EUROPEAN INVESTMENT BANK

ANNUAL REPORT 1960
EUROPEAN
INVESTMENT BANK
For its accounts and balance sheet the European Investment Bank uses the unit of account as defined in Article 4 (1) of its Statute. The value of this unit of account is 0.88867088 grammes of fine gold.

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

\[
\begin{align*}
1 \text{ unit of account} &= \\
&= 50 \text{ Belgian francs} \\
&= 4.20 \text{ Deutsche Mark} (*) \\
&= 4.93706 \text{ New French francs} \\
&= 625 \text{ Italian lire} \\
&= 50 \text{ Luxembourg francs} \\
&= 3.80 \text{ Netherlands guilders} (*) \\
&= 1 \text{ United States dollar}
\end{align*}
\]

(*) From 5th March, 1961 onward the parity of the Deutsche Mark was raised to 1 unit of account = 4 Deutsche Mark; from 6th March, 1961 onward the parity of the guilder was raised to 1 unit of account = 3.62 guilders.

In the text the term "billion" is used to signify a thousand million.
BOARD OF GOVERNORS

Belgium: Jean Van Houtte, Minister of Finance; Brussels.

Germany: Franz Etzel, Minister of Finance; Bonn.

France: Antoine Pinay, Minister of Finance and Economic Affairs; Chairman until 12th January, 1960; Paris.

Wilfrid Baumgartner, Minister of Finance and Economic Affairs from 13th January, 1960;


Italy: Fernando Tambroni, Minister of the Budget, acting Minister of the Treasury until 24th March, 1960; Rome.

Paolo Emilio Taviani, Minister of the Treasury from 25th March, 1960; Chairman from 26th April, 1960; Rome.

Luxembourg: Pierre Werner, Minister of State, Prime Minister, Minister of Finance; Luxembourg.

Netherlands: Jelle Zijlstra, Minister of Finance; The Hague.
BOARD OF DIRECTORS

Chairman: Paride Formentini

Directors

Franco Bobba, Director-General at the Commission of the European Economic Community; Brussels.

Sjoerd Boomstra, Director at the Ministry of Finance; The Hague.

Jean-Paul Delcourt, Head of the Financing Department at the Commissariat Général du Plan; Paris.

Raymond Denucé, Financial Adviser to the Crédit Communal de Belgique; Brussels.

Alternates

Louis Duquesne de la Vinelle, Director at the Commission of the European Economic Community; Brussels; Alternate Director until 24th November, 1960, succeeded by:

Pierre Millet, Director at the Commission of the European Economic Community; Brussels.

Otto Willem Vos, Director 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.

Pierre Guill, Counsellor of the Government; Luxembourg.
ROBERTO DUCCI, Minister Pleni-potentiary, Ambassador of Italy in Helsinki.

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

HERBERT MARTINI, Member of the Board of Management, Kreditanstalt für Wiederaufbau; Frankfurt on Main.

ALFRED MUELLER-ARMACK, Under-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, Vice-Governor of the Banque de France; Paris.

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

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

MARIO PENNACHIO, Counsellor of the Banca d'Italia, Financial Counsellor to the Embassies of Italy in the Benelux countries; Brussels.

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

WALTER DUDEK, formerly Senator for Finance; Hamburg-Harburg.

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

ALBERTO CAPANNA, Deputy General Manager of Finsider; Rome.

MAURICE PÉROUSE, Director of the Treasury Division at the Ministry of Finance and Economic Affairs; Paris.

GIUSEPPE DI NARDI, President of Navalmeccanica; Naples.

HANS SKRIBANOWITZ, Director-General at the High Authority of the European Coal and Steel Community; Luxembourg.
MANAGEMENT COMMITTEE

PARIDE FORMENTINI, President

HANS KARL VON MANGOLDT-REIBOLDT, Vice-President

CLAUDE TIXIER, Vice-President

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DEPARTMENTS

Secretary's Office  JEAN FRÈRE, Secretary-General.

Arnold RIETZ, Head of Personnel and Administration.

Rudolf SPRUNG, Deputy Manager.

Loans Department  Günther BERGAN, Manager.

Finance and Treasury Department  Giandomenico SERTOLI, Manager.

Research Department  Alberto CAMPOLONGO, Manager.

