



*PROVISIONAL TEXT.
THE STATEMENT DELIVERED AT THE MEETING, AS RECORDED IN THE MINUTES, WILL BE
CONSIDERED TO BE THE DEFINITIVE TEXT.*

**STATEMENT BY MR. PHILIPPE MAYSTADT, PRESIDENT,
TO THE ANNUAL MEETING OF THE BOARD OF GOVERNORS
LUXEMBOURG, 2 JUNE 2004**

Welcome to the Annual Meeting of the Board of Governors of the European Investment Bank.

This year's welcome is particularly addressed at our ten new Governors, who already joined us last year as Observers but today become full Members for the first time.

After a short summary of the Bank's activities in 2003, I will provide you with an overview of our operational priorities and will then develop two specific topics, namely the proposals on value added submitted to your approval and the corporate governance at EIB.

I. ACTIVITY IN 2003

LENDING OPERATIONS

Out of a total lending of EUR 42.3 billion, in increase from EUR 39.6 billion a year earlier, the Bank lent in 2003 a total of EUR 34.2 billion within the EU-15, with Acceding and Accession Countries attracting a record EUR 4.6 billion.

The support to **economic and social cohesion within the European Union** remained, as in the past, our core lending objective. Some 70% of individual loans were devoted to assisted areas, where the Bank financed a total of EUR 22.8 billion.

The lending volumes in support of the **Innovation 2010 Initiative** grew from EUR 3.6 billion in 2002, to EUR 6.2 billion last year, bringing total signatures to EUR 17 billion since inception of this initiative in May 2000.

The Bank also maintained a strong commitment towards the protection and improvement of the natural and urban **environment**, with a high 42% of total EU-lending meeting this objective.

As to operations **outside the European Union**, the EIB confirmed its position as a major player in the Mediterranean region by signing EUR 2.1 billion in new loans under the FEMIP heading. More than a third of these operations were directly promoting the growth of private businesses. The Bank also lent some EUR 1.4 billion in favour of the other partner countries, of which EUR 463 million to ACP countries, partly under the new Cotonou Investment Facility since June 2003. Also worth mentioning is the Bank's first lending operation in the Russian Federation, with a EUR 25 million loan in favour of the construction of a wastewater treatment plant in St Petersburg.

BORROWINGS

As far as borrowings are concerned, 2003 was a new record year in terms of volumes. The Bank raised EUR 42 billion through 310 transactions, against EUR 38 billion through 219 transactions in 2002. Structured and targeted issues were the primary source of growth, made possible thanks to a broadening of our product range including a larger presence in the Japanese market.

The share of resources borrowed in the three major currencies (EUR, GBP and USD) accounted for a stable 87% of the total. The number of currencies used for fundraising reached 15, against 14 a year earlier.

The Bank contributed further to the development of the capital markets in several new Member States, where innovation and strong growth (EUR 1.3 billion, against EUR 533m in 2002) reinforced the EIB's position as the largest non-government bond issuer in local currencies.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The balance sheet total reached EUR 234.1 billion at 31 December 2003. Total outstanding loans and guarantees amounted to EUR 250 billion, well below the EUR 375 billion statutory ceiling.

The profit and loss statements closed with a net profit of EUR 1 424 m, up 10% from a year earlier, notably following the improvement of the creditworthiness of our loan portfolio, justifying a decrease in the Fund for General Banking Risks. The return on own funds reached 5.5%, in slight progression compared to the year 2002.

The good standing of the Bank's results and the quality of the loan portfolio must be pointed out, as they were achieved amidst a difficult economic climate.

II. OPERATIONAL PRIORITIES 2004-2006

The Bank's operational priorities for the next three years are updated annually, in an exercise involving the Board of Directors and all the Bank's services. These priorities, together with the main processes and means to be mobilised internally for their achievement, including budgets, are then formalised in our Corporate Operational Plan.

