



Kommuninvest

Swedish local government debt office

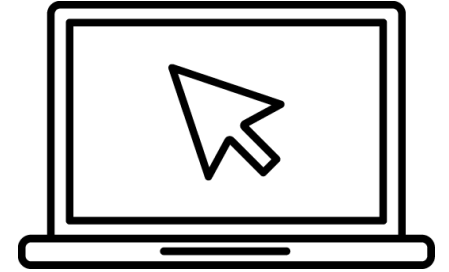
AAA/Aaa, Level 1, 0% RW





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Visit Kommuninvest's website

It contains in-depth information about Kommuninvest and the Swedish local government sector, including financial reports, rating reports and legal documentation.

www.kommuninvest.se/en

Bloomberg ticker:

KOMINS





Kommuninvest

Overview





Fundamentals

Founded in
1986

Owned by 295 local
governments in
Sweden

Explicit, irrevocable,
unlimited, joint and
several guarantee from
our owners

The largest provider
of loans to the local
government sector
in Sweden

100 percent of lending
goes to our owners and to
their majority owned
companies

No credit losses in
loan portfolio ever

Our vision is to be the world's leading organisation for municipal financial management.

Our mission is to provide the local government sector in Sweden with low cost and stable funding so that investments can be made for a sound and sustainable society.

Climate target

Kommuninvest shall be a tool and support for the municipal and regional sector to be able to reach Sweden's goal of climate neutrality by the year 2045

Funding forecast 2024

SEK 130-150 bn

AAA
Aaa



Sweden

Facts and figures





Key facts Sweden

Key facts

Rating	AAA/Aaa/AAA stable outlook
Government	Parliamentary democracy
Population	2023: 10.6 million
Currency	Swedish krona (SEK)
European Union	EU member since 1995
Nato	Full member since March 2024

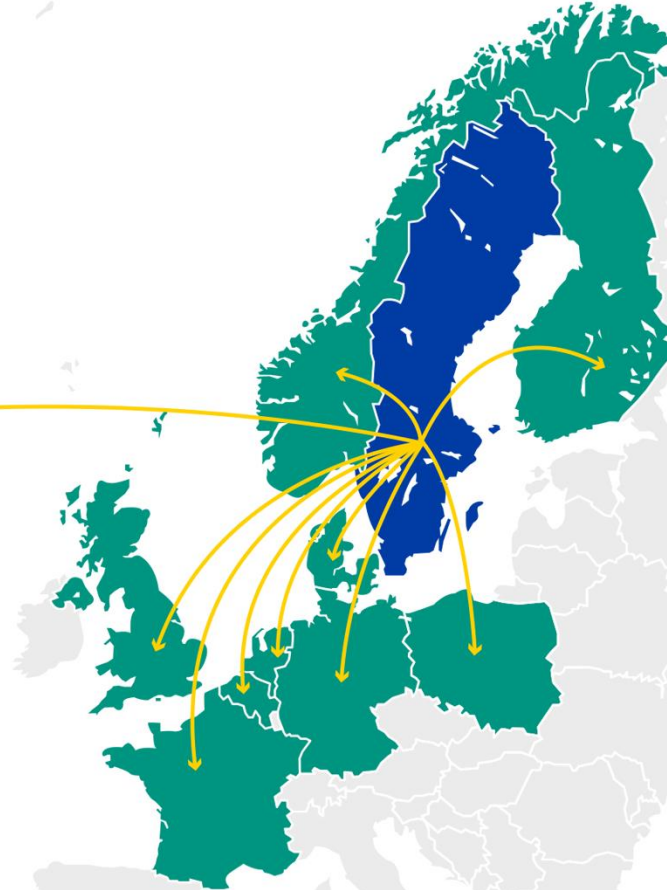
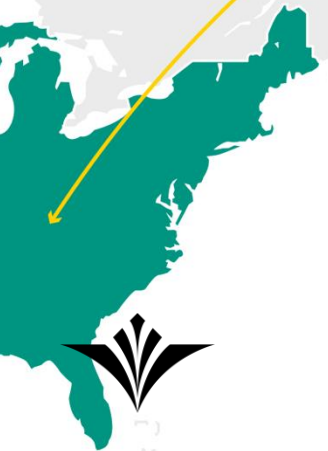
Year	GDP	CPI (year end)	Unemployment	Policy rate (year end)
2019	1,20%	1,80%	6,80%	-0,25%
2020	-2,20%	0,50%	8,30%	0%
2021	4,80%	3,9%	8,80%	0%
2022	2,60%	12,3%	7,50%	2,50%
2023	-0,20%	4,4%	7,70%	4%





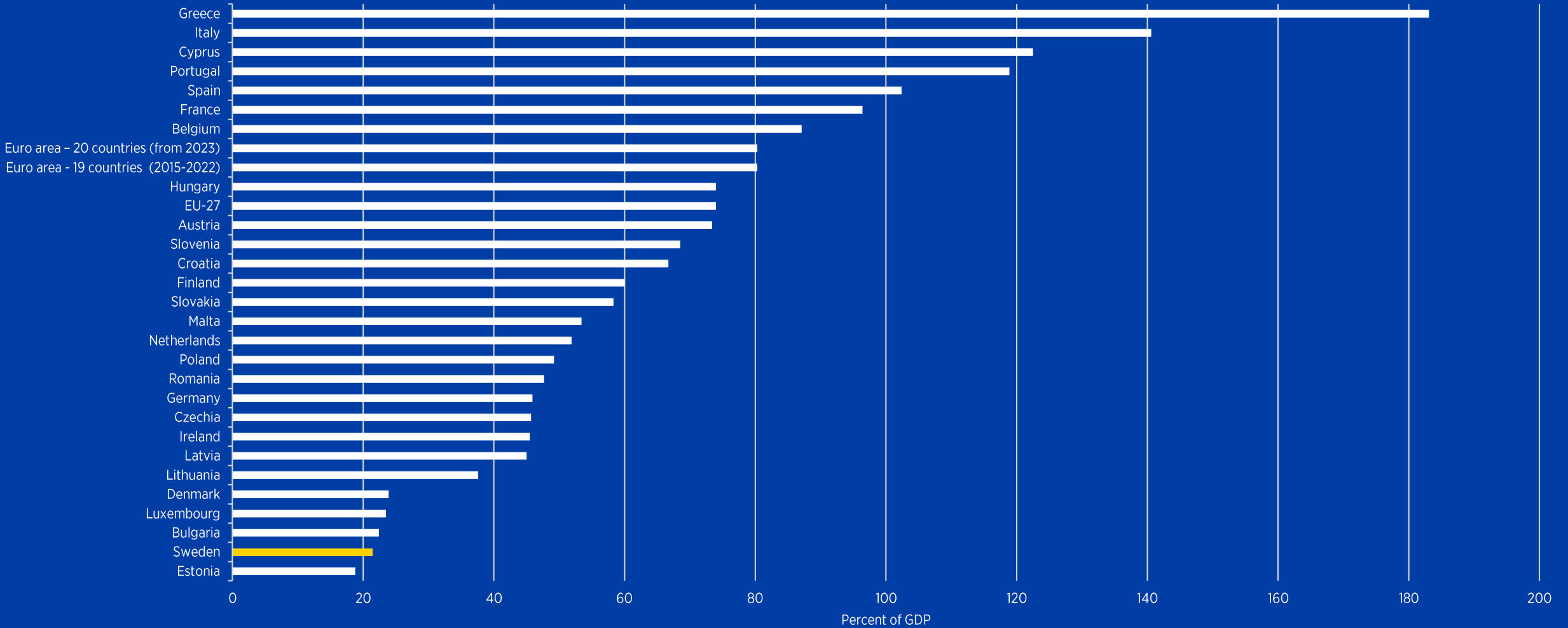
Export - Sweden's 10 largest trade partners

