

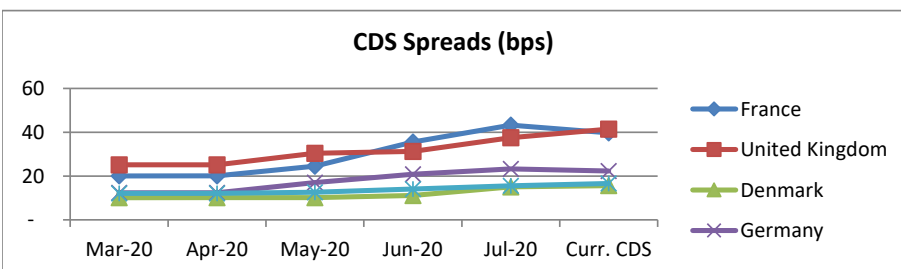
OECD expects Norway's mainland GDP to fall by 8.7% in 2020 if there is a new virus outbreak later in the year and experiences an associated shutdown and by 7% if this is avoided. EJR expects recovery to be muted in both the scenarios, and output will not reach pre-COVID-19 levels till the end of 2021.

The monetary and fiscal policy response to COVID-19 has been prompt and capacity remains for further measures should these be required. The COVID-19 crisis brought in an additional shock due to the sharp falls in the global price of and demand for oil which forced the government to impose a schedule of oil-production ceilings. The crisis initially prompted a depreciation of over 15% in the krone-euro exchange rate. An overly slow withdrawal of business-support measures coupled with fiscal support and oil market shocks are factors which will influence the Norwegian economy. We are affirming.

CREDIT POSITION	Annual Ratios (source for past results: IMF, CountryEconomy)					
	2017	2018	2019	P2020	P2021	P2022
Debt/ GDP (%)	36.9	40.0	40.6	33.0	26.8	22.0
Govt. Sur/Def to GDP (%)	6.8	9.7	8.8	7.5	6.2	5.0
Adjusted Debt/GDP (%)	36.9	40.0	40.6	33.1	26.9	22.1
Interest Expense/ Taxes (%)	1.5	1.7	1.7	1.7	1.8	1.8
GDP Growth (%)	6.3	7.3	0.1	2.3	2.3	2.5
Foreign Reserves/Debt (%)	40.2	34.0	37.7	44.6	59.9	70.1
Implied Sen. Rating	AA+	AAA	AA+	AA+	AA+	AA+

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	100.0	115.0	130.0	145.0	170.0	200.0
Govt. Sur/Def to GDP (%)	2.5	0.5	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	95.0	110.0	125.0	140.0	160.0	190.0
Interest Expense/ Taxes (%)	9.0	12.0	15.0	22.0	26.0	35.0
GDP Growth (%)	3.5	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	3.0	2.5	2.0	1.5	1.0	0.5

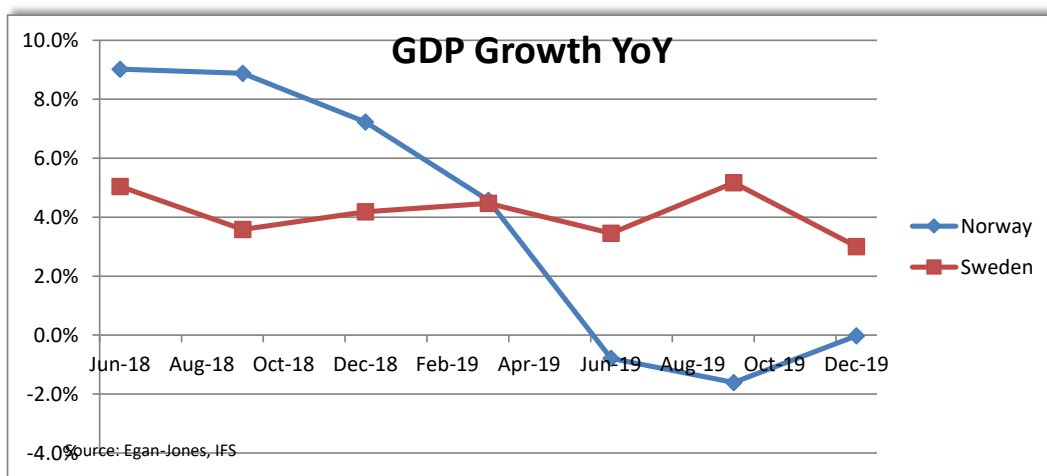
PEER RATIOS	Other NRSROs	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Kingdom of Sweden	AAA	35.6	2.2	35.6	1.0	3.9	AAA
Kingdom of Denmark	AAA	33.2	4.2	33.2	1.5	4.4	AAA
Federal Republic of Germany	AAA	59.8	1.6	59.8	3.3	2.5	AA+
French Republic	AA	98.1	-2.5	98.1	4.7	2.9	AA
United Kingdom	AAA	88.1	-1.2	88.1	8.0	4.3	AA+



