

KOMMUNINVEST **INVESTOR BRIEFING**

Funding forecast for 2022



Technical problems?

Please refer to our short guide:
www.kommuninvest.se/digital-meetings



Q&A

For questions and comments
to panel in written form



Raise Hand

To request the floor for questions
and comments live in the meeting

The webinar starts at 15.00

Welcome!





Christian Ragnartz

Head of Debt Management



State-of-play in key areas

Efficiencies

- First issue of new bond in auction set-up
- Leaving Uridashi

Social Bonds

- Some momentum regarding Social Sustainability Loans
- But still some way to go before an initial Social Bond

Green Bonds

- Crucial to find a balanced approach to taking new taxonomy on board
- In close dialogue with relevant stakeholders



The risk tax

The parliament's decision

- The bill was adopted but with important declarations from the parliament:
 - The government, no later than October 1, 2022, shall present a proposal to ensure that Kommuninvest is no longer targeted by the tax from January 1, 2023
 - The government shall, as soon as possible, present a proposal to compensate the municipal sector for the extra costs that the temporary taxation will entail.

Kommuninvest's approach

- Expect the government will deliver on the declaration
- Expect to pay approx. SEK 255 million in risk tax 2022
- For 2022, the tax will primarily be covered by cost cuttings, streamlining and probably lower returns on capital
- The capitalization plan for 2021-24 unchanged
- Will monitor the process closely and would be happy to contribute





