



BayernLabo Social Bond Framework

Investor Presentation – March 2021

BayernLabo at a Glance

Overview

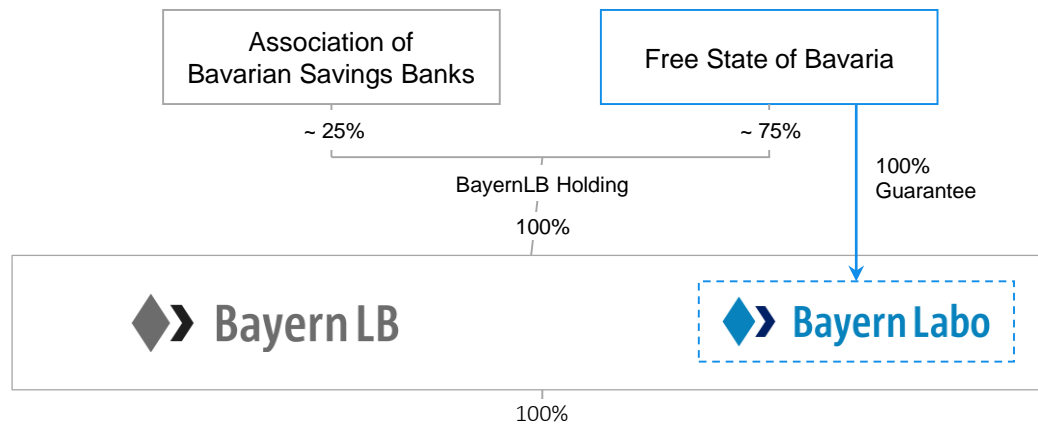
- › BayernLabo has a [legal mandate](#) to promote social housing and municipal construction in Bavaria as well as to grant loans to state and local authorities
- › It's a legally dependent institution established under public law within BayernLB but organizationally and financially independent
- › Unconditional, permanent and irrevocable legal [guarantee by the Free State of Bavaria](#)

Aaa ✓
 Solva-0 ✓
 LCR Level-1 ✓
 No bail-in risk ✓




Key figures (EURm)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total assets	21,405	22,396	23,068
Own funds	9.9%	9.1%	8.5%
CIR	68.2%	71.5%	62.7%
Loan exposure	1,842	1,766	1,514
<i>Housing</i>	1,104	1,009	742
<i>Municipal</i>	738	757	772
Outstanding bonds	4,803	5,145	5,465
Employees	248	212	221
% female	61.3%	61.8%	60.2%

Ownership structure



Our legal mandate

-  Support households unable to obtain sufficient living space in the market (families, people with disabilities, elderly and students)
-  Adapt existing living space to market requirements and maintain and/or restore residential areas in a socially compatible way
-  Promote the acquisition of residential property by households which would be unable to do so otherwise without support



Bavaria – an economic powerhouse

Economy

- › Bavaria accounted for 18.4% of Germany's nominal gross domestic product (GDP) in 2019 which puts it ahead of 22 of the 28 EU member states
- › Bavaria's debt-to-GDP ratio was around 2% in 2019
- › With ca. 3.6% unemployment in 2020 Bavaria is far ahead of the German and European average

Business

- › 25% of all DAX 30 corporations are located in Bavaria
- › In addition, its economy is characterized by a high number of Mittelstand firms (SME business)

Rating

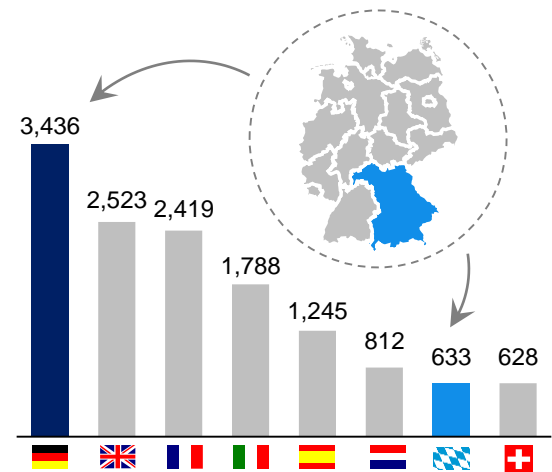
- › The Free State of Bavaria has the highest ratings from Standard & Poor's and Moody's (AAA/Aaa) and is one of only two German states rated with the best rating of both agencies

