

Annual Accounts

2014

Kommuninvest i Sverige AB

Summary of the year

- Balance sheet total SEK 312,052.1 (277,458.7) million
- Lending SEK 222,803.7 (208,644.0) million
- Net interest income SEK 915.2 (969.5) million
- Operating profit SEK 729.4 (757.6) million
- Operating profit, excluding the effect of unrealised market value changes SEK 664.0 (740.0) million
- Core Tier 1 capital ratio¹ 34.6 (37.0) %
- Tier 1 capital ratio² 34.6 (37.0) %
- Total capital ratio³ 49.3 (59.5) %
- Total equity SEK 2,375.4 (1,727.6) million
- Leverage ratio, according to CRR⁴ 0.76 (0.57) %
- Leverage ratio, including subordinated loan⁵ 1.09 (0.91) %
- Market share 44 (44) percent of the local government sector's total borrowing
- Two (four) new members in the Kommuninvest Cooperative Society. Total membership at year-end was 280 (278) members.

1) Core Tier 1 capital in relation to total Risk Exposure Amount.

2) Tier 1 capital in relation to total Risk Exposure Amount.

3) Total capital base in relation to total Risk Exposure Amount.

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

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



KOMMUNINVEST

ABOUT KOMMUNINVEST Kommuninvest i Sverige AB is owned by Swedish municipalities and county councils/regions, with the purpose of supporting local government financial operations through secure and cost-efficient financing, skills development and cooperation. Kommuninvest is the largest lender to Swedish local governments. The vision is to be the world's best organisation for local government financial administration.

www.kommuninvest.org

Annual accounts for Kommuninvest i Sverige AB (publ)

These are the Annual Accounts for the credit market company Kommuninvest i Sverige AB. (Kommuninvest or the Company)
Company registration number: 556281-4409
Registered office: Örebro, Sweden
1 January–31 December 2014

Comparative earnings figures relate to the same period last year (1 Jan. – 31 Dec. 2013) unless otherwise indicated. Comparative balance sheet figures relate to 31 Dec. 2013 unless otherwise indicated.

Comment by the CEO

In 2014, Kommuninvest's lending rose by 6 percent, primarily due to improved competitiveness as of the fourth quarter. Kommuninvest maintained its position as the largest lender to Swedish municipalities and county councils/regions.

The local government sector's funding needs continued to increase, with strong population growth, urbanisation and demographic changes driving investment needs. Both new investments and renovation of older properties and infrastructure are required to meet residents' needs for local government services.

Kommuninvest's operating profit was the second highest to date, reflecting the owners' directive regarding the long-term build-up of capital. Kommuninvest Cooperative Society has a clear plan for meeting the leverage ratio requirement, to be introduced in 2018.

As a result of regulatory changes in particular, the expenses in the operations are increasing. In relation to its scale, our organisation continues to be an efficient one. For 2014, our administration expenses, excluding the stability fee, amounted to less than 8 basis points as a proportion of lending.

Customer satisfaction was the focus of our process of change in 2014. Bringing the customer's perspective into everything we do and plan – in both major actions and smaller ones – is a central task and one where I see us increasingly pulling together. During the year, we launched a debt management system now used by hundreds of members and their companies. We have made considerable progress in our preparations to provide Green Bond funding to all customers.

Kommuninvest's business volumes have increased every year since 1988 and today



Tomas Werngren, President and CEO

exceed SEK 300 billion. With amounts like these it is obvious that conservative and clear risk mandates and rigorous risk control and follow-up are applied. But above all, this demands highly competent and conscientious employees.

Again, I am grateful for my colleagues' contributions over the year – I observe a strong commitment to our mission of helping Swedish municipalities and county councils to continue efficiently building up welfare in Sweden.

Tomas Werngren
President and CEO

Market

The world economy and financial markets

The recovery of the world economy is fragmented, and surrounded by an array of concerns that could potentially lead to disruptions in the financial markets. Growth is weak both in Japan and Europe, while the US and the UK are in an accelerated growth phase with reduced unemployment. Europe is even more exposed to Russia and its precarious financial position. Russia and Ukraine also form, together with the Middle East, one of the foremost geopolitical trouble spots. Furthermore, political developments in Greece have reawakened the question of a Greek exit from the euro zone. However, crises have historically raised investor interest in the very safest borrowers, such as Kommuninvest.

With the fragmentation of the international economic context, domestic demand has become increasingly important for Swedish economic development. Private and public consumption have been buoyed up by an expansionary fiscal policy and low interest rates. Growth, however, is expected to remain weak, influenced mainly by economic developments in Europe.

Swedish growth is being supported by household purchasing power, which is being stimulated by relatively good employment,

low inflation and low interest rates. Last year's employment growth is positive for the local government sector, for which tax revenues are the main source of income. The municipal sector is generally well equipped to meet any challenges. Most municipalities are still showing surpluses and debt remains at relatively low levels.

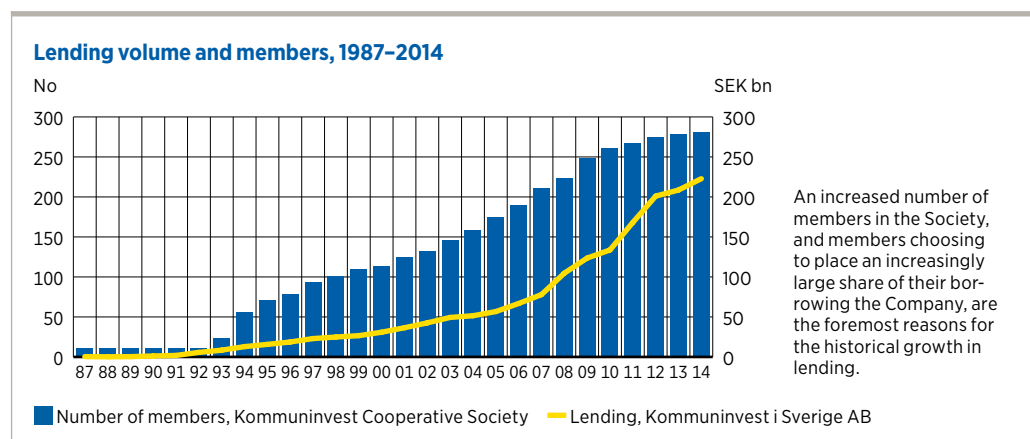
Ownership situation

The Kommuninvest Cooperative Society (the Society) owns 100 percent of the shares in the credit market company Kommuninvest i Sverige AB (Kommuninvest or the Company), in which all business activities within the Kommuninvest Group are conducted.

