

**EUROPEAN
INVESTMENT BANK**

ANNUAL REPORT 1958

**EUROPEAN
INVESTMENT BANK**

For its accounts and balance sheet, the European Investment Bank employs the unit of account as defined in Art. 4, para. 1 of its Statutes. The value of this unit of account is 0.88867088 g of fine gold.

In this report, conversions into units of account are made at the following par values:

1 unit of account =	{	50 Belgian francs
		4.20 Deutsche Mark
		493.706 French francs
		624.91 Italian liras
		50 Luxemburg francs
		3.80 Netherlands guilders
		1 United States \$

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BOARD OF GOVERNORS

- Belgium:* HENRI LIEBAERT, Minister of Finance, Chairman until June 26, 1958; Brussels.
JEAN VAN HOUTTE, Minister of Finance, as from June 26, 1958, Chairman from June 26 to 30, 1958; Brussels.
- Germany:* FRANZ ETZEL, Minister of Finance, Chairman as from July 1, 1958; Bonn.
- France:* PIERRE PFLIMLIN, Minister of Finance, of Economic Affairs and of Planning, until May 14, 1958; Paris.
EDGAR FAURE, Minister of Finance, of Economic Affairs and of Planning, from May 14 to June 1, 1958; Paris.
ANTOINE PINAY, Minister of Finance, as from June 1, 1958; Paris.
- Italy:* GIUSEPPE MEDICI, Minister of the Treasury, Minister of the Budget, until February 15, 1959; Rome.
FERNANDO TAMBRONI, Minister of the Budget, Minister of the Treasury ad interim, as from February 15, 1959; Rome.
- Luxemburg:* PIERRE WERNER, Minister of Finance, President of the Government as from March 7; Luxemburg.
- Holland:* HENDRIK JAN HOFSTRA, Minister of Finance, until December 31, 1958; The Hague.
JELLE ZIJLSTRA, Minister of Finance ad interim, as from January 1, 1959; The Hague.
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BOARD OF DIRECTORS

Chairman : PIETRO CAMPILLI

Directors

LEO DE BLOCK, Director General at the Ministry of Economic Affairs; The Hague.

JEAN-PAUL DELCOURT, Head of the Financing Department at the Commissariat Général au plan; Paris.

RAYMOND DENUCÉ, Financial Adviser of the Crédit Communal de Belgique; Brussels.

ROBERTO DUCCI, Minister Plenipotentiary.

RENÉ LARRE, Executive Director of the International Bank for Reconstruction and Development; Washington D.C.

Alternates

SJOERD BOOMSTRA, Director of External Finance at the Ministry of Finance; The Hague.

ROGER BOYER, Member of the Board of the Banque Française du Commerce Extérieur, Member of the Conseil National du Crédit; Paris.

RENÉ FRANCK, Commissary to the Government; Luxemburg.

MARIO PENNACHIO, Delegate of the Banca d'Italia, Representative of the Ufficio Italiano dei Cambi at Paris and at Brussels.

FRANCOIS BLOCH LAINÉ, General Manager of the Caisse des Dépôts et Consignations; Paris.

PIERRE LUCION, Chief of Cabinet of M. Jean Rey (Member of the European Economic Community Commission), Director until July 3, 1958,

replaced by:

FRANCO BOBBA, Director General at the European Economic Community Commission; Brussels.

HERBERT MARTINI, Member of the Managing Committee of the Kreditanstalt für Wiederaufbau; Frankfurt on Main.

ALFRED MUELLER-ARMACK, Secretary of State at the Federal Ministry of Economic Affairs; Bonn-Duisdorf.

PASQUALE SARACENO, Central Manager of the Istituto per la Ricostruzione Industriale; Rome.

PIERRE-PAUL SCHWEITZER, Director of the Treasury at the Minister of Finance and Economic Affairs; Paris.

LOUIS DUQUESNE DE LA VINELLE, Director at the European Economic Community Commission; Brussels.

WALTER DUDEK, Senator der Finanzen a.D., Hamburg-Harburg.

GÜNTHER BERGAN, Ministerialrat, alternate Director until July 4, 1958,

replaced by:

ERNST VOM HOFE, Ministerialrat at the Federal Ministry of Economic Affairs; Bonn-Duisdorf.

