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## Oslo (City of)

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# Oslo (City of)

## Major Rating Factors

### Strengths:

- Close systemic ties to the state
- A very dynamic, wealthy and diverse local economy
- Significant corporate asset holdings
- Moderate debt levels and almost 100% funded pension liabilities

### Weaknesses:

- Challenging large investments likely to increase debt burden
- Limited financial flexibility, particularly on the revenue side
- Revenues negatively affected by domestic economic slowdown

### Issuer Credit Rating

AAA/Stable/--

## Rationale

The ratings on the City of Oslo, the capital of the Kingdom of Norway (AAA/Stable/A-1+), reflect very strong system support and institutional stability enjoyed by the Norwegian local and regional government (LRG) sector and the city's dynamic and diverse local economy and very high income levels. Oslo's moderate debt levels, almost completely funded pension liabilities, and sizeable corporate asset holdings support the ratings. The ratings incorporate the city's limited financial flexibility on the revenue side and challenging heavy investments which are expected to moderately increase the city's debt burden. In addition, a general weakening of the city's financial performance in the 2009-2012 planning period increases the likelihood of investments being debt-financed.

Oslo benefits from very strong system support. The Norwegian LRG system is among the strongest in the world. The system is mature and predictable, with close systemic links to the central government and is characterized by an extensive equalization scheme, close monitoring, and far-reaching backing from a very wealthy state.

Oslo benefits from a very favorable macroeconomic structure, incorporating a dynamic, diverse, and largely service-based economy. Moreover, the local economy comprises a broad representation of general government functions and financial services.

Oslo has a track-record of robust budgetary performance. In 2008, however, the city's operating balance declined as operating expenditures were maintained at a high level while revenues did not increase at the same rate as in previous years. Still, the operating balance stood at a sound 5% of operating revenues at year-end 2008. Great uncertainty remains about the evolution of tax revenue generation in the 2009-2012 planning period and we expect Oslo's budgetary performance to weaken, with operating margins averaging 2.5%-3% through 2012. In addition, due to a very heavy investment program, deficits after capital expenditures of 10% of total revenues on average are forecast in the 2009-2012 planning period.

At year-end 2008, Oslo's direct debt stood at 27% of operating revenues, compared with 28% at year-end 2007. Of Oslo's Norwegian krone (NOK) 11.4 billion in direct debt, NOK3.3 billion was related to on-lending from state bank Husbanken for mortgage loans to individuals. Hence, the direct debt taken for the needs of the city and city agencies was only about NOK8.1 billion. With practically 100% funded pension liabilities, Oslo's debt ratios

compare very favorably in an international context. In addition, the city has significant asset holdings which, in addition to providing good dividends, constitute a buffer which if sold would cover more than twice the city's debt.

Owing to substantial population growth and a significant bulk of delayed investments coming into effect in 2009-2010, Oslo faces a period of large investment which will result in an increase in debt levels. In addition, in the years ahead, declining revenue growth will limit the city's ability to finance investments with funds from operations. At the same time, the Norwegian government is encouraging the public sector to invest during the current economic downturn, and consequently we expect investment to rise materially. That said, we expect the city's debt to increase sharply but to level out at about 55% of operating revenues by year-end 2012.

Oslo's close systemic ties to the central government create a great deal of stability and predictability, but limit the city's financial flexibility. On the operating revenue side, the central government effectively determines the local income tax rate and state transfers, and fees are constrained by central government regulations. Moreover, Oslo's expenditure flexibility is slightly constrained, as the majority of expenditure relates to compulsory labor-intensive services that can be difficult to rationalize.

### Liquidity

The city treasury operates as an in-house bank for the city's departments and agencies. Refinancing, interest, and currency risks are minimal. At year-end 2008, the city had no currency exposure, and only long-term debt with an average maturity and interest-fixing period of 3.5 years. Although derivatives are allowed for the purpose of controlling risk, the city does not use them to manage its interest-risk exposure.

