

NORD/LB

Covered Bond Bank Luxembourg



Green Covered Bond Allocation Report

Financial Year 2022

Index

- 1. Introduction 3**
- 2. Green Covered Bond Approach 4**
- 3. Inaugural Green Covered Bond 5**
- 4. Cover pool reporting – renewable energy loans 5**
- 5. Green Covered Bond Allocation 7**
- 6. External Review 8**
- 7. Appendix 12**

1. Introduction

We are pleased to present our second Green Covered Bond Allocation Report (the Report), for the financial year ended 31st December 2022. NORD/LB CBB published its Green Bond Framework in 2019 followed by the issuance of the worldwide first green covered bond based on legislation - Lettre de Gage énergies renouvelables - in January 2020.

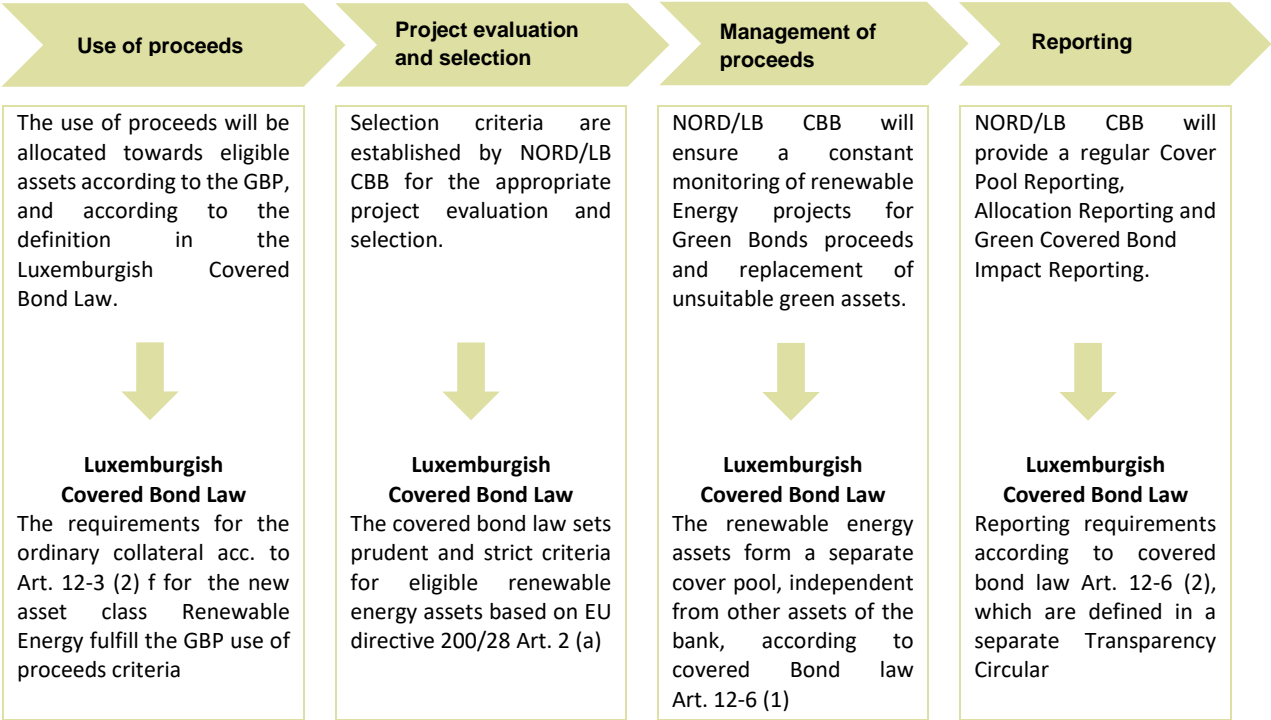
NORD/LB Group – including Norddeutsche Landesbank – Girozentrale – (NORD/LB) and NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) - has been a vocal proponent of the UN Global Compact and its principles for many years and strives to implement these principles within its sphere of influence. Upholding these principles represents a key element for NORD/LB of its responsibility towards customers and employees in the capacity of financial service providers, and towards society as a whole in the capacity of a corporate citizen. For NORD/LB and its subsidiaries, it means that, in line with the ten principles relating to human rights, environmental protection and the fight against corruption, that these issues are firmly entrenched within the guidelines and policies of the Banks and, in doing so, enabled them guide them in their day-to-day activities.

