

**EUROPEAN
INVESTMENT BANK**

ANNUAL REPORT 1961

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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 Statutes. The value of this unit of account is 0.88867088 gramme of fine gold.

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

$$1 \text{ unit of account} = \left\{ \begin{array}{l} 50 \text{ Belgian francs} \\ 4.00 \text{ Deutsche Mark (1)} \\ 4.93706 \text{ New French francs} \\ 625 \text{ Italian lire} \\ 50 \text{ Luxembourg francs} \\ 3.62 \text{ Netherlands guilders (1)} \\ 1 \text{ United States dollar} \\ 4.37282 \text{ Swiss francs} \end{array} \right.$$

(1) Until 5th March, 1961 inclusive, the parity of the Deutsche Mark was 1 unit of account = 4.20 Deutsche Mark; until 6th March, 1961 inclusive, the parity of the guilder was 1 unit of account = 3.80 guilders.

In the text the term « billion » is used to signify a thousand million.

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BOARD OF GOVERNORS

- Belgium :* JEAN VAN HOUTTE, Minister of Finance until 24th April, 1961, Brussels.
ANDRÉ DEQUAE, Minister of Finance from 25th April, 1961, Brussels.
- Germany :* FRANZ ETZEL, Minister of Finance until 13th November, 1961, Bonn.
HEINZ STARKE, Minister of Finance from 14th November, 1961, Bonn.
- France :* WILFRID BAUMGARTNER, Minister of Finance and Economic Affairs until 17th January, 1962, Paris.
VALÉRY GISCARD D'ESTAING, Minister of Finance and Economic Affairs from 18th January, 1962, Paris.
- Italy :* PAOLO EMILIO TAVIANI, Minister of the Treasury until 20th February, 1962, Rome;
Chairman until 8th May, 1961.
ROBERTO TREMELLONI, Minister of the Treasury from 21st February, 1962, Rome.
- Luxembourg :* PIERRE WERNER, Minister of State, Prime Minister, Minister of Finance, Luxembourg;
Chairman from 9th May, 1961.
- Netherlands :* JELLE ZIJLSTRA, Minister of Finance, The Hague.
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BOARD OF DIRECTORS

Chairman : PARIDE FORMENTINI

Directors :

FRANCO BOBBA, Director-General of Economic and Financial Affairs at the Commission of the European Economic Community, Brussels;

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

JEAN-PAUL DELCOURT, Head of the Financing Department at the Commissariat Général du Plan, Paris;

succeeded
on 2nd October, 1961, by :
JEAN R. SADRIN, Director of Exterior Finance at the Ministry of Finance and Economic Affairs; at present Joint General Manager of the Comptoir National d'Es-compte de Paris, Paris;

Alternates :

PIERRE MILLET, Director at the Commission of the European Economic Community, Brussels; succeeded
on 28th February, 1962, by :
ALAIN PRATE, 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;

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

ROBERTO DUCCI, Ambassador, Ministry of Foreign Affairs, Rome;

RENÉ LARRE, Financial Adviser at the French Embassy in the United States, Washington;

succeeded

on 2nd October, 1961, by :
MAURICE PÉROUSE, Director of the Treasury Division at the Ministry of Finance and Economic Affairs, Paris;

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

ALFRED MÜLLER-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, Vice-Governor of the Banque de France, Paris;

PIERRE GUILL, Government Adviser with the Ministry of Finance, Luxembourg;

MARIO PENNACHIO, Counsellor of the Banca d'Italia, Financial Adviser to the Embassies of Italy in the Benelux Countries and the Swiss Confederation, Paris;

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

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

ERNST VOM HOFE, Ministerial-dirigent 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; Alternate Director until 1st October, 1961;

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

GIUSEPPE DI NARDI, President of Navalmeccanica, Rome;

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

succeeded

on 2nd October, 1961, by :
FRITZ G. FECHNER, Ministerialdirektor at the Federal Ministry of Finance, Bonn;

HANS SKRIBANOWITZ, Director-General at the High Authority of the European Coal and Steel Community, Luxembourg; Alternate Director until 30th November, 1961.