Pierre BARRE, Deputy Manager.

Legal Department  Carel de VOS VAN STEENWIJK, Manager.

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Technical adviser  Henri JEANDET.
AUDIT COMMITTEE

Chairman

KARL BERNARD
Former Chairman of the Central Board of the Bank deutscher Länder; Frankfurt on Main.

Members

ADRIAAN M. DE JONG
Former Executive Governor and Vice-President of the Nederlandsche Bank; Amsterdam.

RENÉ BRESSON
Président de Chambre Honoraire à la Cour des Comptes, Former President of the Commission de Vérification des Comptes des Entreprises Publiques; Paris.
The most important event of the year 1960 in the establishment of the Common Market was the decision, taken on 12th May, to speed up the introduction of various measures provided for by the Treaty of Rome. This decision concerns the accelerated reduction of the customs duties and the widening or abolition of existing import quotas between the six countries, and the first approximation of the national customs tariffs towards the common external tariff.

The work of the Commission of the European Economic Community has been of immediate interest for the activity of the Bank in the field of regional economic development, where a first outline of a common policy was drawn up after the completion of a series of investigations into the characteristics and problems of the Community regions. The Commission also recommended to member Governments a list of investment projects, considered to be of common interest, for the improvement of the transport infrastructure. In connection with the conversion of regions or sectors in decline, a conference organized by the High Authority of the European Coal and Steel Community was held to seek the most effective means of joint action. Finally, a study group, which the Bank has been invited to join, was set up to consider export credits and aid to countries in course of development.

In the financial field the EEC Council drew up a first directive concerning the liberalization of capital movements. This requires the countries not only to consolidate the measures already taken but also to introduce further liberalization measures. The convertibility of currencies, re-introduced at the end of 1958, was further strengthened.
when on 15th February 1961 the six countries of the EEC accepted the obligations of Article VIII of the Agreement of the International Monetary Fund.

Various factors have supported the Governments and Communities in their work for the establishment of the Common Market; one should mention here in particular the increasing number of joint projects undertaken by the industries of the six countries and the growing interest in the Common Market shown by industrial federations and trade unions. Again, the attention paid by non-member countries to the progress made in establishing the Common Market, of which a sign is the scale of their investments in the Community, is also noteworthy. The action of the Governments and Communities has furthermore been greatly assisted by continuing economic expansion in all member countries.

* * *

In all Community countries expansion in 1960 was rapid. In Germany, the Netherlands, Italy and Luxembourg the real rate of growth of the gross national product over the preceding year was between 7% and 8%; in France, it is estimated to have been 6%; in Belgium, it is likely to have reached almost 5%, a figure far higher than in the preceding years. For the Community as a whole real growth can be estimated at about 7%.

Despite the strain which became apparent in certain sectors where the limits of capacity had been reached, the increase in prices was modest: the price index of the national product does not appear to have risen by more than 2% over the preceding year.

The aggregate gross national product of the Community, at current prices, may thus be estimated in 1960 at 178 billion units of account, as against 163 billion in 1959.

The economic expansion of 1960 was mainly due to stronger internal demand, and also to the further growth of intra-Community trade. On the other hand, community exports to non-member countries, which had risen steeply during the preceding year, have since the beginning of 1960 remained stable at the very high level then reached.
The growing volume of investment by business undertakings has been the most important factor in the expansion of internal demand. The rate of growth of gross investment, about 11%, has indeed been exceeded only once — in 1955 — during the last decade. The explanation for this is to be found in the efforts made by the undertakings to rationalize and modernize their equipment in view of the shortage of labour in various regions and the full utilization of existing plant capacity.

Since in 1960 investment increased much more rapidly than the gross national product, its share in this product rose to more than 21% compared with 20% in 1958 and an average of 18% for the period 1950-1955. The share of the gross national product devoted to investment in the Community is thus appreciably higher than in other industrial countries of the free world — higher, for example, than in the United States or in Great Britain, where it has in recent years been from 16% to 17%. There is, it is true, a difference between the Netherlands, Germany, Italy and Luxemburg, where this share is between 23% and 24%, and France and Belgium, where it is of the order of 17% to 18%; but taking the Community as a whole, investment as high as this promises well for the long-term expansion of the economy.