For the years 2004 to 2006, we have reaffirmed that support of **economic and social cohesion** in the enlarged EU is our top priority. The target is that at least two thirds of individual loans are to be signed in favour of projects in assisted areas, with an anticipated level of signatures of EUR 26.4 billion in 2004. A particular element of our action will concern the new Member States, where a tight coordination with the Commission will be sought, with a view to optimise the combination of Structural Funds and EIB's lending. Common reflections with the Commission are ongoing as regards the post-2006 financial perspectives and related adaptation of EU economic and social cohesion policies.

At the same time, we will maintain our commitment towards the protection of the **natural and urban environment**, with a target of 25-35% of our lending operations meeting this objective.

Further, the EIB will maintain its emphasis on the implementation of the Lisbon strategy through the **i2i initiative**. In the context of the European Action for Growth approved by the European Council in December 2003, the Bank has indicated its readiness to consider a volume of up to EUR 40 billion in new loans on the 2010 horizon. Moreover, the Bank is working at the deployment of financial instruments leaning on its Structured Finance Facility, recently increased by a EUR 250m transfer from the reserves. The action of the Bank will predominantly be orientated towards Research and Development, Education and training, as well as Information and Communication Technologies.

Next to Innovation and R&D, the development of **Trans European Networks** (transport and energy) is an important component of the European Action for Growth. The European Council endorsed several proposals last December. Among these, is the new TENs Investment Facility (TIF). This facility calls for a lending volume of EUR 50bn (EUR 25bn over the next three years alone) in favour of TEN projects in the years 2004 to 2010. Special attention will be paid to the "priority projects" identified as eligible for a so-called Quick Start approach. For the latter

projects in particular, the Bank will perform upstream work and use its expertise to help solve financing issues with the promoters. At the outset, it must however be recognised that in many cases the support of the national authorities will be necessary for a swift progress.

Regarding the operations outside the European Union, three areas require a specific mention.

Firstly, the **Balkans** where we will continue our close cooperation with the World Bank and the EBRD, in the framework of the Stability Pact for South-Eastern Europe.

Secondly, the **Facility for Euro-Mediterranean Investment and Partnership, which** will be reinforced within the Bank, on request of the European Council. The reinforcement will consist of 4 main steps on the short term:

- A "special FEMIP envelope" to allow for extended risk-sharing operations under own resources, with improved structuring of lending to mitigate private sector risks;
- A trust fund for the provision of technical assistance to promote private sector development and help identify projects in priority sectors;
- Improved dialogue with the Mediterranean Partner Countries on the structural and policy reforms needed; and
- Strengthening of FEMIP's local representation through the opening of offices in the Maghreb region.

Thirdly, the **Cotonou Investment Facility** for the countries of the African, Caribbean and Pacific regions. Tailor-made credit risk policy guidelines have been set-up. We will now develop new financial products involving equity and guarantees. The profile of the Investment Facility will also be raised in the ACP through the opening of regional representations in Dakar, Nairobi and Pretoria.

I wish to stress, as I have done on past occasions, that we will actively seek **co-operation with the Commission** on all corporate objectives, where and when appropriate. This co-operation has in fact intensified over the years. It has been acknowledged by the Joint Working Party between the Bank's and Commission's services, which have looked at further ways to identify and broaden best practices in terms of co-operation between both institutions.

To conclude this overview of operational priorities, I wish to mention the contribution of the **European Investment Fund**. After a difficult year in the venture capital markets, the EIF's contribution (mainly to the i2i-objective) via its fund of funds activity, is expected to pick up. As to the EIF's guarantee operations in favour of SMEs, activity levels should remain high after a record year in 2003. And finally, EIF intends to develop an additional, complementary new activity of advisory services, leveraging its areas of competence.

III. SPECIFIC TOPICS

Turning now to the two specific topics of my intervention today, I will first of all introduce to you the proposals for improvement of the assessment and measurement of the value added of the Bank's operations, to conclude with reflections on the Bank's corporate governance and transparency policy.

VALUE ADDED

As you might recall, the value that is added by the Bank through its operations is grounded in three elements. They are referred to as the three pillars of the value added, and are:

1. the consistency between each operation and the objectives of the Union;
2. the quality and soundness of each project;
3. the particular financial benefits obtained by the use of EIB funds.

