The bank of the European Union Luxembourg, 8 June 2010

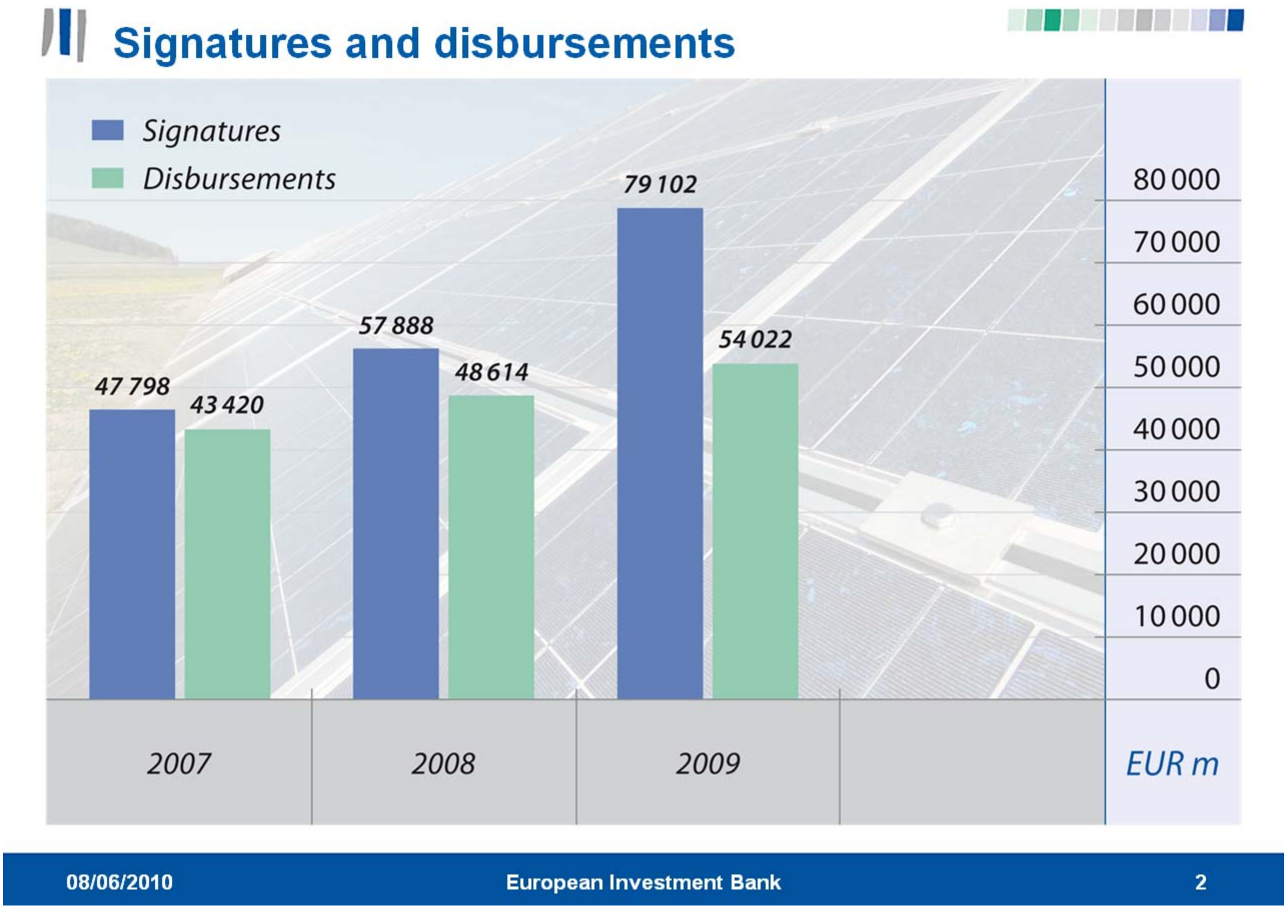
Statement by
Mr Philippe Maystadt, President,
to the Annual Meeting of the Board of Governors

