

2019 Social Inclusion Bond Report

The Council of Europe Development Bank 2019 Social Inclusion Bond

KEY DEAL CHARACTERISTICS

Issue date	10 April 2019
Amount	500 €M
Maturity	10 April 2026 (7 years)
Rating	Aa1/AAA/AA+
Coupon	0.000%
Second Party Opinion	Sustainalytics

- The Council of Europe Development Bank (CEB) has an explicitly social mandate and strong track record of promoting social investments in its member states across Europe and is therefore ideally positioned to issue social bonds.
- The CEB's third Social Inclusion Bond, launched in April 2019, further strengthened its leading role in the social bond market. The issuer's original Social Inclusion Bond Framework remained unchanged for this third Social Inclusion Bond.
- The Bond was well received by a diverse range of socially responsible investors. The number of investors participating was over 40. The order book was driven mainly by European investors with the Benelux (27%), the UK (23%) and Italy (22%) as the main markets.
- The CEB committed to report on the allocation of the proceeds and the social impact in the calendar year following the year the Social Inclusion Bond was issued, 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 CEB's Social Inclusion Bonds can be found at:

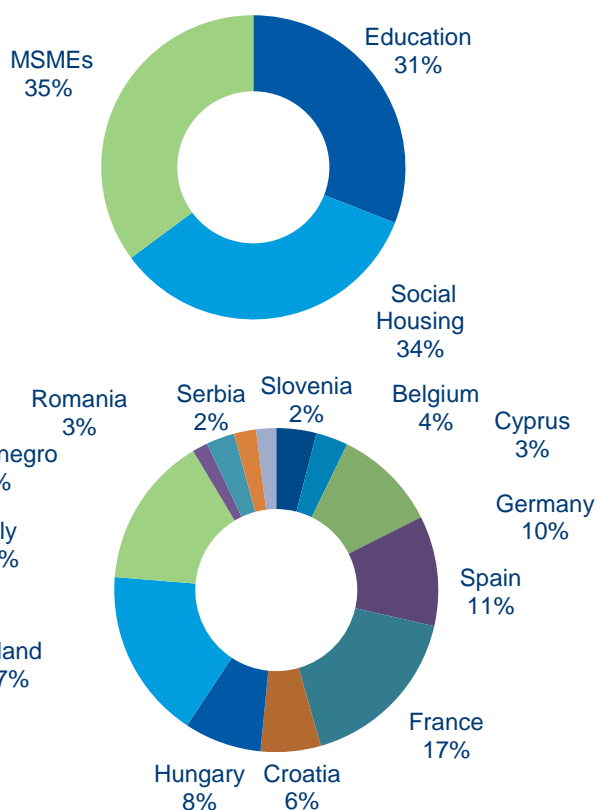
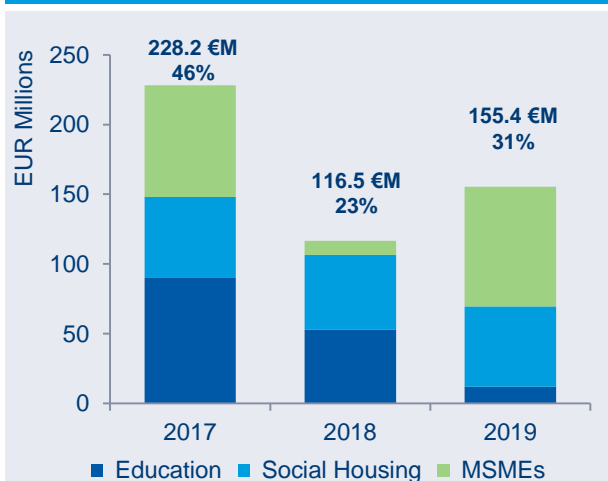
<https://coebank.org/en/investor-relations/funding/>

Use of Bond Proceeds

ALLOCATION OF DISBURSEMENT

Amount of loans disbursed	500 €M
# of projects	17
# of sectors	3
# of countries	13

