood risk, not to mention the benefits for biodiversity, soil fertility and watershed management. They also act as carbon sinks that regulate the global climate.

The increased frequency of extreme weather conditions has severe impacts on the availability and quality of freshwater resources, giving rise to water-related natural disasters such as droughts and floods. The EIB, as the largest source of loan finance for the global water sector, seeks to support adaptation by helping develop integrated water resource management. Thanks to our financing in 2014, some 27 million people in the EU and around the world will enjoy more efficient, reliable and resilient drinking water and wastewater management services.



Partnering for innovative climate finance solutions

Our innovative climate finance products help catalyse private investment and leverage public funds. These products are good examples of how to scale-up climate finance. Our equity and carbon funds support climate action projects in Europe and beyond.

The Bank supported climate-specific debt and equity funds with a total investment volume of EUR 616m at the end of 2014. Such partnerships are particularly important to foster innovation in climate finance and to attract further funding for climate projects.

A number of new innovative instruments were launched in 2014 and will be rolled out in the course of 2015. These include the Private Finance for Energy Efficiency instrument, which provides risk financing to banks intermediating smaller energy efficiency projects, and the Natural Capital Financing Facility for investments in biodiversity preservation, ecosystem services and nature-based climate change adaptation.

Our system for identifying and tracking our climate finance is particularly robust. In 2014, the EIB successfully led the joint work of Multilateral Development Banks (MDBs) on methodology, data collection and reporting. This helps to increase the transparency and accountability of public climate finance. In 2014, we published the Joint Report on



A EUR 120m loan in support of the Slovak Ministry of Agriculture and Rural Development will contribute to afforestation projects, improved forest protection and management and the upgrading of agricultural infrastructure.

2013 MDB Climate Finance and, together with the other MDBs, issued a Joint Statement on Climate Finance.

The EIB's Climate Action Review, launched in early 2015, is due to be completed ahead of the climate talks which will be held in Paris towards the end of the year and which are expected to deliver a new global agreement replacing the current Kyoto Protocol.

The EIB-financed Althelia Climate Fund targets sustainable landscape projects to generate financial, environmental and social returns. Among the first investments is the conservation of 570 000 hectares of natural forest in Peru.



We invested EUR 80m in Italian mini-bonds, an innovative securitisation financing structure supporting the investment activity of small and medium-sized companies operating in the water sector in the Veneto Region, Italy.

Providing finance around the globe

Our activities around the world underpin the EU's foreign policy goals. We are partnering with the European Commission and the European External Action Services, as well as other International Financial Institutions, to fund projects supporting EU policy objectives outside the Union. In 2014, EIB lending across the globe reached some EUR 7.9bn.

Highlights of 2014:

- Firm commitment to supporting Ukraine
- New Risk Capital Facility for the Mediterranean
- Partnering with MDBs and other IFIs on a new Global Infrastructure Facility
- First loan in Azerbaijan



Making a difference - our 2014 lending supports

4 million people benefiting from access to safe drinking water or improved sanitation in emerging and developing economies



23 500

households with improved housing



Lending outside the EU underpins the EIB's support for the EU's external priorities via long-term investments. The Bank nurtures projects that contribute to increasing growth and job creation by providing finance and technical assistance for local private sector development, social and economic infrastructure and climate action projects.

Most of the Bank's financing operations outside the Union are carried out under an EU budget guarantee arrangement, set out in external mandates for different regions of the world. 2014 marked the beginning of a renewed mandate period (2014-2020), for which the total EU guarantee covers up to EUR 30bn.

