



BayernLabo

Social Bond Report 2022

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Preface



Florian Ruhland

Dear Investors,

Since its founding in 1884, BayernLabo has supported the long-term development of Bavaria, exercising its societal and corporate responsibility in the process.

Today, as legally dependent but organizationally and financially independent institution within Bayerische Landesbank, BayernLabo combines bank-specific operations that implement government policy furthering residential and urban development. At the same time, BayernLabo is closely bound to its public mission. The Free State of Bavaria can rely on the services and offerings of BayernLabo as an instrument of state housing policy as it fulfils this mission.

BayernLabo issued its second social bond in March 2021 in order to finance both new and existing loans under the Bavarian Low Interest Rate Loan Programme, which aims to promote home ownership, as well as the Bavarian Modernisation Programme and the Municipal Subsidy Programme, which aim to create housing in Bavaria.

The successful social bond issue in 2017, which was also issued in benchmark format, already demonstrated the attractiveness and sustainability of BayernLabo's social business model. It was the first securities issue of this kind from a development bank.

The new issue in 2021 strengthens BayernLabo's societal aspiration. It demonstrates BayernLabo's clear focus as well as its social and corporate responsibility in accordance with its legal mandate to develop Bavaria on a sustainable basis.

In the following report, we inform you about how the proceeds from this EUR 1,000 million bond issue were deployed. The figures in the report reflect the situation as of 31 December 2021.

A handwritten signature in blue ink, appearing to read 'F. Ruhland', written in a cursive style.

Florian Ruhland
Head of Department Strategic Tasks BayernLabo



01 BayernLabo

BayernLabo

The Bayerische Landesbodenkreditanstalt (BayernLabo) is a legally dependent but organizationally and financially independent entity within Bayerische Landesbank München (BayernLB). As an entity charged with implementing government housing policy, it bundles the bank-specific operations furthering residential and urban development. BayernLabo carries out its activities on a non-competitive basis. It is run under the supervisory authority of the Bavarian Ministry of Finance, Regional Development and Regional Identity and the Bavarian Ministry of the Interior, Building and Transport.

In accordance with article 20 subsection 1 of the Law on Bavarian Landesbank (BayLaBG), BayernLabo is commissioned by the government to financially promote the plans of natural persons and legal entities under private and public law, as well as other measures, to improve and strengthen Bavaria's housing and settlement structure, within the context of governmental housing policy and in line with the aid provisions of the European Union (public contract).

To fulfil its mandate, BayernLabo may provide financing for the following:

1. Residential development
2. Subsidies for housing and settlements
3. Promotion of the housing industry
4. Support of infrastructure measures to support housing policy aims
5. Support of construction development in cities and municipalities
6. Support of housing policy measures aimed at developing structurally weak areas
7. Support of other measures, provided they are mentioned in any piece of government legislation or directive, or in a published set of guidelines, and are conferred on BayernLabo by the Free State of Bavaria

In accordance with Article 20 subsection 1 of BayLaBG, BayernLabo may also carry out financing for regional authorities and public-law special-purpose associations and also participate in financing operations provided by the European Investment Bank or similar European financing institutions for common-interest projects relating to the areas cited under subsection 1 and affecting Bavaria.

The Bavarian government may transfer additional duties to BayernLabo, insofar as these do not contravene European aid law, particularly the European Union's principles and requirements for the business activities of a development institution.

The following must be given particular weight in promotional activities in BayernLabo's programmes:

1. The regional and local housing situation
2. The particular requirements of the target group of the housing; in particular, requirements for barrier-free construction people with permanently or temporarily limited mobility due to age, disability or illness
3. Creation and preservation of socially stable resident structures and balanced settlement structures
4. Economic use of land, ecological requirements in residential construction, and requirements to reduce costs and conserve resources in construction

5. Measures relating to urban development renovation activities
6. The contribution of housing cooperatives to achieving housing promotion goals
7. Avoidance of unjustified housing cost relief
8. Special approaches to advance sustainable housing provision