YEAR OF DISBURSEMENT

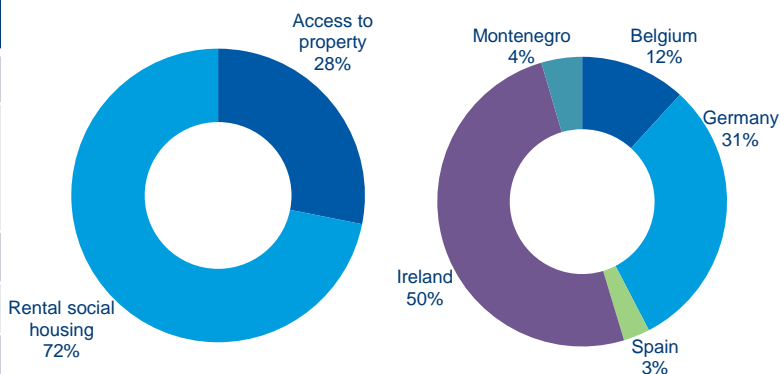


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Social Impact of Loans Granted

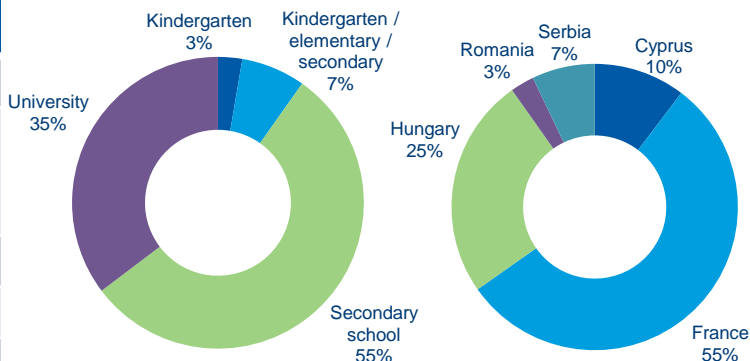
SOCIAL HOUSING

Total cost of projects	593.5 €M
Amount of loans disbursed	169.6 €M
Breakdown by year of disbursement	2017: 58.2 €M 2018: 53.7 €M 2019: 57.7 €M
# of countries	5
# of dwellings	5,777
# of residents	8,739



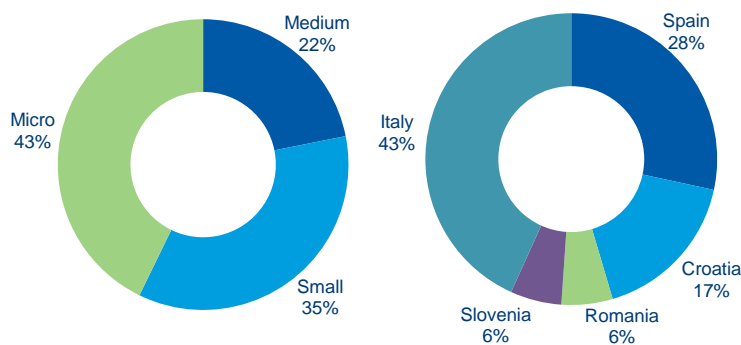
EDUCATION

Total cost of projects	1,159.8 €M
Amount of loans disbursed	154.7 €M
Breakdown by year of disbursement	2017: 90 €M 2018: 52.8 €M 2019: 11.9 €M
# of countries	5
# of establishments	1,252
# of students/ interns	143,320



MSMEs

Total cost of projects	411.9 €M
Amount of loans disbursed	175.7 €M
Breakdown by year of disbursement	2017: 80 €M 2018: 10 €M 2019: 85.7 €M
# of countries	5
# of jobs preserved	40,044
# of jobs created	4,313



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 EY as external auditors to perform agreed-upon procedures related to the compliance of eligible social loans with the relevant framework loan agreements. EY reviewed the 23 eligible social loans mentioned in this Social Inclusion Bond Report and noted no discrepancies between these loans and the relevant framework loan agreements.

