

Transcript/Translation Global Investor Call Inaugural Joint Agencies Social Bond



Hamburgische
Investitions- und
Förderbank



Speaker: Jork Volkmer, ILB (Investitionsbank des Landes Brandenburg)
Christian Pechel, IFB Hamburg (Hamburgische Investitions- und Förderbank)
Jochen Armbrust, ISB (Investitions- und Strukturbank Rheinland-Pfalz)

Dear all,

I would like to welcome you and thank you for your interest in this investor presentation.

My name is Jork Volkmer, I am speaking for the Treasury of the Investitionsbank des Landes Brandenburg (ILB).

With me, Mr. Christian Pechel from IFB Hamburg, the Hamburgische Investitions- und Förderbank (IFB) and Mr. Jochen Armbrust from the Investitions- und Strukturbank Rheinland-Pfalz (ISB).

0:40 Introduction:

SLIDE 2

We are three regional-oriented state development banks, who have joined forces because they thought that sustainability does not end at state borders. That is why we have merged our business and created a new product on the German market, or at least we have in mind, namely the first joint development bank bond and this in the social bond format.

As I said, three development banks are joining together. Of course, you can only do this for an issue if you have a similar risk profile from an investor's point of view. That is given, we are three development banks, each under the regime of the respective development banks Act. All three have maintenance obligation (Anstaltslast) and statutory guarantor's liability (Gewährträgerhaftung), and the respective federal states guarantee the liabilities of the banks. This means that we are ultimately unable to become insolvent and have a zero weighting in the wholesale credit regime and in solvency. As investors, you profit from this. The bonds of the promotional banks are classified in the highest liquidity category, and that is also an additional advantage that you as investors have.

The proceeds of the issue of this bond will be used to finance social housing and the creation of affordable housing. We have described this in detail in three frameworks, one for each issuer. Because the funding legislation is different in the individual federal states, it was not very practical for us to integrate those differences into one framework. It was necessary for each bank to define its own framework.

Nevertheless, we have been able to win the rating agency IMUG to look at these three frameworks, to examine them accordingly and to evaluate them accordingly in individual SPOs and in a summarized SPO. IMUG has given us the distinction that this bond and also the frameworks are in line with the Social Bond principles of the ICMA of 2021.

SLIDE 3

What will be financed with the planned bond? This is affordable housing, which we in the respective federal states understand as social housing, which is defined in each case by laws, namely housing promotion laws. All 3 issuers will refinance projects from social rental housing. ISB will additionally finance owner-occupied housing projects. This is supported in the federal states in the form of low-interest loans and grants. Not only will the new building be supported, but also the repurposing and modernization of affordable housing. In the end, of course, the target group of people affected or threatened by poverty should profit, including seniors, people with particularly child-rich households, disabilities and also students.

How is this all made sure? The income limits are defined by laws /promotional programs and vary according to the federal state. This is described in more detail in the three frameworks. There are defined rental price ceilings, occupancy ties for the social housing created are set accordingly, and there are also different location conditions that are specified. Of course double use of funds in the frameworks is excluded.

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SLIDE 4

Now you are sure to ask yourself why the development banks are joining forces for such an issue. The previous social bonds of the development banks from Brandenburg and Hamburg have been very well received on the market. On the other hand, Investors repeatedly expressed their desire to invest in benchmark size. However, the development banks among themselves, purely from the promotion business, are struggling because we have not yet reached this magnitude in a certain period of time.

Social housing is also an important issue, which may change in the future. In this respect, it made sense for us to have pooled our competences and to bundle our social housing projects to issue a Social Bond in Benchmark size. That means for investors that you have the option of buying a significantly more liquid bond, and in addition, you get a much wider diversification of investments. Not only from the point of view of risk, but also from the point of view of the social benefits that the whole is supposed to bring.

