

CASE STUDY

NAB Climate Bond



Size: \$300 million

The National Australia Bank (NAB) Climate Bond was issued in December 2014 with proceeds ring-fenced for financing a portfolio of wind and solar energy projects across Australia. It represents the first time an Australian issuer has brought a green bond to the domestic market and it was also the first bank issued green bond certified under the Climate Bond Standard globally. The deal was supported by a lead cornerstone bid from the Clean Energy Finance Corporation, and strongly supported by a diversified group of investors including asset managers, middle market and banks. The renewable energy projects funded by the NAB Climate bond are expected to generate over 1.5 gigawatts of electricity (enough to power 730,000 average Australian households for 1 year) and save an estimated 3.9 million tonnes of greenhouse gas emissions.

THE INITIATIVE

| | |
|--------------------|---|
| Purpose of capital | The NAB Climate Bond was issued with the intention of raising a minimum of A\$150 million to finance an existing portfolio of renewable (wind and solar) energy projects in Victoria, South Australia, Tasmania, Western Australia, New South Wales and the Australian Capital Territory. Due to strong investor demand, the final issue was upsized to A\$300 million. |
| Sector | Energy |
| Geography | Australia |
| Scale of impact | The renewable energy projects financed by NAB's Climate Bond are expected to result in a total installed capacity of over 1.5 gigawatts of electricity in aggregate, which is enough to power 730,000 average Australian households for 1 year. This is the equivalent of an estimated 3.9 million tonnes of avoided greenhouse gas emissions. |

THE INVESTMENT

| | |
|--------------------------------|---|
| Investor/s | <p>The lead cornerstone investor is Clean Energy Finance Corporation (CEFC) – CEFC mobilises capital investment in renewable energy, low-emission technology and energy efficiency in Australia.</p> <p>The breakdown of all investors is as follows:</p> <ul style="list-style-type: none">• Asset managers – 76%• Middle market investors – 16%• Banks – 8% <p>There were 25 high quality investors, nearly all of whom are domestic and there was strong demand from Socially Responsible Investors.</p> |
| Investment structure and terms | <p>Senior, unsecured National Australia Bank fixed rate bonds.</p> <p>The A\$300m bond has a tenor of 7 years, a coupon of 4% and is rated AA-/Aa2.</p> <p>The bond is certified in compliance with the Climate Bond Standards, a global benchmark to assist investors prioritise investments that contribute to climate change solutions.</p> |
| Arranger/Lead | National Australia Bank |
| Source of deal | <p>NAB was the sole lead manager and book runner for the deal.</p> <p>The deal involved significant collaboration across teams at NAB, including Capital Financing, Treasury, Sales and Distribution, Legal, Risk, Operations and Corporate Affairs.</p> |

THE IMPACT

| | |
|--|---|
| Social, cultural or environmental impact | <p>Once completed, the renewable energy projects financed by the NAB Climate Bond should generate 1.5 gigawatts of electricity which is enough to power 730,000 average Australian households for 1 year. It is estimated that this will avoid 3.9 million tonnes of greenhouse gas emissions.</p> <p>The bond demonstrates the role debt markets play in supporting the growth of new markets and financing the transition to a low carbon economy. The NAB Climate Bond raised the profile of the “green bond” asset class and catalysed investment into this sector within Australia. Subsequent to this, 2 more green bonds were issued into the Australian market in 2015 (by KfW and ANZ) raising another \$1,200 million for financing of climate change solutions globally.</p> |
| Financial impact | <p>The NAB Climate Bond provides investors with the opportunity to participate in financing the transition to a low carbon economy. It is an attractive, low risk, highly rated and liquid investment which sets it apart from other climate related investments offered via private or public equity.</p> <p>The NAB Climate Bond has the same credit quality as other senior, unsecured NAB bonds and investors are not exposed to the performance of the underlying portfolio of project finance loans linked to the NAB Climate Bond.</p> |
| Future opportunities | <p>Given the strong and growing investor appetite for low carbon investment alternatives such as the NAB Climate Bond, further green bond issues are anticipated in the Australian market.</p> |

MORE INFORMATION

www.nab.com.au

www.nab.com.au/about-us/corporate-responsibility/our-programs-and-initiatives