

Annual Report 2016

Kommuninvest i Sverige AB



KOMMUNINVEST

Working together for better terms

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

<p>Basic concept</p> <p>Together, municipalities and county councils/regions can borrow more securely and inexpensively than each of them could individually. Together, the local government sector can also increase its expertise in financial management.</p>	<p>Our vision</p> <p>To be the world's best organisation for local government financial administration, for a beneficial and sustainable society.</p>	<p>Start 1986</p> <p>Since its inception in 1986, Kommuninvest has helped reduce the Swedish local government sector's borrowing expenses by many billions of kronor. Ultimately this has benefited citizens who have had access to improved public services at both local and regional levels.</p>
<p>Organisation with clear division of roles</p> <p>Kommuninvest comprises two parts. These are the credit market company, Kommuninvest i Sverige AB (the Company), and the membership organisation Kommuninvest Cooperative Society (the Society).</p>	<p>275 + 11</p> <p>Kommuninvest is owned by 275 municipalities and 11 county councils/regions.</p>	 <p>Green Loans</p> <p>The launch of Green Loans is an important step for Kommuninvest. In 2016, the volume of approved Green Loans rose from SEK 5 billion to SEK 18 billion.</p>
<p>Kommuninvest Cooperative Society</p> <ul style="list-style-type: none"> • Administers membership and the joint and several guarantee. • The Board of Directors consists of elected politicians from municipalities and county councils/regions. <p>Kommuninvest i Sverige AB</p> <ul style="list-style-type: none"> • Conducts the financial operations, including borrowing, liquidity management and lending. • The Board of Directors consists of individuals with expertise in areas such as public administration, capital markets and business development. 	<p>SEK 277 bn</p> <p>At the close of 2016, lending totalled SEK 277 billion.</p>  <p>Kommuninvest has the highest possible credit rating, AAA/Aaa, and a stable outlook.</p>	

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The Annual Report for Kommuninvest i Sverige AB (publ) is presented on pages 21-86. On pages 1-19, "Kommuninvest" refers to the Kommuninvest Cooperative Society, and/or Kommuninvest i Sverige AB, as determined by the context. As of page 21, it refers to Kommuninvest i Sverige AB, unless otherwise stated. The Annual Report for the owner, the Kommuninvest Cooperative Society, is available at www.kommuninvest.org Cover: The Municipality of Umeå invests in new construction of low-energy buildings (financed with Green Loans). Photo: Henke Olofsson

While every care has been taken in its translation, readers are reminded that the original report, signed by the Board of Directors, is in Swedish.

2016

Important events during the year

► Continued strengthening of equity

In total, the Company's equity increased by SEK 2,169.7 (1,968.9) 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. The build-up of capital was necessitated by new EU rules regarding the leverage ratio that are expected to be introduced from 2018.

► Two Green Bonds issued

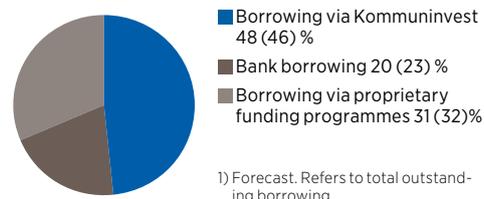
In March, Kommuninvest issued its first green bond. With a volume of USD 600 million, this was the largest green bond ever from a Nordic issuer. In October, an additional green bond of SEK 5 billion was issued. It was the largest green bond in SEK to date. See also pages 14–17.

► European Commission publishes leverage ratio proposals

In November, the European Commission published its proposals for revised capital adequacy rules. With regard to the leverage ratio, special treatment is proposed for so-called "public development credit institutions", entailing lower capital requirements. The proposal is not final and a process of negotiation awaits. It could, however, entail substantially lower capital requirements for Kommuninvest. See also page 38.

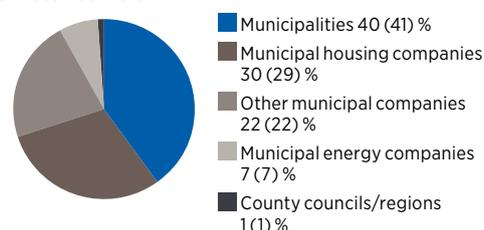
Market shares, local government loan financing¹

31 December 2016



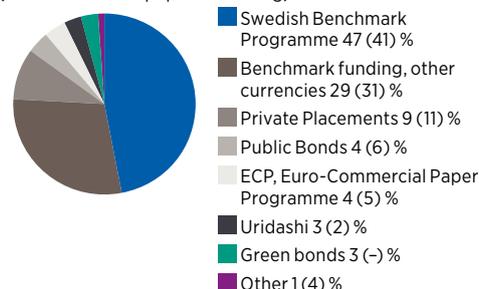
Kommuninvest's lending portfolio

31 December 2016



Total borrowing portfolio by funding programme

(excl. commercial paper borrowing)



Multi-year summary, Kommuninvest i Sverige AB

	2016	2015	2014	2013	2012
Balance sheet total, SEK billion	361.7	340.6	312.1	277.5	283.3
Lending, SEK billion	277.0	254.4	222.8	208.6	201.0
Net profit, SEK, million	309.8	561.3	568.4	590.7	320.6
Members, total	286	280	280	278	274
of which, municipalities	275	272	272	270	266
of which county councils/regions	11	8	8	8	8
Core Tier 1 capital ratio ¹ , %	103.7	44.6	34.6	37.0	15.2
Tier 1 capital ratio ² , %	103.7	44.6	34.6	37.0	15.2
Total capital ratio ³ , %	122.1	59.8	49.3	59.5	30.4
Leverage ratio according to CRR ⁴ , %	1.56	0.87	0.75	0.57	0.33
Leverage ratio including debenture loan ⁵ , %	1.84	1.16	1.09	0.91	0.65

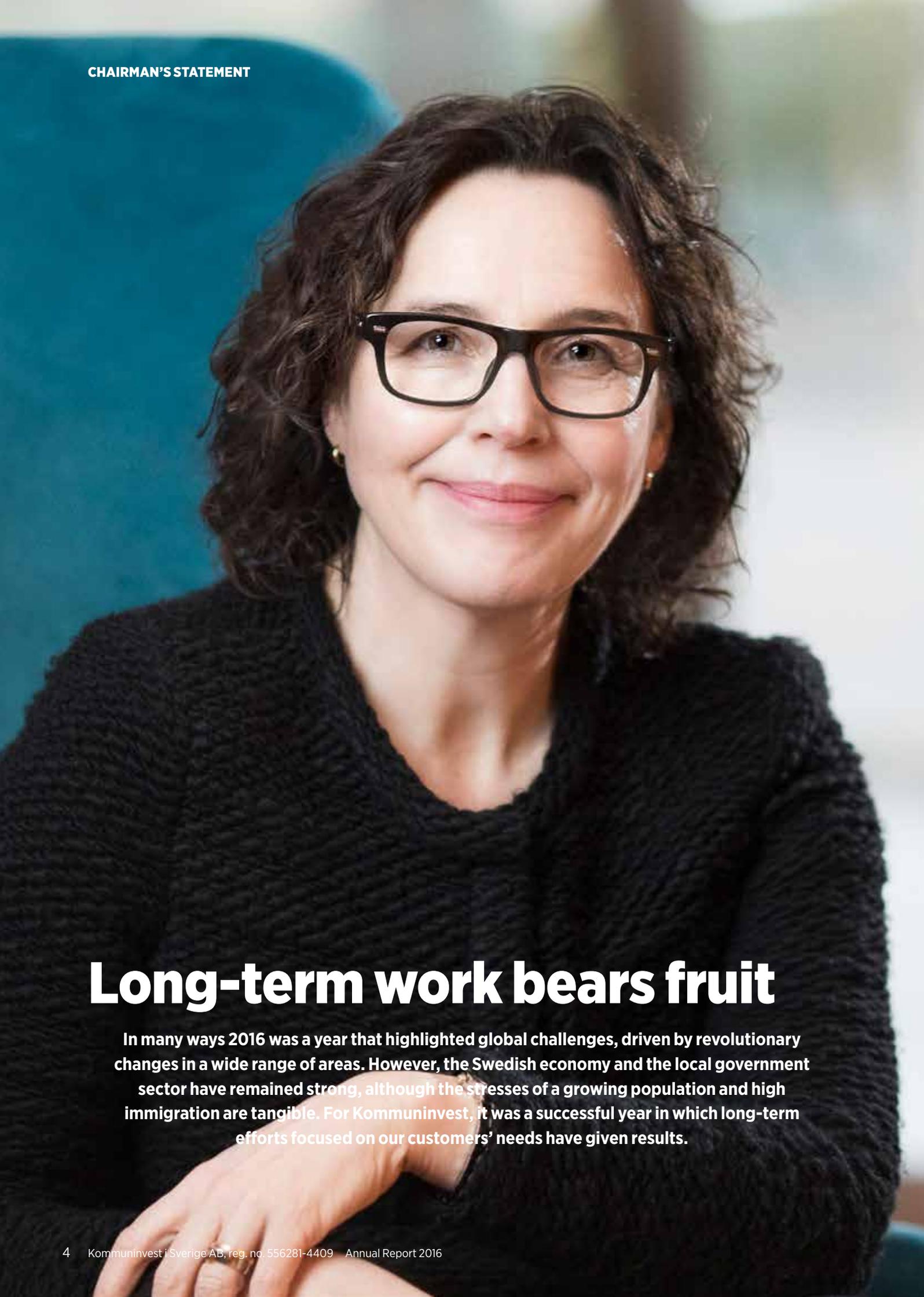
1) Core Tier 1 capital in relation to total risk exposure. See also page 38 and Note 30.

2) Tier 1 capital in relation to total risk exposure. See also page 38 and Note 30.

3) Total capital base in relation to total risk exposure. See also page 38 and Note 30.

4) Tier 1 capital in relation to total assets and commitments (exposures). See also page 38 and Note 31.

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.



Long-term work bears fruit

In many ways 2016 was a year that highlighted global challenges, driven by revolutionary changes in a wide range of areas. However, the Swedish economy and the local government sector have remained strong, although the stresses of a growing population and high immigration are tangible. For Kommuninvest, it was a successful year in which long-term efforts focused on our customers' needs have given results.



Over the past year, it became increasingly clear that globalisation does not only have winners, with both the Brexit vote and the US presidential election providing clear indications of the state of social opinion. An uncertain political landscape and rising populism are just a couple of the factors leading the world towards unknown territory. Added to these are fragile economies and central government finances, as well as rapid technological and demographic development. We have had to learn to live with uncertainty, and the impact, even on Swedish society, will be considerable.

Sweden's star shines brightly

However, the Swedish economy continues to perform well, especially compared with many other developed economies. This benefits municipalities and county councils. Positive population growth and sizeable migration into growth regions continues to drive local government investment, particularly in housing and properties. The large-scale immigration of recent years will affect Sweden and individual local government authorities for some time to come. Here, there will most likely be a need for new ideas on integration and employment, as well as on how to develop social models able to encompass all citizens.

Environmental considerations as a layer covering everything

The past year was the warmest on record, only enhancing the importance of fulfilling the Paris Accord. Environmental challenges intervene in our lives in all areas, posing major challenges to which we must find constructive solutions. It is very much a matter of being able to establish stable societies.

In this situation, it is important to be able to show solid solutions, and this is something at which our Swedish local government authorities excel. Many are investing vigorously to achieve ambitious environmental objectives in renewable energy, energy-efficient buildings and green solutions. Since 2015, it has been possible to finance such investments with Green Loans from Kommuninvest. Green financing has been identified by G20 leaders as key to environmentally sustainable development, and it feels good that Swedish local government authorities are regarded as role models.

Customer needs in focus

Kommuninvest i Sverige AB enjoys the advantage of having a clear and well-defined mission. We are to serve the members of the Kommuninvest Cooperative Society, and the companies they own, with competitive loans and financial services. Everything we do must, as far as

possible, serve to meet the needs of the municipalities, county councils and municipal companies, associations and foundations who are our customers.

Although our clientèle is composed solely of local government actors, their needs vary. We must meet these needs and, increasingly, I feel that we are succeeding in doing so. Over the year, we added functions to our debt management service, KI Finans, which is now used to administer most local government debt. We have also greatly increased the volume of Green Loans. Continuing to develop our customer offering is key.

“Good leadership is essential in a continuous improvement process.”

Interest in Kommuninvest is increasing, as can be observed through increasing membership of the Society, more customers for the Company and increased lending. Customer satisfaction is high. We are, of course, glad that our work is appreciated. In this context, I would like to highlight good leadership, which is central to the process of continuous improvement. This is a matter that has been important for us on the Board of Directors and an area where we see good things being done.

Understanding of the local government financing model

Towards the end of the year, the European Commission published its proposals regarding leverage ratio as part of a comprehensive review of the capital adequacy rules, an issue that has long been a strategic priority for Kommuninvest. The proposal entails certain public sector financial players possibly being subject to lower capital requirements, designed to take into account the special public mission of those institutions. It is gratifying that the European Commission is now imposing more reasonable capital requirements on operations like those of Kommuninvest, although the proposal is not final and a negotiation process awaits.

It is positive that the lengthy regulatory process is now approaching a final solution. Stable and known operating conditions enable us to better develop Kommuninvest's operations, in close interaction with our customers.

Kommuninvest i Sverige AB

Ellen Bramness Arvidsson
Chairman

A portrait of a middle-aged man with glasses, wearing a dark suit jacket, a white shirt, and a patterned tie. He is smiling slightly and looking directly at the camera. The background is blurred, showing what appears to be an indoor setting with lights.

A debt office for all local government authorities

Local government investments continue to make substantial contributions to the Swedish economy, although a shortage of capacity is holding back the pace of investment. Kommuninvest is fulfilling its assignment and, during 2016, accounted for most of the increased borrowing among municipalities.

Politically, it was a tumultuous year, although this had a limited effect on the financial markets. Despite Brexit and the surprising US election outcome, both the UK and US stock markets ended the year at higher levels than at the start of the year.

Approaching target for SEK borrowing

Over the year, we just about achieved the target we set in 2010 – to have half of our total borrowing in SEK. This has been a natural target because our lending only takes place in Sweden and new regulations make foreign borrowing more costly and difficult. With a continued base in SEK and USD, we can now permit ourselves a somewhat greater degree of flexibility in our borrowing.

Attractive for all customers

Since the outset in 1986, Kommuninvest has grown from a grass roots initiative in Örebro County to supporting virtually all Swedish local government authorities with credit. The degree of interaction is greatest in the category of small and medium-sized municipalities. In the category of larger local government authorities, with borrowing exceeding SEK 5–6 billion annually, customers' own borrowing via the capital market is often an option. We now need to take clearer initiatives in this area to offer suitable products on favourable terms. We are also working more closely with our customers in various focus groups to identify needs and what initiatives they would like to see.

Increasing business focus

After several years of focusing on capital structure and compliance, we are now seeing a shift towards being able to focus more resources on our core operations. This pleases me greatly. We have a good starting position, with high customer satisfaction and stable, supportive owners.

Our journey towards even more attractive borrowing rates is facilitated by the fact that we are now starting to see a ceiling for capital requirements. As expected, operating profit for 2016 fell as a consequence of the decreased need to take capital structure into account in pricing. The intention is for earnings to be distributed entirely to the members of the Society.

Major investment needs, but a shortage of capacity

To meet the needs of a growing population and increasing urbanisation, the local government sector continues to invest at record levels. In our analyses, although we observe few “unessential” investments, we do see clear signs of insufficient capacity. This means that not all projects are realised, or that some become too costly.

With investment having been substantial in recent years and few signs of this abating, we are placing greater emphasis on sustainable profit levels in our follow-up and analysis.

Local government authorities making an impact with green financing

During the year, a large number of Kommuninvest's members and customers issued their first joint Green Bonds under the auspices of Kommuninvest. These are financial instruments where the proceeds are used for various forms of environmental investments. Each year, local government authorities in Sweden invest billions of kronor in environmentally friendly schools homes, expanded district heating systems, etc. Kommuninvest's role is to be a tool for partnership between local authorities, providing support and accepting our share of responsibility in the transition to more sustainable development, as targeted by, the Paris Accord, for example.

With an increasingly pronounced green profile, the expectations of Kommuninvest as an issuer of securities also increases from a broader perspective of sustainability. Our social responsibility includes the local perspective and I am pleased that we are involved in developing various initiatives that support vulnerable groups and areas. We need to be committed locally, not only because we bear a responsibility, but also to broaden our recruitment base.

Thanks to my colleagues

Over the year, the number of employees at Kommuninvest has grown, driven partly by new regulations. With close to 100 employees, we are now a large organisation. This facilitates recruitment, reduces vulnerability and provides better conditions for building expertise to the benefit of members and customers. However, size has no intrinsic value in itself, and I want to emphasise that we are working constantly to keep expenses down and maintain an efficient organisation. Increasingly, the focus of our efforts is on customer benefit.

Finally, I would like to extend my gratitude to my colleagues for once again making such a sterling effort. Your work will resonate for a long time to come.

Kommuninvest i Sverige AB



Tomas Werngren

President and CEO

This is how we generate value

Kommuninvest operations serve to secure long-term, stable financing for members' investments. Since the outset in 1986, members have together reduced their borrowing expenses by billions of kronor. It has been possible to use the money saved for local welfare instead.

1

Kommuninvest's conditions

Kommuninvest i Sverige AB only lends money to the Swedish local government sector and its operations are guaranteed by the municipalities and county councils/regions that are members of the Kommuninvest Cooperative Society. The guarantee undertaking means that all members of the Cooperative Society guarantee all commitments to maturity. The members' joint and several guarantee undertaking represents the precondition for the Company's strong position in the capital markets.

- Kommuninvest holds the highest credit rating from both S&P Global Ratings (S&P) and Moody's.
- At the end of 2016, 95 percent of Sweden's municipalities and 55 percent of the county councils/regions were members of the Society.
- Every day, Kommuninvest employees help ensure that all parts of our operations are conducted as efficiently as possible.
- Well-established processes support our efforts.

2

Kommuninvest's operations

Kommuninvest principal task is to finance the investments made within the Swedish local government sector – in a manner that is sustainable in the long term and on as favourable terms as possible. We borrow money on the Swedish and international capital markets in order, in the next stage, to offer members stable and cost-efficient financing. While waiting to be loaned on, the borrowed funds are managed in a liquidity reserve that also serves to secure financing for members in times of financial unease. The reserve should amount to at least 15 percent of the lending volume.

- In 2016, Kommuninvest borrowed SEK 104 (106) billion. Total borrowing amounted to SEK 344 (321) billion.
- At the end of 2016, SEK 60 (63) billion was managed by Kommuninvest within the liquidity reserve, equivalent to 22 (25) percent of the lending volume.
- Total lending amounted to SEK 277 (254) billion at the end of the year.

3

Kommuninvest's direct influence

Kommuninvest principal impact is achieved through our financing enabling investments in Swedish municipalities, county councils and regions. Over the year, we focused in particular on reaching out to members with so-called "Green Loans". In addition to lending, Kommuninvest also offers assistance and support to its members – this takes the form of, for example, advice and support during the credit provision process and through a web-based debt management system that markedly facilitates follow-up, analysis and reporting.

- The volume of approved Green Loans increased to SEK 18 (5) billion.
- At the end of the year, the tool that Kommuninvest has developed in-house for efficient debt management was used by more than 80 percent of the Society's members.
- Kommuninvest's reputation remained at a high level in the surveys conducted. See also page 21 Targets and target fulfilment in 2016.
- Results in the operations made possible a transfer of SEK 501 (680) million from the Society to its members.

4

Kommuninvest's indirect influence

Kommuninvest contributes to municipalities and regions being able to implement their social investments as efficiently as possible. Accordingly, Kommuninvest contributes to the general development of welfare and to Sweden as a nation being able to achieve long-term social objectives, including environmental and climate objectives.

- At the end of 2016, Kommuninvest accounted for 48 (46) percent of all local government sector borrowing.
- 72 (11) investment projects secured financing through Green Loans, which are extended for environmental and climate-related initiatives.
- The Kommuninvest financing model contributes to increased stability and security for members. Securities issued by the Company are widely distributed among global institutional investors and are considered safe assets in times of uncertainty. The liquidity reserve can be converted into cash at short notice.
- Kommuninvest also contributes to the local community, for example through its partnership with Örebro University and several initiatives to reduce exclusion, help young people and boost business ventures led by women.
- Kommuninvest's international outreach activities contribute to an increased global awareness about sustainable models for local government financing.

1 Kommuninvest's conditions



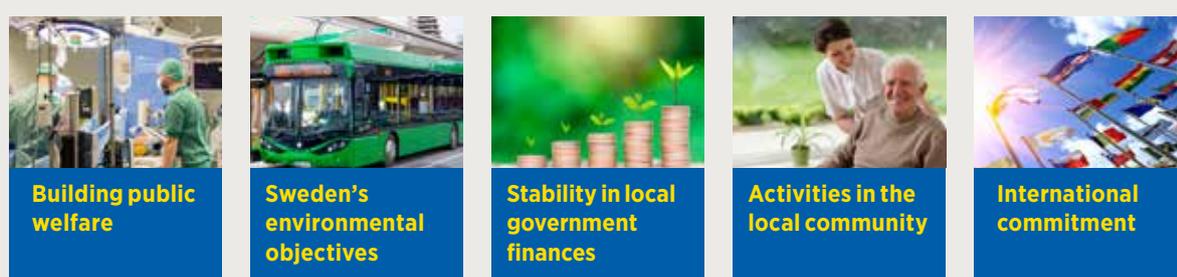
2 Kommuninvest's operations

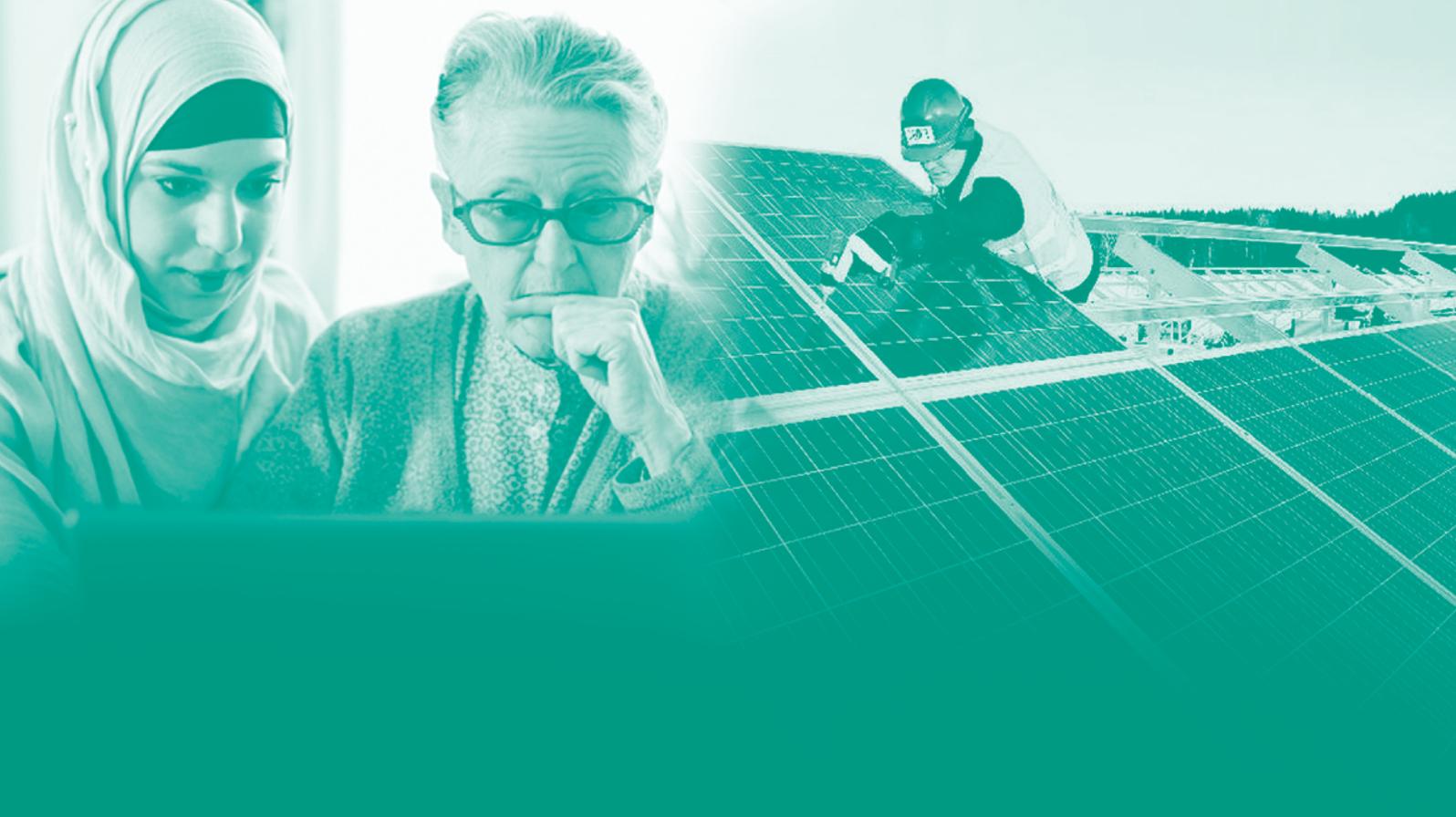


3 Kommuninvest's direct impact



4 Kommuninvest's indirect impact





Sustainability

Swedish municipalities, county councils and regions have highly set sustainability ambitions. As the largest lender to the Swedish local government sector, Kommuninvest's cost-efficient financing enables the realisation of our members' long-term sustainability targets.