Emelie Värja

Head of Research

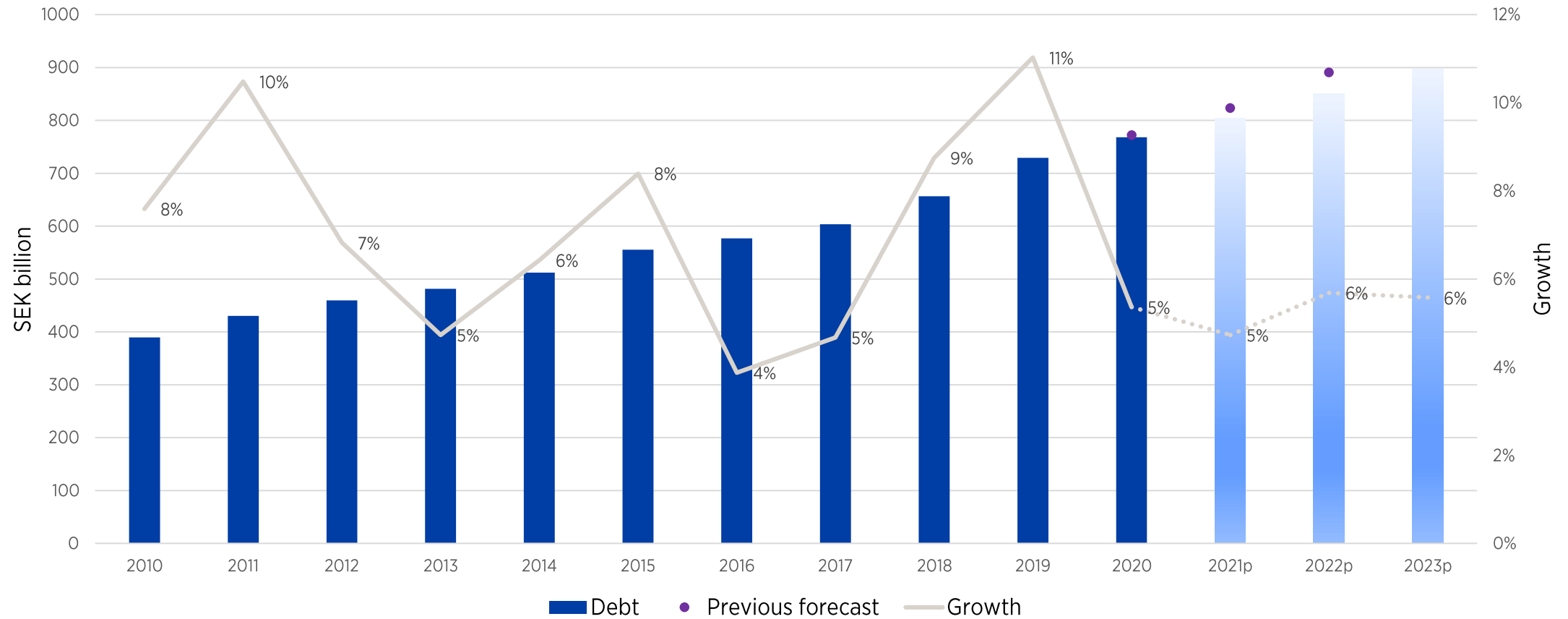


The municipal sector

Current situation and forecast

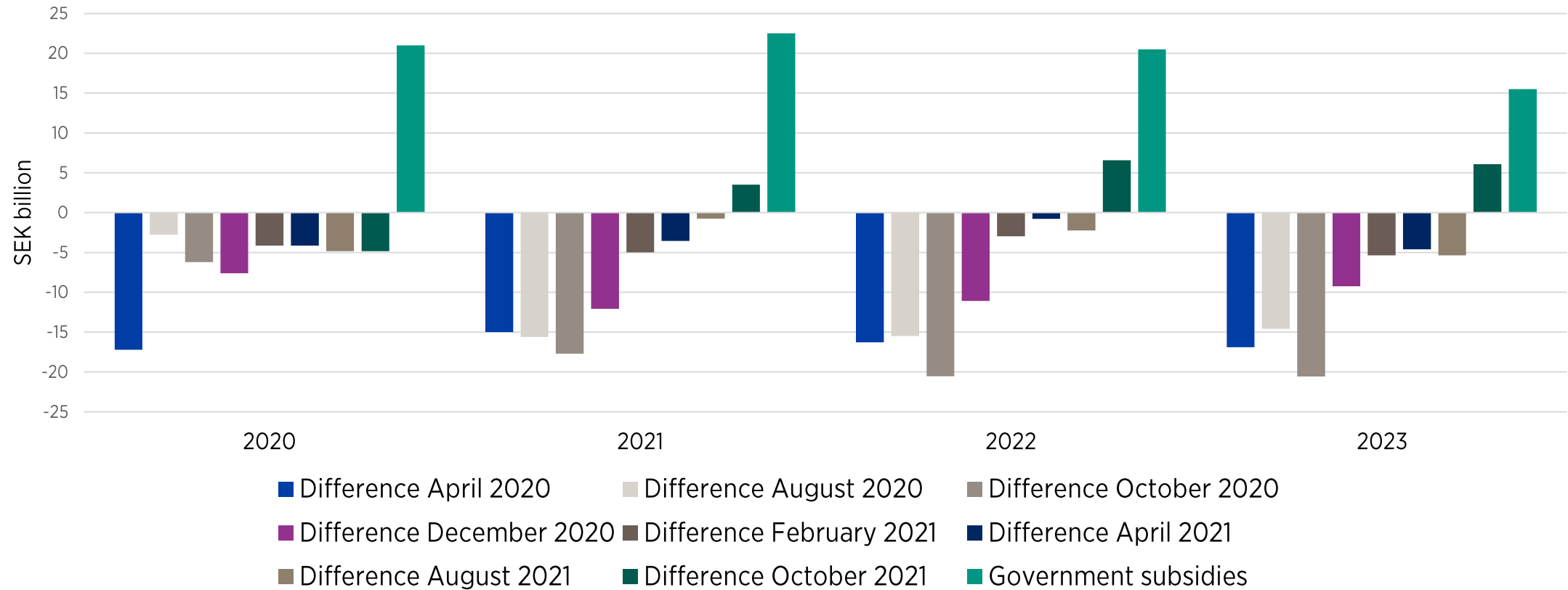


Local government debt – scenario



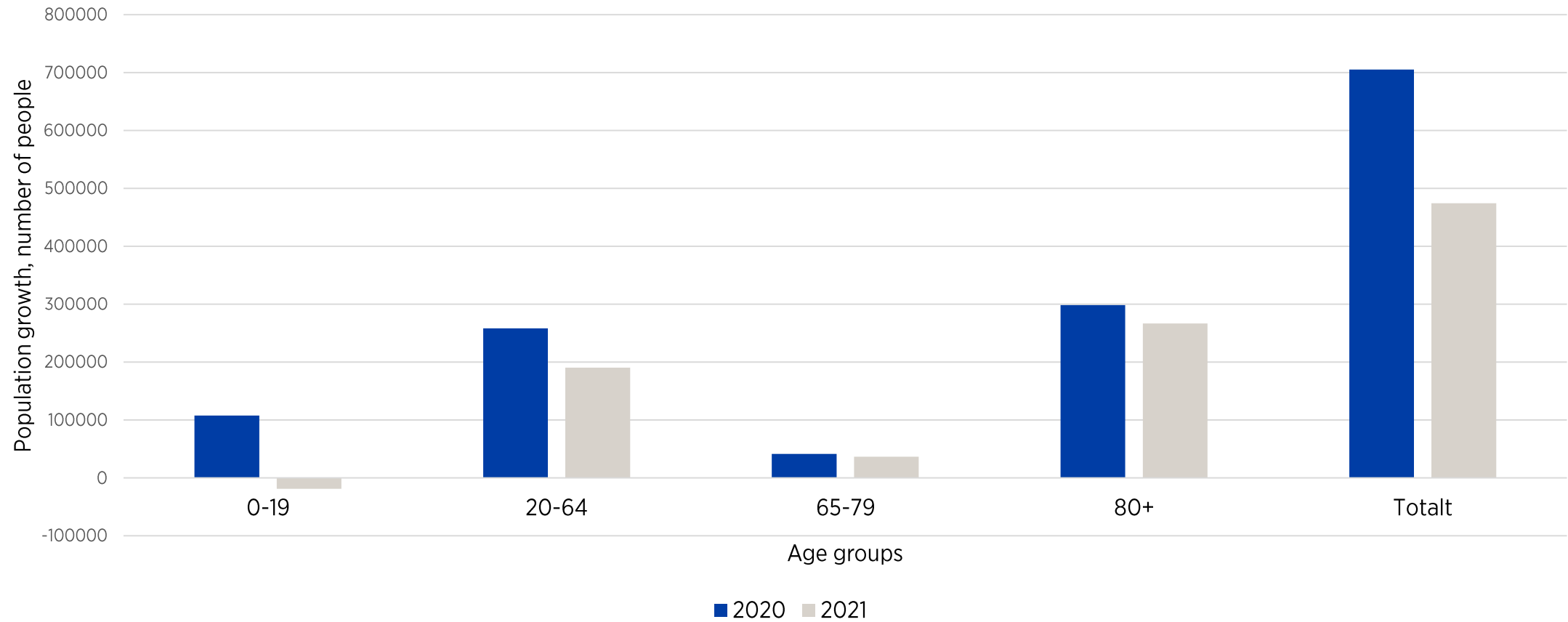
Source: Kommuninvest

Economic effects – better than expected



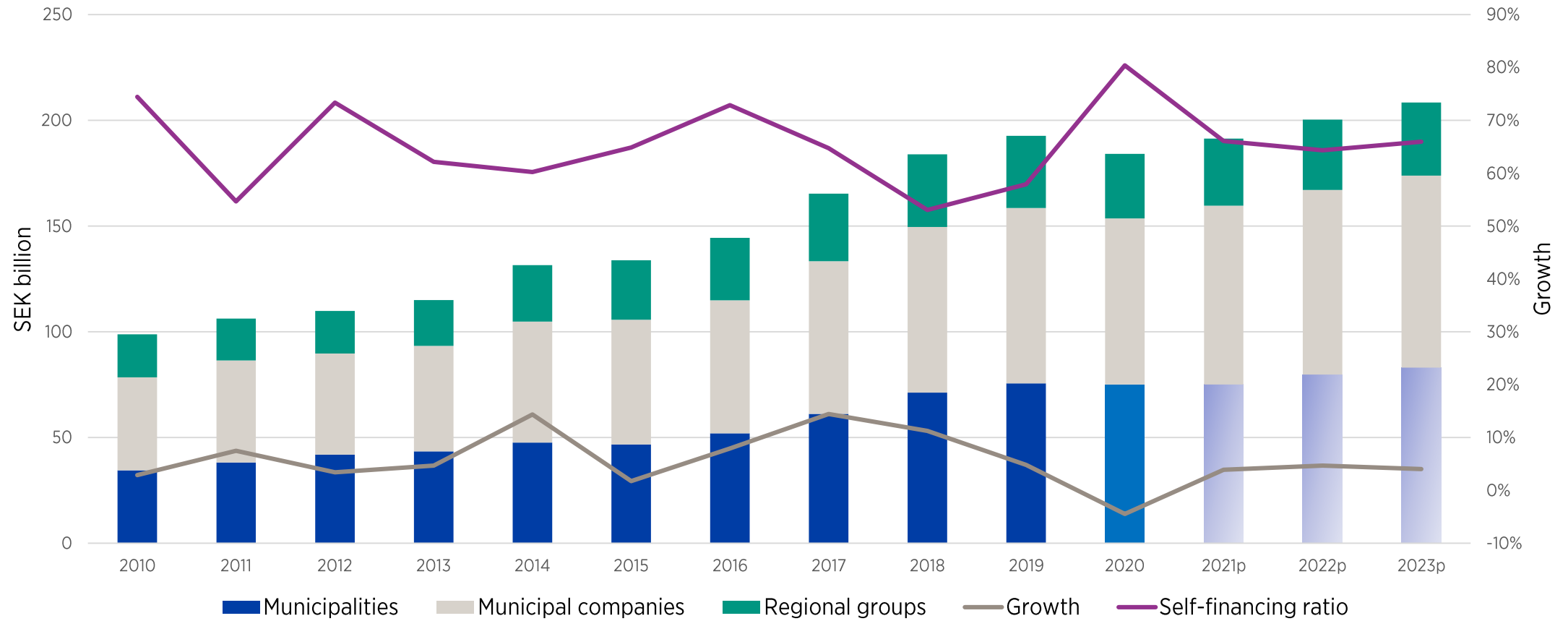
Source: Statistics Sweden and SALAR

Population growth – changed outlook



Source: Statistics Sweden

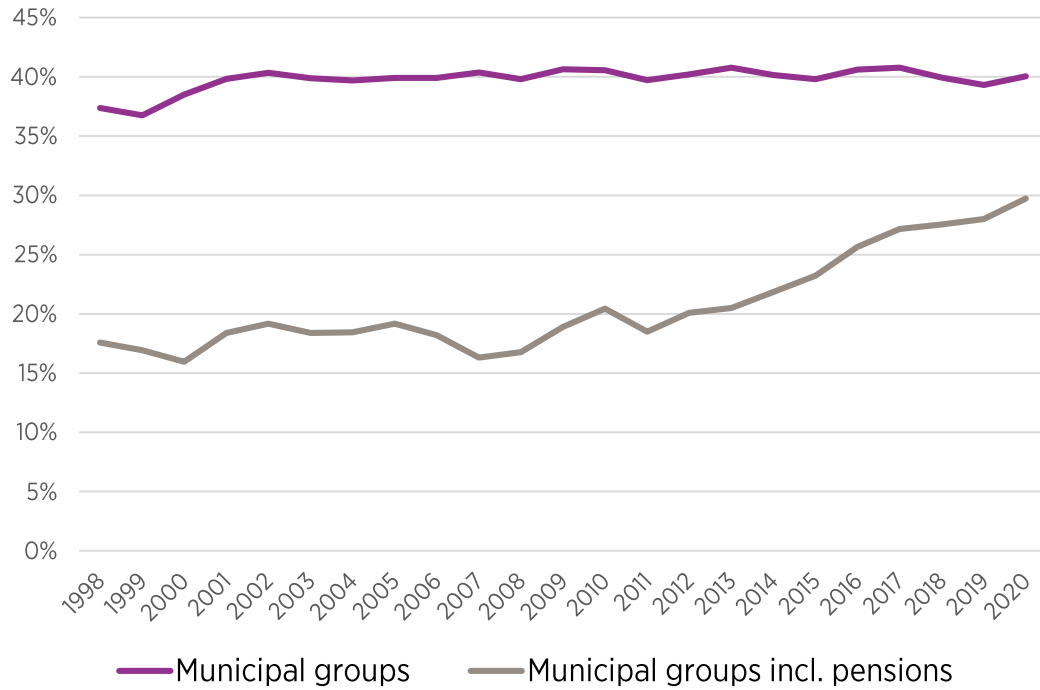
Investments



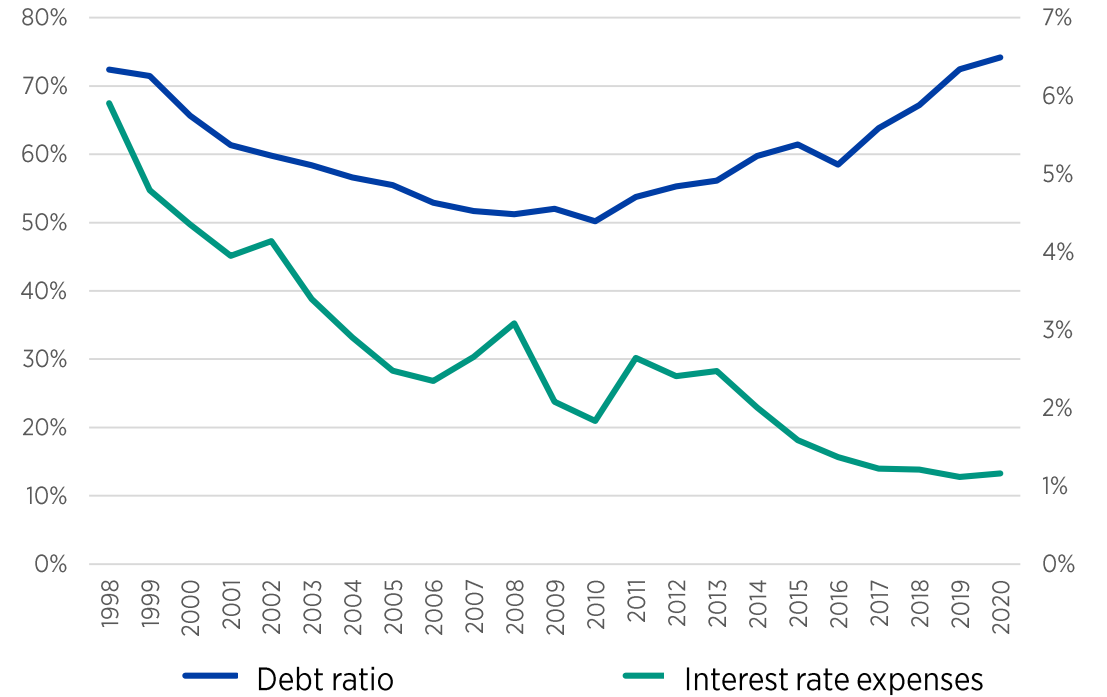
Source: Kommuninvest

Financial strength

Equity ratio



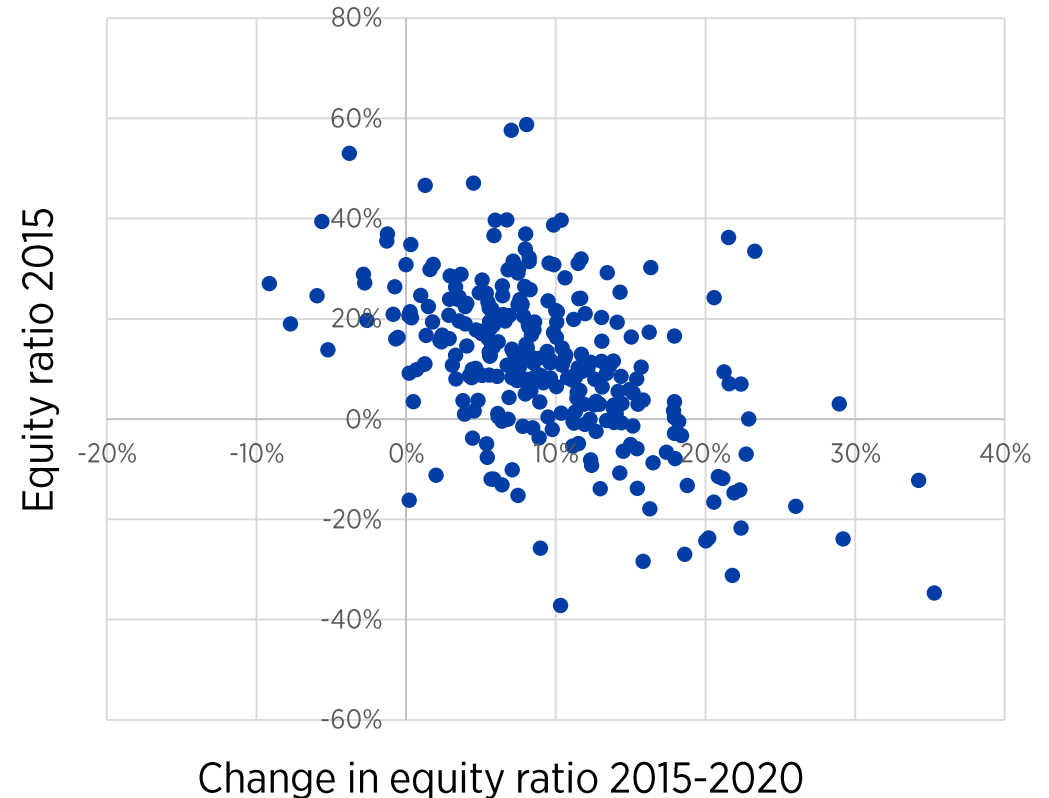
Debt ratio and interest rate expenses