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Examples of Loans Granted from the Social Inclusion Bond

Example 1: Social Housing

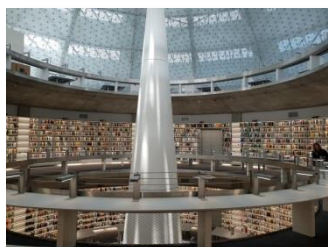
- In 2014, the CEB approved a € 100 million Programme Loan to Fonds de logements des familles nombreuses en Wallonie (FLW), Belgium, for the partial financing of social mortgage loans in Wallonia to the lowest-income families with at least three dependent children and/or disabled person(s) living in the same household. For these groups, the loans granted by the FLW are very often the only means of acceding to or retaining ownership of dwellings in line with their financial resources. Moreover, all loan applications by the end beneficiaries are accompanied by technical and social support from FLW experts in order to ensure the success of each family project in both technical and social terms.



Total cost	CEB loan	CEB Loan share	# of dwellings	# of residents
47.4 €M	20 €M	42%	296	1 585

Example 2: Education

- The CEB approved a € 32 million Project Loan to the Republic of Cyprus in 2016 in order to partially finance the extension and renovation of the University of Cyprus (UCY) facilities. The CEB's financing provides a valuable support in carrying out this highly beneficial public project seeking to address the country's investment needs in higher education and research. Direct beneficiaries of the project are present and future students and staff benefitting from improved studying and working conditions.



Total cost	CEB loan	CEB Loan share	# of establishments	# of students
235.2 €M	16 €M	7%	1	10 000

Example 3: Support to MSMEs

- As part of its long-standing cooperation with the borrower, the CEB approved a € 100 million Programme Loan to the Croatian Bank for Reconstruction and Development (HBOR) in 2017. CEB funds are used by HBOR to provide the partial financing of productive investment projects and related working capital requirements of MSMEs, with a focus on the lower and medium segments of the Croatian market. Given the role played by HBOR in helping local authorities fulfil their mandate as public services providers, the CEB also funds priority municipal social infrastructure throughout the country with often positive, if indirect, support to MSME establishment and development.



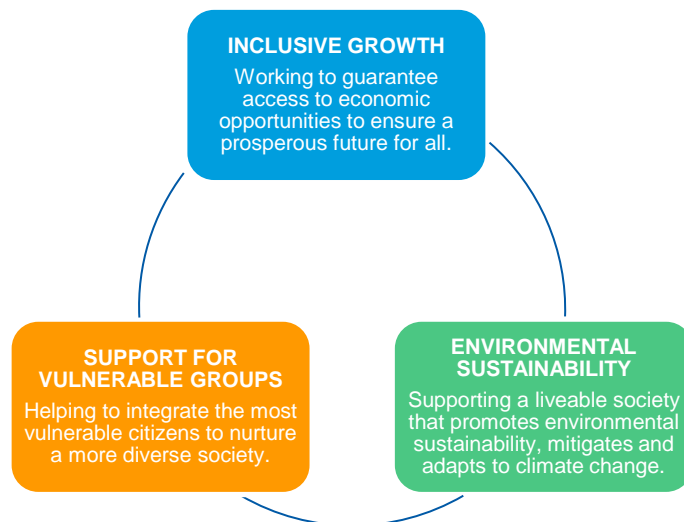
Total cost	CEB loan	CEB Loan share	# of SMEs	of which Micro	# of Jobs created	# of Jobs preserved
60 €M	30 M€	50%	119	50%	3292	442

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The CEB at a glance

PROMOTING SOCIAL COHESION - OUR LINES OF ACTION

The CEB is a multilateral development bank whose mission is to promote social cohesion and strengthen social integration in Europe through the provision of financing and technical expertise for projects with a high social impact in its member states. It participates in financing social projects, responding to emergency situations and contributes to improving the living conditions of the most vulnerable population groups (among others, children, pregnant women, homeless or disabled persons, migrants, refugees and ethnic minorities), depicted through the diagram (right).