We help our members build long-term welfare

Of late, initiatives at the local and regional level have gained increasing emphasis in global sustainability efforts. Consequently, ambitious sustainability initiatives of Swedish municipalities and county councils/regions make a significant contribution towards achieving the global sustainability targets.

Kommuninvest's role in sustainability work predominantly involves supplying the Swedish local government sector with competitive financing. Accordingly, as the dominant lenders, we help foster conditions for welfare investments that are both cost-effective and sustainable. Kommuninvest's vision clarifies our ambitions:

“Kommuninvest's vision is to be the world's best organisation for local government financial administration. We finance the development of Sweden's local and regional sectors, and their investments for a sound, sustainable society.”

The municipalities, county councils and regions form the backbone of the Swedish welfare state. More than half of public investment in Sweden is made in the local government sector. Over the upcoming years, local government authorities in Sweden will need to make major investments – to create the conditions for growth, the build-out of welfare and for upgrading and modernising facilities and buildings constructed in previous periods of expansion. Common to these extensive investments is that they are made with ambitious sustainability objectives in mind.

How local government authorities work with sustainability

The municipalities', county councils' and regions' high sustainability ambitions are reflected in investments spanning the full breadth of local government welfare operations, including sustainable urban development, efficient and environmentally-friendly energy supply, climate-smart housing, local transport and other infrastructure that streamlines transportation.

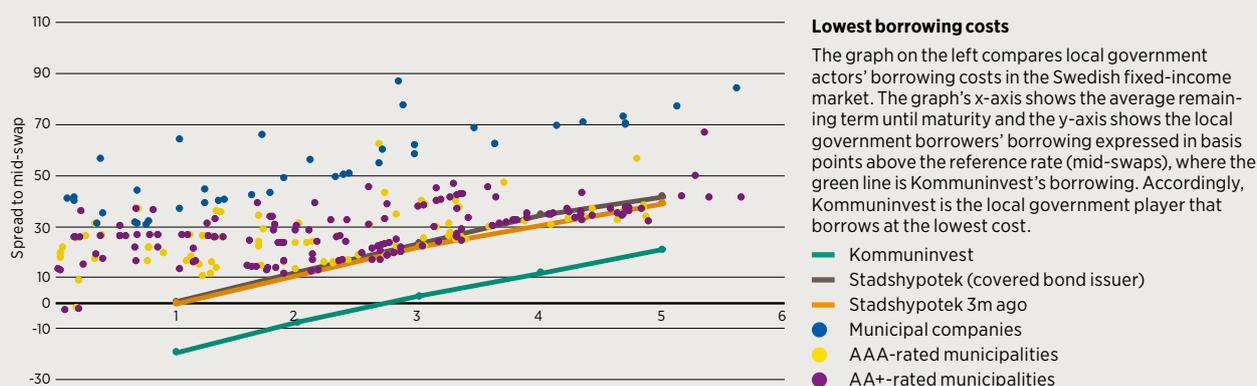
For example, many Kommuninvest members today strive beyond current national environmental targets. Some 60 municipalities have joined the International Covenant of Mayors. Several cities aim to be fossil-free as early as in 2030.

Strongly rooted in the local government sector

Kommuninvest offers Swedish local government authorities and their companies stable and cost-efficient financing with no vested profit interest, thereby helping taxpayers' money go further. Through financial crises and uncertainty, Kommuninvest has been able to continue providing its customers with financing, contributing to security in the local government sector and the stability of the financial system.

Our view of sustainability originates in the values of the Swedish municipal sector. It is therefore consistent with the international framework of the ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact.

Pricing for municipal issuers, Swedish fixed-income market as per 25 January 2017



Source: Swedbank Debt Capital Markets

Stakeholders and dialogue

Constructive dialogue with all parties

Kommuninvest seeks to maintain a good relationship with all stakeholders, among whom, the most important are members/customers, investors, society and employees. Among other things, sustainability work is based on the stakeholder survey and materiality analysis conducted in 2016. The sustainability report, including factual data, covers the entire Kommuninvest Group.

Kommuninvest has relationships with a range of stakeholders who, in different ways affect – and are affected by – our operations. A central component in our sustainability efforts involves maintaining an ongoing dialogue with our stakeholders to analyse and, as far as possible, meet their long-term interests.

Municipalities, counties and regions are our most important stakeholders

Kommuninvest's members – municipalities, county councils and 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. These dialogues with both elected officials and civil servants are conducted on an ongoing basis in both informal and more formal, established contexts. Such important forums for elected officials include the Annual General Meeting of the Society and the member consultations held at the beginning of each year. In 2016, member consultations were held in 17 locations across Sweden. For customers, annual financial seminars are held across the country, but also meetings with various customer constellations. The 2016 financial seminars were held in eight locations with a total of about 280 participants.

The ongoing dialogue with other societal actors – government ministries, regulatory bodies and supervisory authorities – takes place largely through meetings in person and the exchange of information. The dialogue with investors and the capital market takes place through meetings in person and presentations, both nationally and internationally.

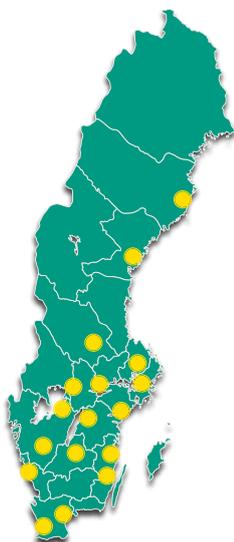
The dialogue with employees is also conducted in both formal and informal formats, between managers and employees and at regular information meetings.

Dialogue indicates what is most important

The aim is to continuously develop the stakeholder dialogue to enable better adaptation to the needs of each stakeholder group. This aims at ensuring continued convergence of views, including on which sustainability issues Kommuninvest should prioritise. But also at conveying that dialogue and constructive interaction promotes mutual understanding, which is, in itself, central to Kommuninvest's business concept and work in the local government sector.

“In the 2016 sustainability survey, external and internal stakeholders ranked which measures Kommuninvest should prioritise. The responses form the basis for our continued work.”

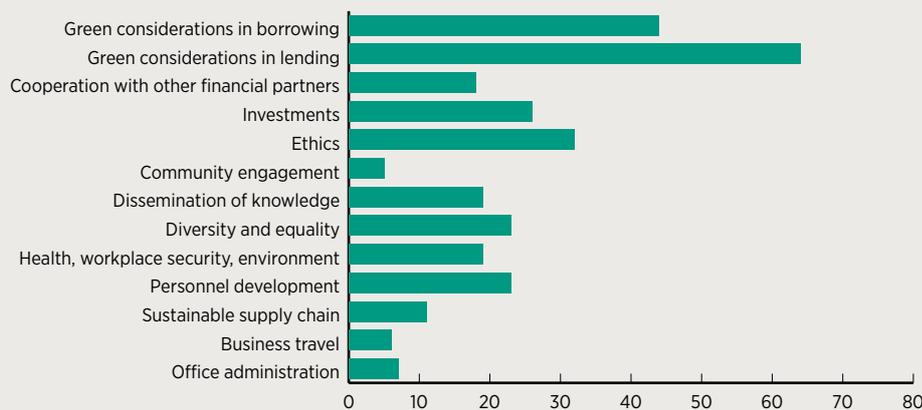
Based on our ongoing dialogue with stakeholders, Kommuninvest determines which issues are most important. At the end of 2016, a stakeholder survey was conducted, in cooperation with an external research firm, regarding Kommuninvest's sustainability efforts. Some 125 stakeholders were contacted – including elected municipal officials, institutional investors, suppliers and personnel/managers at Kommuninvest. The response rate was 63 percent. The results of the survey (see page 13) will be an important source of information in the continued sustainability efforts.



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 member consultations in January–February 2016 were held in 17 locations with a total of almost 350 participants.

Sustainability survey 2016: The most important measures to prioritise¹

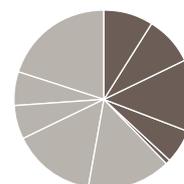
Number of respondents: 80



1) Each respondent was asked to rank the three areas they considered most important, second-most important and third-most important. The graph visualises the total number of times each factor is mentioned, as a percentage of total responses.

Sustainability survey 2016

Number of respondents: 80



External stakeholders

- Banks, 9%
- Investors, 9%
- Customers, 13%
- Suppliers, 6%
- Officials at selected Swedish ministries and agencies, 1%

Internal stakeholders

- Personnel 15%
- Managers, 15%
- Board members of the Company¹, 6%
- Members of the Analysis and Finance Committee², 6%
- Board members of the Association³, 20%

1) Kommuninvest i Sverige AB

2) Expert committee appointed by the Society

3) Kommuninvest Cooperative Society

Responsible business – Kommuninvest Group	Unit	2016	2015	2014
Market share and stakeholder dialogue				
Proportion of the local government sector's total external borrowing	%	48	46	44
Member consultations ahead of the Annual General Meeting of the Society				
- number of locations	Number	17	19	18
- number of participants	Number	346	368	391
Stakeholder studies				
Customer Satisfaction Index, CSI (survey every two years)	Index	86	n/a	78
Employee Satisfaction Index, ESI	Index	69	69	72
Member survey (every second year)	Index	85	n/a	82
Sustainable financing				
Total lending for local government sector investments	SEK, million	274,039.0	251,374.9	218,416.3
Committed volume of Green Loans during the year	SEK, million	12,747.8	5,034.0	n/a
Total portfolio Green Loans (committed)	SEK, million	17,781.8	5,034.0	n/a
- of which, disbursed	SEK, million	14,515.8	2,634.0	n/a

Kommuninvest also conducts ongoing customer and owner surveys. In the customer survey conducted in 2016, favourable results were achieved. The overall Customer Satisfaction Index (CSI) for Kommuninvest was 86, which is significantly higher than the CSI for the commercial and savings banks that Kommuninvest competes with in the local government market.

Follow-up inspired by GRI

The review of Kommuninvest's internal sustainability work is detailed by means of a selection of indicators on this and the following pages. This selection is inspired by the GRI framework (Global Reporting Initiative), a standard for sustainability reporting that is widely used.

Substantial interest in Green Loans

In June 2015, Green Loans were launched for municipalities venturing to invest in climate-smart investments. Interest has been considerable and, since the introduction, some 80 projects have been approved by Kommuninvest's environmental committee.

Green Loans are Kommuninvest's initiative to support the local government sector's transition to a more sustainable society with reduced environmental impact. The Green Loans finance investment projects with undertaken by Kommuninvest's member municipalities and county councils/regions. Approved projects must promote the transition to a climate resilient society with low emissions and be part of the systematic environmental efforts of the borrower.

At the end of 2016, Kommuninvest had approved SEK 17.8 (5.0) billion for 83 (11) green investment projects. Most of the projects involve renewable energy and green buildings.

All projects are reviewed from an environmental perspective by the Kommuninvest Green Bonds Environmental Committee. The Committee is an advisory body composed of representatives from the environmental function in at least two member municipalities and county councils/regions, environmental experts from other relevant organisations in the public sector or academia, as well as from Kommuninvest's management and customer group.

Passive buildings in Umeå

One of many municipalities to have taken out Green Loans is Umeå, nominated for the "European Green Capital" award three times. The municipality's strategic environmental work aims to put the environment on the map in Umeå. This is a long-term process targeting both the municipality's own operations and inhabitants. Umeå is also one of the municipalities that most frequently makes use of Green Loans for its investments. Examples include the Hedlunda Preschool, Norrland's first public passive building and some of the northernmost certified passive buildings in the world, the financing of the Umeå City electric bus system, as well as a pilot plant for black pellets, which are richer in energy and more transport-efficient than regular pellets.

Many of the projects funded with Green Loans are energy-efficient schools or preschools – build-

ings in which municipalities are often eager to have particularly high sustainability ambitions. Some examples are the Herrestaskolan School in Järfälla, Sweden's first school built entirely of solid wood, and the Pär Lagerkvist school in Växjö. Both schools have been certified in accordance with Green Building Gold – the highest level possible with regard to energy, indoor environment and materials, in accordance with the Sweden Green Building Council's certification.

Kommuninvest as a green borrower

Kommuninvest finances Green Loans by issuing Green Bonds. The first Green Bond was issued in March 2016 and targeted Swedish and international investors seeking to support climate adaptation. The second issue took place in October 2016.

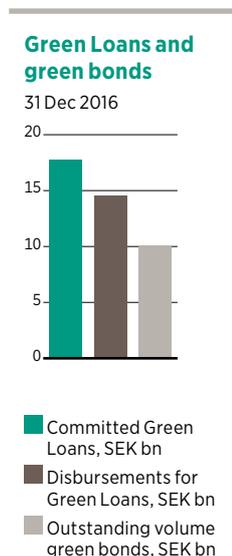
Kommuninvest's Green Bonds have been purchased by several well-known investors with investment mandates for Green Bonds, including several AP funds, Alecta, the Folksam Group, German KfW, SBAB, SPP, Storebrand, the California State Teachers' Retirement System (CalSTRS) and the United Nations Joint Staff Pension (UNJSPF).

A Green Bond differs from a normal bond in that the borrowed funds are specifically targeted at environmental and climate-related investments. Accordingly, investors – typically institutional investors – can thus invest in climate solutions through interest bearing bonds with high credit ratings. The issuer is given the opportunity to reach new investors and deepen relationships with existing investors. At the same time, general awareness of the link between environmental and financial risks in society increases.

Member of Green Bond Principles

Kommuninvest's framework for Green Bonds adheres to the following principles and guidelines:

- The Green Bond Principles
- International Financial Institutions: Harmonised Framework for Impact Reporting
- Investor Network on Climate Risk: Statement of Investor Expectations for the Green Bond Market.



Kommuninvest has been a member of the Green Bond Principles since May 2016, and seeks to assume an active role in the development of common standards and frameworks relating to the issuance and reporting of Green Bonds. Kommuninvest has initiated a collaboration between Nordic public issuers of Green Bonds regarding investor reporting. The purpose is to develop common guidelines for Green Bond Impact Reporting.

Awards for green funding model

In 2016, Kommuninvest was named “Best Green Bond Issuer – Europe”. The award from CFI is presented to an organisation making a significant contribution to climate adaptation and generating real value for all stakeholders. The jury highlighted Kommuninvest’s governance model for Green Bonds through a committee comprising local government climate and environment experts.

Kommuninvest’s work with Green Loans and green bonds has also attracted the attention of the Euromoney and Global Capital magazines. At their annual conference – Sustainable & Responsible Capital Markets Forum – in Amsterdam in September 2016, Kommuninvest was nominated in two categories: “Public sector Green/SRI Bond Deal of the Year”, and “Most impressive Government Bond Agency, Green/SRI issuer”.

International partnerships

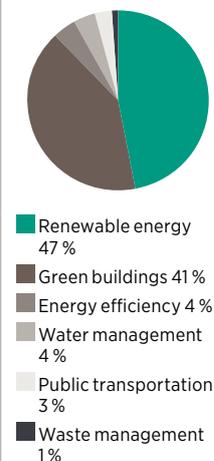
Local solutions have come to play an increasingly important role in global sustainability efforts. This was made particularly visible during the climate conference COP21 in Paris in late 2015, when the role of local public players in achieving global environmental goals was recognised for the first time.

In recent years, a growing global consensus has been established regarding needs for environmental investments and the significance of public players. The G20 leaders have indicated the importance of green financing models being disseminated. There is considerable demand for bonds where the funds are used for investment projects with environmental and climate benefits. In Sweden, a study was presented on the promotion of Green Bonds in late in 2016.

Kommuninvest participates regularly in international seminars and conferences to share its experiences and spread knowledge of the Swedish local government authorities’ environmental work. Additionally, discussions are in progress with various international stakeholders on the possibility of transferring Kommuninvest experiences in the area of Green Loans and Green Bonds to other countries. Kommuninvest has also participated as an observer in various EU funding projects, and participated in the EU’s climate summits.

Distribution of Green Loans by category

31 Dec 2016



CASE

Borås environmental initiative in Sobacken

Many of Kommuninvest’s members are pioneers in the process of transitioning their communities to become more sustainable. The Municipality of Borås is an example – since 1990, the city’s carbon dioxide emissions from energy consumption have been reduced by 40 percent. One of the municipality’s largest investment projects is Borås Energi och Miljö AB’s construction of a new combined power and heating and wastewater treatment plant on Sobacken, funded by Green Loans from Kommuninvest. The investment entails a number of environmental benefits, including higher resource efficiency, increased production of renewable electricity, less transportation in the city centre and reduced emissions of nitrogen, phosphorus and organic matter to the Viskan River.



29 green projects that make Sweden more sustainable

A large number of municipalities, municipal companies and county councils across the country have taken advantage of the new opportunity to finance environmental investment projects with Green Loans. Presented here are 29 of them. See more projects at kommuninvest.se/gronalan

Borrower	Guaranteeing member(s)	Loan amount, SEK, million	Project category	Investment in
Municipality of Eskilstuna	Municipality of Eskilstuna	165	Renewable energy	Four wind turbines
Skellefteå City Hall	Municipality of Skellefteå	650	Renewable energy	Expansion stages 2 and 3 of the Blaiken wind farm, one of the largest onshore wind farms in Europe
Municipality of Järfälla	Municipality of Järfälla	317	Green buildings	The Herrestaskolan school in Barkabystaden, Sweden's first school to be built entirely of solid wood. Gold certification
Municipality of Karlstad	Municipality of Karlstad	900	Renewable energy	Combined power and heating plant, stage 3
Biogasbolaget i Mellansverige AB	Municipality of Karlskoga, Municipality of Örebro and Municipality of Kumla	49	Renewable energy	Biogas plant for the production of vehicle fuel
Karlskoga Energi & Miljö AB	Municipality of Karlskoga	35	Water treatment	Remodelling of sewage treatment plants, focusing on nitrogen removal
Växjö Kommunföretag AB	Municipality of Växjö	310	Green buildings	Pär Lagerkvist school. Gold certification
Municipality of Umeå	Municipality of Umeå	76	Public transport	Ultra-fast charging electric buses for local public transport system
Trosabygdens bostäder AB	Municipality of Trosa	33	Green buildings	SABO Kombohus, 16 apartments
Värmland County Council	Värmland County Council	724	Green buildings	Healthcare facility for medical services and internal medical care at the Centralsjukhuset hospital in Karlstad
Karlsborgsbostäder	Municipality of Karlsborg	100	Green buildings	Two low-energy apartment buildings, a total of 52 apartments
Torsby bostäder	Municipality of Torsby	25	Green buildings	23 new rental apartments
Trollhättan Tomt AB	Municipality of Trollhättan	55	Green buildings	Construction of office building (Innovatum) with wooden framework. Green Building Silver
AB Vingåkershem	Municipality of Vingåker	21	Green buildings	SABO Kombohus, 14 apartments
Kristianstadbyggen	Municipality of Kristianstad	26	Green buildings	SABO Kombohus, 16 apartments
Falu Energi o Vatten AB	Municipality of Falun	82	Renewable energy	Five wind turbines at Tavelberget
Municipality of Skara	Municipality of Skara	338	Green buildings	Viktoria school
Arvika Kraft AB	Municipality of Arvika	60	Renewable energy	26 hydropower stations
Municipality of Botkyrka	Municipality of Botkyrka	410	Renewable energy	Expansion of the Igelsta combined power and heating plant
Kifab i Kalmar AB	Kalmar	100	Public transport	Construction of train service depot
Vaggeryd-Skillingaryds Bostads AB	Vaggeryd	30	Green buildings	SABO Kombohus, 16 apartments.
Municipality of Finspång	Finspång	70	Green buildings	32 rental apartments. Swan ecolabel
Mjölby-Svartådalen Energi AB	Mjölby	215	Renewable energy	Combined power and heating plant for Mjölby-Svartådalen Energi
Vimmerby Energi och Miljö AB /Vimmerby kommun	Municipality of Vimmerby	520	Renewable energy	Construction of the Tallholmen combined power and heating plant
Rättviks Teknik AB	Municipality of Rättvik	85	Water treatment	Remodelling and extension of the Rättvik wastewater treatment plant
Municipality of Skövde	Municipality of Skövde	130	Green buildings	Construction of the Billinge school, Gold Environmental Certification.
Municipality of Ludvika	Municipality of Ludvika	39	Energy efficiency enhancement	Energy efficiency enhancement in some 50 properties owned by the municipality
Norrenergi	Municipality of Solna	1,250	Renewable energy	Balance sheet financing of operations, based 98 percent on renewable energy in a normal year
KumBro Vind AB	Kumla	15	Renewable energy	Ryssbol wind farm

Framework covering the local government authorities' broad environmental efforts

Swedish municipalities and county councils/regions conduct broadly oriented environmental activities, including essential elements of the local/regional infrastructure. Kommuninvest's

framework for Green Bonds has been developed to respond to needs. Projects in eight different categories can currently obtain financing with Green Loans.



Increasing resource efficiency simultaneously with expansion

Kommuninvest's direct environmental impact is primarily related to business travel, but also energy use in the head office building and office supplies. The Kommuninvest model entails a need for long-distance travel both inside Sweden and interna-

tionally. CO₂ emissions from business travel amounted to 231.7 (177.3) tonnes in 2016, or 2.7 (2.3) tonnes per employee. Due to increased office space and renovations during 2016, meaningful comparisons regarding office energy use cannot be made.

Environmental indicators – Kommuninvest Group	Unit	2016	2015	2014
Energy consumption				
Total energy consumption (in buildings)	kWh	463,034	406,160	427,574
– of which, electricity	kWh	295,084	298,087	322,351
– of which, heating	kWh	167,950	108,073	105,223
Proportion of renewable energy in energy consumed for electricity	%	n/a	50	46
Change in electricity consumption compared to the preceding year	%	-1	-8	-1
Proportion of renewable energy in energy consumed for heating	%	n/a	95	93
Total office space, square metres	m ²	2,217	1,498	1,498
Total energy consumption per square metre	kWh/m ²	209	271	285
Total energy consumption per employee	kWh	5,447	5,207	5,778
Resource usage				
Purchased office paper	Tonnes	0.8	1.3	1.5
– of which sustainability labelled paper (PEFC)	Tonnes	0.8	1.3	1.5
Proportion of sustainability labelled office paper, of total purchases	%	100	100	100
Total paper consumption per employee	Kilos	11.8	12.8	13.5
Paper recycling, incl. purchased and delivered paper	Tonnes	2.4	2.1	2.8
Business travel				
Total business travel	Km	1,319,646	1,081,226	1,609,162
Total business travel per employee	Km	15,525	13,862	21,745
Total air travel	Km	992,144	770,526	1,348,396
Rail travel in Sweden	Km	327,162	305,287	257,506
Total CO ₂ emissions from business travel	Tonnes	231.7	177.3	296.5
CO ₂ emissions from business travel, per employee	Tonnes	2.7	2.3	4.0

Kommuninvest provides fast track to labor market

As a student, it is not always easy to take the first steps on the jobs market. This is why Kommuninvest provides two students annually with an opportunity to get their first relevant job experience. Anyone is welcome to apply, but we prioritize well-merited students who typically find it harder to enter the jobs market. This can for instance be related to ethnical origin, disability or other. Results from the first group of students are promising. Both students have, following their internship at Kommuninvest, received permanent jobs with other finance sector employers.

Sustainable daily life

Increasing absenteeism due to work-related stress and other psychosocial factors have caused Kommuninvest to initiate ambitious efforts within the framework of what we call “sustainable daily life”. “Sustainable daily life” offers everything from substantial opportunities for a good physical and social working environment, training and daily exercise, health-inspired lectures, stress management, individual coaching and self-help programmes. Among other things, all employees are offered individual health and lifestyle reviews. Based on these, employees are given tools to establish a sustainable lifestyle in the areas where the need is perceived to be greatest. This can involve everything from sleep, diet, exercise and lifestyle to work-related concerns.

Digitisation project reduces paper-based mailings

Our ambition is to address environmental impact in financing, investment and credit provision, as we do in Kommuninvest’s own operations. Among others, we take our lead from the United Nations Environment Programme Finance Initiative. A major digitisation project is in progress, making Kommuninvest increasingly paperless. Effective from the beginning of 2017, the interest statements are not distributed, nor are a number of other printed statements, and these are instead made available in digital form through the debt management service KI Finans.

Partnership on behalf of members

One of Kommuninvest’s main objectives is to reduce local government borrowing costs. Large volumes and a relatively small organisation mean that administrative expenses can be kept at

a low level. In 2016, they amounted to 5.5 (5.1) basis points in relation to total assets.

Generation of financial value – Kommuninvest Group	Unit	2016	2015	2014
Total revenue				
Interest revenue	SEK, million	654.0	1,438.3	3,651.0
Other operating income	SEK, million	7.2	4.5	3.3
Distributed value				
Interest expenses	SEK, million	-107.9	640.0	2,736.1
Commission expenses	SEK, million	5.2	5.3	5.1
Salaries and emoluments	SEK, million	68.1	62.0	57.7
Pension expenses, training expenses and other personnel expenses ¹	SEK, million	29.4	20.6	22.7
Social security contributions and payroll tax on pension expenses	SEK, million	23.7	22.0	20.3
Resolution fee/stability fee	SEK, million	31.4	120.5	110.7
Other operating expenses ¹	SEK, million	93.2	79.4	82.4
Tax	SEK, million	0.4	-31.2	2.6
Transferred to the members of the Society during the year, refunds on business volumes and interest on member contributions for the previous financial year ²	SEK, million	500.7	679.5	696.5
Efficiency				
Operating expenses, excluding resolution fee/stability fee as % of total assets	%	0.055	0.051	0.055

1) Reallocations of expenses for temporary/contract personnel have entailed subtotals for personnel expenses and other administration expenses being changed compared with the 2015 Annual Report.

