

Ministry of Finance – State of Hesse

Investor Briefing 2024



Rating: AA+ (S&P) & AAA (Scope)

| Rating Agency | Short-term Rating | Long-term Rating | Outlook |
|-------------------|-------------------|------------------|---|
| Standard & Poor's | A-1+ | AA+ | stable, last confirmed as of April 12, 2024 |
| Scope | S-1+ | AAA | stable., first confirmed on April 19, 2024 |

High Credit Quality

- There are no equity restrictions for securities of the state in accordance with Art. 114 para. 4 and Art. 115 para. 2 of the Capital Requirements Regulation (CRR).
- The State Treasury Notes are a capital investment pursuant to § 240a para. 1 No. 2 of the German Civil Code (BGB) in conjunction with § 3 no. 6 of the German Security Ordinance (Sicherheitenverordnung "SIV") and, pursuant to § 125 of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz"), are capable of being allocated to the security assets.
- Concurrent with the listing on a stock exchange, the State Treasury Notes fulfil the eligibility criteria of the European Central Bank-for refinancing. Certificates of indebtedness are also eligible for refinancing with central banks.
- Short-term liquidity is guaranteed by direct access to the money market via other German Länder, the 'Bund' and banks.
- Due to its high economic strength, Hesse has always been one of the major contributors to the German financial equalisation system of the federal government and the federal states (Länder). This is associated with high equalisation obligations vis-à-vis the financially weaker Länder, which amount to over € 3.4 bn in 2023 alone.
- The debt brake has been embedded in the Hessian Constitution since 2011. From 2016 to 2019, the State of Hesse has reduced its debt by € 200,0 mn per year. Due to the effects of the Covid-19 pandemic, the State of Hesse had to suspend the rules of the debt brake for 2020. Net new borrowing was avoided in 2021 and repayments were resumed in 2022, meaning that a total of € 1,0 bn has been repaid since 2016.

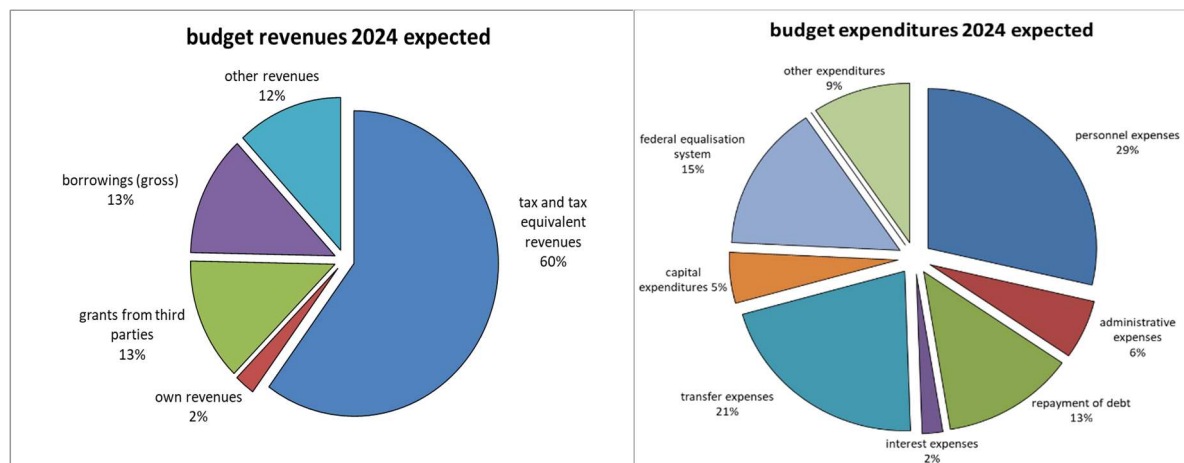
Refinancing Strategy and Refinancing Volume: € 7.1 bn (gross) in the Budget Year 2024

