European
Investment
Bank Group

European Investment Bank Group

Operational Plan 2015-2017

THE EIB GROUP OPERATIONAL PLAN 2015-2017

Important notices:

The Operational Plan 2015-2017 was discussed and approved by the Board of Directors of the European Investment Bank at its meeting of 21 April 2015.

Attention is drawn to the fact that this document contains forward-looking statements such as projections of financial performance. Such statements and projections may, by their nature, prove to be inaccurate.

Data that are confidential and/or financially sensitive in nature have been removed from this publication.

Foreword

Luxembourg, 21 April 2015

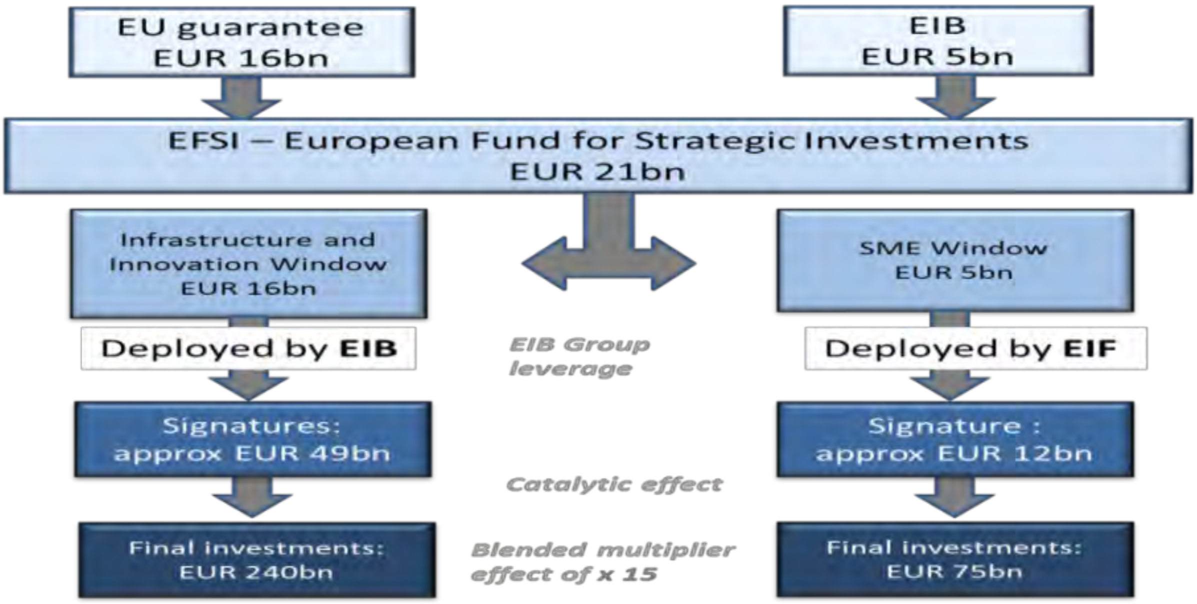
The Bank's responsiveness to the economic environment and its role as the EU bank has been repeatedly proven and is a commitment which is strongly retained. In late 2008, as the financial and economic crisis began to unfold, the EIB quickly adapted its business approach to drive extraordinary levels of business activity in an effort to alleviate market difficulties in accessing credit. The Bank continued to implement EU policy lending, supporting sound investments and actively grew lending volumes through the early years of the crisis.

Faced with significant challenges in balancing the requirement for higher risk operations with the need for financial self-sufficiency, the Bank welcomed the 2012 announcement of a capital increase to be paid by the EU Member States in early 2013. To accelerate market investment, the EIB stepped up lending volumes in 2012 in anticipation of the capital increase. The capital increase was galvanised in the Growth & Employment Facility (GEF) - foreseen to last through to end 2015, increasing volumes by EUR 20bn p.a. compared to 2012 levels. Again to accelerate market investments, the Bank exceeded the associated stretch targets in 2013 and 2014.

In mid-2014, a Commission-EIB partnership was announced, forming part of the Investment Plan for Europe, in which EIB would play a major role.

This final Operational Plan 2015-2017 was approved in April 2015 and elaborates on how the EIB will optimise the capital resources currently available to deliver on, and indeed to exceed, the commitments made to the European Council and Member States following the capital increase as well as the Bank's anticipated contribution to the Investment Plan for Europe which is expected to be supported by an additional guarantee from the EU budget. Overall annual signatures targets for 2015-2017 remain high at EUR 71bn p.a.

An essential part of the partnership put forward by the Commission is to set up a new European Fund for Strategic Investments ('EFSI'). This should be a distinct facility for assets generated by the EIB and backed by the EU budget. The structure and expected input and outputs for the currently foreseen period 2015-2018 are illustrated below:



The establishment of EFSI has a number of fundamental legislative stages. Progress is being made on defining and setting the legal base and the governance structure which has to take into account the need to optimise time to implementation. The decisions on the EIB's implementation of EFSI and the approval of the underlying operations will be taken by EIB Governing Bodies with the relevant EFSI bodies considering the applicability of the EU Guarantee to such underlying operations. Measures will be required for activity prioritisation and identification of investment opportunities.

The amounts involved in EFSI are highly significant - being built on a guarantee of EUR 16bn from the EU budget, combined with EUR 5bn contributed from the own resources of EIB. Such resources will back new lending by the EIB Group and unlock investments in the real economy of more than EUR 315bn over and above what the Bank would have otherwise been able to provide. The EFSI products would comprise for example, debt financing (subordinated or senior), guarantees, equity, quasi-equity and venture capital. Such risk-sharing Special Activities under EFSI would significantly increase EIB's higher risk lending.

Pending finalisation of the legal basis for EFSI and thus even before the EU budget contribution is formally approved, in 2015 the EIB will use existing capital to 'warehouse' operations which may ultimately qualify for the associated EU Guarantee.

2015 will be a transition year leading into 2016 and 2017 as the core EFSI investment years. In 2016 and 2017, the targets foreseen under existing risk-sharing instruments and higher risk activities, together with the EFSI could push the level of overall signatures which are foreseen to be Special Activities to as much as 30% of total signatures. Given that in recent years, Special Activities *per se* have formed a ~6% of overall signatures, an unprecedented challenge exists which requires a quantum change in the Bank's business profile.

In addition to the EFSI, a new European Investment Advisory Hub will also be created as a contribution to the Investment Plan for Europe. Building on the experience gained from past initiatives, it will constitute a single point of entry for project promoters, investors and public managing authorities with the aim to improve project preparation and implementation and to help to share experience and expertise that can enhance access to finance and ensure more optimal use of available EU funds. The delivery model will thus be adapted to the different products, the specific EFSI investment potential and national capacity to develop viable investments in different sectors.

During the implementation of EFSI and the Advisory Hub, close attention will be paid to transparency with appropriate attention to responsibilities and accountabilities in line with best banking practices and EU budget administrative requirements.

THE EIB GROUP

OPERATIONAL PLAN 2015-2017

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1. The EU bank – Investing to restore EU competitiveness

The economic recovery remains fragile, and the crisis has led to a significant reduction in both the EU competitiveness vis-à-vis other leading economies and in the estimated EU longer-term growth potential. Despite recent expansive monetary policy and liquidity support, investment levels are still weak. The EU is struggling with a large investment shortfall as public and private sector deleveraging has impacted capital stock. The EU employment crisis shows modest signs of recovery in some countries, but will continue to generate socio-economic challenges over the short and long-term.

Supported by structural reforms, investment growth is needed to drive recovery, sustain employment, curb the long-term decline in EU competitiveness and address shortfalls in human capital and physical infrastructure and in impaired/under-developed financial sectors. Significant infrastructure investment backlogs are seen in the energy, transport, telecommunications and environmental services sectors which are undermining competitiveness. At the same time, many of these investment gaps are currently far from being investment projects ready to be financed.

Europe 2020 still remains the EU's main over-arching growth strategy. After four years of implementation, a mid-term review of the Europe 2020 strategy has been initiated. Building on preliminary lessons learned during the first years - and in a context of a gradual recovery of European economies - the purpose is to reflect on the design of a post-crisis growth strategy for the coming years. The review is intended to inform the creation of an environment conducive to investment and a plan for kick-starting investment by catalysing private investments through public initiative will be the main objective of the new Commission. Also included is the new Investment Plan for Europe.

The Bank's status as the 'EU bank' was underlined with the EUR 10bn capital increase approved in 2012. This capital increase was to enable additional financing of viable investment projects in the range of EUR 180bn between 2013-2015, across all Member States of the EU, and especially those projects aimed at sustainable long-term growth and employment in the EU. The EIB has delivered on this target ahead of schedule, and commits to continue its important catalytic role to resolve the current investment and competitiveness challenges in the EU.

The EIB's contribution will be most efficient if it maintains a lending programme which includes a substantial level of higher-risk taking components in its product mix, given that the risk bearing capacity of the financial sector is often the binding constraint to be overcome to unlock economically sound investments. Furthermore, lending under the proposed EFSI will enable investment projects which would otherwise encounter financial barriers and would hence not receive financing on appropriate terms. With its wide range of specialist risk finance products, EIF continues to complement EIB's business as 'the EU bank' in fostering growth, jobs and innovation in Europe. This role will be further strengthened with the extension of EIF's current activities by way of participation to the Investment Plan for Europe.

However, the Bank must still respect its own available resources and risk bearing capacity, so as not to endanger its creditworthiness. Also, it is necessary to acknowledge that the activities of the EIB face additional challenges related to ample liquidity provision by central banks, tightening regulation for financial institutions and lack of demand requiring the Bank to continuously adapt and innovate its product range. In particular, the Bank remains vigilant towards the potential impact of future changes in market circumstances on EIB's financial stability, overall business model and implications for achievement of this plan.

Thus, and in keeping with the overall business model and respecting the commitments made to the European Council and Member States following the capital increase, and also taking account of the Investment Plan for Europe and enabled by both the expected guarantee from the EU budget under EFSI and EIB's enhanced risk bearing capacity resulting from loan portfolio risk improvements, the 2015 target is EUR 71bn +/-10%, of which EUR 8.6bn (or ~12%) Special Activities. 2015 would be considered as a transition year between the EIB's activities to fulfil the commitments made under the capital increase and its role in the deployment of EFSI. It is vital to already note that 2016 and 2017 will be the core investment years of EFSI and, again, the Bank retains high overall signature targets of EUR 71bn p.a. of which over EUR 21bn (or around 30%) will be Special Activities. This represents a true and unprecedented challenge for the Bank.

As the economic and financial environment is changing, both market needs and the risk bearing capacity of EIB will continue to evolve further. **As such, the above plans carry the underlying promise that new lending opportunities will be constantly reviewed so as to optimise the EIB's value-added to the markets, whilst remaining attentive to the maintenance of its financial and credit strength.**

In this context, concrete steps have already been taken in terms of the new financial instruments and advisory services partnerships with the Commission under the Multi-Annual Financial Framework (MFF) 2014-2020 now being implemented and with a range of internal business plan/project implementation measures. The Bank's investment strategy remains closely aligned with the EU policy goals in the context of Europe 2020 and the European semester cycles as outlined in the horizontal EU priorities of the Commission's Annual Growth Survey and the related Country-specific recommendations to be implemented by the Member States.

Further complementary steps have been undertaken. Of particular note is the Ecofin-supported task force led jointly by EIB and the Commission and involving the EU Member States, to identify strategic investments with EU added value that could be undertaken in the short run, but that are currently not being realised due to economic, regulatory or other reasons, and to look into proposals for practical solutions to overcome the barriers and bottlenecks to investment and project development. The Task Force identified EUR 1.3 trillion of potential investments (some 2000 projects) based on the information received from Member States, out of which EUR 500bn over the next three years.