AAA

The Free State of Bavaria has the highest ratings from Standard & Poor's and Moody's – AAA/Aaa

DAX 30

Around 25% of all DAX 30 corporations have their headquarter in Bavaria



2019 GDP by country (EURbn)

BayernLabo's business segments

Residential development

State and municipal loans

Target Groups

- › Housing associations
- › Municipalities
- › Private investors
- › Operators of care units

Included in social bond

Programmes

- › Municipal program for the creation of rental properties in Bavaria
- › Bavarian program of low-interest loans for private housing
- › Bavarian modernization program
- › Bavarian residential construction program to support owner-occupied homes
- › Bavarian residential construction program to support rental properties
- › Subsidized loans for student housing
- › Supporting renovations for people with disabilities
- › Modernization of buildings for homeowners' associations
- › Creation of energy-efficient rental housing
- › Homes
- › Flood

- › Bavarian municipal local authorities
- › Municipal special purpose associations
- › School associations
- › Free State of Bavaria

- › Government loans
- › Traditional loans to municipalities
- › “Investkredit Kommunal Bayern”
- › “Energiekredit Kommunal Bayern”
- › “Inklusionskredit Kommunal Bayern”

BayernLabo's liabilities structure

Liabilities held in trust

- › Funds provided by the Free State of Bavaria that are used in the fiduciary business, e.g. for the Bavarian residential programme

Liabilities to KfW and Rentenbank

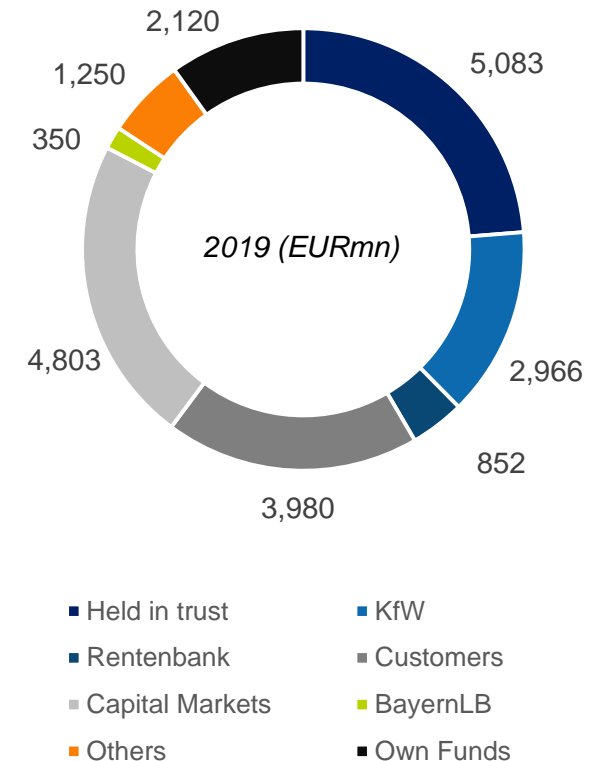
- › Funding received from KfW and Landwirtschaftliche Rentenbank. Those funding sources are additionally subsidised by BayernLabo

Capital market financing

- › Bonds issued by BayernLabo (e.g. for the Bavarian modernisation programme, the Bavarian programme of low-interest loans for private housing, the Municipal programme for the creation of rental properties in Bavaria and the municipal loans business)

