FitchRatings

Region of Wielkopolska

Fitch Ratings has affirmed the Region of Wielkopolska's Long-Term Foreign-and Local-Currency Issuer Default Ratings (IDRs) at 'A-' with Stable Outlooks. The affirmation reflects our expectations that despite expenditure pressures, Wielkopolska will maintain its payback ratio at levels corresponding to an 'aa' debt sustainability.

We forecast a deterioration in the payback ratio in the medium term due to continued high investment expenditure requiring debt finance, coupled with weaker operating performance expectations. Changes to the local and regional governments' (LRGs) funding mechanism, which started with the Polish Deal tax reform, and still high inflation, will continue to put pressure on the region's operating balance.

Wielkopolska's 'a+' Standalone Credit Profile (SCP) continues to reflect a combination of a 'Midrange' risk profile and an 'aa' debt sustainability assessment. The region's IDRs are not affected by any asymmetric risk or extraordinary support from the Polish state. Wielkopolska's IDRs are capped by Poland's sovereign ratings (A-/Stable).

Key Rating Drivers

Risk Profile – 'Midrange': Wielkopolska's 'Midrange' risk profile combines a 'Stronger' assessment of expenditure adjustability and a 'Midrange' assessment of revenue robustness and adjustability; expenditure sustainability; and liabilities and liquidity framework.

CIT Allocation: From 2022, the CIT revenue (2023: 64% of operating revenue) for any given year is forecast by the Ministry of Finance (MoF) and disbursed to LRGs in 12 equal instalments. For 2024, the allocated CIT amounts from the MoF will be higher by 15% than a year ago, which will support the budget.

Revenue Reform Ahead: In a recent policy initiative, the Polish MoF has outlined preliminary proposals designed to overhaul the financial framework governing local governments in Poland. A key objective of the reforms is to realign local government revenue with the economic activities within their jurisdictions. These critical elements are slated for disclosure in 2024, with the goal of implementing the revised system at the onset of 2025.

Flexible Expenditure: Polish regions have mostly non-cyclical responsibilities and strong cost adjustability. The latter is supported by a low share of staff costs in Wielkopolska's budget (14% of the total in 2019-2023) and a high share of capital expenditure (capex) in total spending (totex; 2018-2023 average of 40%).

Long Debt Maturity: Wielkopolska's debt is dominated by bonds (99% at end-2023). The amortisation is smooth with final maturity in 2032. The region plans to switch to loans from the European Investment Bank (AAA/Stable), where PLN500 million has already been secured. The region is exposed to interest-rate risk (all debt is carrying floating rates), but not to foreign-exchange (FX) risk. Indirect risk stemming from the region's government-related entities (GREs) is low relative to Wielkopolska's budget.

Optional section 'ESG Relevance Score Text' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

Rating Sensitivities

Sovereign Upgrade: A positive rating action on Poland's IDR would lead to an upgrade of Wielkopolska's IDRs, as they are constrained by the sovereign ratings.

Metrics Deterioration: A downgrade could be triggered by a negative rating action on Poland's IDRs, or a multiple-notch downward revision of the SCP to 'bbb+'. The latter could be driven by a material deterioration of debt metrics, particularly a debt payback of 9x under Fitch's rating case.

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	A-
Short-Term IDR	F1

Local Currency

Long-Term IDR	A-

National Rating

National Long-Term Rating	AAA(pol)

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable

Issuer Profile Summary

Wielkopolska is the third-wealthiest of 16 Polish regions, with a population of 3.5 million. In 2022, gross regional product per capita was 106% of the national average. The region's economy is well-diversified and services-orientated.

Financial Data Summary

(PLNm)	2023	2028rc
Payback ratio (x)	-0.2	5.3
Synthetic coverage (x)	-42.8	2.0
Actual coverage (x)	11.1	1.9
Fiscal debt burden (%)	-6.4	62.4
Net adjusted debt	-139	1,721
Operating balance	723	327
Operating revenue	2,174	2,759
Debt service	65	168
Mortgage-style debt annuity	-17	162

rc: Fitch's rating-case scenario

Source: Fitch Ratings, Fitch Solutions, Wielkopolska

Applicable Criteria

International Local and Regional Governments Rating Criteria (September 2021)

National Scale Rating Criteria (December 2020)

Related Research

Poland (November 2023)

Polish Regions - Peer Review (June 2021)