Country	EJR Rtg.	CDS
France	A+	40
United Kingdom	A+	41
Denmark	AA	16
Germany	AA	22
Norway	AA+	17

Economic Growth

Norway's industrial production increased 3.0% YOY in May 2020 - the least since January. Output grew softer for extraction & related services (11.7% vs 11.9% in April) and electricity, gas & steam (23.1% vs 25.5%). Norway's industrial confidence indicator rose to -10.1 in the second quarter of 2020 from a revised -17.4 in the previous period. Still, industrial morale remained in negative territory, as output, total new orders and employment declined due to the impact of the coronavirus pandemic. The general outlook for the third quarter of 2020 is still being affected by measures to combat the spread of COVID-19, with producers of capital and intermediate goods being the most pessimistic.



Fiscal Policy

Norges Bank (the central bank) has provided economic and financial-sector support through policy rate cuts and measures to support liquidity. The Norges Bank held its benchmark interest rate at an all-time low of 0% on June 18, 2020, and Policymakers have confirmed that there is considerable uncertainty surrounding the path to recovery. Norway's comparatively large public sector, comprehensive welfare system and correspondingly high taxation provide a substantial stabilizing effect in the event of an economic downturn. Many active steps have been taken, which are estimated to widen the structural mainland budget deficit in 2020 by around 5% of mainland trend GDP.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Norway	8.75	40.56	10.14
Sweden	2.18	35.59	10.14
Denmark	4.22	33.19	9.65
Germany	1.58	59.76	10.14
France	-2.53	98.12	17.82
United Kingdom	-1.24	88.12	20.59

Sources: Thomson Reuters, IFS and CountryEconomy

Unemployment

Norway's Unemployment peaked at a record 15.4% in early April following mass furloughs and layoffs as the coronavirus outbreak triggered shutdowns of parts of the economy. Counting only the fully unemployed, the rate stood at 5.7% in early July, up from 2.3% in February. The Norwegian government announced emergency shutdowns of many public and private institutions in March, sending the economy into a tailspin, but has since eased many restrictions as the number of COVID-19 cases declined.

	Unemployment (%)	
	2018	2019
Norway	3.80	3.35
Sweden	6.28	6.73
Denmark	4.97	4.91
Germany	3.40	3.20
France	9.11	8.43
United Kingdom	4.09	3.80

Source: Intl. Finance Statistics

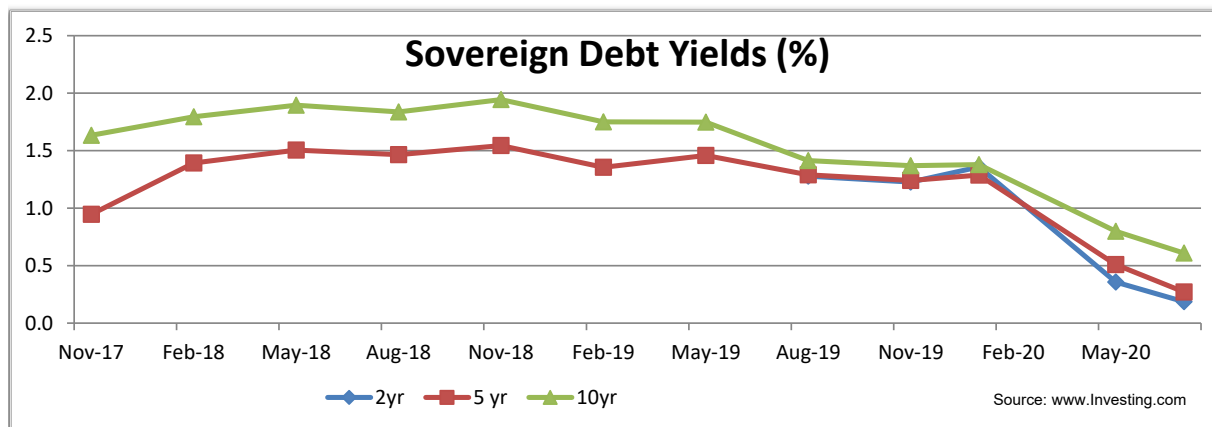
Banking Sector

Bankruptcies increased to 322 companies and individuals in May from 261 companies and individuals in April of 2020. Additionally, exposure to the shipping, oil and gas industries stand to explain part of the increase in provisions the Nordic banks have taken in H1 2020. Norwegian banks have reported strong capital progression with almost all banks remaining well capitalized - but earnings pressure and asset quality issues are expected to worsen in H2 2020, if the global economy does not revive. Limited RWA growth supported by the implementation of the SME supporting factor are things to be watching.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
DNB NOR ASA	2,793.3	8.05
SPAREBANK 1 SR B	255.9	7.34
SPAREBANKEN VEST	197.2	3.44
SPAREBANK 1 SMN	166.66	6.12
SPAREBANK 1 NORD	<u>83.19</u>	<u>5.04</u>
Total	3,496.2	
EJR's est. of cap shortfall at 10% of assets less market cap		84.7
Norway's GDP		3,538.5