Source: Statistics Sweden, Kommuninvest

Level and change of equity ratio

- The local government sector generally demonstrates genuine financial strength
- Earnings are high and the equity ratio, including pensions, has increased over time
- At the same time, there are municipalities and regions facing financial challenges
- A number of small municipalities are in fact under hard pressure – with negative equity ratios and/or negative net income



Commission of inquiry into efficient financial management in the local government sector



- A set of proposals was presented in the final report published in September
- Key proposals: introduction of 10-year strategic programs, guaranteed level of tax base growth, changing from RUR to new buffer set-up
- The overall approach could, if implemented, contribute to improve the long-term financial strength of the municipal sector
- But the approach on several points fails to meet the needs of the smaller municipalities



Conclusions

- Reduced investment growth and higher results imply dampened borrowing needs and an increased self-financing ratio
- Debt continues to grow in the forecast, but at a lower pace than in previous years
- The financial strength of the municipal sector seems to be increasing
- While there is clearly a demographic challenge ahead, the revised-down population growth forecasts appear to be decreasing the gravity of the problem





Tobias Landström

Deputy Head of Debt Management



Funding Strategy

- Matching assets and liabilities (ALM)
- Strategic benchmark programmes (SEK, USD, EUR)
- Conservative liquidity management
- Lending prices always reflect funding levels

Funding forecast 2022

SEK 115 - 135 bn

long-term funding



Highlights and stats 2021

Stats

- 2021-12-13 SEK 120 bn in long-term funding
- Close to original target of SEK 120-140 bn
- 60% in SEK, and 40% in USD
- SEK 19 bn in Green Bonds

Highlights

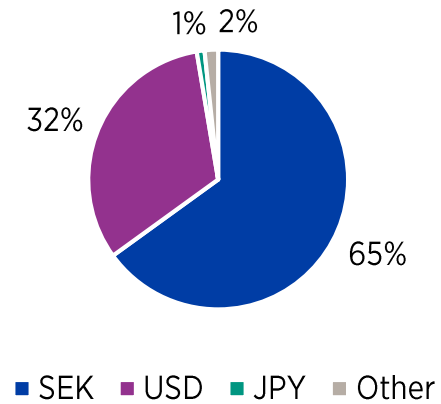
- 2 new members
- 2 new bonds in the Swedish Benchmark Programme, K2805 and K2706 (new issue by auction procedure)
- 3 Green Bonds
- 4 conventional US-dollar Benchmark bonds (+ 1 green)



