

Green Bond / Framework

Bausparkasse Schwäbisch Hall AG

2023



01 | Bausparkasse Schwäbisch Hall

02 | Sustainability at Schwäbisch Hall

03 | Green Pfandbriefe by Schwäbisch Hall

04 | Green Cover Pool

05 | Positive Impact Contribution



Bausparkasse Schwäbisch Hall at a Glance



One of the largest German mortgage lenders with a **loan book of around €65 billion** and the **largest German Bausparkasse** (home savings and loan bank) with a market share of approximately **30%**



Legal mandate (§1 BauSparkG)
Residential real estate financing with a focus on private retail customers



Approximately **6.5 million customers** in Germany



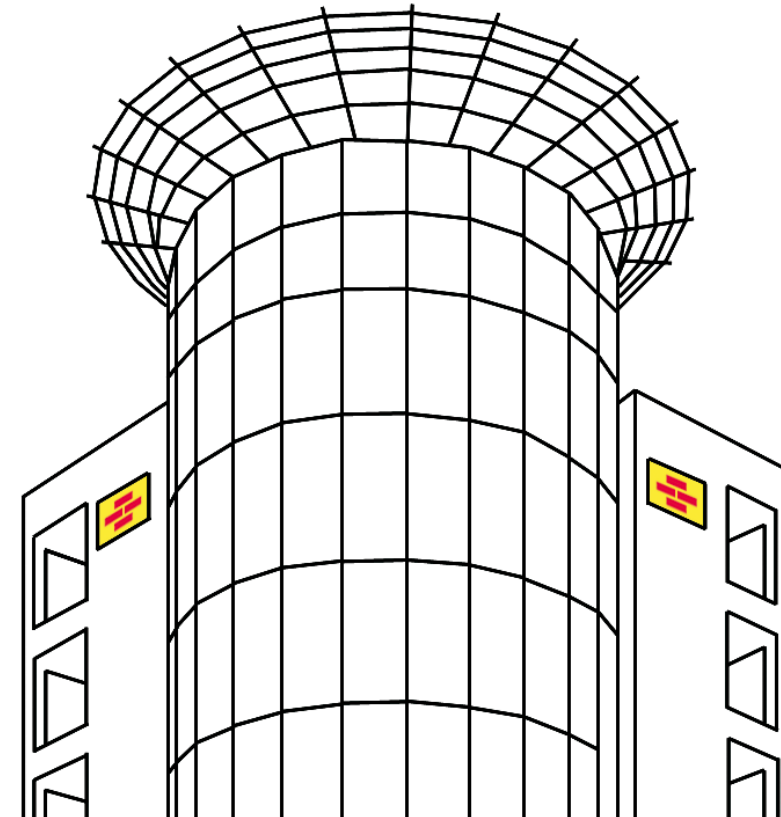
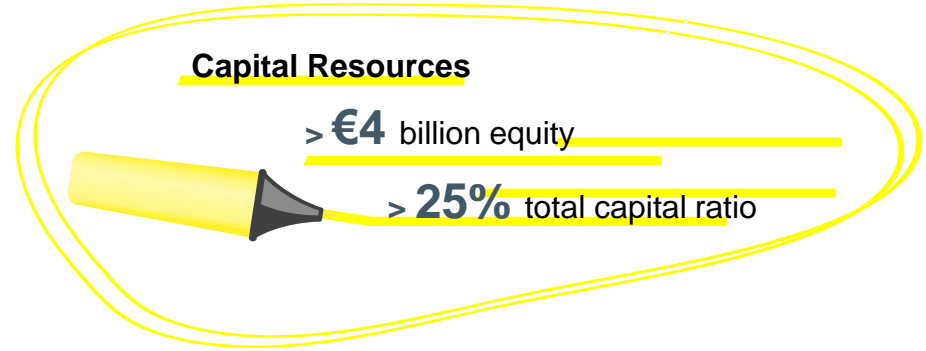
€3 billion Mortgage Pfandbriefe issued since Pfandbrief license granted in 2019



Aaa/Aa2 Pfandbriefe/bank rating by Moody's Investors Service (outlook: **stable**)



