

Rating Action: Moody's affirms ratings of Kommuninvest and Kommunekredit

Global Credit Research - 16 Jun 2015

London, 16 June 2015 -- Moody's Investors Service has today affirmed Kommuninvest i Sverige Aktiebolag's and Kommunekredit's long-term issuer and senior unsecured ratings at Aaa, with a stable outlook. Moody's has also withdrawn their a1 baseline credit assessments (BCA) in conjunction with the rating agency's decision to no longer applying the Banks methodology to these institutions. Their ratings are now based on guarantees from their regional and local government members, in line with our methodology for Government-Related Issuers.

Refer to the end of this press release for a full list of today's rating actions.

Please click this link for Moody's methodology for rating Government-Related Issuers, published 30 October 2014: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_173845.

RATINGS RATIONALE

The affirmation of Kommuninvest's and Kommunekredit's Aaa/P-1 ratings is based on the joint and several guarantees that these institutions receive from their respective regional and local government (RLG) customers/owners. These guarantees are strong as the RLGs have close financial linkages with their respective sovereigns.

--- KOMMUNINVEST

The affirmation of Kommuninvest's Aaa stable long-term ratings is driven by the lender's strong linkages with Swedish RLGs, which, in turn, derive their strong creditworthiness from their close ties to the Swedish sovereign (Aaa stable). The link between Kommuninvest and its RLG-customer-owners manifests itself through a guarantee under which all RLG members in Kommuninvest Cooperative Society are responsible for Kommuninvest's obligations on a joint and several basis.

The strength of this guarantee is underpinned by (1) Swedish RLGs' broad authority to levy income taxes on their generally wealthy population; (2) Moody's view of RLGs' manageable debt levels at about 15% of GDP; (3) a nation-wide equalisation principle ensures that all RLGs have the financial means to deliver public services as mandated by the central government; and (4) regulation that requires RLG budgets to be balanced within three years. In addition, Sweden's Ministry of Finance oversees the sector, intervening before severe financial challenges arise.

--- KOMMUNEKREDIT

The affirmation of Kommunekredit's Aaa stable long-term ratings is based on a guarantee, under which its RLG-customer-members are responsible for the agency's liabilities on a joint and several basis. The guarantee is strong owing to the RLGs' close financial linkages with the Danish sovereign (Aaa stable). As is the case in Sweden, (1) Danish RLGs have the authority to levy income taxes on their constituents; (2) municipal debt is manageable at around 6% of GDP; (3) a nation-wide equalisation principle ensures that all RLGs have the financial means to deliver public services as mandated by the central government; and (4) regulation requires their budgets to be balanced within three years. In addition, and like in Sweden, the Ministry of Economic Affairs and the Interior oversees the sector, intervening before severe financial challenges arise.

OUTLOOKS

The stable outlooks on Kommuninvest and Kommunekredit are based on the stability of their guarantors.

WHAT COULD CHANGE THE RATINGS UP/DOWN

Kommuninvest's and Kommunekredit's ratings would come under pressure if the creditworthiness of, or the guarantee from its owner-customers and member customers weakens in any way.

LIST OF AFFECTED RATINGS

Issuer: KommuneKredit

....Adjusted baseline credit assessment and Baseline credit assessment, a1 Withdrawn

....Long-Term Issuer Rating , Affirmed Aaa Stable

....Senior Unsecured Regular Bond/Debenture, Affirmed Aaa Stable

....Senior Unsecured Medium-Term Note Program, Affirmed (P)Aaa

....Short-Term Medium-Term Note Program, Affirmed (P)P-1

....Short-Term Commercial Paper, Affirmed P-1

....Outlook, Stable

Issuer: Kommuninvest i Sverige Aktiebolag

.... Adjusted baseline credit assessment and Baseline credit assessment, a1 Withdrawn

.... Long-Term Issuer Rating , Affirmed Aaa Stable

.... Backed Senior Unsecured Regular Bond/Debenture, Affirmed Aaa Stable

.... Backed Senior Unsecured Medium-Term Note Program, Affirmed (P)Aaa

.... Backed Short-Term Medium-Term Note Program (Local Currency) , Affirmed (P)P-1

.... Backed Short-Term Commercial Paper , Affirmed P-1

....Outlook, Stable

The principal methodology used in these ratings was Government-Related Issuers published in October 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology..

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Jan Skogberg
Analyst
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Sean Marion
Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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