

Norway enjoys high living standards, with a GDP per capita well above the OECD average due to significant oil and gas revenues and effective fiscal management. The country's abundant energy resources have helped it navigate the energy crisis better than many others.

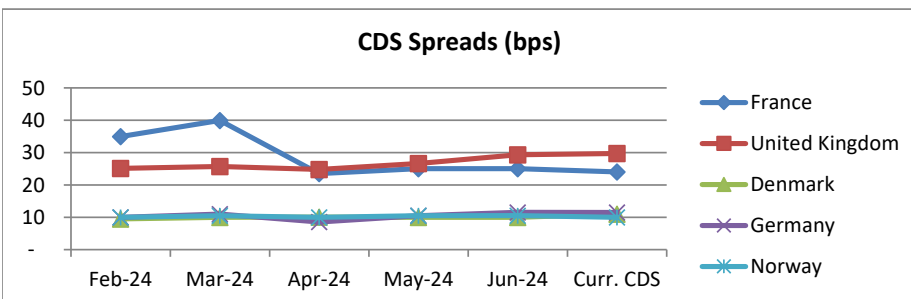
However, Norway has not been immune to recent economic shocks. Inflation began rising in late 2021, reaching levels not seen since the 1980s and expanding with second-round effects. Increasing costs in transport, housing, and food particularly impact low-income households. The fiscal policy response has been inadequate in tightening after pandemic spending, hindering the central bank's inflation control efforts. The krone depreciated by around 8% against major trading partners in 2023, exacerbating inflation. Rising real interest rates are slowing investment, and the simultaneous rise in unemployment and job vacancies indicates labor market imbalances and a shortage of skilled workers. Despite robust petroleum exports, geopolitical tensions continue to impact Norway's small open economy. Affirming.

Annual Ratios (source for past results: IMF)

<b>CREDIT POSITION</b>	2021	2022	2023	P2024	P2025	P2026
Debt/ GDP (%)	47.6	41.4	49.8	38.4	33.2	29.0
Govt. Sur/Def to GDP (%)	11.9	26.8	17.9	10.6	4.7	3.7
Adjusted Debt/GDP (%)	47.6	41.4	49.8	38.5	33.3	29.1
Interest Expense/ Taxes (%)	0.7	1.0	2.7	3.5	4.4	4.4
GDP Growth (%)	24.9	32.0	-10.2	2.5	3.6	3.6
Foreign Reserves/Debt (%)	32.5	26.4	28.7	37.1	42.1	47.0
Implied Sen. Rating	AAA	AAA	AA+	AA+	AA+	AA+

<b>INDICATIVE CREDIT RATIOS</b>	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

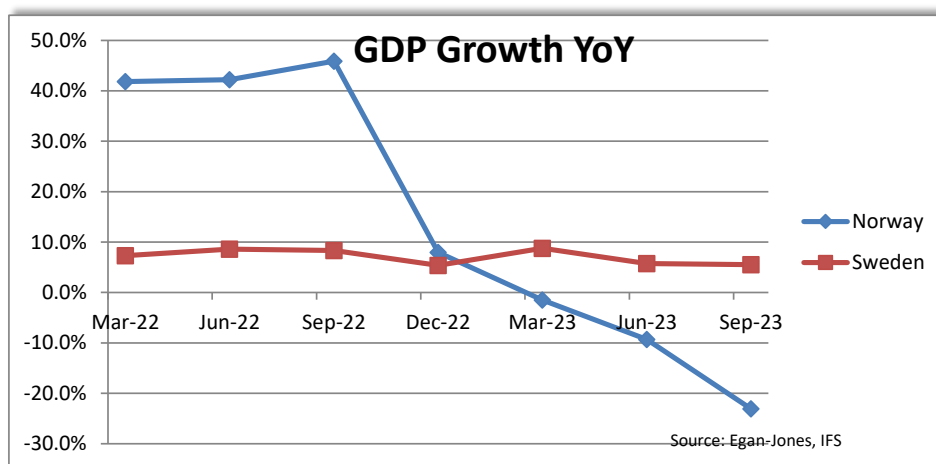
<b>PEER RATIOS</b>	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio- Implied Rating*
Kingdom Of Sweden	AAA	50.6	0.8	50.6	1.9	5.8	AAA
Kingdom Of Denmark	AAA	33.9	4.0	33.9	1.3	-1.7	A-
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	BBB
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	BB+
United Kingdom	AAA	143.8	-6.2	143.8	10.5	7.2	BBB-



Country	EJR Rtq.	CDS
France	A+	24
United Kingdom	A+	30
Denmark	AA	11
Germany	AA	12
Norway	AA+	10

