

# Realkredit Denmark Green Bonds

Financing green mortgages

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March 2019

# Climate change is one of the greatest threats facing our planet

Denmark has taken a lead position in combatting climate change with a clear commitment to the Paris Accord



Human activities have already caused approx. 1.0° of global warming

Global warming likely to reach 1.5° between 2030 and 2052

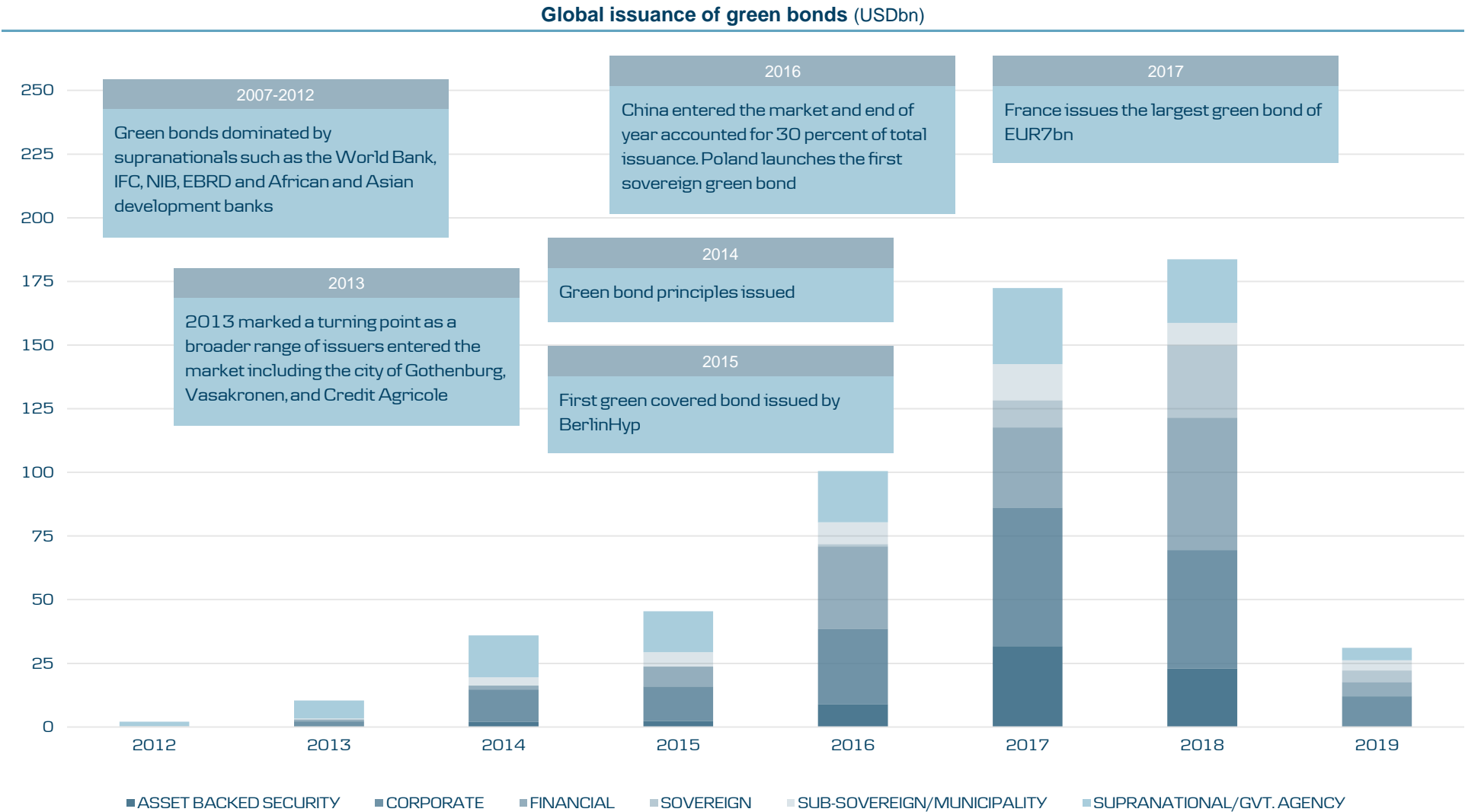
The Paris pledge for action limiting global warming to 1.5° requires deep reductions in carbon dioxide emissions globally:

