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Capital Financing Solutions, Products & Markets National Australia Bank

Focus: National > Local – the role of business

- Opportunities for financial sector in climate action.
 - What has been the response of the banking sector (NAB) to COP21?
- Developments climate based products and markets – Climate Bonds initiative
 - Opportunities with governments and corporate sector

David is part of the Capital Financing Solutions team within the Investment Grade Originations business at National Australia Bank. His role focuses on developing a range of innovative financing solutions for NAB and its customers including green bonds and structured funding of renewables, clean energy and infrastructure.

David has led the development of NAB's green bond capabilities since 2010, which resulted in NAB issuing the first Australian bank green bond, and the first bank issued green bond certified under the Climate Bond Standards globally.

NAB was recently recognised as a “**Green Bond Pioneer**” for their work in developing the Australian green bond market at the inaugural Green Bond Awards hosted by the **Climate Bonds Initiative** and London Stock Exchange.

He works with a range of issuer clients including financial institutions banks, state governments, local authorities and corporates advising on green bonds and other renewables and clean energy funding solutions. Prior to moving into banking, David held a number of senior project management and commercial real estate development roles across Australia and the USA.

EIANZ - Climate Action Insights and actions from COP21

9th March 2016



David Jenkins, g Solutions
Capital & Markets
Products



COP21 outcomes and actions of note for business

- Implications of a 2C scenario for business
- We Mean Business Coalition (CDP, WWF, WRI):
 1. Adopt a science-based target*
 2. Put a price on carbon
 3. Procure 100% of electricity from renewable sources**
 4. Responsible corporate engagement in climate policy
 5. Report climate change info in mainstream reports as a fiduciary duty
 6. Remove commodity-driven deforestation from all supply chains by 2020
 7. Reduce short-lived climate pollutant emissions.

*NAB is working towards this for our direct operations

** NAB has made it's own commitment

**WE MEAN
BUSINESS**

economic
opportunity through
bold climate action

COP21 outcomes and actions of note for the finance sector

- Finance is required for both climate mitigation and adaptation
- Significant opportunity for the finance sector – scale up
- Green Climate Fund and Global Environmental Facility – the key UNFCCC mechanisms
- Commitment to ratchet and review ambition –current policies become a baseline = more certainty for investors
- Capability building related to governance and transparency – reduces risk for lending/investment
- Financial Stability Board announces new Task Force on Climate-related Financial Disclosures
- Principles for Responsible Investment highlight consideration of climate risk as part of fiduciary duty



NAB's Environmental Sustainability Journey

- First major Australian bank to commit to and achieve NCOS-certified carbon neutrality in 2010.
- Achieved through ecologically sustainable design, resource efficiency, fuel switching, Green Power and financing emission abatement (offsetting).
- 43% reduction in Scope 1 and 2 emissions since 2006.
- Over three quarters of our office space is now Green Star certified and operating at 4 Star NABERS Energy ratings or above.
- We continue to be the leading arranger (by market share) of project finance to the Australian renewable energy sector, having arranged over \$2 billion worth of loans for renewable energy projects over the last eight years.
- Continue to develop products to support our customers mitigate climate change: Green Bonds, Equipment Financing - Energy Efficient Bonus, Environmental Upgrade Agreements and others.
- Working closely with Melbourne City Council on the Melbourne Renewable Energy Project
- At NAB, doing the right thing is at the heart of everything we do. We do this through making a positive impact through our supply chain, managing the impacts and dependencies of our business on the environment, and supporting our communities. We deliver this by:
 - Helping people have a healthy relationship with money
 - Building prosperous communities
 - Working towards a future focused nation where environmental sustainability plays a major role.

NAB's Five Climate Change Commitments

The agreement reached at the 21st Conference of Parties (COP21) in November 2015 to limit global warming to less than 2°C presents a challenge which all companies should acknowledge and address.

In recognition of the role NAB can play in supporting the transition to a low carbon economy, NAB has adopted the following five commitments:

1. Undertake financing activities of **A\$18 billion** over the seven years to September 2022 to help address climate change and support the transition to a low carbon economy;
2. Source 10% of NAB's Australian electricity demand from new and additional renewable energy projects by 2018;
3. Engage responsibly on climate policy;
4. Report climate change information through mainstream reporting channels;
5. Commit to putting a price on carbon and align to the UN Global Compact's business leadership criteria on carbon pricing.

