

Model description

Local and regional government forecast and scoring model

PURPOSE OF THE MODEL

1. We use our local and regional government forecast and scoring model (LRG model) as an input when rating local and regional governments (LRGs) according to our Local and Regional Government Rating Methodology.
2. The LRG model supports our indicative credit assessment in accordance with our criteria.
3. The LRG model is a tool to compare a LRG's demographics, budget performance, debt burden and liquidity to other domestic LRGs. In addition, the model includes forward-looking estimates of key credit ratios for up to two years.
4. The LRG model also includes a scoring table, where subfactor assessments, relevant calibrations and all steps resulting in the final issuer rating are recorded, using the structure of the methodology.

DESCRIPTION OF THE MODEL

5. The LRG model consists of a collection of demographic and financial performance data from domestic LRGs. This data is used to establish the rated entity's relative performance among domestic peers as well as comparing the indicative credit assessment of the rated entity to domestic LRGs.
6. The model also includes a forecasting tool to developing a forward-looking view for the rated entity and peer and sector comparison overviews. Projected key metrics are used to determine whether the rated LRG will improve or underperform its historical performance relative to domestic LRGs.
7. The model also includes a tool to upload new data to the database.
8. In rating committees, projected key metrics and relative performance are compared to the defined scoring guidelines for demographics, budget performance, and debt burden and liquidity. The final decision on individual rating subfactors is never directly based on forecast or historical ratios; rather the ratios act as key inputs alongside other relevant considerations for each rating factor. Adjustments to key metrics, factor scoring and relevant calibrations are all discussed by the rating committee prior to a final rating decision.

ASSUMPTIONS UNDERLYING THE MODEL/KEY RATING ASSUMPTIONS

9. No assumptions are made in the LRG model that are not subject to analytical inputs that can affect the final rating.

INPUTS

10. Publicly-available financial performance and demographics data for the domestic LRG sector are used as inputs into the LRG model.
11. Analysts are responsible for inputting forward-looking assumptions and key inputs to reflect the forecasted performance of the entity. These inputs are allowed only in certain unlocked fields.

DATA USED IN THE MODEL

12. The LRG model is designed for use with publicly-available financial performance and demographics data for the domestic LRG sector. The primary sources of this data are national statistical bureaus, national employment agencies, and similar data providers.

THE LIMITS AND WEAKNESSES OF THE MODEL

13. The LRG model could be subject to incorrect or missing inputs which could subsequently affect the comparison to domestic LRGs. We use analytical judgement to scan for errors and consider whether missing information has a material impact on the model output. We also use the committee process to establish if the reported and forecasted metrics conform with our expectations.

MATERIAL CHANGES TO THE MODEL

14. The LRG model includes a version log and changes require rigorous approval (four-eyes signoff). Checks and balances flag input errors and/or missing data and semantic versioning is used for all updates. Previous versions are maintained separately.

RELATED METHODOLOGY AND PRINCIPLES

15. [Local and Regional Government Rating Methodology](#)
16. [Rating principles](#)

NORDIC CREDIT RATING AS

OSLO
Ruseløkkveien 34
0251 Oslo
Norway

www.nordiccreditrating.com

STOCKHOLM
Norrandsgatan 10
111 43 Stockholm
Sweden

For questions or comments regarding our methodologies please use:

criteria@nordiccreditrating.com.

Disclaimer © 2025 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. With regard to NCR's analytical activities, historical development and past performance do not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.