

Roundtable Discussion – Strategic Alliance
**Green Financial Solutions in Mexico –
How to Move from Niche to Mainstream**
Mexico City - 18 October 2017



Green Bond Market Update

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A decade of Green Bonds




INTERNATIONAL BANK FOR
WORLD BANK
RECONSTRUCTION AND DEVELOPMENT

Launches its first Green Bonds
SEK 2,325,000,000
6-year 3.5% Green Bonds
Investing to reduce global warming

Sole Lead Manager
SEB

Key Investors

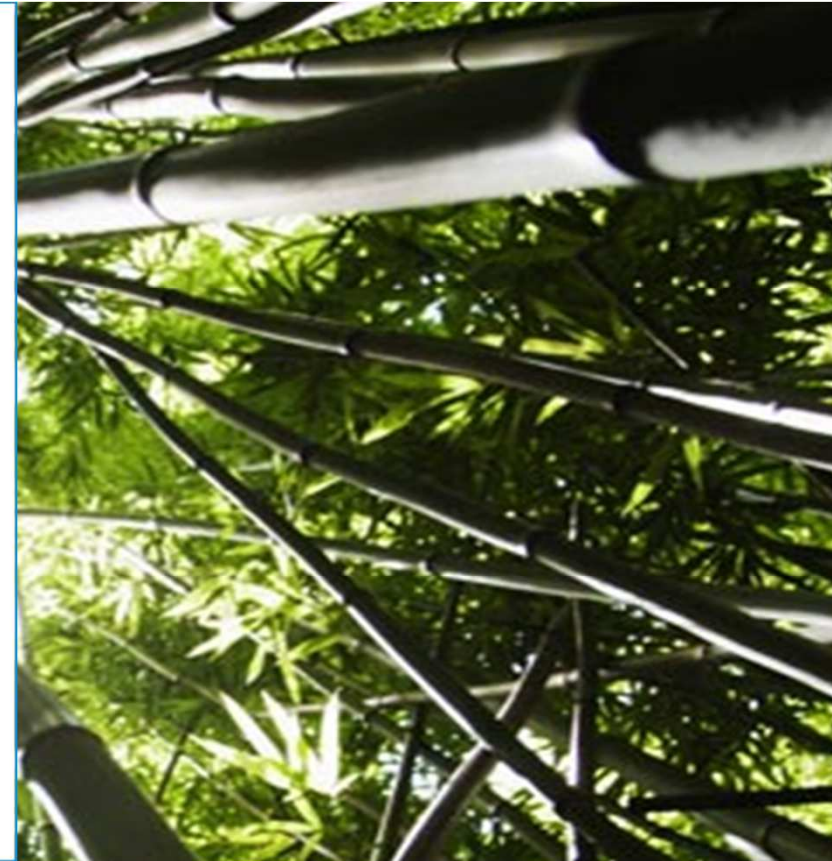
 Länsförsäkringar
Bank & Försäkring

 **Andra AP-fonden**
Third Swedish National Pension Fund - AP2
Second Swedish National Pension Fund - AP2

Senior Co-Manager
CREDIT SUISSE

Co-Manager
LB&BW

SEB



Green Bond market ecosystem and investor sentiment

Drivers overview

Economic

- Climate stress a financial risk
- Action vs. business as usual
- Allocation to resource efficiency

Regulatory environment

- Increasing focus on the need of climate financing
- Recognition of financial stability risk
- Market incentives

