

Ringerike Kommune

Full Rating Report

LONG-TERM RATING

AA+

OUTLOOK

Stable

SHORT-TERM RATING

N1

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RATING RATIONALE

Our 'AA+' long-term issuer rating on Norway's Ringerike municipality reflects the municipality's average budget performance and demographic profile within the domestic local government sector. Ringerike has prudent financial reserves that have supported slim operating margins in recent years. We foresee a positive margin trend for Ringerike from 2025 and believe that the municipality will prioritize adding back to its financial reserves. The municipality benefits from its commuting distance to Oslo, Norway's capital, and its population has been steady historically.

The rating is constrained by Ringerike's high debt and interest burden compared with levels for other domestic local governments due to high investment requirements to serve its citizens and meet policy objectives. We expect the municipality's debt will remain elevated during our forecast period. Ringerike continually monitors liquidity, but we note that its liquidity has weakened gradually over the past three years. However, we view Ringerike's debt with average time to maturity of 10 years as positive and consider its refinancing risk to be low due to readily available funding sources.

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

STABLE OUTLOOK

The outlook is stable, reflecting our view that Ringerike will continue to have an average budget performance within the sector. We expect the municipality will improve margins slightly while carefully managing its debt and interest expense. We also believe Ringerike will take necessary measures to ensure a balanced budget and strengthen financial reserves. We expect Norway's creditworthiness will remain stable, with no material changes to the institutional framework.

POTENTIAL POSITIVE RATING DRIVERS

- A significant reduction in gross debt and interest payments.
- Materially improved operating margins and financial reserves.
- Stronger demographics than we currently expect.

POTENTIAL NEGATIVE RATING DRIVERS

- Deteriorating operating margin or high capital spending resulting in a drain on financial reserves.
- A significant rise in gross debt and interest payments.
- Weaker demographics than we currently expect.

Figure 1. Key metrics, 2022–2027e

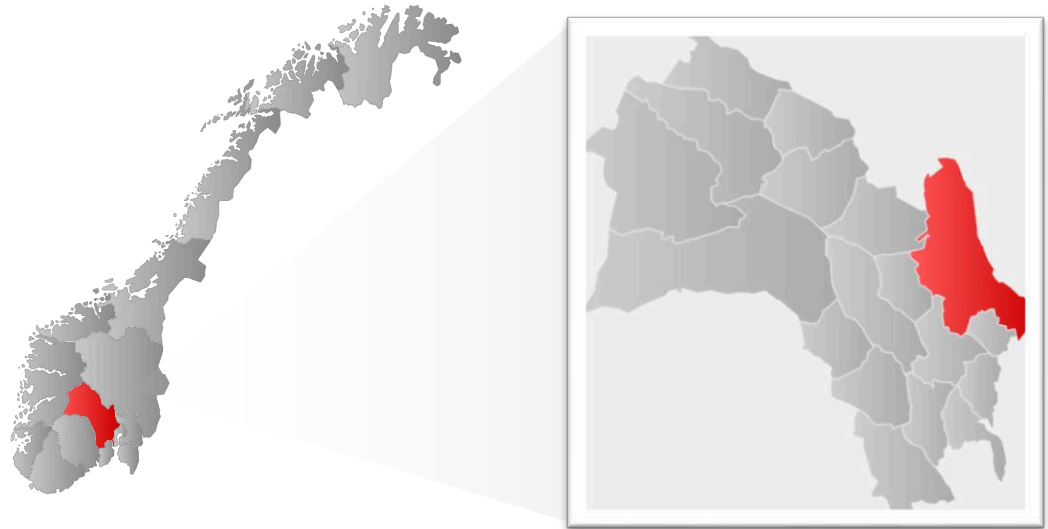
	2022	2023	2024	2025e	2026e	2027e
Population*	31,011	31,444	31,581	31,793	31,952	32,111
Unemployment rate (%)	1.8	2.2	2.3	2.4	2.4	2.4
Operating revenues (NOKm)	2,791	2,989	3,102	3,178	3,186	3,193
Operating margin (%)	6.1	6.3	3.1	6.2	6.2	6.2
Operating & investment balance (%)	-7.2	-2.7	-4.9	-1.1	1.0	-6.0
Financial reserves (%)	11.2	9.9	6.2	7.3	8.8	10.4
Gross debt burden (%)	134.8	132.0	132.6	128.1	127.6	134.0
Interest burden (%)	2.8	4.6	5.6	5.5	5.3	5.3

Source: Ringerike, NCR. e—estimate. All metrics as defined by NCR methodology. *As of 1 January.

