

2017 Social Inclusion Bond Report

The CEB 2017 Social Inclusion Bond – Background

KEY DEAL CHARACTERISTICS

Issue date	3 April 2017
Amount	500 €M
Maturity	10 April 2024 (7-year)
Rating	Aa1/AA+/AA+
Coupon	0.125%
Second Party Opinion	Sustainalytics

In April 2017, the Council of Europe Development Bank (CEB), issued its inaugural **Social Inclusion Bond**, dedicated to the financing of social housing, education as well as micro, small and medium-sized enterprises ("MSMEs").

The operation was well received by the market as more than 40 investors, mainly from France (29%), Germany (20%), and the Netherlands (17%), participated in the bond offering.

The CEB committed to report in the calendar year following the year in which the Social Inclusion Bond was issued, on the allocation of the proceeds and the social impact, which is the purpose of this publication.

Eligibility criteria

- **Social housing for low-income persons:** housing renovation, construction or refurbishing and conversion of buildings into housing
- **Education and vocational training:** projects concerning education, including vocational training, and related basic infrastructure with the aim to provide access to education and vocational training
- **Supporting MSMEs for the creation and preservation of viable jobs:** projects facilitating access to credit for MSMEs for the primary purpose of promoting the creation and preservation of viable jobs

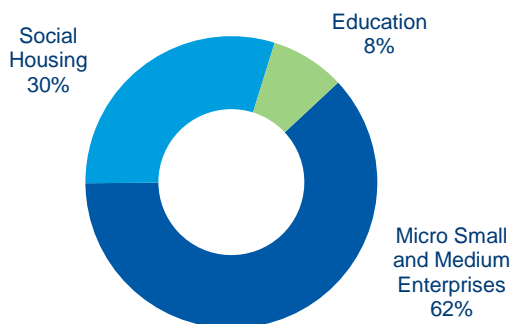
Additional information on the Social Inclusion Bond Framework can be found on:

<https://coebank.org/en/investor-relations/funding/>

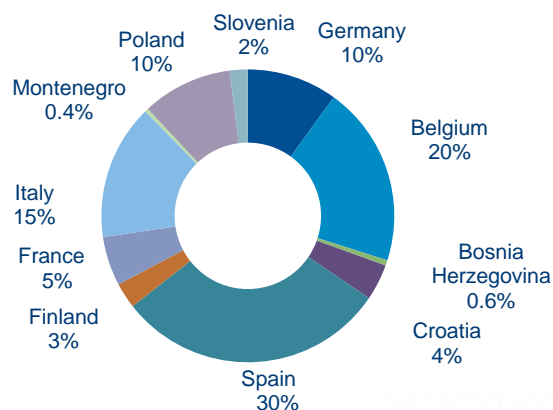
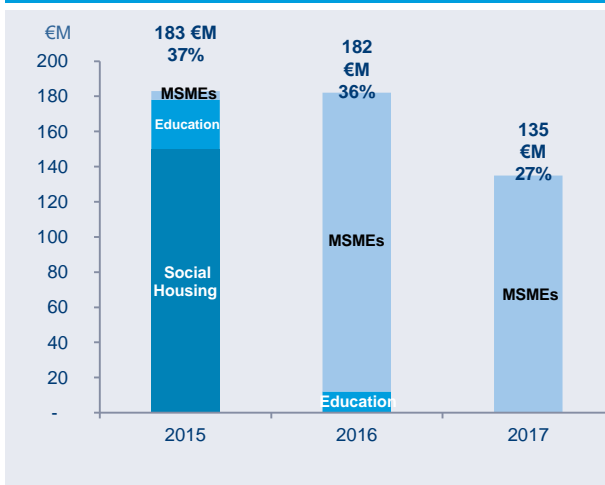
Bond Proceeds Allocation

ALLOCATION OF BOND PROCEEDS

Amount of loans disbursed	500 €M
# of projects	14
# of sectors	3
# of countries	11



