

# Agder 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 Agder Fylkeskommune (Agder county) 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 2026, constraining operating margins, but believe the county will maintain strong financial management and balanced budgets.

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 transparency.

## STABLE OUTLOOK

The outlook is stable, reflecting 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 high investments over our forecast period through 2028. 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.

### POTENTIAL POSITIVE RATING DRIVERS

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

### POTENTIAL NEGATIVE RATING DRIVERS

- Deteriorating operating margins or high capital spending.
- A significant rise in gross debt and interest payments.
- Rising unemployment or weaker demographics than we currently expect.

Figure 1. Key credit metrics, 2023–2028e

	2023	2024	2025	2026e	2027e	2028e
Population ('000)*	316	320	322	324	326	328
Unemployment rate (%)	1.9	2.1	2.0	1.9	1.9	1.9
Operating revenues (NOKm)	7,093	7,250	7,803	7,709	7,700	7,671
Operating margin (%)	11.9	5.3	7.4	5.3	6.9	7.1
Operating & investment balance (%)	4.6	-4.3	2.6	-4.3	-3.1	-1.9
Financial reserves (%)	17.2	13.1	12.4	10.5	9.9	9.9
Gross debt burden (%)	63.4	62.2	54.9	55.2	59.2	62.6
Interest burden (%)	2.4	2.6	2.5	2.6	2.6	2.7

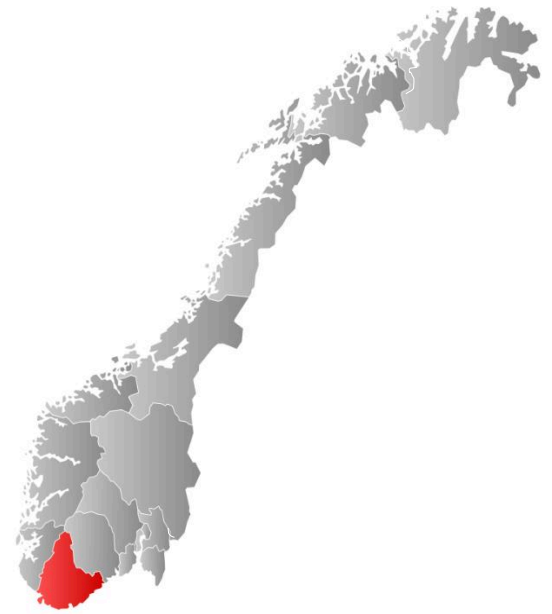
Source: Issuer, SSB, NCR. e—estimate. All metrics as defined by NCR methodology. \*As of 1 January.

**ISSUER PROFILE**

Agder county was established in 2020 following a merger of the former counties of Aust-Agder and Vest-Agder. It is the southernmost of Norway's 15 counties and ranks seventh in terms of population with 323,930 inhabitants (1 Jan. 2026). Agder contains 25 municipalities. The two largest cities are the county capital Kristiansand and Arendal.

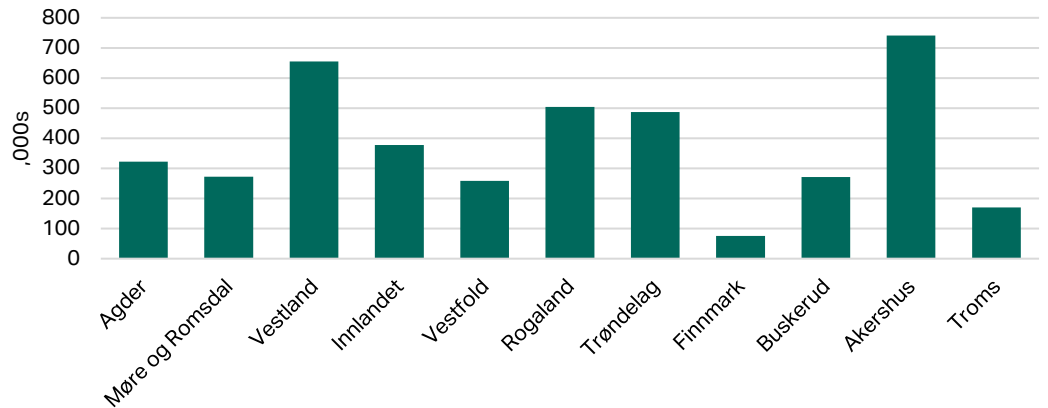
Since 2010, Agder has been among the most rapidly growing regions in Norway. The population and most businesses are concentrated along the coast. About 60% of the working population is employed in the private sector.