Funding Costs

Norway's 10 Year Government Bond has a 0.564% yield and its 5 Year CDS value is 12.4 - which reveals a 0.21% implied probability of default on an assumed 40% recovery rate. Norway's central bank has increased its planned issuance of government bonds this year to between NOK70 billion and NOK 85 billion from an original plan of NOK 55 billion - following the government's decision to offer emergency funding loans to companies hurt by the coronavirus outbreak.



Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 9 (1 is best, 189 worst) is extremely strong.

The World Bank's Doing Business Survey*			
	2019	2018	Change in
	Rank	Rank	Rank
Overall Country Rank:	9	8	-1
Scores:			
Starting a Business	25	19	-6
Construction Permits	22	21	-1
Getting Electricity	44	23	-21
Registering Property	15	14	-1
Getting Credit	94	77	-17
Protecting Investors	21	10	-11
Paying Taxes	34	28	-6
Trading Across Borders	22	22	0
Enforcing Contracts	3	8	5
Resolving Insolvency	5	6	1

* Based on a scale of 1 to 189 with 1 being the highest ranking.

Economic Freedom

As can be seen below, Norway is above average in its overall rank of 73.4 for Economic Freedom with 100 being best.

Heritage Foundation 2020 Index of Economic Freedom				
World Rank 73.4*				
	2020 Rank**	2019 Rank	Change in Rank	World Avg.
Property Rights	84.3	86.1	-1.8	56.6
Government Integrity	95.6	81.2	14.4	43.8
Judicial Effectiveness	82.8	92.3	-9.5	45.1
Tax Burden	57.7	57.4	0.3	77.3
Gov't Spending	25.6	25.3	0.3	66.0
Fiscal Health	97.3	97.3	0.0	69.1
Business Freedom	86.1	89.4	-3.3	63.3
Labor Freedom	57.4	53.7	3.7	59.4
Monetary Freedom	74.8	75.4	-0.6	74.6
Trade Freedom	83.8	83.2	0.6	73.8

*Based on a scale of 1-100 with 100 being the highest ranking.
 **The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
 Source: The Heritage Foundation

Credit Quality Driver: Taxes Growth:

KINGDOM OF NORWAY has grown its taxes of 0.3% per annum in the last fiscal year which is disappointing. We expect tax revenues will grow approximately 0.3% per annum over the next couple of years and 0.3% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

KINGDOM OF NORWAY's total revenue growth has been less than its peers and we assumed a 1.3% growth in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr. 1&2	Yr. 3,4,5
Taxes Growth%	3.2	0.3	0.3	0.3
Social Contributions Growth %	4.4	5.6	6.0	6.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	4.2	0.6	0.6
Total Revenue Growth%	3.6	2.4	1.3	1.2
Compensation of Employees Growth%	3.5	4.7	4.7	4.7
Use of Goods & Services Growth%	4.5	6.0	6.0	6.0
Social Benefits Growth%	2.7	3.8	3.8	3.8
Subsidies Growth%	7.3	5.4		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.3	1.3	1.3
Currency and Deposits (asset) Growth%	1.7	0.0		
Securities other than Shares LT (asset) Growth%	7.3	0.0		
Loans (asset) Growth%	0.8	4.3	0.3	0.3
Shares and Other Equity (asset) Growth%	12.2	23.8	23.8	21.5
Insurance Technical Reserves (asset) Growth%	1.8	0.0		
Financial Derivatives (asset) Growth%	2.6	2.0	0.3	0.3
Other Accounts Receivable LT Growth%	2.5	(3.2)	(3.2)	(3.2)
Monetary Gold and SDR's Growth %	0.0	0.0	5.0	5.0
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	0.7	(0.9)	3.0	3.0
Currency & Deposits (liability) Growth%	(1.6)	0.0		
Securities Other than Shares (liability) Growth%	4.5	5.8	4.1	4.1
Loans (liability) Growth%	(1.2)	2.0	2.0	2.0
Insurance Technical Reserves (liability) Growth%	0.0	0.0		
Financial Derivatives (liability) Growth%	0.0	(26.3)	(10.0)	(10.0)
Additional ST debt (1st year)(billions NOK)	0.0	0.0		

ANNUAL OPERATING STATEMENTS

Below are KINGDOM OF NORWAY's annual income statements with the projected years based on the assumptions listed on page 5.

