



Statutes of Bayerische Landesbank

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Statutes of Bayerische Landesbank
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I.
General Provisions

Section 1
Legal Form, Registered Office, Branches

(1) Bayerische Landesbank (hereinafter referred to as the "Bank") is an institution established under public law as a legal entity and is under the supervision of the Bavarian State Ministries of Finance and of the Interior.

(2) ¹The Bank's registered office is located in Munich. It maintains branches within the meaning of the German Commercial Law. ²The establishing of branches in Bavaria requires the approval of the Free State of Bavaria and the Association of Bavarian Savings Banks.

Section 2
Nominal Capital

(1) ¹The nominal capital of the Bank is EUR 2,300,000,000. ²The nominal capital is due to BayernLB Holding AG as the entity entrusted with ownership pursuant to Art. 3 para. 1 sentence 2 BayLBG. ³The Free State of Bavaria and the Association of Bavarian Savings Banks are indirect owners.

(2) The nominal capital may be increased by amendment to the Statutes by means of contributions or from the Bank's own capital resources.

Section 2a
Special-purpose Assets

The special-purpose assets transferred from the Free State of Bavaria to the Bank, based on Section 1, Sub-section 1 of the Special-purpose Assets Act dated 23 July 1994 (GVBl. page 602), will be used by Bayerische Landesbodenkreditanstalt pursuant to the stipulations of the Special-purpose Assets Act and the code on using proceeds from loans of the Free State of Bavaria for housing development (BayRS 2330-6-1) to continuously support measures of social housing development.

Irrespective of its function as liable capital of the Bank it cannot be used for the backing of competitive business transactions.

Section 3 Duties and Functions

¹The Bank has the duties and functions stipulated under Art. 2 BayLBG. ²The taking of savings book deposits is not permitted, except for savings book deposits made by the Bank's staff and its pensioners, their spouses, companion partners and children.

Section 4 Participations and real property

¹The Bank can - notwithstanding Art. 2 para. 4 BayLBG - acquire and dispose of other enterprises and participations in enterprises, establish its own independent entities and establish legally dependent institutions within the Bank. ²The Bank shall also be entitled to acquire and dispose of real property and buildings.

Section 5 Status of Trustee Investment Security

The Bank has the status of trustee investment security under the provisions of the German Civil Code (*Bürgerliches Gesetzbuch*).

II. Administration

Section 6 Bodies of the Bank

The Board of Management, the Board of Administration and the General Meeting shall act as the bodies of the Bank.

Section 7 Board of Management

(1) The Board of Management shall conduct the business of the Bank.

(2) ¹The Board of Management shall consist of at least three full members; deputy members may also be appointed. ²Within the Board of Management, the deputy members shall have the same

rights and obligations as full members. ³The Board of Administration shall appoint a Chairman of the Board of Management from amongst the group of full members.

(3) Board members shall be appointed for a maximum of five years; re-appointment for a further term of office and early termination for material reasons shall be permitted.

(4) ¹The Chairman of the Board shall convene and chair the Board meetings. ²He shall be the superior of the employees of the Bank who are not Members of the Board of Management.

(5) ¹The Board of Management shall regulate its course of business by rules of procedure. ²It shall inform the Board of Administration of its allocation of responsibilities. ³The Board of Management shall constitute a quorum provided that at least three of its members participate in the process for adopting resolutions. ⁴It shall adopt its resolutions by simple majority of the votes cast; a motion shall be deemed to be rejected in the event of a tie.

(6) ¹A member of the Board of Management may not be involved in the consultation and passing of the resolution if the decision can constitute a direct advantage or disadvantage for him, his spouse or companion partner, for his relatives up to the third degree or relationship by marriage up to the second degree or for a person represented by him by virtue of law or by power of attorney. ²In the case of doubt, the Board of Management shall make a corresponding decision excluding the member in question.

(7) ¹The Chairman and the Deputy Chairman of the Board of Administration may, in special cases and upon request, attend meetings of the Board of Management in an advisory capacity. ²The decision as to whether any special case exists shall be taken by the Chairman of the Board of Administration.

(8) The Board of Management must take appropriate measures, in particular the establishing of a monitoring system, so that trends which could jeopardise the continued existence of the Bank can be identified at an early stage.

