State of Rhineland-Palatinate
Full Rating Report

Key Rating Drivers

Stability of Solidarity System: The ratings of the State of Rhineland-Palatinate (RP) reflect the stability and sustainability of the solidarity system for German Laender. According to the German constitution, member states are jointly responsible for supporting a Land in financial distress. The Laender share equal responsibilities and must be financially able to fulfil their constitutional duties, while exercising their right of autonomy. The federal government (the Bund) and all other federated states must support a Land if it experiences extreme budgetary hardship.

Extensive Financial Equalisation System: Extensive equalisation systems and an ambitious solidarity pact compensate for financial disparities between Laender. This framework requires financially stronger Laender to transfer some of their above-average tax proceeds to financially weaker ones, and to reduce the gaps in financial strength between the federated states to a minimum. RP is a net receiver in the financial equalisation system; it received EUR389.5 million in 2017, or 2.8% of its operating revenue.

Good Cash Management: Liquidity risk is mitigated through bilateral and mutual agreements linking all the federated states and the Bund, ensuring their ability to assist one another. Cash would only not be forthcoming to a Land in the case of a federation-wide failure, whereby none of the Laender or the Bund could provide the funds needed. The Laender’s active liquidity management and proper treasury facilities prevent any delays in support provision.

Budgetary Surplus: In 2016, RP posted its first budgetary surplus in more than a decade, at 2.3% of total revenue, thanks to continued cost consolidation efforts and positive momentum of the local economy, as reflected in the 9% increase in tax revenue. RP’s operating margin, at 10.4% (2015: 8.1%), exceeded our expectations. We expect the operating margin to remain around the current level and the household budget to be balanced in 2017-2021.

Debt Brake Compliance on Track: RP remains on track to comply with the debt brake rule by 2020; the actual results for 2016 show that the structural deficit came in lower than initially budgeted, providing a total buffer of EUR163 million for the year. Direct debt declined by 3% to EUR34.9 billion with a debt/current revenue ratio of 220% at end-2016 (end-2015: 245%). Fitch Ratings expects indebtedness to decline further to 200% of current revenue and the debt/current balance ratio to fall to 38 years (end-2015: 91 years) on average in 2017-2021.

Municipalities’ Deleveraging Challenging: RP’s municipalities remained highly indebted in 2016. With debt per capita of EUR3,140 at end-2016 against a German average of EUR1,879, RP’s municipalities are the most indebted among its peers after those of the State of Saarland, despite RP having set up a comprehensive deleveraging fund for them in 2012. Fitch considers further cost consolidation efforts, mainly on staff costs, to be essential in order for the municipalities to deleverage on a sustainable basis ahead of 2020.

Rating Sensitivities

Downgrade of Germany: A rating downgrade of Germany (AAA/Stable/F1+) could lead to negative rating action on RP. Any change in the support scheme would require a review of the state’s ratings.

1 City states such as Hamburg, Bremen and Berlin are excluded from the average.
Principal Rating Factors

Summary: Strengths and Weaknesses

<table>
<thead>
<tr>
<th>Status</th>
<th>Institutional framework</th>
<th>Debt and other liabilities</th>
<th>Economy</th>
<th>Finances</th>
<th>Management and admin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trend</td>
<td>Strength</td>
<td>Weakness</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
</tbody>
</table>

Source: Fitch

Overall Strengths
- Strong institutional framework
- Solid development of budgetary performance, surplus before financing posted in 2016
- Very good access to liquidity

Overall Weaknesses
- High debt burden compared with international peers
- Limited financial flexibility due to transfers to municipalities, increasing social costs, and staff costs
- Wealth levels below the national average

Institutional Framework
According to the German Constitution (Article 20), the 16 Laender are equal partners with the federal government and have the same rights and duties, even though in practice they are subordinate in some areas. Given the mutual support and stable solidarity system, the extensive financial equalisation system, and the Laender’s good access to liquidity and strong cash management, their ratings are linked to those of Germany. For further information, see Fitch’s Rating Approach for the German Laender under Related Research.