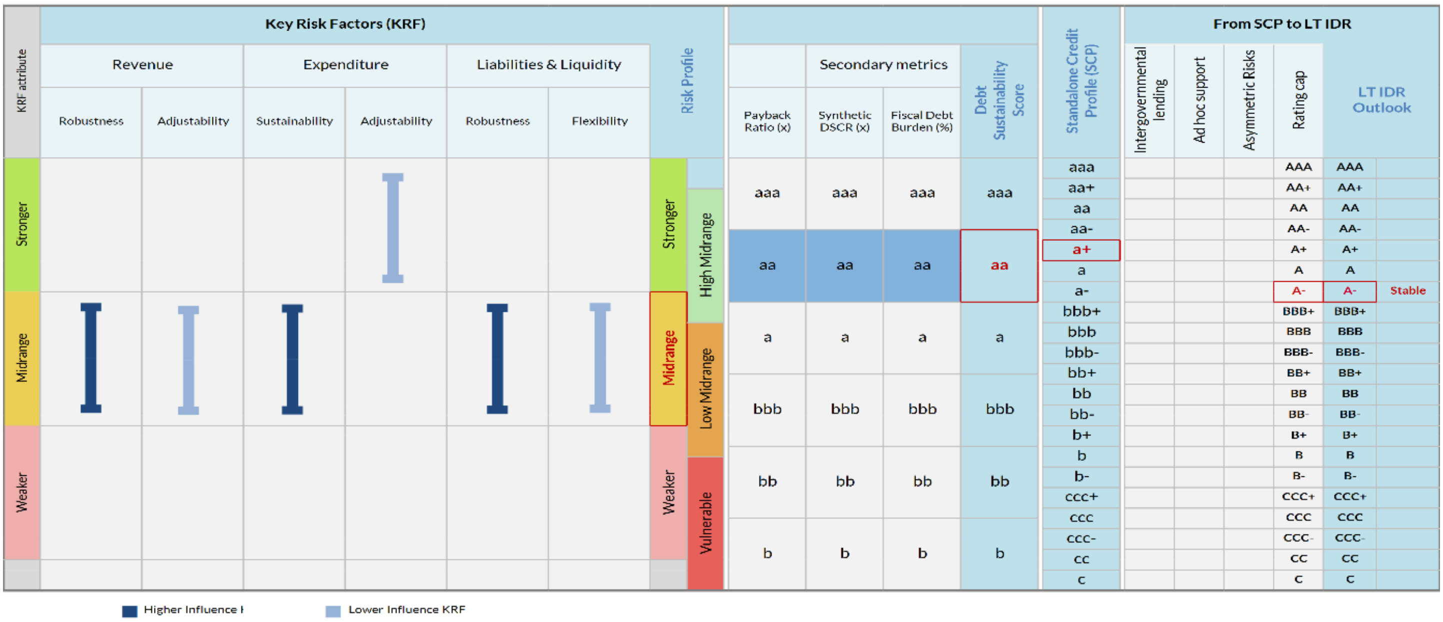
Analysts

Maurycy Michalski
+48 22 103 3027
maurycy.michalski@fitchratings.com

Marcin Lipecki
+48 22 103 3042
marcin.lipecki@fitchratings.com

Rating Synopsis

Wielkopolska, Region of LT IDR Derivation Summary



Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of the LRG. The risk profile and 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.

Issuer Profile

Fitch classifies Wielkopolska as a 'Type B' LRG. This type of LRG is required to cover debt service from cash flow annually. Polish regions have a stable regulatory regime. Their activities and financial statements are monitored and reviewed by the central administration. They have good disclosure in their accounts: regions are obliged to publish their budgets and annual and interim execution reports, as well as long-term financial projections, on their websites.

Their budgets and budget execution reports regarding revenue and expenditure are based on cash accounting. Polish regions are allowed to administrate public-mission unitary companies. The financials of these local GREs are not consolidated in the regional budget accounts. Their sources of revenue and the scope of regional tasks is defined by law. The budgetary revenue and expenditure classification govern the split into current and capital. The regions are not allowed to adopt a budget with a current deficit, but there are no restrictions on running capital deficits.

