

**Sustainability**

and

Annual Report

**2022**



**UmweltBank**

Mein Geld macht grün.



Almost

**25,000**

environmental projects financed since 1997, from wooden houses to wind farms.

**332**

employees.

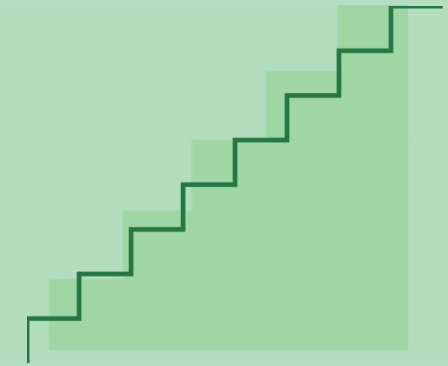


**44%**

of managers are women.

**€6 billion**

total assets in 2022.



**19th**

consecutive dividend payment in 2022.

Approximately

**1,160,000**

tonnes of CO<sub>2</sub> avoided in 2022.



**1,000**

people live in the ecological and affordable residential projects financed in 2022.

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## Germany's *greenest bank*

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## *We are transforming* **to enable greater transformation.**

### **Dear readers,**

The year 2022 is a turning point for all of us in many respects. A war causing suffering and destruction has been raging in Ukraine for more than a year, with no end in sight. However, there are signs that a new era is dawning in Germany – especially in security and energy policy. The two are closely intertwined, as dependence on fossil fuels has made the country vulnerable. The federal government must now push ahead even faster with the expansion of renewable energies. For not only are they important for environmental protection, they also mean a bit of freedom. That is why we at UmweltBank have been financing wind power and photovoltaic projects for over 25 years – and will continue to do so in the future.

Monetary policy was also marked by a turnaround in 2022. In July, the European Central Bank raised interest rates for the first time in around ten years. Within less than 12 months, the key interest rate rose from 0.0% to 3.5%. Savers, but also banks, have been waiting a long time for the low-interest phase to end. The speed and level of the interest rate hikes are posing challenges in the short term, however. In the lending business, we hold a large portfolio of long-term fixed-rate loans with low interest rates. Our savings deposits, on the other hand, are mostly in accounts with short maturities and currently rising interest rates. Although the Bank can grant new loans and extensions at significantly higher interest rates than a year ago, the interest margin will only benefit from this in the medium to long term.

The past year also held a few surprises in store with respect to sustainability. For example, the European Parliament classified nuclear power and gas within the EU taxonomy as sustainable under certain conditions. And even the arms industry asserted a claim to be considered sustainable. Many people do not agree with this. We are making no compromises and continue to adhere to our strict sustainability criteria.

### **25 years of sustainable growth**

Despite the challenging environment, UmweltBank performed very well last year. Total assets increased slightly to €6 billion. Overall, the Bank recorded a significantly increased interest, financial and valuation result in 2022, as well as a commission and trading result at the previous-year level. On the other hand, there were higher expenses for personnel and administration. Overall, UmweltBank ended the 25th year of its existence with a pre-tax profit of €39.2 million, compared to €38.1 million the previous year. With a cost/income ratio of 50%, UmweltBank continues to work very efficiently.

You, dear shareholders, should also benefit from this. We therefore propose a dividend of €0.33 for the 2022 financial year – the 20th distribution in a row.

### **Three focused business areas with plenty of potential**

UmweltBank's core business is the financing of environmental projects. In addition, the Bank is successively expanding two high-growth business areas: investments in the equity of sustainable real estate and renewable energy projects via the subsidiary UmweltProjekt GmbH on the one hand and the green funds of the UmweltSpektrum brand on the other. All three pillars should make a significant contribution to commercial success in the future.

With a volume of €3.7 billion, loans for renewable energy projects and sustainable construction projects form the core of UmweltBank. The projects financed are ecologically as well as socially valuable, yet at the same time harbour low risks and offer high returns. In 2022 alone, UmweltBank financed around 400 sustainable projects with a volume of over €600 million. We also see excellent opportunities for our core themes in the future. The expansion of renewable energy sources and of affordable and ecological accommodation are essential building blocks for the sustainable transformation of our society.

In addition, we consider the securities business to be a growth area. We now offer three in-house funds under the UmweltSpektrum brand. UmweltBank guarantees uncompromising sustainability in the selection process, while experienced fund companies are responsible for economic management. In three years, the fund volume has grown to over €130 million. In 2022, the funds already contributed around €1.7 million to the result. We want to continuously expand this in the coming years.

UmweltBank also invests in sustainable and high-yield projects. The wholly owned subsidiary UmweltProjekt GmbH bundles these investments with a current volume of around €750 million. The solar, wind power and residential projects throughout Germany largely remain in the portfolio for the long term and provide increasing recurring income. The project portfolio will be further expanded in the years ahead. Sales of projects are also possible given attractive market conditions. For example, the sale of a wind farm in 2022 resulted in special proceeds of around €20 million.

### **We are increasing our contribution to a world worth living in.**

For more than 25 years we have been proving that ecology and economy can be an excellent combination. In total, UmweltBank contributed to avoiding over 1,160,000 tonnes of CO<sub>2</sub> in 2022. This is roughly equivalent to the annual CO<sub>2</sub> emissions of the inhabitants of a large city like Erlangen or Jena. Last year alone, the Bank financed affordable and ecological homes for over 1,000 people. For another 350 people, care places were created in schools, daycare centres and nursing facilities. Gender justice is also close to our hearts. In 2022, 56% of the employees of UmweltBank were female while 44% were male. Our share of women in leadership positions is 44%. Last August, Heike Schmitz became the first

woman to join our Management Board.

**We are getting fit for the next 25 years**

UmweltBank has grown strongly over the past 25 years. The demands of our clients, the staff and the supervisory authorities have also grown over this same time. To do justice to all these demands, we are launching an extensive transformation process. With the umwelt.neo project, UmweltBank is setting the course in 2023 and 2024 for continued successful growth.

The core of umwelt.neo is the migration of the core banking system. In the current financial year alone, we will invest around €10 million in this. In addition, we are reviewing our range of products and services, as well as existing structures and processes. For the UmweltBank of tomorrow combines proven strengths, such as a focused product world and lean structures, with a modern and high-performance IT infrastructure. The investments are extensive, but they are necessary and will pay off – for customers, for our employees and, in the medium to long term, for you as well, dear shareholders. Because after the two transition years, we will switch back into growth mode with a sharpened strategy beginning in 2025. Thank you for your trust and loyalty. Continue to accompany UmweltBank and join us in shaping a world worth living in for us and future generations.

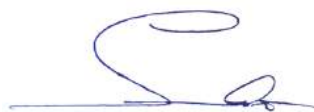
Your UmweltBank Management Board



Goran Bašić  
Member of the  
Management Board



Jürgen Koppmann  
Spokesperson of the  
Management Board



Heike Schmitz  
Member of the  
Management Board



**Jürgen Koppmann**

Spokesperson of the  
Management Board

*Areas of responsibility:*

*Customer Care &  
Account Management*

*Securities & Pensions*

*Information Technology &  
Project Management*

*Customer Care & Service*

*Marketing & PR*

**Goran Bašić**

Member of the Management Board

*Areas of responsibility:*

*Financing Energy and Infrastructure  
Projects*

*Financing Real Estate Projects*

*Financing Private Customers*

*Investments*

*Personnel*

*Treasury & Sustainability*

**Heike Schmitz**

Member of the  
Management Board

*Areas of responsibility:*

*Accounting,  
Taxes & Operations*

*Reporting, Risk &  
Analytics*

*Back Office Credit*

*Legal & Compliance*

*Organisational Management*

*Internal Audit*

**25** years of UmweltBank

Learn more about the exciting development of UmweltBank in its multimedia company history. It tells the story of the Bank using data, facts and figures, but also photos and personal interviews with contemporary witnesses. To the company history: [www.umweltbank.de/25jahre](http://www.umweltbank.de/25jahre)



*Germany's*  
**greenest bank**

## 1.1 About UmweltBank

Since its founding in 1997, UmweltBank has combined sustainability with economic success. The green Bank and its more than 330 employees take care of around 132,000 private and commercial customers throughout Germany. UmweltBank's core competence is the financing of projects in the field of renewable energy sources as well as ecological and social construction projects. Whether wooden house, student residence or solar farm – the green bank has funded nearly 25,000 future-oriented projects over the past 25 years. It also offers sustainable savings accounts, securities and insurance products. With its consistent focus on sustainability, UmweltBank contributes to its vision of creating a world worth living in for future generations.

### Green and black figures in balance

UmweltBank proves that environmental protection and economic efficiency are also compatible in finance. This is reflected in the company's successful development. The Bank does not engage in speculative transactions; lending is not focused on profit maximisation, but on a positive ecological and social impact.



**Vision**  
**Together we are creating a world worth living in for ourselves and future generations.**

**Mission**  
**We make money green.**

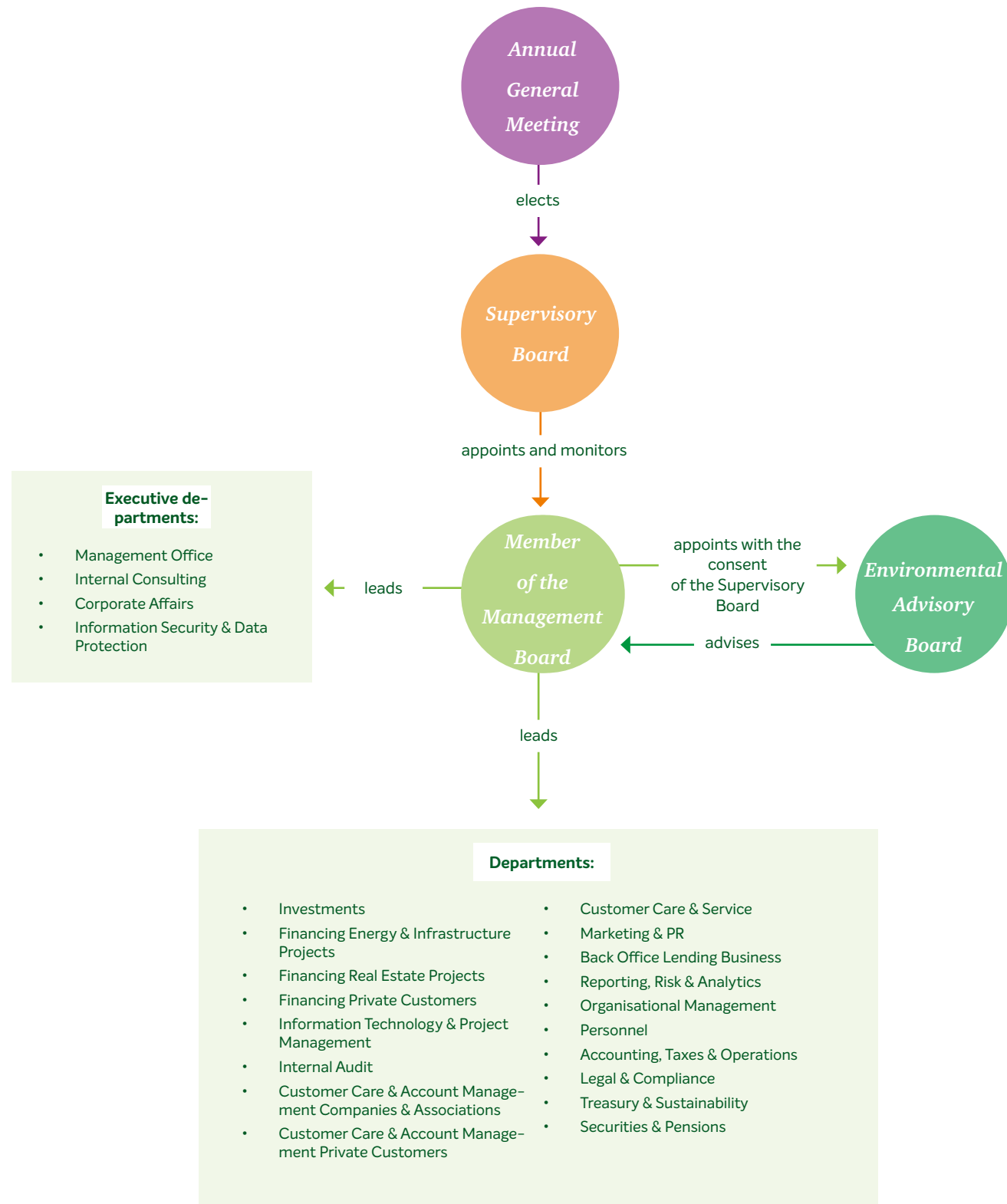
We combine **economy and ecology** by offering our customers **attractive investments** and **financingsustainable projects** exclusively.



## Corporate data as of 31 December 2022

Company	UmweltBank
Legal form	Stock corporation (Aktiengesellschaft)
Headquarters	Nuremberg, Germany
Foundation	1997
Owners	Approx. 14,000 shareholders
Supervisory Board	Susanne Horn Dr Michael Kemmer, Chairperson Heinrich Klotz Dr Michael Maier Edda Schröder Silke Stremlau, Deputy Chairperson
Environmental Advisory Board	Prof. Dr Harald J. Bolsinger Dr Meike Gebhard, Chairperson Stefan Klinkenberg Claudia Müller, Deputy Chairperson Heribert Sterr-Kölln
Member of the Management Board	Goran Bašić, Member of the Management Board Jürgen Koppmann, Spokesperson of the Management Board Heike Schmitz, Member of the Management Board
Authorised signatories	Gisela Bohn, Thorsten Boiger, Gabriele Glahn-Nüßel, Sarah Herz, André Hückstädt, Beate Klemm, Philipp Langenbach, Stefan Schimpl, Heike Schmitz, Markus Suroff, Matthias Winkler
Employees	Approx. 330
Customers	Approx. 132,000
Office locations	Emilienstraße 3, Nuremberg / Laufertorgraben 4, Nuremberg / Laufertorgraben 6, Nuremberg / Laufertorgraben 8, Nuremberg / Nunnenbeckstraße 6–8, Nuremberg
Funded environmental projects	Almost 25,000 since foundation in 1997
Total assets	€6 billion

## Corporate structure



## 2022 highlights



### JANUARY

UmweltBank celebrates its 25th anniversary.



### APRIL

Expansion of the fund range: Two new funds under the UmweltS-pektrum brand enable investors to invest specifically in the topics of nature and people.



### AUGUST

Heike Schmitz is appointed to the UmweltBank Management Board. Among other things, she is responsible for the areas of finance and controlling as well as back office in the lending business.

### MARCH



Philipp Langenbach joins the management of UmweltBank as Chief Representative responsible for Marketing and Personnel.

### JUNE

Start of the umwelt.neo project Work begins on the migration of the core banking system.  
Reliable distribution: UmweltBank pays 19th consecutive dividend.

### OCTOBER



Start of construction of the new UmweltHaus company headquarters in Nuremberg.  
UmweltBank successfully sells a wind farm, generating net proceeds of around €20 million.

### NOVEMBER

An employee survey results in a 'SINNdex' of 86%. In the future, UmweltBank will use this indicator to measure staff satisfaction (maximum value: 100%).

### DECEMBER



Christmas donation: UmweltBank supports Kinderhaus Nürnberg gGmbH with €10,000.



# UmweltBank

25 years



**Founding** of D.U.T.  
UmweltTreuhand GmbH

1994

UmweltBank is granted a  
**full banking licence**

Green savings products  
Wind farm project financing  
Sustainable building loans and mortgages

1997



On its first birthday  
UmweltBank celebrates  
**'black figures** with **green money'**

Photovoltaic project financing

1998

**Flotation** on the Regulated Unofficial  
Market at the Frankfurt Stock Exchange

2001

End of the KfW's 100,000 Roofs pro-  
gramme: UmweltBank launches its own  
subsidy programme **'Solar power for  
every roof'**

2003



UmweltBank offers building  
loans and mortgages for  
**joint building ventures**

2007

UmweltBank enables  
simple **photovoltaic financing** for  
private customers with **online tool**

2010



**Passing of the torch**  
on the Management Board:  
Stefan Weber and Goran Bašić  
are new duo at the top

2014/15



Founding of the subsidiary  
**UmweltProjekt GmbH**

2016



UmweltBank aligns  
for the future with **new brand profile**

2018

First own fund,  
**UmweltSpektrum Mix**,  
comes onto the market

2020



The year 2022 marks an important milestone for UmweltBank. It commenced business activities 25 years ago – on 29 January 1997. The 30 initial employees have since grown to 300. Furthermore, the green bank has financed nearly 25,000 sustainable projects. To mark the anniversary, a multimedia company history tells the story of the Bank using data, facts and figures, but also photos and personal interviews with contemporary witnesses. The multimedia company history is available here: [www.umweltbank.de/25jahre](http://www.umweltbank.de/25jahre)

**The new home of green money:**  
UmweltHaus and UmweltQuartier in Nuremberg

**FUTURE**



## Sustainable products

Investments and pensions



### Savings accounts

- UmweltFlexkonto
- UmweltFestzins
- UmweltWachstumszins



### Securities

- UmweltBank share
- Green bonds
- Eco funds



### Insurance

- Base pension (Rürup pension)
- Company pension plan
- Private pension
- UmweltVorsorge junior

Financing



### Building and residential

- Residential properties
- Joint building ventures
- Residential projects
- Social building
- Investor projects
- Commercial real estate



### Renewable energy sources

- Wind power
- Heating concepts
- Photovoltaics



### UmweltWunschcredit

- Ecological building measures
- Photovoltaic systems
- Tiny houses
- e-mobility

## UmweltGarantie (environmental guarantee)

Every euro that customers invest with UmweltBank is used in accordance with the SDG – the United Nations' Sustainable Development Goals. The Bank backs this with the UmweltGarantie. Customers can be confident that the savings deposits and equity are used exclusively for loans in support of environmental projects.

To check compliance with the UmweltGarantie, the Bank computes the ratio of volume of utilised environmental loans, note loans for a specific purpose, participating interests, green and social bonds plus its own investments with a positive SDG contribution to the deposit volume of customers, third-party loans from development banks and the original equity brought into UmweltBank from the investors.

Fulfilment is checked quarterly by Sustainability Management and the UmweltBank's Environmental Advisory Board. As at 31 December 2022, the UmweltGarantie was fulfilled in all areas.



### Investments in sustainable projects

UmweltProjekt GmbH is a wholly owned subsidiary of UmweltBank that pools and grows the Bank's investment business. Like UmweltBank, it aligns strategic decisions with the United Nations' Sustainable Development Goals (SDGs). The company invests primarily in solar and wind farm projects as well as in ecological and social housing in Germany.





Design: Spengler-Wiescholek

## New aesthetics for a sustainable future

With the groundbreaking ceremony for UmweltBank's new headquarters, the UmweltHaus, construction of Nuremberg's UmweltQuartier officially began in May 2022. The sustainable urban district will provide residential and working space for more than 1,000 people.

After its planned completion in 2025, the UmweltHaus will house most notably the new headquarters of UmweltBank. The more than 300 employees currently working toward the vision of UmweltBank at various locations in Nuremberg will thus find a common home. The UmweltHaus offers modern, flexible and inspiring working environments with space for exchange and teamwork.

Across the board, there is an equal focus on the needs of the employees and the sustainability of the furnishings and materials used. Besides the Bank's offices, the UmweltHaus will include additional office space for rent as well as a specialist organic food store with a café. In addition to the UmweltHaus, plans also call for the construction of a sustainable urban district with affordable housing, daycare centres, businesses and public green spaces on the site. As it stands now, the urban planning for the UmweltQuartier should be completed in autumn 2023.

### Pre-certification to the DGNB Platinum standard

The 13-storey UmweltHaus will be a timber hybrid high-rise. For the sustainable construction method, UmweltBank has already received pre-certification according to the Platinum standard of the German Sustainable Building Council (DGNB), the highest category awarded by the DGNB. The UmweltHaus will be one of the first office buildings in Germany to be realised according to KfW Efficiency House 40 NH energy efficiency standard. There is also an energy concept that creates an efficient overall system with the smallest possible CO<sub>2</sub> footprint for the entire neighbourhood. In addition to generating its own solar power by means of photovoltaics (PV), this concept includes geothermal energy extraction and storage as well as measures for efficient heat insulation and recovery.

### Unique project with sustainable aesthetics

The experts involved believe that with its diversity of uses and scale, the comprehensive energy concept and the combination of systematic timber construction and large-scale façade PV for the UmweltHaus, the overall UmweltQuartier project is currently one of a kind. Architect Ingrid Spengler also sees the timber construction of the UmweltHaus as an opportunity to rethink the aesthetics of buildings: 'The fact that beautiful buildings are less likely to be demolished already makes them more sustainable. For us, this means that all materials have to be sustainable and so beautiful that they give rise to an aesthetic that makes sustainable construction come alive.'

After completion of the project, UmweltBank plans to keep the flats and commercial space in its portfolio long-term as owner and landlord.

## 1.2 Investing and providing for retirement sustainably

UmweltBank offers its customers a wide range of green investments – from ecological savings products and green securities to sustainable pensions. In dialogue, the Bank builds on honest and fair relationships. The focus is on the customer, and they are looked after according to their individual needs. In the interest of the customers and employees alike, the Bank consciously eschews from any kind of sales quotas and individual commission payments. This independent and needs-oriented support ensures a high level of satisfaction.

### Save

Savers can invest their money in the short to long term at UmweltBank. It is the only bank in Germany to give the UmweltGarantie for savings investments. Every euro invested is used exclusively to finance environmental projects. All these offers are subject to German statutory deposit protection.

### Invest

Sustainability-oriented investors are in good hands at UmweltBank, which offers an entirely green securities account – free of charge. Only selected ecological securities that correspond to the Bank's understanding of sustainability are available. The green bank does not hold other shares, such as those of oil producers and arms manufacturers, and thus guarantees a clean portfolio.

### Provide for retirement

UmweltBank offers selected pension products. It cooperates here exclusively with sustainably oriented insurance partners. The difference to conventional insurance: the contributions paid in are invested according to ecological, ethical and social criteria.

## UmweltSpektrum: The sustainable fund family for a future worth living in

The UmweltSpektrum fund family is the result of years of active dialogue with UmweltBank customers. The fund's investment philosophy is based on UmweltBank's strict sustainability approach. Therefore, investments are made in hand-picked companies that stand out due to a particularly sustainable core business and act out of conviction.



**UmweltSpektrum**  
Die Fondsmarke der UmweltBank.

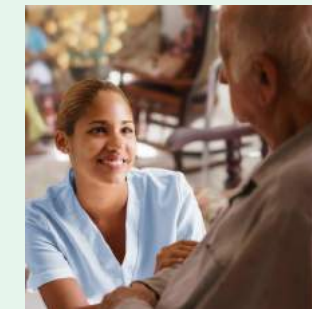
### The UmweltSpektrum fund family



**UmweltSpektrum Natur**  
**The protect-the-environment fund**

A global equity fund with an emphasis on environmental sustainability goals.

- Affordable and clean energy
- Climate protection measures
- Clean water and sanitation facilities



**UmweltSpektrum Mensch**  
**The strengthen-the-community fund**

A global equity fund with an emphasis on social coexistence.

- Health, well-being and no poverty
- Quality education
- Peace, justice and strong institutions



**UmweltSpektrum Mix**  
**The shape-the-future fund**

A dynamic mixed fund focused on Europe that combines ecological and social values.

- Sustainable cities and communities
- Responsible consumption
- Focus on smaller and medium-sized enterprises

Interested investors can find current information on the UmweltSpektrum brand funds at: [www.umweltspektrum.de](http://www.umweltspektrum.de)

## Selection process

All UmweltSpektrum-brand funds share a strict, three-stage selection process that considers exclusion criteria as well as the 17 United Nations Sustainable Development Goals (SDGs) as positive criteria. According to the EU Disclosure Regulation (SFDR), they qualify as so-called dark green funds (Article 9 funds).



## 1.3 Financing for environmental projects

UmweltBank considers itself a private development bank. Its aim is to support environmental projects with know-how and low-interest loans. The lending partners receive personal advice and support. For larger projects, the UmweltBank experts also visit the customers on-site.

Important criteria for the lending decision are the personal impression of the lending partner, the investment motive and, of course, economic creditworthiness. If customers do not personally make a good impression, the loan should be refused even with the best project.

UmweltBank's financing activities are geared towards long-term investments. As a rule, the Bank only grants loans to persons and companies domiciled in the Federal Republic of Germany.

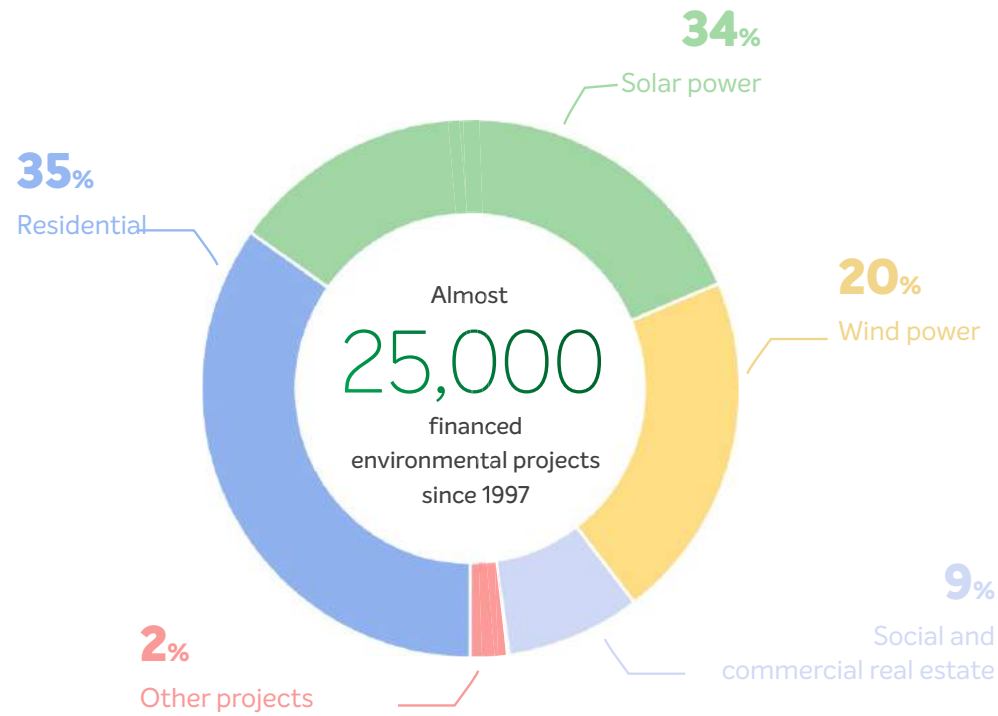
### Transparent portfolio

UmweltBank has financed nearly 25,000 environmental projects throughout Germany since 1997. More than 400 projects with a total volume of over €600 million were newly financed last year alone.

The volume of loans granted (including open commitments) was approximately €3.7 billion in 2022. A large portion of the loan portfolio consisted of residential real estate (35.3%). Solar energy financing had a share of 33.5%, while wind power projects accounted for around 20.2% of financing. Loans for social and commercial real estate accounted for 9.3% and other projects 1.7%.

Structure of the lending business by industry and volume.

Lending (including open commitments): €3,703 million, volume in % as at 31 December 2022.



## Loan grading

At UmweltBank, every loan is graded twice: both in terms of its economic and ecological creditworthiness.

## UmweltRating

The UmweltRating (environmental rating) rates each project according to its ecological quality with a grade from 1 (ecologically very beneficial) to 5 (ecologically harmful). In this way, UmweltBank has a constant overview of the development of the loan portfolio and can ensure that projects of the highest possible ecological quality are supported.

In 2022, 76.0% of the loan projects were rated with the highest grade of 1 (sustainably very beneficial). 18.5% were awarded grade 2 (sustainably beneficial), 5.5% grade 3 (sustainably still beneficial). The average UmweltRating score as at 31 December 2021 for all loan projects was **1.30** (previous year: 1.32).

## Economic rating

The economic creditworthiness is assessed by UmweltBank with the help of an economic rating based on a grading system with grades 1 to 6 (best to worst). The average rating of the loan projects with a grade of **2.44** (previous year: 2.42) indicates an almost unchanged high economic creditworthiness of the entire customer loan portfolio.

A project rated as economically very good as well as ecologically very beneficial thus receives a credit code of 11, a project rated economically good as well as ecologically very beneficial receives a credit code of 21, and so on.

### Creditworthiness distribution according to economic and ecological rating

Figures in %		Economic rating						Total
		Very good	Good	Satisfactory	Requiring management attention	Default possible	Default expected	
Ecological rating	Very beneficial	6.81	23.11	45.17	0.57	0.00	0.08	76.17
	Beneficial	3.75	6.75	7.14	0.10	0.00	0.06	17.92
	Still beneficial	2.29	1.22	2.32	0.01	0.00	0.00	5.84
	Neutral	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Harmful	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		12.85	31.08	54.63	0.68	0.00	0.14	

## Financing energy and infrastructure projects

In over 25 years, UmweltBank has financed more than 13,000 photovoltaic and 400 wind power projects with an installed capacity of over 3 GW. In addition, the Bank structures infrastructure financing for renewable heat concepts, electricity storage and power-to-H<sub>2</sub> projects.

In 2022, UmweltBank financed renewable energy projects with a total capacity of approximately 325 MW. The market share in the photovoltaic sector amounted to **3.7% of the added capacity in Germany**. Relative to the system segment greater than 500 kWp, which is relevant for the Bank, the share was 9.3%. In the wind power sector, UmweltBank had a market share of 2.4% of the total installed capacity in Germany in 2022.

### Pioneer for energy transition with PPAs

In 2019, UmweltBank began offering standardised financing for projects based on power purchase agreements (**PPAs**). The freely negotiated power purchase agreements regulate the purchase and remuneration of electricity for a defined period of time. UmweltBank finances photovoltaic plants through PPAs detached from the restrictive area categories and size constraints of the German Renewable Energy Act (Erneuerbare-Energien-Gesetz – EEG). PPA financing thus forms the third pillar of the energy transition in the photovoltaic sector, alongside projects up to 1,000 kWp with a fixed remuneration and tender projects. The financing solution is very well received in the market. In the 2022 financial year, for example, UmweltBank financed so-called PPA PV plants with approximately 86 MW in Germany.

## Simmelsdorf solar farm

- Location: Bavaria
- kWh generated per year: 9,900,000
- CO<sub>2</sub> savings per year: 6,700 t CO<sub>2</sub>e

A new solar farm was built in the municipality of Simmelsdorf in the Middle Franconian district of Nürnberger Land at the beginning of 2022. Greenovative GmbH installed around 20,000 modules with an output of 9.8 MWp on a 9-hectare site. The project supports the energy transition with green, decentrally generated power and makes an important contribution to improving local biodiversity.

### Ecological features of the project

The photovoltaic system was awarded a contract within the framework of the Federal Network Agency's innovation tender. In contrast to the classic tendering process, only part of the remuneration for the electricity fed into the grid, the so-called market premium, is guaranteed for 20 years under the Renewable Energy Resources Act (EEG). Additional revenue can be generated through direct marketing on the electricity exchange. This is subject to price fluctuations, however.

Parallel to the construction phase, the citizens of the municipality of Simmelsdorf were given the opportunity to actively participate in the solar park in the form of subordinated loans.



## Sergen West solar farm I and Laubsdorf solar farm

- Location: Brandenburg
- kWh generated per year: 36,070,000
- CO<sub>2</sub> savings per year: 24,700 t CO<sub>2e</sub>

In 2021, two photovoltaic plants with an installed capacity of 15 MWp and 20 MWp were built on conversion areas from former military use in the municipality of Neuhausen/Spree in south-eastern Brandenburg. Among the backers of the operating companies is Stadtwerke Halle, which is thus further expanding its renewable generating capacities.

Managing Director Thomas Hollstein spoke about the collaboration: 'Fair and respectful interaction is the foundation for a successful project. Furthermore, we practice open and honest communication. We also expect these characteristics and qualities from our contractual partners, and with UmweltBank we have gained a partner with whom we see eye to eye.'

### Ecological features of the project

The electricity generated is fed into the public grid via a shared substation. The substation's capacity of 63 MVA allows for the connection of additional plants currently in planning.



## Bürgerwind Fuchstal Community Forest

- Location: Bavaria
- kWh generated per year: 23,500,000
- CO<sub>2</sub> savings per year: 16,000 t CO<sub>2e</sub>

The municipality of Fuchstal's wind zone will be expanded by three Enercon E-160 turbines, each with a capacity of 5.56 MW. The wind farm is scheduled to go online in October 2023.

### Ecological features of the project

Associated with the wind farm is a research project on camera-based bird monitoring, which is being carried out in collaboration with Weihenstephan-Triesdorf University of Applied Sciences and funded by the Free State of Bavaria.

The municipality of Fuchstal is a role model with regard to the energy transition: The municipality's goal is to be energy self-sufficient by 2030. The municipality of Fuchstal cooperates in this area with regional initiators.

7 AFFORDABLE AND CLEAN ENERGY





## Building loans and mortgages

Times of skyrocketing rents require new housing concepts. UmweltBank is Germany's leading bank in the field of eco-friendly residential properties, joint building ventures as well as sustainable and social rental and commercial real estate. UmweltBank applies the principle of: The more ecological a building is to be, the more favourable the interest rate will be. But social aspects also play an important role because housing should be affordable for everyone. UmweltBank looks at the package as a whole.

For 25 years, UmweltBank has been assisting its customers in realising their individual dreams of where and how to live. One of UmweltBank's specialist areas is providing finance for not-for-profit residential projects. Alongside social and ecological criteria, the Bank attaches great importance to projects being completed at cost price. This makes it possible for members of joint building ventures to purchase living space at favourable prices. Members of a cooperative pay 'cost rent' for their home, which is generally significantly lower than market rents. This means that individuals or families are able to afford attractive residential locations even in the current real estate market. The future residents are actively involved in the planning of the project. In many cases, a good, friendly relationship comes into being that remains even after everyone has moved into their new home in the joint development. An important factor for the success of the project is for support to be provided by experienced firms of architects and practised management teams.

In 2022, UmweltBank made affordable accommodation available for over 1,000 people with the projects it financed.

More than 350 care places came into being in 2022 with the schools, day-care centres and nursing facilities financed by UmweltBank.



## UmweltRating for building loans and mortgages

When is a construction project sustainable? And what is a fair way to assess its sustainability? These questions led UmweltBank to revise its assessment system for building loans and mortgages. Assistance came from the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e.V., DGNB).

The UmweltRating for building loans and mortgages takes account of various ecological and social aspects on the basis of which UmweltBank determines the individual lending terms for construction projects of all kinds – from wooden houses to nursery schools. The rating system is based on a detailed catalogue of criteria that cover not only construction aspects such as energy efficiency but also social aspects such as integration into the surrounding area.

They assessed the UmweltRating and weighed it against their own sustainability criteria. The DGNB confirmed that 'compliance with UmweltBank's criteria in construction projects also contributes to increased sustainability in the built environment in their understanding of the term.' UmweltBank is the first bank in Germany to use a certified sustainability rating in lending for construction projects – and thus making a contribution to sustainable building that does justice to the term sustainability.

'The UmweltRating helps us to make a fair assessment of projects and to promote sustainable projects with favourable terms.'