From the available information on the distribution of investment it appears that the increase in overall investment was mainly due to a rapid growth of investment in capital equipment in the industrial sector, while the construction of dwellings ceased to be a factor of expansion, since it levelled off in comparison with earlier years or even showed a slight tendency to decline in certain countries.

The overall total of gross investment by the six Community countries may be provisionally estimated for 1960 at about 37 billion units of account at current prices. Depreciation accounting for about 15 billion, net investment for 1960 would then be about 22 billion units of account.

As for the sources of finance for these net investments, the available figures bear only on the part represented by issues of securities on the capital markets: the net issues of government securities and
bonds represented 3,600 million in the six countries in 1960 (against 4,560 million in the previous year) and issues of shares 1,900 million (against 1,410 million) or a total of 5.5 billion (against 5.97 billion). These resources thus cover only about a quarter of the net investment in the Community; the proportion varies considerably from country to country: in Germany market issues covered only about one sixth of net investments in 1960 while in Italy they amounted to nearly half.

The remaining three-quarters of net investment, for which comparable statistics are not available, are financed, in the public sector, from Treasury funds other than those obtained from issues of securities and, in the private sector, from direct investments of private savings, self-financing of business firms, and funds made available by long-term credit institutions and other institutional investors. In view of the large increase of net investments and, at the same time, the decrease of funds available from issues on the capital markets, others forms of finance must have increased considerably in 1960 — by more than 3 billion for the Community as a whole.

* * *

In Belgium and in the Netherlands, and even more so in Germany and in Italy, the equity capital which business has been able to raise on the markets has been more plentiful in 1960 than in 1959; it has, however, fallen off in France.

The rate at which the fairly steady flow of bonds was offered to subscribers in the Netherlands hovered around 4.5% until July, and then fell slightly. In Italy the rate, after declining steadily, seems to have levelled out at 5.7% early in the year, and the same development occurred in France a few months later. Issues have, however, remained substantial both in France, where all capital resources were made available to public or private concerns, and in Italy, where a larger part of the market was made available to private business.

In Belgium, where issues were made almost exclusively by the State or by public bodies, the rate rose from 5.25% to 5.75%. In Germany, the issue of securities other than mortgage or communal bonds
was suspended for several months; when issues were once again permitted in September, their rate was 7% against 5.20% in mid-1959, but it declined gradually to about 6% at the beginning of 1961.

Except in the Netherlands, then, the rates offered to subscribers on the markets of the six countries were brought noticeably closer to each other during 1960; appreciable differences in the real cost to borrowers have persisted however on account of differences in fiscal systems and in conditions of issue in the different countries.

LOANS

The Bank's lending activity has continued against the background described in the Annual Report for 1959: the Bank can only consider projects which are in accordance with Article 130 of the Rome Treaty. Briefly, this means either projects of common interest, or conversion projects called for by the establishment of the Common Market, or, last and most important, projects which contribute to the economic expansion of regions where development is backward or is encountering difficulties.

The Board of Directors has thus approved five loans in 1960, totalling 41.3 million units of account. The loans are divided as follows: three, totalling 29.4 million, for projects in Italy, one, for 9.5 million, in France and one, for 2.4 million, in Germany. In the case of four of them, the action of the Bank enters new fields: mechanical engineering, iron and steel, agricultural development and processing industries of medium size; the fifth project is in the energy sector.

The total cost of these projects is estimated at 406 million units of account. This year the proportion of this total covered by the 41.3 million lent by the Bank has therefore been on average about 10%. After completion the industrial projects will ensure 6,500 permanent new jobs.
The projects concern:

- The construction by the Alfa Romeo Company of a factory near Naples where diesel engines will be manufactured, under a co-operation agreement of a more general nature reached between Alfa Romeo and a company belonging to another Common Market country. Loan by the Bank: 5 million units of account.

- The construction in West Berlin, by the “Berliner Kraft- und Licht (BEWAG)-Aktiengesellschaft” of a thermal power station of 100 MW. Loan by the Bank: 2.4 million units of account.

- The construction near the port of Taranto (in the south of Italy), by the “Ilva-Alti Forni e Acciaierie d’Italia” Company, belonging to the Finsider group, of an integrated iron and steel works, with an annual production of 2 million tons of steel. The High Authority of the European Coal and Steel Community is also taking part in this financing operation. Loan by the Bank: 24 million units of account.