At 31 December 2014, the Society had 280 (278) members (co-owners), of which 272 (270) were municipalities and 8 (8) were county councils/regions. Consequently, 94 (93) percent of Sweden's municipalities and 40 (40) percent of county councils/regions were members (co-owners) in the Society. The municipalities of Klippan and Markaryd became new members during 2014.

Kommuninvest's lending

In 2014, Swedish local government authorities continued to have good access to liquidity, and



generally enjoyed favourable opportunities to meet their borrowing needs via Kommuninvest, the banking system and the capital markets. The trend for individual local government authorities to arrange an increasing share of capital market borrowing through the banks has continued. The acceptance rate for bids submitted by the Company for the full-year 2014 was 83 (79) percent, based on volume.

At 31 December 2014, lending amounted to SEK 222,803.7 (208,644.0) million. In nominal terms, lending was SEK 214,413.6 (206,636.7) million, an increase of 6 (4) percent. Of total lending, municipalities and county councils accounted for 40 (40) percent, municipal housing companies for 29 (30) percent and other municipal corporations for 30 (29) percent of total lending.

Of the agreed lending for the period, that is, new loans and renegotiations of existing loans, 84 (72) percent were loans with capital tied up for more than a year and 16 (28) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 49 (39) percent of the total volume. At the close of the period, the average period for which capital was tied up in Kommuninvest's lending portfolio was 2.2 (2.0) years. Kommuninvest's share of local

government sector borrowing is estimated to be 44 (44) percent at 31 December 2014.

During 2014, Kommuninvest launched a specially developed debt management system for the local government sector that offers increased functionality at a lower cost than other systems on the market. At 31 December 2014, 82 (-) members had opted to sign up to this system.

Funding activities

Kommuninvest's lending is financed by means of short-term and long-term funding programmes on national and international capital markets. The funding strategy is based on diversified funding, in terms of funding markets, investor categories, funding currencies and borrowing products. Any funding outside of SEK is swapped to SEK, USD or EUR.

Kommuninvest belongs to the group of issuers with the highest possible credit rating and a stable outlook.

Favourable demand for low-risk issuers made it possible for Kommuninvest to continue its funding activities on favourable terms in 2014. At the end of the year, total borrowing amounted to SEK 297,118.6 (260,610.7) million.

Multi-year summary Kommuninvest i Sverige AB

	2014	2013	2012	2011	2010
Balance sheet total, SEK billion	312.1	277.5	283.3	234.0	190.2
Lending, SEK billion	228.8	208.6	201.0	168.1	133.7
Net profit, SEK million	568.4	590.7	320.6	300.6	140.6
Members, total	280	278	274	267	260
Of which municipalities	272	270	266	259	253
Of which county councils	8	8	8	8	7
Core Tier 1 capital ratio ¹ , %	34.6	37.0	15.2	22.9	40.3
Tier 1 capital ratio ² , %	34.6	37.0	15.2	22.9	40.3
Total capital ratio ³ , %	49.3	59.5	30.4	45.7	80.6
Leverage ratio, according to CRR ⁴ , %	0.76 %	0.57 %	0.33 %	-	-
Leverage ratio, including subordinated loan ⁵ , %	1.09 %	0.91 %	0.65 %	-	-

1) Core Tier 1 capital in relation to total Risk Exposure Amount. See note 3.

2) Tier 1 capital in relation to total Risk Exposure Amount. See note 3.

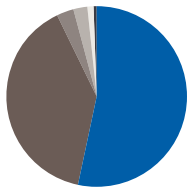
3) Total capital base in relation to total Risk Exposure Amount. See note 3.

4) Tier 1 capital in relation to total assets and commitments (exposures). See page 8.

5) Tier 1 capital and subordinated loan issued to Kommuninvest Cooperative Society in relation to total assets and commitments (exposures). See page 8.

Borrowing during the year per currency, 2014

(excl. commercial paper borrowing)



■ SEK	53 (40) %
■ USD	39 (52) %
■ EUR	3 (0) %
■ JPY	2.5 (7) %
■ AUD	2 (1) %
■ MXN, NZD	0.5 (0.3) %

Over the year, SEK 81,170.5 (96,242.3) million was borrowed in long-term debt instruments with maturities of more than one year.

The Company actively works to increase its funding in benchmark programmes. Two major benchmark borrowings in USD were carried out during the year, and a third in January 2015. All were well received, with a high level of participation by central banks, public institutions and bank treasuries. Securities issued by the Company constitute, within the EU, Level 1 assets, considered to be of the highest quality in the calculation of the Liquidity Coverage Ratio (LCR).

A total of SEK 41,431.9 (35,429.6) was issued in the Swedish Benchmark Programme. Over the year, two additional bonds were issued. In total, the Programme consists of six outstanding bonds.

At 31 December 2013, the average maturity in Kommuninvest's outstanding borrowing was 5.7 (5.6) years, on the condition that cancellable loans are maintained to maturity. If the earliest possible termination is applied in the calculation, the average maturity was 4.4 (4.2) years. Cancellable loans provide the investor with an option to demand early repayment of the loan, if certain conditions are met.

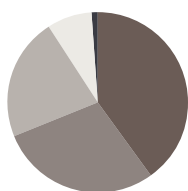
Rating

Since April 2002, Kommuninvest has had the highest credit rating Aaa with Moody's, and it has held the highest credit rating AAA with Standard & Poor's since 2006. Moody's and Standard & Poor's confirmed Kommuninvest's Aaa/AAA rating during 2013, with a stable outlook. Kommuninvest also has the highest credit rating for its short-term funding.

