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CAB & SAB allocations in the first half of 2019



42 projects



20 countries



€1.7 bn allocations



15 projects



12 countries



€255 m allocations

Issuance highlights

Climate- and Sustainability Awareness Bond issuance in 2019

Type	ISIN	Launch date	Maturity date	Coupon	Bond currency	Amount issued in currency (m)	Amount issued in EUR (m)
CAB	XS1980857319	04/04/2019	14/11/2042	1.00%	EUR	500	500
CAB	XS1998795535	13/05/2019	15/11/2029	2.88%	PLN	1,000	232
CAB	AU3CB0263945	28/05/2019	15/11/2024	1.70%	AUD	400	248
CAB	XS2022314467	27/06/2019	14/11/2031	0%	DKK	3,000	402
CAB	AU3CB0245884	25/07/2019	03/02/2028	3.30%	AUD	150	94
CAB	XS2036242803	30/07/2019	15/11/2024	0.75%	GBP	800	874
SAB	XS1878833695	05/09/2018	15/05/2026	0.375%	EUR	250	250
SAB	XS2052474678	09/09/2019	21/09/2026	0.125%	SEK	2,000	187
CAB	US298785JA59	02/10/2019	09/10/2029	1.625%	USD	1,000	913
Total							3,700

as of 15 October 2019

CAB Issuance

In 2019, the European Investment Bank ('EIB' or 'the Bank') expanded Climate Awareness Bonds ('CAB') issuance into six different currencies, resulting in a total of EUR 3.3bn issued and featuring issuances in two inaugural currencies: PLN and DKK. Issuance activity this year highlighted new CAB-documentation tuned to the upcoming EU Sustainability Taxonomy ('EUST').

First, in April, EIB issued a EUR 500m CAB due 2042, which was the inaugural CAB to establish the link of the new documentation to the EUST.

Then, in May, EIB issued a PLN 1bn CAB bond due 2029. It was the first CAB in PLN ever, and it was entirely placed with Japan Post Insurance Co., Ltd., the insurance arm of the Japan Post Group. Moreover, this was the first transaction to inaugurate new CAB documentation in non-EUR currencies. The transaction highlighted growing support for sustainability finance in Japan as well as increasing Japanese attention to the EU Action Plan on Financing Sustainable Growth.

The Bank went twice to the Kangaroo market: once with a new AUD 400m CAB due 2024 and once with a tap of its existing AUD CAB 2028 for an additional 150m (total outstanding AUD 1.4bn). The transactions were driven by Australian and Japanese demand, underlining global investors' growing understanding and appreciation of EIB's contributions to the development of a shared approach to sustainability taxonomies worldwide.

Additionally, the Bank issued its inaugural CAB in DKK, being the first SSA green bond ever in that currency. The DKK 3bn CAB due 2031 proved attractive to long-term sustainable investors from the Nordics, who support EIB's efforts in aligning its sustainability funding with ongoing EU sustainable finance legislation.

In July, the Bank issued the largest GBP SSA green transaction ever, amounting to GBP 800m and due 2024. It marks the first GBP bond with documentation linked to the EUST. Around two thirds of allocations went to green investors (defined as investors who have a dedicated green account/portfolio/mandate and/or are UN PRI signatories).

Finally, following the Climate Week in New York, the EIB issued a USD 1bn SEC-registered CAB due 2029. The transaction was four times oversubscribed and is the first USD green bond with documentation tuned to EUST.

SAB Issuance

In September 2018, the Bank issued its inaugural Sustainability Awareness Bond ('SAB') with proceeds allocated to lending to activities that substantially contribute to environmental (beyond climate) and social sustainability objectives. The SAB framework is flexible, as it permits gradual extension of eligibility to activities and objectives in line with EU legislation, which support also the UN's Sustainable Development Goals ('SDGs'). In September 2019, the SAB portfolio balance approached full allocation, which prompted the Bank to tap its inaugural SAB 2026 line with an additional EUR 250m. Immediately afterwards, EIB issued its second SAB line with a SEK 2bn SAB due 2026, which was placed with investors from Sweden, Norway and Japan.



