FitchRatings

City of Gdansk

The affirmation of City of Gdansk's ratings reflects Fitch Ratings' expectations that its financial profile will remain in line with the ratings over 2026-2030. We expect the sound macroeconomic prospects and the stabilising effect of the 2025 revenue law on local and regional governments' (LRGs) budgets to result in an improving operating balance. However, Gdansk's planned extensive investment programme, with capex significantly exceeding 2021-2025 levels, will more than double direct debt by end-2030.

This translates into slightly weaker projected debt metrics than last year, but within the bands for the 'aa' financial profile and not affecting the 'a-' Standalone Credit Profile (SCP). The city's Issuer Default Ratings (IDRs) are equal to its SCP, but the Negative Outlook reflects a cap from Poland (A-/Negative). No other factors, like ad-hoc support from the state, apply to the ratings.

Key Rating Drivers

Standalone Credit Profile – 'a-': Gdansk's SCP reflects a combination of a 'Midrange' risk profile and financial profile at the lower end of the 'aa' category. The SCP positioning factors in peer comparison and is not affected by any asymmetric risks.

'Midrange' Risk Profile: Fitch assesses the city's risk profile as 'Midrange', the same as most other Fitch-rated Polish LRGs. The assessment reflects Fitch's view of a moderately low risk of the city's ability to cover debt service with the operating balance weakening unexpectedly over the scenario horizon (2025-2029) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

Stabilised Revenue Framework: Gdansk's revenue sources are stable, dominated by personal (PIT) and corporate (CIT) income taxes (52% in 2025). We expect annual revenue growth of almost 5% in 2026, moderating to 3%-4% after 2026 but being more predictable. The equalisation mechanism offsets limited fiscal flexibility. Opex tracks revenue, while projected capex averages 15% of total expenditure (totex). Mandatory responsibilities less than 70% of totex allowing for stronger spending flexibility, supported by lower inflation and interest rates.

Amortising Debt and Ample Liquidity: Gdansk's PLN1,385 million direct debt at end-2025 has a smooth repayment profile with final maturity in 2048. Interest-rate risk is high with almost all debt at floating rates, but no FX rate as all debt is in Polish zloty. Adjusted debt of PLN231 million includes the city's obligation to support share buyout of its municipal company from a financial investor. Gdansk maintains strong liquidity, and we expect this to continue. The cash available at end-2025 exceeded by more than 2x the 2026 scheduled debt service.

Financial Profile – 'aa': Under our rating case for 2026-2030 the payback ratio will deteriorate to 8.6x in 2030 from 5.3x in 2025, staying in the 'aa' category. We project the fiscal debt burden to increase but remain under 50% (2025: 24%), in line with the 'aaa' category and for the synthetic debt service coverage ratio (SDSCR; operating balance/synthetic debt amortisation, including short-term maturities) to weaken to 1.3x (2025: 1.9x), in the 'bbb' category.

Operating Balance Improves; Debt Grows: In our rating case, Gdansk's operating balance gradually rises to PLN363 million in 2030 from PLN253 million in 2025, driven by solid macroeconomic forecasts for Poland and the stabilising effects of the 2025 revenue law. We expect capex of about PLN5.15 billion in 2026-2030. The investment will drive the direct debt to more than PLN3.1 billion, while net adjusted debt will be marginally higher due to a PLN166 million obligation to secure funds for the municipal company for a share buyout.

Rating capped: Gdansk's IDRs do not benefit from any extraordinary support from the central government. The IDRs are equal to those of Poland and the Negative Outlook reflects that on the sovereign. This is because Gdansk's ratings are capped by Poland's ratings as the legal framework does not allow for the LRGs in Poland to be rated above the sovereign.

Public Finance
Local and Regional Governments
Poland

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

Issuer Profile Summary

Gdansk is the capital of the Pomorskie Region, with a well-diversified local economy and a growing population, unlike most Polish cities. In 2023, its GDP per capita was 150% of Poland's and the unemployment rate of 3% was well below the 5.7% national average.

Financial Data Summary

(PLNm)	2025	2030rc
Payback ratio (x)	5.3	8.6
Synthetic coverage (x)	1.9	1.3
Fiscal debt burden (%)	24.3	47.1
Net adjusted debt	1,347	3,130
Operating balance	253	363
Operating revenue	5,534	6,644
Debt service	159	227
Mortgage-style debt annuity	136	289

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, City of Gdansk

Climate Vulnerability Signals

2035 Climate Vulnerability Signal	42
Transition (Climate.VSt)	25
Physical (Climate.VSp)	38

Applicable Criteria

National Scale Rating Criteria (December 2020)

International Local and Regional Governments Rating Criteria (March 2026)

Related Research

Polish LRGs Show Improving Financial Profiles Amid Revenue Reform (March 2026)

Stable Regulatory Framework and New Revenue Law Support Polish LRGs (August 2025)

Poland (March 2026)