Our A\$18bn commitment demonstrates a continuation of NAB's strong support of the transition to a low-carbon economy, and presents exciting opportunities not only for NAB but also for our customers.

What are Green Bonds?

Green Bonds are similar to standard bonds but with two key features: bond proceeds are earmarked to fund 'eligible green' projects and investments, and the environmental performance of these investments is tracked and reported.

Key characteristics of a Green Bond

Proceeds used for investment in climate change solutions

Green projects / assets must have specific environmental benefits, contributing to climate change mitigation or adaptation measures

Proceeds from issuance ring fenced

Proceeds from Green Bond issuance typically restricted for funding Green projects / assets

Impact of investment is tracked and reported

Measurement of green outcomes and ongoing compliance with green guidelines should be tracked and reported

Independent review of Green Bond framework

An issuer's Green Bond framework should be independently reviewed

Use of proceeds

Energy, energy efficiency & transport



Renewable energy & enabling infrastructure, green buildings, low emission vehicles

Water, waste management & use

Water treatment & recycling, sustainable agriculture & forestry

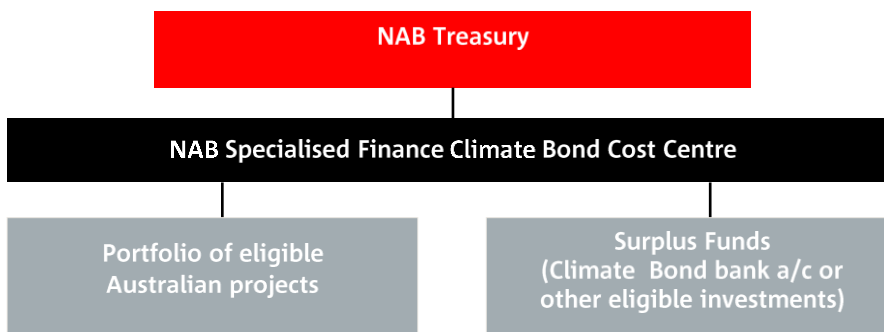
Adaption infrastructure

Resilience infrastructure, storm surge protection

Green Bonds include corporate bonds (investors exposed to the credit risk of the issuing entity), project bonds (investors exposed to the specific assets/project(s) being funded) and securitised bonds (investors exposed to pool of loans used to finance green assets/projects)

NAB was the first bank to issue a Climate Bond Standards certified green bond.

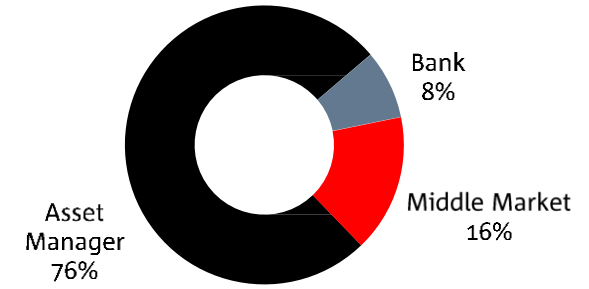
Transaction Details	
Issuer	National Australia Bank Limited
Issuer ratings	AA-/Aa2 (S&P/Moody's)
Instrument	Fixed Rate Notes
Status	Senior Unsecured
Total Volume	A\$300 million
Settlement Date	16 December 2014
Maturity Date	16 December 2021
Coupon	4.00%
Benchmark	S/Q coupon matched asset swap
Re-offer Spread vs Benchmark	+100bps
Re-Offer Yield	4.1075% p.a.
Re-Offer Price	99.352
Climate Bond Status	Certified in compliance with the Climate Bond Standards
NAB's role	Sole Lead Manager & Bookrunner



Transaction Commentary

- On 4 December 2014, National Australia Bank (“NAB”) became the first Australian bank to issue a climate or green bond
- This is also the first bond issued by a bank globally to be certified in compliance with the Climate Bond Standards
- The NAB Climate Bond is a senior unsecured NAB bond, with proceeds ring-fenced for financing a portfolio of renewable energy assets, including wind farms and solar energy facilities in Victoria, South Australia, Tasmania, Western Australia, NSW and the ACT
- The deal was launched supported by a lead cornerstone bid from the Clean Energy Finance Corporation (CEFC)
- The NAB Climate Bond attracted significant investor interest by offering the same terms and credit profile as senior unsecured NAB bonds with the additional feature that proceeds are used to finance renewable energy projects
- This milestone transaction delivered increased funding diversification to NAB while offering an innovative impact investment opportunity to investors.