Schwäbisch Hall is an integral part of the German **Cooperative Financial Network** Volksbanken Raiffeisenbanken
The over 700 cooperative banks in the group have consolidated total assets of **>€1,000 billion**



Data as of 12/31/2022 / 03/31/2023

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Sustainability is Part of the DNA of a Cooperative Bausparkasse



- E** Financing of...
- Energy-efficient residential real estate
 - Energy-efficient renovations & modernisations

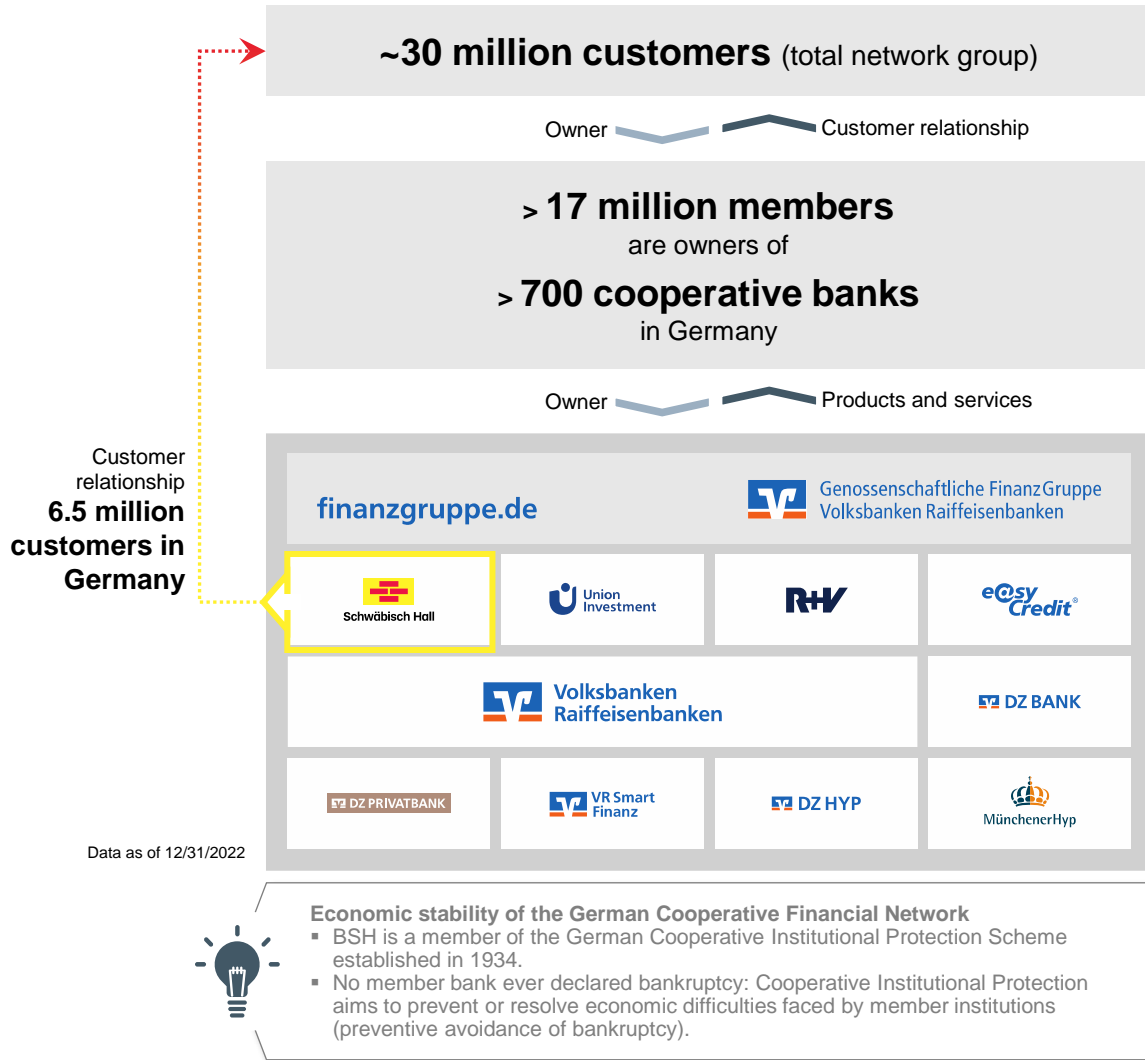
- S**
- Affordable, secure and long-term wealth creation by promoting private home ownership
 - Access to government support (e.g. housing subsidy) for broad sections of the population
 - Property-based private retirement provision

