

**Annual Press Conference 2008****Briefing Note No 13****The Bank promoting European objectives**

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**EIB capital market operations in 2007****FURTHER HIGHLIGHTS OF SIGNIFICANT THEMES IN 2007****A resilient sovereign class issuer**

- The EIB's funding activities were resilient during the turmoil that overshadowed capital markets in the course of 2007, benefiting from the flight to quality that characterised the market.
- The Bank's top-quality credit standing, its strategic and responsive approach to markets, and the liquidity and secondary market performance of EIB benchmark bonds helped sustain a bellwether appeal.
- In turbulent times the Bank benefited all the more from its ability to offer top-quality diversification through the EIB's ownership by all EU sovereigns, underpinning its positioning as 'The Way to Buy Europe'.
- Not only has the Bank been consistently rated AAA by Moody's, S&P and Fitch; it also enjoys a premium positioning within the AAA bracket.
- The market's positive reception for the EIB's funding strategy was reflected in an award for Sovereign/Supranational/Agency/Regional Issuer of the Year from the *International Financing Review*.

**Significant growth vs. 2006 underscores bellwether role**

- EUR 55bn<sup>1</sup> raised under the 2007 funding programme via 236 transactions in 23 currencies (including four in synthetic format). This represents volume growth of 14% vs. 2006, underscoring the Bank's resilience in turbulent times.
- Core currencies (EUR, GBP and USD) remained the main source of funding with 84% of the total, amounting to EUR 45.95bn. This is in line with their share last year (83%).
- Among non-core currencies the three largest contributors in these other currencies, each contributing funding for over EUR 1bn equivalent, were JPY (EUR 2.2bn), NZD (EUR 1.3bn) and TRY (EUR 1.1bn). Significant growth areas were JPY (+72%/EUR 921m equiv.), SEK (+189%/EUR 584m equiv.) and NZD (+44%/EUR 411m equiv.).

**Benchmarks in strong demand**

- The Bank's strong multi-currency benchmark capabilities were crucial in 2007.
- In this challenging environment the Bank benefited from the strength of its benchmark programmes in its core currencies (EUR, GBP and USD), which generated funding for EUR 38bn (69% of the total), an increase of over one third vs. 2006. Benchmark volumes grew in each of the three core currencies. The EIB is exceptional in offering highly comprehensive yield curves across EUR, GBP and USD.
- Strong demand for benchmarks was also evident in other currencies. The Bank benefited from this trend, as one of the leading international issuers of benchmarks in a broad range of markets. Non-core currency markets where the EIB strengthened its benchmark offering and achieved sizeable volume in 2007 were Canadian dollars (CAD), Japanese yen (JPY), New Zealand dollars (NZD), Swedish krona (SEK) and Turkish lira (TRY).

**Innovation/development impact**

- Within the EU, the EIB issued an innovative bond, the Climate Awareness Bond, with a unique combination of environmental features, reflecting EU leadership in tackling climate change. This bond was publicly offered in all 27 EU Member States, a first in the market.
- There was significant progress in contributing to the development of capital markets in new/future EU Member States and in EU partner countries in Africa. Such activities also provide a platform for potential future lending by the Bank in local currency, where benefits include the removal of exchange rate risk for loan customers.
- In Romanian leu (RON) the Bank offered a new 7-year benchmark for the market, which the Government used as a pricing reference for its own issuance. In Turkish lira (TRY) the Bank strengthened its leading

<sup>1</sup> Volume of EUR 54.7bn raised under the global borrowing authorisation given by the Board of Directors for 2007, including 'pre-funding' of EUR 77m completed in 2006 for 2007.

role in developing the international Turkish lira market by offering the largest single tranche Eurobond to date (TRY 1bn/EUR 535m).

- The Bank's debuts in Ghanaian cedi (GHS) and Mauritian rupee (MUR) added top-quality alternatives to markets with limited supply. This brings to six the number of African currencies in which the Bank has issued in the past two years, the others being Botswanan pula (BWP), Egyptian pound (EGP), Namibian dollar (NAD) and South African rand (ZAR).

## HIGHLIGHTS BY CURRENCY

### EUR: sovereign class and innovation

In EUR a total of 27 transactions were conducted in 2007, raising EUR 20.5bn in all, or 37.5% of the total funding programme for the year. Four new euro-denominated benchmarks or Euro Area Reference Notes ('EARN'<sup>TM</sup>) were issued, compared with the two typically issued in recent years. This provided the largest source of benchmark funding for the Bank (EUR 16bn). The transactions were two EUR 5bn EARNs in 5- and 10-year maturities, as well as two EUR 3bn EARNs, a long 17-year and an innovative 7-year issue, the latter offering a new benchmark maturity to the market. Two of these EARNs were launched following the outbreak of severe market turmoil over the summer.

The favourable market reception for the EARN benchmark transactions was supported by a consistent strategic approach, that has delivered a highly comprehensive and liquid yield curve. The Bank remained the only borrower to complement sovereigns with benchmark issues of EUR 5bn size outstanding in maturities from 3-years to 30-years. As of end 2007, EARNs outstandings reached EUR 74bn across 15 issues. Structured bonds in EUR amounted to EUR 1.4bn (roughly 30% of all EIB structures in 2007). In addition, a EUR 2bn targeted bond was issued in the two-year sector.

