

Sustainability Bond Report

2019



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A word from our Treasurer

Since it was founded in 1859, National Bank of Canada always had a strong desire to participate in the growth and improvement of the community. The Bank is committed to effectively meeting the expectations of its stakeholders and building lasting relationships with them.



National Bank of Canada (the "Bank" or "NBC") has issued four Sustainability Bonds since the establishment of its Sustainability Bond Framework in September 2018. The funds raised with these bonds have been used to finance or refinance, in whole or in part, eligible businesses and projects that credibly contribute to the environmental objectives or seek to achieve positive socioeconomic outcomes for target populations. These projects are each attempting to meet either one of the following goals: ending poverty in all its forms; ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all; ensuring access to affordable, reliable, sustainable and modern energy for all; and taking action to combat climate change and its impacts.

This report is intended to provide a snapshot of the Bank's Sustainable Bonds offerings as well as eligible businesses and projects and their associated impact indicators. It speaks to National Bank's commitment to financing environmental and social projects and its goal of having a positive impact on people's lives.

Jean-Sébastien Gagné

Overview as of December 31, 2019

	Renewable energy	Affordable housing + access to basic and essential services	TOTAL
Total amount of proceeds allocated to Eligible Assets or Businesses	\$751,764,329	\$443,139,671	\$1,194,904,000
Allocation of proceeds (%)	63%	37%	100%
Total amount of unallocated proceeds	0	0	0
Total amount of Sustainability Bonds outstanding, in CAD equivalent			\$1,194,904,000

In line with the Bank's commitment to fully allocate proceeds within a period of 18 months, 100% of proceeds from NBC's Sustainability Bonds were allocated to Eligible Assets or Businesses at issuance and remain fully allocated as of December 31, 2019.

The Bank confirms the Sustainability Bonds' Use of Proceeds complies with NBC's sustainability bond framework.

Throughout 2019, NBC issued Sustainability Bonds aimed at financing projects that advance United Nations Sustainable Development Goals (UN SDGs).



Framework Summary

For the purpose of issuing Sustainability Bonds, NBC has developed the following framework, which addresses the four core components of the ICMA Sustainability Bond Guidelines¹ and its recommendations on the use of external reviews and impact reporting:

1. Use of proceeds

- > Renewable energy
- > Sustainable buildings
- > Low-carbon transportation
- > Affordable housing
- > Access to basic and essential services

2. Project selection and evaluation process

- > NBC's business unit officers are responsible for identifying and assessing potential Eligible Businesses and Projects.
- > NBC has established a Sustainability Bond Committee ("SBC") responsible for the ultimate review and selection of the loans and investments that will qualify as Eligible Businesses and Projects.
- > The SBC has the ultimate decision-making authority on project selection and allocation of proceeds.

3. Management of proceeds

- > NBC will establish a Sustainability Bond Register in relation to Sustainability Bonds issued by NBC for the purpose of recording the Eligible Businesses and Projects and allocation of the net proceeds from Sustainability Bonds to Eligible Businesses and Projects.
- > It is NBC's intention to maintain an aggregate amount of assets relating to Eligible Businesses and Projects that is at least equal to the aggregate net proceeds of all NBC Sustainability Bonds that are concurrently outstanding.

- > Any portion of the net proceeds of Sustainability Bonds that have not been allocated to assets relating to Eligible Businesses and Projects in the Sustainability Bond Register will be allocated in accordance with NBC's normal liquidity management activities.

4. Reporting

- > The NBC Sustainability Bond Report will be updated every year until complete allocation, and thereafter, as necessary in case of new developments.
- > The NBC Sustainability Bond Report will contain at least the following:
 - Confirmation that the use of proceeds of the Sustainability Bond complies with the NBC Sustainability Bond Framework
 - The amount of proceeds allocated to each Eligible Category
 - For each Eligible Category, one or more examples of Eligible Businesses and Projects financed, in whole or in part, by the proceeds obtained from the Sustainability Bond, including their general details (brief description, location, stage—construction or operation)
 - The balance of unallocated net proceeds
 - Impact reporting elements



Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Sustainability Bond Framework dated September 26, 2018, (the "Framework") created by National Bank of Canada (the "Issuer") to govern future potential Sustainability Bond issuances.

Summary of Vigeo Eiris' Opinion

Vigeo Eiris is of the opinion that National Bank of Canada's Sustainability Bond Framework is aligned with the voluntary guidelines from the Green Bond Principles and the Social Bond Principles. We express an overall reasonable assurance (our highest level of assurance) on the Issuer's commitments and the Bonds' contribution to sustainability.

