FitchRatings

# State of North Rhine-Westphalia

The affirmation of State of North Rhine-Westphalia's (NRW) ratings reflects Fitch Ratings' unchanged rating approach for the German Laender, under which the ratings are equalised with those of the Federal Republic of Germany (Bund; AAA/Stable/F1+).

## Key Rating Drivers

**Rating Derivation Summary:** NRW's Issuer Default Ratings (IDRs) are linked to those of the Bund. We assess its Standalone Credit Profile (SCP) at 'aa+'. The SCP results from a 'Stronger' risk profile and a financial profile that Fitch assesses as 'a' under its rating-case scenario. No other factors affect the rating. The equalisation of the German Laender's ratings with the Bund's is driven by the stability of the solidarity system underpinning the creditworthiness of all Laender, irrespective of the key risk factors (KRFs) and financial profile assessment.

The solidarity system is enshrined in the German constitution and reflects the institutional framework of the Laender. Under the constitution, all member states of the federal republic are jointly responsible for supporting a Land in financial distress. If a Land experiences "extreme budgetary hardship", it is entitled to financial assistance from all other Laender and the Bund. This principle has been reaffirmed by the constitutional courts on more than one occasion, most recently in 2006.

**'Stronger' Risk Profile:** Fitch assesses all of NRW's KRFs as 'Stronger'. This risk profile also reflects the state's very good access to capital markets, corresponding strong refinancing capacity and appropriate treasury facilities preventing any temporary delays in the provision of liquidity and support

**Financial Profile at 'a':** Our rating case is for NRW's economic liability burden to increase to 68.1% in 2030 from 64.4% in 2025 and for its payback ratio to rise slightly to 13.2x from 11.8x. Debt service coverage (Fitch's synthetic calculation) will decline to 1x from 1.1x and the fiscal debt burden will fall to 138.9% from 149.1%. Our rating case is based on conservative GDP growth assumptions to test rating resilience through the economic cycle.

**Neutral Additional Rating Factors:** NRW's Long-Term IDR is rated on a par with the sovereign, reflecting the specific approach Fitch applies for the German Laender. Its rating does not account for any other extraordinary support from the Bund. Fitch has not identified any additional risk factors.

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This is a text exhibit 'ESG Relevance Score Text'. See instructions in side pane.

**Public Finance**
Local and Regional Governments
**Germany**

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

## Ratings

| | |
|---|---|
| **Foreign Currency** | |
| Long-Term IDR | AAA |
| Short-Term IDR | F1+ |
| **Local Currency** | |
| Long-Term IDR | AAA |
| Short-Term IDR | F1+ |
| **Outlooks** | |
| Long-Term Foreign-Currency IDR | Stable |
| Long-Term Local-Currency IDR | Stable |
| **Debt Ratings** | |
| Senior Unsecured Debt - Long-Term Rating | AAA |
| Senior Unsecured Debt - Short-Term Rating | F1+ |

## Issuer Profile Summary

NRW is the most populated state in Germany (2025: 18 million inhabitants) and the largest contributor to Germany's economy, at about 20% of GDP.

## Financial Data Summary

| (EURm) | 2025 | 2030rc |
|---|---|---|
| Economic liability burden (%) | 64.4 | 68.1 |
| Payback ratio (x) | 11.8 | 13.2 |
| Synthetic coverage (x) | 1.1 | 1.0 |
| Actual coverage (x) | 0.8 | 0.9 |
| Fiscal debt burden (%) | 149.1 | 138.9 |
| Net adjusted debt | 155,213 | 165,188 |
| Operating balance | 13,143 | 12,478 |
| Operating revenue | 104,094 | 118,894 |
| Debt service | 17,072 | 13,280 |
| Mortgage-style debt annuity | 12,143 | 13,146 |

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, State of North Rhine-Westphalia

## Climate Vulnerability Signals

| | |
|---|---|
| 2035 Climate Vulnerability Signal | 20 |
| Transition (Climate.VSt) | 20 |
| Physical (Climate.VSp) | 10 |

## Applicable Criteria

International Local and Regional Governments Rating Criteria (March 2026)

## Related Research

Fitch Affirms State of North Rhine-Westphalia at 'AAA'; Outlook Stable (April 2026)

German Laender – Peer Credit Analysis (April 2026)

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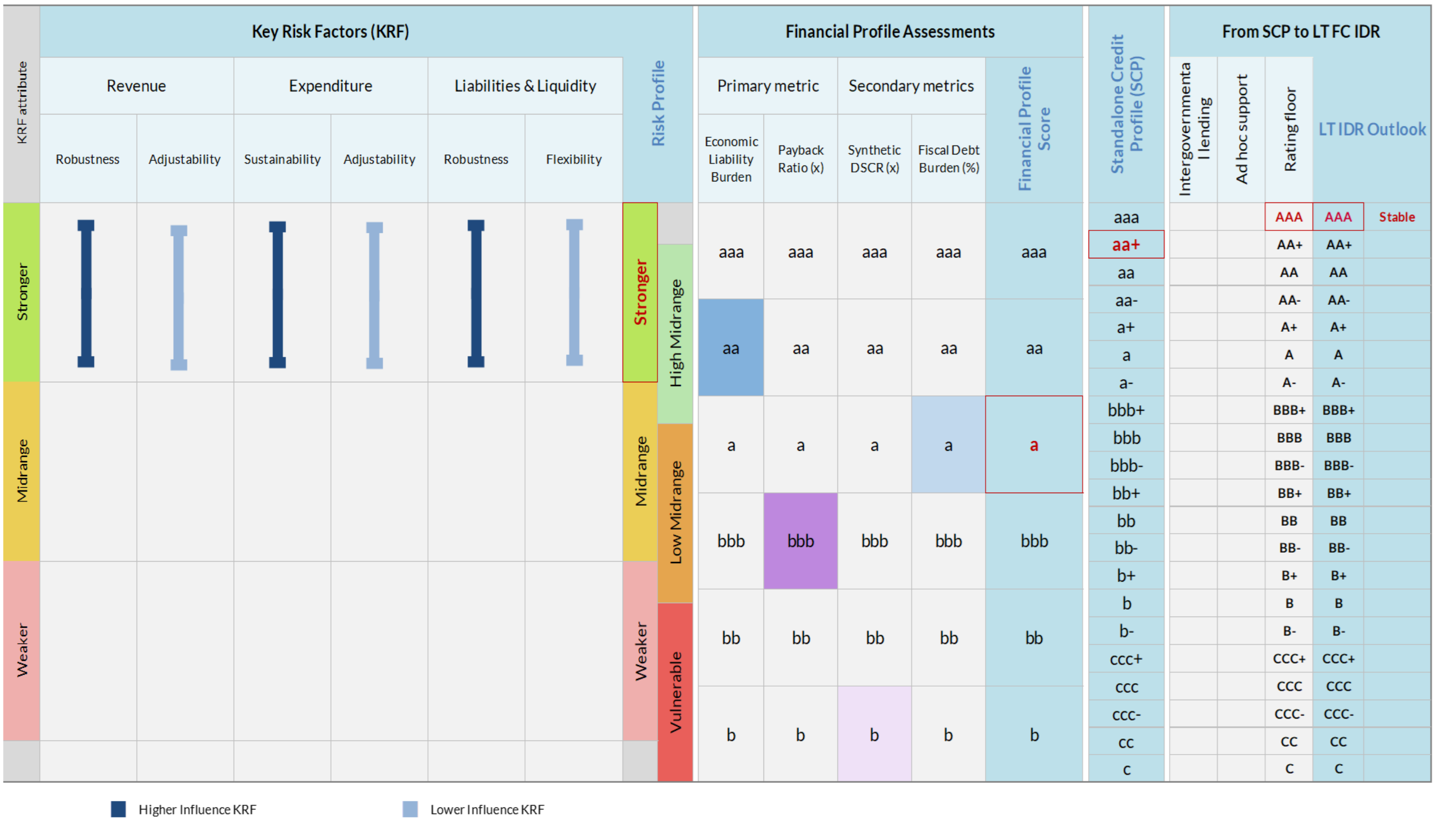
## Rating Synopsis

