

# **European Investment Bank**

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**EUROPEAN  
INVESTMENT BANK**



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## Introduction

*The European Investment Bank was founded on 1st January 1958 under the terms of the Treaty of Rome establishing the European Economic Community.*

*Its charter members are the six Community countries, namely Belgium, Germany, France, Italy, Luxemburg and the Netherlands.*

*Their purpose was to create a banking institution which could complement the banking systems of the Member States in resolving the investment problems connected with the development of the Common Market.*

*The Bank is an independent public institution within the Community. It is governed and managed by prominent individuals from each of the six Member States.*

*After a few years of experience it was considered desirable to give potential customers an overall view of the Bank's aims, activities and scope, which is the purpose of the present booklet.*

*Brussels, May 1962*



## **Task, Aims, and Activity of the Bank**

The task of the European Investment Bank and the nature of its activities are legally defined by Article 130 of the Treaty establishing the European Economic Community (cf. Annex 2) and by the Protocol on the Statute of the European Investment Bank annexed to the Treaty. The Bank grants loans and guarantees.

According to the first general policy lines, established by its Board of Governors, the Bank's principal activities during the initial stages are to be concentrated on the granting of loans.

### **Development of economically less advanced regions**

A major part of the Bank's resources is used to finance projects designed to contribute to the development and the raising of the standard of living of the less developed regions of the Community. These include for example Southern Italy, certain regions in Western and Southern France, border areas of the Republic of Germany and various regions in the Benelux countries.

### **Conversion and modernisation projects, creation of new employment opportunities**

The Bank also makes its resources available in cases where the progressive establishment of the Common Market - e. g. the elimination of protective measures: customs duties, quotas, Governments subsidies etc. - forces certain industries either to modernize or reconvert. In these same circumstances, the Bank may also help finance the creation of new employment opportunities.



### **Projects of common interest**

Finally, the Bank may finance projects which are of common interest to several Member States. In particular, it grants loans for projects which contribute to the integration of the economies of the Member States.

## **Principles Governing the Policy of the Bank**

### **Non-profit basis**

The Bank is a non-profit organisation. This being so, no provision is made for the distribution of dividends. The rates of interest applied to the Bank's lending operations are calculated in order to cover the cost of borrowed money, to build up the necessary reserves and to meet its overhead charges.

### **Territorial competence**

Geographically, the Bank's activity is confined to the European territories of the Member States. Should it prove necessary, however, to extend its field of activity to other countries and other areas, it is possible for the Bank, subject to authorisation by a unanimous vote of the Board of Governors, also to finance projects to be carried out, in whole or in part, outside the European territory of the Member States.

### **Co-operation with other banks and international institutions**

The Bank co-operates closely with the financial institutions of Community and non-Community countries and with international organisations whose fields of activity are similar to its own.

### **Nationality of beneficiaries of loans or guarantees**

The Bank does not make the granting of loans or guarantees conditional on the nationality of the borrower. Not only enterprises in member countries but also subsidiaries or branches of companies in third countries, i. e. countries which are not members of the European Economic Community, may obtain loans, provided, however, that the projects concerned are to be carried out in the territory of a Member State and fulfil the general conditions attached to the granting of loans by the Bank.

### **Loans and guarantees in all sectors of the economy**

The Bank finances projects or provides guarantees in all sectors of the economy, for instance: basic industry, processing industries, transport - railways, roads, canals - agriculture, etc.

### **Individual projects and groups of projects - decentralisation projects**

Loans are granted mainly for individual projects, whatever their size. The Bank may therefore also finance small-scale projects, especially if they are submitted as a group and appear as a whole to favour the development and expansion of less developed areas.

The Bank may further participate in the financing of decentralisation projects to be carried out in such areas. These decentralisation projects may be submitted by companies from member or non-member countries and may be carried out by the subsidiaries of such companies or in co-operation with industries in the country concerned.

### **Supplementary financing**

The Bank only undertakes supplementary financing, i. e. it only participates in the financing of a project if funds from other sources are also used.

### **Prohibition on capital participation**

The Bank may not acquire any capital participation in the borrower's business nor assume any responsibility for its management.

### **Warranties**

The borrower must furnish the Bank with the usual warranties or a Government guarantee.

### **Allocation of orders - principle of non-discrimination**

It has been seen that the Bank grants to its clients identical conditions for all projects regardless of which territory of the Member States is involved.

Similarly, the Bank asks that its borrowers have recourse for their equipment and contracting, whenever possible, to international competition, including at least the Member States of the European Economic Community.

## **The Bank's Resources**

### **Capital Funds**

The European Investment Bank has a capital of one thousand million units of account (x) subscribed by the Member States.

In accordance with the Statute, the Member States have paid in 25<sup>0</sup>/<sub>100</sub> of the subscribed capital, namely 250 million u. a. Each payment has been made one fourth in gold or U.S. dollars and three fourths in national currency. The balance, i. e. 750 million u. a., may be called up to the extent that it is required by the Bank in order to meet its obligations towards its creditors.

