

Sustainable Financing Framework

April 2024

1. Profile

As a streamlined specialized bank, BayernLB is a major investment financier for the Bavarian and German economy. We are committed to progress. Our customers – companies, financial institutions, investors, savings banks and the public sector – are at the center of our sustainable approach. As a stable and financially strong bank with international activities, we work efficiently and think long-term.

We have long-standing experience and in-depth knowledge of the sectors in which our customers operate. We understand their business challenges for the future, offer solutions that match their needs and are partners on an equal footing – always cultivating reliable and trusting working relationships.

Our services:

- We've set our sights on the sectors of the future. Our absolute specialties are mobility, energy, technology, construction, basic materials, and machine and plant engineering. As an investment financier we help companies from these industries in particular to successfully develop their business models.
- As a real estate financier we offer 360-degree know-how across the entire value chain of the real estate business – and in a wide variety of asset classes. We combine our high level of expertise with comprehensive support and a deep understanding of our clients' needs.
- We are the central bank for the Bavarian savings banks and for decades we have been a proven partner to the savings banks in Bavaria and throughout Germany. Our relationship, which has grown over many years, is based on performance, professionalism and reliability.
- We impress banks, insurers and pension funds with our expertise and an offering which matches their financing and investment needs. This is the basis for our close and long-standing relationships to financial institutions.
- We open new doors for the public sector. Our financial solutions make us the principal bank for the Free State of Bavaria and a strong partner to states, municipalities and public companies.
- Our development bank BayernLabo is an essential provider of housing subsidies in the state and the market leader for loans to Bavarian municipalities.

Our subsidiaries:

- As a tech bank, DKB provides its more than 4.5 million customers with an excellent client experience and outstanding digital solutions.
- Our asset management companies BayernInvest and Real I.S. enable our customers to choose from a wide variety of sustainable investments.

Our Owners:

- Free State of Bavaria (approx. 75%)
- Association of Bavarian Savings Banks (approx. 25%)

Right where our customers need us:

- Germany: Munich (head office), Nuremberg, Stuttgart, Frankfurt, Duesseldorf, Hamburg, Berlin, and Leipzig
- Europe: branches in London, Milan, and Paris
- US: branch in New York City
- German Centre: Shanghai and Taicang

2. Sustainability at BayernLB Group

BayernLB has been committed to environmental and climate protection for more than 25 years. One expression of its commitment is its support for national and international initiatives. BayernLB has for example been a member of the UNEP Finance Initiative since 1995 and BayernInvest signed the UN Principles for Responsible Investment (PRI) in 2011. BayernLB is also a member of the Climate Bond Initiative to promote the development of the sustainable bond market, which BayernLB regards as making an important contribution to financing environmental and climate protection. In 2021 BayernLB together with DKB signed the Principles for Responsible Banking (PRB). BayernLB itself has been working climate neutrally at its headquarters in Munich since 2008 and has been doing so at all BayernLB locations in Germany since 2015.

In 2021, BayernLB published a new comprehensive sustainability strategy that was developed within a far-reaching transformation program. The sustainability strategy is of paramount importance for the overall strategic management of the Bank and at the same time takes into account the regulatory requirements for the business model. For us, sustainability is not just an irreversible trend, but the only the only right way to align our company. With our sustainability strategy, we are continuously expanding one of BayernLB's key strengths. This self-image is also derived from our statutory mandate as an institute under public law. We conduct our business as an honorable businessperson future-oriented and make our social contribution to the sustainable transformation of our economic area.

The principles and guidelines for implementing BayernLB's sustainability strategy form a concrete orientation framework for the implementation of the overarching sustainability goals into everyday business decisions¹. They include concrete exclusion criteria for individual business projects as well as overarching principles such as compliance, human rights principles, climate protection and biodiversity².

The general perception of sustainability is currently governed by the 17 global Sustainable Development Goals of the UN Agenda 2030 (SDGs) and the climate goals of the Paris Agreement and the corresponding European and German Climate Action Plans. BayernLB also takes into account the German Sustainability Strategy (*Deutsche Nachhaltigkeitsstrategie*) established by the German Federal Government to implement the SDGs in Germany, the Bavarian Sustainability Strategy (*Bayerische Nachhaltigkeitsstrategie*) established by the Bavarian State Government addressing the challenges specific to

¹ See 'Sustainability Programm as from 2021' at [Strategy \(bayernlb.com\)](https://www.bayernlb.com/strategy)

² See 'Guiding Principles for Transformation' at [Sustainability standards \(bayernlb.com\)](https://www.bayernlb.com/sustainability-standards)

Bavaria and the objectives of the EU Taxonomy Regulation and its standards where already established through delegated acts issued thereunder.