Section 8

Composition of the Board of Administration

(1) ¹Subjectt to the regulations in paragraph 3 below, the Board of Administration shall consist of eleven members. ²It shall comprise

1. the State Minister of Finance,

2. the State Minister of Interior,

3. the State Minister of Economy, Infrastructure, Transport and Technology,
4. a further representative of the State Ministry of Finance,
5. one board member from a Bavarian savings bank,
6. one representative from the Bavarian municipal associations,
7. one representative from the staff council of Bayerische Landesbank,
8. four other external members.

³Up to two deputies may be appointed for each member of the Board of Administration.

(2) ¹The members pursuant to para. 1 shall be appointed by the following institutions:

- (a) the member pursuant to no. 4 and the deputies of the members pursuant to para. 1 nos. 1 to 4 by the State Ministry of Finance on the recommendation of the offices for which they are to deputise;
- (b) the members pursuant to para. 1 nos. 5 and 6 by the Association of Bavarian Savings Banks;
- (c) the member pursuant to para. 1 no. 7 by the staff council of the Bank;
- (d) the members pursuant to para. 1 no. 8 by the State Ministry of Finance in agreement with the State Ministry of the Interior and the State Ministry of Economy, Infrastructure, Transport and Technology.

²The aforementioned institutions shall also appoint the deputies of the members in each case.

(3) ¹The entity entrusted with ownership may appoint up to four additional members to the Board of Administration. ²It shall appoint the members it will assign to the Board of Administration and their deputies.

(4) ¹The Chairman of the Board of Administration shall be the State Minister of Finance. ²The Board of Administration shall appoint from among its members a Deputy Chairman and other deputies (if required) for a term of three years.

(5) ¹The members pursuant to para. 1 nos. 1 to 4 shall have a double vote; ²This shall also apply to

their deputies.

Section 9

Membership of the Board of Administration

(1) ¹The term of office of the Members of the Board of Administration and their deputies shall be three years at maximum, with the exception of the function-related memberships regulated under Section 8 para. 1 nos. 1 to 3; the term of office shall end prematurely if the statutory requirements for membership cease to be met. ²A renewed appointment shall be permitted. ³On expiry of the standard three-year term of office, the current member shall remain in office until the newly appointed member assumes his responsibilities or until his own re-appointment.

(2) The Members of the Board of Administration and their deputies, with the exception of the function-related members regulated under Section 8 para. 1 nos. 1 to 3, may resign their office with six weeks' written notice to the end of a month to the Chairman of the Board of Administration.

(3) ¹The Members of the Board of Administration and their deputies, with the exception of the function-related members regulated under Section 8 para. 1 nos. 1 to 3, may be withdrawn by the institutions specified under Section 8 para. 2 and replaced by another person at any time. ²If an appointment is subject to a recommendation or the agreement of another institution, the same shall apply accordingly to a withdrawal.

(4) ¹The Members of the Board of Administration shall hold their office on an honorary basis. ²They shall receive an expense allowance, refund of travelling expenses and attendance fees.

Section 10

Proceedings of the Board of Administration

(1) ¹The Board of Administration shall meet when convened by its Chairman as often as is necessary. ²If so decreed by the Chairman of the Board of Administration, the meetings may be held in exceptional cases in the form of a telephone or video conference or – provided no objection is raised by any member present at the meeting – with the participation of individual members via telephone or video. ³The Board of Administration shall meet at least twice every calendar half-year. ⁴Meetings of the Board of Administration must be convened immediately upon request by the supervisory authority, or if at least three Members of the Board of Management or two Members of the Board of Administration request such a meeting, stating the subject of business to be dealt with.

(2) ¹The agenda is to be enclosed with the invitation to the convened meeting. ²It should reach the members at the latest one week prior to the meeting.

(3) ¹The Board of Administration shall constitute a quorum if all the members have been invited and a majority of its members is present and participates in the passing of the resolution. ²If no quorum is constituted, a new meeting may be convened within two weeks to deal with the same agenda, at which the Board of Administration shall constitute a quorum, irrespective of the number of members present. ³This fact is to be expressly referred to when convening the second meeting.

