

KOMMUNINVEST I SVERIGE AB

Capital Adequacy and Risk Management Report – Pillar 3

Q3 2023



KOMMUNINVEST

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This report contains information in accordance with Part 8 of Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms, the Swedish Financial Supervisory Authority's regulations FFFS 2014:12 regarding prudential requirements and capital buffers and the Swedish Financial Supervisory Authority's regulation FFFS 2014:21 regarding management of liquidity risks in credit institutions and investment firms.

All information refers to the consolidated situation unless otherwise stated. "Kommuninvest" or "the Group" refers to the Kommuninvest Group, consisting of a member organisation.

The member organisation includes the following companies:
Kommuninvest i Sverige AB (the Company),
company reg. no.: 556281-4409
Kommuninvest Cooperative Society (the Society),
company reg. no.: 716453-2074
Kommuninvest Fastighets AB, company reg. no.: 556464-5629

Liquidity risk

Liquidity risk refers to the risk that it will not be possible to meet payment obligations on maturity without the expense of obtaining payment funds increasing considerably.

The short-term liquidity risk includes risks in the daily liquidity management where unforeseen events may make it difficult for the Company to meet its obligations. For this purpose, the Company maintains a liquidity reserve with highly liquid assets to limit this risk. The liquidity risk is further limited by the Company being a full member of the Riksbank's (Swedish central bank) RIX payment system, through which the Company can, among other things, raise loans against collateral.

The structural liquidity risk (financing risk) corresponds to the risk that the Company has not financed its long-term commitments in advance. This risk is restricted, in part, through access to diversified funding and, in part, through good matching of maturities between assets and liabilities.

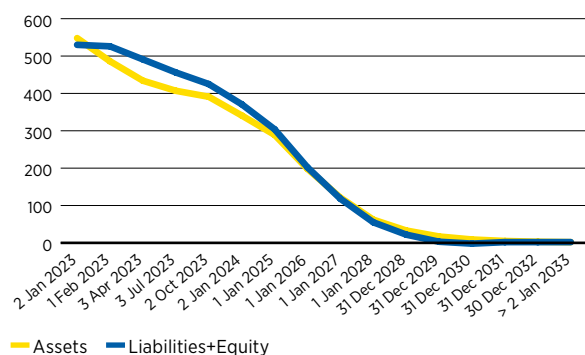
Diversified funding

The Company has diversified funding, with access to several different capital markets. This ensures that funding activities provides the necessary conditions to cover new lending, renewals and funding maturities, even under worsening market conditions. The strategic funding program are the Company's Swedish bondprogramme, Benchmark borrowing in USD within the EMTN (Euro Medium Term Note) programme, the ECP (Euro Commercial Paper) programme. The Company maintains a continuous market presence in these programmes. In addition, the Company regularly issues green bonds, in SEK, EUR and in USD.

Maturity Profile, balance sheet

31 Dec 2022

SEK bn



Good matching between assets and liabilities

Liquidity risks arise when assets and liabilities have different maturities. To minimise this risk, the Company strives to achieve good matching between assets (lending and investments) and liabilities (funding and shareholders' equity). The graph below illustrates the balance sheet maturity profile, indicating good matching between assets and liabilities.

The average maturity of the Company's outstanding borrowing as of 30 September 2023 was 2.2 (2.3) years if the earliest possible notice date is used in the calculation. In connection with cancellable borrowing, the investor has the right, under certain conditions, to request premature repayment of loaned funds.

The average remaining maturity for the Company's assets as of 30 September 2023 was 2.0 (2.1) years, of which the average remaining maturity for the Company's loan portfolio was 2.3 (2.4) years and the average remaining maturity for the liquidity reserve was 0.2 (0.0) years.

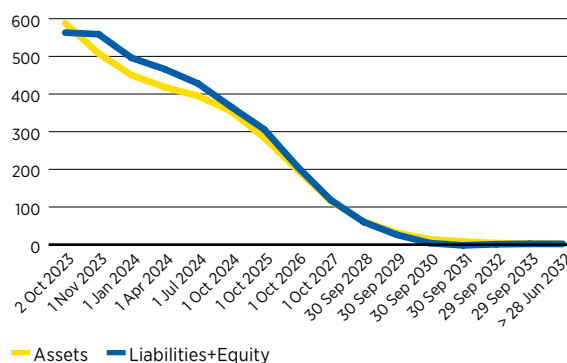
Liquidity reserve

To ensure a favourable preparedness in terms of liquidity even during periods of stress (such as impeded opportunities for financing in the capital markets), the Company maintains a liquidity reserve. The liquidity reserve is defined as the Company's holdings in securities, investment repos and bank balances. Bank balances refer to holdings without underlying securities. The Company's own direct holdings of securities and securities pledged as collateral are excluded from the reserve.

