

N.B. This document is a translation of the Swedish version as approved by Finansinspektionen (the Swedish Financial Supervisory Authority). In case of any discrepancy between this document and the approved Swedish version, the approved Swedish version shall prevail.

This Base Prospectus is dated and approved on 6 May 2014 and shall apply for twelve months as from that date.



KOMMUNINVEST I SVERIGE AB (publ)

PROGRAMME FOR REGULAR ISSUANCE OF BONDS

GUARANTEED BY CERTAIN SWEDISH MUNICIPALITIES AND COUNTY COUNCILS

LEAD BANK

Swedbank AB (publ)

ISSUING AND PAYING AGENTS

Danske Bank A/S, Denmark, Sweden branch Skandinaviska Enskilda Banken AB (publ)

Nordea Bank Finland Abp Svenska Handelsbanken AB (publ)

Swedbank AB (publ)

IMPORTANT INFORMATION

This prospectus (the "**Prospectus**"), which is a base prospectus in accordance with Chapter 2, section 16, first paragraph, section 1 of the Swedish Financial Instruments Trading Act (1991:980) and which has been prepared pursuant to Chapter 2, section 8 of that Act, contains information regarding Kommuninvest i Sverige AB's (publ) (the "**Company**") programme for regular issuance of bonds.

Bond loans under the programme ("**Bond Loans**") will be represented by unilateral promissory notes ("**Bonds**") which will be registered pursuant to the Financial Instruments Accounts Act (1998:1479). Bond Loans are affiliated to Euroclear Sweden AB's ("**ES**") account-based system (or any such system which might, in the future, replace ES's system) and thus no physical securities will be issued. Clearing and settlement of trading in Bonds takes place in ES's system.

This Prospectus must be read together with any supplements to the Prospectus, each and every document which is incorporated into the Prospectus by reference, and the final terms for the Bond Loan in question. The Prospectus and the documents incorporated therein by reference are available on www.kommuninvest.org and can also be obtained from the Company free of charge.

The Company is responsible for the content of the Prospectus and warrants that reasonable precautionary measures have been taken to ensure that, insofar as the Company is aware, the information in the Prospectus accords to the actual circumstances and that nothing which could affect the purport of the Prospectus has been omitted. To the extent prescribed by law, the Company's board of directors is also responsible for the content of this Prospectus and has taken all reasonable precautionary measures have been taken to ensure that, insofar as the Company's board of directors is aware, the information in the Prospectus accords to the actual circumstances and that nothing which could affect the purport of the Prospectus has been omitted. Information from third parties has been reproduced verbatim and, insofar as the Company is aware and has been able to ascertain, no information has been omitted which would render the reported information erroneous or misleading. Moreover, there has been no significant detrimental change affecting the Company's financial position or prospects since the last publication of financial information. Other than is explicitly stated in this Prospectus, no information has been examined or reviewed by the Company's auditors.

An investment in a Bond is associated with certain risks. It is therefore recommended that prospective investors read the information set forth under the heading "Risk Factors" in section 2 below.

The Prospectus does not contain any information regarding the terms and conditions for any Issuing and Paying Agent's offer in respect of Bonds. Such information will be provided by the Issuing and Paying Agent when the offer is made. The Company is not responsible for such information.

The Prospectus has been approved by, and registered with, the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, sections 25 and 26 of the Financial Instruments Trading Act (1991:980). However, this does not constitute any warranty by the Financial Supervisory Authority that the factual information in the Prospectus is accurate or complete.

Offers to acquire Bonds issued under the Prospectus are not directed to persons whose participation requires offer documents, registration measures, or other measures in addition to those prescribed by Swedish law for offers in Sweden. The Prospectus, as well as any final terms, may not be distributed to, or within, any country where such distribution

requires registration measures or other measures in addition to those prescribed by Swedish law or which violate the law or other provisions. Acquisition of Bonds under the Prospectus in contravention of the foregoing might be deemed invalid.

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1 SUMMARY

The summary comprises disclosures which are reported in a number of elements. The elements are numbered in sections A-E (A.1-E.7). The summary contains all of the elements which are necessary in a summary for the relevant type of security and issuer. Since certain elements are not applicable to the relevant type of security and issuer, there are gaps in the numbering of the elements. Even where the inclusion of an element is required for the relevant type of security and issuer, it is possible that no relevant information can be given in respect of the element. In such case, the information has been replaced with a brief description of the element together with the notation “not applicable”.

Section A – Introduction and warnings		
A.1	Introduction and warnings:	The summary is part of, and should be regarded as, an introduction to the Prospectus. Each decision to invest in Bonds must be based on an assessment of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of EU Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have produced the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or, when read together with the other parts of the prospectus, if it fails to provide key information in order to aid investors when considering whether to invest in Bonds.
A.2	Consent to use of the Prospectus:	<p>The Company consents to the use of the Prospectus in conjunction with an offer in respect of Bond Loans on the following terms and conditions:</p> <ul style="list-style-type: none"> (i) the consent only applies during the term of validity of this Prospectus; (ii) the only financial intermediaries who may use the Prospectus for the offer are the Issuing and Paying Agents; (iii) the consent only applies to offers which require preparation of the Prospectus; and (iv) the consent only pertains to use of the Prospectus for offers in Sweden. <p>[Restriction on consent to use of the Prospectus [•]</p>

Section B – Issuer and any guarantor		
B.1	The legal and commercial name of the issuer:	Kommuninvest i Sverige AB (publ), company reg. no. 556281-4409 (the “Company”)
B.2	The domicile and legal form of the issuer, and	The registered office of the Company is in Örebro and the Company was incorporated in 1986 in Sweden.

	legislation:	The Company conducts its activities in accordance with the Swedish Companies Act (2005:551).
B.4b	Known trends :	Not applicable. There are no known tendencies, uncertainty factors, potential claims or other demands, undertakings or events which may be expected to have a material impact on the Company's business prospects during the current financial year.
B.5	Description of the group:	The Company is a wholly owned subsidiary of Kommuninvest Cooperative Society (the "Society"). The group also includes a property company, Kommuninvest Fastighets AB, whose main task is to manage the property in which the Company conducts its activities. The Society is a membership organisation for municipalities and county councils in Sweden.
B.9	Profit forecast:	Not applicable. The Company has not issued any profit forecast.
B.10	Any qualifications in the audit report:	Not applicable. In respect of 2010, 2011 and 2012, each year's accounts have been prepared in accordance with generally accepted accounting standards in Sweden and the auditors have not reported any qualifications in respect of the accounts for each year.
B.12	Historical financial information and declaration that there have been no material adverse changes since the period covered by the historical financial information:	The historical financial information is set forth below. No material adverse changes in the Company's prospects have occurred since the date the most recent published audited financial statements were published.

Income statement 1 January – 31 December

<i>SEK millions</i>	2013	2012
Interest income	4,571.2	6,046.2
Interest expenses	-3,601.7	-5,274.5
Net interest income	969.5	771.7
Commission expenses	-5.6	-8.5
Net result of financial transactions	38.7	-267.1
Other operating income	0.2	4.6
Total operating income	1,002.8	500.7
General administration expenses	-239.3	-244.0
Depreciation of tangible fixed assets	-2.4	-2.7
Other operating expenses	-3.5	-5.0
Total expenses	-245.2	-251.7
Operating profit	757.6	249.1
Appropriations	-	240.0
Tax on net income for the year	-166.9	-132.5
Income for the year	590.7	320.6

Statement of comprehensive income		
1 January - 31 December		
<i>SEK millions</i>		
Net income	2013	2012
	590.7	320.6
Other comprehensive income		
<i>Items that may later be reclassified to the income statement.</i>		
Available for sale financial assets	-8.3	125.3
Available for sale financial assets, transferred to the income statement	1.0	24.4
Loan receivables and accounts receivable	-	-1.2
Tax attributable to items that may later be reclassified to the income statement	1.6	-37.9
Other comprehensive income	-5.7	110.6
Comprehensive income	585.0	431.2
Balance sheet as per 31 December		
<i>SEK millions</i>		
	2013	2012
Assets		
Sovereign bonds eligible as collateral	14,626.2	11,160.8
Lending to credit institutions	2,822.2	15,618.6
Lending	208,644.0	200,950.7
Bonds and other interest-bearing securities	44,932.9	44,294.7
Shares and participations	2.1	1.7
Shares and participations in associated companies	0.5	0.5
Shares and participations in subsidiaries	32.0	32.0
Derivatives	6,235.8	11,057.4
Tangible assets	4.6	5.6
Current tax assets	79.0	79.0
Other assets	14.2	14.1
Deferred tax assets	54.6	56.8
Prepaid expenses and accrued revenue	10.6	12.7
Total assets	277,458.7	283,283.6
Liabilities, provisions and equity		
Liabilities to credit institutions	4,352.0	5,610.4
Securities issued	256,258.7	257,257.3
Derivatives	13,231.8	17,517.2
Other liabilities	764.6	818.4
Accrued expenses and prepaid revenues	121.4	125.2
Provisions	2.5	2.1
Subordinated liabilities	1,000.1	1,000.3
Total liabilities and provisions	275,731.1	283,330.9
Equity	1,727.6	952.7
Restricted equity		
Share capital (13,963,850 and 6,083,850 shares, quotient value SEK 100)	1,396.4	608.4
New share issue in progress (0 and 200,000 shares, quotient value SEK 100)	-	20.0
Statutory reserve	17.5	17.5
Unrestricted equity		

	Fair value reserve	17.3	23.0
	Profit brought forward	-294.3	-36.8
	Income for the year	590.7	320.6
	Total equity	1,727.6	952.7
	Total liabilities, provisions and equity	277,458.7	283,283.6
	Memorandum items		
	Collateral pledged	22,954.3	22,442.3
	Contingent liabilities	None	None
	Undertakings		
	Committed undisbursed loans	3,480.0	2,876.4
B.13	Events which are relevant to solvency:	Not applicable. No known events which can be expected to have a significant effect on the Company's solvency have occurred since the most recently audited financial statements were published.	
B.14	Dependency on the group:	Not applicable. The Company is not dependent on other companies within the group.	
B.15	Principal activities:	<p>The Company's principal activity is lending to members of the Society and their majority-owned companies, in order to render lending to the members cost-efficient.</p> <p>The Company is a credit market company which may conduct such financing operations as referred to in Chapter 1, section 4 of the Banking and Financing Business Act (2004:297). The Company is also entitled to conduct financial operations and operations which have a natural connection therewith pursuant to Chapter 7, section 1 of the Banking and Financing Business Act.</p>	
B.16	Direct or indirect ownership/control:	The Company is a wholly owned subsidiary of Kommuninvest Co-operative Society.	
B.17	Credit ratings:	<p>At present, the Company's long-term liabilities have received an Aaa rating from Moody's Investors Service Ltd and AAA from Standard & Poor's Credit Market Services Europe Limited.</p> <p>The above credit rating agencies were established within the EU prior to 7 June 2010 and on 31 October 2010 were approved and registered as credit rating agencies under Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended through Regulation (EU) no 513/2011 of the European Parliament and of the Council of 11 May 2011.</p>	
B.18	Guarantee:	All members of the Society have executed a joint and several guarantee for direct payment and performance of all of the Company's obligations. This entails that the Guarantors undertake to fulfil the Company's undertakings in the event that the Company fails to fulfil its obligations under the Company's programme for regular issu-	

		ance of Bonds. On the date of approval of this prospectus, the Society had 276 members, comprising Swedish municipalities and county councils.
B.19	Guarantors:	All members of the Society.