MANAGEMENT COMMITTEE

PARIDE FORMENTINI, *President*

HANS KARL VON MANGOLDT-REIBOLDT, *Vice-President*

CLAUDE TIXIER, *Vice-President*

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 STEENWIJCK,
Manager *.

Technical Adviser

HENRI JEANDET.

* Until 31st December, 1961.

AUDIT COMMITTEE

Chairman

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

Members

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

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

ANNUAL REPORT 1961

I

The year 1961 ended with a significant event for the Common Market : the entering into the second of the three stages making up the transitional period, decided by the Council of European Economic Community to take effect from 1st January, 1962. This event confirmed the Community's progress towards its final objective : the economic integration of its Member States.

Other achievements during 1961 contributed to the strengthening of the Common Market. Agreement was reached on the first measures to be taken in order to implement a common agricultural policy; it was the necessary preliminary before passing to the second stage. It is also important for the Bank to note that, in April 1961, the Commission submitted to the Council its conclusions on the direction to be followed in a common transport policy; in particular they deal with investments of common interest in this field. The Commission continued its research into regional development; the conference it organised in 1961, with the co-operation of national personalities responsible for policy at regional level as well as the Bank, made it possible for the first time to bring face to face the policies and experiments carried out in each country.

The year was marked by outstanding events in international relations of the Community. It was thus that, on the 9th July, 1961, an agreement was signed forming an association between the European Economic Community and Greece. This agreement in particular includes clauses covering financial aid destined to favour accelerated development of the Greek economy by contributions towards the finance

of investment projects. Within this general framework the six Governments have instructed the Bank to provide loans according to its usual rules. On the other hand, at the beginning of August 1961, the United Kingdom, Denmark and Eire asked to be admitted members of the Community. In December 1961, Austria, Sweden and Switzerland requested that negotiations should be opened with a view to their being associated with the Common Market.

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The rapid expansion of the Community's economy continued in 1961. It is true that the rythm slowed down somewhat during this third year of boom conditions; but the reason lies less in the slackening of demand than in the difficulties encountered in increasing output because of built-up pressures on the labour market and the thinning out of available productive capacity. This conflict between a constantly high demand and a supply having limited possibilities for expansion, explains also why price increases were somewhat more marked than in previous years.

According to preliminary estimates the gross national product of the Community as a whole was, at constant prices, 5% higher than that for the previous year (7% in 1960). Taking into account the rise of about 3% in prices and the modifications in parities that took place during the year, the gross national product, at current prices, reached close on 200 billion units of account in 1961.

Not all countries in the Community, however, experienced the same degree of economic expansion in 1961. The growth was more particularly marked in Italy where the national product increased by 7.9% in real terms, a rate even higher than that for the previous year (6.9%), output being less fettered by restrictive factors. Nevertheless, a certain shortage of skilled labour also made its appearance and drew more attention to the necessity for accelerating professional training and the finding of work for the still considerable number of workless and underemployed in Southern Italy. On the other hand, the rythm of growth slowed down in Germany and even more so in the Netherlands, where the rates of expansion in the national product in 1960 were particularly high, being 9 and 8% respectively. These two countries have had

to face up to a shortage of labour that was only partly remedied by the immigration of foreign workers. The Netherlands have also felt the effect of a reduction in working hours which, coming into force in the first half-year, for several months weighed heavily against the expansion of industrial production. The rate of real growth for 1961 is estimated at 5.3% for Germany and 2.5% for the Netherlands. In France the estimated increase in the national product was 4.5% in 1961 against 6% the previous year. In Belgium and Luxembourg the 1960 figure was exceeded by from 3 to 4%.