Maturity Profile, balance sheet

30 Sep 2023

SEK bn



The scale of the liquidity reserve is governed by the principle that a sufficient volume shall be maintained to meet the Company's liquidity needs even during periods of substantial unease in the financial markets.

The liquidity reserve is invested in assets of favourable credit quality, high turnover and readily redeemed. All holdings are to be eligible as collateral with the Swedish central bank (the Riksbank). In accordance with the Company's Finance Policy, investments may not be made in securities with a remaining maturity of more than 39 months. Investments are also subject to a country limit whereby exposures to an individual country may not exceed SEK 15 billion, with the exception of Sweden, for which no country limit applies. In addition, the Board of Directors determines the maximum gross exposure to individual issuers.

Liquidity coverage ratio (LCR)

The Liquidity Coverage Ratio (LCR) measures the relationship between high quality liquid assets and the net cash outflow over a 30-day period under stressful circumstances. In the short term, a liquidity coverage ratio of 100 percent thus

ensures that the Company's liquidity reserve consists of sufficient high quality liquid assets to meet the net cash outflow over the ensuing 30 days under stressful circumstances.

Kommuninvest measures and monitors LCR on a daily basis. Partly at the total level, for significant currencies, that is, for each separate currency in which the Company holds borrowings amounting to 5 percent or more of its total borrowing, which are in the SEK, USD and EUR. According to the limit set by the Board of Directors, the LCR quota may not be lower than 110 percent. For SEK, the Board of Directors has set a limit of 85 percent.

The high proportion of government bonds and other high quality liquid assets in the Company's liquidity reserve means that the liquidity coverage ratio exceeds, by a favourable margin, the authorities' requirement to maintain a liquidity coverage ratio of at least 100 percent. The company's LCR quota, in accordance with the CRR regulations, totalled, as of 30 September 2023, 424.3 (398.3) percent, 1,672.4 (1,860.8) percent in USD, 340.4 percent in EUR and 3,893.2 (844.4) percent in SEK.

EU LIQB on qualitative information on LCR, which complements template EU LIQ1

Explanations of the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

Since measurements began, the Company's liquidity ratio (LCR) has mainly been driven by the relationship between borrowing in the Company's bond programme, lending to members and potential collateral outflows as a result of CSA agreements entered into.

Explanations of the changes in the LCR over time

Although there is no clear LCR trend, situations occasionally arise in which the liquidity reserve increases in relation to the outflows due to the fact that borrowing cannot always be synchronised with lending. In such situations, the Company's investments in highly liquid assets increase. The ratio is also affected by variation in outflows of securities, which also has an effect on negative market scenarios. The company also has some borrowing that can be terminated prematurely, which to some extent can give rise to variations in LCR.

Explanations of the actual concentration of funding sources

To ensure that funding activities provide the necessary conditions to cover new lending, renewals and funding maturities, even under worsening market conditions, the Company maintains diversified funding with access to several different capital markets. The strategic funding programs are the Company's Swedish bond programme borrowing in SEK, benchmark funding within the EMTN (Euro Medium Term Note) programme in USD and the ECP (Euro Commercial Paper) programme. The Company maintains a continuous market presence in strategic funding programmes. Today, the Company also regularly issues green bonds in the currencies SEK, EUR and USD.

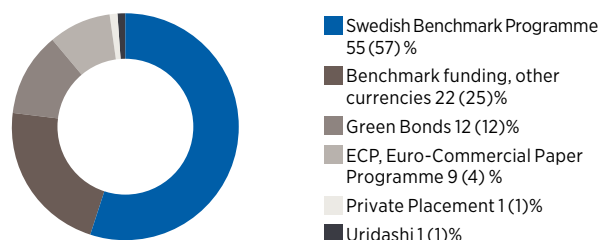
High-level description of the composition of the institution's liquidity buffer.

The reserve is defined as the Company's holdings in securities, investment repos and bank balances. Bank balances refer to holdings without underlying securities. In accordance with the Company's strategy, the liquidity reserve shall be invested short-term, with the average maturity not exceeding 12 months. Individual investments may have a maturity of up to 39 months. The average remaining maturity on the investments in the liquidity reserve as per 30 September 2023 was 2.35 (0.54) months. The longest maturity for an individual security was 35.9 (20.0) months.