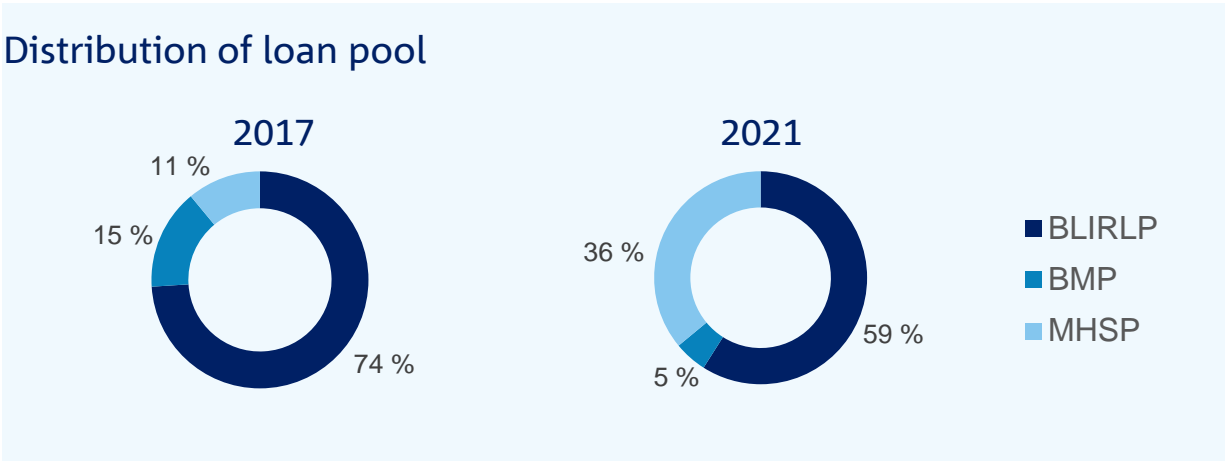
02 Executive summary

Executive summary

 <p>EUR 1.0 billion Bond volume</p>	 <p>36,914 Beneficiaries</p>	 <p>20,023 Affordable units</p>
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Gross business volume


 Bavarian Low Interest Rate Loan Programme: EUR 958.000.000
 Bavarian Modernisation Programme: EUR 182.000.000
 Municipal Housing Subsidy Programme: EUR 487.000.000



UN SDG

		
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➔ Further information and documents about our social bonds, such as our Social Bond Framework or the Second Party Opinion, are available on our [homepage](#).



03 Appropriation process in the capital and reserves programmes of BayernLabo

Appropriation process in the capital and reserves programmes of BayernLabo

Aims of housing promotion in Bavaria

The aims of housing promotion are defined in article 2 of BayWoFG, the Bavarian Housing Promotion Act.

Aim of rental housing promotion

The aim of rental housing promotion is to support households unable to obtain suitable living space through the market. The subsidies focus in particular on families, people with disabilities, older people, and students.

Aims of home ownership promotion

The aim of home ownership promotion is to enable households that would otherwise be unable to do so to purchase their own residences. The subsidies focus in particular on families and people with disabilities.

Aim of modernisation promotion

The aim of modernisation promotion is to adjust existing living space to the needs of the housing market in a socially acceptable manner and to preserve or revive the urban development function of older residential districts.

Pursuant to article 20 subsection 4 of BayLaBG, when implementing its own programmes, BayernLabo acts according to the guidelines of the respective state ministry responsible. The government subsidy directives can be found on the website of the Bavarian Ministry of the Housing, Construction and Transport¹. In the case of home ownership promotion, local authorities or, in the case of rental housing promotion, the district governments or the City of Munich and the cities of Augsburg and Nuremberg check the subsidy conditions and make decisions on the applications for subsidised loans. The government funding guidelines govern, for example, the application and approval process, including the selection of properties eligible for subsidies.

An application for BayernLabo's subsidized loans must be submitted to the local authority responsible (for home ownership) or the government authorities responsible, the City of Munich or the cities of Augsburg and Nuremberg (for rental housing) before construction starts, or before an agreement is concluded on a purchase or before implementing modernisation measures.

The government approval offices check the subsidy conditions and make a decision on the application. If the subsidy conditions are met, a certificate of approval for the available funds is produced and provided to BayernLabo.

BayernLabo is responsible for paying out and managing the loans. In particular, its tasks include performing a bank-related check of the applicant's credit standing, conclusion of the loan agreement, and collateralising the loan.

