

Green Bond Framework 2016

1 Introduction

1.1 General

SBAB Bank AB (publ) (“**SBAB**”) is a Swedish state owned bank that primarily provides mortgages but also loans and savings services to individuals, corporate entities and tenant-owner associations.

SBAB has developed this green bond framework (the “**Green Bond Framework**”) in order to issue senior unsecured notes in the form of green bonds (each a “**Green Bond**”) under SBAB’s EUR 13,000,000,000 Euro Medium Term Note Programme (as amended from time to time) in force at the relevant issue date. The offering circular can be found under the heading “Investor Relations” on www.sbab.se.

This Green Bond Framework describes all the steps to be taken by SBAB to ensure that there is a robust process chain regarding the issuance and the maintenance of the Green Bonds, including reporting.

1.2 The Green Bond Framework

The Green Bond Framework has the goal to ensure transparency, disclosure, integrity and quality of any and all Green Bonds issued by SBAB. This Green Bond Framework is built upon the guidelines established by “The Green Bond Principles” published by the International Capital Market Association and follows the below mentioned four key components thereof:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

2 Use of Proceeds

2.1 SBAB Eligible Green Loans

The net proceeds from the issuance of a Green Bond will be used exclusively to finance or refinance SBAB Eligible Green Loans (as defined in Section 2.2 below) or to refinance maturing Green Bonds issued by SBAB.

SBAB Eligible Green Loans (as defined below) will be used to promote the transition to a low carbon and climate resilient society by mitigating or adapting to climate change or by reducing the use of energy. SBAB Eligible Green Loans (as defined below) will be related to ‘*sustainable real estate*’ as further described in the eligibility criteria set out in Section 2.2 below.

2.2 Eligibility Criteria

A loan provided by SBAB will become an eligible loan (each an “**SBAB Eligible Green Loan**”) if it is used to finance or refinance a project which fulfils one of the below criteria.

- **Category 1:** It is either a new construction, a rehabilitation or major renovation by a corporate entity or a tenant-owner association (Sw. *bostadsrättsförening*) of one or more of its residential or commercial buildings which has/have obtained or will obtain:
 - (i) an energy performance certificate (Sw. *energideklaration*) issued by the Swedish National Board of Housing, Building and Planning (Sw. *Boverket*) (an “**Energy Performance Certificate**”), regardless of energy class; and
 - (ii) at least one of the following certifications (or similar):
 - Energy Performance Certificate with energy class A or B;
 - Miljöbyggnad (minimum certification “silver”);
 - Svanen (Eng. *Nordic Swan*);
 - Passivhus (Eng. *Passive House*);
 - Green Building;
 - LEED (minimum certification “gold”); or
 - BREEAM or BREEAM-SE (minimum certification “excellent”).
- **Category 2:** A rehabilitation or major renovation by a corporate entity or a tenant-owner association of one or more of its residential or commercial buildings where the final energy use per square meter and year will be or has been reduced by at least 35 per cent.

3 Process for Project Evaluation and Selection

3.1 Project Selection

SBAB Eligible Green Loans will be selected by designated staff within SBAB’s Corporate Clients, Real Estate Valuations & Tenant-Owner Association departments based on the eligibility criteria described in Section 2.2 above and SBAB’s applicable credit procedures.

It is notable that the current internal credit instructions prescribes that midsize and large property owners and producers shall be prioritised customer categories and that the property or properties to be financed shall predominantly be located in a growing municipality (Sw. *tillväxtort*), as defined in SBAB’s internal classification system. SBAB’s Corporate Clients & Tenant-Owner Association department is present at SBAB’s offices located in Stockholm, Gothenburg and Malmö, resulting in a concentration in SBAB’s credit portfolio to these regions.

3.2 Project Evaluation

Each SBAB Eligible Green Loan will be evaluated at least on an annual basis to ensure compliance with the eligibility criteria set out in Section 2.2 above. Should an SBAB Eligible Green Loan no longer fulfil the eligibility criteria, then that SBAB Eligible Green Loan will become a disqualified SBAB Eligible Green Loan (each a “**Disqualified Loan**”).

For each Disqualified Loan, an amount equal to the funds disbursed under the Disqualified Loan will be added back to the SBAB Green Bond Account to be used for a suitable new SBAB Eligible Green Loan.

4 Management of Proceeds

Upon issuance, the net proceeds of a Green Bond will be credited to a designated SBAB account (the “**SBAB Green Bond Account**”). As long as the relevant Green Bonds are outstanding, the balance on the SBAB Green Bond Account will be reduced by e.g. a disbursement of a new SBAB Eligible Green Loan or an allocation of funds to existing SBAB Eligible Green Loan.

Should an SBAB Eligible Green Loan become a Disqualified Loan or an SBAB Eligible Green Loan is repaid or replaced, an amount equal to the funds disbursed under that Disqualified Loan or relevant an SBAB Eligible Green Loan (as applicable) will be added back to the SBAB Green Bond Account.

Until disbursement to SBAB's end customer or allocation of an SBAB Eligible Green Loan or until repayment to an investor of a maturing Green Bond, the net proceeds of the Green Bond will form part of SBAB's liquidity portfolio, details of which are described in SBAB's latest published annual report.

5 Reporting

SBAB will, at least annually, publish a green bond investor letter (each a “**Green Bond Investor Letter**”) on its website (www.sbab.se) that will contain (i) information on issued Green Bonds, (ii) a description of the allocation of proceeds for each category of SBAB Eligible Green Loans (including project examples where customer approval for publication has been obtained) and (iii) the total amount of disbursed funds. SBAB encourages its customers to perform impact reporting and intends to include details of such customer impact reporting in the Green Bond Investor Letter where applicable.

SBAB has been reporting sustainability in accordance with the Global Reporting Initiative's (GRI) since the financial year 2008 in an annual Sustainability Report. As of the financial year 2015, SBAB reports sustainability in an Integrated Annual Report. The Integrated Annual Report has a clear, integrated approach, integrating sustainability and financial information inspired by the International Integrated Reporting Council's (IIRC) framework. In addition SBAB also reports its sustainability efforts in accordance with the Global Reporting Initiative's (GRI) G4 Core guidelines. SBAB's Integrated Annual Report also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact.

6 Internal Audit

SBAB's internal auditor will perform an audit of the use of proceeds of the Green Bonds at least annually.

7 Independent Review

To increase transparency, SBAB has appointed a recognised independent second opinion provider to review this Green Bond Framework and verify the criteria and processes set out in Sections 2 to 5 above. The work undertaken by this independent party moreover includes a review of SBAB's sustainability report and any other internal guidelines, including SBAB's Policy for Sustainable Enterprise, which the independent party has deemed relevant to verify. SBAB will publish such independent party's second opinion on its website (www.sbab.se).