

# Region of Mazowieckie

The affirmation of Region of Mazowieckie's Issuer Default Ratings (IDRs) reflects the continued constraint of Poland's sovereign ratings (A-/Stable), despite Fitch Ratings' revision of Mazowieckie's Standalone Credit Profile (SCP) to 'aa' from 'a+'. We expect operating performance to stabilise, supported by the new local and regional governments' (LRGs) revenue law and positive macroeconomic forecasts. Together, this will lead to slower debt growth in 2025-2029 and enhance debt ratios, despite continued high investment expenditure.

The new law has restructured the LRGs' funding framework, increasing the share of personal and corporate income tax (PIT and CIT) in the revenue structure. It ensures at least minimal growth in income tax revenue relative to the region's financial needs, allowing for long-term planning of revenue growth. The tax share is based on residents' taxable income, directly linking revenue to regional development and shielding it from politically driven tax changes.

## Key Rating Drivers

**Risk Profile – 'Midrange':** Mazowieckie'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.

**Spending Flexibility:** The region has high spending flexibility with low obligatory costs and the ability to cut operating expenses if needed. Its high capital expenditure is also flexible and can be reduced or staged.

**Stable Operating Balance:** Fitch projects Mazowieckie's operating balance to stabilise at around PLN1,140 million due to the new revenue law and the expectation of favourable macroeconomic conditions. The region's share of income taxes in total revenue is expected to rise to about 84% by 2029, with the share of CIT decreasing. This will reduce the region's dependence on economic cycles, as CIT is sensitive to these fluctuations.

**Debt Driven by Capex:** We expect Mazowieckie to increase its capex programme to around PLN8 billion in total for 2025-2029, leading to a rise in net adjusted debt to PLN3.6 billion by 2029.

**Financial Profile – 'aaa' Category:** Mazowieckie's financial profile has improved to the 'aaa' category, with a projected increase in operating balance and improved debt metrics, including a lowered payback ratio of 3x in 2029. We expect the operating balance to average PLN1,140 million, mitigating increased debt from expanded capex plans. Despite net adjusted debt rising to PLN3,582 million by 2029, the fiscal debt burden should remain below 60% of operating revenue, maintaining a strong synthetic debt service coverage ratio compared to Polish peers.

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](http://www.fitchratings.com).

## Ratings

### Foreign Currency

Long-Term IDR A-

### 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

Mazowieckie is the largest and wealthiest of Poland's 16 regions, with 5.5 million inhabitants at mid-2024. Services dominate the economy around the region's capital, Warsaw, with a wealthy and diversified tax base.

## Financial Data Summary

(PLNm)	2024	2029rc
Payback ratio (x)	0.8	3.0
Synthetic coverage (x)	12.0	3.4
Actual coverage (x)	7.1	1.5
Fiscal debt burden (%)	20.6	56.1
Net adjusted debt	1,345	3,582
Operating balance	1,702	1,194
Operating revenue	6,537	6,380
Debt service	240	802
Mortgage-style debt annuity	141	353

rc: Fitch's rating-case scenario  
Source: Fitch Ratings, Fitch Solutions, Region of Mazowieckie

## Applicable Criteria

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

[National Scale Rating Criteria \(December 2020\)](#)

## Related Research

[Polish Cities' Financial Performance Expected to Stabilise in 2025 \(December 2024\)](#)

[Polish Cities' Diversification of Debt Sources Improves Their Financing Flexibility \(June 2024\)](#)

[Poland \(March 2025\)](#)

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## Rating Synopsis

### Region of Mazowieckie LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments				Standalone Credit Profile (SCP)	From SCP to LT FC IDR					
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Rating cap	LT IDR Outlook		
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)								
Stronger							Stronger	High Midrange	aaa	aaa	aaa	aaa	aaa			AAA	AAA	
												aa+	aa			AA+	AA+	
Midrange							Midrange	Low Midrange	aa	aa	aa	aa	aa			AA	AA	
												a+	a			A+	A+	
Weaker							Weaker	Vulnerable	a	a	a	a	a			A-	A-	Stable
												a-						
												bbb+				BBB+	BBB+	
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												ccc-				CCC-	CCC-	
												cc				CC	CC	
												c				C	C	

Higher Influence KRF

Lower Influence KRF

Higher Influence KRF

Lower Influence KRF

Source: Fitch Ratings

The six Key Risk Factors, combined according to their relative importance, collectively represent the Risk Profile of the LRG. Risk Profile and Financial Profile 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, produces the IDR.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive rating action on Poland, as Mazowieckie's IDRs are capped by the sovereign ratings.

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

Negative rating action on Poland, 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.

## Issuer Profile

Fitch classifies Mazowieckie as a 'Type B' LRG. This type of LRG is required to cover debt service from cash flow annually.