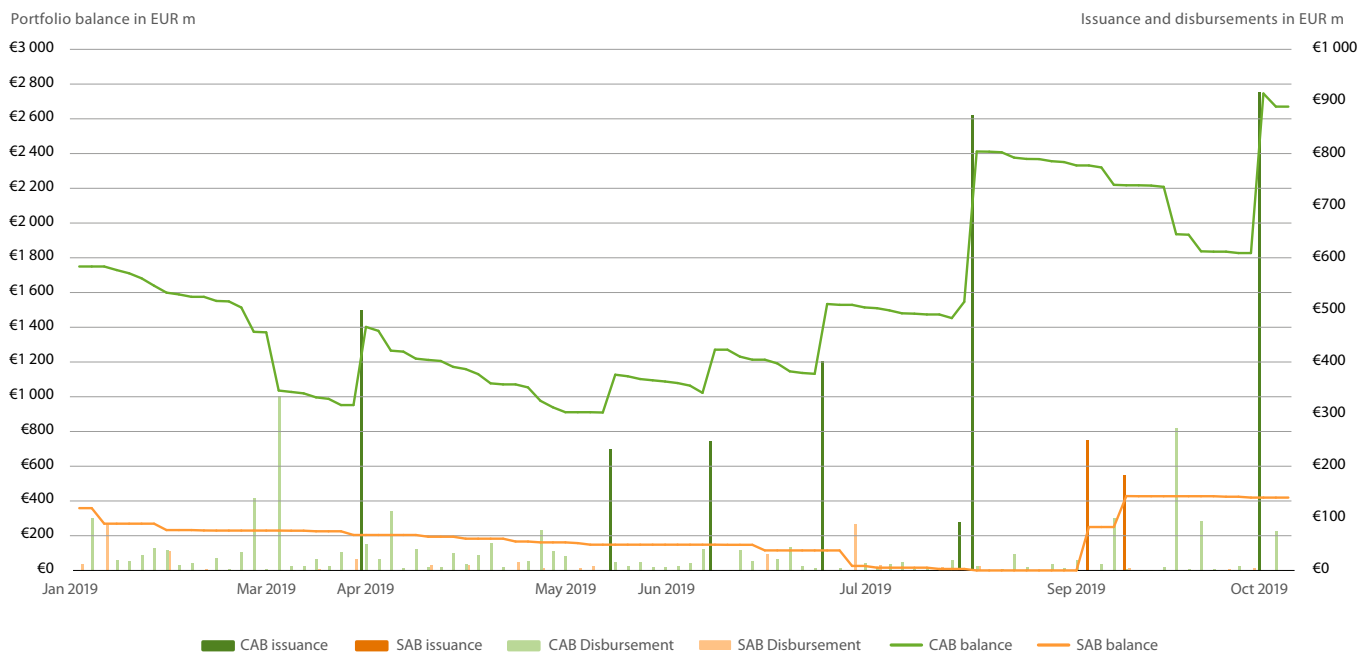
These deals mark the extension of SAB eligibility criteria to lending to activities in further areas of sustainability geared towards social objectives: universal access to affordable health services (targeting SDG 3) and access to equitable and inclusive education (targeting SDG4).

As a result, the Bank so far addresses six objectives with its SABs, out of which two are environmental and four social. Environmental objectives are: (1) conservation of natural resources and (2) pollution prevention and control. Social objectives are: (3) access to water and sanitation, (4) natural disaster risk management, (5) universal access to affordable health services, and (6) access to equitable and inclusive education. Thanks to the flexible language in SAB-documentation, liquidity of the bonds is strengthened by the preservation of fungibility of the different taps within SAB lines.

Eila Kreivi, Director and Head of Capital Markets at the EIB: "Climate Awareness Bonds issuance in 2019 highlights new CAB documentation tuned to the upcoming EU Sustainability Taxonomy. CAB's global recognition has been sealed by favourable reception in multiple currencies.

Beyond climate, sustainable development requires rapid redirection of financial flows towards sustainable investment, helped by capital markets and facilitated by a common language in sustainable finance. The issuance of Sustainable Awareness Bonds in 2019 marks the extension of SAB eligibility to health and education activities."