**North Rhine-Westphalia, State of LT IDR Derivation Summary**




Source: Fitch Ratings

The six KRFs, combined according to their relative importance, collectively represent the risk profile of the local and regional government (LRG). Our risk profile and financial profile assessments, which measure the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in an SCP. Together with some additional factors not captured in SCP, such as extraordinary support or rating cap, this produces the IDR.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The ratings are at the highest level on Fitch's rating scale and cannot be upgraded.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of the sovereign ratings would lead to a downgrade of NRW. An adverse change to the most important institutional feature, the solidarity principle, which Fitch views as unlikely, could also lead to a downgrade.

## Issuer Profile

NRW is Germany's most populous state and one of Europe's largest regional economies. It had a population of about 18 million at end-2025, based on an extrapolation of the 2022 census, and contributes about 20% of Germany's GDP. NRW's GDP per capita income in 2025 of EUR48,832 was almost 5% below Germany's average of EUR51,307.

The state's economic profile is highly diversified, with strong activity in manufacturing, chemicals, automotive, logistics, energy, trade and business services. Historically shaped by coal and steel, NRW has undergone a long structural transition towards advanced industry, technology and services.

The state benefits from a central European location, a dense transport infrastructure, and several major urban and industrial hubs, including Cologne, Dusseldorf, Dortmund and Essen. It is also an important logistics and trade centre due to its road, rail and inland waterway networks. While heavy industry still matters in parts of the Ruhr area, the broader economy is now more service-oriented and innovation-driven.

NRW's strengths include its large domestic market, skilled labour force, strong university and research base, and broad tax base. Key challenges include managing industrial transformation, energy transition pressures, and regional disparities between stronger metropolitan areas and former industrial zones. Overall, NRW is generally viewed as a wealthy, economically significant state with solid long-term fundamentals, although it remains exposed to cyclical industrial sectors.

The state's GDP grew by 0.3% in real terms to a nominal EUR909.4 billion in 2025, slightly above Germany's GDP growth of 0.2%. Despite some positive progress, 2025 was a challenging year with high energy prices still negatively affecting NRW's economy due to the state's energy-intensive industry, especially in the chemical and automotive sectors. Due to the Iran war, we expect these industries to be affected even more in 2026, as energy costs are approaching all-time highs. Fitch anticipates German real GDP growth of 1.2% in 2026 and 1.4% in 2027 (no data are available for the state).

NRW's rate of unemployment was 7.8% in 2025 (Germany: 6.3%), the third highest among western German states. The state's large number of big cities makes it attractive to job seekers, who often apply for unemployment or social aid upon arrival. This partly explains why NRW's above-average proportion of people not in work.

### Socioeconomic Indicators

| | NRW | Germany |
|---|---|---|
| Population, 2025 (m) | 18.0 | 84.9 |
| GDP per capita, 2025 (EUR) | 48,832.0 | 51,307.0 |
| GRP growth, 2025 (%) | 0.3 | 0.2 |
| Inflation, 2025 (%) | 2.4 | 2.3 |
| Unemployment rate, 2025 (%) | 7.8 | 6.3 |

Source: Fitch Ratings, national statistics, State of North Rhine-Westphalia

## Risk Profile Assessment

### Risk Profile: Stronger

Fitch assesses NRW's risk profile at 'Stronger', reflecting the combination of assessments:

### Risk Profile Assessment

| Revenue Robustness | Revenue Adjustability | Expenditure Sustainability | Expenditure Adjustability | Liabilities & Liquidity Robustness | Liabilities & Liquidity Flexibility | Implied operating environment score | Risk Profile |
|---|---|---|---|---|---|---|---|
| Stronger | Stronger | Stronger | Stronger | Stronger | Stronger | aa | Stronger |

Source: Fitch Ratings

This reflects Fitch's view of a low risk relative to international peers that NRW's ability to cover debt service with the operating balance may weaken unexpectedly over 2026-2030 due to lower-than-forecast revenue, higher-than-anticipated expenditure, or an unexpected rise in liabilities, debt or debt service requirements.

The assessment reflects Fitch's view of a low risk relative to international peers that NRW's ability to cover debt service with the operating balance may weaken unexpectedly over the forecast period (2026-2030) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt service requirements.

### Revenue Robustness: Stronger

This assessment reflects the high share of stable revenue sources due to the strong and diversified tax base and stable transfers from the Bund. We consider the Laender to be resilient to potential shocks, mitigating the risk of a shrinking revenue base.

The Laender's main revenue sources consist of common taxes - corporate income tax (CIT), VAT and personal income tax (PIT) - between the Bund, the Laender, and to a lesser extent, the municipalities. By law the Laender receive 50.0% of CIT and 42.5% of PIT. The allocation of VAT varies and is subject to a more complex process. In 2025, the share was 51.4% for the Laender, 45.4% for the Bund and 3.2% for the municipalities, including the fixed amounts of VAT from the Bund to the Laender and municipalities. In 2025, revenue from tax comprised three-quarters of NRW's total, with PIT and VAT the largest contributors, at 27.8% and 25%, respectively. These taxes have consistently grown.