In parallel, the EIB is seeking – together with Member States, the Commission and national promotional institutions – to enhance cooperation and optimise resources so as to address the longer-term challenges of the EU in an environment of gradual, but still fragile recovery. For this purpose, a working group has also been established to explore the various possible forms of enhanced cooperation, notably in the context of the Investment Plan for Europe. Preliminary areas for possible future cooperation could include staff exchange programmes, knowledge sharing and investment platforms.

Advisory services will be strengthened to avail the Bank's financial and technical expertise to promoters/public authorities, enhance institutional capacity, strengthen project preparation and improve the efficient use of EU funds. In the context of the Investment Plan for Europe, a single entry point ('European Investment Advisory Hub') is proposed for all advisory services delivered by the Commission, the EIB and possibly other partners (in particular national promotional institutions). Managed by the EIB, it would interface between advisory services providers and possible beneficiaries.

Outside the EU, ongoing transformation, the need for structural reforms and sluggish growth in the euro area continue to be factors dampening growth in most parts of the Pre-Accession region. In the Eastern Neighbourhood, geopolitical tensions are curbing growth and development whilst the Southern Neighbourhood is going through an unprecedented phase of transformation and job creation remains the priority of policy makers across the region. The EIB will continue to promote private sector led growth, both by supporting access to finance for SMEs and much needed economic and social infrastructure and by providing advisory and technical assistance support.

Conclusion

The Bank remains well placed to support investment growth, reinforce economic and social cohesion, sustain employment and play a critical role in restoring EU competitiveness. Success depends on continued close cooperation with Member States, Commission and national promotional institutions to further mobilise maximum resources to better address current market failures and investment backlogs in the EU.

The EIB will maintain significant lending volumes throughout the period 2015-2017. These include sizeable anti-cyclical contribution to support investment activities in the EU, even outside the EFSI framework. Adaptation of the overall business profile through new activities, clients and products will be vital in particular during 2015 as the key year of transition between the capital increase and EFSI commitments. The associated potential challenges are not to be underestimated given that the legal basis and implementation modalities are not yet established. Nevertheless, the 'warehousing' of potential EFSI operations has commenced, providing already a strong support to the new Investment Plan for Europe.

The implementation of the EFSI will face specific challenges due to the time and experience required to build a pipeline which needs to complement that of EIB's other activities. In particular, financing operations to be undertaken with EFSI support will rely heavily on resources availability and the 'additionality' of EIB intervention criterion.

Outside the EU, the Bank will continue to make a significant contribution to supporting EU external policy. Efforts will be accompanied by stronger positioning and greater visibility of EIB in relevant markets.

Quality of lending to assure a high value added will continue to be pursued in all activities. Taking into account the evolving market needs as well as EIB means and the need to preserve the financial strength of the Bank, EIB will continue to review its lending orientations during the year to ensure optimal alignment of resources to meet any further changes in market conditions.

2. Economic environment

Inside the EU

Recovery remains weak and fragile. High unemployment levels are still common in many countries, though the situation has started to improve. Weak investment growth continues to undermine the recovery. Investment across the EU 28 remains almost 15% below the pre-crisis level and approximately 40% lower in those countries which have strong fiscal constraints. On the positive side, spreads in funding costs for sovereigns, banks and corporates in these countries have fallen to, and in some cases below, pre-crisis levels, with all sovereigns - except Greece - currently able to access markets at low yields. Assisted by the sharp fall in oil prices, and Quantitative Easing in the euro area, the Commission now forecasts GDP growth of 1.3% in the euro area and 1.7% in the EU in 2015 (both 0.2% higher than previous forecasts), before increasing further to 1.9% and 2.1 % in 2016 (up 0.2% and 0.1% respectively).

Quantitative Easing is likely to have a significant effect on markets, including a weaker euro, lower sovereign yields (in both core and non-core countries of the euro area), higher equity prices (with bank stocks boosted by the sale of expensive bonds to the European Central Bank (ECB) and national central banks) and tighter credit spreads.

The latest ECB-EC Survey on Access to Finance for SMEs reveals that access to finance remains an important concern of SMEs in Europe. Even with low demand for bank loans in the current environment, the percentage of SMEs reporting access to finance as their main problem still stands at 15% on average across the EU-28. The ECB measures (such as the Targeted Long Term Refinancing Operations (TLTRO)) have substantially alleviated bank liquidity constraints, but banks remain risk averse because of regulatory concerns and the uncertain economic outlook. ECB purchase programmes for Asset Backed Securities (ABS) and covered bonds may improve credit flows but will likely have limited impact on risk-taking capacity. All in all, the provision of credit in the EU is currently not as much constrained by liquidity as it is constrained by the lack of risk bearing capacity.

The crisis has not only had a cyclical impact on EU growth, it has also substantially reduced the EU's long term growth potential. The EIB can play a crucial role in restoring EU competitiveness. In particular, the EU's R&D intensity is persistently lagging behind that of other leading economies, hampering the EU's ability to innovate. For example, according to Eurostat and OECD, 2012 private R&D spending amounted to 1.3 percent of GDP in the EU compared to 2.0 percent in the US while R&D spending of governments, higher education and non-profits where in the same ranges in both economies summing up to about 0.8 percent of respective GDPs. Additional annual primarily private investment in **R&D** of about EUR 130bn would be required in order to meet the EU target of 3% GDP. Of the top 20 universities according to the Times Higher Education World University Rankings, only three are located in the EU compared to 13 located in the US. Investment is much needed in infrastructure to upgrade **energy** networks and integrate renewables, improve efficiency and ensure secure energy supply. Important upgrades in **transport** networks are required to reduce congestion costs and trade bottlenecks. To reach the EU's **digital agenda** standards in broadband and data centre capacity significant investment is needed, as is also the case for the rehabilitation of **environmental** services and ensuring water security in the face of climate change.

Outside the EU

While the recovery in the EU and Japan remains fragile, improving conditions in other advanced countries, notably in the US, are likely to support a modest recovery in emerging and developing economies in 2015 to 2017. However, geopolitical risks and weak external and domestic demand will continue to hold back economic activity in many regions. Sluggish growth in the euro area continues to hamper developments in the **Pre-Accession region**. Dwindling exports and banking system deleveraging is hurting activity in the Western Balkans. Private consumption remains weak reflecting adverse labour market conditions and austerity measures in a number of countries are further weighing on consumption growth. In Turkey growth is slowing on the back of tighter monetary policy and macro-prudential measures aimed at reining in consumer borrowing. A weaker lira and higher food prices have contributed to accelerating inflation.

The conflict in the Ukraine is weighing heavily on the outlook for the **Eastern Neighbourhood**. Already before the start of the conflict the region was suffering from significant macroeconomic imbalances and an unfavourable external environment, including low demand from the euro area. Short to medium term prospects are clouded by significant downside risk related to deepening of tensions. The **Southern Neighbourhood** is going through an unprecedented phase of transformation, forcing it to tackle a multitude of economic, political and social challenges. Economic activity is expected to remain subdued on the back of intensified civil unrest, armed conflict and weak external demand. **Sub-Saharan Africa** is likely to see modest improvements in growth, as stronger domestic demand and large scale mining related investments support economic activity. Lower oil and commodity prices are however weighing on the outlook of a number of countries, including Nigeria and Angola. Growth in the **Caribbean** is supported by cheaper energy prices and stronger economic activity in the US. The outlook for the **Pacific** remains mixed with commodity exporting countries continuing to perform well, while sluggish growth is expected in tourism dependent island states. Economic growth in **Asia** is expected to continue to outpace the rest of the world. Improving business confidence is supporting activity in India, but leading indicators point to somewhat weaker growth in China as the country is progressively transitioning towards a more sustainable growth path. Weaker commodity prices and significant structural challenges are hurting growth in some **Latin American** countries, including Brazil, Argentina and Venezuela.

3. EU institutional environment

The Europe 2020 Strategy provides the over-arching policy framework and the key policy orientations for the EU with the main objective to stimulate growth and job creation. It consists of five EU headline targets covering jobs, innovation, energy and climate change, education and skills, and social inclusion. The Europe 2020 strategy is also the starting point for the European Semester that is now the main framework which oversees the governance process for economic policy coordination.

In March 2014, the Commission launched the first steps towards a mid-term review of the Europe 2020 strategy in its communication 'Taking Stock of the EU 2020 strategy for smart, sustainable and inclusive growth'. The review of the Europe 2020 strategy represents an opportunity to reiterate the main policy orientations to support the EU recovery from the economic crisis. The new Investment Plan for Europe is supporting the Europe 2020 policy objectives and is one of the key components of the annual growth survey 2015; it should also support actions aiming at removing regulatory barriers and improving the investment climate.

The EIB Group has fully integrated the strategic orientations of Europe 2020 in its plan and is engaged in the preparation and implementation of the new generation of joint financial instruments with the Commission under the MFF 2014-2020 aiming at supporting the achievement of Europe 2020. The proposed EFSI will complement the recently approved joint financial instruments.

The Commission also issued in 2014 a Communication on long-term financing and the agenda of initiatives it contains will become a set of priorities going forward. Central to EIB activities and policies are the cooperation with national promotional institutions, the development of platforms and products specifically dedicated to long term investment and the reinforcement of the catalytic role of the EIB and its ability to mobilise private sector finance.

Energy and climate issues remain high on the EU policy agenda. In October 2014, the European Council agreed a new EU climate and energy policy framework for 2030. Accordingly the EU will now be able to make a commitment to the wider international climate negotiations in Paris in 2015. The same Council also endorsed further actions to increase the EU energy security following release of a European Energy Security Strategy in May 2014. Moreover, the new Commission President has also stressed the need for additional investment in energy networks, renewable energy and energy efficiency, including RDI, as part of his proposed Investment Plan for Europe.

Meeting the agreed 2030 climate and energy targets and strengthening energy security of supply will require significant additional investments in the energy sector. Addressing the investment challenge calls for a coordinated approach at EU level and an optimization of the use of all available EU funding, including EIB resources, with a strengthening of technical assistance and advisory activities and a further deployment of financial instruments. The October 2014 European Council conclusions explicitly refer to an involvement of the EIB in a new fund targeting investments aimed at improving energy efficiency and modernising energy systems in lower income Member States. The EIB will continue to examine ways to improve its support to EU energy and climate policies, building on the Bank's existing well-aligned energy lending criteria, and complemented with a formal public consultation exercise on its Climate Action strategy during 2015.

4. Lending and Borrowing (Funding) Programme

Drivers and priorities

Key drivers and priorities of the 2015-2017 Lending programme include (1) support to growth and employment in the EU – address market gaps to pave the way for a post crisis EU market; (2) catalyse private investment re-focus on value added whilst (3) upholding the Bank's business model and status as prime issuer on capital markets; (4) enhance EU companies' competitiveness - invest and prepare our economies for the future.

To maintain the significant value added of EIB activities, it remains essential that all projects entering the Bank's portfolio are of high quality in terms of their technical soundness and economic viability so as not to compromise the EIB's own financial soundness, reputation and its ability to continue supporting the EU's policy goals in the long term.

Quality of lending to assure a high value added of EIB intervention will continue to be pursued in all activities and in full respect that the principle that finance should be genuinely additional, and not displace funds available from other sources on reasonable terms. In this regard, it is important to highlight that 'higher value added' is not automatically or exclusively linked to higher risk taking activities. Alongside traditional lending activities, other sources of high value added are being actively pursued and developed including (but not restricted to) blending/risk-sharing with third party funds; catalysing and unlocking co-financing from private investors, targeting new sectors where market gaps exist; actively seeking to provide finance to new customers who have not had access to the Bank's funding so far; and endeavouring to extend EIB funding to particular groups of counterparts, such as innovative companies with substantial R&D investments (see Annex 1 for further details).