Industrial activity is more concentrated in Agder than in other Norwegian counties. The main industries are retail and construction. Mechanical industries and oil and gas industry supplies are also important sectors.



Source: Wikipedia.

**Figure 2. Norwegian counties' population, 2025**



Source: SSB, NCR.

**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 98th percentile. GDP per capita is strong, although there was a decline in 2023 due to cyclical oil-related revenue. Norway's inflation rate, adjusted for tax changes and excluding energy products, remains above the target. Statistics Norway (SSB) forecasts an inflation rate of 3.1% at end-2026. However, uncertainty persists regarding the Norwegian krone exchange rate, food and energy prices, and wage growth. Unemployment was relatively low at 2.1% in 2025 and we expect it will remain around this level through 2026. Historically, the country has had well-balanced budgets, 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 at low levels.

## LOCAL & REGIONAL GOVERNMENT INSTITUTIONS

Norway's local and regional governance benefits from a predictable revenue framework and effective equalisation. Municipalities and counties are primarily funded through income taxes and block grants, with the national budget presented in the third quarter to support planning and balanced budgets. The Ministry of Local Government and Modernisation maintains dialogue with regional authorities to ensure compliance with national governance principles.

**Figure 3. Institutional considerations for Norwegian LRGs**

Institution factors	Comments
Revenue distribution regime	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.
Governance and transparency	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.
Track record	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.

See our Local & Regional Government Rating Methodology for guidelines used to assess LRG institutions.

## ENTITY-SPECIFIC FACTORS

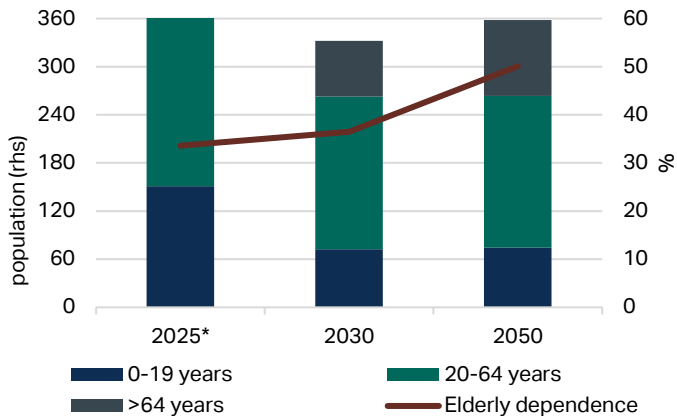
Our entity-specific assessment reflects Agder's relatively low debt, continual population growth and lower proportion of elderly dependants than the domestic local government sector average. We assess its budgetary performance as average reflecting robust operating margins and readily available financial reserves.

### Strong demographics in a fast-growing region with a young population

Agder is one of Norway's fastest growing regions. The population increased by an average of 1.2% annually in the 2023–2025 period, mainly in Kristiansand and coastal municipalities due to proximity to essential services and job opportunities. Immigration also plays a significant role in population growth. According to projections by SSB, Agder's population will rise by 10% by 2050, slightly surpassing the anticipated national growth rate during the same period. The county has a youthful demographic profile, partly due to the presence of the University of Agder. Consequently, the percentage of elderly dependants is lower than the domestic sector average.