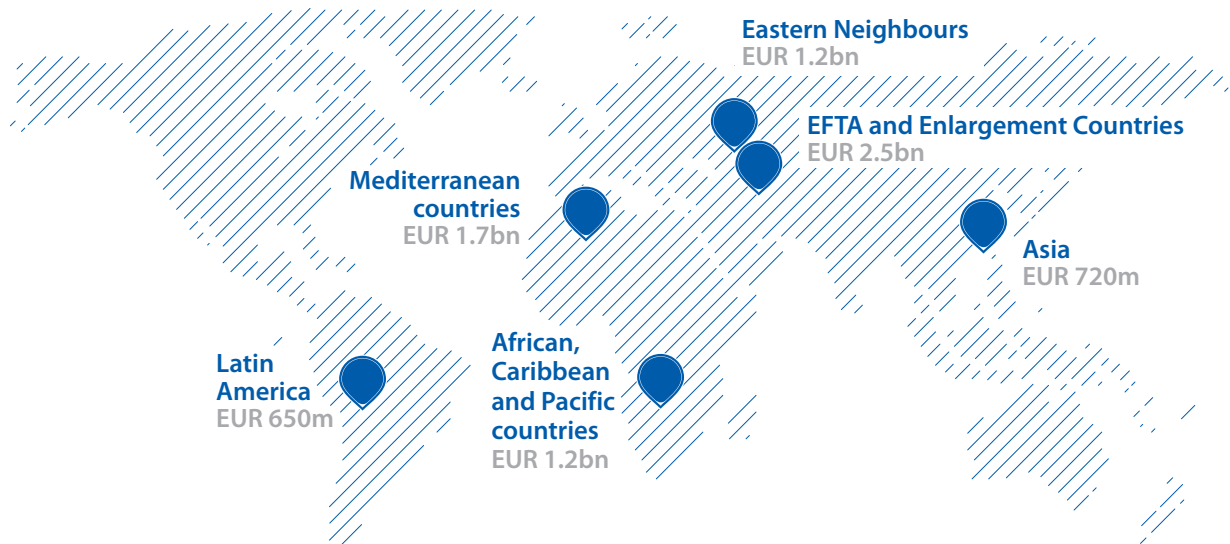
"You are providing the most tangible contribution to Ukraine in recent times."

Ukraine Prime Minister Yatsenyuk

EIB lending in 2014 in Ukraine reached almost EUR 1bn as part of the EUR 3bn loan package scheduled for 2014-2016, including lending to assist the repair of damaged small-scale infrastructure, help cope with the consequences of the conflict and support SMEs and midcaps.



Lending outside the EU by region



A EUR 1m loan to Taysir, which specialises in developing micro-enterprises in disadvantaged areas of Tunisia, benefits small farmers, stockbreeders and young people, in particular graduates who wish to set up a business.

The lending mandate for the African, Caribbean and Pacific (ACP) countries and Overseas Countries and Territories (OCTs) comes under the Cotonou Agreement, which establishes the EU's relations with these partner countries. Financing in this framework is provided from EU Member States' budgets through the European Development Fund, alongside EIB own resources.

Partnering with others is an important feature of the Bank's operations. EU grants are increasingly blended with EIB lending to achieve better project outcomes. This helps to leverage limited financial resources for the benefit of EU partner countries and improve development effectiveness. The EIB will be participating in the events taking place in the framework of the European Year for Development in 2015.

eThekweni Water and Sanitation, part of Durban Municipality in South Africa, has received the 2014 Stockholm Industry Water Award. In the past 14 years, 1.3 million additional people in greater Durban have been connected to piped water and 700 000 people have been provided with access to toilets. The EIB is supporting this project with a EUR 50m loan.



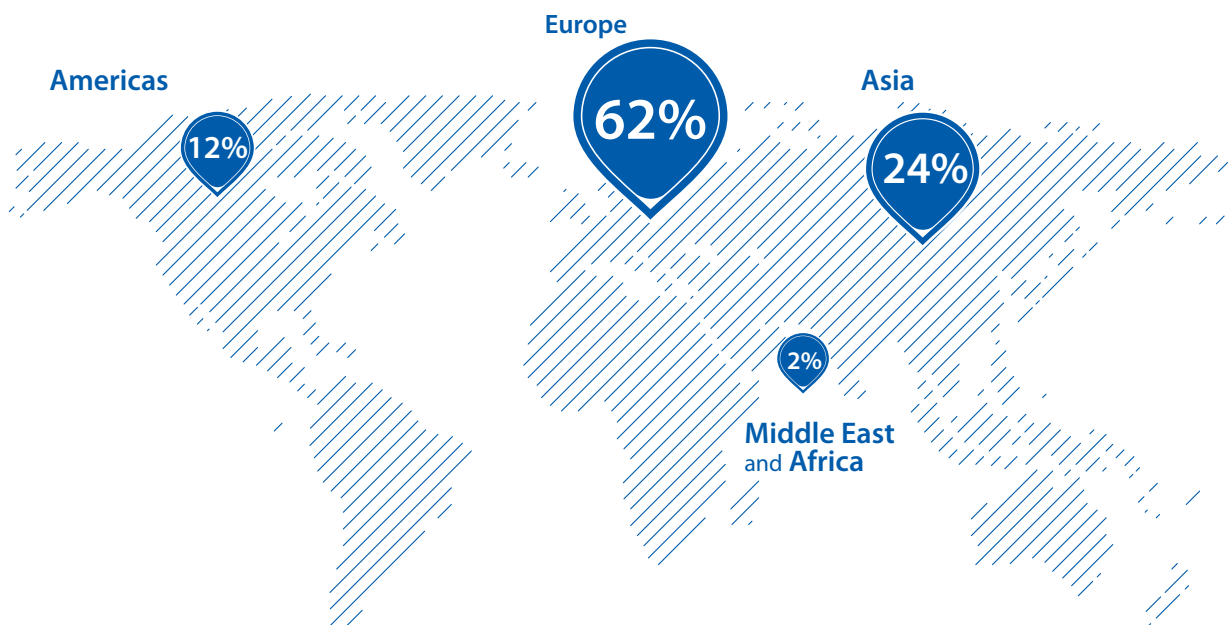
Financial strength at the service of investment

