

# State of North Rhine-Westphalia

The affirmation 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':** In Fitch's rating-case scenario, NRW's economic liability burden will increase to 70.2% in 2029 from 65.6% in 2024 while its payback ratio will decrease slightly to 13.3x from 13.4x. Debt service coverage (Fitch's synthetic calculation) will remain at 0.9x and the fiscal debt burden will fall to 140.8% from 155.8%. 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 (LT) 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.

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](http://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

North Rhine-Westphalia is the most populated state in Germany (2024: 18.2 million inhabitants) and the largest contributor to Germany's economy, at about 20% of GDP.

## Financial Data Summary

(EURm)	2024	2029rc
Economic liability burden (%)	65.6	70.2
Payback ratio (x)	13.4	13.3
Synthetic coverage (x)	1.0	0.9
Actual coverage (x)	0.7	1.1
Fiscal debt burden (%)	155.8	140.8
Net adjusted debt	153,750	158,217
Operating balance	11,498	11,886
Operating revenue	98,710	112,397
Debt service	16,585	10,899
Mortgage-style debt annuity	12,109	12,685

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

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)  
[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

## Related Research

[Fitch Affirms State of North Rhine-Westphalia at 'AAA'; Outlook Stable \(May 2025\)](#)  
[German Laender – Peer Credit Analysis \(April 2025\)](#)

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## Rating Synopsis

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

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments					Standalone Credit Profile (SCP)	From SCP to LT FC IDR				
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric		Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Rating floor	LT IDR Outlook	
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Economic Liability Burden	Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)							
Stronger	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	Stronger	aaa	aaa	aaa	aaa	aaa	aaa			AAA	AAA	Stable
								aa+								AA+	AA+	
								aa								AA	AA	
								aa-								AA-	AA-	
								a+								A+	A+	
Midrange							Midrange	aa	aa	aa	aa	aa	a			A	A	
								a-								A-	A-	
								bbb+								BBB+	BBB+	
								bbb								BBB	BBB	
								bbb-								BBB-	BBB-	
Weaker							Weaker	bb	bbb	bbb	bbb	bbb	bb+			BB+	BB+	
								bb								BB	BB	
								bb-								BB-	BB-	
								b+								B+	B+	
								b								B	B	
Vulnerable							Vulnerable	bb	bb	bb	bb	bb	b-			B-	B-	
								ccc+								CCC+	CCC+	
								ccc								CCC	CCC	
								ccc-								CCC-	CCC-	
								cc								CC	CC	
								b	b	b	b	b	c			C	C	

Higher Influence KRF

Lower Influence KRF

Higher Influence KRF Lower Influence KRF

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 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 had a population of almost 18.2 million at end-2024, based on an extrapolation of the 2022 census. NRW is the largest contributor to Germany's economy, accounting for about 20% of GDP. NRW's GDP per capita income in 2024 of EUR47,916 was almost 6% below Germany's average of EUR50,819.

NRW's economic profile is largely in line with the German average. NRW's manufacturing sector is important, and its economy is well diversified, with the chemicals, pharmaceuticals, automotive, automotive supply and retail sectors having a significant role.

The state's GDP shrank by -0.4% in real terms to a nominal EUR871.9 billion in 2024, which was slightly deeper than Germany's -0.2% real GDP contraction. In 2024, high energy prices in Germany and lagging industrial output negatively affected NRW's economic development owing to the state's energy-intensive industry, especially in the

automotive segment. However, we expect these industries to be less affected in 2025 due to lower energy costs. Fitch anticipates German real GDP growth of 0.1% in 2025, and 1.1% in 2026 (no data are available for the state).

NRW's rate of unemployment was 7.5% in 2024 (Germany: 6%), the third highest among western German states. NRW'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 has an above-average number of people who are not in work.

### Socioeconomic Indicators

	North Rhine-Westphalia	Germany
Population, 2024 (m)	18.2	84.7
GDP per capita, 2024 (EUR)	47,916.0	50,819.0
GRP growth, 2024 (%)	-0.4	-0.2
Inflation, 2024 (%)	2.2	2.2
Unemployment rate, 2024 (%)	7.5	6.0

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

The 'Stronger' risk profile also reflects NRW'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.

