

KOMMUNINVEST I SVERIGE AB

# Interim report 2022



KOMMUNINVEST



# Working together for better terms

Kommuninvest's role entails offering secure and cost-effective financing to its members and customers – Swedish municipalities, regions, municipal companies and other local government actors.

**280  
+ 14**

Kommuninvest is owned by 280 municipalities and 14 regions.



## Green Loans

Green Loans were introduced in 2015 for financing environmental and climate-related investments. Since the launch, the volume of Green Loans has increased to SEK 91 billion.

## Our vision

Kommuninvest shall be the world's best organisation for local government financial administration. We finance the development of Sweden's local and regional sectors, as well as investments for a sound and sustainable society.

## Basic concept

Together, municipalities and regions can borrow more securely and inexpensively than each of them could individually. Together, the local government sector can also increase its expertise in financial management.

## Organisation with clear division of roles

Kommuninvest comprises two parts. The Kommuninvest Cooperative Society (the Society) and the credit market company Kommuninvest i Sverige AB (the Company).

### Kommuninvest Cooperative Society

Administrates membership and the joint and several guarantee.

The Board of Directors consists of elected politicians from municipalities and regions.

### Kommuninvest i Sverige AB

Conducts the financial operations, including funding, liquidity management and lending.

The Board of Directors consists of individuals with expertise in areas such as public administration, capital markets and business development.



Kommuninvest has the highest possible credit rating, AAA/Aaa, and a stable outlook.

## Start 1986

Since its inception in 1986, Kommuninvest has helped reduce the Swedish local government sector's funding expenses by many billions of kronor. Ultimately this has benefited citizens who have had access to improved public services at both the local and regional levels.

**SEK 473  
bn**

On 30 June 2022, lending to members amounted to SEK 473 billion.

### Interim report for Kommuninvest i Sverige AB (publ)

This is the interim report for the period 1 January - 30 June 2022 for the credit market company Kommuninvest i Sverige AB (Kommuninvest). Corporate identity number: 556281-4409 Registered office: Örebro.

Comparison figures relating to the income statement refer to the preceding year (1 January–30 June 2021), unless otherwise stated. Comparative figures relating to the balance sheet and to risk and capital-related data refer to 31 December 2021 unless otherwise indicated.

# Comment from the President and CEO

The somewhat turbulent developments in the global economy during the spring also had an impact on the local government sector. The combination of high inflation, rising interest rates and weak stock markets has become burdensome. It should be added that the increased central government allocations distributed during the corona pandemic are being phased out. Generally speaking, financial strength among Swedish municipalities and regions is favourable. After a couple of good years in terms of net profit, however, the local government sector now appears to be headed into a more difficult period. In the short term, the turbulence has resulted in Kommuninvest having slightly larger lending volumes than expected. In the long term, it is difficult to determine how Kommuninvest's lending will be affected by the dynamics of local government finances.

Purchasing of local government bonds, within the Swedish central bank's quantitative easing programme, continued during the first half of the year with slightly lower volumes than in the second half of 2021. This means that the programme has continued to squeeze interest rate differentials between local government issuers, disadvantaging local government cooperation. At the end of June, the Riksbank announced that its purchasing of local government bonds would decrease significantly in the second half of the year. This will likely increase the interest rate differentials between Kommuninvest and other local government issuers.

The risk tax introduced at the beginning of the year, entails an additional tax burden of SEK 257 million for Kommuninvest in 2022. In December 2021, the Riksdag (Swedish parliament) called on the government to propose compensation for the tax for the local government sector and for local government cooperation through Kommuninvest to be exempted as of 1 January 2023. In June, following government proposals in its spring budget amendment, the Riksdag resolved to allow municipalities and regions to receive compensation for the risk tax by means of a new central government allocation of SEK 300 million for



Tomas Werngren, President and CEO

2022 labelled "Temporary support for increased financing costs". At the beginning of the year, the government had not achieved any visible success in its efforts to exempt Kommuninvest from the tax. We still assume that the government will also heed the Riksdag's request in this regard, introducing an exemption as of 1 January 2023.

The operating loss for the first half of the year was SEK 346.5 million. This negative outcome is attributable to the risk tax and to unrealised negative changes in market value of SEK 395.5 million. These have primarily been attributable to funding in USD having become cheaper relative to funding in SEK. However, since Kommuninvest intends to hold assets and liabilities to maturity, these values are not normally realised. In line with the budget, operating income for the period ended up at SEK 50.0 million.

Sustainability work continued to develop favourably over the first half of the year. The proportion of Green Loans has continued to grow. The process of adapting to the EU's green taxonomy intensified. Volume growth in Social Sustainability Loans, launched to all customers in the spring of 2021, was relatively good. At the end of the first half of the year, a total of 14 projects had been granted loans with a total volume exceeding SEK 1.6 billion.

A handwritten signature in blue ink, appearing to read 'Tomas Werngren'. The signature is stylized and fluid.

**Tomas Werngren**  
President and CEO

# Important steps forward

For Kommuninvest, whose mission is to finance the local government sector's development and investments for a beneficial and sustainable society, sustainability work includes environmental, climate, as well as social and economic dimensions alike.

The description below is based on the Company's work with regard to environmental and social sustainability in business operations, despite this being part of the basic mission (in which financial sustainability is a cornerstone) where the Company makes its principal contribution.

During the period, Kommuninvest has:

## **1) Tightened its green financing requirements, focusing on climate impact in the construction process and continued renovation projects**

To make it easier for non-profit housing companies to take a leading role in the restructuring of the construction and property sectors, Kommuninvest, IVL Svenska Miljöinstitutet and Public Housing Sweden cooperate within the framework of the "Climate requirements at a reasonable cost" initiative. In 2021, as a consequence of this collaboration, Kommuninvest introduced new requirements for granting Green Loans for green buildings. These new requirements address the built-in climate impact of the construction process. As of 2022, the requirements have been tightened. For new construction projects, applicants must be able to demonstrate both that lifecycle-oriented climate measures are undertaken and that the building's climate impact during the construction phase has been calculated.

Step 2 of the initiative, "Climate requirements at a reasonable cost – renovations", was begun in 2021 and is scheduled for completion in the autumn of 2022. The initiative aims to make use of the knowledge amassed in Step 1 with regard to climate calculations and lifecycle analyses also with regard to renovation and remodelling projects. Kommuninvest also seeks to translate the knowledge amassed into its development of green financing criteria for renovation projects.

## **2) Completed work on a preliminary study regarding possible adaptation of the taxonomy to the terms for Green Loans**

During the period, the preliminary study in progress since 2021 regarding possible voluntary adaptation of the framework for Green Bonds to an anticipated EU green bonds standard was completed. The Environmental Committee (a committee of experts established in connection with the green financing framework) supports the preliminary study's proposal that a gradual/partial adaptation to the taxonomy be implemented in stages and taking into account what is deemed feasible and reasonable from the perspective of the local government sector. These efforts are continuing in preparation for the upcoming framework update.

## **3) Continued establishment phase for Social Sustainability Loans**

Following the launch of the new Social Sustainability Loans product in 2021, efforts during the period focused on encouraging more Kommuninvest members to make use of it. At the end of the period, Kommuninvest had granted SEK 1,621 million in financing for 14 socially oriented investments by 12 members, a clear increase compared with the beginning of the year when SEK 614 million had been granted for seven socially oriented investments distributed between six members. By the end of the period, SEK 652 (207) million had been disbursed.

This new loan product shares essential basic features with Green Loans, but adds some new aspects to be able to contribute meaningfully to the municipalities' and regions' work for a beneficial life for as many citizens as possible. Among other things, clear requirements are set for measuring effects and for a systematic approach to the process. Loans may be granted for investments in three categories: housing and living environments, security, safety and accessibility, as well as health, education, sports and culture.

These loans are to finance investments that, individually or in combination with targeted social initiatives, can facilitate the achievement of social objectives.





Karlshamnsbostäder



Kungsälvsbostäder

### An additional seven Social Sustainability Loans were granted in the first half of 2022

- **Specialised accommodation for dementia patients** (Municipality of Varberg)  
*Category: safety, security and accessibility.*
- **Housing for integration** (Kungsälvsbostäder)  
*Category: housing and living environments.*
- **Upgrade of neighbourhood from the “One Million Homes” programme of the 1960s/1970s** (Karlshamnsbostäder)  
*Category: housing and living environments.*
- **More secure town centre area and an initiative for increased accessibility through two separate investment projects** (Municipality of Norrköping and Hyresbostäder i Norrköping AB)  
*Category: housing and living environments; and category: safety, security and accessibility.*
- **Schools initiative** (Municipality of Ronneby)  
*Category: health, education, sports and culture.*
- **Upgrade of residential neighbourhood** (Tanums Bostäder)  
*Category: housing and living environments.*

Municipality of Ronneby



Municipality of Varberg





# Future investments in focus

Future development in local government sector investment was a recurring topic of analysis and discussion at Kommuninvest during the spring. Following two years pervaded by the corona pandemic, and in an economic situation with high inflation and rising interest rates, it is important to study in greater detail the investment decisions facing municipalities and regions.

In March, the Welfare Economists published their report: "New times – new investments: five useful pieces of advice for the local government sector". This was the fifth and final report from this independent and temporary group of experts, established by Kommuninvest in June 2020 with the aim of strengthening the analysis of local government finances during, and on the basis of, the pandemic. According to the group, many indications suggest that the focus of public sector investment needs to shift from expansion to maintenance and realignment. The expansive rate of investment in preschools and schools, for example, could probably be reduced. At the same time, it is increasingly urgent that maintenance investments be stepped up – in areas such as water and sewerage, rental housing and certain types of operational premises – while also investing in climate/the environment and digitalisation.



Based on this recommendation, the group of experts formulated five pieces of advice for Sweden's central government, municipalities and regions:

1. Take a realistic view of the population trend
2. Conduct an in-depth Group-level analysis to determine the scope for investment
3. Prioritise maintenance
4. Secure sufficient scope for investment in environmental realignment
5. Induce long-term improvements in efficiency – including improvements outside of the investment budget

In May, the results of an extensive analysis conducted by Associate Professor Linda Andersson Järnberg and Professor Emeritus Lars Hultkrantz at Örebro University School of Economics, on behalf of Kommuninvest's research committee, were published in the summary report "Local government sector investment expenditure". This research includes studies of how investment expenditure has developed over time and of the factors influencing this development.

An overall conclusion from the analysis for 2007–2019 is that investment, calculated per inhabitant, is driven in particular by demographic structure and changes. Among other things, the results show that population growth can explain how the investment expenditure of an average municipality changes over time, at least at the Group level.

In early June, Kommuninvest arranged a webinar at which both reports were presented and discussed on the basis of the key question: "What direction is local government sector investment taking?"

# Market and organisation

The first half of the year was eventful and somewhat turbulent. With the crisis brought by the corona pandemic subsiding, Russia's invasion of Ukraine replaced it with another.

The beginning of the year brought a further wave of contagion. While some countries battled continued contagion in the spring, in large parts of the world (including Sweden), the pandemic slowed considerably from March onwards. Restrictions have been phased out and societies have re-opened. Although further waves of contagion cannot be ruled out, the general assessment is that a definitive return to normality has taken place. Economically, the year began in a continued phase of strong recovery. Growth was at a high level. Unemployment was falling. At the same time, global trade continued to suffer from supply issues and other disruptions. Inflation had begun to gather pace in many places.

The Russian invasion of Ukraine in February partly changed the dynamics. Initially a period of general uncertainty arose, and with it a certain degree of volatility in the market. The effects of the war were unclear. Most stock markets began to fall. After that, it became increasingly clear that the war would exacerbate trade disruptions, fuel inflation and weaken the economy. Substantial attention was focused on the tightening of monetary policy initiated by many central banks (including the Swedish central bank) to hold back inflation. There was a rapid transition from a distinctly low interest rate environment to what appears to be approaching more normal interest rates. New phases of volatility emerged. Many stock markets continued to fall.

This trend has impacted local government finances. With high inflation, rising interest rates, and weak stock markets – while increased central government allocations distributed during the pandemic are being phased out – there are many indications that municipalities and regions face a more difficult period ahead.