Lending Programme - Signatures utilising EIB own resources – inside and outside EU

As noted in Section 1, in keeping with the overall business model and respecting the commitments made to the European Council and Member States following the capital increase, together with the anticipated contribution to the Investment Plan for Europe, EIB has set ambitious new signatures lending orientations for 2015 at EUR 71bn, with +/- 10% flexibility allowance for continued uncertainties in market demand such as already approved for the Operational Plan 2014-2016.

The year 2015 can be expected to be a year of transition. Current estimates indicate that commitments made by the Bank at the time of the capital increase under the auspice of the Growth and Employment Facility (GEF), i.e. to unlock EUR 180bn of investments since the capital injection of EUR 10bn in 2012, were fulfilled in early-2015 as a result of a higher level of signatures achieved in 2013 and 2014 as well as a multiplier effect in excess of the original assessment. The early completion of GEF together with the Bank's improved actual risk bearing capacity compared to pre-end 2014 forecasts (enabled by the decreasing riskiness in the overall risk portfolio) offers room for additional lending. Such additional lending capacity will be applied to increase the EIB's anti-cyclical contribution as well as to support the new Investment Plan for Europe – including the potential 'warehousing' of operations which would have future EU guarantee support via the EFSI (as described in the Foreword).

Table 1 reflects the breakdown of the signature and disbursement levels by region.

Table 1: Signatures and Disbursements utilising EIB own resources – inside and outside EU

EUR bn	2014 achieved	Orientations			Average 2015-2017	%
		2015	*2016*	*2017*		
Total Disbursements inside EU	59.2	57.1-59.1	55.5-60.5	54.5-59.5	55.5-59.1	91.8-92.3%
Total Disbursements outside EU	4.5	5.0	5.0	5.0	5.0	8.2-7.7%
Total Disbursements	**63.7**	**62.1-64.1**	**60.5-65.5**	**59.5-64.5**	**58.7-62.7**	*100%*
Total Signatures inside EU	69.0	64.0	64.0	64.0	64.0	90.1%
Total Signatures outside EU	7.1	7.0	7.0	7.0	7.0	9.9%
Total Signatures	**76.1**	**71.0**	**71.0**	**71.0**	**71.0**	*100%*

Lending Programme – Challenges and focus

The market conditions for implementation of the Bank's lending programme over the period 2015-2017 continue to present significant challenges including: (1) scarce project generation capacity in the public and private sectors and a low level of borrowing capacity at sovereign/sub-sovereign level in some countries; (2) identification of eligible investment projects; and (3) available market liquidity for banks and other counterparts.

The implementation of the EFSI will face specific challenges due to the time and experience required to build a pipeline which needs to complement that of EIB's other activities. In particular, as noted above, the 'additionality' criteria to be fulfilled will guide the Bank's actions and will play a major role.

The following factors will also influence the Bank's future activity:

- new quantitative easing measures by the ECB to provide additional liquidity to the financial sector - such alternative funding sources for banks might reduce their demand for EIB loans;
- regulatory developments which may have an adverse impact on EIB's activities, in particular the EU Bank Recovery and Resolution Directive (BRRD); and
- Outside the EU, the opportunities for EIB activity are impacted by the political instability in some Eastern Neighbourhood countries, in particular.

The Bank continues to proactively respond to the above challenges, notably:

- The Bank continues to tailor its offering in an optimum way to current market gaps and client needs through an array of evolving instruments and structures
- While working with existing clients towards new objectives and beneficiary segments, it will also continue to expand and diversify its client base.

The Bank's role to address these challenges and provide real support to EU growth and employment is set out in targeted lending programmes which are aligned with the 'Europe 2020' strategy of the EU and also structured on the basis of the EIB public policy goals of Innovation, SMEs and Midcap finance, Infrastructure and Environment as set out further in the tables in Section 7 and elaborated in Annex 2.

As such, inside the EU, the EIB will continue to sustain access to finance and facilitate crucial investments for growth and employment and, in light of the transition from a crisis to a recovery phase, the Bank will, at the same time, gradually have to re-focus its activities more on the longer-term competitiveness challenges of the EU. The EIB will focus on closing investment gaps and improving financing conditions where markets provide insufficient incentives. Investments in R&D, a range of evolving as well as basic infrastructure including but not restricted to digital, transport, energy, urban development and human capital plus providing financial support for SME and mid-cap companies including working capital risk financing are expected to be of particular importance for long-term EU growth.

The Bank has built up its external office network over a number a years both inside and outside the EU. The overall objective is to make optimal use of the external offices to ensure greater EIB visibility and improve access to impact-related information direct from source. In light of the fast-changing parameters affecting the Bank's activities across the EU, particularly in connection with the Bank's role under the Investment Plan for Europe, the priority of reinforcing and expanding the external office network of the Bank inside the EU has become paramount. The Bank will also enhance proximity to its "client base" in the EU by working closely with national promotional institutions and Member State ministries in implementation of the Investment Plan for Europe. At the same time, in line with undertakings given under external mandates, the Bank intends to increase its presence in key partner countries and regions outside the EU.

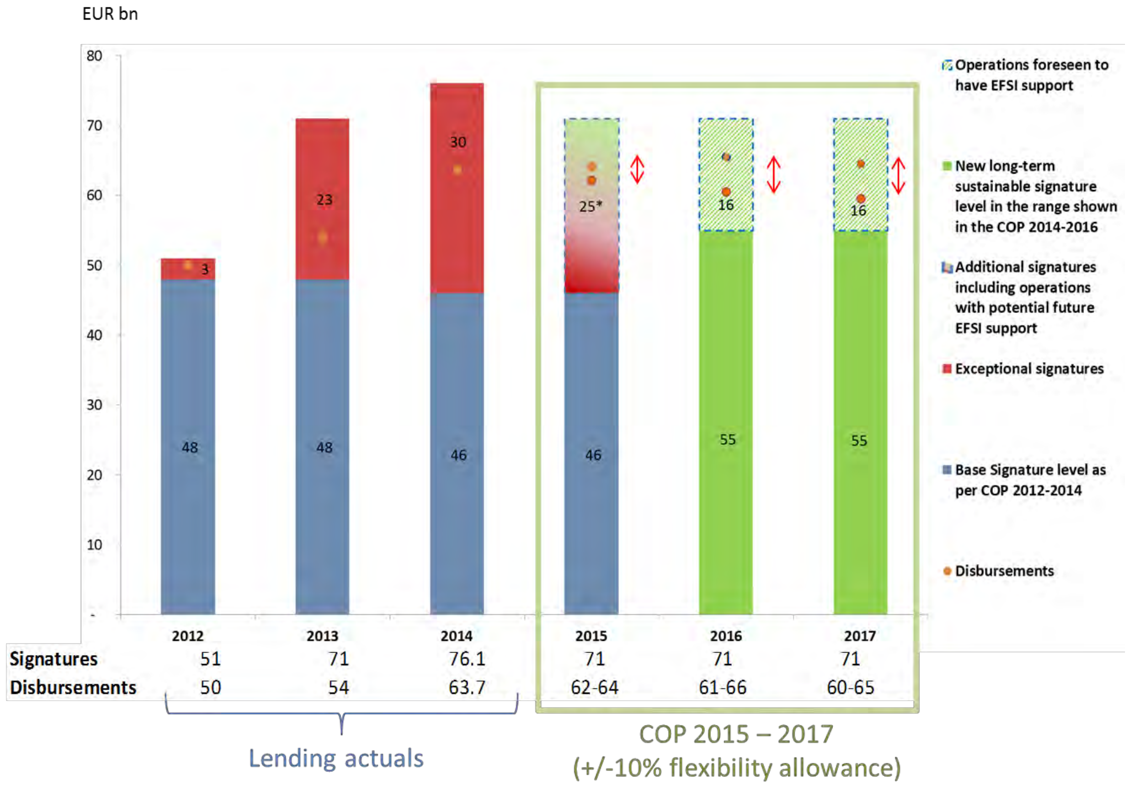
The Bank's operational activities and key areas of focus are described in further detail in Annex 1.

Lending Programme utilising EIB own resources

As noted in Section 1, as the economic and financial environment evolves, both market needs and the EIB's risk-bearing capacity will also evolve. As such, this plan also offers the underlying promise that new lending opportunities will be constantly reviewed so as to optimise the EIB's value-added to the markets. Overall during the 2013-15 period covered by the recent capital increase, thanks to higher lending volumes achieved and stronger catalytic/leverage effects, the Bank would contribute to investment levels exceeding original plans (e.g. EUR 180bn linked to the EUR 10bn capital increase). It will provide more anti-cyclical contribution to support investment and has commenced those higher risk operations which should later qualify for EFSI. Indeed, as noted in Section 1 and above, 2015 may be considered as a transition year between the capital increase delivery and the implementation of the EFSI.

The evolution in the past and expected lending programme utilising EIB own resources is as shown in Graph 1.

Graph 1: Evolution of the EIB Lending Programme



* In view of the proposed EFSI, 2015 may be considered as a transition year between the EIB's activities to fulfil the commitments made under the capital increase and its role in the deployment of the EFSI.

New lending opportunities will be constantly reviewed in 2015-2017 also in light of the proposed EFSI which would support financing by the EIB Group in the range of EUR 60bn over the period 2015-2018, of which around EUR 49bn of additional new higher risk lending activity for the Bank[1] and around EUR 12bn for the EIF as illustrated in the Foreword.

With this in mind and following an exceptional lending performance in 2014 and taking note of the Bank's actual risk bearing capacity, the EIB has set ambitious overall new signatures lending orientations for 2015 at EUR 71bn, with +/- 10% flexibility allowance. The lending capacity above the baseline[2] will be applied to increase the EIBs anti-cyclical contribution as well as to support the new Investment Plan for Europe – including 'warehousing' of operations which could have future EU guarantee support via the EFSI.

The projected EIB lending volumes for the years 2016 and 2017 will continue at EUR 71bn p.a. (+/-10%) in total, of which a long-term sustainable base level of lending of EUR 55bn p.a. for EIB's traditional product mix, inside and outside the EU, and EUR 16bn p.a. with EFSI support.

[1] 'Warehousing' to start in 2015 and may be backed retroactively by the EU guarantee of EUR 16bn from the EU budget and an EIB capital allocation of EUR 5bn as mentioned in the Foreword. New operations from 2016 under EFSI would be backed up by the guarantee.

[2] Base lending signature volumes (EUR 48bn) references to 2007 pre-crisis volumes (adjusted to EUR 46bn in 2012 prior to the-capital increase announcement).

Special Activities – taking higher risk within EIB Bank

Overall Special Activities include (i) loan, guarantee or equity operations where the higher risk is entirely borne by the EIB; as well as (ii) operations where the risk is shared with third parties ('Risk Sharing'), notably the EU budget under agreements with the Commission.

The risk connotations of the overall lending generated under the EFSI would be higher on average than the Bank's traditional risk mix lending. The potential average higher risk profile of the related lending activity would nevertheless be mitigated by the protection which would be provided to the Bank through the EU Guarantee. The range of products offered under EFSI would comprise for example, debt financing (subordinated or senior), guarantees, equity, quasi-equity and venture capital. High risk EFSI 'warehoused' operations in 2015 will be classified as Higher Risk Special Activities (at EIB's full own risk) until the EFSI agreement is formalised and the operations are individually assessed for eligibility under EFSI and coverage by the EU Guarantee. The maximum volume of the 'warehoused' operations signed in 2015 falling under EFSI has been calibrated to maintain the capital adequacy ratio requirement in 2015. When the EFSI agreement enters into force, those 'warehoused' operations which are eligible under the EU Guarantee will be re-classified.