Financial account

Lending portfolio by borrower category

31 December 2014



- Municipalities
40 (40) %
- Municipal housing
companies 29 (30) %
- Other municipal
companies 22 (21) %
- Municipal energy
companies 8 (8) %
- County councils
1 (1) %

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

Comparative earnings figures relate to the preceding twelve month period (1 January – 31 December 2013) unless otherwise indicated. Comparative balance sheet and risk-related figures relate to 31 December 2013 unless otherwise indicated.

Results

Kommuninvest's operating profit for 2013 was SEK 729.4 (757.6) million. Operating profit includes unrealised changes in market value of SEK 65.4 (17.6) million.

Operating profit excluding the effect of unrealised market value changes was SEK 664.0 (740.0) million. Profit after taxes amounted to SEK 568.4 (590.7) million.

Total operating income rose by 1 percent to SEK 1,013.1 (1,002.8) million. Operating income includes net interest income, commission expenses, net result of financial transactions and other operating income.

Net interest income was SEK 915.2 (969.5) million. The decrease was primarily attributable to a reduction in loan margins, as a result of increasing competition.

The net result of financial transactions amounted to SEK 101.9 (38.7) million. The result was affected by unrealised changes in market value of SEK 65.4 (17.6) million, but also by the buy-back of own bonds and the sale of financial instruments in the amount of SEK 31.5 (15.0) million. The unrealised changes in market value have mainly been caused by a reduction of the margin between the Company's borrowing and lending rates.

In connection with sales of financial instruments, the Company has transferred SEK +6.8 (-1.0) million in profits from other comprehensive income against profit/loss for the year.

The profit from buybacks of Kommuninvest's bonds amounted to SEK 0.2 (13.3) million.

Costs amounted to SEK 283.9 (245.2) million, including the stability fee of SEK 110.7 (99.0) million. The stability fee is calculated based on the size of the balance sheet. The stability fee accounted for 39 (40) percent of Kommuninvest's total costs.

Excluding the stability fee, expenses amounted to SEK 173.2 (146.2) million, of which personnel expenses accounted for SEK 96.1 (80.7) million and other expenses for SEK 77.1 (65.5) million. The increase in expenses is explained entirely by the increase in personnel and consulting costs related to the introduction of new regulations from the EBA, the European Banking Authority. Major changes in the regulatory systems and development of Kommuninvest's national and international borrowing programmes, place more stringent demands on operations, generally leading to higher costs. In parallel, projects and activities are in place to streamline the operations, contributing to lower costs over time.

Credit losses

Credit losses totalled SEK – (–) million.

Tax

The tax expense for the year recognised in the income statement amounted to SEK 161.0 (166.9) million. Taxable earnings, which for 2014 amounted to SEK – (–) million, are reduced through the payment of group contributions.

Financial position

The balance sheet total rose to SEK 312,052.1 (277,458.7) million at the end of the period, due to increased lending and funding.

Lending

Kommuninvest's lending amounted to SEK 222,803.7 (208,644.0) million at year-end.

Funding

At the end of the year, total borrowing amounted to SEK 297,118.6 (260,610.7) million.

Liquidity reserve

At the end of the year, Kommuninvest's liquidity reserve amounted to SEK 65,200.7 (62,381.3) million, corresponding to 30 (30) percent of lending. Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. The majority of investments are made in securities issued by Swedish or German issuers. At year-end, 73 (78) percent of the reserve was invested in securities with the highest credit rating.

Derivatives

Derivative contracts are used as risk management instruments to address market risks in operations. Derivatives with positive (recognised as assets in the balance sheet) and negative (recognised as liabilities in the balance sheet) market value amounted to SEK 23,848.8 (6,235.8) million and SEK 10,628.3 (13,231.8) million, respectively. The increase is primarily explained by the weakening of the Swedish krona against USD in 2014, leading to an increase in the value of USD-denominated exposures expressed in Swedish krona.

Subordinated liabilities

Subordinated liabilities consist of a perpetual debenture loan from the Kommuninvest Cooperative Society, amounting to SEK 1,000.1 (1,000.1) million at the end of the year.

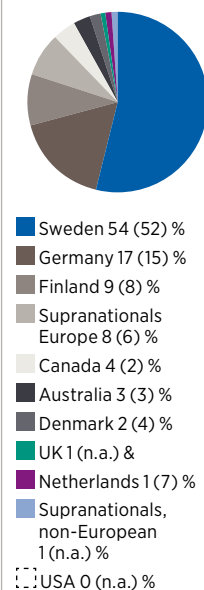
Equity

At the end of 2014, equity in Kommuninvest amounted to SEK 2,375.4 (1,727.6) million, following group contributions of SEK 725.6 (741.1) million to the Kommuninvest Cooperative Society. The change in equity in Kommuninvest in 2013 was also attributable to the profit/loss for the year of SEK 568.4 (590.7) million and an increase in share capital of SEK 650.0 (768.0) million. Of the increase in share capital, SEK 650.0 (768.0) million involved capital contributions from existing members of the Kommuninvest Cooperative Society and SEK - (20.0) million in capital contributions from new members of the Society.

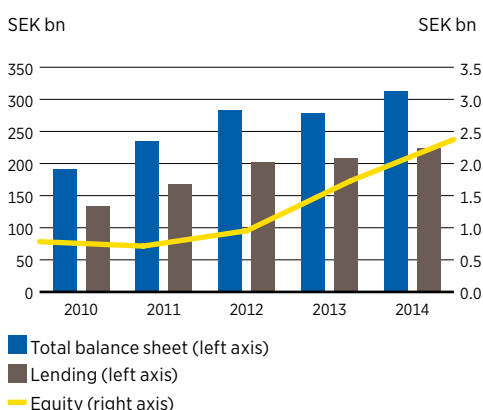
On 31 December 2014, the share capital in Kommuninvest amounted to SEK 2,046.4 (1,396.4) million, divided among 20,463,850 (13,963,850) shares.

