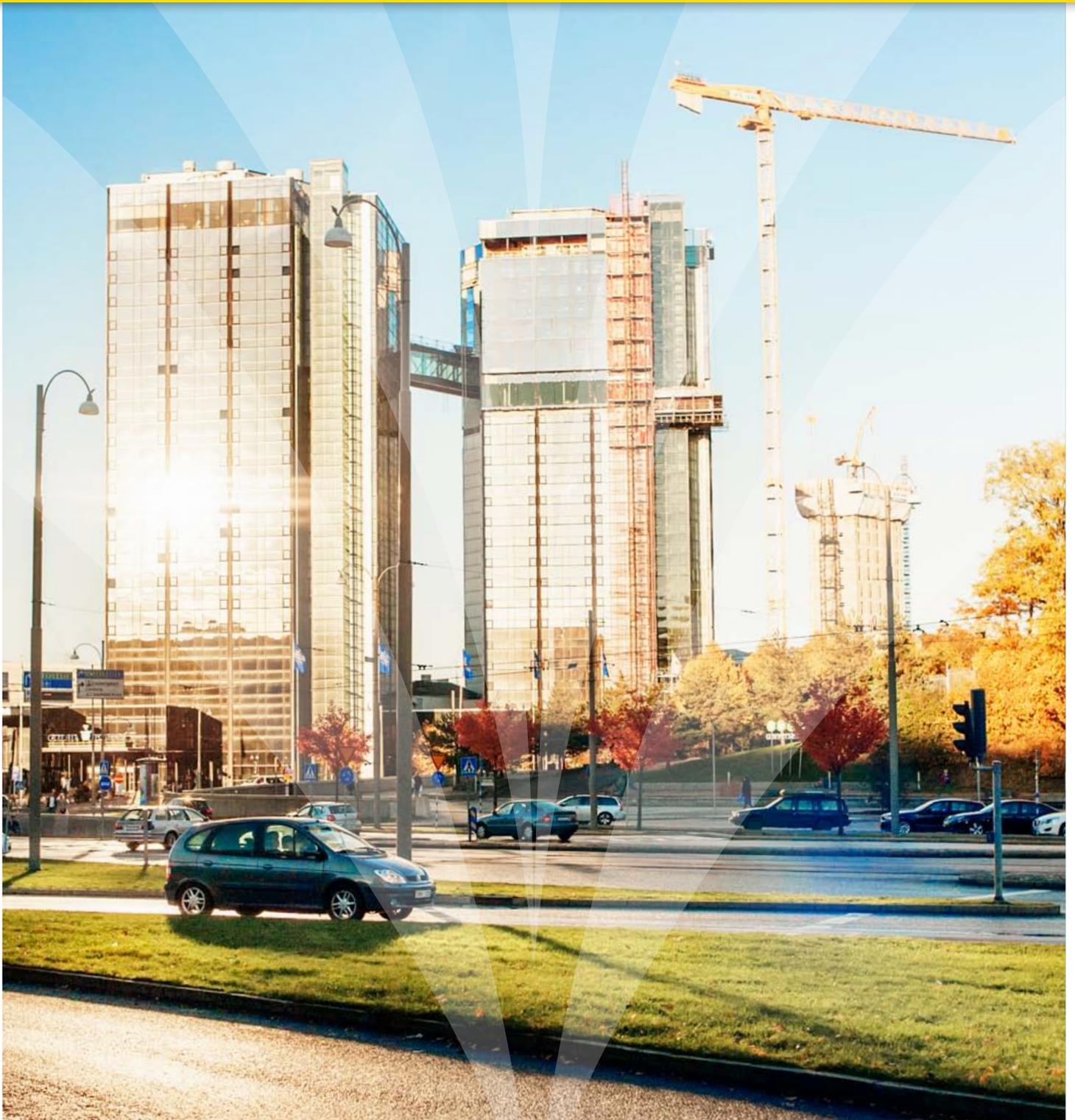


KOMMUNINVEST  
COOPERATIVE SOCIETY  
ANNUAL REPORT

2013



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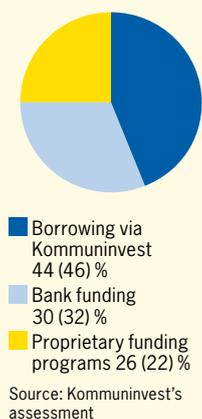
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# Kommuninvest in brief

## Market share, local government borrowing

31 Dec 2013

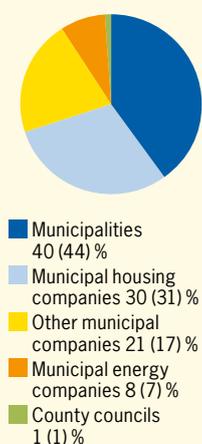


Kommuninvest<sup>1</sup> was founded in 1986 by nine municipalities and Örebro County Council to join forces in improving the conditions in the market for local government loan financing. Kommuninvest also helps increase financial stability in the local government sector.

Kommuninvest i Sverige AB, in which all business operations are conducted, is a wholly-owned subsidiary of the Kommuninvest Cooperative Society. Only municipalities and county councils that are members of the Kommuninvest Cooperative Society, as well as companies, foundations and associations controlled by members may borrow from Kommuninvest i Sverige AB.

## Lending portfolio

31 Dec 2013



Kommuninvest holds the highest possible credit rating, Aaa/AAA and has stable prospects. The credit rating is bolstered by the joint and several guarantee issued by all of the members in support of Kommuninvest i Sverige AB's obligations.

Kommuninvest's vision is to be the world's best organisation for local government financial administration.

1) "Kommuninvest" refers to the Kommuninvest Group, consisting of the membership organisation the Kommuninvest Cooperative Society, the credit market company Kommuninvest i Sverige AB and Kommuninvest Fastighets AB. Prior to the formation of the Kommuninvest Cooperative Society in 1993, the cooperation was coordinated within the company Kommuninvest i Örebro Län AB, which was founded in 1986 and which changed its name to Kommuninvest i Sverige AB in 1993.

## Multi-year summary, Kommuninvest Group

	2013	2012	2011	2010	2009
Balance sheet total, SEK billion	277.5	283.3	234.1	190.3	183.2
Lending, SEK billion	208.6	201.0	168.1	133.7	123.6
Net profit, SEK million	745.8	424.8	274.6	191.6	229.6
Members, total	278	274	267	260	248
of which, municipalities	270	266	259	253	241
of which, county councils	8	8	8	7	7
Leverage ratio <sup>1</sup> , %	0.97	0.68	–	–	–
Capitalisation, capital base as % of balance sheet total	0.91	0.47	0.63	0.75	0.42
Capital adequacy ratio <sup>2</sup> , %	56.4	23.1	35.3	60.0	34.4
Capital adequacy quota <sup>3</sup>	7.05	2.89	4.42	7.50	4.30

1) Tier 1 capital in relation to total assets and commitments (exposures). See further pages 32–33.

2) Capital basis in relation to risk-weighted assets.

3) Capital base divided by capital requirement, pillar I in accordance with Basel II regulations and the EU's capital requirement directive.

## Annual Report for the Kommuninvest Cooperative Society

This is the Annual Report of the Kommuninvest Cooperative Society.

The annual report for the subsidiary Kommuninvest i Sverige AB, is available at [www.kommuninvest.org](http://www.kommuninvest.org).

Cover photo: The Swedish Exhibition Centre in Gothenburg is expanding. The City of Gothenburg has been a member of the Kommuninvest Cooperative Society since 2012.

When Swedish municipalities and county councils invest and undertake new construction, it is often Kommuninvest that provides the financing. Of the loans that finance Swedish local government authorities' investments in schools, care of the elderly, infrastructure or other improvements in service to residents, Kommuninvest currently accounts for almost half.

Kommuninvest is owned by the local government authorities and exists for their benefit. Ever since the start in 1986, the purpose of the operations has been the same – to offer members secure financing on the best possible terms. Today, 270 municipalities and eight county councils are members. At the close of 2013, Kommuninvest's total lending amounted to SEK 208.6 billion.



# Kommuninvest finances community-building

Kommuninvest acts as the Swedish local government debt office. In many cases, the financing for the investments needed to ensure that society functions well comes from Kommuninvest. This involves critical social investments in day care centres, schools, retirement homes, health centres and hospitals. Additional investments are made in the areas of energy supply, street maintenance, water and sewage, as well as sports and cultural facilities.

Local government sector debt has risen over time and will likely continue to grow. Major investments are expected in the maintenance and construction of housing and hospitals, for example. Kommuninvest plays an important role in this process, by ensuring stable and advantageous borrowing in national and international capital markets. Borrowed funds are subsequently on-lent to the members of the Kommuninvest Cooperative Society and their majority-owned companies.

## **Commercial benefit for local government authorities**

By turning to Kommuninvest, municipalities and county councils gain access to secure

and competitive loans, advice and debt management tools. Kommuninvest has no vested interest in generating profit – its purpose is solely to provide economic benefit to members. Kommuninvest also represents the local government sector on funding issues.

The basic concept of generating individual commercial benefit for municipalities and county councils remains from the earliest days of the cooperation. When Kommuninvest was founded in 1986 by nine municipalities and Örebro County Council, the purpose was precisely to provide members with cost-efficient loans. Proof that this purpose has been fulfilled lies in the constant growth in membership – which now accounts for 278 of Sweden's 310 municipalities and county councils. The fact that no member has, to date, left the cooperation, is further proof.

## **Joint and several guarantee**

Membership in the Kommuninvest Cooperative Society, the owner of the credit market company Kommuninvest i Sverige AB, is a prerequisite to obtain financing from Kommuninvest. Against guarantees, loans



Pre-school programmes, residential construction, water-works, and health and medical care are some of the key social services that Kommuninvest helps finance through lending to municipalities, municipal companies and county councils.

can also be offered to members' majority-owned companies, as well as local government foundations and associations. Kommuninvest's lending has a zero risk weight according to current capital adequacy regulation.

All members provide an explicit guarantee, in the form of a joint and several guarantee, for the commitments entered into by Kommuninvest i Sverige AB. The guarantee is considered very strong since Swedish municipalities and county councils cannot be declared bankrupt and cannot cease to exist other than by merging. In addition, Swedish municipalities and county councils are entitled to levy their own taxes, while the ultimate responsibility for local government sector operations lies with the central government.

**Members' responsibilities**

Membership also brings responsibility when it comes to determining the focus of the operations. Decisions are made by the Annual General Meeting of the Society. An important consideration for Kommuninvest's members is ensuring that Kommuninvest meets new EU regulations regarding Leverage Ratio expected to be introduced on 1 January 2018. Decisions regarding the necessary changes to the Articles of Association will be made in April 2014 and April 2015. Read more about the Leverage Ratio on pages 32–33.

**Secure access to liquidity**

Kommuninvest's assignment is to act as a local government debt office for its members,

that is, to secure their access to financing regardless of the external situation.

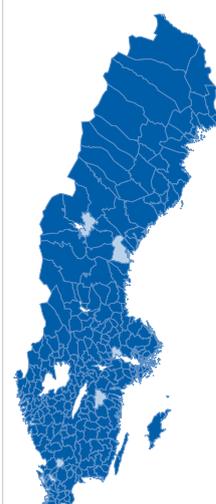
Throughout the crisis that has pervaded the financial markets since 2008/09, Kommuninvest has fulfilled its assignment. Kommuninvest's access to liquidity under tough economic conditions builds primarily on a well-diversified funding strategy and a considerable liquidity reserve. In addition, since 2010, Kommuninvest is a monetary counterparty to the Swedish Riksbank and has been part of RIX, the Riksbank's payment system.

**Highest possible credit rating**

Having the highest possible rating, Aaa/AAA with a stable outlook, from the two international credit rating institutes Moody's and Standard & Poor's, Kommuninvest is perceived as one of the world's most credit-worthy issuers. According to the two credit rating institutes, Kommuninvest's credit rating is motivated by the members' joint and several guarantee, Kommuninvest's strong liquidity and its access to financing from the Riksbank, the high quality of Kommuninvest's assets, with lending solely to members, and its conservative asset and debt management with its policy of matching interest rates and currencies. Also mentioned is Kommuninvest's improved profitability, which is strengthening its capital in preparation for upcoming regulatory changes.

**Member municipalities**

31 December 2013



At year-end 2013, 270 municipalities and 8 county councils were members in the Kommuninvest Cooperative Society.

# Support for the cooperative model

With low funding and administration expenses, Kommuninvest continues to fulfil its assignment well – offering municipalities and county councils stable and efficient financing. The proposed changes to the Articles of Association serve to meet forthcoming capital requirements and to provide members freedom of choice in how they contribute to the build-up of capital.

Since Kommuninvest was founded, the business has developed in an almost unprecedented way. In less than 30 years, the cooperation has grown from 10 members and lending of about SEK 400 million to 278 members and nearly SEK 210 billion in lending.

The basic concept is the same today as at the outset: to provide members with economic benefit through cooperation on financial matters. One of Kommuninvest's most central tasks is, with no vested profit interest of its own, to offer members favourable loan terms.

In fact, Kommuninvest fulfils its mission well – we have the lowest funding costs in the municipal sector and low administrative costs. In 2013, expenses, excluding the stability charge, amounted to 7 basis points in relation to lending. This is worth pointing out, since it means Kommuninvest has the right conditions to continue being members' first choice when it comes to loan financing.

The regulatory changes sweeping across the financial markets have, in recent years, required Kommuninvest to build up capital. Effective from 1 January 2018, a new capital requirement, the Leverage Ratio will be introduced in the EU. This requirement means that banks and credit institutions must maintain a larger proportion of equity in relation to total assets and other commitments.

At the 2011 and 2012 Annual General Meetings of the Society, members agreed that future build-up of capital would be achieved through earnings, implying that the build-up of capital would be financed through increased lending margins. However, this has not been a solution that has suited all members.

At the 2014 member consultations ahead of the Annual General Meeting, the Leverage Ratio and Kommuninvest's future build-up of capital were again in focus. Proposals for new levels of participation capital and opportunities for members to determine themselves how they want to contribute to the future build-up of capital were discussed. Among other things, an upper participation



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**Kommuninvest fulfils its mission well – we have the lowest borrowing costs in the municipal sector and low administrative costs.**

level is proposed that members should attain in the long term. This clarifies the obligations that membership entails and gives the Society a more stable basis for building up the capital required in its operations.

With an upper level for participation capital, it will be possible for the Society to offer alternatives for individual members to meet the required level. This has been requested by several members. If the changes are approved in the form in which they have been presented to the Annual General Meeting, they could have a visible effect on Kommuninvest's capital basis and competitiveness relatively quickly.

What has been noticeable for me during the member consultations is the strong support for the Kommuninvest concept that exists among members and how important it is to our members that a long-term solution regarding capitalisation is found, among the owners. This bodes well for the local government sector's continued collaboration within Kommuninvest.

Kommuninvest Cooperative Society

A handwritten signature in blue ink, which appears to read "Ann-Charlotte Stenkil". The signature is fluid and cursive, written over a white background.

Ann-Charlotte Stenkil  
Chairman

# Benefit through cooperation

Kommuninvest continues to be the first choice for local government loan financing. However, conditions in the capital market are increasingly normalising and the competitive situation is getting tougher.

This has contributed to Kommuninvest's lending growth becoming more subdued over the year. Demand for loans has also been affected by the fact that, at the end of the year, the local government authorities received major repayments of earlier premiums for collectively agreed health insurance policies.

It is natural that Kommuninvest's growth is slowing, nine out of ten local government authorities are already members and, in a normalised loan market, additional borrowing alternatives are available to municipalities and county councils.

In certain cases, local government authorities can secure lower borrowing costs independently than through Kommuninvest, despite Kommuninvest having the lowest borrowing costs. One explanation is the ongoing build-up of capital, resulting in higher loan margins, and the fact that few local government authorities take into account the refunds received from Kommuninvest when comparing funding alternatives. Last year, the refund was equivalent to 42 basis points on members' borrowing from Kommuninvest. This year's outcome provides scope for a refund of 30–35 basis points, pending a decision by the Annual General Meeting of the Society in April.

Consolidated operating profit rose to SEK 745.8 (424.8) million, reflecting the process of building-up capital ahead of the EU's introduction of a Leverage Ratio requirement for credit institutions effective from 2018. Even today, from a risk perspective, Kommuninvest is more than adequately capitalised. The capital adequacy ratio for 2013 was 56.4 percent, compared with the legal requirement of 8.0 percent.

The overarching cost level is at a low and declining level. At the same time, the adjustment to new regulations, including regarding reporting requirements and process documentation, means that Kommuninvest i Sverige AB must both recruit more personnel and purchase more consultancy services.

The stability fee continued to be the largest individual cost item. It is our view that the sta-



bility fee should not be imposed on institutions of Kommuninvest's nature or that it should at least be dimensioned according to the risks in our operations. Our cost level is currently about 70 percent higher than it would have been had no stability fee been imposed.

Demand for securities issued by Kommuninvest was favourable during the year and we are particularly pleased with our international funding activities. We have reinforced our position as one of the foremost actors in the capital market segment in which we operate. In Sweden, the build-up of the Swedish Benchmark Programme continues. We issue securities in accordance with our long-term plan with the objective that borrowing in Swedish kronor should account for half of our long-term borrowing by 2015.

Our work focuses on making Kommuninvest an organisation that generates the greatest possible benefit for its members/owners, while meeting the increasingly rigorous requirements imposed on a system-critical actor. It feels particularly stimulating that this helps municipalities and county councils efficiently develop Swedish public welfare.

Örebro, February 2014

Tomas Werngren  
President

”

**The profit for the year reflects the process of strengthening the capital basis ahead of the introduction of a Leverage Ratio requirement for credit institutions in the EU effective from 2018.**

# Local government loan financing

Kommuninvest is active as a provider of credit in the Swedish local government loan market. At the end of 2013, this market is estimated to amount to about SEK 470 (443) billion<sup>1</sup>, equivalent to the total external borrowing of Swedish municipalities and county councils.

During the period 2007–2013, the local government sector's total external borrowing increased nominally by about SEK 135 billion. The increase was primarily the result of an increasing pace of investment by local government authorities and municipal companies. Investments encompass many of the areas for which local government authorities are responsible, with the emphasis being on infrastructure, housing and energy supply. At the end of 2013, the local government authorities' borrowing is estimated to amount to 12.9 percent of Sweden's GDP, compared with 10.7 percent in 2007.

The municipalities and county councils apply three principal forms of borrowing:

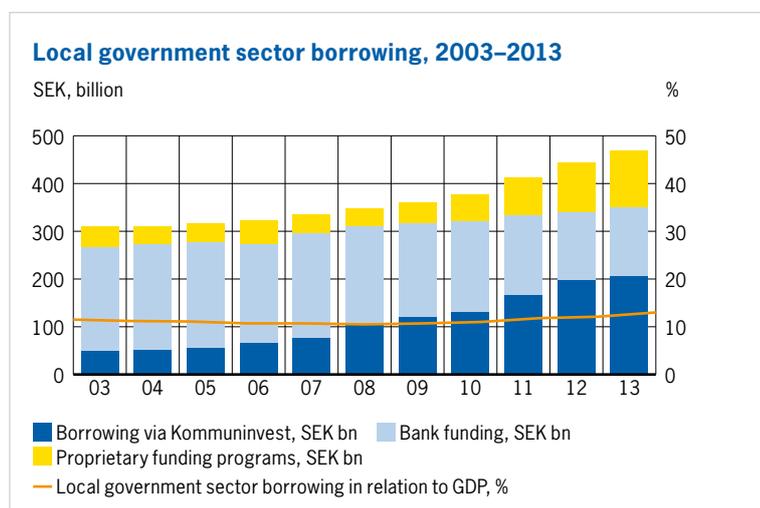
- borrowing via Kommuninvest i Sverige AB
- borrowing via the bank sector or other bilateral parties
- borrowing via the money and bond markets

The development and distribution of the borrowing is shown in the diagram below. The shift in the choice of borrowing format continued in 2013. Despite increased lending volumes, both the banks' and Kommuninvest's market shares declined. The local government sector's borrowing through pro-

prietary market programmes increased by 15 percent and accounted for slightly more than a quarter of the combined funding of the sector's borrowing.

## Kommuninvest's position

The portion of the local government sector's borrowing that is conducted via Kommuninvest has increased substantially since 2000. The primary reason is the large number of new members of the Kommuninvest Cooperative Society, which has given an increasing number of local government authorities and municipal companies access to credit from Kommuninvest i Sverige AB. At the same time, the competitiveness of the banks has gradually weakened in the wake of new financial regulations, primarily benefiting Kommuninvest but also borrowing via the capital market, which is mainly an alternative for the larger local government borrowers. Based on Kommuninvest's assessment of the local government borrowing market in 2013, Kommuninvest accounted for 44 (46) percent of the sector's borrowing at the end of the year. Borrowing via the bank sector accounted for 30 (32) percent and direct borrowing via the capital market through the authorities' own bond and commercial paper programmes accounted for 26 (22) percent.



Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2012) unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2012 unless otherwise indicated.

1) At the time of publication of this annual report, neither the complete data for 2013, nor the municipalities' and county councils' own annual reports were available.

# Lending

At the end of 2013, Kommuninvest's lending amounted to SEK 208.6 (201.0) billion. The Kommuninvest Cooperative Society had 278 (274) members and Kommuninvest had 773 (728) customers.

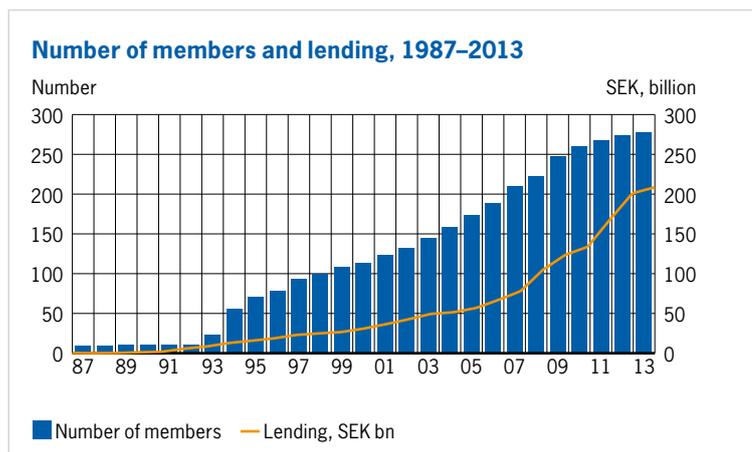
## Membership growth

During 2013, the Kommuninvest Cooperative Society gained four new members: the municipalities of Uppsala, Tibro, Järfälla and Svalöv. The Cooperative Society thus had 278 members, of which 270 were municipalities and 8 were county councils. Of Sweden's municipalities, 93 percent were members, as were 40 percent of the county councils. The residents of the member authorities accounted for 76 (73) percent of Sweden's population.

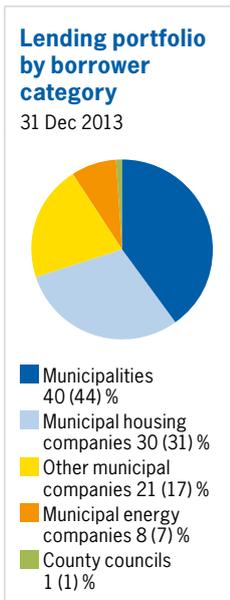
## Lending in 2013

At the end of the year, Kommuninvest's lending amounted to SEK 208.6 (201.0) billion. In nominal terms, lending was SEK 206.6 (197.9) billion, an increase of 4 (19) percent compared with the previous year. All lending is to municipalities and county councils who are members of the Kommuninvest Cooperative Society and, against guarantees, to companies in which members are majority shareholders, as well as municipal foundations and associations. Of total lending, municipalities and county councils accounted for 41 (45) percent and municipal corporations for 59 (55) percent. The decreased share of total borrowing by municipalities and county councils is principally explained by the fact that many municipalities in early 2013 ceased to borrow on behalf of the municipal group due to uncertainty regarding new rules limiting interest rate deductions on internal loans.

Municipal housing companies accounted for 30 (31) percent of total lending. The increase in Kommuninvest's lending volume over the year is explained by generally

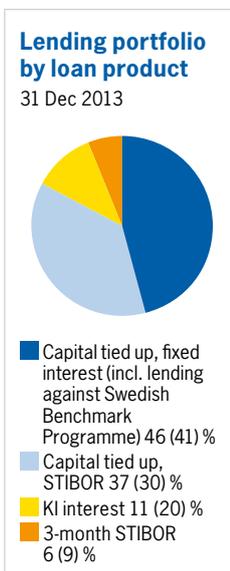


increased borrowing in the local government sector and by the number of members of the Kommuninvest Cooperative Society having increased. However, the rate of increase is lower than in previous years, since individual local government authorities can, in certain cases, secure lower borrowing costs independently than through Kommuninvest, despite Kommuninvest having the lowest borrowing costs. The local government sector's borrowing in relation to GDP is relatively low – see page 8.



**Market situation**

The banks' lending to the local government sector has steadily decreased in recent years. One of the foremost causes is the new financial regulations – Basel III – that are gradually being introduced between 2013 and 2018. The new regulations require banks and other financial institutions to retain more capital than previously and that this be of a higher quality, while new increased requirements on liquidity are also imposed. Instead of lending money directly to the local government authorities, the banks seek to arrange financing for them in the capital market, which represents an alternative form of financing, mainly for the larger local government borrowers. Demand among investors has been growing for local government credit as an asset category, although that demand is driven by the market's appetite for risk and access to liquidity may be subject to disruption. During 2013, the Swedish local government authorities' borrowing through proprietary market programmes increased faster than borrowing through both the banks and Kommuninvest.



**Kommuninvest's loan products**

Kommuninvest offers loan products designed to meet customers' needs – with capital being tied up for shorter or longer periods, at fixed or variable interest and with or without rights to premature termination.

The year's contracted lending that is, new loans and renewals of existing loans, 72 (58) percent were loans with capital tied up for more than one year and 28 (42) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 39 (30) percent of volumes. At the end of the year, the average period for which capital was tied up in Kommuninvest's lending portfolio was 2.0 (1.9) years. The distribution of lending by borrower category and loan product is shown in the diagrams to the left.

**Debt management and other services**

For Kommuninvest, being able to assist customers with effective financial administration demands more than just competitive loans. For this reason, web-based analysis tools and models for effective financial administration are also offered.

# Funding

Favourable demand for low-risk issuers made it possible for Kommuninvest to continue its funding activities on favourable terms in 2013. At the end of the year, total borrowing amounted to SEK 260.6 (262.9) billion.

Kommuninvest's lending is financed by means of short and long borrowing programmes on national and international capital markets. The funding strategy is based on diversification as regards markets, currencies, products and investors. Strategic borrowing is conducted through Swedish bond programmes, benchmark programmes in USD, ECP programmes and the Japanese market. Diversified funding enhances stability. All borrowing is swapped to SEK, EUR or USD.

Kommuninvest issues instruments on international borrowing markets in the category "Sovereigns, Supranationals and Agencies". Issuers with whom Kommuninvest compares itself include the European Investment Bank, EIB, KfW (Germany), Kommunalbanken (Norway), Kommunekredit (Denmark), Municipality Finance (Finland), Nederlandse Waterschapsbank (Netherlands) the Nordic Investment Bank, NIB, and Rentenbank (Germany).

## Funding in 2013

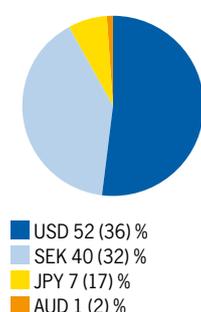
At the end of the year, Kommuninvest's funding totalled SEK 260.6 (262.9) billion.

Over the year, SEK 96.2 (123.1) billion was borrowed in long-term debt instruments with maturities of more than one year. Borrowing is undertaken to replace loans that reach maturity or are cancelled, to finance new loans in the lending operations and to adjust the size of the liquidity reserve according to the current market view and the size of the lending portfolio.

At the end of the year, the average maturity in Kommuninvest's outstanding borrowing was 5.6 (5.5) years, on the condition that cancellable loans are maintained to maturity. If the earliest possible cancellation date is applied in the calculation, the average maturity was 4.2 (3.7) years.

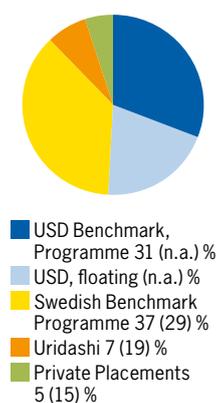
### Borrowing during the year by currency, 2013

(excl. commercial paper borrowing)



### Borrowing during the year by programme, 2013

(excl. commercial paper borrowing)



## Market situation

Demand for Kommuninvest's issues was favourable throughout 2013. One explanation is that Kommuninvest belongs to the group of issuers with the highest possible credit rating – Aaa/AAA from Moody's and Standard & Poor's respectively – and a stable ratings outlook. Among other aspects, the credit ratings are based on the joint and several guarantee undertaking by the members of the Kommuninvest Cooperative Society, risk management, market position and the quality of Kommuninvest's assets.

Kommuninvest is working actively to increase its borrowing in major bond programmes, so-called benchmark programmes, both internationally and in Sweden. Within the framework of Kommuninvest's EMTN programme, two major benchmark borrowings in USD were carried out during the year. Both were well received by the investor community and enjoyed a high level of participation by central banks, public institutions and a new investor category, *bank treasuries*, which, due to new regulations are investing to a higher degree in assets deemed relatively insensitive to fluctuations in value. In Sweden, securities issued by Kommuninvest are among those considered to be of the highest quality in the calculation of the Liquidity Coverage Ratio (LCR).

A total of SEK 35.4 (36.1) billion was issued in the Swedish Benchmark Programme with SEK 78.5 (53.1) billion outstanding at the end of the year. Over the year, two additional bonds were issued and the programme consists of a total of five bonds outstanding.

# Liquidity management

At the end of the year, Kommuninvest's liquidity reserve amounted to SEK 62.4 (71.1) billion, corresponding to 30 (35) percent of lending. As a consequence of continued uncertainty in the financial markets, the year's management was characterised by a principal focus on government securities with short remaining maturities.