The NORD/LB Group has had a sustainability strategy to serve as a strategic foundation since 2013. Therefore NORD/LB Group believes that sustainability is first and foremost a question of attitude: it is a part of the Bank's public mandate to support sustainable development directly and indirectly through its own business activities. The NORD/LB Group is convinced that many aspects of global change result in opportunities and risks for its customers and will therefore also affect its business activities.

NORD/LB CBB intends to make its contribution to achieving the climate targets set by the German Federal Government and contributes to the transition to a more environmentally friendly and sustainable European Economy. NORD/LB CBB is fully committed to supporting the development of the market for sustainable bonds. We believe that issuing green bonds will help provide the necessary resources to fight climate change.

2. Green Covered Bond Approach

NORD/LB CBB’s Green Bond Framework is aligned with the 2018 Green Bond Principles as well as with the provisions related to renewable energies of the Luxembourg Financial Sector Act.



NORD/LB CBB’s Green Bond Framework is confirmed by a Second-Party Opinion from Sustainalytics. Additional information are available on the NORD/LB CBB Green Covered Bond webpage.

In addition, NORD/LB CBB publishes an annual Impact Report, which is also available on the NORD/LB CBB Green Covered Bond webpage.

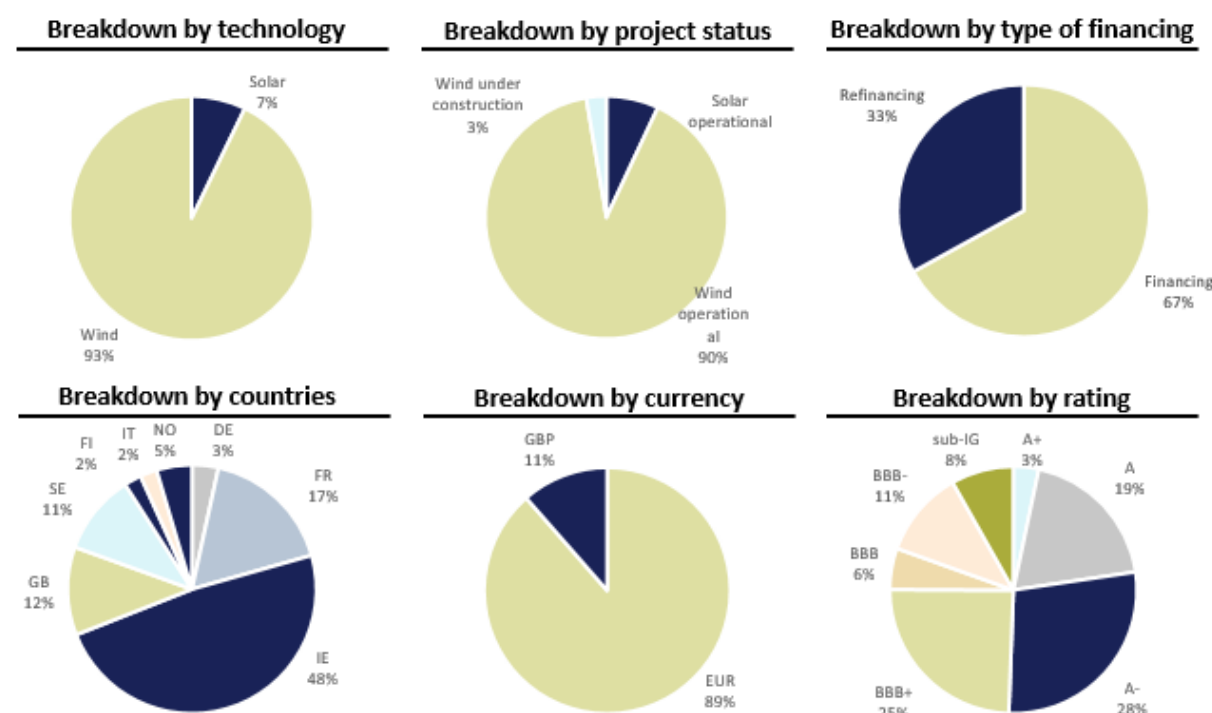
3. Inaugural Green Covered Bond

NORD/LB CBB issued its first green covered bond (Lettres de Gage Renewable Energy) in January 2020.

Lettres de Gage Renewable Energy in brief	
Green Covered Bond volume:	300.0 €m
Issue date:	28 Jan 2020
Maturity date:	28 Jan 2025
Use of proceeds:	Solar- and windprojects (onshore)
Second Party Opinion:	Sustainalytics
ISIN / Coupon / Moody's rating:	XS2079316753 / 0.05% / Aa2

4. Cover pool reporting – renewable energy loans

Cover pool - renewable energy loans as of 31 st December 2022 ^{1, 2, 3}	
Total volume (balance sheet) renewable energy financings:	459.8 €m
Cover pool volume (RE loans only / total including bonds):	294.9 €m / 341.8 €m
Unallocated proceeds:	5.1 €m
Number of projects:	26