Polish LRGs operate under a stable legal system, with oversight by the central administration. They are required to publish budgets, annual and interim reports, and long-term financial projections. These entities use cash accounting for revenues and expenditures. LRGs cannot run a current budget deficit but may have capital deficits. They cannot declare bankruptcy and may receive a state loan if financially distressed, following reparatory measures. However, the possibility of defaulting on financial obligations cannot be ruled out.

The government enacted an LRG funding law in 2024, which will affect revenue from 2025. The law increases reliance on nationally collected income taxes, such as PIT and CIT, with state subsidies serving as supplementary. Income tax distribution is based on actual taxpayer income. The law introduces a financial needs concept to determine the new state subsidy, replacing the previous general state subsidy. Financial needs consider factors like equalisation, education, development, ecology, and additional requirements. LRGs receive subsidies if financial needs, calculated by legal formulas, exceed income tax revenue growth.

The law alters the equalisation scheme: LRGs with per-capita tax revenue below 80% (100% in the case of regions) of their tier qualify for increased state subsidies, while those exceeding 120% receive reduced income tax revenue. If income tax revenue grows more slowly than financial needs, the state's general subsidy increases.

Mazowieckie is in Poland's core and serves not only as the country's administrative, political and cultural centre, but also a European economic hub, boasting a population of 5.5 million. Its capital, City of Warsaw (A-/Stable), is the nation's largest city, exemplifying the region's economic dynamism with its high GDP per capita, indicative of a wealthy and diversified tax base, robust standard of living and productivity. Mazowieckie is the most economically prolific of Poland's 16 regions, contributing about 23% of the national GDP, but wealth distribution is uneven, with the region's peripheries lagging behind the vibrant capital.

In 2022, Mazowieckie's GDP at current prices was an estimated PLN717.6 billion, with a per-capita figure of PLN130,217. The region had about 1,052,760 businesses, with Warsaw alone accounting for over half, highlighting the city's economic dominance. The gross value added (GVA) for the region was roughly PLN640.1 billion, led by such sectors as trade, transportation, hospitality and IT, which collectively formed 32.3% of the GVA. In contrast, the areas outside Warsaw had a GVA of PLN155.9 billion and were more reliant on industry and construction sectors, which made up 44.6%.

The region is home to important industry sectors, such as biotechnology, electronics, and food processing. Domestic and international investors are attracted to the region due to its strategic location, developed infrastructure and its skilled workforce. The presence of several research and development centres, universities, and a flourishing startup scene further bolster Mazowieckie's socioeconomic profile.

The labour market in Mazowieckie shows a stark contrast between Warsaw, with its exceptionally low unemployment rate of 1.4%, and the much higher rate 6.5% in the remaining part of the region. The region's unemployment rate was 4.0%, below than the national average of 5.1%, at end-2024. This disparity underscores the dual nature of the region's economy: while Warsaw thrives, the peripheral areas grapple with greater employment challenges.

## Socioeconomic Indicators

	Issuer	Sovereign
Population, 2023 (thousands)	5,510.5	37,636.5
GDP per capita, 2022 (PLN)	130,217.2	82,079.0
Inflation, 2024 (%)	4.7	4.7
Unemployment rate, 2024 (%)	4.0	5.1

Source: Fitch Ratings, national statistics, Region of Mazowieckie

## Risk Profile Assessment

### Risk Profile: Midrange

Fitch assesses Mazowieckie's Risk Profile at 'Midrange' 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
Midrange	Midrange	Midrange	Stronger	Midrange	Midrange	bbb	Midrange

Source: Fitch Ratings

Mazowieckie's 'Midrange' Risk Profile combines a 'Stronger' assessment of Expenditure Adjustability and 'Midrange' assessments of Revenue Robustness and Adjustability, Expenditure Sustainability, and Liabilities and Liquidity Framework.

The Key Risk Factors assessment expresses the region's exposure to cyclical revenue sources with low flexibility to increase and influence them (decisions about the main revenue sources are made by the state government). It considers the region's high flexibility to save costs on one hand but large investment needs (infrastructure) on the other hand. The region's credit and liquidity management are assessed as 'Midrange' due to exposure to floating interest rates and FX risk, and shorter-than-peers' weighted average debt maturity.

### Revenue Robustness: Midrange

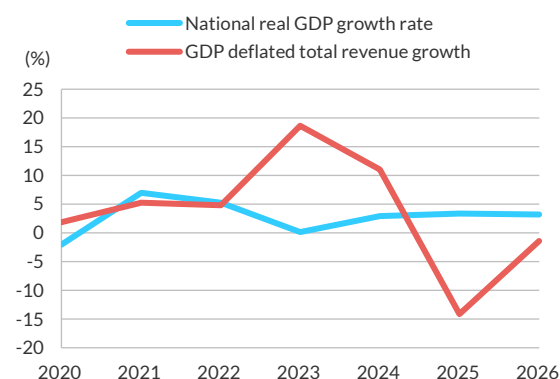
The region's revenue is dominated by CIT (79% of operating revenue in 2024), followed by PIT (9%) and transfers from the state budget (about 9%). The high share of CIT reflects that the region is the wealthiest in Poland with GDP per capita at 130% of the national average. Under the new revenue framework, a portion of CIT revenue has been replaced with PIT revenue, reducing exposure to economic cycles. The redistribution mechanism of income taxes from the state budget to LRG budgets, through advances, will continue to mitigate the negative impacts of national economic fluctuations.