Matthias Winkler, Head of Financing Real Estate Projects

### Construction criteria

#### Energy efficiency

- ✓ KfW standards
- ✓ Further energy-related measures

#### Conservation of resources

- ✓ Ecological construction
- ✓ Eco-friendly construction materials
- ✓ Renewable energy sources

#### Flora and fauna

- ✓ Revegetation
- ✓ Use of rainwater
- ✓ Preservation/development of fauna



### Social criteria

#### Affordable living

- ✓ Joint building venture, syndicate, cooperative
- ✓ Social housing

#### Use

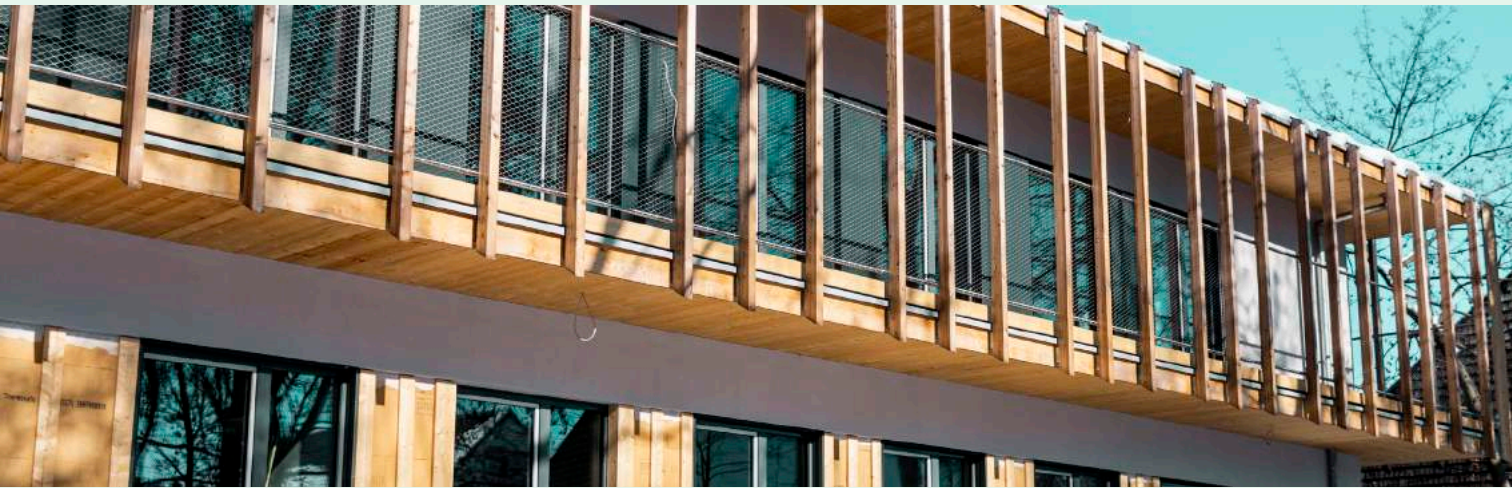
- ✓ Social institutions, such as child day-care centres
- ✓ Culture and handicrafts
- ✓ Accessibility

#### Mobility

- ✓ Electromobility
- ✓ Access to public transport
- ✓ Bicycle-friendliness

## KuK day care centre Nuremberg

- Location: Bavaria
- Size: Two crèche and kindergarten groups for 74 children
- Usable space: 640 m<sup>2</sup>



The Nürnberger Krabbelstube und Kinderladen e.V. has built a new building in the Schniegling/Wetzendorf district of Nuremberg. The building offers 640 m<sup>2</sup> of usable space for two kindergarten groups and two crèches with a total of 74 children. Wooden playhouses dot the beautiful and inviting garden. Green spaces completely surround the new building.

### Ecological features of the project

During construction, the focus was on child-friendly architecture as well as the use of ecological materials and renewable energies. The building is a timber frame construction and is heated by an air-water heat pump, which uses no fossil fuels at all. The heat pump is also used for the underfloor heating in all rooms. Furthermore, the green roof creates permanent habitats for animals and plants needing resting, feeding, nesting and breeding opportunities. A photovoltaic system was also installed.

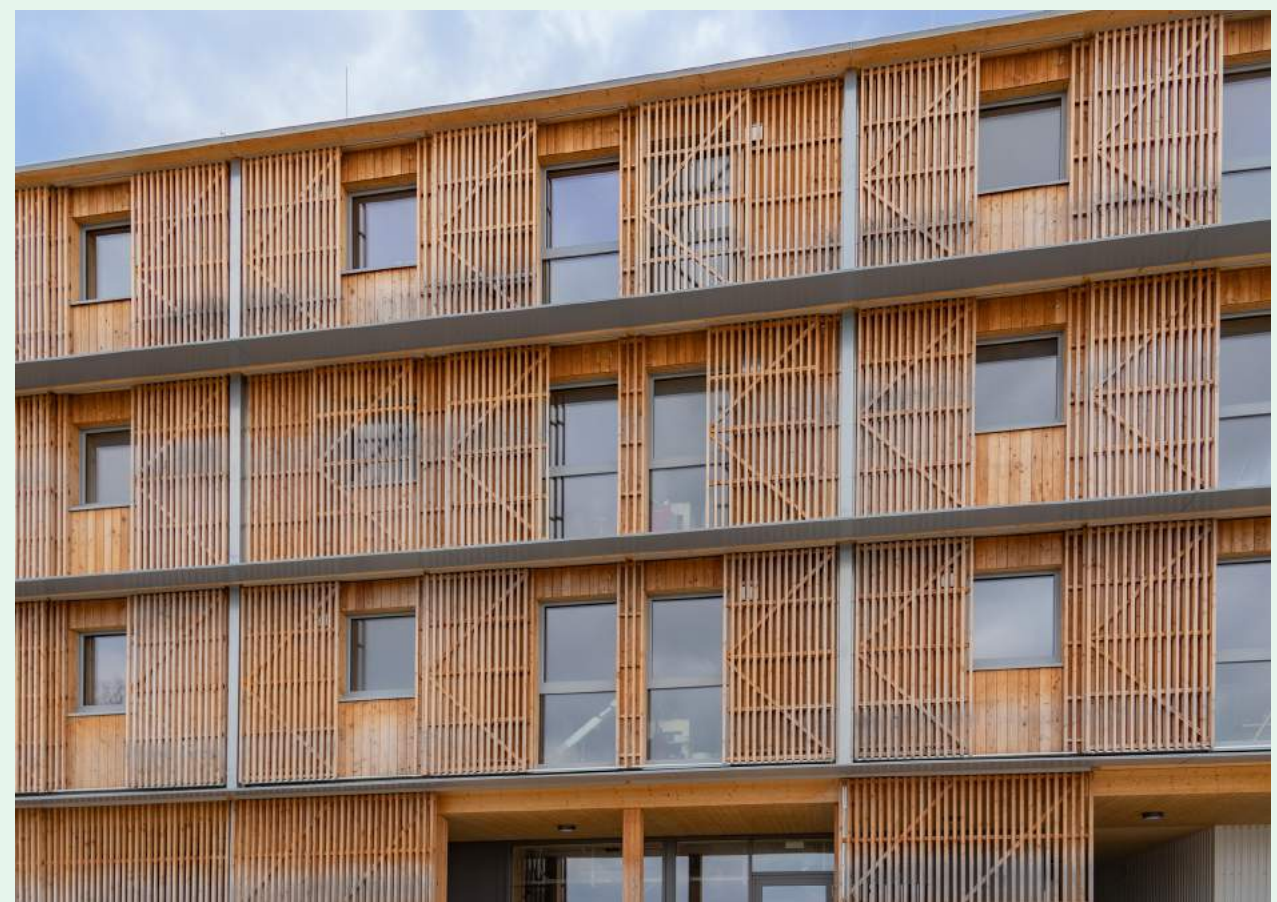


## Collegium Academicum

A new, self-managed student residence hall has been built in Heidelberg. The Collegium Academicum was built on the site of a former US hospital and will provide affordable housing for 176 young people. There are a total of 46 shared apartments, a large assembly hall, a multifunctional room with kitchen and a workshop on four floors. The hall will serve as a cultural centre and offers spaces for creative ideas, individuality, community and lively exchange. The innovative wooden new build fulfils the KfW 40 Plus standard and was funded by the Federal Ministry of the Interior and the Zukunft Bau research initiative.

### Ecological features of the project

As a self-managed student residence hall, the Collegium Academicum was built with the aim of providing affordable and self-determined housing for students, trainees and doctoral candidates. The new building also meets high ecological standards. Using modular timber construction, the residence hall was built almost exclusively from renewable raw materials with a low primary energy content. Flexible wall elements allow the room layout of the shared flats to be adapted to the needs of their residents.





## AUSBAUHAUS Südkreuz joint building venture

- seven storeys, one of which is a staggered storey
- 13 condominiums, one guest flat
- three subsidised flats
- two neighbourhood-related commercial spaces

The new build has 13 condominiums as well as three subsidised flats and one guest flat on a total of seven storeys. The block of flats also houses two neighbourhood-related commercial spaces, which are used as start-up training rooms for founder seminars and consulting, and as a neighbourhood living room with a studio. This is intended to promote cultural and social exchange. There is also a large communal roof terrace and a garden.

### Ecological features of the project

The new build is a wood-concrete hybrid construction and meets the KfW 40 efficiency house standard. During the design phase, attention was paid to life-cycle-oriented construction, i.e. deconstructability and reuse of building materials. Three of the total of 16 residential units were designed as subsidised housing. The communal roof terrace is also intended as a beekeeping site, and birdhouses have been integrated into the façade.

## 1.4 Sustainable Investments

UmweltBank invests in sustainable projects, particularly in the areas of social housing and renewable energy sources. It is increasingly expanding its project portfolio through its wholly owned subsidiary UmweltProjekt GmbH.

Various **forms of participation** are possible:

- Investments in existing projects
- Project purchase
- Joint project development with partner companies

UmweltBank holds various sustainable participating interests and, if required, also assumes commercial management via subsidiaries. In total, the Bank has around 29 MW of photovoltaics and approximately 30 MW of wind power in its own portfolio. It also currently has participating interests in over 950 flats and roughly 75 commercial premises in the letting or construction phase. Another roughly 650 flats and around 30 commercial premises are in the planning stage. For the near future, the company plans to further expand its investments in solar and wind farms as well as construction projects through UmweltProjekt GmbH.

The creation of affordable accommodation is a matter close to UmweltBank's heart. Therefore, it prefers to invest in housing projects with rents below the local market level. The price-controlled rents make it possible for families in urban areas, in particular, to find an affordable home.

In addition, the Bank actively contributes to the energy transition with its investments in renewable energy projects. In 2022 alone, the wind and solar parks in the portfolio saved around 76,500 tonnes of CO<sub>2</sub>. The plants cover the annual electricity needs of over 23,700 three-person households.



## Quartier Ryckkant Greifswald

- New construction of residential and commercial units in Greifswald
- 182 residential units, 11 commercial units
- Ecological construction

In Greifswald, a new build with a total of 182 residential and 11 commercial units is being constructed on a total area of over 13,300 m<sup>2</sup>. When completed, Quartier Ryckkant will offer individual living and working space for about 1,200 people, but also communal areas. The project utilises ecological construction and, with its location directly on the Ryck River, is intended to be a modern home with a feel-good character for all residents.

### Ecological features of the project

The project is being built according to the latest standards in ecological construction and focuses on energy efficiency and sufficiency: photovoltaic systems on the roofs supply the households with energy as part of a tenant electricity model, and district heating is also used. Energy-efficient construction reduces the heat demand. In addition, there are no complicated ventilation systems. Residents also have a green roof terrace available to them.

## Altenbruch Ost wind farm

- Location: Lower Saxony
- Annual energy yield: 33,379 MWh
- CO<sub>2</sub> savings per year: 23,000 t CO<sub>2</sub>
- Enables the supply of more than 6,600 three-person households

The Altenbruch Ost wind farm is one of two wind projects at the Cuxhaven site that are in the portfolio of UmweltProjekt GmbH. A 24.99% stake is currently held in the operating company Windpark Altenbruch-Ost GmbH & Co. KG. The four Nordex N117 wind turbines with a total capacity of 12 MW were brought online in 2016.

### Ecological features of the project

The Altenbruch wind farm has been given a second life thanks to successful repowering. Until 2016, wind turbines at the site had been supplying green electricity for 20 years. These were replaced by modern and powerful units. This ensured that wind power will be used on the site for at least another 20 years, thus increasing the contribution to sustainable power generation. The high-yield site enables approximately 33.3 million kWh of green electricity to be fed into the public grid each year.



## 1.5 Germany's green bank share

The UmweltBank share is the only sustainable bank share listed on the stock exchange in Germany. Due to the strategic focus on renewable energy sources and ecological housing, an investment in the green bank is also an investment in future trends. With a market capitalisation of approximately €480 million (December 2022), UmweltBank is one of the largest companies listed in the Munich Stock Exchange m:access segment for medium-sized enterprises. Around 85% of the shares are in free float and can be traded on XETRA, Tradegate and other stock exchanges.

### Key data of the UmweltBank share as at 31 December 2022

XETRA year-end price	€13.45
Market capitalisation	€480 million
Price/earnings ratio	15.64
Price-to-book ratio	1.19
Dividend yield	2.45%
WKN / ISIN / RIC	557 080 / DE0005570808 / UBK
Home exchange	Munich Stock Exchange, m:access segment for medium-sized businesses
Other trading venues	Xetra, Frankfurt, other regional exchanges
Number of shares	35,662,712 bearer shares
Share capital	€35,662,712.00

The UmweltBank share was placed in a pre-IPO issue in 1995 and 1996. The purchase price of a share at that time was (converted) €1.02. In June 2001, the UmweltBank share celebrated its début on the Regulated Unofficial Market of the Frankfurt Stock Exchange. Since 1 September 2016, the green security has been listed in the m:access segment of the Munich Stock Exchange.

## Dividend policy

UmweltBank has been paying a dividend since 1999. At the annual general meeting in June 2022, shareholders approved a distribution of 33 cents per share – **the 19th distribution in a row.**

### Dividend development since 2013



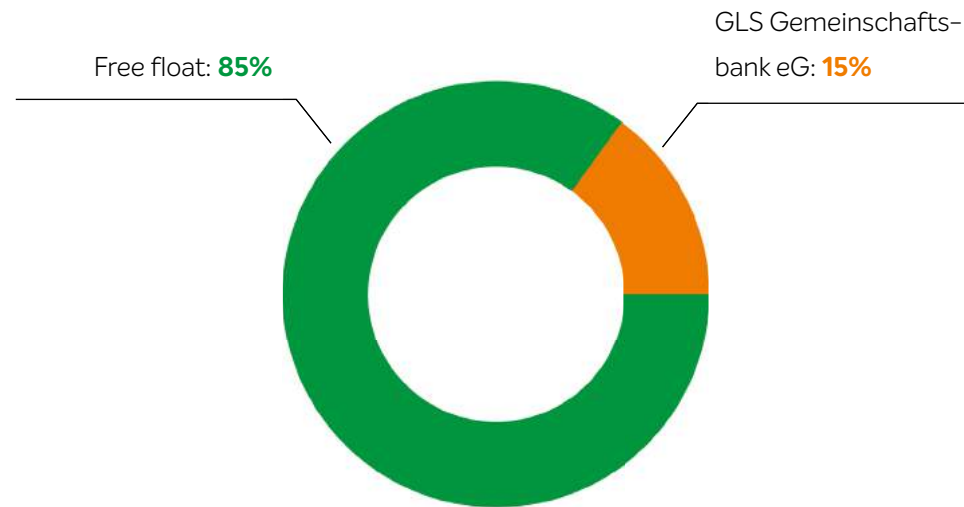
\* Excluding one-off anniversary dividend of €0.04

### Price development of the UmweltBank share in 2022 in euros.



## Shareholder structure

UmweltBank is an independent, publicly owned company. Around 85% of the shares are in free float, mainly held by customers and employees, but also by institutional investors. The only major shareholder is GLS Gemeinschaftsbank eG with a share of around 15%.



## Employees become shareholders

From time to time, UmweltBank offers employee shares to motivate and retain employees and to foster a (co-)entrepreneurial mindset. Employees can thus purchase shares at highly discounted terms.

## Excellent sustainable investment

UmweltBank has had the 'Prime' rating in the ISS-ESG sustainability rating for many years. The rating agency gives UmweltBank an overall rating of A+ on a scale from A+ to D+. This makes it one of the forerunners in the 'Financials/Specialised Finance' sector.



## Recommendations from financial analysts

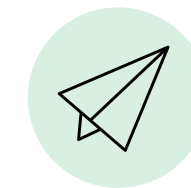
Baader Europe and GBC AG regularly publish studies on UmweltBank. The current analyst recommendations are available online at: [www.umweltbank.de/analysten](https://www.umweltbank.de/analysten)

## Continuous strengthening of equity

At the end of 2022, UmweltBank's regulatory equity amounted to approximately €529 million (excluding the planned accumulation of profits for the 2022 financial year), compared to €427 million in the previous year. The increase resulted mainly from the recognition of the 2021 capital increase by the Federal Financial Supervisory Authority (BaFin). In addition, equity was strengthened by the accumulation of profits and the high acceptance rate of the stock dividend.

At 16.5%, UmweltBank's regulatory capital ratio at the end of 2022 clearly exceeded the minimum requirement of 12.0% stipulated by the banking supervisory authority. In addition to share capital and reserves, profit participation rights also count as regulatory equity.

In addition, UmweltBank has issued a CoCo bond (contingent convertible bond) with a total nominal value of approximately €26 million. This was followed in 2018, 2019 and 2020 by the issue of the Green Bond junior, a fixed-interest bond with subordination rights. In total, investors have subscribed to shares worth around €42 million.



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<https://www.umweltbank.de/info/ir-newsletter>

## 1.6 *Responsible* corporate governance

### *Sustainability policy*

UmweltBank – the name says it all: the Bank is fully focused on environmental protection and sustainability. Therefore, the Management Board controls the Bank not only through financial performance indicators, but also, among other things, through the fulfilment of the environmental guarantee.

### Mission and sustainability management

The preamble of the articles of association is the foundation of UmweltBank's sustainability policy.

*'UmweltBank promotes the sustainable development of society with the objective of maintaining and creating a liveable world for future generations. The Bank models its business operations on the United Nations Sustainable Development Goals. In particular, it makes contributions to the implementation of sustainable towns and communities, to affordable and clean energy and to climate protection. At the same time it pays attention to sustainable production and consumption as well as gender equality. Honesty, transparency and people orientation are values that guide the bank's actions. A stable economic foundation is the prerequisite for successful work.'*

The mission of UmweltBank is to contribute to the protection of the environment in every respect through its business activities, while also taking social aspects into account. This results in the following specific tasks:

1. UmweltBank invests its equity and deposits exclusively in sustainable, i.e. ecologically and/or socially beneficial, projects. UmweltBank considers itself a private development bank.
2. All third-party products offered to customers (securities, insurance, etc.) must be ecologically and/or socially oriented.
3. The Bank's business operations must always be respectful of gender equality and sustainability in purchasing.
4. In the economy and society the bank acts within its means to promote ecological change, particularly in the financial sector. Within this framework, it also pursues the goal of promoting quality education.

To implement the sustainability policy in practice, UmweltBank uses a sustainability management system in accordance with the Eco-Management and Audit Scheme (EMAS). This consists of an annual cycle of planning, implementation, internal audit and management review of the Bank's environmental performance and objectives. The process is also (re)validated annually by an independent environmental auditor, which is subject to government monitoring.

## Positive and exclusion criteria

The core task of UmweltBank is to finance and promote sustainability projects. The Management Board and the Environmental Advisory Board have established investment and financial principles for assessing which projects the Bank supports. Positive and exclusion criteria serve as a basis:

### Positive criteria

UmweltBank exclusively finances projects and only invests in companies that contribute to one or more of the United Nations' Sustainable Development Goals.



The detailed positive and exclusion criteria are defined in 'Our Principles for Investment Products and Financing'.

### Exclusion criteria

The following principle applies to UmweltBank's exclusion criteria:

UmweltBank does not finance projects and does not invest in companies that:

- adversely affect the well-being of people and/or
- adversely affect nature conservation and/or
- are not sufficiently transparent with respect to their business practices.

### Practised sustainability

The ecological footprint of business operations is to be continuously reduced within the framework of the sustainability management system according to EMAS. UmweltBank also strives for continuous improvement with regard to social aspects.

Compliance with applicable laws and regulations – not only those in the areas of ecology, economy and social affairs – is a matter of course for the employees and bodies of UmweltBank.

## Precautionary approach

UmweltBank is mindful of the precautionary approach to environment and development introduced by the United Nations in Principle 15 of the Rio Declaration. It states: 'In order to protect the environment, the precautionary approach shall be widely applied by the states according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental damage.'

Anchoring the Sustainable Development Goals in the articles of association, clear positive and exclusion criteria, and the UmweltRating when lending enable UmweltBank to assume a high degree of ecological and social responsibility within the scope of its business activities. The Bank therefore considers the risk of contributing to irreversible environmental damage in the course of its business activities to be very low.

## Compliance and data protection

UmweltBank has a Compliance function that is intended to mitigate the risks that may arise from non-compliance with statutory regulations and requirements. The Compliance function shall work towards the implementation of effective procedures for compliance with the legal regulations and requirements essential for the institution as well as towards corresponding controls. Furthermore, the Compliance function shall support and advise the management with regard to compliance with these legal regulations and requirements.

The Compliance function includes, in particular, the prevention and detection of money laundering and other criminal offences as well as compliance with conduct and organisation requirements under capital market law, consumer protection, information security and data protection. Employees receive training on these topics at various intervals.

In 2022, no significant fines or non-monetary sanctions were levied against UmweltBank due to non-compliance with legislation in the social and economic area.

UmweltBank has established a central complaint management system to which customers and interested parties can turn. UmweltBank provides information about this on its website and in its information for customers. The purpose of central complaint management is to ensure that information is reviewed and assessed objectively and in the interest of the customer. The complainants first receive an acknowledgement



of receipt and then a response within 14 days, which in some cases may say that this period has to be extended. If the complaint is not answered in full, the complainants will receive an explanation, and information on their options for further pursuing any claims. Where relevant, specific reference is made to the fact that UmweltBank is obliged to participate non-judicial mediation and how this can be availed. The functionality of the complaints management process is regularly reviewed and assessed within the framework of internal and external audits. The findings from the complaint handling are considered by UmweltBank's Compliance function and are included in the reporting to the Management Board and the Supervisory Board.

In 2022, there were three substantiated complaints from external parties client data protection breaches. A total of 31 security breaches were registered, including one case of illicitly obtaining access data for online banking. The majority of the other cases related to simple transactions such as misaddressed correspondence in individual cases.

## ***Compliance with environmental legislation***

UmweltBank complies with all German and European labour, social and environmental laws as well as consumer protection regulations. In addition, the Bank observes voluntary commitments and industry standards from the area of sustainability and environmental policy. UmweltBank is subject to sector-specific banking and capital market regulations such as from the German Banking Act (Kreditwesengesetz – KWG) and the Securities Trading Act (Wertpapierhandelsgesetz – WpHG). Compliance with the associated social responsibility for sustainable management and the general duties of good conduct are guaranteed by the Compliance organisation, which reports directly to the Management Board. The relevant environmental laws are recorded by the Treasury & Sustainability department in collaboration with the Legal & Compliance department and regularly checked to ensure they are up to date. In the event of deviations or changes in the law, any necessary measures are initiated after consultation with the Management Board. No violations of environmental legislation were identified in 2022.

## ***Human rights***

UmweltBank is committed to respecting internationally recognised human rights and in the process ensures that it is neither directly nor indirectly complicit in their violation. Internationally recognised human rights are reflected in the tenets of the International Bill of Human Rights and the principles of the UN Global Compact, among others. With regard to lending, clear positive and exclusion criteria are defined, with human rights

violations as a clear exclusion criterion. If an exclusion criterion applies, be it to companies or financiers, no business case is made. In the case of the Bank's own investments, compliance with the positive and exclusion criteria is continuously monitored. UmweltBank is supported here by the Environmental Advisory Board, UmweltBank's independent ecological control body. If a business partner commits a human rights violation, the business relationship is terminated. No business activities in violation of human rights were identified for 2022. There are no known cases of child labour or forced labour.

When sourcing products and services, UmweltBank places a special focus on ethically sound suppliers and service providers. Providers potentially linked to human rights violations are rigorously excluded. With its sole registered office in Nuremberg and preferential collaboration with local suppliers and service providers, UmweltBank minimises the risk of human rights violations in the sourcing of its products and services.

# Contribution to the **SDGs**

UmweltBank measures its sustainability performance by its contribution to the Sustainable Development Goals. The Bank focuses on the five SDGs on which it has the greatest influence.

## SDG 13 Climate Action

- Record and improve environmental performance within the framework of EMAS
- 1,160,000 tonnes of CO<sub>2</sub> avoided

## SDG 5 Gender Equality

- 56% of employees are women
- 44% of managers are women

## SDG 12 Responsible Consumption and Production

- Self-assessment of the sustainability performance of the suppliers and service providers

## SDG 11 Sustainable Cities and Communities

- Affordable, ecological building:** approx. 44% of the projects financed
- 2022:** affordable accommodation for over 1,000 people and care places for 370 people financed

## SDG 7 Affordable and Clean Energy

- Renewable energy sources:** approx. 54% of the projects financed
- 2022:** 9% of Germany-wide expansion in the photovoltaic sector (>500 kWp) financed



## Corporate responsibility

UmweltBank supports various charitable projects through donations or sponsorships. The Bank is also active in various networks and associations.

### Banker on Bike

UmweltBank employees are enthusiastic cyclists. When it's for a good cause, they pedal all the harder. That's the idea behind the annual 'Banker on Bike' internal fundraising campaign: for every kilometre cycled to work, the Bank donates one euro to charitable initiatives and associations. The participants themselves propose the projects and vote on the distribution of the donations.

UmweltBank supports three projects each year: one global, one national and one regional. The campaign is worth it – in 2022, UmweltBank employees cycled around 19,000 km despite increased work in the mobile office. Thus, three remarkable initiatives were the happy recipients of a donation from the campaign: the Nuremberg non-profit organisation Wolfsherz, Stiftung pro Artenvielfalt and the Jane Goodall Institute. UmweltBank donated a total of €20,000 to the projects.





## UmweltBank and Viva con Agua – together for clean water

Water is a human right! Despite this, over 750 million people worldwide do not have assured access to clean drinking water. Since 2006, Viva con Agua de Sankt Pauli e. V. has been working to change this and promotes a wide range of water projects, especially in Africa. The small Hamburg-based association has since become an international network that helps to ensure that all people have access to clean drinking water and basic sanitation.

Viva con Agua supports so-called WASH projects worldwide. WASH stands for water, sanitation and hygiene. In keeping with the motto 'Water for all – all for water', the projects contribute to improving the supply of drinking water and providing basic sanitation. The association is not only concerned with simply providing the infrastructure, but also with hygiene and the responsible use of the scarce resource of water. Viva con Agua takes a so-called Universal Languages Approach in its work. The universal languages of music, art and sport are used to create awareness of WASH issues in a playful and joyful manner as part of the projects. This motivates local people to adopt a hygiene- and health-conscious lifestyle.

The association likes to go in unconventional ways to raise money for a good cause. From collecting deposit cups at concerts to hitchhiking races across Europe to selling fair toilet paper: The association shows how easy it can be to donate and that every contribution, no matter how small, counts. This is also evident in the context of the collaboration with UmweltBank. In 2022 alone, customers helped provide access to clean water for 10,930 people in Uganda.

## New customer promotion

Since its foundation, UmweltBank has donated €5 for each new customer to various environmental protection projects. UmweltBank has donated **€5 to the Viva con Agua de Sankt Pauli association for every new customer** since 2022. Each donation gives two people in Uganda access to clean drinking water. Viva con Agua supports water projects worldwide and has the vision that all people have access to clean drinking water, hygiene facilities and basic sanitation.



## Membership in associations and initiatives

Through its numerous memberships, UmweltBank supports in particular those interest groups and associations that advocate for preserving the environment and an ecological way of life. From industry-specific associations such as the Bundesverband WindEnergie e.V. (BWE) or the Forum Nachhaltige Geldanlagen (FNG), to regional initiatives such as the Solarmobil-Verein Erlangen e.V., UmweltBank is involved in around 40 organisations. As a matter of principle, UmweltBank does not donate to political parties, politicians or governments.

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### Association/Organisation/Initiative

Allgemeiner Deutscher Fahrrad-Club e.V. (ADFC)

Agentur für Erneuerbare Energien e.V.

BA.U.M. e.V.

BLUEPINGU e.V.

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Association/Organisation/Initiative
Bundesverband Baugemeinschaften e.V.
Bundesverband Erneuerbare Energien e.V. (BEE)
Bundesverband nachhaltige Wirtschaft e.V.
Bundesverband Solarwirtschaft e.V. (BSW)
Bundesverband WindEnergie e.V. (BWE)
BUND – Bund für Umwelt und Naturschutz Deutschland e.V.
Bund Naturschutz in Bayern e.V.
Bündnis Bürgerenergie e.V. (BBEn)
Deutsche Gesellschaft für Nachhaltiges Bauen-DGNB e.V.
Deutsche Gesellschaft für Personalführung e.V.
Deutscher Verband für Landschaftspflege e.V. (DVL)
DIRK – Deutscher Investor Relations Verband e.V.
Die Umwelt-Akademie e.V.
Eurosolar e.V.
Fair Company
Forum Nachhaltige Geldanlagen e.V.
FORUM Gemeinschaftliches Wohnen e.V.
Global Alliance for Banking on Values (GABV)
Green and Sustainable Finance Cluster Germany e.V.
Landesverband für Vogelschutz Bayern e.V.
Netzwerk Immobilien e.V.
NABU – Naturschutzbund Deutschland e.V.
Solarenergie-Förderverein Deutschland e.V. (SFV)
Solarmobil-Verein Erlangen
Verkehrsclub Deutschland e.V. (VCD)
Verband für Nachhaltigkeits- und Umweltmanagement e.V.
Verein für eine nationale CO <sub>2</sub> -Abgabe e.V.
Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU)
Viva con Agua de Sankt Pauli e.V.
Wirtschaft für die Europäische Metropolregion Nürnberg e.V.



**PROUD MEMBER**

## Global Alliance for Banking on Values

The Global Alliance for Banking on Values (GABV) is a network of leading sustainability banks from around the world. The aim of the organisation is to make the banking system more transparent and sustainable. The members focus on supporting social, ecological and cultural projects.

The GABV was founded in 2009 and consists of a growing network of currently 70 financial institutions and 16 strategic partners operating on every populated continent. In total, they serve more than 60 million customers, manage assets of over €200 billion and employ more than 80,000 people.

UmweltBank is among like-minded organisations in the GABV. The common work is characterised by the motto 'be green, promote green'. There are also a small number of sustainably oriented banks in Germany; nevertheless, this approach is the exception rather than the rule in the financial sector. That's why it is all the more important for sustainability banks from all over the world to join forces in a global network like the GABV. Through their combined efforts, they are helping to ensure that sustainable business models and their financing become the norm in the future.

## 1.7 Dialogue with stakeholders

**Do good and talk about it** – UmweltBank seeks open dialogue with the interest groups that are directly or indirectly affected by its activities, the stakeholders.

A trusting and collaborative exchange with customers, employees, investors and the public, enables requirements and expectations to be individually defined and an understanding of the concerns of the individual subgroups can be developed. Furthermore, the stakeholder dialogue provides the Bank with important ideas for the sustainable alignment of its business activities.

UmweltBank employees regularly exchange views in person with the relevant stakeholders, for example in meetings or at events such as conferences or forums. In addition, the Bank continuously informs its stakeholders through publications such as press releases and the Sustainability and Annual Report. The Bank also uses digital platforms such as the corporate website, the Bank & Environment blog and social media.

As a direct bank, one focus of the dialogue is on communication with customers. With respect to telephone support, the Bank places particular emphasis on direct channels with short response times. Employees get suggestions, praise and criticism in personal discussions. These comments are continuously collected, evaluated and used as an opportunity to check internal and external processes for improvements.

UmweltBank interacts with a wide range of stakeholders. The Bank considers representatives of organisations or the public that are influenced by the business activity or that can influence the UmweltBank through their activities to be important stakeholders. These stakeholders and their issues are regularly reviewed and prioritised by the Bank for relevance. Important stakeholders in this sense are:



## 1.8 *Analysis of the main* **sustainability aspects**

Transparency and honesty are fundamental principles of UmweltBank and of essential importance in dealing with stakeholders. It is important to set the right thematic priorities in regular reporting and in dialogue with the stakeholders. It is therefore important to find out which issues are of particular importance to stakeholders and in which areas the Bank has the greatest impact on its environment. In its assessment in accordance with the Global Reporting Initiative (GRI), the Bank draws on the results of the materiality process.

The current materiality analysis was performed during the period October 2020 to March 2021 in collaboration with an external partner. The core of the analysis was a survey with internal and external stakeholders, accompanied by various interviews with experts.

**Analysis preparation:** To ensure a holistic view of relevant sustainability issues, industry guides, trade publications from the field of sustainable finance and the sustainability reports of seven different banks were evaluated. In addition, key aspects from previous UmweltBank sustainability reports, selected targets of the Sustainable Development Goals (SDGs) as well as information from the current CO<sub>2</sub> balance were included. The result of this preparation was 20 sustainability topic complexes covering the three dimensions of economic, social and ecological sustainability. These are the topics where UmweltBank has a high impact on the environment and society and/or where topics related to the environment and society have a particular impact on the business model.

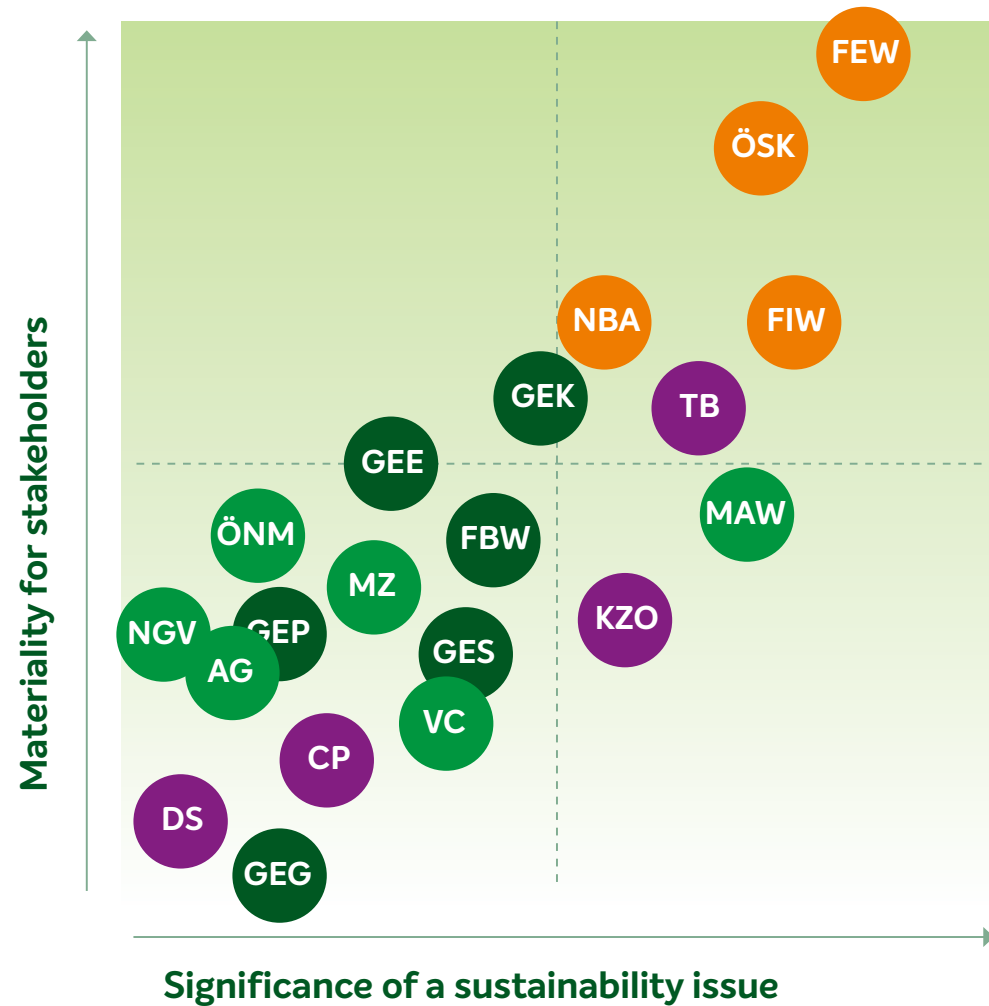
**Analysis performance:** The analysis was based on a digital stakeholder survey. In addition, interviews were held with various experts and supplemented by a short digital survey. Over 1,700 stakeholders participated in the survey. In addition to employees, management, supervisory bodies and customers, shareholders, capital market analysts and people without a business relationship with UmweltBank were also involved. A wide range of representatives from science, politics and business were asked to participate in the expert interviews. Four representatives from politics and science as well as four representatives from the CSR departments of competitors participated in the 30–60 minute interviews. The identical 20 sustainability topics from the four categories – core business financing, core business organisation, internal sustainability topics and social engagement – were addressed with all participants.

