

# Annual Report 2015

Kommuninvest i Sverige AB



KOMMUNINVEST

# Working together for better terms

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

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

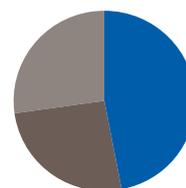
Kommuninvest has the highest possible credit rating, AAA/Aaa, and a stable outlook. The credit rating is bolstered by the joint and several guarantee issued by all of the members in support of Kommuninvest i Sverige AB's obligations.

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

1) On pages 1–16, "Kommuninvest" refers to the member organisation, the Kommuninvest Cooperative Society, and/or the credit market company, Kommuninvest i Sverige AB, as determined by the context. From page 10 and onwards, it refers to Kommuninvest i Sverige AB, unless otherwise stated.

## Market shares, local government loan financing<sup>1</sup>

31 December 2015



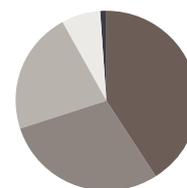
- Borrowing via Kommuninvest 47 (44) %
- Bank borrowing 26 (29) %
- Borrowing through proprietary funding programmes 27 (28) %

1) Forecast. Relates to total outstanding borrowing.

Source: Kommuninvest

## Kommuninvest's lending portfolio

31 December 2015



- Municipalities 41 (40) %
- Municipal housing companies 29 (29) %
- Other municipal companies 22 (22) %
- Municipal energy companies 7 (8) %
- County councils/regions 1 (1) %

Source: Kommuninvest

## Multi-year summary, Kommuninvest i Sverige AB

	2015	2014	2013	2012	2011
Balance sheet total, SEK billion	340.6	312.1	277.5	283.3	234.0
Lending, SEK billion	254.4	222.8	208.6	201.0	168.1
Net profit, SEK million	561.3	568.4	590.7	320.6	300.6
Members, total	280	280	278	274	267
of which, municipalities	272	272	270	266	259
of which county councils/regions	8	8	8	8	8
Core Tier 1 capital ratio <sup>1</sup> , %	44.6	34.6	37.0	15.2	22.9
Tier 1 capital ratio <sup>2</sup> , %	44.6	34.6	37.0	15.2	22.9
Total capital ratio <sup>3</sup> , %	59.8	49.3	59.5	30.4	45.7
Leverage ratio according to CRR <sup>4</sup> , %	0.87	0.75	0.57	0.33	-
Leverage ratio including debenture loan <sup>5</sup> , %	1.16	1.09	0.91	0.65	-

1) Core Tier 1 capital in relation to total risk exposure See also page 37 and Note 29.

2) Tier 1 capital in relation to total risk exposure See also page 37 and Note 29.

3) Total capital base in relation to total risk exposure See also page 37 and Note 29.

4) Tier 1 capital in relation to total assets and commitments (exposures) See also page 38 and Note 30.

5) Tier 1 capital and debenture loan issued to the Kommuninvest Cooperative Society in relation to total assets and commitments (exposures) See also page 38 and Note 30.

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## Annual Report for Kommuninvest i Sverige AB (publ)

Pages 17, 19 and 21–80 constitute the annual report for the credit market company Kommuninvest i Sverige AB. While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

The Annual Report for the owner, the Kommuninvest Cooperative Society, is available at [www.kommuninvest.org](http://www.kommuninvest.org)

Cover photo: Shutterstock

# Partnership for secure, cost-effective loans

Kommuninvest's role as Sweden's local government debt office entails offering secure and cost-effective financing to its members and customers – Swedish municipalities, county councils/regions, municipal companies and other local government actors. Of the loans that finance local government authorities' investments in schools, care of the elderly, infrastructure or other improvements in service to residents, Kommuninvest accounts for almost half.



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



The basic idea behind Kommuninvest is that, by working together, municipalities and county councils/regions can borrow money more securely and less expensively than if they were to do so individually. Together, the local government sector can also increase its expertise in financial management.



Kommuninvest is owned by 272 municipalities and eight county councils/regions. At the close of 2015, lending totalled SEK 254 billion.

# Joint and several guarantee contributes to Kommuninvest's strength

**Kommuninvest only lends money to the Swedish local government sector. The operations are guaranteed by the municipalities and county councils/regions that are members of the Kommuninvest Cooperative Society. The members' creditworthiness and explicit guarantee provide the conditions for Kommuninvest's strong position in the capital markets.**

Kommuninvest's task is to borrow money in the Swedish and international capital markets in a sustainable manner and on the most favourable terms possible and, at the next stage, to offer the Swedish local government sector financing that is as stable and cost-efficient as possible.

### Member-owned, with highest credit ratings

Operations are conducted in the credit market company Kommuninvest i Sverige AB (the Company), which is owned and governed by the members of the Kommuninvest Cooperative Society (the Society). At the end of 2015, 94 percent of Sweden's municipalities and 40 percent of the county councils/regions were members of the Society. To date, no member has left the partnership, which we see as a clear evidence of the perceived business benefit.

Kommuninvest's ability to offer cost-efficient loans is based on the fact that we are per-

ceived as a highly ranked player by credit analysts and investors. Kommuninvest holds the highest possible credit rating from two credit rating institutions: Aaa/AAA, with a stable outlook. Crucial to the rating is the unlimited joint and several guarantee signed by all members and covering all of the Company's obligations.

### All borrowing guaranteed to maturity

The joint and several guarantee forms the foundation for Kommuninvest's good credit worthiness. This means that the members of the Society bear a direct responsibility for the Company's borrowed funds, payment obligations under derivative contracts, and other obligations.

The guarantee undertaking means that all members of the Society guarantee all obligations to maturity, irrespective of whether one or more members should leave or be excluded

## Kommuninvest's business model

Kommuninvest's business model is based on a clear division of responsibilities between the member organisation and the financial operations. This entails membership and the Joint and several guarantee being administered within the cooperative society, while borrowing, liquidity management and lending are managed by officials of the credit market company.

### Kommuninvest Cooperative Society

Members who together own Kommuninvest and guarantee the Company's obligations. The Board of Directors consists of elected politicians from municipalities and county councils/regions.

### Borrowing

Kommuninvest borrows money by issuing bonds and commercial papers in the Swedish and international capital markets. Total borrowing, SEK 321 billion.

### Kommuninvest i Sverige AB

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

### Lending

Kommuninvest only lends money to municipalities and county councils/regions who are members of the Kommuninvest Cooperative Society and, against guarantees from members, to municipal companies, foundations and associations. Total lending, SEK 254 billion.

### Liquidity management

Pending onward lending, the borrowed funds are managed in a liquidity reserve. Total liquidity reserve, SEK 63 billion.



Kommuninvest is the largest provider of credit to Swedish municipalities and county councils/regions. Our loans are used for investments in welfare, such as in premises for healthcare, education and care, the production of environmentally friendly energy, public transportation and housing for a growing population.

from the Society during the period of maturity (neither of which has taken place to date). In such cases, the member is responsible for its share of the commitments incurred up until the member's departure from the Society.

#### **Strong guarantee**

Since Swedish municipalities and county councils/regions are entitled to levy taxes and cannot be declared bankrupt or cease to exist other than by merging, the guarantee from the members is considered very strong. Another important contributing factor to Kommuninvest's high credit rating is that lending is only extended to municipalities and county councils/regions who are members of the Society, or to actors that are controlled and guaranteed by those members.

#### **Low risk tolerance**

Kommuninvest's risk management aims to minimise – or at best eliminate – the risks that arise in the operations. Some of the key principles for Kommuninvest's risk management are:

- Loans are only provided to members of the Society and companies over which members have a controlling influence. All lending to such companies is to be guaranteed by a member/members.
- The Company's liquidity reserve is established so that customers can be supported

also in times of financial market uncertainty.

Counterparties have high creditworthiness.

- The duration on liabilities are typically longer than on assets, contributing to low liquidity risk.
- Interest rate risk and currency risk are hedged, to the largest possible extent, by derivative contracts. Counterparty risk is controlled through CSAs.
- In accordance with the ownership directives (see page 40) and the Local Government Act's ban on speculative activities, Kommuninvest does not assume any positions of its own with the purpose of generating a return.

#### **Secure financing**

Our objective is to always provide financing for our members and customers, regardless of external circumstances and the situation in the financial markets. Accordingly, we maintain a large liquidity reserve of high-quality fixed-income securities, primarily issued by governments and government-guaranteed issuers and covered bonds. The size of the liquidity reserve is to be 15–35 percent of lending and should, at the least, enable Kommuninvest to cope with six months' lending needs without access to proprietary borrowing. At least half of the reserve shall be eligible as collateral at the Riksbank (Swedish central bank).

# Looking ahead in times of uncertainty

**We live in a period of considerable uncertainty, with a global economy that is influenced by experimentation in monetary policy, geopolitical tensions, war and major refugee migrations. Digitisation and urbanisation are changing the future. The impact will be considerable, even on Swedish society. Financial cooperation in the Swedish local government sector is gaining increasing importance.**

Money has never been as cheap as it is today. Interest rates are actually so low that depositors may have to pay to have money in their accounts. In addition to the European Central Bank (ECB), the Riksbank (Swedish central bank) and its Japanese, Danish and Swiss counterparts have introduced negative interest rates.

Combined with quantitative support-buying programmes, negative interest rates constitute a monetary policy experiment that has distorted pricing in financial markets. The short-term and long-term consequences are highly uncertain. What is the actual value of money? Nobody knows.

Although the purpose of the policy varies, it is generally a matter of using non-traditional tools to boost the economy, and affect inflation and exchange rates.

In Sweden, the situation with low interest rates is contributing to continued rising debt primarily among households, but also to supporting domestic consumption and economic growth through relatively higher disposable income. The Swedish economy is doing well, employment is forecast to increase and unemployment is forecast to decrease. This also contributes to increased revenue for the local government sector.

## **Societal changes pose challenges and opportunities**

The willingness to invest among Swedish local government authorities demonstrates their confidence in the future and that they have ideas and ambitions – the Swedish local government sector wants to continue developing its services and what it offers citizens. Sound finances represent a basic requirement in being able to cope with the huge need for investment in the sector, and the resulting increase in debt. Generally, however, investment occurs in

the municipalities and county councils/regions with the most favourable economic conditions. Planning has now been made more difficult, with conditions changing substantially and quickly. Extensive immigration of asylum seekers is altering the population structure in all municipalities, bringing uncertainty regarding demand for local government services in both the short and long-term.

The fact that Sweden's local government authorities have chosen to cooperate on funding represents a significant advantage as the volume of investment and funding needs grow. With Kommuninvest, the sector has established a financial institution with the ability to provide it with long-term financing solutions that safeguard both financial stability and tax revenues.

## **Kommuninvest is prepared**

In 2015, the members of the Kommuninvest Cooperative Society showed once again that they want to secure Kommuninvest's role as a supplier of sustainable and cost-effective financing solutions. Numerous municipalities and county councils/regions resolved to make additional member contributions. With their contributions to capital formation, the owners have expressed their confidence in Kommuninvest and their ambitions for the organisation. This is a signal to the external community that we on the Board of Directors value highly.

Today, Kommuninvest is Sweden's best capitalised credit institution. This is reassuring, but it is not enough. Additional capital requirements, in the form of a minimum leverage ratio level will be imposed on the operations. At a fundamental level, these requirements are not designed for local government finance partnerships. The requirements have been known for a long time, but only this year will we know what the final levels are to be.



### Visible and recognised issuer

Kommuninvest's model is the same today as on its inception 30 years ago: to search world-wide for the most cost-efficient funding, so that members can be offered loans at attractive prices. Today, we assure this through large-scale international borrowing programmes, which form the basis of Kommuninvest's borrowing. The largest groups of investors include the world's central banks, large public institutions and other institutional investors. For me, the fact that qualified investors like these show such great interest is proof that Kommuninvest's model works.

### Customer needs decisive

Kommuninvest was founded based on a sound and simple idea. Orderliness, simplicity and transparency are watchwords well as the operations develop. And they are constantly evolving to meet the needs of our members and customers.

In my view, two new areas may gain strategic importance. Today, 850 officials in the Swedish local government sector utilise a powerful tool, developed by Kommuninvest, for planning, following-up and analysing their debt management. This results in improved quality and better use of resources, with transparency and understanding increasing and

time being freed up for further development of core operations. The service was launched in 2014 and at the end of the year, a total of 125 contracts had been signed with members.

In June 2015, the Municipality of Eskilstuna became the first borrower to secure a Green Loan from Kommuninvest, to finance a wind power investment. Interest has since risen, with an increasing number of municipalities seeking ecolabelled financing of their investments, knowing that the funds ultimately come from investors who specifically want to support projects that promote sustainability.

Both of these examples serve to illustrate solutions developed in close collaboration with Kommuninvest's members and customers, and where our model and size enable us to offer solutions that are cheaper and better than the alternatives. The decisive factor is that we are responsive and deal with challenges with skill, quality and efficiency.

Kommuninvest i Sverige AB

**Ellen Bramness Arvidsson**  
Chairman

# Sustainable investment is a must

**Being able to meet current and future investment needs in a sustainable way will be central to the future development of the local government sector. The sector currently finds itself in a new period of large-scale and far-reaching welfare investment, driven by rapid population growth and demographic changes.**

The sharp increase in population means that demand for welfare services will be considerable for many years to come. There is a tangible need for new investment and renovation in housing, service and operations premises, and other local government infrastructure. Population growth, urbanisation, demographic change and immigration face municipalities and county councils with a series of challenges, having a direct effect on investment.

#### **Record-high local government investment**

Investment needs among local government authorities meant that demand for Kommuninvest's loans continued to increase in 2015, with lending rising by 15 percent, about twice as much as the total increase in debt within the sector. This means that Kommuninvest strengthened its position as the largest lender to municipalities and county councils. In our assessment, both local government investment and the resulting debt will continue to increase by 6–7 percent annually, a historically high level. At the same time, however, local government pension liabilities are decreasing. This means that the total debt increase for the local government authorities will be relatively modest – less than 4 percentage points of GDP over a ten-year period, according to our estimates. The sector can manage that.

#### **Attractive issuer, more volatile market**

There has been increased uncertainty in the international borrowing markets for some time. Nonetheless, Kommuninvest has been able to continue issuing securities with strong support from its traditional investor base – central banks, public institutions and banks – which, for me, demonstrates continued strong confidence in the Swedish model of local government finance cooperation, as well as the benefits of diversified funding and favourable capital market relationships. This is a trend we

share with our sister organisations in the Nordic region. We also welcome the fact that there is now a similar organisation in France, Agence France Locale.

It is a sign of strength that the Company's owner, the Kommuninvest Cooperative Society, has, for a long time, been preparing the Group for the regulatory leverage ratio requirement, scheduled to be introduced in 2018. In 2015, the Company's capital base was further strengthened, facilitating the Company's activities and its reputation in the capital markets.

The increased uncertainty has already affected the market's view of various issuers. For Kommuninvest too, borrowing has grown somewhat more expensive, although the impact is greater for many other issuers. My advice to individual local government borrowers is to prepare for a different capital market than previously. It is impossible to predict the outcome of recent years' untested monetary policy measures, orchestrated by the world's central banks.

#### **Total cost of investment must be considered**

Historically, Kommuninvest's development has been heavily influenced by the number of members of the Kommuninvest Cooperative Society. Membership growth has been particularly strong among municipalities, and lending to county councils/regions has always been a very small part of Kommuninvest's overall lending. We are now seeing that interest in membership is also increasing in the county council sector, reflecting major upcoming and ongoing investments in hospitals around the country. At the time of writing, Region Jämtland Härjedalen has just been welcomed as a new member.

For county councils/regions and municipalities alike, entirely necessary investments are usually behind the high investment volumes. For investments to be sustainable though, it



is essential to maintain focus and to prioritise the right investments. In particular, good control of the cost situation is necessary, so that the balanced budget requirement is not compromised. The challenge lies mainly in the increased operating costs that accompany an investment, rather than the financial costs, which, in the context, are relatively low.

#### **Reasonable regulations?**

In 2016, the Swedish regulations regarding stability charges will be replaced by EU regulations on resolution charges. It is favourable that Kommuninvest now avoids the considerable costs that the stability charge involved, but it is also obvious that the new charge is not designed for Swedish municipalities in financial partnership. Question marks also remain regarding the leverage ratio regulations. I do believe, however, that understanding of the local government sector's important contribution to investment, employment and growth is increasing among regulators and politicians. Accordingly, I have some hope that the regulations will be interpreted in a manner that supports local government partnership.

#### **Thanks for a great year**

In 2015, we began, for the first time, to offer Green Loans to our customers ecolabelled financing for investment projects supporting local government efforts towards a more sustainable society. Public sector efforts to make the economy more sustainable and environmentally friendly are a priority and I am proud that we can participate and contribute.

The financial outcome was stable and at a level reflecting long-term profit requirements, given the significant capital formation that took place during the year. I would again like to thank my colleagues for their excellent work and for the opportunity to head this fine business, which turns 30 in 2016.

Örebro, February 2016

**Tomas Werngren**  
President and CEO



# We help our members build long-term welfare

**Swedish municipalities and county councils/regions are highly ambitious with regard to sustainability and invest vigorously in extending and upgrading social infrastructure. Kommuninvest accounts for a large part of the sector's external debt financing, which should be cost-effective and sustainable.**

Kommuninvest's contribution to a more sustainable society does not take place in the context of its own operations but out among our members. Kommuninvest's vision clarifies its ambitions:

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

### **Making the local government sector's sustainability ambitions possible**

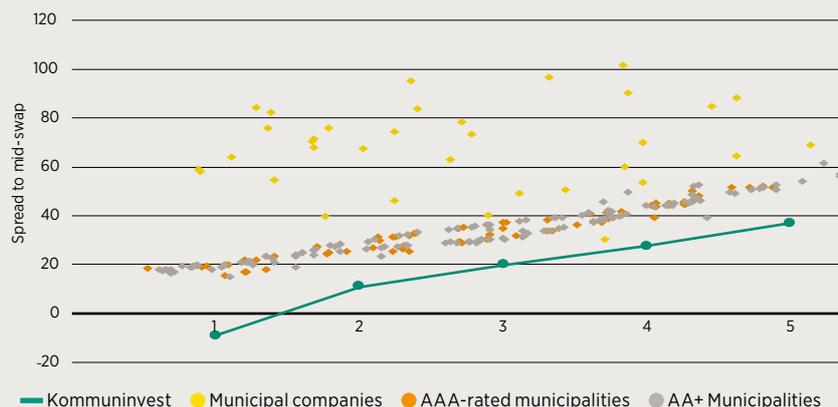
The municipalities, county councils and regions form the backbone of the Swedish welfare state. More than half of public investment

in Sweden is carried out by the local government sector.

With no profit interest of its own, Kommuninvest supplies Sweden local government authorities and their companies with stable and cost-efficient financing, thereby helping taxpayers' money go further. Kommuninvest shall be able to provide its customers with financing regardless of the external situation and developments in the financial markets. This contributes to stability in the financial system.

By offering loan products that support the local government sector's environmental efforts, Kommuninvest also acts as an enabler for the Swedish vision of a fossil-free society. We are a responsible employer and act accord-

**Pricing for municipal issuers, Swedish fixed-income market as per 25 January 2016**



### **Lowest borrowing costs**

The graph to the left compares local government players' borrowing costs in the Swedish fixed-income market, expressed in basis points above the reference rate and for different remaining maturities. Kommuninvest is the local government player that borrows at the lowest cost.

Source: Swedbank Debt Capital Markets



The Annual General Meeting of the Kommuninvest Cooperative Society generally gathers 300–400 participants, mostly elected representatives but also officials.

ingly in our relationships with employees and other stakeholders. Through our own research and reports, we seek to increase awareness of the local government sector’s long-term financial prospects.

**Strongly rooted in the local government sector**

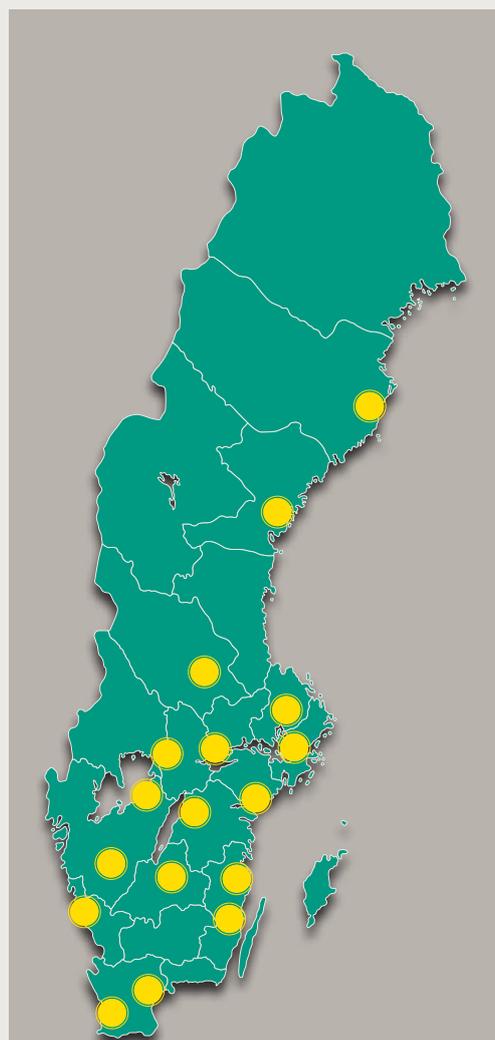
Our view on sustainability is based on the Swedish local government sector’s values, thus complying fully with international frameworks, such as the ILO’s core conventions, the OECD’s Guidelines for Multinational Enterprises, the UN’s framework for companies and human rights, and the UN’s Global Compact initiative.

**Stakeholders and dialogue**

**Constructive dialogue with all parties**

Kommuninvest has relationships with a range of stakeholders who, in different ways affect – and are affected by – our operations. A central part of our sustainability work is to maintain an ongoing dialogue with our stakeholders and to analyse their long-term interests. Kommuninvest is working to maintain a close and mutual relationship with all stakeholders, the most important of whom are:

- Members/customers
- Investors
- Society
- Staff



Each year, before the Annual General Meeting of the Society, member consultations are held around Sweden – this being a central part of the stakeholder dialogue. The 2015 member consultations took place at 17 locations with nearly 350 participants.



The transfer and exchange of knowledge are the focus of the informal part of the Annual General Meeting.

The complete sustainability reporting is found at [www.Kommuninvest.se/sustainability](http://www.Kommuninvest.se/sustainability)

**Municipalities and county councils/regions are our most important stakeholders**

Kommuninvest’s members – municipalities and county councils/regions – own and control our operations – but are also our customers when they choose to borrow from us. The dialogue with our members, in their capacity as owners, is mainly conducted with elected politicians. In dialogue with our members, in their role as customers, we mainly interact with municipal and county council/region officials, often those specialised in finance. The dialogues with both elected politicians and officials are conducted under both formal and informal conditions, and both on an ongoing basis as well as in predetermined meeting formats.

The ongoing dialogue with other societal actors – government ministries, regulatory bodies and supervisory authorities – takes place largely through meetings in person and include the exchange of information. The dialogue with investors and the capital market takes place through meetings in person and presentations all over the world. The dialogue with employees is also conducted in both formal and informal formats, between managers and employees and at regular information meetings. More information about the organisation and its employees can be found on page 25.

**Ongoing development of the stakeholder dialogue**

The aim is to continuously develop the stakeholder dialogue to enable better adaptation to the needs of each stakeholder group. This serves, in part, to ensure continued consensus on the sustainability issues that Kommuninvest should prioritise, but also to convey the message that the dialogue itself and the constructive interaction on which a shared understanding is built is, in itself, a key component in a sustainable Swedish local government sector.

**Materiality**

**Dialogue indicates what is most important**

Based on our ongoing dialogue with stakeholders, Kommuninvest determines which issues are most important for sustainability efforts. In 2015, a process was initiated to identify indicators relevant for monitoring and this is scheduled to be completed in 2016. The process of analysing and determining what aspects are material to the sustainability efforts is a central, but not formalised, part of Kommuninvest’s ongoing work. Ultimately, it is always the members – the municipalities and county councils/regions – who determine the overall direction. The result of the materiality analysis is to continue developing Kommuninvest’s operations so that the local government sector’s opportunities to achieve its sustainability objectives are maximised.

**Sustainability gains among our members**

Since Kommuninvest is a voluntary cooperation between members, with the purpose of creating better loan terms than each can achieve on its own, the vast majority of the sustainability gains to which we contribute take place out among our members. As the lender to the Swedish local government sector, our cost-efficient financing enables the realisation of our members’ long-term sustainability ambitions.

**Starting point for continued sustainability efforts within Kommuninvest**

The review of Kommuninvest’s internal sustainability work is detailed by means of a selection of indicators on the following pages. This selection is inspired by the GRI framework (Global Reporting Initiative), a standard for sustainability reporting that is used widely. Complete reports can be found at [www.kommuninvest.se/hallbarhet](http://www.kommuninvest.se/hallbarhet)

Responsible business – Kommuninvest Group	Unit	2015	2014	2013
<b>Market shares</b>				
Share of total local government sector borrowing	Percent	47	44	44
Member consultations ahead of Society’s AGM				
– number of cities	Number	19	18	19
– number of participants	Number	368	391	327
<b>Stakeholder feedback</b>				
Customer satisfaction index (biannual)	Index	n/a	78	n/a
Employee satisfaction index	Index	69	72	n/a
Owner satisfaction index (biannual)	Index	n/a	82	n/a
<b>Sustainable finance</b>				
Total new lending for municipal sector investments	SEK million	32,958.6	7,776.9	8,736.7
– whereof new Green Loan financing (committed lending)	SEK million	5,034.0	n/a	n/a
Total Green Loan portfolio (committed lending)	SEK million	5,034.0	n/a	n/a
– whereof disbursed	SEK million	2,634.0	n/a	n/a

## More welfare for the money

**OUR CORE OPERATIONS** entail providing the local government sector with long-term, cost-efficient access to financing. Since we have no profit interest of our own, we always act to maximise our members' opportunities. If we can successfully mediate cost-efficient loans and contribute to increased debt management expertise among municipalities and county councils/regions, this means more welfare for the money and greater quality in local government financial management. Since the outset in 1986, our members have together reduced their borrowing costs by billions of kronor. In recent years, total lending has risen steadily to amount to SEK 254 (223) billion in 2015. Forecasts of investment needs in the local government sector indicate a continued increase.