Investor Type



NAB arranged the first Australian wind farm backed Green Bond to feature in the USPP market

Hallett Hill No.2 Pty Ltd became the first overseas wind farm to access the US Private Placement market with a USPP Green Bond



Transaction details

Issuer	Hallett Hill No.2 Pty Ltd	
Issuer rating	BBB (Stable)	
Issue amount	A\$205,700,000 (equivalent)	
Status	Senior Secured Notes	
Pricing date	17 March 2015	
Funding date	27 May 2015	
Maturity	27 June 2027	
Currency	AUD	USD
Tranche Size	76,000,000	98,800,000
Benchmark	UST 10 Year	UST 10 Year
Spread to benchmark	T+185	T+175
NAB's role	Joint Lead Agent	

Transaction commentary

- On 17 March 2015, Hallett Hill No. 2 Pty Ltd priced its inaugural offering in the US Private Placement market.
- The notes are verified in accordance with the Green Bond Principles
- Hallett Hill 2 Wind Farm is a 71.4 megawatt wind farm located 220 kilometers north of Adelaide, in the Hallett Hill ranges in South Australia. Hallett Hill 2 Wind Farm is owned by Energy Infrastructure Trust, a wholesale unlisted unit trust managed by Infrastructure Capital Group (“ICG”).
- Cash flows are underpinned by a 25-year off-take and asset management agreement with AGL Hydro Partnership, the obligations of which are supported by its parent company guarantee from AGL Energy.
- Strong investor demand saw the offering over 5.5x oversubscribed, with more than A\$400m in direct A\$ bids from the US investor base.
- The transaction provided the Company with long term funding at globally competitive levels.

NAB Equipment Finance - Energy Efficient Bonus



Get a bonus 0.7% p.a. off your finance rate with energy efficient assets

With the support of the Clean Energy Finance Corporation (CEFC), NAB is offering Equipment Finance customers a **0.7% p.a. discount** on the funding of qualifying energy efficient assets for their business. That means you'll enjoy the standard benefits of NAB Equipment Finance including your own tailored repayment schedule and \$0 deposit plus, 0.7% p.a. off your finance rate.

0.7% off

Bonus 0.7% p.a. off your finance rate

On qualifying assets for the life of the financing.



Your own tailored repayments

We work with you to structure a repayment schedule that suits your cash flow.