Polish regions may place outstanding cash in deposits with banks established on Polish territory and invest it in treasury bonds or bonds issued by other LRGs. Polish regions can incur short-term debt to cover their liquidity shortages during a year, but this has to be repaid by year-end. Each region has to comply with an individual debt limit (see What Investors Want to Know: Polish Subnationals' Debt Regulations published 31 July 2019). Polish regions cannot be declared bankrupt. If a region is in financial distress, it can be granted a loan from the state budget once it implements reparatory proceedings. However, we cannot rule out the possibility of a region defaulting on its financial obligations.

The Region of Wielkopolska, located in west-central Poland, is characterised by a robust and diverse economy that is one of the strongest in the country. Its capital, Poznan (A-/Stable), serves as an economic hub with a well-developed trade fair infrastructure that attracts international business. Thanks to its fertile soil, Wielkopolska has a strong agricultural sector and is an important centre for food processing. The region also has significant manufacturing capabilities, with a focus on the automotive, furniture, electronics and pharmaceutical industries. It also benefits from a strategic location at a major crossroads of European transport routes, facilitating logistics and distribution activities. In recent years, the region has had a surge in investment, including the development of infrastructure, technology parks and the attraction of FDI, which has further strengthened its economic position.

Wielkopolska is the third-wealthiest of 16 Polish regions, with a population of 3.5 million. The region's economy is well-diversified and services-orientated. It is characterised by high levels of entrepreneurship, relatively low unemployment rates (2023: 3% compared with 5.1% national average) and strong GDP per capita figures (106% of the national average). The region's economic resilience, strategic investment and dynamic growth contribute to its prominent position nationally.

Socioeconomic Indicators

	Issuer	Sovereign
Population, mid- 2023 (m)	3.5	37.7
GDP per capita, 2022 (PLN)	85,867.0	81,093.0
GRP growth, 2022 (%)	15.7	17.1
Inflation, 2023 (%)	-	11.4
Unemployment rate, 2023 (%)	3.0	5.0

Source: Fitch Ratings, national statistics, Region of Wielkopolska

Risk Profile Assessment

Risk Profile: Midrange

Fitch assesses Wielkopolska's risk profile as 'Midrange', 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
Midrange	Midrange	Midrange	Midrange	Stronger	Midrange	Midrange

Source: Fitch Ratings

Wielkopolska's risk profile is 'Midrange', in line with other Fitch-rated Polish regions. The 'Midrange' risk profile combines 'Stronger' expenditure adjustability and a 'Midrange' assessment of revenue robustness and adjustability; expenditure sustainability; and liabilities and liquidity framework.

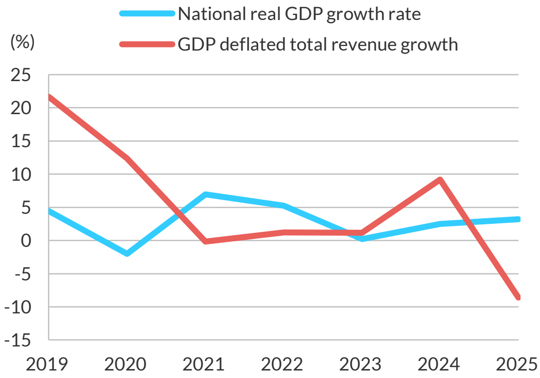
The assessment reflects Fitch's view of a relatively low risk that Wielkopolska's debt service coverage by the operating balance weakens unexpectedly over the forecast horizon (2024-2028) either because of revenue falling short of expectations or spending overshooting above expectations, or by way of unanticipated rise of liabilities/debt-service requirements.

Revenue Robustness: Midrange

The 'Midrange' assessment is in line with all Fitch-rated Polish regions. The region's revenues are dominated by CIT (64% of operating revenue in 2023), personal income tax (PIT; 7%) and transfers from the state budget (about 23%). The high share of CIT results from the region being the third-wealthiest in Poland, with GDP per capita at 106% of the national average.

CIT is vulnerable to economic cycles, but this is slightly mitigated by the national economy's growth prospects in the medium term. Additionally, the income tax redistribution mechanism from the state budget to LRGs' budgets in the form of advances, according to the reform's assumptions, should smooth out the negative effects of national economy fluctuations.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Region of Wielkopolska

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
CIT	64.4	58.2
PIT	7.1	6.4
Transfers	23.1	20.9
Other operating revenue	5.3	4.8
Operating revenue	**100.0**	**90.3**
Interest revenue	-	1.7
Capital revenue	-	7.9
Total revenue	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Region of Wielkopolska

Revenue Adjustability: Midrange

We assess Wielkopolska's ability to generate additional revenue in response to possible economic downturns as 'Midrange' in view of the equalisation scheme for Polish regions. Wielkopolska has not benefited from equalisation subsidies in recent years, but could qualify for it if tax revenue falls below 100% of the national average. Wielkopolska has limited tax-revenue-raising flexibility, like other Polish regions, as income tax rates are determined by the state.