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.
- **1993:** following the Vienna Summit, a wave of new members from the countries of Central, Eastern, and then South-Eastern Europe joined 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 existing 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.
- **2017:** the CEB launched its inaugural Social Inclusion Bond issue (€ 500 million size with a seven-year maturity). This landmark issuance was a major step towards promoting social cohesion in Europe.

CEB ACTIVITIES AND KEY UN SDGs

Alignment with CEB's social mandate



Cross-cutting issues, screening of all CEB projects



Project-specific, sector-based relevance



2019 Social Inclusion Bond Report

Consolidated Harmonised Impact Report for Social Inclusion Bonds due **April 2024 (XS1594302868)**, **March 2025 (XS1799045197)** and **April 2026 (XS1979512578)**
 Total outstanding EUR 1.5bn

Project Category				Target Population	Allocation information				Social Indicators	
SBP Category	Sub-category		SDG Addressed (as relevant)	Target Group	Signed amount	Share of Total Financing	Eligibility of Social Inclusion Bond	Allocated amount	Indicator 1	Indicator 2
a/	b/		c/	d/	e/	f/	g/	h/	i/	i/
					EUR	%	% of signed amount	EUR	Number of people benefitting	Other
Affordable housing	Social housing	Social mortgage loans	SDG 10	Living below poverty line	€ 150,000,000	39%	100%	€ 150,000,000	Residents: 4,566*	Dwellings: 2,283
		Loans for social housing	SDG 11	Vulnerable groups	€ 175,800,000			€ 175,800,000	6,406	2,578
					€ 169,588,411	33%		€ 169,588,411	8,739	5,777
					€ 495,388,411	29%		€ 495,388,411	19,711	10,638
Access to essential services	Education	Primary & Secondary Schools, Kindergarten and Universities	SDG 4	Undereducated	€ 40,000,000	44%	100%	€ 40,000,000	Students: 57,462	Establishments: 212
			SDG 10		€ 83,700,000			€ 83,700,000	23,719	31
					€ 154,694,707	20%		€ 154,694,707	143,320	1,252
					€ 278,394,707	13%		€ 278,394,707	224,501	1,495
Employment generation including through the potential effect of SME financing and microfinance	Micro, small and medium enterprise financing	Fixed assets and working capital	SDG 5	Unemployed	€ 310,000,000	45%	100%	€ 310,000,000	Jobs preserved: 112,877	MSMEs: 12,061
			SDG 8		€ 240,400,000			€ 240,400,000	65,433	
			SDG 10		€ 175,716,882	41%		€ 175,716,882	40,044	5,159
					€ 726,116,882	43%		€ 726,116,882	218,354	4,520
									Jobs created: 1,228	
									5,793	
									4,313	
									11,334	21,740
-	-	-	-	-	€ 500,000,000	-	-	€ 500,000,000	176,133	-
					€ 500,000,000			€ 500,000,000	101,351	
					€ 500,000,000			€ 500,000,000	196,416	
Total	-	-	-	-	€ 1,500,000,000	-	-	€ 1,500,000,000	473,900	-

Social Inclusion Bond Colour Key (maturity year)

2024	2025	2026
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Notes:

a/ Eligible category pursuant to Social Bond Principles (SBP)

b/ Eligible sub-category

c/ Eligible Sustainable Development Goals (SDG) which are addressed by the financed portfolio/project and fit to the chosen SBP (sub)category

d/ Eligible target populations include:

- 1) Living below poverty line
- 2) Vulnerable groups
- 3) Undereducated
- 4) Unemployed

e/ Signed / budgeted amount committed by the issuer for the portfolio or portfolio components eligible for Social Inclusion Bond financing

f/ Share of the total portfolio/project cost that is financed by the issuer

g/ Percentage of signed amount eligible for Social Inclusion Bond financing

h/ Amount allocated by the issuer to the portfolio or portfolio components eligible for Social Inclusion Bond financing

i/ Indicators include number of jobs, people, schools, dwellings etc. benefiting from the total project

*Number of residents benefiting from Affordable Housing under the 2017 Social Inclusion Bond is an estimate

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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/>.