Land of Berlin

Rating report

Rating rationale and Outlook

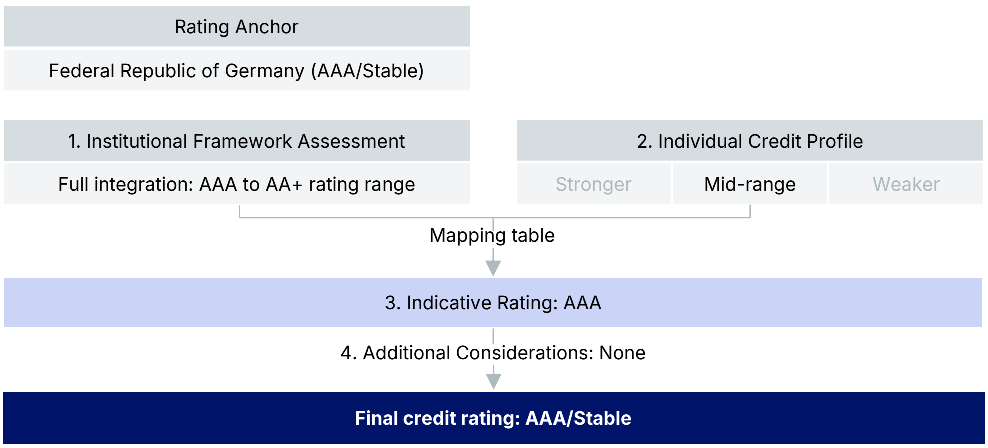
The Land of Berlin's (Berlin) AAA rating is driven by:

A highly integrated Institutional Framework characterised by a strong revenue equalisation system and the federal solidarity principle. This framework closely aligns the creditworthiness of the Länder with the German federal government's AAA/Stable ratings. Amendments to Germany's debt brake now allow Länder collectively to run a structural deficit of 0.35% of GDP and tap up to EUR 100bn in federal infrastructure funding. While this increases fiscal flexibility, it also reflects a shift towards a more expansionary stance. This is likely to lead to modestly higher borrowing by some Länder over time as they make use of the additional fiscal flexibility. However, under Scope's baseline, sustained fiscal discipline, prudent governance, and gradually strengthening revenues should allow debt burdens to stabilise over the medium term.

A 'mid-range' Individual Credit Profile underpinned by: i) a favourable debt profile and excellent capital market access; ii) prudent budgetary and financial management; and iii) resilient economic and demographic fundamentals.

Credit challenges relate to: i) high debt levels; ii) rising budget pressures with moderate budgetary flexibility; and iii) sizeable though largely low-risk contingent liabilities, including unfunded pension commitments.

Figure 1: Berlin's rating drivers



Note: For further details, please see Scope's Sub-Sovereign Rating Methodology.
Source: Scope Ratings

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating

S-1+

Local currency

Long-term issuer rating/Outlook

AAA/Stable

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Credit strengths and challenges

Credit strengths	Credit challenges
• Integrated institutional framework • Excellent capital market access, favourable debt and liquidity profile • Prudent budgetary and financial management • Resilient economic and demographic fundamentals	• High debt levels • Budgetary pressures, moderate budgetary flexibility • Sizeable, though largely low-risk contingent liabilities; unfunded pension commitments

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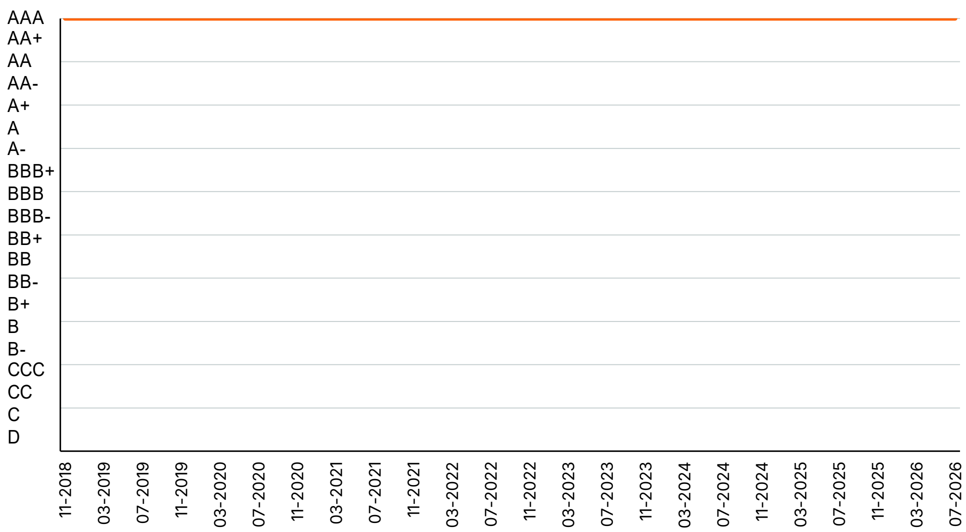
Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
• N/A	• Downgrade of Germany's sovereign rating • Changes in the institutional framework, resulting in a notably weaker individual credit profile • Individual credit profile weakens significantly and structurally