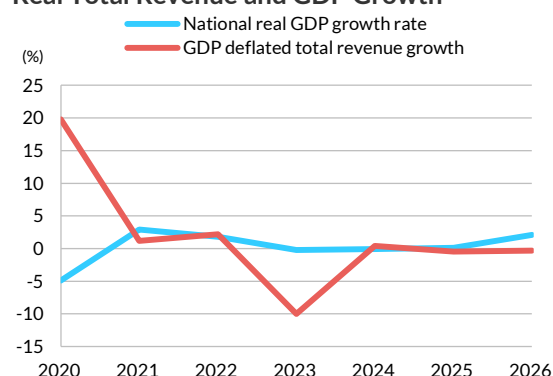
The assessment reflects Fitch's view of a low risk relative to international peers that NRW's ability to cover debt service with the operating balance may weaken unexpectedly over the forecast period (2025-2029) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt service requirements.

### Revenue Robustness: Stronger

The high share of stable revenue sources due to the strong and diversified tax base and stable transfers from the Bund drive this assessment. 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 2024, the share was 49.1% for the Laender, 48.1% for the Bund and 2.8% for the municipalities. In 2024, revenue from tax comprised three-quarters of NRW's total, with PIT and VAT the largest contributors, at 36.7% and 33.2%, respectively. These taxes have grown consistently.

### Real Total Revenue and GDP Growth



Source: Fitch Ratings, State of North Rhine-Westphalia

### Revenue Breakdown, 2024

	Operating revenue (%)	Total revenue (%)
PIT	35.8	34.4
VAT	33.1	31.8
Other taxes	9.0	8.7
Transfers	18.2	17.5
Other operating revenue	3.9	3.8
<b>Operating revenue</b>	<b>100.0</b>	<b>96.3</b>
Interest revenue	-	0.7
Capital revenue	-	3.0
<b>Total revenue</b>	<b>-</b>	<b>100.0</b>

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

### 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 the 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.

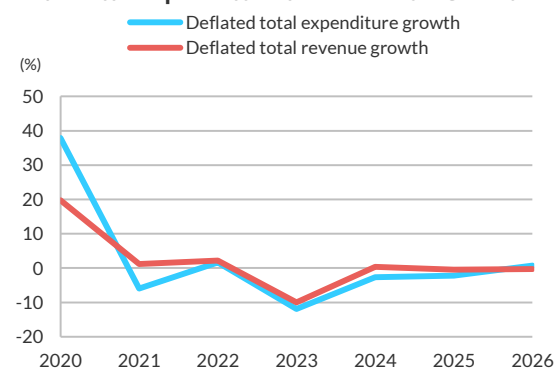
NRW is a net receiver of financial equalisation and in 2024 received EUR847 million (2023: EUR1.2 billion) based on preliminary figures, or about 0.8% of its total revenue.

### Expenditure Sustainability: Stronger

Laender have a prudent spending record. Their main items consist of education and science, security, and infrastructure. In times of economic stress, the Bund carries out anti-cyclical measures. Laender have been cutting costs since 2010 to comply with the country's debt-brake rule (that came into force in 2020), keeping growth in opex below operating revenue. Cost-consolidation measures are subject to the supervision of the German Stability Council.

Like all Laender, NRW works closely with the Bund in times of crisis, most recently shown during the Covid-19 pandemic and the refugee crisis. The Bund has provided special grants to the Laender to help them tackle further burdens from the refugee crisis. This means that even if expenditure suddenly increases, the additional burden is usually met by an adequate revenue stream.

### Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, State of North Rhine-Westphalia

### Expenditure Breakdown, 2024

	Operating expenditure (%)	Total expenditure (%)
Staff cost	38.5	33.3
Goods and services	8.1	7.0
Transfers	53.3	46.0
<b>Operating expenditure</b>	<b>100.0</b>	<b>86.3</b>
Interest expenditure	-	3.5
Capital expenditure	-	10.2
<b>Total expenditure</b>	<b>-</b>	<b>100.0</b>

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

**Expenditure Adjustability: Stronger**

Since 2020, 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. Despite its limited capex adjustability, NRW has a strong record of cost consolidation.

Personnel costs and transfers accounted for 79.3% of NRW's total expenditure in 2024, while capex accounted for a low 10.2%. Rises in operating revenue usually outpace opex. However, in 2020-2024, NRW's operating revenue increased by an average 5.4%, while opex growth averaged 5.9%, due to higher spending needs during the pandemic.

