

NORD/LB

Covered Bond Bank Luxembourg



Green Covered Bond Allocation Report

Financial Year 2023

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1. Introduction

We are pleased to present our fourth Green Covered Bond Allocation Report (the Report), for the financial year ended 31st December 2023. 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.

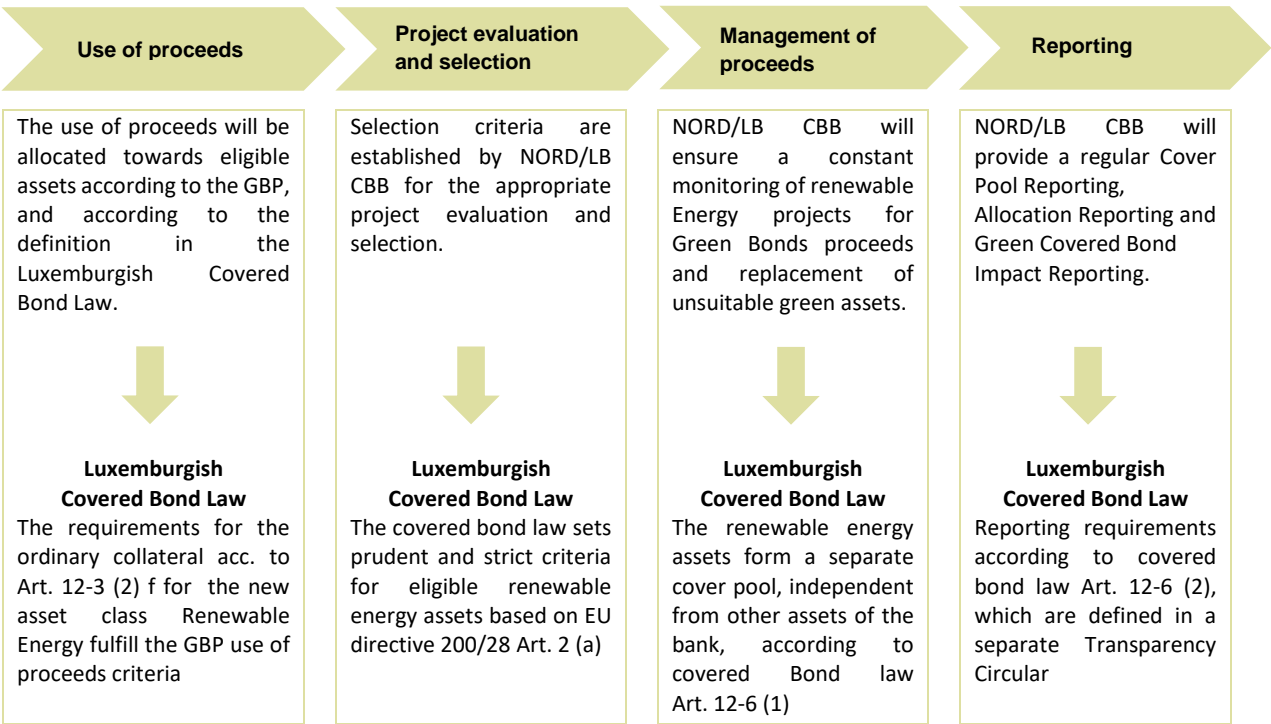
NORD/LB Group – including Norddeutsche Landesbank – Girozentrale – (NORD/LB) and NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) - has been a vocal proponent of the UN Global Compact and its principles for many years and strives to implement these principles within its sphere of influence. Upholding 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.