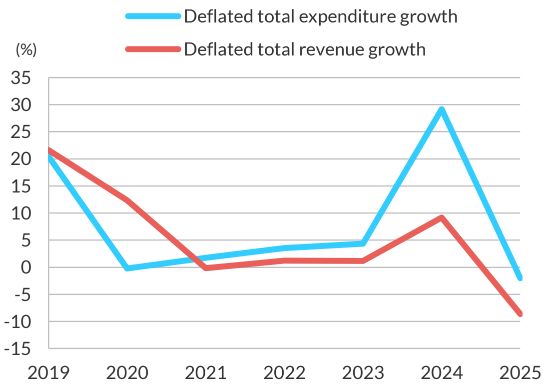
The Polish MoF has recently introduced proposals for a significant reform in the financing of local governments in Poland. The reforms include categorising local governments to allocate funds based on individual needs, abolishing the "Janosikowe" financial adjustment mechanism, and changing the sources of local government funding and the subsidy system.

One key aspect is that local government shares in PIT and CIT would be calculated based on taxable income, not affected by tax reliefs or exemptions, making them less sensitive to changes in tax legislation. The proposals also suggest the development of a special algorithm to more accurately estimate the expenditure needs of municipalities, counties, and regions, and adjust subsidies accordingly. The ultimate impact will depend on the details and specific indicators used in the new system, which are expected to be reviled during 2024, as the intention is to implement the new system from the beginning of 2025.

Expenditure Sustainability: Midrange

The region's 'Midrange' expenditure sustainability reflects a historical pattern of operating expenditure (opex) growth tracking operating revenue growth. Like other Polish regions, Wielkopolska has mostly non-cyclical responsibilities, which are unlikely to grow materially during a downturn. This is especially the case for capex (37% of totex in 2023), as well as opex on regional road and rail transportation (22%), public administration (10%), culture (8%) and education (8%).

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Region of Wielkopolska

Expenditure Breakdown, 2023

	Operating expenditure (%)	Total expenditure (%)
Transport and connectivity	38.7	24.0
Public administration	16.7	10.4
Culture and heritage protection	13.5	8.4
Education	11.9	7.4
Other operating expenditure	19.2	11.8
Operating expenditure	**100.0**	**62.0**
Interest expenditure	-	1.0
Capital expenditure	-	37.0
Total expenditure	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Region of Wielkopolska

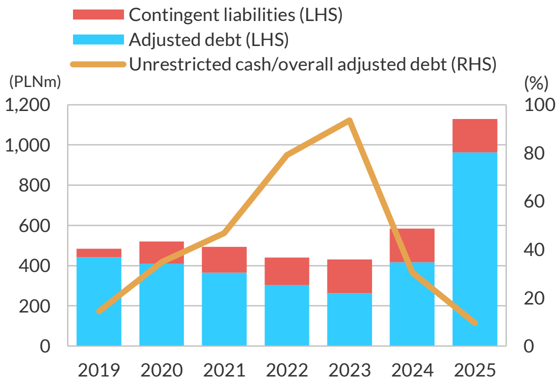
Expenditure Adjustability: Stronger

Wielkopolska has high spending flexibility, which is reflected in a low share of staff costs in its budget (on average 14% of total in 2019-2023) and a high share of capex in totex (on average 40% in 2019-2023). Wielkopolska may cut its opex on road maintenance and repairs, as well as on the region's heritage and cultural events, among others. Also, Wielkopolska may postpone some of its investments or partially scale them back, especially those not co-financed by the EU. However, persisting high inflation (end-2023 11.4%) and high energy costs will continue to put pressure on the region's budget.