¹<https://www.stmb.bayern.de/wohnen/foerderung/index.php>

A decorative graphic consisting of two overlapping triangles. The left triangle is blue and points downwards. The right triangle is orange and points upwards. They meet at a central point, creating a white space between them.

04 Social bond report

Social bond report

Following the first social bond issue by a German development bank in 2017, BayernLabo launched its second social bond benchmark in March 2021.

Table Key Figures

Details of Issuer	Social Bond 2017	Social Bond 2021
ISIN	DE000A0Z1UQ7	DE000A161RM9
Format	Senior Unsecured Social Bond	Senior Unsecured Social Bond
Term	22.11.2027	21.03.2036
Amount	EUR 500,000,000	EUR 500,000,000
Rating (Moody's)	Aaa	Aaa
Coupon (Spread)	0,625 % (MS -14 bps)	0,250 % (MS flat)
Use of Proceeds	Funding of selected subsidised programmes	Funding of selected subsidised programmes
Second Party Opinion	ISS ESG	ISS ESG

The basis for the report is the Social Bond Framework 2021, which was drafted in accordance with the International Capital Markets Association (ICMA) 2020 Social Bonds Principles. The following four components are part of the Framework 2017 and 2021:

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

Use of Proceeds

BayernLabo has used the proceeds from the two issued social bonds of EUR 1,000,000,000 exclusively to finance or refinance development loans from the three BayernLabo loan programmes. Those were extended in the years 2014 to 2017 (year of issue of the bond as well as the three preceding financial years) and 2018 to 2021 (year of issue of the bond as well as the three preceding financial years).

Overview loan programmes

	Loan Programmes	Promotion Goals and Groups
Affordable Housing	Bavarian Low Interest Rate Loan Programme <ul style="list-style-type: none"> • Construction of new homes • Acquisition of new homes • Second home acquisition 	Home ownership subsidies Loans to subsidise home ownership for low-income households (until the specific income limit). Target population Low-income households
	Bavarian Modernisation Programme <ul style="list-style-type: none"> • Modernisation measures to improve the energy standard • Flood, sound, radon protection • Modernisation of nursing homes • Age-appropriate conversion 	Modernisation subsidies Loans to adjust existing living space to the needs of the housing market in a socially acceptable manner and renovations adapted to elderly residents. Target population Owners of rented apartments in multifamily residences and care facilities
	Municipal Housing Subsidy Programme <ul style="list-style-type: none"> • Offered since 2016 • Construction and first-time acquisition of rental housing for households that cannot adequately provide for themselves in the market. 	Rental housing subsidies Loans to Bavarian municipalities to create inexpensive rental housing Target population Low-income households and refugees

Process for Project Evaluation and Selection

The process for identifying eligible loans is based on the respective funding guidelines. This process enables the automatic identification and selection of eligible development loans and corresponds to BayernLabo's standard loan process.

BayernLabo subsidised loans must be applied from the respective district administrative authority (owner-occupied housing) or the respective governments, the state capital Munich and the cities of Augsburg and Nuremberg (rented housing) before construction begins or before a contract is signed, or before the modernisation measures are carried out.

These state approval agencies check the eligibility requirements and reach decisions concerning applications. If the eligibility requirements are met, a notice of approval is issued within the limits of the available funds and is forwarded to BayernLabo.

BayernLabo is responsible for the disbursement and administration of the loans. In particular, BayernLabo is responsible for checking the applicant’s creditworthiness, concluding the loan agreement and securing the loan.

Management of Proceeds

The issue volume of EUR 1.0 billion is matched by a social bond pool with a volume of EUR 1.6 billion. The amount corresponding to the net proceeds of the BayernLabo Social Bond is managed by applying the portfolio approach. Until the social bond matures, BayernLabo ensures that the volume of eligible development loans in the portfolio exceeds the proceeds from the social bond issues. BayernLabo reviews the eligibility and availability of the social development loans on an annual basis. If some promotional loans no longer comply with the eligibility principles described above, BayernLabo allocates the proceeds of the issue to other promotional loans to the best of its knowledge and as soon as possible.

Allocation Reporting

The subsidised loans financed with the help of the Social Bonds are allocated to the UN Sustainable Development Goals (SDGs) 1 “No Poverty” and 11 “Sustainable Cities and Communities”.

