



SACHSEN-ANHALT

#moderndenken

Capital Market Presentation

(2024)

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Chapter 1

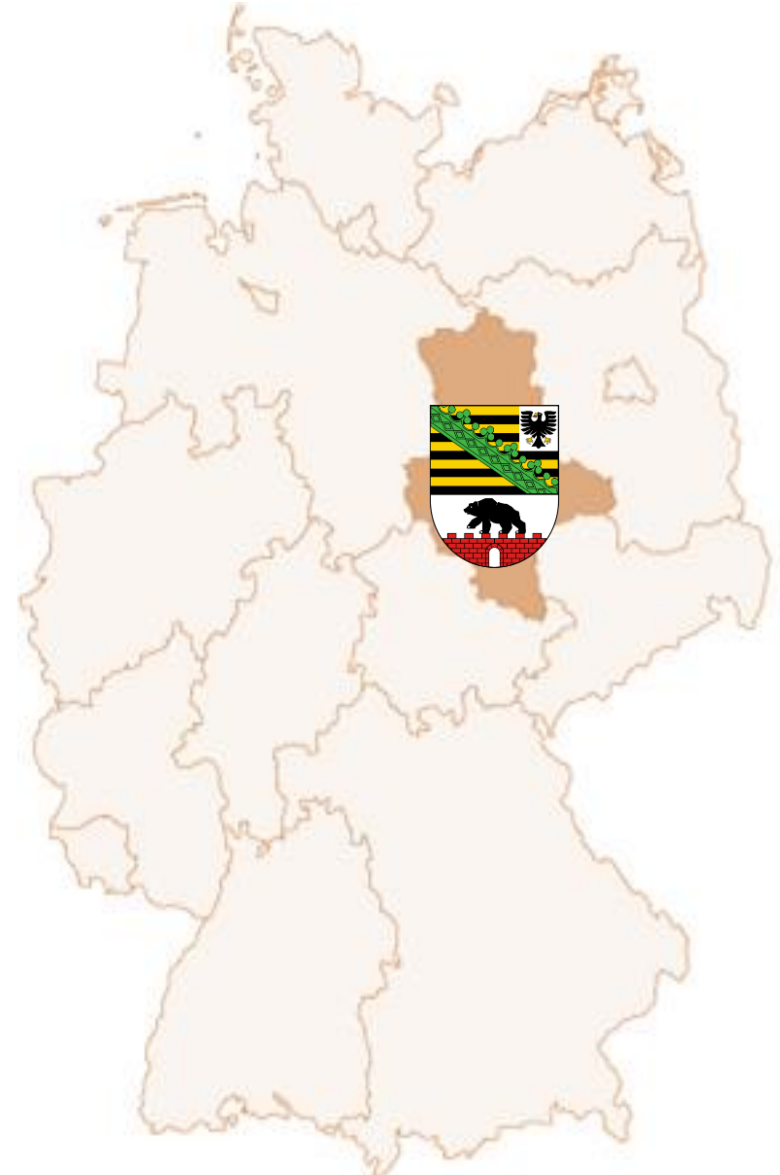
Overview Saxony-Anhalt

Overview

Key facts:

- **Capital:** Magdeburg
- **Airport:** International Airport Leipzig-Halle

Saxony-Anhalt	Key figures	Germany
20,452 km ²	Area	357,588 km ²
2.2 mn inhabitants	Population	84.7 mn inhabitants
EUR 78.4 bn	GDP in 2023	EUR 4.121,2 bn
EUR 78,953	GDP per employee in 2023	EUR 89,721
-1.4%	GDP growth rate in 2023	-0.3%
7.5%	Unemployment rate in 2023	5.7%
Christian Democrats, Social Democrats and Liberals since 2021	Government	Social Democrats, Green Party and Liberals since 2021



Worth to know about Saxony-Anhalt

Starke Geschichte, große Ideen

In Sachsen-Anhalt haben über Jahrhunderte kluge Köpfe weltverändernde Ideen entwickelt. Jetzt wird Sachsen-Anhalt zu einem Knotenpunkt der digitalen Zukunft ausgebaut.

