

Annual Accounts

2015

Kommuninvest i Sverige AB

The year in brief

- Total assets SEK 340,626.3 (312,052.1) million
- Lending, SEK 254,421.7 (222,803.7) million
- Net interest income SEK 798.5 (915.2) million
- Operating income SEK 655.5 (729.4) million
- Operating profit excluding the effect of unrealised market value changes was SEK 531.3 (664.0) million
- Core Tier 1 capital ratio¹ 44.6 (34.6) %
- Tier 1 capital ratio² 44.6 (34.6) %
- Total capital ratio³ 59.8 (49.3) %
- Equity SEK 4,344.3 (2,375.4) million
- Leverage ratio according to CRR⁴ 0.87 (0.75) %
- Leverage ratio including subordinated loan⁵ 1.16 (1.09) %
- Market share 47 (44) % of total local government borrowing
- At the end of the period, the Kommuninvest Cooperative Society had 280 (280) members, of whom 272 (272) were municipalities and eight (8) county councils/regions.

1) Core Tier 1 capital in relation to total risk exposure.

2) Tier 1 capital in relation to total risk exposure.

3) Total capital base in relation to total risk exposure.

4) Tier 1 capital in relation to total assets and commitments (exposures), reported in accordance with European Parliament and Council regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR).

5) Tier 1 capital and subordinated loan issued to the Kommuninvest Cooperative Society in relation to total assets and commitments (exposures).



KOMMUNINVEST

ABOUT KOMMUNINVEST

We secure better loan terms together than individually. Based on this simple idea, 280 municipalities and county councils/regions participate in an efficient and stable financial partnership. Kommuninvest is the local government sector's largest credit provider and manages about 50 percent of local government debt.

www.kommuninvest.org

Year-end report for Kommuninvest i Sverige AB (publ)

This is the year-end report for the credit market company Kommuninvest i Sverige AB (Kommuninvest).

Corporate identity number: 556281-4409

Registered office: Örebro

1 January–31 December 2015

Comparison figures relating to the income statement refer to the preceding year (1 January–31 December 2014) unless otherwise stated. Comparative figures relating to the balance sheet and to risk and capital-related data refer to 31 December 2014 unless otherwise indicated.

Comment from the CEO

Being able to meet current and future investment needs in a sustainable way will be central to the future development of the local government sector.

Population growth, urbanisation, demographic change and immigration face the sector with a series of challenges, having a direct effect on investment.

Local government borrowing needs led to demand for credit from Kommuninvest continuing to increase in 2015, and lending rose by 15 percent. This was partly a result of price cuts, since our revised model for building up capital permits different pricing. In our assessment, local government debt is continuing to rise at 6–7 percent annually. At the same time, however, local government pension liabilities are decreasing, mitigating the overall increase in debt.

There has been increased uncertainty in the international borrowing markets for some time. Nonetheless, Kommuninvest has been able to continue issuing with strong support from its traditional investor base – central banks, public institutions and banks. This demonstrates continued confidence in the Swedish model of local government financial cooperation, and in the benefits of diversified funding and strong capital market relationships.

The renewed uncertainty has already had an impact on the market's perception of various issuers, and individual municipal borrowers may be affected. There is cause for organisations to review their financial policies, to be equipped for a changed capital market.

An important event was the reinforcement of the Company's capital implemented by the members of the Kommuninvest Cooperative Society, the Company's owners. For several years, the members have supported the Group's efforts to prepare Kommuninvest for the upcoming regulatory leverage ratio requirement, scheduled for introduction in 2018. In addition to annual capital measures, an additional capital reinforcement of SEK 2.6



Tomas Werngren, CEO

billion was announced towards the end of the year. It should be noted that the measure is necessitated solely by regulatory changes and that Kommuninvest's business model, with a low risk profile and secure capital margins, remains unchanged.

The capital reinforcement demonstrates that the members are willing to support Kommuninvest with the capital needed for the cooperation to continue providing the Swedish local government sector with efficient and secure investment financing. The value of this as a signal to the market and to regulators cannot be underestimated.

Tomas Werngren
President and CEO

Market

The world economy and Sweden

The global economy continued to grow in 2015, yet this development is surrounded by numerous question marks, with regard to the slowdown of the Chinese economy, the pressure on prices for oil and other commodities, terrorist threats and the geopolitical situation in the Middle East.

Central banks around the world are maintaining their low-interest policies and monetary stimuli, against a background of low inflation and continued moderate growth in many areas. Global growth rate will remain at a level of 3–3.5 percent in 2016, according to the IMF and OECD.

Sweden is characterised by solid finances, albeit with growing structural challenges due to a lack of housing and strong population growth. The driving force in the economy is the relatively good non-domestic growth but also a rising demand due to a high level of immigration. Housing construction, domestic consumption and service exports are significant contributors to Swedish economic growth. The Swedish economy is expected to grow faster than the world economy in 2016. Low inflation and rising employment mean that households' real income is increasing.

Developments in the local government sector

The Swedish local government sector continued to show stable economic development and a positive balance of earnings. The anticipated surplus for 2015 amounts to 0.9 percent, according to the Swedish Association of Local Authorities and Regions, SALAR. The sector finds itself in a period of intensive investment, due to rapid population growth, demographic changes and urbanisation. However, the sharp increase in the number of asylum seekers poses major challenges for the sector. According to the Swedish Migration Agency, more than 160,000 individuals applied for asylum in Sweden in 2015, double the figure recorded in 2014. The local government authorities have received additional state funds to be able to cope with the situation.

The financial markets

Global capital markets has been pervaded by growing uncertainty, with increased volatility, widened credit spreads and a more challenging issuing environment, even for high-quality fixed-income issuers. Despite this, Swedish municipalities and county councils/regions' borrowing through Kommuninvest has been able to continue on favourable terms. The extremely low interest rate environment persists, with negative interest rates both in Sweden and other countries in Europe.

Number of members and lending volume, 1987-2015



An increased number of members in the Society, and members choosing to place an increasingly large share of their borrowing the Company, are the foremost reasons for the historical growth in lending.

Ownership situation

The Kommuninvest Cooperative Society (the Society) owns 100 percent of the shares in the credit market company Kommuninvest i Sverige AB (Kommuninvest or the Company), in which all business activities within the Kommuninvest Group (the Group) are conducted. At 31 December 2015, the Society had 280 (280) members, of which 272 (272) were municipalities and 8 (8) were county councils/regions. Consequently, 94 (94) percent of Sweden's municipalities and 40 (40) percent of Sweden's county councils/regions were members (partners) in the Society. No new members were added during 2015.

Resolutions by the Annual General Meeting of the Society

The Annual General Meeting was held on 16 April 2015 in Stockholm. As at the 2014 Annual General Meeting, the Annual General Meeting made a number of decisions related to the future build-up of capital in the Group.

Combined, the decisions aim to prepare the Group for the introduction, in the EU, of a new capital requirement for financial institutions, leverage ratio, effective from 2018. The definitive notification of the design of the leverage ratio requirement is expected from the European Commission during 2016.