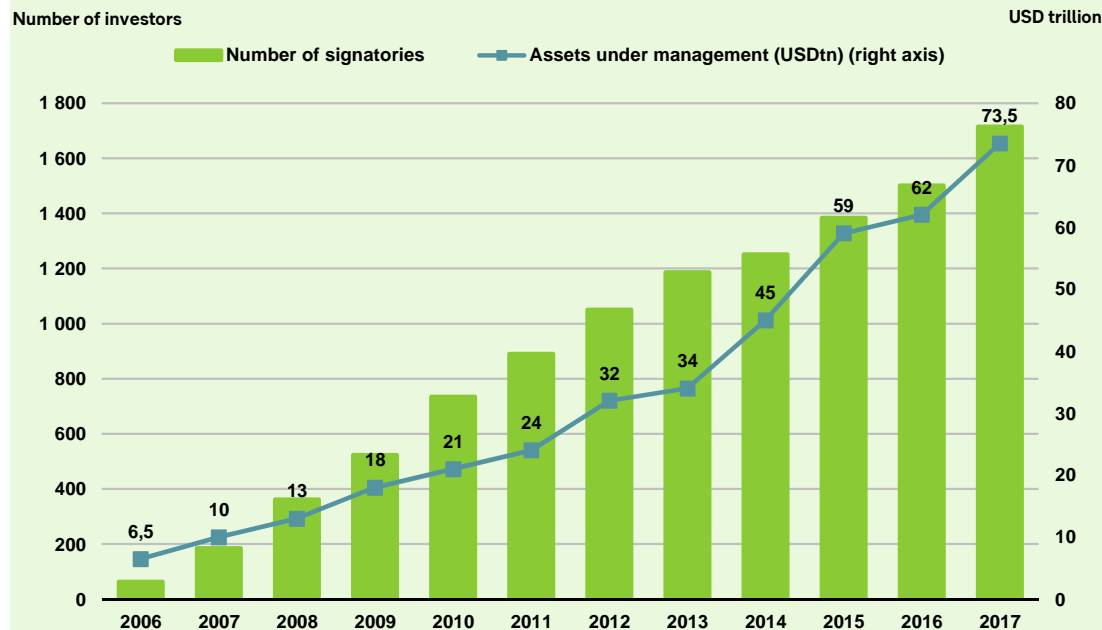
Regional benchmarks

- Challenges and opportunities differ
- Regions are at different stages in the transition

International initiatives

- ✓ UNPRI
- ✓ COP21
- ✓ G20 Green Finance Study Group

Investor engagement continues to grow through UNPRI* signatories



Source: www.unpri.org

Green Bond Funds - examples

- | | |
|------------------|-----------------------|
| SSgA | BlackRock |
| AXA | Allianz |
| Calvert | Amundi |
| Mirova | Colombia Threadneedle |
| Storebrand / SPP | Erste AM |
| SEB | NN |

Green Bond listings

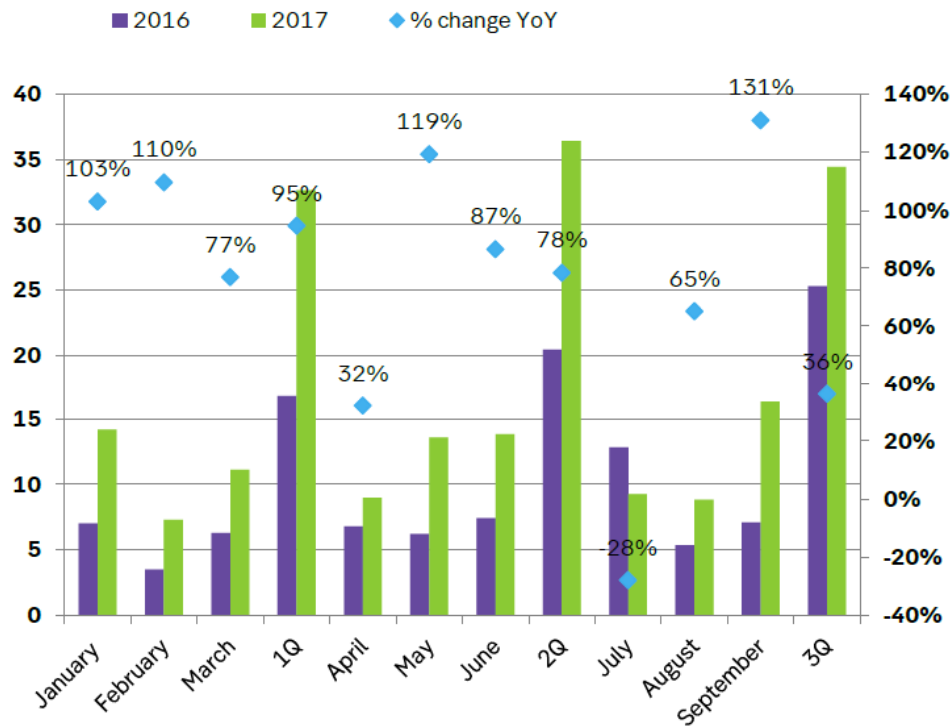
- | | |
|------------------|--------------|
| Oslo | Amsterdam |
| Nasdaq Stockholm | Borsa Italia |
| London | Johannesburg |
| Luxembourg | Mexico City |
| Shenzhen | Riga |
| Paris | Lisbon |

