

**Annual Press Conference 2007****Briefing Note No 11****The Bank promoting European objectives**

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EIB Capital Market Operations in 2006**Strong Positioning as Sovereign Class Issuer**

- Offers investors diversification through ownership by all EU sovereigns, underpinning market recognition for positioning as 'the Way to buy Europe'.
- EUR 48bn raised under the 2006 funding programme via 303 transactions in a record 24 currencies (including six in synthetic format).
- Core currencies remained the main source of funding, but with a somewhat diminished share of 83% / EUR 40bn (vs. 88% / EUR 44bn in 2005), and the share of other currencies grew significantly to 17% / EUR 8bn (vs. 12% / EUR 6bn in 2005). The largest area of growth in other currencies was in AUD, where EUR 1.8bn equivalent was raised.
- The market's positive reception for the EIB's funding strategy was reflected in a leading market poll (by 'EuroWeek'), where EIB was voted 'Most Impressive Borrower', 'Most Innovative Borrower' and 'Best Supranational or Agency Borrower' for the third consecutive year. The Bank was also voted 'Most Exciting and Challenging Borrower for the year ahead'.

Strategic, Agile, Development Impact

- Consistent and innovative strategy delivering liquid benchmark presence across a comprehensive range of maturities in EUR, GBP and USD (EUR 28.2bn total benchmark issuance in 2006). EIB is exceptional in offering such comprehensive yield curves across EUR, GBP and USD.
- Responsive to opportunities for tailor-made plain vanilla and structured issuance in various currencies. In 2006 the Bank issued EUR 5.7bn in structured products (12% of total 2006 issuance).
- Active role in contributing to development of markets in new EU Member States and Accession Countries, and in important EU partner countries in the Mediterranean area and Africa.

Top quality credit standing

- Top quality credit standing – rated AAA by Moody's, S&P and Fitch.

EUR: Sovereign class and innovation

In EUR, the Bank raised EUR 17.4bn. The Bank maintained its strategic approach to EUR benchmark issuance, launching 2 new EARN EUR 5bn transactions in the key 5-year and 10-year sectors. Further attention to sovereign class liquidity was visible in the EUR 580m increase of the 2008 EARN, via an auction-based liquidity allocation procedure established last year.

The Bank is the only borrower to complement sovereigns with benchmark issues in Global format of EUR 5bn size with outstanding maturities from 3-years to 30-years, with an aggregate amount of EUR 68bn outstanding (as of end 2006). EARNs offer a complement to government issues as well as diversified exposure, thanks to the Bank's ownership by all EU sovereigns – indeed, EIB bonds can be seen as 'a way to buy Europe'.

An important highlight in EUR targeted and structured issuance (raising EUR 6.9bn in total), was the first issue to be distributed via a Public Offering in all 12 countries of the Euro area (termed European Public Offering of Securities or 'EPOS'). The issue was a EUR 1bn structured bond linked to Eurozone inflation. It

was a practical proposition thanks to the “passporting” mechanism foreseen in the EU Prospectus Directive¹. It was the first time that the passporting mechanism was used on this scale in the bond market. The issue is therefore noteworthy as a contribution to EUR capital market development.

GBP: Leading Gilt Alternative

In GBP, the Bank raised GBP 5.7bn (EUR 8.4bn). The total GBP outstandings of the Bank’s bond issues are equivalent to approximately 10% of the GBP non-Gilt market, maintaining the Bank’s position as the largest non-Gilt issuer and confirming the status of EIB’s bonds as the principal alternative to Gilts.

There was issuance in 15 different benchmark maturities, making EIB the only non-Gilt issuer to tap such a broad range of issues, all the way out to 2054. Two new benchmark lines were established in the 3- and 10-yr maturities, of which the 4.375% Mar 2009 issue reached GBP 850m after 5 taps.

In structured products, the Bank conducted one new issue and increased the existing 2016 inflation-linked issue to a total of GBP 297m.

USD: Comprehensive curve up to 30-years

In USD, the Bank raised an amount of USD 17.6bn (EUR 14.2bn), making it one of the largest non-US issuers in this currency. The Bank issued 5 benchmarks in Global format across all key maturities: 3-year, 5-year, 10-year (twice) and 30-year. The latter extended the EIB curve out to the 30 years, with a benchmark size of USD 1bn, being the first issuer in this part of the curve after the re-introduction of the ‘long bond’ by the US Treasury. The second new USD 3bn 10-year issue represented the largest transaction in this maturity by a non-US AAA borrower, underlining the strength of liquidity offered by EIB.

The Bank also issued two Eurodollar bonds in the 7-year sector, for USD 1bn and USD 1.5bn respectively. The latter was the largest eurobond in its asset class this year. Structured transactions amounted to USD 1.4bn (EUR 1.2bn).

