

# Annual Report 2016

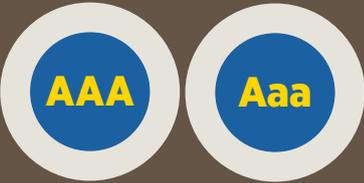
Kommuninvest Cooperative Society



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><b>Basic concept</b></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><b>Our vision</b></p> <p>To be the world's best organisation for local government financial administration, for a beneficial and sustainable society.</p>                                 | <p><b>Start 1986</b></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><b>Organisation with clear division of roles</b></p> <p>Kommuninvest comprises two parts. These are the credit market Group, Kommuninvest i Sverige AB (the Group) and the Kommuninvest Cooperative Society (the Society).</p>  | <p><b>275 + 11</b></p> <p>Kommuninvest is owned by 275 municipalities and 11 county councils/regions.</p>  |  <p><b>Green Loans</b></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><b>Kommuninvest Cooperative Society</b></p> <ul style="list-style-type: none"> <li>• Administers membership and the joint and several guarantee.</li> <li>• The Board of Directors consists of elected politicians from municipalities and county councils/regions.</li> </ul>  | <p><b>SEK 277 bn</b></p> <p>At the close of 2016, lending totalled SEK 277 billion.</p>  | <p><b>Green Loans</b></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><b>Kommuninvest i Sverige AB</b></p> <ul style="list-style-type: none"> <li>• Conducts the financial operations, including funding, liquidity management and lending.</li> <li>• The Board of Directors consists of individuals with expertise in areas such as public administration, capital markets and business development.</li> </ul> |  <p>Kommuninvest i Sverige AB has the highest possible credit rating, AAA/Aaa, and a stable outlook.</p> |  |

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**Annual Report of the Kommuninvest Cooperative Society.** "Kommuninvest" or "the Group" refers to the Kommuninvest Group, consisting of a member organisation, the Kommuninvest Cooperative Society (the Society), the credit market group Kommuninvest i Sverige AB (the Company) and Kommuninvest Fastighets AB. **The annual report for Kommuninvest i Sverige AB (publ)** is available from [kommuninvest.se](http://kommuninvest.se) **Cover:** The Municipality of Umeå is investing in the new production of low-energy houses (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 Group's equity increased by SEK 825.1 (3,320.3) million over the year. The increase was primarily attributable to members' capital contributions to the Society. 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

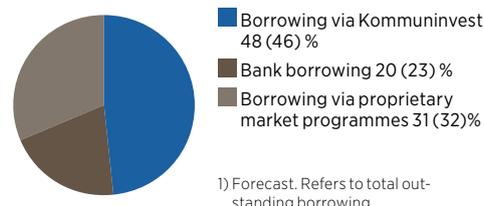
In March, Kommuninvest issued its first Green Bond. With a volume of USD 600 million, this was the largest Green Bond ever from a Nordic issuer. In October, an additional Green Bond of SEK 5 billion was issued. It was the largest Green Bond in SEK to date. See further pages 14–17.

### ► 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. For further information, see page 37.

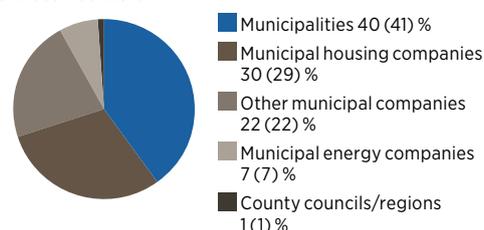
## Market shares, local government loan financing<sup>1</sup>

31 December 2016



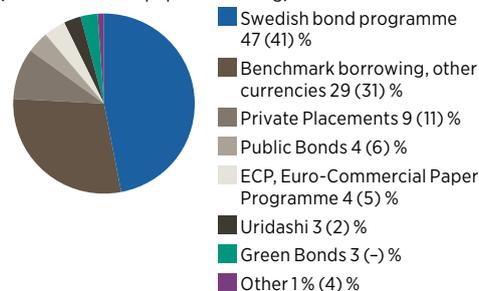
## Kommuninvest's lending portfolio

31 December 2016



## Borrowing portfolio by borrowing programme

(excl. commercial paper borrowing)



## Multi-year summary, Kommuninvest Group

|  | 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                                  | 385.8 | 689.9 | 718.6 | 745.8 | 424.8 |
| 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 <sup>1</sup> , %               | 106.6 | 46.2  | 35.6  | 37.6  | 15.5  |
| Tier 1 capital ratio <sup>2</sup> , %                    | 106.6 | 46.2  | 35.6  | 37.6  | 15.5  |
| Total capital ratio <sup>3</sup> , %                     | 117.6 | 56.9  | 47.4  | 56.4  | 23.3  |
| Leverage ratio according to CRR <sup>4</sup> , %         | 1.60  | 0.90  | 0.79  | 0.58  | 0.33  |
| Leverage ratio including debenture loan <sup>5</sup> , % | 1.88  | 1.19  | 1.10  | 0.97  | n/d   |

1) Core Tier 1 capital in relation to total risk exposure. See also page 86 and Note 35.

2) Tier 1 capital in relation to total risk exposure. See also page 86 and Note 35.

3) Total capital base in relation to total risk exposure. See also page 86 and Note 35.

4) Tier 1 capital in relation to total assets and commitments (exposures). See also page 87 and Note 36.

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

For further information, see page 37.



# Major challenges for the local government sector

Although Sweden's economy is characterised by strong growth and high employment, future prospects are uncertain. The recovery in Europe is sluggish, protectionist tendencies around the world are strengthening and the UK's decision to leave the EU entails difficult, high-stake negotiations for several years ahead.

Although Sweden's municipalities, county councils and regions generally have stable finances, they also face considerable challenges. At the same times as several smaller municipalities are struggling for their survival, population growth is driving the need for municipal and regional investment in all areas – schools, health care, infrastructure and especially housing. Here, Kommuninvest is playing a more important role than ever. With such rapidly growing investment, it is crucial that our concept – collaboration in solidarity between members – stands strong, to be able to offer attractive loans.

A sign of our strength is that Kommuninvest gained six new members in 2016, three county councils and three municipalities. At the beginning of 2017, we gained two more members, the municipalities of Mölndal and Linköping. The composition of Kommuninvest's members shows that we have an important role to play among county councils, as well as large, medium and small municipalities.

#### Greater clarity on matters of capital

One of Kommuninvest's greatest challenges in recent years, has involved all of the new regulations following the financial crisis of 2008.

In 2016, the European Commission presented its proposal regarding a leverage ratio, the part of the requirements that has been the most difficult for Kommuninvest to achieve. Alongside our Nordic and European colleagues, we have sought to influence the EU in the direction of making a clear distinction between the requirements for risk-taking commercial banks and low-risk operations such as Kommuninvest.

Happily, the European Commission has listened. The proposal entails funders of public investment, such as Kommuninvest, being subject to lower capital requirements, and this is supported by the Swedish government. The decision-making process involving the EU's finance ministers and the European Parliament now awaits. However, we are hopeful that the future regulations will allow us to continue offering favourable terms for the local government sector's investments.

It is also gratifying that already by 2016, the Society had prematurely exceeded the target leverage ratio of at least 1.5 percent that we had set for ourselves. The members' willingness to provide the Society with the necessary capital has been strong, creating a solid foundation for the future. I would like to thank the members for this!

#### Sustainability and Green Loans

With municipalities, county councils and regions investing for the future in so many areas, it is important that this be done with a genuinely sustainable approach. Kommuninvest's role is to be a tool for local government authorities that work together, helping finance the transition to a more sustainable society.

We are therefore pleased that, during the year, Kommuninvest became a leader in green investments and that this even attracted international attention. We have set up a system for verifying green investments through our own environmental committee and have successfully issued Green Bonds. In this way, we have also been able to offer smaller members favourable financing of sustainable investments with Green Loans from Kommuninvest.

However, sustainability does not only involve the environment, but also economic and social aspects, which we will continue to work with in the future.

**»It is therefore pleasing that, during the year, Kommuninvest became a leader in green investments«**

#### Dissemination of knowledge

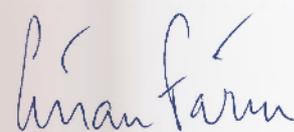
One of the Society's most important tasks is to spread knowledge about the local government sector and its challenges. We support research, publish analyses and arrange seminars. In the spring of 2016, Kommuninvest and the Swedish Association of Local Authorities and Regions (SALAR) arranged a series of seminars in Malmö, Gothenburg, Stockholm and Umeå, to pursue a dialogue with local government representatives on the future structure of local government. Fuel for discussion was provided by the report "A sustainable local government structure". In Stockholm, the seminar was attended by Ardalan Shekarabi, Sweden's Minister for Public Administration, who promised to appoint a commission to study the future structure and mandate of the local government authorities, a promise he has kept.

#### Future needs in focus

Kommuninvest stands strong, with a high level of customer satisfaction, a strong, supportive owner, stable financial circumstances, and regulations that appear to be progressing in the right direction. For this I would like to thank the members, the Boards of Directors, Company management and the employees.

Following several years of hard work to build up capital and adapt to new regulations, we now seek to focus increasingly on developing an offering tailored to members' various needs, based on the values of solidarity on which Kommuninvest's strength is built!

Norrköping, March 2017



**Göran Färm**  
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

**In 2016, Kommuninvest gained six new members and, after the end of the year, a further two municipalities joined. With more than 90 percent of all municipalities and county councils in Sweden being members, Kommuninvest is Sweden's largest collaborative local government venture in a particular area of operations. This development speaks for itself – it pays to cooperate.**

The complex and important regulatory issue of capitalisation grew clearer over the year. There is a good understanding among policy makers in the EU and Sweden that Kommuninvest and similar institutions are needed for municipalities and county councils to contribute effectively to growth through welfare investments. I perceive a willingness to shape the regulations so that public sector investment can be carried out on the best possible terms, without sacrificing the objective of reducing risk in the financial systems.

This means that the Society and its members can focus on longer-term strategic questions regarding how much equity there should be and how it should be composed. The European Commission's proposal also entails the introduction having been postponed, allowing us to hold off on proposals and decisions regarding the subordinated loans outstanding between the Society and its members.

#### Attractive for all members and 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 a clearer initiative in this area to offer suitable products on favourable terms. We are also working more closely with our different customer categories in focus groups to identify their 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 also have a good starting position, with a high level of customer satisfaction and stable, supportive owners. The annual member consultations are a good tool for checking on progress and 2016 was no exception. More than 350 politicians, delegates to the Annual General Meeting and municipal officials attended the talks that were conducted in 19 locations around Sweden. 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. Operating profit for 2016 decreased as expected, since we no longer need to take the build-up of capital into account in our pricing. The profit will accrue fully to the members of the Kommuninvest Cooperative Society, as return on capital contributions or as a bonuses.

#### Major need for investment and a clear 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.

**»Since the outset in 1986, Kommuninvest has grown to support virtually all Swedish local government authorities with credit«**

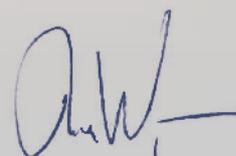
#### Local government authorities have an impact on the green financial market

Over the year, a large number of Kommuninvest's members and customers have, under Kommuninvest's auspices, issued their first joint Green Bonds, that is, financial instruments where the proceeds are used for various forms of environmental investment. Swedish local government authorities are crucial in achieving Sweden's environmental objectives, and each year invest billions of kronor in projects focused on sustainability and environmental benefits, such as environmentally-friendly schools and homes, and expanded district heating systems. Kommuninvest's role is to be a tool for partnership between local authorities, providing support and accepting responsibility in the transition to more sustainable development, as targeted by, the Paris Accord, for example.

#### Organisationally strong

Over the year, the number of employees at Kommuninvest has grown, driven largely by new regulations. The increase reduces vulnerability and provides better opportunities to build expertise for 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.

Kommuninvest Cooperative Society



**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

The Group 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 Group's strong position in the capital markets.

- The Company has the highest credit rating from both S&P Global Ratings 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 us in our work.

2

## Kommuninvest's operations

Kommuninvest's principal task is to finance the investments made within the Swedish local government sector – in 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 shall correspond 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, which corresponded to 22 (25) percent of the lending volume.
- At the end of the year, lending totalled SEK 277 (254) billion.

3

## Kommuninvest's direct influence

the Group's 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 rose to SEK 18 (5) billion.
- At the end of the year, the tool that the Group has developed in-house for more efficient debt management, KI Finans, 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, Fulfilment of targets.
- During 2016, the surplus generated by the operations allowed SEK 501 (680) million in surpluses to be distributed by the Society to its members.

4

## Kommuninvest's indirect influence

Kommuninvest contributes to municipalities and county councils/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 total local government borrowing in Sweden.
- During 2016, 72 (11) investment projects obtained financing with Green Loans, which are provided to environmental and climate-related initiatives.
- Kommuninvest's operational model contributes to increased stability and security for members. The Group's securities have a broad distribution among institutional investors around the world and considered safe investments in troubled times. If necessary, the liquidity reserve can be converted into cash on short notice.
- The Group 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.
- The Group's international commitment contributes to increased awareness on sustainable local government debt management even outside Sweden.

## 1 Kommuninvest's conditions



## 2 Kommuninvest's operations



## 3 Kommuninvest's direct influence



## 4 Kommuninvest's indirect influence





# Sustainability

Swedish municipalities, county councils and regions are highly ambitious with regard to sustainability. 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 levels have gained increasing emphasis in global sustainability efforts. Consequently, the Swedish municipalities', counties' and regions', ambitious sustainability initiatives 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, as well as investments for a sound and 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.

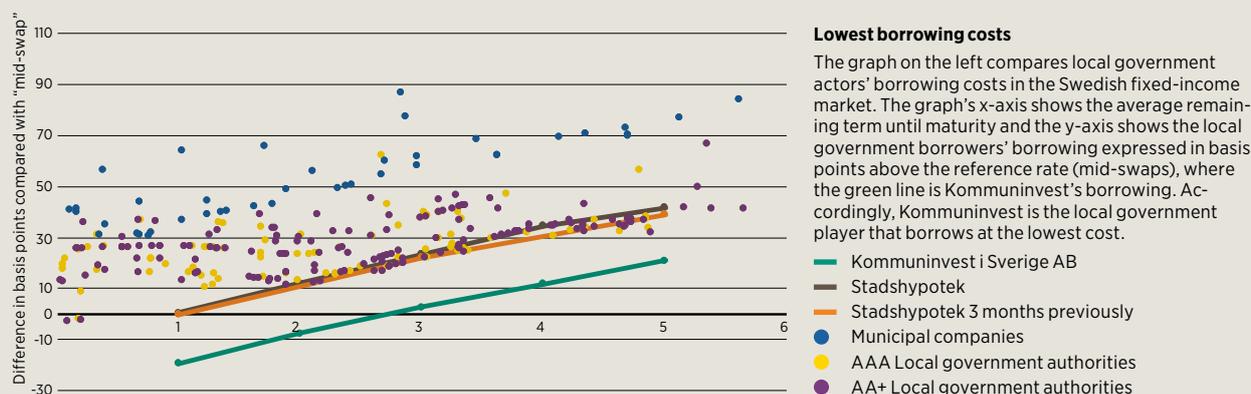
For example, many of Kommuninvest members strive beyond existing national environmental objectives. Some 60 municipalities have joined the International Covenant of Mayors. Several cities aim to be fossil-free by 2030.

## Strongly rooted in the local government sector

Kommuninvest offers Swedish municipalities and county councils/regions, stable and cost-efficient financing, without having a vested interest in generating a profit. Financing at lower cost means that tax funds stretch further. During periods of financial unease and crisis, Kommuninvest has been able to provide 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 good relations with its stakeholders, the most important of whom are its 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 the facts it contains, covers the entire Kommuninvest Group.**

**K**ommuninvest 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 around 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

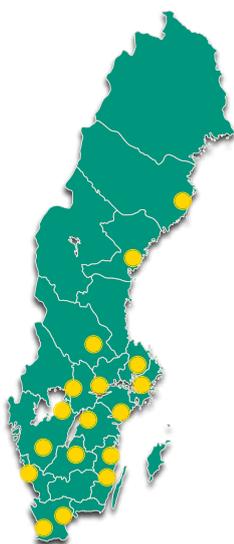
exchange of information. The dialogue with investors and the capital market takes place through meetings in person and presentations, both nationally and internationally. The dialogue with employees is also conducted in both formal and informal formats, between managers and employees and at regular information 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

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

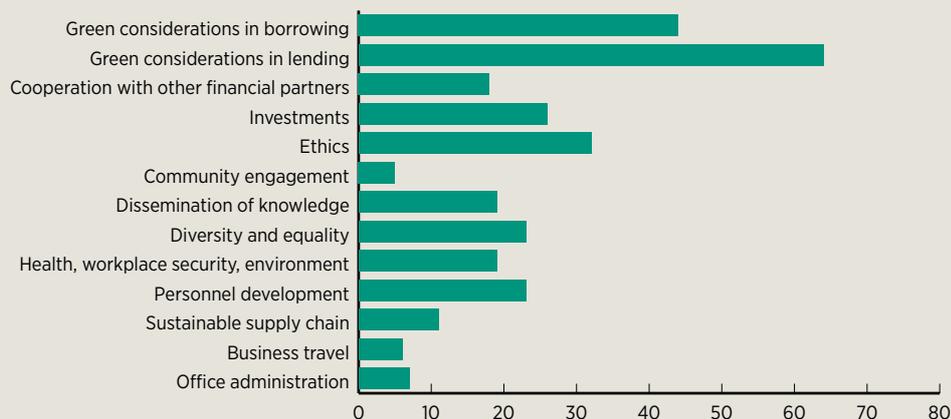
conveying that dialogue and constructive interaction promote mutual understanding, which is, in itself, central to Kommuninvest's business concept and work in the local government sector. Based on our ongoing dialogue with stakeholders, Kommuninvest determines which issues are most important. At the end of 2016, a stakeholder survey was conducted, in cooperation with an external research firm, regarding Kommuninvest's sustainability efforts. Approximately 125 stakeholders were contacted, both elected representatives and local government officials, institutional investors, suppliers and



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 prioritise<sup>1</sup>

Number of respondents: 80

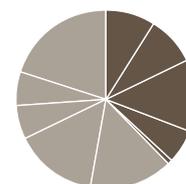


1) Each respondent was asked to rank the three areas they considered most important, second-most important and third-most important. The graph visualises the total number of times each factor is mentioned, as a percentage of total responses.

| Responsible business – Kommuninvest Group                               | Unit         | 2016      | 2015      | 2014      |
|---|--------------|-----------|-----------|-----------|
| <b>Market share and stakeholder dialogue</b>                            |              |           |           |           |
| 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       |
| <b>Stakeholder studies</b>  |              |           |           |           |
| 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        |
| <b>Sustainable financing</b>  |              |           |           |           |
| Total lending for local government investment                           | SEK, million | 274,039.0 | 251,374.9 | 218,416.3 |
| Volume of Green Loans approved over the year                            | SEK, million | 12,747.8  | 5,034.0   | n/a       |
| Total portfolio Green Loans (approved)                                  | SEK, million | 17,781.8  | 5,034.0   | n/a       |
| – of which, disbursed   | SEK, million | 14,515.8  | 2,634.0   | n/a       |

### 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 in the Group<sup>1</sup>, 6%
- Members of the Analysis and Finance Committee<sup>2</sup>, 6%
- Board members of the Society<sup>3</sup>, 20%

1) Kommuninvest i Sverige AB

2) Expert committee appointed by the Society

3) Kommuninvest Cooperative Society

staff/managers in the Group. The response rate was 63 percent. The results of the survey (see next page) will be used as an important source of data in the continued sustainability efforts. 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 sav-

ings 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 (Global Reporting Initiative) framework, 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.**

**G**reen 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 Kommuninvest's environmental committee for Green Bonds. 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 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 – buildings 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

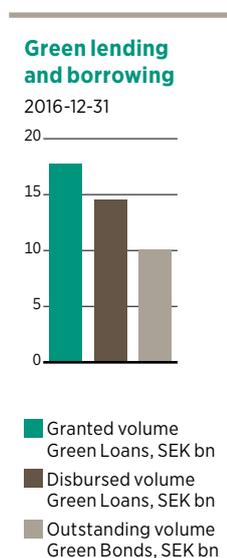
Kommuninvest finances Green Loans by issuing so-called Green Bonds. The first Green Bond was issued in March 2016 and targeted Swedish and international investors seeking to support climate adaptation. The second issue took place in October 2016.

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

Among others, 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 stands as the initiator of a collaboration between Nordic public issuers of Green Bonds when it comes to reporting to investors. The purpose is to develop common guidelines for Green Bond Impact Reporting.

### Awards for green funding model

In 2016, Kommuninvest was declared as the winner of the award “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

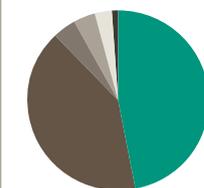
Local solutions have come to play an increasingly important role in global sustainability efforts. This was made particularly visible during the climate conference COP21 in Paris in late 2015, when the role of local public players in achieving global environmental goals was recognised for the first time.

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 at the EU’s climate summits.

### Distribution Green Loans by category

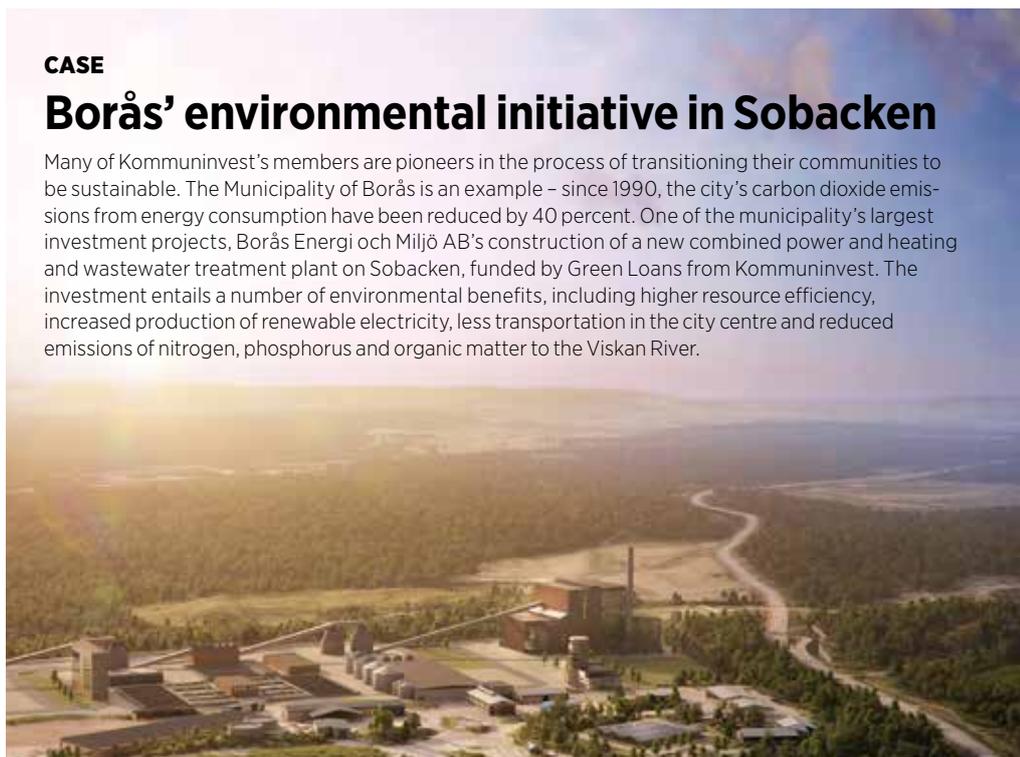
31 December 2016



### CASE

## Borås’ environmental initiative in Sobacken

Many of Kommuninvest’s members are pioneers in the process of transitioning their communities to be 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, 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 green investment projects with Green Loans. Presented here are 29 of them. See more projects at [kommuninvest.se/greenbonds](http://kommuninvest.se/greenbonds)

| 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. Green Building Gold |
| Municipality of Karlstad                      | Municipality of Karlstad  | 900                       | Renewable energy              | Combined power and heating plant, stage 3   |
| BiogasKoncernen 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 Lagerkvists School, Green Building Gold   |
| Municipality of Umeå                          | Municipality of Umeå  | 76                        | Public transport              | Ultra-fast charging electric buses in public transport  |
| 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               | Viktoriaskolan 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                             | Municipality of Kalmar  | 100                       | Public transport              | Construction of train service depot   |
| Vaggeryd-Skillingaryds Bostads AB             | Municipality of Vaggeryd  | 30                        | Green buildings               | SABO Kombohus, 16 apartments  |
| Municipality of Finspång                      | Municipality of Finspång  | 70                        | Green buildings               | 32 rental apartments, with Swan ecolabel  |
| Mjölby-Svartådalen Energi AB                  | Municipality of 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 Billingeskolan school, Green Building Gold  |
| Municipality of Ludvika                       | Municipality of Ludvika   | 39                        | Energy efficiency enhancement | Energy efficiency enhancement in some 50 properties owned by the municipality   |
| Norrenergi                                    | City of Solna   | 1,250                     | Renewable energy              | Balance sheet financing of operations, based 98 percent on renewable energy in a normal year                              |
| KumBro Vind AB                                | Municipality of Kumla   | 15                        | Renewable energy              | Ryssbol wind farm   |

## Framework covering the local government authorities' broad environmental efforts

Swedish municipalities and county councils/regions conduct a 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 mainly relates to business travel, but also energy consumption in premises and consumption of officematerials. The nature of the operations implies a need for long-distance travel within and outside Sweden. In

2016, carbon dioxide emissions from business travel amounted to 231.7 (177.3) tonnes or 2.7 (2.3) tonnes per employee. Due to expanded office space and remodelling in 2016, meaningful comparisons of energy consumption in the premises cannot be made.

| Environmental indicators – Kommuninvest Group                          | Unit               | 2016      | 2015      | 2014      |
|--|--------------------|-----------|-----------|-----------|
| <b>Energy consumption</b>  |                    |           |           |           |
| 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 consumption of electricity    | %                  | n/a       | 50        | 46        |
| Change in electricity consumption compared to the preceding year       | %                  | -1        | -8        | -1        |
| Proportion of renewable energy in energy consumption for heating       | %                  | n/a       | 95        | 93        |
| Total office space   | m <sup>2</sup>     | 2,217     | 1,498     | 1,498     |
| Total energy consumption per square metre                              | kWh/m <sup>2</sup> | 209       | 271       | 285       |
| Total energy consumption per employee                                  | kWh                | 5,447     | 5,207     | 5,778     |
| <b>Resource usage</b>  |                    |           |           |           |
| 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       |
| <b>Business travel</b>   |                    |           |           |           |
| 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 <sub>2</sub> emissions from business travel                   | Tonnes             | 231.7     | 177.3     | 296.5     |
| CO <sub>2</sub> emissions from business travel, per employee           | Tonnes             | 2.7       | 2.3       | 4.0       |

## Kommuninvest opens the way into the labour market

It is not always easy for students to take their first steps into the labour market. Accordingly, each year, Kommuninvest gives two students the opportunity to gain some initial relevant work experience. Anyone is welcome to apply, but we prioritise highly qualified students who have a slightly higher threshold when entering the labour market. This may involve their ethnic background or disability, for example. The results from the first round have been gratifying. Following their internships at Kommuninvest, both now have permanent jobs with other employers in the financial sector, jobs that match their educational profiles.

## 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 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.

| Generating financial value – Kommuninvest Group  | Unit         | 2016   | 2015    | 2014    |
|--|--------------|--------|---------|---------|
| <b>Total revenue</b>   |              |        |         |         |
| Interest income  | SEK, million | 654.0  | 1,438.3 | 3,651.0 |
| Other operating income   | SEK, million | 7.2    | 4.5     | 3.3     |
| <b>Distributed value</b>   |              |        |         |         |
| 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 <sup>1</sup>  | 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 <sup>1</sup>  | 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 <sup>2</sup> | SEK, million | 500.7  | 679.5   | 696.5   |
| <b>Efficiency</b>  |              |        |         |         |
| Administrative expenses, excluding resolution fee/stability fee as % of total assets   | %            | 0.055  | 0.051   | 0.055   |

1) The transfer of expenses for contract personnel has resulted in subtotals for payroll expenses and other operating expenses being changed compared with the 2015 Annual Report.