Under the new law, the annual PIT revenue of an LRG is calculated by multiplying the adjusted income of taxpayers residing within the LRG's administrative boundaries for the base year (two years before the budgetary year) by a distribution rate for its LRG tier. The adjustment considers the dynamics of average wages and employment rates. The LRG's CIT income is calculated using the same method, but the adjustment is based on the nominal GDP growth rate. Therefore, any changes in the tax system by law would not affect the LRGs' income tax revenue.

By including diversified LRGs' spending needs into the revenue framework, the new law aims to ensure an equitable fund allocation. Financial needs introduced by the new law are to be mainly funded by the LRGs' higher PIT and CIT revenue than the previous framework. If the needs are higher than this increase, the general state subsidy will make up the difference.

In 2025, Mazowieckie is projected to receive PLN716 million more in PIT revenue than in 2024, excluding a one-off PIT payment of PLN59.5 million made at the end of 2024. However, CIT revenue is expected to decrease by PLN1,527 million. The region will benefit from the reform, as the reduction in CIT will be partially offset by an increase in PIT. Mazowieckie's contribution to the equalisation system will shift to a net basis rather than a gross basis, resulting in reduced tax revenue but eliminating direct payments to the system. The lower share of CIT in the income tax structure will shield the region from fluctuations due to macroeconomic cycles. Income taxes will become the predominant source of revenue for the region, increasing its reliance on the regional economy rather than state budget transfers.

### Real Total Revenue and GDP Growth



Source: Fitch Ratings, Region of Mazowieckie

### Revenue Breakdown, 2024

	Operating revenue (%)	Total revenue (%)
CIT	78.8	76.3
PIT	8.9	8.6
Transfers	9.5	9.2
Other operating revenue	2.7	2.7
<b>Operating revenue</b>	<b>100.0</b>	<b>96.7</b>
Interest revenue	-	0.3
Capital revenue	-	3.0
<b>Total revenue</b>	<b>-</b>	<b>100.0</b>

Note: Figures may not tally due to rounding.

Source: Fitch Ratings, Fitch Solutions, Region of Mazowieckie

### Revenue Adjustability: Midrange

We have revised this assessment from 'Weaker' due to changes in the equalisation mechanism under the new revenue law. Fitch expects the region to continue contributing to the equalisation mechanism by receiving lower-than-due CIT, but if its wealth indicator deteriorates, the contribution will decrease. If Mazowieckie's per-capita tax revenue falls below 100% of the region's average, which we see as unlikely, the region will qualify for equalisation financial needs and potentially a state subsidy, which it does not receive now. Like all Polish regions, Mazowieckie has limited tax-revenue-raising flexibility, as PIT- and CIT-related revenue is determined by the state.

### Expenditure Sustainability: Midrange

This assessment reflects a pattern of total expenditure growth tracking total revenue growth (except the pandemic year 2020). Like other Polish regions, Mazowieckie has mostly non-cyclical responsibilities, which are unlikely to grow materially during a downturn. This is especially the case for capex (29% on of total expenditure in 2024), as well as for opex on transportation (20%), public administration (9%), culture (7%) and healthcare (6%). We project capex will remain high, at almost PLN8 billion in total over 2025-2029, which is partially contingent on EU grants from the National Recovery and Resilience Plan, available until end-2026, and during the EU 2021-2028 budget period.

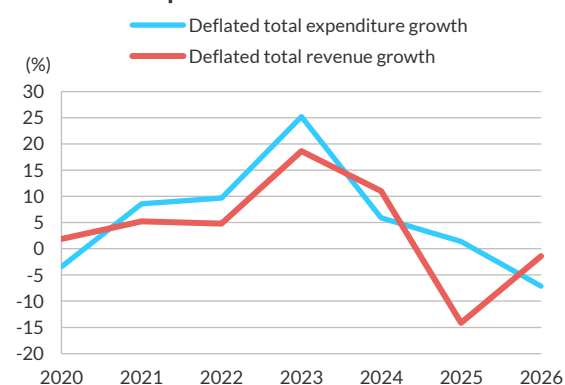
In 2024, the region allocated most of its operating expenses – totalling PLN1,385.3 million – to transport, which was slightly less than the expenditure in 2023. Despite significant pressure from high inflation and rising minimum wages, the cost of rail transport procured by the region decreased from previous years. This reduction was primarily attributed to the modernisation of rail infrastructure, which led to a lower number of vehicle-kilometres and reduced rent payments to the infrastructure owner. The decision to postpone rolling stock purchases by its rail service companies resulted in lower amortisation costs included in the compensation payments.