Among the demand factors that exercised a strong influence on economic growth, one should take note of investments, particularly those of business firms which, again this year, rose still faster than other categories even though their expansion was somewhat less than in 1960. The role of private consumption has become more important. Notable wage increases took place in several of the six countries, caused by growing pressure on the labour market; together with a further increase in employment, they contributed to a notable rise in personal incomes and therefore of the demand for consumer goods by the private sector. Public consumption went up in roughly the same degree as the national product. On the other hand, inventory accumulation in 1961 remained below the rate of overall economic development: for the Community as a whole it was about one fifth less than in the previous year.

Demand from outside the Community also played a less active part; the current balance of payments surplus did not rise any higher in 1961, the rate of increase in trade with third countries diminished appreciably. Commodity exports were affected, particularly during the first half-year, by a weakening in the American market situation and by hesitant demand, sometimes even in retrogression, from certain other overseas countries. Exports therefore exceeded those of the previous year by only 5% in value whereas for 1960 the rise was 14%. Likewise, imports rose by only 5% as against 20% in 1960. On the other hand, trade within the Community continued to rise considerably, reaching almost 12 billion units of account in 1961, i.e., an expansion of 16% over 1960 and of 70% over 1957, the last year before the Common Market came into being.

In the first four years of the Common Market's existence the gross national product of the E.E.C. countries has risen in real terms by 21%.

It is in Italy (30%) and in Germany (26%) that the national product has expanded most during these four years. The increase was 18% in the Netherlands, 15% in France, 14% in Luxembourg and 10% in Belgium. Taking into account the evolution of their populations, the rise in the real per capita national product was 27% in Italy, 20% in Germany, 11 to 12% in France, the Netherlands and Luxembourg, and 7% in Belgium. Between 1957 and 1961 the per capita product in the Community rose on the average by 16%.

Thus the difference between the various countries was somewhat reduced with regard to the per capita product. It seems, however, that the same does not yet apply to the regional differences that exist within each country : the few known facts indicate that in certain countries it is the already well developed regions that played the biggest part in the general expansion whereas the rate in the less developed districts remained below average.

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According to provisional estimates, overall gross fixed investment in the six Community countries amounted to 44 billion units of account. After deducting an estimated 18 billion for depreciation, net investment would then be 26 billion units of account.

The rate of increase in the Community's gross investment in 1961 — about 9% in real terms (13% at current prices) — exceeded the rate of increase of the national product; the share of investment in the national product rose from 21% in 1960 to 22% in 1961.

The greatest expansion in the volume of investment was in Italy where it amounted to 11% (1960 : 15%), the expansion being most marked — as in all Member States — in the industrial sector. The most notable increases in investment took place in iron and steel (where the volume almost doubled compared to the previous year), chemicals and energy. Residential construction and public works, which in the previous

year hardly contributed to the growth in investment, showed increased importance. On the other hand, agricultural investment lagged, whereas in the previous year it had risen above average at the rate of some 20%. The falling off of investments in this sector is explained by the reduction in expenditure on agricultural improvement, representing nearly 3/4 of the sector's investment.

In Germany, gross investment rose in value by nearly 15%, almost reaching the same rate as in 1960, but, because of price increases, mainly in building, the rise in real terms was only 9% (against 12%). In industry, where the overall rate of increase was about 13% in real terms, the growth of investment appeared mainly in the basic industries, particularly steel and chemicals, and in the electrical, mechanical and automobile sections of the investment goods industry; however, investment tended to remain stable and even to fall slightly in most branches of the consumer goods industry. Total residential construction, in volume, was hardly above that of the previous year, while expenditure went up by a tenth, due to a considerable rise in building costs.

In France the volume of investments rose in 1961 by 8%, an even greater rate of increase than that of the previous year (6%). The increase was mainly due to the strong investment activity in the public sector and in private industry, notably in iron and steel, mechanical construction and the electrical industries. The volume of investment in nationalised undertakings was very much the same as in the preceding year: there was a slight fall in the energy sector following the completion of the Lacq and Charbonnages investment programmes; in transport, investments hardly exceeded the 1960 level. In housing the rise was also slight.