Figure 2: Rating history[1]



Source: Scope Ratings

[1] Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment

Appendix 1. Institutional Framework Assessment

To assess the institutional framework, we apply a Qualitative Scorecard (QS1) centred around 6 components. We assess each analytical component on a five-point scale ranging from a score of 0 for 'low' integration to 100 for 'full' integration. The institutional framework score, ranging from 0 to 100, is calculated as a simple average of these assessments. The score is then used to determine a rating range from the rating anchor level, within which the sub-sovereign's rating can be positioned.

Our assessment of intergovernmental integration between the Länder and the Federal Republic of Germany (AAA/Stable) results in an indicative **downward rating range of up to one notch** from the German sovereign, within which the Länder can be positioned according to their individual credit strengths.

Institutional Framework scorecard (QS1)

Analytical component	Full integration (100)	Strong integration (75)	Medium integration (50)	Some integration (25)	Low integration (0)
Exceptional support and bail-out practices	●				
Systemic budgetary support and fiscal equalisation	●				
Funding practices		●			
Fiscal rules and oversight	●				
Revenue and spending powers	●				
Political coherence and multilevel governance	●				

Integration score	**92**		
Downward rating range	**0-1**		

Institutional framework score	100 > x ≥ 90	90 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 > x ≥ 10	10 > x ≥ 0
Indicative rating range	0-1	0-2	0-3	0-4	0-5	0-6	0-7	0-8	0-9	0-10

Appendix 2. Individual Credit Profile

Risk pillar	Analytical component	Assessment		
Debt and liquidity	Debt burden & trajectory	Stronger	Mid-range	**Weaker**
	Debt profile & affordability	Stronger	**Mid-range**	Weaker
	Liquidity position & funding flexibility	**Stronger**	Mid-range	Weaker
	Contingent liabilities	Stronger	**Mid-range**	Weaker
Budget	Budgetary performance & outlook	Stronger	Mid-range	**Weaker**
	Revenue flexibility	Stronger	**Mid-range**	Weaker
	Expenditure flexibility	Stronger	**Mid-range**	Weaker
Economy	Wealth & economic resilience	Stronger	**Mid-range**	Weaker
ESG	Environmental factors	Stronger	**Mid-range**	Weaker
	Social factors	Stronger	**Mid-range**	Weaker
	Governance & transparency	**Stronger**	Mid-range	Weaker

ICP score	**50**
Indicative notching	**0**

Appendix 3. Mapping table

We derive the indicative sub-sovereign rating by mapping the result of the institutional framework assessment (i.e. the indicative rating range) to the ICP score.

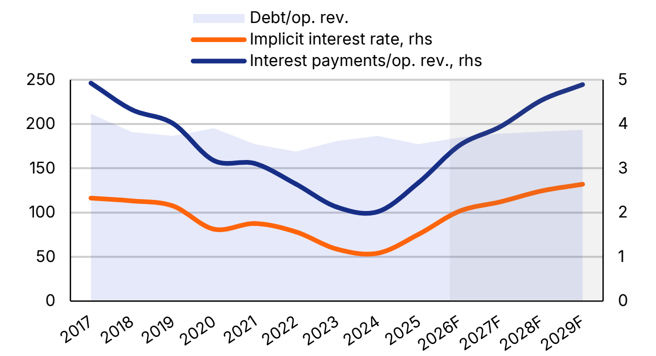
For Berlin, this results in an indicative rating aligned with the sovereign rating of AAA. No additional considerations apply.