The resolutions by the Annual General Meeting addressed amendments to the Society's statutes and entail in brief:

1. A reformed system of member contributions
2. New forms of capital
3. New solution for extraordinary capital situations

Since the resolutions on amendments to the statutes have been adopted at two consecutive general meetings of the Society, they are legally valid under association law.

Kommuninvest's lending

Once again, during 2015, Swedish local government authorities have been able to meet their borrowing needs efficiently, both through Kommuninvest and through banking systems and capital markets.

At the end of the year, Kommuninvest's lending amounted to SEK 254,421.7 (222,803.7) million. In nominal terms, lending was SEK 251,374.9 (218,416.3) million, an increase of 15 (6) percent. Kommuninvest's competitiveness, expressed as a percentage of accepted bids, rose. Based on nominal volumes, the bid acceptance rate amounted to 93 percent (83) for 2015.

Of the total lending, municipalities and county councils/regions accounted for 42 (41)

Multi-year summary Kommuninvest i Sverige AB

	2015	2014	2013	2012	2011
Total assets, SEK, million	340,626.3	312,052.1	277,458.7	283,283.6	234,048.3
Lending, SEK, million	254,421.7	222,803.7	208,644.0	200,950.7	168,070.5
Profit for the period, SEK, million	561.3	568.4	590.7	320.6	300.6
Members, total	280	280	278	274	267
of which, municipalities	272	272	270	266	259
Of which county councils/regions	8	8	8	8	8
Core Tier 1 capital ratio ¹ , %	44.6	34.6	37.0	15.2	22.9
Tier 1 capital ratio ² , %	44.6	34.6	37.0	15.2	22.9
Total capital ratio ³ , %	59.8	49.3	59.5	30.4	45.7
Leverage ratio according to CRR ⁴ , %	0.87	0.75	0.57	0.33	-
Leverage ratio including subordinated loan ⁵ , %	1.16	1.09	0.91	0.65	-

1) Core Tier 1 capital in relation to total risk exposure.

2) Tier 1 capital in relation to total risk exposure.

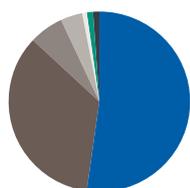
3) Total capital base in relation to total risk exposure.

4) Tier 1 capital in relation to total assets and commitments (exposures).

5) Tier 1 capital and subordinated loan issued to the Society in relation to total assets and commitments (exposures).

New borrowing by currency in 2015

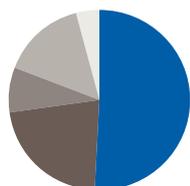
(excl. commercial paper borrowing)



- SEK 53 (53) %
- USD 35 (39) %
- EUR 6 (3) %
- JPY 4 (2.5) %
- AUD 1 (2) %
- CAD 1 (-) %
- TRY 1 (-) %
- MXN, NZD - (0.5) %

New borrowing by programme, 2015

(excl. commercial paper borrowing)



- Swedish bond programme 51 (51) %
- Benchmark borrowing, other currencies 22 (25) %
- Public Bonds 8 (11) %
- Private Placements 15 (10) %
- Uridashi 4 (3) %

percent, municipal housing companies for 29 (29) percent and other municipal companies for 29 (30) percent.

Of the agreed lending for the period, that is, new loans and renegotiations of existing loans, 80 (84) percent were loans with capital tied up for more than one year and 20 (16) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 42 (49) percent of volumes.

At the end of the period, the average period for which capital was tied up in the Company's lending portfolio was 2.2 (2.2) years. At the end of 2015, Kommuninvest's share of local government borrowing was estimated at 47 (44) percent.

During the year, Kommuninvest launched Green Loans – financing for local government investment projects that promote the transition to low-carbon, climate-friendly growth. As per 31 December, the portfolio of approved Green Loans amounted to SEK 5,034.0 (0) million relating to 11 (0) investment projects.

KI Finans, a debt management system developed specifically for the local government sector was launched in 2014. KI Finans offers enhanced functionality at lower cost compared with other systems on the market. By the end of the period, 125 (82) members had signed up for the system.

Kommuninvest's borrowing

Kommuninvest's lending is financed by means of short and long borrowing programmes on national and international capital markets. The funding strategy is based on diversified funding, in terms of funding markets, investor categories, funding currencies and borrowing products. All borrowings not denominated in SEK are swapped to floating interest rates in SEK, EUR or USD.

Kommuninvest belongs to the group of issuers with the highest possible credit rating and stable prospects. Furthermore, bonds issued by Kommuninvest are classified as so-called Level 1 in calculating the liquidity coverage ratio (LCR), in the EU and Switzerland.

Favourable demand for low-risk issuers made it possible for Kommuninvest to continue borrowing liquidity on favourable terms in 2015. At the end of the period, total borrowing amounted to SEK 321,247.1 (297,118.6) million. Over the period, SEK 105,910.7 (81,170.5) million was borrowed in long-term debt instruments with maturities of more than one year.

Kommuninvest is working actively to increase its borrowing in major bond programmes, so-called benchmark programmes, both internationally and in Sweden. During the year, two major benchmark borrowing programmes were carried out in USD.

SEK 53,808.0 (41,431.9) million was issued in the Swedish Benchmark Programme. During the year, the target of having more than SEK 100 billion outstanding in 2015 was achieved – a target that was set when the programme was launched in 2010. In total, the programme consists of six outstanding bonds.

Rating

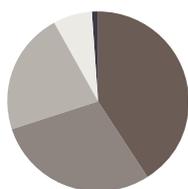
Since 2002 and 2006 respectively, Kommuninvest holds the highest credit ratings for long-term borrowing; Aaa from Moody's and AAA from Standard & Poor's.

In June 2015, the rating agencies confirmed Kommuninvest's credit rating, with a stable outlook. Kommuninvest also holds the highest possible rating for short-term borrowing.

Financial accounts

Loan portfolio by borrower category

31 December 2015



- Municipalities
41 (40) %
- Municipal housing
companies 29 (29) %
- Other municipal com-
panies 22 (22) %
- Municipal energy
companies 7 (8) %
- County councils/
regions 1 (1) %

Kommuninvest's largest borrower groups are municipalities and municipal housing companies. At the end of 2014, they accounted for 69 (70) percent of the total lending.

Results

Kommuninvest's operating income, that is, its profit before tax and appropriations, amounted to SEK 655.5 (729.4) million. Operating profit includes unrealised changes in market value of SEK 124.2 (neg. 65.4) million.

Operating profit excluding the effect of unrealised market value changes was SEK 531.3 (664.0) million. Profit after tax amounted to SEK 561.3 (568.4) million.

Total operating income decreased by 5 percent to SEK 961.6 (1,013.3) million. Operating income includes net interest revenues, commission expenses, net result of financial transactions and other operating income.

Despite increased lending, net interest income decreased to SEK 798.5 (915.2) million. This is due to the reduction in lending margins implemented in September 2014, following the changed strategy for capital build-up. Negative interest rates have only marginally impacted net interest income. The remainder of the decrease is explained by increased sales of bonds in the liquidity reserve with short remaining maturities. In connection with these sales, the original interest rate hedging swaps have been retained to maturity. This has entailed lower net interest income but greater realised gains, which are reported under net result of financial transactions.

