

Vestland Fylkeskommune

Full Rating Report

LONG-TERM RATING

AAA

OUTLOOK

Stable

SHORT-TERM RATING

N1

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RATING RATIONALE

Our 'AAA' long-term issuer rating on Norway's Vestland Fylkeskommune (Vestland county) reflects its above-average income level and sound demographic profile with a low proportion of elderly dependants compared to the domestic local government sector average. These characteristics support strong operating margins and a sound interest burden, despite the county's fair amount of debt. The rating also reflects sound liquidity and balanced financial reserves. We believe Vestland's debt level will grow due to increasing investment needs and continued inflation pressure. On the other hand, we expect continued strong operating margins and that the county will maintain strong financial management and balanced budgets.

Vestland's economy is well diversified across multiple industries including the offshore and oil and gas industries, as well as the more capital- and energy-intensive industries such as aluminium production. It also benefits from tourism and recreation thanks to its varied geography. The county also holds a strategic position as Norway's leading export region and plays an integral part in Norway's energy and other industrial production.

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

STABLE OUTLOOK

The outlook is stable, reflecting our view that Vestland will maintain its sound demographic profile, and its industrial and export-oriented economy will continue to support strong operating margins. We expect increasing debt over the 2025–2027 forecast period however, reaching a 107% gross debt burden due to the high investments in its complex road and mobility infrastructure. Despite an increasing debt burden, we expect a continued manageable interest burden. In addition, we believe the county will maintain balanced operating budgets. We expect Norway's creditworthiness will remain stable with no material changes to its institutional framework.

POTENTIAL POSITIVE RATING DRIVERS

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

POTENTIAL NEGATIVE RATING DRIVERS

- Deteriorating operating margins or financial reserves deteriorating below our expectations.
- Gross debt burden exceeding 110% or higher interest burden than we expect.
- Rising unemployment or weakened demographics.

Figure 1. Key metrics, 2022–2027e

	2022	2023	2024	2025e	2026e	2027e
Population ('000)*	641	646	651	652	653	655
Unemployment rate (%)	1.7	1.7	1.8	1.9	1.9	1.9
Operating revenues (NOKm)	17,050	16,967	18,214	18,943	19,511	20,096
Operating margin (%)	13.0	11.7	8.9	8.9	9.7	9.2
Operating & investment balance (%)	-3.2	-6.1	-4.7	-7.7	-5.0	-4.7
Financial reserves (%)	12.9	12.2	9.3	8.2	7.2	6.1
Gross debt burden (%)	89.8	96.5	96.3	101.1	104.0	107.2
Interest burden (%)	1.8	2.9	3.5	3.9	3.8	3.6

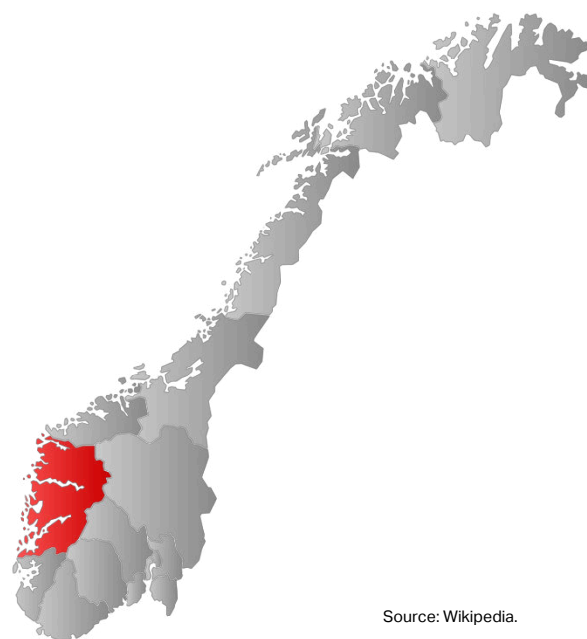
Source: Vestland, NCR. e–estimate. All metrics as defined by NCR methodology. *As of 1 January, each year.