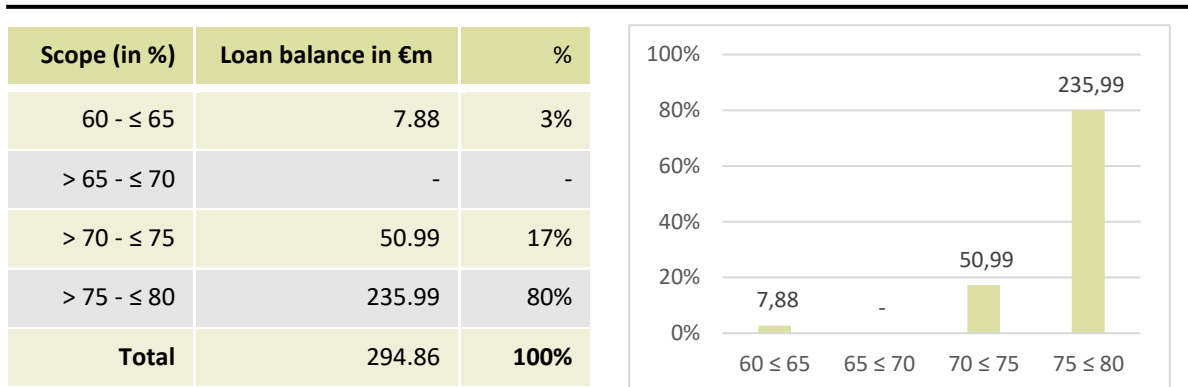


¹ Total differences are rounding differences

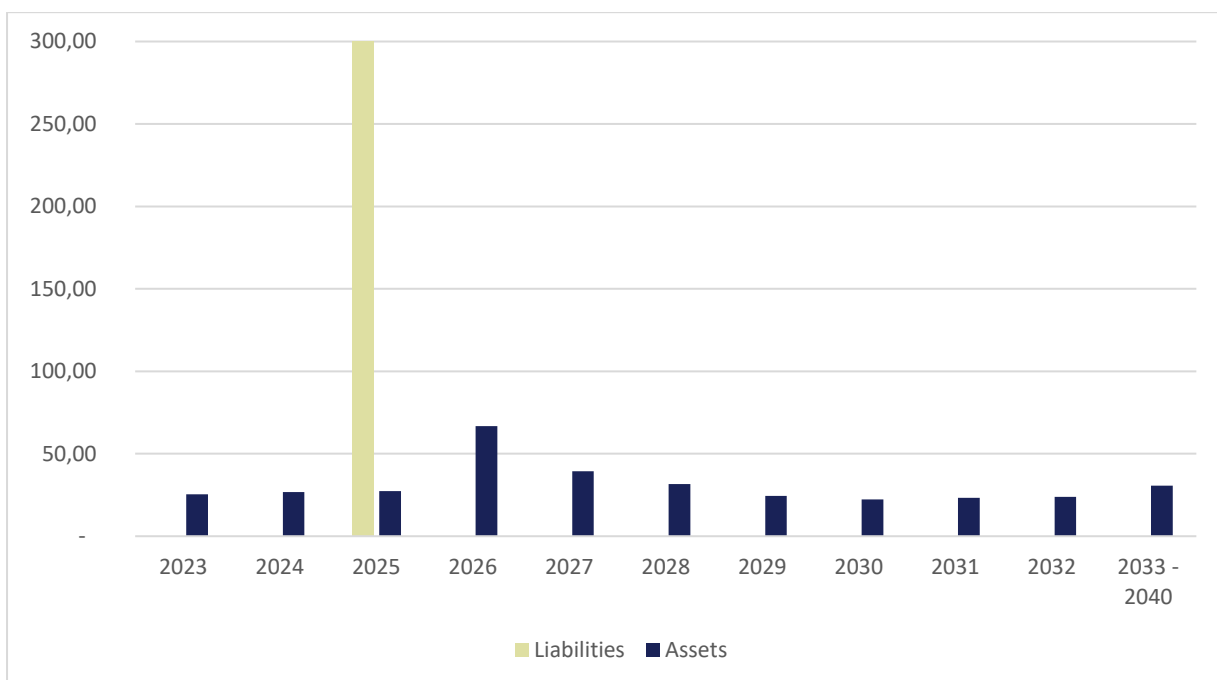
² Internal Ratings based on DSGV Basel III compliant rating tool

³ Financing = financing of new exposure/projects; Refinancing = financing of existing projects