1. Germany 11 %
2. Norway 10 %
3. United States 9 %
4. Denmark 7 %
5. Finland 7 %
6. Netherlands 5 %
7. United Kingdom 5 %
8. France 4 %
9. Belgium 4 %
10. Poland 4 %





General government debt Europe



Debt expressed as Maastricht debt
Reference period: 2022
Source: Eurostat

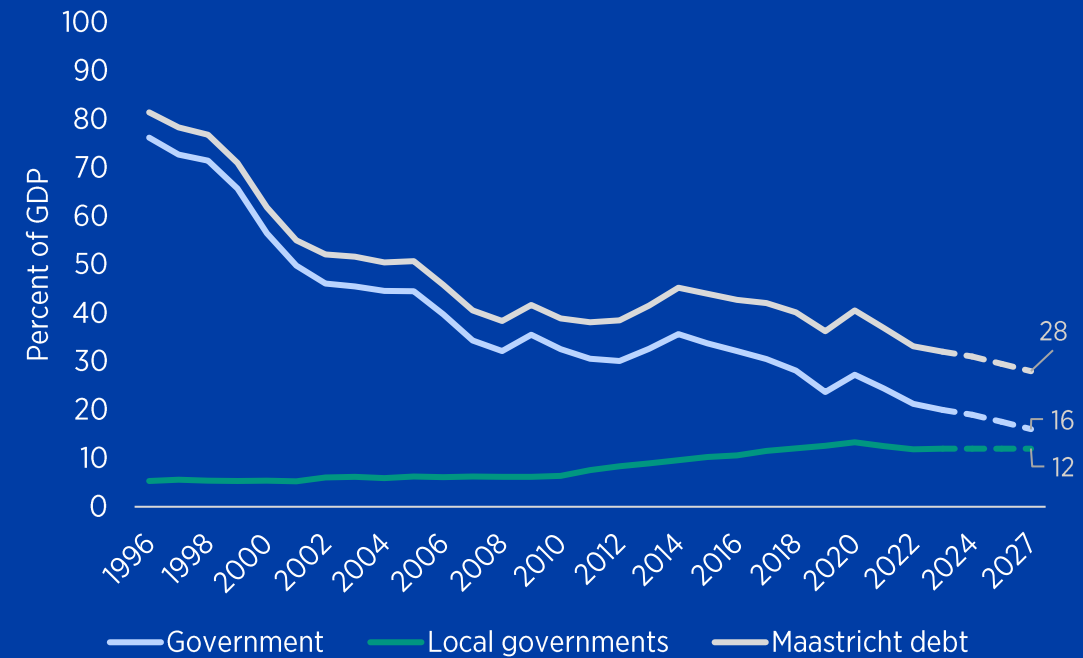


Central- and local government debt

Low and stable

- 21 percent gross central government debt in 2022
- Gross local government debt has been stable over the past years and was 12 percent by the end of 2022

Swedish public sector debt development 1996-2022



Debt expressed as Maastricht debt
Source: Statistic Sweden and SKR





Public sector





Distribution of public sector spending

The welfare system is the responsibility of the local governments

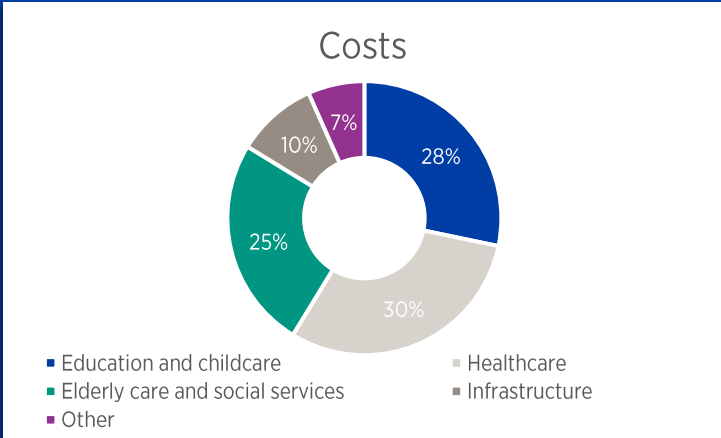
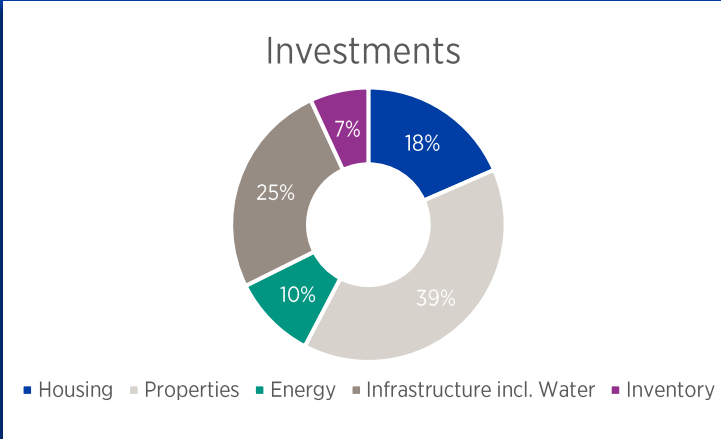
75%

of public sector spending



Local governments

Local governments are only allowed to borrow for investments.





