

State of Bremen

The affirmation of the State of Bremen's ratings reflects Fitch Ratings' unchanged approach for the German Laender, under which the ratings are equalised with those of Germany (Bund; AAA/Stable/F1+).

Key Rating Drivers

Rating Derivation Summary: Bremen's Issuer Default Ratings (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 a financial profile 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 the 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 Bremen'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 'bbb': Bremen's economic liability burden (ELB) will improve to 86.9% in 2028 (2023: 94.4%) and its payback ratio will remain at 22.4x (2023: 22.4x) in Fitch's rating-case scenario. Debt service coverage (Fitch's synthetic calculation) will remain at 0.6x (0.6x), and the fiscal debt burden will decrease to 273.6% (287.4%). Our rating case is based on conservative GDP growth assumptions to test rating resilience through the economic cycle.

Neutral Additional Rating Factors: Bremen's Long-Term IDR is on a par with the sovereign, reflecting 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.

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 the smallest state by population and area. It has well-above-average wealth and its GDP per capita of EUR56,981 in 2023 is 17% above the German average.

Financial Data Summary

(EURm)	2023	2028rc
Economic liability burden (%)	94.4	86.9
Payback ratio (x)	22.4	22.4
Synthetic coverage (x)	0.6	0.6
Actual coverage (x)	0.5	0.4
Fiscal debt burden (%)	287.4	273.6
Net adjusted debt	20,590	21,914
Operating balance	921	980
Operating revenue	7,164	8,009
Debt service	1,787	2,522
Mortgage-style debt annuity	1,640	1,744

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

Applicable Criteria

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

Related Research

[Fitch Affirms State of Bremen at 'AAA'; Outlook Stable \(August 2024\)](#)
[German Laender - Peer Review 2023 \(October 2023\)](#)

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Rating Synopsis

Bremen, 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 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	■	■	■	■	■	■	Stronger	aaa	aaa	aaa	aaa	aaa		AAA	AAA	Stable	
							High Midrange	aaa	aaa	aaa	aaa	aaa		AA+	AA+		
Midrange							Midrange	aa	aa	aa	aa	aa		AA	AA		
							Low Midrange	aa	aa	aa	aa	aa	a	AA-	AA-		
Weaker							Low Midrange	a	a	a	a	a		A+	A+		
							Vulnerable	bbb	bbb	bbb	bbb	bbb	bbb	A	A		
								bbb	bbb	bbb	bbb	bbb		A-	A-		
								bb	bb	bb	bb	bb		BBB+	BBB+		
								bb	bb	bb	bb	bb		BBB	BBB		
								b	b	b	b	b		BBB-	BBB-		
								b	b	b	b	b		BB+	BB+		
								b	b	b	b	b		BB	BB		
								b	b	b	b	b		BB-	BB-		
								b	b	b	b	b		B+	B+		
								b	b	b	b	b		B	B		
								b	b	b	b	b		B-	B-		
								b	b	b	b	b		CCC+	CCC+		
								b	b	b	b	b		CCC	CCC		
								b	b	b	b	b		CCC-	CCC-		
								b	b	b	b	b		CC	CC		
								b	b	b	b	b		C	C		

■ Higher Influence KRF ■ Lower Influence KRF

Source: Fitch Ratings

The six KRFs, combined according to their relative importance, collectively represent the Risk Profile of a local and regional government (LRG). Risk Profile and Financial Profile assessments, which measure the LRG's debt burden and debt service requirements in a reasonable economic or financial downturn over the rating horizon, are combined in a Standalone Credit Profile (SCP). Bremen's 'AAA' IDRs are linked to the rating of the Bund.

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 therefore cannot be upgraded.

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

A downgrade of the sovereign ratings would lead to the same for 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.

Issuer Profile

Bremen is in north-western Germany and is the smallest of all the Laender by population and area (419.4 sq km). It comprises two cities, Bremen and Bremerhaven.

