Agder Fylkeskommune

Rating Action Report

LONG-TERM RATING

AAA

OUTLOOK

Stable

SHORT-TERM RATING

N1

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Agder County 'AAA' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) has affirmed its 'AAA' long-term issuer rating on Norway's Agder Fylkeskommune (Agder county). The outlook is stable. At the same time, NCR affirmed its 'N1' short-term issuer rating and 'AAA' issue rating on the county's senior unsecured bonds.

Rating rationale

The affirmation reflects the county's overall stable and strong performance. The long-term issuer rating reflects its prudent debt management, low debt and strong liquidity. It also reflects strong financial reserves and sound operating margins, coupled with a lower proportion of elderly dependants than the domestic local government sector average. We believe Agder will maintain rigorous debt management. We expect costs to remain elevated through 2025, constraining operating margins, but believe the county will maintain strong financial management and balanced budgets.

We have revised our assessment of Agder's budget performance to reflect operating margins in line with that of the wider domestic government sector. We have strengthened our assessment of the county's interest burden to reflect its low interest expense compared with the sector, and we expect Agder to maintain its relative interest level through 2027.

Agder is less diverse than other Norwegian counties in terms of industrial sectors but has a substantial position within the offshore and oil and gas industry. It also receives meaningful revenues from the renewable hydropower sector. Agder occupies a strategic location and plays an integral part in Norway's energy production and self-sufficiency.

Agder benefits from Norway's exceptional creditworthiness, given the country's institutional stability, strong governance and conservative fiscal performance. Local and regional government institutions have a predictable revenue distribution system and a robust framework that supports strong governance and transparency.

Stable

The stable outlook reflects our view that Agder will remain one of the fastest growing regions in Norway with a below-average level of elderly dependants. We expect the county will maintain its relatively low debt levels and control interest expenses while managing liquidity conservatively - even though it has budgeted for continued high investments through 2027. In addition, we believe Agder has the capacity to cut costs, if necessary, to ensure a balanced budget. We expect Norway's creditworthiness will remain stable with no material changes to its institutional framework.

As the long-term issuer rating is at the highest level, it cannot be raised.

We could lower the rating to reflect deteriorating operating margins or high capital spending. We could also lower the rating in the event of a significant rise in gross debt and interest payments, or rising unemployment, or weaker demographics than we currently expect.

Rating list	**To**	**From**
Long-term issuer credit rating:	AAA	AAA
Outlook:	Stable	Stable
Short-term issuer credit rating:	N1	N1
Senior unsecured issue rating:	AAA	AAA

Figure 1. Agder rating scorecard

Step	Analysis	To	From
1	Sovereign creditworthiness	aaa	aaa
2	Local and regional government institutions	Strong	Strong
3	Entity-specific assessment	Strong	Strong
4a	Standard notching	0	0
4b	Indicative credit assessment alternatives	aaa	aaa
5a	Higher or lower alternative	–	–
5b	**Indicative credit assessment**	**aaa**	**aaa**
6	Other adjustments	0	Neutral
7	**Issuer rating**	**AAA**	**AAA**

Figure 2. Agder entity-specific assessment scorecard

Subfactors	Impact	To	From
Average income	30.0%	3	3
Population growth	30.0%	1	1
Old age burden	20.0%	1	1
Unemployment	20.0%	3	3
Demographics calibration	-	0	0
Demographics weighed score	33.3%	2.00 (Strong)	2.00 (Strong)
Operating margin	60.0%	3	2
Operating and investment balance	20.0%	3	3
Financial reserves	20.0%	3	3
Budget performance calibration	-	0	0
Budget performance weighed score	33.3%	3.00 (Average)	2.40 (Above average)
Gross debt burden	60.0%	1	1
Interest burden	40.0%	1	2
Debt burden and liquidity calibration	-	0	0
Debt burden and liquidity weighed score	33.3%	1.00 (Strong)	1.40 (Strong)
Weighted average entity-specific scoring	100.0%	2.00 (Strong)	1.93 (Strong)

Figure 3. Capital structure ratings

Seniority	To	From
Senior unsecured	AAA	AAA

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 05 Apr. 2024.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Rating Principles published on 14 Feb. 2024 NCR's Local & Regional Government Rating Methodology published on 14 Feb. 2024 NCR's Sovereign Credit Assessment Methodology published on 26 Mar. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies. The Rating Committee was led by the chairperson who ensured that all attending analysts were qualified to vote, had ample time to prepare for the committee, and acknowledged that they did not have any conflicts of interest with the rated entity. The chairperson also asked the committee members if they were aware of any former Nordic Credit Rating employees now employed by the rated entity. The primary analyst provided an overview of their recommendation, referring to key discussion areas outlined in the committee material. All committee members were given the opportunity to question the recommendation, and to request further details on qualitative and qualitative factors, including forward-looking expectations and forecasts. The committee members were also afforded the opportunity to offer counterarguments and/or alternative proposals. The committee voted on all relevant subfactors, and decided on the long- and short-term issuer and issue ratings, where relevant. The committee also determined the outlook for the issuer rating and decided on the key drivers that could lead to a change in the issuer rating. A summary of the committee's decision is reflected in the rating action report. Following the committee's decision, the chairperson and primary analyst reviewed the rating action draft report to ensure consistency with the discussed key areas and credit drivers for the rated entity. The weighting of all rating factors is described in the relevant methodologies used in the rating decision (see the "Methodology used when determining the credit rating section" in the disclaimer).
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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