Section C –Securities

C.1	Type of securities:	Loans are issued in dematerialised form through ES, and thus no physical securities will be issued. Each loan will be assigned a loan number and will cover one or more Bonds (unilateral promissory notes which are registered pursuant to the Financial Instrument (Accounts) Act (1998:1479) as issued by the Company under this programme). The identification code for the Bonds is ISIN [●].
C.2	Currency:	Swedish crowns ("SEK")
C.5	Restrictions on the free transferability of the securities:	Not applicable. The Bonds are not subject to any terms and conditions which prevent the Holder from transferring them without restriction. However, certain countries may impose legal restrictions on the sale of the Bonds and thus holders of the Prospectus or Bonds must ensure that they apprise themselves as to how to comply with such restrictions.
C.8	Rights attached to the securities, including ranking and limitations to those rights:	The Bonds are issued as non-subordinated debentures ranking <i>pari passu</i> with the Company's other non-subordinated and unsecured claims against the Company. The Bonds confer a right to repayment of principal and interest. Each Bond is repaid at par (i.e. in an amount corresponding to its nominal amount). The Bonds are governed by Swedish law.
C.9	Rights attached to the securities, including the nominal interest rate, the date from which interest is calculated, the due dates for interest, any interest basis, maturity dates, yield, and any representatives of the bond holders:	The Bonds carry a fixed interest rate, as per the Interest Rate, commencing the Loan Date, up to and including the Repayment Date. Information regarding calculation of the interest is set forth in the Final Terms and prospectus summary for each Bond as follows: Loan Date: [●] Repayment Date: [●] Interest Rate: [●] Interest Due Dates: [●]

		<p><i>Repayment</i></p> <p>Repayment is made through ES, where applicable to the bank account designated by the Holder.</p>
C.10	Information regarding interest payments which are based on derivative components:	Not applicable. The Bonds are not based on derivatives.
C.11	Admission to trading:	The Bonds [will be listed on NASDAQ OMX Stockholm AB] [another Swedish regulated marketplace] [will not be listed].

Section D – Risks		
D.2	Key risks that are specific to the issuer:	<p>Before an investor decides to purchase Bonds which are covered by this Prospectus, it is important to carefully analyse the risk factors which are deemed to be important for the development of Company and the future performance of the Bonds.</p> <p>The risks associated with the Company's activities involve, among other things, credit risks, operating risks, and financial risks. The credit risk is the risk that the Company's counterparties cannot fulfil their payment obligations, which in turn can affect the Company's ability to fulfil its payment obligations under the Bond Loans. Operating risks are risks associated with defects and deficiencies in products and services, insufficient internal checks, unclear allocation of responsibilities, deficient technical systems, various forms of criminality, and insufficient preparedness for disruptions. Financial risks include, among other things: liquidity risk, which is the risk that the Company can only fulfil its payment obligations at an increased cost or, in the worst case, not at all; interest rate risks, which arise when there is an inconsistency between the fixed interest periods for borrowed and lent capital; and currency risks, which arise when assets and liabilities in a specific foreign currency are of different sizes.</p> <p>There are also risks which arise due to certain external factors, such as commercial risks, which include the risk that the Company's profit will be diminished due to unforeseen changes in the commercial environment, and strategic risks, i.e. the risk that the Company's strategic focus must be changed due to, for example, changes in fundamental market conditions.</p> <p>There might also be additional risks which are not currently known to the Company.</p>
D.3	Key risks that are specific to the securities:	Risks related to the Bonds include, among other things, a risk of insufficient liquidity in the Bonds due to reduced functionality on secondary markets. Insufficient liquidity on secondary markets can

		have a detrimental effect on the price of the Bonds. Amended legislation is also a risk associated with Bond Loans. Bonds are governed by Swedish law and the risk entails that the meaning assigned to the terms and conditions applicable to a Bond Loan may differ than that at the time of issuance of the Bond Loan, for example in the event of an amendment of Swedish law.
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Section E – Offer		
E.2b	Anticipated use of the proceeds when different from making profit or hedging certain risks:	The Company's programme for regular issuance of bonds constitutes part of the Company's debt financing.
E.3	Terms and conditions of the offer:	The price of Bonds is variable and depends, among other things, on applicable interest rates for investments with a corresponding term for maturity, as well as interest on dividends accrued since the preceding interest due date. Since the Bonds may be issued regularly over an extended period of time, is not possible to state a uniform sales price or any other fixed price for the promissory notes. The bonds may be issued at par or over/below par. The price will be established for each transaction by agreement between the buyer and seller.
E.4	Interests and conflicts of interest:	[Other than the compensation which is paid to the Issuing and Paying Agents as result of their participation in the programme and issues under the programme, the Company is not aware that any other person involved has any interest of material significance to the bond issues or that there is any conflict of interest between the Company and any person involved] / <i>[Description of interests which are of significance to the issue among any physical person/persons or legal entity/entities involved in the issue, including conflicts of interest]</i>
E.7	Estimated expenses charged to the investor:	[Not applicable] [OR] [Charges and taxes imposed on Bond purchasers: [Not applicable/specify amount]]

2 RISK FACTORS

2.1 Introduction

The Company's activities and the Bond Loans which are issued by the Company are affected, and may be affected, by a number of factors. There are risks in respect of both circumstances relating to the Company and the Bond Loans, as well as circumstances lacking a specific link to the Company or the Bond Loans.

The following is a description of the risk factors which the Company has deemed to be relevant to an investment in a Bond Loan. The risks which are described in all subheadings below may, individually or in combination, adversely affect the Company's ability to fulfil its obligations in accordance with the terms and conditions for an individual Bond Loan. The following risk factors are not ranked, nor are they purported to be exhaustive. In addition to the following description of risk factors, investors are encouraged to read other information in this Prospectus and the final terms which apply to each Bond ("**Final Terms**").

2.2 Risks related to the Company

2.2.1 Credit risk on the Company

Investors in Bond Loans assume a credit risk on the company, i.e. a risk that Company, at some point in the future, will lack the ability to fulfil its obligations in accordance with the terms and conditions of the Bond Loan. This risk is associated, in turn, with different risks which the Company incurs in its activities. These risks are primarily credit and counterparty risk, liquidity risk, market risk, operating risk, commercial risk, strategic risks, and goodwill impairment risk. The following is a description of the risks which may affect the Company's possibilities to fulfil its obligations to investors. As stated above, the description of these risks is not exhaustive.

2.2.2 Counterparty risk and risk in the Company's investments

Counterparty risk is the risk of loss due to a customer's or counterparty's failure to fulfil its obligations within an agreed time. Credit and counterparty risks arise in conjunction with lending, upon investment of capital which has not yet been lent, and upon changes in value of derivative contracts.

Credit granting risk. The Company conducts lending activities to members of Kommuninvest Cooperative Society and their majority-owned companies. Loans are made only to these parties. Lending activities are, as a rule, associated with credit risk, i.e. the risk that the customer will not fulfil its obligations to the lender and that pledged property will not cover the creditor's claim. Realisation of the credit risk may lead to negative effects on the Company's earnings. However, lending to companies which are majority owned by municipalities and county councils is always secured by a primary guarantee from the relevant member.

Issuer risk. In its financing activities, the Company uses capital which, among other things, is raised by means of Bond Loans. The capital which the Company has raised but not yet lent is deposited on accounts at credit institutions and invested in interest-bearing

securities. The counterparties are states, organisations which are guaranteed by the state, and financial institutions. These investments entail a risk of loss as well as a risk of change in value of the invested capital and, if the risk materialises, may have a negative effect on the Company's earnings.

Counterparty risk. In its operations, the Company enters into derivative contracts. Derivative contracts entail a risk of changes in value as well as a counterparty risk in respect of the financial institutions which are counterparties to such contracts and in relation to which there are derivative contracts which have positive value for the Company. Changes in value linked to derivative contracts or realised counterparty risks can have a negative effect on the Company's earnings.

Concentration risk

According to the business model, Kommuninvest will only grant credit to the municipal and county council sector, including their majority-owned undertakings, with a guarantee from one or more members. By virtue of that fact, there exist concentrations in credit granting.

Exposure in respect of issuers entails states and financial institutions within a selection of OECD states approved by the Company's board of directors. Exposure is subject to national borders. There are concentrations in respect of groups of issuers.

Exposure in respect of counterparties entails financial institutions within a selection of OECD states approved by the board of directors. Exposure in respect of derivative contracts is reduced through hedging agreements where acceptable collateral is issued by states. There are concentrations in respect of groups of counterparties.

Close out risk corresponds to the risk that a counterparty is unable to perform in accordance with its undertakings and that the Company, in connection therewith, incurs increased costs in order to enter into a replacement transaction.

2.2.3 Financial risks

Liquidity risk can be described as insufficient financing, which in turn entails a risk in respect of the Company's possibilities to fulfil its undertakings. Liquidity risk is also the risk of significantly higher costs to borrow the necessary funds or a loss when assets cannot be divested at a reasonable price.

In order to finance its activities, the Company is dependent on the Swedish and international capital markets, where the Company competes with other issuers in order to obtain financing. Factors beyond the Company's control can have a significant adverse effect on future possibilities to obtain financing, or may increase the cost of such financing.

During recent years, the global financial system has suffered serious disruptions which have led, among other things, to reduced (and, at times, very poor) liquidity on the market. As a result, several lenders have reduced their lending from time to time, or even ceased offering financing to borrowers, including financial institutions, from time to time. This type of disruption can have a significant negative impact on the Company's possibilities to access capital on acceptable terms and thereby render borrowing more expensive, thereupon diminishing the Company's ability to fulfil its obligations.

Interest rate risk arises when the fixed interest rate terms for borrowed and lent capital differ. Due to the scope of the operations, it is not always possible to achieve a perfect match between the Company's assets (lending) and liabilities (financing) for each individual position. If the Company is unsuccessful in managing its interest rate risks, the Company's financial position will be adversely affected.

Currency risk arises since the Company conducts lending and borrowing in both Swedish kronor and a large number of foreign currencies, and since the balance sheet amount of assets and liabilities in a specific foreign currency do not necessarily match. Currency risks also arise continuously on the net interest which is generated on returns from investments in foreign currencies. The currency risk entails a risk of financial loss as result of changes in currency exchange rates and may lead to an adverse effect on the Company's earnings.

Credit market risk corresponds to the risk that the Company's financial earnings will be adversely affected as a result of changes to credit or basis spreads on the market. General changes to the market's spreads primarily affect the Company through imbalances in the relative terms to maturity of assets and liabilities. Moreover, the Company's earnings can be adversely affected by spread changes in a specific asset, in the Company's own credit spread, or in the basis spread between two specific currencies.

2.2.4 Operating risks

Operating risk is the risk of loss as result of unsuitable or insufficient internal processes routines, human error, defective systems, or external events. It may involve risks linked to defects and deficiencies in products and services, defective or unsuitable internal processes, human error, insufficient internal checks and regulatory compliance, unclear allocation of responsibilities, defective technical systems, various forms of criminality, and insufficient preparedness for disruptions.

If the Company is unsuccessful in managing its operating risk, it cannot be ruled out that the company's earnings and financial position will be adversely affected.

2.2.5 Legal prerequisites

The Company's activities are regulated by, among other things, the Swedish Companies Act (2005:551) and the Banking and Financing Business Act (2004:297). The activities of guarantors (see section 3.5 in respect of guarantee undertakings) are regulated by the Municipalities Act (1991:900) and are otherwise governed by Swedish public law. The Company is a credit market company under the supervision of the Swedish Financial Supervisory Authority.

The Company's commercial activities and earnings are affected by new and amended laws, regulations, and other statutory instruments adopted by various standard-setting bodies in Sweden and the EU as well as, to a certain extent, by standard-setting bodies and public authorities in foreign countries. Changes to rules and regulations can have a negative impact on the Company's activities, its earnings, and the pricing of Bonds. In the event the Company fails to fulfil its obligations pursuant to applicable rules and regulations, there is a risk that sanctions will be imposed by supervisory authorities and courts, which can have a negative impact on the Company's operations.

2.2.6 Legal measures

At present, the Company is not a party to any major dispute. However, the Company cannot warrant that no legal measures, which may lead to a significant detrimental impact on the Company's financial position, earnings, market position, or the pricing of the Bonds, will be taken against the Company in the future.

