

**ASSURANCE REPORT
FOR POST-ISSUANCE CERTIFICATION
OF THE GREEN BOND**
issued by SpareBank 1 Boligkreditt
in January 2018

CLIENT: SpareBank 1 Boligkreditt AS
ISSUING ENTITY: Multiconsult Norge AS
DOCUMENT CODE: 10202568-01-TVF-RAP-002
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For enquiries regarding this report please contact energi@multiconsult.no

Background

Issuing Entity:

SpareBank 1 Boligkreditt AS

Green Bond:

SpareBank 1 Boligkreditt Green Bond (EUR 1bn / 0.500%)

ISIN: XS1760129608

Period of bond issuance:

January 2018 (for 7 years, until January 2025)

Underwriters:

DB, ING, Natixis, UniCredit

CBI approved verifier:

Multiconsult

Period of verification:

May 2018

Verifier contact:

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SpareBank 1 Boligkreditt (SpaBol) is a Norwegian covered bond issuer jointly owned by the Norwegian saving banks working closely together under the SpareBank 1 brand.

In January 2018 SpaBol issued Norway's first green bond backed by mortgages of energy-efficient buildings. The covered pool consists of high quality Norwegian residential mortgages, as well as liquid assets.

Spabol has engaged Multiconsult, as CBI approved verifier, to review and verify that Spabol's EUR 1bn Green Bond issued in January 2018 meets the post-issuance requirements (part A, B and C) under the Low Carbon Buildings criteria of the Climate Bonds Standard Version 2.1.

Subject Matter & Applicable Criteria

The aim of the issuance is to finance and refinance a mortgage asset pool with added environmental value, focusing on energy performance. The bond will refinance an existing mortgage loans portfolio with residential buildings in Norway that comply with the following Norwegian building codes:

- For houses: the code of 2007 (TEK07) or later codes
- For apartments: the code of 2010 (TEK10) or later codes

Both new and existing Norwegian residential buildings that comply with these building codes are eligible for green bonds as they have significantly better energy standards and account for less than 15% of the residential building stock (ref. Appendix B). A two year lag between implementation of a new building code and the buildings built under that code has been taken into account.

The bond issuance (and consequently, our verification) is to follow Climate Bond Standard Version 2.1 sector criteria Low Carbon Buildings: Residential buildings.

Responsibilities

Issuing Entity (SpaBol)

SpaBol has the responsibility for providing information and documents on its mortgage portfolio, incl. nomination of buildings, management and disbursement of proceeds etc. as per the Climate Bonds Information Form and included in the Issuer's Green Bond Framework.

Verifying Entity (Multiconsult)

The work undertaken as part of this engagement includes confirming the transaction's conformance with the Climate Bonds certification requirements, which include:

- Conformance of issuance with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Buildings for Residential Property;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Post-Issuance requirements.

Independence of the Verifier

Multiconsult is a Norwegian globally active independent consulting firm, listed on the Oslo Stock Exchange.

Multiconsult uses an ISO-9001 compliant Quality Management System to ensure high delivery standards towards its clients. The company has set up numerous internal policies – amongst which are the “Quality Policy”, “Policy for Corporate Social Responsibility”, “Ethical Code of Conduct” as well as “HSE and Environment Policy”. Copies of these policies as well as the Multiconsult Management System can be made available upon request.

Our impartiality is of vital importance to our clients and is their guarantee of receiving independent and neutral professional advice. Multiconsult has no vested interests in manufacturing or construction and is a qualified member of the International Federation of Consulting Engineers (FIDIC) through its membership in the Norwegian Association for Consulting Engineers (RIF). We confirm that:

- No members of this verification team are currently engaged in any other work for SpaBol;
- No members of this verification team have developed any current proposals for work with SpaBol;
- Multiconsult does not have any current jobs or proposals with SpaBol on record keeping or compliance management systems that are at all relevant to the Climate Bond Initiative;
- Multiconsult has never advised SpaBol on record keeping or compliance management systems that are at all relevant to the Climate Bond Initiative.