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Himmelsscheibe
von Nebra



Bauhaus
Dessau



Luthergedenkstätten
Wittenberg und Eisleben



Altstadt und
Stiftsberg
Quedlinburg



Gartenreich
Dessau-Wörlitz



Naumburger
Dom



Chapter 2

Strong constitutional framework of Germany

The Federal and State Levels of Government in Germany

➤ Constitutional principles

Germany is a Federal Republic, consisting of 2 concurrent levels of government:

State level (“Länder”)

Federal level (“Bund”)

➤ German States – Sovereigns within the German Constitution

The 16 States signed the German Constitution. In addition to that they all have their own parliament, courts and government (German constitution overrules State Constitutions). They are autonomous and independent with regard to their budgets.

➤ Allegiance to the federation (“Bundestreue”)

The federal and state governments are under an obligation to respect their mutual interests, to co-operate in the performance of the tasks assigned to them by the Constitution and to render mutual assistance.

➤ Federal Equalisation System

The **federal equalisation system** (enshrined in the constitution and regulated by law) is an important instrument for apportioning the tax revenues to the States. It ensures sufficient **financial strength of all states** and provides **equal standards of living** for all citizens in Germany.

➤ Zero Borrowing Rule (“debt brake”)

The states have to reduce their deficit to zero by 2020, the Bund to not more than 0.35% of GDP.

➤ Additional Funding opportunity in emergency situations (like COVID-19)

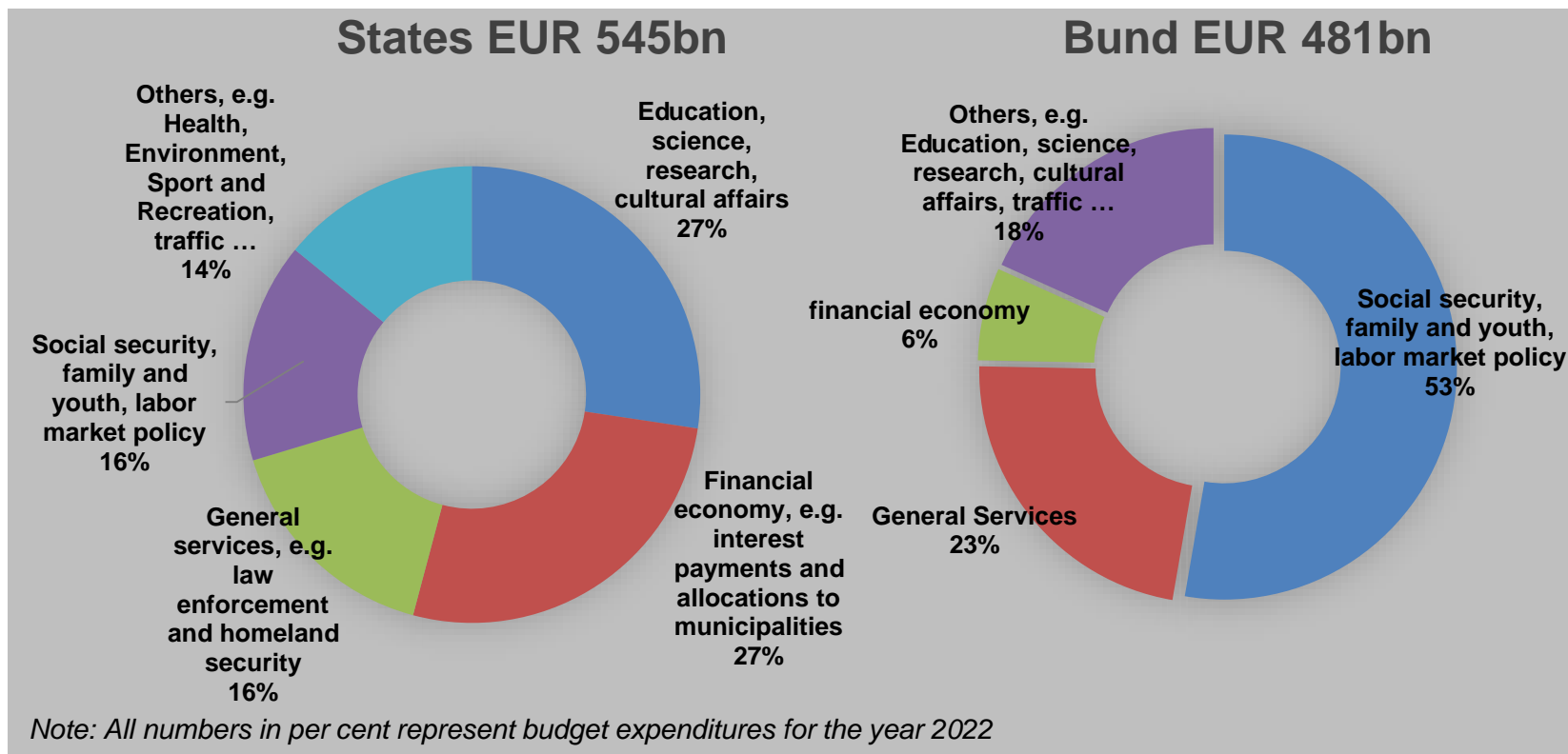
The regulation of the debt brake sets out the opportunity to allow additional borrowings because of natural disasters or emergency situations, which are beyond governmental control and harmful to the financial capacity.