ISSUER PROFILE

Ringerike was established in 1964 and is part of Buskerud county. Located in Norway’s Eastern region, the municipality is a one-hour drive from Oslo. It has a population of around 32,000 and occupies an area of 1,500sq km. Most residents live in Ringerike’s centre, Hønefoss. Ringerike is one of the country’s largest forestry municipalities. It also has significant agriculture, along with industry, trade, and service businesses. The municipality shares borders and collaborates with several municipalities, including Hole to the southeast and Jevnaker to the east.

Figure 2. Maps of Buskerud county and Ringerike municipality.



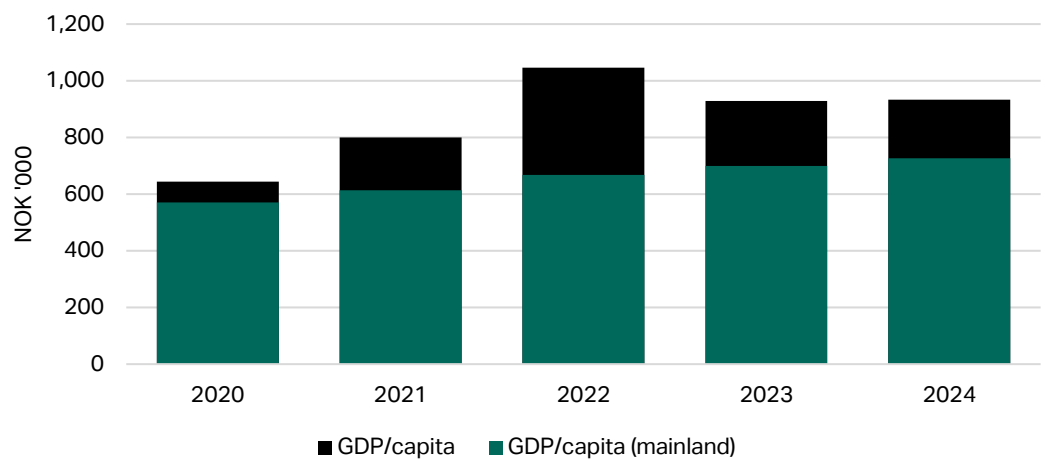
Source: Wikipedia.

NORWEGIAN SOVEREIGN CREDITWORTHINESS

In our view, Norway is characterised by excellent institutional stability and strong governance. The economy is resilient, and the country’s fiscal performance is conservative and well managed. Norway scores strongly in the World Bank’s Worldwide Governance Indicators, with an average ranking across indicators in the 97th percentile. GDP per capita is strong at just over NOK 930,000, with some variations in recent years due to cyclical oil-related revenue.

Sovereign creditworthiness

Figure 3. GDP per capita, 2020-2024



Source: SSB, NCR.

Norway’s inflation rate (adjusted for tax changes and excluding energy products) is decreasing. As of Feb. 2025, the 12-month rate stood at 3.4%, and SSB forecasts an inflation rate of 3.1% at end-2025. Uncertainties remain in terms of the direction of the domestic currency, food and energy prices, and

wage levels. The policy rate in Norway is currently set at 4.5%, and the Norwegian Central Bank has not lowered the policy rate, unlike other European countries. Unemployment is relatively low, standing at 2% in 2024, and we expect it will remain around this level through end-2025.

Norway is a major exporter, although the mix is concentrated, with oil generating close to 80% of total exports and fish products 5%. However, the Norwegian oil fund, a sovereign fund that manages revenues generated from Norway's oil and gas sector, makes diverse investments across various industries and geographic regions. The country has had well balanced budgets historically, having achieved positive budget balances over the past 20 years, except for a small deficit in 2020. As a result, gross public debt to GDP has remained low. The ratio stood at 55% in 2024, and about one-third of gross public debt is held at the local government level.

LOCAL & REGIONAL GOVERNMENT INSTITUTIONS

Strong and predictable revenue distribution system and effective equalisation

Local & regional government institutions

Norwegian local and regional governments have wide-ranging responsibilities. Income taxes and block grants constitute most of a municipality government's income. These are unrestricted revenues and local and regional governments can use them to prioritise local needs. Taxation is mostly decided at central government level, but some autonomy exists for secondary taxes (such as municipal property tax), and local tax rates can be set lower than the nationally mandated level. National budgets are announced in the third quarter of each year to increase revenue visibility for the next calendar year and enable municipality governments to plan and maintain balanced budgets.

Norway has a far-reaching financial equalisation system that compensates counties with an adverse cost structure or an unfavourable demographic profile. The aim is to even out per capita differences in local tax bases. Differences in costs are fully equalised through block grants, while tax revenues are partly redistributed. In our view, the equalisation system effectively reduces wealth differences between municipality governments.