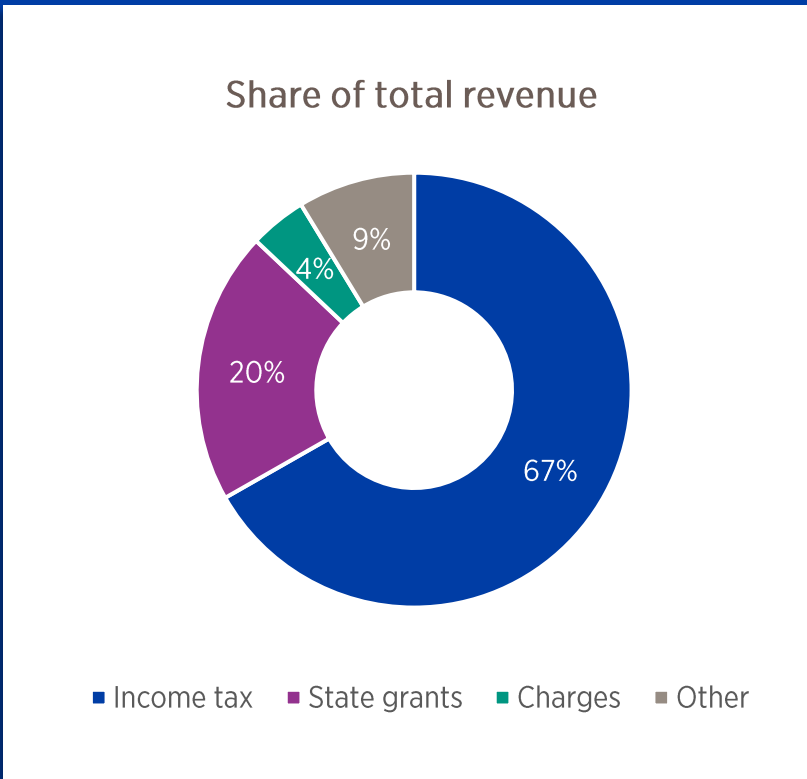
Revenue of Swedish local governments

90%

of income tax

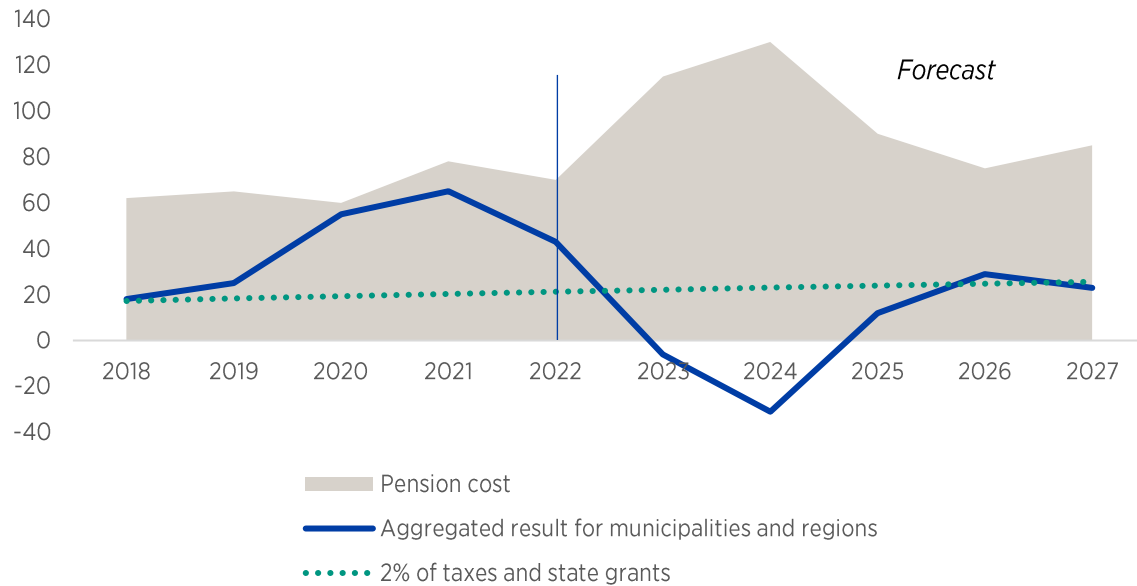


Local governments





Aggregated result for municipalities and regions



Source: SKR Ekonomirapporten Oktober 2023

The economic situation within the local government sector

Strained economic situation within the local government sector due to increased inflation and higher pension cost.

Currently weaker results but coming from years of strong economic development within the sector.

What is being done to handle the situation and regain balance?

- Savings
- Structural changes to obtain a higher level of efficiency and economic sustainability
- Reserves are being used from previous savings (RUR)
- Increased taxes

Challenges and possibilities

- Demographic changes
- Climate adaptations
- Reducing greenhouse gas emissions and transforming to a more green and sustainable society

Constitutional system



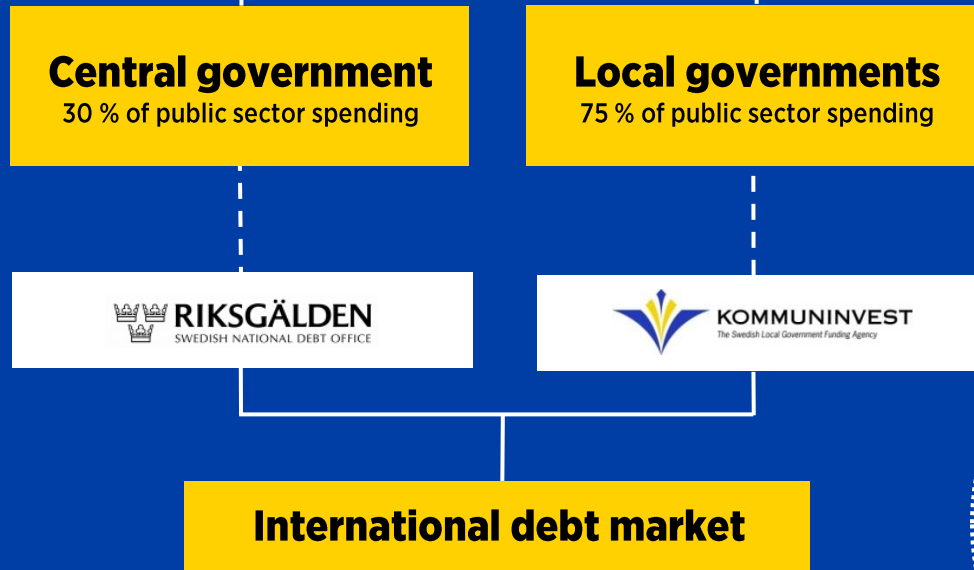
Co-equal status between central and local government defined by constitution.