In 2025, the state's total budget size amounted to EUR105.5 billion, including EUR80.6 billion of tax revenue (up by EUR4 billion from 2024 and EUR2,130 million above budget). The budget included capital expenditure of EUR10.9 billion (10.4% of total revenue) and included a cyclical component[1] of EUR2,055 million. The actual results have been EUR2.3 billion above budget and the state did not use the cyclical component. The overall surplus was EUR165 million.

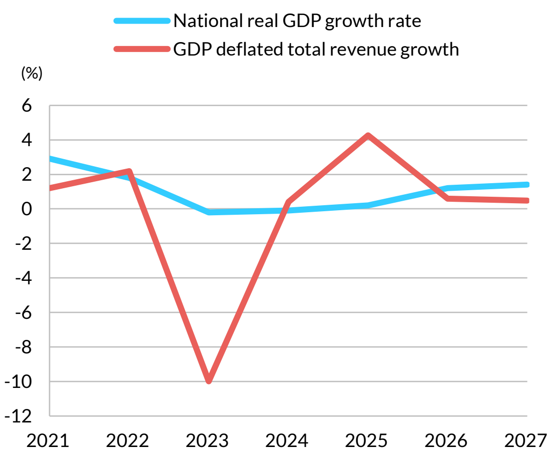
The main investments constituted of investment transfers to municipalities (EUR1,361 million), public transport (EUR1,365 million), healthcare (EUR1,197 million) and schools (EUR1,043 million).

The budget for 2026 is EUR112.3 billion and includes EUR12.6 billion of investments (11.2% of total expenditure) focused on education, children and youth, strengthening of the municipalities, economy, climate and inner security. The state set up a "NRW-Plan" 2025-2036 for the improvement of its infrastructure with a total investment amount of EUR31.2 billion, being the largest investment programme in the history of the state. About 68% of this is designated for municipal projects (kindergartens and schools, local transport, digitalisation, sport and climate protection).

The funding is based on three pillars: EUR21.1 billion from the special infrastructure fund from the Bund; EUR1.68 billion from a federal compensation fund for the tax-based immediate investment programme; and a continuation of state funding programmes through a state guarantee, including EUR8.4 billion for future investments of municipalities.

The 2026 budget and the medium-term planning for 2027-2030 are marked by numerous uncertainties. It can be assumed that the tax estimate in May 2026 will lead to lower projected tax revenues for the Laender. In addition, there is the risk of rising inflation driven by high energy prices. This could result in adjustments to public-sector wage agreements, which could increase the state's personnel expenditures.

### Real Total Revenue and GDP Growth




Source: Fitch Ratings, State of North Rhine-Westphalia

### Revenue Breakdown, 2025

| (%) | Operating revenue | Total revenue |
|---|---|---|
| PIT | 28.6 | 27.8 |
| VAT | 25.7 | 25.0 |
| Withholding tax | 3.8 | 3.7 |
| Other taxes | 19.6 | 19.1 |
| Transfers | 16.8 | 16.4 |
| Other operating revenue | 5.5 | 5.4 |
| | | |
| **Operating revenue** | **100.0** | **97.4** |
| Interest revenue | - | 0.5 |
| Capital revenue | - | 2.1 |
| **Total revenue** | **-** | **100.0** |

Source: Fitch Ratings, Fitch Solutions, State of North Rhine-Westphalia

[1] Germany's constitutional debt brake rule, introduced in 2011, requires the Bund and the Laender to keep their budgets broadly balanced. The Bund may only incur structural net new borrowing of up to 0.35% of GDP (which initially excluded the Laender but they have included this structural component since 2025). Transitional rules required crisis related structural deficits to be reduced gradually by 2015 for the Bund and by 2019 for the Laender. To calculate the maximum permitted borrowing, fiscal figures are adjusted for both financial transactions and the economic cycle. This is done through a cyclical component, which allows more borrowing in weak economic periods and less in strong ones. The cyclical component is based on two factors: the output gap, which measures how far is the economy from its normal level, and budget semi-elasticity, which shows how public revenues and spending react to changes in economic activity. The German government estimates potential output using the EU's production function method based on a Cobb-Douglas model, drawing national accounts data and official economic projections. (Source: www.bundesfinanzministerium.de)

## Revenue Adjustability: Stronger

This assessment is supported by a strong record of revenue equalisation, an essential part of Fitch's rating approach, which links Laender's ratings to the Bund's. An extensive equalisation system and a broad-based solidarity pact compensate for any financial disparity. The equalisation framework requires financially stronger Laender to transfer part of their above-average tax proceeds to financially weaker ones. The framework partly offsets the differences among Laender's tax revenue base and their financial strength.

The most recent reform of the financial equalisation is likely to increase transfers from the Bund to financially weaker Laender and lower the burden of net donor states. Fitch views this as credit positive. NRW is a net receiver of financial equalisation and in 2025 received EUR1,016 million (2024: EUR847 million) based on preliminary figures, or almost 1% of its total revenue.

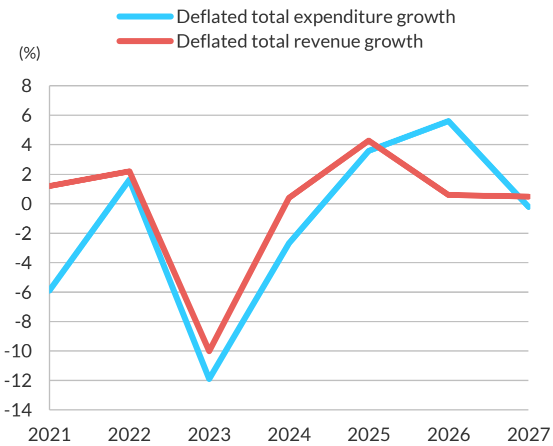
## Expenditure Sustainability: Stronger

German Laender have a prudent record of opex control. The main spending items are for key public services, such as education, science, security and infrastructure, which are counter-cyclical. The Bund implements anti-cyclical measures in times of economic stress. Laender have been applying cost-consolidation measures since 2010 to comply with the debt-brake rule that took effect in 2020. They have shown strong spending restraint to keep opex growth below operating revenue rises. Cost-consolidation measures are subject to the supervision of the German Stability Board.

NRW's main spending items are transfers and staff costs, together accounting for almost 80% of its total spending in 2025. EUR39.5 billion were paid out to the municipalities in 2025, an increase of 4.6%. An increase of transfers is subject to negotiations between all governmental layers and should finally ensure that the respective layer has sufficient means to cope with its designated responsibilities. However, municipalities in NRW are facing high spending pressure and are more frequently reporting financing deficits. This is recognised by the state and it is putting increasing amounts to its budget to support its municipalities.

Staff costs are largely predictable. However, they are subject to regular tariff negotiations and the elevated risk that high inflation in Germany could result in tariff adjustments for public employees and civil servants in NRW. The state's medium-term plan follows the status quo but higher staff costs are likely. We have reflected this in our updated rating case by adjusting the growth of opex above the current CPI expectations provided by Fitch's Sovereign group.