ISSUER PROFILE

Vestland county was established in 2020 following a merger of the former counties of Hordaland and Sogn and Fjordane. Occupying an area of 33,870sqkm, Vestland is the westernmost of Norway's 15 counties and ranks third in terms of population with 650,000 inhabitants as of 1 Jan. 2025 (Statistics Norway). The county houses 43 municipalities with Bergen the largest municipality as well as the largest city and county capital. Other large cities in the county are Stord and Førde.

The population and most businesses are concentrated along the coast and along the rivers. A high 66% of the working population is employed in the private sector.

Vestland is the top exporter among Norway's counties. Industrial activity is well spread across multiple sectors such as maritime industries, seafood, oil and gas services, aluminium, IT technologies and tourism.



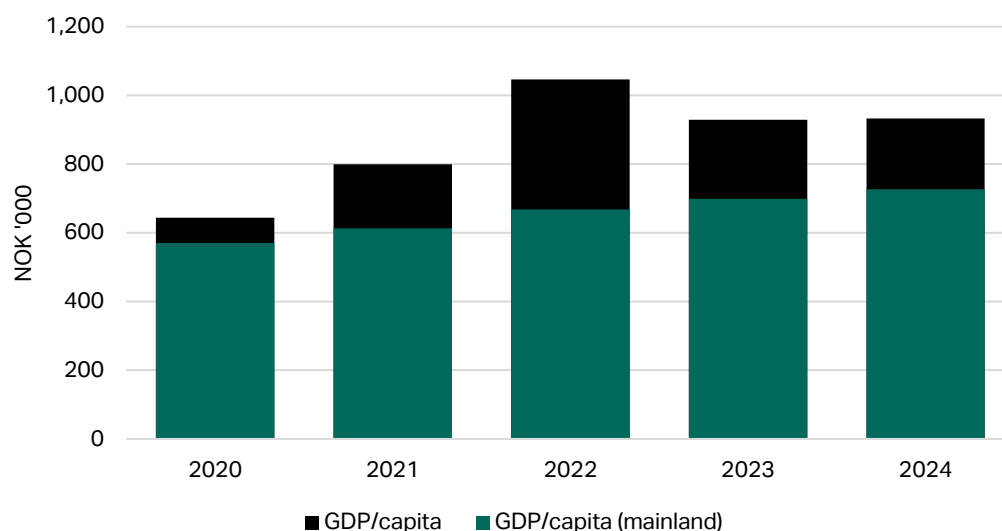
Source: Wikipedia.

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, although there was a decline in 2023 due to cyclical oil-related revenue.

Sovereign
creditworthiness

Figure 2. Norway GDP per capita, 2020-2024



Source: Statistics Norway and NCR.

Norway's inflation rate (adjusted for tax changes and excluding energy products) has decreased. The 12-month rate stood at 3.0% as of April 2025, and Statistics Norway 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 4.25%, after a first cut in June by the Norwegian Central Bank that has remained slower in lowering its policy rate compared to other European countries. Unemployment is relatively low, standing at 2% in 2024, and we expect it will remain around this level through 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 regions. Norway 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 remains low at 55% in 2024, and about one-third of gross public debt is held at the local government level.

LOCAL & REGIONAL GOVERNMENT INSTITUTIONS

Local & regional government institutions

The robust Norwegian local and regional government framework is supported by a strong and predictable revenue distribution system and effective equalisation. Norwegian local and regional governments primarily rely on income taxes and block grants for revenue. National budgets are announced in the fourth quarter of each year to increase revenue visibility for the next calendar year and enable county governments to plan and maintain balanced budgets. Norway has a far-reaching financial equalisation system that compensates counties with an adverse cost structure or unfavourable demographic profile. The country aims to even out per capita differences in local tax bases.

The Ministry of Local Government and Regional Development facilitates dialogue between the central government and local and regional governments to ensure nationally stipulated governance principles are followed. County 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. Local and regional governments must also establish fiscal targets and financial and debt management plans.