The EIB is the world's largest multilateral borrower and lender. In 2014 it raised EUR 61.6bn on the international capital markets. We use our financial strength to borrow at attractive rates and pass the cost advantage on to economically viable projects that promote EU policy objectives. The Bank raises its funding globally, and as such is an important means of channelling investment into the European Union.

Highlights of 2014:

- The Bank again secured a large volume of funding – EUR 61.6bn
- Borrowing activities benefited from reinforcement of the Bank's high credit standing
- Leading issuer of Green Bonds, with EUR 4.3bn raised

Distribution of EIB bond issues by region:



The shareholders of the EIB are the 28 Member States of the EU. Each subscribes a share of the Bank's capital in proportion to its economic weight at the time of accession to the EU. The EIB is thus accountable to the governments of the Member States.

The EIB raises long-term funds via bond issuance in international capital markets to support its lending operations. Its financial strength derives in particular from asset quality, strong shareholder support, sound governance, prudent risk management, sustained profitability and strong liquidity.

At the end of 2014 the Bank's capital adequacy (CAD) ratio – the ratio of the Bank's capital to its risk-weighted assets – stood at 26%, virtually unchanged compared to the end of 2013 (26.1% at 31 December 2013). This is explained by the cumulative positive impact of an improvement in the quality of the loan portfolio, the annual net surplus and the payment of the second tranche of the 2013 capital increase, which offset the effect of additional lending volumes.

Asset quality remained strong, with the rate of impaired loans at close to zero per cent (0.2%) of the total loan portfolio at year-end. The annual net surplus amounted to EUR 2.6bn, slightly higher than the 2013 surplus.

Green Bonds gain momentum: investors buy into climate finance

2014 was an important year for the EIB's Green Bonds, the Climate Awareness Bonds (CABs) – a socially responsible investment product tailored to the needs of investors. The funds raised via CABs are earmarked to match disbursements to EIB-financed climate action projects in the fields of renewable energy and energy efficiency. Such lending supports the EU's goal of fostering low-carbon, climate-resilient growth globally.

Last year witnessed unprecedented growth in the Green Bond market, with issuance of EUR 28bn/USD 37bn, more than three times as much as in 2013, according to the estimates of the Climate Bond Initiative. The EIB was the largest issuer in this segment, with EUR 4.3bn raised across seven currencies. The EUR CAB due 2019 was increased to EUR 2.6bn, making it the largest Green Bond outstanding in the market at year-end. The EIB added a second key reference on its EUR Green Bond curve with a 12-year issue. An additional highlight of last year was the EIB's inaugural Climate Awareness Bond in USD, a Green benchmark in the 10-year tenor. In 2014, the Bank also launched its first GBP-denominated CAB, the first Green Bond in this currency among Sovereigns, Supranationals and Agencies (SSA) issuers.

"We consider sustainable bonds as a way to finance the real economy in line with our goals: specific projects with social and environmental impacts. We invested in the EIB Climate Awareness Bond because it offers a benchmark size and finances renewable energy and energy efficiency projects".

Marc Briand, Head of Fixed Income at Mirova



The EU bank

The EIB is the only public bank exclusively owned by the 28 EU Member States. Our governance structure ensures that the Bank is accountable, properly run and effective in promoting sustainable growth and employment across all our activities.

The EIB is both an EU body, accountable to the Member States, and a bank that follows the applicable best public and private sec-

tor practice in decision-making, management and controls. The Bank relies on three decision-making bodies: the Board of Governors at the ministerial level; the Board of Directors, with non-resident members nominated by every Member State and one by the European Commission; and the Management Committee, the resident decision-making body of the EIB, chaired by the EIB's President.