The operating margin declined to -2.2% in 2020 due to the pandemic that resulted in higher operating costs and transfers, which were mostly provided by the Bund as a temporary crisis measure. NRW's operating margin has improved to 11.7% in 2024 from 4.5% in 2021 on strong revenue growth, mainly driven by a large rise in tax revenue.

**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 large subnational 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. The amount of contingent liabilities from the deficiency guarantees provided to former Landesbanken is mostly declining. NRW has prudent debt management, predominantly funding its maturing debt with bond issues in 2024. Exposure to foreign-currency debt is fully hedged and its floating-rate issues are mostly hedged.

Having peaked in 2008 during the financial crisis, the central bank rate steadily declined to zero by 2022. NRW was able to take advantage of low interest rates and has extended its maturity profile, with bond maturities up to 100 years; about half of its debt portfolio matures after 2035. This reduces the risk of a future high interest expenditure burden. In 2024, NRW refinanced EUR10.1 billion with an average interest rate fixed for 14.1 years.

The central bank rate increased rates to 4.5% in 2024, but is now easing. The ECB recently lowered rates by 25bp to 2.4%, and NRW has been able to maintain its relatively low average interest rate (2024: 1.86%). NRW has an even maturity profile and its frequent refinancing needs will average EUR7 billion-14 billion a year between 2025 and 2029 (below 10% of its direct debt). NRW also placed its 11th Sustainable Bond in October 2024, amounting to EUR1.25 billion with a five-year maturity. Since 2015, NRW has successfully placed more than EUR22 billion of sustainable bonds.

At end-2024, NRW had direct debt of EUR161.7 billion, comprising bonds (80%) and loans (20%). The average weighted maturity was 19.3 years, and the average interest rate was 1.86% (in relation to the fixed-rate debt outstanding, which accounted for 86% at end-2024). It included NRW's rescue pack (Rettungsschirm), which amounted to about EUR15.3 billion at end-2024, down from EUR18.3 billion in 2023. It was established in 2020 to tackle the effects of the pandemic; repayment started in 2023 with a EUR1.6 billion instalment. In 2024, NRW repaid EUR3 billion and in 2025; NRW plans to repay up to EUR1.9 billion; and from 2026, EUR350 million annually.

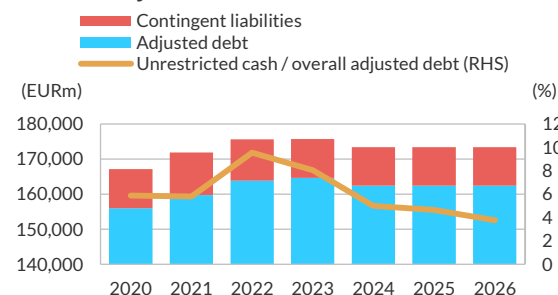
In 2023, NRW's parliament declared an "extraordinary emergency situation" because of the war in Ukraine, higher costs for energy and for the influx of refugees. As a result, a special fund (Sondervermögen Krisenbewältigung) was established, under which drawdowns of up to a total EUR5 billion were allowed until end-2023. NRW drew EUR2.45 billion from this fund in 2023, to be repaid with a EUR40 million instalment in 2024 and annual payments of EUR80 million from 2025.

At end-2024, NRW had EUR10.9 billion in guarantees and contingent liabilities, of which EUR5.4 billion is guarantees granted and 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 in 2024 by almost 6% year on year, and its banking book by 96% since 2012.

Fitch assumes NRW is financially liable for the debt of its shareholdings, specifically those in which the state holds at least a 50.1% stake, excluding NRW.BANK and Portigon. We consider NRW to be liable for 31 shareholdings, which collectively had a fairly low total debt of about EUR400 million at end-2023 (based on the most recent data). The debt and other contingent liabilities of majority-owned GREs amount to EUR5,507 million, and includes EUR5,340 million liabilities of NRW's Bau- und Liegenschaftsbetrieb, a real estate entity, as at end-2023.