**Economic Growth**

OECD experts predict that GDP growth will slow to nearly a standstill in Q2. Data supports this outlook, with industrial production and extraction services output declining in April compared to March, and retail sales contracting more sharply in April than in Q1. However, there are positive signs: private consumption is likely increasing as purchasing power recovers, driven by wage growth outpacing inflation since Q3. Additionally, inflation decreased and house prices rose faster annually in April-May compared to Q1, boosting household wealth. This has likely contributed to consumer sentiment reaching a two-year high in Q2. Furthermore, the manufacturing PMI for April-May averaged higher than in Q1, showing the strongest business conditions since July 2023. Gradually lower interest rates, sustained high wage growth, and low unemployment are expected to continue enhancing household purchasing power.



**Fiscal Policy**

In 2023, Norway's general government non-oil deficit reached approximately 10%. The fiscal rule, which mandates that the structural non-oil deficit should align with 3% of the oil fund's value over time, has been adhered to. However, as petroleum revenues decline, the fiscal space for new spending initiatives is likely to diminish. Despite high oil revenues, Norway's tax burden remains above the OECD average. To support the economy during a soft patch and amid an expected delay in interest rate cuts, Norway plans to utilize more of its \$1.6 trillion sovereign wealth fund than previously anticipated.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Norway	17.86	49.82	10.01
Sweden	0.81	50.59	15.01
Denmark	4.03	33.89	11.01
Germany	-2.55	64.01	11.51
France	-4.84	117.19	24.00
United Kingdom	-6.24	143.77	29.72

Sources: Thomson Reuters and IFS

**Unemployment**

The post-pandemic recovery has led to growing labor market imbalances in Norway. Since 2021, the number of job vacancies and unemployed workers has increased, indicating a shift in the Beveridge curve. Despite Norway's high overall skill levels, there is a noticeable shortage of qualified workers and issues with underqualification. Labor immigration, particularly from Poland, Lithuania, Sweden, and other countries, has surged since 2020 due to favorable economic conditions in Norway.

	Unemployment (%)	
	2022	2023
Norway	3.23	3.58
Sweden	7.48	7.67
Denmark	4.48	5.12
Germany	3.07	3.03
France	7.32	7.34
United Kingdom	3.90	3.80

Source: Intl. Finance Statistics

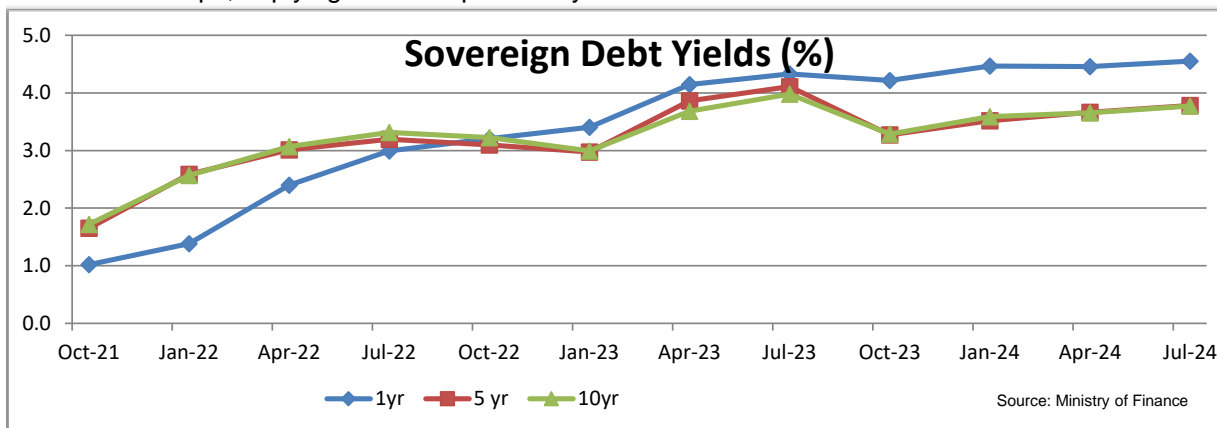
**Banking Sector**

Norwegian banks are robust, liquid, and highly profitable, partly due to the increased interest rate spread between assets and liabilities. They comfortably meet capital and liquidity requirements. Since 2020, large banks have seen a rise in return on equity, driven by higher net interest income and low credit losses. However, the central bank anticipates an increase in commercial real estate (CRE) loans that cannot be serviced in the coming years, as about half of banks' corporate assets are tied to CRE lending.

