

PRICING SUPPLEMENT

4th November, 1998

European Bank for Reconstruction and Development
ITL 250,000,000,000 Step-Down Notes due 5th November, 2018
issued pursuant to a Euro Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions. A further explanation of such terms is set out in the Prospectus in the section headed "Issue Procedures".

SUMMARY OF THE NOTES

- 1. Specified Currency: Italian Lire ("ITL") being the lawful currency of the Republic of Italy
- 2. Nominal Amount: ITL 250,000,000,000
- 3. Type of Note:
 - (i) From and including the Issue Date to but excluding 5th November, 2006: Fixed Rate;
 - (ii) From and including 5th November, 2006 to but excluding the Maturity Date: Zero Coupon.
- 4. Issue Date: 5th November, 1998
- 5. Issue Price: 80.30 per cent.
- 6. Maturity Date: 5th November, 2018
- 7. Fungible with existing Notes: No
- 8. Pricing Supplement to be read in conjunction with Prospectus dated: 28th August, 1998

FORM OF THE NOTES

- 9. Form of Note: Bearer
- 10. Specified Denomination: ITL 1,000,000, ITL 5,000,000 and ITL 50,000,000

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| 11. | Exchange of Bearer Notes: | Temporary Global Note exchangeable for definitive Bearer Notes on or after 40 days after the Issue Date on certification as to non-US beneficial ownership. |
| 12. | (a) Talons for future Coupons to be attached to definitive Bearer Notes: | No |
| | (b) Dates on which the Talons mature: | N/A |
| 13. | (a) Registered holder of Registered Global Notes: | N/A |
| | (b) Exchange of Registered Global Notes: | N/A |

PROVISIONS RELATING TO INITIAL PAYMENT

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| 14. | Partly Paid Notes: | No |
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PROVISIONS RELATING TO INTEREST

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| 15. | Interest Commencement Date: | 5th November, 1998 |
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Fixed Rate Notes:

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| 16. | (a) Fixed Rate of Interest: | <ul style="list-style-type: none"> (i) 10 per cent. per annum from and including the Issue Date to but excluding 5th November, 1999; (ii) 7 per cent. per annum from and including 5th November, 1999 to but excluding 5th November, 2000; and (iii) 4.5 per cent. per annum from and including 5th November, 2000 to but excluding 5th November, 2006. |
| | (b) Fixed Interest Dates: | 5th November, 1999 / 2000 / 2001/ 2002 / 2003 / 2004 / 2005 / 2006. |
| | (c) Initial Broken Amount per denomination: | N/A |

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| | (d) | Final Broken Amount per denomination: | N/A |
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Zero Coupon Notes:

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| 17. | (a) | Accrual Yield: | 3.41 per cent. per annum |
| | (b) | Reference Price: | 80.30 per cent. |
| | (c) | Other formula or basis for determining Amortised Face Amount: | N/A |

Floating Rate Notes and Indexed Notes:

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| 18. | (a) | Manner in which Rate of Interest is to be determined: | N/A |
| | (b) | Margin(s): | N/A |
| | (c) | Minimum Interest Rate (if any): | N/A |
| | (d) | Maximum Interest Rate (if any): | N/A |
| 19. | If ISDA Determination: | | |
| | (a) | Floating Rate Option: | N/A |
| | (b) | Designed Maturity: | N/A |
| | (c) | Reset Date: | N/A |
| 20. | If Screen Rate Determination: | | |
| | (a) | Reference Rate: | N/A |
| | (b) | Relevant Screen Page: | N/A |
| | (c) | Interest Determination Date: | N/A |
| 21. | If Indexed: | | |
| | | | N/A |
| 22. | If Rate of Interest not to be determined by ISDA or Screen Rate Determination or by reference to an Index or Formula: | | |
| | | | N/A |

23. **General Provisions for Floating Rate Notes and Indexed Notes:**

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| (a) | Specified Period (and, in the case of Notes where the Interest Payment Date(s) are fixed, the Interest Payment Date(s)): | N/A |
| (b) | Business Day Convention: | N/A |
| (c) | Business Day definition if different from that in Condition 4(b)(i): | N/A |
| (d) | Terms relating to calculation of Interest Amount: | N/A |
| (e) | Party responsible for calculation of interest: | N/A |

PROVISIONS REGARDING PAYMENTS

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| 24. | Definition of "Payment Business Day" for the purpose of Condition 6(a) or (b) if different to that set out in Condition 6: | Condition 6 applies |
| 25. | Dual Currency Notes: | N/A |