2) Amounts refer to those transferred in the preceding financial year, that is amounts disbursed in 2016 refer to the 2015 financial year.

## 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". In the report, prepared by the OECD, Kommuninvest's role as a facilitator of cost-effective green financing solutions for public investment was recognised. 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

Kommuninvest's personnel policy emphasises the importance of equality and diversity in the organisation. At the end of 2016, 41 (39) percent of the total number of employees were women. Among senior executives, the proportion of women was 67 (67)

percent. The aim is to be able to attract, retain and develop skilled employees – regardless of gender, ethnicity, religious belief, age, disability or sexual orientation.

| Employee statistics – Kommuninvest Group   | Unit   | 2016  | 2015  | 2014  |
|--|--------|-------|-------|-------|
| Total number of employees, including those on part-time and probationary employment <sup>1</sup> | 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 annual 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 undergone sustainability training                               | %      | 84    | 92    | n/a   |

<sup>1</sup>) Number of employees refers to the total headcount, including full and part-time employees, those on parental leave and temporary employees. The total number of permanent and probationary employees was 91 (85) 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 the core operations.**

## Multi-year summary

Over the past five-year period, the Group 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 that has partly been effectuated through the income statement, with somewhat elevated earnings as a result. Over the period from 2012 to 2016, equity rose from SEK 1,745.3 million to SEK 7,306.8 million.

For multi-year data in table format, see page 88.

## The immediate future

In 2017, the Group 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 29–37.

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. In Sweden, the government is considering raising fees for banks for the resolution reserve. Kommuninvest is monitoring developments.

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

# Growing market for Kommuninvest's loans

**In 2016, the Swedish local government loan market grew by SEK 20 billion to SEK 568 (548)<sup>1</sup> billion. This growth was primarily the result of an increasing pace of investment within local government authorities and municipal companies. Of the local government sector's total borrowing, 48 (46) percent 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 49, 51 and 53.

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.

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 Group's assessment of the size of the local government borrowing market in 2016, Kommuninvest accounted for 48 (46) percent 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.

<sup>1</sup>) Forecast based on Kommuninvest's ongoing monitoring of debt and investment trends in the Swedish local government sector. At the time of publication of this annual report, neither the complete data for 2016, nor the municipalities' and county councils' 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 Group. At the same time, the competitiveness of the banks has gradually weakened in the wake

### Forms of local government borrowing

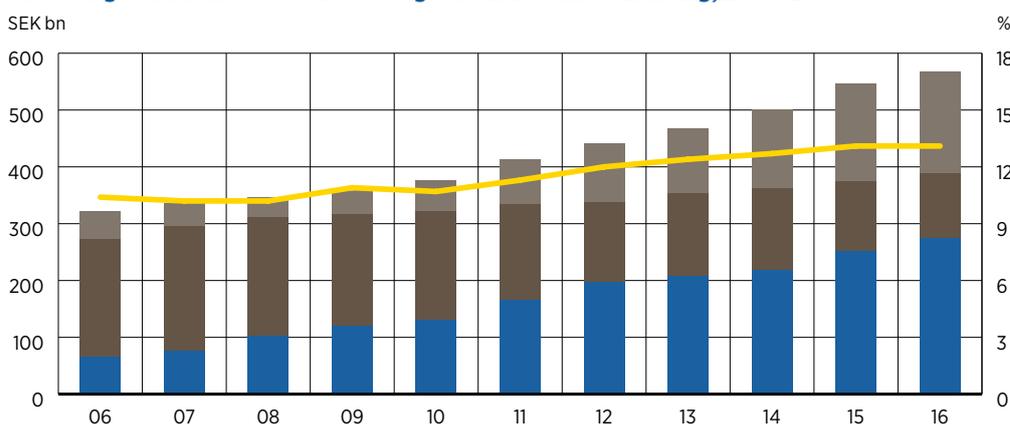
Swedish municipalities and county councils/regions have access to three main sources of loan financing:

- 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 market programmes, as well as a reduction in borrowing via the banking sector. Data for 2016 are based on estimated total debt.

- Funding via Kommuninvest, SEK bn
- Bank loans, SEK bn
- Borrowing through proprietary market programmes, 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 increased local government sector investment volumes and borrowing needs, but also Kommuninvest having increased its share of the sector's borrowing. The Group 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, borrowing 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.

## KI Finans accessible to 236 members

Of the members of the Society, 236 (144) had access to Kommuninvest Financial Support (KI Finans), a system for debt management developed specially for the local government sector. Of the Society's members, 164 (125) had signed an agreement for the full-scale version.

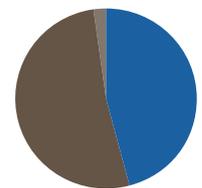
### Loans provided only to Swedish municipalities and county councils/regions

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 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.

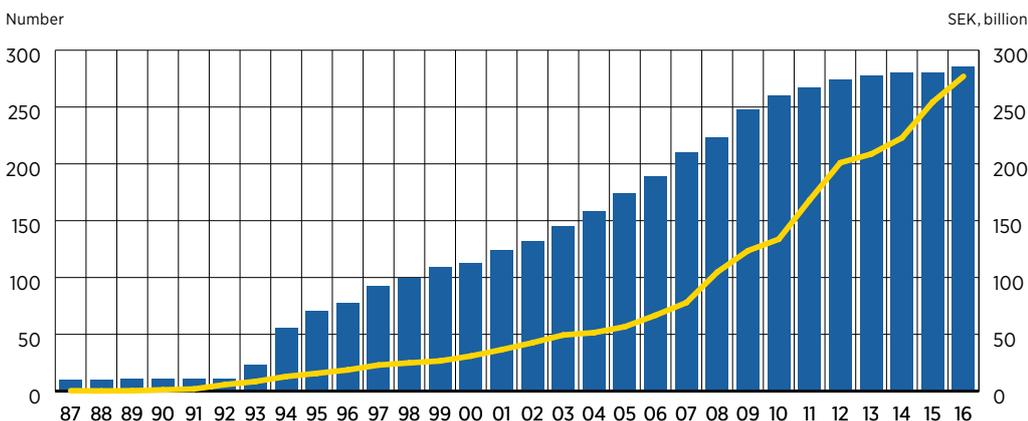
### Loan portfolio per loan product

31 December 2016



- Capital tied up, fixed interest (including lending through Swedish bond programme) 46 (48) %
- Capital tied up, Stibor 52 (50) %
- KI interest 0 (0) %
- 3-month Stibor until further notice 2 (2) %

## 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 Group, are the foremost reasons for the historical growth in lending.

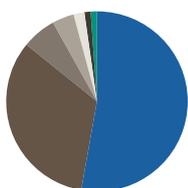
- Number of members of the Kommuninvest Cooperative Society
- Lending by Kommuninvest i Sverige AB

# 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

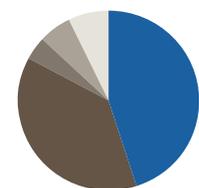
(excl. commercial paper borrowing)



- SEK 53 (53) %
- USD 33 (35) %
- JPY 6 (4) %
- GBP 4 (-) %
- EUR 2 (6) %
- ZAR 1 (-) %
- MXN, TRY 1 (1) %
- AUD 0 (1) %

## New borrowing by programme, 2016

(excl. commercial paper borrowing)



- Swedish bond programme 45 (51) %
- Benchmark borrowing, other currencies 38 (22) %
- Public Bonds 4 (8) %
- Private Placements 6 (15) %
- Uridashi 7 (4) %

### Good demand for Kommuninvest bonds

During 2016, the Group 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 Group'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.

### 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.

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 Group 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 borrowing programmes 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 bond programme with SEK 149.1 (126.4) billion outstanding at the end of the year. In total, the Swedish bond programme encompasses seven outstanding bonds.

### 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 continue providing its customers with financing during periods of uncertainty in the financial markets, Kommuninvest maintains a liquidity reserve. At year-end, the reserve amounted to 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 Group'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 Group 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 2 for further information on the Group's credit risk exposure.

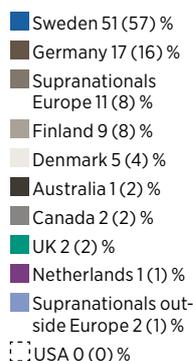
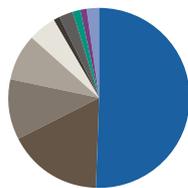
### Investment rules for the liquidity reserve

- 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 Standard & Poor's.
- The maximum maturity of the investments is 5.5 years.
- The Kingdom of Sweden (the Swedish state) is approved as counterparty without further decisions being required. For borrowers outside Sweden, a borrowing limit is applied on a per-country basis.

For more information, please see the section Risk and capital management on pages 29–37 or Kommuninvest's website, [www.kommuninvest.se](http://www.kommuninvest.se).

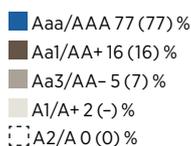
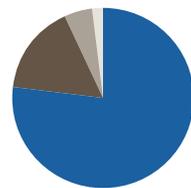
### Liquidity reserve distributed by country

31 December 2016



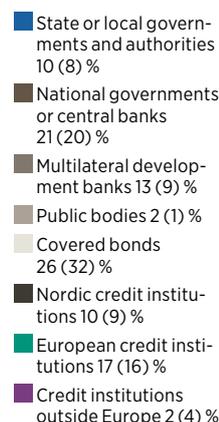
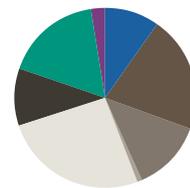
### Liquidity reserve distributed by rating category

31 December 2016



### Liquidity reserve distributed by issuer category

31 December 2016



# Sustainable organisation with dedicated employees

**Increasing demands on Kommuninvest as an organisation, due to expanding operations and new regulations for 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 Group 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 Group'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 Group'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 specific demands on employee skills, values and culture. Most of the Group's employees have university degrees and many have continued their training following graduation. The number of employees (permanent and probationary employees) rose by 6 (8) new employees in 2016, 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 organisational 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 communication 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 Group 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 a 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 preventive work with the social and organisational working environment, the concept of sustainable living 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 Group. 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 remunerations and benefits to the management of the Company, see Note 7.



## 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.

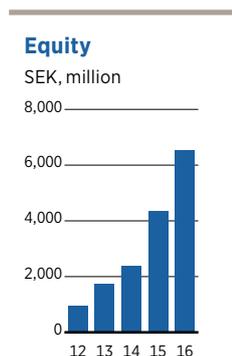
“The fact that the organisation also proved to be very modern and flexible, and at the forefront of technology and practices meant that what I had considered to be a major obstacle – the commute from Stockholm to Örebro – wasn’t an obstacle at all,” Christian concludes.



**»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

**During 2016, equity increased by SEK 825.1 (3,320.3) million to SEK 7,306.8 (6,481.7) million, mainly as a result of new capital contributions from the Society's members. The total capital base was SEK 6,383.9 (3,733.5) million, which gave a total capital ratio of 117.6 (56.9) percent.**



Total assets increased to SEK 361,729.2 (340,615.8) 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 7,306.8 (6,481.7) million. The increase in equity is attributable to capital contributions from new and existing members as well as profit for the year. See further under Statement of changes in equity on page 52.

## Subordinated liabilities

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

## Distribution of surplus in 2017

Pending a resolution by the Society's 2017 Annual General Meeting, the Society will distribute the surplus as refunds and interest on capital contributions for the 2016 financial year. For this purpose, in the financial statements for 2016, the Company has applied a group contribution of SEK 458.7 (545.4) million and the Society has proposed that surpluses of SEK 445.4 (500.7) million be distributed. If a decision on the payment of a new capital contribution is made, the Society'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 in of capital contributions to the Society and of possible capital reinforce-

ment 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 Group 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 5,783.9 (3,033.5) million, entailing a core Tier 1 capital ratio of 106.6 (46.2) percent. The total capital base was SEK 6,383.9 (3,733.5) million, which gave a total capital ratio of 117.6 (56.9) percent. See page 37 and Note 35.

At the end of 2016, the Group's leverage ratio, reported according to CRR, was 1.60 (0.90) percent. The requirement has yet to be set, see page 37.

## Rating

The Company holds the highest credit ratings: Aaa from Moody's and AAA from Standard & Poor's. In October and July 2016, the rating institutes confirmed the Group's credit rating, with a stable outlook. The rating agencies highlight the joint and several guarantee undertaken by the owners of the Society, the robust liquidity reserve with access to central bank funding, the high quality of the loan portfolio and the strategy of capital build-up in preparation for future regulations.

## Comments on the accounts

Pages 49, 51 and 53 present comments on the income statement, balance sheet and changes in equity. These comments form part of the Board of Directors' Report.



# Low risk tolerance and effective risk management

**Kommuninvest'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 Group's targets, principles or methods for managing risk. Nor have the Group's exposures to different types of risk changed significantly.**

## RISK STRATEGY

Kommuninvest plays a central role in the financing Swedish municipalities and county councils/regions' investments. In accordance with the ownership directives, the Group's risk management is designed for operations to be conducted with a low level of risk taking. See page 31 for an overview. All of the Group's financial operations are conducted within the Company.

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 Group's risk framework, which encompasses the Board of Directors' fundamental instruments of operational governance and good internal control.

## RISKS AND RISK MANAGEMENT

The Group's assignment is to provide its customers with financing. To fulfil this assignment, the Group borrows money on the financial market and lends money to customers. Unlike many other credit institutes, the Group conducts no deposit or active trading operations.

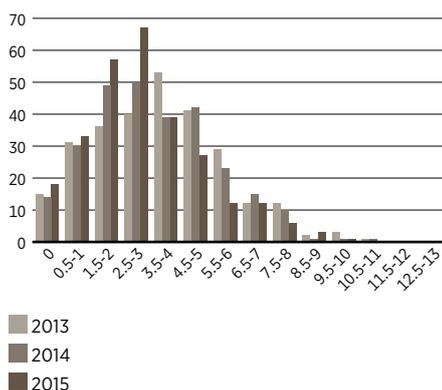
The business model means that the Group is exposed to risks associated with the financial market. Below follows an overview of the types of risks that Kommuninvest regularly manages and assesses.

### 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 2.

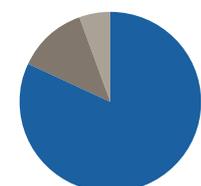
### Risk value model

Number of municipalities



**Credit risk exposure**

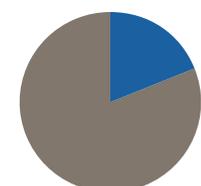
31 December 2016



- 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) %

In Note 2, however, derivative exposures are not netted by counterparty. For netted derivative exposures, please see Note 34.

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 whom one or more members have a decisive influence. Approved companies, foundations and associations are to be covered by a guarantee from one or more members. Members and approved companies are followed up continuously and assessed from a holistic perspective at the corporation level.

The municipalities and county councils/regions and the companies they own respectively are analysed when processing 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 the lower the risk value is, the better. The distribution of local government authorities between various risk groups is illustrated in the "Risk value model" diagram on page 29.

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 Group incurs for this monitoring.

Since all loans are made to, or are guaranteed by, municipalities and county councils/regions, the risks in the Group's lending activities are considered low. The Group 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 Standard & Poor's or A2 from Moody's. The maximum maturity for investments is 5.5 years.

The Kingdom of Sweden (the Swedish state) is approved as a 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 Group 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 Group 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 Group to transfer derivative agreements to a new counterparty in the event that a counterparty's credit rate falls below Baa3 (Moody's) or BBB- (Standard & Poor's). The counterparty's credit rating is also decisive in what the Group 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

## 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 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 percent shall, at any given time, be invested in securities and bank deposits with a rating of at least A from Standard & Poor's or A2 from Moody's. The maximum maturity is 5.5 years. All outstanding issuers are followed up on an annual basis and when necessary. Each year, the Company's Board of Directors sets a total limit for each issuer. Kommuninvest's stringent requirements on issuers mean that issuer risk is considered to be limited.

##### *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 Standard and Poor's. The scope for transactions is limited on the basis of several criteria. All outstanding counterparties are followed up on an annual basis and when necessary. 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 collateral that Kommuninvest receives entails the counterparty risk being limited. The Board of Directors of the Company determines the requirements and design of the ISDA and CSA agreements by means of instructions.

#### Market risk

Market risk refers to the risk that the net market value (combined value) of the Group'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 Group 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 expense 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 Group.

#### 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 means that the operational risk is kept at a controlled and acceptable level.

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

#### *Collateral agreements*

To limit the risks arising because of value changes to derivatives and repo transactions, the Group 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 Group 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 34.

#### **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 Group'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 Group's investment portfolio and counterparties in the Group's deriva-

tives 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 Group's assets and liabilities will decrease due to changes in risk factors in the financial market. The Group'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 Group's liquidity reserve. For funding to be stable and efficient, the Group needs to be active in several different funding markets. Consequently, the Group is exposed to as foreign exchange, interest rate and other price risks. The Group 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 Group'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 Group'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 Group 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 -13.1, that is, within the limit. 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. Negative exposure (negative value) entails a loss if interest rates rise and a profit if interest rates fall.

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 2.

**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 Group'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 Group hedges all known future flows by means of derivatives. However, foreign exchange risk arises on an ongoing basis through the net interest income generated on returns on foreign currency investments. This risk is limited by continuously converting such returns into SEK. The Group's currency exposure is shown in Note 2 under the heading Currency risk. The exposure means that a 10-percent strengthening of the SEK would cause the Group'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 Group'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 Group'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 Group's credit spread will increase the value of the Group'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 Group'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 Group's earnings, reported in accordance with IFRS, by SEK 6.6 (negative 2.6) million.

**Other price risk**

Other price risk refers to the risk that a change in the pricing situation of underlying assets, such as shares, or share indexes, will reduce the net value (combined value) of the Group's assets and liabilities. The Group 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 Group incurs increased expenses to enter a replacement transaction. The Group's process for managing counterparty risks (see paragraph above) also includes management of liquidation risks. The Group is to work proactively to avoid losses as a consequence of liquidation risks.

**LIQUIDITY RISK**

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

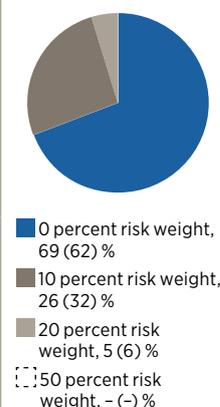
The Group's liquidity risk management is pervaded by a highly restrictive attitude towards liquidity risk. The Group has diversified funding, with access to several different capital markets. This ensures that funding activities provides the necessary conditions to cover new lending, maturities and renewals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

The business model means that the Group 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 Group had good access to liquidity, in both long-term and short-term funding, in 2016. Among other things, the Group has implemented several issues within the framework of the Swedish bond programme, two benchmark borrowings in USD, and issued Green Bonds in both SEK and USD.

**Liquidity reserve distributed by risk weight**

31 December 2016



**Liquidity coverage ratio (LCR) according to Finansinspektionen**

Per reporting date in 2016

| <b>31 March</b>     |           |
|---------------------|-----------|
| LCR total           | 5.48      |
| LCR EUR             | 71,794.14 |
| LCR USD             | 7.50      |
| <b>30 June</b>      |           |
| LCR total           | 7.22      |
| LCR EUR             | 4.91      |
| LCR USD             | 21.88     |
| <b>30 September</b> |           |
| LCR total           | 6.72      |
| LCR EUR             | 2,044.54  |
| LCR USD             | 48.26     |
| <b>31 December</b>  |           |
| 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

| <b>31 March</b>     |       |
|---------------------|-------|
| LCR total           | 4.67  |
| LCR USD             | 7.51  |
| <b>30 June</b>      |       |
| LCR total           | 7.12  |
| LCR USD             | 7.66  |
| <b>30 September</b> |       |
| LCR total           | 7.04  |
| LCR USD             | 40.32 |
| <b>31 December</b>  |       |
| LCR total           | 7.0   |
| LCR USD             | 11.28 |

The Group continuously monitors the effects a possible downgrade of the Group's credit rating would have on the amounts that the Group needs to provide as collateral for CSA agreements.

The Group'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 51). At the end of the year, the average maturity in the Group'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 Group's lending portfolio lending portfolio was 2.3 (2.2) years. The average period for which capital is tied up in the Group's liquidity reserve is 1.7 (1.9) years.

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

To meet liquidity needs during periods when financing opportunities on the capital markets are limited, the Group maintains a 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. 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 Group's liquidity reserve also mean that the liquidity cover ratio (LCR) exceeds the authorities' requirements by a good margin. The Group 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 Group has minor outflows in EUR, explaining the variations in the LCR in EUR between reporting dates.

As per 31 December 2016, the Group'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 Group'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 Group need not report LCR for EUR.

Liquidity risks are monitored and analysed continuously to ensure that excessive liquidity outflows do not arise. The Group 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 Group 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 Group's liquidity exposure with regard to remaining durations on assets and liabilities is shown in Note 2 under the heading Maturity information. The cash flow statement also details the Group'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 Group's operations, as well as in connection with important events that affect the Group 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 Group 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 business operations are also carried out according to the “four-eyes-principle”, requiring handling by at least two people.

**IT and systems risk**

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

**External risk**

This risk arises as a consequence of external events. External risk is mitigated by the Compliance function following up on adherence to regulations and providing advice on adjustments to new and amended regulations; agreements entered being correctly formulated, and operations including processes and procedures that, among other things, enable the Group 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 Group due to negative publicity or rumours about the Group 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 Group due to negative publicity or rumours about the Group or the local government sector in general.

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

**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 Group work continuously with external monitoring in their respective fields.

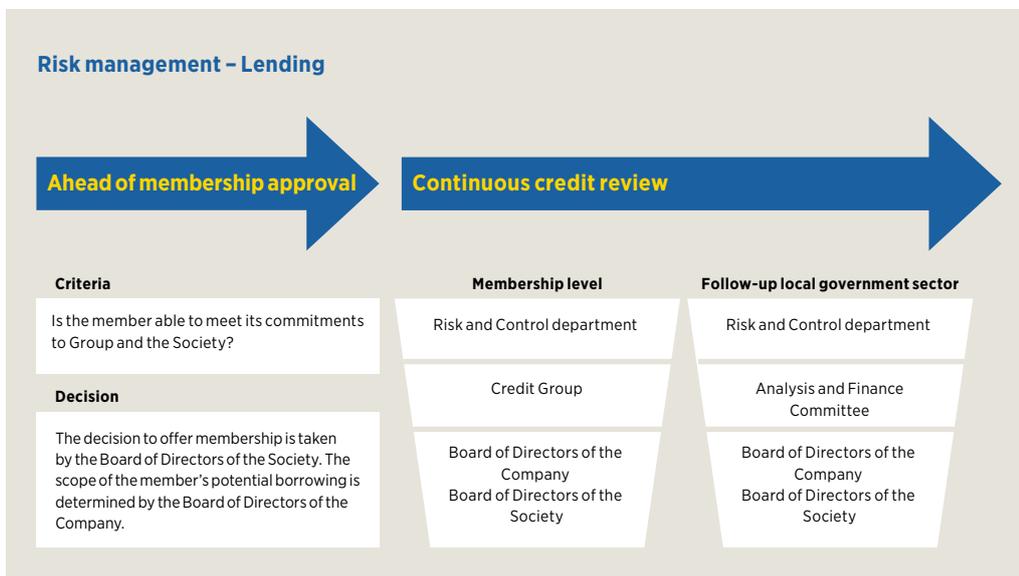
**STRATEGIC RISK**

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 Group 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 Group prove to be less effective than expected.



The Group deliberately applies relatively simple methods and techniques for measuring risk, capital requirements and risk appetite to reduce the risk of error. The Group 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 Group 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 Group's Risk Manager bears the overall responsibility for the Group'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 Group identifies, assesses and measures risks correctly.

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

Beyond what has been mentioned above, the department is 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 Group'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 Group'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 Group'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 Group is well capitalised. The principal priority of capital planning is ensuring that the Group 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 Group, 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 forecasts for lending and other balance sheet items and future regulations, but also on projections of net interest income and expenses. In supporting 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 Group, consisting of the Society, the Company and Kommuninvest Fastighets AB, which owns the property in which the 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 that they should communicate analyses and conclusions to Finansinspektionen. Within the Group, the Finance Department is responsible for capital planning and the ICLA, but the Risk & Control Department, is responsible for developing internal models for capital requirements and performs the calculations.

The Group's capital assessment shows that the Group meets all known requirements in accordance with both current and future regulations (primarily CRR/CRD IV<sup>1</sup> – Capital Requirements Regulation/Capital Requirements Directive IV; and EMIR<sup>2</sup> – European Markets Infrastructure Regulation). There is uncertainty, however, regarding the introduction of a leverage ratio in the EU. See further on the next page.

**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 Group.
- The Group applies the principles of a first, second and third line of defence in its internal control.

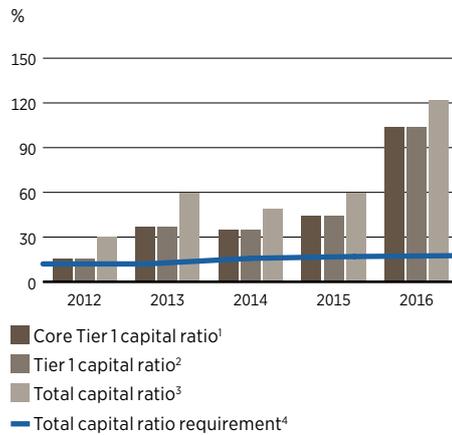
1) Capital Requirements Regulation/Capital Requirements Directive IV, i.e. the European Parliament and the Council's regulation (EU) No. 575/2014 on supervisory requirements for credit institutes and securities companies and the European Parliament and Council's directive (EU) No. 2014/36/EU on authorisation to conduct operations in credit institutes and on supervision of credit institutes and securities companies.  
 2) EMIR (European Markets Infrastructure Regulation). The European Parliament and the Council's regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and transaction registers.

**Capital adequacy**

On 31 December 2016, the Group's risk exposure amount (REA), calculated in accordance with the CRR, to SEK 5,428.1 (6,565.4) million. The core Tier 1 capital amounted to SEK 5,783.9 (3,033.5) million, entailing a core Tier 1 capital ratio of 106.6 (46.2) percent. The statutory minimum requirement, including buffer requirements, was 8.2 (7.8)percent. Tier 1 capital was SEK 5,783.9 (3,033.5) million and the Tier 1 capital ratio was 106.6 (46.2) percent. The statutory minimum requirement, including buffer requirements, was 9.7 (9.3)percent. The total capital base was SEK 6,383.9 (3,733.5) million, which gave a total capital ratio of 117.6 (56.9) percent. The statutory minimum requirement, including buffer requirements, was 11.7 (11.3) percent. Transitional regulations do not significantly affect the Group's capital ratio and other measures of capital.

The reason for the Group'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 and 2016 respectively: capital requirement in accordance with CRR 10.5 percent, 11.3 percent and 11.7 percent respectively, of which the buffer requirements were 2.5 percent, 3.3 percent and 3.7 percent respectively. 2012–2013: capital requirements under Basel II: 8 percent.

**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 participates actively in development.

**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 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 imply a need for additional capital reinforcement, the Society primarily plans to turn to its members. These measures may include additional member contributions as well as Tier 1 capital instruments in the form of subordinated loans, or other types of capital contributions applicable to Swedish economic associations, such as "överinsats" or "förlagsinsats".

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 primary capital instruments may also be issued to other capital market actors.

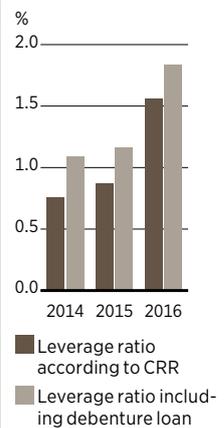
**Leverage ratio 2016**

As per 31 December 2016, the Group's leverage ratio, reported according to CRR, was 1.60 (0.90) percent. Including the debenture loan of SEK 1 billion that the Group issued to the Society in 2010, the leverage ratio was 1.88 (1.19) 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, Kommuninvest 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 plans to replace the subordinated loan between the Company and the Society with another form of capital remain unchanged.