ALBERTO CAPANNA, Vice-General Manager of Finsider; Rome.

MAURICE PÉROUSE, Secretary General of the Conseil National du Crédit; Paris.

STEFANO SIGLIANTI, Chairman of the Istituto Mobiliare Italiano, Chairman of the Associazione Bancaria Italiana; Rome.

GIUSEPPE DI NARDI, Professor of Economics and Finance at the University of Rome.

JOACHIM VON SPINDLER, Director at the Federal Ministry of Finance; Bonn.

HANS SKRIBANOWITZ, Director at the High Authority of the E.C.S.C.; Luxemburg.



AUDIT COMMITTEE

Chairman

ADRIAAN M. DE JONG: Former Manager and Secretary and Vice-Chairman of the Nederlandsche Bank; Amsterdam.

Members

KARL BERNARD: Former Chairman of the Central Board of the Bank Deutscher Länder; Frankfort on Main.

RENÉ BRESSON: Président de Chambre Honoraire à la Cour des Comptes, Former President of the Commission de Vérification des Comptes des Entreprises Publiques; Paris.

ANNUAL REPORT 1958

The European Investment Bank, which came into being on January 1st 1958, began to establish itself in March, 1958. Its first financial year, which is the subject of this report and which ended on December 31, was in fact limited to three quarters.

I

Before giving an account of the Bank's activities and introducing its first balance sheet, a few words may be said about the reasons for its creation and the nature of its role.

The Treaty instituting the European Economic Community was signed in Rome on March 25, 1957; its principal object was the progressive integration of the economies of the six member countries: Belgium, Germany, France, Italy, Luxemburg and the Netherlands. During its preparation it was always evident that, by the very fact of the economic structures of the six countries, this integration would meet with a number of obstacles, among others: certain regions relatively less developed, low productivity in various sectors, sometimes inadequate communications, future lack of electrical power, etc.

To overcome these obstacles, as well as to give birth to the new activities and installations necessary on the scale of the Community, big investments

have to be made. The total volume of gross investment in the six countries of the Community is undoubtedly already considerable; it was estimated at about 30 thousand million units of account for 1958. Actually, these countries together form one of the regions of the world where the rate of investment, expressed in relation to gross national product, is very high and where banking machinery is the most developed. But if care were not taken the existence of inequalities of structure would give rise to the fear that the favourable factors might not in themselves be sufficient to enable the recessed sectors to be financed at the desired rhythm.

The six member countries therefore decided to found a bank between themselves. At Community level, and along the line of action of the Community, this bank would be able to examine these new problems of financing in common and help to solve them.

Accordingly, the European Investment Bank must, by its original vocation, work in close connection with the Commission of the European Economic Community and solely at the service of the Community. The projects it may facilitate are set out in Article 130 of the Treaty of Rome (Appendix I).

By choosing for this task, not a fund which would simply have distributed its allocations, but a bank which can itself make loans, by allocating a capital of a thousand million units of account, 250 million of which are paid up, the six member countries set aside more direct financial intervention methods which no doubt would not in the long run have enabled adequate resources to be raised. They particularly wished the promotion of investments which seemed to them necessary, to be carried out by existing banking houses, at the side of which this new institution would bring an additional source of financing which might prove decisive. Its statutes have been drawn up in this sense.

The first general lines of the Bank's credit policy, laid down by the Board of Governors at its meeting on the December 4, 1958 (Appendix II), confirm that selection of projects will be based on their economic utility and their financial rentability will be appraised in accordance with

Article 20 of the Statutes. In the initial stage, the bank will be able to devote part of its paid up capital to its loans. After the initial stage, its principal resources must come from loans floated on the markets of Community member countries and other countries.

The existence of a capital paid up in several currencies, and the necessity for floating loans on various markets and using the proceeds therefrom, as well as its capital, for granting loans in six countries, mean that right from the beginning of its activities the Bank has to face problems of a monetary nature. It is not vain to hope that the solutions the Bank finds to these problems may effectively contribute to the liberalisation of capital movements between the six countries.