2.2.7 Business intelligence

Business risks and strategic risks include the risk of diminished earnings for the Company as a result of unforeseen changes in the business environment. They also include the risk that the Company's strategic focus must be changed as a result of a change in fundamental market or external conditions, which can lead to a negative impact on earnings.

Goodwill impairment risk is the risk that negative publicity regarding the Company's reputation and its activities can lead to damage to the Company's brand, which can, in turn, lead to a negative impact on the Company's earnings.

Increased competition can have an adverse effect on the Company's earnings and development if the Company is unable to offer products, service, or pricing which correspond to what the Company's competitors can offer. The Company's primary competitors are a number of financial institutions, including both Swedish and foreign banks, but also includes, in certain cases, other companies.

2.3 Risks related to the Bonds

2.3.1 Introduction

The Company believes that the following risk factors are important when assessing the specific risks for a Bond. The risk factors set forth below do not, however, purport to be an exhaustive description of the risks which are related to the Bonds.

2.3.2 Term risk

The risk in an investment in a Bond Loan increases with the length of the term to maturity. The credit risk in the long term is more difficult to survey than it is in the short term. The market risk also increases with a longer term, since price fluctuations are greater for a Bond Loan with a long term than for a Bond Loan with a short term. The term risk can have a negative effect on the value of the Bond.

2.3.3 Secondary market and liquidity

In an agreement with the Company, the Issuing and Paying Agents undertook to ensure the development and maintenance of a secondary market for the Bonds. However, neither the Issuing and Paying Agents nor the Company can guarantee the scope or liquidity of the secondary market and, under certain circumstances (primarily attributable to the development of the market and the Company) the Issuing and Paying Agent is entitled to withdraw from its undertaking to the Company. Insufficient liquidity on the secondary market may have a negative effect on the price of the Bonds.

The fact that the Bonds are admitted to trading and, where applicable, registered on a regulated marketplace does not mean, however, that significant trading in the Bonds will take place. This may be the case during the entire term of a Bond. Consequently, it may be difficult or impossible, from time to time, to divest a holding of Bonds. This may occur, for example, in the event of intense price fluctuations, which may lead to difficulty in trading at reasonable prices, that one or more affected markets may be closed, or that trading is subject to restrictions during a specified period. Technical difficulties can also disrupt trading on the regulated market in question. The liquidity of the Bonds can also be affected by circumstances other than changes in the functioning of the secondary market. The Company's financial performance and specific events may also affect the liquidity of the securities which it has issued. In the event a member resigns from Kommuninvest Cooperative Society (which normally can only take place at the close of the financial year which ends first after six months have passed since notice of termination was given) additional Bonds cannot continue to be issued via Tap issues under existing Bond Loans (see section 3.2 (Issuance Process) below). Lack of turnover may have a significant negative effect on the market price of the Bonds.

Certain of the Company's Bond Loans hold the status of benchmark loans. It is likely that Bond Loans which are not benchmark loans have weaker liquidity than Bond Loans which are benchmark loans.

2.3.4 Clearing and settlement in ES's system

Bonds will be registered in ES's account-based system, and thus no physical securities will be issued. Clearing and settlement in the event of trading take place in ES's system, as do disbursement of interest and repayment of principal. Investors are therefore dependent on the functioning of ES's system and, if the system does not work, may suffer from, for example, delayed interest payments.

2.3.5 Currency risk and currency restrictions

The Company pays the nominal amount and yield on a Bond in Swedish kronor. This leads to certain risks linked to currency translation, if the currency in which the Bond is issued deviates from the investor's own currency. This includes both the risk of intense currency exchange rate fluctuations (including devaluation and revaluation) as well as the introduction of, or changes in, existing currency regulations and restrictions. An increase in value of an investor's own currency as compared with Swedish kronor typically reduces the value of an investment in Bonds for such investor.

Governments and other public authorities can institute currency rules and restrictions which have a negative impact on the currency exchange rate. As a result, holders of Bonds may receive a lower return, settlement payment, or nominal amount than expected.

2.3.6 Interest risk

Investments in Bonds with a fixed interest rate entail a risk that changes in market interest rates may have a negative effect on the value of Bonds.

2.3.7 Price risk

Investments in Bonds entail a risk that changes in the Company's credit rating and the market's risk tolerance may adversely affect the value of Bonds.

2.3.8 Changes of terms and conditions and other measures

The general terms and conditions (see "**General Terms and Conditions**" under 3.7 below) for a Bond Loan contain provisions regarding meetings between holders of bonds – holders' meetings – for the purpose of addressing issues relevant to them. These rules give a certain defined majority the right to bind all holders of Bonds to the decisions and any changes approved by the meeting, including holders of Bonds who are not present and voting at the meeting question, and holders of Bonds who voted against the majority. Holders of Bonds may therefore become bound by changes to the General Terms and Conditions which have a negative impact on the holder.

2.3.9 Amended legislation

The terms and conditions of the Bonds are governed by Swedish law. Amendments of Swedish law or changes to the application of Swedish law resulting from decisions of Swedish or foreign courts may lead to the terms and conditions applicable to a Bond Loan being afforded a meaning different to that which applied the time of issuance of the Bonds in question, which may have negative consequences for holders of Bonds.

In the event Sweden joins the European Monetary Union (EMU) prior to the date of maturity of an outstanding Bond, this could have a negative effect on the holder. If the Euro becomes legal tender in Sweden, all amounts in Swedish kronor would instead have to be paid in the corresponding amount in Euros. In addition, the conversion of outstanding claims to Euros could become permissible or required, or other measures in respect of Bonds could become necessary. This could lead to negative consequences for holders of Bonds.

3 TERMS AND CONDITIONS OF BOND LOANS

3.1 Description of the programme

In accordance with a board of directors' resolution of 26 May 2010, the Company has resolved to prepare this programme for regular issuance of Bonds. Resolutions regarding issuance of Bond Loans within the scope of the programme are adopted by the Company's board of directors or in accordance with authorisation from the Company's board of directors.

General Terms and Conditions for Bond Loans are set forth on pages 24-33. Terms and conditions which are not stated in the Prospectus are stated in the Final Terms for each Bond Loan. Final Terms for a Bond Loan which is offered to the general public will be submitted to the Swedish Financial Supervisory Authority, published on the Company's website, www.kommuninvest.org, and will be made available in hard copy at the Company.

Bonds are issued in denominations of ten thousand (10,000) Swedish kronor and whole multiples thereof. The programme is directed towards all categories of investors, with the exception of such investors who are subject to sales restrictions pursuant to the following and page 2 of the Prospectus.

Offers to acquire Bonds issued under the Prospectus are not directed to persons whose participation requires additional offer documents, registration measures or measures other than those prescribed by Swedish law for such offers in Sweden. The Prospectus, as well as Final Terms, may not be distributed to, or within, any country where distribution requires additional registration measures or measures other than those prescribed by Swedish law or which contravene any law or other regulations. Acquisition of a Bond which is issued under the Prospectus in contravention of the foregoing may be deemed invalid.

Only Bonds with a fixed interest rate are issued under the programme.

A Bond Loan is an unsecured obligation for the Company and, in respect of rights of priority in the event of bankruptcy, is ranked *pari passu* with other non-subordinated, unsecured claims against the Company.

In accordance with the provisions of the Final Terms, the company will submit an application for admission to trading in respect of Bond Loans on a regular marketplace to NASDAQ OMX Stockholm or another regulated marketplace.

Bond Loans which are issued are affiliated to ES's account-based system, and thus no physical securities are issued. Clearing and settlement in the event of trading take place in ES's system. For purposes of clearing and settlement, the Company may also affiliate Bond Loans to Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking, Société Anonyme, Luxembourg ("Clearstream, Luxembourg"). For investors whose holding is registered through Euroclear or Clearstream, Luxembourg Euroclear and/or Clearstream, Luxembourg will be registered as holders on VP accounts.

ES or any nominee (in the event of nominee-registered securities) will carry out deductions for preliminary tax, currently 30% of the interest paid, for natural persons domiciled in Sweden and for Swedish decedents' estates.

The Company will bear all costs in connection with admission to trading, such as costs for production of prospectuses, admission to trading, documentation, ES fees and so forth, unless otherwise provided by an agreement between the Company and Issuing and Paying Agents.

3.2 Issuance Process

Bonds issued under this programme may be issued regularly (a "Tap issue") and thus, initially, no amount parameters may be assigned to a Bond Loan. The final loan amount is, instead, determined when the sale of new Bonds has concluded. Otherwise, the terms and conditions for a Bond Loan, such as interest due dates and repayment dates, are set forth in the Final Terms for each Bond Loan. All Bonds which are issued under a specific Bond Loan have identical terms and conditions regardless of when the issue takes place, and thus Final Terms are prepared only once in connection with the first issue. Depending on the Company's borrowing needs, Bonds may be sold continuously during the entire term. In principle, this can take place until the repayment date of the Bond Loan. The Company is entitled to terminate or suspend issues at any time whatsoever.

The company may issue Bonds through so-called syndicated issues. In such case, the Issuing and Paying Agents undertake to act as Joint Bookrunners for a specific issue, which entails that they will endeavour jointly to ensure efficient distribution of the Bonds in question through syndication. This takes place, among other things, by means of each and every Issuing and Paying Agent requesting price and volume spreads from the market and procuring binding bids. Based on these bids, price and volume are determined. The company determines allocation in these issues, taking into consideration the goal of achieving long-term and efficient liquidity on secondary markets.

3.3 Market

The Company has appointed Swedbank AB (publ) as lead bank for the programme for regular issuance of Bonds and also, as of the date of publication of this Prospectus, has appointed Danske Bank A/S, Danmark, Sweden Branch, Nordea Bank Finland Abp, Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) as Issuing and Paying Agents. As set forth in the Final Terms, the Issuing and Paying Agents have reached an agreement with the Company whereby they undertake to publish buy and sell interest rates in respect of Bonds.

In addition, the Issuing and Paying Agents have reached an agreement with the company whereby they undertake, under certain conditions, to publish buy and sell interest rates in respect of Bonds which fulfil specific criteria in respect of, for example, volume and remaining term to maturity (benchmark loans). Under certain circumstances, the Issuing and Paying Agents are entitled to withdraw from the specific undertakings which apply to benchmark loans.

As of the date of publication of this Prospectus, the following Bond Loans are outstanding: K1405, K1508, K1708, K1903, K1610 and K2012. As of the date of publication of this Base Prospectus, all of these Bond Loans enjoy benchmark loan status.

3.4 Pricing

The price for a Bond cannot be determined in advance; instead, it is determined at the time of issue through agreement between the buyer and seller. The price for Bonds is stated in the form of effective APR which is governed by the applicable market interest rate. Bonds are often issued at a discount or premium. The price is calculated based on the discounted value of the nominal amount of the Bond as well as future interest payments and any accrued interest on the proceeds, i.e. interest as from the last interest due date until the payment date.

3.5 Consent to the use of the Prospectus

The Company consents to the use of the prospectus in connection with an offer in respect of Bonds on the following terms:

- (i) the consent is valid only during the term of validity of this Prospectus;
- (ii) the only financial intermediaries who may use the Prospectus for the offer are Issuing and Paying Agents;
- (iii) the consent applies only to offers which require preparation of a prospectus;
- (iv) the consent pertains only to the use of the Prospectus for offers in Sweden; and
- (v) consent for an individual issue may be limited by additional reservations which, in such case, will be set forth in the Final Terms.

3.6 Joint and several guarantee

3.6.1 Description of the guarantee undertaking

When becoming a member of Kommuninvest Cooperative Society (which owns all of the Company's shares), a municipality or county council undertakes primary joint and several liability (guarantee) for all current and future obligations of the Company. The guarantee undertaking thus covers all of the Company's obligations under a Bond Loan. The undertaking is unconditional.

The guarantee does not cover the Company's undertakings in respect of subordinated debentures issued by Kommuninvest Cooperative Society, which, in turn, are financed by subordinated debentures from the Society's members.