- The construction, by the “Compagnie Nationale d’Aménagement de la Région du Bas-Rhône et du Languedoc”, of installations necessary for the development through irrigation of land in three Departments of the south of France: Gard, Hérault and Aude. Loan by the Bank: 9.5 million units of account.

- The construction in southern Italy of a garment factory. Loan by the Bank: 0.4 million units of account.

The three loans for Italian undertakings are granted, like the earlier ones, to the Cassa per il Mezzogiorno, which is responsible for lending the moneys either directly to the companies in question or through the intermediary of the ISVEIMER, a credit institution under public law for industry in southern Italy.

* * *
Between its establishment and the end of 1960 the Bank approved 12 loans totalling 93.5 million units of account, or an average of 7.8 millions per loan. The investments to which the Bank has thus given its support total about 689 million units of account; the Bank's share in their financing has averaged about 14% and varies between 8% and 57%, according to the nature and size of the projects.

The loans have been granted for projects in the following countries:

- **Italy**: 61.4 million units of account (66%)
- **France**: 25.7 million (27%)
- **Luxemburg**: 4.0 million (4%)
- **Germany**: 2.4 million (3%)

Ninety-three per cent of the money loaned goes to the less developed regions of the Community.

The loans are distributed by economic sector as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of projects</th>
<th>EIB loans (million u.a.)</th>
<th>Share of total loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>5</td>
<td>37.5</td>
<td>40%</td>
</tr>
<tr>
<td>Iron and Steel</td>
<td>1</td>
<td>24.0</td>
<td>26%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>3</td>
<td>17.1</td>
<td>18%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>9.5</td>
<td>10%</td>
</tr>
<tr>
<td>Processing industries</td>
<td>2</td>
<td>5.4</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Total**

12

93.5

100%

The Bank's total outlay on these loans was 33.3 million units of account at the end of December 1960 and 38.1 million units of account at the end of February 1961.

* * *

19
The Bank has deemed it useful to undertake a number of studies which also come into the field of credit and are partly related to the operations described above, but are of a more general character. Most of the studies undertaken by the Bank or on its initiative are connected with regional development. In the main they concern the problems raised by the development of agricultural regions and the social and economic difficulties and consequences involved in such development. Further, they have broached certain aspects of the questions raised by the financing of medium-sized firms by an international body such as the Bank.

The Bank has also taken part in the industrial conversion conference organized by the ECSC and, in connection with studies conducted by the Commission of the European Economic Community, has examined the conditions under which it might participate in projects to improve the infrastructure of transport. These various studies, which are necessarily long-term in nature, should yield practical results for the future guidance of the Bank’s activities.

**RESOURCES**

Of the capital subscribed by the member States — 1 billion units of account — the percentage which the Statute had fixed for payment (25%) is, after receipt of the fifth and last instalment on 30th June 1960, fully paid up. The breakdown of the payments made by the member States is as follows (in units of account).

<table>
<thead>
<tr>
<th>Country</th>
<th>In gold or US $</th>
<th>In national currencies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>18,750,000</td>
<td>56,250,000</td>
<td>75,000,000</td>
</tr>
<tr>
<td>France</td>
<td>18,750,000</td>
<td>56,250,000</td>
<td>75,000,000</td>
</tr>
<tr>
<td>Italy</td>
<td>15,000,000</td>
<td>45,000,000</td>
<td>60,000,000</td>
</tr>
<tr>
<td>Belgium</td>
<td>5,406,250</td>
<td>16,218,750</td>
<td>21,625,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4,468,750</td>
<td>13,406,250</td>
<td>17,875,000</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>125,000</td>
<td>375,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,500,000</strong></td>
<td><strong>187,500,000</strong></td>
<td><strong>250,000,000</strong></td>
</tr>
</tbody>
</table>
The expansion of the loans and commitments made by the Bank is bringing nearer the time when it will have to turn to the capital markets for the funds it needs.

In view of this the Bank has been studying the measures that will have to be taken in member countries to ensure that its operations will be accorded the same tax treatment as applies to the operations of similar institutions. In this field the Bank has been given effective support by the Commission of the European Economic Community.
The balance sheet and profit and loss account are enclosed with the present Report. Their main items are analysed below.