By law, Norwegian local governments cannot become insolvent. The central government takes financial control of municipalities and counties with financial imbalances or failure to meet specific deadlines to ensure they meet their obligations. In such cases, we view support from the central government as likely.

ENTITY-SPECIFIC FACTORS

Entity-specific assessment

Our entity-specific assessment reflects Vestland's higher than average income levels among its population, supported by the strong export-oriented industry sectors. It also reflects a lower proportion of elderly dependants than the domestic local government sector average. We assess its budgetary performance as sound due to robust operating margins and readily available financial reserves. While we believe continued cost inflation and investment needs will further pressure financial reserves over the 2025–2027 period, we expect Vestland will maintain strong operating margins and a balanced operational budget. Its gross debt burden is relatively high and increasing, yet remains in line with the sector average.

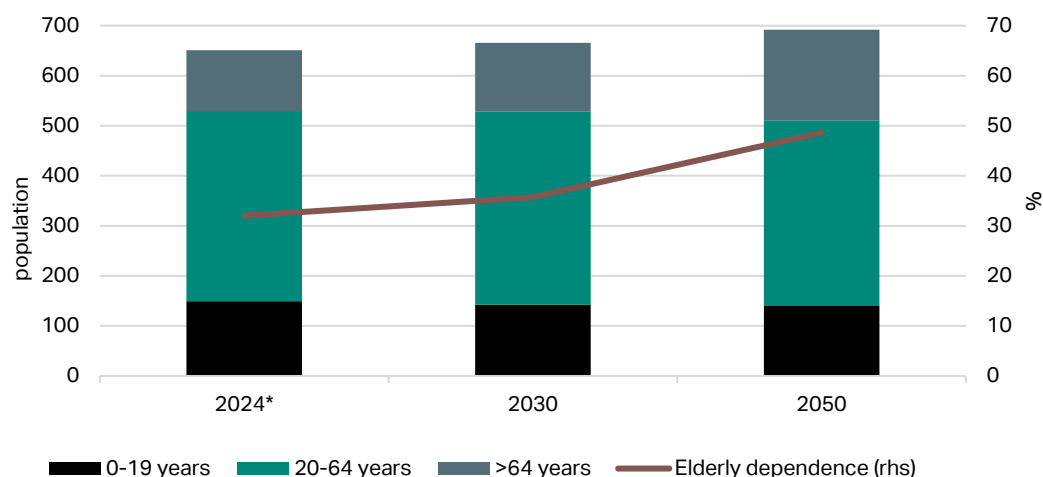
Limited population growth but sound age composition

Demographics

Vestland's population increased by an average of 0.8% annually in the 2022–2024 period, mainly in Bergen and the coastal municipalities due to proximity to essential services and job opportunities. Bergen is the largest of the county's 43 municipalities, accounting for roughly 45% of the county's population. Its broad industry and hosting of a top-ranking university adds to skilled labour and is supportive to strong income levels. As such, Bergen accounts for a high 60% of the county's value creation.

According to projections by Statistics Norway (SSB), Vestland's population is expected to grow by 6.2% by 2050, which is lower than the anticipated national growth rate of 10% during the same period. The county has a relatively large share of its population in the 20–64 years age bracket, contributing with a large workforce to support elderly or young dependants. Consequently, the percentages of both elderly and total dependants are lower than the domestic sector averages.

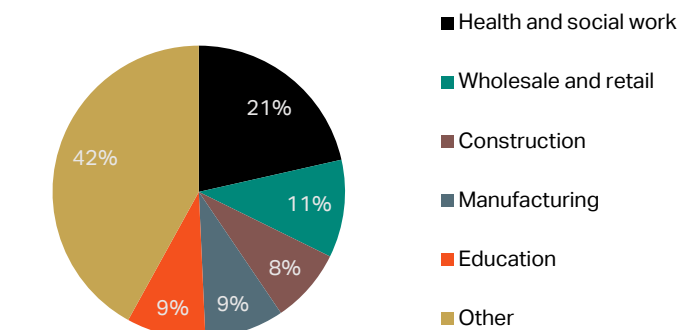
Figure 3. Projections of elderly dependence and population



Source: Statistics Norway and NCR. *1 January.