Oslo's cash flow is stable and relatively evenly distributed over the year. As of April 30, 2009, the city treasury had placed excess liquidity of NOK5.3 billion with its loan fund (which handles external borrowing for the city and its companies), effectively lowering its debt by the same amount. Moreover, the city treasury can draw upon this amount when needed. When the city treasury needs this liquidity, the loan fund will replace this funding by issuing new bonds. At the end of 2008, Oslo had used committed bank lines of NOK2 billion, postponing the issuance of bonds into 2009. Consequently, the city had interest-bearing short-term debt of NOK1.6 billion at the end of 2008, which was then replaced by bond issuance of NOK3 billion in January and February 2009.

## Outlook

The stable outlook reflects our expectations that Oslo's financial performance will weaken but stay within forecast levels and that a heavy investment program will lead to a sharp increase in debt with direct debt approaching 50% of operating revenues by year-end 2010. Significantly stronger-than-expected debt accumulation, generated by a major deterioration in the city's budgetary performance, could put downward pressure on the ratings.

## Comparative Analysis

Oslo compares well or even favorably with its peers--the canton of Aargau (AAA/Stable/A-1+), the cities of Melbourne (AAA/Stable/--), Paris (AAA/Stable/--), and Stockholm (AAA/Stable/A-1+), and the Autonomous Community of Navarre (AAA/Stable/A-1+)--on economic indicators such as wealth, education, unemployment, and quality of infrastructure. Oslo's budgetary performance in terms of its operating margin is clearly stronger than that of Stockholm, but weaker than those of its other international peers. This weakness is, however, mainly due to different expenditure structures: Paris, for example, has larger investment responsibilities. We expect Oslo's direct

debt to increase, but it should remain on par with the ratios of Aargau and Stockholm. In addition, unlike some of its peers, Oslo has sizeable asset holdings which to some extent constitute a buffer against debt accumulation.

Table 1

Oslo (City Of) 2008 Peer Comparison						
	Oslo (City of)	Aargau (Canton of)	Melbourne (City of)	Navarre (Autonomous Community of)	Paris (City of)	Stockholm (City of)
Issuer credit rating	AAA/Stable/--	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/--	AAA/Stable/--	AAA/Stable/A-1+
<b>Three-year averages, using actual results only</b>						
Operating balance (% of operating revenues)	7.8	15.2	14.7	20.9*	11.7*	(1.9)*
Balance after capital expenditures (% of total revenues)	(2.2)	(5.8)	(4.4)	2.1*	(4.0)*	0.9
Capital expenditures (% of total expenditures)	12.6	20.9	22.8	21.2*	24.0*	6.8*
Transfers received (% of total revenues)	4.2	24.7	3.5	2.7*	28.4*	3.7*
<b>2008 (mil. €)</b>						
Total revenues	4,693.6	2,497.3	159.6	3,871.5*	6,922.0*	4,669.8*
Direct debt (at year-end)	1,276.6	1,182.1	0.0¶	626.2*	2,132.0*	2,109.7*
Direct debt (% of operating revenues)	27.4	48.7	0.0¶	16.6*	35.5*	46.5*
Tax-supported debt (% of conso oper revenues)	23.5	48.7	0.0¶	26.6*	37.9*	0.0*
Net financial liabilities (% of conso oper rev)	22.9	40.6	(41.6)	18.3*	37.7*	21.4*
Interest (% of operating revenues)	1.8	1.9	0.7	0.9*	1.0*	3.9*
Debt service (% of oper revenues)	9.0	1.9	0.7	1.7*	2.2*	41.6*
Free cash & liquid assets as % DS	28.3	262.5§	5,833.2	1,048.0*	7.9*	1.0*
Population	575,475	571,308.0§	65,000.0¶	593,100.0§	2,153,718.0¶	795,200.0*
Unemployment rate (%)	2.5	2.4	5.7¶	4.8*	7.9*	2.4*

\*Figures for 2007. ¶Figures for 2005. §Figures for 2006.