Green Bond indices

- Solactive
- Bloomberg/ MSCI
- S&P/Dow Jones
- BAML
- Shenzhen / Luxembourg
- Various China Green Bond indices

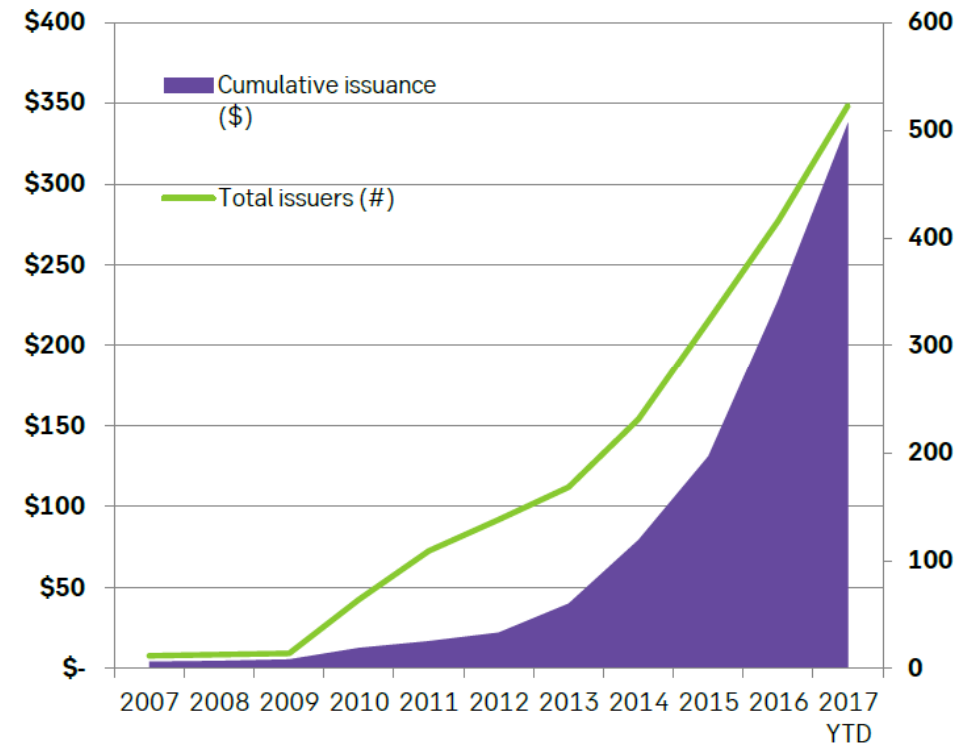
Global Green Bonds issuance: 2017 (YTD) and cumulative

Figure 1. Periodic issuance (USD Bn) and % change YoY



Source: SEB analysis based on Bloomberg/BNEF and SEB data

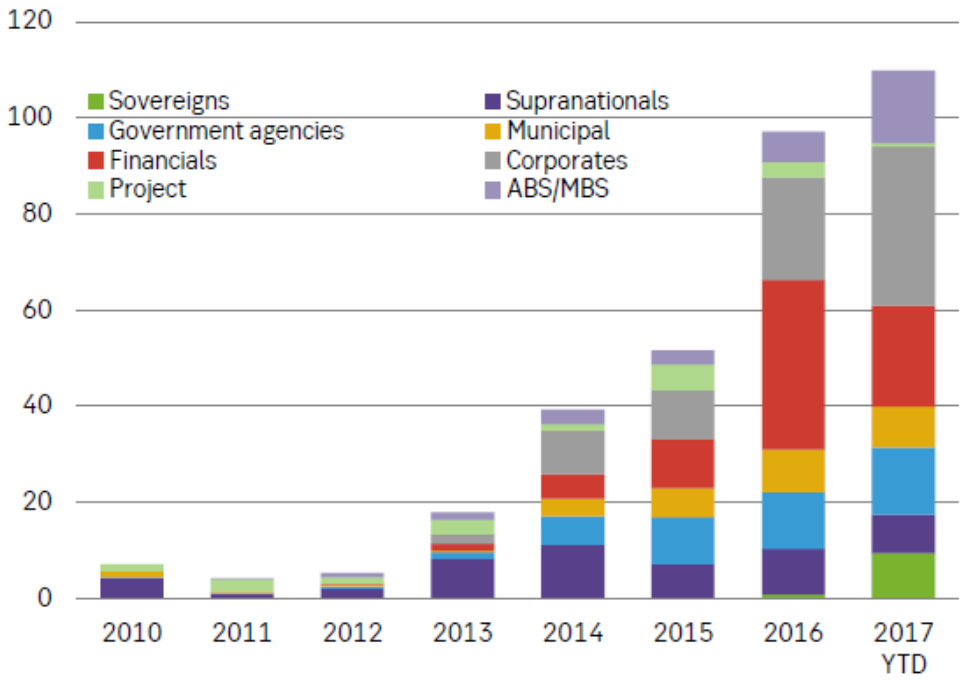
Figure 2. Total cumulative issuance (USD Bn) and # of issuers