A significant innovation, reflecting EU leadership in tackling climate change, was the Climate Awareness Bond (CAB) under the Bank's EPOS (European Public Offering of Securities) format - the second of its kind launched by the EIB. This EUR-denominated structured issue offered a unique combination of environmental features, including earmarking of proceeds for projects supporting cleaner energy, as well as an option to purchase and cancel CO<sub>2</sub> allowances via the European Union's Emissions Trading Scheme. The CAB also offered a vehicle for ongoing EU financial market integration, as a first public bond offering across all 27 EU Member States, facilitated by the passporting mechanism in the EU Prospectus Directive and associated EPOS documentation. The issue was syndicated among an unusually large number of banks and reached an exceptional size for a structured issue (EUR 600m).

### GBP: leading gilt alternative

In GBP the Bank maintained its position as the largest non-gilt issuer, with a total outstanding sterling debt representing over 9% of the total GBP non-gilt market at end 2007<sup>2</sup>. The Bank made 58 transactions, raising a total of GBP 7.5bn (EUR 11bn) or 20.1% of the total programme for the year. During 2007, 13 different maturities were tapped and there were three new benchmark lines across the yield curve (2011, 2019 and 2044). As of end 2007, the Bank's sterling yield curve, which extends to 2054, amounted to GBP 39bn in 22 bonds.

In addition two new long-dated inflation-linked issues were launched with maturities in 2017 and 2022, both based for the first time on the gilt model in terms of maturity and calculation methodology of coupons and final redemptions.

### USD: largest non-US issuer in Global format

The Bank remained the largest non-US issuer of Global benchmarks, raising a record volume of USD 15bn (EUR 11.3bn). In USD, 28 transactions were executed raising a total of USD 19.1bn (EUR 14.4bn), or 26.3% of the total programme for the year. Five Global USD 3bn benchmarks were issued across major maturities: 3-year (twice), 5-year and 10-year (twice). In aggregate this was the largest amount raised by the Bank in any single year through the issuance of USD Global bonds. With its second 3-year USD 3bn issue, the Bank reopened the benchmark USD market for triple-A rated issuers in the wake of the summer turmoil. 2007 also saw sustained interest for non-Global transactions, which included two 7-year Eurodollar issues, raising in total USD 2.25bn (EUR 1.7bn). Structured transactions amounted to USD 1.8bn (EUR 1.3bn).

<sup>2</sup> Source: Barclays Sterling Non-Gilt Index, 31 December 2007

### **Strong diversification: issuance in 23 currencies**

Outside the three core currencies, EUR 8.8bn was raised in 16 other currencies. In addition, EUR 263m was issued in synthetic format in four additional currencies (booked under payment and settlement currencies in EUR and USD).

### **Innovation in other European and neighbouring country currencies**

The largest volume of issuance in this region was in Nordic currencies, for a total of EUR 1.5bn. A noteworthy result was the Bank's issuance in Swedish krona (SEK), where it raised a total of SEK 8.2bn (EUR 893m), nearly tripling the volume of 2006. The Bank strengthened and extended its SEK yield curve with new 17- and two 28-year issues, both plain vanilla and inflation-linked, and the 28-year maturity went beyond the longest sovereign tenor. Issuance in other Nordic currencies included the Icelandic króna (ISK), Danish krone (DKK) and Norwegian krone (NOK).

In Swiss francs (CHF), the Bank launched four transactions with maturities between 2019 and 2036 (totalling CHF 725m/EUR 445m), reflecting the demand for top-quality long-dated bonds.

The Bank maintained its developmental activities in new and future Member States and EU neighbouring country currencies. Volumes amounted to EUR 1.5bn equivalent, raised via 26 transactions, with Turkish lira (TRY) providing the bulk of the volume. Other issuance currencies were Bulgarian leva (BGN), Hungarian forint (HUF), Polish zloty (PLN), Romanian leu (RON) and Russian rouble (RUB).

The Bank made its debut in the domestic market for Romanian leu (RON), with a RON 300m (EUR 90m) 7-year bond. This was the longest-dated and largest RON bond at the time of issuance. The Bank also made its debut in the non-synthetic Russian rouble (RUB) market, where two bonds were launched: a RUB 2bn (EUR 57m) 10-year and a RUB 2bn (EUR 57m) 5-year bond.

### **Japan and Asian/Pacific currencies: leadership and scale**

Among the non-core currencies in 2007, the largest source of funding - and hence the Bank's fourth-largest currency - was Japanese yen (JPY), with JPY 349bn (EUR 2.2bn) being raised. The Bank became the largest high-grade issuer of Global bonds in this currency. A highlight was the issuance of the first fixed-rate 5-year Global Yen bond from a supranational since 1992. This was also the largest yen transaction from a foreign issuer in 2007. The issue won an award for Yen Bond of the Year from the *International Financing Review*.