Liabilities and Liquidity Robustness: Midrange

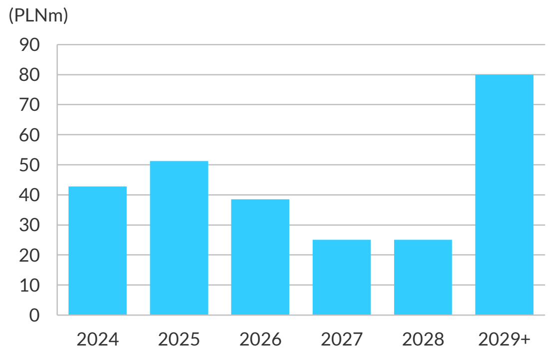
Wielkopolska's debt is mainly composed of bonds with debt maturities until 2032 and with a smooth amortisation profile. The region has already secured a loan from the European Investment Bank (EIB; AAA/Stable), with up to PLN500 million. However, due to high operating balances, the region postponed the drawdown until 2024, despite high capex. The region is exposed to interest-rate risk (all debt has floating rates), but not to FX risk. Indirect risk stemming from the region's shareholdings is low in relation to the region's budget.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Region of Wielkopolska

Direct Debt Maturity Profile, End-2023



Source: Fitch Ratings, Region of Wielkopolska

Liabilities and Liquidity Flexibility: Midrange

Wielkopolska has a long record of high liquidity and strong access to liquidity from banks. The region has a long record of holding year-end cash balances on average more than 3x its scheduled annual debt service requirements for the following year, which is rating positive.

Debt Analysis

	2023
Fixed rate (% of direct debt)	0
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	9
Weighted average life of debt (years)	4.1

Source: Fitch Ratings, Region of Wielkopolska

Liquidity

(PLNm)	2023
Total cash, liquid deposits and sinking funds	442
Restricted cash	40
Cash available for debt service	402
Undrawn committed credit lines	0

Source: Fitch Ratings, Region of Wielkopolska

Debt Sustainability Assessment

Debt Sustainability: 'aa' Category

Debt Sustainability Metrics Summary

	Primary metric	Secondary metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X >= 4	X ≤ 50
aa	**5 < X ≤ 9**	**2 ≤ X < 4**	**50 < X ≤ 100**
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 25	X < 1	X >250

Note: Yellow highlights show metric ranges applicable to the issuer.
Source: Fitch Ratings

Under its rating case for 2024-2028, Fitch projects the region's payback ratio will rise to above 5x in 2027-2028 from negative 0.2x in 2023. The deterioration of the payback ratio stems from the investment-driven debt increases and the expected reduction of the operating balance in the medium term, due to continued inflationary pressure and the new LRGs' funding system introduced by the Polish Deal reform. Fitch's rating case projects that the fiscal debt burden will increase to 62% in 2028 from negative 6.4% in 2023. The negative values are a result of the region's unrestricted cash position exceeding the year-end direct debt level in 2022-2023.

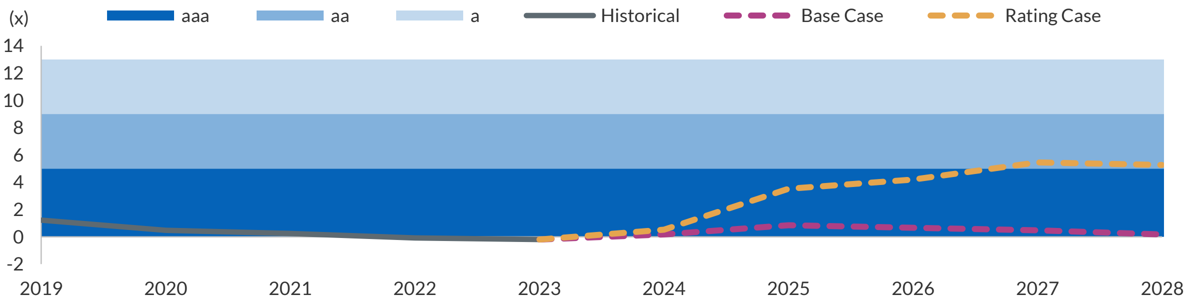
The region's synthetic debt service coverage ratio is expected to weaken to an average 2.3x during 2025-2028, from a strong historical average of 31x. However, all of the above ratios result in an unchanged overall debt sustainability assessment of Wielkopolska at 'aa'.

The operating balance of Wielkopolska has been increasing for the past five years to PLN723 million or a sound 33% of operating revenue in 2023 from PLN305 million (25%) in 2019, allowing the region to be less reliant on debt financing when implementing its robust investment plan.

