

Land of Baden-Wurttemberg

This annex refers to the rating action release of 13 December 2019

Annex I: Institutional framework assessment and Individual credit profile

Step 1 - Framework assessment: integration with the sovereign - country/government layer specific							
Category	Weight	Sub-weight	Integration	Score	Weighted score		
Institutionalised support	50%	25%	Transfer & bailout regime	Full	100	25	
		15%	Borrowing limits	Full	100	15	
		10%	Funding support	Full	100	10	
Fiscal interlinkage	35%	20%	Tax authority	Full	100	20	
		15%	Fiscal equalisation	Full	100	15	
Political coherence	15%	10%	Distribution of powers	Full	100	10	
		5%	Common policymaking	Full	100	5	
Integration with the sovereign					Σ	100	

Integration	Indicative range
0-10	0-10
10-20	0-9
20-30	0-8
30-40	0-7
40-50	0-6
50-60	0-5
60-70	0-4
70-80	0-3
80-90	0-2
90-100	0-1

Step 2 - Individual credit profile - issuer specific									
Category	Weight	QS			CVS			Total (QS-CVS avg)	
		Risk	Score		Score	Weight			
Debt burden and liquidity profile	40%	Debt profile	Low	100	Interest, % op.rev.	95	50%	83	
		Contingent liabilities	Low	50	Debt, % op.rev	100	25%		
		Funding and liquidity mgmnt	Low	100	Balance before debt, % op.rev.	40	25%		
		Debt QS score	Σ	83	Debt CVS score	Σ	83		
Budget performance and flexibility	30%	Budget management	Low	100	Operating balance, % op.rev.	32	40%	56	
		Expenditure flexibility	Medium	50	SD operating balance	52	15%		
		Revenue flexibility	Medium	50	Personnel exp., % op.exp.	33	15%		
		Budget QS score	Σ	67	Budget CVS score	Σ	45		
Economy and social profile	20%	Growth & diversification	Low	100	GDP per capita	80	40%	85	
		Labour market & demographics	Low	100	Unemployment rate	96	20%		
					GDP volatility	18	20%		
					Old-age dependency ratio	79	20%		
Economy QS score	Σ	100	Economy CVS score	Σ	71				
Quality of governance	10%	Recent events & policy risk	Low	100	Quality	94	33%	79	
		Transparency & accountability	Low	100	Impartiality	29	33%		
					Corruption	50	33%		
Governance QS score	Σ	100	Governance CVS score	Σ	58				
Individual credit profile								Σ	75

Step 3 - Indicative rating: notch adjustment - downwards - from sovereign rating									
Indicative sub-sovereign rating	Individual credit profile: 75								
	Strong			Medium			Weak		
	≥ 75	≥ 65	≥ 55	≥ 45	≥ 35	≥ 25	< 25		
100	Full	0 - 1	0	0	-1	-1	-1	-1	-1
		0 - 2	-1	-1	-1	-1	-1	-2	-2
		0 - 3	-1	-1	-1	-2	-2	-2	-3
	Medium	0 - 4	-1	-1	-2	-2	-3	-3	-4
		0 - 5	-1	-2	-2	-3	-3	-4	-5
		0 - 6	-2	-2	-3	-3	-4	-5	-6
	Low	0 - 7	-2	-2	-3	-4	-5	-5	-7
		0 - 8	-2	-3	-4	-4	-5	-6	-8
		0 - 9	-2	-3	-4	-5	-6	-7	-9
		0 - 10	-3	-4	-5	-6	-7	-8	-10

Issuer	Baden-Wurttemberg
Country	Germany
Sovereign rating	AAA
Indicative rating adjustment	0
Additional considerations	-
Final rating	AAA

Source: Scope Ratings GmbH

Annex II: Selected indicators

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018e</i>
Interest payments, % operating revenue	3.8	3.6	3.2	2.9	2.8
Direct debt, % operating revenue	127.5	123.9	114.4	95.1	84.6
Operating balance, % operating revenue	11.9	10.9	10.3	12.5	11.8
Personnel exp., % total expenditure	42.7	41.2	38.7	39.6	39.7
GDP per capita, % of national average	113.9	115.4	114.3	113.7	-
Unemployment rate, % labour force	4.0	3.8	3.8	3.5	3.2

Source: Statistical Office Baden-Wurtemberg, Federal Statistical Office, Eurostat