Even under these circumstances, Kommuninvest has continued to show good stabil-

ity. Once again, it has been shown that the organisation has a strong capacity for standing firm amidst the storm. Immediately following the Russian invasion, the Company entered crisis mode in accordance with its internal crisis plan. A number of measures were taken to increase preparedness and secure the operations with regard to counterparties and cyber threats, for example. In June, the Company returned to its normal mode of operation.

The trend in Kommuninvest's funding has been favourable. Following the 2019 decision regarding three strategic funding markets – SEK, USD and EUR – the first bond in EUR was issued in March. With funding activity in SEK and USD continuing roughly as before, the entire breadth of the strategy has now been brought into play. In connection with a USD issue in February, SOFR entered use as the reference rate, rather than Libor.

Kommuninvest began the year with a funding forecast of SEK 115–135 billion. In April, this was revised to SEK 125–145 billion. This was because first quarter lending volumes were somewhat higher than expected. In the initial turbulence surrounding the war in Ukraine, and at times during the subsequent months, some customers chose to borrow from Kommuninvest rather than through their own market programmes.

During the first half of the year, Kommuninvest scaled up its restructuring programme for 2022–2023, which will help lower overall expenses in the organization by means of efficiency enhancements. This has had some initial effects on the expenses side of the income statement.

When the pandemic restrictions were predominantly lifted in March, Kommuninvest returned to office-based operations. Although digital and hybrid elements remain, the office is back to being the obvious hub of our operations. In March, the Annual General Meeting of the Society was conducted as a hybrid event with some attending in person in Gothenburg.

The independent and temporary group of experts, the Welfare Economists, that Kommuninvest established in 2020 to strengthen

the analysis of local government finances during, and from the perspective of, the pandemic, completed its work in June. Its fifth and final report, published in March, focused on future developments in local government sector investment.

**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 30 June 2022, the Society had 294 (293) members (partners), of which 280 (279) were municipalities and 14 (14) were regions. Between 1 January and 30 June 2022, no new members joined the Society.

**Resolutions by the Annual General Meeting of the Society**

The Society held its Annual General Meeting on 31 March 2022 in Gothenburg. The 2022 Annual General Meeting of the Society was conducted as a “hybrid meeting”, that is, with opportunities to participate either in person or online. A total of 331 people participated in the Meeting, with 119 attending on site in Gothenburg and 212 attending digitally. At the Annual General Meeting of the Society, 155 representatives were in attendance.

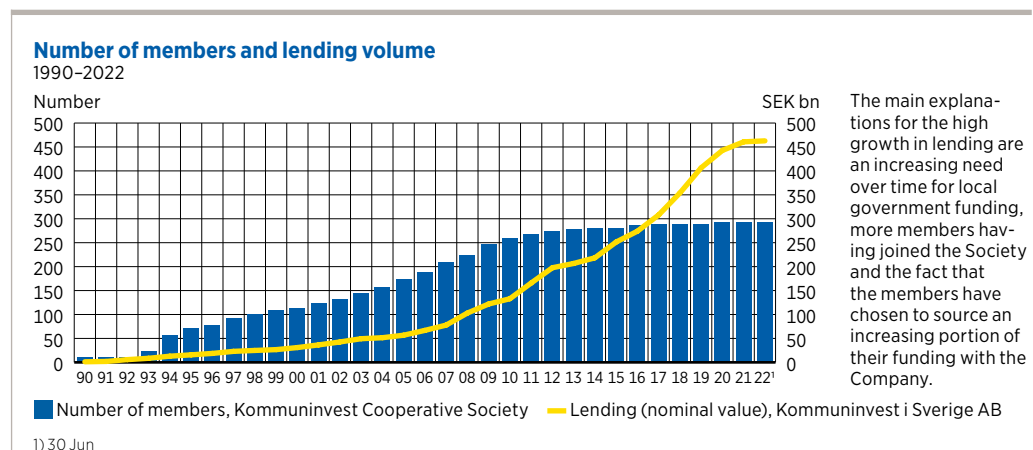
The Meeting made resolutions concerning elections to the Board of Directors of the Society, discharge of responsibility for the Board of Directors of the Society and the distribution of surpluses to members. The distributed surplus consisted of interest on contribution capital and refunds based on business volumes and totalled SEK 473 million.

The 2020 Annual General Meeting of the Society adopted amended Articles of Association and a new plan for Kommuninvest’s build-up of capital, which means that decisions on capital contributions made in 2022 were a consequence of earlier resolutions. In 2022, both new and existing members are to pay in capital contributions so that they reach SEK 1,100 per inhabitant (SEK 220 per inhabitant for the regions).

The Annual General Meeting also adopted ownership directives for the Company for 2022. As in previous years, these state that it is the Society that is responsible for providing the Company with the capital required for its operations.

**Local government debt**

During the period, Swedish municipalities and regions were able to meet their borrowing needs efficiently through Kommuninvest, the capital market and the banks. Kommuninvest estimates that the local government sector’s external debt, following an increase of SEK





5 billion since the start of the year, amounted to SEK 800 (795) billion, corresponding to 14.1 (14.7) percent of GDP on 30 June 2022. This assessment is more uncertain than normal due to the prevailing situation.

The forecast for local government debt for 2022 rests on the assumption of continued considerable investment needs in the local government sector due to population growth, demographic shifts, as well as major renovation needs regarding existing buildings and infrastructure. Kommuninvest's assessment is that growth in local government debt will be 3 percent in 2022. Two reasons for the slightly lower expected rate of increase in 2022 are downwardly revised population forecasts and strong liquidity in municipalities and regions.

The local government sector's funding is characterised by short maturities and short-term interest rates. At the end of the period, the average amount of time during which capital was tied up was 2.82 years and 48 percent of funding carried variable interest. By using derivatives the average period of fixed interest was extended to 2.83 years. The average interest rate on the debt was 1.02 percent, an increase of 9 basis points in one year.

### Kommuninvest's lending

As per 30 June 2022, Kommuninvest's lending amounted to SEK 473.5 (460.7) billion, an increase of 3 percent. The recognised value

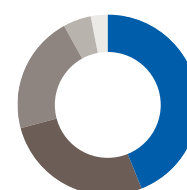
of the lending was SEK 462.8 (460.7) billion. Kommuninvest's assessment is that 59 (58) percent of local government debt is financed via Kommuninvest<sup>1</sup>.

Lending growth in the first half of 2022 was 3 percent compared with 2 percent in the first half of 2021. In 2021, the Swedish municipalities and regions achieved financial results of a high level. Net profit was SEK 69 billion, compared with SEK 54 billion in 2020. Tax revenue being significantly higher than expected was one reason for this. In 2022, however, net profit is expected to decrease to SEK 39 billion, according to the Swedish Association of Local Authorities and Regions (SALAR). Although population growth has decreased, local government sector investment remains at a high level, mainly due to needs for refinancing of properties and infrastructure. The Riksbank's purchases of local government bonds have resulted not only in lower interest rates, but also to a decrease in the difference between Kommuninvest's prices to customers and the prices at which customers can borrow themselves in the capital market.

Of Kommuninvest's total lending, municipalities accounted for 44 (43) percent, municipal housing companies for 27 (27) percent and other municipal companies for 26 (27) percent. Lending to regions accounted for 3 (3) percent.

### Lending portfolio by borrower category

30 Jun 2022 (31 Dec 2021)



- Municipalities<sup>1</sup> 44 (43) %
- Municipal housing companies 27 (27) %
- Other municipal companies 21 (22) %
- Municipal energy companies 5 (5) %
- Regions 3 (3) %

Kommuninvest's largest borrower groups are municipalities and municipal housing companies. As per 30 June 2022, they accounted for 71 (70) percent of the total lending.

<sup>1)</sup> Some lending to municipalities is on-lent to municipal companies through municipal internal banks.

<sup>1)</sup> The forecast for outstanding borrowing (the figure in parentheses refers to the actual outstanding borrowing in accordance with the members' own annual reports as of 31 December 2021).

### Multi-year summary, Kommuninvest i Sverige AB

	30 Jun 2022	30 Jun 2021	31 Dec 2021	31 Dec 2020	31 Dec 2019
Total assets, SEK, million	597,763.9	549,726.5	524,261.7	527,363.6	471,320.7
Lending (recognised value), SEK, million	462,783.2	454,357.7	460,650.3	445,788.8	408,218.1
Net profit for the period, SEK bn	-346.5	97.2	375.6	179.7	307.9
Members, total	294	293	294	292	290
of which, municipalities	280	279	280	278	278
of which, regions	14	14	14	14	12
Core Tier I capital ratio <sup>2)</sup> , %	278.3	303.9	397.1	302.5	126.8
Tier I capital ratio <sup>3)</sup> , %	278.3	303.9	397.1	302.5	126.8
Total capital ratio <sup>4)</sup> , %	278.3	303.9	397.1	302.5	126.8
Leverage ratio, %	7.55	9.27	15.36	10.60	12.29

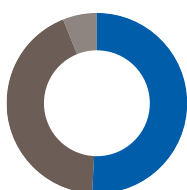
<sup>2)</sup> Core Tier I capital in relation to total risk exposure. See also pages 14–15 and Note 9.

<sup>3)</sup> Tier I capital in relation to total risk exposure. See also pages 14–15 and Note 9.

<sup>4)</sup> Total capital base in relation to total risk exposure. See also pages 14–15 and Note 9.

**New funding by currency<sup>1</sup>**

1 Jan-30 Jun 2022  
(1 Jan-30 Jun 2021)

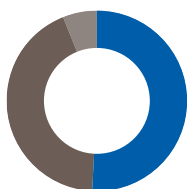


- USD 51 (35) %
- SEK 43 (60) %
- EUR 6 (0) %
- JPY 0 (5) %
- AUD 0 (-0) %

<sup>1)</sup> excl. commercial paper funding

**New funding by programme<sup>1</sup>**

1 Jan-30 Jun 2022  
(1 Jan-30 Jun 2021)



- International benchmark funding 51 (23) %
- Swedish Benchmark Programme 43 (53) %
- Green Bonds 6 (18) %
- Uridashi 0 (6) %

<sup>1)</sup> excl. commercial paper funding

Of the agreed lending for the period, 84 (91) percent comprised loans with capital tied up for more than one year and 16 (9) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 33 (18) percent of the total volume. At the end of the period, the average period for which capital was tied up in the Company's lending portfolio was 2.7 years and was thus unchanged compared with 30 June 2021.

The volume of approved Green Loans increased. These provide financing for municipal and regional investment projects that promote the transition to low-carbon, climate friendly growth. As per 30 June 2022, the green portfolio included 554 approved green projects, corresponding to SEK 90.7 billion to 185 municipalities and regions. This can be compared with the end of 2021, when the portfolio amounted to SEK 83.5 billion regarding 513 investment projects among 181 municipalities and regions. The corresponding amount of disbursed Green Loans was SEK 63.0 billion as of 30 June 2022 and SEK 60.2 billion at the start of the year. The proportion of Green Loans in relation to total lending is based on disbursed volumes and amounted to 13.3 (13.0) percent.

Following a pilot phase, Social Sustainability Loans were launched for all customers as of 30 March 2021. As of 30 June 2022, the portfolio of Social Sustainability Loans amounted to 14 (7) approved projects, corresponding to SEK 1,621 (614) million to 12 (6) municipalities. The amount disbursed in Social Sustainability Loans was SEK 652 (207) million.

**Kommuninvest's funding**

Kommuninvest finances its lending to municipalities and regions by raising funds on the Swedish and international capital markets. The strategy builds on maintaining a presence in strategic funding markets, matching assets and liabilities, a highly liquid reserve, and correct pricing of liquid assets. The company's

three strategic funding markets are denominated in SEK, USD and EUR.

During the period, market conditions have been marked by geopolitical unrest and rising interest rates due to rising inflation. The Company's liquidity strategy has worked well. Access to liquidity has been good and the Company has been able to finance its funding needs and those of its customers on favourable terms. At the end of the period, the total funding outstanding amounted to SEK 585.0 billion in nominal terms, compared with SEK 506.7 billion at the beginning of the year.