YEAR OF DISBURSEMENT



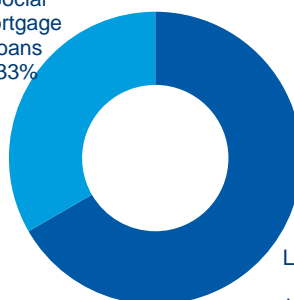
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Social Impact of Loans Granted

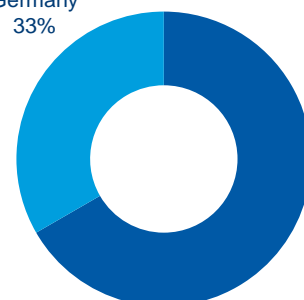
SOCIAL HOUSING

Total projects cost	389 €M
Amount of loans disbursed	150 €M
Breakdown by year of disbursement	2015: 150 €M 2016: 0 2017: 0
# of countries	2
# of dwellings	2 283

Social Mortgage loans 33%



Germany 33%

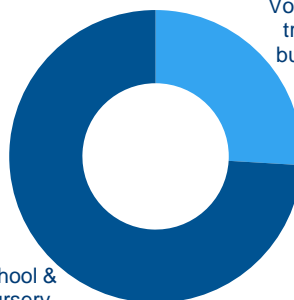


Belgium 67%

EDUCATION

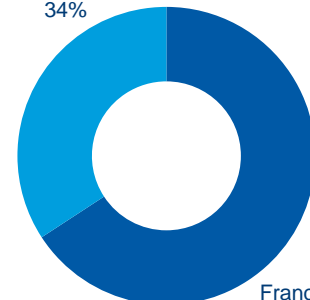
Total projects cost	90 €M
Amount of loans disbursed	40 €M
Breakdown by year of disbursement	2015: 28 €M 2016: 12 €M 2017: 0
# of countries	2
# of establishments	212
# of students/ interns	57 462

Vocational training buildings 26%



School & nursery buildings 74%

Finland 34%

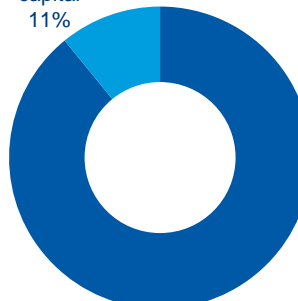


France 66%

MSMEs

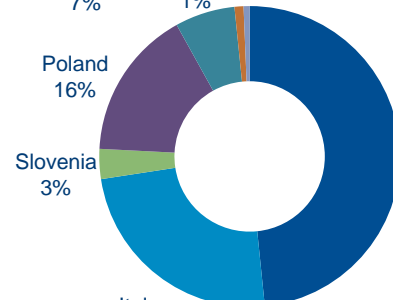
Total projects cost	684 €M
Amount of loans disbursed	310 €M
Breakdown by year of disbursement	2015: 5 €M 2016: 170 €M 2017: 135 €M
# of countries	7
# of MSMEs financed	12 061
• Micro	7 600
• Small	3 898
• Medium	563
# of jobs preserved	112 877
# of jobs created	1 228

Working capital 11%



Capex 89%

Croatia 7%
Bosnia and Herzegovina 1%
Montenegro 1%



Spain 48%

Methodology

- The impact reported by the CEB concerns the total project. The CEB usually finances a portion of such projects and therefore contributes financially to only a share of the benefits.
- The CEB requested KPMG as external auditors to perform agreed-upon procedures related to the compliance of eligible social loans with the relevant framework loan agreements. In the context of these agreed-upon procedures, KPMG tested 14 eligible social loans mentioned in this Social Inclusion Bond Report and noted no exception.

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Example of Loans Granted from the Social Inclusion Bond

Example 1: Social Housing

- In 2013, the CEB approved a € 100 million loan for the partial financing of NRW.BANK's subsidised housing loan programme aimed at increasing the offer of affordable rent-controlled housing in the State of North Rhine-Westphalia, Germany. Housing providers grant access to dwellings on the basis of means-tested, priority-related criteria focusing on vulnerable households, including tenants of migrant background, persons with disabilities, elderly persons and families in financial difficulty. The programme seeks to improve living conditions for low-income tenants through the upgrading of deprived urban areas and energy efficiency measures so as to reduce energy consumption and meet environmental standards.