Kommuninvest also delivers financial value to its members by facilitating debt management, including via a web-based debt management service, KI Finans. Read more on page 20.

## Our customers determine our success

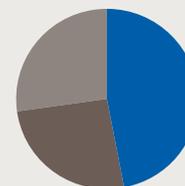
**CUSTOMER SATISFACTION**, which is measured every two years, shows how our customers judge our success. The latest survey, from 2014, showed a customer satisfaction index of 78, compared to 71 for comparable lenders.

## Partnership provides cost-efficiency

**SINCE WE ARE FUNDAMENTALLY** a partnership, we also choose to partner with others – our sister organisations in the other Nordic countries, for example, in developing our operations. Read more on page 18.

### Market share, funding of local government borrowing<sup>1</sup>

31 December 2015



■ Borrowing via Kommuninvest 47 (44) %  
 ■ Bank borrowing 26 (29) %  
 ■ Borrowing through proprietary funding programmes 27 (28) %

<sup>1</sup>) Total outstanding.

Source: Kommuninvest

## Local collaboration

**KOMMUNINVEST CONTRIBUTED** SEK 0.9 (1.0) million to various local outreach projects in 2015. We support operations that develop education, cultural and inclusion, and are seeking partners with a pronounced social commitment. We have, for example, initiated homework help and study support aimed at young people of 16–18 years of age at the Tegelbruket community centre in Örebro. Our efforts are concentrated in Örebro, where we have more than 95 percent of our employees.

The objective of our local collaboration efforts is to strengthen Kommuninvest's image as a responsible and attractive employer.

Economic value creation – Kommuninvest Group	Unit	2015	2014	2013
<b>Value generated</b>				
Interest revenues	SEK million	1,438.3	3,651.0	4,571.1
<b>Value distributed</b>				
Interest expense	SEK million	639.8	2,736.1	3,602.2
Commission expenses	SEK million	5.3	5.1	5.6
Employee salaries	SEK million	62.0	57.7	48.8
Employee pension expenses, education/training and other staff related costs	SEK million	17.8	19.6	16.1
Employee social charges and tax on pension expenses	SEK million	22.0	20.3	17.4
Stability fee	SEK million	120.5	110.7	99.0
Other operating costs	SEK million	70.3	74.1	65.8
Taxes	SEK million	26.3	2.6	3.8
Distributed to members of Kommuninvest Cooperative Society as surplus distribution	SEK million	500.7	679.5	696.5
<b>Efficiency</b>				
Administration expenses, excluding the stability fee, as % of balance sheet total	Percent	0.051	0.055	0.053



Green loans

## Green Loans support the transition to a sustainable society

**WE OFFER** loan products that support the local government sector’s environmental efforts, and thus act as an enabler for the Swedish vision of a fossil-free society. Green Loans are one example. These are for the financing of investments that mitigate climate change or facilitate adaptations to such change. The launch of Green Loans (read more on the next page) is an important step forward for Kommuninvest. From June 2015 until the end of the year, the volume of Green Loans rose from zero to SEK 5 billion.

## Focus on both direct and indirect influence

**OUR AMBITION** is to address environmental impact in financing, investment and credit provision, as well as from Kommuninvest’s own operations. The work has been initiated and will be further developed in 2016. Among others, we take our lead from the United Nations Environment Programme Finance Initiative.



Total CO<sub>2</sub>-emissions from business travel by air was reduced by 40 per cent during 2015, as an effect of reduced travelling.

## Cost-efficient financing provides additional energy-efficient measures

**EXAMPLES OF** investments made possible by Kommuninvest’s financing include those in, for example, renewable energy through wind power plants and bio energy plants, sewage treatment, and the construction of environmentally certified schools and other buildings.

## Increasing resource efficiency simultaneously with expansion

The environmental impact caused by Kommuninvest’s own organisation is mainly related to business travel, but also to energy consumption in offices and office supplies. Carbon dioxide emissions from business travel amounted to 177.3 (296.5)

tonnes or 2.3 (4.0) tonnes per employee. Total energy consumption was reduced to 406.2 (427.6) MWh, in spite of an increase in staff. Paper consumption per employee was reduced by 5 per cent in 2015.

Environmental indicators – Kommuninvest Group	Unit	2015	2014	2013
<b>Energy consumption</b>				
Total energy consumption (in buildings)	kWh	406,160	427,574	450,717
Electricity	kWh	298,087	322,351	325,911
Share of renewable energy in energy consumption for electricity	Percent	n/a	46	40
Change in electricity consumption compared to the year before	Percent	-7.5	-1.1	n/a
Heating	kWh	108,073	105,223	124,806
Share of renewable energy in energy consumption for heating	Percent	n/a	93	93
Total energy consumption/m <sup>2</sup>	kWh/m <sup>2</sup>	271	285	301
Total energy consumption/employee	kWh/FTE	5,207	5,778	6,829
<b>Resource efficiency</b>				
Purchased office paper	Tonnes	1.3	1.5	1.6
Of which with sustainability certification (PEFC)	Tonnes	1.3	1.5	1.6
Sustainably sourced paper, share of total office paper consumption	Percent	100	100	100
Total paper consumption per employee (FTE)	Kilogram	12.8	13.5	15.2
Paper recycling	Tonnes	2.1	2.8	1.1
<b>Business travel</b>				
Total business travel	Km	1,081,226	1,609,162	n/a
Total business travel per employee (FTE)	Km	13,862	21,745	n/a
Total air travel	Km	770,526	1,348,396	n/a
Train travel (Sweden)	Km	305,287	257,506	n/a
Total CO <sub>2</sub> emissions from business travel	Tonnes	177.3	296.5	n/a
CO <sub>2</sub> emissions per employee (FTE) from business travel	Tonnes	2.3	4.0	n/a



# Green Loans help realise Sweden's environmental objectives

**“The overall goal of Swedish environmental policy is to hand over to the next generation a society in which the major environmental problems in Sweden have been solved, without increasing environmental and health problems outside Sweden's borders.”**

The Riksdag's definition specifies the central aspects of Sweden's national environmental objectives. In addition to the generation target, there are 16 environmental targets and 24 interim targets. In practice, the local government sector is responsible for the majority of the investments needed in order to realise the transition to a sustainable society, in accordance with the Riksdag's decision.

Since June 2015, Kommuninvest offers its clients an opportunity to finance their green investment projects with Green Loans. Wind power, green buildings, waste management and other projects with positive environmental and climate impact may be eligible for Green Loan financing. The portfolio of eligible Green Loans will be financed by Green Bonds, targeting investors wishing to invest in Swedish climate solutions through a triple-A rated fixed income product.

Find out more at [www.Kommuninvest.org](http://www.Kommuninvest.org)

## Promoting social security

Through the financing solutions it offers, Kommuninvest contributes to the development of social welfare in Sweden. This mainly occurs through our members’ efforts, but also through Kommuninvest being a responsible employer and corporate citizen. Funding from Kommuninvest is used for investments in social infrastructure, such as schools, pre-schools, health centres, recreational and cultural facilities.

## In-depth knowledge of conditions in the sector

Kommuninvest seeks to disseminate knowledge about the local government sector’s long-term financial conditions by contributing to research and education. Each year, we publish reports analysing trends in local government debt, as well as analyses of investment trends in the local government sector.

In various ways, Kommuninvest also supports of research on the local government sector’s financial conditions and challenges. In 2015, Kommuninvest’s research fund awarded grants to the projects “Urbanisation effects for small and large municipalities – a study of sustainable development” and “Immigration as a resource in stagnating municipalities”.

## Everyone can join

Kommuninvest supports Karlslund United, which allows girls and boys, with or without disabilities – and of all ages – to meet, train and play soccer. Together with Örebro Fältrittklubb, which has one of Sweden’s largest riding schools, we also promote horse-riding for people with disabilities.

## We want to start ripples that spread outwards

Örebro Simallians and Kommuninvest work together, actively offering swimming lessons for people who for various reasons have not been included in municipal swimming programmes. The partnership has allowed the lifesaving course to be developed and extended.

## Increasing accessibility

Scandinavia’s largest biennial for contemporary art in the public space – OpenART – has established Örebro on the international art scene. In 2015, exhibitors included the globally influential Chinese artist Ai Weiwei, who showed a work consisting of 375 uniforms in six different colours that were hung along Köpmangatan, a pedestrian shopping street in central Örebro. In connection with the biennial, Kommuninvest contributed to creative activities for young people under the auspices of OpenART.

## Equality, diversity and development

Kommuninvest’s personnel policy emphasises the importance of equality and diversity in the organisation. At the end of 2015, 40 (44) percent of the total number of employees were women. Among senior executives, the proportion of

women was 67 (50) percent. Our ambition is to be able to attract, retain and develop skilled employees, regardless of gender, ethnic background, faith, age, disability, sexual orientation or transgender identity.

Employees statistics – Kommuninvest Group	Unit	2015	2014	2013
Total number of employees, including part time employees	Number	90	84	78
Share of women/men – all employees	Percent	39/61	42/58	41/59
Share of women/men – all managers	Percent	58/42	58/42	56/44
Share of women/men – executive management	Percent	67/33	50/50	50/50
Total number of full-time employees (based on hours worked)	Number	78	74	66
Length of employment < 2 years (based on permanent employees)	Percent	25	35	29
Length of employment 2–4 years	Percent	29	18	24
Length of employment 5–9 years	Percent	24	25	22
Length of employment > 10 years	Percent	22	22	26
Staff turnover	Percent	5	8	4
Participation in employee survey	Percent	94	94	n/a
Share of employees with a university degree	Percent	89	88	87
Share of employees participating in a performance review	Percent	100	100	100
Share of employees with concluded sustainability training	Percent	95	n/a	n/a

# Important events in 2015

## Substantial strengthening of equity

In total, the Company's equity increased by SEK 1,968.9 (647.8) million over the year. The increase was primarily attributable to members' capital contributions to the Society, which is injected into the Company as share capital. In November 2015, a capital injection of SEK 2.6 billion to the Society was announced, of which SEK 1.2 billion had been transferred to the Company as new share capital by 31 December 2015. This build-up of capital in Kommuninvest has been necessitated by new EU regulations on leverage ratio coming into effect in 2018. For further detail, see pages 36–38.

## Green Loans launched

Effective from June 2015, Kommuninvest offers Green Loans for local government investment projects that promote the transition to lower carbon emissions and climate-friendly growth. As per 31 December 2015, the committed volume of approved Green Loans amounted to SEK 5.0 billion, relating to 11 investment projects. The portfolio of Green Loans will be funded by Green Bonds issued by Kommuninvest. The first Green Bond is planned to be issued during the spring of 2016.



## Favourable trend for debt management system

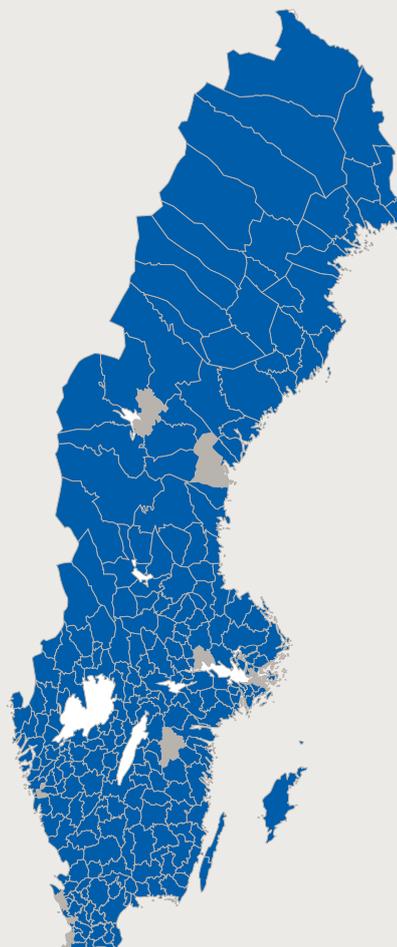
During the year, a further 43 (82) members of the Society signed agreements regarding the debt management system (KI Finans) that Kommuninvest launched in 2014. The system, which has been specially developed for the local government sector, offers increased functionality at a lower cost compared to other systems in the market. At the end of the year, contracts had been signed with 125 (82) members.

## LCR Level 1 asset in the UK

In 2015, the EU's delegated act for liquidity coverage ratio (LCR) was adopted in the UK. This means that the securities issued by the Company in the UK represent a "Level 1 asset", the highest level. The regulation has helped increase demand for securities issued by Kommuninvest.

## Municipality members

31 December 2015



At year-end 2015, 272 municipalities and 8 county councils/regions were members in the Kommuninvest Cooperative Society.

■ Member municipalities

### County councils/regions

Dalarna County Council	Uppsala County Council
Region Gävleborg	Värmland County Council
Region Örebro County	Västmanland County Council
Sörmland County Council	Norrbottnen County Council

# Nordic cooperation brings mutual benefits

**In 2015, Kommuninvest's Norwegian equivalent decided to join an already existing partnership between its sister organisations in Sweden, Finland and Denmark.**

The Nordic countries have much in common, as regards for instance similar social welfare models and views on how to finance welfare development. In all four countries, there are local government debt offices operating in a similar way to Kommuninvest, established to provide the local government sector with stable and cost-efficient funding for investments. The institutions cooperate broadly, in order to further develop know-how, processes and cost efficiency. The cooperation also extends to marketing, outside each organisation's domestic market. Among other things, joint Nordic investor presentations are held regularly in London, New York, Tokyo and Switzerland.

The partnership offers not only practical shared solutions but also benchmarks enabling mutual efficiency enhancement and making it easier to amass and share knowledge.

Find out more about the institutions at [www.Kommuninvest.se](http://www.Kommuninvest.se), [www.kommunekredit.dk](http://www.kommunekredit.dk), [www.kommunalbanken.no](http://www.kommunalbanken.no) and [www.munifin.fi](http://www.munifin.fi)



# Targets and target fulfilment in 2015

**During 2015, Kommuninvest continued its long-term efforts focusing on continuous improvement in the core operations.**

## CUSTOMER OBJECTIVE | MEET CUSTOMERS' NEEDS IN LOCAL GOVERNMENT FINANCING

Kommuninvest provides products and services for municipal financial management, focusing on financing. By being sensitive to customers' needs and challenges, and by offering cost-efficient loans, knowledge transfer and tools that address specific challenges in customers' day-to-day operations, customer satisfaction can be increased. Kommuninvest seeks to make a difference with products and solutions that are cheaper and better for the customer.

The objective is to have a sustainably better result than comparable credit providers, according to the Swedish Quality Index customer satisfaction index (CSI), albeit with a rating of at least 72. The surveys are conducted every two years. In the customer survey conducted in 2014, Kommuninvest had a CSI of 78. The average for comparable credit providers was 71.

## SUSTAINABILITY OBJECTIVE | KNOWLEDGE-ORIENTED OPERATIONS WITH MOTIVATED PERSONNEL AND EFFICIENT WORKING METHODS, OPERATED WITH FINANCIAL STABILITY AND A CONSERVATIVE RISK APPETITE

Kommuninvest has no interest of its own in generating a profit – its principal objective is to generate financial benefit for the members of the Kommuninvest Cooperative Society. The objective can be more easily attained with knowledgeable and competent employees who are committed to their duties and an organisation characterised by efficient processes, knowledge transfer and innovation. It is also important that Kommuninvest maintain a high level of financial stability and a conservative risk appetite.

By the end of 2017 at the latest, the objective is to have better results than other public sector employers according to the Swedish Quality Index employee satisfaction index (ESI), albeit with a rating of at least 72. In the employee survey conducted in 2015, Kommuninvest had an ESI of 69. The average for comparable employers was not available in this survey; in the 2014 survey it was 71.

## FINANCING OBJECTIVE | STABLE AND COST-EFFECTIVE PROPRIETARY DEBT MANAGEMENT

Kommuninvest's borrowing operations and liquidity management are critical in supporting customer needs. The financing target is an expression of the need for Kommuninvest to be able to fund its operations even in times of uncertainty and of the objective that it should always be possible to borrow funds at the lowest possible cost. Easily accessible and secure liquidity preparedness is also crucial.

The objective is to:

- 1) be the best local government financing institution according to an international Investor Satisfaction Index (ISI) by the end of 2017.
- 2) by the end of 2017, have a funding cost in the Swedish bond market that is 0.25 percentage points lower than the average of the funding costs of the five largest municipalities and county councils/regions.

In the 2015 investor survey, Kommuninvest placed as the fourth-best local government financing institution. In 2015, Kommuninvest's borrowing costs in the Swedish bond market were 0.11 percentage points lower than the average for the five largest municipalities and county councils/regions.

## Five-year summary



The Company has experienced rapid growth over the recent five-year period. Lending has increased from SEK 168.1 billion in 2011 to SEK 254.4 billion at the end of 2015. As a consequence, the total balance sheet has increased from SEK 234.0 billion to SEK 340.6 billion. This growth is essentially an effect of increased investments by the local government sector, which generally lead to an increased demand for external funding. Due to competitive loan pricing, Kommuninvest's share of the total local government sector debt, but a growing number of members in the Society has also contributed to the Company's growth.

Kommuninvest is a not-for-profit organisation and profit indicators are of limited interest to monitor developments. The past five years, however, have been characterised by a capital build-up phase, through-out retained earnings; as a result profitability has been higher than usual. Over the period 2011 to 2015, the Company's equity has increased from SEK 714.4 million to SEK 4,344.3 million.

Multi-year data in table format is available on pages 78-79.

# Provides municipalities with powerful tools for efficient debt management

**At a limited cost, based on their share of borrowing, Kommuninvest's members are offered a web-based debt management tool that greatly facilitates follow-up, analysis and reporting.**

The system provides users a good overview of the financial positions, and makes it possible, among other things, to stress test interest payment flows under alternative interest rate scenarios. This makes it easy for officials to prepare complex cases and to develop quality assured correct data on which politicians in municipalities and regions/county councils can base decisions. The system, labelled κ1 Finans, had 850 users at the beginning of February 2016.



# Growing market for Kommuninvest's loans

**In 2015, the Swedish local government loan market grew by SEK 35 billion to SEK 537 (502)<sup>1</sup> billion. This growth was primarily the result of an increasing pace of investment within local government authorities and municipal companies. Of the local government sector's total borrowing, 47 (44) percent was financed through Kommuninvest.**

During the five-year period 2011–2015, the local government sector's total external borrowing increased nominally by about SEK 125 billion. The increase was primarily the result of an increasing pace of investment by local government authorities and municipal companies. Investments encompass many of the areas for which local government authorities are responsible, with the emphasis being on infrastructure, housing and energy supply. Borrowing is mainly increasing in growth municipalities. At the end of 2015, the local government authorities' borrowing was estimated to amount to 13.2 percent of Sweden's GDP, compared with 11.3 percent in 2011.

## Swedish local government sector's largest lender

The portion of the local government sector's borrowing that is conducted via Kommuninvest has increased substantially since 2000. The primary reason is the large number of

new members of the Society, which has given an increasing number of local government authorities and municipal companies access to credit from the Company. At the same time, the competitiveness of the banks has gradually weakened in the wake of new financial regulations, primarily benefiting Kommuninvest but also borrowing via the capital market, which is mainly an alternative for the larger local government borrowers. Based on the Company's assessment of the local government borrowing market in 2015, Kommuninvest accounted for 47 (44) percent at the end of the year. Borrowing via the bank sector accounted for 26 (29) percent and direct borrowing via the capital market through the authorities' own bond and commercial paper programmes accounted for 27 (28) percent.

<sup>1</sup> Forecast based on Kommuninvest's ongoing monitoring of debt and investment trends in the Swedish local government sector. At the time of publication of this annual report, neither the complete data for 2015, nor the municipalities' and county councils' own annual reports were available.

Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2014), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2014 unless otherwise indicated.

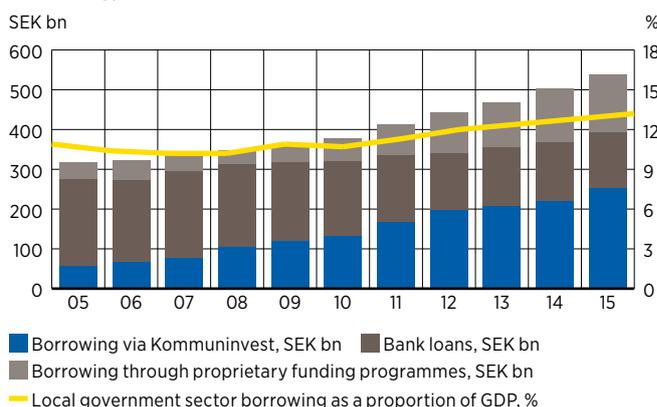
Comments on the Income statement, Balance sheet and Changes in equity are provided in connection with the statements on pages 49, 51 and 53 thereof.

## Forms of local government borrowing

Swedish municipalities and county councils/regions have access to three main sources of loan financing:

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

Local government sector borrowing and forms of funding, 2005–2015



The local government sector's borrowing over the past decade is characterised by an increased proportion of borrowing via Kommuninvest and proprietary funding programmes, as well as a reduction in borrowing via the banking sector. Data for 2015 is based on an estimate of total external borrowings

Source: Kommuninvest

# Loans that meet customers' needs

**Kommuninvest's lending grew to SEK 254.4 (222.8) billion during 2015. The increase reflects the local government sector's increased investment volumes and thereby increased borrowing needs, but also Kommuninvest having increased its share of the sector's borrowing. In total, the Company had 853 (791) customers.**

## Strengthened market position

In 2015, Swedish local government authorities continued to be able to meet their borrowing needs efficiently, both through Kommuninvest and through banking systems and capital markets. Kommuninvest offers loan products with capital being tied up for shorter or longer periods, based on fixed or floating interest rates and with or without right of early termination.

At the end of the year, lending amounted to SEK 254.4 (222.8) billion. In nominal terms, lending was at SEK 251.4 (218.4) billion, an increase of 15 (6) percent compared with the previous year. Based on nominal volumes, the bid acceptance rate amounted to 93 (83) percent for 2015.

Of the agreed lending for the year, that is, new loans and renegotiations of existing loans, 98 (84) percent were loans with capital tied up for more than one year and 2 (16) percent with

capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 42 (49) percent of the total volume.

## Green Loans launched

During the year, Kommuninvest launched a new lending product, Green Loans. Green Loans can be granted for projects and measures that help cut carbon emissions and contribute to sustainable growth or reduce climate change. At year-end, SEK 5.0 billion in Green Loans had been granted to 11 projects.

## 125 members affiliated to KI Finans

As of 31 December 2015, 125 (82) of the Society's members had elected to sign up for Kommuninvest Finansstöd (KI Finans) – a debt management system specially developed for the local government sector.

## Loans provided only to Swedish municipalities and county councils/regions

All of Kommuninvest's lending is made to Swedish municipalities and county councils/regions. Loans may be offered to:

- Municipalities and county councils/regions that are members of the Kommuninvest Cooperative Society
- Companies owned by municipalities and county councils where a member or several members of the Kommuninvest Cooperative Society (jointly) holds more than 50 percent of that ownership and has also issued a guarantee for the loan
- Municipal and county council foundations and associations, on the condition that a guarantee is provided and that they are closely affiliated with a member or members of the Kommuninvest Cooperative Society.

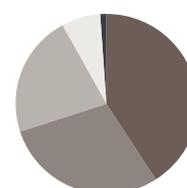
## Number of members and lending volume, 1987–2015



An increased number of members in the Society, and members choosing to place an increasingly large share of their borrowing the Company, are the foremost reasons for the historical growth in lending.

## Loan portfolio by borrower category

31 December 2015

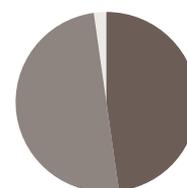


- Municipalities 41 (40) %
- Municipal housing companies 29 (29) %
- Other municipal companies 22 (22) %
- Municipal energy companies 7 (8) %
- County councils/regions 1 (1) %

Kommuninvest's largest borrower groups are municipalities and municipal housing companies. At the end of 2015, they accounted for 70 (69) percent of the total lending.

## Lending portfolio by loan product

31 December 2015



- Capital tied up, fixed interest (including lending through Swedish Benchmark Programme) 48 (50) %
- Capital tied up, Stibor 50 (43) %
- KI interest 0 (4) %
- 3-month Stibor until further notice 2 (3) %

# Significant international player with the highest credit rating

**Kommuninvest finances its lending to municipalities and county councils/regions by borrowing funds on the Swedish and international capital markets. Demand for low-risk issuers remained good during the year and Kommuninvest was able to meet its funding plans on favourable terms. At the end of the year, total borrowing amounted to SEK 321.2 (297.1) billion.**

## Good demand for Kommuninvest bonds

Demand for the Company's bonds remains favourable throughout 2015, despite the funding market being more volatile from the second half of the year. One explanation is that Kommuninvest belongs to the group of issuers that still has the highest possible credit ratings and a stable outlook. Among other aspects, the credit ratings are based on the joint and several guarantee undertaking by the members of the Society, risk management, market position and the quality of the Company's assets. The Company's focus on diversified funding sources and a long-term process to further develop the investor base has also borne fruit. The support from Kommuninvest's core investors in international borrowing markets – central banks, public institutions and bank treasuries – remained strong over the year.

## Focus on increased benchmark borrowing

At the end of the year, Kommuninvest's borrowing totalled SEK 321.2 (297.1) billion.

Over the year, SEK 105.9 (81.2) billion was borrowed in long-term debt instruments with

maturities of more than one year. Borrowing is secured to replace loans that mature or are cancelled, to finance new loans in the lending operations and to adjust the size of the liquidity reserve according to the current market view and the size of the lending portfolio.

The Company actively works to increase its funding in major bond programmes, so-called benchmark programmes, both internationally and in Sweden. During the year, two major benchmark borrowings were carried out in USD, with another being carried out in January 2016. Securities issued by the Company are, within the EU, the class of assets considered to be of the highest quality in the calculation of the Liquidity Coverage Ratio (LCR).

A total of SEK 53.8 (41.4) billion was issued in the Swedish Benchmark Programme with SEK 126.4 (93.7) billion outstanding at the end of the year. During the year, the target of having more than SEK 100 billion outstanding in 2015 was achieved – a target that was set when the programme was launched in 2010. In total, the programme consists of six outstanding bonds.