To ensure that Kommuninvest's customers have access to liquidity even in periods of uncertainty in the financial markets, the Board of Directors of Kommuninvest i Sverige AB has resolved that the company shall have a liquidity reserve amounting to between 20 and 40 percent of the total lending volume. A large proportion of the reserve should qualify as collateral at the Riksbank (Swedish central bank), meaning that Kommuninvest can acquire liquidity at the Riksbank upon providing collateral.

## Investment rules for the liquidity reserve

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. Investments shall primarily be made in securities issued by sovereign states or nationally guaranteed financial institutions. Maturities may not exceed 5.5 years. For further information, see the Risk and capital management section on pages 20–33 or Kommuninvest's website, [www.kommuninvest.se](http://www.kommuninvest.se).

## RIX membership strengthens liquidity preparedness

Kommuninvest's membership of the Riksbank's RIX payment system strengthens its access to liquidity in the event of unease in the financial markets, since this provides the opportunity to participate in the Riksbank's market activities gain and access to intraday and overnight credit facilities.

## Liquidity reserve in 2013

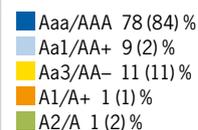
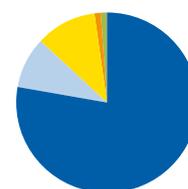
Management was pervaded by caution, primarily as a consequence of the European debt crisis and the fiscal budget problems in the US. Over the year, the liquidity reserve has been adapted to new regulatory requirements, such as LCR (Liquidity Coverage Ratio). This entailed a shift towards investments in securities with higher liquidity issued by states with the highest creditworthiness. Duration in the liquidity portfolio was 1.9 (1.5) years.

At the end of 2013, 39 (31) percent of the reserve was invested in securities issued by sovereign states or state-related entities with the highest possible creditworthiness; 22 (36) percent of the reserve was invested in securities with a remaining time to maturity of less than four months. 67 (75) percent consisted of investments in securities issued by issuers in Sweden and Germany. 86 (82) percent of the reserve, excluding securities received as collateral, qualified for repo with central banks. Excluding securities received as collateral, the reserve amounted to SEK 59.6 (55.2) billion.

At the end of the year, Kommuninvest had no direct exposure to Greece, Ireland, Italy, Portugal or Spain. See Note 2 for further information on Kommuninvest's credit risk exposure.

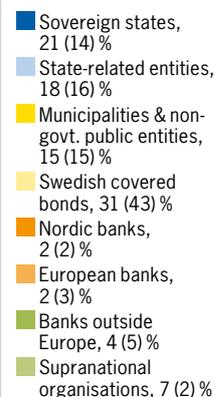
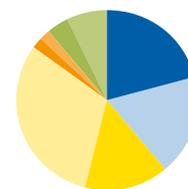
## Liquidity reserve distributed by rating category

31 Dec 2013



## Liquidity reserve distributed by issuer category

31 Dec 2013



# Results

Kommuninvest's operating profit for 2013 was SEK 749.6 (242.3) million. Net interest income rose by 26 percent to SEK 968.9 (771.5) million.

Kommuninvest's operating profit, that is profit before taxes, amounted to SEK 749.6 (242.3) million. Operating profit includes unrealised changes in market value of SEK 17.6 (neg. 260.9) million.

Operating profit excluding the effect of unrealised market value changes was SEK 732.0 (502.9) million. Profit after tax amounted to SEK 745.8 (424.8) million.

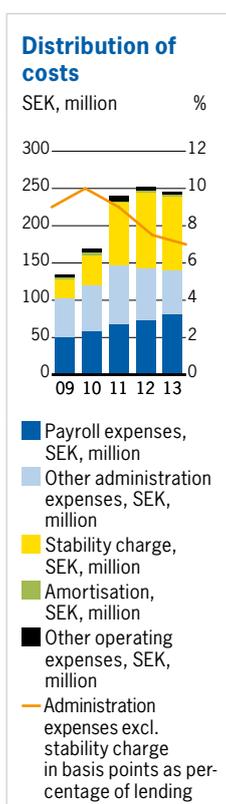
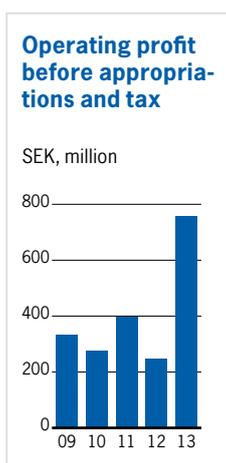
Total operating income rose by 100 percent to SEK 1,003.9 (502.3) million. Operating income includes net interest revenues, commission expenses, net result of financial transactions and other operating income.

Net interest income increased to SEK 968.9 (771.5) million. The increase is primarily an effect of higher loan margins, introduced to strengthen the capital basis via income statement, having an effect on a larger portion of the lending with capital tied up.

The net result of financial transactions amounted to SEK 38.7 (neg. 267.1) million. The difference compared with the preceding year is primarily attributable to unrealised market value changes, which amounted to SEK 17.6 (neg. 260.9) million. In 2012, the increase in the margin between borrowing and lending resulted in negative changes in market value in the lending portfolio. Since the margin was stable during 2013, no significant changes in market value have been recorded. See also Note 5.

In connection with sales of financial instruments, Kommuninvest charged SEK 1.0 (24.4) million in losses from other comprehensive income against profit/loss for the period. The profit from buybacks of Kommuninvest's bonds amounted to SEK 13.3 (24.1) million.

Expenses amounted to SEK 254.3 (260.0) million, including the stability fee of SEK 99.0 (101.3) million. The decrease in the stability fee, which is calculated based on the balance sheet total, is an effect of total borrowing having decreased in spite of increased lending. The stability fee accounted for 40 (40) percent of Kommuninvest's total costs.



Excluding the stability fee, expenses amounted to SEK 155.3 (158.7) million, of which personnel expenses accounted for SEK 82.3 (74.5) million and other expenses for SEK 73.0 (84.2) million. The increase in personnel expenses is attributable to the workforce having grown. The reduction in other expenses is primarily an effect of certain rating expenses now being charged to net interest income.

## Credit losses

Credit losses totalled SEK 0.0 (0.0) million.

## Tax

The tax expense for the year recognised in the income statement amounted to SEK 3.8 (income 182.5) million, consisting of a current tax expense of SEK 0.0 (0.0) million, deferred tax attributable to temporary differences amounting to an expense of SEK 3.9 (-56.3 income) million, deferred tax attributable to untaxed reserves of SEK 0.0 (-53.7) million, and tax for the preceding year of SEK 0.0 (-72.6) million. The reason for the current tax expense being zero is that the Society distributes surpluses, which are deductible, with the result that the taxable income is zero. The positive tax expense reported in 2012 and pertaining to the previous year was attributable to the fact that it was not clear whether the distribution of the surplus was deductible or not when at the time of publication of the 2011 Annual Report. At the time at which the tax returns were filed, however, it had been established that the distribution of the surplus was deductible, and consequently the Society made a deduction for this in its tax returns. This means that the tax on the distribution of the surplus for 2012 recognised in the accounts for 2011, SEK 72.6 million, is recognized as a tax asset for the 2012 financial year.

# Equity and financial position

At the end of 2013, equity in Kommuninvest amounted to SEK 2,447.6 (1,745.3) million.

The change in equity in Kommuninvest in 2013 was attributable to comprehensive income for the year of SEK 740.1 (535.5) million, an increase in participation capital by SEK 12.7 (29.9) million and a distribution of surplus to members of SEK 778.5 (276.0) million.

## Distribution of surplus

In accordance with the owners' directive from the Kommuninvest Cooperative Society, capital is being built up within Kommuninvest through profit accumulation. To make the company's results visible for the ultimate owners, that is, the members of the Society, the Society began applying distribution of surpluses as of the 2011 financial year.

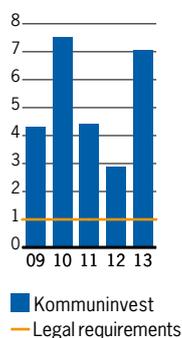
Surpluses are distributed through group contributions from Kommuninvest i Sverige AB to the Society, which, following deductions to cover the Society's costs are further distributed to the members of the Society as refunds based on business volumes and interest on capital contributions. The Annual General Meeting of the Society determines whether or not it is possible to distribute surpluses.

The distribution of surpluses is not associated with any conditions for members, nor with any repayment liability or liability to pay new capital contributions.

The 2013 Annual General Meeting of the Society approved the payment of SEK 778.5 (276.0) in surplus distribution.

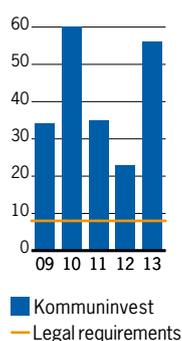
## Capital adequacy quota

Capital basis in relation to capital requirement



## Capital adequacy ratio

Capital basis in relation to risk-weighted assets, %



## Reinforcement of participation capital

The Annual General Meeting of the Society also determines whether members are to pay new capital contributions. Capital contributed paid to the Society may be used to strengthen the capital base in Kommuninvest i Sverige AB. The 2013 Annual General Meeting of the Society resolved that SEK 768.0 (276.0) million in new capital contributions be paid in. All members chose to participate.

## Distribution of surplus in 2014

Pending a decision by the 2014 Annual General Meeting of the Society, the Society will also apply refunds and interest on contributions for the distribution of surpluses for the 2013 financial year. For this purpose, Kommuninvest i Sverige AB has in the annual accounts for 2013 made a provision for a group contribution of SEK 741.1 (717.7) million, equivalent to the taxable earnings before group contributions. If a decision on the payment of new capital contributions is made, the Board of Directors of the Society judges it likely that all members will participate.

This entails a certain delay before the profits of Kommuninvest i Sverige AB for 2013 appear in the capital base. Payments of surplus distributions, payments of capital contributions to the Society and of possible capital reinforcement to the company are expected to take place within three months of a decision by the Annual General Meeting of the Society. The estimated but not yet

approved capital injection relating to the results for 2013 amounts to SEK 696.5 (728.0) million, consisting of group contributions of SEK 741.1 (717.7) million and the result in the Kommuninvest Cooperative Society.

#### **Derivatives**

Derivative contracts are used as risk management instruments to address market risks in operations. Derivatives with positive and negative market value amounted to SEK 6.2 (11.1) billion and SEK 13.2 (17.5) billion, respectively.

#### **Subordinated liabilities**

Subordinated liabilities consist of a 30-year debenture loan from the members of the Kommuninvest Cooperative Society. The loan amounts to SEK 1,000.1 (1,000.3) million.

#### **Capital adequacy**

The capital adequacy quota amounted to 7.05 (2.89). The statutory minimum level is 1.0. The capital adequacy ratio amounted to 56.4 (23.1) percent. The statutory minimum level is 8.0 percent.

Kommuninvest has established an internal capital adequacy quota which includes additional scope for risk as a buffer for risks not accounted for in Pillars 1 and 2. The quota is not permitted to fall below this level without the approval of the Board of Directors. For more information on capital adequacy, see Note 33.

# Organisation and employees

The requirements imposed on Kommuninvest as an organisation are increasing in pace with the rising volumes in its operations and the introduction of new regulations for the financial sector. To provide the conditions for the fulfilment of its assignment, the organisation was extended by five new employees in 2013 to a total of 70 (65) employees. The average number of employees during the year was 66 (62).

Kommuninvest is a highly specialised finance organisation that operates both in the Swedish local government sector and in global financial markets. This imposes particular demands on employees' competence, values and corporate culture.

Kommuninvest's success rests on its committed employees, good leadership and values that are fully integrated into its day-to-day operations. Being an attractive employer, with a strong employer brand, is important. This is followed up through an employee satisfaction index and other measures.

The employees of Kommuninvest are expected to assume an independent responsibility for their own development, as well as for their part of the operations. All employees are to have an annual dialogue with their managers to set individual targets and to formulate a development plan in accordance with Kommuninvest's objectives and competence needs. The dialogue is followed up after six months to ensure that the employee has progressed with his/her development. With the purpose of increasing employees' knowledge and competence, both employees and managers are offered different forms of tailored development and training. In addition to compulsory training programmes required for everyone within the company, Kommuninvest also offers shorter or longer specialist and leadership courses for a number of employees.

Most of Kommuninvest's employees, 95 (95) percent, have a university education. At the end of the year, the average age was 43 (42), with a range between 23 (21) and 65 (63) years. Absence due to illness for the year was 1.9 percent (1.5). The increase in the number of employees over the year can largely be attributed to the changes in regulations that have been introduced and that will be introduced in the financial sector.

For principles and processes for remuneration and benefits to the management, see page 35 and Note 7.

## Code of conduct

Kommuninvest is an organisation that is guided by established values. Kommuninvest's Code of Conduct provides guidance on how employees should act in day-to-day operations in accordance with Kommuninvest's core values, completeness, participation, clarity and quality.

The Code of conduct summarises what Kommuninvest's employees and stakeholders can expect of Kommuninvest. It is a responsibility and requirement of all employees that they adhere to the code, current legislation, regulations and other policies that guide operations. Kommuninvest's managers are required to engender an ethical climate in line with the code and to encourage adherence to the code.

Employee statistics	2013	2012	2011
Total number of employees	70	65	59
of whom women	28	29	24
of whom, men	42	36	35
Staff turnover, %	4.4	14.5	5.4
Sick leave, %	1.9	1.5	1.2
Average age, years	43	42	42

# Sustainability and social responsibility

Kommuninvest's vision explains that the operations shall finance the development of the local and regional sectors, as well as investments in a sound and sustainable society. Work in the area of sustainability builds on three cornerstones: building of knowledge, assessment work and environmental consideration.

## Building of knowledge

The Swedish local government sector faces a number of challenges in the future. An ageing population, strong urbanisation trend and a segregated housing market, combined with large-scale investment needs and changed regulations create a need for research able to generate new, deepened knowledge of the local government sector's situation and opportunities. Kommuninvest supports, in various ways, research originating in questions concerning the local government sector's financial conditions and challenges.

Kommuninvest is a service-providing organisation that is highly dependent on competent and motivated employees with specialist skills. Employee skills are to be developed at the pace and in the manner required to meet the company's future challenges and needs. Beyond the ambition that employees develop in their positions, it is also important that they be afforded the opportunity to maintain their health and to achieve a healthy balance between their professional and private lives.

The Kommuninvest brand shall be exposed in such a way that it is strengthened and perceived by the external community as stable, efficient and knowledgeable. Part of this process involves the concept "Kommuninvest in society", aimed at both strengthening Kommuninvest's brand in general terms and the employer brand in particular. The concept has a broad focus and is embodied in various activities, including local interaction. The purpose of local interaction is to achieve a mutual exchange of values with organisations that strengthen the community and social values. The objective is for interaction to strengthen the company's recruitment opportunities, clarify the company's presence in society, and enhance employees' perception of the company as an attractive workplace.

## Assessment work

The company has an organisation and culture pervaded by equality and diversity. Significance is attached to attracting, retaining and developing skilled employees, regardless of gender, ethnic background, religion or faith, age, disability, sexual orientation or transgender identity.

Assessment work is regulated by a number of governance documents, including:

- The company's personnel policy, which outlines the organisation's view on diversity, as well as its development of skills to meet future demands.
- The ethics policy, which underscores the importance of being a learning organisation.
- The procurement policy, which regulates environmental, ethical and social requirements.
- The Code of Conduct, which acts as an internal guide in the areas of workplace environment, diversity and discrimination, corruption and bribery, as well as external relations and the environment.

## Environmental consideration

The company's ambition is to contribute to sustainable social development, including through its own environmental advocacy.

The point of departure for environmental efforts is the United Nations Environment Program Finance Initiative. Among other things, efforts on sustainable development and the environment are based on:

- The company adhering to relevant statutory environmental regulations.
- The company nurtures the commitment and awareness of its employees on the issue of the environment and trains them in natural environmental thinking.
- The company conducts an internal environmental process with the purpose of continuously reducing its operations' burden on the environment by, among other things:
  - Reducing emissions of greenhouse gases from energy consumption and proprietary transports,
  - Taking environmental aspects into consideration in purchasing and choosing suppliers,
  - Reducing the amount of waste and encouraging systems for recovery and recycling.

# Other

## Rating

Since April 2002, Kommuninvest has had the highest credit rating Aaa with Moody's, and it has held the highest credit rating AAA with Standard & Poor's since 2006. During 2013, Moody's and Standard & Poor's confirmed Kommuninvest's Aaa/AAA rating, with stable prospects.

## Fulfilment of targets

Concurrent with the adoption of a common vision and business concept for the Society and the Company, the Company has adopted new strategic targets for the operations. The strategy focuses on three areas – Customers, Sustainability and Financing. Follow-up against key performance indicators will be made as of 2014.

Follow-up against the strategic targets for Growth, Stability and Efficiency, which have applied to the operations during 2013, is presented below.

Target for Growth: by the end of 2017, lending corresponds to 70 percent of the local government sector's external borrowing. At the end of the year, the share was 44 (46) percent.

Target for Stability: by the end of 2017, the capital base as a percentage of total assets is at least 1.5 percent. At the end of the year, the share was 0.91 (0.47) percent.

Target for Efficiency: by the end of 2017, the administration costs for the business is at most 0.08 percent of the lending volume. In 2013, administration costs for the business, excluding the stability fee, amounted to 0.07 (0.08) percent.

## Five-year review

See pages 76–77.

## Member responsibilities

In 2011, Kommuninvest i Sverige AB and the Kommuninvest Cooperative Society developed two clarifying agreements, which, in addition to the fundamental joint and several guarantee undertaking, clarify the members' responsibilities. Effective from the 2011 financial year, the distribution of responsibilities is communicated to each member in a statement of undertaking.

## Risks and uncertainty factors

In its business, Kommuninvest encounters a number of risks and uncertainty factors which may have an adverse impact on the company's profit, financial position, future prospects or opportunities to attain set targets. The general development on the capital markets, including interest rate development and the liquidity situation, along with the willingness to invest on various markets, may affect the competitive situation and Kommuninvest. If Kommuninvest is unable to recruit and retain qualified employees, this may restrict Kommuninvest's competitiveness and opportunities for development.

## New regulations

As a consequence of the financial crisis of 2008/09, which demonstrated shortcomings in regulations and the supervision of those involved in the finance market, a large number of initiatives have been undertaken to safeguard long-term global financial stability.

In September 2009, a political agreement was reached regarding measures to strengthen the international regulations on the operations of credit institutes. In December 2010, the Basel Committee presented a new set of regulations, Basel III. Subsequently in 2011, the European Commission presented a proposal as to how Basel III should be introduced in the EU, as well as a number of other changes. The European Commission's proposal consisted primarily of a new directive (CRD IV) and a new ordinance (CRR). These two new sets of regulations were adopted by the European Parliament and the Council of the European Union on 26 June 2013 and took effect on 1 January 2014.

The new regulations entail credit institutes within the EU being required to increase the quality and size of their capital bases. In addition to the capital base requirement for risk-weighted assets, demands on capital buffers (the capital conservation buffer, the countercyclical capital buffer, capital buffers for systemically important institutions and the systemic risk buffer). Member states may reach their own decisions regarding some of these capital buffers

and they also have the opportunity to phase in the changes gradually by 2019. By means of delegated acts, the European Commission may also introduce stricter supervision requirements for one year to counteract risks that could arise due to market trends within and outside the EU and that could affect all member states.

The liquidity coverage ratio requirement entails companies having sufficient liquid assets to be able to cope with real and simulated outward cash flows over a 30-day period of stress. In Sweden, a liquidity coverage ratio requirement has already been introduced as of 1 January 2013. Equivalent regulation will be introduced in the EU as of 1 January 2015. Until then, the Swedish regulations apply.

As a complement to the liquidity coverage ratio requirement above, a long-term, structural liquidity measure is also being introduced – the net stable funding ratio (NSFR). The purpose of this long-term liquidity measure is for the credit institutes to fund their non-current assets with long-term liabilities to a greater extent. The ambition is for better matching of maturities to contribute to a more robust financial system. It has been proposed that the measure be introduced as of 1 January 2018. Within the EU reporting will commence as of 1 January 2014.

In addition, capital requirements are being introduced for the counterparties with whom derivative contracts are entered. The capital requirement applies to any future change in the creditworthiness of the derivative counterparties. This credit valuation adjustment risk is to be calculated for all OTC derivatives, with the exception of credit derivatives used for credit protection.

Alongside the risk-based capital requirements, a non-risk-weighted capital requirement measure is planned – the Leverage Ratio. The Leverage Ratio measure makes no distinction between the risk weights of different assets but is based solely on the size of the Tier 1 capital in relation to the total exposure in assets and commitments. It is proposed that a compulsory Leverage Ratio be introduced from 1 January 2018. The European Commission is to submit a report

to the European Parliament and the Council of the European Union by 31 October 2016 proposing, among other things, the level of the Leverage Ratio based on different business models reflecting the credit institutes' risk profiles.

Finally, the regulations also impose increased demands on corporate governance and risk management. Increased opportunities for sanctions are granted to the appropriate supervisory authority, with the ceiling for the sanction fee being raised and it also being possible to charge the fee to physical persons. Demands are also made that systems and protection be introduced for those who raise the alarm regarding transgressions at their workplaces – whistle-blowers.

Kommuninvest's capital assessment shows that Kommuninvest meets most requirements in accordance with both current and future regulations, see the Risk and capital management section on pages 20–33. Uncertainty prevails regarding the introduction of a Leverage Ratio requirement in the EU from 2018, see pages 32–33.

#### **Prospects for 2014**

The reformed regulatory system within the financial sector, with increasing demands in terms of capital and liquidity, is expected to continue to result in increased price levels for bank loans to Swedish local government authorities. The capital market can be expected to continue to provide an alternative source of financing for certain local government authorities, while Kommuninvest's higher lending margins may also affect demand. However, it is expected that Kommuninvest's lending growth can remain stable in 2014. For Kommuninvest, one challenge will be achieving the future requirement of a minimum gross equity/assets ratio by the close of 2017, for which the final level will be announced in 2016. Investors' interest in investing in securities issued by low-risk institutions means that interest in Kommuninvest among investors is expected to be able to continue to increase.

# Risk and capital management

No material changes took place in 2013 with regard to Kommuninvest's targets, principles or objectives in managing risk. Nor have Kommuninvest's exposures to different types of risk changed significantly.

On 31 December 2013, Kommuninvest's risk-weighted assets (RWA), calculated in accordance with Basel II, amounted to SEK 4,454.8 (5,685.2) million. Kommuninvest is well-capitalised to meet the risks inherent in its operations. Core Tier 1 capital amounted to SEK 1,674.2 (880.3) million, entailing a core Tier 1 capital ratio of 37.6 (15.5) percent. Tier 1 capital was also SEK 1,674.2 (880.3) million and the Tier 1 capital ratio was 37.6 (15.5) percent. The total capital base was SEK 2,511.3 (1,320.4) million, resulting in a total capital adequacy ratio of 56.4 (23.1) percent (without taking into account transitional rules between Basel I to Basel II). The principal priority of capital planning is ensuring that Kommuninvest meets the new Leverage Ratio requirement planned to be introduced within the EU from 2018. Transitional regulations do not significantly affect Kommuninvest's capital adequacy ratio and other capital ratios.

## INTRODUCTION

In the wake of the 2008/09 financial crisis, authorities around the world have undertaken a number of measures to safeguard stability and transparency in the financial system. This is achieved not only by means of extensive reporting requirements but also through new legal requirements in terms of liquidity, capital basis, and the management of OTC derivatives and operational risks (see fact box).

In addition to the financial crisis having resulted in a number of new official requirements, certain changes have taken place in the credit market itself. Among actors in the market, a greater awareness has been established of differences between various credit markets and of the credit and liquidity risks associated with different issuers and the securities they issue. This has led to greater differentiation in pricing and increased volatility in individual securities.

## RISK STRATEGY

*Kommuninvest plays a central role in the financing Swedish municipalities and county councils' investments. Kommuninvest's risk management is designed for operations to be conducted with as low a level of risk taking as possible. The operations are subject to the Local Government Act's prohibition of speculative activities.*

Kommuninvest's principal assignment is to safeguard stable and efficient borrowing for the members of the Kommuninvest Cooperative Society and other local government actors entitled to borrow from Kommuninvest. This is achieved by Kommuninvest borrowing funds in the international market and, as needs arise among customers, lending these funds to them. As part of the risk management process, Kommuninvest maintains a longer duration in funding than in lending. This means that a certain amount of liquidity, while awaiting lending, is invested in a liquidity reserve consisting of high-quality interest-bearing securities. The business model means that Kommuninvest is exposed to risks associated with the financial market.

Risk management is a key factor in Kommuninvest's ability to meet a) its assignment with regard to efficient and stable financing for its customers and b) the owners' requirement that the level of risk taking in the operations be as low as possible.

Kommuninvest conducts no deposit or active trading operations.

Risk management primarily entails Kommuninvest applying different techniques to reduce gross risks to net risks. Kommuninvest works continuously to reduce both gross and net risks. The methods are summarised on page 22.

For funding to be stable and efficient, Kommuninvest needs to be active in several different funding markets. To support Kommuninvest's funding, all members of Kommuninvest Cooperative Society provide

## New legal requirements

### Liquidity

Effective from 1 January 2013, Swedish credit institutes must maintain a liquidity coverage ratio (LCR) in relevant currencies of at least one (1). The LCR serves to ensure that the institutes are able to meet the next 30 days' net liquidity outflows even under stressed circumstances.

### Capital base

On 26 June 2013, regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union (the Council) was issued regarding supervisory requirements for credit institutes and securities companies (CRR). This regulation establishes the liquidity and capital adequacy that will gradually take effect over the next few years, replacing current Swedish regulations on capital adequacy and liquidity. The regulation imposes stringent requirements on institutes within the European Union in terms of reporting and the capital and liquidity that institutes are to maintain to cover potential risks.

### Management of OTC derivatives

During 2014, new regulations will be introduced regarding the handling of OTC derivatives in

accordance with regulation (EU) No. 648/2012 of the European Parliament and of the Council regarding OTC derivatives, central counterparties and transaction registers (EMIR, European Markets Infrastructure Regulation). The regulation serves to reduce dependency between different actors and to thereby increase stability in the market for OTC derivatives, which, during the financial crisis, turned out to represent a major risk for the financial system as a whole.

### Operational risks

Kommuninvest is subject to supervision by Finansinspektionen (Swedish Financial Supervisory Authority) and, as a credit market company, is required to adhere to Finansinspektionen's regulations. During 2013, Finansinspektionen issued proposals for three new regulations to be introduced in 2014:

- Regulations and general recommendations on governance, risk management and control in credit institutes,
- Regulations and general recommendations on IT systems, data security and deposit systems,
- Regulations and general recommendations on management of operational risks.

an explicit guarantee, in the form of a joint and several guarantee, for the commitments entered into by Kommuninvest. The guarantee is considered very strong since neither the municipalities nor the county councils can be declared bankrupt or cease to exist other than by merging; because the central government bears the ultimate responsibility for local government sector operations; and because municipalities and county councils have the right to levy their own taxes.

Borrowing in different markets involves Kommuninvest being exposed to different types of risks, for example currency, interest rate and other price risks. Kommuninvest hedges this exposure to market risks to as great an extent as possible by using derivative contracts. A limited exposure is permit-

ted with the purpose of making the operations more efficient.

When lending to members, investing in securities and entering derivative contracts, risk taking shall be kept to a minimum according to the owners' basic agreement for the operations. All such activity entails a risk that the counterparty will not be able to fulfil its obligations. Consequently, Kommuninvest only undertakes transactions with counterparties with a high level of credit quality. The counterparties with whom Kommuninvest has undertaken contracts are followed up continuously with regard to their capacity to meet their obligations towards Kommuninvest.

The owners' view of Kommuninvest's risk profile and permitted risk taking is estab-

## Risk management at Kommuninvest: transforming gross risks into net risks

GROSS EXPOSURE	RISK MANAGEMENT	NET EXPOSURE
<p><b>Credit risk</b></p> <p><i>Risk in credit provision</i></p> <p>Credit is only provided to members and their majority owned companies. Loans may also be made to municipal foundations and associations.</p>	<p>The company follows up members according to its own model for risk review and local government analysis. Each year, the company's Board of Directors sets a group limit for all members. The limit entails a maximum level on the Group's net consolidated debt. Lending to municipal companies, foundations or associations must be guaranteed by one or more members.</p>	<p>Swedish municipalities and county councils have the right to levy taxes and cannot be declared bankrupt. The central government also bears the ultimate responsibility for the local government sector's operations, which have a 0-percent risk weight according to applicable capital adequacy rules. The risk in credit provision is assessed as very low.</p>
<p><i>Issuer risk</i></p> <p>Investments are made in securities issued primarily by governments, government-guaranteed issuers and covered bonds.</p>	<p>Exposure to a single issuer may not exceed a risk weight of 20 percent. Maturities may not exceed 5.5 years. All outstanding issuers are followed up on an annual basis and when necessary. Each year, the company's Board of Directors sets a total limit for each issuer.</p>	<p>Kommuninvest imposes stringent requirements on issuers, with the effect that the greater share of the exposures involve issuers with very good creditworthiness. The issuer risk is considered to be limited.</p>
<p><i>Counterparty risk</i></p> <p>Counterparty risk arises when derivatives contracts are entered with counterparties with the purpose of reducing or eliminating market risks. Depending on changes in market prices, a derivative contract of this kind can entail either a receivable or a liability in relation to the counterparty.</p>	<p>Exposure to a single counterparty may not exceed a risk weight of 20 percent. Derivative exposures are to be covered by ISDA agreements and, to the greatest extent possible, by CSA agreements. The scope of business is limited based on a number of criteria aimed at mitigating the risk that the cost of transferring the contract to a new counterparty will exceed the collateral secured. All outstanding counterparties are followed up on an annual basis and when necessary. Each year, the company's Board of Directors sets a total limit for each counterparty.</p>	<p>CSA agreements entail Kommuninvest receiving collateral for receivables exceeding the exposure determined in the agreement. The collateral that Kommuninvest receives entails the counterparty risk being limited.</p>
<p><b>Market risk</b></p> <p>Kommuninvest's operations and business model give rise to market risks in the form of interest rate risk, currency risk, credit market risk, the credit spread risk, basis swap risk, other price risks and settlement risk.</p>	<p>Market risk is measured and followed up continuously. Most interest rate and currency risks and other price risks are exchanged for counterparty risks through derivative contracts. Credit market risk is limited in part through good matching of maturities between liabilities and assets and, in part, through both assets and liabilities being of a very high credit quality with historically small fluctuations in underlying prices.</p>	<p>The company is exposed to changes in credit swaps on assets and/or liabilities, as well as changes in basis swaps. Through good governance and control, this risk is kept to a controlled and acceptable level. The exposure to interest rate and currency risk is very limited.</p>
<p><b>Liquidity risk</b></p> <p>Liquidity risk refers to the risk that Kommuninvest will not be able to meet its payment obligations on maturity without the cost of obtaining payment funds increasing considerably.</p>	<p>The structural liquidity situation is to be highly stable with somewhat longer maturities on liabilities than on assets. Liquidity risks are limited by means of the company being a full member of the Riksbank's RIX payment system. Through RIX, Kommuninvest can, for example, borrow funds against collateral. To be able to meet short-term lending or funding needs, a readily available liquidity reserve is maintained.</p>	<p>The liquidity risks in the company are very limited.</p>
<p><b>Operational risks</b></p> <p>Operational risks exist in all business operations and can never be avoided. The gross risk is considerable in a financial business that manages large amounts and long-term transactions.</p>	<p>Risks in the operations are identified continuously over the year. The method includes planning measures to manage the risks that are identified. Procedures and systems support are in place enable reporting and follow-up of undesired events.</p>	<p>Through good governance and control, operational risk is kept to a controlled and acceptable level.</p>

lished annually in the form of an owner directive. In line with the owner directive, Kommuninvest's operations shall be characterised by a restrictive risk appetite that only permits limited risks.