CAB and SAB portfolio balance



*unaudited data as 15 October 2019

As of 1 January 2019, the CAB treasury balance stood at EUR 1.8bn. Given EUR 2.4bn of disbursements and EUR 3.3bn of net proceeds from new issuance, the portfolio balance equalled about EUR 2.7bn as of 15 October 2019.

The SAB treasury balance stood at EUR 371m at the beginning of 2019. Given EUR 386m of disbursements and EUR 434m of net proceeds from new issuance, the portfolio balance equalled EUR 419m as of 15 October 2019. The SAB proceeds are maintained separate from the CAB proceeds, but are managed following the same approach: CAB and SAB proceeds are allocated within the treasury to a sub portfolio of the operational money market portfolio. This is in alignment with the Green Bond Principles ("GBP"), the Social Bond Principles ("SBP"), and the Sustainability Bond Guidelines ("SBG").

Reporting

Use of proceeds

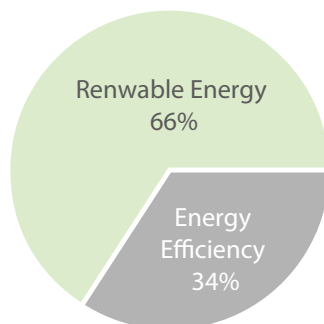
The EIB applies a first-in first-out principle for the allocation of CAB and SAB proceeds to eligible disbursements.

During the first half of 2019, EUR 1.7bn of CAB proceeds were allocated to 42 projects in 20 countries. EUR 1.5 bn were disbursed to 35 projects in EU Member States, and EUR 146m supported 7 projects in countries outside the EU. Out of this, EUR 1.1bn contributed to the financing of renewable energy projects, with the remainder being allocated to energy efficiency lendings.

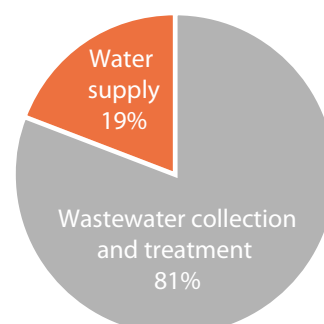
SAB proceeds were allocated to 15 projects in 12 countries during the first half of 2019. During this period, EUR 182m were disbursed to 7 projects in EU Member States, and EUR 73m supported 8 projects in countries outside the EU.

Detailed allocation reports, are available on EIB's website (see Resources on page 8).

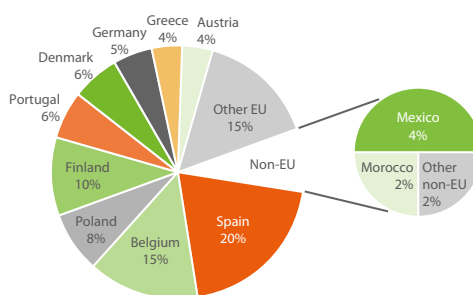
CAB allocation by activity



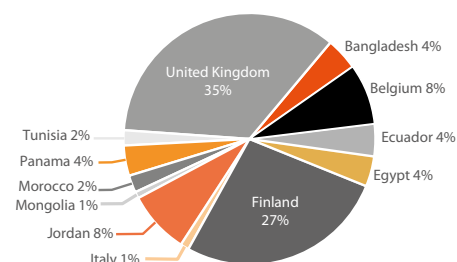
SAB allocation by activity



CAB allocation by country



SAB allocation by country



*unaudited data

SAB PROJECT – MALAWI LILONGWE WATER RESOURCE EFFICIENCY

In 2015, the EIB granted a EUR 24m loan to support the EUR 49.2m investment programme in Lilongwe, the capital of Malawi, to be implemented by Lilongwe Water Board. During 2019 ytd, EUR 10m of SAB proceeds have been allocated to the project. The project's main components consist of upgrading a dam that is Lilongwe's primary water source, extending water-treatment works, reducing leakages and improving network management.

