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Green & Sustainable Bonds: growth with staying power?

Natixis' cross-expertise research team has just published research on a new market segment still in the structuring phase, viz. Green & Sustainable bonds. The market has grown fast in the last 18 months with nearly \$30bn in new issues of over \$200m each. Momentum is manifestly underway and questions about the conditions that will give this market credibility and staying power are now being asked.

Although issuers and investors are trying to find their feet, momentum is manifestly underway with: **solid demand**, an **increase in the size of issues**, growing **diversification** of issuer types, successive announcements on the part of major institutional investors regarding their intention to invest massively in this market segment, but also increasingly well-structured governance of these issues.

The conditions that will give this market credibility and staying power

Our research attempts to identify the conditions that will give credibility and staying power to this new market segment by: gaining a proper understanding of investors' widely diverging expectations and approaches, identifying the next potential issuers, proposing a simplified analysis and assessment framework and analysis of the reporting produced by issuers.

In a market driven by supply, we are convinced that if demand were more legible and structured, issuers would give more credibility to the potential for diversifying their investor base.

Thus, the conditions that will enable this market to soar are as follows:

- supply must become standardized without stifling innovation;
- there must be visible and clearly identified demand;
- a driving force is needed for the secondary market;
- the last pockets of resilience among issuers need to be overcome (reputation risk, alternative financing, no premium at issue, etc.);
- governments must be prepared to create official mechanisms to support the segment.

Green / Social bonds are bonds in the traditional sense of the term, the proceeds of which will be exclusively directed to projects and activities offering an environmental and/or social benefit that the issuer undertakes to show via recurring reporting throughout the life of the bond or the projects.

Research available on <http://research.natixis.com>, a unique access portal dedicated to cross-expertise research, and on upon request.

About Natixis

Natixis is the corporate, investment and financial services arm of Groupe BPCE, the 2nd-largest banking group in France with 36 million clients spread over two retail banking networks, Banque Populaire and Caisse d'Épargne. With more than 16,000 employees, Natixis has a number of areas of expertise that are organized into three main business lines: Wholesale Banking, Investment Solutions & Insurance, and Specialized Financial Services. A global player, Natixis has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-sized businesses of Groupe BPCE's banking networks.

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