Using programme numbers and programme years, BayernLabo has labelled the portfolio of loans and open commitments from 2014 to 2017 and 2018 to 2021 in the three BayernLabo loan programmes financed or refinanced from the proceeds of the two social bonds issued in its core banking system.

As of 31 December 2021, there was a loan balance of EUR 1,372,256,012.30, which is distributed among the individual programmes as follows:

Overview

Loan programme in EUR	Residual loan in EUR	Outstanding commitments in EUR	Gross business volume in EUR
Bavarian Low Interest Rate Loan Programme	909,265,032.15	48,505,208.42	957,770,240.57
Bavarian Modernisation Programme	137,626,258.18	44,081,445.00	181,707,703.18
Municipal Housing Subsidy Programme	325,364,721.97	161,572,000.00	486,936,721.97
Total	1,372,256,012.30	254,158,653.42	1,626,414,665.72

Further information on allocation reporting is analysed below according to the two Social Bonds issued in 2017 and 2021.

Social Bond 2017

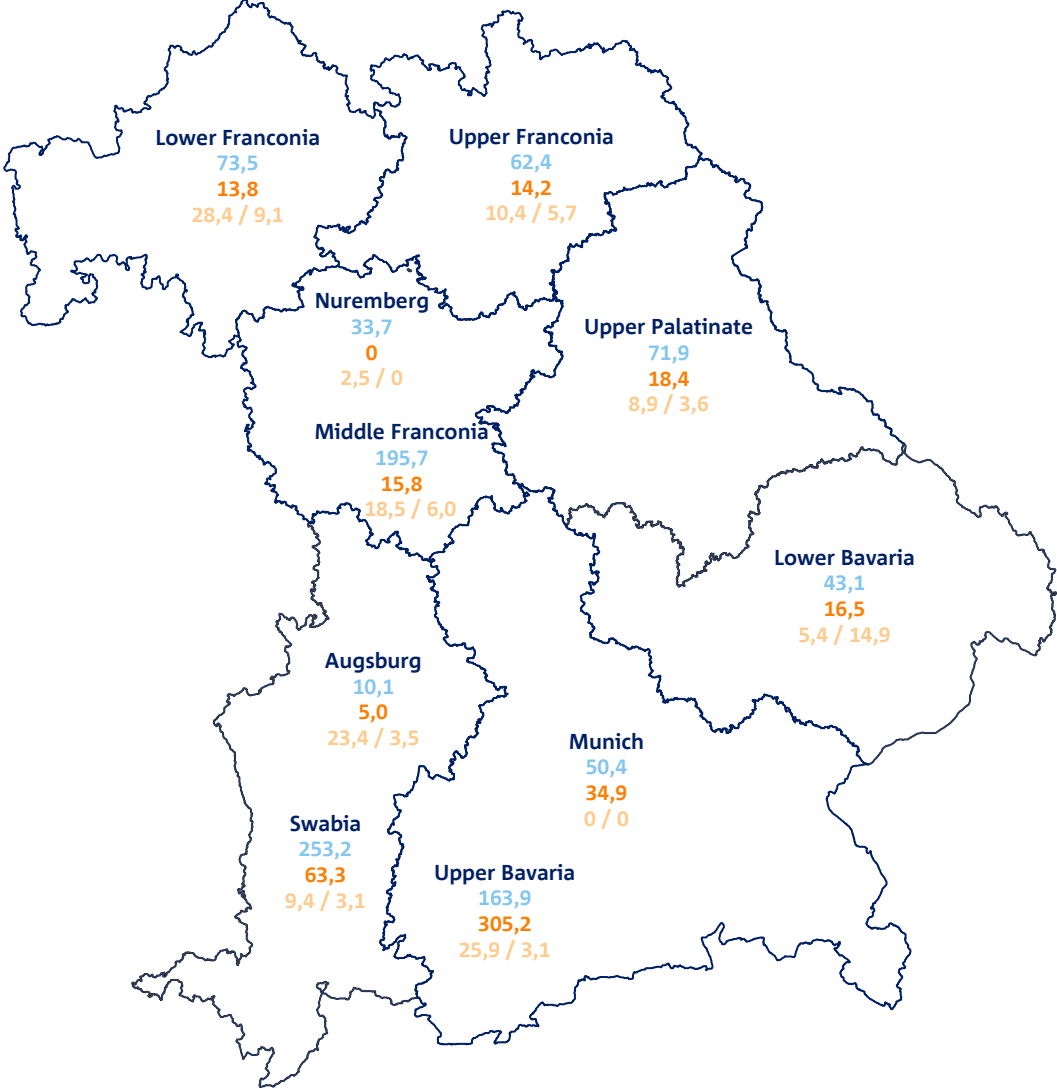
Overview		
Amount of bond outstanding		500,000,000.00
Composition by loan		
	2014	173,613,139.02
	2015	153,711,493.80
	2016	171,562,830.50
	2017	177,781,264.64
Total amount of new financings versus refinancings		135.33%