Debt and Other Long-Term Liabilities
Direct debt decreased to EUR34.9 billion at end-2016, from EUR36.0 billion at end-2015. This was due to a 9% yoy increase in tax revenue receipts and cost consolidation efforts, mainly on staff costs. This resulted in the first surplus before debt variation – of EUR382.9 million – in more than a decade (end-2015: deficit before debt variation of EUR524.4 million).

Accordingly, RP did not borrow for budget deficit coverage purposes in 2016. Consequently, the state managed to reduce its structural deficit by EUR163 million to EUR310 million at end-2016, less than the initially budgeted EUR473 million. The state’s most recent financial plan for 2017-2018 assumes that RP will reduce the structural deficit to EUR198 million at end-2018 and comply with the debt brake rule by 2020.

In our rating-case scenario, we expect operating revenue to grow 3.1% a year on average in 2017-2021 and opex to grow 2.9%; this should help households better balance their budgets (see Finances below).

Interest expenses declined slightly to EUR819.1 million in 2016 (2015: EUR819.8 million), supported by the low interest rate environment, which provided the administration further financial leeway. The state’s mid-term financial plan envisages a gradual increase in interest expenses from 2018, averaging about EUR860 million in 2017-2021.

At end-2016, the direct debt servicing/operating balance ratio had declined to 465%, in line with our expectation that it would come in below 500%. By end-2021, we expect the debt servicing/operating balance ratio to fall to below 450%.

Related Criteria
International Local and Regional Governments Rating Criteria – Outside the United States (April 2016)
Debt Per Capita of the Laender, End-2016

<table>
<thead>
<tr>
<th>Land</th>
<th>(EUR)</th>
</tr>
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<tbody>
<tr>
<td>Bremen</td>
<td>31,096</td>
</tr>
<tr>
<td>Berlin</td>
<td>16,477</td>
</tr>
<tr>
<td>Saarland</td>
<td>14,270</td>
</tr>
<tr>
<td>Hamburg</td>
<td>12,880</td>
</tr>
<tr>
<td>Schleswig-Holstein</td>
<td>9,244</td>
</tr>
<tr>
<td>Saxony-Anhalt</td>
<td>9,040</td>
</tr>
<tr>
<td>Rhineland-Palatinate</td>
<td>8,011</td>
</tr>
<tr>
<td>North Rhine-Westphalia</td>
<td>7,770</td>
</tr>
<tr>
<td>Lower Saxony</td>
<td>7,226</td>
</tr>
<tr>
<td>Hessen</td>
<td>6,909</td>
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<tr>
<td>Thuringia</td>
<td>6,761</td>
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<tr>
<td>Brandenburg</td>
<td>6,446</td>
</tr>
<tr>
<td>Mecklenburg-Western</td>
<td>5,380</td>
</tr>
<tr>
<td>Pomerania</td>
<td></td>
</tr>
<tr>
<td>Baden-Wuerttemberg</td>
<td>4,256</td>
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<tr>
<td>Bavaria</td>
<td>1,614</td>
</tr>
<tr>
<td>Saxony</td>
<td>1,223</td>
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<tr>
<td>Laender average</td>
<td>6,633</td>
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<tr>
<td>Bund</td>
<td>12,756</td>
</tr>
</tbody>
</table>

* Capital market debt
Source: Federal Ministry of Finance

Stable Debt Composition
At end-2016, 90.4% of RP’s direct debt portfolio comprised fixed-rate bonds, while 9.6% was floating-rate notes, after adjusting for derivatives. The share of fixed-rate bonds remained stable vs end-2015. Debt composition remained almost unchanged at end-2016; debt consisted almost entirely of capital markets debt, which had a weighted average maturity of 6.7 years and a weighted average interest rate of 2.39%. The administration's aim for 2017 was to tap the six- to seven-year maturity buckets further, depending on market conditions. The administration has a negligible amount of foreign-currency debt corresponding to EUR219.1 million or 0.6% of its total debt, which was hedged at end-2016.

