FitchRatings

State of Bremen

Key Rating Drivers

Ratings Affirmed: The affirmation reflects Fitch Ratings' unchanged assumptions for rating the German Laender (federal states), under which the ratings are equalised with those of Germany (Bund; AAA/Stable/F1+).

Rating Derivation Summary: Bremen's Issuer Default Rating (IDRs) are linked to the Bund's. We assess its Standalone Credit Profile (SCP) at 'a'. The SCP results from a 'Stronger' risk profile and debt sustainability that Fitch assesses as 'bbb' 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 debt sustainability 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 Bremen's KRFs as 'Stronger'. The 'Stronger' risk profile also reflects its 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.

Debt Sustainability at 'bbb': In Fitch's rating-case scenario, Bremen's economic liability burden will decline to 84% in 2027 from 97.1% in 2022. Debt service coverage (Fitch's synthetic calculation) will be stable at 0.4x, and the fiscal debt burden will remain high at 296% (2022: 323%). Fitch's rating case is based on conservative GDP growth assumptions to test rating resilience through the economic cycle. It considers the ongoing burden from the refugee influx and uncertainties stemming from the Ukraine war.

Neutral Additional Rating Factors: Bremen's Long-Term IDR is rated on a par with the sovereign, reflecting its SCP of 'bbb' and the specific approach Fitch applies for the German Laender. Its rating does not consider any other extraordinary support from the Bund. No additional risk factors have been identified.

ESG Considerations: The highest ESG score is '3', meaning that ESG issues are credit neutral. These issues are minimally relevant to the rating due to the mission of the issuer and the institutional framework.

Rating Sensitivities

No Upgrade Is Possible: The ratings are at the highest level on Fitch's rating scale and, therefore, cannot be upgraded.

Sovereign Downgrade: A downgrade of the sovereign ratings would lead to a downgrade of Bremen.

An adverse change to the most important institutional feature, the solidarity principle, which Fitch views as unlikely, could lead to a downgrade of Bremen.

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

Bremen is one of the three German city-states, located in the north of Germany and is the smallest state in terms of population and area. It has a well-above-average wealth level and its GDP per capita of EUR56,901 in 2022 is 24% above that of the German average.

Financial Data Summary

Bremen, State of (EURm)	2022	2027rc
Economic liability burden (%)	97.1	84.0
Payback ratio (x)	20.4	29.0
Synthetic coverage (x)	0.6	0.4
Actual coverage (x)	0.6	0.4
Fiscal debt burden (%)	322.9	295.8
Net adjusted debt	22,960	24,134
Operating balance	1,127	833
Operating revenue	7,111	8,158
Debt service	1,914	1,920
Mortgage-style debt annuity	1,859	1,935

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Bremen

Applicable Criteria

International Local and Regional Governments Rating Criteria (September 2021)

Related Research

Fitch Affirms State of Bremen at 'AAA'; Outlook Stable (September 2023)

German Laender – Peer Review 2022 (December 2022)