PROVISIONS REGARDING REDEMPTION/MATURITY

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| 26. | (a) Redemption at Issuer's option: | No |
| | (b) Redemption at Noteholder's option: | No |
| 27. | (a) Final Redemption Amount for each Note (<i>other than</i> an Indexed or Formula Note where the index or formula applies to the redemption amount): | 100 per cent. of the nominal amount |
| | (b) Final Redemption Amount for each Indexed Note where the Index or Formula applies to the Final Redemption Amount: | N/A |
| 28. | Instalment Note: | N/A |

29. Early Redemption Amount for each Note payable on an event of default: Condition 5(d)(ii) is amended so that the Early Redemption Amount for each Note while the Notes are Fixed Rate Notes (and while the Notes are Zero Coupon Notes) is the amount equal to the Amortised Face Amount of such Note, as calculated in accordance with Condition 5(d)(iii).

DISTRIBUTION, CLEARING AND SETTLEMENT PROVISIONS

30. Method of distribution: Syndicated
31. If syndicated, names of Managers or, if non-syndicated names of Purchasers:
 Deutsche Bank AG London
 Banca Popolare di Novara
 Banca Profilo S.p.A
 Banca Akros S.p.A
 Banca di Roma S.p.A
 Banca Nazionale del Lavoro S.p.A
 Banca Popolare Commercio e Industria Soc. Coop. a.r.l.
 Banca Popolare di Milano
 Banco di Napoli S.p.A
 Biverbanca - Cassa di Risparmio di Biella e Vercelli S.p.A.
 Credito Bergamasco S.p.A
 I.C.C.R.I. S.p.A
 Sanwa International plc.
32. Stabilising Dealer/Manager: Deutsche Bank AG London
33. Additional sales restrictions:
 Each Manager has represented and agreed that no action has been or will be taken which would allow an offering of the Notes to the public in The Republic of Italy and that individual sales of the Notes to any person in The Republic of Italy have been or will be made only in accordance with Italian securities, tax and other applicable laws and regulations. Accordingly, the Notes may not be offered, sold or delivered and neither the Prospectus nor any other offering material relating to the Notes may be distributed or made available in the Republic of Italy unless:
- (i) such activities are carried out by a securities intermediary appropriately authorised to conduct such activities in the Republic of Italy and in accordance with applicable Italian securities laws and any

other applicable law or regulatory requirements, including, inter alia, Legislative Decree No. 415 of 23rd July, 1996 (the "Eurosime Law"), Law No. 1 of 2nd January, 1991, to the extent applicable, Legislative Decree No. 385 of 1st September, 1993, as amended by the Eurosime Law, (the "Banking Law"), Law No. 216 of 7th June, 1974 and CONSOB Regulation No. 6430 of 26th August, 1992; and

(ii) the applicable requirements for notices to the Bank of Italy under article 129 of the Banking Law and the Bank of Italy instructions issued thereunder are fully complied with.

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| 34. | Details of additional/alternative clearing system approved by the Issuer and the Agent: | None |
| 35. | Additional Information: | N/A |
| 36. | Security Codes: | Notes held through Euroclear or Cedel Bank:
ISIN: XS0091362235
Common Code: 9136223 |
| | (a) Notes to be listed: | Yes |
| | (b) Stock Exchange(s): | London Stock Exchange Limited |
| 37. | Additional Provisions: | See Schedule |

For and on behalf of

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:

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 Authorised signatory

SCHEDULE

1. The following new Condition shall apply to the Notes:

"Redenomination

- (a) The Issuer may, without the consent of the Noteholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Cedel Bank and at least 30 days' prior notice to the Noteholders in accordance with the notice requirements set forth in the Conditions, take such measures as may be necessary in order to redenominate the Notes in euro and, if necessary, to renominialise and change certain conventions applicable to the Notes as so redenominated PROVIDED THAT the Agent shall agree such measures as being in keeping with market practice at the relevant time or such measures are taken in accordance with article 109/(4) of the Treaty or any regulation or applicable national legislation enacted pursuant to the Treaty and PROVIDED THAT any such redenomination, renominialistion or change shall only take effect from the Redenomination Date.

- (b) In this Condition, the following expressions have the following meanings:

"euro" means the currency to be introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"Redenomination Date" means (i) while the Notes are Fixed Rate Notes, any date for payment of interest under the Notes or (ii) while the Notes are Zero Coupon Notes, any date, specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the start of the third stage of European economic and monetary union pursuant to the Treaty or, if the Republic of Italy is not participating in such third stage, which falls on or after such later date as it does so participate; and

"Treaty" means the treaty establishing the European Community, as amended from time to time."