**Analysis evaluation:** The evaluation in the form of a materiality matrix was performed in accordance with GRI 101 standards. For this purpose, the materiality for the stakeholders (= Influence on stakeholder assessments & decisions) and significance of a sustainability topic (= Significance of economic, environmental & social impacts) were determined on the basis of the online surveys and the interviews as well as the findings from analysis preparation.

To determine the materiality for the stakeholders, a quantitative index was derived from the responses of the internal and external stakeholders. The Stakeholder Index is made up of 33.3% assessments by employees, management and supervisory bodies and 66.7% by customers, capital market participants and interested parties.

To assess the significance of the sustainability topic, an index was derived from the responses of the management, the supervisory bodies and the experts. 50% of the significance index is derived from the answers of management and supervisory bodies and 50% from the information provided by the experts in the short survey. A qualitative component was then added to this purely quantitative index. The significance index of each sustainability topic could be increased or decreased by up to 10% based on the interviews and the information from the analysis preparation. The significance of ten sustainability topics was refined with the help of this qualitative override.

### Materiality matrix with all stakeholders



- Core business – financing
- Core business – organisation
- Internal topics
- Social engagement

FEW – Finanzierung der Energiewende (Financing the energy transition)  
 ÖSK – Ökologische und Soziale Kriterien in Kreditvergabe, Eigenanlage und Anlageoptionen (Ecological and social criteria in lending, own investment and investment options)  
 FIW – Finanzierung einer nachhaltigen Immobilienwirtschaft (Financing a sustainable real estate industry)  
 NBA – Eigenentwicklung von nachhaltigen Bankangeboten (In-house development of sustainable banking offers)

TB – Transparenz zur Nachhaltigkeitsleistung der Bank (Transparency on the Bank’s sustainability performance)  
 KZO – Kund\_innenzufriedenheit und –orientierung (Customer satisfaction and orientation)  
 CP – Compliance (Einhaltung von Rechtsvorschriften) (Adherence to statutory regulations)  
 DS – Datenschutz und –sicherheit (Data protection and security)

MAW – Mitarbeiter\_innenauf- und –weiterbildung (Staff initial and advanced training)  
 MZ – Mitarbeiter\_innenzufriedenheit (Employee satisfaction)  
 VC – Vielfalt und Chancengerechtigkeit (Diversity and equal opportunity)  
 AG – Arbeitsplatzbedingungen und –Gesundheit (Workplace conditions and health)  
 NGV – Nachhaltiger Geschäftsverkehr (Sustainable business travel)  
 ÖNM – Innerbetriebliches ökologisches Nachhaltigkeitsmanagement (Internal ecological sustainability management)

GEK – GE für Maßnahmen zum Klimaschutz (SDG 13) (Social engagement for climate action (SDG 13))  
 GEE – GE für bezahlbare und saubere Energie (SDG 7) (Social engagement for affordable and clean energy (SDG 7))  
 FBW – Förderung von Bildung zu nachhaltigem Wirtschaften (SDG 4) (Promoting education for sustainable business practices (SDG 4))  
 GEP – GE für nachhaltigen Konsum und Produktion (SDG 12) (Social engagement for responsible consumption and production (SDG 12))  
 GES – GE für nachhaltige Städte und Gemeinden (SDG 11) (Social engagement for sustainable cities and communities (SDG 11))  
 GEG – Gesellschaftliches Engagement für Geschlechtergleichheit (SDG 5) (Social engagement for gender equality (SDG 5))



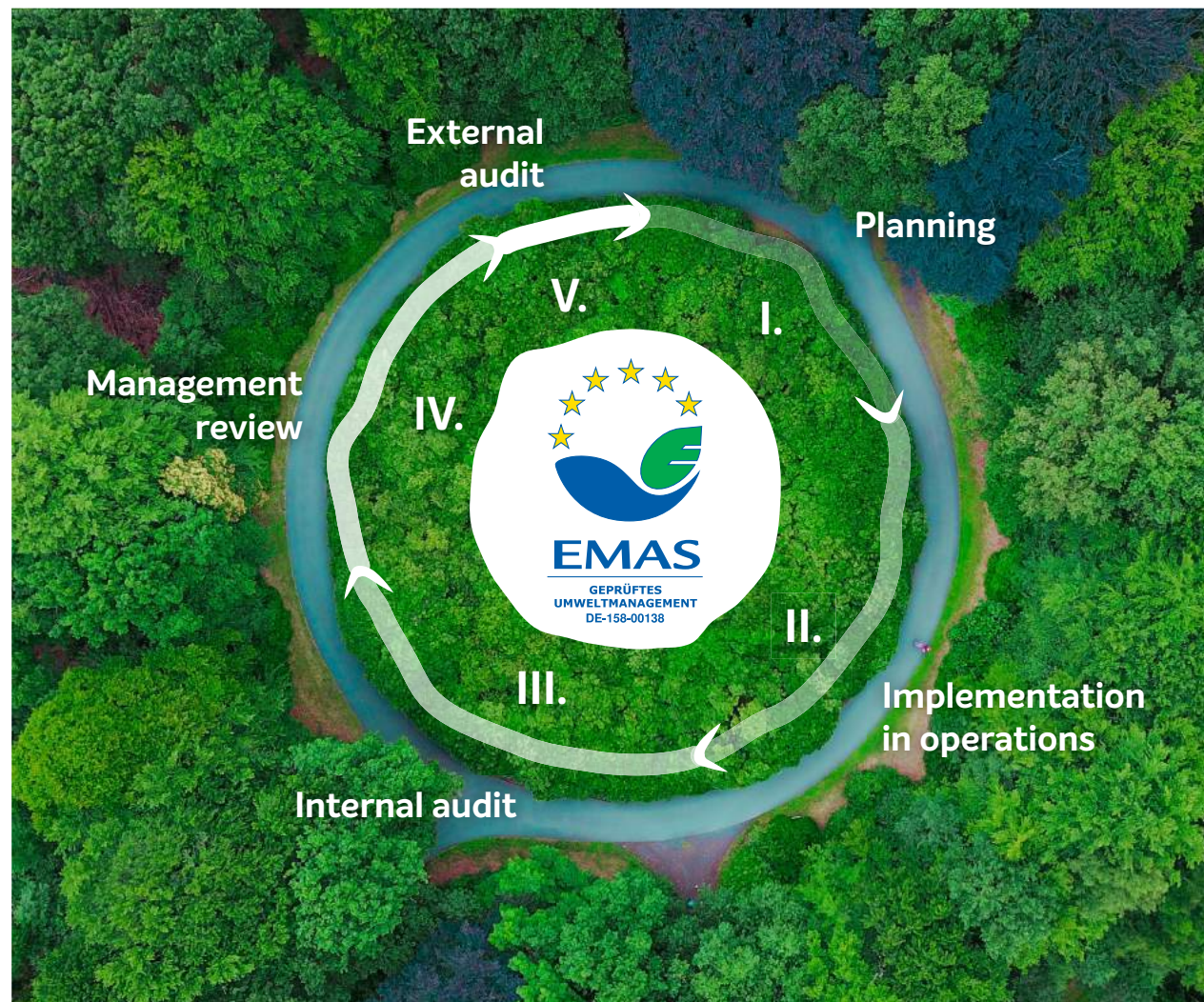
# 2

## *Contribution* **to the environment**



## 2.1 Environment management system

UmweltBank pursues the vision of preserving and creating a world worth living in for future generations. The basis for the Bank's sustainability management system is the sustainability policy, which supplements the articles of association and the business strategy with the positive and exclusion criteria for the core business as a fundamental guideline. UmweltBank's sustainability policy forms the basis for consistently sustainable business activities. The policy is put into practice via an annual cycle comprising the steps planning, implementation, internal audit and management review. The sustainability management system is implemented on the basis of guidelines developed for EMAS (Eco-Management and Audit Scheme), a European environmental management system.



## Planning

UmweltBank's core business is the financing of environmental projects. The Bank assesses all loan requests for their environmental and social impact and then decides whether to grant the loan. The company measures its environmental performance primarily on CO<sub>2</sub>e avoided. In addition, the Bank measures its contribution to the achievement of its prioritised SDGs. The Bank also identifies impacts on the environment caused by its business operations. The following aspects are currently considered relevant:

### Direct aspects:

- Resource efficiency
- Biodiversity and land surface sealing
- Direct emissions
- Transparency and credibility
- Social employer
- Gender equality
- Inclusive, equitable and quality education

### Indirect aspects:

- Promoting affordable and clean energy
- Promoting sustainable cities and communities
- Promotion of climate protection measures
- Indirect emissions

Targets and measures are derived for these key sustainability aspects, some of which are proposed by UmweltBank employees via the company suggestion scheme. The targets are adopted by the UmweltBank Management Board. All employees and the Environmental Advisory Board are then informed about the objectives.

## ***Implementation in operations***

The Treasury & Sustainability department is responsible for the implementation and continuous improvement of the environmental management system. They are supported by several sustainability teams, the so-called 'SDG groups'. These teams consist of employees from various departments of UmweltBank and work on issues and projects related to the SDGs.

Employees are regularly sensitised to sustainability issues and trained as required. New employees are instructed in sustainability management in the workplace as part of their induction training. Fundamental changes are announced in plenums attended by all employees of the Bank or via the intranet. The processes are clearly documented in guidelines and work instructions. These documents are part of the Bank's organisational manual.

## ***Internal audit***

Once a year, an environmental audit is carried out by UmweltBank's Internal Audit department. This department is in close contact with the Treasury & Sustainability department as well as management. Internal Audit is an independent control body of UmweltBank. It has the necessary expertise and objectivity to ensure that the audit is carried out in a qualified manner.

The main objectives of the environmental audit are to determine the functionality of the environmental management system, legal conformity and the achievement of a continuous improvement of UmweltBank's environmental performance. Deviations from established regulations are continuously identified. Any required corrective measures are initiated. The results of the environmental audit are summarised in a report. The written report documents the results and informs management of the effectiveness of the management system and the progress of the Bank's environmental performance.

## ***Management review***

The effectiveness of the environmental management system is evaluated annually by the Management Board. The basis for the management review is the environmental audit report and the company's own observations. In particular, the key environmental performance indicators, the degree of fulfilment of the objectives, suggestions for improving the sustainability management system, environmentally relevant feedback from customers and the legal framework are considered. The results of the review are used to optimise the management system and to continuously improve all environment-related processes and services.

## ***External audit***

At the end of the management cycle, an external audit of the system and its implementation takes place. The external audit is carried out by an independent environmental auditor. The results are also validated by UmweltBank's Environmental Advisory Board. The results of the external audit flow into the planning of the subsequent management cycle. The updated environmental statement in the form of a sustainability report is reviewed annually.

## 2.2 Environmental performance

### Key ecological influencing factors

As a service company with predominantly office-based employee activities, the Bank's business processes have relatively little direct environmental impact. Indirectly, however, UmweltBank has a considerable influence on the environment when defining lending criteria and in its own financial investments. To report transparently on its environmental impact, UmweltBank declares its relevant direct and indirect influences.

### Direct influences

Within the framework of the environmental management system according to the EMAS guidelines, UmweltBank annually collects data on the core indicators energy efficiency, material efficiency, waste, water and biodiversity, business travel as well as emissions, whereby the latter are presented and explained separately within the framework of the CO<sub>2</sub> balance.

### Energy efficiency

	Unit	2020	2021	2022	Change in %
Total power consumption	kWh	203,984.4	182,414.7	189,795.6	4.0%
Share of renewable energy sources	%	100.0	100.0	100.0	0.0%
Power consumption per employee	kWh	1,065.7	761.6	688.9	-9.5%
Total heat consumption	kWh	445,959.5	617,281.3	492,380.6	-20.2%
Share of renewable energy sources	%	26.0	18.0	49.0	172.2%
Share of district heating	%	100.0	100.0	100.0	0.0%
Heat consumption adjusted for degree days	kWh	472,717.1	592,590.1	541,618.6	-8.6%
<b>Total energy expenditure</b>	<b>kWh</b>	<b>649,944.0</b>	<b>799,696.1</b>	<b>682,176.1</b>	<b>-14.7%</b>
Total energy expenditure per employee	kWh	3,395.7	3,339.0	2,476.1	-25.8%
Share of renewable energy sources	%	49.2	36.7	63.2	72.2%

*The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022).*

UmweltBank's energy needs are met by electricity and district heating. When purchasing energy, the Bank places great importance on keeping the environmental impact as low as possible. That is why it produces its own solar power on the roofs of its commercial buildings. UmweltBank obtains 100% of the additional electricity it needs from renewable energy sources. Thus, renewable energy sources account for 100% of the electricity consumed.

The district heating consumed in all office buildings is obtained from the regional energy provider and is a CO<sub>2</sub>-neutral by-product of electricity generation. Although district heating is not produced using renewable energy sources, it is considered a very environmentally friendly form of energy. Overall, power consumption increased by 4% compared to the previous year, which is due to the increasing presence of employees in the office and the higher volume of commuting as a result.

### Material efficiency

#### Paper consumption

	Unit	2020	2021	2022	Change in %
Paper consumption, marketing measures	t	12.4	15.3	15.7	2.4%
Paper consumption, business operations	t	14.5	12.1	11.8	-2.7%
Paper consumption, total	t	26.8	27.5	27.5	0.1%
Paper consumption per employee	kg/FTE	140.3	114.6	99.8	-13.0%

*The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022). The allocations of paper consumption for marketing activities were adjusted for the previous years.*

Paper consumption per employee was reduced again, due primarily to a greater number of employees. Additional digitalisation measures should save more paper in the future. The change of the core banking system scheduled for 2023 will probably also contribute to this.

UmweltBank uses only environmentally friendly paper. This contains no substances that are harmful to health, is labelled with the 'Blue Angel' environmental seal and its production is CO<sub>2</sub>-neutral.

## Waste

	Unit	2020	2021	2022	Change in %
Biodegradable kitchen and canteen waste (AVV (Waste Catalogue Ordinance) 20 01 08)	t	7.1	8.0	8.2	2.5%
Mixed municipal waste (AVV 20 03 01)	t	2.6	3.2	3.3	1.6%
Plastic packaging (AVV 15 01 02)	t	2.3	2.3	2.3	-1.1%
Paper and cardboard (AVV 20 01 01)	t	18.1	20.6	22.6	9.9%
Total waste generation	t	30.1	34.2	36.4	6.4%
Waste generation per employee	t/FTE	0.2	0.1	0.1	-7.5%
Hazardous waste (AVV 20 01)	kg	6.9	3.3	7.7	134.2%
Discarded electric and electronic equipment (AVV 20 01 36)	kg	4.0	4.0	12.0	200.0%

The waste quantities are determined using estimation methods based on volumes. Measurement inaccuracies of 10% are possible. The separate collection rate according to the Commercial Waste Ordinance (Gewerbeabfallverordnung – GewAbfV) is 100%. The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022).

The waste generated is almost exclusively household-type waste. The waste is regularly collected by the City of Nuremberg's waste management unit and disposed of properly.

Special waste, such as electronic scrap or defective fluorescent tubes, must be handed in at the local recycling centre. UmweltBank donates empty toner cartridges to 'ROTE NASEN Deutschland e.V.'. The association recycles the cartridges, generating income for its charitable purposes.

In the reporting year 2022, the total amount of waste increased by approximately 6% compared to the previous year. This is due to the increased number of employees. Looking at the amount of waste generated per employee, consumption fell by 8% compared to the previous year. The calculation methodology also used more conservative assumptions.

## Water

	Unit	2020	2021	2022	Change in %
Total water consumption	m³	3095.5	3,690.9	4,475.0	21.2%
Water consumption per employee	l/FTE and day	73.2	69.7	73.5	5.4%

The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022).

UmweltBank's water consumption is similar to that of a household. Water is used almost exclusively for toilet use, cleaning the business premises and watering plants. The discharge of waste water is therefore also to be assessed as similar to a household. The specific water consumption per capita and working day has increased by approx. 5% in 2022, which can be attributed to the higher office attendance rate.

## Biodiversity

	Unit	2020	2021	2022	Change in %
Total land use	m²	3,526.4	3,526.4	3,526.4	0.0%
Office space	m²	5,789.1	5,789.1	5,789.1	0.0%

UmweltBank's premises include the commercial buildings at Laufertorgraben 4, 6 and 8, Nunnenbeckstraße 6–8 and Emilienstraße 3 (all in Nuremberg). All sites seal a total area of approx. 3,526 m².

The building at Emilienstraße 3 is a listed art nouveau house that underwent extensive ecological renovation several years ago and is used exclusively by UmweltBank. The building at Laufertorgraben 6 has other tenants besides UmweltBank. The revegetated inner courtyard serves as an ecological compensation area. UmweltBank also shares the buildings at Laufertorgraben 4, 8 and Nunnenbeckstraße with other tenants.

## Business travel

	Unit	2020	2021	2022	Change in %
Rail	km	87,938	89,767	172,265	91.9%
Car with internal combustion engine	km	563	3,339	7,168	114.7%
Electric car	km	9,894	4,581	235	-94.9%
Flights	km	-	1,956	1,941	-0.8%
Total business travel	km	98,395	99,643	181,609	82.3%
Business travel per employee	km/FTE	514	416	659	58.4%

The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022).

The Bank's internal guidelines stipulate that all business trips are to be made by rail. If this is not possible or only possible with disproportionate inconvenience, passenger cars with combustion engines are rented if necessary. Air travel is only permitted if the time required for a train journey would be disproportionately high.

Business travel increased by 82% overall in 2022. This is attributable to the easing of restrictions due to the coronavirus pandemic. More business trips were thus made by train again. Likewise, passenger cars with combustion engines were used more frequently, while the kilometres travelled by plane were at the previous year's level.

## Direct influences of the UmweltHaus (environmental house)

Under construction since 2022, the UmweltHaus, UmweltBank's corporate headquarters on Nuremberg's Nordwestring, will play a key role in the consideration of direct aspects in the future. The choice of the site already took into account ecological aspects such as the avoidance of new land consumption and good transport connections. As currently planned, the building will have the following ecological features: The UmweltHaus is to be built as a hybrid wooden building with the lowest possible energy and resource consumption, aiming for certification according to the Platinum Standard of the German Sustainable Building Council (DGNB). It is to be one of the first non-residential buildings to be realised according to the KfW Efficiency House 40 energy efficiency standard. In addition, the use of the building façade for photovoltaic power generation is planned as part of a holistic energy concept.

UmweltBank is aiming for DGNB Platinum certification – the council's highest award – for the UmweltHaus. In 2022, the DGNB rewarded the Bank's previous planning and efforts on the way to becoming a particularly sustainable company headquarters with a Platinum pre-certificate. The environmental performance of the UmweltHaus is being measured and communicated transparently from the very beginning, even during the construction phase. As construction progresses, more and more key figures will be published in the future, such as energy efficiency, material efficiency in relation to the most relevant input materials, water consumption and waste generation. In the future, the sustainability report will also include information on biodiversity and emissions. 100% of the electricity used on the construction site is sourced from renewable energy sources. Overall, power consumption in 2022 totalled around 62 MWh. In addition, 1,923 m<sup>3</sup> of water were consumed. The amount of waste generated so far is around 19 tonnes.

The indirect influences are shown in the CO<sub>2</sub> balance on page 84.

	Unit	2022
<b>Water consumption</b>	m <sup>3</sup>	1,923
Water consumption per m <sup>2</sup> total area		0.58
<b>Power consumption</b>	kWh	61,755
Power consumption per m <sup>2</sup> total area		18.72
<b>Waste generation</b>	t	18.97
per m <sup>2</sup> total area	t	0.006
of which mixed construction and demolition wastes (AAV 17 09 04)	t	8.02
of which construction and demolition wastes (AAV 17 01 07)	t	3.12
of which mixed metals (AAV 17 04 07)	t	1.32
of which wood (AAV 17 02 01)	t	5.81
of which paper and cardboard (AAV 20 01 01)	t	0.7

The total area of the company headquarters, UmweltHaus, is roughly 3,299 m<sup>2</sup>

## Indirect influences

UmweltBank has a significant indirect environmental impact through its business activities. This refers not only to the choice of vendors for office supplies, for example. It is precisely the definition of the criteria for granting loans and the selection of the Bank's own financial and capital investments that have a significant influence on the environment.

## Sustainable procurement

UmweltBank always pays attention to ecological and social aspects when procuring operating resources. The criteria for sustainable purchasing are defined internally and apply to all suppliers and service providers. UmweltBank has purchased office supplies and cleaning products from a sustainable partner company for many years now. It only sells products that meet ecological and social standards, and ships them with net 0 CO<sub>2</sub> emissions in environmentally friendly, reusable packaging. When purchasing food for entertaining customers or for company events, there is a consistent focus on regionality, organic cultivation and fair production conditions.

All service providers, suppliers and products are reviewed with regard to ecological and social aspects before entering into a business relationship or purchase. In addition, all relevant partner companies are supposed to complete a self-disclosure form regarding their sustainability impacts. Compliance with international standards, such as those of the International Labour Organisation (ILO), is also queried.

## Print shop

It is very important to UmweltBank that the pollution of air and water due to printing processes is low. These requirements are met by the contracted print shops, which use only ecological printing inks based on vegetable oil.

## Mailing

UmweltBank addresses and envelopes customer letters via Deutsche Post DHL Group's GoGreen environmental protection programme. The service provider has an ISO-14001-certified environmental management system and offsets the CO<sub>2</sub> emissions generated by mailing.

## Commuting

To make the environmental impact of commuting as ecological as possible, UmweltBank provides all permanent employees with a 'FirmenAbo Plus' transportation pass free of charge. This entitles holders to use public transport in the greater Nuremberg area. In addition, the Bank incentivises employees to cycle to work with its annual 'Banker on Bike' campaign. For every kilometre cycled, the Bank donates one euro to ecological and

social aid projects. Employees can thus protect the environment, stay fit and support charitable projects at the same time.

## Lending

Lending enables banks to exert great influence on their customers' investments. UmweltBank grants loans exclusively to environmental projects and has clear positive and exclusion criteria

## The Bank's own investments (liquidity reserve and investment portfolio)

Legal requirements and commercial prudence require that banks must hold a liquidity reserve. This reserve ensures that customer deposits can be repaid at any time and open loan commitments can be paid out. In addition, banks invest their own funds and surplus liquidity in securities for the longer term (investment portfolio). Common forms of investment are, for example, credit balances at the German Bundesbank as well as covered and uncovered bonds issued by European countries.

Suitable investments are selected on the basis of the proprietary UmweltRating, which checks each investment against strict positive and exclusion criteria. With its activities, UmweltBank supports the United Nations Sustainable Development Goals (SDGs). The first step is therefore to review the required minimum standards (exclusion criteria).

If these are not fulfilled, the investment is excluded. If these are fulfilled, it is then determined whether a project has a positive impact on the sustainability goals. Only then is an investment permitted. The Bank checks on an ongoing basis and for each individual transaction. If an issuer does not meet the requirements of the UmweltRating, no new investments are made and any existing holdings are sold in a timely manner, taking economic arguments into account.

In addition to its own monitoring, the Environmental Advisory Board is involved as an independent body in the assessment of the UmweltRating. It receives a quarterly report on the performance and conducts an annual audit of all own investments.

## CO<sub>2</sub>-reporting

### Methodical approach

Since the start of its business activities, UmweltBank has measured its impact on the environment in a CO<sub>2</sub> balance. Various globally recognised procedures and standards are used for the balancing and reporting of greenhouse gas emissions to continuously improve the calculation methodology and data quality.

#### Greenhouse Gas Protocol

The Bank follows the internationally recognised Greenhouse Gas Protocol standard when determining greenhouse gas (GHG) emissions. This divides emissions into three areas, called 'scopes'.

##### Scope 1

GHG emissions that occur directly in the company, such as from the operation of a heating system.

##### Scope 2

All indirect GHG emissions due to the provision of energy, such as the provision of electricity.

##### Scope 3

Indirect GHG emissions for all other activities related to the company's operations. This includes business travel, for example.

The Greenhouse Gas Protocol covers emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrogen dioxide (NO<sub>2</sub>), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). For simplified presentation, the individual pollutant emissions are then converted into so-called 'CO<sub>2</sub> equivalents' and measured in tonnes (t). In the interest of better readability, these CO<sub>2</sub> equivalents are expressed as CO<sub>2</sub> in the main text, whereas

the notation CO<sub>2e</sub> is used in the tables.

#### Notes on Scope 3 emissions

Scope 3 includes the indirect emissions that arise, for example, from the construction, maintenance and servicing of electrical generating facilities such as wind turbines. Here, UmweltBank's own investments (participating interests in operating companies) are considered as well as the projects financed. The emissions of financed real estate and participating interests in real estate are also included here.

UmweltBank bases its Scope 3 on the standard from the Partnership for Carbon Accounting Financials (PCAF), a global corporate initiative to standardise CO<sub>2</sub> accounting in the financial sector. Participating financial institutions have committed to disclose the greenhouse gas emissions of their loans and investments ([www.carbonaccountingfinancials.com](http://www.carbonaccountingfinancials.com)).

Previous sustainability and annual reports have reported emissions from the financing portfolio in Scope 3. So far, the greenhouse gas emissions from the financing of energy and infrastructure projects as well as the emissions from construction financing have been considered here.

#### Calculation of emissions: project financing

With its financing activities, UmweltBank contributes to reducing CO<sub>2</sub> emissions through direct investments in projects and through lending for ecological projects. The calculation system for the CO<sub>2</sub> balance is based on the Greenhouse Gas Protocol.

The calculation is based on the assumption that electricity from renewable energies sources saves CO<sub>2</sub> compared to the energy sources they substitute (nuclear energy, lignite, hard coal, gas or oil), but that the construction and maintenance of the generators also produce CO<sub>2</sub> emissions. These emissions are also recorded and reported.

To determine the emissions, the quantity of electricity produced is multiplied by the current (as of December 2022) emissions factors published by the German Environment Agency (Umweltbundesamt). The quantities of electricity for wind and hydropower plants on which the calculation is based are taken from the yield reports available to the Bank.

In the case of photovoltaic systems, the annual amount of electricity is determined for each individual system using a yield value table broken down by postcode.

#### Calculation of emissions: Real estate financing

The CO<sub>2</sub> emissions of the financed properties are obtained by multiplying the attribution factor by the individual emissions. The emissions of the properties are calculated using the PCAF emissions database. The database indicates average CO<sub>2</sub> per m<sup>2</sup>. These figures allow an approximation of the actual emissions of the financed properties. For the years 2019 to 2021, the majority of the floor area of the financed properties is available. For those three years, 89% of the floor area in m<sup>2</sup> is known; therefore 11% had to be supplemented with assumptions. For earlier years, assumptions were made based on the average of the three years. In cases where there was no investment volume, it was also assumed that the loan volume was equal to 70% of the investment volume. Furthermore, an estimated loan term of 30 years was assumed.

The equity share approach is used in all calculations: this means that both avoided emissions and emissions are considered in relation to UmweltBank's participating interest or financing as part of the total volume of the investment. Example: with a total investment of €10 million and an UmweltBank loan of €8 million, only 80% of the avoided emissions and emissions are applied. As the loan is repaid over time, UmweltBank's eligible share decreases and ends when the loan is repaid in full.

#### Calculation of emissions: Portfolio A (own investments of the Bank)

Data from an external data provider is used to calculate the emissions of Portfolio A.

## Voluntary climate commitment of the financial sector

In June 2020, UmweltBank, together with 15 other players in the German financial sector, signed a voluntary commitment to achieve the climate targets. The aim is to align the credit and investment portfolios in line with the goals of the Paris Climate Agreement. The focus here is on measuring and publishing the climate impacts so that targets for reducing emissions can then be set. Noteworthy is the wide range of first signatories: they range from sustainability banks to state banks, and from major banks to small specialist banks. UmweltBank's Scope 3 emissions have been reported in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard since 2019. In addition, UmweltBank is currently developing a climate scenario that visualises the Bank's Paris compliance. What is encouraging about the voluntary climate commitment is that more and more financial actors recognise the urgency of the issue and want to work together to limit climate change.



## Reporting on CO<sub>2</sub> emissions

CO<sub>2</sub> emissions, divided into the three scopes, are examined in more detail below:

	Unit	2020	2021	2022	Change in %
<b>Scope 1: direct emissions</b>					
Natural gas	tCO <sub>2</sub> e	0.00	0.00	0.00	0.0
<b>Total</b>	<b>tCO<sub>2</sub>e</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>
<b>Scope 2: indirect emissions</b>					
District heating	tCO <sub>2</sub> e	0.00	0.00	0.00	0.0
<b>Total</b>	<b>tCO<sub>2</sub>e</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>
<b>Scope 3: indirect emissions</b>					
<b>Part I – business operations</b>					
Electricity	tCO <sub>2</sub> e	0.00	0.00	0.00	0.0
Office supplies	tCO <sub>2</sub> e	32.39	31.13	23.37	-24.9
Business travel	tCO <sub>2</sub> e	0.06	1.48	1.54	4.1
Commuting	tCO <sub>2</sub> e	36.33	85.17	97.77	14.8
<b>Part II – Financing/Own investments/ Participating Interests</b>					
Emissions from participating interests taken	tCO <sub>2</sub> e	3,173.74	4,088.24	5,650.77	38.2
Emissions from project financing	tCO <sub>2</sub> e	48,906.54	57,275.69	71,129.12	24.2
Emissions from construction financing	tCO <sub>2</sub> e	13,373.00	13,811.41	16,569.62	20.0
Emissions from Portfolio A	tCO <sub>2</sub> e	-	-	121,633.00	-
<b>Total</b>	<b>tCO<sub>2</sub>e</b>	<b>65,522.06</b>	<b>75,293.12</b>	<b>215,105.19</b>	<b>185.7</b>
<b>Total without Portfolio A</b>	<b>tCO<sub>2</sub>e</b>	<b>-</b>	<b>-</b>	<b>93,472.19</b>	<b>-</b>
CO <sub>2</sub> emissions per employee	tCO <sub>2</sub> e	342.33	314.38	780.84	148.4
CO <sub>2</sub> emissions per employee without Portfolio A	tCO <sub>2</sub> e	-	-	339.28	-

The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022). The emissions related to Portfolio A were calculated for the first time for the year 2022.

### Scope 1

As UmweltBank has only been heating with district heating since 2019, there are no emissions in Scope 1.

### Scope 2

There were no emissions produced for the provision of district heating for the commercial buildings in Laufertorgraben 4, 6 and 8 as well as in Emilienstraße 3 and Nunnenbeckstraße 6 and 8. The heat provided is a by-product of electricity production by a regional utility company.

### Scope 3

#### Business operations

UmweltBank procures 100% green electricity from renewable energy sources. Emissions are also produced when electricity is supplied from renewable energies, such as in the production and maintenance of the systems. These unavoidable emissions are fully offset by the power supply company.

CO<sub>2</sub> emissions related to office supplies fell slightly due to an updated reference value for the paper emissions data. Paper consumption is at the previous-year level. Likewise, business travel emissions in 2022 remained at a level comparable to 2021, increasing by only 4%. Despite the option of mobile working, commuting has increased compared to the previous year. This is also due to the fact that UmweltBank employed significantly more staff in 2022 than in the previous year.

#### Loan financing and participating interests

#### CO<sub>2</sub> impact of real estate financing and participating interests in real estate projects

	Unit	2021	Emissions 2022	Change in %
Real estate financing	tCO <sub>2</sub> e	13,811.41	16,569.62	0.2
Participating interests in real estate projects	tCO <sub>2</sub> e	1,955.10	2,774.10	0.4

The basis of calculation for financed emissions is based on the PCAF method. The calculation of real estate financing and participating interests is currently based on many conservative assumptions. The emissions data indicated are considered to be a first approximation of the actual emissions of the properties. UmweltBank is working on improving this calculation and the underlying data.

### CO<sub>2</sub> impact of project financing for wind, hydropower and photovoltaics

	Unit	Avoided emissions			Emissions		
		2020	2021	2022	2020	2021	2022
Project financing	tCO <sub>2</sub> e	1,096,288.00	1,214,312.49	1,302,517.05	48,907.00	57,275.69	71,129.12
<b>Change vs previous year</b>	<b>%</b>			<b>7.3%</b>			<b>24.2%</b>

The increase in avoided and produced emissions can be explained by the increase in financing in renewable energy sources. That emissions increased more than avoided emissions is due to the fact that the emissions factor for wind energy was higher in 2022 than in 2021.

### CO<sub>2</sub> impact of investments in Portfolio A

	Unit	Emissions
		2022
CO <sub>2</sub> impact of investments in Portfolio A	tCO <sub>2</sub> e	121,633.00

2022 is the first year for which UmweltBank is reporting on emissions from its own investments in Portfolio A. The Bank works together with a renowned data provider to reliably determine the emissions values. The calculation methodology is also based on PCAF principles. The CO<sub>2</sub> balance is therefore indicated in two forms this year to ensure comparability with previous years.

### CO<sub>2</sub> impact of participating interests in operating companies for wind and photovoltaic projects

	Unit	Avoided emissions			Emissions		
		2020	2021	2022	2020	2021	2022
Arenborn solar power plant	tCO <sub>2</sub> e	950.16	848.95	959.13	92.94	64.28	79.32
Ziegelscheune solar farm	tCO <sub>2</sub> e	4,679.39	4,403.60	4,494.59	457.7	333.42	371.69
Neuenfeld wind farm	tCO <sub>2</sub> e	7,260.16	7,020.60	7,099.09	112.95	161.69	166.90
Nordleda wind farm	tCO <sub>2</sub> e	12,656.73	11,332.42	10,562.55	196.91	260.99	248.33
Amesdorf/Wellen wind farm	tCO <sub>2</sub> e	3,161.47	2,954.10	11,392.76	49.19	68.03	267.84
Hoher Berg Dornstedt wind farm	tCO <sub>2</sub> e	17,117.07	15,475.31	15,201.75	266.30	356.41	357.39
Rakow-Gardelegen wind farm	tCO <sub>2</sub> e	12.01	10.52	0.55	0.19	0.25	0.01
Bergen/Nordenham wind farm	tCO <sub>2</sub> e	3,465.04	3,238.24	3,492.52	53.91	74.58	82.11
Altenbruch-Ost wind farm	tCO <sub>2</sub> e	6,332.59	5,806.01	6,065.23	98.52	133.72	142.59
Wilmersdorf wind farm	tCO <sub>2</sub> e	4,914.88	4,521.71	3,643.48	76.46	104.14	85.66
Klimaprojekt-Sonnenkraft	tCO <sub>2</sub> e	2,712.69	4,414.60	10,117.82	265.33	334.25	836.72
JH UPG Solar 1	tCO <sub>2</sub> e	2,533.99	2,731.20	2,879.18	247.85	206.79	238.10
<b>Total</b>	<b>tCO<sub>2</sub>e</b>	<b>67,394.82</b>	<b>64,251.06</b>	<b>75,908.66</b>	<b>1,943.43</b>	<b>2,133.13</b>	<b>2,876.67</b>
<b>Change vs previous year</b>	<b>%</b>			<b>18</b>			<b>35</b>

Compared to the previous year, both avoided emissions and emissions increased in 2022. The background with regard to avoided emissions is in particular a greater number of sunshine hours in the reporting year, which had a positive impact on the yield of the photovoltaic systems. The increase in emissions is due to an increased emissions factor for wind energy. In contrast to the calculation of the CO<sub>2</sub> balance of the lending business, yield reports are not used for participating interests, as here the actual emissions avoided and emissions are available.

## CO<sub>2</sub> balance

The CO<sub>2</sub> balance shows the environmental impact of UmweltBank. The Greenhouse Gas Protocol standard makes no provision for merging the three scopes. Nevertheless, UmweltBank prepares such a balance sheet for the sake of transparency and for better comparability with previous years.