- The gross capital need for 2024 is approximately € 7.1 bn (unused residual credit authorisation from 2023 and current authorisation in the 2024 budget of € 5,91 bn). In line with the debt brake, no new net borrowing is planned in the 2024 budget. The exact timing and amount of borrowing depends on liquidity needs and the budgetary situation as well as the contemporary capital market environment.
- Subject to the supplementary budget for 2024, Hesse intends to strengthen Helaba's equity by € 2.0bn. This will lead to new borrowing of the same amount, which is, however, compatible with the debt brake. The money is to be used to acquire a valuable shareholding of the State in the same amount. Such loans are permissible within the framework of the debt brake. The gross capital needs then increase by € 2,0 bn to € 9.1 bn.
- The State of Hesse raises long-term funds in various currencies and with different maturities on the international capital markets. The main currency debt position is in Euro. Debt is also raised in Swiss francs and Yen – which are hedged into Euro via Euro currency swaps.
- The documentation is in the form of a certificate of indebtedness or State Treasury Notes.

| <i>Floater up to 5 years</i> | <i>Benchmarks</i> | <i>Public Bonds / Benchmarks</i> |
|---|---|--|
| Benchmark and small-volume floaters with a total volume of € 1,7 bn | Large-volume bonds with maturities of 5 to 10 years | Tailor-made to the individual needs of investors with a term of 10 to 20 years |

State of Hesse Budget Volume 2024: € 46.1 bn – no New Net Borrowing

- High tax revenue: With a per capita tax revenue of € 4,678 in 2023, the fiscal capacity of the State of Hesse prior to the execution of the financial equalisation system of the Federal Government and the Länder was 10.2% above the average of all German Länder.
- Budget implementation 2023: In the implementation of the 2023 budget, the originally planned borrowing was completely avoided as a result of improvements outside the tax area - in addition to a precautionary strengthening of the reserve base. The requirements of the debt brake were complied with during budget preparation and budget implementation.
- Debt level: € 41.1 bn indebtedness in capital markets as of December 31, 2023 (by calendar year).
- Hesse's € 6,405.3 per capita indebtedness (as of December 31, 2023) is below the average of all German Länder.
- Since 2009, the state of Hesse has regularly published its consolidated financial statements, which are audited and certified by independent auditors on behalf of the Hessian Court of Auditors (Hessischen Rechnungshof). The annual report is published at www.bilanz.hessen.de (in German only).



Above-Average Standard of Living in Hesse

- Hessian GDP amounted to around € 351 bn in 2023. The real gross domestic product in Hesse thus increased by 1.2% compared to the previous year. With a GDP of around € 54,810 per capita, Hesse is between The Netherlands (€ 57,770) and Austria (€ 52,250) in the EU comparison.
- Unemployment rate as measured by full civilian labour force: 5.6% (as of March 2024)
- Number of inhabitants as of December 31, 2022: 6,39 mn (7.9% of the German population)
- Total area: 21,115 km²
- State capital: Wiesbaden; biggest city: Frankfurt am Main (Frankfurt)

Hessian Industry is Closely Linked Internationally

- Hessian companies generate more than half of their revenues, around € 73 bn abroad in 2023. The export ratio of the Hessian manufacturing sector was around 55%.
- The United States of America, French Republic, Poland and the People's Republic of China were Hesse's most important export countries in 2021. In terms of imports, the United States of America, the People's Republic of China and Switzerland were the most important trading partners.
- Important foreign trade goods include the chemical and pharmaceutical industry (31.9% share in exports), mechanical engineering (10.9%) as well as the manufacture of motor vehicles, motor vehicle parts and accessories (7.9%).
- Hesse is an attractive location for foreign direct investments; the investment volume of international investors amounts to € 214.4 bn (17.6% of all active direct investment). The number of foreign companies settling in Hesse is high: 217 international companies established new branches or expanded existing ones in Hesse in 2019. The frontrunner with 29 settlements was the USA, followed by Great Britain (23) and China (19).