The region operates two regional railway companies, which require compensation for escalating fuel and electricity prices, track rental fees, and increases in the legally mandated minimum wage, in addition to other operating costs such as amortisation of new rolling stock and financial costs associated with rolling stock financing. In 2025, the region expects these compensation payments to rise further to PLN985 million from PLN792.6 million in 2024 and are anticipated to remain high in the long term.

The cost of administration grew further by PLN165 million to PLN595,6 million in 2024 as after years of freeze, the region increased public wages by 10% in late 2022, and by 15% in both 2023 and 2024. Salaries will rise by 10% in 2024. Culture and education were two areas that were underfunded at the time when the region had to allocate funds for tasks requiring immediate intervention, as in health care. Now with higher surpluses the region decided to make up for their needs, including the salaries.

The healthcare sector is characterised by significant financial support needs (capital injections, guarantees and loans from the region's budget) as its services are underfunded by the state. However, we project that, in the medium term, the region's annual support will be capped at PLN200 million, which is negligible given the region's budget. Current spending to the healthcare sector was PLN380.7 million in 2024, PLN116 million more than the year before. The region granted PLN105 million of loans to the sector and PLN38.9 million of guarantees were outstanding at end-2024 (of which PLN17.1 million was serviced by the region).

### Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Region of Mazowieckie

### Expenditure Breakdown, 2024

	Operating expenditure (%)	Total expenditure (%)
Transport and roads	28.7	20.0
Equalisation system contr.	26.0	18.2
Administration	12.3	8.6
Culture and heritage	10.6	7.4
Healthcare	7.9	5.5
Other operating expenditure	14.5	10.2
<b>Operating expenditure</b>	<b>100.0</b>	<b>69.9</b>
Interest expenditure	-	1.3
Capital expenditure	-	28.8
<b>Total expenditure</b>	<b>-</b>	<b>100.0</b>

Source: Fitch Ratings, Fitch Solutions, Region of Mazowieckie

### Expenditure Adjustability: Stronger

Mazowieckie has high spending flexibility, which is reflected in a low share of staff costs in its budget (on average 12% of total in 2020-2024) and a high share of capex in total spending (27%). The region could cut its opex on road maintenance and repairs, as well as on the region's heritage and cultural events, for example. It could also postpone some of its investments or scale them back, especially those not co-financed by the EU.

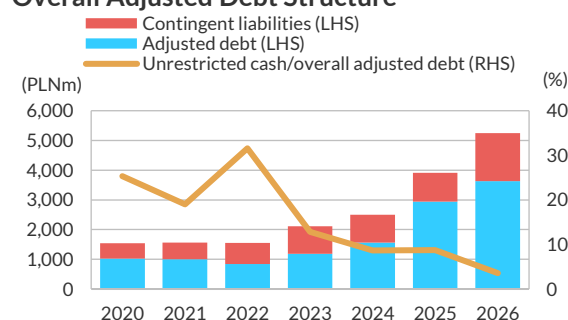
The region has successfully secured external grants for investments for many years, primarily from the EU and the state. Between 2019 and 2021, almost 25% of investment spending was financed by capital revenue (including small revenues from asset sales and loan repayments made by the region's healthcare entities). Fitch assumes that the region will continue obtaining new external grants over the forecast horizon. However, considering the maturity of some available support programmes and the wealth indicators of the region, we assume only about 10% coverage of the expected capex.

### Liabilities and Liquidity Robustness: Midrange

Mazowieckie's direct debt (end-2024: PLN1,562 million) carries moderate risk. The debt matures by end-2038 and has a smooth amortisation profile. The debt mainly comprises loans from international financial institutions (39%), from the Polish development bank, Bank Gospodarstwa Krajowego (BGK; A-/Stable; 17%) and from the state budget (10%). By end-2024, the region had issued PLN400 million medium-term bonds. The debt matures by end-2038 and has a smooth amortisation profile.

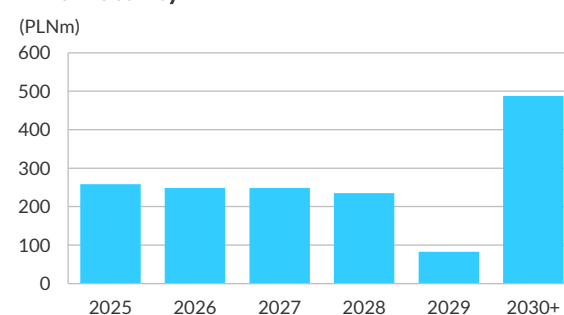
The region is less exposed to foreign-currency risk (6% in euros) than it was in 2023 (10%) due to repayments. Of the outstanding debt, 79% has floating rates, which exposes it to interest-rate risk. Higher reference rates (6.75% in September 2022 and 5.25% currently) and increasing debt led to higher interest expenses of PLN87 million in 2024 (PLN34 million in 2022). We expect declining reference rates over the rating horizon, although this will not translate into lower interest payments as the region plans new debt to finance investments.