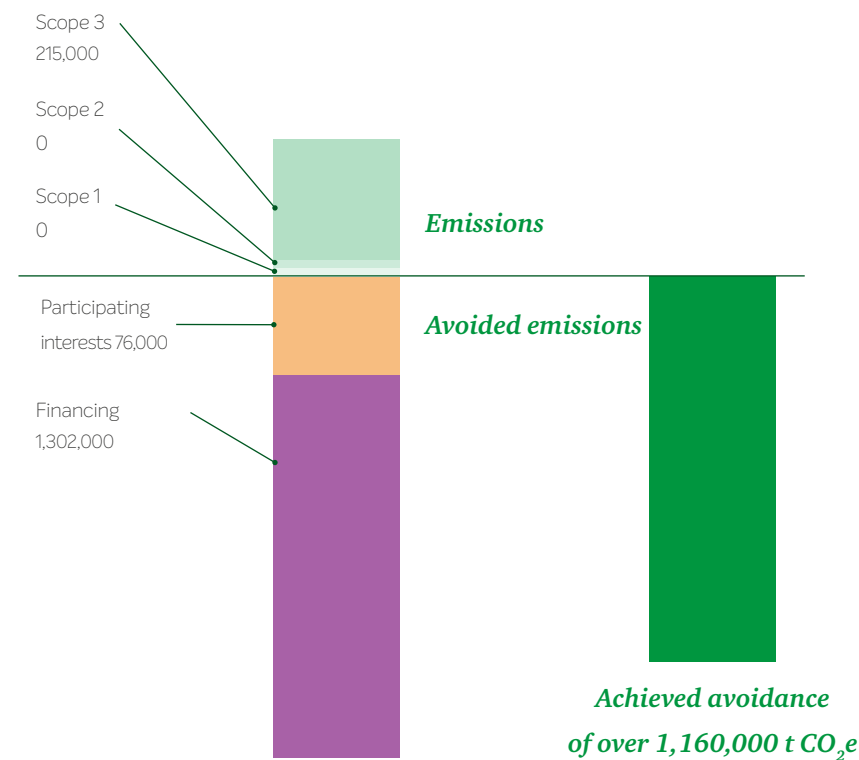
Emissions in tCO <sub>2</sub> e		Avoided emissions in tCO <sub>2</sub> e	
Scope 1	0.00	from participating interests	75,908.66
Scope 2	0.00	from project financing	1,302,517.05
Scope 3	215,105.19		
<b>Total emissions</b>	<b>215,105.19</b>	<b>Total avoided emissions</b>	<b>1,378,425.71</b>
<b>Avoidance achieved</b>	<b>1,163,320.52</b>		

First, the emissions from the three different scopes are totalled and subtracted from the total avoided emissions. The resulting difference – 1,163,974 tCO<sub>2</sub>e – represents the climate impact of UmweltBank for the year 2022.

### Three-year comparison of CO<sub>2</sub> balance

	Unit	2020	2021	2022	2022 without Portfolio A
Total emissions	tCO <sub>2</sub> e	65,522.06	75,293.12	215,105.19	93,472.19
Total avoided emissions	tCO <sub>2</sub> e	1,163,683.00	1,278,563.55	1,378,425.71	1,378,425.71
<b>Avoidance achieved</b>	<b>tCO<sub>2</sub>e</b>	<b>1,098,161.00</b>	<b>1,203,270.43</b>	<b>1,163,320.52</b>	<b>1,284,953.52</b>
<b>Change in avoidance vs previous year</b>	<b>%</b>			<b>-3</b>	<b>7</b>
<b>Achieved avoidance per employee</b>	<b>tCO<sub>2</sub>e</b>	<b>5,738.00</b>	<b>5,024.09</b>	<b>4,222.58</b>	<b>4,664.08</b>
<b>Change in avoidance per employee vs previous year</b>	<b>%</b>			<b>-16</b>	<b>-7</b>

The figure 'per employee' is calculated with full-time equivalents (FTE) (275.5 in 2022).



For better visualisation, the figures in the graph have been rounded down to the tens of thousands or millions.

In 2022, UmweltBank has avoided over

# 1,160,000

tonnes of CO<sub>2</sub>. In purely mathematical terms, this corresponds to the annual CO<sub>2</sub>e emissions of around 108,000 inhabitants in Germany.

### Conversion to inhabitants

The following example calculation is intended to help illustrate the magnitude of the avoided CO<sub>2</sub> emissions: the annual CO<sub>2</sub>e emissions per inhabitant in Germany was approx. 10.8 tonnes in 2022. UmweltBank has thus avoided the emissions of around 108,000 inhabitants in Germany.

### Ecological dividend

UmweltBank has regularly calculated an ecological dividend in the form of avoided CO<sub>2</sub> emissions for many years now. The basis for the calculation, as shown above, are the CO<sub>2</sub> emissions and avoided emissions determined for the respective business year. The comparison of the achieved avoidance of CO<sub>2</sub> through financing and its own participating interests in renewable energy sources and total assets serves to illustrate UmweltBank's environmental performance.

Divided by total assets of approx. €5.981 billion, this gives a calculated ecological dividend for 2022 of around 195 g CO<sub>2</sub>e per euro. For every €1,000 of total assets, the Bank thus saves around 195 kg of CO<sub>2</sub>e.

## Coverage and data quality

### Asset class coverage

Financing and participating interests in the field of renewable energies are attributable to the asset class project finance according to the PCAF standard. Around 95% of the emissions financed by UmweltBank are reported in this asset class. The emissions of the second asset class, commercial real estate, were determined for the first time for the year 2020. Around 90% of the financed emissions are covered in the real estate sector. Reporting will be expanded step by step with the aim of reporting 100% of the emissions arising from financing and participating interests.

### Data quality

An important criterion for CO<sub>2</sub> balancing is the quality of the data. The entire CO<sub>2</sub> balance is verified by an external environmental auditor. Scopes 1 and 2 are calculated with primary data (e.g. consumption data from the green electricity supplier), which is why a high data quality is assumed. UmweltBank uses an assessment system from PCAF to determine the emissions data quality for financed projects. The system awards points for data quality: Score 1 corresponds to the highest data quality (approx. 5–10% error tolerance) and Score 5 to the lowest (approx. 40–50% error tolerance).

According to the PCAF assessment system, the area of project financing is given a score of 3, as calculations are based on the forecast performance of the facilities. In the asset class commercial real estate and participating interests, assumptions are made about the emissions of the financed properties, and the attribution share of UmweltBank is also calculated using verified assumptions. Data quality is therefore given a score of 5. However, these limitations in the data should rather be seen as an opportunity to continuously improve the quality of the reported emissions and to identify fields of action for UmweltBank. To compensate for the error rates of secondary data, all table data should generally be considered to deviate by 10–15%.



## 2.3 Sustainability targets

Target	Dead-line	Measures	Explanation	Degree of fulfilment
Option of mobile working	2022	Conclude and implement a 'Mobile Working' company agreement	In 2021, negotiations were conducted on the further development of the company agreement 'Corona' and, in parallel, the renegotiation of the company agreement 'Mobile Working'. Thanks to the successful collaboration between the parties involved, the target of concluding the agreement in 2022 was 100% achieved.	100%
Promote equality in leadership positions	2022	Increase the share of women in leadership positions to 40–60% as an annual average	The proportion of women in management positions in 2022 was 44% as an annual average and thus at the previous year's level.	100%
Establish an SDG group with a focus on education (SDG 4)	2022	Obtain Management Board approval of an SDG group with a focus on education (SDG 4) and recruit staff for this group	The group was established in Q2/2022.	100%
Anchor SDG 4 in the preamble of UmweltBank's articles of association	2022	Review the inclusion of the goal in the preamble of the articles of association.	Inclusion was reviewed and is planned for 2023.	100%
DGNB Platinum certification for UmweltBank's new location	2025	Plan the new site so that the necessary criteria for DGNB Platinum certification are met.	Documents for DGNB pre-certification were submitted in late September.	80%
Promote sustainable consumption by ensuring the exclusive use of sustainable suppliers	2022	Survey of all suppliers according to self-disclosure and create a whitelist	All service providers/suppliers (n=203) were contacted, but some have still not returned the completed self-disclosure form. Based on the feedback, a whitelist containing verified service providers/suppliers was created and is being continuously supplemented.	22%
Ensure accessibility of environmental impact of UmweltBank at the international level	2022	Translate excerpts of the sustainability report into English	The sustainability report was published in English in Q3/2022.	100%
Provide loans to projects that support deserving individuals	2022	Finance affordable housing for 900 people	1,029 people were provided with affordable housing.	100%
Lend to projects that promote social care places	2022	Fund care places for 200 people	370 people were provided with care places.	100%
Further develop the remuneration structure	2022	Increase transparency through further development, conclusion of a corresponding company agreement and implementation of a new remuneration structure	Agreement on the basic features of the remuneration structure was adopted. The company agreements are to be negotiated and signed by 31 March 2023. This will be followed by the implementation phase.	80%
Ensure employee satisfaction and perform a cultural audit	2022	Expand strategic key figures to include employee satisfaction	The staff survey was conducted and the indicator was introduced. Employee satisfaction via the SINNdex indicator is 86%.	100%
Further develop the sustainability rating in construction financing	2022	Detailed look at wooden construction	The relevant points of the EU taxonomy for the sustainability rating were identified. An implementation concept was prepared on this basis.	80%
Lend exclusively to sustainable energy projects	2023	Development of a sustainability rating for financing of projects from the renewable energy sources sector	The first step, 'Ecological rating', accounts for approx. 50%; the majority of this was achieved through the definition of the criteria and an initial weighting.	40%
Transparency about how UmweltBank's business activities contribute to the SDGs	2022	Develop an SDG impact calculator and publish it in the sustainability report	The SDG Calculator programme was created in mid-2022. Further implementation was postponed due to a lack of capacity in the specialist departments.	70%
Increase the avoidance of indirect emissions	2022	10% increase in total CO <sub>2</sub> emissions avoided vs the previous year	In 2022, 1,285,606.63 t of CO <sub>2</sub> were avoided. This corresponds to an increase of 6.8% compared to the previous year.	70%

Target	Dead-line	Measures
DGNB Platinum certification for UmweltBank's new location	2025	Plan the new site so that the necessary criteria for DGNB Platinum certification are met
Expand collaboration with schools within the framework of the SDG 4 group	2023	Develop a collaborative project with a local school with regard to teaching sustainable financial education
Increase transparency with regard to UmweltBank's sustainability performance	2023	Publish the UmweltGarantie methodology
Proportion of women in management positions between 40–60% as an annual average	2023	Continuously increase the proportion of women in management positions through measures within the framework of a family-friendly personnel policy and by making working hours and location more flexible
Implement and further develop the remuneration structure	2023	Increase transparency through the further development and implementation of a new remuneration structure
Finance real estate projects that promote social care places	2023	Create care places for 150 people
Further develop the environmental rating for building loans and mortgages	2023	Elaborate relevant points with respect to the EU taxonomy for the sustainability rating and develop an implementation concept
Promote environmental awareness among employees	2023	Hold Sustainability Week at UmweltBank
Increase avoidance of indirect emissions	2023	Increase avoided emissions by 5% compared to the previous year
Align with the Paris climate targets	2023	Publish an initial version of UmweltBank's climate strategy
Average engagement rate (key figure from employee survey consisting of job satisfaction, motivation, loyalty, recommendation) of at least 80% (scale 0–100%)	2023	Qualitative survey in the teams via workshops and derivation of team- and individual-specific personnel development concepts; measurement based on two pulse surveys in summer and autumn 2023
Promote and further develop sustainable consumption by ensuring the use of sustainable suppliers	2023	Expansion of the sourcing guideline to include further indicators for a more detailed assessment of sustainability performance; ongoing controlling of the positive list of suppliers
Further develop the sustainability rating for financing of projects from the renewable energy sources sector	2023	Implement and further develop the social aspects relevant for UmweltBank within the framework of the sustainability rating
Finance real estate projects that support persons eligible for subsidies	2023	Create affordable housing for 600 people

## 2.4 Report of the Environmental Advisory Board

Since UmweltBank was founded in 1997, there has been an ecological supervisory body in addition to the Supervisory Board required by law. As an independent body of experts, the Environmental Advisory Board guarantees UmweltBank's high level of sustainability competence. It reviews the Bank's sustainability development and advises the Management Board on sustainability and environmental issues. The Environmental Advisory Board is constantly involved in the discussion process for future UmweltBank topics.

The Environmental Advisory Board comprised five members in 2022: Stefan Hackenberg has been a member of the Environmental Advisory Board since 2016. An independent architect and project developer, he plans and supervises building projects with particularly high social and ecological standards. Prof. Dr Harald Bolsinger, business ethicist at the Faculty of Economics at the FHWS University of Applied Sciences Würzburg-Schweinfurt, has been on UmweltBank's Environmental Advisory Board since July 2017. An expert in sustainable corporate governance and value management, he contributes important ideas for the sustainable development of the Bank. He had chaired the Board since October 2019 and was succeeded by Meike Gebhard on 1 July 2022. Dr Meike Gebhard and Heribert Sterr-Kölln were appointed to the Environmental Advisory Board in early 2020. Dr Meike Gebhard holds a doctorate in environmental economics and since 2008 has been managing director of Utopia GmbH, which operates the Utopia sustainability platform. She is an expert in sustainability strategies, social media and consumer communication. In March 2021, she was elected Deputy Chairperson of the Environmental Advisory Board and is currently Chairperson of the Environmental Advisory Board. Heribert Sterr-Kölln is a certified public accountant and tax consultant. He develops concepts and strategies in the field of renewable energy sources together with banks, municipal utilities and companies. His focus is on the financing of entrepreneurial projects. Economist Claudia Müller has been a member of the Environmental Advisory Board since 2021. She founded the Female Finance Forum in 2017 with the aim of awakening women's interest in money and sustainable financial products, as well as providing them with the necessary knowledge to take finances into their own hands. She has held the position of Deputy Chairperson of the Environmental Advisory Board since July 2022. Sanika Hufeland resigned her seat on the Environmental Advisory Board by mutual agreement at the end of February 2022 and moved from the Institute for Social Banking to GLS Bank.

## Topics

The Environmental Advisory Board considers the sustainability of the Bank's financed projects, own investments and participating interests, and is involved in the further development of the Bank's internal audit processes. It advises on the design of processes within the Bank, and is intensively involved in the ongoing discussion between the bodies and employees of UmweltBank and external experts on the definition of sustainability and the relevance of various sustainability criteria for the Bank. Following the successful alignment of the Sustainable Development Goals (SDGs) in 2018, UmweltBank's articles of association are based on the United Nations' holistic understanding of sustainability. The Environmental Advisory Board supports the full and permanent integration of this understanding of sustainability into the Bank's business policy, controlling and reporting.

One of the regular tasks of the Environmental Advisory Board is to review UmweltBank's own investments and treasury transactions with regard to compliance with sustainability criteria. In 2019, SDG-related treasury management rules compliant with the articles of association and a corresponding review process were defined together with the Management Board and specialist departments. This process was implemented in 2020 and put into operational implementation. These management rules ensure that UmweltBank's own investments are always in compliance with the requirements of its articles of association. The Treasury & Sustainability department checks this daily on behalf of the Management Board and the Environmental Advisory Board. The data required for the assessment is obtained from a professional sustainability rating agency. The Environmental Advisory Board supported the specialist departments involved in drafting the underlying concept, receives regular reports on this and monitors compliance with the rules.

The review of the lending business and thus the use of funds from customer deposits according to the same criteria are also among the key tasks of the Environmental Advisory Board. This involves reviewing the sustainability ratings of UmweltBank's issued financing and taking a close look at selected loans to assess and evaluate their sustainability performance.

The Environmental Advisory Board was also involved in defining the management guidelines of the UmweltSpektrum Mix fund and monitors their implementation. If a company included here violates the exclusion criteria, or if products or services offered no longer have a positive impact on the sustainable development goals, these companies drop out of the investable portfolio. In particularly significant borderline cases, the Environmental

Advisory Board is involved so that a diversely informed decision can be taken. In 2022, the UmweltSpektrum fund family was expanded to include the Natur und Mensch fund, which was also integrated into the regular reporting to the Environmental Advisory Board.

In 2022, the Environmental Advisory Board helped to review, tighten and update UmweltBank's positive and exclusion criteria used here with respect to their relevance and topicality. As sustainability and the associated issues are constantly changing, the Bank's understanding of sustainability and the corresponding criteria are also subject to regular review and further development.

The environmental management system according to EMAS is the control instrument for UmweltBank's environmental impact. Environmental performance is certified transparently according to the recognised European standard and is comparable with other companies. As part of the 2022 Environmental Advisory Board meetings, the Treasury & Sustainability department informed the Environmental Advisory Board about the sustainability performance. The Environmental Advisory Board was able to contribute its expertise to the application and expansion of the environmental management system.

The Environmental Advisory Board actively supports the development work of the SDG groups and accompanied implementation of the results in the Bank's business practices. Together, the indicators were further developed to make UmweltBank's sustainability performance measurable and controllable. The results of the measured indicators are regularly reported to the Environmental Advisory Board. The members of the Environmental Advisory Board act as mentors to UmweltBank's SDG groups to continuously stimulate innovations. In 2022, workshops with the participation of the Environmental Advisory Board were held for each group to drive the groups' projects and identify new goals. The materiality analysis conducted indicated that the stakeholders of UmweltBank would like to see a stronger focus on SDG 4, quality education. To meet this requirement, a new SDG group dedicated to this purpose was established. SDG Group 4, newly established in 2022, focused on the conceptualisation of a collaboration with a school to teach basic financial knowledge there. It developed a programme for a double lesson, supported by the expertise of Harald Bolsinger and Claudia Müller. SDG Group 13, which is working under the supervision of Prof. Dr Harald Bolsinger on the overarching goal of 'taking action on climate change', focused on strengthening sustainability awareness internally, including by organising a Sustainability Week and carrying out a sustainability project at noris inklusion. SDG Group 7 under the direction of Heribert Sterr-Kölln was able to finalise the environmental portion of the sustainability rating for project financing from the renewable energy sources sector. SDG Group 5+12, which is under the supervision of

Meike Gebhard and Claudia Müller, continued to focus on the sustainability assessment of supply and services companies. In addition, supporting activities within the context of SDG 5, gender equality, were conducted. SDG Group 11, which is under the supervision of Stefan Klinkenberg, focused on a detailed look at wooden construction and developed an overview of the current situation in wooden construction.

A total of three Environmental Advisory Board meetings were held with the Management Board and the Treasury & Sustainability department in 2022. This included an exchange with 3Bank, which is also a member of the GABV and in which UmweltBank holds shares. There were also internal coordination sessions within the Environmental Advisory Board to form opinions and develop projects, as well as workshops with the SDG groups.

## **UmweltGarantie**

The Environmental Advisory Council confirms that the use of funds by UmweltBank in the 2022 financial year was in accordance with the articles of incorporation and determines compliance with the UmweltGarantie. UmweltBank was also able to fulfil its unique promise in 2022: every euro invested is used exclusively to finance sustainable environmental projects. With regard to the UmweltRating, a total of 76.17% of the loan projects were rated with the best possible score of 1 in 2022 (previous year 74.9%). Overall, the average sustainability rating of all loan projects is 1.30 (previous year 1.32).

## **Summary and outlook**

In 2022, the Environmental Advisory Board was once again able to gain a comprehensive picture of UmweltBank's lending and funding practices. In the opinion of the Environmental Advisory Council, the company did not enter into commitments that were not in line with the Bank's articles of association. In accordance with the articles of association, the Bank has exclusively financed or promoted environmentally friendly and sustainable projects with the funds of its customers.

Through its business activities, UmweltBank actively promotes affordable and at the same time ecological and social housing. In 2022, the Bank financed affordable housing for 1,029 people and 370 care places.

Plans for 2023 call for more creative workshops with the members of the Environmental Advisory Board in addition to the meetings focusing on the control function of the Environmental Advisory Board. The Environmental Advisory Board continues to support

the SDG groups with its expertise and is available to them as a sparring partner.

The Environmental Advisory Board also supports the planning of the new company headquarters, the UmweltHaus, and the UmweltQuartier with its expertise.

Nuremberg, 20 April 2023

**Dr Meike Gebhard**

Chairperson

**Claudia Müller**

Deputy Chairperson



## 2.5 Contact the Sustainability Management

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Sustainability Management

Specialist

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Sustainability Management

Specialist

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## 2.6 Validation of the environmental statement

The environmental management system according to EMAS is audited annually by an independent environmental auditor. The declaration of the environmental auditor confirms the reliability of the data and information in the sustainability report as well as compliance with the requirements of the EMAS Regulation.



### ENVIRONMENTAL VERIFIER'S DECLARATION ON VERIFICATION AND VALIDATION ACTIVITIES

The EMAS environmental verifier signing for OmniCert Umweltgutachter GmbH with registration number DE-V-0360

**Thorsten Grantner** (verifier registration number DE-V-0284), accredited or licensed for the scope(s):

64.19: Other monetary intermediation

declares to have verified whether the site(s) or the whole organisation as indicated in the environmental statement of the organisation UmweltBank AG with the Registration Number DE-158-00138 meet all requirements of Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a community Ecomanagement and Audit Scheme (EMAS) in addition with regulation (EU) 2018/2026 of 19 December 2018.

By signing this declaration, I declare that:

- the verification and validation have been carried out in full compliance with the requirements of Regulation (EC) No 1221/2009 combined with Regulation (EU) 2017/1505,
- the outcome of the verification and validation confirms that there is no evidence of non-compliance with applicable legal requirements relating to the environment,
- the data and information of the environmental statement/the updated environmental statement of the organisation/site reflect a reliable, credible and correct image of all the organisations/sites activities, within the scope mentioned in the environmental statement.

This document is not equivalent to EMAS registration. EMAS registration can only be granted by a Competent Body under Regulation (EC) No 1221/2009. This document shall not be used as a stand-alone piece of public communication.

Bad Abbach, 12.05.2023

Dipl.-Ing. (FH) Thorsten Grantner  
environmental verifier DE-V-0284

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*People*  
**at**  
**UmweltBank**

### 3.1 Member of the Management Board

#### Goran Bašić

Member of the Management Board



##### How I want to make a difference

I want to leave the office everyday feeling good that I've done my part to make the world a better place. I don't see myself as just a banker, but also to some extent as an environmentalist – and with this dual motivation I am wholeheartedly committed to UmweltBank.

##### What moves me

I've experienced my share of highs and lows – both professionally and as a self-confessed fan of 1. FC Nürnberg. Travelling – usually by electric car to a holiday flat on Croatia's Adriatic coast – as well as hiking, swimming or cycling with my family restores my sense of balance.

##### My path so far

since July 2014	Member of the Management Board   UmweltBank
as of 2011	Head of Project Finance Department   UmweltBank
as of 2008	Deputy Head of Project Finance Department   UmweltBank
as of 1999	Employee in Project Finance Department   UmweltBank
as of 1997	Support for the establishment of a commercial bank in Sarajevo, Bosnia and Herzegovina
1997	Degree in Economics   University of Erlangen-Nuremberg

#### Jürgen Koppmann

Spokesperson of the Management Board



##### How I want to make a difference

Together with my colleagues, I want to show that sustainability is fun and that economic and ecological success go hand in hand. We at UmweltBank prove this anew every day. I am full of energy and there's still a lot I want to do for our customers and for the environment.

##### What moves me

I personally like to be out in nature, either on my bike or in my hiking boots. In addition, I am privately involved in various associations because I'm also convinced that it's always better to do something than to complain.

##### My path so far

since December 2017	Member of the Management Board   UmweltBank
as of February 2017	Head of Marketing & PR Department   UmweltBank
as of 2015	Entrepreneur in the field of community and ecological living
as of 2002	Member of the Management Board   UmweltBank
as of 1998	Head of Project Finance Department   UmweltBank
as of 1996	Loan officer   UmweltBank
1996	Degree in Business Administration   University of Regensburg
1988–1990	Banking apprenticeship   Bayerische Vereinsbank

## Heike Schmitz

Member of the Management Board



### How I want to make a difference

UmweltBank was already green around 25 years ago – long before sustainability was recognised as an important topic for the future. Inspired by this pioneering role, I want to use my personal and professional expertise every working day to make UmweltBank even more successful – in economic, ecological and social terms.

### What moves me

For me, to live sustainably is a basic need. I'm aware, of course, that I'm not perfect – but I think that every little bit helps. I find balance to my professional commitment as a passionate musician with the parforce horn (a German style of hunting horn) and spending time in nature. A meal with regional products in the company of friends and family rounds out the day.

### My path so far

since 2022	Member of the Management Board   UmweltBank
2021–2022	Chief Representative   UmweltBank
2018–2021	Head of Finance, Controlling & IR   comdirect bank / Commerzbank
2002–2018	Head of Finance and Controlling   Sparkassen Finance Group
1997–2002	Head of Finance   comdirect bank
1995–1997	Head of IT, Organisation and Human Resources   comdirect bank
1987–1994	Specialist Functions Group Strategy / Private Customers   Commerzbank
1982–1987	Business Administration   University of Münster and University of Cologne
1980–1982	Banking apprenticeship   Commerzbank

## 3.2 Supervisory Board

## Susanne Horn

Neumarkt i.d.Opf.  
Director of Corporate Development  
at Dehn SE



After her studies and simultaneous banking training, Susanne Horn initially worked in the financial sector. In 2008, she joined Neumarkter Lammsbräu Geb. Ehrnsperger KG as Chief Representative and made the company the undisputed market leader in the organic sector. Susanne Horn led Bischofshof Brewery in Regensburg from 2019 to 2022. She has worked for Dehn SE, a family business based in Neumarkt, since the beginning of 2023.

Dr  
**Michael Kemmer**

Munich  
 Member of the supervisory and  
 administrative boards of  
 various companies



After training as a banker, studying business administration, completing his doctorate at Ludwig Maximilian University of Munich, and passing the tax consultant examination, Dr Michael Kemmer worked in the banking industry for over 20 years. He was general manager and a member of the Board of Directors at the Association of German Banks (Bundesverband deutscher Banken) from 2010 to 2017. His extensive know-how of the banking industry and his large network through numerous mandates offers tremendous value-added for UmweltBank.

**Heinrich Klotz**

Aschaffenburg  
 Retired notary



Heinrich Klotz was a notary in Aschaffenburg from 1991 until the beginning of 2023. His relationship with UmweltBank goes back to 1993, when he was involved in the preparations for the foundation of UmweltBank and was one of its founding shareholders. Heinrich Klotz has been a member of the Supervisory Board of UmweltBank since 2010.

Dr  
**Michael Maier**

Krailling  
Member of the Management Board of  
Habib Bank Limited



Since completing his doctorate on brand management at credit institutions, Dr Michael Maier has held various management positions in the banking industry. Most recently, he was a member of the Management Board of the banking services provider FIDOR Solutions AG. He has been on the Management Board of Habib Bank Limited since the beginning of 2022. On the Supervisory Board of UmweltBank, he offers particular expertise with regard to efficient IT equipment for banks.

**Edda Schröder**

Frankfurt  
Managing Director of  
Invest in Visions GmbH



Edda Schröder, the founder of Invest in Visions GmbH, Frankfurt, has served in various positions in asset management since 1994. At Fleming Funds Management (now JP Morgan Asset Management), she was responsible for sales and marketing in Europe. After that, she was managing director of Schroder Investment Management, where she was responsible for Germany and Austria. In 2006, Edda Schröder founded Invest in Visions GmbH with the aim of combining her extensive knowledge of the financial sector with social principles. She launched the first German microfinance fund in 2011. Edda Schröder has been a member of the Supervisory Board of UmweltBank since 2015.

## Silke Stremlau

Wennigsen  
Member of the Management Board  
Hannoversche Kassen



Silke Stremlau studied political science and sociology with a focus on environmental policy. She has been committed to ecological and political issues since her early youth. At imug Beratungsgesellschaft für sozial-ökologische Innovationen, she established the Sustainable Investment department, and was responsible for the evaluation of companies under sustainability criteria. She previously supported UmweltBank as a member of the Environmental Advisory Board from 2006 to 2015.

## 3.3 Environmental Advisory Board

Prof. Dr

## Harald J. Bolsinger

Würzburg  
Business Ethicist,  
University of Applied Sciences



Prof. Dr Harald J. Bolsinger is focused on sustainability policy, basic questions of business and corporate ethics and value management in companies. The Würzburg-based business ethicist scrutinises areas of questionable regulatory policy that pose a threat to viable, global sustainable development and free societies. He is convinced that global environmental and social sustainability must first and foremost come from the financial sector to achieve an effective long-term and irreversible shift towards a sustainable economy: 'If you want to change the world sustainably, you have to start with the financial markets!'

Dr  
**Meike Gebhard**

Munich  
Environmental economist,  
Managing Director of Utopia GmbH



Dr Meike Gebhard holds a doctorate in environmental economics and worked as a research assistant at the University of Münster until 1998. From 2000–2008 she was head of e-business at the international specialist publisher Reed Elsevier plc. She has been the managing director of Utopia.de, Germany's widest-reaching Internet portal for sustainable consumption, since 2008. She is an expert in sustainability strategy, social media and digital consumer communication. In 2018, she was recognised with the People's Choice Award at the German Environmental Media Awards for building Utopia into the leading sustainability platform.

**Stefan Klinkenberg**

Berlin  
Architect and Project Developer



Stefan Klinkenberg is an architect and project developer in Berlin. Together with his employees and cooperation partners, he develops and plans projects with particular social and ecological requirements. Clients are initiatives, cooperatives, associations, social agencies, building owners' associations and private investors. The architect and project developer believes that the future belongs to sustainable and communal living: 'We want to bring people together and work with them to create a liveable, sustainable living environment.'



## Claudia Müller

Frankfurt am Main  
Founder of Female Finance Forum



Claudia Müller founded the Female Finance Forum in 2017. Her goal is to awaken the interest of women in money and financial products, and to provide them with the knowledge necessary to take their finances into their own hands. She is an economist (BSc in International Economic Studies, Master in Public Policy) and worked in the area of sustainable investment at the Deutsche Bundesbank. She currently works in a sustainable family office and shares her knowledge through workshops and lectures as part of the Female Finance Forum.

## Heribert Sterr-Kölln

Freiburg  
Auditor and Tax Consultant



At the beginning of his consultancy work, Heribert Sterr-Kölln focused on family businesses that are socially committed. He recognised early on that legal and tax expertise alone could not provide satisfactory answers to central questions of entrepreneurial activity. He therefore developed the integrated consultancy method. This interdisciplinary approach combines technical expertise with targeted advice on orientation and strategic planning. Since 1994, he has placed his expertise at the service of renewable energy sources. He develops sustainable, economically successful strategies together with banks, municipal utilities and companies. One focus is on financing entrepreneurial projects and concepts.

### 3.4 Sustainable personnel policy

#### Philosophy

UmweltBank is committed to dedicated, qualified and responsible employees. After all, they are co-entrepreneurs and have a decisive influence on the success of the Bank. Working at UmweltBank goes hand in hand with choosing a meaningful occupation that combines professional banking with ecological commitment.

UmweltBank is a dynamic company with flat hierarchies and clear yet open structures. The corporate culture is characterised by trust and respectful interaction. Employees are supported, but also challenged. Within this framework, UmweltBank offers plenty of room for personal initiative and the opportunity to take responsibility.

UmweltBank lives by the principle of 'quality before quantity'. There are no individual targets for achieving specific revenue or sales figures. This ensures fair treatment of customers and motivates employees to make decisions based on values rather than profit.

At the end of 2022, UmweltBank had 332 employees. The average tenure of 5.6 years demonstrates a high level of loyalty to the company. The collegial and informal working atmosphere at the company is supported by joint events and celebrations. Nevertheless, the small gestures peripheral to daily work are also worth mentioning, such as a bouquet of flowers to welcome new talents.

As dedicated specialists in the field of ecological investment and professional financing of environmental projects, the employees are UmweltBank's most important asset. One objective of the personnel policy is therefore to always create and foster the best possible working conditions. Targeted professional and personal qualification in addition to the compatibility of work and family ensures a high level of competence and motivation.

Staff satisfaction was last surveyed in November 2022. The employee survey resulted in a SINNdex of 86% (maximum value: 100).



#### Personnel structure as at 31 December 2022

		2021	2022	Change in %
Employees	Number	299	332	11.0
Number of employees (annual average)	Number	279	319	14.3
Full-time equivalents		239.5	275.5	15.0
Number of permanent employees	Number	263	301	14.4
thereof women	%	57	56	
thereof men	%	43	44	
Part-time employees	Number	94	100	6.4
thereof women	Number	70	76	8.6
thereof men	Number	24	24	0.0
Employees on parental leave (annual average)	Number	10	11	10.0
Average age of permanent employees	Years	38	39	2.6
Tenure (on average)	Years	5.6	5.6	0.0
Fluctuation rate	%	7.8	7.4	
Disabled employees	Number	7	7	0.0
Seminar days per employee (on average)	Days	2.4	2.9	20.8

## Fair remuneration system

UmweltBank's remuneration system is designed for sustainability in line with the corporate strategy. There is no guaranteed variable remuneration. As a result, there is no incentive to take disproportionately high risks. The Bank takes care to ensure a fair pay spread. The ratio of the lowest to the highest income is just 3.9.

All permanent employees of UmweltBank receive 12 monthly salaries, as well as a special payment at the end of the year. This amounts to 100% of the monthly salary and is not dependent on quantitative targets. The Supervisory Board decides on special payments for the Management Board. Information on the Management Board remuneration can be found in the notes to the annual financial statements.

Student employees work part-time on an hourly basis with an hourly wage starting at €14. All interns, regardless of whether they are doing a voluntary or compulsory internship, receive remuneration at the level of the minimum wage.

### Remuneration

		2021	2022	Change in %
Total personnel expenses	Euros	17,154,711.86	19,880,258.41	15.9
thereof fixed remuneration <sup>1</sup>	Euros	13,150,195.06	15,292,776.85	16.3
thereof variable remuneration <sup>1</sup>	Euros	923,295.44	1,075,747.79	16.5
thereof benefits <sup>2</sup>	Euros	433,802.68	471,911.65	8.8
thereof social security contributions	Euros	2,647,418.68	3,039,822.12	14.8

<sup>1</sup> For 319 employees as an annual average

<sup>2</sup> Travel allowances, non-cash meal allowances, flat-rate taxes



## Additional company benefits

Beyond the salary, UmweltBank offers its employees a range of attractive benefits. The company covers the cost of a local public transport pass (job ticket) for all permanent employees. With the FirmenAbo Plus, they can not only use public transport for their daily commute to work, but also travel free of charge with their family members in the greater Nuremberg area in the evenings and at weekends.

The Bank supports families by providing financial assistance to employees with children. Mothers and fathers receive up to €150 per month and child for the care and accommodation of children who are not of school age in a crèche or kindergarten.

Business trips are primarily by train. UmweltBank provides all employees who travel regularly for business with a 2nd class BahnCard Business 25, which allows them to travel with 100% green electricity as standard. These same advantages also apply to private travel.

In addition, organically grown and fair-trade products such as coffee and tea are available free of charge. All permanent employees also receive cashless meal allowances.

UmweltBank actively points out the option for a company pension plan and matches up to 50% of the employee's contribution. All permanent employees with an open-ended employment contract can take advantage of an interest-free loan of up to €30,000 for the purchase or renovation of an owner-occupied property. In addition, the Bank settles employees' securities transactions at cost.

Employee shares can promote employee motivation and retention. UmweltBank therefore offers its employees the opportunity to purchase employee shares from time to time. In the past, these offered both a significant discount to the share price and an attractive bonus. For example: After a holding period of three years and provided they were still employed at the company, anyone who purchased shares under the 2018 employee share plan received one bonus share free of charge in early 2022 for each share held.

*With the FirmenAbo Plus, employees travel free of charge on public transport in the greater Nuremberg area.*

## Professional development

UmweltBank continuously invests in the further training and education of its staff. The offer includes a wide range of internal and external seminars, communication and IT training, part-time qualification programmes and degree programmes. External training can include bank-specific, environment-oriented and personality-building topics, depending on individual requirements and needs. Advanced training concurrent with employment, such as to become a banking specialist or business economist, is supported.

In addition, 24 special in-house seminars were held in 2022. These included the seminars Determining the Mortgage Lending Value, Banking for Career Changers, Megatrends in Digitalisation, Leading at a Distance, and Sovereign Moderation.

All permanent employees of UmweltBank are contractually entitled to continuing education. In 2022, an average of 2.9 days per employee were invested in education and training. Expenses for staff development and training measures amounted to approx. €634,000. The number of seminar days per employee increased slightly in 2022. Digital events are increasingly used in this context, as content can be offered in a more compressed and time-saving way.

Once a year, employees discuss their individual development opportunities with their manager in a feedback meeting. In addition to talking about job performance, professional and personal development opportunities are also discussed.

New employees take part in internal induction training. This provides them with an overview of all the Bank's departments and their areas of responsibility. In the respective specialist departments, employees receive individual training tailored to their needs.