SETTING UP THE ORGANS OF THE BANK

The Board of Governors of the Bank met in Brussels on January 25, 1958 to constitute the Board of Directors. The twelve directors to be appointed were nominated by the different member countries and the Commission in the statutory proportions: three by Germany, three by France, three by Italy, two by the Benelux countries and one by the Commission. The directors' alternates were appointed at the same time, except for the one to be nominated by the Commission, who was appointed later.

On February 13, 1958, the Board of Governors appointed the members of the Management Committee, on the proposal of the Board of Directors. Mr. Pietro Campilli was appointed President, with Mr. Hans Karl von Mangoldt-Reiboldt and Mr. Claude Tixier as Vice-President. As Mr. Tixier was unable to take office immediately, Mr. Paul Delouvrier was instructed to act ad interim. Mr. Tixier took office on August 15, 1958.

We set great store by paying Mr. Paul Delouvrier at this point a special tribute for the devotion with which he carried out his duties and the great competence which he showed.

The Board of Governors met again on the December 4, 1958. It then drew up the general lines of the Bank's credit policy, adopted the rules of procedure of the Bank and appointed the members of the Audit Committee.

The Board of Directors held its first meeting on February 6, 1958.

The first meeting of the Management Committee took place on February 24, 1958.

The Bank, after having enjoyed the very kind hospitality of the Banque Nationale de Belgique, has temporarily occupied new premises in Brussels at 11, Monts des Arts, until such time as the governments of the member countries make the decision provided for in the Statutes, regarding the situation of its headquarters.

CONSTITUTION OF DEPARTMENTS

The departments of the Bank include:

The Secretary's Office,
The Loans Department,
The Finance and Treasury Department,
The Research Department,
The Legal Department.

The Bank particularly wished to keep the size of its staff as small as possible, and adequate representation of the different nationalities was borne in mind. As at December 31, 1958, the total staff consisted of 66 persons, of whom 43 were for the translation, clerical and ordinary services.

Wishing to continue along these lines, the Bank proposes, when so required by its activities, to call upon the services of consulting engineers.

CALL UP AND PAYMENT OF THE CAPITAL

The capital of the Bank is divided up as follows:

Germany	30	%
France	30	%
Italy	24	%
Belgium	8.65	%
Holland	7.15	%
Luxemburg	0.2	%
	<u>100</u>	<u>%</u>

The first two instalments, a total of 100 million u.a., were paid up in the course of the financial year.

The Bank requested member countries to arrange for the part of their payments which had to be made in gold or convertible currencies, to be made in the proportions of one quarter in gold and three quarters in dollars, for these first two instalments.

Payments by the different member countries are divided up as follows (in u.a.):

<i>Country</i>	<i>Gold or US \$</i>	<i>National currencies</i>	<i>Total</i>
Germany	7,500,000	22,500,000	30,000,000
France	7,500,000	22,500,000	30,000,000
Italy	6,000,000	18,000,000	24,000,000
Belgium	2,162,500	6,487,500	8,650,000
Netherlands	1,787,500	5,362,500	7,150,000
Luxemburg	50,000	150,000	200,000
Total	25,000,000	75,000,000	100,000,000

The three instalments remaining to be paid, each amounting to 50 million u.a., will become due respectively on April 30, 1959, November 30, 1959 and June 30, 1960.

Part of the Bank's assets have been placed in the form of Treasury bills and part with different banks. This investment has been made so as to ensure that the Bank has sufficient liquidity, while allowing for yield necessities.

LOANS

In May 1958, the Bank's departments contacted the administrations and principal banking institutions of member countries, and then started examination of projects concerning which the Bank had been unofficially approached.

These projects concern power, transport, telecommunications and processing industries. They are situated mainly in southern Italy and certain regions of France.

Up to the present, four of them have been taken into consideration by the Board of Directors. The investments resulting from these ventures aggregate the exchange value of about 128.5 million u.a.