Liquidity reserve distributed by issuer domicile

31 December 2014

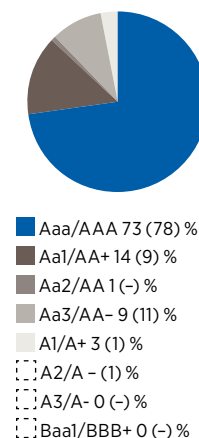


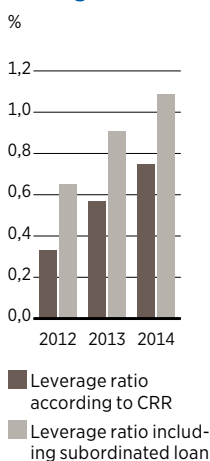
Kommuninvest's balance sheet



Liquidity reserve distributed by rating category

31 December 2014



Leverage ratio**Capital adequacy**

On 31 December 2014, the Company's risk exposure amount (REA), calculated in accordance with CRR, amounted to SEK 6,784.9 (4,558.8) million. The core Tier 1 capital amounted to SEK 2,345.7 (1,650.8) million, entailing a core Tier 1 capital ratio of 34.6 (37.0) percent. The requirement, including the capital conservation buffer requirement, was 7.0 percent. Tier 1 capital was also SEK 2,345.7 (1,650.8) million, and the Tier 1 capital ratio was 34.6 (37.0) percent. The requirement, including the buffer requirement, was 8.5 percent. The total capital base was 3,345.7 (2,650.8) million, which gave a total capital ratio of 49.3 (59.5) percent. The requirement, including the buffer requirement, was 10.5 percent. Transitional regulations do not significantly affect the Company's capital ratio and other measures of capital.

Capital plan regarding leverage ratio

The Society bears the principal responsibility for the Group's capitalisation. The Society's plan is based on the capitalisation of the Group and the Company being raised to a level corresponding to a leverage ratio of 1.5 percent.

In accordance with the Society's owner directives, capital in the Company is being built up over the long term through profit accumulation. From 2011, the build-up of capital has involved profit accumulation, although it may in the future also involve direct capital contributions from members of the Society and other forms of capital.

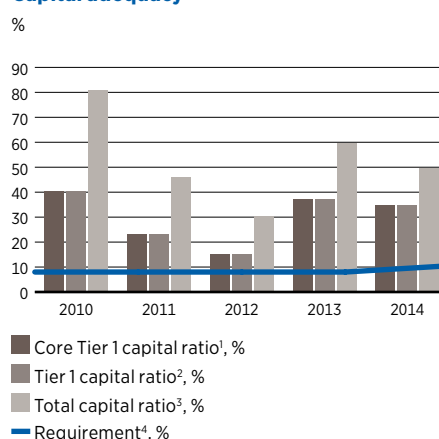
At its Annual General Meeting on 10 April 2014, the Society made decisions regarding matters including a raised minimum contribution for existing members, as well as the possibility of making extra contributions. A second decision by the 2015 Annual General Meeting is required for the decisions to become binding.

In the event that the final leverage ratio requirement is set higher than 1.5 percent, the Society, as the first priority, plans to issue

additional Tier 1 capital instruments to members or actors affiliated with the Society, such as the Company's customers, municipalities and county councils that are not members of the Society, or other local government actors. Provided approval is given by the Annual General Meeting, other Tier 1 capital instruments may also be issued to other capital market actors.

Leverage ratio 2014

On 31 December 2014, the Company's leverage ratio, reported according to the EU Capital Requirements Regulation, CRR, was 0.76 (0.57) percent. Including the SEK 1 billion subordinated loan issued in 2010 to the Society, the leverage ratio amounted to 1.09 (0.91) percent. However, the loan terms for the subordinated loan are such that the loan is not eligible for inclusion as Tier 1 capital according to CRR. The Company intends to replace the existing subordinated loan with a new one or with another capital form that is eligible for inclusion as Tier 1 capital well in advance of year-end 2017.

Capital adequacy

- 1) Core Tier 1 capital in relation to total Risk Exposure Amount.
- 2) Tier 1 capital in relation to total Risk Exposure Amount.
- 3) Total capital ratio in relation to total Risk Exposure Amount.
- 4) Total capital ratio requirement 2014, according to CRR: 10.5 percent, including 2.5 percent capital conservation buffer. 2010-2013: capital requirement according to Basel II: 8 percent.

Risks and uncertainty factors

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

Risk management

Kommuninvest's operations serve solely to support the financial activities of the local government sector, distinguishing it in several key regards from other financial market players.

- Lending is provided exclusively to Swedish municipalities, municipal corporations, county councils or borrowers guaranteed by local government authorities and loans therefore carry a zero risk weight in a capital adequacy perspective.
- The members of Kommuninvest's owner, the Kommuninvest Cooperative Society, are also the Company's customers and are party to a joint and several guarantee supporting all of the Company's obligations.
- Kommuninvest conducts no deposit or active trading operations.
- Kommuninvest has a favourable capital situation.

At the end of the period, Kommuninvest's total credit risk exposure amounted to SEK 290,530.7 (271,140.5) million. Of the exposure, 77 (77) percent was related to lending to Swedish municipalities and county councils; 22 (23) percent was related to investments in securities issued by sovereign states or other issuers; and 1 (0) percent was related to exposure to derivatives counterparties.

In order to ensure good liquidity, Kommuninvest's liquidity reserve is primarily held in

AAA-rated securities, with a concentration to Sweden and northern Europe. The composition of the liquidity reserve at 31 December 2014 is presented in the charts on page 8.

The Company limits counterparty risks by a) requiring agreements to be set out in accordance with the financial industry standard (ISDA agreements) and b) by signing collateral agreements with counterparties (CSA agreements), see below. Risk taking towards derivatives counterparties is also limited by the Company ensuring a right to transfer a derivatives agreement to a new counterparty if the credit rating of an existing counterparty falls below Baa1 (Moody's) or BBB+ (Standard & Poor's). The counterparty's credit rating is also decisive in what the Company is prepared to accept when it comes to the contracts' maturity period, structure and permitted risk exposure.

The Company's gross replacement cost for derivatives contracts – contracts with a fair value entailing that Kommuninvest has a claim on the counterparty – amounted to SEK 23,848 (6,236) million at 31 December 2014. The net replacement cost, after netting of exposures by counterparty, amounted to SEK 14,238 (907) million. For these net exposures, the Company had received collateral amounting to SEK 11,711 (791) million. The counterparty risk, after netting and deduction of collateral, amounted to SEK 2,526 (115) million.