In all EIB lending, both leverage (impact from own funds to EIB financing) and qualitative and quantitative catalytic effects (impact on the real economy, also defined as "multiplier") are evident, depending on the features of individual products. When considering the higher value added generated by the Bank's financing of Special Activities, such catalytic effects are typically more pronounced. By accepting higher risk projects the Bank facilitates their financing and makes such projects feasible. Special Activities thus enable the Bank to generate higher value added, through offering instruments or accepting security structures which are not commonly available or accepted in the market. Furthermore, supporting such higher risk special activities allows the Bank to diversify its customer and loan portfolio.

With overall signature lending volumes of EUR 71bn p.a. over the planning period, annual volumes of EUR 5.7bn Higher Risk Special Activities, including EUR 4.5bn expected to be 'warehoused' for EFSI, plus EUR 2.9bn Risk Sharing are foreseen for 2015. In 2016 and 2017, the Bank is planning to accelerate the implementation of EFSI and reach total annual volumes for Risk Sharing of up to EUR 17.5bn while the level of Higher Risk Special Activities (at EIB's full own risk) would be maintained approximately at the level achieved in 2014 (EUR 3.6bn p.a.). As such, the overall Special Activities could increase in 2016 and 2017 to over EUR 21bn - a 483% increase compared to 2014 and representing a 30% share of overall annual signature targets for those years.

Table 2: Higher Risk Special Activities, Risk Sharing and EFSI

	2014 achieved	Orientations		
		2015	2016	2017
	(Eur bn)	(Eur bn)	(Eur bn)	(Eur bn)
Special Activities (higher risk)	3.5	5.7	3.7	3.7
Inside the EU	3.1	5.2	3.2	3.2
- of which EFSI warehousing (up to):	-	*4.5*	-	-
- of which EFSI (up to):*	-	-	*0.8*	*0.8*
Outside the EU	0.4	0.5	0.5	0.5
Risk Sharing	1.1	2.9	17.5	17.5
- of which:				
Existing Instruments (see Section 5)	*1.1*	*2.9*	*2.3*	*2.3*
EFSI (up to)	-	-	*15.2*	*15.2*
Overall Special Activities (incl. EFSI)	4.5	8.6	21.1	21.1

*EUR 800 m in 2016 and 2017 are part of a total of EUR 2.5bn equity-type operations over 3 years for infrastructure and innovation projects at EIB's own risk.

EFSI will aim to provide finance for projects falling under five broadly defined objectives[3]: (a) development of infrastructure; (b) research and development and innovation; (c) investment in education and training, health, information and communications technology; (d) development and modernisation of the energy sector, including renewable energy and energy and resource efficiency; (e) provision of financial support for mid-cap companies and SMEs.

The expectation of a return to higher levels of infrastructure financing is particularly important. In recent years, the demand for infrastructure finance calmed down as a result of Member States' public budget constraints. With its Investment Plan for Europe, the Commission is indeed setting the scene for a significant modernisation and expansion of public infrastructure in the EU in the near future. In this connection, demand for EIB support to strategic infrastructure sectors with high investment needs is likely to come to the front again.

The Bank can support such investment activities not only through EFSI but also through financing activities where the EIB absorbs the higher risk fully on its own, or by supporting public private partnerships through higher risk loans, or investing in infrastructure funds or through risk sharing with the Commission. Close attention will be paid to optimise the EIB's volume-risk mix and value-added to the markets.

Further details on the existing risk-sharing activities with the Commission are given in Section 5.

Special Activities –within EIF

EIF continues to manage the Risk Capital Resources (RCR) mandate on behalf of the EIB, covering the full spectrum of the Venture Capital and the lower mid-market segment. As part of the EUR 5bn EIB contribution to EFSI, an increase by EUR 2.5bn will be provided to allow EIF to deploy the mandate at an annual pace of signature ranging from EUR 0.8bn to EUR 1bn p.a. Up to one third of new commitments are expected to be financed by the reflows of existing transactions.

[3] Provisional text, based on the Proposal for a Regulation of the European Parliament and the Council on the European Fund for Strategic Investments (…), 25 February 2015

The EIB Group is implementing the EREM Mandate. The first EIB Group Risk Enhancement Mandate (EREM) window, for ABS Credit Enhancement, signed on 25 July 2014 has first operations closed in December 2014. Five new specific windows have been signed (Social impact, SME initiative) or are targeted to be signed in 2015 (Loan funds, Cooperative banks and microfinance) with a gradual deployment in 2015 for a total of up to EUR 1.2bn complemented by EUR 0.4bn of EIF own resources. (see Annex 1 for more details).

In the context of the proposed EFSI, and in addition to the RCR, EIF's SME activities should also be expanded with additional resources provided by the Commission (through capped and uncapped guarantees and growth equity).

Lending Programme – Disbursements utilising own resources

Disbursement volumes have increased (in absolute terms) since 2013 and the positive trend is expected through to 2015; although uncertainties in the forecast remain depending on macro-economic and financial market developments.

Since 2013, the Bank has observed increasing signature levels. Considering the usual disbursement patterns this trend entails also a growing level of stock of signed undisbursed loans. The stock of signed undisbursed loans consists mainly of projects which are still in construction phase or for which the applicable conditions precedent are not yet met.

The estimate of disbursements, shown in Table 1 above, is subject to increased uncertainty given that the composition of the Bank's portfolio of operations is likely to change considerably with the operations anticipated under EFSI.

Lending Programme - Utilising only third party resources

Jessica: In order to further improve the deployment of funds to Final Recipients, the EIB will reinforce support for managers of Urban Development Funds in the selection of viable projects.

FEMIP: In order to promote SME development in the Mediterranean, the EIB is discussing with the Commission a risk capital programme which combines EIB own resources for an indicative volume of EUR 200m over the next 3 years, at EIB's full own risk with a "first loss piece" participation from the EU central budget and potential additional contributions from the private sector. This would replace the current risk capital envelope from the EU budget.

In ACP/OCT, with the revolving European Development Fund (EDF) resources under the Investment Facility and with the new Impact Financing Envelope, around EUR 750m are foreseen to be signed in 2015 with a ramp-up up to EUR 800m for the 2016-2017 period.

Advisory services

The Bank's commitment in bringing its technical and financial expertise to clients and public authorities has translated into a major expansion of the advisory offer in recent years. During 2014, the EIB management has also undertaken a process of consolidation of the Bank's advisory services in order to better exploit synergies and complementarities across programmes and differentiate them from the technical support provided by the Bank to the projects it finances.

Under the framework of the Strategic Orientations for Advisory Services endorsed by the Board in June 2013, the Bank's advisory services will continue to support investments in EU policy areas and contribute to the lending and blending objectives by improving project preparation and implementation and increasing the utilisation of financial instruments. See also Annex 1 for more details. Most of these advisory initiatives are being undertaken in partnership with the Commission, as described in Section 5, and are supervised by a joint Commission-EIB steering committee.

Technical assistance will also be an important component of the Investment Plan for Europe, where the Commission and EIB together with key national and regional actors will step up their efforts to expand advisory services and improve access for possible beneficiaries. The proposed European Investment Advisory Hub (EIAH) will constitute a single point of entry for project promoters, investors and public managing authorities. In particular, the aim is to improve project preparation/implementation and to help to share experience and expertise that can enhance access to finance and ensure more optimal use of available EU funds.

The Advisory Hub's external face will be a web-based platform run by a dedicated EIB team, which will engage with potential beneficiaries. The Hub will also make expertise developed by the participating institutions available to other partners (through knowledge platforms, e-libraries, etc.) ensuring a better knowledge sharing and better synergies between advisory programmes. The Hub will not, however, be a one-stop-shop, which itself delivers all advice. Rather, it will be a gateway through which for potential investment promoters and public authorities will be helped and guided to the advisory support most suited to their needs, which will be actually delivered by the EIB, the Commission or other participating institutions through a mix of both central and local presence.

Borrowing (Funding) Programme

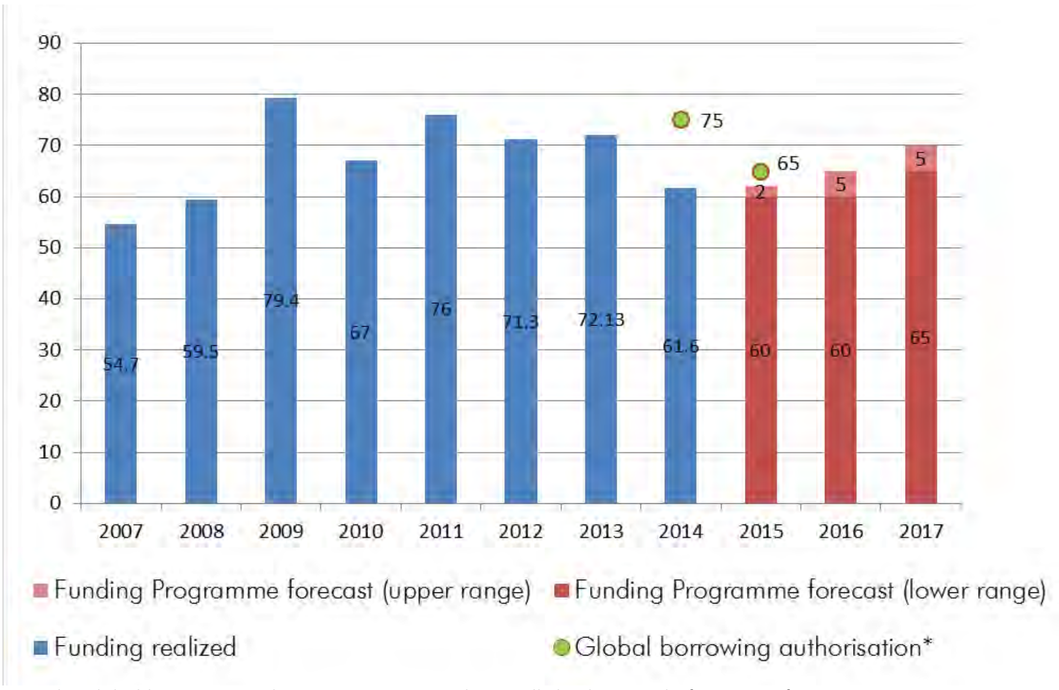
Market sentiment towards EIB bonds continues to be underpinned by EIB's ratings and by the improved tone of credit analysts' views more generally regarding EIB's credit standing. Analyst views remain strongly influenced by both EIB's standalone profile and the economic context in the EU.

The Bank currently plans to borrow up to EUR 65bn in 2015. This is similar to the amounts raised in recent years and reflects the borrowings required to meet the expected overall lending levels. As in previous years, funding volume projections are based on estimated cash-flows over the planning period, as well as on the compliance of the projected liquidity volumes with the prudential liquidity ratios.

As in previous years, funding in 2015 will continue to rely on benchmark transactions in EUR, USD and GBP. Borrowing in these three core currencies provides access to the largest pools of investors across the world and is consistent with the size of EIB's funding requirements. It will remain prudent not to implement the programme in a linear manner, but to front-load its implementation to a certain extent, with more intense borrowing activity early in the year, when the demand of investors is usually at its strongest. The pace of progress will be fine-tuned according to market opportunities and in particular in relation with the often sharp variations in the investors' appetite for long maturity securities. As in previous years, issuance in non-core currencies and out of the plainvanilla benchmark format will be continued as a way to diversify the sources of funding and when justifiable in terms of cost, maturity or lending needs.