Robust and predictable framework supports strong governance and transparency

Despite central government dominance in legislation, the Ministry of Local Government and Modernisation facilitates dialogue between the central government and local and regional governments and ensures that the latter adhere to established governance principles. Central decisions impacting local governments require approval by this ministry, in cooperation with the Norwegian Association of Local and Regional Authorities. The association also coordinates with sub-sovereign governments prior to material policy changes, ensuring efficient decision making.

Municipality governments are required by law to disclose their annual budget for the upcoming year and a financial plan for the next four years before the end of any given year. Accounts must include consolidated figures, according to nationally established accounting standards, and be formally audited. Local and regional governments must also establish fiscal targets and financial and debt management plans.

Under a balanced budget requirement, municipality governments must budget for revenues that exceed spending every year. If a municipality government fails to produce a balanced budget or achieve a budget surplus each year, it has two years to restore the imbalance. The Ministry of Local Government and Regional Development maintains a register, called ROBEK, of municipalities and counties with financial imbalances, or which have failed to meet specific deadlines. Local and regional governments have clear financial guidelines and borrowing limits. According to national law, local and regional governments can borrow only for investment, and not for operational needs. Norwegian counties have good access to banks, government-owned municipality lender Kommunalbanken, KLP Kommunekreditt, and the capital markets.

Central government support likely

Norwegian local governments cannot become insolvent. The central government takes financial control of municipalities and counties on the ROBEK list to ensure they meet their obligations. Historically, the central government has supported municipality governments in extraordinary circumstances such as the COVID-19 pandemic. In our view, the central government is likely to support

municipality governments in extraordinary circumstances or when an individual municipality is in financial distress.

ENTITY-SPECIFIC FACTORS

Entity-specific assessment

Our entity-specific assessment reflects Ringerike's average demographic profile compared with the domestic local government sector, with beneficial commuting distance to Oslo. We assess the budget performance as moderate, with readily available financial reserves to cover operating deficits. The municipality's debt is high, which consequently raises financial costs. We expect the municipality will manage its future investments and debt levels carefully in our forecast period.

Stable population growth over time

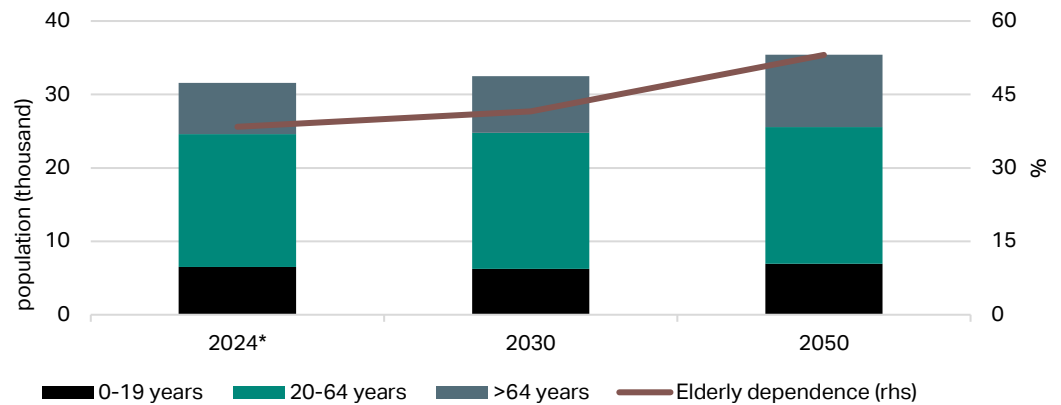
Demographics

Ringerike's population increased by an average 1% annually in the 2022-2024 period, with net migration as the biggest contributor to population growth. According to projections by Statistics Norway (SSB), Ringerike's population will rise by 7.7% by 2040, which is around the anticipated national growth rate in the same period. Although the municipality's growth rate is average, we view positively that Ringerike has maintained its population despite closures or relocations of major cornerstone businesses over the years.

The municipality benefits from its commuting distance to Oslo, with its diverse business sector. New roads are currently under discussion, and the Ringeriksbanen railway line project from Oslo to Ringerike will reduce commuting time significantly, which has already boosted business activity in the region. However, uncertainty remains regarding the progress of the railway line, which was planned decades ago but has faced repeated delays.

Notably, the municipality's elderly population is growing more quickly than other age groups. The proportion of elderly dependants is set to rise to 41% by 2030 from 38% in 2024. The percentage of elderly dependants is somewhat above the national average. Ringerike is building a new nursing home (to be completed in 2028/2029) and focusing on in-home care services, which could prove cost-effective as they are often less expensive than institutional placements.