Expenses for advanced training and continuing education measures amounted to approx. €634,000 in 2022.

## Promoting young talent

An important aspect of personnel work is attracting qualified junior staff. For many years now, UmweltBank has offered an 18-month trainee programme. This offers motivated university graduates an entry into the sustainable banking business.

It also provides UmweltBank with well-trained talent. The trainees get to know the Bank during the programme and then have extensive development opportunities within the company. Career changers also take advantage of this opportunity and enrich the Bank's team with their individual expertise. There were 3 trainees employed in 2022.

Furthermore, internships and student jobs give students the opportunity to have a first look at the professional world and to get to know sustainable banking in practice.

### Promoting young talent

	2021	2022	Change in %
Trainees employed in the whole year	11	3	-72.7
Student employees (annual average)	27	26	-3.7
University interns (annual average)	6	5	-20.0

UmweltBank bears the 'Fair Company' seal of quality and has voluntarily committed to complying with all the rules of the initiative. This makes it one of the companies that offer young academics a challenging working environment. UmweltBank thus also underscores its long-standing commitment to the responsible and future-oriented design of internships.

As a Fair Company, UmweltBank commits to paying students fairly, training them and providing them with offers that foster professional orientation.



## Diversity and equal treatment

UmweltBank sees cultural diversity as an enrichment and an important factor for sustainable success. The working environment is characterised by mutual respect and tolerance. All employees are valued, regardless of gender, nationality, ethnic origin, religion or belief, disability, age, sexual orientation or identity. UmweltBank underscored its commitment by signing the Diversity Charter.

In 2022, women made up 56% of the workforce. The proportion of women in management positions was 44% as an annual average. The gender distribution on the Supervisory Board is balanced, the Management Board comprises one woman and two men.

In keeping with its core values, UmweltBank attaches great importance to remunerating work of equal value with equal pay. For the 2022 financial year, UmweltBank has calculated the unadjusted gender pay gap for the first time. At 14.06%, the bank was significantly below the German average of 18% in 2022 (source: Federal Statistical Office). The unadjusted gender pay gap expresses the relationship between the average gross hourly earnings of men and women, but does not take into account structural differences such as occupation, qualification and work experience as well as the overall market situation. In the spirit of transparency and fairness, management and the Works Council have developed a new remuneration structure for all employees, which takes effect in the first half of 2023. Its introduction should have a positive impact on the unadjusted gender pay gap.

## Work-life balance

UmweltBank actively supports employees in balancing work and family life. As part of its child-friendly personnel policy, the Bank fundamentally offers the possibility of part-time employment. Many employees take the opportunity to take care of their family in line with their work and take time off. The majority of mothers and fathers return to the company after their parental leave. UmweltBank facilitates the return by offering individual part-time models and a financial subsidy for childcare. In 2022, 100 employees worked part-time (previous year: 94). In addition, flexible arrangements for mobile working support the compatibility of work and family.

All full-time permanent employees of UmweltBank have 30 days of holiday per year. Additional days off are Christmas Eve, New Year's Eve and a half day on Shrove Tuesday. In principle, trust-based working hours apply at UmweltBank.

*33% of the employees choose the attractive part-time models of UmweltBank and can thus balance family and career.*

## Corporate Health Management

UmweltBank's strategically oriented Corporate Health Management aims to design work and organisation in a healthy way and is an integral part of the corporate culture. Workplace health promotion includes targeted measures in the fields of action 'exercise, relaxation, nutrition and prevention'.

A Health Day dedicated to various topics was held in 2022. Lectures and workshops addressed the topics of healthy sleep, relaxation and meal prep, among others. Employees had the opportunity on other days to have their spine examined for posture and mobility and to receive advice. There was also a digital offer on the topic of mindfulness in the workplace.

In addition to the Health Days, there is a weekly back fitness course in the immediate vicinity of the UmweltBank. Employees have also organised an after-work running group that meets every two weeks. UmweltBank also took part in 2022 in the corporate run around the Dutzensteich pond in Nuremberg.

Corporate Health Management supported employees with regular information and training on topics such as mindfulness, resilience and work in a mobile office.

UmweltBank attaches great importance to regular ergonomics consultations in the office to ensure that employees can perform their jobs well and healthily. These are not only offered on-site in the office, but also virtually for working in the mobile office. To prevent one-sided strain, all workplaces have ergonomic office chairs and height-adjustable desks. This makes it possible to also work while standing.



In 2019, UmweltBank introduced a health card to promote the health of all employees throughout the company. The bonus system rewards sporting activities and thus makes a valuable contribution to a healthy lifestyle. The card can be used at various sports and health providers, and includes an option for claiming individual endurance training such as jogging, hiking or walking. This means that the card can be used for a wide range of sporting and preventive activities.

## Occupational safety and health protection

Employee health and motivation are a central function in the corporate structure. Modern occupational health and safety takes into account the complex requirements of a dynamic working world and designs health-promoting conditions for all employees.

Occupational health and safety care is provided by an external prevention team consisting of an occupational safety specialist, a company doctor and an occupational psychologist. Internally, two employees are responsible for occupational safety and health protection. The Work Safety Committee, which meets quarterly, defines the focus topics for the year in a structured and transparent manner, discusses suggestions and necessities in the company and ensures that measures are implemented competently.

One focus in 2022 was the education and training of 17 new fire safety assistants and 30 first-aiders. In addition, two evacuation drills were held in preparation for an emergency. In 2022, a total of 92 employees took advantage of eye examinations offered as part of occupational health screening.



## Sustainably motivated



### Sustainable remuneration policy

- Fair remuneration system
- Contractual entitlement to further training
- Pension subsidy



### Family and work

- Flexible working time models
- Childcare subsidy
- Time off possible (e.g. sabbatical)



### Health

- Ergonomic workplaces
- Comprehensive health management
- Subsidy for selected sports courses



### Additional benefits

- Public transport ticket
- Meal vouchers
- Employee shares



*Annual*  
**Report**

# Report of the **Supervisory Board**

## *on the 2022 financial year*

2022 was a turbulent year, at times marked by several challenges for the world and specifically for UmweltBank AG: even early on in the course of the year, the Russian invasion of Ukraine brought about radical changes to the political and economic environment. In particular, the central banks' rapid shift away from their long-standing low interest rate policy due to the massive leap in inflation associated with the war made itself noticed in business. The increased risks also led to further intensification of regulatory authority requirements. At the same time, the energy crisis highlighted the urgent need to take action regarding the expansion of renewable energy sources and energy-efficient modernisation of buildings already required to contain climate warming; the financing of both these areas are UmweltBank's absolute core topics. Within the Bank, it was also necessary to drive forward in particular the change in the core banking system, which is, alongside the construction of the new company headquarters, the most important strategic alignment for the future of the company.

UmweltBank can ultimately look back on a successful financial year in which the Supervisory Board was intensely involved in the actions of the Management Board and the employees.

### **Composition and organization of the Supervisory Board**

Throughout the 2022 financial year, the Supervisory Board was composed of, unchanged on the previous year, Susanne Horn, Dr Michael Kemmer, Heinrich Klotz, Dr Michael Maier, Edda Schröder and Silke Stremlau, therefore one half each of women and men. Likewise unchanged on the previous year, Dr Michael Kemmer chaired the Supervisory Board for the entire financial year with Silke Stremlau as his deputy. All members of the Supervisory Board are knowledgeable about and familiar with the sector in which the company operates, namely the banking business, so that qualified monitoring of the management is ensured. No conflicts of interest on the part of Supervisory Board members arose in the financial year.

There was an audit committee of the Supervisory Board in place over the entire financial

year; a credit committee was formed in October 2022.

The **audit committee** assists the Supervisory Board in its monitoring of

- the accounting system,
- the internal control system, the risk management system and the internal audit function,
- the performance of the audits of the financial statements, especially with regard to the independence of the auditor and the services rendered by the auditor (scope, frequency, reporting) including non-assurance services, as well as
- timely correction of the deficiencies identified by the auditor by means of suitable measures implemented by the management.

Throughout the financial year, the audit committee was composed of Dr Michael Maier as chair, Dr Michael Kemmer as his deputy and Edda Schröder as a further member.

The **credit committee** is tasked with preparing Supervisory Board resolutions on loans to governing bodies in accordance with Section 15 of the German Banking Act (Kreditwesengesetz – KWG).

From its creation, the credit committee was chaired by Heinrich Klotz, Susanne Horn was elected as his deputy. Silke Stremlau was a further member of the committee.

### **Supervising and advising the Management Board**

In the past financial year, the Supervisory Board performed all duties for which it is responsible by law and under the articles of association. The Management Board reported to the Supervisory Board in depth about the intended operating policy and the financial, investment, capital and HR planning, the profitability of the company and the equity, on a regular basis on the course of business (including but not limited to current income, costs and the expenses for risk provisions) and the company's position, and in a timely manner about transactions that are potentially of considerable importance for the company's profitability or liquidity. The reports were made in writing and explained verbally at the following Supervisory Board meeting. Furthermore, the Management Board informed the Chairperson of the Supervisory Board without delay about any other important events that were potentially of significant importance for the company's position.



With regard to the deficiencies identified within the scope of a special audit performed by Deutsche Bundesbank in the financial year relating to the fulfilment of regulatory requirements for banks, the Supervisory Board and audit committee increased the intensity of their monitoring and the scope of the reporting duties over the course of the year. For example, at the Supervisory Board's request, the Management Board has started making monthly reports on the progress made with correcting deficiencies identified – the Supervisory Board expressly attaches great importance to their being processed in a timely manner – as well as, in addition, on the progress with the extremely important project to migrate the core banking system and on other relevant developments.

These reports and the joint discussions with the members of the Management Board provided the basis for the Supervisory Board's continuous monitoring of the Management Board's work. In addition, the Supervisory Board entered into an intense exchange with the auditor. Placing an audit focus of the audit of the annual financial statements on whether the organisation of the IT migration project is suitable for proper and successful implementation, originally under consideration, was deemed unnecessary after the Management Board engaged the audit firm with an assurance review of implementation of the project, the findings of which were also included in this context in the reporting on the audit of the annual financial statements.

The Supervisory Board and the audit committee entered into intense discussions with the Management Board on the loss incidents impacting the result for the year and examined on an ongoing basis the compliance of the Management Board's actions with its duties. Furthermore, the Supervisory Board advised the Management Board on governance of the company. In this respect, the members of the Supervisory Board were convinced of the legitimacy, appropriateness and correctness of the Management Board's actions. The Management Board fulfilled its reporting duties at all times.

In the opinion of the Supervisory Board, the Management Board fully succeeded in fulfilling the objective specified in the articles of association to strike a balance between sustainability and ecology on the one hand and economic success on the other once again in 2022.

### Meetings and topics

A total of five scheduled, i.e. regular, meetings and one extraordinary meeting of the Supervisory Board were held in the past financial year. In this context, Dr Michael Kemmer and Dr Michael Maier attended all meetings; each of the following were excused on one

occasion: Susanne Horn (diary clash with her main profession), Heinrich Klotz and Silke Stremlau (due to illness in both cases); Edda Schröder was excused on two occasions (once due to illness, once due to vacation). All members of the Management Board participated in every Supervisory Board meeting. Furthermore, the Federal Financial Supervisory Authority (BaFin), being the regulatory authority responsible, exercised its right under Section 44 (4) Sentence 1 to send representatives to attend the meetings held on 7 October and 2 December 2022.

In addition to the meetings, individual resolutions were adopted with documents being circulated without a meeting, including the ones on the capital increase from the authorised capital – in particular with regard to the ultimate amount and the associated editorial amendments to the articles of association – and on a loan to a governing body.

In light of the coronavirus pandemic, the annual general meeting of UmweltBank AG on 23 June 2022 was held once again as a virtual annual general meeting, for which reason only the Chairperson of the Supervisory Board was in attendance directly on-site and, in addition, his deputy was on call nearby as a precaution.

The audit committee held meetings on five occasions to fulfil the tasks entrusted to it; the credit committee that was created in October 2022 came together for one meeting. All members of each of the committees attended all meetings with the exception of the illness-related absence of Edda Schröder from one meeting of the audit committee. Additionally, in the case of audit committee meetings, individual Supervisory Board members who did not belong to the committee exercised their optional right to attend. All members of the Management Board also participated in all Supervisory Board meetings.

The scheduled meetings of the Supervisory Board each included an in-depth report by the Management Board on the economic and ecological development of the company, the risk control system and the banking business on the deposits side and on the lending side. Furthermore, reports were made from the most recent meetings of each of the committees.

The Management Board presented to the members of the Supervisory Board those loans and business transactions requiring its approval by law or under the rules of procedure. Following their discussion and review, the Supervisory Board approved the submission made with no exceptions.

In addition to regular reporting on the current situation and the company's business,

the Supervisory Board and the Management Board discussed strategic issues from the business segments.

At the meeting on 11 February 2022, the Supervisory Board discussed any potential impairment to Dr Michael Maier's ability to exercise his Supervisory Board mandate due to his new activities as Chief Technology Officer at Habib and Bank Ltd. and the associated relocation of his main place of residence to Pakistan; it came to an agreement to first await developments. The Management Board presented the provisional figures for 2021. The Management Board and Supervisory Board discussed the intended operating policy and business planning for 2022 and the update of the medium-term budget forecasts. The Supervisory Board approved the granting of joint power of attorney to Mr Philipp Langenbach, who was subsequently to be and was entrusted by the Management Board with responsibility for the topics of marketing, public relations and human resources, being awarded the title of 'Chief Representative' in an extended management. The Supervisory Board further approved amendments to the company's D&O insurance. The audit committee reported in particular on its involvement in the ongoing audit of the annual financial statements for the 2021 financial year.

Within the scope of the unscheduled meeting on 4 April 2022 that was convened at the request of the Management Board for reporting and consultation on the upcoming commencement of construction work for the new corporate headquarters and the effects of changes implemented at short notice to the funding programme of KfW Förderbank being utilised for this project and with regard to the necessary preparations for discussing and passing a resolution on the way to hold the 2022 annual general meeting, the Supervisory Board further came to the conclusion that the regular absences of Dr Michael Maier due to his professional activities in Pakistan would not be detrimental to his Supervisory Board activities due to the possibility of virtual conferencing. Furthermore, the Supervisory Board spoke out in favour of supporting (the subsequently successful) candidacy of Silke Stremlau as chair of the federal government's Sustainable Finance Advisory Committee.

The meeting to discuss the financial statements was held on 26 April 2022; the auditor of the company's financial statements also participated in this meeting when the corresponding items were being discussed. Resolutions were passed on the Supervisory Board report and on the proposals for resolutions to be made to the annual general meeting and the details of how it was to be held in virtual form, as well as on the achievement of targets and the vesting of the Management Board's variable remuneration components on the basis of their targets being reached. The Supervisory Board further adopted a

resolution on the extension of the term of Jürgen Koppmann's appointment as member of the Management Board. Furthermore, the Supervisory Board evaluated its own work. Also, reports by the Management Board on topics from the area of human resources and marketing and questions and issues of IT security were discussed.

At the meeting on 24 June 2022, the CEO of the Serbian 3bank, in which UmweltBank AG holds a 30% participating interest, was given the opportunity to introduce himself in person and to explain 3bank's business operations. Furthermore, the report by UmweltBank's information security office was also heard and discussed. That Heike Schmitz, previously being a designated Management Board member and Chief Representative, has now been able to gain sufficient experience in a position of responsibility also in the lending business, the Supervisory Board approved the resolution to allow her to take up her previously postponed appointment to the Management Board, effective as of 1 August 2022. The Supervisory Board adopted a resolution on an appropriate adjustment to the remuneration of the members of the Management Board, engaging the auditor elected at the annual general meeting the previous day to perform the audit of the annual financial statements for the 2022 financial year, and an extension of the corresponding audit engagement also for the audit of the 2023 annual financial statements, preferentially for the last time.

One of the central items for discussion at the meeting on 7 October 2022 included the decision on creating a credit committee for preparing approval resolutions of the Supervisory Board on the granting of loans to a governing body, as the Supervisory Board anticipated an increase in the number of applications for the granting of such loans to related parties, whether companies or individuals, due to the Bank's extensive business with participating interests. The Management Board and the Supervisory Board discussed in particular detail the position of the company under the impression of the challenging general economic and interest situation and the company-specific challenges on account of the migration of the core banking system and existing deficiencies with regard to the regulatory requirements for banks. In doing so, the Supervisory Board emphasised the importance of driving forward the processing of deficiencies identified, intense risk management, and generally strengthening the Bank's resilience. In addition, Dr Meike Gebhard, as managing director of Utopia GmbH, in which UmweltBank holds a participating interest of just over one-quarter of its capital, was given the opportunity to introduce herself and the company she manages to the Supervisory Board in more detail and in person; the Supervisory Board's schedule for the following year was also coordinated.

The head of the IT and Project Management department and project leader for the migration of the core banking system attended the meeting on 2 December 2022 to submit a report to and answer questions from the Supervisory Board. The Supervisory Board stipulated that Dr Michael Maier, being the Supervisory Board's specialist for IT topics, would have the plans on IT migration explained to him once again in more specialist detail and for him to report to the Supervisory Board on the same at its next meeting. Discussions were held and resolutions passed on the approval of the granting of several loans to a governing body and the associated issues. The Supervisory Board, furthermore, agreed to the granting of joint power of attorney to several departmental heads; in addition, approval was granted to the mortgaging of the company's plot of land at Nordwestring in Nuremberg for financing purposes. Furthermore, discussions also covered training measures for the Supervisory Board, the findings of a survey on employee satisfaction, a first draft of the budget figures for the following financial year and the reporting on recent contacts to the regulatory authority, in particular with regard to the deficiencies identified in the regulatory requirements for banks in general and the recent special audit by Deutsche Bundesbank in particular.

#### **Approval and adoption of the annual financial statements, proposal for the appropriation of profit**

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, the auditors elected by the annual general meeting in June 2022, audited the annual financial statements and the management report for the 2022 financial year, including the underlying accounts, and issued an unqualified audit opinion on the same. The audit committee and the Supervisory Board also performed an in-depth review of the annual financial statements and the management report. The auditors took part in the consultation, reporting on the significant findings of their audit and fully answering the Supervisory Board's questions in this context.

On the basis of the auditor's audit report, the supplementary explanations and the final outcome of its own review, the Supervisory Board did not raise any objections to the annual financial statements with the management report for the 2022 financial year.

The Supervisory Board consequently approved and adopted the 2022 annual financial statements in line with the recommendation of the audit committee.

The Supervisory Board also reviewed the Management Board's proposal for the appropriation of profit; it concurs with this proposal in line with the recommendation of the

audit committee. The Management Board's proposal appropriately takes account of both the shareholders' dividend interest and in the necessary creation of further capital for the company's further growth and to ensure sound capitalisation.

#### **Thanks**

The members of the Supervisory Board would like to express their thanks to the members of the management and all employees of the company for their great dedication in 2022 under conditions that were not easy, and to congratulate them on the successful conclusion to the financial year. We would further like to thank the shareholders for their ongoing deep loyalty to UmweltBank and all customers for the trust they place in UmweltBank. They are and remain the basis for the company's success.

Nuremberg, 28 April 2023



Dr Michael Kemmer, Chair of the Supervisory Board

# Management report of *UmweltBank AG*, Nuremberg, 2022 financial year

## Background to the company

Since its founding in 1997, **UmweltBank has combined sustainability with economic success**. Operating from Nuremberg, the direct bank and its more than 330 employees take care of more than 132,000 private and commercial customers throughout Germany. The Bank offers all its customers an extensive portfolio of sustainable financial services.

As an important corporate objective, **sustainability** is enshrined in the articles of association as follows: 'UmweltBank promotes the sustainable development of society with the objective of maintaining and creating a liveable world for future generations. The Bank models its business operations on the United Nations Sustainable Development Goals. In particular, it makes contributions to the implementation of sustainable towns and communities, to affordable and clean energy and to climate protection. In this respect, it pays attention to sustainable production and consumption as well as gender equality.'

UmweltBank's core competency is the financing of **solar and wind farms as well as ecological and social construction projects**. Most of the assets have been issued as traditional loans. Over and above this, the Bank also invests equity, directly or indirectly through its wholly owned subsidiary UmweltProjekt GmbH, in real-estate and energy projects and, in individual cases, in selected companies in the sustainability sector. The securities in the Bank's own portfolio (Portfolio A) are likewise selected according to ecological criteria.

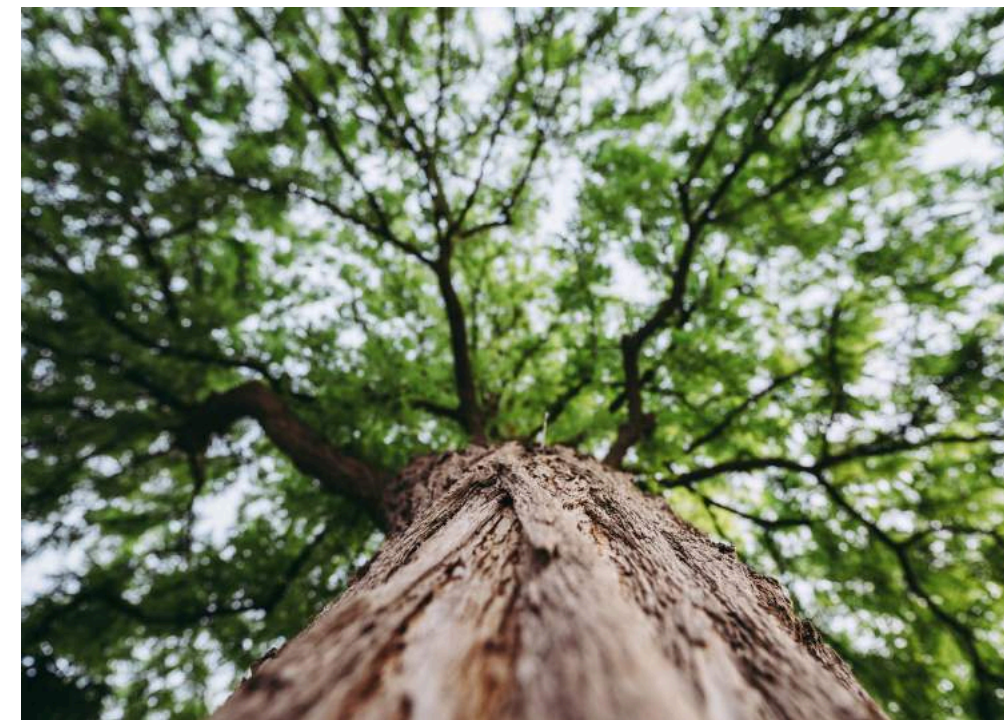
UmweltBank offers a **unique promise: the environmental guarantee**. It guarantees that savings deposits of its customers and the capital of its shareholders are used exclusively for loans to promote environmental projects. Alongside short- to long-term savings accounts the Bank's range of products also includes sustainable securities: its own share, own bonds, project and corporate bonds of other issuers, and sustainable investment funds. Under the UmweltSpektrum brand, UmweltBank offers three in-

house sustainability funds. Ecologically orientated pension policies round off the range of services. The Environmental Advisory Board, an advisory and supervisory body, regularly monitors whether the environmental guarantee is complied with.

The Bank measures the success of its business operations not only on the basis of financial but also **ecological and social indicators** such as compliance with the environmental guarantee, carbon savings or providing people with affordable accommodation.

Employees make a decisive contribution to UmweltBank's success. Consequently, the company places great value on creating an environment that offers the workforce the best possible working conditions and possibilities for personal development. Alongside flexible part-time models and contractually specified further training options, employees receive extensive benefits such as a childcare subsidy and a free public transport ticket. Furthermore, there are no set targets for the achievement of specific revenue or sales figures – and therefore no false incentives with regard to customer care. Many employees are at the same time shareholders in the Bank, a situation that is promoted by the company with a share-ownership programme.

Through its membership in the Global Alliance for Banking on Values (GABV), the Bank is embedded in an international network of sustainability banks.



## Economic report

### *General economic and industry-specific framework conditions*

2022 started out with a positive economic outlook. After around two years of coronavirus pandemic, the Ifo Institute anticipated a strong recovery in the German economy – driven by the coronavirus becoming endemic and a decline in the problems arising from supply bottlenecks. With the outbreak of the Ukraine war on 24 February 2022, the outlook became bleak, however. Countries around the world imposed sanctions in response to Russia's war of aggression in contravention of international law. The European Union alone adopted nine new packages of sanctions in the past year. These put extensive restrictions on trade and capital flows between the EU and Russia but also targeted individuals and organisations. In Germany, the Ukraine war simultaneously caused new supply chain problems, a massive hike in inflation of 6.9% on an annual average and an energy crisis stemming from the countries' traditionally strong dependence on Russian energy supplies. The German government reacted with extensive relief packages to alleviate the financial impact on the population and businesses.

Despite all adversities, the **German economy** proved to be pleasingly robust in 2022, according to initial calculations by the Federal Statistical Office. For example, gross domestic product (GDP) increased by 1.8% in comparison to 2021. The sharp price rises and the ongoing energy crisis in the past year impacted both the economy and households alike. For instance, energy-intensive operations suffered in particular from the rise in energy prices – from bakeries to chemical groups. Similarly, consumers faced significant price increases for essential products, specifically food and energy in 2022. Despite the challenging environment, private consumption proved to be sound and served as a pillar of growth for the German economy. In this context, catch-up effects could be seen after virtually all coronavirus protective measures were discontinued in Germany in spring 2022. The robust labour market similarly had a supporting effect in the past year.

In the past year, the European Central Bank (ECB) ended its **expansive monetary policy** and started to raise interest rates again for the first time after around ten years. By doing so, it was responding – just like many central banks around the world – to the massive hike in inflation. In four steps, the interest rate for main refinancing operations rose from 0.0% to 2.5% over 2022. The interest on the deposit facility rose from –0.5% to 2.0% over the same period. Alongside this, the ECB discontinued the net purchases

under the Pandemic Emergency Purchase Programme (PEPP) for the bonds of public and private debtors mid-year as planned. The PEPP was initiated in 2020 to counter a deterioration in financing terms on account of the coronavirus pandemic. In addition, the ECB adjusted the terms of targeted longer-term refinancing operations (TLTRO) in 2022 which provided appreciably stronger incentives to make premature repayments on a voluntary basis. Within the context of the coronavirus pandemic, the ECB held TLTRO funds in readiness in order to provide stronger incentives for banks not to reduce their volume of lending during the crisis.

Although the **German real estate markets** proved to be surprisingly robust in 2020 and 2021, sentiment deteriorated markedly with the outbreak of the Ukraine war early in 2022. An enormous rise in building prices, significantly higher financing costs and an uncertain economic outlook have posed major challenges for the real estate industry. This means demand for residential property fell sharply in 2022. Likewise, there was a significant decrease in new construction activity. The challenging environment put a damper on the rapid rise in prices on the housing market that had been prevailing for many years. According to data from the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – vdp), prices for residential real estate rose by only 2.1% throughout Germany, following the 10.7% seen in 2021. In the third quarter of 2022, the vdp Property Price Index even dropped for the first time in 11 years. Low-income households continue to have problems finding affordable accommodation – especially in metropolitan areas. The situation is being exacerbated by the large number of refugees from Ukraine and the rise in costs and interest rates leading to falling investment in housing construction. The German federal government is making an effort to counter this trend and has declared an objective of building 400,000 new homes per year, 100,000 of which with public subsidies. Only around 293,000 new residential units were built in 2021, with an even lower figure expected for 2022.

The expansion of **renewable energies** in the field of wind energy also continued at a low level in 2022. Throughout Germany, 551 new land-based wind turbines were built with a total output of around 2.4 GW. While this corresponds to an addition of around 26% in comparison to the previous year (2021: around 1.9 GW), the addition is just under 56% below the previous record year of 2017 (5.4 GW). According to the Federal Network Agency's core energy market data register, the addition to the stock of photovoltaic systems increased to around 7.2 gigawatts in 2022 – and thus to the highest figure since 2012. This corresponds to an increase of around 30% on the previous year (5.6 GW). Although the building of additional photovoltaic systems stagnated at a low level between 2014 and 2017, the past years saw dynamic growth that also continued in 2022.

## Business performance

UmweltBank saw **further growth** in the 2022 financial year, which also marked its 25<sup>th</sup> anniversary.

With the UmweltSpektrum Mensch and the UmweltSpektrum Natur, UmweltBank launched two further in-house funds on the market in 2022. With the **UmweltSpektrum brand**, UmweltBank is positioning itself on the growing market for sustainable funds. As at 31 December 2022, the three own funds recorded a volume of around €131 million, i.e. growth of 31% over the course of the year. This development was significantly below the expectations the Bank had stated at the beginning of 2022. Since the outbreak of the Ukraine war, investors have been cautious with investments.

In the 2022 financial year, UmweltBank announced its intention to introduce a new **core banking system**. In this context, the Bank decided on cooperation with Atruvia AG. At the end of 2022, this provider of IT services within the cooperative finance group served around 770 cooperative banks as well as numerous private banks and is one of the leading bank technology providers in Germany. With Atruvia, UmweltBank has chosen a standardised solution that has proven itself on the market. The change in the core banking system is scheduled to be completed by the end of 2023.

UmweltBank has been growing continually for many years and is planning to grow even more. The current location, distributed over several buildings, has reached its limits with regard to the number of workplaces and their flexibility. For this reason, the Bank has purchased a plot of land at Nordwestring in Nuremberg. A new office building is being built there according to high sustainability standards. In this way, UmweltBank is developing the property as one of the first office buildings in Germany to meeting the 'KfW Efficiency House 40 NH' energy efficiency standard and is striving for Platinum certification by the German Sustainable Building Council (DGNB).

Construction of the new company headquarters (UmweltHaus) began in 2022. Following the preparatory measures for the construction work, the official groundbreaking ceremony was held in May. Geothermal drilling started on the land in August, which is intended to make geothermal energy usable for heating and cooling. Geothermal ground loops are an important component of the environmentally friendly energy concept. Civil engineering work began in October.

UmweltBank sold a **participating interest in a wind farm** at the end of 2022 in a market favourable to renewable energy sources. With this transaction the Bank generated net proceeds of around €20 million.

The Bank's **volume of business**, i.e. total assets plus contingent liabilities and other obligations (irrevocable credit commitments, for example), came to €6,602.1 million at the end of 2022, an increase of 2.3% on the previous year. Total assets increased by 0.9% to €5,980.6 million. As at 31 December 2022, the Bank financed environmental and social projects with a total volume of €3,529.6 million (previous year: €3,416.6 million). The total amount of loans utilised by customers increased by 3.0% to €3,225.2 million. The total volume of customer credit, including open commitments of €535.3 million, was €3,760.5 million, 4.6% up on the level of the previous year.

In 2022, UmweltBank financed new ecological and social real estate with a volume totalling €349 million. The **real estate project financing** business segment was mainly characterised by larger projects in the residential area. Cooperative projects should be highlighted in this context but also several instances of social real estate with high loan amounts as well as various apartment building consortia – projects to create and safeguard affordable accommodation over the long term.

In 2022, demand for **private building loans and mortgages** was significantly down on the previous-year level. While business remained within the expected range in the first half of the year, the second half was appreciably weaker. Over the course of the year, interest for ten-year real estate loans more than quadrupled to around 4%. The high purchase and construction prices are an additional factor. This explains the significant uncertainty and caution among consumers and persons interested in buying real estate. From experience, it takes some time on the real estate market until players have adjusted to the new market conditions. How quickly this will happen in the present situation is, however, difficult to assess.

In the 2022 financial year, UmweltBank issued new loans of €254 million to projects in the field of **renewable energy sources** with a total output of 325 megawatts. It was not possible to match the previous-year figure of €421 million as projects with a volume of credit of more than €170 million had been postponed into 2023.

By the end of 2022, UmweltBank had financed **photovoltaic systems** with an output of around 267 MWp. The Bank's market share of the overall photovoltaics market was 3.7%; in relation to the relevant market (systems over 500 kWp), it was as much as 9.3%.

The standardised financing concept for open-space photovoltaic systems on the basis of **power purchase agreements** (PPAs), developed by UmweltBank in 2019, is seeing ongoing demand on the market. In 2022, the Bank provided financing on the basis of PPAs for photovoltaic systems with an output of 86 MWp.

In the area of **wind turbines**, a plant output of around 58 MW was financed in 2022 with a volume of new credit of €94 million. This means UmweltBank's market share in Germany was around 2.4% (previous year: 3.8%).

With regard to the **sector distribution of the loan portfolio** (loans for sustainable projects, including open commitments), first place was taken in 2022 by residential, social and commercial real estate with a share of 44.6% (2021: 43.3%). Projects in the field of solar power made up 33.5% (2021: 34.0%), followed by wind energy loans at 20.2% (2021: 20.6%). With a share of 1.7% (2021: 2.1%), the other volume of credit includes, among other things, biomass and heating concepts, hydropower loans and sustainable agriculture. At the end of 2022, the total number of all ecological projects financed since the Bank was founded came to 24,949 (previous year: 24,513).

UmweltBank gives its customers the UmweltGarantie (environmental guarantee) according to which every euro invested with the Bank is to be used to promote the United Nations Sustainable Development Goals (SDGs). The Bank checks compliance with the UmweltGarantie, by comparing the ratio of volume of utilised environmental loans, note loans for a specific purpose, participating interests, green and social bonds plus its own investments with a positive SDG contribution to the deposit volume of customers, third-party loans from development banks and the original equity brought into UmweltBank from the investors. Compliance is checked quarterly by Sustainability Management and the UmweltBank's Environmental Advisory Board. The UmweltGarantie was complied with in 2022.

The **result for the year** before taxes (EBT) came to €39.2 million in 2022. This corresponds to an increase of 3.0% on the previous year. Earnings after tax before addition to the fund for general banking risks in accordance with Section 340g German Commercial Code (Handelsgesetzbuch – HGB) came to €30.5 million (previous year: €25.4 million). This corresponds to €0.86 per share with 35.7 million no-par-value shares (previous year: €0.72; 35.4 million no-par-value shares). The result for the year after tax and addition to the fund for general banking risks increased by 0.9% to €19.5 million. The Bank's financial performance developed in line with the Management Board's expectations.

Accumulation of profit of €18.0 million (including fresh funding of the reserve pursuant to Section 340g HGB) **increased the regulatory capital** significantly. After adoption of the annual financial statements, the total regulatory capital ratio came to 16.5% (previous year: 14.00%).

The number of **employees and interns** working for UmweltBank grew to 332 individuals as at the end of the year (previous year: 299). Converted to a 40-hour working week, the workforce increased by 15.0% to 275.5 individuals (previous year: 239.5). This figure includes three trainees and one apprentice.

Trading in the UmweltBank share closed at the end of the year at a price of €13.45 (previous year: €19.55). At this level, the UmweltBank share has a price/earnings ratio of 15.6 and a dividend yield of around 2.5%.

In a challenging environment overall, UmweltBank brought the 2022 financial year to a successful conclusion. Despite the repayment of TLTRO funds totalling €300 million, total assets increased slightly. Earnings before taxes were also within the forecast range. With a customer base of 132,157, the Bank only fell clearly short of the objective set at the beginning of 2022 to reach 142,000 customers. For instance, the streamlining of accounts with very small balances led to the termination of business relationships with around 4,000 inactive customers. In 2022, the Bank's focus had already shifted to successful migration of the core banking system, which meant that the purely quantitative objectives regarding customers were temporarily suspended.