Social Bond 2021

Overview		
Amount of bond outstanding		500,000,000.00
Composition by loan		
	2018	253,341,613.38
	2019	225,673,157.51
	2020	203,687,156.17
	2021	267,044,010.70
Total amount of new financings versus refinancings		189.95%

The regional distribution is illustrated by the volume per subsidised programme. The Bavarian Low Interest Rate Loan Programme was used particularly in the district of Swabia, the Municipal Housing Subsidy Programme mainly in Upper Bavaria and the Bavarian Modernisation Programme has its focus in the region of Lower Franconia.

Regional distribution in EUR million



- Bavarian Low Interest Rate Loan Programme (subsidised home ownership)
- Municipal Housing Subsidy Programme (subsidised rental housing)
- Bavarian Modernisation Programme (subsidised rental housing/ subsidised care facilities)

Impact Reporting

The idea behind the Bavarian Low Interest Rate Loan Programme is to enable mainly young families to build or buy their own home. BayernLabo grants fixed-term low-interest loans of up to one third of the total costs of owner-occupied residential property. In the Bavarian Modernisation Programme, BayernLabo grants low-interest loans in order to subsidise the purchase of rental flats in apartment buildings and places in approved inpatient care facilities. In addition, low-interest loans are issued for further modernisation and renewal measures. By participating in the Municipal Housing Subsidy Programme, the Free State of Bavaria, along with BayernLabo, supports Bavarian municipalities in creating low-cost housing themselves. Funding is provided for the construction, conversion, extension, modernisation and initial purchase of rented housing. The programme aims to subsidise apartment buildings that have a long useful life and fulfil the objective of structured urban development.