Reductions of 45 percent in emissions from 2010 levels by 2030  
Zero emissions from 2050

To reach these reductions investment needs are estimated at staggering USD90 trillion globally

# The Green Bond universe is growing to meet the challenges ahead

So far covered bonds have contributed only modestly to the green bond universe





# At Danske Bank Group we want to do our part in driving sustainable development

Danske Bank Group Green Bond Framework sets forth our strategy

Green bond proceeds will be invested in financing and refinancing of:



Clean transportation



Renewable energy



Transmission and energy storage



Green and energy efficient buildings



Environmentally sustainable management of living natural resources and land use



Sustainable water and wastewater management



Pollution prevention and control



Climate change adaptation



# Financing and refinancing buildings in green covered bonds

*In 2014, the buildings sector accounted for 31 percent of total global final-energy use and 54 percent of final-electricity demand. Thus, the sector can lead to significant emission reductions through, for instance, tempering of energy demand. As the buildings sector is characterised by very long-living infrastructure, immediate steps are important to avoid lock-in of inefficient carbon and energy-intensive buildings. Challenging climate conditions and high heat demand in the Nordic Countries call for implementation of ambitious energy efficiency measures.*

## Eligibility criteria



### *Public and commercial buildings*

Eligible are buildings certified or to-be certified as LEED Gold, BREEAM very good, Miljöbyggnad Silver, DGNB Gold, The Nordic Swan Ecolabel, any other equivalent recognised regional certification with similar standards and approved by the Green Bond Committee, or otherwise determined to belong in the top 15 percent most energy efficient buildings in their respective region, expectedly Energy Performance Certificate class A pr B



### *Residential buildings*

Eligible are buildings certified as listed above or Energy Performance Certificate class A or B or equally certified to qualify amongst the top 15 percent most energy efficient buildings



### *Major renovations*

Eligible are energy efficient retrofit or renovations of buildings reducing energy consumptions by at least 30 percent



### *Energy efficiency*

Eligible are direct costs related solely to reducing energy consumption by at least 20 percent

# Financing and refinancing renewable energy

*According to the IPCC, the energy supply sector is the largest contributor to global anthropogenic GHG emissions with a share of approximately 35 %. Realising the transformation towards a 1.5° C world requires major shift in investment patterns and in 1.5° C compliant pathways. Renewable energy generates on average 60 % of primary energy supply in 2050, compared to 15 % in 2020. While Nordic electricity production is already two thirds renewable, the countries are actively promoting full decarbonisation of their power systems with ambitious policies and technological solutions.*

## Eligibility criteria



Wind energy, onshore and offshore facilities



Solar energy



Wave and tidal energy, hydro power



Bio energy, facilities producing biofuel or biomass, facilities for electricity or heat generation



Geothermal energy, power plants and facilities for heating or cooling

# Financing and refinancing transmission and energy storage

*Feasibility of renewable energy options and the electrification of end-use sectors depends largely on grid adaptations that require a significant upscale of investments for electricity transmission, distribution and storage technologies. The inter-Nordic power system is a prime example of cross-country connections integrating more renewables into energy markets.*

## Eligibility criteria



Transmission of electricity produced from renewable sources



Smart grids, storage facilities etc.



Interconnection of power systems and power system efficiency

# What we aim to do...

Our strategy aims at improving the overall energy efficiency of our mortgage book