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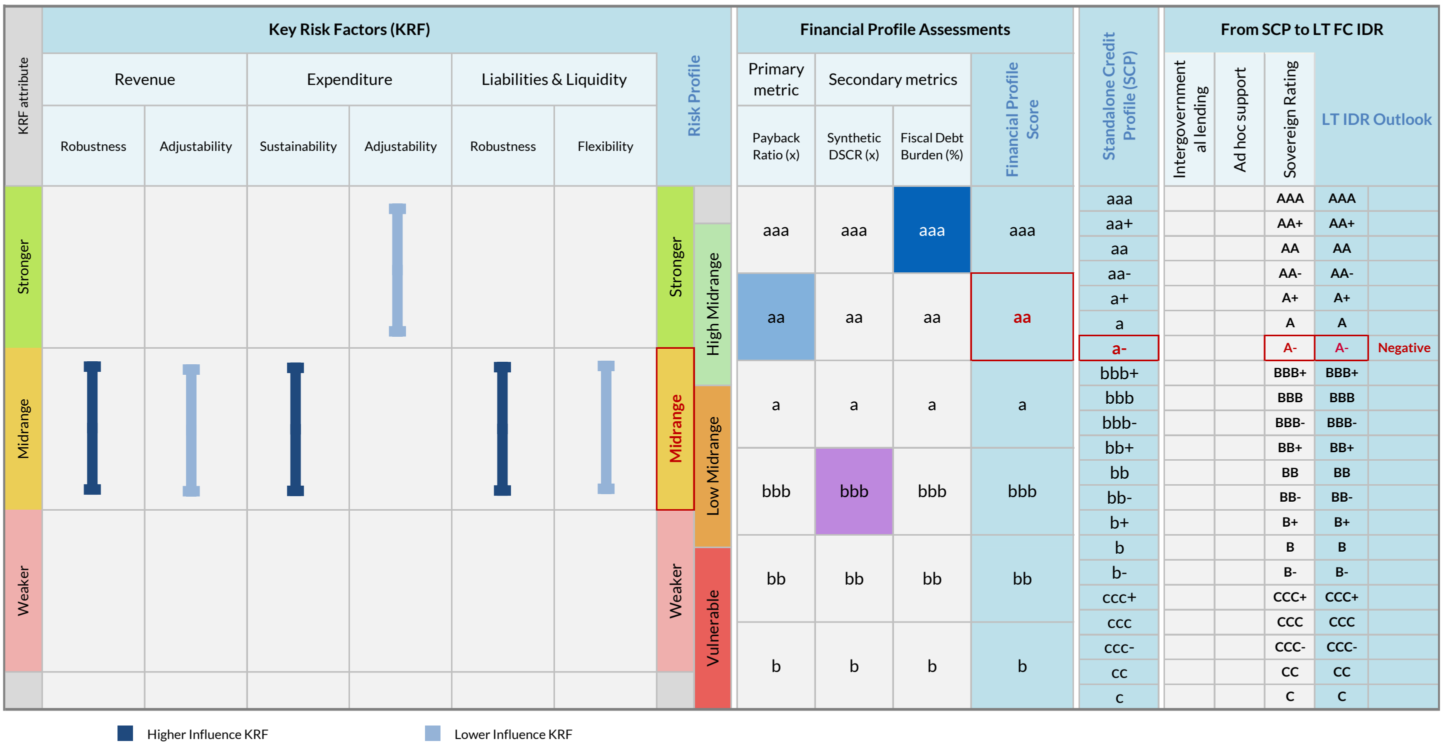
Rating Synopsis

City of Gdansk 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, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

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

- A revision of Poland's Outlook to Stable, as the city's IDRs are equal to its SCP and Outlooks are capped by those on the sovereign.

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

- A downgrade of Poland's IDRs, or a downward revision of the city's SCP, which could be driven by a deterioration in debt metrics, particularly debt payback rising above 9x on a sustained basis under Fitch's rating case.

Issuer Profile

Gdansk is a Polish city with county rights. Fitch classifies it as a 'Type B' LRG as it must cover debt service from annual cash flow. Polish LRGs operate under a stable legal system and are required to publish budgets, interim and annual reports, and long-term financial projections, which are controlled by central government. They use cash accounting for revenue and expenditure. A legal framework defines LRG tasks and revenue, distinguishing between current and capital expenditure. Municipalities cannot run a current budget deficit but may have capital deficits.

Cities can deposit cash in Polish banks and invest in treasury or other LRG bonds. They may incur short-term debt, to be repaid by year-end, to address liquidity shortages and meet individual debt limits. Although a city cannot be declared bankrupt, it may be eligible for state loans if in financial difficulty, following remedial measures. However, default is still possible. Cities may manage public-mission unitary companies, but their financials are not consolidated into municipal budgets.

In 2024, the government adopted a new LRG funding law that affects revenue from 2025. This law increases reliance on nationally collected income taxes, such as PIT and CIT, with supplementary state subsidies. The distribution of income tax is based on taxpayer income. State subsidies now factor in education, development and ecology, which replaced the previous general subsidy's elements. LRGs receive subsidies if their financial needs exceed income tax revenue growth.

The law also modified the equalisation scheme: cities with per-capita tax revenue below 80% of their tier qualify for increased state subsidies, while those exceeding 120% will have reduced PIT and CIT revenue. If income tax revenue rises slower than financial needs, the general subsidy from the state increases.

Gdansk is strategically located in northern Poland on the Baltic coast and is an important seaport and hub of the country's fourth-largest metropolitan area, about 340km north-west of the capital, Warsaw (A-/Negative). Its geographical advantage underscores its importance in domestic and international trade corridors. The trojmiejski subregion, encompassing Gdansk, Gdynia and Sopot, generated GDP of PLN105.5 billion in 2023, accounting for 51.5% of the Pomorskie Region's total GDP. The subregion's GDP per capita in 2023 reached PLN136,846, ranking it sixth out of Poland's 73 subregions, down from fourth in 2022.

Gdansk bucks the national demographic trend with a consistently growing population, which was more than 489,000 at end-2025, attributed to a positive migration balance. This is a potential indicator of the city's economic attractiveness and quality of life. Gdansk's labour market has been stable with a sizeable workforce in 2025, reflecting a predominantly services-oriented (more than 80% employed) economy, with above-average wages compared to other major Polish cities. The office real estate sector, despite a recent slowdown in new projects, still commands a leading position in northern Poland, and is fourth largest in Poland, bolstered by the city's robust economic infrastructure. Gdansk's unemployment rate of 3% at end-2025, remains much lower than the national (5.7%) and regional (5.3%) averages, due to its resilient labour market.