In terms of nominal amounts, 32 (32) percent of derivative contracts were with counterparties with a minimum credit rating of Aa3/AA– from one of the recognised ratings institutes. 97 (95) percent of the counterparty exposures, in terms of nominal amounts, were covered by CSA agreements.

For further information about risk management at Kommuninvest, please consult the 2013 Annual Report, pages 22–33. No material changes took place in 2014 with regard to the Company's targets, principles or methods for managing risk. Nor have the Company's exposures to different types of risk changed.

Organisation and employees

The number of employees grew by seven (five) to a total of 77 (70) at year-end. The average number of employees during the year was 74 (66).

Events after the balance sheet date

No significant events have occurred after the balance sheet date. On 12 February, the Swedish central bank, the Riksbank, decided to cut the repo rate to -0.10 percent. This decision creates a new and unique situation for financial institutions and society, with unclear effects. However, in Kommuninvest's opinion, a negative interest rate environment has no material consequences on the Company's results or financial position.

Surplus distribution in 2015

Pending a decision by the 2015 Annual General Meeting of the Society, the Kommuninvest Cooperative Society will also apply refunds and interest on contributions for the distribution of surpluses for the 2014 financial year. For this purpose, Kommuninvest has in the annual accounts for 2014 made group contributions amounting to SEK 725.6 (741.1) million, equivalent to the taxable earnings before group contributions. If a decision on payment of new capital contributions is taken, the Board deems it likely that all members of the Kommuninvest Cooperative Society will participate.

Payments of surplus distributions, payments in of capital contributions to the Society and of capital injections to the Company are expected to take place within three months of a decision by the Annual General Meeting of the Society.

The estimated but not yet approved capital injection relating to the results for 2014 amounts to SEK 680.0 (696.5) million.

Board of Directors

During 2014, the Board of Directors of Kommuninvest consisted of Ellen Bramness Arvidsson, Lorentz Andersson, Kurt Eliasson, Anna von Knorring, Catharina Lagerstam, Anna Sandborgh and Johan Törngren, as well as the employee representative Anders Pelander.

Management

During 2014, the Executive Management Team consisted of Tomas Werngren (President and CEO), Maria Viimne (Deputy President), Hans Wäljamets (COO), Johanna Larsson (CFO), Michael Jansson (Head of Human Resources) and Britt Kerkenberg (CRO).

Annual Report

The annual report for 2014 is available for download from the Kommuninvest website www.kommuninvest.se from March 6.

Income statement

1 January–31 December

SEK, million	Note	2014	2013
Interest revenues		3,650.8	4,571.2
Interest expenses		-2,735.6	-3,601.7
NET INTEREST INCOME	4	915.2	969.5
Commission expenses	5	-5.1	-5.6
Net result of financial transactions	6	101.9	38.7
Other operating income	7	1.3	0.2
TOTAL OPERATING INCOME		1,013.3	1,002.8
General administration expenses	8	-274.7	-239.3
Depreciation of intangible fixed assets	17	-0.4	-
Depreciation of tangible fixed assets	18	-2.9	-2.4
Other operating expenses	9	-5.9	-3.5
TOTAL EXPENSES		-283.9	-245.2
OPERATING PROFIT		729.4	757.6
Tax on net income for the year	10	-161.0	-166.9
INCOME FOR THE YEAR		568.4	590.7

Statement of comprehensive income

1 January–31 December

SEK, million	Note	2014	2013
INCOME FOR THE YEAR		568.4	590.7
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to the income statement			
Available-for-sale financial assets		0.8	-8.3
Available-for-sale financial assets, transferred to income for the year		-6.8	1.0
Tax attributable to items that may subsequently be reclassified to the income statement	10	1.3	1.6
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-4.7	-5.7
COMPREHENSIVE INCOME FOR THE YEAR		563.7	585.0

Balance sheet

As per 31 December

SEK, million	Note	2014	2013
ASSETS			
Sovereign bonds eligible as collateral	11	15,204.1	14,626.2
Lending to credit institutions	3	4,022.1	2,822.2
Lending	3,12	222,803.7	208,644.0
Bonds and other interest-bearing securities	13	45,974.5	44,932.9
Shares and participations	14	2.4	2.1
Shares and participations in associated companies	15	0.5	0.5
Shares in subsidiaries	16	32.0	32.0
Derivatives	3,27	23,848.8	6,235.8
Intangible assets	17	1.6	-
Tangible assets	18	6.0	4.6
Current tax assets	10	79.0	79.0
Other assets		14.9	14.2
Deferred tax assets	10	54.6	54.6
Prepaid expenses and accrued revenues		7.9	10.6
TOTAL ASSETS		312,052.1	277,458.7
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities to credit institutions	3	4,800.6	4,352.0
Securities issued	3	292,318.0	256,258.7
Derivatives	3,27	10,628.3	13,231.8
Other liabilities	19	789.9	764.6
Accrued expenses and prepaid revenues	20	136.8	121.4
Provisions	21	3.0	2.5
Subordinated liabilities	22	1,000.1	1,000.1
Total liabilities and provisions		309,676.7	275,731.1
Equity			
Restricted equity			
Share capital (20,463,850 and 13,963,850 shares, quota value SEK 100)		2,046.4	1,396.4
Statutory reserve		17.5	17.5
Unrestricted equity			
Fair value reserve		12.6	17.3
Profit brought forward		-269.5	-294.3
Net profit		568.4	590.7
Total equity		2,375.4	1,727.6
TOTAL LIABILITIES, PROVISIONS AND EQUITY		312,052.1	277,458.7
Memorandum items			
Collateral pledged	23	21,669.2	22,954.3
Contingent liabilities		None	None
Obligations			
Committed undisbursed loans		3,759.7	3,480.0