In Belgium, the real rate of increase of about 10% also exceeded that of last year (6%). Almost the entire increase in investment took place in private industry and residential building. The growth in industrial investment, which rose by 15 to 20%, benefited largely from the measures taken within the framework of the laws of July 1959 to aid economic revival, as well as from the investment activity of foreign undertakings in Belgium. On the other hand, investment in public undertakings reached only about 40% of the 1960 level. Investment

in other fields rose only slightly: in transport the previous year's figure was barely exceeded and in the public sector and in agriculture there was no variation.

In the Netherlands investment exceeded by about 7% that for the previous year (1960: 10%). Only a considerable increase in the import of investment goods allowed a good part of the demand for industrial investment to be satisfied, as the domestic industry had reached the limit of its productive capacity and could scarcely continue to raise internal supply. The industrial sector, in which the volume of investment rose by 16%, absorbed about two thirds of supplementary investments. In the public sector they rose by nearly 10%. Housing was only slightly above the level for last year and in transport, investments fell by 10% following the reduction of investment in ships and aircraft.

* * *

The capital markets, as in the previous year, furnished a sum equivalent to about one quarter of the net investment figure for the Community. This proportion, moreover, remains variable as between one country and another although the differences are smaller than in the preceding year : the two extreme positions still being occupied by Germany, where the proportion is about one fifth, and Italy, where it is about two fifths. In 1961 the net issue of State bonds and debentures by the Six reached 4.8 billion units of account (against 3.63 the previous year) and the issue of shares 2.0 billion (against 1.87) being a total of 6.8 billion (against 5.50).

Another important part of investment finance was obtained through the banks and the medium and long term credit institutions; the total amount of credits outstanding to the economy increased substantially everywhere. The increase in medium and long term credits alone in 1961 exceeds the whole of the resources raised by the market issue of securities. These credits come to about 8 billion units of account after deducting bond issues by financial institutions.

As for other sources of investment finance, notably the self-financing of enterprises, comparable data for the six countries are not yet available.

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The funds which companies were able to attract by the issue of shares in 1961 were more plentiful than in the previous year. This applied to Germany and above all to France, where 1960 had marked a pause in capital increases. They remained at a high level in Italy and decreased in Belgium and the Netherlands.

As regards debentures, the most advantageous market for borrowers is still to be found in the Netherlands. At the end of 1961 the rate of yield offered to subscribers to the new issues made by the State and the Bank voor Nederlandsche Gemeenten hardly exceeded 4%. The Dutch authorities decided to allow, from May 1961, the issue of debentures on behalf of foreign public or private borrowers. These issues, most of which produced rates of 4.5 to 5% for the subscribers, induced a net raising of 432 million guilders on the market.

The previous report observed that in France and Italy, following a continuous lowering of real issue rates from the beginning of 1959, a level at 5.7% seemed to have been reached in 1960. At this rate, which continued all through the year, larger sums were collected both in France, where again only private and public economic concerns found access to the market, as well as in Italy, where issues by specialised long term credit institutions predominated.

It should be noted that it is at very much the same level of 5.75% that the actual yield is to be found in the most recent loans raised in Belgium, where a particular effort was made in 1961 to introduce longer term bonds and allow more freedom on the market for issues by semi-state financial institutions.

On the German debenture market sums subscribed in 1961, particularly to issues of mortgage-loan and communal credit institutions and of public authorities, almost doubled in comparison with 1960, thus regaining the 1959 level. The first half-year showed a slight fall in rates, but the yield for the subscriber at the end of the year had again risen to 6% after being 5.4% in July, as against 6.2% at the end of 1960.

Thus the rates offered to investors on the various Community markets, with the exception of the Netherlands, remained very similar; but the real cost to borrowers was still very varied from country to country on account of differing fiscal systems and conditions of issue.

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LOANS

With regard to loans, the Bank's activity showed a considerable increase in comparison with previous years, as much as regards the size and number of its loans as in the widening of its field of activity. It thus, for the first time, approved loans for the improvement of the transport infrastructure, following the line of general policy laid down by the E.E.C. Commission. The Bank also granted its first loan to a Belgian undertaking.