The project promoter is Lilongwe Water Board, one of five Water Boards of Malawi. With an existing infrastructure of two dams (Kamuzu Dam 1 and Kamuzu Dam 2), two main water treatment plants and a pipe network of about 1,800 km, the project promoter currently supplies about 62,000 m³/day to 40,850 residential connections. However, this is insufficient to meet the current demand of around 100,000 m³/day and therefore water has been rationed since 2012. Over the last decade, frequent and consecutive drought periods have brought the dam system to its limits.

The main component of the project is the raising of Kamuzu Dam 1 to increase the annual storage capacity by about 19 million m³ and significantly increase drought resilience of the Lilongwe Water supply system. The project also comprises works to reduce water leakage (i.e. Non-revenue Water) from 35% to 25% and to improve network management. Overall, the project will contribute to the development of secure and uninterrupted water supply for the benefit of an estimated 1.4 million inhabitants.

As a result, the project substantially contributes to two SAB objectives (environmental: conservation of natural resources; and social: access to water and sanitation), thereby supporting related SDGs.



EIB presented ambitious climate action targets at the United Nations



At the UN Climate Action Summit in September, the EIB announced its intended new climate action targets as an endorsement to the European Commission call for the Bank to be a key pillar of the proposed European Green Deal and a more ambitious climate action role by the European Union. EIB welcomed this vision and the support of France and other Member States to strengthen the EIB as the EU's Climate Bank. The EIB Group's proposal for ambitious 2030 climate action and environmental sustainability objectives builds around three commitments:

1. **To align all EIB Group financing activities with the goals of the Paris Agreement by the end of 2020**
2. **To commit at least 50% of EIB finance for climate action and environmental sustainability by 2025**
3. **To unlock and support EUR 1 trillion of climate action and environmental sustainable investment in the decade to 2030, with increased support for climate change adaptation and climate-resilience**

Moreover, the EIB, together with eight other multilateral development banks ('MDBs')*, pledged in a statement during the UN Secretary-General's Climate Action Summit to raise their annual global climate action investment to USD 65 billion, with USD 50 billion for low and middle income countries, 50 per cent above current levels. The collective efforts should double the total level of adaptation finance provided to clients to USD 18 billion annually by 2025, compared to current levels. This responds to the urgent need to scale-up support for climate resilience in client projects and for enhanced systemic resilience.

Additionally, based on current trends, MDBs expect the collective efforts to result in a further USD 40 billion of climate investments mobilized annually by 2025 from private sector investors, including through the increased provision of technical assistance, use of guarantees, and other de-risking instruments.

MDBs have been leading climate action for more than a decade to meet the objectives of the Paris Agreement, which aims to limit the increase in global temperatures to well below 2°C. Their statement confirms the MDBs' collective efforts already demonstrated by the record level of climate finance and co-finance with USD 111 billion reached in 2018 in developing countries and emerging economies.

* Asian Development Bank, African Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank Group, Islamic Development Bank, New Development Bank and World Bank Group.



GLOBALCAPITAL AWARDS

On 17 September, GlobalCapital granted EIB the award for Most Impressive Supranational Green/SRI Issuer. Additionally, Aldo Romani, Head of Sustainability Funding at EIB, received the award for the Most Impressive Green/SRI Bond Funding Official. These recognitions were presented at the GlobalCapital's Sustainable and Responsible Capital Markets conference in Amsterdam. Award winners were chosen through a poll of market participants covering activity in sustainable financing between July 2018 and June 2019.



Market developments

TEG proposal of EU Sustainability Taxonomy and Green Bond Standard released

On June 18, the European Commission's Technical Expert Group ('TEG') on sustainable finance published three new reports, marking an important step forward for the Commission's Action Plan on Financing Sustainable Growth. As a TEG member, the EIB specifically contributed to the report on the EU Taxonomy and the report on EU Green Bond Standard. These two reports are of direct relevance for the EIB's funding and lending activities.



The report on EU taxonomy of environmentally sustainable activities presents an overview of the methodology, guiding principles and technical screening criteria for identifying economic activities that contribute substantially to the first two of six environmental objectives: climate change mitigation and climate change adaptation.

The report on EU Green Bond Standard provides recommendations for the development of an EU Green Bond Standard that aims to add clarity and reliability to the green bond market with regard to eligible projects (explicit link to EU Taxonomy) and verification of issuer's reports.