Statement of changes in equity

SEK, million	Restricted		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve 11	Profit or loss brought forward	Net profit	
Equity brought forward 1 Jan 2013	628.4	17.5	23.0	-36.8	320.6	952.7
Net profit					590.7	590.7
Other comprehensive income ²			-5.7			-5.7
Total comprehensive income			-5.7		590.7	585.0
Transactions with shareholders*						
Appropriation of surplus				320.6	-320.6	0.0
New share issue	768.0					768.0
Group contributions				-741.1		-741.1
Tax effect on Group contribution				163.0		163.0
Total transactions with shareholders*	768.0	0.0	0.0	-257.5	-320.6	189.9
Equity carried forward 31 Dec 2013	1,396.4	17.5	17.3	-294.3	590.7	1,727.6
Equity brought forward 1 Jan 2014	1,396.4	17.5	17.3	-294.3	590.7	1,727.6
Net profit					568.4	568.4
Other comprehensive income ²			-4.7			-4.7
Total comprehensive income			-4.7		568.4	563.7
Transactions with shareholders*						
Appropriation of surplus				590.7	-590.7	0.0
New share issue	650.0					650.0
Group contributions				-725.6		-725.6
Tax effect on Group contribution				159.7		159.7
Total transactions with shareholders*	650.0	0.0		24.8	-590.7	84.1
Equity carried forward 31 Dec 2014	2,046.4	17.5	12.6	-269.5	568.4	2,375.4

	2013	2014
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1) The fair value reserve consists of the following
 - Available-for-sale financial assets -15.3

	17.3	12.6
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2) Other comprehensive income
 See Statement of comprehensive income on page 10

* Transactions with Kommuninvest Cooperative Society.

Cash flow statement

1 January–31 December

SEK, million	2014	2013
Operational activities		
Operating income	729.4	757.6
Adjustment for items not included in cash flow	-62.2	-15.4
Income tax paid	-0.7	-0.6
Cash flow from operating activities before changes in the assets and liabilities of operating activities	666.5	741.6
Change in interest-bearing securities	-1,220.5	-11,840.9
Change in lending	-11,659.3	-8,741.7
Change in other assets	2.3	2.1
Change in other liabilities	12.1	7.1
Cash flow from operational activities	-12,198.9	-19,831.8
Investment activities		
Acquisition of intangible assets	-2.0	-
Acquisition of tangible assets	-4.3	-1.6
Divestments of tangible assets	-	0.4
Cash flow from investment activities	-6.3	-1.2
Financing activities		
Issue of interest-bearing securities	108,359.7	126,416.0
Redemption of interest-bearing securities	-94,908.2	-119,342.0
New share issue	650.0	768.0
Group contribution paid	-696.5	-805.3
Cash flow from financing activities	13,405.0	7,036.7
Cash flow for the year	1,199.8	-12,796.3
<i>Liquid assets at the start of the accounting period</i>	2,822.3	15,618.6
Cash and equivalents at end of the year	4,022.1	2,822.3
<p>Liquid assets consists in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.</p>		
Adjustment for items not included in cash flow		
Depreciation	3.3	2.4
Profit from divestments of tangible assets	-	-0.2
Exchange rate differences from change in financial assets	-0.1	0.0
Unrealised changes in market value	-65.4	-17.6
Total	-62.2	-15.4
Interest paid and earned, included in the cash flow		
Interest received	3,820.7	4,379.3
Paid interest	-2,927.5	-3,481.0

Accounting principles

Kommuninvest's Interim Report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25). Consequently all International Financial Reporting Standards and interpretations endorsed by the EU are followed as far as possible, within the provisions of ÅRKL and considering the additions and exemptions specified in FFFS 2008:25. The Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities has also been applied.

From 2014, the report is also subject to the clarifications regarding when offsetting of finan-

cial assets and liabilities may take place in accordance with IAS 32 Financial Instruments: Presentation. A supplement to IAS 39 Financial Instruments: Recognition and Measurement means that under certain conditions it is possible to continue applying hedge accounting where a derivative is transferred to a central clearing counterparty. These clarifications have no effect on earnings, financial position or disclosures. A change to IFRIC 21 Levies applies from 1 January 2014 and was approved by the EU in June 2014. The introduction of the change does not have any material effect on financial position or earnings.

In accordance with chapter 7:6a of ÅRKL, Kommuninvest has elected not to prepare consolidated accounts (see Note 4).

Capital adequacy

Since 1 January 2014, capital adequacy is calculated in accordance with the new CRR¹ framework. The greatest change compared with the previous calculation method relates to risk exposure amounts for credit valuation adjustment (CVA risk) for all OTC derivative contracts. The comparison figures have been calculated in accordance with the former regulations (under the Capital Adequacy and Large Exposures Act (2006:1371) and the Swedish Financial Supervisory Authority's Regulations and general guidelines regarding capital adequacy and large exposures (FFFS 2007:1)). The capital buffers to be introduced under CRD IV² must first be implemented in

Swedish law. On 12 May 2014, the Swedish government presented a bill regarding reinforced capital adequacy regulations which came into effect on 2 August 2014. In Kommuninvest's assessment, all of the buffer requirements have been met. The core Tier 1 capital ratio was 34.6 (37.0) percent, compared with a requirement, including the capital conservation buffer requirement, of 7.0 percent. The Tier 1 capital ratio was 34.6 (37.0) percent, the requirement including the buffer requirement was 8.5 percent. The total capital ratio was 49.3 (59.5) percent, compared with a requirement of 10.5 percent, including the buffer requirement.