Investments are subject to a country limit whereby exposures to an individual country may be SEK 15 billion, with the exception of Sweden, for which no country limit applies. In addition, the Board of Directors determines annually the maximum gross exposure to individual issuers. Investments are made primarily in securities issued by sovereigns or central banks, multilateral development banks and subsidised lenders¹. The Company's own direct holdings of securities and securities pledged as collateral are excluded from the reserve. As per 30 September 2023, 96 (97) percent of the reserve was invested in securities with the highest possible credit rating, and 85 (89) percent consisted of investments in securities issued by issuers in Sweden.

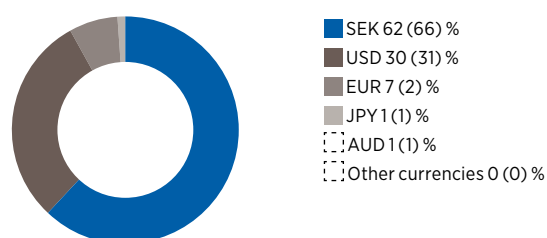
Funding portfolio 558,1 mdkr (522,3) by programme

30 Sep 2023 (31 Dec 2022)



Funding portfolio SEK bn 558,1 (522,3) by currency

30 Sep 2023 (31 Dec 2022)



¹) Subsidised lenders refer to securities issuers where the exposure is treated as a sovereign exposure in accordance with CRR regulations. Among others, these include the Company's Nordic sister organisations.

Derivative exposures and potential collateral calls

The company uses derivatives to hedge market risks. CSA agreements entered into with all derivative counterparties ensure that changes in market value are covered by collateral, mainly cash collateral. The company calculates potential collateral flows according to the HLBA method and takes this into account in the LCR measurements. Collateral flows according to the HLBA method are continuously reconciled with internal stress tests for collateral flows.

Currency mismatch in the LCR

The company’s main borrowing currencies are SEK and USD. The company’s only lending currency is SEK. The company’s liquidity reserve shall mainly be invested in SEK-denominated assets. The company also invests in other currencies to meet the LCR requirements.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

In the Company’s internal liquidity measures and governance, the Company assumes a forecast turnover rate if higher than 50 percent, which it usually is. The company also maintains additional preparedness for unexpected outflows, including new lending.

Net stable funding ratio (NSFR)

With regard to measures relating to the structural liquidity risk, the Company measures and monitors the stable net financing ratio (Net Stable Funding Ratio), that is, the relationship between available stable financing and the Company’s need for stable financing. Since June 2016, a limit has been imposed by the Company’s Board of Directors to the effect that the NSFR quota may not fall below 110 percent. As per 30 September 2023, the NSFR quota was 137.0 (143.3) %. In accordance with the company’s asset and liability management strategy, the company shall continuously and over time maintain a good match between assets and liabilities. This together with the fact that the asset side only consists of lending to the municipality/ regional sector and the liquidity reserve consisting of highly liquid assets, contributes to a stable NSFR quota over time.

Stress tests and contingency plan

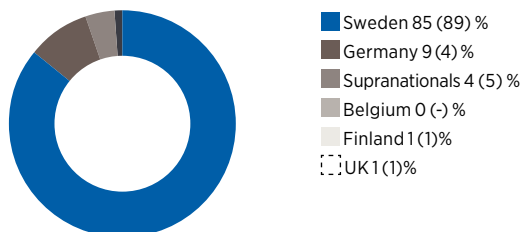
The company’s liquidity reserve must, in accordance with the financial policy and financial instructions, safeguard the following factors affecting liquidity:

- Short-term deviations in the maturity matching.
- Outflows as a result of collateral management within the derivatives operations.
- Outflows as a result of the Company being able to offer customers new loans or turnover of existing loans.

The company’s liquidity preparedness must be able to cope with stresses in the above parameters affecting liquidity. Liquidity preparedness is evaluated on an ongoing basis through stress tests, and appropriate measures to improve the liquidity situation are detailed in the Company’s contingency plan. An example of a stress test is a stressed LCR measure based on a longer period of time than the regulatory LCR measure. The contingency plan is linked to the Company’s risk framework, which includes an escalation process that should reflect the Company’s financial situation and that includes five levels: normal position, risk-owner limitation, CEO limitation, Board of Directors limitation and legal requirements. If the financial situation changes from the normal position, a number of measures are specified in a specific order of priority to improve the Company’s liquidity, which shall enable the Company to meet its payment obligations.