For the risks inherent in the business model, Kommuninvest is from 2014, required to determine a risk appetite that serves to keep risks within an acceptable level, thereby safeguarding the fulfilment of Kommuninvest's principal assignment. The risk appetite is defined as the level of risk and the changes in earnings that the Board of Directors is, within the framework of the assignment, willing to accept over the next year. The risk appetite is to be set regularly, but at least once a year. The level of risk appetite is determined by a) company-specific factors such as financial position and growth targets and b) by expected market conditions over the stated period.

## RISKS AND RISK MANAGEMENT

*Kommuninvest is exposed to risks (gross risks) associated with financial operations. These are managed and mitigated by means of efficient risk management. The risks that remain (net risks) are limited and are to be of a long-term sustainable level in relation to Kommuninvest's capacity to manage losses. Below follows an overview of the types of risks that Kommuninvest regularly manages and assesses.*

### Credit risk

Credit risk refers to the risk of a loss being incurred as a consequence of a counterparty's incapacity to meet its obligations on time. Credit risk is divided into risk in credit provision, issuer risk and counterparty risk.

On 31 December 2013, 77 percent (74) of Kommuninvest's credit risk exposure was towards Swedish municipalities and county councils in the form of loans; 23 percent (26) of the exposure was towards states and other issuers of securities in the form of investments; and 0 percent (0) of the exposure was towards derivatives counterparties. The total

credit risk exposure, gross and net, is detailed in Note 2.

### Risk in credit provision

Kommuninvest may only provide credit to members and approved companies over whom one or more members have a decisive influence through majority ownership. Approved companies, foundations and associations are to be covered by a guarantee from one or more members. Members and approved companies are followed up continuously and assessed from a holistic perspective at the group level. Risk in credit provision refers to the risk that a credit counterparty is unable to meet its obligations.

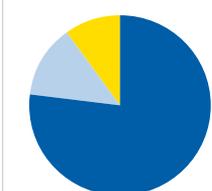
The municipalities/county councils and the companies they own are analysed when processing membership applications and on an ongoing basis during their membership. To obtain an overall view of a member's financial situation, a quantitative risk value analysis is performed. The analysis includes the income statement, balance sheet, demographics and risks in municipal operations. Once a quantitative analysis has been made, it is, if necessary, followed by a qualitative analysis. This scrutinises and analyses the local government corporation and its financial conditions in more detail. Lending can be limited on the basis of the combined analysis.

Since all lending is to, or guaranteed by, municipalities and county councils, which, from a capital adequacy perspective, have a risk weight of 0 percent, the risks in Kommuninvest's lending activities are low. Kommuninvest has never suffered a credit loss in its lending.

In 2013, the ten largest borrowers accounted for 22 (23) percent of lending, while the combined population of these borrowers was equivalent to 12 (13) percent of the total population of the local government authorities that are members of the Kommuninvest Cooperative Society. These borrowers are characterised by being relatively large and growing municipalities, with significant operations in a company form.

### Credit risk exposure

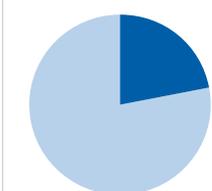
31 Dec 2013



■ Lending, 0 percent risk weight, 77 (74) %  
 ■ Liquidity reserve investments, 0 percent risk weight, 13 (12) %  
 ■ Liquidity reserve investments, 10 and 20 percent risk weight, 10 (14) %  
 ■ Derivatives, 0 (0) %

### Credit concentration, distribution of lending

31 Dec 2013



■ 10 largest borrowers 22 (23) %  
 ■ Others 78 (77) %

**Issuer risk**

Kommuninvest's liquidity reserve shall consist of securities issued by governments and financial institutions with a maximum risk weight of 20 percent. Issuer risk refers to the risk that the issuer of a security fails to repay its full undertaking on maturity.

Kommuninvest's Board of Directors sets the maximum gross exposure towards individual issuers, as well as what maturities are permitted. The maturity of securities in the liquidity reserve shall not exceed the period during which the financial capacity of the counterparty can be assessed. Investments may only be made in counterparties with a credit rating of at least A2 from Moody's and/or A from Standard & Poor's. The maximum maturity for investments is 5.5 years.

The Kingdom of Sweden (the Swedish state) is approved as counterparty without further decisions being required. For counterparties outside Sweden, a per-country based total limit is applied.

**Counterparty risk**

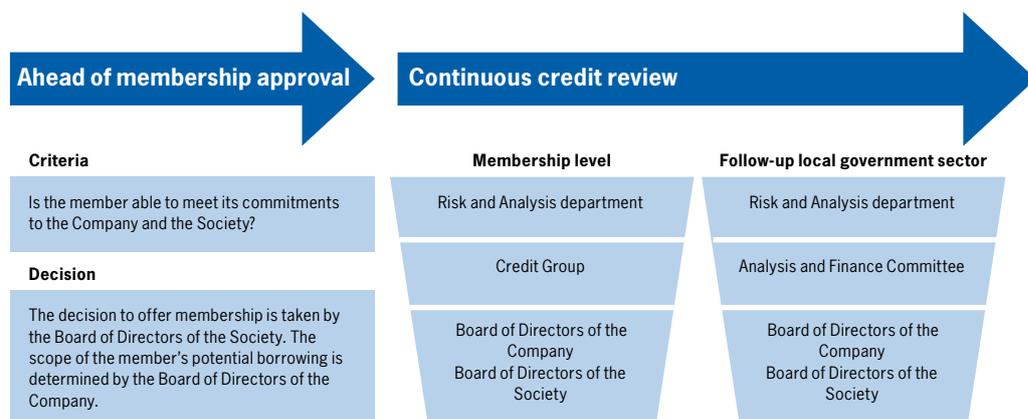
To limit the market risks that arise when contractual borrowing and lending terms do not match, Kommuninvest uses risk management

instruments in the form of derivative contracts. This gives rise to counterparty risk, that is, the risk that a counterparty to a financial agreement fails to meet its commitments in accordance with the agreement.

Kommuninvest limits counterparty risks by a) requiring agreements to be set out in accordance with the sector standard (ISDA agreements) and b) by signing collateral agreements with counterparties (CSA agreements), see below.

Risk taking is also limited by derivative agreements being required to include the right for the company to transfer derivative agreements to a new counterparty in the event that a counterparty's credit rate falls below Baa1 (Moody's) or BBB+ (Standard & Poor's). The counterparty's credit rating is also decisive in what Kommuninvest is prepared to accept when it comes to the contracts' maturity period, structure and permitted risk exposure. In cases where the credit rating is lower than Aa3/AA- and where there is no CSA agreement with that counterparty, Kommuninvest is only permitted to enter interest and currency swap agreements.

**Risk management – Lending**



### Membership of ISDA

Kommuninvest is a member of the International Swaps and Derivatives Association (ISDA), and before entering derivative contracts it stipulates the right to early redemption of such contracts if the counterparty's credit rating deteriorates below a pre-determined level.

The risk exposure comprises the cost of entering an equivalent contract in the market. Such cost is calculated for each contract and is considered a risk to the contract counterparty. ISDA agreements are to be established with all derivatives counterparties. Kommuninvest is also a member of the International Capital Markets Association (ICMA), which is responsible for, among other things, the established market standard for repo agreements.

### CSA agreements

To limit the risks and exposure arising because of value changes to derivatives, Kommuninvest enters credit support annexes (CSAs) with derivatives counterparties, in addition to ISDA agreements. These give Kommuninvest the right, under certain conditions, to require collateral but also an obligation to provide collateral under certain other conditions.

The determinants of when and how much extra collateral is to be pledged are whether the value change in derivative contracts entered exceeds the pre-determined contracted exposure or if the creditworthiness of any of the counterparties deteriorates. Kommuninvest accepts collateral only in the form of government securities, which have zero risk-weighting from a capital adequacy perspective. Collateral agreements are intended to mitigate the credit and counterparty risk associated with receivables.

### Counterparty exposure in 2013

Kommuninvest's exposures through derivative contracts are shown in Note 2. In terms

of nominal amounts, 32 (34) percent of derivative contracts are with counterparties with a minimum credit rating of Aa3/AA- from one of the recognised ratings institutions. On 31 December 2013 Kommuninvest had collateral from counterparties corresponding to SEK 1.1 (2.5) billion.

At the end of 2013, 95 (94) percent of counterparty exposures, based on nominal amounts, were covered by CSA agreements.

### Concentration risk

Concentration risk refers to a) major exposures to a customer or groups of customers that are mutually connected and b) major exposures to groups of counterparties, foundations and associations where the likelihood of default is associated with factors such as the type of sector, geographical area, etc.

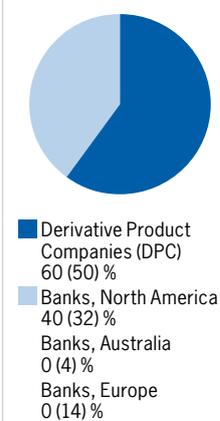
Kommuninvest's assignment is to provide credit only to the local government sector, including approved companies over whom one or more municipalities or county councils have a decisive influence through majority ownership. Lending to approved companies, foundations or associations are to be covered by a guarantee from one or more members. The nature of the operations entails concentrations in the provision of credit.

Exposures to issuers primarily entail governments and financial institutions with high creditworthiness from a selection of OECD countries approved by the Board of Directors. Exposures are subject to country-based limits. There are concentrations towards groups of issuers.

Exposures towards counterparties entail financial institutions from a selection of OECD countries approved by the Board of Directors. For counterparties in derivative contracts, the exposure is reduced through collateral agreements in which approved collateral consists of instruments issued by governments. There are concentrations towards groups of counterparties.

### Changes in derivative contracts, by counterparty group

31 Dec 2013



#### Events in 2013

Creditworthiness for counterparties and counterparty countries grew more differentiated in 2013. Consequently, the company's liquidity reserve has mainly been invested in countries and with counterparties with a superior credit rating, exceeding the AA level. Specific maturity limits are imposed for individual counterparties and countries to limit price risks.

The tendency in the market is towards increased use of CSA agreements whereby both parties pledge collateral. Over the year, several of the company's CSA agreements have been renegotiated in this direction.

Kommuninvest cooperates with its sister organisations in Denmark and Finland and exchanges information on counterparty and credit-related risks within the framework of what is permitted by confidentiality.

#### MARKET RISK

*Market risk is defined as the risk that the net value (combined value) of Kommuninvest's assets and liabilities will decrease due to changes in risk factors in the financial market. Kommuninvest's market risks are divided into interest risk, foreign exchange risk, credit market risk, other price risks and liquidation risk.*

#### Interest risk

Interest risk refers to the risk that a change in the interest situation will decrease the net value of Kommuninvest's assets and liabilities.

Interest risk arises as a consequence of the periods for which interest is fixed for assets and liabilities not being in agreement. For Kommuninvest's assignment to be conducted efficiently with regard to the conservative view on risk, risk is managed through portfolio matching. This means that small, temporary differences are permitted in the periods for which interest is fixed for assets and

liabilities. Interest risk appetite applies only to the currencies in which Kommuninvest has investments or lending.

According to the limit set by the Board of Directors, the risk (exposure) in the portfolio may never exceed SEK 10 million in a one (1) percentage point parallel shift in the yield curve. However, interest risk is permitted to correspond to an exposure of at most SEK 15 million over a period of at most three consecutive business days.

On 31 December 2013, the risk in the entire portfolio was SEK -4.7 (-2.7) million in a one (1) percentage point parallel shift. A negative exposure (negative value) entails a loss if interest rates rise and a profit if interest rates fall. A positive exposure (positive value) entails a positive effect on earnings if interest rates rise and a negative effect on earnings if interest rates fall.

#### Foreign exchange risk

Foreign exchange risk refers to the risk that a change in exchange rates will affect the net value (combined value) of Kommuninvest's assets and liabilities.

Foreign exchange risk arises if assets and liabilities denominated in a specific currency in the balance sheet are mismatched in terms of size. Kommuninvest hedges all known future flows by means of derivatives.

However, foreign exchange risk arises on an ongoing basis through the net interest income generated on returns on foreign currency investments. This risk is limited by continuously converting such returns into SEK.

Kommuninvest's currency exposure is detailed in Note 2. The exposure means that a 10-percent strengthening of the SEK would cause Kommuninvest's profit to decrease by SEK 0.4 (1.2) million.

### Credit market risk

Credit market risk refers to the risk that a change in a basis or credit market spread in the market would reduce the net value (combined value) of Kommuninvest's assets and liabilities.

Credit market risk arises primarily as a consequence of imbalances in maturities between assets and liabilities. The business model means that Kommuninvest is permitted to have longer maturities on liabilities than on the corresponding assets. Maturity risk as a consequence of an inverse imbalance, that is, maturities on assets being longer than on liabilities, shall not occur. The imbalances that arise in maturities between borrowing and lending shall, to the extent possible, taking other types of risks into account, be offset by maturities on investments.

Credit market risk can be further divided into credit spread risk on assets, credit spread risk on proprietary debt and basis swap risk. Credit spread risk on assets refers to the risk that a change in the counterparty's credit spread will reduce the value of the company's asset. Credit spread risk on proprietary debt refers to the risk that a change in the company's credit spread will increase the value of the company's liabilities. Basis swap risk refers to the risk that a change in the basis swap spread between two currencies will affect the market value of currency related derivatives contracts negatively.

Kommuninvest's credit market risk on 31 December 2013 entails that, on a parallel shift of one (1) basis point in the market's basis and credit market spreads, the net value of Kommuninvest's assets and liabilities would change by SEK -2.2 (+2.4) million.

### Other price risks

Other price risks refers to the risk that a change in the pricing situation of underlying assets, such as shares, share indexes or raw materials indexes, will affect the net value

(combined value) of Kommuninvest's assets and liabilities. Kommuninvest uses derivatives to hedge price risks with regard to underlying assets and indexes. This means that no other price risks arise.

### Liquidation risk

Liquidation risk refers to the risk that a counterparty to a transaction in interest-bearing instruments or foreign currency is unable to meet its obligations and that Kommuninvest incurs increased costs to enter a replacement transaction. Kommuninvest's process for managing counterparty risks (see paragraph above) also includes management of liquidation risks. Kommuninvest is to work proactively to avoid losses as a consequence of liquidation risks.

### LIQUIDITY RISK

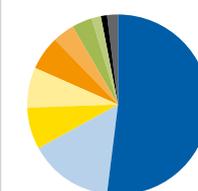
*Liquidity risk refers to the risk that it will not be possible to meet payment obligations on maturity without the cost of obtaining payment funds increasing considerably.*

Kommuninvest's liquidity risk management is pervaded by a highly restrictive attitude towards liquidity risk. Kommuninvest has diversified borrowing, with access to several different capital markets. This ensures that borrowing provides conditions to cover new lending, maturities and renewals even under worsening market conditions. The strategic funding programs are Kommuninvest's Swedish Benchmark Programme, its USD benchmark programme and ECP program as well as funding in the Japanese market. Kommuninvest maintains a continuous market presence in strategic funding programs.

Over the year, Kommuninvest has had good access to liquidity, in both long-term and short-term borrowing. Among other measures, Kommuninvest has carried out several issues within the framework of the Swedish Benchmark Programme as well as two major issues in its USD Benchmark Programme.

### Liquidity reserve distributed by country

31 Dec 2013



Sweden	52 (61) %
Germany	15 (14) %
Finland	8 (6) %
Netherlands	7 (6) %
Supranationals EU	6 (2) %
Denmark	4 (5) %
Australia	3 (3) %
Canada	2 (1) %
Belgium	1 (1) %
Others	2 (1) %

### Liquidity reserve distributed by risk weight

31 Dec 2013



0 percent risk weight	57 (45) %
10 percent risk weight	31 (43) %
20 percent risk weight	12 (12) %

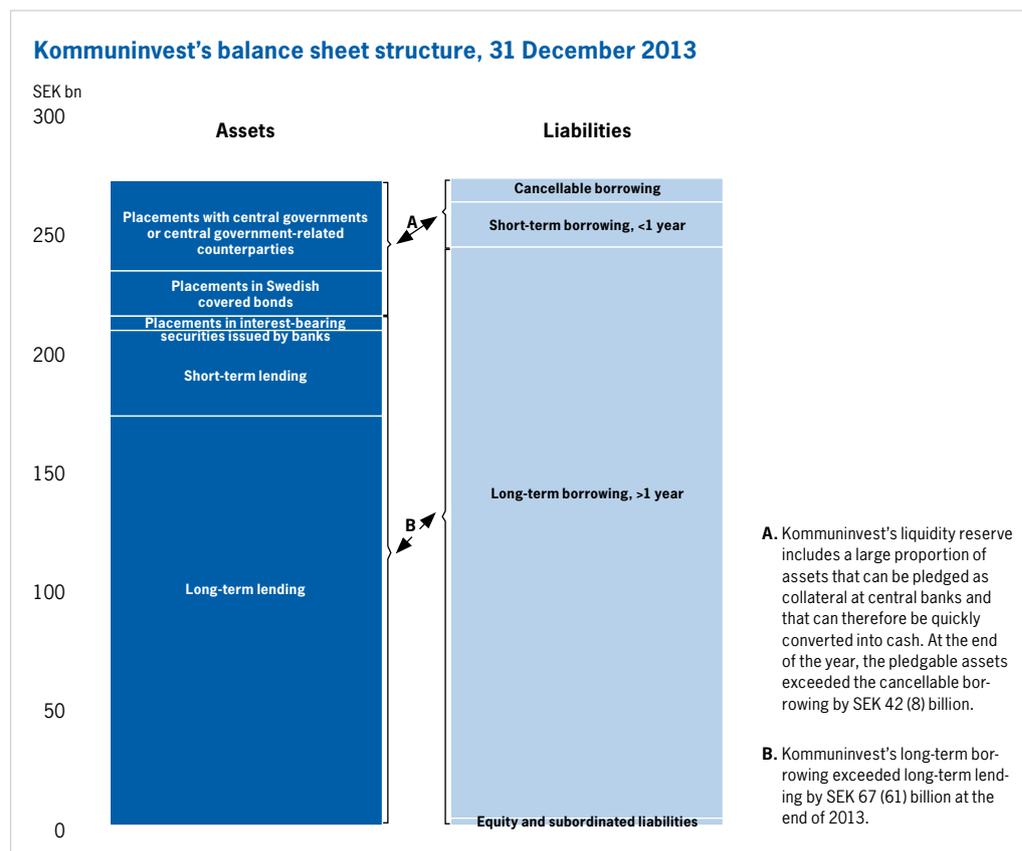
Kommuninvest's structural liquidity situation is stable with longer maturities on liabilities than on assets. Short-term liquidity risk is subject to limits to the scale of negative net outflows that Kommuninvest may have within certain time intervals. Short-term liquidity risk is further limited by Kommuninvest being a full member of the Riksbank's (Swedish central bank) RIX payment system, through which Kommuninvest can, among other things, raise loans against collateral.

In order to meet liquidity needs even during periods when financing opportunities on the capital markets are limited or too costly, the Board of Directors has decided to maintain liquidity reserve amounting to a nominal value that may not be less than 20 percent or more than 40 percent of the total lending volume. The liquidity reserve is

invested in highly liquid securities that largely qualify as collateral at central banks.

The favourable quality of Kommuninvest's liquidity reserve is reflected by the fact that the liquidity coverage ratio (LCR) exceeds by a good margin the statutory requirement of a quota of one (1), imposed since 1 January 2013. On 31 December 2013, Kommuninvest's LCR totalled 5.11 and 468.67 in EUR and 15.44 in USD.

Liquidity risks are monitored and analysed continuously to ensure that excessive liquidity outflows do not arise. Kommuninvest also reviews liquidity by continuously calculating a "survival period". This denotes the period during which Kommuninvest can manage without access to new financing. On 31 December 2013, the estimated period during which the company could survive,



maintaining normal operations but without access to new financing, was 9.7 (9.0) months.

During the year, Kommuninvest conducted stress tests on both the short and long-term liquidity to assess the size and composition of the liquidity reserve. The results also form the basis for any revisions of Kommuninvest's strategies, guidelines and positions.

Kommuninvest's liquidity exposure with regard to remaining durations on assets and liabilities is shown in Note 2. The cash flow analysis also illustrates Kommuninvest's liquidity situation.

### Events in 2013

As in previous years, Kommuninvest's liquidity situation has been very good. Despite stringent requirements on the quality of assets to qualify as LCR-approved, Kommuninvest has not needed to alter its liquidity strategy to meet the requirements.

During 2013, Kommuninvest has prepared for the new EU regulations with regard to liquidity that are to be introduced in 2014.

### OPERATIONAL RISKS

*Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events, including legal risks.*

Operational risks exist in all business operations and can never be avoided. The gross risk is considerable in a financial business that manages large amounts and long-term transactions. Through good governance and control, operational risk is kept to a controlled and acceptable level.

Risks are identified continuously over the year in connection with each major change in Kommuninvest's operations, as well as in connection with important events that affect Kommuninvest directly or that occur exter-

nally. A risk assessment is performed for each risk that is identified. The method also includes planning measures to manage the risks that are identified.

Procedures and systems support are in place to enable reporting and follow-up of undesired events.

Kommuninvest divides operational risks into the risk areas: process risk, personnel risk, IT and systems risk and external risk.

#### Process risk

This risk arises when internal processes and procedures are faulty or inadequate. Process risk is mitigated by means of internal instructions, process descriptions and steering documents with checkpoints that are quality assured on a regular basis.

#### Personnel risk

This risk arises as a consequence of shortcomings attributable to human error. Personnel risk is mitigated by it not being permitted for any individual to singlehandedly manage a transaction throughout the administration chain and by ensuring that person assigned to each post has the necessary competence and experience.

#### IT and systems risk

This risk arises as a consequence of faulty systems. IT and systems risk is mitigated by means of a clear strategy based on sector standards (Information Technology Infrastructure Library, ITIL), a well-functioning reserve environment and internal regulations.

#### External risk

This risk arises as a consequence of external events. External risk is mitigated by Compliance following up on adherence to regulations and providing advice on adjustments to new and amended regulations; agreements entered being correctly formulated, and operations including processes and procedures that, among other things, enable

Kommuninvest to prevent external crime and detect supplier errors at an early stage.

#### **REPUTATION RISK**

Reputation risk is the risk that income from potential and existing customers declines if they lose confidence in Kommuninvest due to negative publicity or rumours about Kommuninvest or the local government sector in general. Reputation risk is also the risk of increased borrowing costs if potential or existing investors lose confidence in Kommuninvest due to negative publicity or rumours about Kommuninvest or the local government sector in general.

Kommuninvest works preventively with media monitoring and has employees with in-depth knowledge in the area to pre-empt and counter possible rumours about Kommuninvest.

#### **BUSINESS RISK**

Business risk is the risk of reduced revenues or increased costs as a consequence of factors in the external business environment (including market conditions, customer behaviours and technological developments) having a negative impact on volumes and margins.

All departments within Kommuninvest work continuously with external monitoring in their respective fields. A process is also in place to conduct in-depth media monitoring each year ahead of strategy discussions.

#### **STRATEGIC RISK**

Strategic risk is the long-term risk of losses due to erroneous or misguided strategic choices and business decisions, incorrect implementation of decisions or inadequate sensitivity to changes in society, regulatory systems or the financial sector and/or local government sector.

Kommuninvest has an established proce-

dure for processing strategic targets set by the Board of Directors. The risk appetite for strategic risks is 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.

#### **RESIDUAL RISK**

Residual risk is the risk that established techniques for risk assessment and risk reduction applied by Kommuninvest prove to be less effective than expected.

Kommuninvest deliberately applies relatively simple methods and techniques for measuring risk, capital requirements and risk appetite to reduce the risk of error. Kommuninvest conducts both forward-looking and historical analyses of all risk types. The internal capital assessment report (ICA report) addresses negative scenarios to ensure that the impact on Kommuninvest is not greater than expected.

#### **RISK CONTROL**

To provide cost-efficient financing without exceeding Kommuninvest's risk appetite, risk management in operations is to be characterised by preventive measures that serve to prevent and/or limit both risks and their damaging effects.

Kommuninvest's Chief Risk Officer bears the overall responsibility for Kommuninvest's risk framework. Each department manager is responsible for the management and control of risks within his/her area of operations. Kommuninvest's personnel shall be continuously informed and trained so that they have relevant knowledge of Kommuninvest's risk framework.

Forward-looking and historical analyses are used to ensure that Kommuninvest identifies, assesses and measures risks correctly.

### **RISK ORGANISATION AND RESPONSIBILITY**

The Board of Directors sets risk policy and risk limits. The President is responsible for the limits not being exceeded and has delegated responsibility to the business functions within Kommuninvest, that is, the Funding and Treasury department and the Customer Group, to apply lower limits in their respective areas. Kommuninvest applies the principles of a first, second and third line of defence in its internal control.

The Risk and Analysis department, Kommuninvest's function for risk control, is responsible for continuously checking and implementing ongoing follow-up and analysis of financial risks and reports daily to the President and monthly to the Board of Directors.

Risk and Analysis has eight employees and is headed by the Risk and Analysis Manager, who reports to the President and is a member of the Executive Management Team. Beyond what has been mentioned above, the department is also responsible for following up that risks are reported correctly and in accordance with applicable external and internal regulation; regularly performing stress tests to ensure that Kommuninvest's business models are appropriate and secure; as well as leading and coordinating efforts related to operational risks.

The Credit Group functions as a preparatory body in the assessment of new counterparties, new financial instruments and other credit issues requiring decisions by the President. The company's Asset Liability Committee (ALCO) is responsible for preparing matters concerning market risk and liquidity that require a decision by the Board of Directors or the President. Representatives from the Risk and Analysis department act as secretaries to the above groups.

The diagram on page 24 illustrates Kommuninvest's risk management in relation to the credit risks in its lending operations.

### **CAPITAL MANAGEMENT**

Kommuninvest's capital planning is intended to ensure that the operations are fully capitalised to meet both the risks in the operations, as well as future regulatory requirements. In relation to the risks inherent in its operations, Kommuninvest is well capitalised.

The principal priority of capital planning is ensuring that Kommuninvest meets the new Leverage Ratio requirement planned to be introduced within the EU from 2018.

#### **Capital plan and internal capital assessment (ICA)**

A capital plan is developed each year at Kommuninvest in connection with the budget process or when otherwise necessary. The plan calculates how capital is intended to be developed over the next three years. The plan is based on assumptions regarding, among other aspects, margins in lending operations, margins in the management of the liquidity reserve, cost trends and forecasts for lending and other balance sheet items.

The capital plan is an important building block in the establishment of the internal capital assessment for the credit market company Kommuninvest i Sverige AB and the financial group of companies, consisting of the Kommuninvest Cooperative Society, Kommuninvest i Sverige AB, and Kommuninvest Fastighets AB which owns the property in which the credit market company conducts its operations. In supporting the capital plan, Kommuninvest's owner directive determines the desired risk appetite and sets clear targets with regard to capital structure.

According to Basel II, pillar 2, the credit institutes have been assigned responsibility for designing their own processes for internal capital assessment (ICA). This means that the institutes shall map their risks and assess their risk management in an integrated and comprehensive way and, on the basis of that, assess their capital requirements, and that they should communicate analyses and conclusions to Finansinspektionen. During 2013, the finance department has taken over responsibility for Kommuninvest's ICA from the Risk & Analysis department. Risk & Analysis performs quality assurance related to the ICA, for example by assessing the evaluation methods that are applied.

Each ICA is specific to a particular institute and should reflect that institute's operations and risk profile, and their scope and complexity. At least once a year, the institute shall assess its combined capital requirement based on risk and it shall ensure that the capital base is sufficient in terms of its amount and composition. The capital assessment is to be documented and explained throughout the institute.

A significant portion of Kommuninvest's risk-focused capital planning consists of stress tests that illuminate how risk-related capital requirements are affected by unfavourable external trends in various dimensions.

Kommuninvest's capital assessment shows that Kommuninvest meets most requirements in accordance with both current and future regulations (primarily CRR/CRD IV<sup>1</sup> and EMIR<sup>2</sup>). Uncertainty prevails regarding the introduction of a Leverage Ratio requirement in the EU from 2018, see below.