### Real Total Expenditure and Revenue Growth




Source: Fitch Ratings, State of North Rhine-Westphalia

### Expenditure Breakdown, 2025

| (%) | Operating expenditure | Total expenditure |
|---|---|---|
| Staff cost | 39.0 | 33.9 |
| Goods and services | 7.7 | 6.7 |
| Transfers | 52.7 | 45.8 |
| Other operating expenditure | 0.6 | 0.5 |
| **Operating expenditure** | **100.0** | **86.9** |
| Interest expenditure | - | 3.2 |
| Capital expenditure | - | 9.9 |
| **Total expenditure** | **-** | **100.0** |

Note: Figures may not tally due to rounding.
Source: Fitch Ratings, Fitch Solutions, State of North Rhine-Westphalia

### Expenditure Adjustability: Stronger

Laender are obliged to run their budgets without taking on new net debt, which Fitch views positively for their expenditure adjustability. Laender have effective budget rules and have exercised strong expenditure growth control ahead of the debt brake, with a moderate share of inflexible spending items. NRW has a strong record of cost consolidation, despite its limited capex adjustability.

Personnel costs and transfers accounted for 79.7% of NRW's expenditure in 2025, with capex comprising almost 10%. Rises in operating revenue usually outpace opex. In 2021-2025, NRW's operating revenue increased by an annual average of 2.7%, while opex growth averaged -0.5%. This was due to a large drop of opex in 2023 and 2024, when extraordinary pandemic-related spending items were normalised.

The state's operating margin therefore consistently improved up to 12.6% in 2025 from 4.5% in 2021, supporting our 'Stronger' assessment. However, the state schedules much higher investments in 2026-2030, averaging to about EUR12.5 billion annually (2021-2025: averaging bout EUR10.5 billion). They are supported by means from the central government's investment package to improve the regional and local infrastructure, but a large amount of funding also needs to be provided by the state. We assume the operating balance will improve further. However, the most recent tax estimate as of May 2026 is for the German Laender's taxes to be about EUR3 billion a year lower in 2026-2030 than the estimate from October 2025. NRW may also face lower tax revenues at least in 2026 and 2027, reducing the state's ability to support its investments via its operating surpluses.

### Liabilities and Liquidity Robustness: Stronger

Laender operate within a solid national framework for debt and liquidity management and maintain strict market discipline. Fitch views this as credit positive. As one of the largest and frequent issuers, NRW benefits from robust access to international capital markets. It regularly taps the markets with benchmark-sized issues.

NRW faces large contingent liabilities through debt guarantees on behalf of its development bank (NRW.BANK; AAA/Stable) and former Landesbanken, as well as largely unfunded pension liabilities. The risk stemming from its commitments to banks is mitigated by adequate assets and NRW. BANK's conservative business profile. Contingent liabilities from the deficiency guarantees provided to former Landesbanken are mostly declining. NRW has prudent debt management, predominantly funding its maturing debt with bond issues in 2025. Exposure to foreign-currency debt is fully hedged and its floating-rate issues are mostly hedged.

The state took advantage of low interest rates to extend its maturity profile, with bond maturities up to 100 years; more than half of its debt portfolio matures after 2035. This reduces the risk of a future high interest expenditure burden. In 2025, NRW refinanced EUR13 billion with an average interest rate fix of 8.3 years.

NRW has been able to maintain its relatively low average interest rate (2025: 2.8%). NRW also has an even maturity profile and its frequent refinancing needs will average about EUR10 billion a year between 2026 and 2030 (about 6% of its direct debt). NRW also placed its 12th Sustainable Bond in July 2025, amounting to EUR1.25 billion with a five-year maturity. Since 2015, NRW has successfully placed more than EUR24.8 billion of sustainable bonds, positively contributing to its investor base.

At end-2025, NRW had direct debt of EUR161.9 billion, comprising bonds (80%) and loans (20%). The average weighted maturity was 19.8 years and the average interest rate was 1.95% (in relation to the fixed-rate debt outstanding, which accounted for 86% at end-2025). It included NRW's rescue pack (Rettungsschirm), which was about EUR13.3 billion at end-2025, down from EUR15.3 billion at end-2024. It was established in 2020 to tackle the effects of the pandemic; repayment started in 2023 with a EUR1.6 billion instalment. In 2025, NRW repaid EUR2 billion but it aims not to make any repayments in 2026 and 2027 due to challenging financial circumstances and restart payments in 2028 of EUR350 million a year.

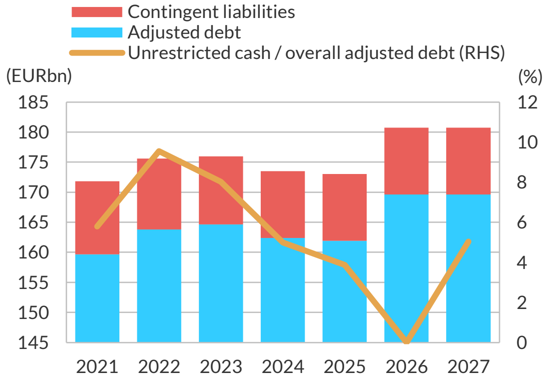
In 2023, NRW's parliament declared an "extraordinary emergency situation" because of the war in Ukraine, higher costs for energy and the influx of refugees. As a result, a special fund (Sondervermoegen Krisenbewaeltigung) was established, under with drawdowns of up to EUR5 billion allowed until end-2023. NRW drew EUR2.45 billion from this fund in 2023 and paid back EUR40 million in 2024 and EUR80 million in 2025. The state aims to halt repayments in 2026 and 2027, and restart them with annual instalments of EUR80 million from 2028.

At end-2025, NRW reported EUR11.5 billion of guarantees and contingent liabilities, of which EUR5.4 billion includes inherited liabilities of the former WestLB (now Portigon AG) and sums transferred to Erste Abwicklungsanstalt (EAA; AAA/Stable), in which NRW holds a 48.2% stake. Both entities are being wound down. EAA's total assets declined by almost 16.5% in 2025 with its banking book falling by 96.1% since 2012.

Lastly, Fitch assumes NRW is financially liable for the debt of its shareholdings, specifically those in which the state holds at least a 50.1% state, excluding NRW.BANK and Portigon. We consider NRW to be liable for 31 shareholdings, which collectively had a fairly low total debt of about EUR840 million at end-2024 (most recent data available). The debt and other contingent liabilities of majority-owned government-related entities were EUR5,751 million, including EUR4,912 million liabilities of NRW's Bau- und Liegenschaftsbetrieb, a real estate entity.