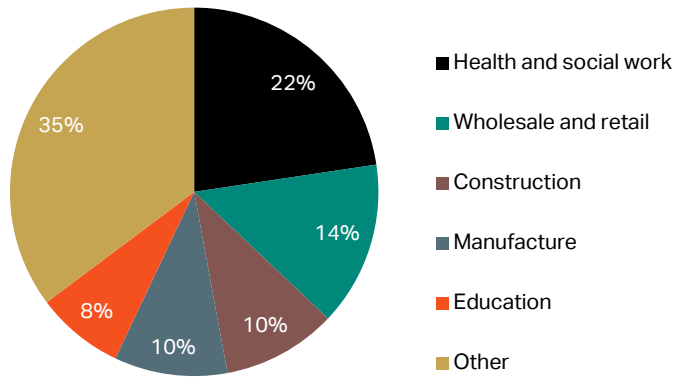
Figure 4. Projected elderly dependence and population



Source: SSB, NCR.*1st of January 2024.

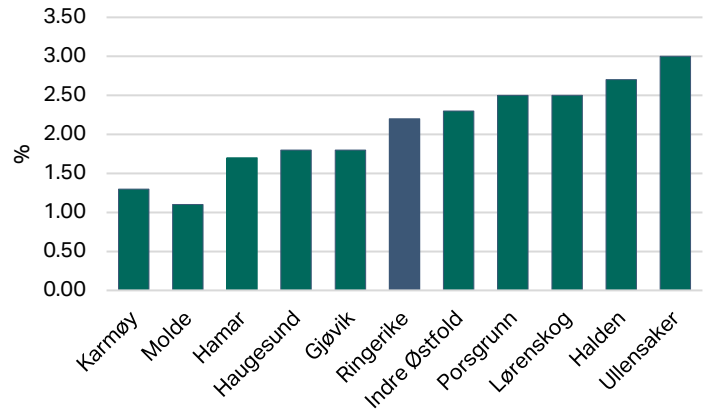
In 2024, Ringerike had a median monthly income of NOK 50,420, which is around the domestic sector average. The municipality has lower education levels and a higher proportion of inhabitants with health-related needs compared with the national averages. We expect that the municipality's income levels will continue to be close to the average of the wider domestic local and government sector as we believe it takes time to increase employment diversity and reduce dependency on social benefits.

Figure 5. Employment by industry, 2024



Source: SSB, NCR.

Figure 6. Norwegian peer sample unemployment rate, 2024



Source: SSB, NCR.

In 2024, Ringerike's unemployment rate was 2.3%, which was around its peer group average. We believe Norway will continue to maintain its low unemployment rate and expect Ringerike's unemployment rate at 2.4% (annual average) in 2025.

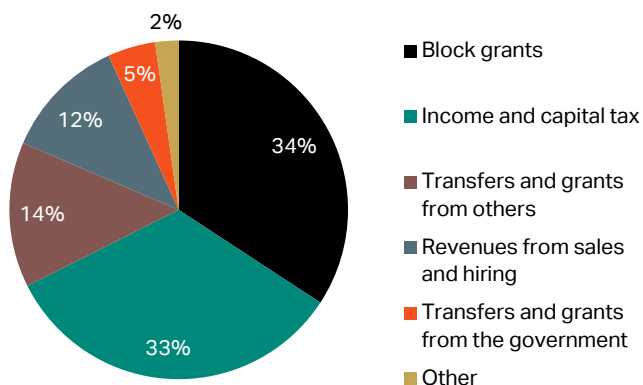
Operating margins and financial reserves are average in the sector

Ringerike's total operating income increased by 4% in 2024, due to an increase in block grants from the central government which in 2024 constituted 34% of its total operating income. Most of the grants are absorbed by wages and social costs. Flexibility to raise income from taxation is limited, but municipalities manage property tax. Ringerike receives part of its tax revenues through the equalisation system and is therefore strongly affected by national developments. The new municipality-level equalisation system, effective from 1 Jan. 2025, has increased Ringerike's annual income by about NOK 36m.

Budget performance

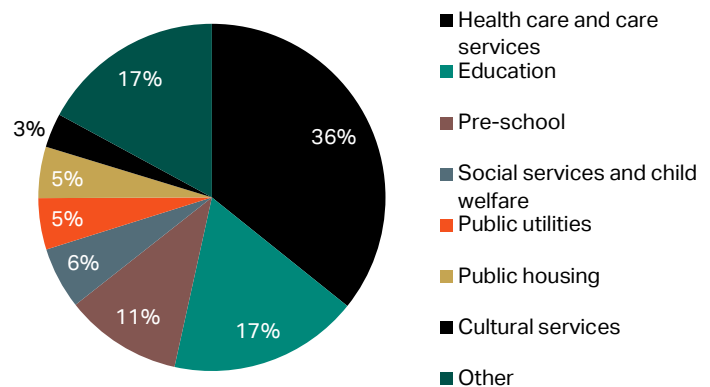
Total operating spending increased by 6.5% in 2024. Wages (up 5.4%) and goods and services (13.9%) accounted for most of the increase. We expect price and wage growth will remain high in 2025 (the national budget projected price and wage deflator for the sector is 4.1%), which will continue to put pressure on municipality-level budgets and increasing pension liabilities. Ringerike's wage expenses to total operating expenditures are close to the domestic sector average of about 45%.