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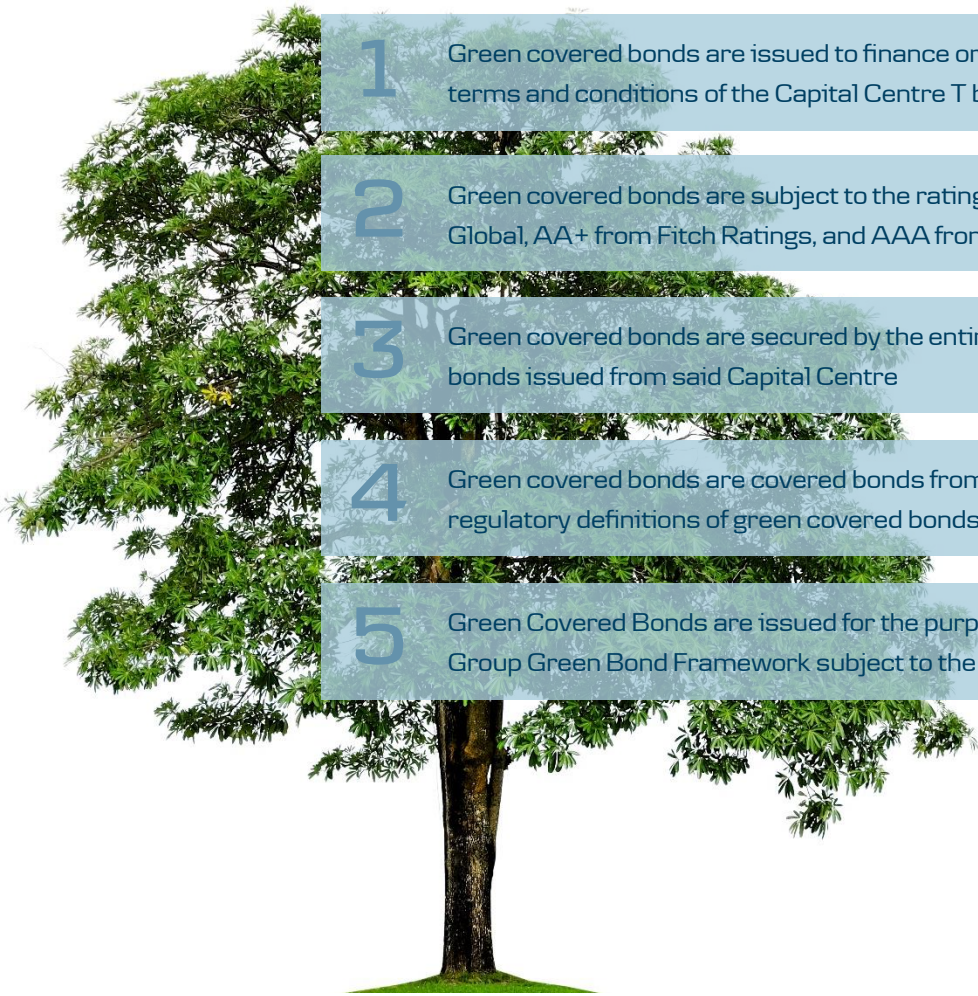
- 1 Launch green covered bond for the financing and refinancing of large-scale eligible mortgages
- 2 Be transparent on the energy efficiency of pledged property in the entire mortgage book to the widest extent possible
- 3 Set ambitious targets for future energy efficiency of pledged property and pursue those targets in lending practises