The first concerns a pump-storage hydro-electric power station, situated in the Grand Duchy of Luxemburg. This piece of work, of which the installed power is 320,000 kW, will be integrated in the connected circuits of the European network, in which it will supply current at peak-load times. It will be carried out by the *Société Électrique de l'Our*, a Luxemburg company of which the principal shareholders are the Grand Duchy of Luxemburg and the German company Rheinisch-Westfälisches Elektrizitätswerk A.G. (R.W.E.). In addition to a large contribution from the company, the financing of the project is assured by loans from the International Bank for Reconstruction and Development and the Dresdner Bank A.G. with the participation of the Deutsche Bank A.G. as well as by two bond

issues, one through the First Boston Corporation and Kuhn, Loeb & Co. on the New York market and the other on the Luxemburg market. The Bank assumes a further financial contribution of four million u.a.

The other three fall within the framework of the programme for the economic development of Southern Italy. Within this framework, the European Investment Bank and the International Bank for Reconstruction and Development have considered in conjunction with the floating by the Cassa per il Mezzogiorno of a loan on the New York market through Morgan, Stanley & Co. a joint operation in which each of them finances projects submitted to the two banks by the Cassa.

The projects approved for this operation after a study carried out in common by an E.I.B. mission and an I.B.R.D. mission concern the power and industrial sectors and bear on an aggregate financing of an exchange value of 40 million u.a. They are: the Mercure thermo-electric power station and the petrochemical block in the Augusta region, with the Sincat and Celene companies. The two banks will take equal shares in the financing.

The Mercure project will be carried out by the *Società Meridionale di Elettricità*. It relates to the working of the lignite bed of the Mercure basin (Lucania) and the construction of a thermal power station of an installed capacity of 210,000 kW. The financing of the project is ensured by auto-financing and contributions by the shareholders, by a 9 million u.a. loan from the International Bank for Reconstruction and Development and by a loan in the amount of 9 million u.a. from the Bank.

The project of the Sincat company, *Società Industriale Catanese, S.p.A.*, founded by the Edison company, concerns the building at Priolo (Sicily) of a cracking factory for the production of ethylene. The financing of the project is ensured by a contribution from the shareholders, by a 7 million u.a. loan from the International Bank for Reconstruction and Development and by a loan of 7 million u.a. from the Bank.

The project of the *S.p.A. Celene* Company, founded by the Edison Company and by the Union Carbide Corporation, relates to the construction at Priolo (Sicily) of a factory for the production of plastics derived from ethylene. The financing of the project is ensured by a contribution from the shareholders, by a 4 million u.a. loan from the International Bank for

Reconstruction and Development and by a loan of 4 million u.a. from the Bank.

The loans relating to these last three projects will be granted to the Cassa per il Mezzogiorno, it being incumbent on the latter to loan the respective amounts thereof to the *Società Meridionale di Elettricità* and to the Sincat and Celene companies through the Istituto Regionale per il Finanziamento alle Industrie in Sicilia.

II

The balance sheet and profit and loss account of the Bank, as at December 31, 1958, are enclosed with the present report. Their main items are analysed below:

BALANCE SHEET

The total of the balance sheet as at December 31, 1958, amounts to 251,592,299.16 u.a.

ASSETS

Owing by the member countries on capital account

As provided for in the Statutes, only the first two capital payments were made in the course of the financial year. The amount shown under this heading, i.e. 150 millions u.a., represents the amount of the three payments remaining to be made during financial years 1959 and 1960.

Due from France under Art. 7 of the Statutes

The sum of 3,359,053.77 u.a. represents the amount of the further payment which, following the devaluation of the French franc on December 29, 1958, had to be made by France in order to adjust the amount of the share of capital made in French francs for the first two instalments of capital. This payment was made on January 28, 1959, within the period laid down in the Statutes.

Cash and banks, gold assets and investments

As at December 31, 1958, the holdings of the Bank were made up as follows:

1 Cash and banks 63,120,245.11 u.a.

These assets are divided as follows, by currencies:

Belgian and Lux. francs	146,906,204.— = 2,938,124.08 u.a.
Deutsche Mark	77,649,351.55 = 18,487,940.61 u.a.
French francs	5,453,090.492.— = 11,045,218.18 u.a.
Italian liras	8,543,753,251.— = 13,671,973.96 u.a.
Netherlands guilders	11,621,769.99 = 3,058,360.27 u.a.
US Dollars	13,918,628.01 = 13,918,628.01 u.a.