1) Capital Requirements Regulation/Capital Requirements Directive IV, i.e. the European Parliament and the Council's regulation (EU) No. 575/2013 on supervisory requirements for credit institutes and securities companies and the European Parliament and Council's directive (EU) No. 2013/36/EU on authorisation to conduct operations in credit institutes and on supervision of credit institutes and securities companies.

2) EMIR, European Markets Infrastructure Regulation. The European Parliament and the Council's regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and transaction registers.

### Capital adequacy

In relation to the risks inherent in its operations, Kommuninvest has a favourable capital situation. On 31 December 2013, Core Tier 1 capital amounted to SEK 1,674.2 (880.3) million, entailing a core Tier 1 capital ratio of 37.6 (15.5) percent. Tier 1 capital was also SEK 1,674.2 (880.3) million and the Tier 1 capital ratio was 37.6 (15.5) percent. The total capital basis was SEK 2,511.3 (1,320.4) million, which gave a total capital adequacy ratio of 56.4 (23.1) percent (without regard to transitional regulations from Basel I to Basel II), compared with the statutory requirement of 8.0 percent. The Capital adequacy quota was 7.05 (2.89), compared with the official requirement of 1.0. Transitional regulations have no material impact on Kommuninvest's capital adequacy ratio or other capital ratios.

### Future regulatory requirements

#### – Leverage Ratio

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

Leverage ratio is a non-risk-weighted measure expressing the relation between a credit institute's Tier 1 capital and the total exposure in assets and commitments. The levels have yet to be set but may, according to an announcement by the Council of the European Union, be differentiated depending on the institutes' business models.

Kommuninvest's owner directive prescribes a long-term build-up of capital to meet expected future requirements. In addition to the ongoing build-up of capital through earnings, a debenture loan of SEK 1 billion was issued to the members of the Kommuninvest Cooperative Society in 2010. The issue was over-subscribed and all members participated.

Kommuninvest's planning is based on being able to achieve a leverage ratio of 1.5 percent through the on-going capital buildup. Should a higher leverage ratio than 1.5 percent be established for Kommuninvest, additional capital measures are required.

Work is in progress to enable additional alternatives to capital contributions in the event that Kommuninvest's leverage ratio will exceed 1.5 percent. The intention is that the 2014 and 2015 Annual General Meetings of the Kommuninvest Cooperative Society should consider a) a proposal for a reformed system for member contributions, and b) amendments to the Articles of Association enabling alternative forms of capitalisation.

### **Leverage ratio 2013**

Leverage ratio is defined as Tier I capital divided by total exposures in assets and liabilities.

Regarding the lending portfolio and the liquidity reserve the exposure equals the book value. For derivatives assets the exposure is calculated by totaling all exposures in individual netting agreements with derivatives counterparties. To this exposure amount is added a possible future exposure amount calculated according to the standardised method (the market valuation method) established in the EU Capital Requirements Regulation, CRR.

Off-balance sheet commitments are also assigned an exposure amount, calculated with a probability conversion factor based on the likelihood of the commitment being called upon.

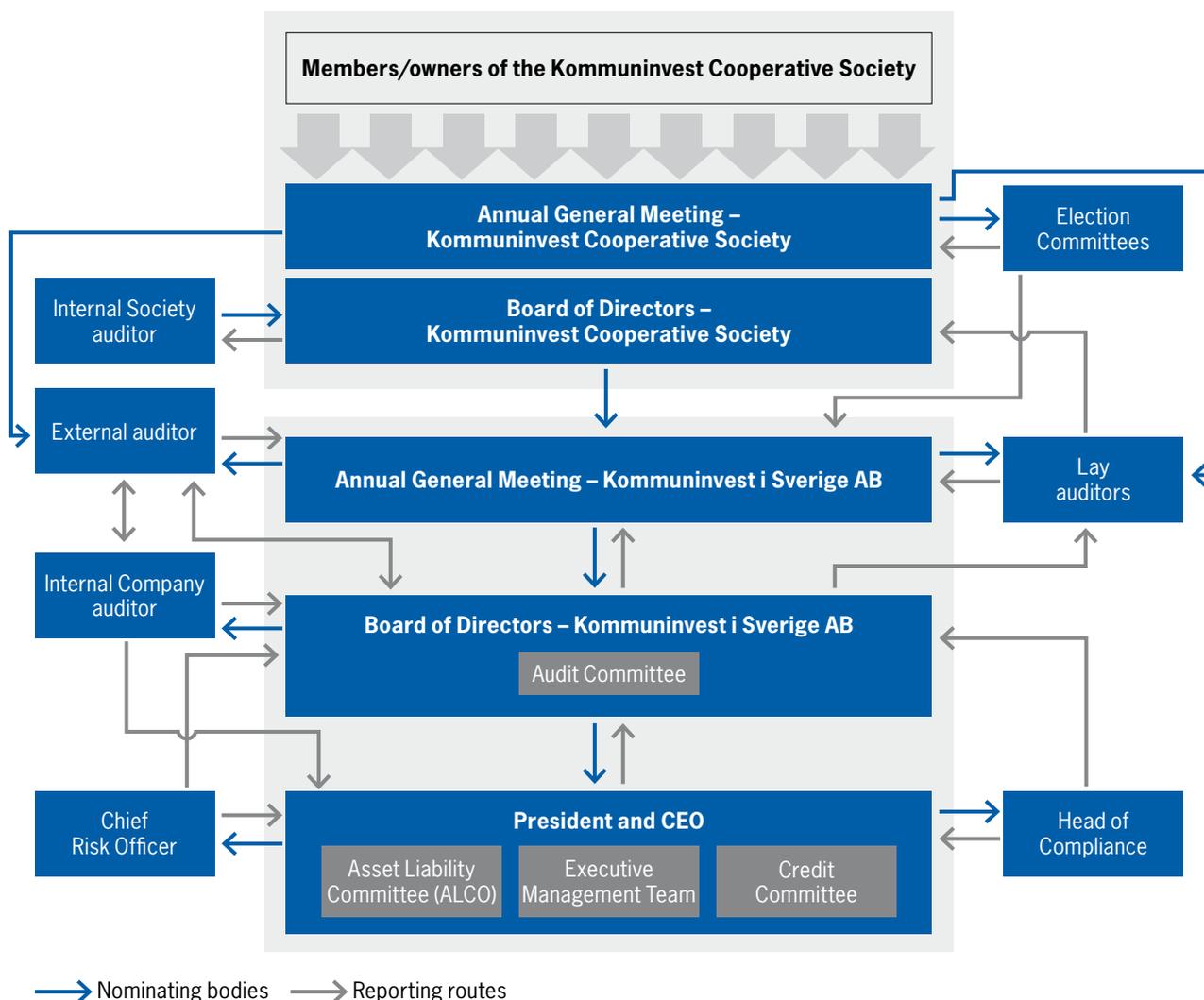
Applicable commitments for Kommuninvest are committed undisbursed loans.

As of December 31, 2013, the Leverage Ratio for Kommuninvest was 0.97 (0.68) percent.

When calculating the leverage ratio, the subordinated SEK 1 billion loan issued by the Company to the Society in 2010 has been included as Tier I capital. However, the terms of the loan are such that it may not be included as Tier 1 capital under future regulations. Excluding the debenture loan, the Leverage Ratio amounted to 0.6 (0.3) percent. Kommuninvest intends to replace the existing subordinated loan with a new one or with another capital form that is eligible for inclusion as Tier 1 capital well in advance of year-end 2017.

# Governance and control

Kommuninvest Cooperative Society



*The Kommuninvest Cooperative Society is the parent society of the Kommuninvest Group. The Society is owned by a large number of Swedish municipalities and county councils with the purpose of enhancing the efficiency of their financial operations. Together with Kommuninvest i Sverige AB and Kommuninvest Fastighets AB, the Society forms a financial group of companies. Good governance and control are crucial to the Kommuninvest Group, since it is publicly owned and has a role of considerable responsibility. The Corporate Governance Report for Kommuninvest i Sverige AB is included in that company's Annual Report.*

## The Kommuninvest Group

The Kommuninvest Cooperative Society ("the Society", corp. ID no. 716453-2074) owns 100 percent of the shares in Kommuninvest i Sverige AB ("the Company", corp. ID no. 556281-4409). The Company owns 100 percent of the shares in Kommuninvest Fastighets AB (corp. ID no. 556464-5629) and 50 percent of the shares in Administrative Solutions NLGFA AB (corp. ID no. 556581-0669).

On 31 December 2013, participation capital in the Society amounted to SEK 1,356.3 (615.6) million. Each new member of the Society contributes participation capital to the Society based on number of residents. At 31 December 2013, the Society had 278 (274) members.

### **Governance principles**

The Kommuninvest Group (“the Group”) is owned by Swedish municipalities and county councils. The Society, is a cooperative venture with the principal purpose of providing members and their majority-owned companies access to cost-efficient and stable loan financing. All business operations are conducted within the Company, while the Society deals with matters concerning membership and ownership.

According to its Articles of Association, the Society shall not be operated with the purpose of generating profit. Once consolidation needs have been satisfied, all surpluses shall accrue to the members. The members themselves determine the focus of the operations and no individual member has any decisive influence in isolation. At the Annual General Meeting, each member has one vote.

Presented below are some of the principles that affect internal corporate governance. Beyond these, the Board of Directors of the company has established principles, stances, limits and target figures in a number of steering documents and instructions.

### **Member consultations**

To stimulate owner influence and dialogue, annual member consultations are conducted at which representatives of the Board of the Society discuss current issues with representatives of the membership in a smaller-scale forum. Member consultations represent important forums for the preparation of matters for resolution by the Annual General Meeting. Ahead of the 2013 Annual General Meeting, member consultations were held in 19 (21) locations around Sweden, with some 330 (340) participating politicians and officials.

### **Owner directives**

The Board of Directors of the Society develops directives for the Company and these are set annually at the Annual General Meeting. The owner directives set out the framework of the operations assigned to the Company by the Society. The owner directives primarily include guidelines regarding risk levels, remuneration principles, principles for busi-

ness travel and representation and for any special assignments set for the Company by the Society. The owner directives are set annually by the Annual General Meeting of the Company.

### **Targets for operations**

The Kommuninvest Group’s overarching objective is to generate the greatest possible benefit for the members of the Society. Among other measures, this shall be achieved by the Company maintaining a high proportion of satisfied customers, the Company accounting for a large proportion of members’ loan financing, the Company maintaining a high level of cost efficiency and having the financial strength to support the long-term focus of the operations.

### **Remuneration principles**

The Board of Directors of the Company sets the remuneration principles applicable within the Group, in accordance with the ownership directives. The Society has no salaried employees. Remunerations shall engender conditions to attract, retain and motivate employees so that operations can be conducted in an optimal manner. The basic principle is that remunerations and other terms of employment should be in-line with the market and should consist solely of fixed wages. No variable remunerations are paid. Wages are set taking into consideration the tasks involved and their degree of difficulty, responsibilities, educational requirements and how the employee fulfils the demands imposed and contributes to improvements in operations.

### **Annual General Meeting**

The Annual General Meeting of the Society is the Group’s highest decision-making body. The Annual General Meeting of the Company is held in direct connection with the Annual General Meeting of the Society.

The 2013 Annual General Meeting was held on 18 April 2013 in Stockholm. At the Meeting, 138 (145) municipalities and county councils were represented, corresponding to 50 (54) percent of the members. At the Annual General Meeting, each member has one vote. The resolutions adopted by the

Meeting included:

- Adopting a new vision and mission for the Society and its companies.
- Annual contribution commitments for 2013.
- Adoption of owner directives for Kommuninvest i Sverige AB, including guidelines for remuneration to the President and CEO, the Deputy CEO and other members of the Executive Management Team of Kommuninvest i Sverige AB.
- Rules of procedure for the work of the Election Committees.
- Rules of procedure for the work of the lay auditors.

### Election Committees

There are two Election Committees within the Group; the Election Committee of the Society and the Election Committee of the Society's companies. The Election Committees bear the ultimate responsibility for the preparation of appointment decisions through a structured and transparent process allowing the members to give their views on proposals and to submit their own proposals regarding appointments and associated issues, thereby establishing favourable conditions for well-founded decisions.

The Election Committee of the Society is elected by the Annual General Meeting based on a proposal submitted by the Board of Directors of the Society. The Election Committee of the companies owned by the Society shall represent the Board of Directors of the Society and consists of members elected by the Board from its own membership. The Board of Directors of the Society has resolved that its working committee shall act as the Election Committee.

### The work of the Board of Directors

Board work is conducted in part by the Board of Directors of the Society, and, in part by the Board of Directors of the Company. The main principle is that the Board of Directors of the Society deals with membership and ownership issues, while the Board of Directors of the Company deals with issues involving business operations.

This means that issues concerning new members, withdrawal of members, possible exclusion from membership, guarantee issues, etc. are dealt with by the Board of Directors of the Society. The Board of Directors of the Company deals with financing issues, credit issues (such as limits and analyses), as well as other operational issues.

### Election Committee of the Kommuninvest Cooperative Society 2013/2014

Arne Lernhag (M), Chairman of the Municipal Executive Board, Municipality of Öckerö

Anders Ceder (S), Member of the Municipal Executive Board, Municipality of Lindesberg, Deputy Chairman

Anders Berglöv (S), Chairman of the Municipal Executive Board, Municipality of Flen

Kenneth Carlsson (FP), First Deputy Chairman of the Municipal Executive Board, Municipality of Färgelanda

Elisabet Lassen (S), Chairman of the Municipal Executive Board, Municipality of Sollefteå

Martina Mossberg (M), Municipality of Haninge

Kerstin Sjöström (c), Member of the Municipal Executive Board, Municipality of Nordmaling

### Election Committee of the companies owned by the Society 2013/2014

Ann-Charlotte Stenkil (M), Municipality of Varberg, Chairman

Alf Egnerfors (S), Municipality of Eskilstuna, Deputy Chairman

Ewa-May Karlsson (C), Municipality of Vindeln

Margreth Johnsson (S), Municipality of Trollhättan

Further information on the Election Committees, including its complete formal work plan, is available at [www.kommuninvest.se](http://www.kommuninvest.se).

However, the connection between the two boards is strong, since certain issues concern both the Board of Directors of the Society as well as that of the Company. However, the Board of Directors of the Society, which represents the owners, has no direct right of determination over the Board of Directors of the Company. The Society's control of the Board of Directors of the Company takes place only by means of resolutions by the Annual General Meeting or by owner directives adopted by the Annual General Meeting.

### Working Committee of the Board of Directors of the Society

From among the members of the Board of Directors of the Society, a working Committee is appointed each year, including the Chairman of the Board, the Vice Chairman of the Board and at least one other Board Member. On assignment from the Board of Directors, the Working Committee is responsible for matters including the preparation of the work of the Board of Directors and for annually assessing the work of the President. The Working Committee also acts as the Election Committee of the Society's companies in accordance with rules of procedure established by the Annual General Meeting. In addition, the Working Committee is tasked with meeting the external and lay auditors of

the Society and its subsidiaries to inform itself of the focus and scope of the audit and the view taken of the Society and Group's risks. The results of the Working Committee's work are to be reported at Board meeting on an on-going basis.

### President

The President is responsible for the on-going administration of the Society in accordance with the Board's guidelines and instructions. Since the Society's owners are democratically governed organisations and the Society's operations are socially beneficial in nature, the President's responsibility for on-going administration shall be limited to on-going administrative matters that are not significant in terms of principles or otherwise of special significance for the Society. If, in a particular matter, it is unclear whether the right of determination lies with the Board of Directors or the President, the President shall allow the Board to consider the matter or, if it is not possible to await the position of the Board, he shall consult the Chairman of the Board.

According to the Economic Associations Act (Chapter 6, Section 6), the President is entitled, in certain instances, to undertake measures without the authorisation of the Board. For the reasons stated above, the President shall, in such instances observe very considerable restriction and always seek consultation with the Chairman of the Board.

### Leadership assessment

In accordance with the regulations for financial companies under the supervision of Finansinspektionen (the Swedish Financial Supervisory Authority), the members of the Board of the Kommuninvest Cooperative Society and the President are assessed by Finansinspektionen.

### Board members

Effective from the Annual General Meeting of 18 April 2013, the Board of Directors of the Kommuninvest Cooperative Society has consisted of Ann-Charlotte Stenkil (Chairman), Alf Egnerfors, (Vice Chairman), Carina Blank, Åsa Herbst, Margreth Johnsson, Elver Jonsson, Ewa-May Karlsson, Niklas Karlsson, Örjan Mossberg, Robert Mörk, Magnus Oscarsson, Jonas Ransgård, Roland Åkesson, Bert Öhlund and Lotta Öhlund. The members are presented on page 38.

### Analysis and Finance Committee

The Board of Directors of the Society appoints an Analysis and Finance Committee. The committee is responsible for monitoring the financial status of the member municipalities and the development of the local government sector as a whole. It also has the task of preparing new member applications at the behest of the Board of Directors of the Society. In contrast to other committees in the Society, it is made up of officials. The reason for this is that the tasks call for extensive specialised economic expertise.

The committee's brief states further that it shall represent different parts of the country, it shall have experience of different types of municipalities and it shall have knowledge of operations in the form of a public enterprise.

### Remunerations

Within the framework for fees to the Board of Directors set by the Annual General Meeting, fees of SEK 205 (202) thousand were paid to the Chairman of the Board of Directors of the Society, Ann-Charlotte Stenkil, in 2013. The fee paid to the Vice Chairman of the Board of Directors, Alf Egnerfors, totalled SEK 134 (138) thousand. Fees to the other members of the Board of Directors, including deputies, have been paid in accordance with the resolution by the Annual General Meeting and totalled SEK 689 (710) thousand for 2013. The total fees paid to the members of the Board of Directors of the Society elected by the Annual General Meeting are determined by the Annual General Meeting and amounted to SEK 1,028 (1,050) thousand for 2013.

#### Analysis and Finance Committee of the Kommuninvest Cooperative Society

Nils-Eric Gustavsson, Finance Director, Västmanland County Council, Chairman;

Camilla Broo, Treasurer, Municipality of Södertälje;

Åsa Byman-Falck, Chief Administrative Officer, Municipality of Norrköping;

Gunnar Eikeland, President, Luleå Municipal Corporation;

Lilian Eriksson, Chief Administrative Officer, Municipality of Ängelholm;

Maria Johansson, Financial Manager, Municipality of Upplands-Bro;

Gunilla Josefsson, Financial Manager, Municipality of Kungsbacka;

Stefan Sorpola, Financial Manager, Municipality of Halmstad;

Carina Åresved-Gustavsson, Financial Manager, Municipality of Nybro;

Thomas Åkelius, Kommuninvest i Sverige AB, secretary of the committee

# Board of Directors of the Kommuninvest Cooperative Society

## Chairman



**ANN-CHARLOTTE  
STENKIL**  
Member of the Municipal  
Executive Board, Varberg

## Vice Chairman



**ALF EGNERFORS**  
Chairman of the Municipal  
Council, Eskilstuna

## Members



**CARINA BLANK**  
Chairman of the Municipal  
Executive Board, Gävle



**ÅSA HERBST**  
Chairman of the Municipal  
Executive Board, Ängelholm



**MARGRETH JOHANSSON**  
Member of the Municipal  
Executive Board, Trollhättan



**ELVER JONSSON**  
Member of the Municipal  
Executive Board, Alingsås



**EWA-MAY KARLSSON**  
Chairman of the Municipal  
Executive Board, Vindeln



**NIKLAS KARLSSON**  
2nd Vice Chairman of the  
Municipal Executive Board,  
Landskrona



**ÖRJAN MOSSBERG**  
Member of the Municipal  
Executive Board, Växjö



**ROBERT MÖRK**  
Member of the Executive  
Board, Örebro County  
Council, Degerfors



**MAGNUS OSCARSSON**  
Chairman of the Municipal  
Executive Board, Ödeshög



**JONAS RANSGÅRD**  
Vice Chairman of the  
Municipal Executive Board,  
Gothenburg



**ROLAND ÅKESSON**  
Chairman of the Municipal  
Executive Board, Mönsterås



**BERT ÖHLUND**  
Chairman of the Municipal  
Executive Board, Skellefteå



**LOTTA ÖHLUND**  
Member of the Municipal  
Executive Board, Hallsberg

### Auditors

The Annual General Meeting of the Kommuninvest Cooperative Society elects external and lay auditors. According to the Articles of Association, Kommuninvest shall have one auditor. The auditor is appointed by the Annual General Meeting following a proposal by the Society's lay auditors, for the period extending until the end of the ordinary Annual General Meeting held in the fourth financial year following the auditor's election. The Annual General Meeting also appoints a deputy auditor.

### External auditor

At Kommuninvest's 2012 Annual General Meeting, Ernst & Young AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2016. In 2007, Ernst & Young AB selected authorised auditor Peter Strandh as the auditor with overall responsibility. Peter Strandh's other audit assignments include the First, Second, Third, Fourth and Seventh AP Funds, IF Skadeförsäkring (non-life insurance), Nordnet, LRF, Sala Sparbank and the Nobel Foundation.



Peter Strandh, authorised public accountant, Ernst & Young

### Lay auditors

The lay auditors regularly meet the external auditor, the Chairman of the Board, the President and other representatives of the Company. Where necessary the lay auditors can initiate auditing measures additional to the normal statutory audit. The lay auditors also act as an election committee, recommending auditors and submitting proposals for their remuneration.

At the 2012 Annual General Meeting of the Kommuninvest Cooperative Society, the following lay auditors for the Company were appointed for the period extending until the end of the 2016 Annual General Meeting:

Anita Bohman (s), former Deputy Chairman of the Municipal Executive Board in the Municipality of Västervik (re-elected)

Niklas Sjöberg (M), Chairman of the Municipal Executive Board of the Municipality of Skurup (newly elected).

The same auditing company appointed as the external auditor for the Kommuninvest Cooperative Society is also appointed as the external auditor for Kommuninvest i Sverige AB. The same individuals appointed as the lay auditors for the Kommuninvest Cooperative Society are also appointed as the lay auditors for Kommuninvest i Sverige AB. The purpose is to obtain more efficient auditing for the Kommuninvest Group.

### Remunerations – Board of Directors of the Kommuninvest Cooperative Society

Name	Remuneration 2013, SEK	Remuneration 2012, SEK
<i>Current Board of Directors</i>		
Ann-Charlotte Stenkil	205,000	201,500
Alf Egnerfors	134,000	137,500
Carina Blank	16,500	30,500
Åsa Herbst	20,000	20,000
Margreth Johnsson	83,750	78,500
Elver Jonsson	27,000	37,500
Ewa-May Karlsson	80,250	69,750
Niklas Karlsson	23,500	23,500
Örjan Mossberg	30,500	30,500
Robert Mörk	27,000	30,500
Magnus Oscarsson	20,000	23,500
Jonas Ransgård	17,000	–
Roland Åkesson	30,500	27,000
Bert Öhlund	27,000	23,500
Lotta Öhlund	30,500	27,000
<i>Members who have left the Board of Directors</i>		
Per Mosseby	13,500	23,500

# Board of Directors' report – Parent Society

## General information

Kommuninvest was founded in 1986 as a regional project for cooperation between local government authorities in the County of Örebro, through the company Kommuninvest i Örebro Län AB. Effective from 1993, it became possible for all municipalities and county councils in the country to apply for membership of the Kommuninvest Cooperative Society (the Society). The Society owns the credit market company Kommuninvest i Sverige AB (the Company), in which all business activities are conducted.

The cooperation is voluntary and based on commercial principles. The principal purpose of the operations is to achieve favourable long-term conditions for members' financing. Operations primarily involve loans for the financing of investments. Kommuninvest also functions as a member organisation to influence general conditions for financing of the sector.

Only members of the parent society and companies, foundations and associations controlled by members are entitled to use Kommuninvest's services. Loans to such companies, foundations and associations are conditional on the purpose of such loans being within the framework of local government expertise and on the member having signed a guarantee for the borrower's obligations. The financial cooperation is to be conducted with the lowest possible level of risk taking by the Society, the Company and its members.

## Organisation of the financial cooperation

Following an approval process, Swedish municipalities and county councils can become members of the Kommuninvest Cooperative Society. The Kommuninvest Group consists primarily of the Society and the Company. Since 1 January 2012, the Company also owns Kommuninvest Fastighets AB, having acquired it from the Society for SEK 32 million. Kommuninvest Fastighets AB owns the property where the Company conducts its operations.

## Joint and several guarantee

The members of the Society sign an unlimited joint and several unconditional guarantee for all of the Company's obligations. In addition to this guarantee, the guarantors have also signed an agreement that allocates any claims based on the guarantee relative to each local government authority's debt to the Company. The members have also signed a guarantee agreement regulating their responsibility for the counterparty exposures arising as a consequence of the Company's use of derivative contracts.

## Operations based on members' needs

The scope of the Company's operations is determined mainly by the number of members in the Society and the financial needs of the individual members. At the end of 2013, 93 (92) percent of Sweden's municipalities and 40 (40) percent of Sweden's county councils were members – an increase of four (seven) members over the financial year. From experience, an increased number of members entails an increase in net lending. This occurs with a certain delay as new members' existing loans expire and new loans are required.

## Participation capital

The Board of Directors of the Society determines annually the scale of the contribution that members are to provide. The size of the contribution is related to the population of the municipality or county council. At the end of 2013, participation capital in the Society totalled SEK 1,356.3 (615.6) million. In addition, the participation capital can be increased through decisions by the Annual General Meeting regarding participation issues or decisions regarding new annual contributions. See the description on pages 14–15.

## Membership status

At the end of the year, there were 278 (274) members in the Kommuninvest Cooperative Society. No memberships were cancelled

during 2013 and no repayment of subscription capital has been made as a consequence of membership cancellations to be made during the ensuing financial year.

#### Refunds and interest on participation capital

Following a decision by the Annual General Meeting of the Society, effective from the 2011 financial year, the Society makes use of refunds and interest on participation capital as a format for the distribution of surpluses to make the gains earned by the Company tangible for the members/owners of the Society. See the description on pages 14–15.

#### Financial outcome

For 2013, the Society reported profit before tax of SEK 733.3 (746.5) million. This profit is primarily attributable to a Group contribution from Kommuninvest i Sverige AB of SEK 741.1 (717.7) million. Profit after tax amounted to SEK 733.3 (819.1) million. For the 2012 financial year, the Society reported tax assets of SEK 72.6 million. The reason was that, on the submission of the annual accounts for 2011, it had not been ascertained whether the surplus distribution of SEK 276 million was deductible or not. At the time at which the tax returns were filed, however, it had been established that the distribution of the surplus was deductible, and consequently the Society made a deduction for this in its tax returns. This means that the tax on the distribution of the surplus for 2012 recognised in the accounts for 2011, SEK 72.6 million, is recognized as a tax asset for the 2012 financial year.

Tax on the profit for 2013 amounted to SEK 0.0 million. The Society proposes that SEK 696.5 million in surpluses be distributed. See Note 9 regarding the calculation of taxes.

The Society has a deferred tax asset of SEK 14.0 million due to tax loss carryforwards, which the Society has not reported as a taxable asset.

#### Personnel

The Society had no employees in 2013 and consequently no salaries were paid.

#### Appropriation of surplus

Board of Directors of the Kommuninvest Cooperative Society proposes that:

The profit of SEK 733,392,681 at the disposal of the Annual General Meeting of the Society be appropriated as follows:

Interest of 5 percent on participation capital to be paid to members	SEK 52,750,151
Refunds be distributed to members in proportion to each member's share of the total business volume in 2013	SEK 643,749,849
Allocated to statutory reserve	SEK 36,663,809
To be carried forward	SEK 228,872
<b>Total appropriated</b>	<b>SEK 733,392,681</b>

*That* members entitled to interest on contributions and refunds are those municipalities and county councils that had become members by 31 December 2013 at the latest.

*That* interest on participation capital and refunds are to be disbursed at the latest one month after the decision by the 2014 Annual General Meeting.

*That* business volume refer to the sum of the interest expenses on each member's loans from Kommuninvest i Sverige AB. The business volume for each member also includes interest charged to the member's companies, etc. in the manner stated in Section 13 of the Articles of Association.