At end-2023, the state had a total population of about 691,700. Bremen's population has increased by 1.7% since 2020, mainly 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 (10.6% in 2023) is the highest among the states, and much higher than Germany's average (5.7%).

The development of Bremen's GDP is relatively volatile and strongly influenced by exports. In 2022 it had increased by 5.1% in real terms, well above Germany's growth rate of 1.8%. However, it declined by about 0.6% in 2023 in real terms to EUR39.3 billion in 2023, below Germany's real GDP decline of 0.3% in 2023.

Fitch anticipates 0.1% real GDP growth for Germany for 2024, 1.1% for 2025 and 1.4% for 2026 (no data are available for the state).

Bremen's GDP per capita of EUR56,981 in 2023 is the third-highest among the German states and is well above the national average of EUR48,750, partly due to its city-state status making it an attractive destination for business.

Bremen's economy is dominated by a broad services sector (trade, traffic, real estate and public services) but also has a fairly high share of production (in the automotive and steel segment, among others). It is the second-most important export location after Hamburg due to its harbours. Most of its imports/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

	Issuer	Sovereign
Population, 2023 (m)	0.7	84.7
GDP per capita, 2023 (EUR)	56,981	48,750
GRP growth, 2023 (%)	-0.6	-0.3
Inflation, 2023 (%)	6.0	6.0
Unemployment rate, 2023 (%)	10.6	5.7

Source: Fitch Ratings, national statistics, State of Bremen

Risk Profile Assessment

Risk Profile: Stronger

Fitch assesses Bremen'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 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 (2024-2028) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt-service requirements.

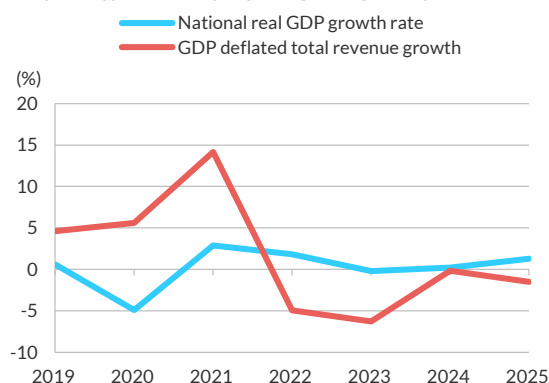
Revenue Robustness: Stronger

This 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 2023, the share was 49.7% for the Laender, 47.5% for the Bund and 2.8% for the municipalities.

In 2023, tax revenue was 68.9% of Bremen's total revenue, with PIT and VAT the largest contributors, at 12.4% and 27.3%, respectively. These taxes have had stable growth in the past.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, State of Bremen

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
PIT	12.7	12.4
VAT	28.1	27.3
Other taxes	30.0	29.2
Transfers	25.0	24.3
Other operating revenue	4.2	4.1
Operating revenue	100.0	97.2
Interest revenue	-	0.7
Capital revenue	-	2.1
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, State of Bremen

Revenue Adjustability: Stronger

This 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 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, for Bremen in particular, as this agreement grants an additional EUR400 million to the state annually given its specific structural weaknesses.

Bremen is also a net receiver within the financial equalisation system and received EUR0.8 billion in 2023 (EUR0.9 billion in 2022) based on preliminary figures, or about 11% of its total revenue.

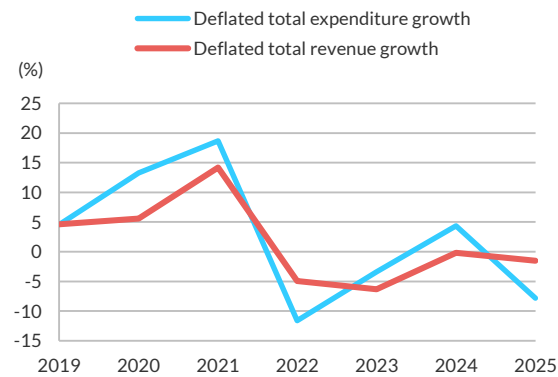
Expenditure Sustainability: Stronger

The Laender have a prudent record of control of operating expenditure (opex). The main spending items are related to education, science, security and infrastructure, and are counter-cyclical. In times of economic stress, anti-cyclical measures are taken 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 of the German Stability Board.