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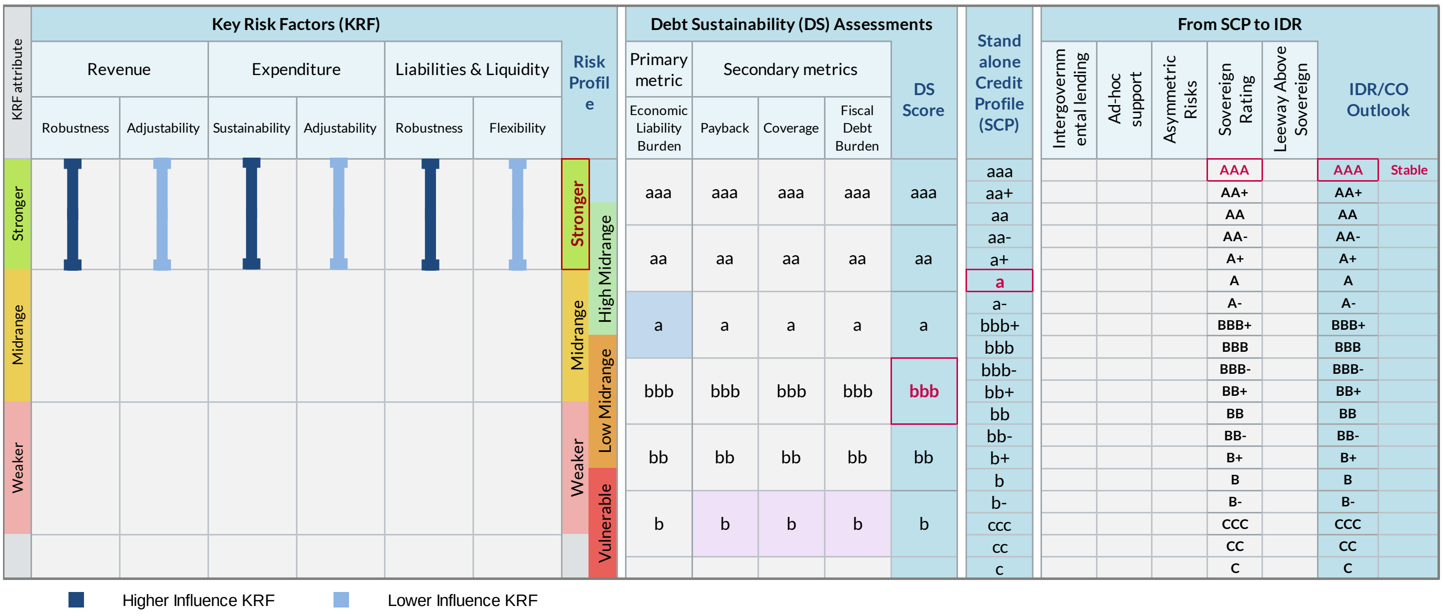
Rating Synopsis

State of Bremen IDR Derivation Summary



The six KRFs, combined according to their relative importance, collectively represent the risk profile of a local and regional government (LRG). We have assessed all of Bremen's KRFs as 'Stronger', resulting in a 'Stronger' risk profile. Debt sustainability 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. The SCP, together with some additional factors not captured in the SCP, like extraordinary support or rating cap, produce the IDR. Bremen's debt sustainability is assessed at 'bbb' and, in combination with a 'Stronger' risk profile, leads to an SCP of 'a'.

Bremen's economic liability burden is 84%, according to our updated rating case for 2023-2027. This results in an SCP in the 'a' category, despite the issuer's secondary metrics all being in the 'b' category.

Issuer Profile

Bremen is in north-western Germany and is the smallest of all the Laender, both in terms of population and area (419.38 sq km). It comprises two cities, Bremen and Bremerhaven.

At end-2022, the state had a total population of 680,100 people. Bremen's population increased in 2022, following two years of decline. Bremen's population is likely to increase over the next few years, driven by migration. Bremen attracts jobseekers that often stay while applying for unemployment benefits or social aid, given its status as a city-state. This partly explains why Bremen's unemployment rate (11% in August 2023) is the highest among the other states of Germany as a whole (5.8%).

Bremen's nominal GDP of EUR38.7 billion increased by 5.1% in 2022 in real terms, well above Germany's growth rate of 1.8%. Its GDP per capita of EUR56,901 in 2022 is the second-highest among the German states and is well above the national average of EUR45,993, partly due to its city-state status making it an attractive destination.

Bremen's economy is dominated by a broad services sector (trade, traffic, real estate and public services), which accounts for over 70% of gross value added. It is the second-most important export location after Hamburg due to its harbours. Most of its exports are food (fish, meat, dairy, tobacco and coffee) and Bremen is the most important reloading point for the automotive sector. The state also focuses on developing renewable energies.

Socioeconomic Indicators

	Bremen	Germany
Population, 2022 (m)	0.685	84,080
GDP per capita, 2022 (EUR)	56,480	45,993
GRP growth, 2022 (%)	5.1%	1.8%
Inflation, 2022 (%)	5.5%	5.5%
Unemployment rate, Dec. 2022 (%)	10.9%	5.4%

Source: Fitch Ratings, national statistics, Bremen

Risk Profile Assessment

Risk Profile: Stronger

Fitch assesses Bremen's risk profile as 'Stronger', reflecting the combination of the assessments below.

Risk Profile Assessment

Risk profile	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility
Stronger	Stronger	Stronger	Stronger	Stronger	Stronger	Stronger

Source: Fitch Ratings

Fitch assesses Bremen's risk profile as 'Stronger', as all six KRFs are assessed as 'Stronger'. The assessment reflects Fitch's view of a low risk relative to international peers that Bremen's ability to cover debt service with the operating balance may weaken unexpectedly over the forecast horizon (2023-2027) due to lower revenue, higher expenditure or an unexpected rise in liabilities or debt or debt-service requirements.

