

BayernLabo

Social Bond Reporting 2024

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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 Municipal Subsidy Programme, which aim to create housing in Bavaria, the Bavarian Modernisation Programme, as well as the BayernLoan -- Bavarian low interest rate loan programme¹, which aims to promote home ownership. Following the significant rise in interest rates since April 2023, the last two programs have been subsidized by the Free State of Bavaria with an interest rate reduction of up to 3% on the final borrower interest rate.

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 2023.



Florian Ruhland
Head of Department Strategic Tasks BayernLabo

¹ In April 2023, the Bavarian Low Interest Rate Loan Programme was renamed the Bavarian Loan - Bavarian low interest rate loan programme under the same funding guidelines.

01 BayernLabo

Die 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



EUR 1.0 billion
Bond volume



42,342
Beneficiaries



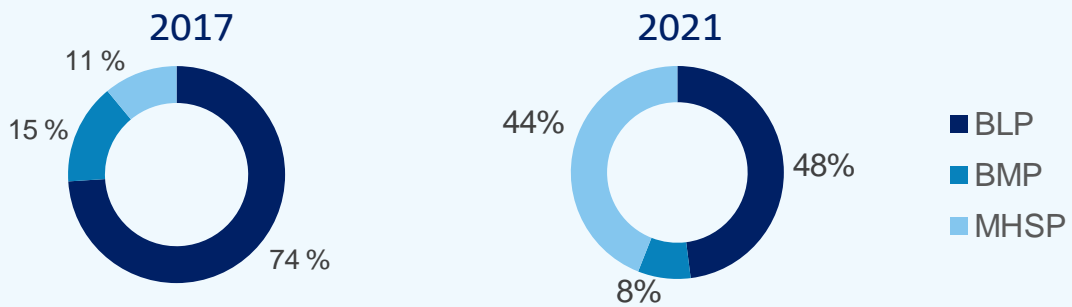
22,954
Affordable units

Gross business volume

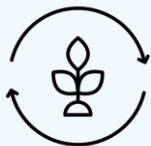


Bavarian Loan Programme:	EUR 1,121,000,000
Bavarian Modernisation Programme:	EUR 193,000,000
Municipal Housing Subsidy Programme:	EUR 596,000,000

Distribution of loan pool



UN SDG



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 Transport². 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.

²<https://www.stmb.bayern.de/wohnen/foerderung/index.php>

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:

	Loan Programmes	Promotion Goals and Groups
Affordable Housing	<p>The BayernLoan -- Bavarian low interest rate loan programme</p> <ul style="list-style-type: none"> • Construction of new homes • Acquisition of new homes • Second home acquisition 	<p>Home ownership subsidies Loans to subsidise home ownership for low-income households (until the specific income limit).</p> <p>Target population Low-income households</p>
	<p>Bavarian Modernisation Programme</p> <ul style="list-style-type: none"> • Modernisation measures to improve the energy standard • Flood, sound, radon protection • Modernisation of nursing homes • Age-appropriate conversion 	<p>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.</p> <p>Target population Owners of rented apartments in multifamily residences and care facilities</p>
	<p>Municipal Housing Subsidy Programme</p> <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. 	<p>Rental housing subsidies Loans to Bavarian municipalities to create inexpensive rental housing</p> <p>Target population Low-income households and refugees</p>

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 1.9 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 in the three BayernLabo loan programmes financed or refinanced from the proceeds of the two social bonds issued in its core banking system.