Division of constitutional responsibilities

	States	Federal Level
Primary legislative authority	<ul style="list-style-type: none"> – Education system – Police – Judicial system – Municipal affairs 	<ul style="list-style-type: none"> – Defence & foreign affairs – Banking – Trade policy – Social insurance
Shared responsibility	<ul style="list-style-type: none"> – Tax legislation – Public service – Regional development 	

At federal level most laws (e.g. all laws in connection with states responsibilities or shared responsibilities or financial matters of the States) have to pass the two houses of parliament – the German Federal Parliament (*Bundestag*) and the Parliament of the Governments of the States, the German Council (*Bundesrat*).

Budget - Volume and Structure



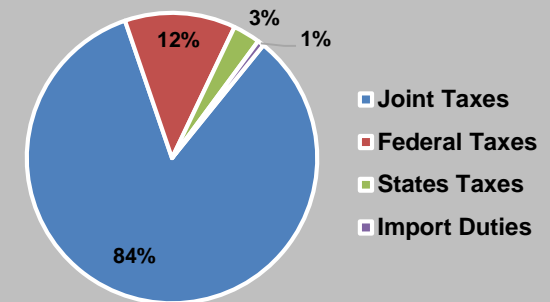
- The importance of the States is displayed by the total sum of governmental expenditures, which are comparable to the federal budget.
- State budgets are characterized by their responsibilities in the areas of education, law enforcement, tax administration and social security, family and youth labor market policy.
- The federal budget is dominated by expenditures for social security – health, financial economy and retirement insurance.

Tax base and Equalisation System

Goal of the revenue equalisation system

- The fiscal equalisation system (regulated by law) is an important instrument for apportioning the tax revenues to the States
- The overriding principle of the equalisation system is to ensure sufficient financial strength of all States to fulfill their constitutional responsibilities
- Living conditions for all German citizens shall be equal, regardless of the States

Distribution of Tax Revenues in 2023



Financial capacity equalisation system since 2020

Distribution of Tax Revenues

Determination of the financial capacity by regional tax distribution

- Adjustment mechanism regarding:
 - Consideration of municipal tax revenues
 - Population

Distribution of tax revenues to balance 63% of the below average financial capacity

Supplemental vertical support

- Federal grants to compensate the difference to average of relative financial capacity after tax distribution
- Special grant programmes (municipalities, R & D, public transport)

The new regulation of the debt brake in Germany

Construction of the debt brake:

