

Green Bond Framework

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BN Bank

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Introduction

The 2025 Framework update

Rationale for the Framework update

BN Bank ASA ("BN Bank" or "the Bank") issued its first green bond in 2022 under its inaugural Green Bond Framework ("Framework"). This updated 2025 version of the Framework aims to integrate recent market principles and further promote energy efficient buildings that support the transition to a low-carbon and climate resilient economy. In addition, through this updated Framework, which follows the most recent market practices, BN Bank aims to reinforce its commitment to the green bond market while highlighting its sustainability strategy to investors.

Key changes in the updated Framework include:

- Updated climate goals and further transparency on the management of ESG risks
- Updated definitions of Nearly Zero Energy Building (NZEB) and thresholds for top 15% most energy efficient buildings in Norway
- New criteria for environmentally certified commercial buildings
- New criteria for major renovations
- Commitment to obtain external review of the allocation report

Alignment with market principles

The Framework is aligned with the 2025 edition of the International Capital Markets Association ("ICMA") Green Bond Principles ("GBP")¹ and their four core components including key recommendation.

The four core components of ICMA GBP:

- Use of Proceeds
- Process for Loan Evaluation and Selection
- Management of Proceeds
- Reporting

Key recommendation:

- External Review

The Framework is applicable for issuance of green bonds under various formats including public or private placements, senior preferred, senior non-preferred, additional tier 1, and tier 2 ("Green Bonds").

BN Bank will review this Framework from time to time, including its alignment to updated versions of the ICMA GBP. Accordingly, the Bank may deem it appropriate at times to further update its Framework with the objective of keeping or improving the current levels of transparency and reporting disclosures. Any material revision of the Framework will be subject to a new Second Party Opinion.

Swedbank has acted as Sustainability Coordinator to BN Bank in the establishment of this Framework.

¹ [The Green Bond Principles \(GBP\) 2025](#)

About BN Bank

BN Bank is primarily a digital bank serving both retail and corporate customers in Norway. In the retail market, the bank focuses on residential mortgage lending in eastern Norway while in the corporate market, the bank is a specialised commercial real estate lender operating mainly in the Oslo region. The Bank is wholly owned by member banks of the SpareBank 1 Alliance. The collaborative nature between BN Bank and its owners is supportive of the Bank's business. The Bank's lending portfolio consists of 64% retail and 36% corporate. As of 30 June 2025, lending totalled to NOK 68bn (including loans transferred to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt).

BN Bank's sustainability strategy

BN Bank's vision "together for a better future" serves as a guideline for the Bank's work on sustainability and aims to contribute to a better future for customers, employees, owners, and the community. The Bank's sustainability approach is to focus efforts on the areas where the Bank has the greatest potential to make an impact. Sustainability aspects are thus incorporated into governing documents, procedures, and documentation related to various areas of the Bank. Furthermore, the Bank has set goals related to reducing climate impact, combating financial crime and workplace crime, as well as supporting gender equality and diversity. In addition, BN Bank has identified circular economy as an important sustainability area. In the short term, in-house competence within the area needs to be developed while in the long term, it may be relevant to set different requirements for circular economic practices when financing real estate.

Climate goals

The Bank's long-term goal is to achieve net zero emissions from the lending portfolio by 2050. To achieve this, the Bank is underway to develop a transition plan, to define the various measures to be implemented including timeline.

- Net zero emissions from lending portfolios by 2050
 - o Example of measures; increase the proportion of low-energy buildings/net-zero buildings including energy efficiency measures
- Net zero emissions from suppliers, travel, and waste by 2030
 - o Example of measures; use suppliers with a low climate footprint and implement measures to replace air travel with train travel
- Net zero direct emissions and emissions related to energy consumption and heating by 2025
 - o Example of measures; moving the Bank's server park to a more energy-efficient cloud-based operating model and further reduce emissions from leased premises

Sustainability governance

BN Bank's sustainability strategy defines roles and responsibilities within sustainability and sets goals and frameworks for sustainability risk. The requirements arising from the Bank's sustainability strategy have been implemented in the risk strategy and in the Bank's processes for establishing products, purchasing, and entering into agreements with suppliers. Sustainability risk is assessed and managed in the same way as other risk factors within each individual risk area.

To ensure compliance with the sustainability strategy and monitor developments in this area, the Bank has established quarterly reporting to the board. Line managers are responsible for ensuring that the Bank's sustainability goals are reflected in operational strategies and measures, and that sustainability risk is actively taken into account. Furthermore, all risk areas, including sustainability risk, are assessed annually in the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

Sustainability commitments and initiatives

- Principles for Responsible Banking - BN Bank is a signatory since 2020
- UN Global Compact - BN Bank is a signatory since 2020
- UN Sustainable Development Goals (SDG) – Prioritized SDGs: SDG 8 – Decent work and economic growth; SDG 13 – Climate action
- Grønn Byggallianse (eng. Norwegian Green Building Council) – BN Bank is a member of the Council, which works to ensure that sustainability is considered in the building and construction industry

Reporting standards

- Greenhouse Gas Protocol (GHG Protocol)
- Partnership for Carbon Accounting Financial (PCAF)
- Global Reporting Initiative (GRI)

For more information on BN Bank's sustainability work, please see the [sustainability library](#) on the website.