¹ International Capital Markets Association, "Sustainability Bond Guidelines," published in June 2018. <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

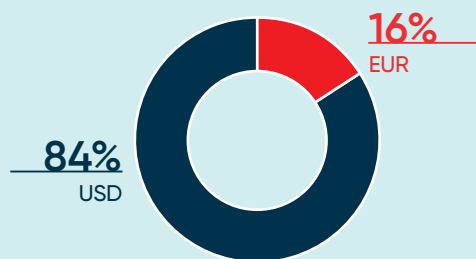
Issuance Summary

(as of Dec. 31, 2019)

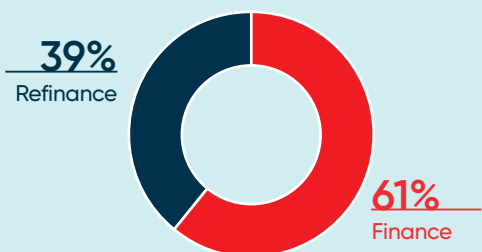
Sustainability Bonds issued by National Bank of Canada

	Issue date	Currency	Tenor	Issued amount (CAD equivalent)	ISIN
EUR 40M 12y CMS1010 Senior Notes	February 20, 2019	EUR	12 years	\$59,797,000	XS1953930283
EUR 50M 15y CMS1010 Senior Notes	April 1, 2019	EUR	15 years	\$75,375,000	XS1964559576
EUR 40M 15y Steepener Senior Notes	May 24, 2019	EUR	15 years	\$60,432,000	XS1999877043
USD 750,000,000 2.15% Series B Medium-Term Sustainable Notes	October 9, 2019	USD	3 years	\$999,300,000	144A: US63307CAG69 Reg S: US63307DAG43

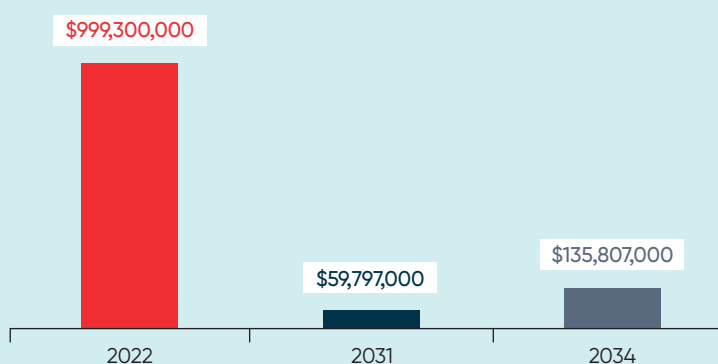
Sustainability Bonds
Distribution by currency
(as of Dec. 31, 2019)



Eligible Projects and Businesses
Finance vs Refinance
(as of Dec. 31, 2019)

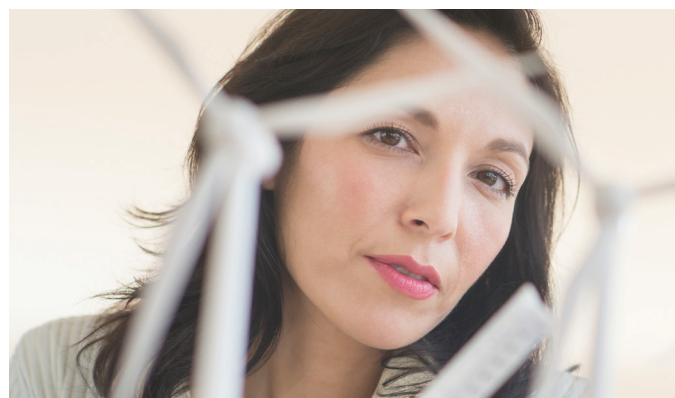
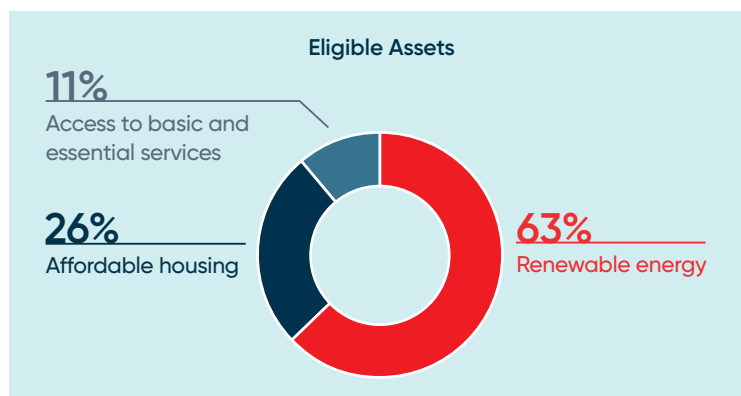









Sustainability Bonds
Distribution by maturity
(outstanding in CAD equivalent, as of Dec. 31, 2019)



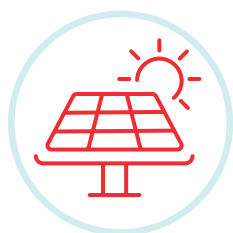
Use of Proceeds and Impacts

(as of Dec. 31, 2019)



