

Newsletter purpose and content

SEK's Green Bond Framework is compliant with the Green Bond Principles and has a second opinion issued by the Norwegian Research Institute Cicero. The purpose of this newsletter is to present recent developments in SEK's Green Lending activities and disclose relevant information for Green Bond investors with focus on Use of Proceeds, Management of Proceeds and Reporting. Selected cases, balance and management of a subaccount, as well as allocation of proceeds from SEK's Green Bond issue to eligible projects and its environmental impacts in terms of CO₂ reductions, are presented.

Annual CO₂
reduction

5.4 kg

per USD
invested



Biogas Plant in Skogn, Norway

SEK has contributed to the financing of Biokraft's construction of a biogas plant in Skogn, just north of Trondheim. The plant in Skogn will be Northern Europe's largest plant for production of liquid biogas fuel. When it is completed, the production of liquid biogas fuel in Scandinavia will more than double. There are Swedish connections to the project on both the sponsor and supplier side, where Scandinavian Biogas makes an equity contribution and the Swedish environmental engineering company Purac will build the plant. SEK funds an export credit arranged by SpareBank1 SMN, which is partly guaranteed by EKN. The first phase of the construction of the new biogas plant has started and will be commissioned in 2017. The plant will in its first phase produce liquid biogas from industrial waste (sewage) from Norske Skog, waste from fish farming of salmon and forest waste with an energy content of 125 GWh per year, equivalent to about 12.5 million liters of biodiesel, which will spare the environment annual emissions of approximately 30,000 tons of CO₂ from fossil fuels. Phase two is scheduled for completion in 2018/2019 and the plant will then have an annual capacity of 25 million liters of biodiesel. The liquid biogas will be used in city buses and garbage trucks, and will then, according to the Norwegian environmental foundation ZERO*, reduce global carbon dioxide emissions by 60,000 tons per year. It is estimated that about 1,5 million tons of CO₂ emissions shall be reduced during the plant's estimated 25 year lifecycle.

*ZERO, the Zero Emissions Resource Organisation, is an Oslo, Norway-based independent not-for-profit foundation working for zero emission solutions to the global climate challenge.



Project Data

Eligible project classification: Renewable Energy
CO₂ Impacts: Total reduction of CO₂ by 30,000 tons/year compared to base case, Phase 1. SEK finances 100%.
Applied Standards: IFC Performance standards, OECD Common Approaches

Transaction Data

SEK Lending: NOK 160 million, Phase 1
Start: 2016
Maturity: 2027
Buyer: Biokraft AS
Exporter: Purac AB

Impact assessment

CO₂ reduction is accounted for during the time of which Green Bond Proceeds is allocated to an eligible project. Amortizations under the eligible project will be reallocated to the subaccount and hence no CO₂ reductions will be accounted for from that date until again allocated to a new eligible project. Loan amount is disclosed as facility amount as well as the allocated amount from the SEK Green Bond as of 2016-05-31. Estimated annual CO₂ reduction in total (tons) is calculated based on the facility amount as well as the allocated amount from the SEK Green Bond as of 2016-05-31. Estimated annual CO₂ reduction per USD (kg) is calculated based on the allocated amount from the SEK Green Bond as of 2016-05-31 as well as the average allocated amount up until 2016-05-31. In this way we provide investors with an estimated CO₂ reduction per USD invested in SEK Green Bond. A significant part of the CO₂ reduction in the current portfolio can be derived from an ABB-project in India. The energy production mix in India contains a higher level of CO₂ emission in comparison to the regions where the other projects in the portfolio are located. This means a higher emission level determining the base line which results in a higher reduction level when calculating the effect of the project.