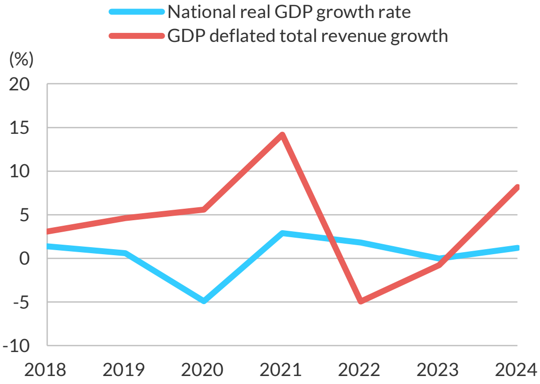
Revenue Robustness: Stronger

The 'Stronger' assessment is driven by the high share of stable revenue sources due to the strong and diversified tax base and stable transfers from the Bund. We view the Laender as resilient to any potential shocks, mitigating the risk of a shrinking revenue base.

The Laender's main revenue sources consist of common tax revenues (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% of CIT and 42.5% of PIT. The shares of VAT have a more complex allocation process and vary marginally. In 2022, the share was 50.5% for the Laender, 46.6% for the Bund and 2.8% for the municipalities.

In 2022, tax revenue was 63.4% (2021: 64%) of Bremen's total revenue, with PIT and VAT being the largest contributors, at 15.3% and 29.3%, respectively, in 2022. Except for 2022, Bremen's tax revenue growth was above the level of the national economy over the past five years.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Bremen

Revenue Breakdown, 2022

	Operating revenue (%)	Total revenue (%)
PIT	15.8	15.3
VAT	30.3	29.3
other taxes	19.6	18.9
Charges and fees	5.5	5.3
Transfers	28.7	27.7
Operating revenue	**100.0**	**96.5**
Interest revenue	-	0.7
Capital revenue	-	2.8
Total revenue	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Bremen

Revenue Adjustability: Stronger

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

The most recent reform of the financial equalisation system confirms the stability of revenue equalisation. This is likely to increase transfers from the Bund to the financially weaker Laender and to lower the burden of net donor states. Fitch views this as credit positive. Bremen is a net receiver and received EUR888 million (over 12% of its total revenue) in 2022 based on preliminary figures.

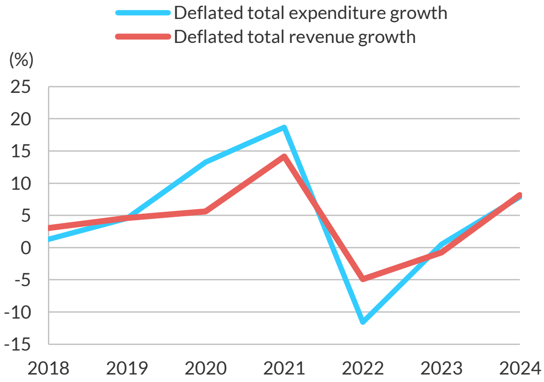
Expenditure Sustainability: Stronger

The Laender have a prudent record of control of operating expenditure (opex). The main spending items consist of administration costs towards tax authorities, education and science and social security, which are counter-cyclical in nature. In times of economic stress, anti-cyclical measures are carried out by the Bund.

The Laender have been applying cost-consolidation measures since 2010 to comply with the debt-brake rule starting in 2020. They have shown strong spending restraint since 2010 to keep opex growth below that of operating revenue. Cost-consolidation measures are subject to the supervision and control of the German Stability Board.