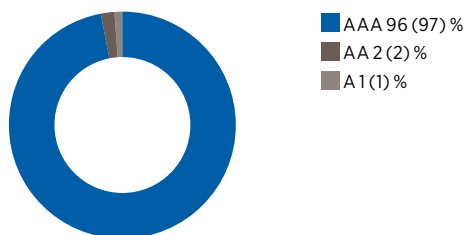
Liquidity reserve distributed by country

30 Sep 2023 (31 Dec 2022)



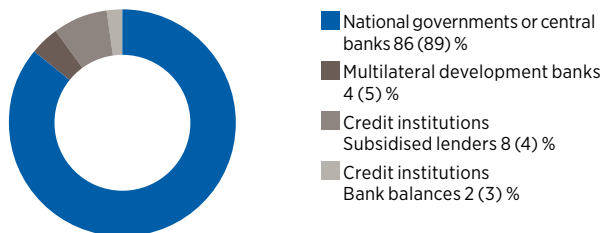
Liquidity reserve distributed by rating category

30 Sep 2023 (31 Dec 2022)



Liquidity reserve distributed by issuer category

30 Sep 2023 (31 Dec 2022)



Capital management and own funds

Own funds and capital requirements

Kommuninvest is required to comply with the Regulation (EU) No. 575/2013, also known as the CRR (Capital Requirements Regulation), which is directly applicable in Sweden and the Capital Adequacy Directive EU 2013/36, which is implemented in Sweden through legislation and regulations issued by the Swedish Financial Supervisory Authority.

In the spring of 2019, a decision was made to amend the regulations, with the amendments being referred to as the EU bank package. These regulatory changes are often referred to as CRR 2 and will become applicable in the next few years.

Furthermore, on 20 November 2020, the Swedish Financial Supervisory Authority adopted a changed application of the capital requirements for Swedish banks to adapt these requirements to the bank package. As a result, Finansinspektionen has introduced special capital requirements and leverage ratio requirements in Pillar 2, as well as Pillar 2 guidance. The Pillar 2 guidance is based on the outcome of stress tests and other institution-specific assessments. The capital planning buffer has been removed because its purpose is instead fulfilled through Pillar 2 guidance.

Information on Pillar 2 requirements and Pillar 2 guidance applicable to Kommuninvest have been notified by the Swedish Financial Supervisory Authority on 24 September 2021.

Risk-base capital base requirement	30 Sep 2023		31 Dec 2022	
	Value	%	Value	%
Capital base requirement in accordance with Pillar 1	163.7	8.0%	172.8	8.0%
Capital base requirement, Pillar 2 requirement	1,557.2	76.1%	1,644.0	76.1%
Combined buffer requirement	92.1	4.5%	67.2	3.1%
Pillar 2 guidance	347.9	17.0%	367.2	17.0%
Total risk-base capital base requirement	2,160.9	105.6%	2,251.2	104.2%

Leverage ratio, capital base requirements	30 Sep 2023		31 Dec 2022	
	Value	%	Value	%
Capital base requirement in accordance with Pillar 1	3.0%	2,742.7	3.0%	2,088.8
Capital base requirement, Pillar 2 requirement	-	-	-	-
Pillar 2 guidance ¹	3.4%	3,079.7	4.8%	3,316.9
Total leverage ratio, capital base requirement²	6.4%	5,822.4	7.8%	5,405.7

1) The difference between 1% of total exposure excluding deductions in the form of exposure to members and their companies, and capital base requirement in accordance with Pillar 1.

2) 1% of total exposure excluding deductions in the form of exposure to members and their companies.

Capital planning

The Group's capital planning is intended to ensure that the Group is fully capitalised to meet both the risks in the operations, as well as future regulatory requirements. In relation to both of these aspects, the Group is well capitalised.

One priority with capital planning is to ensure that the Group has sufficient capital to support the Company, so that its internal capital target is met. The principle of the capital target is that the capital in the Company shall exceed the highest of the internally assessed capital requirement and the regulatory capital requirement according to the Swedish Financial Supervisory Authority. The scale of the capital target in quantitative terms is determined annually within the framework of the Company's internal capital and liquidity assessment (ICAAP and ILAAP).