<b>Bank Assets (billions of local currency)</b>		
	Assets	Mkt Cap/ Assets %
DNB NOR ASA	3,439.7	9.37
SPAREBANK 1 SR B	345.7	9.64
SPAREBANKEN VEST	306.5	4.71
SPAREBANK 1 SMN	232.72	9.60
<b>Total</b>	<b>4,324.7</b>	
EJR's est. of cap shortfall at 10% of assets less market cap		40.0
Norway's GDP		5,126.5

**Funding Costs**

As of June 2024, Norway's lending rate remains at 5.5%. Projections from Trading Economics indicate that the lending rate will be around 5.25% by the end of this quarter and is expected to trend toward 4.00% by 2025. The yield on Norway's 10-year government bond is currently 3.533%, while the 5-year credit default swap quotation stands at 12.9bps, implying a default probability of 0.22%.



**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.

<b>The World Bank's Doing Business Survey*</b>			
	2021	2020	Change in
	Rank	Rank	Rank
<b>Overall Country Rank:</b>	<b>9</b>	<b>9</b>	<b>0</b>
<b>Scores:</b>			
Starting a Business	25	25	0
Construction Permits	22	22	0
Getting Electricity	44	44	0
Registering Property	15	15	0
Getting Credit	94	94	0
Protecting Investors	21	21	0
Paying Taxes	34	34	0
Trading Across Borders	22	22	0
Enforcing Contracts	3	3	0
Resolving Insolvency	5	5	0

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

**Economic Freedom**

As can be seen below, Norway is strong in its overall rank of 77.5 for Economic Freedom with 100 being best.

<b>Heritage Foundation 2024 Index of Economic Freedom</b>				
<b>World Rank 77.5*</b>				
	<b>2024</b>	<b>2023</b>	<b>Change in</b>	<b>World</b>
	<b>Rank**</b>	<b>Rank</b>	<b>Rank</b>	<b>Avg.</b>
<b>Property Rights</b>	<b>98.8</b>	<b>98.9</b>	<b>-0.1</b>	<b>53.4</b>
<b>Government Integrity</b>	<b>95.6</b>	<b>96.2</b>	<b>-0.6</b>	<b>43.7</b>
<b>Judicial Effectiveness</b>	<b>96.7</b>	<b>97.2</b>	<b>-0.5</b>	<b>48.8</b>
<b>Tax Burden</b>	<b>61.7</b>	<b>57.4</b>	<b>4.3</b>	<b>78.1</b>
<b>Gov't Spending</b>	<b>32.1</b>	<b>18.7</b>	<b>13.4</b>	<b>64.2</b>
<b>Fiscal Health</b>	<b>97.2</b>	<b>96.2</b>	<b>1.0</b>	<b>52.1</b>
<b>Business Freedom</b>	<b>87.2</b>	<b>95.2</b>	<b>-8.0</b>	<b>62.1</b>
<b>Labor Freedom</b>	<b>69.4</b>	<b>69.2</b>	<b>0.2</b>	<b>55.9</b>
<b>Monetary Freedom</b>	<b>71.1</b>	<b>74.4</b>	<b>-3.3</b>	<b>67.2</b>
<b>Trade Freedom</b>	<b>84.8</b>	<b>84.6</b>	<b>0.2</b>	<b>69.8</b>

\*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 seen a decline in taxes of 19.5% per annum in the last fiscal year which is disappointing. We expect tax revenues will decline by approximately 19.5% per annum over the next couple of years and 0.5% 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 18.5% decline in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr 1&2	Yr 3,4,5
Taxes Growth%	2.5	(19.5)	(19.5)	0.5
Social Contributions Growth %	4.5	10.2	10.0	10.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	(5.9)	(39.0)	(10.0)
Total Revenue Growth%	2.4	(11.6)	(18.5)	(16.7)
Compensation of Employees Growth%	6.1	7.2	7.2	7.2
Use of Goods & Services Growth%	6.8	9.7	(9.5)	(9.5)
Social Benefits Growth%	4.8	9.3	9.3	9.3
Subsidies Growth%	(5.2)	(14.2)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.8	1.8	
Currency and Deposits (asset) Growth%	(8.1)	0.0		
Securities other than Shares LT (asset) Growth%	8.2	0.0		
Loans (asset) Growth%	(57.9)	58.7	(19.5)	(19.5)
Shares and Other Equity (asset) Growth%	(100.2)	(38.4)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	0.0	7.2	7.2	7.2
Financial Derivatives (asset) Growth%	(0.9)	(1.6)	(19.5)	(19.5)
Other Accounts Receivable LT Growth%	1.1	(14.7)	(14.7)	(14.7)
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%	(2.5)	2.4	3.0	3.0
Currency & Deposits (liability) Growth%	(2.8)	0.0		
Securities Other than Shares (liability) Growth%	3.8	2.6	1.8	1.8
Loans (liability) Growth%	(3.6)	12.4	12.4	12.4
Insurance Technical Reserves (liability) Growth%	0.0	0.0		
Financial Derivatives (liability) Growth%	(9.9)	(19.7)	(19.7)	(19.7)
Additional ST debt (1st year)(billions NOK)	0.0	0.0		