**BALANCE SHEET**

The balance sheet total as at 31st December 1960 amounts to 291,625,145.54 u.a. On 31st December 1959 this total was 287,467,751.08 u.a.

**ASSETS**

*Cash and banks, gold assets and investments*

As at 31st December 1960 the current assets of the Bank were made up as follows:

1. *Cash and banks* : 133,711,018.48 u.a.
   - Cash on hand : 3,314.70 u.a.
   - Banks : 133,707,703.78 u.a.
   - The corresponding total on 31st December 1959 was 106,519,180.68 u.a.

2. *Gold assets* : 8,506,128.06 u.a.
   - Metal and deposits on current account : 7,380,852.09 u.a.
   - Deposits at very short notice : 1,125,275.97 u.a.
   - The corresponding total on 31st December 1959 was 8,486,513.88 u.a.
3. Investments:

The investments are made up of 64,765,688.97 u.a. in Treasury bills or notes issued by public bodies and of 23,110,075.72 u.a. in other money market paper.

The corresponding total on 31st December 1959 was 87,461,925.16 u.a.

The total of these three items, viz. 230,092,911.23 u.a., was divided among the various currencies as follows:

- Belgian francs: 676,401,303.— = 13,528,026.06 u.a.
- New French francs: 246,087,548.06 = 49,844,957.92 u.a.
- Italian lire: 25,548,416,872.— = 40,877,466.99 u.a.
- Luxemburg francs: 19,383,845.— = 387,676.90 u.a.
- Netherlands guilders: 38,997,823.84 = 10,262,585.18 u.a.
- US dollars: 53,520,611.45 = 53,520,611.45 u.a.
- Gold: = 8,506,128.06 u.a.

The breakdown by maturities was as follows:

- At call: 14,913,502.98 u.a.
- Not exceeding 3 months: 64,995,792.52 u.a.
- Exceeding 3 months but not exceeding 6 months: 68,128,091.91 u.a.
- Exceeding 6 months but not exceeding 1 year: 79,624,571.44 u.a.
- Exceeding 1 year: 2,430,952.38 u.a.

Effective loans

The amount of 59,584,928.03 u.a. represents the total amount of loans for which the contracts had been signed by 31st December 1960. The amount actually paid out to borrowers is 33,278,870.03 u.a.

The breakdown by currencies of the Bank’s claims resulting from these paid-out loans is as follows:
Belgian francs  140,637,424.—  =  2,812,748.48 u.a.
Deutsche Mark  25,180,718.82  =  5,995,409.24 u.a.
New French francs  39,657,162.44  =  8,032,546.18 u.a.
Italian lire  3,838,418,819.—  =  6,141,470.11 u.a.
Netherlands guilders  13,902,112.24  =  3,658,450.59 u.a.
Currency of any Member State at
the option of the Bank  3,038,245.43 u.a.
US dollars  3,600,000.00  =  3,600,000.00 u.a.

The amount remaining to be paid out, viz. 26,306,058.00 u.a.,
is shown under Liabilities as "Undisbursed balance of effective loans".

The items concerning effective loans compare as follows:

<table>
<thead>
<tr>
<th></th>
<th>31st December 1959</th>
<th>31st December 1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans paid out</td>
<td>3,690,000.—</td>
<td>33,278,870.03</td>
</tr>
<tr>
<td>Loans to be paid out</td>
<td>30,437,484.78</td>
<td>26,306,058.00</td>
</tr>
<tr>
<td>Total loans</td>
<td>34,127,484.78</td>
<td>59,584,928.03</td>
</tr>
</tbody>
</table>

Furniture and equipment

Furniture and equipment, which have been fully amortized,
are entered under this heading solely pro memoria.

Accrued interest and commission

Under this heading are shown interest and commission, accrued
but not yet due for payment as at 31st December 1960; they amount to
1,925,884.59 u.a.

LIABILITIES

Capital

The subscribed capital is 1,000,000,000.— u.a. of which
750,000,000.— u.a. is guarantee capital and 250,000,000.— u.a. paid-up
capital.
Statutory reserve

The amount of the statutory reserve, which was 1,533,856.58 u.a. at the beginning of the financial year, has been increased to 4,528,407.27 u.a. by the allocation to this reserve of the balance of the profit and loss account.