During 1961 the Board of Directors approved ten loans for a total of 66.2 million units of account, as against five in 1960 for a total of 41.3 million. The loans were allotted as follows : four loans totalling 24.4 million in Italy, four loans totalling 12 million in France, one for 25 million in Germany and one for 4.8 million in Belgium.

The total cost of the projects, for which loans have been approved in 1961 is estimated at 325 million units of account. With loans totalling 66.2 million the Bank's participation in the projects therefore averaged about 20%.

These projects are:

- The construction by *Progil-Bayer-Ugine (P.B.U.)*, at Pont-de-Claix (Isère, France), resulting from a Franco-German co-operation, of a chemicals factory for the manufacture of primary products for the production of synthetic foam and varnish. Loan by the Bank: 2 million units of account.

- Electrification and modernisation of the Genoa-Modane railway line by conversion of the electric power. Loan by the Bank to the *Amministrazione delle Ferrovie dello Stato (FF.SS.)* : 21 million units of account.

- Modernisation of the Modane-Chambéry railway line, including increasing the frontier station's capacity. Loan to the *Société Nationale des Chemins de Fer Français (S.N.C.F.)* : 4 million units of account.

- Electrification of the « North-South » rail link between the big Northern ports and Southern Germany, an international line of communication between Scandinavia and Italy, Switzerland and Austria. Loan to the *Deutsche Bundesbahn (D.B.)* : 25 million units of account.

- The reclamation and improvement of waste land and the financing of agricultural schemes in the forest areas of South-West France. Loan to the *Compagnie d'Aménagement des Landes de Gascogne* : 1 million units of account.

- The construction of a paper pulp factory in the Borinage district of Belgium. Loan to *Cellulose du Borinage* : 4.8 million units of account.

- The construction of an industrial confectionery factory at Patti (Sicily) by *S.p.A. Tyndaris per l'industria dolciaria ed affine*. Loan by the Bank: 0.4 million units of account.

- The mining of potash and the production of fertilizers at Pasquasia (Sicily) by the *Sali Potassici Trinacria Company*. Loan by the Bank: 1.6 million units of account.

- The construction of a factory at Patti (Sicily), by *W.E.S.P.A., Walworth Europa S.p.A.*, for the production of steel valves for industrial use. Loan by the Bank : 1.4 million units of account.

- Extension and strengthening of the rural electrical grid system in Brittany. Loan by the Bank to *Electricité de France, Service National*: 5 million units of account.

These loans were made direct to the beneficiaries except in the case of the three Italian industrial projects. As in the past, the latter were granted to the Cassa per il Mezzogiorno which in turn lends the amounts through the competent regional financial institute. In these particular cases it is the Istituto Regionale per il Finanziamento alle Industrie in Sicilia (IRFIS), a public authority which grants loans to industry and which is itself taking part in the financing of these schemes.

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From its formation until the end of 1961 the Bank approved 22 loans totalling 160.2 million units of account, i.e. an average of 7.3 million per loan. The investments in which the Bank has participated amounted to 1,013 million units of account: the Bank's share averaged about 16% and varied between 8 and 63% in the total of each project according to its type and importance.

Loans have been granted for projects in the following countries :

DISTRIBUTION OF LOANS BY COUNTRY
as at 31st December, 1961

<i>Country</i>	<i>Number of projects</i>	<i>EIB loans (million u.a.)</i>	<i>Share of total</i>
Belgium	1	4.8	3%
Germany	2	27.4	17%
France	7	37.8	24%
Italy	11	86.2	54%
Luxembourg	1	4.0	2%
Total	22	160.2	100%

The loans are distributed by economic sector as follows :

DISTRIBUTION OF LOANS BY SECTOR
as at 31st December, 1961

<i>Sector</i>	<i>Number of projects</i>	<i>EIB loans (million u.a.)</i>	<i>Share of total</i>
Agriculture	2	10.5	6%
Transport	3	50.0	31%
Energy	6	42.6	27%
Industry	11	57.1	36%
— Iron & Steel	1	24.0	
— Engineering	2	6.4	
— Chemicals	5	21.1	
— Others	3	5.6	
Total	22	160.2	100%

Twenty-one loan agreements had been signed by the 31st March, 1962 : five in 1959, four in 1960, seven in 1961 and five during the first quarter of 1962. The total disbursed in respect of these loans reached 92.2 million units of account at the end of December, 1961 and 107.7 million by the end of March 1962.