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

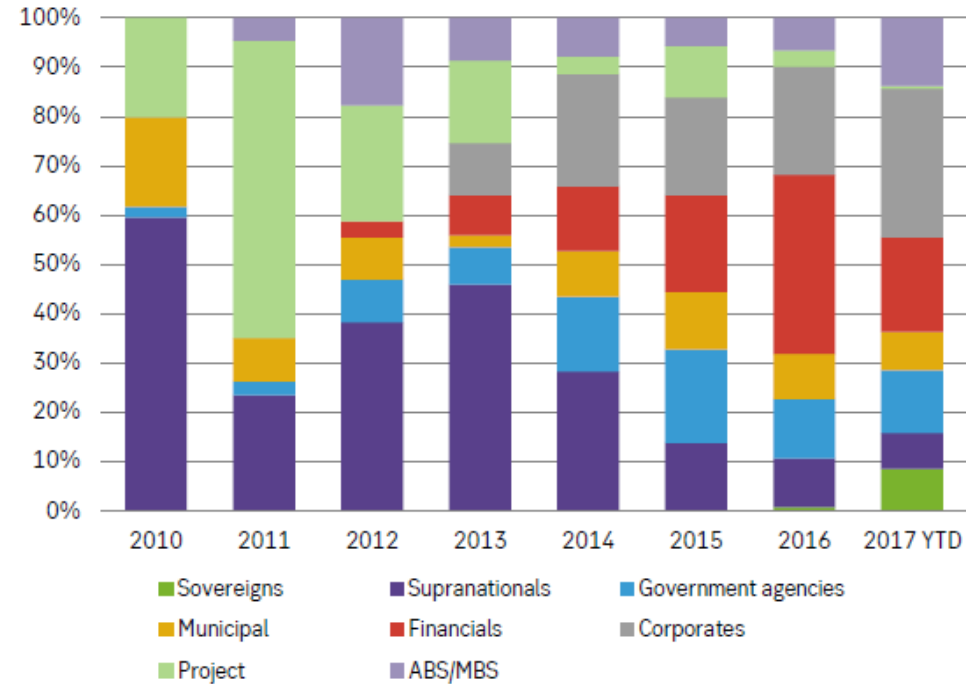
Issuance by year and by sector

Figure 11. Issuance evolution by sector 2010-2017



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

Figure 12. Sector shares, issuance 2010-2017



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

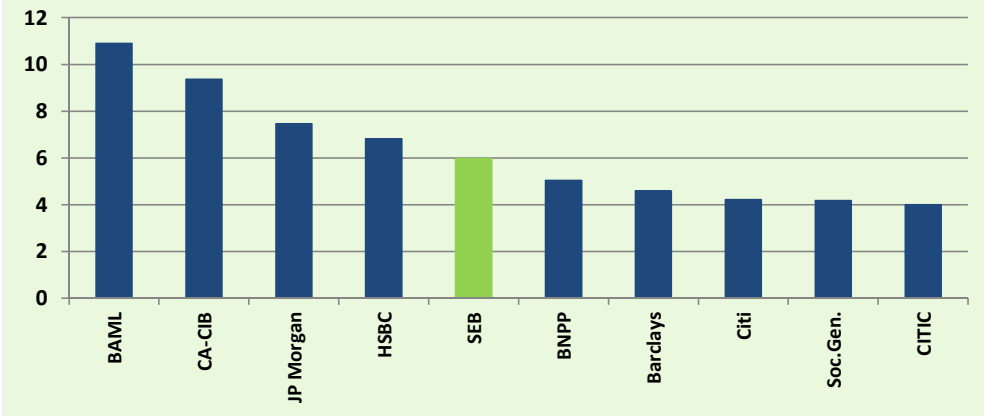
Cited in: SEB (2017) The Green Bond 4Q(1)