Bremen, in line with all 16 German States, is in a tight exchange with the Bund in times of crisis, most recently proved during the pandemic and within the ongoing refugee crisis. Additional burden stemming from these issues has been largely covered by the Bund. The Laender receive specific grants from the Bund, which they pass through to their municipalities as these are the governmental tier closest to the population. This means that even if expenditure increases due to a sudden need, the additional burden is usually compensated for by an adequate revenue stream, so that this effect is overall neutral for the states' budget.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Bremen

Expenditure Breakdown, 2022

	Operating expenditure (%)	Total expenditure (%)
Staff cost	34.6	27.7
Goods and services	22.1	17.7
Current transfers	43.3	34.7
Operating expenditure	**100.0**	**80.1**
Interest expenditure	-	7.6
Capital expenditure	-	12.3
Total expenditure	**-**	**100.1**

Source: Fitch Ratings, Fitch Solutions, Bremen

Expenditure Adjustability: Stronger

The Laender have effective budget rules in place and have shown a strong ability to limit expenditure growth ahead of the debt brake. They have a moderate share of inflexible spending items. In the case of Bremen, personal costs and transfers accounted for 77.9% of opex in 2022. Operating revenue growth usually outpaces the growth of opex. However, for 2018-2022, operating revenue grew by 6.2% on average, while opex growth was 7% on average, but this was driven by the pandemic.

Capital expenditure (capex) usually accounts for about 10% of the state's total spending and was 12.3% in 2022 (2021: 10.2%). To cope with the ongoing refugee influx and to move towards green energy, Bremen's senate has approved an additional debt allowance of EUR3 billion. The state, as a former ship building location, still has companies with high energy needs. Companies in the transition process towards green energy can apply for funds to support their high investment needs. To date, the state has not started funding this programme, but our rating case assumes the entire EUR3 billion will be invested in 2023-2027, reflected in the state's accounts as new debt and capital revenue with a corresponding capex. This is exempt from the debt brake rule (which stipulates that states should not take on new debt after 2020) and will be subject to a fixed repayment plan.

Bremen has a good record of cost consolidation to achieve balanced budgets over the past few years and has kept opex growth below operating revenue growth, despite its generally limited flexibility in adjusting capex. Bremen is legally obliged to run its budget without taking on new net debt from 2020, which Fitch views as positive for expenditure adjustability.

Liabilities and Liquidity Robustness: Stronger

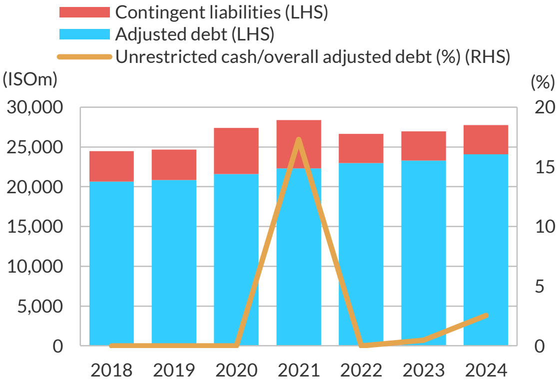
German Laender operate in a solid national framework for debt and liquidity management, and show strict market discipline, which Fitch views as credit positive. The Laender enjoy strong access to international capital markets, including Bund benchmark issues, given they are some of the largest subnational and most frequent issuers. However, following the most recent interest rate increases by the ECB, the Laender's interest burden is likely to rise after a long period of reductions. However, this risk is mitigated by the Laender extending their maturity profiles in recent years, including up to 100-year bond issues, or due to forward-rate agreements.

In general, the German Laender also face large contingent liabilities in the form of debt guarantees on behalf of their development banks and former Landesbanken, as well as their largely unfunded pension liabilities. The risk stemming from the Laender's commitments to their development banks is mitigated by the latter's adequate assets and conservative business profiles. In addition, the amount of contingent liabilities stemming from the deficiency guarantees provided to former Landesbanken is largely declining, and Bremen is not exposed to former Landesbanken debt.

Bremen has prudent debt management, predominantly funding its maturing debt with bond issues in 2022; its average lifetime of capital market debt was 11.9 years at end-2022. Bremen has the highest debt per capita of the German states and its direct debt of EUR22,960 million corresponds to a debt per capita of almost EUR33,264, while the average debt per capita of the German states is EUR7,218. For 2023, Bremen reported gross (net) funding requirements of EUR1.44 billion (EUR300 million), but Fitch views the states's capital market access as established and secure and considers Bremen's refinancing risk as minimal.