Group-wide, BayernLB has two extremely successful subsidiaries that are very active with their approach to sustainable banking. For more than two decades, DKB focused on financing selected target sectors such as housing, renewable energies and social infrastructure. Its loan portfolio currently already has SDG significance of 77% (as of Dec. 31, 2021) This means that the deposits of its customers flow in particular to regional municipalities and companies and are invested in promising sectors³.

BayernLabo has been supporting the sustainable development of Bavaria since its foundation in 1884, fulfilling its social and entrepreneurial responsibility. BayernLabo, established under public law, is an institution of state housing policy of the Free State of Bavaria. It is commissioned with a public mandate to financially promote plans and measures to improve and strengthen Bavaria's housing and settlement structure within the context of Bavarian housing policy. This housing policy is characterized by two equivalent goals: the preservation of economically powerful and viable urban centers on the one hand and the strengthening of rural areas on the other. These two components are substantial in the promotion of housing and the important stakes of BayernLabo's business activities⁴.

With the means of issuing specific Sustainable Debt Instruments BayernLB aims to contribute to environmental sustainability in alignment with the SDGs. With view on the 17 SDGs BayernLB mainly focuses on supporting the following goals:

| Goal | SDG Topic | BayernLB Contribution |
|---|--|---|
|  | Affordable and clean energy ⁵ | Finance or refinance renewable energy projects, promote technological development |
|  | Sustainable cities and communities | Support the participation of cities and municipalities in planning and implementing renewable energies and clean transport solutions, finance or refinance the building of energy efficient buildings |
|  | Responsible consumption and production | Promote measures to ecological compensation, renaturation and emission protection |

³ <https://www.dkb.de/nachhaltigkeit/>

⁴ <https://bayernlabo.de/investor-relations>

⁵ SDG Goal: Affordable and clean energy with the target to increase substantially the share of renewable energy in the global energy mix by 2030



Climate action

Finance or refinance wind, solar and photovoltaic energy to avoid fossils fuels and the production of carbon dioxides

Finance or refinance rail projects for mass public transportation

Finance or refinance commercial and residential buildings with high energy efficiency

3. Sustainable Financing Framework

This BayernLB Sustainable Financing Framework⁶ sets the framework for the issuance of Sustainable Debt Instruments by BayernLB in accordance with the Green Bond Principles (GBP) of June 2021, as updated with Appendix I in June 2022, promulgated by the International Capital Market Association (ICMA)⁷.

The GBP seek to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment. The GBP are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. By recommending that issuers report on the use of green bond proceeds, the GBP promote transparency that facilitates the tracking of funds to environmental projects, while simultaneously aiming to improve insight into their estimated impact. Such information may be used by investors, banks, underwriters, arrangers, placement agents and others to understand the characteristics of any given green bond.

The GBP provide guidelines in the following five key areas:

- a. Use of proceeds
- b. Process for project evaluation and selection
- c. Management of proceeds
- d. Reporting
- e. External review

The BayernLB Sustainable Financing Framework is valid for any debt capital instruments of whatever format (e.g. unsecured and covered bearer⁸ or registered notes, “*Schuldschein*” note loans, deposits), tenor (e.g. capital market bonds, commercial paper and other money market instruments) and type (e.g. plain-vanilla and structured products) issued by BayernLB in respect of which BayernLB has stated its intention to

⁶ Published on BayernLB’s Investor Relations website at https://www.bayernlb.com/internet/en/blb/resp/investor_relations_7/investor_information/green_bond/GreenBonds.jsp

⁷ Initially published on ICMA’s website at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁸ As Green Pfandbrief according to the standard of the “Association of German Pfandbrief Banks” (https://www.pfandbrief.de/site/en/vdp/sustainable_finance0/sustainable_pfundbrief/green-pfundbrief.html)

use the net proceeds to finance or refinance Eligible Sustainable Loans in accordance with its Sustainable Financing Framework in place from time to time (Sustainable Debt Instruments). Sustainable Debt Instruments can be issued under any of BayernLB's issuance programs or standard documentations as public transactions (in benchmark format or otherwise) and private placements.