## Funding strategy – Diversified sources of funding provide greater stability

Kommuninvest's lending is financed by means of short and long borrowing programmes on national and international capital markets. The funding strategy is based on:

- Diversified sources of funding as regards markets, currencies, products and investors. Diversification increases the stability of Kommuninvest's borrowing.
- Continuous presence in a number of strategic funding programs: Swedish Benchmark Programme; benchmark borrowing in USD: ECP programme and Japanese "Uridashi" borrowing.
- 50 percent of funding is to be denominated in SEK. Any borrowing not denominated in SEK is swapped to SEK, USD or EUR.

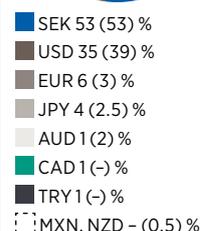
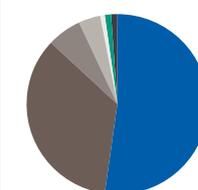
## A significant issuer of SSA's

Kommuninvest issues instruments on international capital markets in the category "Sovereigns, Supranationals and Agencies". With annual funding volumes equivalent to USD 10-15 billion, Kommuninvest is a major international player in the SSA segment. Borrowers with whom Kommuninvest compares itself include:

- Bank Nederlandse Gemeenten (Netherlands)
- European Investment Bank, EIB
- KfW (Germany)
- Kommunalbanken (Norway)
- Kommunekredit (Denmark)
- Municipality Finance (Finland)
- Nordic Investment Bank, NIB
- Rentenbank (Germany).

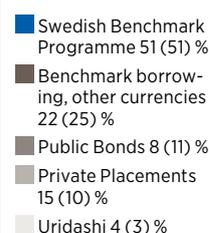
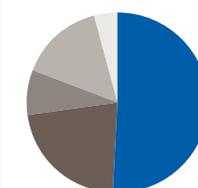
## New borrowing by currency in 2015

(excl. commercial paper borrowing)



## New borrowing by programme, 2015

(excl. commercial paper borrowing)



# Large liquidity reserve to meet customer needs at all times

To continue providing its customers with financing during periods of uncertainty in the financial markets, Kommuninvest maintains a liquidity reserve. At the end of the year, the reserve, which shall amount to between 15 and 35 percent of the lending volume, was SEK 63.2 (65.2) billion.

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. In 2015, the Company's Board of Directors adopted an amendment to the size requirement for the liquidity reserve to the equivalent of at least 15 percent and at most of 35 percent of the lending volume (previously at least 20 percent and at most 40 percent). As of 31 December 2015, the liquidity reserve corresponded to 25 (29) percent of the lending volume. A large part of the reserve shall qualify as collateral with central banks, enabling the Company to secure liquidity by posting collateral. As per 31 December 2015, 87 (83) percent of the reserve, excluding cash and equivalents and securities received as collateral, was eligible as collateral at central banks.

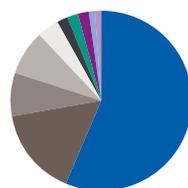
### Conservative management in focus

During 2015, management was characterised by continued caution, as reflected by investments with shorter maturities and increased exposure to zero risk-weighted counterparties and covered bonds. Remaining time to maturity in the liquidity portfolio was 1.9 (1.9) years.

At the end of 2015, 77 (75) percent of the reserve was invested in securities with the highest possible credit rating, including covered bonds and securities issued by governments, government-guaranteed institutions and other public institutions. In addition, 72 (71) percent consisted of investments in securities from issuers in Sweden and Germany, with 14 (15) percent being in securities with less than four months remaining maturity. See Note 3 for further information on the Company's credit risk exposure.

### Liquidity reserve by country

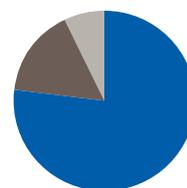
31 December 2015



- Sweden 57 (54) %
- Germany 16 (17) %
- Supranational Europe 8 (8) %
- Finland 8 (9) %
- Denmark 4 (2) %
- Australia 2 (3) %
- Canada 2 (2) %
- UK 2 (1) %
- Netherlands 1 (1) %
- Supranational outside Europe 1 (1) %
- USA 0 (0) %

### Liquidity reserve distributed by rating

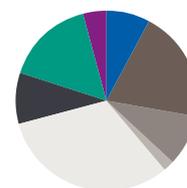
31 December 2015



- Aaa/AAA 77 (75) %
- Aa1/AA+ 16 (14) %
- Aa2/AA- 1 (1) %
- Aa3/A- 7 (9) %
- A1/A+ 3 (3) %
- A2/A 0 (-) %
- A3/A- 0 (0) %
- Baa1/BBB+ 0 (0) %

### Liquidity reserve distributed by issuer category

31 December 2015



- Regional governments or local authorities 8 (6) %
- Central governments or central banks 20 (20) %
- Multilateral development banks 9 (7) %
- Public sector entities 2 (1) %
- Covered bonds 32 (30) %
- Nordic institutions 9 (11) %
- European institutions 16 (19) %
- Non-European institutions 4 (5) %

### Investment rules for the liquidity reserve

- Investments shall primarily be made in securities issued by sovereign states or nationally guaranteed financial institutions.
- Investments may only be made in counterparties with a credit rating of at least Baa1 from Moody's and/or BBB+ from Standard & Poor's.
- The maximum maturity of the investments is 5.5 years.
- The Kingdom of Sweden (the Swedish state) is approved as counterparty without further decisions being required. For borrowers outside Sweden, a borrowing limit is applied on a per-country basis.

For further information, see the Risk and capital management section on pages 28–37 or Kommuninvest's website, [www.kommuninvest.se](http://www.kommuninvest.se)

# Skilled and committed employees bring satisfied customers

Increasingly rigorous demands are imposed on Kommuninvest as an organisation, both by its growing operations and new regulations in the financial sector. The organisation's personnel continued to increase in 2015, by 8 new recruits to a total of 85 (77) employees. The average number of employees during the year was 78 (74).

## A skills-driven organisation

Kommuninvest i Sverige AB is a highly specialised finance organisation that operates both in the Swedish local government sector and in global financial markets. This imposes particular demands on employees' competence, values and corporate culture. Most of the Company's employees have a university education, and several have concluded post-graduate programmes.

The Company's success rests on its committed employees, good leadership and values that are fully integrated into its day-to-day operations. Being an attractive company to work for, with a strong employer brand, is important. This is followed up through an Employee satisfaction index (ESI) and other measures. In the latest ESI survey, conducted in 2015, ESI was 69, compared with 72 in the survey conducted in 2014.

## Diversity policy

The Company's personnel policy, as adopted by the Company's Board of Directors, emphasises the importance of equality and diversity in the organisation. The ambition is to be able to attract, retain and develop skilled employees, regardless of gender, ethnic background, religion or faith, age, disability, sexual orientation or transgender identity. At the end of 2015, the average age in the Company was 41 (42) years. Of the total number of employees, 40 (44) percent were women. Among senior executives, the proportion of women was 67 (50) percent.

## Independent employee responsibility

The Company's employees are expected to assume an independent responsibility for their own development, as well as for their part of the operations. All employees are to have an annual dialogue with their managers to set individual targets and to formulate a development plan in accordance with the Compa-



ny's objectives and competence needs. The dialogue is followed up after six months to ensure that the employee has progressed with his/her development. With the purpose of increasing employees' knowledge and competence, both employees and managers are offered different forms of tailored development and training. In addition to compulsory training programmes required for everyone within the company, the Company also offers shorter or longer specialist and leadership courses for a number of employees. A strategic training effort is ongoing for employees within the Lending Group, whereby Kommuninvest is sponsoring training to be a Certified Financial Analyst at the Stockholm School of Economics.

## Remuneration policy

Information on remuneration and benefits to the management can be found on page 45 and in Note 8.

## Code of Conduct provides guidance

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

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

# Financial position

**During 2015, equity increased by SEK 1,968.9 (647.8) million to SEK 4,344.3 (2,375.4) million, mainly as a result of new share issues to the Society. The total capital base was SEK 3,931.7 (3,345.7) million, which gave a total capital ratio of 59.8 (49.3) percent.**

Total assets increased to SEK 340,626.3 (312,052.1) million at year-end, as a result of increased lending by SEK 31,618.0 (14,159.7) million.

## Equity

As of 31 December 2015, equity amounted to SEK 4,344.3 (2,375.4) million. In addition to new share capital being paid in, equity was mainly affected by the profit for the year (for further details, see page 52).

## Share capital

Through the authorisation granted to the Society's Board of Directors by the Annual General Meeting, the share capital in the Company increased by SEK 1,880.0 (650.0) million during the period through new shares being issued. At the end of the year, the share capital amounted to SEK 3,926.4 (2,046.4) million, distributed over 39,263,850 (20,463,850) shares.

## Subordinated liabilities

The item consists of a perpetual debenture loan from the Society. Including accrued interest, the loan amounted to SEK 1,000.0 (1,000.1) million.

## Distribution of surplus in 2016

Pending a decision by the 2016 Annual General Meeting of the Society, the Society will also apply refunds and interest on contributions for the distribution of surpluses for the 2015 financial year. For this, in its annual accounts for 2015, the Company made a group contribution of SEK 545.4 (725.6) million. If a decision on the payment of a new capital contribution is made, the Company's Board of Directors deems it likely that all members who have not yet reached the agreed maximum level for member contributions will participate with an amount depending on whether the member has reached 50 percent, 75 percent or 100 percent of the highest contribution level. Payments of surplus distributions, payments of capital contributions to the Society and payments of possible capital reinforcement to the Company are expected to take place within three months of a decision. The calculated but

yet to be approved capital contribution relating to profit for 2015 amounts to SEK 90.7 (680.0) million.

## Capital adequacy

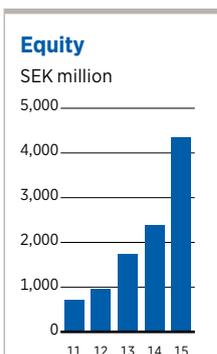
The Company is well-capitalised to meet the risks inherent in its operations, with capital ratios that exceed minimum statutory requirements by a wide margin. Core Tier 1 capital amounted to SEK 2,931.7 (2,345.7) million, entailing a core Tier 1 capital ratio of 44.6 (34.6) percent. The total capital base was SEK 3,931.7 (3,345.7) million, which gave a total capital ratio of 59.8 (49.3) percent. For further details, see page 37.

According to European Parliament and Council regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR) Kommuninvest may not classify an increase in share capital as core Tier 1 capital until Finansinspektionen (the Swedish Financial Supervisory Authority) has given its approval. Of the year's shareholders' contribution of SEK 1,880.0 million, SEK 680.0 million was approved as core Tier 1 capital as per 31 December 2015. An application for the remaining portion of the year's shareholders' contribution, SEK 1,200.0 million, to be approved as core Tier I capital, was submitted to Finansinspektionen (Swedish Financial Supervisory Authority) on 18 January 2016.

As per 31 December 2015, the Company's leverage ratio, reported according to CRR, was 0.87 (0.75) percent. See also page 38.

## Rating

Since 2002 and 2006 respectively, the Company has held the highest credit ratings: Aaa from Moody's and AAA from Standard & Poor's. In June 2015, the rating agencies confirmed Kommuninvest credit rating, with a stable outlook. The rating agencies highlight the joint and several guarantee undertaking by the owners of the Society, the robust liquidity reserve with access to central bank funding, the high quality of the loan portfolio and the strategy of capital build-up in preparation for future regulations.



## Comments on the accounts

Pages 49, 51 and 53 present comments to the Income Statement, Balance Sheet and Changes in Equity. These comments form part of the Board of Directors' Report.

# Proposed Distribution of Earnings

*The Board of Directors proposes that:*

the profit for the year	561,285,447
profit brought forward	-126,561,285
fair value reserve	-34,352,333
<b>total</b>	<b>400,371,829</b>

be appropriated as follows

To be carried forward	400,371,829
-----------------------	-------------

Applicable rules for capital adequacy and major exposures mean that Kommuninvest must at all times have a capital base which at least corresponds to the total of the capital requirements for credit risks, market risks and operational risks, and should also encompass the estimated capital requirements for other risks identified in the operation in accordance with Kommuninvest's internal capital assessment policy. The total capital ratio amounted to 59.8 (49.3) percent, compared with the requirement, including buffer requirements, of 11.3 percent. Following the proposed distribution of profit, the capital base amounted to

SEK 3,931.7 (3,345.7) million and the final minimum capital requirement to SEK 526.4 (542.8) million. A specification of items can be found in Note 29 on capital adequacy.

Kommuninvest's financial position does not give rise to any assessment other than that Kommuninvest can be expected to fulfil its obligations in both the short and the long-term.

For information on Kommuninvest's results and general position, please refer to the income statements and balance sheets with associated comments on the financial statements.

# Low risk tolerance and effective risk management

**Kommuninvest i Sverige AB's principal assignment is to ensure access to stable and efficient funding for the local government sector. The operations are to be characterised by limited risks. No material changes took place in 2015 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 significantly.**

## RISK STRATEGY

Kommuninvest i Sverige AB plays a central role in the financing of Swedish municipalities and county councils'/regions' investments. The Company's risk management is designed for operations to be conducted with as low a level of risk taking as possible. See page 29 for an overview.

The Company's risk profile and permitted risk taking is established annually in the form of owner directives adopted by the Annual General Meeting. The owner directives state that the Company's risks should be small and never greater than necessary for achieving the objectives of the operations. The operations are subject to the Local Government Act's prohibition of speculative activities.

In the risk strategy adopted by the Company's Board of Directors, the Board sets out its basic view on risk and details in concrete terms risk appetites and regulations for the management of the risks identified by the Company. The risk appetite describes the risk to which the Board is prepared to expose the Company for the purpose of fulfilling the assignment from the owners. The risk appetite is defined as the level of risk and the changes in earnings that the Board of Directors is, within the framework of its assignment, willing to accept over the next year. The risk appetite is set regularly, but at least once a year. The level of risk appetite is determined by a) company-specific factors such as financial position and growth targets and b) by expected market conditions over the stated period.

The risk strategy is part of the Company's risk framework, which encompasses the Board of Directors' fundamental instruments of operational governance and good internal control.

## RISKS AND RISK MANAGEMENT

The Company's assignment is to provide its customers with financing. To fulfil this assign-

ment, the Company borrows money on the financial market and lends money to customers. Unlike many other credit institutes, the Company conducts no deposit or active trading operations.

The business model means that the Company is exposed to risks associated with the financial market. Below follows an overview of the types of risks that Kommuninvest regularly manages and assesses.

### CREDIT RISK

Credit risk refers to the risk of a loss being incurred as a consequence of a counterparty's incapacity to meet its obligations on time. On 31 December 2015, 79 (77) percent of Kommuninvest's credit risk exposure was towards Swedish municipalities and county councils/regions in the form of loans; 20 (22) percent of the exposure was towards states and other issuers of securities in the form of investments; and 1 (1) percent of the exposure was towards derivatives counterparties. The total credit risk exposure, gross and net, is detailed in Note 3.

Credit risk is divided into credit provider risk, issuer risk and counterparty risk.

### Risk in credit provision

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

The municipalities and county councils/regions and the companies they own respectively are analysed when processing member-

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

Since all loans are made to, or are guaranteed by, municipalities and county councils/regions, the risks in the Company's lending activities are considered low. The Company has never suffered a credit loss in its lending operations.

In 2015, the ten largest borrowers accounted for 20 (22) percent of lending, while the combined population of these borrowers was equivalent to 12 (12) percent of the total population of the Society's members. Characteristic of these borrowers is that they are relatively large and growing municipalities with sizeable operations in company formats.

**Issuer risk**

Kommuninvest's liquidity reserve shall consist of securities issued by governments and financial institutions. Issuer risk refers to the risk that an issuer fails to repay its full undertaking on maturity.

When investing in securities, risk taking shall be kept to a minimum according to the owners' basic agreement for the operations. The Company's Board of Directors sets the maximum gross exposure towards individual issuers. The maturity of securities in the liquidity reserve shall not exceed the period during which the financial capacity of the counterparty can be assessed. The liquidity reserve must at all times (to at least 97 percent) be invested in securities and bank deposits with a credit rating of at least A from Standard & Poor's or A2 from Moody's. The maximum maturity for investments is 5.5 years.

The Kingdom of Sweden (the Swedish state) is approved as counterparty without further decisions being required. For counterparties

outside Sweden, the permitted exposure is subject to a country-based limit.

**Counterparty risk**

To limit the market risks that arise when contractual borrowing and lending terms do not match, the Company uses risk management instruments in the form of derivative contracts. This gives rise to counterparty risk, that is, the risk that a counterparty to a financial agreement fails to meet its commitments in accordance with the agreement.

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 is also limited by derivative agreements being required to include the right for the Company to transfer derivative agreements to a new counterparty in the event that a counterparty's credit rate falls below Baa3 (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.

**Membership of ISDA**

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

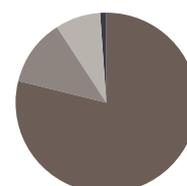
The risk exposure comprises the cost of entering an equivalent contract in the market. Such cost is calculated for each contract and is considered a risk to the contract counterparty. ISDA agreements are to be established with all derivatives counterparties. The Company is also a member of the International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

**Collateral agreements**

To limit the risks arising because of value changes to derivatives and repo transactions, the Company enters collateral agreements

**Credit risk exposure**

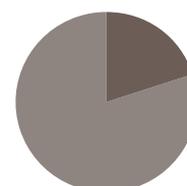
31 December 2015



- Lending, 0 percent risk weight, 79 (77) %
- Liquidity reserve, 0 percent risk weight 12 (14) %
- Liquidity reserve, 10 and 20 percent risk weight 8 (8) %
- Liquidity reserve, 50 percent risk weight - (0) %
- Derivatives 1 (1) %

**Credit concentration, distribution of lending**

31 December 2015



- Ten largest lending counterparties 20 (22) %
- Other lending counterparties 80 (78) %

## Kommuninvest's risk management in brief

DESCRIPTION	RISK MANAGEMENT
<b>Credit risk</b>	
<i>Risk in credit provision</i>	
<p>Credit provider risk refers to the risk that a credit counterparty is unable to meet its obligations.</p>	<p>Loans are only provided to members and their majority owned companies. Loans may also be made to municipal foundations and associations. The members are followed up by applying an in-house model for risk monitoring and local government analysis. Each year, the Company's Board of Directors sets a credit limit for all members. The limit entails a maximum level on the member's net consolidated group debt. Lending to municipal companies, foundations or associations must be guaranteed by one or more members. Swedish municipalities and county councils/regions have the right to levy taxes and cannot be declared bankrupt. In addition, the central government bears the ultimate responsibility for local government sector operations. The risk in credit provision is assessed as very low.</p>
<i>Issuer risk</i>	
<p>Issuer risk refers to the risk that the issuer of a security fails to repay its full undertaking on maturity.</p>	<p>Investments are made in securities issued primarily by governments, government-guaranteed issuers and covered bonds. The liquidity reserve must at all times to at least 97 percent be invested in securities and bank deposits with a credit rating of at least A from Standard &amp; Poor's or A2 from Moody's. The maximum maturity is 5.5 years. All outstanding issuers are followed up on an annual basis and when necessary. Each year, the Company's Board of Directors sets a total limit for each issuer. Kommuninvest's stringent requirements on issuers mean that issuer risk is considered to be limited.</p>
<i>Counterparty risk</i>	
<p>Counterparty risk refers to the risk of a counterparty to a financial contract defaulting before the final settlement of the cash flows. Counterparty risk arises when derivatives contracts are entered with counterparties with the purpose of reducing or eliminating market risks. Depending on changes in market prices, a derivative contract of this kind can entail either a receivable from, or a liability to, the counterparty.</p>	<p>New contracts may only be entered with counterparties with a rating of at least Baa1 from Moody's or BBB+ from Standard and Poor's. The scope for transactions is limited on the basis of several criteria. All outstanding counterparties are followed up on an annual basis and when necessary. Each year, the Company's Board of Directors sets a total limit for each counterparty. Derivative exposures are to be covered by ISDA agreements and, to the greatest extent possible, by CSA agreements. For new counterparties, CSA agreements are required. CSA agreements entail Kommuninvest receiving collateral for receivables exceeding the exposure determined in the agreement. The collateral that Kommuninvest receives entails the counterparty risk being limited.</p>
<b>Market risk</b>	
<p>Market risk refers to the risk that the net value (combined value) of the Company's assets and liabilities will decrease due to changes in risk factors in the financial market.</p>	<p>Kommuninvest's operations and business model give rise to market risks in the form of interest rate risk, currency risk, credit market risk, the credit spread risk, basis swap risk, other price risks and liquidation risk. Market risk is measured and followed up continuously. Most interest rate and currency risks and other price risks are exchanged for counterparty risks through derivative contracts. Credit market risk is limited in part through good matching of maturities between liabilities and assets and, in part, through both assets and liabilities being of a very high credit quality with historically small fluctuations in underlying prices. The Company is exposed to changes in credit swaps on assets and/or liabilities, as well as changes in basis swaps. Through good governance and control, this risk is kept to a controlled and acceptable level. The exposure to interest rate and currency risk is very limited.</p>
<b>Liquidity risk</b>	
<p>Liquidity risk refers to the risk that it will not be possible to meet payment obligations on maturity without the cost of obtaining payment funds increasing considerably.</p>	<p>The structural liquidity situation is to be highly stable with somewhat longer maturities on liabilities than on assets. Liquidity risks are limited by means of the Company being a full member of the Riksbank's RIX payment system. Through RIX, Kommuninvest can, for example, borrow funds against collateral. To be able to meet short-term lending or funding needs, a readily available liquidity reserve is maintained. Overall, this limits the liquidity risks in the Company.</p>
<b>Operational risks</b>	
<p>Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events, including legal risks.</p>	<p>Risks in the operations are identified continuously over the year. The method includes planning measures to manage the risks that are identified. Procedures and systems support are in place enable reporting and follow-up of undesired events. Good governance and control means that the operational risk is kept at a controlled and acceptable level.</p>

with its counterparties – CSA's (Credit Support Annexes) for derivatives contracts and GMRA's (Global Master Repurchase Agreements) for repo transactions. These give the Company the right, under certain conditions, to require collateral but also an obligation to provide collateral under certain other conditions.

The change in the value of signed contracts in relation to the exposure and counterparty creditworthiness determined in the agreement is what determines when collateral should be pledged and how much collateral there should be. The Company accepts collateral only in the form of government securities, which have zero risk-weighting from a capital adequacy perspective. Collateral agreements are intended to mitigate the credit and counterparty risk associated with receivables.

#### *Counterparty exposure in 2015*

For derivative contracts of a market value entailing Kommuninvest having a claim on the counterparty, a counterparty risk is incurred. Netted per counterparty and with collateral deducted, counterparty risk amounted to SEK 1,726 (2,526) million as of 31 December 2015. For further information on netting and collateral, see Notes 3 and 27.

#### **Concentration risk**

Concentration risk refers to the risk of losses beyond what is justified by an individual customer/issuer/counterparty's credit rating, due to the correlation of the risk of default among customers/issuers/counterparties. The correlation in the risk of default can be explained by factors such as industrial and geographical affiliation.

The Company's assignment, to provide credit to the local government sector, entails concentrations in the provision of credit. Concentrations in the provision of credit are restricted by limits on lending to individual customers. Concentrations of issuers in the Company's investment portfolio and counterparties in the Company's derivatives portfolio are restricted by limits on both individual counterparties and countries.

#### **MARKET RISK**

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

Market risk mainly arises in the funding operations and in the investment of the funds included in the Company's liquidity reserve. For funding to be stable and efficient, the Company needs to be active in several different funding markets. Consequently, the Company is exposed to foreign exchange, interest rate and other price risks. The Company hedges this exposure to market risks to as great an extent as possible by using derivative contracts. A limited exposure is permitted with the purpose of making the operations more efficient.

#### **Interest rate risk**

Interest rate risk refers to the risk that a change in the interest situation will decrease the net value of the Company's assets and liabilities. Interest rate risk arises as a consequence of the periods for which interest is fixed for assets and liabilities not being in agreement.

For the Company's assignment to be conducted efficiently with regard to the conservative view on risk, risk is managed through portfolio matching. This means that small, temporary differences in interest rate periods are permitted for assets and liabilities. The interest rate risk appetite applies only to the currencies in which the Company has investments or lending.

According to the limit set by the Board of Directors, the risk (exposure) in the portfolio may never exceed SEK 10 million from a one (1) percentage point parallel shift in the yield curve. However, interest rate risk is permitted to correspond to an exposure of at most SEK 15 million over a period of at most three consecutive business days. When calculating the interest rate risk for contracts with no pre-agreed maturity, assumptions are made regarding the expected duration.

On 31 December 2015 the risk in the entire portfolio was SEK -10.0 (-8.5) million in a one (1) percentage point parallel shift in the yield curve. The interest rate risk by currency was: SEK -7.1 (1.4) million, EUR 0.0 (0.3) million and USD -2.9 (-10.5) million. A negative exposure (negative value) entails a loss if interest rates rise and a profit if interest rates fall. A positive exposure (positive value) entails a positive effect on earnings if interest rates rise and a negative effect on earnings if interest rates fall.

### Foreign exchange risk

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

Foreign exchange risk arises if assets and liabilities denominated in a specific currency in the balance sheet are mismatched in terms of size. The Company hedges all known future flows by means of derivatives. However, foreign exchange risk arises on an ongoing basis through the net interest income generated on returns on foreign currency investments. This risk is limited by continuously converting such returns into SEK. The Company's foreign exchange exposure is detailed in Note 3. The exposure means that a 10-percent strengthening of the SEK would cause the Company's profit to decrease by SEK 0.4 (0.4) million.

### Credit market risk

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

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

Credit market risk is further divided into credit spread risk on assets, credit spread risk on derivatives, credit spread risk on proprietary debt and basis swap risk. Credit spread risk on assets and derivatives respectively refers to the risk that a change in the counterparty's credit spread will reduce the value of the Company's asset or derivative (credit spread risk on derivatives corresponds to the risk sometimes referred to as credit valuation adjustment risk). Credit spread risk on proprietary debt refers to the risk that a change in the Company's credit spread will increase the value of the Company's liabilities. Basis swap risk refers to the risk that a change in the basis swap spread between two currencies will affect the market value of currency related derivatives contracts negatively.