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RESOURCES

As foreseen in the last Annual Report, it was in 1961 that the Bank approached the capital markets for the first time in order to obtain the funds needed to carry out its tasks.

The operations thus realised during the year, totalling 21.4 million units of account, allowed the Bank, in particular, access to the Netherlands capital market. A loan of 20 million guilders was obtained in

March 1961 from a group of Dutch banks. The relative bonds, issued at par, for a maximum of 7 years, carrying interest at 4 1/2%, will remain part of the said banks' portfolios and will not be offered to the public.

A second operation in the Netherlands was launched in July with an offer to the public of 50 million guilders at par of 20-year bonds with interest at 4 1/2%, redeemable in equal installments over the years 1967-1981.

The Bank, moreover, borrowed during the year from a Swiss bank the sum of 9 million Swiss francs for a maximum term of six years.

The year 1961 on the other hand enabled the fiscal system applicable to the Bank's operations to be defined in all countries of the Community. The Bank will thus be able to enjoy conditions similar to those of analogous institutions.

Finally, the revaluation of the Deutsche Mark and the Netherlands guilder, on the 6th and 7th March, 1961 respectively, led to a revaluation of the Bank's assets in these currencies. The relative adjustments in favour of the German Federal Republic and the Netherlands, in respect of their share in the paid-up capital in these currencies, were duly made in accordance with Article 7 of the Statutes.



II

The balance sheet and profit and loss account are enclosed with this Report. Their main items are analysed below :

BALANCE SHEET

The balance sheet total as at 31st December, 1961 amounts to 351,177,185.56 u.a. On 31st December, 1960 this total was 291,625,145.54 u.a.

ASSETS

Cash and banks, gold assets and investments

As at 31st December, 1961 the current assets of the Bank were made up as follows :

1. Cash and banks :	143,841,597.06 u.a.
Cash on hand	3,399.81 u.a.
Banks	143,838,197.25 u.a.
The corresponding total on 31st Decem- ber, 1960 was	133,711,018.48 u.a.
2. Gold assets :	8,506,128.06 u.a.
Metal and Deposits at sight	1,754,472.10 u.a.
Deposits at short notice	6,751,655.96 u.a.
The total shows no change from that for 31st December, 1960.	

3. Investments : 50,875,745.29 u.a.

The investments are made up of 29,030,034.47 u.a. in Treasury bills or notes issued by public bodies and of 21,845,710.82 u.a. in other money market paper.

The corresponding total on 31st December, 1960 was 87,875,764.69 u.a.

The total of these three items, viz. 203,223,470.41 u.a., was divided up as follows :

Currencies of Member Countries	147,581,121.18 u.a.
Other currencies	47,136,221.17 u.a.
Gold	8,506,128.06 u.a.

The break-up by maturities was as follows :

At call	11,374,821.89 u.a.
Not exceeding 3 months	71,212,001.63 u.a.
Exceeding 3 months but not exceeding 6 months	45,928,240.50 u.a.
Exceeding 6 months but not exceeding 1 year	71,658,406.39 u.a.
Exceeding 1 year	3,050,000.— u.a.

Effective loans

The total amount of loans was 146,609,856.79 u.a. for which the contracts had been signed by 31st December, 1961. The amount actually paid out to borrowers is 92,150,963.69 u.a.

Amounts due to the Bank as a result of these payments are made up as follows :

Currencies of Member Countries	67,807,351.74 u.a.
Currency of any Member State at the Bank's option	14,589,239.34 u.a.
Other currencies	9,754,372.61 u.a.