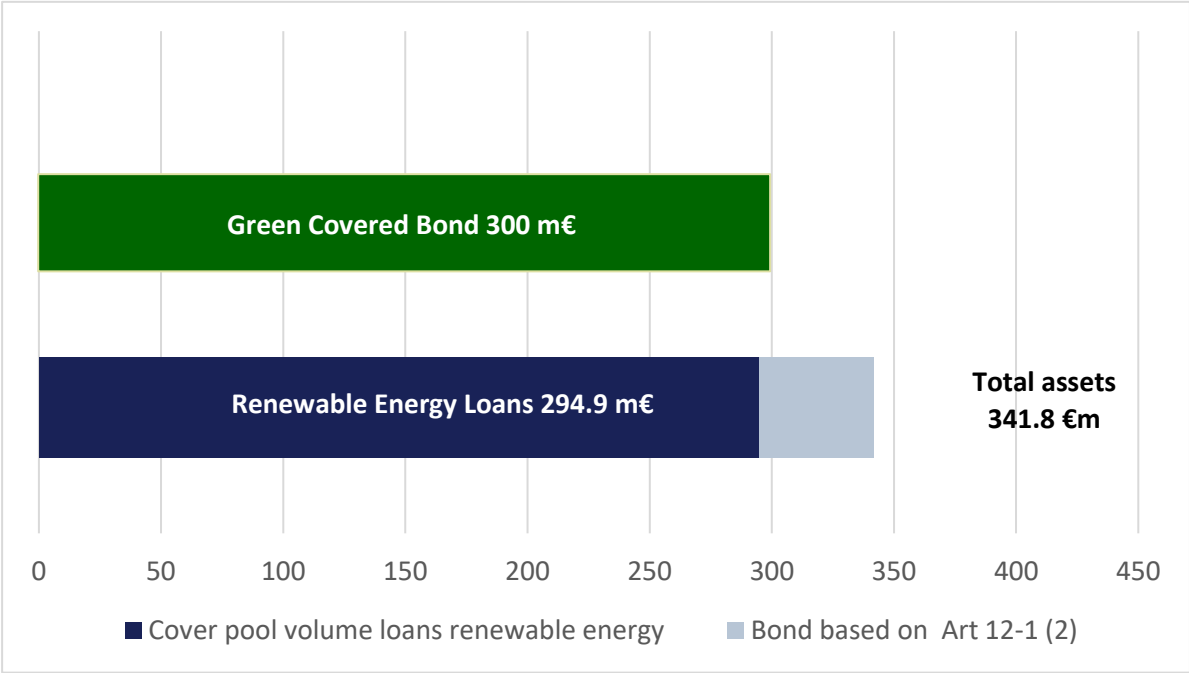
Unindexed Loan to Value (LTV) buckets



ALM structure of the cover pool



5. Green Covered Bond Allocation



All figures as of 31st December 2022. The funds raised from the Green Covered Bond serve exclusively to finance and refinance renewable energies in accordance with the NORD/LB CBB Green Bond Framework. The proceeds from the issue of the first NORD/LB CBB Green Covered Bond have been fully allocated.

6. External Review



NORD/LB CBB

Type of Engagement: Annual Review

Date: March 15, 2023

Engagement Team:

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Introduction

In January 2020, NORD/LB Luxembourg S.A. Covered Bond Bank ("NORD/LB CBB") issued green covered bonds aimed at financing wind and solar energy projects. In September 2019, Sustainalytics provided a second-party opinion¹ on the NORD/LB CBB Green Bond Framework (the "Framework")² and its alignment with the Green Bond Principles 2018.

In March 2023, NORD/LB CBB engaged Sustainalytics to review the projects funded with proceeds from the issued green covered bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 green covered bonds based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria outlined in the Framework;
2. Reported on at least one of key performance indicator (KPIs) for each use of proceeds criteria outlined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and associated KPIs

Use of Proceeds Category	Eligibility Criteria	KPIs