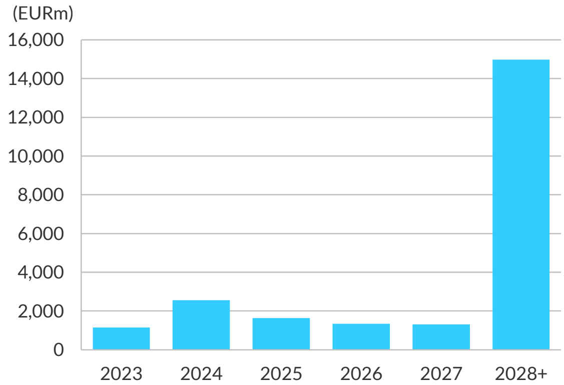
Bremen generally issues bonds to refinance its debt and is an opportunistic issuer of loans, in line with other Fitch-rated states. Together with a group of four to six other German states, Bremen is part of the joint bond Laender issue, a joint issue done by a group of Laender two to three times a year having a minimum amount of EUR1 billion. This is a well-established capital market instrument, which supports and diversifies the state's funding needs. The last joint jumbo issue was the 63rd bond issue in April 2023, further diversifying the state's funding sources.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Bremen

Direct Debt Maturity Profile, End-2022



Source: Fitch Ratings, Bremen

Liabilities and Liquidity Flexibility: Stronger

German Laender operate in a strong framework for emergency liquidity support provided by government upper tiers with a counterparty risk of 'AAA'. This established and active liquidity management system, together with the 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 as well as 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 itself 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 the Laender to support any single state in financial distress. This sub-factor is core to Fitch's rating approach for the German Laender.

Debt Analysis

	2022
Fixed rate (% of direct debt)	100
Issued debt (% of direct debt)	72
Apparent cost of debt (%)	2.5
Weighted average life of debt (years)	11.9

Source: Fitch Ratings, Bremen

Liquidity

(EURm)	2022
Total cash, liquid deposits and sinking funds	0
Restricted cash	0
Cash available for debt service	0
Undrawn committed credit lines	0

Source: Fitch Ratings, Bremen

Debt Sustainability Assessment

Debt Sustainability: 'bbb' Category

Debt Sustainability Metrics Summary

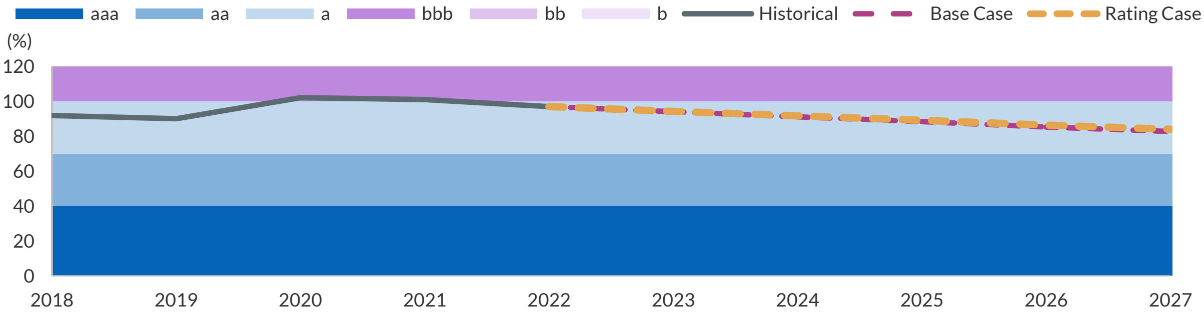
	Primary metric	Secondary metrics		
	Economic liability burden (%)	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 40	X ≤ 5	X >= 4	X ≤ 50
aa	40 < X ≤ 70	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	**70 < X ≤ 100**	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	100 < X ≤ 140	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < 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 considers Bremen as a Type A LRG under its criteria as the state has the ability to incur structural deficits and as the German Laender share some key attributes of sovereignty with the central government.

We assess Bremen's debt sustainability at the upper end of the 'bbb' category. All of Bremen's secondary metrics (payback ratio, coverage and fiscal debt burden) are in the 'b' category, which results in a final assessment of the debt sustainability at 'bbb'. This is despite an assessment of the primary metric (economic liability burden) in the 'a' category with the metric projected to be 84.0% in 2027, according to our rating case for 2023-2027. We also project the payback ratio will be 29.0x in 2027, the synthetic debt service coverage ratio will be 0.4x and the fiscal debt burden will be 295.8%.

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



Source: Fitch Ratings, Bremen

Fitch's base-case scenario considers the assumptions that are primarily derived from economic data, including Fitch's Global Economic Outlook and Germany's sovereign report as well as the issuer's forecast. Fitch's assumptions for cash flow in 2023-2027 are primarily based on economic data, in particular national nominal GDP growth and inflation forecasts.