The special market situation with negative Stibor rates has had only a marginal impact on net interest income. This is because, effective from 1 September, changes in the Company's general terms and conditions for loans, enabled disbursements of negative interest. Without this change, net interest income would have increased, since the negative Stibor rates would otherwise entailed an

increased margin between borrowing and lending rates for existing Stibor-linked loans.

The net result of financial transactions amounted to SEK 165.7 (101.9) million. The result was affected by unrealised changes in market value amounting to SEK 124.2 (65.4) million, but also by the buy-back of own bonds and the sale of financial instruments which contributed SEK 37.8 (31.5) million to the figure.

In connection with sales of financial instruments, the Company transferred a negative SEK 0.1 (positive 6.8) million in gains from other comprehensive income to profit/loss for the period.

Expenses amounted to SEK 293.1 (283.9) million, including the stability fee of SEK 120.5 (110.7) million. The stability fee is calculated based on data including the Company's liabilities and provisions excluding accrued expenses for the stability fee, and excluding subordinated debt. The stability fee accounted for 41 (39) percent of Kommuninvest's total expenses.

Excluding the stability fee, expenses amounted to SEK 172.6 (173.2) million, of which personnel expenses accounted for SEK 99.8 (96.1) million and other expenses for SEK 72.8 (77.1) million.

Depreciation of financial assets of SEK 13 (-) million are related to a depreciation of the value of shares in Kommuninvest Fastighets AB. This action has been taken in order for the book value of the holdings to reflect the equity value of the subsidiary.

Credit losses

Credit losses amounted to SEK - (-) million.

Financial position

Total assets increased to SEK 340,626.3 (312,052.1) million at the end of the period, mainly as a result of increased lending.

Lending

At the end of the period, the Company’s lending amounted to SEK 254,421.7 (222,803.7) million. In nominal terms, lending was SEK 251,374.9 (218,416.3) million. The increase is explained by the local government sector’s increased borrowing needs and Kommuninvest’s improved competitiveness as a result of reduced lending margins.

Funding

Borrowing amounted to SEK 321,247.1 (297,118.6) million at the end of the period. The Company’s borrowing takes place in the form of issued bonds (for terms of over 1 year) and commercial paper programmes (for terms of less than 1 year). The Company acts over terms of between 1 day and 30 years and focuses primarily on financial instruments with fixed or floating interest.

Liquidity reserve

At the end of the period, the Company’s liquidity reserve amounted to SEK 63,227.7 (65,200.7) million, corresponding to 25 (29) percent of its lending. In 2015, the Company’s Board of Directors adopted an amendment to the size requirement for the liquidity reserve to the equivalent of at least 15 percent and at most of 35 percent of the lending volume (previously at least 20 percent and at most 40 percent).

A large part of the reserve shall qualify as collateral with central banks, enabling the Company to secure liquidity by posting collateral. As per 31 December 2015, 87 (83) percent of the reserve, excluding cash and equivalents and securities received as collateral, was eligible as collateral at central banks.

Derivatives

Derivative contracts are used as risk management instruments to address market risks in operations. Any changes in the market value of the derivatives contracts are offset by

changes in the market value of the borrowing and lending portfolios. Derivatives with positive and negative market value amounted to SEK 22,775.6 (23,848.8) million and SEK 11,723.1 (10,628.3) million respectively.

Subordinated liabilities

Subordinated liabilities consist of a perpetual debenture loan from the Society. Including accrued interest, the loan amounted to SEK 1,000.0 (1,000.1) million.

Equity

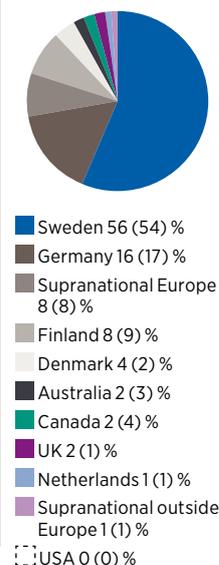
At the end of the period, equity amounted to SEK 4,344.3 (2,375.4) million. In addition to the result for the period and the payment of capital contributions, equity was impacted by changes in market values for assets classified as “financial assets available for sale” (see Statement of changes in equity on page 14).

Share capital

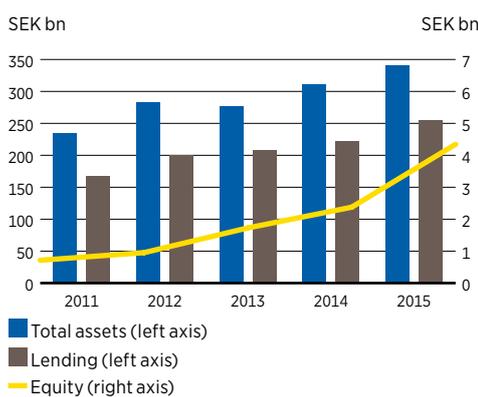
By means of the authorisation granted to the Board of the Society by the Annual General

Liquidity reserve by country

31 December 2015

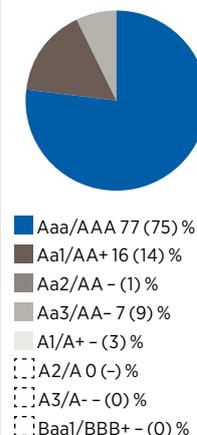


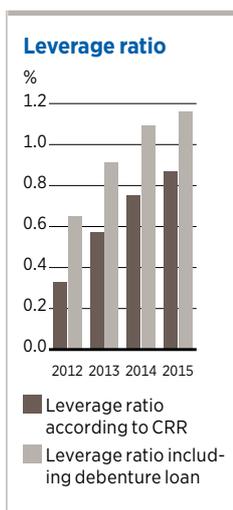
Kommuninvest’s balance sheet



Liquidity reserve distributed by rating category

31 December 2015





Meeting, the share capital in the Company rose by SEK 1,880.0 million over the period through new issues, compared to SEK 650.0 million in 2014. At the end of the period, the share capital amounted to SEK 3,926.4 (2,046.4) million, distributed over 39,263,850 (20,463,850) shares.

Capital adequacy

The Company is well-capitalised to meet the risks inherent in its operations. Core Tier 1 capital amounted to SEK 2,931.7 (2,345.7) million, entailing a core Tier 1 capital ratio of 44.6 (34.6) percent. The total capital base was SEK 3,931.7 (3,345.7) million, which gave a total capital ratio of 59.8 (49.3) percent.

The increase in Kommuninvest’s share capital was registered with the Swedish Companies Registration Office on 23 December 2015. According to European Parliament and Council regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR) Kommuninvest may not classify the increase in share capital as core Tier 1 capital until Finansinspektionen (the Swedish Financial Supervisory Authority) has given its approval. An application for permission to classify the increase in share capital as core Tier 1 capital was submitted to Finansinspektionen on 18 January 2016.