2) Amounts refer to transfers being made for the preceding fiscal year, i.e. payments made during 2016 refer to fiscal year 2015.

Kommuninvest noted in G20 report

In 2016, Kommuninvest's Green Loans featured as a case in the report "Green Bonds: Country Experiences, Barriers and Options". The report, prepared by the OECD, outlined Kommuninvest's role as a facilitator of cost-effective green financing solutions for public investment. The report was published in support of the G20 countries' special task force on green financing, G20 Green Finance Study Group, ahead of the summit in Hangzhou, in September, 2016.



Deepening the knowledge of the conditions of the sector

Through in-house research and reports, Kommuninvest seeks to increase knowledge of the local government sector's long-term financial conditions. Since 2012, Kommuninvest has, among other things, maintained an in-depth partnership with the University of Örebro, promoting, for example, research on the local government sector's debt management and financial conditions. To stimulate discussion on the local government sector's long-term structure, in 2016, the Kommuninvest Cooperative Society published a report written by former Under-Secretary Sören Häggrot. Together with the Swedish Association of Local Authorities and Regions (SALAR), seminars on this theme were also arranged around Sweden.



Equality, diversity and development

At the end of 2016, 41 (39) percent of employees, were women. Among senior executives, the proportion of women was 67 (67) percent. 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 other.

Employee statistics – Kommuninvest Group	Unit	2016	2015	2014
Total number of employees, including part-time employees ¹	Number	97	90	84
Proportion of women/men – total	%	41/59	39/61	42/58
Proportion of women/men – all managers	%	45/55	58/42	58/42
Proportion of women/men – Executive Management Team	%	67/33	67/33	50/50
Average number of full-time employees (based on hours worked)	Number	85	78	74
Employment period <2 years (based on permanent employees)	%	14	25	35
Employment period 2–4 years	%	35	29	18
Employment period 5–9 years	%	25	24	25
Employment period >10 years	%	25	22	22
Personnel turnover	%	3	5	8
Participation in employee survey	%	84	94	94
Proportion of employees with university education	%	88	89	88
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have completed sustainability training	%	84	92	n/a

¹) Total number of employees refer to "total headcount", including full-time, part-time, temporary employees and parental leave. The total number of permanent and probationary employees was 91 at the end of 2016.

Board of Directors' Report

Falu Energi & Vatten invests in jointly-owned district heating line

The municipal energy companies in Falun and Borlänge have studied how to optimise the production of district heating in the two municipalities. The conclusion is that major environmental and economic gains can be achieved if the district heating networks are connected. Environmentally, connecting them would allow increased generation of combined power and heating, increased utilisation of waste heat, reduced carbon emissions and increased reserve capacity. The line is jointly owned by the two municipalities and became operational in November 2014. The initiative is funded in part by Green Loans from Kommuninvest.

Targets and target fulfilment in 2016

During 2016, Kommuninvest continued its long-term efforts focusing on continuous improvement in its core operations.

Multi-year summary

Over the past five-year period, the Company has experienced strong growth. Lending rose from SEK 201.0 billion in 2012 to SEK 277.0 billion at the end of 2016. The number of employees has grown from 65 to 91. As an effect of the increased lending, total assets also increased, from SEK 283.3 billion to SEK 361.7 billion. Growth derives from the local government sector's increased investments, which have led to generally increased demand for credit. Thanks to competitive pricing, Kommuninvest's share of the local government's sector's total debt has increased, although growth is also a result of the Society's membership having increased.

The Kommuninvest organisation has no vested interest of its own in making a profit and earnings figures are therefore of limited interest in monitoring performance. However, the past five-year period has been marked by a build-up of capital structure partly through earnings, with slightly elevated earnings as a result. Over the period from 2012 to 2016, equity rose from SEK 952.7 million to SEK 6,514.0 million.

For multi-year data in table format, see page 84.

The immediate future

In 2017 the Company will continue its work in accordance with its strategic and operational business plans and in line with the owner directives adopted at the 2016 Annual General Meeting of the Kommuninvest Cooperative Society. Particular emphasis is placed on developing the business in line with the needs of

members and customers, with good cost control and an increasing degree of digitisation in operations. High employee competence and motivated personnel are of strategic importance.

The macroeconomic situation remains uncertain, and developments are driven largely by the central banks' monetary policy programmes. Development in Sweden appears relatively favourable and the forecasts for the current year indicate continued stable economic growth and declining unemployment. As a result of positive population growth, high urbanisation and demographic changes, the high rate of investment in the local government sector is expected to persist. Kommuninvest expects a continued increase in membership in the Society and the scale of the operations.

Kommuninvest conducts financial activities in accordance with the Local Government Act's ban on speculation. Operations are surrounded by rigorous requirements that the level of risk-taking be low but are nonetheless subject to risks, mainly in the form of credit, market and liquidity risks. Kommuninvest's risk organisation and risk management are described in more detail on pages 30–38.

The development of the EU's capital adequacy rules may have consequences for Kommuninvest's operations, although the proposal presented in November 2016 could entail reduced capital requirements for Kommuninvest. See page 38 for more information. A special fiscal tax is being discussed in Sweden. Kommuninvest is monitoring developments.

Strategic objectives	Strategy	Results	
<ul style="list-style-type: none"> • Meet customers' needs in local government financing. 	<ul style="list-style-type: none"> • Maintain a responsive dialogue with customers, in which their needs and challenges are in focus. • Offer cost-effective loans. • Knowledge transfer and tools to solve concrete problems in customers' everyday lives. 	<ul style="list-style-type: none"> • A customers survey is performed every two years. In the 2016 survey, Kommuninvest achieved a Customer Satisfaction Index of 86. In a similar survey for 2015, Swedish Quality Index, Swedish banks had an average CSI of 69. 	
<ul style="list-style-type: none"> • Conduct knowledge-driven operations with motivated personnel, resulting in efficient approaches, with operations being conducted with financial stability and a conservative risk appetite. 	<ul style="list-style-type: none"> • Streamlining of processes, continuous development of knowledge and renewal. • Safeguarding financial stability and a conservative risk appetite. 	<ul style="list-style-type: none"> • In the employee survey conducted in 2016, Kommuninvest's achieved a score of 69 compared with similar employers, whose average score was 71. 	
<ul style="list-style-type: none"> • Conduct stable and cost-effective proprietary debt management. 	<ul style="list-style-type: none"> • Easily accessible and secure liquidity preparedness. 	<ul style="list-style-type: none"> • In the 2016 international investor survey, Kommuninvest was placed as the third-best local government financing institution. 	

Growing market for Kommuninvest's loans

In 2016, the Swedish local government loan market grew by SEK 20 billion to SEK 568 (548)¹ 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, 48 (46) per cent was financed through Kommuninvest.

Comparison figures relating to the income statement refer to the preceding year (1 January–31 December 2015), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2015 unless otherwise indicated.

Comments on the Income statement, Balance sheet and Changes in equity are provided in connection with the statements on pages 51, 53 and 55 hereof.

Since 2013, the local government sector's total external debt has risen sharply in nominal terms, although funding remains at low levels in relative terms. Between 2013 and 2016, borrowing in nominal terms rose by about SEK 100 billion, mainly as a consequence of high levels of investment among the 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. As a proportion of Sweden's GDP, local government debt at the end of 2016 was estimated at 13.1 percent of GDP, compared with 12.4 percent in 2013.

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 2016, Kommuninvest accounted for 48 (46) per cent at the end of the year. Borrowing via the bank sector accounted for 20 (23) percent and direct borrowing via the capital market through the authorities' own bond and commercial paper programmes accounted for 31 (32) percent.

¹) 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 2016, nor the municipalities' and county councils/regions' own annual reports were available. Values and units for 2015 have been adjusted compared with the Annual Report 2015.

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

Forms of local government borrowing

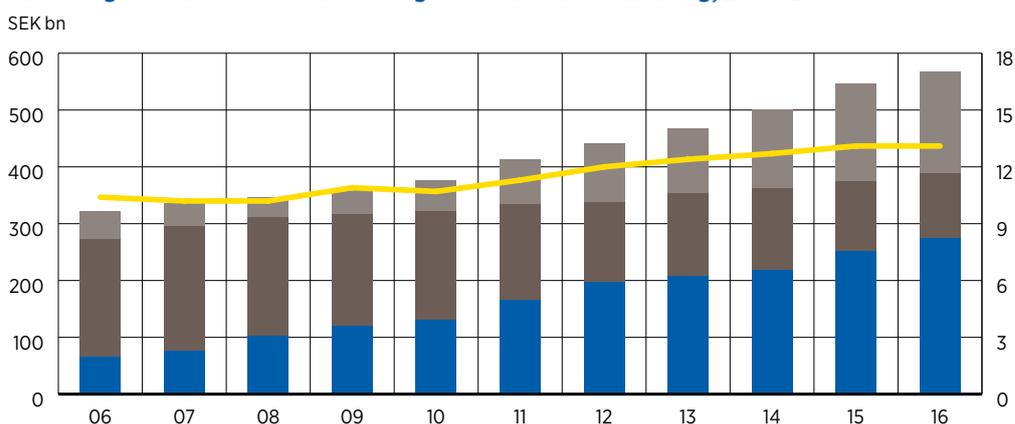
Swedish municipalities and county councils/regions have access to three main sources of loan financing:

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

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 2016 are based on estimated total debt.

- Borrowing via Kommuninvest, SEK bn
- Bank loans, SEK bn
- Borrowing through proprietary funding programme, SEK bn
- Local government sector borrowing debt as a proportion of GDP, %

The local government sector's borrowing debt and forms of financing, 2006–2016



Loans that meet customers' needs

In 2016, Kommuninvest's lending grew to SEK 277.0 (254.4) billion. The increase reflects higher local government sector investment and borrowing needs, but also Kommuninvest having increased its share of the sector's borrowing. The Company had a total 825 (853) active borrowers, either members of the Society or legal entities controlled by the members.

Strengthened market position

In 2016, 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 277.0 (254.4) billion. In nominal terms, lending was at SEK 274.0 (251.4) billion, an increase of 9 (15) percent compared with the previous year. Based on nominal volumes, the bid acceptance rate amounted to 94 (93) percent for 2016.

Of the agreed lending for the year, that is, new loans and renegotiations of existing loans, 76 (80) percent were loans with capital tied up for more than one year and 24 (20) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 38 (42) percent of volumes.

Increased volumes of Green Loans

During 2015, 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 the end of 2016, SEK 17.8 billion in Green Loans had been granted to 83 (11) projects.

236 members with access to KI Finans

As of 31 December 2016, 236 (144) members of the Society had access to Kommuninvest Finansstöd (KI Finans) – a debt management system specially developed for the local government sector. 164 (125) members in the Society had signed up for the full scale version.

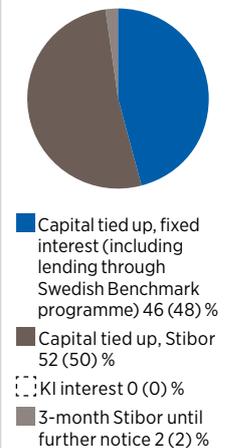
Loans provided only to Swedish municipalities and county councils/regions

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

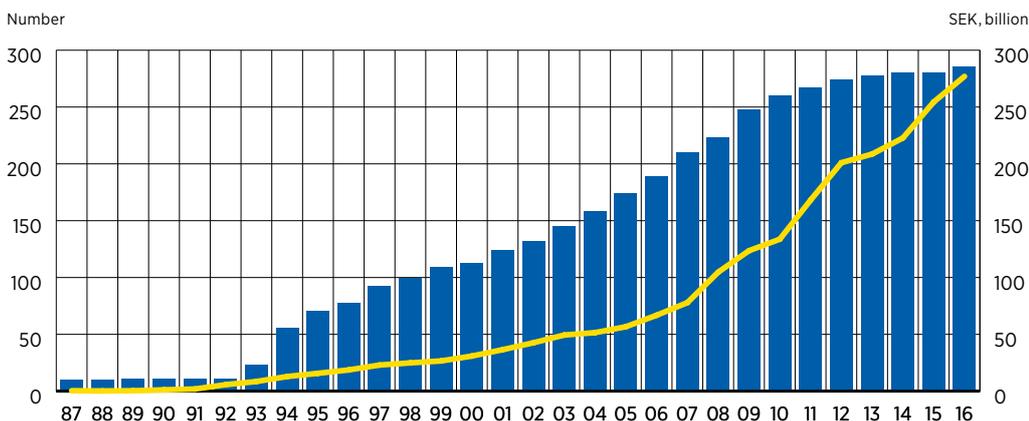
- Municipalities and county councils/regions that are members of the Kommuninvest Cooperative Society.
- Companies owned by municipalities and county councils/regions where one or several members of the Kommuninvest Cooperative Society hold more than 50 percent of that ownership and have also issued 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.

Loan portfolio per loan product

31 December 2016



Number of members and lending volume, 1987–2016



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

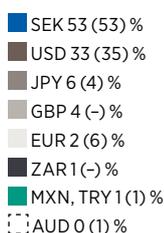
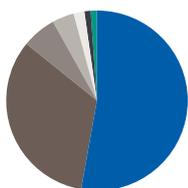
- Number of members of the Kommuninvest Cooperative Society
- Lending by Kommuninvest i Sverige AB

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 344.0 (321.2) billion.

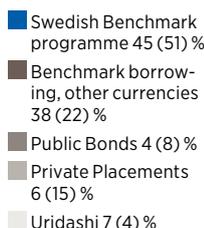
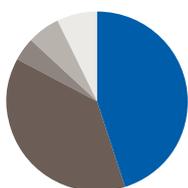
Borrowing during the year, by currency, 2016

(excl. commercial paper borrowing)



New borrowing by programme, 2016

(excl. commercial paper borrowing)



Solid demand for Kommuninvest bonds

During 2016, the Company experienced continued good demand for the securities it issues. The volatility that occurred in the market due to Brexit and the US elections was short-lived and markets recovered quickly. A certain degree of increased volatility pervaded the debt markets towards the end of the year, due to higher US policy rates.

The Company's focus on diversified funding sources and a long-term process to further develop the investor base has continued. During 2016, Kommuninvest issued its first green Bonds, which provided access to new investors with a specific mandate for supporting environmentally oriented investments. The support from Kommuninvest's core investors – 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 344.0 (321.2) billion.

Over the year, SEK 104.2 (105.9) 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 is working actively 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 2017. Securities issued by the Company are, within the EU and several other jurisdictions, the class of assets considered to be of the highest quality in the calculation of the Liquidity Coverage Ratio (LCR).

A total of SEK 46.2 (53.8) billion was issued in the Swedish Benchmark programme with SEK 149.1 (126.4) billion outstanding at the end of the year. During the year, the target of half of total borrowing being in SEK was achieved. In total, the Swedish Benchmark programme encompasses seven outstanding bonds.

Borrowing 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 borrowing 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 borrowing programmes: Swedish Benchmark Programme; benchmark borrowing in USD: ECP programme and Japanese "Uridashi" borrowing.
- Fifty percent of borrowing is to be denominated in SEK. Any borrowing not denominated in SEK is swapped to SEK, USD or EUR.

A significant issuer of SSAs

Kommuninvest issues on the international borrowing 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).

Large liquidity reserve to meet customer needs under all circumstances

To be able to provide 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 was SEK 60.1 (63.2) billion, equivalent to 22 (25) percent of the lending volume.

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. According to the Company's instructions, the liquidity reserve must not amount to less than 15 percent of the lending volume, and not exceed 35 percent of the lending volume. As of 31 December 2016, the liquidity reserve corresponded to 22 (25) 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 2016, 83 (87) percent of the reserve, excluding cash and equivalents and securities received as collateral, was eligible as collateral at central banks.

Conservative management in focus

In 2016, management was pervaded by continued caution. The proportion of investments in covered bonds declined in favour of investments in securities issued by public bodies and multilateral development banks.

At the end of 2016, 77 (77) 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. Of these, 68 (72) percent comprised investments in securities from issuers Sweden and Germany, and 11 percent (8) were issued by supranational European institutions. See Note 3 for further information on the Company's credit risk exposure.

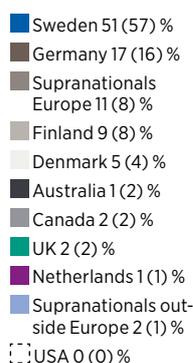
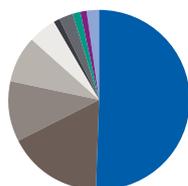
Investment rules for the liquidity reserve

- 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 S&P.
- 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 more information, please see the section Risk and capital management on pages 30–38 or Kommuninvest's website, www.kommuninvest.se

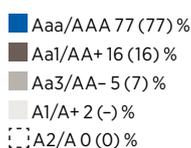
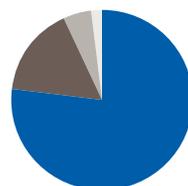
Liquidity reserve distributed by country

31 December 2016



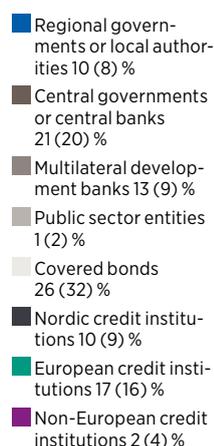
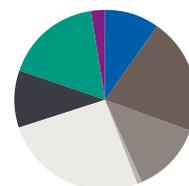
Liquidity reserve distributed by rating category

31 December 2016



Liquidity reserve distributed by issuer category

31 December 2016



Sustainable organisation with dedicated employees

Increasingly rigorous demands are imposed on Kommuninvest as an organisation by its growing operations and new regulations in the financial sector. To achieve the overall strategic objectives, work in 2016 focused primarily on competence development, internal communications and work environment issues.

Code of Conduct provides guidance

Kommuninvest is a values-driven organisation. The Code of conduct provides guidance on how company 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.

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 university degrees and many have continued their training following graduation. The number of employees (permanent and probationary) rose in 2016, by 6 (8) new employees to a total of 91 (85) employees. The average number of employees during the year was 85 (78).

Strategic competence supply

To pursue knowledge-oriented and competitive operations, during the year, a competence system was introduced that is used both operationally, tactically and strategically. Active efforts involving the entire competence supply process are aimed at managing and developing the competencies of employees and the organisation in line with operational objectives and strategies, and to attract, develop and retain employees in a structured manner.

Nurturing and developing the employer brand

To further safeguard Kommuninvest's attractiveness as an employer, an internal process has been carried out to identify the unique set of offerings, associations, values and beliefs with which the organisation is associated. The results of this process form the basis for communications with potential future employees. Central components comprise the unique basic concept, interesting tasks and favourable opportunities for professional development.

Highlighting equality and diversity

At Kommuninvest, equal opportunities are afforded to all, regardless of gender, ethnicity,

religion or belief, age, disability, sexual orientation or gender identity. The age distribution within the Company is spread evenly across the age categories, with 33 (34) percent of employees being aged 40–49 years. Of the total number of employees, 41 (40) percent were women; among senior executives, the proportion of women was 67 (67) percent. See also the summary on page 19.

Preventive healthcare efforts

To be a sustainable organisation, Kommuninvest needs to proactively assume general responsibility for all of its employees' health. Employees at Kommuninvest must be able to sustainably combine work and their private lives. As part of Kommuninvest's preventive efforts with the social and organisational work environment, the concept "Sustainable daily life at work" was launched during the year. The concept includes a broad range of initiatives, ranging from opportunities for a good physical and social work environment, training and daily exercise and health-inspired lectures to stress management and individual coaching and self-help programmes. The aim is to be able to reduce stress and illness.

Internal communications

In 2016, a major initiative on internal communications was also begun, involving all groups within the Company. The pilot study was supplemented with various training efforts, and continued initiatives include the development of policies, systems and structures for internal communications.

Management remunerations

For information on management remunerations and benefits, see page 45 and Note 8.



Social assignment attracts new Chief Strategist

In September 2016, Christian Ragnartz was appointed to a newly created position as Chief Strategist of the Business Department. "Having the opportunity to combine asset management and portfolio theory with an important social mission is something that has always attracted me."

Christian Ragnartz previously worked at Finansinspektionen, where he was deputy area manager responsible for issues and regulations related to financial markets. He also has extensive experience from institutions such as AP 7 and the Riksbank (Swedish central bank), including as chief strategist and portfolio manager. Kommuninvest had been on the Christian's radar for many years.

"For almost my entire career, I have been working with large asset portfolios for public authorities. Having the opportunity to combine asset management and portfolio theory with an important social mission is something that has always attracted me. In central or local government operations, it is easier to make that connection than when working for a private operator. The connection between Kommuninvest's work and its benefit

to society is even more direct because every day you can see the value of Kommuninvest promoting the comparative advantages of the local government authorities through cooperation," Christian explains.

He brought with him to the job his experience of how other major asset managers work, combining their management assignment with benefit to society. He has worked with many different asset classes and global capital markets, which is valuable.

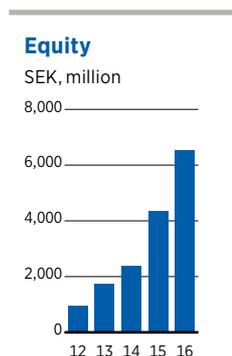
"The fact that the organisation also proved to be very modern and flexible, and at the forefront of technology and practices meant that what I had considered to be a major obstacle – the commute from Stockholm to Örebro – wasn't an obstacle at all," Christian concludes.



"The fact that the organisation also proved to be at the forefront of technology and practices meant that what I had considered to be a major obstacle – the commute from Stockholm to Örebro – wasn't an obstacle at all."

Financial position

In 2016, shareholders' equity rose by SEK 2,169.7 (1,968.9) million to SEK 6,514.0 (4,344.3) million, mainly attributable to new issues of shares to the Society. The total capital base was SEK 6,641.1 (3,931.7) million, which gave a total capital ratio of 122.1 (59.8) percent.



Total assets increased to SEK 361,725.4 (340,626.3) million at year-end, as a result of increased lending by SEK 22,560.4 (31,618.0) million.

Equity

As of 31 December 2016, equity amounted to SEK 6,514.0 (4,344.3) million. In addition to new share capital being paid in, equity was mainly affected by the profit for the year (for further details, see Statement of changes in equity on page 54).

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 1,490.7 (1,880.0) million during the year through new share issuance. At the end of the year, share capital amounted to SEK 5,417.1 (3,926.4) million, divided into 54,170,590 (39,263,850) shares. SEK 682.9 million, divided into 6,829,410 shares, was registered as a pending case with the Swedish Companies Registration Office and was registered as equity on 2 January 2017.

Subordinated liabilities

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

Distribution of surplus in 2017

Pending a decision by the 2017 Annual General Meeting of the Society, the Society will also apply refunds and interest on contributions for the distribution of surpluses for the 2016 financial year. For this, in its annual accounts for 2016, the Company made a group contribution of SEK 458.7 (545.4) million and a proposed distribution of surplus of SEK 445.4 (500.7) 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, 75 or 100 percent of the highest contribution level. Payments

of surplus distributions, payments of capital contributions to the Society and of possible capital reinforcement to the Company are expected to take place within three months of a decision. The calculated but yet to be approved capital contribution amounts to SEK 34.9 (90.7) million.

Capital adequacy

The Company is well capitalised to meet the risks in the operations, with capital ratios exceeding the required minimum standards by a good margin. The core Tier 1 capital amounted to SEK 5,641.1 (2,931.7) million, entailing a core Tier 1 capital ratio of 103.7 (44.6) percent. The total capital base was SEK 6,641.1 (3,931.7) million, which gave a total capital ratio of 122.1 (59.8) percent. For further details, see page 38.

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 Shareholder contributions of SEK 2,173.6 million, SEK 1,490.7 million was approved as core Tier 1 capital as per 31 December 2016. An application for the remaining portion of the year's shareholders' contribution, SEK 682.9 million, to be approved as core Tier 1 capital, was registered with FSA (Swedish Financial Supervisory Authority) on 10 January 2017.

The Company's leverage ratio, reported according to CRR, was 1.56 (0.87) percent at end of 2016. The requirement remains to be set, see page 38.

Rating

The Company holds the highest credit ratings: Aaa from Moody's and AAA from S&P. In October and July 2016, the rating institutes confirmed the Company's 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 51, 53 and 55 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	309,849,639
profit brought forward	75,261,286
fair value reserve	9,808,169
total	394,919,094

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 122.1 (59.8) percent, compared with the requirement, including buffer requirements, of 11.7 percent. Following the proposed distribution of profit, the capital base amounted to SEK 6,641.1

be appropriated as follows

To be carried forward	394,919,094
<i>of which funds to Fair value reserve</i>	9,808,169
<i>of which funds to Profit brought forward</i>	385,110,925

(3,931.7) million and the final minimum capital requirement to SEK 435.1 (526.4) million. A specification of items can be found in Note 30 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. See also note 11 on page 71.

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 2016 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. In accordance with the ownership directive, the Company's risk management is designed for operations to be conducted with a low level of risk taking. See page 32 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 appetites describe 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 tolerate 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 assignment, the Company borrows money on the financial market and lends money to customers. Unlike many other

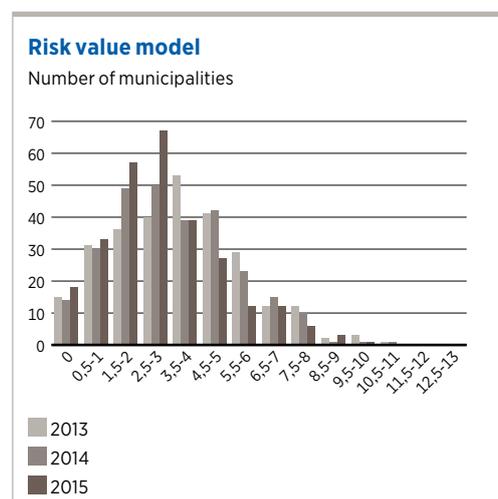
credit institutes, the Company conducts no deposit or active trading operations.