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# Income statement – Group

1 January – 31 December

SEK, million	Note	2013	2012
Interest revenues		4,571.1	6,046.8
Interest expenses		-3,602.2	-5,275.3
<b>NET INTEREST INCOME</b>	3	<b>968.9</b>	<b>771.5</b>
Commission expenses	4	-5.6	-8.5
Net result of financial transactions	5	38.7	-267.1
Other operating income	6	1.9	6.4
<b>TOTAL OPERATING INCOME</b>		<b>1,003.9</b>	<b>502.3</b>
General administration expenses	7	-247.1	-250.8
Depreciation of tangible fixed assets	18	-3.8	-4.2
Other operating expenses	8	-3.4	-5.0
<b>TOTAL EXPENSES</b>		<b>-254.3</b>	<b>-260.0</b>
<b>OPERATING PROFIT</b>		<b>749.6</b>	<b>242.3</b>
Taxes	9	-3.8	182.5
<b>INCOME FOR THE YEAR</b>		<b>745.8</b>	<b>424.8</b>

# Statement of comprehensive income – Group

1 January – 31 December

SEK, million	Note	2013	2012
<b>INCOME FOR THE YEAR</b>		<b>745.8</b>	<b>424.8</b>
<b>Other comprehensive income</b>			
Available-for-sale financial assets		-8.3	125.4
Available-for-sale financial assets, transferred to income for the year		1.0	24.4
Loans and receivables		-	-1.2
Tax attributable to items in other comprehensive income	9	1.6	-37.9
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-5.7</b>	<b>110.7</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>740.1</b>	<b>535.5</b>

# Balance sheet – Group

As per 31 December

SEK, million	Note	2013	2012
<b>ASSETS</b>			
State bonds eligible as collateral	10	14,626.2	11,160.8
Lending to credit institutions	2	2,832.5	15,637.3
Lending	12	208,644.0	200,950.7
Bonds and other interest-bearing securities	13	44,932.9	44,293.7
Shares and participations	14	2.1	1.7
Shares in associated companies	15	0.5	0.5
Derivatives	2	6,235.8	11,057.4
Tangible assets	18	5.4	6.7
Tangible assets, lands and buildings	18	32.1	32.8
Current tax assets	9	81.1	79.0
Other assets	19	4.3	31.8
Deferred tax assets	9	54.6	56.8
Prepaid expenses and accrued revenues	20	11.2	12.8
<b>TOTAL ASSETS</b>		<b>277,462.6</b>	<b>283,322.0</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Liabilities to credit institutions	2	4,375.0	5,633.4
Securities issued	2	256,258.7	257,257.3
Derivatives	2	13,231.8	17,517.2
Current tax liability	9	–	26.7
Other liabilities	21	24.7	13.5
Accrued expenses and prepaid revenues	22	122.2	126.2
Provisions for pensions and similar obligations	23	2.5	2.1
Subordinated liabilities	24	1,000.1	1,000.3
<b>Total liabilities and provisions</b>		<b>275,015.0</b>	<b>281,576.7</b>
Subscribed capital	25	1,356.3	615.6
Reserves		17.4	23.1
Profit carried forward		328.1	681.8
Income for the year		745.8	424.8
<b>Total equity</b>		<b>2,447.6</b>	<b>1,745.3</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>277,462.6</b>	<b>283,322.0</b>
<b>Memorandum items</b>			
Pledged assets	27	22,996.3	22,484.3
Contingent liabilities		None	None
<b>Obligations</b>			
Pledged loans	28	3,480.0	2,876.4

# Statement of changes in equity – Group

SEK, million	Subscribed capital	Reserves	Profit carried forward	Total equity
<b>Equity brought forward 1 Jan 2012</b>	<b>309.7</b>	<b>-87.6</b>	<b>957.9</b>	<b>1,180.0</b>
Comprehensive income for the period	-	110.7	424.8	535.5
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as bonuses and interest	-	-	-276.0	-276.0
<i>New subscribed capital during the year</i>				
Participation capital from new members of the society	29.9	-	-	29.9
New participation capital from members	276.0	-	-	276.0
<b>Equity carried forward 31 Dec 2012</b>	<b>615.6</b>	<b>23.1</b>	<b>1,106.7</b>	<b>1,745.3</b>
<b>Equity brought forward 1 Jan 2013</b>	<b>615.6</b>	<b>23.1</b>	<b>1,106.7</b>	<b>1,745.3</b>
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as bonuses and interest			-778.5	-778.5
Allocation to statutory reserve			41.0	41.0
<i>New subscribed capital during the year</i>				
Participation capital from new members of the society	12.7			12.7
New participation capital from members	728.0			728.0
<b>Equity carried forward 31 Dec 2013</b>	<b>1,356.3</b>	<b>17.4</b>	<b>1,073.9</b>	<b>2,447.6</b>
Reserves consist of the following:	2013	2012		
- Available-for-sale financial assets	17.4	23.1		

# Cash flow statement – Group

1 January – 31 December

SEK, million	2013	2012
<b>Operational activities</b>		
Operating income	749.6	242.4
Adjustment for items not included in cash flow	-14.0	263.8
Income tax paid	-1.6	-27.8
<b>Cash flow from operating activities before changes in the assets and liabilities of operating activities</b>	<b>734.0</b>	<b>478.4</b>
Change in interest-bearing securities	-11,840.9	-4,561.7
Change in lending	-8,741.6	-32,299.7
Change in other assets	28.2	10.0
Change in other liabilities	-19.1	-24.1
<b>Cash flow from operational activities</b>	<b>-19,839.4</b>	<b>-36,397.1</b>
<b>Investment activities</b>		
Acquisition of tangible assets	-1.9	-1.5
Divestments of tangible assets	0.4	-
<b>Cash flow from investment activities</b>	<b>-1.5</b>	<b>-1.5</b>
<b>Financing activities</b>		
Issue of interest-bearing securities	126,416.0	163,834.8
Redemption of interest-bearing securities	-119,342.1	-113,585.4
Distribution of surplus as bonuses and interest	-778.5	-276.0
New participation capital from members	727.9	276.0
Participation capital from new members of the society	12.8	29.9
<b>Cash flow from financing activities</b>	<b>7,036.1</b>	<b>50,279.3</b>
<b>Cash flow for the year</b>	<b>-12,804.8</b>	<b>13,880.7</b>
<b>Liquid assets at the start of the accounting period</b>	<b>15,637.3</b>	<b>1,756.6</b>
<b>Cash and equivalents at end of the year</b>	<b>2,832.5</b>	<b>15,637.3</b>
Liquid assets consists in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
<b>Adjustment for items not included in cash flow</b>		
Depreciation	3.8	4.2
Exchange rate differences from change in financial assets	0.0	-1.3
Profit from divestments of tangible assets	-0.2	-
Unrealised changes in market value	-17.6	260.9
<b>Total</b>	<b>-14.0</b>	<b>263.8</b>
<b>Interest paid and earned, included in the cash flow</b>		
Interest received	4,379.5	5,739.8
Paid interest	-3,481.7	-4,962.0

# Income statement – Parent society

1 January – 31 December

SEK, million	Note	2013	2012
Operating expenses	7	-7.8	-3.6
<b>Operating income</b>		<b>-7.8</b>	<b>-3.6</b>
<b>Financial revenues and expenses</b>			
Revenues from participations in Group companies, Group contributions		741.1	717.7
Revenues from divestment of subsidiary		-	31.9
Interest revenues	3	0.0	0.5
Interest income, debenture loan	3	29.5	38.8
Interest expenses, debenture loan	3	-29.5	-38.8
<b>Total</b>		<b>741.1</b>	<b>750.1</b>
<b>Profit/loss after financial items</b>		<b>733.3</b>	<b>746.5</b>
<b>Profit/loss before tax</b>		<b>733.3</b>	<b>746.5</b>
Tax on net income for the year	9	-	72.6
<b>INCOME FOR THE YEAR</b>		<b>733.3</b>	<b>819.1</b>

# Statement of comprehensive income – Parent society

1 January – 31 December

SEK, million	2013	2012
<b>INCOME FOR THE YEAR</b>	<b>733.3</b>	<b>819.1</b>
Other comprehensive income	0.0	0.0
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>733.3</b>	<b>819.1</b>

# Balance sheet – Parent society

As per 31 December

SEK, million	Note	2013	2012
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Debenture loan to subsidiary	24	1,000.0	1,000.3
Shares in subsidiaries	16	1,389.9	621.9
<b>Total fixed assets</b>		<b>2,389.9</b>	<b>1,622.2</b>
<b>Current assets</b>			
<i>Receivables</i>			
Prepaid expenses and accrued revenues		0.5	–
Other receivables from subsidiaries	17	741.3	805.3
<b>Total current assets</b>		<b>741.8</b>	<b>805.3</b>
Cash and bank balances	11	0.3	8.8
<b>TOTAL ASSETS</b>		<b>3,132.0</b>	<b>2,436.3</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Subscribed capital		1,356.3	615.6
Statutory reserve		41.5	0.5
Profit brought forward		0.1	0.5
Income for the year		733.3	819.1
<b>Total equity</b>		<b>2,131.2</b>	<b>1,435.7</b>
<b>Liabilities</b>			
<i>Long-term liabilities</i>			
Subordinated liabilities	24	1,000.1	1,000.3
<b>Total long-term liabilities</b>		<b>1,000.1</b>	<b>1,000.3</b>
<i>Current liabilities</i>			
Accounts payable, trade	21	0.3	0.0
Tax liabilities	21	–	–
Other current liabilities	21	0.2	0.1
Accrued expenses and prepaid revenues	22	0.2	0.2
<b>Total current liabilities</b>		<b>0.7</b>	<b>0.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,132.0</b>	<b>2,436.3</b>
Pledged assets		None	None
Contingent liabilities		None	None

# Statement of changes in equity

## – Parent society

SEK, million	Subscribed capital	Statutory reserve	Unrestricted equity	Total equity
<b>Equity brought forward 1 Jan 2012</b>	<b>309.7</b>	<b>0.5</b>	<b>276.5</b>	<b>586.7</b>
Comprehensive income for the period	–	–	819.1	819.1
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as bonuses and interest	–	–	-276.0	-276.0
<i>New subscribed capital during the year</i>				
Participation capital from new members of the society	29.9	–	–	29.9
New participation capital from members	276.0	–	–	276.0
<b>Equity carried forward 31 Dec 2012</b>	<b>615.6</b>	<b>0.5</b>	<b>819.6</b>	<b>1,435.7</b>
<b>Equity brought forward 1 Jan 2013</b>	<b>615.6</b>	<b>0.5</b>	<b>819.6</b>	<b>1,435.7</b>
Profit for the period			733.3	733.3
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as bonuses and interest			-819.5	-819.5
Allocation to statutory reserve		41.0		41.0
<i>New subscribed capital during the year</i>				
Participation capital from new members of the society	12.7			12.7
New participation capital from members	728.0			728.0
<b>Equity carried forward 31 Dec 2013</b>	<b>1,356.3</b>	<b>41.5</b>	<b>733.4</b>	<b>2,131.2</b>

# Cash flow statement

## – Parent society

1 January – 31 December

SEK, million	2013	2012
<b>Operational activities</b>		
Operating income	733.3	746.5
Adjustment for items not included in cash flow	-741.2	-717.7
Income tax paid	0.1	-27.5
<b>Cash flow from current operations before changes in working capital</b>	<b>-7.8</b>	<b>1.3</b>
<b>Cash flow from changes in working capital</b>		
Change in accounts payable, trade	0.3	-0.3
Change in other liabilities	0.0	0.1
Change in other assets	-0.5	
<b>Cash flow from operational activities</b>	<b>-8.0</b>	<b>1.1</b>
<b>Financing activities<sup>1</sup></b>		
New share issue in subsidiary	-768.0	-336.0
Distribution of surplus as bonuses and interest	-778.5	-276.0
New participation capital from members	727.9	276.0
Participation capital from new members of the society	12.8	29.9
Group contributions received	805.3	295.0
<b>Cash flow from financing activities</b>	<b>-0.5</b>	<b>-11.1</b>
<b>Cash flow for the year</b>	<b>-8.5</b>	<b>-10.0</b>
<b>Liquid assets at the start of the accounting period</b>	<b>8.8</b>	<b>18.8</b>
<b>Cash and equivalents at end of the year</b>	<b>0.3</b>	<b>8.8</b>
Liquid assets consists in their entirety of cash and bank balances		
<b>Adjustment for items not included in cash flow</b>		
Group contributions not received	-741.2	-717.7
<b>Interest paid and earned, included in the cash flow</b>		
Interest received	29.6	39.3
Paid interest	-29.6	38.7

1) Under "Financing activities" the Group has chosen to present Group contributions, distribution of surplus, new participation capital from members and new share issue in subsidiary, since these transactions are closely associated with one another.

# Notes

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

## Note 1 Accounting principles

The Annual Report was approved for publication by the Board of Directors on 5 March 2014. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 10 April 2014.

### Compliance with standards and legislation

The accounting principles stated below were applied consistently in all periods presented in the financial statements, unless stated otherwise.

### The Group

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated accounts also apply the supplementary regulations 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), and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups.

### The Society

The Society's Annual Report was prepared in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities. Consequently all International Financial Reporting Standards and statements endorsed by the EU are followed as far as possible, within the provisions of ÅRL and considering the exemptions motivated by tax regulations.

### Amended accounting principles due to new or amended IFRS

#### IAS 1 Presentation of Financial Statements

The amendment concerns how items under other comprehensive income are to be presented. The items are to be divided into two categories: i) items that may be reclassified to the income statement; ii) items that may not be reclassified to the income statement. Among other comprehensive income, Kommuninvest only has items that may be reclassified to the income statement. The change affects the presentation only and has no impact on earnings and position.

#### IFRS 7 Financial Instruments: Disclosures

The change entails that details of financial assets and liabilities offset in the balance sheet or covered by various types of framework agreements that allow offsetting shall be disclosed. The change has entailed increased disclosure requirements.

#### IFRS 13 Fair value measurement

A new uniform standard for measurement of fair value and improved disclosure requirements. The standard replaces earlier guidance regarding fair value measurement in the relevant IFRS standards. The standard determines how, not when, fair value measurement is to be applied. The standard has not entailed any change in how Kommuninvest calculated fair value. The standard has entailed increased disclosure requirements.

### New and amended standards from IASB and statements from IFRIC

Of the new standards and interpretations coming into force after 2013, the following regulations have been deemed to affect Kommuninvest's future annual accounts. Kommuninvest does not apply any regulations pre-emptively and instead applies regulations once they have been adopted for application by the EU.

#### IAS 32 Financial instruments: Presentation

The change involves clarifications regarding the rules determining when the offsetting of financial assets and liabilities is permitted. The standard will be applied retroactively to financial years beginning 1 January 2014 or later. The amendment was approved by the EU in December 2012. Kommuninvest's assessment is that this will not affect the company's earnings or position.

#### IFRS 9 Financial instruments

The standard is intended to replace IAS 39 Financial Instruments: Presentation and measurement. The IASB's project to replace IAS 39 is divided into three sections, Classification and Measurement, Impairment Model and Hedge Accounting. The IASB has currently published the sub-projects regarding Classification and Measurement, as well as Hedge Accounting. The remaining parts are still under discussion and revision. During the year, the IASB decided to hold off with the date of entry into force until more or less the entire IFRS 9 project has been completed.

– Classification and measurement. The categories of financial assets currently included in IAS 39 will be replaced in IFRS 9 by three categories, whereby assets are assessed at fair value in profit or loss, in other comprehensive income, or at amortised cost. Accrued cost is used for instruments held according to a business model the object of which is to receive the contractual cash flows; which shall consist of payments of capital sums and interest on those capital sums on specified dates. Other financial assets are reported at fair value and the opportunity to apply a "fair value option", as in IAS 39, is retained. Changes in fair value are to be reported in income, with the exception of value changes on equity instruments not held for trade and for which an initial choice is made to report value changes in other comprehensive income.

Changes on derivatives used in hedge accounting are not affected by this section of IFRS 9 and are reported in accordance with IAS 39 until further notice. Most of the principles of classification and measurement of financial liabilities under IFRS 9 are consistent with the principles in IAS 39, except for how to report changes in fair value of financial liabilities voluntarily reported at fair value according to the fair value option. For these liabilities, the change in value is divided between changes attributable to own creditworthiness and changes in other factors. Kommuninvest has yet to conduct an assessment of the effects of IFRS 9.

#### IFRIC 21 Levies

This interpretation clarifies when a liability for "levies" is to be recognised. "Levies" are fees/taxes imposed by central government authorities or their equivalents on companies in accordance with laws/regulations, with the exception of income taxes, penalties and fines. The interpretation states that a liability is to be recognised when the company is obliged to pay the fee as a consequence of an event that has occurred. A liability is recognised gradually if the obliging event occurs on an on-going basis. In the event that a certain minimum level is to be achieved for the obligation to arise, the liability is not recognised until that level has been reached. The interpretation is to

*Note 1, continued*

be applied for financial years beginning 1 January 2014 or later. It has not yet been approved by the EU. It is expected that the interpretation could become applicable to Kommuninvest in connection with the stability charge.

Other standards and interpretations entering force after 2013 are not assessed to have any material impact on Kommuninvest's position, earnings or disclosure requirements.

**Significant judgments and assumptions**

The preparation of the annual and consolidated financial statements includes judgments and assumptions that affect the accounting and disclosures. The most important judgments when applying accounting principles concern the choice of accounting category for financial instruments, as explained below in the section on financial instruments. When determining the fair value of financial instruments not traded in active markets, Kommuninvest applies valuation techniques and then makes assumptions that may be associated with uncertainty. Note 26 describes how fair value for financial instruments is derived and significant assumptions and uncertainty factors including sensitivity analysis.

The report has been prepared based on amortised cost, with the exception of a significant portion of the company's financial assets and liabilities, which are measured at fair value or amortised cost adjusted for fair value with regard to the risk that is subject to hedge accounting. For further information, see the section on Financial instruments and Note 31.

**BASIS FOR ACCOUNTING****Consolidated accounts**

The consolidated accounts cover the Parent Company and all companies in which the Parent Company controls more than 50 percent of the voting rights or in other regards has a controlling influence. Subsidiaries are consolidated effective from the date on which control is transferred to the Group and cease to be consolidated on the date on which they are separated from the Group. When control of a subsidiary has ceased, the profits of the subsidiary are only included for that part of the accounting year during which the Group controlled the subsidiary.

The consolidated accounts are prepared in accordance with the acquisition method. Transactions between Group companies, balance sheet items and unrealised gains on transactions between companies are eliminated.

**Functional currency and presentation currency**

Kommuninvest's functional currency is the Swedish krona (SEK) and the financial statements are presented in the same currency. All amounts are rounded off to the nearest million unless otherwise stated.

**Transactions in foreign currencies**

Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in force on the balance sheet date. Exchange rate differences arising from the conversions are recognised in the income statement.

**Interest revenues and interest expenses**

Interest revenues and interest expenses presented in the income statement comprise:

- Interest on financial assets and liabilities measured at amortised cost.
- Interest from financial assets classified as available-for-sale.
- Interest from financial assets classified as available-for-sale measured at fair value via profit or loss.

- Interest on derivatives that are hedging instruments and for which hedge accounting is applied.

Interest revenues and interest expenses are calculated and reported applying the effective interest method.

Since September 2012, interest income and interest expenses for derivatives used to hedge an asset are recognised as interest income. Interest income and interest expenses for derivatives used to hedge a liability are recognised as interest income. Previously all interest income and interest expenses for derivatives were recognised as interest expenses. Comparison figures have not been recalculated according to new principles.

**Commission expenses**

Commission expenses consist of expenses for services received such as deposit fees, payment agency commissions and securities brokerage.

**Net result of financial transactions**

'Net result of financial transactions' encompasses the realised and unrealised changes in value arising from financial transactions. The net result of financial transactions comprises:

- Unrealised changes in fair value on assets and liabilities held for trading purposes.
- Unrealised changes in fair value on assets and liabilities recognised at fair value through profit or loss.
- Unrealised changes in fair value on derivatives where hedge accounting of fair value is applied.
- Unrealised changes in fair value on hedged item with regard to hedged risk in hedging fair value.
- Capital gain/loss from divestment of financial assets and liabilities.
- Exchange rate changes.

**Financial instruments**

Financial instruments recognised in the asset side of the balance sheet include lending, lending to credit institutions, interest-bearing securities, derivatives and other financial assets. Liabilities and equity include liabilities to credit institutions, issued securities, derivatives, subordinated liabilities and other financial liabilities. For further information, please see Note 31.

*Recognition in and removal from the balance sheet*

A financial asset or financial liability is recognised in the balance sheet when Kommuninvest becomes party to the instrument's contractual terms.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, fall due or the company loses control over them. The same applies for part of a financial asset. A financial liability is removed from the balance sheet once the obligation in the contract has been fulfilled or is in some other way extinguished. The same applies for part of a financial liability.

Financial assets and financial liabilities are offset and recognised at a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended to adjust the items with a net amount or to at the same time capitalise the asset and adjust the liability.

Acquisitions and sales of financial instruments are reported on the business day, i.e. the day the company commits to acquiring or selling the instrument.

**Classification and measurement of financial instruments**

Financial instruments are initially measured at their fair value with transaction costs taken into account, the exception being assets and liabilities included in the category of financial assets and liabilities measured at fair value through profit or loss,

### Note 1, continued

which are measured at fair value without taking transaction costs into account.

On first recognition, a financial instrument is classified partly based on the reason for its purchase, but also on the options included in IAS 39. The classification determines how the financial instrument is measured after the first recognition as described below.

#### **Financial assets and liabilities valued at fair value through profit or loss**

Financial instruments in this category are measured continuously at fair value with changes in value reported in the income statement.

This category consists of two sub-groups: in part, financial assets and liabilities held for trade and, in part, other financial assets and liabilities allocated to this category by Kommuninvest on first recognition.

The first sub-group comprises derivatives held for financial hedging but not encompassed by hedge accounting and investments included in the trade inventory.

The second sub-group includes assets such as lending and investments. The reason Kommuninvest has classified assets to this category is to rectify a misleading relationship in the accounts that would otherwise arise regarding measurement and recognition. Risk management instruments in the form of derivative contracts are used to limit the market risks that arise when the terms for borrowing, lending and investment do not match. It would result in a misleading relationship in the accounts if the derivatives were measured at fair value through profit or loss but not the associated lending or investment.

The second sub-group also includes liabilities to credit institutions and issued securities. This refers primarily borrowing at fixed interest and structured borrowing. The reason for classifying borrowing at fixed interest in this category is that these borrowings are hedged financially with a derivative at fair value and the borrowings are mainly used for loans measured at fair value. It would be inconsistent to measure lending and derivatives at fair value but not borrowings.

The reason for classifying structured credit in this category is that the borrowing contains material embedded derivatives and that it significantly reduces inconsistencies in the valuation of free-standing derivatives and borrowing.

#### **Loans and receivables**

Loan receivables and accounts receivable are assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at the amount estimated to be paid, i.e. with a deduction for doubtful receivables. This includes lending to credit institutions and certain other lending.

#### **Available-for-sale financial assets**

This category includes Kommuninvest's investments in interest-bearing securities which are not included in trade inventory or have an accompanying interest hedging derivative.

Assets in this category are constantly valued at fair value with value changes recognised on other comprehensive income. Changes in value due to writedowns or exchange rate differences are recognised in the income statement. Interest is also recognised in the income statement.

Measurement at fair value recognised on other comprehensive income is on-going until the instrument matures or is divested. On divestment of the asset the accumulated gain or loss, which was previously recognised on other comprehensive income, is recognised in the income statement.

#### **Other financial liabilities**

Included here are liabilities to credit institutions, issued securities, subordinated liabilities and other financial liabilities, such as accounts payable. The liabilities are measured at amortised cost.

#### **Hedge accounting**

To obtain a true and fair picture of the operation, Kommuninvest applies, where possible, hedge accounting of fair value for the assets and liabilities which have been hedged with one or more financial instruments. The hedged risk is the risk of fluctuations in fair value as a consequence of changes in the interest on swaps. The hedged item is therefore reassessed on the basis of changes in the fair value of the hedged risk. Kommuninvest uses interest rate and currency swaps as hedge instruments. This means that the liability is measured at fair value through profit or loss with regard to the components which the instrument hedges.

Any inefficiency is recognised in the income statement. If a hedging relationship does not fulfil the efficiency requirements, the relationship is severed and the asset/liability is recognised at amortised cost and the accumulated change in value of the asset/liability is allocated over the remaining term. Kommuninvest's hedging relationships have been deemed highly efficient.

#### **Credit losses and writedowns on financial instruments**

The special status of the local government authorities in the Swedish constitution and their right to levy taxes mean that municipalities and county councils cannot be declared bankrupt. Neither can they cease to exist in any other way. This entails an implicit government guarantee for their commitments. Moreover, it is forbidden to pledge local government property as security for a loan, which means that municipalities and county councils are liable for all obligations they enter into, with all their tax power and their total assets.

At each reporting date, Kommuninvest evaluates whether there is objective evidence that any writedown is necessary for a financial asset or group of assets as the result of one or more events (loss events) occurring after first recognition of the asset, and of these loss events having an impact on the estimated future cash flows relating to the asset or group of assets. Objective evidence constitutes 1) observable conditions that have arisen and that have an adverse impact on the possibility of recovering the acquisition cost, and 2) significant or lengthy reduction of the fair value of an investment in a financial instrument classed as an available-for-sale financial asset.

Where there are objective indications for the need to recognise impairment of a financial asset reported at accrued cost, the amount of any such impairment is calculated as the difference between the current value of the asset's estimated future cash flows discounted at the original effective rate of interest and the reported value of the asset.

#### **Tangible assets**

Tangible fixed assets are recognised as assets in the balance sheet if it is probable that the future economic benefits will flow to Kommuninvest and the cost of the assets can be measured reliably.

Tangible fixed assets are carried at cost less accumulated depreciation.

The recognised value of a tangible fixed asset is derecognised from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. Gain or loss which may arise from the sale or scrapping of an asset constitutes the difference between

*Note 1, continued*

the sale price and the asset's recognised amount less direct sales costs. Gain and loss are recognised as other operating income/expense.

Depreciation is carried out on a linear basis over the asset's estimated useful life. Kommuninvest calculates a useful life of five years for equipment and 50 years for buildings. Works of art included in the balance sheet are not depreciated.

**Pension through insurance**

Kommuninvest's pension plans for service pensions under collective agreements are safeguarded through an insurance agreement with SPP.

According to IAS 19, a defined contribution pension plan is a plan for remuneration after termination of employment whereby the company pays pre-determined fees to a separate legal entity, and has no legal or informal obligation to make further payments if the legal entity has insufficient assets to pay all employee benefits relating to service during the current and earlier periods. A defined benefit pension plan is classed as a different type of plan for post-employment benefit to a defined contribution plan.

The pension plan for Kommuninvest's employees has been deemed a defined contribution plan encompassing more than one employer. Kommuninvest's pension payments are entered as a cost in the income statement at the rate at which they are earned as employees carry out services for Kommuninvest during a particular period. Premiums are paid to SPP based on the current salary.

In addition to collectively agreed service pensions, Kommuninvest has also made a defined contribution pension obligation to the President in a separate agreement. The pension obligation is invested in an endowment insurance which is recognised in shares and participations. The insurance is also pledged for the pension obligation. With regard to liabilities, the pension obligation is recognised as a provision.

The year's costs for these insurance premiums are shown in Note 7.

**General administration expenses**

General administration expenses encompass personnel costs, including salaries and emoluments, pension expenses, employer's contributions and other social security contributions. Other expenses included in administrative expenses are the stability charge, costs for consultants, premises, training, IT, telecommunications, travel and representation expenses. Also included are expenses for ratings, market data, and the costs of maintaining an aftermarket for issued securities.

**Other operating expenses**

Other operating expenses primarily include expenses for marketing and insurance.

**Leasing**

All leasing agreements are operational. Lease fees are periodised and recognised on a straight-line basis over the duration of the leasing agreement.

**Taxes**

Tax on profit for the year includes current tax and deferred tax. Income taxes are recognised in the income statement, except when the underlying transaction is recognised directly against other comprehensive income or equity, whereby the appurtenant tax is also recognised in other comprehensive income or equity.

Current taxes are taxes that must be paid for the current year. This also includes adjustments to current taxes attributable to previous periods. The tax regulations for economic associations have been applied in the calculation of current taxes.

These entail the year's proposal for dividends for the financial year (which will be paid out in the subsequent year) being eligible for deduction from the current year's taxation on the condition that a dividend decision is made and has been deducted in the calculation of current taxes. The deductions have affected the tax expense reported in profit/loss for the year.

Deferred tax is calculated on the basis of temporary differences between reported and tax values of assets and liabilities according to the balance sheet approach.

**Equity**

Kommuninvest has classified the subscribed capital in the Kommuninvest Cooperative Society as consolidated equity, since the subscribed capital has the characteristics and meets the conditions stated in IAS 32:16 A and B, see also Note 25.

**Cash flow statement**

The cash flow statement has been prepared using the indirect method. Operating profit has been adjusted for changes not included in operational activities. The cash flow statement has been divided into inward and outward payments from operational activities, investment activities and financing activities.

**Segment reporting**

Kommuninvest does not prepare segment reports since it has only one segment: lending to members. All operations are conducted in Sweden and all customers are domiciled in Sweden. Kommuninvest has no single customer who accounts for more than 10 percent of income.

**The Society's accounting principles**

The Society's accounting principles reflect those applied by the Group, with the exceptions that the income statement and balance sheet follow the presentation format stipulated by the Annual Accounts Act, IAS 39 is not applied and financial instruments are instead reported based on cost, and shares in subsidiaries are recognised at cost. Group contributions are recognised in the income statement as income from participations in Group companies.

## Note 2 Financial risks

For information on risk management, see pages 20-33

### Credit risk exposure

2013	Total credit risk exposure (before impairment)	Writedown/ Provision	Carrying amount	Value of collateral	Total credit risk exposure after deductions for collateral
<b>Credit against security of:</b>					
Government and municipal guarantees	208,644.0	-	208,644.0	-	208,644.0
<b>Total</b>	<b>208,644.0</b>	<b>-</b>	<b>208,644.0</b>	<b>-</b>	<b>208,644.0</b>
<b>Securities</b>					
Government securities and other public bodies					
- AAA	10,715.3	-	10,715.3	-	10,715.3
- AA	3,910.9	-	3,910.9	-	3,910.9
- no rating	-	-	-	-	-
Other issuers					
- AAA	35,015.4	-	35,015.4	-	35,015.4
- AA	9,547.5	-	9,547.5	661.2	8,886.3
- A	1,072.4	-	1,072.4	26.2	1,046.2
- BBB	2,130.1	-	2,130.1	2,109.5	20.6
<b>Total</b>	<b>62,391.6</b>	<b>-</b>	<b>62,391.6</b>	<b>2,796.9</b>	<b>59,594.6</b>
<b>Derivatives</b>					
- AA	2,297.5	-	2,297.5	18.9	2,278.6
- A	3,379.3	-	3,379.3	1,064.8	2,314.5
- BBB	559.0	-	559.0	-	559.0
<b>Total</b>	<b>6,235.8</b>	<b>-</b>	<b>6,235.8</b>	<b>1,083.7</b>	<b>5,152.1</b>
<b>Obligations</b>					
Pledged loans against municipal guarantees	3,480.0	-	3,480.0	-	3,480.0
<b>Total</b>	<b>3,480.0</b>	<b>-</b>	<b>3,480.0</b>	<b>-</b>	<b>3,480.0</b>
<b>Total credit risk exposure</b>	<b>280,751.4</b>	<b>-</b>	<b>280,751.4</b>	<b>3,880.6</b>	<b>276,870.7</b>

Kommuninvest had no direct exposure to Greece, Ireland, Italy, Spain or Portugal. Securities with a BBB rating pertain to secured lending to Danske bank. Securities that lack a rating pertain to the Municipality of Umeå. Derivatives with a BBB rating pertain to Danske Bank, AEG and Morgan Stanley.