Management of ESG risks

The process of identifying, assessing, and managing ESG risks is an integrated part of the Bank's regular credit process within the corporate market. The credit policy and credit routines describe which assessments the Bank must do and ESG risk is described and assessed in each individual credit case. For corporate exposures exceeding NOK 10 million the Bank uses an ESG module as part of the approval process and the periodic risk assessment, and the customer is assigned an ESG score. The ESG module covers physical climate risk, transition risk, social conditions and corporate governance. Higher climate risk can result in higher measured credit risk and a higher lending rate. The long-term ambition is to integrate the ESG module into the risk classification model for commercial properties. In the current risk classification model, there is a link to the ESG module in that certain qualitative variables are intended to reflect ESG risk. The ESG module and other data collection is important to be able to measure emissions from the Bank's portfolio and the development of emissions over time and will enable improvement of methodology and reporting in this area. Data collection is also important in order to integrate climate risk into the Bank's overall risk management and stress testing.

Furthermore, the Bank also requires that a valid Energy Performance Certificate (EPC) is available or obtained upon granting financing. In some cases, the Bank requires commercial customers to prepare plans for energy retrofits to the customer's property portfolio. For mortgages, an assessment of the energy rating is conducted. A low energy rating will affect the duration of the mortgage.

In addition, BN Bank applies exclusion policies for certain sectors/activities including destruction of forests, wetlands and cultivated land, coal, oil sands or oil extraction in Arctic regions, pornography as well as weapons of mass destruction.

The four pillars of ICMA GBP

Use of Proceeds

Allocation of net proceeds

An amount equivalent to the net proceeds from BN Bank's Green Bonds shall be used to finance or re-finance, in whole or in part, loans with environmental benefits ("Green Loans"). As Green Loans enable financing and refinancing of fixed assets and capital expenditures no look-back period is applicable. New financing is defined as Green Loans disbursed during the reporting year. Refinancing is defined as Green Loans disbursed before the reporting year.

The Framework aims to consider the most recent market practices, in particular the EU Taxonomy Delegated Act on Climate Change to the extent possible. Hence, the eligible Green Loan categories have been mapped to applicable EU Environmental Objectives as well as the UN SDGs. Applicable Eligibility Criteria have been designed to comply with the technical screening criteria set out in the EU Taxonomy Delegated Act on Climate Change as at the time of this Framework publication.

Exclusion criteria

The net proceeds of BN Bank's Green Bonds will not be used to finance either nuclear energy generation, weapons, and defence industries or potentially environmentally negative resource extraction, gambling, or tobacco. Fossil fuel related activities that might exist in some types of loans will be excluded. Furthermore, BN Bank's Green Bonds respects the EU Paris Aligned Benchmark (PAB) exclusions as of the time of this Framework publication.



Green Buildings

EU Taxonomy objective: Climate change mitigation



Construction of new residential and commercial buildings²

Eligible EU Taxonomy activity: 7.1. Construction of new buildings

Eligibility Criteria

- Primary Energy Demand (PED) at least 10% lower than the threshold set for Nearly Zero Energy Building (NZEB) according to national building regulations³, or
- For commercial buildings, BREEAM-NOR/BREEAM In-Use Excellent or better

Acquisition and ownership of residential and commercial buildings⁴

Eligible EU Taxonomy activity: 7.7. Acquisition and ownership of buildings

Eligibility Criteria

- EPC A or within top 15% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence⁵, or
- For commercial buildings, BREEAM-NOR/BREEAM In-Use Excellent or better

Major renovations⁶

Eligible EU Taxonomy activity: 7.2. Renovation of existing buildings

Eligibility Criteria

- Renovations leading to primary energy savings of at least 30% within maximum of three years and validated through an EPC upon completion of the renovation, or
- The building renovation complies with the applicable requirements for major renovations⁷

² Buildings built after 31 December 2020.

³ Definitions of NZEB from the Norwegian Government available here: [Guidance on PED and NZEB for Norwegian buildings](#). The energy performance is or will be certified using an Energy Performance Certificate (EPC). The Bank can also seek guidance from other appropriate external benchmarks or use model estimates for PED where EPCs are missing to determine NZEB - 10% if such report is issued by a national government or industry specialist.

⁴ Buildings built before 31 December 2020.

⁵ Defined using the recommended thresholds from the Norwegian Government, available here: [Thresholds for buildings](#). BN Bank can also seek guidance from other appropriate external benchmarks or use model estimates for PED where EPCs are missing to determine the top 15% if such report is issued by a national government or industry specialist.

⁶ If the building post renovation fulfils criteria under "construction of new buildings" or "acquisition and ownership of buildings" the market value of the building will qualify. If not, it will be limited to the renovation cost.