Internally estimated capital requirements	30 Sep 2023	31 Dec 2022
Capital requirement, Pillar 2		
Credit risk	27.0	48.1
Market risks	1,718.8	1,696.4
Capital planning buffer	767.7	764.9
Other risk ¹	1,306.3	1,034.6
Total internally estimated capital requirement	3,819.8	3,544.0

1) Consists of capital requirements for the risk of excessively low leverage ratio.

CAPITAL MANAGEMENT AND OWN FUNDS

EU KM1 – Key metrics template

SEK million	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	10,851.7	10,795.9	9,889.9	9,928.2	9,860.0
Tier 1 capital	10,851.7	10,795.9	9,889.9	9,928.2	9,860.0
Total capital	10,851.7	10,795.9	9,889.9	9,928.2	9,860.0
Risk-weighted exposure amounts					
Total risk exposure amount	2,046.3	2,038.3	2,013.4	2,160.3	1,920.4
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	530.3%	529.6%	491.2%	459.6%	513.4%
Tier 1 ratio (%)	530.3%	529.6%	491.2%	459.6%	513.4%
Total capital ratio (%)	530.3%	529.6%	491.2%	459.6%	513.4%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	76.1%	76.1%	76.1%	76.1%	76.1%
<i>of which: to be made up of CET1 capital (percentage points)</i>	42.8%	42.8%	42.8%	42.8%	42.8%
<i>of which: to be made up of Tier 1 capital (percentage points)</i>	57.1%	57.1%	57.1%	57.1%	57.1%
Total SREP own funds requirements (%)	84.1%	84.1%	84.1%	84.1%	84.1%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
Institution specific countercyclical capital buffer (%)	2.0%	2.0%	1.0%	0.6%	0.3%
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	4.5%	4.5%	3.5%	3.1%	2.8%
Overall capital requirements (%)	88.6%	88.6%	87.6%	87.2%	86.9%
CET1 available after meeting the total SREP own funds requirements (%)	446.2%	445.5%	407.1%	375.5%	429.3%
Leverage ratio					
Total exposure measure	91,423.3	108,116.7	81,659.0	69,628.3	94,170.2
Leverage ratio (%)	11.9%	10.0%	12.1%	14.3%	10.5%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
<i>of which: to be made up of CET1 capital (percentage points)</i>	-	-	-	-	-
Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	-	-	-	-	-
Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value - average)	78,295.2	80,142.2	80,954.2	83,408.5	80,298.9
Cash outflows - Total weighted value	34,706.1	38,056.0	41,307.9	39,260.1	38,181.7
Cash inflows - Total weighted value	9,490.5	10,341.6	13,558.7	11,680.5	11,029.3
Total net cash outflows (adjusted value)	25,215.6	27,714.4	27,843.2	27,597.3	27,207.5
Liquidity coverage ratio (%)	328.7%	302.7%	333.2%	342.9%	331.2%
Net Stable Funding Ratio					
Total available stable funding	409,416.0	429,706.3	421,447.3	419,539.6	421,841.8
Total required stable funding	298,277.2	301,801.8	296,789.2	292,665.0	291,872.9
NSFR ratio (%)	137.3%	142.4%	142.0%	143.4%	144.5%

EU OV1 – Overview of RWAs, Solo

SEK million	Risk-weighted exposure amounts (RWEAs)		Total own funds requirements
	30 Sep 2023	30 Jun 2023	30 Sep 2023
Credit risk (excluding CCR)	375.2	244.8	30.0
<i>Of which the standardised approach</i>	375.2	244.8	30.0
<i>Of which the foundation IRB (FIRB) approach</i>	-	-	-
<i>Of which slotting approach</i>	-	-	-
<i>Of which equities under the simple risk-weighted approach</i>	-	-	-
<i>Of which the advanced IRB (AIRB) approach</i>	-	-	-
Counterparty credit risk – CCR	651.0	783.7	52.1
<i>Of which the standardised approach</i>	-	0.0	-
<i>Of which internal model method (IMM)</i>	-	-	-
<i>Of which exposures to a CCP</i>	-	-	-
<i>Of which credit valuation adjustment - CVA</i>	651.0	783.7	52.1
<i>Of which other CCR</i>	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the non-trading book (after the cap)	-	-	-
<i>Of which SEC-IRBA approach</i>	-	-	-
<i>Of which SEC-ERBA (including IAA)</i>	-	-	-
<i>Of which SEC-SA approach</i>	-	-	-
<i>Of which 1250%/ deduction</i>	-	-	-
Position, foreign exchange and commodities risks (Market risk)	-	-	-
<i>Of which the standardised approach</i>	-	-	-
<i>Of which IMA</i>	-	-	-
Large exposures	-	-	-
Operational risk	1,032.9	1,032.9	82.6
<i>Of which basic indicator approach</i>	1,032.9	1,032.9	82.6
<i>Of which standardised approach</i>	-	-	-
<i>Of which advanced measurement approach</i>	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
Total	2,059.1	2,061.4	164.7