(4) ¹The Board of Administration shall adopt its resolutions by simple majority of the votes cast unless otherwise stipulated in the Statutes. ²A motion shall be deemed to be rejected in the event of a tie. ³Section 7, para. 6 shall apply accordingly.

(5) ¹In urgent cases when there is no time to wait for the Board of Administration to pass a resolution, the Chairman may, with the agreement of the Deputy Chairman of the Board of Administration, take the necessary decisions on behalf of the Board of Administration. ²Such decisions are to be announced at the next meeting of the Board of Administration and a description of the reasons for such urgency is to be given.

(6) The Chairman of the Board of Administration may also procure the adoption of a resolution of the Board of Administration by means of a written circular, by telefax or by e-mail, or by any other frequently used means of telecommunication, unless any member raises an objection to this procedure within a period deemed reasonable by the Chairman.

(7) ¹The Members of the Board of Management shall attend meetings of the Board of Administration in an advisory capacity. ²Section 7, para. 6 shall apply accordingly.

(8) The Board of Administration may have rules of procedure drawn up for itself.

Section 11

Duties and Functions of the Board of Administration

(1) The Board of Administration shall resolve the guidelines for the Bank's business policy and shall supervise the Bank's executive management.

(2) The Board of Administration shall resolve upon

1. the audit assignment for the certified public accountants to audit the annual accounts and the consolidated accounts pursuant to Section 14 para. 1 no. 4,

2. the adoption of the annual accounts and the approval of the consolidated accounts,
3. the appointment, withdrawal, recruitment, dismissal and retirement of the Members of the Board of Management and the regulation of their employment contracts,
4. the establishment of basic guidelines for the recruitment, remuneration, pension benefits, retirement and dismissal of the Bank's employees,
5. the formation of advisory committees or committees with decision making powers (Section 12 para. 1) and the definition and amendment of their rules of procedure (Section 12 para. 4 sentence. 2),
6. the extent to which the granting of loans and guarantees requires its consent or notification,
7. the definition of the types of transactions for which it reserves the right to give its consent,
8. the amount of the consideration for the liability function of the capital of the Bayerische Landesbodenkreditanstalt (Art. 23 para. 3 sentence 2 BayLBG).

(3) Unless the Board of Administration decides otherwise, the following measures shall require the consent of the Board of Administration:

1. the amendment to the Board of Management's rules of procedure,
2. the issuing of profit-sharing rights, the acceptance of silent participations and other liable capital with the exception of a change in nominal capital pursuant to Section 14 para. 1 no. 1,
3. the establishment, transfer and dissolution of branches,
4. the acquisition and the sale of companies or of participations in companies, the conclusion of and amendments to company agreements and the issuing of hard letters of comfort for the benefit of participations;
5. the assumption of ownership of other institutions established under public law (Art. 2 para. 4, no. 6 BayLBG),
6. the participation in associations,

7. the acquisition and disposal of real estate insofar as it has not been acquired in order to avoid losses, and the construction of buildings,

8. appointments to executive positions of the Bank from the position "division manager" or a comparable position upwards,

9. the issue of framework conditions for internal auditing at the Bank.

(4) The resolutions in accordance with para. 2 no. 5 and para. 3 no. 2 require a majority of three quarters of the votes cast.

Section 12 Committees

(1) ¹The Board of Administration may form from among its members committees with advisory and resolving functions. ²Section 12a remains unaffected. ³Reports on the work of the committees shall be submitted to the Board of Administration on a regular basis.

(2) ¹The committees shall have a minimum of three and a maximum of seven members. ²The Board of Administration shall determine the Chairman of the committee. ³If a committee member's term of office on the Board of Administration ends, and if he is subsequently re-appointed as a Member of the Board of Administration, he shall retain his position on the committee until the next meeting of the Board of Administration.

(3) ¹The committees shall meet when convened by their Chairmen as often as is necessary. ²Each committee shall hold a meeting at least once every calendar year. ³A committee meeting must be convened immediately when at least three members of the Board of Management or two members of the committee apply for a meeting stating the matter of business to be dealt with.

(4) ¹Section 8 para. 5, Section 10 para. 1 sentence 2, para. 2 to 7 and Section 11 para. 4 shall apply for committees accordingly. ²Further details concerning the committees shall be regulated in rules of procedure resolved by the Board of Administration in each case.