During the period, funding in long-term debt instruments with a maturity of more than one year was raised for an amount corresponding to SEK 86.3 (69.6) billion. Funding through short-term commercial papers, with maturities of less than one year, amounted to SEK 41.4 (41.9) billion. Previously issued funding of SEK 7.9 (3.3) billion was repurchased and SEK 68.1 (84.6) billion matured.

The Company's largest funding programme in terms of volumes outstanding is the Swedish Benchmark Programme. Within the programme, bonds outstanding are increased by means of weekly auctions. During the period, four benchmark funding programmes in USD were also implemented. Kommuninvest continued, as planned, to issue Green Bonds, which are mainly acquired by investors seeking to support environmentally oriented investments. Funding through Green Bonds finances green investment projects by the Company's members. In March, Kommuninvest raised EUR 500 million through a Green Bond. This was the first bond to be issued in the EUR market since Kommuninvest's 2019 decision to establish three strategic funding markets.

**Liquidity management**

To be able to continue providing customers with financing during periods of stress in the financial markets, and to ensure that matured funding can be repaid in a timely manner, Kommuninvest maintains a liquidity reserve.



This reserve amounted to SEK 106.0 (53.6) billion at the end of the period.

Strict rules and a conservative approach to risk guide Kommuninvest’s liquidity reserve. According to the Company’s instructions, the liquidity reserve shall ensure that the Company’s commitments can be maintained while maintaining lending capacity. The size of the liquidity reserve is adapted, among other things, to funding maturities and external factors, including contingencies for posting collateral if values of derivative contracts change. Guiding principles in the management of such assets are high credit quality and tradability. To further increase accessibility, the liquidity reserve shall be invested short-term, with the average maturity not exceeding 12 months. Individual investments may have a maturity of 39 months at most.

During the period, the reserve was largely invested with the Riksbank. Direct investments are made mainly in securities issued by sovereigns or central banks, multilateral development banks and subsidised lenders.<sup>5</sup>

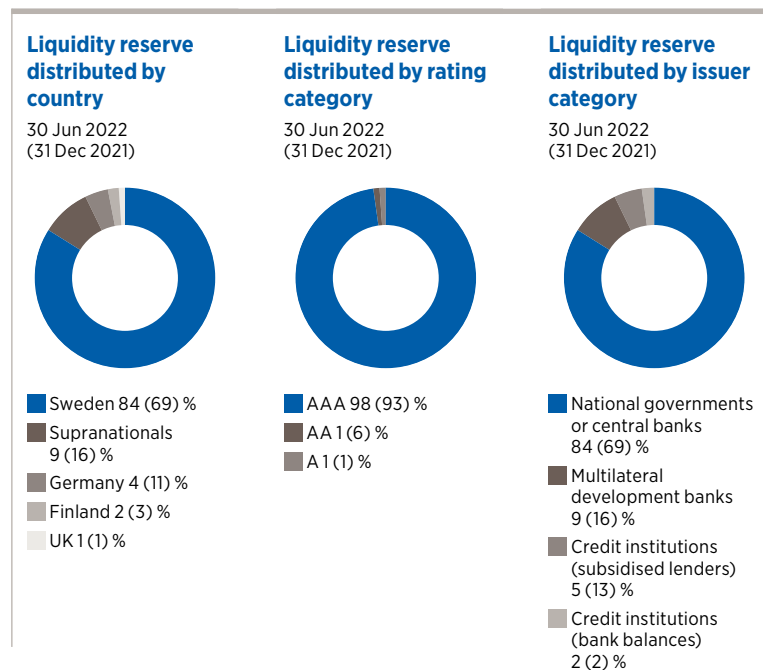
**New reference rates**

Kommuninvest is closely monitoring developments regarding the current reference rate reform. In connection with a USD issue in February, SOFR was, for the first time, applied as the reference rate, rather than Libor.

**Rating**

The Company holds the highest credit ratings – AAA from S&P Global Ratings and Aaa from Moody’s. In December 2021, the rating agencies confirmed the Company’s rating, with a stable outlook. The rating agencies highlight the joint and several guarantee from the owners of the Cooperative Society, the mandate the Company has from its owner to act as a local government debt office for its members, the high quality of the loan portfolio and the strategy for building up capital.

Kommuninvest is also awarded so-called ESG ratings from a number of players, includ-



ing ISSOekom, MSCI and Sustainalytics. The results place Kommuninvest among the group of financial institutions whose operations are considered to have a low exposure to sustainability risks.

<sup>5</sup>) Subsidised lenders refers to issuers of securities where exposures are treated as exposures to the national government in accordance with the CRR regulations. Among others, these include the Company’s neighbour organisations in the other Nordic countries.

# Financial accounts

## Net profit

Kommuninvest's operating loss, its loss before tax, amounted to SEK 346.5 (124.2) million. Operating income, defined as operating profit/loss excluding unrealised changes in market value and net credit losses, amounted to SEK 50.0 (224.5) million. The risk tax introduced at the beginning of the year and charged to certain credit institutions, including Kommuninvest, burdened operating income in the amount of SEK 128.7 (0.0) million.

## Net interest income

Net interest income amounted to SEK 304.1 (357.0) million.

The lower net interest income compared with the corresponding period in the preceding year is mainly explained by the cut in the lending margin implemented in June 2018. This was attributable to the adoption of a new pricing strategy under which unrealised changes in market value are not taken into account within the IFRS framework. The average period for which capital is tied up in the lending portfolio is nearly three years, and the average margin on net interest income was thus lower for this period than for the corresponding period in the preceding year.

For further information regarding net interest income for the period, see Note 2.

## Net result of financial transactions

The net result of financial transactions amounted to a negative SEK 395.7 (102.1) million. The result is mainly explained by unrealised changes in market value of a negative SEK 395.5 (102.9) million. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised.

Most shifts in unrealised changes in market value are explained by the cost of funding in USD being more favourable than the cost of funding in SEK. Since it is only funding in foreign currency that is reported at fair value, this has entailed an increase in the margin between the Company's funding and lending instruments, which are marked to market, leading to adverse unrealised changes in market values.

## Other operating income

Other operating income amounted to SEK 5.6 (4.4) million, with income from the KI Finans contract service increasing to SEK 4.7 (4.0) million. The price for the service has been indexed to cover increased costs, while the number of customers using the service has also increased slightly. For further information, see Note 3.

## Operating expenses

Including the risk tax, operating expenses amounted to SEK 253.8 (132.1) million. The risk tax is included in the item Other operating expenses in the negative amount of SEK 128.7 (0.0) million. Excluding the risk tax, expenses amounted to SEK 125.1 (132.1) million, of which payroll expenses amounted to SEK 66.5 (71.6) million, with the resolution fee set by the Swedish National Debt Office amounting to SEK 12.5 (11.5) million and other expenses totalling SEK 46.1 (49.0) million.

## Net credit losses

Net credit losses totalled SEK 1.0 (gains 2.6) million.

The Company has never suffered any confirmed credit losses. All credit losses are expected credit losses calculated in accordance with the accounting standard IFRS 9. The standard requires expected credit losses to be calculated based on a forward-looking analysis of the economic trend. For further information, see Note 4.

## Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 597,763.9 (524,261.7) million.

Lending to municipalities and regions, which accounts for most of the assets, had a recognised value of SEK 462,783.2 (460,650.3) million at the end of the period. In nominal terms, lending increased to SEK 473,462.8 (460,691.3) million.

The growth in lending was lower than it has been in recent years. Although the sector's investment needs remain high, the favourable liquidity situation arising as a consequence of strengthened central government allocations



has temporarily reduced the members' funding needs. The Riksbank's purchases of local government bonds have also contributed to a decrease in the difference between Kommuninvest's prices to customers and the prices at which customers can borrow themselves in the capital market.

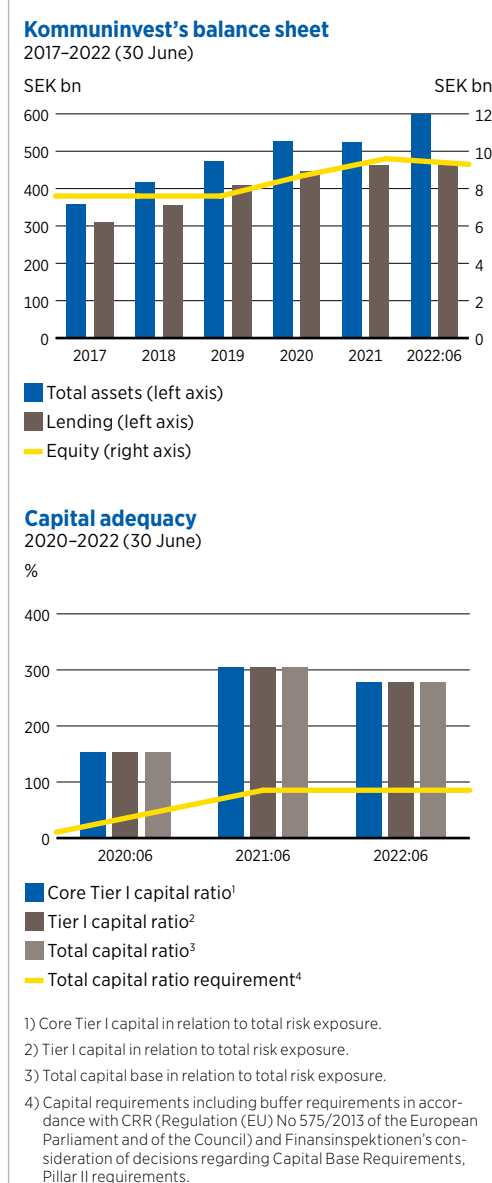
The liquidity portfolio, in the balance sheet distributed between the items Cash and balances with central banks, Sovereign bonds eligible as collateral, Lending to credit institutions and Bonds and other interest-bearing securities, increased to SEK 108,627.7 (55,261.1) million. The change can be attributed to the need for increased margins to safeguard the exchange of collateral, which varies more in periods of stress in the financial markets, and to guarantee future repayment of major fundings as they fall due. For more information regarding the principles for liquidity management, see the Liquidity management section on page 10.

Derivative assets (derivatives with positive market value) increased to SEK 23,863.5 (5,729.3) million. The value of derivatives used to hedge the currency risks in the Company's funding in USD is substantially affected by the SEK/USD exchange rate. The SEK weakened greatly during the first half of the year and, since most derivatives have been entered at an exchange rate lower than that currently applicable, they generate a positive value.

Other assets amounted to SEK 2,287.8 (2,428.0) million, mainly comprising collateral pledged to derivative counterparties where the combined value of the derivatives is negative. For more information on other assets, see Note 7.

### Liabilities

The Company's liabilities amounted to SEK 588,488.0 (514,639.4) million. During the period, new funding in long-term debt instruments was raised for an amount corresponding to SEK 86,315.6 million, of which 51 percent was raised in USD, 43 percent in SEK and 6 percent in EUR. Despite troubled market conditions, Kommuninvest has been able to meet its funding needs on favourable terms and total funding, in the form of securities issued,

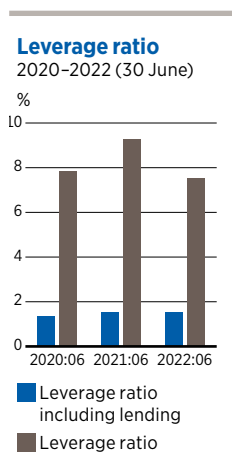


amounted to a carrying amount of SEK 557,106.6 (506,080.1) million. For further information, see Note 5.

Liabilities to credit institutions, in the form of repos, increased to SEK 6,172.6 (277.7) million over the period.

Derivative liabilities, derivatives with negative market value, amounted to SEK 2,199.7 (3,851.4) million.

Other liabilities amounted to SEK 20,490.7 (4,005.0) million. The item includes collateral



of SEK 19,709.2 (3,503.3) million received by the Company when the net value of the derivatives with a particular counterparty is positive. For further information on other liabilities, see Note 8.