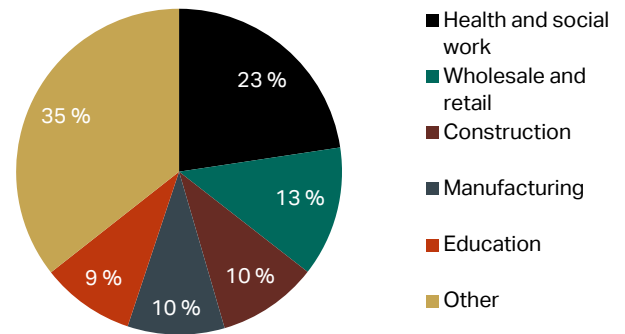
Agder county's inhabitants had a median monthly income of NOK 53,630 in 2025, which is around the domestic sector average. The highest incomes were in areas in and around the largest urban centres. The county is working to increase industrial diversity by 2030 and has identified areas for improvement, such as education completion and employment opportunities. We believe Agder could improve its income levels further if it can increase its proportion of employed inhabitants (73.5% compared with the national average of 76.7% in 2025) and decrease its proportion of low-income inhabitants. In 2025, Agder's unemployment rate was 2%, which is in line with its peer group average. We believe Norway will continue to maintain low unemployment rates.

Figure 4. Projections of elderly dependence and population



Source: SSB, NCR. \*1 January.

Figure 5. Employment by industry, 2025

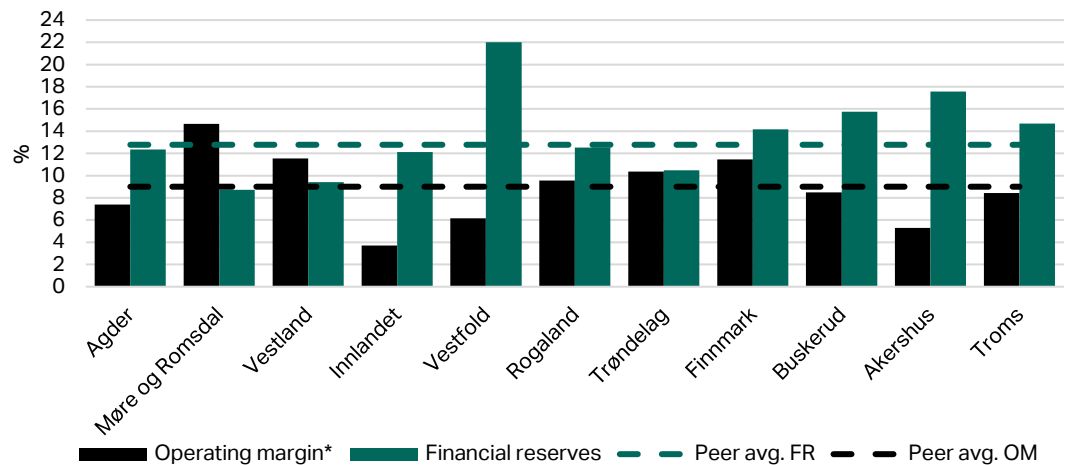


Source: SSB, NCR.

**Sound budget performance buoyed by solid operating margins and strong financial reserves**

Agder's operating margins increased to 7.4% in 2025, which is around its peer and sector average. We expect Agder's operating margin will decrease in 2026 before slowly increasing through our forecast period. Agder's financial reserves stood at 12.4% of total operating revenue in 2025, in line with those of the wider sector. We see Agder's healthy financial reserves as a positive asset that can provide stability during challenging times.

Figure 6. Norwegian counties' operating margins and financial reserves as a share of operating income, 2025

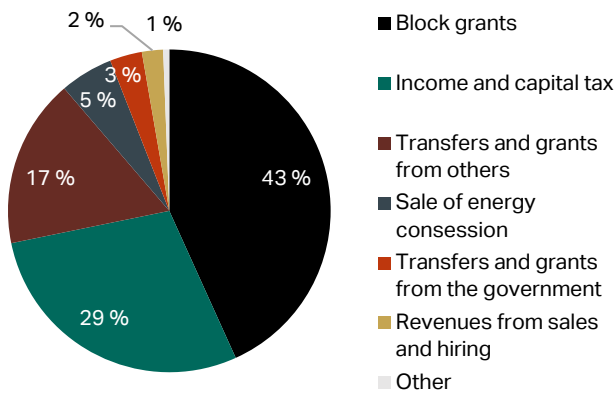


Source: SSB, NCR. \*Excludes depreciation and interest costs. \*\*Includes general funds and accumulated operating results.