Transport and logistics in Gdansk have grown significantly, with the Lech Walesa International Airport reaching a record 7.4 million passengers in 2025. The seaport ranks second among Baltic ports with a throughput of 80.4 million tonnes in 2025, on grain and fuel transhipments, and which reflects the port's expanding influence. More than 4.1 million visitors annually, demonstrating Gdansk's popularity as a tourist destination.

Socioeconomic Indicators

	Gdansk	Poland
Population, 2025 (m)	0.489	37.333
GDP per capita, [trojmiejski subregion], 2023 (PLN)	136,846	90,759
GRP growth, [trojmiejski subregion], 2023 (%)	3.2	10.1
Inflation, 2025 (%)	3.6	3.6
Unemployment rate, 2025 (%)	3.0	5.7

Source: Fitch Ratings, national statistics, City of Gdansk

Risk Profile Assessment

Risk Profile: Midrange

Fitch assesses Gdansk'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

Gdansk's 'Midrange' risk profile is the same as most other rated Polish LRGs. The assessment reflects Fitch's view of a moderately low risk of the city's ability to cover debt service with the operating balance weakening unexpectedly over 2026-2030 due to lower-than-expected revenue, higher-than-anticipated expenditure, or an unexpected rise in liabilities or debt-service requirements.

Revenue Robustness: Midrange

The city's revenue sources are stable, with growth in revenue following that of national GDP. Following the law change, taxes, which are linked to moderately cyclical activities, constitute almost three-quarters of operating revenue and are dominated by income taxes at almost 60% of revenue (32% in 2024). Transfers - mostly from the state - dropped to 10% in our scenario from over 30% in 2024. We expect more stable and predictable operating revenue growth at 3%-4% annually after 2026, supporting budget planning. This contrasts with recent years, when revenue levels changed significantly and LRGs received uncertain ad-hoc supplementary funds in 4Q.

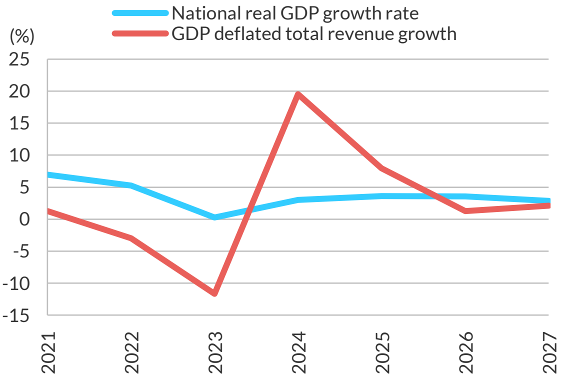
The structure of operating revenue – which rose by 7.1% in 2025 to PLN5,534 million, from 25.6% growth in 2024 – has changed significantly. Revenue from PIT and CIT increased by 89%, while transfers fell by 68%, resulting in combined net growth of PLN157 million. Fees, charges and other revenue rose by 5%. Growth was slower than in 2024, when larger transfers covered a 30% rise in teachers' salaries, while tax revenue included compensation for underestimated 2022 PIT and CIT revenue and additional one-off PIT revenue of PLN147.3 million.

Our rating case forecasts that operating revenue will rise 4.9% in 2026, driven by a 5.2% increase in income tax revenue, based on allocations from the Ministry of Finance. Transfers are projected to increase by 8.2%. Operating revenue growth beyond 2026 is driven by higher PIT and CIT revenue. This tracks nominal GDP growth but at a reduced rate. We expect other revenue to rise in line with inflation.

Operating revenue now relies more on income taxes, due to changes to the LRG revenue law since 2025 due. Their share increased to 57% (PLN3,168 million) from 32% (PLN1,673 million) in 2024. State transfers have fallen to 10% of operating revenue (PLN559 million) from 33% (PLN1,728 million). Transfers include a general subsidy, which previously was the largest component, and now depend on changes in income tax revenue and financial needs under the new law. Gdansk's PIT revenue was PLN105 million lower than the amount the city was due in 2025, because of the wealth adjustment. However, in 2026 the revenue is not reduced. The city qualifies for a general subsidy of PLN202 million, mainly because of a lower calculation of CIT due and higher financial needs in the education sector, as the children attending non-public kindergartens are included in the calculation.

Annual PIT revenue is now calculated by multiplying taxpayers' adjusted income in the base year (i.e. two years prior to the budgetary year) by a distribution rate for its LRG tier. The adjustment factors in changes in average wages and employment rates. Similarly, CIT income is calculated using the same method, but the adjustment is based on nominal GDP growth. Any changes to the tax system should not therefore affect income tax revenue.

Real total revenue and GDP growth



Source: Fitch Ratings, City of Gdansk

Revenue Breakdown, 2025

(%)	Operating revenue	Total revenue
PIT and CIT	57.2	52.4
Real estate tax	12.4	11.4
Other taxes	2.8	2.6
Transfers	10.1	9.2
Other operating revenue	17.4	15.9
Operating revenue	**100.0**	**91.5**
Interest revenue	-	0.6
Capital revenue	-	7.9
Total revenue	**-**	**100.0**

Note: Figures may not tally due to rounding.
Source: Fitch Ratings, Fitch Solutions, City of Gdansk

Revenue Adjustability: Midrange

Our assessment reflects the equalisation mechanism under the LRG revenue law, which offsets the city's limited fiscal flexibility. Gdansk will qualify for equalisation funding if its per-capita tax revenue falls below 80% of its LRG tier average, leading to a larger subsidy from the central government. However, the city is above the threshold and therefore does not qualify for this funding. The system also ensures an automatic increase in the general state subsidy if income tax revenue grows more slowly than financial needs.