2012	Total credit risk exposure (before impairment)	Writedown/ Provision	Carrying amount	Value of collateral	Total credit risk exposure after deductions for collateral
<b>Credit against security of:</b>					
Government and municipal guarantees	200,950.7	-	200,950.7	-	200,950.7
<b>Total</b>	<b>200,950.7</b>	<b>-</b>	<b>200,950.7</b>	<b>-</b>	<b>200,950.7</b>
<b>Securities</b>					
Government securities and other public bodies					
- AAA	8,829.9	-	8,829.9	-	8,829.9
- AA	2,129.6	-	2,129.6	-	2,129.6
- no rating	201.3	-	201.3	-	201.3
Other issuers					
- AAA	35,481.4	-	35,481.4	-	35,481.4
- AA	10,146.8	-	10,146.8	3,167.4	6,979.4
- A	2,278.9	-	2,278.9	587.6	1,691.3
- BBB	11,863.7	-	11,863.7	11,863.7	-
- BB	160.2	-	160.2	-	160.2
<b>Total</b>	<b>71,091.8</b>	<b>-</b>	<b>71,091.8</b>	<b>15,618.7</b>	<b>55,473.1</b>
<b>Derivatives</b>					
- AA	3,620.0	-	3,620.0	215.1	3,404.9
- A	5,998.4	-	5,998.4	2,206.6	3,791.8
- BBB	1,439.0	-	1,439.0	372.1	1,066.9
<b>Total</b>	<b>11,057.4</b>	<b>-</b>	<b>11,057.4</b>	<b>2,793.8</b>	<b>8,263.6</b>
<b>Obligations</b>					
Pledged loans against municipal guarantees	2,876.4	-	2,876.4	-	2,876.4
<b>Total</b>	<b>2,876.4</b>	<b>-</b>	<b>2,876.4</b>	<b>-</b>	<b>2,876.4</b>
<b>Total credit risk exposure</b>	<b>285,976.3</b>	<b>-</b>	<b>285,976.3</b>	<b>18,412.5</b>	<b>267,563.8</b>

Kommuninvest had no direct exposure to Greece, Ireland, Italy, Spain or Portugal. Securities with a BB rating pertain to Exportfinans of Norway. Securities with a BBB rating pertain to secured lending to Danske bank. Securities that lack a rating pertain to the Municipality of Umeå. Derivatives with a BBB rating pertain to Danske bank.

Note 2, continued

**Maturity information<sup>1</sup>**

2013							
Nominal cash flows – Contractual remaining duration							
Liquidity exposure	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total
<b>Assets</b>							
State bonds eligible as collateral	–	5,604.6	3,020.1	5,885.5	–	–	14,510.2
Lending to credit institutions	–	2,713.2	–	–	–	–	2,713.2
Lending	–	46,398.5	33,317.2	111,522.2	15,398.8	–	206,636.7
Bonds and other interest-bearing securities	–	3,843.5	7,056.3	32,637.9	469.6	–	44,007.3
Derivatives	–	41,822.5	60,990.3	296,482.2	32,353.1	–	431,648.1
Other asset items	–	–	–	–	–	191.3	191.3
<b>Total assets</b>	<b>–</b>	<b>100,382.3</b>	<b>104,383.9</b>	<b>446,527.8</b>	<b>48,221.5</b>	<b>191.3</b>	<b>699,706.8</b>
<b>Liabilities</b>							
Liabilities to credit institutions	–	1,624.4	–	1,874.2	701.8	–	4,200.4
Securities issued	–	24,984.1	52,076.1	155,389.9	21,031.3	–	253,481.4
Derivatives	–	43,043.9	62,277.6	299,961.0	33,145.4	–	438,427.9
Other liabilities	–	–	–	–	–	149.5	149.5
Subordinated liabilities	–	–	–	–	1,000.0	–	1,000.0
Equity	–	–	–	–	–	2,447.6	2,447.6
<b>Total equity and liabilities</b>	<b>–</b>	<b>69,652.4</b>	<b>114,353.7</b>	<b>457,225.1</b>	<b>55,878.5</b>	<b>2,597.1</b>	<b>699,706.8</b>
<b>Net</b>	<b>–</b>	<b>30,729.9</b>	<b>–9,969.8</b>	<b>–10,697.3</b>	<b>–7,657.0</b>	<b>–2,405.8</b>	<b>–</b>
Pledged loans	3,480.0	–	–	–	–	–	–

2012							
Nominal cash flows – Contractual remaining duration							
Liquidity exposure	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total
<b>Assets</b>							
State bonds eligible as collateral	–	4,450.0	2,487.8	4,064.7	–	–	11,002.5
Lending to credit institutions	–	14,433.6	–	–	–	–	14,433.6
Lending	–	65,920.6	29,423.7	97,512.9	10,836.9	–	203,694.1
Bonds and other interest-bearing securities	–	5,280.8	5,968.0	30,480.6	552.7	–	42,282.1
Derivatives	–	93,805.0	65,574.9	245,207.0	34,985.4	–	439,572.3
Other asset items	–	222.0	–	–	–	–	222.0
<b>Total assets</b>	<b>–</b>	<b>184,112.0</b>	<b>103,454.4</b>	<b>377,265.2</b>	<b>46,375.0</b>	<b>–</b>	<b>711,206.6</b>
<b>Liabilities</b>							
Liabilities to credit institutions	–	2,314.9	–	1,628.8	1,410.2	–	5,353.9
Securities issued	–	35,887.4	44,191.7	159,936.1	19,650.1	–	259,665.3
Derivatives	–	94,844.0	66,749.0	248,188.6	33,491.7	–	443,273.3
Other liabilities	–	168.5	–	–	–	–	168.5
Subordinated liabilities	–	–	–	–	1,000.3	–	1,000.3
Equity	–	–	–	–	–	1,745.3	1,745.3
<b>Total equity and liabilities</b>	<b>–</b>	<b>133,214.8</b>	<b>110,940.7</b>	<b>409,753.5</b>	<b>55,552.3</b>	<b>1,745.3</b>	<b>711,206.6</b>
<b>Net</b>	<b>–</b>	<b>50,897.2</b>	<b>–7,486.3</b>	<b>–32,488.3</b>	<b>–9,177.3</b>	<b>–1,745.3</b>	<b>–</b>
Pledged loans	2,876.4	–	–	–	–	–	–

1) To a large extent, future interest payments involve matching payment flows. These are exclusive of both deposits and outgoing payments.

Note 2, continued

**Maturity information**

2013	Recognised values – Contractual remaining duration						Total
	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	
<b>Liquidity exposure</b>							
Contractual remaining duration							
<b>Assets</b>							
State bonds eligible as collateral	–	5,613.2	3,094.1	5,918.8	–	–	14,626.1
Lending to credit institutions	–	2,832.5	–	–	–	–	2,832.5
Lending	–	46,570.5	33,528.4	113,121.8	15,423.3	–	208,644.0
Bonds and other interest-bearing securities	–	3,848.7	7,143.4	33,459.6	481.2	–	44,932.9
Derivatives	–	507.7	681.4	4,383.7	663.0	–	6,235.8
Other asset items	–	–	–	–	–	191.3	191.3
<b>Total assets</b>	<b>–</b>	<b>59,372.6</b>	<b>44,447.3</b>	<b>156,883.9</b>	<b>16,567.5</b>	<b>191.3</b>	<b>277,462.6</b>
<b>Liabilities</b>							
Liabilities to credit institutions	–	1,624.9	–	1,989.8	760.3	–	4,375.0
Securities issued	–	24,854.7	52,370.0	157,637.9	21,396.1	–	256,258.7
Derivatives	–	1,956.8	2,033.7	7,991.0	1,250.3	–	13,231.8
Other liabilities	–	–	–	–	–	149.4	149.4
Subordinated liabilities	–	–	–	–	1,000.1	–	1,000.1
Equity	–	–	–	–	–	2,447.6	2,447.6
<b>Total equity and liabilities</b>	<b>–</b>	<b>28,436.4</b>	<b>54,403.7</b>	<b>167,618.7</b>	<b>24,406.8</b>	<b>2,597.0</b>	<b>277,462.6</b>
<b>Total difference</b>	<b>–</b>	<b>30,936.2</b>	<b>–9,956.4</b>	<b>–10,734.8</b>	<b>–7,839.3</b>	<b>–2,405.7</b>	<b>–</b>
Pledged loans	3,480.0	–	–	–	–	–	–

2012	Recognised values – Contractual remaining duration						Total
	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	
<b>Liquidity exposure</b>							
Contractual remaining duration							
<b>Assets</b>							
State bonds eligible as collateral	–	4,445.9	2,492.3	4,222.6	–	–	11,160.8
Lending to credit institutions	–	15,637.4	–	–	–	–	15,637.4
Lending	–	65,452.8	28,246.3	96,416.8	10,834.8	–	200,950.7
Bonds and other interest-bearing securities	–	5,285.3	6,059.0	32,322.1	627.3	–	44,293.7
Derivatives	–	592.9	1,028.8	6,484.8	2,950.9	–	11,057.4
Other asset items	–	222.0	–	–	–	–	222.0
<b>Total assets</b>	<b>–</b>	<b>91,636.3</b>	<b>37,826.4</b>	<b>139,446.3</b>	<b>14,413.0</b>	<b>–</b>	<b>283,322.0</b>
<b>Liabilities</b>							
Liabilities to credit institutions	–	2,376.1	–	1,693.2	1,564.1	–	5,633.4
Securities issued	–	35,754.8	45,138.7	162,976.4	13,387.4	–	257,257.3
Derivatives	–	2,448.8	2,257.9	10,675.8	2,134.7	–	17,517.2
Other liabilities	–	168.5	–	–	–	–	168.5
Subordinated liabilities	–	–	–	–	1,000.3	–	1,000.3
Equity	–	–	–	–	–	1,745.3	1,745.3
<b>Total equity and liabilities</b>	<b>–</b>	<b>40,748.2</b>	<b>47,396.6</b>	<b>175,345.4</b>	<b>18,086.5</b>	<b>1,745.3</b>	<b>283,322.0</b>
<b>Total difference</b>	<b>–</b>	<b>50,888.1</b>	<b>–9,570.2</b>	<b>–35,899.1</b>	<b>–3,673.5</b>	<b>–1,745.3</b>	<b>–</b>
Pledged loans	2,876.4	–	–	–	–	–	–

Note 2, continued

## Fixed interest terms, Interest exposure

2013	Nominal cash flows						Total
	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	More than 5 yr. but max. 10 yrs.	More than 10 yrs.	Without interest	
<b>Fixed interest terms for assets and liabilities – Interest exposure</b>							
<b>Assets</b>							
State bonds eligible as collateral	6,981.0	2,920.0	4,609.2	–	–	–	14,510.2
Lending to credit institutions	2,713.2	–	–	–	–	–	2,713.2
Lending	115,239.5	12,938.7	65,404.3	12,705.2	349.0	–	206,636.7
Bonds and other interest-bearing securities	13,064.1	4,234.8	26,238.8	469.6	–	–	44,007.3
Derivatives	266,617.3	26,896.6	122,727.7	14,233.0	1,173.6	–	431,648.1
Other assets	–	–	–	–	–	191.3	191.3
<b>Total assets</b>	<b>404,615.1</b>	<b>46,990.0</b>	<b>218,980.1</b>	<b>27,407.7</b>	<b>1,522.6</b>	<b>191.3</b>	<b>699,706.8</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	2,609.0	–	1,413.2	–	178.2	–	4,200.4
Securities issued	78,410.9	30,250.7	126,792.8	17,031.5	995.5	–	253,481.4
Derivatives	317,249.3	18,996.6	91,456.8	10,376.2	349.0	–	438,427.9
Other liabilities	–	–	–	–	–	149.5	149.5
Subordinated liabilities	1,000.0	–	–	–	–	–	1,000.0
Equity	–	–	–	–	–	2,447.6	2,447.6
<b>Total equity and liabilities</b>	<b>399,269.2</b>	<b>49,247.3</b>	<b>219,662.8</b>	<b>27,407.7</b>	<b>1,522.7</b>	<b>2,597.1</b>	<b>699,706.8</b>
<b>Net</b>	<b>5,345.9</b>	<b>-2,257.3</b>	<b>-682.7</b>	<b>–</b>	<b>-0.1</b>	<b>-2,405.8</b>	<b>–</b>

2012	Nominal cash flows						Total
	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	More than 5 yr. but max. 10 yrs.	More than 10 yrs.	Without interest	
<b>Fixed interest terms for assets and liabilities – Interest exposure</b>							
<b>Assets</b>							
State bonds eligible as collateral	6,160.8	1,462.8	3,378.9	–	–	–	11,002.5
Lending to credit institutions	14,433.6	–	–	–	–	–	14,433.6
Lending	120,033.2	8,900.3	65,714.4	8,677.2	369.0	–	203,694.1
Bonds and other interest-bearing securities	16,510.7	3,607.6	21,611.1	552.7	–	–	42,282.1
Derivatives	290,636.2	45,580.4	93,030.0	9,325.7	1,000.0	–	439,572.3
Other assets	–	–	–	–	–	222.0	222.0
<b>Total assets</b>	<b>447,774.5</b>	<b>59,551.1</b>	<b>183,734.4</b>	<b>18,555.6</b>	<b>1,369.0</b>	<b>222.0</b>	<b>711,206.6</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	3,444.0	–	1,154.2	755.7	–	–	5,353.9
Securities issued	95,295.5	49,873.4	104,926.4	8,570.0	1,000.0	–	259,665.3
Derivatives	335,985.9	18,977.4	78,710.9	9,230.1	369.0	–	443,273.3
Other liabilities	–	–	–	–	–	168.5	168.5
Subordinated liabilities	1,000.3	–	–	–	–	–	1,000.3
Equity	–	–	–	–	–	1,745.3	1,745.3
<b>Total equity and liabilities</b>	<b>435,725.7</b>	<b>68,850.8</b>	<b>184,791.5</b>	<b>18,555.8</b>	<b>1,369.0</b>	<b>1,913.8</b>	<b>711,206.6</b>
<b>Net</b>	<b>12,048.8</b>	<b>-9,299.7</b>	<b>-1,057.1</b>	<b>-0.2</b>	<b>–</b>	<b>-1,691.8</b>	<b>–</b>

## Financial statements

Note 2, continued

### Foreign exchange risk<sup>1</sup>

2013		Carrying amounts						
Assets and liabilities in major foreign currencies	SEK	EUR	USD	JPY	GBP	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
Lending to credit institutions	2,817.7	10.5	4.2	-0.1	0.1	0.1	-	2,832.5
Lending	207,657.2	-	-	-	-	-	986.8	208,644.0
Interest-bearing securities	29,659.9	10,946.3	18,450.1	-	-	-	502.8	59,559.1
Shares and participations	2.6	-	-	-	-	-	-	2.6
Derivatives	-	-	-	-	-	-	6,235.8	6,235.8
Other assets	134.1	-	-	-	-	-	54.6	188.7
<b>Total assets</b>	<b>240,271.5</b>	<b>10,956.8</b>	<b>18,454.3</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>7,780.0</b>	<b>277,462.6</b>
<b>Liabilities</b>								
Liabilities to credit institutions	1,648.0	1,140.9	-	1,422.5	-	-	163.6	4,375.0
Securities issued	100,183.7	3,524.0	108,756.4	15,664.0	4,053.0	22,942.7	1,134.9	256,258.7
Derivatives	134,655.9	6,291.8	-90,306.5	-17,086.9	-4,053.0	-22,944.5	6,675.0	13,231.8
Subordinated liabilities	1,000.1	-	-	-	-	-	-	1,000.1
Other liabilities incl. equity	2,787.4	-	1.0	0.4	-	1.7	-193.5	2,597.0
<b>Total equity and liabilities</b>	<b>240,275.1</b>	<b>10,956.7</b>	<b>18,450.9</b>	<b>-</b>	<b>-</b>	<b>-0.1</b>	<b>7,780.0</b>	<b>277,462.6</b>
<b>Difference, assets and liabilities</b>	<b>-3.6</b>	<b>0.1</b>	<b>3.4</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>-</b>	<b>-</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-0.4	-	0.3	-	-	-	-	-

2012		Carrying amounts						
Assets and liabilities in major foreign currencies	SEK	EUR	USD	JPY	GBP	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
Lending to credit institutions	15,616.0	2.6	-	-0.2	0.1	0.1	-	15,618.6
Lending	198,915.6	-	-	-	-	-	2,035.1	200,950.7
Interest-bearing securities	29,701.0	7,833.0	18,684.9	-	-	-	-764.4	55,454.5
Shares and participations	34.2	-	-	-	-	-	-	34.2
Derivatives	-	-	-	-	-	-	11,057.4	11,057.4
Other assets	111.2	-	0.1	-	-	-	56.9	168.2
<b>Total assets</b>	<b>244,378.0</b>	<b>7,835.6</b>	<b>18,685.0</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>12,385.0</b>	<b>283,283.6</b>
<b>Liabilities</b>								
Liabilities to credit institutions	2,384.6	1,270.8	-	1,749.5	-	-	205.5	5,610.4
Securities issued	76,645.7	2,383.3	83,325.4	48,049.0	15,844.0	31,519.7	-509.8	257,257.3
Derivatives	162,259.7	4,180.5	-64,651.6	-49,798.5	-15,844.0	-31,519.7	12,890.8	17,517.2
Subordinated liabilities	1,000.3	-	-	-	-	-	-	1,000.3
Other liabilities incl. equity	2,099.9	-	-	-	-	-	-201.5	1,898.4
<b>Total equity and liabilities</b>	<b>244,390.2</b>	<b>7,834.6</b>	<b>18,673.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,385.0</b>	<b>283,283.6</b>
<b>Difference, assets and liabilities</b>	<b>-12.2</b>	<b>1.0</b>	<b>11.2</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>-</b>	<b>-</b>
Effect (pre-tax) of a 10 percent change in the SEK exchange rate compared to the foreign currency	-	0.1	1.1	-	-	-	-	-

1) Kommuninvest has elected to present fair value adjustments totalled by balance sheet item rather than by currency since currency risk is assessed on the basis of contracted payment flows.

## Note 3 Net interest income

The Group	2013	2012
<b>Interest revenues</b>		
Lending to credit institutions	0.0	7.3
Lending	3,791.1	4,929.9
Interest-bearing securities	778.1	1,109.0
Other	1.9	0.6
<b>Total</b>	<b>4,571.1</b>	<b>6,046.8</b>
Of which: interest income from financial items not measured at fair value through profit or loss	3,261.3	3,340.8
<b>Interest expenses</b>		
Liabilities to credit institutions	0.7	0.7
Interest-bearing securities	3,577.2	5,254.7
Other	24.3	19.9
<b>Total</b>	<b>3,602.2</b>	<b>5,275.3</b>
Of which: interest income from financial items not measured at fair value through profit or loss	3,374.0	2,957.8
<b>Total net interest income</b>	<b>968.9</b>	<b>771.5</b>
<b>Kommuninvest Cooperative Society</b>		
<b>Interest revenues</b>	<b>2013</b>	<b>2012</b>
Lending to credit institutions	0.0	0.4
Interest income, debenture loan	29.5	38.8
<b>Total</b>	<b>29.5</b>	<b>39.2</b>
<b>Interest expenses</b>		
Interest expenses, debenture loan	29.5	38.8
<b>Total</b>	<b>29.5</b>	<b>38.8</b>
<b>Total net interest income</b>	<b>0.0</b>	<b>0.4</b>

## Note 4 Commission expenses

The Group	2013	2012
Payment agency commissions	2.2	1.3
Brokerage for securities	3.2	6.7
Other commissions	0.2	0.5
<b>Total</b>	<b>5.6</b>	<b>8.5</b>

## Note 5 Net result of financial transactions

The Group	2013	2012
Result from buyback of own bonds	13.3	24.1
Interest-bearing securities	1.7	-25.2
Other financial instruments	6.1	-6.4
Unrealised changes in market value	17.6	-260.9
Exchange rate changes	0.0	1.3
<b>Total</b>	<b>38.7</b>	<b>-267.1</b>
<b>Net gain/loss by measurement category</b>	<b>2013</b>	<b>2012</b>
Financial assets at fair value through profit or loss	-1,064.0	700.9
Holdings for trading purposes (assets)	301.5	1,171.2
Loans and receivables	3.2	-
Financial liabilities at fair value through profit or loss	-1,787.4	-2,818.6
Holdings for trading purposes (liabilities)	2,595.5	772.8
Capital gains/losses on available-for-sale financial assets	1.0	-24.4
Change in fair value of derivatives that are hedging instruments in fair value hedge	-1,499.7	190.3
Change in fair value on hedged item with regard to hedged risk in fair value hedges	1,488.6	-260.6
Exchange rate changes	0.0	1.3
<b>Total</b>	<b>38.7</b>	<b>-267.1</b>
<b>Results (net)</b>		
Net result of available-for-sale financial assets recognised in other comprehensive income	-7.3	148.4

## Note 6 Other operating income

The Group	2013	2012
Legal representation fees in connection with dispute	-	4.6
Other operating income	1.9	1.8
<b>Total</b>	<b>1.9</b>	<b>6.4</b>

## Note 7 General administration expenses

### The Group

Personnel expenses , in SEK, thousands	2013	2012
– salaries and emoluments	48,790	44,897
– social security charges	15,327	13,858
– pension expenses	8,519	7,285
– special payroll tax on pension expenses	2,066	1,718
– education/training costs	1,852	1,733
– other personnel expenses	5,761	5,007
<b>Total personnel costs</b>	<b>82,315</b>	<b>74,498</b>
<b>Other general administration expenses</b>		
– travel expenses	4,093	4,598
– IT expenses	13,293	13,587
– consultancy fees	19,156	20,547
– temporary/contract personnel	1,684	1,967
– rating expenses	905	7,601
– market data	5,388	5,391
– rent and other expenses for premises	912	779
– property expenses	1,978	5,265
– Annual and interim reports	698	1,595
– stability fee	99,013	101,346
– other	17,666	13,619
<b>Total other general administration expenses</b>	<b>164,786</b>	<b>176,295</b>
<b>Total</b>	<b>247,101</b>	<b>250,793</b>

### Kommuninvest Cooperative Society, SEK, thousands

Board fees, incl. social security charges	1,551	1,665
Other	6,217	1,911
<b>Total</b>	<b>7,768</b>	<b>3,576</b>

In 2013, certain expenses were transferred from Kommuninvest i Sverige AB to the Kommuninvest Cooperative Society, entailing SEK 4.2 million in increased expenses for the Kommuninvest Cooperative Society in 2013 compared with 2012. These costs pertain to the Group's involvement in the Almedalen political discussions held in Visby, Gotland in April each year, the membership consultations that take place at the start of each year and the Dialog magazine.

### Remuneration policy

The company applies a remuneration policy that explains that the company does not apply variable remuneration. No variable remuneration was paid to company employees in 2013.

### Remuneration to the Board of Directors of Kommuninvest i Sverige AB

At the end of the year, the Board of Directors comprised 7 (8) members, of whom 4 (4) were women. Ellen Bramness Arvidsson is the Chairman of the Board of Kommuninvest i Sverige AB.

Remuneration to the Board, within the framework of the Board fees approved by the Annual General Meeting, is shown in the table below. The Chairman of the Board is paid a fixed fee of SEK 400,000. Other Board members receive a fixed fee of SEK 100,000 and a variable fee of SEK 10,000 per meeting and SEK 5,000 per meeting by phone. No fee is paid to the employee representative.

Kommuninvest i Sverige AB does not have any pension obligations or any particular conditions of notice for the Board of Directors.

In SEK, thousands	2013	2012
Björn Börjesson	–	400
Ellen Bramness Arvidsson	400	225
Lorentz Andersson	175	155
Kurt Eliasson	160	135
Anna von Knorring	165	135
Catharina Lagerstam	150	145
Anna Sandborgh	175	155
Johan Törngren	175	155
Anders Pelander, employee representative effective from 28 August 2012	–	–
<b>Total</b>	<b>1,400</b>	<b>1,505</b>

### Remuneration to the senior executives of Kommuninvest i Sverige AB

Remuneration for the President and CEO has been decided by the Board. For 2013, the President and CEO received SEK 2,890,000 (2,708,000) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to SEK 804,000 (820,000) and are covered by insurance. Part of the insurance cost relates to endowment insurance for pension obligations. The obligation contains compliance protection. The pension is vested, i.e. not conditional on future employment. For termination initiated by the company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration for the Deputy CEO has been decided by the President after consultation with the Board Chairman. The Deputy CEO received SEK 1,836,000 (1,830,000) in basic salary for 2013. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to SEK 424,000 (418,000) and are covered by insurance. For termination initiated by the company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration details regarding other senior executives only include remunerations paid during the period in which each individual has been a senior executive. Remuneration to other senior executives in the corporate management, totalling 4 (3) at the end of the year, of whom 2 (2) were women and 2 (1) were men, has been determined by the President in consultation with the Chairman. During the year, 1 new executive was appointed; a man. During the period February to December 2013, other senior executives consisted of 4 individuals. During January, other senior executives consisted of 5 people, of whom 2 were women and 3 were men. The total amount of the remuneration for these people amounted to SEK 3,752,000 (4,251,000) for the period in which they were members of the corporate management team. The pension expenses are covered through insurance.

According to the rules of procedure of the Board of Directors of Kommuninvest i Sverige AB adopted in 2013, the Chairman of the Board of Kommuninvest i Sverige AB is responsible for an independent review of the company's remuneration policy and remuneration system being carried out. In addition, the Chairman of the Board of the credit market company is responsible for preparing Board decisions regarding a) remunerations to senior executives, b) remunerations to employees with overarching responsibility for any of the company's control functions, and c) measures for monitoring the application of the credit market company's remuneration policy.

### Remuneration to the Board of Directors of the Kommuninvest Cooperative Society

During the year, the Board of Directors comprised 15 (15) members, of whom 6 (6) were women. There were 15 (14) deputy mem-

Note 7, continued

bers, of whom 7 (7) were women. Ann-Charlotte Stenkil is the Chairman of the Board and Alf Egnerfors is the Vice Chairman of the Board of the Kommuninvest Cooperative Society.

The Chairman received a fixed fee of SEK 100,000 and a variable fee of SEK 3,500 per meeting. The Vice Chairman received a fixed fee of SEK 50,000 and a variable fee of SEK 3,500 per meeting. Alongside the Chairman and Vice

Chairman, two other members of the Board form the Society's Working Committee and consequently receive an annual fixed fee of SEK 12,000 and a variable fee of SEK 3,500 per meeting. Other Board members received a fixed fee of SEK 6,000 and a variable fee of SEK 3,500 per meeting. Deputy members received a fixed fee of SEK 3,500 per meeting. All members receive a fixed fee of SEK 1,750 per meeting held by telephone.

#### Wages and remunerations – Kommuninvest i Sverige AB

2013, in SEK, thousands	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension expense	Other remuneration	Total
Board of Directors	1,400	–	–	–	–	1,400
President and CEO	2,890	–	86	804	–	3,780
Deputy CEO	1,836	–	1	424	–	2,261
Other members of company management	3,752	–	15	1,330	–	5,097
Other salaried employees	37,685	–	251	4,876	–	42,812
<b>Total</b>	<b>47,563</b>	<b>–</b>	<b>353</b>	<b>7,434</b>	<b>–</b>	<b>55,350</b>

2012	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension expense	Other remuneration	Total
Board of Directors	1,505	–	–	–	–	1,505
President and CEO	2,708	–	79	820	–	3,607
Deputy CEO	1,830	–	–	418	–	2,248
Other members of company management	4,251	–	8	966	–	5,225
Other salaried employees	33,283	–	210	5,081	–	38,574
<b>Total</b>	<b>43,577</b>	<b>–</b>	<b>297</b>	<b>7,285</b>	<b>–</b>	<b>51,159</b>

Remuneration to the Board of Directors of the Kommuninvest Cooperative Society, SEK, thousands	2013	2012
Alf Egnerfors	134	137
Andreas Stuesson, effective from April 2013	11	–
Ann-Charlotte Stenkil	205	202
Ann-Marie Jacobsson	21	24
Barbro Hassel	17	18
Bert Öhlund	27	23
Britt-Marie Lövgren	–	17
Carina Blank	17	30
Carina Jönsson	11	4
Christina Johansson	17	24
Elver Jonsson	27	37
Ewa-May Karlsson	80	70
Fredrik Larsson	17	14
Gert Ove Thörnros	17	25
Jonas Ransgård, effective from April 2013	17	–
Lennart Holmlund	18	24
Lilly Bäcklund	21	21
Lotta Öhlund	30	27
Magnus Oscarsson	20	24
Malin Danielsson, effective from April 2013	11	–
Margreth Johnsson	84	78
Marie Wilén	11	17
Niklas Karlsson	23	24
Per Björklund	–	–
Per Mosseby, until April 2013	14	24
Peter Hemlin	24	28
Peter Kärnström	18	21
Robert Mörk	27	31
Robert Stenkviist, effective from April 2013	7	–
Roland Åkesson	30	27
Stefan Gustafsson, until April 2013	4	7
Urban Widmark	17	21
Åsa Herbst	20	20
Örjan Mossberg	30	31
<b>Total</b>	<b>1,027</b>	<b>1,050</b>

#### The Group

Average number of employees	2013	2012
Average number of employees during the year	66	62
– of whom women	27	27

The Society has no employees

Emoluments and costs for the auditors	2013	2012
<b>The Group, SEK, thousands</b>		
Ernst & Young AB, Auditing engagement	1,145	1,138
Auditing assignments beyond principal	1,605	1,559
Other Services	1,034	764

Emoluments and costs for the auditors	2013	2012
<b>Kommuninvest Cooperative Society, SEK, thousands</b>		
Ernst & Young AB, Auditing engagement	162	145

Auditing work refers to the scrutiny of the annual report and bookkeeping and administration by the Board of Directors and President, other tasks that are the responsibility of Kommuninvest i Sverige AB's auditors, and other advice or assistance brought about by observations from such audits and/or performance of other tasks. The term Auditing assignments beyond principal refers to quality assessment services, such as reviews resulting in reports or attestations intended for recipients including others than the client. Other services refers to those not included in any of the above.