### Overall Adjusted Debt Structure



Source: Fitch Ratings, Region of Mazowieckie

### Debt Maturity Profile



Source: Fitch Ratings, Region of Mazowieckie

### Liabilities and Liquidity Flexibility: Midrange

The region has strong access to liquidity from banks and has a PLN300 million short-term credit line available from a local bank. This covers Mazowieckie's liquidity and liabilities financing needs. The region has a PLN700 million loan agreement with BGK, with PLN400 million available for withdrawal. Under a PLN700 million framework agreement with the European Investment Bank (AAA/Stable), PLN420 million remains accessible for investment financing. Mazowieckie can issue up to PLN600 million in medium-term notes under an existing PLN1 billion agreement with two domestic banks. This arrangement covers most of its financing needs for 2025.

### Debt Analysis

	2024
Fixed rate (% of direct debt)	21
Debt in foreign currency (% of direct debt)	5.9
Apparent cost of debt (%)	6.3
Weighted average life of debt (years)	4.7

Source: Fitch Ratings, Region of Mazowieckie

### Liquidity

(PLNm)	2024
Total cash, liquid deposits and sinking funds	217
Restricted cash	0
Cash available for debt service	217
Undrawn committed credit lines	300

Source: Fitch Ratings, Region of Mazowieckie



## Financial Profile Assessment

Financial Profile: 'aaa' category

### Financial Profile Score Summary

	Primary metric	Secondary metrics	
	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
<b>aaa</b>	<b><math>X \leq 5</math></b>	$X \geq 4$	$X \leq 50$
aa	$5 < X \leq 9$	<b><math>2 \leq X &lt; 4</math></b>	<b><math>50 &lt; X \leq 100</math></b>
a	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 25$	$X < 1$	$X > 250$

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

Mazowieckie's Financial Profile has improved to the 'aaa' category from 'aa'. We expect better debt metrics than the previous rating case, with a payback ratio (net adjusted debt/operating balance) of 3x in 2029. This is down from 5x in 2028 in the previous rating case, but above 2024's 0.8x.

The expected improvement is driven by a stable operating balance with an average of PLN1,140 million (2024: PLN1,702 million), exceeding the previous rating case average by almost PLN350 million, as stable revenue growth offsets operating expenses growth. We expect net adjusted debt to rise to PLN3,582 million by end-2029 from PLN1,345 million at end-2024, due to an expanded capex plan. However, the higher operating balances will mitigate the region's debt financing needs, resulting in a much lower level than we previously anticipated in our rating case (PLN5,900 million).

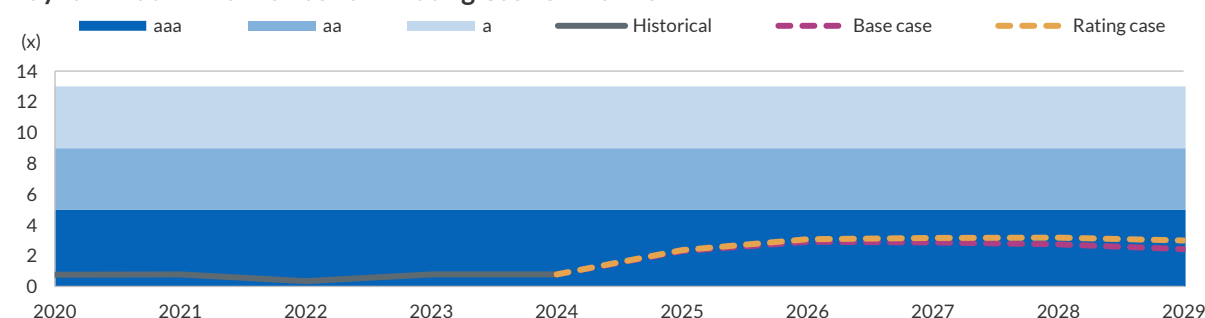
We expect the region's fiscal debt burden to remain aligned with a 'aa' score, at below 60% of operating revenue through to 2029 (2024: 20%). We expect the synthetic debt service coverage ratio (operating balance/synthetic debt amortisation including short-term maturities) to be 3.4x (2024: 12x), which is strong in comparison with Polish peers.