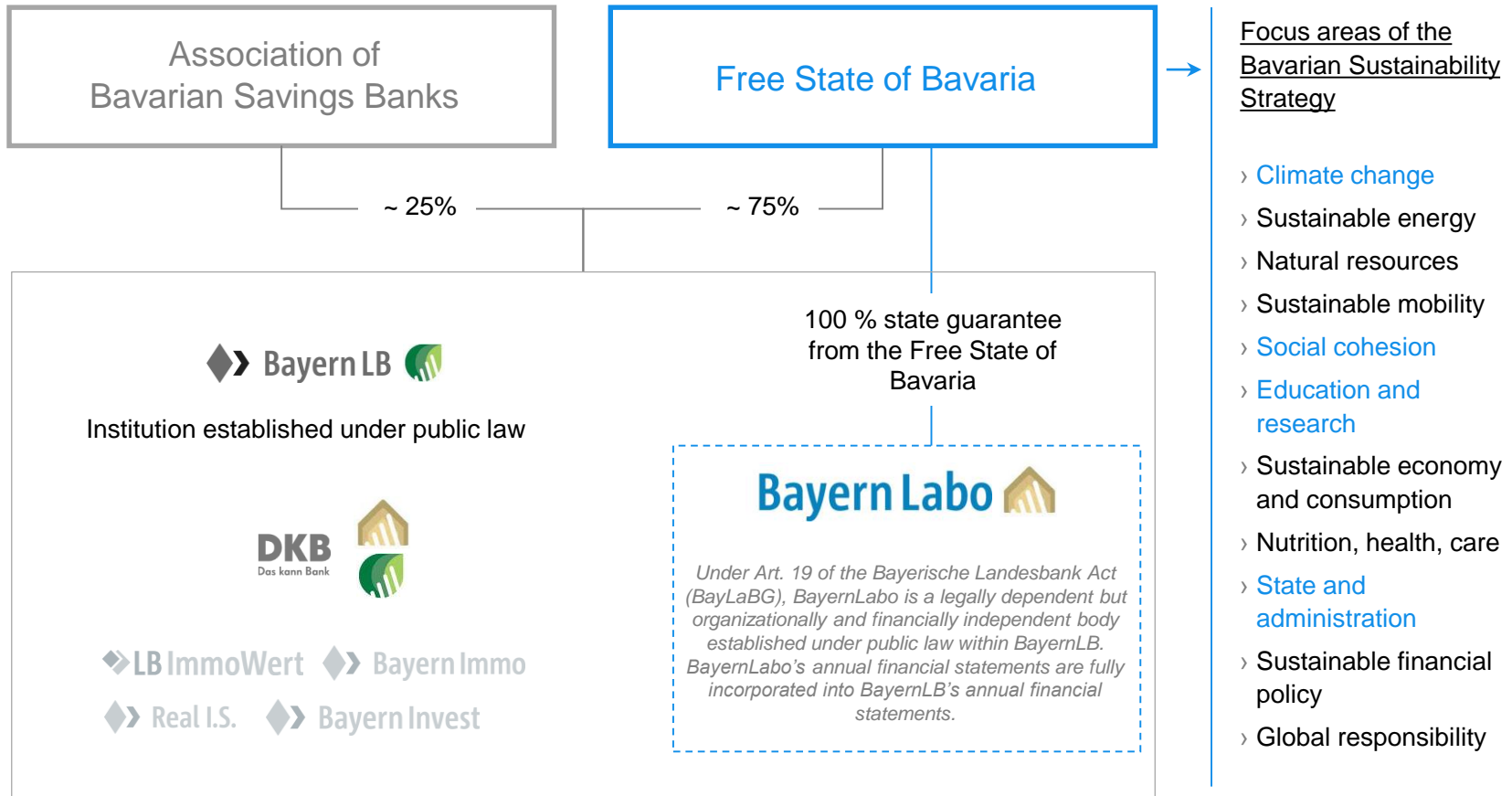
Own funds

- › BayernLabo's own funds are (predominantly) used to fund the subsidised programmes



Sustainability and Social Bond

Sustainability Mandate



▶ BayernLabo has a **mandate geared towards sustainability** based on the sustainability strategy of the Free State of Bavaria – within a Group where **each issuing entity implemented either a Green or Social Framework or both**