Dear Governors
Ladies and gentlemen,

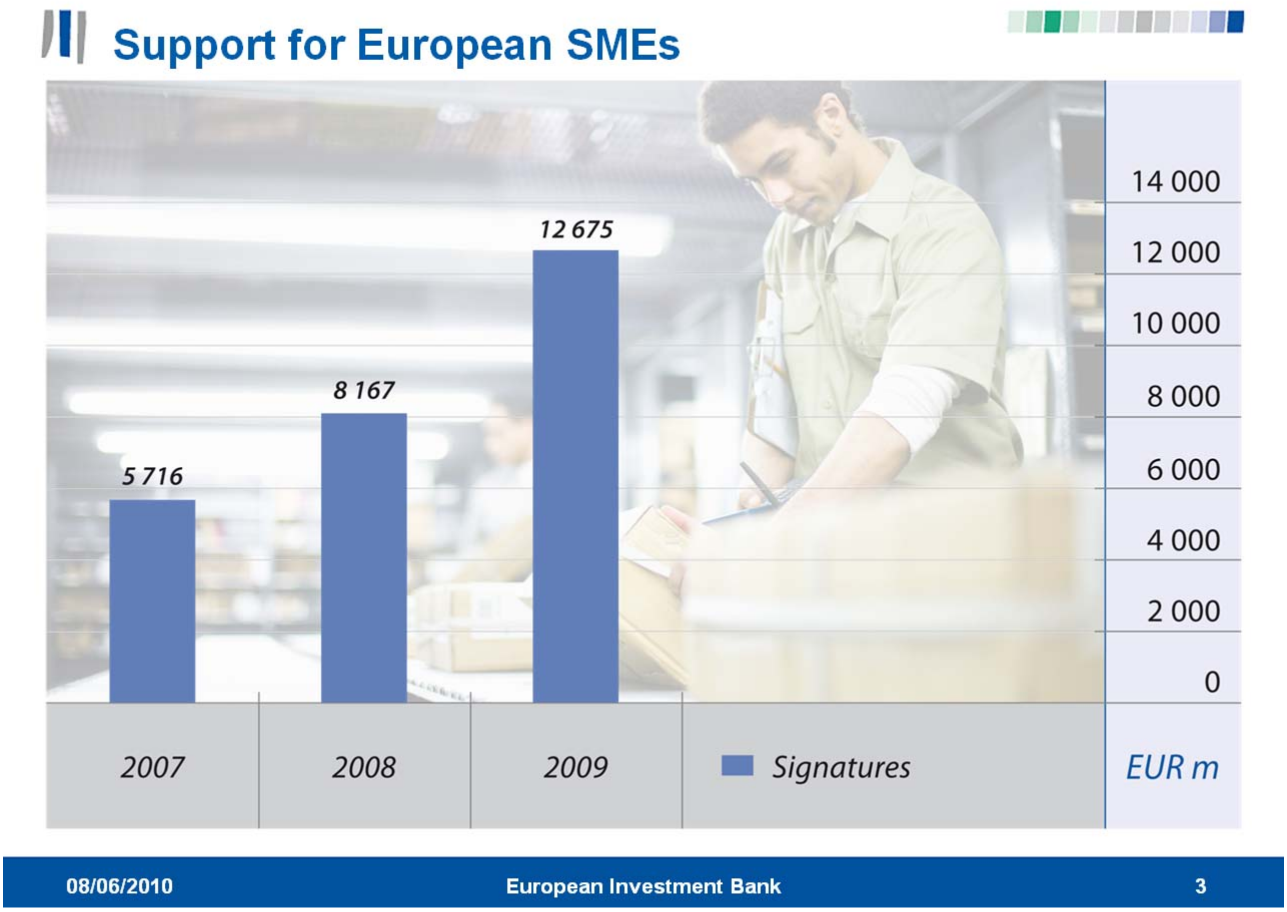
When we met here a year ago the economic and financial crisis was severely affecting economic growth and investment activity in Europe and worldwide. The EU had plunged into what was to be the longest and deepest recession in its history and an exceptional stimulus was needed to reverse the slide.