How the Group estimates its leverage ratio according to CRR is presented in Note 36 on page 87.

**Leverage ratio**



**Disclosure requirements, CRR**

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

# Focus on governance and control

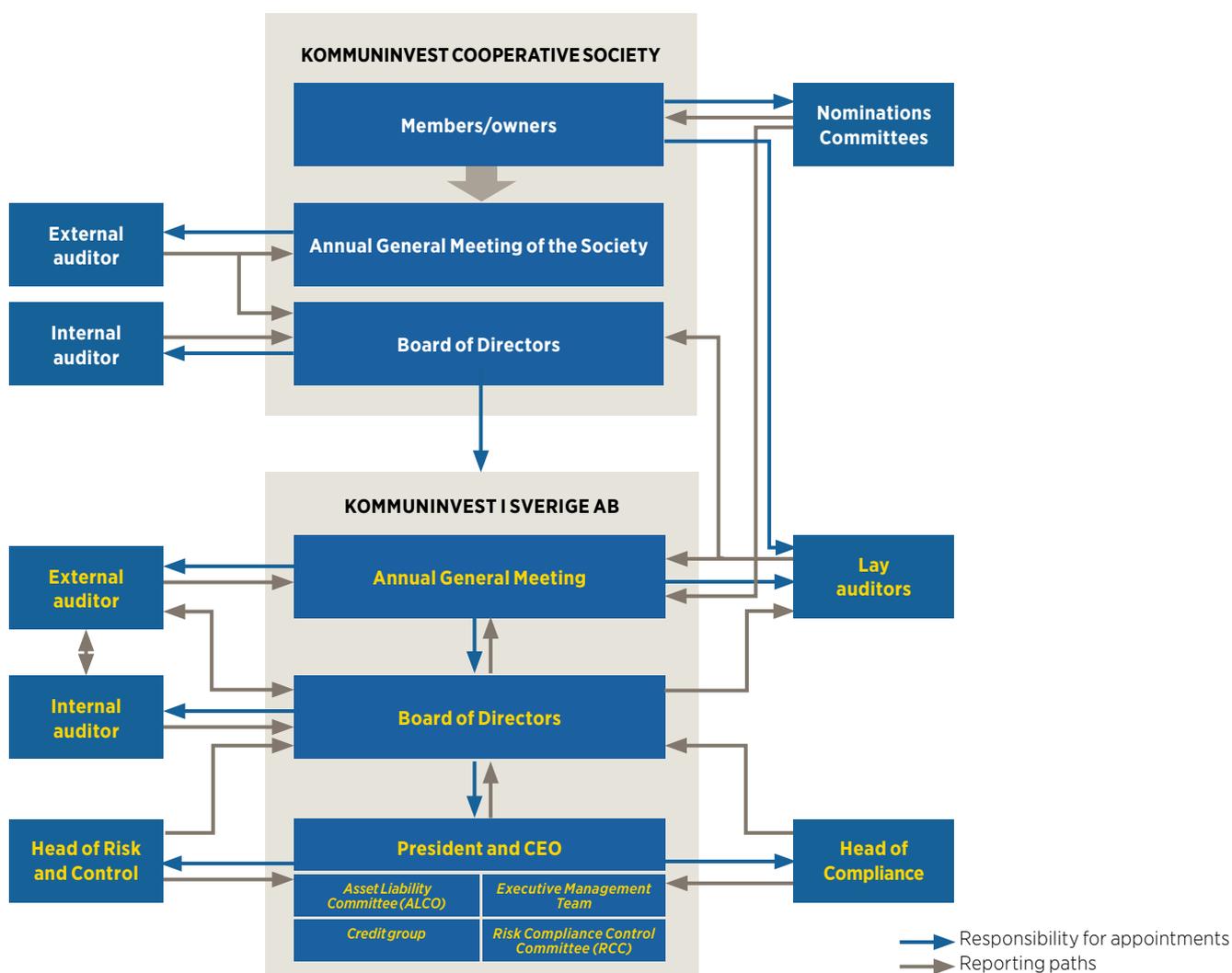
The Kommuninvest Cooperative Society is the Parent Society in the Kommuninvest Group. The Society is owned by a large number of Swedish municipalities and county councils/regions with the purpose of enhancing the efficiency of their financial operations. Together with Kommuninvest i Sverige AB (publ) and Kommuninvest Fastighets AB, the Society forms a financial group of companies.

Good governance and control are crucial to the Group, since it is publicly owned and has a role of considerable responsibility. The Corporate Governance Report for Kommuninvest i Sverige AB is included in that company's Annual Report.

## Kommuninvest Group

The Kommuninvest Cooperative Society ("the Society", corporate identity number 716453-2074) holds 100 percent of the shares in Kommuninvest i Sverige AB ("the Company", corporate identity number 556281-4409).

The Company holds 100 percent of the shares in Kommuninvest Fastighets AB (corporate identity number 556464-5629). On 31 December 2016, participation capital in the Society amounted to SEK 6,307.5 (5,424.1) million. Each new member of the Kommuninvest Cooperative Society contributes participation capital to the Cooperative Society based on number of residents. At 31 December 2016, the Society had 286 (280) members.



### Governance principles

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

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

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

### Member consultations

To stimulate owner influence and dialogue, annual member consultations are conducted at which representatives of the Board of the Cooperative Society discuss current issues with representatives of the membership in a smaller-scale forum. Member consultations represent important fora for the preparation of matters for resolution by the Annual General Meeting. Ahead of the 2016 Annual General Meeting, member consultations were held in 17 (19) locations around Sweden, with 346 (368) participating politicians and officials.

### Ownership directive

The Board of Directors of the Society develops owner directives for the Company and these are set annually at the Annual General Meeting. The owner directives set out the framework of the operations assigned to the Board of Directors of the Company by the Society. The owner directives primarily include guidelines regarding consolidation, risk levels, remuneration principles, principles for business travel and representation, expertise on funding matters, development of products and services and any special assignments set for the Company by the Society. The owner directives take effect by being adopted by the Annual General Meeting of the Company.

### More information about Kommuninvest's corporate governance

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

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

### Targets for operations

The Group's overarching objective is to generate the greatest possible benefit for the members of the Society. Among other measures, this shall be achieved by 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 of the Company sets the remuneration principles applicable within the Company, in accordance with the ownership directives. 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. Instead, these tasks are carried out by the Chairman of the Company's Board of Directors.

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

### Annual General Meeting

The Annual General Meeting of the Society is the Group's highest decision-making body. The 2016 Annual General Meeting was held on 21 April 2016 in Stockholm. At the Meeting, 174 (174) municipalities and county councils were

represented, corresponding to 62 (62) percent of the members. At the Annual General Meeting, each member has one vote. The resolutions adopted by the Meeting included:

- Election of auditor. KPMG AB was elected for the period until the close of the 2020 Annual General Meeting.
- Election of lay auditors. Barbro Hassel, Skara and Cecilia Löfgreen, Järfälla were elected for the period extending until the end of the ordinary Annual General Meeting.
- A revised plan for Kommuninvest's build-up of capital was presented to the Meeting as a point of information. The plan did not give rise to any new decisions.

The Annual General Meeting of the Company is held in direct connection with the Annual General Meeting of the Society.

### Election Committees

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

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

#### 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](http://www.kommuninvest.se).

### The work of the Board of Directors

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

This means that issues concerning new members, withdrawal of members, possible exclusion from membership, guarantee issues, etc. are dealt with by the Board of Directors of the Society. The Board of Directors of the Company deals with financing issues, credit issues (such as limits and analyses), as well as other operational issues. However, the connection between the two boards is strong, since certain issues concern both the Board of Directors of the Society as well as that of the Company. However, the Board of Directors of the Society, which represents the owners, has no direct right of determination over the Board of Directors of the Company. The Society's control of the Board of Directors of the Company takes place only by means of resolutions by the Annual General Meeting or by owner directives adopted by the Annual General Meeting.

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

From among the members of the Board of Directors of the Society, a working Committee is appointed each year, including the Chairman of the Board, the Vice Chairman of the Board and at least one other Board Member. On assignment from the Board of Directors, the Working Committee is responsible for matters including the preparation of the work of the Board of Directors and for annually assessing the work of the President. The Working Committee also acts as the Election Committee of the Society's companies in accordance with rules of procedure established by the Annual General Meeting. In addition, the Working Committee is tasked with meeting the external and lay auditors of the Society and its subsidiaries to inform itself of the focus and scope of the audit and the view taken of the Society and Group's risks. The results of the Working Committee's work are to be reported at Board meetings on an on-going basis.

**CEO**

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

According to the Economic Associations Act (1987:667 – Chapter 6, Section 6), the President is entitled, in certain instances, to undertake measures without the authorisation of the Board. For the reasons stated above, the President shall, in such instances observe very considerable restriction and always seek consultation with the Chairman of the Board.

**Leadership assessment**

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

**Board members**

Effective from the Annual General Meeting of 21 April 2016, the Board of Directors of the

Kommuninvest Cooperative Society has consisted of Göran Färm (Chairman), Linda Frohm (Vice Chairman), Lilly Bäcklund, Marie-Louise Forsberg-Fransson, Margreth Johnsson, Patrik Jönsson, Ewa-May Karlsson, Niklas Karlsson, Örjan Mossberg, Jonas Ransgård, Fredrik Larsson, Niclas Nilsson, Roland Åkesson, Carina Sándor and Lotta Öhlund. The members are presented on page 42.

**Analysis and Finance Committee**

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

it shall have experience of different types of municipalities and it shall have knowledge of operations in the form of a public enterprise.

**Remunerations**

The 2016 Annual General Meeting, decided on changes to fees for the Board of Directors of the Society, see Note 7, where the total fees are shown. Total fees paid to the members of the Board of Directors amounted to SEK 1,435,000 (1,233,000) for 2016.

**Work of the Board of Directors in 2016**

In 2016, the Board of Directors held 5 (5) ordinary meetings, and 1 (1) inaugural meeting. In addition to ongoing matters, agendas and decisions have involved:

- Member consultations
- Implementation of planned build-up of capital
- Owner directives
- Amended Articles of Association of Kommuninvest i Sverige AB
- Follow up of members and sector debt
- Matters associated with new regulations
- Board evaluation
- Questions regarding new members
- Internal capital and liquidity assessment, ICLA
- Annual report and interim reports

# Board of Directors of the Kommuninvest Cooperative Society

## Chairman



**GÖRAN FÄRM (S)**  
Municipality of Norrköping

## Vice Chairman



**LINDA FROHM (M)**  
Municipality of Kalix

## Ordinary members



**LILLY BÄCKLUND (S)**  
Municipality of Lycksele



**MARIE-LOUISE FORSBERG-FRANSSON (S)**  
Region Örebro County



**MARGRETH JOHNSSON (S)**  
Municipality of Trollhättan



**PATRIK JÖNSSON (SD)**  
Municipality of Hässleholm



**EWA-MAY KARLSSON (C)**  
Municipality of Vindeln



**NIKLAS KARLSSON (S)**  
Municipality of Landskrona



**ÖRJAN MOSSBERG (V)**  
Municipality of Växjö



**JONAS RANSGÅRD (M)**  
City of Gothenburg



**FREDRIK LARSSON (M)**  
Värmland County Council



**NICLAS NILSSON (SD)**  
Municipality of Kristianstad



**ROLAND ÅKESSON (C)**  
Municipality of Mönsterås



**CARINA SÁNDOR (L)**  
Municipality of Skinnskatteberg



**LOTTA ÖHLUND (MP)**  
Municipality of Hallsberg

## DEPUTIES

**Peter Hemlin (M)**  
Municipality of Sotenäs

**Catharina Winberg (M)**  
Municipality of Växjö

**Christina Johansson (M)**  
Municipality of Hällefors

**Peter Kärnström (S)**  
Municipality of Sandviken

**Camilla Egberth (S)**  
Municipality of Motala

**Anna-Britta Åkerlind (C)**  
Municipality of Örnköldsvik

**Bo Rudolfsson (KD)**  
Municipality of Laxå

**Mohamad Hassan (L)**  
Municipality of Uppsala

**Britta Flinkfeldt Jansson (S)**  
Municipality of Arjeplog

**Ulf Olsson (S)**  
City of Borås

**Lennart Holmlund (S)**  
Municipality of Umeå

**Gertowe Thörnros (V)**  
Municipality of Degerfors

**Pierre Sjöström (S)**  
Municipality of Staffanstorps

**Roger Persson (MP)**  
Municipality of Gävle

**Robert Stenkvist (SD)**  
Municipality of Botkyrka

**AUDITORS**

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

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

**External auditor**

At The Society'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 chief auditor meets with the Board of Directors of the Company at least twice a

year, and the Board of Directors of the Society once a year. Among Anders Tagde's other auditing assignments, the Nordic Investment Bank and OK-Q8 Bank can be mentioned.

**Internal auditor**

Effective from 2016, the Board of Directors of the Society appointed PwC (PricewaterhouseCoopers AB) as its internal auditing company, with authorised internal auditor Peter Nilsson as the internal auditor.

**Lay auditors**

The lay auditors regularly meet the external auditors, the Chairman of the Board, the President and other representatives of the Group. 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 Group were appointed for the period extending until the end of the 2020 Annual General Meeting:

Barbro Hassel (S), Municipality of Skara (newly elected), Cecilia Löfgreen (M), Municipality of Järfälla (newly elected).

# Board of Directors' Report – Parent Society

## Operations in general

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

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

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

## Organisation of the financial cooperation

Following an approval process, Swedish municipalities and county councils/regions can become members of the Kommuninvest Cooperative Society. The Kommuninvest Group consists primarily of the Society and the Company. Since 1 January 2012, the Company has also owned Kommuninvest Fastighets AB. Kommuninvest Fastighets AB owns the property where the Company conducts its operations.

## Joint and several guarantee

The members of the Society sign an unlimited joint and several unconditional guarantee for all of the Company's obligations. In addition to this guarantee, the guarantors have also signed

an agreement that allocates any claims based on the guarantee relative to each local government authority's debt to the Company. The members have also signed a guarantee agreement regulating their responsibility for the counterparty exposures arising as a consequence of the Company's use of derivative contracts.

## Operations based on members' needs

The scope of the Group's operations is determined mainly by the number of members in the Society and the financial needs of the individual members. At 31 December 2016, the Society had 286 (280) members, of whom 275 (272) were municipalities and 11 (8) were county councils/regions. Consequently, 95 (94) percent of Sweden's municipalities and 55 (40) percent of Sweden's county councils/regions were members (partners) in the Society. During the year, six (0) new members joined: the Municipality of Kävlinge, the Municipality of Partille, the Municipality of Sollentuna, Region Jämtland Härjedalen, Region Kronoberg and Västerbotten County Council. From experience, an increased number of members entails an increase in net lending. This occurs with a certain delay as new members' existing loans expire and new loans are required.

## Subscribed capital

The Board of Directors of the Society determines annually the scale of the contribution that members are to provide. The size of the contribution is related to the population of the municipality or county council/region. At the end of 2016, participation capital in the Society totalled SEK 6,307.5 (5,424.1) million. The increase is an effect of capital contributions from members as a result of upcoming regulatory requirements regarding leverage ratio, see page 37. In addition, subscription capital can be increased through decisions by the Annual General Meeting regarding participation issues or decisions regarding new annual contributions.

## Membership status

At the end of the year, there were 286 (280) members in the Kommuninvest Cooperative

Society. No memberships were cancelled during 2016 and no repayment of subscription capital has been made as a consequence of membership cancellations to be made during the ensuing financial year.

### Refunds and interest on contributions

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

### Financial outcome

For 2016, the Society reported profit before tax of SEK 445.7 (534.7) million. This profit is primarily attributable to a Group contribution from the Company of SEK 458.7 (545.4) million. Profit after tax amounted to SEK 445.4 (527.1) million.

### Human Resources

The Society had no employees in 2016 and consequently no salaries were paid.

### Appropriation of surplus

The Board of Directors of the Kommuninvest Cooperative Society proposes that:

The profit of SEK 445,688,611 at the disposal of the Annual General Meeting of the Society be appropriated as follows:

|   |                        |
|---|------------------------|
| Interest of 1.5 percent on contributions be paid to members   | SEK 83,246,246         |
| Bonuses be distributed to members in proportion to each member's share of the total volume of business volume in 2016 | SEK 362,153,754        |
| To be carried forward   | SEK 288,611            |
| <b>Total appropriated</b>   | <b>SEK 445,688,611</b> |

See also Note 10 on page 74.

*That* members entitled to interest on contributions and refunds are those municipalities and county councils/regions that had become members of the Society by 31 December 2016 at the latest.

*That* interest on contributions and refunds are to be disbursed at the latest one month after the decision by the 2017 Annual General Meeting.

*That* volume of business refers to the average borrowing debt to Kommuninvest i Sverige AB of each member during 2016. The volume of business for each member also includes the borrowing debt of the member's companies, etc. in the manner stated in Section 15 of the Articles of Association.

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 117.6 (56.9) percent, compared with the requirement, including buffer requirements, of 11.7 (11.3) percent. Following the proposed distribution of profit, the capital base amounted to SEK 6,383.9 (3,733.5) million and the final minimum capital requirement to SEK 434.0 (525.2) million. A specification of items can be found in Note 35 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. The Board of Directors' assessment is that the proposed distribution of interest on contributions and bonuses does not jeopardise the Society's financial situation. It is expected that some of the funds proposed for distribution will be returned to the Society as capital contributions from the members who have not yet paid the maximum approved level of member contributions. The capital contribution calculated for this purpose but yet to be approved amounts to SEK 34.9 (90.7) million.

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.

8.5192  
EMA45: 8.7803  
PLAR: 9.1464  
TrigZag: 8.4  
MACD: -0.1143  
-0.0755  
-0.0388  
43.2988

# Financial accounts

## FINANCIAL STATEMENTS

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# Income statement – Group

1 January – 31 December

| SEK, million                         | Note | 2016          | 2015          |
|--------------------------------------|------|---------------|---------------|
| Interest revenues                    | 1    | 654.0         | 1,438.3       |
| Interest expenses                    | 1    | 107.9         | -640.0        |
| <b>NET INTEREST INCOME</b>           | 3    | <b>761.9</b>  | <b>798.3</b>  |
| Commission expenses                  | 4    | -5.2          | -5.3          |
| Net result of financial transactions | 5    | -131.9        | 165.7         |
| Other operating income               | 6    | 7.2           | 4.5           |
| <b>TOTAL OPERATING INCOME</b>        |      | <b>632.0</b>  | <b>963.2</b>  |
| General administration expenses      | 7    | -233.1        | -292.5        |
| Depreciation of intangible assets    | 19   | -4.2          | -4.1          |
| Depreciation of tangible assets      | 20   | -3.5          | -3.7          |
| Other operating expenses             | 8    | -5.0          | -4.2          |
| <b>TOTAL OPERATING EXPENSES</b>      |      | <b>-245.8</b> | <b>-304.5</b> |
| <b>OPERATING PROFIT</b>              |      | <b>386.2</b>  | <b>658.7</b>  |
| Tax                                  | 9    | -0.4          | 31.2          |
| <b>NET PROFIT</b>                    |      | <b>385.8</b>  | <b>689.9</b>  |

# Statement of comprehensive income – Group

1 January – 31 December

| SEK, million   | 2016         | 2015         |
|--|--------------|--------------|
| <b>NET RESULT</b>  | <b>385.8</b> | <b>689.9</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>  |              |              |
| Items that may subsequently be reclassified to the income statement      |              |              |
| Available-for-sale financial assets                                      | 56.6         | -60.3        |
| Available-for-sale financial assets, transferred to the income statement | -            | 0.1          |
| <b>OTHER COMPREHENSIVE INCOME</b>  | <b>56.6</b>  | <b>-60.2</b> |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>442.4</b> | <b>629.7</b> |

## Comments on Income statement – Group

### Net interest income

Despite increased lending, net interest income decreased to SEK 761.9 (798.3) million. The decrease is mainly due to effects associated with the reduction in lending margins from the autumn of 2014, after the capital structure strategy was changed. 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 reduction in price.

Since 1 September 2015, the Company grants lending at negative interest rates. Negative Interest revenues is recorded as an interest expense and during the period amounted to SEK 151.0 (5.6) million. For more information on how interest income and interest expenses are recognised, see Note 1.

### 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 to 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 period. Since liabilities only include fundings 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, see Note 5. Since the Company intends to hold its assets and liabilities to maturity, these values are not normally realised. For further details, see Note 33.

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

### Costs

Operating expenses amounted to SEK 245.8 (304.5) million, including the resolution fee of SEK 31.4 million (SEK 120.5 million in 2015 for the former stability fee).

In 2016, the resolution fee replaced the stability fee, and constitutes a risk-adjusted percentage of the Company's 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 i

Sverige AB has been set by the Swedish National Debt Office at SEK 31.4 million. The resolution fee accounted for 13 percent of Kommuninvest's operating expenses, compared with 40 percent for the stability fee in 2015. In 2016, the Group 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 214.4 million (SEK 184.0 million excluding the stability fee in 2015), of which personnel expenses amounted to SEK 121.2 (104.6) million and other expenses for SEK 93.2 (79.4) million. The increase in personnel expenses is mainly attributable to an increase in the number of employees in the Company. Furthermore, investments in preventive occupational health care and personnel recruitment have contributed to increased expenses. Expenses for contract personnel increased by SEK 5.2 million, partly because a number of projects were staffed with contract employees and contract personnel was appointed to several positions during recruitment processes. Effective from 2016, expenses for contract personnel are reported as personnel expenses. These expenses were previously reported as other general administrative expenses. Comparative figures for 2015 have also been adjusted.

Consulting expenses increased by SEK 10.8 million. The principal reason for the increase in consulting expenses is a change in the Company'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. The increase in consulting expenses is also due to an increased use of consulting services regarding regulatory compliance and publications. During 2016, expenses for premises were SEK 1.9 million higher than in 2015 due to the renovation and furnishing of the expanded office space.

Credit losses totalled SEK – (–) million.

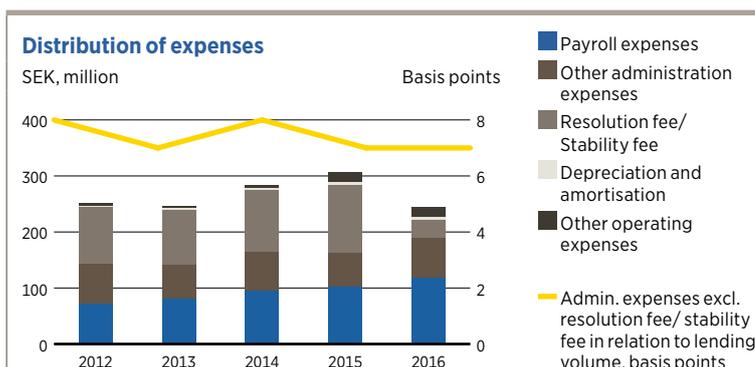
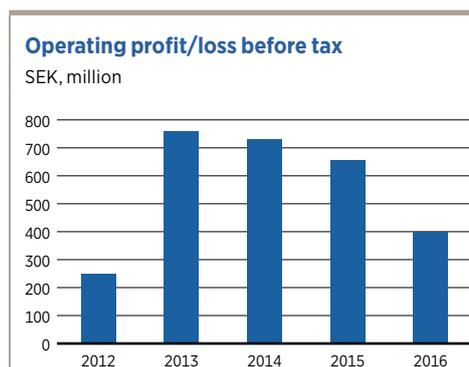
### Operating profit

Consolidated operating profit, that is, profit before tax amounted to SEK 386.2 (658.7) 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 581.7 (534.5) million. Profit after tax amounted to SEK 385.8 (689.9) million.

### Tax

Tax reported in the income statement amounted to an expense of SEK 0.4 million compared with income of SEK 31.2 million in the preceding year. See Note 9.



# Balance sheet – Group

As per 31 December

| SEK, million                                      | Note    | 2016             | 2015             |
|---|---------|------------------|------------------|
| <b>ASSETS</b>                                     |         |                  |                  |
| Sovereign bonds eligible as collateral            | 2.11    | 16,964.4         | 16,839.4         |
| Lending to credit institutions                    | 2       | 1,150.8          | 717.3            |
| Lending   | 2.13    | 276,982.1        | 254,421.7        |
| Bonds and other interest-bearing securities       | 2.14    | 42,003.9         | 45,688.4         |
| Shares and participations                         | 15      | 3.3              | 2.8              |
| Shares and participations in associated companies | 16      | -                | 0.5              |
| Derivatives                                       | 2,18,34 | 24,449.8         | 22,775.6         |
| Intangible assets                                 | 19      | 13.4             | 15.7             |
| Tangible assets                                   | 20      | 7.8              | 4.9              |
| Tangible assets, lands and buildings              | 20      | 32.2             | 32.4             |
| Current tax assets                                |         | 75.7             | 72.8             |
| Other assets                                      | 22      | 2.3              | 4.2              |
| Deferred tax assets                               | 9       | 28.5             | 28.3             |
| Prepaid expenses and accrued revenues             | 23      | 15.0             | 11.8             |
| <b>TOTAL ASSETS</b>                               |         | <b>361,729.2</b> | <b>340,615.8</b> |
| <b>LIABILITIES, PROVISIONS AND EQUITY</b>         |         |                  |                  |
| <b>Liabilities and provisions</b>                 |         |                  |                  |
| Liabilities to credit institutions                | 2       | 2,396.1          | 2,303.5          |
| Securities issued                                 | 2       | 341,579.4        | 318,943.6        |
| Derivatives                                       | 2,18,34 | 9,390.5          | 11,723.1         |
| Other liabilities                                 | 24      | 20.7             | 14.4             |
| Accrued expenses and prepaid revenues             | 25      | 31.6             | 146.1            |
| Provisions for pensions and similar obligations   | 26      | 4.1              | 3.4              |
| Subordinated liabilities                          | 27      | 1,000.0          | 1,000.0          |
| <b>Total liabilities and provisions</b>           |         | <b>354,422.4</b> | <b>334,134.1</b> |
| <b>Equity</b>                                     |         |                  |                  |
| Participation capital                             |         | 6,307.5          | 5,424.1          |
| Reserves  |         | 9.3              | -48.9            |
| Profit or loss brought forward                    |         | 604.2            | 416.6            |
| Net profit  |         | 385.8            | 689.9            |
| <b>Total equity</b>                               | 29      | <b>7,306.8</b>   | <b>6,481.7</b>   |
| <b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>   |         | <b>361,729.2</b> | <b>340,615.8</b> |

## Comments on Balance sheet – Group

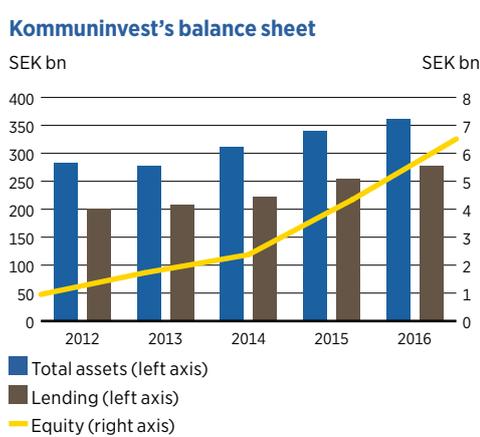
### Total assets

The total assets in the Company increased to SEK 361,729.2 (340,615.8) million, mainly as a result of increased lending. Lending totalled SEK 276,982.1 (254,421.7) million. At the end of the financial year, the liquidity reserve was SEK 60,119.1 (63,245.1) million, consisting of the balance sheet items Treasury bills, Lending to credit institutions, Bonds and Other interest-bearing securities.

During the period, a voluntary liquidation was carried out regarding NLGFA Administrative Solutions AB, an associate of Kommuninvest i Sverige AB. Following that, the Group 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.