Municipalities/county councils also enter into a recourse agreement (party agreement) between the members, which govern the members' *inter se* liability for the guarantee undertaking.

As of 7 April 2014, the members of Kommuninvest Cooperative Society were the municipalities and county councils set forth in section 3.6.2. New members may join and leave during the validity period of the Prospectus. A member who leaves Kommuninvest Cooperative Society retains its liability as a guarantor for the obligations (including issued Bond Loans) which the Company has assumed until the date on which the member leaves the

organisation. The former member's liability decreases as the Company repays older loans.

The wording of the guarantee undertaking assumed by members of Kommuninvest Cooperative Society is set forth in the following extract, and also follows from the bylaws of Kommuninvest Cooperative Society:

"As security for all current and future obligations of Kommuninvest i Sverige AB, the undersigned county councils and municipalities issue a joint and several primary guarantee in accordance with the provisions of the bylaws of Kommuninvest Cooperative Society."

Extract from the bylaws of Kommuninvest Cooperative Society:

"All members of the Society shall, in accordance with separately signed guarantee undertakings, be jointly and severally liable for all obligations of the Society's companies. In the event a member discharges its liability under a guarantee, it shall be entitled to claim compensation by way of recourse from other members, in accordance with the separate recourse undertaking executed by all members."

A printed copy of the entire guarantee undertaking is available at the Company during the term of validity of the Prospectus.

3.6.2 List of municipalities in Kommuninvest Cooperative Society
(the “Members”) as of 7 April 2014:

Municipalities

Ale	Hudiksvall	Nordanstig	Tranemo
Alingsås	Hultsfred	Nordmaling	Tranås
Alvesta	Hylte	Norrköping	Trelleborg
Aneby	Håbo	Norrtälje	Trollhättan
Arboga	Hällefors	Norsjö	Trosa
Arjeplog	Härjedalen	Nybro	Tyresö
Arvidsjaur	Härnösand	Nykvam	Töreboda
Arvika	Härryda	Nyköping	Uddevalla
Askersund	Hässleholm	Nynäshamn	Ulricehamn
Avesta	Höganäs	Nässjö	Umeå
Bengtstors	Högsby	Ockelbo	Upplands-Bro
Berg	Hörby	Olofström	Upplands-Väsby
Bjurholm	Höör	Orsa	Uppsala
Bjuv	Jokkmokk	Orust	Uppvidinge
Boden	Järfälla	Osby	Vadstena
Bollebygd	Jönköping	Oskarshamn	Vaggeryd
Bollnäs	Kalix	Ovanåker	Valdemarsvik
Borgholm	Kalmar	Oxelösund	Vallentuna
Borlänge	Karlsborg	Pajala	Vansbro
Borås	Karlshamn	Perstorp	Vara
Botkyrka	Karlskoga	Piteå	Varberg
Boxholm	Karlskrona	Ragunda	Vaxholm
Bräcke	Karlstad	Robertsfors	Vetlanda
Brömölla	Katrineholm	Ronneby	Vilhelmina
Burlöv	Kils	Rättviks	Vimmerby
Båstad	Kinda	Sala	Vindeln
Dals-Ed	Kiruna	Salems	Vingåker
Degerfors	Knivsta	Sandviken	Vårgårda
Dorotea	Kramfors	Sigtuna	Vänernborg
Eda	Kristianstad	Simrishamn	Vännäs
Eksjö	Kristinehamn	Sjöbo	Värmdö
Emmaboda	Krokom	Skara	Värnamo
Enköping	Kumla	Skellefteå	Västervik
Eskilstuna	Kungsbacka	Skinnskatteberg	Växjö
Eslöv	Kungsör	Skurup	Ydre
Essunga	Kungälv	Skövde	Ystad
Fagersta	Köping	Smedjebacken	Åmål
Falkenberg	Laholm	Sollefteå	Ånge
Falköping	Landskrona	Solna	Åre
Falun	Laxå	Sorsele	Årjäng

Filipstad	Lekeberg	Sotenäs	Åsele
Finspång	Leksand	Staffanstorp	Åstorp
Flen	Lerum	Stenugnsund	Åtvidaberg
Forshaga	Lessebo	Storfors	Älmhult
Färgelanda	Lidköping	Storuman	Älvdalen
Gagnef	Lilla Edet	Strängnäs	Älvkarleby
Gislaved	Lindesberg	Strömstad	Älvsbyn
Gnesta	Ljungby	Strömsund	Ängelholm
Gnosjö	Ljusdal	Sundbyberg	Öckerö
Gotland	Ljusnarsberg	Sunne	Ödeshög
Grums	Lomma	Surahammar	Örebro
Grästorp	Ludvika	Svedala	Örkelljunga
Gullspång	Luleå	Svenljunga	Örnsköldsvik
Gällivare	Lund	Svalöv	Östhammar
Gävle	Lycksele	Säffle	Östra Göinge
Gothenburg	Lysekil	Säter	Överkalix
Götene	Malung-Sälen	Sävsjö	Övertorneå
Habo	Malå	Söderhamn	
Hagfors	Mariestad	Söderköping	
Hallsberg	Mark	Södertälje	
Hallstahammar	Mellerud	Sölvesborg	
Halmstad	Mjölby	Tanum	
Hammarö	Mora	Tibro	
Haninge	Motala	Tidaholm	
Haparanda	Mullsjö	Tierp	
Heby	Munkedal	Timrå	
Hedemora	Munkfors	Tingsryd	
Herrljunga	Mönsterås	Tjörn	
Hjo	Mörbylånga	Tomelilla	
Hofors	Nora	Torsby	
Huddinge	Norberg	Torsås	

County Councils

Dalarna County Council
 Gävleborg County Council
 Sörmland County Council
 Uppsala County Council
 Värmland County Council
 Västmanland County Council
 Norrbotten County Council
 Örebro County Council

3.6.3 Information about the Members

The 278 Members comprise approximately 93 per cent of Sweden's 290 municipalities and 40 per cent of Sweden's 20 county councils or regions. A municipality or county council cannot be

placed into bankruptcy or pledge its assets. In addition, Swedish municipalities and county councils have a constitutionally protected right to independently determine their tax rate.

3.7 General Terms and Conditions

GENERAL TERMS AND CONDITIONS

The following general terms and conditions (“General Terms and Conditions”) shall apply to bond loans (“Bond Loans”) which Kommuninvest i Sverige AB (reg. no 556281-4409) (the “Company”) issues on the capital market in accordance with the agreement dated 15 September 2010 regarding a bond loan programme (the “Bond Loan Programme”) with the Issuing and Paying Agents identified below (the “Issuing Agreement”). Final terms and conditions (“Final Terms”) shall be drafted for each Bond Loan, containing supplementary loan terms and conditions, which together with these General Terms and Conditions, shall comprise complete terms and conditions for the Bond Loan. References to “these terms and conditions” shall thus include, in respect of a specific Bond Loan, the provisions of the relevant Final Terms. Final Terms for a Bond Loan which is offered to the general public will be published on the Company’s website (www.kommuninvest.org) and will be made available at the Company’s offices.

Each member of Kommuninvest Cooperative Society (reg. no. 716453-2074) (the members are jointly referred to as the “Guarantors” and each individual member as a “Guarantor”) has issued a joint and several guarantee (“Guarantee Undertaking”) for all of the Company’s obligations. See also section 2 below.

1. DEFINITIONS

In addition to the definitions set forth above, the following words and phrases in these terms and conditions shall be defined as follows.

“Account Operator”	bank or other entity which is authorised to be an account operator pursuant to the Financial Instruments Accounts Act (1998:1479), and at which a Holder has opened a VP account in respect of Bonds;
“Adjusted Loan Amount”	the aggregate nominal account of outstanding Bonds in respect of a specific Bond Loan, less all Bonds which are held by the Company, the Society, or each Guarantor;
“Bond Loan”	each loan taken up by the Company under these General Terms and Conditions and which is represented by Bonds;
“Bond”	unilateral promissory note registered pursuant to the Financial Instruments Accounts Act (1998:1479), issued by the Company in accordance with these General Terms and Conditions;
“Business Day”	day in Sweden which is not a Sunday or a public holiday or which, in respect of payment of promissory notes, is not equated with a public holiday;

“Company”	Kommuninvest i Sverige AB (reg. no. 556281-4409);
“ES”	Euroclear Sweden AB (reg. no. 556112-8074);
“Holder”	the person listed on a VP account as creditor or who is otherwise entitled, to receive payment on a Bond, as well as the person who, pursuant to section 13 regarding Nominee Registration, is to be regarded as Holder upon the application of section 11;
“Interest Due Date”	date which is set forth in the Final Terms;
“Interest Rate”	the interest rate which is set forth in the Final Terms;
“Issuing and Paying Agents”	Danske Bank A/S Danmark, Sweden branch, Nordea Bank Finland Abp ¹ , Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ), as well as each other institution which joins this Bond Loan Programme (each individually referred to as an “Issuing and Paying Agent”);
“Lead Bank”	Swedbank AB (publ);
“Loan Date”	the date set forth in the Final Terms and from which calculation of interest commences;
“Loan Number”	serial number for a Bond Loan under the Bond Loan Programme in the series stated in the Final Terms;
“Reference Banks”	Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ);
“Repayment Date”	pursuant to the Final Terms – the date on which the Loan Amount in respect of a Bond Loan is to be repaid;
“SEK”	Swedish kronor;
“STIBOR”	the interest rate which (1) is published at approximately 11 AM on Reuters’ website “SIDE” (or such other system or website which replaces this system or website) or – if such a quotation is not provided – (2) at the aforementioned time corresponding to (a) the average of the Reference Banks’ quoted interest rates for deposits in SEK for the relevant period on the interbank market in Stockholm – or – if only one quotation or no such quotations are made – (b) the Lead Bank’s reasonable assessment of the interest rate offered by Swedish commercial banks for lending in SEK for the relevant period on the interbank

¹ Through supplemental agreements dated 3 December 2010, Nordea Bank AB (publ) withdrew as an issuing and paying agent and, at the same time, Nordea Bank Finland Abp joined as an issuing and paying agent.

market in Stockholm; and

“VP account” securities account at ES where each Holder's holding of Bonds is registered.

2. LOAN AMOUNT, PAYMENT UNDERTAKING AND GUARANTEE UNDERTAKING

The Loan Amount of a Bond Loan is determined when the sale of the Bonds has concluded and is represented by Bonds in the denomination in SEK as stated in the Final Terms, or whole multiples thereof.

The Company undertakes to repay the Bond Loan and pay interest in accordance with these terms and conditions.

A Bond Loan confers the right to payment on an equal basis (*pari passu*) with the Company's other unsecured and non-subordinated payment obligations.

Each issued Bond is covered by the Guarantee Undertaking. The wording of the Guarantee Undertaking as per the First Sales Date for each Bond Loan is appended to the Final Terms. The Guarantee Undertaking is also available on the Company's website (www.kommuninvest.org).

3. INTEREST

The Bond Loan carries fixed interest pursuant to the Interest Rate from the Loan Date up to and including the Repayment Date.

The interest is paid in arrears on each Interest Due Date and is calculated on a 30/360-day basis. The interest is calculated on the nominal amount.

4. REGISTRATION OF BONDS

The Bonds are issued in dematerialised form and shall be registered on behalf of the Holder on a VP account; thus no physical securities shall be issued.

Any request for a specific registration measure in respect of Bonds shall be directed to the Account Operator.

Any person who, as a result of transfer, commission, pledge, the provisions of the Parental Code, testamentary provisions, or deed of gift, or who has otherwise acquired the right to receive payment under a Bond, shall cause his or her right to payment to be registered.

5. REPAYMENT OF THE LOAN AND PAYMENT OF INTEREST

The Bond Loan matures on the Repayment Date or such earlier date as may follow from the provisions of these terms and conditions. Interest shall be paid on the Interest Due Dates.