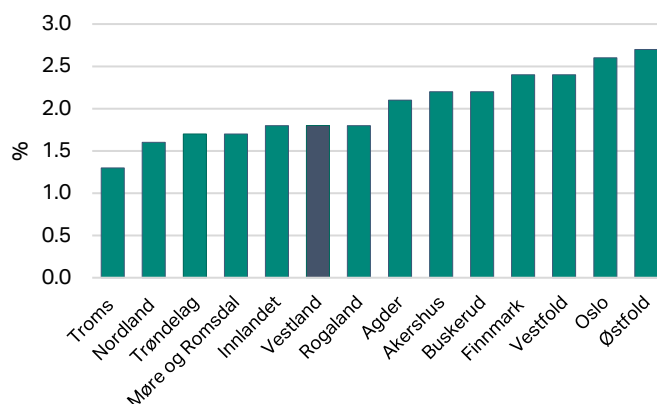
Vestland's inhabitants had a median monthly income of NOK 53,120 in 2024, which is above the domestic sector average of NOK 52,000, but lower than the NOK 59,000 of Oslo county inhabitants. We expect the county's income levels to remain strong compared to the national average, supported by a skilled labour force, its diversified industry structure and strong export industry. The highest incomes are in areas around the largest urban centres (Bergen and Askøy) or industrial hubs (Årdal).

Figure 4. Employment by industry, 2024



Source: Statistics Norway and NCR.

Figure 5. Norwegian counties' unemployment rate, 2024



Source: Statistics Norway and NCR.

In 2024, Vestland's unemployment rate was 1.8%, which is in line with the Norwegian county average. We believe Norway will continue to maintain low unemployment rates and expect Vestland's unemployment to remain below 2% in 2025–2027.

Sound operating margins and strong financial reserves

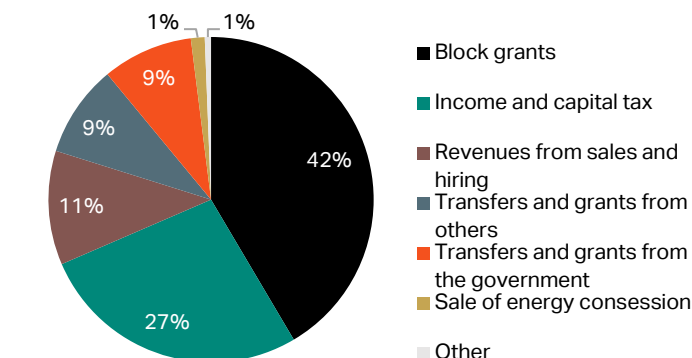
Vestland's total operating income came in stronger than budgeted and increased by 7% in 2024. However, total operating spending increased by 10%, putting pressure on operating balance. High inflation has pressured the region's public transport activity as well as maintenance of roads and other infrastructure, which was not fully compensated for. The county increased public transport ticket prices in late 2024 and aims to improve efficiency in administration. We expect price and wage growth to remain high in 2025 (the national budget projected price and wage deflator for the sector is 3.9%), further pressuring county-level budgets and increasing pension liabilities. We note that Vestland's net pension liability is among the highest in the county sector, which could put pressure on future operating margins.

Budget performance

Block grants from the central government make up about 40% of the county's total operating income and are mostly used to pay wages and fund social costs. The flexibility to raise income from taxation is limited. Vestland receives income from the sale of energy and sea concessions, but this is rather volatile and with low contribution to its revenue in 2024. Vestland, however, has a fairly large income from sales and services (hiring) to external parties (such as road toll fees, travel tickets and leases).