The BayernLB Sustainable Financing Framework may be updated from time to time particularly to include further asset categories as Eligible Sustainable Loans, to incorporate updates of the ICMA GBP or to adapt the Sustainable Financing Framework to future standards, labels, legislation or regulation. Any such updated version will be relevant to and apply to both any newly issued Sustainable Debt Instruments as well as any outstanding Sustainable Debt Instruments issued under a previous version of the Sustainable Financing Framework, provided that any Eligible Sustainable Loans included in the Eligible Sustainable Loan Portfolio in accordance with a previous version of the Sustainable Financing Framework at the time of the update of the Sustainable Financing Framework shall continue to be considered Eligible Sustainable Loans and may remain to be included in the Eligible Sustainable Loan Portfolio.

4. Use of Proceeds

The net proceeds collected by a Sustainable Debt Instrument issued by BayernLB will be used to finance or refinance Eligible Sustainable Loans included in BayernLB's Eligible Sustainable Loan Portfolio, as laid out below.

For the purposes of the Sustainable Financing Framework, the following Eligible Sustainable Loan categories have been identified:

1. *Renewable energy*: Financing or refinancing the acquisition, production, transmission, expansion and/or development of renewable energy projects as well as the manufacturing of necessary equipment and the connection to the electricity grid.

The following projects are eligible for the renewable energy category:

- Photovoltaic and solar thermal plants
- Wind farms (onshore and offshore)

Exclusion: Geothermal or hydro-energy projects are not eligible for the renewable energy category.

2. *Mobility*: Financing or refinancing rail infrastructure and public mass transportation projects which reduce the necessity for personal vehicles and thus contribute to low-carbon mobility as well as low-carbon mobility infrastructure for alternative drives.

Projects eligible for the mobility category must satisfy the following criteria:

- Electrical locomotives or multiple unit trains for passenger transport
 - Zero emissions threshold, i.e. electric locomotives and train units only
3. *Real Estate*: Financing or refinancing of buildings which will have a superior energy efficiency performance and meet nationally or internationally recognized standards.

Projects included in the real estate category may comprise:

- Construction of new commercial and residential buildings
- Acquisition or holding of ownership or refurbishment of commercial and residential buildings

Buildings eligible for the real estate category must comply with the following energy criteria at the time of credit approval:

- Final energy demand (sum of heating and electricity) thresholds in kilowatt-hours per square meter and year⁹:
 - Residential buildings: ≤ 75
 - Office buildings without air conditioning: ≤ 140
 - Office building with air conditioning: ≤ 165
 - Department stores, shopping centres, retail buildings: ≤ 155
 - Hotels up to 3 stars: ≤ 155
 - Hotels with 4 and 5 stars: ≤ 170
 - Warehouse / logistics building (not heated): ≤ 65
 - Warehouse / logistics building (heated): ≤ 175
 - Social/Care real estate: ≤ 185
 - Data centers: ≤ 245
- Buildings that adhere to one or more of the following standards:
 - DGNB “Gold” or “Platinum”
 - LEED “Gold” or “Platinum”
 - BREEAM “Very Good”, “Excellent” or “Outstanding”
 - HQE “Excellent” or “Exceptional”
 - KfW 40, 40 Plus, 55, 70 or 85¹⁰

The verification of compliance with the criteria set forth above is part of the credit approval process.

⁹ If there is no final energy demand, the primary energy can be applied

¹⁰ Kreditanstalt für Wiederaufbau (KfW) is the development bank of the Germany Federal Republic. Within its capacity to improve economic, social and environmental living conditions it also promotes the construction of new energy efficient buildings. With this goal in mind, KfW defined the above mentioned standards based on primary energy demand and transmission heat loss. More information can be found here: <https://www.kfw.de/inlandsfoerderung/Privatpersonen/Bestehende-Immobilie/Energieeffizient-sanieren/Das-Effizienzhaus/?redirect=74560>

During the loan term BayernLB asks its customers to resubmit the energy certificate or building sustainability certificate of the eligible building if it has expired. BayernLB grants buildings with expired energy certificates or building sustainability certificates a period of one year until they are considered ineligible and removed from the Eligible Sustainable Loan Portfolio. In this way, BayernLB provides its customers with sufficient flexibility to obtain the new energy certificates and building sustainability certificates.