As part of a practice of regularly reviewing its key policies, in 2014 the EIB consulted stakeholders on how to improve and adapt its Transparency Policy. The Bank seeks to be as open as possible about how it operates, makes decisions and implements EU policies.

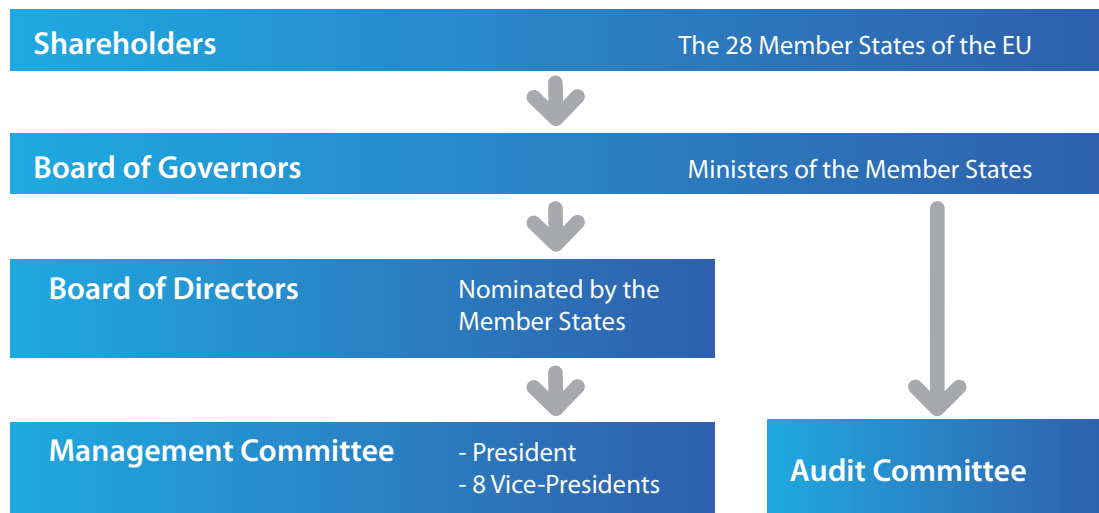
The Board of Governors is made up of government ministers from each of the 28 Member States, usually Ministers of Finance. Meeting once a year, it sets out the Bank's credit policy guidelines and approves the annual accounts. It decides on capital increases and the Bank's participation in financing operations outside the EU. It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

The Board of Directors is the body taking decisions on loans, borrowing programmes and other financ-



From left to right:
Alfonso Querejeta,
Wilhelm Molterer,
Pim van Ballekom,
Philippe de Fontaine Vive,
Jonathan Taylor,
Werner Hoyer,
László Baranyay,
Dario Scannapieco,
Mihai Tănăsescu and
Román Escolano

The EIB governance structure:



ing matters such as the issuance of guarantees. It meets ten times a year to ensure that the Bank is properly run in accordance with the EU Treaties, the Bank's own Statute, and the general directives laid down by the Board of Governors.

There are 29 directors, one nominated by each Member State and one by the European Commission. There are also 19 alternate directors. To broaden the Board of Directors' professional expertise, six experts may be co-opted (three members and three alternates) to participate in Board meetings as non-voting advisers. Decisions are taken by a majority representing at least 50% of the capital subscribed by the Member States and one third of Board members entitled to vote, unless otherwise provided for in the Statute. The Board is chaired by the President of the Bank, Werner Hoyer, in a non-voting capacity.

The Management Committee is the Bank's resident decision-making body. It oversees the day-to-day running of the Bank, prepares decisions for

the Board of Directors and ensures that these are implemented. It meets once a week. The Management Committee works under the authority of the President of the Bank and the supervision of the Board of Directors. The other eight members are the EIB's Vice-Presidents. Members are appointed for a renewable period of up to six years and are responsible solely to the Bank. The four largest shareholders – France, Germany, Italy and the United Kingdom – have a permanent seat on the Management Committee.

The Audit Committee is an independent body answerable directly to the Board of Governors. It is responsible for the audit of the Bank's accounts and for verifying that the activities of the Bank conform to best applicable banking practice. The statement of the Audit Committee is submitted to the Board of Governors together with the annual report of the Board of Directors. The Audit Committee is composed of six members, who are appointed for a non-renewable term of six consecutive financial years.



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Activity Report 2014