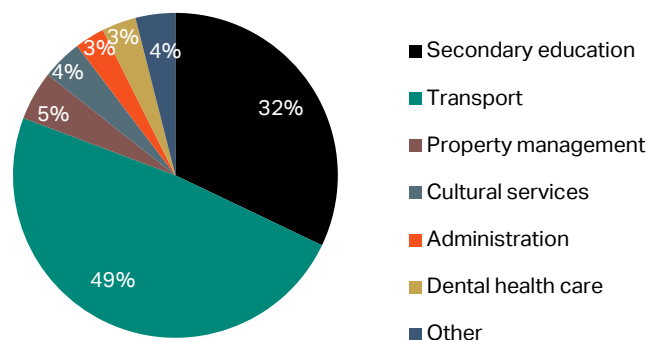
Around half of Vestland's spending is related to transport, with an additional third spent on secondary education. This is a considerably higher share than most Norwegian counties due to Vestland's unique geography. Located along Norway's west coastline, the mountainous regions, fjords and rivers requires a broad infrastructure of roads, bridges and ferries, as well as public transportation. Positively, the topography makes the region an attractive tourist destination for all seasons.

Figure 6. Sources of revenues, 2024



Source: Statistics Norway and NCR.

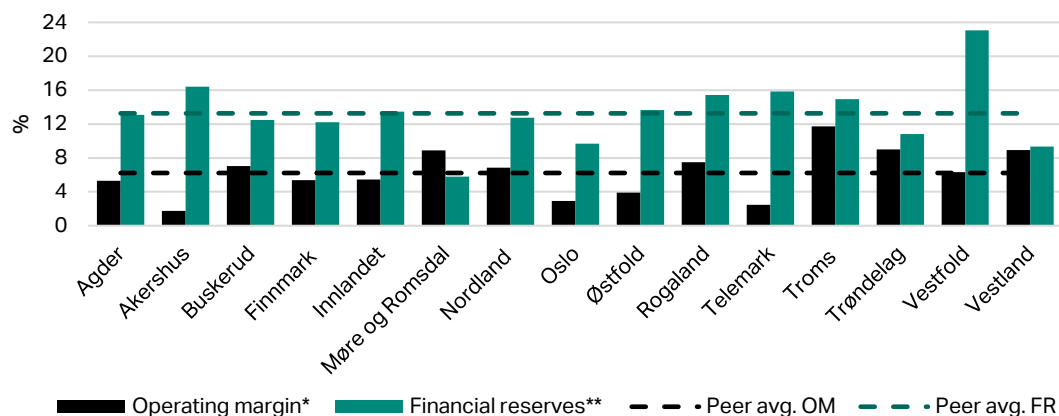
Figure 7. Spending breakdown, 2024



Source: Statistics Norway and NCR.

Vestland's operating margins decreased to 8.9% in 2024 from above 11% in previous years. However, its margin remains strong compared to other counties and was above the sector average at 6.2% in 2024. While we believe continued price increases and high wages will pressure county budgets, we expect Vestland's operating margin to remain stable at around 9% over the 2025-2027 period.

Figure 8. Norwegian counties' operating margins and financial reserves as a share of operating income, 2024



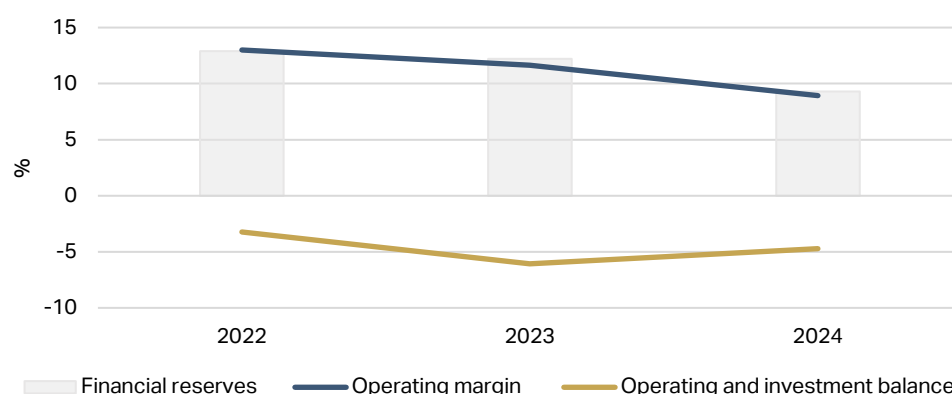
Source: Statistics Norway and NCR. *Excludes depreciation and interest costs. **Includes general funds and accumulated operating results.