Ref. Appendix D for more information about Multiconsult.

Work Performed

We planned and performed the verification by obtaining evidence and other information and explanations that are considered necessary to obtain a reasonable level of assurance that SpaBol's issuance meets the requirements of the Climate Bond Initiative's Post-Issuance Requirements as described in Parts A, B and C of Climate Bond Standard Version 2.1 (ref. Appendix C). We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our conclusion. For this assignment we:

- Reviewed the Issuer's Green Bond Framework that includes processes, systems and controls in place for management of bond proceeds;
- Reviewed the Issuer's Climate Bond Information Form and supporting documentation;
- Reviewed the mortgage portfolio which is associated with the Green Bond and their conformance with eligibility requirements.

This assignment has been executed as a desk-study. Clarifying Q&A sessions have been held with SpaBol by phone and e-mails on an as-needed basis.

Because of the inherent limitations in any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period but has been performed as a one-time activity. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2018 Climate Bond is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements.

Multiconsult conducted the post-verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (Assurance Engagements other than Audits or Reviews of Historical Information). The verification included Climate Bond Standard Version 2.1 sector criteria Low Carbon Buildings (Residential buildings).

Multiconsult's verification approach draws on an understanding of the risks associated with conforming to the Climate Bond Standard Version 2.1 and the controls in place to mitigate these. Multiconsult planned and performed the verification by obtaining evidence and other information and explanations that Multiconsult considers necessary to give limited assurance that the SpaBol Green Bond continues to meet the requirements of the Climate Bond Standard Version 2.1.

We refer to the following appendices for the list of documents reviewed (Appendix A), proxy methodology (Appendix B) and detailed process summary (Appendix C).



Tore Eliassen

Head of Renewable Energy Advisory Services

Multiconsult Norge AS

25.05.2018

APPENDICES

Appendix A: List of Documents Reviewed

Appendix B: Proxy Methodology

(Eligible Residential Buildings in the SpaBol Portfolio)

Appendix C: Audit Procedures and Findings

Appendix D: About Multiconsult



Appendix A: List of Documents Reviewed

Document Title	Publishing Responsible	Publishing Date
Portfolio of eligible assets provided by Issuer as database extract in XLS	Sparebank 1 Boligkreditt	05.01.2018 23.05.2018
“SpareBank 1 Boligkreditt Green Bond Framework” including: <ul style="list-style-type: none"> a) SpareBank 1 Sustainability Strategy b) SpareBank 1 Boligkreditt Green Bond Framework c) Use of Proceeds d) Process for Project Evaluation and Selection e) Management of Proceeds f) Reporting g) External review 	Sparebank 1 Boligkreditt	12.01.2018
Report on proxy methodology development for “Sparebank1 Boligkreditt Green Bond” and qualification of eligible assets	Multiconsult	11.01.2018
Report on eligibility assessment of “SpareBank 1 Boligkreditt Green Bond”	DNV-GL	11.01.2018
“Climate Bond Information Form”	Sparebank 1 Boligkreditt	11.01.2018

Appendix B: Proxy Methodology

The Climate Bonds Initiative (CBI) proxy methodology for energy efficient residential buildings for Norwegian conditions is to be published in spring 2018 and is in line with the methodology that SpaBol applied to select energy efficient buildings from its mortgage pool. The methodology is based on CBI taxonomy, where the top 15 % most energy efficient buildings are considered eligible.

Net energy demand is calculated for buildings built as per the Norwegian building codes TEK07/TEK10/TEK17. Note that for residential buildings there was no change between TEK07 and TEK10 with regards to energy efficiency, hence the shared bars for TEK07 and TEK10 on Figure 1. The result presented in Figure 1 illustrates how the calculated energy demand declines with decreasing age of the buildings. From TEK07 to TEK17 the reduction is about 15 % and the former shift from TEK97 to TEK07 was no less than 25%.