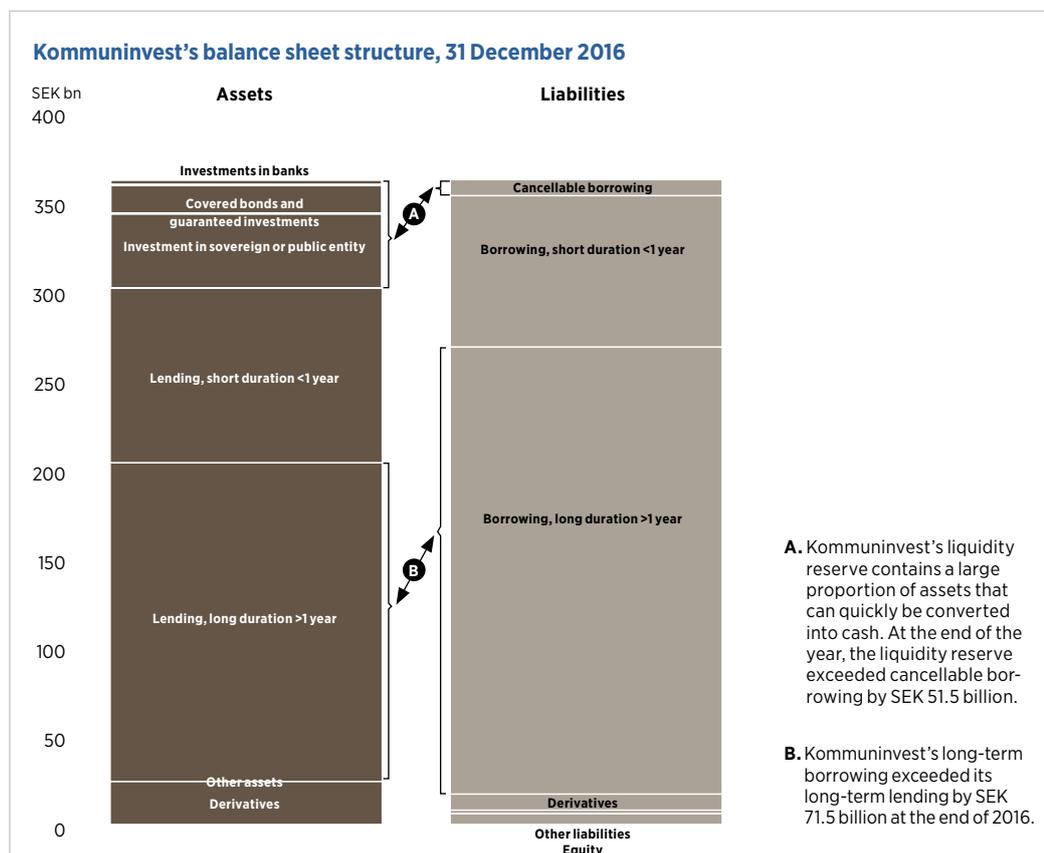


### Liabilities

At the end of 2016, consolidated liabilities amounted to SEK 354,422.4 (334,134.1) 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 30-year subordinated loan from the members of the Society. The loan amounted to SEK 1,000.0 (1,000.0) million. See Note 27.



# Statement of changes in equity – Group

| SEK, million  | Subscribed capital | Reserves <sup>1</sup> | Profit or loss brought forward | Total equity   |
|---|--------------------|-----------------------|--------------------------------|----------------|
| <b>Equity brought forward 1 Jan 2015</b>  | <b>2,054.0</b>     | <b>11.3</b>           | <b>1,096.1</b>                 | <b>3,161.4</b> |
| Comprehensive income for the year   |                    | -60.2                 | 689.9                          | 629.7          |
| <i>Appropriation of profits in accordance with the resolution of the Annual General Meeting</i> |                    |                       |                                |                |
| Distribution of surplus as refunds and interest   |                    |                       | -679.5                         | -679.5         |
| <i>New subscribed capital during the year</i>   |                    |                       |                                |                |
| Participation capital from new members of the society   |                    |                       |                                | -              |
| Contributions from existing members   | 3,370.1            |                       |                                | 3,370.1        |
| Disbursement of excess contribution capital <sup>2</sup>  |                    |                       |                                | -              |
| <b>Equity carried forward 31 December 2015</b>  | <b>5,424.1</b>     | <b>-48.9</b>          | <b>1,106.5</b>                 | <b>6,481.7</b> |
| <b>Equity brought forward 1 Jan 2016</b>  | <b>5,424.1</b>     | <b>-48.9</b>          | <b>1,106.5</b>                 | <b>6,481.7</b> |
| Comprehensive income for the year   |                    | 58.2                  | 384.2                          | 442.4          |
| <i>Appropriation of profits in accordance with the resolution of the Annual General Meeting</i> |                    |                       |                                |                |
| Distribution of surplus as refunds and interest   |                    |                       | -500.7                         | -500.7         |
| <i>New subscribed capital during the year</i>   |                    |                       |                                |                |
| Participation capital from new members of the society   | 50.7               |                       |                                | 50.7           |
| Contributions from existing members   | 836.9              |                       |                                | 836.9          |
| Disbursement of excess contribution capital <sup>2</sup>  | -4.2               |                       |                                | -4.2           |
| <b>Equity carried forward 31 December 2016</b>  | <b>6,307.5</b>     | <b>9.3</b>            | <b>990.0</b>                   | <b>7,306.8</b> |

1) Reserves consist of the Fair value reserve, including financial assets available for sale of positive SEK 56.6 (negative 60.2) million and the Development expenditure reserve of SEK 1.6 (-) million. The development expenditure reserve corresponds to capitalised development costs accrued in-house that have been transferred from profit or loss brought forward, adjusted for a proportionate share of the amortisation reversed from the fund to unrestricted equity. See also Note 29.

2) Excess contribution capital (Swedish: "Överinsats") refer to that part of capital contributions that, for certain members, exceeds the highest level stipulated in the statutes. For further information, see Note 28.

A more detailed statement of changes in equity for the Group is provided in Note 29.

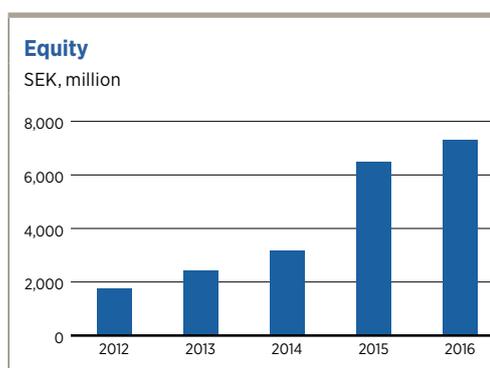
## Comments on Statement of changes in equity – Group

### Equity

At the end of 2016, the equity in the Group amounted to SEK 7,306.8 (6,481.7) million. In addition to the profit for the year of SEK 385.8 (689.9) million, the increase is attributable to contributions of SEK 836.9 (3,370.1) million from existing members of the Society and SEK 50.7 (–) million in contributions from new members. Equity was also affected by changes in the market values of assets classified as “available-for-sale financial assets” of positive SEK 56.6 (negative 60.2) million, see Statement of Comprehensive Income on page 48.

### Surplus distribution model

To make Kommuninvest’s results visible for the ultimate owners, that is, the Society’s members, the Society began applying distribution of surpluses as of the 2011 financial year. Decisions regarding the distribution of surpluses are made at the Annual General Meeting of the Society. Surpluses are distributed through group contributions from the Company to the Society, which, following deductions to cover the Society’s costs, are further distributed to the members of the Society as refunds based on business volumes and interest on capital contributions. The distribution of surpluses is not associated with any conditions for members, or with any repayment liability or liability to pay new capital contributions. The 2016 Annual General Meeting of the Society approved the payment of SEK 500.7 (679.5) million in surplus distribution. Payment was effectuated in May 2016. The Annual General Meeting of the Society determines whether members are to pay in new capital contributions. Capital contributions paid to the Society can be used to reinforce the capital base in the Company. At the meeting of the Board of Directors of the Society held following the 2016 Annual General Meeting of the Society it was resolved that SEK 90.7 (679.5) million in new capital contributions to the Society should be paid in. All members chose to participate.



### Strengthening of the Company’s 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. During 2016, the members of the Society had the opportunity to pay a special contribution as a measure to strengthen the capital base. This resulted in special contributions of SEK 746.2 (2,690.7) million being paid in by members of the Society.

As of 31 December 2016, the share capital of the Company had been strengthened by SEK 1,490.7 (1,880.0) million, due to capital contributions from members of the Society in 2015.

A further increase in the share capital of the Company was registered with the Swedish Companies Registration Office on 2 January 2017 due to the new share issue of SEK 682.9 million carried out in December 2016, attributable to funds injected by members of the Society in 2016.

# Cash flow statement – Group

1 January – 31 December

| SEK, million   | 2016             | 2015             |
|--|------------------|------------------|
| <b>Operational activities</b>  |                  |                  |
| Operating profit   | 386.2            | 658.7            |
| Adjustment for items not included in cash flow   | 202.7            | -115.5           |
| Income tax paid  | -3.4             | 66.2             |
| <b>Cash flow from operating activities before changes in the assets and liabilities of operating activities</b>  | <b>585.5</b>     | <b>609.4</b>     |
| Change in liquidity reserve  | 2,051.0          | 7,633.6          |
| Change in lending  | -22,558.3        | -32,734.2        |
| Change in other assets   | -1.8             | -6.6             |
| Change in other liabilities  | -107.7           | 3.3              |
| <b>Cash flow from operational activities</b>   | <b>-20,031.3</b> | <b>-24,494.5</b> |
| <b>Investment activities</b>   |                  |                  |
| Acquisitions of intangible assets  | -1.9             | -18.2            |
| Acquisition of tangible assets   | -6.3             | -0.7             |
| Divestments of tangible assets   | 0.3              | -                |
| Divestment of shares in associated companies   | 1.8              | -                |
| <b>Cash flow from investment activities</b>  | <b>-6.1</b>      | <b>-18.9</b>     |
| <b>Financing activities</b>  |                  |                  |
| Issue of interest-bearing securities   | 129,345.1        | 121,888.4        |
| Maturity and repurchases of interest-bearing securities  | -109,256.9       | -103,418.5       |
| Distribution of surplus as refunds and interest  | -500.7           | -679.5           |
| Participation capital from new members of the society  | 50.7             | -                |
| Contributions from existing members  | 836.9            | 3,370.1          |
| Disbursement of "överinsats"   | -4.2             | -                |
| <b>Cash flow from financing activities</b>   | <b>20,470.9</b>  | <b>21,160.5</b>  |
| <b>Cash flow for the year</b>  | <b>433.5</b>     | <b>-3,352.9</b>  |
| <b>Cash and equivalents at start of the year</b>   | <b>717.3</b>     | <b>4,070.2</b>   |
| <b>Cash and equivalents at end of the year</b>   | <b>1,150.8</b>   | <b>717.3</b>     |
| 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. |                  |                  |
| <b>Adjustment for items not included in cash flow</b>  |                  |                  |
| Depreciation   | 7.7              | 7.8              |
| Exchange rate differences from change in financial assets  | 0.9              | 0.9              |
| Profit from divestments of tangible assets   | -0.1             | -                |
| Profit from divestments of shares in associated companies  | -1.3             | -                |
| Unrealised changes in market value   | 195.5            | -124.2           |
| <b>Total</b>   | <b>202.7</b>     | <b>-115.5</b>    |
| <b>Interest paid and earned, included in the cash flow</b>   |                  |                  |
| interest earned <sup>1</sup>   | 787.1            | 1,780.1          |
| Interest paid <sup>2</sup>   | -42.3            | -978.3           |

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

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

# Income statement – Parent Society

1 January – 31 December

| SEK, million   | Note | 2016         | 2015         |
|--|------|--------------|--------------|
| Operating expenses   | 7    | -12.9        | -10.7        |
| <b>Operating loss</b>  |      | <b>-12.9</b> | <b>-10.7</b> |
| <b>Financial revenues and expenses</b>                               |      |              |              |
| Revenues from participations in Group companies, Group contributions |      | 458.7        | 545.4        |
| Interest revenues  | 3    | 0.0          | 0.0          |
| Interest expenses  | 3    | -0.1         | -            |
| Interest income, debenture loan                                      | 3    | 12.3         | 16.2         |
| Interest expenses, debenture loan                                    | 3    | -12.3        | -16.2        |
| <b>Total financial income and expenses</b>                           |      | <b>458.6</b> | <b>545.4</b> |
| <b>Profit after financial items</b>                                  |      | <b>445.7</b> | <b>534.7</b> |
| <b>Profit before tax</b>   |      | <b>445.7</b> | <b>534.7</b> |
| Tax  | 9    | -0.3         | -7.6         |
| <b>PROFIT FOR THE YEAR</b>   |      | <b>445.4</b> | <b>527.1</b> |

# Statement of comprehensive income – Parent Society

1 January – 31 December

| SEK, million                             | 2016         | 2015         |
|--|--------------|--------------|
| <b>Profit for the year</b>               | <b>445.4</b> | <b>527.1</b> |
| Other comprehensive income               | -            | -            |
| <b>Comprehensive income for the year</b> | <b>445.4</b> | <b>527.1</b> |

# Balance sheet – Parent Society

As per 31 December

| SEK, million                          | Note | 2016           | 2015           |
|---------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                         |      |                |                |
| <b>Fixed assets</b>                   |      |                |                |
| <i>Financial fixed assets</i>         |      |                |                |
| Debenture loan to subsidiary          |      | 1,000.0        | 1,000.0        |
| Shares in subsidiaries                | 17   | 6,093.5        | 3,919.9        |
| <b>Total fixed assets</b>             |      | <b>7,093.5</b> | <b>4,919.9</b> |
| <b>Current assets</b>                 |      |                |                |
| <i>Receivables</i>                    |      |                |                |
| Prepaid expenses and accrued revenues |      | 0.2            | 0.1            |
| Receivables from subsidiaries         | 21   | 790.9          | 2,149.7        |
| <b>Total current assets</b>           |      | <b>791.1</b>   | <b>2,149.8</b> |
| Lending to credit institutions        | 12   | 17.8           | 7.5            |
| <b>TOTAL ASSETS</b>                   |      | <b>7,902.4</b> | <b>7,077.2</b> |
| <b>LIABILITIES AND EQUITY</b>         |      |                |                |
| <b>Equity</b>                         |      |                |                |
| Participation capital                 | 28   | 6,307.5        | 5,424.1        |
| Statutory reserve                     |      | 140.3          | 113.9          |
| Profit or loss brought forward        | 10   | 0.2            | 0.2            |
| Profit for the year                   | 10   | 445.4          | 527.1          |
| <b>Total equity</b>                   |      | <b>6,893.4</b> | <b>6,065.3</b> |
| <b>Liabilities</b>                    |      |                |                |
| <i>Long-term liabilities</i>          |      |                |                |
| Subordinated liabilities              | 27   | 1,000.0        | 1,000.0        |
| <b>Total Long-term liabilities</b>    |      | <b>1,000.0</b> | <b>1,000.0</b> |
| <i>Current liabilities</i>            |      |                |                |
| Accounts payable, trade               | 24   | 0.4            | 0.4            |
| Tax liabilities                       | 24   | 7.9            | 10.4           |
| Other current liabilities             | 24   | 0.4            | 0.3            |
| Accrued expenses and prepaid revenues | 25   | 0.3            | 0.8            |
| <b>Total current liabilities</b>      |      | <b>9.0</b>     | <b>11.9</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>7,902.4</b> | <b>7,077.2</b> |

# Statement of changes in equity

## – Parent Society

| SEK, million   | Participation capital | Statutory reserve <sup>1</sup> | Unrestricted equity | Total equity   |
|--|-----------------------|--------------------------------|---------------------|----------------|
| <b>Equity brought forward 1 Jan 2015</b>   | <b>2,054.0</b>        | <b>78.2</b>                    | <b>715.4</b>        | <b>2,847.6</b> |
| Profit for the year  |                       |                                | 527.1               | 527.1          |
| <i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i> |                       |                                |                     |                |
| Distribution of surplus as refunds and interest  |                       |                                | -679.5              | -679.5         |
| Allocation to statutory reserve  |                       | 35.7                           | -35.7               | 0.0            |
| <i>New subscribed capital during the year</i>  |                       |                                |                     |                |
| Participation capital from new members of the society  |                       |                                |                     | -              |
| Contributions from existing members  | 3,370.1               |                                |                     | 3,370.1        |
| Disbursement of "överinsats" <sup>2</sup>  |                       |                                |                     | -              |
| <b>Equity carried forward 31 December 2015</b>   | <b>5,424.1</b>        | <b>113.9</b>                   | <b>527.3</b>        | <b>6,065.3</b> |
| <b>Equity brought forward 1 Jan 2016</b>   | <b>5,424.1</b>        | <b>113.9</b>                   | <b>527.3</b>        | <b>6,065.3</b> |
| Profit for the year  |                       |                                | 445.4               | 445.4          |
| <i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i> |                       |                                |                     |                |
| Distribution of surplus as refunds and interest  |                       |                                | -500.7              | -500.7         |
| Allocation to statutory reserve  |                       | 26.4                           | -26.4               | 0.0            |
| <i>New subscribed capital during the year</i>  |                       |                                |                     |                |
| Participation capital from new members of the society  | 50.7                  |                                |                     | 50.7           |
| Contributions from existing members  | 836.9                 |                                |                     | 836.9          |
| Disbursement of "överinsats" <sup>2</sup>  | -4.2                  |                                |                     | -4.2           |
| <b>Equity carried forward 31 December 2016</b>   | <b>6,307.5</b>        | <b>140.3</b>                   | <b>445.6</b>        | <b>6,893.4</b> |

1) The statutory reserve refers to previous statutory provisions to restricted equity. The requirement was abolished in 2016 and prior provisions remain.

2) "Överinsats" (excess contributions) refer to that part of capital contributions that, for certain members, exceeds the highest level stipulated in the statutes.  
For further information, see Note 28.

# Cash flow statement – Parent Society

1 January – 31 December

| SEK, million  | 2016         | 2015         |
|---|--------------|--------------|
| <b>Operational activities</b>   |              |              |
| Profit after financial items  | 445.7        | 534.7        |
| Adjustment for items not included in cash flow  | -458.7       | -545.4       |
| Income tax paid   | -2.8         | -            |
| <b>Cash flow from operating activities before changes in the assets and liabilities of operating activities</b> | <b>-15.8</b> | <b>-10.7</b> |
| <b>Cash flow from changes in working capital</b>  |              |              |
| Change in accounts payable  | 0.0          | -0.3         |
| Change in other liabilities   | -0.4         | 0.7          |
| Change in other assets  | -0.1         | 0.2          |
| <b>Cash flow from operational activities</b>  | <b>-16.3</b> | <b>-10.1</b> |
| <b>Financing activities<sup>1</sup></b>   |              |              |
| New share issue in subsidiary   | -2,173.6     | -1,880.0     |
| Distribution of surplus as refunds and interest   | -500.7       | -679.5       |
| Participation capital from new members of the society   | 50.7         | -            |
| Contributions from existing members   | 836.9        | 3,370.2      |
| Disbursement of "överinsats"  | -4.2         | -            |
| Change in debt ratios within the Group  | 1,817.5      | -834.1       |
| <b>Cash flow from financing activities</b>  | <b>26.6</b>  | <b>-23.4</b> |
| <b>Cash flow for the year</b>   | <b>10.3</b>  | <b>-33.5</b> |
| <b>Cash and equivalents at start of the year</b>  | <b>7.5</b>   | <b>41.0</b>  |
| <b>Cash and equivalents at end of the year</b>  | <b>17.8</b>  | <b>7.5</b>   |
| Liquid assets consists in their entirety of cash and bank balances.   |              |              |
| <b>Adjustment for items not included in cash flow</b>   |              |              |
| Group contributions not received  | -458.7       | -545.4       |
| <b>Interest paid and earned, included in the cash flow</b>  |              |              |
| Interest received   | 12.3         | 16.2         |
| interest paid   | -12.3        | -16.2        |

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

# Notes

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

## Note 1 Accounting principles

The Annual Report was approved for publication by the Board of Directors on 15 March 2017. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 20 April 2017.

### Compliance with standards and legislation

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

Disclosures on the nature and extent of risks arising from financial instruments are provided on pages 29–37 in the Board of Directors' Report.

#### Group

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated accounts also apply the supplementary regulations in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25), and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups.

#### The Society

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

### 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. This fund 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.

Other new or amended laws, 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 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 material 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 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. Work on implementation will continue during 2017 and is expected to be completed during the third quarter and initial reporting under IFRS 9 will relate to 30 June 2018.

The introduction of IFRS 9 may have a negative impact on reported earnings, financial position and thereby Kommuninvest's capital base, particularly in that IFRS 9 entails expected credit losses having to be reported rather than incurred credit losses. That, which in the current situation, is expected to be subject to impairment testing are the investments and loans not measured at fair value through profit or loss. Kommuninvest's very special business model, in 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. To date, Kommuninvest has not suffered any credit losses in its lending or investment activities in Kommuninvest's 30-year history.

#### IFRS 16 Leases

IFRS 16 Leases is the new leasing standard, which comes into force on 1 January 2019 and replaces IAS 17 Leases.

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

## FINANCIAL STATEMENTS

### Note 1, continued

Another difference is that expensing the lease will be divided into two parts. One part that is attributable to operating profit and another classified as an interest expense on the lease liability and thus expensed under net interest income. However, IFRS 16 also includes a relief rule for short leases (under one year) and for agreements regarding assets of lesser value. In its standard, the IASB has not specified what is classified as lesser value, although it gives a guideline indication of USD 5,000.

For lessors, IFRS 16 entails no significant differences. For them, the new standard retains operational and financial leases.

Kommuninvest has no financial leases. The majority of the operational leases currently held by Kommuninvest can be seen as assets of immaterial value and are therefore subject to the relief rules under IFRS 16 and can be reported as previously.

Accordingly, IFRS 16 is considered to have a negligible effect on Kommuninvest's earnings, position, disclosures, capital requirements, capital base or major exposures.

### 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 valued at fair value, their value is affected by the assessment of whether the 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 33 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 Kommuninvest'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 33.

### Consolidated accounts

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

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

### Functional currency and presentation currency

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

### Transactions in foreign currencies

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

### Associated companies

Participations in associated companies are reported in accordance with the cost method. In 2016, a voluntary liquidation was carried out regarding NLGFA Administrative Solutions AB, an associate of Kommuninvest i Sverige AB. Following that, the Group holds no shares in associated companies.

### 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 through 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 expense include periodised amounts of transaction costs.

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

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 3.

### Commission expenses

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

### Net result of financial transactions

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

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

Note 1, continued

### 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 33.

#### *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 or on the transfer of the financial asset, upon which 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, at the same time, to capitalise the asset and adjust the liability.

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

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

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

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

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

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

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

The first subgroup includes derivatives held for financial hedging, but 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 funding.

The reason for classifying structured credit in this category is that 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 measured at the amount estimated to be paid, i.e. with a deduction for doubtful receivables. This includes lending to credit institutions and certain other lending.

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

This category includes Kommuninvest's investments in interest-bearing securities which are not included in trading 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 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

## FINANCIAL STATEMENTS

### Note 1, continued

county councils/regions are liable for all obligations they enter into, with all their tax power and their total assets.

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

Where there are objective indications for the need to recognise impairment of a financial asset reported at accrued cost, the amount of any such impairment is calculated as the difference between the current value of the asset's estimated future cash flows discounted at the original effective rate of interest and the reported value of the asset. In Kommuninvest's assessment, no writedowns were required as per 31 December 2016.

#### Intangible assets

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

Amortisation is recognised in the income statement on a linear basis over the estimated useful life of the intangible asset. 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 amortisation began effective from January of the year in which the asset was acquired. The estimated useful life is five years. The useful lives of assets are reassessed at least once a year.

#### 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 fixed asset is derecognised from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. Gain or loss which may arise from the sale or scrapping of an asset constitutes the difference between the sale price and the asset's recognised value less direct sales expenses. Gains/losses are reported 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 amortisation began effective from January of the year in which the asset was acquired. Kommuninvest calculates a useful life of three or five years for equipment. The building and its components are depreciated over 10–100 years depending on the estimated useful life of the component. Works of art included in the balance sheet are not depreciated. The useful lives of assets are reassessed at least once a year.

#### Pension through insurance

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

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

The pension plan for Kommuninvest's employees has been deemed a defined contribution plan encompassing more than one employer. Kommuninvest's pension payments are entered as a cost in the income statement at the rate at which they are earned as employees carry out services for Kommuninvest during a particular period. Premiums are paid to SPP based on the current salary. The year's costs for these insurance premiums are shown in Note 7.

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, see Note 15. The insurance is also pledged for the pension obligation. On the liability side, the pension obligation is reported as a provision, see Note 26.

#### 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 expenses. Also included are expenses for ratings, market data, and the expenses of maintaining an aftermarket for issued securities.

#### Other operating income

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

#### Other operating expenses

Other operating expenses primarily include expenses for marketing and insurance.

#### Leasing

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

#### Taxes

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

*Note 1, continued*

Current taxes are taxes that must be paid for the current year. This also includes adjustments to current taxes attributable to previous periods. The tax regulations for economic associations are applied in the calculation of current taxes. These entail the year's proposal for dividends for the financial year (which will be paid out in the subsequent year) being eligible for deduction from the current year's taxation on the condition that a dividend decision is made and has been deducted in the calculation of current taxes

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

**Equity**

Kommuninvest has classified the subscribed capital in the Kommuninvest Cooperative Society as consolidated equity, since the subscribed capital has the characteristics and meets the conditions stated in IAS 32:16 A and B, see also Note 28.

**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. Operating activities mainly include changes in lending and the liquidity portfolio. Investing activities encompass investments and divestments in tangible and intangible assets. The financing activities shows the issue and maturity/repurchase of issued securities. Kommuninvest applies the exemption rule in IAS7:23 and reports issues of less than three months net. The financing activities also include a new share issue and change 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.

**The Society's accounting principles**

The Society's accounting policies are those applied by the Group, with the exception that the income statement and balance sheet follow the formats required under the Annual Accounts Act. IAS 39 is not applied – instead, financial instruments are reported based on historical cost and with shares in subsidiaries being carried at cost. Group contributions are recognised in the income statement as income from participations in Group companies.

## Note 2 Financial risks – Group

For information on risk management, see pages 29–37.

