#HEIMATFÖRDERER

BayernLabo

Social Bond Framework

August 2026

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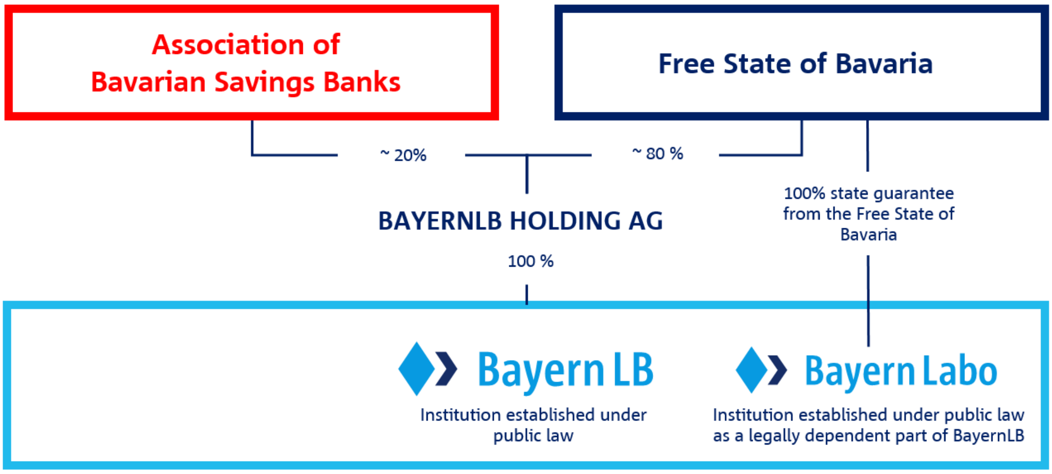
01 Introduction

Introduction

BayernLabo profile

Bayerische Landesbodenkreditanstalt (BayernLabo) is an organisationally and financially independent, but legally dependent institution under public law within Bayerische Landesbank, Munich (BayernLB). BayernLB is owned by the Free State of Bavaria, which holds approximately 80 percent of BayernLB Holding AG, and the Association of Bavarian Savings Banks, which holds approximately 20 percent. BayernLabo is supervised by the Bavarian State Ministry of Finance and Regional Identity (StMFH).

Ownership structure



BayernLabo is charged with implementing the Free State of Bavaria's housing policy. It bundles the bank-specific operations required to promote housing and urban development and carries out its activities on a non-competitive basis.

In fulfilling its mandate, BayernLabo may provide financing in the following areas, among others:

- Housing promotion
- Promotion of housing and settlement development
- Promotion of the housing sector
- Promotion of infrastructure measures supporting housing policy objectives
- Promotion of the structural development of cities and municipalities

According to a decision by the EU Commission, BayernLabo may continue to benefit beyond 18 July 2005 from the state guarantee (Article 22 para. 1 of the Law on Bayerische Landesbank [BayLaBG]) and a refinancing guarantee provided by the Free State of Bavaria (Article 22 para. 2 BayLaBG). This means that the Free State of Bavaria is fully liable for all obligations entered into by BayernLabo, including loans, mortgage bonds of Bayerische Landesbodenkreditanstalt, bonds, forward transactions, option rights and loan guarantees.

The guarantee defined in Article 22 para. 2 BayLaBG is unconditional, unlimited in time and irrevocable and may only be abolished, restricted or amended by a corresponding state law. Any abolition or amendment of the guarantee is effective only for transactions concluded after such law enters into force.

The Free State of Bavaria is rated Aaa/AAA by the leading rating agencies Moody's and Standard & Poor's. This excellent credit quality underscores the outstanding standing of the Free State of Bavaria as guarantor of BayernLabo.

Accordingly, BayernLabo's liabilities are also rated Aaa by Moody's. BayernLabo's areas of activity are set out in Article 20 of the Law on Bayerische Landesbank (BayLaBG).

Sustainability

In line with its statutory development mandate, BayernLabo embeds social and environmental sustainability objectives in its activities and regards the social contribution of its development programmes as a key instrument for fulfilling its legal mandate in the Free State of Bavaria. Its focus is on creating housing that meets demand and the needs of different generations while remaining affordable, thereby strengthening social cohesion, enabling social participation and safeguarding services of general interest in both urban and rural areas. In addition, the promotion of municipal and social infrastructure makes an important contribution to improving citizens' quality of life and strengthening municipalities' capacity to act.