### Equity

At the end of the period, equity in Kommuninvest amounted to SEK 9,275.9 (9,622.3) million, of which the share capital amounted to SEK 8,975.0 (8,975.0) million, divided between 89,750,000 (89,750,000) shares. The share capital is attributable entirely to the members of the Kommuninvest Cooperative Society and no shares are available for trading.

For further information, see the Statement of changes in equity on page 20.

### Capital adequacy

The Company must retain sufficient capital to be able to meet both internally estimated capital requirements and regulatory requirements. Sufficient capital adequacy is important for lending to Sweden's municipalities and regions to be able to continue growing and to maintain the confidence of the Company's stakeholders, particularly investors.

Kommuninvest is required to comply with the Supervisory 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 Finansinspektionen. In the spring of 2019, a decision was made to amend the regulations, with the amendments being referred to as the "EU bank package". Several of the changes came into effect on 28 June 2021.

On 20 November 2020, Finansinspektionen (the Swedish Financial Supervisory Authority) announced its adoption of an amended application of the capital requirements for Swedish banks to adapt these requirements to the EU's bank packages. Today, Finansinspektionen determines specific capital base requirements in Pillar II. Finansinspektionen can also provide Pillar II guidance specifying a level of capital it

believes the institution should maintain in addition to the requirement.

Separate requirements and guidelines are stated regarding risk-based capital requirements and leverage ratio capital requirements. Risk-based capital requirements and guidelines are stated as a percentage of risk-weighted assets, capital requirements and leverage ratio guidance figures, are stated as percentages of the exposures. The Pillar II guidance is based on the outcome of stress tests and other institution-specific assessments. The capital planning buffer is removed because its purpose must instead be fulfilled through Pillar II guidance.

On 24 September 2021, Finansinspektionen announced its decision regarding the risk-based Pillar II requirements and Pillar II guidance that are applicable to the Company and that are based on Finansinspektionen's review and evaluation process, see Note 9. According to Finansinspektionen's decision, the Company does not need to hold capital for Pillar II guidance.

The Company is well capitalised to withstand the operations' risks, with capital ratios exceeding the prescribed minimum requirements in Pillar I and the capital base requirement in Pillar II by a good margin. The core Tier I capital amounted to SEK 9,059.9 (9,399.2) million, entailing a core Tier I capital ratio of 278.3 (397.1) percent. The Company's capital base consists solely of core Tier I capital and the total capital ratio also therefore amounts to 278.3 (397.1) percent.

### Leverage ratio

Effective 28 June 2021, the new capital requirement measure, leverage ratio, is applied within the EU. The leverage ratio has been set at 3 percent and will be directly applicable to Kommuninvest via the supervisory regulation (amending regulation) (EU) 2019/876 of 20 May 2019.

The leverage ratio is defined as the ratio between Tier I capital and total exposure in assets and commitments. A specific leverage ratio regulation is applied when calculating the leverage ratio for Public Development



Credit Institutions (PDCI), the category to which Kommuninvest belongs. For Kommuninvest, this means that all lending to members and their companies may be deducted from the exposure measure applied in calculating the leverage ratio.

On 24 September 2021, Finansinspektionen announced its decision regarding the risk-based Pillar II requirements and Pillar II guidance concerning the leverage ratio that are applicable to the Group and that are based on Finansinspektionen's review and evaluation process, see Note 9. The decision means that the Company does not need to hold capital to cover the risk of an insufficient leverage ratio under Pillar II.

The company's leverage ratio amounts to 7.55 (15.36) percent.

#### **Low risk tolerance and effective risk management**

The Company's principal assignment is to ensure access to stable and efficient funding for the local government sector. This entails borrowing funds on the financial market, in accordance with customers' needs. Presented below is a comprehensive overview of the Company's targets, principles and methods for managing risk.

#### **Risk profile**

Kommuninvest plays a central role in the financing of investments by Swedish municipalities and regions. The Company raises funding in the financial market on the basis of customers' needs. The operating model entails the Company being exposed to risks. The Company's risk profile and permitted risk-taking is established annually in the owner directives, which are adopted by the Annual General Meeting of the Society. The owner directive states that the Company's risks should be small and never greater than necessary for achieving the objectives of the operations. The risk level may not exceed a permissible level of risk-taking for a member in accordance with the Swedish Local Government Act.

#### **Equity**

The Company's Board of Directors has determined that the Company's capital base shall cover the Company's internally estimated capital requirements or the regulatory capital requirement, whichever is highest, by a margin. This margin takes into account a number of uncertainty factors that may adversely affect the Company's capital ratios, such as stronger growth in lending than forecast. The scale of the capital target in quantitative terms is determined annually within the framework of the Company's internal capital and liquidity assessment (ICLA).

#### **Net profit**

The Company has no vested interest in generating profit. Its purpose is to provide economic benefit to members and, following any necessary consolidation, profits accrue to the members. Pricing is based instead on the requirements for financial results stated in the ownership directives. These requirements mean that the margin between funding and lending rates must be sufficient to cover the operating costs of the Company and the Society. The margin shall also provide an opportunity for a return on members' contribution capital.

#### **Liquidity**

The purpose of the Company's liquidity management is to meet known and forecast liquidity needs and to be able to meet the members' needs for financing even during periods of stress. Liquidity preparedness shall also be favourable, both under normal market conditions and during periods of stressed liquidity. Liquidity management is designed to safeguard the Company's capacity to meet all of its payment commitments on time, without significant additional costs, and to ensure that surplus liquidity is sufficient to be able to extend existing loans. This is ensured through sufficient diversification of funding sources, taking into account the number and types of counterparties, types of financial instruments, maturities, currencies and geographic markets.

### *Confidence*

The Company's business concept builds on society and actors in the finance market perceiving the Company as a "stable, efficient and knowledgeable player", whose role as a local government debt office benefiting society provides the Swedish local government sector the most efficient financial management possible, focusing on financing. The Company's efforts to build confidence in the operations build on a risk culture founded on the values of local government, regulatory compliance and good internal governance and control.

### **Risk management**

To keep the operations within the established risk appetite, risk appetite indicators or other measures are applied, limiting the Company's risks. The risk appetite indicators are quantitative and designed to support the established risk appetite within each pillar. In the Company's risk management, the qualitative risk appetites are connected to risk categories. The connection is based on the pillars that potential risk would primarily affect if realised. The overarching risk categories managed by the Company are credit risk, market risk, liquidity risk, operational risk, strategic risk, regulatory compliance risk, stakeholder risk and sustainability risk. At the end of the period, the Company's total credit risk exposure amounted to SEK 600,363.5 (524,780.9) million. Of this exposure, 77 (88) percent involved Swedish municipalities and regions in the form of lending, 18 (11) percent involved sovereigns and other issuers of securities in the form of investments and deposits, and 4 (1) percent involved exposures to derivative counterparties.

As per 30 June 2022, counterparty exposure to derivative counterparties amounted to SEK 5,946.2 (2,613.6) million after netting for each counterparty and net of collateral received. Counterparty risks are restricted by entering into contracts with financial institutions with high creditworthiness and requirements for pledged assets. Interest-rate contracts entered into as of October 2016 must be cleared by a central clearing counterparty. Counterparty risks are further reduced by

concluding ISDA agreements and security agreements (known as CSA agreements) with all counterparties. See further under Note 6.

The Company accepts some exposure to market risks to increase operational efficiency, but never for speculative purposes. The exposure to market risk is limited by means of derivative contracts. During the first half of the year, Russia's invasion of Ukraine, high inflation and the effects of the corona pandemic caused increased volatility and rising interest rates in the financial markets.

Liquidity risk is limited by maintaining a liquidity reserve with highly liquid assets. 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. Through access to diversified funding and good matching of maturities between assets and liabilities, the Company also limits structural liquidity risk. This provides the necessary prerequisites to cover new lending, loan extensions and financing maturities even under weakened market conditions.

Operational risk is inherent in the Company's operations and cannot be completely avoided. However, through good governance and control, Kommuninvest can reduce the likelihood of this risk arising and can reduce the consequences that may arise as a result of operational risk. Strategic risks are limited by strategic decisions being made on the basis of well-founded analyses and decisions of a strategic nature often being made by the Board of Directors. The Company has a procedure for developing strategic targets set by the Board of Directors.

The principal responsibility for the operation being conducted in accordance with current regulations rests with the operational organisation. The regulatory compliance function contributes both pro-actively through advice and support for the operational organisation and reactively by examining and checking the risk management processes. In preparation for each year, an analysis is made of the Company's regulatory compliance risks and, based on that analysis,

a plan is drawn up for the future work of the function. The plan is approved by the CEO and reported to the Board of Directors. The Company's stakeholder risk is managed by the Company safeguarding a sound risk culture based on local government values, regulatory compliance and good internal governance and control. An analysis of the level of risk is performed on a regular basis and reported to the Board of Directors, President and CEO and the management.

Sustainability risks are managed by considering economic, social and environmental sustainability throughout the operations. Requirements are based on national and international regulations and guidelines in the areas of the environment and climate, corruption, human rights, working conditions or business ethics. An analysis of the level of risk is performed on a regular basis and reported to the Board of Directors, President and CEO and the management.

A description of the Company's risk exposure and risk management can be found on pages 37–41 in the 2021 Annual Report for Kommuninvest i Sverige AB, as well as in the Risk and Capital Management Report that is available at [www.kommuninvest.se](http://www.kommuninvest.se). No significant changes have occurred since the publication of these documents.

### Employees

The number of employees has decreased during the period, now amounting to 99 individuals, compared with 109 at the beginning of the year. The average number of employees during the period was 96 (96 in 2021). The corona pandemic restrictions were largely eased in March. At that time, Kommuninvest returned to office-based operations. While digital and hybrid elements remain, the office is back to functioning as the obvious hub of our operations. Recruitment and skills development have largely occurred as planned.

### Board of Directors

All Board Members were re-elected by the Annual General Meeting of 31 March 2022. The Board of Directors consists of Ellen Bramness Arvidsson (Chairman), Mats Filipsson,

Lars Heikensten, Anette Henriksson, Catrina Ingelstam, Erik Langby, Kristina Sundin Jonsson, as well as employee representatives Mattias Bokenblom and Kristin Ekblad.

### Management

At the end of the period, the Company's executive management consisted of Tomas Werngren (President and CEO), Maria Viimne (Deputy CEO and COO), Patrick Nimander (CFO), Malin Waldenström (Head of Human Resources), Britt Kerkenberg (CRO), Jens Larsson (Chief Legal Officer) and Annica Berggren (Acting CIO). Christofer Ulfgren (CIO) stepped down from his position in the company in February and was replaced by Annica Berggren.

### Events after the balance sheet date

No significant events have occurred following the end of the reporting period.