Funding requirements are expected to be in the range of EUR 60-70bn over the planning period 2015-2017 as presented in Graph 2. A global borrowing authorisation of up to EUR 65bn for 2015 was approved in April 2015.

Graph 2: Evolution of the EIB Borrowing (Funding) Programme



* The global borrowing authorization is approved annually by the Board of Directors for one year.

In September 2014, EIB and other Multilateral Development Banks jointly pledged their commitment to reinforce climate finance and 'to spur further sustainable growth of the green bond market'. The EIB was the first multilateral issuer of Green Bonds in 2007 and remained the largest in 2014. It will continue to pursue issuance of its Green Bonds, labelled Climate Awareness Bonds (CABs), in a manner supporting market development. For instance, the Bank may further develop a green bond yield curve. It also aims to promote in the wider market reporting on the impact of projects receiving allocations from such bonds, working with peers and other leading market participants, so as to support delivery of reference points for the market, such as that recently offered by EIB's inaugural impact report. The Bank will also contribute to governance of the market where possible, for example through its participation in the Green Bond Principles, a set of voluntary process guidelines supported by ca. 90 institutions including issuers, institutional investors and banks that aim at providing and clarifying the standards of this market segment.

5. Co-operation with the Commission and other third parties

The Bank has a successful track record of partnerships with third parties and notably with the Commission. The following elaborates on pre-existing arrangements which will be complemented by the proposed Commission-EIB partnership under the EFSI and the Advisory Hub umbrellas.

Under the current Multiannual Financial Framework (MFF) 2014-2020, a number of new partnerships to promote investment have already been put into practice and are under implementation, such as: (a) infrastructure financing through the Connecting Europe Facility (CEF); (b) improving access to debt financing for companies and public institutions undertaking research, development and innovation (RDI) projects through the InnovFin (Horizon 2020); (c) supporting resource and energy efficiency investment projects via the Natural Capital Facility (LIFE) and Private Finance for Energy Efficiency (PF4EE) initiative.

This new generation of partnerships reflects the willingness to leverage on EU budgetary resource to support Europe 2020 targets and to improve investment project design and implementation through more effective governance structure and use of financial discipline.

Given the ability to attract private sector investment, financial instruments have an important role to play in supporting recovery in the EU at a time of constraints on public funding. In this context the EIB Group is expected to play an important role including the following initiatives:

- InnovFin (the successor instrument of RSFF) was launched on 12 June 2014 and will be implemented under the Commission's Horizon2020 (H2020) programme. It offers specific products aimed at closing the Mid-Cap gap as well as an advisory component providing support to improve the investment readiness of large projects and to meet the conditions necessary for access to risk finance for RDI. It is expected that approximately one third of the InnovFin beneficiaries will be Mid-Caps.
- Up to 10% of the total Connecting Europe Facility (CEF) budget of EUR 33.2bn is available for financial instruments. The goal of the CEF Debt Instrument is to offer an alternative to traditional grant funding by offering competitive financial products for priority investments in transport, energy and telecommunications. The CEF Debt Instruments is expected to include a further extension of the Project Bond Initiative (assuming a positive review of the pilot phase in 2015), a new credit enhancement instrument targeting loan financing by the banking sector (building on the experience of LGTT) and specific higher risk products for particular sector needs. A merger of the existing financial instruments under the 2007-2013 MFF (LGTT and Project Bonds pilot phase) with those of the CEF is also foreseen to strengthen further the leverage effect of EU funds through the portfolio effects. Risk-sharing instruments such as the CEF Debt Instrument have a double leverage effect in that EU budget funds are leveraged (3-4 times) through the value of the Bank's financial product (e.g. Project Bond Credit Enhancement), which in turn supports a multiple (5-6 times) of external financing via the bond market, resulting in leverage of over 20 times the EU contribution.
- Two instruments are currently being developed with the Commission under the EU LIFE programme:

The Natural Capital (Financing) Facility will support operations promoting the conservation and management of natural capital for biodiversity, ecosystem services and climate adaptation benefits..

The Private Finance for Energy Efficiency (PF4EE) Instrument is the first of a suit of instruments and/or operations promoting financing for energy efficiency investments under the new so-called, DEEP (Debt for Energy Efficiency Projects) Green Initiative

- In July 2014, the EIB Group signed the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), an initiative launched by the Commission and managed by EIF, running from 2014 to 2020. As was successfully achieved in the case of its predecessor (Competitiveness and Innovation Programme - CIP), this will help thousands of SMEs (>300,000 in the context of CIP) to get better access to finance (equity and debt) to develop their business locally but also across borders.
- In addition to COSME, EIF expects to deploy similar programmes with the Commission, running from 2014 to 2020, in the context of:

  The EU Programme for Employment and Social Innovation (EaSI) to the benefit of microfinance institutions and microenterprises (successor of European Progress Microfinance facility) and to benefit social enterprises;

  The Erasmus+ Programme signed in December to support access to loan financing for mobile students across the EU at master's level.

EIB will continue to enhance its co-financing with EU Operational Programmes in the context of the implementation of the European Structural and Investment Funds (ESIF) covering European Regional Development Fund (ERDF), Cohesion Fund, European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund) (EMFF).

The SME Initiative (SMEI) envisages the combination of participating Member States' European Structural and Investment Funds (ESIF) and Commission contributions from dedicated windows of the COSME and/or Horizon 2020 Financial Instruments, leveraged with EIB Group contributions. Further details are provided in Annex 1.

Advisory programmes fully or partially funded by the Commission under the 2014-2020 MFF will support EU policy objectives, improve the investment readiness of priority projects and contribute to a more efficient and quicker use of EU Funds. The InnovFin Advisory programme will continue to support the InnovFin instruments by offering tailor-made project advice to public and private sector promoters of large R&D projects to enhance the bankability of innovative investments and projects and to improve the conditions for access to risk finance for R&D though horizontal activities; this includes advice on mobilization of additional risk-sharing resources to increase the risk-bearing capacity and volume of the InnovFin programme. It builds on a successful pilot operated under the RSFF.

In order to support the implementation of ESIF-funded financial instruments over the new MFF period, the Commission has mandated the Bank to establish a platform (known as FI-Compass) to provide methodological guidance and capacity building services to Managing Authorities. The platform's activities over the coming years are expected to increase the use of ESIF funded financial instruments.

Furthermore advisory windows will support the implementation of financial instruments such as the Natural Capital Financing Facility and the PF4EE.

During the period 2014-2020, project preparation support will continue to remain JASPERS' core advisory activity. In addition, JASPERS will develop two new functions and roles: (1) as an independent quality reviewer for major projects supported by ESIF when requested by Member States; and (2) in order to become gradually more autonomous in project preparation, a new JASPERS Networking and Competence Centre is intended to foster networking relationships and capacity building of the Member States and also provide specialist support on horizontal matters, which form the background to project development, procurement, or financial approaches that may be used in projects funded by ESIF. In terms of geographical coverage, the new services offered by JASPERS will benefit all Member States having access to EU cohesion funds under the current MFF.

In 2014 and 2015 the Commission has earmarked EUR 30m for the ELENA facility, to continue project development assistance for investment projects on energy efficiency, decentralised renewables and clean urban transport structured by the public sector entities. The Commission has indicated that the ELENA Facility is expected to continue in 2016 and 2017, while it will be up-scaled and enhanced towards the private sector-generated bundled energy efficiency and decentralised renewable energy investments. The specific terms of this expansion will be assessed in due time by the Bank following the existing procedures for decisions on partnerships. The project development support provided through ELENA will thus complement well other support to preparation of projects in the energy sector already provided by other facilities like JASPERS.

Co-operation with National Promotional Institutions (NPIs) - Following-up also from the earlier call of the European Council in June 2013, the Bank will further enhance cooperation with NPIs, thus ensuring a stronger alignment of EIB operations with Member States' policy priorities. Potential operations with NPIs will span across many different areas possibly including EIB funding through Loans for SMEs, co-financing arrangements, guarantee facilities, risk sharing products and advisory services. The Bank will also continue to provide advisory support to those Member States that wish to establish their national promotional institution.

Furthermore with respect to EFSI, cooperation proposals with NPIs are currently being developed by four work-streams covering: (i) operations with EIB, (ii) operations with EIF, (iii) advisory hub and (iv) staff exchanges. By mid-2015, the 'most fruitful' of these proposals will be endorsed and should lead to enhanced cooperation with NPIs, both on a bilateral and multilateral basis, and should foster the catalysing effect of EIB finance in attracting institutional and private investors finance. Cooperation is being developed at investment platform level as well as at project level.

There is also a growing need to jointly investigate and identify regulatory and legislative barriers to increased investments in Europe. Significant gains could for instance be achieved by looking at the obstacles which are hindering a more efficient use of EU funds for the purposes of blending with EIB Group resources and capabilities. Agreeing and implementing changes in the regulatory area would allow to unlock additional resources dedicated to investments in Europe as well as the creation of new financial instruments, thus improving leverage on scarce EU budgetary resources and maximising the impact of EU support on jobs and growth.

External Lending Mandate

The 2014-2020 External Lending Mandate (ELM) effective since July 2014 provides EIB with an EU Guarantee for new financing operations of up to EUR 27bn in Pre-Accession, Neighbourhood, ALA regions as well as South Africa. A Mid-Term Review is foreseen in

2016, subject to which the amount of the EU Guarantee could be increased. With a pipeline of new operations of ~EUR 3bn already approved before entry into force of the Mandate, the EIB is well positioned to implement the new ELM.

In the context of the ACP-EU Cotonou Partnership Agreement, a new financial protocol for the period 2014-2020 under the 11th EDF has been put into place as of 2 March 2015. The Investment Facility (IF) includes a new 'Impact Financing Envelope' dedicated to financing operations that generate a high development impact but with higher intrinsic risks - allowing the Bank to embark on new products, like social impact funds, and reach out beyond its traditional activity.

6. Risk Management, Financial and Budgetary Planning

Risk Management

In 2014, the Bank's rating and stable outlook have been confirmed by the three major rating agencies. Their reports highlight the Bank's very high asset quality, its access to ECB liquidity facilities and strong shareholders' support, as evidenced by the last capital increase. Continuing low levels of impaired loans also support their favourable opinion. Since mid-2013, the amount of watch-listed loans relative to the Bank's risk portfolio has decreased (1.7% at end December 2014). It should be noted that most of the watch-listed operations remain performing.

The Bank's commitment to maintaining its high credit standing remains uncompromising and is a key focus for the Bank when defining its risk tolerance. The capital increase received in 2013 together with positive evolutions in the risk of the Bank's existing portfolio of loans mean that capital adequacy remains strong and is allowing the Bank to pursue signatures and disbursements with a higher risk profile through to 2015.

Regulatory developments are also still ongoing and in particular, the Banking Recovery and Resolution Directive (BRRD) will increase the risk of unsecured bank intermediated lending. Mitigation actions are envisaged.

In paying attention to maintaining the business model of the Bank, new lending opportunities will be constantly reviewed so as to optimise the EIB's volume-risk trade-off and value-added to the markets.