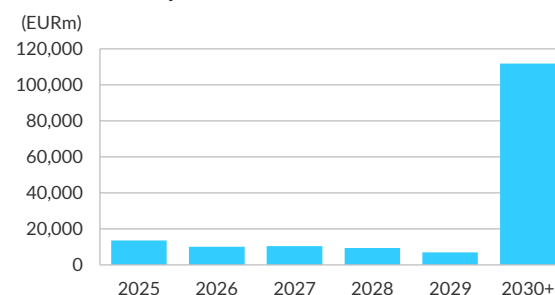
NRW is also liable for all obligations of the fully owned NRW.BANK, which has a deficiency guarantee (Gewährträgerhaftung) and a maintenance obligation (Anstaltslast). The explicit guarantee enables the bank to meet its obligations, totalling EUR136.2 billion in funding and derivatives at end-2023). 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

	2024
Fixed rate (% of direct debt)	86
Debt in foreign currency (% of direct debt)	5
Apparent cost of debt (%)	2
Weighted average life of debt (years)	13.9

Source: Fitch Ratings, State of North Rhine-Westphalia

### Liquidity

(EURm)	2024
Total cash, liquid deposits and sinking funds	8,654
Restricted cash	740
Cash available for debt service	7,914
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	$X \leq 40$	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$40 < X \leq 70$	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
<b>a</b>	<b><math>70 &lt; X \leq 100</math></b>	$9 < X \leq 13$	$1.5 \leq X < 2$	<b><math>100 &lt; X \leq 150</math></b>
bbb	$100 < X \leq 140$	<b><math>13 &lt; X \leq 18</math></b>	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$140 < X \leq 180$	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 180$	$X > 25$	<b><math>X &lt; 1</math></b>	$X > 250$

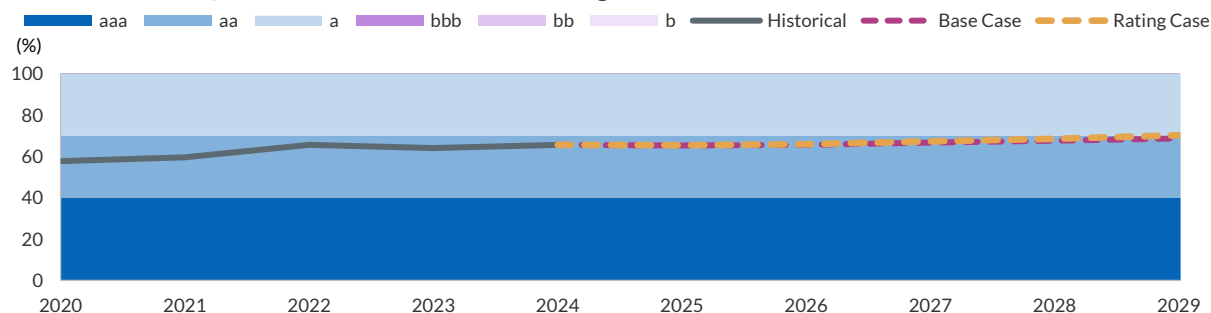
Note: Yellow highlights show metric ranges applicable to Issuer

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 economic liability burden (ELB; primary metric) at 70.2% in our rating case for 2029 (2024: 65.6%), which corresponds to the 'a' category. We assess the debt payback ratio at 13.3x ('bbb' category), the secondary metric; the synthetic debt service coverage at 0.9x ('b') and the fiscal debt burden at 140.8% ('a'). This leads to a financial profile assessed at 'a'. This is driven by the ELB being at the lower end of the 'a' category, close to the 'aa' 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 2020-2024 published figures and our expectations for 2025-2029:

- Annual average 2.6% increase in operating revenue, including tax revenue and transfers received growth of 2.6% and 2.9%, respectively;
- Annual average 2.9% increase in operating spending, considering uncertainties about opex costs in light of increasing social spending;
- Annual net capex averaging EUR8,970 million, above the 2020-2024 average of EUR8,138 million, reflecting the state's plan to improve infrastructure and to cope with the growing demand of educational and social infrastructure;
- Average cost of debt of 2.4% a year, to reflect increasing interest expenditure following the long period of very low interest rates, and despite the ECB's current policy of reducing rates.