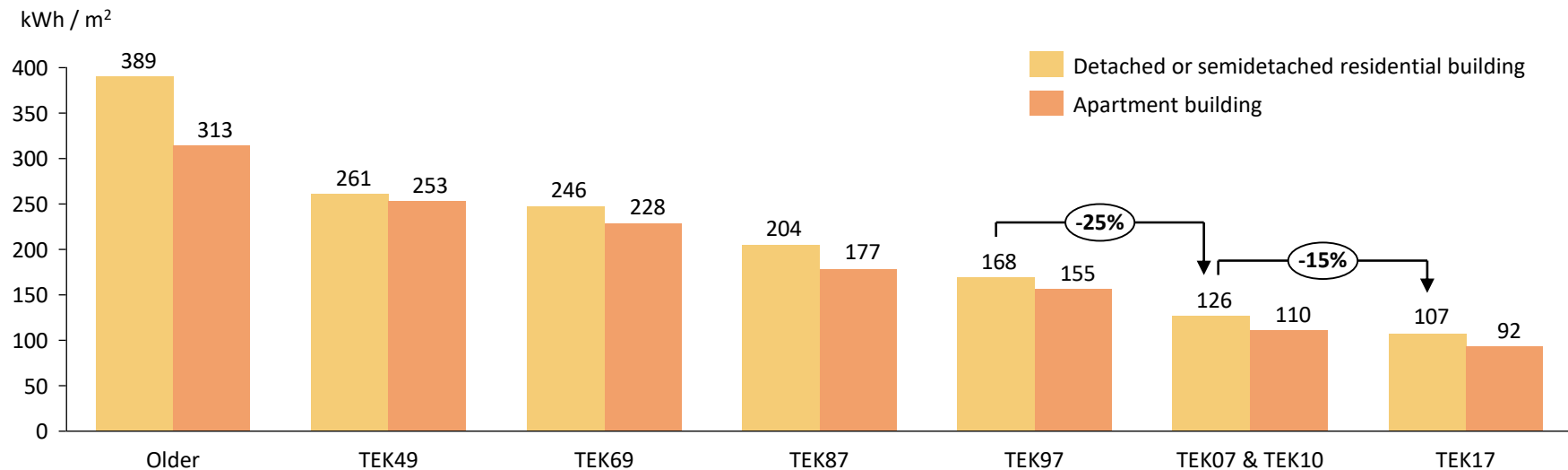


Figure 1. Development in calculated specific net energy demand based on building code and building tradition (Multiconsult, simulated in SIMIEN)

Figure 2 below shows the statistics on Norwegian residential building stock and how it is distributed by age, adjusted by new intervals to adhere to the latest editions of the building code. Buildings finished in 2009 and later (and built according to TEK07, TEK10 or TEK17) amount to 8% of the total stock. Taking out apartments finished in the period 2009 to 2011 does not bring the percentage down. Based on theoretical energy demand in the same building stock, the same 8% of the stock makes up for only 3% of the energy demand in residential buildings.

Note that the selection process is in its simplicity only to sort the portfolio by building year and building category.