The amount remaining to be paid out, viz., 54,458,893.10 u.a. is shown under Liabilities as « Undisbursed balance of effective loans ».

The items concerning effective loans compare as follows :

	31st December, 1960	31st December, 1961
Loans paid out	33,278,870.03	92,150,963.69
Loans to be paid out	26,306,058.—	54,458,893.10
Total loans	59,584,928.03	146,609,856.79

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, 1961; they amount to 1,321,570.80 u.a.

LIABILITIES

Capital

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

Statutory reserve

The amount of the statutory reserve, which was 4,528,407.27 u.a. at the beginning of the financial year, has been increased to 10,256,538.26 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 which was 2,000,000.— u.a. on 31st December, 1960 has been raised to 6,000,000.— u.a.

Provision for equalization of interest on borrowings and for issuing charges

The amount remains unchanged at 5,500,000.— u.a.

Provision for monetary risks not covered under Article 7 of the Statutes

Unchanged from the previous year.

Amounts due under Article 7 (2) of the Statutes

Under this heading appear the amounts due to the Federal German Republic and the Netherlands on account of the adjustments to their share of the paid-up capital in their currency following the revaluation of the Deutsche Mark and the guilder. The adjustments are made according to the loans granted by the Bank in these currencies and they total 481,682.37 u.a. In accordance with the Statutes, payment will be made as each loan matures.

Medium and long term loans

The amount of 21,395,184.99 u.a. under this heading represents the Bank's current borrowings as at 31st December, 1961.

The total is made up as follows :

7-year 4 1/2% Bonds 1961 in guilders	5,524,861.88 u.a.
20-year 4 1/2% Bonds 1961 in guilders	13,812,154.70 u.a.
Other loans	2,058,168.41 u.a.

Undisbursed balance of effective loans

The amount of 54,458,893.10 u.a. represents payments due by the Bank to its borrowers under contracts signed before 31st December, 1961.

Accrued interest payable and interest received in advance

Of the total of 500,025.24 u.a. under this heading, the sum of 349,028.47 u.a. is in respect of accrued interest not yet paid and the remainder, 150,996.77 u.a., relates to interest received in advance for periods subsequent to 31st December, 1961.

Miscellaneous

The amount of 584,861.60 u.a. under this heading comprises various expenses and charges incurred, but not yet paid, and the sum set aside for the staff provident fund.

PROFIT AND LOSS ACCOUNT

DEBIT

Administrative expenses

These expenses amounted to 1,124,720.82 u.a. compared with 980,235.40 u.a. for the previous year.

They were made up as follows :

Staff expenses	788,597.21 u.a.
Overhead expenses	336,123.61 u.a.

Interest and charges on loans

This amount of 788,387.83 u.a. covers the interest on loans and the sundry charges and expenses connected therewith.

Amortization of furniture and equipment

Expenditure on furniture and equipment, made during the year and fully amortized, was 40,282.62 u.a. as against 39,819.96 u.a. for 1960.

CREDIT

Interest and commission from loans

This item is 3,283,355.90 u.a. compared with 1,206,962.23 u.a. in the previous year. The increase shows the considerable expansion in effective loans.

Interest from investments

The amount of interest earned on the investment of available funds is 8,266,453.54 u.a. against 8,206,615.93 u.a. for 1960.

III

During the year under review, the following changes took place in the Board of Directors :

In place of Messrs. Jean-Paul DELCOURT, René LARRE and Joachim von SPINDLER, the Board of Governors nominated, as from 2nd October 1961, Messrs. Jean SADRIN, Maurice PÉROUSE (formerly alternate Director to M. Pierre-Paul SCHWEITZER), and Fritz FECHNER.

Messrs. Hans SKRIBANOWITZ and Pierre MILLET, alternate Directors, also handed in their resignations. M. Alain PRATE was nominated to succeed M. Pierre MILLET as from 28th February, 1962.