## Scenario Assumptions Summary

Assumptions	Five-Year Historical Average	2025 - 2029 Average	
		Base Case	Rating Case
Operating revenue growth (%)	5.4	3.0	2.6
Tax revenue growth (%)	4.4	3.0	2.6
Current transfers received growth (%)	9.5	2.9	2.9
Operating expenditure growth (%)	5.7	2.3	2.9
Net capital expenditure (average per year; m)	-8,138	-8,970	-8,970
Apparent cost of debt (%)	1.4	2.2	2.4

Outcomes	2024	2029	
		Base Case	Rating Case
Economic liability burden (%)	65.6	68.8	70.2
Payback ratio (x)	13.4	8.7	13.3
Overall payback ratio (x)	14.3	9.3	14.2
Actual coverage ratio (x)	0.7	1.6	1.1
Synthetic coverage ratio (x)	0.9	1.5	0.9
Fiscal debt burden (%)	155.8	125.9	140.8

Source: Fitch Ratings, State of North Rhine-Westphalia

Fitch's net adjusted debt of EUR153.8 billion at end-2024 reflects NRW's direct debt (2024: EUR162.5 billion) less unrestricted cash (2024: EUR8.7 billion). NRW's direct debt of EUR161.7 billion consists of EUR160.9 billion of capital market debt and EUR0.8 billion of intergovernmental debt.

Under our rating-case, we expect NRW's direct debt to be stable in 2025, after NRW repaid EUR3 billion to the Rettungsschirm in April 2024. However, NRW has can incur additional debt of up to about EUR2.1 billion in 2024, compliant with the debt brake (Konjunkturkomponente im Rahmen der Schuldenbremse). NRW could make use of this credit allowance in 2025, as the most recent tax estimate of May 2025 is for lower tax revenues for the Laender compared to the previous one from October 2024. However, the final effect for NRW is currently uncertain.

NRW's net overall debt of EUR164.7 billion also includes state guarantees (2024: EUR5.4 billion), debt of majority-owned government-related entities and other contingent liabilities (2023, latest available data: EUR5.5 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

Fitch publicly rates 11 German states. One has an SCP at 'aaa', five at 'aa+', three at 'aa', one at 'aa-' and one at 'a'.

NRW compares well with other rated Laender with an SCP of 'aa+': Lower Saxony (AAA/Stable), Mecklenburg-Western Pomerania (AAA/Stable), Rhineland-Palatinate (AAA/Stable) and Thuringia (AAA/Stable). Its closest peers are Lower Saxony and Rhineland-Palatinate. This is driven by their ELBs, which was 65% for NRW in 2024 and 64% for Lower Saxony and 65% for Rhineland-Palatinate, together with payback ratios at 13.1% for NRW, 14.2% for Lower Saxony and 12.5% for Rhineland-Palatinate in 2024.



NRW is specific among Laender, as it mirrors the whole of Germany, but all three states have diversified economies. NRW has a much larger population (18.2 million in 2024 compared to Lower Saxony's 8.2 million and Rhineland-Palatinate's 4.2 million).

For international peers, we have chosen British Columbia in Canada and three Australian states, most of which have similar ELBs and SCPs of 'aa+', except for British Columbia having the highest ELB among the peer group and an SCP of 'aa'.

	Risk Profile	Financial Profile Score	SCP	Rating floor	LT IDR
North Rhine-Westphalia, State of	Stronger	a	aa+	AAA	AAA/Stable
Lower Saxony, State of	Stronger	a	aa+	AAA	AAA/Stable
Rhineland-Palatinate, State of	Stronger	a	aa+	AAA	AAA/Stable
British Columbia, Province of	Stronger	a	aa	N/A	AA+/Negative
Queensland, State of	Stronger	a	aa+	N/A	AA+/Stable
South Australia, State of	Stronger	a	aa+	N/A	AA+/Stable
Victoria, State of	Stronger	a	aa+	N/A	AA+/Stable

## Long Term Rating Derivation

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

SCP	Sovereign LT FC IDR	Support		Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
		Intergovern. Financing	Ad hoc Support			
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 primarily 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 respective Long- and Short-Term IDRs.

## Criteria Variation

Not applicable.