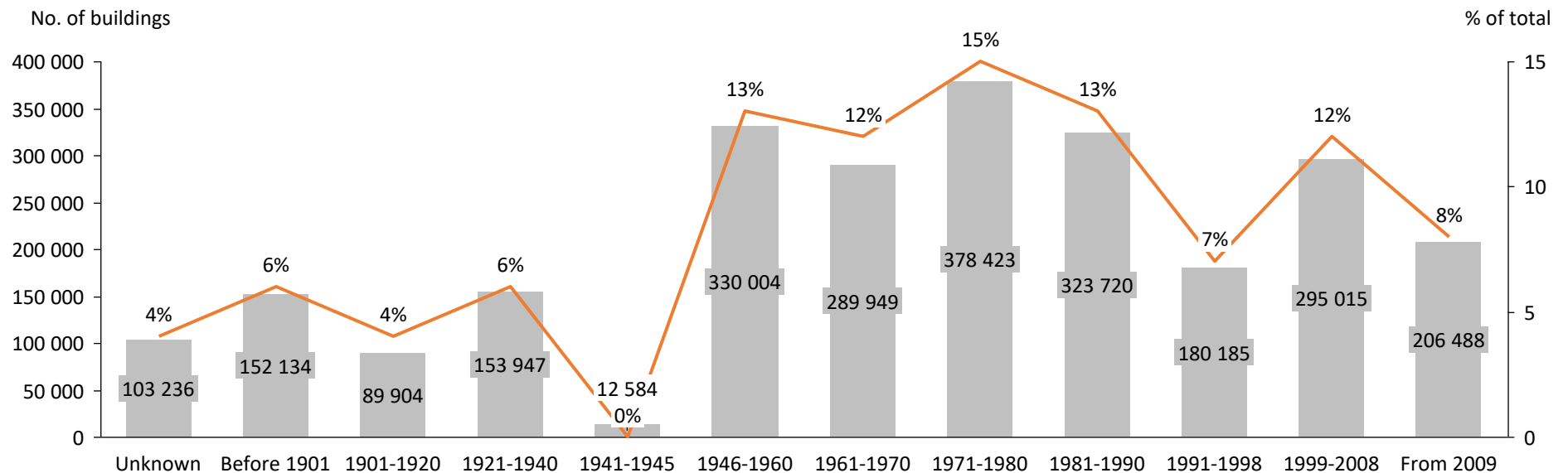


Figure 2. Amount and share of residential buildings built in various years (Statistics Norway and Multiconsult)

TEK07/TEK10/TEK17

The part of SpaBol portfolio examined consisted only of residential buildings from 2009-2017. The figure below shows the size of the eligible part of the portfolio in investment value (NOK million) and area (1000 m²), January 2018. With the NOK/EUR exchange rate at about 9.5000, it can be seen the amount related to loans of eligible residential buildings is about twice the size of the issued bond of EUR 1 billion.