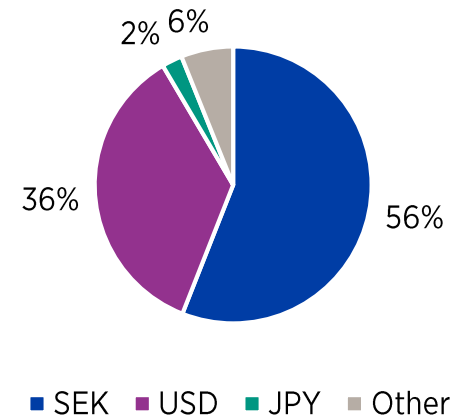
Strategic markets

- SEK, USD and EUR defined as strategic markets
- Access to liquidity and economies of scale are key success factors
- Benchmark strategy
- The Swedish Benchmark Programme, largest funding source

Outstanding funding by currency 2021-11-30



Outstanding funding by currency 2018-12-31



What determines long-term funding?

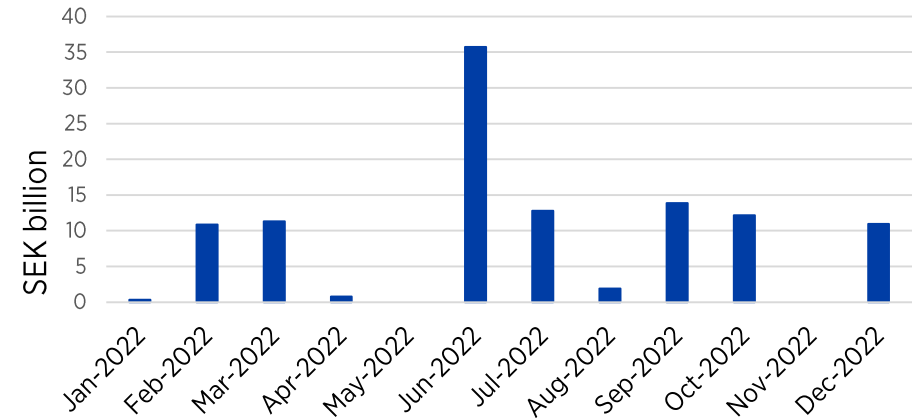
Volume

- Maturity profile of assets and liabilities
- New loans
- Funding the liquidity reserve