For us issuers, of course, this means more interest, more attention, according to the motto "do good and talk about it". In this way, of course, we also have more opportunities to present the positive effect of the work of our regional development banks. Of course, we also have learning effects from the cooperation of the development banks, which can certainly be intensified. We are creating a new funding instrument for ourselves, especially for promotional banks with lower funding volumes and business. We hope this will have a signal effect on the market, not only for the market for social bonds, but perhaps also for the market of the somewhat smaller development banks, which will then have the opportunity to win a new issue instrument for themselves.

SLIDE 5

On this slide you will see a brief summary. We have now actually made the use of the proceeds very clear. In the end, the whole thing serves the Social Development goals. 1: "No poverty", 10: "Less inequalities" and 11: "Sustainable cities and communities".

In the project selection you can see the different criteria, which depend on the corresponding promotional laws in the individual federal states.

This is difficult to illustrate in a table, but you have the frameworks for that. All of this is clearly presented there. Of course, the proceeds will be used and labeled exclusively for the projects. The reporting will then be available on the websites of the issuers. This is updated annually, or in the event of changes to the loan pool, it is also shortened at intervals.

08:20 The transaction details

SLIDE 6

As I said, we are planning a benchmark issue, the maturity will be either 7 or 10 years, with the current focus being on the 7 years. ISB and IFB will each receive 35% of the proceeds from the issue, which will be 175 million EUR (nominal) each, and 30% (150 million EUR) for ILB. Each issuer is liable for its quota. All three institutions have the best rating of Fitch, the AAA rating. The issue will be rated, of course, but because this is a separate issue, a rating committee has to confirm the issue rating. In this respect, at the time of this recording (September 7, 2022), this cannot be announced with 100% certainty. There is no reason why the issue should not also receive an AAA rating. The bond will be listed on the stock exchanges in Hamburg and Berlin. The Bloomberg ticker will be LFIESG.

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Presentation of the single agencies

So far to the overall overview. Now, investors' presentations will follow for a better representation of the individual houses. I will pass on to my colleague, **Christian Pechel**.

10:16 Presentation IFB Hamburg

A warm hello from my side too. My name is Christian Pechel, I am Deputy Head of the Department of Active/Passive Management, the Treasury, of IFB Hamburg. On the following slides I would like to briefly introduce you to the IFB.

SLIDE 11

Let me get started with a brief overview: IFB Hamburg was founded in 2013. The Hamburgische Wohnungsbaukreditanstalt was the predecessor institution. In the course of the change of name, a huge number of promotional activities in Hamburg were bundled under the name IFB Hamburg. Freie und Hansestadt Hamburg (FHH) holds 100% of its shareholders. Through the housing Credit Institute, we have been given the "housing construction" business segment in our DNA. In addition, the two new business areas "economy and environment" and "innovation" were joined by the other promoting activities that have been bundled here. We currently have a balance sheet total of around €6.3 billion. The equity is about €819 million. On the slide, you can see the distribution of equity between the different business segments. This also reflects a bit the distribution of the balance sheet volume among the individual business segments. The IFB currently employs 306 people. Let me briefly mention that, as you surely know, the state promotional banks have worked on and paid out the corona aid granted to the federal states and the federal government. In this respect, we have had a significant boost for our employees in the last two years. Mr Volkmer mentioned it already, the IFB also has an AAA rating from Fitch.

SLIDE 12

On the next slide, we compared the key figures for the financial years 2020 and 2021. You can see that the balance sheet total, which is the only figure I would like to highlight here, has risen. This is actually due to social housing and that we have been able to borrow more than in the previous year. Much more important on this slide is essentially the right-hand block of text. Here we have shown how the risk of IFB can actually be assessed. The City of Hamburg is fully and directly liable for all IFB liabilities. We are an institution of public law and have maintenance obligation and a statutory guarantor's liability. The whole result, as Mr. Volkmer mentioned at the beginning, is a 0% riskweight and in category HQLA, in which our bearer debt obligation is then found.

