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EIB launches largest EUR Climate Awareness Bond (CAB) ever

- Size - EUR 650m, the largest climate-themed bond in EUR market ever
- Mini-benchmark approach - allowing for liquidity, flexible sizing to investor demand and transparent pricing in line with the EIB's existing ECoop curve
- New operational arrangements - first dematerialised (paperless) issue under Luxembourg Law, first EIB-issue settling via LuxCSD with DVP in central bank money
- Earmarking of proceeds - for select projects in the fields of renewable energy and energy efficiency, thereby supporting Climate Action

The European Investment Bank (EIB), the EU Bank owned by the EU Member States, rated Aaa/AAA/AAA (Moody's / Standard and Poor's / Fitch), today issued a EUR 650m Climate Awareness Bond. The issue carries an annual coupon of 1.375%, has a final maturity date of 15 November 2019 and has been priced in line with the existing EIB ECoop curve at MS+4 bps.

The bond generated strong demand among a series of investors genuinely interested in the socially responsible features of the transaction, adding new investors to EIB's distribution, particularly in Benelux, Germany and France, which accounted for around 80% of final allocations. Asset managers, insurance companies and pension funds provided over 50% of distribution by investor type. These patterns are different from those usually observed in the demand for EIB's mini-benchmarks in this maturity range.

The share of investors with a specific focus on socially responsible investment (SRI) stood at around 60%. Mainstream demand has thus helped the SRI-demand to invest in a more liquid SRI product.

Investor allocation:

By Geographical Region		**By Investor Type**	
Benelux:	32%	Asset Managers:	38%
Germany	30%	Banks:	35%
France	22%	Insurance & Pension funds:	14%
Other Europe	8%	Central Banks/Off Inst's:	13%
Asia	8%		

Joint Bookrunners for the transaction were Bank of America Merrill Lynch, Crédit Agricole CIB, DZ BANK and UniCredit.

Climate Action – a top priority of the EU and EIB

The European Union and its long-term financing institution, the EIB, have made climate change mitigation and adaptation a top policy priority. The Bank supports the EU's goal of low-carbon and climate-resilient growth within and outside the Union. EIB's financing activity in these sectors is the largest of all multilateral financial institutions with over EUR 13bn in climate action lending in 2012.

As laid out in the Green Paper *A 2030 framework for climate and energy policies* published by the European Commission in March 2013[1], EU's climate and energy policy requires growing investments in renewable energy (RE) and energy efficiency (EE). The EIB has historically supported these areas with strong lending volumes – ca. EUR 30bn of loans signed since 2008.

Development of the Socially Responsible bond market

The EIB has been on the forefront of developing the fixed income product specifically geared to the SRI market. In 2007, the Bank was the first to launch a climate-themed bond with proceeds earmarked for projects supporting Climate Action: the Climate Awareness Bond.

The transaction entailed the following features, mirroring *pari passu* the EU strategy: (1) earmarking of proceeds for projects in the fields of renewable energy and energy efficiency, (2) participation in an equity index with emphasis on the environmental responsibility of EU corporates, and (3) investor option to use the yield to reduce capacity for greenhouse gas emissions. The bond was issued under the EU Prospectus Directive, which enabled simultaneous retail distribution in all domestic markets of the Eurozone.

A market of bonds earmarked towards socially responsible financings ('SR-bonds') has been developing since, with EUR 12.6bn equivalent issued to date in the SSA space[2]. However, as stressed by a number of investors, intermediaries and analysts, this market has remained relatively fragmented and illiquid, which poses a barrier to the development of dedicated SRI strategies among institutional investors. The EIB's new EUR-denominated Climate Awareness Bond is meant to address such shortcomings in a tangible manner by offering a plain vanilla transaction of larger size. This approach aims to promote development of SR-demand in the institutional a well as retail space, and thus develop – if warranted by actual market response – a coherent framework for further CAB-issuance of the same kind going forward.

EIB's ECoop funding approach provides an ideal instrument for this purpose: a EUR 500m minimum size to coalesce larger distribution and liquidity, and EUR 250m minimum re-openings targeted at specific demand on a reverse-enquiry basis.