Very Good Access to Liquidity
The refinancing and rollover risks due to the short-term maturity of the debt portfolio are mitigated by RP’s various liquidity facilities, such as the so-called Laender cash pooling, whereby the German Laender offer their excess liquidity to one another on a daily basis at interbank rates; this enables them to efficiently fund their daily short-term liquidity needs.

Furthermore, immediate refinancing risks are mitigated by: the state’s credit lines with several banks; the possibility to issue ECB-eligible treasury notes; and short-term borrowing via Kassenkredite (bank loans up to 12 months).

Contingent Liabilities – Exposed to High Indebtedness of Municipalities
RP’s public sector composition is unchanged from 2015; the state has 30 majority-owned companies and contingent liabilities stem from its 100%-owned development bank, Investment and Economic Development Bank of Rhineland-Palatinate (ISB). Fitch assumes that the state is ultimately liable for the debt of its municipalities. RP’s issued guarantee amounts are moderate and, in our view, do not expose the state to significant risk.

In 2016, issued guarantees remained stable at EUR2 billion, with the NPL ratio close to zero. The guarantees are issued for following sectors and entities:

- EUR612.3 million for social housing;
- EUR336 million for RP’s public-sector entities and shareholdings;
- EUR165.9 million for cultural activities;
- EUR117 million for other measures; and
- EUR802 million for claims on the pension fund.

RP’s majority-owned companies’ debt reached EUR4,475 million at end-2016 (end-2015: EUR4,368 million). Its two major public-sector entities are Landesbetrieb Liegenschafts-Baubetreuung (LBB) and Landesbetrieb Mobilitaet (LBM). LBB is RP’s agency for housing construction, for which the state is responsible, and LBM operates in highway construction and is also the traffic agency.

Based on the deficiency guarantee and maintenance obligation provided to ISB, RP is liable for ISB’s outstanding liabilities (end-2016: EUR9,935.4 million). ISB is involved in business and housing development.

Municipalities – Challenging Deleveraging Process
RP’s municipalities posted a deficit of EUR15 million in 2016, after posting a surplus in 2015. This was mainly due to a rise in staff costs related to an increase in tariffs and in the number of new employees for childcare centres, followed by social spending, which surpassed tax revenue growth in 2016. Among western German states, RP’s municipalities have one of the highest levels of staff costs per capita at EUR731 after Hessen, North Rhine-Westphalia and Baden Württemberg (west German average: EUR747). In line with our previous expectations, staff costs and social benefit payments are set to increase in 2018-2021, requiring further transfer payments from the state to its municipalities.
As in other German states, RP’s municipalities have found themselves challenged by the recent influx of refugees and immigrants, which will require further social transfers, although the trend declined in 2016. At end-2016, RP had received approximately 40,000 refugees. The state reimburses costs for immigrants and refugees amounting to EUR848 per person per month. However, 80% of this amount (EUR670) is covered by the Bund.

The state supports its municipalities via a financial equalisation fund, which was initially endowed with EUR2 billion in 2013. This supports them to achieve a balanced budget. The financial equalisation fund held EUR2,596 million at end-2016, and is expected to grow to EUR3,281 million at end-2019 due to an expected increase in social benefits payments and staff costs.

Among the German states, RP’s municipalities have one of the highest levels of indebtedness, after those of Saarland, with debt per capita of EUR3,142 at end-2016 against the German average of EUR1,879. Although RP’s municipalities’ use of Kassenkredite, an overdraft facility for short-term financing, decreased by 0.8% yoy to EUR5.9 billion at end-2016, the state still exhibits the highest amount of Kassenkredite per capita among its peers after Saarland. This shows that the financial equalisation fund helped RP avoid a further surge in the Kassenkredite. Nevertheless, a sustainable reduction in the use of Kassenkredite has not been achieved to date.

Fitch considers that RP’s municipalities will need to implement further cost consolidation measures if they are to achieve sustainable deleveraging. Although the debt brake rule is not imposed at the municipalities level, we consider that a transfer of responsibility from states to municipalities and an increase in the cost of borrowing are likely, which could hamper the deleveraging process of the municipalities after 2020.