5. Process for Project Evaluation and Selection

BayernLB has established an end-to-end credit process with a dedicated ESG assessment. Here, both risks associated with potential environmental developments as well as the environmental impact are evaluated by credit and risk officers. Goal of the impact assessment is to evaluate if a project contributes to any of the SDGs and/or is EU Taxonomy eligible. To be eligible for BayernLB's internal "ESG-Basic" rating a potential transaction has to exhibit a clear contribution to the SDGs, as operationalized by the German Sustainability Strategy or the Bavarian Sustainability Strategy. BayernLB's internal "ESG-Plus" rating is awarded for projects that fulfil the substantial contribution criteria of the EU-Taxonomy. Only projects that fulfil these criteria are eligible for the Eligible Sustainable Loan Portfolio.

All Eligible Sustainable Loans financed by Sustainable Debt Instruments comply with the standard credit requirements, the sustainability strategy and the risk management policies of BayernLB¹¹. BayernLB's credit department performs a pre-screening of local business units to identify potential Eligible Sustainable Loans and fully analyses the counterparty and asset – including the implied environmental impact. In order to be qualified as an Eligible Sustainable Loan for the use of net proceeds of a Sustainable Debt Instrument, projects need to further comply with the following selection criteria:

- Eligible Sustainable Loans as described above in section 4
- No double counting of expenditures for the use of proceeds in future Sustainable Debt Instruments
- Internal minimum credit rating requirement
- Exclusion of loans financed or refinanced by third parties

BayernLB ensures that all Eligible Sustainable Loans comply with official national and international environmental and social standards, where applicable, on a best effort basis. BayernLB ensures that all its loans comply with internal environmental and social directives.

The eligibility criteria and minimum requirements as well as ESG related matters are continuously developed. Selection criteria might become stricter due to evolving standards and requirements in the sustainable bond market but never be softened within this framework. BayernLB's environmental and social policies applicable from time to time can be found on BayernLB's website (www.bayernlb.de).

¹¹ See Sustainable Lending Framework, available at [Sustainable financial solutions \(bayernlb.com\)](https://www.bayernlb.com/sustainable-financial-solutions)

6. Management of Proceeds

BayernLB has established an Eligible Sustainable Loan Portfolio gathering all Eligible Sustainable Loans in order to manage its Sustainable Debt Instrument net proceeds in a portfolio approach. As such, the Eligible Sustainable Loan Portfolio is dynamic, i.e. Eligible Sustainable Loans that have been repaid at maturity or early are removed and BayernLB will use its best efforts to replace these repaid Eligible Sustainable Loans by new Eligible Sustainable Loans to the extent required. The Eligible Sustainable Loan Portfolio comprises all Eligible Sustainable Loans successfully assessed and selected in accordance with the eligibility criteria and evaluation and selection process described above. All Eligible Sustainable Loans included in the Eligible Sustainable Loan Portfolio and the related Sustainable Debt Instruments are part of BayernLB's balance sheet and earmarked in the corresponding IT-system. BayernLB will strive to maintain a volume of the Eligible Sustainable Loan Portfolio at least equal to the volume of outstanding Sustainable Debt Instruments at any time.

The net proceeds from any issue of Sustainable Debt Instruments (i) will be applied by BayernLB exclusively (except as indicated below) to finance or refinance, as the case may be, Eligible Sustainable Loans and (ii) can be applied by BayernLB, at its free discretion, to finance or refinance any Eligible Sustainable Loan comprised in the Eligible Sustainable Loan Portfolio (provided for the avoidance of doubt that nothing in the foregoing shall limit the applicability of laws of general application, such as bank supervisory, bank resolution or insolvency law).

Unallocated net proceeds from BayernLB's Sustainable Debt Instrument issues will temporarily be used by BayernLB within the treasury of the group, in money market instruments, cash and/or cash equivalent instruments until new projects are added to the Eligible Sustainable Loan Portfolio.

The maturity of any Sustainable Debt Instrument issued by BayernLB does not necessarily match the maturities of the Eligible Sustainable Loans. However, in order to reduce mismatches between such maturities the volume-weighted average maturity of BayernLB's cumulated Sustainable Debt Instruments issued may not exceed the average duration of the loan commitments for the Eligible Sustainable Loan Portfolio.