# We issue green covered bonds out of Capital Centre T

Green Covered Bonds will benefit from known framework

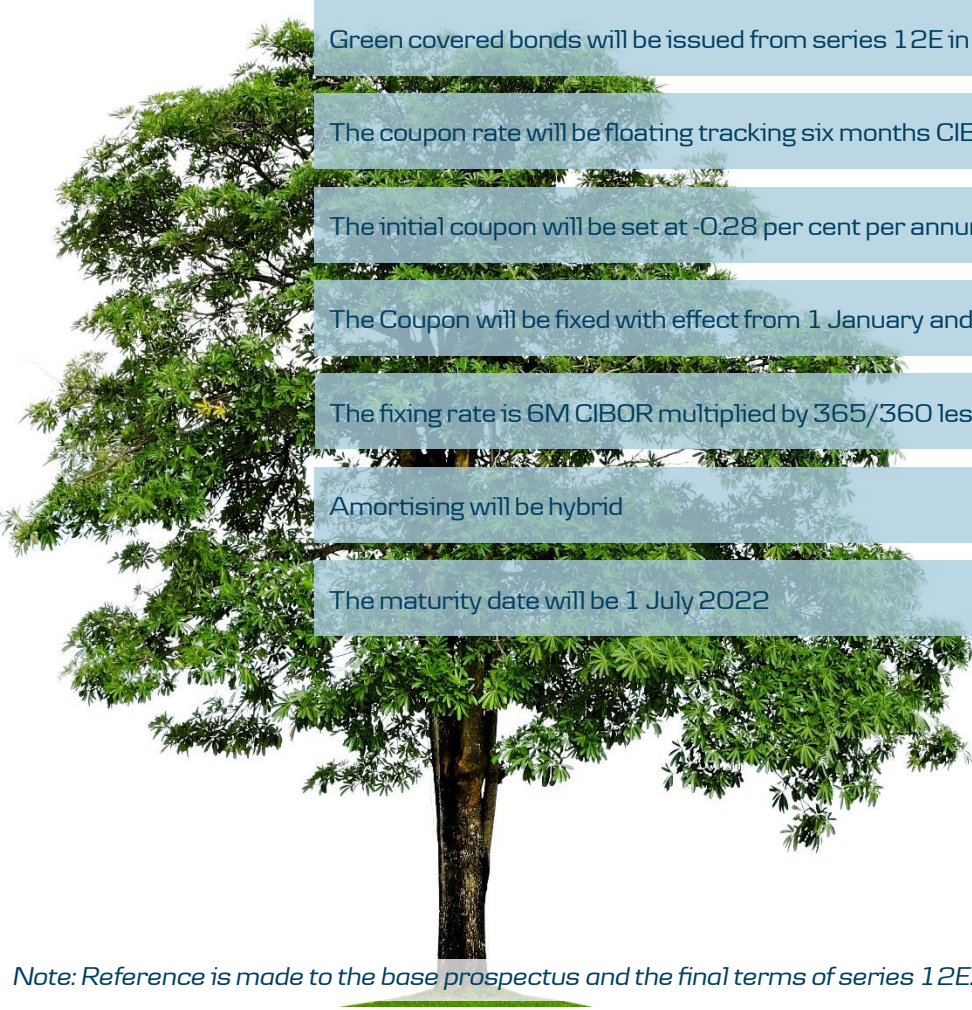
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- 1 Green covered bonds are issued to finance or refinance mortgages otherwise eligible for Capital Centre T subject to the terms and conditions of the Capital Centre T base prospectus and final terms
  - 2 Green covered bonds are subject to the ratings applicable to covered bonds issued out of Capital Centre T i.e. AAA from S&P Global, AA+ from Fitch Ratings, and AAA from Scope Ratings as of end February 2019
  - 3 Green covered bonds are secured by the entire collateral base of Capital Centre T and rank pari passu with other covered bonds issued from said Capital Centre
  - 4 Green covered bonds are covered bonds from a regulatory perspective and will not necessarily be compliant with future regulatory definitions of green covered bonds
  - 5 Green Covered Bonds are issued for the purpose of financing or refinancing green mortgages as defined in the Danske Bank Group Green Bond Framework subject to the approval by the Realkredit Danmark Green Bond Committee

# Key terms of the first green covered bonds issue

Terms will mirror the terms of series 12F

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Green covered bonds will be issued from series 12E in Capital Centre T

The coupon rate will be floating tracking six months CIBOR

The initial coupon will be set at -0.28 per cent per annum.

The Coupon will be fixed with effect from 1 January and 1 July on the fourth last banking day of the preceding month

The fixing rate is 6M CIBOR multiplied by 365/360 less a spread at 0.15 percentage points

Amortising will be hybrid

The maturity date will be 1 July 2022

*Note: Reference is made to the base prospectus and the final terms of series 12E. In case of deviations the base prospectus and the final terms shall prevail*

## Further information

### Further sources of information

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#### *Legal documents*

Prospectus and final terms available at <http://rd.dk/da-dk/investor/Library/Legal-documents/Pages/Legal-documents.aspx>



#### *Cover pool performance*

Covered bond label reports available at <http://rd.dk/da-dk/investor/Library/Pages/Risk-Report.aspx>

Risk report available at <http://rd.dk/da-dk/investor/Library/Pages/Risk-Report.aspx>

Bond data available at <http://www.rd.dk/da-dk/investor/Funding/Bond-information/Pages/Download-Bond-data.aspx>



#### *Financial performance*

Financial reports available at <http://rd.dk/da-dk/investor/Library/Pages/Financial-Reports.aspx>



#### *Background information*

Danish covered bond handbook available at <http://rd.dk/da-dk/investor/Library/Pages/Danish-Mortgage-Bonds.aspx>



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