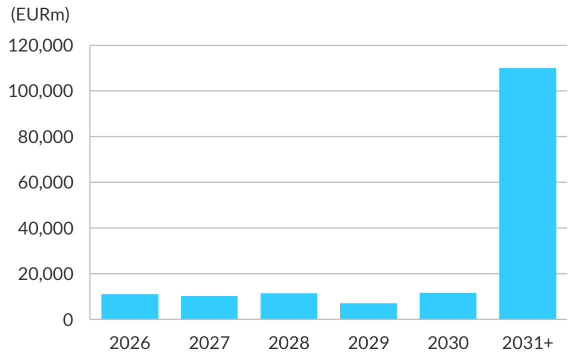
NRW is also liable for all obligations of the fully owned NRW.BANK, which has a deficiency guarantee (Gewährträgerhaftung) and a maintenance obligation (Anstaltslast). The explicit guarantee enables the bank to meet its obligations, totalling EUR136.8 billion in funding and derivatives at end-2024. These represent a large contingent liability for NRW, but are mitigated by the bank's assets and the low likelihood of default, given its conservative business profile. Fitch has not factored in this amount in *Appendix A*.

### Overall Adjusted Debt Structure




Source: Fitch Ratings, State of North Rhine-Westphalia

### Debt Maturity Profile




Source: Fitch Ratings, State of North Rhine-Westphalia

### Liabilities and Liquidity Flexibility: Stronger

The Laender benefit from strong emergency liquidity support provided by the national government with a counterparty risk of 'AAA'. This established and active liquidity management system, together with Laender's strong access to capital markets and corresponding strong refinancing capacity and appropriate treasury facilities, should prevent delays in the provision of liquidity and support.

The liquidity risk of a single Land is avoided through bilateral and mutual agreements linking all Laender and the Bund, ensuring their ability to assist one another. Liquidity would only fail to be forthcoming for any given Land in the event of a complete federal breakdown, in which neither the Laender nor the Bund could provide liquidity. All the liquidity provision facilities underline the strong financial support mechanism that is anchored in the German financial constitution, which requires the Bund and Laender to support any single state in financial distress. This sub-factor is core to Fitch's rating approach for the Laender.

### Debt Analysis

| | 2025 |
|---|---|
| Fixed rate (% of direct debt) | 86 |
| Debt in foreign currency (% of direct debt) | 6 |
| Apparent cost of debt (%) | 2 |
| Weighted average life of debt (years) | 12.0 |

Source: Fitch Ratings, State of North Rhine-Westphalia

### Liquidity

| (EURm) | 2025 |
|---|---|
| Total cash, liquid deposits and sinking funds | 6,693 |
| Restricted cash | 0 |
| Cash available for debt service | 6,693 |
| Undrawn committed credit lines | 0 |

Source: Fitch Ratings, State of North Rhine-Westphalia

## Financial Profile Assessment

### Financial Profile: a category

#### Financial Profile Score Summary

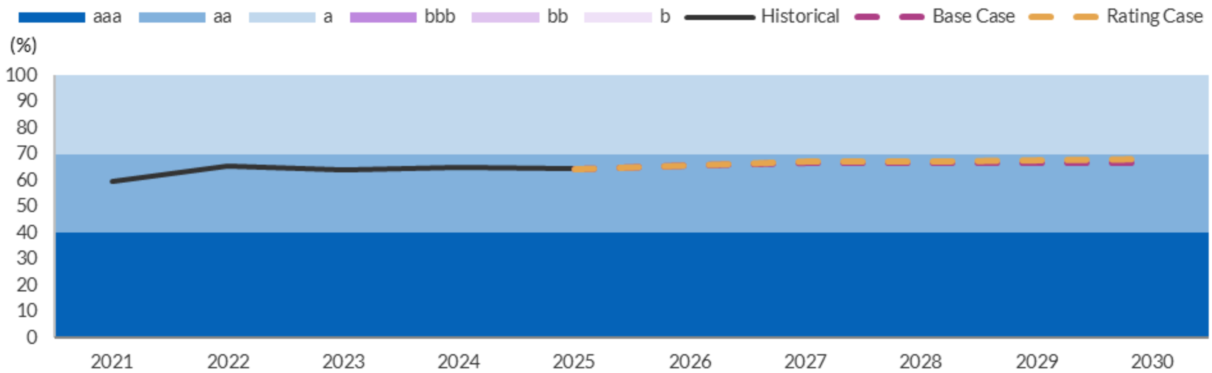
| | Primary metric | | Secondary metrics | |
|---|---|---|---|---|
| | Economic liability burden (%) | Payback ratio (x) | Coverage (x) | Fiscal debt burden (%) |
| aaa | X ≤ 40 | X ≤ 5 | X >= 4 | X ≤ 50 |
| aa | 40 < X ≤ 70 | 5 < X ≤ 9 | 2 ≤ X < 4 | 50 < X ≤ 100 |
| a | 70 < X ≤ 100 | 9 < X ≤ 13 | 1.5 ≤ X < 2 | 100 < X ≤ 150 |
| bbb | 100 < X ≤ 140 | 13 < X ≤ 18 | 1.2 ≤ X < 1.5 | 150 < X ≤ 200 |
| bb | 140 < X ≤ 180 | 18 < X ≤ 25 | 1 ≤ X < 1.2 | 200 < X ≤ 250 |
| b | X > 180 | X > 25 | X < 1 | X > 250 |

Note: Yellow highlights show metric ranges applicable to the issuer.
Source: Fitch Ratings

Fitch classifies Laender as Type A LRGs as the states could incur structural deficits and share some key attributes of sovereignty with the central government.

We assess NRW's ELB (primary metric) at 68.1% in our rating case for 2030 (2025: 64.4%), which corresponds to the 'aa' category. We assess the debt payback ratio at 13.2x ('bbb' category), the synthetic debt service coverage at 0.9x ('b') and the fiscal debt burden at 138.9% ('a'). This leads to a financial profile assessed at 'a'. This is driven by the ELB being at the top end of the 'aa' category, close to the 'a' category and the payback being in the 'bbb' category.

#### Economic Liability Burden - Fitch's Base and Rating Case Scenarios




Source: Fitch Ratings, North Rhine-Westphalia, State of

Fitch's through-the-cycle rating case incorporates a combination of revenue, cost and financial risk stresses. It is based on 2021-2025 published figures and our expectations for 2026-2030:

- Annual average 2.7% increase in operating revenue, including tax revenue and transfers received growth of 2.6% and 3.4%, respectively;
- Annual average 3.2% increase in operating spending, considering uncertainties about opex costs in light of inflation and increasing social spending;
- Average annual net capex of EUR9.669 million, above the 2021-2025 average of EUR8,099 million, reflecting the state's plan to improve infrastructure and to cope with the growing demand of educational and social infrastructure; and
- Apparent cost of direct debt: 2.3% to reflect the increasing risk of the ECB turning its current policy of relative low rates considering inflationary pressure ahead.