Operating leases where the Kommuninvest Group is the lessor	2013	2012
Non-cancellable lease payments amount to:		
Within one year	1,332	1,404
Between one and five years	4,158	357
More than five years	0	2
<b>Total</b>	<b>5,490</b>	<b>1,763</b>

Expenses over the year amounted to SEK 3,483,000 (3,448,000).

**Note 8 Other operating expenses**

The Group	2013	2012
Insurance expenses	0.7	0.6
Communication and information	2.5	4.2
Other operating expenses	0.2	0.2
<b>Total</b>	<b>3.4</b>	<b>5.0</b>

**Note 9 Taxes**

The Group	2013	2012
<b>Recognised in income statement</b>		
Current tax expense		
Tax attributable to previous years <sup>1</sup>	–	72.6
Deferred tax attributable to temporary differences	–3.8	56.2
Deferred tax attributable to untaxed reserves	–	53.7
<b>Total tax expense recognised</b>	<b>–3.8</b>	<b>182.5</b>

1) On the submission of the annual accounts for 2011, it had not been ascertained whether the surplus distribution of SEK 276 million was deductible or not. In the closing accounts for 2011, SEK 72.6 million was taken up as a tax expense. At the date on which the tax returns were filed, it had been determined that the surplus distribution was deductible and consequently the Society made a deduction for this in its tax returns. This entailed a tax asset of SEK 72.6 million being recognised in 2012.

Reconciliation of effective tax	2013 %	2013	2012 %	2012
Profit/loss before tax		749.6		242.3
Tax according to prevailing tax rate	22.0%	164.9	26.3%	63.7
Tax effect of deductible distribution	–20.4%	–153.2	–84.5%	–204.8
Tax attributable to previous years	–	–	–30.0%	–72.6
Utilised tax loss carryforwards not previously recognised	0.0%	–8.2	7.3%	17.8
Effect of changed tax rates	–	–	5.1%	12.4
Non-deductible expenses	0.0%	0.3	0.1%	0.3
Standard interest, tax allocation reserve	–	–	0.2%	0.6
Other	–	–	0.0%	0.1
<b>Recognised effective tax</b>	<b>0.0%</b>	<b>3.8</b>	<b>–75.3%</b>	<b>–182.5</b>

Tax expense attributable to other comprehensive income	2013	2012
Available-for-sale financial assets	–1.6	37.6
Loans and receivables	–	0.3
<b>Total other comprehensive income</b>	<b>–1.6</b>	<b>37.9</b>

In the Group and the Kommuninvest Cooperative Society, tax loss carryforwards not recognised as tax assets amount to SEK 64 million (64). This amount corresponds to tax of SEK 14 million at a tax rate of 22 percent.

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities relate to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	2013	2012	2013	2012	2013	2012
<b>Unrealised changes in market value</b>						
– of which, recognised in the income statement	59.5	63.3	–	–	59.5	63.3
– of which, recognised in other comprehensive income	–4.9	–6.5	–	–	–4.9	–6.5
<b>Tax assets/liabilities, net</b>	<b>54.6</b>	<b>56.8</b>	<b>–</b>	<b>–</b>	<b>54.6</b>	<b>56.8</b>

Kommuninvest Cooperative Society	2013	2012
<b>Recognised in income statement</b>		
Tax expense for the period	–	–72.6
<b>Total tax expense recognised</b>	<b>0.0</b>	<b>–72.6</b>

Reconciliation of effective tax	2013 %	2013	2012 %	2012
Profit/loss before tax		733.3		746.5
Tax according to prevailing tax rate	22.0%	161.3	26.3%	196.3
Tax effect of deductible distribution	–20.9%	–153.2	–27.4%	–204.8
Tax attributable to previous years	–	–	–9.7%	–72.6
Utilised tax loss carryforwards not previously recognised	–1.1%	–8.1	2.3%	16.8
Non-taxable gain on divestment of subsidiary	–	–	–1.1%	–8.3
<b>Recognised effective tax</b>	<b>0%</b>	<b>0</b>	<b>–9.7%</b>	<b>–72.6</b>

## Note 10 State bonds eligible as collateral

The Group	2013			2012		
	Acquisition value	Fair value	Carrying amount	Cost	Fair value	Carrying amount
State bonds eligible as collateral						
– Swedish central government	9,024.6	9,073.0	9,073.0	6,792.5	6,809.3	6,809.3
– Swedish municipalities	1,851.4	1,865.0	1,865.0	2,086.6	2,103.7	2,103.7
– Foreign governments	3,714.8	3,688.2	3,688.2	2,213.6	2,247.8	2,247.8
<b>Total</b>	<b>14,590.8</b>	<b>14,626.2</b>	<b>14,626.2</b>	<b>11,092.7</b>	<b>11,160.8</b>	<b>11,160.8</b>
of which:						
– Securities listed on an exchange			14,626.2			11,160.8
– Unlisted securities			0.0			0.0
Positive difference of book values exceeding nominal values			154.9			171.3
Negative difference of book values falling below nominal values			-12.5			-13.0
<b>Total</b>			<b>142.4</b>			<b>158.3</b>

## Note 11 Lending to credit institutions

Kommuninvest Cooperative Society	2013	2012
Lending in SEK	0.3	8.8
<b>Total</b>	<b>0.3</b>	<b>8.8</b>

## Note 12 Lending

Lending refers to lending to municipalities and county councils, as well as to companies owned by municipalities and county councils. Approximately 40.9 percent (45.1) of total lending is direct to municipalities and county councils that are members of Kommuninvest. The remainder is to their corporations, which have municipal guarantees, and are mainly municipal housing corporations 30.0 percent (30.7) and other companies with municipal guarantees 29.1 percent (24.2). In Kommuninvest's assessment, no writedowns were required as per 31 December 2013.

## Note 13 Bonds and other interest-bearing securities

The Group	2013			2012		
	Acquisition value	Fair value	Carrying amount	Cost	Fair value	Carrying amount
Bonds and other interest-bearing securities						
– Swedish housing finance institutions	17,519.7	17,825.2	17,825.2	17,100.4	17,727.5	17,727.5
– Other Swedish issuers	874.5	904.4	904.4	690.4	731.3	731.3
– other foreign issuers	26,050.3	26,203.3	26,203.3	25,480.6	25,834.9	25,834.9
<b>Total</b>	<b>44,444.5</b>	<b>44,932.9</b>	<b>44,932.9</b>	<b>43,271.4</b>	<b>44,293.7</b>	<b>44,293.7</b>
of which:						
– Securities listed on an exchange			43,302.5			42,189.8
– Unlisted securities			1,630.4			2,103.9
Positive difference of book values exceeding nominal values			1,804.7			2,024.2
Negative difference of book values falling below nominal values			-35.4			-12.6
<b>Total</b>			<b>1,769.3</b>			<b>2,011.6</b>

**Note 14** Shares and participations

The Group	2013	2012
Endowment insurance	2.1	1.7
<b>Total shares and participations</b>	<b>2.1</b>	<b>1.7</b>

**Note 15** Shares and participations in associated companies

Administrative Solutions NLGFA AB, holding 50 percent.  
Reg. no: SE-556581-0669, Örebro, Sweden

The Group	2013	2012
Number of shares: 500	0.5	0.5
<b>Total</b>	<b>0.5</b>	<b>0.5</b>

As per 31 December 2013, Administrative Solutions NLGFA AB had a balance sheet total of SEK 8.7 million (6.6), equity of SEK 2.0 million (1.9) and generated a profit of SEK 0.1 million (0.04).

**Note 16** Shares and participations in subsidiaries

Kommuninvest Cooperative Society	2013 Number of shares	2012 Number of shares	2013 Carrying amount	2012 Carrying amount
<b>Companies</b>				
Kommuninvest i Sverige AB, 556281-4409	13,963,850	6,083,850	1,389.9	621.9
<b>Total</b>	<b>13,963,850</b>	<b>6,083,850</b>	<b>1,389.9</b>	<b>621.9</b>

The value has increased due to a new share issue.

**Note 17** Receivables from subsidiaries

Kommuninvest Cooperative Society	2013	2012
Group contributions	741.1	805.3
Accounts receivable, trade	0.2	–
<b>Total</b>	<b>741.3</b>	<b>805.3</b>

**Note 18** Tangible assets

The Group	2013	2012
<b>Equipment</b>		
Acquisition value brought forward	21.4	19.8
Investments for the year	1.8	1.6
Disposals	0.8	–
<b>Acquisition value carried forward</b>	<b>22.4</b>	<b>21.4</b>
Opening balance, depreciation	14.7	11.4
Depreciation for the year	2.9	3.3
Disposals	–0.6	–
<b>Depreciation carried forward</b>	<b>17.0</b>	<b>14.7</b>
<b>Carrying amounts</b>	<b>5.4</b>	<b>6.7</b>
<b>Land and building</b>		
Acquisition value brought forward	46.4	46.4
Investments for the year	0.2	–
<b>Acquisition value carried forward</b>	<b>46.6</b>	<b>46.4</b>
Opening balance, depreciation	13.6	12.7
Depreciation for the year	0.9	0.9
<b>Depreciation carried forward</b>	<b>14.5</b>	<b>13.6</b>
<b>Carrying amount</b>	<b>32.1</b>	<b>32.8</b>

## Note 19 Other assets

The Group	2013	2012
Other assets	4.3	31.8
<b>Total</b>	<b>4.3</b>	<b>31.8</b>

## Note 20 Prepaid expenses and accrued revenues

The Group	2013	2012
Prepaid expenses and accrued revenues	11.2	12.8
<b>Total</b>	<b>11.2</b>	<b>12.8</b>

## Note 21 Other liabilities

The Group	2013	2012
Other liabilities	24.7	13.5
<b>Total</b>	<b>24.7</b>	<b>13.5</b>

Kommuninvest Cooperative Society	2013	2012
Other liabilities	0.2	0.1
Accounts payable, trade	0.3	–
<b>Total</b>	<b>0.5</b>	<b>0.1</b>

## Note 22 Accrued expenses and prepaid revenues

The Group	2013	2012
Accrued stability charge	99.3	101.6
Other accrued expenses	22.9	24.6
<b>Total</b>	<b>122.2</b>	<b>126.2</b>

Kommuninvest Cooperative Society	2013	2012
Other accrued expenses and prepaid revenues	0.2	0.2
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

## Note 23 Provisions for pensions and similar obligations

The Group	2013	2012
Provision for pension obligations	2.5	2.1
<b>Total</b>	<b>2.5</b>	<b>2.1</b>

## Note 24 Subordinated liabilities

The Group				Carrying amount	
Currency	Nom	Interest rate (%)	Due date	2013	2012
Sub-ordinated loan	SEK 1,000.0	Variable	30 November 2040	1,000.1	1,000.3
<b>Total</b>	<b>1,000.0</b>			<b>1,000.1</b>	<b>1,000.3</b>

30-year debenture loan with three-month variable Stibor-linked interest. The terms allow early repayment or repurchase if the perpetual debenture loan from the Kommuninvest Cooperative Society to Kommuninvest i Sverige AB is repaid or repurchased. The interest expense for the year totalled SEK 29.4 (38.8) million.

Members may not, without the approval of the Kommuninvest Cooperative Society, transfer debentures to any party who is not also a member at the time of transfer. Members who leave the Society remain as creditors to the Society and former members may only transfer their claim to another member in accordance with the above.

## Note 25 Equity in the Kommuninvest Cooperative Society

In the consolidated accounts, the Kommuninvest Cooperative Society has classified subscribed capital of SEK 1,356.3 million as equity. Members who leave or are expelled from the Society shall be able to recover subscribed capital they have paid in or been allocated through participation issues. It is only on leaving or being expelled that members can recover their subscribed capital. Subscribed capital shall be paid back six months after the discontinuation of membership.

However, repayments of subscribed capital may only be made to the extent permitted by the Society's retained assets in accordance with the balance sheet set up at the point of the discontinuation of membership without having to make use of the statutory reserve or appreciation fund and only on the condition that this can be done without setting aside the equal rights of the other members.

On repayment, the Society is entitled to subtract the amount required to settle past due counterclaims from the Society and any claims from the Society's companies. As per the balance sheet date, no repayment amounts were pending.

## Note 26 Consolidated equity

The Group	Restricted equity		Unrestricted equity		Total unrestricted equity
	Subscribed capital	Restricted reserves	Fair value reserve	Unrestricted reserves	
<b>Equity brought forward 1 Jan 2012</b>	<b>309.7</b>	<b>175.0</b>	<b>-87.6</b>	<b>782.9</b>	<b>1,180.0</b>
Displacement between restricted and unrestricted equity	0.0	-150.4	0.0	150.4	0.0
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>110.7</b>	<b>424.8</b>	<b>536.4</b>
<b>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</b>					
Distribution of surplus as bonuses and interest	0.0	0.0	0.0	-276.0	-276.0
<b>New subscribed capital during the year</b>					
Participation capital from new members of the society	29.9	0.0	0.0	0.0	29.9
New annual participation capital from members	276.0	0.0	0.0	0.0	276.0
<b>Equity carried forward 31 Dec 2012</b>	<b>615.6</b>	<b>24.7</b>	<b>23.1</b>	<b>1,082.1</b>	<b>1,745.3</b>
<b>Equity brought forward 1 Jan 2013</b>	<b>615.6</b>	<b>24.7</b>	<b>23.1</b>	<b>1,082.1</b>	<b>1,745.3</b>
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-5.7</b>	<b>745.8</b>	<b>740.1</b>
<b>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</b>					
Distribution of surplus as bonuses and interest	0.0	0.0	0.0	778.5	778.5
Allocated to statutory reserve		41.0		41.0	0
<b>New subscribed capital during the year</b>					
Participation capital from new members of the society	12.7	0.0	0.0	0.0	12.7
New annual participation capital from members	728.0	0.0	0.0	0.0	728.0
<b>Equity carried forward 31 Dec 2013</b>	<b>1,356.3</b>	<b>65.6</b>	<b>17.4</b>	<b>1,008.5</b>	<b>2,444.6</b>

## Note 27 Pledged assets

The Group	2013	2012
<i>In the form of assets pledged for own provisions and liabilities</i>		
Endowment insurance for pension obligations	2.1	1.7
Property mortgages	42.0	42.0
<i>Deposited at the Riksbank</i>		
– government securities	5,676.7	5,039.2
– securities issued by Swedish municipalities and county councils	653.3	2,213.1
– Swedish covered bonds	16,622.2	15,188.3
<b>Assets pledged, total</b>	<b>22,996.3</b>	<b>22,484.3</b>

The recognised value of liabilities and provisions involving pledges amounted to SEK 25.5 (25.1) million. To qualify for participation in RIX, the Riksbank's system for the transfer of account funds, Kommuninvest is required to deposit securities with the Riksbank.

## Note 28 Obligations

The Group	2013	2012
Pledged loans	3,480.0	2,876.4
<b>Total</b>	<b>3,480.0</b>	<b>2,876.4</b>

## Note 29 Related parties

### Related parties

The Kommuninvest Cooperative Society has had related party transactions with Kommuninvest i Sverige AB. Receivables from and liabilities to subsidiaries are stated in the balance sheet.

Related party, in SEK, thousands	Year	Sales of goods/ services to related parties	Purchase of goods/ services from related parties	Other (interest)	Liabilities to related parties on 31 December	Receivables from related parties on 31 December
Kommuninvest i Sverige AB	2013	48	2,628	29,448	126	1,741,176
	2012	0	1,217	38,782	13	1,805,579

## Note 30 Events after the balance sheet date

Nothing significant has taken place after the balance sheet date.

## Note 31 Financial assets and liabilities – Group

2013	Financial assets at fair value through profit or loss		Loan receivables loans and receivables	Investments held to maturity
	Financial assets determined as belonging to this category	Holdings for trading purposes		
State bonds eligible as collateral	13,096.5	–	0.0	–
Lending to credit institutions	–	–	2,832.5	–
Lending	78,801.3	–	129,842.7	–
Bonds and other interest-bearing securities	32,562.1	0.0	0.0	0.0
Derivatives	0.0	2,466.2	–	–
Other assets	–	–	11.8	–
<b>Total</b>	<b>124,459.9</b>	<b>2,466.2</b>	<b>132,687.0</b>	<b>–</b>
Liabilities to credit institutions	–	–	–	–
Securities issued	–	–	–	–
Derivatives	–	–	–	–
Other liabilities	–	–	–	–
Subordinated liabilities	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

2012	Financial assets at fair value through profit or loss		Loan receivables loans and receivables	Investments held to maturity
	Financial assets determined as belonging to this category	Holdings for trading purposes		
State bonds eligible as collateral	9,239.4	–	0.0	–
Lending to credit institutions	–	–	15,637.3	–
Lending	73,686.7	–	127,264.0	–
Bonds and other interest-bearing securities	27,583.2	250.4	0.0	–
Derivatives	–	5,525.9	–	–
Other assets	–	–	2.3	–
<b>Total</b>	<b>110,509.3</b>	<b>5,776.3</b>	<b>142,903.6</b>	<b>0.0</b>
Liabilities to credit institutions	–	–	–	–
Securities issued	–	–	–	–
Derivatives	–	–	–	–
Other liabilities	–	–	–	–
Subordinated liabilities	–	–	–	–
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The recognised value of lending to credit institutions consists of receivables from credit institutions including receivables in genuine repurchasing transactions, which are recognised at amortised cost. The difference between recognised value and fair value pertains to changes in genuine repurchasing transactions.

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

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

### Calculation of fair value

#### General

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

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

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

**Level 3:** value is determined on the basis of input data that are not observable in the market, with the company's own estimates playing a significant role.

Financial assets available for sale	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total carrying amount	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
1,529.7	-	-	-	-	14,626.2	14,626.2
-	-	-	-	-	2,832.5	2,832.5
-	-	-	-	-	208,644.0	208,910.0
12,370.8	-	-	-	-	44,932.9	44,932.9
-	-	-	-	3,769.6	6,235.8	6,235.8
-	-	-	-	-	2.0	2.0
<b>13,900.5</b>	-	-	-	<b>3,769.6</b>	<b>277,273.4</b>	<b>277,539.4</b>
-	2,266.2	-	2,108.8	-	4,375.0	4,375.6
-	120,818.5	-	135,440.2	-	256,258.7	256,935.5
-	-	11,606.2	-	1,625.6	13,231.8	13,231.8
-	-	-	20.4	-	20.4	20.4
-	-	-	1,000.1	-	1,000.1	993.7
-	<b>123,084.7</b>	<b>11,606.2</b>	<b>138,569.5</b>	<b>1,625.6</b>	<b>274,886.0</b>	<b>275,557.0</b>

Financial assets available for sale	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total carrying amount	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
1,921.4	-	-	-	-	11,160.8	11,160.8
-	-	-	-	-	15,637.3	15,636.6
-	-	-	-	-	200,950.7	201,156.0
16,460.1	-	-	-	-	44,293.7	44,293.7
-	-	-	-	5,531.5	11,057.4	11,057.4
-	-	-	-	-	2.3	2.3
<b>18,381.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5,531.5</b>	<b>283,102.2</b>	<b>283,306.8</b>
-	2,610.6	-	3,022.8	-	5,633.4	5,632.7
-	120,098.8	-	137,158.5	-	257,257.3	257,658.8
-	-	16,074.3	-	1,442.9	17,517.2	17,517.1
-	-	-	9.4	-	9.4	9.4
-	-	-	1,000.3	-	1,000.3	995.7
<b>0.0</b>	<b>122,709.4</b>	<b>16,074.3</b>	<b>141,191.0</b>	<b>1,442.9</b>	<b>281,417.6</b>	<b>281,813.7</b>

As only a small part of Kommuninvest's financial instruments are traded on an active market at listed prices as per level 1, accepted and well established valuation techniques are primarily used to determine fair value. These valuation techniques are based on observable market information in accordance with valuation level 2. The valuation techniques applied are based on discounted cash flows and prices from the primary and secondary markets. Financial instruments for which the valuation includes a significant element of data not observable in the market or in-house assessments have been classed at valuation level 3.

#### Lending

Fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted by current new lending margins. This calculation

technique means that when the new lending margin rises, a lower fair value arises for previous lending, and vice versa. Kommuninvest's lending is focused solely on members of Kommuninvest Cooperative Society and to its members' majority-owned companies.

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

Investments traded on an active market are valued on the basis of quoted market prices and classified in level 1. For investments where listed market prices do not derive from active trading, fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted on the basis of the issuer's credit risk. These investments are classified in level 2. Most of the investments are

### *Note 31, continued*

with the Swedish State, Swedish covered bonds, state-guaranteed financial institutions within the OECD and banks in the Nordic region. Kommuninvest holds no positions in structured credit products such as ABS, Asset-Backed Securities, or CDOs, Collateralised Debt Obligations.

### *Liabilities to credit institutions, issued securities and other subordinated liabilities*

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

### *Derivatives*

Standardised derivatives in the form of FRA contracts scheduled for IMM days and traded in an active market are measured according to level 1. The fair value of other derivatives is calculated via a discount of anticipated future cash flows. Where anticipated future cash flows are dependent on unobservable market data, derivatives are classified in Level 3; otherwise, 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. Derivatives are reported as assets when they have a positive market value, and as liabilities when they have a negative market value.

### *Lending to credit institutions, other assets and other liabilities*

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

### *Significant assumptions and uncertainty factors*

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

An increase in the lending price by 10 basis points on the receivables recognised at fair value would mean a negative change in income of SEK 191 (180) million. An increase in the borrowing cost by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK 300 (317) million. A parallel displacement in the borrowing and lending price by 10 basis points would mean a change in income of SEK -/4109 (+/- 137) million.

A displacement of the valuation curve upwards or downwards

by 10 basis points for the financial instruments valued according to level 3 would mean a change in income of SEK +/- 33 (+/-87) million.

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

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

### *Uncertainty in measurement due to unobservable input data*

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

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

Kommuninvest has calculated the maturity at 4.4 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable borrowing in the interval of 2.8–5.1 years. This would have an effect on earnings in the interval SEK -1.8 million–SEK +3.1 million.

### *Approval of valuation models*

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

Note 31, continued

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

2013	Level 1	Level 2	Level 3	Total
State bonds eligible as collateral	12,228.9	2,397.3	–	14,626.2
Lending	–	78,801.3	–	78,801.3
Bonds and other interest-bearing securities	31,690.8	13,242.1	–	44,932.9
Derivatives	0.0	5,616.1	619.7	6,235.8
<b>Total</b>	<b>43,919.7</b>	<b>100,056.8</b>	<b>619.7</b>	<b>144,596.2</b>
Liabilities to credit institutions	–	2,039.9	226.3	2,266.2
Securities issued	–	111,981.6	8,836.9	120,818.5
Derivatives	1.7	11,894.2	1,335.9	13,231.8
<b>Total</b>	<b>1.7</b>	<b>125,915.7</b>	<b>10,399.1</b>	<b>136,316.5</b>

Kommuninvest continuously reviews the criteria for the allocation into levels of financial assets and liabilities to be measured at fair value; see Calculation of fair value, page 70. During the

period, SEK 6,568.6 million was transferred from level 2 to level 1. All transfers are considered to have taken place as per 30 June 2013.

2012	Level 1	Level 2	Level 3	Total
State bonds eligible as collateral	8,081.5	3,079.3	–	11,160.8
Lending	–	73,686.7	–	73,686.7
Bonds and other interest-bearing securities	20,299.6	23,833.9	160.2	44,293.7
Derivatives	9.9	9,354.3	1,693.2	11,057.4
<b>Total</b>	<b>28,391.0</b>	<b>109,954.2</b>	<b>1,853.4</b>	<b>140,198.6</b>
Liabilities to credit institutions	–	2,374.1	236.5	2,610.6
Securities issued	–	85,421.1	34,677.8	120,098.9
Derivatives	1.9	12,987.3	4,527.9	17,517.1
<b>Total</b>	<b>1.9</b>	<b>100,782.5</b>	<b>39,442.2</b>	<b>140,226.6</b>

During 2012, securities valued at SEK 5,987.8 million were transferred from level 2 to level 1. This applies to government securities and institutions with government guarantees.

**Changes in level 3**

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

	Bonds and interest-bearing securities	Derivatives assets	Derivatives liabilities	Liabilities to credit institutions	Securities issued	Total
<b>Opening balance, 1 January 2012</b>	<b>150.9</b>	<b>2,581.2</b>	<b>-1,978.0</b>	<b>-228.7</b>	<b>-32,626.0</b>	<b>-32,100.6</b>
Recognised gains and losses:						
– recognised in profit/loss (net result of financial transactions)	9.3	-891.3	-2,520.5	-7.8	3,464.8	54.5
Cost, acquisitions	–	3.3	-29.4	–	-17,199.5	-17,225.6
Maturing during the year	–	0.1	–	–	11,682.8	11,682.9
<b>Closing balance, 31 December 2012</b>	<b>160.2</b>	<b>1,693.3</b>	<b>-4,527.9</b>	<b>-236.5</b>	<b>-34,677.9</b>	<b>-37,588.8</b>
Gains and losses recognised in profit/loss (net result of financial transactions) for assets included in the closing balance as per 31 December 2012	9.3	-1,137.9	-2,515.6	-7.7	3,731.0	79.1
<b>Opening balance, 1 January 2013</b>	<b>160.2</b>	<b>1,693.3</b>	<b>-4,527.9</b>	<b>-236.5</b>	<b>-34,677.9</b>	<b>-37,588.8</b>
Recognised gains and losses:						
– recognised in profit/loss (net result of financial transactions)	–	-1,073.6	3,201.4	10.2	-2,323.5	-185.5
Cost, acquisitions	–	–	-9.4	–	-5,133.2	-5,142.6
Maturing during the year	-160.2	–	–	–	33,297.7	33,137.5
<b>Closing balance, 31 December 2013</b>	<b>–</b>	<b>619.7</b>	<b>-1,335.9</b>	<b>-226.3</b>	<b>-8,836.9</b>	<b>-9,779.4</b>
Gains and losses recognised in profit/loss (net result of financial transactions) for assets included in the closing balance as per 31 December 2013	–	-1,695.6	1,973.6	10.2	-386.6	-98.4

Note 31, continued

**Financial instruments not measured at fair value in the balance sheet**

2013	Level 1	Level 2	Level 3	Total
Lending to credit institutions	–	2,832.5	–	2,832.5
Lending	–	130,108.7	–	130,108.7
Other assets	–	2.0	–	2.0
<b>Total</b>	<b>–</b>	<b>132,943.2</b>	<b>–</b>	<b>132,943.2</b>
Liabilities to credit institutions	–	2,109.4	–	2,109.4
Securities issued	92,298.9	43,818.1	–	136,117.0
Other liabilities	–	20.4	–	20.4
Subordinated liabilities	–	993.7	–	993.7
<b>Total</b>	<b>92,298.9</b>	<b>46,941.6</b>	<b>–</b>	<b>139,240.5</b>

**Note 32 Information on financial assets and liabilities subject to offsetting – Group**

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

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

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

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

**Information – by type of financial instrument**

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

31 Dec 2013	Amounts <sup>1</sup> reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
<b>Assets</b>					
Derivatives	6,235.8	-5,329.3	-791.3	–	115.2
Repos	2,796.9	–	-2,796.9	–	–
<b>Liabilities</b>					
Derivatives	-13,231.8	5,329.3	–	–	-7,902.5
<b>Total</b>	<b>-4,199.1</b>	<b>0.0</b>	<b>-3,588.2</b>	<b>–</b>	<b>-7,787.3</b>

31 December 2012	Amounts <sup>1</sup> reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
<b>Assets</b>					
Derivatives	11,057.4	-9,568.9	-984.5	–	504.0
Repos	15,679.6	–	-15,679.6	–	–
<b>Liabilities</b>					
Derivatives	-17,517.2	9,568.9	–	–	-7,948.3
<b>Total</b>	<b>9,219.8</b>	<b>0.0</b>	<b>-16,664.1</b>	<b>–</b>	<b>-7,444.3</b>

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

## Note 33 Capital adequacy – Group

### Capital adequacy

For the establishment of statutory capital requirements, the Capital Adequacy and Large Exposures Act (2006:1371) applies, along with Swedish Financial Supervisory Authority Regulations and general guidelines regarding capital adequacy and large exposures (FFFS 2007:1).

As far as Kommuninvest i Sverige AB is concerned, these regulations contribute to greater resistance against financial losses, thereby protecting customers. The regulations mean that Kommuninvest i Sverige AB's capital base (equity) should on the one hand cover with a good margin the prescribed minimum capital requirements, which include the capital requirements for credit risks, market risks and operational risks, and should also encompass the estimated capital requirements for other risks identified in the operation in accordance with the chosen principles for capital assessment. For capital requirements above minimum level (column 1), amounts have been allocated for the following other risks (column 2): Credit risk, market risk, operational risk, interest risk, business risk, reputation risk and strategic risk. Kommuninvest has set an internal capital adequacy quota which includes all risks in the operation in accordance with columns 1 and 2 and also an additional risk area as a buffer for risks not calculated for columns 1 and 2. The quota is not permitted to fall below this level without the approval of the Board of Directors.

Kommuninvest i Sverige AB has a set plan (the capital plan) regarding the size of the capital base for several years ahead, which is based on

- risk profile,
- identified risks with regard to probability and financial impact,
- stress tests and scenario analyses,
- anticipated lending expansion and financing opportunities, and
- new legislation and other external factors.

Reviewing the capital plan is an integral part of Kommuninvest i Sverige AB's work on the annual operations plan and budget. The plan is followed up annually or as required when an annual review is carried out to ensure that the risks are correctly assessed and reflect Kommuninvest i Sverige AB's true risk profile and capital requirement.

In its overall assessment, the Board has found that the capital requirements arising as a consequence of the risks (columns 1 and 2) identified in a reasonable manner are covered within the scope of current capital.

As with major credit decisions and investments, any change or addition to a policy or strategy document adopted by the Board must always be related to the institute's current and future capital requirements.