Bremen, like all Laender, is in a close contact with the Bund in times of crisis, most recently during the pandemic and the refugee crisis. The additional burden stemming from the refugee crisis has been largely covered by specific grants from the Bund to the Laender. This means that even if expenditure rises due to a sudden need, the additional burden is usually met by an adequate revenue stream.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, State of Bremen

Expenditure Breakdown, 2023

	Operating expenditure (%)	Total expenditure (%)
Staff costs	34.5	28.0
Goods and services	22.2	18.0
Operating subsidies	43.3	35.1
Operating expenditure	100.0	81.0
Interest expenditure	-	6.8
Capital expenditure	-	12.1
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, State of Bremen

Expenditure Adjustability: Stronger

The Laender are legally obliged to run their budgets without taking on new net debt from 2020, which Fitch views positively for expenditure adjustability. However, as the pandemic was declared as an extraordinary emergency situation (außergewöhnliche Notsituation) beyond the government’s control, the additional debt the Laender took on in 2020 and 2021 was not a breach of the debt brake rules.

Laender have effective budget rules and have demonstrated strong ability to limit expenditure growth ahead of the debt brake. They have a moderate share of inflexible spending items. Despite the limited flexibility in adjusting capex, Bremen has a good record of cost consolidation.

Personnel costs and transfers accounted for 77.8% of Bremen’s opex in 2023, while capex accounted for 12.1% of total spending. Operating revenue growth usually outpaces opex growth. For 2019-2023, Bremen’s operating revenue grew by 10.0% on average, while opex growth was 7.4% on average.

Capital expenditure (capex) has usually accounted for about 10% of the state’s total spending and was 12.1% in 2023. Bremen has invested in new kindergarten and schools, to cope with the ongoing refugee influx, and in the transition towards green energy.

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. As one of the largest subnational and most frequent issuers, the Laender have strong access to international capital markets, which allows the issuance of bonds in benchmark size.

However, due to the ECB’s still-high interest rates, the Laender’s interest burden is likely to rise following a long period of reductions. This risk has been mitigated by the Laender extending their maturity profiles in most recent years.

In general, the German Laender also face large contingent liabilities in the form of debt guarantees on behalf of their development banks, as well as their largely unfunded pension liabilities. The risk stemming from their commitments provided to banks is mitigated by adequate assets and the conservative business profiles of their development banks.

Bremen has prudent debt management, predominantly funding its maturing debt with bond issues in 2023; its average lifetime of capital market debt was 7.3 years at end-2023.

For 2024, Bremen reported gross (net) funding requirements of EUR3.92 billion (EUR1.34 million), but Fitch views the state’s capital market access as established and secure and considers Bremen’s refinancing risk as minimal.

Bremen’s senate has approved an additional debt allowance for a special fund of about EURO.5 billion to be invested in 2024. The state has companies with high energy needs, especially in the production/ steel sector. Companies in the transition towards green energy can apply for funds to support their high investment needs.

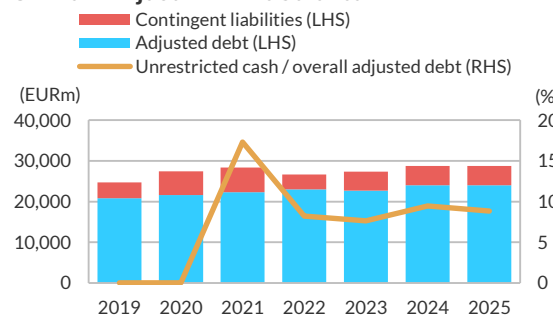
Bremen invests equity into its shareholdings to finance other investments (eg schools, kindergartens and other strategic properties). Bremen plans to increase its debt in total by about 1.3 billion in 2024. To comply with the debt brake, the senate has declared an “extraordinary emergency” (Notlage) for 2024 due to the Ukraine war, the energy crisis and the need to decarbonise its economy.