Provision for risks on loans and guarantees

This provision is intended to cover the risks the Bank might run in connection with the repayment of its loans or through the guarantees given on loans made by third parties. The amount of this provision is 2,000,000.— u.a.

Provision for equalization of interest on borrowings and for issuing charges

The amount transferred to this heading, which was 3,100,000.— u.a. at the end of the preceding financial year, has been increased to 5,500,000.— u.a.

Provisions for monetary risks not covered under Article 7 of the Statute

This provision stood at 2,000,000.— u.a. on 31st December 1960, compared with 1,000,000.— u.a. at the end of 1959.

Undisbursed balance of effective loans

The amount of 26,306,058.— u.a. under this heading represents payments to be made by the Bank to its borrowers under loan contracts signed on or before 31st December 1960.

Interest received in advance

Under this heading is shown interest received relating to a period subsequent to 31st December 1960, amounting to 873,164.43 u.a.
Miscellaneous

The amount of 417,515.84 u.a. under this heading comprises various expenses and charges incurred, but not yet paid, and the sum which has been set aside for the staff provident fund.

PROFIT AND LOSS ACCOUNT

DEBIT

Administrative expenses

Administrative expenses amounted to 980,235.40 u.a. compared with 974,540.79 u.a. for 1959.

They were divided as follows:

| Expenses relating to staff | 683,399.34 u.a. |
| Overhead expenses          | 296,836.06 u.a. |

Amortization of furniture and equipment

Expenditure on furniture and equipment, carried out during the financial year and fully amortized, was 39,819.96 u.a. as against 49,465.28 u.a. for 1959.

CREDIT

Interest and commission from loans

This item is 1,206,962.23 u.a. compared with 80,775.82 u.a. for the preceding financial year, since it was only during the financial year 1960 that the first substantial disbursements on the loans granted were made by the Bank.

Interest from investments

The amount of interest earned on the investment of available funds is 8,206,615.93 u.a. compared with 5,206,491.08 u.a. for 1959. The increase reflects the growth in available funds consequent on the payment of the final instalments of the capital.
At the end of February 1961 the staff numbered 88 persons. Now that the Bank's period of organization is largely completed, it may be useful to indicate, for purposes of information, how the staff is distributed by nationality. Of the 33 managerial and administrative members of the staff 10 are German, 8 French, 7 Italian, 4 Belgian, 3 Dutch and 1 is from Luxembourg; of the 55 members of the staff performing clerical and other duties 6 are German, 7 French, 10 Italian, 25 Belgian, 3 Dutch and 4 are from Luxemburg.

* * *

The Board of Governors on 25th November 1960 appointed M. Pierre MILLET on the proposal of the EEC Commission to be an Alternate Director in place of M. Louis DUQUESNE DE LA VINELLE, who has resigned. Our thanks go to M. DUQUESNE DE LA VINELLE for his valuable and able assistance.


The Chairman of the Board of Directors

PARIDE FORMENTINI
In our opinion, the accompanying statements present fairly the financial position of the European Investment Bank at December 31, 1960 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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.