## 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 <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## Appendix A: Financial Data

### State of North Rhine-Westphalia

(EURm)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
<b>Fiscal Performance</b>										
Taxes	61,034	68,385	74,105	73,984	76,845	78,920	80,104	82,347	85,064	87,446
Transfers received	27,733	23,593	24,457	19,560	18,066	18,518	19,073	19,645	20,235	20,842
Fees, fines and other operating revenues	2,350	2,497	2,732	3,196	3,799	3,871	3,929	3,988	4,048	4,109
Operating revenue	91,117	94,475	101,294	96,740	98,710	101,309	103,106	105,980	109,347	112,397
Operating expenditure	-93,080	-90,271	-94,141	-87,800	-87,212	-90,352	-92,520	-94,926	-97,584	-100,511
Operating balance	-1,962	4,204	7,153	8,940	11,498	10,957	10,586	11,054	11,763	11,886
Interest revenue	31	8	25	464	747	740	732	725	718	710
Interest expenditure	-1,384	-1,576	-1,432	-2,925	-3,534	0	0	0	0	0
Current balance	-3,315	2,636	5,746	6,479	8,711	11,697	11,318	11,779	12,481	12,596
Capital revenue	2,043	1,917	2,531	2,583	3,053	2,531	2,688	2,725	2,728	2,810
Capital expenditure	-10,344	-8,953	-12,430	-10,771	-10,318	-10,948	-11,627	-11,792	-11,803	-12,161
Capital balance	-8,301	-7,036	-9,899	-8,188	-7,265	-8,417	-8,939	-9,067	-9,075	-9,351
Total revenue	93,192	96,400	103,850	99,787	102,510	104,580	106,526	109,430	112,793	115,917
Total expenditure	-104,807	-100,800	-108,003	-101,496	-101,064	-101,300	-104,147	-106,718	-109,387	-112,672
Surplus (deficit) before net financing	-11,616	-4,400	-4,153	-1,709	1,446	3,280	2,379	2,712	3,406	3,245
New direct debt borrowing	26,808	15,534	18,245	13,988	11,389	13,658	10,110	10,386	9,475	7,001
Direct debt repayment	-15,430	-15,389	-14,013	-13,133	-13,051	-13,658	-10,110	-10,386	-9,475	-7,001
Net direct debt movement	11,379	145	4,232	855	-1,662	0	0	0	0	0
Overall results	-237	-4,255	79	-854	-216	3,280	2,379	2,712	3,406	3,245
<b>Debt and Liquidity</b>										
Short-term debt	828	0	0	0	800	10,912	11,188	10,277	7,801	10,900
Long-term debt	152,953	158,773	163,000	163,859	160,859	150,747	150,471	151,382	153,858	150,759
Intergovernmental debt	2,142	896	800	785	745	745	745	745	745	745
Direct debt	155,923	159,669	163,800	164,644	162,404	162,404	162,404	162,404	162,404	162,404
Other Fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	155,923	159,669	163,800	164,644	162,404	162,404	162,404	162,404	162,404	162,404
Guarantees issued (excluding adjusted debt portion)	5,612	6,678	6,299	5,568	5,429	5,429	5,429	5,429	5,429	5,429
Majority-owned GRE debt and other contingent liabilities	5,560	5,482	5,482	5,507	5,507	5,507	5,507	5,507	5,507	5,507
Overall adjusted debt	167,094	171,829	175,581	175,720	173,340	173,340	173,340	173,340	173,340	173,340
Total cash, liquid deposits, and sinking funds	9,800	13,346	18,539	14,924	9,394	8,035	6,516	5,331	4,839	4,187
Restricted cash	0	3,400	1,772	818	740	0	0	0	0	0
Unrestricted cash	9,800	9,946	16,767	14,106	8,654	8,035	6,516	5,331	4,839	4,187
Net adjusted debt	146,123	149,723	147,033	150,538	153,750	154,369	155,888	157,073	157,565	158,217
Net overall debt	157,294	161,883	158,814	161,614	164,686	165,305	166,824	168,009	168,501	169,153
Enhanced net adjusted debt	143,981	148,827	146,233	149,753	153,005	153,624	155,143	156,328	156,820	157,472
Enhanced net overall debt	155,152	160,987	158,014	160,829	163,941	164,560	166,079	167,264	167,756	168,408
<b>Memo:</b>										
Debt in foreign currency/direct debt (%)	6	7	8	6	5	-	-	-	-	-
Issued debt/direct debt (%)	98	99	100	79	79	-	-	-	-	-
Floating interest rate debt/direct debt (%)	9	0	17	7	14	-	-	-	-	-