Mazowieckie's operating balance, which is one of the factors determining the payback ratio, increased further to record high to PLN1,702 million in 2024 from PLN1,148 million in 2023. We expect the operating balance to remain broadly stable at an average of PLN1,140 million in 2025-2029, above the PLN794 million average in 2024-2028 in the previous rating case, but below the 2023-2024 average of above PLN1,420 million. We envisage a large investment programme of PLN8 billion in 2025-2029 (above PLN6.9 billion from 2020-2024), as the investments under the current EU budget are picking up pace. Mazowieckie will continue to prioritise investments eligible for external non-repayable financing. However, as the region's wealth indicators rise, its eligibility for non-repayable grants from the EU and the state may decrease, covering closer to 10% of capital expenditure, compared to around 24% during 2019-2021.

Overall adjusted debt (PLN2,506 million at end-2024) comprises direct debt and the region's government-related entities' (GRE) debt. The GRE debt is mostly related to debt of the rail companies and hospitals. Guarantees issued by the region to protect repayment of the healthcare units' debt amounted to PLN39.1 million, but are on a declining trend.

The indebtedness of the company Koleje Mazowieckie - KM sp. z o.o. (PLN733 million) mainly relates to rolling stock investments. The company's debt matures in 2031 and its smooth repayment profile does not represent a major risk for the region as the company services the debt by its own. The GRE investment programmes (rolling stock renewal, modernisation of hospitals) will cause their debt to grow in the rating horizon, peaking at about PLN2.1 billion in 2027. The company KM Koleje Mazowieckie plans debt close to PLN2 billion in 2026 and the company Warszawska Kolej Dojazdowa up to PLN250 million by 2028.

## Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Region of Mazowieckie

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 2020-2024 published figures and 2025-2029 projected ratios. The key assumptions include:

A 15% decline in operating revenue is anticipated in 2025 due to changes in the LRGs' revenue law, which will see Mazowieckie contributing to the equalisation system on a net basis rather than a gross basis, resulting in reduced tax revenue but eliminating direct payments to the system. This is expected to be followed by an average annual increase of 2.9%. From 2025, we forecast tax revenue to remain stable, primarily influenced by GDP growth and inflation, while transfers are expected to decrease due to the new law.

- A 5% decline in operating expenditure is expected in 2025 due to changes in the LRGs' revenue law, which exchange Mazowieckie's direct contributions to the equalisation system for reduced tax revenue receipts. This will be followed by an average annual increase of 3.1%, as inflation decreases to 2.5% from 2027, with the region maintaining strict control over spending.
- A negative net capital balance averaging PLN1,421 million a year, up from PLN1,153 million on average in 2020-2024, as investments under the current EU budgetary period begin to pick up pace.
- Average cost of debt is projected increase to 5.4% annually in 2025-2029 from 3.7% in 2020-2024. The cost increase reflects projected interest rates staying above the very low levels in 2020-2022, the expiry of fixed-rate periods, and the assumption that new rates, even if fixed, will be renewed at higher margins.

## Scenario Assumptions Summary

Assumptions	Five-year historical average	2025-2029 average	
		Base case	Rating case
Operating revenue growth (%)	16.2	-0.3	-0.5
Tax revenue growth (%)	16.3	-0.8	-1.0
Current transfers received growth (%)	13.6	3.2	3.0
Operating expenditure growth (%)	17.4	1.2	1.4
Net capital expenditure (average per year; m)	-1,153	-1,421	-1,421
Apparent cost of debt (%)	3.7	5.2	5.4

Outcomes	2024	2029	
		Base case	Rating case
Payback ratio (x)	0.8	2.4	3.0
Overall payback ratio (x)	1.3	2.9	3.5
Actual coverage ratio (x)	7.1	1.7	1.5
Synthetic coverage ratio (x)	12.0	4.2	3.4
Fiscal debt burden (%)	20.6	49.4	56.1

Source: Fitch Ratings, Region of Mazowieckie



## 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
<b>Suggested analytical outcome (SCP)</b>	<b>aaa</b>	<b>aa</b>	<b>a</b>	<b>bbb</b>	<b>bb</b>	<b>b</b>

Source: Fitch Ratings

Mazowieckie has a 'Midrange' Risk Profile similar to other rated regions in Poland, with the same Key Risk Factor assessments. Its Risk Profile matches that of most Polish LRGs assessed by Fitch. Its closest international peers include Italian regions, such as Marche, Sardinia and Veneto. While all these regions have 'Midrange' Risk Profile scores, Veneto has 'Stronger' assessments for Revenue Adjustability and Liquidity and Liability Robustness. Sardinia shares all Key Risk Factor assessments with Mazowieckie. Marche is assessed as 'Stronger' in Liquidity and Liability Robustness and shares Mazowieckie's 'Midrange' assessment for Revenue Adjustability, it is assessed as 'Weaker' for Expenditure Adjustability. This is due to limited flexibility in reducing healthcare costs without affecting service quality, with its per-capita expenditure (EUR2,084) slightly below the national average. Marche has a 'aa' SCP, while those of Sardinia (aa-) and Veneto (a+) are lower due to higher payback ratios of 4.6x and 6.4x, respectively.