March 27, 1961.
<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND BANKS</strong></td>
<td></td>
</tr>
<tr>
<td>Member countries' currencies</td>
<td></td>
</tr>
<tr>
<td>At call or not exceeding one year</td>
<td>106,114,364.01</td>
</tr>
<tr>
<td>Other currencies</td>
<td></td>
</tr>
<tr>
<td>At call or not exceeding one year</td>
<td>27,596,654.47</td>
</tr>
<tr>
<td><strong>TOTAL CASH AND BANKS</strong></td>
<td>133,711,018.48</td>
</tr>
<tr>
<td><strong>GOLD ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>8,506,128.06</td>
</tr>
<tr>
<td><strong>INVESTMENTS</strong></td>
<td></td>
</tr>
<tr>
<td>Member countries' currencies</td>
<td></td>
</tr>
<tr>
<td>Not exceeding one year</td>
<td>59,570,855.33</td>
</tr>
<tr>
<td>Over one year</td>
<td>2,380,952.38</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td>61,951,807.71</td>
</tr>
<tr>
<td>Other currencies</td>
<td></td>
</tr>
<tr>
<td>Not exceeding one year</td>
<td>25,873,956.98</td>
</tr>
<tr>
<td>Over one year</td>
<td>50,000.00</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td>25,923,956.98</td>
</tr>
<tr>
<td><strong>EFFECTIVE LOANS</strong></td>
<td></td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
</tr>
<tr>
<td>Disbursed:</td>
<td></td>
</tr>
<tr>
<td>In member countries’ currencies</td>
<td>29,678,870.03</td>
</tr>
<tr>
<td>In other currencies</td>
<td>3,600,000.00</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY LOANS</strong></td>
<td>33,278,870.03</td>
</tr>
<tr>
<td>Undisbursed balance</td>
<td>26,306,058.00</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY LOANS</strong></td>
<td>59,584,928.03</td>
</tr>
<tr>
<td><strong>FURNITURE AND EQUIPMENT</strong></td>
<td>1.00</td>
</tr>
<tr>
<td><strong>ACCRUED INTEREST AND COMMISSION</strong></td>
<td>1,925,884.59</td>
</tr>
<tr>
<td><strong>MISCELLANEOUS</strong></td>
<td>21,420.69</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS u.a.</strong></td>
<td>291,625,145.54</td>
</tr>
</tbody>
</table>
DECEMBER 31, 1960

g. fine gold — Art. 4 of the Statutes)
of the Bank are:

1 unit of account =
625 Lit = 50 Lux. fr = 3.80 FIs = 1 US$

<table>
<thead>
<tr>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUBSCRIBED CAPITAL</td>
</tr>
<tr>
<td>of which paid up in accordance with Art. 5 (1) of the Statutes</td>
</tr>
<tr>
<td>STATUTORY RESERVE</td>
</tr>
<tr>
<td>PROVISION FOR RISKS ON LOANS AND GUARANTEES</td>
</tr>
<tr>
<td>PROVISION FOR EQUALIZATION OF INTEREST ON BORROWINGS AND FOR ISSUING CHARGES</td>
</tr>
<tr>
<td>PROVISION FOR MONETARY RISKS NOT COVERED UNDER ART. 7 OF THE STATUTES</td>
</tr>
<tr>
<td>UNDISBURSED BALANCE OF EFFECTIVE LOANS</td>
</tr>
<tr>
<td>INTEREST RECEIVED IN ADVANCE</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
</tr>
</tbody>
</table>

Total liabilities u.a. 291,625,145.54
### Profit and Loss Account for the

(in units of account of 0.88867088)

<table>
<thead>
<tr>
<th>DEBIT</th>
<th>Total u.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Expenses</td>
<td>980,235.40</td>
</tr>
<tr>
<td>Financial Expenses</td>
<td>166.16</td>
</tr>
<tr>
<td>Amortization of Furniture and Equipment</td>
<td>39,819.96</td>
</tr>
<tr>
<td>Provision for Risks on Loans and Guarantees</td>
<td>2,000,000.00</td>
</tr>
<tr>
<td>Provision for Equalization of Interest on Borrowings and for</td>
<td>2,400,000.00</td>
</tr>
<tr>
<td>Issuing Charges</td>
<td></td>
</tr>
<tr>
<td>Provision for Monetary Risks not Covered under Art. 7 of the Statutes</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td>Balance Appropriated to the Statutory Reserve</td>
<td>2,994,550.69</td>
</tr>
<tr>
<td>Total u.a.</td>
<td>9,414,772.21</td>
</tr>
<tr>
<td>Credit</td>
<td>Amount</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>INTEREST AND COMMISSION FROM LOANS</td>
<td>1,206,962.23</td>
</tr>
<tr>
<td>INTEREST FROM INVESTMENTS</td>
<td>8,206,615.93</td>
</tr>
<tr>
<td>EXCHANGE DIFFERENCES</td>
<td>1,194.05</td>
</tr>
</tbody>
</table>

Total u.a. 9,414,772.21
STATEMENT BY
THE AUDIT COMMITTEE

The Committee instituted in pursuance of article 14 of the Statute 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 1960 annual report and the balance sheet of the Bank as at December 31, 1960 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 March 24, 1960.

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

hereby certifies:

that the Bank's operations during the 1960 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.


The Audit Committee,
K. Bernard
A. M. de Jong
R. Bresson