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 2016, 82 (79) percent of Kommuninvest's credit risk exposure was towards Swedish municipalities and county councils/regions in the form of loans; 18 (20) percent of the exposure was towards states and other issuers of securities in the form of investments; and 0 (1) percent of the exposure was towards derivatives counterparties. The total credit risk exposure is detailed in Note 3. For derivatives exposures netted by counterparty see Note 29.

Credit risk is divided into risk in credit provision, 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 which 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 membership applications and on an ongoing basis during their membership. To obtain an overall view of a member's financial situation, a quantitative risk value analysis is performed. The analysis includes the income statement, balance sheet, demographics and risks in municipal operations. Based on this analysis, each of the Society's member municipalities is allocated a risk value between 0 and 13, where a lower risk value is better. How the local government authorities are distributed between the various risk groups is illustrated in the diagram "Local government authorities by risk value" on page 30.

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. Members with a high risk value, extensive debt and an unfavourable trend are subject to additional monitoring. They may also be charged an administrative fee to cover any additional expenses the Company incurs for this monitoring.

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 2016, the ten largest borrowers accounted for 19 (20) 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. These borrowers are characterised by being relatively large and growing municipalities, with significant operations in a company form.

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 owner society's 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. Of the total liquidity reserve, at least 97 percent shall, at any given time, be invested in securities and bank deposits with a rating of at least A from S&P 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- (S&P). 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.

Interest-rate contracts entered into as of October 2016 must be cleared by a central clearing counterparty. This further limits the counterparty risk.

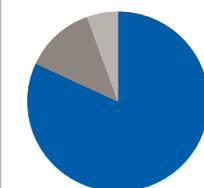
Membership of ISDA

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 exposure comprises the expense of entering an equivalent contract in the market. Such expense 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.

Credit risk exposure

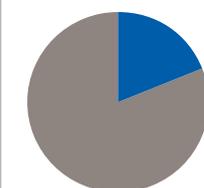
31 December 2016



- Lending, 0 percent risk weight, 82 (79) %
- Liquidity reserve, 0 percent risk weight 12 (12) %
- Liquidity reserve, 10 and 20 percent risk weight 5 (8) %
- Liquidity reserve, 50 percent risk weight - (-) %
- Derivatives 0 (1) %

Credit concentration, distribution of lending

31 December 2016



- Ten largest lending counterparties 19 (20) %
- Other lending counterparties 81 (80) %

Kommuninvest's risk management in brief

DESCRIPTION

RISK MANAGEMENT

Credit risk

Risk in credit provision

Credit provider risk refers to the risk that a credit counterparty is unable to meet its obligations.

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 group limit for all members. The limit entails a maximum level on the Group's net consolidated debt per inhabitant. 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.

Issuer risk

Issuer risk refers to the risk that the issuer of a security fails to repay its full undertaking on maturity.

Investments are made in securities issued primarily by governments, government-guaranteed issuers and covered bonds. Of the total liquidity reserve, at least 97 per cent shall, at any given time, be invested in securities and bank deposits with a rating of at least A from S&P 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.

Counterparty risk

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.

New contracts may only be entered with counterparties with a rating of at least Baa1 from Moody's or BBB+ from S&P. 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. Derivatives 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 Company's Board of Directors, through instructions, decides on how ISDA and CSA agreements should be designed.

Market risk

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.

Kommuninvest's operations and business model give rise to market risks in the form of interest rate risk, currency risk, credit market risk, other price risks and liquidation risk. Market risk is measured and monitored continuously. Most interest rate and currency risks and 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.

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 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.

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.

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 to enable reporting and follow-up of undesired events. Good governance and control mean that the operational risk is kept at a controlled and acceptable level.

Collateral agreements

To limit the risks arising because of value changes to derivatives and repo transactions, the Company enters collateral agreements with its counterparties – CSAs (Credit Support Annexes) for derivatives contracts and GMRAs (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 credit-worthiness determined in the agreement is what determines when collateral should be pledged and how much collateral there should be. Collateral agreements are intended to mitigate the credit and counterparty risk associated with receivables.

Counterparty exposure in 2016

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 877.7 (1,723.0) million as of 31 December 2016. For further information on netting and collateral, see Note 3, under the heading Member responsibilities and Note 29.

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 individual counterparties. Concentrations towards issuers in the investment portfolio are also limited by country limits.

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 risks such as 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 15 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 25 million over a period of at most five consecutive business days.

On 31 December 2016 the risk in the entire portfolio was SEK -21.0 (-10.0) million in a one (1) percentage point parallel shift in the yield curve. On 2 January 2017 the risk in the entire portfolio was back inside the limit, at SEK -13.1 million. On 31 December 2016, the interest rate risk per currency was: SEK -10.4 (7.1) million, EUR 0.1 (0.0) million and USD -10.8 (-2.9) 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.

Further information on fixed interest terms and interest rate exposure is given in Note 3.

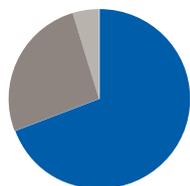
Foreign exchange risk

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

Liquidity reserve distributed by risk weight

31 December 2016



- 0 percent risk weight, 69 (62) %
- 10 percent risk weight, 26 (32) %
- 20 percent risk weight, 5 (6) %
- 50 percent risk weight, - (-) %

income generated on returns on foreign currency investments. This risk is limited by continuously converting such returns into SEK. The Company's currency exposure is shown in Note 3 under the heading Currency risk. The exposure means that a 10-percent strengthening of the SEK would cause the Company's profit to decrease by SEK 0.2 (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 valued at fair value. 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 2016, the Company's credit market risk meant that a one (1) basis point parallel shift upwards in the market basis swap and credit market spreads would have changed the Company's earnings, reported in accordance with IFRS, by SEK 6.6 (2.6) million.

Other price risks

Other price risks refers to the risk that a change in the pricing situation of underlying assets, such as shares or share 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 before settlement is unable to meet its obligations and that the Company

incurs increased expenses 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 expense 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 programmes are the Company's Swedish Benchmark programme, USD benchmark funding 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.

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.

As in previous years, the Company had good access to liquidity, in both long-term and short-term funding, in 2016. Among other things, the Company has implemented several issues within the framework of the Swedish Benchmark programme, two benchmark borrowings in USD, and issued Green Bonds in both SEK and 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.

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 2016 on page 53). At the end of the year, the average maturity on the Company's outstanding borrowing was 2.6 (2.8) 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 2.1 (2.2) 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 lending portfolio was 2.3 (2.2) years. The average period for which capital is tied up in the Company's liquidity reserve was 1.7 (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. According to the Company's instructions, the market value of the liquidity reserve may not be less than 15 percent and not more than 35 percent of the total lending volume. The liquidity reserve contains securities of high credit and liquidity quality, which are largely eligible as collateral at central banks.

The high proportion of government bonds and other liquid assets in the Company's liquidity reserve also mean that the liquidity cover 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. The Company has minor outflows in EUR, explaining the variations in the LCR in EUR between reporting dates.

As per 31 December 2016, the Company's LCR according to Finansinspektionen totalled 7.1 (3.4), 12.9 (7,742) in EUR and 14.7 (6.1) in USD. As per 31 December 2016, the Company's LCR according to the EU Commission's delegated act totalled 7.0 (3.2) and 11.3 (5.5) in USD. Since EUR does not constitute a significant currency, the Company need not report LCR for EUR.

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". As per 31 December 2016, the estimated period of survival, while maintaining normal business operations, was 7.5 (9.4) months.

During the year, the Company conducted stress tests of how the liquidity reserve is affected by new regulations regarding CSA agreements. The results of the stress tests were satisfactory but indicated certain liquidity challenges in the event of stress.

The Company's liquidity exposure with regard to remaining durations on assets and liabilities is

shown in Note 3 under the heading Maturity information. The cash flow statement also details the Company's liquidity situation.

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. Certain operational processes are executed according to a "four eyes" principle, which requires sign-off by at least two employees.

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.

Liquidity coverage ratio (LCR) according to Finansinspektionen

On report date in 2016

31 March	
LCR total	5.48
LCR EUR	71,794.14
LCR USD	7.50

30 June	
LCR total	7.22
LCR EUR	4.91
LCR USD	21.88

30 September	
LCR total	6.72
LCR EUR	2,044.54
LCR USD	48.26

31 December	
LCR total	7.09
LCR EUR	12.86
LCR USD	14.71

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

On report date in 2016

31 March	
LCR total	4.67
LCR USD	7.51

30 June	
LCR total	7.12
LCR USD	7.66

30 September	
LCR total	7.04
LCR USD	40.32

31 December	
LCR total	7.0
LCR USD	11.28

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 mitigate the risk of 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 expenses 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.

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 a procedure for developing strategic targets set by the Board of Directors. Strategic risks are limited by strategic decisions being made on the basis of well-founded analyses and decisions of a strategic nature often being made by the Board of Directors.

RESIDUAL RISK

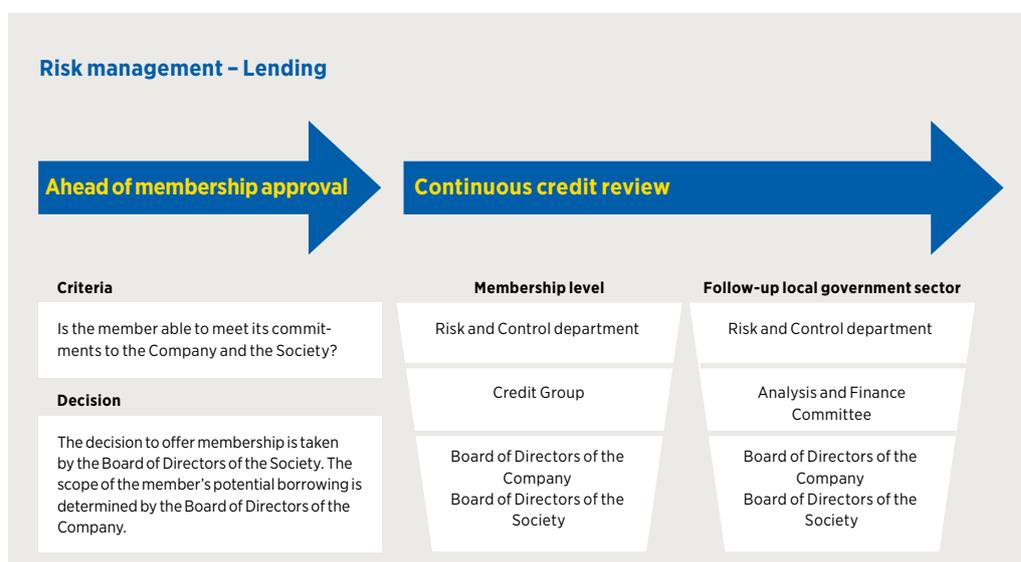
Residual risk is the risk that established techniques for risk assessment and risk reduction applied by the Company prove to be less effective than expected.

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 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 characterised 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 and operational risks, as well as limit controls, 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 that which 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 regulations, 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 Group functions as a preparatory body in the assessment of new counterparties, new financial instruments and other credit issues requiring decisions by the Board or the President. The Company's Asset Liability Committee (ALCO) is responsible for preparing matters concerning market risk and liquidity that require a decision by the Board of Directors or the President.

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, forecasts for lending and other balance sheet items as well as future regulation, but also forecasts for business margins and

costs. As a support to the capital plan, the Company's owner directives determine the desired risk appetite and sets clear targets with regard to capital structure.

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.

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 communicate analyses and conclusions to Finansinspektionen. Within the Company, the Finance department is responsible for preparing the ICLA. The Risk and Control department performs quality assurance related to the ICLA, for example by assessing calculations.

The Company's capital assessment shows that the Company meets all known requirements in accordance with both current and future regulations (primarily CRR/CRD IV¹ – Capital Requirements Regulation/Capital Requirements Directive IV; and EMIR² – European Markets Infrastructure Regulation). However, uncertainty prevails regarding the introduction of a leverage ratio requirement in the EU. See further information on the next page.

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

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

Risk organisation – Clear allocation of responsibilities

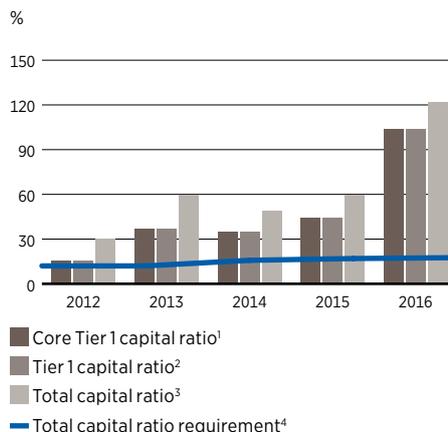
- The Board of Directors sets risk policy and risk limits.
- The President is responsible for the limits not being exceeded and has delegated the opportunity to apply lower limits in their respective areas to the business functions within the Company.
- The Company applies the principles of a first,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

Capital adequacy

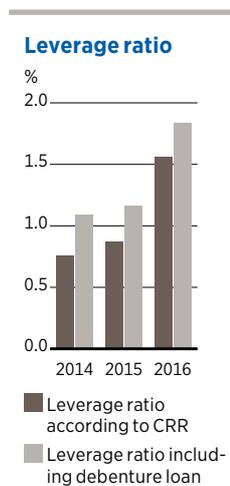
On 31 December 2016, the Company's risk exposure amount (REA), calculated in accordance with the CRR, to SEK 5,438.4 (6,578.9) million. The core Tier 1 capital amounted to SEK 5,641.1 (2,931.7) million, entailing a core Tier 1 capital ratio of 103.7 (44.6) percent. The statutory requirement, including buffer requirements, totalled 8.2 (7.8) percent. Tier 1 capital was SEK 5,641.1 (2,931.7) million and the Tier 1 capital ratio was 103.7 (44.6) percent. The statutory requirement, including buffer requirements, was 9.7 (9.3) percent. The total capital base was SEK 6,641.1 (3,931.7) million, which gave a total capital ratio of 122.1 (59.8) percent. The statutory requirement, including buffer requirements, was 11.7 (11.3) percent. Transitional regulations do not significantly affect the Company's capital ratio and other measures of capital.

The reason for the Company's ample capital ratios is the build-up of capital having taken place prior to the introduction of a leverage ratio, see below.

Capital adequacy



- 1) Core Tier 1 capital in relation to total risk exposure.
- 2) Tier 1 capital in relation to total risk exposure.
- 3) Total capital base in relation to total risk exposure.
- 4) 2014/2015/2016: capital requirement under CRR of 10.5/11.3/11.7 percent, of which the buffer requirement 2.5/3.3/3.7 percent. 2012-2013: capital requirements under Basel III: 8 percent.



Disclosure requirements, CRR
Further disclosures in accordance with the EU Capital Requirements Regulation (CRR) can be found at www.kommuninvest.se

Leverage ratio – Kommuninvest's plan and preparations

Effective from 1 January 2018, the planned new capital requirement measure, leverage ratio, is to be introduced in the EU. Leverage ratio is defined as the primary capital divided by total exposures in assets and liabilities. The leverage ratio has been reported to the relevant authorities since 2014.

In November 2016, the European Commission published its recommendation for a review of the capital adequacy rules (CRD/CRR IV), including proposals regarding the leverage ratio. The European Commission's proposals include a specific leverage ratio regulation for "public development credit institutions" (PDCI), among which Kommuninvest may be included. Among other things, the institute's operations are to be restricted to specified public purposes and have guarantee arrangements covering its exposures. Nor may the institution have any vested interests in generating profits.

If the proposal is implemented, and Kommuninvest is regarded as a PDCI, lending would be deducted from the exposure measurements applied in the calculation of the leverage ratio. Calculated in this way, Kommuninvest meets the leverage ratio of 3 percent being discussed by a good margin. However, the European Commission's proposal is not final and a process of negotiation has been initiated. Kommuninvest is participating actively in these developments.

Kommuninvest's capitalisation – an ownership responsibility

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, taking all of the Group's exposures into account. Should the final design of the leverage ratio requirement entail additional capital strengthening being required, the Society plans primarily to turn to its members. Measures may include additional contribution capital as well as Tier 1 capital instruments in the form of subordinated loans, "överinsats" or "förlagsinsats" contributions from the Society's members.

However, the Society's statutes do 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, other Tier 1 capital instruments may also be issued to other capital market actors.

Leverage ratio 2016

As per 31 December 2016, the Company's leverage ratio, reported according to CRR, was 1.56 (0.87) percent. Including the debenture loan of SEK 1 billion that the Company issued to the Society in 2010, the leverage ratio was 1.84 (1.16) percent.

However, the terms of the debenture loan are such that it may not be included as Tier 1 capital under CRR. Until the conditions for the leverage ratio requirement have been clarified, the Society is holding on its plans to replace the existing subordinated loan between the Society and its members with a new subordinated loan or other form of capital that can be included in Tier 1 capital. The plan to replace the subordinated loan between the Company and the Society remains unchanged.

How the Company estimates its leverage ratio according to CRR is presented in Note 31 on page 83.

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.

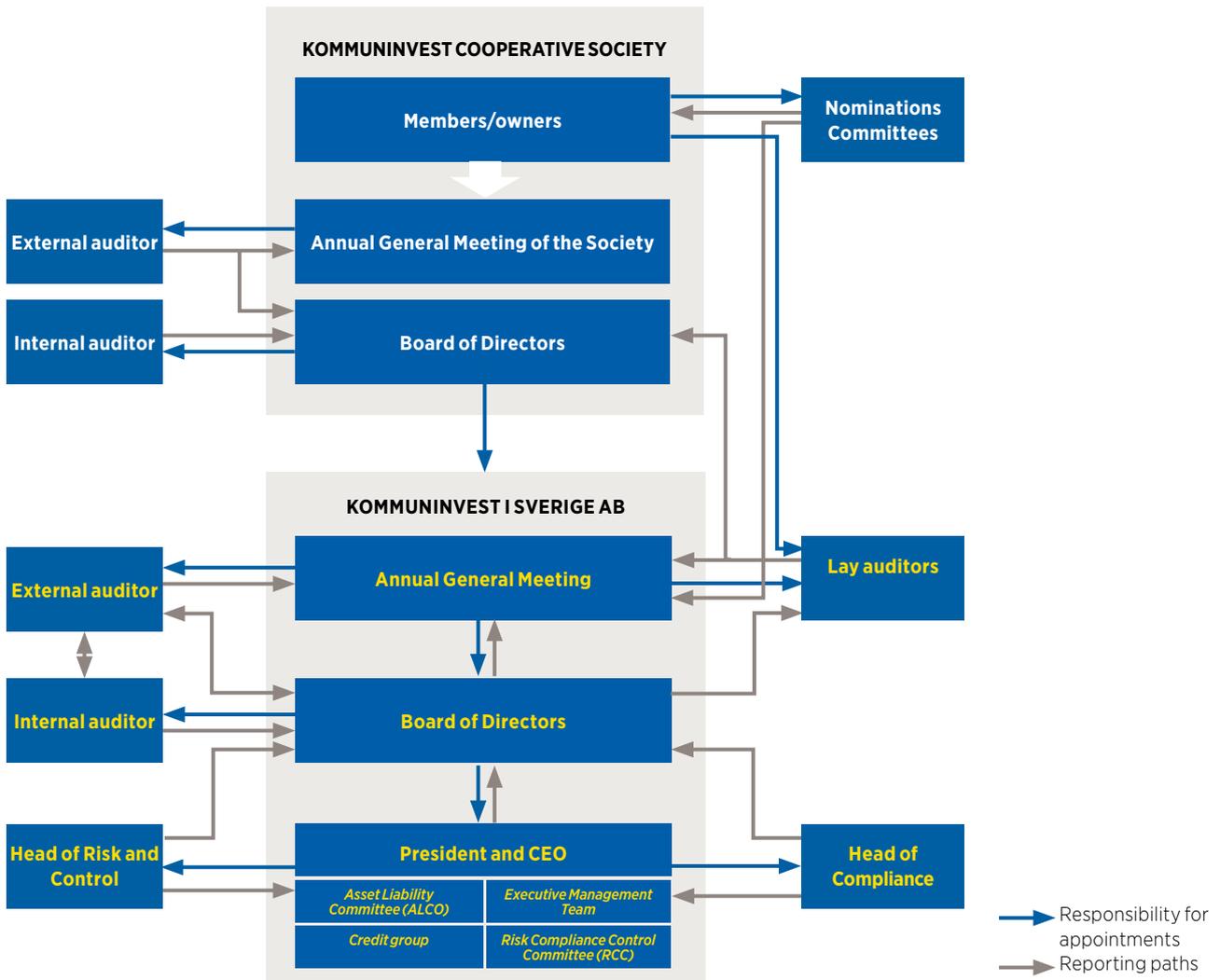
Together with the Society and Kommuninvest Fastighets AB, the Company forms a financial group of companies, the Kommuninvest Group (the Group). Since the Company issues debt instruments that are listed for trading in a regulated market, the Company is legally bound to present a corporate governance report.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



appointed by an Annual General Meeting (AGM). 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 AGM 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 ESAs (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 AGM, 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 AGM. 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 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 AGM 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

More information about Kommuninvest's corporate governance

The following information can be accessed via Kommuninvest's website 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.

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 21.

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. These duties are performed instead by the Chairman of the Board, who is presented on page 43.

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.

Audit committee

Within the Company, the Board of Directors performs the duties assigned to an audit committee. During 2016, the audit committee convened twice. The matters dealt with included risk control of the annual accounts 2015 and interim accounts 2016, including the review reports by the internal and external auditors. The committee also dealt with a report regarding the Company's control environment, a so-called Assurance mapping.

Shareholders and Annual General Meeting

The Society owns all of the shares in the Company and exerts its influence at the AGM. The AGM of the Company was held on 21 April 2016, in immediate connection with the AGM of the Society.

The AGM of the Company approved the Annual Report for 2015 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 AGM approved the distribution of earnings proposed by the Board of Directors and the President.

The AGM re-elected board members Ellen Bramness Arvidsson, Anna von Knorring, Johan Törn-gren, Anna Sandborgh, Kurt Eliasson and Erik Langby. Lars Heikensten was elected as a new member. Ellen Bramness Arvidsson was re-elected as the Chairman of the Board. Anders Pelander was elected as employee representative. During the autumn of 2016, Nedim Murtic replaced Anders Pelander as employee representative, with Ulrika Gonzalez Hedqvist as the replacement employee representative. No one from the Executive Management Team of the Company sits on the Board of Directors.

The AGM also made decisions on the following matters:

- Adoption of owner directives
- Determination of a formal work plan for the Nomination Committee
- 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 and Kommuninvest Fastighets 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.

Election Committee of the companies owned by the Society 2016/2017

Göran Färm (S), Municipality of Norrköping, Chairman
Linda Frohm (M), Municipality of Kalix, Vice Chairman
Ewa-May Karlsson (C), Municipality of Vindeln
Margreth Johnsson (S), Municipality of Trollhättan

Further information on the Election Committee, including its complete formal work plan, is available at www.kommuninvest.se.

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 predetermined 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.

The Board consists of eight 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 2016, the Board of Directors of the Company consisted of Ellen Bramness Arvidsson (Chairman), Kurt Eliasson, Lars

Heikensten, Anna von Knorring, Erik Langby, Anna Sandborgh and Johan Törngren, and employee representative Nedim Murtic. Nedim Murtic replaced Anders Pelander as employee representative in the autumn of 2016, with Ulrika Gonzalez Hedqvist as the deputy employee representative. The members are presented on page 43.

Remunerations

For 2016, the AGM determined that the Chairman of the Board receive a fee of SEK 550,000 (550,000). For the other members a fixed fee of SEK 300,000 (300,000) was determined. 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 2,258,000 (1,895,000) for 2016.

Work of the Board of Directors in 2016

In 2016, the Board of Directors held 8 (9) ordinary meetings, and 1 (1) inaugural meeting. In addition to ongoing matters, agendas and decisions have involved:

- Strategic objectives
- Internal capital and liquidity assessment
- New issues
- Risk framework
- Recovery plan
- Capitalisation issues
- Remuneration issues
- Updates of loan programmes
- Matters associated with new regulations
- Board evaluation
- Counterparty limits
- Customer and employee survey
- Valuation principles
- Organisational issues
- Personnel and innovation issues
- 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 from 2006 to 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, Chairman of Public Partner AB, member Karlstad Innovation Park.



KURT ELIASSON

Consultant

Elected: Member since 2010.

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

Previous positions: President SABO, CEO Förvaltnings AB Framtiden, Board Member Riksbanken, Chairman Chalmers University of Technology Foundation.

Other assignments: Chairman Förvaltnings AB Järntorgskvarteret.



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.



LARS HEIKENSTEN

Executive Director, Nobel Foundation

Elected: Member since 2016.

Education: PhD Economics Stockholm School of Economics, Honorary Doctor Umeå University and Gustavus Adolphus College (USA).

Previous positions: Member of the European Court of Auditors, Governor of the Riksbank, Member of the Board of Directors of the Bank of International Settlement (BIS) and the ECB's general council, Chief Economist at Handelsbanken and Head of the finance department at the Swedish Ministry of Finance.

Other assignments: Chairman of the Board, Trygghetsstiftelsen



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 business owner

Elected: Member since 2015.

Education: Stockholm University, individual courses.