rc - rating case

Source: Fitch Ratings, State of North Rhine-Westphalia

## Appendix B: Financial Ratios

### State of North Rhine-Westphalia

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
<b>Fiscal Performance Ratios</b>										
Operating balance/operating revenue (%)	-2.2	4.5	7.1	9.2	11.7	10.8	10.3	10.4	10.8	10.6
Current balance/current revenue (%)	-3.6	2.8	5.7	6.7	8.8	11.5	10.9	11.0	11.3	11.1
Operating revenue annual growth (%)	20.2	3.7	7.2	-4.5	2.0	2.6	1.8	2.8	3.2	2.8
Operating expenditure annual growth (%)	40.8	-3.0	4.3	-6.7	-0.7	3.6	2.4	2.6	2.8	3.0
Surplus (deficit) before net financing/total revenue (%)	-12.5	-4.6	-4.0	-1.7	1.4	3.1	2.2	2.5	3.0	2.8
Surplus (deficit) before net financing/GDP (%)	-1.7	-0.6	-0.5	-0.2	0.2	0.4	0.3	0.3	0.4	0.3
Total revenue annual growth (%)	18.9	3.4	7.7	-3.9	2.7	2.0	1.9	2.7	3.1	2.8
Total expenditure annual growth (%)	36.9	-3.8	7.2	-6.0	-0.4	0.2	2.8	2.5	2.5	3.0
<b>Debt Ratios</b>										
<b>Primary Metrics</b>										
Economic liability burden (%)	57.8	59.5	65.7	64.1	65.6	65.5	65.9	67.3	68.6	70.2
Enhanced economic liability burden (%)	57.5	59.4	65.6	64.0	65.6	65.4	65.8	67.2	68.5	70.1
Payback ratio (x) (net adjusted debt to operating balance)	-74.5	35.6	20.6	16.8	13.4	14.1	14.7	14.2	13.4	13.3
<b>Secondary Metrics</b>										
Fiscal debt burden (%) (net debt-to-operating revenue)	160.4	158.5	145.2	155.6	155.8	152.4	151.2	148.2	144.1	140.8
Synthetic debt service coverage ratio (x)	-0.2	0.4	0.7	0.8	1.0	0.9	0.8	0.9	0.9	0.9
Actual debt service coverage ratio (x)	-0.1	0.2	0.5	0.6	0.7	0.6	0.8	0.8	0.9	1.1
<b>Other Debt Ratios</b>										
Liquidity coverage ratio (x)	0.3	0.8	1.1	1.6	1.5	1.1	1.3	1.2	1.3	1.5
Direct debt maturing in one year/total direct debt (%)	9.4	8.6	8.0	7.9	8.9	6.7	6.9	6.3	4.8	6.7
Direct debt (annual % change)	8.3	2.4	2.6	0.5	-1.4	0.0	0.0	0.0	0.0	0.0
Apparent cost of direct debt (interest paid/direct debt) (%)	0.9	1.0	0.9	1.8	2.2	2.4	2.4	2.4	2.4	2.4
<b>Revenue Ratios</b>										
Tax revenue/total revenue (%)	65.5	70.9	71.4	74.1	75.0	75.5	75.2	75.3	75.4	75.4
Current transfers received/total revenue (%)	29.8	24.5	23.6	19.6	17.6	17.7	17.9	18.0	17.9	18.0
Interest revenue/total revenue (%)	0.0	0.0	0.0	0.5	0.7	0.7	0.7	0.7	0.6	0.6
Capital revenue/total revenue (%)	2.2	2.0	2.4	2.6	3.0	2.4	2.5	2.5	2.4	2.4
<b>Expenditure Ratios</b>										
Staff expenditure/total expenditure (%)	27.0	28.8	28.1	31.1	33.3	0.0	0.0	0.0	0.0	0.0
Current transfers made/total expenditure (%)	57.7	46.5	45.8	47.8	46.0	0.0	0.0	0.0	0.0	0.0
Interest expenditure/total expenditure (%)	1.3	1.6	1.3	2.9	3.5	0.0	0.0	0.0	0.0	0.0
Capital expenditure/total expenditure (%)	9.9	8.9	11.5	10.6	10.2	10.8	11.2	11.0	10.8	10.8

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 EUR153.8 billion at end-2024 reflects NRW's direct debt (2024: EUR162.5 billion) less unrestricted cash (2024: EUR8.7 billion). NRW's direct debt consists of EUR161.7 billion of capital market debt and EUR 0.8 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

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