If Gdansk's local economy deteriorates or if calculated financial needs rise faster than income tax revenue, the city will be eligible for a higher general subsidy. The assessment is limited to 'Midrange' as the adjusted mechanism was recently introduced and lacks a strong record of application.

The city has limited internal revenue flexibility, and the new law has not increased its ability to generate additional revenue when needed. Income tax revenue and most transfers are legally determined, while local taxes are constrained by national ceilings. The leaves the city with influence only over a small share of revenue.

Expenditure Sustainability: Midrange

Gdansk has moderate control over opex growth, which is typically in line with operating revenue growth. The city's core responsibilities are moderately non-cyclical and include education, public transport, municipal services, administration and social housing. Lower inflation and interest rates have eased spending pressure, but it remains in education and public transport.

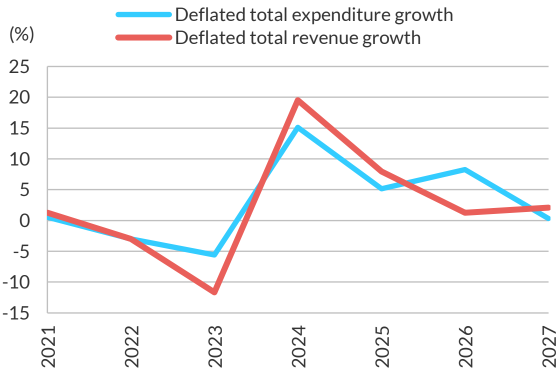
Annual capex varies, driving expenditure volatility. Based on the city's plan, we expect average annual capex to exceed PLN1 billion in 2026-2030. Investments are mainly in tram and rail infrastructure, thermal and energy modernisation of the city's buildings, and climate and natural hazard adaptation measures. Most large projects should be completed by end-2029 and we expect capex to decline in 2030, but to remain above the PLN642 million 2021-2025 average.

In our rating case, we forecast opex growth below operating revenue growth. Total revenue and expenditure growth will depend on the more volatile capital component. The much higher capex will be financed through larger non-repayable grants from the EU 2021-2028 budget period, preferential loans at 0%-1% under the National Resilience and Recovery Fund, the city's own funds and higher borrowing. The rising debt stock will add to interest expense, which will exceed PLN130 million in 2030, or 1.9% of totex.

Easing inflation (Fitch forecast: 3.3% in 2026, compared with more than 9% on average in 2021-2024) and cost optimisation, especially in education, is likely to allow the city to keep opex growth below operating revenue growth. Education accounted for 42% of opex in 2025 and remains a challenge because annual outlays continue to rise. This is consistent with a broader trend among rated cities in Poland. Gdansk, like other cities, has an extensive network of nurseries and schools. However, enrolment is declining due to the falling birth rate and fixed costs continue to rise.

A significant portion of Gdansk's spending goes to transport, which accounted for almost 17% of opex in 2025. Fuel price uncertainty and the risk of a prolonged conflict involving Iran could keep prices high and add to the city's expenditure risk. In addition, once the city completes a new tram line and the municipal transport company buys the trams and buses, opex for public transport will rise from 2030. This is because remuneration to the company also covers depreciation.

Real total expenditure and revenue growth



Source: Fitch Ratings, City of Gdansk

Expenditure Breakdown, 2025

(%)	Operating expenditure	Total expenditure
Education	42.2	37.0
Transport	16.8	14.7
Family and social care	13.7	12.0
Municipal services	9.4	8.3
Other operating expenditure	17.8	15.6
Operating expenditure	**100.0**	**87.7**
Interest expenditure	-	1.3
Capital expenditure	-	11.0
Total expenditure	**-**	**100.0**

Note: Figures may not tally due to rounding.
Source: Fitch Ratings, Fitch Solutions, City of Gdansk

Expenditure Adjustability: Stronger

The city's mandatory responsibilities with the least flexibility account for less than 70% of opex. However, the state government decides certain spending, such as teachers' salaries and minimum wages, which partially limits the city's spending flexibility. Projected revenue growth, lower inflation and interest rates should enable the city to restore some spending flexibility, which it used in 2022-2024, like most Polish LRGs, to cut spending, following lower PIT revenue and cost pressures. Gdansk can scale back capex, but it is largely co-financed with non-refundable grants and dedicated preferential loans, limiting flexibility once financing is secured.

Staff costs are a fairly rigid spending item, averaging 32% of totex in 2021-2025, which is on the lower end among rated Polish cities. However, they rose to 34% in 2025 from 29% in 2021, because of salary increases of 12% in 2023 and 27% in 2024, due to high inflation and increases in the minimum wage. In 2024, the central government raised teachers' salaries by 30%, creating pressure to increase remuneration for other educational staff. Staff cost growth remained high at 9% in 2025 and we forecast it to be 7% in 2026. We expect it to moderate in 2027-2030 as lower projected inflation reduces wage pressure and the city continues cost optimisation. Fitch projects staff costs to remain at about 33% of totex.

Capex flexibility is highest at the planning stage. Once projects are under contract, the city's flexibility to postpone or cancel them is limited. As the largest project have mostly secured financing already, we view this expenditure to be less flexible. They can be partly postponed by one year through schedule changes, though the final date for their completion related to settlement of the EU funds and drawdown of loans is unmovable. However, in the later years of the scenario, we expect Gdansk to have more flexibility to budget capex, as it can adjust it to their financial capacity.