The European Investment Bank responded rapidly to requests to step up its support to the real economy. Our activity since the crisis broke out has not been "business as usual," as we have had to do more, better and faster. In these exceptionally turbulent times, we have benefited from our top quality credit standing, providing funding where commercial banks were unwilling or unable to. As part of the European Economic Recovery Plan, we have deployed an unprecedented volume of loans and other financing products to try and alleviate the difficult access to credit especially for small and medium-sized enterprises.

Activities in 2009



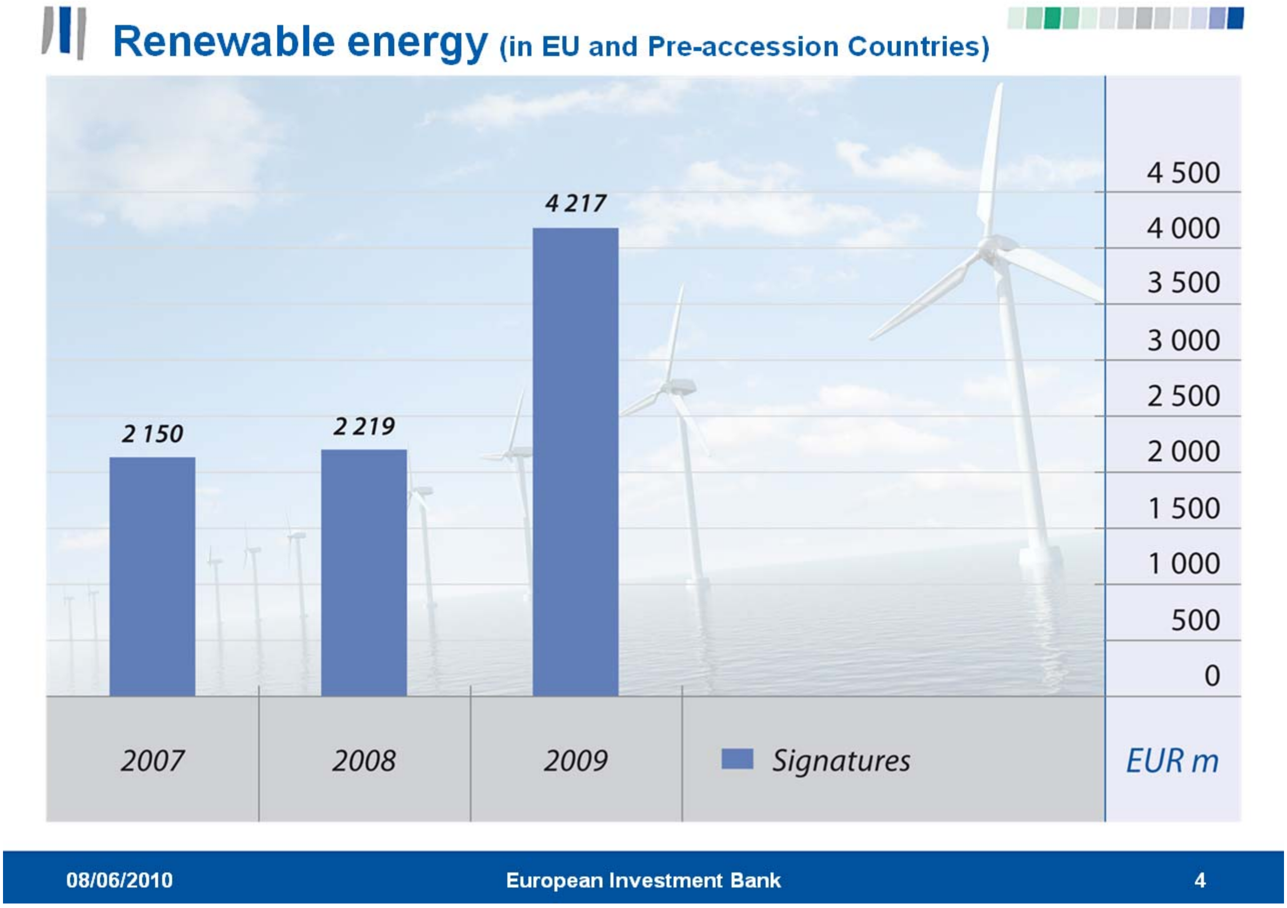
In 2009 the volume of our loan signatures jumped from 58 billion to 79 billion euro, an unprecedented increase of 37 percent. Since, as you know, the EIB only finances part of any given project, every euro lent by us was matched 2-5 times and we therefore unlocked a substantially higher amount of investment than the signature figures suggest.