- G**
- Value-based business model for the benefit of the cooperative bank members as ultimate owners
 - Bauspar collective: Strong community of Bauspar customers enables joint real estate savings

Engagements

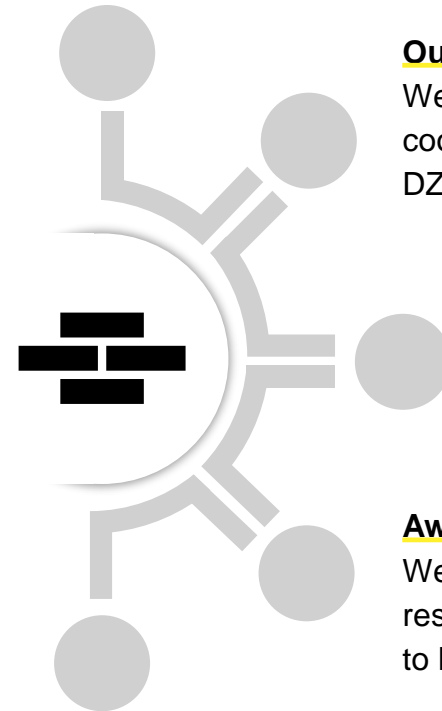


The Sustainable Values of the Cooperative Financial Network are an Integral Part of Schwäbisch Hall



Stronger Together

We belong to the Volksbanken Raiffeisenbanken Cooperative Financial Network - Did you know? The cooperative idea is UN World Heritage



Our Customers are our Owners

We are committed to 17 million members of cooperative banks that own our parent company, DZ BANK AG

Creating and Preserving Homes

We support our clients in long-term wealth creation and private retirement provision through owner-occupied residential property

Awareness of the Impact of Sustainable Living

We finance the climate and energy transition in private residential property in order to enable future generations to live in harmony with our environment

Since 1931

...we have been acting sustainably and are focused on long-term success



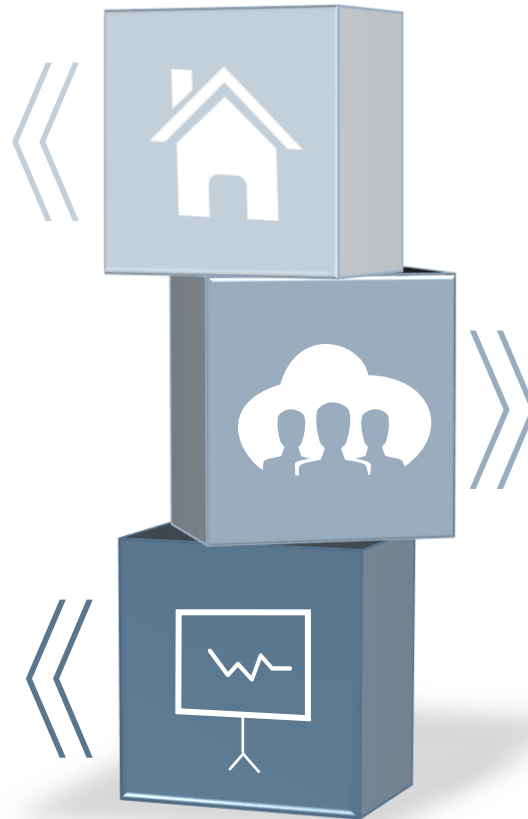
Bausparen Promotes Sustainability in the Society

Bausparen as Enabler of Home Ownership

- **Bauspar saving** system enables **targeted savings** for housing
- Encouraging home ownership through **predictable low-interest** mortgage loans
- Owner-occupied housing as **financial security** and wealth creation for individuals and society