### Scenario Assumptions Summary

| Assumptions | 2021-2025 average | 2026-2030 average Base case | 2026-2030 average Rating case |
|---|---|---|---|
| Operating revenue growth (%) | 2.7 | 3.0 | 2.7 |
| Tax revenue growth (%) | 5.8 | 2.9 | 2.6 |
| Current transfers received growth (%) | -8.8 | 3.4 | 3.4 |
| Operating expenditure growth (%) | -0.5 | 2.6 | 3.2 |
| Net capital expenditure (EURm) | -8,099 | -9,669 | -9,669 |
| Apparent cost of debt (%) | 1.6 | 2.1 | 2.3 |

| Outcomes | 2025 | 2030 Base case | 2030 Rating case |
|---|---|---|---|
| Economic liability burden (%) | 64.4 | 66.6 | 68.1 |
| Payback ratio (x) | 11.8 | 8.8 | 13.2 |
| Overall payback ratio (x) | 12.7 | 9.4 | 14.1 |
| Actual coverage ratio (x) | 0.8 | 1.3 | 0.9 |
| Synthetic coverage ratio (x) | 1.1 | 1.5 | 0.9 |
| Fiscal debt burden (%) | 149.1 | 124.5 | 138.9 |

Source: Fitch Ratings, State of North Rhine-Westphalia

Fitch's net adjusted debt of EUR155.2 billion at end-2025 reflects NRW's direct debt (2025: EUR161.9 billion) less unrestricted cash (2025: EUR6.7 billion). NRW's direct debt of EUR161.9 billion consists of EUR160.2 billion of capital market debt and EUR0.7 billion of intergovernmental debt.

Under our rating case, we expect NRW's direct debt to increase by EUR7.7 billion, following NRW taken over EUR8.9 billion of municipal debt. NRW has a credit allowance of up to EUR17.9 billion for 2026, which includes EUR7.2 billion of maturing debt of the state, EUR3.5 billion of maturing debt from the municipalities, a cyclical component of EUR1.757 billion and a structural component of EUR2.49 billion. For this, NRW remains being compliant with the debt brake rule. The state does not aim to use the entire credit allowance.

NRW's net overall debt of EUR166.3 billion also includes state guarantees (2025: EUR5.4 billion), debt of majority-owned government-related entities and other contingent liabilities (2024, latest available data: EUR5.75 billion). Fitch views the materialisation of NRW's contingent liabilities as low risk.

## SCP Positioning and Peer Comparison

### Analytical Outcome Guidance

| Risk Profile | Financial Profile | | | | | |
|---|---|---|---|---|---|---|
| Stronger | aaa or aa | a | bbb | bb | b | |
| High Midrange | aaa | aa | a | bbb | bb | b |
| Midrange | | aaa | aa | a | bbb | bb or below |
| Low Midrange | | | aaa | aa | a | bbb or below |
| Weaker | | | | aaa | aa | a or below |
| Vulnerable | | | | | aaa | aa or below |
| **Suggested analytical outcome (SCP)** | **aaa** | **aa** | **a** | **bbb** | **bb** | **b** |

Source: Fitch Ratings

NRW compares well with other Fitch-rated German Laender with 'aa+' SCPs: State of Lower Saxony, State of Mecklenburg-Western Pomerania, State of Rhineland-Palatinate and State of Thuringia (all 'AAA'/Stable). Its closest peers are Lower Saxony and Rhineland-Palatinate. This is driven by their economic liability burdens of 64.4% for NRW in 2025 and 61.2% for Lower Saxony and 64.7% for Rhineland-Palatinate, together with payback ratios of 11.8% for NRW, 15.4% for Lower Saxony and 13.6% for Rhineland-Palatinate in 2025.

The closest international peer is the Canton of Zurich (AAA/Stable), which also has a risk profile of 'Stronger', but a much lower ELB, driving its SCP of 'aaa'. The payback is close to that of NRW, averaging at 11.2x within our rating case.

### Peer Comparison

| | Risk profile | Financial profile score | SCP | Rating floor | Long-Term IDR/Outlook |
|---|---|---|---|---|---|
| State of North Rhine-Westphalia | Stronger | a | aa+ | AAA | AAA/Stable |
| State of Rhineland-Palatinate | Stronger | a | aa+ | AAA | AAA/Stable |
| State of Lower Saxony | Stronger | a | aa+ | AAA | AAA/Stable |
| State of Mecklenburg-Western Pomerania | Stronger | a | aa+ | AAA | AAA/Stable |
| State of Thuringia | Stronger | a | aa+ | AAA | AAA/Stable |
| State of Saxony-Anhalt | Stronger | a | aa | AAA | AAA/Stable |
| Canton of Zurich | Stronger | aa | aaa | n.a. | AAA/Stable |

Source: Fitch Ratings

## Long Term Rating Derivation

### From SCP to LT FC IDR: Factors Beyond the SCP

| | | Support | | | | | |
|---|---|---|---|---|---|---|---|
| SCP | Sovereign LT FC IDR | Intergovern. financing | Ad-hoc support | Floor | Rating cap | Leeway above sovereign (notches) | LT FC IDR |
| aa+ | AAA | - | - | AAA | - | - | AAA |

Source: Fitch Ratings, State of North Rhine-Westphalia

The Laender's 'AAA' IDRs are linked to the rating of the Bund. We assess NRW's SCP at 'aa+', reflecting the combination of a 'Stronger' risk profile and financial profile of 'a'.

NRW's IDRs are driven by the stability of the solidarity system that underpins their creditworthiness, irrespective of the KRFs and financial profile assessment.

The solidarity system is enshrined in the German constitution and reflects the institutional framework of the Laender. Under the constitution, all member states of the federal republic are jointly responsible for supporting a Land in financial distress. If a Land experiences "extreme budgetary hardship", it is entitled to financial assistance from all other Laender and the Bund. This principle has been reaffirmed by the constitutional courts on more than one occasion in the past, most recently in 2006.

## Short Term Rating Derivation

NRW's Short-Term IDRs of 'F1+' are mapped to its Long-Term IDRs of 'AAA'.

## Transaction and Securities

NRW's senior unsecured debt ratings of 'AAA' and 'F1+' are in line with its Long- and Short-Term IDRs, respectively.