We made 12.7 billion euro available in 2009 for SMEs, an increase of 55 percent on 2008, and developed new instruments to support them, such as the Mezzanine Facility for Growth. By the end of last year we disbursed close to 16 billion out of the 21 billion signed for 2008 and 2009. As you know, the new type of loans to banks for SMEs enables our services to monitor more closely the use of these funds. An audit of the intermediary banks is already scheduled for next year.

The knowledge economy also received particular attention, with 18.2 billion euro in signed loans – a year-on-year increase of 50 percent and a result of the EIB's efforts to respond to the economic crisis by stepping up support for future-oriented investment.

Our lending to economically weaker regions, which were particularly hit by the crisis, amounted to 29 billion euro last year, a 36 percent increase on the previous year. The lending was geographically balanced, with the 12 new Member States receiving 13 billion. Furthermore, the EIB continued to use its two new initiatives launched in partnership with the European Commission – JASPERS and JESSICA – to improve convergence. JASPERS focuses particularly on providing technical support for large infrastructure, environmental and energy projects, while JESSICA helps the recipient regions of EU Structural Funds by exploiting financial engineering mechanisms to support investment in sustainable urban development.

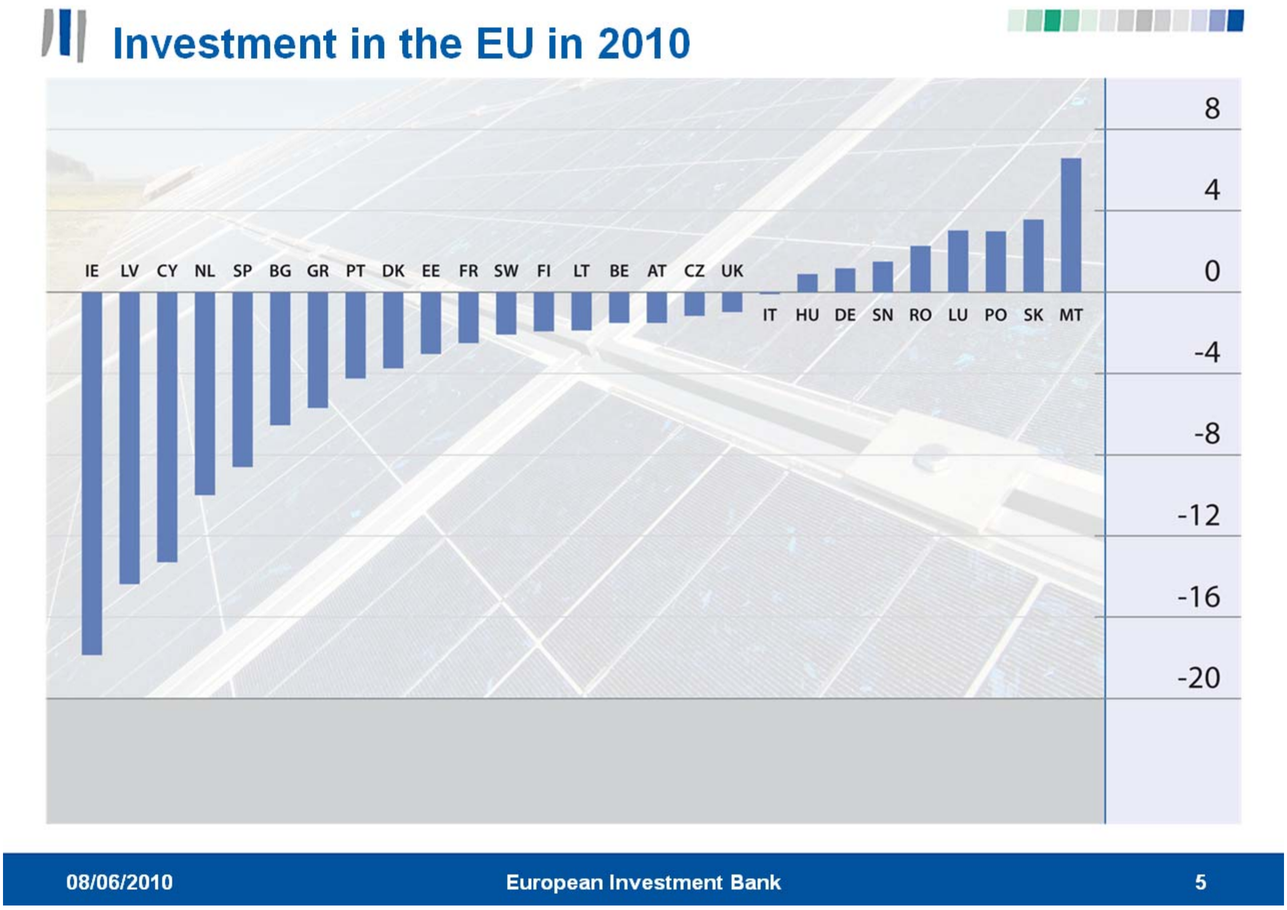


Our focus on the fight against climate change resulted in almost 17 billion euro of loans for projects contributing to the reduction of CO2 emissions, a 73 percent increase on 2008. In particular, renewable energy projects received funding to the tune of 4.2 billion.

Let me stress that the EIB is committed to supporting renewable energy and energy efficiency in support of the EU’s climate goals across the entire Union. In this respect, I would point out that EIB loans are project-based and closely linked to factors such as the availability of eligible long-term projects. We do, of course, pay particular attention to projects located in convergence regions.

With 79 billion euro in signatures, we also needed to increase our borrowing. We therefore tapped into the capital markets for almost 80 billion euro – an accomplishment possible due to our excellent credit standing, sound funding strategy and constant dialogue with investors.