Future regulatory requirements - leverage ratio

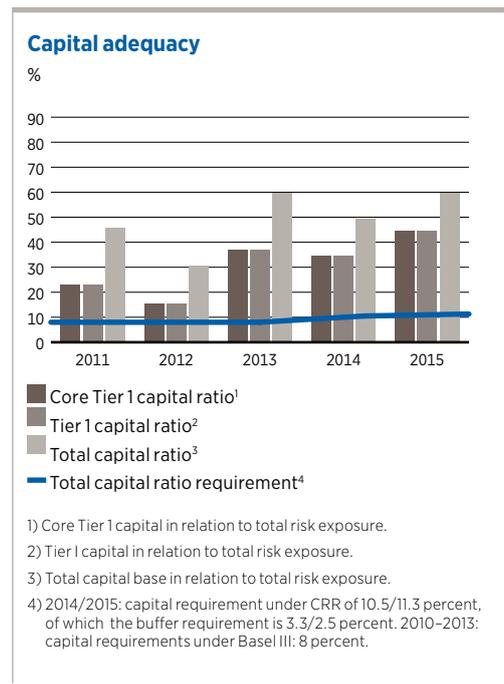
Effective from 1 January 2018, the new capital adequacy measure leverage ratio will be introduced in the EU on the condition that the Council of the European Union and the European Parliament agree to this after having read the report to be issued by the European Commission by 31 December 2016. Leverage ratio must be reported to the relevant authorities effective from 2014.

The Society bears the principal responsibility for the Group’s capitalisation. The Society’s plan is based on the capitalisation of the Group and the Company being raised to a level corresponding to a leverage ratio of 1.5 percent. In the event that the final leverage ratio requirement is set higher than 1.5 percent, the Society’s primary plan is to issue

other Tier 1 capital instruments to its members, in the form of subordinated loans or voluntary forms of participation capital (“överinsats” or “förlagsinsats”, the latter of which may also be offered to other investors if so approved by the members of the Society). However, the Society’s statutes do permit Tier 1 capital instruments to be issued to actors closely associated with the Society and other local government actors. Provided specific approval is given by the Annual General Meeting, other Tier 1 capital instruments may also be issued to other capital market actors.

The leverage ratio is defined as the ratio between Tier 1 capital and total exposure in assets and commitments. Further information on how the Company calculates its exposures can found in Note 30 in the 2015 Annual Report.

As per 31 December 2015, the Company’s leverage ratio, reported according to CRR, was 0.87 (0.75) percent. Including the debenture loan of SEK 1 billion that the Company issued to the Society in 2010, the leverage ratio was 1.16 (1.09) percent. However, the terms of the debenture loan are such that it may not be included as Tier 1 capital under CRR.



1) Core Tier 1 capital in relation to total risk exposure.
 2) Tier 1 capital in relation to total risk exposure.
 3) Total capital base in relation to total risk exposure.
 4) 2014/2015: capital requirement under CRR of 10.5/11.3 percent, of which the buffer requirement is 3.3/2.5 percent. 2010-2013: capital requirements under Basel III: 8 percent.

The Society intends to replace the existing subordinated loan with a new one, or with another capital form eligible for inclusion as primary capital, well in advance of year-end 2017.

Risks and uncertainty factors

In its business, the Company encounters a number of risks and uncertainty factors which may have an adverse impact on the Company's profit, financial position, future prospects and/or opportunities to attain set targets.

The general development in the capital market, including interest rate development and the liquidity situation, along with the willingness to invest in various markets, may affect the Company. If the Company is unable to recruit and retain qualified employees, this may restrict the Company's competitiveness and opportunities for development.

Risk management

The Company's operations serve solely to support the financial activities of the local government sector, distinguishing it with regards to risks in several ways from other financial market players.

- Lending is provided exclusively to Swedish municipalities, municipal corporations, county councils/regions or borrowers guaranteed by local government authorities and therefore carries a zero risk weight from the perspective of capital coverage.
- The members of the Kommuninvest Cooperative Society, Kommuninvest's owners, are also the Company's customers and are party to a joint and several guarantee supporting all of the Company's obligations.
- The Company conducts no deposit or active trading operations.

At the end of the period, the Company's total credit risk exposure amounted to SEK 320,433.5 (290,530.7) million. Of the exposure, 79 (77) percent was related to lending to Swedish municipalities and county councils/regions; 20 (22) percent was related to investments in securities issued by sovereign states

or other issuers, and 1 (1) percent was related to exposure to derivatives counterparties.

In order to ensure good liquidity, the Company's liquidity reserve is primarily held in sovereign securities, with a concentration to Sweden and northern Europe. The composition of the liquidity reserve as per 31 December 2015 is shown in the charts on page 8.

Counterparty risk is limited by entering into contracts with counterparties with high creditworthiness. New counterparties are required to have a credit rating of at least Baa1 from Moody's and/or BBB+ from Standard & Poor's, as well as established ISDA and CSA agreements (Credit Support Annex).

ISDA agreements, guaranteeing the right to early redemption if the counterparty's creditworthiness deteriorates, have been established with all derivative counterparties. See also Note 2.

CSA agreements cover a considerable portion of the counterparty risks. CSA agreements regulate the right to secure collateral to eliminate the exposure arising through derivative transactions. As of 31 December 2015, CSA agreements had been established with 20 out of 23 counterparties with whom Kommuninvest has outstanding contracts.

As per 31 December 2015, counterparty exposure to derivative counterparties amounted to SEK 1,723 (2,526) million after netting for each counterparty and net of collateral.

A description of the Company's risk exposure and risk management, is provided in the 2015 Annual Report.

Employees and the environment

During the period, the number of employees rose by 8 to 85 (77) on 31 December 2015.

Based on the number of hours worked, the average number of employees in 2015, was 78 (74). The Company has a pre-existent environmental policy, and does not conduct any operations requiring a licence under the Swedish Environmental Code. A description of the Company's environmental impact can be found in the Sustainability section of the 2015 Annual Report.

Events after the balance sheet date

No significant events have taken place after the balance sheet date.

Equity – build-up of capital and distribution of surplus

In accordance with the Society's owner directives, capital in the Group is being built up over the long term. Between 2011 and 2014, this was mainly achieved by accumulating and re-injecting profits. Since 2015, this has been supplemented by the opportunity for the Society's members to make direct capital contributions and by other forms of capital. This required the adoption of new Articles of Association in 2014 and 2015, with, among other things, a new maximum level for member contributions being adopted.

The 2015 Annual General Meeting of the Society approved the payment of SEK 679.5 (696.5) million in surplus distribution. At the Meeting, it was also decided that the members would pay a contribution for the year corresponding to the distributed surplus. During the year, the Board of Directors of the Association resolved to inject new share capital of SEK 680.0 million into the Company.

In addition, in November 2015, a further capital injection of SEK 2.6 billion into the Society was announced (see the press release dated 17 November 2015 on Kommuninvest's website). As per 31 December 2015, the amount paid into the Society amounted to SEK 2,690.7 million, of which SEK 1,200.0 million had been paid into the Company as new share capital at year-end. This means that the total share capital in the Company rose by SEK 1,880.0 (650.0) million over the year. The intention is for the remainder of the capital injection from the members into the Society to be contributed to the Company as new share capital in 2016.

Distribution of surplus in 2016

Pending a decision by the 2016 Annual General Meeting of the Society, the Society will also apply refunds and interest on contributions for the distribution of surpluses for the 2015 financial year. For this purpose, in its annual accounts for 2015, the Company made a group contribution of SEK 545.4 (725.6) million.