### 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 |
|--|--|----------------------|------------------|---------------------|--|
| <b>Credit against security of:</b>                       |  |                      |                  |                     |  |
| Government and municipal guarantees                      | 276,982.1                                      | -                    | 276,982.1        | -                   | 276,982.1  |
| <b>Total</b>   | <b>276,982.1</b>                               | <b>-</b>             | <b>276,982.1</b> | <b>-</b>            | <b>276,982.1</b>   |
| <b>Securities</b>  |  |                      |                  |                     |  |
| 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   | 6,292.3  | -                    | 6,292.3          | -                   | 6,292.3  |
| - A  | 1,035.0  | -                    | 1,035.0          | -                   | 1,035.0  |
| - BBB  | -  | -                    | -                | -                   | -  |
| <b>Total</b>   | <b>60,119.1</b>                                | <b>-</b>             | <b>60,119.1</b>  | <b>-</b>            | <b>60,119.1</b>  |
| <b>Derivatives</b>                                       |  |                      |                  |                     |  |
| - 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  |
| <b>Total</b>   | <b>24,449.8</b>                                | <b>-</b>             | <b>24,449.8</b>  | <b>15,623.0</b>     | <b>8,826.8</b>   |
| <b>Obligations</b>                                       |  |                      |                  |                     |  |
| Pledged loans against municipal guarantees               |  |                      |                  |                     |  |
|  | 1,765.4  | -                    | 1,765.4          | -                   | 1,765.4  |
| <b>Total</b>   | <b>1,765.4</b>                                 | <b>-</b>             | <b>1,765.4</b>   | <b>-</b>            | <b>1,765.4</b>   |
| <b>Total credit risk exposure</b>                        | <b>363,316.4</b>                               | <b>-</b>             | <b>363,316.4</b> | <b>15,623.0</b>     | <b>347,693.4</b>   |
| <b>2015</b>  |  |                      |                  |                     |  |
| <b>Credit against security of:</b>                       |  |                      |                  |                     |  |
| Government and municipal guarantees                      | 254,421.7                                      | -                    | 254,421.7        | -                   | 254,421.7  |
| <b>Total</b>   | <b>254,421.7</b>                               | <b>-</b>             | <b>254,421.7</b> | <b>-</b>            | <b>254,421.7</b>   |
| <b>Securities</b>  |  |                      |                  |                     |  |
| Government securities and other public bodies            |  |                      |                  |                     |  |
| - AAA  | 11,232.1                                       | -                    | 11,232.1         | -                   | 11,232.1   |
| - AA   | 5,607.3  | -                    | 5,607.3          | -                   | 5,607.3  |
| Other issuers  |  |                      |                  |                     |  |
| - AAA  | 37,412.5                                       | -                    | 37,412.5         | -                   | 37,412.5   |
| - AA   | 8,374.2  | -                    | 8,374.2          | 80.8                | 8,293.4  |
| - A  | 619.0  | -                    | 619.0            | -                   | 619.0  |
| - BBB  | -  | -                    | -                | -                   | -  |
| <b>Total</b>   | <b>63,245.1</b>                                | <b>-</b>             | <b>63,245.1</b>  | <b>80.8</b>         | <b>63,164.3</b>  |
| <b>Derivatives</b>                                       |  |                      |                  |                     |  |
| - AA   | 9,627.4  | -                    | 9,627.4          | 4,597.1             | 5,030.3  |
| - A  | 8,240.0  | -                    | 8,240.0          | 4,133.2             | 4,106.8  |
| - BBB  | 4,908.2  | -                    | 4,908.2          | 2,660.9             | 2,247.3  |
| <b>Total</b>   | <b>22,775.6</b>                                | <b>-</b>             | <b>22,775.6</b>  | <b>11,391.2</b>     | <b>11,384.4</b>  |
| <b>Obligations</b>                                       |  |                      |                  |                     |  |
| Committed undisbursed loans against municipal guarantees |  |                      |                  |                     |  |
|  | 2,903.3  | -                    | 2,903.3          | -                   | 2,903.3  |
| <b>Total</b>   | <b>2,903.3</b>                                 | <b>-</b>             | <b>2,903.3</b>   | <b>-</b>            | <b>2,903.3</b>   |
| <b>Total credit risk exposure</b>                        | <b>343,345.7</b>                               | <b>-</b>             | <b>343,345.7</b> | <b>11,472.0</b>     | <b>331,873.7</b>   |

Maturity information<sup>1</sup>

| 2016  | Nominal cash flows – Contractual remaining duration |                  |                                  |                                 |                    |                 | Total            |
|---|---|------------------|----------------------------------|---------------------------------|--------------------|-----------------|------------------|
|   | On demand   | At most 3 months | More than 3 mths. but max. 1 yr. | More than 1 yr. but max. 5 yrs. | Longer than 5 yrs. | No maturity     |                  |
| <b>Liquidity exposure</b>                   |   |                  |                                  |                                 |                    |                 |                  |
| <b>Assets</b>                               |   |                  |                                  |                                 |                    |                 |                  |
| Sovereign bonds eligible as collateral      | -   | 3,100.0          | 2,986.4                          | 10,688.6                        | -                  | -               | 16,775.0         |
| Lending to credit institutions              | -   | 1,150.8          | -                                | -                               | -                  | -               | 1,150.8          |
| 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                           | -   | -                | -                                | -                               | -                  | 178.2           | 178.2            |
| <b>Total assets</b>                         | -   | <b>81,420.4</b>  | <b>215,575.2</b>                 | <b>564,930.3</b>                | <b>54,972.2</b>    | <b>178.2</b>    | <b>917,076.3</b> |
| <b>Liabilities</b>                          |   |                  |                                  |                                 |                    |                 |                  |
| 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                           | -   | -                | -                                | -                               | -                  | 56.4            | 56.4             |
| Subordinated liabilities                    | -   | -                | -                                | -                               | 1,000.0            | -               | 1,000.0          |
| Equity                                      | -   | -                | -                                | -                               | -                  | 7,306.8         | 7,306.8          |
| <b>Total equity and liabilities</b>         | -   | <b>75,812.3</b>  | <b>189,475.8</b>                 | <b>593,994.8</b>                | <b>50,430.2</b>    | <b>7,363.2</b>  | <b>917,076.3</b> |
| <b>Net</b>                                  | -   | <b>5,608.1</b>   | <b>26,099.4</b>                  | <b>-29,064.5</b>                | <b>4,542.0</b>     | <b>-7,185.0</b> | -                |
| Committed undisbursed loans                 | 1,765.4   | -                | -                                | -                               | -                  | -               | -                |

| 2015 <sup>2</sup>                           | Nominal cash flows – Contractual remaining duration |                  |                                  |                                 |                    |                 | Total            |
|---|---|------------------|----------------------------------|---------------------------------|--------------------|-----------------|------------------|
|   | On demand   | At most 3 months | More than 3 mths. but max. 1 yr. | More than 1 yr. but max. 5 yrs. | Longer than 5 yrs. | No maturity     |                  |
| <b>Liquidity exposure</b>                   |   |                  |                                  |                                 |                    |                 |                  |
| <b>Assets</b>                               |   |                  |                                  |                                 |                    |                 |                  |
| Sovereign bonds eligible as collateral      | -   | 3,931.0          | 3,195.5                          | 5,317.8                         | -                  | -               | 12,444.3         |
| Lending to credit institutions              | -   | 715.4            | -                                | -                               | -                  | -               | 715.4            |
| 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                           | -   | -                | -                                | -                               | -                  | 173.4           | 173.4            |
| <b>Total assets</b>                         | -   | <b>77,695.7</b>  | <b>211,958.6</b>                 | <b>524,964.8</b>                | <b>56,385.5</b>    | <b>173.4</b>    | <b>871,178.0</b> |
| <b>Liabilities</b>                          |   |                  |                                  |                                 |                    |                 |                  |
| 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                           | -   | -                | -                                | -                               | -                  | 163.9           | 163.9            |
| Subordinated liabilities                    | -   | -                | -                                | -                               | 1,000.0            | -               | 1,000.0          |
| Equity                                      | -   | -                | -                                | -                               | -                  | 6,481.7         | 6,481.7          |
| <b>Total equity and liabilities</b>         | -   | <b>80,087.4</b>  | <b>185,555.4</b>                 | <b>536,865.3</b>                | <b>62,024.3</b>    | <b>6,645.6</b>  | <b>871,178.0</b> |
| <b>Net</b>                                  | -   | <b>-2,391.7</b>  | <b>26,403.2</b>                  | <b>-11,900.5</b>                | <b>-5,638.8</b>    | <b>-6,472.2</b> | -                |
| 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) The comparative figures for 2015 have been restated, with the effect that they are not comparable with the figures in the 2015 Annual Report.

## FINANCIAL STATEMENTS

Note 2, 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     |                  |
| <b>Liquidity exposure</b>                   |  |                  |                                  |                                 |                    |                 |                  |
| <b>Assets</b>                               |  |                  |                                  |                                 |                    |                 |                  |
| Sovereign bonds eligible as collateral      | -  | 3,100.2          | 2,998.5                          | 10,865.7                        | -                  | -               | 16,964.4         |
| Lending to credit institutions              | -  | 1,150.8          | -                                | -                               | -                  | -               | 1,150.8          |
| 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                           | -  | -                | -                                | -                               | -                  | 178.2           | 178.2            |
| <b>Total assets</b>                         | -  | <b>32,926.9</b>  | <b>94,277.6</b>                  | <b>215,973.1</b>                | <b>18,373.4</b>    | <b>178.2</b>    | <b>361,729.2</b> |
| <b>Liabilities</b>                          |  |                  |                                  |                                 |                    |                 |                  |
| 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                           | -  | -                | -                                | -                               | -                  | 56.4            | 56.4             |
| Subordinated liabilities                    | -  | -                | -                                | -                               | 1,000.0            | -               | 1,000.0          |
| Equity                                      | -  | -                | -                                | -                               | -                  | 7,306.8         | 7,306.8          |
| <b>Total equity and liabilities</b>         | -  | <b>29,240.6</b>  | <b>67,675.6</b>                  | <b>241,137.1</b>                | <b>16,312.7</b>    | <b>7,363.2</b>  | <b>361,729.2</b> |
| <b>Total difference</b>                     | -  | <b>3,686.3</b>   | <b>26,602.0</b>                  | <b>-25,164.0</b>                | <b>2,060.7</b>     | <b>-7,185.0</b> | -                |
| 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     |                  |
| <b>Liquidity exposure</b>                   |  |                  |                                  |                                 |                    |                 |                  |
| <b>Assets</b>                               |  |                  |                                  |                                 |                    |                 |                  |
| Sovereign bonds eligible as collateral      | -  | 3,933.4          | 3,491.6                          | 9,414.4                         | -                  | -               | 16,839.4         |
| Lending to credit institutions              | -  | 717.3            | -                                | -                               | -                  | -               | 717.3            |
| 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                        | 0.0                | -               | 45,688.4         |
| Derivatives                                 | -  | 830.2            | 6,689.6                          | 14,147.2                        | 1,108.6            | -               | 22,775.6         |
| Other asset items                           | -  | -                | -                                | -                               | -                  | 173.4           | 173.4            |
| <b>Total assets</b>                         | -  | <b>24,559.9</b>  | <b>87,828.1</b>                  | <b>211,838.0</b>                | <b>16,216.4</b>    | <b>173.4</b>    | <b>340,615.8</b> |
| <b>Liabilities</b>                          |  |                  |                                  |                                 |                    |                 |                  |
| Liabilities to credit institutions          | -  | 80.4             | -                                | 1,696.2                         | 526.9              | -               | 2,303.5          |
| Securities issued                           | -  | 29,463.0         | 65,575.3                         | 201,025.9                       | 22,879.4           | -               | 318,943.6        |
| Derivatives                                 | -  | 2,386.7          | 1,463.6                          | 6,869.1                         | 1,003.7            | -               | 11,723.1         |
| Other liabilities                           | -  | -                | -                                | -                               | -                  | 163.9           | 163.9            |
| Subordinated liabilities                    | -  | -                | -                                | -                               | 1,000.0            | -               | 1,000.0          |
| Equity                                      | -  | -                | -                                | -                               | -                  | 6,481.7         | 6,481.7          |
| <b>Total equity and liabilities</b>         | -  | <b>31,930.1</b>  | <b>67,038.9</b>                  | <b>209,591.2</b>                | <b>25,410.0</b>    | <b>6,645.6</b>  | <b>340,615.8</b> |
| <b>Total difference</b>                     | -  | <b>-7,370.2</b>  | <b>20,789.2</b>                  | <b>2,246.8</b>                  | <b>-9,193.6</b>    | <b>-6,472.2</b> | <b>0.0</b>       |
| 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 2, continued

## Fixed interest terms, Interest exposure

| 2016  | Nominal cash flows  |                  |                                  |                                 |                                  |                     | Total            |
|---|---|------------------|----------------------------------|---------------------------------|----------------------------------|---------------------|------------------|
|   | Fixed interest terms for assets and liabilities – interest exposure | 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. |                  |
| <b>Assets</b>                               |   |                  |                                  |                                 |                                  |                     |                  |
| Sovereign bonds eligible as collateral      | 7,490.0   | 2,986.4          | 6,298.6                          | -                               | -                                | -                   | 16,775.0         |
| Lending to credit institutions              | 1,150.8   | -                | -                                | -                               | -                                | -                   | 1,150.8          |
| 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                                | -   | -                | -                                | -                               | -                                | 178.2               | 178.2            |
| <b>Total assets</b>                         | <b>475,470.1</b>  | <b>104,923.9</b> | <b>304,883.4</b>                 | <b>28,755.1</b>                 | <b>2,865.6</b>                   | <b>178.2</b>        | <b>917,076.3</b> |
| <b>Liabilities and shareholders' equity</b> |   |                  |                                  |                                 |                                  |                     |                  |
| 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                           | -   | -                | -                                | -                               | -                                | 56.4                | 56.4             |
| Subordinated liabilities                    | 1,000.0   | -                | -                                | -                               | -                                | -                   | 1,000.0          |
| Equity                                      | -   | -                | -                                | -                               | -                                | 7,306.8             | 7,306.8          |
| <b>Total equity and liabilities</b>         | <b>453,134.0</b>  | <b>119,213.6</b> | <b>305,709.9</b>                 | <b>28,781.7</b>                 | <b>2,873.9</b>                   | <b>7,363.2</b>      | <b>917,076.3</b> |
| <b>Net</b>                                  | <b>22,336.1</b>   | <b>-14,289.7</b> | <b>-826.5</b>                    | <b>-26.6</b>                    | <b>-8.3</b>                      | <b>-7,185.0</b>     | <b>-</b>         |

| 2015 <sup>1</sup>                           | Nominal cash flows  |                  |                                  |                                 |                                  |                     | Total            |
|---|---|------------------|----------------------------------|---------------------------------|----------------------------------|---------------------|------------------|
|   | Fixed interest terms for assets and liabilities – interest exposure | 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. |                  |
| <b>Assets</b>                               |   |                  |                                  |                                 |                                  |                     |                  |
| Sovereign bonds eligible as collateral      | 3,931.0   | 3,195.5          | 5,317.8                          | -                               | -                                | -                   | 12,444.3         |
| Lending to credit institutions              | 715.4   | -                | -                                | -                               | -                                | -                   | 715.4            |
| 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                                | -   | -                | -                                | -                               | -                                | 173.4               | 173.4            |
| <b>Total assets</b>                         | <b>445,546.9</b>  | <b>107,616.4</b> | <b>283,993.3</b>                 | <b>31,980.4</b>                 | <b>1,867.6</b>                   | <b>173.4</b>        | <b>871,178.0</b> |
| <b>Liabilities and shareholders' equity</b> |   |                  |                                  |                                 |                                  |                     |                  |
| 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                           | -   | -                | -                                | -                               | -                                | 163.9               | 163.9            |
| Subordinated liabilities                    | 1,000.0   | -                | -                                | -                               | -                                | -                   | 1,000.0          |
| Equity                                      | -   | -                | -                                | -                               | -                                | 6,481.7             | 6,481.7          |
| <b>Total equity and liabilities</b>         | <b>422,084.8</b>  | <b>124,097.1</b> | <b>284,441.2</b>                 | <b>32,041.7</b>                 | <b>1,867.6</b>                   | <b>6,645.6</b>      | <b>871,178.0</b> |
| <b>Net</b>                                  | <b>23,462.1</b>   | <b>-16,480.7</b> | <b>-447.9</b>                    | <b>-61.3</b>                    | <b>0.0</b>                       | <b>-6,472.2</b>     | <b>-</b>         |

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

In the event of a 1 percent parallel shift (upwards) in all market interest rates, the outcome would change by positive SEK 204 (positive 133) million as a result of the change in value of assets and liabilities that are measured at fair value. The effect of the same shift in interest rates on all of the Company's contracts is lower at negative SEK 21 (neg 10) million, which indicates good matching of the period of fixed interest between assets and liabilities. Negative Stibor rates impact net interest income because floating rate notes (FRNs), whose coupons are dependent on the Stibor level, cannot have negative interest rates, unlike matching derivatives and loans. Kommuninvest has both issued FRNs and holds FRNs in its liquidity reserve. The three-month Stibor rate at year-end was negative 0.591%. At this level, the impact on net interest income in 2017 will be SEK 3.7 million, compared with the outcome if Stibor were positive.

1) The comparative figures for 2015 have been restated, with the effect that they are not comparable with the figures in the 2015 Annual Report.

## FINANCIAL STATEMENTS

Note 2, continued

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

| 2016  | Carrying amounts |                |                 |             |            |                  |                 | Fair value adjustment | Total |
|---|------------------|----------------|-----------------|-------------|------------|------------------|-----------------|-----------------------|-------|
|   | SEK              | EUR            | USD             | JPY         | AUD        | Other currencies |                 |                       |       |
| <b>Assets and liabilities in major foreign currencies</b>   |                  |                |                 |             |            |                  |                 |                       |       |
| <b>Assets</b>   |                  |                |                 |             |            |                  |                 |                       |       |
| Lending to credit institutions  | 1,003.1          | 71.2           | 75.1            | -           | -          | 1.4              | -               | 1150.8                |       |
| 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   | 3.3              | -              | -               | -           | -          | -                | -               | 3.3                   |       |
| Derivatives   | -                | -              | -               | -           | -          | -                | 24,449.8        | 24,449.8              |       |
| Other assets  | 174.2            | -              | 0.7             | -           | -          | -                | 0.0             | 174.9                 |       |
| <b>Total assets</b>   | <b>304,129.2</b> | <b>5,938.2</b> | <b>24,455.4</b> | <b>-</b>    | <b>-</b>   | <b>1.4</b>       | <b>27,205.0</b> | <b>361,729.2</b>      |       |
| <b>Liabilities</b>  |                  |                |                 |             |            |                  |                 |                       |       |
| 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  | 7,626.9          | -              | -               | -           | -          | -                | -263.7          | 7,363.2               |       |
| <b>Total equity and liabilities</b>   | <b>304,131.0</b> | <b>5,937.7</b> | <b>24,454.2</b> | <b>0.1</b>  | <b>0.0</b> | <b>1.2</b>       | <b>27,205.0</b> | <b>361,729.2</b>      |       |
| <b>Difference, assets and liabilities</b>   | <b>-1.8</b>      | <b>0.5</b>     | <b>1.2</b>      | <b>-0.1</b> | <b>0.0</b> | <b>0.2</b>       | <b>0.0</b>      | <b>-</b>              |       |
| 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 |                 |                       |       |
| <b>Assets and liabilities in major foreign currencies</b>   |                  |                |                 |             |            |                  |                 |                       |       |
| <b>Assets</b>   |                  |                |                 |             |            |                  |                 |                       |       |
| Lending to credit institutions  | 677.5            | 1.6            | 38.2            | -           | -          | -                | -               | 717.3                 |       |
| 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  | 128.1            | -              | -               | -           | -          | -                | -               | 128.1                 |       |
| <b>Total assets</b>   | <b>287,442.6</b> | <b>6,330.7</b> | <b>21,250.3</b> | <b>-</b>    | <b>-</b>   | <b>-</b>         | <b>25,592.2</b> | <b>340,615.8</b>      |       |
| <b>Liabilities</b>  |                  |                |                 |             |            |                  |                 |                       |       |
| Liabilities to credit institutions  | 80.4             | 515.3          | -               | 1,621.2     | -          | -                | 86.6            | 2,303.5               |       |
| Securities issued   | 145,046.5        | 7,108.0        | 137,960.7       | 7,582.3     | 5,326.2    | 13,859.4         | 2,060.5         | 318,943.6             |       |
| Derivatives   | 134,549.2        | -1,292.9       | -116,713.8      | -9,203.6    | -5,326.2   | -13,859.4        | 23,569.8        | 11,723.1              |       |
| Subordinated liabilities  | 1,000.0          | -              | -               | -           | -          | -                | -               | 1,000.0               |       |
| Other liabilities incl. equity  | 6,770.3          | -              | -               | -           | -          | -                | -124.7          | 6,645.6               |       |
| <b>Total equity and liabilities</b>   | <b>287,446.4</b> | <b>6,330.4</b> | <b>21,246.9</b> | <b>-0.1</b> | <b>0.0</b> | <b>0.0</b>       | <b>25,592.2</b> | <b>340,615.8</b>      |       |
| <b>Difference, assets and liabilities.</b>  | <b>-3.8</b>      | <b>0.3</b>     | <b>3.4</b>      | <b>0.1</b>  | <b>0.0</b> | <b>0.0</b>       | <b>0.0</b>      | <b>-</b>              |       |
| Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency | -                | 0.0            | 0.3             | 0.0         | 0.0        | 0.0              | 0.0             | -                     |       |

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

### Note 3 Net interest income

| The Group   | 2016                | 2015                |
|---|---------------------|---------------------|
| <b>Interest revenues</b>  |                     |                     |
| Lending to credit institutions  | -                   | -                   |
| Lending   | 603.3               | 1,343.0             |
| Interest-bearing securities   | 49.4                | 92.0                |
| Others  | 1.3                 | 3.3                 |
| <b>Total</b>  | <b>654.0</b>        | <b>1,438.3</b>      |
| Of which: interest expense from financial items not measured at fair value through profit or loss | 481.7               | 1,061.4             |
| <b>Interest expenses</b>  |                     |                     |
| Liabilities to credit institutions  | -4.9                | -0.3                |
| Interest-bearing securities   | 298.8               | -603.2              |
| Lending, negative lending rate  | -151.0              | -5.6                |
| Others  | -35.0               | -30.9               |
| <b>Total</b>  | <b>107.9</b>        | <b>-640.0</b>       |
| Of which: interest income from financial items not measured at fair value through profit or loss  | -332.7 <sup>1</sup> | -695.2 <sup>1</sup> |
| <b>Total net interest income</b>  | <b>761.9</b>        | <b>798.3</b>        |

Kommuninvest considers all income and expenses to be attributable to the country in which Group's Company has its registered office, Sweden. In this note, income is recognised 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.

#### Kommuninvest Cooperative Society

|                                    | 2016         | 2015         |
|------------------------------------|--------------|--------------|
| <b>Interest revenues</b>           |              |              |
| Lending to credit institutions     | 0.0          | 0.0          |
| Interest income, debenture loan    | 12.3         | 16.2         |
| <b>Total</b>                       | <b>12.3</b>  | <b>16.2</b>  |
| <b>Interest expenses</b>           |              |              |
| Liabilities to credit institutions | -0.1         | -            |
| Interest expenses, debenture loan  | -12.3        | -16.2        |
| <b>Total</b>                       | <b>-12.4</b> | <b>-16.2</b> |
| <b>Total net interest income</b>   | <b>-0.1</b>  | <b>0.0</b>   |

In this note, income is recognised as positive and expenses as negative.

### Note 4 Commission expenses

| Group                      | 2016       | 2015       |
|----------------------------|------------|------------|
| Payment agency commissions | 0.9        | 1.0        |
| Brokerage for securities   | 4.1        | 4.1        |
| Other commissions          | 0.2        | 0.2        |
| <b>Total</b>               | <b>5.2</b> | <b>5.3</b> |

### Note 5 Net result of financial transactions

| Group                              | 2016          | 2015         |
|------------------------------------|---------------|--------------|
| Realised profit                    |               |              |
| - Result from 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         |
| <b>Total</b>                       | <b>-131.9</b> | <b>165.7</b> |

Kommuninvest considers all income and expenses to be attributable to the country in which Group's Company has its registered office, Sweden. In this note, income is recognised as positive and expenses as negative.

| Net gain/loss by measurement category, Group   | 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         |
| <b>Total</b>   | <b>-131.9</b> | <b>165.7</b> |
| <b>Results (net)</b>   |               |              |
| Net result of available-for-sale financial assets recognised in other comprehensive income | 56.6          | -60.2        |

### Note 6 Other operating income

| Group  | 2016       | 2015       |
|--|------------|------------|
| Capital gain on divestments of tangible assets | 0.1        | -          |
| Capital gains on sales of shares               | 1.3        | -          |
| Other operating income                         | 5.8        | 4.5        |
| <b>Total</b>                                   | <b>7.2</b> | <b>4.5</b> |

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

## Note 7 General administration expenses

### The Group

| Personnel expenses, in SEK, thousands  | 2016           | 2015                       |
|--|----------------|----------------------------|
| - salaries and emoluments  | 68,058         | 61,982                     |
| - social security charges  | 36,618         | 32,726                     |
| <i>of which, social security contributions and wage debt for social security contributions</i> | <i>20,586</i>  | <i>19,239</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          | 3,336                      |
| - other personnel expenses   | 5,305          | 3,741                      |
| <b>Total personnel expenses</b>  | <b>121,182</b> | <b>104,602<sup>1</sup></b> |
| <b>Other general administration expenses</b>   |                |                            |
| - travel expenses  | 6,841          | 5,150                      |
| - IT expenses  | 15,306         | 17,656                     |
| - consultancy fees   | 24,518         | 13,701                     |
| - rating expenses  | 936            | 1,304                      |
| - market data  | 6,981          | 7,024                      |
| - rent and other expenses for premises   | 3,328          | 1,387                      |
| - property expenses  | 1,514          | 1,068                      |
| - annual and interim reports   | 1,990          | 1,315                      |
| - resolution fee/stability fee   | 31,635         | 120,462                    |
| - other expenses   | 18,838         | 18,868                     |
| <b>Total other general administration expenses</b>   | <b>111,887</b> | <b>187,935<sup>1</sup></b> |
| <b>Total</b>   | <b>233,069</b> | <b>292,537</b>             |

1) The transfer of expenses for contract personnel has resulted in subtotals for payroll expenses and other general administration expenses being changed compared with the 2015 Annual Report.

| Kommuninvest Cooperative Society                             | 2016          | 2015          |
|--|---------------|---------------|
| Salaries and emoluments, incl. social security contributions | 2,342         | 1,927         |
| Other expenses   | 10,526        | 8,805         |
| <b>Total</b>   | <b>12,868</b> | <b>10,732</b> |

### Remuneration policy, Kommuninvest i Sverige AB

The Company applies a remuneration policy that explains that Kommuninvest i Sverige AB does not apply variable remuneration. Nor has any variable remuneration been paid to Company employees in 2016. No non-recurring remuneration has been approved in connection with new appointments, nor has any severance been paid 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 the Board of Directors of Kommuninvest i Sverige AB

At the end of the year, the Board of Directors was composed of eight (seven) members, including the employee representative, of whom three (three) 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 are paid a fixed fee of SEK 300,000 each. No fees were paid to employee representatives. The 2016 Annual General Meeting resolved that Board fees 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 April 2016  | 208          | -            |
| Catharina Lagerstam, departed April 2015   | -            | 64           |
| Lorentz Andersson, departed April 2015   | -            | 64           |
| Anders Pelander, employee representative, departed September 2016                    | -            | -            |
| Nedim Murtic, employee representative, newly elected October 2016                    | -            | -            |
| Ulrika Gonzalez Hedqvist, deputy employee representative, newly elected October 2016 | -            | -            |
| <b>Total</b>   | <b>2,258</b> | <b>1,895</b> |

### Remuneration to the senior executives of

#### Kommuninvest i Sverige AB

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 Vice President and 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 initiated by the Company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration details regarding other senior executives only include remunerations paid during the period in which each individual has been a senior executive. At the end of the year, other senior executives consisted of four (four) people, of whom three (three) were women and one (one) was a man. In the preceding year, two people stepped down, of whom two were men who stepped down from the Executive Management Team effective from September when two people were appointed, of whom one was a man. In 2016, nobody stepped down from the Executive Management Team.

Remuneration of other senior executives in Company management has been approved by the Board, except in the case of one (one) senior executive acting as contract personnel, for whom remuneration was determined by the CEO. The total remuneration to senior executives who were part of the Executive Management Team in 2016 amounted to SEK 3,011,950 (3,791,792), not including compensation for the senior executive acting as contract personnel. The pension expenses are covered through insurance.

## Note 7, continued

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 of the Kommuninvest Cooperative Society

At the end of the year, the Board of Directors comprised 15 (15) members, of whom seven (seven) were women, and 15 (15) deputies, of whom five (five) were women. The Annual General meeting re-elected Göran Färm as the Chairman of the Board and Linda Frohm as Vice Chairman of the Board of Directors of the Kommuninvest Cooperative Society. At the Meeting, all 15 members and 15 deputies were re-elected.

The Meeting also approved changes in the fees paid to the Board of Directors of the Society. The fee is based on the monthly fee paid to the members of the Swedish Riksdag (parliament) approved by the Riksdag's remuneration committee. The fee for each function on the Board of Directors corresponds to a certain percentage of this base amount. The Meeting's resolutions on changed remuneration mean that the Chairman receives a fixed fee of SEK 281,000 (275,000) and the Vice Chairman a fixed fee of SEK 187,000 (183,000).