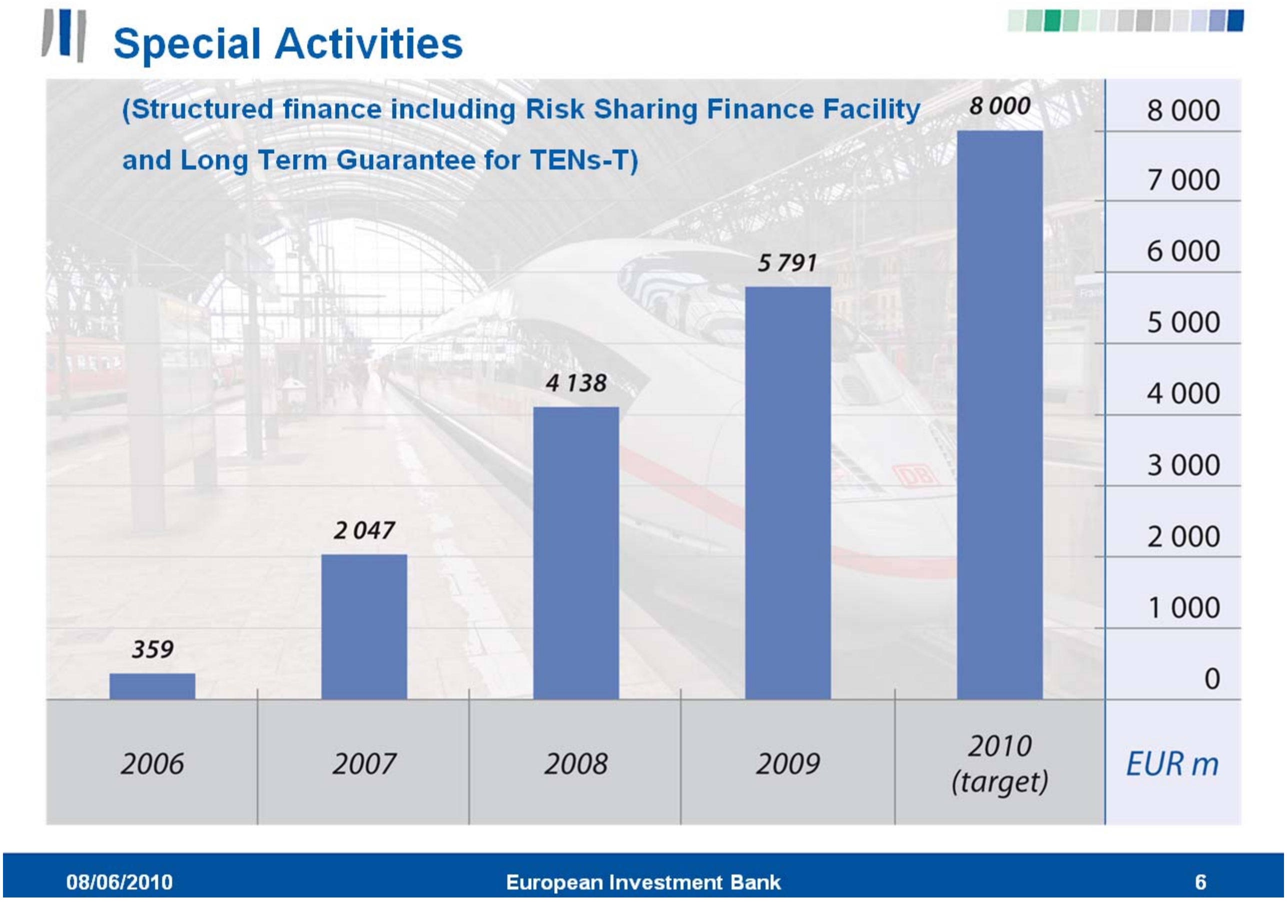
What to expect for 2010?



Europe is facing at best a moderate, multi-speed economic recovery, with investment activity still contracting in 2010 in the majority of the EU Member States, according to the latest forecast by the European Commission. Against this backdrop, and in the light of likely public spending cuts, it is obvious that public financing institutions such as the European Investment Bank still have a crucial role to play in providing sustainable long-term funding. However, although the recovery is patchy and uneven, we can already feel its impact in certain sectors. In 2009 lending to large corporates was much higher than usual, but these customers are now finding it easier to borrow from the credit and capital markets and are no longer asking the EIB for financing in similar volumes. In a way, this is a good sign – corporates have better access to capital.