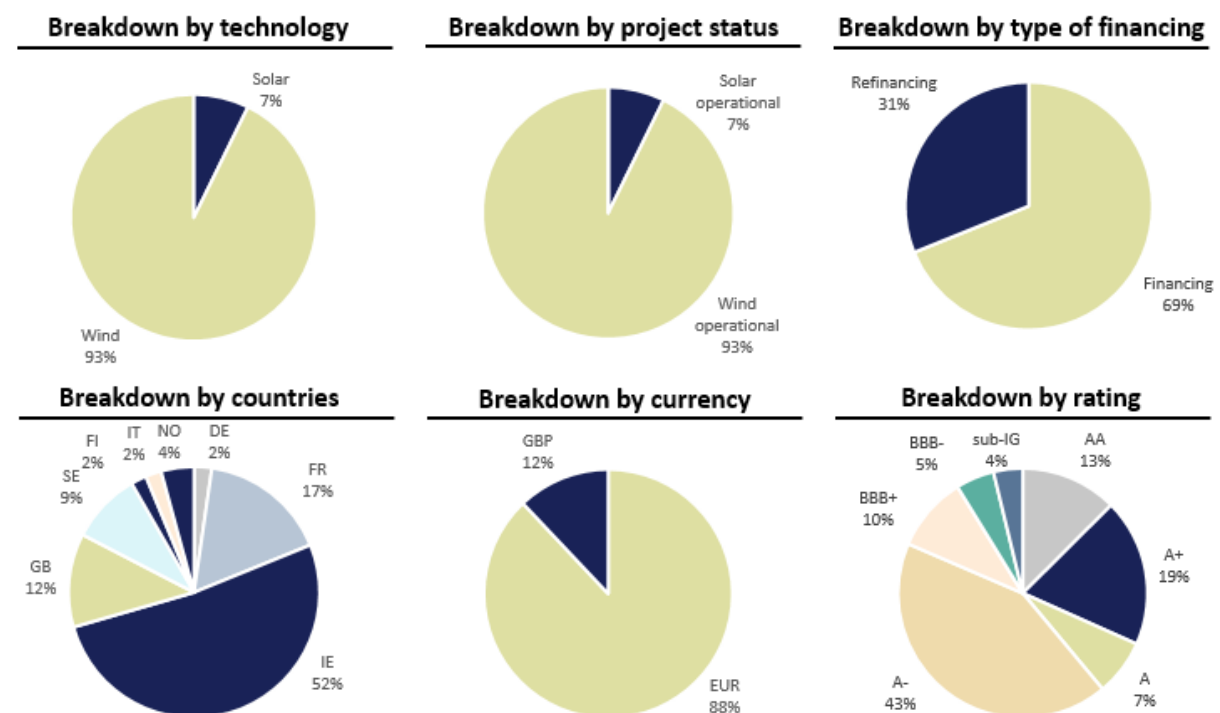
3. Inaugural Green Covered Bond

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 2023 ^{1, 2, 3}	
Total volume (balance sheet) renewable energy financings:	414.3 €m
Cover pool volume (RE loans only / total including bonds):	280.7 €m / 341.7 €m
Unallocated proceeds:	19.3 €m
Number of projects:	25