Swedish constitution – Instrument of Government

Art 1 Swedish democracy is founded on the free formation of opinion and on universal and equal suffrage. It shall be realized through a representative and parliamentary polity and through local self-government.

Art 7 Sweden has local authorities at local and regional level.

Chapter 14, Art 4 The local authorities may levy tax for the management of their affairs.



An unlimited joint and several guarantee covers all liabilities Kommuninvest has already entered into and will subsequently enter into.

Local governments cannot legally declare insolvency nor suspend payment.





Strong institutional framework

A local government cannot be declared bankrupt. They can not fulfil the criteria of being insolvent since they have the right to levy taxes.

Management

Local governments must have sound financial management

*Law:
"Kommunallagen chap. 8 §1-2
(1991:900)"*

Budget

Local government budgets shall be in balance. Any imbalances must be restored within 3 years

*Law:
"Kommunallagen chap. 8 §4-5
(1991:900)"*

Compensation

If the government alters the tasks of local governments, the government must also neutralize their financial effect

In force since 1993

Equalization

Financial imbalances between local governments are equalized

*Law: "Lagen (2004:773)
om kommunalekonomisk utjämning"*





Kommuninvest



Swedish local government debt office



Mission: To provide members with low cost and stable funding

Founded 1986

295 members (total 310)

15 regions

280 municipalities





Explicit and unlimited guarantee

STRONG

- ✓ Municipalities and regions cannot be declared bankrupt nor cease to exist
- ✓ Swedish municipalities and regions levy taxes
- ✓ The government ultimately responsible

STABLE

- ✓ No Swedish local government has ever defaulted on a payment commitment
- ✓ Sweden's Supreme Administrative Court confirmed the right of local government to sign the joint and several guarantee in a 1994 ruling

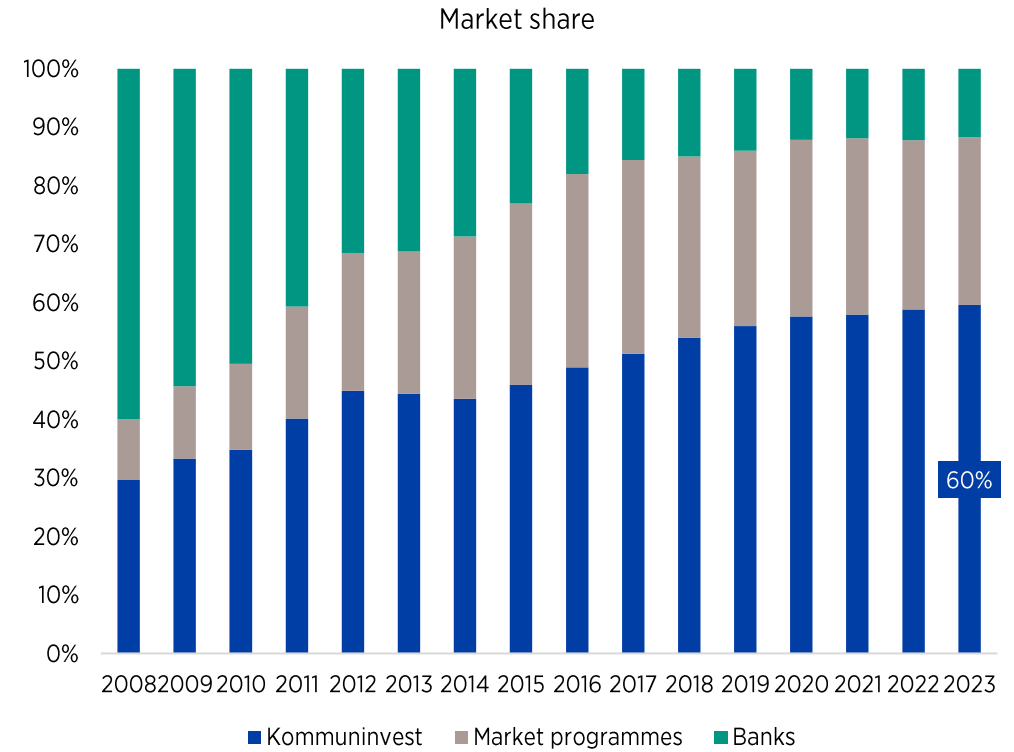
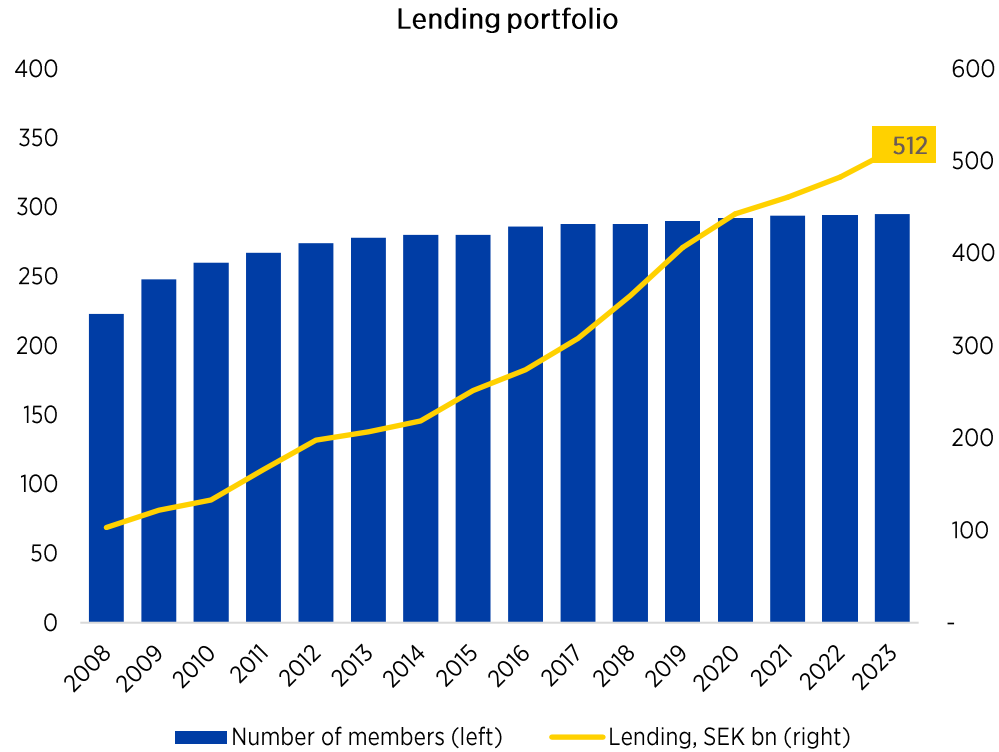
IMMEDIATE