The document submitted to your approval today presents the result of a significant effort, performed by the Bank's services under the guidance of the Board of Directors, to better assess and measure the value added alongside these three pillars.

The proposed principles recognise the multi-dimensional characteristic of the issue and integrate important non-financial criteria. The criteria are tailored around each of the different types of operations, from individual projects to global loans. Also, we recognise the need to regularly update our approach in function of new developments in the policy agenda of the European Union.

Following your approval, the Bank will implement a system whereby decision making for each operation will integrate an assessment of the project's merits in terms of value added for each of the three pillars. Essential will be to demonstrate a positive outcome for each of the three dimensions. The same criteria will then also be used for ex-post evaluation of our operations.

CORPORATE GOVERNANCE AND TRANSPARENCY

In the context of a rapidly evolving financial, legal and political environment, as well as of our expanding activity scope, the Bank continuously monitors its corporate governance principles and adapts them, if necessary.

A recent review leads to the conclusion that the Bank enjoys strong corporate governance.

As to our **external** control structures, the Bank is subject to a double supervision:

- Firstly, that of its own auditing body, the Audit Committee, which is working as an independent, supervisory body, appointed by and accountable to the Board of Governors;
- Secondly, that of the European Court of Auditors for all operations where budgetary funds are involved, including those for which the Community guarantee is given.

As to our **internal** procedures, a series of recent initiatives testify of the strong commitment to maintain and develop efficient corporate governance. To mention some examples:

- As laid out in the annual risk management report you received, we have centralised and reinforced the risk management system, within both the Bank and EIF;
- We have created the Management Control function in order to reinforce financial control, corporate and budget planning as well as change management;
- An Internal Control Framework has been implemented, in complement to the activities of the Internal Audit;
- New integrated reporting tools have been developed, among which a detailed Management Information System;
- Formalised procedures have been set in place to ensure optimal co-operation and exchange of information with OLAF;
- The Statutes and Rules of Procedures have been modified, at the occasion of the enlargement, to include better role definition between the Bank's governing bodies;
- And last but certainly not least, the Bank has reviewed its approach to transparency, notably to widen public access to documents. All reports of the Independent Ex-post Evaluation Department are published on the website, as well as the lists of projects under appraisal (with a few exceptions when requested by the promoter for legitimate confidentiality reasons). We also make available our Corporate Operational Plan, at the forefront of what is done by other International Financial Institutions.

Notwithstanding the current strong position, continuous initiatives are taken with the aim to ensure that the EIB operates, as an EU body, in a transparent way vis-à-vis EU institutions and citizens.

On the issue of **external control** and following the suggestions made by the European Parliament that the EIB be submitted to banking supervision, it would appear appropriate for the Bank to accept this principle. Such a banking supervision could be exercised by the European Central Bank if the Member States granted it the authorisation to do so, or by another institution specialised in banking supervision.

As to **other governance matters**, I can already announce a set of proposals to be made by the Management Committee and which, if approved by the Board of Directors, would reinforce the current practice even further.

These proposals, to be implemented on the short to medium term, would include - among others:

- An annual corporate governance statement, including any report of the ad-hoc ethics committee;
- The publication of half-yearly summary EIB accounts as from 2005;
- The extension of the Compliance function in the Bank in order to monitor all rules, and codes of conduct;
- A declaration of financial interests by the Management Committee members, on the model of what is in force for the Members of the European Commission;
- More transparent information on remuneration and other benefits for governing bodies and staff, in particular concerning senior management;
- Publication of additional information concerning control and evaluation procedures at the Bank, as well as operational activities.

So as you can see, the Bank is pro-active in keeping pace with its evolving environment, with its duty to operate as a transparent EU body and with its remit to support the objectives of the European Union through the projects that it finances.

This is all possible thanks to the commitment of the Bank's staff, which I wish to thank for their past efforts and encourage for the busy year ahead.