Economy

RP’s real economic output grew by 1.5% yoy in 2016, but this was below average national growth of 1.9%. Accordingly, GDP per capita was EUR34,297 in 2016 against Germany’s EUR37,961. RP’s below-average performance can mainly be explained by the weaker contribution of high value-added sectors such as trade, information technology and finance to its gross value added (GVA) in comparison with that of Germany as a whole.

Accordingly, RP’s GVA, comprising services (64.5%), the manufacturing sector (34.3%) and agriculture and forestry (1.2%), grew by 3% to EUR125,551 million in 2016. Trade, information services and the manufacturing industry were the main contributors to this growth.

Due to the positive momentum of the local economy, in line with that of Germany, the labour market has enjoyed an upswing since 2013; the unemployment rate declined further to 4.5% as of end-December 2017 from 5.1% at end-2016. The main sectors to create employment were the intermediate goods production industry and the energy sector, including the chemicals industry, machinery, the metals industry and the rubber and plastics industry.

Over the medium term, one of the main challenges facing RP’s labour market, as for those of other German states, is the ageing population. RP is seeking to overcome this challenge by providing competitive infrastructure for younger families such as free kindergarten places and lower housing prices.

At end-2016, the population of RP had grown by 0.3% to 4,066,100. As a result of the ageing population and lower expected birth rates, RP’s population size is forecast to shrink to 3,908,000 at end-2025, assuming immigration remains weak, according to official statistics. However, if immigration remains strong, RP’s population size should decline to 3,957,000 by end-2025.

2 City states such as Hamburg, Bremen and Berlin are excluded from the average.
Finances

On Track To Comply With Debt Brake Rule

RP’s budgetary performance exceeded our expectations in 2016. The state posted an operating margin of 10.4% (2015: 8.1%) and a surplus before financing of 2.3% of total revenue, the first such surplus for more than a decade. This was thanks to continued cost consolidation efforts and a 9% yoy increase in tax revenue. The actual result surpassed that budgeted by the administration. Accordingly, RP managed to reduce its structural budget deficit to EUR310 million for 2016, EUR163 million less than the EUR473 million planned. This helped RP make further financial leeway to face operating spending challenges, especially in pension payments for staff and transfer payments to municipalities.

According to estimates as of November 2017, tax revenues for the German states are forecast to grow by 3.7% yoy on average in 2017-2021. Fitch believes this will help RP maintain an operating margin of 10.3% on average in 2017-2021, provided its cost consolidation efforts continue. Operating spending should thus not grow more than 2.9% yoy over this period. Consequently, we expect the state to achieve a balanced budget in 2017-2021, supporting its deleveraging process. In line with RP’s medium-term plan, we expect it not to assume new debt before 2019.

Challenges Ahead on Operating Spending

Upside risks to operating spending stem from increased staff costs due to an increase in staff tariffs and pension obligations and also from transfer payments to municipalities due to an increase in social benefits payments and refugee-related expenses.

As RP over-fulfilled its target on the structural deficit in 2014, the state abolished the 1% cap on staff salaries in 2015. This resulted in an additional staff expense of EUR92 million for 2016, or about 2.4% of staff costs. For staff retirements, peak values were reached in 2013-2016; nevertheless, the state expects a further 14% increase in the number of retirements in 2016-2021. In order to reduce the peak in pension obligations, RP has continued to liquidate the reserve fund set up in 1999. The state plans to liquidate EUR80 million a year in 2017-2021.

RP is the first German state to have set up its own pension fund for full coverage of its pension obligations from 1996 onwards. It is therefore ahead of its peers in terms of funding these obligations. As total coverage of pension obligations is likely to be a challenge ahead of the debt brake, RP decided to abolish full coverage in 2015, in order to increase its spending flexibility.