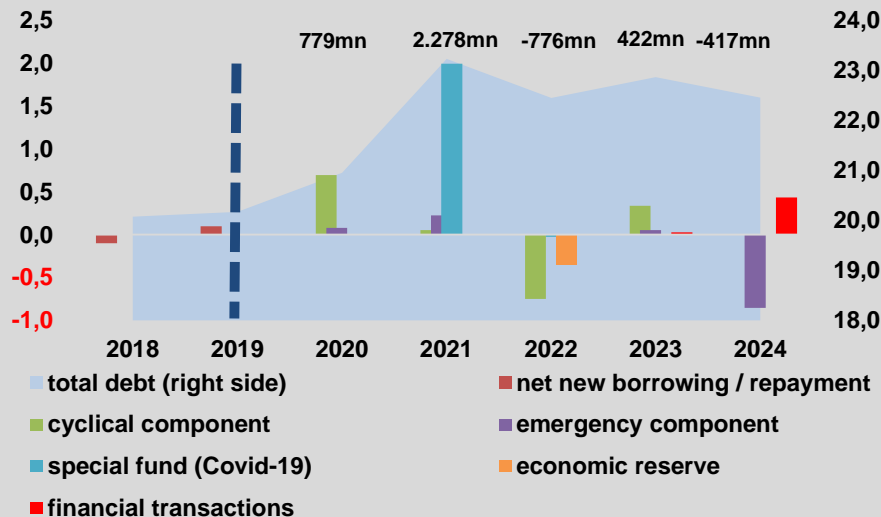
- In 2011 the principle of a structural balanced budget of the Federal level (effective in 2016) and the States (effective in 2020) were introduced in Art. 109, 115 GG.
- The goal is to limit public borrowings to secure a long-dated sustainable development of public finances and to guarantee a lasting reduction of public debt.

Structural component of net borrowing of 0.35% of GDP for the Federal level (0% for the States)

Extension of the debt brake with a symmetric cyclical component

Exemption in the case of natural disasters or emergency situations

Total debt in bn EUR



mn EUR	cyclical component	emergency component	financial transactions
2020	698	81	0
2021	53	2.225	0
2022	-751	-26	0
2023	339	55	28
2024 ^{*1}	0	-853	436