Agder managed to turn its operating and investment balance from deficit to surplus in 2025, reducing the need for borrowing. We expect high investment requirements during our forecast period, mainly in transportation and property, and we believe Agder will require an additional drawdown of loans and greater use of investment funds.

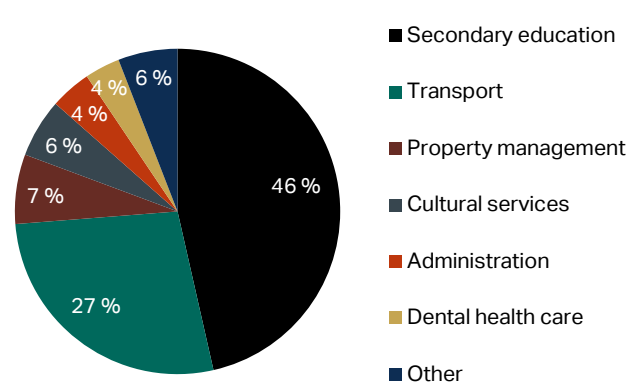
Agder's operating income rose by 7.6% in 2025, while expenditure increased by 5.3%, easing budget pressure compared to previous years. Price growth is expected to moderate in 2026, while relatively high wage growth and pension costs will continue to pressure operating budgets. Revenue flexibility remains limited, although hydropower related income reflecting the county's strong renewable energy base accounted for around 5% of operating income in 2025.

Figure 7. Sources of revenues, 2025



Source: SSB, NCR.

Figure 8. Spending breakdown, 2025

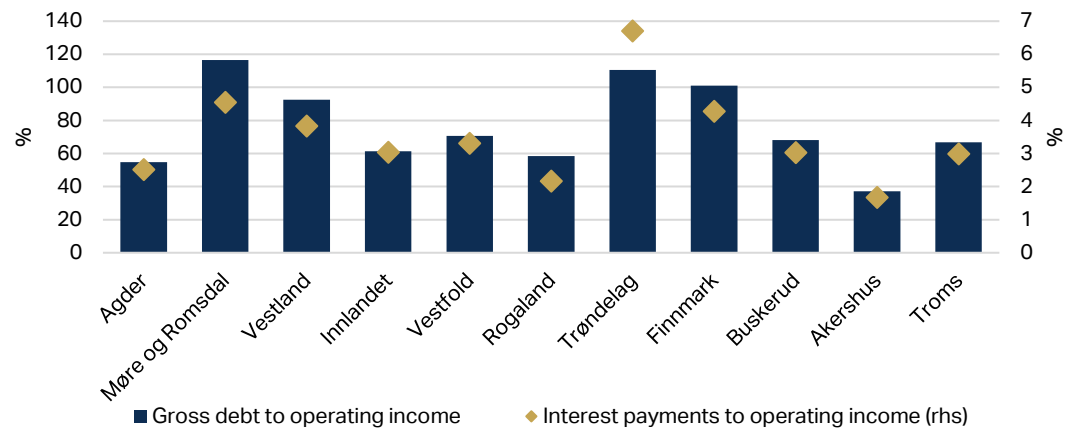


Source: SSB, NCR.

### Low debt burden and solid interest burden supports the financial profile

Gross debt was NOK 4.3bn as of 28 Feb. 2026, including lending to municipal companies and financing agreements with municipalities of around NOK 247m. Repayment and interest costs related to pass-through loans are borne by the respective recipients. With relatively high investment levels, we expect gross debt to rise to 63% in 2028, while remaining low compared with the sector.