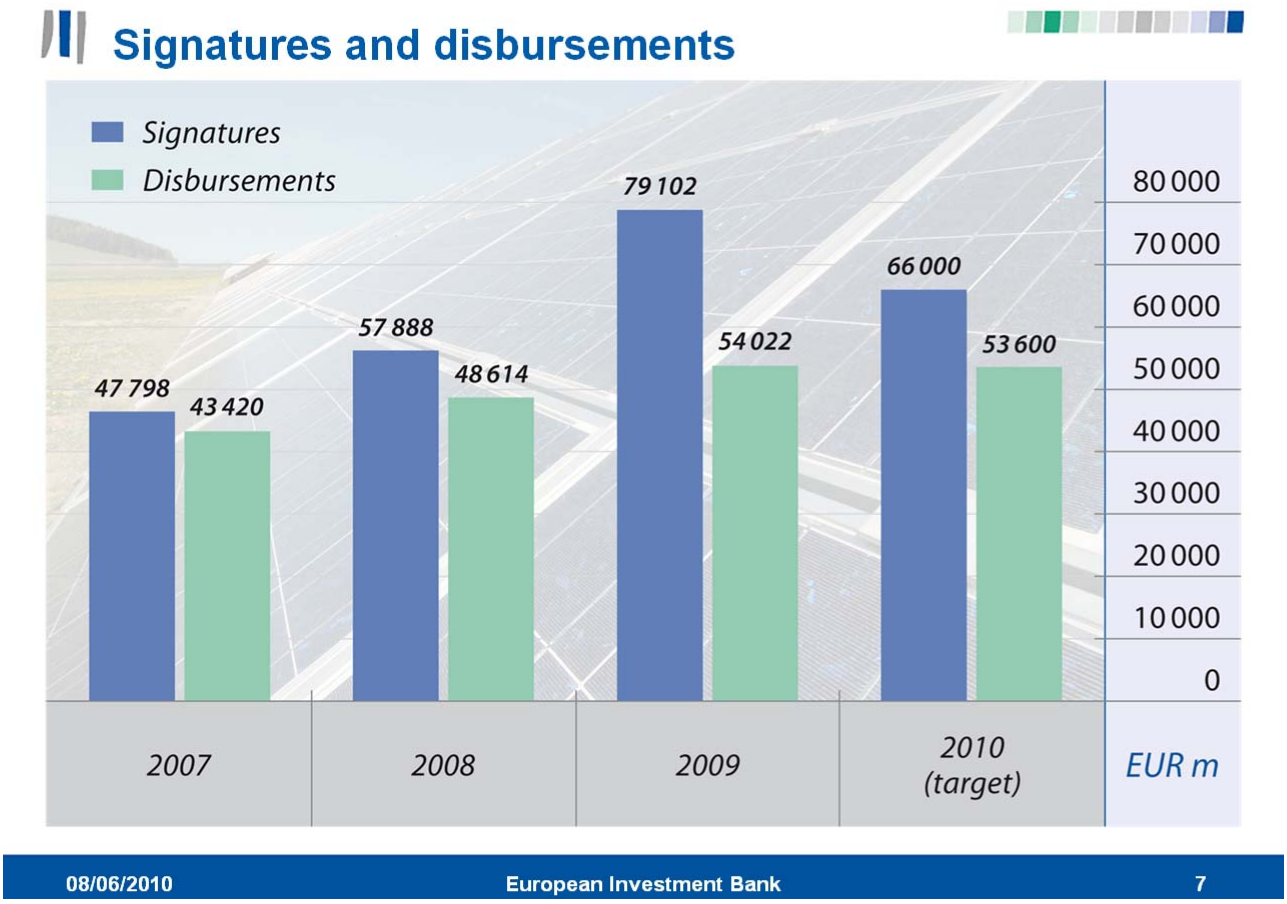
This explains why the progress of signature and disbursement activity so far this year is below levels achieved last year.

This is the reason why the EIB is adjusting its focus.



Therefore, the Board of Directors has agreed to increase the ceiling of so-called Special Activities – that is, lending with a higher degree of risk – from 6.3 billion euro in 2009 to 8 billion euro while making a downward revision of overall lending signatures from the 79 billion achieved in 2009 to 66 billion in 2010.

It is crucial to strike the right balance – to maintain a sound capital base and preserve our critical AAA rating, we must decrease the overall lending levels in order to be able to increase the volume of Special Activities, which entail more risk for the Bank and therefore require more capital allocation.