^{*1} Budget figures according to HHG 2024



Chapter 3

Saxony-Anhalt – A strong credit

Saxony-Anhalt - Capital market activities

The view of the Rating agencies on the State of Saxony-Anhalt

MOODY'S

Rated **Aa1**, Stable Outlook
Since December 2006

SCOPE

Rated **AAA**, Stable Outlook
Since January 2024

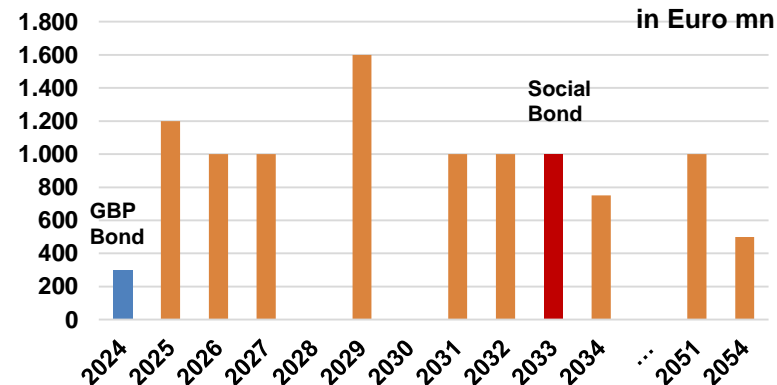
FitchRatings

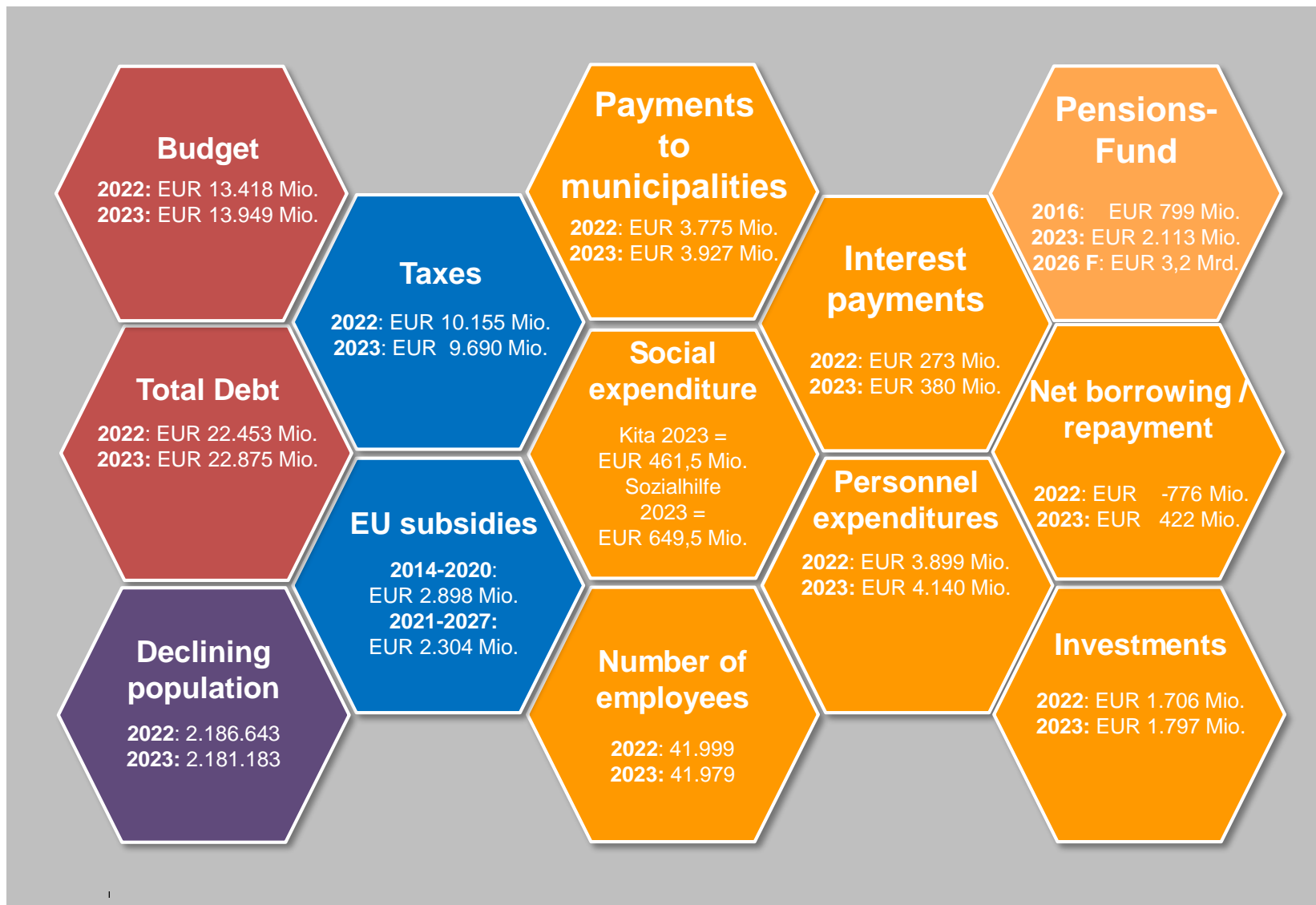
Rated **AAA**, Stable Outlook
Since March 1999

- ✓ **“Strong ongoing support from the German financial equalisation system” (Fitch)**
- ✓ **“Sound budgetary performance, conservative debt and liquidity management and low contingent liability risk” (SCOPE)**
- ✓ **“Sound debt management, with very good capital markets access” (Moody’s)**