**ANNUAL REVENUE AND EXPENSE STATEMENT
(BILLIONS NOK)**

	2016	2017	2018	2019	P2020	P2021
Taxes	879	944	1,046	1,049	1,052	1,055
Social Contributions	335	345	362	382	405	429
Grant Revenue						
Other Revenue						
Other Operating Income	<u>509</u>	<u>540</u>	<u>605</u>	<u>630</u>	<u>630</u>	<u>630</u>
Total Revenue	1,722	1,828	2,012	2,061	2,087	2,114
Compensation of Employees	474	496	520	544	570	597
Use of Goods & Services	232	247	257	273	289	306
Social Benefits	551	567	581	603	625	649
Subsidies	58	60	62	66	66	66
Other Expenses				118	118	118
Grant Expense						
Depreciation	109	115	123	130	130	130
Total Expenses excluding interest	<u>1,525</u>	<u>1,589</u>	<u>1,652</u>	<u>1,733</u>	<u>1,798</u>	<u>1,865</u>
Operating Surplus/Shortfall	197	239	361	328	289	249
Interest Expense	<u>17</u>	<u>14</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>
Net Operating Balance	179	225	343	310	271	230

ANNUAL BALANCE SHEETS

Below are KINGDOM OF NORWAY's balance sheets with the projected years based on the assumptions listed on page 5.

**ANNUAL BALANCE SHEETS
(BILLIONS NOK)**

Base Case

ASSETS	2016	2017	2018	2019	P2020	P2021
Currency and Deposits (asset)	295	321	353	366	366	366
Securities other than Shares LT (asset)	2,747	2,746	2,740	2,876	2,876	2,876
Loans (asset)	748	818	851	887	890	893
Shares and Other Equity (asset)	6,178	7,297	7,125	8,823	10,927	13,531
Insurance Technical Reserves (asset)	90	108	99	127	127	127
Financial Derivatives (asset)	12	13	7	7	7	7
Other Accounts Receivable LT	340	375	413	400	387	374
Monetary Gold and SDR's						
Other Assets						
Additional Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financial Assets	10,410	11,679	11,589	13,486	15,579	18,174
LIABILITIES						
Other Accounts Payable	190	199	200	198	204	210
Currency & Deposits (liability)					0	0
Securities Other than Shares (liability)	540	552	577	611	636	662
Loans (liability)	641	721	832	849	578	347
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)	8	8	8	6	5	5
Other Liabilities						
Liabilities	1,379	1,480	1,617	1,663	3,485	5,849
Net Financial Worth	<u>9,031</u>	<u>10,199</u>	<u>9,972</u>	<u>11,823</u>	<u>12,094</u>	<u>12,324</u>
Total Liabilities & Equity	10,410	11,679	11,589	13,486	15,579	18,174

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Egan-Jones is not an NRSRO (as defined by the SEC) for sovereign/municipal issuers and structured finance/ABS issuers.

Comments on the Difference between the Model and Assigned Rating

In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustments which are reflected in the results for the projected ratings. We have assigned a rating of "AA+" whereas the ratio-implied rating for the most recent period is "AA+"; we expect results to remain approximately the same.

Changes in Indicative Ratios

We have not made any adjustment in the indicative ratios at this time.

SEC Rule 17g-7(a) Disclosure (Non-NRSRO)

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

For the issuer KINGDOM OF NORWAY with the ticker of 1O33Z NO we have assigned the senior unsecured rating of AA+. There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

We are using the Methodologies for Determining Credit Ratings (Main Methodology) version #15 available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:

The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to projections on pages 1, 6, and 7 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:

Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:

Our rating is dependent on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly available information from the IMF and other similar sources. In some cases, the information is limited because of issues such as the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such issues are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:

EJR does not utilize third-party due diligence services.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:

Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:

EJR uses publicly available information from the IMF, governmental filings, and other similar sources for ratings on sovereign issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7:

The information is generally adequate and acceptable.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:

This rating is unsolicited.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:

Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:

Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:

Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			Resulting Ratio-Implied Rating		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Taxes Growth%	0.3	4.3	(3.7)	AA+	AA+	AA+
Social Contributions Growth %	6.0	9.0	3.0	AA+	AA+	AA+
Other Revenue Growth %	0.0	3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	1.3	3.3	(0.7)	AA+	AA+	AA+
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	AA+	AA+	AA+

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:

This credit rating is not assigned to an asset-backed security.

ATTESTATION FORM

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

- 1) No part of the credit rating was influenced by any other business activities,
- 2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
- 3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Analyst Signature:

Today's Date

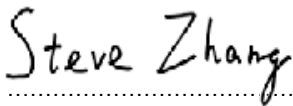


August 4, 2020

.....
Subramanian NG
Senior Rating Analyst

Reviewer Signature:

Today's Date



August 4, 2020

.....
Steve Zhang
Senior Rating Analyst

Sovereign Rating Methodology (Non-NRSRO)

Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings.

For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.