ELIGIBLE PROJECT		LOAN AMOUNT (MUSD)		ESTIMATED ANNUAL CO ₂ REDUCTION IN TOTAL (TONS)		ESTIMATED ANNUAL CO ₂ REDUCTION PER USD (KG)	
Project name	Exporter	Facility Amount	Allocation from Green Bond	Facility amount	Allocation from Green Bond	Allocation from Green Bond	Average allocation from Green Bond
Renewable energy in India	ABB	469.9	298.0	4,192,239	2,658,624	5.317	4.853
Sustainable transport in Turkey	Bombardier	79.5	0.0 ¹	11,473	0 ³	0.000 ³	0.000 ³
Renewable energy in Zambia	Eltel Networks	133.4	38.3	12,506	3,591	0.007	0.002
Wind power in Sweden	Siemens	52.4	46.1	84	74	0.0001	0.0002
Renewable energy via North Sea Link between Norway and UK	ABB	230.0	8.4	371,000	13,550	0.027	0.000
Biogas Plant in Skogn, Norway	Purac	19.5	0.0 ²	30,000	0 ⁴	0.000 ⁴	0.000 ⁴
Wind power in Chile	ABB	15.0	5.5	14,434	5,292	0.011	0.001
<i>Subaccount Balance</i>			103.7	0	0	0	0
Total		999.7	500.0	4,631,736	2,681,131	5.362	4.857

¹ As of 2016-05-31 no disbursements have been made under this facility. The facility amount is scheduled to be fully disbursed by 2017-04-30.

² As of 2016-05-31 no disbursements have been made under this facility. The facility amount is scheduled to be fully disbursed by 2017-10-31.

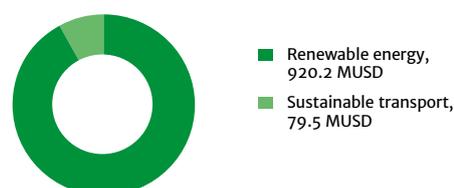
³ No proceeds from SEK Green Bond have been allocated to this project as of 2016-05-31, hence no CO₂ reduction can be accounted for. Estimated annual CO₂ reduction per USD 1 000 000 is 144.31 tons.

⁴ No proceeds from SEK Green Bond have been allocated to this project as of 2016-05-31, hence no CO₂ reduction can be accounted for. Estimated annual CO₂ reduction per USD 1 000 000 is 1538.46 tons.

Eligible project categories in SEK Green Bond Framework

- Renewable energy
- Water and Wastewater
- Energy efficiency
- Recycling and Waste
- Sustainable construction
- Resources and Environment
- Sustainable materials
- Sustainable transport

Facility amount per category



The rationale behind SEK Green Bond

With the world facing major environmental challenges, SEK plays an important role in financing exports of Swedish environmental technologies and know how. By financing green projects with Green Bonds we contribute to the transition to a low-carbon economy and we are taking part in developing the market for environmentally-aware investors. Via systematic reporting on the actual use of the Green Bond proceeds, SEK aims at enhancing public accountability of environmental finance. As an issuer SEK tries to contribute to this goal, to the goals set out in the EU 2020 agenda and the COP21-agreement. Openness is an essential part of sustainable business. SEK's aim is to be as transparent as possible while also taking account of confidentiality and trust in business relationships.

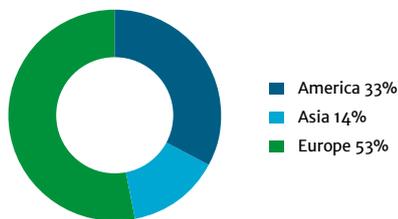
SEK Green Bond

SEK priced its inaugural Green Bond 16th June 2015, a 5 year SEC-registered USD 500 mn transaction, the first Green Bond issued by a European Export Credit Institution. Although challenging market conditions at the time, the order book approached USD 600 mn two hours after opening. ESG investor participation counted for 65% of the final orderbook. As of 2016-05-31 USD 396.29 mn have been allocated to eligible projects. The estimated annual CO₂ reduction as of the same date is 2 681 131 tons, which means that the annual CO₂ reduction is equal to 5.36 kg per USD invested in SEK Green Bond.