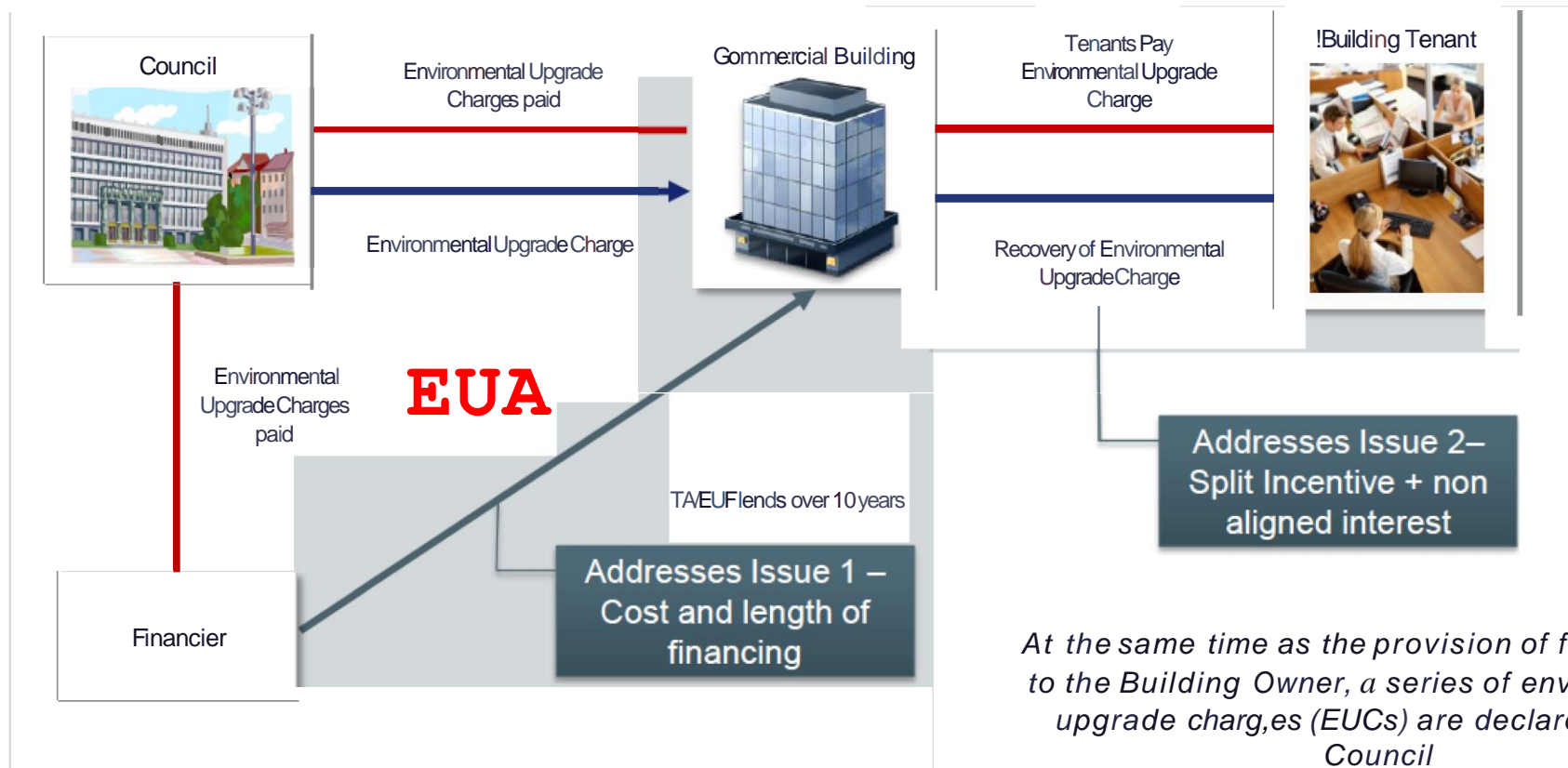
\$0

No deposit

So you can keep your capital where it belongs - in your business.

Environmental Upgrade Funding for EUAs

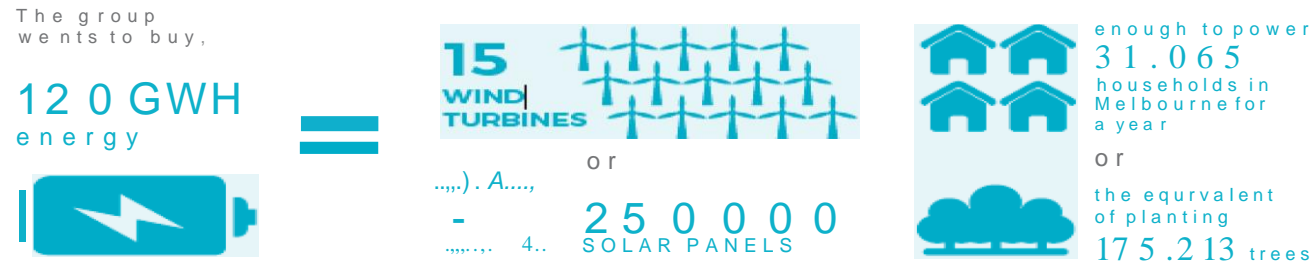
NAB and Eureka Funds Management have developed a financing product for Environmental Upgrade Agreements that provides funding for the sustainable retrofitting of commercial buildings. Funding is repaid as a council charge and is unique in its repayment mechanism, plus allows charges to be passed through to tenants under certain lease conditions.*



* Eureka EUF is the vehicle through which the funding is provided to building owners .
<http://www.eurekauf.com.au/>

Melbourne Renewable Energy Project

In Australia first, some of Melbourne's most iconic businesses, universities, cultural institutions and Councils are banding together to drive investment in new renewable energy. NAB is involved as a renewable energy purchaser, advisor and potential funder.



This project will create



14 0 JOBS
construction phase

+



2 JOBS
operation &
management
of the plant

This project will help Melbourne achieve,

25 %

ELECTRICITY
FROM RENEWABLES
BY **2018**

+

&A
0 NET
EMISSIONS
BY **2020**

Who's involved:



Bank institutions



Corporations



Councils



Cultural institutions



Universities

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