## Financial performance

	01.01 -31.12.2021 € thousand	01.01 -31.12.2021 € thousand	Change in € thousand	Change in %
Interest result	58,791	63,238	-4,447	-7.0
Financial result	24,829	2,965	21,864	737.4
Risk provisions for customer loans (expense (-) / income(+))	-9,291	-3,263	-6,028	184.7
Valuation result (expense (-) / income(+))	-285	263	-548	
<b>Interest, financial and valuation result</b>	<b>74,044</b>	<b>63,203</b>	<b>10,841</b>	<b>17.2</b>
Commission and net trading income	9,345	9,421	-77	-0.8
Other expenses (-) / income (+)	-2,017	55	-2,072	
<b>Earnings before administrative expenses and taxes</b>	<b>81,372</b>	<b>72,680</b>	<b>8,693</b>	<b>12.0</b>
Personnel expenses	19,880	17,154	2,726	15.9
Other administrative expenses	21,574	16,512	5,062	30.7
thereof expenses for bank levy and deposit protection	3,695	4,096	-401	-9.8
Depreciation and amortization on non-current assets	708	929	-221	-23.8
<b>Total administrative expenses</b>	<b>42,162</b>	<b>34,595</b>	<b>7,567</b>	<b>21.9</b>
<b>Earnings before taxes</b>	<b>39,210</b>	<b>38,085</b>	<b>1,126</b>	<b>3.0</b>
Income taxes	8,661	12,710	-4,049	-31.9
Additions to the fund for general banking risks	11,000	6,000	5,000	83.3
<b>Net result</b>	<b>19,549</b>	<b>19,375</b>	<b>174</b>	<b>0.9</b>
Transfer to retained earnings	7,038	6,517	521	8.0
<b>Distributable profit</b>	<b>12,511</b>	<b>12,858</b>	<b>-347</b>	<b>-2.7</b>

**Net interest income** decreased by 7.0%, from €63,238 thousand in 2021 to €58,791 in 2022. Refinancing expenses increased more sharply than interest income. This development led to the average interest margin to decrease from 1.21% to 1.07%.

The **financial result** includes the current income from equities and other non-fixed-interest securities, participating interests and affiliated companies and the balance of write-ups and write-downs on participating interests, shares in affiliated companies and securities treated as non-current assets. The increase from €2,965 thousand in 2021 to €24,829 thousand in the reporting year primarily results from the sale of a participating interest in a wind farm as well as a higher current income from participating interests, shares in affiliated companies and securities treated as non-current assets.

The additions to and reversals of **risk provisions** for customer loans netted as an expense of €9,291 thousand (previous year: €3,263 thousand). The existing risk provisions (specific and general allowances) came to €6,742 thousand (previous year: €4,139 thousand), which makes up 0.21% (previous year: 0.13%) of the volume of customer credit granted. This increase results, among other things, from an addition to the general allowance in the course of first-time application of IDW AuS BFA 7.

The **valuation result** reports income of €285 thousand (previous year: €263 thousand). This figure includes direct write-downs of receivables of €10 thousand (previous year: €26 thousand), write-downs on receivables and securities of the liquidity reserve of €238 thousand (previous year: €51 thousand) and profits and losses from the disposal of securities of the liquidity reserve netted in a loss amounting to €37 thousand (previous year: profit of €20 thousand).

The **commissions and net trading income** contains commission income and expenses from the credit, securities and insurance business as well as profits and losses from trading with equity and bond funds, and bonds. The decrease from €9,421 thousand to €9,345 thousand was due to a slight decrease in price gains from trading in bonds and investment funds. The revenue in the securities and intermediation business came to around €104.1 million in 2022 (previous year: €190.1 million).

The balance of other operating expenses and income revealed an expense of €2,017 thousand in 2022 (previous year: income of €55 thousand). This change is primarily due to expenditure in connection with operating loss incidents.

**Earnings before administrative expenses and taxes** increased from €72,680 thousand



in the previous year to €81,372 thousand. This corresponds to an increase of 12.0%.

Parallel to the increase in the number of employees, **personnel expenses** saw growth of 15.9% to €19,880 thousand (previous year: €17,154 thousand). The increase primarily results from the increase in the workforce to implement the HR strategy and from salary adjustments.

**Other administrative expenses** increased from €16,512 thousand in the previous year to €21,574 thousand in 2022. The increase predominantly stems from a budgeted rise in marketing, IT and consulting expenses.

Netting of income and expenses results in **earnings before taxes** of €39,210 thousand in comparison to €38,085 thousand in the previous year.

The Management Board passed a resolution to add €11,000 thousand to the **fund for general banking risks** in accordance with 340g HGB.

After deduction of the tax expense of €8,661 thousand for corporate income tax and trade tax (previous year: €12,710 thousand), there remains a **net result** of €19,549 thousand (previous year: €19,375 thousand).

After the transfer to the retained earnings of €7,038 thousand (previous year: €6,517 thousand), there are **distributable earnings** of €12,511 thousand (previous year: €12,858 thousand).

## Balance sheet as at 31.12.2022

ASSETS	31.12.2022 € thousand	31.12.2021 € thousand	Change in € thousand	Change in %
Cash and cash balances	332,806	814,230	-481,424	-59.1
Receivables from banks	2,890	12,984	-10,094	-77.7
Receivables from customers	3,139,025	3,072,520	66,505	2.2
Bonds and other fixed-interest securities	2,365,307	1,918,388	446,919	23.3
Equities and other non-fixed-interest securities	21,542	10,741	10,801	100.6
Trading portfolio	10,471	4,455	6,016	135.0
Participating interests and shares in affiliated companies	35,768	38,388	-2,620	-6.8
Intangible assets	595	798	-203	-25.4
Property, plant and equipment	58,342	47,203	11,139	23.6
Other assets	10,043	6,124	3,919	64.0
Prepaid expenses	323	193	130	67.4
Deferred tax assets	3,503	1,775	1,728	97.4
<b>Total assets</b>	<b>5,980,615</b>	<b>5,927,799</b>	<b>60,304</b>	<b>0.9</b>

**Cash and cash balances** decreased by €481,424 thousand, from €814,230 thousand to €332,806 thousand. This decline is due, among other things, to purchases of bonds issued by public bodies or banks and the repayment of Bundesbank TLTRO funds.

In a year-on-year comparison, **receivables from banks** fell by 77.7% to €2,890 thousand.

The portfolio of **receivables from customers** reached a new high of €3,139,025 thousand. The increase in receivables is primarily due to the new business in the areas of solar energy, wind power and residential real estate. Significant decreases in volume were reported in the areas of hydropower and biogas due to repayments exceeding the new lending business.

The volume of **bonds and other fixed-interest securities** was €2,365,307 thousand as at 31 December 2022, 23.3% up on the previous year (€1,918,388 thousand). The increase was caused primarily by bond purchases.

Over the reporting period, the portfolio of equities and other non-fixed-interest securities increased by 100.6% to €21,542 thousand through purchases of fund shares (previous year: €10,741 thousand).

The **trading portfolio** came to €10,471 thousand (previous year: €4,455 thousand). This figure includes the bond issued by the 'Am Ostseeplatz' housing cooperative, ISIN DE000A30VH34, amounting to €10,369 thousand, that had not been sold to customers in its entirety as at year-end 2022.

The decrease in the portfolio of **participating interests and shares in affiliated companies** of €38,388 thousand to €35,768 thousand is primarily attributable to the sale of a participating interest in a wind farm.

The decline in **intangible assets** of €203 thousand is attributable to amortisation of purchased software licences.

**Property, plant and equipment** increased by €11,139 thousand to €58,342 thousand. The rise is essentially attributable to additions in the context of building a new headquarters and the development of a sustainable urban district.

**Other assets** saw an increase of €3,9019 thousand to €10,043 thousand. This rise is predominantly due to the purchase of shares in cooperatives as a strategic investment and rights to tax refunds.

**Prepaid expenses** rose from €193 thousand to €323 thousand. The item contains expenses that relate to future financial years.

LIABILITIES	31.12.2022 € thousand	31.12.2021 € thousand	Change in € thousand	Change in %
Liabilities to banks	2,247,704	2,440,726	-193,022	-7.9
Liabilities to customers	3,176,395	2,954,087	222,308	7.5
Other liabilities	5,208	4,882	326	6.7
Prepaid expenses	507	771	-264	-34.2
Provisions	16,114	14,852	1,262	8.5
Lower-ranking liabilities	87,905	87,905	0	0.0
Profit participation rights	44,132	44,307	-175	-0.4
Fund for general banking risks	146,150	135,150	11,000	8.1
Equity	256,500	245,119	11,368	4.6
<b>Total equity and liabilities</b>	<b>5,980,615</b>	<b>5,927,799</b>	<b>60,304</b>	<b>1.0</b>

Alongside equity and longer-term deposits, public subsidies for environmental projects serve as a **source of long-term funding**. In this respect, the vast majority of liabilities to banks are attributable to KfW-Förderbank (€1,214,121 thousand; previous year: €1,081,391 thousand) and Landwirtschaftliche Rentenbank (€240,604 thousand; previous year: €253,944 thousand). Both the refinanced receivables from the final borrowers and further securities of a nominal value of €120,000 thousand have been transferred to the development banks as collateral.

The **funding ratio**, defined as the ratio of the balance sheet items liabilities to banks to receivables from customers, decreased from 79.4% to 71.6%. Liabilities to banks also includes funds in connection with the Bundesbank's targeted longer-term refinancing operations of €770,000 thousand (previous year: €1,070,000 thousand). In total, liabilities to banks saw an increase of €193,022 thousand to €2,247,704 thousand.

**Liabilities to customers** increased by 7.5% from €2,954,087 thousand to €3,176,395 thousand. All overnight deposits come to €2,172,885 thousand and make up 68.4% (previous year: 62.1%) of liabilities to customers. This is followed in second place by savings deposits of €809,933 thousand or a share of 25.5% (previous year: 28.4%); third place is taken by other liabilities with an agreed maturity or notice period of €193,577 thousand or 6.1% (previous year: 9.5%).

At €5,207 thousand, **other liabilities** are up 6.7% on the previous year. The rise is pre-

dominantly due to the increase in liabilities to the tax office and trade payables.

The decrease in **deferred income** from €771 thousand to €507 thousand results from one-off payments received on receivables from customers that are recorded as income distributed over the period of fixed interest of the loans.

The item **lower-ranking liabilities** includes the UmweltBank-CoCo-Bond 2016/2017 in the amount of €25,954 thousand (previous year: €25,954 thousand), the Umwelt-Bank-Green-Bond-junior in the amount of €41,951 thousand (previous year: €41,951 thousand) and registered bonds in the amount of €20,000 thousand (previous year: €20,000 thousand).

The increase in **provisions** from €14,852 thousand in the previous year to €16,114 thousand is due, among other things, to provisions for contingent liabilities and other obligations in connection with the first-time application of IDW AuS BFA 7.

The reserve pursuant to Section 340g HGB (**fund for general banking risks**) was increased by €11,000 thousand (8.1%).

The **equity recognised on the balance sheet** increased by €11,381 thousand from €245,119 thousand to €256,500 thousand. The increase results from a capital increase of around €3,500 thousand and from the recognition of retained earnings.

The **irrevocable credit commitments** increased to €535,302 thousand (previous year: €463,192 thousand). The **liabilities from guarantees and warranty agreements** rose to €86,177 thousand (previous year: €59,996 thousand).

## Regulatory equity

UmweltBank's **equity** exceeds by a significant margin the current statutory requirements. After adoption of the 2021 annual financial statements, the regulatory equity came to €426.5 million. Upon adoption of the 2022 annual financial statements, equity increased to €529.0 million (24.0%). Of this figure, €385.4 million is classified as Common Equity Tier 1 capital, €25.4 million as additional core capital and €118.1 million as supplementary capital.

For the capital increase of €3.5 million from October 2022, recognition by the Financial Supervisory Authority (BaFin) was still pending as at 31 December 2022.

The increase in own funds of around €102.5 million in the 2022 financial year essentially stems from the accumulation of profits and regulatory recognition of capital increases from the period from 2019 to 2021.

The Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) issued a notice pursuant to the Supervisory Review and Evaluation Process (**SREP**) under which UmweltBank must comply with a total capital surcharge of 1.5 percentage points. According to the provisions of the Capital Requirements Regulation (CRR) valid as of the reporting date, UmweltBank is subject to the following equity ratios taking account of this surcharge as at 31 December 2022:

	Regulatory requirement 31.12.2022	31.12.2022	31.12.2021
<b>Total capital ratio</b>	12.0%	16.5%	14.0%
<b>Tier 1 capital ratio</b>	9.6%	12.8%	10.4%
<b>Common Equity Tier 1 capital ratio</b>	7.8%	12.0%	9.5%

The increase in the ratios is essentially attributable to the increase in own funds.

Over the financial year the key figures exceeded the minimum regulatory requirements at all times.

According to the regulations valid as of the reporting date and subject to the assumption that the annual financial statements are adopted, UmweltBank's **leverage ratio** stood at 6.5% (previous year: 5.1%).

## Liquidity

The Bank was able to **meet its payment obligations** at all times in the 2022 financial year. The 'liquidity coverage ratio' (LCR) to be complied with pursuant to Regulation (EU) No. 575/2013 (CRR) stood at 2.01 as at 31 December 2022, thus significantly higher than the minimum of 1.0.

## Summary assessment of the Bank's business development and performance

For the purpose of governing the Bank, the Management Board uses the volume of business, the result for the year before taxes (EBT), fulfilment of the environmental guarantee and carbon savings as key financial and non-financial indicators.

In terms of key financial indicators, the objectives for 2022 stated in the management report for 2021 were met and, in some cases, exceeded:

The **volume of business** of €6,602.1 million, which comprises total assets of €5,980.6 million, liabilities from guarantees and warranty agreements of €86.2 million and irrevocable credit commitments of €535.3 million, increased by 2.3% in 2022 in comparison to the previous year. In this context, the forecast was exceeded due to the following material effects: For instance, customer deposits increased in 2022 more sharply than forecast. Alongside this, changed conditions meant that less TLTRO funds were repaid than originally planned. Furthermore, more KfW refinancing loans were issued than planned. In addition, contingent liabilities and open commitments likewise increased.

At €39,210 thousand, the **result for the year before taxes** (EBT) stood at the previous-year level and corresponded to the forecast made. Net interest income was down on the previous year's figure and was thus in line with the forecast. The slight decline in net commission and trading income was significantly down on the forecast that was stated prior to the outbreak of the Ukraine war. Since then investors have been cautious with investments. In contrast, the forecast sharp increase in the financial result was achieved. Contrary to the forecast, risk provisioning did not decrease but is significantly

higher. Personnel expenses and general administrative expenses increased in comparison to the previous year, as forecast.

The ratio of the volume of utilised environmental loans, note loans for a specific purpose, participating interests and green/social bonds to the deposit volume provides a coverage of 107.2% (**fulfilment of environmental guarantee**) as at 31 December 2022.

For 2022, UmweltBank has refined its CO<sub>2</sub> accounting and for the first time included the emissions from investments in Portfolio A. As a consequence, total emissions of around 1,160,000 tCO<sub>2</sub>e have been avoided. Due to the change in the calculation method, it is not possible to make a direct comparison to the previous-year figure. If the Bank's own portfolios are not included, this figure would be around 1,285,000 tCO<sub>2</sub>e, which would be equivalent to an increase of around 7% on the 2022 figure of around 1,200,000 tCO<sub>2</sub>e. For this calculation, all greenhouse gas emissions caused by the company, whether directly or indirectly, were offset against the savings from projects in the field of renewable energy sources, as electricity from renewable energy sources saves carbon compared with the substituted energy sources. The calculation was made on the basis of the Global GHG Accounting and Reporting Standard of the Partnership for Carbon Accounting Financials (PCAF).

## Risk reporting

### Risk management system

UmweltBank's aim is to enter into only those transactions that have a positive risk-opportunity profile. Building on this principle, a **risk management system** has been put in place that constantly monitors and manages all relevant business segments. The instruments deployed as part of the risk management are refined on an ongoing basis.

The basis for the control and monitoring of risks is a **business and risk strategy** defined by the Management Board and made known to the Supervisory Board.

A risk inventory performed on an annual basis reviews the completeness of the risk strategy and the material risks. In this respect, UmweltBank differentiates between the following material risk types:

- Credit risks
- Market price risks
- Liquidity risks
- Operating risks
- Sales risk

In addition,

- risk concentrations within a risk type ('intra'),
- risk concentrations overarching risk types ('inter'),
- sustainability risks as a cross-sectional category and
- reputational risks as a cross-sectional category

are taken into consideration.

Risk management pursues the objective of identifying risks at an early stage, keep existing risks under control in a targeted manner, thus safeguarding the Bank's economic existence.

To underpin the risks, UmweltBank's **risk-bearing capacity** is determined in a quarterly controlling report for this purpose. On this basis, limits are allocated to the respective risk types and data collected on utilisation of the same. The individual limits are specified by the Management Board at least once a year. In this context, the intention is to keep the aggregate of the limits within tight parameters and far below the overall risk-bearing capacity. As at the 31 December 2022 reporting date, the risk-bearing capacity breaks down as follows:

Composition of risk-bearing capacity	In € millions
Risk budget from income surplus	27.9
Available capital (CRR)	119.3
<b>Total risk-bearing capacity</b>	<b>147.2</b>

The regular controlling report and ad hoc reporting provides the management with information about UmweltBank's risk situation. The Supervisory Board is informed about the Bank's risk utilisation before each of its meetings.

Within the scope of the concept of risk-bearing capacity, UmweltBank sees **continuation of its business operations** taking account of the regulatory minimum capital requirements for banks as its overarching goal. Even if both expected and unexpected (with a confidence level of 97.5%) losses occur over the observation period of 12 months (rolling), the minimum capital requirements for banks should still be met. In this light, UmweltBank is using a going-concern approach with a profit and loss (P&L) oriented perspective as a leading control instrument for the last time as at 31 December 2022. The capital requirements to cover the entire unexpected risk, consisting of the total of credit risk, market price risk, liquidity risk and operational risk, is determined using quantitative models.

Alongside measuring risk-bearing capacity, UmweltBank additionally performs various regular and ad hoc **stress tests**. These involve, among other things, simulation of a severe economic downturn or abolition of the guaranteed feed-in payments under the Renewable Energies Act (Erneuerbare-Energien-Gesetz, EEG) for new power generation systems. In both cases, continuation of business activities is possible without substantial restrictions. Once a year, additional reverse stress tests are deployed to develop extreme scenarios that take the risk-bearing capacity to the extreme in order to uncover potential gaps in the existing risk management system. The management and the Supervisory Board are informed on a regular basis on the outcome of the stress tests.

## Credit risk

Credit risk is defined as the potential loss that may arise from the partial or complete default of a borrower or issuer or a downgrade in their credit rating.

The credit risk is limited already by the fact that only those types of loans stated in the **credit risk strategy** are permitted and that, in turn, clear assessment criteria have been defined for the same. Depending on the loan amount and relevance to risk, experienced key personnel, also including Management Board members, are brought into the loan decision-making process.

In addition, every loan is assessed and allocated an economic and ecological rating. The ecological rating grid comprises of five grades from very promotive (one), promotive (two), still promotive (three), neutral (four) and harmful to the environment (five).

The economic **rating system** consists of six credit rating grades for credit exposures and three further rating categories for mezzanine and equity capital, and for participating interests. This overall economic assessment is based on customers' personal credit rating, their income level and their financial circumstances, each weighted as one-third. The economic rating system is currently undergoing a review within the scope of the project work. In order to refine how the credit risk is measured, differentiation of the rating categories is being introduced, among other developments, and the previously separate rating categories for mezzanine and equity capital or, as the case may be, participating interests are implemented in the ratings for credit exposures.

Loans are generally collateralised. The types of **collateral** accepted, the evaluation method and the evaluation principles have been set out in internal organisational guidelines.

As part of the Bank's ongoing credit monitoring system, the borrowers' economic circumstances and the recoverability of the collateral they provided are reviewed on a regular basis. Over and above this, UmweltBank has a risk early warning system in place. For this purpose, borrowers' account management is monitored on an ongoing basis. For instance, the IT system prepares daily overdraft lists for all exposures; these are reviewed and processed by the responsible account managers. This procedure is intended to identify emerging risks at an early stage and to allow suitable measures to be taken. In the event of risk provisioning becoming necessary, an allowance is created on the unsecured portion of the loan. The unsecured portion is determined by deducting the aggregate of the collateral values of all liable collateral from the utilisation of the loan. To

determine the current collateral value of the collateral, the valuation approaches must be reviewed and adjusted as necessary.

Within the scope of the calculation of risk-bearing capacity, a measurement of **counterparty default risk for customer loans** is performed using a Monte Carlo simulation in combination with a value-at-risk approach. At the beginning of 2022, this simulation was still based on the Bank's historical risk provision ratios, which were determined annually specifically for each credit rating and industry. This method was refined such that probabilities of default are now used instead of risk provision ratios. In this context, the probabilities of default are determined on the basis of UmweltBank's own historical default rates. Alongside the recognition of specific allowances according to the regulatory definition of default, a default event also includes further events (for example a credit rating downgrade). This means that probabilities of default are determined depending on the number of instances. The probabilities of default were used in the risk measurement for the first time as at the 31 March 2022 reporting date. The confidence level used for the last time as at the 31 December 2022 reporting date was 97.5%. This means that the counterparty default risk determined in this way for customers will not be exceeded over a 12-month horizon with a probability of 97.5%. A limit is placed on the loan portfolio by industries in order to manage concentration risks.

In addition, the credit risk is also taken into consideration in investments and participating interests. Credit risk is subdivided into counterparty default risk and credit rating risk of items with an additional external rating (such as Pfandbriefs or term deposits at other banks) and into counterparty default risk of items without an external rating (participating interests, for example). S&P, Moody's and Fitch are used as external rating agencies.

A separate limit is set for each issuer. Compliance with the limits is monitored on a daily basis by an office independent of trading.

The **counterparty default risk of securities and receivables from banks with an external rating** was likewise determined for the last time as at 31 December 2022 using a rating shift on the basis of the historical default rates published by the rating agencies. In this context, the Bank enters into country risks only to a minor extent.

For **securities, participating interests and shares in affiliated companies without an external rating**, UmweltBank also assumes a fictitious 50% default of the largest single item for the last time as at 31 December 2022. When selecting the largest single item, the Bank's direct participating interests and the participating interests of the wholly-owned

subsidiary UmweltProjekt GmbH are taken into consideration.

The determined risk value is taken into consideration with an additional risk premium that is conservatively determined and validated each year in order to compensate for the lack of industry correlations.

Guardrails have been put in place for the Bank's liquidity reserves and investments in securities with the aim of minimising risk. Investments are made in central bank deposits, fixed and variable-interest securities, Pfandbriefs, public bonds or deposits at banks. Alongside a liquid market and good economic and ecological ratings of the issuers, importance is attached to the returns. UmweltBank's trading activities always fulfil the criteria of Article 94 (1) of Regulation (EU) No. 575/2013 (CRR) for small trading book business.

The **credit risk report** prepared on a regular basis presents UmweltBank's entire credit portfolio broken down by customer groups, rating categories, industries and volume concentrations. In this context, both the volume of credit and the number of exposures are evaluated. Notable exposures (such as large loans, participating interests, loans requiring management attention or (partially) impaired cases) are presented and commented on. A credit rating matrix maps the classification of the loans in the ecological and economic risk classification system. In addition, investments in securities are presented separately. The credit risk report is submitted to management. The Supervisory Board is also informed of the risk situation both verbally and in written form at each of its meetings.

## Market price risks

The market price risk is defined as the risk of a change in the market price or market interest rates. Credit spread risks are consequently allocated to the market price risk.

The **market price risk and interest rate exposure strategy** forms the basis for managing the market price risk. Market price risks at UmweltBank take the form of interest rate exposure in particular. Interest rate exposure includes interest-rate-induced price change risks. Furthermore, there are credit spread risks. In addition, there is a manageable portfolio of equities and currency items that consequently involve the corresponding foreign exchange risks. UmweltBank is not exposed to commodity and any other price risks. The Bank does not conduct any transactions with derivative financial instruments.

With regard to investments in securities, the Bank pursues a 'buy and hold' strategy. For this reason, no **market liquidity risks** are quantified for securities as non-current assets. The daily overview of investments in securities, based on the previous day's closing rate, provides information on the current development and the resulting hidden reserves and potential need for impairment.

The **interest rate exposure** generally consists of impairment of securities and higher interest expenses potentially arising from changing market interest rates that are not counterbalanced by a corresponding rise in interest income, since the interest rates for assets can only be increased in some cases due to the application of fixed rates. The differences in the fixed interest rates arise primarily on account of differing customer interests in the area of financial investment and in the area of borrowing. Consequently, UmweltBank performs traditional maturity transformation in order to satisfy customer requirements.

The interest rate exposure applied for the last time as at 31 December 2022 in the periodic calculation of risk-bearing capacity is calculated on the basis of three interest-rate scenarios:

- A parallel shift in the yield curve by +204 basis points (BPS).
- A parallel shift in the yield curve by -168 BPS, with interest rates for customer deposits not being able to fall below 0%.
- An inversion of the yield curve with an increase of up to 185 BPS in the short-term

segment and a decrease by up to 100 BPS in the ten-year segment.

In all scenarios, the impact on the income statement over the next 12 months including the liquidity reserve recognised using the strict lowest-value principle is regarded. Net interest income and the valuation result of the liquidity reserve in the respective scenario is compared with the net interest income and the valuation result of the liquidity reserve of the rolling plan. The highest deviation resulting from the three scenarios gives rise to the risk or the opportunity in the respective scenario.

In addition to interest rate exposure, a figure based on the income statement that was used for the last time as at 31 December 2022, UmweltBank's **interest rate exposure in terms of present value** is also determined in the regular Risk Report, as specified by the regulatory authorities (according to circular 'Circular 06/2019 (BA) – Interest rate risk in the banking book'). In this context, six scenarios specified by the Federal Financial Supervisory Authority (BaFin) are examined. The scenario with the highest risk value is the 'interest rate shock +200 basis points'.

As at the 31 December 2022 reporting date, the risk-bearing capacity in terms of present value, provided with a set of scenarios specified by the regulatory authorities, is as follows:

Interest rate exposure in terms of present value	Interest rate shock +200 basis points	Interest rate shock -200 basis points
Change in present value in € thousands	-65,286	69,011
Change in present value in relation to equity in %	-12.9	13.7

In addition, UmweltBank also measures **credit spread risks**. These result from changes to the capital market's assessment of the counterparty default risks of bonds and price changes triggered by the same. The poorer the issuer's rating, the higher these become. Credit spread risks are calculated only for the securities of the liquidity reserve.

On account of minor currency items, there is also a foreign exchange risk. The **foreign exchange risk** describes the danger that the value of an item reacts to changes in foreign exchange rates and the changes in the exchange rates give rise to impairment of the item. On the basis of the historical development of exchange rates, a value-at-risk approach is used to determine a potential value fluctuation with a confidence level of 97.5% and multiplied by the current market value.

**Equity risks** were not disclosed as the items are included in non-current assets and accounted for using the less strict lowest-value principle.

## Liquidity risks

Within the scope of the liquidity risk, UmweltBank differentiates between the insolvency risk, that is covered by the liquidity potential, and the refinancing risk, which is covered within the risk-bearing capacity by the risk-covering assets.

The insolvency risk is determined on a quarterly basis using forward liquidity exposure statements of several risk scenarios by reviewing whether the strategic survival horizon can be maintained. The basis for the risk scenarios is the liquidity planning with a time horizon of five years, which is derived from the medium-term budgeting and thus represents the expected cash flows. For determining risk, the cumulated net cash flow is set against the existing liquidity potential, thus reviewing the Bank's solvency. The refinancing risk, which is covered by the risk-bearing capacity, is calculated by means of a spread premium on the liquidity cash flow.

For **liquidity management** purposes, UmweltBank held as at 31 December 2022 a credit balance with Deutsche Bundesbank, and especially liquid Pfandbriefs and bonds issued by public bodies or banks. Significant sources of the Bank's funding are the deposit-taking business and refinancing through development banks, specifically the KfW and Landwirtschaftliche Rentenbank and the Bundesbank's targeted longer-term refinancing operations (TLTRO II and TLTRO III). For these deposits by banks there were restrictions on disposal with regard to bonds. As at the 31 December 2022 reporting date, the liquidity situation is as follows:

Planning scenario	In € millions
Especially liquid funds (liquidity potential)	1,198
Cumulated liquidity exposure (within 6 months)	-170

The risk measurement of liquidity risks was reviewed and refined last year. This included, for example, the refinement of liquidity planning, which is now geared to the medium-term planning and thus constitutes the refinancing plan required by the MaRisk (the minimum requirements on risk management of the BaFin) and a reworking of the modelling for the risk scenarios that form the basis for the liquidity contingency plan. In addition, the



method for determining the refinancing risk was converted to a widening of the spread.

Worst risk scenario	In € millions
Especially liquid funds (liquidity potential)	954
Cumulated liquidity exposure (within 6 months)	-650

## Operating risks

UmweltBank defines operating risk as the risk of direct or indirect loss incurred as a consequence of the inadequacy or failure of internal procedures, people and systems or as a result of external events.

The strategic objective consists of **limiting operating risks** and the associated losses to an acceptable residual risk, provided that the measures necessary for this are economically justified from a cost/benefit perspective. UmweltBank's operating risks mainly arise from information technology (IT), from political, statutory or regulatory developments in the banking sector, from how structures and procedures are organised and from the loss of employees with special expertise or experience. Operating damage is recorded in a damage incident database. This makes it possible to perform a subsequent evaluation of all operating damage in a calendar year and to establish any preventive measures. Damage above a threshold of €50,000 is automatically reported to the Management Board on an ad hoc basis when it is entered in the database.

**Legal risks** are limited by means of collaboration with external specialists such as lawyers, notaries or auditors and associations as well as by selecting business partners and projects carefully. Customers are provided with detailed information on potential risks inherent in transactions such as securities trading. Transactions with related parties (companies and individuals) are reviewed on an ongoing basis as to whether they were conducted at arm's length.

In the **area of IT**, the connection to an external computer centre with a backup solution for the core banking system provides a great degree of security. Nevertheless, there is a certain risk that downtime, incorrectly implemented functions or insufficient security

measures could lead to damage. The IT department is subject to strict service-provider management and controls to keep risks to a minimum. Ongoing development of the core banking system due to changes to legislation is being implemented by the service provider.

Within the scope of the annual structured **self-assessment**, the Bank draws up a risk map. Departmental and central unit managements and other central offices prepare prospective danger assessments on the basis of conceivable constellations with an operating risk. This makes it possible to identify material operating risk drivers and derive any risk mitigation and management measures. In addition, the probability of occurrence and a potential damage amount is recorded for each case. The risk value is determined from the volume of potential cases. In the past year, a refinement in the method of measuring risk was implemented in which the risk value is no longer aggregated across all estimates but is simulated by the drawing of random loss scenarios (Monte Carlo simulation).

## Other risks

The income or selling risk is another risk deemed material, and is measured as part of stress testing.

This is not taken into consideration in the calculation of risk-bearing capacity.

## Risk concentrations

Considerations on risk concentrations and income concentrations are presented in the Bank's risk inventory.

On the basis of its **refinancing structure**, the Bank does not identify any risk concentrations in its procurement of funds. The largest lender is the development bank KfW, which provides refinancing for individual projects with matching maturities. Customer deposits have a high level of granularity.

In the **lending business**, compliance with the regulatory limits on large loans and the additional internal limits on industries prevent risk concentrations. The maturity structure of own deposits is monitored on a daily basis.

There is an **income concentration** with regard to the interest result. According to the

risk inventory, we do not consider the income risk concentrations to be material. Further intra-risk concentrations regarding financial business models, issuers held, maturities or rating categories were analysed in detail as part of the risk inventory and were classified as not material. Inter-risk concentrations were analysed on the basis of the dependency of the risks types on the same risk drivers and is classified as not material.

## Result of the analysis of risk-bearing capacity

As at the 31 December 2022 reporting date, the risks and limits are as follows:

Risk type	Risk in € millions	Limit in € millions	Utilisation of limit
<b>Credit risks</b>	<b>24.4</b>	<b>29.5</b>	<b>83%</b>
thereof: customer business	16.9	20.5	82%
thereof: Portfolio-A business with external rating	3.5	4.0	88%
thereof: Portfolio-A business without external rating	4.0	5.0	80%
<b>Market price risks</b>	<b>12.9</b>	<b>19.5</b>	<b>67%</b>
thereof: Interest rate exposure	11.5	16.0	72%
thereof: Price change risks (liquidity reserve)	0.0	0.5	5%
thereof: Credit spread risk (liquidity reserve)	0.5	1.2	23%
thereof: Foreign exchange risks	1.0	1.2	86%
<b>Liquidity risks</b>	<b>4.9</b>	<b>6.5</b>	<b>76%</b>
<b>Operating risks</b>	<b>17.8</b>	<b>22.0</b>	<b>81%</b>
<b>Aggregate of risks and limits</b>	<b>60.1</b>	<b>77.5</b>	<b>78%</b>

## Summary assessment of the Bank's risk position

UmweltBank's risk position did not change significantly in 2022. All risk limits were complied with throughout the financial year. A high risk-bearing capacity is always achieved in connection with good profitability. The current focus on project work means that significant adjustments to the consistency of risk measurements are being implemented in several areas. In addition, implementation of the normative and economic perspective required in future under regulatory legislation is being implemented as of the 2023 financial year.



## Forecast report

### *Macroeconomic expectations*

Over the past year, the impact of the coronavirus pandemic on the economy and society gradually decreased. After many protective measures to combat the coronavirus were already abolished before the end of 2022, all protective measures were discontinued as of 8 April 2023. Meanwhile the war in Ukraine is ongoing. There is currently no end to this crisis in sight. In this environment characterised by conditions of uncertainty, it is impossible to make a reliable forecast on macroeconomic developments for 2023. This is also reflected in the diverging economic forecasts by leading economic research institutes. Estimates on the development of gross domestic product currently range from –0.75% to 0.3% (as at: 28 February 2023). Experts are still in disagreement as to whether Germany will slide into recession in 2023. If inflation continues to drop and the energy crisis remains manageable, it may be possible to avoid a recession.

The ifo Institute's most recent forecast for 2023 involved a contraction in gross domestic product of 0.1%. In this context, the Munich-based institute emphasises the ongoing impact of the supply-side shock on the German economy. In particular, shortages of energy, intermediate product and labour are still driving inflation. For the two winter quarters of 2022/2023, the institute is consequently reckoning with a recession. A strong recovery in the economy is then due to set in from the spring onwards. Furthermore, economists expect inflation to slightly decrease over 2023, but will persist at a high level, however. At the same time, the unemployment rate is estimated at 5.5% at year-end (2022: 5.3%), which means it remains at a low level.

In the meantime, the federal government is implementing various measures in an effort to contain the negative economic and social consequences of the Ukraine war, specifically to prevent business insolvencies and the loss of jobs. The relief packages to date involve just under €300 billion and include, among other things, the so-called electricity and gas price brake, the 'Germany ticket' for local public transport and mitigation of tax bracket creep. To date, the federal government has been able to compensate for the energy imports no longer available from Russia on account of the Ukraine war, thus preventing the feared energy bottlenecks. Alongside a shortage of gas and oil, an escalation of the war in Ukraine in particular constitutes a considerable risk for the economic outlook.

### *Industry-specific framework conditions*

The **banking sector in Germany** is still proving to be resilient but the environment remains challenging in 2023, nevertheless. Even before the coronavirus pandemic, bank results were already coming under pressure from the period of low interest rates, fierce competition, the necessity to invest in digitalisation and the increasing costs of regulation. All this was exacerbated by the higher level of credit default risk due to the pandemic. The war in Ukraine has added further risk factors. The high inflation level reduces consumers' purchasing power and thus also their ability to repay existing loans. Alongside this, rising financing costs and construction prices led to a slump in demand for building loans and mortgages even before the end of 2022. Experts do not expect any quick improvement for 2023. Companies are also suffering from the rise in costs. Smaller businesses in particular are burdened by the sharp rise in energy prices. This also became apparent in 2022 with the increasing numbers of business insolvencies, whereas the overall number of insolvencies in Germany was in decline in 2022. In contrast, the number of consumer insolvencies fell appreciably on the previous year. For 2023, experts are anticipating rising insolvency figures, both private and commercial. The ECB decided in 2022 to reverse its interest rate policy and raised the key interest rate in several significant steps to the current 3.5% (as at 16 March 2023), which gives market analysts reason to expect further interest steps in the current year. The ifo Institute, for example, anticipates a key interest rate of 4.0% by mid-year. Generally speaking, the rise in the interest rate level should have a positive effect on banks' financial performance.

The waning coronavirus pandemic and the war in Ukraine continue to make it difficult to make reliable forecasts about how **property and land prices** will develop. The challenges prevailing in the previous year – shortage of skilled labour, supply bottlenecks, rising costs for new builds and renovation work as well as high financing costs – will mark the real estate sector once again in 2023. The overcast outlook and a high risk of recession are additional factors. This complex situation darkens the outlook for commercial real estate and the housing market. For the latter, market observers continue to anticipate excess demand, however, and rising rents – albeit at a lower rate than in previous years. Due to the stagnating volume of housing construction and the return to rising population figures, particularly on account of the large number of war refugees from Ukraine, demand is significantly higher than the supply of accommodation in large towns and cities. Alongside this, it remains to be seen how the developments on the labour market and the home-office effect will impact the demand for accommodation and office premises over the long term.