# Income statement

SEK, million	Note	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Interest revenues calculated according to effective interest method		682.3	510.4	997.3
Other interest revenues		6.5	1.1	1.0
Interest expenses calculated according to effective interest method		-360.6	-136.5	-275.3
Other interest expenses		-24.1	-18.0	-42.2
<b>NET INTEREST INCOME</b>	2	<b>304.1</b>	<b>357.0</b>	<b>680.8</b>
Dividends received		-	-	2.1
Commission expenses		-5.7	-5.6	-11.4
Net result of financial transactions		-395.7	-102.1	47.6
<i>of which, derecognised assets measured at amortised cost</i>		0.2	1.0	2.5
Other operating income	3	5.6	4.4	10.2
<b>TOTAL OPERATING INCOME</b>		<b>-91.7</b>	<b>253.7</b>	<b>729.3</b>
General administration expenses		-119.7	-126.3	-247.8
Depreciation and impairment of intangible assets		-3.2	-3.2	-6.4
Depreciation and impairment of tangible assets		-0.9	-1.3	-2.5
Other operating expenses		-130.0	-1.3	-2.8
<b>TOTAL OPERATING EXPENSES</b>		<b>-253.8</b>	<b>-132.1</b>	<b>-259.5</b>
<b>PROFIT BEFORE CREDIT LOSSES</b>		<b>-345.5</b>	<b>121.6</b>	<b>469.8</b>
Net credit losses	4	-1.0	2.6	6.3
<b>OPERATING PROFIT</b>		<b>-346.5</b>	<b>124.2</b>	<b>476.1</b>
Tax		-	-27.0	-100.5
<b>NET PROFIT FOR THE PERIOD</b>		<b>-346.5</b>	<b>97.2</b>	<b>375.6</b>

# Statement of comprehensive income

SEK, million	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
<b>NET PROFIT FOR THE PERIOD</b>	<b>-346.5</b>	<b>97.2</b>	<b>375.6</b>
Other comprehensive income	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-346.5</b>	<b>97.2</b>	<b>375.6</b>

# Balance sheet

SEK, million	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>ASSETS</b>				
Cash and balances with central banks		48,927.7	26,194.8	7,672.5
Sovereign bonds eligible as collateral	5	43,141.3	42,191.6	30,724.1
Lending to credit institutions	5	1,755.6	1,529.9	1,334.7
Lending	5	462,783.2	454,357.7	460,650.3
Bonds and other interest-bearing securities	5	14,803.1	15,090.7	15,529.8
Shares and participations in subsidiaries		42.0	42.0	42.0
Derivatives	5, 6	23,863.5	2,803.0	5,729.3
Intangible assets		21.6	28.0	24.7
Tangible assets		5.2	6.5	6.0
Current tax assets		87.8	95.1	79.0
Other assets	7	2,287.8	7,336.0	2,428.0
Prepaid operating expenses and accrued revenues		45.1	51.2	41.3
<b>TOTAL ASSETS</b>		<b>597,763.9</b>	<b>549,726.5</b>	<b>524,261.7</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>				
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	5	6,172.6	1,566.4	277.7
Securities issued	5	557,106.6	528,381.6	506,080.1
Derivatives	5, 6	2,199.7	9,351.3	3,851.4
Change in value of interest-hedged item in portfolio hedging		2,483.3	106.1	381.8
Other liabilities	8	20,490.7	1,483.5	4,005.0
Accrued operating expenses and prepaid revenues		35.1	36.2	43.4
Provisions		0.0	0.0	0.0
<b>Total liabilities and provisions</b>		<b>588,488.0</b>	<b>540,925.1</b>	<b>514,639.4</b>
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		8,975.0	8,200.0	8,975.0
New share issue in progress		-	-	-
Development expenditure reserve		21.6	27.6	24.7
Statutory reserve		17.5	17.5	17.5
<b>Unrestricted equity</b>				
Unrestricted share premium reserve		155.0	-	155.0
Profit or loss brought forward		453.3	459.1	74.5
Net profit for the period		-346.5	97.2	375.6
<b>Total equity</b>		<b>9,275.9</b>	<b>8,801.4</b>	<b>9,622.3</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>597,763.9</b>	<b>549,726.5</b>	<b>524,261.7</b>

# Statement of changes in equity

SEK, million	Restricted equity				Unrestricted equity			Total equity
	Share capital	New share issue in progress	Development expenditure reserve <sup>1</sup>	Statutory reserve <sup>2</sup>	Unrestricted share premium reserve	Profit or loss brought forward	Net profit for the period	
<b>Equity brought forward 1 Jan 2022</b>	<b>8,975.0</b>	<b>0.0</b>	<b>24.7</b>	<b>17.5</b>	<b>155.0</b>	<b>74.5</b>	<b>375.6</b>	<b>9,622.3</b>
Net profit for the period							-346.5	-346.5
Change in development expenditure reserve for the period			-3.1			-3.1		-
Other comprehensive income								-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-3.1</b>	<b>-</b>	<b>-</b>	<b>-3.1</b>	<b>-346.5</b>	<b>-346.5</b>
<b>Transactions with shareholders</b>								
Appropriation of surplus						375.6	-375.6	-
New share issue in progress								-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>375.6</b>	<b>-375.6</b>	<b>-</b>
<b>Equity carried forward 30 Jun 2022</b>	<b>8,975.0</b>	<b>0.0</b>	<b>21.6</b>	<b>17.5</b>	<b>155.0</b>	<b>453.3</b>	<b>-346.5</b>	<b>9,275.9</b>
<b>Equity brought forward 1 Jan 2021</b>	<b>7,100.0</b>	<b>1,100</b>	<b>30.4</b>	<b>17.5</b>	<b>-</b>	<b>276.6</b>	<b>179.7</b>	<b>8,704.2</b>
Net profit for the period							97.2	97.2
Change in development expenditure reserve for the period			-2.8			2.8		-
Other comprehensive income								-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-2.8</b>	<b>-</b>	<b>-</b>	<b>2.8</b>	<b>97.2</b>	<b>97.2</b>
<b>Transactions with shareholders</b>								
Appropriation of surplus						179.7	-179.7	-
New share issue in progress	1,100	-1,100						-
<b>Total transactions with shareholders</b>	<b>1,100</b>	<b>-1,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179.7</b>	<b>-179.7</b>	<b>-</b>
<b>Equity carried forward 30 Jun 2021</b>	<b>8,200.0</b>	<b>-</b>	<b>27.6</b>	<b>17.5</b>	<b>-</b>	<b>459.1</b>	<b>97.2</b>	<b>8,801.4</b>
<b>Equity brought forward 1 Jan 2021</b>	<b>7,100.0</b>	<b>1,100.0</b>	<b>30.4</b>	<b>17.5</b>	<b>-</b>	<b>276.6</b>	<b>179.7</b>	<b>8,704.2</b>
Net profit for the period								375.6
Change in development expenditure reserve for the period			-5.7			5.7		-
Other comprehensive income								-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-5.7</b>	<b>-</b>	<b>-</b>	<b>5.7</b>	<b>375.6</b>	<b>375.6</b>
<b>Transactions with shareholders</b>								
Appropriation of surplus						179.7	-179.7	0.0
New share issue in progress	1,875.0							1,875.0
Unrestricted share premium reserve					155.0			155.0
New share issue in progress		-1,100.0						-1,100.0
Group contributions						-488.0		-488.0
Tax effect on Group contribution						100.5		100.5
<b>Total transactions with shareholders</b>	<b>1,875.0</b>	<b>-1,100.0</b>	<b>-</b>	<b>-</b>	<b>155.0</b>	<b>-207.8</b>	<b>-179.7</b>	<b>542.5</b>
<b>Equity carried forward 31 Dec 2021</b>	<b>8,975.0</b>	<b>-</b>	<b>24.7</b>	<b>17.5</b>	<b>155.0</b>	<b>74.5</b>	<b>375.6</b>	<b>9,622.3</b>

1) The development expenditure reserve corresponds to capitalised development expenses accrued in-house that have been transferred from profit or loss brought forward, adjusted for a proportionate share of the amortisation reversed from the reserve to unrestricted equity.

2) The statutory reserve refers to previous statutory provisions to restricted equity. The requirement was abolished in 2016 and prior provisions remain.

For further information on shareholders' equity, see Shareholders' equity in the Financial accounts on page 14.



# Cash flow statement

SEK, million	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
<b>Operational activities</b>			
Operating profit	-346.5	124.2	476.1
Adjustment for items not included in cash flow	401.0	105.5	-40.2
Income tax paid	-8.8	-43.1	-
	<b>45.7</b>	<b>186.6</b>	<b>435.9</b>
Change in liquidity portfolio	-11,789.1	-15,447.6	-4,443.7
Change in lending	-12,894.4	-10,078.7	-17,824.3
Change in other assets	136.3	9,106.7	14,024.8
Change in other liabilities	16,349.9	605.0	3,408.5
<b>Cash flow from operational activities</b>	<b>-8,151.6</b>	<b>-15,628.0</b>	<b>-4,398.8</b>
<b>Investment activities</b>			
Acquisitions of intangible assets	-	-0.4	-0.4
Acquisitions of tangible assets	-0.2	-1.0	-1.7
Divestments of tangible assets	-	-	-
<b>Cash flow from investment activities</b>	<b>-0.2</b>	<b>-1.4</b>	<b>-2.1</b>
<b>Financing activities</b>			
Issue of interest-bearing securities	127,709.0	114,143.4	173,761.3
Redemption and repurchases of interest-bearing securities	-78,008.1	-91,876.4	-181,607.9
New share issue in progress	-	-	930.0
Change in intra-Group liabilities	127.5	485.8	-276.9
<b>Cash flow from financing activities</b>	<b>49,828.4</b>	<b>22,752.8</b>	<b>-7,193.5</b>
<b>Cash flow for the period</b>	<b>41,676.6</b>	<b>7,123.4</b>	<b>-11,594.4</b>
<b>Cash and cash equivalents at start of the period</b>	<b>9,007.3</b>	<b>20,601.7</b>	<b>20,601.7</b>
<b>Cash and cash equivalents at end of the period</b>	<b>50,683.9</b>	<b>27,725.1</b>	<b>9,007.3</b>
Cash and cash equivalents consists in their entirety of cash and balances with central banks, as well as 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.			
<b>Adjustment for items not included in cash flow</b>			
Depreciation and impairment	4.1	4.5	8.9
Exchange rate differences from change in financial assets	0.4	0.6	1.1
Unrealised changes in market value	395.5	102.9	-43.9
Net credit losses	1.0	-2.5	-6.3
<b>Total</b>	<b>401.0</b>	<b>105.5</b>	<b>-40.2</b>
<b>Interest paid and received, included in the cash flow</b>			
Interest received <sup>1</sup>	477.7	515.7	1,163.3
Interest paid <sup>2</sup>	-302.5	-126.2	-561.8

1) Reported as interest received are payments that have been paid and received for the Company's loans and investments, as well as the payments paid and received for derivative contracts used to hedge the Company's loans and investments.

2) Reported as paid interest are payments that have been paid and received for the Company's funding, as well as payments paid and received for derivative contracts used to hedge the Company's funding.

# Notes

All amounts are given in millions of SEK unless otherwise stated.

## Note 1 Accounting principles

### Compliance with standards and legislation

The Kommuninvest interim report has been prepared applying the regulation regarding interim reports 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 additions and exemptions specified in FFFS 2008:25. Furthermore, the recommendations from the Swedish Financial Reporting Board, Accounting for legal entities (RFR 2) have been applied. In accordance with Chapter 7, section 6a of ÅRKL, Kommuninvest has chosen not to prepare consolidated financial statements, see Note 11.

### New and amended laws, standards and interpretations yet to come into effect

For all material purposes, the accounting policies and calculation methods in the interim report remain unchanged compared with the 2021 Annual Report. No new or amended laws, standards or interpretations have come into effect in 2022 that are assessed to have any material impact on Kommuninvest's net profit, position, disclosures, capital requirements, capital base or major exposures.

## Note 2 Net interest

	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
<b>Interest revenues</b>			
Interest revenues calculated according to effective interest method	682.3	510.4	997.3
<i>of which, lending</i>	650.9	507.9	1,003.3
<i>of which, interest-bearing securities</i>	31.4	2.5	-6.0
Other interest revenues	6.5	1.1	1.0
<b>Total</b>	<b>688.8</b>	<b>511.5</b>	<b>998.3</b>
<i>Of which: interest revenues from financial items not measured at fair value through the income statement</i>	847.1	722.0	716.7
<b>Interest expenses</b>			
Interest expenses calculated according to effective interest method	-360.6	-136.5	-275.3
<i>of which, liabilities to credit institutions</i>	-2.2	-16.2	-22.0
<i>of which, securities issued</i>	-354.9	-117.4	-247.3
<i>of which lending, negative lending rate</i>	-3.5	-2.9	-6.0
Other interest expenses	-24.1	-18.0	-42.2
<b>Total</b>	<b>-384.7</b>	<b>-154.5</b>	<b>-317.5</b>
<i>Of which: interest expenses from financial items not measured at fair value through the income statement</i>	-995.1	-798.4	-344.5
<b>Net interest income</b>	<b>304.1</b>	<b>357.0</b>	<b>680.8</b>

In this note, income is recognised as positive and operating expenses as negative. Kommuninvest considers all income and operating expenses to be attributable to the country in which

the Company has its registered office, Sweden. For further information on net interest income for the period, see Financial accounts on page 12.