Previous positions: Chairman of the Executive Board and Municipal Commissioner, Municipality of 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: Member Atrium Ljungberg AB, Chairman Nacka Strands-Mässan AB, AB Solom and Texab AB.



NEDIM MURTIC

Employee representative

Elected: Member since 2016.

Education: Masters in Business Administration, University of Örebro. Certified Financial Analyst, Stockholm University.

Position at Kommuninvest: Customer Manager.

Other assignments: Vice Chairman of Kommuninvest Fastighets AB, member of the local union.

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 and Kommuninvest Fastighets AB. 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 2016 Annual General Meeting, KPMG AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2020. KPMG

AB has appointed authorised public accountant Anders Tagde as chief auditor. The auditor with overall responsibility meets the Board of Directors at least twice a year. Worth mentioning among Anders Tagdes's other auditing assignments are Nordic Investment Bank and OK-Q8 Bank.

Lay auditors

The lay auditors regularly meet the external auditors, 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 2016 Annual General Meeting of the Society, the following lay auditors for the Company were appointed for the period extending until the end of the 2020 Annual General Meeting:

Barbro Hassel (S), Municipality of Skara (newly elected)

Cecilia Löfgren (M), Municipality of Järfälla (newly elected).

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

Name	Position of dependence	Attendance, Board meetings 2016	Remuneration 2016, SEK	Remuneration 2015, SEK
Ellen Bramness Arvidsson	Independent	8 (of 9)	550,000	500,000
Anna von Knorring	Independent	9 (of 9)	300,000	263,333
Kurt Eliasson	Independent	9 (of 9)	300,000	263,333
Johan Törngren	Independent	9 (of 9)	300,000	253,333
Erik Langby	Independent	9 (of 9)	300,000	225,000
Anna Sandborgh	Independent	8 (of 9)	300,000	263,333
Lars Heikensten	Independent (newly elected in 2016)	5 (of 6)	207,500	-
Catharina Lagerstam	Independent (stepped down in 2015)	-	-	63,333
Lorentz Andersson	Independent (stepped down in 2015)	-	-	63,333
Nedim Murtic	Employee representative (newly elected in 2016)	3 (of 3)	Not remunerated	Not remunerated
Anders Pelander	Employee representative (stepped down in 2016)	7 (of 8)	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 2016, in addition to the President, the Executive Management Team consisted of Maria Viimne (Deputy CEO and Chief Operating Officer, COO), Johanna Larsson (CFO), Malin Norbäck (Chief of Staff), Britt Kerkenberg (CRO) and Christofer Ulfgren (CIO).



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 AND COO

Education: Mälardalen University, B.A. Economics. candidate. Stockholm University, Master of Laws. University of Rotterdam and University of Hamburg. European Master in Law & 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	2016	3,181,015	90,192	-	951,711	4,222,918
	2015	3,038,063	91,092	-	765,581	3,894,736
Maria Viimne	2016	2,036,770	-	-	461,729	2,498,499
	2015	1,993,017	-	-	343,752	2,336,768
Other Executive Management Team ¹	2016	3,011,950	8,734	-	887,556	3,908,240
	2015	3,791,792	14,037	-	1,144,566	4,950,395
Employees who have a material impact on the Company's risk profile ²	2016	16,345,388	46,339	-	3,656,964	20,048,691
	2015	9,673,684	17,574	-	1,813,108	11,504,366

1) Salary and remuneration to others in the Executive Management Team do not include remuneration to one member who is acting as contract personnel. See also Note 8 on page 68.

2) In addition to the Executive Management Team, the Group comprises 24 employees with the following positions: Head of Funding, Head of Lending and Client Managers, Investment Managers, Head of Financial Analysis, Accounting Manager, Head of Internal Audit, General Counsel and Chief Compliance Officer. In 2015 this group included 12 employees, which is why the data for 2016 and 2015 are not comparable.

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

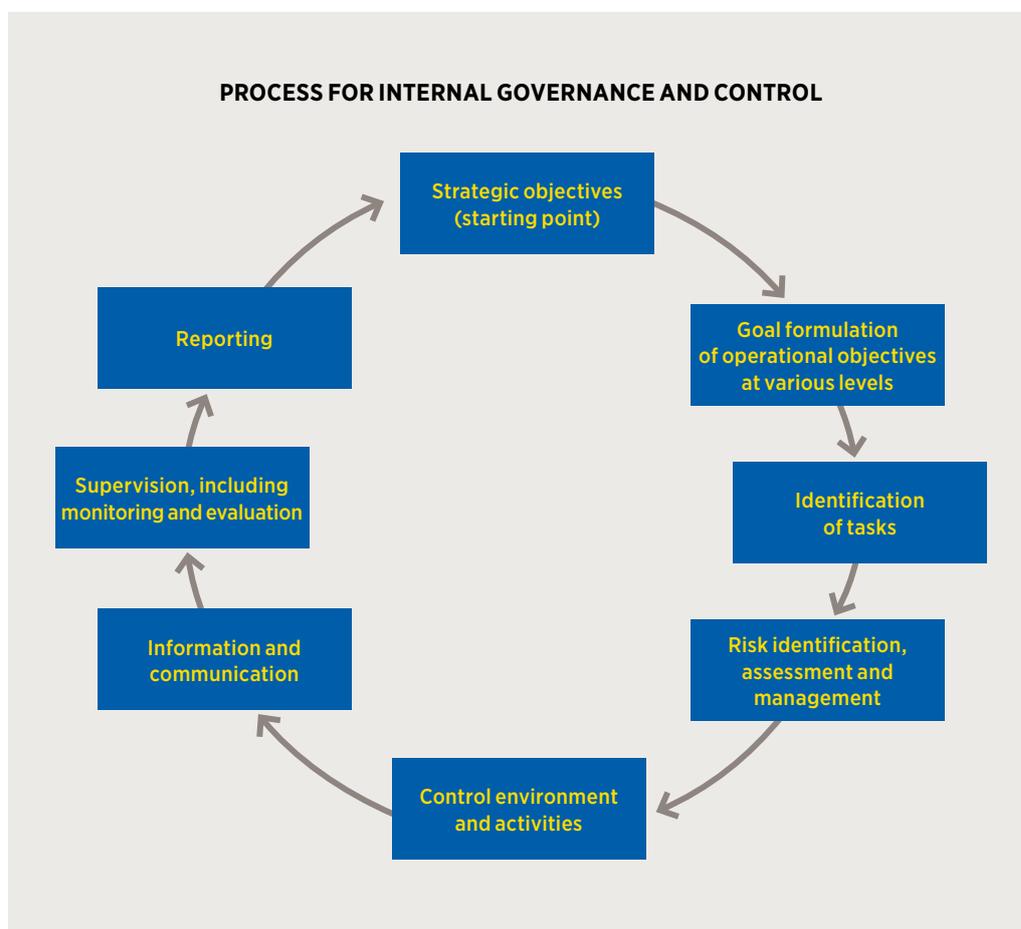
Kommuninvest i Sverige AB's process for the internal control of the financial reporting process is based on the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO, 2013). The COSO framework comprises five components: control environment, risk assessment, control activities, information and communication, and monitoring. The Company's process is based on the targets set for the operations having been designed to ensure an appropriate and effective organisation and management, reliability of financial reporting and a good capacity to comply with laws and regulations, internal rules, as well as generally accepted practices and standards. The process is illustrated below.

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/Sustainability 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 encompassing all departments, groups, and essential processes in 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.

Risk assessment is carried out also for company data (projects, tasks or activities), from the perspectives of business/effect and project risks.

Operational processes

The Company's operational processes are the recurring and inter-linked activities performed to satisfy the needs of members and customers. In Kommuninvest's case, the fundamental business processes

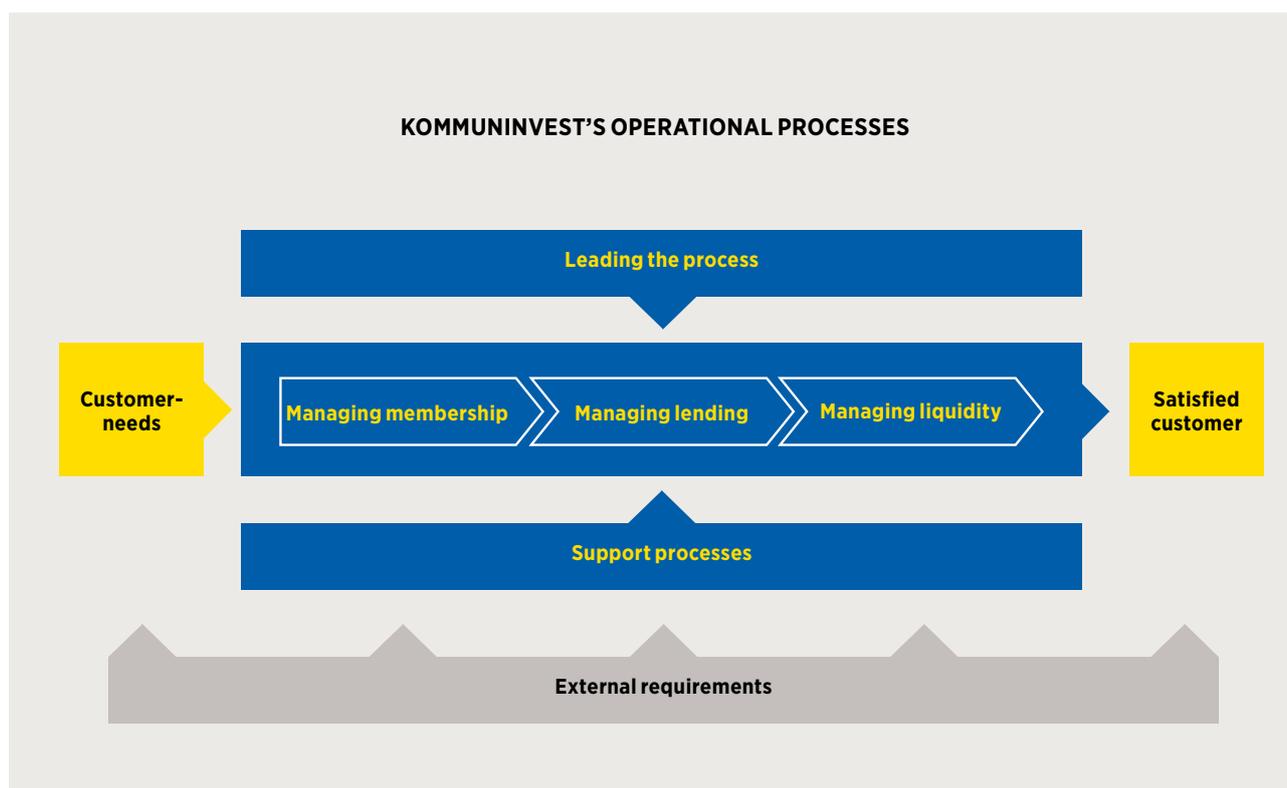
are Managing membership, Managing lending and Managing liquidity. The operational processes are not restricted to individual departments, but normally cut across several departments.

The operational processes are complemented by a Leadership process and Support processes. The Leadership process is one of the most important processes and serves to reach decisions regarding the Company's goals, strategies, rules and limits, as well as on implementing planning, management, improvement and review of the organisation's other processes.

Support processes within the Company support direct or indirect operational processes. They normally have other processes or internal stakeholders as direct customers. Support processes are needed for the operational processes to function as well as possible and should be assessed based on how well they are able to support operational processes.

Control activities

The Company's control structure is based on control activities defined and described in light of the identified risks. The organisation of the control environment is divided into three lines of defence, as described below. Checks are performed in the Company's first and second lines of defence. Review is conducted in the third line of defence, by the internal audit.



1. *The first line of defence* lies in the operations and is responsible for the identification, control and management of the risks arising there.
2. *Second line of defence* is separate from the operations, and consists of the Risk and Control Department, and the compliance function. These monitor and check how risks and compliance are managed by the operations. The functions provide support in the introduction of effective risk management processes and regulatory compliance controls, as well as in connection with internal risk reporting. They are also tasked with reporting internally and externally.
3. *Third line of defence* is the internal audit unit, which, in a risk-based manner, reports to the Board and Management on how the Company assesses and manages its risks. This includes the procedures of the first and second lines of defence.

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 annually. 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), the Risk Compliance Control Committee (RCC) and the credit group. The fact

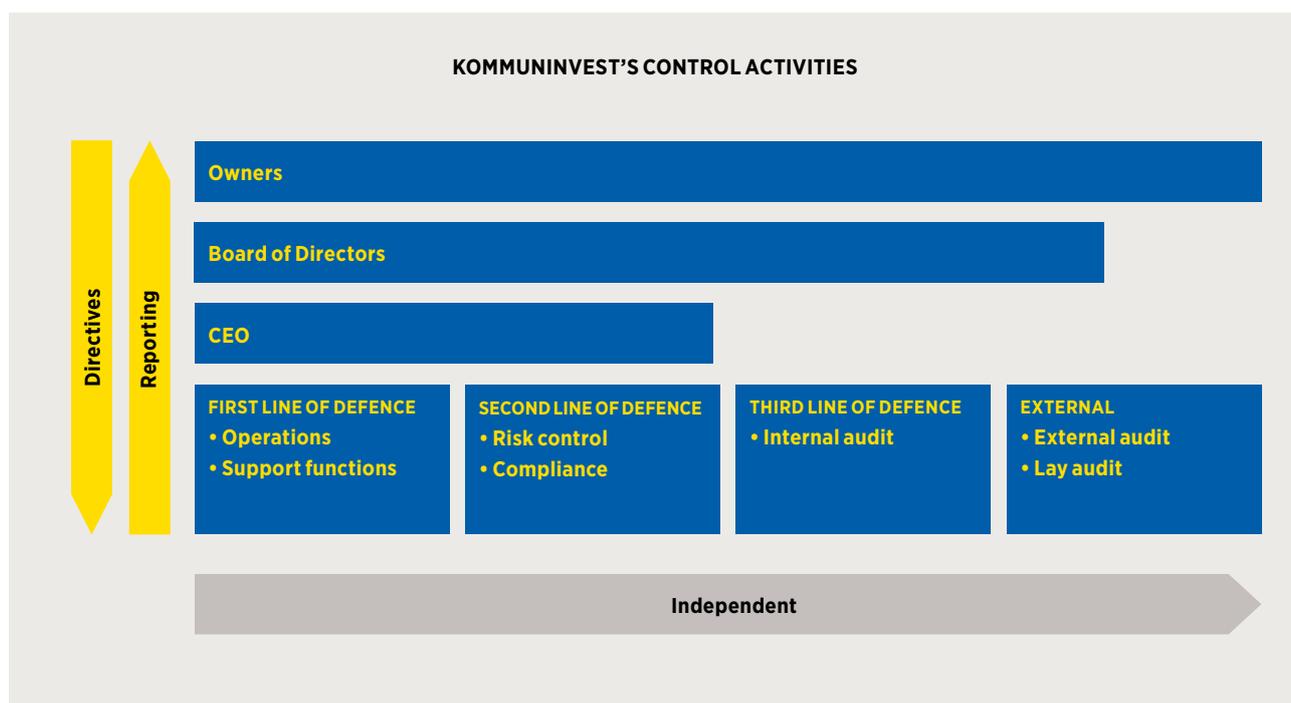
that more or less all of the Company's employees are gathered at a single office encourages and promotes communication between employees in different areas of operations, and between employees and managers.

Monitoring

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 Board of Directors continuously evaluates the information submitted by management and the control functions. This monitoring ensures, among other things, that action is taken to rectify any deficiencies, and that the proposed measures emerging from the annual self-assessment and internal and external audits are taken into account. Beyond that, management, the internal audit and the risk control and compliance functions perform regular checks and audits.

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



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Income statement

1 January – 31 December

SEK, million	Note	2016	2015
Interest revenues	2	654.0	1,438.3
Interest expenses	2	108.0	-639.8
NET INTEREST INCOME	4	762.0	798.5
Commission expenses	5	-5.2	-5.3
Net result of financial transactions	6	-131.9	165.7
Other operating income	7	5.4	2.7
TOTAL OPERATING INCOME		630.3	961.6
General administration expenses	8	-221.0	-283.0
Depreciation of intangible assets	19	-4.2	-4.0
Depreciation of tangible assets	20	-1.9	-1.9
Other operating expenses	9	-5.0	-4.2
TOTAL OPERATING EXPENSES		-232.1	-293.1
Impairment of financial assets		-	-13.0
OPERATING PROFIT		398.2	655.5
Tax expense	10	-88.4	-94.2
NET PROFIT	11	309.8	561.3

Statement of comprehensive income

1 January – 31 December

SEK, million	Note	2016	2015
NET PROFIT		309.8	561.3
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to the income statement			
Available-for-sale financial assets		56.6	-60.2
Available-for-sale financial assets, transferred to the income statement		-	0.1
Tax attributable to items that may subsequently be reclassified to the income statement	10	-12.5	13.2
OTHER COMPREHENSIVE INCOME		44.1	-46.9
TOTAL COMPREHENSIVE INCOME		353.9	514.4

Comments on the income statement

Net interest income

Despite increased lending, net interest income decreased to SEK 762.0 (798.5) million. The decrease is primarily due to the effects of the reduction in lending margins implemented as of the autumn 2014, following the change in strategy for capital build-up. The reduction, which had relatively little impact on net interest income over much of 2015, had a greater impact in 2016, as an increasing proportion of lending was gradually affected by the margin reduction.

Since 1 September 2015, Kommuninvest grants lending at negative interest rates. Negative interest revenues is recorded as an interest expense and during the year amounted to SEK 151.0 (5.6) million. For more information on how interest revenue and interest expense are recognised, please see Note 2.

Net result of financial transactions

The net result of financial transactions amounted to a negative SEK 131.9 (positive 165.7) million. The result was affected by unrealised changes in market value amounting to a negative SEK 195.5 (positive 124.2) million, but also by the buy-back of own bonds and the sale of financial instruments which contributed a positive SEK 63.4 (positive 37.8) million to the figure.

The outcome for unrealised market value changes is attributable to the cost of funding when financing in foreign currencies having been more favourable than financing directly in SEK over the year. Since liabilities only include funding in foreign currencies that are reported at fair value, this has entailed an increase in the margin between the Company's funding and lending costs on the instruments that are marked to market, leading to adverse changes in market value. For further information, see Note 6. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised. For further details, see Note 28.

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

Operating expenses

Operating expenses amounted to SEK 232.1 (293.1) million, including the resolution fee of SEK 31.4 million (SEK 120.5 million for the former stability fee in 2015).

In 2016, the resolution fee has replaced the stability fee, and constitutes a risk-adjusted percentage of total assets less lending. The risk-adjusted percentage is determined by the Company's risk profile relative to other institutions required to pay the fee in accordance with the Commission's delegated regulation (EU) 2015/63. Under the transitional provisions, the resolution fee for 2016 is reduced by half, and for Kommuninvest has been

set by the Swedish National Debt Office at SEK 31.4 million.

The resolution fee accounted for 14 percent of Kommuninvest's operating expenses, compared with 41 percent for the stability fee in 2015. In 2016, Kommuninvest also had an expense of SEK 0.2 million for the stability fee, involving the reversal of booked reserves.

Excluding the resolution fee, operating expenses amounted to SEK 200.7 million (SEK 172.6 million excluding the stability fee in 2015), of which personnel expenses amounted to SEK 118.8 (102.6) million and other expenses for SEK 81.9 (70.0) million. The increase in personnel expenses is mainly attributable to an increase in the number of employees. In addition, efforts in preventive occupational healthcare and employee recruitment have contributed to increased personnel expenses. Expenses for contract personnel increased by SEK 5.2 million in 2016, due to Kommuninvest having had several fixed-term temporary employees for projects and the company having appointed contract employees in several positions during ongoing recruitment processes. As of 2016, expenses for contract personnel are accounted for as personnel expenses (previously as other general administrative expenses). Comparative figures for 2015 have been restated.

Expenses for premises increased by SEK 2.3 million in 2016, attributable to larger premises and their renovation. Consulting expenses increased by SEK 7.8 million. The principal reason for the increase in consulting expenses is a change in Kommuninvest's IT strategy whereby the Company now owns the pre-existing business system and utilises consulting services directly from the supplier. The business system was previously rented, with an associated service contract, and the change reduced the Company's IT expenses. Furthermore, the increase in consulting expenses was also attributable to the increased use of consulting services regarding regulatory compliance.

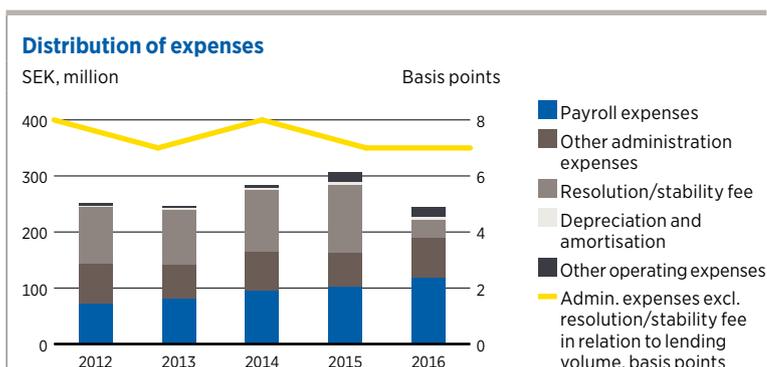
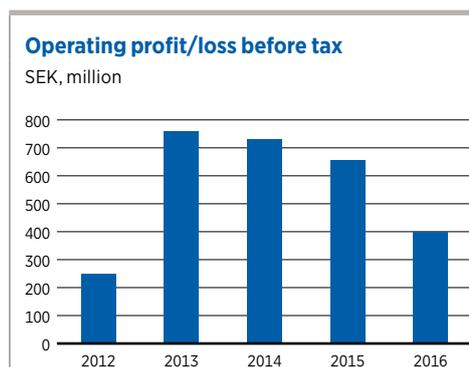
Credit losses totalled SEK – (–) million.

Operating profit

Kommuninvest's operating profit, that is, profit before taxes, amounted to SEK 398.2 (655.5) million. The operating profit includes unrealised changes in market value of a negative SEK 195.5 (positive 124.2) million. Operating profit excluding the effect of unrealised market value changes was SEK 593.7 (531.3) million. Profit after tax amounted to SEK 309.8 (561.3) million.

Tax expense

The tax expense for the year recognised in the income statement amounted to SEK 88.4 (94.2) million. Taxable earnings are reduced through the payment of group contributions, which for 2016 amounted to SEK – (–) million. See Note 10.



Balance sheet

As per 31 December

SEK, million	Note	2016	2015
ASSETS			
Sovereign bonds eligible as collateral	12	16,964.4	16,839.4
Lending to credit institutions	3	1,122.3	699.9
Lending	3,13	276,982.1	254,421.7
Bonds and other interest-bearing securities	14	42,003.9	45,688.4
Shares and participations	15	3.3	2.8
Shares and participations in associated companies	16	-	0.5
Shares and participations in subsidiaries	17	42.0	42.0
Derivatives	3,18,29	24,449.8	22,775.6
Intangible assets	19	13.4	15.7
Tangible assets	20	7.6	4.6
Current tax assets		79.0	79.0
Other assets		14.6	17.0
Deferred tax assets	10	28.1	28.1
Prepaid expenses and accrued revenues		14.9	11.6
TOTAL ASSETS		361,725.4	340,626.3
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities and provisions			
Liabilities to credit institutions	3	2,396.1	2,303.5
Securities issued	3	341,579.4	318,943.6
Derivatives	3,18,29	9,390.5	11,723.1
Other liabilities	21	810.4	2,163.5
Accrued expenses and prepaid revenues	22	30.9	144.9
Provisions for pensions and similar commitments	23	4.1	3.4
Subordinated liabilities	24	1,000.0	1,000.0
Total liabilities and provisions		355,211.4	336,282.0
Equity			
Restricted equity			
Share capital		5,417.1	3,926.4
New share issue in progress		682.9	-
Development expenditure reserve		1.6	-
Statutory reserve		17.5	17.5
Unrestricted equity			
Fair value reserve		9.8	-34.3
Profit or loss brought forward		75.3	-126.6
Net profit	11	309.8	561.3
Total equity		6,514.0	4,344.3
TOTAL LIABILITIES, PROVISIONS AND EQUITY		361,725.4	340,626.3

Comments on the balance sheet

Total assets

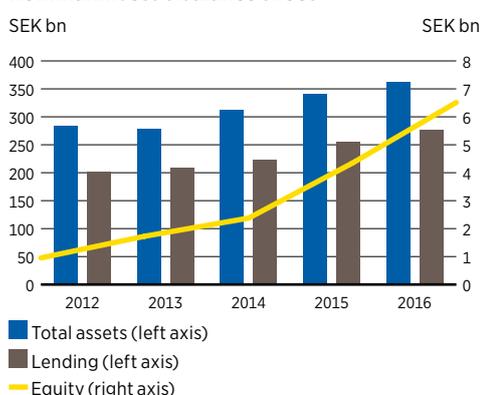
The total assets in the Company increased to SEK 361,725.4 (340,626.3) million, as a result of increased lending. Lending totalled SEK 276,982.1 (254,421.7) million. The liquidity reserve was SEK 60,090.6 (63,227.7) million, consisting of the balance sheet items: Sovereign bonds eligible as collateral, Loans to credit institutions and Bonds and other interest-bearing securities. According to the Company's instructions, the liquidity reserve should be a minimum of 15 and a maximum of 35 percent of the lending volume.

During the year, the associated company, Administrative Solutions NLGFA AB, was placed in voluntary liquidation. Following that, the Company holds no shares in associated companies.