Payment of interest and repayment of the Bond Loan shall be made to the person who is the Holder on the fifth Business Day prior to each due date or on the Business Day immediately preceding the relevant due date which may generally be applied on the Swedish bond market (the "Record Day").

Where the Holder has caused it to be registered, through the Account Operator, that principal and interest amounts are to be deposited on a specific bank account, ES shall administer such deposits on each due date. In other cases, ES shall send the amount to the Holder on the aforementioned date to his or her address which is registered with ES as of the Record Day.

Where a due date falls on a day which is not a Business Day, the amount shall be deposited or sent on the Business Day immediately following the due date; however, interest shall be paid up to and including the due date.

In the event that ES cannot disburse amounts in accordance with the above provisions of this section 5 due to delay on the part of the Company or other impediment, ES shall disburse such amounts to the Holder as per the Record Day as soon as the impediment ceases.

Where it is proven to be the case that the person who received an amount in accordance with the above provisions of this section 5 was not entitled to do so, the Company and ES shall nevertheless be deemed to have fulfilled their obligations in question. However, this shall not apply where the Company or ES knew that the amount was received by the wrong person or neglected to exercise due care which reasonably should have been taken in the circumstances.

6. PENALTY INTEREST ON ARREARS

In the event of payment arrears in respect of principal amounts and/or interest, penalty interest on arrears shall be payable on the past due amount as from the due date up to and including the date on which payment is made, at an interest rate corresponding to the average of one week's STIBOR on the first Business Day of each week for the duration of the arrears, plus two (2) percentage points. However, the interest rate for penalty interest on arrears pursuant to this section shall never less than the interest rate which applied to the Bond on the due date in question plus two (2) percentage points. Penalty interest on arrears is not capitalised.

Where the arrears are solely due to the Issuing and Paying Agents or ES being impeded as referred to in section 15, penalty interest on arrears shall not be paid at an interest rate greater than that which applied to the Bond on the due date in question.

7. PERIOD OF LIMITATION

The right to payment of the principal is barred ten (10) years after the Repayment Date. The right to interest payments is barred three (3) years after each Interest Due Date. The funds which were set aside for payment which is barred shall vest in the Company.

Where the period of limitations is tolled, a new limitations period of ten (10) years in respect of the principal and three (3) years in respect of interest payments shall commence; in both cases as from the date provided for in the provisions of the Limitations Act (1981:130) regarding the effects of tolling of the limitations period.

8. MODIFICATION OF THE LOAN TERMS AND CONDITIONS, ETC.

The Company and the Issuing and Paying Agents shall be entitled to adjust clear and manifest errors in these terms and conditions, as well as to agree on modifications of a technical

or administrative nature. The Company shall further be entitled to reach an agreement with the Issuing and Paying Agents regarding an increase or decrease of the number of Issuing and Paying Agents, as well as the replacement of one Issuing and Paying Agent with another Issuing and Paying Agent.

In other cases, modification of these General Terms and Conditions may only take place through a decision taken at a Holders' Meeting as per section 11 and notified to the Holders in accordance with section 12.

9. SPECIFIC UNDERTAKINGS

9.1 The Company undertakes, for as long as any Bond is outstanding, to:

- a) refrain from pledging assets or causing another to pledge assets – in the form of a surety undertaking or in another form – for any other market loan which is or may be taken by the Company; and
- b) to refrain from pledging assets for a market loan – in a form other than through a surety undertaking which, in turn, may not be secured – which is or may be taken by a party other than the Company,

unless, in the Issuing and Paying Agents' reasonable assessment, at least equivalent security is lodged for payment of outstanding Bonds.

"Market loan" as per the foregoing shall mean a loan taken against issuance of commercial paper, bonds, or other securities (including loans under MTN or any other market loan programme) which is, or can be, admitted to trading on a regulated market or other marketplace. For the duration of the Guarantee Undertaking in respect of outstanding Bond Loans, the undertaking set forth in section 9.1 a) shall not include a guarantee for any other market loan made on the same terms and conditions as the Guarantee Undertaking.

9.2 The Company undertakes not to change significantly the nature of the Company's operations while any Bond remains outstanding.

9.3 In the event a Guarantor withdraws from the Society, the Company undertakes, as from the date on which the Guarantor withdraws from the Society, not to issue any additional Bonds under outstanding Bond Loans.

10. CALLING IN OF LOANS

10.1 Issuing and Paying Agents shall, upon written request of Holders representing not less than one-tenth of the Adjusted Loan Amount at the time of such request, or where so resolved by the Holders' Meeting, declare, in writing, that the Bond Loan plus interest is due for payment immediately or on such date as resolved by the Holders' Meeting where:

- a) the Company fails to pay principal or interest due under a Bond Loan in due time, unless the duration of the arrears is less than five (5) days; or
- b) the Company (in any respect other than as set forth in subsection a)) fails to fulfil its obligations under these terms and conditions – or otherwise acts in contravention thereof – provided that the Issuing and Paying Agents have demanded rectifi-

cation from the Company and the Company fails to make rectification within fifteen (15) Business Days thereafter; or

- c) the Company fails to make payment in due time in respect of another loan taken by the Company and, as result, the loan in question is called in – or if there is no notice of termination provision or the non-payment constitutes final payment – provided that the total of the outstanding debt under the loan in question is not less than SEK three hundred million (300,000,000) or the corresponding value in another currency; or
- d) the Company suspends its payments; or
- e) the Company applies for, or consents to, a company reorganisation order; or
- f) the Company is placed into bankruptcy; or
- g) a resolution is adopted to place the Company into liquidation; or
- h) a resolution is adopted regarding merger, whereby the Company is to be absorbed into another undertaking and the transferee undertaking is not a credit market company pursuant to the Banking and Financing Business Act (2004:297); or
- i) the Guarantee Undertaking provided by the Guarantors terminates in respect of all Guarantors, or all Guarantors claim that the Guarantee Undertaking is invalid or not binding.

"Loan" in subsection c) also includes overdraft facilities as well as amounts which were not received as a loan but which are to be paid on the grounds of a debt instrument clearly intended for sale to the general public.

Where the Holders' right to call in a loan is due to a decision of a court, public authority, or general meeting, the decision need not have entered into force and the time for appeal need not have expired.

The Company must immediately notify the Issuing and Paying Agents upon the occurrence a circumstance of the type set forth in subsections a)-i) above. In the absence of such notice, the Issuing and Paying Agents shall be entitled to assume that no such circumstance has occurred or is expected to occur, provided that the Issuing and Paying Agents do not know that the opposite is true. The Company shall, at such times as the Issuing and Paying Agents deem necessary, upon request provide the Issuing and Paying Agents with verification concerning the circumstances addressed in subsections a)-i) above. Moreover, the Company shall provide the Issuing and Paying Agents with any detailed information which the Issuing and Paying Agents may request in respect of such circumstances as are addressed in subsections a)-i) above, as well as, upon request of the Issuing and Paying Agents, provide all such documents which may be important in this respect.

The Company's obligations to provide information pursuant to the preceding paragraph shall apply provided that provision of the information does not breach the Company's registration contract with a marketplace and does not violate applicable law or binding regulations.

11. HOLDERS' MEETING

- 11.1 The Issuing and Paying Agents shall be entitled to and shall, and upon written request from the Company or Holders who, as of the date of the request, represent at least one-tenth of the Adjusted Loan Amount, convene a holders' meeting ("Holders' Meeting"). Notice to attend shall be given to the Company and the Holders not fewer than twenty (20) Business Days in advance, in accordance with section 11.2 and section 12.
- 11.2 Notice to attend a Holders' Meeting shall state the time and location of the meeting, as well as the agenda for the meeting. In the event voting may take place by means of an electronic voting procedure, the details thereof shall be clearly stated in the notice to attend. Moreover, the notice to attend shall set forth the business to be addressed and resolved upon at the meeting. The matters must be numbered. The key content of each proposal which is presented must be stated. Only matters which are included in the notice to attend may be decided upon at the Holders' Meeting. In the event that advance notice of intention to attend is required in order to entitle a Holder to participate at the Holders' Meeting, this shall be clearly stated in the notice to attend. A proxy form shall be appended to the notice to attend.
- 11.3 The meeting shall commence with the Lead Bank appointing a chairman, a person to keep the minutes and a person to attest the minutes, unless the Holders' Meeting resolves otherwise.
- 11.4 At the Holders' Meeting - in addition to Holders and their respective representatives and assistants - directors, the managing director, and other senior executives of the Company, as well as the Company's auditors and legal advisors and the Issuing and Paying Agents, shall be entitled to participate at the meeting. Representatives shall present a duly issued proxy which must be approved by the chairman.
- 11.5 The Lead Bank shall ensure that a printout of the record date register (maintained by ES) as per the close of the fifth Business Day prior to the date of the Holders' Meeting is available at the Holders' Meeting. The chairman shall prepare a list of Holders present who are entitled to vote, including information regarding the share of the Adjusted Loan Amount represented by each Holder ("Voting Register"). Upon application of these provisions, a Holder who has cast his or her vote using an electronic voting procedure, ballot or suchlike, shall be deemed present at the Holders' Meeting. Only Holders as of the fifth Business Day before the Holders' Meeting and who are covered by the Adjusted Loan Amount are entitled to vote and shall be included in the Voting Register. The Voting Register shall thereafter be approved by the Holders' Meeting.
- 11.6 Minutes shall be kept of the Holders' Meeting, noting the date and location of the meeting, the attendees, the business which was addressed, the results of voting, and any resolutions which were adopted. The voting register shall be noted or appended to the minutes. The minutes shall be signed by the person keeping the minutes. They shall be attested by the chairman, unless the chairman has kept the minutes, as well as by at least one person appointed by the Holders' Meeting to attest the minutes. The minutes shall thereafter be submitted to the Lead Bank. The minutes shall be provided to the Holders in accordance with section 12 not later than ten Business Days after the Holders' Meeting. New or modified General Terms and Conditions shall be appended to the minutes and submitted to ES through the agency of the Lead Bank or another party designated by the Lead Bank. The minutes shall be stored at the Lead Bank in a satisfactory fashion.

- 11.7 The Holders' Meeting is quorate when Holders representing at least one-fifth of the Adjusted Loan Amount are present at the Holders' Meeting.
- 11.8 However, the following types of matters require that Holders representing not less than one-half of the Adjusted Loan Amount are present at the Holders' Meeting ("Extraordinary Resolution"):
- a) approval of any agreement with the Company or other party regarding a change in the Repayment Date, reduction of the loan amount, change in the prescribed currency for the Loan (unless otherwise provided by law), as well as change in the Interest Due Date or other interest term or condition;
 - b) approval of a change of debtor; and
 - c) approval of the amendment of this section 11.
- 11.9 In the event a Holders' Meeting is convened and the necessary Adjusted Loan Amount represented by the Holders necessary for a quorum has not been reached within thirty (30) minutes of the scheduled start of the Holders' Meeting, the meeting shall be adjourned until the same day the following week (or, if such day is not a Business Day, on the next Business Day after such day). Where the meeting is quorate for some, but not all, questions to be resolved upon at the meeting, the meeting shall be adjourned after resolutions have been adopted in respect of the questions for which there was a quorum. Notice that a Holders' Meeting has been adjourned, containing information regarding the time and place of the continued meeting, shall be sent to the Holders as soon as possible through the agency of ES. When an adjourned Holders' Meeting is resumed, the meeting shall be entitled to adopt resolutions, including Extraordinary Resolutions, where Holders who represent not less than one-tenth of the Adjusted Loan Amount as per the printout of the record date register provided pursuant to section 11.5 (taking into consideration the provisions of section 11.12) are present at the meeting. The resumed meeting shall commence with the chairman's preparing a new voting register (according to the same principles as set forth in section 11.5 and based on the aforementioned printout of the record date register). Only Holders who are included in this new voting register shall be entitled to vote at the meeting. A Holders' Meeting cannot be adjourned more than once.
- 11.10 Resolutions at a Holders' Meeting shall be adopted by poll vote upon the request on any Holder. Each Holder who is entitled to vote shall hold one vote per Bond (which comprise a part of the same Bond Loan) which he or she holds.
- 11.11 An Extraordinary Resolution shall be valid only where it is supported by not less than nine-tenths of the votes cast. All other resolutions shall be adopted in accordance with the position taken by more than half of the votes cast.
- 11.12 Upon application of this section 11, a holder of a nominee-registered Bond shall be regarded as the Holder instead of the nominee where the holder presents a certificate from the nominee evincing that the person in question was the holder of the Bond as of the fifth Business Day prior to the Holders' Meeting and evincing the size of his or her holding. The nominee for a nominee-registered Bond shall be deemed present at the Holders' Meeting with the number of Bonds which the nominee has been engaged to represent.