### Note 3 Other operating income

	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Revenue from contracts with customers	4.7	4.0	8.7
Other operating income	0.9	0.4	1.5
<b>Total</b>	<b>5.6</b>	<b>4.4</b>	<b>10.2</b>

All revenues from contracts with customers relate to revenues from a financial management service, which is offered to members of the Kommuninvest Cooperative Society. The service allows customers to create an overview of their financial positions. All revenues derive from a customer category consisting of municipalities and regions which are members of the Kommuninvest Cooperative Society and all customers operate in the same geographical market, Sweden. All contracts are processed at the portfolio level, entitle the customer access to a service and the performance commitment is fulfilled over time during the period in which the service is provided. All contracts extend over one calendar year.

### Note 4 Net credit losses

#### Credit losses and Covid-19

Kommuninvest continuously monitors financial development among its members and customers. The corona pandemic affects customers differently. Kommuninvest is monitoring developments closely, particularly the central government's

measures for municipalities and regions, as well as how the counterparties will be affected in the long term. However, Kommuninvest does not see the pandemic leading to any credit losses being realised.

#### Changes in recognised gross value

30 Jun 2022	Opening balance	Initiated during the period	Maturing during the period	Closing balance
Cash and balances with central banks	7,672.5	48,927.7	-7,672.5	48,927.7
Sovereign bonds eligible as collateral	30,724.1	985,447.8	-973,030.6	43,141.3
Lending to credit institutions	1,334.7	6,083.5	-5,662.6	1,755.6
Lending	460,650.3	78,170.0	-76,037.0	462,783.3
Bonds and other interest-bearing securities	15,529.8	24,075.0	-24,801.7	14,803.1
Off-balance sheet items	357.1	80,021.2	-77,852.2	2,526.1
<b>Total</b>	<b>516,268.5</b>	<b>1,222,725.2</b>	<b>-1,165,056.6</b>	<b>573,937.1</b>

31 Dec 2021	Opening balance	Initiated during the period	Maturing during the period	Closing balance
Cash and balances with central banks	18,931.9	7,672.5	-18,931.9	7,672.5
Sovereign bonds eligible as collateral	25,199.2	1,575,093.4	-1,569,568.5	30,724.1
Lending to credit institutions	1,290.2	68,728.7	-68,684.2	1,334.7
Lending	335,745.7	560,542.2	-435,637.6	460,650.3
Bonds and other interest-bearing securities	8,036.9	18,676.1	-11,183.2	15,529.8
Off-balance sheet items	1,691.5	74,473.0	-75,807.4	357.1
<b>Total</b>	<b>390,895.4</b>	<b>2,305,185.9</b>	<b>-2,179,812.8</b>	<b>516,268.5</b>



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Note 4, continued

### Change in provisions for credit losses

30 Jun 2022	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Changed models	Closing balance
Cash and balances with central banks	0.1	-	-0.3	-	-	-0.2
Sovereign bonds eligible as collateral	-0.1	-1.1	2.8	-1.7	-	-0.1
Lending to credit institutions	-0.2	-	-0.3	-	-	-0.5
Lending	-1.1	-0.1	0.1	-0.3	-	-1.4
Bonds and other interest-bearing securities	-0.1	-1.7	0.1	1.5	-	-0.2
Provisions for off-balance sheet items	0.0	0.0	0.0	0.0	-	0.0
<b>Total</b>	<b>-1.4</b>	<b>-2.9</b>	<b>2.4</b>	<b>-0.5</b>	<b>-</b>	<b>-2.4</b>

31 Dec 2021	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Changed models	Closing balance
Cash and balances at central banks	-0.7	0.0	0.8	-	-	0.1
Sovereign bonds eligible as collateral	-0.8	-9.3	16.4	-6.9	0.5	-0.1
Lending to credit institutions	-0.3	-	-	0.1	-	-0.2
Lending	-5.9	-0.4	0.8	4.4	-	-1.1
Bonds and other interest-bearing securities	0.0	-6.5	0.0	5.8	0.6	-0.1
Provisions for off-balance sheet items	0.0	-0.3	0.4	-0.1	-	0.0
<b>Total</b>	<b>-7.7</b>	<b>-16.5</b>	<b>18.4</b>	<b>3.3</b>	<b>1.1</b>	<b>-1.4</b>

## Note 5 Financial assets and liabilities

### Financial instruments broken down by valuation category

30 Jun 2022	Amortised cost	Fair value through the income statement				Recognised value	Fair value
		Held for trade	Compulsory	Fair value option	Derivatives used for hedge accounting		
<b>Financial assets</b>							
Cash and balances with central banks	48,927.7	-	-	-	-	48,927.7	48,927.7
Sovereign bonds eligible as collateral	39,807.8	-	-	3,333.5	-	43,141.3	43,137.6
Lending to credit institutions	1,755.6	-	-	-	-	1,755.6	1,755.6
Lending	328,835.5	-	-	133,947.7	-	462,783.2	458,382.8
Bonds and other interest-bearing securities	3,766.2	-	-	11,036.9	-	14,803.1	14,804.0
Derivatives	-	-	23,649.1	-	214.4	23,863.5	23,863.5
Other financial assets	2,285.3	-	-	-	-	2,285.3	2,285.3
<b>Total</b>	<b>425,378.1</b>	<b>-</b>	<b>23,649.1</b>	<b>148,318.1</b>	<b>214.4</b>	<b>597,559.7</b>	<b>593,156.5</b>
<b>Financial liabilities</b>							
Liabilities to credit institutions <sup>1</sup>	6,172.6	-	-	-	-	6,172.6	6,172.6
Securities issued <sup>1</sup>	361,935.0	-	-	195,171.6	-	557,106.6	556,136.1
Derivatives	-	2,034.7	-	-	165.0	2,199.7	2,199.7
Change in value of interest-hedged items in portfolio hedging	2,483.3	-	-	-	-	2,483.3	2,483.3
Other financial liabilities	20,359.3	-	-	-	-	20,359.3	20,359.3
<b>Total</b>	<b>390,950.2</b>	<b>2,034.7</b>	<b>-</b>	<b>195,171.6</b>	<b>165.0</b>	<b>588,321.5</b>	<b>587,351.0</b>

Note 5, continued

31 Dec 2021	Amortised cost	Fair value through the income statement				Recognised value	Fair value
		Held for trade	Compulsory	Fair value option	Derivatives used for hedge accounting		
<b>Financial assets</b>							
Cash and balances with central banks	7,672.5	-	-	-	-	7,672.5	7,672.5
State bonds eligible as collateral	29,072.1	-	-	1,652.0	-	30,724.1	30,724.1
Lending to credit institutions	1,334.7	-	-	-	-	1,334.7	1,334.7
Lending	351,749.0	-	-	108,901.3	-	460,650.3	460,462.7
Bonds and other interest-bearing securities	6,537.0	-	-	8,992.2	-	15,529.8	15,532.8
Derivatives	-	-	5,485.7	-	243.6	5,729.3	5,729.3
Other financial assets	2,417.7	-	-	-	-	2,417.7	2,417.7
<b>Total</b>	<b>398,783.0</b>	<b>-</b>	<b>5,485.7</b>	<b>119,546.1</b>	<b>243.6</b>	<b>524,058.4</b>	<b>523,873.8</b>
<b>Financial liabilities</b>							
Liabilities to credit institutions <sup>1</sup>	277.7	-	-	-	-	277.7	277.7
Securities issued <sup>1</sup>	349,319.4	-	-	156,760.7	-	506,080.1	507,840.9
Derivatives	-	3,576.7	-	-	274.7	3,851.4	3,851.4
Change in value of interest-hedged items in portfolio hedging	381.8	-	-	-	-	381.8	381.8
Other financial liabilities	4,002.4	-	-	-	-	4,002.4	4,002.4
<b>Total</b>	<b>353,981.3</b>	<b>3,576.7</b>	<b>-</b>	<b>156,760.7</b>	<b>274.7</b>	<b>514,593.4</b>	<b>516,354.2</b>

1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 591,855.3 (509,910.9) million.

### Calculation of fair value

#### General

For financial instruments, fair value calculations are to be divided according to 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.

Some of the financial instruments in Kommuninvest's debt portfolio and liquidity reserve are traded on active markets with quoted prices in accordance with level 1. For most of the remainder of the debt portfolio and liquidity reserve, including all lending and derivatives not traded on an active market with quoted prices, accepted and well-established valuation techniques are applied to determine fair value based on observable market data in accordance with level 2. For a small portion of financial instruments in Kommuninvest's debt portfolio with input data not observable through the market or proprietary assessments, material effects on the valuation of these instruments are, accordingly, classified under level 3.

#### Lending

Fair value has been calculated by discounting anticipated future cash flows by a discount rate set at the swap rate adjusted by current new lending margins. This means that if new lending margins rise, the fair value lower of existing loans will decline and vice versa at lower margins.

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

In the valuation of securities, the quoted price of the asset is used. If trading is considered to occur on an active market, the valuation is classified under level 1, while other securities are classified under level 2.

#### Liabilities to credit institutions, securities issued

Funding is valued in the same way as by market participants holding the debt as an asset, either through quoted market prices or by discounting anticipated future cash flows. The discount rate is set to swap rate, adjusted for current funding margins, for the structure of the funding and for the market by using secondary market spreads on similar instruments issued by Kommuninvest or on current new funding margins. For funding in currencies other than SEK, EUR and USD, the current funding margin is set as the funding margin in USD plus the currency basis spread between the currency concerned and USD. Market prices used for valuation are mid-prices. Funding expected to be traded in an active market is classified in level 1. Funding valued at quoted prices, not deemed as traded in an active market, is classified in level 2. Funding valued based on discounted future cash flows are classified in level 2, with the exception of funding for which anticipated future cash flows are attributable to significant non-observable market data, which is classified in level 3. The members' guarantee undertaking affects the valuation of funding and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins.

*Note 5, continued***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 by discounting the anticipated future cash flows taking place at mid-prices at relevant reference rates for the currency concerned. Where anticipated future cash flows are dependent on unobservable market data or elements on in-house assessment, derivatives are classified in level 3; otherwise, they are classified 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.

The credit valuation adjustment for derivatives, CVAs, is the market value of the expected loss of counterparty risks for derivatives. The valuation takes into account the risk mitigation measures taken by Kommuninvest, such as netting agreements (ISDA-agreements) and agreements on the exchange of collateral (CSA-agreements). Netting agreements and exchanges of collateral reduce the expected exposure in the event that a counterparty defaults. For those of Kommuninvest's derivative contracts that are cleared with central clearing counterparties, initial marginal collateral is provided, entailing a further step in reducing the counterparty risk. For these derivative contracts, CVA is not calculated. For derivative contracts not cleared by central clearing counterparties, CVA is calculated and entered in the accounts.

The debt valuation adjustment for derivatives (DVA) corresponds to the credit valuation adjustment that Kommuninvest's derivative counterparties have through their exposure to Kommuninvest. Due to the members' joint and several guarantee and their high creditworthiness, the debt valuation adjustment is an insignificant amount.

**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 consist primarily of pledged/received cash collateral, accounts receivable and payable, open items, 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 funding and lending margins, increased margins on lending leading 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 funding and lending margins, basis swap

spreads and credit spreads, on holdings in the liquidity reserve 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 net profit of SEK 258 (195) million. An increase in the funding cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a positive change in net profit of SEK 285 (224) million. A parallel displacement in the lending and funding price, in relation to swap rates, by 10 basis points would mean a change in net profit of SEK +/- 27 (+/- 29) 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 net profit of SEK +/-15 (+/-17) million.

All of the above changes refer to 30 June 2022 (comparative figures refer to 31 December 2021) and exclude 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. Exceptions are repurchases of funding or lending instruments, which always take place on the investors' or customers' initiative respectively, which lead to the 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 hedge 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 +/- a fixed margin.

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

Kommuninvest has calculated the duration to 1.8 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable funding in the interval of 1.0 to 2.9 years. This would have an effect on net profit in the interval SEK +0.3 million – SEK –3.9 million.