League table for global Green Bond underwriting

Selected Green Bond issues underwritten by SEB

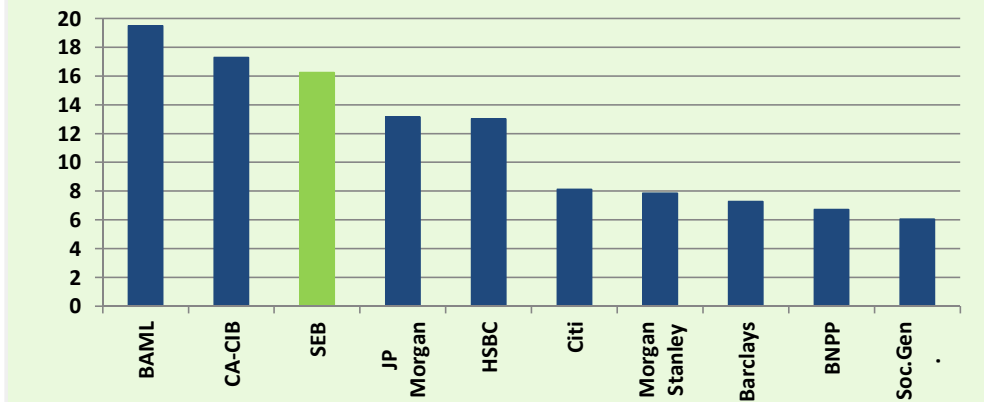
 5 year EUR 1.5 billion 0.375% July 2019 Joint Lead SEB	 5 year EUR 500m 0.625% July 2019 Joint Lead SEB	 5 yr EUR 500mm / 3 yr USD 800m 0.75% / 2.00% Nov 2020/ Nov 2018 Joint Lead Manager SEB	 5 year EUR 500m , 0.625% Dec 2020 Joint Green Structuring Advisor Joint Lead Manager (no books) SEB
 USD 1billion 0.625% fixed bond November 2016 Joint Lead SEB	 USD 500m 0.750% fixed bond October 2016 Joint Lead SEB	 SEK 3,250m 3.500% fixed bond November 2014 Sole Lead SEB	 USD 250m 1.625% fixed bond April 2018 Joint Lead SEB
 5 year SEK 850m FRN April 2019 Sole Bookrunner SEB	 5 year SEK 1bn/500m 2.500% / FRN April 2019 Sole Bookrunner SEB	 USD 500m 0.750% fixed bond Nov 2016 Joint Lead SEB	 SEK 2,100m 3.000% fixed bond April 2019 Joint Lead SEB
 5 year SEK 1 billion 0.625% January 2021 Sole Lead SEB	 SEK 1,300m 1.774% / FRN May 2016 Sole Lead SEB	 USD 300m 0.875% fixed bond January 2017 Joint Lead SEB	 USD 500m 1.750% fixed bond February 2018 Joint Lead SEB

Top 10 Green Bond Underwriters 1 Jan 2016 – 31 Aug 2017 (USD bn)



Source: Bloomberg

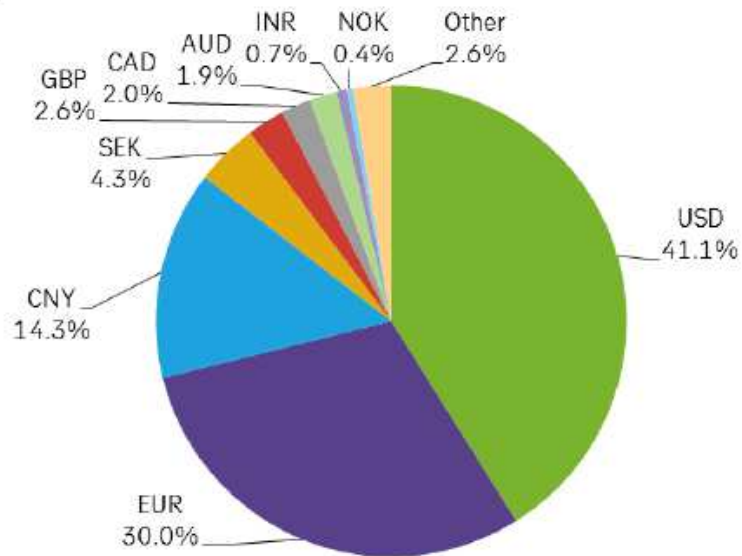
Top 10 Green Bond underwriters 1 Jan 2007 – 31 Aug 2017 (USDbn)