**ANNUAL INCOME 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)					
	2020	2021	2022	2023	P2024	P2025
Taxes	960	1,386	2,052	1,653	1,330	1,071
Social Contributions	387	409	435	479	527	580
Grant Revenue						
Other Revenue						
Other Operating Income	559	685	1,161	1,092	1,092	1,092
Total Revenue	1,906	2,481	3,647	3,224	2,949	2,743
Compensation of Employees	557	586	620	664	712	764
Use of Goods & Services	288	311	342	375	339	307
Social Benefits	658	681	705	771	842	920
Subsidies	91	88	118	101	101	101
Other Expenses				172	172	172
Grant Expense						
Depreciation	139	149	166	180	180	180
Total Expenses excluding interest	1,911	1,956	2,098	2,263	2,346	2,443
Operating Surplus/Shortfall	-5	525	1,549	961	603	299
Interest Expense	<u>14</u>	<u>9</u>	<u>20</u>	<u>45</u>	<u>46</u>	<u>47</u>
Net Operating Balance	-19	515	1,529	916	557	252

## ANNUAL BALANCE SHEETS

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

Base Case	ANNUAL BALANCE SHEETS (BILLIONS NOK)					
	2020	2021	2022	2023	P2024	P2025
<b>ASSETS</b>						
Currency and Deposits (asset)	509	559	524	485	1,224	1,224
Securities other than Shares LT (asset)	2,953	3,528	3,970	4,687	4,687	4,687
Loans (asset)	-12	121	204	324	260	210
Shares and Other Equity (asset)	108	-488	722	444	453	462
Insurance Technical Reserves (asset)	57	61	53	56	60	65
Financial Derivatives (asset)	7	10	25	25	20	16
Other Accounts Receivable LT	368	691	896	764	651	555
Monetary Gold and SDR's						
Other Assets					14,049	14,049
Additional Assets	<u>10,421</u>	<u>12,229</u>	<u>11,049</u>	<u>14,049</u>		
Total Financial Assets	14,411	16,711	17,442	20,833	21,405	21,267
<b>LIABILITIES</b>						
Other Accounts Payable	236	257	291	298	307	316
Currency & Deposits (liability)					0	0
Securities Other than Shares (liability)	689	677	725	744	757	771
Loans (liability)	907	1,125	1,345	1,512	955	703
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)	11	12	51	41	33	26
Other Liabilities						
Liabilities	1,844	2,070	2,412	2,595	2,609	2,220
Net Financial Worth	<u>12,568</u>	<u>14,641</u>	<u>15,030</u>	<u>18,239</u>	<u>18,796</u>	<u>19,048</u>
Total Liabilities & Equity	14,411	16,711	17,442	20,833	21,405	21,267

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#### **Comments on the Difference between the Model and Assigned Rating**

We consider a one or less "notch" difference between 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**

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 1233Z NO we have assigned the senior unsecured rating of AA+. There are three notches in our rating categories (e.g., A-, A, and A+) other than those deep into speculative grade; for CC, C, and D there are no 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 methodology version #16 available via [egan-jones.com](http://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 page 3 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 dependant 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 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the information is limited because of issues such as short operating histories, the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings 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 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, governmental filings and other similar sources for ratings on publicly-traded issuers. In the case of private issuers, EJR relies on information provided mainly by 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 high quality and readily avail.****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%	(19.5)	(15.5)	(23.5)	AA+	AA+	AA+
Social Contributions Growth %	10.0	13.0	7.0	AA+	AA+	AA+
Other Revenue Growth %		3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	(18.5)	0.1	(20.5)	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.

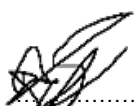
**ATTESTATION FORM**

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:**

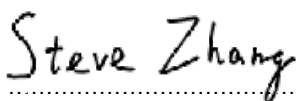
**Today's Date**

  
 .....  
 Supramanian NG  
 Senior Rating Analyst

Aug 16, 2024  
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**Reviewer Signature:**

**Today's Date**

  
 .....  
 Steve Zhang  
 Senior Rating Analyst

Aug 16, 2024  
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## 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 the 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.*