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 24,449.8 (22,775.6) million and SEK 9,390.5 (11,723.1) million respectively.

Kommuninvest's balance sheet

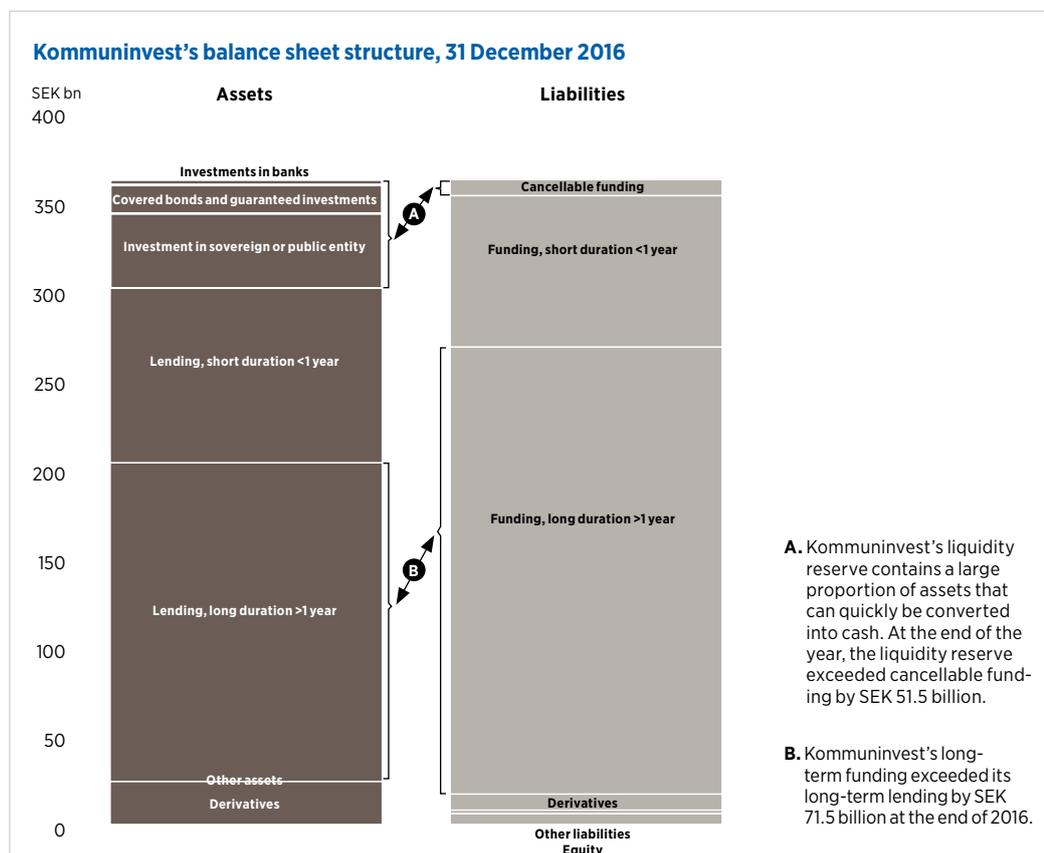


Liabilities

Liabilities in the Company amounted to SEK 355,211.4 (336,282.0) million. The change during the year is mainly explained by funding 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 (1,000.0) million. See Note 24.



Statement of changes in equity

SEK, million	Restricted equity				Unrestricted equity			Total equity
	Share capital	New share issue in progress	Development expenditure reserve ¹	Statutory reserve ²	Fair value reserve ³	Profit or loss brought forward	Net profit	
Equity brought forward 1 Jan 2015	2,046.4	-	-	17.5	12.6	-269.5	568.4	2,375.4
Net profit							561.3	561.3
Capitalised over the year								-
Other comprehensive income					-46.9			-46.9
Total comprehensive income	-	-	-	-	-46.9	-	561.3	514.4
Transactions with shareholders								
Distribution of earnings						568.4	-568.4	0.0
New share issue	1,880.0							1,880.0
New share issue in progress								-
Group contributions						-545.4		-545.4
Tax effect on Group contribution						119.9		119.9
Total transactions with shareholders	1,880.0	-	-	-	-	142.9	-568.4	1,454.5
Equity carried forward 31 December 2015	3,926.4	-	-	17.5	-34.3	-126.6	561.3	4,344.3
Equity brought forward 1 Jan 2016	3,926.4	-	-	17.5	-34.3	-126.6	561.3	4,344.3
Net profit							309.8	309.8
Capitalised over the year			1.6			-1.6		0.0
Other comprehensive income					44.1			44.1
Total comprehensive income	-	-	1.6	-	44.1	-1.6	309.8	353.9
Transactions with shareholders								
Distribution of earnings						561.3	-561.3	0.0
New share issue	1,490.7							1,490.7
New share issue in progress		682.9						682.9
Group contributions						-458.7		-458.7
Tax effect on Group contribution						100.9		100.9
Total transactions with shareholders	1,490.7	682.9	-	-	-	203.5	-561.3	1,815.8
Equity carried forward 31 December 2016	5,417.1	682.9	1.6	17.5	9.8	75.3	309.8	6,514.0

1) The development expenditure reserve consists of development expenditure incurred in-house.

2) The statutory reserve refers to previous statutory provisions to restricted equity. The requirement was abolished on 1 January 2006 and prior provisions remain.

3) The fair value reserve consists of financial assets available for sale.

Comment on the statement of changes in equity

Equity

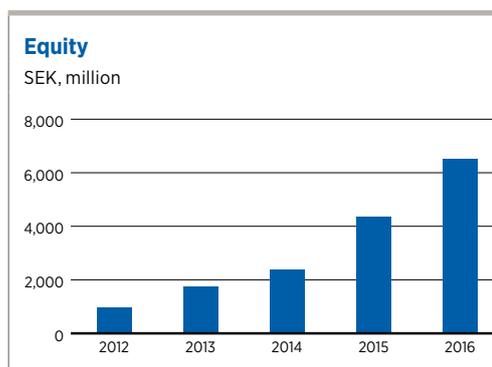
At the end of 2016, equity in the Company amounted to SEK 6,514.0 (4,344.3) million, following Group contributions of SEK 458.7 (545.4) million paid to the Society. The increase in equity in the Company is primarily attributable to an increase in share capital by SEK 1,490.7 (1,880.0) million through the issue of new shares, and SEK 682.9 (-) million to a new share issue in progress. Equity was also affected by changes in the market values of assets classified as “available-for-sale financial assets”, see Statement of Comprehensive Income on page 50.

Reinforcement of share capital

In accordance with the owner directives from the Society, capital in the Company is being built up through the Company's share capital. The principal method for this involves capital injections to the Society from its members, which are contributed to the Company as share capital. The total increase in share capital during 2016 amounted to SEK 1,490.7 million, referred to capital injections from 2015. The new share issue in progress was related to capital contributions from existing members of the Society amounting to SEK 632.2 (1,880.0) million and to capital contributions from new members during 2016 amounting to SEK 50.7 (-) million.

Share capital

At the end of the year, share capital amounted to SEK 5,417.1 (3,926.4) million, divided between 54,170,590 (39,263,850) shares, of which SEK



682.9 million, divided between 6,829,410 shares was registered as a pending case with the Swedish Companies Registration Office and was registered on 2 January 2017. All are fully paid-up as per the closing date with a nominal value of SEK 100 per share. The entire share capital is attributable to the Society's members and no shares are available for trading.

Development expenditure reserve

Changes to the Annual Accounts Act entail the introduction of the development expenditure reserve. This fund of SEK 1.6 (-) million corresponds to capitalised development expenditure in-house over the year adjusted by a proportional share of depreciation transferred back from the fund to unrestricted equity.

Cash flow statement

1 January – 31 December

SEK, million	2016	2015
Operational activities		
Operating profit	398.2	655.5
Adjustment for items not included in cash flow	201.1	-104.4
Income tax paid	-0.4	66.2
Cash flow from operating activities before changes in the assets and liabilities of operating activities	598.9	617.3
Change in liquidity reserve	2,051.0	7,633.6
Change in lending	-22,558.3	-32,734.2
Change in other assets	-0.9	-29.8
Change in other liabilities	-107.8	2.6
Cash flow from operational activities	-20,017.1	-24,510.5
Investment activities		
Acquisitions of intangible assets	-1.9	-18.1
Acquisition of tangible assets	-5.0	-0.5
Divestments of tangible assets	0.3	-
Divestment of shares in associated companies	1.8	-
Cash flow from investment activities	-4.8	-18.6
Financing activities		
Issue of interest-bearing securities	129,345.1	121,888.3
Redemption and buybacks of interest-bearing securities	-109,256.9	-103,395.5
New share issue	2,173.6	1,880.0
Change in intra-Group liabilities	-1,817.5	834.1
Cash flow from financing activities	20,444.3	21,206.9
Cash flow for the year	422.4	-3,322.2
Cash and equivalents at the start of the year	699.9	4,022.1
Cash and equivalents at end of the year	1,122.3	699.9
Cash and equivalents consists in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
Adjustment for items not included in cash flow		
Depreciation and amortisation	6.1	5.9
Profit from divestments of tangible assets	-0.1	-
Profit from divestments of shares in associated companies	-1.3	-
Exchange rate differences from change in financial assets	0.9	0.9
Unrealised changes in market value	195.5	-124.2
Impairment of financial assets	-	13.0
Total	201.1	-104.4
Interest paid and earned, included in the cash flow		
Interest received ¹	787.1	1,780.1
Interest paid ²	-42.3	-978.1

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

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

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 2016 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 SE716453-2074.

The Annual Report was approved for publication by the Board of Directors on 14 February 2017. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 20 April 2017.

Note 2 Accounting principles

Compliance with standards and legislation

The Kommuninvest 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. Furthermore, the recommendations from the Swedish Financial Reporting Board, Accounting for legal entities (RFR 2) have been applied.

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

Information on the character and extent of risks related to financial instruments can be found on pages 30–38.

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 Section 7:6a of ÅRKL, Kommuninvest i Sverige AB will not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of position and earnings. For further details, see Note 17. The annual report is prepared by the parent association, the Kommuninvest Cooperative Society, and is published at www.kommuninvest.se

New and amended standards and interpretations

Changes to the Annual Accounts Act (ÅRL) have entailed memorandum items being removed from the balance sheet and being reported in notes instead, and the Development expenditure reserve being included in equity. The reserve corresponds to development expenditure incurred in-house, adjusted with a proportional share of the depreciation which has been brought back from the reserve to unrestricted equity.

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

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

Of the new standards and interpretations coming into force after 2016, 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.

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

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 expected credit losses. The purpose of the new model includes provisions for credit losses being made at an earlier stage.

In 2016, work with IFRS 9 focused on providing as fair a picture of Kommuninvest's operations as possible, given the possibilities offered by the standard. The process of implementation will continue in 2017 and is expected to be completed during the third quarter, with initial reporting under IFRS 9 relating to 30 June 2018.

The introduction of IFRS 9 may have a negative impact on reported earnings, financial position and thereby the Company's capital base, particularly in that IFRS 9 entails expected credit losses having to be reported rather than incurred credit losses. Currently expected to be subject to impairment testing are investments and lending not measured at fair value through profit or loss. Kommuninvest's very special business model, in

FINANCIAL STATEMENTS

Note 2, continued

which lending is provided only to members of the Kommuninvest Cooperative Society and, subject to a guarantee from the members, to member-owned companies and for investments in companies with a high credit rating means that provisions for expected credit losses are estimated to have a negligible effect on the earnings, financial position and capital base. Kommuninvest has not suffered any credit losses in its lending or investing operations over its 30-year history.

IFRS 16 Leases

IFRS 16 Leases is the new leasing standard that comes into effect on 1 January 2019, replacing IAS 17 Leases.

A crucial difference in the new leasing standard is that leases are no longer classified as financial or operational leaseholders. Instead, a model is being introduced whereby leases will be capitalised in the balance sheet. The scope of the impact on the balance sheet will be based on the length of the lease, unless it is reasonably certain that the agreement will be extended. In this case, the capitalisation is also based on future contract periods.

Another difference is that expensing of the lease is divided into two parts. One part is attributable to operating profit while the other is classified as an interest expense on the lease liability and is thus expensed in net interest. However, IFRS 16 also includes a relief rule for short-term leases (less than one year) and for agreements regarding low-value assets. In its standard, the IASB has not stipulated what is classified as low-value, although it has indicated a guideline of USD 5,000.

For lessors, IFRS 16 entails no significant differences. For them, the new standard retains operating and financial leasing agreements.

Kommuninvest has no financial leasing agreements. The majority of the operational leasing agreements currently held by Kommuninvest can be seen as assets of immaterial value and therefore subject to the relief rules under IFRS 16 and reported as previously. The leasing agreement that will be capitalised is the lease on the office premises owned by the subsidiary Kommuninvest Fastighets AB. Here, it is necessary to make an assessment in connection with the capitalisation since there is a high probability that the contract will be extended. However, since the rent is about SEK 3.5 million per year, the amounts will be insignificant in relation to Kommuninvest's earnings, financial position and capital base.

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.

For assets and liabilities at fair value, the value is affected by the assessment of whether available market prices are based on an active market. 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 28 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 28.

Functional currency and presentation currency

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

Transactions in foreign currencies

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

Associated companies

Participations in associated companies are reported in accordance with the cost method. In 2016, the associated company, Administrative Solutions NLGFA AB, was placed in voluntary liquidation. Following that, the Company holds no shares in associated companies.

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 expenses.

Interest income consists of interest income from loans and investments, as well as interest income and interest expenses from derivatives that hedge loans and investments.

Interest expenses consist of interest expenses on funding, as well as interest income and interest expenses from derivatives that hedge fundings.

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 funding and its derivative hedging. This has led to total interest expenses being to a positive amount.

Since 1 September 2015, 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:

Note 2, continued

- 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 2.8.

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 contractual rights to cash flows from that financial asset cease, alternatively when there is a transfer of the financial asset and Kommuninvest, in all material regards, transfers to another all of the risks and benefits associated with ownership of the financial asset. A financial liability is removed from the balance sheet once the obligation in the contract has been fulfilled or is in some other way extinguished. The same applies for part of a financial liability.

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

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

Classification and measurement of financial instruments

Financial instruments are initially measured at their fair value with transaction expenses 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 expenses 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 includes derivatives held for financial hedging but that are not included in hedge accounting.

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 funding, 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 funding at fixed interest and structured funding, 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 funding at fixed interest in this category is that these fundings are hedged financially with a derivative at fair value and the fundings are mainly used for loans measured at fair value. It would be inconsistent to measure lending and derivatives at fair value but not fundings.

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

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 valued at accrued acquisition cost and are recognised 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 operation 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

FINANCIAL STATEMENTS

Note 2, continued

at fair value through profit or loss with regard to the components which the instrument hedges.

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

Credit losses and writedowns on financial instruments

The special status of the local government authorities in the Swedish constitution and their right to levy taxes mean that municipalities and county councils/regions cannot be declared bankrupt. Neither can they cease to exist in any other way. 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 impairment 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 2016.

Intangible assets

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

Depreciation is recognised in the income statement on a linear basis over the estimated useful life of the intangible asset. As of October 2016 depreciation of an asset is initiated as of the month of acquisition whereas previously depreciation started in January as of the year of acquisition. 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 derecognised from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. Gain or loss which may arise from the sale or scrapping of an asset constitutes the difference between the sale price and the asset's recognised value less direct sales expenses. Gains/losses are recognised as other operating income/expense.

Depreciation is carried out on a linear basis over the asset's estimated useful life. Effective from October 2016, the depreciation of an asset commences in the month in which the asset acquired and thus utilised, unlike previously when the depreciation began effective from January of the year in which the asset was acquired. Kommuninvest calculates a useful life of three, alternatively 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 an expense 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 expenses for these insurance premiums are shown in Note 8.

General administration expenses

General administration expenses include payroll expenses, including salaries and emoluments, pension expenses, payroll taxes and other social security contributions and temporary/contract personnel, training expenses and other personnel expenses. Other expenses included in administrative expenses are the resolution fee (formerly, stability fee), expenses for consultants, premises, IT, telecommunications, travel and representation. Also included are expenses for ratings, market data, and the expenses of maintaining an aftermarket for issued securities.

Other operating income

Since year 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.

Other operating expenses

Other operating expenses primarily include expenses for marketing and insurance.

Note 2, continued

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 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 mainly include changes in the lending and liquidity portfolios. Investing activities include investments in tangible and intangible assets. Financing activities include the issue and maturity/repurchase of issued securities. Kommuninvest applies the exemption rule in IAS 7:23 and reports issues shorter than three months net. Financing activities also include new share issues and changes in consolidated debt.

Segment reporting

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

Note 3 Financial risks

For information on risk management, see pages 30–38.

Credit risk exposure

2016	Total credit risk exposure (before impairment)	Writedown/ Provision	Recognised value	Value of collateral	Total credit risk exposure after deductions for collateral
Credit against security of:					
Government and municipal guarantees	276,982.1	-	276,982.1	-	276,982.1
Total	276,982.1	-	276,982.1	-	276,982.1
Securities					
Government securities and other public bodies					
- AAA	10,499.8	-	10,499.8	-	10,499.8
- AA	6,464.6	-	6,464.6	-	6,464.6
Other issuers					
- AAA	35,827.4	-	35,827.4	-	35,827.4
- AA	6,263.8	-	6,263.8	-	6,263.8
- A	1,035.0	-	1,035.0	-	1,035.0
- BBB	-	-	-	-	-
Total	60,090.6	-	60,090.6	-	60,090.6
Derivatives					
- AAA	-	-	-	-	-
- AA	11,120.1	-	11,120.1	6,665.7	4,454.4
- A	9,208.7	-	9,208.7	5,709.7	3,499.0
- BBB	4,121.0	-	4,121.0	3,247.6	873.4
Total	24,449.8	-	24,449.8	15,623.0	8,826.8
Obligations					
Committed undisbursed loans against municipal guarantees	1,765.4	-	1,765.4	-	1,765.4
Total	1,765.4	-	1,765.4	-	1,765.4
Total credit risk exposure	363,287.9	-	363,287.9	15,623.0	347,664.9
2015					
Credit against security of:					
Government and municipal guarantees	254,421.7	-	254,421.7	-	254,421.7
Total	254,421.7	-	254,421.7	-	254,421.7
Securities					
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	-	-	-	-	-
Total	63,227.7	-	63,227.7	80.8	63,146.9
Derivatives					
- 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
Total	22,775.6	-	22,775.6	11,391.2	11,384.4
Obligations					
Committed undisbursed loans against municipal guarantees	2,903.3	-	2,903.3	-	2,903.3
Total	2,903.3	-	2,903.3	-	2,903.3
Total credit risk exposure	343,328.3	-	343,328.3	11,472.0	331,856.3

Maturity information¹

2016							
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
Assets							
Sovereign bonds eligible as collateral	-	3,100.0	2,986.4	10,688.6	-	-	16,775.0
Lending to credit institutions	-	1,122.3	-	-	-	-	1,122.3
Lending	-	17,132.3	74,885.3	160,132.9	21,888.6	-	274,039.1
Bonds and other interest-bearing securities	-	3,837.4	7,581.9	28,757.6	500.0	-	40,676.9
Derivatives	-	56,199.9	130,121.6	365,351.2	32,583.6	-	584,256.3
Other asset items	-	-	-	-	-	202.9	202.9
Total assets	-	81,391.9	215,575.2	564,930.3	54,972.2	202.9	917,072.5
Liabilities							
Liabilities to credit institutions	-	232.4	774.9	1,311.8	-	-	2,319.1
Securities issued	-	21,275.1	63,401.1	232,056.5	17,115.8	-	333,848.5
Derivatives	-	54,304.8	125,299.8	360,626.5	32,314.4	-	572,545.5
Other liabilities	-	-	-	-	-	845.4	845.4
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	6,514.0	6,514.0
Total equity and liabilities	-	75,812.3	189,475.8	593,994.8	50,430.2	7,359.4	917,072.5
Net	-	5,579.6	26,099.4	-29,064.5	4,542.0	-7,156.5	-
Committed undisbursed loans	1,765.4	-	-	-	-	-	-

2015 ²							
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
Assets							
Sovereign bonds eligible as collateral	-	3,931.0	3,195.5	5,317.8	-	-	12,444.3
Lending to credit institutions	-	698.0	-	-	-	-	698.0
Lending	-	11,527.1	67,825.5	153,315.9	18,704.9	-	251,373.4
Bonds and other interest-bearing securities	-	2,622.2	9,549.9	36,065.2	-	-	48,237.3
Derivatives	-	58,900.0	131,387.7	330,265.9	37,680.6	-	558,234.2
Other asset items	-	-	-	-	-	201.3	201.3
Total assets	-	77,678.3	211,958.6	524,964.8	56,385.5	201.3	871,188.5
Liabilities							
Liabilities to credit institutions	-	75.0	-	1,607.3	517.0	-	2,199.3
Securities issued	-	19,892.3	59,341.3	209,965.7	22,865.6	-	312,064.9
Derivatives	-	60,120.1	126,214.1	325,292.3	37,641.7	-	549,268.2
Other liabilities	-	-	-	-	-	2,311.8	2,311.8
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	4,344.3	4,344.3
Total equity and liabilities	-	80,087.4	185,555.4	536,865.3	62,024.3	6,656.1	871,188.5
Net	-	-2,409.1	26,403.2	-11,900.5	-5,638.8	-6,454.8	-
Committed undisbursed loans	2,903.3	-	-	-	-	-	-

In the table above, the period for which capital is tied up for cancellable lending and funding 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.

2) Comparative figures for 2015 have been amended after the publication of the 2015 annual report and are thus not identical to that report.

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Note 3, continued

Maturity information

2016	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	
Liquidity exposure							
Assets							
Sovereign bonds eligible as collateral	-	3,100.2	2,998.5	10,865.7	-	-	16,964.4
Lending to credit institutions	-	1,122.3	-	-	-	-	1,122.3
Lending	-	22,076.8	75,844.7	161,549.0	17,511.6	-	276,982.1
Bonds and other interest-bearing securities	-	3,847.9	7,699.7	30,456.3	-	-	42,003.9
Derivatives	-	2,751.2	7,734.7	13,102.1	861.8	-	24,449.8
Other asset items	-	-	-	-	-	202.9	202.9
Total assets	-	32,898.4	94,277.6	215,973.1	18,373.4	202.9	361,725.4
Liabilities							
Liabilities to credit institutions	-	237.3	790.6	1,368.2	-	-	2,396.1
Securities issued	-	28,472.8	63,909.2	234,606.0	14,591.4	-	341,579.4
Derivatives	-	530.5	2,975.8	5,162.9	721.3	-	9,390.5
Other liabilities	-	-	-	-	-	845.4	845.4
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	6,514.0	6,514.0
Total equity and liabilities	-	29,240.6	67,675.6	241,137.1	16,312.7	7,359.4	361,725.4
Total difference	-	3,657.8	26,602.0	-25,164.0	2,060.7	-7,156.5	-
Committed undisbursed loans	1,765.4	-	-	-	-	-	-

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	
Liquidity exposure							
Assets							
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
Total assets	-	24,542.5	87,828.1	211,838.0	16,216.4	201.3	340,626.3
Liabilities							
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
Total equity and liabilities	-	31,930.1	67,038.9	209,591.2	25,410.0	6,656.1	340,626.3
Total difference	-	-7,387.6	20,789.2	2,246.8	-9,193.6	-6,454.1	-
Committed undisbursed loans	2,903.3	-	-	-	-	-	-

In the table above, the period for which capital is tied up for cancellable lending and funding 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	
2016							
Assets							
Sovereign bonds eligible as collateral	7,490.0	2,986.4	6,298.6	-	-	-	16,775.0
Lending to credit institutions	1,122.3	-	-	-	-	-	1,122.3
Lending	152,848.2	27,750.3	78,532.2	13,042.8	1,865.6	-	274,039.1
Bonds and other interest-bearing securities	10,871.2	4,750.2	24,555.5	500.0	-	-	40,676.9
Derivatives	303,109.9	69,437.0	195,497.1	15,212.3	1,000.0	-	584,256.3
Other assets	-	-	-	-	-	202.9	202.9
Total assets	475,441.6	104,923.9	304,883.4	28,755.1	2,865.6	202.9	917,072.5
Liabilities and equity							
Liabilities to credit institutions	769.4	774.8	774.9	-	-	-	2,319.1
Securities issued	48,565.7	62,019.8	206,666.0	15,347.0	1,250.0	-	333,848.5
Derivatives	402,798.9	56,419.0	98,269.0	13,434.7	1,623.9	-	572,545.5
Other liabilities	-	-	-	-	-	845.4	845.4
Subordinated liabilities	1,000.0	-	-	-	-	-	1,000.0
Equity	-	-	-	-	-	6,514.0	6,514.0
Total equity and liabilities	453,134.0	119,213.6	305,709.9	28,781.7	2,873.9	7,359.4	917,072.5
Net	22,307.6	-14,289.7	-826.5	-26.6	-8.3	-7,156.5	-

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	
2015¹							
Assets							
Sovereign bonds eligible as collateral	3,931.0	3,195.5	5,317.8	-	-	-	12,444.3
Lending to credit institutions	698.0	-	-	-	-	-	698.0
Lending	131,922.6	23,815.7	83,399.8	11,367.7	867.6	-	251,373.4
Bonds and other interest-bearing securities	15,197.0	7,918.5	25,121.8	-	-	-	48,237.3
Derivatives	293,780.9	72,686.7	170,153.9	20,612.7	1,000.0	-	558,234.2
Other assets	-	-	-	-	-	201.3	201.3
Total assets	445,529.5	107,616.4	283,993.3	31,980.4	1,867.6	201.3	871,188.5
Liabilities and equity							
Liabilities to credit institutions	592.0	-	1,607.3	-	-	-	2,199.3
Securities issued	44,217.5	57,865.0	187,842.7	21,139.7	1,000.0	-	312,064.9
Derivatives	376,275.3	66,232.1	94,991.2	10,902.0	867.6	-	549,268.2
Other liabilities	-	-	-	-	-	2,311.8	2,311.8
Subordinated liabilities	1,000.0	-	-	-	-	-	1,000.0
Equity	-	-	-	-	-	4,344.3	4,344.3
Total equity and liabilities	422,084.8	124,097.1	284,441.2	32,041.7	1,867.6	6,656.1	871,188.5
Net	23,444.7	-16,480.7	-447.9	-61.3	0.0	-6,454.8	-

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

A one (1) percentage point parallel shift in all market interest rates (upwards) affects the result with positive SEK 204 (positive 133) million, as an effect of the value of assets and liabilities valued at fair market value is changed. The effect of the same interest rate change on all of the Company's contracts is lower, negative SEK 21 (negative 10) million, indicating a good matching in interest rate duration between assets and liabilities. Negative Stibor rates affects net interest income in that Floating Rate Notes, FRN, whose coupons are dependent on the Stibor level, cannot have negative interest rates, which however the corresponding derivative and lending may have. Kommuninvest has issued FRNs and holds FRNs in its liquidity reserve. At the end of the year, Stibor 3m was -0.591%. At this level, the effect on net interest income in 2017 is positive SEK 3.7 million, compared with positive Stibor levels.