	2014	2013
Equity according to balance sheet	2,375.4	1,727.6
Less deferred tax assets ³	-	-59.5
Less available-for-sale financial assets ⁴	-16.2	-17.3
Less adjustment for prudent valuation ⁵	-9.7	-
Less profit/loss for the year ⁶	-729.4	-
Add recognised group contributions ⁶	725.6	-
Total core Tier 1 capital	2,345.7	1,650.8
Total Tier 1 capital	2,345.7	1,650.8
Supplementary capital		
Perpetual debenture loan ⁷	1,000.0	1,000.0
Total supplementary capital	1,000.0	1,000.0
Total capital base	3,345.7	2,650.8

Capital requirement	2014-12-31		2013-12-31	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	3,339.6	267.2	3,468.1	277.5
<i>of which, exposures to states and central banks</i>	<i>136.5</i>	<i>10.9</i>	<i>-</i>	<i>-</i>
<i>of which, institutional exposures</i>	<i>1,179.5</i>	<i>94.4</i>	<i>1,484.9</i>	<i>118.8</i>
<i>of which, corporate exposures</i>	<i>63.0</i>	<i>5.0</i>	<i>63.2</i>	<i>5.1</i>
<i>of which, exposures in the form of covered bonds</i>	<i>1,960.6</i>	<i>156.8</i>	<i>1,920.0</i>	<i>153.6</i>
Operational risks, basic indicator method	1,337.3	107.0	988.8	79.1
Market risks	-	-	1.8	0
Credit valuation adjustment	2,108.0	168.6	-	-
Total risk exposure amounts and minimum capital amounts	6,784.9	542.8	4,458.7	356.7

Capital adequacy ratios	2014-12-31	2013-12-31
Core Tier 1 capital ratio	34.6 %	37.0 %
Tier 1 capital ratio	34.6 %	37.0 %
Total capital adequacy ratio	49.3 %	59.5 %
Buffer requirements		
Capital conservation buffer	2.5 %	-
Total buffer requirements	2.5 %	-
Core Tier 1 capital available for use as buffer	28.6 %	

- 1) European Parliament and Council Regulation (EU) No 575/2013 of 26 June 2013 on supervisory requirements for credit institutions and securities companies and amending Regulation (EU) No 648/2012.
- 2) European Parliament and Council Directive 2013/36/EU of 26 June 2013 on authorisation to conduct operations in credit institutions and on the supervision of credit institutions and securities companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
- 3) According to CRR Article 48, no adjustment is made for deferred tax receivables.
- 4) According to CRR Article 468, 100 percent of unrealised gains recorded at fair value and recognized in the fair value reserve are excluded. In accordance with previous capital adequacy regulations, Kommuninvest has adjusted financial assets available for sale including the deferred tax, which has not been included in the capital base. As described above, an exemption in CRR is applied and no deduction is made for deferred tax. Consequently, the deduction for financial assets available for sale in the capital base differs from the figure presented under equity.
- 5) Adjustment for prudent valuation according to CRR Article 34 has been calculated using the simplified method in the EBA's proposed technical standard for price adjustment (EBA/RTS/2014/06).
- 6) Refers to that part of the year's profit/loss which has not been distributed to Kommuninvest Cooperative Society in the form of group contributions, and which is not eligible for inclusion in the capital base prior to a resolution at the Annual General Meeting, in accordance with CRR Article 26.
- 7) Perpetual subordinated loan with three-month variable Stibor-linked interest. The terms only allow repayment or repurchase on the approval of the Swedish Financial Supervisory Authority. At the earliest, however, this may occur on the interest date five years after the loan date of 30 November 2010 and thereafter on each subsequent interest date.

Note 1 Financial assets and liabilities

2014	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Held for trade		
Sovereign bonds eligible as collateral	12,803.8	-	-	-
Lending to credit institutions	-	-	4,022.1	-
Lending	68,965.1	-	153,838.6	-
Bonds and other interest-bearing securities	33,690.1	-	-	-
Derivatives	-	17,446.2	-	-
Other assets	-	-	11.9	-
Total	115,459.0	17,446.2	157,872.6	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-
2013	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Held for trade		
Sovereign bonds eligible as collateral	13,096.5	-	-	-
Lending to credit institutions	-	-	2,822.2	-
Lending	78,801.3	-	129,842.7	-
Bonds and other interest-bearing securities	32,562.1	-	-	-
Derivatives	-	2,466.2	-	-
Other assets	-	-	11.8	-
Total	124,459.9	2,466.2	132,676.7	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

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

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

Calculation of fair value

General

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

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

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

Level 3: value is determined on the basis of unobservable market data, with external suppliers' and the company's own estimates playing a significant role.

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

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

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Held for trade				
1,529.7	-	-	-	-	14,626.2	14,626.2
-	-	-	-	-	2,822.2	2,822.2
-	-	-	-	-	208,644.0	208,910.0
12,370.8	-	-	-	-	44,932.9	44,932.9
-	-	-	-	3,769.6	6,235.8	6,235.8
-	-	-	-	-	11.8	11.8
13,900.5	-	-	-	3,769.6	277,272.9	277,538.9
-	2,266.2	-	2,085.8	-	4,352.0	4,352.6
-	120,818.5	-	135,440.2	-	256,258.7	256,935.5
-	-	11,606.2	-	1,625.6	13,231.8	13,231.8
-	-	-	761.5	-	761.5	761.5
-	-	-	1,000.1	-	1,000.1	993.7
-	123,084.7	11,606.2	139,287.6	1,625.6	275,604.1	276,275.1

Lending

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

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

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

Liabilities to credit institutions, securities issued and subordinated liabilities

Funding within the framework of the Swedish local government bond programme is measured at the quoted market price and classified in level 1. Other funding has been measured via a discount of anticipated future cash flows where the discount rate has been set at the swap rate adjusted for current borrowing margins for the structure and market of the funding. Funding where expected future cash flows are dependent on unobservable market data is classified in level 3, if not they are classified in level 2. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a significant downgrading of the Company's rating, or amendments to the members' of guarantee undertaking that would significantly reduce their collective responsibility for the Company's commitments. Variations in borrowing margins

Not 1 cont.

and consequent changes in the values of liabilities are therefore considered to be attributable to general changes in market prices for credit and liquidity risk rather than to changes in Kommuninvest's own credit risk.

Derivatives

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

Lending to credit institutions, other assets and other liabilities

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

Significant assumptions and uncertainty factors

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

An increase in the lending price by 10 basis points on the receivables recognised at fair value would mean a negative change in income of SEK -151 (-191) million. An increase in the borrowing cost by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK +297 (+300) million. A parallel displacement in the borrowing and lending price by 10 basis points would mean a change in income of SEK -/+146 (+/- 109) million.

A displacement of the valuation curve upwards or downwards by 10 basis points for the financial instruments valued according to level 3 would mean a change in income of SEK +/-12 (+/- 33) million.