We expect its operating balance to deteriorate to PLN316 million on average in 2024-2028 from PLN530 million in 2019-2023, mainly due to inflationary increases of regional railway services provision costs and expensive maintenance repairs of the rolling stock, as well as salaries growth pressure, driven by increasing minimum wages. Revenue from income taxes is determined by MoF forecasts, and the share of income taxes is distributed to LRGs in 12 equal instalments.

The region is expected to incur capex of more than PLN3 billion in 2024-2028. The robust investment plan will lead to budgetary deficits of 14% on average in 2024-2028 (2023: surplus of 2.7%). Capex includes mainly investments in regional roads (36%) and healthcare institutions (21%), regional rail infrastructure and rolling stock (19%) and cultural institutions (14%), as well as small and medium-sized investments, which can be freely postponed, if necessary, using its expenditure flexibility. Wielkopolska will also prioritise investments for which it can obtain external non-returnable financing. As a result, we expect the region's debt after continued deleveraging to return on a growth path and to exceed PLN1.7 billion at end-2028 (up from PLN263 million in 2023).

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Region of Wielkopolska

Fitch's rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2018-2023 figures and 2024-2028 projected ratios. The key assumptions for the scenario include:

- Annual average 4.9% increase in operating revenue, including tax revenue CAGR at 6% and transfers received CAGR at 3.5%, driven by the anticipated rebound of the Polish economy.

Annual average 10.9% increase in opex, due to inflationary increases of regional railway services provision costs and expensive maintenance repairs of the rolling stock, as well as growth pressure on salaries driven by increased minimum wages.

- Net capex of PLN648 million on average, up from PLN434 million in 2019-2023, as the region's investments pick up pace.
- Average cost of debt increasing to 5.5% in 2023-2028 from 4% in 2019-2023, due to higher policy rates.

Scenario Assumptions Summary

		2024 - 2028 average	
Assumptions	**5-year historical average**	**Base case**	**Rating case**
Operating revenue growth (%)	13.9	5.9	4.9
Tax revenue growth (%)	15.4	7.1	6.0
Current transfers received growth (%)	14.5	4.1	3.5
Operating expenditure growth (%)	9.8	8.6	10.9
Net capital expenditure (average per year; m)	-434	-648	-648
Apparent cost of debt (%)	4.0	4.5	5.5

		2028	
Outcomes	**2023**	**Base case**	**Rating case**
Payback ratio (x)	-0.2	0.2	5.3
Actual coverage ratio (x)	11.1	6.1	1.9
Synthetic coverage ratio (x)	-42.7	71.4	2.0
Fiscal debt burden (%)	-6.4	3.9	62.4

Source: Fitch Ratings, Region of Wielkopolska

The region has continued deleveraging to PLN263 million at end-2023 from PLN442 million at end-2019, despite its sizable capex. This was supported by increasing operating balances, as the region exercised its spending flexibility in order to maintain opex growth (9.8% in 2019-2023) much below operating revenue growth (13.9%).

We expect direct debt to return to a growth path from 2024 and to reach PLN1,784 million by end-2028, due to high capex and a lower operating balance resulting from increasing costs. Its ample cash balances will decrease over the forecast period, but liquidity will remain sound.

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

All three Fitch-rated Polish regions have a 'Midrange' risk profile. Of the three, Malopolska has the weakest payback ratio, hence its SCP is one notch lower.

Of international peers, French region Bouches-du-Rhone has a 'High Midrange' risk profile but, with a weaker payback ratio, still has a higher SCP of 'aa-'. Among Italian regions, Sardinia has the same risk profile of 'Midrange' and a debt sustainability in the 'aa' category, resulting in the same SCP as Wielkopolska. Marche has a higher debt sustainability assessment due to a much lower payback ratio, thus it has an SCP of 'aa', two notches above Wielkopolska's. Azores in Portugal, has a lower SCP of 'bb+, despite having a 'Midrange' risk profile, due to much weaker debt metrics.