Bausparen as Market Stabilizer

- Bausparen offers the opportunity to **build up equity** and fix **interest rates** on mortgage loans **long-term**
- Improving **creditworthiness through regular saving plans**
- Bausparen contributes to the long-term **stability of the residential real estate market** (this is also a reason for government subsidies for Bausparen)



Bausparen as Source of Intergenerational Wealth

- Secure **retirement provision** through robust property values of owner-occupied homes
- Long-term wealth creation through **higher savings rate of households with home ownership** supported by Bausparen
- **Rent-free owner-occupied housing** during retirement phase and intergenerational wealth transfer through **inheritance** of real estate properties

 Please see annex for more information on Bausparen

BSH's Sustainability Goals Support the Path to Net-Zero



The **building sector is supposed to play an important role** in climate protection. Buildings in the EU account for around:

- 40% of energy consumption*
- 36% of CO₂ emissions*

By financing residential real estate, BSH already plays an important role in the climate and energy transition in the private home ownership sector.

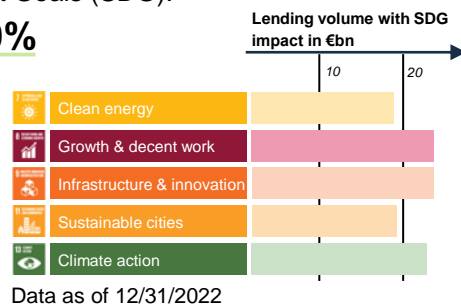


Proportion of loans making a positive contribution to the UN Sustainable Development Goals (SDG):

BSH's SDG Ratio: >40%

> €23 billion loan volume by financing:

- Modernization
- Construction & first acquisition
- Solar photovoltaic



BSH has set itself ambitious **goals** for the future:



Improve the **sustainability impact** of the loan portfolio by increasing the SDG ratio to **50% by 2030**



Reduction of the **carbon footprint** of the loan portfolio by **4% per year** up to 2030



Climate neutral business operations by 2043, with the interim target of reducing CO₂ emissions by 50% compared to 2019 levels until 2030

To achieve our goals, we have defined the following **measures** (non-exhaustive):

- Targeted customer advice to drive modernization; customer information, e.g. on energy efficiency and benefits of solar energy on buildings
- Training of sales force to become certified modernisation and government subsidy advisors
- Targeted products, e.g. “FuchsEco” Bauspar tariff and loan product “FuchsKonstantEnergie”
- Modernisation of the headquarters in Schwäbisch Hall



* Source: [eur-lex.europa.eu/legal-content/DE/TXT/HTML/? uri =PI_COM:C\(2021\)2800&from=EN](https://eur-lex.europa.eu/legal-content/DE/TXT/HTML/?uri=PI_COM:C(2021)2800&from=EN)