SLIDE 13

As a development bank, we also have a few special regulations, of course, which the normal banks do not have. We operate under understanding II, which means that we are obliged to compete in a neutral way. Of course, we must respect state aid rules and the Community ban on discrimination at this point. It is very important that all we promote is described by us in promotional guidelines. These you will find in our SPO. In addition to the Anstaltslast and the Gewährträgerhaftung, the IFB has, and this distinguishes us a bit from the other development banks, a so-called loss compensation, which is regulated by law and an interest compensation, which is contractually regulated with the owner the city of Hamburg. Both mechanisms work in way that the IFB cannot incur any losses and that our own resources remain constant.

SLIDE 15

Let me say one or two words about our owner. We used the 2021 Bundesländerranking here. We have overwritten the slide with the words "Hamburg, a strong guarantor". In terms of gross domestic product, labor productivity, national income and purchasing power, the city of Hamburg has ranked 1 in the ranking of the federal states. What actually only shows that the city of Hamburg is not only beautiful, but also high in terms of productivity and purchasing power.

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SLIDE 17

Briefly back to the IFB. I mentioned the business segments and business areas earlier. What is perhaps important here are our promotional products, namely that we do not just give grants and give loans that are subsidized. In particular, advice is also very high among the development banks and, accordingly, with us. This applies both to housing and to the two other business areas "economy and environment" and "innovation". It should also be mentioned here that we can and do take part in start-ups through a subsidiary.

SLIDE 18

How do we actually promote in detail. I have already said that promotional guidelines are the key word for us. All we promote through our credit programs is in promotional guidelines that are passed by the government. We promote social housing, housing rental through low-interest loans and grants. In return for these subsidized loans or grants, investors guarantee a fixed rental price and occupancy tie, i.e. the housing cannot be used or sold at will. This fixed rental price and occupancy tie for social housing is a prerequisite for the promotion. In the case of home financing, we support by means of loans or grants. In the case of extended subsidized loans, the City of Hamburg pays a corresponding difference to the market price.

SLIDE 19

A novelty in Hamburg is the political will, which has resulted in the so-called Alliance for living since 2011. This is an alliance between politics and all the actors involved, i.e. builders, banks, associations, which promotes social housing. The goal here is to build 10,000 rental apartments per year, of which 50% are publicly promoted, i.e. up to 50% of these 10,000 rental units or apartments are to be created in social housing. In addition to social housing construction, we are also promoting red brick procedures, the so-called "red clinker" in Hamburg, on behalf of the city, of course, on climate protection and modernization. And this is also a novelty in Hamburg: The promotion of social housing is not centered in a central spot in the city, but extends across the entire city area. Accordingly, in Hamburg we have no social focus points from social housing.

SLIDE 21

I said at the beginning: We have had a lot to do over the last two years in the context of aid to the corona. With regard to the number of employees, I mentioned that here on the slide only two figures were singled out: We received more than 137 thousand applications from the city of Hamburg and in total paid out more than 3.3 billion € in promotional volumes within the state borders of Hamburg.

SLIDE 23

Let me briefly address the refinancing side, that is, the liabilities side of the Hamburg IFB. You can see in the pie chart the distribution over the different funding products. The Anstaltslast and Gewährträgerhaftung with the resulting Solva 0 weight and the HQLA I classification is extremely helpful. In addition, Fitch's AAA rating, as last confirmed at the beginning of 2022. IFB Hamburg's funding volume is approximately €500-700 million per year, depending on our promotional business.

SLIDE 24

On this page we once presented the instruments with which we bring liquidity to the IFB's house. Let us just mention the bottom point, the bearer bonds that we have issued since 2013. And also emphasized there, in 2016 we were the first small development bank to have a social bond on the German capital market. In 2019, we issued our second social bond, already in sub-benchmark format, i.e. in the emission volume of €250 million.