Thanks to UmweltBank's focus on ecological and affordable residential real estate, UmweltBank anticipates sound demand for financing again in 2023 – especially in the **commercial sector**. Players in this area have been able to build up extensive reserves in recent years that they are now able to use to make up for price increases. With a view to demographics, the focus of the real estate sector is likely to shift towards the needs of seniors and greater need for care in future. For this reason, UmweltBank sees significant growth potential in the area of nursing care properties which it entered in 2020.

Business with **private borrowers** will remain challenging in 2023. Ongoing high real estate prices, a sharp rise in financing costs and an uncertain economic outlook are dampening demand for building loans and mortgages. KfW's funding policy is exacerbating this situation. After an announced stop to funding at the beginning of 2022, the conditions for the funding programmes were revised in their entirety. In particular with new builds, the obstacles to funding are now very high. Without suitable funding, the dream of ownership of a residential property is difficult to put into reality in light of the current framework conditions – this affects all players, from individuals through to joint building ventures.

The expansion of **renewable energy sources** in Germany will continue as it is politically desired. Alongside a positive contribution to climate protection, regenerative energy sources have gained appreciably in importance again for reasons of energy security since the outbreak of the Ukraine war. With the most recent amendment to the German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz – EEG), which came into effect as of 1 January 2023, the federal government intends to greatly accelerate the construction of such energy sources. The plans are for photovoltaic systems with an output of around 215 gigawatts to go online by 2030. This would correspond to an annual addition of 22 GW – three times the 7.2 GW added in 2022. In addition, 2% of the land area of Germany is to be made available for expanding wind power by 2032 – the figure currently stands at 0.8%, of which only 0.5% is actually available, however. Over and above this, there are plans to remove obstacles and to accelerate planning and approval procedures. One positive factor in this development is the fact that, since 29 July 2022, it has been enshrined in law that renewable energy sources are predominantly in the public interest and serve public safety. This means that in future they will have priority over other interests in impact assessments. Similarly, the reduction in the supply of electricity from nuclear power and coal is likely to further improve the competitiveness of renewable energy sources over the next few years. Large-scale photovoltaic systems are currently marketable without government subsidies.

The expansion of onshore **wind energy** in Germany is currently being forecast at around

2.7 to 3.2 gigawatts for 2023, which would constitute a significant increase in comparison to 2022. There is justified hope emerging in the industry that the addition of new output will significantly pick up speed again in future. Prices rising due to the restrained project approval and price ranges coming about in the project tenders at the same time as the new generation of systems means that there is a greater offering of projects on the horizon. Now it is up to the federal government to implement its ambitious plans for expansion – specifically by eliminating existing political and bureaucratic obstacles and by making land available. This is the only way that the expansion objectives of the amendments made in 2023 to the EEG involving 115 GW of cumulated output for onshore wind turbines by 2030 can be achieved. The long-term outlook for the wind market is positive on the basis of the EEG 2023 and the envisaged climate neutrality in Germany by 2045. The decarbonisation of industry and securing energy supplies can only be ensured with further additional output.

For 2023, the transmission grid operators anticipate an addition of 8.5 gigawatts of **photovoltaic systems** in Germany built with EEG subsidies. For instance, the volumes tendered by the Federal Network Agency for 2023 for on-roof and open-space photovoltaic systems will increase by 1 GW to 6.5 GW. The government's plans according to which the newly installed photovoltaic output each year is to increase to three times the present level are further reason for optimism. In addition, market observers anticipate increasing demand for financing on the basis of PPAs. UmweltBank sees itself in a good position in the aforementioned segments and is expecting further growth in the area of photovoltaics. Current developments and the fact that various storage technologies will become increasingly important in the future are reasons to expect a rising average volume of credit per financing application.

## Opportunities

The opportunities for UmweltBank result from further **consistent continuation of the business strategy**. With its focus on the financing of environmental projects and its offering of sustainable financial investments, the Bank is benefiting from a megatrend that also has the highest political priority.

In Germany, the energy transition is in full swing. With a view to achieving the climate objectives, implementation of **renewable energy projects** will not only continue but, according to the plans of the federal government, their expansion is even to be significantly accelerated. Last but not least in this context, the Ukraine war has made a contribution to renewable energy sources significantly gaining in importance once again for reasons

of energy security. As a well-connected first point of call in the industry, UmweltBank has very good prospects of continuing to capture its share of the financing market for such projects. With innovations such as the standardised financing of projects without government subsidies ('PPA projects') that was newly introduced in 2019, the Bank has distinguished itself as a driver of this development.

New **residential and commercial buildings** are ever increasingly being planned and built in Germany according to ecological and social criteria. UmweltBank specialises in social and reduced price construction in 'building groups' and housing cooperatives. The Bank can utilise many years of experience in the financing of such projects.

Alongside traditional (debt) financing, there are good opportunities for UmweltBank and its subsidiary UmweltProjekt GmbH to also participate in the **equity of projects**. Higher returns are possible in this context.

In the **deposits, securities and pensions** business segments, the Bank will continue to provide its customers with detailed advice on issues of ecological investment. With the UmweltSpektrum brand, UmweltBank is positioning itself on the growing market for sustainable funds. The three funds, UmweltSpektrum Mix, Natur and Mensch, provide further earnings potential.

UmweltBank is an **attractive employer**. This enables the Bank to recruit qualified new employees.

## Risks

Many businesses in Germany are still dealing with the impact of the coronavirus pandemic and, at the same time, are finding themselves confronted with uncertain economic prospects on account of the Ukraine war. A particularly adverse effect stems from the enormous rise in energy costs. A poor **economic situation** can have a negative impact on the banking sector.

In the **real estate sector**, it is necessary to differentiate between the financing of rental residential real estate and owner-occupied real estate. The vast majority of the **rental residential real estate** financed by UmweltBank is let at below-market-cost rent. This makes the accommodation more affordable even in times of crisis. However, a higher level of rent default risk cannot be excluded. While many households are finding themselves confronted with sharp increases in the cost of living, the number of persons in gainful

employment in Germany is at a record high at the same time. In this environment, wages rose by 3.4% in 2022 according to data from the Federal Statistical Office. **Commercial real estate** is of subordinate importance for UmweltBank. With regard to the financing of **owner-occupied real estate**, the direct effects of the coronavirus pandemic and the Ukraine war should remain manageable. But over the medium term, a major economic crisis may lead to appreciable arrears in payments. Although the amount of lending against the financed real estate tends to be moderate, a situation may increasingly arise where the proceeds from realisation of real estate are insufficient to cover the loan receivables, meaning that a higher level than usual of credit defaults filters through to UmweltBank to date.

The **risks of new business** in the lending business stem, among other things, from changes to the legislative environment, specifically the EEG. But also decisions such as the sudden stop to KfW funding at the beginning of 2022 are causing market uncertainties. Likewise, stricter criteria for KfW funding programmes have the potential to slow new business. Alongside this, the sharp rise in interest rates, combined with ongoing high real estate prices led to a significant decline in demand for building loans and mortgages already from the second half of the 2022 financial year. Persistently high or even further increasing interest rates could further dampen this business segment. Due to its specialisation on ecological real estate and project financing in the field of renewable energy sources, UmweltBank sees itself significantly less exposed to the risk of a negative macroeconomic development.

There remain risks from the **trajectory of the interest rate structure**, for which potential scenarios are calculated. In 2022, the ECB decided to reverse its interest rate policy and has since then raised the key interest rate from 0% to 3.5% (as at 16 March 2023). Over the short term, the rapid and sharp rise in the interest rate is putting pressure on the interest result. This is due to a situation in the lending business where a large portfolio of existing long-term loans at low interest rates meet predominantly short-term savings deposits and interest rates that are currently on the rise. Over the medium to long term, the net interest income should benefit, as UmweltBank can issue new loans and renewals at significantly higher rates than even a year ago. If the interest level were to continue rising as rapidly and sharply, the Bank's interest result could continue to come under pressure, however. The Bank's liquidity is currently within the usual range. A sharp rise in liquidity requirements may necessitate the sale of fixed-interest securities that in light of the fall in prices would only be sellable at a loss.

## Future financial position, cash flows and financial performance

The following generally applies: any forecast made by the Bank's Management Board relating to the future development of UmweltBank constitutes an **assessment on the basis of the information available at the time the forecast was made**. Should the underlying assumptions not materialise or the risks and opportunities come into being in a different manner, the actual results may significantly deviate from expectations.

While an endemic situation is emerging with regard to the coronavirus pandemic, the war in Ukraine continues. There is currently no end to the military conflict in sight. Likewise, it is impossible to foresee when and over what timeframe Germany and the other members of the European Union will recover from the impact of the crises.

UmweltBank does not have any business relationships to Russian firms and also does not have any operations in Russia, for which reason the war is not expected to have any direct negative impact on the Bank's business. The sanctions, rising energy prices and persistently high inflation are nevertheless placing a burden on the economy and private households, which in turn is impacting the creditworthiness of existing borrowers and could dampen demand for loans and financial investments. On average, UmweltBank has lending customers with a good credit rating, but the longer the multiple crises last, the more likely there is to be an increase in non-performing loans and ultimately also a reduction in earnings.

With the 'umwelt.neo' transformation process, UmweltBank is paving the way for modernising the business model and to make the Bank more efficient overall. The centrepiece of this transformation is the migration of the core banking system that is scheduled to be completed by autumn 2023. At the same time, the Bank is reviewing the introduction of new products and services and is optimising existing structures and processes. For this reason, the Management Board sees the 2023 and 2024 financial years as transitional years after which plans are for growth to return to the centre of focus with a sharpened strategy.

The Bank's total assets are expected to be €5.7 billion at the end of the 2023 financial year. The slight decline in comparison to the previous year (2022: €6.0 billion) results from the scheduled repayment of part of the long-term refinancing funds (TLTRO) taken out at the European Central Bank. The number of customers should remain stable in 2023. Only after successful migration of the core banking system has been completed in autumn 2023 will the focus return to the acquisition of new customers. The CO<sub>2</sub> savings

are anticipated to be slightly over the previous-year level.

This forecast is **based** on expectations that the issuing of new environmental loans will be slightly up on the previous year's level. With regard to the development of the interest level, the forecast of a sideways movement is used as the base scenario. In this environment, the planning assumption is for the relative interest margin to stabilise at a low level. The net interest income (in absolute terms) is likely to decrease significantly on account of the special coronavirus conditions for the TLTRO funds expiring, among other reasons. It is assumed that the financial result will come to a figure close to the previous year's level. Thanks to the focus on the securities business, increasing sales activities for the Bank's UmweltSpektrum own fund brand and the expansion of the issuance business, the commissions and net trading income will be perceptibly up on the previous-year level. With regard to risk provisioning, the Bank expects a decrease on the previous year. Deposits are budgeted to develop roughly in line with the growth of loans, meaning that fulfilment of the environmental guarantee will remain clearly over 100%. Due to further recruitment and adjustments to existing employees' salaries, personnel expenses will increase perceptibly once again in 2023. The other administrative expenses will likewise grow significantly due to the investments in new digital processes. This is where the migration of the core banking system is having an impact with investments of around €10 million. For the current 2023 financial year, the Bank's Management Board is expecting **earnings before taxes** of €20 million (2022: €39.2 million).

In order to back the expected growth with **equity**, additions are to be made to retained earnings and the reserve according to Section 340g HGB again in 2023. In turn, there are plans to offer the option to directly reinvest the dividend in new shares in the Bank ('scrip dividend'). Furthermore, the Management Board reviews on a regular basis other options to strengthen the core capital, whether through a capital increase or through the issuing of additional core capital instruments.

Nuremberg, 11 April 2023

UmweltBank AG, Nuremberg


The Management Board



Goran Bašić  
Member of the  
Management Board



Jürgen Koppmann  
Spokesperson of the  
Management Board



Heike Schmitz  
Member of the  
Management Board



# Balance sheet of UmweltBank AG,

Nuremberg, 31 December 2022

## Assets side

	€	€	31.12.2022 €	31.12.2021 € thousand
1 <b>Cash and cash balances</b>				
b) Credit balance at central banks			332,806,420.40	814,230
	332,806,420.40			
thereof: at Deutsche Bundesbank	(PY: €814,230 thousand)			
2 <b>Receivables from banks</b>				
a) due daily	2,889,551.13			791
b) other receivables	0.00		2,889,551.13	12,193
3 <b>Receivables from customers</b>			3,139,025,386.52	3,072,520
thereof:				
secured by mortgages	516,785,885.16			
	(PY: €543,331 thousand)			
Municipal loans	266,487.63			
	(PY: €2,355 thousand)			
4 <b>Bonds and other fixed-interest securities</b>				
Bonds				
a) of public issuers	4,945,033.33			8,027
thereof: acceptable as collateral at Deutsche Bundesbank	4,945,033.33			
	(PY: €8,027 thousand)			
b) of other issuers	2,360,362,092.74		2,365,307,126.07	1,910,362
thereof: acceptable as collateral at Deutsche Bundesbank	1,600,213,000.83			
	(PY: €1,326,443 thousand)			
5 <b>Equities and other non-fixed-interest securities</b>			21,542,301.77	10,741
5 a) <b>Trading portfolio</b>			10,470,641.58	4,455
6 <b>Participating interests</b>			16,926,248.28	17,186
thereof: in banks	7,568,292.03			
	(PY: €7,553 thousand)			
in financial services institutions	0.00	(PY: €0 thousand)		
7 <b>Shares in affiliated companies</b>			18,841,410.94	21,203
thereof: in banks	0.00	(PY: €0 thousand)		
in financial services institutions	0.00	(PY: €0 thousand)		
8 <b>Intangible assets</b>				
a) Franchises acquired for monetary consideration, industrial rights and similar rights and assets as well as licences in such rights and assets	282,660.00			541
b) Prepayments made	312,452.50		595,112.50	256
9 <b>Property, plant and equipment</b>			58,341,653.54	47,203
10 <b>Other assets</b>			10,042,854.37	6,124
11 <b>Prepaid expenses</b>			323,287.50	192
12 <b>Deferred tax assets</b>			3,502,755.54	1,775
<b>Total assets</b>			<b>5,980,614,750.14</b>	<b>5,927,799</b>

## Equity and liabilities side

	€	€	31.12.2022 €	31.12.2021 € thousand
1 <b>Liabilities to banks</b>				
a) due daily	52,642.09			674
b) with agreed maturity or notice period	2,247,651,675.66		2,247,704,317.75	2,440,052
2 <b>Liabilities to customers</b>				
a) savings deposits				
aa) with agreed maturity				
of three months	576,466,124.08			598,794
ab) with agreed maturity				
of more than three months	233,466,524.80	809,932,648.88		
b) other liabilities				
ba) due daily	2,172,885,410.41			1,833,321
bb) with agreed maturity or notice period	193,577,357.09	2,366,462,767.50	3,176,395,416.38	279,259
3 <b>Other liabilities</b>			5,207,505.55	4,882
4 <b>Prepaid expenses</b>			506,688.63	771
5 <b>Provisions</b>				
Tax provisions	2,159,544.13			2,736
b) other provisions	13,954,458.95		16,114,003.08	12,115
6 <b>Lower-ranking liabilities</b>			87,905,147.00	87,905
7 <b>Profit participation rights</b>			44,132,120.00	44,307
thereof: due before the end of two years	0.00	(PY: €0 thousand)		
8 <b>Fund for general banking risks</b>			146,150,000.00	135,150
thereof: special item according to Section 340e (4) HGB	930,715.92	(PY: €704 thousand)		
9 <b>Equity</b>				
a) subscribed capital	35,662,712.00			35,435
(conditional capital €17,728 thousand)				
b) capital reserves	105,277,742.22			101,970
c) retained earnings				
ca) statutory reserves	26.20			0
cb) reserve for the issuing of employee shares (Section 204 (3) AktG)	40,000.00			17
cc) other retained earnings	103,007,746.39	103,047,772.59		94,839
d) distributable profit	12,511,324.94		256,499,551.75	12,858
<b>Total equity and liabilities</b>			<b>5,980,614,750.14</b>	<b>5,927,799</b>
1 <b>Contingent liabilities</b> liabilities from guarantees and warranty agreements			86,177,316.62	59,996
2 <b>Other obligations</b> irrevocable credit commitments			535,302,192.95	463,192



# Income statement

## of UmweltBank AG,

Nuremberg, for the period from 1 January to 31 December 2022

### Expenses

	€	€	01.01 – 31.12.2021 €	01.01 – 31.12.2021 € thousand
1 <b>Interest expenses</b>			15,609,562.59	7,657
2 <b>Commission expenses</b>			417,419.85	906
3 <b>General administrative expenses</b>				
a) personnel expenses				
aa) wages and salaries	16,872,825.48			14,516
ab) social security, pension and other benefit costs	3,007,432.93	19,880,258.41		2,638
thereof: for pensions				
<b>€238,152.19 (PY: €200 thousand)</b>				
b) other administrative expenses		21,574,995.59	41,455,254.00	16,511
thereof expenses for bank levy and deposit protection				
<b>€3,694,547.26 (PY: €4,096 thousand)</b>				
4 <b>Amortisation, depreciation and impairment on intangible assets and property, plant and equipment</b>			707,712.57	929
5 <b>Other operating expenses</b>			2,397,230.55	154
6 <b>Amortisation and impairment of receivables and certain securities and additions to provisions in the Lending business</b>			9,576,050.92	3,000
7 <b>Additions to the fund for general banking risks</b>			11,000,000.00	6,000
8 <b>Income taxes</b> thereof deferred taxes			8,660,735.48	12,710
<b>€-1,727,990.28 (PY: €-614 thousand)</b>				
9 <b>Net result</b>			19,549,110.94	19,375
<b>Total expenses</b>			<b>109,373,076.90</b>	<b>84,396</b>

### Income

	€	01.01 – 31.12.2021 €	01.01 – 31.12.2021 € thousand
1 <b>Interest income from</b>			
a) lending and money market business	63,315,457.53		62,533
b) fixed-interest securities and debt register claims	11,085,205.44	74,400,662.97	8,363
2 <b>Current income from</b>			
a) equities and other non-fixed-interest securities	181,178.77		13
b) participating interests	2,366,886.82		702
c) shares in affiliated companies	2,431,090.43	4,979,156.02	2,072
3 <b>Commission income</b>		7,493,537.35	6,338
4 <b>Net income from trading portfolio</b>		2,268,928.99	3,989
5 <b>Other operating income</b>		380,683.74	209
6 <b>Income from write-ups on participating interests, shares in affiliated companies and securities treated as non-current assets</b>		19,850,107.83	177
<b>Total income</b>		<b>109,373,076.90</b>	<b>84,396</b>
1 <b>Net result</b>		<b>19,549,110.94</b>	<b>19,375</b>
2 <b>Transfers to retained earnings</b>			
a) to other retained earnings		7,000,000.00	6,500
b) to reserve for the issuing of employee shares (Section 204 (3) AktG)		37,786.00	17
3 <b>Distributable profit</b>		<b>12,511,324.94</b>	<b>12,858</b>

# Notes to the financial statements of UmweltBank AG, Nuremberg, for the annual financial statements as at 31 December 2022

## I. General information

UmweltBank AG is a stock corporation incorporated under German law with its registered office in Nuremberg. It is registered in the commercial register at Nuremberg local court under the number HR B 12.678.

The annual financial statements as at 31 December 2022 were prepared observing the relevant provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the relevant provisions of stock corporation law and the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute – RechKredV). The unneeded items provided for in forms 1 and 2 of the RechKredV were not taken into consideration pursuant to Section 265 (8) HGB.

The annual financial statements were prepared in euros (€) and explained using thousands of euros (€ thousand), which means that rounding differences may occur. All figures used in the notes to the financial statements are in € thousand unless stated otherwise.

## II. Accounting and valuation methods

Apart from the calculation of the general allowances, the accounting and valuation methods applied in the previous year have been retained with no changes.

### Working capital assets

Receivables from banks, receivables from customers, working capital assets and other assets due daily were measured at their nominal value or according to the strict lowest-value principle. All identifiable risks were taken into account by means of appropriate reductions in value in the form of specific allowances, especially on the unsecured portion of receivables at risk of default.

General allowances pursuant to IDW AuS BFA 7 have been recognised for counterparty

default risks in the lending business relating to individual borrowers that are foreseeable but have not yet arisen. Alongside all receivables from customers (customer loans outstanding, less loan relationship on which specific allowances have been recognised) and credit commitments and contingent liabilities that have not been utilised.

For this purpose, UmweltBank applies the simplified method (recognition of general allowance in the amount of the expected loss determined without offsetting rating premiums). The expected credit default risk (expected loss = EL) was determined as at 31 December 2022 using a Monte Carlo simulation.

The annual financial statements as at 31 December 2021 disclose general allowances of €797 thousand. Due to the new calculation method, the general allowances as at 31 December 2022 rose by €2,035 thousand to €2,832 thousand.

### Non-current assets

Fixed-term receivables from banks, the fixed-interest non-current securities as well as shares and other non-fixed-interest securities were valued using the less strict lowest-value principle. Fixed-interest securities acquired under par value are written up to nominal value using the straight-line method in relation to the relevant periods. Fixed-interest securities acquired above par value are written down to nominal value using the straight-line method in relation to the relevant periods. Negative interest from the investment of funds was disclosed under interest income.

Participating interests and shares in affiliated companies were valued according to the less strict lowest-value principle on the basis of the calculation of income. The accounting treatment of participating interests in partnerships is based on accounting standard IDW AuS HFA 18. Under this standard, repayments of capital are treated as reductions in the carrying amount of the participating interests performed directly in equity and disclosed in the statement of changes in non-current assets as a disposal of a participating interest. Shares of income are only recorded as income from participating interests when the special loss accounts are balanced out.

Intangible assets acquired and property, plant and equipment for monetary consideration were valued pursuant to Section 340e HGB according to the provisions applicable to non-current assets, i.e. at cost less straight-line amortisation and depreciation.

The useful life of intangible assets is between two and five years, that of equipment, furniture and fixtures is between three and 15 years. Installations in third-party buildings

are depreciated to the residual term of the respective lease agreements at the time of capitalisation.

Intangible assets as well as property, plant and equipment are written down pro rata temporis. Low-value assets up to €250 are posted as expenses. Low-value assets of between €250.01 and €800.00 were fully written off in the year of acquisition and presented as a disposal.

## Trading portfolio

The trading portfolio was valued at fair value less a risk discount pursuant to Section 340e (3) HGB. Pursuant to Section 255 (4) HGB, the fair value corresponds to the market price. Where there was no active market, the fair value was determined using generally accepted valuation methods. The risk discount is set at the amount of the unrealised valuation result. The criteria for the inclusion of financial instruments in the trading portfolio were not changed in the 2022 financial year.

## Deferred tax assets

In exercise of the option pursuant to Section 274 (1) Sentence 2 HGB the excess of deferred tax assets was capitalised. The temporary differences were valued at the combined tax rate for corporate income tax, trade tax and solidarity surcharge applicable for the financial year of 32.17%. Differences relating to partnerships subject to trade tax were taken into account at a combined tax rate for corporate income tax and solidarity surcharge of 15.83%.

## Liabilities

Liabilities were recognised at their settlement amount.

## Lower-ranking liabilities / profit participation rights

These were disclosed at their nominal amounts. The pro rate interest of the financial year is disclosed in other liabilities.

## Provisions

Provisions take account of all identifiable risks and uncertain liabilities and are set at the

settlement amount necessary under sound commercial judgement. Other provisions with a residual term of more than one year are discounted in accordance with Section 253 (2) HGB. The burden from deposits with increasing interest was taken into account with provisions.

UmweltBank's banking book was reviewed pursuant to IDW AuS BFA 3 with regard to the necessity for a provision for pending losses. For this, the interest-driven present values were compared with the carrying amounts and the risk and portfolio administrative costs deducted from any positive excess. A provision for pending losses was recognised for any remaining net loss. Correspondingly, no provision had to be recognised at the reporting date.

## Contingent liabilities

Contingent liabilities (liabilities from guarantees and warranty agreements) were disclosed at the nominal values as at the reporting date. The amounts shown do not present the cash flows to be expected from these agreements in future as the vast majority of the contingent liabilities expire without being utilised. The contingent liabilities were valued in line with the valuation of receivables from customers.

## Irrevocable credit commitments

Irrevocable credit commitments comprise the portions of commitments granted but not yet utilised. They are disclosed at the nominal amount. Valuation of the irrevocable credit commitments were valued in line with the valuation of receivables from customers.

## Foreign currency translation

All monetary assets and liabilities denominated in foreign currency are translated into the functional currency (euros) at the reporting date. The effects from foreign currency translation are reported through profit and loss in write-downs and write-ups from participating interests, bonds in affiliated companies and securities treated as non-current assets.

### III. Notes to and explanations of the balance sheet

#### Assets side of the balance sheet

##### Receivables from banks

The other receivables from banks break down by residual term as follows:

	31.12.2022 € thousand	31.12.2021 € thousand
up to three months	-	-
more than three months up to one year	-	-
more than one year up to five years	-	12,193
more than five years	-	-
due daily	2,890	791
<b>Total</b>	<b>2,890</b>	<b>12,984</b>

##### Receivables from customers

Receivables from customers break down by residual term as follows:

	31.12.2022 € thousand	31.12.2021 € thousand
up to three months	67,865	88,421
more than three months up to one year	225,199	277,823
more than one year up to five years	1,002,724	977,716
more than five years	1,840,615	1,725,990
with indefinite term	2,622	2,570
<b>Total</b>	<b>3,139,025</b>	<b>3,072,520</b>

The amounts include receivables with a subordination agreement of €20 thousand (31.12.2021: €20 thousand). Receivables from reduced interest rate promotional loans with a volume of €1,489,109 thousand (31.12.2021: €1,372,270 thousand) have been assigned to the refinancing public development banks.

The receivables from customers contain receivables from companies in which a participating interest is held of €12,292 thousand (31.12.2021: €12,630 thousand) and receivables from affiliated companies of €12,431 thousand (31.12.2021: €12,819 thousand).

##### Bonds and other fixed-interest securities

This item breaks down as follows:

	31.12.2021 € thousand	31.12.2021 € thousand
marketable fixed-interest securities	2,219,984	1,773,087
thereof listed	2,151,943	1,756,213
thereof not listed	213,364	162,175
non-marketable fixed-interest securities	145,323	145,302

Bonds and other fixed-interest securities of a nominal value of €407,136 thousand (31.12.2021: €158,601 thousand) will mature in the year following the reporting date. The fixed-interest securities in the investment portfolio with a carrying amount (including pro rata interest) of €2,335,366 thousand (31.12.2021: €1,836,723 thousand) were valued according to the less strict lowest-value principle and kept in separate securities accounts. The write-downs avoided as at 31 December 2022 amounted to €183,282 thousand (31.12.2021: €8,152 thousand). No write-down according to Section 253 (3) Sentence 4 HGB was performed as the securities are paid back at par value and there is no indication that the repayments will be reduced. The hidden reserves in the bonds and other fixed-interest securities amounted to €932 thousand as at 31 December 2022 (31.12.2021: €9,589 thousand). All in all, fixed-interest securities of a nominal value of €120,000 thousand (31.12.2021: €120,000 thousand) were provided as collateral to development banks to secure liabilities.

##### Equities and other non-fixed-interest securities

This item breaks down as follows:

	31.12.2021 € thousand	31.12.2021 € thousand
Marketable shares and other non-fixed-interest securities	21,498	10,741
thereof listed	-	-
thereof not listed	21,498	10,741
Non-marketable shares and other non-fixed-interest securities	44	-

The shares and other non-fixed-interest securities in the investment portfolio were valued according to the less strict lowest-value principle and kept in separate securities accounts. The write-downs avoided as at 31 December 2022 amount to €1,788 thousand (31.12.2021: €0 thousand). The item contains shares in a multi-asset fund (UmweltSpektrum Mix B; ISIN: LU2078716219) with a carrying amount of €11,291 thousand (31.12.2021: €10,741 thousand) and two equity funds (UmweltSpektrum Mensch B, ISIN: LU2373429922) with a carrying amount of €5,000 thousand (31.12.21: €0 thousand) and (UmweltSpektrum Natur; ISIN: LU2373430268) with a carrying amount of €5,000 thousand (31.12.21: €0 thousand). The value of the shares in the fund amounted to €21,291 thousand as at 31 December 2022 (31.12.2021: €10,986 thousand), the hidden reserves amount to €0 thousand (31.12.2021: €245 thousand). A distribution of €1.00 per share was made in February 2023 for the 2022 financial year. There were no restrictions on returning the shares in the fund in the 2022 financial year.

## Trading portfolio

The trading portfolio is disclosed taking account of a risk discount in the amount of the unrealised gains on valuation of €533 thousand.

## Participating interests

There are participating interests in the following companies:

Company, registered office / earnings in € thousand / most recent financial year for which annual financial statements are available	Carrying amounts 31.12.2022 € thousand	Carrying amounts 31.12.2021 € thousand	Bank's share in the company's equity
Opportunity Banka AD, Novi Sad / 2,118 / 2021	7,568	7,553	30.00%
Utopia GmbH, Munich / -1,423 / 2021	5,067	5,067	26.84%
Visavis Wohnungsbau GmbH & Co. KG, Berlin / 268 / 2022	1,494	1,494	45.00%
Eno Windpark GmbH & Co. Wilmersdorf KG, Ostseebad Rerik / 1,266 / 2021	1,098	1,144	29.31%
ENERTRAG Windpark Neuenfeld GmbH & Co. KG, Schenkenberg / 1,946 / 2022	877	877	28.71%
Umwelt Wind Energie UWE GmbH & Co. Bergen/ Nordenham KG, Cuxhaven / 693 / 2022	305	305	27.42%
WK Windkraft-Kontor GmbH & Co. Körbecke KG, Grebenstein / 402 / 2021	-	229	0.00%
Naturata AG, Marbach / 665 / 2021	212	212	13.44%
KWA Solarkraftwerk Arenborn GmbH & Co. KG, Bietigheim-Bissingen / 303 / 2021	168	168	36.96%
Windpark Fonds Amesdorf-Wellen GmbH & Co. KG, Mettmann / 667 / 2021	137	137	26.72%
<b>Total</b>	<b>16,926</b>	<b>17,186</b>	

None of the participating interests is marketable.

## Shares in affiliated companies

The following companies (interest over 50%) are disclosed in the shares in affiliated companies:

Company, registered office / earnings in € thousand / most recent financial year for which annual financial statements are available	Carrying amounts 31.12.2022 € thousand	Carrying amounts 31.12.2021 € thousand	Bank's share in the company's equity
UPG UmweltProjekt GmbH, Nuremberg / 479 / 2021	15,520	15,521	100.00%
Windpark Hoher Berg Dornstedt GmbH & Co. KG, Nuremberg / 1,508 / 2021	-	2,290	0.00%
Gisela 36 Wohnungsbau GmbH & Co. KG, Berlin / 121 / 2022	1,823	1,823	90.00%
StadtWerk Berlin KG Beteiligungsgesellschaft für Projekte in der Stadterneuerung, Berlin / -68 / 2021	783	854	77.32%
Emilienstraße 3 GmbH & Co. KG, Nuremberg / 92.1 / 2022	385	385	100.00%
Umweltkontakt GmbH, Nuremberg / 3 / 2021	305	305	100.00%
UmweltProjekt Verwaltungs GmbH, Nuremberg / 3 / 2022	25	25	100.00%
<b>Total</b>	<b>18,841</b>	<b>21,203</b>	

The shares in affiliated companies are non-marketable shares.

## Statement of changes in non-current assets

The statement of non-current assets summarises the assets of various balance sheet items to be valued according to the principles for non-current assets.

Property, plant and equipment mainly relates to equipment, furniture and fixtures of €1,521 thousand (31.12.2021: €1,499 thousand) and land and buildings used by the Bank of €56,821 thousand.

	Cost				Write-ups	Depreciation			Carrying amounts			
	01.01.2022 € thousand	Additions € thousand	Disposals € thousand	Transfers € thousand	Current year € thousand	Disposals € thousand	Cumulated balance of write- ups/-downs, 01.01.2022 € thousand	Disposals (-)/ additions (+) € thousand	Current year € thousand	31.12.2022 cumulated € thousand	31.12.2022 € thousand	31.12.2021 € thousand
Bonds	1,836,723	993,440	494,797	-	-	-	0	-	0	0	2,335,366	1,836,723
Equities and other non-fixed-interest securities	10,741	10,595	1	-	-	-	0	-	0	0	21,335	10,740
Participating interests	17,287	0	275	-	29	-	100	-	14	85	16,926	17,186
Shares in affiliated companies	23,283	0	3,897	-	-	293	2,081	-1,828	0	546	18,841	21,202
Property, plant and equipment	50,379	11,558	138	-	-	-	3,182	-139	420	3,463	58,342	47,203
Intangible assets												
Franchises acquired for monetary consideration, industrial rights and similar rights and assets as well as licences in such rights and assets	3,571	85	0	-	-	-	2,773	-	287	3,060	595	798

## Other assets

The other assets item contains the following important individual amounts:

	31.12.2022 € thousand	31.12.2021 € thousand
Collateralisation of irrevocable payment obligations towards the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken – EdB) and the Single Resolution Board (SRB)	3,045	2,367
Right to tax refund	2,590	383
Shares in cooperatives	2,510	1,510
Commission receivables	455	430

## Prepaid expenses

Prepaid expenses of €261 thousand (31.12.2021: €193 thousand) primarily consist of advance payments for software leases.

## Deferred taxes

	deductible temporary differences 31.12.2022 € thousand	taxable temporary differences 31.12.2022 € thousand	Deferred tax assets € thousand	deferred tax liabilities € thousand
<b>ASSETS</b>				
Receivables from banks	41	-	13	-
Receivables from customers	13,360	-	4,298	-
Bonds	-	5,786	-	1,861
Partnerships (subject to trade tax)	3,164	-	501	-
losses that can be offset in future pursuant to Sec. 15a German Income Tax Act (Einkommensteuergesetz – EStG)	1	-	-	-
<b>LIABILITIES</b>				
Other provisions	1,717	1	552	0
<b>Total</b>	<b>18,283</b>	<b>5,787</b>	<b>5,364</b>	<b>1,861</b>
Netting			-1,861	-1,861
<b>Balance 31.12.2022</b>			<b>3,503</b>	<b>0</b>
01.01.2022			1,775	
<b>Addition to deferred tax assets as at 31.12.2022</b>			<b>1,728</b>	

## Assets denominated in foreign currency

As at 31.12.2022, there were assets in foreign currency of RSD 887,930,185 (31.12.2021: RSD 887,937,185).

## Equity and liabilities side of the balance sheet

### Liabilities to banks

Liabilities to banks with agreed maturity or notice period break down by residual term as follows:

	31.12.2022 € thousand	31.12.2021 € thousand
up to three months	20,800	20,328
more than three months up to one year	361,941	66,123
more than one year up to five years	841,964	1,433,813
more than five years	1,022,947	919,788
<b>Total</b>	<b>2,247,652</b>	<b>2,440,052</b>

The liabilities to banks with an agreed maturity or notice period are reduced interest rate loans of development banks and funds in connection with targeted longer-term refinancing operations (TLTRO II and TLTRO III) of the Bundesbank of €770,000 thousand (31.12.2021: €1,070,000 thousand). The liabilities to banks are fully collateralised by assigned and pledged receivables with a nominal value totalling €1,489,109 thousand (31.12.2021: €1,372,270 thousand) and pledged fixed-interest securities with a nominal value of €1,165,355 thousand (31.12.2021: €1,322,368 thousand), of which €1,045,355 thousand (31.12.2021: €1,202,368 thousand) is deposited at the Bundesbank. These amounts primarily serve as collateral for the TLTRO funds taken out.