We would thank Messrs. DELCOURT, LARRE, von SPINDLER, SKRIBANOWITZ and MILLET for their valuable and competent assistance.

* * *

No important changes took place in the internal organisation of the Bank or its personnel. At the 31st December, 1961 the staff numbered 94 persons.

Brussels, 4th April, 1962.

The Chairman
of the Board of Directors

PARIDE FORMENTINI

**BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT**

REPORT OF PRICE WATERHOUSE & Co.

**60, Rue Ravenstein
Brussels.**

**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, 1961 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.

April 5, 1962.

PRICE WATERHOUSE & Co.

BALANCE SHEET AT

(in units of account of 0.88867088

The conversion rates used in the accounts
50 Belg. fr = 4.00 DM = 4.93706 NFF =

ASSETS

CASH AND BANKS		
Member countries' currencies		
At call or not exceeding one year	116,686,111.01	
Other currencies		
At call or not exceeding one year	27,155,486.05	143,841,597.06
GOLD ASSETS		8,506,128.06
INVESTMENTS		
Member countries' currencies		
Not exceeding one year	27,895,010.17	
Over one year	3,000,000.00	
	30,895,010.17	
Other currencies		
Not exceeding one year	19,930,735.12	
Over one year	50,000.00	
	19,980,735.12	50,875,745.29
EFFECTIVE LOANS		
Of which :		
Disbursed :		
In member countries' currencies	82,396,591.08	
In other currencies	9,754,372.61	
	92,150,963.69	
Undisbursed balance	54,458,893.10	146,609,856.79
FURNITURE AND EQUIPMENT		1.00
ACCRUED INTEREST AND COMMISSION		1,321,570.80
MISCELLANEOUS		22,286.56
	<i>Total assets u.a.</i>	351,177,185.56

DECEMBER 31, 1961

g. fine gold — Art. 4 of the Statutes)

of the Bank are : 1 unit of account =

625 Lit = 50 Lux. fr = 3.62 Fls = 1 US\$ = 4.37282 Sw. fr

LIABILITIES

SUBSCRIBED CAPITAL	1,000,000,000.00	
of which paid up in accordance with Art. 5 (1) of the Statutes		250,000,000.00
STATUTORY RESERVE		10,256,538.26
PROVISIONS		
for risks on loans and guarantees	6,000,000.00	
for equalization of interest on borrowings and for issuing charges	5,500,000.00	
for monetary risks not covered under Art. 7 of the Statutes	2,000,000.00	
	<hr/>	13,500,000.00
AMOUNTS DUE UNDER ART. 7 (2) OF THE STATUTES		481,682.37
MEDIUM AND LONG TERM DEBT		
Member countries' currencies	19,337,016.58	
Other currencies	2,058,168.41	
	<hr/>	21,395,184.99
UNDISBURSED BALANCE OF EFFECTIVE LOANS		54,458,893.10
ACCRUED INTEREST PAYABLE AND INTEREST RECEIVED IN ADVANCE		500,025.24
MISCELLANEOUS		584,861.60
		<hr/>
<i>Total liabilities u.a.</i>		<u>351,177,185.56</u>

PROFIT AND LOSS ACCOUNT FOR THE

(in units of account of 0,88867088)

DEBIT

ADMINISTRATIVE EXPENSES	1,124,720.82
INTEREST AND CHARGES ON BORROWINGS	788,387.83
FINANCIAL EXPENSES	21,847.46
AMORTIZATION OF FURNITURE AND EQUIPMENT	40,282.62
PROVISION FOR RISKS ON LOANS AND GUARANTEES	4,000,000.00
BALANCE APPROPRIATED TO THE STATUTORY RESERVE	5,728,130.99
<i>Total u.a.</i>	11,703,369.72

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 1961 annual report and the balance sheet of the Bank as at December 31, 1961 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 April 4, 1962.

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

hereby certifies :

that the Bank's operations during the 1961 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, 10th April 1962.

The Audit Committee,

A. M. DE JONG

R. BRESSON

K. BERNARD