Liabilities and Liquidity Robustness: Midrange

Gdansk's debt portfolio mostly comprises loans from international financial institutions (98% of direct debt), primarily European Investment Bank (EIB; AAA/Stable), which ensure a long-term smooth repayment schedule, with final maturity in 2048. Gdansk's debt decreased to PLN1,385 million at end-2025, from PLN1,405 million at end-2024, as the city achieved a budget surplus, resulting in less need for new debt, below the repayment level. Gdansk's debt is fully zloty-denominated, eliminating FX risk, but 98% of debt at end-2025 was floating rate, exposing it to interest-rate risk, which cannot be hedged due to legal restrictions.

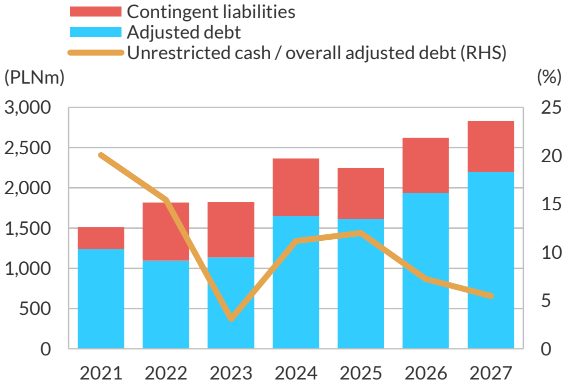
Municipal companies' debt is moderate and most are likely to self-service their debt. The adjusted debt includes the city's obligation to secure funds for Miedzynarodowe Targi Gdanskie S.A. (MTG) to repurchase shares from the Polski Fundusz Rozwoju S.A., acquired to finance investments. These obligations are from two agreements with the fund from 2015 and 2024, with the city's maximum contribution of PLN43.5 million until 2030 and PLN187.4 million until 2049, respectively, at end-2025. We treat it as other Fitch-classified debt. The obligation will decline as shares are redeemed.

Gdansk is planning the early refinancing of the total PLN190 million EIB credits with final maturities in 2043 and 2047. The city will use loans from Bank Gospodarstwa Krajowego (BGK; A-/Negative) under three contracts with 20-year maturities and floating interest rates. The pricing of the new loans is significantly lower than of the EIB loans, which were drawn and refinanced in 2023-2024, when the uncertainty was the highest, raising the bank margins up.

The indirect risk relates to the debt of government-related entities (GREs), which have implemented debt-financed investments. This excludes the debt of companies, which we view as self-sustaining and not requiring support. We have reclassified part of the Gdansk's municipal companies' debt, removing it from the contingent liabilities to align how we present it across the portfolio of rated Polish LRGs. This debt was PLN161 million at end-2025 and mostly relates to Gdanskie Autobusy i Tramwaje Sp. z o.o. (GAiT; BBB+/Stable). The city supports companies through capital injections. The GRE debt is set to increase to PLN568 million by end-2030 as GAiT is expected to obtain about PLN400 million in new debt to purchase trams.

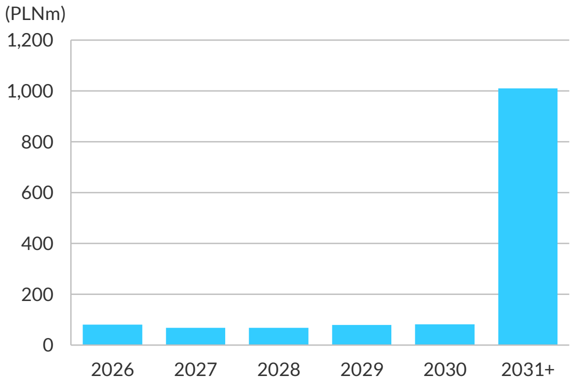
The city guarantees the debt of Port Czystej Energii Sp. z o.o. (end-2025: PLN466 million) to finance the solid waste facility, as the investment has been concluded in a special-purpose vehicle formula. With the lender's consent, the city can revoke the guarantee a year after commissioning of the plant and the company has already initiated the formal procedures. However, we continue to include the guarantee as a contingent liability until this is completed. The debt repayments will be primarily financed from the gate fees and the sale of energy and heat.

Overall Adjusted Debt Structure



Source: Fitch Ratings, City of Gdansk

Debt Maturity Profile



Source: Fitch Ratings, City of Gdansk

Liabilities and Liquidity Flexibility: Midrange

This assessment reflects that there is no central government emergency liquidity support and no banks are rated above 'A+' in Poland. Unrestricted funds at end-2025 were PLN269 million. Month-end cash balances exceeded PLN700 million on average in 2025 and January-April 2026, sufficiently above the projected PLN344 million debt service in 2026, which includes PLN190 million of planned refinancing. An unused PLN100 million available liquidity line at Bank Pekao S.A. (BBB+/Stable) provides an additional buffer.

Gdansk has PLN450 million available for 2026-2027 at the EIB. It has also signed a PLN274 million loan at Bank Gospodarstwa Krajowego (A-/Negative) under the National Resilience and Recovery Fund through 2030. This is for specific capex projects.

The city employs conservative fiscal strategies, earmarking reserves that exceed its debt servicing requirements, mitigating the potential effect of interest-rate fluctuations.

Debt Analysis

	2025
Fixed rate (% of direct debt)	1.7
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	5.7
Weighted average life of debt (years)	10.1

Source: Fitch Ratings, City of Gdansk

Liquidity

(PLNm)	2025
Total cash, liquid deposits and sinking funds	269
Restricted cash	0
Cash available for debt service	269
Undrawn committed credit lines	726

Source: Fitch Ratings, City of Gdansk

Financial Profile Assessment

Financial Profile: 'aa' Category

Financial Profile Score Summary

	Primary metric payback ratio (x)	Secondary metrics: Coverage (x)	Secondary metrics: 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

Fitch classifies Gdansk as a Type B LRG, as it covers debt service from cash flow annually. We use the debt payback ratio (net adjusted debt/operating balance) as the primary metric to assess the financial profile. The debt payback ratio under our rating case weakens to 8.6x in 2030, at the lower end of the 'aa' category, from 5.3x in 2025. This is slightly weaker than 7.6x in last year's scenario and reflects primarily higher projected net adjusted debt resulting from an increased capex expectation.