Figure 7. Sources of revenues, 2024



Source: SSB, NCR.

Figure 8. Spending breakdown, 2024



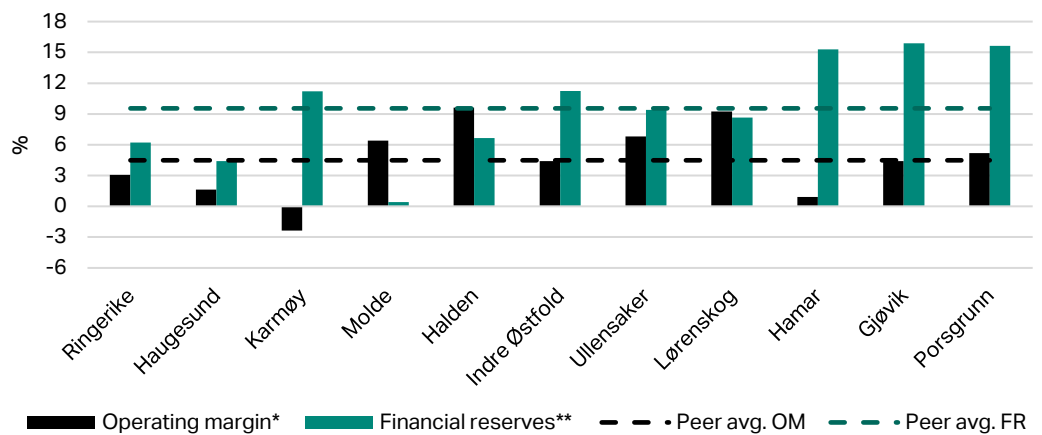
Source: SSB, NCR.

Ringerike obtains additional income from the sale of energy concessions which cover about one-third of the municipality's energy expenses. The municipality owns stakes in the utility companies Ringerikskraft AS (69.46%) and Vardar AS (11.7%), with received dividends of NOK 24.3m and NOK 32.1m in 2024, respectively. Income from the sale of energy concessions and dividends from the ownership stakes generally exceed the municipality's energy expenses. Fossefondet, a fund established in 2014 when the municipality received compensation (NOK 121m) after selling some shares in Ringerikskraft AS, generated 12.3% in annual returns equal to NOK 24m in 2024. The municipality uses dividends and surplus from Fossefondet to lower financial costs, and the fund itself operates as a buffer along with other financial reserves.

Ringerike's operating margins (excluding depreciation and financial costs) decreased to 3.1% in 2024 from 6.3% in 2023, in line with those of peers and the sector average as the sector faces similar challenges. Around 192 municipalities had negative net operating margins (including financial costs and loan repayments) in 2024, including Ringerike with a negative net operating margin of 3% in 2024, a significant deviation from the municipality's 1.5% financial target. The operating deficit was covered by financial reserves. Increased financial costs, pension expenses, rising social benefits, and higher prices for goods and services will require ongoing restructuring and efficiency measures across all services in 2025. To balance the budget and allocate funds to reserves, the municipality's spending cuts focus primarily on salaries.

We believe constraints on financial flexibility will continue across the local government sector, with a continued slowdown in the national economy (SSB forecasts a mainland GDP increase of 1.2% in 2025). We note that Ringerike is balancing small margins and that adjusting costs to its financial framework will be important. We expect a somewhat positive trend in the municipality's operating margins in our forecast period.