The emphasis on sustainability criteria is intended to contribute to achieving the sustainability and climate objectives of the Free State of Bavaria. In coordination with the Bavarian State Ministry of Finance and Regional Identity (StMFH) and the Bavarian State Ministry for Housing, Building and Transport (StMB), sustainability criteria are integrated into the development programmes to the greatest extent possible.

Corresponding sustainability objectives are also embedded in BayernLabo's business strategy. Environmental development objectives are pursued alongside social development objectives. In this respect, BayernLabo is closely integrated into the BayernLB Group, and the Group-wide standards, guidelines and policies apply accordingly where relevant.

Our shared understanding of sustainability is guided in particular by:

- the United Nations Sustainable Development Goals (SDGs),
- the climate objectives of the Paris Agreement,
- the German Federal Government's Sustainable Development Strategy, and
- the Bavarian Sustainability Strategy.

Environmental aspects—particularly the energy-efficient modernisation and refurbishment of buildings and climate- and environment-related measures at municipal level—are deliberately combined with the social objective of safeguarding affordable housing and social infrastructure over the long term. Transparency regarding impact and sustainability contribution is of particular importance to BayernLabo. Development funds and grants from the preceding financial year are systematically mapped to the 17 SDGs and published regularly. Standardised data fields, digitalised processes and ESG-oriented data management provide the basis for impact reporting and strengthen the confidence of citizens, municipalities and investors in the contribution made by social housing and sustainable municipal financing to the future-proof development of the Free State of Bavaria.

02 Social Bond Framework

Social Bond Framework

BayernLabo acts as the extended arm of the Free State of Bavaria in implementing housing and urban development promotion. The issuance of social bonds reflects BayernLabo's aim to extend its sustainable business activities to the refinancing side. In doing so, BayernLabo supports the Free State of Bavaria in fulfilling its social responsibility towards the citizens of Bavaria in a sustainable manner. In November 2017, BayernLabo became the first development bank in Germany to issue a social bond.

The BayernLabo Social Bond Framework has been drafted in accordance with the International Capital Market Association's (ICMA) Social Bond Principles published in June 2025 and takes particular account of the following five core components:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- External review

The first version of the BayernLabo Social Bond Framework was published in 2019. Since then, BayernLabo has been a regular issuer in the capital markets. BayernLabo will continue to review and update the framework as required to reflect changing investor expectations, evolving market best practices and regulatory developments. The updated version will be published on BayernLabo's website and will replace the previous framework.

Use of proceeds

The proceeds from BayernLabo Social Bonds will be used exclusively to finance or refinance eligible development loans falling within the categories set out below. For each existing category, only loans newly originated in the preceding year will be added. As BayernLabo generally has a higher outstanding volume of eligible development loans than outstanding Social Bond volume, the net proceeds of a new Social Bond are allocated immediately. In the unlikely event that the Social Bond pool contains fewer eligible development loans than the volume of outstanding Social Bonds, the unallocated net proceeds will be allocated within one year.

ICMA Social Bond category	Financing instrument	Development programmes / use of proceeds	Target population	UN SDGs
Affordable housing	Loans to Bavarian municipalities to create affordable housing	Municipal housing promotion programme	Low-income households pursuant to Article 2 of the Bavarian Housing Promotion Act (BayWoFG), in particular families, people with disabilities, older people and students	
	Loans to promote home ownership	Bavarian interest subsidy programme	Low-income households pursuant to Article 11 BayWoFG, in particular people with disabilities	
	Loans for the modernisation of existing housing units	Bavarian modernisation programme	Low-income tenant households and residents of care facilities	
Access to essential social services: education	Loans to Bavarian school associations	School buildings and general expenditure	Participants in primary to tertiary education	
Affordable basic infrastructure	Loans to Bavarian water associations	Water supply and wastewater pipelines, treatment plants, elevated reservoirs, operational buildings supporting water treatment and supply, and wells	The entire population of Bavaria	

1. Rental housing promotion

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

Through the municipal housing promotion programme, the Free State of Bavaria together with BayernLabo supports Bavarian municipalities in creating affordable housing. Subsidised measures include the construction of new buildings, conversions and extensions, as well as the modernisation and initial purchase of rental housing. The programme is intended to promote residential buildings that have a long useful life and meet the objective of structured urban development.

The target population of the municipal housing promotion programme comprises households that are unable to obtain suitable living space on the housing market under their own steam. A reasonable proportion of the housing is also intended to be made available to recognised refugees in accordance with local needs.