In order to have a structurally balanced budget in 2020, RP envisages saving an additional EUR440 million on expenditure in 2017-2020. Of the EUR440 million consolidation amounts, EUR117 million is planned for staff costs, EUR78 million for transfer payments, investments and payments to pension funds, and EUR11 million for interest costs. The consolidation amount for staff costs will be reached by cutting headcount by the equivalent of 2,000 full-time employees and increasing the retirement age by two years in 2017-2020.

Management and Administration

The most recent elections took place on 13 March 2016. The Social Democrats (SPD) remained the strongest party (39 seats). The former coalition with the Green party (Grüne), down to six seats, was no longer viable. As a result, the 17th parliament, formed on 18 May 2016, is made up of a coalition consisting of SPD, the Green Party and the Liberal Party (FDP, seven seats), with 52 of 101 seats. Malu Dreyer remains the prime minister, having been in office since 16 January 2013. The opposition parties are the Christian Democrats (CDU, 35 seats) and Alternative for Germany (AfD, 14 seats). The next elections will take place in March 2021.
### Appendix A

#### State of Rhineland-Palatinate

<table>
<thead>
<tr>
<th>(EURm)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>9,735.1</td>
<td>10,255.1</td>
<td>10,607.4</td>
<td>11,017.2</td>
<td>12,052.8</td>
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<tr>
<td>Transfers received</td>
<td>2,298.6</td>
<td>2,443.1</td>
<td>2,927.3</td>
<td>3,062.8</td>
<td>3,204.4</td>
</tr>
<tr>
<td>Fees, fines and other operating revenue</td>
<td>487.2</td>
<td>547.3</td>
<td>538.8</td>
<td>558.5</td>
<td>580.0</td>
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<tr>
<td>Operating revenue</td>
<td>12,520.9</td>
<td>13,245.5</td>
<td>14,073.5</td>
<td>14,638.5</td>
<td>15,837.2</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>-11,455.5</td>
<td>-11,886.2</td>
<td>-12,792.4</td>
<td>-13,456.2</td>
<td>-14,185.4</td>
</tr>
<tr>
<td>Operating balance</td>
<td>1,065.4</td>
<td>1,359.3</td>
<td>1,281.1</td>
<td>1,182.3</td>
<td>1,651.8</td>
</tr>
<tr>
<td>Financial revenue</td>
<td>70.9</td>
<td>64.7</td>
<td>44.9</td>
<td>35.5</td>
<td>31.7</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-971.5</td>
<td>-987.4</td>
<td>-949.8</td>
<td>-819.8</td>
<td>-819.1</td>
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<tr>
<td>Current balance</td>
<td>164.8</td>
<td>436.6</td>
<td>376.2</td>
<td>398.0</td>
<td>864.4</td>
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<tr>
<td>Capital revenue</td>
<td>731.3</td>
<td>511.9</td>
<td>460.5</td>
<td>569.4</td>
<td>462.9</td>
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<tr>
<td>Capital expenditure</td>
<td>-1,407.1</td>
<td>-1,432.5</td>
<td>-1,419.8</td>
<td>-1,491.8</td>
<td>-944.4</td>
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<tr>
<td>Capital balance</td>
<td>-675.8</td>
<td>-920.6</td>
<td>-959.3</td>
<td>-922.4</td>
<td>-481.5</td>
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<tr>
<td>Surplus (deficit) before debt variation</td>
<td>-511.0</td>
<td>-484.0</td>
<td>-583.1</td>
<td>-524.4</td>
<td>382.9</td>
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<tr>
<td>New borrowing</td>
<td>8,465.4</td>
<td>6,934.1</td>
<td>7,129.3</td>
<td>6,281.5</td>
<td>6,499.3</td>
</tr>
<tr>
<td>Debt repayment</td>
<td>-7,601.0</td>
<td>-6,432.3</td>
<td>-6,542.1</td>
<td>-5,749.4</td>
<td>-6,866.3</td>
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<tr>
<td>Net debt movement</td>
<td>864.4</td>
<td>501.8</td>
<td>587.2</td>
<td>532.1</td>
<td>-367.0</td>
</tr>
<tr>
<td>Overall results</td>
<td>353.4</td>
<td>17.8</td>
<td>4.1</td>
<td>7.7</td>
<td>15.9</td>
</tr>
</tbody>
</table>