Figure 9. Operating margins and financial reserves as a share of operating income, 2024

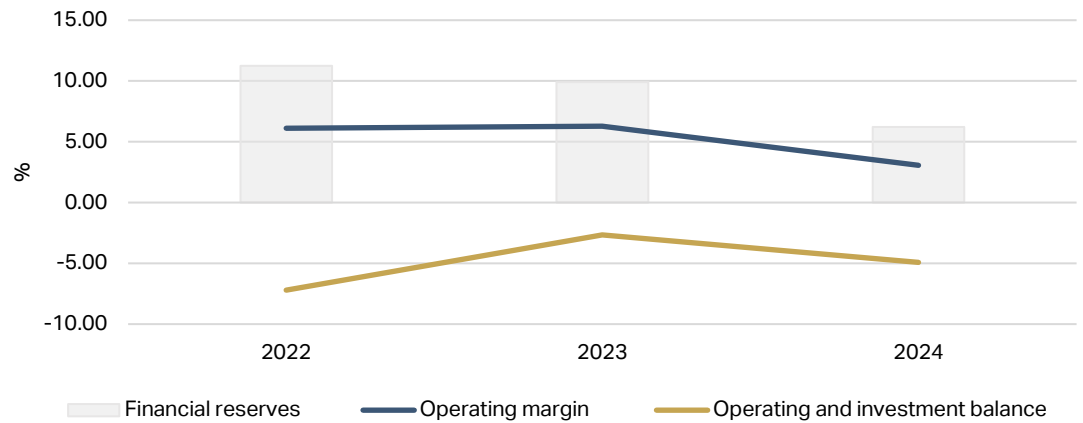


Source: SSB, NCR. *Excludes depreciation and interest costs. **Includes general funds and accumulated operating results.

In 2024, Ringerike's financial reserves (including general funds and accumulated operating results) were 6.2% of total operating revenues, below the 8% recommended by the government's Statistical Reports Committee for Municipality and Municipal Government Finance. The 3.7pp reduction in financial reserves since 2023 is due to one-time expenses, such as the purchase of housing and the repayment of debt related to a tennis hall, but also to cover the operating deficit and repayments of property taxes.

Although Ringerike's financial reserves are below recommended levels and the municipality's own target of 10%, they are in line with those of the wider sector. We believe Ringerike will build up financial reserves throughout our forecast period, with positive results and a focus on spending cuts. We forecast financial reserves will amount to 10% by 2027. In the budget for its 2025-2028 financial plan, Ringerike aims to add back NOK 40-50m each year. We note that Ringerike was on the ROBEK list from 2008 to 2016 due to financial imbalances and believe that its focus on healthy financial reserves is important as it could serve as a buffer in times of duress and, as proven in recent years, stabilise the operating balance in periods of weakness.

Figure 10. Budget performance metrics, 2022-2024



Source: SSB, NCR.

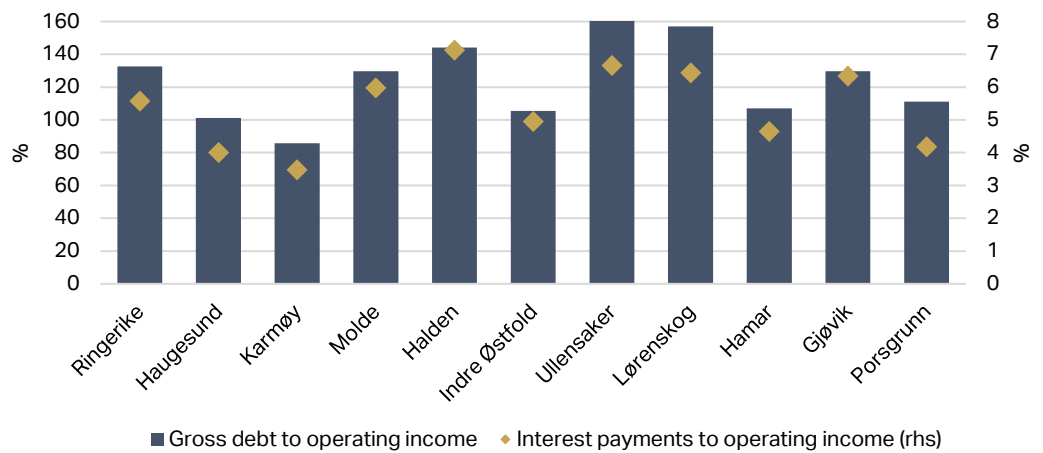
Ringerike had a negative operating and investment balance of 4.9% in 2024. The municipality has budgeted a significant reduction in its investments for 2025 and 2026 to slow debt increases. Ringerike's investments are set to increase from 2027 when the building of a new care centre and a new care home start. We estimate this will require additional drawdown of loans and greater use of both earmarked and unearmarked investment funds from 2027.

High debt likely to continue due to investment requirements

Ringerike's gross debt burden is at the higher end compared with the sector, standing at 130% in 2024. Total debt amounted to about NOK 4.2bn, including start loans from Husbanken of NOK 770m. Start loans from Husbanken are loans for redistribution to the municipality's residents and often have favourable loan terms with long maturities (average remaining maturity of 26.9 years). As of 31 Dec. 2024, NOK 692m of total loans were granted to residents. We expect the municipality's debt will remain stable in 2025-2026 before increasing in 2027 due to high investments.