Source: Bloomberg

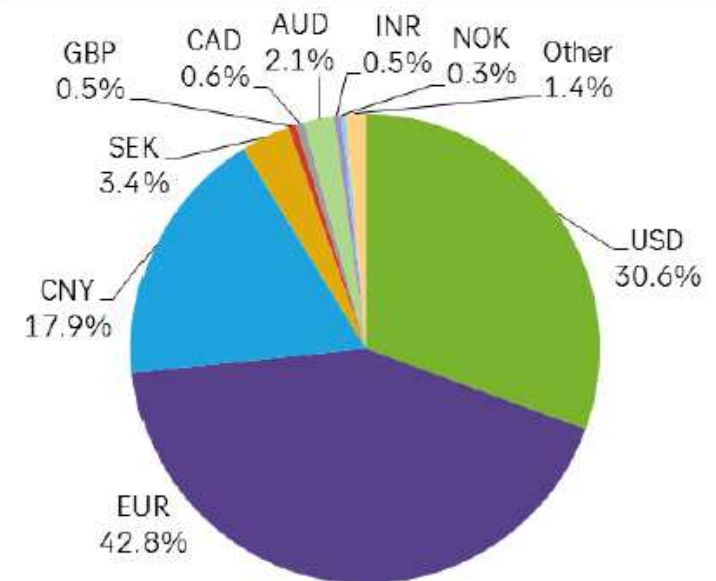
Green Bond issuance by currency

Figure 9. Currency split, cumulative issuance 2007-2017



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through August.

Figure 10. Currency split of issuance in 2017 YTD



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through August.

Country league table 2017

Figure 5. Geographic distribution of green bond issuance in 2017 (USD Bn)