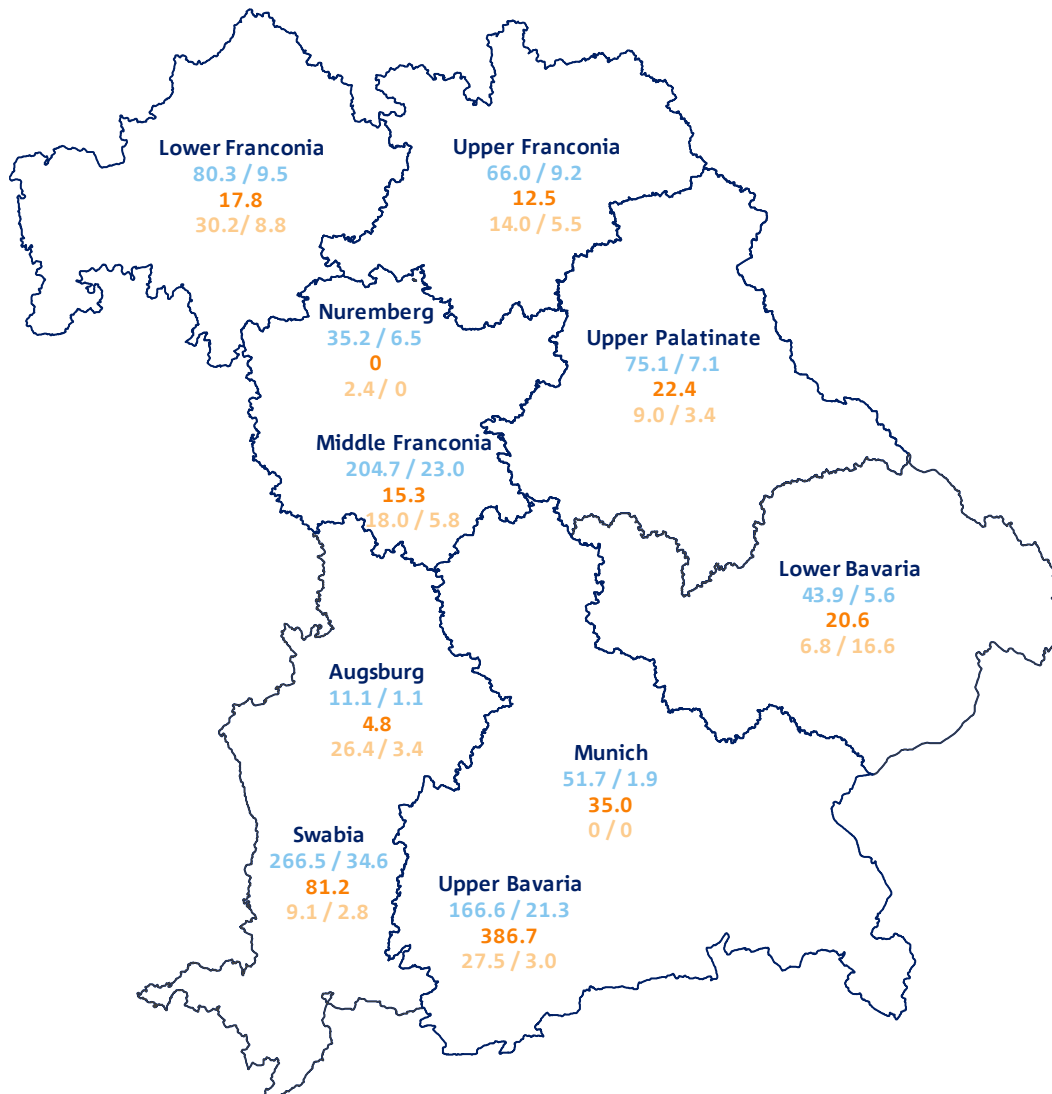
As of 31 December 2023, there was a loan balance of EUR 1,723,306,052.85, which is distributed among the individual programmes as follows:

Overview

Loan programme in EUR	Residual loan in EUR	Outstanding commitments in EUR	Gross business volume in EUR
The BayernLoan -- Bavarian low interest rate loan programme	1.035.140.876,73	85.833.776,99	1.120.974.653,72
Bavarian Modernisation Programme	164.228.192,47	28.583.882,00	192.812.074,47
Municipal Housing Subsidy Programme	523.936.983,65	72.198.850,00	596.135.833,65
Total	1.723.306.052,85	186.616.508,99	1.909.922.561,84

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



- The BayernLoan -- 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)