It is important to note that even with these figures, the EIB will meet the request of the Board, made in 2008, to increase its pre-crisis annual level (i.e. 47 billion euro) by 50 billion euro over 2009 and 2010. We lent 79 billion in 2009 and will lend 66 billion in 2010, which makes a 50 billion increase over the two years.

We also remain well on course to achieving the 30 billion euro target in loans to SMEs for the period of 2008-2011 set within the context of the Economic Recovery Plan.

I would like to emphasize that we are committed to increasing transparency and to monitoring the impact of our loans closely. In February, following two rounds of consultations with stakeholders, we approved a new Transparency Policy. As you probably know, the list of all our projects is published on our website together with the corresponding project summaries. In addition, the Bank releases information such as the aggregate data on intermediated loan financing, including country and sector breakdowns.

Dear Governors, Ladies and gentlemen,

The coming months will be crucial to determine the form of the EIB's involvement in the implementation of various EU policies and flagship projects, such as the "EU 2020" strategy, post-Copenhagen climate action financing or activities outside the EU. The EIB is ready to work ever closer with the European Commission and Member States to come up with innovative financing instruments to help overcome the various challenges. As the EU bank, the EIB is capable of synergies with the Commission and the Member States that would bring more value added in these three key areas.

The EIB's contribution to the EU 2020 strategy

First, the EIB is ready to play an important role in achieving the goals and objectives of the EU 2020 strategy. We have established an ad hoc Task Force with the aim of offering to the EU the EIB Group's financial engineering support. The Task Force is now preparing forecasts for different types of EIB lending activity for the coming years and making proposals on how best to financially leverage EU funds. There is a growing consensus that the EU needs to embed more innovation in its production of goods and services, and that this will in turn enhance the much needed growth and employment. The EIB will try to preach by example and aim at being a source of innovation and a support to the innovation of others in Europe. A review of the EIB's capital is being prepared, to see how it can be deployed to maximum effect through 2020 while maintaining the Bank's first class financial standing.

Fight against Climate Change

Second, in the area of climate change, the EIB stands ready to build upon its expertise, resources and a wide range of financial instruments to support the EU's leadership role in providing the fast-track funding agreed in Copenhagen. The Commission's proposal to use the extra 2 billion euro EU budget guarantee for climate change projects would give us more room to focus on these kinds of ventures.

One concrete measure we are proposing is the setting-up of a “platform” combining EU grants with loan financing from the EIB and other international and bilateral financing institutions, and the activation of private financial flows. This would be a long-term strategic solution to attract climate change funding in the post-Copenhagen context. It would also demonstrate our commitment to ensure the complementarity of IFIs’ actions and to increase their efficiency.

Mid-term review of the EIB’s external mandate

Third, the subject of complementarity is also important when considering the future of our financing activities outside the European Union. A mid-term review of the Bank’s external mandate is under way with the Council and the Parliament, based on the Commission’s proposal following recommendations by a Group of Wise Persons led by former IMF Managing Director Michel Camdessus.

As you know, the European Investment Bank does contribute to EU external policy goals. Out of the 79 billion euro in loan signatures in 2009, 9 billion went to countries covered by the external mandates, including the ACP mandate granted to the Bank under the Cotonou Agreement. This is a considerable amount in terms of EU support to developing nations. The Commission’s proposal to harmonize and streamline the Bank’s mandates outside the EU to make them more coherent and manageable is certainly welcome.

We are convinced that the EIB’s activity should be in line with the EU’s external policy objectives. The efficiency and visibility of EU financing can certainly be improved, and close cooperation with the European Commission as well as with European national financing institutions is fundamental to this end. The European Union is the world’s biggest donor, but this is often not visible enough because of the fragmentation and lack of coherence in financing.

A long-term vision to further increase the efficiency and visibility of the EU’s external financing action is therefore needed.

In conclusion, I would like to stress that public policy lenders such as the EIB have proven critical in assuring long-term financing during the crisis and thereby playing a counter-cyclical role, thus preparing the ground for recovery.

Thank you for your attention.