## System Support And Predictability

### System support among strongest in the world, but LRGs have limited autonomy

Norway has a three-tier system of government: central government and two subsovereign levels: counties ("fylkeskommuner") at the regional level and municipalities ("kommuner") at the local level. Counties' main responsibilities are secondary education, public transport, and regional development. Municipalities' main tasks are primary education, nurseries, elderly care, social welfare, and local planning. Oslo is classified as both a county authority and a municipality.

The extensive control mechanisms built into the system include state evaluation of local government budgets and medium-term financial plans. In the event that a local government fails to adopt and follow a balanced budget or

financial plan, it is put on the Register for State Review and Approval of Financial Obligations, and its borrowing is subject to approval by a state representative. Furthermore, local government borrowing and granting of guarantees is closely regulated by the Local Government Act. Debt can be raised only for certain investments, to convert existing debt, or for temporary liquidity purposes. The terms of an individual loan must always match the economic life of the corresponding capital investment.

### **Strong systemic ties to central government and proposed reform initiatives likely to have limited impact**

In recent years there have been discussions about possible reforms to the Norwegian public sector. Originally a reform called "Forvaltningsreformen" set out to widely modify the sector, for example, by merging municipalities and creating new and larger regions to replace the current county authorities. However, currently there is no political will for such comprehensive re-organization and instead, a new proposal with less extensive modifications to the present system is under consideration. Consequently, Norway's present county structure will remain unchanged, but some additional tasks will be transferred to the county authorities. The major task to be transferred will be the maintenance of national highways; otherwise no significant changes are expected. This revised reform proposal will come into effect on Jan. 1, 2010.

Norway's 431 municipalities and 19 counties are closely tied to the central government and the Norwegian state controls and monitors local governments closely. System support is very strong, but flexibility for individual LRGs is limited in several respects, in particular as the central government in effect sets local tax rates. The municipalities and counties vary significantly in terms of size and population. To achieve a fairly uniform standard of living, Norwegian LRGs are subject to an extensive income and cost equalization scheme, which is supplemented by a system of general and special grants.

In 2009, some changes to the tax and equalization system have come into effect. Most of these changes stem from a report called "Sorheim-utvalget" which in October 2007 proposed a series of changes to the general grant system. The equalization system implies that if the tax revenue for one municipality increases by more than the national average a part of the increase will be taken away through the general grants system. The 2009 modifications of the equalization system have increased the degree of equalization within the general grants system. Thus the contribution to the system of municipalities with large tax revenues, the city of Oslo in particular, has increased. However, to compensate for Oslo's greater share of income equalization, a "capital city grant" which takes into account Oslo's special needs as the country's capital has been introduced. This will be distributed as a general grant amounting to NOK300 million.

In addition, corporate tax will no longer be levied by municipalities. Instead, the central government will provide municipalities with an equivalent amount distributed on a proportional basis in line with their share of income tax from personal tax payers.

In September 2009, Norway will have elections to parliament. The current coalition government consists of the Labour Party, the Socialist Left Party and the Centre Party. However, there is broad political consensus on the organization and financing of the public sector in Parliament with only minor differences between the incumbent government and the opposition in this respect.

In addition, the Norwegian central government has taken action to alleviate the impact of the current domestic economic downturn. Several measures have been targeted at the public sector with the aim of limiting an expected rise in unemployment. In its revised budget for 2009, the government has increased grants to the municipal sector by NOK6.4 billion of which NOK4 billion is earmarked for investment in municipal infrastructure and the remainder

as general grants. Furthermore, in the 2010 budget bill for the municipal sector presented on May 15, 2009, further allocations to the sector were announced. In total, an additional NOK4 billion will be distributed to the sector with the purpose of securing employment and focusing on pre-school activities (for example kindergardens) and elderly care. Moreover, county authorities will receive increased grants to handle their new task of maintaining national highways.

For more information on the Norwegian system of government, see "Public Finance System Overview: Norwegian Municipalities And Counties", published Oct. 3, 2007 on RatingsDirect.