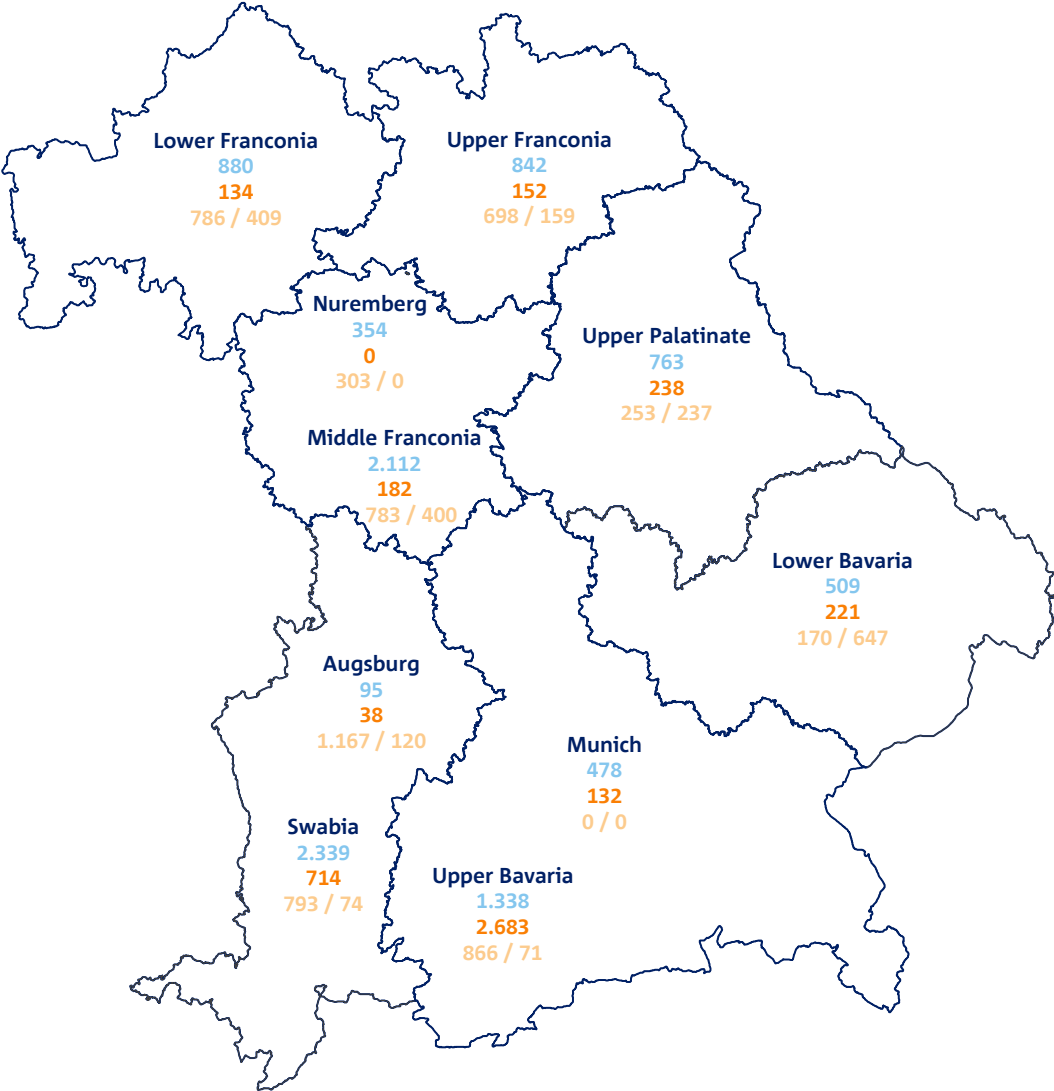
Social Bond 2017

Funding programmes	Amount
Bavarian Low Interest Rate Loan Programme	
Beneficiaries	20,905
Subsidised homes	5,617
Bavarian Modernisation Programme	
Subsidised places (beds) in authorised inpatient care facilities	1,511
Subsidised homes	3,441
Municipal Housing Subsidy Programme	
Subsidised homes	1,223

Social Bond 2021

Funding programmes	Amount
Bavarian Low Interest Rate Loan Programme	
Beneficiaries	16,009
Subsidised homes	4,093
Bavarian Modernisation Programme	
Subsidised places (beds) in authorised inpatient care facilities	606
Subsidised homes	2,378
Municipal Housing Subsidy Programme	
Subsidised homes	3,271

Subsidised homes – Social Bond 31 December 2021



- Bavarian Low Interest Rate Loan Programme (subsidized home ownership)
- Municipal Housing Subsidy Programme (subsidised rental housing)
- Bavarian Modernisation Programme (subsidised rental housing / subsidised care facilities)



05 Examples of aid in the programmes of BayernLabo

Examples of aid in the programmes of BayernLabo

Below, we show one example each of the three BayernLabo loan programmes financed or refinanced from the proceeds of the sustainability bond.

Bavarian Low Interest Rate Loan Programme for private housing

“We finally wanted something of our own. A house that belongs to us, in which we can grow old, and in which we can raise our children.”
Christian Schauer, Home Owner

For Christmas, the Schauer family from Upper Palatinate gave themselves what is likely the biggest gift of their lives: they bought their own house, thereby turning a long-cherished dream into a reality.

Until then, the family of four, consisting of mother Sonja, father Christian, their eight-year-old son Luca and their five-year-old daughter Lena, along with their cat and dwarf rabbit, had lived on the upper floor of Christian’s childhood home. Their big wish was for more space, peace and quiet, and their own garden in which to relax and play. Sonja and Christian Schauer had been searching for the right property for a long time when they discovered “their house” in the market town of Postbauer-Heng. It was love at first sight.



“I knew immediately: this is our house. Everything was just right. This is where we want to live.”
Sonja Schauer, homeowner

The decision was rapid. Only the financing was lacking. The Schauer family turned for advice to their local bank, the Raiffeisenbank Neumarkt (in the Upper Palatinate region). It quickly became clear that they met all the requirements for a new reduced-interest loan from BayernLabo’s Bavarian Low Interest Rate Loan Programme for private housing, with a 30-year fixed-interest period and simultaneous full repayment.