## Criteria Variation

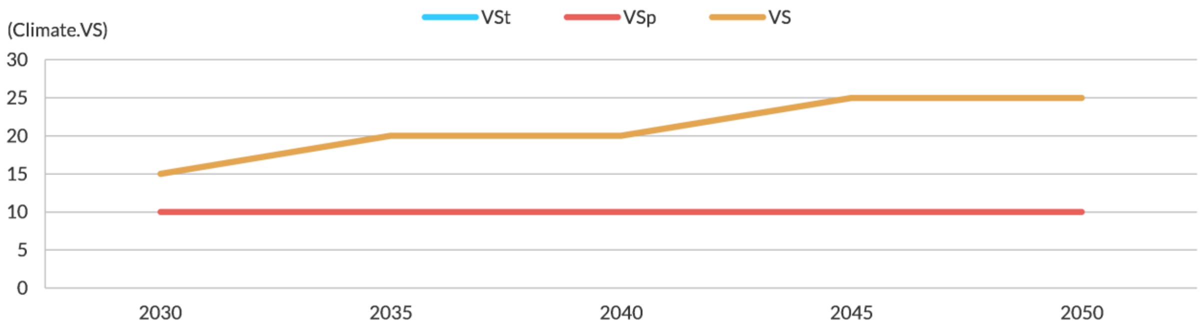
Not applicable.

## Climate Vulnerability Signals

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's *LRG Rating Criteria*.

The Climate.VS for 2035 is 20 out of 100. This reflects a VSp of 10 and a VSt of 20.

**Climate Vulnerability Signals**




Source: Fitch Ratings

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

# Appendix A: Financial Data

## State of North Rhine-Westphalia

| (EURm) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026rc | 2027rc | 2028rc | 2029rc | 2030rc |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal performance** | | | | | | | | | | |
| Taxes | 68,385 | 74,105 | 73,984 | 76,845 | 80,874 | 82,491 | 84,636 | 86,752 | 89,355 | 92,035 |
| Transfers received | 23,593 | 24,457 | 19,560 | 18,066 | 17,478 | 18,037 | 18,651 | 19,285 | 19,940 | 20,618 |
| Fees, fines and other operating revenue | 2,497 | 2,732 | 3,196 | 3,799 | 5,742 | 5,834 | 5,933 | 6,034 | 6,136 | 6,241 |
| Operating revenue | 94,475 | 101,294 | 96,740 | 98,710 | 104,094 | 106,362 | 109,220 | 112,071 | 115,431 | 118,894 |
| Operating expenditure | -90,271 | -94,141 | -87,800 | -87,212 | -90,951 | -96,408 | -98,818 | -101,289 | -103,821 | -106,416 |
| Operating balance | 4,204 | 7,153 | 8,940 | 11,498 | 13,143 | 9,954 | 10,402 | 10,782 | 11,610 | 12,478 |
| Interest revenue | 8 | 25 | 464 | 747 | 518 | 513 | 508 | 503 | 498 | 493 |
| Interest expenditure | -1,576 | -1,432 | -2,925 | -3,534 | -3,354 | -3,812 | -3,901 | -3,897 | -3,887 | -3,877 |
| Current balance | 2,636 | 5,746 | 6,479 | 8,711 | 10,307 | 6,655 | 7,009 | 7,388 | 8,221 | 9,094 |
| Capital revenue | 1,917 | 2,531 | 2,583 | 3,053 | 2,278 | 2,898 | 2,770 | 2,861 | 2,909 | 3,007 |
| Capital expenditure | -8,953 | -12,430 | -10,771 | -10,318 | -10,386 | -12,567 | -12,064 | -12,426 | -12,675 | -13,055 |
| Capital balance | -7,036 | -9,899 | -8,188 | -7,265 | -8,108 | -9,669 | -9,294 | -9,565 | -9,766 | -10,048 |
| Total revenue | 96,400 | 103,850 | 99,787 | 102,510 | 106,890 | 109,773 | 112,498 | 115,435 | 118,838 | 122,394 |
| Total expenditure | -100,800 | -108,003 | -101,496 | -101,064 | -104,691 | -112,787 | -114,783 | -117,612 | -120,383 | -123,348 |
| Surplus (deficit) before net financing | -4,400 | -4,153 | -1,709 | 1,446 | 2,199 | -3,014 | -2,285 | -2,177 | -1,545 | -954 |
| New direct debt borrowing | 15,534 | 18,245 | 13,988 | 11,389 | 11,519 | 17,850 | 11,206 | 9,993 | 11,101 | 8,984 |
| Direct debt repayment | -15,389 | -14,013 | -13,133 | -13,051 | -13,718 | -10,144 | -11,194 | -10,412 | -11,520 | -9,403 |
| Net direct debt movement | 145 | 4,232 | 855 | -1,662 | -2,199 | 7,706 | 12 | -419 | -419 | -419 |
| Overall results | -4,255 | 79 | -854 | -216 | 0 | 4,692 | -2,273 | -2,596 | -1,964 | -1,373 |
| **Debt and liquidity** | | | | | | | | | | |
| Short-term debt | 0 | 0 | 0 | 800 | 1,050 | 12,244 | 11,462 | 12,570 | 10,453 | 12,722 |
| Long-term debt | 158,773 | 163,000 | 163,859 | 160,859 | 160,157 | 156,719 | 157,563 | 156,086 | 157,834 | 155,196 |
| Intergovernmental debt | 896 | 800 | 785 | 745 | 699 | 649 | 599 | 549 | 499 | 449 |
| Direct debt | 159,669 | 163,800 | 164,644 | 162,404 | 161,906 | 169,612 | 169,624 | 169,205 | 168,786 | 168,367 |
| Other Fitch-classified debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted debt | 159,669 | 163,800 | 164,644 | 162,404 | 161,906 | 169,612 | 169,624 | 169,205 | 168,786 | 168,367 |
| Guarantees issued (excluding adjusted debt portion) | 6,678 | 6,299 | 5,568 | 5,429 | 5,370 | 5,370 | 5,370 | 5,370 | 5,370 | 5,370 |
| Majority-owned GRE debt and other contingent liabilities | 5,482 | 5,482 | 5,753 | 5,655 | 5,751 | 5,751 | 5,751 | 5,751 | 5,751 | 5,751 |
| Overall adjusted debt | 171,829 | 175,581 | 175,965 | 173,488 | 173,027 | 180,733 | 180,745 | 180,326 | 179,907 | 179,488 |
| Total cash, liquid deposits, and sinking funds | 13,346 | 18,539 | 14,924 | 9,394 | 6,693 | 11,385 | 9,111 | 6,515 | 4,552 | 3,179 |
| Restricted cash | 3,400 | 1,772 | 818 | 740 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unrestricted cash | 9,946 | 16,767 | 14,106 | 8,654 | 6,693 | 11,385 | 9,111 | 6,515 | 4,552 | 3,179 |
| Net adjusted debt | 149,723 | 147,033 | 150,538 | 153,750 | 155,213 | 158,227 | 160,513 | 162,690 | 164,234 | 165,188 |
| Net overall debt | 161,883 | 158,814 | 161,859 | 164,834 | 166,334 | 169,348 | 171,634 | 173,811 | 175,355 | 176,309 |
| Enhanced net adjusted debt | 148,827 | 146,233 | 149,753 | 153,005 | 154,514 | 157,578 | 159,914 | 162,141 | 163,735 | 164,739 |
| Enhanced net overall debt | 160,987 | 158,014 | 161,074 | 164,089 | 165,635 | 168,699 | 171,035 | 173,262 | 174,856 | 175,860 |
| **Memo:** | | | | | | | | | | |
| Debt in foreign currency/direct debt (%) | 7 | 8 | 6 | 5 | 6 | - | - | - | - | - |
| Issued debt/direct debt (%) | 99 | 100 | 79 | 79 | 79 | - | - | - | - | - |
| Floating interest rate debt/direct debt (%) | 0 | 17 | 7 | 14 | 14 | - | - | - | - | - |

