

BOARD OF GOVERNORS

Proposal from the Board of Directors

**Replacement of the capital of the United Kingdom in the European Investment Bank by capital
subscribed by the remaining Member States**

CONFIDENTIAL

EUROPEAN INVESTMENT BANK

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Proposal from the Board of Directors to the Board of Governors

Replacement of the capital of the United Kingdom in the European Investment Bank by capital subscribed by the remaining Member States

During its meeting of [July] 2018, the Board of Directors of the European Investment Bank decided to submit to the Board of Governors a proposal to increase, as of the withdrawal of the United Kingdom from the European Union and the European Investment Bank, the capital subscribed by the remaining Member States. As of the withdrawal of the United Kingdom from the European Union, the subscribed capital of the Bank would otherwise drop from EUR 243 284 154 500 to EUR 204 089 132 500. The Board of Directors proposes to restore the subscribed capital to its current amount of EUR 243 284 154 500. All remaining Member States would participate in the capital increase in proportion to their percentage share in the capital of the Bank, and the capital increase would be financed from the Bank's Additional Reserves. The Board of Directors therefore submits the following draft decision for the unanimous approval by the Board of Governors:

HAVING REGARD TO Articles 4(3) and 5(2) of the Statute,

WHEREAS the United Kingdom is expected to withdraw from the European Union as of 30 March 2019 in accordance with the provisions of Article 50 of the Treaty on European Union,

WHEREAS in accordance with Article 308 of the Treaty on the Functioning of the European Union, the members of the European Investment Bank are the Member States,

WHEREAS the withdrawal of the United Kingdom from the European Union will bring an end to the membership of the United Kingdom in the European Investment Bank and to its subscribed capital in the Bank,

WHEREAS, the withdrawal of the United Kingdom from the European Union should not affect the financing activity and the business model of the European Investment Bank,

WHEREAS the maintenance of the capital of the Bank requires an increase of the capital subscribed by the remaining Member States,

WHEREAS the paid-in portion of this increase of the capital subscribed by the remaining Member States should amount to EUR 3 495 903 950, to be funded entirely from the Additional Reserves of the Bank, in order to preserve the paid-in portion of the total subscribed capital at its current level,

WHEREAS the maintenance of the capital of the Bank should go in parallel with a further strengthening of the governance of the Bank,

WHEREAS the function of the Board of Directors should be strengthened, allowing the nomination of additional alternates, and better use should be made of alternate Board members and non-voting experts to enhance their support to the decision-making process of the Board of Directors, in particular regarding the analysis of financing proposals,

WHEREAS the use of qualified majority voting in the Board of Directors and the Board of Governors should be extended to crucial areas, namely the decision on the Bank's Operational Plan, the appointment of members of the Management Committee and the approval of the Rules of Procedure,

WHEREAS the Bank should take further initiatives to reflect, in line with best banking practice, the principles of "three lines of defence", at all relevant levels of the institution, including in the Management Committee,

WHEREAS in line with Member States' expectations, lending volumes should be kept sustainable and a framework for determining sustainable lending levels should be further developed,

WHEREAS the function of the Audit Committee shall be strengthened by making sure that the Committee has amongst its members knowledge on supervisory issues, the selection process for members of the Audit Committee should also be explored to ensure, *inter alia*, that the Audit Committee always includes members drawn from a banking supervisory authority from both inside and outside the euro area,

WHEREAS the Council is requested to adopt, in parallel, the necessary amendments to the Statute of the Bank in accordance with Article 308 of the Treaty on the Functioning of the European Union,

WHEREAS certain Member States expressed interest to subscribe additional capital in the Bank, and the Board of Governors calls upon the Board of Directors to put forward a proposal in this matter at the latest for the Annual Meeting in 2019,

THE BOARD OF GOVERNORS OF THE EUROPEAN INVESTMENT BANK HAS THEREFORE DECIDED UNANIMOUSLY AS FOLLOWS:

1. With effect from the withdrawal of the United Kingdom from the European Union, the capital subscribed by the remaining Member States shall be increased by EUR 39 195 022 000, in proportion to each Member State's share in the total subscribed capital of EUR 204 089 132 500. The subscribed capital of the Bank shall therefore be restored to EUR 243 284 154 500, subscribed by the Member States as follows:

Germany	46,722,369,149
France	46,722,369,149
Italy	46,722,369,149
Spain	28,033,421,847
Belgium	12,951,115,777
Netherlands	12,951,115,777
Sweden	8,591,781,713
Denmark	6,557,521,657
Austria	6,428,994,386
Poland	5,980,679,827
Finland	3,693,702,498
Greece	3,512,961,713
Portugal	2,263,904,037
Czech Republic	2,206,922,328
Hungary	2,087,849,195
Ireland	1,639,379,073
Romania	1,513,926,692
Croatia	1,062,312,542
Slovakia	751,236,149

Slovenia	697,455,090
Bulgaria	510,041,217
Lithuania	437,633,208
Luxembourg	327,878,318
Cyprus	321,508,011
Latvia	267,076,094
Estonia	206,248,240
Malta	122,381,664

2. With effect from the withdrawal of the United Kingdom from the European Union, Additional Reserves of the Bank to the amount of EUR 3 495 903 950 shall be drawn from free reserves, and be transformed into paid-in capital by way of transfer from the Bank's Additional Reserves to its capital. The amount shall be allocated to the paid-in capital of the Member States in proportion to each Member State's share in the total amount of EUR 243 284 154 500.

3. Consequently, from the withdrawal of the United Kingdom from the European Union, the first subparagraph of Article 4(1) of the Statute of the Bank shall be amended, and read as follows:

"The capital of the Bank shall be EUR 243 284 154 500, subscribed by the Member States as follows:

Germany	46,722,369,149
France	46,722,369,149
Italy	46,722,369,149
Spain	28,033,421,847
Belgium	12,951,115,777
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4. This decision shall take effect as of the withdrawal of the United Kingdom from the European Union. It shall be published in the Official Journal of the European Union.