Position

Promoting Sustainability

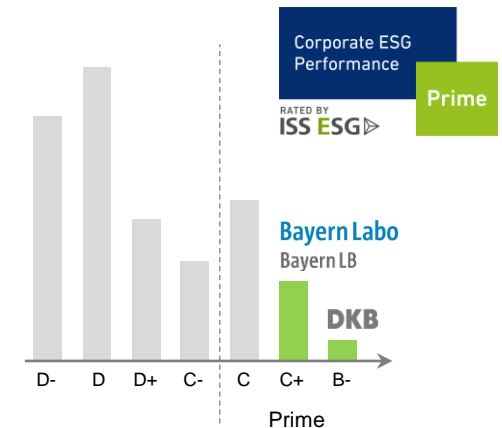
- › BayernLabo has been [supporting the sustainable development of Bavaria](#) since it was founded in 1884. All of its activities evolve around:
 - › Improving the living standards of economically weaker and socially disadvantaged groups
 - › Modernising residential infrastructure
 - › Climate and environmental protection
- › As the [extended arm of the Free State of Bavaria](#), BayernLabo implements all necessary steps to fulfill the strong commitment that Bavaria has towards a socially responsible housing policy
 - › This housing policy is characterized by [two equivalent goals](#): the preservation of economically powerful and viable urban centers on the one hand and the strengthening of rural areas on the other
- › BayernLabo is currently rated “C+” by ISS ESG which is among best rating within its sector. This is the result of the continuous facilitation and implementation of sustainable goals and objectives
- › We feel a [special responsibility towards the municipalities and families](#), who we support as an expert financing partner but also towards our valued employees who we offer great working conditions and the opportunity to have a positive impact

Prime Status

Awarded by ISS ESG (formerly ISS Oekom)

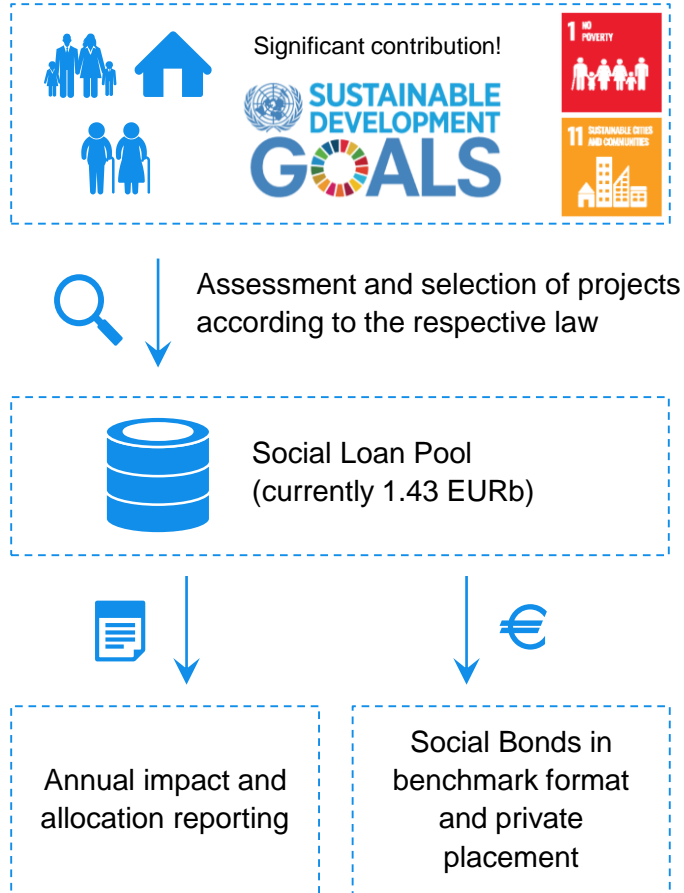
Industry Leader

BayernLabo is ranked among the leading, sustainable banks in its sector



BayernLabo's Social Bond Framework

Overview



Details

Use of Proceeds

- › Municipal program for the creation of rental properties
- › Bavarian program of low-interest loans for private housing
- › Bavarian modernisation programme