Section 12 a Audit Committee

(1) ¹The Board of Administration shall form an Audit Committee from among its members. ²The Audit Committee shall concern itself with matters pertaining to financial reporting, risk management, compliance and the auditing of financial statements. ³It shall have the following tasks and functions in particular:

1. monitoring the financial reporting process and the effectiveness of the internal monitoring system, the internal auditing system and the risk management system;
2. monitoring the auditing of the annual and consolidated financial statements;
3. examining and monitoring the independence of the certified public accountants appointed as auditors and, in particular, additional services they perform for the Bank.

⁴The Board of Administration may assign additional duties and functions to the Committee. ⁵The Chairman of the Committee shall report to the Board of Administration on the work of the Committee on a regular basis.

(2) At least one member must be independent within the meaning of Art. 41 of Directive 2006/43/EC and have specialist knowledge in the areas of financial reporting or the auditing of financial statements.

(3) The certified public accountants appointed as auditors shall report to the Committee on the most important findings identified in the course of auditing the financial statements and particularly on any material weaknesses in the internal system for monitoring the financial reporting process.

(4) ¹Section 12 paras. 2 to 4 shall apply accordingly. ²The Chairman of the Board of Administration should not simultaneously be Chairman of the Committee.

Section 13

Reports by the Board of Management to the Board of Administration

(1) The Board of Management must report to the Board of Administration on

1. the intended business policy and other fundamental issues of corporate planning (in particular financial, investment and personnel planning) at least twice a year, indicating deviations from goals reported in the past and stating reasons therefore, unless changes in the situation or new issues necessitate an immediate reporting,
2. the Bank's profitability, in particular return on equity, in the meeting of the Board of Administration in which the annual accounts are dealt with,
3. the course of business, in particular the income and expenditure situation and the situation of the Bank on a quarterly basis,

4. the decisions and transactions which can be of considerable importance for the profitability or liquidity of the Bank (important transactions) in good time so as to enable the Board of Administration to comment on these transactions prior to their conclusion,

5. the outsourcing of operations which are material to the execution of banking business to legally independent subsidiaries or to another company in good time so as to enable the Board of Administration to comment on these measures prior to their execution.

(2) ¹The Board of Management must report to the Board of Administration at regular intervals, at least once a year, on the legal and business relations with associated companies as well as on material business transactions carried out by these companies. ²Individual Members of the Board of Administration may also request that a report be made, however only to the Board of Administration .

(3) ¹The Chairman of the Board of Administration must be informed of particular events without delay. ²A particular event shall also be deemed a business transaction carried out by an associated company which has come to the attention of the Board of Management and which might have a considerable impact on the situation of the Bank. ³The Chairman of the Board of Administration must inform the Members of the Board of Administration of these reports, at the latest in the next meeting of the Board of Administration.

(4) ¹All reports must conform to the principles of a true and fair accounting. ²They shall be drawn up on as timely a basis as possible and in text form, with the exception of the report to be made pursuant to para. 3 sentence 1.

(5) ¹All members of the Board of Administration shall be entitled to take note of the reports. ²Insofar as the reports have been drawn up in text form, they shall also be submitted to Members of the Board of Administration upon request, unless the Board of Administration has stipulated provisions to the contrary.

(6) The reporting duties of the Board of Management in accordance with regulatory requirements remain unaffected.

Section 14

General Meeting

(1) After previous discussion within the Board of Administration, the General Meeting shall resolve on

1. amendments to the Statutes, including measures for the purpose of adjusting the nominal capital,
2. the establishment of legally dependent public-law institutions within the Bank,
3. the allocation of retained profit and coverage of a net loss for the year,
4. the appointment of certified public accountants as auditors based on a proposal by the Board of Administration that is supported by a recommendation from the Audit Committee,
5. the appointment of auditors in special cases,
6. the discharge from liability of the Board of Management as proposed by the Board of Administration,
7. the discharge from liability of the Board of Administration,
8. the determination of remuneration for the Members of the General Meeting and the Members of the Board of Administration,
9. the implementation of transformation measures pursuant to Art. 1a para. 1 sentence 2 BayLBG.