⁷ As stated in [directive 2010/31/EU](#), a "major renovation" means the renovation of a building where: (a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land upon which the building is situated; or (b) more than 25% of the surface of the building envelope undergoes renovation.

Process for Loan Evaluation and Selection

The credit process

The process of identifying, assessing, and managing ESG risks is an integrated part of the Bank's regular credit process. All loans, including Green Loans, are subject to the credit process and includes a Know-Your-Customer ("KYC") procedure which intends to ensure compliance with applicable national regulations, as well as the Bank's internal policies and governing documents.

For corporate exposures, BN Bank has implemented ESG assessments as part of the credit policy and credit routines, and ESG risk is assessed in each individual case. The Bank uses an ESG module for corporate exposures exceeding NOK 10 million as part of the credit approval process and the periodic risk assessment, and the customer is assigned an ESG score. For more information see "Management of ESG Risks" in this Framework. As ESG risks is incorporated in the regular credit process, all corporate exposures are re-evaluated, at least on an annual basis according to the same process.

As all lending exposure is within Norway, high environmental and labour, health and safety standards are ensured by relevant national legislation. BN Bank's operations follow international guidelines and standards, including the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the ILO's core conventions. Only loans approved in the regular credit process can be eligible for green funding, and the green Eligibility Criteria cannot override credit risk.

The Green Bond Committee

BN Bank's Green Bond Committee (the "GBC") has the responsibility to govern the evaluation and selection of the Green Loans. The GBC consists of the CFO, Deputy CEO, Head of Treasury and Executive Director Retail Banking. Other internal representatives with specific expertise may be invited when deemed necessary. The GBC will meet at least on an annual basis.

The Green Loan evaluation and selection proceeds are as follows:

- Any GBC member or relevant departments in BN Bank may propose potential Green Loans to be evaluated in line with the Eligibility Criteria as set out in this Framework
- The GBC confirms that proposed Green Loans are in line with the Eligibility Criteria as set out in the Framework
- After validation from the GBC, approved Green Loans will be inserted into BN Bank's Green Loan portfolio ("Green Register")

Additional responsibilities of the GBC:

- Overseeing, approving, and publishing allocation and impact reports
- Reviewing and approving any future updates of the Framework
- Updating external documents such as the Second Party Opinion (SPO) and related documents from external consultants and accountants in connection with material updates to this Framework

Management of Proceeds

Tracking of net proceeds

An amount equivalent to the net proceeds from BN Bank's Green Bonds will be tracked by using the Green Register. All Green Bonds issued by BN Bank will be managed on a portfolio level. This means that a Green Bond will not be linked directly to one (or more) pre-determined Green Loans. The Green Register is monitored on a regular basis (at least annually) by the Bank's CFO, on behalf of the GBC, to ensure there is sufficient volume of eligible Green Loans in the Green Register.

Green Loans can, whenever needed, be removed, or added to/from the Green Bond Register. For the sake of clarity, if for any reason an eligible Green Loan ceases to comply with the requirements set out in the Framework, such loan will be removed from the Green Register and replaced, when necessary, as soon as reasonably practicable.

Allocation period

BN Bank will commit to, on a best-effort basis, allocate an amount equivalent to the net proceeds from the Green Bonds to Green Loans within 12 months from the issuance date of the Green Bond(s).

Temporary holdings

Any unallocated proceeds temporary held by BN Bank will be invested in accordance with the internal requirements for the liquidity reserve. Any temporarily investments of unallocated proceeds are limited to securities not operating within the following industries: fossil energy production and extraction, nuclear energy generation, tobacco, pornography, weapons and defence, coal, oil sand, or companies in breach with international human rights.

Reporting

To be fully transparent towards investors and other stakeholders to follow the development of Green Loans funded by Green Bonds, BN Bank commits to report on allocation and impact on an annual basis until full allocation and in the event of any material developments. The report will be available on [BN Bank's website](#).

Allocation reporting

The allocation report will include the following information:

- The total amount of Green Bonds outstanding
- The total amount of proceeds allocated including breakdown per Green Loan sub-category
- The ratio of new financing to refinancing
- The balance of any unallocated proceeds, if relevant

Impact reporting

The impact report aims to disclose the estimated and/or if feasible actual environmental impact of the Green Loans financed under this Framework. The methodology for deriving the impact indicators will be outlined in the report and the information may be aggregated. Examples of impact indicators include:

Green Loan category

Green Buildings

Example of impact reporting metrics

- Estimated annual GHG emissions reduced and/or avoided (tCO₂e)
- Estimated annual energy savings (GWh)

External Review

Second Party Opinion

The Framework has been reviewed by Moody's who was asked to confirm the alignment with ICMA GBP.

The Second Party Opinion by Moody's will be available on [BN Bank's website](#).

External Verification

The allocation reporting will be externally verified, by an auditor or another independent third party, to verify whether an amount equal to the net proceeds from BN Bank's Green Bonds have been allocated to Green Loans. This verification will take place annually until full allocation and in the event of any material developments.

The verification report will be published on [BN Bank's website](#).