They are made up of 5,281.43 u.a. in hand and 63,114,963.68 u.a. in bank deposits.

2 Gold assets 6,229,550.26 u.a.

Gold assets consist of 4,541,636.27 u.a. in short-term deposits and 1,687,913.99 u.a. in bills repayable in gold issued by one of the member countries.

3 Investments 28,239,318.07 u.a.

The investments are entirely constituted by Treasury bills issued by the different member countries, and divided up as follows, by currencies:

Belgian francs	190,000,000 = 3,800,000.— u.a.
Deutsche Mark	18,000,000 = 4,285,714.29 u.a.
French francs	4,100,000,000 = 8,304,537.52 u.a.
Italian liras	2,800,000,000 = 4,480,645.21 u.a.
Netherlands guilders	9,000,000 = 2,368,421.05 u.a.
US Dollars	5,000,000 = 5,000,000.— u.a.

As regards maturities, the total of these three items, viz. 97,589,113.44 u.a., is made up as follows:

At call	9,179,362.12 u.a.
Not exceeding 3 months	24,864,927.32 u.a.
Exceeding 3 months and not exceeding 6 months	10,986,643.86 u.a.
Exceeding 6 months and not exceeding one year	50,765,548.56 u.a.
Exceeding one year	1,792,631.58 u.a.

Furthermore, by the terms of the agreements made with holder banks, most of the time assets can, if necessary, be liberated at any time before due.

Furniture and equipment

Furniture and equipment expenditure during the financial year, to the amount of 68,922.72 u.a., has been amortized by debiting the profit and loss account by 68,921.72 u.a. The balance, of 1 u.a., is shown as p.m. in the balance sheet.

Accrued interest

Under this heading are shown interest on bank deposits, gold assets and investments, accrued but not yet received as at December 31, 1958, and amounting to 643,823.84 u.a.

LIABILITIES

Subscribed capital

The subscribed capital is 1,000,000,000 u.a. The amount paid up or to be paid is 250,000,000 u.a. Payment of the balance, 750,000,000 u.a. may be required provided that it is made necessary to meet the obligations of the Bank towards those who have provided its funds.

Statutory reserve

Article 24 of the Statutes provides that a reserve fund shall progressively be constituted, up to 10% of the subscribed capital. The balance of the profit and loss account, 577,174.57 u.a. has been entirely appropriated to this statutory reserve.

Provision for monetary risks not covered under art. 7 of the Statutes

As the capital of the Bank is nominated, and its books are kept, in a unit of account defined by a weight of gold, it is necessary progressively to constitute a provision intended to meet the monetary risks to which assets constituted otherwise than in the form of gold assets might be subjected following modifications of the par values. Actually, although the most important part of these risks is covered by the guarantee recognized by member countries under Art. 7 of the Statutes, this guarantee does not apply to all the Bank's assets. The amount transferred to this provision is 800,000.— u.a.

Interest received in advance

Under this heading are shown interest on investments received in advance and to the extent that they may refer to a period subsequent to December 31, 1958, amounting to 100,158.07 u.a.

Miscellaneous

The amount of 114,966.52 u.a. under this heading corresponds to various expenses and charges incurred during the financial year. It includes 29,775.72 u.a. in respect of the sums which have been set aside in the event of its being decided to set up a staff insurance fund.

PROFIT AND LOSS ACCOUNT

DEBIT

Administrative expenses

Administrative expenses, which amounted to 543,879.34 u.a. for the financial year, were made up of:

Expenses relating to the personnel: 461,823.66 u.a.

salaries and social benefits, establishment indemnities and removal costs, fees, sums set aside with a view to a system of insurance...

Overhead expenses: 82,055.68 u.a.

rent, heating, maintenance, documentation, postal, telegraph and telephone charges, transport, costs of missions...

Of this total, 56,019.52 u.a. represents expenditure inherent to the period of constitution; in addition by reason of the absence of a decision concerning the situation of provisional headquarters of the Bank in the first months of its existence special expenditure amounting to 58,740.80 u.a. was incurred in respect of the temporary fitting up of premises and the payment of living allowances to the staff.