Figure 9. Gross debt and interest payments as a share of operating income, 2025

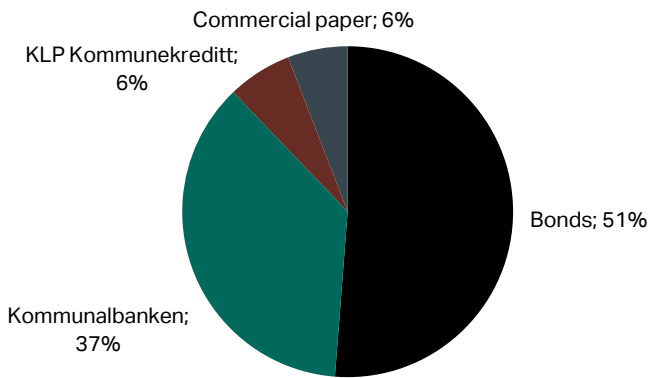


Source: SSB, NCR.

Agder maintains a conservative debt profile, with an average maturity of 3.4 years. Refinancing risk is considered low, supported by cash and cash equivalents of approximately NOK 2.3bn, which would cover all debt maturing within one year. Liquidity is actively monitored, debt is well diversified across counterparties, and access to funding remains strong. In 2025, loan repayments of NOK 221m exceeded both the minimum central government requirements and the sector average.

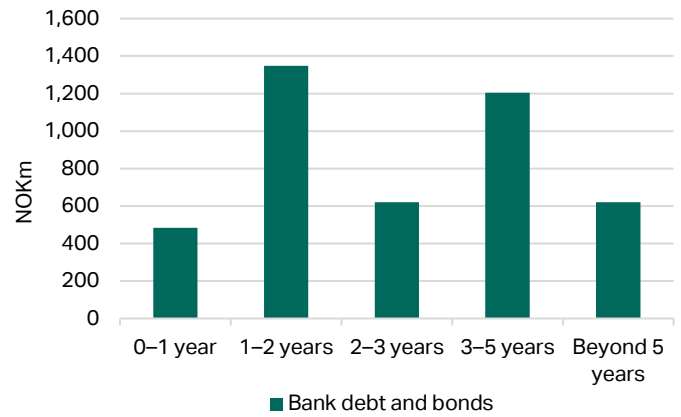
Agder's interest payments was 5% of operating revenues in 2025, below the sector average. Net interest is expected to remain low, supported by substantial cash balances and interest income from low risk investments. Sensitivity analysis indicates limited net exposure to higher interest rates: A 1 percentage point increase in interest rates over 12 months would result in a net interest cost increase of only NOK 1.7m. Gross interest payments are partly offset by municipalities and municipal companies, while interest rate risk is mitigated by a fixed rate share of about 39% of total debt.

Figure 10. Debt profile, 28 Feb. 2026



Source: Issuer, NCR.

Figure 11. Debt maturity profile, 28 Feb. 2026

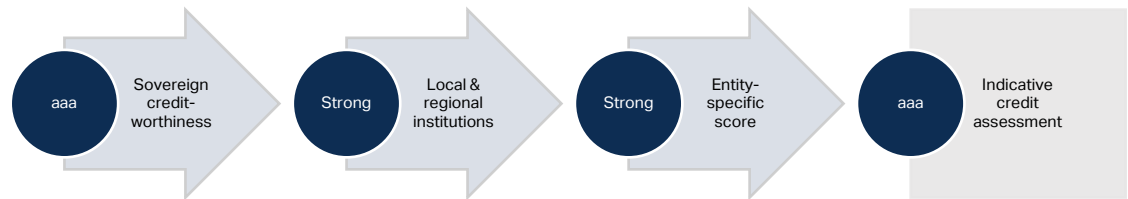


Source: Issuer, NCR.

### INDICATIVE CREDIT ASSESSMENT

The combination of 'aaa' sovereign creditworthiness, a 'strong' local and regional government institutions score and a 'strong' entity specific score leads to an 'aaa' indicative credit assessment.