Vestland's negative operating and investment balance improved in 2024 and closed at - 4.5%, which is similar to the sector average, due to relatively high investment costs in 2022 and 2023. We expect somewhat higher investment spending in 2025 and 2026 driven by investments in transport (county roads) and property, before moderating in 2027. However, we believe the county's operating and investment balance will remain around the sector average. The county's high investment spending has led to increased debt and contributed to a reduction in financial reserves.

Vestland's financial reserves (including general funds and accumulated operating results) decreased to 9% of total operating revenue in 2024, which is below the county peer average, from near 13% in 2022. We expect Vestland will draw marginally from its financial reserves over the forecast period.

through 2027 due to continued high investment requirements, which will also require further loan drawdowns. However, we believe the county's financial reserves will remain within the county's 5-10% target.

Figure 9. Budget performance metrics, 2022-2024



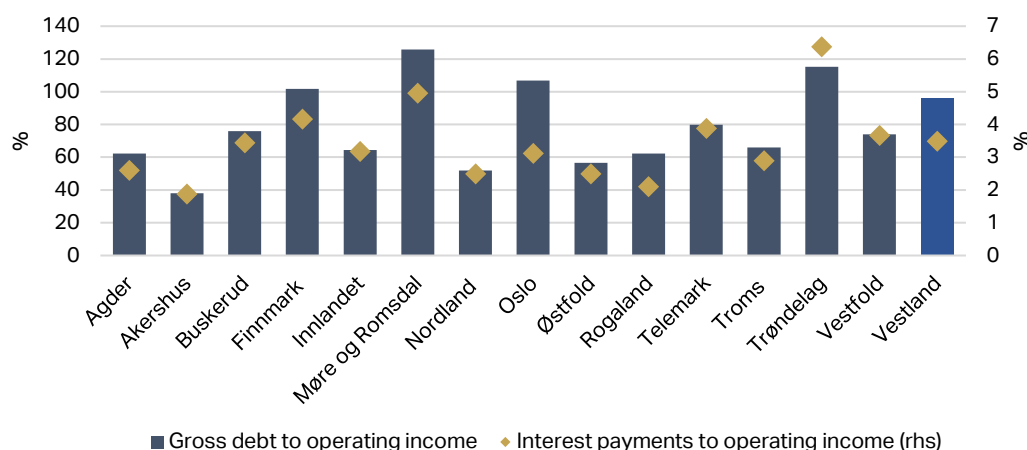
Source: Statistics Norway and NCR.

Debt level aligned with county average

Debt burden & liquidity

Vestland's gross debt burden increased in 2023, placing it among the counties with higher gross debt. With gross debt to operating income at around 96% in 2024 and 2023, it remains in line with the county average. Total debt amounted to NOK 17.5bn in 2024, including some minor lending to municipal companies. We expect the county's debt to increase further in 2025-2027, reaching above 100% due to continued high investment needs. Despite the high debt, we note that Vestland's interest burden is relatively low compared to some of the other higher leveraged counties. We also note that Vestland maintains a strong cash balance, reducing the net debt and interest burden on the county.

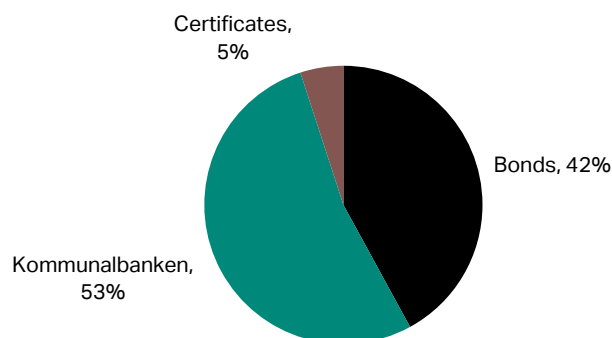
Figure 10. Gross debt and interest payments as a share of operating income, 2024



Source: Statistics Norway and NCR.