7. Reporting

Information on the allocation of net proceeds as well as the environmental impact of projects financed or refinanced with a Sustainable Debt Instrument will be provided separately and over the entire lifetime of the program if and as long as any Sustainable Debt Instrument is outstanding. The allocation and impact reporting will be made available for investors on BayernLB's Investor Relations website:

https://www.bayernlb.com/internet/en/blb/resp/investor_relations_7/investor_information/green_bond/GreenBonds.jsp

Allocation Reporting

BayernLB plans to issue an informative reporting on an annual basis on the allocation of Sustainable Debt Instrument net proceeds to the Eligible Sustainable Loan Portfolio if and as long as any such instrument is outstanding. The internal tracking method of net proceeds is implemented in a synthetic manner based on the volume of Eligible Sustainable Loans and outstanding Sustainable Debt Instruments.

The allocation report will provide:

- The notional amount and maturities of outstanding Sustainable Debt Instruments issued by BayernLB
- The total amount of net proceeds allocated to Eligible Sustainable Loans
- The number of Eligible Sustainable Loans
- The balance of unallocated net proceeds
- The amount or the percentage of new financing and refinancing
- The technology and geographic distribution of assigned Eligible Sustainable Loans

Impact Reporting

BayernLB will inform investors annually (if and as long as any one Sustainable Debt Instrument is outstanding) on the environmental impact of assigned Eligible Sustainable Loans financed or refinanced through Sustainable Debt Instruments. Where feasible, the report may provide the following information:

Renewable Energy:

- Renewable energy capacity (MW)
- Estimated annual energy production (MWh)
- Estimated avoidance of CO₂ emissions in tons

Mobility:

- Annual passenger km
- Estimated avoidance of CO₂ emissions in tons

Real Estate:

- Estimated avoidance of CO₂ emissions in tons

The issued Sustainable Debt Instruments can be increased (tapped). Regarding the management of the net proceeds from the tap and the corresponding reporting the tap will be treated like a new issue. As a result, the reporting about the use of net proceeds and the corresponding impact can differ regarding the originally issued Sustainable Debt Instrument and the tap if both issues fall into different calendar years.

8. External Review

Over the lifetime of any Sustainable Debt Instrument BayernLB intends to commission a second party opinion provider to confirm the compliance of BayernLB's Sustainable Financing Framework and its Sustainable Debt Instruments with the ICMA GBP. Any such external opinion or review report, as replaced, re-issued, updated or modified in case of material changes, will be made available to investors on BayernLB's Investor Relations website:

https://www.bayernlb.com/internet/en/blb/resp/investor_relations_7/investor_information/green_bond/GreenBonds.jsp

Accordingly, BayernLB has mandated ISS Corporate Solutions, Inc. (ICS), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (ISS), to review and assess, through ISS ESG (the responsible investment arm of ISS), three core elements to determine the sustainability quality of BayernLB's Sustainable Debt Instruments:

- BayernLB's Sustainable Financing Framework – whether it aligns with the ICMA GBP and the EU Taxonomy Climate Delegated Acts
- The selection criteria for Eligible Sustainable Loans – whether the categories contribute positively to the SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs)
- Sustainable Debt Instruments' link to BayernLB's sustainability strategy – drawing on BayernLB's overall sustainability profile and issuance-specific use of proceeds categories

Furthermore, BayernLB has commissioned ISS ESG to provide a review report on its Impact and Allocation Reporting report by assessing:

- The alignment of the BayernLB's Impact and Allocation Reporting report with the commitments set forth in BayernLB's Sustainable Financing Framework
- BayernLB's Impact and Allocation Reporting report – whether it aligns with the ICMA Harmonised Framework for Impact Reporting
- The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Sustainable Debt Instruments issued

Such ISS ESG second party opinion and review report are available on BayernLB's Investor Relations website as set forth above.