The Annual General Meeting also determines whether members are to pay new capital contributions. The obligation to pay a contribution for the year is related to whether the member has reached 50 percent, 75 percent or 100 percent of the approved maximum level for member contributions. Most members have achieved the highest level and, accordingly, are not obliged to pay a contribution for the year. The calculated, but yet to be approved, capital contribution amounts to SEK 90.7 (680.0) million.

Board of Directors

At the Annual General Meeting on 16 April 2015, Ellen Bramness Arvidsson was re-elected as Chairman of the Board. At the close of the year, the other members of the Board were Kurt Eliasson, Anna von Knorring, Erik Langby, Anna Sandborgh, Johan Törngren and Anders Pelander (employee representative).

Management

At the close of the year, the Company's Executive Management Team consisted of Tomas Werngren, (President and CEO), Maria Viimne (Vice President and Chief Operating Officer, COO), Johanna Larsson (CFO), Malin Norbäck (Chief of Staff), Britt Kerkenberg (CRO) and Christofer Ulfgren (CIO).

Income statement

1 January - 31 December

SEK, million	2015	2014
Interest revenues	1,438.3	3,650.8
Interest expenses	-639.8	-2,735.6
NET INTEREST INCOME	798.5	915.2
Commission expenses	-5.3	-5.1
Net result of financial transactions	165.7	101.9
Other operating income	2.7	1.3
TOTAL OPERATING INCOME	961.6	1,013.3
General administration expenses	-283.0	-274.7
Amortisation of intangible assets	-4.0	-0.4
Depreciation of tangible assets	-1.9	-2.9
Other operating expenses	-4.2	-5.9
TOTAL EXPENSES	-293.1	-283.9
Impairment of financial assets	-13.0	-
OPERATING PROFIT	655.5	729.4
Tax expense	-94.2	-161.0
NET PROFIT	561.3	568.4

Statement of comprehensive income

1 January - 31 December

SEK, million	2015	2014
NET PROFIT	561.3	568.4
OTHER COMPREHENSIVE INCOME		
Items that may subsequently be reclassified to the income statement		
Available-for-sale financial assets	-60.2	0.8
Available-for-sale financial assets, transferred to the income statement	0.1	-6.8
Tax attributable to items that may subsequently be reclassified to the income statement	13.2	1.3
OTHER COMPREHENSIVE INCOME	-46.9	-4.7
TOTAL COMPREHENSIVE INCOME	514.4	563.7

Balance sheet

As per 31 December

SEK, million	2015	2014
ASSETS		
Sovereign bonds eligible as collateral	16,839.4	15,204.1
Lending to credit institutions	699.9	4,022.1
Lending	254,421.7	222,803.7
Bonds and other interest-bearing securities	45,688.4	45,974.5
Shares and participations	2.8	2.4
Shares and participations in associated companies	0.5	0.5
Shares and participations in subsidiaries	42.0	32.0
Derivatives	22,775.6	23,848.8
Intangible assets	15.7	1.6
Tangible assets	4.6	6.0
Current tax assets	79.0	79.0
Other assets	17.0	14.9
Deferred tax assets	28.1	54.6
Prepaid expenses and accrued revenue	11.6	7.9
TOTAL ASSETS	340,626.3	312,052.1
LIABILITIES, PROVISIONS AND EQUITY		
Liabilities and provisions		
Liabilities to credit institutions	2,303.5	4,800.6
Securities issued	318,943.6	292,318.0
Derivatives	11,723.1	10,628.3
Other liabilities	2,163.5	789.9
Accrued expenses and prepaid revenues	144.9	136.8
Provisions	3.4	3.0
Subordinated liabilities	1,000.0	1,000.1
Total liabilities and provisions	336,282.0	309,676.7
Equity		
Restricted equity		
Share capital (39,263,850 shares and 20,463,850 shares respectively, quota value SEK 100)	3,926.4	2,046.4
Statutory reserve	17.5	17.5
Unrestricted equity		
Fair value reserve	-34.3	12.6
Profit brought forward	-126.6	-269.5
Net profit	561.3	568.4
Total equity	4,344.3	2,375.4
TOTAL LIABILITIES, PROVISIONS AND EQUITY	340,626.3	312,052.1
Memorandum items		
Pledged assets	13,307.4	21,669.2
Contingent liabilities	None	None
Committed undisbursed loans	2,903.3	3,783.5

Statement of changes in equity

SEK, million	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve ¹	Profit or loss brought forward	Net profit	
Equity brought forward 1 Jan 2014	1,396.4	17.5	17.3	-294.3	590.7	1,727.6
Income for the year					568.4	568.4
Other comprehensive income			-4.7			-4.7
Total comprehensive income			-4.7		568.4	563.7
Transactions with shareholders						
Appropriation of surplus				590.7	-590.7	0.0
New share issue	650.0					650.0
Group contributions				-725.6		-725.6
Tax effect on Group contribution				159.7		159.7
Total transactions with shareholders	650.0			24.8	-590.7	84.1
Equity carried forward 31 December 2014	2,046.4	17.5	12.6	-269.5	568.4	2,375.4
Equity brought forward 1 Jan 2015	2,046.4	17.5	12.6	-269.5	568.4	2,375.4
Net profit					561.3	561.3
Other comprehensive income			-46.9			-46.9
Total comprehensive income			-46.9		561.3	514.4
Transactions with shareholders						
Appropriation of surplus				568.4	-568.4	0
New share issue	1,880.0					1,880.0
Group contributions				-545.4		-545.4
Tax effect on Group contribution				119.9		119.9
Total transactions with shareholders	1,880.0			142.9	-568.4	1,454.5
Equity carried forward 31 December 2015	3,926.4	17.5	-34.3	-126.6	561.3	4,344.3
	2014	2015				
1) The fair value reserve consists of the following						
- Available-for-sale financial assets	12.6	-34,3				

Cash flow statement

1 January - 31 December

SEK, million	2015	2014
Operational activities		
Operating profit	655.5	729.4
Adjustment for items not included in cash flow	-104.4	-62.2
Income tax paid	66.2	-0.7
Cash flow from operating activities before changes in the assets and liabilities of operating activities	617.3	666.5
Change in interest-bearing securities	7,633.6	-1,220.5
Change in lending	-32,734.2	-11,659.3
Change in other assets	-29.8	2.3
Change in other liabilities	2.6	12.1
Cash flow from operational activities	-24,510.5	-12,198.9
Investment activities		
Acquisitions of intangible assets	-18.1	-2.0
Acquisition of tangible assets	-0.5	-4.3
Divestments of tangible assets	-	-
Cash flow from investment activities	-18.6	-6.3
Financing activities		
Issue of interest-bearing securities	121,888.3	108,359.7
Redemption and buybacks of interest-bearing securities	-103,395.5	-94,908.2
New share issue	1,880.0	650.0
Change in intra-Group liabilities	834.1	-696.5
Cash flow from financing activities	21,206.9	13,405.0
Cash flow for the year	-3,322.2	1,199.8
<i>Cash and equivalents at the start of the accounting period</i>	4,022.1	2,822.3
Cash and equivalents at end of the year	699.9	4,022.1
Cash and equivalents consist in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
Adjustment for items not included in cash flow		
Depreciation and amortisation	5.9	3.3
Profit from divestments of tangible assets	-	-
Exchange rate differences from change in financial assets	0.9	-0.1
Unrealised changes in market value	-124.2	-65.4
Depreciation of financial assets	13.0	-
Total	-104.4	-62.2
Interest paid and earned, included in the cash flow		
Interest received	1,780.1	3,820.7
Paid interest	-978.1	-2,927.5

Accounting principles

Kommuninvest's annual accounts have been prepared by applying the regulation in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25). Consequently, all International Financial Reporting Standards and interpretations endorsed by the EU are followed as far as possible, within the provisions of ÅRKL and considering the addi-

tions and exemptions specified in FFFS 2008:25. In addition, the recommendations of the Swedish Financial Reporting Board on Accounting for legal entities (RFR 2) has been applied.