Process for Project Evaluation and Selection

- › Eligibility is determined by each potential loan's compliance with the relevant law/enactment by which BayernLabo was mandated. The majority of cases is screened by state agencies and then referred to the bank
- › This process automatically allows for the identification and selection of the eligible Social loans

Management of Proceeds

- › Proceeds from sustainable issuances are managed by the bank within the general liquidity pool while ensuring that the sustainable asset pool surpasses all outstanding sustainable funding in volume (i.e. portfolio approach)

Reporting

- › BayernLabo will publish an annual impact and allocation reporting containing details of the asset pool and the issued sustainable securities as well as the number of homes created, apartments and nursing places created/refurbished

Deep Dive – Selected Programmes

	Bavarian programme of low-interest loans for private housing (private housing)	Bavarian modernisation programme (rental properties)	Municipal programme for the creation of rental properties in Bavaria (rental properties)
Target groups	Young families	Owners of rented apartments in multi-family residences or care facilities	Bavarian municipalities
Implementation	Low interest rate loans with a fixed duration and/or 30-year fixed interest rate/full redemption	Low interest rate loans	Grants and low interest rate loans
Impact	Support of private housing	Socially responsible and energy efficient modernisation and redevelopment, renovations adapted to elderly residents	Creating affordable living spaces
Objective	Focus is particularly directed on supporting young families and people with disabilities to become owners of real estate. The target group is people whose income and economic resources would be insufficient to become owners, if subjected to free market forces without any subsidies	Tenants are to stay in their newly renovated homes. Renovation efforts are not intended to increase the value of the property for re-renting or selling the property at a higher rent/price. Socially grown tenant structures shall not be crowded out by higher income classes, in order to preserve the historic structure of urban living areas.	Focus is on households with limited resources, which would not be in a position to rent a flat if subjected to the free market forces. This applies also to refugees

Deep Dive – Social Loan Pool

Programme

Volume (EURm)

Development (EURb)

Bavarian programme of low-interest loans for private housing

- › Construction of owner-occupied homes
- › Acquire newly built owner-occupied homes
- › Acquire existing owner-occupied homes

853.82

Bavarian modernisation programme

- › Measures to improve energy efficiency
- › Flood protection, soundproofing, radon mitigation
- › Modernisation of care places
- › Renovations to adapt facilities for the elderly