Debt burden & liquidity

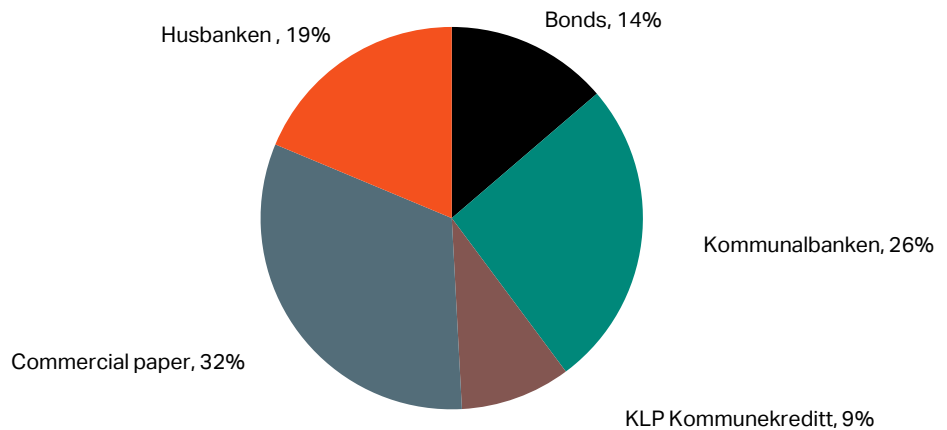
Figure 11. Gross debt and interest payments as a share of operating income, 2024



Source: SSB, NCR.

Ringerike's gross debt has an average time to maturity of 10 years (excluding start loans from Husbanken), with about 32% of its debt maturing before end-2025. Ringerike continually monitors liquidity and projected cash flows. Its liquidity has weakened gradually over the past three years, to just under NOK 400m in 2024 from NOK 700m, due to negative financial results. However, we assess overall refinancing risk as low, as the municipality has ready access to funding with various counterparties. In 2024, Ringerike made loan repayments of about NOK 144m, in line with the minimum central government requirements.

Figure 12. Debt profile, 2024



Source: Ringerike, NCR.

Ringerike's interest payments as a percentage of total operating revenues (5.6% in 2024) are higher than the sector average. At end-2024, about 64% of the municipality's debt carried fixed interest rates, reducing the impact of interest rate fluctuations. Ringerike's total net interest costs would increase by NOK 62.5m per year if interest rates were to increase by 2pp, with additional changes in equity markets and a weaker Norwegian kroner.

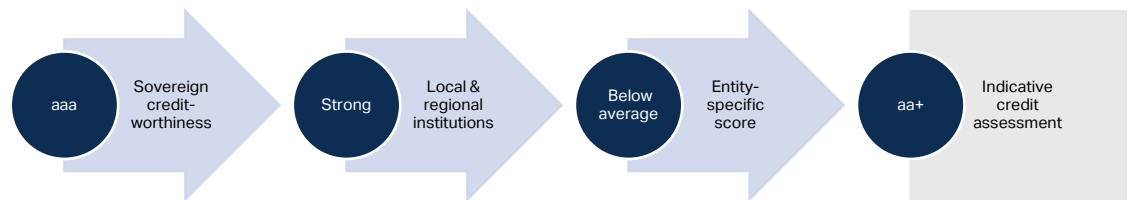
Pension obligations amounted to NOK 3.6bn in 2024, a 9% increase versus the 2023 figure. The municipality's pension funds stood at NOK 3.5bn in 2024, a 7% rise against the 2023 number, resulting in a significant increase in net pension liabilities. We expect the municipality will manage high premium deviations in its annual budget processes. Pension costs are also partly compensated through block grants.

INDICATIVE CREDIT ASSESSMENT

Indicative credit assessment

The combination of 'aaa' sovereign creditworthiness, a 'strong' local & regional government institutions assessment, and a 'below average' entity-specific assessment with the higher alternative leads to an 'AA+' indicative credit assessment. The combination of the entity-specific score is moderately below average. Ringerike's beneficial commuting distance to Oslo, contributing to employment diversification along with positive developments in our forecast and buffer funds, results in the higher alternative indicative credit assessment.

Figure 13. Indicative credit assessment



ADJUSTMENT FACTORS

Adjustment factors

Adjustment factors are assessed as neutral and have no effect on the final rating.