Financial expenses

The sum of 17,406.07 u.a. under this heading represents miscellaneous charges incurred in investing the Bank's available funds.

Exchange differences

9,909.62 of the 10,975.09 u.a. shown under this heading represent the loss incurred by the Bank owing to the depreciation of its French franc holdings, to the extent that this depreciation was not covered by the guarantee provided for in Art. 7 of the Statutes.

RECEIPTS

Interest and commission from investments and deposits

The amount of interest and commission from the investments of deposits is 2,018,356.79 u.a.

The balance of the profit and loss account is 577,174.57 u.a.

The Bank was grieved to lose, on August 12, 1958, its technical adviser, Mr. Eugene Delachenal, aged 46 years. Though he had held office only a short time, Mr. Delachenal was esteemed and liked by everyone.

The Bank has met with the warmest welcome and a most valuable spirit of co-operation on the part of national administrations, central banks and particularly the Banque Nationale de Belgique, the International Settlements Bank, the commercial banks and the various organizations with which it has been in contact. It takes this opportunity of thanking them all most sincerely.

Brussels, April 25, 1959

President

A handwritten signature in cursive script, likely belonging to the President of the Bank, positioned to the right of the typed name.

**BALANCE AND PROFIT
AND
LOSS ACCOUNT**

REPORT OF PRICE WATERHOUSE & Co.

**60, rue Ravenstein
Bruxelles**

March 9, 1959

**The President,
EUROPEAN INVESTMENT BANK,
BRUSSELS.**

In our opinion, the accompanying statements present fairly the financial position of the European Investment Bank at December 31, 1958 and the results of its operations for the financial period then ended, in conformity with generally accounting principles. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

BALANCE SHEET AS

(in units of account of 0,88867088

The conversion rates used in the accounts of the Bank are:

4.20 DM = 493.706 Fr. fr = 624.91 It. liras

ASSETS

OWING BY THE MEMBER COUNTRIES		
ON CAPITAL ACCOUNT		150,000,000.—
DUE FROM FRANCE UNDER ART. 7 OF THE STATUTES		3,359,053.77
CASH AND BANKS		
Member countries' currencies		
At call or not exceeding one year	49,201,617.10	
Other currencies		
At call or not exceeding one year	13,178,628.01	
Over one year	740,000.—	
	13,918,618.01	
		63,120,245.11
GOLD ASSETS		6,229,550.26
INVESTMENTS		
Member countries' currencies		
Not exceeding one year	22,186,686.49	
Over one year	1,052,631.58	
	23,239,318.07	
Other currencies		
Not exceeding one year	5,000,000.—	
	28,239,318.07	
FURNITURE AND EQUIPMENT		1.—
ACCRUED INTEREST		643,823.84
MISCELLANEOUS		307.11
	<i>Total assets</i>	251,592,299.16

AT DECEMBER 31, 1958

(in fine gold — Art. 4 of the Statutes)

1 unit of account = 50 Belg. fr =

= 50 Lux. fr = 3,80 fls = 1 US\$

LIABILITIES

SUBSCRIBED CAPITAL	<u>1,000,000,000.—</u>	
of which paid up or to be paid up in accordance with Art. 5 para. 1 of the Statutes		250,000,000.—
STATUTORY RESERVE		577,174,57
PROVISION FOR MONETARY RISKS NOT COVERED UNDER ART. 7 OF THE STATUTES		800,000.—
INTEREST RECEIVED IN ADVANCE		100,158.07
MISCELLANEOUS		114,966.52
		<hr/>
	<i>Total liabilities</i>	<u>251,592,299.16</u>

PROFIT AND LOSS ACCOUNT FOR THE

(in units of account of 0.88867088 g

DEBIT

ADMINISTRATIVE EXPENSES	543,879.34
FINANCIAL EXPENSES	17,406.07
EXCHANGE DIFFERENCES	10,975.09
AMORTIZATION OF FURNITURE AND EQUIPMENT.	68,921.72
PROVISION FOR MONETARY RISKS NOT COVERED UNDER ART. 7 OF THE STATUTES	800,000.—
BALANCE APPROPRIATED TO THE STATUTORY RESERVE . . .	577,174.57
<i>Total:</i>	<u>2,018,356.79</u>