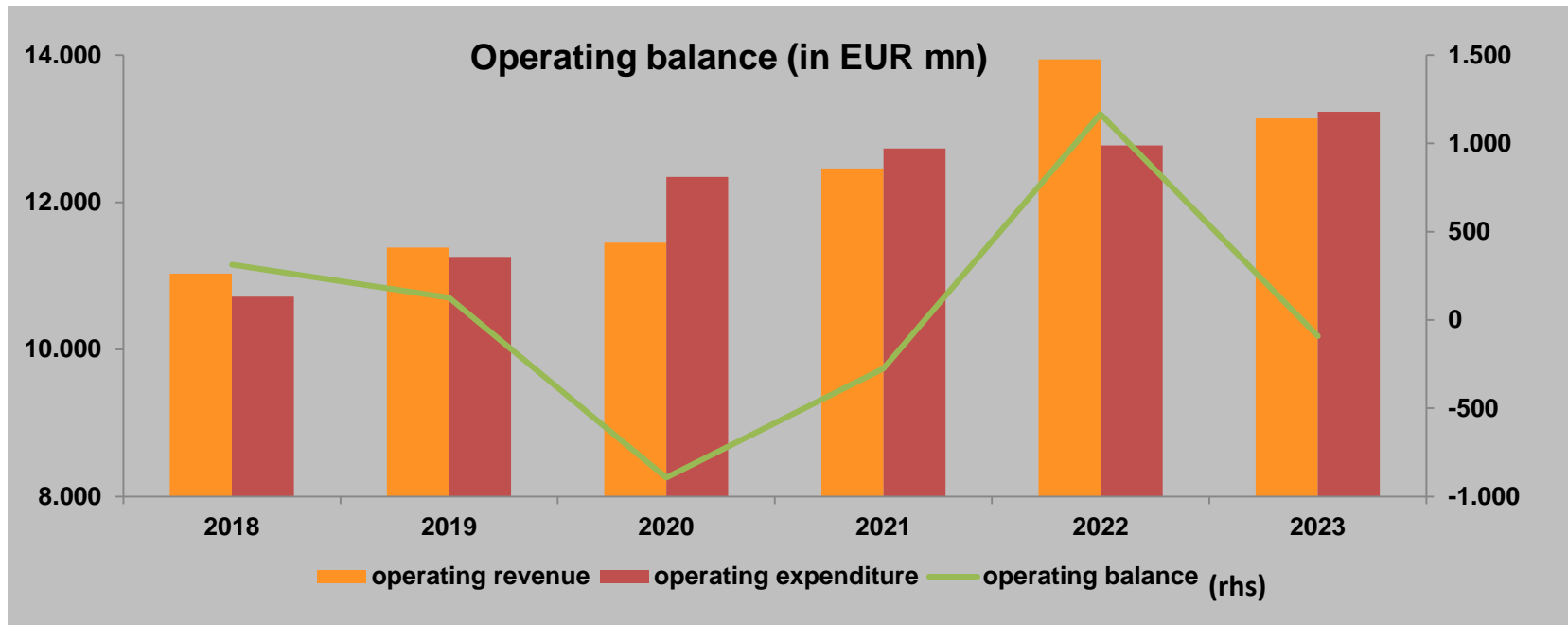
Outstanding benchmark bonds of the State

ISIN	Valuta	Fälligkeit	Kupon	Nominal	Währung
XS2484203083	01.06.2022	16.12.2024	2,125%	300.000.000 €	GBP
DE000A254S41	30.03.2020	01.04.2025	0,000%	1.200.000.000 €	EUR
DE000A3MP7P2	09.11.2021	09.11.2026	0,010%	1.000.000.000 €	EUR
DE000A2GSCCL6	26.06.2017	25.06.2027	0,500%	1.000.000.000 €	EUR
DE000A2TR208	29.01.2019	29.01.2029	0,750%	1.000.000.000 €	EUR
DE000A2YNRZ8	21.06.2019	21.06.2029	0,125%	600.000.000 €	EUR
DE000A3H3D69	10.03.2021	10.03.2031	0,000%	1.000.000.000 €	EUR
DE000A3MQP00	09.02.2022	09.02.2032	0,350%	1.000.000.000 €	EUR
DE000A30V9A9	15.02.2023	15.02.2033	2,850%	500.000.000 €	EUR
DE000A351SC5	20.06.2023	20.06.2033	2,950%	500.000.000 €	EUR
DE000A3824L4	23.01.2024	23.01.2034	2,750%	750.000.000 €	EUR
DE000A3E5FS7	24.03.2021	24.03.2051	0,500%	1.000.000.000 €	EUR
DE000A3512U6	07.02.2024	06.02.2054	3,150%	500.000.000 €	EUR





Saxony-Anhalt - Budget



- Declining revenues from supplemental vertical support and additional grants expired in 2020. Since then the new debt break and the new revenue equalisation system for all States have been in place.
- Saxony-Anhalt had expected from 2020 a more dynamic development of revenues (and more similar to the revenues of the other States), so the spending behaviour was adapted on that gradually.
- In 2020 und 2021 the Covid-19 pandemic and its consequences led to declining revenues and increasing expenditures. Due to cyclical effects the revenues had been increasing in 2022.