## Economy

### Dynamic and diverse local economy with high income levels

With 575,000 inhabitants, Oslo accounts for almost 12% of Norway's population. The city benefits from a dynamic local economy and has a very large services sector. As the capital of Norway, it is the center of government and financial services. Oslo has a diverse economy, and there are no single dominant private companies. Close to 90% of jobs are in the services sector. Furthermore, unemployment in Oslo is low and stood at 3.3% in May 2009. Even though the unemployment rate is expected to rise to about 4.5% in 2009, it is still low by international standards.

Norwegian GDP per capita was NOK534,440 in 2008, and only Luxembourg had a higher GDP per capita in Europe when adjusted for differences in price levels between countries. Oslo's GDP per capita is the highest in Norway and amounted to almost 2x the national average (excluding Norwegian oil and gas production) and about 3x the EU-27 average in 2006. The high GDP per capita figures are in part helped by the large number of workers that commute to Oslo from neighboring cities.

In 2008, Oslo's population grew by 2.7%, the strongest annual growth rate since 1946. Since the turn of the century, Oslo has posted exceptional population growth figures due to an increase in both the birth rate and net migration. Moreover, over the medium term, the city expects to see healthy annual population growth of about 1.5%. Population growth is expected to be strongest in the working-age segment, which contributes positively to the city's budget, but large expected increases in the numbers of children and the elderly will add to the expenditure side as demand for public services increases.

Since the turn of the century, the Norwegian economy has experienced a period of strong economic growth. However, the recent downturn of the global economy has contributed to a decline in the Norwegian economy. A fall in exports combined with decreased household consumption contributed to a fall in GDP for the fourth quarter of 2008. Even though an expansive fiscal policy (fiscal stimulus at 2.3% of onshore GDP in 2009) and monetary policy measures have been put in place it is unlikely that they will prevent the GDP for onshore Norway from decreasing in 2009. The decrease in economic activity is, however, expected to be counterbalanced by increased activity and demand from the public sector.

Nevertheless, in an international context Norway's economy stands tall and the country is not expected to be as badly hit by the downturn as most other European countries.

## Management Capacity And Institutional Legitimacy

Since local elections in September 2007, Oslo has been governed by a coalition of the Conservative Party and the Progress Party. Inter-party cooperation is healthy and successive city governments have joined to adopt previous budgets, often with the support of the Liberal Party and the Christian Democratic Party.

All financial management for the city and its municipal agencies is centralized within the city treasury. Management is competent, and the budget is evaluated twice a year, in addition to year-end reporting.

The city's financial forecasts are broadly technical and the current forecast for the years 2010-2012 is less meaningful than the budgeted figures for 2009. On the revenue side, this is because future local tax rates, changes in state grants, and the equalization scheme are decided by the central government, and until decisions have been made the city takes a prudent approach and does not make presumptions. On the expenditure side, no non-recurrent measures are incorporated for the forecast years. As a consequence, the revenue and expenditure paths for the forecast years are less meaningful, but the resulting operating balance should provide a rough indication of future results.

## Financial Flexibility

### Relatively limited due to central government constraints

Oslo's operating revenue flexibility is rather limited as taxes and transfers are in effect set by the central government. Flexibility in fees and charges is also constrained by central government regulations, especially for elderly care. For services such as water and sewage, fees and charges must be set on a cost basis. The city has not used its right to levy property tax, however, which offers some revenue flexibility. The introduction of property tax could generate about NOK1.5 billion annually. This option is not on the current government's agenda and is therefore unlikely to be implemented.

On the other hand, Oslo has sizeable capital revenue flexibility via the possible sale of companies, land, or property. The city has ownership in two energy companies, Hafslund ASA and E-CO Energi AS, with substantial surplus values. These companies produce good dividends for the city and any attempt to divest them could prove politically sensitive. Nevertheless, these entities provide a pool of reserves.

Expenditure flexibility is limited because most of Oslo's operating expenditure is attributable to compulsory labor-intensive services that would be difficult to rationalize without impairing service levels. Many of Oslo's responsibilities are subject to national standards and legal requirements. Oslo does, however, stay well above the minimum national standard in terms of provision of compulsory services, which in theory provides for a degree of flexibility of operating costs. In practice, however, it is questionable whether a political leadership, sensitive to public expectations, would take action to reduce the quality of services provided.