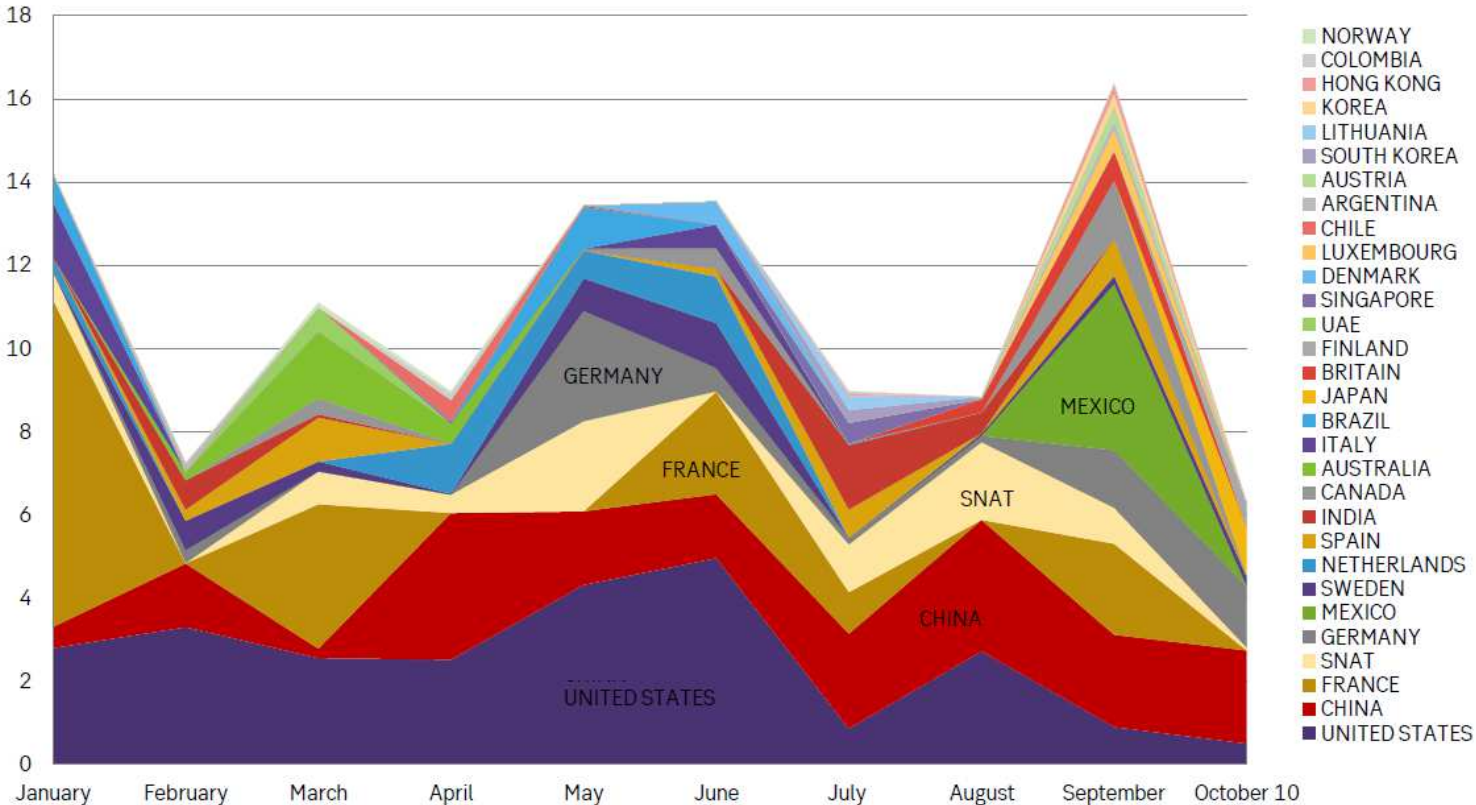


Figure 3. Top 10 countries in 2017, incl. Supranational (USD Bn)

Rank	Region	Issuance	2017 Trajectory YTD
1	UNITED STATES	25.4	
2	CHINA	19.0	
3	FRANCE	17.0	
4	SNAT	8.0	
5	GERMANY	6.7	
6	MEXICO	4.0	
7	SWEDEN	3.3	
8	NETHERLANDS	3.3	
9	SPAIN	3.1	
10	INDIA	2.8	

Source: SEB analysis based on Bloomberg/BNEF and SEB dat. YTD through October 10.

Note: Country of Domicile classifications and terminology from Bloomberg used. SUPRANAT = Supranational; Taiwan = Chinese Taipei. Top issuers labelled in chart for illustration.

Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

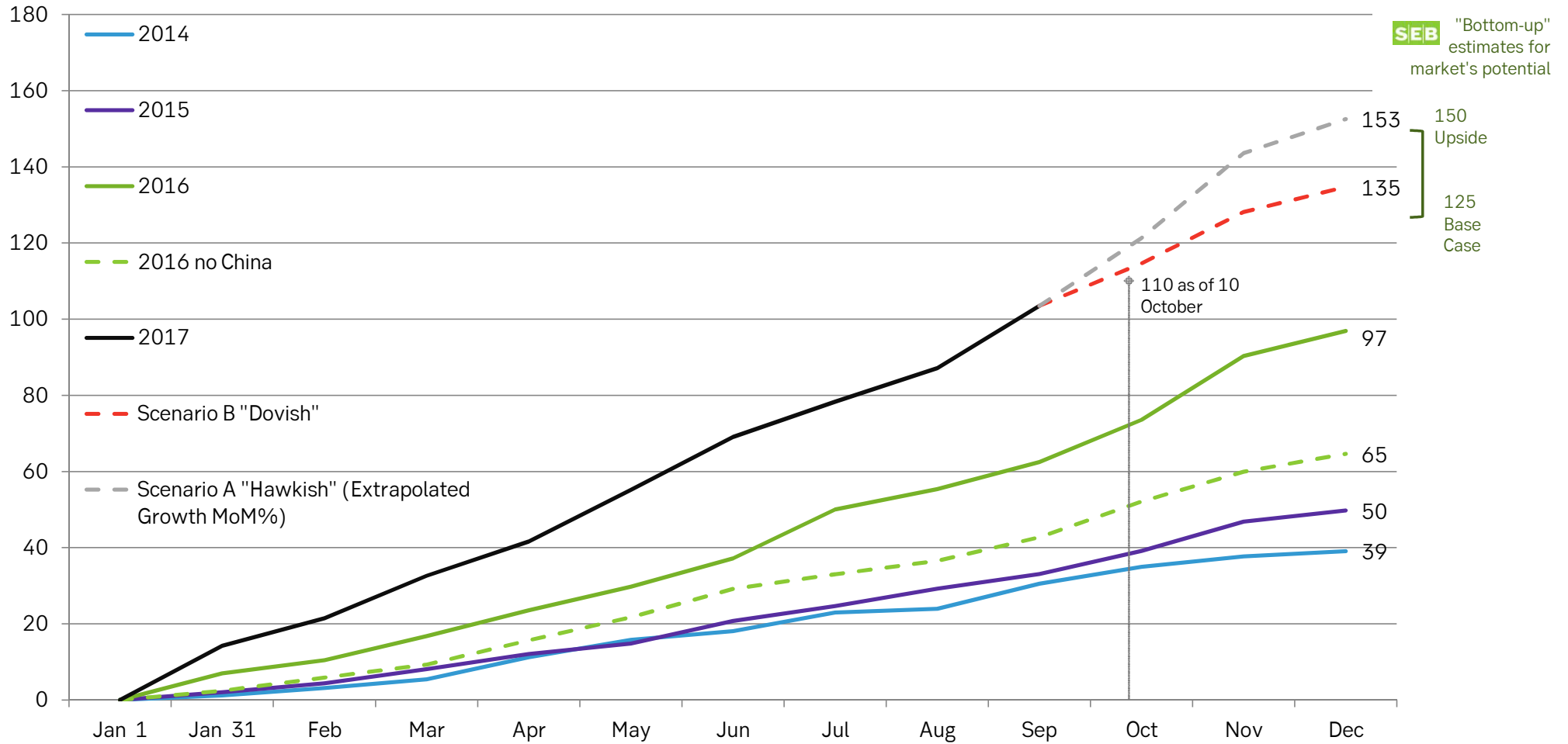
Market drivers

Drivers of green infrastructure investments and green bond financing

Investors	<ul style="list-style-type: none"> ▪ ESG integration and sustainable investments demand ▪ Risk-adjusted return (alpha, beta, or hedging strategies)
Economic Forces	<ul style="list-style-type: none"> ▪ Local air and water pollution across Emerging and Developing Economies as well as OECD ▪ Avoided health care costs, labour market and productivity benefits, fuel savings, trade benefits
Technology Forces	<ul style="list-style-type: none"> ▪ Cost-down curves in renewables, batteries, IT, fintech ▪ Scaling up of electric vehicles and enabling infrastructure (smart grid, HDVC, charging, storage, etc.)
Security	<ul style="list-style-type: none"> ▪ Energy security (investing in renewables to lessen import needs or to protect military supply chains) ▪ National security (climate stress as a threat multiplier)
Bankable Pipelines	<ul style="list-style-type: none"> ▪ Green infrastructure investment demand to meet challenges of the 21st century (population growth, growth of middle class, rural to urban, resource efficiency and circular economy) ▪ Green investment policy frameworks (price on CO₂, removal of Fossil Fuel subsidies, support for green projects, green infrastructure banks)
Policy Alignment	<ul style="list-style-type: none"> ▪ Green infrastructure policies driven by national interest – bottom up (NDCs, 114 countries have renewable energy policies, 66 for transport) ▪ Top down environmental agreements COP21, SDGs, ICAO, Montreal Protocol ▪ Attention to climate risk and green finance from Financial Stability Board, Central Banks, G20, Finance Ministries, Departments of Defense ▪ EU High Level Expert Group report on Sustainable Finance
Social Forces	<ul style="list-style-type: none"> ▪ Sustainability preferences of millennials ▪ Divestment movement ▪ Civil society initiatives and pressure
Green Bond Specific	<ul style="list-style-type: none"> ▪ Market-led or government initiatives (ICMA, CBI, G20, EC + China, India, Japan, Indonesia, Singapore, etc.) ▪ Financial sector innovation (investors, banks, ratings agencies, issuers, data providers, market ecosystem)

Source: SEB analysis

Global Green Bond Market Evolution & Scenarios for Q4 2017 (USD Bn)



Source: SEB analysis based on Bloomberg and SEB data

Cited in: SEB (2017) The Green Bond 4Q(1)

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