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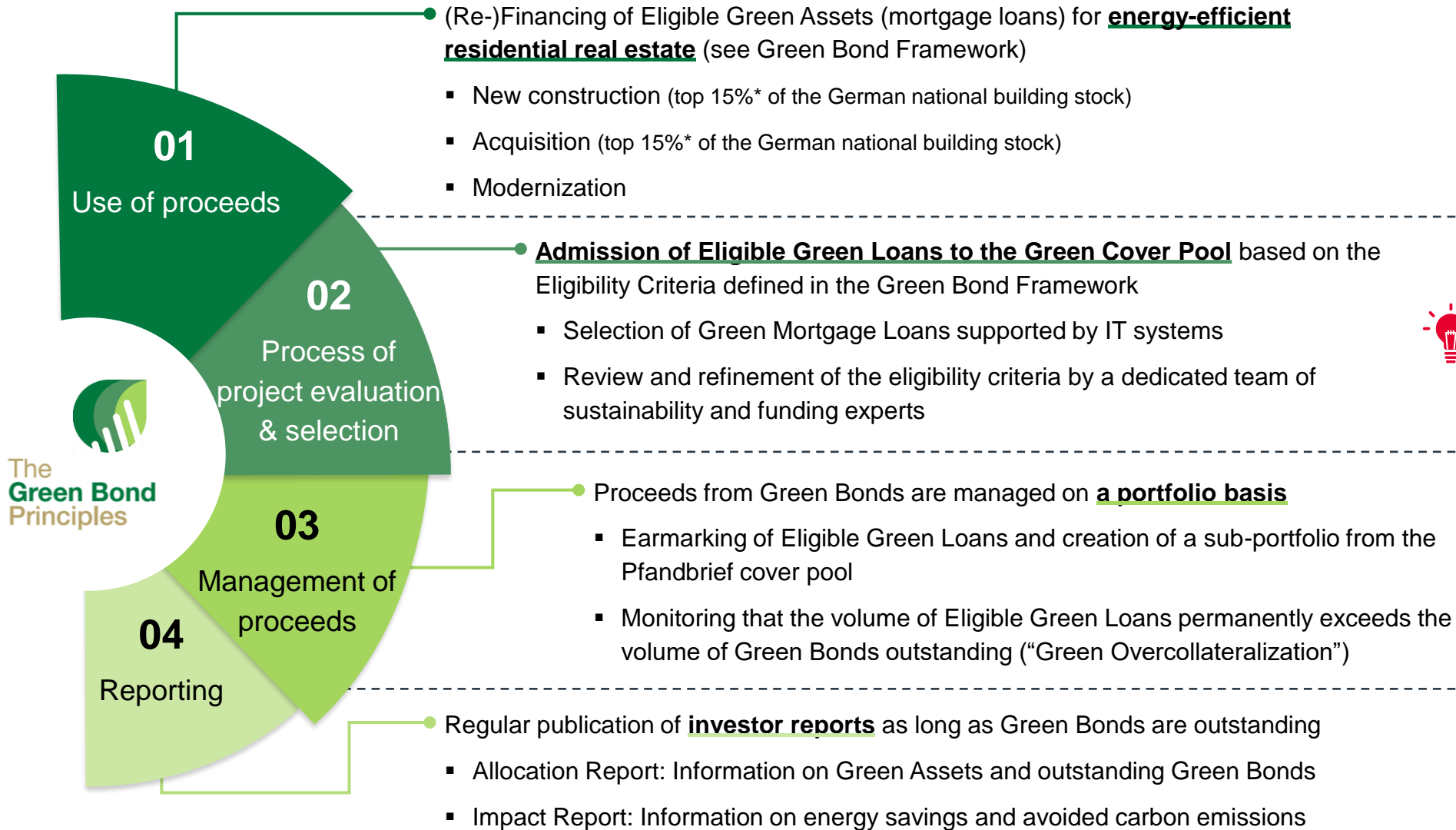
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Green Bond Framework Based on ICMA Green Bond Principles (GBP)



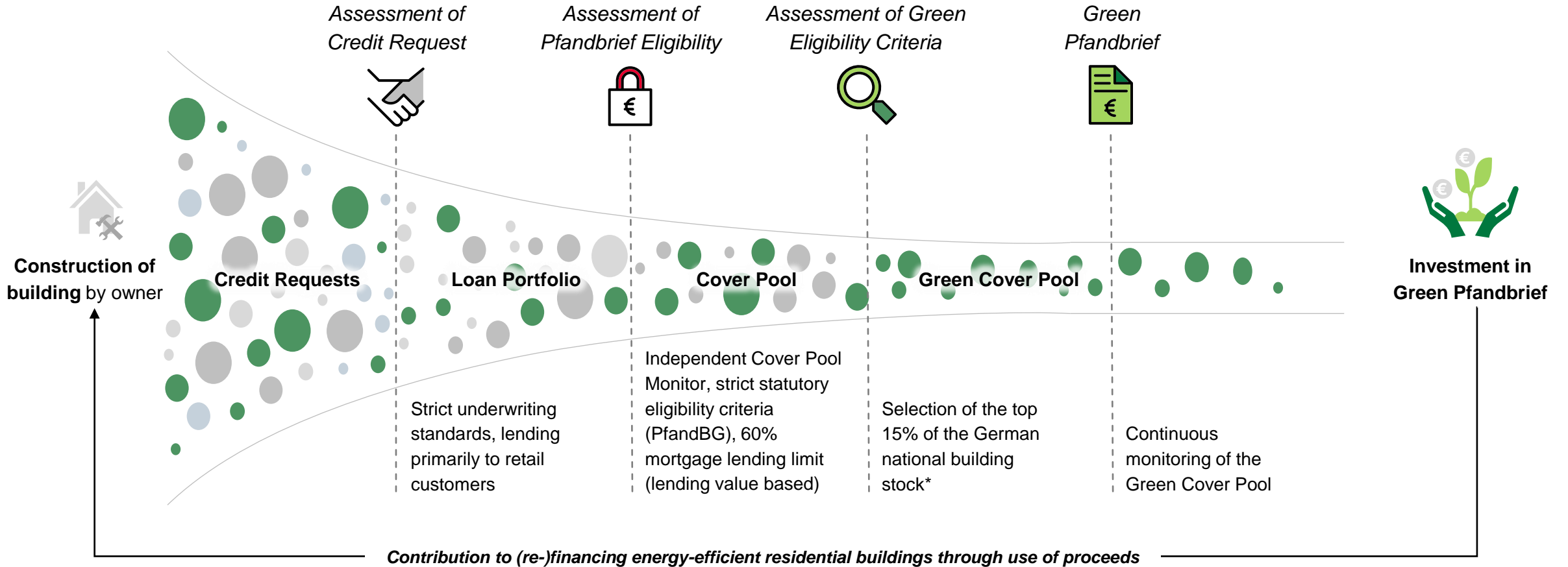
* Drees & Sommer study for member institutes of the Association of German Pfandbrief Banks (2022)