Hesse: Solid Basis due to Diversified Economic Structures with a Focus on the Service Sector

- Frankfurt is the financial centre of continental Europe with more than 250 financial institutions, including the headquarters of the European Central Bank (ECB) and the Bundesbank, the Frankfurt Stock Exchange and the European Exchange (EUREX). In Frankfurt, approximately 72,000 people work in the financial sector. From 2025, Frankfurt will be the headquarter of the new EU Anti-Money Laundering Authority (AMLA).
- Furthermore, the financial centre has international significance with the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board (ESRB), the Federal Financial Supervisory Authority (BaFin) and the Single Supervisory Mechanism (SSM) at the ECB.
- The Leibniz Institute for Financial Market Research SAFE (Sustainable Architecture of Finance in Europe), where around 200 academics work and research on topics relevant to capital markets, is an addition to the financial centre.
- The International Sustainability Standards Board (ISSB), which sets global minimum standards in the area of financial sustainability reporting, is based in Frankfurt am Main.
- The international airport Frankfurt Airport is Germany's largest regional workplace (over 81,000 directly employed, approximately 59.3 mn passengers in 2023, largest airport in Germany by passenger numbers, fifth largest airport in Europe, 35th worldwide).
- Hesse is an important location for creative industry and advertising, public relations, press and films, 17,600 companies with about 127,000 employees and a € 15.4 bn turnover.
- Hesse is a centre of European information and communications technology (ICT) with a focus on enterprise software, large data centres, and data security. The industry has 122,000 employees in 10,000 companies and a turnover of € 40 bn. The German Commercial Internet Exchange (DE-CIX) is the central internet exchange point situated in Frankfurt and the largest in the world in terms of data throughput.
- *Messe Frankfurt*, one of the world's largest exhibition centres, is the fair with the longest tradition in Germany and one of the most important trade fair locations. In 2023, more than 340 events (trade fairs, exhibitions, concerts, congresses, sport events and the like) were organised worldwide.
- Hesse has excellent transport connections and its central location makes it an important centre for logistics companies.
- It hosts the satellite control centre of the European Space Agency (ESA) in Darmstadt.
- Hesse has a well and solidly positioned *Landesbank* Hessen-Thüringen (Helaba) with 8.1% shareholding of the State of Hesse. Subject to the supplementary budget for 2024, this will increase to 30 % following the regulatory capital increase in exchange for the previous silent participation.

Sustainability: On the Path to a carbon neutral State Administration

- Hesse seeks to protect the climate: In 2030, the state administration is to be CO₂-neutral, and by 2045, all of Hesse is to be CO₂-neutral.
- The strategy for realising a CO₂-neutral state administration consists of a CO₂-balance certified by an independent certification body, CO₂ public relations work and CO₂-neutrality measures with regard to the minimisation, substitution and compensation of CO₂-emissions. The certified CO₂-balance for 2020 confirms a value of 206,966 tonnes of CO₂-equivalents (CO₂e). With the full compensation of mobility-related emissions of 38,132 tonnes, the footprint is 168,834 tonnes of CO₂e. Compared to the opening balance from 2008, the Hessian state administration has thus caused 269,257 tonnes less climate-damaging emissions.
- The State of Hesse has successfully issued its second green bond with a value date of 4 July 2023. It has a volume of € 1.0 billion and a term of 10 years. This makes it the largest green benchmark issued by a German federal state.
- Since 2019, the State of Hesse has been legally obliged to invest its *Sondervermögen "Versorgungsrücklage des Landes Hessen"* in a sustainable manner, has developed sustainability guidelines for all asset classes and was the first German State to join the UN Principles for Responsible Investment. Together with four other Federal States, the state has developed investment standards for sustainable equity investments by the public sector and invests in two appropriately designed equity indices - these were converted to the Paris Aligned Benchmark Standard in March 2023.

Contacts

More information can be found on the internet at <http://www.hessen.de/>, <https://co2.hessen-nachhaltig.de/co2-bilanz.html>, (in German), in Refinitiv under RIC HESSEN, or in Bloomberg under HESSEN or RESP LAEN.

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