Our rating-case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 208-2022 actual figures and 2023-2027 projected ratios. The rating case ends in 2027 and relies on the assumptions in the table below.

Scenario Assumptions Summary

		2023 - 2027 average	
Assumptions	**5-year historical average**	**Base case**	**Rating case**
Operating revenue growth (%)	6.2	2.9	2.8
Tax revenue growth (%)	8.4	4.1	3.9
Current transfers received growth (%)	2.2	-0.4	-0.4
Operating expenditure growth (%)	7.0	3.9	4.1
Net capital expenditure (average per year; m)	-523	-530	-530
Apparent cost of debt (%)	2.8	2.4	2.4

		2027	
Outcomes	**2022**	**Base case**	**Rating case**
Economic liability burden (%)	97.1	82.7	84.0
Payback ratio (x)	20.4	24.5	29.0
Overall payback ratio (x)	23.6	28.3	33.4
Actual coverage ratio (x)	0.6	0.5	0.4
Synthetic coverage ratio (x)	0.6	0.5	0.4
Fiscal debt burden (%)	322.9	286.6	295.8

Source: Fitch Ratings, Bremen

Bremen's net adjusted debt considers its short- and long-term debt, its intergovernmental debt as well as its unrestricted cash available.

Fitch's net adjusted debt at end-2022 of EUR22,960 million reflects Bremen's direct debt less unrestricted cash (2022: zero). Direct debt is likely to increase by EUR3 billion during 2023-2027. This is based on the state's decision to incur additional debt to cope with the ongoing needs stemming from the refugee crisis as well as to support the environmental transition of Bremen's economy towards green energy.

Bremen's net overall debt of EUR26,626 million also includes the state's guarantees (2022: EUR1,262 million) and the debt of its majority-owned government-related entities (GREs) and other contingent liabilities (2022: EUR2,404 million). Fitch views Bremen's contingent liabilities as low risk.

SCP Positioning and Peer Comparison

SCP Positioning Table

Risk Profile			**Debt Sustainability**			
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

Bremen is a German city-state, along with Berlin and Hamburg. City-states have a higher spending burden than regional states, as they need to undertake the functions belonging to both a city and a state. This means the three city-states have a higher debt burden than the other eight Fitch-rated German states, which translates into a debt per capita that is well above the national average. Bremen has, by far, the highest debt per capita of about EUR32,924 at end-2022, whereas Berlin has EUR15,943 and Hamburg EUR13,375. Out of the regional states, Saarland has the highest debt per capita at EUR13,127, with the average for all 16 states being EUR6,996.

Peer Comparison

	Risk Profile	Primary Metric (x)	SCP	IDR	Outlook/Watch
State of Bremen	Stronger	84.0	a	AAA	Stable
State of Saarland	Stronger	73.8	aa-	AAA	Stable
State of Berlin	Stronger	65.3	aa	AAA	Stable
State of Saxony-Anhalt	Stronger	65.9	aa	AAA	Stable
State of Schleswig-Holstein	Stronger	64.4	aa	AAA	Stable
State of North Rhine-Westphalia	Stronger	54.5	aa+	AAA	Stable
State of Lower-Saxony	Stronger	53.3	aa+	AAA	Stable

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to IDR: Factors Beyond the SCP

		Support						
SCP	Sovereign	Intergovern. Financing	Ad-hoc support	Floor	Asymmetric risks	Cap	Notches above the sovereign	IDR
a	AAA	--	--	AAA	-	AAA	-	AAA

Source: Fitch Ratings

The German Laender's IDRs are linked to the rating of the Bund. Bremen's SCP is assessed at 'a', which reflects a combination of a 'Stronger' risk profile and a 'bbb' debt sustainability assessment.

Bremen's IDRs are driven by the stability of the solidarity system that underpins the state's creditworthiness, irrespective of the key risk factors and debt sustainability assessment.

The solidarity system is enshrined in the German constitution and reflects the institutional framework of the Laender. According to the German 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.