1) Comparative figures for 2015 have been amended after the publication of the 2015 annual report and are thus not identical to that report.

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Note 3, continued

Foreign exchange risk¹

2016	Recognised value							Fair value adjustment	Total
	SEK	EUR	USD	JPY	AUD	Other currencies			
Assets and liabilities in major foreign currencies									
Assets									
Lending to credit institutions	974.6	71.2	75.1	-	-	1.4	-	1,122.3	
Lending	274,609.1	-	-	-	-	-	2,373.0	276,982.1	
Interest-bearing securities	28,339.5	5,867.0	24,379.6	-	-	-	382.2	58,968.3	
Shares and participations	45.3	-	-	-	-	-	-	45.3	
Derivatives	-	-	-	-	-	-	24,449.8	24,449.8	
Other assets	156.9	-	0.7	-	-	-	-	157.6	
Total assets	304,125.4	5,938.2	24,455.4	-	-	1.4	27,205.0	361,725.4	
Liabilities									
Liabilities to credit institutions	0.3	537.0	0.1	1,793.9	-	1.2	63.6	2,396.1	
Securities issued	172,227.6	3,111.7	132,533.6	10,912.5	5,400.8	14,500.7	2,892.5	341,579.4	
Derivatives	123,276.2	2,289.0	-108,079.5	-12,706.3	-5,400.8	-14,500.7	24,512.6	9,390.5	
Subordinated liabilities	1,000.0	-	-	-	-	-	-	1,000.0	
Other liabilities incl. equity	7,623.1	-	-	-	-	-	-263.7	7,359.4	
Total equity and liabilities	304,127.2	5,937.7	24,454.2	0.1	0.0	1.2	27,205.0	361,725.4	
Difference, assets and liabilities	-1.8	0.5	1.2	-0.1	0.0	0.2	0.0	-	
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.1	0.1	0.0	0.0	0.0	0.0	-	

2015	Recognised value						Fair value adjustment	Total
	SEK	EUR	USD	JPY	NOK	Other currencies		
Assets and liabilities in major foreign currencies								
Assets								
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
Total assets	287,453.1	6,330.7	21,250.3	-	-	-	25,592.2	340,626.3
Liabilities								
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
Total equity and liabilities	287,456.9	6,330.4	21,246.9	-0.1	0.0	0.0	25,592.2	340,626.3
Difference, assets and liabilities.	-3.8	0.3	3.4	0.1	0.0	0.0	0.0	-
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	0.0	-

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

Note 3, continued

Member responsibilities

Municipalities and county councils/region 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' funding 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 2016 (SEK, millions).

Liabilities to credit institutions	2,396.1
Securities issued	341,579.4
Total funding	343,975.5

LIABILITIES, according to statement of undertaking

Loaned funding ¹	283,884.9
Funding not loaned ²	60,090.6
Total funding	343,975.5

Other liabilities ²	845.3
Derivatives, connected with Loaned funding ¹	1,270.5
Total liabilities/undertaking	346,091.3

ASSETS, according to statement of undertaking

Lending ¹ , see Note 13	276,982.1
Liquidity reserve ² , see Notes 3, 12, 14	60,090.6
Other assets ²	202.9
Derivatives, connected with loaned funding ¹	877.7
Total assets	338,153.3

1) Basis for distribution: percentage equivalent to each member's participation in Kommuninvest's lending.

2) Basis for distribution: Percentage equivalent to each member's participation in the total capital contributed to the Kommuninvest Cooperative Society.

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 and liabilities, have been reduced by collateral received and delivered, such as government bonds. At 31 December 2016, collateral received amounted to SEK 15,623.0 (11,391.2) million and may only be used to cover outstanding exposures. The corresponding collateral pledged for the Company's derivatives liabilities amount to SEK 170.9 (-) million. These are disclosed in Note 29 on page 81 but may not be reduced in the balance sheet.

Note 4 Net interest income

Interest revenues	2016	2015
Lending to credit institutions	-	-
Lending	603.3	1,343.0
Interest-bearing securities	49.4	92.0
Other	1.3	3.3
Total	654.0	1,438.3
Of which: interest revenue from financial items not measured at fair value through profit or loss	481.7	1,061.4
Interest expenses		
Liabilities to credit institutions	-4.8	-0.1
Interest-bearing securities	298.8	-603.2
Other	-35.0	-30.9
Lending, negative lending rate	-151.0	-5.6
Total	108.0	-639.8
Of which: interest expense from financial items not measured at fair value through profit or loss	-332.6 ¹	-695.0 ¹
Total net interest income	762.0	798.5

Kommuninvest considers all income and expenses to be attributable to the country in which the Company has its registered office, Sweden. In this note, revenues are reported as positive and expenses as negative.

1) Interest from derivatives that financially hedge a funding 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 fundings and their hedging. This has led to the total interest expense for financial items measured at fair value being positive.

Note 5 Commission expenses

	2016	2015
Payment agency commissions	0.9	1.0
Brokerage for securities	4.1	4.1
Other commissions	0.2	0.2
Total	5.2	5.3

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Note 6 Net result of financial transactions

	2016	2015
Realised profit		
- Buyback of own bonds	-	-36.8
- Interest-bearing securities	63.4	74.6
- Other financial instruments	1.1	4.6
Unrealised changes in market value	-195.5	124.2
Exchange rate changes	-0.9	-0.9
Total	-131.9	165.7

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

Net gain/loss by measurement category	2016	2015
Financial assets at fair value through profit or loss.	-255.7	-1,379.7
Holdings for trading purposes (assets)	-159.3	-370.3
Loan receivables and accounts receivable	3.0	6.5
Financial liabilities at fair value through profit or loss	-358.1	1,891.7
Holdings for trading purposes (liabilities)	668.3	26.8
Capital gains/losses on available-for-sale financial assets	-	-0.1
Change in fair value of derivatives that are hedging instruments in fair value hedge	216.6	-731.7
Change in fair value on hedged item with regard to hedged risk in fair value hedges	-245.8	723.4
Exchange rate changes	-0.9	-0.9
Total	-131.9	165.7
Results (net)		
Net result of available-for-sale financial assets recognised in other comprehensive income	56.6	-60.1

Note 7 Other operating income

	2016	2015
Capital gain on divestments of tangible assets	0.1	-
Capital gains on divestments of shares	1.3	-
Other operating income	4.0	2.7
Total	5.4	2.7

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	2016	2015
- salaries and emoluments	66,215	60,449
- social security charges	36,119	32,334
<i>of which, payroll expenses and wage debt payroll expenses</i>	<i>20,087</i>	<i>18,847</i>
<i>of which, pension expenses</i>	<i>12,907</i>	<i>10,727</i>
<i>of which, special payroll tax on pension expenses</i>	<i>3,125</i>	<i>2,760</i>
- temporary/contract personnel	8,051	2,817
- education/training expenses	3,150	3,335
- other personnel expenses	5,262	3,690
Total personnel expenses	118,797	102,625¹
Other general administration expenses		
- travel expenses	5,312	4,260
- IT expenses	15,306	17,655
- consultancy fees	19,631	11,815
- rating expenses	936	1,303
- market data	6,981	7,024
- rent and other expenses for premises	5,956	3,661
- annual and interim reports	1,990	1,315
- resolution fee/stability fee	31,635	120,462
- other expenses	14,472	12,757
Total other general administration expenses	102,219	180,252¹
Total	221,016	282,877

1) Reallocations of expenses for temporary/contract personnel have entailed subtotals for personnel expenses and other administration expenses being changed compared with the 2015 Annual Report.

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 2016. No non-recurring compensation has been granted in connection with new appointments, nor severance payments to Board members, the CEO or other senior executives. 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 2016, the President and CEO received SEK 3,181,015 (3,038,063) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to SEK 951,711 (765,581) and are covered by insurance. Part of the insurance expense 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 2,036,770 (1,993,017) in basic salary for 2016. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to SEK 461,729 (343,752) and are covered by insurance. For termination initi-

Note 8, continued

ated 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 (3) were women and 1 (1) was a man. In the preceding year, two people (both of whom were men) stepped down from the Executive Management Team effective from and including September when two new people joined (one of whom was a man). In 2016, nobody stepped down from the Executive Management Team.

Remunerations to other senior executives of the Company are determined by the Board, with the exception of 1 (1) senior executive who is acting as temporary/contract personnel and whose remuneration is determined by the CEO. Total remuneration to senior executives who were part of the executive management in 2016 amounted to SEK 3,011,950 (3,791,792), not including compensation for the senior executive acting as temporary/contract personnel. The pension expenses are covered through insurance.

In accordance with the work plan for the Board of Directors established in 2016, the Chairman of the Board is responsible for an independent review being performed of the Company's remuneration and compensation policies, for preparing the Board's decisions, and for compensation to Executive Management, as well as for compensation to employees bearing the overall responsibility for any of the Company's control functions, and for measures to monitor 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 8 (7) members, including the employee representative, of whom 3 (3) were women. Ellen Bramness Arvidsson is the Chairman of the Board.

Up until the 2016 Annual General Meeting, the fees to the Board of Directors consisted of a fixed fee of SEK 550,000 to the Chairman. The other members of the Board were paid a fixed fee of SEK 300,000. No fee was paid to the employee representatives. The 2016 Annual General Meeting resolved that remunerations to the Board would remain unchanged.

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

In SEK, thousands	2016	2015
Ellen Bramness Arvidsson	550	500
Anna von Knorring	300	263
Kurt Eliasson	300	263
Johan Törngren	300	253
Erik Langby	300	225
Anna Sandborgh	300	263
Lars Heikensten, newly elected in April 2016	208	-
Catharina Lagerstam, departed April 2015	-	64
Lorentz Andersson, departed April 2015	-	64
Anders Pelander, employee representative, stepped down in September 2016	-	-
Nedim Murtic, employee representative, newly elected in October 2016	-	-
Ulrika Gonzalez Hedqvist, deputy employee representative, newly elected in October 2016	-	-
Total	2,258	1,895

Wages and remunerations

2016, in SEK, thousands	Basic salary / Board fee	Other benefits	Pension expense	Total
Board of Directors	2,258	-	-	2,258
President and CEO	3,181	90	952	4,223
Deputy CEO	2,036	-	462	2,498
Other members of company management	3,012	9	887	3,908
Other salaried employees	55,728	-	10,606	66,334
Total	66,215	99	12,907	79,221

2015, in SEK, thousands	Basic salary / Board fee	Other benefits	Pension expense	Total
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
Total	60,449	105	10,727	71,281

Salaries and remunerations to other members of Company management do not include compensation to a senior executive acting as temporary/contract personnel.

Average number of employees	2016	2015
Average number of employees during the year	85	78
- of whom women	32	31

Emoluments and expenses for the auditors, Ernst & Young AB	2016	2015
Auditing engagement	72	893
Other audit services	354	2,069
Tax consultancy	43	303
Other Services	145	223

Emoluments and expenses for the auditors, KPMG AB	2016	2015
Auditing engagement	690	-
Other audit services	2,360	-
Tax consultancy	15	-
Other Services	25	-

At the Annual General Meeting of 21 April 2016, Ernst & Young AB stepped down as the firm of auditors for Kommuninvest i Sverige AB, while KPMG AB was appointed.

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Note 8, continued

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.

Expenses for operational leasing contracts amounted to SEK 6,022,892 (4,630,765) over the year. Most of the expenses are attributable to the Company's rental of office premises. The increase in expenses in 2016 is attributable to increased expenses for office space due to expanded space, as well as early redemption of agreements for technical equipment.

A new lease was established in 2016 with a term of five years, compared with the previous three-year contract. The greater number of contractual years means an increase in the total number of lease payments between one and five years.

Operating leases where Kommuninvest i Sverige AB is the lessee	2016	2015
Non-cancellable lease payments amount to:		
Within one year	5,221	4,044
Between one and five years	18,844	9,630
Total	24,065	13,674

Note 9 Other operating expenses

	2016	2015
Insurance expenses	0.9	0.6
Communication and information	4.0	3.4
Other operating expenses	0.1	0.2
Total	5.0	4.2

Note 10 Tax expenses

Recognised in income statement	2016	2015
Current tax expense	88.5	133.2
Deferred tax expense (+) / tax income (-) attributable to temporary differences	-	31.4
Adjustment of taxes attributable to previous years	-0.1	-70.4
Total tax expense recognised	88.4	94.2

Reconciliation of effective tax	2016, %	2016	2015, %	2015
Profit/loss before tax		398.2		655.5
Tax according to prevailing tax rate	22.0 %	87.6	22.0 %	144.2
Non-deductible expenses	0.2 %	0.9	0.5 %	3.1
Revaluation of deferred tax	-	-	4.8 %	31.4
Utilisation of tax-loss carryforwards not previously capitalised	-	-	-2.2 %	-14.1
Tax attributable to previous years	-0.0 %	-0.1	-10.7 %	-70.4
Recognised effective tax	22.2 %	88.4	14.4 %	94.2

Tax expense attributable to other comprehensive income	2016	2015
Available-for-sale financial assets	12.5	-13.2
Total other comprehensive income	12.5	-13.2

Tax items entered directly against equity	2016	2015
Current tax on group contributions paid	100.9	119.9
Total sum entered directly against equity	100.9	119.9

Recognised deferred tax assets and liabilities

The Company has no deferred tax liability. Deferred tax assets are attributable to the following:

	Deferred tax assets	
	2016	2015
Tax assets, opening balance	28.1	59.5
Unrealised changes in market value		
- of which, recognised in the income statement	-	-31.4
- of which, recognised in other comprehensive income	-	-
Tax assets, closing balance	28.1	28.1

Note 11 Proposed Distribution of Earnings

	2016
<i>The Board of Directors proposes that:</i>	
the profit for the year	309.8
profit brought forward	75.3
fair value reserve	9.8
total	394.9
<i>be appropriated as follows</i>	
To be carried forward	394.9
<i>of which funds to Fair value reserve</i>	<i>9.8</i>
<i>of which funds to Profit brought forward</i>	<i>385.1</i>

For more information, see page 29.

Note 12 Sovereign bonds eligible as collateral

	2016			2015		
	Acquisition value	Fair value	Recognised value	Acquisition value	Fair value	Recognised value
Sovereign bonds eligible as collateral						
- Swedish central government	6,673.5	6,691.5	6,691.5	10,101.9	10,127.7	10,127.7
- Swedish municipalities	7,507.2	7,516.4	7,516.4	4,287.6	4,271.2	4,271.2
- Foreign governments	2,729.6	2,756.5	2,756.5	2,408.7	2,440.5	2,440.5
Total	16,910.3	16,694.4	16,694.4	16,798.2	16,839.4	16,839.4
Positive difference of book values exceeding nominal values			207.5			144.8
Negative difference of book values falling below nominal values			-18.1			-18.1
Total			189.4			126.7

Note 13 Lending

	2016			2015		
	Acquisition value	Fair value	Recognised value	Acquisition value	Fair value	Recognised value
Lending						
- Municipalities and county councils/ regions	112,858.5	114,127.5	114,117.8	106,329.6	107,656.2	107,685.6
- Housing companies with municipal guarantees	103,440.6	104,291.3	104,292.5	90,260.8	91,053.1	91,069.7
- Other companies with municipal guarantees	57,739.9	58,584.1	58,571.8	54,784.5	55,672.4	55,666.4
Total	274,039.0	277,002.9	276,982.1	251,374.9	254,381.7	254,421.7

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 2016.

Note 14 Bonds and other interest-bearing securities

	2016			2015		
	Acquisition value	Fair value	Recognised value	Acquisition value	Fair value	Recognised value
Bonds and other interest-bearing securities						
– Swedish mortgage finance institutions	15,528.0	15,614.9	15,614.9	20,448.3	20,497.7	20,497.7
– other Swedish issuers	–	–	–	903.1	403.3	403.3
– other foreign issuers	26,541.1	26,389.0	26,389.0	24,834.4	24,787.4	24,787.4
Total	42,069.1	42,003.9	42,003.9	46,185.8	45,688.4	45,688.4
Positive difference of book values exceeding nominal values			1,380.2			1,798.6
Negative difference of book values falling below nominal values			–53.2			–522.3
Total			1,327.0			1,276.3

Note 15 Shares and participations

	2016	2015
Endowment insurance	3.3	2.8
Total shares and participations	3.3	2.8

Refers to endowment insurance reported gross and included on the liability side, see Note 23.

Note 16 Shares and participations in associated companies

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

	2016	2015
Number of shares: 500	–	0.5
Total	–	0.5

In 2016, the associated company, Administrative Solutions NLGFA AB, was placed in voluntary liquidation. Following that, the Company holds no shares in associated companies.

Note 17 Shares and participations in subsidiaries

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

	2016	2015
Number of shares: 1,000	42.0	42.0
Total	42.0	42.0

As per 31 December 2016, Kommuninvest Fastighets AB had a balance sheet total of SEK 57.7 (55.5) million, equity of SEK 43.6 (42.9) million and generated a profit of SEK 0.7 (0.7) million.

Note 18 Derivatives

	2016			2015		
	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 included in hedge accounting</i>						
Interest rate-related	411.4	–3,451.2	187,931.5	578.4	4,105.7	258,591.4
Currency-related	16,415.5	–4,659.6	155,217.6	14,925.3	5,438.7	161,349.8
Other ¹	141.7	–74.4	4,627.4	289.0	783.5	4,314.1
Total	16,968.6	–8,185.2	347,776.5	15,792.7	10,327.9	424,255.3
<i>Derivatives included in hedge accounting</i>						
Interest rate-related	7,044.1	–1,031.1	180,469.8	6,300.4	936.8	156,858.8
Currency-related	437.1	–174.2	4,857.6	682.5	458.4	6,170.6
Total	7,481.2	–1,205.3	185,327.4	6,982.9	1,395.2	163,029.4

¹) Derivatives where the return is linked to shares, currencies, etc. These derivatives are precisely matched with fundings where the receive leg of the derivative should reflect and hedge all of the risks in its funding.

Note 19 Intangible assets

	2016	2015
Acquired intangible assets		
Other technology/contract-based assets		
<i>Acquisition value</i>		
Acquisition value brought forward	20.1	2.0
Investments for the year	1.9	18.1
Disposals	-	-
Acquisition value carried forward	22.0	20.1
<i>Depreciation</i>		
Opening balance, depreciation	-4.4	-0.4
Depreciation for the year	-4.2	-4.0
Disposals	-	-
Depreciation carried forward	-8.6	-4.4
Planned residual value at the end of the accounting period	13.4	15.7

Intangible assets refer to business systems.

Note 20 Tangible assets

	2016	2015
<i>Acquisition value</i>		
Acquisition value brought forward	24.1	23.6
Investments for the year	5.0	0.5
Disposals	-0.5	-
Acquisition value carried forward	28.6	24.1
<i>Depreciation</i>		
Opening balance, depreciation	-19.5	-17.6
Depreciation for the year	-1.9	-1.9
Disposals	0.4	-
Depreciation carried forward	-21.0	-19.5
Planned residual value at the end of the accounting period	7.6	4.6

Tangible assets mainly include IT and office equipment for SEK 7.0 (4.0) million and artwork for SEK 0.6 (0.6) million.

Note 21 Other liabilities

	2016	2015
Liabilities to parent society	790.9	2,149.7
Other liabilities	19.5	13.8
Total	810.4	2,163.5

The liability to the Kommuninvest Cooperative Society involves member contributions in 2016, which are handled by the Company on the Society's behalf and have not yet been transferred to the Company in the form of new share capital.

Note 22 Accrued expenses and prepaid revenues

	2016	2015
Accrued stability fee	-	120.5
Other accrued expenses	30.9	24.4
Total	30.9	144.9

In 2016, the resolution fee replaced the stability fee. The resolution fee is expensed and paid in the same year and consequently there is no accrued expense for 2016.

Note 23 Provisions for pensions and similar commitments

	2016	2015
Provisions for pensions obligations	4.1	3.4
Total	4.1	3.4

Refers to endowment insurance of SEK 3.3 million reported gross and included on the asset side, see Note 15. The provision also includes the tax of SEK 0.8 million booked on the capital insurance.

Note 24 Subordinated liabilities

	Currency	Nominal	Interest rate (%)	Due date	Recognised value	
					2016	2015
Debenture loan	SEK	1,000.0	Variable	Perpetual	1,000.0	1,000.0
Total		1,000.0			1,000.0	1,000.0

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 12.3 (16.2) 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 25 Memorandum items

Pledged assets	2016	2015
<i>In the form of assets pledged for own provisions and liabilities</i>		
Endowment insurance for pension obligations	3.3	2.8
Deposited at the Riksbank		
- Government bonds	-	1,601.4
- Securities issued by Swedish municipalities and county councils/regions	2,121.8	579.6
- Swedish covered bonds	13,147.2	11,123.6
Assets pledged for derivative liabilities		
- government bonds	170.9	-
Marginal collateral posted with a central counterparty for clearing		
- Government bonds	316.2	-
Assets pledged, total	15,759.4	13,307.4
Contingent liabilities	None	None
Committed undisbursed loans	1,765.4	2,903.3

The recognised value of liabilities and provisions involving pledges amounted to SEK 558.8 (3.5) 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 26 Related parties

Close associations

During the year, Kommuninvest had close associations with the Kommuninvest Cooperative Society (Parent Company), Kommuninvest Fastighets AB (subsidiary), Administrative Solutions NLGFA AB (associated company), Sandahl Partner Örebro AB and Malin Norbäck Consulting AB.

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	2016	3,505	106	-12,269	6	1,790,955
	2015	2,773	-	-16,151	337	3,149,697
Kommuninvest Fastighets AB	2016	145	4,623	-	10,013	1,625
	2015	178	2,731	-	10,135	10
Administrative Solutions NLGFA AB	2016	-	-	-	-	-
	2015	22	4,698	-1	-	-
Sandahl Partners Örebro AB	2016	-	155	-	-	-
	2015	-	922	-	-	364
Malin Norbäck Consulting AB	2016	-	2,007	-	169	355
	2015	-	-	-	-	-

The close association with Kommuninvest Fastighets AB relates to transactions involving Kommuninvest's premises, which are owned by Kommuninvest Fastighets AB. The liability to the Kommuninvest Cooperative Society involves subordinated loans for SEK 1 billion and member contributions, which are handled by the Company on the Society's behalf and have not yet been transferred to the Company in the form of new share capital. In 2016, the associated company Administrative Solutions NLGFA AB was placed in voluntary liquidation and accordingly, there is no close association. The other two companies,

Sandahl Partner Örebro AB and Malin Norbäck Consulting AB, are classified as close associations, since the companies provide key people in senior positions. These were provided by Sandahl Partner Örebro AB during the period September 2015 to January 2016. Effective from February 2016, Malin Norbäck Consulting AB provided this service. Only transactions with these companies during the aforementioned periods are included in the table above. With regard to transactions with other key people in senior positions as employees of Kommuninvest, see Note 8.

Note 27 Events after the balance sheet date

A new share issue for SEK 682.9 million, implemented in December 2016, was registered with the Swedish Companies Registration Office on 2 January 2017. An application to receive permission to classify the increase in share capital as Core Tier I capital was registered with Finansinspektionen, Sweden's financial supervisory authority, on 10 January 2017.

Note 28 Financial assets and liabilities

2016	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Held for trading		
Sovereign bonds eligible as collateral	9,448.0	-	-	-
Lending to credit institutions	-	-	1,122.3	-
Lending	95,601.1	-	181,381.0	-
Bonds and other interest-bearing securities	32,633.8	-	-	-
Derivatives	-	16,968.6	-	-
Other assets	-	-	11.8	-
Total	137,682.9	16,968.6	182,515.1	-
Liabilities to credit institutions ¹	-	-	-	-
Securities issued ¹	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-
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	Held for trading		
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	-
Total	111,224.8	15,792.7	191,673.7	-
Liabilities to credit institutions ¹	-	-	-	-
Securities issued ¹	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 278,543.1 (315,447.1) million.