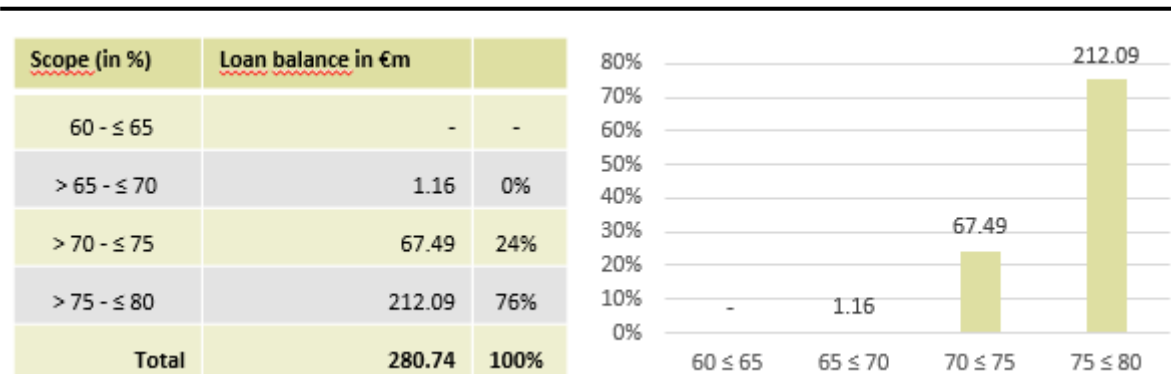


¹ Total differences are rounding differences

² Internal Ratings based on DSGV Basel III compliant rating tool

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

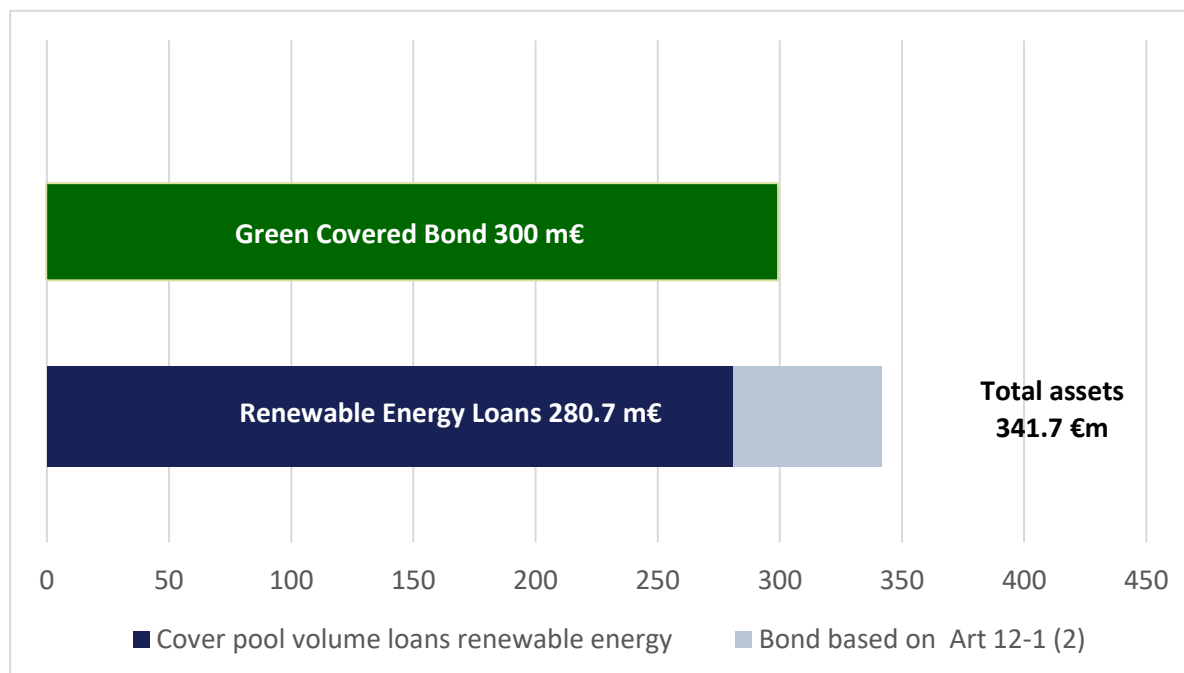
Unindexed Loan to Value (LTV) buckets



ALM structure of the cover pool



5. Green Covered Bond Allocation



All figures as of 31st December 2023. 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 NORD/LB CBB Green Covered Bond have been fully allocated in loans at time of issuance. Since then the effects of redemption have been compensated by inclusion of certified renewable energy bonds¹ to increase the liquidity of the pool.