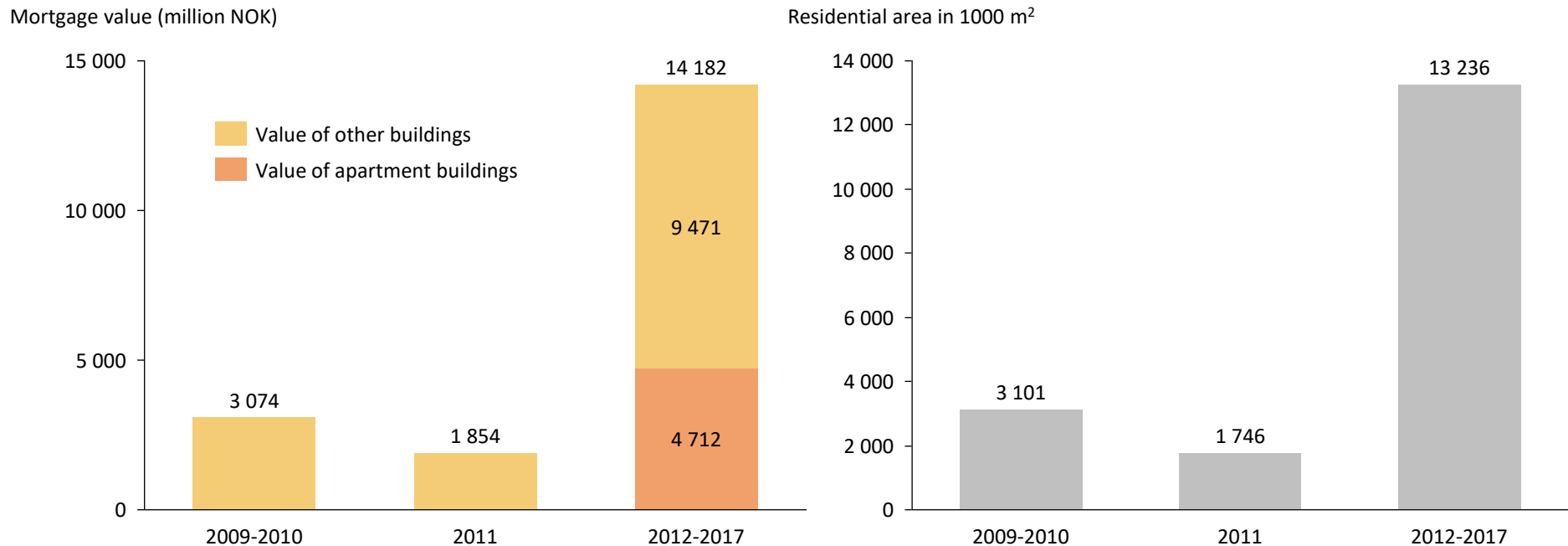


Figure 3A and 3B. Eligible residential buildings in the Spabol portfolio: mortgage value in million NOK and thousand square meters of residential space (Spabol/ Multiconsult)

Appendix C: Audit Procedures and Findings

Eligibility Criteria	Procedure	Findings
Compliance to Part A: General Requirements	Examination of the information presented in Green Bond Framework and Climate Bond Information Form to determine if Part A (General Requirements) is met.	<ul style="list-style-type: none"> • Issuer's information indicates adequate measures to meet the General Requirements. • A dedicated Green Bond Committee has been established to create this Green Bond Framework. The Committee consists of certain members of the SpareBank 1 Boligkreditt Board (which are also CFOs in SpareBank 1 Alliance member banks) as well as SpareBank 1 Boligkreditt's management. The Committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories, and oversee its implementation. In practice, the Committee will have responsibility for the Green Bond Framework, while the actual green asset identification (energy efficient residential housing according to the CBI verified criteria) will be completed by the Issuer's management working with its loan database/IT system.
Compliance to Part B: Eligible Projects & Assets	Verification of the portfolio data (unique identifier, amount, building type, area) for buildings to determine if assets meet the Low Carbon Buildings technical criteria and Climate Bonds Taxonomy.	<ul style="list-style-type: none"> • The total mortgages in the portfolio that meet the requirements of the Low Carbon Buildings technical criteria and Climate Bonds Taxonomy amount to about twice the size of the amount issued, i.e. size of bond is significantly lower than value of applicable portfolio.
Compliance to Part C: Requirements for Specific Bond Types	Examination of the information presented, considering that applicable Bond Type is Securitized Bond (earmarked)	<ul style="list-style-type: none"> • The Issuer has in the Climate Bond Information Form described how the Issuer shall maintain the earmarking process to manage and account for funding to the Nominated Assets. • The green assets will be held in the covered pool which contains mortgages for all of SpareBank 1 Boligkreditt's covered bond issuances. The Issuer will report regularly on the green assets section of the covered pool (vs. outstanding green covered bonds) in its statistical supplement for the pool (covered pool reporting) which is presented on the Issuer's website.