- ✓ Investors can make a claim on any, or all, of the guarantors without a court order
- ✓ All debt guaranteed by Swedish local governments is BIS 0% risk-weighted in the EU area





Local government sector funding





Rating

+11,00.00





Value and security for investors

- Explicit, irrevocable, unlimited, joint and several guarantee from owners.
- Regulated by the Swedish FSA which has concluded that the risk exposure associated with Kommuninvest securities is equivalent to government securities.
- Lowest possible credit risk (0% risk weight, Basel). Highest possible liquidity (LCR "Level 1", Basel). Applicable in EU, Schweiz, Singapore, Sweden, UK and USA.
- Monetary policy counterparty to the Riksbank and a member of the central clearing- and payment system, RIX.
- Repo eligible at the Riksbank, FED and ECB*.
- Eligible as collateral at London Clearing House (LCH) and Nasdaq OMX.

**Repo eligibility in ECB applies to USD denominated bonds that are issued after the 1st of September 2022. All EUR denominated bonds are repo eligible in ECB.*



Highest possible creditworthiness

Moody's: Aaa / P1, stable outlook
Standard & Poor's: AAA, stable outlook





Value and security for investors

ESG-rating



C+ "Prime"

Prime Status enables investors to identify companies with an overall ESG rating above the industry-specific Prime threshold, which means that they fulfil ambitious absolute performance requirements.

AA "Leader"

A company leading its industry in managing the most significant ESG risks and opportunities

13.1 "Low risk"





Funding

+11,00.00





Funding strategy



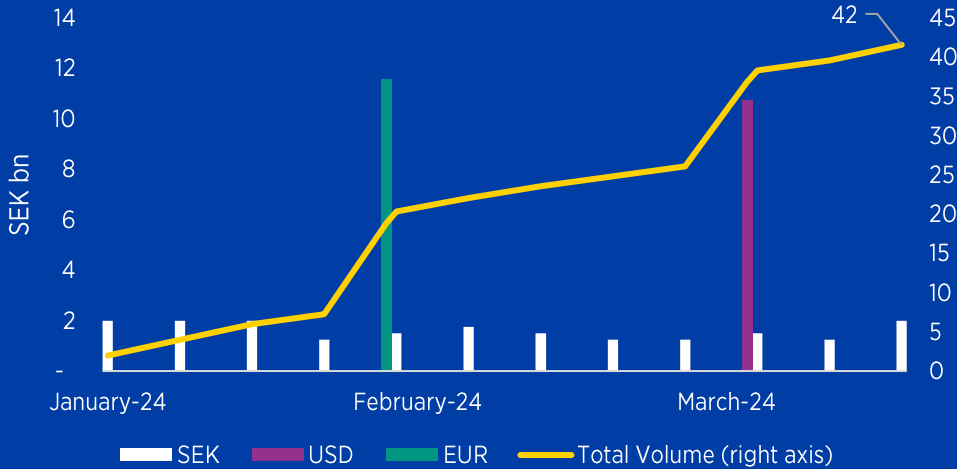
Funding forecast 2024

SEK 130-150 bn

long-term funding



Issuances Q1 2024





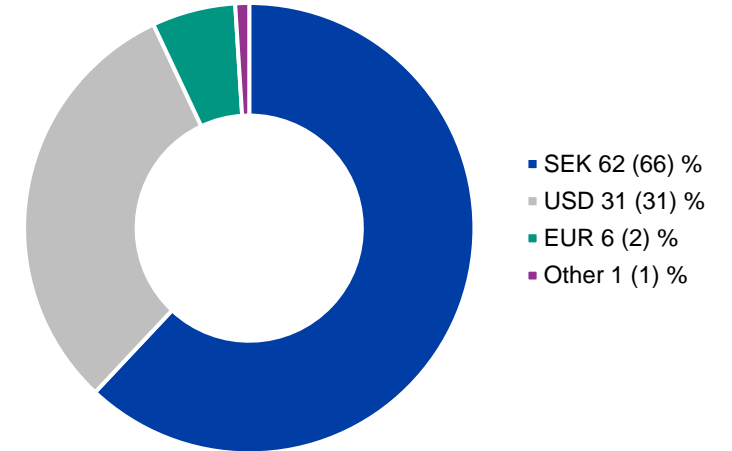
Funding portfolio

SEK 544 (521) bn

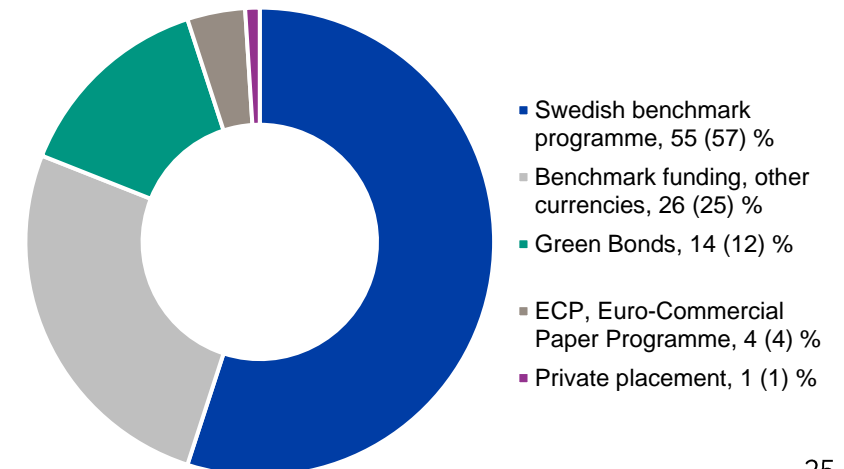
31 December 2023 (31 December 2022)