In Australian dollars (AUD) the Bank was the largest foreign ("Kangaroo") issuer, raising a total of AUD 1.6bn (EUR 941m). It attracted interest early in the year with two 10-year issues, and re-opened the Kangaroo sector in September, in the wake of the summer turmoil, with a shorter-dated AUD 500m transaction.

The New Zealand dollar (NZD) was a large source of funding in 2007, generating EUR 1.3bn equivalent. Among high-grade borrowers, the Bank launched the largest fixed-rate transaction in the "Kauri" bond market for foreign issuers, a NZD 800m (EUR 439m) 5-year issue.

### **Americas (ex-US): recognition for benchmark size in Canada**

In Canadian dollars (CAD), the Bank issued the largest 30-year foreign ("Maple") transaction, for CAD 850m (EUR 560m), as well as some smaller similarly long-dated transactions. Total issuance in this currency amounted to CAD 1bn (EUR 659m). In Latin America the Bank continued its issuance activities in Brazilian real (BRL) in synthetic format, raising an equivalent of EUR 185m across eight transactions.

### **African currencies: developmental impact widens**

In 2007 the Bank launched 13 transactions in four African currencies totalling EUR 311m equivalent. The largest contributor was the South African rand (ZAR) market, delivering EUR 234m equivalent. The Bank issued for the first time in Ghanaian cedi (GHS) and Mauritian rupee (MUR), in both cases providing top-quality alternatives for investors in markets with very limited supply. In MUR, the EIB was the first non-domestic issuer and provided a new benchmark for the market. Issuance in Botswanan pula (BWP), GHS and MUR (EUR 77m in total) was in synthetic format, with payment and settlement in EUR.

**Borrowings signed and raised in 2007\* vs. 2006 (EUR million)**

	Before swaps:				After swaps:			
	2007		2006		2007		2006	
EUR	20 531	37.5%	17 439	36.3%	42 766	78.1%	31 820	66.2%
BGN**	28	0.1%						
CZK			18	0.04%			18	0.04%
DKK	134	0.2%	235	0.5%	134	0.2%	235	0.5%
GBP	11 023	20.1%	8 392	17.5%	6 123	11.2%	3 067	6.4%
HUF	108	0.2%	110	0.2%	108	0.2%	97	0.2%
PLN	27	0.1%	32	0.1%	27	0.1%	32	0.1%
RON	90	0.2%						
SEK	893	1.6%	309	0.6%	403	0.7%	309	0.6%
<b>Total EU</b>	<b>32 835</b>	<b>60%</b>	<b>26 535</b>	<b>55%</b>	<b>49 562</b>	<b>91%</b>	<b>35 577</b>	<b>74%</b>
AUD	941	1.7%	1 840	3.8%				
BGN**			102	0.2%				
CAD	659	1.2%						
CHF	445	0.8%	703	1.5%				
HKD			101	0.2%				
ISK	261	0.5%	501	1.0%				
JPY	2 198	4.0%	1 277	2.7%				
NOK	196	0.4%	424	0.9%	63	0.1%	88	0.2%
NZD	1 344	2.5%	933	1.9%				
RUB	115	0.2%						
TRY	1 097	2.0%	1 095	2.3%				
USD	14 400	26.3%	14 225	29.6%	5 099	9.3%	12 305	25.6%
ZAR	234	0.4%	312	0.7%			80	0.2%
<b>Total non-EU</b>	<b>21 890</b>	<b>40%</b>	<b>21 515</b>	<b>45%</b>	<b>5 162</b>	<b>9%</b>	<b>12 473</b>	<b>26%</b>
<b>TOTAL</b>	<b>54 725</b>	<b>100%</b>	<b>48 050</b>	<b>100%</b>	<b>54 725</b>	<b>100%</b>	<b>48 050</b>	<b>100%</b>

\* Resources raised under the global borrowing authorisation given by the Board of Directors for 2007, including 'pre-funding' of EUR 77m completed in 2006 for 2007.

\*\* Bulgaria joined the EU on 1 January 2007

**Commercial paper programme delivers flexibility**

The Bank's short-term borrowing activities (maturities less than one year) are conducted through a Global Commercial Paper programme. The Commercial Paper (CP) programme provides the Bank with the flexibility to meet its liquidity requirements and to accommodate borrowing and lending volumes. It also supports the Bank's strategy of offering investors attractive opportunities in short-term instruments.

The programme ceiling is currently EUR 15bn. Total CP issuance in 2007 amounted to EUR 56.9bn. Current outstandings are concentrated in tenors out to three months. Distribution in a large range of currencies is assured through the use of dedicated dealer groups on both sides of the Atlantic.

During 2007 the EIB became a 'STEP' issuer. The Short-Term European Paper (STEP) initiative, supported by the ECB, aims to integrate the European markets in short-term securities and thus increase liquidity. At the same time the opportunity was taken to change the format of the programme to that of a New Global Note, so that there was a consistency of approach with the Bank's MTN issuance. The EIB was in fact the first short-term issuer to adopt the NGN format, and this has helped address certain depositary and issuance concerns. Also, adherence to both the STEP and NGN projects ensures that EIB CP meets the Eurosystem's collateral eligibility criteria.

For further information on the EIB, visit its website [www.eib.org](http://www.eib.org).

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