Compliance with Climate Bonds Standard

Post Issuance Requirements Part A

Requirement	Finding
4. Selection of Nominated Projects and Assets	
4.1 The Issuer shall maintain a decision-making process to determine eligibility of nominated projects & assets	SpaBol has defined the financing of low-carbon buildings as its environmental objective and has implemented processes to determine the eligibility of nominated assets based on a methodology with eligibility criteria established through an external independent consultant.
4.2 Assessment of proposed nominated projects & assets	Eligible assets are buildings that comply with criteria specified in SpaBol's framework and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards (see Appendix B).
4.3 Documentation of eligibility of nominated projects & assets	SpaBol has set up a process of evaluation and selection. Projects financed and/or refinanced through the future Green Bond proceeds are evaluated and selected based on compliance with the eligibility criteria set forth in the Use of Proceeds by SpaBol's Green Bond Committee.
5. Use of Proceeds	
5.1 The Net Proceeds of the bond shall be allocated to the Nominated Projects & Assets.	The green assets were already all in place in the covered pool ahead of the bond issuance in January 2018.
5.2 The Issuer shall allocate funds to Nominated Projects & Assets within 24 months of issuance of the bond.	The covered pool is dynamic as it is for all covered bond issuers, meaning that assets are added and also are taken out (due to for example customer refinancing). The SpaBol owning banks are, through the ability of SpaBol to issue green bonds, incentivized to originate more green assets which then may be additionally made available for the covered pool.
5.3 Where a proportion of the Net Proceeds of the bond are used for refinancing, the Issuer shall provide an estimate of the share of the Net Proceeds used for financing and re-financing, and identify which Nominated Projects & Assets may be refinanced.	Whilst any Green Bond net proceeds remain unallocated, SpaBol will hold and/or invest, at its own discretion, in its liquidity portfolio in money market instruments, the balance of net proceeds not yet allocated to eligible loans.

Compliance with Climate Bonds Standard Post Issuance Requirements Part A

Requirement	Finding
5. Use of Proceeds (continued)	
5.4 The Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process	<p>A dedicated Green Bond Committee will oversee implementation of the proceeds from bond issuance.</p> <p>During the life of the Green Bonds, and upon becoming aware, if a loan ceases to fulfil the eligibility criteria, SpareBank 1 Boligkreditt will remove the loan from the Eligible Green Loan Portfolio and replace it, when necessary, for the balance as soon as reasonably practicable. SpaBol <u>may</u> request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor.</p>
5.5 The Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects & Assets or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance.	SpaBol intends to designate sufficient eligible loans in the Eligible Green Loan Portfolio to ensure that its outstanding balance of Eligible Green Loans always exceeds the total balance of all outstanding Green Bonds. For each new Green Bond issuance, where necessary, additional Eligible Green loans will be added to this Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds.
6. Non-Contamination of Proceeds	
6.1 The Net Proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.	A dedicated Green Bond Committee will oversee implementation of the proceeds from bond issuance. The green assets will be held in the covered pool which contains mortgages for all of SpareBank 1 Boligkreditt's covered bond issuances. The Issuer will report regularly on the green assets section of the cover pool (vs. outstanding green covered bonds) in its statistical supplement for the pool (cover pool reporting) which is presented on the Issuer's website.
6.2 While the bond remains outstanding, the balance of the tracked proceeds shall be reduced by amounts matching eligible investments or loan disbursements made.	All proceeds have been allocated to the nominated assets (the loans) immediately after issuance.

Compliance with Climate Bonds Standard Post Issuance Requirements Part A

Requirement	Finding
7. Confidentiality	
7.1 Information about the Nominated Projects & Assets shall be provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.	Ref. page 7 („Methodological Approach“) for documentation reviewed.
7.2 The Issuer should disclose information about the bond and the Nominated Projects & Assets to the market.	<p>SpaBol may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor.</p> <p>The amount and number of green mortgage loans together with the amount of outstanding green bonds will be included in the regular quarterly statistical covered pool reporting of the Issuer, which is made available on the Issuer’s website. On an annual basis, with the first report within one year of the inaugural issuance, SpaBol will ask its auditor for a limited assurance report for the allocation of green bond proceeds to green mortgage assets (as defined in the Green Bond Framework) and will publish this report on the Green Bond section of its website.</p>
8. Reporting	
8.1 The Issuer shall provide to bond holders and to the Climate Bonds Standard Secretariat at least annually a report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated (or reallocated). The report shall include a brief description of the projects and the amounts disbursed, as well as the expected impact of the Nominated Projects & Assets.	<p>SpareBank 1 Boligkreditt intends to report to investors within one year from the date of a Green Bond transaction and annually thereafter, until the proceeds have been fully allocated.</p> <p>Reporting will be carried out primarily on the Issuer’s website. Both allocation report and impact report will be made available via the SpaBol website:</p> <ul style="list-style-type: none"> • The allocation report will provide, on a portfolio basis, on indicators such as the total amount of proceeds allocated to eligible loans; the number of eligible loans; the balance of unallocated proceeds or the amount or the percentage of new financing and refinancing • The impact report will provide, on a portfolio basis, on indicators such as: estimated ex-ante annual energy consumption in kWh/m² or energy savings in MWh; estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent