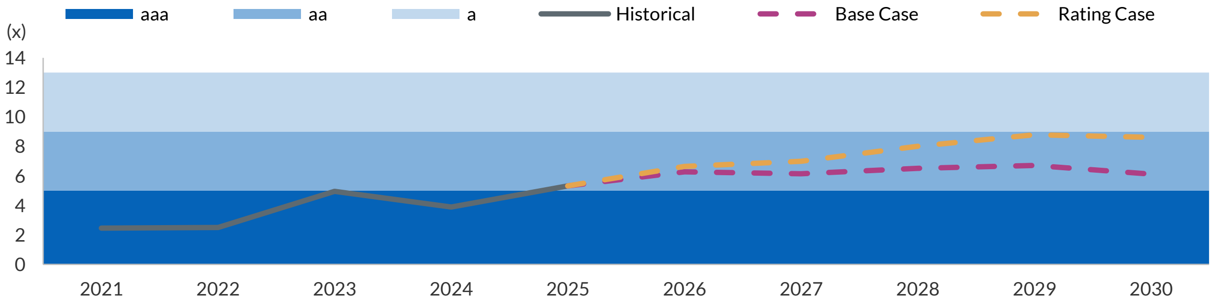
The fiscal debt burden stays in the 'aaa' category but rises to almost 50% of operating revenue in 2030 (24% in 2025). The synthetic debt service coverage ratio (operating balance/synthetic debt amortisation including short-term maturities) falls to 1.3x (2025: 1.9x), consistent with the 'bbb' category. Both metrics are marginally weaker than in last year's scenario, but in the same categories.

In our rating case, the operating balance rises to PLN363 million in 2030 from PLN253 million in 2025, while net adjusted debt increases to PLN3,130 million from PLN1,347 million, to finance assumed capex. The operating balance in 2025 was weaker than we expected, mainly due to lower revenue from local taxes and higher transfers expenditure. However, the sound macroeconomic forecasts and stabilising effects of the new income taxes and state subsidy allocation mechanism, should support stable operating balance growth. We expect PLN5.15 billion capex, almost PLN2 billion more than in 2021-2025 and almost PLN1billion more than in the previous rating case.

Gdansk's operating balance, one of the factors determining the payback ratio, decreased to PLN253 million in 2025 from PLN355 million in 2024. However, last year the operating balance was elevated by the PLN147.3 million of additional PIT received at the year-end. We expect the operating balance to go up annually, reaching PLN363 million in 2030 and averaging PLN312 million in 2026-2030, comparable with PLN306 million average in 2021-2025, but below PLN325 million from last rating case for 2025-2029.

The high capex will dive the direct debt up to PLN3,117 million at end-2030, more than a double increase. This is almost PLN400 million more than we expected at the end of our last year's scenario. The other Fitch-classified will decline according with the share buyout by the MTG reaching PLN166 million at end-2030.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, City of Gdansk

The affirmation is driven by the following assumptions for reference metrics under our 2026-2030 rating case:

- Payback ratio: 8.6x in 2030.
- Synthetic debt service coverage ratio: 1.3x in 2030.
- Fiscal debt burden: 47.1% in 2030.

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 2021-2025 figures and 2026-2030 projected ratios. The key assumptions for the scenario include:

- Annual average 3.7% increase in operating revenue, including tax revenue CAGR 3.9% and current transfers received CAGR 3.6% linked to GDP and inflation growth, respectively
- Annual average 3.5% increase in opex, driven by expected inflation at just above 3% through 2028. Inflation expectation eases to 2.5% from 2029, while we expect the city's management to maintain spending on the high level of services
- Negative net capital balance on average at PLN598 million a year. This is PLN80 million higher than last year's rating case and considers the city's intensified investment, higher self-financing capacity due to strong and predictable operating balances and expected non-returnable capital grants and other capital revenue covering similar part of capex
- Average cost of debt of 4.5% a year in 2026-2030. New debt is expected to have maturities of at least 15 years, while part of financing will come from loans with fixed rates of 0% to 1%.

Scenario Assumptions Summary

		2026-2030 average	
Assumptions	2021-2025 average	Base case	Rating case
Operating revenue growth (%)	9.3	3.9	3.7
Tax revenue growth (%)	19.6	4.1	3.9
Current transfers received growth (%)	-16.6	3.7	3.6
Operating expenditure growth (%)	9.9	3.3	3.5
Net capital expenditure (PLNm)	-348	-598	-598
Apparent cost of debt (%)	3.7	4.3	4.5
		2030	
Outcomes	2025	Base case	Rating case
Payback ratio (x)	5.3	6.1	8.6
Synthetic coverage ratio (x)	1.9	1.8	1.3
Fiscal debt burden (%)	24.3	42.2	47.1

Source: Fitch Ratings, City of Gdansk

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
Suggested analytical outcome (SCP)	**aaa**	**aa**	**a**	**bbb**	**bb**	**b**

Source: Fitch Ratings

The only Polish city in the same SCP category as Gdansk is the City of Katowice. Both cities have 'Midrange' risk profiles and 'aa' financial profiles. The key risk factors assessment is the same for both cities. Gdansk has higher projected operating balance, but also significantly higher assumed capex, driving debt. This results in the debt payback ratio at the lower end of the 'aa' category between 8x and 9x, for both cities, translating into 'a-' SCPs.