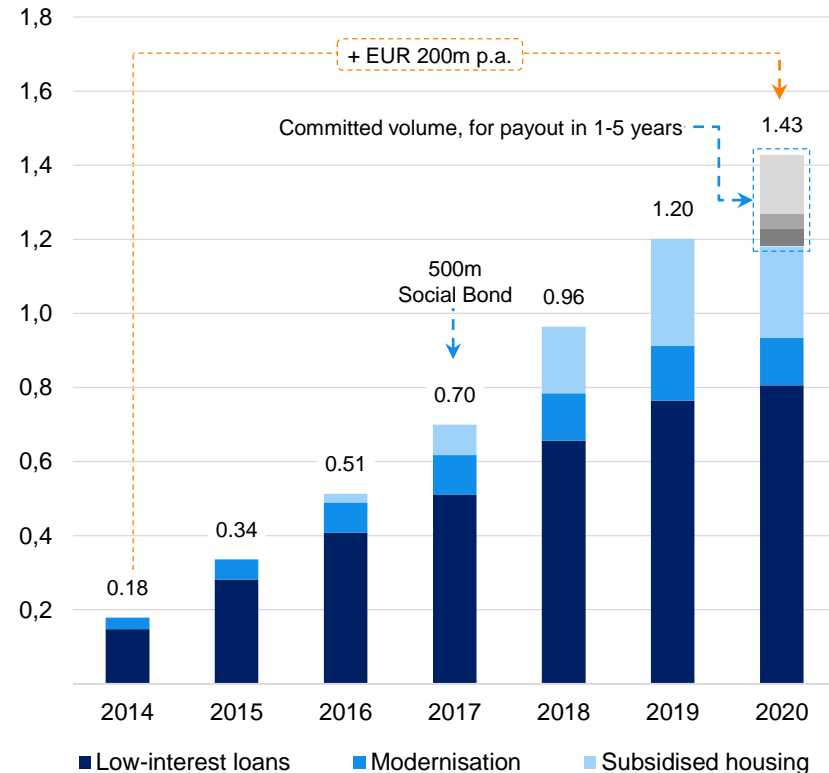
167.88

Municipal subsidised housing programme

- › Programme set up in 2016
- › Building and first-time acquisition of rental apartments for households unable to obtain sufficient living space on the market.

405.90

Total 1,427.60



BayernLabo currently has a potential Social Loan Pool of EUR 1.43b with around EUR 247m in open commitments for payout in the next five years. On average ca. **EUR 200m new business volume is added each year**

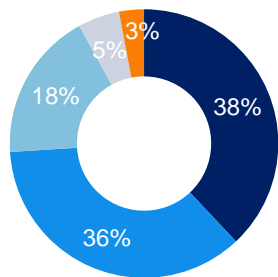
Appendix

Social Bond 2017 – Transaction Report

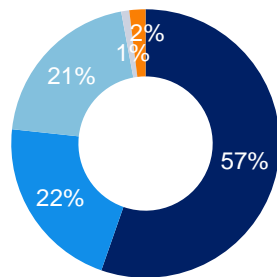
Overview

Size:	EUR 500 mn
Type:	Senior Unsecured Social Bond
Rating:	Aaa (Moody's)
Guarantor:	The Free State of Bavaria
	Aaa (Moody's / AAA (S&P))
Oekom Rating:	C+ (3rd in Industry Ranking)
Pricing date:	14th November 2017
Value date:	22nd November 2017
Maturity date:	22nd November 2027
Coupon:	0.625% (Fixed, Annual, ACT/ACT ICMA)
ISIN:	DE000A0Z1UQ7
Joint Bookrunner:	BayernLB , ABN AMRO Bank, DZ BANK, Erste Group, NORD/LB

Statistics



- Asset Manager
- Banks
- Insurance
- CB/OI



- Asset Manager
- Bank/Private Bank
- Official Inst./ Central Bank
- Insurance Cies.
- Other

Details

- › In the follow-up of its pan-european road show, BayernLabo successfully issued its inaugural social bond via a senior unsecured 10 year transaction
- › The proceeds of the bond will be used to (re)finance low-interest loans for private housing, to modernize existing homes and to finance municipal subsidized social housing in Bavaria
- › The deal was announced to the market on Monday, November, 13th at 11:00 CET. Price guidance was released by the Joint Lead Managers November 14th at 8:50 CET at Ms-9 area. The transaction received strong interest from the very beginning leading to immediate momentum. At 9:16 CET the price guidance was already revised to MS-11 area on the back of a book in excess of EUR 1.1 bn. Shortly after, at 9:46 CET the 2nd update was announced with the book above EUR 2 bn. Subsequently the final spread was set at MS-14
- › The book closed at 10:15 CET in excess of EUR 2.2 bn consisting of 114 accounts contributing to a high-quality and granular book with earmarked 'social bond' investors participating with 37%

Social Bond 2017 – Impact

Impact of first Social Bond



5.800 new houses built allowing 21.723 people to live in their own homes



1.511 nursing places created/modernised



4.425 apartments built/refurbished

Project examples



- › 30-year fixed-interest loan with grace period for the purchase price and refurbishments
- › “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



- › As part of the BayernLabo municipal subsidised housing programme, the City of Neumarkt is creating new living space
- › Barrier-free social housing was created on a 2,700 square metre site in the south of the city
- › The total costs of which are EURm 5.5 was financed by subsidies from the Free State of Bavaria, a development loan from BayernLabo, and a ten-percent contribution from the owner

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