Financial Planning

Net Surplus (before provisions) and Return on Own Funds

Table 3: EIB Net Surplus (before provisions)

EUR m	2014 Achieved	2015 Target	2016 Orientation	2017 Orientation
		Simulations		
Net Surplus (before provisions and loan losses)	2,746	2,459	2,376	2,319
- of which Financial Surplus	3,225	3,065	3,054	3,025

Concerning the Return on Own Funds (before provisions), in line with the evolution of the Net Surplus, simulations indicate a progressive decrease over the next years. It is reminded that such levels of Return on Own Funds cannot be compared to those of commercial banks as the EIB's business model is essentially based on long term lending at attractive conditions.

Administrative Budget for 2015

The 2015 budget for recurring expenses shown in Table 4 is based on an overall administrative costs budget increase of 12.9%, the main components of the increase being to ensure staff resources are available to meet 2015 and future years operational needs notably in respect of EFSI and for the associated facilities management costs.

In 2015, the principal component of the revenues will continue to be intermediation revenues from lending. The intermediation revenues will grow predominately due to a positive volume effect generated by new loan disbursements exceeding loans maturing or early repaid. However, the margins applied to the new loan disbursements will face a downward pressure compared to those applied during recent years reflecting interest rate evolution.

The costs and revenues of the Bank's operations are budgeted with a financial year horizon. However, it is noted that revenues typically relate to lending operations signed and disbursed in prior years, whereas costs refer to activities performed in a given year. Such costs will produce revenues flows typically in future years (and notably for lending related activities).

The Total EIB 2015 budget is shown below.

Table 4: 2015 Total EIB Budget

(EUR m)	2014 Budget	2015 Budget
Intermediation and Administrative Revenues	1626.0	1574.8
Depreciation and Administrative costs	-677.8	-765.4
Cost Coverage (EUR m)	948.2	809.3
Cost Coverage (%)	240%	206%

EIB Capital budget

The EIB capital budget shown in Table 5 covers annual capital expenses and multi-annual investment projects.

Table 5: EIB Capital budget

Description (EUR m)	2014 Annual Budget	2015 Annual Budget	Beyond 2014 Multi-annual Budget remaining
Total Capital expenses	97.0	86.5	306.5

7. Performance Indicators

The performance indicators focus attention on the objectives and processes the Bank deems most critical and reflect the Bank's primary focus on growth and employment inside the EU. Lending volumes reflect one aspect of the EIB's contribution to further EU policy goals but so too lending quality is a key aspect of this contribution.

Table 6: Performance Indicator Table

			Orientation Unit	2014 achieved	Orientations			2015-2017 Average
					2015	2016	2017	
1	Total Disbursements (own resources)		EUR bn	63.7	62.1-64.1	60.5-65.5	59.5-64.5	58.7-62.7
	- inside the EU		*EUR bn*	59.2	57.1-59.1	55.5-60.5	54.5-59.5	55.5-59.1
	- outside the EU		*EUR bn*	4.5	5.0	5.0	5.0	5.0
2	Total Signatures (own resources)		EUR bn	76.1	71.0	71.0	71.0	71.0
	- inside the EU		*EUR bn*	69.0	64.0	64.0	64.0	64.0
	- outside the EU		*EUR bn*	7.1	7.0	7.0	7.0	7.0
3	Total Special Activities (higher risk)		EUR bn	3.5	5.7	3.7	3.7	4.3
	- inside the EU		EUR bn	3.2	5.2	3.2	3.2	3.8
	- of which EFSI ('warehousing' in 2015)(up to)		*EUR bn*	-	*4.5*	*0.8*	*0.8*	*2.0*
	- outside the EU		EUR bn	0.3	0.5	0.5	0.5	0.5
4	Total Risk Sharing		EUR bn	1.0	2.9	17.5	17.5	12.6
	- of which EFSI (up to)		*EUR bn*	-	-	*15.2*	*15.2*	*10.1*
5	Value added (3PA) inside EU (incl. EFTA) : Proportion of approved operations in higher rating categories							
	- Pillar 1: Quality and Contribution to Sustainable Growth and Employment	Good/Excellent	%	94	>90	>90	>90	>90
	- Pillar 2: Contribution to EU/EIB policy	High Priority area/transversal objectives	%	82	>80	>80	>80	>80
	- Pillar 3: EIB contribution	Significant/High	%	58	>65	>65	>65	>65
6	Value added (REM) outside EU: Proportion of approved operations in higher rating categories							
	- Pillar 1: Contribution to mandate objectives and priorities	Good/Excellent	%	100	>90	>90	>90	>90
	- Pillar 2: Project Outputs and Outcomes	Good/Excellent	%	90	>90	>90	>90	>90
	- Pillar 3: EIB additionality	Significant/High	%	78	>75	>75	>75	>75
7	Return on own funds less notional return on own funds		%	2.5%	2.1%	2.1%	2.1%	2.1%
8	Cost/Income Ratio		%	18.4%	23.7%	26.6%	27.8%	26.0%
9	Implementation of IG Agreed Action Plans & Recommendation - EIB Group		%	70.0%	>65%	>65%	>65%	>65%

Public Policy Goals

EIB has aligned its Public Policy Goals to the evolving economic circumstances. This review also provided an opportunity to harmonise how the Bank reports and communicates on its lending operations inside and outside the EU.

The Commission has emphasised the need for long-term financing as a public policy priority. In particular, it notes that Infrastructure and SMEs are key contributors to sustainable growth as well as the significant investment needed in human capital and in R&D, new technologies and innovation under the Europe 2020 strategy and the 2030 climate and energy package. Against that background, the Bank's lending objectives have been re-structured into four main Public Policy Goals: (i) fostering **Innovation** and human capital; (ii) improving **SME/ MidCaps** financing conditions; (iii) building an efficient EU **Infrastructure** and (iv) protecting the **Environment** and climate. Activities in support of the Public Policy Goals are detailed in Annex 2.

It is important to recognise that the speed of recovery differs from one country to another. The new Public Policy Goals are expected to fit the needs of those EU economies which are recovering relatively quickly and also those which are further behind in terms of recovery. In this context, in addition to the four main goals, the existing cross-cutting goal for **economic and social cohesion in the EU** has been maintained. At the same time, supporting investment to mitigate and adapt to **climate change** is a priority of EIB lending across sectors and financial product types, hence the cross-cutting goal for climate action has also been maintained.

Table 7: Public Policy Goals

Signatures (own resources) by Public Policy Goals	Orientation Unit	2014 achieved*	Orientations 2015	2016	2017	2015-2017 Average
Innovation	EUR bn	13.3	17.5	17.5	17.5	17.5
- inside the EU	*EUR bn*	*13.2*	*16.5*	*16.5*	*16.5*	*16.5*
- outside the EU	*EUR bn*	*0.1*	*1.0*	*1.0*	*1.0*	*1.0*
SMEs & Midcap finance	EUR bn	23.4	19.0	19.0	19.0	19.0
- inside the EU	*EUR bn*	*22.2*	*17.0*	*17.0*	*17.0*	*17.0*
- outside the EU	*EUR bn*	*1.2*	*2.0*	*2.0*	*2.0*	*2.0*
Infrastructure	EUR bn	21.5	18.5	18.5	18.5	18.5
- inside the EU	*EUR bn*	*21.0*	*17.0*	*17.0*	*17.0*	*17.0*
- outside the EU	*EUR bn*	*0.5*	*1.5*	*1.5*	*1.5*	*1.5*
Environment	EUR bn	13.3	16.0	16.0	16.0	16.0
- inside the EU	*EUR bn*	*12.6*	*13.5*	*13.5*	*13.5*	*13.5*
- outside the EU	*EUR bn*	*0.7*	*2.5*	*2.5*	*2.5*	*2.5*
Total Inside & Outside EU	EUR bn	*71.5*	*71.0*	*71.0*	*71.0*	*71.0*
Signatures contributing to Economic and Social Cohesion and Convergence (within EU, EFTA and Pre-Accession)	%	*31%*	*>30%*	*>30%*	*>30%*	*>30%*
Signatures contributing to Climate Action (EIB total)	%	*25%*	*>25%*	*>25%*	*>25%*	*>25%*

* Outside EU achieved in 2014 refers to Pre-Accession & EFTA only (other non-EU countries not included in the public policy goals reporting for 2014)

As noted in Section 4, EFSI will provide finance for projects falling under five broadly defined objectives which, although somewhat differently grouped, are entirely consistent with the Bank's four main Public Policy Goals (PPGs) described above. At the same time, to ensure consistency across all EIB's activities at an operational level, projects financed under EFSI will be subject to the same eligibility rules generally applicable to EIB's operations.

8. Decisions of the Board of Directors

On the basis of this report and associated discussion, the Board of Directors approved the following:

I. a total **disbursement** volume of EUR 62.1-64.1bn for 2015 (EUR 60.5-65.5bn and EUR 59.5-64.5bn for 2016 and 2017 respectively).

II. a total **signature** volume of EUR 71bn p.a. (+/-10%) over the period 2015-2017.

III. a **global borrowing authorisation** for 2015 of up to EUR 65bn and, on an annual basis, to authorise treasury and derivatives activities.

IV. the expenses and revenues of the **Administrative Budget** and the **Capital Budget** for 2015. The budget reflects an increase of 12.9% compared to 2014 and a cost coverage ratio of 206%.

V. the delegating of decisions to the Management Committee regarding staff and administrative expense budgets relating to existing partnership agreements provided that the budgetary framework of these partnerships approved by the Board is complied with (as granted in the COP 2014-2016).

VI. the principle of making relevant additional staff and other resources available during 2015 for other new initiatives provided that the Board will have approved these initiatives and will have been informed of the impact on the 2015 budget and cost recovery accordingly.

ANNEXES

FOR INFORMATION

Annex 1: Operational Activity

Lending Activity utilising own resources inside the EU

Table 8: Operational Activity inside the EU

	2014 achieved (Eur bn)	Orientations			
		2015 (Eur bn)	*2016 (Eur bn)*	*2017 (Eur bn)*	Average 2015-2017
Total Disbursements inside EU *	59.2	57.1-59.1	55.5-60.5	54.5-59.5	55.5-59.1
Total Signatures inside EU	69.0	64.0	64.0	64.0	64.0

**'contingent disbursements' through guarantee, which the EIB is issuing to provide support to trade finance, project bonds and other initiatives (estimated at EUR 1-2.5bn for 2015 and subsequent years), are included in the ceilings*

The signature target utilising own resources for inside the EU is set at EUR 64bn +/- 10% for 2015, with orientations at the same level of EUR 64bn for 2016 and 2017.

To further enhance the efficient delivery of the Loan for SMEs and MidCaps, the Bank also launched the EU Programme Loan for SMEs and MidCaps.

The Bank continues to work with its established clients in support of its policy goals through an array of evolving instruments and structures that the Bank continues to use in a flexible and tailored way to reach out to the respective target segments and beneficiaries.

Alongside such product and other business plan implementation measures, the Bank will continue to pursue the diversification of its client base. The Bank further expands and diversifies its client base through streamlined internal decision processes and new initiatives, such as Programme Loans (e.g. UK Universities Programme Loan, French Regional Trains Programme) or InnovFin, targeting different client profiles, operation sizes, sectors, including also higher risk segments. Approximately half of the Bank's new borrowers were corporates, the remainder being equally split between public institutions and banks. New clients and also the partners with whom they work offer a major opportunity to increase the Bank's reach to identification and financing of technically viable projects.