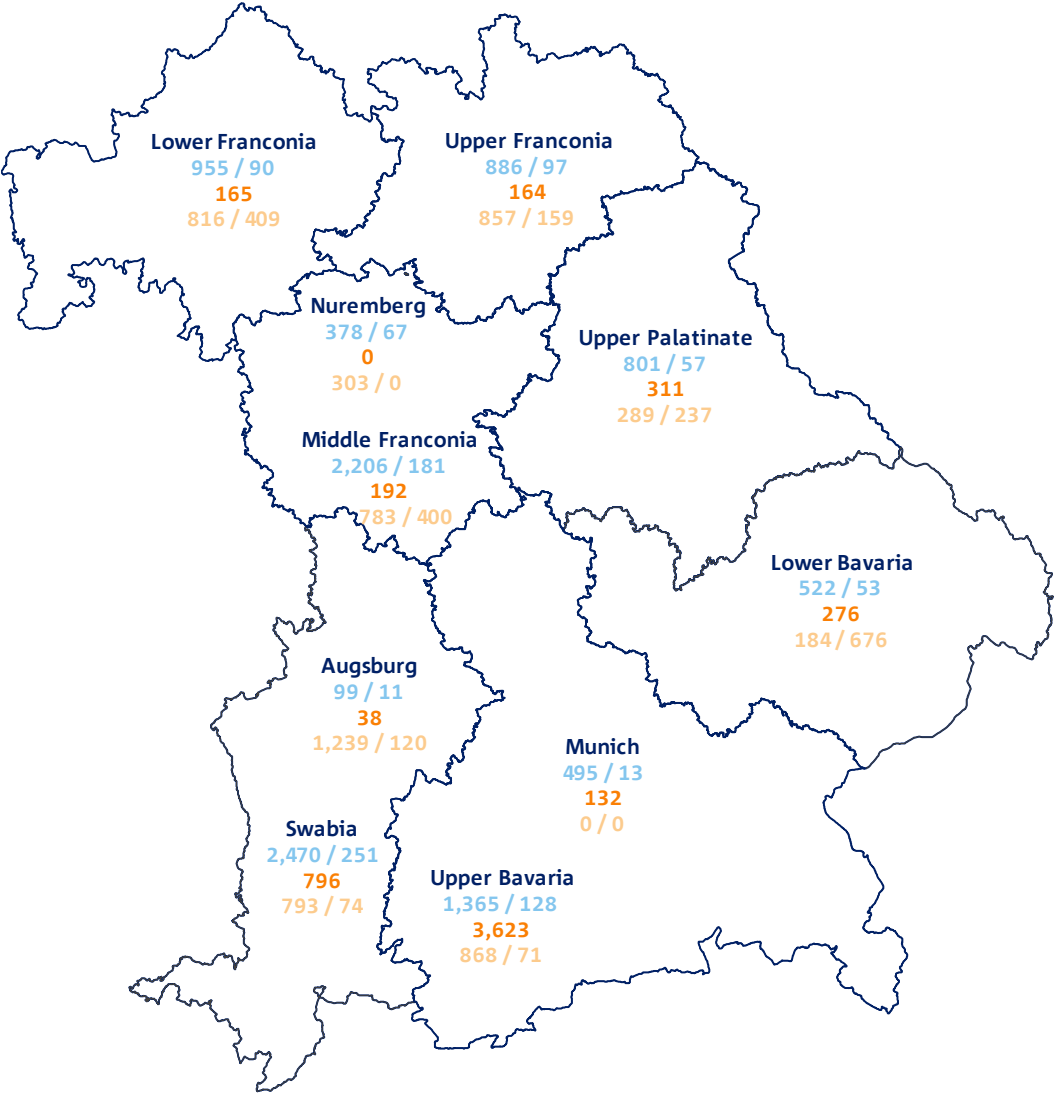
Impact Reporting

The idea behind the BayernLoan --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.

Overview

	Amount
The BayernLoan -- Bavarian low interest rate loan programme	
Beneficiaries	42,342
Subsidised homes	11,125
Bavarian Modernisation Programme	
Subsidised places (beds) in authorised inpatient care facilities	2,146
Subsidised homes	6,132
Municipal Housing Subsidy Programme	
Subsidised homes	5,697

Subsidised homes



- The BayernLoan -- 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 Project example

Sustainable wood hybrid construction – 88 apartments at affordable rents

Sustainable wood hybrid construction – 88 apartments at affordable rents

„The municipal housing subsidy programme creates affordable housing in communities. Especially in combination with sustainable construction, projects with exemplary character such as the one in Utting can be realised.“ Wolfgang Schmidt, Department Manager, Municipal Lending

A special measure was implemented in the municipality of Utting am Ammersee as part of the municipal housing subsidy programme (KommWFP).

On the so-called Schmucker site, the municipality's company built a new housing complex with 88 subsidised barrier-free housing units in various dimensions. The total of six houses in the new facility were built using wood hybrid construction methods. Wood was used as a building material for all load-bearing walls as well as for the individual apartments – the facility was thereby built in a largely carbon-neutral manner.

Florian Hoffmann, first mayor of the municipality of Utting am Ammersee, commented on the wood hybrid construction: "Tenants will really appreciate this thanks to the good interior climate as well as the low heating costs."



Residential complex on the Schmucker site in Utting; photo: © Herbert Stolz

As a consequence, the municipality of Utting is not only setting an important course for more climate protection in construction, but is also expanding its supply of urgently needed affordable housing. In this context, the project represents an important component of the municipal provision of public services.

The fact that the municipality of Utting itself is acting as developer is due to the Free State of Bavaria's municipal housing subsidy programme. The total cost of the construction project amounted to around EUR 44.5 million, according to the funding notification from the government of Upper Bavaria. For this, the municipality receives a state subsidy of EUR 12.8 million from the municipal housing subsidy programme and a low-interest loan of EUR 19 million from BayernLabo. The owner of the entire site and the apartments remains the municipality of Utting, which thereby creates immense asset value, as emphasised by Florian Zarbo, managing director of the municipality's company that is carrying out the development.



From left: Florian Hoffmann (First Mayor of Utting am Ammersee), Michaela Kaniber (Bavarian State Minister for Food, Agriculture and Forestry), Christian Bernreiter (Bavarian State Minister for Housing, Construction and Transport); photo: Stefanie Büchl, StMELF

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