The TEG started its work in July 2018. It is composed of 35 members from civil society, academia, business and the finance sector. These reports are the outcome of one year of extensive work on key aspects of the Commission's Action Plan for Financing Sustainable Growth. They supplement the legislative proposals presented by the EC in May 2018. They specifically aim to further incentivise and channel private sector investment into sustainable development, by making investors more aware of what they invest in and by giving investors important tools to invest sustainably.

The TEG work programme has been extended to the end of 2019. The TEG will provide its final recommendations to the European Commission before the end of 2019, based on public feedback requested on the reports. This work will be continued by the EU Platform on Sustainable Finance, a permanent forum that the EIB and EIF have been asked to be part of.

On the global stage this work is supplemented through the International Platform on Sustainable Finance, which aims at promoting this dialogue beyond EU borders to achieve transparency and comparability across jurisdictions and regions, and exchange of good practices on green finance instruments, without imposing identical eligibility criteria. The EIB has been invited (and has accepted) to join this platform in June.

EIB – GPIF: cooperation to bring more clarity within G20 framework on sustainable finance

On 28 June, the EIB and Japan's Government Pension Investment Fund ('GPIF') started a partnership that aims to strengthen their capital market cooperation in the context of an increasingly global effort to promote sustainable finance. GPIF asset managers consider investment in CABs and SABs as part of a broader effort to integrate environmental, social and governance ('ESG') considerations into fixed income investment. EIB-GPIF cooperation started on the opening date of the G20 Summit in Osaka this year, which, in September 2016, had voiced the necessity of a common approach on internationally comparable indicators for the measurement of sustainability and enhanced clarity in sustainable finance.

EIB believes that higher clarity provided by the explicit link of the bond documentation to the EUST enhances the effectiveness of CABs and SABs in shedding light on the sustainability of the projects that receive allocations from these bonds. This is a welcomed investment opportunity in the context of the ESG-framework set by GPIF for their investment decisions.



EIB – Amundi: partners in the Green Credit Continuum

In July 2019, EIB announced its partnership with Amundi Asset Management to launch the Green Credit Continuum investment program. The programme is envisaged to provide EUR 1bn for the green debt market in Europe, fostering its development beyond the existing green bonds to support small-scale green projects, SME, and mid-cap financing, and helping to finance the EU's Paris Agreement commitments. EIB is expected to invest up to EUR 60m in the fund.

The programme has three components: the creation of a diversified fund that will invest in green high yield corporate bonds, green private debt, and green securitised debt. In parallel, a scientific committee of green finance experts will be formed to define and promote environmental guidelines for these three markets, in line with international best practice and aligned with legislation arising from the European Commission's action plan on financing sustainable growth. Lastly, a green deal network will be put in place to source deals and projects.



Amundi CEO Yves Perrier and EIB Vice-President Ambroise Fayolle

The goal of the agreement is to create several funds based on this model and to help establish market standards for these new green finance segments. Hence, this initiative contributes to create new market instruments to diversify green financing from sovereigns, quasi-sovereigns and large corporates.

20 000 trees planted with WeForest

In 2017, to mark the celebration of the 10th anniversary of the Bank's first Climate Awareness Bond, EIB committed to plant 20,000 trees in Khasi Hills (India) and in Amhara (Ethiopia) in collaboration with WeForest. It is a pleasure to announce that these trees have been planted and are now growing.

In the North Khasi Hills Ri-Bhoi District (India), following several audits of the planting sites it is confirmed that the trees are in excellent condition, with a high sapling survival rate. The home-based nurseries are cultivating as many as 19 local indigenous species of trees, and we expect that herbs, such as the native Tulsi – a sacred plant commonly cultivated for religious and traditional medicine purposes – can also be raised there in the future, opening up further income opportunities for the local community.



In Amhara (Ethiopia), the plantation of trees enabled farmers to enrol in the 2017 agroforestry program. Yersaw, a local farmer, planted acacia decurrens and cordia africana. In the next two years, these trees will provide enough shade to enable the planting of legumes at their base. Furthermore, Yersaw will be able to use the branches and stems from thinning as chips and pellets, and after three years, he should be able to both satisfy his energy requirements from his own land and sell excess branches for additional income.