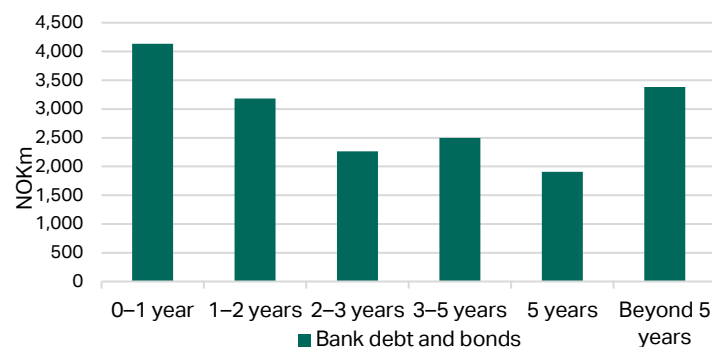
Vestland's gross debt had an average time to maturity of 3.5 years at end-2024, with about 24% maturing before 30 Nov. 2025. We expect most of the debt maturing within one year to be refinanced. We assess overall refinancing risk as low, as the county has cash and cash equivalents of near NOK 5.2bn and could repay all debt maturing in 2025 if necessary. Vestland continually monitors liquidity and projected cash flows, and its debt maturities are well spread over time. In 2024, the county made loan repayments of NOK 850m (or 5.2% of its net debt at end-2023) and plans for similar amounts over 2025-2027. This exceeds minimum central government requirements and is comparatively high in percentage terms for average debt repayments by Norwegian counties.

Figure 11. Debt profile, 31 Dec. 2024



Source: Vestland, NCR.

Figure 12. Debt maturity profile, 31 Dec. 2024



Source: Vestland, NCR

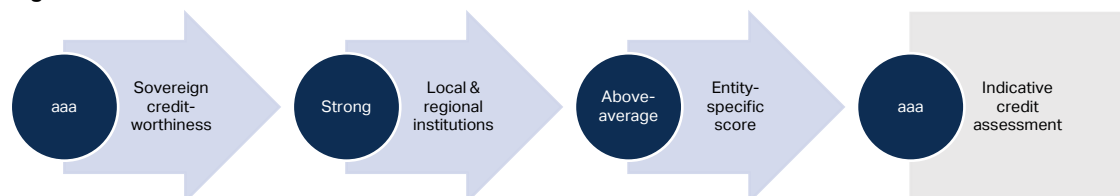
Vestland's interest payments as a percentage of total operating revenues (3.5% in 2024) are in line with the sector average. As of 31 Dec. 2024, about 47% of the county's debt carried fixed interest rates, effectively reducing the impact of interest rate fluctuations. However, we expect its interest costs to increase in 2025 due to the maturity of earlier fixed-rate agreements and increased debt uptake. On the other hand, we note its net interest burden is lower (1.8% in 2024), supported by sound interest income from low-risk investments and the county's large cash position.

INDICATIVE CREDIT ASSESSMENT

Indicative credit assessment

The combination of 'aaa' sovereign creditworthiness, a 'strong' local and regional government institutions score and an 'above average' entity specific assessment with the higher alternative leads to an 'AAA' indicative credit assessment. In our view, Vestland's strong economic activity with leading export industries, strong operating margins and sound liquidity with strong financial assets compensates for its somewhat high gross debt levels, resulting 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

Vestland had guaranteed debt limits totalling NOK 26.8bn, of which NOK 8.8bn was outstanding on 31 Dec. 2024. Most of the guarantees were given to Ferde AS, a regional toll-road operator established by Vestland and the counties of Agder and Rogaland to finance major roads in southwestern Norway. The guarantees have long maturities and remain valid until the associated project debt is repaid. We believe state support is likely for toll-road companies and/or counties in the event of non-payment, especially if this puts the county in a distressed financial situation. This view is supported by ongoing state involvement in road-building projects (based on political priorities) and the recent introduction of central government guarantees of up to 50% on investments exceeding NOK 1bn. Ferde's E16 Arna to Stanghelle road and railway is a first project to receive such guarantee.