The accounting policies and calculation methods remain unchanged compared with the 2014 Annual Report.

In accordance with Chapter 7, section 6§a of ÅRKL, Kommuninvest has chosen not to prepare consolidated financial statements, see Note 4.

Capital adequacy

Since January 1, 2014, capital adequacy has been calculated according to CRR¹. The greatest change, compared with the previous calculation method, relates to risk exposure amounts for credit valuation adjustment (CVA risk) for all OTC derivative contracts. The capital buffers to be introduced under CRD IV² require implementation under Swedish law, which has been effectuated through the Act Concerning Capital Buffers (2014:966). For Kommuninvest, it is the capital conservation

buffer of 2.5 percent as well as the countercyclical buffer which is applicable. The latter has been set by Finansinspektionen at 1 percent for exposures in Sweden, effective from 12 September 2015. Kommuninvest is not subject to the requirement for a systemic risk buffer, nor has the Company been identified as a systemically important institution. It is Kommuninvest's assessment that all buffer requirements will be met.

	2015	2014
Equity according to balance sheet	4,344.3	2,375.4
Less share capital yet to be registered ³	-1,200.0	-
Less available-for-sale financial assets ⁴	-	-16.2
Less adjustment for prudent valuation ⁵	-63.5	-9.7
Less profit not distributed ⁶	-149.1	-3.8
Total core Tier 1 capital	2,931.7	2,345.7
Total Tier 1 capital	2,931.7	2,345.7
Supplementary capital		
Perpetual debenture loan ⁷	1,000.0	1,000.0
Total supplementary capital	1,000.0	1,000.0
Total capital base	3,931.7	3,345.7
Capital adequacy ratios		
	31 December 2015	31 December 2014
Core Tier 1 capital ratio	44.6%	34.6%
Tier 1 capital ratio	44.6%	34.6%
Total capital ratio	59.8%	49.3%
Buffer requirements		
Capital conservation buffer	2.5%	2.5%
Countercyclical buffer	0.8%	-
Total buffer requirements	3.3%	2.5%
Core Tier 1 capital available for use as buffer	38.6%	28.6%

- 1) European Parliament and Council Regulation (EU) No 575/2013 of 26 June 2013 on supervisory requirements for credit institutions and securities companies and amending Regulation (EU) No 648/2012.
- 2) European Parliament and Council Directive 2013/36/EU of 26 June 2013 on authorisation to conduct operations in credit institutions and on the supervision of credit institutions and securities companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
- 3) The increase in Kommuninvest's share capital was registered with the Swedish Companies Registration Office on 23 December 2015. According to CRR, Kommuninvest may not classify the increase of the share capital as core Tier 1 capital prior until this has been approved by Finansinspektionen. An application for permission to classify the increase in share capital as core Tier 1 capital was filed to Finansinspektionen on 18 January 2016.
- 4) According to Finansinspektionen's statutes 2014:12, unrealised gains on assets classified as available for sale may not be out-filtered from the capital base effective from 2014 January 2015.
- 5) Adjustment for prudent valuation according to CRR article 34).
- 6) Refers to the portion of profit for the year that has not been distributed to the Kommuninvest Cooperative Society in the form of group contributions and which may not be included in the capital base prior to a decision by the Annual General Meeting in accordance with CRR Article 26.
- 7) Perpetual debenture loan with three-month variable Stibor-linked interest. The terms only allow repayment or repurchase on the approval of the Swedish Financial Supervisory Authority. At the earliest, however, this may occur on the interest date five years after the loan date of 30 November 2010 and thereafter on each subsequent interest date.

Capital requirement	31 December 2015		31 December 2014	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	2,985.8	238.9	3,339.6	267.2
<i>of which, exposures to states and central banks</i>	70.2	5.6	136.5	10.9
<i>of which, institutional exposures</i>	777.9	62.2	1,179.5	94.4
<i>of which, corporate exposures</i>	87.9	7.0	63.0	5.0
<i>of which, exposures in the form of covered bonds</i>	2,049.8	164.0	1,960.6	156.8
Capital requirement for operational risks, basic indicator method	1,573.0	125.8	1,337.3	107.0
Capital requirements for market risks	-	-	-	-
Capital requirements for credit valuation adjustment	2,020.1	161.6	2,108.0	168.6
Total risk exposure and minimum capital amount	6,578.9	526.4	6,784.9	542.8

Note 1 Financial assets and liabilities

2015	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Holdings for trading purposes		
Sovereign bonds eligible as collateral	12,568.2	-	-	-
Lending to credit institutions	-	-	699.9	-
Lending	63,452.5	-	190,969.2	-
Bonds and other interest-bearing securities	35,204.1	-	-	-
Derivatives	-	15,792.7	-	-
Other assets	-	-	4.6	-
Total	111,224.8	15,792.7	191,673.7	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-
2014	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Holdings for trading purposes		
Sovereign bonds eligible as collateral	12,803.8	-	-	-
Lending to credit institutions	-	-	4,022.1	-
Lending	68,965.1	-	153,838.6	-
Bonds and other interest-bearing securities	33,690.1	-	-	-
Derivatives	-	17,446.2	-	-
Other assets	-	-	11.9	-
Total	115,459.0	17,446.2	157,872.6	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

The recognised value for lending consists of lending recognised at amortised cost, lending included in a fair value hedging relation and lending recognised at fair value.

The recognised value for liabilities to credit institutions and securities issued is composed partly of liabilities recognised at amortised cost, liabilities in a fair value hedging relation and liabilities recognised at fair value.

Calculation of fair value

General

Regardless of whether financial instruments are measured at fair value in the balance sheet or for disclosure purposes, fair value is to be divided up in accordance with the following three levels.

Level 1: valuation is made according to prices noted on an active market for the same instrument.

Level 2: valuation is made on the basis of directly or indirectly observable market data not included in level 1.

Level 3: valuation is made on the basis of non-observable market data, with significant elements of internal and external estimates.