Figure 12. Indicative credit assessment



### ADJUSTMENT FACTORS

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

#### Contingent liabilities and guarantees

Despite significant guarantees, we do not believe they materially affect Agder's creditworthiness or pose an imminent threat to its financial position. As of 31 Dec. 2025, Agder had guaranteed debt limits totalling NOK 27.4bn, with NOK 6.6bn outstanding. Most guarantees were provided to Ferde AS, a domestic toll-road operator established by Agder and the counties of Rogaland and Vestland to finance major roads in southwestern Norway. The guarantees have long maturities and typically remain in place 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, particularly if this results in financial distress for the county. This view is supported by ongoing state involvement in road-building projects (driven by political priorities) and the fact that Norwegian counties' guaranteed obligations can be reduced by a central government guarantee of up to 50% for investments exceeding NOK 1bn.

Figure 13. Guarantees

Recipient	Purpose	Guarantee limit (NOKm)	Maturity
Ferde AS	E39 Ytre ringvei	1,801*	26 years**
Ferde AS	Samferdselpakke Kristiansand 3	2,000*	22 years**
Ferde AS	E18 Vige-Lyngdal	9,719*	2051
Ferde AS	E18 Dørdal - Tvedestrand	3,166*	26 years**
Ferde AS	E39 Lyndag vest - Ålgård	5,211*	2054
Ferde AS	E18 Tvedestrand - Arendal	3,000*	2039

\*Excludes additional 10% in interest costs and other expenses. \*\*from first drawdown.

## Sustainability concerns

We see no sustainability concerns that could have a material effect on Agder's creditworthiness or pose an immediate risk. However, climate change and extreme weather represent a threat to the wider local government sector. Specifically, Agder is obliged to cut greenhouse gas emissions to help Norway meet its obligations under the Paris Agreement. Transport, particularly roads, accounts for most of the county's emissions. Agder targets reducing vehicle emissions by at least 45% by 2030, while cutting emissions generated by the county itself by 63% over the same period.

## ISSUE AND SHORT-TERM RATINGS

Figure 14. Instrument and short-term ratings

Seniority	Issue rating and rationale
Senior unsecured issue rating	AAA; in line with the issuer rating.
Short-term rating	N1; reflecting the liquidity profile and the long-term issuer rating.

Issue ratings are assigned in accordance with our Local & Regional Government Rating Methodology. Short-term are mapped to the long-term issuer rating, in accordance with our Rating Principles.

Figure 15. Key credit metrics, 2023–2028e

	2023	2024	2025	2026e	2027e	2028e
Operating revenue	7,093	7,250	7,804	7,709	7,700	7,671
Operating spending	6,250	6,866	7,227	7,299	7,172	7,129
Operating balance	843	384	577	410	528	542
Operating margin (%)	11.9	5.3	7.4	5.3	6.9	7.1
Investment income	591	427	283	816	869	815
Investment spending	825	927	634	1,060	1,100	1,017
Operating and investment balance	326	-311	203	-329	-236	-146
Operating and investment balance (%)	4.6	-4.3	2.6	-4.3	-3.1	-1.9
Gross debt	4,495	4,506	4,280	4,252	4,558	4,800
Gross debt burden (%)	63.4	62.2	54.9	55.2	59.2	62.6
Interest payments	162	188	197	200	201	209
Interest burden (%)	2.3	2.6	2.5	2.6	2.6	2.7

Source: Issuer, SSB, NCR. e—estimate. All metrics as defined by NCR methodology.

## 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

## RELEVANT RESEARCH

- (i) [Fiscal stability across Norwegian municipalities faces uneven pressures in 2026](#), 30 Jan. 2026.
- (ii) [Mounting costs continue to weigh on Norwegian municipal finances](#), 11 Jun. 2025.

**Figure 16. Agder rating scorecard**

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

**Figure 17. Agder entity-specific assessment scorecard**

Subfactors	Impact	Score
Average income	30.0%	3
Population growth	30.0%	1
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%	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%	1
Interest burden	40.0%	1
Debt burden and liquidity calibration	-	0
Debt burden and liquidity weighed score	33.3%	1.00 (Strong)
Weighted average entity-specific scoring	100.0%	2.00 (Strong)

**Figure 18. Capital structure ratings**

Seniority	Rating
Senior unsecured	AAA

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