Total cost	CEB loan	CEB Loan share	Type of loans	# of dwellings
173 €M	50 €M	29%	Mortgage loans	980

Example 2: Support to Education

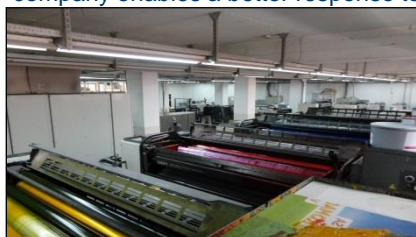
- In 2014, the CEB focused on promoting education in Finland by providing a € 60 million programme loan to the City of Vantaa to part-finance a variety of its social infrastructure investments. Developed in line with the city's long-term strategy and financing plan, the programme comprises new construction as well as the renovation of existing municipality-managed facilities, such as schools, health centres, cultural institutions and sports centres. It takes into account the changing demographics of the city, characterised by increased urbanisation and strong population growth, including through immigration. With the largest part of the programme specifically dedicated to education, principal final beneficiaries will be children and youth.



Total cost	CEB loan	CEB Loan share	# of establishments	# of students/in terns
30 €M	14 €M	48%	203	51 052

Example 3: Support to MSMEs

- The programme consists of a € 20 million loan to Raiffeisen Leasing d.o.o. Sarajevo (RLBH) for the partial financing of productive investment sub-projects undertaken by existing and start-up micro, small- and medium-sized enterprises (MSMEs) located throughout Bosnia and Herzegovina. The CEB funding contributes to strengthening MSME competitiveness and fostering the creation of new jobs and the preservation of existing permanent and seasonal jobs. It provides much-needed access to long-term financing, which remains a critical issue for the development of small businesses in the country. As leasing is often the only form of financially sustainable investment for micro and small enterprises in Bosnia and Herzegovina, provision of financial resources through a locally well-established leasing company enables a better response to actual MSME financing needs.



Total cost	CEB loan	CEB Loan share	# of SMEs	o/w Micro	o/w Small	o/w Medium	# of Jobs preserved
6 €M	3 €M	49%	234	104	94	36	6 389

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The CEB at a glance

PROMOTING SOCIAL COHESION

The CEB is a multilateral development bank whose broadened mission is to promote social cohesion in Europe through:

- **Sustainable and inclusive growth** with emphasis on socially oriented components and particularly on public infrastructure with a social purpose, job creation and preservation, access to labour markets, housing and the integration of vulnerable groups
- **Integration of refugees, displaced persons and migrants**
- **Climate action:** development of mitigation and adaptation measures

KEY MILESTONES

- **1956:** establishment of the CEB in the aftermath of World War II, in the form of a Resettlement Fund with a capital of less than 7 million US dollars
- **1960s-1980s:** steady increase of its membership, financial resources and scope of action in line with changes in social priorities. Three Council of Europe Summits of Heads of State and Government helped to shape what the Bank is today
- **1993:** following the Vienna Summit, a wave of new members from the countries of Central, Eastern, and then South-Eastern Europe joining the Bank, which at the time was still a Fund
- **1997:** the Strasbourg Summit widened the CEB's mandate to include strengthening social cohesion, alongside the priorities set out in its Articles of Agreement
- **2005:** the Warsaw Summit, whilst continuing to support the Bank's traditional mission, also invited the CEB to contribute in its own way to the development of a free, democratic and more inclusive European society
- **Since 2008,** the protracted crisis in Europe and its impact on the lives of populations have made the CEB's mandate and action as a social development bank more relevant than ever

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For additional information concerning the CEB and its Social Inclusion Bonds, please refer to the CEB's financial statements and other relevant information available at <https://coebank.org/en/investor-relations/funding/>.