As per 31 December 2015, the Company's credit market risk meant that a one (1) basis point parallel shift upwards in basis swap and credit market spreads would have changed the Company's earnings, reported in accordance with IFRS, by SEK 2.6 (negative 1.1) million.

### Other price risks

Other price risks refers to the risk that a change in the pricing situation of underlying assets, such as shares, share indexes or raw materials indexes, will affect the net value (combined value) of the Company's assets and liabilities. The Company uses derivatives to hedge price risks with regard to underlying assets and indexes. This means that no other price risks remain.

### Liquidation risk

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

**LIQUIDITY RISK**

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

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

As in previous years, the Company had good access to liquidity, in both long-term and short-term funding, in 2015. Among other measures, the Company has carried out several issues within the framework of the Swedish Benchmark Programme, as well as two major benchmark borrowings in USD.

The Company continuously monitors the effects a possible downgrade of the Company's credit rating would have on the amounts that the Company needs to provide as collateral for CSA agreements. As per 31 December 2015, a downgrading of the credit rating by three steps lead to the collateral requirement increasing by SEK 939 (928) million.

The Company's structural liquidity situation is stable with longer maturities on liabilities than on assets (see chart showing Kommuninvest's balance sheet structure on 31 December 2015 on page 51). At the end of the year, the average maturity on the Company's outstanding borrowing was 2.8 (3.2) years, on the condition that cancellable loans are maintained to maturity. If the earliest possible cancellation date is applied in the calculation, the average maturity was 2.2 (2.0) years. In connection with cancellable borrowing, the investor has the right, under certain conditions, to

request premature repayment of loaned funds. At the end of the year, the average period for which capital was tied up in the Company's lending portfolio was 2.2 (2.2) years. The average period for which capital is tied up in the Company's liquidity reserve is 1.9 (1.9) years.

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

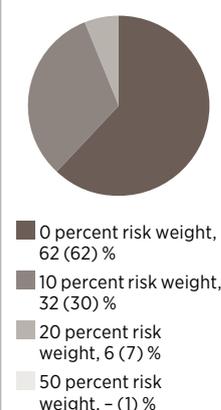
In order to meet liquidity needs even during periods when financing opportunities on the capital markets are limited or too costly, the Board of Directors has decided to maintain a liquidity reserve whose nominal value may not be less than 15 percent or more than 35 percent of the total lending volume. In addition, at least 40 percent of the liquidity reserve is to be held in SEK. The liquidity reserve contains securities of high credit and liquidity quality, which are largely eligible as collateral at central banks.

The high share of government bonds and other liquid assets in the Company's liquidity reserve explains why the liquidity coverage ratio (LCR) exceeds the authorities' requirements by a good margin. The Company currently needs to meet two different LCR measures: the LCR as required by Finansinspektionen (Swedish Financial Regulatory Authority) and the LCR required under the European Commission's delegated act. The measures are largely similar, although there are certain computational differences. Due to the Company's minor outflows in EUR, there can be variations in the reported LCR in EUR.

As per 31 December 2015, the Company's LCR according to Finansinspektionen totalled 3.43 (3.21), 7,742 (26.03) in EUR and 6.10 (7.81) in USD. As per 31 December 2015, the Company's LCR according to the EU Commission's delegated act totalled 3.22 and 5.51 in USD. Since EUR is not a significant currency for

**Liquidity reserve distributed by risk weight**

31 December 2015



the Company, it does not need to report LCR in EUR according to the delegated act.

Liquidity risks are monitored and analysed continuously to ensure that excessive liquidity outflows do not arise. The Company also reviews liquidity by continuously calculating a “survival period”. This denotes the period during which the Company can manage without access to new financing. On 31 December 2015, the estimated period during which the Company could survive without access to new financing, while continuing its normal business activities, was 9.4 (8.7) months.

During the year, the Company conducted stress tests examining how the survival period is affected by new regulatory requirements. The results form the basis for any revisions of the Company’s strategies, guidelines and positions. The results of the stress tests were satisfactory.

The Company’s liquidity exposure with regard to remaining durations on assets and liabilities is shown in Note 3. The cash flow statement also details the Company’s liquidity situation.

**Events in 2015**

During the year, the Company adapted to the EU’s community-wide liquidity coverage ratio requirements, which came into effect on 1 October 2015.

The Company also adapted to the regulations on long-term liquidity, the so-called net stable funding ratio (NSFR), during the year. The NSFR reporting requirement took effect in 2014 and the requirement for a minimum NSFR ratio is expected to be introduced effective from 2018.

**OPERATIONAL RISKS**

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

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

Risks are identified continuously over the year in connection with each major change in the Company’s operations, as well as in connection with important events that affect the Company directly or that occur externally. A risk assessment is performed for each risk that is identified. The method also includes planning measures to manage the risks that are identified.

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

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

**Process risk**

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

**Personnel risk**

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

**Liquidity Coverage Ratio (LCR)**

On report date in 2015

**31 March**

LCR total	3.28
LCR EUR	43,452.81
LCR USD	4.77

**30 June**

LCR total	9.09
LCR EUR	33.37
LCR USD	12.79

**30 September**

LCR total	6.10
LCR EUR	2,466.90
LCR USD	9.49

**31 December**

LCR total	3.43
LCR EUR	7,742.18
LCR USD	6.10

**Liquidity Coverage Ratio (LCR) in accordance with the EU Commission’s delegated act**

On report date in 2015

**31 December**

LCR total	3.22
LCR USD	5.51

**IT and systems risk**

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

**External risk**

This risk arises as a consequence of external events. External risk is mitigated by the Compliance function following up on adherence to regulations and providing advice on adjustments to new and amended regulations; agreements entered being correctly formulated, and operations including processes and procedures that, among other things, enable the Company to reduce the risk for external crime and detect supplier errors at an early stage.

**REPUTATION RISK**

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

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

**BUSINESS RISK**

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

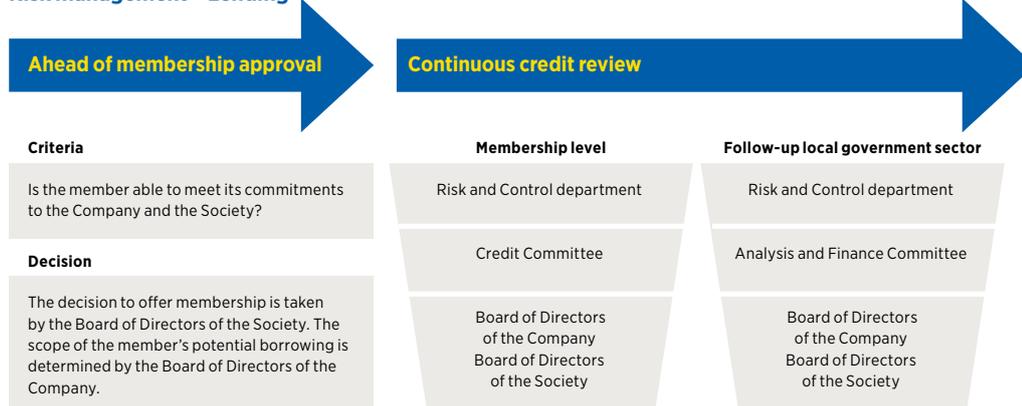
All departments within the Company work continuously with external monitoring in their respective fields. A process is also in place to conduct in-depth media monitoring each year ahead of strategy discussions.

**STRATEGIC RISK**

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

The Company has an established procedure for developing the strategic targets that are set by the Board of Directors. The risk appetite for strategic risks is limited by strategic decisions being made on the basis of well-founded analyses and decisions of a strategic nature often being made by the Board of Directors.

**Risk management – Lending**



**RESIDUAL RISK**

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

The Company deliberately applies relatively simple methods and techniques for measuring risk, capital requirements and risk appetite to reduce the risk of error. The Company conducts both forward-looking and historical analyses of all risk types. The internal capital assessment (see page 36) addresses negative scenarios to ensure that the impact on the Company is not greater than expected.

**RISK CONTROL**

To provide cost-efficient financing without exceeding the Company's risk appetite, risk management in operations is to be char-

acterised by preventive measures that serve to prevent and/or limit both risks and their damaging effects.

The Company's Risk Manager bears the overall responsibility for the Company's risk framework. Each department manager is responsible for the management and control of risks within his/her area of operations.

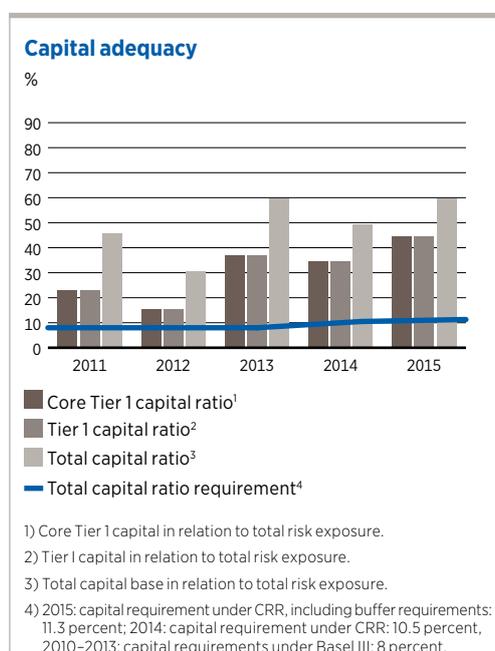
Forward-looking and historical analyses are used to ensure that the Company identifies, assesses and measures risks correctly.

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

Risk and Control is headed by the Chief Risk Officer, who reports to the President and is a member of the Executive Management Team. The department consists of nine employees, including a Deputy Chief Risk Officer. Of the nine employees, three work with prospective analyses regarding credit and market risks, etc., three with reporting and data management, two in contact with the local government sector and one with operational risks.

Beyond what has been mentioned above, the department is also responsible for following up that risks are reported correctly and in accordance with applicable external and internal regulation, regularly performing stress tests, ensuring that the Company's business models are appropriate and secure as well as leading and coordinating efforts related to operational risks.

The Credit Committee functions as a preparatory body in the assessment of new counterparties, new financial instruments and other credit issues requiring decisions by the President. The



**Risk organisation – Clear allocation of responsibilities**

- The Board of Directors sets risk policy and risk limits.
- The President is responsible for the limits not being exceeded and has delegated the opportunity to apply lower limits in their respective areas to the business functions within the Company.
- The Company applies the principles of a first, second and third line of defence in its internal control.

Company's Asset Liability Committee (ALCO) is responsible for preparing matters concerning market risk and liquidity that require a decision by the Board of Directors or the President.

### CAPITAL MANAGEMENT

The Company's capital planning is intended to ensure that the operations are fully capitalised to meet both the risks in the operations, as well as future regulatory requirements. In relation to the risks inherent in its operations, the Company is well capitalised. The principal priority of capital planning is ensuring that the Company meets the new leverage ratio requirement planned to be introduced within the EU from 2018 (see fact box on the next page).

#### Capital plan and internal capital assessment

Within the Company, a capital plan is developed at least once a year. The plan calculates how capital is intended to be developed over the next five years. The plan is based on assumptions regarding, among other aspects, margins in lending operations, margins in the management of the liquidity reserve, cost trends and forecasts for lending and other balance sheet items.

The capital plan is an important building block in the establishment of the internal capital and liquidity assessment (ICLA) for the Company and the Group, consisting of the Society, the Company and Kommuninvest Fastighets AB, which owns the property in which the credit market company conducts its operations. In supporting the capital plan, the Company's owner directives determine the desired risk appetite and sets clear targets with regard to capital structure.

Under current regulations, credit institutes are responsible for designing their own processes for the ICLA. The intention is for the institutes to map their risks and assess their risk management in an integrated and comprehensive way and, on the basis of that, assess their capital requirements, and that they should communicate analyses and conclusions to Finansinspektionen. Within the Company, the Finance department is responsible for preparing the ICLA. The Risk and Control depart-

ment performs quality assurance related to the ICLA, for example by assessing the calculations applied.

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

The Company's capital assessment shows that the Company meets all known requirements in accordance with both current and future regulations (primarily CRR/CRD IV<sup>1</sup> – Capital Requirements Regulation/Capital Requirements Directive IV; and EMIR<sup>2</sup> – European Markets Infrastructure Regulation). However, uncertainty prevails regarding the introduction of a leverage ratio requirement in the EU, with levels to be announced in 2016 (see next page).

#### Capital adequacy

On 31 December 2015, the Company's risk exposure amount (REA), calculated in accordance with the CRR, to SEK 6,578.9 (6,784.9) million. Core Tier 1 capital amounted to SEK 2,931.7 (2,345.7) million, entailing a core Tier 1 capital ratio of 44.6 (34.6) percent. The requirement, including buffer requirements, amounted to a total of 7.0 percent. Tier 1 capital was also SEK 2,931.7 (2,345.7) million and the Tier 1 capital ratio was 44.6 (34.6) percent. The requirement, including buffer requirements, was 8.5 percent. The total capital base was SEK 3,931.7 (3,345.7) million, which gave a total capital ratio of 59.8 (49.3) percent. The requirement, including buffer requirements, was 11.3 percent. Transitional regulations do not significantly affect the Company's capital ratio and other measures of capital.

The Company's strong capital relations are due to capital build-up ahead of the leverage ratio, see page 38.

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

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

## Leverage ratio – Kommuninvest's plan and preparations

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

The leverage ratio is defined as the ratio between Tier 1 capital and total exposure in assets and commitments. Further information on how the Company calculates its leverage ratio is presented in Note 30, page 77.

### Kommuninvest's capitalisation – responsibility of the owners

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 the event that the final leverage ratio requirement is set higher than 1.5 percent, the Society's plan initially is to issue Tier 1 capital instruments in the form of debenture loans or voluntary forms of participation capital applicable to Swedish economic associations: "överinsats" or "för-lagsinsats" (the latter of which may also be offered to other investors if so approved by the members of the Society). However, the Society's statutes also permit Tier 1 capital instruments to be issued to actors closely associated with the Society and other local government actors. Provided specific approval is given by the Annual General Meeting, Tier 1 capital instruments may also be issued to other capital market actors.

### Kommuninvest's plan

In accordance with the Society's owner directives, capital has for several years been being

built up in the Group over the long-term through profit accumulation. Between 2009 and 2014, the build-up of capital took place mostly through profit accumulation and re-injections of profits. As a result, the Company received SEK 680.0 (650.0) million in new share capital.

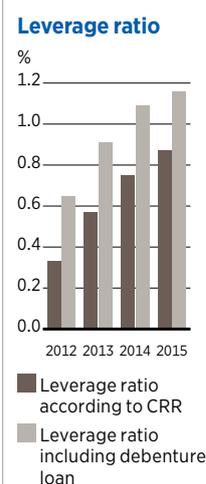
Since 2015 this model has been supplemented by the possibility for the Society's members to make direct capital contributions, as well as through other forms of capital. This required the adoption of new Articles of Association in 2014 and 2015, with, among other things, a new peak level for member contributions being adopted.

In 2015, the members of the Society announced a capital contribution of SEK 2.6 billion to the Society (see press release on Kommuninvest's website dated 17 November 2015). As per 31 December 2015, the amount paid into the Society amounted to SEK 2,690.7 million, of which SEK 1,200.0 million had been paid into the Company as new share capital. Additional capital contributions can be expected in 2016 and 2017.

### Leverage ratio 2015

As per 31 December 2015, the Company's leverage ratio, reported according to CRR, was 0.87 (0.75) percent.

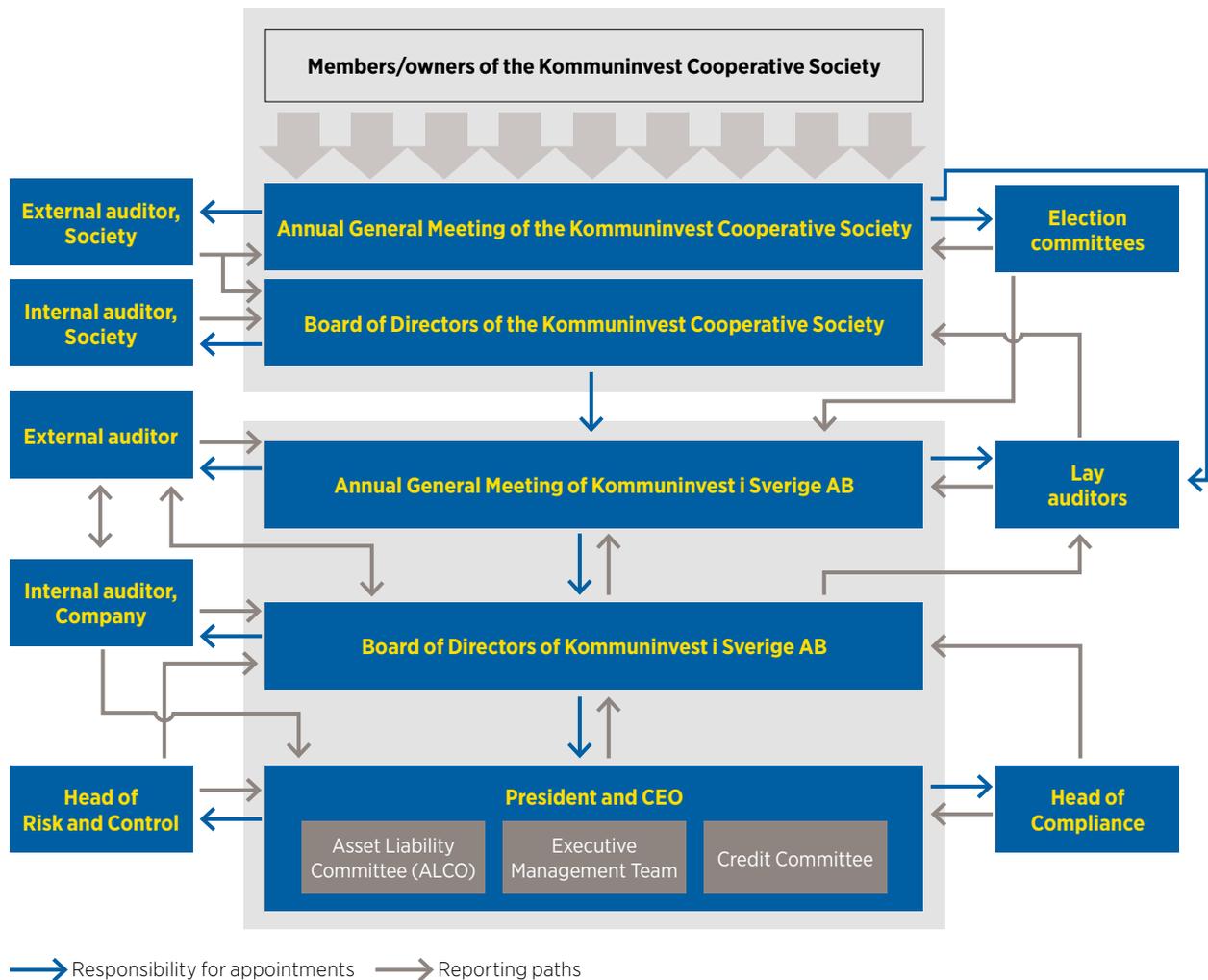
Including the debenture loan of SEK 1 billion that the Company issued to the Society in 2010, the leverage ratio was 1.16 (1.09) percent. However, the terms of the debenture loan are such that it may not be included as Tier 1 capital under CRR. The Society intends to replace the existing subordinated loan with a new one or with another capital form that is eligible for inclusion as primary capital well in advance of year-end 2017.



### Disclosure requirements, CRR

Further disclosures in accordance with the EU Capital Requirements Regulation (CRR) can be found at [www.kommuninvest.se](http://www.kommuninvest.se)

# Focus on governance and control



*Kommuninvest i Sverige AB (the Company) is a Swedish public limited liability company and a wholly owned subsidiary of the Kommuninvest Cooperative Society (the Society). Good governance and control are crucial to the Company as a company owned by Swedish municipalities and county councils/regions, with a public mandate.*

Together with the Society and Kommuninvest Fastighets AB, the Company forms a financial group of companies, the Kommuninvest Group (the Group). Since the Company issues debt instruments that are listed for trading in a regulated market, the Company is legally bound to present a corporate governance report. However, since the Company's shares have not been admitted for trading on a regu-

lated market in Sweden, the Company is not subject to the Swedish Code of Corporate Governance. The particular nature of the operations is also deemed to be such that neither the Swedish Code of Corporate Governance nor the Principles for the Governance of Companies Owned by Municipalities and County Councils developed by the local government sector should be applied on a voluntary basis.

## Regulatory framework for corporate governance

The regulations that the Company must primarily apply with regard to corporate governance are the Companies Act and the Annual Accounts Act.

The Companies Act includes basic regulations regarding the organisation of compa-

nies. These include the requirement for a Board of Directors appointed by an Annual General Meeting. In turn, the Board of Directors appoints a Chairman, who is to lead the work of the Board, and a President, who is responsible for ongoing management in accordance with the Board of Directors' guidelines and instructions. The Annual General Meeting shall also appoint an auditor to monitor operations and check the accounts.

As a credit market company, the Company must adhere to the Banking and Financing Business Act and the general advice and regulations issued by Finansinspektionen (Swedish Financial Supervisory Authority) and its equivalents within the European Union, the ESA's (European Supervisory Authorities).

#### Principles of corporate governance

The members of the Society consist of the Swedish municipalities and county councils/regions. The Cooperative Society, is a cooperative venture with the principal purpose of providing members and their majority-owned companies' access to cost-efficient and stable loan financing.

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

Presented below are some of the principles on which corporate governance is based. Additional to these are the formal work plan for the Board of Directors, the instructions to the President and other internal regulations adopted by the Board of Directors.

#### Owner directives from the Annual General Meeting of the Society

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

#### More information about Kommuninvest's corporate governance

The following information can be accessed via Kommuninvest's website [www.Kommuninvest.se](http://www.Kommuninvest.se):

- Statutes of the Kommuninvest Cooperative Society.
- Details of members and approval of new members.
- Articles of Association of Kommuninvest i Sverige AB.
- Information on the work of the Election Committees.

principles, principles for business travel and representation, expertise on funding matters, development of products and services and any special assignments set for the Company by the Society. The owner directives take effect by being adopted by the Annual General Meeting of the Company.

#### Targets for operations

The Company's overarching objective is to generate the greatest possible benefit for the members of the Society. Among other measures, this shall be achieved by maintaining a high proportion of satisfied customers, accounting for a large proportion of members' loan financing, maintaining a high level of cost efficiency and having the financial strength to support the long-term focus of the operations. A follow-up of the targets is presented on page 19.

#### Remuneration principles

The Board of Directors sets the remuneration principles applicable within the Company. The principles are also reviewed regularly. Since Finansinspektionen does not consider the Company to be significant in terms of its size, internal organisation and the nature, scope and complexity of its operations, there is no need for a compensation committee. Those duties are fulfilled by the Board of Directors.

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

### Shareholders and Annual General Meeting

The Society owns all of the shares in the Company and exerts its influence at the Annual General Meeting. The Annual General Meeting of the Company was held on 16 April 2015, in immediate connection with the Annual General meeting of the Society.

The Annual General Meeting of the Company approved the Annual Report for 2014 proposed by the Board of Directors and the President, and discharged the members of the Board of Directors and the President from responsibility for the year. Furthermore, the Annual General Meeting approved the distribution of earnings proposed by the Board of Directors and the President.

The Annual General Meeting re-elected board members Ellen Bramness Arvidsson, Anna von Knorring, Johan Törngren, Anna Sandborgh, Kurt Eliasson and Anders Pelander. Erik Langby was elected as a new member. Lorentz Andersson and Catharina Lagerstam declined re-election. Ellen Bramness Arvidsson was re-elected as the Chairman of the Board. No one from the Executive Management Team of the Company sits on the Board of Directors.

The Annual General Meeting also made decisions on the following matters:

- Adoption of owner directives
- Amendment to the Articles of Association
- New share issue and authorisation for the Board of Directors to implement new share issues during the financial year.

### Election Committees

There is an Election Committee for the Society's companies: Kommuninvest i Sverige AB, Kommuninvest Fastighets AB and the associated company Administrative Solutions NLGFA (Nordic Local Government Funding Agencies) AB. The Election Committee bears the ultimate responsibility for the preparation of appointment decisions through a structured and transparent process allowing the shareholder to give

its views on proposals and to submit its own proposals regarding appointments and associated issues, thereby establishing favourable conditions for well-founded decisions. In accordance with the Election Committee's instructions, the composition of the Board of Directors shall reflect the nature, scope and complexity of the operations. At least one member shall be, or have been, an elected representative in a member municipality or county council/region and possess a knowledge of the local government sector and the political process.

The Election Committee of the companies owned by the Society shall represent the Board of Directors of the Society and consists of members elected by the Board from its own membership. The Board of Directors of the Society has resolved that its working committee shall act as the Election Committee.

### Board of Directors of Kommuninvest i Sverige AB

The Board of Directors of the Company bears the ultimate responsibility for its organisation and management. Each year, the Board of Directors establishes a formal work plan that, among other things, regulates the Board's tasks, reporting to the Board, the number and regular contents of Board meetings, and the assessment of the work of the Board of Directors and President.

Furthermore, the Board sets objectives and strategies for operations, is responsible for identifying and managing risks, and ensures that operations are conducted in compliance with the pre-determined objectives. The Board is also tasked with preparing internal guidelines including a reporting policy that states what reports are to be produced within the Company. The full Board is responsible for completing the tasks otherwise assigned to an audit committee. The rules of procedure are reviewed and adopted at least once a year.

#### Election Committee of the companies owned by the Society 2015/2016

Göran Färm (S), Municipality of Norrköping, Chairman

Linda Frohm (M), Municipality of Kalix, Deputy Chairman

Ewa-May Karlsson (C), Municipality of Vindeln

Margreth Johnsson (S), Municipality of Trollhättan

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

The Board consists of seven members representing a broad skills base in areas such as public services, the capital markets and business development.