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. Bremen has the highest debt per capita of the German states and its direct debt of EUR22,680 million end-2023 corresponds to a debt per capita of EUR34,012. The average debt per capita of the German states is EUR7,033.

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 made by a group of Laender two to three times a year with a minimum amount of EUR1 billion. This is a well established capital market instrument, further diversifying the state’s funding sources. The last joint jumbo issue was the 65th bond issued in October 2024.

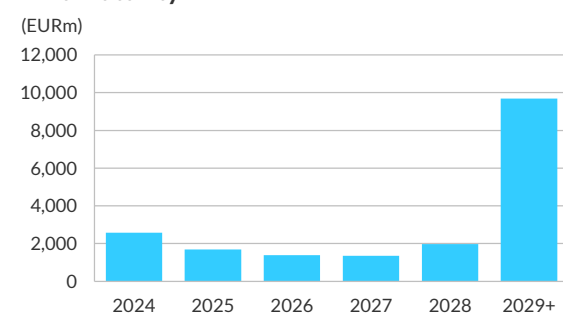
Overall, Bremen has very good access to the capital markets. Floating-rate debt issues are all hedged and there is no foreign-currency debt. Bremen is therefore not exposed to market volatility.

Overall Adjusted Debt Structure



Source: Fitch Ratings, State of Bremen

Debt Maturity Profile



Source: Fitch Ratings, State of Bremen

Liabilities and Liquidity Flexibility: Stronger

The German Laender operate in a strong framework for emergency liquidity support provided by the national government 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

	2023
Fixed rate (% of direct debt)	100
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	2.35
Weighted average life of debt (years)	7.3

Source: Fitch Ratings, State of Bremen

Liquidity

(EURm)	2023
Total cash, liquid deposits and sinking funds	2,090
Restricted cash	0
Cash available for debt service	2,090
Undrawn committed credit lines	0

Source: Fitch Ratings, State of Bremen

Financial Profile Assessment

Financial Profile: bbb category

Financial Profile Score Summary

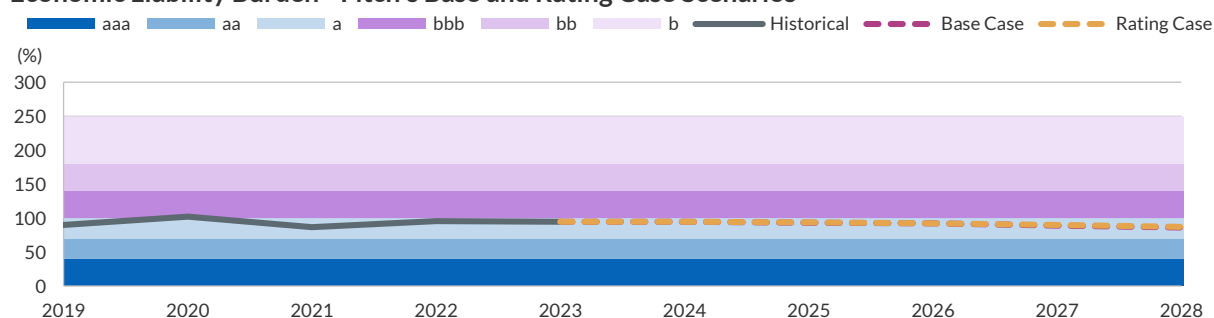
	Primary Metric		Secondary Metrics	
	Economic Liability Burden (%)	Payback Ratio (x)	Coverage (x)	Fiscal Debt Burden (%)
aaa	$X \leq 40$	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$40 < X \leq 70$	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$70 < X \leq 100$	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$100 < X \leq 140$	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$140 < X \leq 180$	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 180$	$X > 25$	$X < 1$	$X > 250$

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

Fitch classifies German Laender as ‘Type A’ LRG’s 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 economic liability burden (primary metric) at 86.9% according to our rating case for 2028 (2023: 94.4%), corresponding to the ‘a’ category. However, on the basis of a weaker assessment of the secondary metrics – the payback ratio is assessed at 22.4x (bb category), the synthetic debt service coverage ratio at 0.6x (b) and the fiscal debt burden at 273.6x (b) – we assess Bremen’s overall financial profile in the ‘bbb’ category.