(2) ¹Each indirect owner shall assign up to three representatives to the General Meeting. ²The indirect owners must designate the representatives and their proxies to the Chairman of the Board of Administration in writing. ³They shall be deemed to be authorised for all subsequent meetings of the General Meeting until the indirect owner concerned changes the authorisation in writing. ⁴The authorisation or changing of the authorisation must be received by the Chairman of the Board of Administration prior to commencement of the meeting of the General Meeting.

(3) ¹The Chairman of the General Meeting shall be the Chairman of the Board of Administration and the Deputy Chairman of the Board of Administration in the event that the Chairman is absent. ²The Members of the Board of Management shall attend the meetings in an advisory capacity. ³The Members of the Board of Administration may attend the meetings.

(4) ¹Voting rights shall be exercised in accordance with the indirect owners' shares in the nominal capital of the entity entrusted with ownership. ²The voting right may only be exercised uniformly.

(5) The representatives in the General Meeting should not simultaneously be Members or Deputy Members of the Board of Administration.

Section 15

- cancelled -

Section 16

Proceedings of the General Meeting

(1) ¹The General Meeting shall meet when convened by its Chairman, but at least once a year. ²The General Meeting must be convened immediately when requested by the Board of Management, by a minimum of two Members of the Board of Administration or by representatives in the General Meeting who indirectly represent at least 25 percent of the nominal capital of the Bank, stating the subject of business to be dealt with.

(2) ¹The agenda is to be enclosed with the invitation to the convened meeting. ²It should reach the members at the latest one week prior to the meeting.

(3) ¹The General Meeting shall constitute a quorum if the representatives present indirectly represent at least half of the nominal capital of the Bank. ²The presence of one representative of each indirect owner shall be sufficient. ³If the proxy is not present or may not participate in the process for adopting the resolution, the proxy shall pass to the oldest other representative in terms of age unless the indirect owner stipulates otherwise. ⁴If no quorum is constituted, a new meeting may be convened within two weeks to deal with the same agenda at which the General Meeting shall constitute a quorum, irrespective of the amount of nominal capital represented by the representatives present. ⁵This fact is to be expressly referred to when convening the second meeting.

(4) ¹The Chairman may have a resolution of the General Meeting adopted independent of meetings by way of a written survey, by telefax or by e-mail (circulation procedure). ²A resolution may not be adopted by way of circulation insofar as an assigned representative in the General Meeting expresses the wish, within one week following the dispatch of such notification, that the matter be resolved in a meeting. ³Resolutions adopted by way of circulation shall be deemed valid if the majority of the nominal capital is indirectly represented.

(5) ¹The resolutions of the General Meeting taken in accordance with Section 14 para. 1 nos. 1 to 4 require a majority of three-quarters of the nominal capital represented at the passing of the resolution. ²Other resolutions shall require simple majority of votes, unless the law governing the Bayerische Landesbank or these Statutes prescribe another majority or additional requirements. ³A motion shall be deemed to be rejected in the event of a tie. ⁴Section 7, para. 6 shall apply accordingly.

(6) Section 10 paras. 7 and 8 shall apply accordingly.

Section 17 Advisory Boards

(1) ¹To provide expert support to the Bank in executing its business and to foster contact with the business environment and with the savings banks, a business advisory board and a savings bank advisory board may be set up. ²The Members of the business advisory board shall be appointed by the Board of Management. ³The savings banks district association for Upper Bavaria shall appoint two members of the savings bank advisory board and the other savings bank district associations shall appoint one member each. ⁴The Association of Bavarian Savings Banks shall appoint two members from its offices. ⁵The term of office of the Advisory Board Members shall be three years. ⁶The Board of Management may regulate further details by rules of procedure.

(2) The Chairman of the Board of Management shall chair the Advisory Board.

(3) An expense allowance may be paid to the Members of the Advisory Board.

Section 18 Power of Representation and Signing Authority

(1) ¹The Bank shall be represented in and out of court by the Board of Management and, in dealings with Members of the Board of Management, by the Chairman of the Board of Administration. ²The Chairman of the Board of Administration may, in the individual case, release the Members of the Board of Management from the restrictions regulated under Section 181 German Civil Code.