Gdansk's international peers are City of Busto Arsizio, City of Milan, Metropolitan City of Milan (MCM), Metropolitan City of Rome (MCR) in Italy and Romania's City of Bucharest. All entities have 'Midrange' risk profiles, and their SCPs are derived from their debt metrics. MCR has a payback ratio at the weaker end of 'aa' category, resulting in a 'a-' SCP. Bucharest and MCM have payback ratios and fiscal debt burdens in the middle of the 'aa' category, resulting in 'a' SCPs. Busto Arsizio's and Milan's payback are at the higher end of the 'aa' category, which with 'Stronger' liabilities and liquidity assessment with no 'Weaker' assessments, leads to their 'a+' SCPs.

Peer Comparison

	Risk profile	Financial profile score	SCP	Extraordinary support	Sovereign rating	Long-Term IDR/Outlook	National Rating
City of Gdansk	Midrange	aa	a-	n.a.	A-	A-/Negative	AAA(pol)
City of Katowice	Midrange	aa	a-	n.a.	A-	A-/Negative	AAA(pol)
City of Bucharest	Midrange	aa	a	n.a.	BBB-	BBB-/Negative	n.a.
City of Busto Arsizio	Midrange	aa	a+	n.a.	BBB+	BBB+/Stable	n.a.
City of Milan	Midrange	aa	a+	n.a.	BBB+	BBB+/Stable	n.a.
Metropolitan City of Rome	Midrange	aa	a-	n.a.	BBB+	BBB+/Stable	n.a.
Metropolitan City of Milan	Midrange	aa	a	n.a.	BBB+	BBB+/Stable	n.a.

Source: Fitch Ratings, City of Gdansk

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

		Support					
SCP	Sovereign LT FC IDR	Intergovern. financing	Ad-hoc support	Floor	Rating cap	Leeway above sovereign (notches)	LT FC IDR
a-	A-	-	-	-	A-	-	A-

Source: Fitch Ratings, City of Gdansk

Fitch assesses Gdansk's SCP at 'a-', which results from a 'Midrange' assessment of the city's risk profile and 'aa' financial profile score. The latter reflects debt payback in the weaker end of 'aa' category, SDSCR in a 'bbb' category, and moderate debt corresponding to a 'aaa' category. The SCP considers comparison with peers in the same category and is unaffected by asymmetric risk. The city's IDRs are not influenced by an extraordinary state support and are equal to the SCP and sovereign IDR, but the Outlooks mirrors that on Poland's Negative Outlook.

National Ratings

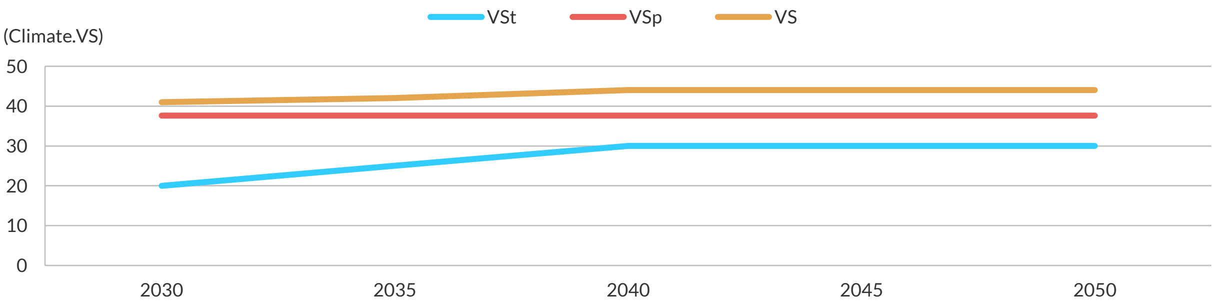
Gdansk's National Rating is 'AAA(pol)', the highest option that is equivalent to a 'A-' Long-Term Local Currency IDR.

Climate Vulnerability Signals

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's LRG Rating Criteria.

The Climate.VS for 2035 is 42 out of 100. This reflects a VSp of 38 and a VSt of 25.

Climate Vulnerability Signals



Source: Fitch Ratings

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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/topics/esg/products#esg-relevance-scores.

Appendix A: Financial Data

City of Gdansk

(PLNm)	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance										
Taxes	1,916	1,955	1,886	2,521	4,011	4,220	4,378	4,567	4,718	4,865
Transfers received	1,430	1,457	1,361	1,728	559	605	622	638	654	669
Fees, fines and other operating revenue	625	748	868	918	964	979	1,010	1,054	1,082	1,110
Operating revenue	3,971	4,159	4,115	5,167	5,534	5,804	6,011	6,259	6,453	6,644
Operating expenditure	-3,591	-3,836	-3,897	-4,812	-5,282	-5,542	-5,719	-5,953	-6,118	-6,282
Operating balance	379	324	217	355	253	262	292	305	335	363
Interest revenue	0	31	24	26	36	15	20	20	20	20
Interest expenditure	-9	-37	-43	-56	-79	-73	-85	-98	-118	-133
Current balance	371	318	198	325	210	204	227	227	237	250
Capital revenue	221	311	230	229	478	480	597	397	381	303
Capital expenditure	-567	-603	-700	-678	-663	-1,092	-1,129	-1,046	-1,134	-750
Capital balance	-346	-292	-470	-449	-185	-612	-532	-649	-753	-446
Total revenue	4,192	4,501	4,369	5,422	6,048	6,299	6,628	6,675	6,855	6,968
Total expenditure	-4,167	-4,475	-4,640	-5,546	-6,024	-6,707	-6,933	-7,097	-7,370	-7,164
Surplus (deficit) before net financing	25	26	-272	-124	24	-408	-305	-422	-516	-196
New direct debt borrowing	4	11	100	400	61	598	343	493	596	290
Direct debt repayment	-52	-52	-52	-67	-81	-271	-72	-68	-83	-94
Net direct debt movement	-49	-41	48	333	-20	327	271	425	513	196
Overall results	-24	-15	-223	209	4	-80	-35	3	-3	-1
Debt and Liquidity										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	1,065	1,024	1,072	1,405	1,385	1,713	1,983	2,409	2,922	3,117
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	1,065	1,024	1,072	1,405	1,385	1,713	1,983	2,409	2,922	3,117
Other Fitch-classified debt	173	70	61	240	231	222	214	195	175	166
Adjusted debt	1,238	1,094	1,133	1,645	1,616	1,935	2,197	2,604	3,097	3,284
Guarantees issued (excluding adjusted debt portion)	6	457	438	502	466	412	382	352	321	291
Majority-owned GRE debt and other contingent liabilities	268	268	251	219	161	274	250	223	609	568
Overall adjusted debt	1,512	1,818	1,822	2,365	2,245	2,621	2,829	3,178	4,027	4,143
Total cash, liquid deposits, and sinking funds	303	280	57	264	269	189	154	158	155	154
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	303	280	57	264	269	189	154	158	155	154
Net adjusted debt	935	813	1,077	1,381	1,347	1,746	2,042	2,446	2,942	3,130
Net overall debt	1,209	1,538	1,765	2,101	1,976	2,432	2,675	3,020	3,872	3,988
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Floating interest rate debt/direct debt (%)	55	53	65	85	98	-	-	-	-	-