Annexes

Annex 1: Eligible Sustainable Loan Portfolio Overview – Renewable Energy

Annex 2: Eligible Sustainable Loan Portfolio Overview – Mobility

Annex 3: Eligible Sustainable Loan Portfolio Overview – Real Estate

Annex 1: Eligible Sustainable Loan Portfolio Overview – Renewable Energy

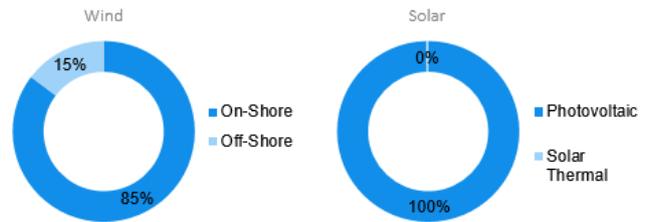
Portfolio as of 31 December 2023

Portfolio overview – Renewable Energy

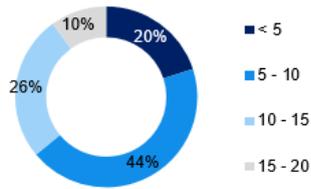
Overall Sustainable Loan Portfolio



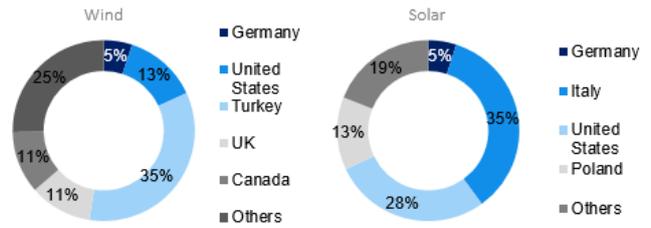
Technological split (in EURm)



Tenor (in years)



Geographical split



Turkey Exposure: CRE Covered Loans only

Annex 2: Eligible Sustainable Loan Portfolio Overview – Mobility

Portfolio as of 31 December 2023

Portfolio overview – Rail (added in 2022)

Overall Sustainable Rail Loan Portfolio



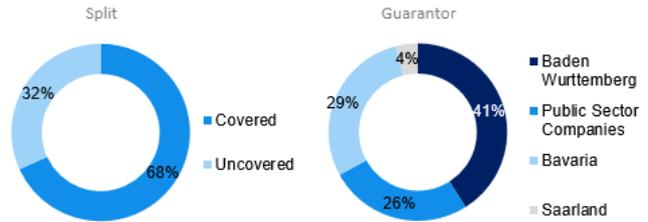
1,387 EURm

- › The sustainable rail portfolio of BayernLB comprises 2.4 EURb loan volume (total commitment) as of 31.12.2023 with around 1.4 EURb outstanding
- › 470 EURm new loans added, of this already 35.3 EURm valued

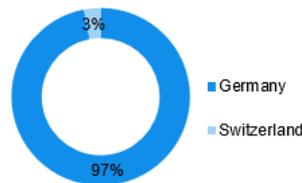
Comments

- › Of the outstanding loan amount, 947 EURm are secured by various German public entities and are part of the BayernLB Public Cover Pool
- › Assets are 100% electric multiple unit trains for passenger interurban rail transport

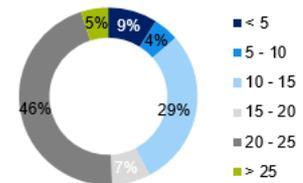
Cover Pool



Geographical split



Tenor (in years)



Annex 3: Eligible Sustainable Loan Portfolio Overview – Real Estate

Portfolio as of 31 December 2023

Portfolio overview – Real Estate (added in 2022)

Sustainable Real Estate Portfolio

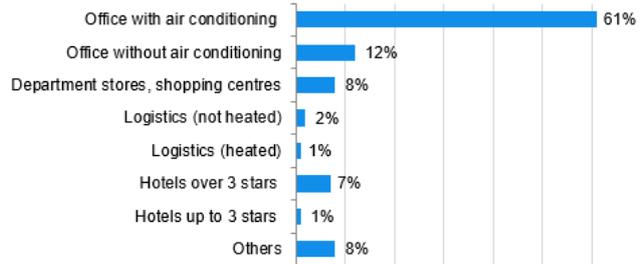


2,467 EURm

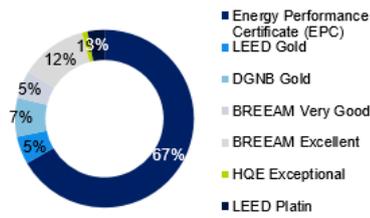
Of the outstanding loan amount, 1,311 EURm are included in the BayernLB mortgage cover pool

195 EURm new loans added in 2023

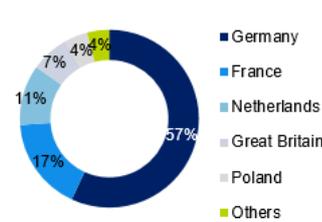
Building type



Certificates



Countries



Tenor (in years)