Chapter 4

Debt Management

Flexible, investor focused, anticipatory strategy

Funding and Debt Management

Benchmark Bonds

- Issuance of liquid benchmark bonds on a regular basis
- Liquid Benchmark curve of the State with maturities between 5 to 10 years
- Track-record of issuing in EUR, GBP and USD

Social Bond Issuances

- Establishment of a Framework for Social Bonds in 2023
- in line with the ICMA SBP, Contribution to 6 UN SDG

EMTN programme / promissory notes

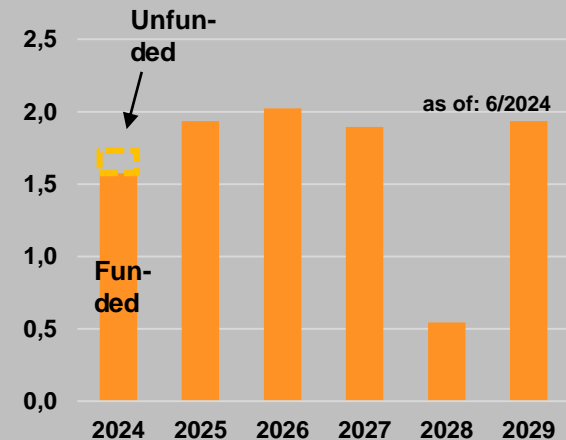
- Volume of the programme: EUR 8 bn
- Maturities between 1 to 30 years; across different currencies
- Listing in Luxembourg

Commercial Paper Programme

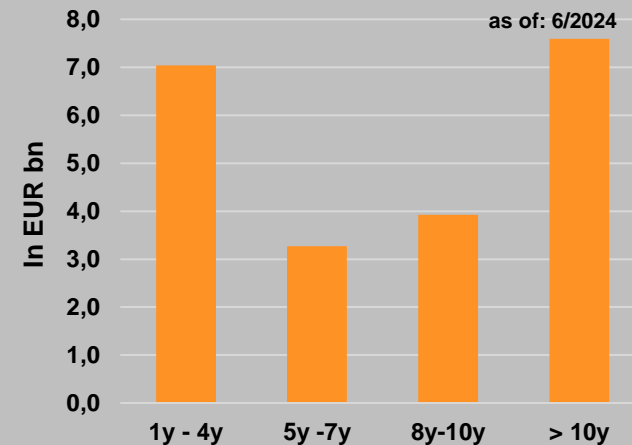
- Volume of the programme: EUR 2 bn
- Maturities between 1 to 12 months for coverage of temporary liquidity needs
- EUR, USD, GBP, CHF and AUD

- **Total debt (2023 YE): EUR 22.9 bn**
- Annual refinancing ratio between 10% to 15% of total debt
- The strategic mix of all instruments enables Saxony-Anhalt to approach debt management in a flexible manner, especially in terms of investor demands.