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



Source: Fitch Ratings, State of Bremen

Fitch’s base-case scenario considers the assumptions that are primarily derived from economic data, including its Global Economic Outlook and the Germany sovereign report, as well as the issuer’s forecast. Our assumptions for cash flow in years 2024 to 2028 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 and cost stresses. It is based on 2019-2023 actual figures and 2024-2028 projected ratios. The rating case ends in 2028 and relies on the assumptions in the table below.

Scenario Assumptions Summary

Assumptions	5-Year Historical Average	2024 - 2028 Average	
		Base Case	Rating Case
Operating revenue growth (%)	10.0	2.4	2.3
Tax revenue growth (%)	8.7	3.3	3.1
Current transfers received growth (%)	-0.9	-1.1	-1.1
Operating expenditure growth (%)	7.4	2.4	2.4
Net capital expenditure (average per year; m)	-586	-697	-697
Apparent cost of debt (%)	2.7	2.0	2.0

Outcomes	2023	2028	
		Base Case	Rating Case
Economic liability burden (%)	94.4	86.3	86.9
Payback ratio (x)	22.4	20.8	22.4
Overall payback ratio (x)	27.4	25.3	27.1
Actual coverage ratio (x)	0.5	0.4	0.4
Synthetic coverage ratio (x)	0.6	0.6	0.6
Fiscal debt burden (%)	287.4	268.2	273.6

Source: Fitch Ratings, State of Bremen

Fitch’s net adjusted debt at end-2023 of EUR20,590 million reflects Bremen’s direct debt (2023: EUR22,680 million) less unrestricted cash (2023: EUR2,090 million). Direct debt consists of long- and short-term debt of EUR22,613 million and Intergovernmental debt of EUR67 million end-2023.

Direct debt is likely to increase by about EUR1.3 billion during 2024. This is based on the state’s decision to incur additional debt mainly to cope with the ongoing needs stemming from the refugee crisis and to support the transition of Bremen’s economy towards green energy.

Bremen’s net overall debt of EUR25,280 million also includes the state’s guarantees (2023: EUR1,478 million) and the debt of its majority-owned government-related entities and other contingent liabilities (2022, latest available information: EUR3,212 million). Fitch views Bremen’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, of which one has an SCP at ‘aaa’, five have SCPs at ‘aa+’, three at ‘aa’, one at ‘aa-’ and one at ‘a’.

Bremen’s ELB in 2028 is the highest of all Fitch publicly rated Laender at 86.9%, corresponding to a Financial Profile of ‘bbb’ and an SCP of ‘a’. Saarland has the second-highest ELB at 78.8%, resulting in a Financial Profile of ‘a’ and an SCP of ‘aa-’.

Hamburg has the lowest ELB of all Fitch-rated Laender at 45.7%, corresponding to a Financial Profile of ‘aa’ and an SCP of ‘aaa’.

	Risk Profile	Financial Profile Score	SCP	Rating floor	LT IDR
Bremen, State of	Stronger	bbb	a	AAA	AAA/Stable
Saarland, State of	Stronger	a	aa-	AAA	AAA/Stable
Berlin, State of	Stronger	a	aa	AAA	AAA/Stable
Saxony-Anhalt, State of	Stronger	a	aa	AAA	AAA/Stable
North Rhine-Westphalia, State of	Stronger	a	aa+	AAA	AAA/Stable
Mecklenburg-Western Pomerania, State of	Stronger	a	aa+	AAA	AAA/Stable
Hamburg, State of	Stronger	aa	aaa	AAA	AAA/Stable

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT 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	Floor			
a	AAA	-	-	AAA	-	-	AAA

Source: Fitch Ratings, State of Bremen

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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 financial profile 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, most recently in 2006.

