

DNB Boligkreditt AS

POST-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: July 5 – 19, 2019

Approved verifier: Sustainalytics

Contact address for engagement: 215 Spadina Ave, Toronto, ON, M5T2C7, Canada

Post-Issuance Engagement Leader: Zach Margolis, zach.margolis@sustainalytics.com, +1 647 695 4341

Scope and Objectives

From June 2018, DNB Boligkreditt AS (“DNB Boligkreditt” or “DNB”) issued green bonds aimed at financing a portfolio of eligible mortgage loans.¹ In July 2019, DNB engaged Sustainalytics to review the projects funded through the issued green bonds, and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

DNB Boligkreditt AS is a wholly-owned subsidiary of DNB Bank ASA, which is a wholly-owned subsidiary of DNB ASA, Norway’s largest financial services group which has identified responsible finance and corporate responsibility as a key corporate driver and contributor towards the achievement of sustainable development in all of the group’s operations. DNB Boligkreditt used the proceeds of its Green Covered Bond to finance or refinance a loan portfolio of new and existing mortgages for energy efficient residential buildings in Norway (“Residential Green Buildings”), supporting the company in its commitment and leadership for sustainability in the Norwegian market. All loans within its portfolio were compliant with building code TEK10.

TEK 2010 is a recognized proxy for both houses and apartments in Norway. Furthermore, DNB provided to Sustainalytics a report produced by the independent consultancy Multiconsult which concluded that, at the time of issuance, houses compliant with TEK07 or TEK10 and apartments compliant with TEK10 constituted the top 7% of energy performing residential properties in Norway.

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity’s Responsibility

DNB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each projects, and disbursed amounts.

¹ As of July 2019, DNB Boligkreditt has three bonds under the verification pool: ISIN XS1839888754 issued in June 2018, ISIN XS1945126867 issued in January 2019 and subsequently tapped several times, and ISIN XS2015317139 issued in June 2019. Total outstanding is EUR 1.5bn and SEK 9.7bn.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of DNB's green bond, issued to finance eligible mortgages, and provided an independent opinion informing DNB as to the conformance of the green bond with the Post-Issuance requirement and Low Carbon Buildings Criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by DNB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by DNB.

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

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant DNB employees and review of relevant documentation to confirm the conformance of DNB's green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No exceptions were identified.

All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the Low Carbon Buildings Criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of the DNB green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of a portfolio of 33,489 mortgage loans funded by the green bond in 2018-19 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All loans reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of a portfolio of 33,489 mortgage loans funded by the green bond in 2018-19 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Residential Buildings technical criteria.	All loans fall under the Low Carbon Buildings Criteria and meet the requirements of the Residential Buildings technical criteria, as they are compliant with TEK 10.	None

Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None
---	---	--	------

Schedule 1: Detailed Overview of Nominated Projects and Assets

DNB Boligkreditt has provided to Sustainalytics information on the full eligible portfolio of mortgages, with identifying details removed for confidentiality concerns. The tables below represent a summary of the portfolio.

Overview:

Number of mortgages included:	33,489
Average value of mortgages:	1,931,032 NOK
Applicable building code(s):	TEK10

Building Age:

Building Year	Number of mortgages	Share of mortgages
2012	5343	15.9%
2013	5131	15.3%
2014	4909	14.7%
2015	5561	16.6%
2016	5904	17.6%
2017	4833	14.4%
2018	1717	5.1%
2019	91	0.3%

Building Type:

Building Type (NO)	Building Type (EN)	Number of mortgages	Share of mortgages
Enebolig	Detached	8,441	25.2%
Tomannsbolig	Semi-detached	3,108	9.3%
Leilighet	Apartment	1,164	3.5%
Eierseksjon	Owner Section	16,579	49.5%
Fritidsbolig	Holiday Home	2,594	7.7%
Rekkehus	Terraced House	1,585	4.7%
	Other	16	<0.1%

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance finance or refinance eligible mortgages for energy efficient residential buildings in Norway (Nominated Projects).</p> <p>4.2 DNB's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 DNB's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the 33,489 eligible mortgages.</p> <p>5.2 DNB's management has confirmed that funds have been fully allocated to the Nominated Projects within.</p> <p>5.3 DNB's management has confirmed that all Net Proceeds of the bond were used for refinancing only, and that new loans will be added to the portfolio in the future.</p> <p>5.4 DNB's management has confirmed that Net Proceeds of the bond are tracked using a portfolio approach, relying on data from a third-party pool manager.</p> <p>5.5 DNB's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 DNB's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 DNB's management confirms that proceeds were fully allocated to refinancing at time of issuance.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 DNB's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 DNB's management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 DNB's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).</p>	None

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, combined, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer's economic performance, financial obligations nor its creditworthiness.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