Funding by currency



Funding by programme





Liquidity reserve

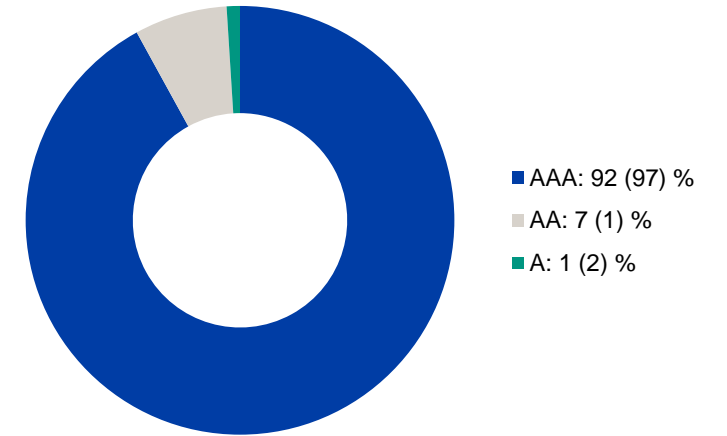
SEK 44 (62) bn

31 December 2023 (31 December 2022)



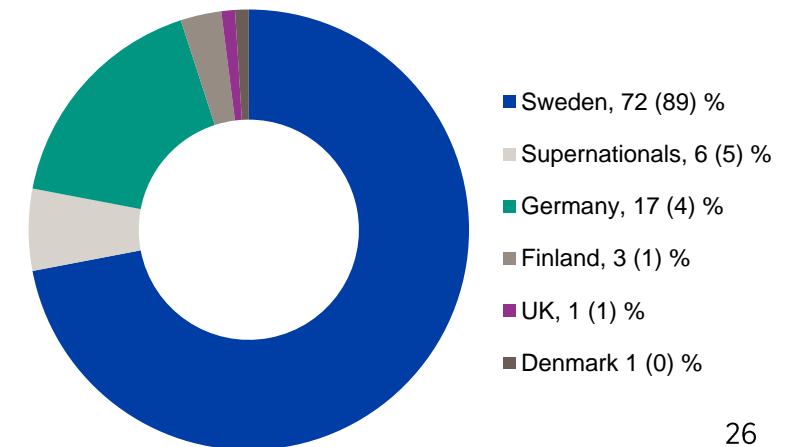
Liquidity reserve distributed by rating category

31 December 2023 (31 December 2022)



Liquidity reserve distributed by country

31 December 2023 (31 December 2022)





Funding programmes

	Short-term funding		Long-term funding		
Programme	Euro-Commercial Paper (STEP label)	Swedish Certificate program	Euro Medium Term Note		SEK Funding
			EUR/USD Benchmark	Green bonds	Swedish Benchmark program
Capacity	EUR 10 bn	SEK 50 bn	Unlimited	Unlimited	Unlimited
Retailers	Barclays, BofA, BNP Paribas, Citigroup, Crédit Agricole CIB, ING, J.P. Morgan, Nomura, Rabobank, UBS	Danske Bank, DNB, Handelsbanken, Nordea, SEB, Swedbank	Barclays, BNP Paribas, Citigroup, Crédit Agricole CIB, Danske Bank, JP Morgan, Nomura, TD Securities, Bank of America, Nordea, SEB, Handelsbanken, Swedbank	Barclays, BNP Paribas, Citigroup, Crédit Agricole CIB, Danske Bank, JP Morgan, Nomura, TD Securities, Bank of America, Nordea, SEB, Handelsbanken, Swedbank	Barclays, Danske Bank, Handelsbanken, Nordea, SEB, Swedbank
Rating	P-1 (Moody's)	No rating	AAA (S&P), Aaa (Moody's)	AAA (S&P), Aaa (Moody's)	AAA (S&P), Aaa (Moody's)
Currencies	EUR, USD, SEK, CHF, GBP	SEK, EUR	EUR, USD	SEK, EUR, USD	SEK





SEK

Benchmark programme

Total outstanding amount 31 December 2023 SEK 311 bn

- Currently 8 outstanding benchmark bonds
- 1-2 new benchmarks annually
- Weekly auctions
- 6 market makers*
- Included in major indices
- Transparent & predictable issuance
- Repo facility

*Barclays, Danske Bank, Nordea, SEB, Svenska Handelsbanken, Swedbank



Kommuninvest vs Sweden Government Bond 5y



International funding



EUR Benchmark programme

- 4 outstanding green EUR benchmark issues
- 1 outstanding classic EUR benchmark issue
- Combined volume of EUR 3.25bn*
- Outstanding bonds can be tapped

USD Benchmark programme

- 2 outstanding green USD benchmark issues
- 13 outstanding classic USD benchmark issues
- Combined volume of USD 14.25bn*
- Bonds can be obtained with either RegS or 144A documentation
- Outstanding bonds are typically not tapped

Allocation principle: The general thought is that everyone within the same investor category, categorized by the lead managers, will get the same allocation key.

* As of 31 March 2024





Sustainability



Sustainability is our mission

SUSTAINABLE FINANCE

Green

Green Loans
Green Bonds



Social

Social Sustainability Loans
Social Bonds



Governance

Loans – advice –
research – education

'Sound economic housekeeping'

Steering and control

Financial management

Debt management · Real estate
strategy · Liquidity · Systems

ORGANISATION AND OPERATIONS

Environment

Business travel · Green purchasing
· Energy consumption

HR

Work environment · Employeeship
· Gender equality · Diversity · Health

Responsible business

Compliance · Managing conflicts of
interest · Code of conduct





Climate plan Kommuninvest

Target:

Kommuninvest shall be a tool and support for the municipal and regional sector to be able to reach Sweden's goal of climate neutrality by the year 2045

Priorities 2024:

- Financed GHG emissions for the whole lending portfolio will be calculated
- Based on the calculated reference emissions, a pathway of reduced emissions will be defined in terms of interim targets leading to financed climate neutrality
- Updating the **Green Bonds framework**, including partial EU taxonomy alignment
- Continue to incorporate ESG factors in the credit process



Green bonds framework

To the extent feasible and reasonable, as deemed by the Committee, Green Loan eligibility criteria should meet EU Taxonomy substantial contribution criteria