**Change in value due to expected credit risk**

With the joint and several guarantee for Kommuninvest's funding provided by the members of the Kommuninvest Cooperative Society, Kommuninvest's own credit risk is considered to be negligible. 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



*Note 5, continued*

amendments to the members' guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Since no such events or changes have occurred, all variations in funding margins and resulting changes in the value of funding are deemed attributable to general changes in the market price of credit and liquidity risk and not from changes in Kommuninvest's own credit risk.

The credit risk in lending is considered to be the same as Kommuninvest's own credit risk. Accordingly, no part of the change in the value of lending is considered to derive from changes in credit risk.

The assets in the liquidity reserve hold a very high credit rating. A change in credit risk affecting their valuation is deemed to occur only in connection with significant downgrades. Such downgrades have not occurred for any of the issuers, which is why no changes in the value of the liquidity reserve are considered to derive from changes in credit risk.

*Changed valuation models*

The valuation models are unchanged since the beginning of the preceding year. This also means that the turbulence of recent years has not caused any changes to valuation models. For previous changes, see Note 25 in Kommuninvest's 2021 Annual Report.

*Approval of valuation models*

The valuation models applied are approved by the CFO and reported to the Company's ALCO (Asset and Liability Committee) and Board of Directors. 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 valuation models and market data used in the valuation.

*Financial instruments recognised at fair value in the balance sheet*

30 Jun 2022	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sovereign bonds eligible as collateral	-	3,333.5	-	3,333.5
Lending	-	133,947.7	-	133,947.7
Bonds and other interest-bearing securities	2,161.9	8,875.0	-	11,036.9
Derivatives	-	23,779.7	83.8	23,863.5
<b>Total</b>	<b>2,161.9</b>	<b>169,936.0</b>	<b>83.8</b>	<b>172,181.6</b>
<b>Financial liabilities</b>				
Securities issued	122,031.1	68,789.2	4,351.3	195,171.6
Derivatives	-	506.1	1,693.6	2,199.7
<b>Total</b>	<b>122,031.1</b>	<b>69,295.3</b>	<b>6,044.9</b>	<b>197,371.3</b>
<b>31 Dec 2021</b>				
<b>Financial assets</b>				
Sovereign bonds eligible as collateral	-	1,652.0	-	1,652.0
Lending	-	108,901.3	-	108,901.3
Bonds and other interest-bearing securities	5,941.8	3,051.1	-	8,992.9
Derivatives	-	5,638.2	91.1	5,729.3
<b>Total</b>	<b>5,941.8</b>	<b>119,242.6</b>	<b>91.1</b>	<b>125,275.5</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	-	-	-
Securities issued	112,586.9	39,024.4	5,149.7	156,760.8
Derivatives	-	3,284.2	567.2	3,851.4
<b>Total</b>	<b>112,586.9</b>	<b>42,308.4</b>	<b>5,716.9</b>	<b>160,612.2</b>

## FINANCIAL STATEMENTS

Note 5, continued

Transfer between levels of instruments recognised at fair value

	Recognised value 30 Jun 2022	Recognised value 31 Dec 2021
<b>Assets</b>		
To level 1 from level 2	-	-
To level 2 from level 1	3,067.6	-
<b>Liabilities</b>		
To level 1 from level 2	-	-
To level 2 from level 1	51,375.4	31,929.0

Kommuninvest continuously reviews the criteria for its division into levels of financial assets and liabilities measured at fair value. The movements are attributable variations in the indicators that Kommuninvest uses to demarcate between levels 1 and 2. The indicators show the number of observations and

their standard deviation for bond prices and a specific number of executable quotes. The transfers are considered to have taken place on 30 June 2022 and 31 December 2021 for the preceding period.

### 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 proceed-

ing from unobservable input data (level 3). Value changes in level 3 are followed up continuously over the period.

	Derivative assets	Derivative liabilities	Securities issued	Total
<b>Opening balance, 1 Jan 2022</b>	<b>91.1</b>	<b>-567.2</b>	<b>-5,149.7</b>	<b>-5,625.8</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-7.3	-1,126.4	1,120.0	-13.7
Funding raised/Securities issued			0.0	0.0
Matured during period			-321.6	-321.6
<b>Closing balance, 30 Jun 2022</b>	<b>83.8</b>	<b>-1,693.6</b>	<b>-4,351.3</b>	<b>-5,961.1</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 30 June 2022	9.9	-293.1	269.2	-14.0

	Derivative assets	Derivative liabilities	Securities issued	Total
<b>Opening balance, 1 Jan 2021</b>	<b>485.1</b>	<b>-389.9</b>	<b>-7,664.4</b>	<b>-7,569.2</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-393.9	-177.3	569.0	-2.2
Funding raised/Securities issued			-4,993.4	-4,993.4
Maturing during the year			6,939.3	6,939.3
<b>Closing balance, 31 Dec 2021</b>	<b>91.2</b>	<b>-567.2</b>	<b>-5,149.5</b>	<b>-5,625.5</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2021	7.6	-213.1	202.1	-3.4

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

## Note 6 Information on financial assets and liabilities subject to netting

Kommuninvest nets assets and liabilities in the balance sheet where there is a legal right to do so and the intention is to settle the items net, which occurs for Kommuninvest's derivative assets and liabilities towards central counterparties for clearing.

Kommuninvest's derivatives are what are known as OTC derivatives, that is, they are not traded on an exchange but are issued under ISDA (International Swaps and Derivatives Association) Master agreements. 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 non-cleared derivatives 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 netting in the balance sheet, since the legal right of netting only applies for a stated type of suspension of payments, insolvency or bankruptcy.

30 Jun 2022				Related amounts that are not netted in the balance sheet			
	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral - security	Provided (+)/ Received (-) cash collateral	Net amount
<b>Assets</b>							
Derivatives	37,482.7	-13,619.2	<b>23,863.5</b>	-1,341.1	-166.7	-19,709.2	<b>2,646.5</b>
Repos	-	-	-	-	-	-	-
<b>Liabilities</b>							
Derivatives	-23,170.9	20,971.2	<b>-2,199.7</b>	1,341.1	-	838.7	<b>-19.9</b>
Repos	-6,159.6	-	<b>-6,159.6</b>	-	6,159.6	-	-
<b>Total</b>	<b>8,152.2</b>	<b>7,352.0</b>	<b>15,504.2</b>	<b>0.0</b>	<b>5,992.8</b>	<b>-18,870.4</b>	<b>2,626.6</b>

31 Dec 2021				Related amounts that are not netted in the balance sheet			
	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral - security	Provided (+)/ Received (-) cash collateral	Net amount
<b>Assets</b>							
Derivatives	10,251.1	-4,521.8	<b>5,729.3</b>	-2,104.0	-400.8	-3,077.2	<b>147.3</b>
Repos	-	-	-	-	-	-	-
<b>Liabilities</b>							
Derivatives	-6,929.0	3,077.6	<b>-3,851.4</b>	2,104.0	-	1,569.2	<b>-178.2</b>
Repos	-277.6	-	<b>-277.6</b>	-	277.6	-	<b>0.0</b>
<b>Total</b>	<b>3,044.5</b>	<b>-1,444.2</b>	<b>1,600.3</b>	<b>0.0</b>	<b>-123.2</b>	<b>-1,508.0</b>	<b>-30.9</b>

<sup>1</sup>) The amount offset for derivative liabilities includes cash collateral of SEK 7,352.0 (1,444.2) million.

## Note 7 Other assets

	30 Jun 2022	30 Jun 2021	31 Dec 2021
Receivables from subsidiaries	-	-	2.1
Marginal collateral pledged	2,271.0	7,227.6	2,414.4
Other assets	16.8	108.4	11.5
<b>Total</b>	<b>2,287.8</b>	<b>7,336.0</b>	<b>2,428.0</b>

Kommuninvest pledges marginal collateral for derivatives cleared by central clearing counterparties, which are netted per counterparty and currency in the balance sheet. For further information, see Note 6. The Company also pledges cash collateral for derivatives not cleared by central clearing counterparties and for which no right of netting applies. Accordingly, these are entered in full in the balance sheet.

## Note 8 Other liabilities

	30 Jun 2022	30 Jun 2021	31 Dec 2021
Liabilities to Parent Society	615.5	762.7	488.0
Marginal collateral received	19,709.2	711.3	3,503.3
Other liabilities	166.0	9.5	13.7
<b>Total</b>	<b>20,490.7</b>	<b>1,483.5</b>	<b>4,005.0</b>

The liability to the Parent Society, the Kommuninvest Cooperative Society, involves Group and member contributions, which are handled by the Company on the Society's behalf and have not yet been transferred to the Company in the form of new share capital.

Kommuninvest receives collateral for derivatives cleared by central clearing counterparties, which are netted per counterparty and currency in the balance sheet, see further under Note 6. The Company also receives cash collateral for derivatives not cleared by central clearing counterparties and for which no right of netting applies. Accordingly, these are entered in full in the balance sheet.

## Note 9 Capital

### CAPITAL ADEQUACY

The capital adequacy requirements are calculated in accordance with the Supervisory 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 legis-

lation and regulations issued by Finansinspektionen. On 28 September 2021, Finansinspektionen decided to increase the buffer value to 1 percent, applicable as of 29 September 2022. Until then, the buffer value of 0 percent, applicable since 16 March 2020, remains in effect.

Capital base	30 Jun 2022	30 Jun 2021	31 Dec 2021
Capital Instruments <sup>1</sup>	8,975.0	8,200.0	8,975.0
Non-distributed retained earnings <sup>2</sup>	283.4	486.7	629.8
Accumulated other comprehensive income and other reserves	17.5	17.5	17.5
<b>Core Tier I capital before regulatory adjustments</b>	<b>9,275.9</b>	<b>8,704.2</b>	<b>9,622.3</b>
Further value adjustments	-209.8	-205.9	-218.9
Intangible assets	-6.2	-2.3	-4.2
<b>Total regulatory adjustments to core Tier I capital</b>	<b>-216.0</b>	<b>-208.2</b>	<b>-223.1</b>
<b>Total core Tier I capital</b>	<b>9,059.9</b>	<b>8,496.0</b>	<b>9,399.2</b>
Tier I capital contributions	-	-	-
<b>Total Tier I capital</b>	<b>9,059.9</b>	<b>8,496.0</b>	<b>9,399.2</b>
<b>Total Tier II capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>9,059.9</b>	<b>8,496.0</b>	<b>9,399.2</b>

1) For a more detailed description of the constituent instruments, see page 57 of the 2021 Annual Report.

Capital requirement, Pillar I	30 Jun 2022			30 Jun 2021			31 Dec 2021		
	Risk exposure	Capital requirement, %	Capital requirement, SEK	Risk exposure	Capital requirement, %	Capital requirement, SEK	Risk exposure	Capital requirement, %	Capital requirement, SEK
Capital requirement for credit risks (the standardised method)	482.7	8%	38.6	434.7	8%	34.8	383.9	8%	30.7
<i>of which, institutional exposures</i>	367.6	8%	29.4	306.0	8%	24.5	267.1	8%	21.4
<i>of which, corporate exposures</i>	115.1	8%	9.2	128.7	8%	10.3	116.8	8%	9.3
Operational risks, basic indicator method	1,137.5	8%	91.0	1,337.1	8%	107.0	1,137.5	8%	91.0
Credit valuation adjustment	1,635.4	8%	130.8	1,023.9	8%	81.9	845.3	8%	67.6
<b>Total risk exposure amount and minimum capital amount</b>	<b>3,255.6</b>	<b>8.0%</b>	<b>260.4</b>	<b>2,795.7</b>	<b>8.0%</b>	<b>223.7</b>	<b>2,366.7</b>	<b>8.0%</b>	<b>189.3</b>

Capital adequacy ratios	30 Jun 2022	30 Jun 2021	31 Dec 2021
Core Tier I capital ratio	278.3%	303.9%	397.1%
Tier I capital ratio	278.3%	303.9%	397.1%
Total capital ratio	278.3%	303.9%	397.1%

Specific capital base requirements for risks other than insufficient leverage ratio <sup>1,2</sup>	30 Jun 2022 <sup>1</sup>		30 Jun 2021 <sup>2</sup>		31 Dec 2021 <sup>1</sup>	
Additional capital base requirements, Common Equity Tier I capital	42.1%	1,369.6	42.1%	1,176.2	42.1%	995.7
Additional capital base requirements, Tier I capital	14.0%	456.5	14.0%	392.0	14.0%	331.8
Additional capital base requirements, Tier II capital	18.7%	608.8	18.7%	523.0	18.7%	442.6
<b>Total specific capital base requirements for risks other than insufficient leverage ratio</b>	<b>74.8%</b>	<b>2,434.9</b>	<b>74.8%</b>	<b>2,091.2</b>	<b>74.8%</b>	<b>1,770.1</b>

1) In accordance with Finansinspektionen's decision of 24 September 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance.