(2) ¹For signatures to be legally binding, the signature of two Members of the Board of Management shall be required, in addition to the name of the Bank. ²The Board of Management may regulate the representational authority in such a way that the signature of one Member of the Board of Management and of another Bank employee, or the joint signatures of two Bank employees may be legally binding. ³For day-to-day business the Board of Management may make other arrangements. ⁴The signing authorities shall be made known in the Bank's customary List of Authorised Signatures, which the Bank shall make available upon request.

(3) ¹Documents complying with the provisions contained in para. 2 shall in the individual case be legally binding on the Bank, irrespective of the observance of any other provisions of the Statutes. ²Documents issued by the Bank or its branches and carrying the seal of the Bank or its branches shall be public deeds.

Section 19

Secrecy Pledge; Liability of the Members of the Board of Administration and of the General Meeting

(1) ¹The Members of the Board of Management, the Members of the Board of Administration, the Members of the General Meeting and the Members of the Advisory Boards as well as all employees of the Bank shall be bound by the secrecy pledge, even after leaving the Bank.

²Exceptions may be approved, insofar as they are permissible, by the supervisory authority in the case of the Members of the Board of Management, the Members of the Board of Administration and the Members of the General Meeting, and by the Chairman of the Board of Management in the case of all other employees of the Bank; the Chairman of the Board of Management may delegate this authority for day-to-day business. ³The representatives in the General Meeting shall be entitled to forward information to the indirect owners and to the savings banks, provided that this is necessary to safeguard the owners' interests, no trade or business secrets are violated and reference is made to the confidential nature of the information.

(2) ¹The Members of the Board of Administration shall promote the Bank's business to the best of their abilities through their activities. ²If a Member of the Board of Administration violates his obligations, whether statutory or laid down in the Bank's Statutes, intentionally or through gross negligence, he shall reimburse the Bank for any losses incurred thereby. ³Sentences 1 and 2 shall also apply to deputy members.

III.

Annual Accounts and Allocation of Profits

Section 20

Annual Accounts

(1) The Bank's financial year shall be the calendar year.

(2) The annual accounts including the Report by Management and the consolidated accounts shall be submitted without delay to the indirect owners.

(3) ¹The annual accounts with the Report by Management and the consolidated annual accounts with the Report by Management shall be audited by a certified public accountant appointed as auditor by the General Meeting and shall be submitted without delay to the Board of Administration, the indirect owners and the supervisory authority, together with the auditor's report and the recommendation concerning the allocation of retained profit. ²The certified public accountant appointed as auditor shall attend the consultations of the Board of Administration and of the Audit Committee on the annual accounts of the Bank and the consolidated annual accounts

and shall report on the main findings of his audit. ³The Board of Administration shall adopt the annual accounts of the Bank and decide on the approval of the consolidated accounts (Section 11 para. 2 no.2).

(4) The annual accounts and the Report by Management shall be disclosed pursuant to legal provisions following the decision of the General Meeting on the allocation of the retained profit or coverage of a net loss for the year.

Section 21 Allocation of Profit

¹At least 25 percent of the annual net income is to be allocated to the statutory reserves until they reach a level of ten percent of nominal capital; other reserves may be created from the remainder. ²Otherwise, the retained profit shall be distributed to the holders of the nominal capital in proportion to their holdings. ³To round off the transfer amount, a carry-forward to new account shall be possible.

Section 22 Auditing of the Bank

(1) The Bank shall be subject to auditing by the Bavarian Supreme Audit Office.

(2) ¹The Chairman and the Deputy Chairman of the Board of Administration shall have the right to check the business activities as well as all legal circumstances of the Bank. ²Prior to the start of the audit, the Board of Management of the Bank must be notified. ³The audit can also be carried out by an external auditor (company of chartered accountants) or a person qualified to hold the position of a judge.

(3) ¹It shall be the duty of the Chairman of the Board of Management to audit the business operations of the Bank subject to the framework conditions for the Bank's internal auditing. ²The internal Audit Department as a permanent entity of the Bank shall audit all the Bank's activities and processes. ³This department shall report to the Chairman of the Board of Management. ⁴He shall also supervise the enforcement of the measures which are proven to be necessary by the audits. ⁵This shall also apply to the audits performed pursuant to paragraph 2.