### Chairman of the Board

The Chairman of the Board is responsible for the work of the Board of Directors being well organised and efficiently conducted and for ensuring that the Board fulfils its tasks. Among other things, the Chairman is required to encourage an open and constructive discussion among the Board, to ensure that the Board continuously updates and deepens its knowledge of the Company and its operations, to ensure that the Board has rules for identifying and dealing with conflicts of interest on the Board, and for receiving comments from the owner Society and disseminating these within the Board. The Chairman of the Board shall also check that the Board's decisions are implemented efficiently, ensure that the work of the Board is evaluated annually, and act as a discussion partner and support for the President of the Company.

The Chairman of the Board is also responsible for ensuring that the Company's remuneration policy is independently reviewed and for preparing Board decisions regarding a) remunerations to senior executives, b) remunerations to employees with overarching responsibility for any of the Company's control functions, and c) monitoring the application of the Company's remuneration policy.

### CEO

The Board of Directors has adopted a set of instructions for the President and Chief Executive Officer, detailing his tasks and responsibilities. The President is to deal with the ongoing administration of the Company in accordance with the Board's guidelines.

This includes drawing up a proposed operations plan, budget and annual/interim accounts. The President is also responsible for appropriate systems and procedures being in place for reporting the financial situation and position to the Board, for operations being conducted in adherence to regulations and for setting guidelines and instructions regarding the various risks that arise in the operations.

### Board members

On 31 December 2015, the Board of Directors of the Company consisted of Ellen Bramness Arvidsson (Chairman), Kurt Eliasson, Anna von Knorring, Erik Langby, Anna Sandborgh and Johan Törngren, and employee representative Anders Pelander. During 2015, two members resigned and one new member was appointed. The members are presented on page 43.

### Remunerations

The Chairman of the Board of Kommuninvest i Sverige AB received a fee of SEK 550,000 (400,000) for 2015 as determined by the Annual General Meeting. The other members received a fixed fee of SEK 300,000 (100,000) as determined by the Annual General Meeting. The combined fees are detailed in the table on page 44. The total fees paid to the members of the Board of Directors amounted to SEK 1,895,000 (1,615,000) for 2015.

### Work of the Board of Directors in 2015

In 2015, the Board of Directors held nine (eight) ordinary meetings, no (one) extra meetings and one (one) inaugural meeting. Agendas and decisions have involved:

- Strategic objectives
- Internal capital and liquidity assessment
- Risk framework
- Recovery plan
- Capitalisation issues
- Remuneration issues
- Updates of loan programmes
- Matters associated with new regulations, such as the capital coverage directive, the supervisory regulation and EMIR
- Counterparty limits
- Customer and employee survey
- Organisational issues
- Debt management system, KI Finance
- Personnel policy
- Review of counterparties
- Annual report and interim reports

# Board of Directors of Kommuninvest i Sverige AB



## ELLEN BRAMNESS ARVIDSSON

*Director, International coordination, Finans Norge.*

**Elected:** Chairman since 2013. Vice Chairman 2006–2013. Member since 2003.

**Education:** Cand. oecon., Oslo University, Diploma in financial analysis, Stockholm School of Economics and FAF.

**Previous positions:** Chief Economist, Insurance Sweden, Under Secretary and First Secretary at the Ministry of Finance.



## ANNA SANDBORGH

*Consultant, Public Partner.*

**Elected:** Member since 2010.

**Education:** Master of Laws, Uppsala University.

**Previous positions:** Chief Administrative Officer, Municipality of Karlstad and President, Karlstads Stadshus AB.

**Other assignments:** Vice Chairman, Vänerhamn AB.



## KURT ELIASSON

*President, SABO.*

**Elected:** Member since 2010.

**Education:** Real Estate Agent Diploma, IFL Executive Education, Stockholm School of Economics.

**Previous positions:** CEO, Förvaltnings AB Framtiden, Board Member of Riksbyggen.

**Other assignments:** Chairman of the Board Finance Watch (Brussels), Chalmers University of Technology Foundation, NBO, Nordens allmännyttiga och kooperativa bostadsorganisation and Järntorgskvarteret AB. Member of the Boards of Fastigo and SABO Försäkring AB.



## ANNA VON KNORRING

*Assistant Director, State Treasury, Finland.*

**Elected:** Member since 2004.

**Education:** Helsinki University, Bachelor of Laws Swedish School of Business and Economics, Helsinki, MA Economics.

**Previous positions:** Ministry of Finance and State Treasury.

**Other assignments:** Board Member, Nordic Capital Markets Forum. Delegation member, Tre Smeder Foundation, Helsinki Member, Market Advisory Committee, Euroclear Finland.



## ERIK LANGBY

*Consultant and entrepreneur.*

**Elected:** Member since 2015.

**Education:** Stockholm University, individual courses.

**Previous positions:** Chairman of the Municipal Executive Board and Municipal Commissioner, Nacka, Chairman of the Association of Local Government Authorities in Stockholm County, Board Member SALAR, Chairman of the Regional Planning Board in the county council.

**Other assignments:** Board Member Atrium Ljungberg AB, Chairman of the Board of NackaStrandsMässan AB, Board Member Hegeli Public Affairs AB, Board Member HSB Omsorg AB.



## JOHAN TÖRNGREN

*Consultant.*

**Elected:** Member since 2009.

**Education:** MBA, Stockholm School of Economics.

**Previous positions:** Senior Vice President and CFO, SAS Group; Vice President Group Finance SAS Group; Treasury at Svensk Exportkredit AB.

**Other assignments:** Chairman, SPP Fonder AB.



## ANDERS PELANDER

*Employee representative.*

**Elected:** Member since 2012.

**Education:** PhD in mathematics, Uppsala University.

**Position at Kommuninvest:** Financial analyst.

**Previous positions:** Market Risk Analyst, Kommuninvest i Sverige AB, Senior Lecturer, University of Narvik.

**AUDITORS FOR KOMMUNINVEST I SVERIGE AB**

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

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

**External auditor**

At the Company's 2012 Annual General Meeting, Ernst & Young AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2016. Ernst & Young AB has selected authorised auditor Erik Åström as the auditor with overall responsibility. He replaced authorised auditor Peter Strandh as the auditor with overall responsi-

bility in 2014. The auditor with overall responsibility meets the Board of Directors at least twice a year. Erik Åström's other audit assignments include ICA Gruppen AB, Intrum Justitia AB, Skistar AB, AB Svensk Exportkredit and Södra Skogsägarna Cooperative Society.

**Lay auditors**

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

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

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

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

**Remuneration and attendance – Board of Directors of Kommuninvest i Sverige AB (publ)**

Name	Position of dependence	Attendance Board meetings 2015	Remuneration 2015, SEK	Remuneration 2014, SEK
Ellen Bramness Arvidsson	Independent	10 (of 10)	500,000	400,000
Lorentz Andersson	Independent (departed)	3 (of 3)	63,333	210,000
Kurt Eliasson	Independent	8 (of 10)	263,333	185,000
Anna von Knorring	Independent	10 (of 10)	263,333	200,000
Catharina Lagerstam	Independent (departed)	3 (of 3)	63,333	205,000
Johan Törngren	Independent	7 (of 10)	253,333	210,000
Erik Langby	Independent	7 (of 10)	225,000	-
Anna Sandborgh	Independent	10 (of 10)	263,333	205,000
Anders Pelander	Employee representative	8 (of 10)	Not remunerated	Not remunerated

# Executive Management Team

## Management of Kommuninvest i Sverige AB

The President of the Company leads, organises and develops operations in such a way that the objectives determined by the Board of Directors are achieved. Written instructions stipulate the division of labour between the Board of Directors and the President.

The President is responsible for keeping the Board of Directors continuously informed of changes to regulatory structures, the content of risk, compliance and audit reports and other significant events. The President has the job of providing the Board of Directors with necessary information and decision-support data, including prior to the Board meetings, and of ensuring that the Board receives a written report each month.

## Executive Management Team

To support the President, there is an Executive Management Team. As per 31 December 2015, in addition to the President, the Executive Management Team consisted of Maria Viimne (Deputy CEO), Johanna Larsson (CFO), Malin Norbäck (Chief of Staff), Britt Kerkenberg (CRO) and Christofer Ulfgren (CIO). During 2015, Michael Jansson and Hans Wäljamets left the Executive Management Team, while Malin Norbäck and Christofer Ulfgren joined it.



### TOMAS WERNGREN, PRESIDENT

**Education:** University of Örebro and Stockholm University. B.A. Engineering, public administration.

**Previous positions:** Deputy CEO and CFO at Kommuninvest and Treasurer at SBAB, among others.

**Other assignments:** Board member of Vasallen AB.  
**Born:** 1961.



### MARIA VIIMNE, DEPUTY CEO

**Education:** Mälardalen University, B.A. Economics. Stockholm University, Master of Laws. University of Rotterdam and University of Hamburg. European Master in Law and Economics.

**Previous positions:** Finance Group Director and Company Counsel at Kommuninvest, among others.

**Born:** 1970

## Remunerations – Executive Management Team, Kommuninvest i Sverige AB (publ)

Name	Year	Basic salary	Benefits	Variable pay	Pension expense	Total, SEK
Tomas Werngren	2015	3,038,063	91,092	-	765,581	3,894,736
	2014	2,774,552	96,096	-	826,185	3,696,833
Maria Viimne	2015	1,993,017	-	-	343,752	2,336,768
	2014	1,871,279	-	-	545,640	2,416,919
Other Executive Management Team	2015	3,791,792	14,037	-	1,144,566	4,950,395
	2014	4,143,128	15,504	-	1,384,652	5,543,284
Employees who have a material impact on the Company's risk profile <sup>1)</sup>	2015	9,673,684	17,574	-	1,813,108	11,504,366
	2014	8,615,910	18,008	-	1,687,907	10,321,825

<sup>1)</sup> In addition to the Executive Management Team. The Group comprises 12 employees with the following positions: Head of Funding, Head of Lending, Funding Managers, Portfolio Managers, Head of Internal Audit, General Counsel and Chief Compliance Officer.

# Board of Directors' report on internal control with regard to financial reporting

Kommuninvest i Sverige AB's process for the internal control of the financial reporting process is based on the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (1992). The process is based on the targets set for the operations and includes five components – control environment, risk assessment, control activities, information and communication, as well as follow-up. The process has been designed to ensure the appropriate and efficient organisation and management of operations, reliable financial reporting and strong capacity for adherence to legislation, regulations, internal rules, as well as generally accepted principles and good standards.

## Control environment

The control environment can be divided into two different parts: a formal part and an informal part. The formal part consists of the documents that describe the principles of internal control, with the most important being:

- Policy for operational governance and control (adopted by the Company's Board of Directors)
- The President's instructions for operational governance and control.

In addition to these documents, the work of the Company is governed, among other things, by the following policy and instruction documents, approved by the Board:

- Financial instructions
- Ethics policy
- Instructions on measures to counteract money laundering and financing of terrorism.

The informal part consists of the culture established by the Board of Directors and Executive Management. There is also a Code of Conduct that encompasses all employees of the Company.

## Risk assessment

The Company conducts an annual self-assessment of operational risks, covering all employees in all departments and groups within

the Company. This self-assessment includes risks that could affect the Company's financial reporting. Risk assessment is based on the Company's understanding and use of the concept of risk, according to which risk is viewed as a combination of probability and consequence.

## Control activities

All processes within the Company are documented in work descriptions for the different groups. For the Company's most essential processes, specifically designed process descriptions are in place that also include a description of the checks that are implemented.

## Information and communication

The Company has an internal website where policies, instructions and other governance documents are made available. The objective is for all governance documents to be updated at least once every year. The internal website also provides other important information regarding operations, such as operations reports and minutes from the Executive Management Team, the Company's Asset Liability Committee (ALCO) and Risk Compliance Control Committee (RCC). The fact that more or less all of the Company's employees are gathered at a single office encourages and promotes communication between employees in different areas of operations, and between employees and managers.

## Follow-up

The Board of Directors continuously monitors the Company's financial performance based on monthly reports including budgeted amounts and actual outcomes with associated comments. The Company's principles for the valuation of financial instruments are adopted by the President of the Company after having been prepared by the ALCO group. Compliance with these principles is reported annually to the Board of Directors. In addition, the internal audit assesses and reviews how governance, risk management and internal control are organised and adhered to.

# Financial statements

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# Income statement

1 January – 31 December

SEK, million	Note	2015	2014
Interest revenues		1,438.3	3,650.8
Interest expenses		-639.8	-2,735.6
<b>NET INTEREST INCOME</b>	4	<b>798.5</b>	<b>915.2</b>
Commission expenses	5	-5.3	-5.1
Net result of financial transactions	6	165.7	101.9
Other operating income	7	2.7	1.3
<b>TOTAL OPERATING INCOME</b>		<b>961.6</b>	<b>1,013.3</b>
General administration expenses	8	-283.0	-274.7
Amortisation of intangible assets	18	-4.0	-0.4
Depreciation of tangible assets	19	-1.9	-2.9
Other operating expenses	9	-4.2	-5.9
<b>TOTAL OPERATING EXPENSES</b>		<b>-293.1</b>	<b>-283.9</b>
Impairment of financial assets		-13.0	-
<b>OPERATING PROFIT</b>		<b>655.5</b>	<b>729.4</b>
Tax expense	10	-94.2	-161.0
<b>NET PROFIT</b>		<b>561.3</b>	<b>568.4</b>

# Statement of comprehensive income

1 January – 31 December

SEK, million	Note	2015	2014
<b>NET PROFIT</b>		<b>561.3</b>	<b>568.4</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may subsequently be reclassified to the income statement			
Available-for-sale financial assets		-60.2	0.8
Available-for-sale financial assets, transferred to the income statement		0.1	-6.8
Tax attributable to items that may subsequently be reclassified to the income statement	10	13.2	1.3
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-46.9</b>	<b>-4.7</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>514.4</b>	<b>563.7</b>

## Comments on the income statement

### Net interest income

Despite increased lending, net interest income decreased to SEK 798.5 (915.2) million. This is due to the reduction in lending margins implemented in September 2014 as a result of the changed strategy for capital formation (see page 38 for further information). The negative interest rate environment has not had a major impact on net interest income, see below. The remainder of the decrease is explained by increased sales of bonds in the liquidity reserve with short remaining maturities having taken place. In connection with these sales, the original interest rate hedging swaps have been retained to maturity. This has entailed lower net interest income but greater realised gains, which are reported under net result of financial transactions.

The special market situation with negative Stibor rates has had only a marginal impact on net interest income. This is because, effective from 1 September, changes in the Company's general terms and conditions for loans, enabled disbursements of negative interest. Without this change, net interest income would have increased, since the negative Stibor rates would otherwise entailed an increased margin between borrowing and lending rates for existing Stibor-linked loans.

### Net result of financial transactions

The net result of financial transactions amounted to SEK 165.7 (101.9) million. The result was affected by unrealised changes in market value amounting to SEK 124.2 (65.4) million, but also by the buy-back of own bonds and the sale of financial instruments which contributed SEK 37.8 (31.5) million to the figure. For further information, see Note 6.

In connection with sales of financial instruments, the Company transferred a negative SEK 0.1 (positive 6.8) million in gains from other comprehensive income to profit/loss for the period.

### Expenses

Expenses amounted to SEK 293.1 (283.9) million, including the stability fee of SEK 120.5 (110.7) million. The stability fee is calculated based on data including the Company's liabilities and

provisions excluding accrued expenses for the stability fee, and excluding subordinated debt. The stability fee accounted for 41 (39) percent of Kommuninvest's total expenses. Excluding the stability fee, expenses amounted to SEK 172.6 (173.2) million, of which personnel expenses accounted for SEK 99.8 (96.1) million and other expenses for SEK 72.8 (77.1) million.

The increase in depreciation on intangible assets was caused by the Company's purchase, in 2015, of a business enterprise system previously rented from an associated company.

Impairment of financial assets amounting to SEK 13.0 (-) million relates to the writedown of shares held in Kommuninvest Fastighets AB. The writedown is the result of measures taken in order to have the book value of the Company's shares reflect the subsidiary's equity.

Credit losses totalled SEK - (-) million.

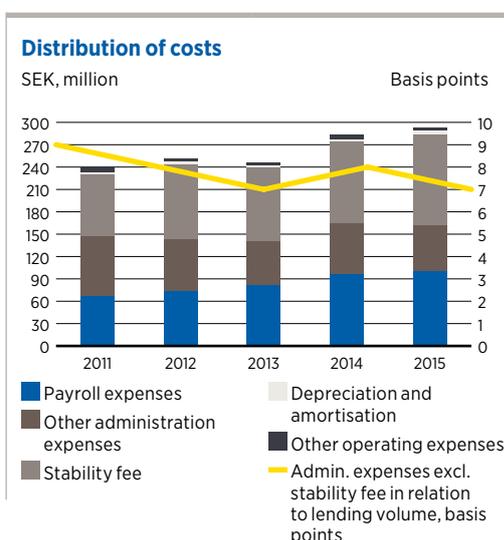
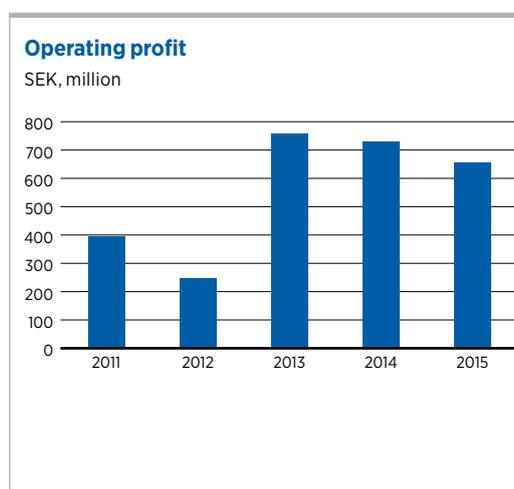
### Operating profit

Kommuninvest's operating profit, that is, profit before tax, amounted to SEK 655.5 (729.4) million. Operating profit includes unrealised changes in market value of SEK 124.2 (neg. 65.4) million.

Operating profit excluding the effect of unrealised market value changes was SEK 531.3 (664.0) million. Profit after tax amounted to SEK 561.3 (568.4) million.

### Tax

The tax expense for the year recognised in the income statement amounted to SEK 94.2 (161.0) million. The tax expense for 2015 included the results of a tax reassessment for 2008–2013. The reassessment relates to the tax value of Kommuninvest's financial instruments. The reassessment was approved by the Swedish Tax Agency in the autumn of 2015 and resulted in tax-related income of SEK 65.5 million of which SEK 70.4 million has been recognised in the income statement and SEK -4.9 million has been recognised in the statement of comprehensive income. Other tax refers to current tax expense of SEK 133.2 (161.0) million and the change in deferred taxes of SEK 31.4 (-) million.



# Balance sheet

As per 31 December

SEK, million	Note	2015	2014
<b>ASSETS</b>			
Sovereign bonds eligible as collateral	11	16,839.4	15,204.1
Lending to credit institutions	3	699.9	4,022.1
Lending	3, 12	254,421.7	222,803.7
Bonds and other interest-bearing securities	13	45,688.4	45,974.5
Shares and participations	14	2.8	2.4
Shares and participations in associated companies	15	0.5	0.5
Shares and participations in subsidiaries	16	42.0	32.0
Derivatives	3, 17, 27	22,775.6	23,848.8
Intangible assets	18	15.7	1.6
Tangible assets	19	4.6	6.0
Current tax assets	10	79.0	79.0
Other assets		17.0	14.9
Deferred tax assets	10	28.1	54.6
Prepaid expenses and accrued revenue		11.6	7.9
<b>TOTAL ASSETS</b>		<b>340,626.3</b>	<b>312,052.1</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities and provisions</b>			
Liabilities to credit institutions	3	2,303.5	4,800.6
Securities issued	3	318,943.6	292,318.0
Derivatives	3, 17, 27	11,723.1	10,628.3
Other liabilities	20	2,163.5	789.9
Accrued expenses and prepaid revenues	21	144.9	136.8
Provisions	22	3.4	3.0
Subordinated liabilities	23	1,000.0	1,000.1
<b>Total liabilities and provisions</b>		<b>336,282.0</b>	<b>309,676.7</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (39,263,850 shares and 20,463,850 shares respectively, quoted value SEK 100)		3,926.4	2,046.4
Statutory reserve		17.5	17.5
<b>Unrestricted equity</b>			
Fair value reserve		-34.3	12.6
Loss brought forward		-126.6	-269.5
Net profit		561.3	568.4
<b>Total equity</b>		<b>4,344.3</b>	<b>2,375.4</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>340,626.3</b>	<b>312,052.1</b>
<b>Memorandum items</b>			
Pledged assets	24	13,307.4	21,669.2
Contingent liabilities		None	None
Committed undisbursed loans		2,903.3	3,783.5

## Comments on the balance sheet

### Total assets

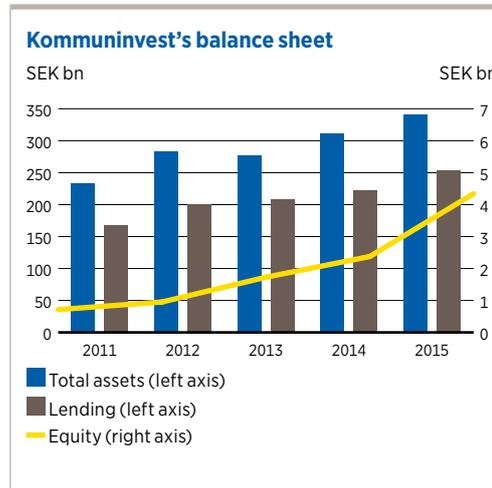
The total assets in the Company increased to SEK 340,626.3 (312,052.1) million, as a result of increased lending. Lending totalled SEK 254,421.7 (222,803.7) million. The liquidity reserve was SEK 63,227.7 (65,200.7) million, consisting of the balance sheet items: Sovereign bonds eligible as collateral, Loans to credit institutions and Bonds and other interest-bearing securities.

### Derivatives

Derivative contracts are used as risk management instruments to address market risks in operations. Derivatives with positive market value (recognised as assets in the balance sheet) and negative market value (recognised as liabilities in the balance sheet) amounted to SEK 22,775.6 (23,848.8) million and SEK 11,723.1 (10,628.3) million respectively.

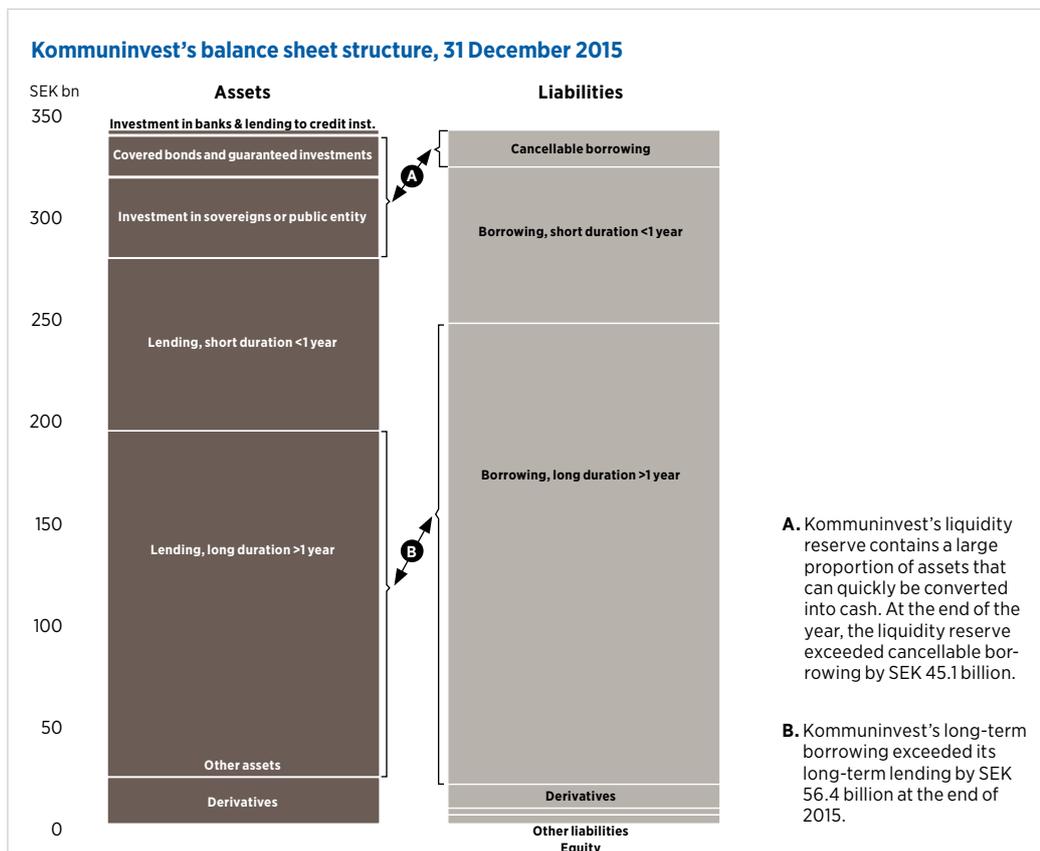
### Liabilities

Liabilities in the Company amounted to SEK 336,282.0 (309,676.7) million. The change during the year is mainly explained by borrowing having increased as a consequence of increased lending.



### Subordinated liabilities

Subordinated liabilities consist of a perpetual debenture loan from the Kommuninvest Cooperative Society. The loan amounts to SEK 1,000.0 (1,000.1) million. See Note 23.