Institutional framework assessment		Individual credit profile score							
Score	Downward rating range	100 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 ≥ x > 0
100 > x ≥ 90	0-1	0	0	0	0	0	0	-1	-1
90 > x ≥ 80	0-2	0	0	-1	-1	-1	-1	-2	-2
80 > x ≥ 70	0-3	0	-1	-1	-1	-2	-2	-3	-3
70 > x ≥ 60	0-4	0	-1	-1	-2	-2	-3	-3	-4
60 > x ≥ 50	0-5	0	-1	-1	-2	-2	-3	-4	-5
50 > x ≥ 40	0-6	0	-1	-1/-2	-2/-3	-2/-3	-3/-4	-4/-5	-6
40 > x ≥ 30	0-7	0	-1/-2	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7
30 > x ≥ 20	0-8	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-6/-7	-8
20 > x ≥ 10	0-9	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7/-8	-9
10 > x ≥ 0	0-10	0	-1/-2	-2/-3	-3/-4	-5/-6	-7/-8	-9/-10	-10

Note: Mapping table under section 6 of Scope's Sub-Sovereign Rating Methodology, as applied to the rating anchor's AAA-ratings.

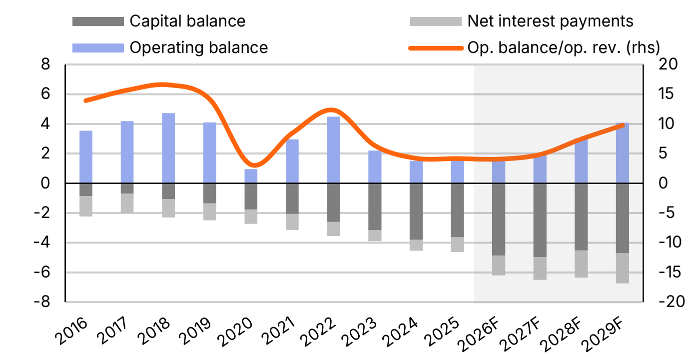
Appendix 4. Selected charts

Figure 3: Debt and interest burden, %



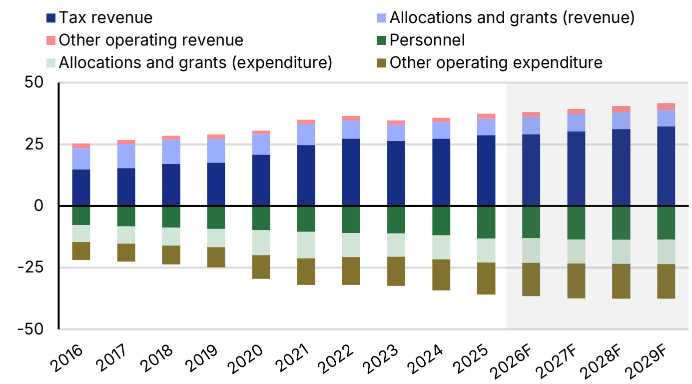
Sources: Destatis, Scope Ratings

Figure 4: Budgetary performance, EUR bn (lhs), % (rhs)



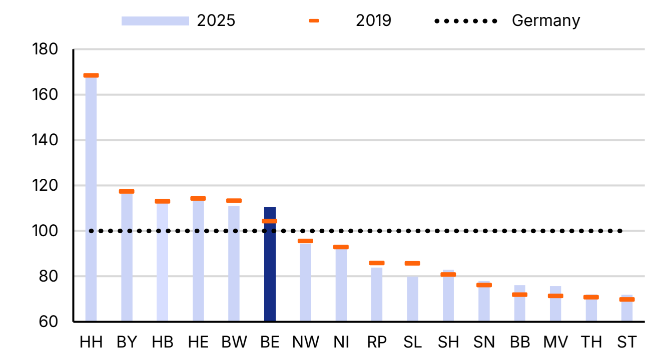
Sources: Destatis, Scope Ratings

Figure 5: Components of operating balance, EUR bn



Sources: Destatis, Scope Ratings

Figure 6: GDP per capita, % of national average



Sources: Destatis, Scope Ratings

Appendix 5. Statistical table

Historical budgetary and debt data are reported by Destatis to ensure comparability across Länder. From 2026, figures reflect Scope Ratings' estimates and forecasts and may differ from the Land's projections.