Figure 14. Guarantees

Recipient	Purpose	Guarantee limit (NOKm)*	Maturity
Ferde AS	Various Samferdselpakke	3,085	2030-2040
Ferde AS	Hardangerbrua	1,430	2029
Ferde AS	Bypakke Bergen	6,100	2037
Ferde AS	E39 Svegatjørn - Rådal	3,175	2038
Ferde AS	Sotrasambandet	2,700	2054
Ferde AS	Røldal-Seljestad	1,242	ca 2050
Ferde AS	E16 Arna-Stanghelle **	8,910	2036

*Excludes additional 10% in interest costs and other expenses. ** supported by 50% government guarantee.

Sustainability concerns

Sustainability concerns

We see some sustainability concerns that could have a material effect on Vestland's creditworthiness over time without preparing for a transition away from fossil fuels. In addition, climate change and extreme weather represent a threat to the wider local government sector. Specifically, Vestland's large offshore, shipping and other capital-intensive industries have made the county Norway's largest emitter of greenhouse gases. This requires joint efforts between the public and private sectors to reduce emissions. Its "Green Region Vestland" is a jointly owned project with Innovation Norway that helps and promotes the green transition of its industries. This project has raised interest from other counties and overall, Vestland has ambitious targets with the goal to reach net zero emissions by 2030. For example, Vestland has invested substantially to electrify its boat and ferry fleet in recent years.

ISSUE RATINGS

Our rating on Vestland's unsecured senior debt is in line with the 'AAA' issuer rating. The county had outstanding senior unsecured bonds and certificates of NOK 9.3bn as of 10 Aug. 2025.

SHORT-TERM RATING

The 'N1' short-term rating reflects Vestland's liquidity profile relative to the 'AAA' long-term issuer rating.

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

NOKm	2022	2023	2024	2025e	2026e	2027e
Operating revenue	17,050	16,967	18,214	18,943	19,511	20,096
Operating spending	14,833	14,990	16,587	17,252	17,627	18,249
Operating balance	2,217	1,977	1,627	1,691	1,884	1,847
Operating margin (%)	13.0	11.7	8.9	8.9	9.7	9.2
Interest payments	299	495	635	733	745	715
Interest burden (%)	1.8	2.9	3.5	3.9	3.8	3.6
Investment income	3,273	2,140	1,528	1,564	1,889	1,623
Investment spending	6,040	5,229	4,017	4,710	4,744	4,415
Operating and investment balance	-550	-1,030	-862	-1,455	-971	-945
Operating and investment balance (%)	-3.2	-6.1	-4.7	-7.7	-5.0	-4.7
Gross debt	15,315	16,378	17,539	19,158	20,285	21,550
Gross debt burden (%)	89.8	96.5	96.3	101.1	104.0	107.2

Source: Vestland, 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. 2021

Figure 16. Vestland FK rating scorecard

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

Figure 17. Vestland FK entity-specific assessment scorecard

Subfactors	Impact	Score
Average income	30.0%	1
Population growth	30.0%	3
Old age burden	20.0%	1
Unemployment	20.0%	3
Demographics calibration	-	0
Demographics weighed score	33.3%	2.00 (Strong)
Operating margin	60.0%	2
Operating and investment balance	20.0%	3
Financial reserves	20.0%	3
Budget performance calibration	-	0
Budget performance weighed score	33.3%	2.40 (Above average)
Gross debt burden	60.0%	4
Interest burden	40.0%	2
Debt burden and liquidity calibration	-	0
Debt burden and liquidity weighed score	33.3%	3.20 (Average)
Weighted average entity-specific scoring	100.0%	2.53 (Above average)

Figure 18. Capital structure ratings

Seniority	Rating
Senior unsecured	AAA

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