Contingent liabilities and guarantees

Contingent liabilities and guarantees

As of 31 Dec. 2024, Ringerike had guaranteed debt limits totalling NOK 53.6m, of which NOK 32m was outstanding. The guarantees are primarily given to projects related to kindergartens and sport projects. The guarantees have long maturities and typically remain valid until the associated project debt is repaid. The municipality repaid a NOK 12m loan for Hønefoss Tennisklubb (tennis hall) in 2024 due to financial distress. Ringerike would have had to uphold its guarantee on the project in any case. However, we see the risk associated with guarantees as minimal, as repayments of debt under guarantee have not been an issue historically. We also consider that risk is reduced owing to the small

amounts guaranteed at the municipal level and the spread over several projects with diverse maturities. It is common practice for municipalities to issue such guarantees.

Figure 14. Guarantees

Recipient	Purpose	Guarantee limit (NOKm)	Outstanding balance (NOKm)	Maturity
IKA Kongsberg	Intercom archive	6.3	4.9	-
Blåbærskogen Barnehage SA	Kindergarten	9.5	2.9	01.02.2034
Tolpin barnehage BA	Kindergarten	12.7	5.6	01.03.2038
Heradsbygda IL	Sports field	8.8	2.8	03.09.2040
Hønefoss Ballklubb	Sports hall	3.6	3.6	01.06.2031
Hønefoss Sportsklubb	Sports facilities	8.6	8.0	28.04.2043
Tollpinrud SA	Kindergarten	3.5	3.7	28.04.2043
Ringeriksbadet IKS	Cash credit	0.5	0	-

Sustainability concerns

Sustainability concerns

We see no sustainability concerns that could have a material effect on Ringerike's creditworthiness or pose an immediate risk. However, climate change and extreme weather represent a potential threat to the wider local government sector. Specifically, Ringerike is obliged to cut greenhouse gas emissions to help Norway meet its obligations under the Paris Agreement. Ringerike targets reducing direct emissions by at least 55% by 2030, which includes reducing emissions from road traffic, agriculture and industry.

ISSUE RATINGS

Our rating on Ringerike's senior unsecured debt is in line with the 'AA+' issuer rating. The municipality had outstanding senior unsecured bonds of NOK 732m as of 20 Mar. 2025.

SHORT-TERM RATING

The 'N1' short-term rating reflects Ringerike's liquidity profile relative to the 'AA+' long-term issuer rating.

Figure 15. NCR's adjustments to financial metrics, 2022–2027e

NOKm	2022	2023	2024	2025e	2026e	2027e
Operating revenue	2,791	2,989	3,102	3,179	3,186	3,193
Operating spending	2,776	2,972	3,165	2,983	2,989	2,994
Operating balance	171	188	95	196	197	197
Operating margin (%)	6.1	6.3	3.1	6.1	6.2	6.2
Interest payments	77	139	173	175	168	168
Interest burden (%)	2.8	4.6	5.6	5.5	5.3	5.3
Investment income	102	94	44	28	26	100
Investment spending	474	361	292	260	221	577
Operating and investment balance	-201	-80	-153	-35	29	-190
Operating and investment balance (%)	-7.2	-2.7	-4.9	-1.1	1.0	-6.0
Gross debt	3,761	3,943	4,115	4,071	4,066	4,278
Gross debt burden (%)	134.8	131.9	132.6	128.1	127.6	134.0

Source: Ringerike, NCR.

METHODOLOGIES USED

- (i) [Local & Regional Government Rating Methodology](#), 14 Feb. 2024.
- (ii) [Sovereign Credit Assessment Methodology](#), 26 Mar. 2024.
- (iii) [Rating Principles](#), 14 Feb. 2024

Figure 16. Ringerike rating scorecard

Step	Analysis	Score
1	Sovereign creditworthiness	aaa
2	Local and regional government institutions	Strong
3	Entity-specific assessment	Below average
4a	Standard notching	-1/-2
4b	Indicative credit assessment alternatives	aa+/aa
5a	Higher or lower alternative	Higher
5b	Indicative credit assessment	aa+
6	Other adjustments	0
7	Issuer rating	AA+

Figure 17. Ringerike entity-specific assessment scorecard

Subfactors	Impact	Score
Average income	30.0%	3
Population growth	30.0%	3
Old age burden	20.0%	3
Unemployment	20.0%	3
Demographics calibration	-	0
Demographics weighed score	33.3%	3.00 (Average)
Operating margin	60.0%	3
Operating and investment balance	20.0%	3
Financial reserves	20.0%	3
Budget performance calibration	-	0
Budget performance weighed score	33.3%	3.00 (Average)
Gross debt burden	60.0%	4
Interest burden	40.0%	4
Debt burden and liquidity calibration	-	0
Debt burden and liquidity weighed score	33.3%	4.00 (Weak)
Weighted average entity-specific scoring	100.0%	3.33 (Below average)

Figure 18. Capital structure ratings

Seniority	Rating
Senior unsecured	AA+

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