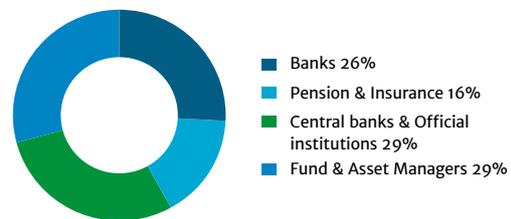
Outstanding Green Bond				
Currency	Amount	Issue Date	Maturity Date	Coupon
USD	500 MUSD	2015-06-23	2020-06-23	1.875%

Investor distribution

By Region



By Category



Renewable Energy in India

Power Grid Corporation of India Ltd. is implementing the world's first multi-terminal UHVDC (+800 kV) transmission link and contracted Swedish ABB to deliver the HVDC terminals. The proposed project will reduce CO₂ emissions by replacing thermal generation at the demand side by transmitting about 3100 MW of low carbon existing hydro power generated in the remote northeastern region of the country. It is estimated that about 257 million tons (8.55 million ton annually) of CO₂ emission shall be reduced during the 30 year lifecycle. The lower transmission losses and improved energy efficiency associated with HVDC will further reduce the carbon dioxide emissions. The transmission project was commissioned in 2015.



Project Data

Eligible project classification: Renewable Energy
CO₂ Impacts: Total reduction of CO₂ by 8.55 million tons/year compared to base case. Part financed by SEK corresponds to an annual reduction of 4 192 239 tons CO₂.
Social impacts: Access to electricity, improvement in infrastructure and industrial growth, enhanced education and health facilities
Applied Standards: IFC Performance standards, OECD Common Approaches

Transaction Data

SEK Lending: EUR 55 million & SEK 3.3 billion
Start: 2012
Maturity: 2028
Buyer: Power Grid Corporation of India Ltd
Exporter: ABB





Renewable energy via North Sea Link

ABB has won a USD 450 million order to supply high-voltage direct current (HVDC) converter stations for the subsea cable between the UK and Norway. The link, known as the North Sea Link, will be more than 720 km long, making it the world's longest subsea interconnector. The aim is to secure electricity supplies between the countries and the link is expected to be operational in 2021. When demand is high and wind power generation low in the UK, electricity from Norway's hydroelectric plants will flow to the UK. When wind power generation is high and electricity demand low in the UK, power will flow via the link to Norway. SEK's financing is linked to the converter station to be constructed in Blyth in the UK and the greater part of the delivery will be from ABB Ludvika.

Facts

SEK is providing financing of about USD 230 million in the form of an export credit facility at CIRR-rate. The mandated lead arranger and original lender was BNP Paribas Fortis, which is also acting as the agent bank for the credit. The Swedish Export Credits Guarantee Board (EKN) is issuing guarantees covering 90 percent of the risk of non-payment. BNP Paribas Fortis is guaranteeing the remaining risk, which is 10 percent.

Transaction discussions started last year and the application was received in July 2015. The loan agreement was signed in January 2016. The funds will be disbursed over a six-year period and, thereafter, National Grid has five years to repay the loan.

Sustainability

The North Sea Link will increase the security of electricity supplies and the use of renewable energy, and, in accordance with the EU's goals, will replace fossil energy in Europe. The project has environmental permits from both the British and Norwegian authorities. The EU's, British and Norwegian environmental standards have comprised benchmarks for the project. Since both countries are among the OECD's high-income countries, the announced permits are assessed as resulting in the project meeting or exceeding IFC performance standards. The subsea cable will enable regulation of the renewable energy sources appearing in the UK. From this perspective the project will contribute to reducing global carbon dioxide emissions.

The subsea cable will be laid in an area that is important to commercial fishing, but it will be buried beneath the seabed, thereby allowing trawling operations. In those locations where the seabed is too hard or where it passes other cables, rock dumping will be used to protect and provide support and stabilization. No historical relics are expected to be found on the seabed along the cable's route and, should this be the case, the relevant agencies will be informed.

Overall, the project contributes to sustainable economic and ecological development, and to reaching the EU 2020 targets.

Project Data

Eligible project classification: Renewable energy

CO₂ Impacts: Annual reduction of 2 650 000 tons CO₂ compared to base case. Part financed by SEK corresponds to an annual reduction of 371 000 tons CO₂.

Applied Standards: IFC Performance standards, OECD Common Approaches, Norwegian, UK and EU Environmental laws

Transaction Data

SEK Lending: USD 230 million

Start: 2016

Maturity: 2027

Buyer: Statnett and National Grid

Exporter: ABB





Wind Power in Chile

Inversiones LAP (Latin America Power SA) Limitada will construct and operate a 185 MW wind farm consisting of 56 wind turbines on the coast of the Atacama region, 500 km north of Santiago in Chile. The project will be the largest wind power project in Chile and includes transmission lines, access roads, substations, control stations and other facilities. The energy system in Chile generates about 640 tons of carbon dioxide per GWh. The project will reduce global carbon emissions by some 280,000 tons / year.