# Statement of changes in equity

SEK, million	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve <sup>1</sup>	Profit or loss brought forward	Net profit	
<b>Equity brought forward 1 Jan 2014</b>	<b>1,396.4</b>	<b>17.5</b>	<b>17.3</b>	<b>-294.3</b>	<b>590.7</b>	<b>1,727.6</b>
Net profit					568.4	568.4
Other comprehensive income			-4.7			-4.7
<b>Total comprehensive income</b>			<b>-4.7</b>		<b>568.4</b>	<b>563.7</b>
<b>Transactions with shareholders</b>						
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
<b>Total transactions with shareholders</b>	<b>650.0</b>			<b>24.8</b>	<b>-590.7</b>	<b>84.1</b>
<b>Equity carried forward 31 December 2014</b>	<b>2,046.4</b>	<b>17.5</b>	<b>12.6</b>	<b>-269.5</b>	<b>568.4</b>	<b>2,375.4</b>
<b>Equity brought forward 1 Jan 2015</b>	<b>2,046.4</b>	<b>17.5</b>	<b>12.6</b>	<b>-269.5</b>	<b>568.4</b>	<b>2,375.4</b>
Net profit					561.3	561.3
Other comprehensive income			-46.9			-46.9
<b>Total comprehensive income</b>			<b>-46.9</b>		<b>561.3</b>	<b>514.4</b>
<b>Transactions with shareholders</b>						
Appropriation of surplus				568.4	-568.4	0.0
New share issue	1,880.0					1,880.0
Group contributions				-545.4		-545.4
Tax effect on Group contribution				119.9		119.9
<b>Total transactions with shareholders</b>	<b>1,880.0</b>			<b>142.9</b>	<b>-568.4</b>	<b>1,454.5</b>
<b>Equity carried forward 31 December 2015</b>	<b>3,926.4</b>	<b>17.5</b>	<b>-34.3</b>	<b>-126.6</b>	<b>561.3</b>	<b>4,344.3</b>

1) The fair value reserve consists of the following  
- Financial assets available for sale

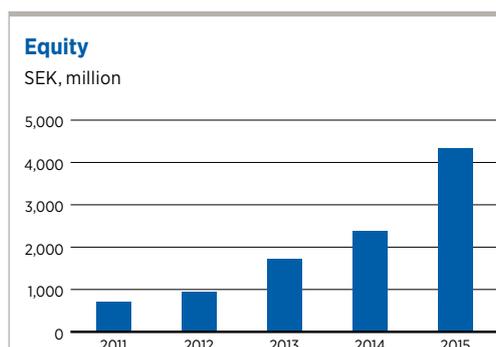
2014	2015
12.6	-34.3

## Comment on the statement of changes in equity

### Equity

At the end of 2015, equity in the Company amounted to SEK 4,344.3 (2,375.4) million, following Group contributions of SEK 545.4 (725.6) million paid to the Kommuninvest Cooperative Society. The increase in equity in the Company was primarily attributable to an increase in share capital by SEK 1,880.0 (650.0) million. Of the increase in share capital, SEK 1,880.0 (650.0) million involved capital contributions from existing members of the Society and SEK – (–) million in capital contributions from new members of the Society.

In addition, equity was affected by changes in the market values of assets classified as “available for sale financial assets”.



### Surplus distribution model

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

Decisions regarding the distribution of surpluses are made at the Annual General Meeting of the Society. Surpluses are distributed through group contributions from the Company to the Society, which, following deductions to cover the Society's costs, are further distributed to the members of the Society as refunds based on business volumes and interest on capital contributions. The distribution of surpluses is not associated with any conditions for members, nor with any repayment liability or liability to pay new capital contributions.

The 2015 Annual General Meeting of the Society approved the payment of SEK 679.5 (696.5) million in surplus distribution. Payment was effectuated in May.

### Reinforcement of share capital

The Annual General Meeting of the Society determines whether members are to pay in new capital contributions. Capital contributions paid to the Society can be used to reinforce the capital base in the Company. At the meeting of the Board of Directors of the Society held following the 2015 Annual General Meeting of the Society it was resolved that SEK 679.5 (696.5) million in new capital contributions to the Society should be paid in. All members chose to participate.

The Board of Directors of the Society resolved that SEK 680.0 (650.0) million should be injected into the Company as new share capital.

In 2015, the members of the Society had the opportunity to pay in a special contribution, which has resulted in a strengthening of the share capital in the Company by SEK 1,200 (–) million.

# Cash flow statement

1 January – 31 December

SEK, million	2015	2014
<b>Operational activities</b>		
Operating profit	655.5	729.4
Adjustment for items not included in cash flow	-104.4	-62.2
Income tax paid	66.2	-0.7
<b>Cash flow from operating activities before changes in the assets and liabilities of operating activities</b>	<b>617.3</b>	<b>666.5</b>
Change in interest-bearing securities	7,633.6	-1,220.5
Change in lending	-32,734.2	-11,659.3
Change in other assets	-29.8	2.3
Change in other liabilities	2.6	12.1
<b>Cash flow from operational activities</b>	<b>-24,510.5</b>	<b>-12,198.9</b>
<b>Investment activities</b>		
Acquisitions of intangible assets	-18.1	-2.0
Acquisition of tangible assets	-0.5	-4.3
Divestments of tangible assets	-	-
<b>Cash flow from investment activities</b>	<b>-18.6</b>	<b>-6.3</b>
<b>Financing activities</b>		
Issue of interest-bearing securities	121,888.3	108,359.7
Redemption and buybacks of interest-bearing securities	-103,395.5	-94,908.2
New share issue	1,880.0	650.0
Change in intra-Group liabilities	834.1	-696.5
<b>Cash flow from financing activities</b>	<b>21,206.9</b>	<b>13,405.0</b>
<b>Cash flow for the year</b>	<b>-3,322.2</b>	<b>1,199.8</b>
<i>Cash and equivalents at the start of the accounting period</i>	4,022.1	2,822.3
<b>Cash and equivalents at end of the year</b>	<b>699.9</b>	<b>4,022.1</b>
Cash and equivalents consist in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
<b>Adjustment for items not included in cash flow</b>		
Depreciation and amortisation	5.9	3.3
Profit from divestments of tangible assets	-	-
Exchange rate differences from change in financial assets	0.9	-0.1
Unrealised changes in market value	-124.2	-65.4
Impairment of financial assets	13.0	-
<b>Total</b>	<b>-104.4</b>	<b>-62.2</b>
<b>Interest paid and earned, included in the cash flow</b>		
Interest received	1,780.1	3,820.7
Paid interest	-978.1	-2,927.5

# Notes

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

## Note 1 Information about Kommuninvest i Sverige AB

This Annual Report applies to the year ending 31 December 2015 and relates to Kommuninvest i Sverige AB (publ), registration number: SE556281-4409. Kommuninvest has its registered office in Örebro. Kommuninvest's address is: P.O. Box 124, SE-701 42 Örebro, Sweden.

The Parent Company of Kommuninvest i Sverige AB is the Kommuninvest Cooperative Society, registration number 716453-2074.

The Annual Report was approved for publication by the Board of Directors on 1 March 2016. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 21 April 2016.

## Note 2 Accounting principles

### Compliance with standards and legislation

Kommuninvest's Annual 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) including all applicable amending regulations.

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.

In accordance with Chapter 7, section 6a of ÅRKL, Kommuninvest has chosen not to prepare consolidated accounts.

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

### 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, section 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. For further details, see Note 16. The consolidated accounts are prepared by the Parent Society, the Kommuninvest Cooperative Society, and is published at [www.kommuninvest.se](http://www.kommuninvest.se)

### New and amended standards and interpretations

New or amended standards and interpretations introduced during the year have not had any effect on Kommuninvest's earnings, position, disclosure, capital requirements, capital basis or major exposures.

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

Of the new standards and interpretations coming into force after 2015, the following regulations have been deemed to affect Kommuninvest's future annual accounts. Kommuninvest does not apply any regulations pre-emptively and instead applies regulations once they have been adopted for application by the EU.

### IFRS 9 Financial instruments

The standard will come into effect on 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and measurement. Various parts of the new standard has been revised, with one part relating to the recognition and measurement of financial assets and financial liabilities. IFRS 9 states that financial assets are to be classified according to three different categories. The classification is established on initial recognition based on the characteristics of the asset and the company's business model. For financial liabilities, there are no major changes compared with IAS 39. The greatest change relates to liabilities recognised at fair value. For these, the portion of the fair value change attributable to the company's own credit risk shall be recognised in other comprehensive income rather than in profit unless this causes inconsistencies in the accounts.

The other part relates to hedge accounting. To a large extent, the new principles improve the conditions for accounting that provides a fair picture of a company's management of financial risks in financial instruments. Finally, new principles have been introduced regarding the impairment of financial assets, where the model is based on anticipated losses. The purpose of the new model includes provisions for credit losses being made at an earlier stage. The EU has yet to approve the standard. Kommuninvest has begun the process of evaluating the standard but has not yet determined how the standard will affect Kommuninvest's earnings, position, disclosure, capital requirements, capital basis or major exposures.

Other new and amended standards yet to come into effect are not assessed to have any material impact on Kommuninvest's earnings, position, disclosure, capital requirements, capital basis or major exposures.

## FINANCIAL STATEMENTS

Note 2, continued

### Significant judgements and assumptions

The preparation of the annual report includes judgements and assumptions that affect the accounting and disclosures. The most important judgements when applying accounting principles concern the choice of accounting category for financial instruments, as explained below in the section on financial instruments.

When determining the fair value of financial instruments not traded in active markets, Kommuninvest applies valuation techniques and then makes assumptions that may be associated with uncertainty. Note 27 describes how fair value for financial instruments is derived and significant assumptions and uncertainty factors including sensitivity analysis. The report has been prepared based on amortised cost, with the exception of a significant portion of the Company's financial assets and liabilities, which are measured at fair value or amortised cost adjusted for fair value with regard to the risk that is subject to hedge accounting. For further information, see the section on Financial instruments and Note 27.

### Functional currency and presentation currency

Kommuninvest's functional currency is the Swedish krona (SEK) and the financial statements are presented in the same currency. All amounts are rounded off to the nearest million unless otherwise stated, with 500,000 and more being rounded upwards.

### Transactions in foreign currencies

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

### Associated companies

Participations in associated companies are reported in accordance with the cost method.

### Subsidiaries

Holdings in subsidiaries are reported in accordance with the cost method.

### Interest revenues and interest expenses

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

- Interest on financial assets and liabilities measured at amortised cost.
- Interest from financial assets classified as available-for-sale.
- Interest from financial assets classified as available-for-sale measured at fair value via profit or loss.
- Interest on derivatives that are hedging instruments and for which hedge accounting is applied.

Interest revenues and interest expenses are calculated and reported applying the effective interest method. Where applicable, interest income and interest expenses include periodised amounts of transaction costs.

Interest income and interest expenses for derivatives used to hedge an asset are recognised as interest income. Interest income and interest expenses for derivatives used to hedge a liability are recognised as interest income.

Since 1 September Kommuninvest grants lending at negative interest rates. This negative interest income is recognised as interest expense, see Note 4.

### Commission expenses

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

### Net result of financial transactions

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

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

### Financial instruments

Financial instruments recognised in the asset side of the balance sheet include lending, lending to credit institutions, interest-bearing securities, derivatives and other financial assets. Liabilities and equity include liabilities to credit institutions, issued securities, derivatives, subordinated liabilities and other financial liabilities. For further information, see Note 27.

### Recognition in and removal from the balance sheet

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

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

Note 2, continued

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

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

#### ***Classification and measurement of financial instruments***

Financial instruments are initially measured at their fair value with transaction costs taken into account, the exception being assets and liabilities included in the category of financial assets and liabilities measured at fair value through profit or loss, which are measured at fair value without taking transaction costs into account.

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

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

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

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

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

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

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

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

#### ***Loan receivables and accounts receivable***

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

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

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

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

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

#### ***Other financial liabilities***

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

#### ***Hedge accounting***

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

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

## FINANCIAL STATEMENTS

Note 2, continued

### Credit losses and writedowns on financial instruments

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

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

Where there are objective indications for the need to recognise impairment of a financial asset reported at accrued cost, the amount of any such impairment is calculated as the difference between the current value of the asset's estimated future cash flows discounted at the original effective rate of interest and the reported value of the asset. In Kommuninvest's assessment, no writedowns were required as per 31 December 2015.

### Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment.

Amortisation is recognised in the income statement on a linear basis over the estimated useful life of the intangible asset. The useful lives of assets are reassessed at least once per year. The estimated useful life is five years.

### Tangible assets

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

Tangible assets are carried at cost less accumulated depreciation.

The recognised value of a tangible asset is de-recognised from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. Gain or loss which may arise from the sale or scrapping of an asset constitutes the difference between the sale price and the asset's recognised amount less direct sales costs. Gain and loss are recognised as other operating income/expense.

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

### Pension through insurance

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

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

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

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

The year's costs for these insurance premiums are shown in Note 8.

### General administration expenses

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

### Other operating income

Since 2014, Kommuninvest has provided a web-based debt management service to members of the Kommuninvest Cooperative Society. The members who have chosen to use this service pay an annual fee to Kommuninvest. This income is recognised as other operating income.

*Note 2, continued*

**Other operating expenses**

Other operating expenses primarily include expenses for marketing and insurance.

**Leasing**

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

**Taxes**

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

Current taxes are taxes that must be paid for the current year. This also includes adjustments to current taxes attributable to previous periods.

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

**Group contributions**

Kommuninvest recognises Group contributions paid to the Parent Company directly against equity.

**Cash flow statement**

The cash flow statement has been prepared using the indirect method. The cash flow statement has been divided into inward and outward payments from operational activities, investment activities and financing activities. The operational activities primarily include changes in the lending portfolio and the liquidity reserve. Investment activities include investments in tangible and intangible assets. Financing activities includes bond issuance and redemptions/buybacks of issued bonds. Kommuninvest applies the exemption regulation in IAS7:23 and accounts for securities issuance shorter than 3 months on a net basis. Financing activities also includes issuance of new shares and changes in intra-Group liabilities.

**Segment reporting**

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

### Note 3 Financial risks

For information on risk management, see pages 28–38.

#### Credit risk exposure

	Total credit risk exposure (before impairment)	Writedown/ Provision	Recognised value	Value of collateral	Total credit risk exposure after deductions for collateral
<b>2015</b>					
<b>Credit against security of:</b>					
Government and municipal guarantees	254,421.7	-	254,421.7	-	254,421.7
<b>Total</b>	<b>254,421.7</b>	<b>-</b>	<b>254,421.7</b>	<b>-</b>	<b>254,421.7</b>
<b>Securities</b>					
Government securities and other public bodies					
- AAA	11,232.1	-	11,232.1	-	11,232.1
- AA	5,607.3	-	5,607.3	-	5,607.3
Other issuers					
- AAA	37,412.5	-	37,412.5	-	37,412.5
- AA	8,356.8	-	8,356.8	80.8	8,276.0
- A	619.0	-	619.0	-	619.0
- BBB	-	-	-	-	-
<b>Total</b>	<b>63,227.7</b>	<b>-</b>	<b>63,227.7</b>	<b>80.8</b>	<b>63,146.9</b>
<b>Derivatives</b>					
- AAA	-	-	-	-	-
- AA	9,627.4	-	9,627.4	4,597.1	5,030.3
- A	8,240.0	-	8,240.0	4,133.2	4,106.8
- BBB	4,908.2	-	4,908.2	2,660.9	2,247.3
<b>Total</b>	<b>22,775.6</b>	<b>-</b>	<b>22,775.6</b>	<b>11,391.2</b>	<b>11,384.4</b>
<b>Obligations</b>					
Committed un-disbursed loans against municipal guarantees	2,903.3	-	2,903.3	-	2,903.3
<b>Total</b>	<b>2,903.3</b>	<b>-</b>	<b>2,903.3</b>	<b>-</b>	<b>2,903.3</b>
<b>Total credit risk exposure</b>	<b>343,328.3</b>	<b>-</b>	<b>343,328.3</b>	<b>11,472.0</b>	<b>331,856.3</b>
<b>2014</b>					
<b>Credit against security of:</b>					
Government and municipal guarantees	222,803.7	-	222,803.7	-	222,803.7
<b>Total</b>	<b>222,803.7</b>	<b>-</b>	<b>222,803.7</b>	<b>-</b>	<b>222,803.7</b>
<b>Securities</b>					
Government securities and other public bodies					
- AAA	11,342.9	-	11,342.9	-	11,342.9
- AA	3,861.2	-	3,861.2	-	3,861.2
Other issuers					
- AAA	33,575.8	-	33,575.8	-	33,575.8
- AA	11,939.7	-	11,939.7	205.0	11,734.7
- A	4,481.0	-	4,481.0	3,747.1	733.9
- BBB	-	-	-	-	-
<b>Total</b>	<b>65,200.7</b>	<b>-</b>	<b>65,200.7</b>	<b>3,952.1</b>	<b>61,248.6</b>
<b>Derivatives</b>					
- AAA	-	-	-	-	-
- AA	8,446.9	-	8,446.9	4,217.4	4,229.5
- A	15,401.2	-	15,401.2	7,493.9	7,907.3
- BBB	0.7	-	0.7	-	0.7
<b>Total</b>	<b>23,848.8</b>	<b>-</b>	<b>23,848.8</b>	<b>11,711.3</b>	<b>12,137.5</b>
<b>Obligations</b>					
Committed un-disbursed loans against municipal guarantees	3,783.5	-	3,783.5	-	3,783.5
<b>Total</b>	<b>3,783.5</b>	<b>-</b>	<b>3,783.5</b>	<b>-</b>	<b>3,783.5</b>
<b>Total credit risk exposure</b>	<b>315,636.7</b>	<b>-</b>	<b>315,636.7</b>	<b>15,663.4</b>	<b>299,973.3</b>

Note 3, continued

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

2015							
Nominal cash flows – Contractual remaining duration							
Liquidity exposure	On demand	At most 3 months	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total
<b>Assets</b>							
Sovereign bonds eligible as collateral	-	3,931.0	3,492.5	9,302.8	-	-	16,726.3
Lending to credit institutions	-	698.0	-	-	-	-	698.0
Lending	-	16,391.4	68,878.7	155,166.6	15,067.7	-	255,504.4
Bonds and other interest-bearing securities	-	2,622.2	9,752.9	32,080.2	-	-	44,455.3
Derivatives	-	19,187.5	137,322.8	316,704.3	37,258.7	-	510,473.3
Other asset items	-	-	-	-	-	201.3	201.3
<b>Total assets</b>	-	<b>42,830.1</b>	<b>219,446.9</b>	<b>513,253.9</b>	<b>52,326.4</b>	<b>201.3</b>	<b>828,058.6</b>
<b>Liabilities</b>							
Liabilities to credit institutions	-	267.0	-	1,607.3	517.0	-	2,391.3
Securities issued	-	36,597.1	65,296.2	194,233.3	22,404.5	-	318,531.1
Derivatives	-	20,171.5	132,004.9	310,097.3	37,206.4	-	499,480.1
Other liabilities	-	-	-	-	-	2,311.8	2,311.8
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	4,344.3	4,344.3
<b>Total equity and liabilities</b>	-	<b>57,035.6</b>	<b>197,301.1</b>	<b>505,937.9</b>	<b>61,127.9</b>	<b>6,656.1</b>	<b>828,058.6</b>
<b>Net</b>	-	<b>-14,205.5</b>	<b>22,145.8</b>	<b>7,316.0</b>	<b>-8,801.5</b>	<b>-6,454.8</b>	-
Committed undisbursed loans	2,903.3	-	-	-	-	-	-

2014							
Nominal cash flows – Contractual remaining duration							
Liquidity exposure	On demand	At most 3 months	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total
<b>Assets</b>							
Sovereign bonds eligible as collateral	-	4,684.6	2,955.4	6,903.4	566.7	-	15,110.1
Lending to credit institutions	-	3,724.0	-	-	-	-	3,724.0
Lending	-	24,313.2	52,009.8	129,002.8	13,090.5	-	218,416.3
Bonds and other interest-bearing securities	-	824.1	8,839.2	34,560.8	453.4	-	44,677.5
Derivatives	-	10,278.1	112,091.6	312,166.3	28,179.6	-	462,715.6
Other asset items	-	-	-	-	-	198.9	198.9
<b>Total assets</b>	-	<b>43,824.0</b>	<b>175,896.0</b>	<b>482,633.3</b>	<b>42,290.2</b>	<b>198.9</b>	<b>744,842.4</b>
<b>Liabilities</b>							
Liabilities to credit institutions	-	2,440.5	-	1,495.3	718.4	-	4,654.2
Securities issued	-	28,583.7	52,948.5	185,005.0	19,291.1	-	285,828.3
Derivatives	-	7,549.0	108,433.9	305,926.3	28,145.6	-	450,054.8
Other liabilities	-	-	-	-	-	929.7	929.7
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	2,375.4	2,375.4
<b>Total equity and liabilities</b>	-	<b>38,573.2</b>	<b>161,382.4</b>	<b>492,426.6</b>	<b>49,155.1</b>	<b>3,305.1</b>	<b>744,842.4</b>
<b>Net</b>	-	<b>5,250.8</b>	<b>14,513.6</b>	<b>-9,793.3</b>	<b>-6,864.9</b>	<b>-3,106.2</b>	-
Committed undisbursed loans	3,783.5	-	-	-	-	-	-

In the table above, the period for which capital is tied up for cancellable lending and borrowing extends until the next possible cancellation date.

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

## FINANCIAL STATEMENTS

Note 3, continued

### Maturity information

2015	Recognised values – Contractual remaining duration						Total
	On demand	At most 3 months	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	
<b>Liquidity exposure</b>							
<b>Assets</b>							
Sovereign bonds eligible as collateral	-	3,933.4	3,491.6	9,414.4	-	-	16,839.4
Lending to credit institutions	-	699.9	-	-	-	-	699.9
Lending	-	16,440.1	68,203.1	154,670.7	15,107.8	-	254,421.7
Bonds and other interest-bearing securities	-	2,638.9	9,443.8	33,605.7	-	-	45,688.4
Derivatives	-	830.2	6,689.6	14,147.2	1,108.6	-	22,775.6
Other asset items	-	-	-	-	-	201.3	201.3
<b>Total assets</b>	-	<b>24,542.5</b>	<b>87,828.1</b>	<b>211,838.0</b>	<b>16,216.4</b>	<b>201.3</b>	<b>340,626.3</b>
<b>Liabilities</b>							
Liabilities to credit institutions	-	80.4	-	1,696.2	526.9	-	2,303.5
Securities issued	-	29,463.0	65,575.3	201,025.9	22,879.4	-	318,943.6
Derivatives	-	2,386.7	1,463.6	6,869.1	1,003.7	-	11,723.1
Other liabilities	-	-	-	-	-	2,311.8	2,311.8
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	4,344.3	4,344.3
<b>Total equity and liabilities</b>	-	<b>31,930.1</b>	<b>67,038.9</b>	<b>209,591.2</b>	<b>25,410.0</b>	<b>6,656.1</b>	<b>340,626.3</b>
<b>Total difference</b>	-	<b>-7,387.6</b>	<b>20,789.2</b>	<b>2,246.8</b>	<b>-9,193.6</b>	<b>-6,454.8</b>	-
Committed undisbursed loans	2,903.3	-	-	-	-	-	-

2014	Recognised values – Contractual remaining duration						Total
	On demand	At most 3 months	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	
<b>Liquidity exposure</b>							
<b>Assets</b>							
Sovereign bonds eligible as collateral	-	4,684.7	2,961.7	6,967.3	590.4	-	15,204.1
Lending to credit institutions	-	4,022.1	-	-	-	-	4,022.1
Lending	-	24,371.6	52,443.8	132,061.9	13,926.4	-	222,803.7
Bonds and other interest-bearing securities	-	828.7	8,977.4	35,694.3	474.1	-	45,974.5
Derivatives	-	2,838.9	5,599.5	13,637.7	1,772.7	-	23,848.8
Other asset items	-	-	-	-	-	198.9	198.9
<b>Total assets</b>	-	<b>36,746.0</b>	<b>69,982.4</b>	<b>188,361.2</b>	<b>16,763.6</b>	<b>198.9</b>	<b>312,052.1</b>
<b>Liabilities</b>							
Liabilities to credit institutions	-	2,440.5	-	1,605.7	754.4	-	4,800.6
Securities issued	-	28,614.1	53,828.3	189,311.8	20,563.8	-	292,318.0
Derivatives	-	344.2	1,619.5	7,228.9	1,435.7	-	10,628.3
Other liabilities	-	-	-	-	-	929.7	929.7
Subordinated liabilities	-	-	-	-	1,000.1	-	1,000.1
Equity	-	-	-	-	-	2,375.4	2,375.4
<b>Total equity and liabilities</b>	-	<b>31,398.8</b>	<b>55,447.8</b>	<b>198,146.4</b>	<b>23,754.0</b>	<b>3,305.1</b>	<b>312,052.1</b>
<b>Total difference</b>	-	<b>5,347.2</b>	<b>14,534.6</b>	<b>-9,785.2</b>	<b>-6,990.4</b>	<b>-3,106.4</b>	-
Committed undisbursed loans	3,783.5	-	-	-	-	-	-

In the table above, the period for which capital is tied up for cancellable lending and borrowing extends until the next possible cancellation date.