¹in accordance with Luxembourg Law of 22 June 2018, Art. 12-1 (2) and NORD/LB Green Bond Framework

6. External Review



NORD/LB CBB

Type of Engagement: Annual Review

Date: 29 March 2024

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Introduction

In January 2020, NORD/LB Luxembourg S.A. Covered Bond Bank ("NORD/LB CBB" or the "Issuer") issued the 2020 green covered bonds (the "Green Covered Bonds") to finance wind and solar energy projects. In March 2024, NORD/LB CBB engaged Sustainalytics to review the projects financed with proceeds from the 2020 Green Covered Bonds (the "Nominated Projects") and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the NORD/LB CBB Green Bond Framework (the "Framework").¹ Sustainalytics provided a Second-Party Opinion on the Framework in September 2019.² This is Sustainalytics' fourth annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in 2021, 2022 and 2023³.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

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

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	<p>Financing of the purchase, design, construction, development and/or installation of the generation of renewable energy from the following renewable energy sources:</p> <ol style="list-style-type: none"> On- and offshore wind power Solar power 	<ol 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) Avoided greenhouse gas emissions from the production and facilitation of renewable energy emissions (annual avoided greenhouse gas emissions in tons of CO₂ equivalents)

¹ 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>

² Sustainalytics, "Second-Party Opinion, NORD/LB CBB", (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>

³ Sustainalytics, "Annual Review, NORD/LB CBB", (2023), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nord-lb-cbb-green-covered-bond-annual-review-2023.pdf>

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from NORD/LB CBB's Green Covered Bonds. The work undertaken as part of this engagement included collection of documentation from NORD/LB CBB and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by NORD/LB CBB. 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 93.57% of the proceeds from the 2020 Green Covered Bonds were allocated as of 31 December 2023, and the remaining 6.43% proceeds are expected to be fully allocated by the end of 2024⁵.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment 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 Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated, and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

⁵ Nord/LB CBB has communicated to Sustainalytics that they have added certified renewable bonds to the pool, to improve liquidity of assets and that all of the bonds added were used to finance at least 50% of their net proceeds for renewable energy assets as per the framework. The issuer intends to use the remaining proceeds by the end of the year.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria

The Issuer raised USD 300 million as net proceeds from the issuance of the 2020 Green Covered Bonds. As of December 2023, 93.57% of the proceeds were used to finance⁶ or refinance⁷ the Nominated Projects.

Table 3: Net Proceeds Allocated for Renewable Energy Projects

Use of Proceeds Category	Project Type	Number of Projects	Net Proceeds ⁸ (EUR million)
Renewable Energy	Onshore Wind	20	260.3
	Solar	5	20.4
Allocated proceeds (EUR million)			280.70
Net proceeds raised from the issuance (EUR million)			300
Unallocated proceeds (EUR million)			19.30
Percentage of net proceeds allocated			93.57%

Appendix 2: Reported Impact by Eligibility Criteria

Table 4: Reported Impact for Renewable Energy Projects

Use of Proceeds Category	Project Type	Environmental Impact Reported by Eligibility Criteria ⁹			
		Average portfolio lifetime (years)	Total installed capacity of renewable energy (MW)	Annual expected production of renewable energy (MWh)	Avoided GHG emissions from the production and facilitation of renewable energy per EUR 1 million in cover projects (tCO _{2e})
Renewable Energy	Onshore Wind	5.5	1,184	3,808,093	353.3 ¹⁰
	Solar		50	52,122	

⁶ NORD/LB CBB has communicated that 69% of the cover pool volume went into financing.

⁷ NORD/LB CBB has communicated that 31% of the cover pool volume went into refinancing.

⁸ The proceeds from the issue of the NORD/LB CBB Green Covered Bond had been fully allocated at the time of issuance. As of December 2023, the unallocated proceeds were invested in other green bonds as mentioned in the Framework.

⁹ NORD/LB CBB has communicated that the estimated impact assessment is based on production data for projects in operation in 2023, and expected production for projects that were still under construction in 2023, according to net P50 (P50 = assumption that the predicted wind yield will not fall below predicted wind production based on a 50% probability).

¹⁰ 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: Luxembourg Law of 22 June 2018, amending the Law of 5 April 1993 on the financial sector

Disclaimer

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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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