### Peer Comparison

	Risk Profile	Financial Profile Score	SCP	Extraordinary support	Rating cap	Long-Term IDR	National Rating
Region of Mazowieckie	Midrange	aaa	aa	n.a.	A-	A-/Stable	AAA(pol)
Region of Malopolska	Midrange	aaa	aa	n.a.	A-	A-/Stable	AAA(pol)
Region of Wielkopolska	Midrange	aaa	aa	n.a.	A-	A-/Stable	AAA(pol)
Region of Veneto	Midrange	aa	a+	n.a.	BBB	BBB/Positive	n.a.
Autonomous Region of Sardinia	Midrange	aaa	aa-	n.a.	BBB+	BBB+/Positive	n.a.
Region of Marche	Midrange	aaa	aa	n.a.	BBB	BBB/Positive	n.a.
Region of Nouvelle Aquitaine	High Midrange	aa	aa-	n.a.	n.a.	AA-/Negative	n.a.

Source: Fitch Ratings, Region of Mazowieckie

## Long Term Rating Derivation

### From SCP to LT FC 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			
aa	A-	-	-	-	A-	-	A-

Source: Fitch Ratings, Region of Mazowieckie

To assign an IDR to a Polish region, Fitch first assigns an SCP. The latter results from the combination of a Risk Profile and Financial Profile metrics.

Mazowieckie's 'aa' SCP combines a 'Midrange' Risk Profile with Financial Profile metrics assessed at the middle of the 'aaa' 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.

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## National Ratings

Mazowieckie's National Rating of 'AAA(pol)' is the highest possible under Fitch's National Rating scale, justified predominately by the region's SCP being above the sovereign rating.

## 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. 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 [www.fitchratings.com/esg](https://www.fitchratings.com/esg).

## Appendix A: Financial Data

### Region of Mazowieckie

(PLNm)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
<b>Fiscal performance</b>										
Taxes	2,793	3,017	3,703	4,873	5,738	4,855	5,027	5,164	5,305	5,450
Transfers received	450	425	486	563	619	645	668	686	702	718
Fees, fines and other operating revenue	123	120	136	143	180	188	195	201	206	212
Operating revenue	3,366	3,562	4,325	5,580	6,537	5,688	5,890	6,051	6,213	6,380
Operating expenditure	-2,551	-2,662	-3,333	-4,432	-4,835	-4,593	-4,771	-4,912	-5,047	-5,186
Operating balance	815	900	992	1,148	1,702	1,095	1,119	1,139	1,166	1,194
Interest revenue	1	0	25	22	21	20	18	17	16	15
Interest expenditure	-12	-19	-34	-49	-87	-126	-184	-197	-208	-213
Current balance	804	882	982	1,121	1,636	989	952	959	973	996
Capital revenue	159	345	184	288	200	306	246	123	119	98
Capital expenditure	-755	-1,115	-1,239	-1,839	-1,993	-2,546	-2,050	-1,233	-1,193	-975
Capital balance	-597	-770	-1,056	-1,551	-1,794	-2,241	-1,804	-1,110	-1,073	-878
Total revenue	3,525	3,907	4,533	5,890	6,758	6,014	6,154	6,191	6,348	6,492
Total expenditure	-3,318	-3,795	-4,607	-6,319	-6,915	-7,266	-7,005	-6,343	-6,448	-6,374
Surplus (deficit) before net financing	207	112	-74	-430	-158	-1,252	-851	-152	-100	118
New direct debt borrowing	220	80	0	450	530	1,636	1,070	705	860	410
Direct debt repayment	-93	-94	-95	-93	-153	-260	-373	-540	-583	-589
Net direct debt movement	127	-14	-95	357	377	1,376	697	165	277	-179
Overall results	334	98	-169	-73	220	124	-154	13	178	-61
<b>Debt and liquidity</b>										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	945	931	840	1,186	1,562	2,938	3,635	3,799	4,077	3,898
Direct debt	945	931	840	1,186	1,562	2,938	3,635	3,799	4,077	3,898
Other Fitch-classified debt	81	69	0	0	0	0	0	0	0	0
Adjusted debt	1,026	999	840	1,186	1,562	2,938	3,635	3,799	4,077	3,898
Guarantees issued (excluding adjusted debt portion)	123	102	77	57	39	25	20	15	11	8
Majority-owned GRE debt and other contingent liabilities	394	460	638	868	905	946	1,597	2,102	1,988	1,763
Overall adjusted debt	1,543	1,560	1,555	2,111	2,506	3,909	5,252	5,917	6,076	5,669
Total cash, liquid deposits, and sinking funds	391	296	491	271	217	341	186	200	377	317
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	391	296	491	271	217	341	186	200	377	317
Net adjusted debt	635	703	349	915	1,345	2,597	3,448	3,600	3,700	3,582
Net overall debt	1,153	1,264	1,064	1,840	2,289	3,568	5,066	5,717	5,699	5,353
<b>Memo:</b>										
Debt in foreign currency/direct debt (%)	21	19	18	10	6	-	-	-	-	-
Issued debt/direct debt (%)	0	0	0	0	26	-	-	-	-	-
Floating interest rate debt/direct debt (%)	100	100	100	100	79	-	-	-	-	-