Climate change mitigation



Climate change adaptation



Sustainable use and protection of water and marine resources



Transition to a circular economy



Pollution prevention and control



Protection and restoration of biodiversity and ecosystems





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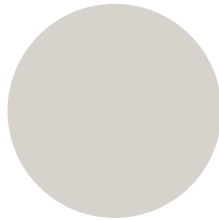
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Appendix

Green and Social bonds



Green Bonds

- Largest issuer of Green Bonds in Sweden
- Eligible projects are screened and approved by the Green Bonds Environmental Committee
- Green Bonds Framework adheres to the guidelines set out by the Green Bond Principles
- Second opinion from Cicero



Green Bonds issuance focused on strategic funding markets

Issuance to date in strategic funding markets SEK, USD and EUR

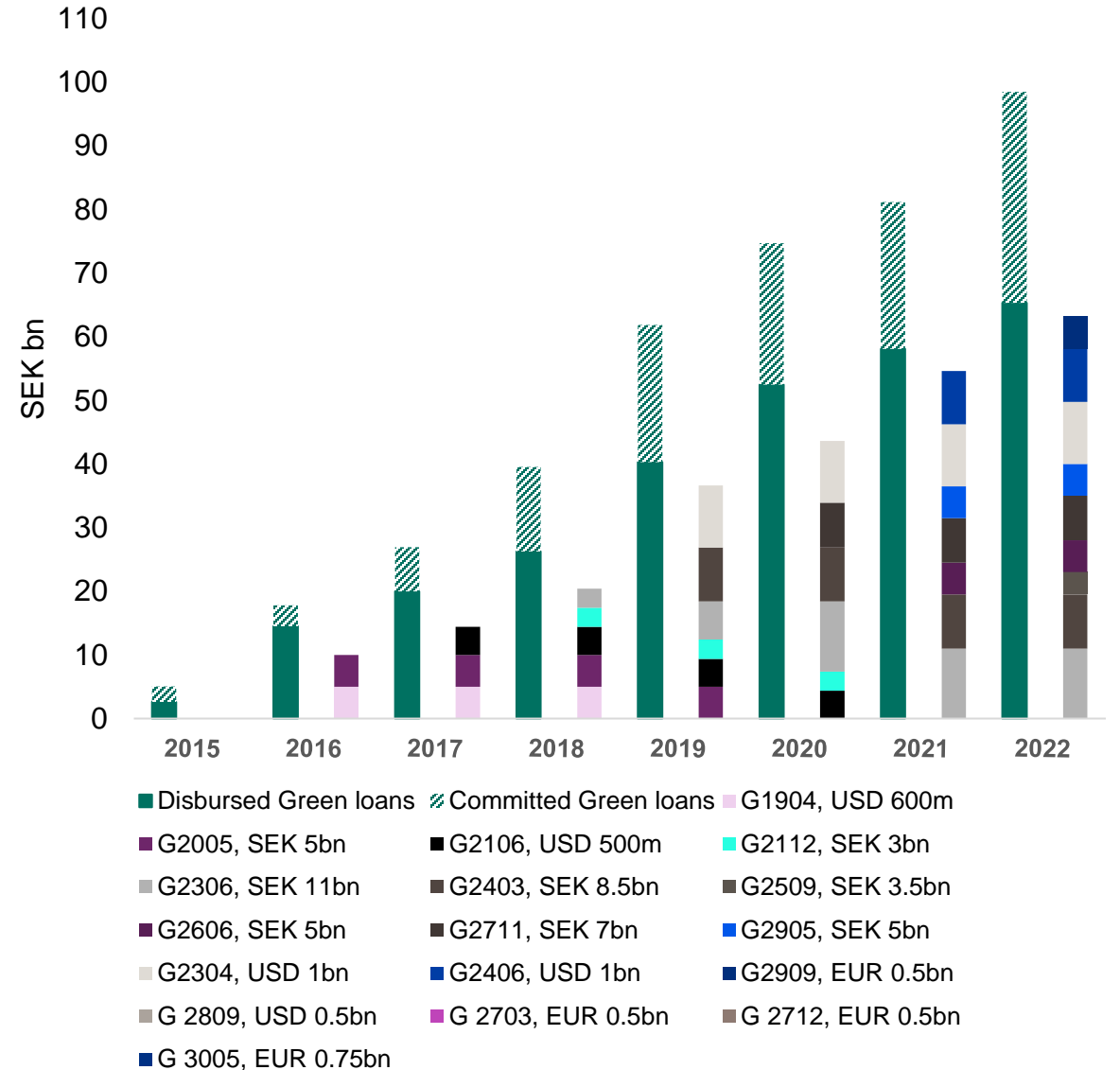
Issuance volume determined by green lending

Total outstanding amount in Green Bonds capped at 100% of total disbursed Green Loans

No duration matching

Funding to be shorter than economic life of Green loan projects

Green Bonds and Loans





Eligible loans portfolio

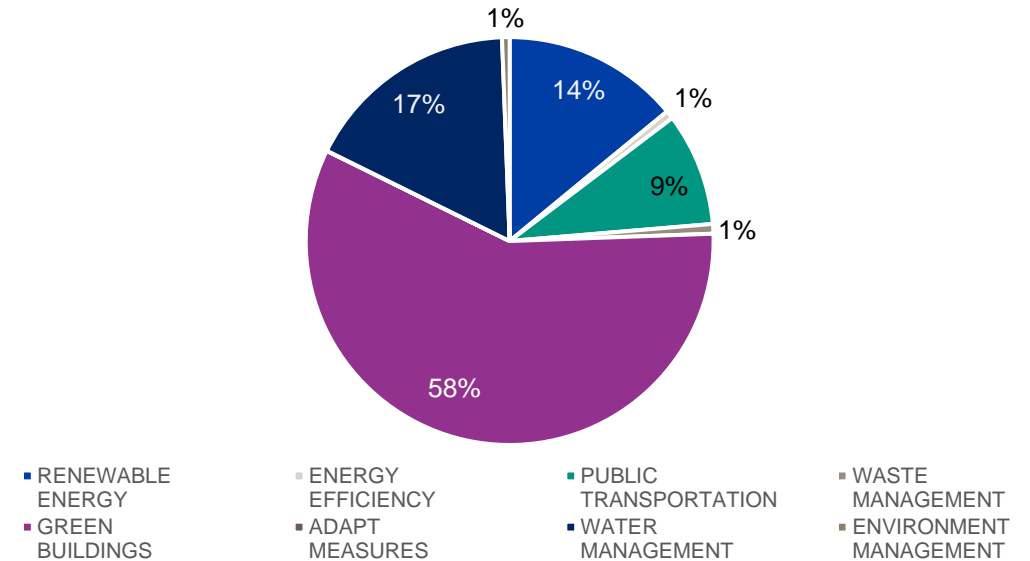
645 (563)