Besides the purchase price, the outstanding necessary renovation work such as painting the house and renovating the terrace and balcony was included in the total costs. For the Schauer family, the low-interest loan from BayernLabo will pay off, as it entails 30 years of fixed low interest, a low mortgage charge, a grace period for repayment of principal, and they will be completely debt-free after 30 years.

The whole family now has enough space both indoors and out. The children are often in their garden with their cat Franziska, and enjoy playing on their swing and digging in their sandbox. Amateur gardener Sonja Schauer cares lovingly for her new garden when she has a spare moment. For yet another family, BayernLabo’s low-interest 30-year subsidised loan with full repayment has made the dream of owning their own home has come true.

Bavarian Modernisation Programme



“Modernisation makes our homes secure for the future and more economical to run.”

Resident, St. Marien

In alignment with the Christian values that underlie this charity's work, the St. Gundekar-Werk is not just a housebuilding and urban development enterprise. Rather, it is the second-largest of the seven diocesan housing charities in Bavaria, when measured in terms of the company's own rental portfolio. It aims to offer adequate residential space to families, single parents and senior citizens. Founded in 1954, the enterprise now owns more

than 4,000 rental units that are continuously modernised to meet the latest requirements, such as the energy-efficient refurbishment of two retirement homes in Nuremberg-Katzwang.

In a southern city district of Nuremberg, the St. Gundekar-Werk maintains the two St. Marien senior citizens' residential complexes with 53 residential units on the leasehold property of the parish of the same name. These are located in the immediate vicinity of the parish church, office, hall and preschool. The purpose of the residential complexes for the elderly is to provide independent and yet communal living, and, when required, assisted living, for people in the second half of life to whom the City of Nuremberg has granted residential entitlements. Sixty-one people live in the optimally furnished residential units, three of which are accessible to wheelchairs.

To enable residents to continue living with affordable operating costs in the future, the facilities, which were built in 1976 and 1985, were renovated in accordance with the current German Energy Saving Ordinance. After the modernisation, all buildings have an electric entrance door control system, an elevator with energy recovery, a central exhaust air system, and efficient staircase lighting with LED technology. Additionally, fire protection measures were updated.

In close cooperation with the City of Nuremberg and the Office for Housing and Urban Development, the application, approval and disbursement of subsidies went quickly and smoothly. The total costs of EUR 2.44 million were funded through the KfW “Energy-efficient Renovation” Programme and a low-interest capital loan from the Bavarian Modernisation Programme.

Municipal Subsidised Housing Programme to create rental housing in Bavaria

Public housing built by local authorities is the answer to spiralling rental costs and housing shortages.

Neumarkt in Upper Palatinate is an up-and-coming municipality near Nuremberg. With a population of around 40,000, the major district town is a culturally and economically important factor in northern Bavaria. The dynamic city has already been distinguished by UNESCO as “City of the Decade” four times for its sustainable development.

Neumarkt also fulfils its responsibility as regards social housing construction. In the newest construction project in Deininger Way, a total of 27 subsidised apartments offering a total living space of 1,945 square metres are currently being built. The town of Neumarkt is creating new living space as part of the BayernLabo Municipal Subsidised Housing Programme. Barrier-free social housing is being built on a 2,700 square metre site in the south of the town. From small two-room apartments to large five-room flats, the new housing complex has been designed for a variety of types of household.



The project, at a total cost of EUR 5,479,000, was financed by subsidies from the Free State of Bavaria, a development loan from BayernLabo and a ten percent equity contribution from the owner. The EUR 3,409,800 development loan was fully disbursed shortly after the start of construction. The interest-free loan runs for ten years under the full repayment model.

“Neumarkt has become a popular place to live. The city aims to counteract a shortage of housing and spiralling rental costs, which has led it to create new municipal housing space. The Subsidised Housing Programme was ideal for our project.”

Thomas Thumann, Neumarkt’s mayor for the past 17 years

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Brienner Straße 22
80333 München
bayernlabo@bayernlb.de
bayernlabo.de

Editorial staff:

Florian Ruhland
Telefon +49 89 2171-28059
Telefax +49 89 2171-600574

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Bayerische Landesbodenkreditanstalt
Das Förderinstitut der BayernLB
Brienner Straße 22
80333 München
bayernlabo.de