FINANCIAL YEAR ENDED DECEMBER 31, 1958

fine gold — Art. 4 of the Statutes)

CREDIT

INTEREST AND COMMISSION FROM INVESTMENTS AND DEPOSITS

2,018,356.79

Total:

2,018,356.79

STATEMENT BY THE AUDIT COMMITTEE

The Committee instituted in pursuance of article 14 of the Statutes and article 25 of the Rules of Procedure of the European Investment Bank in order to verify the regularity of its operations and of its books,

considering the 1958 annual report and the balance sheet of the Bank as at December 31, 1958 and the profit and loss account for the financial year ending on that date, as drawn up by the Board of Directors at their meeting of February 26, 1959,

considering articles 22, 23 and 24 of the Rules of Procedure,

hereby certifies:

that the Bank's operations during the 1958 financial year were carried out in compliance with the formalities and the procedures laid down by the Statutes and the Rules of Procedure;

that the balance sheet and the profit and loss account correspond to the book entries and that they reflect exactly the situation of the Bank as regards both assets and liabilities.

Brussels, the 18 March, 1959.

The Audit Committee,

A. M. DE JONG

K. BERNARD

E. BRESSON

APPENDIX I

ARTICLE 130 OF THE TREATY SETTING UP THE EUROPEAN ECONOMIC COMMUNITY

The task of the European Investment Bank shall be to contribute, by calling on the capital markets and its own resources, to the balanced and smooth development of the Common Market in the interest of the Community. For this purpose, the Bank shall by granting loans and guarantees on a non-profit-making basis facilitate the financing of the following projects in all sectors of the economy:

- a) projects for developing less developed regions,
- b) projects for modernising or converting enterprises or for creating new activities which are called for by the progressive establishment of the Common Market where such projects by their size or nature cannot be entirely financed by the various means available in each of the Member States; and
- c) projects of common interest to several Member States which by their size or nature cannot be entirely financed by the various means available in each of the Member States.

APPENDIX II

THE GENERAL LINES OF THE BANK'S CREDIT POLICY

I

The Board of Governors of the European Investment Bank,

In view of Art. 9, para. 2 of the Statutes of the Bank instructing the Board of Governors to lay down the general lines of the Bank's credit policy;

In view of Articles 2 and 130 of the Treaty, which set out the aim of the Community and the general scope of the Bank's action;

laid down, in the course of its meeting on December 4, 1958, the following general lines of the Bank's credit policy.

II

The Bank shall devote a large part of its resources to the financing of projects likely to contribute to the furtherance of less developed regions; these projects may be ascribable to the various sectors of economy. This already represents one of the major objectives of the European Economic Community.

The Bank shall finance projects of common interest for several member countries. It shall, in particular, assist schemes which are likely to contribute to a "rapprochement" of markets and the integration of member countries' economies.

The Bank shall participate in the financing of schemes for modernizing or converting enterprises or for creating new activities which are called for by the progressive establishment of the Common Market, as soon as the repercussions of the development of this market on the situation of the enterprises in question can be foreseen with sufficient accuracy.

III

Projects financed by the Bank must meet the conditions laid down in the Statutes and in particular those of Art. 20, as regards their being of economic utility and financial rentability.

Furthermore, the Bank shall observe the following principles:

- a) In the first period of its activities, it shall grant loans rather than provide guarantees for raising loans.
- b) It shall devote itself to the financing of specific projects.
- c) In order not to dissipate its resources, it shall employ them in general to finance schemes of some extent.
- d) The granting of loans shall be subordinated to the employment of other means of financing, whether the borrower's own or a third party's.
- e) Special attention shall be reserved for schemes for which there is an association of capital from several Community countries.
- f) In the conduct of these operations, the Bank shall conform to the general objective of the progressive unification of the capital markets of member countries.

IV

These general lines may be amended as required and in order to adapt them to the progressive establishment of the Common Market.

The Board of Directors and Management Committee are responsible for ensuring that the Bank is managed in conformity with these directives.

Brussels, December 4, 1958.