

Announcement: Moody's assigns Green Bond Assessment (GBA) of GB1 to SpareBank 1 Boligkreditt AS's green mortgage covered bonds

20 Sep 2018

GBA assigned to SpaBol's €1 billion January 2018 issuance

New York, September 20, 2018 -- Moody's Investors Service ("Moody's") has today assigned a Green Bond Assessment (GBA) of GB1 (Excellent) to the €1 billion January 2018 issuance of green mortgage covered bonds by SpareBank 1 Boligkreditt AS (SpaBol). This is the first Moody's GBA globally assigned to a covered bond transaction.

The Series 2018-1 covered bonds, due January 2025, were issued under the issuer's €25 billion Global Medium Term Covered Note Programme. The transaction closed on January 30, 2018 and was listed on the Luxembourg Stock Exchange's Green Exchange.

"The GB1 assigned to SpaBol's debut green covered bond is underpinned by the full allocation of proceeds towards financing green mortgages for the top 15% of the most efficient buildings in Norway," said Matthew Kuchtyak, a Moody's analyst. "We expect the market for green covered bonds to continue growing in line with the broader green bond market, and perhaps even at a faster pace, and SpaBol's green bond offering represents an important step forward in this market."

ASSESSMENT RATIONALE

SpaBol's approach to issuing green bonds is codified in a detailed green bond framework developed for the issuance of its first green bond in January 2018. The framework describes the issuer's approach to key areas aligned with the recommendations under the Green Bond Principles, including (i) use of proceeds, (ii) process for project evaluation and selection, (iii) management of proceeds, (iv) reporting and (v) external reviews. In conjunction with the issuance of its debut green bond, SpaBol secured the Climate Bonds Certification under the Low Carbon Buildings criteria of the Climate Bonds Standard Version 2.1.

A dedicated green bond committee, originally established to create the green bond framework, oversees green bond project evaluation and selection. The committee is comprised of certain members of the SpaBol board, including CFOs of the SpareBank 1 Alliance members banks, as well as other members of SpaBol management. In conjunction with Multiconsult ASA (Multiconsult), an external green real estate consultant with extensive experience in the residential building sector in Norway, the green bond committee established the eligibility criteria for loans to be financed with green bond proceeds. The committee will monitor and potentially update or expand these criteria over time.

In accordance with its green bond framework, SpaBol allocated 100% of the net green bond proceeds to a loan portfolio of new and existing mortgages for energy efficient residential buildings throughout Norway. With Multiconsult's help, SpaBol utilized a series of proxies to identify the top 15% most sustainable residential buildings in Norway, a metric consistent with the eligibility criteria in the Climate Bonds Initiative's Climate Bonds Standard. The investments are also consistent with the taxonomy articulated in the Green Bond Principles, primarily through the energy efficiency and green buildings categories.

SpaBol has very strong disclosure on the use of green bond proceeds, supported by clear descriptions of the various eligibility criteria. In addition to these criteria descriptions, SpaBol has provided a summary of the portfolio of eligible assets, broken down by building value and residential area. As detailed in the portfolio summary, the aggregate value of the assets is roughly twice the size of the €1 billion green bond.

Green bond proceeds will be managed in a portfolio approach, whereby the current green bond proceeds will be added to any future green bond proceeds and compared against the total value of the identified green assets. At least annually, SpaBol's auditor will provide a limited assurance verifying that SpaBol has the green assets as described in its disclosures.

Management has committed to designate sufficient eligible loans in the green asset pool to ensure that the value of assets always exceeds the value of green bonds outstanding. Although SpaBol has not formally

created a separate account or sub-account for the green bond proceeds, the issuer has established a clear earmarking process for green assets. Furthermore, there is a significant cushion of green assets compared to the value of the green bond, mitigating the need for a dedicated account at this time.

SpaBol has already published its first post-issuance report, which includes both allocation reporting and impact reporting, based on the portfolio as of 31 March 2018. The allocation reporting component of the report detailed the total value of green assets, broken down by new residential buildings or refurbished buildings, as well as the green bond amounts allocated. The report also covered the impact of the portfolio, disclosing estimated annual site energy savings and estimated annual CO2 emissions avoided.

We note a slight weakness in the impact reporting around SpaBol's inability to provide actual environmental benefits being realized by the financed assets. With the very large number of loans and associated buildings, actual reporting on energy usage and associated energy savings and CO2 emissions avoided is not possible. Technical consultant Multiconsult's calculations are based on a model for expected energy use based on the building code in effect and building traditions.

SpareBank 1 Boligkreditt AS (SpaBol), the issuer, is a separate legal entity wholly owned by certain savings banks (the shareholder banks) belonging to the SpareBank 1 Alliance, a Norwegian bank and banking product collaboration. The identity and shareholdings of the shareholder banks may vary from time to time.

SpaBol is considered to be a core part of the SpareBank 1 Alliance's strategy. The shareholder banks' goal for the issuer is to attain stable, long term and favorable funding. The issuer's objective is to acquire or purchase residential mortgages, and to finance these lending operations mainly by issuing covered bonds.

The principal methodology used in this analysis was Green Bonds Assessment (GBA) published in March 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Matthew Kuchtyak
Analyst
Corporate Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Jim Hempstead
MD - Utilities
Corporate Finance Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

MOODY'S
INVESTORS SERVICE

affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any

person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.