approved projects

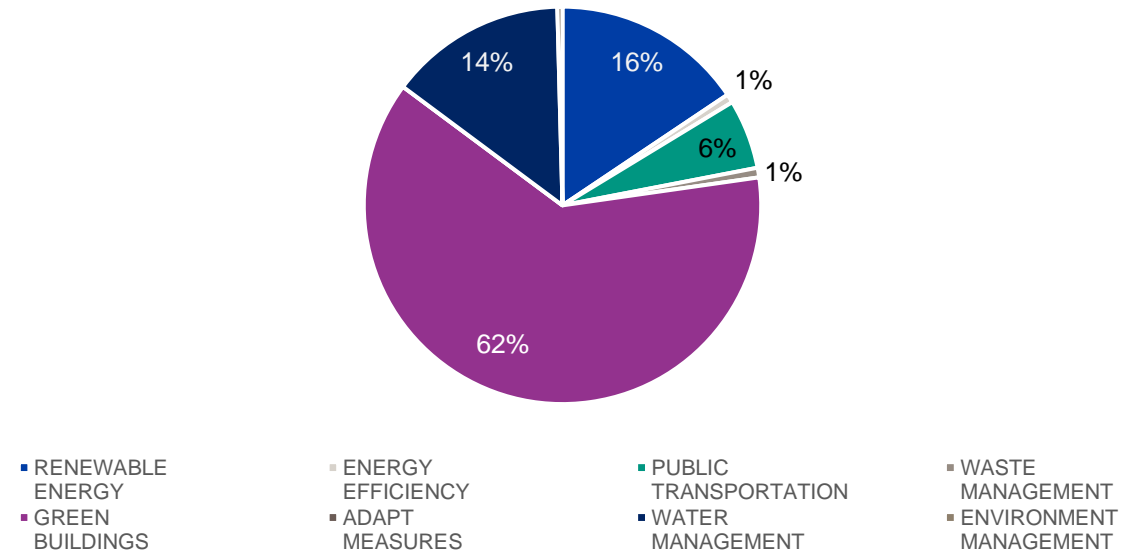
December 31, 2023 (December 31, 2022)



Committed SEK 112 (100) bn



Disbursed SEK 79 (66) bn



Origination process

Eligible projects

Swedish local government investment projects which promote the transition to low carbon and climate resilient growth:

- part of systematic environmental work;
- related to national or regional environmental goals;
- target mitigation or adaption to climate change, or environmental mgmt.

Eligible loans

- Loan application must be approved by applicant's Finance as well as Environmental department
- Screening and pre-check by Kommuninvest's Lending department
- Quarterly: Projects reviewed and approved by consensus vote in the Kommuninvest Green Bonds Environmental Committee.





Environmental Committee reviews projects

Expertise

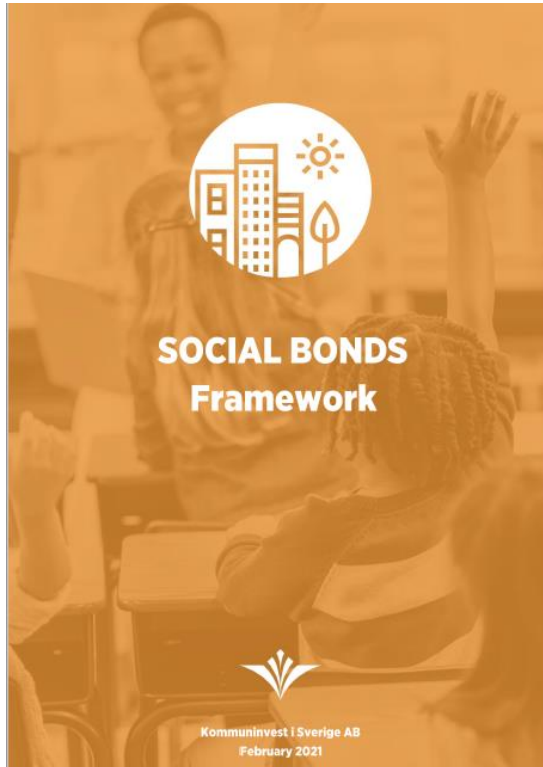
- Energy and climate strategy
- Urban development and planning
- Waste management and circular economy, ecological economics
- Environmental management
- Environmental engineering
- Sustainability reporting

Responsibilities

- Green Loan applications
- Advisory board
- Green Loan & Impact reporting
- Green Bonds framework



Social Bonds



- The Loans shall finance investments that, individually or in combination with a social intervention, promote a socially sustainable society and can contribute to achieving social goals
- Loans are approved by an independent expert committee
- Loans provided for two types of investments:
 - 1) *Physical investments with an associated social intervention*, where the physical investment is a suitable platform for work on social sustainability and where there is a clear link between the physical investment, the social intervention and the social objectives.
 - 2) *Physical investments where the physical investment itself qualifies as a social intervention*. This applies in cases where research, pre-study and/or proven experience shows that the physical investment can in itself contribute to achieve the set social objectives.



Core requirements and loan categories

- 1 promote a socially sustainable society through the development of practices, innovation and/or increased quality in terms of the physical investment, the social intervention or the target population
- 2 part of the borrower's systematic work for social sustainability
- 3 target population
- 4 long-term
- 5 clear objectives and systematic assessment of results

Loan categories

- Housing and residential environments
- Safety, security and accessibility
- Health, education, sports and culture



Social Sustainability Loans

SEK 6.7 (1.7) bn committed

Botkyrka Municipality: Stormwater parks to meet both green and social needs



Physical investment Stormwater parks including plantings, ponds and wetlands but also footbridge systems, jetty decks, beach square, outdoor gym and exercise tracks.

Objectives Improve water quality, increase biodiversity and protect future drinking water production, promote social sustainability.

First investment project to have been granted both social and green lending from Kommuninvest

Uppsala Municipality: Social considerations in renovation project



Physical investment Renovation of 370 apartments

Social intervention Tailored renovation in dialogue with residents, standard and future rent tailored to needs and payment capacity

Social objectives Increased perceived security and well-being, reduction of “forced” moving due to increased rents



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