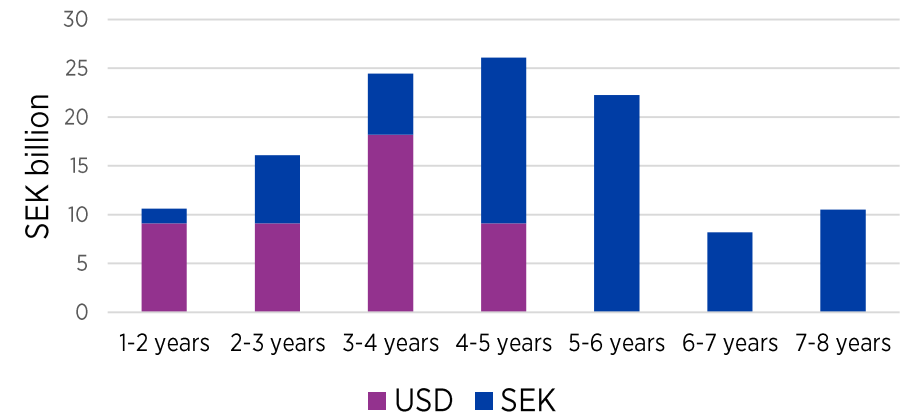
Timing and term

- Mirror customer loans
- Relatively constant over time

Maturity date by month 2022



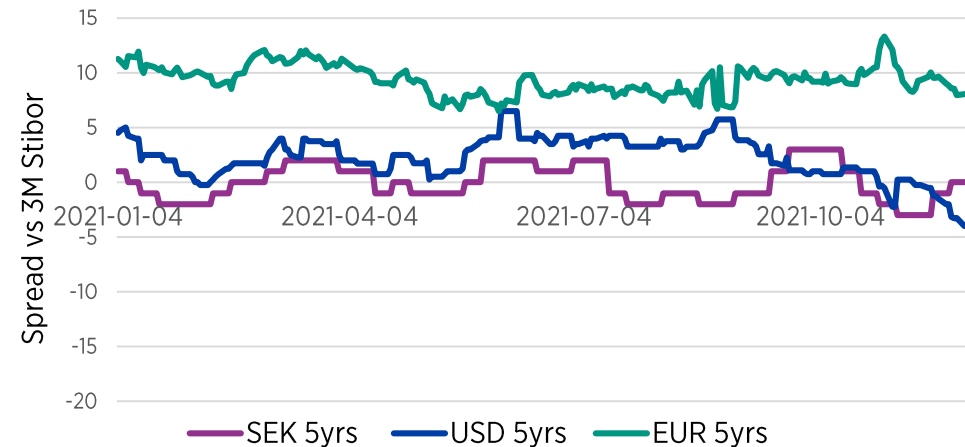
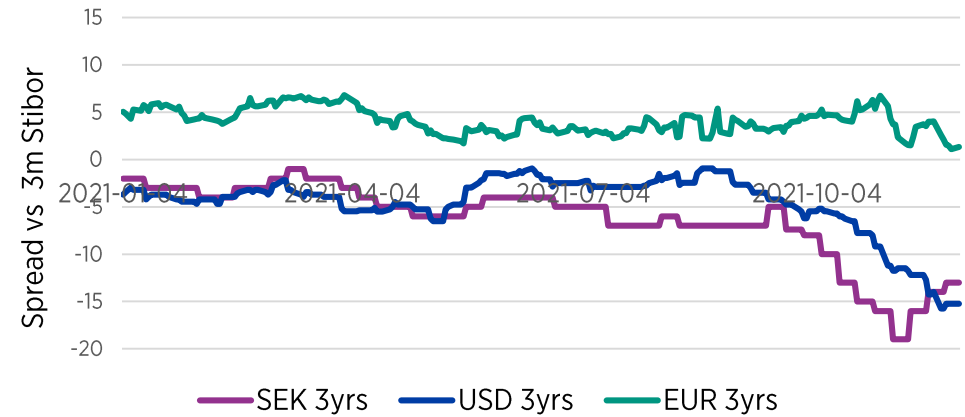
Funding by term 2021



Deciding strategic market

When deciding in which market to fund, different factors are considered:

- Price and market conditions
- Funding requirement
- Timing
- Tactical considerations



Sustainable lending and funding

Green Loans since 2015

- Maturities from 3-25 years
- No floor or cap to loan sizes. Current portfolio: from SEK 0.5 mn to 1.25 bn

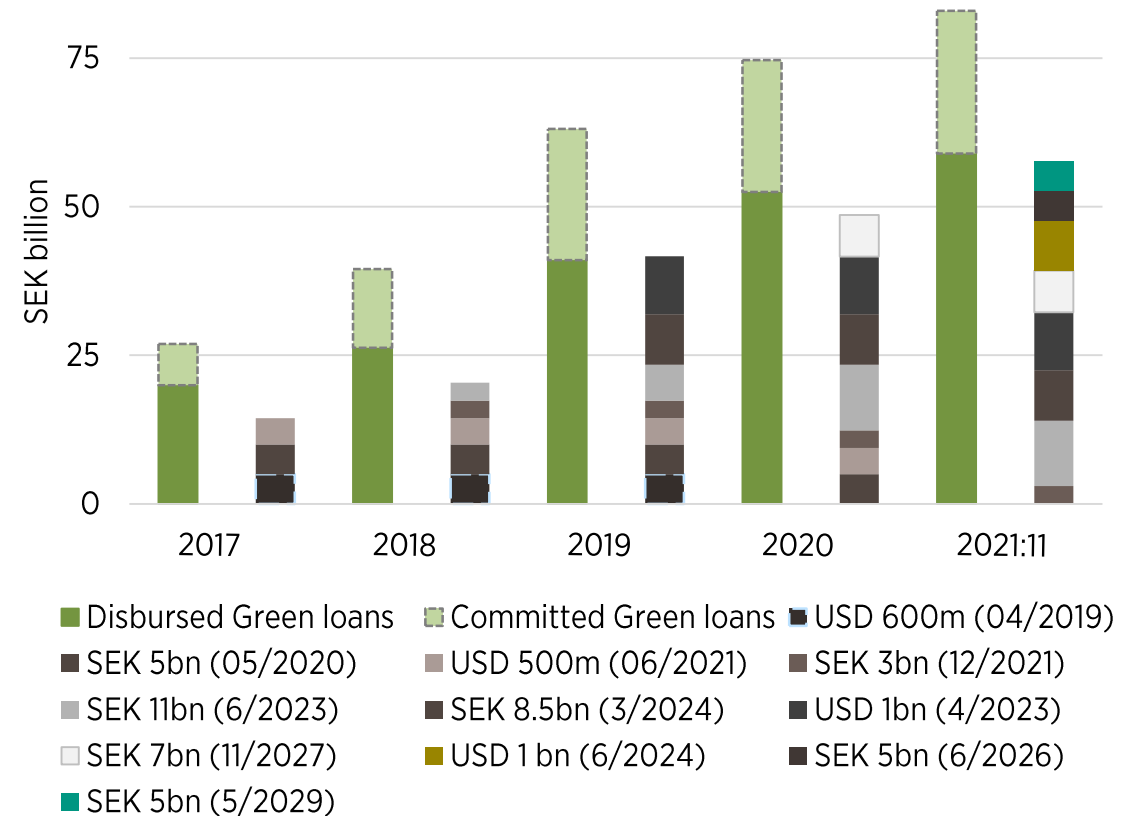
→ 12 % of all lending is now green

Green Bonds issued since 2016

- Kommuninvest is Sweden's largest issuer of green bonds
- Leads Nordic public sector initiative on impact reporting