rc - rating case
Source: Fitch Ratings, City of Gdansk

Appendix B: Financial Ratios

City of Gdansk

	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance Ratios (%)										
Operating balance/operating revenue	9.6	7.8	5.3	6.9	4.6	4.5	4.9	4.9	5.2	5.5
Current balance/current revenue	9.3	7.6	4.8	6.3	3.8	3.5	3.8	3.6	3.7	3.8
Operating revenue annual growth	12.1	4.8	-1.1	25.6	7.1	4.9	3.6	4.1	3.1	3.0
Operating expenditure annual growth	8.9	6.8	1.6	23.5	9.8	4.9	3.2	4.1	2.8	2.7
Surplus (deficit) before net financing/total revenue	0.6	0.6	-6.2	-2.3	0.4	-6.5	-4.6	-6.3	-7.5	-2.8
Total revenue annual growth	6.7	7.4	-2.9	24.1	11.5	4.2	5.2	0.7	2.7	1.7
Total expenditure annual growth	5.9	7.4	3.7	19.5	8.6	11.3	3.4	2.4	3.9	-2.8
Debt Ratios										
Primary Metrics										
Payback ratio (net adjusted debt/operating balance) (x)	2.5	2.5	5.0	3.9	5.3	6.7	7.0	8.0	8.8	8.6
Secondary Metrics										
Fiscal debt burden (net debt/operating revenue) (%)	23.5	19.6	26.2	26.7	24.3	30.1	34.0	39.1	45.6	47.1
Synthetic debt service coverage ratio (x)	5.8	4.6	2.2	2.7	1.9	1.6	1.5	1.4	1.2	1.3
Other Debt Ratios										
Liquidity coverage ratio (x)	11.6	7.1	5.3	3.3	3.2	1.6	3.1	2.8	2.5	2.3
Direct debt maturing in one year/total direct debt (%)	4.9	5.1	6.2	11.8	5.8	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	-4.4	-3.9	4.7	31.1	-1.4	23.6	15.8	21.5	21.3	6.7
Apparent cost of direct debt (interest paid/direct debt) (%)	0.8	3.5	4.1	4.5	5.7	4.7	4.6	4.5	4.4	4.4
Revenue Ratios (%)										
Tax revenue/total revenue	45.7	43.4	43.2	46.5	66.3	67.0	66.1	68.4	68.8	69.8
Current transfers received/total revenue	34.1	32.4	31.2	31.9	9.3	9.6	9.4	9.6	9.5	9.6
Interest revenue/total revenue	0.0	0.7	0.6	0.5	0.6	0.2	0.3	0.3	0.3	0.3
Capital revenue/total revenue	5.3	6.9	5.3	4.2	7.9	7.6	9.0	5.9	5.6	4.4
Expenditure Ratios (%)										
Staff expenditure/total expenditure	28.9	29.4	31.8	33.9	34.1	-	-	-	-	-
Current transfers made/total expenditure	12.7	14.0	15.6	17.7	17.2	-	-	-	-	-
Interest expenditure/total expenditure	0.2	0.8	0.9	1.0	1.3	1.1	1.2	1.4	1.6	1.9
Capital expenditure/total expenditure	13.6	13.5	15.1	12.2	11.0	16.3	16.3	14.7	15.4	10.5

rc - rating case
Source: Fitch Ratings, City of Gdansk

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Net adjusted debt corresponds to the difference between adjusted debt at the year-end and available cash viewed as unrestricted by Fitch.

The adjusted debt includes direct debt and other Fitch-classified debt. Gdansk's direct debt decreased to PLN1,385 million at end-2025 from PLN1,405 million at end-2024. Other Fitch-classified debt includes city's PLN231 million obligations to secure funds for MTG to repurchase shares from the Polski Fundusz Rozwoju S.A. based on the two agreements with the fund. Therefore, the city's adjusted debt at end-2025 was PLN1,616 million.

Gdansk's net adjusted debt decreased to PLN1,347 million at end-2025 from PLN1,381 million at end-2024. The change results from the adjusted debt decrease and the rise in unrestricted cash to PLN269 million from PLN264 million at end-2024. In our rating case, we expect net adjusted debt to go up to PLN3,130 million at end-2030, following the investments partially financed with debt and gradual decline of other-Fitch classified debt.

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