The municipality concerned is responsible for managing this. Rental levels are to be structured by the municipality so that the housing can also be used, in particular, by people with low incomes, such as benefit recipients. The income thresholds should be based on those for housing promotion under Article 11 of the Bavarian Housing Promotion Act (BayWoFG).

2. Home ownership promotion

The goal of promoting home ownership is to enable households that would otherwise be unable to purchase their own homes. The subsidies are focused in particular on families and people with disabilities.

Through loans under the Bavarian interest subsidy programme to promote home ownership, BayernLabo supports primarily young families in building or buying their own house or flat with the aid of a low-interest loan.

The development support available therefore depends on the household’s annual gross income. All households whose total income does not exceed the income threshold stated in Article 11 of the Bavarian Housing Promotion Act (BayWoFG) may apply for a subsidised loan.

3. Modernisation promotion

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

BayernLabo grants low-interest loans for eligible modernisation and renovation measures in order to promote rental flats in apartment buildings and places in approved inpatient care facilities.

The goals of the promotion are to increase the value in use of living space, improve general living conditions, adapt living space to the needs of older people, save energy and water, reduce CO_2 emissions through modernisation, preserve and restore the urban development function of older residential districts, ensure fair and acceptable rent levels after modernisation, and define the eligible group of people by means of a general occupancy right.

For homes due to be rented out, there is a general occupancy right lasting 10 or 20 years for households whose total income does not exceed the income threshold stated in Article 11 of the Bavarian Housing Promotion Act (BayWoFG). If subsidised housing becomes vacant following a change of tenant, the person authorised to dispose of the housing is obliged, at their discretion, to relet it only for residential purposes, at the permissible rental price and to persons who provide a corresponding certificate of residential entitlement issued by the competent district administrative authority.

4. Loans to municipal special-purpose associations

BayernLabo supports Bavarian local authorities and special-purpose associations under public law by granting low-interest municipal loans and specific promotional loans. The focus is on investments in general municipal infrastructure and facilities with a social purpose that create direct added value for the population.

The legal basis for the establishment and activities of special-purpose associations is the Bavarian Act on Municipal Cooperation (KommZG). Such associations jointly perform public tasks and pool resources in order to ensure efficient and effective services of general interest without pursuing a profit-making objective.

Only loans granted to special-purpose associations whose activities have a clearly defined social benefit are included in the Social Bond pool. These comprise associations with a sole focus on water supply and wastewater disposal—for example, loans for pipelines, treatment plants and elevated reservoirs—or on education. Such investments contribute to safeguarding basic quality of life, sustainable infrastructure and equal educational opportunities in Bavaria. A secure water supply is particularly important not only for public health but also for the stability of society and the economy. Through financing in the education sector, BayernLabo supports investments in educational infrastructure intended to improve access to educational opportunities.

The following considerations are also taken into account in promotional activities:

1. the regional and local housing market conditions,

2. the particular requirements of the target population, especially requirements for barrier-free construction for people whose mobility is permanently or temporarily limited due to age, disability or illness,

3. the creation and preservation of socially stable resident structures and balanced settlement structures,

4. the economical use of land, environmental requirements in residential construction, and requirements to reduce costs and conserve resources in construction,

5. measures connected with urban development renewal activities,

6. the contribution of cooperative housing to achieving the goals of housing promotion,

7. the avoidance of unjustified housing cost relief,
8. special approaches to advance sustainable housing provision.

Process for project evaluation and selection

BayernLabo has established a Social Bond Working Group comprising representatives from the Sustainability team, Treasury and the market-facing business units. The working group is an important component of the selection process and is responsible for reviewing the Social Loan Pool in accordance with the criteria defined in this framework.

1. Housing promotion

The housing promotion system in Bavaria is based on the Bavarian Housing Promotion Act (BayWoFG), which defines the objectives, types of promotion and responsibilities. The Housing Promotion Provisions (WFB) specify the technical and development-related requirements and serve as the principal implementation guidelines for the competent authorities. In addition, each development programme is governed by specific guidelines that supplement the overarching WFB in detail. The government promotion guidelines are available on the website of the Bavarian State Ministry for Housing, Building and Transport (StMB).

Implementation is divided among the government approval authorities, including district governments, district administrative authorities and independent cities. They verify compliance with the eligibility requirements and decide on the application. If the eligibility requirements are met, an approval notice is issued within the limits of the available funds and forwarded to BayernLabo.