Expenditure flexibility is above all found in relation to capital spending. Oslo is currently embarking on a very heavy investment program and investment is forecast to account for about 12% of total annual expenditure in the coming years, most of which will go to education and child care facilities and infrastructure. The city has some leeway to postpone part of this capital spending, if necessary. Nevertheless, as the previously booming construction market has cooled substantially, Oslo could take the opportunity to benefit from reduced construction costs.

## Budgetary Performance

### Expected decline in tax revenues adds uncertainty about future revenues

Oslo's has a track-record of robust financial performance. In 2008, however, the city's operating balanced decreased to 5% of operating revenues, down from a very healthy 8% in 2007. In terms of tax revenue growth, 2008 was still a very good year with a 9.8% increase relative to 2007. Anticipating this evolution, the central government lowered the local government tax rate by NOK0.25 (per NOK100) for 2008.

The evolution of tax revenue growth in the years ahead is uncertain. An increase in unemployment is likely to restrict the tax base, while a decline in the stock market during 2008 is likely to reduce income from capital gains tax. For 2009, spurred by fear of falling tax revenues, the central government increased Oslo's local tax rate for 2009 by NOK0.75 (per NOK100).

Moreover, the Norwegian central government is currently pursuing an expansionary fiscal policy and has already announced significant increases in grant schemes for the public sector. Such measures will help Oslo sustain its financial performance throughout the current downturn. Nevertheless, we expect Oslo's financial performance to weaken with operating balances averaging 2.5%-3% of operating revenues through 2012. Keeping expenditures in check will be a key priority in adjusting to lower revenue generation. Cost reductions within the education sector and elderly care will most likely be sought.

The Norwegian equalization system provides for strong equalization on the revenue side and limits Oslo's ability to benefit from favorable economic conditions. Specifically, Oslo's contribution to the equalization scheme was NOK3.8 billion in 2008. The size of Oslo's payments into the system has increased in recent years and depends on the evolution of tax revenues in other Norwegian municipalities, but it is also due to the fact that Oslo has seen higher tax revenue growth relative to other municipalities in recent years

Owing to strong population growth in the city, Oslo forecasts a period of heavy investments. Capital expenditure, which primarily will be allocated to facilities for elderly and child care, school buildings, and other infrastructure, will enter an intensive phase and is expected to average almost 15% of total expenditure through the 2009-2012 planning period. Aside from new projects, considerable volumes of delayed investments are expected to materialize in 2009 and 2010. Due to this very heavy investment program, and in combination with an expected decline in operating performance, deficits after capital expenditures of 10% on average are forecast in the 2009-2012 planning period. Consequently, a large part of this investment program will be debt-financed.

## Debt Burden

Due to significant asset sales and extra dividends from utility company Hafslund in recent years, Oslo's debt burden has been steady. Consequently, at year-end 2008, Oslo's direct debt amounted to a moderate 27% of operating revenues.

Moreover, of the NOK11.4 billion in direct debt at year-end 2008, NOK3.3 billion was related to on-lending from state bank Husbanken for mortgage loans to individuals. Even though this on-lending is a type of social policy, the city has not made any losses for the past 15 years. Accordingly, direct debt incurred to meet the needs of the city and its agencies amounts only to about 20% of operating revenues.

The city expects to incur additional debt due to projected large investments, together with previously postponed investments coming into effect in the coming years (these projects were postponed due to a lack of capacity in the previously booming Norwegian construction sector). As surpluses from operations are expected to decline and revenues from asset sales are not included in the forecast, we expect the city's direct debt to increase sharply, particularly in 2009 and 2010 but to level out at about 55% of operating revenues by year-end 2012. Despite this forecast increase in debt, debt ratios will remain low, particularly in an international context.

In addition, Oslo has signed guarantees amounting to NOK1.7 billion, most of which are for the public transport company, Kollektivtransportproduksjon AS (KTP), and for private sector providers of public services. The overall risk exposure is low, and the city did not have to honor any of these commitments in 2008. Moreover, Ruter AS (formerly AS Oslo Sporveier), a service company responsible for managing the public transportation system in Oslo and the county of Akerhus, buys transport services from KTP and receives financial support from the city of about NOK1 billion a year.