Peer Comparison

	Risk Profile	Primary metric (x)	SCP	IDR
Region of Wielkopolska	Midrange	5.3	a+	A-
Region of Mazowieckie	Midrange	5.0	a+	A-
Region of Malopolska	Midrange	6.5	a	A-
Department of Bouches-du-Rhone	High Midrange	9.0	aa-	AA-
Autonomous Region of Sardinia	Midrange	6.1	a+	BBB+
Region of Marche	Midrange	2.9	aa	BBB
Autonomous Region of Azores	Midrange	12.4	bb+	BBB

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to IDR/CO: Factors Beyond the SCP

		Support						
SCP	Sovereign	Intergovern. Financing	Ad-hoc Support	Floor	Asymmetric Risks	Cap	Notches above the Sovereign	IDR/CO
a+	A-	--	--	--	-	A-	-	A-

Source: Fitch Ratings

To assign an IDR to a Polish region, Fitch first assigns the region an SCP, which results from the combination of the assessments of the risk profile and debt sustainability metrics.

The 'a+' SCP of Wielkopolska combines a 'Midrange' risk profile with debt sustainability metrics assessed at the higher end of the 'aa' category.

In view of the strong interdependence between national and subnational finances, the regions' ratings are capped by the sovereign. No other rating factors, like the state extraordinary support or asymmetric risks, influence the ratings.

Short Term Rating Derivation

Wielkopolska's Short-Term Foreign-Currency IDR at 'F1' is capped by the sovereign's.

National Ratings

Wielkopolska's National Rating of 'AAA(pol)' is the highest possible under Fitch's National Rating scale.

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

Region of Wielkopolska

(PLNm)	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal performance										
Taxes	855	909	1,171	1,179	1,555	1,824	1,732	1,855	1,956	2,086
Transfers received	263	355	329	425	503	525	546	562	579	596
Fees, fines and other operating revenues	107	171	115	130	116	113	70	73	75	77
Operating revenue	1,225	1,436	1,615	1,735	2,174	2,462	2,348	2,490	2,610	2,759
Operating expenditure	-921	-958	-1,045	-1,165	-1,451	-2,005	-2,104	-2,208	-2,338	-2,432
Operating balance	305	477	570	570	723	457	244	282	272	327
Interest revenue	3	1	1	29	42	15	7	3	3	2
Interest expenditure	-11	-9	-5	-18	-25	-22	-42	-59	-71	-77
Current balance	297	469	566	580	740	451	208	227	203	252
Capital revenue	321	379	291	374	191	290	275	186	212	212
Capital expenditure	-646	-673	-708	-833	-866	-1,158	-1,099	-743	-708	-708
Capital balance	-325	-295	-417	-459	-675	-869	-824	-557	-496	-496
Total revenue	1,549	1,815	1,907	2,137	2,406	2,767	2,629	2,679	2,825	2,973
Total expenditure	-1,577	-1,641	-1,757	-2,016	-2,341	-3,184	-3,245	-3,009	-3,117	-3,217
Surplus (deficit) before net financing	-28	174	149	121	65	-418	-616	-330	-292	-244
New direct debt borrowing	67	20	18	0	0	197	607	311	401	359
Direct debt repayment	-30	-53	-61	-61	-41	-43	-61	-67	-91	-91
Net direct debt movement	37	-34	-43	-61	-41	154	546	244	310	268
Overall results	9	141	106	60	24	-264	-70	-86	18	24
Debt and liquidity										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	442	408	365	303	263	416	962	1,207	1,517	1,784
Direct debt	442	408	365	303	263	416	962	1,207	1,517	1,784
Other fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	442	408	365	303	263	416	962	1,207	1,517	1,784
Guarantees issued (excluding adjusted debt portion)	31	63	55	49	80	80	80	80	80	80
Majority-owned GRE debt and other contingent liabilities	11	49	73	87	87	87	87	87	87	87
Overall adjusted debt	483	520	493	440	430	584	1,130	1,374	1,684	1,952
Total cash, liquid deposits, and sinking funds	111	252	357	418	442	178	108	22	40	64
Restricted cash	41	71	127	69	40	0	0	0	0	0
Unrestricted cash	70	181	231	348	402	178	108	22	40	64
Net adjusted debt	372	227	134	-45	-139	239	854	1,185	1,477	1,721
Net overall debt	414	339	262	92	28	406	1,022	1,352	1,644	1,888
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	98	93	93	99	99	-	-	-	-	-
Floating interest rate debt/direct debt (%)	98	94	94	100	100	-	-	-	-	-