BayernLabo acts as the central financing institution and, as a state development institution, provides loans and other development instruments on behalf of the Free State of Bavaria. When implementing its programmes, it follows the guidelines of the responsible state ministry and is responsible in particular for performing the bank-related credit assessment, concluding the loan agreement and collateralising the loans pursuant to Article 20 para. 4 BayLaBG. All data, including the development programme number, is recorded in the central credit system.

This process enables the automatic identification and selection of eligible development loans under this Social Bond Framework.

2. Special-purpose associations for water and education

Special-purpose associations are municipal associations within the meaning of Bavarian municipal law, in particular the Bavarian Act on Municipal Cooperation (KommZG), and have their own legal personality. Borrowing is governed by Article 71 of the Bavarian Municipal Code (GO), under which municipalities may incur debt only for investments, investment promotion measures and refinancing.

For the purposes of this framework, only special-purpose associations focusing on water supply and wastewater disposal or education are relevant. The corresponding loans can be clearly identified in the credit system.

3. Exclusion criteria and management of sustainability risks and opportunities

BayernLabo's responsibilities are derived from Article 20 BayLaBG, the Law on Bayerische Landesbank, in the section concerning Bayerische Landesbodenkreditanstalt. It may therefore operate only within clearly defined development segments, in particular housing promotion and financing for Bavarian municipalities as provided for in its government development programmes. Given this narrowly defined statutory mandate, no additional exclusion criteria are required for BayernLabo's business activities.

To record and assess sustainability risks, BayernLabo applies the ESG Impact/Risk module of the ESG Assessment developed by BayernLB at programme level. This combines environmental sustainability considerations with social inclusion through the creation of affordable housing for low- to middle-income households and the provision of public services of general interest. In addition, each exposure is assessed with regard to location-specific physical climate risks. The analysis covers in particular exposure to natural hazards such as flooding, heavy rainfall, storms, heat, drought and wildfires and enables the resulting ESG risks for the development business to be measured systematically.

For an appropriate and risk-adjusted representation of the climate and environmental risks arising from BayernLabo's lending activities, exposures in BayernLabo's own risk portfolio that carry a risk-relevance indicator are assessed using the ESG risk module of the ESG Assessment, in line with BayernLB's general approach. The resulting findings are subsequently incorporated, among other things, into the relevant reporting.

Management of proceeds

BayernLabo uses an internal information system to monitor the allocation of proceeds from Social Bonds.

An amount equivalent to the net proceeds of all BayernLabo Social Bonds will be managed using a portfolio approach. Until maturity of the Social Bonds, BayernLabo will ensure that the volume of eligible development loans in the development loan portfolio exceeds the proceeds from the Social Bond issues.

On an annual basis, BayernLabo will review the eligibility and availability of the eligible social development loans and will replace any repaid or maturing social loans with other eligible loans. If any development loans no longer comply with the promotion principles described above, BayernLabo will reallocate the proceeds to other social loans.

Pending the full allocation of the proceeds or in the unlikely event that there are insufficient eligible development loans, BayernLabo commits to hold the unallocated net proceeds from the Social Bond in money market instruments, cash and/or cash equivalent instruments.

Reporting

BayernLabo publishes an annual report on its website, starting in the calendar year following the issuance of a Social Bond and continuing until no Social Bond remains outstanding. The report includes the following information:

- the allocation of proceeds to eligible development loans ("Allocation Reporting")
  - the amount of outstanding Social Bond volume
  - the amount of unallocated proceeds, if applicable
  - the breakdown by social categories
  - the breakdown by loan origination date
  - the total amount of new financing versus refinancing

- the social impact of the financing ("Impact Reporting")
  - the number of subsidised flats and owner-occupied homes under the Bavarian interest subsidy programme
  - the number of people who were enabled to build or buy their own home through subsidised loans under the Bavarian interest subsidy programme
  - the number of homes subsidised under the Bavarian modernisation programme in the calendar year of the issue date
  - the number of places in approved inpatient care facilities subsidised under the Bavarian modernisation programme in the calendar year of the issue date
  - the number of homes subsidised under the municipal housing promotion programme in Bavaria
  - the number of residents in the catchment areas of wastewater special-purpose associations
  - the number of pupils

The indicators presented are predominantly output and activity indicators. They do not in every case permit direct conclusions to be drawn regarding the actual long-term social impact achieved by the financed measures.

03 External review

External review

BayernLabo has commissioned an external second-party opinion from ISS-Corporate to assess the alignment of the framework with the ICMA Social Bond Principles and the quality of the selected development programmes.

Legal notice

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