As only a small part of Kommuninvest's financial instruments are traded on an active market at listed prices as per level 1, accepted and well established valuation techniques are primarily used to determine fair value. These valuation techniques are based on observable market information in accordance with valuation level 2. The valuation techniques applied are based on

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
4,271.2	-	-	-	-	16,839.4	16,839.4
-	-	-	-	-	699.9	699.9
-	-	-	-	-	254,421.7	254,381.7
10,484.3	-	-	-	-	45,688.4	45,688.4
-	-	-	-	6,982.9	22,775.6	22,775.6
-	-	-	-	-	4.6	4.6
14,755.5	-	-	-	6,982.9	340,429.6	340,389.6
-	2,223.1	-	80.4	-	2,303.5	2,303.5
-	151,133.4	-	167,810.2	-	318,943.6	319,414.5
-	-	10,328.0	-	1,395.1	11,723.1	11,723.1
-	-	-	2,154.9	-	2,154.9	2,154.9
-	-	-	1,000.0	-	1,000.0	999.9
-	153,356.5	10,328.0	171,045.5	1,395.1	336,125.1	336,595.9

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
2,400.3	-	-	-	-	15,204.1	15,204.1
-	-	-	-	-	4,022.1	4,022.1
-	-	-	-	-	222,803.7	223,696.5
12,284.4	-	-	-	-	45,974.5	45,974.5
-	-	-	-	6,402.6	23,848.8	23,848.8
-	-	-	-	-	11.9	11.9
14,684.7	-	-	-	6,402.6	311,865.1	312,757.9
-	2,360.1	-	2,440.5	-	4,800.6	4,800.6
-	145,857.9	-	146,460.1	-	292,318.0	293,839.5
-	-	9,026.8	-	1,601.5	10,628.3	10,628.3
-	-	-	786.0	-	786.0	786.0
-	-	-	1,000.1	-	1,000.1	1,067.4
-	148,218.0	9,026.8	150,686.7	1,601.5	309,533.0	311,121.8

discounted cash flows and prices from the primary and secondary markets. Financial instruments where input data not observable in the market or the Company's own estimates have a material effect on valuation, are classed under valuation level 3.

Lending

Fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted by current new lending margins. This calculation technique means that when the new lending margin rises, a lower fair value arises for previous lending, and vice versa.

Sovereign bonds eligible as collateral, and bonds and other interest-bearing securities

Investments traded on an active market are valued on the basis of quoted market prices and classified in level 1. For investments where listed market prices do not derive from active trading, fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted on the basis of the issuer's credit risk. The scale of the adjustment is determined based on quoted prices for a large number of securities issued by the issuer itself and by issuers considered to have the same credit risk. These investments are classified in level 2.

*Note 1, continued**Liabilities to credit institutions, securities issued and subordinated liabilities*

Funding within the framework of the Swedish local government bond programme is measured at the quoted market price and classified in level 1. Other funding has been measured via a discount of anticipated future cash flows, where the discount rate has been set at the swap rate adjusted for current borrowing margins for the structure and market of the funding. Funding where expected future cash flows are dependent on unobservable market data is classified in level 3; in other instances in level 2.

The members' guarantee undertaking affects the valuation of borrowing and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' guarantee undertaking, that would reduce their collective responsibility for the Company's commitments. Variations in borrowing margins and consequent changes in the values of liabilities are therefore considered to be attributable to general changes in market prices for credit and liquidity risk rather than to changes in Kommuninvest's own credit risk.

Derivatives

Standardised derivatives in the form of FRA contracts scheduled for IMM days and traded in an active market are measured according to level 1. The fair value of other derivatives is calculated via a discount of anticipated future cash flows. Where anticipated future cash flows are dependent on unobservable market data, derivatives are classified in Level 3; otherwise in level 2. All derivatives classified in level 3 are swaps matching funding transactions classified in level 3. The discount rate has been set as the current quoted swap rate in each currency. For currency swaps, the discount rate has been adjusted according to current basis swap spreads. Derivatives are reported as assets when they have a positive market value, and as liabilities when they have a negative market value.

Lending to credit institutions, other assets and other liabilities

For these items, the recognised value is an acceptable approximation of fair value. Lending to credit institutions consists of bank accounts and repo transactions with a maximum duration of seven days. Other assets and liabilities consists of accounts receivable and payable, as well as Group-internal receivables and debts.

Significant assumptions and uncertainty factors

Kommuninvest has applied the valuation techniques best deemed to reflect the value of the Company's assets and liabilities. Changes in underlying market data could mean changes to the income statement and balance sheet in respect of unrealised market values. The valuation curves are also determined on the basis of current borrowing and lending margins, where increased loan margins lead to unrealised losses when the value of existing business is reduced. Kommuninvest has only a marginal exposure to swap rates and, since it hedges other market risks, it is changes in credit spreads and basis swap spreads that give rise to the changes in market value.

An increase in the lending price, in relation to swap rates, by 10 basis points on the receivables recognised at fair value would mean a negative change in income of SEK -143 (-151) million. An increase in the borrowing cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a change in income of SEK +309 (+297) million. A parallel displacement in the borrowing and lending price, in relation to swap rates, by 10 basis points, would mean a change in income of SEK +/-166 (+/- 146) million.

A displacement of the valuation curve upwards or downwards by 10 basis points, for the financial instruments valued according to level 3, would mean a change in income of SEK +/-13 (+/- 12) million.

All of the above changes pertain to the balance sheet date and are net of tax effects. Impact on equity relates to the tax effect.

All market value effects are unrealised, and as Kommuninvest intends to hold its assets and liabilities to maturity, this means that these values will not normally be realised. Investments made as part of normal management of liquidity and investments represent an exception, as do investments necessitated by adjustments to internal and external regulations. Repurchases of borrowing or lending instruments, which always take place on the investors' or customers' initiative, also lead to market values being realised.

Uncertainty in measurement due to unobservable input data

Input data that cannot be observed in the market consist of correlations between market data and volatilities in maturities longer than those for which observable market data are available. Instruments affected by unobservable input data consist of issued structured securities with options for premature redemption and the derivatives that secure these at the transaction level. The recipient leg of such a derivative always consists of the warrants in the issued security and the payment leg of the interbank interest rate plus or minus a fixed margin.

The effect on profit or loss of these contracts is realised when Kommuninvest's borrowing margins for this type of borrowing change. The scope of the change depends on the anticipated remaining duration of the contracts, which in turn depend on unobservable data. The effect on earnings from the unobservable input data that arises is therefore attributable to how input data affect the estimated remaining maturity of the contract.

Kommuninvest has calculated the duration to 2.1 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable borrowing in the interval of 1.6–2.6 years. This would have an effect on earnings in the interval SEK -0.6 million – SEK +2.0 million.

Approval of valuation models

The valuation models applied are approved by the Company's ALCO (Asset and Liability Committee). The Finance department is responsible for the valuation process, including the valuation models. The Risk and Control department is responsible for ensuring independent control of the quality of the valuation models and market data used in the valuation.

Note 1, continued

Financial instruments measured at fair value in the balance sheet

2015	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	12,568.2	4,271.2	-	16,839.4
Lending	0.0	63,452.5	-	63,452.5
Bonds and other interest-bearing securities	38,711.4	6,977.0	-	45,688.4
Derivatives	0.4	22,479.0	296.2	22,775.6
Total	51,280.0	97,179.7	296.2	148,755.9
Liabilities to credit institutions	-	2,223.1	-	2,223.1
Securities issued	-	147,219.7	3,913.7	151,133.4
Derivatives	2.6	10,245.8	1,474.7	11,723.1
Total	2.6	159,688.6	5,388.4	165,079.6

Kommuninvest continuously reviews the criteria for the allocation into levels of financial assets and liabilities to be measured at fair value; see "Calculation of fair value" above. During the period, SEK 100.8 million was transferred from level 2 to level 1. Transfers are considered to have been made as of 31 December 2015.