rc - rating case

Source: Fitch Ratings, Region of Mazowieckie

## Appendix B: Financial Ratios

### Region of Mazowieckie

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
<b>Fiscal performance ratios (%)</b>										
Operating balance/operating revenue	24.2	25.3	22.9	20.6	26.0	19.2	19.0	18.8	18.8	18.7
Current balance/current revenue	23.9	24.8	22.6	20.0	25.0	17.3	16.1	15.8	15.6	15.6
Operating revenue annual growth	8.9	5.8	21.4	29.0	17.2	-13.0	3.6	2.7	2.7	2.7
Operating expenditure annual growth	17.7	4.4	25.2	33.0	9.1	-5.0	3.9	3.0	2.8	2.8
Surplus (deficit) before net financing/total revenue	5.9	2.9	-1.6	-7.3	-2.3	-20.8	-13.8	-2.5	-1.6	1.8
Total revenue annual growth	6.2	10.8	16.0	29.9	14.7	-11.0	2.3	0.6	2.5	2.3
Total expenditure annual growth	0.7	14.4	21.4	37.2	9.4	5.1	-3.6	-9.5	1.7	-1.1
<b>Debt ratios</b>										
<b>Primary metrics</b>										
Payback ratio (x) (net adjusted debt/operating balance)	0.8	0.8	0.4	0.8	0.8	2.4	3.1	3.2	3.2	3.0
<b>Secondary metrics</b>										
Fiscal debt burden (%) (net debt/operating revenue)	18.9	19.7	8.1	16.4	20.6	45.7	58.6	59.5	59.6	56.1
Synthetic debt service coverage ratio (x)	17.2	16.4	32.0	13.1	12.0	4.2	3.2	3.2	3.2	3.4
Actual debt service coverage ratio (x)	7.7	8.0	7.7	8.1	7.1	2.8	2.0	1.5	1.5	1.5
<b>Other debt ratios</b>										
Liquidity coverage ratio (x)	8.3	11.4	10.0	11.5	8.2	3.4	2.6	1.8	1.7	2.0
Direct debt maturing in one year/total direct debt (%)	10.2	10.1	11.2	13.1	16.7	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	17.9	-1.5	-9.8	41.2	31.7	88.1	23.7	4.5	7.3	-4.4
Apparent cost of direct debt (interest paid/direct debt) (%)	1.4	2.0	3.9	4.8	6.3	5.6	5.6	5.3	5.3	5.4
<b>Revenue ratios (%)</b>										
Tax revenue/total revenue	79.2	77.2	81.7	82.7	84.9	80.7	81.7	83.4	83.6	83.9
Current transfers received/total revenue	12.8	10.9	10.7	9.6	9.2	10.7	10.9	11.1	11.1	11.1
Interest revenue/total revenue	0.0	0.0	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.2
Capital revenue/total revenue	4.5	8.8	4.1	4.9	3.0	5.1	4.0	2.0	1.9	1.5
<b>Expenditure ratios (%)</b>										
Staff expenditure/total expenditure	13.7	12.7	12.1	11.2	12.6	-	-	-	-	-
Current transfers made/total expenditure	26.6	23.7	24.9	24.4	21.9	-	-	-	-	-
Interest expenditure/total expenditure	0.4	0.5	0.8	0.8	1.3	1.7	2.6	3.1	3.2	3.4
Capital expenditure/total expenditure	22.8	29.4	26.9	29.1	28.8	35.1	29.3	19.5	18.5	15.3

rc - rating case

Source: Fitch Ratings, Region of Mazowieckie

## Appendix C: Data Adjustments

### Net Adjusted Debt Calculations

Mazowieckie secures the bonds issued by the regional airport Modlin (2024: PLN44.1 million) via a support agreement signed between the region and the agent bank. Should the airport be not able to service the bonds, the region would inject equity into the company, which would allow it to service the debt. As it is not the case and the region has a 36% stake in the company, the debt is not included into 'Other Fitch classified debt'. However, the amount needed for the equity increase (PLN12 million-13 million a year) is included in the region's multiyear financial projections.

### Specific Adjustments

We have adjusted the region's one-off subsidy of PLN38.4 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 12 November 2021.

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