#### Debt

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Short-term</td>
<td>622.1</td>
<td>49.6</td>
<td>48.5</td>
<td>738.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Long-term</td>
<td>33,536.1</td>
<td>34,037.9</td>
<td>34,699.0</td>
<td>35,267.0</td>
<td>34,944.1</td>
</tr>
<tr>
<td>Direct debt</td>
<td>34,158.2</td>
<td>34,087.5</td>
<td>34,747.5</td>
<td>36,005.1</td>
<td>34,944.1</td>
</tr>
<tr>
<td>+ Other Fitch classified debt – pre-financing</td>
<td>463.0</td>
<td>255.2</td>
<td>226.0</td>
<td>226.0</td>
<td>145.9</td>
</tr>
<tr>
<td>Direct risk</td>
<td>34,621.2</td>
<td>34,342.7</td>
<td>34,973.5</td>
<td>36,231.1</td>
<td>35,090.0</td>
</tr>
<tr>
<td>- Cash, liquid deposits, sinking fund</td>
<td>0.0</td>
<td>52.0</td>
<td>30.0</td>
<td>70.0</td>
<td>328.6</td>
</tr>
<tr>
<td>Net direct risk</td>
<td>34,621.2</td>
<td>34,290.7</td>
<td>34,943.5</td>
<td>36,161.1</td>
<td>34,761.4</td>
</tr>
<tr>
<td>Guarantees and other contingent liabilities</td>
<td>2,538.9</td>
<td>2,538.9</td>
<td>2,304.7</td>
<td>2,006.0</td>
<td>2,038.4</td>
</tr>
<tr>
<td>Net indirect debt (public sector entities exc. gteed amount)</td>
<td>4,765.5</td>
<td>4,524.4</td>
<td>4,496.4</td>
<td>4,367.6</td>
<td>4,475.1</td>
</tr>
<tr>
<td>Net overall risk</td>
<td>41,945.6</td>
<td>41,354.0</td>
<td>41,744.6</td>
<td>42,534.7</td>
<td>41,274.9</td>
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#### Memo for direct debt

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<tbody>
<tr>
<td>% in foreign currency</td>
<td>0.5</td>
<td>0.5</td>
<td>0.1</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>% issued debt</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>% fixed interest rate debt</td>
<td>78.4</td>
<td>89.6</td>
<td>90.0</td>
<td>86.9</td>
<td>90.4</td>
</tr>
</tbody>
</table>

Source: Issuer and Fitch calculations
## Appendix B

### State of Rhineland-Palatinate

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating balance/operating revenue (%)</td>
<td>8.51</td>
<td>10.26</td>
<td>9.10</td>
<td>8.08</td>
<td>10.43</td>
</tr>
<tr>
<td>Current balance/current revenue* (%)</td>
<td>1.31</td>
<td>3.28</td>
<td>2.66</td>
<td>2.71</td>
<td>5.45</td>
</tr>
<tr>
<td>Surplus (deficit) before debt variation/total revenueb (%)</td>
<td>-3.84</td>
<td>-3.50</td>
<td>-4.00</td>
<td>-3.44</td>
<td>2.34</td>
</tr>
<tr>
<td>Overall results/total revenue (%)</td>
<td>2.65</td>
<td>0.13</td>
<td>0.03</td>
<td>0.05</td>
<td>0.10</td>
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<tr>
<td>Operating revenue growth (annual % change)</td>
<td>n.a.</td>
<td>5.79</td>
<td>6.25</td>
<td>4.01</td>
<td>8.19</td>
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<tr>
<td>Operating expenditure growth (annual % change)</td>
<td>n.a.</td>
<td>3.76</td>
<td>7.62</td>
<td>5.19</td>
<td>5.42</td>
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<tr>
<td>Current balance growth (annual % change)</td>
<td>n.a.</td>
<td>164.93</td>
<td>-13.83</td>
<td>5.19</td>
<td>5.42</td>
</tr>
</tbody>
</table>