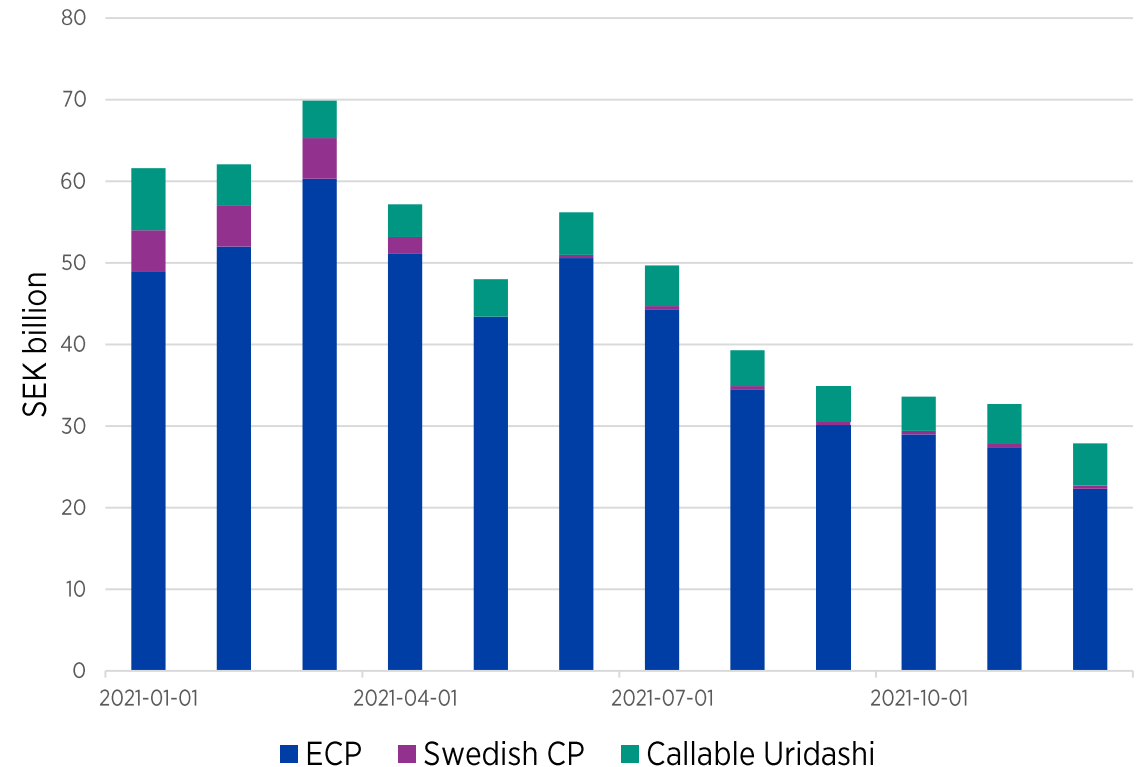
Social lending

- New lending product launched



Short-term funding

- ECP and Swedish CP issuance primarily used to fund the liquidity reserve
- Price an important factor when selecting between ECP and Swedish CP
- Kommuninvest has decided to no longer issue bonds in the Japanese Uridashi market. The decision is part of a continuous effort to optimize the funding strategy



Updated auction calendar SEK

2022-01-12 Potential bonds: K2302, K2410, K2602, K2706

2022-01-19 Potential bonds : K2311, K2505, K2611, K2805

2022-01-26 Potential bonds: K2302, K2410, K2602, K2706

2022-02-02 Potential bonds: K2311, K2505, K2611, K2805

2022-02-09 Potential bonds: K2410, K2602, K2706

2022-02-16 Potential bonds: K2311, K2505, K2611, K2805

2022-02-23 Potential bonds: K2410, K2602, K2706

2022-03-02 Potential bonds: K2311, K2505, K2611, K2805

2022-03-09 Potential bonds: K2410, K2602, K2706

2022-03-16 Potential bonds: K2311, K2505, K2611, K2805

2022-03-23 Potential bonds: K2410, K2602, K2706

2022-03-30 Potential bonds: K2311, K2505, K2611, K2805

2022-04-06 Potential bonds: K2410, K2602, K2706

2022-04-13 Potential bonds: K2311, K2505, K2611, K2805

2022-04-20 Potential bonds: K2410, K2602, K2706

2022-04-27 Potential bonds: K2311, K2505, K2611, K2805

This is a preliminary calendar. If conditions change, dates might be adjusted.



Questions



Q&A

For questions to panel
in written form



Raise Hand

To request the floor for questions





Thank you for your participation

If you have more questions, you'll find more information at www.kommuninvest.se/en



The webinar can be viewed shortly on