Project Data

Eligible project classification: Energy generation
CO₂ Impacts: Annual reduction of 294,567 tons CO₂ compared to base case. Part financed by SEK corresponds to an annual reduction of 14,433 tons CO₂.
Applied Standards: IFC Performance standards, OECD Common Approaches

Transaction Data

SEK Lending: USD 15 million
Start: 2015
Maturity: 2031
Buyer: San Juan SpA owned by Inversiones LAP (Latin America Power SA) Limitada
Exporter: ABB

SEK's guidelines for Green Lending

SEK applies the following international CSR guidelines for all lending

- The OECD's conventions and guidelines on anticorruption measures
- The UN Guiding Principles on Business and Human Rights
- The ILO's core conventions
- The UN Convention on the Rights of the Child
- The Equator Principles, or
- The OECD's Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence
- The OECD's Principles and Guidelines to Promote Sustainable Lending

Green Lending

Green Lending eligible for financing through Green Bond issuance undergo additional analysis by SEK's Sustainability Department in accordance with the selection of eligible projects set out in SEK's Green Bond Framework. The Eligible Project categories in the Framework are based on Swedish Cleantech which is the official business-to-business platform for Swedish environmental technology companies. Approval to an eligible project is given by SEK's Sustainability Department independently and in its sole and absolute discretion.

How we calculate the reduction of greenhouse gas emissions

SEK follows the Greenhouse Gas Protocol guidelines which are drawn up by public and voluntary organizations, academic institutions and companies under guidance from the World Business Council for Sustainable Development and the World Resource Institute and in line with IFI's Framework for a Harmonized Approach to Greenhouse Gas Accounting.

The greenhouse gas emissions is split into three scopes:

- Scope 1: All direct emissions of greenhouse gases.
- Scope 2: Indirect greenhouse gas emissions from purchased electricity, heat or steam.
- Scope 3: Other indirect emissions, such as the extraction and production of materials and fuels, transportation, power losses in transmission and distribution and waste management.

The starting point of our calculations is a project screening where the emission levels before the project start is determined (base line) and the project net emissions are approximated. The net accounting includes all scope 1 and 2 emissions and scope 3 emissions where applicable. In order to capture the mitigation contribution of projects, net annual greenhouse gas emissions against a baseline is performed for a representative year. SEK works together with professional advisors and public/voluntary organizations, such as the European Investment Bank (EIB), in the development of calculation methods for greenhouse gas emissions.

SEK's estimates of CO₂ reduction of each eligible project in the Green Lending portfolio have been reviewed and approved by Tricorona Climate Partner.

Management of proceeds

An internal subaccount absorbs the proceeds from SEK Green Bond on issue date. Disbursements to projects eligible for financing by the Green Bond will be reflected by a transfer from the subaccount. Amortizations from the same projects will be reallocated to the subaccount, to ensure that the Green Bond proceeds not currently allocated to eligible projects is equal to the balance of the subaccount.

An amount equal to the subaccount balance will be held in cash, Green Bonds or municipality and/or government risk with a minimum credit rating of AA-. On a semi-annual basis external auditors issues an independent assurance report on SEK statement regarding the position of the subaccount balance. As of 2016-05-31 the balance of the subaccount is USD 103,706,312.

About SEK

SEK is a credit market company that is wholly owned by the Swedish government. We have a complementary role in the market, which means we act as a complement to bank and capital market financing for exporters wanting a range of financing sources. SEK's strong international network, extensive experience and expertise in export finance help the company create value for clients on commercial terms. SEK offers both end-customer finance, which involves lending to overseas buyers of Swedish exporters' services and products, and working capital finance direct to Swedish exporters and their subsidiaries and international exporters with operations in Sweden. Total new lending in 2015 amounted to Skr 104,6 billion. Our vision is to strengthen the competitiveness of Swedish exporters, which helps create employment and sustainable growth in Sweden. SEK's rating from S&P is AA+ and from Moody's Aa1.

SEK