- 11.13 Any resolution adopted at a duly convened and conducted Holders' Meeting shall be binding on all Holders regardless of whether they were present at the meeting and regardless of how they voted at the meeting. A Holder who supported a resolution adopted by the Holders' Meeting may not be held liable for any loss incurred by another Holder as a result of the resolution.

All of the verified costs which the Lead Bank, ES and the Issuing and Paying Agents incur in conjunction with the Holders' Meeting shall be paid by the Company.

- 11.14 Upon the application of this section 11, the Issuing and Paying Agents shall be entitled to an extract from the record date register maintained by ES for the Bond Loan in question. The Issuing and Paying Agents shall also be entitled (but not obliged) to provide a copy of the extract to the Company.
- 11.15 Any request for a Holders' Meeting shall be sent to the Lead Bank at the following address. Such letter shall indicate that the matter is urgent.

Swedbank AB (publ)
Large Corporates & Institutions
Legal, E829
105 34 STOCKHOLM
Fax: 08-700 85 56
E-mail: dcm.legal@swedbank.com

12. NOTICES

Notices in respect of a Bond shall be sent to a Holder at his or her address which is registered with ES.

13. NOMINEE REGISTRATION

Upon application of these terms and conditions to any Bond which is nominee-registered pursuant to the Financial Instruments Accounts Act (1998:1479), the nominee shall be regarded as the Holder unless provided in section 11.2.

14. TRADING ON A REGULATED MARKETPLACE

- 14.1 The Company shall apply for registration of Bond Loans on NASDAQ OMX Stockholm AB or another Swedish regulated marketplace.
- 14.2 For such time as any Bond is outstanding, the Company shall take the measures which are necessary to keep the Bond Loan registered on NASDAQ OMX Stockholm AB or another Swedish regulated marketplace.
- 14.3 Any switch to admittance to trading on a regulated marketplace other than NASDAQ OMX Stockholm AB may only occur when, in the judgment of the Issuing and Paying Agents, such change cannot have a negative material impact on the Holders' interests. Notice of a switch in regulated marketplace shall be provided in accordance with section 12 of these General Terms and Conditions.

15. LIMITATION OF LIABILITY, ETC.

In respect of undertakings assumed by the Issuing and Paying Agents or ES – in respect of ES taking into consideration the provisions of the Financial Instruments Accounts Act – liability cannot be asserted for loss resulting from Swedish or foreign provisions of law, actions of Swedish or foreign public authorities, acts of war, strikes, blockades, boycotts, lockout or any other similar circumstance. The reservation in respect of strikes, blockades, boycotts, shall also apply notwithstanding that the issuing institution or ES itself is subject to, or takes, such labour market measures.

The Issuing and Paying Agents or ES shall not compensate for loss arising in other cases where the relevant party has exercised normal care. Under no circumstances shall the Issuing and Paying Agents or ES be liable for indirect loss.

In the event the Issuing and Paying Agents or ES are prevented from taking measures under these terms and conditions due to any circumstance stated in the first paragraph above, the measure may be postponed until the impediment has ceased.

The Issuing and Paying Agents shall not be deemed to hold information regarding the Company, its operations, or circumstances as referred to in section 10.1 (b)-(i) or section 9 unless the Company has provided such information through special notice in accordance with the Issuing Agreement. An Issuing and Paying Agent is not obliged to monitor for the existence of conditions for premature calling-in pursuant to section 10.1 (b)-(i).

The above provisions of this section shall not apply where otherwise prescribed in the Financial Instruments Accounts Act.

16. APPLICABLE LAW - JURISDICTION

The interpretation and application of these terms and conditions shall be governed by Swedish law.

The Stockholm District Court shall be the court of first instance for disputes in respect of the interpretation and application of these General Terms and Conditions.

It is hereby confirmed that the above General Terms and Conditions are binding on all of us.

Örebro, 15 September 2010

KOMMUNINVEST I SVERIGE AB (publ)

3.8 Template for Final Terms

The following template is used for Final Terms for each Bond Loan issued under the Bond Loan Programme.

FINAL TERMS



Kommuninvest i Sverige AB (publ)

[Interest rate] loan no. [Loan Number]

The following final terms ("Final Terms") have been prepared in accordance with Article 5.4 of Directive 2003/71/EC and apply to bond loan [Loan Number] (the "Bond Loan") which Kommuninvest i Sverige AB (the "Company") is issuing on the capital market as per agreement with the Issuing and Paying Agents identified below. The Bond Loan is represented by Bonds, which are unilateral promissory notes registered pursuant to the Financial Instruments Accounts Act (1998:1479). The relevant Guarantee Undertaking (Appendix 1) and an issue-specific summary of the prospectus (Appendix 2) are appended to the Final Terms.

The General Terms and Conditions dated 15 September 2010, which are reproduced in the Company's base prospectus in respect of the Bond Loan Programme (the "Prospectus"), as well as these Final Terms, shall apply to the Bond Loan. Terms which are not defined in these Final Terms shall have the definitions set forth in the General Terms and Conditions.

Complete information regarding the Company and the Bond Loan can only be acquired by reading these Final Terms together with the Prospectus, any supplements to the Prospectus, and any documents incorporated therein by reference. The documents are available on www.kommuninvest.org.

Loan terms

Loan Number:	[•]
Loan Date:	[•]
Payment Date:	[(If date other than the Loan Date)]
First Sales Date:	[•]
Admitted to trading:	[The Company will apply for registration of the Bond Loan on [NASDAQ OMX Stockholm AB/other Swedish regulated marketplace] as from [Payment Date].

Interest terms

Interest Rate:	[[•] % annual interest rate]
Interest Due Date	[•]

Terms for repayment

Repayment date:	[•]
Sale terms	
Interests which are significant to the issue:	<i>[Description of interests which are significant to the issue, including any natural persons or legal entities involved in the issue, including conflicts of interest]/[Apart from the compensation which is paid to the Issuing and Paying Agents as result of their participation in the Programme and this issue, the Company is not aware of any person involved who has any interest of significance to the issue]</i>
Restrictions on consent to the use of the Prospectus:	[•]
Clearing:	[Euroclear Sweden AB/Euroclear Bank S.A./N.V./Clearstream Banking, Société Anonyme, Luxembourg]
Payment and custodial representative:	[Euroclear Sweden AB Box 191 101 23 Stockholm/ <i>Specify name and address of other payment and custodial representative</i>]
Other information	
Credit rating:	<i>[(Specified only in those cases where the Bond Loan has been assigned a credit rating)]</i> [The above credit rating agencies were established within the EU prior to 7 June 2010 and on 31 October 2010 were approved and registered as credit rating agencies under Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended through Regulation (EU) no 513/2011 of the European Parliament and of the Council of 11 May 2011.]
Guarantee undertaking:	The wording of the Guarantee Undertaking as per the First Sales Date, dated [•] for each Bond Loan is appended to the Final Terms.
ISIN code:	[•]

Euroclear no:

[•]

Assurance

The Company confirms that all significant events after [date of base prospectus] which might affect the market's perception of the Company have been publicised.

The Company further confirms that these Final Terms shall apply to the Bond Loan and undertakes, in accordance therewith, to pay the Loan Amount and interest.

Örebro [date of Final Terms]

Kommuninvest i Sverige AB (publ)

[Relevant guarantee undertaking enclosed]

Appendix 1

[Issue-specific summary of the prospectus enclosed]

Appendix 2

4 USE OF THE PROCEEDS OF THE ISSUE

The Company intends to use the proceeds of the issue, less issue costs, for general financing purposes. In the event the proceeds of the issue for a specific Bond Loan are intended to be used for a purpose other than general financing, this will be stated in the Final Terms for the Bond Loan in question.

5 WARRANTY

The Company is responsible for the content of the Prospectus and warrants that reasonable precautionary measures have been taken to ensure that, as far as the Company is aware, the information in the Prospectus accords to the actual circumstances and that nothing which could affect the meaning of the Prospectus has been omitted. To the extent prescribed by law, the Company's board of directors is also responsible for the content of this Prospectus and has taken all reasonable precautionary measures to ensure that the information in the Prospectus, as far as the Company's board of directors is aware, accords to the actual circumstances and that nothing which could affect the meaning of the Prospectus has been omitted. Information from third parties has been reproduced verbatim and, as far as the Company is aware and could ascertain, no information has been omitted which would render the reported information erroneous or misleading. Moreover, there has been no significant change affecting the Company's financial position or prospects since the last publication of financial information. Apart from as is explicitly stated in this Prospectus, no information has been examined or audited by the Company's auditors. The Company consents to the use of the Prospectus and assumes liability for the content of the Prospectus, notwithstanding that financial intermediaries, who have been granted consent to use the Prospectus, distribute or ultimately place Bonds.

6 KOMMUNINVEST I SVERIGE AB

6.1 Kommuninvest Cooperative Society

Kommuninvest consists of a membership organisation, Kommuninvest Cooperative Society (the “**Society**”), and the Company, which is the Society’s wholly owned credit market company. The group also includes a property company, Kommuninvest Fastighets AB, the primary task of which is to manage the property in which the Company conducts its business. The property company is wholly owned by the credit market company.

Kommuninvest is a company operating in the public interest which offers membership to all municipalities and county councils. The underlying principal is one of voluntary participation in respect of both membership in the Society and use of the Company’s services. The business is based on local government values, and its goal is to ensure access to long-term and cost-efficient financing for the member municipalities by providing loans and other financial service on competitive terms. The Society and the credit market company have the following vision and business concept:

Vision

Kommuninvest shall be the world’s best organisation for municipal financial management. We finance the development and investments of the Swedish local and regional sectors for a good and sustainable society.

Business concept

Kommuninvest is a membership organisation which, based on a shared foundation of values, effectively represents the Swedish municipal sector on financing issues. We conduct business in the public interest for the benefit of society.

Kommuninvest’s creditworthiness is supported by a joint and several guarantee from the members, which contributes to making Kommuninvest an attractive counterparty for qualified investors and financial institutions.

Kommuninvest welcomes all municipalities and county councils that wish to become members. The members themselves determine the focus of the business activities and have ultimate responsibility for the organisation. Each member has one vote, regardless of size, business volume, or contribution.

Kommuninvest has no intention to make profits on its own behalf. The purpose is to provide the members with financial benefits. After necessary consolidation, earnings are furnished to the members.

Motivated and skilled employees will ensure that Kommuninvest has a skills and knowledge-oriented organisation which offers its clients competitive solutions and excellent service.

The public and financial market actors will perceive Kommuninvest as a stable, efficient and knowledgeable actor whose role as a public interest municipal financier provides the Swedish municipal sector with the most efficient financial management possible with a focus on financing.

6.2 The Company's history

Kommuninvest i Örebro län AB was formed in August 1986 as a regional project between the county council and the municipalities in Örebro County. During subsequent years, interest in the business continued to increase and, as from March 1993, municipalities and county councils outside of Örebro were invited to participate in the cooperative effort. At the same time, the ownership of the Company changed from direct ownership by the municipalities and county councils to indirect ownership through the Society. The Company's name was also changed to Kommuninvest i Sverige AB.