Short Term Rating Derivation

Bremen's Short-Term IDRs of 'F1+' are consistent with its Long-Term IDRs of 'AAA'.

National Ratings

Not applicable.

Transaction and Securities

Bremen's senior unsecured debt ratings are in line with its 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 Bremen

(EURm)	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal Performance										
Taxes	3,372	3,846	4,511	4,676	5,074	5,110	5,325	5,527	5,713	5,919
Transfers received	2,092	1,867	2,176	2,042	1,788	1,768	1,748	1,728	1,708	1,688
Fees, fines and other operating revenues	284	300	362	392	302	322	342	362	382	402
Operating revenue	5,748	6,013	7,048	7,111	7,164	7,200	7,415	7,617	7,803	8,009
Operating expenditure	-4,659	-5,305	-6,591	-5,984	-6,243	-6,462	-6,604	-6,742	-6,884	-7,029
Operating balance	1,089	708	457	1,127	921	739	811	875	919	980
Interest revenue	50	50	50	50	50	50	50	50	50	50
Interest expenditure	-601	-612	-595	-572	-527	-420	-432	-480	-528	-552
Current balance	538	146	-88	605	444	368	429	445	441	478
Capital revenue	199	225	240	206	153	359	202	200	200	200
Capital expenditure	-607	-681	-817	-916	-933	-1,437	-809	-800	-800	-800
Capital balance	-408	-456	-577	-710	-780	-1,078	-607	-600	-600	-600
Total revenue	5,997	6,288	7,338	7,367	7,367	7,609	7,667	7,867	8,053	8,259
Total expenditure	-5,867	-6,598	-8,003	-7,472	-7,703	-8,319	-7,845	-8,023	-8,212	-8,381
Surplus (deficit) before net financing	130	-310	-665	-105	-336	-709	-178	-156	-159	-122
New direct debt borrowing	2,321	3,169	2,129	1,622	1,720	3,918	1,688	1,388	1,358	1,968
Direct debt repayment	-2,321	-2,696	-1,601	-1,342	-1,260	-2,580	-1,690	-1,390	-1,360	-1,970
Net direct debt movement	0	473	529	280	460	1,338	-2	-2	-2	-2
Overall results	130	163	-137	175	124	629	-180	-158	-161	-124
Debt and Liquidity										
Short-term debt	0	0	0	732	200	1,690	1,390	1,360	1,970	1,310
Long-term debt	20,777	21,505	22,220	22,160	22,413	22,263	22,563	22,593	21,983	22,643
Intergovernmental debt	76	74	71	69	67	65	63	61	59	57
Direct debt	20,853	21,579	22,291	22,960	22,680	24,018	24,016	24,014	24,012	24,010
Other fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	20,853	21,579	22,291	22,960	22,680	24,018	24,016	24,014	24,012	24,010
Guarantees issued (excluding adjusted debt portion)	1,252	1,294	1,546	1,262	1,478	1,478	1,478	1,478	1,478	1,478
Majority-owned GRE debt and other contingent liabilities	2,567	4,532	4,532	2,404	3,212	3,212	3,212	3,212	3,212	3,212
Overall adjusted debt	24,672	27,404	28,368	26,626	27,370	28,708	28,706	28,704	28,702	28,700
Total cash, liquid deposits, and sinking funds	0	0	4,909	2,190	2,090	2,719	2,539	2,381	2,220	2,096
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	0	0	4,909	2,190	2,090	2,719	2,539	2,381	2,220	2,096
Net adjusted debt	20,853	21,579	17,382	20,770	20,590	21,299	21,477	21,633	21,792	21,914
Net overall debt	24,672	27,404	23,459	24,436	25,280	25,989	26,167	26,323	26,482	26,604
Enhanced net adjusted debt	20,777	21,505	17,311	20,701	20,523	21,234	21,414	21,572	21,733	21,857
Enhanced net overall debt	24,596	27,330	23,388	24,367	25,213	25,924	26,104	26,262	26,423	26,547