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SLIDE 26

In the last two years, we have devoted a lot of topics around sustainability. At first glance, a development bank is already sustainable. That is at least our opinion. Nothing less, when you actually deal with the subject, you find surprisingly many (sustainable) things that you do, but haven't written down anywhere. Among other things, we recognized that we actually set up the first climate protection programs in housing construction at the time of the foundation, in this case our predecessor institute, WK Hamburg. We found the topic of climate protection promotion to be a cross-cutting topic in the bank, something that is included in every business and in every business area. In social housing, too, IFB Hamburg is promoting energy rehabilitation, new energies, etc. even when investing in start-ups, impact aspects are taken into account. One of the results of this project was that in 2020 we commit ourselves to the United Nations sustainability goals and we will continue to expand our business activities externally and internally in terms of sustainability.

SLIDE 27

On this page you will find snapshots of the corresponding publication on sustainability, such as the sustainability report for the 2020 financial year. The publication took place in 2021. We have issued a DNK statement and our SDG goals.

SLIDE 28

What do we intend to do in the future for sustainability to companies? We will issue a sustainability report every two years. We will of course compare the goals with the current stands to see where we actually stand by achieving our goals. This year, we looked at the impact of sustainability regulations on IFB Hamburg today and in the future. The results will now feed into the follow-up work that we are moving the bank toward sustainability from a regulatory point of view.

As a result, the IFB is effectively implementing the promotional priorities of the Free Hanseatic City of Hamburg and strengthening its Hamburg location.

Thank you very much for your attention and then I hand over to **Jork Volkmer**, who will present the ILB to the investors. Thank You!

25:52 Presentation ILB

SLIDE 35

Let us now come to the development bank of the state of Brandenburg. The white map you see here is the map of Brandenburg. For anyone who is not quite so familiar with the inner German geography: The hole in the middle is the federal capital Berlin and at the red dot in south-west of Berlin you will find the state capital of Brandenburg, Potsdam. If you want to visit us, you will also find this building there.

SLIDE 36

Who is the ILB? We are the central promotional bank of the state Brandenburg; we currently support and work with 827 employees. We work for the financing of public and private investment projects in the state of Brandenburg. This is divided into the economic, infrastructure, housing and labor sectors. Sustainability and social commitment are a matter of course for us. We support not only through the passing on of grants and funds from the federal government, the state of Brandenburg and European funds. We also have our own promotion programs, which are based on our own funding.

SLIDE 37

To summarize it in a few key words. We are an institution of public law. As a promotional bank, we are committed to competitive neutrality according to understanding II. We also have advantages such as the Anstaltslast and Gewährträgerhaftung of the state of Brandenburg. All of this results in an AAA rating from Fitch.

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What makes us special compared to other development banks? We belong not only to the state of Brandenburg, but also to 50% of NRW.Bank. This is a very favorable circumstance for us, because it allows us to optimally link the competencies of an already successful, larger development bank with the projects of the state of Brandenburg.

SLIDE 39

This year, ILB is celebrating its anniversary. We have been around since 1992, that is to say 30 years. In these 30 years, we have promoted a total of around 233,000 projects and created or secured around 179,000 jobs in the state of Brandenburg. This was achieved with two successful business areas, namely not only with the state promotion programs, but also with the ILB promotion programs.

SLIDE 40

At this time, although we do not have any profit targets, we have managed very successfully. As you can see here from the example of our equity, which have continuously built up during this time and exclusively by our own efforts.

SLIDE 41

Here again the ways of promotion. First of all from state promotion programs, which are based on EU funds, on federal funds and state funds. As well as the ILB promotion programs, which are intended to supplement and improve the entire range of promotion.

SLIDE 42

In the following you can see the promotion volumes in millions of € in recent years from the state promotion programs. We can clearly see the growth in 2020 and 2021, which is, of course, due to the corona aid, where we have allocated and approved more than €1.6 billion of promotion in the state of Brandenburg accordingly.

