

Ministry of Finance – State of Hesse

Investor Briefing 2023



Rating: AA+

Rating Agency	Short-term Rating	Long-term Rating	Outlook
Standard & Poor's	A-1+	AA+	stable, last confirmed as of April 14, 2023

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 ensured through 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*. Since 2020, the equalisation of financial resources has been recorded uniformly on the revenue side for donor and recipient *Länder* through additions and deductions to turnover tax and is no longer partially shown as expenditure, as was the case with the former *Länder* equalisation scheme. For the donor state of Hesse, this means a corresponding reduction in VAT revenue since 2020.
- A debt brake in the Federal Constitution and a successful referendum on its implementation into the Hessian Constitution prohibit structural deficits from 2020 onwards. From 2016 to 2019, the State of Hesse has reduced debts amounting to € 800 mn. Due to the effects of the Covid-19 pandemic, in the years 2020 to 2022, the Hessian State Parliament has declared the constitutional exceptional situation for dealing with an emergency pursuant to Article 141 para. 4 of the Hessian Constitution in conjunction with § 2 of the Article 141 Act. The repayment of the emergency loans is to begin in 2024. Due to the unexpectedly good budgetary outcome in 2022, it was not only possible to renounce the originally planned use of emergency loans, but also to amortise old debts for € 200 mn.
- To deal with the Corona pandemic, a credit-financed special Covid-19 budget *Sondervermögen* with a total volume of up to € 12 bn was established for the period from 2020 to 2023. The Hessian State Court declared the special budget to be incompatible with the Hessian constitution. As a result, Hesse has amended its draft budget for 2022 to comply with the requirements of the State Court. The special budget *Sondervermögen* was dissolved on January 1, 2022 and the emergency loans borrowed up to that date for € 3.6 bn were transferred to the core budget.

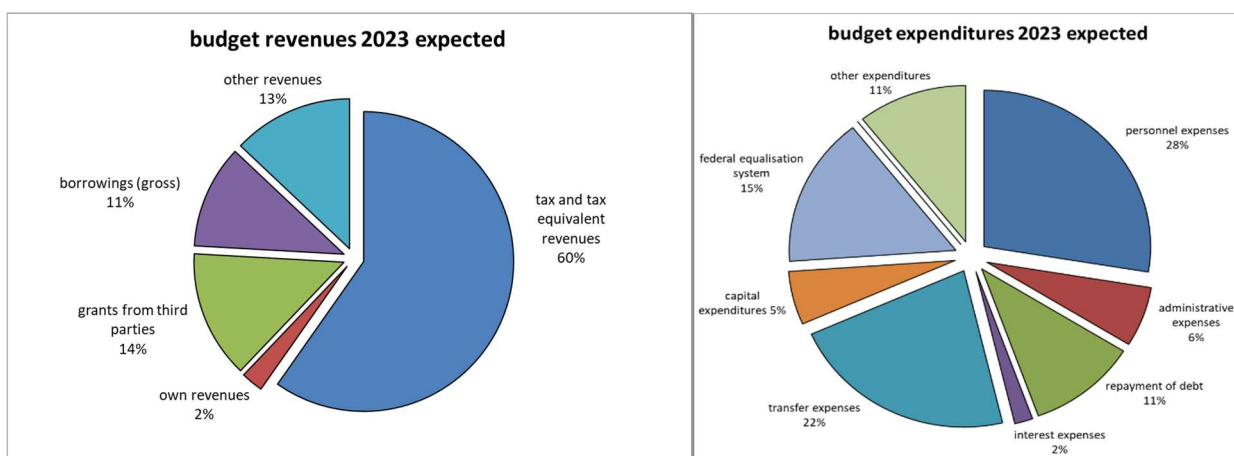
Refinancing Strategy and Refinancing Volume: € 4.95 bn (gross) in the Budget Year 2023

- The gross capital need for 2023 is approximately € 4.95 bn. The exact timing and amount of borrowing depends on liquidity needs and the budgetary situation as well as the contemporary capital market environment.
- 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 US-dollars, 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>Private Placements</i>	<i>Public Bonds</i>	<i>Benchmarks</i>
Tailor-made to the individual needs of investors concerning maturities and currencies	Bonds with different maturities, currencies and volumes	High-volume bonds in Euro