2014	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	12,726.3	2,477.8	-	15,204.1
Lending	-	68,965.1	-	68,965.1
Bonds and other interest-bearing securities	36,292.9	9,681.6	-	45,974.5
Derivatives	13.2	23,356.1	479.5	23,848.8
Total	49,032.4	104,480.6	479.5	153,992.5
Liabilities to credit institutions	-	2,155.0	205.1	2,360.1
Securities issued	-	136,341.8	9,516.1	145,857.9
Derivatives	7.1	9,776.3	844.9	10,628.3
Total	7.1	148,273.1	10,566.1	158,846.3

During the period, SEK 679.4 million was transferred level 2 to level 1. All transfers are considered to have been made as of 30 June 2014.

Changes in level 3

The table below presents a reconciliation of opening and closing balances for financial instruments recognised at fair value in the balance sheet, based on an assessment technique proceeding from unobservable input data (level 3). Value changes in Level 3 are followed up continuously over the year.

	Derivative assets	Derivative liabilities	Liabilities to credit institutions	Securities issued	Total
Opening balance, 1 January 2014	619.7	-1,335.9	-226.3	-8,836.9	-9,779.4
Recognised gains and losses:					
- recognised in the income statement (net result of financial transactions)	-140.2	491.0	21.2	-289.2	82.8
Cost, acquisitions	-	-	-	-6,860.4	-6,860.4
Maturing during the year	-	-	-	6,470.4	6,470.4
Closing balance, 31 December 2014	479.5	-844.9	-205.1	-9,516.1	-10,086.6
Gains and losses recognised in the income statement (net result of financial transactions) for assets and liabilities included in the closing balance as per 31 December 2014	212.0	28.1	31.6	-262.7	9.0
Opening balance, 1 January 2015	479.5	-844.9	-205.1	-9,516.1	-10,086.6
Recognised gains and losses:					
- recognised in the income statement (net result of financial transactions)	-183.3	-629.8	0.4	797.5	-15.2
Cost, acquisitions	-	-	-	-2,430.9	-2,430.9
Matured during period	-	-	204.7	7,235.8	7,440.5
Closing balance, 31 December 2015	296.2	-1,474.7	-	-3,913.7	-5,092.2
Gains and losses recognised in the income statement (net result of financial transactions) for assets and liabilities included in the closing balance as per 31 December 2015	1.7	-822.6	-	821.1	0.2

Because the instruments in level 3 are hedged on a transaction basis, and each borrowing combine behaves as a borrowing combine in level 2, the changes in value are analysed in the same manner.

Note 2 Information on financial assets and liabilities subject to offsetting

To limit the market risks that arise when contractual borrowing and lending terms do not match, Kommuninvest uses risk management instruments in the form of derivative contracts. Kommuninvest's derivatives are so called OTC derivatives, that is, they are not traded on an exchange but are issued under ISDA Master agreements (International Swaps and Derivatives Association), an organisation in which Kommuninvest is a member. In addition to the ISDA agreement, a supplementary CSA (Credit Support Annex) has been signed with a considerable portion of the counterparties. CSA agreements regulate the right to secure collateral to eliminate the exposure.

For transactions carried out under ISDA Master agreements, all payment flows with a particular counterparty that mature on the same date are, to the greatest extent possible, netted in

each currency to a net amount to be paid by one counterparty to another. For specific events, such as past-due payment, bankruptcy, etc., all transactions are concluded with that counterparty, as assessment is conducted and a net settlement is made.

ISDA Master agreements do not meet the criteria for settlement in the balance sheet, since the legal right to settlement only applies for a stated type of suspension of payments, insolvency or bankruptcy.

Information – by type of financial instrument

Financial assets and liabilities that are subject to offsetting and that are covered by a legally binding framework agreement on netting or similar agreements.

31 December 2015	Amounts ¹ reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets					
Derivatives	22,775.6	-9,661.4	-11,391.2	-	1,723.0
Repos ²	80.9	-	-80.8	-	0.1
Liabilities					
Derivatives	-11,723.1	9,661.4	-	-	-2,061.7
Total	11,133.4	0.0	-11,472.0	-	-338.6

31 December 2014	Amounts ¹ reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets					
Derivatives	23,848.8	-9,611.1	-11,711.3	-	2,526.4
Repos ²	3,952.1	-	-3,952.1	-	-
Liabilities					
Derivatives	-10,628.3	9,611.1	-	-	-1,017.2
Total	17,172.6	0.0	-15,663.4	-	1,509.2

1) None of the amounts reported in the balance sheet have been offset.

2) Repos are included in Lending to credit institutions.

Note 3 Transactions with related parties

Transactions with related parties are disclosed in Note 25 of Kommuninvest's annual report for 2015. No significant changes have taken place in relationships or transactions with related parties compared with those described in the annual report for 2015.

Kommuninvest i Sverige AB conducts its operations. In accordance with chapter 7, section 6a of ÅRKL, Kommuninvest i Sverige AB will not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of position and earnings. As per 31 December 2015, Kommuninvest Fastighets AB had a balance sheet total of SEK 56.1 (54.9) million, equity of SEK 42.9 (19.1) million and generated a profit of SEK 0.7 (-0.4) million.

Note 4 Consolidated accounts

Since 1 January 2012, Kommuninvest i Sverige AB owns Kommuninvest Fastighets AB, which means that Kommuninvest i Sverige AB is now a group with Kommuninvest i Sverige AB as the Parent Company and Kommuninvest Fastighets AB as its subsidiary. The operations of Kommuninvest Fastighets AB consist entirely of owning and managing the building in which

Note 5 Events after the balance sheet date

On 1 March 2016, the Board of Directors of Kommuninvest i Sverige AB resolved to offer a rights issue to Kommuninvest Cooperative Society, regarding shares in Kommuninvest i Sverige AB. The offer relates to 14,906,740 shares with a quota value of SEK 100, for a total of SEK 1,490,674,000, with settlement date at the latest on 30 April 2016.

Board member signatures

The Board of Directors hereby declares that this year-end report provides a true and fair overview of the operations, position and results of the Company as well as describing significant risks and uncertainty factors facing the Company.

Stockholm, 1 March 2016

Ellen Bramness Arvidsson
Chairman

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Erik Langby
Board Member

Anna Sandborgh
Board Member

Johan Törngren
Board Member

Anders Pelander
Employee representative

Tomas Werngren
President and CEO

This report has not been audited.

The report contains information that Kommuninvest is required to publish under the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 2 March 2016 at 8:00 a.m.

From 10 March, it will be possible to download the complete annual report for 2015 from the Kommuninvest website, www.kommuninvest.se. The consolidated accounts are prepared by the parent society, the Kommuninvest Cooperative Society, and are published at www.kommuninvest.se on 21 April.



KOMMUNINVEST

The Swedish Local Government Debt Office

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