### Liabilities to customers

Savings deposits with agreed notice periods of more than three months break down by residual term as follows:

	31.12.2022 € thousand	31.12.2021 € thousand
up to three months	233,467	242,714
more than three months up to one year	-	-
more than one year up to five years	-	-
more than five years	-	-
<b>Total</b>	<b>233,467</b>	<b>242,714</b>

The other liabilities to customers with agreed maturity or notice period break down by residual term as follows:

	31.12.2021 € thousand	31.12.2021 € thousand
up to three months	9,307	73,749
more than three months up to one year	42,120	45,538
more than one year up to five years	93,212	105,996
more than five years	48,939	53,978
<b>Total</b>	<b>193,578</b>	<b>279,261</b>

The liabilities to customers contain liabilities to companies in which a participating interest is held of €1,820 thousand (31.12.2021: €2,652 thousand) and liabilities to affiliated companies of €6,013 thousand (31.12.2021: €8,044 thousand).

## Other liabilities

The other liabilities item contains the following important individual amounts:

	31.12.2022 € thousand	31.12.2021 € thousand
Outstanding taxes	2,464	2,200
Accrued interest lower-ranking bonds	910	910
Trade payables	882	474
Distribution of profit participation rights	633	836

## Deferred income

This item contains:

	31.12.2022 € thousand	31.12.2021 € thousand
Accrued interest from receivables	507	771

## Tax provisions

The tax provisions include pro rata current income taxes of €1,062 thousand (31.12.2021: €1,677 thousand).

## Other provisions

This item contains the following important individual amounts:

	31.12.2022 € thousand	31.12.2021 € thousand
Provisions for rising bonus and interest adjustments relating to the environmental savings plan (Umweltsparvertrag)	10,533	9,939

## Lower-ranking liabilities

Value date	Type, securities code, nominal amount in € thousand, expenses incurred in the financial year in € thousand	Number subscribed	Nominal amount € thousand	Interest rate in % p.a.	Term
01.12.2016	Lower-ranking contingent convertible bond (CoCo bond), securities code A2BN54, up to 40,000,640	103,815 units with a nominal value of €250.00	25,954	2.465 until 31.05.2026, then fixing on basis of the swap rate for euro swap transactions with a term of five years plus a constant margin of 2.717 percentage points	open-ended

The bonds are classified as unsecured, lower-ranking liabilities and according to Regulation (EU) no. 575/2013 (CRR) count as additional tier 1 capital (additional core capital). In the event of insolvency, liabilities from the bonds are subordinate to the claims from instruments of the supplementary capital ("T2"). The CoCo bond is converted into shares in the Bank if the Tier 1 capital ratio falls below 5.125%. An early redemption obligation arises in the event of termination by the issuer.



Value date	Type, securities code, nominal amount in € thousand, expenses incurred in the financial year in € thousand	Number subscribed	Nominal amount € thousand	Interest rate in % p.a.	Term
30.6.2018	Bearer bonds with subordination agreement (UmweltBank Green Bond junior), WKN A2LQKU, up to 90,000, 839	41,951,397 units with a nominal value of €1.00 each	41,951	2.00 until 30.06.2024 thereafter fixing at a five-year interval on the basis of the swap rate for euro swap transactions with a term of five years plus a margin of a maximum of 100 basis points	open-ended
08.11.2018	Registered bonds with subordination agreement UmweltBank NSV 3.85% 2018 (28), 20,000, 770		20,000	3.85 for the whole Term	08.11.2028

These are unsecured lower-ranking liabilities that count as tier 2 capital (supplementary capital) according to the CRR. In the event of UmweltBank's insolvency the claims rank lower than the claims of all non-subordinate creditors (bail-in instrument). With the Green Bond junior, an early redemption obligation arises in the event of termination by the issuer.

## Profit participation rights

According to the CRR, €44,132 thousand of the profit participation rights constitutes eligible equity. The profit participation rights holders receive an annual distribution of the stated interest rate in relation to the nominal amount of the profit participation rights that ranks higher than the shareholders' profit entitlement.

Value date	Type, securities code, nominal amount in € thousand	Number subscribed	Nominal amount € thousand	Interest rate in % p.a.	Term
31.12.2011	Profit participation certificate, securities code A2PMFT, up to 5,539	5,538,500	5,539	3.50 until 31.12.2028, thereafter fixing on basis of six-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2028, thereafter every six years with a notice period of twelve months to 31.12. of the respective year
30.09.2011	Profit participation certificate, securities code A2PMFS up to 5,539	5,538,500	5,539	1.00 until 31.12.2026, thereafter fixing on basis of five-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2026, thereafter every five years with a notice period of twelve months to 31.12. of the respective year
31.12.2010	Profit participation certificate, securities code A2PMFR up to 5,539	5,538,500	5,539	0.90 until 31.12.2025, thereafter fixing on basis of four-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer effective as at 31.12.2025, thereafter every four years with a notice period of two years to 31.12. of the respective year
01.04.2010	Profit participation right, registered profit participation right 000 505, up to 5,539	5,481,000	5,481	1.00 until 31.12.2024, thereafter fixing on basis of four-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2024, thereafter every four years with a notice period of two years to 31.12. of the respective year
30.06.2009	Profit participation right, registered profit participation right 000 504, up to 5,539	5,538,500	5,539	1.75 until 31.12.2022, thereafter fixing on basis of four-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2022, thereafter every four years with a notice period of two years to 31.12. of the respective year

Value date	Type, securities code, nominal amount in € thousand	Number subscribed	Nominal amount € thousand	Interest rate in % p.a.	Term
30.06.2008	Profit participation right, registered profit participation right 000 503, up to 5,538	5,519,240	5,519	0.80 until 31.12.2023 thereafter fixing on basis of two-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2023, thereafter every two years with a notice period of two years to 31.12. of the respective year
31.12.2007	Profit participation right, registered profit participation right 000 502, up to 5,538	5,491,240	5,491	1.00 until 31.12.2024, thereafter fixing on basis of four-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2024, thereafter every four years with a notice period of two years to 31.12. of the respective year
31.03.2007	Profit participation right, registered profit participation right 000 501, up to 5,538	5,486,640	5,487	1.00 until 31.12.2023, thereafter fixing on basis of four-year federal bond plus 1.00 percentage points	Open-ended, can be terminated by issuer as at 31.12.2023, thereafter every four years with a notice period of two years to 31.12. of the respective year

## Equity

The share capital comprises 35, 662,712 no-par-value bearer shares with an imputed nominal value of €1.00 each.

The Management Board is authorised until 24 June 2025 to increase, with the consent of the Supervisory Board, the company's capital stock by a total of up to €4,194,093.00 by issuing on one or more occasions up to 4,194,093 no-par-value bearer shares with a pro rata share in the capital stock of €1.00 each in return for cash consideration and/or contribution in kind (Authorised Capital 2020). The shareholders are generally entitled to the statutory subscription right. In this process, the new shares may also be assumed by one or more banks or companies operating pursuant to Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the Banking Act (Kreditwesengesetz – KWG) specified by the Management Board with the obligation to offer them to the shareholders for subscription.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the further content of the share rights and the further details of implementation of the capital increase(s). The Management Board is further authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:

- for fractional amounts arising from the subscription ratio;
- in the case of capital increases in return for contribution in kind, including but not limited to performance of what is known as a share dividend where the shareholders are offered the option of contributing their dividend entitlement (in full or in part) as a contribution in kind in return for the granting of new shares from the authorised capital pursuant to § 5 (5) of the company's articles of association;
- where it is necessary to grant the holders of conversion rights or the holders of convertible bonds with a conversion obligation a subscription right to the extent to which they would be entitled after exercise of the conversion rights or fulfilment of the conversion obligations;
- in the case of capital increases in return for cash contributions if the pro rata amount attributable to the new shares for which the subscription right is excluded does not exceed 10% in total of the capital stock and the issue amount does not fall significantly

short of the quoted price;

- in order to issue employee shares to the company's employees and Management Board members and to employees of the company's affiliated companies.

The Management Board is further authorised until 22 June 2027 to increase, with the consent of the Supervisory Board, the company's capital stock by a total of up to €13,508,428.00 by issuing on one or more occasions up to 13,508,428 no-par-value bearer shares with a pro rata share in the capital stock of €1.00 each in return for cash consideration and/or contribution in kind (Authorised Capital 2022). The shareholders are generally entitled to the statutory subscription right. In this process, the new shares may also be assumed by one or more banks or companies operating pursuant to Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the Banking Act (Kreditwesengesetz – KWG) specified by the Management Board with the obligation to offer them to the shareholders for subscription. The Management Board is further authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:

- to exclude fractional amounts from the shareholders' subscription rights;
- in the case of capital increases in return for contribution in kind for the purpose of purchasing (also indirectly) companies, parts of companies or participating interests in companies, of other material operating resources or other assets, including receivables from the Company or its group companies;
- in the case of capital increases in return for cash contributions if the issue amount of the new shares does not fall significantly short of the quoted price at the time the issue amount is determined and the shares issued excluding the subscription right pursuant to Section 203 (1) and (2), Section 186 (3) Sentence 4 of the German Stock Corporation Act (Aktiengesetz – AktG) at the time the authorisation becomes effective or – if such value is lower – at the time of utilisation of the authorisation do not exceed 10% of the capital stock. Those shares are to be offset against the upper limit that were or are to be issued during the term of this authorisation until the time of their utilisation to service option or convertible bonds to the extent that the bonds were issued subject to the corresponding application of Section 186 (3) Sentence 4 AktG excluding the subscription right as well as treasury shares that were acquired on the basis of an authorisation pursuant to Section 71 (1) No. 8 AktG and were sold excluding the subscription right of the shareholders pursuant to Section 186 (3) Sentence 4 AktG;

- to the extent that this is necessary to grant the holders of conversion rights or conversion obligations in circulation at the time of the utilisation of the approved capital 2022/I from convertible bonds already issued or to be issued in the future a subscription right to new shares to the extent to which they would be entitled as shareholders after exercise of the conversion right or after fulfilment of a conversion obligation;

- to perform what is known as a scrip dividend (dividend paid in shares), in which an offer is made to the shareholders to contribute their dividend entitlement to the company optionally (in full or in part) as a contribution in kind in return for the granting of new shares from the approved capital 2022/I;

- in order to issue employee shares to the company's employees and Management Board members and to employees of the company's affiliated companies. The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details and terms of the performance of capital increases from approved capital and the issue of shares. In this context, the dividend entitlement of the new shares can be designed in deviation from Section 60 (2) AktG; to the extent permitted by law, the new shares can be specifically assigned a dividend entitlement as of the beginning of the financial year preceding their issue if at the time of issue of the new shares a resolution on the appropriation of profit has not yet been passed by the general meeting relating to the profit for this financial year. After utilisation of the approved capital 2022/I or expiry of the deadline for utilisation of the approved capital 2022/I, the Supervisory Board is entitled to amend the wording of the articles of association.

By resolution of the general meeting of 23 June 2022, €1,169 thousand (previous year: €1,866 thousand) from the previous year's distributable profit were added to retained earnings.

In capital increases, 227,598 new no-par-value bearer shares were issued with an imputed nominal value of €1.00 each. The capital reserves increased by €101,970 thousand, from €3,308 thousand to €105,278 thousand.

€38 thousand was appropriated to a special reserve (Section 204 (3) German Stock Corporation Act (Aktiengesetz – AktG)) for the issuing of employee shares.

According to Section 58 (2) AktG, the Management Board and Supervisory Board have appropriated €7,000 thousand (previous year: €6,500 thousand) to other retained earnings.

## Notes under the bottom line of the balance sheet

### Contingent liabilities

This item contains:

	31.12.2022 € thousand	31.12.2021 € thousand
Guarantees and warranties	86,177	59,996

The contingent liabilities item does not contain any individual amounts that are of material importance in relation to the overall business activities. The risk of claims being made from the contingent liabilities is deemed to be low overall.

### Other obligations

This item contains:

	31.12.2022 € thousand	31.12.2021 € thousand
Irrevocable credit commitments	535,302	463,192

The irrevocable credit commitments item does not contain any individual amounts that are of material importance in relation to the overall business activities. It is not possible to identify any particular credit risks from future lending.

## IV. Notes to the income statement

### Net commissions

Net commissions as the balance of commission income and expenses essentially breaks down as follows:

	01.01 – 31.12.2021 € thousand	01.01 – 31.12.2021 € thousand
Securities/insurance business	3,618	2,394
Lending business	3,107	2,697
Payment transactions	235	227

The administration and intermediation services rendered for third parties are essentially attributable to the customer securities and insurance intermediary business.

### Audit costs

The total fees charged by the independent auditor for the 2022 financial year contained in administrative expenses totals €405 thousand net (previous year: €290 thousand) and breaks down as follows:

	01.01 – 31.12.2021 € thousand	01.01 – 31.12.2021 € thousand
Fees relating to audit of financial statements	220	224
Fees for other assurance services	185	60
Fees for tax advisory services	-	6

Other assurance services include in particular fees for the audit pursuant to Section 89 (1) German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), an audit pursuant to IDW PH 9.960.2, the audit of the notification of eligible loans for targeted longer-term refinancing operations (GLRG III), an audit pursuant to Section 183 (3) AktG and for a project-specific audit in connection with a planned IT migration.

### Fund for general banking risks (reserve pursuant to Section 340g HGB)

In the 2022 annual financial statements, as in the previous years, additions were once again made to the fund for general banking risks pursuant to Section 340g HGB, which resulted in a corresponding decrease in the result for the year.

## V. Other financial obligations

Following repayments of limited partnership contributions, there are financial obligations of €3,587 thousand, of which €1,076 thousand to affiliated companies.

Furthermore, there are financial obligations under lease agreements of €1,136 thousand p.a. and €1,133 thousand p.a. from maintenance, servicing and licence agreements.

The total amount subject to a pay-out block amounted to €1,964 thousand as at the reporting date for the annual financial statements (31.12.2021: €1,775 thousand) and is attributable in full to deferred tax assets.

## VI. Information on the company and its governing bodies

### Employees

As at the reporting date, the company had a headcount of 332 (previous year: 299) full- and part-time employees, thereof 12 (previous year: seven) employees on parental leave, 21 (previous year: 30) student workers, nine (previous year: six) interns as well as one (previous year: 0) apprentice.

On an annual average (quarterly levels), the company's headcount converted to full-time equivalents came to 272.6 (previous year: 236.1) employees pursuant to Section 267 (5) HGB. Of this figure, 262 (previous year: 225.1) were full-time or part-time employees and 10.6 (previous year: 11) part-time student workers.

### Remuneration of governing bodies

The total remuneration of the Management Board for the 2022 financial year came to €769 thousand (previous year: €633 thousand). The remuneration paid to members of the Supervisory Board was unchanged on the previous year at €145 thousand.

### Member of the Management Board

The following persons have been appointed to the Management Board:

#### **Goran Bašić, Nuremberg,**

Front-office function for the lending business according to the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk), responsible for the areas of Personnel, Financing Private Customers, Financing Energy and Infrastructure Projects, Financing Real Estate Projects, Treasury & Sustainability, Participating Interests

#### **Jürgen Koppmann, Nuremberg,**

Spokesperson of the Management Board, responsible for the areas of Customer Care & Account Management Private Customers, Customer Care & Account Management Companies & Associations, Customer Care & Services, Securities & Pensions, Information Technology & Project Management, Management Board Support Office / Central Units (management support office, company matters, in-house consulting, information security and data protection); until 31 July 2022, additionally those responsibilities which Heike Schmitz assumed after that date

#### **Heike Schmitz, Seevetal and Nuremberg, member of the Management Board since 1 August 2022**

Back-office function for the lending business according to MaRisk, responsible for the areas of Reporting, Risk & Analytics, Accounting, Taxes & Operations, Legal & Compliance, back-office function for Credit, Organisational Management / Central Services & Real Estate, Internal Audit

### Supervisory Board

The following individuals were members of the Supervisory Board in the 2022 financial year:

**Susanne Horn**, Senior Manager Corporate Social Responsibility and Corporate Development at DEHN SE, Neumarkt i.d.OPf.

**Dr Michael Kemmer**, member of the supervisory boards and boards of directors of various companies, chair of the Supervisory Board

**Heinrich Klotz**, notary in Aschaffenburg

**Dr Michael Maier**, member of the management (Chief Technology Officer) of Habib Bank Ltd., Karachi (Pakistan)

**Edda Schröder**, managing director of Invest in Visions GmbH, Frankfurt am Main

**Silke Stremlau**, member of the management board of Hannoversche Alterskasse VVaG, Hanover, and further companies of the Hannoversche Kassen corporate group, deputy chair of the Supervisory Board

### Loans to Supervisory Board/Management Board

No loans, sureties or guarantees had been made to members of the Management Board or the Supervisory Board as at 31 December 2022.

## VII. Proposal for the appropriation of profit

The Management Board will propose to the annual general meeting to use the distributable profit of €12,511,324.94 for a dividend of €0.33 (previous year: €0.33). The remaining distributable profit of €742,629.98 is proposed to be added to other retained earnings.

## VIII. Report on subsequent events

There were no transactions after the reporting date that had a material impact on the financial position, cash flows and financial performance.

Nuremberg, 11 April 2023

UmweltBank AG, Nuremberg

The Management Board



Goran Bašić



Jürgen Koppmann



Heike Schmitz

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### AUDIT OPINION OF THE INDEPENDENT AUDITOR OF THE FINANCIAL STATEMENTS

To UmweltBank AG, Nuremberg

#### OPINION ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

##### Audit judgement

We audited the annual financial statements of UmweltBank AG, Nuremberg – consisting of the balance sheet as at 31 December 2022, the income statement for the financial year from 1 January 2022 to 31 December 2022 as well as the notes to the financial statements, including the presentation of the accounting and valuation methods. Over and above this, we audited the management report of UmweltBank AG, Nuremberg, for the financial year from 1 January 2022 to 31 December 2022. In our assessment based on the findings obtained during the audit

- the enclosed annual financial statements comply in all material aspects to the provisions of German commercial law applicable to financial institutions and, observing the German generally accepted accounting principles, provide a true and accurate picture of the company's assets and financial position as at 31 December 2022 as well as its financial performance for the financial year from 1 January 2022 to 31 December 2022 and the
- enclosed management report provides overall an accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with the provisions of German law and accurately reflects the opportunities and risks of the future development.

According to Section 322 (3) Sentence 1 German Commercial Code (Handelsgesetzbuch – HGB), we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

##### Basis for the audit judgements

We performed our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Regulation on Specific Requirements Regarding Statutory Audit of Public-interest Entities (No. 537/2014; hereinafter "EU Audit Regulation") taking account of the German generally accepted audit principles defined by the Institute of Public Auditors in Germany (IDW). Our responsibility under these provisions and

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principles is explained in more detail in the section “Auditor’s responsibility for the audit of the annual financial statements and the management report” of our Audit Opinion. We are independent from the company in compliance with the provisions of European and German commercial law and professional law, and have fulfilled our other obligations under German professional standards in accordance with these requirements. We further declare in accordance with Art. 10 (2) letter f) EU Audit Regulation that we did not perform any forbidden non-assurance services pursuant to Art. 5 (1) EU Audit Regulation. We are of the opinion that the audit evidence we obtained is sufficient and suitable to serve as the basis for our audit judgements on the annual financial statements and the management report.

#### **Especially important audit matters in the audit of the annual financial statements**

Especially important audit matters are such matters that in our professional judgement were the most significant in our audit of the annual financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were taken into consideration in the context of our audit of the annual financial statements as a whole and in the formation of our audit judgements on the same; we do not issue any separate audit judgements on these matters.

From our perspective, the following matter was most significant in our audit:

#### **Lending business: measurement of receivables from customers**

We structured our presentation of these especially important audit matters as follows:

- 1) Matters and issues
- 2) Audit procedure and findings
- 3) Reference to more detailed information

1)

UmweltBank AG grants loans to commercial customers in the area of project financing (including but not limited to solar plants and wind turbines, as well as real estate) and to private customers (including but not limited to real estate financing), primarily in Germany. At €3,139.0 million (PY: €3,072.5 million), receivables from customers was the Bank’s largest single item. Loans are granted according to a specified rating method. The accounting and valuation methods relating to the receivables from customers provide for measurement at nominal value and take account of risks through amortisation and impairment. For this purpose, classes of risk (with intermediate levels) have been formed, which, in summary, can be allocated to the following regulatory classifications: loans without identifiable risks, loans with increased latent

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risks and loans at risk of default. Specific allowances are recognised for loans at risk of default by an allowance being formed for the full amount of the unsecured portion, i.e. the difference between the amount utilised or higher commitment of a loan and the collateral value. The collateral value is calculated using measurement methods specified by the Bank. The ‘income approach’ is predominant among the measurement methods. With regard in particular to the financed photovoltaic installations or wind turbines, measurement is performed taking account of the respective residual term on the basis of the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz – EEG) or an underlying contractual electricity price agreement. In doing so, the Bank discounts the forecast cash flows from the respective project (primarily on the basis of appraisals). The methods for valuing the collateral provide permissible scope for the use of judgement with regard to the underlying matters and measurement parameters. Together with the amount of this balance sheet item, the specific allowances may give rise to significant effects on the Bank’s assets and financial performance which makes it an especially important audit matter.

2)

For our audit of the recoverability of the receivables from customers, we performed the following audit procedures in particular:

- analysis of the development of the credit portfolio and the counterparty default risks of the credit portfolio,
- assessment of the methods and organisational instructions relevant for determining the specific allowances in the lending business,
- assessment of the structure and the effectiveness of the internal control system in relation to determining specific allowances in the lending business, including the relevant IT systems on the basis of the corresponding organisation, inquiries and inspection of the control documentation,
- review of the recoverability of credit exposures on the basis of a selection consciously made according to risk-oriented criteria from the population of receivables from customers, and
- reconciliation of the specific allowances recognised with the information recorded in the accounting system.

The specific allowances recognised by the management are plausible and within the scope of our expectations.

3)

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The information on measurement of the receivables provided by the company in the notes to the financial statements are contained in the section entitled Accounting and valuation methods as well as in the management report in the section entitled Risk reporting.

**Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report**

The legal representatives are responsible for preparing the annual financial statements corresponding to the provisions of German commercial law applicable for financial institutions in all material respects and for ensuring that the annual financial statements provide a true and accurate picture of the financial position, cash flows and financial performance taking account of the German generally accepted accounting principles. Furthermore, the legal representatives are responsible for the internal controls that they have specified as necessary in compliance with German generally accepted accounting principles in order to facilitate the preparation of annual financial statements that are free from material misstatement due to fraud (i. e. manipulation of accounts and damage to assets) or error.

In the preparation of the annual financial statements the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are further responsible for disclosing any matters in connection with the going concern principle where relevant. Over and above this, they are responsible for preparing accounts on the basis of the going concern principle unless there are actual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for preparing a management report that overall provides a true and accurate picture of the company's position and is consistent in all material respects with the annual financial statements, complies with the provisions of German law and accurately presents the opportunities and risks of the future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to facilitate the preparation of a management report in compliance with the applicable provisions of German law and to make it possible to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for monitoring the company's financial reporting process for preparing the annual financial statements and the management report.

**Auditor's responsibility for the audit of the annual financial statements and the management report**

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Our objective is to obtain sufficient assurance as to whether the annual financial statements seen as a whole are free from material misstatement due to fraud or errors, and whether the management report overall provides a true and accurate picture of the company's position and is consistent in all material respects with the annual financial statements and the findings made during the audit, complies with the provisions of German law and accurately presents the opportunities and risks of the future development and to issue an Audit Opinion that contains our audit judgements on the annual financial statements and the management report.

Sufficient assurance is a high degree of assurance but no guarantee that a due and proper audit of financial statements conducted in compliance with Section 317 HGB and the EU Audit Regulation taking account of the German generally accepted audit principles defined by the Institute of Public Auditors in Germany (IDW) will always reveal a material misstatement. Misstatements may result from fraud or errors and are deemed material if it can be reasonably expected that, seen individually or as a whole, they influence economic decisions by users made on the basis of these annual financial statements and management report.

During the audit, we apply professional judgement and maintain a critical stance. Over and above this,

- We identify and assess the risks of material misstatement due to fraud or errors in the annual financial statements and the management report, plan and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit judgements. The risk that material misstatements are not uncovered is higher in the case of infringements than in the case of inaccuracies, as infringements may involve fraudulent collusion, forgeries, intentional omissions, misleading representations and the bypassing of internal controls.
- We gain an understanding of the internal control system relevant for the audit of the annual financial statements and the precautions and measures relevant for the audit of the management report in order to plan audit procedures that are appropriate under the given circumstances but not with the objective of issuing an audit judgement on the effectiveness of these systems of the company.
- We assess the appropriateness of the financial reporting methods applied by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated information.
- We draw conclusions on the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that raise



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considerable doubt as to the company's ability to continue as a going concern. If we come to the conclusion that there is a material uncertainty, we are obliged to draw attention in the Audit Opinion to the relevant information in the annual financial statements and in the management report or, if such information is inappropriate, to modify the respective audit judgement we made. We draw our conclusions on the basis of the audit evidence obtained up until the date of our Audit Opinion. Future events or circumstances may, however, lead to a situation where the company is no longer able to continue as a going concern.

- We assess the presentation, the structure and the content of the annual financial statements including information provided and whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements provide a true and accurate picture of the financial position, cash flows and financial performance of the company observing the German generally accepted accounting principles.
- We assess whether the management report is consistent with the annual financial statements, whether it complies with the pertinent legislation and the picture it conveys of the company's situation.
- We perform audit procedures on the forward-looking statements presented by the legal representatives in the management report. In doing so, we employ sufficient suitable audit evidence to examine in particular the significant assumptions used as a basis by the legal representatives for the future-looking statements and assess whether the future-looking statements have been derived appropriately from such assumptions. We do not issue a stand-alone audit judgement on the forward-looking information and on the underlying assumptions. There is a considerable unavoidable risk that future events deviate materially from the forward-looking statements.

We discuss with the persons responsible for monitoring, among other things, the planned scope and scheduling of the audit as well as significant audit findings including any deficiencies in the internal control system we made during our audit.

We make a declaration to the persons responsible for monitoring that we have complied with the relevant requirements on independence and discuss with them all relationships and other matters from which it can be reasonably assumed that they impact our independence and the precautionary measures taken in this context.

Of the matters we discussed with the persons responsible for monitoring, we determine those matters that were most significant in the audit of the annual financial statements for the current

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period under review and consequently constitute the especially important audit matters. We describe these matters in the Audit Opinion, unless laws or other statutory regulations prohibit disclosure to the public of such matters.

#### **OTHER STATUTORY AND SUNDRY LEGAL REQUIREMENTS**

##### **Other information pursuant to Article 10 EU Audit Regulation**

We were elected as auditors of the annual financial statements by the annual general meeting held on 23 June 2022. We were engaged by the Supervisory Board on 07 October 2022. We have acted as auditors of UmweltBank AG, Nuremberg, since the 2014 financial year without interruption.

We declare that the audit judgements contained in this Audit Opinion are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU Audit Regulation (Audit Report).

##### **RESPONSIBLE AUDITOR**

Harald Melchior-Becker is the auditor responsible for the audit.

Nuremberg, 14 April 2023  
Baker Tilly GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft

Stefan Wolfgang Fischer, Apr 17, 2023 08:22:12 AM UTC  
Dr Fischer  
Auditor

Harald Alexander Melchior-Becker, Apr 17, 2023 08:02:28 AM UTC  
Melchior-Becker  
Auditor



## About this report

Together, we are creating a world worth living in for ourselves and future generations. UmweltBank underscores with this vision its commitment to contribute to a better world through its actions. But it also emphasises the potential of banks for solving environmental, social and economic challenges.

UmweltBank has published a Sustainability and Annual Report each year since its foundation in 1997. In it, the Bank informs its stakeholders about the company's business development and sustainability performance. In addition to the complete annual financial statements, the report contains detailed information, audited in accordance with EMAS, on the Bank's environmental performance as well as its sustainable personnel policy.

This report has been prepared with referencing to GRI Standards (GRI-referenced). It refers to the calendar year 2022. This also corresponds to UmweltBank's financial year. No significant changes in the organisation or its supply chain occurred during the reporting period. Comparability of the data with the previous Sustainability and Annual Report is thus ensured.

### Contacts for questions about the report

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**Oliver Patzsch**

Manager Investor Relations  
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## GRI content index

GRI standard	Indicator	Comments	Page number
GRI 2: General Disclosures 2021	2-1 Organizational details		12, 13, 25, 42
	2-2 Entities included in the organization's sustainability reporting		139, 177, 182-183
	2-3 Reporting period, frequency and contact point		96, 207, 211
	2-4 Restatements of information	There are no restatements for the reporting period.	
	2-5 External assurance		64-67; 96-97; 126-133; 199; 203-210
	2-6 Activities, value chain and other business relationships	UmweltBank is almost exclusively active in Germany. Both the funded projects as well as the customers are almost all based in Germany.	12, 18, 20, 22, 25-39, 49-50, 72-74, 139, 182-187
	2-7 Employees		114-123
	2-8 Workers who are not employees	Not reported	
	2-9 Governance structure and composition		56-57, 100-113, 120
	2-10 Nomination and selection of the highest governance body		14, 56-57, 103-108, 126-133
	2-11 Chair of the highest governance body	In Germany, the supervisory board and the executive board are separated.	13
	2-12 Role of the highest governance body in overseeing the management of impacts		126-133
	2-13 Delegation of responsibility for managing impacts		64-67, 91-95
	2-14 Role of the highest governance body in sustainability reporting	An internal EMAS audit is carried out annually by the internal audit department. Corresponding findings are presented to the Supervisory Board.	66-67, 91-95; 126-133
	2-15 Conflicts of interest		126-133
	2-16 Communication of critical concerns	Not reported	126-133
	2-17 Collective knowledge of the highest governance body	Not reported	
	2-18 Evaluation of the performance of the highest governance body	Not reported	
	2-19 Remuneration policies		200
	2-20 Process to determine remuneration	A new compensation structure is being implemented in 2023.	90
	2-21 Annual total compensation ratio		116
	2-22 Statement on sustainable development strategy	There is no concrete statement. Anyway the SDGs are integrated into the bank's statutes	

GRI standard	Indicator	Comments	Page number
	2-23 Policy commitments		44-49, 120
	2-24 Embedding policy commitments		44-49
	2-25 Processes to remediate negative impacts		44-49, 56-57, 64-67
	2-26 Mechanisms for seeking advice and raising concerns		47-48, 65
	2-27 Compliance with laws and regulations		44-49
	2-28 Membership associations		53-54
	2-29 Approach to stakeholder engagement		56-57
	2-30 Collective bargaining agreements	A new compensation structure is being implemented in 2023.	-
GRI 3: Material Topics 2021	3-3 Management of material topics		44-50, 56-61
GRI 201: Economic Performance 2016	3-3 Management of material topics		41, 134-151
	201-1 Direct economic value generated and distributed		41, 174-177
GRI 301: Materials 2016	3-3 Management of material topics		68-69
	301-1 Materials used by weight or volume		69
GRI 302: Energy 2016	3-3 Management of material topics		68-69
	302-1 Energy consumption within the organization		68-69
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	302-3 Energy intensity		68
	302-4 Reduction of energy consumption		68
GRI 303: Water and Effluents 2018	3-3 Management of material topics		71, 73
	303-1 Interactions with water as a shared resource		71, 73

GRI standard	Indicator	Comments	Page number
GRI 305: Emissions 2016	3-3 Management of material topics		76-78
	308-1 New suppliers that were screened using environmental criteria		74, 88-90
GRI 401: Employment 2016	3-3 Management of material topics		49, 114-121
	401-1 New employee hires and employee turnover		115
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		117
GRI 403: Occupational safety and health protection 2018	3-3 Management of material topics		123
	403-8 Workers covered by an occupational health and safety management system		121-123
GRI 404: Training and Education 2016	3-3 Management of material topics		114
	404-1 Average hours of training per year per employee		118
	404-2 Programs for upgrading employee skills and transition assistance programs		118-119
	404-3 Percentage of employees receiving regular performance and career development reviews		118
GRI 405: Diversity and Equal Opportunity 2016	3-3 Management of material topics		120
	405-1 Diversity of governance bodies and employees		100-113, 115
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	408-1 Operations and suppliers at significant risk for incidents of child labor		47-49
GRI 409: Forced or Compulsory Labor 2016	3-3 Management of material topics		47-49
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		47-49
GRI 414: Supplier Social Assessment 2016	3-3 Management of material topics		74
	414-1 New suppliers that were screened using social criteria		74
	414-2 Negative social impacts in the supply chain and actions taken		49
GRI 415: Political Interference 2016	3-3 Management of material topics		53
	415-1 Political contributions		53
GRI 418: Protection of Customer Data 2016	3-3 Management of material topics		47-48
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		47-48



# Performance figures for UmweltBank AG 2022

Economic position		31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	Change in %
Volume of business	€ million	4,119	4,518	5,393	6,451	6,602	+ 2.3
Total assets	€ million	3,699	4,095	4,944	5,928	5,981	+ 0.9
Equity, regulatory	€ million	333	378	408	427	529	+ 23.9
Customer deposits	€ million	2,330	2,529	2,694	2,954	3,176	+ 7.5
Volume of customer securities accounts	€ million	447	569	682	949	791	- 16.6
Volume in UmweltSpektrum funds	€ million	-	-	42	100	131	+ 31.0
Interest, financial and valuation result	€ thousand	51,893	54,423	54,345	63,203	74,044	+ 17.2
Commission and net trading income	€ thousand	2,605	5,084	5,148	9,421	9,345	- 0.8
Personnel expenses	€ thousand	9,221	11,210	13,778	17,154	19,880	+ 15.9
Other administrative expenses	€ thousand	8,537	10,432	13,288	16,512	21,574	+ 30.7
thereof bank levy and deposit protection	€ thousand	1,849	1,798	2,684	4,096	3,695	- 9.8
thereof expenses for migration of core banking system	€ thousand	-	-	-	-	3,595	
Other expenses (+) / other income (-)	€ thousand	-571	260	-5,421	874	2,725	+211.8
Earnings before taxes	€ thousand	37,311	37,605	37,848	38,085	39,210	+ 3.0
Taxes	€ thousand	11,975	11,683	11,350	12,710	8,661	- 31.9
Addition to reserve pursuant to Section 340g HGB	€ thousand	8,400	8,750	8,000	6,000	11,000	+ 83.3
Net result	€ thousand	16,936	17,172	18,498	19,374	19,549	+ 0.9
Transfers to retained earnings	€ thousand	7,100	6,500	6,400	6,500	7,000	+ 7.7
Distributable profit	€ thousand	9,836	10,672	12,098	12,857	12,511	- 2.7
Dividend per share*	€	0.33	0.33	0.33	0.33	0.33	
Total equity ratio, regulatory	%	14.0	14.5	14.6	14.0	16.5	
Common Equity Tier 1 capital ratio, regulatory	%	9.3	10.0	9.8	9.5	12.0	
Cost-income ratio	%	32.0	37.5	42.5	45.8	50.4	
<b>Environment</b>							
Financed loan projects since 1997	Number	22,931	23,371	23,881	24,513	24,949	+ 1.8
Volume of new credit	€ million	542	543	689	845	623	- 26.3
Environmental loans (including open commitments)	€ million	2,901	2,997	3,247	3,543	3,703	+ 4.5
thereof residential	%	31.2	33.0	35.3	35.0	35.3	
thereof solar power	%	33.6	34.2	32.9	34.0	33.5	
thereof wind power	%	24.0	21.6	21.3	20.6	20.2	
thereof social and commercial real estate	%	6.4	8.2	8.0	8.3	9.3	
thereof other financing	%	4.8	3.0	2.5	2.1	1.7	
CO <sub>2</sub> avoidance achieved**	tCO <sub>2</sub> e	557,635	621,795	1,098,161	1,203,270	1,163,974	- 3.3
<b>People</b>							
Customers	Number	113,290	116,180	121,166	132,087	132,157	+ 0.1
Employees	Number	169	201	250	299	332	+ 11.0
Number of permanent employees	Number	153	185	221	263	301	+ 14.4
thereof women	Number	75	96	119	149	170	+ 14.1
thereof part-time employees	Number	59	74	82	94	100	+ 6.4
Average age (permanent employees)	Years	39	38	39	38	39	+ 2.6
Length of service (permanent employees)	Years	7.1	6.2	6.1	5.6	5.6	
Employee performance (converted to full-time equivalents)	Positions	135.9	155.0	191.4	239.5	275.5	+ 15.0

\* Proposal to the annual general meeting on 29.06.2023

\*\* For 2022, the emissions caused by investments in Portfolio A (own investments) were included in the CO<sub>2</sub> accounting for the first time. Consequently the value is not comparable to previous years.

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