2) In accordance with Finansinspektionen's consideration of its decision of 30 June 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance.



## Note 9, continued

Combined buffer requirement	30 Jun 2022		30 Jun 2021		31 Dec 2021	
Capital conservation buffer	2.5 %	81.4	2.5 %	69.9	2.5 %	59.2
Countercyclical buffer	-	-	-	-	-	-
Systemic risk buffer	-	-	-	-	-	-
<b>Total buffer requirements</b>	<b>2.5 %</b>	<b>81.4</b>	<b>2.5 %</b>	<b>69.9</b>	<b>2.5 %</b>	<b>59.2</b>
<b>Core Tier I capital available for use as buffer</b>	<b>195.5 %</b>	<b>6,364.6</b>	<b>221.1 %</b>	<b>6,181.4</b>	<b>314.4 %</b>	<b>7,439.8</b>

Total risk-based capital base requirement	30 Jun 2022 <sup>1</sup>		30 Jun 2021 <sup>2</sup>		31 Dec 2021 <sup>1</sup>	
Capital base requirement in accordance with Pillar II	8.0 %	260.4	8.0 %	223.7	8.0 %	189.3
Capital base requirement, Pillar II requirement	74.8 %	2,434.9	74.8 %	2,091.2	74.8 %	1,770.1
Combined buffer requirement	2.5 %	81.4	2.5 %	69.9	2.5 %	59.2
Pillar II guidance	-	-	-	-	-	-
<b>Total risk-based capital base requirement</b>	<b>85.3 %</b>	<b>2,776.7</b>	<b>85.3 %</b>	<b>2,384.8</b>	<b>85.3 %</b>	<b>2,018.5</b>

1) In accordance with Finansinspektionen's decision of 24 September 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance.

2) In accordance with Finansinspektionen's consideration of its decision of 30 June 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance.

For other information to be provided in accordance with section 8 of the CRR and Finansinspektionen's regulations and general advice on annual accounts in credit institutions and securi-

ties companies, FFFS 2008:25, see the Capital Adequacy and Risk Management Report on Kommuninvest's website.

## LEVERAGE RATIO

Leverage ratio	30 Jun 2022		30 Jun 2021		31 Dec 2021	
Total assets	597,763.9		549,726.5		524,261.7	
Less asset amounts deducted to determine the core Tier I capital	-216.0		-208.2		-223.1	
Adjustment for derivative instruments	-14,912.6		-3,555.6		-2,176.8	
Deduction in the form of exposure to members and their companies	-462,783.2		-454,357.7		-460,650.3	
Plus possible change in risk in connection with repo transactions	69.5		-		0.7	
<b>Total exposure</b>	<b>119,921.6</b>		<b>91,605.0</b>		<b>61,212.2</b>	
Tier 1 capital, calculated applying transitional rules, see the section Capital adequacy	9,059.9		8,496.0		9,399.2	
<b>Leverage ratio</b>	<b>7.55 %</b>		<b>9.27 %</b>		<b>15.36 %</b>	

Leverage ratio, capital base requirements	30 Jun 2022 <sup>1</sup>		30 Jun 2021 <sup>2</sup>		31 Dec 2021 <sup>1</sup>	
Capital base requirement in accordance with Pillar I	3.0 %	3,597.6	3.0 %	2,748.2	3.0 %	1,836.4
Capital base requirement, Pillar II requirement	-	-	-	-	-	-
Pillar II guidance	-	-	-	-	-	-
<b>Total leverage ratio, capital base requirements</b>	<b>3.0 %</b>	<b>3,597.6</b>	<b>3.0 %</b>	<b>2,748.2</b>	<b>3.0 %</b>	<b>1,836.37</b>

1) In accordance with Finansinspektionen's decision of 24 September 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance.

2) In accordance with Finansinspektionen's consideration of its decision of 30 June 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance.

## INTERNALLY ESTIMATED CAPITAL REQUIREMENTS

The difference between the Company's internal assessment and Finansinspektionen's capital base requirements and Pillar II guidance, mainly comprises the capital requirement for insufficient leverage ratio. In the Company's assessment, the capital requirement for the risk of insufficient leverage ratio is equiva-

lent to the difference between a leverage ratio of 0.7 and other risk-adjusted capital requirements, including the buffers in Pillars I and II. In Finansinspektionen's assessment, the Pillar II guidance on leverage ratio should be met at the Group level and not at the individual Company level.

Internally estimated capital requirements	30 Jun 2022		30 Jun 2021		31 Dec 2021	
<b>Capital requirement, Pillar II</b>						
Credit risk	32.4		17.1		31.6	
Market risks	1,771		1,665.8		1,434.7	
Capital buffer, Pillar II	984.2		1,060.4		1,006.0	
<b>Total internally assessed capital requirement (Pillar II), excluding the risk of insufficient leverage ratio</b>	<b>2,787.6</b>		<b>2,743.3</b>		<b>2,472.3</b>	
Internally assessed capital requirement for the risk of insufficient leverage ratio	958.6		810.3		934.0	
<b>Total internally assessed capital requirement (Pillar II)</b>	<b>3,746.2</b>		<b>3,553.6</b>		<b>3,406.3</b>	

Note 9, continued

Kommuninvest's internal capital assessment forms the basis for the internally estimated capital requirement. For further infor-

mation on the Company's internal capital assessment and capital plan, see pages 39-40 of the 2021 Annual Report.

**LIQUIDITY**

<b>Liquidity Coverage Ratio (LCR)</b>	<b>30 Jun 2022</b>	<b>30 Jun 2021</b>	<b>31 Dec 2021</b>
Total high-quality liquid assets (HQLA) (weighted value)	73,983.0	72,259.6	70,061.2
Cash outflows – total weighted values	35,455.7	34,046.7	32,734.3
Cash inflows – total weighted values	11,491.3	13,382.0	9,494.8
Net cash outflows (adjusted value)	23,893.1	21,090.3	23,365.1
Liquidity coverage ratio, %	354.7	433.4	318.1

<b>Net Stable Funding Ratio (NSFR)</b>	<b>30 Jun 2022</b>	<b>30 Jun 2021</b>	<b>31 Dec 2021</b>
Total available stable financing	431,082.8	418,538.9	412,542.7
Total need for stable financing	293,728.5	279,799.7	288,744.0
NSFR, %	146.8%	146.8%	143.0%

**Note 10 Transactions with related parties**

Transactions with related parties are disclosed in Note 24 of the 2021 Annual Report for Kommuninvest i Sverige AB. No significant changes have taken place in relationships or transactions with related parties compared with those described in the 2021 Annual Report.

Kommuninvest i Sverige AB conducts its operations. In accordance with Section 7:6a 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 net profit. For the first six months of the year, Kommuninvest Fastighets AB has a balance sheet total of SEK 46.1 (45.9) million, equity of SEK 42.8 (42.0) million and profit of SEK 0.8 (1.3) million.

**Note 11 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 12 Events after the balance sheet date**

No significant events have occurred following the end of the reporting period.

# Alternative performance measurements

In this interim report, Kommuninvest i Sverige AB has chosen to present a number of alternative performance measurements that are not defined or specified in the applicable rules on financial reporting. These alternative

performance measurements have been defined in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

Alternative performance measurements	Definition	Reconciliation	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Operating income	Operating profit reduced with the result of unrealised changes in market value that are included in the income statement item Net profit from financial transactions and net expected credit losses. The key ratio is of interest in showing Kommuninvest's underlying earning capacity.	Operating profit	-346.5	124.2	476.1
		Result of unrealised changes in market value	395.5	102.9	43.9
		Net credit losses	1.0	-2.6	6.3
		<b>Operating income</b>	<b>50.0</b>	<b>224.5</b>	<b>425.9</b>
Alternative performance measurements	Definition	Reconciliation	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Leverage ratio including lending to members and their companies	Kommuninvest's Tier I capital divided by the gross exposure amount less exposures in the form of Kommuninvest's lending to members and their companies. The key ratio is relevant in showing that Kommuninvest meets, by a good margin, Finansinspektionen's leverage ratio requirement and Pillar II guidance, which for the Group is set to 1 percent.	Total exposure according to current regulations	119,921.6	91,605.0	61,212.2
		Exposure in the form of lending to members and their companies	464,083.0	457,991.5	460,909.2
		<b>Total exposure</b>	<b>584,004.6</b>	<b>549,596.5</b>	<b>522,121.4</b>
		Tier I capital, calculated applying transitional rules	9,059.9	8,496.0	9,399.2
		<b>Leverage ratio including lending to members and their companies</b>	<b>1.55%</b>	<b>1.55%</b>	<b>1.80%</b>

# Board member signatures

The Board of Directors hereby declares that this half-year 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.

Örebro, 23 August 2022

Ellen Bramness Arvidsson  
*Chairman*

Lars Heikensten  
*Board Member*

Catrina Ingelstam  
*Board Member*

Mats Filipsson  
*Board Member*

Erik Langby  
*Board Member*

Kristina Sundin Jonsson  
*Board Member*

Anette Henriksson  
*Board Member*

Mattias Bokenblom  
*Employee representative*

Kristin Ekblad  
*Employee representative*

Tomas Werngren  
*President and CEO*

*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 23 August at 4:00 p.m. CET.*



# Auditor's review report

To the Board of Directors of Kommuninvest i Sverige AB (publ).  
Corporate identity number 556281-4409

## Introduction

We have reviewed the interim report for Kommuninvest i Sverige AB (publ) as per 30 June 2022 and the six-month period ending on that date. The Board of Directors and the President are responsible for preparing and presenting this report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## The focus and scope of the review

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope compared to an audit

conducted according to the International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. This statement of opinion is based on a review and, accordingly, does not provide the same degree of assurance as an opinion based on an audit.

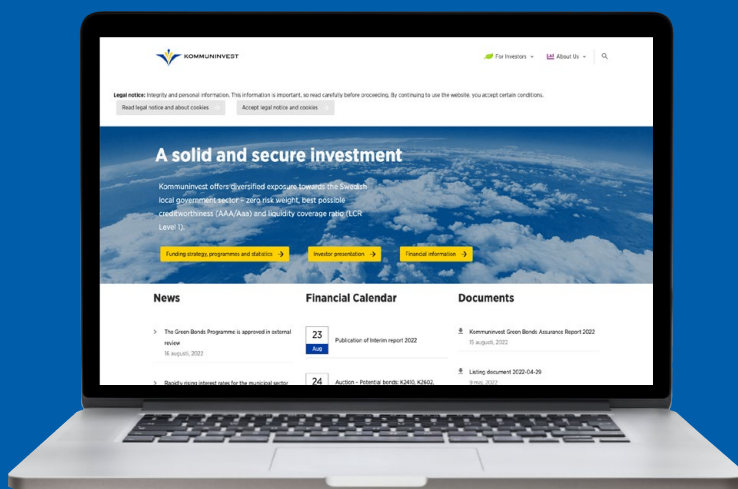
## Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with the Swedish Act on Annual Accounts for Credit Institutions and Securities Companies.

Örebro, 23 August 2022

KPMG AB

Anders Tagde  
*Authorised Public Accountant*



On the Kommuninvest website, [www.kommuninvest.se/en](http://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:**

- An opportunity to sign up for our newsletter, providing weekly updates on Kommuninvest and local government finances
- Reports on local government finances
- Membership magazine Dialog
- Log-in to the finance management tool KI Finans
- Information for investors



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