CAPITAL MANAGEMENT AND OWN FUNDS

EU OV1 – Overview of RWAs, Consolidated

SEK million	Risk-weighted exposure amounts (RWEAs)		Total own funds requirements
	30 Sep 2023	30 Jun 2023	30 Sep 2023
Credit risk (excluding CCR)	374.8	234.1	30.0
<i>Of which the standardised approach</i>	374.8	234.1	30.0
<i>Of which the foundation IRB (FIRB) approach</i>	-	-	-
<i>Of which slotting approach</i>	-	-	-
<i>Of which equities under the simple risk-weighted approach</i>	-	-	-
<i>Of which the advanced IRB (AIRB) approach</i>	-	-	-
Counterparty credit risk - CCR	651.0	783.7	52.1
<i>Of which the standardised approach</i>	-	0.0	-
<i>Of which internal model method (IMM)</i>	-	-	-
<i>Of which exposures to a CCP</i>	-	-	-
<i>Of which credit valuation adjustment - CVA</i>	651.0	783.7	52.1
<i>Of which other CCR</i>	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the non-trading book (after the cap)	-	-	-
<i>Of which SEC-IRBA approach</i>	-	-	-
<i>Of which SEC-ERBA (including IAA)</i>	-	-	-
<i>Of which SEC-SA approach</i>	-	-	-
<i>Of which 1250%/ deduction</i>	-	-	-
Position, foreign exchange and commodities risks (Market risk)	-	-	-
<i>Of which the standardised approach</i>	-	-	-
<i>Of which IMA</i>	-	-	-
Large exposures	-	-	-
Operational risk	1,020.5	1,020.5	81.6
<i>Of which basic indicator approach</i>	1,020.5	1,020.5	81.6
<i>Of which standardised approach</i>	-	-	-
<i>Of which advanced measurement approach</i>	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
Total	2,046.3	2,038.3	163.7

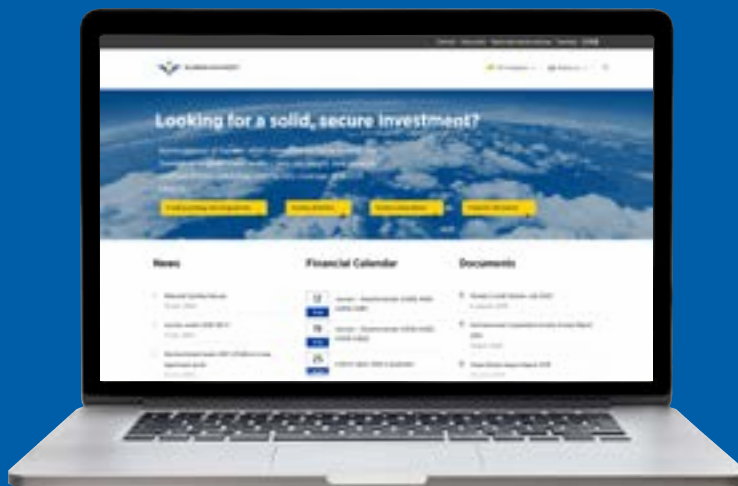
Signature

As the CFO of Kommuninvest i Sverige AB (the Company), I hereby, certify that the disclosures presented in the Company's Capital Adequacy and Risk Management Report (Pillar 3) Q3 2023 in accordance with Part Eight of Regulation (EU) No 575/2013, have been prepared in accordance with the internal controls and procedures.

Örebro, 2023-11-10



Patrick Nimander
CFO



On the Kommuninvest website, www.kommuninvest.se/en, you can read more about Kommuninvest, our services and news affecting the economy and finances of municipalities and regions in Sweden. On the website you will find:

- Our newsletter that each week provides members with the latest updates on macroeconomics and other areas affecting local government finances
- Reports on local government finances
- Membership magazine *Dialog*
- Login to the finance management tool KI Finans
- Information for investors



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