Criteria Variation

Not applicable.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Appendix A: Financial Data

State of Bremen

(EURm)	2018	2019	2020	2021	2022	2023rc	2024rc	2025rc	2026rc	2027rc
Fiscal Performance										
Taxes	3,345	3,372	3,846	4,511	4,676	4,824	5,046	5,288	5,473	5,654
Transfers received	1,873	2,092	1,867	2,176	2,042	1,929	1,967	1,976	1,991	2,001
Fees, fines and other operating revenues	281	284	300	362	392	408	430	453	477	503
Operating revenue	5,499	5,748	6,013	7,048	7,111	7,161	7,443	7,717	7,941	8,158
Operating expenditure	-4,375	-4,659	-5,305	-6,591	-5,984	-6,298	-6,550	-6,798	-7,057	-7,325
Operating balance	1,124	1,089	708	457	1,127	863	893	919	884	833
Interest revenue	71	50	50	50	50	0	0	0	0	0
Interest expenditure	-608	-601	-612	-595	-572	-555	-568	-586	-600	-610
Current balance	587	538	146	-88	605	308	325	333	284	223
Capital revenue	162	199	225	240	206	456	1,026	863	652	593
Capital expenditure	-627	-607	-681	-817	-916	-972	-1,559	-1,397	-1,185	-1,125
Capital balance	-464	-408	-456	-577	-710	-516	-533	-534	-533	-532
Total revenue	5,733	5,997	6,288	7,338	7,367	7,617	8,469	8,580	8,593	8,751
Total expenditure	-5,610	-5,867	-6,598	-8,003	-7,472	-7,825	-8,677	-8,781	-8,842	-9,060
Surplus (deficit) before net financing	123	130	-310	-665	-105	-208	-208	-201	-249	-309
New direct debt borrowing	2,320	2,321	3,169	2,129	1,622	0	0	0	0	0
Direct debt repayment	-2,292	-2,321	-2,696	-1,601	-1,342	0	0	0	0	0
Net direct debt movement	28	0	473	529	280	331	789	670	470	420
Overall results	151	130	163	-137	175	123	581	469	221	111
Debt and Liquidity										
Short-term debt	0	0	0	0	732	2,560	1,630	1,340	1,310	1,500
Long-term debt	20,562	20,777	21,505	22,220	22,160	20,362	21,181	21,391	21,341	21,071
Intergovernmental debt	78	76	74	71	69	369	1,269	2,019	2,569	3,069
Direct debt	20,640	20,853	21,579	22,291	22,960	23,291	24,080	24,750	25,220	25,640
Other fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	20,640	20,853	21,579	22,291	22,960	23,291	24,080	24,750	25,220	25,640
Guarantees issued (excluding adjusted debt portion)	1,251	1,252	1,294	1,546	1,262	1,262	1,262	1,262	1,262	1,262
Majority-owned GRE debt and other contingent liabilities	2,567	2,567	4,532	4,532	2,404	2,404	2,404	2,404	2,404	2,404
Overall adjusted debt	24,458	24,672	27,404	28,368	26,626	26,957	27,746	28,416	28,886	29,306
Total cash, liquid deposits, and sinking funds	0	0	0	4,909	0	124	704	1,173	1,395	1,506
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	0	0	0	4,909	0	124	704	1,173	1,395	1,506
Net adjusted debt	20,640	20,853	21,579	17,382	22,960	23,167	23,376	23,577	23,825	24,134
Net overall debt	24,458	24,672	27,404	23,459	26,626	26,833	27,042	27,243	27,491	27,800
Enhanced net adjusted debt	20,562	20,777	21,505	17,311	22,891	22,798	22,107	21,558	21,256	21,065
Enhanced net overall debt	24,379	24,596	27,330	23,388	26,557	26,464	25,773	25,224	24,922	24,731