Alongside the Chairman and Vice Chairman, two members of the Board of Directors form the Society's Working Committee and accordingly receive an annual fixed fee of SEK 104,000 (101,000). These amounts apply on an annual basis and no variable remuneration is paid. Other ordinary members, 11 in number, will receive a fixed fee of SEK 7,500 (7,300) and a variable fee of SEK 4,400 (4,300) per meeting. Deputy board members receive a variable fee of SEK 4,400 (4,300) per meeting. For telephone meetings, all members receive remuneration of SEK 2,200 (2,200) per meeting in variable compensation.

| Remuneration to the Board of Directors of the Kommuninvest Cooperative Society, in SEK, thousands | 2016           | 2015           |
|---|----------------|----------------|
| Alf Egnerfors, departed April 2015  | -              | 55.2           |
| Anna-Britta Åkerlind  | 34.9           | 17.2           |
| Andreas Stuesson, departed April 2015   | -              | -              |
| Ann-Charlotte Stenkil, departed April 2015  | -              | 61.3           |
| Ann-Marie Jacobsson, departed April 2015  | -              | 7.0            |
| Barbro Hassel, departed April 2015  | -              | 7.0            |
| Bert Öhlund, departed April 2015  | -              | 7.0            |
| Bo Rudolfsson   | 21.7           | 21.5           |
| Britta Flinkfeldt Jansson   | 17.3           | 17.2           |
| Camilla Egberth   | 30.5           | 19.9           |
| Carina Blank, departed April 2015   | -              | 7.0            |
| Carina Sándor   | 29.2           | 17.8           |
| Catharina Winberg   | 30.6           | 21.5           |
| Christina Johansson   | 26.3           | 17.2           |
| Elver Jonsson, departed April 2015  | -              | 7.0            |
| Ewa-May Karlsson  | 102.5          | 82.0           |
| Fredrik Larsson   | 33.5           | 25.6           |
| Gert Ove Thörnros   | 13.1           | 24.2           |
| Göran Färm  | 274.6          | 183.0          |
| Jonas Ransgård  | 29.3           | 23.3           |
| Lennart Holmlund  | 26.3           | 25.0           |
| Lilly Bäcklund  | 37.9           | 21.3           |
| Linda Frohm   | 185.1          | 122.0          |
| Lotta Öhlund  | 29.3           | 27.6           |
| Magnus Oscarsson, departed April 2015   | -              | 3.5            |
| Malin Danielsson, departed April 2015   | -              | -              |
| Margreth Johnsson   | 102.5          | 99.5           |
| Marie Wilén, departed April 2015  | -              | -              |
| Marie-Louise Forsberg-Fransson  | 37.9           | 22.0           |
| Mohamad Hassan  | 21.8           | 17.2           |
| Niklas Karlsson   | 33.5           | 27.6           |
| Niclas Nilsson  | 42.3           | 26.4           |
| Patrik Jönsson  | 24.9           | 26.4           |
| Peter Hemlin  | 26.1           | 19.9           |
| Peter Kärnström   | 34.9           | 24.2           |
| Pierre Sjöström   | 30.6           | 21.5           |
| Robert Mörk, departed April 2015  | -              | 3.5            |
| Robert Stenkvist  | 4.3            | 8.6            |
| Roger Persson   | 34.9           | 21.5           |
| Roland Åkesson  | 42.3           | 26.8           |
| Ulf Olsson  | 34.9           | 17.2           |
| Urban Widmark, departed April 2015  | -              | 7.0            |
| Åsa Herbst, departed April 2015   | -              | 7.0            |
| Örjan Mossberg  | 42.3           | 35.4           |
| <b>Total</b>  | <b>1,435.3</b> | <b>1,233.0</b> |

## FINANCIAL STATEMENTS

Note 7, continued

### Wages and remunerations Wages and remunerations to senior executives

| 2016, in SEK, thousands             | Basic salary/<br>Board fee | Other<br>benefits | Pension<br>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        |
| <b>Total</b>                        | <b>66,215</b>              | <b>99</b>         | <b>12,907</b>      | <b>79,221</b> |

| 2015, in SEK, thousands             | Basic salary/<br>Board fee | Other<br>benefits | Pension<br>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        |
| <b>Total</b>                        | <b>60,449</b>              | <b>105</b>        | <b>10,727</b>      | <b>71,281</b> |

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

#### Group

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

The Society has no employees.

#### Group

| Emoluments and expenses for the auditors, SEK, thousands KPMG AB | 2016  | 2015 |
|--|-------|------|
| Audit assignments  | 773   | -    |
| Other audit services   | 2,410 | -    |
| Tax consultancy  | 15    | -    |
| Other Services   | 25    | -    |

| Emoluments and costs for the auditors, SEK 000s, Ernst & Young AB | 2016 | 2015  |
|---|------|-------|
| Auditing engagement   | 97   | 1,112 |
| Other audit services  | 354  | 2,069 |
| Tax consultancy   | 43   | 343   |
| Other Services  | 152  | 240   |

#### Kommuninvest Cooperative Society

| Emoluments and compensation for expenses for the auditors, SEK, thousands, KPMG AB | 2016 | 2015 |
|--|------|------|
| Audit assignments  | 64   | -    |
| Other audit services   | 50   | -    |
| Tax consultancy  | -    | -    |
| Other Services   | -    | -    |

| Emoluments and costs for the auditors, SEK 000s, Ernst & Young AB | 2016 | 2015 |
|---|------|------|
| Auditing engagement   | 25   | 198  |
| Other audit services  | -    | -    |
| Tax consultancy   | -    | -    |
| Other Services  | -    | -    |

At the Annual General Meeting on 12 April 2016, Ernst & Young resigned as the Group's accounting firm and KPMG AB was appointed.

Auditing work refers to the scrutiny of the annual and consolidated accounts, 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 that the client. Other services refers to those not included in any of the above.

| Operational leases where the Kommuninvest Group is the lessee | 2016         | 2015         |
|---|--------------|--------------|
| Non-cancellable lease payments amount to:                     |              |              |
| Within one year   | 1,673        | 1,651        |
| Between one and five years                                    | 4,655        | 4,845        |
| <b>Total</b>  | <b>6,328</b> | <b>6,496</b> |

Over the year, expenses for operational leases amounted to SEK 3,178,000 (2,238,000). The increase in expenses in 2016 is attributable to the early repayment of contracts for technical equipment.

## Note 8 Other operating expenses

| Group                         | 2016       | 2015       |
|-------------------------------|------------|------------|
| Insurance expenses            | 0.9        | 0.6        |
| Communication and information | 4.0        | 3.4        |
| Other operating expenses      | 0.1        | 0.2        |
| <b>Total</b>                  | <b>5.0</b> | <b>4.2</b> |

## Note 9 Taxes

### The Group

| Recognised in income statement  | 2016       | 2015         |
|---|------------|--------------|
| Current tax expense   | 0.7        | 8.0          |
| Deferred tax expense (+) / tax income (-) attributable to temporary differences | -0.2       | 31.2         |
| Adjustment of taxes attributable to previous years                              | -0.1       | -70.4        |
| <b>Total tax expense recognised</b>   | <b>0.4</b> | <b>-31.2</b> |

| Reconciliation of effective tax                                  | 2016, %      | 2016       | 2015 %        | 2015         |
|--|--------------|------------|---------------|--------------|
| Profit before tax  |              | 386.2      |               | 658.7        |
| Tax according to prevailing tax rate                             | 22.0 %       | 85.0       | 22.0 %        | 144.9        |
| Tax effect of deductible distribution                            | -25.4 %      | -98.0      | -16.7 %       | -110.1       |
| Tax effect of dividend in excess of profit for the year          | 3.2 %        | 12.5       | -             | -            |
| Non-deductible expenses  | 0.3 %        | 1.2        | 0.1 %         | 0.5          |
| Utilisation of tax-loss carryforwards not previously capitalised | -            | -          | -4.1 %        | -27.3        |
| Reassessment of deferred tax                                     | 0.0 %        | -0.2       | 4.7 %         | 31.2         |
| Tax attributable to previous years                               | 0.0 %        | -0.1       | -10.7 %       | -70.4        |
| <b>Recognised effective tax</b>                                  | <b>0.1 %</b> | <b>0.4</b> | <b>-4.7 %</b> | <b>-31.2</b> |

| Tax expense attributable to other comprehensive income | 2016     | 2015     |
|--|----------|----------|
| Available-for-sale financial assets                    | -        | -        |
| <b>Other comprehensive income</b>                      | <b>-</b> | <b>-</b> |

### Recognised in the balance sheet

#### Recognised deferred tax assets and liabilities

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

|  | Deferred tax assets |             |
|--|---------------------|-------------|
|  | 2016                | 2015        |
| <b>Tax assets, opening balance</b>                   | <b>28.3</b>         | <b>59.5</b> |
| Unrealised changes in market value                   | -                   | -31.4       |
| - of which, recognised in the income statement       | -                   | -31.4       |
| - of which, recognised in other comprehensive income | -                   | -           |
| Income tax adjustment                                | 0.2                 | 0.2         |
| <b>Tax assets, closing balance</b>                   | <b>28.5</b>         | <b>28.3</b> |

### Kommuninvest Cooperative Society

| Recognised in income statement      | 2016       | 2015       |
|-------------------------------------|------------|------------|
| Tax expense for the year            | 0.3        | 7.6        |
| <b>Total tax expense recognised</b> | <b>0.3</b> | <b>7.6</b> |

| Reconciliation of effective tax                                  | 2016 %       | 2016       | 2015 %     | 2015       |
|--|--------------|------------|------------|------------|
| Profit before tax  |              | 445.7      |            | 534.7      |
| Tax according to prevailing tax rate                             | 22.0 %       | 98.0       | 22.0 %     | 117.6      |
| Tax effect of deductible distribution                            | -22.0 %      | -98.0      | -20.6 %    | -110.1     |
| Non-deductible expenses  | 0.1 %        | 0.3        | 0.0 %      | 0.1        |
| Utilisation of tax-loss carryforwards not previously capitalised | -            | -          | -          | -          |
| <b>Recognised effective tax</b>                                  | <b>0.1 %</b> | <b>0.3</b> | <b>1.4</b> | <b>7.6</b> |

## Note 10 Appropriation of surplus

The Board of Directors of the Kommuninvest Cooperative Society proposes that:

The profit of SEK 445.6 million at the disposal of the Annual General Meeting of the Society be appropriated as follows:

|  |              |
|--|--------------|
| Interest of 1.5 percent on contributions be paid to members  | 83.2         |
| Refunds to be distributed to members in proportion to each member's share of the total business volume in 2016 | 362.2        |
| To be carried forward  | 0.2          |
| <b>Total appropriated</b>  | <b>445.6</b> |

For more information, see Page 45.

## Note 11 Sovereign bonds eligible as collateral

| Group   | 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          |
| <b>Total</b>  | <b>16,910.3</b>   | <b>16,964.4</b> | <b>16,964.4</b>  | <b>16,798.2</b>   | <b>16,839.4</b> | <b>16,839.4</b>  |
| 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            |
| <b>Total</b>  |                   |                 | <b>189.4</b>     |                   |                 | <b>126.7</b>     |

## Note 12 Lending to credit institutions

| Kommuninvest Cooperative Society | 2016        | 2015       |
|----------------------------------|-------------|------------|
| Lending in SEK                   | 17.8        | 7.5        |
| <b>Total</b>                     | <b>17.8</b> | <b>7.5</b> |

## Note 13 Lending

|   | 2016              |                  |                  | 2015              |                  |                  |
|---|-------------------|------------------|------------------|-------------------|------------------|------------------|
|   | Acquisition value | Fair value       | Recognised value | Acquisition value | Fair value       | Recognised value |
| Lending                                       |                   |                  |                  |                   |                  |                  |
| - municipalities and county councils          | 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         |
| <b>Total</b>                                  | <b>274,039.0</b>  | <b>277,002.9</b> | <b>276,982.1</b> | <b>251,374.9</b>  | <b>254,381.7</b> | <b>254,421.7</b> |

Lending refers to lending to municipalities and county councils/regions, as well as to companies owned by municipalities and county councils/regions. In Kommuninvest's assessment, no writedowns were required as per 31 December 2016.

## Note 14 Bonds and other interest-bearing securities

| Group   | 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         |
| <b>Total</b>  | <b>42,069.1</b>   | <b>42,003.9</b> | <b>42,003.9</b>  | <b>46,185.8</b>   | <b>45,688.4</b> | <b>45,688.4</b>  |
| 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           |
| <b>Total</b>  |                   |                 | <b>1,327.0</b>   |                   |                 | <b>1,276.3</b>   |

## Note 15 Shares and participations

| Group                                  | 2016       | 2015       |
|--|------------|------------|
| Endowment insurance                    | 3.3        | 2.8        |
| <b>Total shares and participations</b> | <b>3.3</b> | <b>2.8</b> |

Refers to endowment insurance, which is reported gross and recognised on the liability side, see Note 26.

## Note 16 Shares and participations in associated companies

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

| Group                 | 2016     | 2015       |
|-----------------------|----------|------------|
| Number of shares: 500 | -        | 0.5        |
| <b>Total</b>          | <b>-</b> | <b>0.5</b> |

In 2016, a voluntary liquidation was carried out regarding NLGFA Administrative Solutions AB, an associate of Kommuninvest i Sverige AB. Following that, Group holds no shares in associated companies.

## Note 17 Shares and participations in subsidiaries

| Kommuninvest Cooperative Society       | 2016             |                   | 2015             |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | Recognised value | Number of shares  | Recognised value | Number of shares  |
| <b>Companies</b>                       |                  |                   |                  |                   |
| Kommuninvest i Sverige AB, 556281-4409 | 6,093.5          | 61,000,000        | 3,919.9          | 39,263,850        |
| <b>Total</b>                           | <b>6,093.5</b>   | <b>61,000,000</b> | <b>3,919.9</b>   | <b>39,263,850</b> |

The value has increased due to a new share issue.

## 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 <sup>1</sup>                                  | 141.7                       | -74.4                     | 4,627.4          | 289.0                       | 783.5                     | 4,314.1          |
| <b>Total</b>  | <b>16,968.6</b>             | <b>-8,185.2</b>           | <b>347,776.5</b> | <b>15,792.7</b>             | <b>10,327.9</b>           | <b>424,255.3</b> |
| <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          |
| <b>Total</b>  | <b>7,481.2</b>              | <b>-1,205.3</b>           | <b>185,327.4</b> | <b>6,982.9</b>              | <b>1,395.2</b>            | <b>163,029.4</b> |

<sup>1</sup>) Derivatives where the return is linked to shares, currencies, etc. These derivatives have precisely matched funding since the recipient leg of the derivative should reflect and hedge all risks in its funding.

## Note 19 Intangible assets

| Group   | 2016        | 2015        |
|---|-------------|-------------|
| <b>Acquired intangible assets</b>                                 |             |             |
| <b>Other technology/contract-based assets</b>                     |             |             |
| <i>Acquisition value</i>  |             |             |
| Acquisition value brought forward                                 | 20.1        | 2.0         |
| Investments for the year  | 1.9         | 18.2        |
| Disposals and scrappings  | -           | -           |
| <b>Acquisition value carried forward</b>                          | <b>22.0</b> | <b>20.2</b> |
| <i>Depreciation</i>   |             |             |
| Opening balance, depreciation                                     | -4.4        | -0.4        |
| Depreciation for the year   | -4.2        | -4.1        |
| Disposals and scrappings  | -           | -           |
| <b>Depreciation carried forward</b>                               | <b>-8.6</b> | <b>-4.5</b> |
| <b>Planned residual value at the end of the accounting period</b> | <b>13.4</b> | <b>15.7</b> |

Intangible assets refers to business systems.

## Note 20 Tangible assets

| Group                                    | 2016         | 2015         |
|--|--------------|--------------|
| <b>Equipment</b>                         |              |              |
| Acquisition value brought forward        | 27.7         | 27.2         |
| Investments for the year                 | 5.0          | 0.5          |
| Disposals                                | -0.5         | -            |
| <b>Acquisition value carried forward</b> | <b>32.2</b>  | <b>27.7</b>  |
| Opening balance, depreciation            | -22.8        | -20.6        |
| Depreciation for the year                | -2.0         | -2.2         |
| Disposals                                | 0.4          | -            |
| <b>Depreciation carried forward</b>      | <b>-24.4</b> | <b>-22.8</b> |
| <b>Carrying amounts</b>                  | <b>7.8</b>   | <b>4.9</b>   |
| <b>Land and building</b>                 |              |              |
| Acquisition value brought forward        | 50.0         | 49.8         |
| Investments for the year                 | 1.3          | 0.2          |
| Disposals and scrappings                 | -            | -            |
| <b>Acquisition value carried forward</b> | <b>51.3</b>  | <b>50.0</b>  |
| Opening balance, depreciation            | -17.6        | -16.1        |
| Depreciation for the year                | -1.5         | -1.5         |
| Disposals                                | -            | -            |
| <b>Depreciation carried forward</b>      | <b>-19.1</b> | <b>-17.6</b> |
| <b>Carrying amounts</b>                  | <b>32.2</b>  | <b>32.4</b>  |
| <b>Tax assessment value</b>              |              |              |
| Tax assessment value of Fenix 1 property | 34.0         | 28.8         |
| Of which, land (in Sweden)               | 8.0          | 8.0          |

Equipment mainly includes IT and office equipment for SEK 7.2 (4.3) million and artwork for SEK 0.6 (0.6) million.

## Note 21 Receivables from subsidiaries

| Kommuninvest Cooperative Society | 2016         | 2015           |
|----------------------------------|--------------|----------------|
| Group contributions for the year | 458.7        | 545.4          |
| Trade and other receivables      | 0.0          | -              |
| Other receivables                | 332.2        | 1,604.3        |
| <b>Total</b>                     | <b>790.9</b> | <b>2,149.7</b> |

Other receivables refer to 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 Other assets

| Group        | 2016       | 2015       |
|--------------|------------|------------|
| Other assets | 2.3        | 4.2        |
| <b>Total</b> | <b>2.3</b> | <b>4.2</b> |

## Note 23 Prepaid expenses and accrued revenues

| Group                                       | 2016        | 2015        |
|---|-------------|-------------|
| Other prepaid expenses and accrued revenues | 15.0        | 11.8        |
| <b>Total</b>                                | <b>15.0</b> | <b>11.8</b> |

## Note 24 Other liabilities

| Group                                   | 2016        | 2015        |
|---|-------------|-------------|
| Other liabilities                       | 20.7        | 14.4        |
| <b>Total</b>                            | <b>20.7</b> | <b>14.4</b> |
| <b>Kommuninvest Cooperative Society</b> |             |             |
| Other liabilities                       | 0.4         | 0.3         |
| Tax liabilities                         | 7.9         | 10.4        |
| Accounts payable, trade                 | 0.4         | 0.4         |
| <b>Total</b>                            | <b>8.7</b>  | <b>11.1</b> |

## Note 25 Accrued expenses and prepaid revenues

| Group                                       | 2016        | 2015         |
|---|-------------|--------------|
| Accrued stability fee                       | -           | 120.5        |
| Other accrued expenses and prepaid revenues | 31.6        | 25.6         |
| <b>Total</b>                                | <b>31.6</b> | <b>146.1</b> |

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

| Kommuninvest Cooperative Society            | 2016       | 2015       |
|---|------------|------------|
| Other accrued expenses and prepaid revenues | 0.3        | 0.8        |
| <b>Total</b>                                | <b>0.3</b> | <b>0.8</b> |

## Note 26 Provisions for pensions and similar commitments

| Group                               | 2016       | 2015       |
|-------------------------------------|------------|------------|
| Provisions for pensions obligations | 4.1        | 3.4        |
| <b>Total</b>                        | <b>4.1</b> | <b>3.4</b> |

Refers to endowment insurance of SEK 3.3 million, which is reported gross and included on the asset side, see Note 15. The provision also includes the recording of tax on the endowment insurance in the amount of SEK 0.8 million.

## Note 27 Subordinated liabilities

| Kommuninvest Cooperative Society | Currency | Nominal        | Interest rate (%) | Due date         | Recognised value |                |
|----------------------------------|----------|----------------|-------------------|------------------|------------------|----------------|
|                                  |          |                |                   |                  | 2016             | 2015           |
| Debenture loan                   | SEK      | 1,000.0        | Variable          | 30 November 2040 | 1,000.0          | 1,000.0        |
| <b>Total</b>                     |          | <b>1,000.0</b> |                   |                  | <b>1,000.0</b>   | <b>1,000.0</b> |

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

## Note 28 Equity in the Kommuninvest Cooperative Society

In the Group's share capital, the Kommuninvest Cooperative Society has classified SEK 6,307.5 (5,424.1) million as equity, of which SEK 22.8 (26.9) million relates to the "överinsats", that is, the part of the capital contribution that, for certain members, exceeds the highest level stipulated in the statutes.

Members who leave or are expelled from the Society will be able to recover subscribed capital they have paid in or been allocated through participation issues. It is only on leaving or being expelled that members can recover their total subscribed capital. Payment is to be made six months after the member has withdrawn.

In the case of any excess contributions ("överinsats"), however, the member is entitled to request repayment of all or part of the contributions without having to withdraw from the Society. The repayment of the excess contributions can be made six months after the end of the year in which the withdrawal occurs.

However, repayments of subscribed capital may only be made to the extent permitted by the Society's retained assets in accordance with the balance sheet set up at the point of the discontinuation of membership without having to make use of the statutory reserve or appreciation fund and only on the condition that this can be done without setting aside the equal rights of the other members. Furthermore, such payments are only made if it is feasible, in the assessment of the Board of Directors, to make payment without, to any material extent, adversely affecting the capital coverage situation of the Society's group of companies or the Society's companies, or that it would entail similar deficiencies. During the 2016, SEK 4.2 million in excess contributions was repaid to a member.

On repayment, the Society is entitled to subtract the amount required to settle past due counterclaims from the Society and any claims from the Society's companies.

As per the closing date, SEK - (4.2) million in excess contributions had been cancelled, to be repaid in 2017.

## Note 29 Consolidated equity

| Group, SEK million   | Restricted equity  |  |                                | Unrestricted equity             |                        |              | Total equity   |
|--|--------------------|--|--------------------------------|---------------------------------|------------------------|--------------|----------------|
|  | Subscribed capital | Development expenditure reserve <sup>1</sup> | Statutory reserve <sup>2</sup> | Fair value reserve <sup>3</sup> | Profit brought forward | Net income   |                |
| <b>Equity brought forward 1 Jan 2015</b>   | <b>2,054.0</b>     | -  | <b>102.3</b>                   | <b>11.3</b>                     | <b>275.2</b>           | <b>718.6</b> | <b>3,161.4</b> |
| Profit for the year  |                    |  |                                |                                 |                        | 689.9        | 689.9          |
| Capitalised over the year  |                    |  |                                |                                 |                        |              | -              |
| Other comprehensive income   |                    |  |                                | -60.2                           |                        |              | -60.2          |
| <b>Total profit or loss</b>  | -                  | -  | -                              | <b>-60.2</b>                    | -                      | <b>689.9</b> | <b>629.7</b>   |
| <b>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</b> |                    |  |                                |                                 |                        |              |                |
| Profit for the preceding year  |                    |  |                                |                                 | 718.6                  | -718.6       | 0.0            |
| Distribution of surplus as refunds and interest  |                    |  |                                |                                 | -679.5                 |              | -679.5         |
| Allocated to statutory reserve   |                    |  | 35.7                           |                                 | -35.7                  |              | 0.0            |
| <i>New subscribed capital during the year</i>  |                    |  |                                |                                 |                        |              |                |
| Participation capital from new members of the society  |                    |  |                                |                                 |                        |              | -              |
| Contributions from existing members  | 3,370.1            |  |                                |                                 |                        |              | 3,370.1        |
| Disbursement of "överinsats" <sup>4</sup>  |                    |  |                                |                                 |                        |              | -              |
| <b>Equity carried forward 31 December 2015</b>   | <b>5,424.1</b>     | -  | <b>138.0</b>                   | <b>-48.9</b>                    | <b>278.6</b>           | <b>689.9</b> | <b>6,481.7</b> |
| <b>Equity brought forward 1 Jan 2016</b>   | <b>5,424.1</b>     | -  | <b>138.0</b>                   | <b>-48.9</b>                    | <b>278.6</b>           | <b>689.9</b> | <b>6,481.7</b> |
| Profit for the year  |                    |  |                                |                                 |                        | 385.8        | 385.8          |
| Capitalised over the year  |                    | 1.6  |                                |                                 | -1.6                   |              | 0.0            |
| Other comprehensive income   |                    |  |                                | 56.6                            |                        |              | 56.6           |
| <b>Total profit or loss</b>  | -                  | <b>1.6</b>                                   | -                              | <b>56.6</b>                     | <b>-1.6</b>            | <b>385.8</b> | <b>442.4</b>   |
| <b>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</b> |                    |  |                                |                                 |                        |              |                |
| Profit for the preceding year  |                    |  |                                |                                 | 689.9                  | -689.9       | 0.0            |
| Distribution of surplus as refunds and interest  |                    |  |                                |                                 | -500.7                 |              | -500.7         |
| Allocated to statutory reserve   |                    |  | 26.4                           |                                 | -26.4                  |              | 0.0            |
| <i>New subscribed capital during the year</i>  |                    |  |                                |                                 |                        |              |                |
| Participation capital from new members of the society  | 50.7               |  |                                |                                 |                        |              | 50.7           |
| Contributions from existing members  | 836.9              |  |                                |                                 |                        |              | 836.9          |
| Disbursement of "överinsats" <sup>4</sup>  | -4.2               |  |                                |                                 |                        |              | -4.2           |
| <b>Equity carried forward 31 December 2016</b>   | <b>6,307.5</b>     | <b>1.6</b>                                   | <b>164.4</b>                   | <b>7.7</b>                      | <b>439.8</b>           | <b>385.8</b> | <b>7,306.8</b> |

1) The development expenditure reserve corresponds to capitalised development costs accrued in-house that have been transferred from profit or loss brought forward, adjusted for a proportionate share of the amortisation reversed from the fund to unrestricted equity.

2) The statutory reserve refers to earlier statutory provisions to restricted equity and earlier provisions remain.

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

4) "Överinsats" (excess contributions) refer to that part of capital contributions that, for certain members, exceeds the highest level stipulated in the statutes. For further information, see Note 28.

## Note 30 Memorandum items

| Pledged assets - Group  | 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        |
| Collateral pledged for derivative liabilities                             |                 |                 |
| - government bonds  | 170.9           | -               |
| Marginal collateral pledged to a central clearing counterpart             |                 |                 |
| - government bonds  | 316.2           | -               |
| <b>Assets pledged, total</b>  | <b>15,759.4</b> | <b>13,307.4</b> |
| <b>Contingent liabilities</b>   | None            | None            |
| <b>Committed undisbursed loans</b>  | 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 31 Related parties

### Close associations

The Kommuninvest Cooperative Society has had related party transactions with Kommuninvest i Sverige AB. The Group has had related party transactions with Sandahl Partner Örebro AB and Malin Norbäck Consulting AB.

| Related party, in SEK, thousands | Year | Sales of goods/<br>services to related<br>parties | Purchase of<br>goods/services<br>from related<br>parties | Other (interest) | Receivables from<br>related parties on<br>31 December | Liabilities to<br>related parties on<br>31 December |
|----------------------------------|------|---|--|------------------|---|---|
| Kommuninvest i Sverige AB        | 2016 | 106   | 3,505  | 12,269           | 1,790,955   | 6   |
|                                  | 2015 | -   | 2,773  | 16,151           | 3,149,697   | 337   |
| Sandahl Partners Örebro AB       | 2016 | -   | 155  | -                | -   | -   |
|                                  | 2015 | -   | 922  | -                | -   | 364   |
| Malin Norbäck Consulting AB      | 2016 | -   | 2,007  | -                | 169   | 355   |
|                                  | 2015 | -   | -  | -                | -   | -   |

The Society's close relationship with Kommuninvest i Sverige AB includes a claim on the subsidiary relating to a subordinated loan of SEK 1 billion and member contributions, which are handled by the Company on the Society's behalf and that have not yet been transferred to the Company in the form of new share capital.