In January 2001, the city's pension fund was converted to a limited-liability life insurance company, Oslo Pensjonsforsikring Ltd. (OPF), which is fully owned by the city. As a result, Oslo benefits from almost fully funded pension liabilities. However, due to a decline in stock prices in late 2008, OPF presented poor results in terms of its return on investments at the close of the year. In addition, as OPF has an exposure of about 11% to equity, the decline in stock prices saw the company's buffer capital and capital adequacy ratios fall. To ensure that OPF maintains its level of exposure to the equity market Oslo made a capital injection of NOK1.23 million into the company. The injection was performed by swapping the city's treasury bonds in Hafslund with a subordinated loan in OPF, hence the transaction was cash-flow neutral for Oslo. Oslo's objective with the pension fund is long-term management of assets, and OPF's exposure to equity was profitable during the first quarter of 2009.

## Contingent Liabilities

Oslo has substantial surplus value in its corporate holdings. These city-owned companies are in good financial health and generate substantial dividend revenues. For 2009, dividends are expected at around NOK1 billion, most of which stem from the two large utility companies E-Co Energi and Hafslund. Of the city-owned companies, all but one are self-supporting. The exception is Ruter AS, which receives financial support from the city of about NOK1 billion a year. The city's public transportation companies may be restructured with the operating companies removed from the control of KTP. The resulting increase in competition is expected to generate savings for the city.

Although the shareholding in E-CO Energi (one of Norway's leading hydropower groups) is, at least currently, illiquid due to legal restrictions, the company would raise significant funds if it were sold. Oslo also owns 53.7% of Hafslund, one of the major electricity utilities in the Nordic region. In total, the surplus value in Oslo's energy companies alone would cover more than twice the city's debt as at year-end 2008.

Hafslund and E-Co Energi recorded sound results in 2008. The two companies have solid foundations, both commercially and financially, and are adapting to growing awareness of environmental issues and renewable energy.

Demand for Norwegian hydropower is high and in 2008, E-Co Energi reported a record-high pre-tax profit and a profit for the year after tax of over NOK1 billion. Moreover, E-Co Energi has paid NOK900 million in dividends to Oslo for 2008, underscoring the substantial financial contribution the company makes to the city. Considering growing demand for renewable energy, E-Co Energi expects significant opportunities in the hydropower business

and the company's strategic plan for 2007-2011 focuses on increased hydropower production and new development projects either alone or in collaboration with other players. It has plans for the modernization and expansion of existing facilities, which, together with the creation of new power plants, could result in a material increase in production. Moreover, E-Co Energi aims to increase production by 1000 gigawatt hours by 2015, an increase of about 10%.

In Norway, Hafslund is the largest distribution network owner, the largest power sales provider, and a significant producer of renewable energy. Hafslund is increasing its focus on renewable energy and continues to assess its possibilities for expansion in this area. Good cash flow and products that show stable demand throughout the economic cycle provide for commercial and financial foundations. Its financial performance in 2008 was, however, strongly affected by a fall in the fair value of investments in solar company Renewable Energy Corp., in which Hafslund owns a 14.25% stake. Adjusting for this decline, Hafslund posted an operating profit of NOK1.3 billion in 2008, down from NOK1.7 billion in 2007. Hafslund also contributes positively to Oslo's finances and has distributed a dividend for 2008 of NOK236 million.