6.3 The Company's business

6.3.1 Background and goals

The Company is a credit market company, the goals of which are to render borrowing more cost-efficient for municipalities, municipal companies, municipal foundations, and municipal associations, as well as to provide financial services within the municipal sector. The primary object of the Company is not to generate a profit for its owner. In addition to borrowing money to finance its other activities, the Company's activities include the provision of loans, participation in financing, provision of financial advice, and provision of other financial service. The Company's lending, participation in financing and provision of advice are offered solely to members of the Society and to companies in which members are majority owners. The Company has approximately 70 employees and its office is situated in Örebro.

The Company has organised its activities into a group, structured as follows:



Administrative Solutions NLGFA AB is an affiliated company which is owned jointly with Kommunalbanken in Norway. The company is not included in the Kommuninvest group's consolidated financial statements.

In accordance with the owner directive from the Society, Kommuninvest is in the process of accumulating capital prior to the EU implementation of a gross equity/assets ratio requirement in credit institutions as from 2018. The accumulation of capital has taken place in part by building up earnings, and in part by issuing a debenture loan in the amount of SEK 1 billion to the Society's members in 2010. The issue was oversubscribed and all members participated.

As from the 2011 financial year, the Society began to avail itself of surplus disbursements. Surplus is disbursed through group contributions from Kommuninvest to the Society, less coverage for the Society's costs, being disbursed onwards to the Society's members in the form of a refund on transaction volume and interest on contributed capital. A resolution regarding whether surplus is to be distributed is considered at the Society's annual general meeting.

It is also decided at the Society's annual general meeting whether the members are to make new contributions of capital. The Society can use contributed capital to strengthen Kommuninvest's capital base. At the 2013 general meeting of the Society, a resolution was adopted concerning a new capital contribution of SEK 768.0 million (276.0 million). All members elected to participate.

Kommuninvest's planning presumes that the ongoing accumulation of capital will be able to reach a gross equity/asset ratio of 1.5 percent. If a higher equity/asset ratio requirement is adopted, alternative injections of capital will be necessary.

Work is underway to enable several alternatives to injections of capital. The intention is to address, at the Society's 2014 and 2015 general meetings, a proposal for a reformed system for member contributions and adjustments to the statutes in order to enable several alternative forms of capitalisation.

6.3.2 Lending activities

The Company currently provides lending in Swedish kronor for terms of up to 20 years, but it is possible to provide loans in other currencies and for longer terms. Lending pertains to both terminable loans and loans with capital tied up at fixed or variable interest rates. The Company's product portfolio comprises four primary loan products:

- *KI Interest*. Variable interest (daily interest calculation) and tied-up capital, 60 days.
- *STIBOR open ended*. 3-month fixed interest, tied-up capital, 3 months.
- *3 m STIBOR*. 3-month fixed interest, tied-up capital up to 20 years. Possible to choose another STIBOR period.
- *Fixed Interest*. Discretionary fixed interest period and tied-up capital for up to 20 years.

At the end of 2013, municipalities and county councils represented 41 percent of Kommuninvest's lending; the remaining 59 percent of the lending was to municipal companies with municipal guarantees as security. The single largest loan product is fixed interest, with tied-up capital representing 46 percent of the Company's lending.

6.3.3 Borrowing activities

The Company's borrowing strategy is based on diversified financing sources in respect of borrowing markets, investor categories, borrowing currencies, and borrowing products. The four strategic borrowing programmes comprise this programme for issuance of bonds in Swedish kronor, the Company's USD benchmark programme under the EMTN programme, the Company's Euro-Commercial Paper programme, and Japanese borrowing.

The bulk of the Company's borrowing takes place in the form of issued bonds (for terms longer than one year) and commercial paper (for terms shorter than one year). The Com-

pany currently has terms ranging from one day to 30 years, and is primarily focused on financial instruments with fixed or variable interest rates.

The Company's borrowing strategy includes strengthening its strategic position on the Swedish market, continuously and systematically working to broaden the investor base domestically and internationally, and increasing the number of markets in order to ensure the greatest possible diversity. The Company's EMTN programme has been supplemented with 144A documentation and, accordingly, the investor base also includes domestic investors on the US market.

The Company's larger borrowing programmes (apart from this programme for regular issuance of bonds) include:

- Kommuninvest EMTN programme (Euro Medium Term Note), a medium-term bond programme with terms from 1-30 years and a limit of EUR 25 billion;
- Kommuninvest Euro-Commercial Paper Programme (ECP), a short-term borrowing programme with terms from 1-364 days and a limit of EUR 7 billion;
- Kommuninvest Municipal Certificate Programme, a short-term borrowing programme aimed at the Swedish market with a limit of SEK 50 billion;
- Borrowing in Japan via so-called Uridashi bonds;
- The Kangaroo and Kauri programme, a short-term and long-term bond programme with a limit of AUD 3 billion.

6.3.4 Trends and prospects

No significant negative changes to the Company's prospects have occurred since the 2013 audited annual report was published. The Company is unaware of any trends, uncertainty factors, potential claims or other demands, undertakings or events which may be expected to have a material impact on the Company's business prospects in respect of the current financial year.

6.3.5 Other significant events

There have been no significant changes to the Company's financial position or market position since the publication of the annual report for the 2013 financial year.

6.4 Credit rating

The Company's creditworthiness is monitored by Moody's Investors Service, Ltd. and Standard & Poor's Rating Services, a subdivision of McGraw-Hill Companies Inc. Moody's credit rating for the Company's long-term liabilities is Aaa and Standard & Poor's credit rating is AAA. This is the highest credit rating available from both Moody's and Standard & Poor's. The following table sets forth the rating scales which are used by each agency for long-term borrowing. The Company's rating for long-term borrowing is marked in bold. A credit rating does not constitute a recommendation to buy, sell or retain Bonds, and a credit rating may be revised or withdrawn at any time.

Rating for long-term borrowing

<u>Moody's</u> ²	<u>Standard & Poors</u> ³
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-

The above credit rating agencies were established within the EU prior to 7 June 2010 and on 31 October 2010 were approved and registered as credit rating agencies under Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended through Regulation (EU) no 513/2011 of the European Parliament and of the Council of 11 May 2011 and Regulation (EU) no 462/2013 of the European Parliament and of the Council of 21 May 2013.

6.5 Significant agreements

The Company has no agreements beyond the scope of day-to-day business operations which may entail that the Company is afforded a right or incurs an obligation which may have a significant effect on the Company's ability to fulfil its obligations to holders of Bonds which are issued under the Prospectus.

6.6 Management and executive bodies

6.6.1 Board of Directors

- Ellen Bramness Arvidsson (born 1964), Stockholm

Elected: Chairman since April 2013. Chairman during 2010, Deputy Chairman since 2006, Board Member since 2003.

External engagements:
International coordinator, Finans Norge

- Lorentz Andersson (born 1942), Skellefteå

Elected: Board Member since 2001.

² For more information regarding rating, see www.moodys.com

³ For more information regarding rating, see www.standardandpoors.com

External engagements:
Chairman of Träcentrum Norr
Chairman of Norrbotniabanan AB

- Catharina Lagerstam (born 1962), Stockholm

Elected: Board Member since 2009.

External engagements:
Board Member of Retail Finance Europe AB
Deputy Chairman of Stiftelsen Franska Skolan
Board Member of Landshypotek AB
Board Member of StyrelseAkademien of Stockholm
Board Member of Erik Penser Bank AB
Board member of ICA Banken AB
Member of the Swedish Armed Forces Advisory Council
Owner and Chairman of Quaestus AB

- Johan Törngren (born 1960), Stockholm

Elected: Board Member since 2009.

External engagements:
Chairman of SPP Fonder AB
Board Member of JT Finans AB

- Anna von Knorring (born 1965), Helsinki

Elected: Board Member since 2004.

External engagements:
Deputy Director, State Treasury, Finland
Member of the Tre Smeder Foundation delegation, Helsinki
Market Advisory Committee, Euroclear Finland
Board Member, Nordic Capital Markets Forum

- Anna Sandborgh (born 1950), Karlstad

Elected: Board Member since 2010.

External engagements:
CEO, Municipality of Karlstad
Vice Chairman of Vänerhamn AB
Managing Director of Karlstads Stadshus AB
Chairman of Fastighets AB Sandgrund
Director of Karlstads Stadshus lafer 1 AB

- Kurt Eliasson, (born 1950), Stockholm

Elected: Board Member since 2010.

External engagements:

President of SABO, Stockholm
Chairman of the Board, Chalmers University of Technology Foundation
Board Member of FASTIGO employer organisation, Stockholm
Chairman of the Board, NBO, Housing Nordic
Chairman of the Board, AB Järntorgskvarteren, Gothenberg
Member of Executive Committee of CECODHAS HOUSING EUROPÉ, Brussels

All board members can be reached at the Company's address (see page 47).

6.6.2 Senior executives

- Tomas Werngren, born 1961
President
- Maria Viimne, born 1970
Vice President
- Johanna Larsson, born 1973
Head of Finance
- Britt Kerkenberg, born 1964
Chief Risk Officer
- Hans Wäljamets, born 1957
Chief Operating Officer
- Michael Jansson, born 1961
Head of Human Resources

6.7 Internal monitoring

Follow-up and monitoring in the Company takes place through three lines of defence. The first line of defence lies within the business operations, with day-to-day responsibility for measuring, monitoring, and handling its risks with efficient monitoring routines. The second line of defence is segregated from the commercial activities, and lies primarily within the Risk & Analysis Department, which monitors, oversees, and ensures implementation of efficient risk management procedures throughout the organisation. The second line of defence also includes the back office, accounting and compliance. The third line of defence is internal audit which, among other things, provides the board and management with risk-based reporting of how the company measures and handles its risks. This includes the first and second lines of defence.

6.7.1 Control functions

- Ulf Jivmark, born 1956
Compliance Officer
- Karin Winberg, born 1966
Internal auditor

- Risk control function
For more information, see section 6.7.2 below.

6.7.2 Risk organisation

The board of directors adopts a risk strategy and risk limits. The president is responsible for ensuring that the limits are not exceeded, and has delegated to the business functions within Kommuninvest (i.e. Borrowing, investments, and the Customer Group) to apply lower limits within their respective areas.

The Risk & Analysis Department, Kommuninvest's risk control function, is responsible for checking and carrying out regular follow-up and analysis of financial risks, with daily reporting to the president and monthly reporting to the board of directors. The Risk & Analysis Department is headed by the Head of Risk & Analysis, who reports to the president and is a member of the executive team. In addition to the foregoing, the department is also responsible for: ensuring that risk reporting is correct pursuant to applicable external and internal rules; regularly conducting stress tests; ensuring that Kommuninvest's business models are suitable and secure; and managing and coordinating the work in respect of operating risks. The Credit Group is the body responsible for proposals for changes to limits *vis-à-vis* counterparties and members, as well as other credit issues which require decisions by the board of directors or the president. Kommuninvest's ALCO group (Asset Liability Committee) is responsible for preparing questions in respect of market risk and liquidity issues which acquire decisions by the board of directors or the president. Representatives of Risk & Analysis are secretaries in the above groups.

6.7.3 Auditors

Ernst & Young AB
Box 7850
103 99 Stockholm

Erik Åström (authorised public accountant) has been auditor-in-charge since 2014. The auditor is a member of Föreningen Auktoriserade Revisorer (FAR).

- Anita Margareta Bohman, born 1944
Lay auditor
- Niklas Sjöberg, born 1964
Lay auditor

6.8 Conflicts of interest

There are no potential conflicts between the Company's interests and the private interests of the aforementioned directors, senior executives, and others. This also applies to other persons involved in the preparation of the Prospectus on the part of the Company.