The Group has additional related party relationships with two companies, Sandahl Partner Örebro AB and Malin Norbäck Consulting AB. These are classified as related parties since these companies provide key individuals in leading positions to the Group's subsidiary, Kommuninvest in Sweden AB. Sandahl

Partner Örebro AB provided this during the period from September 2015 to January 2016. Effective from February 2016, this service has been provided by Malin Norbäck Consulting AB. Only transactions with these companies during the aforementioned periods are listed in the above table. With regard to transactions with other key individuals in senior positions employed by Kommuninvest i Sverige AB, see Note 7.

### Transactions with key people in senior posts

With regard to salaries, other remuneration and pensions for key people in management positions, please see Note 7.

## Note 32 Events after the balance sheet date

Following the balance sheet date, the municipalities of Mölndal and Linköping have been admitted as members of the Society.

**Note 33** Financial assets and liabilities – Group

| 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 | Holdings for trading purposes |  |                              |
| Sovereign bonds eligible as collateral          | 9,448.0   | -                             | -  | -                            |
| Lending to credit institutions                  | -   | -                             | 1,150.8                                  | -                            |
| Lending   | 95,601.1  | -                             | 181,381.0                                | -                            |
| Bonds and other interest-bearing securities     | 32,633.8  | -                             | -  | -                            |
| Derivatives                                     | -   | 16,968.6                      | -  | -                            |
| Other assets                                    | -   | -                             | 2.4                                      | -                            |
| <b>Total</b>                                    | <b>137,682.9</b>  | <b>16,968.6</b>               | <b>182,534.2</b>                         | <b>-</b>                     |
| Liabilities to credit institutions <sup>1</sup> | -   | -                             | -  | -                            |
| Securities issued <sup>1</sup>                  | -   | -                             | -  | -                            |
| Derivatives                                     | -   | -                             | -  | -                            |
| Other liabilities                               | -   | -                             | -  | -                            |
| Subordinated liabilities                        | -   | -                             | -  | -                            |
| <b>Total</b>                                    | <b>-</b>  | <b>-</b>                      | <b>-</b>                                 | <b>-</b>                     |

| 2015  | Financial assets at fair value through profit or loss     |                               | Loan receivables and accounts receivable | Investments held to maturity |
|---|---|-------------------------------|--|------------------------------|
|   | Financial assets determined as belonging to this category | Holdings for trading purposes |  |                              |
| Sovereign bonds eligible as collateral          | 12,568.2  | -                             | -  | -                            |
| Lending to credit institutions                  | -   | -                             | 717.3                                    | -                            |
| Lending   | 63,452.5  | -                             | 190,969.2                                | -                            |
| Bonds and other interest-bearing securities     | 35,204.1  | -                             | -  | -                            |
| Derivatives                                     | 0.0   | 15,792.7                      | -  | -                            |
| Other assets                                    | -   | -                             | 4.2                                      | -                            |
| <b>Total</b>                                    | <b>111,224.8</b>  | <b>15,792.7</b>               | <b>191,690.7</b>                         | <b>-</b>                     |
| Liabilities to credit institutions <sup>1</sup> | -   | -                             | -  | -                            |
| Securities issued <sup>1</sup>                  | -   | -                             | -  | -                            |
| Derivatives                                     | -   | -                             | -  | -                            |
| Other liabilities                               | -   | -                             | -  | -                            |
| Subordinated liabilities                        | -   | -                             | -  | -                            |
| <b>Total</b>                                    | <b>-</b>  | <b>-</b>                      | <b>-</b>                                 | <b>-</b>                     |

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

The 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 unadjusted 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<br>financial assets | Financial liabilities at<br>fair value through profit or loss           |                                  | Other<br>financial<br>liabilities | Derivatives<br>that are used<br>for hedge<br>reporting | Total<br>recognised<br>value | Fair<br>value    |
|--|---|----------------------------------|-----------------------------------|--|------------------------------|------------------|
|  | Financial liabilities<br>determined as<br>belonging to this<br>category | Holdings for trading<br>purposes |                                   |  |                              |                  |
| 7,516.4                                | -   | -                                | -                                 | -  | 16,964.4                     | 16,964.4         |
| -                                      | -   | -                                | -                                 | -  | 1,150.8                      | 1,150.8          |
| -                                      | -   | -                                | -                                 | -  | 276,982.1                    | 277,002.9        |
| 9,370.1                                | -   | -                                | -                                 | -  | 42,003.9                     | 42,003.9         |
| -                                      | -   | -                                | -                                 | 7,481.2  | 24,449.8                     | 24,449.8         |
| -                                      | -   | -                                | -                                 | -  | 2.4                          | 2.4              |
| <b>16,886.5</b>                        | -   | -                                | -                                 | <b>7,481.2</b>   | <b>361,553.4</b>             | <b>361,574.2</b> |
| -                                      | 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          |
| -                                      | -   | -                                | 13.3                              | -  | 13.3                         | 13.3             |
| -                                      | -   | -                                | 1,000.0                           | -  | 1,000.0                      | 1,039.1          |
| -                                      | <b>147,081.1</b>  | <b>8,184.5</b>                   | <b>197,907.7</b>                  | <b>1,206.0</b>   | <b>354,379.3</b>             | <b>355,851.4</b> |
| Available-for-sale<br>financial assets | Financial liabilities at<br>fair value through profit or loss           |                                  | Other<br>financial<br>liabilities | Derivatives<br>that are used<br>for hedge<br>reporting | Total<br>recognised<br>value | Fair<br>value    |
|  | Financial liabilities<br>determined as<br>belonging to this<br>category | Holdings for trading<br>purposes |                                   |  |                              |                  |
| 4,271.2                                | -   | -                                | -                                 | -  | 16,839.4                     | 16,839.4         |
| -                                      | -   | -                                | -                                 | -  | 717.3                        | 717.3            |
| -                                      | -   | -                                | -                                 | -  | 254,421.7                    | 254,381.7        |
| 10,484.3                               | -   | -                                | -                                 | -  | 45,688.4                     | 45,688.4         |
| -                                      | -   | -                                | -                                 | 6,982.9  | 22,775.6                     | 22,775.6         |
| -                                      | -   | -                                | -                                 | -  | 4.2                          | 4.2              |
| <b>14,755.5</b>                        | -   | -                                | -                                 | <b>6,982.9</b>   | <b>340,446.6</b>             | <b>340,406.6</b> |
| -                                      | 2,223.1   | -                                | 80.4                              | -  | 2,303.5                      | 2,303.5          |
| -                                      | 151,133.4   | -                                | 167,810.2                         | -  | 318,943.6                    | 319,414.5        |
| -                                      | -   | 10,328.0                         | -                                 | 1,395.1  | 11,723.1                     | 11,723.1         |
| -                                      | -   | -                                | 5.5                               | -  | 5.5                          | 5.5              |
| -                                      | -   | -                                | 1,000.0                           | -  | 1,000.0                      | 999.9            |
| -                                      | <b>153,356.5</b>  | <b>10,328.0</b>                  | <b>168,896.1</b>                  | <b>1,395.1</b>   | <b>333,975.7</b>             | <b>334,446.5</b> |

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.

## FINANCIAL STATEMENTS

### Note 33, 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 fundings 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 uncertainties*

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 profit or loss 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 net profit 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. The credit risk in lending is considered to be the same as

## Note 33, continued

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 period, 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 period, the valuation of fundings 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 period, 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 period.

*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 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         |
| <b>Total</b>                                | <b>39,694.8</b>  | <b>139,101.8</b> | <b>222.6</b>   | <b>179,019.2</b> |
| 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          |
| <b>Total</b>                                | <b>100,634.1</b> | <b>49,395.8</b>  | <b>6,441.7</b> | <b>156,471.6</b> |
| <b>2015</b>                                 | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>     |
| Sovereign bonds eligible as collateral      | 12,568.2         | 4,271.2          | -              | 16,839.4         |
| Lending                                     | -                | 63,452.5         | -              | 63,452.5         |
| Bonds and other interest-bearing securities | 38,711.4         | 6,977.0          | -              | 45,688.4         |
| Derivatives                                 | 0.4              | 22,479.0         | 296.2          | 22,775.6         |
| <b>Total</b>                                | <b>51,280.0</b>  | <b>97,179.7</b>  | <b>296.2</b>   | <b>148,755.9</b> |
| Liabilities to credit institutions          | -                | 2,223.1          | -              | 2,223.1          |
| Securities issued                           | -                | 147,219.7        | 3,913.7        | 151,133.4        |
| Derivatives                                 | 2.6              | 10,245.8         | 1,474.7        | 11,723.1         |
| <b>Total</b>                                | <b>2.6</b>       | <b>159,688.6</b> | <b>5,388.4</b> | <b>165,079.6</b> |

## FINANCIAL STATEMENTS

Note 33, continued

### Changes in level 3

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

|  | Bonds and<br>interest-bearing<br>securities | Derivative<br>assets | Derivative<br>liabilities | Liabilities<br>to credit<br>institutions | Securities issued | Total     |
|--|---|----------------------|---------------------------|--|-------------------|-----------|
| <b>Opening balance, 1 January 2015</b>   | -   | 479.5                | -844.9                    | -205.1                                   | -9,516.1          | -10,086.6 |
| Recognised gains and losses:   | -   |                      |                           |  |                   |           |
| - recognised in the income statement<br>(net result of financial transactions)   | -   | -183.3               | -629.8                    | 0.4                                      | 797.5             | -15.2     |
| Cost, acquisitions   | -   | -                    | -                         | -  | -2,430.9          | -2,430.9  |
| Maturing during the year   | -   | -                    | -                         | 204.7                                    | 7,235.8           | 7,440.5   |
| <b>Closing balance, 31 December 2015</b>   | -   | 296.2                | -1,474.7                  | -  | -3,913.7          | -5,092.2  |
| Gains and losses recognised in the income<br>statement (net result of financial<br>transactions) for assets included in the<br>closing balance as per 31 December 2015 | -   | 1.7                  | -822.6                    | -  | 821.1             | 0.2       |
| <b>Opening balance, 1 January 2016</b>   | -   | 296.2                | -1,474.7                  | -  | -3,913.7          | -5,092.2  |
| Recognised gains and losses:   | -   |                      |                           |  |                   |           |
| - recognised in the income statement<br>(net result of financial transactions)   | -   | -73.5                | 1,286.5                   | -  | -1,210.9          | 2.0       |
| Cost, acquisitions   | -   | -                    | -                         | -  | -2,428.4          | -2,428.4  |
| Maturing during the year   | -   | -                    | -                         | -  | 1,299.5           | 1,299.5   |
| <b>Closing balance, 31 December 2016</b>   | -   | 222.7                | -188.2                    | -  | -6,253.5          | -6,219.0  |
| Gains and losses recognised in profit/loss<br>(net result of financial transactions) for<br>assets included in the closing balance as<br>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 borrowing combination behaves as a borrowing combination in level 2, the changes in value in level 3 are analysed in the same manner as in level 2.

### 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     | -         | 1,150.8   | -       | 1,150.8   | 1,150.8          |
| Lending                            | -         | 181,401.8 | -       | 181,401.8 | 181,381.0        |
| Other assets                       | -         | 2.4       | -       | 2.4       | 2.4              |
| <b>Total</b>                       | -         | 182,555.0 | -       | 182,555.0 | 182,534.2        |
| 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                  | -         | 13.3      | -       | 13.3      | 13.3             |
| Subordinated liabilities           | -         | 1,039.1   | -       | 1,039.1   | 1,000.0          |
| <b>Total</b>                       | 88,051.9  | 111,327.9 | -       | 199,379.8 | 197,907.7        |
| 2015                               | Level 1   | Level 2   | Level 3 | Total     | Recognised value |
| Lending to credit institutions     | -         | 717.3     | -       | 717.3     | 717.3            |
| Lending                            | -         | 190,929.2 | -       | 190,929.2 | 190,969.2        |
| Other assets                       | -         | 4.2       | -       | 4.2       | 4.2              |
| <b>Total</b>                       | -         | 191,650.7 | -       | 191,650.7 | 191,690.7        |
| 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                  | -         | 5.5       | -       | 5.5       | 5.5              |
| Subordinated liabilities           | -         | 999.9     | -       | 999.9     | 1,000.0          |
| <b>Total</b>                       | 143,236.1 | 26,130.8  | -       | 169,366.9 | 168,896.1        |

## Note 34 Information on financial assets and liabilities subject to offsetting – Group

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 undeclared 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 uncleared 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 <sup>1</sup> | 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 |                 |
| <b>Assets</b>      |   |  |  |  |   |   |                 |
| Derivatives        | 24,565.2  | -115.4   | <b>24,449.8</b>                          | -7,949.1   | -15,623.0                                       | -   | <b>877.7</b>    |
| Repos <sup>2</sup> | -   | -  | -  | -  | -   | -   | -               |
| <b>Liabilities</b> |   |  |  |  |   |   |                 |
| Derivatives        | -9,866.7  | 476.2  | <b>-9,390.5</b>                          | 7,949.1  | 170.9   | -   | <b>-1,270.5</b> |
| <b>Total</b>       | <b>14,698.5</b>                                 | <b>360.8</b>                                     | <b>15,059.3</b>                          | <b>0.0</b>   | <b>-15,452.1</b>                                | <b>-</b>                                  | <b>-392.8</b>   |
| 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 |                 |
| <b>Assets</b>      |   |  |  |  |   |   |                 |
| Derivatives        | -   | -  | <b>22,775.6</b>                          | -9,661.4   | -11,391.2                                       | -   | <b>1,723.0</b>  |
| Repos <sup>2</sup> | -   | -  | <b>80.9</b>                              | -  | -80.8   | -   | <b>0.1</b>      |
| <b>Liabilities</b> |   |  |  |  |   |   |                 |
| Derivatives        | -   | -  | <b>-11,723.1</b>                         | 9,661.4  | -   | -   | <b>-2,061.7</b> |
| <b>Total</b>       | <b>-</b>  | <b>-</b>   | <b>11,133.4</b>                          | <b>0.0</b>   | <b>-11,472.0</b>                                | <b>-</b>                                  | <b>-338.6</b>   |

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

2) Repos are included in Lending to credit institutions.

## Note 35 Capital adequacy – Group

Since January 1, 2014, capital adequacy has been calculated according to CRR<sup>1</sup>. The greatest change compared with the previous calculation method relates to risk exposure amounts for credit valuation adjustment (CVA risk) for all OTC derivative contracts. The capital buffers to be introduced under CRD IV<sup>2</sup> first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers (2014:966). For Kommuninvest, only the capital conservation buffer of 2.5 percent applies, as well as the countercyclical buffer, which Finansinspektionen, the Swedish Financial Supervisory Authority, 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           |
|--|----------------|----------------|
| Participation capital <sup>3</sup>                         | 5,419.9        | 2,729.2        |
| Retained earnings <sup>4</sup>                             | 544.7          | 416.6          |
| Accumulated other comprehensive income and other reserves  | 9.3            | -48.9          |
| <b>Core Tier 1 capital before regulatory adjustments</b>   | <b>5,973.9</b> | <b>3,096.9</b> |
| Further value adjustments <sup>5</sup>                     | -190.0         | -63.4          |
| <b>Total regulatory adjustments to core Tier 1 capital</b> | <b>-190.0</b>  | <b>-63.4</b>   |
| <b>Total core Tier 1 capital</b>                           | <b>5,783.9</b> | <b>3,033.5</b> |
| Tier 1 capital contributions                               | -              | -              |
| <b>Total Tier 1 capital</b>                                | <b>5,783.9</b> | <b>3,033.5</b> |
| Debtenture loan <sup>6</sup>                               | 600.0          | 700.0          |
| <b>Total supplementary capital</b>                         | <b>600.0</b>   | <b>700.0</b>   |
| <b>Total capital</b>                                       | <b>6,383.9</b> | <b>3,733.5</b> |

1) European Parliament and Council Regulation (EU) No 575/2013 of 26 June 2013 on supervisory requirements for credit institutions and securities companies and amending Regulation (EU) No 648/2012.

2) European Parliament and Council Directive 2013/36/EU of 26 June 2013 on authorisation to conduct operations in credit institutions and on the supervision of credit institutions and securities companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC

3) Capital contributions to the Society are used to buy shares in the Company. Of the increase in contribution capital made during 2016, SEK 682.9 million referred to the purchase of share during the autumn 2016. This increase in share capital was registered with the Swedish Companies Registration Office on 2 January 2017. According to CRR, the Company may not classify the increase of the share capital as core Tier 1 capital until this has been approved by Finansinspektionen. This means that the Society can not classify share capital as core Tier 1 capital before such approval has been obtained. An application for permission to classify the increase of SEK 682.9 million in share capital as core Tier 1 capital was registered with Finansinspektionen on 10 January 2017. During the spring of 2017, the Society plans additional share purchases in the Company amounting to SEK 204.7 million, which is expected to be included in the capital base as of 30 June 2017. For a more detailed description of equity, see page 53.

4) Deductions have been made for the profit for the year of SEK 385.8 (689.9) and a further SEK 59.5 (-), which is expected to be distributed in the form of bonuses and interest on member contributions.

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 the deduction is attributable to the EBA's technical standard of prudent valuation having become applicable in 2016.

6) 30-year debtenture loan with three-month variable Stibor-linked interest. The terms allow early repayment or repurchase if the perpetual debtenture loan from the Kommuninvest Cooperative Society to Kommuninvest i Sverige AB is repaid or repurchased. The debtenture loan is valid as supplementary capital under the transitional rules in CRR.

|  | 2016           |                     | 2015           |                     |
|--|----------------|---------------------|----------------|---------------------|
|  | Risk exposure  | Capital requirement | Risk exposure  | Capital requirement |
| <b>Capital requirement</b>                                     |                |                     |                |                     |
| Capital requirement for credit risks (the standardised method) | 2,260.7        | 180.8               | 2,969.7        | 237.6               |
| <i>of which, exposures to states and central banks</i>         | 70.2           | 5.6                 | 70.2           | 5.6                 |
| <i>of which, institutional exposures</i>                       | 556.2          | 44.5                | 781.4          | 62.5                |
| <i>of which, corporate exposures</i>                           | 72.8           | 5.8                 | 68.3           | 5.5                 |
| <i>of which, exposures in the form of covered bonds</i>        | 1,561.5        | 124.9               | 2,049.8        | 164.0               |
| Operational risks, basic indicator method                      | 1,631.3        | 130.3               | 1,575.6        | 126.0               |
| Market risks   | -              | -                   | -              | -                   |
| Credit valuation adjustment                                    | 1,536.1        | 122.9               | 2,020.1        | 161.6               |
| <b>Total risk exposure amount and minimum capital amount</b>   | <b>5,428.1</b> | <b>434.0</b>        | <b>6,565.4</b> | <b>525.2</b>        |

|                                | 2016    | 2015   |
|--------------------------------|---------|--------|
| <b>Capital adequacy ratios</b> |         |        |
| Core Tier 1 capital ratio      | 106.6 % | 46.2 % |
| Tier 1 capital ratio           | 106.6 % | 46.2 % |
| Total capital ratio            | 117.6 % | 56.9 % |

|  | 2016           | 2015          |
|--|----------------|---------------|
| <b>Buffer requirements</b>                             |                |               |
| Capital conservation buffer                            | 2.5 %          | 2.5 %         |
| Countercyclical buffer                                 | 1.2 %          | 0.8 %         |
| <b>Total buffer requirements</b>                       | <b>3.7 %</b>   | <b>3.3 %</b>  |
| <b>Core Tier 1 capital available for use as buffer</b> | <b>100.6 %</b> | <b>40.2 %</b> |

|  | 2016                 | 2015         |
|--|----------------------|--------------|
| <b>Internally estimated capital requirements</b>               |                      |              |
| <b>Capital requirement</b>                                     |                      |              |
| Credit risk  | 28.9                 | 36.6         |
| Market risks   | 1,505.1 <sup>1</sup> | 696.9        |
| Liquidity risk   | -                    | 27.5         |
| Operational risk   | -                    | 5.0          |
| Business risk  | -                    | -            |
| Reputation risk  | -                    | 14.7         |
| Strategic risks  | -                    | 0.7          |
| Residual risk  | -                    | -            |
| <b>Total risk exposure amounts and minimum capital amounts</b> | <b>1,534.0</b>       | <b>781.4</b> |

1) The internally assessed capital requirement for market risks increase significantly in relation to 2015. The increase is not due to a change in risk-taking, but rather to changes in the calculation. As in 2015, this year's calculation was based on a scenario analysis, although scenarios have been added that include market stress during the financial crisis of 2008, greatly increasing the worst 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 page 37.

For information to be disclosed under Commission Implementing Regulation No 1423/2013 of 20 December 2013 on technical standards for implementation of the disclosure requirements for capital base for institutions according to European Parliament and Council Regulation (EU) 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 36 Leverage ratio - Group

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. For Kommuninvest, this affects issued loan commitments.

|  | 2016             | 2015             |
|--|------------------|------------------|
| Total assets   | 361,729.2        | 340,615.8        |
| 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          |
| <b>Total exposure</b>  | <b>360,806.4</b> | <b>338,686.3</b> |
| <b>Tier 1 capital, calculated applying transitional rules, see Note 35</b> | <b>5,783.9</b>   | <b>3,033.5</b>   |
| <b>Leverage ratio</b>  | <b>1.60 %</b>    | <b>0.90 %</b>    |

Kommuninvest has a capital plan for achieving the future statutory leverage ratio requirement, see page 37.

# Five-year summary – Group

| Key ratios 2012-2016, SEK, million   | 2016             | 2015             | 2014             | 2013             | 2012             |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Equity</b>  |                  |                  |                  |                  |                  |
| Core Tier 1 capital ratio (%)  | 106.6            | 46.2             | 35.6             | 37.6             | 15.5             |
| Tier 1 capital ratio (%)   | 106.6            | 46.2             | 35.6             | 37.6             | 15.5             |
| Total capital ratio (%)  | 117.6            | 56.9             | 47.4             | 56.4             | 23.3             |
| Leverage ratio according to CRR (%)  | 1.60             | 0.90             | 0.79             | 0.58             | 0.33             |
| Leverage ratio including debenture loan (%)  | 1.88             | 1.19             | 1.10             | 0.97             | n/d              |
| <b>Net profit</b>  | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      |
| Operating profit excluding the effect of unrealised changes in market value                          | 581.7            | 534.5            | 655.8            | 732.0            | 503.2            |
| Administration expenses, excluding the resolution fee/stability fee, as % of lending                 | 0.077            | 0.072            | 0.082            | 0.074            | 0.079            |
| Administration expenses, excluding the resolution fee/stability fee, as % of the balance sheet total | 0.059            | 0.054            | 0.059            | 0.056            | 0.056            |
| Return on assets (%)   | 0.107            | 0.203            | 0.230            | 0.269            | 0.150            |
| Cost/income ratio  | 0.320            | 0.379            | 0.320            | 0.262            | 0.334            |
| <b>Other information</b>   |                  |                  |                  |                  |                  |
| Number of employees at the end of the year   | 91               | 85               | 77               | 70               | 65               |
| <b>Income statement 1 January – 31 December, SEK, million</b>  | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      |
| Net interest income  | 761.9            | 798.3            | 914.9            | 968.9            | 771.5            |
| 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   | 7.2              | 4.5              | 3.3              | 1.9              | 6.4              |
| <b>Total operating income</b>  | <b>632.0</b>     | <b>963.2</b>     | <b>1,015.0</b>   | <b>1,003.9</b>   | <b>502.3</b>     |
| <b>Total operating expenses</b>  | <b>-245.8</b>    | <b>-304.5</b>    | <b>-293.8</b>    | <b>-254.3</b>    | <b>-260.0</b>    |
| <b>Operating profit</b>  | <b>386.2</b>     | <b>658.7</b>     | <b>721.2</b>     | <b>749.6</b>     | <b>242.3</b>     |
| Tax  | -0.4             | 31.2             | -2.6             | -3.8             | 182.5            |
| <b>Profit for the year</b>   | <b>385.8</b>     | <b>689.9</b>     | <b>718.6</b>     | <b>745.8</b>     | <b>424.8</b>     |
| <b>Balance sheet summary as at 31 December, SEK million</b>  | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      |
| State bonds eligible as collateral   | 16,964.4         | 16,839.4         | 15,204.1         | 14,626.2         | 11,160.8         |
| Lending to credit institutions   | 1,150.8          | 717.3            | 4,070.2          | 2,832.5          | 15,637.3         |
| 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   | 178.2            | 173.4            | 190.7            | 191.3            | 222.1            |
| <b>Total assets</b>  | <b>361,729.2</b> | <b>340,615.8</b> | <b>312,092.0</b> | <b>277,462.7</b> | <b>283,322.0</b> |
| Liabilities to credit institutions   | 2,396.1          | 2,303.5          | 4,823.6          | 4,375.0          | 5,633.4          |
| 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  | 56.4             | 163.9            | 160.6            | 149.4            | 168.5            |
| Subordinated liabilities   | 1,000.0          | 1,000.0          | 1,000.1          | 1,000.1          | 1,000.3          |
| <b>Total liabilities and provisions</b>  | <b>354,422.4</b> | <b>334,134.1</b> | <b>308,930.6</b> | <b>275,015.0</b> | <b>281,576.7</b> |
| Equity   | 7,306.8          | 6,481.7          | 3,161.4          | 2,447.6          | 1,745.3          |
| <b>Total liabilities, provisions and equity</b>  | <b>361,729.2</b> | <b>340,615.8</b> | <b>312,092.0</b> | <b>277,462.6</b> | <b>283,322.0</b> |

# Alternative key ratios

In this annual report, the Group 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  | 386.2            | 658.7            |
|  |  | Result of unrealised changes in market value  | -195.5           | 124.2            |
|  |  | <b>Operating profit excluding the effect of unrealised changes in market value</b>                      | <b>581.7</b>     | <b>534.5</b>     |
| Administration expenses, excluding the resolution fee/stability fee, as % of balance sheet total | Management expenses over the financial year, excluding the resolution fee/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 fee/stability fee. | General administration expenses   | -233.1           | -292.5           |
|  |  | Depreciation  | -7.7             | -7.8             |
|  |  | Other operating expenses  | -5.0             | -4.2             |
|  |  | Total administrative expenses   | -245.8           | -304.5           |
|  |  | Resolution charge/stability fee   | -31.4            | -120.5           |
|  |  | <b>Total administrative expenses excluding resolution fee/stability fee</b>                             | <b>-214.4</b>    | <b>-184.0</b>    |
|  |  | <b>Lending as per the closing date</b>  | <b>276,982.1</b> | <b>254,421.7</b> |
|  |  | <b>Administration expenses, excluding the resolution fee/stability fee, as % of balance sheet total</b> | <b>0.077</b>     | <b>0.072</b>     |
| Administration expenses, excluding the resolution fee/stability fee, as % of balance sheet total | Total administrative expenses over the financial year, excluding the resolution fee/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 total assets, adjusted for the resolution fee/stability fee.   | General administration expenses   | -233.1           | -292.5           |
|  |  | Depreciation  | -7.7             | -7.8             |
|  |  | Other operating expenses  | -5.0             | -4.2             |
|  |  | Total administrative expenses   | -245.8           | -304.5           |
|  |  | Resolution fee/stability fee  | -31.4            | -120.5           |
|  |  | <b>Total administrative expenses excluding resolution fee/stability fee</b>                             | <b>-214.4</b>    | <b>-184.0</b>    |
|  |  | <b>Total assets as per the closing date</b>   | <b>361,729.2</b> | <b>340,615.8</b> |
|  |  | <b>Administration expenses, excluding the resolution fee/stability fee, as % of balance sheet total</b> | <b>0.059</b>     | <b>0.054</b>     |
| Return on assets (%)   | Net profit in relation to total assets, expressed as a percentage. Key ratios presented in accordance with FFFS 2008:25 Chapter 6, Section 2a.   | Loss for the year   | 385.8            | 689.9            |
|  |  | Total assets  | 361,729.2        | 340,615.8        |
|  |  | <b>Return on assets (%)</b>   | <b>0.107</b>     | <b>0.203</b>     |
| Cost/income ratio  | Total operating expenses in relation to net interest and other operating income. An established key ratio in the banking sector for assessing the relationship between expenses and income.  | <b>Total operating expenses</b>   | <b>-245.8</b>    | <b>-304.5</b>    |
|  |  | Net interest income   | 761.9            | 798.3            |
|  |  | Other operating income  | 7.2              | 4.5              |
|  |  | <b>Total interest income and other income</b>   | <b>769.1</b>     | <b>802.8</b>     |
|  |  | <b>Cost/income ratio</b>  | <b>0.320</b>     | <b>0.379</b>     |

# Signatures

The Board of Directors and the President certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as determined by the IASB and adopted by the EU, and provide a true and fair view of the Group's financial position and earnings. The Parent Society's accounts have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Parent Society's financial position and earnings. The administration report for the Group and the Parent Society provides a true and fair

description of the development of the Group and Parent Society's operations, financial position and earnings, and addresses significant risks and uncertainties facing the Parent Society and the companies within the Group.