In addition, a reserve fund is being progressively built up until it amounts to 10<sup>0</sup>/<sub>100</sub> of the capital, i. e. 100 million u. a. The Board of Directors may decide to create additional reserves should this be warranted by the Bank's liabilities.

### **Borrowed funds**

For the purpose of accomplishing its tasks, the Bank borrows on the international capital markets in member or non-member countries.

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(x) one unit of account = 0.88867088 gram of fine gold, which currently corresponds to 1 U.S. dollar.

## **Practical Information**

### **Beneficiaries**

Loans are granted to private or public enterprises, irrespective of their legal form, and to government or local entities of the Member States. The same applies to guarantees.

### **Application procedure**

Applications for loans or guarantees may be addressed to the Bank in any one of the following ways:

- a) directly,
- b) through the intermediary of the Member State in whose territory the project is to be carried out,
- c) through the intermediary of the Commission of the European Economic Community.

Experience has shown that it is preferable for the applicant to communicate informally with the Bank before submitting a formal application for a loan or guarantee.

### **Information to be submitted**

Initially, it is suggested that the applicant provides the Bank with information which will give a general idea of the amount of the loan applied for, its duration, the total cost of the investment project, the investment program and the proposed warranties.

More particularly, the applicant should give an overall picture of his general economic and financial situation and supply the Bank with his latest annual reports, balance sheets and profit and loss statements together with a commentary. The description of the project must also show that it is in accordance with the task of the Bank as stated in Article 130 of the Rome Treaty (cf. Annex 2).

### **Magnitude of loans**

Individual loans are not limited as to size, but their relative magnitude must take account of the supplementary nature of the financing of the Bank.

### **Disbursement, terms and conditions**

The Bank adapts the rate of its disbursements to the progress of the project and its special features. Disbursement (100% of the nominal amount of the loan) may be made either in several instalments on pre-determined dates, or on demand. In this last case, the Bank charges a commitment commission on the portion of the loan not yet disbursed. The current rate of the commission is 0,75%.

### **Monetary regime**

There are two monetary regimes available, the choice of which is the subject of negotiations between the borrower and the Bank.

- under the first, the borrower receives from the Bank one or more of the currencies of the six Member States, and possibly also of non-member countries, with the exception of the borrower's own national currency. He is required to repay the loan in the same currencies as he receives.
- under the second, the Bank reserves the right to stipulate in which currencies of the Member States repayment has to be made, irrespective of the currency or currencies disbursed. Conversion will be on the basis of the par value prevailing at the time of disbursement.

### **Rate of interest - commission**

The rate of interest applied by the Bank follows conditions on the capital markets; it is the same for all loans contracted on any given

date. The interest differs according to whether the borrower selects the first or the second monetary regime, the current rates being  $5\frac{3}{8}\%$  and  $5\frac{1}{4}\%$  respectively.

Commissions for guarantee operations vary from case to case.

### **Length of repayment period**

There is no fixed duration for the period of repayment of the Bank's loans. In each case, this period is determined according to the nature of the project and the normal period for technical depreciation. For loans granted thus far, this period has varied from 7 to 20 years, including an interval between the date of disbursement and the commencement of the repayment.

### **Period of grace - early repayment**

The period of grace corresponds approximately to the period required for the construction and establishment of the project.

The borrower has the option of early repayment after a certain period of time. In such a case, however, and in order to meet the ensuing expenses, the Bank charges the borrower a fee, the amount of which depends upon the length of time between the date of the early repayment and the maturity date. This is the usual practice for financial institutions similar to the European Investment Bank.

### **Governing law**

For projects located in territories of the Member States, the contracts generally stipulate that the law of the Member State on whose territory the project will be located shall apply.



All requests for information should be addressed to:

# **European Investment Bank**

11, Mont des Arts

**BRUSSELS 1**

Telephone: 134000,

Telegraphic address: Bankeurop, Brussels

Telex: Bankeurop, Brussels 02 - 21721

**Organisation of the  
European Investment Bank**

**Articles 129 and 130**

## Organisation of the European Investment Bank

### Board of Governors

6 members  
(one minister of every Member State)

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### Board of Directors

Chairman: The President of the Bank  
12 directors and 12 alternates:

3 directors	}	nominated by the Federal Republic of Germany
3 alternates		
2 directors	}	nominated by the French Republic nominated by the Italian Republic
2 alternates		
1 director	}	nominated by the Benelux countries
1 alternate		
1 director	}	nominated by the Commission of the EEC
1 alternate		

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### Management Committee

The President of the Bank and two  
Vice-Presidents

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### Departments of the Bank

Secretary's Office	Finance and Treasury Department
Loan Department	Research Department
	Legal Department
	Technical adviser

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### Audit Committee

The President of the Audit Committee  
and two members

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## **Articles 129 and 130 of the Treaty Establishing the European Economic Community**

### Article 129

A European Investment Bank having legal personality shall hereby be established.

The members of the European Investment Bank shall be the Member States.

The Statute of the European Investment Bank shall form the subject of a Protocol annexed to this Treaty.

### Article 130

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.

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