Information on Kommuninvest i Sverige AB's risk management can be found in the administration report and in Note 2.

Kommuninvest i Sverige AB has opted in this annual report only to provide the information required on capital base and capital requirements in accordance with Chapter 3, §§ 1-2 and Chapter 4 of the regulations and general recommendations of the Swedish Financial Supervisory Authority regarding disclosure of information on capital adequacy and risk management (FFFS 2007:5). Other disclosures required by these regulations can be found on the Kommuninvest i Sverige AB's website: [www.kommuninvest.se](http://www.kommuninvest.se).

Kommuninvest i Sverige AB's statutory capital requirements in line with column I of the capital adequacy regulations can be summarised as follows, with specifications as per the sections below:

### Capital base

Tier I capital	2013	2012
Subscribed capital	1,356.3	615.6
Profit brought forward	328.1	681.8
Income for the year	745.8	424.8
Less deferred tax assets	-59.5	-63.4
Less refunds/participation issue	-696.5	-778.5
<b>Total Tier I capital</b>	<b>1,674.2</b>	<b>880.3</b>

### Tier II capital

Time-restricted debenture loans, after reduction, max.	837.1	440.1
<b>Total Tier II capital</b>	<b>837.1</b>	<b>440.1</b>
<b>Total capital base</b>	<b>2,511.3</b>	<b>1,320.4</b>

### Capital requirement

Credit risk in accordance with standardised method	2013	2012
1. Exposures to states and central banks	-	-
2. Exposures to municipalities and comparable cooperatives	-	-
3. Institutional exposures	272.6	370.4
4. Corporate exposures	0.3	1.2
5. Other items	4.1	3.3
<b>Total capital requirement for credit risks</b>	<b>277.0</b>	<b>374.9</b>

### Risks in trade inventory

Interest risks		
– Specific risk	-	0.6
– General risk	-	0.8
<b>Total capital requirements for risks in trade inventory</b>	<b>0.0</b>	<b>1.4</b>

### Operational risks

Basic indicator method	79.3	79.3
<b>Total capital requirement for operational risks</b>	<b>79.3</b>	<b>79.3</b>

### Foreign exchange risk

Foreign exchange risk	0.1	0.5
<b>Total capital requirement for foreign exchange risks</b>	<b>0.1</b>	<b>0.5</b>

<b>Total minimum capital requirement</b>	<b>356.4</b>	<b>456.1</b>
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<b>Starting capital</b>	<b>48.0</b>	<b>48.0</b>
<b>Capital adequacy quota</b>	<b>7.05</b>	<b>2.89</b>
<b>Capital adequacy ratio, %</b>	<b>56.4%</b>	<b>23.1%</b>

# Five-year summary – Group

Key ratios 2009–2013, SEK, million	2013	2012	2011	2010	2009
<b>Growth</b>					
Lending (change in %)	3.8	19.6	25.7	8.2	18.1
Net interest income (change in %)	25.6	34.9	32.5	13.0	151.4
<b>Consolidation</b>					
Capital base as % of balance sheet total	0.91	0.47	0.63	0.75	0.42
Adjusted capital base as % of balance sheet total <sup>1</sup>	1.21	0.85	0.81	0.75	0.42
Capital adequacy quota	7.05	2.89	4.42	7.50	4.30
Adjusted capital adequacy quota <sup>1</sup>	9.46	5.29	5.65	7.50	4.30
Capital adequacy ratio (%)	56.4	23.1	35.3	60.0	34.4
Adjusted capital adequacy ratio (%) <sup>1</sup>	75.7	42.3	45.2	60.0	34.4
<b>Efficiency</b>					
Administration expenses as % of lending <sup>2</sup>	0.122	0.129	0.156	0.138	0.112
Administration expenses, excluding the stability charge, as % of lending <sup>2</sup>	0.074	0.079	0.106	0.108	0.092
Administration expenses as % of balance sheet total <sup>2</sup>	0.092	0.092	0.112	0.097	0.076
Administration expenses, excluding the stability charge, as % of balance sheet total <sup>2</sup>	0.056	0.056	0.076	0.076	0.062
Lending/employee (SEK millions)	2,980.6	3,091.5	2,848.7	2,523.2	2,522.9
Change (%)	-3.6	8.5	12.9	0.0	-1.2
<b>Income/expense ratio (I/E)</b>					
Net interest income and other operating income in relation to total expenses	0.28	0.33	0.46	0.43	0.36
<b>Other information</b>					
Number of employees at the end of the year	70	65	59	53	49

1) Adjusted capital base: capital base adjusted for the calculated and yet to be approved capital reinforcement from the Kommuninvest Cooperative Society's members to be decided on by the 2014 Annual General Meeting of the Society regarding earnings for the current year. The calculated and yet to be approved capital reinforcement related to earnings for 2013 amounted to SEK 696.5 million. The adjusted capital base is used to calculate the adjusted capital base as a percentage of the balance sheet total and to calculate the adjusted capital adequacy quota and the adjusted capital adequacy ratio.

2) Administration expenses relates to general administration expenses, depreciation and other operating expenses.

<b>Income statement 1 January – 31 December, SEK, million</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net interest income	968.9	771.5	572.1	431.7	381.8
Commission expenses	-5.6	-8.5	-8.6	-4.4	-3.5
Net result of financial transactions	38.7	-267.1	72.1	17.2	90.6
Other operating income	1.9	6.4	1.3	2.3	2.5
<b>Total revenues</b>	<b>1,003.9</b>	<b>502.3</b>	<b>636.9</b>	<b>446.8</b>	<b>471.4</b>
General administration expenses	-247.1	-250.8	-250.7	-175.1	-131.4
Depreciation	-3.8	-4.2	-3.7	-3.9	-2.6
Other operating expenses	-3.4	-5.0	-7.7	-6.2	-4.8
<b>Total expenses</b>	<b>-254.3</b>	<b>-260.0</b>	<b>-262.1</b>	<b>-185.1</b>	<b>-138.8</b>
<b>Operating income</b>	<b>749.6</b>	<b>242.3</b>	<b>374.8</b>	<b>261.7</b>	<b>332.6</b>
Taxes	-3.8	182.5	-100.0	-70.1	-103.0
<b>Income for the year</b>	<b>745.8</b>	<b>424.8</b>	<b>274.8</b>	<b>191.6</b>	<b>229.6</b>
<b>Other comprehensive income</b>	<b>-5.7</b>	<b>110.7</b>	<b>-76.2</b>	<b>-52.6</b>	<b>31.8</b>
<b>Total profit or loss</b>	<b>740.1</b>	<b>535.5</b>	<b>198.6</b>	<b>139.0</b>	<b>261.4</b>
<b>Balance sheet summary as at 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
State bonds eligible as collateral	14,626.2	11,160.8	10,841.7	12,887.7	20,912.3
Lending to credit institutions	2,832.5	15,637.3	1,756.6	1,703.9	1,865.5
Lending	208,644.0	200,950.7	168,070.5	133,729.1	123,624.1
Bonds and other interest-bearing securities	44,932.9	44,293.7	39,518.7	28,759.5	25,604.1
Shares and participations	2.1	1.7	1.3	0.9	0.7
Shares in associated companies	0.5	0.5	0.5	0.5	0.5
Derivatives	6,235.8	11,057.4	13,687.2	13,024.0	11,105.3
Tangible assets	5.4	6.7	8.4	8.6	3.7
Tangible assets, lands and buildings	32.1	32.8	33.7	30.1	26.4
Other assets	85.4	110.8	112.8	69.4	22.4
Deferred tax assets	54.6	56.8	38.4	14.6	-
Prepaid expenses and accrued revenues	11.2	12.8	19.1	26.4	7.1
<b>Total assets</b>	<b>277,462.6</b>	<b>283,322.0</b>	<b>234,088.9</b>	<b>190,254.7</b>	<b>183,172.0</b>
Liabilities to credit institutions	4,375.0	5,633.4	4,172.4	3,461.9	7,371.1
Securities issued	256,258.7	257,257.3	218,037.4	173,851.9	164,696.1
Derivatives	13,231.8	17,517.2	9,354.5	10,794.2	9,873.0
Current tax liability	-	26.7	101.0	63.0	59.9
Other liabilities	24.7	13.5	75.6	13.4	259.7
Accrued expenses and prepaid revenues	122.2	126.2	112.2	44.7	36.6
Provisions for pensions and similar obligations	2.5	2.1	1.6	1.2	0.9
Deferred tax liabilities	-	-	53.7	57.3	62.4
Subordinated liabilities	1,000.1	1,000.3	1,000.2	1,002.9	-
<b>Total liabilities and provisions</b>	<b>275,015.0</b>	<b>281,576.7</b>	<b>232,908.6</b>	<b>189,290.5</b>	<b>182,359.7</b>
Equity	2,447.6	1,745.3	1,180.3	964.2	812.3
<b>Total liabilities, provisions and equity</b>	<b>277,462.6</b>	<b>283,322.0</b>	<b>234,088.9</b>	<b>190,254.7</b>	<b>183,172.0</b>

# Signatures

We hereby certify that the consolidated and annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU, and generally accepted accounting principles, that the annual accounts give a true and fair view of the operations, financial position and results of the Group and the Parent Company and describe the material risks and uncertainties facing the companies within the Group.

The consolidated and annual accounts, as specified below, were approved for issue by the Board on 5 March 2014. The consolidated income statement, statement of comprehensive income and balance sheet, as well as the Parent Company's income statement and balance sheet will be subject to ratification by the Annual General Meeting on 10 April 2014.

Örebro, 5 March 2014

Ann-Charlotte Stenkil  
*Chairman*

Alf Egnerfors  
*Vice Chairman*

Carina Blank  
*Board Member*

Åsa Herbst  
*Board Member*

Margreth Johnsson  
*Board Member*

Elver Jonsson  
*Board Member*

Ewa-May Karlsson  
*Board Member*

Niklas Karlsson  
*Board Member*

Örjan Mossberg  
*Board Member*

Robert Mörk  
*Board Member*

Magnus Oscarsson  
*Board Member*

Jonas Ransgård  
*Board Member*

Roland Åkesson  
*Board Member*

Bert Öhlund  
*Board Member*

Lotta Öhlund  
*Board Member*

Tomas Werngren  
*President*

Our Audit Report was submitted on 5 March 2014  
Ernst & Young AB

Peter Strandh  
*Authorised Public Accountant*

# Audit Report

To the Annual General Meeting of the Kommuninvest Cooperative Society, corporate identity number 716453-2074

## Report on the annual and consolidated accounts

We have audited the annual and consolidated accounts of the Kommuninvest Cooperative Society for 2013. In this document, the annual and consolidated accounts of the Society are presented on pages 8–78.

## Responsibilities of the Board of Directors and the President for the annual and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act and consolidated accounts that provide a fair portrayal in accordance with the International Financial Reporting Standards as approved by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and for such internal controls as the Board of Directors and the President determine are necessary to enable the preparation of annual and consolidated accounts that are free of material misstatement, regardless of whether this is due to fraud or errors.

## Responsibility of the Auditor

Our responsibility is to express an opinion on the annual and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the annual and consolidated accounts are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the annual and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statements

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and provide in all material respects a fair portrayal of the Society's financial position as per 31 December 2013 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the Group as per 31 December 2013 and its financial performance and cash flows

for the year in accordance with the International Financial Reporting Standards as approved by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual and consolidated accounts.

We therefore recommend that the Annual General Meeting of the Society adopt the income statement and balance sheet for the Society and the Group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual and consolidated accounts, we have also audited the proposed appropriations of the Society's profit or loss and administration of the Board of Directors and the President of the Kommuninvest Cooperative Society in 2013.

## Responsibility of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the Society's profit or loss. The Board of Directors and the President are responsible for the administration of the Society in accordance with the Economic Associations Act.

## Responsibility of the Auditor

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations with regard to the Society's profit or loss and the administration of the Company based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As the basis for our opinion on the Board of Directors' proposal regarding the appropriation of the Society's profit or loss, we have considered whether or not the proposal is consistent with the Economic Associations Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Society in order to determine whether any member of the Board of Directors or the President is liable to the Society. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Economic Associations Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Society's Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statements

We recommend that the Annual General Meeting appropriate the Society's profits in accordance with the proposal presented in the Board of Directors' Report and that the Meeting discharge the Members of the Board of Directors and the President from liability for the financial year.

Örebro, 5 March 2014

Ernst & Young AB

Peter Strandh  
*Authorised Public Accountant*

# Review Report

We the lay auditors, appointed by the Annual General Meeting of the Kommuninvest Cooperative Society, have examined the operations of the Kommuninvest Cooperative Society in 2013.

The Board of Directors and President are responsible for the operation being conducted in accordance with the Articles of Association of the Society as well as the regulations pertaining to the operations. The responsibility of the lay auditors is to examine the operation and control and assess if the operation has been conducted in accordance with the mandate of the Annual General Meeting of the Society.

The review was conducted in accordance with the Economic Associations Act, the Articles of Association of the Society and the rules of procedure for the lay auditors adopted by the

Annual General Meeting of the Society. By reviewing documents/basis for decisions, protocols/information and by discussion with Management, the Board of Directors of the Society and the authorised auditors, the audit has been made with the focus and scope necessary to give a reasonable basis for opinion and assessment.

It is our opinion that the Society's operations have been carried out in a purposeful and financially satisfactory manner, that the operations have been conducted in accordance with the principles of local government law and the principles of local government operations in corporate formats, and that the Society's internal control has been sufficient.

Örebro, 5 March 2014

Niklas Sjöberg

Anita Bohman

# Members of the Kommuninvest Cooperative Society

As per 31 December 2013

Name of member	County	Population 31 Dec 2013	Member year	No.	Name of member	County	Population 31 Dec 2013	Member year	No.
Ale	County of Västra Götaland	28,074	1993	22	Färgelanda	County of Västra Götaland	6,520	1998	98
Alingsås	County of Västra Götaland	38,619	1994	29	Gagnef	County of Dalarna	10,023	2001	118
Alvesta	County of Kronoberg	19,280	1999	108	Gislaved	County of Jönköping	28,713	2011	266
Aneby	County of Jönköping	6,375	2009	242	Gnesta	County of Södermanland	10,409	2007	195
Arboga	County of Västmanland	13,493	1994	45	Gnosjö	County of Jönköping	9,406	1994	39
Arjeplog	County of Norrbotten	2,980	2006	188	Gotland	County of Gotland	57,161	1994	28
Arvidsjaur	County of Norrbotten	6,471	2005	165	Grums	County of Värmland	8,925	1995	66
Arvika	County of Värmland	25,817	1997	89	Grästorp	County of Västra Götaland	5,641	2008	223
Askersund	County of Örebro	11,096	1993	18	Gullspång	County of Västra Götaland	5,185	2009	241
Avesta	County of Dalarna	21,582	2006	176	Gällivare	County of Norrbotten	18,339	2005	160
Bengtsfors	County of Västra Götaland	9,550	1997	83	Gävle	County of Gävleborg	97,236	1993	1
Berg	County of Jämtland	7,160	1997	55	Gothenburg	County of Västra Götaland	533,271	2012	272
Bjurholm	County of Västerbotten	2,436	2007	193	Götene	County of Västra Götaland	13,028	2000	112
Bjuv	County of Skåne	14,801	2009	244	Habo	County of Jönköping	10,975	2001	117
Boden	County of Norrbotten	27,838	2001	121	Hagfors	County of Värmland	12,071	2007	191
Bollebygd	County of Västra Götaland	8,562	2001	115	Hallsberg	County of Örebro	15,267	1993	16
Bollnäs	County of Gävleborg	26,141	2004	156	Hallstahammar	County of Västmanland	15,524	2006	175
Borgholm	County of Kalmar	10,619	2010	253	Halmstad	County of Halland	94,084	2009	247
Borlänge	County of Dalarna	50,023	1994	34	Hammarö	County of Värmland	15,136	1997	90
Borås	County of Västra Götaland	105,995	2011	267	Haninge	County of Stockholm	80,932	2003	134
Botkyrka	County of Stockholm	87,580	2006	189	Haparanda	County of Norrbotten	9,886	2005	163
Boxholm	County of Östergötland	5,278	1994	31	Heby	County of Uppsala	13,450	2002	132
Bromölla	County of Skåne	12,336	2000	110	Hedemora	County of Dalarna	15,021	1994	41
Bräcke	County of Jämtland	6,559	2009	240	Herrljunga	County of Västra Götaland	9,274	1999	101
Burlöv	County of Skåne	17,114	2009	233	Hjo	County of Västra Götaland	8,805	1996	77
Båstad	County of Skåne	14,275	1996	73	Hofors	County of Gävleborg	9,511	2003	145
Dals-Ed	County of Västra Götaland	4,740	2009	227	Huddinge	County of Stockholm	102,557	2004	158
Degerfors	County of Örebro	9,500	1993	17	Hudiksvall	County of Gävleborg	36,829	2006	184
Dorotea	County of Västerbotten	2,757	2006	186	Hultsfred	County of Kalmar	13,635	1997	87
Eda	County of Värmland	8,426	1994	38	Hylte	County of Halland	10,001	2010	252
Eksjö	County of Jönköping	16,464	2002	131	Håbo	County of Uppsala	19,968	2005	159
Emmaboda	County of Kalmar	8,964	2007	206	Hällefors	County of Örebro	6,982	1993	20
Enköping	County of Uppsala	40,656	2012	268	Härjedalen	County of Jämtland	10,281	2004	148
Municipality of Eskilstuna	County of Södermanland	99,729	2007	194	Härnösand	County of Västernorrland	24,509	1993	21
Eslöv	County of Skåne	31,920	2004	150	Härryda	County of Västra Götaland	35,732	1995	65
Essunga	County of Västra Götaland	5,494	1995	70	Hässleholm	County of Skåne	50,227	2009	234
Fagersta	County of Västmanland	12,872	1994	27	Höganäs	County of Skåne	25,084	1995	67
Falkenberg	County of Halland	41,912	1994	48	Högsby	County of Kalmar	5,718	1997	80
Falköping	County of Västra Götaland	31,988	2010	250	Hörby	County of Skåne	14,917	2009	231
Falun	County of Dalarna	56,767	1994	43	Höör	County of Skåne	15,637	2010	254
Filipstad	County of Värmland	10,563	2005	172	Jokkmokk	County of Norrbotten	5,066	2005	174
Finspång	County of Östergötland	20,903	2006	181	Järfälla	County of Stockholm	69,167	2013	277
Flen	County of Södermanland	16,156	1995	69	Jönköping	County of Jönköping	130,798	2008	219
Forshaga	County of Värmland	11,292	2007	196	Kalix	County of Norrbotten	16,387	1999	109

## List of members

Name of member	County	Population 31 Dec 2013	Member year	No.	Name of member	County	Population 31 Dec 2013	Member year	No.
Kalmar	County of Kalmar	63,887	2007	197	Mönsterås	County of Kalmar	12,949	1996	78
Karlsborg	County of Västra Götaland	6,757	2002	126	Mörbylånga	County of Kalmar	14,368	1997	88
Karlshamn	County of Blekinge	31,272	1997	91	Nora	County of Örebro	10,399	1994	19
Karlskoga	County of Örebro	29,728	1993	15	Norberg	County of Västmanland	5,608	1993	23
Karlskrona	County of Blekinge	63,912	1993	24	Nordanstig	County of Gävleborg	9,491	2006	187
Karlstad	County of Värmland	87,786	2005	170	Nordmaling	County of Västerbotten	7,006	1995	71
Katrineholm	County of Södermanland	32,930	1994	50	Norrköping	County of Östergötland	133,749	2009	246
Kil	County of Värmland	11,810	2004	147	Norrköping	County of Stockholm	56,845	2011	261
Kinda	County of Östergötland	9,802	2001	124	Norsjö	County of Västerbotten	4,175	2003	144
Kiruna	County of Norrbotten	23,196	2006	180	Nybro	County of Kalmar	19,489	2007	190
Knivsta	County of Uppsala	15,580	2008	214	Nykvarn	County of Stockholm	9,523	2007	204
Kramfors	County of Västernorrland	18,450	2005	162	Nyköping	County of Södermanland	53,038	2011	265
Kristianstad	County of Skåne	81,009	1994	54	Nynäshamn	County of Stockholm	26,796	2009	245
Kristinehamn	County of Värmland	23,949	2009	238	Nässjö	County of Jönköping	29,516	2001	123
Krokom	County of Jämtland	14,643	2005	164	Ockelbo	County of Gävleborg	5,785	1994	32
Kumla	County of Örebro	20,904	1993	12	Olofström	County of Blekinge	12,902	2009	235
Kungsbacka	County of Halland	77,390	1994	36	Orsa	County of Dalarna	6,849	1995	58
Kungsör	County of Västmanland	8,175	1995	62	Orust	County of Västra Götaland	15,036	1994	47
Kungälv	County of Västra Götaland	42,109	2003	135	Osby	County of Skåne	12,713	2008	211
Köping	County of Västmanland	25,237	2001	120	Oskarshamn	County of Kalmar	26,212	1996	72
Laholm	County of Halland	23,517	1999	102	Ovanåker	County of Gävleborg	11,354	2000	113
Landskrona	County of Skåne	43,073	1994	44	Oxelösund	County of Södermanland	11,403	2003	133
Laxå	County of Örebro	5,580	1993	13	Pajala	County of Norrbotten	6,299	1994	52
Lekeberg	County of Örebro	7,289	1995	61	Perstorp	County of Skåne	7,139	2011	264
Leksand	County of Dalarna	15,157	1999	105	Piteå	County of Norrbotten	41,278	1994	53
Lerum	County of Västra Götaland	39,319	2007	203	Ragunda	County of Jämtland	5,458	2007	210
Lessebo	County of Kronoberg	8,059	2003	139	Robertsfors	County of Västerbotten	6,738	2002	127
Lidköping	County of Västra Götaland	38,414	2009	243	Ronneby	County of Blekinge	27,871	2009	248
Lilla Edet	County of Västra Götaland	12,829	2006	178	Rättvik	County of Dalarna	10,766	1998	96
Lindesberg	County of Örebro	23,176	1993	4	Sala	County of Västmanland	21,769	2009	236
Ljungby	County of Kronoberg	27,277	2009	230	Salem	County of Stockholm	16,001	2010	257
Ljusdal	County of Gävleborg	18,931	2003	143	Sandviken	County of Gävleborg	37,250	1993	7
Ljusnarsberg	County of Örebro	4,875	1993	14	Sigtuna	County of Stockholm	43,372	2002	125
Lomma	County of Skåne	22,496	1995	60	Municipality of Simrishamn	County of Skåne	18,951	1997	85
Ludvika	County of Dalarna	25,712	2007	202	Sjöbo	County of Skåne	18,401	2007	198
Luleå	County of Norrbotten	75,383	1994	42	Skara	County of Västra Götaland	18,580	1997	92
Lund	County of Skåne	114,291	2008	220	Skellefteå	County of Västerbotten	71,988	1994	25
Lycksele	County of Västerbotten	12,270	1997	82	Skinnskatteberg	County of Västmanland	4,411	2006	179
Lysekil	County of Västra Götaland	14,369	2006	182	Skurup	County of Skåne	15,025	1998	94
Malung-Sälen	County of Dalarna	10,061	2009	224	Skövde	County of Västra Götaland	52,859	2012	273
Malå	County of Västerbotten	3,155	1997	79	Smedjebacken	County of Dalarna	10,691	1994	30
Mariestad	County of Västra Götaland	23,870	2005	166	Sollefteå	County of Västernorrland	19,623	2005	168
Mark	County of Västra Götaland	33,753	1999	104	Solna	County of Stockholm	72,740	2011	263
Mellerud	County of Västra Götaland	8,892	1998	97	Sorsele	County of Västerbotten	2,595	2010	249
Mjölby	County of Östergötland	26,313	1996	9	Sotenäs	County of Västra Götaland	8,928	2001	119
Mora	County of Dalarna	19,998	2002	129	Staffanstorps	County of Skåne	22,672	1995	64
Motala	County of Östergötland	42,187	2005	173	Stenungsund	County of Västra Götaland	24,932	2007	199
Mullsjö	County of Jönköping	7,039	2004	151	Storfors	County of Värmland	4,131	2004	157
Munkedal	County of Västra Götaland	10,205	1994	46	Storuman	County of Västerbotten	5,954	1996	74
Munkfors	County of Värmland	3,656	2004	153	Strängnäs	County of Södermanland	33,389	2007	200
					Strömstad	County of Västra Götaland	12,480	1999	106

Name of member	County	Population 31 Dec 2013	Member year	No.	Name of member	County	Population 31 Dec 2013	Member year	No.
Strömsund	County of Jämtland	11,984	1994	35	Municipality of Vindeln	County of Västerbotten	5,344	1997	95
Sundbyberg	County of Stockholm	42,626	2012	274	Vingåker	County of Södermanland	8,835	2004	152
Sunne	County of Värmland	13,011	1995	76	Vårgårda	County of Västra Götaland	11,065	1994	56
Surahammar	County of Västmanland	9,834	2005	171	Vänersborg	County of Västra Götaland	37,369	1993	6
Svalöv	County of Skåne	13,332	2013	278	Vännäs	County of Västerbotten	8,583	2007	192
Svedala	County of Skåne	20,067	1995	59	Värmdö	County of Stockholm	39,784	2010	260
Svenljunga	County of Västra Götaland	10,299	2008	217	Värnamo	County of Jönköping	33,155	2012	270
Säffle	County of Värmland	15,276	2004	155	Västervik	County of Kalmar	35,867	1994	26
Säter	County of Dalarna	10,873	2003	140	Växjö	County of Kronoberg	85,822	2003	137
Sävsjö	County of Jönköping	10,969	1997	93	Ydre	County of Östergötland	3,617	2001	114
Söderhamn	County of Gävleborg	25,442	2006	183	Ystad	County of Skåne	28,623	2004	154
Söderköping	County of Östergötland	14,195	1998	99	Åmål	County of Västra Götaland	12,229	2012	269
Södertälje	County of Stockholm	91,072	2012	271	Ånge	County of Västernorrland	9,548	2003	141
Sölvesborg	County of Blekinge	16,800	2007	209	Åre	County of Jämtland	10,420	2007	201
Tanum	County of Västra Götaland	12,303	1994	33	Årjäng	County of Värmland	9,953	2009	226
Tibro	County of Västra Götaland	10,754	2013	276	Åsele	County of Västerbotten	2,875	2005	167
Tidaholm	County of Västra Götaland	12,565	2010	259	Åstorp	County of Skåne	14,927	1997	84
Tierp	County of Uppsala	20,144	2008	222	Åtvidaberg	County of Östergötland	11,460	2008	215
Timrå	County of Västernorrland	18,062	2008	213	Älmhult	County of Kronoberg	15,759	2009	232
Tingsryd	County of Kronoberg	12,156	2008	218	Älvdalen	County of Dalarna	7,096	1996	75
Tjörn	County of Västra Götaland	15,050	1995	63	Älvkarleby	County of Uppsala	9,132	2009	229
Tomelilla	County of Skåne	12,891	2003	136	Älvsbyn	County of Norrbotten	8,168	2002	128
Torsby	County of Värmland	12,013	1997	81	Ängelholm	County of Skåne	39,866	1995	68
Torsås	County of Kalmar	6,879	2001	116	Öckerö	County of Västra Götaland	12,574	2009	237
Tranemo	County of Västra Götaland	11,531	2001	122	Ödeshög	County of Östergötland	5,174	1995	57
Tranås	County of Jönköping	18,197	2002	130	Örebro	County of Örebro	140,599	1993	11
Trelleborg	County of Skåne	42,837	2003	138	Örkelljunga	County of Skåne	9,653	2000	111
Trollhättan	County of Västra Götaland	56,573	1993	3	Örnsköldsvik	County of Västernorrland	54,986	2005	169
Trosa	County of Södermanland	11,680	2006	177	Östhammar	County of Uppsala	21,352	2009	239
Tyresö	County of Stockholm	44,281	2010	258	Östra Göinge	County of Skåne	13,687	2009	225
Töreboda	County of Västra Götaland	8,992	2007	208	Överkalix	County of Norrbotten	3,436	2004	146
Uddevalla	County of Västra Götaland	53,025	1993	5	Övertorneå	County of Norrbotten	4,709	1994	40
Ulricehamn	County of Västra Götaland	23,211	2008	221	Dalarna County Council		277,349	2011	262
Umeå	County of Västerbotten	118,349	1993	2	Gävleborg County Council		277,970	1999	103
Upplands Väsby	County of Stockholm	41,449	1999	107	Uppsala County Council		345,481	2005	161
Upplands-Bro	County of Stockholm	24,703	2010	251	Värmland County Council		273,815	2004	149
Uppsala	County of Uppsala	205,199	2013	275	Norrbotten County Council		249,436	2006	185
Uppvidinge	County of Kronoberg	9,288	2008	216	Sörmland County Council		277,569	1994	49
Vadstena	County of Östergötland	7,383	1994	51	Västmanland County Council		259,054	2003	142
Vaggeryd	County of Jönköping	13,209	2008	212	Örebro County Council		285,395	1993	10
Valdemarsvik	County of Östergötland	7,585	1994	37					
Vallentuna	County of Stockholm	31,616	2010	256					
Vansbro	County of Dalarna	6,730	2007	207					
Vara	County of Västra Götaland	15,609	2010	255					
Municipality of Varberg	County of Halland	59,936	1993	8					
Vaxholm	County of Stockholm	11,188	2009	228					
Vetlanda	County of Jönköping	26,419	1998	100					
Vilhelmina	County of Västerbotten	6,887	2007	205					
Vimmerby	County of Kalmar	15,287	1997	86					

Before the Society was founded in 1993, the company Kommuninvest i Örebro län AB existed. The municipalities and county councils that originally started Kommuninvest and that were shareholders in this company – founded in 1986 – were the Municipality of Örebro, Örebro County Council, the Municipality of Askersund, the Municipality of Karlskoga, the Municipality of Kumla, the Municipality of Hallsberg, the Municipality of Degerfors, the Municipality of Hällefors, the Municipality of Nora, the Municipality of Laxå and the Municipality of Ljusnarsberg.



**KOMMUNINVEST**

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