2018 CAB FRAMEWORK PUBLISHED on 12 June 2019.

This document describes the procedures, responsibilities, and processes related to the EIB's Climate Awareness Bonds. The document also includes reports of CAB activities in 2018. The EIB's independent auditor, KPMG Luxembourg, provided a reasonable assurance report for the CAB statement, noting that the report is properly prepared and that the CAB criteria are aligned with the Green Bond Principles (GBP). KPMG also filled out the Green Bond Principles External Review Form (see p. 53 of the CAB Statement), which was uploaded to the GBP resource centre. The name CAB "Framework" is aligned with the report on the EU Green Bond Standard published in June 2019 and continues the series of previously published CAB "Statements".

Key facts



Financial

- ✓ **Scale:** Largest supranational Green Bond issuer to date (EUR 26.7bn as of September 2019)
- ✓ **Liquidity:** Largest supranational Green Bond in EUR (3bn) and liquid sizes in USD (1.5bn) and GBP (1.8bn)
- ✓ **Green Bond yield curve in EUR ECoops:** 7 references in 1-, 4-, 7-, 13-, 18-, 23- and 28-year tenors
- ✓ **Exposure to EIB credit not projects:** CABs are pari passu with other EIB bonds



Financial

- ✓ EIB launched its first SAB in September 2018
- ✓ **Scale:** EUR 937m issued to date, and a long-term commitment to develop the SAB programme
- ✓ **Liquidity:** The envisaged scaling up of the SAB programme, through the progressive inclusion of multiple objectives and sectors should allow for benchmark size transactions
- ✓ **Exposure to EIB credit not projects:** SABs are pari passu with other EIB bonds

Transparency & Accountability

- ✓ **Aligned with Green Bond Principles:** EIB provides clear reporting on the alignment, as confirmed by KPMG's review
- ✓ **Eligibility:** Projects contributing substantially to climate change mitigation
- ✓ **Quality:** Project due diligence expertise applying stringent EU standards
- ✓ **Transparency:** Detailed reporting on use of proceeds and environmental impact
- ✓ **External review:** Independent Reasonable Assurance Report provided by KPMG

Transparency & Accountability

- ✓ **Aligned with** Green Bond Principles (GBP), Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG)
- ✓ **Eligibility:** Projects contributing substantially to environmental and social sustainability objectives beyond climate
- ✓ **Quality:** Project due diligence expertise applying stringent EU standards
- ✓ **Transparency:** Detailed reporting on use of proceeds and on environmental and social impact will be provided
- ✓ **External review:** SAB activities to be audited by an independent external auditor

Resources

Outstanding Climate Awareness Bonds: http://www.eib.org/en/investor_relations/products/type/cab/index.htm

Outstanding Sustainability Awareness Bonds: http://www.eib.org/en/investor_relations/products/type/sab/index.htm

CAB and SAB Allocation reports:

https://www.eib.org/en/investor_relations/documents/eib-sab-projects.htm

https://www.eib.org/en/investor_relations/documents/eib-cab-projects.htm

CAB Framework 2018: https://www.eib.org/attachments/fi/eib-cab-framework-31-12-2018-signed_secured.pdf

CAB and SAB press releases: https://www.eib.org/en/investor_relations/press/index.htm

TEG reports: https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en

MDBs Climate action Statement: <https://www.eib.org/attachments/press/joint-mdb-statement-climate-change-finance-un-climate-summit-2019-en.pdf>

MDBs Climate Finance 2018 report: <https://www.eib.org/attachments/2018-joint-report-on-multilateral-development-banks-climate-finance.pdf>

EIB-GPIF: <https://www.eib.org/en/press/news/eib-engages-for-more-clarity-within-g20-framework-on-sustainable-finance-in-cooperation-with-gpif>

Malawi Lilongwe Water investment programme: <https://www.eib.org/en/press/all/2015-132-eur-50-million-lilongwe-water-investment-programme-gets-european-backing>

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