The consolidated and annual accounts, as specified below, were approved for issue by the Board on 15 March 2017. The consolidated income statement, statement of comprehensive income and balance sheet, as well as the Parent Company's income statement and balance sheet will be subject to ratification by the Annual General Meeting on 20 April 2017.

Stockholm, 15 March 2017

Göran Färm  
*Chairman*

Linda Frohm  
*Vice Chairman*

Marie-Louise Forsberg-Fransson  
*Board Member*

Carina Sándor  
*Board Member*

Ewa-May Karlsson  
*Board Member*

Margreth Johnsson  
*Board Member*

Niclas Nilsson  
*Board Member*

Lotta Öhlund  
*Board Member*

Niklas Karlsson  
*Board Member*

Örjan Mossberg  
*Board Member*

Fredrik Larsson  
*Board Member*

Lilly Bäcklund  
*Board Member*

Jonas Ransgård  
*Board Member*

Roland Åkesson  
*Board Member*

Patrik Jönsson  
*Board Member*

Tomas Werngren  
*President and CEO*

Our audit report was issued on 15 March 2017

KPMG

Anders Tagde  
*Authorised Public Accountant*

# Audit Report

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

## Report on the annual and consolidated accounts

### Statements

We have audited the annual and consolidated accounts of the Kommuninvest Cooperative Society for 2016. The Society's annual and consolidated accounts are included on pages 20–90 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present, in all material respects, a fair portrayal of the financial position of the Parent Company as of December 31, 2016 and its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and give, in all material respects, a true and fair view of the Group's financial position as of 31 December 2016 and of its financial performance and cash flows for the year in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

### Basis for statements

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are described in the section *Responsibility of the Auditor*. We are independent of the Parent Society and the Group in accordance with generally accepted accounting practices in Sweden and have, in all other regards, fulfilled our ethical responsibilities under these requirements.

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

### Other information

The audit of the 2015 annual accounts was performed by another auditor who provided the audit report dated 21 March 2016 with unmodified statements in the Report on the financial statements.

### Information other than annual and consolidated accounts

This document also contains information other than the annual and consolidated and this is presented on pages 1–19 and 95–97. The Board of Directors and the President are responsible for this other information.

Our opinion regarding the annual and consolidated accounts does not include this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the annual and consolidated accounts, it is our responsibility to read the information identified above and to consider whether the information is materially

incompatible with the annual and consolidated accounts. In this review, we also take into account the knowledge we have otherwise obtained during the audit and also assess whether the information appears to contain material errors in other regards. If, based on the work that has been conducted regarding this information, we should conclude that the other information contains a material misstatement, we are obliged to report this. We have nothing to report in this regard.

### Responsibility of the Board of Directors and the CEO

The Board of Directors and the President are responsible for the preparation of the annual and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act, and for the consolidated accounts, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and in accordance with IFRS as adopted by the EU. 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 and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the President are responsible for the assessment of the Society's ability to continue operating. They disclose, as applicable, conditions that could impact the Company's capacity to continue operating, and the assumption of continued operation. However, the assumption of continued operation is not applied if the Board of Directors and the President intend to liquidate the Society, cease operations, or have no realistic alternative but to do so.

### Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual and consolidated 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 and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. In addition:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated 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 Society'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 and consolidated 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 Society and the Group's ability to continue its operations. 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 and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual and consolidated 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 a Society and a Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

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.

### Report on other legal and regulatory requirements

#### Statements

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the President of the Kommuninvest Cooperative Society for 2016 and the proposed appropriations of the Society's profit or loss.

We recommend that the Annual General Meeting appropriate Company's profit or loss in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the directors and the President be discharged from liability for the financial year.

#### Basis for statements

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in the section *Responsibility of the Auditor*. We are independent of the Parent Society and the Group in accordance with generally accepted accounting practices in Sweden and have, in all other regards, fulfilled our ethical responsibilities under these requirements.

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

#### Responsibility of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the Society'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 Society's and the Group's type of operations, size and risks place on the size of the Society's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Society's organisation and the administration of the Society's affairs. This includes among other things continuous assessment of the Society's and the Group's financial situation and ensuring that the Society's organisation is designed so that the accounting, management of assets and the Society's financial affairs otherwise are controlled in a reassuring manner. The President is responsible for the ongoing management in accordance with the Board's guidelines and instructions, including taking the measures necessary for the Society's accounting to be completed in accordance with the law and for the management of funds being handled in a secure manner.

#### Auditors' 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 Society.
- in any other way acted in contravention of the Economic Associations Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Society's Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Society'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 Economic Associations 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 Society, or that the proposed appropriations of the Society's profit or loss are not in accordance with the Economic Associations Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Society's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement 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 Society'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 the basis for our opinion on the Board of Directors' proposal regarding the appropriation of the Society's profit or loss, we have considered whether or not the proposal is consistent with the Economic Associations Act.

Stockholm, 15 March 2017

KPMG

Anders Tagde  
*Authorised Public Accountant*

# Review Report

We, the lay auditors appointed by the Annual General Meeting of the Kommuninvest Cooperative Society, have reviewed the operations of the Kommuninvest Cooperative Society in 2016.

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

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

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

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

Örebro, 15 March 2017

Barbro Hassel

Cecilia Löfgreen

# Members of the Kommuninvest Cooperative Society

| Name of member               | Member No. | Population 31 December 2016 | Member year | Name of member                | Member No. | Population 31 December 2016 | Member year |
|------------------------------|------------|-----------------------------|-------------|-------------------------------|------------|-----------------------------|-------------|
| Municipality of Gävle        | 1          | 99,788                      | 1993        | Sörmland County Council       | 49         | 288,097                     | 1994        |
| Municipality of Umeå         | 2          | 122,892                     | 1993        | Municipality of Katrineholm   | 50         | 33,722                      | 1994        |
| City of Trollhättan          | 3          | 57,753                      | 1993        | Municipality of Vadstena      | 51         | 7,348                       | 1994        |
| Municipality of Lindsberg    | 4          | 23,744                      | 1993        | Municipality of Pajala        | 52         | 6,116                       | 1994        |
| Municipality of Uddevalla    | 5          | 55,164                      | 1993        | Municipality of Piteå         | 53         | 41,904                      | 1994        |
| Municipality of Vänersborg   | 6          | 38,955                      | 1993        | Municipality of Kristianstad  | 54         | 83,191                      | 1994        |
| Municipality of Sandviken    | 7          | 38,949                      | 1993        | Municipality of Berg          | 55         | 7,081                       | 1997        |
| Municipality of Varberg      | 8          | 61,868                      | 1993        | Municipality of Vårgårda      | 56         | 11,295                      | 1994        |
| Municipality of Mjölby       | 9          | 26,708                      | 1996        | Municipality of Ödeshög       | 57         | 5,335                       | 1995        |
| Region Örebro County         | 10         | 294,941                     | 1993        | Municipality of Orsa          | 58         | 6,861                       | 1995        |
| Municipality of Örebro       | 11         | 146,631                     | 1993        | Municipality of Svedala       | 59         | 20,771                      | 1995        |
| Municipality of Kumla        | 12         | 21,334                      | 1993        | Municipality of Lomma         | 60         | 23,887                      | 1995        |
| Municipality of Laxå         | 13         | 5,709                       | 1993        | Municipality of Lekeberg      | 61         | 7,636                       | 1995        |
| Municipality of Ljusnarsberg | 14         | 5,006                       | 1993        | Municipality of Kungsör       | 62         | 8,432                       | 1995        |
| Municipality of Karlskoga    | 15         | 30,538                      | 1993        | Municipality of Tjörn         | 63         | 15,584                      | 1995        |
| Municipality of Hallsberg    | 16         | 15,649                      | 1993        | Municipality of Staffanstorps | 64         | 23,600                      | 1995        |
| Municipality of Degerfors    | 17         | 9,609                       | 1993        | Municipality of Härryda       | 65         | 37,108                      | 1995        |
| Municipality of Askersund    | 18         | 11,282                      | 1993        | Municipality of Grums         | 66         | 9,063                       | 1995        |
| Municipality of Nora         | 19         | 10,665                      | 1993        | Municipality of Höganäs       | 67         | 25,847                      | 1995        |
| Municipality of Hällefors    | 20         | 7,138                       | 1993        | Municipality of Ängelholm     | 68         | 41,336                      | 1995        |
| Municipality of Härnösand    | 21         | 25,269                      | 1993        | Municipality of Flen          | 69         | 16,830                      | 1995        |
| Municipality of Ale          | 22         | 29,549                      | 1993        | Municipality of Essunga       | 70         | 5,620                       | 1995        |
| Municipality of Norberg      | 23         | 5,795                       | 1993        | Municipality of Nordmaling    | 71         | 7,132                       | 1995        |
| Municipality of Karlskrona   | 24         | 66,262                      | 1993        | Municipality of Oskarshamn    | 72         | 27,006                      | 1996        |
| Municipality of Skellefteå   | 25         | 72,266                      | 1994        | Municipality of Båstad        | 73         | 14,614                      | 1996        |
| Municipality of Västerviks   | 26         | 36,438                      | 1994        | Municipality of Storuman      | 74         | 5,899                       | 1996        |
| Municipality of Fagersta     | 27         | 13,445                      | 1994        | Municipality of Älvdalen      | 75         | 7,039                       | 1996        |
| Region Gotland               | 28         | 58,003                      | 1994        | Municipality of Sunne         | 76         | 13,425                      | 1995        |
| Municipality of Alingsås     | 29         | 40,045                      | 1994        | Municipality of Hjo           | 77         | 9,048                       | 1996        |
| Municipality of Smedjebacken | 30         | 10,909                      | 1994        | Municipality of Mönsterås     | 78         | 13,395                      | 1996        |
| Municipality of Boxholm      | 31         | 5,373                       | 1994        | Municipality of Malå          | 79         | 3,100                       | 1997        |
| Municipality of Ockelbo      | 32         | 5,856                       | 1994        | Municipality of Högsby        | 80         | 6,080                       | 1997        |
| Municipality of Tanum        | 33         | 12,606                      | 1994        | Municipality of Torsby        | 81         | 12,169                      | 1997        |
| Municipality of Borlänge     | 34         | 51,604                      | 1994        | Municipality of Lycksele      | 82         | 12,187                      | 1997        |
| Municipality of Strömsund    | 35         | 11,809                      | 1994        | Municipality of Bengtsfors    | 83         | 9,940                       | 1997        |
| Municipality of Kungsbacka   | 36         | 80,442                      | 1994        | Municipality of Åstorp        | 84         | 15,528                      | 1997        |
| Municipality of Valdemarsvik | 37         | 7,809                       | 1994        | Municipality of Simrishamn    | 85         | 19,485                      | 1997        |
| Municipality of Eda          | 38         | 8,526                       | 1994        | Municipality of Vimmerby      | 86         | 15,636                      | 1997        |
| Municipality of Gnosjö       | 39         | 9,615                       | 1994        | Municipality of Hulstfred     | 87         | 14,607                      | 1997        |
| Municipality of Övertorneå   | 40         | 4,534                       | 1994        | Municipality of Mörbylånga    | 88         | 14,916                      | 1997        |
| Municipality of Hedemora     | 41         | 15,461                      | 1994        | Municipality of Arvika        | 89         | 26,054                      | 1997        |
| Municipality of Luleå        | 42         | 76,770                      | 1994        | Municipality of Hammarö       | 90         | 15,725                      | 1997        |
| Municipality of Falu         | 43         | 57,685                      | 1994        | Municipality of Karlshamn     | 91         | 32,130                      | 1997        |
| City of Landskrona           | 44         | 44,611                      | 1994        | Municipality of Skara         | 92         | 18,979                      | 1997        |
| Municipality of Arboga       | 45         | 13,903                      | 1994        | Municipality of Sävsjö        | 93         | 11,396                      | 1997        |
| Municipality of Munkedal     | 46         | 10,361                      | 1994        | Municipality of Skurup        | 94         | 15,408                      | 1998        |
| Municipality of Orust        | 47         | 15,093                      | 1994        | Municipality of Vindeln       | 95         | 5,413                       | 1997        |
| Municipality of Falkenberg   | 48         | 43,867                      | 1994        | Municipality of Rättvik       | 96         | 10,856                      | 1998        |

## LIST OF MEMBERS

| Name of member               | Member No. | Population       |             | Name of member                 | Member No. | Population       |             |
|------------------------------|------------|------------------|-------------|--------------------------------|------------|------------------|-------------|
|                              |            | 31 December 2016 | Member year |                                |            | 31 December 2016 | Member year |
| Municipality of Mellerud     | 97         | 9,323            | 1998        | Municipality of Ystad          | 154        | 29,448           | 2004        |
| Municipality of Färgelanda   | 98         | 6,627            | 1998        | Municipality of Säftele        | 155        | 15,633           | 2004        |
| Municipality of Söderköping  | 99         | 14,402           | 1998        | Municipality of Bollnäs        | 156        | 26,929           | 2004        |
| Municipality of Vetlanda     | 100        | 27,241           | 1998        | Municipality of Storfors       | 157        | 4,046            | 2004        |
| Municipality of Herrljunga   | 101        | 9,486            | 1999        | Municipality of Huddinge       | 158        | 107,538          | 2004        |
| Municipality of Laholm       | 102        | 24,664           | 1999        | Municipality of Håbo           | 159        | 20,737           | 2005        |
| Region Gävleborg             | 103        | 284,586          | 1999        | Municipality of Gällivare      | 160        | 17,956           | 2005        |
| Municipality of Mark         | 104        | 34,218           | 1999        | Uppsala County Council         | 161        | 361,373          | 2005        |
| Municipality of Leksand      | 105        | 15,507           | 1999        | Municipality of Kramfors       | 162        | 18,681           | 2005        |
| Municipality of Strömstad    | 106        | 13,079           | 1999        | Municipality of Haparanda      | 163        | 9,864            | 2005        |
| Municipality of Upplands-Bro | 107        | 26,755           | 1999        | Municipality of Krokoms        | 164        | 14,843           | 2005        |
| Municipality of Alvesta      | 108        | 19,850           | 1999        | Municipality of Arvidsjaur     | 165        | 6,442            | 2005        |
| Municipality of Kalix        | 109        | 16,223           | 1999        | Municipality of Mariestad      | 166        | 24,215           | 2005        |
| Municipality of Bräcke       | 110        | 6,492            | 2000        | Municipality of Åsele          | 167        | 2,875            | 2005        |
| Municipality of Örkelljunga  | 111        | 9,958            | 2000        | Municipality of Sollefteå      | 168        | 19,846           | 2005        |
| Municipality of Götene       | 112        | 13,275           | 2000        | Municipality of Örnsköldsvik   | 169        | 55,964           | 2005        |
| Municipality of Ovanåker     | 113        | 11,631           | 2000        | Municipality of Karlstad       | 170        | 90,198           | 2005        |
| Municipality of Ydre         | 114        | 3,675            | 2001        | Municipality of Surahammar     | 171        | 10,059           | 2005        |
| Municipality of Bollebygd    | 115        | 9,102            | 2001        | Municipality of Filipstad      | 172        | 10,960           | 2005        |
| Municipality of Torsås       | 116        | 7,063            | 2001        | Municipality of Motala         | 173        | 43,258           | 2005        |
| Municipality of Håbo         | 117        | 11,586           | 2001        | Municipality of Jokkmokk       | 174        | 5,105            | 2005        |
| Municipality of Gagnef       | 118        | 10,175           | 2001        | Municipality of Hallstahammar  | 175        | 15,843           | 2006        |
| Municipality of Sotenäs      | 119        | 9,065            | 2001        | Municipality of Avesta         | 176        | 23,161           | 2006        |
| Municipality of Köping       | 120        | 25,950           | 2001        | Municipality of Trosa          | 177        | 12,447           | 2006        |
| Municipality of Boden        | 121        | 28,042           | 2001        | Municipality of Lilla Edet     | 178        | 13,728           | 2006        |
| Municipality of Tranemo      | 122        | 11,776           | 2001        | Municipality of Skinnkatteberg | 179        | 4,429            | 2006        |
| Municipality of Nässjö       | 123        | 30,820           | 2001        | Municipality of Kiruna         | 180        | 23,167           | 2006        |
| Municipality of Kinda        | 124        | 9,874            | 2001        | Municipality of Finspång       | 181        | 21,526           | 2006        |
| Municipality of Sigtuna      | 125        | 46,274           | 2002        | Municipality of Lysekil        | 182        | 14,570           | 2006        |
| Municipality of Karlsborg    | 126        | 6,913            | 2002        | Municipality of Söderhamn      | 183        | 25,992           | 2006        |
| Municipality of Robertsfors  | 127        | 6,784            | 2002        | Municipality of Hudiksvall     | 184        | 37,299           | 2006        |
| Municipality of Älvsbyn      | 128        | 8,193            | 2002        | Norrbottn County Council       | 185        | 250,570          | 2006        |
| Municipality of Mora         | 129        | 20,279           | 2002        | Municipality of Dorotea        | 186        | 2,719            | 2006        |
| Municipality of Tranås       | 130        | 18,794           | 2002        | Municipality of Nordanstig     | 187        | 9,511            | 2006        |
| Municipality of Eksjö        | 131        | 17,129           | 2002        | Municipality of Arjeplog       | 188        | 2,876            | 2006        |
| Municipality of Heby         | 132        | 13,755           | 2002        | Municipality of Botkyrka       | 189        | 90,675           | 2006        |
| Municipality of Oxelösund    | 133        | 11,921           | 2003        | Municipality of Nybro          | 190        | 20,311           | 2007        |
| Municipality of Haninge      | 134        | 85,693           | 2003        | Municipality of Hagfors        | 191        | 11,917           | 2007        |
| Municipality of Kungälv      | 135        | 43,289           | 2003        | Municipality of Vännäs         | 192        | 8,695            | 2007        |
| Municipality of Tomelilla    | 136        | 13,330           | 2003        | Municipality of Bjurholm       | 193        | 2,454            | 2007        |
| Municipality of Växjö        | 137        | 89,500           | 2003        | Municipality of Eskilstuna     | 194        | 103,684          | 2007        |
| Municipality of Trelleborg   | 138        | 43,913           | 2003        | Municipality of Gnesta         | 195        | 10,861           | 2007        |
| Municipality of Lessebo      | 139        | 8,760            | 2003        | Municipality of Forshaga       | 196        | 11,451           | 2007        |
| Municipality of Säter        | 140        | 11,086           | 2003        | Municipality of Kalmar         | 197        | 66,571           | 2007        |
| Municipality of Ånge         | 141        | 9,495            | 2003        | Municipality of Sjöbo          | 198        | 18,742           | 2007        |
| Region Västmanland           | 142        | 267,629          | 2003        | Municipality of Stenungsund    | 199        | 25,815           | 2007        |
| Municipality of Ljusdal      | 143        | 19,067           | 2003        | Municipality of Strängnäs      | 200        | 34,609           | 2007        |
| Municipality of Norsjö       | 144        | 4,125            | 2003        | Municipality of Åre            | 201        | 11,088           | 2007        |
| Municipality of Hofors       | 145        | 9,564            | 2003        | Municipality of Ludvika        | 202        | 26,933           | 2007        |
| Municipality of Överkalix    | 146        | 3,378            | 2004        | Municipality of Lerum          | 203        | 40,692           | 2007        |
| Municipality of Kils         | 147        | 11,800           | 2004        | Municipality of Nykvarns       | 204        | 10,424           | 2007        |
| Municipality of Härjedalen   | 148        | 10,200           | 2004        | Municipality of Vilhelmina     | 205        | 6,805            | 2007        |
| Värmland County Council      | 149        | 279,334          | 2004        | Municipality of Emmaboda       | 206        | 9,348            | 2007        |
| Municipality of Eslöv        | 150        | 32,878           | 2004        | Municipality of Vansbro        | 207        | 6,884            | 2007        |
| Municipality of Mullsjö      | 151        | 7,226            | 2004        | Municipality of Töreboda       | 208        | 9,435            | 2007        |
| Municipality of Vingåker     | 152        | 9,099            | 2004        | Municipality of Sölvesborg     | 209        | 17,437           | 2007        |
| Municipality of Munkfors     | 153        | 3,738            | 2004        | Municipality of Ragunda        | 210        | 5,415            | 2007        |

**LIST OF MEMBERS**

| <b>Name of member</b>          | <b>Member No.</b> | <b>Population 31 December 2016</b> | <b>Member year</b> | <b>Name of member</b>       | <b>Member No.</b> | <b>Population 31 December 2016</b> | <b>Member year</b> |
|--------------------------------|-------------------|------------------------------------|--------------------|-----------------------------|-------------------|------------------------------------|--------------------|
| Municipality of Osby           | 211               | 13,149                             | 2008               | Municipality of Enköping    | 268               | 42,988                             | 2012               |
| Municipality of Vaggeryd       | 212               | 13,644                             | 2008               | Municipality of Åmål        | 269               | 12,801                             | 2012               |
| Municipality of Timrå          | 213               | 17,992                             | 2008               | Municipality of Värnamo     | 270               | 33,906                             | 2012               |
| Municipality of Knivsta        | 214               | 17,323                             | 2008               | Municipality of Södertälje  | 271               | 94,631                             | 2012               |
| Municipality of Åtvidaberg     | 215               | 11,617                             | 2008               | City of Gothenburg          | 272               | 556,640                            | 2012               |
| Municipality of Uppvidinge     | 216               | 9,508                              | 2008               | Municipality of Skövde      | 273               | 54,133                             | 2012               |
| Municipality of Svenljunga     | 217               | 10,679                             | 2008               | City of Sundbyberg          | 274               | 47,750                             | 2012               |
| Municipality of Tingsryd       | 218               | 12,393                             | 2008               | Municipality of Uppsala     | 275               | 214,559                            | 2013               |
| Municipality of Jönköping      | 219               | 135,297                            | 2008               | Municipality of Tibro       | 276               | 11,070                             | 2013               |
| Municipality of Lund           | 220               | 118,542                            | 2008               | Municipality of Järfälla    | 277               | 74,412                             | 2013               |
| Municipality of Ulricehamn     | 221               | 23,887                             | 2008               | Municipality of Svalöv      | 278               | 13,919                             | 2013               |
| Municipality of Tierp          | 222               | 20,744                             | 2008               | Municipality of Klippan     | 279               | 17,219                             | 2014               |
| Municipality of Grästorp       | 223               | 5,721                              | 2008               | Municipality of Markaryd    | 280               | 9,991                              | 2014               |
| Municipality of Malung-Sälen   | 224               | 10,091                             | 2009               | Region Jämtland Härjedalen  | 281               | 128,673                            | 2016               |
| Municipality of Östra Göinge   | 225               | 14,406                             | 2009               | Municipality of Partille    | 282               | 37,316                             | 2016               |
| Municipality of Årjäng         | 226               | 9,958                              | 2009               | Region Kronoberg            | 283               | 194,628                            | 2016               |
| Municipality of Dals-Ed        | 227               | 4,777                              | 2009               | Municipality of Sollentuna  | 284               | 71,023                             | 2016               |
| City of Vaxholm                | 228               | 11,621                             | 2009               | Municipality of Kävlinge    | 285               | 30,532                             | 2016               |
| Municipality of Älvkarleby     | 229               | 9,445                              | 2009               | Västerbotten County Council | 286               | 265,881                            | 2016               |
| Municipality of Ljungby        | 230               | 28,008                             | 2009               |                             |                   |                                    |                    |
| Municipality of Hörby          | 231               | 15,283                             | 2009               |                             |                   |                                    |                    |
| Municipality of Älmhult        | 232               | 16,618                             | 2009               |                             |                   |                                    |                    |
| Municipality of Burlöv         | 233               | 17,646                             | 2009               |                             |                   |                                    |                    |
| Municipality of Hässleholm     | 234               | 51,667                             | 2009               |                             |                   |                                    |                    |
| Municipality of Olofström      | 235               | 13,417                             | 2009               |                             |                   |                                    |                    |
| Municipality of Sala           | 236               | 22,353                             | 2009               |                             |                   |                                    |                    |
| Municipality of Öckerö         | 237               | 12,773                             | 2009               |                             |                   |                                    |                    |
| Municipality of Kristinehamn   | 238               | 24,671                             | 2009               |                             |                   |                                    |                    |
| Municipality of Östhammar      | 239               | 21,822                             | 2009               |                             |                   |                                    |                    |
| Municipality of Bromölla       | 240               | 12,625                             | 2009               |                             |                   |                                    |                    |
| Municipality of Gullspångs     | 241               | 5,307                              | 2009               |                             |                   |                                    |                    |
| Municipality of Aneby          | 242               | 6,603                              | 2009               |                             |                   |                                    |                    |
| Municipality of Lidköping      | 243               | 39,235                             | 2009               |                             |                   |                                    |                    |
| Municipality of Bjuv           | 244               | 15,202                             | 2009               |                             |                   |                                    |                    |
| Municipality of Nynäshamn      | 245               | 27,752                             | 2009               |                             |                   |                                    |                    |
| Municipality of Norrköping     | 246               | 139,363                            | 2009               |                             |                   |                                    |                    |
| Municipality of Halmstad       | 247               | 98,538                             | 2009               |                             |                   |                                    |                    |
| Municipality of Ronneby        | 248               | 29,207                             | 2009               |                             |                   |                                    |                    |
| Municipality of Sorsele        | 249               | 2,535                              | 2010               |                             |                   |                                    |                    |
| Municipality of Falköping      | 250               | 32,806                             | 2010               |                             |                   |                                    |                    |
| Municipality of Upplands Väsby | 251               | 43,891                             | 2010               |                             |                   |                                    |                    |
| Municipality of Hylte          | 252               | 10,954                             | 2010               |                             |                   |                                    |                    |
| Municipality of Borgholm       | 253               | 10,930                             | 2010               |                             |                   |                                    |                    |
| Municipality of Höör           | 254               | 16,192                             | 2010               |                             |                   |                                    |                    |
| Municipality of Vara           | 255               | 15,788                             | 2010               |                             |                   |                                    |                    |
| Municipality of Vallentuna     | 256               | 32,785                             | 2010               |                             |                   |                                    |                    |
| Municipality of Salem          | 257               | 16,615                             | 2010               |                             |                   |                                    |                    |
| Municipality of Tyresö         | 258               | 47,103                             | 2010               |                             |                   |                                    |                    |
| Municipality of Tidaholm       | 259               | 12,797                             | 2010               |                             |                   |                                    |                    |
| Municipality of Värmdö         | 260               | 42,000                             | 2010               |                             |                   |                                    |                    |
| Municipality of Norrtälje      | 261               | 59,420                             | 2011               |                             |                   |                                    |                    |
| Dalarna County Council         | 262               | 284,531                            | 2011               |                             |                   |                                    |                    |
| City of Solna                  | 263               | 78,129                             | 2011               |                             |                   |                                    |                    |
| Municipality of Perstorp       | 264               | 7,338                              | 2011               |                             |                   |                                    |                    |
| Municipality of Nyköping       | 265               | 54,924                             | 2011               |                             |                   |                                    |                    |
| Municipality of Gislaved       | 266               | 29,478                             | 2011               |                             |                   |                                    |                    |
| City of Borås                  | 267               | 109,880                            | 2011               |                             |                   |                                    |                    |



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