BSH issues Green Bonds exclusively as **Mortgage Pfandbriefe** in accordance with the Minimum Standards for Green Pfandbriefe of the Association of German Pfandbrief Banks (vdp) and the German Pfandbrief Act

Strict Process for Admitting Loans to the Green Cover Pool



Credit Underwriting Process: From Building Construction to Green Bond Investment



* Drees & Sommer study for member institutes of the Association of German Pfandbrief Banks (2022)



Second Party Opinion by ISS ESG Confirms the Framework's Alignment with the GBP and the Positive Contribution of Eligible Assets

Eligibility Criteria for Energy-Efficient Residential Properties

...that are (re-)financed by mortgage loans via Green Bonds

Construction / acquisition at least one criterion	Main criterion: Year of construction 2012 or newer (complying with German Building Energy standard of EnEV 2009)
	Energy Performance Certificate of A+ or A
	Energy consumption of 50 kWh/m²a or better
Renovation / modernization	Major renovation or reduction of energy consumption by 30% compared to the demand prior renovation



Contribution to the UN Sustainable Development Goals



UN SDG 7:
Affordable and clean energy



UN SDG 13:
Climate action

Second Party Opinion on BSH's Green Bond Framework

ISS ESG confirms:

- Compliance of Green Bond Framework with ICMA Green Bond Principles (GBP)
- Sustainability impact contribution to the UN SDGs



BSH has also established a risk control and management process to regularly monitor and evaluate climate and environmental risks.

The Issuer provides green financial services, such as financing of solar energy and energy efficiency improvements.

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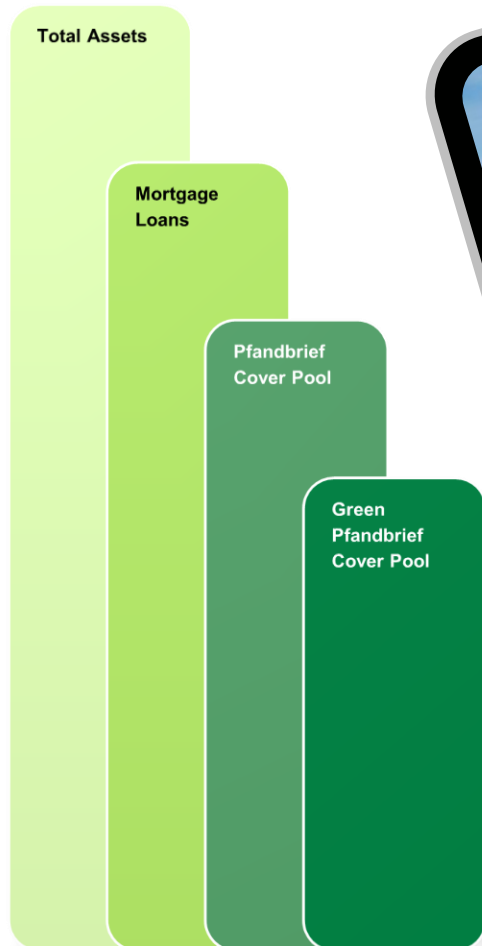
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Proceeds Primarily (Re-)Finance Single-Family Homes



Symbolic images - for data protection reasons, no actual (re-)financed properties are shown.