Eligible categories	UN SDGs	Eligible asset type	% of eligible assets	Impact indicators
Renewable energy	 	Wind Solar Small-scale hydro	63%	Wind, solar and hydro energy generation: <ul style="list-style-type: none"> > Number of wind farms (11) > Number of solar farms (34) > Number of small-scale hydro projects (4) > Total installed capacity of 1,156 MW > Total annual greenhouse gas (GHG) emissions reduced or avoided: 1,794,625 tons of carbon dioxide equivalent
Affordable housing	 	Access to affordable and adequate housing	26%	The affordable and adequate housing projects help offer quality, affordable housing for low- and moderate-income households and for people with special housing needs. <ul style="list-style-type: none"> > Number of buildings (127) > Number of units (3,198)
Access to basic and essential services	  	Childcare centres	11%	Childcare services provided by the childcare centres provide reduced-contribution spaces to: <ul style="list-style-type: none"> > Number of places–Babies: 1,621 > Number of places–Total: 11,742 > Number of childcare centres: 179 Childcare centres must meet certain obligations in terms of children’s health, safety, well-being and development.

Project Examples



Renewable Energy: Solar

In June 2016, NBC participated in a \$45 million, dual-tranche financing for a portfolio of rooftop projects located throughout Ontario owned by Potentia Renewables inc. The portfolio has a total capacity of 7.8 MW-AC comprised of installations on 24 retail building rooftops, each of which achieved commercial operation in 2012. The energy generated by the projects is sold to the Independent Electric System Operator under Ontario Feed-In Tariff Contracts.



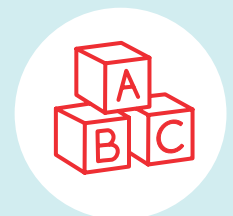
Renewable Energy: Wind

In December 2017, NBC participated in a \$340 million, dual-tranche financing for the parc éolien Nicolas-Riou wind project with a 224 MW capacity. The energy generated by the projects is sold to Hydro-Québec under a 25-year power purchase agreement. Date of operation: January 2018.



Affordable Housing

AccèsLogis Québec: The Société d'habitation du Québec's main purpose is to help Quebecers gain access to adequate housing. It intervenes in several ways so that a larger number of households in need can gain access to affordable and adequate housing. The AccèsLogis Québec Program encourages pooling of public, community and private resources to produce social and community housing for low- and moderate-income households and for people with special housing needs. It allows housing bureaus, housing cooperatives, non-profit organizations and non-profit purchasing groups to create and offer quality, affordable rental housing.



Access to Basic and Essential Services

Childcare centres (Centres de la petite enfance): A childcare centre is a non-profit legal person or a cooperative that provides educational childcare in one or more facilities. Childcare services provided by a childcare centre are subsidized by the ministère de la Famille and, as such, offer reduced-contribution spaces. A childcare centre is a recognized childcare provider and, as such, it must meet certain obligations, particularly in terms of children's health, safety, well-being and development. It must also comply with service quality standards.

Key Assumptions

All reported results are from publicly available sources.

The impact figures for each eligible project or business was collected from publicly available sources and are presented on an aggregate basis to protect the confidentiality of NBC's customers.

Where no publicly available information is found for any given eligible project or business, the impact reported for this project or business is null.

Where NBC co-finances projects with other lenders, the impact reported for the individual project is based on the total project including all financiers.

If the balance of NBC's lending to one project is null while the loan facility still exists, the impact figures remain incorporated in the aggregated impact data.

If the portfolio of eligible projects and businesses is larger than the amount of proceeds collected from the issuance of NBC Sustainability Bonds, the impact data are aggregated for the whole portfolio of projects and businesses and then reported on a pro-rata basis.

All figures are in CAD unless otherwise indicated.

Post-Issuance Review



Vigeo Eiris was commissioned to provide an independent opinion on the management NBC's 2019 Sustainability Bonds issuances based on the review of its 2019 Sustainability Bond Report.

Vigeo Eiris is of the opinion that the Sustainability Bonds issued in 2019 by National Bank of Canada remain aligned with the 2018 GBP & SBP.

- > Vigeo Eiris expresses a reasonable assurance on National Bank's capacity to use the Bonds' proceeds to finance or refinance Eligible Businesses and Projects, in line with its initial commitments.
- > Vigeo Eiris expresses a reasonable assurance on National Bank's capacity to implement the evaluation and selection process, in line with its initial commitments.
- > Vigeo Eiris expresses a reasonable assurance on National Bank's capacity to implement the allocation process, in line with its initial commitments.
- > Vigeo Eiris expresses a reasonable assurance on National Bank's capacity to implement the reporting process, in line with its initial commitments.

Disclaimer

This report has been prepared in accordance with the Bank's Sustainability Bond Framework dated September 26, 2018, and is for information purposes only.

It is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy.

The information presented in this report is correct at the date stated. All information is subject to change without prior notice or update.

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