Compliance with Climate Bonds Standard

Post Issuance Requirements Part B

Requirement	Finding
9. Climate Bonds Taxonomy	
9.1 Nominated Projects & Assets shall fall into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy	Only one sector specific criteria is applicable: mortgages on energy efficient housing (as per CBI baseline)
10. Technical Criteria	
10.1 Nominated Projects & Assets shall meet the specific eligibility criteria provided in the latest version of the relevant Sector-Specific Criteria document.	Ref. Appendix B for proxy methodology and nomination of SpaBol assets
10.2 Where the proceeds of a bond are allocated to Nominated Projects & Assets that are covered by more than one Sector-Specific Criteria, then each of the Nominated Projects & Assets shall meet the specific eligibility criteria provided in the Sector-Specific Criteria relevant to that Nominated Project & Asset.	Only one sector specific criteria is applicable: mortgages on energy efficient housing (as per CBI baseline)

Compliance with Climate Bonds Standard Post Issuance Requirements Part C

Requirement	Finding
11. Project Holding	
11.1. The Issuer shall continue to hold Nominated Assets at least equal to the original principal amount of the bond at the time of issuance.	The green assets were already all in place in the covered pool ahead of the 7 year green covered bond issuance in January 2018. The covered pool is dynamic, meaning that assets are added and also are taken out continuously, e.g. due to customer refinancing. The Issuer's Green Bond Committee has responsibility to ensure that there are enough eligible assets in the covered pool at all times. We have verified this as a one-off event at the time of our assignment.
13. Earmarking	
13.1 The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets.	The green assets will be held in the covered pool which contains mortgages for all of SpaBol's covered bond issuances. The Issuer will report regularly on the green assets section of the covered pool (vs. outstanding green covered bonds) in its statistical supplement for the pool (covered pool reporting) which is presented on the Issuer's website. Impact reporting is planned annually and will be a separate report, presented on the Issuer's Green Bond section of its website.

Appendix D: About Multiconsult

Multiconsult is **one of the leading firms of consulting engineers** in Norway and Scandinavia, with 2845 permanent staff and expertise spanning a wide range of disciplines within our **7 core activity areas**:



With the company's **roots dating back to 1908**, we have over the past 110 years carried out several thousand international assignments **in more than 100 countries worldwide**.

With its highly skilled engineers and economists, Multiconsult is able to provide a range of services including **multidisciplinary consulting and design, project engineering and management, verification, inspection, supervision and architecture**.

Sustainability is important to us, and thanks to our **specialist expertise in health, safety and the working environment, environmental management, risk assessment and BREEAM**, we are able to help our customers to identify and implement environmental goals, in order to facilitate sustainable development. Our strategy states that HSE shall always have priority over financial considerations.

Multiconsult utilises an integrated, multidisciplinary approach and emphasises an open and continuous dialogue with our clients in order to jointly reach the best solutions possible. We strongly emphasise **responsibility, openness, integrity, knowledge sharing and environmental sustainability** in our projects.

In addition to business in Norway, Multiconsult Group includes subsidiaries in Denmark, Poland, Singapore, Sweden, Tanzania and the UK. Multiconsult has project offices in Ethiopia, Nepal and Uganda, sales offices in Kenya, the Philippines and Thailand. Our network of partners ranges from Africa, Asia, Central and South America, Europe and Middle East to North America. This enables Multiconsult to provide its expertise and resources to **customers throughout the world**.

For more information about the company, visit <http://www.multiconsultgroup.com>