Key initiatives

The Bank's dedication to diversify its product offering so to adapt to market needs is demonstrated through continued creativity in the development of targeted initiatives. Recent initiatives such as mentioned below have started to show material promise and will, together with new products which are still in development, contribute to the achievement of the 2015-2017 operational plan. They include:

a. P2P Pilot facility – To provide alternative financing to SMEs in the United Kingdom via an online Peer-to-Peer lending platform. Similar platforms have been developed in recent years, bridging the gap between institutional and retail investors seeking yield and SMEs seeking finance. These innovative platforms are now emerging as a real alternative source of finance, providing SMEs with simpler, quicker and cheaper access to finance.

b. Through the EIB Group Risk Enhancement Mandate (EREM), the EIB Group is expanding its product range for SMEs and small Mid-Caps, notably in the areas of securitisation and for specific initiatives targeting EU and Member States policy priorities, such as social impact finance, microfinance, youth unemployment and SME finance through smaller institutions.

c. The need for a revitalised and sound securitisation capital market is stressed by market players as well as policy makers, as it forms part of the global response to the economic crisis and the difficulties that SMEs are facing in obtaining financing. In this context the role of the EIB group as risk sharing and credit enhancement provider has grown in importance, as banks are looking for capital relief and credit risk mitigation solutions. The first EREM window being implemented, ABS Credit Enhancement, aims to enhance the Group's ability to provide investment/guarantees on mezzanine tranches of SME securitisation transactions, which will provide support to the much needed capital management of EIB Group's clients and in extension to their supporting SMEs.

d. Social Impact Investments strongly position the EIB Group as a responsible investor: investments are made in projects with the intention of generating measurable, social benefits, alongside a financial return. EIB Group already conducts meaningful activities in Social Impact Investing: In addition to microfinance activities conducted inside and outside the EU, notably the EIF has played a pioneering role in this field since the creation of SIA (the Social Impact Accelerator), the first European fund of funds in this market segment. Under the EREM a new Social Impact Finance window (SIF) will be deployed through equity investments in social sector intermediaries, predominantly social investment funds which extend equity, debt and hybrid debt/equity funding to social enterprises.

e. The SME Initiative (SMEI) envisages the combination of participating Member States' European Structural and Investment Funds (ESIF) and Commission contributions from dedicated windows of the COSME and/or Horizon 2020 Financial Instruments, leveraged with EIB Group contributions. The SMEI is managed by the EIF, requiring substantial EIB Group resources to cover mezzanine risk (through the EREM) and senior risk (EIB Own Resources).

f. Youth Employment - Since the launch in July 2013 of the "Skills and Jobs – Investing for Youth" programme, the EIB has delivered on its commitment to implement its dedicated youth employment initiative. The Bank will continue to assess, throughout 2015-2017, how it can best contribute to increase the availability of state of the art training opportunities for young people, and increase the competitiveness of SMEs and Mid-Caps which provide employment or training opportunities to young people. In doing so, it strives to complement national measures and the Youth Employment Guarantee programme of the Commission.

g. The Bank continues to develop and extend its Trade Finance Facilities (TFFs) in support of SMEs and Mid-Caps in those markets where access to trade finance products is difficult. So far the Bank has signed SME TFFs in Greece and Cyprus, with a further facility approved for Portugal. Potential TFFs and/or Multi-Beneficiary Intermediated Loans (MBILs) for exporting SMEs in Spain, Ireland & Italy are at due diligence stage. The same product, suitably adjusted to the market conditions, could be applied to other countries in the EU where market inefficiencies exist.

Programme countries

Greece experienced 1.0% growth in 2014 bringing a six year long recession to an end. Investment also grew for the first time over the same period. Recovery may continue but the economy remains fragile due to political uncertainty and protracted negotiations with the Troika, sluggish euro area growth, limited fiscal space and extremely high debt. Cypriot GDP contracted by 2.8% in 2014 and investment fell by just over 11%. Current forecasts suggest Cyprus may see modest growth (0.4%) in 2015 boosted by an increase in domestic demand, as a result of lower energy prices. Growth potential is seriously weakened by very high non-performing loans which currently stand at almost 50%.

In 2014, EIB lending has targeted key sectors of the Greek economy: motorways, the Thessaloniki metro and an improved electricity transmission network. These signatures will create jobs during construction and after, through commissioning, and will have further positive spill over effects in the regional and national environment, economy and living conditions. In Cyprus EIB support focusses on improving access to affordable financing for local SMEs, priority infrastructure investments including energy and the Knowledge Economy. The Bank has launched a EUR 150m Trade Finance Facility programme, a EUR 150m risk sharing Entrepreneurship Fund and deploys EUR 300m of credit lines to banks operating in Cyprus, which are focused on SMEs and Mid-Caps.

Lending activity outside the EU

Table 9: Operational Activity outside the EU

	2014 achieved (Eur bn)	Orientations			Average
		2015 (Eur bn)	2016 (Eur bn)	2017 (Eur bn)	2015-2017 (Eur bn)
Total Disbursements outside EU	4.5	5.0	5.0	5.0	5.0
Total Signatures outside EU	7.1	7.0	7.0	7.0	7.0

Supporting EU external policy is at the core of the EIB's mission outside the Union. The level of lending in support of external action is expected to remain stable over the coming three-year period, with potential for moderate growth. About half of the lending volume will be covered by the Comprehensive Guarantee of the EU or Member States.

Overall, the EIB is well positioned to achieve its lending objectives, however in order to perform better, policy areas related to its external action to which it will dedicate special attention in the coming years have been identified. It will focus on delivering on its external policies by strengthening relationships with key stakeholders notably the Commission and the EEAS. Climate action represents another area of strategic importance and is likely to feature highly on international agendas in the coming years. The Bank will also continue to deliver in terms of quality and value added, notably through the use of blending and trust funds, and providing enhanced advisory offers. Moreover, the Bank's efforts will be accompanied by stronger positioning and visibility of the EIB in its areas of core competence.

In the light of political developments and macroeconomic conditions in many countries outside the EU the overall difficult operational environment is likely to remain. The Council's sanctions are putting on hold new lending operations in Russia. Ukraine is in a very difficult situation facing complex political, social, financial and economic problems – the Bank's response to the country's funding needs, together with other IFIs, is based on an intensified cooperation with the authorities, a strong dialogue with the Commission and coordination with other investors. Alongside the IMF Stand-by-Arrangement, on 5 March 2014 the Commission announced a EUR 11bn plan for the years ahead, including a contribution from the EIB of EUR 3bn over the period 2014– 2016 of which EUR 1bn have already been delivered by end-2014.

In other countries or regions the Bank's activities are affected by: (i) weaknesses in public administration or in the banking sector, downgrading of country ratings with knock-on effects on the quality of local bank exposure, such as in South Africa or Turkey; (ii) new procurement rules which are not in line with the Bank's Guide to Procurement such as in Brazil, Sub-Saharan Africa or some Mediterranean countries for renewable energy projects; or (iii) increased competition in least developed countries from emerging donors such as China, Brazil or India.

Advisory services (inside and outside the EU)

The Bank's advisory services will continue to support investments in key policy areas and contribute to EIB and EU policy objectives by improving project preparation and implementation and increasing the utilisation of financial instruments, where appropriate. The objectives of the proposed Advisory Hub are consistent with those of the Bank's existing advisory services.

Under the 2014-2020 MFF, the role and responsibilities of JASPERS will be significantly extended. Complementing the JASPERS project preparation activities, tailored advisory programmes will continue to be developed to assist public sector promoters to implement projects funded by EIB and EU resources, thereby supporting further cohesion in the EU. Initiatives similar to the on-going advisory programme in support of the transport and water sectors in Romania and Bulgaria may be established as the need arises with the cooperation of other stakeholders, especially the Commission.

Other advisory programmes (e.g. InnovFin Advisory) will continue to improve the bankability and the quality of projects and investments by providing upstream advice and pursuing investment readiness actions. The European PPP Expertise Centre (EPEC) will continue to support its Membership, helping to improve the capacity of the public sector to undertake PPPs and offering PPP policy and programming guidance and support on common PPP issues. EPEC will also continue to develop its advisory activities in FEMIP countries and the Western Balkans. Given changing circumstances, specifically the lack of infrastructure project pipelines and increasing public debt, EPEC is reviewing its role and contribution to addressing these issues by strengthening and potentially broadening its role in the future.

Support to the implementation of financial instruments under shared management with Member States will also be a priority. The newly established advisory platform for financial instruments ('fi-compass') will assist Member States in acquiring knowledge and skills necessary for designing and implementing instruments that increase the effectiveness of the European Structural and Investment (ESI) Funds. In addition bilateral advisory services will be provided by the EIB to European Structural and Investment Funds' Managing Authorities to roll out financial instruments, notably by performing ex-ante assessments.

Outside the EU, upstream support to public and private sector promoters will continue to be provided, in particular in the context of the Southern and Eastern Neighbours Advisory Programmes supporting the transport and environment sectors. These programmes are particularly valuable as they build local capacity, leverage EU funds and promote EU best practices and standards. At the same time, the Bank will step up its support to the Eastern Neighbours in the municipal infrastructure sector, in close cooperation with the Commission and other IFIs. Equally important, initiatives in support of SME financing are being developed, notably in the Western Balkans and in the Eastern Neighbourhood.

Following successful negotiations with the Commission, the EIB will launch the Mediterranean Hot Spots Investment Programme (MeHSIP II), a three year programme that will provide technical advisory services and manage technical assistance for project preparation in the water, waste water and solid waste sectors. The key objective of MeHSIP II is to promote adequate and sound water, wastewater and solid waste management in the Southern Mediterranean region.

Annex 2: Activities in support of Public Policy Goals

Fostering INNOVATION and human Capital

The R&D gap - Reaching EU's 3% of GDP target for R&D spending requires a significant increase in investments, particularly in areas such as ICT, life sciences and green technologies. The EIB Group has a track record of supporting R&D investment at all levels, from SMEs to major projects. Building on the success of the Risk-Sharing Financing Facility, the EC and the EIB have again joined forces to launch InnovFin as a dedicated initiative for R&D support. While most operations in support of private-sector R&D were with established corporates, the EIB has systematically increased its lending to smaller and more risky projects. The Bank's approach of combining financing, the blending of loans with public grants, and providing technical advice, is critical in maximising the impact of public intervention and in ensuring a timely pipeline of sound investment opportunities.

Young innovative firms - The EU does not have widespread equity financing for innovative firms, particularly early stage financing, this contributes to fewer fast growing firms, weaker economic dynamism and slower spread of innovation throughout the economy compared to other leading economies. The EIB Group is targeting this gap, for example, through the EIF, which has grown to be the leading European investor in venture and growth capital funds, providing finance to seed, venture and growth capital funds, with a strong focus on ICT, life sciences and clean technology.

Human capital – To match US levels of spending on education, particularly in the tertiary sector, and ensure that Europe has leading research and teaching institutions the EU needs to raise education spending and make up for years of under investment. The focus of the EIB on education and university infrastructure is intensifying. Beyond its traditional lending to the construction and modernisation of educational facilities, the Bank has extended the range of its activities in support of vocational teaching. In the context of the EIB's "Skills and Jobs – Investing for Youth" programme the Bank raised its lending towards developing skills of young people in the EU. As part of the youth employment programme, the EIB also makes use of instruments designed to support youth employment, including through SME lending to regions where youth unemployment is over 25%, or with specific conditions to promote investment in young people's skills.

Support to SMES & MIDCAPS

The Bank continues to support SMEs and MidCaps with the provision of high volumes of intermediated loans across EU Member States. It will focus its intermediated lending activity on areas and counterparts where the key impact factors of the product provide for highest value added, notably through (i) long tenors and/or lower financing costs for final beneficiaries, which can be critical for company stability and sustained growth (ii) through continued cooperation with the private financial sector and enhanced collaboration with national and regional promotional institutions directly in support of national SME priorities and programmes, (iii) through specific outreach to smaller companies, particular sectors, regions or higher risk products. The Bank will further seek synergies by combining Loans for SMEs and MidCaps with risk sharing provided by EIF (e.g. under the Risk Sharing Initiative).