Single-family Houses are Typical for the Green Cover Pool

...in line with the corporate strategy

- "Creating and preserving homes" (corporate mission)
- Strategic focus on financing "building and living" with high social relevance
- >80% of the green loan portfolio (re-)finances energy-efficient **single- and two-family houses**



Quality of the Green Cover Pool is Ensured by Broadly Diversified and Highly Granular Green Loans



Data as of 06/30/2023

* Drees & Sommer study for member institutes of the Association of German Pfandbrief Banks (2022)

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BSH Green Bonds Enable Energy-Savings and Avoidance of CO₂ Emissions



Step 1: Determining the Footprint



What are the energy consumption and CO₂ emissions of the energy-efficient residential buildings (re-)financed by Green Bonds?

Step 2: Determining the Baseline for Comparison

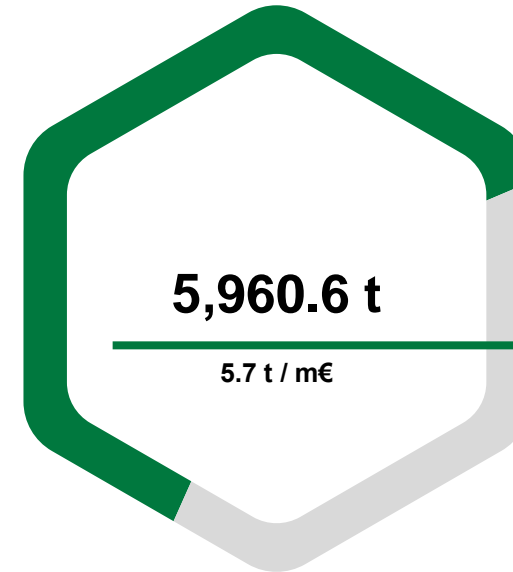


What are the energy consumption and CO₂ emissions of an average comparable building?

Step 3: Determining the Impact Contribution

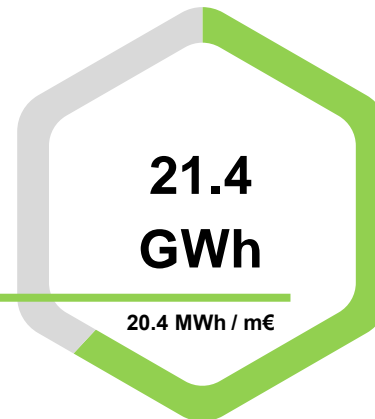


How much energy and CO₂ do the energy-efficient residential properties (re-)financed by Green Bonds save compared to the baseline?



Annual Avoidance of CO₂ emissions

- Approximately equals carbon emission equivalents* of
- 8,000 cruises
 - or
 - 20,000 cars per year
 - or
 - 4,000 transatlantic flights



Annual Energy Savings

The impact contribution of CO₂ reduction and energy saving was determined based on a scientifically based study by **MACS Energy & Water**, Frankfurt am Main, Germany, on behalf of BSH.