rc:. Fitch's rating-case
Source: Fitch Ratings, Fitch Solutions, State of Bremen

Appendix B: Financial Ratios

State of Bremen

	2018	2019	2020	2021	2022	2023rc	2024rc	2025rc	2026rc	2027rc
Fiscal performance ratios										
Operating balance/operating revenue (%)	20.4	19.0	11.8	6.5	15.9	12.1	12.0	11.9	11.1	10.2
Current balance/current revenue (%)	10.5	9.3	2.4	-1.3	8.5	4.3	4.4	4.3	3.6	2.7
Operating revenue growth (annual % change)	4.3	4.5	4.6	17.2	0.9	0.7	3.9	3.7	2.9	2.7
Operating expenditure growth (annual % change)	2.7	6.5	13.9	24.3	-9.2	5.3	4.0	3.8	3.8	3.8
Surplus (deficit) before net financing/total revenue (%)	2.1	2.2	-4.9	-9.1	-1.4	-2.7	-2.5	-2.3	-2.9	-3.5
Surplus (deficit) before net financing/GDP (%)	0.4	0.4	-1.0	-1.9	-0.3	-0.5	-0.5	-0.5	-0.6	-0.7
Total revenue growth (annual % change)	4.4	4.6	4.9	16.7	0.4	3.4	11.2	1.3	0.2	1.8
Total expenditure growth (annual % change)	2.6	4.6	12.5	21.3	-6.6	4.7	10.9	1.2	0.7	2.5
Debt ratios										
Primary metrics										
Economic liability burden (%)	92.0	90.1	102.2	86.7	97.1	94.4	91.8	89.2	86.8	84.0
Enhanced economic liability burden (%)	91.7	89.8	101.9	86.5	96.9	93.5	88.8	84.6	81.1	77.5
Secondary metrics										
Payback ration (x) (Net adjusted debt to operating balance)	18.4	19.1	30.5	38.0	20.4	26.8	26.2	25.7	27.0	29.0
Overall payback ratio (x)	21.8	22.6	38.7	51.3	23.6	31.1	30.3	29.6	31.1	33.4
Fiscal debt burden (%) (Net Debt-to-operating revenue)	375.3	362.8	358.9	246.6	322.9	323.5	314.1	305.5	300.0	295.8
Synthetic debt service coverage ratio (x)	0.7	0.6	0.4	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Actual debt service coverage ratio (x)	0.4	0.4	0.2	0.2	0.6	0.8	0.3	0.6	0.7	0.6
Other Debt Ratios										
Liquidity coverage ratio (x)	0.4	0.4	0.2	0.2	3.2	0.8	0.4	1.1	1.5	1.7
Direct debt maturing in one year/total direct debt (%)	-	-	7.8	6.1	8.2	11.0	6.8	5.4	5.2	5.9
Direct debt (annual % change)	0.6	1.0	3.5	3.3	3.0	1.4	3.4	2.8	1.9	1.7
Apparent cost of direct debt (interest paid/direct debt) (%)	3.0	2.9	2.9	2.7	2.5	0.0	0.0	0.0	0.0	0.0
Revenue ratios										
Tax revenue/total revenue (%)	58.4	56.2	61.2	61.5	63.5	63.3	59.6	61.6	63.7	64.6
Current transfers received/total revenue (%)	32.7	34.9	29.7	29.7	27.7	25.3	23.2	23.0	23.2	22.9
Interest revenue/total revenue (%)	1.2	0.8	0.8	0.7	0.7	0.0	0.0	0.0	0.0	0.0
Capital revenue/total revenue (%)	2.8	3.3	3.6	3.3	2.8	6.0	12.1	10.1	7.6	6.8
Expenditure ratios										
Staff expenditure/total expenditure (%)	30.0	31.2	29.2	25.0	27.8	-	-	-	-	-
Current transfers made/total expenditure (%)	39.9	40.9	43.7	41.6	34.7	-	-	-	-	-
Interest expenditure/total expenditure (%)	10.8	10.2	9.3	7.4	7.7	7.1	6.6	6.7	6.8	6.7
Capital expenditure/total expenditure (%)	11.2	10.4	10.3	10.2	12.3	12.4	18.0	15.9	13.4	12.4

rc: Fitch's rating-case
Source: Fitch Ratings, Fitch Solutions, State of Bremen

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Bremen's net adjusted debt considers its short- and long-term debt, its intergovernmental debt as well as its unrestricted cash available.

Fitch's net adjusted debt at end-2022 of EUR22,960 million reflects Bremen's direct debt less unrestricted cash (2022: zero). Net adjusted debt is likely to increase by EUR3 billion during 2023-2027. This is based on the state's decision to set up a special property (Sondervermögen) to cope with the ongoing needs stemming from the refugee crisis as well as to support the environmental transition of Bremen's economy towards green energy.

Bremen's overall adjusted debt of EUR26,557 million further includes the state's issued guarantees (2022: EUR1,262 million) and the debt of its majority-owned GREs and other contingent liabilities (2022: EUR2,404 million). Fitch views Saarland's contingent liabilities as low risk.

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

Specific Adjustments

None.

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