SLIDE 43

In the case of the ILB promotion programs, you see the intensive promotional activity not only from the funds of the ILB. We cooperate with other development banks such as the Sächsische Aufbaubank, the European Investment Bank, the Promotional Bank Berlin (IBB) and, of course, we are also extending funds from KfW and the Landwirtschaftliche Rentenbank. We are also working together with local banks, which are a distribution channel for our promotion programs.

SLIDE 44

For anyone who wants to be advised, he does not necessarily have to come to Potsdam. We have 30 different consulting locations for commercial enterprises in the state of Brandenburg. Advice is available throughout the state of Brandenburg, not only in Potsdam.

SLIDE 45

The slide is intended to advertise for the investment location of the state of Brandenburg in a similar way to those of our colleagues from Hamburg: We do not only have an excellent infrastructure and together with the capital Berlin we form a metropolitan region with strong economic strength and growth. We also have well-trained professionals. We are excellently networked with business and science through the three university locations in Potsdam, Frankfurt and Cottbus. This ultimately led a company like Tesla to build its Gigafactory near Berlin in the state of Brandenburg.

SLIDE 46

Showing out networking between us and different stakeholders.

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SLIDE 47

On the subject of sustainability, we refer, of course, to the sustainability strategy of the state of Brandenburg, in which we as the state promotional bank naturally fit. But I do not want to go into that further. You can read this, so I have linked the topic again on the ministry's website.

SLIDE 48

For us at the ILB, sustainability also plays a very important role in four aspects: Of course, banking operations is a corresponding part, where we are well positioned. We consume 100% of green electricity, we have advanced digitization, e-mobility and building and procurement management have also implemented sustainability goals. We are an excellent employer with company health management. With us, you can lease e-bikes, we provide subsidies for public transport: The job ticket is financially supported. We have received an award and certificate of work and family as an excellent and exemplary employer. In our banking business, we have of course also devoted ourselves to the topic, we have defined an exclusion list for businesses that we no longer want to support in order to pursue sustainability goals accordingly. We evaluate sustainability targets in the credit and banking business. Of course, we make this transparent. We report according to the German Sustainability Code. If you would like to find out more details, I would like to invite you to www.ilb.de/nachhaltigkeit. There, all topics are again presented more precisely. There you can also download the Sustainability Report of the ILB.

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If you have any questions or would like to address us personally, Mr. Zarnekow is the head of department Treasury, I am responsible for the funding activities of ILB. Here below you will find the internet address again. Under the slash "Nachhaltigkeit" you can find everything that is worth reporting. Under "Kapitalmarkt - Informationen" you will find information for investors.

At this point I would like to hand over to my colleague, Jochen **Armbrust**.

34:58 Presentation ISB

Hello, Jochen Armbrust from the ISB in Mainz. I run the Treasury here, and I do not want to repeat many of the things that colleagues have already described in an outstanding way in the following.

SLIDE 52

A parallel of the ISB to the Hamburg colleagues is a foundation made up of two institutes. The ISB was founded in 1993 as an economic development institute in the legal form of a GmbH and merged with the residential development bank at the time in 2012 and converted into an institution of public law. The number of employees has risen sharply, similar to that in Hamburg, due to the processing of the corona cases.

The ISB is also tasked with supporting the country's economic housing and infrastructure policy. We implement this with various products: We promote the economy, for example, by means of loans, participations or guarantees. A strong driver of volume is the municipal funding. Since 2013, the housing promotion mentioned above has been financed entirely from its own funding.

SLIDE 61

ISB has been active in the capital market as an issuer since March 2021. Since summer, we have been the youngest of the three banks to have an AAA rating from Fitch. We have gladly accepted the offer of our colleagues from Hamburg and Brandenburg to share their experiences on the subject of sustainability and social bonds with us and have joined this project.

On the subject of sustainability, I would like to stress that we have been taking energy aspects into account since 15.06.2022 in the field of social housing promotion. In addition, funding programs in the field of economic development will focus more on sustainability this year.

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On behalf of the three of us, may I thank you for your attention.

We are looking forward to your questions, which you can send via the button "Send email" to the left of the presentation.