### Debt ratios

| Direct debt growth (annual % change) | n.a. | -0.21 | 1.94 | 3.62 | -2.95 |
| Interest paid/operating revenue (%) | 7.76 | 7.45 | 6.75 | 5.60 | 5.17 |
| Operating balance/interest paid (x) | 1.1 | 1.4 | 1.3 | 1.4 | 2.0 |
| Direct debt servicing/current revenue (%) | 68.08 | 55.74 | 53.06 | 44.77 | 48.43 |
| Direct debt servicing/operating balance (%) | 804.63 | 545.85 | 584.80 | 555.63 | 465.27 |
| Direct debt/current revenue (%) | 271.27 | 256.10 | 246.11 | 245.37 | 220.20 |
| Direct risk/current revenue (%) | 274.95 | 258.02 | 247.72 | 246.91 | 221.12 |
| Direct debt/current balance (yrs) | 207.27 | 78.07 | 92.36 | 90.47 | 40.43 |
| Net overall risk/current revenue (%) | 333.12 | 310.69 | 295.68 | 289.86 | 260.10 |
| Direct risk/current balance (yrs) | 210.08 | 78.66 | 92.97 | 91.03 | 40.59 |
| Direct debt/GDP (%) | 28.03 | 27.44 | 27.23 | 26.58 | 25.06 |
| Direct debt per capita (EUR) | 8,544 | 8,530 | 8,691 | 8,954 | 8,598 |

### Revenue ratios

| Operating revenue/budget operating revenue (%) | 101.42 | 103.46 | 107.15 | 103.15 | 104.32 |
| Tax revenue/operating revenue (%) | 77.75 | 77.42 | 75.37 | 75.26 | 76.10 |
| Modifiable tax revenue/total tax revenue (%) | - | - | - | - | - |
| Current transfers received/operating revenue (%) | 18.36 | 18.44 | 20.80 | 20.92 | 20.23 |
| Operating revenue/total revenueb (%) | 93.98 | 95.83 | 96.53 | 96.03 | 96.97 |
| Total revenueb per capita (EUR) | 3,332 | 3,459 | 3,646 | 3,791 | 4,019 |

### Expenditure ratios

| Operating expenditure/budget operating expenditure (%) | 99.89 | 101.82 | 104.79 | 102.11 | 101.39 |
| Staff expenditure/operating expenditure (%) | 47.11 | 46.00 | 43.97 | 42.82 | 41.98 |
| Current transfer made/operating expenditure (%) | 45.32 | 46.64 | 49.04 | 50.04 | 50.71 |
| Capital expenditure/budget capital expenditure (%) | 96.64 | 97.58 | 97.85 | 100.87 | 87.32 |
| Capital expenditure/total expenditure (%) | 6.56 | 6.91 | 6.54 | 6.93 | 4.14 |
| Capital expenditure/local GDP (%) | 1.20 | 1.15 | 1.11 | 1.10 | 0.68 |
| Total expenditure per capita (EUR) | 5,362 | 5,190 | 5,429 | 5,351 | 5,614 |

### Capital expenditure financing

| Capital balance/capital expenditure (%) | 11.71 | 30.48 | 26.50 | 26.68 | 91.53 |
| Capital revenue/capital expenditure (%) | 51.97 | 35.73 | 32.43 | 38.17 | 49.02 |
| Net debt movement/capital expenditure (%) | 61.43 | 35.03 | 41.36 | 35.67 | -38.86 |

n.a.: not available
* Includes financial revenue
b Excluding new borrowing
Source: Issuer and Fitch calculations
Appendix C
State of Rhineland-Palatinate

Peer Comparison

Operating Balance
% Operating Revenue

Surplus (Deficit)
% Total Revenue

Taxes
% Operating Revenue

Capital Expenditure
% Total Expenditure

Debt
To Current Revenue (%) 2016

Debt Servicing
To Current Revenue (%) 2016
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