Use of funds to support Climate Action

The funds raised via Climate Awareness Bonds are earmarked for disbursements to EIB lending projects within the fields of renewable energy and energy efficiency. These projects include, but are not exclusive to, respectively:

- renewable energy projects such as wind, hydropower, wave, tidal, solar and geothermal production,

[1] COM(2013) 169 final, for consultation until 2nd July 2013
[2] Source: market data collected by Crédit Agricole CIB

- energy efficiency projects such as district heating, cogeneration, building insulation, energy loss reduction in transmission and distribution, and equipment replacement with significant energy efficiency improvements.

The earmarking will be effected by allocation of the proceeds within EIB's Treasury, pending disbursement, to a specially created and segregated sub-portfolio invested in money market instruments. Since 2007, EIB Climate Awareness Bonds have raised EUR 2.4bn equivalent.

EIB provides transparency on the CAB disbursements to projects through the annual Corporate Responsibility report and a dedicated Climate Awareness Bond Newsletter.

Dematerialization and LuxCSD

Today's CAB is the first dematerialised issue under the recently adopted Luxembourg law on dematerialised securities and will settle via LuxCSD[3] (with automatic admission to Clearstream and Euroclear), with DVP in central bank money.

Ultimate objective of dematerialisation are the following benefits for the issuer and investors:

- increasing operational efficiency,
- shorter settlement cycle,
- reduced risk,
- lower transaction costs on cross-border trades upon the establishment of Target 2 Securities (T2S), the common technical platform to be run by the Eurosystem to favour the seamless provision of borderless securities settlement services in Europe by the CSDs and to secure delivery against payment in EUR central bank money.

Comments on the issue:

Eila Kreivi, Director, Capital Markets at **EIB**, said: *"Over the last few years, EIB has driven developments in three areas: early implementation of new financial legislation and standards, CAB-issuance, and ECoop mini-benchmark issuance. Today's transaction delivers the benefits of an integrated approach in these areas to the SRI-segment, responding to this segment's quest for higher liquidity."*

Raymond Seager, Head of SSA DCM at **Bank of America Merrill Lynch said:** "*EIB kicked off the fixed income SRI market in 2007 with a landmark equity-linked EUR 600m trade. They're back again today with another first and leading this increasingly important market once more - the first Euro denominated CAB benchmark trade in vanilla fixed income format in completely paperless form. "*

Pierre Blandin, Head of SSA Origination at **CACIB**, said: "*This new CAB issue clearly demonstrates the growing importance of the "Socially Responsible" investors in the bond markets and their need for vanilla bonds which fully satisfy their investment mandate. It also*

[3] LuxCSD was created by the Luxembourg Central Bank and Clearstream International SA to represent Luxembourg in T2S and to grant DVP settlement in EUR central bank money

highlights the ongoing leading role played by the EIB in the development of this new segment in the primary bond markets".

Ralph Ockert, Head of Syndicate at **DZ BANK**, said: *"The second EUR Climate Awareness Bond of the EIB was a very successful transaction which proved the demand of Socially Responsible Investors for investments in EIB bonds. This transaction supports the EU's goal of achieving a low carbon and climate-resilient growth in the European Union. The new CAB, issued in the very successful ECoop format, could trigger more demand, as more and more investors look for such transactions supporting specific goals."*

Pietro Bianculli, Head SSA Syndicate at **UniCredit,** said: "*We had been working with the EIB on Climate Awareness project in order to revamp successfully the Climate Awareness segment in Euro area since the beginning of the project. As UniCredit we are honoured to be selected again to offer this product to our franchise. The new CAB offers a unique opportunity for investors to pursue a Social Responsible Investment and further demonstrates EIB the deep market knowledge: it allowed to engage successfully a further pool of investors and to create the conditions to propose a third product line of success alongside with the EARN and ECoop."*

Summary Terms and Conditions for the new bond issue:

Issue Amount	EUR 650m
Pricing Date	11 July 2013
Payment Date	18 July 2013
Maturity Date	15 November 2019
Issue Price	99.798%
Coupon	1.375%
Re-offer Spread	MS+4bps
Format:	CAB
Listing	Luxembourg

Notes to editors

EIB funding strategy and results

The Bank's funding strategy combines a consistent and transparent approach with flexibility and innovation, both in terms of product and maturity. In 2012, the EIB raised EUR 71 billion, and it plans to borrow EUR 70 billion in 2013, of which around 80% have already been raised.

Background information on EIB

The European Investment Bank (EIB) is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investment in order to contribute towards EU policy goals. The Bank's strong credit standing is underpinned by factors including exceptional asset quality, a strong capital base, firm shareholder support, conservative risk management and a sound funding strategy.