Renewable Energy	Financing of the purchase, design, construction, development and/or installation of the generation of renewable energy from the following renewable energy sources: <ul style="list-style-type: none"> ▪ On- and offshore wind power ▪ Solar power 	<ul style="list-style-type: none"> • Total installed capacity of renewable energy (in MW) • Annual (expected) production of renewable energy (in MWh) • Total capacity of renewable energy facilitated through connection, transmission, transformation and storage (in MW)
Transmission and Energy Storage	Financing for the connection, transmission, transformation and storage of renewable energy. ³	<ul style="list-style-type: none"> • Avoided greenhouse gas emissions from the production and facilitation of renewable energy emissions (annual avoided greenhouse gas emissions in tons of CO2 equivalents)

¹ Sustainalytics, "Second-Party Opinion NORD/LB CBB "Lettres de Gage Renewable Energy" Green Bond Framework", (2019), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nord-lb-covered-bond-bank-green-bond-framework-second-party-opinion.pdf?sfvrsn=8514ad0c_1

² NORD/LB Luxembourg S.A. Covered Bond Bank, "Green Bond Framework", (2019), at:

<https://www.nordlb.lu/page/docManager/docs/579/NORDLB%20CBB%20Green%20Bond%20Framework%20as%20of%2030%20Sep%202019.pdf>

³ Regarding energy storage and transmission equipment, Article 12-3(2) of the Luxembourg Financial Sector Act on Covered Bonds prescribes that more than 50% of its effective activity be used in connection with renewable energy.