rc - rating case
Source: Fitch Ratings, Region of Wielkopolska

Appendix B: Financial Ratios

Region of Wielkopolska

	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal performance ratios										
Operating balance/operating revenue (%)	24.9	33.2	35.3	32.9	33.3	18.6	10.4	11.3	10.4	11.9
Current balance/current revenue (%)	24.2	32.6	35.0	32.9	33.4	18.2	8.9	9.1	7.8	9.1
Operating revenue annual growth (%)	7.8	17.2	12.5	7.4	25.3	13.2	-4.6	6.1	4.8	5.7
Operating expenditure annual growth (%)	1.0	4.1	9.0	11.5	24.6	38.2	5.0	4.9	5.9	4.0
Surplus (deficit) before net financing/total revenue (%)	-1.8	9.6	7.8	5.7	2.7	-15.1	-23.4	-12.3	-10.4	-8.2
Total revenue annual growth (%)	25.3	17.2	5.1	12.1	12.6	15.0	-5.0	1.9	5.5	5.2
Total expenditure annual growth (%)	24.2	4.0	7.1	14.7	16.2	36.0	1.9	-7.3	3.6	3.2
Debt ratios										
Primary metrics										
Payback ratio (x) (Net adjusted debt to operating balance)	1.2	0.5	0.2	-0.1	-0.2	0.5	3.5	4.2	5.4	5.3
Secondary metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	30.3	15.8	8.3	-2.6	-6.4	9.7	36.4	47.6	56.6	62.4
Synthetic debt service coverage ratio (x)	10.2	26.9	59.0	-127.6	-42.8	18.2	2.8	2.4	1.9	2.0
Actual debt service coverage ratio (x)	7.5	7.6	8.7	7.2	11.1	7.1	2.4	2.3	1.7	1.9
Other debt ratios										
Liquidity coverage ratio (x)	10.0	8.8	11.4	10.1	16.4	13.3	4.1	3.1	1.8	2.2
Direct debt maturing in one year/total direct debt (%)	12.1	10.1	16.8	13.5	16.3	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	9.2	-7.6	-10.6	-16.8	-13.5	58.6	131.2	25.4	25.7	17.6
Apparent cost of direct debt (interest paid/direct debt) (%)	2.6	2.2	1.3	5.4	8.7	6.4	6.1	5.4	5.2	4.7
Revenue ratios										
Tax revenue/total revenue (%)	55.2	50.1	61.4	55.2	64.6	65.9	65.9	69.3	69.3	70.2
Current transfers received/total revenue (%)	17.0	19.6	17.2	19.9	20.9	19.0	20.8	21.0	20.5	20.1
Interest revenue/total revenue (%)	0.2	0.0	0.0	1.3	1.7	0.6	0.3	0.1	0.1	0.1
Capital revenue/total revenue (%)	20.7	20.9	15.3	17.5	7.9	10.5	10.5	6.9	7.5	7.2
Expenditure ratios										
Staff expenditure/total expenditure (%)	14.0	13.5	14.4	15.1	15.0	-	-	-	-	-
Current transfers made/total expenditure (%)	28.7	32.0	28.2	28.1	29.3	-	-	-	-	-
Interest expenditure/total expenditure (%)	0.7	0.6	0.3	0.9	1.1	0.7	1.3	2.0	2.3	2.4
Capital expenditure/total expenditure (%)	41.0	41.0	40.3	41.3	37.0	36.4	33.9	24.7	22.7	22.0

rc - rating case
Source: Fitch Ratings, Region of Wielkopolska

FitchRatings

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

The region's net adjusted debt is expected to increase to above PLN1,7 billion in 2028 due to the assumed high level of capex and decreasing operating balance resulting from the increased spending. Cash balances will decrease over the forecast period, but will remain on a level safe enough to allow for the servicing of debt. The maturity of the longest bonds is 2032.

Synthetic Coverage Calculation

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

Mortgage-Style Debt Annuity Calculation

(PLNm)	2023	2028rc
Net adjusted debt	-139	1,721
Apparent cost of debt (%)	8.7	4.7
Amortization period, years	15	15
Mortgage-style debt annuity	-17	162

Source: Fitch Ratings, Region of Wielkopolska

Specific Adjustments

We have adjusted the region's one-off subsidy of PLN26 million resulting from the 'Polish Deal' tax reform (paid in December 2021 but for cost coverage in 2022; withdrawing from current transfer in 2021/added in 2022) in order not to distort the region's operating balance. For more information please refer to Polish Deal Reform May Lead to Local Governments' Rating Downgrades published 21 November 2021.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.