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

Appendix B: Financial Ratios

State of Bremen

	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	19.0	11.8	6.5	15.9	12.9	10.3	10.9	11.5	11.8	12.2
Current balance/current revenue (%)	9.3	2.4	-1.3	8.5	6.2	5.1	5.7	5.8	5.6	5.9
Operating revenue annual growth (%)	4.5	4.6	17.2	0.9	0.8	0.5	3.0	2.7	2.4	2.6
Operating expenditure annual growth (%)	6.5	13.9	24.3	-9.2	4.3	3.5	2.2	2.1	2.1	2.1
Surplus (deficit) before net financing/total revenue (%)	2.2	-4.9	-9.1	-1.4	-4.6	-9.3	-2.3	-2.0	-2.0	-1.5
Surplus (deficit) before net financing/GDP (%)	0.4	-1.0	-1.9	-0.3	-0.9	-1.7	-0.4	-0.4	-0.4	-0.3
Total revenue annual growth (%)	4.6	4.9	16.7	0.4	0.0	3.3	0.8	2.6	2.4	2.6
Total expenditure annual growth (%)	4.6	12.5	21.3	-6.6	3.1	8.0	-5.7	2.3	2.4	2.1
Debt Ratios										
Primary Metrics										
Economic liability burden (%)	90.1	102.2	86.7	95.4	94.4	94.6	93.5	92.3	89.7	86.9
Enhanced economic liability burden (%)	89.8	101.9	86.5	95.2	94.2	94.4	93.4	92.2	89.6	86.8
Payback ratio (x) (Net adjusted debt to operating balance)	19.1	30.5	38.0	18.4	22.4	28.8	26.5	24.7	23.7	22.4
Secondary Metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	362.8	358.9	246.6	292.1	287.4	295.8	289.7	284.0	279.3	273.6
Synthetic debt service coverage ratio (x)	0.6	0.4	0.3	0.7	0.6	0.5	0.5	0.5	0.5	0.6
Actual debt service coverage ratio (x)	0.4	0.2	0.2	0.6	0.5	0.2	0.4	0.5	0.5	0.4
Other Debt Ratios										
Liquidity coverage ratio (x)	0.4	0.2	0.2	3.2	1.7	0.9	1.7	1.8	1.8	1.3
Direct debt maturing in one year/total direct debt (%)	0.0	7.8	6.1	8.2	11.4	7.0	5.8	5.7	8.2	5.5
Direct debt (annual % change)	1.0	3.5	3.3	3.0	-1.2	5.9	0.0	0.0	0.0	0.0
Apparent cost of direct debt (interest paid/direct debt) (%)	2.9	2.9	2.7	2.5	2.3	1.8	1.8	2.0	2.2	2.3
Revenue Ratios										
Tax revenue/total revenue (%)	56.2	61.2	61.5	63.5	68.9	67.2	69.5	70.3	70.9	71.7
Current transfers received/total revenue (%)	34.9	29.7	29.7	27.7	24.3	23.2	22.8	22.0	21.2	20.4
Interest revenue/total revenue (%)	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6
Capital revenue/total revenue (%)	3.3	3.6	3.3	2.8	2.1	4.7	2.6	2.5	2.5	2.4
Expenditure Ratios										
Staff expenditure/total expenditure (%)	31.2	29.2	25.0	27.8	28.0	0.0	0.0	0.0	0.0	0.0
Current transfers made/total expenditure (%)	40.9	43.7	41.6	34.7	35.1	0.0	0.0	0.0	0.0	0.0
Interest expenditure/total expenditure (%)	10.2	9.3	7.4	7.7	6.8	5.1	5.5	6.0	6.4	6.6
Capital expenditure/total expenditure (%)	10.4	10.3	10.2	12.3	12.1	17.3	10.3	10.0	9.7	9.6

rc - rating case

Source: Fitch Ratings, 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.

Synthetic Coverage Calculation

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 the German LRGs' debt sustainability.

Specific Adjustments

None.

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