rc - rating case
Source: Fitch Ratings, State of North Rhine-Westphalia

## Appendix B: Financial Ratios

### State of North Rhine-Westphalia

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026rc | 2027rc | 2028rc | 2029rc | 2030rc |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal performance ratios (%)** | | | | | | | | | | |
| Operating balance/operating revenue | 4.5 | 7.1 | 9.2 | 11.7 | 12.6 | 9.4 | 9.5 | 9.6 | 10.1 | 10.5 |
| Current balance/current revenue | 2.8 | 5.7 | 6.7 | 8.8 | 9.9 | 6.2 | 6.4 | 6.6 | 7.1 | 7.6 |
| Operating revenue annual growth | 3.7 | 7.2 | -4.5 | 2.0 | 5.5 | 2.2 | 2.7 | 2.6 | 3.0 | 3.0 |
| Operating expenditure annual growth | -3.0 | 4.3 | -6.7 | -0.7 | 4.3 | 6.0 | 2.5 | 2.5 | 2.5 | 2.5 |
| Surplus (deficit) before net financing/total revenue | -4.6 | -4.0 | -1.7 | 1.4 | 2.1 | -2.7 | -2.0 | -1.9 | -1.3 | -0.8 |
| Surplus (deficit) before net financing/GDP | -0.6 | -0.5 | -0.2 | 0.2 | 0.3 | -0.3 | -0.2 | -0.2 | -0.2 | -0.1 |
| Total revenue annual growth | 3.4 | 7.7 | -3.9 | 2.7 | 4.3 | 2.7 | 2.5 | 2.6 | 3.0 | 3.0 |
| Total expenditure annual growth | -3.8 | 7.2 | -6.0 | -0.4 | 3.6 | 7.7 | 1.8 | 2.5 | 2.4 | 2.5 |
| **Debt ratios** | | | | | | | | | | |
| **Primary metrics** | | | | | | | | | | |
| Economic liability burden (%) | 59.5 | 65.5 | 64.1 | 65.2 | 64.4 | 65.7 | 67.1 | 67.1 | 67.6 | 68.1 |
| Enhanced economic liability burden (%) | 59.4 | 65.4 | 64.0 | 65.1 | 64.3 | 65.6 | 67.0 | 67.1 | 67.6 | 68.0 |
| Payback ratio (net adjusted debt/operating balance) (x) | 35.6 | 20.6 | 16.8 | 13.4 | 11.8 | 15.9 | 15.4 | 15.1 | 14.1 | 13.2 |
| **Secondary metrics** | | | | | | | | | | |
| Fiscal debt burden (net debt/operating revenue) (%) | 158.5 | 145.2 | 155.6 | 155.8 | 149.1 | 148.8 | 147.0 | 145.2 | 142.3 | 138.9 |
| Synthetic debt service coverage ratio (x) | 0.4 | 0.7 | 0.8 | 1.0 | 1.1 | 0.8 | 0.8 | 0.8 | 0.9 | 1.0 |
| Actual debt service coverage ratio (x) | 0.2 | 0.5 | 0.6 | 0.7 | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 |
| **Other debt ratios** | | | | | | | | | | |
| Liquidity coverage ratio (x) | 0.8 | 1.1 | 1.6 | 1.5 | 1.3 | 1.2 | 1.4 | 1.4 | 1.2 | 1.3 |
| Direct debt maturing in one year/total direct debt (%) | 8.6 | 8.0 | 7.9 | 8.9 | 6.9 | 7.2 | 6.8 | 7.4 | 6.2 | 7.6 |
| Direct debt (annual % change) | 2.4 | 2.6 | 0.5 | -1.4 | -0.3 | 4.8 | 0.0 | -0.3 | -0.3 | -0.3 |
| Apparent cost of direct debt (interest paid/direct debt) (%) | 1.0 | 0.9 | 1.8 | 2.2 | 2.1 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| **Revenue ratios (%)** | | | | | | | | | | |
| Tax revenue/total revenue | 70.9 | 71.4 | 74.1 | 75.0 | 75.7 | 75.1 | 75.2 | 75.2 | 75.2 | 75.2 |
| Current transfers received/total revenue | 24.5 | 23.6 | 19.6 | 17.6 | 16.4 | 16.4 | 16.6 | 16.7 | 16.8 | 16.9 |
| Interest revenue/total revenue | 0.0 | 0.0 | 0.5 | 0.7 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Capital revenue/total revenue | 2.0 | 2.4 | 2.6 | 3.0 | 2.1 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 |
| **Expenditure ratios (%)** | | | | | | | | | | |
| Staff expenditure/total expenditure | 28.8 | 28.1 | 31.1 | 33.3 | 33.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current transfers made/total expenditure | 46.5 | 45.8 | 47.8 | 46.0 | 46.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expenditure/total expenditure | 1.6 | 1.3 | 2.9 | 3.5 | 3.2 | 3.4 | 3.4 | 3.3 | 3.2 | 3.1 |
| Capital expenditure/total expenditure | 8.9 | 11.5 | 10.6 | 10.2 | 9.9 | 11.1 | 10.5 | 10.6 | 10.5 | 10.6 |

rc - rating case
Source: Fitch Ratings, State of North Rhine-Westphalia

## Appendix C: Data Adjustments

### Net Adjusted Debt Calculations

Fitch's net adjusted debt of EUR155.2 billion at end-2025 reflects NRW's direct debt (EUR161.9 billion) less unrestricted cash (EUR6.7 billion). NRW's directs debt consists of EUR161.2 billion of capital market debt and EUR0.7 billion of intergovernmental debt.

### Synthetic Coverage Calculation

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess the German state's LRGs' debt sustainability.

### Specific Adjustments

None.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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