*Note 3, continued*
**Fixed interest terms, Interest exposure**

Fixed interest terms for assets and liabilities – interest exposure	Nominal cash flows						Total
	At most 3 months	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	More than 5 yr. but max. 10 yrs.	Longer than 10 yrs.	Without interest	
<b>2015</b>							
<b>Assets</b>							
Sovereign bonds eligible as collateral	2,031.0	3,405.0	6,433.1	4,857.2	-	-	16,726.3
Lending to credit institutions	698.0	-	-	-	-	-	698.0
Lending	233.7	17,529.9	175,095.1	55,341.8	7,303.9	-	255,504.4
Bonds and other interest-bearing securities	-	650.0	26,799.4	17,005.9	-	-	44,455.3
Derivatives	-	3,666.6	306,394.6	180,001.2	20,410.9	-	510,473.3
Other assets	-	-	-	-	-	201.3	201.3
<b>Total assets</b>	<b>2,962.7</b>	<b>25,251.5</b>	<b>514,722.2</b>	<b>257,206.1</b>	<b>27,714.8</b>	<b>201.3</b>	<b>828,058.6</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	267.0	-	-	-	2,124.3	-	2,391.3
Securities issued	5,452.2	7,210.1	160,921.3	128,070.1	16,877.4	-	318,531.1
Derivatives	537.1	3,844.1	296,393.3	178,184.0	20,521.6	-	499,480.1
Other liabilities	-	-	-	-	-	2,311.8	2,311.8
Subordinated liabilities	1,000.0	-	-	-	-	-	1,000.0
Equity	-	-	-	-	-	4,344.3	4,344.3
<b>Total equity and liabilities</b>	<b>7,256.3</b>	<b>11,054.2</b>	<b>457,314.6</b>	<b>306,254.1</b>	<b>39,523.3</b>	<b>6,656.1</b>	<b>828,058.6</b>
<b>Net</b>	<b>-4,293.6</b>	<b>14,197.3</b>	<b>57,407.6</b>	<b>-49,048.0</b>	<b>-11,808.5</b>	<b>-6,454.8</b>	<b>-</b>

Fixed interest terms for assets and liabilities – interest exposure	Nominal cash flows						Total
	At most 3 months	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	More than 5 yr. but max. 10 yrs.	Longer than 10 yrs.	Without interest	
<b>2014</b>							
<b>Assets</b>							
Sovereign bonds eligible as collateral	6,895.2	2,139.1	5,509.1	566.7	-	-	15,110.1
Lending to credit institutions	3,724.0	-	-	-	-	-	3,724.0
Lending	109,353.6	25,231.7	73,361.4	10,094.6	375.0	-	218,416.3
Bonds and other interest-bearing securities	12,198.0	5,198.5	26,827.6	453.4	-	-	44,677.5
Derivatives	252,737.5	47,474.1	148,842.0	12,477.7	1,184.3	-	462,715.6
Other assets	-	-	-	-	-	198.9	198.9
<b>Total assets</b>	<b>384,908.3</b>	<b>80,043.4</b>	<b>254,540.1</b>	<b>23,592.4</b>	<b>1,559.3</b>	<b>198.9</b>	<b>744,842.4</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	2,970.2	-	1,495.3	-	188.6	-	4,654.1
Securities issued	61,790.3	44,177.6	164,035.5	14,829.2	995.7	-	285,828.3
Derivatives	319,089.7	32,436.3	89,295.9	8,858.0	375.0	-	450,054.9
Other liabilities	-	-	-	-	-	929.7	929.7
Subordinated liabilities	1,000.0	-	-	-	-	-	1,000.0
Equity	-	-	-	-	-	2,375.4	2,375.4
<b>Total equity and liabilities</b>	<b>384,850.2</b>	<b>76,613.9</b>	<b>254,826.7</b>	<b>23,687.2</b>	<b>1,559.3</b>	<b>3,305.1</b>	<b>744,842.4</b>
<b>Net</b>	<b>58.1</b>	<b>3,429.5</b>	<b>-286.6</b>	<b>-94.8</b>	<b>-</b>	<b>-3,106.2</b>	<b>-</b>

In the table above, the period for which capital is tied up for cancellable lending and borrowing extends until the next possible cancellation date.

## FINANCIAL STATEMENTS

Note 3, continued

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

2015		Recognised value						
Assets and liabilities in major foreign currencies	SEK	EUR	USD	JPY	NOK	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
Lending to credit institutions	660.1	1.6	38.2	-	-	-	-	699.9
Lending	252,050.7	-	-	-	-	-	2,371.0	254,421.7
Interest-bearing securities	34,541.0	6,329.1	21,212.1	-	-	-	445.6	62,527.8
Shares and participations	45.3	-	-	-	-	-	-	45.3
Derivatives	-	-	-	-	-	-	22,775.6	22,775.6
Other assets	156.0	-	-	-	-	-	-	156.0
<b>Total assets</b>	<b>287,453.1</b>	<b>6,330.7</b>	<b>21,250.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,592.2</b>	<b>340,626.3</b>
<b>Liabilities</b>								
Liabilities to credit institutions	80.4	515.3	-	1,621.2	-	-	86.6	2,303.5
Securities issued	145,046.5	7,108.0	137,960.7	7,582.3	5,326.2	13,859.4	2,060.5	318,943.6
Derivatives	134,549.2	-1,292.9	-116,713.8	-9,203.6	-5,326.2	-13,859.4	23,569.8	11,723.1
Subordinated liabilities	1,000.0	-	-	-	-	-	-	1,000.0
Other liabilities incl. equity	6,780.8	-	-	-	-	-	-124.7	6,656.1
<b>Total equity and liabilities</b>	<b>287,456.9</b>	<b>6,330.4</b>	<b>21,246.9</b>	<b>-0.1</b>	<b>-</b>	<b>-</b>	<b>25,592.2</b>	<b>340,626.3</b>
<b>Difference, assets and liabilities</b>	<b>-3.8</b>	<b>0.3</b>	<b>3.4</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.0	0.3	0.0	-	-	-	-

2014		Recognised value						
Assets and liabilities in major foreign currencies	SEK	EUR	USD	JPY	GBP	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
Lending to credit institutions	3,987.4	23.5	11.0	0.0	0.1	0.1	-	4,022.1
Lending	219,316.6	-	-	-	-	-	3,487.1	222,803.7
Interest-bearing securities	30,247.9	7,906.9	22,062.1	-	-	-	961.7	61,178.6
Shares and participations	34.9	-	-	-	-	-	-	34.9
Derivatives	-	-	-	-	-	-	23,848.8	23,848.8
Other assets	108.4	0.0	1.0	0.0	-	-	54.6	164.0
<b>Total assets</b>	<b>253,695.2</b>	<b>7,930.4</b>	<b>22,074.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>28,352.2</b>	<b>312,052.1</b>
<b>Liabilities</b>								
Liabilities to credit institutions	1,952.8	1,207.2	0.0	1,505.0	-	-	135.6	4,800.6
Securities issued	114,672.9	4,019.4	136,438.9	7,376.3	4,726.1	20,304.5	4,779.9	292,318.0
Derivatives	132,637.5	2,703.4	-114,369.8	-8,881.4	-4,726.1	-20,306.2	23,570.9	10,628.3
Subordinated liabilities	1,000.1	-	-	-	-	-	-	1,000.1
Other liabilities incl. equity	3,435.9	0.0	1.6	0.1	-	1.7	-134.2	3,305.1
<b>Total equity and liabilities</b>	<b>253,699.2</b>	<b>7,930.0</b>	<b>22,070.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>28,352.2</b>	<b>312,052.1</b>
<b>Difference, assets and liabilities</b>	<b>-4.0</b>	<b>0.4</b>	<b>3.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.0	0.3	0.0	0.0	0.0	-	-

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

Note 3, continued

**Member responsibilities**

Municipalities and county councils/regions that are members of the Kommuninvest Cooperative Society have entered a joint and several guarantee covering all of the Company's commitments. Kommuninvest operations have changed considerably since the inception of the Company in 1986. The Company borrows funds in advance to be prepared for members' borrowing needs and to meet requirements imposed by authorities and rating institutes, and it uses hedging instruments (derivatives) to mitigate the risks in its operations.

In 2010, two agreements were prepared in addition to the basic joint and several guarantee to clarify the responsibility of the members. One is a guarantee agreement regulating the responsibility for counterparty exposures in derivatives and replaces earlier clauses in the documentation of loans. The other is an updated regress agreement that details the members' mutual responsibility. The agreements clarify and replace the earlier responsibility according to the regress agreement and promissory Note terms. The agreements were adopted by the member authorities individually during 2011.

The distribution of responsibility has been communicated twice annually to members by means of a statement of undertaking based on each member's proportional participation in Kommuninvest total lending and its share of the total capital contributed to the Kommuninvest Cooperative Society.

The statement of undertaking is based on the following items in Kommuninvest balance sheet as per 31 December 2015 (SEK, millions).

Liabilities to credit institutions	2,303.5
Securities issued	318,943.6
<b>Total borrowing</b>	<b>321,247.1</b>

**LIABILITIES, according to statement of undertaking**

On-lent borrowing <sup>1</sup>	258,019.4
Borrowing not on-lent	63,227.7
<b>Total borrowing</b>	<b>321,247.1</b>

Other liabilities <sup>2</sup>	2,311.8
Derivatives*, connected with on-lent borrowing <sup>1</sup>	2,061.7
<b>Total liabilities/undertaking</b>	<b>325,620.6</b>

**ASSETS, according to statement of undertaking**

Lending <sup>1</sup> , see Note 12	254,421.7
Liquidity reserve <sup>2</sup> , see Notes 3, 11, 13	63,227.7
Other assets <sup>2</sup>	201.3
Derivatives*, connected with on-lent borrowing <sup>1</sup>	1,723.0
<b>Total assets</b>	<b>319,573.7</b>

Basis for distribution:

- 1) Percentage equivalent to each member's participation in Kommuninvest's lending.
- 2) Percentage equivalent to each member's participation in the total capital contributed to the Kommuninvest Cooperative Society.

\* The derivatives (hedging contracts) are included gross in the Company's balance sheet, that is contract by contract, and are recognised as an asset when Kommuninvest has a claim against the counterparty and as a liability when the counterparty has a claim against Kommuninvest.

In the statement of undertaking, the derivatives are recognised net per counterparty, that is, claims against the same counterparty have been netted against liabilities to the same counterparty. In addition, the derivatives recognised above as assets

have been reduced by collateral received, such as government bonds. At 31 December 2015, collateral received amounted to SEK 11,391.2 (11,711.3) million and may only be used to cover outstanding exposures. These are disclosed in Note 3 on page 60 but may not be reduced in the balance sheet. The Company currently has no pledged for liabilities in connection with derivatives.

**Note 4 Net interest income**

	2015	2014
<b>Interest revenues</b>		
Lending to credit institutions	-	-
Lending	1,343.0	3,061.3
Interest-bearing securities	92.0	588.3
Other	3.3	1.2
<b>Total</b>	<b>1,438.3</b>	<b>3,650.8</b>
Of which: interest income from financial items not measured at fair value through profit or loss	1,061.4	2,236.8
<b>Interest expenses</b>		
Liabilities to credit institutions	0.1	0.0
Interest-bearing securities	603.2	2,713.3
Other	30.9	22.3
Lending, negative lending rate	5.6	-
<b>Total</b>	<b>639.8</b>	<b>2,735.6</b>
Of which: interest expense from financial items not measured at fair value through profit or loss	695.0 <sup>1</sup>	1,646.1
<b>Total net interest income</b>	<b>798.5</b>	<b>915.2</b>

Kommuninvest considers all income and expenses to be attributable to the country in which the Company has its registered office, Sweden.

1) Interest from derivatives that financially hedge a borrowing is recognised as an interest expense. Since derivative contracts allow interest to be received in the payment leg, the prevailing interest situation means, in many cases, that Kommuninvest has earned interest on borrowings and their hedging. This has led to the total interest expense for financial items measured at fair value being positive.

**Note 5 Commission expenses**

	2015	2014
Payment agency commissions	1.0	1.9
Brokerage for securities	4.1	2.7
Other commissions	0.2	0.5
<b>Total</b>	<b>5.3</b>	<b>5.1</b>

**Note 6 Net result of financial transactions**

	2015	2014
Realised profit		
- Buyback of own bonds	-36.8	0.2
- Interest-bearing securities	74.6	31.3
- Other financial instruments	4.6	4.9
Unrealised changes in market value	124.2	65.4
Exchange rate changes	-0.9	0.1
<b>Total</b>	<b>165.7</b>	<b>101.9</b>

Kommuninvest considers all income and expenses to be attributable to the country in which the Company has its registered office, Sweden.

## FINANCIAL STATEMENTS

Note 6, continued

Net gain/loss by measurement category	2015	2014
Financial assets at fair value through profit or loss	-1,379.7	2,408.9
Holdings for trading purposes (assets)	-370.3	-114.8
Loan receivables and accounts receivable	6.5	0.0
Financial liabilities at fair value through profit or loss	1,891.7	-1,228.4
Holdings for trading purposes (liabilities)	26.8	-1,019.0
Capital gains/losses on available-for-sale financial assets	-0.1	6.8
Change in fair value of derivatives that are hedging instruments in fair value hedge	-731.7	1,847.0
Change in fair value on hedged item with regard to hedged risk in fair value hedges	723.4	-1,798.7
Exchange rate changes	-0.9	0.1
<b>Total</b>	<b>165.7</b>	<b>101.9</b>
<b>Results (net)</b>		
Net result of available-for-sale financial assets recognised in other comprehensive income	-60.1	-6.0

### Note 7 Other operating income

	2015	2014
Capital gain on divestments of tangible assets	-	0.1
Other operating income	2.7	1.2
<b>Total</b>	<b>2.7</b>	<b>1.3</b>

Kommuninvest considers all income to be attributable to the country in which the Company has its registered office, Sweden.

### Note 8 General administration expenses

Personnel expenses, in SEK, thousands	2015	2014
- salaries and emoluments	60,449	56,508
- social security charges	18,847	17,460
- pension expenses	10,727	10,341
- special payroll tax on pension expenses	2,760	2,495
- education/training costs	3,335	3,147
- other personnel expenses	3,690	6,127
<b>Total personnel costs</b>	<b>99,808</b>	<b>96,078</b>
<b>Other general administration expenses</b>		
- travel expenses	4,260	5,170
- IT expenses	17,655	14,391
- consultancy fees	11,815	20,857
- temporary/contract personnel	2,817	3,130
- rating expenses	1,303	1,793
- market data	7,024	5,615
- rent and other expenses for premises	3,661	3,283
- Annual and interim reports	1,315	1,226
- stability fee	120,462	110,727
- other expenses	12,757	12,408
<b>Total other general administration expenses</b>	<b>183,069</b>	<b>178,600</b>
<b>Total</b>	<b>282,877</b>	<b>274,678</b>

### Remuneration policy

The Company applies a remuneration policy that explains that Kommuninvest does not apply variable remuneration. Nor has any variable remuneration been paid to Kommuninvest employees in 2015. During the financial year, no remuneration has been paid in connection with new recruitment or severance and no severance pay has been granted. No individual employee receives compensation equivalent to EUR 1 million or more per financial year.

### Remuneration to senior executives

Remuneration for the President and CEO has been decided by the Board. For 2015, the President and CEO received SEK 3,038,000 (2,775,000) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to SEK 766,000 (826,000) and are covered by insurance. Part of the insurance cost relates to endowment insurance for pension obligations. The obligation contains survivors' protection. The pension is vested, i.e. not conditional on future employment. For termination initiated by the Company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration for the Deputy CEO has been decided by the Board. The Deputy CEO received SEK 1,993,000 (1,871,000) in basic salary for 2015. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to SEK 344,000 (546,000) and are covered by insurance. For termination initiated by the Company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration details regarding other senior executives only include remunerations paid during the period in which each individual has been a senior executive. At the end of the year, other senior executives consisted of 4 (4) people, of whom 3 (2) were women and 1 (2) was a man. During the year, 2 (0) individuals, of whom 2 (0) were men, left the Executive Management Team, while 2 (0) new individuals took up positions in the team, of whom 1 (0) was a woman. Remuneration to other senior executives in the Executive Management Team has been determined by the Board. During 2015, the total remuneration to senior executives who were part of the Executive Management Team amounted to SEK 3,792,000 (4,143,000). The pension expenses are covered through insurance. One of the senior executives joining the Company in September has not received compensation in the form of salary from the Company, but is engaged as a consultant.

According to the Board's work procedures, as adopted in 2015, the Chairman of the Board is responsible for ensuring that the Company's remuneration policy and remuneration systems are independently reviewed and for preparing Board decisions regarding a) remunerations to senior executives, b) remunerations to employees with overarching responsibility for any of the Company's control functions, and c) measures for following-up the application of the Company's remuneration policy.

### Remuneration to the Board of Directors

At the end of the year, the Board of Directors comprised 7 (8) members, of whom 3 (4) were women. Ellen Bramness Arvidsson is the Chairman of the Board.

Note 8, continued

Up until the 2015 Annual General Meeting, the fees to the Board of Directors consisted of a fixed fee of SEK 400,000 to the Chairman. Other Board members receive a fixed fee of SEK 100,000 and a variable fee of SEK 10,000 per meeting and SEK 5,000 per meeting by phone. No fee was paid to the employee representative. Following the 2015 Annual General Meeting, Board fees have consisted of a fixed fee of SEK 550,000 to the Chairman. The other members of the Board are paid a fixed fee of SEK 300,000. No fee was paid to the employee representative.

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

<b>Fees decided upon at Annual General Meeting, in SEK, thousands</b>	<b>2015</b>	<b>2014</b>
Ellen Bramness Arvidsson	550	400
Anna von Knorring	300	200
Kurt Eliasson	300	185
Johan Törngren	300	210
Erik Langby	300	-
Anna Sandborgh	300	205
Catharina Lagerstam, until and including April 2015	-	205
Lorentz Andersson, until and including April 2015	-	210
Anders Pelander, employee representative	-	-
<b>Total</b>	<b>2,050</b>	<b>1,615</b>

### Wages and remunerations

<b>2015, in SEK, thousands</b>	<b>Basic salary / Board fee</b>	<b>Variable pay</b>	<b>Other benefits</b>	<b>Pension expense</b>	<b>Other remuneration</b>	<b>Total</b>
Board of Directors	1,895	-	-	-	-	1,895
President and CEO	3,038	-	91	766	-	3,895
Deputy CEO	1,993	-	-	344	-	2,337
Other members of Company management	3,792	-	14	1,144	-	4,950
Other salaried employees	49,731	-	-	8,473	-	58,204
<b>Total</b>	<b>60,449</b>	<b>-</b>	<b>105</b>	<b>10,727</b>	<b>-</b>	<b>71,281</b>

<b>2014, in SEK, thousands</b>	<b>Basic salary / Board fee</b>	<b>Variable pay</b>	<b>Other benefits</b>	<b>Pension expense</b>	<b>Other remuneration</b>	<b>Total</b>
Board of Directors	1,615	-	-	-	-	1,615
President and CEO	2,775	-	96	826	-	3,697
Deputy CEO	1,871	-	-	546	-	2,417
Other members of Company management	4,143	-	16	1,385	-	5,544
Other salaried employees	46,104	-	236	7,584	-	53,924
<b>Total</b>	<b>56,508</b>	<b>-</b>	<b>348</b>	<b>10,341</b>	<b>-</b>	<b>67,197</b>

<b>Average number of employees</b>	<b>2015</b>	<b>2014</b>
Average number of employees during the year	78	74
- of whom women	31	31

<b>Emoluments and costs for the auditors, Ernst &amp; Young AB</b>	<b>2015</b>	<b>2014</b>
Auditing engagement	893	1,811
Other audit services	2,069	1,844
Tax consultancy	303	414
Other services	223	2,312

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

<b>Operating leases where Kommuninvest i Sverige AB is the lessee</b>	<b>2015</b>	<b>2014</b>
Non-cancellable lease payments amount to:	-	-
Within one year	4,044	3,899
Between one and five years	9,630	7,420
<b>Total</b>	<b>13,674</b>	<b>11,319</b>

Expenses for operational leases amounted to SEK 4,630,000 (4,264,000) for the year. Most of the costs are attributable to the Company's rental of premises.

### Note 9 Other operating expenses

	<b>2015</b>	<b>2014</b>
Insurance expenses	0.6	0.7
Communication and information	3.4	5.0
Other operating expenses	0.2	0.2
<b>Total</b>	<b>4.2</b>	<b>5.9</b>

## FINANCIAL STATEMENTS

### Note 10 Taxes

Recognised in income statement	2015	2014
Current tax expense	133.2	161.0
Deferred tax expense (+) / tax income (-) attributable to temporary differences	31.4	-
Adjustment of taxes attributable to previous years	-70.4	
<b>Total tax expense recognised</b>	<b>94.2</b>	<b>161.0</b>

Reconciliation of effective tax	2015, %	2015	2014, %	2014
Profit/loss before tax		655.5		729.4
Tax according to prevailing tax rate	22.0%	144.2	22.0%	160.5
Non-deductible expenses	0.5%	3.1	0.1%	0.5
Change in latent tax	4.8%	31.4	-	-
Utilisation of tax-loss carryforwards	-2.2%	-14.1	-	-
Tax attributable to previous years	-10.7%	-70.4	-	-
<b>Recognised effective tax</b>	<b>14.4%</b>	<b>94.2</b>	<b>22.1%</b>	<b>161.0</b>

Tax expense attributable to other comprehensive income	2015	2014
Available-for-sale financial assets	-13.2	-1.3
<b>Total other comprehensive income</b>	<b>-13.2</b>	<b>-1.3</b>

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Deferred tax assets	
	2015	2014
<b>Unrealised changes in market value</b>		
- of which, recognised in the income statement	28.1	59.5
- of which, recognised in other comprehensive income	-	-4.9
<b>Tax assets/liabilities, net</b>	<b>28.1</b>	<b>54.6</b>

Tax items entered directly against equity	2015	2014
Current tax on group contributions paid	119.9	159.7
<b>Total sum entered directly against equity</b>	<b>119.9</b>	<b>159.7</b>

### Note 11 Sovereign bonds eligible as collateral

	2015			2014		
	Acquisition value	Fair value	Recognised value	Acquisition value	Fair value	Recognised value
Sovereign bonds eligible as collateral						
- Swedish central government	10,101.9	10,127.7	10,127.7	10,449.8	10,491.9	10,491.9
- Swedish municipalities	4,287.6	4,271.2	4,271.2	2,470.9	2,477.8	2,477.8
- Foreign governments	2,408.7	2,440.5	2,440.5	2,188.3	2,234.4	2,234.4
<b>Total</b>	<b>16,798.2</b>	<b>16,839.4</b>	<b>16,839.4</b>	<b>15,109.0</b>	<b>15,204.1</b>	<b>15,204.1</b>
Positive difference of book values exceeding nominal values			144.8			162.0
Negative difference of book values falling below nominal values			-18.1			-8.5
<b>Total</b>			<b>126.7</b>			<b>153.5</b>

## Note 12 Lending

	2015			2014		
	Acquisition value	Fair value	Recognised value	Acquisition value	Fair value	Recognised value
Lending						
- Municipalities and county councils/regions	106,329.6	107,656.2	107,685.6	91,091.3	93,576.8	93,017.4
- Housing companies with municipal guarantees	90,260.8	91,053.1	91,069.7	78,482.7	79,883.8	79,727.8
- Other companies with municipal guarantees	54,784.5	55,672.4	55,666.4	48,842.3	50,235.9	50,058.4
<b>Total</b>	<b>251,374.9</b>	<b>254,381.7</b>	<b>254,421.7</b>	<b>218,416.3</b>	<b>223,696.5</b>	<b>222,803.6</b>

Lending refers to lending to municipalities and county councils/regions, as well as to companies owned by municipalities and county councils/regions. In Kommuninvest's assessment, no writedowns were required as per 31 December 2015.

## Note 13 Bonds and other interest-bearing securities

	2015			2014		
	Acquisition value	Fair value	Recognised value	Acquisition value	Fair value	Recognised value
Bonds and other interest-bearing securities						
- Swedish mortgage finance institutions	20,448.3	20,497.7	20,497.7	17,123.2	17,614.5	17,614.5
- Other Swedish issuers	903.1	403.3	403.3	845.4	870.5	870.5
- Other foreign issuers	24,834.4	24,787.4	24,787.4	27,320.9	27,489.5	27,489.5
<b>Total</b>	<b>46,185.8</b>	<b>45,688.4</b>	<b>45,688.4</b>	<b>45,289.5</b>	<b>45,974.5</b>	<b>45,974.5</b>
of which:						
- Securities listed on an exchange			45,688.4			45,626.4
- Unlisted securities			-			348.1
Positive difference of book values exceeding nominal values			1,798.6			2,035.6
Negative difference of book values falling below nominal values			-522.3			-21.7
<b>Total</b>			<b>1,276.3</b>			<b>2,013.9</b>

## Note 14 Shares and participations

	2015	2014
Endowment insurance	2.8	2.4
<b>Total shares and participations</b>	<b>2.8</b>	<b>2.4</b>

## Note 15 Shares and participations in associated companies

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

	2015	2014
Number of shares: 500	0.5	0.5
<b>Total</b>	<b>0.5</b>	<b>0.5</b>

As per 31 December 2015, Administrative Solutions NLGFA AB had a balance sheet total of SEK 4.4 (9.3) million, equity of SEK 4.0 (3.9) million and generated a profit of SEK 0.1 (2.0) million. Administrative Solutions NLGFA AB has been placed in voluntary liquidation pursuant to a decision dated 29 April 2015. The liquidation is in progress and will be completed in 2016.

## Note 16 Shares and participations in subsidiaries

Kommuninvest Fastighets AB, holding 100 percent.  
Reg. no: SE-556464-5629, Örebro, Sweden

	2015	2014
Number of shares: 1,000	42.0	32.0
<b>Total</b>	<b>42.0</b>	<b>32.0</b>

As per 31 December 2015, Kommuninvest Fastighets AB had a balance sheet total of SEK 56.1 (54.9) million, equity of SEK 42.9 (19.1) million and generated a profit of SEK -0.7 (-0.4) million.

During 2015, Kommuninvest i Sverige AB paid a shareholder contribution to Kommuninvest Fastighets AB of SEK 23 million. During 2015, an impairment of SEK 13 million has been made regarding the shares in Kommuninvest Fastighets AB held by Kommuninvest i Sverige AB.

## Note 17 Derivatives

	2015			2014		
	Assets valued at fair value	Liabilities at fair value	Nominal value	Assets valued at fair value	Liabilities at fair value	Nominal value
<i>Derivatives not used for hedge acct.</i>						
Interest rate-related	578.4	4,105.7	258,591.4	677.1	4,721.5	244,949.1
Currency-related	14,925.3	5,438.7	161,349.8	16,181.9	4,220.1	153,715.3
Other <sup>1</sup>	289.0	783.5	4,314.1	587.2	85.2	4,281.5
<b>Total</b>	<b>15,792.7</b>	<b>10,327.9</b>	<b>424,255.3</b>	<b>17,446.2</b>	<b>9,026.8</b>	<b>402,945.9</b>
<i>Derivatives used for hedge acct.</i>						
Interest rate-related	6,300.4	936.8	156,858.8	5,325.7	923.1	111,965.2
Currency-related	682.5	458.4	6,170.6	1,076.9	678.3	14,542.0
<b>Total</b>	<b>6,982.9</b>	<b>1,395.2</b>	<b>163,029.4</b>	<b>6,402.6</b>	<b>1,601.4</b>	<b>126,507.2</b>

1) Derivatives where return is linked to shares, currencies etc. These derivatives have an exactly matching borrowing, since the receiving leg of the derivative is to reflect and hedge all risk in the related borrowing.