	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F
Budgetary performance (EUR m)									
Operating revenue	34,904	36,495	34,612	35,761	37,436	38,110	39,315	40,568	41,724
Operating revenue growth, %	14.2%	4.6%	-5.2%	3.3%	4.7%	1.8%	3.2%	3.2%	2.8%
Tax revenue	24,653	27,220	26,364	27,302	28,656	29,138	30,293	31,196	32,154
Allocations and grants	8,588	7,404	6,445	6,574	6,660	6,934	6,984	6,693	6,727
Other operating revenue	1,663	1,870	1,803	1,885	2,120	2,038	2,038	2,679	2,843
Operating expenditure	31,955	31,997	32,415	34,256	35,878	36,559	37,413	37,546	37,649
Operating expenditure growth, %	7.9%	0.1%	1.3%	5.7%	4.7%	1.9%	2.3%	0.4%	0.3%
Personnel	10,505	10,942	11,171	11,920	13,195	13,100	13,585	13,738	13,652
Allocations and grants	10,740	9,723	9,467	9,692	9,698	9,998	9,745	9,725	9,915
Other operating expenditure	10,711	11,332	11,777	12,644	12,986	13,461	14,082	14,082	14,082
Operating balance	2,948	4,498	2,197	1,505	1,559	1,550	1,902	3,022	4,074
Interest received	14	11	6	8	8	8	29	9	9
Interest paid	1,085	966	736	722	1,003	1,350	1,580	1,850	2,050
Net interest paid	1,072	954	729	714	996	1,342	1,551	1,841	2,041
Current balance	1,877	3,544	1,468	791	563	208	351	1,181	2,033
Capital balance	-2,063	-2,596	-3,156	-3,819	-3,632	-4,867	-4,963	-4,511	-4,704
Balance before debt movement	-186	947	-1,689	-3,028	-3,069	-4,659	-4,612	-3,330	-2,671
New borrowing (credit market)	6,089	5,530	5,617	6,820	8,716	9,083	9,543		
Debt redemption (credit market)	8,697	6,004	5,885	5,643	5,685	5,069	5,623		
Net borrowing	-2,609	-473	-268	1,177	3,031	4,014	3,920	3,339	3,136
Debt (EUR m)									
Direct debt	61,913	61,690	62,601	66,748	66,386	70,400	74,319	77,658	80,794
Guarantees	4,879	4,588	4,588	4,588					
Overall debt risk (direct debt plus guarantees)	66,792	66,278	67,189	71,336					
Financial ratios									
Debt/operating revenue, %	177.4%	169.0%	180.9%	186.6%	177.3%	184.7%	189.0%	191.4%	193.6%
Debt/operating balance, years*	21.0	13.7	28.5	44.4	42.6	45.4	39.1	25.7	19.8
Interest payments/operating revenue, %	3.1%	2.6%	2.1%	2.0%	2.7%	3.5%	3.9%	4.5%	4.9%
Implicit interest rate, %	1.8%	1.6%	1.2%	1.1%	1.5%	1.9%	2.1%	2.4%	2.5%
Operating balance/operating revenue, %	8.4%	12.3%	6.3%	4.2%	4.2%	4.1%	4.8%	7.5%	9.8%
Balance before debt movement/total revenue, %	-0.5%	2.5%	-4.8%	-8.3%	-8.0%	-12.2%	-11.7%	-8.2%	-6.4%
Transfers and grants/operating revenue, %	24.6%	20.3%	18.6%	18.4%	17.8%	18.2%	17.8%	16.5%	16.1%
Capital expenditure/total expenditure, %	8.3%	9.5%	10.8%	11.7%	10.8%	13.8%	14.1%	12.8%	13.0%
Economy and demographics									
Nominal GDP, EUR m	170,252	185,847	199,752	208,449	218,288				
GDP per capita, EUR	47,919	51,735	54,762	56,739	59,097				
GDP per capita, % of national GDP per capita	106.7%	107.0%	108.1%	109.5%	110.4%				
Real GDP growth, %	4.2%	5.2%	1.5%	0.8%	1.1%				
Population, '000s	3,677	3,633	3,662	3,685	3,701				
Unemployment rate, % labour force	9.8%	8.8%	9.1%	9.7%	10.3%				

* Capped at 100 years; n.a. in case of operating deficits.

Note: Scope assumes a minimum payment of EUR 800m related to the Alimentationsprinzip ruling. The final cost could reach up to EUR 7.1bn, depending on recognised claims and settlement terms, including repayment timing. Higher costs or earlier repayments would pose a downside risk to the forecast.

Source: Land of Berlin, Destatis, Statistische Ämter des Bundes und der Länder, Scope Ratings

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Applied methodologies

Sub-Sovereign Rating Methodology, September 2025

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