IV.

Bayerische Landesbodenkreditanstalt

Section 23

Duties and Functions

The duties and functions of the Bayerische Landesbodenkreditanstalt ensue from Section 20 BayLBG.

Section 24

Administration

(1) The rules and procedures of the Board of Management shall specify the Board Members who shall be responsible for the Bayerische Landesbodenkreditanstalt.

(2) ¹An Advisory Board may be set up at Bayerische Landesbodenkreditanstalt to provide advice on housing policy issues as part of its legal duties and functions. ²The Advisory Board shall consist of the Chairman and up to six other members who shall be appointed by the Board of Management on the recommendation of the State Minister of the Interior for a period of three years. ³The Chairman shall be the State Minister of Interior or a representative appointed by him. ⁴They may receive an expense allowance.

Section 25

Annual Accounts

¹Bayerische Landesbodenkreditanstalt shall have its own separate accounting system. ²Separate annual accounts are to be prepared for the Bayerische Landesbodenkreditanstalt in conformity with the Bank's accounting principles and are to be adopted by the Board of Administration.

V.

Bayerische Landesbausparkasse

Section 26

Duties and Functions

The Bayerische Landesbausparkasse shall have the duty and function of promoting building society matters and residential construction within the scope of existing laws.

Section 27 Administration

(1) The rules and procedures of the Board of Management shall specify the Members of the Board of Management who shall be responsible for the Bayerische Landesbausparkasse.

(2) ¹To provide expert support to the institution, an advisory board, whose members shall be appointed from the management of Bayerische Landesbausparkasse, may be set up. ²Moreover, Section 17 shall apply accordingly.

Section 28 Annual Accounts

¹The Bayerische Landesbausparkasse shall have its own separate accounting system. ²Separate annual accounts must be prepared for the Bayerische Landesbausparkasse in conformity with the Bank's accounting principles and must be adopted by the Board of Administration or, if a committee with resolving functions is set up for the Bayerische Landesbausparkasse, by this committee.

VI. Trustee

Section 29 Duties and Functions

(1) ¹The Labo trustee appointed by the supervisory authority shall ensure that the prescribed cover for the bonds and debt register claims of Bayerische Landesbodenkreditanstalt exists at all times and that the collateral securities are entered into a register (register of cover). ²The entries shall be signed by the Labo trustee.

(2) ¹Securities entered into the register of cover may be cancelled from the register only with the consent of the Labo trustee. ²His consent must be given in writing or in the form of text; it may be given by the Labo trustee by adding his personal signature to the memorandum of cancellation in the registers of cover.

Section 30 Covering Assets

(1) The assets entered into the register of cover as well as documents relating to such assets are to be held under joint control with the Labo trustee; the latter may surrender the covering assets only in accordance with the laws and the present Statutes.

(2) ¹At the Bank's request, the Labo trustee shall surrender the assets entered into the register of cover and documents relating to the same and shall assist in the cancellation thereof in the register of cover, insofar as the other assets entered into the registers are sufficient to provide the necessary cover or the Bank procures another form of cover which complies with applicable regulations. ²If the Bank is obliged to surrender any mortgage document to a mortgage debtor or to undertake any of the activities laid down in Section 1145 of the German Civil Code, then the Labo trustee shall release the document even if said prerequisites are not fulfilled. ³If the mortgage loan is repaid such money as has been paid is to be transferred in the latter case to the Labo trustee for safe custody in accordance with paragraph 1.

(3) If the document relating to a mortgage or land charge is required by the Bank merely for temporary use, the Labo trustee shall surrender the same temporarily without the Bank being required to procure any other cover.

Section 31 Notifications

The Bank shall be obliged to keep the Labo trustee informed on an ongoing basis of the capital repayments made against the assets entered into the register of cover and of such other material changes which affect such securities and which are relevant for the holders or creditors of debt instruments liable to serve as cover.

VII. Final Provisions

Section 32 - cancelled -

Section 33 Announcements

Bank announcements shall be made in the Bavarian State Gazette insofar as no other publication is provided for.

Section 34
Date of Entry into Force

These Statutes shall come into force on being published in the Bavarian State Gazette.