## Note 18 Intangible assets

	2015	2014
<b>Acquired intangible assets</b>		
<b>Other technology/contract-based assets</b>		
<i>Acquisition value</i>		
Acquisition value brought forward	2.0	-
Investments for the year	18.1	2.0
Disposals	-	-
<b>Acquisition value carried forward</b>	<b>20.1</b>	<b>2.0</b>
<i>Depreciation and amortisation</i>		
Opening balance, depreciation	-0.4	-
Depreciation for the year	-4.0	-0.4
Disposals	-	-
<b>Depreciation carried forward</b>	<b>-4.4</b>	<b>-0.4</b>
<b>Planned residual value at the end of the accounting period</b>	<b>15.7</b>	<b>1.6</b>

Intangible assets refers to two business systems.

## Note 19 Tangible assets

	2015	2014
<i>Acquisition value</i>		
Acquisition value brought forward	23.6	19.3
Investments for the year	0.5	4.3
Disposals	-	-
<b>Acquisition value carried forward</b>	<b>24.1</b>	<b>23.6</b>
<i>Depreciation and amortisation</i>		
Opening balance, depreciation	-17.6	-14.7
Depreciation for the year	-1.9	-2.9
Disposals	-	-
<b>Depreciation carried forward</b>	<b>-19.5</b>	<b>-17.6</b>
<b>Planned residual value at the end of the accounting period</b>	<b>4.6</b>	<b>6.0</b>

Tangible assets mainly include IT and office equipment for SEK 4.0 (5.4) million and artwork for SEK 0.6 (0.6) million.

## Note 20 Other liabilities

	2015	2014
Liabilities to Parent Society	2,149.7	770.1
Other liabilities	13.8	19.8
<b>Total</b>	<b>2,163.5</b>	<b>789.9</b>

The liability to the Parent Society relates to members' capital contributions, managed by the Company on behalf of the Society, and which have not yet been transferred to the Company as new share capital.

## Note 21 Accrued expenses and prepaid revenues

	2015	2014
Accrued stability fee	120.5	111.1
Other accrued expenses	24.4	25.7
<b>Total</b>	<b>144.9</b>	<b>136.8</b>

## Note 22 Provisions for pensions and similar commitments

	2015	2014
Provision for pension obligations	3.4	3.0
<b>Total</b>	<b>3.4</b>	<b>3.0</b>

## Note 23 Subordinated liabilities

	Currency	Nominal	Interest rate (%)	Due date	Recognised value	
					2015	2014
Debenture loan	SEK	1,000.0	Variable	Perpetual	1,000.0	1,000.1
<b>Total</b>		<b>1,000.0</b>			<b>1,000.0</b>	<b>1,000.1</b>

Perpetual debenture 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. The interest expense for the year totalled SEK 16.2 (24.7) million.

If the loan is not permitted for inclusion in the Company's capital base, it may be repaid at any point in its duration. The holder may not transfer the debenture or his/her rights in any other way. The general guarantee undertaking issued by the members of the Kommuninvest Cooperative Society to cover the undertakings of Kommuninvest cannot be invoked regarding the debenture loan.

## Note 24 Pledged assets

	2015	2014
In the form of assets pledged for own provisions and liabilities		
Deposited with the Riksbank:		
- Government bonds	1,601.4	5,399.1
- Securities issued by Swedish municipalities and county councils/regions	579.6	501.8
- Swedish covered bonds	11,123.6	15,765.9
Endowment insurance for pension obligations	2.8	2.4
<b>Assets pledged, total</b>	<b>13,307.4</b>	<b>21,669.2</b>

The recognised value of liabilities and provisions involving pledges amounted to SEK 3.5 (3.0) million. To qualify for participation in RIX, the Riksbank's system for the transfer of account funds, Kommuninvest is required to deposit securities with the Riksbank. This is also a condition for short-term liquidity management via RIX.

## Note 25 Related parties

### Close associations

Kommuninvest has a close association with the Kommuninvest Cooperative Society (Parent Company), Kommuninvest Fastighets AB (subsidiary) and Administrative Solutions NLGFA AB (associated company).

Related party, in SEK, thousands	Year	Sales of goods/ services to related parties		Purchase of goods/services from related parties		Other (interest)	Receivables from related parties on 31 December	Liabilities to related parties on 31 December
Kommuninvest Cooperative Society	2015	2,773	-	-16,151	337	3,149,697		
	2014	1,723	-	-24,687	420	1,770,243		
Kommuninvest Fastighets AB	2015	178	2,731	-	10,135	10		
	2014	1,153	2,442	-	10,000	-		
Administrative Solutions NLGFA AB	2015	22	4,698	-1	-	-		
	2014	43	6,189	17	2,000	571		

The majority of transactions relate to rental of office space and IT systems. Liability to the Society relates to a SEK 1 billion subordinated loan as well as members' capital contributions, managed by the Company on behalf of the Society, and which have not yet been transferred to the Company as new share capital.

### Transactions with key people in senior posts

With regard to salaries, other remuneration and pensions for key people in management positions, please see Note 8.

## Note 26 Events after the balance sheet date

On 1 March 2016, the Board of Directors of Kommuninvest i Sverige AB resolved to offer a rights issue to Kommuninvest Cooperative Society, regarding shares in Kommuninvest i Sverige AB. The offer relates to 14,906,740 shares with a quota value of SEK 100, for a total of SEK 1,490,674,000, with settlement date at the latest on 30 April 2016.

**Note 27** Financial assets and liabilities

2015	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	Holdings for trading purposes		
Sovereign bonds eligible as collateral	12,568.2	-	-	-
Lending to credit institutions	-	-	699.9	-
Lending	63,452.5	-	190,969.2	-
Bonds and other interest-bearing securities	35,204.1	-	-	-
Derivatives	-	15,792.7	-	-
Other assets	-	-	4.6	-
<b>Total</b>	<b>111,224.8</b>	<b>15,792.7</b>	<b>191,673.7</b>	<b>-</b>
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	Holdings for trading purposes		
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	-
<b>Total</b>	<b>115,459.0</b>	<b>17,446.2</b>	<b>157,872.6</b>	<b>-</b>
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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:** valuation is made on the basis of non-observable market data, with significant elements of internal and external estimates.

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

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	Holdings for trading purposes				
4,271.2	-	-	-	-	16,839.4	16,839.4
-	-	-	-	-	699.9	699.9
-	-	-	-	-	254,421.7	254,381.7
10,484.3	-	-	-	-	45,688.4	45,688.4
-	-	-	-	6,982.9	22,775.6	22,775.6
-	-	-	-	-	4.6	4.6
<b>14,755.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,982.9</b>	<b>340,429.6</b>	<b>340,389.6</b>
-	2,223.1	-	80.4	-	2,303.5	2,303.5
-	151,133.4	-	167,810.2	-	318,943.6	319,414.5
-	-	10,328.0	-	1,395.1	11,723.1	11,723.1
-	-	-	2,154.9	-	2,154.9	2,154.9
-	-	-	1,000.0	-	1,000.0	999.9
-	<b>153,356.5</b>	<b>10,328.0</b>	<b>171,045.5</b>	<b>1,395.1</b>	<b>336,125.1</b>	<b>336,595.9</b>

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	Holdings for trading purposes				
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
<b>14,684.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,402.6</b>	<b>311,865.1</b>	<b>312,757.9</b>
-	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
-	<b>148,218.0</b>	<b>9,026.8</b>	<b>150,686.7</b>	<b>1,601.5</b>	<b>309,533.0</b>	<b>311,121.8</b>

on discounted cash flows and prices from the primary and secondary markets. Financial instruments for which input data components are not observable in the market or the Company's own estimates but which have a material effect on valuation are classed under valuation level 3.

#### Lending

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

#### 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. The scale of the adjustment is determined based on quoted prices for a large number of securities issued by the issuer itself and by issuers considered to have the same credit risk. These investments are classified in level 2.

## FINANCIAL STATEMENTS

### Note 27, continued

#### *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; in other instances, they are classified in level 2.

The members' guarantee undertaking affects the valuation of borrowing and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Variations in borrowing margins 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 swap rates 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, in relation to swap rates, by 10 basis points on the receivables recognised at fair value would mean a negative change in income of SEK 143 (151) million.

An increase in the borrowing cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK 309 (297) million.

A parallel displacement in the borrowing and lending price, in relation to swap rates, by 10 basis points would mean a change in income of SEK +/-166 (+/- 146) 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 +/-13 (+/- 12) 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 2.1 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable borrowing in the interval of 1.6–2.6 years. This would have an effect on earnings in the interval SEK -0.6 million – SEK +2.0 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.

Note 27, continued

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

2015	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	12,568.2	4,271.2	-	16,839.4
Lending	-	63,452.5	-	63,452.5
Bonds and other interest-bearing securities	38,711.4	6,977.0	-	45,688.4
Derivatives	0.4	22,479.0	296.2	22,775.6
<b>Total</b>	<b>51,280.0</b>	<b>97,179.7</b>	<b>296.2</b>	<b>148,755.9</b>
Liabilities to credit institutions	-	2,223.1	-	2,223.1
Securities issued	-	147,219.7	3,913.7	151,133.4
Derivatives	2.6	10,245.8	1,474.7	11,723.1
<b>Total</b>	<b>2.6</b>	<b>159,688.6</b>	<b>5,388.4</b>	<b>165,079.6</b>

Kommuninvest continuously reviews the criteria for the allocation into levels of financial assets and liabilities to be measured at fair value; see "Calculation of fair value" above. During the period, SEK 100.8 million was transferred from level 2 to level 1. Transfers are considered to have been made as of 31 December 2015.

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
<b>Total</b>	<b>49,032.4</b>	<b>104,480.6</b>	<b>479.5</b>	<b>153,992.5</b>
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
<b>Total</b>	<b>7.1</b>	<b>148,273.1</b>	<b>10,566.1</b>	<b>158,846.3</b>

Kommuninvest continuously reviews the criteria for the allocation into levels of financial assets and liabilities to be measured at fair value; see "Calculation of fair value" below. During the period, SEK 679.4 million was transferred from level 2 to level 1. All transfers are considered to have taken place as per 30 June 2014.

**Changes in level 3**

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

	Bonds and interest-bearing securities	Derivative assets	Derivative liabilities	Liabilities to credit institutions	Securities issued	Total
<b>Opening balance, 1 January 2014</b>	-	<b>619.7</b>	<b>-1,335.9</b>	<b>-226.3</b>	<b>-8,836.9</b>	<b>-9,779.4</b>
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	-	-	-	-	-6,860.4	-6,860.4
Maturing during the year	-	-	-	-	6,470.4	6,470.4
<b>Closing balance, 31 December 2014</b>	-	<b>479.5</b>	<b>-844.9</b>	<b>-205.1</b>	<b>-9,516.1</b>	<b>-10,086.6</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2014	-	212.0	28.1	31.6	-262.7	9.0
<b>Opening balance, 1 January 2015</b>	-	<b>479.5</b>	<b>-844.9</b>	<b>-205.1</b>	<b>-9,516.1</b>	<b>-10,086.6</b>
Recognised gains and losses:						
- recognised in the income statement (net result of financial transactions)	-	-183.3	-629.8	0.4	797.5	-15.2
Cost, acquisitions	-	-	-	-	-2,430.9	-2,430.9
Maturing during the year	-	-	-	204.7	7,235.8	7,440.5
<b>Closing balance, 31 December 2015</b>	-	<b>296.2</b>	<b>-1,474.7</b>	-	<b>-3,913.7</b>	<b>-5,092.2</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2015	-	1.7	-822.6	-	821.1	0.2

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

## FINANCIAL STATEMENTS

Note 27, continued

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

2015	Level 1	Level 2	Level 3	Total	Recognised value
Lending to credit institutions	-	699.9	-	699.9	699.9
Lending	-	190,929.2	-	190,929.2	190,969.2
Other assets	-	4.6	-	4.6	4.6
<b>Total</b>	<b>-</b>	<b>191,633.7</b>	<b>-</b>	<b>191,633.7</b>	<b>191,673.7</b>
Liabilities to credit institutions	-	80.4	-	80.4	80.4
Securities issued	143,236.1	25,045.0	-	168,281.1	167,810.2
Other liabilities	-	2,154.9	-	2,154.9	2,154.9
Subordinated liabilities	-	999.9	-	999.9	1,000.0
<b>Total</b>	<b>143,236.1</b>	<b>28,280.2</b>	<b>-</b>	<b>171,516.3</b>	<b>171,045.5</b>

2014	Level 1	Level 2	Level 3	Total	Recognised value
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
<b>Total</b>	<b>-</b>	<b>158,765.4</b>	<b>-</b>	<b>158,765.4</b>	<b>157,872.6</b>
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
<b>Total</b>	<b>99,904.9</b>	<b>52,370.6</b>	<b>-</b>	<b>152,275.5</b>	<b>150,686.7</b>

## Note 28 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 what are known as OTC derivatives, that is, they are not traded on an exchange but are issued under ISDA (International Swaps and Derivatives Association) Master agreements, 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 December 2015	Amounts <sup>1</sup> reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
<b>Assets</b>					
Derivatives	22,775.6	-9,661.4	-11,391.2	-	1,723.0
Repos <sup>2</sup>	80.9	-	-80.8	-	0.1
<b>Liabilities</b>					
Derivatives	-11,723.1	9,661.4	-	-	-2,061.7
<b>Total</b>	<b>11,133.4</b>	<b>0.0</b>	<b>-11,472.0</b>	<b>-</b>	<b>-338.6</b>

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

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

2) Repos are included in Lending to credit institutions.

## Note 29 Capital adequacy

Since January 1, 2014, capital adequacy has been calculated according to CRR<sup>1</sup>. 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 capital buffers to be introduced under CRD IV<sup>2</sup> first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers (2014:966). For Kommuninvest, only the capital conservation buffer of 2.5 percent applies, as well as the countercyclical buffer, which Finansinspektionen has set at 1 percent effective from 13 September 2015. Kommuninvest is not subject to the requirement for a systemic risk buffer, nor has the Company been identified as a systemically important institution. It is Kommuninvest's assessment that all buffer requirements will be met.

	31 December 2015	31 December 2014
Equity according to balance sheet	4,344.3	2,375.4
Less share capital yet to be registered <sup>3</sup>	-1,200.0	-
Less available-for-sale financial assets <sup>4</sup>	-	-16.2
Less adjustment for prudent valuation <sup>5</sup>	-63.5	-9.7
Less profit not distributed <sup>6</sup>	-149.1	-3.8
<b>Total core Tier 1 capital</b>	<b>2,931.7</b>	<b>2,345.7</b>
<b>Total Tier 1 capital</b>	<b>2,931.7</b>	<b>2,345.7</b>
<b>Supplementary capital</b>		
Perpetual debenture loan <sup>7</sup>	1,000.0	1,000.0
<b>Total supplementary capital</b>	<b>1,000.0</b>	<b>1,000.0</b>
<b>Total capital base</b>	<b>3,931.7</b>	<b>3,345.7</b>

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) The increase in Kommuninvest's share capital was registered with the Swedish Companies Registration Office on 23 December 2015. According to CRR, Kommuninvest may not classify the increase of the share capital as core Tier 1 capital prior until this has been approved by Finansinspektionen. An application for permission to classify the increase in share capital as core Tier 1 capital was filed to Finansinspektionen on 18 January 2016.

4) According to Finansinspektionen's statutes 2014:12, unrealised gains on assets classified as available for sale may not be filtered out from the capital base effective from 1 January 2015.

5) Adjustment for prudent valuation according to CRR article 34.

6) Refers to the portion of profit for the year that has not been distributed to the Kommuninvest Cooperative Society in the form of group contributions and which may not be included in the capital base prior to a decision by the Annual General Meeting in accordance with CRR Article 26.

7) Perpetual debenture 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.

	31 December 2015		31 December 2014	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	2,985.8	238.9	3,339.6	267.2
<i>of which, exposures to states and central banks</i>	<i>70.2</i>	<i>5.6</i>	<i>136.5</i>	<i>10.9</i>
<i>of which, institutional exposures</i>	<i>777.9</i>	<i>62.2</i>	<i>1,179.5</i>	<i>94.4</i>
<i>of which, corporate exposures</i>	<i>87.9</i>	<i>7.0</i>	<i>63.0</i>	<i>5.0</i>
<i>of which, exposures in the form of covered bonds</i>	<i>2,049.8</i>	<i>164.0</i>	<i>1,960.6</i>	<i>156.8</i>
Capital requirement for operational risks, basic indicator method	1,573.0	125.8	1,337.3	107.0
Capital requirement for market risks	-	-	-	-
Capital requirement for credit valuation adjustment	2,020.1	161.6	2,108.0	168.6
<b>Total risk exposure amount and minimum capital amount</b>	<b>6,578.9</b>	<b>526.4</b>	<b>6,784.9</b>	<b>542.8</b>

	31 December 2015	31 December 2014
<b>Capital adequacy ratios</b>		
Core Tier 1 capital ratio	44.6%	34.6%
Tier 1 capital ratio	44.6%	34.6%
Total capital ratio	59.8%	49.3%

	31 December 2015	31 December 2014
<b>Buffer requirements</b>		
Capital conservation buffer	2.5%	2.5%
Countercyclical buffer	0.8%	-
<b>Total buffer requirements</b>	<b>3.3%</b>	<b>2.5%</b>
<b>Core Tier 1 capital available for use as buffer</b>	<b>38.6%</b>	<b>28.6%</b>

## Note 30 Leverage ratio

Defined as ratio between Tier 1 capital and total exposure in assets and commitments. Regarding lending portfolio and liquidity reserve, exposure corresponds to recognised value. For derivative assets, exposure is estimated by adding exposures in individual netting agreements with derivative counterparties. A possible future exposure amount is added, calculated according to the standardised method (the market valuation method) established in the EU CRR. Off-balance sheet commitments are also assigned an exposure value, based on the probability that the commitment will be utilised.

31 December 2015	
Total assets	340,626.3
Less derivatives according to the balance sheet	-22,775.6
Plus derivatives exposure	13,114.2
Plus possible change in derivatives risk	4,892.0
Plus off-balance sheet commitments	2,903.3
<b>Total exposure</b>	<b>338,760.2</b>
<b>Tier 1 capital, calculated applying transitional rules, see Note 29</b>	<b>2,931.7</b>
<b>Leverage ratio</b>	<b>0.87%</b>

For Kommuninvest, this involves committed undisbursed loans. See page 38 for capital plan regarding leverage ratio.

# Five-Year Summary

Key ratios 2011-2015, SEK, million	2015	2014	2013	2012	2011
<b>Growth</b>					
Lending (change in %)	14.2	6.8	3.8	20.0	25.7
Net interest income (change in %)	-12.8	-5.6	25.6	35.0	32.5
<b>Consolidation</b>					
Core Tier 1 capital ratio (%)	44.6	34.6	37.0	15.2	22.9
Tier 1 capital ratio (%)	44.6	34.6	37.0	15.2	22.9
Total capital ratio (%)	59.8	49.3	59.5	30.4	45.7
Leverage ratio according to CRR (%)	0.87	0.76	0.57	0.33	n.a.
Leverage ratio including debenture loan (%)	1.16	1.09	0.91	0.65	n.a.
<b>Efficiency</b>					
Administration expenses as % of lending <sup>1</sup>	0.115	0.127	0.117	0.125	0.143
Administration expenses, excluding the stability fee, as % of lending <sup>1</sup>	0.068	0.078	0.070	0.075	0.093
Administration expenses as % of balance sheet total <sup>1</sup>	0.086	0.091	0.088	0.089	0.103
Administration expenses, excluding the stability fee, as % of balance sheet total <sup>1</sup>	0.051	0.055	0.053	0.053	0.067
Lending/employee (SEK millions)	2,993.2	2,893.6	2,980.6	3,091.5	2,848.7
Change in lending/employee (%)	3.4	-2.9	-3.6	8.5	12.9
Return on assets (%)	0.165	0.182	0.213	0.113	0.128
<b>Return</b>					
Operating income after standard tax as % of average equity	15.22	27.73	44.09	20.20	32.28
<b>Cost/income ratio</b>					
Total administration expenses in relation to net interest and other operating income	0.37	0.31	0.25	0.32	0.42
<b>Other information</b>					
Number of employees at the end of the year	85	77	70	65	59

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

<b>Income statement 1 January – 31 December, SEK, million</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net interest income	798.5	915.2	969.5	771.7	572.6
Commission expenses	-5.3	-5.1	-5.6	-8.5	-8.6
Net result of financial transactions	165.7	101.9	38.7	-267.1	72.1
Other operating income	2.7	1.3	0.2	4.6	0.1
<b>Total operating income</b>	<b>961.6</b>	<b>1,013.3</b>	<b>1,002.8</b>	<b>500.7</b>	<b>636.2</b>
General administration expenses	-283.0	-274.7	-239.3	-244.0	-230.0
Depreciation and amortisation	-5.9	-3.3	-2.4	-2.7	-2.5
Other operating expenses	-4.2	-5.9	-3.5	-5.0	-7.6
<b>Total operating expenses</b>	<b>-293.1</b>	<b>-283.9</b>	<b>-245.2</b>	<b>-251.7</b>	<b>-240.1</b>
Impairment of financial assets	-13.0	-	-	-	-
<b>Operating profit</b>	<b>655.5</b>	<b>729.4</b>	<b>757.6</b>	<b>249.1</b>	<b>396.1</b>
Appropriations, net	-	-	-	204.0	13.9
Taxes	-94.2	-161.0	-166.9	-132.5	-109.4
<b>Net profit</b>	<b>561.3</b>	<b>568.4</b>	<b>590.7</b>	<b>320.6</b>	<b>300.6</b>
<b>Balance sheet summary as at 31 December, SEK million</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Sovereign bonds eligible as collateral	16,839.4	15,204.1	14,626.2	11,160.8	10,841.7
Lending to credit institutions	699.9	4,022.1	2,822.2	15,618.6	1,734.5
Lending	254,421.7	222,803.7	208,644.0	200,950.7	168,070.5
Bonds and other interest-bearing securities	45,688.4	45,974.5	44,932.9	44,293.7	39,518.7
Shares and participations	44.8	34.4	34.1	33.7	1.3
Shares in associated companies	0.5	0.5	0.5	0.5	0.5
Derivatives	22,775.6	23,848.8	6,235.8	11,057.4	13,687.2
Tangible assets	4.6	6.0	4.6	5.6	6.7
Intangible assets	15.7	1.6	-	-	-
Other assets	124.1	148.5	147.8	149.9	148.3
Prepaid expenses and accrued revenue	11.6	7.9	10.6	12.7	19.0
<b>Total assets</b>	<b>340,626.3</b>	<b>312,052.1</b>	<b>277,458.7</b>	<b>283,283.6</b>	<b>234,028.4</b>
Liabilities to credit institutions	2,303.5	4,800.6	4,352.0	5,610.4	4,149.4
Securities issued	318,943.6	292,318.0	256,258.7	257,257.3	218,037.4
Derivatives	11,723.1	10,628.3	13,231.8	17,517.2	9,354.5
Other liabilities	2,163.5	789.9	764.6	818.4	455.4
Accrued expenses and prepaid revenues	144.9	136.8	121.4	125.2	111.5
Provisions for pensions and similar obligations	3.4	3.0	2.5	2.1	1.6
Subordinated liabilities	1,000.0	1,000.1	1,000.1	1,000.3	1,000.2
<b>Total liabilities and provisions</b>	<b>336,282.0</b>	<b>309,676.7</b>	<b>275,731.1</b>	<b>282,330.9</b>	<b>233,110.0</b>
Untaxed reserves	-	-	-	-	204.0
Equity	4,344.3	2,375.4	1,727.6	952.7	714.4
<b>Total liabilities, provisions and equity</b>	<b>340,626.3</b>	<b>312,052.1</b>	<b>277,458.7</b>	<b>283,283.6</b>	<b>234,028.4</b>

## SIGNATURES

# Signatures

We hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the Annual Report gives 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.

Stockholm, 1 March 2016

Ellen Bramness Arvidsson  
*Chairman*

Kurt Eliasson  
*Board Member*

Anna von Knorring  
*Board Member*

Erik Langby  
*Board Member*

Catharina Lagerstam  
*Board Member*

Anna Sandborgh  
*Board Member*

Johan Törngren  
*Board Member*

Anders Pelander  
*Employee representative*

Tomas Werngren  
*President and CEO*

Our Audit Report was submitted on 8 March 2016

Ernst & Young AB

Erik Åström  
*Authorised Public Accountant*

# Audit Report

To the Annual General Meeting of Kommuninvest i Sverige AB (publ), corporate identity number 556281-4409

## Report on the annual accounts

We have audited the annual report of Kommuninvest i Sverige AB (publ) for 2015. The Company's annual report is included in this document on pages 17, 19 and 21-80.

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

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

### *Responsibility of the Auditor*

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

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

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

### *Statements*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Kommuninvest i Sverige AB as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Directors' Report and the Corporate Governance Report are consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Company.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the Company's profit or loss and administration of the Board of Directors and the President of Kommuninvest i Sverige AB (publ) in 2015.

### *Responsibility of the Board of Directors and the President*

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. The Board of Directors and the President are responsible for the administration of the Company in accordance with the Companies Act and the Banking and Financing Business Act.

### *Responsibility of the Auditor*

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

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

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

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

### *Statements*

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

Stockholm, 8 March 2016

Ernst & Young AB

Erik Åström  
Authorised Public Accountant

# Review Report

We the lay auditors, appointed by the Annual General Meeting, have examined the operations of Kommuninvest i Sverige AB for 2015.

The Board of Directors and President are responsible for the operations being conducted in accordance with the Articles of Association and owner directives as well as the laws and regulations pertaining to the operations. Our responsibility is to examine the operations and internal control and assess whether the operations have been conducted in accordance with the mandate of the Annual General Meeting.

Our review has been performed in accordance with the Companies Act and the regulations applicable to the operations.

The review has been carried out with the focus and scope required to provide a reasonable basis for evaluation and assessment. We have, on an ongoing basis, received documentation of decision and minutes from meetings, held discussions/exchanges of information with management, the Board and the authorised public accountant/auditor. During the course of the review, we have continuously provided comments in order to further improve the management, control and monitoring of the operations.

Taking everything into account, it is our opinion that the Company's operation has been carried out in a purposeful and, from a financial viewpoint, satisfactory manner and the Company's internal control has been sufficient.

Örebro, 1 March 2016

Niklas Sjöberg

Anita Bohman



**KOMMUNINVEST**  
The Swedish Local Government Debt Office

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