6.9 Ownership structure

The Company is a wholly owned subsidiary of Kommuninvest Cooperative Society. As of 31 March 2014, the Company's share capital was SEK 1,396,385,000, divided into 13,963,850 shares, all of the same class. On 10 April 2014, the Company adopted a

resolution to increase the Company's share capital by SEK 650,000,000 to a total of SEK 2,046,385,000 by means of a new issue of 6,500,000 shares. An increase of the Company's share capital requires registration with the Swedish Companies Registration Office as well as approval from the Swedish Financial Supervisory Authority in order to be calculated as part of the capital base. As of the date of approval of this Base Prospectus, the Financial Supervisory Authority had still not granted approval.

6.10 Company information

The Company was formed as a limited liability company on 6 August 1986 and has been a credit market company since 19 June 1995. The company conducts its operations in accordance with the Swedish Companies Act and other Swedish legislation, and its activities are governed by the Banking and Financing Business Act (2004:297). The Company is under the supervision of the Swedish Financial Supervisory Authority and is registered with the Swedish Companies Registration Office, reg. no. 556281-4409. As an unlisted company, the Company is not subject to the Swedish Corporate Governance Code.

The Company has been a monetary policy counterparty in the Swedish Riksbank and a participant in RIX, the Riksbank's payment system, since 2010.

The Company's registered office is in Örebro. The Company's registered address is:
Kommuninvest i Sverige AB
Box 124
701 42 Örebro

7 SUMMARY OF FINANCIAL INFORMATION

7.1 Introduction

A summary of certain selected financial information in respect of the Company is set forth below. The information is derived from the Company's annual reports for the 2013 and 2012 financial years. The information in the annual reports has been audited by the Company's auditors. In their auditor's reports for each annual report, the auditors have declared that the annual report was prepared in accordance with the Swedish Annual Reports (Credit Institutions and Securities Companies) Act and, in all significant respects, gives a true and fair view of the Company's financial position. The auditors provided no qualifications in respect of the annual reports for the 2013 and 2012 financial years.

The financial information set forth below should be read together with other information in each annual report and auditor's report.

7.2 Accounting principles

The Company's annual report is prepared pursuant to the Annual Report (Credit Institutions and Securities Companies) Act and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports for credit institutions and securities companies (FFFS 2008:25).

The foregoing entails compliance with all IFRS statements approved by the EU, to the extent possible within the scope of the Annual Report (Credit Institutions and Securities Companies) Act and subject to the additions and exceptions set forth in FFFS 2008:25. The same accounting principles and calculation methods have been consistently applied over all accounting periods which are presented in the financial information.

7.3 Income statement

1 January – 31 December

<i>SEK millions</i>	2013	2012
Interest income	4,571.2	6,046.2
Interest expenses	-3,601.7	-5,274.5
Net interest income	969.5	771.7
Commission expenses	-5.6	-8.5
Net result of financial transactions	38.7	-267.1
Other operating income	0.2	4.6
Total operating income	1,002.8	500.7
General administration expenses	-239.3	-244.0
Depreciation of tangible fixed assets	-2.4	-2.7
Other operating expenses	-3.5	-5.0
Total expenses	-245.2	-251.7
Operating profit	757.6	249.1
Appropriations	-	240.0
Tax on net income for the year	-166.9	-132.5
Income for the year	590.7	320.6

Statement of comprehensive income

1 January – 31 December

<i>SEK millions</i>	2013	2012
Net earnings	590.7	320.6
Other comprehensive income		
<i>Items that may later be reclassified to the income statement.</i>		
Available for sale financial assets	-8.3	125.3
Available for sale financial assets, transferred to the income statement	1.0	24.4
Loan receivables and accounts receivable		-1.2
Tax attributable to items that may later be reclassified to the income statement	1.6	-37.9
Other comprehensive income	-5.7	110.6
Comprehensive income	585.0	431.2

7.4 Balance sheet

As per 31 December

<i>SEK millions</i>	2013	2012
Assets		
Sovereign bonds eligible as collateral	14,626.2	11,160.8
Lending to credit institutions	2,822.2	15,618.6
Lending	208,644.0	200,950.7
Bonds and other interest-bearing securities	44,932.9	44,293.7
Shares and participations	2.1	1.7
Shares and participations in associated companies	0.5	0.5
Shares and participations in subsidiaries	32.0	32.0
Derivatives	6,235.8	11,057.4
Tangible assets	4.6	5.6
Current tax assets	79.0	79.0
Other assets	14.2	14.1
Deferred tax assets	54.6	56.8
Prepaid expenses and accrued revenue	10.6	12.7
Total assets	277,458.7	283,283.6
Liabilities, provisions and equity		
Liabilities to credit institutions	4,352.0	5,610.4
Securities issued	256,258.7	257,257.3
Derivatives	13,231.8	17,517.2
Other liabilities	764.6	818.4
Accrued expenses and prepaid revenues	121.4	125.2
Provisions	2.5	2.1
Subordinated liabilities	1,000.1	1,000.3
Total liabilities and provisions	275,731.1	282,330.9
Equity	1,727.6	952.7
Restricted equity		
Share capital (13,963,850 and 6,083,850 shares, quotient value SEK 100)	1,396.4	608.4
New share issue in progress (0 and 200,000 shares, quotient value SEK 100)	-	20.0
Statutory reserve	17.5	17.5
Unrestricted equity		
Fair value reserve	17.3	23.0
Profit brought forward	-294.3	-36.8
Income for the year	590.7	320.6
Total equity	1,727.6	952.7
Total liabilities, provisions and equity	277,458.7	283,283.6
Memorandum items		
Collateral pledged	22,954.3	22,442.3
Contingent liabilities	None	None
Obligations		
Committed undisbursed loans	3,480.0	2,876.4

7.5 Cash flow statement

1 January – 31 December

<i>SEK millions</i>	2013	2012
Operational activities		
Operating income	757.6	249.1
Adjustment for items not included in cash flow	-15.4	262.2
Income tax paid	-0.6	-0.6
Cash flow from operating activities before changes in the assets and liabilities of operating activities	741.6	510.7
Change in interest-bearing securities	-11,840.9	-4,561.7
Change in lending	-8,741.7	-32,299.7
Change in other assets	2.1	23.4
Change in other liabilities	7.1	-45.4
Cash flow from operational activities	-19,831.8	-36,372.7
Investment activities		
Acquisition of subsidiaries	-	-32.0
Acquisition of tangible assets	-1.6	-1.6
Divestment of tangible assets	0.4	-
Cash flow from investment activities	-1.2	-33.6
Financing activities		
Issue of interest-bearing securities	126,416.0	163,834.8
Redemption of interest-bearing securities	-119,342.0	-113,585.4
New share issue	768.0	336.0
Group contribution paid	-805.3	-295.0
Cash flow from financing activities	7,036.7	50,290.4
Cash flow for the year	-12,796.3	13,884.1
<i>Cash and equivalents at the start of the accounting period</i>	15,618.6	1,734.5
Cash and equivalents at end of the year	2,822.3	15,618.6
<p>Cash and equivalents consist in their entirety of loans to credit institutions with a maturity of at most three months at the time of acquisition and that are exposed to an insignificant risk of fluctuations in value.</p>		
	2013	2012
Adjustment for items not included in cash flow		
Depreciation	2.4	2.7
Profit from divestment of tangible fixed assets	-0.2	-
Exchange rate differences from change in financial fixed assets	0.0	-1.4
Unrealised changes in market value	-17.6	260.9
Total	-15.4	262.2
Interest paid and earned, included in the cash flow		
Interest received	4,379.3	5,777.8
Interest paid	-3,481.0	-5,000.0

7.6 Key ratios

2009 - 2013

<i>SEK millions</i>	2013	2012	2011	2010	2009
Growth					
Lending (change as %)	3.8	20.0	25.7	8.2	18.1
Net interest income (change as %)	25.6	35.0	32.5	13.1	151.3
Consolidation					
Capital base as % of balance sheet total	0.96	0.61	0.81	0.99	0.40
Adjusted capital base as % balance sheet total ¹	1.21	0.93	0.95	0.99	0.40
Capital adequacy quotient	7.43	3.80	5.71	10.09	4.24
Adjusted capital adequacy quotient ¹	9.38	5.77	6.72	10.09	4.24
Capital adequacy ratio (%)	59.5	30.4	45.7	80.7	33.9
Adjusted capital adequacy ratio (%) ¹	75.1	46.3	53.7	80.7	33.9
Efficiency					
Administration expenses as % of lending ²	0.117	0.125	0.143	0.127	0.109
Administration expenses, excluding the stability fee, as % of lending ²	0.070	0.075	0.093	0.096	0.088
Administration expenses as % of balance sheet total ²	0.088	0.089	0.103	0.089	0.073
Administration expenses, excluding the stability fee, as % of balance sheet total ²	0.053	0.053	0.067	0.067	0.059
Lending/employee (<i>SEK millions</i>)	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
Return on capital employed					
Operating income after standard tax as % of average equity	44.09	20.20	32.28	23.45	38.32
Cost/Income ratio					
Total expenses in relation to net interest and other operating income	0.25	0.32	0.42	0.39	0.35
Other information					
Number of employees at end of the year	70	65	59	53	49

¹ Adjusted capital base: capital base adjusted for the capital injection from the Kommuninvest Cooperative Society, if the 2014 Annual General Meeting of the Society so decides regarding earnings for the current year. The capital injection related to earnings for 2013 is calculated to be SEK 696.5 million, consisting of group contributions of SEK 741.1 million and earnings in the Kommuninvest Cooperative Society. 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 quotient and the Adjusted capital adequacy ratio.

² "Administration expenses" means general administration expenses, depreciation, and other operating expenses.

8 INFORMATION WHICH IS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the Prospectus. The sections of the documents listed below which have not been incorporated by reference are either reproduced in the Prospectus or lack relevance, as per the applicable prospectus regulation, for preparation of a Base Prospectus. The documents were published previously and submitted to the Swedish Financial Supervisory Authority in conjunction with submission of this Prospectus.

- (a) The following pages from the Company's audited annual report for the 2013 financial year;
- (b) The following pages from the Company's audited annual report for the 2012 financial year; and
- (c) The articles of association adopted at the annual general meeting held on 2 April 2009 (the objects of the business are stated in Article 3).

The following list contains page references to various sections in each annual report:

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Documents which are made available:

Copies of the following documents are available in printed form at the Company's office during the term of validity of the Prospectus:

- (a) the Company's registration certificate and current articles of association;
- (b) the Company's audited annual report for the 2013 and 2012 financial years;
- (c) the Guarantee Undertaking (see page 20); and
- (d) the Prospectus, any supplements to the Prospectus which were approved and registered by the Swedish Financial Supervisory Authority, and Final Terms for Bond Loans issued under the Prospectus.

Documents as per (b) and (d) are also available in electronic form on the Company's website, www.kommuninvest.org.

9 ADDRESSES

Issuer

Kommuninvest i Sverige AB (publ)
Drottninggatan 2
Box 124, 701 42 Örebro
Tel: 010-470 87 00
Fax: 019-12 11 98
www.kommuninvest.org

Lead bank

Swedbank AB (publ)
Large Corporates & Institutions
105 34 Stockholm
Tel: 08-585 900 00
Fax: 08-700 85 56
www.swedbank.se

Issuing and Paying Agents

Danske Bank A/S, Danmark, Swedish
Branch
Norrholmstorg 1, Box 7523,
103 92 Stockholm
Tel: 08-568 805 54

Svenska Handelsbanken AB (publ)
Handelsbanken Capital Markets
Blaiseholmstorg 11
106 70 Stockholm
Tel: 08-463 46 50

Nordea Bank Finland Abp
c/o Nordea Markets
Smålandsgatan 17
105 71 Stockholm
Tel: 08-641 81 40

Swedbank AB (publ)
Large Corporates & Institutions
105 34 Stockholm
Tel: 08-700 99 00

Skandinaviska Enskilda Banken AB (publ)
SEB Merchant Banking, Capital Markets
Kungsträdgårdsgatan 8
106 40 Stockholm
Tel: 08-506 231 70

Central securities depositary

Euroclear Sweden AB
Box 191
101 23 Stockholm
Tel: 08-402 90 00