Issuing Entity’s Responsibility

NORD/LB CBB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the use of proceeds from the NORD/LB CBB’s 2020 green covered bonds. The work undertaken as part of this engagement included collection and review of documentation from NORD/LB CBB to assess conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by NORD/LB CBB with respect to the financed projects. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by NORD/LB CBB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. NORD/LB CBB has disclosed to Sustainalytics that 98.3% of the proceeds of the 2020 green covered bonds has been allocated as of 31 December 2022. Pending full allocation, the remaining proceeds have been allocated towards green bonds with at least 50% of their use of proceeds financing renewable energy assets, in accordance with the Framework.⁵

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green covered bonds issued in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green covered bonds issued in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Framework. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by NORD/LB CBB. NORD/LB CBB is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁵ NORD/LB CBB has communicated to Sustainalytics that it intends to achieve 100% allocation in 2023.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria	Number of Projects	Total Allocated Amount (EUR million)
Renewable Energy	Onshore Wind	21	274.3
	Solar	5	20.5
Allocated proceeds (EUR million)			294.9 ⁶
Net proceeds raised from the issuance (EUR million)			300
Unallocated proceeds (EUR million)			5.1
Percentage of net proceeds allocated			98.3%

⁶ The difference in this total amount is caused by rounding.



Appendix 2: Reported Impact by Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria	Environmental Impact Reported by Eligibility Criteria ⁷			
		Average portfolio lifetime (years)	Total installed capacity of renewable energy (MW)	Annual expected production of renewable energy (MWh) ⁸	Avoided greenhouse gas emissions from the production and facilitation of renewable energy per EUR 1 million in cover projects (tCO ₂ e)
Renewable Energy	Onshore Wind	5.6	757	2,118,157	325 ⁹
	Solar		50	53,881	

⁷ NORD/LB CBB has communicated that the estimated impact assessment is based on production data for projects in operation in 2022, and expected production for projects that are still under construction in 2022, according to net P50 (P50 = assumption that the predicted wind yield will not fall below predicted wind production based on a 50% probability).
NORD/LB CBB, "The New Green Covered Bond", at: https://www.nordlbcbb.lu/online/www/menu_top/greenbond/5327/ENG/index.html

⁸ Rounded off to the nearest integer.

⁹ The estimation is based on the baseline CO₂ equivalent emissions per kWh in the respective countries where the projects are located.

7. Appendix

The Luxembourg Financial Sector Act¹ is the basis for the business model of NORD/LB CBB. Since 22 June 2018, the asset class renewable energies (Art. 12-3 (2) f) has been part of the defined cover pool for the "Lettres de Gage" debt instruments issued by a Covered Bond bank.

The definition of the asset class renewable energies in Luxembourg law is based on EU Directive 2009/28 Art. 2 (a) and includes:

- **Energy produced from non-fossil, renewable energy sources**, i.e. wind, solar, aerothermal, geothermal and hydrothermal energy, ocean energy, hydropower, biomass, landfill gas, sewage gas and biogas, and energy from similar energy sources
- **Generation**,
- **Storage** and
- **Transmission** (including electricity storage facilities, transformers and electrical wiring) (whether under construction or completed) of energy from renewable sources, provided that
 - such equipment is used exclusively in connection with renewable energies, and
 - the storage and transmission equipment is used for storage and transmission related to renewable energy for more than 50 per cent of its actual use.

Art.	article
acc.	according
CO ₂	carbon dioxide
CSSF	Commission de Surveillance du Secteur Financier
EEA	European Economic Area
EU	European Union
ESG	Environmental, Social and Governance
LTV	loan-to-value
max.	maximum
MW, MWh	megawatt, megawatt hour
NGO	non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal

¹ Source: http://www.cssf.lu/fileadmin/files/Lois_reglements/Legislation/Lois/L_050493_lsf_upd160719.pdf

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The financial instrument is only described in short form. The relevant terms and conditions of the issue or sale of securities may be obtained from the basic prospectus and from the final term sheet or complete sale prospectus. Both, the final terms and the prospectus are published on NORD/LB CBB's website www.nordlb.lu.

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