Gross Borrowing Projections in EUR bn

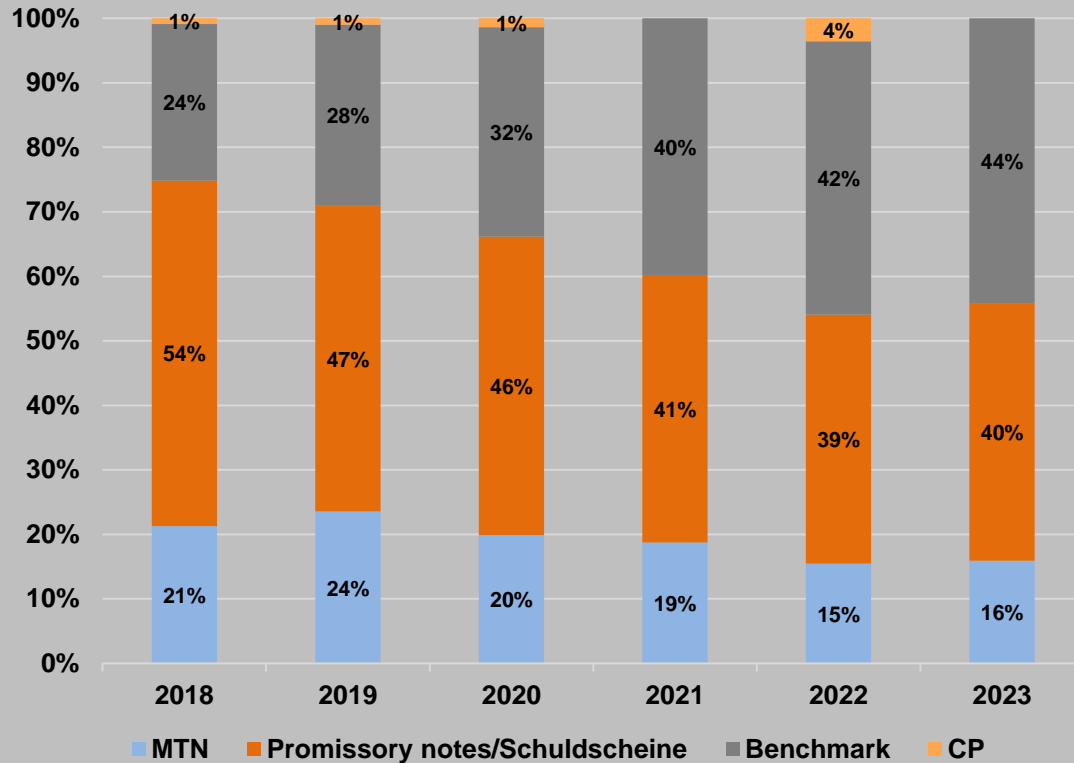


Debt maturity profile



Funding and Debt Management

Funding structure



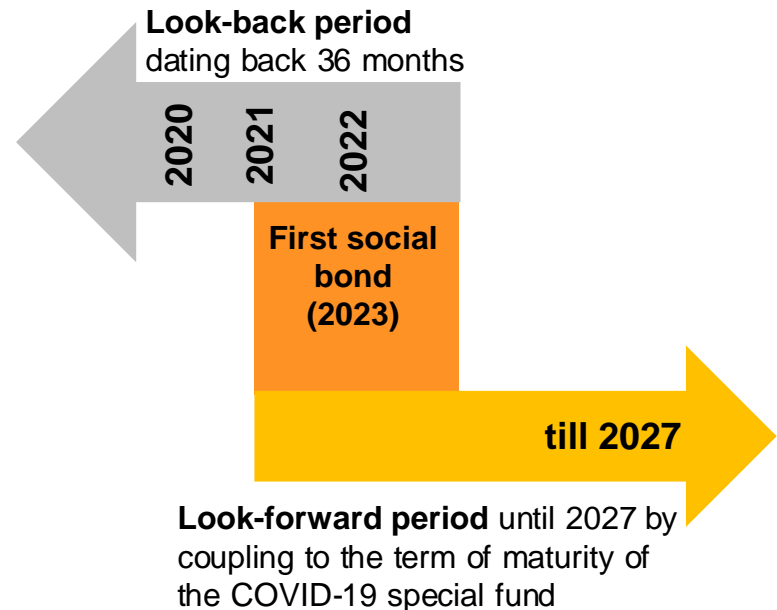
- Strategic financing approach
- Focus on investor diversification
- Clear investor focus - strong product capabilities
- All structures and all foreign currencies are hedged to fix or floating EUR
- Funding history shows high flexibility by using structured products

Content = 31 projects with a total project volume of EUR 1.898 billion

	 <p>The Social Bond Principles</p>	<p>Consideration and compliance with the ICMA Social Bond Principles (SBP)</p>
	 <p>imug rating SPO</p> <p>imug rating confirms that the Social Bond Framework of the State of Saxony-Anhalt is in line with the Social Bond Principles (SBP) 2021.</p>	<p>External review and confirmation</p>
		<p>Contribution to the UN SDG</p>

Targeting of the following project categories:

- Affordable basic infrastructure
- Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises
- Socioeconomic advancement and empowerment
- Access to essential services





Chapter 5

State of Saxony-Anhalt's Unique Value Proposition

Key considerations



- Embedded in strongest equalisation system globally among German States and the Federal Republic to support revenue and investment support incl. debt brake

Access to a strong support system



- Corona deficit via symmetrical, cyclical net borrowing shows rapid return to consolidation course with a financing balance of EUR -93 million in 2023

proven budget performance



- Access to multiple low cost funding avenues
- Saxony-Anhalt is strongly committed to its investor focused and flexible funding strategy, including regular liquid benchmark bonds

Innovative and flexible issuer



- ECB eligibility
- 0% - risk weighting in most European Countries
- Basel III: HQLA ('High Quality Liquid Asset') – Level 1 asset under LCR

High Quality Asset



Contacts

Contacts

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