Developmental role in New EU Member State and Accession Country Currencies

Developmental work continued in currencies of the new Member States and Accession Countries, with a view to both assisting capital market evolution and where possible and appropriate also supporting lending activities. As in other currencies, EIB’s issuance strategy in these markets is to build up issues to liquid size across a range of maturities, where market conditions permit.

In these currencies the Bank raised a total of EUR 1.4bn (in BGN, CZK, HUF, PLN and TRY). The largest source of demand remained in Turkish lira (TRY), where the Bank raised EUR 1.1bn equivalent and continued to develop its liquidity and yield curve. In Bulgarian leva the Bank launched its first floating rate note.

Development impact in Partner Countries

In 2006 there was debut issuance in three currencies of important Mediterranean / African partner countries (Botswana pula, Egyptian pound and Namibian dollar). This issuance, in synthetic format, illustrates the Bank’s continuing developmental contribution in such markets. In other regions, there was a first synthetic issue in Indonesian rupiah, and repeat issuance in synthetic format in Brazilian real, and Russian ruble. Total issuance in synthetic format was EUR 589m equivalent.

Also, the Bank maintained a leadership role in South African Rand, raising ZAR 2.8bn (EUR 312m). As part of this the 8% Jan 2013, ZAR issue was increased to ZAR 4,500 million, becoming the largest and most liquid EuroRand bond.

¹ This Directive sets out an efficient mechanism for the “passporting” of prospectuses in the member states of the European Union: a prospectus approved by the competent authority in one member state (“home country regulator”) can be used as a valid prospectus in any other member state (“host Member State”) without the need for any further prospectus approval (“mutual recognition”).

Breaking new ground in other European currencies

In CHF, the Bank introduced a new benchmark, a 30-year CHF 300m, which was the longest dated issue at the time of issuance. In the DKK market the Bank issued the longest dated "blue-stamped" 2% bond (2% Jun 2026 DKK 2.6bn), responding to investor demand for tax-efficient duration products in a segment supported by the Government. In SEK, the Bank launched the first inflation-linked bond in the international market to be issued by a supranational (SEK 1.5bn issue maturing 2020). The Bank was also present in the ISK and NOK markets. Overall, the Bank raised EUR 2.2bn equivalent in all 'other European currencies' combined.

Asia/Pacific

EIB strengthened its role as a prominent issuer in the Asia/Pacific markets, where the Bank issued in JPY, AUD, HKD and NZD for a total of EUR 4.2bn equivalent. In AUD, the Bank achieved the largest volume of issuance among non-core currencies (AUD 3.0bn vs AUD 1.2bn in 2005) and was the largest 'Kangaroo' (foreign) issuer. The Bank also issued the first Kangaroo inflation-linked bond, an AUD 250m CPI-linked bond due 2020. Of particular note in JPY was the re-opening of the Global Yen market for supranational issuers and non-Japan sovereigns with a 20-year JPY Global JPY 50bn. In HKD, the Bank issued a HKD 1bn 2-year bond, which was the first supranational transaction after relaxation of HK legislation permitting issues shorter than 3 years.

Borrowings signed and raised in 2006 vs. 2005 (EUR million)

	Before swaps:				After swaps:			
	2006		2005		2006		2005	
EUR	17,439	36.3%	19,311	38.8%	31,820	66.2%	32,179	64.6%
CZK	18	0.0%			18	0.0%	19	0.0%
DKK	235	0.5%			235	0.5%		
GBP	8,392	17.5%	10,057	20.2%	3,067	6.4%	3,096	6.2%
HUF	110	0.2%	222	0.4%	97	0.2%	53	0.1%
PLN	32	0.1%	73	0.1%	32	0.1%	49	0.1%
SEK	309	0.6%	174	0.4%	309	0.6%	468	0.9%
Total EU	26,535	55%	29,838	60%	35,577	74%	35,864	72%
AUD	1,840	3.8%	692	1.4%				
BGN	102	0.2%						
CHF	703	1.5%	709	1.4%			259	0.5%
HKD	101	0.2%						
ISK	501	1.0%	162	0.3%				
JPY	1,277	2.7%	1,352	2.7%				
MXN			183	0.4%				
NOK	424	0.9%	38	0.1%	88	0.2%	38	0.1%
NZD	933	1.9%	1,077	2.2%				
TRY	1,095	2.3%	1,222	2.5%				
USD	14,225	29.6%	14,309	28.7%	12,305	25.6%	13,581	27.3%
ZAR	312	0.7%	219	0.4%	80	0.2%	63	0.1%
Total non EU	21,515	45%	19,962	40%	12,473	26.0%	13,941	28.0%
TOTAL	48,050	100%	49,800	100%	48,050	100%	49,805	100%

For further information on the EIB, visit its website www.eib.org.

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