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

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

Uncertainty in measurement due to unobservable input data

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

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

Kommuninvest has calculated the duration to 3.1 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable borrowing in the interval of 2.1 to 4.3 years. This would have an effect on earnings in the interval SEK -2.9 million to SEK +4.5 million.

Approval of valuation models

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

Not 1 cont.

Financial instruments measured at fair value in the balance sheet

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

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

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

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

During 2013, SEK 6,568.6 million was transferred to level 1 from level 2. All transfers are considered to have been made as of 30 June 2013.

Changes in level 3

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

	Bonds and interest-bearing securities	Derivative assets	Derivative liabilities	Liabilities to credit institutions	Securities issued	Total
Opening balance, 1 January 2013	160.2	1,693.3	-4,527.9	-236.5	-34,677.9	-37,588.8
Recognised gains and losses:						
- recognised in the income statement (net result of financial transactions)	-	-1,073.6	3,201.4	10.2	-2,323.5	-185.5
Cost, acquisitions	-	-	-9.4	-	-5,133.2	-5,142.6
Maturing during the year	-160.2	-	-	-	33,297.7	33,137.5
Closing balance, 31 December 2013	-	619.7	-1,335.9	-226.3	-8,836.9	-9,779.4
Gains and losses recognised in profit/loss (net result of financial transactions) for assets included in the closing balance as per 31 December 2013	-	-1,695.6	-1,973.6	10.2	-386.6	-98.4
Opening balance, 1 January 2014	-	619.7	-1,335.9	-226.3	-8,836.9	-9,779.4
Recognised gains and losses:						
- recognised in the income statement (net result of financial transactions)	-	-140.2	491.0	21.2	-289.2	82.8
Cost, acquisitions	-	0.0	0.0	0.0	-6,860.4	-6,860.4
Maturing during the year	-	0.0	0.0	0.0	6,470.4	6,470.4
Closing balance, 31 December 2014	-	479.5	-844.9	-205.1	-9,516.1	-10,086.6
Gains and losses recognised in profit/loss (net result of financial transactions) for assets included in the closing balance as per 31 December 2014	-	212.0	28.1	21.2	-262.7	9.0

Not 1 cont.

Financial instruments not measured at fair value in the balance sheet

2014	Level 1	Level 2	Level 3	Total	Carrying amount
Lending to credit institutions	-	4,022.1	-	4,022.1	4,022.1
Lending	-	154,731.4	-	154,731.4	153,838.6
Other assets	-	11.9	-	11.9	11.9
Total	-	158,765.4	-	158,765.4	157,872.6
Liabilities to credit institutions	-	2,440.5	-	2,440.5	2,440.5
Securities issued	99,904.9	48,076.7	-	147,981.6	146,460.1
Other liabilities	-	786.0	-	786.0	786.0
Subordinated liabilities	-	1,067.4	-	1,067.4	1,000.1
Total	99,904.9	52,370.6	-	152,275.5	150,686.7

2013	Level 1	Level 2	Level 3	Total	Carrying amount
Lending to credit institutions	-	2,822.2	-	2,822.2	2,822.2
Lending	-	130,108.7	-	130,108.7	129,842.7
Other assets	-	11.8	-	11.8	11.8
Total	-	132,942.7	-	132,942.7	132,676.7
Liabilities to credit institutions	-	2,086.4	-	2,086.4	2,085.8
Securities issued	92,298.9	43,818.1	-	136,117.0	135,440.2
Other liabilities	-	761.5	-	761.5	761.5
Subordinated liabilities	-	993.7	-	993.7	1,000.1
Total	92,298.9	47,659.7	-	139,958.6	139,287.6

Note 2 Information on financial assets and liabilities subject to offsetting

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

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

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

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

Information – by type of financial instrument

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

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

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

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

2) Repos are including in Lending to credit institutions.

Note 3 Related-party transactions

Related-party transactions are set out in Note 24 of Kommuninvest's 2013 Annual Report. No material changes have occurred in relations or transaction with related parties compared with the circumstances described in the 2013 Annual Report.

Note 4 Consolidated accounts

Since 1 January 2012, Kommuninvest i Sverige AB owns Kommuninvest Fastighets AB, which means that Kommuninvest i Sverige AB is now a group with Kommuninvest i Sverige AB as the parent company and Kommuninvest Fastighets AB as its subsidiary. The operations of Kommuninvest Fastighets AB consist entirely of owning and managing the building in which Kommuninvest i Sverige AB conducts its operations. In accordance with chapter 7:6a of ÅRKL, Kommuninvest i Sverige AB will not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of position and earnings. As per 31 December 2014, Kommuninvest Fastighets AB had a balance sheet total of SEK 54.9 (45.1) million, equity of SEK 19.1 (10.7) million and generated a profit of SEK -0.4 (-0.1) million. The consolidated accounts are prepared by the parent association, the Kommuninvest Cooperative Society, and is published at www.kommuninvest.se on 16 April 2015.

Board member signatures

We hereby certify that these Annual Accounts give a true and fair view of the development of Kommuninvest's operation, financial position and results and describes the material risks and uncertainties facing the company.

Örebro, 24 February 2014

Ellen Bramness Arvidsson
Chairman

Lorentz Andersson
Board Member

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Catharina Lagerstam
Board Member

Anna Sandborgh
Board Member

Johan Törngren
Board Member

Anders Pelander
Employee representative

Tomas Werngren
President and CEO

This report has not been reviewed by the auditors.

This report contains such information that Kommuninvest is required to disclose pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for disclosure on 25 February 2015 at 08.00 a.m.

On March 6, the 2014 Annual Report is available for download at www.kommuninvest.org. The consolidated accounts are prepared by the parent association, the Kommuninvest Cooperative Society, and will be published at www.kommuninvest.org on 16 April.



KOMMUNINVEST

Swedish Local Government Debt Office

Postal address: P.O. Box 124, SE-701 42 Örebro, Sweden. Visitors: Fenix House, Drottninggatan 2, Örebro, Sweden.

Telephone: +46 (0)10-470 87 00. Fax: +46 (0)19-12 11 98. E-mail: firstname.lastname@kommuninvest.se

www.kommuninvest.org