You can find detailed information in our impact report

* Comparisons for illustration purposes only, based on the CO2 calculator of the German Environment Agency (https://uba.co2-rechner.de/de_DE/)

Use of Proceeds



Energy-Efficient Building

- 🌿 Energy saving
- 🌿 Avoidance of CO2 emissions



Real Estate Owner

- 🌿 Acquisition / construction / renovation of energy-efficient residential buildings
- 🌿 Borrows loan



Bausparkasse Schwäbisch Hall

- 🌿 Underwrites loans
- 🌿 (Re-)finances loans through Green Bonds



Green Bond Investor

- 🌿 Invests in Green Bonds
- 🌿 Provides funding for energy-efficient buildings



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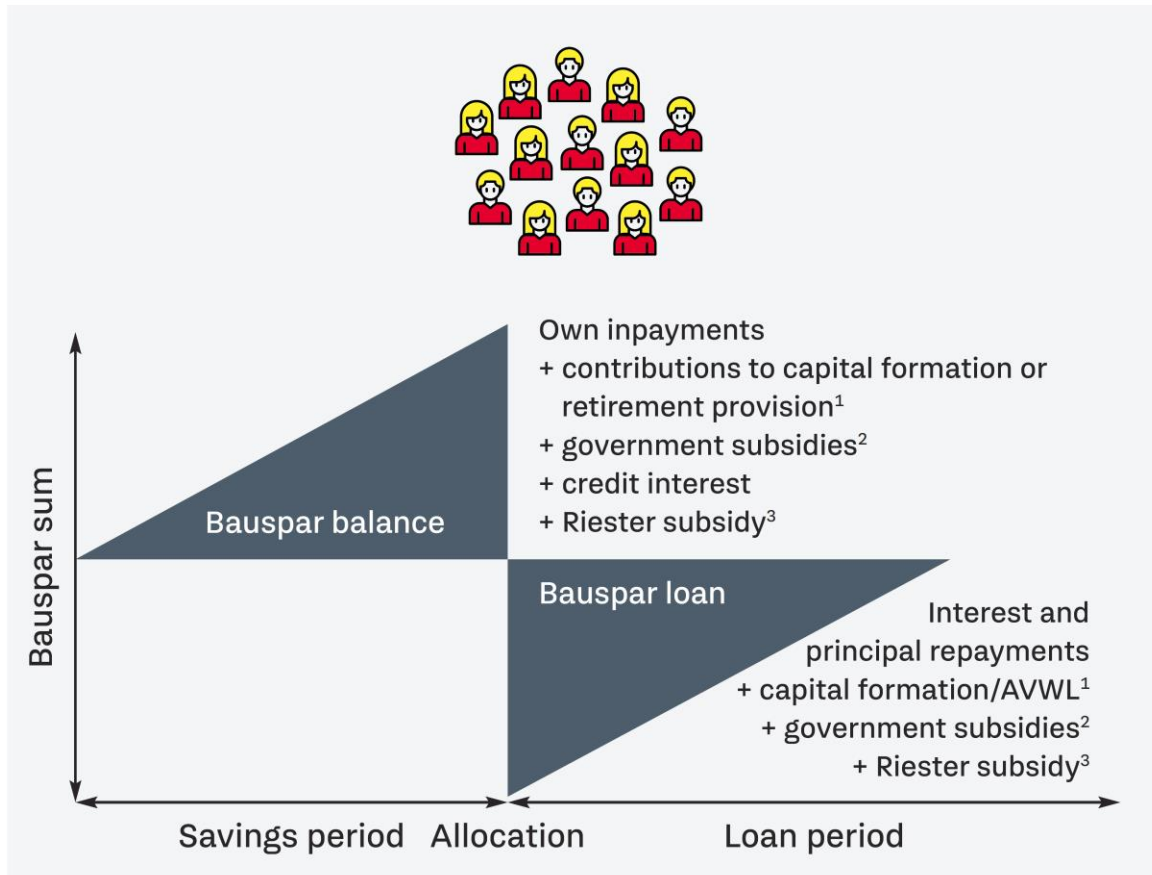
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How Does Bausparen Work?



¹AVWL: payments by employer in addition to salary depending on industry

²Income limits and other conditions apply

³If eligible/conditions are satisfied

⁴Other allocation conditions apply



Saving equity capital

For Bausparen, the customer enters into a **Bauspar contract** for a specific Bauspar sum and saves about half of this amount in regular instalments



Taking out loans

Once the agreed portion of the Bauspar sum has been saved⁴, a **low-interest Bauspar loan** can be taken out for the remainder



Paying back convenient instalments

In the **interest/principal repayment phase**, the customer pays back the loan in regular monthly instalments

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