The Bank's Services will also continue to develop new and innovative financing solutions for both SMEs and MidCaps aiming to address specific EU and Member States policy priorities (e.g. youth unemployment, innovation, trade facilitation, microfinance and re-launching the European SME securitisation market). Some of these initiatives would combine EIB funding with EIF risk-sharing products and/or leveraging EU and/or Member States' (European Structural and Investment Funds - ESIF) contributions.

Building an efficient Infrastructure

Renewable energy and energy efficiency targets for 2020 - Considerable progress has been made towards reaching binding 2020 renewable energy targets across Europe. Nevertheless, significant further investment is required through to the end of the decade to meet the targets, as well as to maintain momentum for the deeper cuts in emissions recently agreed for 2030. This investment is taking place against a background of strained access to long-term debt finance, as well an evolving regulatory structure, notably through the further integration of renewables into wholesale power markets. Significant investment is also required in electricity networks to integrate renewable energy sources and increase energy storage capacities, as well as to modernise and smarten electricity distribution grids.

Meeting long term energy and climate targets will require new technologies that are not currently commercially available. Building on the European Strategic Energy Technology Plan (SET-Plan), the Bank will continue to play its role in reinforcing European innovation and demonstration activities in low carbon technologies, including in particular for projects successfully receiving support from the NER 300 programme.

Ensuring European security of supply – Recent events in Ukraine have served to remind Europe of the need to invest further to reduce risks in its supply of energy. In its conclusions, the October European Council stressed again that all efforts must be mobilised to achieve a fully functioning and connected internal energy market as a matter of urgency and no later than 2020 at least for Member States which have not yet attained a minimum level of integration in the internal energy market, which are the Baltic States, Portugal and Spain, and for Member States which constitute their main point of access to the internal energy market. Working in close cooperation with the Commission and the relevant Member States, the Bank will focus in the short term to support the recently-adopted 33 Projects of Common Interest, covering gas and electricity infrastructure predominantly in Eastern Europe and the Baltics as well as key missing cross-border interconnections that are required to ensure effective functioning of the internal energy market.

Alongside a more sustainable supply of energy, Europe also needs to invest substantially in reducing demand through energy efficiency, including in buildings (both residential and tertiary) and industry. The Bank will continue to reinforce its activities in this area, both through lending, blending – in particular together with ESIF funds, and through advisory programmes (e.g. JASPERS, ELENA, FI-compass).

Energy efficient transport– Transport is still 95% dependent on fossil fuels and produces almost 25% of man-made carbon emissions. The Bank will work on identifying market gaps and developing new financial instruments like: risk sharing tools for the commercialisation of new technologies; invest to save schemes, often only way that fiscally constrained entities can justify new investment (e.g. replacement of fleets of vehicles with electric or alternative fuel engines based on a whole life cost approach); support to vehicle engine technologies and alternative fuels in R&D but also in implementation such as maritime engine retro-fitting to comply with new EU legislation and electric vehicle charging infrastructure.

Urban development and renewal - The Bank will encourage investment in support of resilient cities and a more resilient urban infrastructure through the deployment of smart technologies that facilitate improvement in the performance of the key infrastructure and associated networks. The Bank's lending will place an emphasis on: (i) encouraging more mixed-use development, to accommodate higher densities and reduce the need for motorised travel; (ii) improving individual building performance, to reduce energy consumption and carbon emissions; and (iii) the promotion of cycling and walking for short journeys, and efficient and affordable public transport for longer ones, while encouraging use of renewals and green technologies. The pursuit of smart and sustainable cities will need to be coupled with investment in more equitable cities, in which funding for social and affordable housing will play an increasingly important role in EIB financing, with a direct and immediate impact in addressing economic disadvantage and mitigating urban poverty.

Transport (TENs) – The crisis has resulted in significant transport investment gaps across Europe, with different needs in different regions. The internal market is supported by TEN-T as transport is vital to the European economy to connect people, regions and businesses. In addition to completing and renewing the core structural networks, which in many mature economies are now ageing, improved links to ports, airports, and urban centres (the "last mile" issue) as well as multi-modal platforms for more efficient freight distribution (improved logistics) are needed.

Mobility for Europe's cities - Significant investment is needed to facilitate efficient mobility for both passengers and freight in Europe's growing cities, the reduction of congestion is a key target as it increases competitiveness. Promoting Sustainable Urban Mobility Plans will require further structuring of investment programmes in collaboration with the Commission to encourage the integration of new technologies into the transport mix by encouraging a multi-modal approach.

Digital market - The digital agenda remains one of the key priorities of the EU; the Commission will concentrate not just on completing the network, but creating a single digital market that includes digital services. The focus of EIB lending will be on the roll-out of fibre in less-densely populated regions and municipalities – translating into a larger number of smaller operations.

In October 2014, the EIB joined Multilateral Development Banks, the private sector and capital market institutions, to work as partners in a new Global Infrastructure Facility (GIF) that will increase the resources available to prepare major infrastructure projects in the developing world.

Protecting the ENVIRONMENT and CLIMATE

Climate action - In line with EU priority policy objectives and its global leadership in promoting low-carbon and resilient growth, supporting investment to mitigate and adapt to climate change is a priority of EIB lending across sectors and financial product types. The Bank has gradually built up a Climate Action strategy around four core objectives: (i) to provide climate finance solutions for both mitigation and adaptation projects; (ii) to catalyse private sector financial flows using EIB financial leverage and capacity to innovate; (iii) to integrate climate considerations across all EIB activities and practices; and (iv) to engage constructively with a wide range of external stakeholders in climate financing, harmonization of appraisal and reporting approaches and climate finance tracking. The Bank intends to launch a formal public consultation on its Climate Action strategy during 2015, taking stock of past accomplishments and new policy developments such as the 2030 Energy and Climate package in time for the UNFCCC's 21st Conference of the Parties to be held in Paris in December 2015.

Water - Water management, drinking water and wastewater management services are critical to Europe's competitiveness and present two sets of challenges. The first concerns threats from increased scarcity and flooding ("water security threats"), which are exacerbated by climate change and pose a threat for strategic infrastructure in transport and energy (which is the largest water user in the EU), for output and employment in agriculture and industry and generally for life in human settlements. The second comes from aging and climate-vulnerable infrastructure for drinking water/wastewater services, which could disrupt key services for Europe's people and industries, particularly SMEs. As the largest debt provider to the sector, EIB will need to accelerate its lending for water infrastructure to keep up with these needs. For water security investments, blending with EU Funds should be sought.

Waste - Improved solid waste management supports EU goals towards a resource efficient, green, and competitive low-carbon economy, which received additional support in the EU Communication Towards a circular economy: A zero waste programme for Europe (COM/2014/398). Increased investments in waste management, particularly in the form of recycling, and energy recovery, generate environmental benefits but also help create jobs, reduce dependence on imported raw materials and may help develop new markets. They therefore also support Europe's competitiveness. The Bank will increase its support for these investments, which will also help comply with EU targets in Member States, many of which are still lagging behind. The Bank needs to focus in particular on projects that contribute to increased materials and energy recovery from waste. Increased activities in this area may require the development of new lending products, including support to smaller projects and promoters (including SMEs). The potential resource-intensive nature of these activities would be justified by the high value added.

Supporting ECONOMIC AND SOCIAL COHESION

The Bank offers significant financial value added by supporting social and economic cohesion in the EU and its Member States, by addressing economic and social imbalances, promoting the knowledge economy/skills and innovation and linking regional and national transport infrastructure. As set out in Section 5, in this context EIB will also continue to enhance its co-financing with EU Operational Programmes during the 2015-2017 period. By blending EIB resources with EU funds, EIB will enhance the leverage of the EU budget; where necessary, the promotion and implementation of projects is supported through the provision of advisory services such as JASPERS.

There is scope for traditional standalone investment loans and structural programme loans catering to both national and regional investments and covering a wide range of priority areas: research and innovation, Trans-European Networks, environment, education, ICT and broadband, etc. Framework loans can also provide support to development strategies and investment programmes of European regions, typically small and mid-size schemes in a number of sectors under the responsibility of regions. These provide funding to regional roads, public infrastructure and services such as schools, health and social care facilities, ICT, cultural and tourism related infrastructure, very often in part co-financed with EU funds.

The crisis has furthermore raised the need for an urban framework in line with the Territorial Agenda2020. The increased risk for poverty makes it ever more important for the Bank to support retrofitting and new construction of social and affordable housing or other residential buildings within EU countries, regions and cities, with a particular focus on energy efficiency and enhanced living standards. In addition, municipal investment and framework loans dedicated to urban renewal and regeneration target smart and sustainable development, enhanced quality of public infrastructure and space and attractiveness of the cities as such. Resilient cities initiatives, including smart cities solutions will also play a key role in this context.

Glossary of Terms

ABS	Asset Backed Securities
ACP	African, Caribbean and Pacific States
ALA	Asia and Latin America
CEF	Connecting Europe Facility
COSME	Competitiveness of Enterprises and SMEs programme
EAFRD	European Agricultural Fund for Rural Development
EaSI	EU Programme for Employment and Social Innovation
EC	European Commission
EDF	European Development Fund
EEAS	European External Action Services
EFSI	European Fund for Strategic Investment
EFTA	European Free Trade Association
EFTA countries	Iceland, Liechtenstein, Norway and Switzerland
EIAH	European Investment Advisory Hub
ELENA	European Local Energy Assistance facility
EPEC	European PPP Expertise Centre
ERDF	European Regional Development Fund
EREM	EIB Group Risk Enhancement Mandate
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FLP	First Loss Piece
FYROM	Former Yugoslav Republic of Macedonia
H2020	Horizon 2020
IF	Investment Facility
IFI	International Finance Institutions
JASPERS	Joint Assistance to Support Projects in European Regions
JESSICA	Joint European Support for Sustainable Investment in City Areas
LGTT	Loan Guarantee for TEN Transport
MBIL	Multi-Beneficiary Intermediated Loans
MFF	Multiannual Financial Framework
Mid-caps	Companies of a size and development stage between SMEs (according to the Community definition of less than 250 employees) and larger companies
Neighbourhood & Partners Countries	Neighbourhood and Partnership countries include Mediterranean countries (excluding Turkey), Eastern Europe, South Caucasus, Russia, ACP/OCT, RSA, ALA
NPIs	National Promotional Institutions
OCT	Overseas Countries and Territories
3PA	3 Pillar Assessment Methodology (methodology for assessing value added of projects inside EU)
PF4EE	Private Finance for Energy Efficiency
PPP	Public Private Partnership
Pre-Accession Countries	Include Candidate countries (Turkey, Former Yugoslav Republic of Macedonia, FYROM, Iceland, Montenegro, Serbia), and Potential Candidate countries (Albania, Bosnia and Herzegovina, and Kosovo (under UNSCR 1244). (For the purposes of the Bank's reporting, the activities in EFTA countries are also included within this category except if otherwise stated)
RCR	Risk Capital Resources mandate
RDI	Research, Development and Innovation
ReM	Results Management Framework (for assessing value added of projects outside EU)
RSA	Republic of South Africa
RSI	Risk Sharing Initiative
RSFF	Risk Sharing Finance Facility
SMEs	Small and Medium-sized Enterprises
SMEI	SME Initiative
TA	Technical Assistance
TEN	Trans-European Networks
TFF	Trade Finance Facilities
TLTRO	Targeted Long Term Refinancing Operations
VC	Venture Capital

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