State of Hesse Budget Volume 2023: € 44.4 bn – € 211 mn New Net Borrowing

- With a per capita tax revenue of € 4,685 in 2022, 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 10.0% above the average of all German *Länder*.
- € 39.57 bn indebtedness in capital markets as of December 31, 2022 (by calendar year).
- The debt brake limit was € 216 mn in the 2022 budget. In addition, there were emergency loans of € 771 mn. In 2022, the originally planned use of emergency loans could be waived. This is due to extensive budget improvements in all areas of the state budget. For 2023, compliance with the regulatory limit of the debt brake is planned.
- Hesse's € 6,358.2 per capita indebtedness (as of December 31, 2022) is below the average of all German *Länder*.
- In November 2009, the State of Hesse was the first territorial state (*Flächenland*) in the Federal Republic of Germany to present an opening balance sheet prepared in accordance with general business principles as of January 1, 2009. Since then Hesse has regularly published its consolidated financial statements, which have been 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 € 323.4 bn in 2022. The real gross domestic product in Hesse thus increased by 1.6% compared to the previous year. With a GDP of around € 50,800 per capita, Hesse is between Austria (€ 49,400) and Sweden (€ 53,200) in the EU comparison.
- Unemployment rate as measured by full civilian labour force: 5.2% (as of February 2023)
- Number of inhabitants as of June 30, 2022: 6,371 mn (7.6% 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 € 69.1 bn abroad in 2022. The export ratio of the Hessian manufacturing sector was 53.8%.
- 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 Hessen is high: 217 international companies established new branches or expanded existing ones in Hessen 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 190 financial institution, including the headquarters of the European Central Bank (ECB) and the Bundesbank, the Frankfurt Stock Exchange and the European Exchange (EUREX). In Frankfurt, approximately 66,000 people work in the financial sector.
- 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 "House of Finance", where around 200 academics work and research on topics relevant to capital markets, is an addition to the financial centre.
- In 2021, Frankfurt was awarded the contract for the new International Sustainability Standards Board (ISSB), which will develop global minimum standards in the area of financial sustainability reporting.
- The international airport Frankfurt Airport is Germany's largest regional workplace (over 81,000 directly employed, 24.8 mn passengers in 2021 - the effects of the Corona pandemic resulted in low passenger numbers, largest airport in Germany by passenger numbers, seventh largest airport in Europe, 14th worldwide).
- Hesse is an important location for creative industry and advertising, public relations, press and films, almost 18,000 companies with about 125,000 employees and a € 13.9 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. It hosts more than 250 events (trade fairs, exhibitions, concerts, congresses, sport events and the like) in normal times each year.
- 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.

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 successfully issued its first Green Bond with a value date of June 18, 2021. The Green Bond had a volume of € 600 mn, a maturity of 10 years and was the largest green benchmark issued by a German federal state up to that time.
- 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 three 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 - in March 2023, these were switched to the Paris Aligned Benchmark Standard.

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.

Please contact any of the people listed below for any enquiries you might have:

Dr. Alexander Labermeier, Head of Treasury:	+49-(0)611-32-13 2279	Alexander.Labermeier@hmdf.hessen.de
Dorothee Hilpert, Deputy Head of Treasury:	+49-(0)611-32-13 2366	Dorothee.Hilpert@hmdf.hessen.de
Dieter Janßen:	+49-(0)611-32-13 2300	Dieter.Janssen@hmdf.hessen.de
Anna Beil:	+49-(0)611-32-13 2289	Anna.Beil@hmdf.hessen.de
Bettina Menk:	+49-(0)611-32-13 2205	Bettina.Menk@hmdf.hessen.de
Christina Roth:	+49-(0)611-32-13 2572	Christina.Roth@hmdf.hessen.de
E-mail distribution list:		Kreditreferat@hmdf.hessen.de

Disclaimer:

This fact sheet is intended for distribution to recipients who are investment professionals only. It is intended for discussion purposes only. The information does not constitute an offer or invitation to subscribe for or purchase any securities. Further, the information or documents contained herein are not intended to form the basis of any contractual or other obligation. This information is not intended for distribution to, and should not be relied upon by, nationals of the United States or Canada, Australia, Japan, Hong Kong or any other jurisdiction in which investment advice or recommendation, offer or solicitation of an offer to purchase any country treasury securities is restricted by law, or residents of any such jurisdiction. Only the documents and prospectuses intended for the particular transaction apply. This fact sheet was updated on April, 14 2023.