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

For financial instruments, fair value calculations are to be divided according to the following three levels:

- Level 1:** valuation is made according to prices noted on an active market for the same instrument.
- Level 2:** Valuation is made on the basis of directly or indirectly observable market data not included in level 1.
- Level 3:** Valuation is made on the basis of non-observable market data, with significant elements of internal and external estimates.

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category					
	Held for trading					
7,516.4	-	-	-	-	16,964.4	16,964.4
-	-	-	-	-	1,122.3	1,122.3
-	-	-	-	-	276,982.1	277,002.9
9,370.1	-	-	-	-	42,003.9	42,003.9
-	-	-	-	7,481.2	24,449.8	24,449.8
-	-	-	-	-	11.8	11.8
16,886.5	-	-	-	7,481.2	361,534.3	361,555.1
-	2,394.4	-	1.7	-	2,396.1	2,396.1
-	144,686.7	-	196,892.7	-	341,579.4	343,012.4
-	-	8,184.5	-	1,206.0	9,390.5	9,390.5
-	-	-	803.3	-	803.3	803.3
-	-	-	1,000.0	-	1,000.0	1,039.1
-	147,081.1	8,184.5	198,697.7	1,206.0	355,169.3	356,641.4

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category					
	Held for trading					
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
14,755.5	-	-	-	6,982.9	340,429.6	340,389.6
-	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
-	153,356.5	10,328.0	171,045.5	1,395.1	336,125.1	336,595.9

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

Lending

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

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Note 28, continued

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

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

Liabilities to credit institutions, securities issued and subordinated liabilities

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

Derivatives

Standardised derivatives in the form of FRA contracts scheduled for IMM days and traded in an active market are measured according to level 1. The fair value of other derivatives is calculated by discounting the anticipated future cash flows taking place at mid-prices in the relevant reference rate for the currency concerned. Where anticipated future cash flows are dependent on unobservable market data or elements on in-house assessment, derivatives are classified in level 3; otherwise, they are classified in level 2. All derivatives classified in level 3 are swaps matching funding transactions classified in level 3. The discount rate has been set as the current quoted swap rate in each currency. For cleared interest rate swaps, the discount rate has been set at the currently quoted OIS rate in each currency. For currency swaps, the discount rate has been adjusted according to current basis swap spreads.

Lending to credit institutions, other assets and other liabilities

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

Significant assumptions and uncertainty factors

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

spreads and credit spreads, on holdings in the liquidity reserve that give rise to the changes in market value.

An increase in the lending price, in relation to swap rates, by 10 basis points on the receivables recognised at fair value would mean a negative change in net profit of SEK 207 (143) million. An increase in the funding cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK 259 (309) million. A parallel displacement in the lending and funding price, in relation to swap rates, by 10 basis points would mean a change in net profit of SEK +/-52 (+/- 166) 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 +/-17 (+/-13) 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 funding 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 hedge these at the transaction level. The recipient leg of such a derivative always consists of the warrants in the issued security and the payment leg of the interbank interest rate +/- a fixed margin.

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

Kommuninvest has calculated the maturity at 1.6 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable funding in the interval of 1.0 – 3.5 years. This would have an effect on net profit in the interval SEK -2.6 million – SEK +2.6 million.

Change in value due to anticipated credit risk

With the joint and several guarantee for Kommuninvest's funding provided by the members of the Kommuninvest Cooperative Society, Kommuninvest's own credit risk is considered to be negligible. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Since no such events or changes have occurred, all variations in funding margins and resulting changes in the value of liabilities are deemed attributable to general changes in the market price of credit and liquidity risk and not from changes in Kommuninvest's own credit risk.

Note 28, continued

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

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

Changed valuation models

During the year the valuation of securities valued under level 2 in the liquidity reserve has been changed. Previously, fair value was calculated via a discount of anticipated future cash flows, with the discount rate set to the swap rate adjusted on the basis of the issuer's credit risk. The change to the method described above occurred after the quoted market prices were considered to better reflect fair value. The change affects the value of the liquidity reserve positively by SEK 15.5 million at 31 December 2016.

During the year, the valuation of funding for which there are quoted market prices has changed. Fair value was previously measured via a discount of anticipated future cash flows where the discount rate was set at the swap rate adjusted for current funding margins for the structure and market of the

funding. The change to the method described above occurred after the quoted market prices were considered to better reflect fair value. The change affects the overall value negatively by SEK 65.0 million as of 31 December 2016.

Transfers between valuation levels

Kommuninvest continuously reviews the criteria for its division into levels of financial assets and liabilities measured at fair value. During the year, financial assets of SEK 1,491.2 (100.8) million were transferred to level 1 from level 2, while SEK 5,168.3 (-) million was transferred to level 2 from level 1. Financial liabilities of SEK 61,605.2 (-) million were transferred from level 2 to level 1. All transfers of liabilities were associated with the change in valuation method. The transfers are considered to have taken place on 31 December 2016 and 31 December 2015 for the preceding year.

Approval of valuation models

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

FINANCIAL STATEMENTS

Note 28, continued

Financial instruments measured at fair value in the balance sheet

2016	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	7,370.4	9,594.0	-	16,964.4
Lending	-	95,601.1	-	95,601.1
Bonds and other interest-bearing securities	32,324.4	9,679.5	-	42,003.9
Derivatives	-	24,227.2	222.6	24,449.8
Total	39,694.8	139,101.8	222.6	179,019.2
Liabilities to credit institutions	-	2,394.4	-	2,394.4
Securities issued	100,634.1	37,799.1	6,253.5	144,686.7
Derivatives	0.0	9,202.3	188.2	9,390.5
Total	100,634.1	49,395.8	6,441.7	156,471.6
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
Total	51,280.0	97,179.7	296.2	148,755.9
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
Total	2.6	159,688.6	5,388.4	165,079.6

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.

	Derivative assets	Derivative liabilities	Liabilities to credit institutions	Securities issued	Total
Opening balance, 1 January 2015	479.5	-844.9	-205.1	-9,516.1	-10,086.6
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
Closing balance, 31 December 2015	296.2	-1,474.7	-	-3,913.7	-5,092.2
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
Opening balance, 1 January 2016	296.2	-1,474.7	-	-3,913.7	-5,092.2
Recognised gains and losses:					
- recognised in the income statement (net result of financial transactions)	-73.5	1,286.5	-	-1,210.9	2.1
Cost, acquisitions	-	-	-	-2,428.4	-2,428.4
Maturing during the year	-	-	-	1,299.5	1,299.5
Closing balance, 31 December 2016	222.7	-188.2	-	-6,253.5	-6,219.0
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2016	442.6	188.8	-	-629.8	1.6

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

Note 28, continued

Financial instruments not measured at fair value in the balance sheet

2016	Level 1	Level 2	Level 3	Total	Recognised value
Lending to credit institutions	-	1,122.3	-	1,122.3	1,122.3
Lending	-	181,401.8	-	181,401.8	181,381.0
Other assets	-	11.8	-	11.8	11.8
Total	-	182,535.9	-	182,535.9	182,515.1
Liabilities to credit institutions	-	1.7	-	1.7	1.7
Securities issued	88,051.9	110,273.8	-	198,325.7	196,892.7
Other liabilities	-	803.3	-	803.3	803.3
Subordinated liabilities	-	1,039.1	-	1,039.1	1,000.0
Total	88,051.9	112,117.9	-	200,169.8	198,697.7

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
Total	-	191,633.7	-	191,633.7	191,673.7
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
Total	143,236.1	28,280.2	-	171,516.3	171,045.5

Note 29 Information on financial assets and liabilities subject to offsetting

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

Kommuninvest's non-cleared derivatives are what are known as OTC derivatives, that is, they are not traded on an exchange but are issued under ISDA (International Swaps and Derivatives Association) Master agreements. In addition to the ISDA agreement, a supplementary CSA (Credit Support Annex) has been signed with a considerable portion of the counterparties. CSA agreements regulate the right to secure collateral to eliminate the exposure.

For non-cleared derivatives carried out under ISDA Master agreements, all payment flows with a particular counterparty that mature on the same date are, to the greatest extent possible, netted in each currency to a net amount to be paid by one counterparty to another. For specific events, such as past-due payment, bankruptcy, etc. all transactions are concluded with that counterparty, as assessment is conducted and a net settlement is made.

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

31 December 2016	Financial assets and liabilities, gross amounts	Amounts offset in the balance sheet ¹	Net amount reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
				Financial instruments	Provided (+)/ Received (-) collateral - security	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	24,565.2	-115.4	24,449.8	-7,949.1	-15,623.0	-	877.7
Repos ²	-	-	-	-	-	-	-
Liabilities							
Derivatives	-9,866.7	476.2	-9,390.5	7,949.1	170.9	-	-1,270.5
Total	14,698.5	360.8	15,059.3	0.0	-15,452.1	-	-392.8
31 December 2015	Financial assets and liabilities, gross amounts	Amounts offset in the balance sheet	Net amount reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
				Financial instruments	Provided (+)/ Received (-) collateral - security	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	-	-	22,775.6	-9,661.4	-11,391.2	-	1,723.0
Repos ²	-	-	80.9	-	-80.8	-	0.1
Liabilities							
Derivatives	-	-	-11,723.1	9,661.4	-	-	-2,061.7
Total	-	-	11,133.4	0.0	-11,472.0	-	-338.6

1) The amount offset for derivative liabilities includes cash collateral of SEK 360 million.

2) Repos are included in Lending to credit institutions.

Note 30 Capital adequacy

Since January 1, 2014, capital adequacy has been calculated according to CRR¹. 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 IV² 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 1.5 percent effective from 27 June 2016 for relevant exposures within Sweden. 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.

	2016	2015
Share capital ³	5,417.1	2,726.4
Retained earnings ⁴	386.7	285.6
Accumulated other comprehensive income and other reserves	27.3	-16.9
Core Tier 1 capital before regulatory adjustments	5,831.1	2,995.1
Further value adjustments ⁵	-190.0	-63.4
Total regulatory adjustments to core Tier 1 capital	-190.0	-63.4
Total core Tier 1 capital	5,641.1	2,931.7
Tier 1 capital contributions	-	-
Total Tier 1 capital	5,641.1	2,931.7
Debenture loan ⁶	1,000.0	1,000.0
Total Tier 2 capital	1,000.0	1,000.0
Total capital	6,641.1	3,931.7

- 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) For a more detailed description of the instruments included in share capital, see page 55. Deductions have been made for the increase in share capital registered with the Swedish Companies Registration Office on 2 January 2017 and which is not yet approved by Finansinspektionen – the application was registered on 10 January 2017. 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. For 31 December 2015, the shares were registered with the Swedish Companies Registration Office on 23 December 2015, with the application being registered with Finansinspektionen on 18 January 2016. The application was approved on 10 May 2016.
- 4) Deductions of SEK – (positive 149.1) million have been made, which refer 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.
- 5) Deductions calculated according to the EBA's technical standard regarding prudent valuation. The purpose is to adjust the uncertainty in valuation regarding positions valued and recognised at fair value. The increase in deduction is because EBA's technical standard regarding prudent valuation entered into force during 2016.
- 6) 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.

	2016		2015	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	2,274.1	181.9	2,985.8	238.9
<i>of which, exposures to states and central banks</i>	<i>70.2</i>	<i>5.6</i>	<i>70.2</i>	<i>5.6</i>
<i>of which, institutional exposures</i>	<i>550.6</i>	<i>44.1</i>	<i>777.9</i>	<i>62.3</i>
<i>of which, corporate exposures</i>	<i>91.8</i>	<i>7.3</i>	<i>87.9</i>	<i>7.0</i>
<i>of which, exposures in the form of covered bonds</i>	<i>1,561.5</i>	<i>124.9</i>	<i>2,049.8</i>	<i>164.0</i>
Operational risks, basic indicator method	1,628.2	130.3	1,573.0	125.8
Market risks	-	-	-	-
Credit valuation adjustment	1,536.1	122.9	2,020.1	161.6
Total risk exposure amount and minimum capital amount	5,438.4	435.1	6,578.9	526.3
Capital adequacy ratios			2016	2015
Core Tier 1 capital ratio			103.7 %	44.6 %
Tier 1 capital ratio			103.7 %	44.6 %
Total capital ratio			122.1 %	59.8 %
Buffer requirements			2016	2015
Capital conservation buffer			2.5 %	2.5 %
Countercyclical buffer			1.2 %	0.8 %
Total buffer requirements			3.7 %	3.3 %
Core Tier 1 capital available for use as buffer			97.7 %	38.6 %
Internally estimated capital requirements			2016	2015
Capital requirement				
Credit risk			28.9	36.8
Market risks			1,505.1 ¹	696.9
Liquidity risk			-	27.5
Operational risk			-	-
Business risk			-	-
Reputation risk			-	13.7
Strategic risks			-	0.7
Residual risk			-	-
Total risk exposure amounts and minimum capital amounts			1,534.0	775.6

¹⁾ The increase of the internally assessed capital requirement for market risks, in relation to 2015, is not due to a change in risk exposures but to changes in the calculation. The 2016 calculation, similar to 2015, builds on a scenario analysis, however scenarios have been added that include market stress during the financial crisis 2008. This affects the extreme outcomes.

The aim of Kommuninvest's capital planning is for all operations to be adequately capitalised to meet both current and future regulatory requirements. For more information on the Company's internal capital assessment and capital plan, see pages 37–38.

For information to be disclosed under the Commission Implementing Regulation No 1423/2013 of 20 December 2013 on technical standards for implementation regarding capital base disclosure requirements for institutions according to EU Regulation No 575/2013 and Finansinspektionen's (Swedish Financial Supervisory Authority) rules and general advice for annual accounts from credit institutions and securities companies, FFFS 2008:25, see the Kommuninvest website.

Note 31 Leverage ratio

Leverage ratio is defined as the primary capital divided by total exposures in assets and liabilities. Regarding the lending portfolio and the liquidity reserve, the exposure corresponds to the recognised value. For derivatives assets the exposure is calculated by totalling all exposures in individual netting agreements with derivatives counterparties. To this exposure amount, a possible future exposure amount is added, calculated according to the standardised method (the market valuation method) established in the EU Capital Requirements Regulation, CRR. Off-balance sheet commitments are also assigned an exposure value. The exposure amount is calculated based on the probability that the commitment will be utilised. Applicable commitments for Kommuninvest are committed undisbursed loans.

	2016	2015
Total assets	361,725.4	340,626.3
Less asset amounts deducted to determine the core Tier 1 capital	-190.0	-63.4
Less derivatives according to the balance sheet	-24,449.8	-22,775.6
Plus derivatives exposure	16,500.7	13,114.2
Plus possible change in derivatives risk	5,450.9	4,892.0
Plus off-balance sheet commitments	1,765.4	2,903.3
Total exposure	360,802.6	338,696.8
Tier 1 capital, calculated applying transitional rules, see Note 30	5,641.1	2,931.7
Leverage ratio	1.56 %	0.87 %

Kommuninvest has a capital plan for achieving the future statutory leverage ratio requirement, see page 38.

Five-Year Summary

Key ratios 2012–2016, SEK, million	2016	2015	2014	2013	2012
Equity					
Core Tier 1 capital ratio (%)	103.7	44.6	34.6	37.0	15.2
Tier 1 capital ratio (%)	103.7	44.6	34.6	37.0	15.2
Total capital ratio (%)	122.1	59.8	49.3	59.5	30.4
Leverage ratio according to CRR (%)	1.56	0.87	0.75	0.57	0.33
Leverage ratio including debenture loan (%)	1.84	1.16	1.09	0.91	0.65
Net profit					
Operating profit excluding the effect of unrealised changes in market value	593.7	531.3	664.0	740.0	510.0
Operating expenses, excluding the resolution fee/stability fee, as % of lending	0.072	0.068	0.078	0.070	0.075
Operating expenses, excluding the resolution fee/stability fee, as % of balance sheet total	0.055	0.051	0.055	0.053	0.053
Return on assets (%)	0.086	0.165	0.182	0.213	0.113
Cost/income ratio	0.302	0.366	0.310	0.250	0.320
Other information					
Number of employees at the end of the year	91	85	77	70	65
Income statement 1 January – 31 December, SEK, million					
Net interest income	762.0	798.5	915.2	969.5	771.7
Commission expenses	-5.2	-5.3	-5.1	-5.6	-8.5
Net result of financial transactions	-131.9	165.7	101.9	38.7	-267.1
Other operating income	5.4	2.7	1.3	0.2	4.6
Total operating income	630.3	961.6	1,013.3	1,002.8	500.7
Total operating expenses	-232.1	-293.1	-283.9	-245.2	-251.7
Impairment of financial assets	-	-13.0	-	-	-
Operating profit	398.2	655.5	729.4	757.6	249.1
Appropriations, net	-	-	-	-	204.0
Tax expense	-88.4	-94.2	-161.0	-166.9	-132.5
Net profit	309.8	561.3	568.4	590.7	320.6
Balance sheet summary as at 31 December, SEK million					
Sovereign bonds eligible as collateral	16,964.4	16,839.4	15,204.1	14,626.2	11,160.8
Lending to credit institutions	1,122.3	699.9	4,022.1	2,822.2	15,618.6
Lending	276,982.1	254,421.7	222,803.7	208,644.0	200,950.7
Bonds and other interest-bearing securities	42,003.9	45,688.4	45,974.5	44,932.9	44,293.7
Derivatives	24,449.8	22,775.6	23,848.8	6,235.8	11,057.4
Other assets	202.9	201.3	198.9	197.6	202.4
Total assets	361,725.4	340,626.3	312,052.1	277,458.7	283,283.6
Liabilities to credit institutions	2,396.1	2,303.5	4,800.6	4,352.0	5,610.4
Securities issued	341,579.4	318,943.6	292,318.0	256,258.7	257,257.3
Derivatives	9,390.5	11,723.1	10,628.3	13,231.8	17,517.2
Other liabilities	845.4	2,311.8	929.7	888.5	945.7
Subordinated liabilities	1,000.0	1,000.0	1,000.1	1,000.1	1,000.3
Total liabilities and provisions	355,211.4	336,282.0	309,676.7	275,731.1	282,330.9
Equity	6,514.0	4,344.3	2,375.4	1,727.6	952.7
Total liabilities, provisions and equity	361,725.4	340,626.3	312,052.1	277,458.7	283,283.6

Alternative key ratios

In this annual report, Kommuninvest i Sverige AB has chosen to present a number of alternative key ratios that are not defined or specified in the applicable rules on financial

reporting. These alternative key ratios have been defined in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

Alternative key ratios	Definition	Reconciliation	2016	2015
Operating profit excluding effects of unrealised changes in market value	Operating profit reduced with the outcome of unrealised changes in market value included in the income statement item Net result of financial transactions. The key ratio is of interest in showing Kommuninvest's underlying earning capacity.	Operating profit	398.2	655.5
		Result of unrealised changes in market value	-195.5	124.2
		Operating profit excluding the effect of unrealised changes in market value	593.7	531.3
Operating expenses, excluding the resolution/stability fee, as % of lending	Total operating expenses over the financial year, excluding the resolution/stability fee in relation to the carrying value of lending on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to lending, adjusted for the resolution/stability fee.	General administration expenses	-221.0	-283.0
		Depreciation and amortisation	-6.1	-5.9
		Other operating expenses	-5.0	-4.2
		Total operating expenses	-232.1	-293.1
		Resolution/stability fee	-31.4	-120.5
		Total operating expenses excluding resolution/stability fee	-200.7	-172.6
		Lending as per the closing date	276,982.1	254,421.7
		Operating expenses, excluding the resolution/stability fee, as % of lending	0.072	0.068
Operating expenses, excluding the resolution/stability fee, as % of balance sheet total	Total operating expenses over the financial year, excluding the resolution/stability fee in relation to total assets on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to the balance sheet total, adjusted for the resolution/stability fee.	General administration expenses	-221.0	-283.0
		Depreciation and amortisation	-6.1	-5.9
		Other operating expenses	-5.0	-4.2
		Total operating expenses	-232.1	-293.1
		Resolution/stability fee	-31.4	-120.5
		Total operating expenses excluding resolution/stability fee	-200.7	-172.6
		Total assets as per the closing date	361,725.4	340,626.3
		Operating expenses, excluding the resolution/stability fee, as % of balance sheet total	0.055	0.051
Return on assets (%)	Net profit in relation to total assets, as a percentage. Indicator submitted in accordance with FFS 2008:25 6 chapter 2a.	Net profit	309.8	561.3
		Total assets	361,725.4	340,626.3
		Return on assets (%)	0.086	0.165
Cost/income ratio	Total operating expenses in relation to net interest and other operating income. A commonly used indicator in the banking sector to evaluate the relationship between costs and revenues.	Total operating expenses	-232.1	-293.1
		Net interest income	762.0	798.5
		Other operating income	5.4	2.7
		Total interest income and other income	767.4	801.2
		Cost/income ratio	0.302	0.366

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, 14 February 2017

Ellen Bramness Arvidsson
Chairman

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Erik Langby
Board Member

Anna Sandborgh
Board Member

Johan Törngren
Board Member

Lars Heikensten
Board Member

Nedim Murtic
Employee representative

Tomas Werngren
President and CEO

Our audit report was submitted on 14 February 2017

KPMG

Anders Tagde
Authorised Public Accountant

Auditor's Report

To the general meeting of Kommuninvest i Sverige AB (publ), corporate identity number 556281-4409

Report on the annual accounts

Opinions

We have audited the annual accounts of Kommuninvest i Sverige AB (publ) for the year 2016. The annual accounts of the company are included on pages 20–86 in this document.

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 (publ) as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Kommuninvest i Sverige AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other Matter

The audit of the annual accounts for year 2015 was performed by another auditor who submitted an auditor's report dated 8 March 2016, with unmodified opinions in the Report on the annual accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Fair value measurement of financial instruments classified as level 2 and 3

See accounting principles for financial instruments in note 2 and disclosure in note 28 in the annual account for detailed information and description of the matter.

Description of key audit matter

The Company has financial assets and liabilities measured at fair value, which are classified as level 2 and 3 according to the IFRS fair value hierarchy. The fair value of these financial instruments is measured either based on quoted prices on markets that are not active or based on valuation models using both observable and unobservable inputs.

The Company has financial assets of SEK 139,102 million classified as level 2, financial assets of SEK 223 million classified as level 3, financial liabilities of SEK 49,396 million classified as level 2 and financial liabilities of SEK 6,442 million classified as level 3. In total, these assets and liabilities represent 39 percent of the Company's total assets and 16 percent of total liabilities.

The Company's assets and liabilities described above, where the fair value is measured based on valuation models, consist of lending, liabilities to credit institutions, securities issued and derivatives. The valuation models used for these types of financial instruments are based on discounted cash-flows forecasts.

The fair value of financial instruments classified as level 3 is based on valuation models that involve significant levels of management judgments as the fair value calculation is based on input that is unobservable by a third party. The valuation of financial instruments classified as level 2, and where the fair value is based on valuation models, also relies on judgments made by management. In view of this, fair value calculations for measurements of financial instruments is considered a key audit matter, in particular the valuation of financial instruments where the fair value is determined by using valuation models.

Response in the audit

We have obtained the Company's valuation guidelines and assessed their valuation methodologies against industry practice. We have also assessed whether the models have been applied appropriately and comply with the Company's accounting principles.

We have tested the Company's controls over the valuation process, including the Risk and Controls department's review of performed valuations, the application of the four-eye principle in the valuation process and the Company's internal evaluation of valuation adjustments.

We have engaged our internal valuations specialists to assist us in performing our audit procedures in challenging the methodology and assumptions used in the valuation models. We have paid special attention to the changed valuation method for securities issued that was implemented during the year.

On a sample basis, we have compared the input data used in the models against appropriate pricing sources and for a sample of financial instruments, we have performed our own independent valuations.

We have also assessed the circumstances disclosed in the annual report and assessed whether the information presented is comprehensive enough to understand the judgments made by management and the application of valuation methods used.

Applying hedge accounting

See accounting principles in note 2 and disclosures in note 6, 18 and 28 in the annual account for detailed information and description of the matter.

Description of key audit matter

Hedge accounting is a complex area from an accounting perspective. To qualify for hedge accounting, certain criteria must be met including requirements to document the nature and purpose of the hedge and to perform regular testing over its effectiveness.

Because of the complex nature of the relevant accounting policies, hedge accounting is considered a key audit matter.

Response in the audit

We have obtained the Company's documentation for hedge accounting and evaluated whether the applied methods comply with the Company's accounting principles. Moreover, we have tested the Company's effectiveness test for hedge relationships.

At year-end, we have assessed whether the hedge relationships have been subject to effectiveness testing. For a sample of hedges, we also verified the accuracy of the input data and evaluated the result of the effectiveness test.

We have also assessed the circumstances disclosed in the annual report and assessed whether the information presented is comprehensive enough to understand the Company's application of hedge accounting.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–19. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts the Board of Directors and the President are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President.
- Conclude on the appropriateness of the Board of Directors' and the President's, use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of Kommuninvest i Sverige AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Kommuninvest i Sverige AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities 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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has 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.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm, 14 February 2017

KPMG AB

Anders Tagde
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 2016.

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, in a satisfactory manner and the Company's internal control has been sufficient.

Örebro, 13 February 2017

Barbro Hassel

Cecilia Löfgreen



On the Kommuninvest website, www.kommuninvest.se, you can read more about Kommuninvest, our services and news affecting the economy and finances of local government authorities in Sweden. On the website you will find:

- Our newsletter, each week providing members the latest updates on macroeconomic developments and other areas affecting local government finances
- Reports on local government finances
- Our membership magazine Dialogue
- Log-in to the debt management tool KI Finans
- Information for investors



The Swedish Local Government Debt Office

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