Table 2

Oslo (City of) Financial Statistics								
(Mil. NOK)	--Year ended Dec. 31--							
	2012f	2011f	2010f	2009f	2008	2007	2006	2005
Operating revenues	44,371.0	43,725.0	43,144.0	42,537.0	41,724.0	38,268.0	36,304.9	32,942.7
Operating expenditures	43,279.0	42,719.0	41,649.0	41,491.0	39,662.0	35,205.0	32,516.0	31,073.0
Operating balance	1,092.0	1,006.0	1,495.0	1,046.0	2,062.0	3,063.0	3,788.9	1,869.7
Operating balance (% of operating revenues)	2.5	2.3	3.5	2.5	4.9	8.0	10.4	5.7
Capital revenues	556.0	244.0	484.0	139.0	282.2	2,280.0	1,355.2	997.2
Capital expenditures (capex)	4,000.0	5,500.0	7,500.0	7,000.0	5,251.0	6,729.0	3,683.0	3,716.0
Balance after capex	(2,352.0)	(4,250.0)	(5,521.0)	(5,815.0)	(2,906.8)	(1,386.0)	1,461.1	(849.1)
Balance after capex (% of total revenues)	(5.2)	(9.7)	(12.7)	(13.6)	(6.9)	(3.4)	3.9	(2.5)
Debt repaid	3,000.0	3,000.0	3,000.0	3,000.0	3,020.0	391.0	2,000.0	0.0
Balance after debt repayment and onlending	(5,352.0)	(7,250.0)	(8,521.0)	(8,815.0)	(5,926.8)	(1,777.0)	(538.9)	(849.1)
Balance after debt repayment and onlending (% of total revenues)	(11.9)	(16.5)	(19.5)	(20.7)	(14.1)	(4.4)	(1.4)	(2.5)
Gross borrowings	3,849.0	6,731.0	8,230.0	7,074.0	3,548.0	0.0	0.0	1,458.0
Balance after borrowings	(1,503.0)	(519.0)	(291.0)	(1,741.0)	(2,378.8)	(1,777.0)	(538.9)	608.9
Balance after borrowings (% of total revenues)	(3.4)	(1.2)	(0.7)	(4.1)	(5.7)	(4.4)	(1.4)	1.8
Capex (% of total expenditures)	8.5	11.4	15.3	14.4	11.7	16.1	10.2	10.7
Operating-revenue growth (%)	1.5	1.4	1.4	2.0	9.0	5.4	10.2	8.6
Operating-expenditure growth (%)	1.3	2.6	0.4	4.6	12.7	8.3	4.6	5.3
Direct debt (debt outstanding at year-end)	25,309.0	24,460.0	20,729.0	15,499.0	11,425.0	10,897.0	11,288.0	13,113.0
Direct debt (% of operating revenues)	57.0	55.9	48.1	36.4	27.4	28.5	31.1	39.8
Tax-supported debt (% of conso oper revenues)	52.3	51.6	43.8	32.4	23.5	24.6	27.3	36.3
Interest (% of operating revenues)	4.0	3.9	3.7	3.5	1.8	0.6	2.0	2.5
Debt service (% of oper revenues)	10.7	10.8	10.7	10.6	9.0	1.7	7.5	2.5

f--Forecast.

Table 3

Oslo (City of) Economic Statistics								
--Year ended Dec. 31--								
	2012f	2011f	2010f	2009f	2008	2007	2006	2005
Population	613,890	604,817	595,879	587,073	575,475	560,484	548,600	538,411
Population growth (%)	1.5	1.5	1.5	2.0	2.7	2.2	1.9	1.6
Unemployment rate (%)	N.A.	N.A.	N.A.	3.3	2.5	2.3	2.6	3.6
GDP (nominal) per capita (NOK)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	635,107	600,959

f--Forecast. N.A.--Not available Population and unemployment data from Oslo. GDP per capita from Statistics Norway.

**Ratings Detail (As Of June 24, 2009)\*****Oslo (City of)**

Issuer Credit Rating AAA/Stable/--

**Issuer Credit Ratings History**

24-Sep-2007 AAA/Stable/--

03-Oct-2006 AA+/Positive/--

14-Mar-1995 AA+/Stable/--

**Default History**

None

**Population** 575,475 (2008, Statistics Norway)

**Per Capita GDP** NOK635,107 (2006, Statistics Norway)

**Current Government**

Minority coalition government composed of the Conservative Party and the Progress Party.

**Election Schedule**

Elections were held on Sept. 10, 2007. The next elections are scheduled for September 2011.

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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